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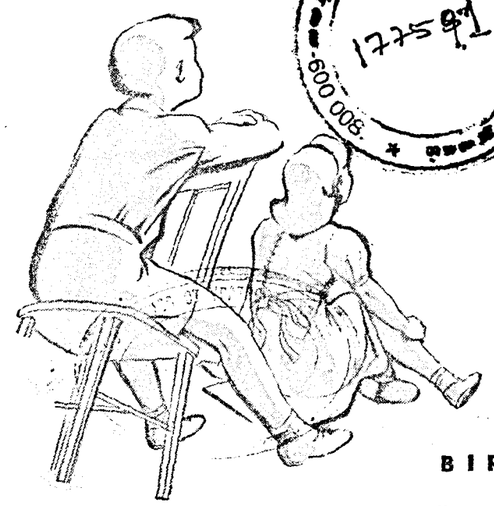
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Convertibility and its consequences are discussed in AN ACT OF BRAVERY? on page 11, and examined in detail in CONVERTIBILITY AT WORK on page 55. THE GENERAL'S GAMBLE on page 13, and a Paris message on page 49, examine the special problems of France.

THE ECONOMIC OUTLOOK
surveys the prospects for the Budget and for industry on page 29; and TO GROW OR NOT TO GROW? on page 41 looks at the American economy.

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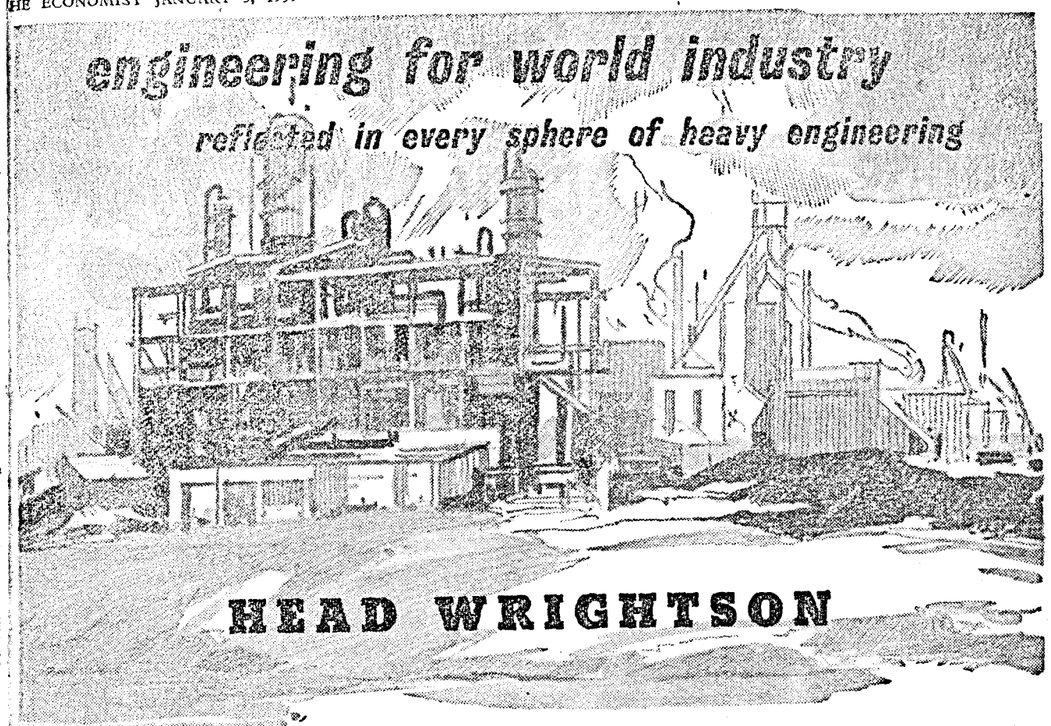
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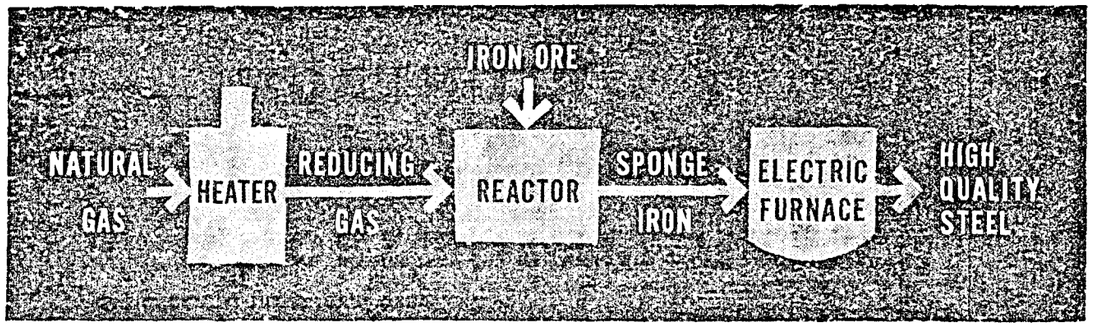


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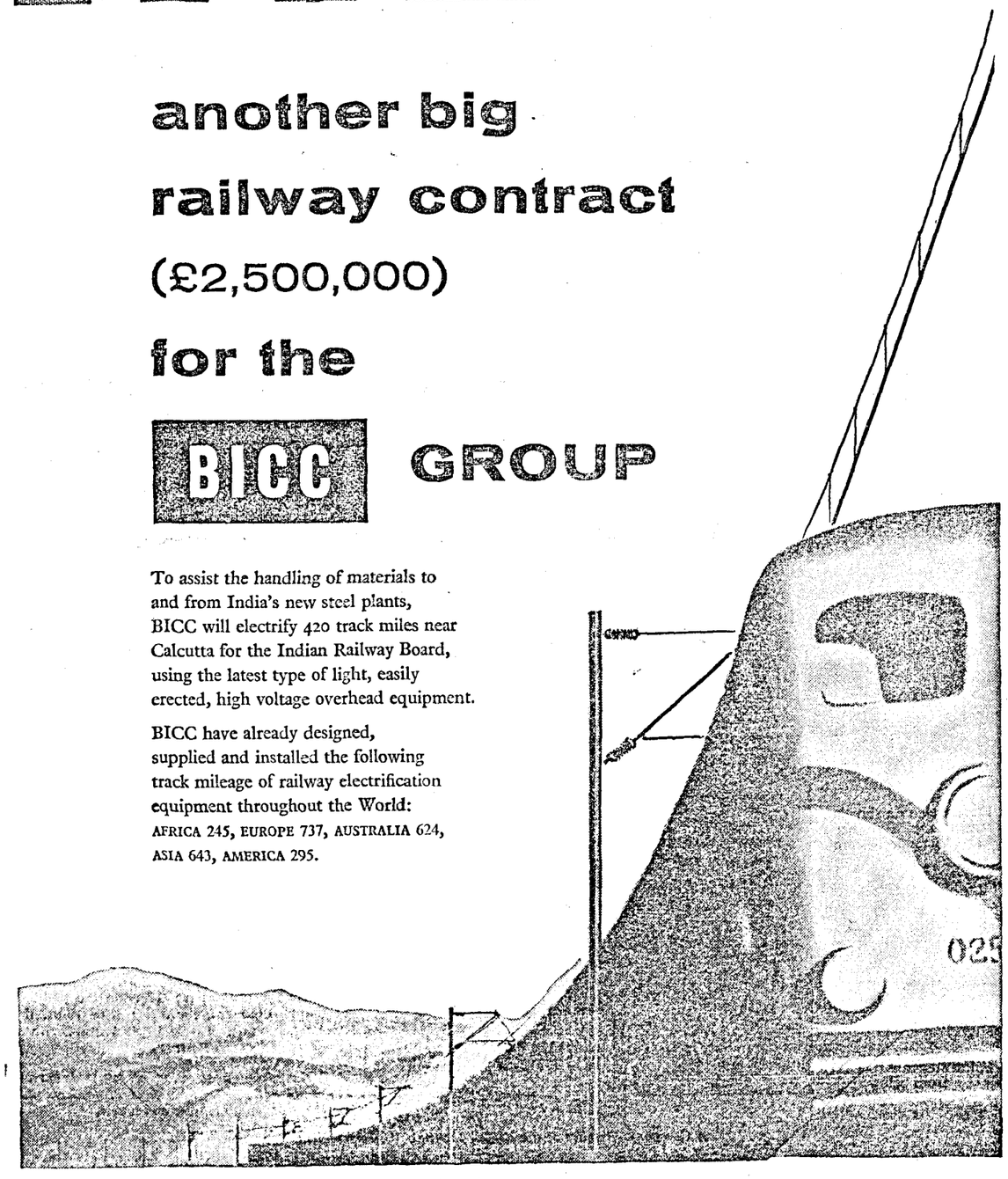
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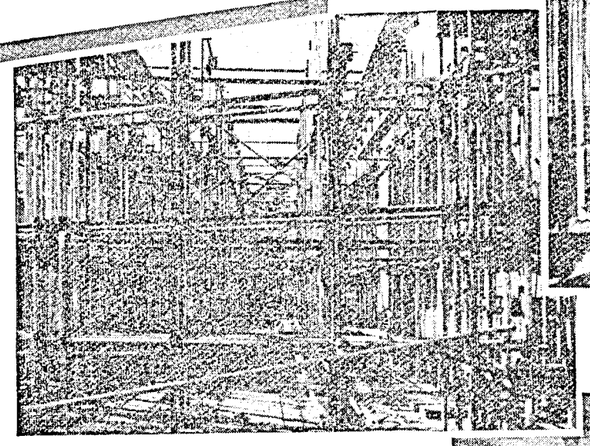
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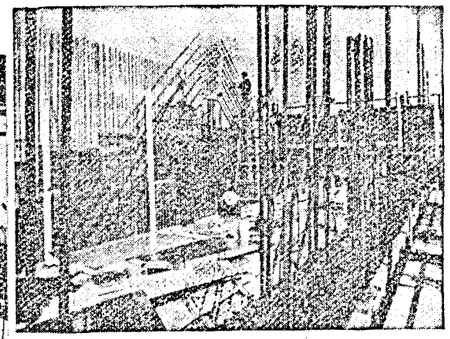


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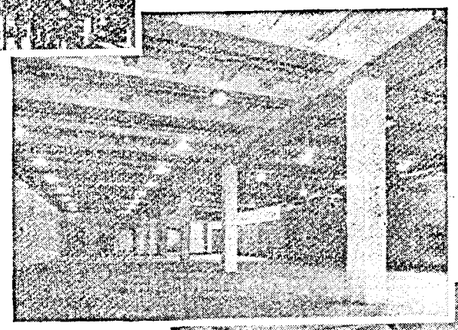
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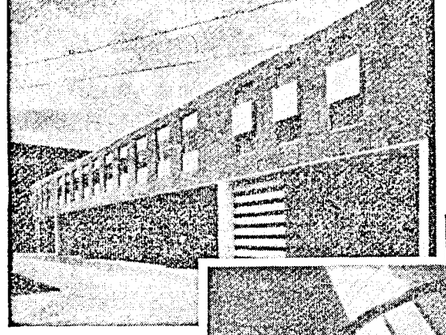
Scaffold Tube centering to Vierendeel girder



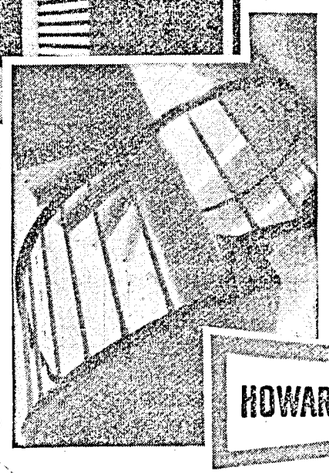
Reinforcing steel being fixed in Vierendeel girder



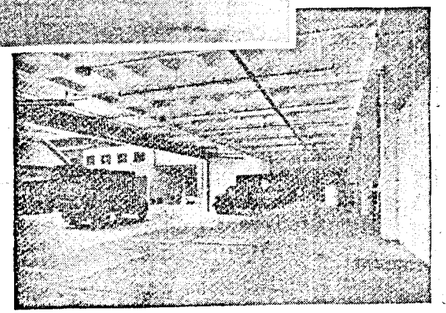
1st Floor of Warehouse showing Sovex chutes and fireproof partition



Front elevation showing screen to spiral staircase and Vierendeel Beam



Spiral staircase (precast) from below



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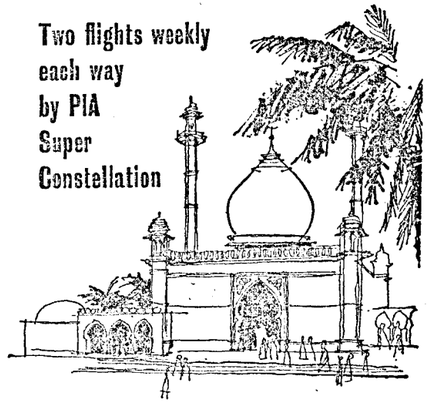
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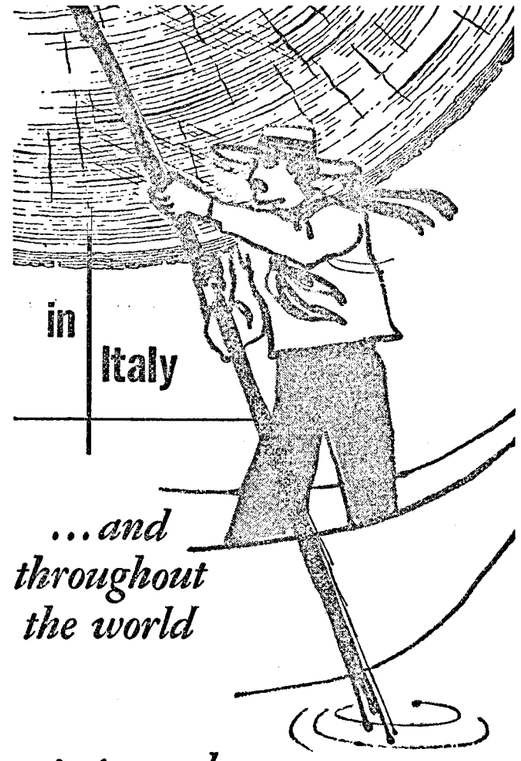
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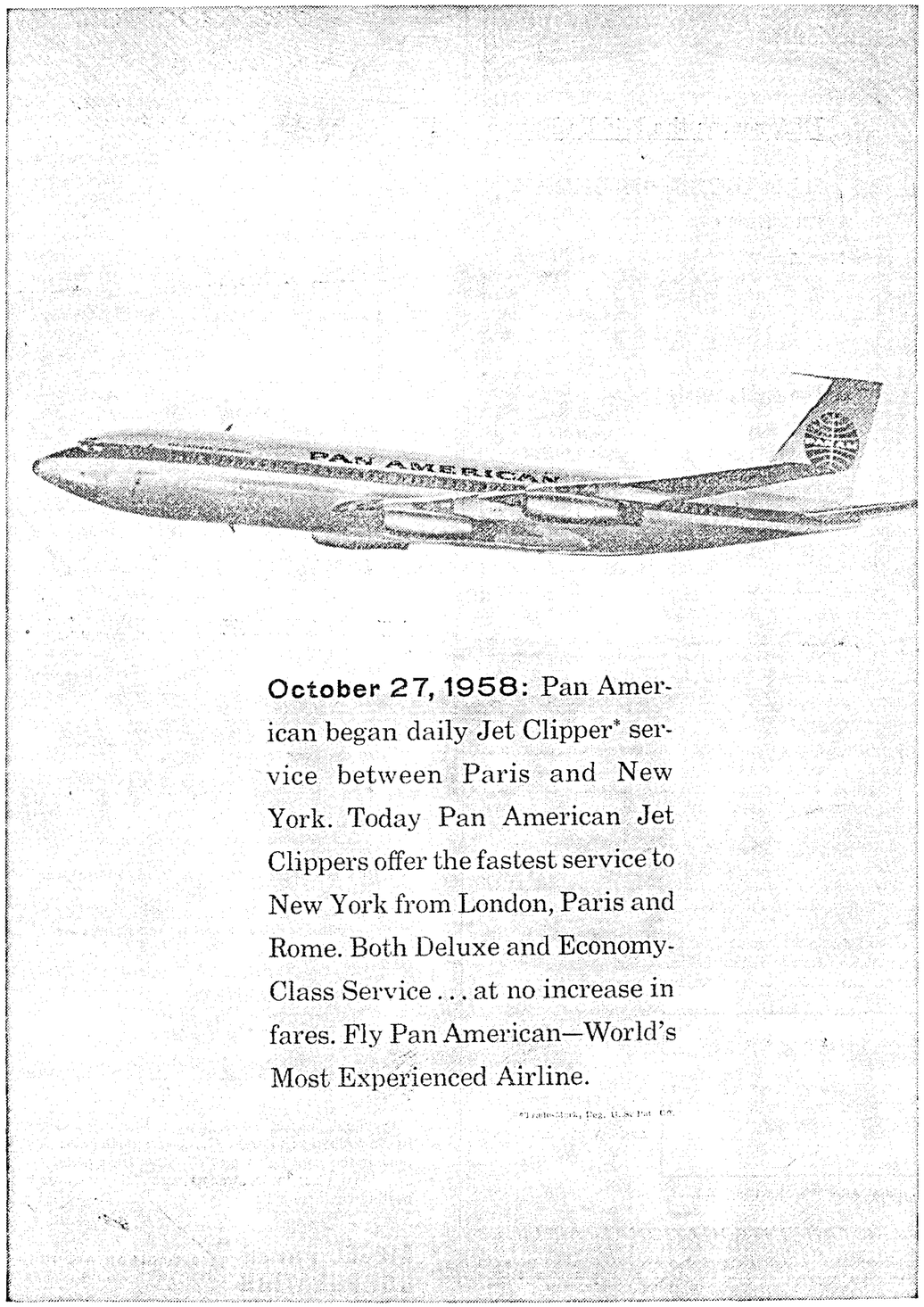
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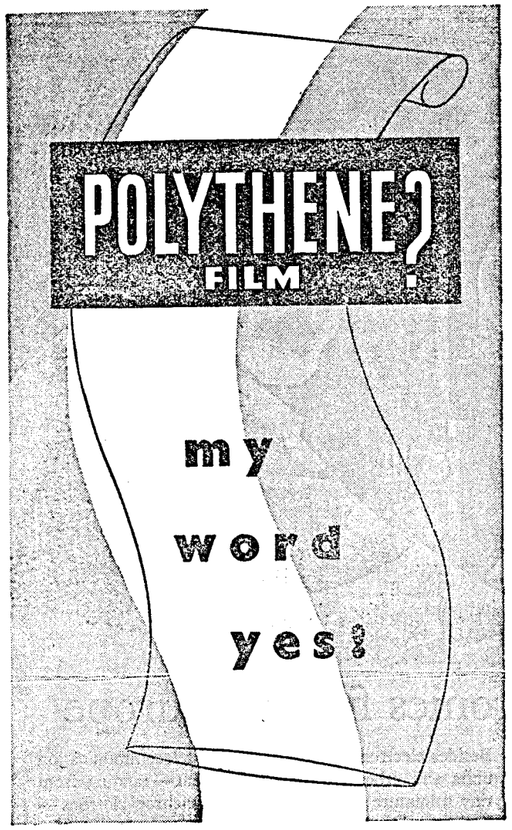
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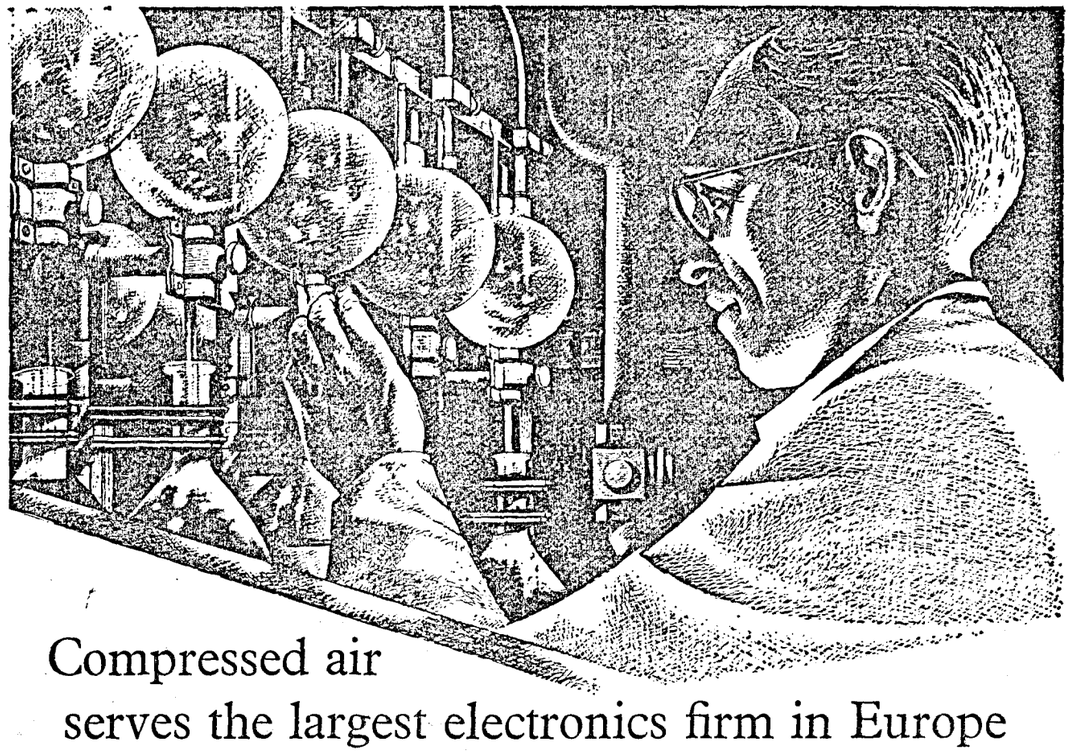
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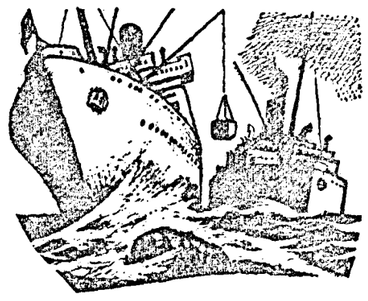
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JANUARY 3, 1959

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An Act of Bravery?

THE most balanced judgment on sterling's move during the Christmas holidays to convertibility for foreigners is that, given the commitments and conditions which the British Government has accepted in the past six years, and given also last week's peculiar conjuncture in Europe, it was an act of almost obligatory bravery; and the immediate advantages can already be seen. This does not mean that it should be regarded as an occasion simply for hanging out the flags without any misgivings.

In any normal circumstances, in a world where the effects of changes of trade policy are reasonably measurable and those of changes in financial policy much more controversially obscure, the Government would have been wiser to choose a different order of priorities in the pound's advance to greater freedom. It would have been better to give priority to easing or abolishing Britain's remaining restrictions on dollar imports and on general tourist travel, before taking this technical and inevitably highly publicised step in the exchange market. A very special conjuncture of events was required to justify reversing this order of things. It so happens that by last weekend such a special conjuncture had come about.

The de Gaulle government had become convinced, as many other people were convinced long ago, that the only ways to rescue France from its prolonged status as the sick economy of Europe were through a disinflationary budget and devaluation of the franc; whether the steps it has now taken are in fact likely to be enough to do this is discussed in the following article. For political reasons, the French were eager that their devaluation should be accompanied by a declaration of convertibility for the franc, and it is possible that the Germans would have made this a prerequisite to granting the French their financial support.

The chance thus arose of the concerted realignment of European currencies which is described in a leading article on page 55. It was a realignment involving more risks for Britain than anybody else. To give any foreigner who holds francs the right to convert them into dollars means very little, for few hold more francs than they irreducibly need; while sterling is a very widely held banking currency which convertibility could render more naked to future sudden squalls of distrust. But for Britain to have stood aside last week-end would have been to run the risk of plunging all these currencies into disarray and of making the pound look like the least desirable currency in Europe. The grant of convertibility to foreign holders of sterling became a necessary and desirable Christmas contribution to European solidarity. Any misgivings about the eventual implications of the move should be voiced only after giving full recognition to this.

But let it be made clear why there are misgivings. There is no doubt that sterling is at present, and for the short time into the future that it is possible to see, strong enough to sustain the burdens of this sort of convertibility—as well as of the relaxations of some of Britain's own dollar

import controls which the Government has indicated will be allowed to follow it. There is equally no doubt that the proclamation of strength is itself a strengthening factor, just as any confession of weakness (for example, by contracting out of the emerging European monetary accord) would have undermined such strength as there is. It is therefore not at all surprising that sterling rides proudly high on the immediate morrow of the move. But the new currency system, with convertibility at fixed rates of exchange, is not designed for a few months. It is intended to be permanent. It is only prudent to ask how it is likely to work out in circumstances other than the present; it is in the middle distance that the doubts lurk.

THE main meaning of the move is that Britain, as the world's leading short term banker, will now be more formally (and therefore possibly more forcefully) committed to take the strain upon its gold reserves whenever any other currency in the world is regarded as temporarily more desirable to hold than sterling. There are bound, of course, to be occasions when some will be. When different countries have different political systems, different economic ideas, different susceptibilities to dangers in the world market and trade unions of different strength, it is not realistic to suppose that their currencies will always march in exact step with one another in international financial esteem. Admittedly, when a banking currency falls temporarily out of esteem, that is the time when the Government must intervene with all the mechanisms available to it in order to smooth out the divergence. Admittedly, events since September, 1957, have provided an impressive demonstration of the efficacy in this country of one particular smoothing mechanism—high interest rates—which all British Governments in future ought to be ready to use more forcefully and promptly. But nobody can fully weigh the extent to which the British experience of the past fifteen months has been fortified by two elements of quite unusual good luck—namely, the convenient turn in the terms of overseas trade and this past year's unexpected flight from the dollar. Nobody should underestimate the extent to which smoothing out in this country has to be done quickly (or the reserves will run out) and easily (or politicians with their eyes on domestic votes will not stand for it). And even with the promised increase in the quotas of the International Monetary Fund, it is idle to pretend that the level of international reserves which can back up all these banking operations, and meet all the possible swings in confidence, is still anything other than inadequate.

It may be, of course, that to voice these misgivings is just another way of saying that Britain is, for better or worse, in the international banking business. It is a firmly held view in the City that all the new convertibility means is that London has given *de jure* recognition to a *de facto* situation which has existed for a long time, that the country has not increased the vulnerability that comes to it through its international banking trade but has simply at last enabled the balance of payments to get greater advantage from it. For many years foreign holders have been able to convert their sterling into dollars in Zurich and other foreign markets at the so-called (and slightly discounted) "transferable rate." Ever since February, 1955, the British Government has stood ready to intervene with its own dollars on these markets, in order to prevent the discount on this transferable sterling from becoming embarrassingly large. Last week's decision, it can be said, means merely that dealings will be transferred from these foreign markets to London, bringing not inconsiderable profits in foreign exchange to the coffers of the nation and commissions to City firms. But there are three reservations to be made. Nobody can be quite sure how substantial these are; it is nevertheless by their substance that apprehension or satisfaction about last week's move will be justified in the months ahead.

The first reservation is that there may be some foreign holders of sterling who through old-fashioned scruple, simplicity or pure ignorance have never made the effort to convert their sterling through the off-white transferable market at Zurich, but who will be more ready to convert it through the official market at future moments of strain. The most efficient City firms insist that they do not know of any such people; it remains to be seen whether this is because their own customers have included only the sophisticates and none of the simpletons, or because the latter really have never existed. This week's experience is certainly heartening in this respect.

THE second reservation is that dealings in the Zurich markets used to be made at a small and "floating" discount below the official rate. Admittedly, after 1955, the British authorities never allowed the elastic in the old transferable rate to stretch very far; they found that once the discount below the official rate widened beyond about 3 per cent, a bear rush started against sterling. But that may be evidence of the difficulty of maintaining a fixed and a floating rate together, not an argument against the efficacy of floating rates as such.

When convertibility was hotly debated between 1952 and 1955, the formula was to be convertibility plus a floating rate for sterling. Whether the risks inherent in the combination were greater than the benefits was always a matter of doubt. But at least the floating rate would have provided some element of flexibility, something that could bend to any winds of adversity, take the pressure off the reserves and move automatically in the direction of a new equilibrium. Nothing of this sort is provided by last Saturday's resort to the rigid regime of convertibility at fixed rates.

It is, however, the third reservation which could conceivably become most worrying most soon. Last week's move was made on the eve of an election year, when people will soon be talking about the possibility of Britain electing a government that foreign holders of sterling will not like, and one whose leaders have already indicated that they themselves do not like convertibility. Probably Mr Gaitskell erred, even in his own interests, in crying stinking fish so loudly last weekend, and would have been wiser to be more conciliatory to the convertible sterling which he may some day have to manage. But even Labour economists are entitled to say what they think, and Labour politicians have certainly some reason to be apprehensive about finding themselves naked in face of a storm of foreign distrust. The danger that now emerges is that, as polling day approaches, some speculators may think that they had better cash in their sterling at the official rates quickly, for fear of being obliged to accept the old discounted transferable rate if Labour should return and not stand steadfastly behind the new system.

Perhaps all this is too gloomy. The advance to technical convertibility has taken place in concert with Europe and must be regarded as an act of bravery; it cannot reasonably be criticised as merely an act of bravado. Sterling sets sail on a long voyage in a fair weather ship at a moment when the weather forecast is favourable. Let us hope, indeed everybody must hope, that it will remain favourable. But it is rash to bet that it will do so for ever. Beneath the happy increased clamour on London's foreign exchange market, the hostages that have been given to the success of this venture are not only the nation's and the sterling area's precious reserves of gold and dollars, but also the reputation of the Government and the City of London for realism and sagacity.

The General's Gamble

The best service General de Gaulle can do the French economy now is to modify his ideas of national greatness

GENERAL DE GAULLE is basking in unaccustomed foreign praise. France has learned what he means by *vérité et sévérité*: devaluation, stiff taxes, a bonfire of trade quotas, subsidies slashed, the automatic adjustment of wage and salary scales to the cost of living suppressed, rebuffs for the peasants and the alcohol lobby, even a slap at ex-servicemen's pensions. The general has done what no other French prime minister could have done, and what the gaullist National Assembly, if it had been asked, would hardly have dared to approve. It is an impressive performance. Such is the immediate economic advantage of his rule by decree. It is vital, not only for France but for everyone else, that the new budgetary measures should succeed. For General de Gaulle is gambling, and gambling deeply. Just how big the bet is, how much now rests on his own outlook on Europe and the world, still needs to be reckoned.

In France itself the budgetary shock is reasonably astute politics. The electoral series that began with September's referendum is over, at least as far as the general is personally concerned. The senatorial and municipal elections still to come will not directly affect his power, although local discontent will present the communists with their first chance to regain the old protest vote. But France has handed over to the general and cannot retract: psychologically, this is the moment for the price of national recovery to be named. There should be no surprise that it is as steep as it is. The necessity for some action of the kind, irrespective of France's obligations to the common market, has been apparent for months; only the electoral series, and M. Pinay's loan, delayed it. Given the order of political priorities since he came to power, the general's economic timing has been arranged for him. Naturally enough, the opportunity to attribute these hard knocks to British convertibility and to old obligations to France's European partners is not unwelcome. But France's own liabilities remain the nub of the matter. Have the general and M. Pinay done enough to set the country—and particularly the uneconomic second rank of French industry and commerce—to rights? And have they done it in the best way to diminish the social tensions that, with active communist encouragement, could ultimately wreck the whole scheme?

The modern sectors of French industry, which have been heading European production indices for some time, can be reasonably confident of their ability to profit from the new trade outlook. It is also probable that a number of less efficient concerns have been unduly pessimistic about their prospects against German competition in the common market. All this is encouraging. But to establish the prosperous economic base that General de Gaulle needs for all of France's present commitments, something much more positive must be achieved. The big test in the coming months will be whether or not French industry—which must now absorb some stiff increases in fuel and transport costs—can expand into new foreign markets. For on this will depend the repatriation of fugitive capital, and the reappearance of savings from the patriarchal mattress, on which the general is ultimately banking for success. M. Pinay's loan in the summer mopped up a good deal of the gold that was prepared to show itself on the morrow of the general's return. There is certainly more to come. But investment as a whole will probably wait to see if things are going to pan out without renewed inflation; not least, to see how the labour front

is going to behave when the severity of the new measures sinks in.

The initial trade union reaction has been critical, and with some reason. French industrial workers have been increasingly suspicious of M. Pinay's policy since the boom slowed down and short-time working spread this autumn. Communist electoral publicity has been at pains to point out the presence of big industrial and financial interests among the general's own entourage and among the backers of M. Soustelle's victorious UNR party. According to M. Duclos, the common market itself is a deliberate device to bring unemployment to France. New measures to raise rents, announced a week ago, did not bring any comfort. Now the bad news has come from all sides: bread, wine, coffee, electricity, gas, coal, rail fares, post and telephone charges, cigarettes, the buses and the metro will all cost more. Civil Servants are to get a four per cent wage increase next month but the compensatory rise in the minimum wage is confined to the lowest-paid workers; for most of the working class, there is no coating on the pill of austerity. The socialist *Force Ouvrière* has joined voices with the communist-controlled CGT in complaining that the burden of indirect taxation being placed on the working-class family is unduly heavy. M. Mollet and his two Socialist colleagues have not walked out of the present cabinet, but they are not now expected to join the new government when General de Gaulle becomes President of the Republic on January 8th. The MRP is still willing to serve under the new prime minister, but the Catholic unions have been particularly bitter about the evident intention of resisting new wage claims to the limit. Serious industrial unrest is the next major threat that the general may have to face. It is all part of the gamble.

THE strength of General de Gaulle's position now is that only under his personal leadership could such a gamble be expected to come off. It is his great service to the French nation that he alone is able to order it into austerity. But the financial disadvantages of the diplomatic and military cast of thought he embodies are all too plain. The general has summoned France to greatness—his own brand of greatness. The burden he is placing on the country is not the temporary one of discipline to meet an economic difficulty, but the permanent obligation of behaving, and spending, as a great power. It was to keep France's word, its honour, that he seems to have accepted the common market treaty; perhaps, too, for the sake of a western European alliance with France at its head; but certainly not for the political vision of M. Monnet and the European federal cause.

The general has responded to army sentiment in continuing the war in Algeria, and at the same time he has committed France, in his speech at Constantine on October 3rd, to a massive industrial investment in that country in the next five years, building homes for a million Algerians, providing regular work for 400,000 men, and sending two-thirds of Moslem children to school—most of them for the first time. Much of the capital investment is expected to come eventually from French industry itself. Can he continue to employ half a million French soldiers across the Mediterranean while underwriting the price of social integration for the Moslem and European communities? To place France among the great powers the general is now fabricating an atomic weapon. Can he stop there, or must France follow Britain into the expensive profusion of a full nuclear armoury? France has conceived high hopes of the Sahara and the development of its natural resources. But these hopes not only depend on further costly development in wells, pipelines, refineries and communications; they also assume an Algerian peace that will preserve the resources for France while removing the present political obstacles to their full use. Beyond and above are the responsibilities to the new French African community which only substantial economic aid is likely to hold together. Can France really sustain the conspicuous consumption of atom bombs and African development, while at the same time holding its own in Europe and the trading world?

IT is no new charge against the general for him to be accused of *folie de grandeur*. His appeal for Frenchmen, after so many and so great humiliations under the Fourth Republic, is simply that he stands for greatness—against the odds. But this is not the way to run the affairs of a west European country in the year 1959, however proud, however ingenious, however rich in natural resources it may be. The general has come to terms with Dr Adenauer over the common market. But it is not to be disguised that French and German policies already look to different ends in Europe. The general naturally hopes to interest German capital in north Africa. But will the Germans accept his desire to rewrite the North Atlantic treaty or his view of how a west European alliance is to develop under French leadership? They will certainly not permit any notion of a European "third force"—the phrase is already reappearing in Paris— to jeopardise their own relationship with the United States. Unless the dream of French greatness is watered down, or unless German governments even after Dr Adenauer continue to show an entirely improbable degree of self-effacement, a parting of the roads will come.

France has still a great, and important, part to play in the world and in the western alliance. Its own economic strength is necessary now—as it has been in the past decade—for it to fulfil the obligations thrust upon it by its place on the map. But to mistake its part today for that of France in the world of 1919 is to condemn the French economy and people to avoidable perils and unnecessary frustrations. The gamble is great enough already without imperial ambitions. The stroke of retrenchment the French economy needs most is in General de Gaulle's own idea of national ambition.

Disarmament Doors Ajar

Mr Khrushchev seems to have reversed his policy on the question that brought disarmament negotiations to a dead stop in 1957. The West should hasten to find out what this means

IN bedroom farces, pace is kept up by one door opening the moment another shuts. In the sterner drama of the quest for disarmament, an oddly similar pattern now prevails—though, unfortunately, in slow motion. There have been no substantial negotiations for disarmament since August, 1957, when the Russians broke off the Lancaster House talks and went home in a well-timed huff; but they have taken pains, ever since then, to ensure that at any given moment not all the doors should appear to be shut. Various door-stoppers have been shoved one after another into various jambs: a "Bulganin letter" here, a "Rapacki plan" there, a last-minute appearance at Geneva to discuss the control of nuclear test suspension, a grudging agreement at least to go through the motions of discussing precautions against surprise attack. There has always been a chink of light somewhere to suggest that hope is not extinct.

Keen eyesight is needed to spot the latest chink, but that does not make it any less interesting. In the course of the long discussion he had before Christmas with two British MPs, Messrs Philip and Francis Noel-Baker, Mr Khrushchev remarked that it was relatively unimportant at present to agree about destroying existing stocks of nuclear weapons, and that the thing to concentrate on was cutting off all further production of these weapons. No sure means of detecting concealed stocks, he said, has yet been found.

These arguments have been generally accepted in the free world for several years. They will be thoroughly familiar to readers of *The Economist*. They were spelt out at great length by Mr Harold Stassen during the 1957 talks in London; and they were flatly rejected and denounced at that time by the Soviet government. There is more than mere tactical significance in the remarkable sight of Mr Khrushchev now suddenly reopening this door. As Mr Philip Noel-Baker put it in his recent book, "The Arms Race"*:

> It was on this question of nuclear stocks that Russia broke off negotiations, and left the [UN] Sub-Committee and the Disarmament Commission, in 1957. It will remain the crux of all disarmament discussions until it has been solved. . . . It seems likely, therefore, if the western position on nuclear stocks is adhered to, that no disarmament treaty will be made, because Russia will not sign.

Yet now Mr Khrushchev has apparently accepted the western position on stocks, and has jettisoned the insistence on their total abolition which was the core of the Russians' argument when they walked out of Lancaster House in 1957, and which dominated their propaganda for a long time after that. True, he has flown his kite cautiously. Nothing about his talk with the Noel-Bakers seems to have been revealed to the Russian people as yet—a fortnight after it took place, and nearly a fortnight after his *volte-face* was reported in *The Observer*. But this very lapse of time may now make it difficult for him to deny having said anything of the kind. The Noel-Bakers, specialists in the tortuosities of the subject, can scarcely be accused of having misunderstood him. Moscow's official silence to date may simply indicate that, as on many previous occasions, the party stalwarts are having to be discreetly briefed about a sudden shift in policy before it can be revealed to the common *Pravda* reader.

SUCH a shift would have a good deal of logic behind it. Mr Khrushchev himself can never have been too happy about the choice of this issue as a breaking-point in 1957, for he had personally gone on record, not long before, with the admission that hidden stocks could not be traced—an admission that made nonsense of the Soviet case. (The whole episode was a superb illustration of the tactical advantages of the top-secret state; no probing journalist or Opposition MP was able to quiz the Soviet rulers about their two irreconcilable arguments.) Moreover, the Russians' decision in 1957 to boycott further United Nations discussion largely reflected their burst of bumptiousness after getting the world's first inter-continental rocket into the air. It seemed good to them to sit back and wait for a frightened West to accept their terms. But this waiting game in fact yielded few, and diminishing, returns; and now that America has fired its Atlas over an inter-continental range, the Kremlin's tireless chess players may well feel that a new gambit is necessary.

The question of stopping production of nuclear weapons would seem a particularly suitable sector for them to choose for a fresh initiative, for in this sector much has changed since 1957. Mr Noel-Baker, writing after the Lancaster House breakdown, rightly said:

> It seems certain that Russia will not accept the cut-off without the abolition of stocks, so long as the United States, in quality and quantity of nuclear weapons, is as far ahead as President Eisenhower asserts they are.

By now, however, although the American stockpile is doubtless still much larger and more diverse than Russia's, it is unlikely that it is decisively so. Mr Khrushchev himself pointed out to the Noel-Bakers that the stage may be reached quite soon when even a super-power will merely be wasting money by continuing to pile up bombs (delivery mechanisms are, of course, another matter). Russia should now, or very soon, be able to face a cut-off without its former fear of decisive inferiority.

* Reviewed in *The Economist* on June 14, 1958.

A chink of light in a door jamb should not be mistaken for the dawn of a new and glorious day. Russia shows scant sign of giving up its insistence on the dismantling of the whole Atlantic defence system, or its resistance to effective international inspection—and, without inspection, any disarmament plan must work out to the advantage of a top-secret state *vis-à-vis* the relatively "open" democracies. In these respects Mr Khrushchev did not give any ground in his talks with the Noel-Bakers, Mr Walter Lippmann, and others; nor did Marshal Sokolovsky or Mr Gromyko, in their blustering speeches on Christmas Day. But at the Geneva talks on suspending nuclear tests, which are now being resumed after the Christmas break, the western negotiators have been patiently trying to get the reluctant Russians down to brass tacks about the key question of inspection; and that process should be kept up, for this is a door, ever so slightly ajar, the handle of which must be tried again. There is another chink of light visible in Warsaw, where Mr Rapacki ought to be pressed to define his vague references to "appropriate measures of control" over the limitation of armaments in central Europe envisaged in his second "plan."

As to the wider possibilities opened up by Mr Khrushchev's latest remarks, Mr Mikoyan should certainly be buttonholed in Washington and asked for confirmation or denial. (Might not Mr Stassen be diverted from his duties in Ankara to find out whether the Russians have really reopened the door they slammed in his face in 1957?) And, marvel of marvels, there may now actually be something useful for the new 82-member UN disarmament commission to do. It is the only forum at present in which Soviet spokesmen can be publicly challenged to stand up and give public and precise answers to questions about their new terms for disarmament. It is a cumbrous substitute for the parliamentary question, the press conference, the TV interview and the many other means by which democratic governments can be made to clarify their more obscure declarations; but it is the best disarmament commission we have, and if the Russians do not respond to questioning elsewhere, it should be brought into play on this issue without delay.

NOTES OF THE WEEK

UNITED ARAB REPUBLIC

In Praise of Vagueness

MR EUGENE BLACK'S visits to London and Cairo suggest that both the British and the Egyptian governments are seriously trying to come to terms. The president of the World Bank has been quietly involved in the financial side of the Anglo-Egyptian disagreement for some time, but this is his first public appearance as mediator. He would hardly have come so far into the open, risking the bank's prestige, unless he felt reasonably sure of achieving some positive result.

There have of course been false dawns before now. The financial discussions that have been going on intermittently in Rome have occasionally looked like leading to something, but have then petered out. Neither government was really intent on a settlement, and it was always politically inopportune for the one to accept what the other felt bound to insist on. The heads of dispute are now three: whether Egypt should compensate former owners of nationalised property to the extent of £25 million, or £35 million, or something in between; whether doubtful cases should be adjudicated by neutral arbiters or by the Egyptian courts; and whether any compensation at all should be paid by Britain for the damage done at Port Said, and by Egypt for appropriating the installations and stores of the Suez canal base.

The last of these is the most delicate issue; it involves both more money, and more national pride. Negotiation has broken down in the past because the British government, with more logic than finesse, has insisted on setting one claim against the other and suggesting that they cancel each other out. But it is as politically impossible for President Nasser to abandon the Port Said claim as it is for Mr Macmillan to acknowledge it.

The French have another way of doing things. A Franco-Egyptian financial agreement has been signed which satisfies both parties, because the main point is kept beautifully vague. The Egyptians say that they are being paid £20 million compensation for war damage; the French say that they have only advanced the money for economic development; the incident is closed. This is a technique that recalls the diplomatic arts of a more flexible age.

Brotherhood at Aswan?

PRESIDENT NASSER is keeping busy. Two agreements have been concluded with the Russians; negotiations with west Germany for participation in the first stage of the Aswan dam have been brought near the point of consummation; Syrian economic complaints have been given respectful hearing but Syrian communists roundly attacked. A report that the Syrian regional council has closed the Russian cultural offices in several towns may be significant; if this has been done, it is the first time that President Nasser has openly recognised the link between foreign and Arab communists. Some aspects of the apparent shift in his attitude are discussed more fully on page 48.

The first of the two Russian agreements signed during Christmas week is not new, but merely fills in some of the details of last year's general credit arrangement making available £62 million for industrial expansion. The implementation of this has gone very slowly, and so far only a fraction of the promised equipment has materialised. The second agreement sets out the terms of Russian participation in the first stage of building the Aswan dam. The Russians are pledging themselves to contribute up to 400 million roubles (about £36 million) repayable over 12 years from 1964 with interest of 2½ per cent. From the western point of view the important thing about this agreement is the extent to which Russia gains control over the implementation of the scheme. A west German consortium is considering putting about £17 million into the project, and Italian and Japanese industrialists are also interested.

But the text of the agreement, although imprecise, suggests that the employment of foreign contractors requires not only the consent of the Egyptians but also that of the Russians:

> The Soviet government agrees to contract with the UAR government regarding the building of the first stage of the High Dam in Aswan. . . . The implementation of the work will be entrusted to contractors in the manner to be agreed by the two sides, on the basis of the use of Soviet equipment.

The German delegation which is expected in Cairo this weekend will be anxious to discover the Egyptian interpretation of this clause.

GENERAL ELECTION DATE

Convertibility and Two Elections

IT is worth recalling this week one of the most prevalent stories of three and a half years ago: about why the last general election was held in May of 1955 instead of in the autumn. At the beginning of 1955 it was generally presumed that Sir Winston Churchill would not retire until the summer recess, but arrangements had been made that Sir Anthony Eden, as heir apparent, should have the right to call for an earlier retirement and prorogation of Parliament if he judged that Conservative electoral tactics demanded them. In February, just as he was about to board a plane for a Seato meeting in Siam, Sir Anthony was told rather vaguely that certain steps were to be taken against foreign speculators in sterling; according to this report, he was alarmed, while in Bangkok, to find that the steps taken (the decision of the British Government to intervene with its own dollars on the transferable sterling market at Zurich), amounted to what some newspapers called *de facto* convertibility of sterling. He was said to be afraid that any sort of convertibility might lead to an economic crisis in the autumn. On returning from his Asian journey he set in course the train of events which led to Sir Winston's sudden retirement and to the May election.

Perhaps Sir Anthony's coming memoirs will reveal how much of the truth about the date of the last election this story contains; certainly many people believe that it contains at least some elements of it. The point is, of course, that if *de facto* convertibility helped to cause a May election in 1955, *de jure* convertibility could conceivably do the same thing in 1959. Some prominent Conservatives, who took part in the internal party debate last time may even uneasily remember, without suggesting here any relationship of cause and effect, that there in fact was an economic crisis in the autumn of 1955 and again in the autumn of 1956 and again in that of 1957—although there had been no crisis in the three years before 1955. If there is any danger that *de jure* convertibility might increase Britain's vulnerability to a pre-election run against sterling by speculators frightened of a possible Labour government, then national considerations make it desirable that the election should not take place during the autumn months of maximum seasonal strain. This will not necessarily be the deciding factor; Mr Macmillan will no doubt be influenced also by his assessment of his chances of return to office, which the recent by-elections still suggest to be no more than fifty-fifty. But the prospects of a May election seem likely to have been at least slightly increased by the financial events of last weekend.

DEFENCE

Agag in Whitehall

LORD MOUNTBATTEN'S appointment to be designate Chief of the Defence Staff will cause no surprise, although it has aroused the expected criticism from the one newspaper proprietor and the scattered Tory MPs whom he is unfortunate to have as his personal enemies. He has the qualifications and the wide experience both of service organisation and of politics to make him the obvious choice to take over upon Marshal of the Royal Air Force Sir William Dickson's retirement next summer. But he will have to walk like Agag when he gets there. If a Labour government is in power by then, one suspects that Lord Mountbatten will gradually become the main arbiter of Britain's defence policy. If Mr Sandys is still in office, his task will be different, but no less delicate.

Last July the Chief of the Defence Staff was made directly responsible to the Minister of Defence, and became the go-between of the minister on the one hand and the service chiefs on the other. This finally replaced the old system whereby the joint chiefs of the three services had made unanimous recommendations to the Government, after thrashing out their differences among themselves. Naturally many serving officers still hanker after the old system. But at a time when the Minister of Defence was charged with the duty of thinking out a new defence policy as overlord of the service ministries, and when the chiefs of staff found themselves saddled with wide new responsibilities to such international organisations as Nato, the change was in fact both proper and inevitable. The new system was fitted with paper safeguards. The separate service chiefs continue to have direct access to Mr Sandys and remain collectively responsible to the defence committee of the cabinet; they may send in separate memoranda if they cannot reach agreement on what they feel are vital issues. But it was obviously important that personal relations should be happy during the new system's opening months.

Unfortunately, they have not been. There is reason to believe that disagreement among the service chiefs has in fact increased throughout this year, and that as a body of professionals they have also sometimes found themselves opposed to the minister. Such disagreements are inevitable when the cost of all armaments, nuclear and non-nuclear, is growing so fast that compensating cuts in manpower and establishments have to be made. Agonising reappraisals have been the order of every day in all three services. They continue to be. Lord Mountbatten, weighing new ships against enough ships as First Sea Lord has had his share. But there have been whispered allegations that Mr Sandys, who was given the authority to override service decisions and terminate inter-service wrangling, has in fact often found it easiest to rule by

making use of mutual antagonisms. The atmosphere in the service ministries is not happy. It may now be for Lord Mountbatten to exercise his gift of leadership to close these divisions. Mr Sandys is not noted for his mastery of combined operations ; Lord Mountbatten is.

BERLIN

The West Replies

As was to be expected, the western replies sent on Wednesday to Mr Khrushchev's proposals on Berlin show the marks of compromise between the different attitudes that must have confronted each other in last month's Nato discussions. About the rebuttal of the Soviet charges against the West, and the need to put straight the record of the events from which the position in Berlin arose, there were presumably no differences. The difficult part was to frame an answer that would deny the right of the Russians to do whatever they want with Berlin, without slamming the door and making a deadlock—in which the West will not be well placed—inevitable.

The advocates of a blank negative have not had it all their own way, as it seemed at one stage that they might. The western notes properly point out that the Berlin problem can only be solved in the broader context of the German question ; and they have made it clear that the door is open for talks on this. They recall the western notes of September 30th which supported the setting up of a four-power commission to study German unity. Whether the whole tone of the western notes is judicious is another question. On Berlin itself, the three powers rightly point out that their troops are in the city as a result of the agreements of 1944 and 1945, under which more than a third of what is now the German Democratic Republic was handed over to the Russians in exchange for quadripartite occupation of Berlin. Equally, the West is right to maintain that it cannot relinquish its position in Berlin so long as there is no settlement of the German question.

But when the notes come to answer the Russian suggestion that administrative arrangements in Berlin may be handed over to the east Germans, the argument begins to look shakier. The American government admits that it cannot prevent the Russians from giving up their authority in east Berlin if they want to. But in the categorical refusal to entertain the delegation of Russian occupation powers to the east Germans, the notes take up a position that it may be hard either to hold or to retreat from. There is also a rather shrill passage explaining that the western powers cannot negotiate under threat. The statement is, of course, unexceptionable ; what purpose it serves is not so clear. By opening the door to talks upon the German question the western powers have given Mr Khrushchev the chance to talk if he wants to. By taking up a defiant posture they make it easier for him to tease them if he does not.

CYPRUS

Exercise in Semantics

It is obvious that no solution of the Cyprus problem that is imposed by Britain without the acceptance and co-operation of both Greece and Turkey has any chance of being either satisfactory or permanent. The most significant aspect, therefore, of the new diplomatic exchanges in Ankara and Athens is that they are apparently primarily the result of a spontaneous coming together of Greeks and Turks. Perhaps the very blackness of the outlook last month, after the breakdown of Nato's efforts to find a solution, has brought home to both the necessity for compromise.

Of the two, the Turks may find the search for a compromise the more difficult—although in fact it appears to be they who are giving it the more attention just now. The Greek government has already in theory given up enosis, but its intransigent attitude in Paris and at the United Nations has robbed it of much of the goodwill that it might have gained from this gesture, and has earned, instead, isolation and mistrust. This may have made the advantages of a more flexible approach more apparent both to it and to its political opponents. The Turkish government, however, is still in theory committed to partition, though not in any specific form. Indeed, reports from Ankara, which tend to be confirmed by the new-found conciliatory tone of Dr Kutchuk who has just returned to Cyprus after his talks there, suggest that the Turkish government is not set on physical partition after all. It appears to be cautiously manœuvring itself into a position in which it can accept the unity of Cyprus while still presenting its policy to the Turkish electorate as a form of partition. The idea of a "theoretical partition" that is now being seriously talked about in Ankara is not all that far removed from Mr Macmillan's idea of "shared sovereignty," and might prove a stepping stone to independence. It must be hoped, however, that the subtlety of the exercise in semantics which the Turkish government must carry out in order to get off the limb of partition, may not be lost on the ordinary Turk who has got used to shouting "partition or death."

AGRICULTURE

More Food Needed?

The news that Argentine beef shipments are to be cut has been followed by reports of declining milk production in this country. Are these signs that food surpluses are disappearing and that British agriculture should once again be stimulated into expansion ? With the season of the annual price review approaching, farmers are naturally enthusiastically saying that they are.

The world food situation is admittedly uneven. While grain surpluses seem likely to continue, the supply of meat (and of beef in particular) looks like lagging behind the steady growth of world demand. Australia, as well as Argentina, may have less beef to send to Britain unless higher prices are paid, because of the growth of alternative markets. These prospects suggest that the Government has been right to give special encouragement to beef producers in this country. They also suggest that the British may need to divert some of their taste for "roast and Yorkshire" towards a larger consumption of pork and poultry. Already this winter pig prices have been higher (and the pig subsidy consequently less) than the Government had expected. But the Government's pig guarantee is quite high enough to provide good profits for efficient producers, while any chicken farmer emulating the streamlined methods of the American broiler industry can profitably tap a large potential market. British farmers in fact already have adequate incentives to produce more beef, pork and poultry. A fresh price stimulus, by permitting the use of inefficient methods, would only do harm.

In the case of milk, the present decline of production is partly due to the weather. In so far as it is not, it should be considered a thoroughly healthy sign. It means that some farmers have practically switched from milk to meat. A simultaneous increase in liquid consumption has for the time being drastically cut the milk surplus available for manufacturing butter and other milk products—but that surplus has long been completely uneconomic. With milk, as with meat, the opportunities for efficient home producers are quite adequate already, without the Government giving agriculture a fresh shot in the arm.

NEW LAWS

New Year Innovations

As usual, the New Year brings fresh laws, since January 1st is a popular vesting day for recently enacted measures. Since Thursday it has been unnecessary to pay a ten per cent duty on imports of ice and snow ; this is the only substantial change of rates in a vast and most welcome consolidation of numerous and often overlapping schedules of import duties. At the same time the opportunity has been taken to simplify the description of tariffs according to the international classification agreed in the Treaty of Brussels. Hundreds of minor changes in rates are incidental to the central Herculean purpose of clarifying the codes.

From New Year's Day also, the Public Record Office has a ministerial master (the Lord Chancellor), a more severe method of weeding out the junk from the vast effluvium of dead paperwork pouring from the departments, and, for the first time, a general mandate to let the public see everything that is fifty years old (can it be that the papers of Mr Gladstone's last Cabinet are no longer to be held a state secret ?) Defaulting breadwinners, who are failing to pay maintenance to their deserted wives, need no longer, from the same day, be jailed but instead their obligations can be deducted from wages at source. Likewise, the obligation to ensure that the children of a broken-down marriage are properly taken care of before a divorce decree is made absolute has now come into effect. Finally all provisions of the Clean Air Act are for the first time made to apply in Scotland ; opticians have been given professional status by the establishment of their own council ; and the housewife's kind heart is protected against travelling salesmen falsely purporting to sell goods on behalf of the disabled.

EUROPE

France and Free Trade

The French government's plunge towards freer trade has put a new complexion on the trade discrimination in Europe that began with the new year's day. The French, who were so severely reproached in the Organisation for European Economic Co-operation on December 15th for failing to fulfil their trade obligations to the other members, have decided to do so. Side by side with their relaxations of import restrictions within the common market, they have announced a "90 per cent liberalisation" of imports from all the members of OEEC.

In a practical sense the move is obviously welcome. Together with the freeing of 50 per cent of dollar imports, it marks a radical change in French foreign trade policy. The term "90 per cent liberalisation" in the language of OEEC does not mean what it says: to suppose that 90 per cent of France's current imports from the area have been made free of all restrictions would be a mistake. These OEEC percentages exclude state trading, and they are based on the trade of 1948. So in effect France has removed restrictions on goods which formed 90 per cent of private imports ten years ago. It will continue to restrict imports of cars, many types of machine tools, electrical equipment, plastics, and most agricultural products. Still, some important categories—including chemicals, many textiles, many durable consumer goods and much machinery, as well as raw materials—have been freed, subjecting French prices and many French industries to a wholly novel pressure from outside.

The French moves therefore improve the atmosphere, but they do not improve Britain's bargaining position over the free trade area. By concentrating their attack on the failure of the French to fulfil their OEEC obligations, the British hoped to isolate them from their common market partners. The French have now drawn the sting of the British criticism, but they remain determined to discriminate in favour of the common market. They have no intention of extending the full benefits of quota relaxations under the 3 per cent clause to countries outside.

The first step has now been taken in the creation of a single market of the Six, without the accompaniment of a free trade area or of anything like a precedent for it. France's new policies are a political as well as an economic demonstration to its five partners of its loyalty to the community. Whether the policies can succeed is another question. And French views of what the community is for differ from other people's. Nevertheless the common market starts life under a relatively auspicious economic star.

GHANA

Nkrumah and Nehru

To judge by press reports, Mr Nehru has been talking to his guest in Delhi, Dr Nkrumah, with all the uninhibited moral earnestness that is characteristically his. Dr Nkrumah arrived in India as the Nehru of Africa, and let off various harsh remarks about the departed British which he seemed to think would go down well with his hosts. They may have done with the multitude, but not with Mr Nehru, who promptly made a bygones-are-bygones speech in which the brighter side of British imperialism, in Asia as in Africa, was stressed, and the value of Commonwealth ties stressed even more. At his final press conference, Dr Nkrumah took a notably moderate line, although his interviewers were eager to discover when the crusade against colonialism in the rest of Africa would begin its march from Accra. Dr Nkrumah even insisted that he thought British intentions in Kenya were honourable.

The most noticeable indication of Mr Nehru's influence, however, emerged in Dr Nkrumah's remark that the thirty-seven opposition members now in preventive detention in Ghana could have a trial "if they desired it." The Ghana Preventive Detention Act is closely modelled on the Indian legislation, but with the unfortunate omission of the clause that gives the detainee the right to appeal to three High Court judges. It looks as if Mr Nehru may have told Dr

Nkrumah that Indian necessity is not to be made a mask for African tyranny. Dr Nkrumah was on the defensive in India about his interpretation of British parliamentary democracy and the rule of law. Rushing a bill of indemnity through parliament to save a minister from apologising to the courts makes no better impression in Delhi than in Westminster.

Such actions may be signs of arrogance, but they are also symptoms of uncertainty and lack of self-confidence. Perhaps because of this, the Queen seems assured of a genuine welcome from Dr Nkrumah and his colleagues when she visits Ghana in the autumn. Two years of independence have shown the Ghanians that nothing now stands between them and the world's criticisms of any ineptitudes they perpetrate. The Queen's presence will be taken as a blessing on their efforts and on the regime, all the more convincing because the tribal authorities, the chiefs, have now been demoted to lowly estate. Dr Nkrumah may have discussed republicanism with Mr Nehru; but Ghana is likely to hasten slowly in that direction this year.

UGANDA AND RHODESIA

African Nationalists at Odds

SOME of the leaders of the African nationalist parties who subscribed to such a stirring programme in Accra have returned to a peck of trouble. In Uganda, the Uganda National Congress party has split. Mr Musazi, its president-general, has accused members of its central executive of negotiating with Cairo to the detriment of the country's future independence, and has suspended them; they have retorted by suspending him. With the whole Congress party thus in a state of suspense, a new party has suddenly risen with impressive backing among political leaders from the non-Buganda provinces of the country.

This is important because Buganda, the largest and most advanced province in Uganda, continues to exhibit extreme tribal separatism. Its local parliament, the Lukiko, has just passed a resolution to empower its monarch, the Kabaka, to approach the British Government with a view to "negotiations" to make Buganda itself a separate independent country. The Lukiko thinks that the new Buganda should take its "dependencies" (Ankole, Bunyoro, Toro and Busoga) along with it. As a new Lukiko has just been elected, this resolution will have to be confirmed before the Kabaka approaches the Governor. When he does, the Governor seems likely to give him a dusty answer (how does one withdraw protection from *part* of a protectorate?). Meanwhile he is busy trying to get Buganda politicians to play their agreed role in the government of Uganda as a whole. The High Court has just ruled that there is no validity in the Buganda government's objections to the constitutional changes made in Uganda since 1955; the Governor therefore thinks that it is high time that the Buganda government stopped stone-walling, convened its electoral college and sent its five members to fill the vacant seats in Uganda's central legislative council.

Meanwhile, in Central Africa new splits have appeared among African nationalists, comparable to those in Uganda. For some time the Northern Rhodesian African Congress has been divided between extremists and moderates. Now Mr Nkumbula, the leader of the latter (and larger) faction, has parted brass rags with Dr Banda, leader of the passionately militant Nyasaland Congress party. If Dr Banda's outright and violent demands that Nyasaland should leave the Federation ever had any success, they would leave the Rhodesian Africans more deeply in the power of the settlers. These disputes are not unhealthy, for they show Africans that their political problems are not always a pure matter of black and white. But the big question is whether out of them will come any more realistic approach to constitutional advance in East and Central Africa.

LOCAL GOVERNMENT

Conflict in Middlesex

ACROSS the river from London's County Hall stands the headquarters of another local authority which might be described as the LCC's *alter ego*. Although the Middlesex Guildhall (like that better known focus of Middlesex loyalties, Lords) is not itself in Middlesex county, its location emphasises the fact that the 2¼ million inhabitants of Middlesex are essentially Londoners. They live in an ungainly arc of administrative territory, which flanks on two sides the county of London. Middlesex County Council's peculiar domain obscures its importance as the second most populous, wealthy, and powerful local authority in Britain. Politically, too, it now seems disposed to emulate its better known neighbour. Flushed by its success at this year's county elections, the Labour majority which now controls Middlesex is launched on something that looks suspiciously like caucus rule; and its policies (for example, over comprehensive schools) owe something at least to the LCC's example.

There is one important difference. Most of Middlesex's boroughs and urban districts are chafing with resentment at what they regard as the dictatorial attitude of the county council, and they are not being backward in showing it. Education is a particularly sore point, since sixteen of the boroughs and urban districts are "excepted districts," and as such run their own schools subject to general control and co-ordination by the county council. Intrinsically this is a difficult system to operate, since county controls over finance and policy are all too likely to be irksome and time-consuming. But Middlesex's "excepted districts" have recently complained in a strong memorandum that the county council has not even tried to make the system work, but is bent on imposing a uniform educational pattern on the county in matters large and small. To rub salt in the wound, the leader of the Middlesex County Council recently rudely told the boroughs that they were the county's agents and must comply with its comprehensive school plans, whether they like them or not.

The last has not been heard of this quarrel, and it remains to be seen if the educational "discretion" of the Middlesex boroughs is going to fade away into the status of complete illusion. But the conflict demonstrates the erroneousness of the Government's present policy of endorsing more such "delegation schemes" as a way of keeping the smaller local councils happy. Instead, the system seems tailor-made to make them unhappy, to raise every political snag and impede every effective reform. In Middlesex, even more than in London county, the boroughs could function perfectly well as educational, health, and welfare authorities, without any county supervision, if they were amalgamated. Initially, Wembley might not like joining with Willesden, or

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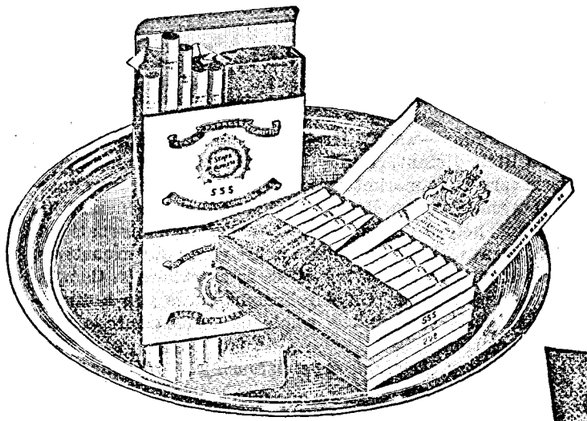
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BURMA

The New Broom

A LITTLE dose of military efficiency can be a good thing in an Asian country where parliamentary rule had been accompanied by corruption, untidiness and incompetence. For years the potholes in the streets of Rangoon had been growing deeper and the mounds of refuse higher ; bank balances swelled mysteriously and food grains were hoarded in the godowns. Now General Ne Win, the theoretically temporary prime minister, is wielding a spotless broom with military vigour. Shortly after he took over from U Nu in a friendly *coup d'état* three months ago, he sacked the Rangoon municipality for incompetence and put in a colonel with orders to clean up. The drainage system is being restored, the roads are being surfaced, the streets are being cleansed, unauthorised roadside stalls and hutments are being pulled down.

Simultaneously, godowns, sealed on military orders, are being examined for hoarding ; in the banks, under military supervision, accounts and safe deposits are being scrutinised. These direct methods ought to trace a good many illegal currency transactions and black marketeering fortunes.

On the wider economic front, the government is making a clean sweep of foreign experts on "projects yet unimplemented." It is understood that this sweeping decision —again, the military broom—does not apply to United Nations projects or experts. The government has, however, dispensed with the services of two American firms, TAMS and Robert Nathan Associates. The TAMS Overseas Corporation is a successor to another American consultant firm, KTA, whose representatives first arrived in Burma in 1951. The Nu government had adopted an industrial development plan prepared by KTA organisation, which was criticised, however, because it was based on the incorrect assumption that rice exports could continue to earn high prices.

In these circumstances it is of interest that General Ne Win has now appointed a British adviser on mining, Mr Leach, formerly head of the Burma Corporation. This appointment is the first of its kind for some years ; is it one more sign of the nostalgia that Burmese sometimes betray at having opted out of the Commonwealth ?

JAPAN

Mr Kishi Under Fire

FACTION fights are no unexpected peril for Japanese politicians, but the present struggle within the ruling Liberal-Democratic party has moved uncomfortably close to the prime minister, Mr Kishi. Three dissatisfied Cabinet ministers resigned on December 27th, and a group of Liberal-Democrat dissidents has now been formed to try to dislodge Mr Kishi from the leadership at the next party elections—arranged for January 17th, although his term does not end until March. Mr Kishi's chances of emerging unscathed are not good. He has determined to press on with the budget, but already the paralysis of government has stopped effective negotiation on the revised security treaty with the United States. Even if he is able to defeat his rebels, he cannot expect wholehearted support from the ranks when the new treaty terms are eventually placed before the Diet. The government claims that the treaty is being revised to take into account the resumption of Japanese sovereignty, but there is increasing popular opposition—which the Socialist party has taken up—to any Japanese responsibility for the defence of the Bonin and Ryukyu islands, including Okinawa, effective control of which has passed into American hands.

The Liberal-Democrat revolt against Mr Kishi seems to be prompted more by personal rivalries than by any specific differences over policy. But his critics have been at pains to lay the blame for the reverses in the last Diet session at his door, particularly the failure of the bill to increase police powers and the attempt, by what were thought to be unconstitutional means, to prolong the session so that the bill could become law. Mr Kishi's prestige, so high after his electoral success last year, took a bad knock. Complaints that he has favoured his personal followers in appointments, to the exclusion of members of other groups that joined to form the Liberal-Democratic party three years ago, have now set off the quarrel. Perhaps his only consolation is that the Socialist opposition too is still split between right and left. Japan's two-party system, always precarious, is again in danger.

CUBA

A Dictator Departs

GENERAL FULGENCIO BATISTA, the long-established dictator of Cuba, has finally been given the push. Although his country has been in a state of suppressed civil war for two years, he has always insisted that, except for a tiresome band of *maquisards* in the eastern extremity of the island, everything was under control. Now that the revolutionaries under Señor Fidel Castro have begun to look like turning their tenacity into victory and have advanced from the swamps of Sierra Mastra to Santa Clara in central Cuba, the regular army has stepped in to end the war in its own way.



General Batista's downfall means one military dictator the less ; the Afro-Asian trend is in reverse in Latin America. But it is not at all clear what sort of regime will follow. The three-man military junta that has taken over has followed constitutional practice by appointing Señor Carlos Piedro, the oldest member of the Supreme Court, as provisional president. If the army follows the precedent of Venezuela, it will hold the reins only until a new president can be honestly elected. But it is still obscure whether it intends to go on fighting the rebels, or to try to negotiate. Fidel Castro, whose own political evolution has followed a zig-zag path, has apparently refused to recognise the junta's authority and has put forward a provisional president of his own, Dr Manuel Urrutia, a lawyer. But

the rebel camp has been swollen this winter by many liberals who, while they may not much approve of their opportunist leader, like dictatorship even less. Now that the Batista regime has cracked, these men may urge Señor Castro to come to terms so that Cuba can make a fresh start with a degree of unity.

DOCKERS

The Glasgow Ghost Story

In most of industry a strike is a serious and unusual event, but not in the docks. On the dockside unofficial strikes are signs, not necessarily of deep-rooted discontent, but of a momentary huff; and they are frequent. Days lost per worker in the docks since the war have been far higher than in any other industry, including the mines. Moreover, the machinery for settling dock disputes is almost entirely ineffective. Employers are not responsible for labour discipline, which is vested (by a unique arrangement) in the National Dock Labour Board. The board, however, being equally divided between employers and trade unionists, can hardly ever reach important majority decisions; and the union officials on the board are suspect in their members' eyes both because of their managerial position and because they are often divided among themselves in the inter-union strife that still bedevils many ports. All this is highly unfortunate. It is a background that helped to explain both the major London dock strike this summer, and the two-day stoppage over Christmas at the Glasgow docks.

The trouble at Glasgow concerned the employment of a "ghost foreman." This is a member of a dockers' gang, who, if labour on a ship is short, is temporarily appointed to pick up other workers to form the number of gangs required. The men object to ghost foremen on two grounds. The first is that the late arrivals from other ships may be able to pick up the best-paid jobs (like unloading New Zealand butter) while dockers already employed have to carry on less profitable work which they started in the morning. The second reason is that by using ghost foremen, employers are able to draft the men they have hired into a smaller number of full-sized gangs without waiting for others to turn up; if all the gangs have to be made up before work can start, hours are wasted, although they still have to be paid for.

At Glasgow last week a docker refused to act as a "ghost" and to organise a crowd of idle dockers into a gang in this way. On the first day he was paid by the employer even although he thus did no work (a concession which is not unusual). But next day when he again refused to be a ghost (and this was the real cause of the strike) the employer refused to pay him, and said that he could collect only the fall-back pay which is available to all dockers who are officially doing no work. This was against dockland tradition, and 2,800 men struck for two days. The effects were not serious. All that happened was that Glasgow dockers took some extra time off over the un-Scottish holiday of Christmas; all the men returned this week in order to build up their pay packets before the Hogmanay celebrations. But the distrust, indiscipline and inefficiency that underlie all dock problems are serious, and at times crippling. Too little is being done about them.

CHINA

A Partial Climbdown

One of the strangest developments of 1958, the Chinese "communes" movement, seemed by the end of the year to be settling down to a more reasonable pace. The central committee of the Chinese communist party debated the communes at its meeting from November 28th to December 10th; this was the meeting at which Mao Tse-tung's resignation as the chairman of the republic was approved.

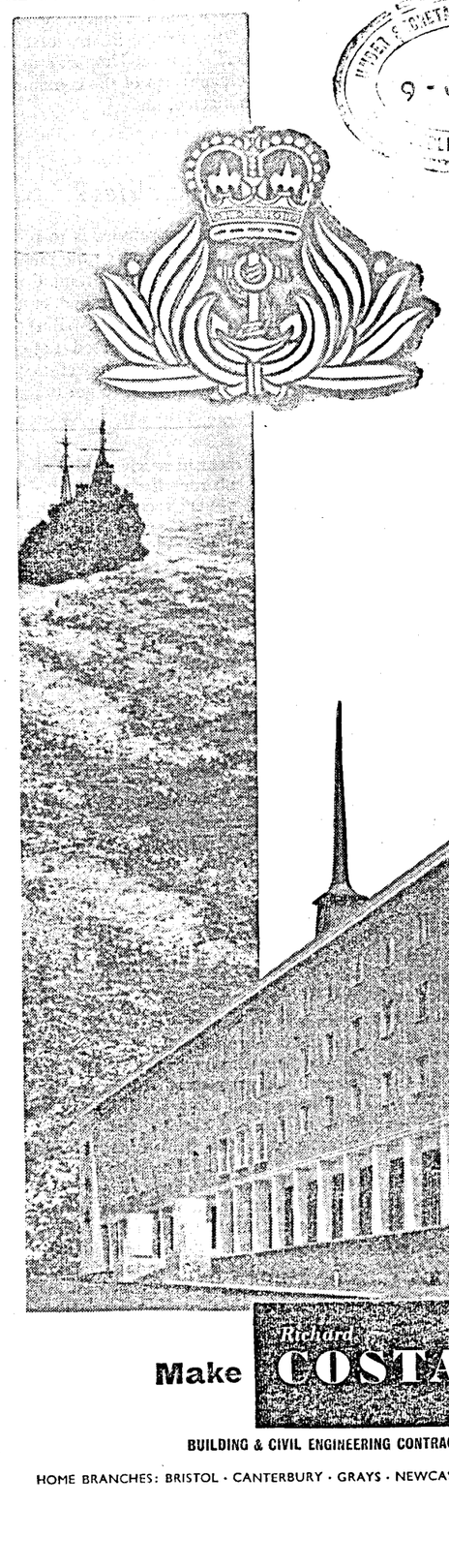
Reviewing what had been done since the spring, the central committee noted that some 740,000 agricultural co-operatives had organised themselves into 26,000 communes. The experiment had been tried in towns, but "especially in large cities, it should not be hurried"; the existence there of many capitalists and intellectuals makes it necessary to go circumspectly.

On the whole, communes do not loom so large as they were made to in the summer; the "leap into communism" has been abandoned. The building of socialism—not communism—is now expected to take between ten and fifteen years: the central committee decided that there was

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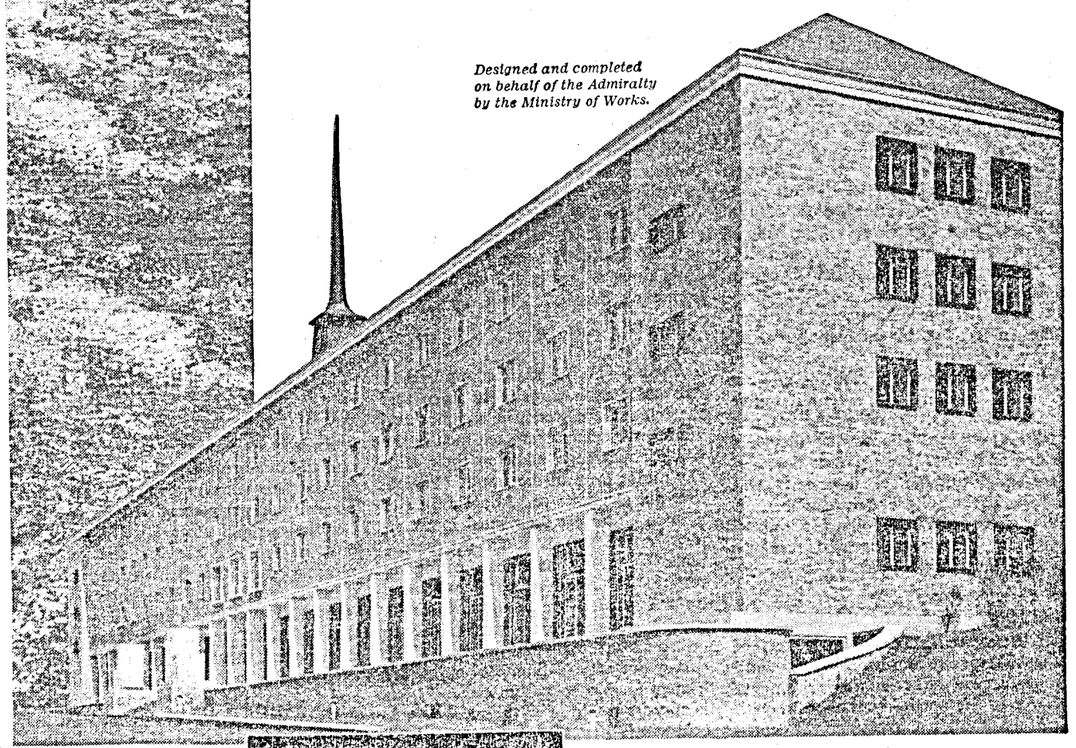
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no point in being too eager and "over-reaching ourselves." Although the free supply system in the original blueprint for the communes contained an "embryo of the communist principle of distribution according to needs," it was not to be made the general practice. Until the age of plenty arrives, the Chinese communists suspect free supply would undermine labour enthusiasm; in the meantime, caution is enjoined against "petty trends towards egalitarianism." Wages are to be graded into six or eight scales; there is to be no discrimination against those members of the communes who have sources of income outside the commune; members can keep their bank deposits and other property undisturbed, although the commune "may borrow the surplus housing space of members with their consent." The working day in the communes is not to exceed eight hours. Parents can choose whether they want to look after their children themselves or put them into "well-run kindergartens"; the military system, on the basis of which the communes are organised, must not be used "to infringe in the least on democratic life in the commune." Thus the Utopian crudity of the first directives for the organisation of the communes has, to a certain extent, been mitigated.

EDUCATION

How Many Universities?

THE present target for university expansion is to reach 124,000 students in all by the mid-sixties; the present number is about 100,000, and the University Grants Committee in their last review hoped that by the end of the sixties numbers might rise to about 136,000. But the Association of University Teachers has proposed 145,000 by 1965, a figure which is probably much nearer to the number of young people at present wanting to get in; and at the Home Universities Conference last month Dr Robin Pedley, lecturer in education at Leicester University, suggested 170,000, on the assumption that improved secondary education could bring 10 per cent of the appropriate age groups to the universities. (By 1965 there should be in addition 70,000 or so students doing advanced courses at technical colleges, 36,000 at teacher training colleges and thousands of others undergoing further forms of higher education.) The view that universities should be kept for an intellectual and academic élite, rather than opened to all as a step in their vocational or professional training, received commendably short shrift at the conference.

If the dons really desire to open university courses to the maximum number of young people who are both able and willing to undertake them, then Dr Pedley's seems the proper liberal objective. Clearly, however, it cannot be attained simply by the present programme of expanding the smaller universities to the size of the larger, and making some of the larger bigger still—a process which sets grave administrative problems. A really determined plan for university expansion would have to found new universities; Dr Pedley suggested seven more. At present only one, Brighton, is proposed. Some new universities, some of them perhaps as experimental in their own way as North Staffordshire is, could surely be built in conjunction with the new teacher training colleges. But it is also obviously necessary not to waste any available foundation for turning out the required diversity of graduates. On the face of it, it seems extraordinary, for instance, that the University Grants Committee has for so long rejected the claims of St David's College, Lampeter, to a grant, and so allowed it to come almost to the point of extinction, instead of becoming, as it could do, the kind of liberal arts college that the wider spectrum of university provision will require. The UGC, it seems, will only help Lampeter if it becomes part of the University of Wales (which it would be glad to do), but the University of Wales has already turned Lampeter down and remains chilly. Considerations of academic prestige and position look like being allowed to jeopardise some 150 perfectly useful university places. In this apparently minor matter, as in so many major aspects of university development, it is hard to see where the real leadership lies. Britain may be lucky at the present pace to get even 124,000 students by 1965—and perhaps even that increase only at a disproportionate sacrifice of existing university amenities.

Eating Round the Clock

THE levelling up of incomes in the last twenty years—and the spread of industrial canteens—seem to have had a surprisingly small effect on the national diet. In all, food consumption a head is about one-eighth higher than before the war (although the "calorie intake" has risen only 4 per cent). The welfare state has encouraged a considerable increase in the amount of milk drunk. But most of the changes have been moderate: more potatoes replacing some of the bread, meat some of the fish, margarine some of the butter. And, surprisingly, less fruit is eaten and only a few more vegetables. It looks as if traditional British eating habits die hard.

Just what these habits are has been the subject of an interesting special survey* by the market research division of an advertising firm. During one hot August week in 1955, a representative selection of 4,557 men and women were questioned about what they had eaten and drunk the previous day, and an equal number of interviews was made in the following cold February. The survey gives the following impression of British eating and drinking round the clock.

★

Starting with Tea.—Nearly half of the adult population, working class and middle class alike—more in London, fewer in the north—start the day with early morning tea. About 40 per cent—more in the north, fewer in London—also take tea last thing at night. At breakfast-time about 85 per cent of people drink it. Coffee consumption has doubled since before the war, but at no hour of the day is it the Englishman's favourite drink: only on Sunday mid-mornings in the winter is as much coffee drunk as tea.

Breakfast.—In spite of slimming diets, more than half of men and more than a third of women have a cooked breakfast throughout the week; the proportion rises on Sundays, but varies surprisingly little between summer and winter. A cooked breakfast is slightly more usual among the upper class (defined as the 10 per cent of families in the top professional and business occupations) than among the working class (defined as the wage-earning 70 per cent of families). Bacon and eggs is still the traditional dish; it is apparently eaten in nearly a third of British homes on Sunday.

★

Lunch.—To London commuters it will come as a surprise to learn that throughout the week, in summer and winter, six out of every ten men in the whole country go home to their mid-day meal; even in the London region, four out of ten do so. About a quarter of men either eat their meal in a canteen or take it to work and eat there—twice as many as those eating in restaurants. About 15 per cent of men eat a sandwich lunch and a business executive is apparently just as likely to do so as an industrial worker. The survey does not distinguish housewives from women who go out to work, but it appears that during the week 70 per cent of all men and women are eating their mid-day meal in their own homes; public restaurants are catering for only 8 per cent of them. Most people have a cooked mid-day meal and two out of three British homes have potatoes, summer and winter, throughout the week. On any Sunday the traditional roast beef is eaten in nearly a third of all homes; lamb runs it close in summer, but in winter it competes with pork for second place. Poultry or fish is a Sunday lunch for only about 5 per cent of homes; salad, even at the height of summer, features little in the Sunday lunch menu.

★

Dinner for Few.—The peak-time for eating in the evening is between 6 and 6.30 p.m., although a third have already had their meal even earlier. Even in summer, only 12 per cent of men and even fewer women eat after 7.30 p.m. About two-thirds of people (including over half of Londoners) refer to the meal as tea or high tea, although the distinction between the latter and dinner may be somewhat arbitrary. But bread and jam or cakes, with or without a main dish, feature in the evening meals of about half the population.

★

And So to Bed.—Cakes and biscuits and the like are naturally the mainstay of the late supper or bedtime snack taken by 60 per cent of people, mostly between 10 and 10.30 p.m. And it is only in the late evening and in the summer that the British apparently drink beer or spirits with their food—or at least own up to doing so. About 8 per cent of men (10 per cent in the upper class) owned up to taking a late-evening alcoholic drink in the summer and 2 per cent of women did so. During the summer, too, 5 per cent of men in the top class said they drank with their evening meal, but for the population as a whole alcoholic consumption at meal-time is alleged—by the answers to this survey—to be very small indeed.

* The Foods We Eat. Edited by G. C. Warren. A Survey by the Market Research Division of W. S. Crawford, Ltd.

FINLAND

Under Moscow's Displeasure

FINLAND has been without a government for more than a month: since the withering away of Mr Fagerholm's coalition cabinet, the Helsinki politicians have found it hard to form another. Although the Finns wish to maintain good relations with the Soviet Union, their politicians are reluctant to include the communists in any government. In a broadcast speech on December 10th, President Kekkonen constantly returned to the essential part that foreign relations, and those with Moscow in particular, play in Finnish politics. He said relations with Russia would have to improve, and that the Finns would have to convince Moscow that they really wanted an improvement.

During the initial stages of the crisis, the Russians maintained an ominous silence; later, the Moscow press and radio went into action and accused the Finns—and the Social Democrats in particular—of a variety of crimes, among which wanting to keep the communists out of the government was the main offence. Mr Kleemola, an Agrarian, did his best to appease them. He proposed to give five ministerial posts to the left wing socialists, a small faction represented in parliament by thirteen deputies. He pointed out that if his proposal proved unacceptable the communists would have to be admitted. The conservatives and the Swedish party refused to be impressed, and Mr Kleemola announced his inability to solve the puzzle.

Mr Kekkonen is still apparently toying with various parliamentary combinations that might serve as a basis for a cabinet; the possibility that he will announce a caretaker government cannot be entirely ruled out. So far, he has personally evaded the wrath of Moscow; in fact, he has been singled out for its praise. The crisis, however, has done nothing to enhance his popularity at home, where he is suspected of trying to get one or two communists into the government by the back door.

MIGRATION

Inward Balance

FOR the first peacetime year since 1938, there has probably been a net inward balance of migrants to Britain in 1958. After an exceptionally large outflow in 1957 (230,000 in all), emigration fell off last year, in response, it seems, to the slackening of economic activity in the "old dominions," notably in Canada. But immigration into Britain (160,000 in 1957) kept up, mainly because Irish poverty and economic policy continues to drive Irish youth here; it is often forgotten that the Irish still form a third of the total immigrants, outnumbering the coloured colonial contingent by more than two to one. In their latest report (Cmnd 619) the Overseas Migration Board have repeated their earlier recommendations for the encouragement of emigration, but these are not likely to be heeded. Official policy has settled down comfortably to the belief that it is for the dominions to offer inducements if and when they wish, and for Britain to co-operate modestly if asked to do so. Perhaps this is, after all, the soundest approach.

The board has done some good work in refining the rather crude statistics that are kept of migration movements. It corrects the view that Britain gains unskilled workers, and loses people on whose education and training the country has spent a lot of money. The board thinks that the balance in Britain's disfavour, even in a year when there is a net loss of population, is not great. In boom periods, no doubt, British industry loses scarce craftsmen to the white dominions, and in all periods first-rate scientists to the United States; but it enjoys a sustaining inflow of scientific and technological talent from the dominions and Europe (including, of course, many refugees). In addition, Ireland and the colonies provide some skilled and semi-skilled as well as unskilled workers.

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ECONOMIC OUTLOOK FOR 1959

A Year for Tax Reliefs

THE main economic question which most Britons are asking at the opening of 1959 is how much money the Chancellor is likely to feel able to give away in his (presumably pre-election) budget in just over three months' time. His beneficence is not likely to be determined mainly by the state simply of his Exchequer accounts, even though the latest indications (see page 64) are that he may just about attain the £364 million surplus above the line for which he budgeted last April. But in these Keynesian days, tax reliefs are decided by other considerations than this.

The first of these other considerations is that the Chancellor must not release sufficient purchasing power to overstrain the internal economy. That particular consideration should not, fortunately for Mr Amory, be very oppressive this year. At the moment Britain is in the middle—or perhaps middle and off—of a stock recession. Arguably, though not certainly (see below), the rate of stock-building may recover later in the new year; while, even without any tax reliefs, consumption would probably be higher in 1959 than 1958, and total fixed investment, Government current expenditure and (questionably) exports might be no lower. At a guess—though a guess carefully hedged—most analysts would probably forecast that even if the Chancellor merely let present policies ride, total demand by the end of 1959 would be running at a rather higher level than now. But current production is, after all, still slightly lower than it was at this season three years ago; while fixed investment has been maintained throughout these three years at or above a rate which was formerly (just before 1955) providing the capacity for Britain's real national income to expand by some £600 to £700 million a year in terms of today's prices. Undoubtedly, Britain now has a considerable reserve of under-utilised capital equipment.

It would be much too simple an exercise in inflationary economics to measure this under-utilised capacity by the sum of three years of industrial expansion foregone, adding in another £700 million-odd for 1959 itself, and saying that Britain could painlessly increase its production by some £2,500 to £3,000 million in 1959 merely by flogging industry at the (too extravagant) rate which the expansionist Mr Butler allowed in 1955. But perhaps this much succour for analysis can fairly be drawn from the arithmetic of past production: even if the Chancellor were to give away in tax reliefs the whole of his prospective budget surplus of £350 million or so (and few people can be expecting him to give away as much, let alone more), the country's internal productive capacity (as pre-1955 Economic Surveys used to measure it) would not seem likely to be as excessively strained at it was in past years of bad inflation. It seems probable that other checks on the Chancellor's beneficence will come into play this year before this particular limiting factor of Britain's theoretical maximum capacity to produce need be taken into account.

AMONG those other traditional checks is the state of the current balance of payments. Fortunately here, too, the Chancellor should not need to be too inhibited this year. Britain has just ended 1958 with a balance of payments surplus which was certainly a record and was probably above £500 million. In the first half of 1958 the surplus amounted to £334 million, and in the next five months the monthly average visible balance was only £8 million worse than in that record first half year. Even allowing for a deterioration in the invisible balance in the second half of the year (caused partly by the interest element in last Wednesday's payments on the North American loans), the second half's surplus should surely have reached or exceeded the £200 million odd necessary to hoist the year's total surplus to well above the £500 million mark.

It would be prudent to expect some deterioration in this record rate of surplus during 1959. Some £280 million of the improvement in the surplus between 1957 and 1958 will have been due to the 8 per cent fall in average import prices. Most people are guessing that import prices will go up again in the new year, although they seem unlikely to go up so fast that the average price level for 1959 will reach the average price level for 1957. Until recently most people had also forecast that the volume of British exports was bound to be considerably lower in the first half of 1959 than it was in the first half of 1958; the remarkable buoyancy of British exports since the end of August has now caused some hopeful second thoughts.

Presumably Britain's volume of imports (which was 2 per cent, or some £70 million a year, lower in the first eleven months of 1958 than in the equivalent period of 1957) must be expected to rise again in 1959, especially if there is an expansionary budget and if re-stocking gets going. But against this one can think of almost as many items of net invisible receipts that should improve in 1959 as one can think of invisible receipts that may deteriorate. In the overseas sterling area, which shares the central gold reserve with Britain, the rate of deficit in the early part of 1959 may well be even larger than in the first half of 1958; on present trends, however, there seem to be grounds for suggesting that it might improve in the second half of the new year.

ALL in all, therefore, although there may be quite a sizeable dent during 1959 in Britain's record 1958 rate of surplus, and although the sterling area as a whole may not be in considerable surplus at all, the state of current external payments will not necessarily be a force that is bound to hold a reasonably expansion-minded Chancellor in check. Indeed, one is beginning to wonder how often it is so vital a restricting force as governments have previously learned to suppose. The balance of payments outturn, cynical experience suggests, is now usually a statistic which is worked out by civil servants some three months after the event, and which nearly always proves to differ in important respects from what everybody had been deducing it to be. Bulls and bears of a currency now pay less attention to this late-coming statistic and look out for other things instead.

One of these other things, which has an important bearing on confidence in sterling, is the course of wage bargaining and of wage inflation in Britain. There is

one blot on the landscape here for 1959, in the shape of the committee which is now inquiring into the state of railway wages: both its terms of reference and the method and membership with which it has been set up suggest that it might recommend a wage increase for railwaymen in spite of British Railways' increased deficit. The effect that any such recommendation could have on foreign confidence in the pound should not be underestimated. But the prospect for reasonable wage stability in 1959 looks less dim than for many years.

This is due in part to the slower recent rate of rise in prices (although that could conceivably be disturbed by developments on the food front), in part to the dampening effect of slightly higher unemployment, but probably in the main to a political factor. The trade union leaders are well aware that the principal primary cause of the electoral swing against Labour last year was the London bus strike, and they are likely to have concluded an unwritten compact with the Labour party to try to avoid bringing it into the pillory again before the expected general election of 1959.

But mention of the election introduces the main shadow over the economics of the new year. In 1959, unfortunately, political economy seems likely to be more important than the science of public finance. As polling day approaches, some flight must be expected from Britain's newly convertible pound, if only because, rightly or wrongly, many foreign holders of sterling are petrified at the thought of what might follow a Labour victory. Indeed, the great paradox of 1959 is that, while the man in the street assumes that the main factor influencing Mr Amory towards a budget of extensive tax reliefs will be his desire to help his party to get back in, the main economic factor in the way of such a budget may be uncertainty in the exchange market caused by the fear of foreign speculators that his party may not be going to do so.

Despite this, and on balance, the best advice to give to Mr Amory at the gate of the new year may be that he should go ahead with preparing a budget of tax reliefs ; and that he should regard the possibility of a higher Bank rate as the main weapon to use if pre-election speculation should set in against the pound. It would be imprudent, a full quarter year in advance, to make any guess at the desirable extent of such reliefs, but there are three points that can already be made about the desirable shape of them. First, there is a better case in Britain at the moment for concentrating most reliefs on income taxes rather than on purchase tax. Secondly, if there are to be any cuts in purchase tax at all, it might be better to announce them this month or next, separately from the rest of the budget, rather than to wait until April ; by April potential buyers of goods in which tax cuts are expected might have held themselves off the market for three unnecessarily depressing months. Thirdly, there are sound arguments for being generous this year in refurbishing allowances designed to stimulate investment. Admittedly experience suggests that these give their main fillip a full year after their introduction ; but it may well be that underutilisation of capacity in the heavy industries that produce capital goods may last through until then. This is a point which emerges from a study of the trends in individual British industries, to which this survey now turns.

Stocks and the Prospect

A STOCK recession reverberates throughout the economy gathering momentum as it goes: every industry down the scale adds its own extra economies until the universal reduction of stocks falls with full weight on basic and heavy industry. In 1958 this meant heavy cuts in production of steel and, one step further back in the least flexible of industries, the piling up of unsold coal at mines and opencast sites. When steel output is down and nobody wants to move the coal, heavy transport slumps: 1958 knocked the railways to their knees.

This tightening of stocks in recent months has far outweighed the small movements in the other elements of final demand. Consumption was never significantly depressed last year, and the demand for consumer durables is now turning up quite sharply. Every physical element in investment demand except vehicles passed its peak by the end of 1957. The motor industry, in the first half of last year, was Atlas carrying two globes: it was sustaining the level of investment as well as the level of total production. But even motor manufacturers, boom or not, were buying more cautiously and thinning their relatively low stocks. Their caution rippled outwards through the engineering trades, where orders for capital goods, the other big factor in demand, had already fallen and were beginning to affect output ; defence demand came down again ; the volume of exports fell, though not as much as was feared ; and forward export orders fell further.

Demand in these early weeks of 1959 depends partly upon the uncertain trend of exports. The November figures looked astonishingly good, but can we really have survived the recession in commodity prices with hardly a ripple on the demand of primary producers for British manufactures ? There is a chance that exports have turned for the better. But demand also depends on industry's guesses about how far the stock recession will go. On the coldest calculation, nobody could call stocks throughout manufacturing, even at the end of 1958, anything but high—relative, say, to the ratio of stocks to output in a boom year such as 1955. On arguments of economic efficiency, industry might justifiably move down to a new, lower level of normal stockholding, since the artificialities of the postwar decade are wholly past.

If industry did so, an upturn in output would certainly be delayed late into the year. On the other hand, easier and rather cheaper credit is making stocks more convenient to finance ; some people may expect commodity prices to go up further ; and when the first venturers begin to rebuild their stocks, psychological pressure is exerted on others. Against this not too conclusive background, let us take a look at some leading industries.

Coal

THE coal industry, right at the bottom of the industrial pyramid, is beset not only with the reduced total demand for fuel, but also with a secular shrinking of its dominant share of the market. Nothing that happens in the economy this year can avert a continuing switch to fuel oil, simply because large-scale conversions are already in train, as at some power stations. Indeed, nothing that is in prospect for the economy seems likely to require any change in the National Coal Board's rather grim plans for 1959. In 1958, it managed to sell only 208 million tons of coal, and it failed to cut its production below about 215-216 million tons ; so its unsold stocks, large at the beginning of 1958, have risen to nearly 20 million tons.

This year the NCB is committed to cut back output from mines and opencast sites to 203 million tons, and it reckons that 3 million tons even of this slashed output may still have to go into stock. It is closing 36 collieries (over and above those that would have gone out through exhaustion) and reducing opencast output by letting fewer new contracts. These cuts are in its most unprofitable and its most profitable coal respectively ; in theory, they should leave the board no worse off, though carrying perhaps £70-£80 million worth more coal in its stocks than it would wish.

These cuts in output, and what it has done already by reducing recruitment, will cut the Coal Board's mining manpower somewhat below the figure which was postulated in its modernisation plan. They have also given it a surer road to high productivity. Whether this is in spite of the board's long-term investment plan and its crash programme of power-loading, or whether these could not make their contribution apparent while so much inefficient production was a national "must," are points for argument ; the fact is that output per manshift is now running at about 26 cwt, 8 per cent better than the best ever before the war.

If the upturn in economic activity comes fairly early this year, it should bring a fairly quick revival in demand for fuel in general. Coal is one of the few industrial materials of which stocks in the hands of consumers have come down fully in line with actual consumption. Use of coal is not likely to recover fully in proportion to any general recovery in the economy, because the switch to oil is continuing (rapidly in electricity, and now more slowly elsewhere in industry and in central heating). It would be pessimistic to think that eventually coal consumption would not feel the benefit of renewed expansion ; but too optimistic to hope that enough recovery could come this year to make the Coal Board revise its production plans.

Steel

CUTS in the steel industry's demand for coking coal were the last straw on the coal industry's back in 1958 ; the closing of 36 collieries, and the need for stringent management of the coal industry's stores and inventories will be one of the minus factors affecting a big slice of demand for steel in 1959. And the railways, which are interlocked with the other two in this depressing pattern of "hurt and be hurt," will be living on their stocks and holding down their current demand for steel ; that may more than outweigh any extra demand for steel arising from the railways' increased rate of investment next year.

Across the economy, stocks still dominate the outlook for steel: opinions in the industry about when the running down of stocks will end differ across a range of about six months, from spring to late summer. A rundown of stocks equivalent to over 750,000 tons of crude steel since March was the main factor bringing steel output last year down by about 10 per cent, to 19.6 million tons ; since the summer, consumption has come down sharply too, and that has further reduced the level of working stocks.

The British Iron and Steel Federation is hoping that demand may turn upward by about the middle of the year ; it is not counting on steel production in 1959 showing any big advance over 1958. Projections of an improving rate of output this year, made by the Iron and Steel Board (which has recently been more optimistic about consumption than the eventual figures proved) suggest a rise from the current rate of, say, 18 million ingot tons a year to 21 million tons by the end of 1959. The Federation might be inclined to put its end-year guess at 22 million tons, which would mean 20 million tons over the year. Beyond 1959, guesses diverge further: some people in the industry doubt if 1960 can show much improvement on the 21.7 million tons of 1957.

Current output, at the rate of 18 million ingot tons a year, is not much better than 75 per cent of capacity, now conservatively rated at 23½-24 million ingot tons. This year capacity will rise by another million so that an unchanged or only slightly increased output for the year would give producers a rather worse rate of capacity utilisation. In 1957-58, a financial year that admittedly started well, British steel companies emulated the American steel companies in weathering the recession fairly well, in terms of profits. By all accounts, the industry has been able to score considerable

The Economist

JANUARY 1, 1859

PAST AND PROSPECT

It would be difficult to conceive a greater contrast than exists between the actual condition and immediate future prospects, of trade at the commencement of 1858, and now, at the commencement of 1859. A year ago, a commercial and financial crisis, of greater intensity than had perhaps ever been experienced, so long as it lasted, was only just subsiding. The Bank discount, which had been for some time at the unprecedented rate of 10 per cent., even then stood at 8 per cent. It is true the reserve of the Bank, which at one moment had fallen to below a million, had so far recovered that it stood at £7,971,000 by the last accounts published in December, and confidence began to be felt that so far as the "money market" was concerned, the country was in a fair way towards a rapid recovery. But the same confidence did not prevail in relation to the trade of the country . . . With these observations upon the past, *we pass to a consideration of the circumstances* which are likely to influence the trade of the year upon which we this day enter. These are of a character peculiarly striking, whether we regard the position of the financial means open to trade, or the great considerations upon which the prosperity and the consuming ability of nations are founded. . . . In the United States, in France, in the chief continental towns, as in the Bank of England, the great distinguishing features of the moment are, large unemployed deposits, a limitation of advances, great bullion reserves, and, as a consequence, a very low rate of interest. And it is important to observe that these remarkable characteristics of the times in monetary matters, are not so, merely as compared with the period of pressure a year ago :—they will bear nearly an equally favourable comparison with the corresponding period of each of the last three years. . . . *As a whole, therefore, the prospects of 1859 bear a most cheerful* comparison with those with which we commenced the past year. *Then*, all was still doubt and apprehension. *Now*, we may fairly say, that a year never commenced with better grounds for hope and confidence. May the same prudence and caution which have marked the commercial public for the last six months, continue to guide them in the very favourable circumstances under which they enter the new year.

improvements in iron and steel making practice which were overlooked or unsought when it was under pressure. The benefit of these and further economies should spread into 1959, but the financial results of the companies reporting to September next will also be limited by the fact that whereas ingot production in 1956-57 was 21.6 million tons and in 1957-58 20.3 million tons, for the twelve months to next September it may be no more than 19 million tons.

Current earnings and the more generous dividends recently paid do not seem significantly to have moderated the companies' readiness to go on investing in new capacity, though their ability to finance investment from internal funds has been affected. The industry's investment planning has indeed been complicated during the last few months by the Government's decision, somewhat mysteriously arrived at, to have two semi-continuous strip mills in the sixties, one at Newport and one at Ravenscraig in Scotland. Investment is now running around £100 million a year.

Engineering

THE first signs of re-stocking among steel's customers in recent weeks have come from certain of the intermediate engineering industries that supply makers of a wide range of finished metal products, from ball-bearings to drop forgings. These intermediate producers have had longer to squeeze their stocks than other users of steel; they felt the motor recession sharply in 1956-57, and never achieved in their own output quite the recovery that motors enjoyed, simply because the demand for some other consumer durables slackened and demand from machinery makers fell away. But these engineering concerns are more dependent upon cars and consumer durables than upon investment goods; and the hire-purchase boom is beginning to quicken their run of orders.

Among the suppliers of plant and machinery, on the other hand, 1958 was a year of steadily shrinking orderbooks, eventually translated into reduced production. Towards the end of last year there were more inquiries for new plant than there had been in earlier months, but precious few were maturing into firm orders. Makers of capital goods, such as machine tools, worked steadily through Britain's private investment boom in the last three or four years, and achieved increases in output that belied the fears of outside observers about the overload then put upon them and their capacity to handle it. But by the middle of 1958 that investment boom was over.

Public investment—primarily electricity—held and is holding up steadily, so that the heavy electrical engineers remain perhaps the most fully-employed of the capital goods industries; since several of the same companies are doing well out of consumer durable goods as well, they are the brightest spots in engineering. The shipbuilding industry has remained busy, though cancellations, considerably exceeding new orders, have been reducing its four-year orderbook; but shipbuilders did not achieve the increase in output that they were promising for last year—nor did they buy all the steel plate for which they had demanded priority in deliveries.

Engineering exports held up fairly well in the first three quarters of 1958, and in some sections where demand had been slack, such as commercial vehicles, rather better orders came in towards the end of the year. Plant and machinery suppliers are hoping for some benefits to flow from the promises made at Montreal; they have also been encouraged by rather easier credit terms for overseas contracts, though there are still complaints that Britain lags behind its competitors in the softer world market.

Building and Construction

IT seems doubtful if the value of new building and construction work declined last year as had been expected. In the first three quarters, in fact, there was a slight increase over the same period of 1957; and since building employment had shown nothing of its usual seasonal fall as late as November, it may be that the output of these industries was maintained in the fourth quarter too. Construction work in the public sector—which covers half of all building expenditure—is practically certain to increase this year; the Government's invitation to public authorities to step up their expenditure in 1959 may mean an increase in their building programmes of as much as £40-£50 million this year. New housebuilding by public authorities fell by about one-sixth last year to around £250 million; but no such decline is likely in 1959, and the increase to be expected in other new work carried out for public authorities may mean that the public sector will increase its building activity by as much as five per cent.

Private investment in building is less easy to forecast. Recent surveys indicate that private industry intends to spend less on new building and plant; professed intentions are commonly more pessimistic than the expenditures that are actually undertaken when the time comes, but it would take a marked recovery in industrial production this year to stimulate new industrial investment. Private housebuilding rose slightly during 1958 and may continue to rise this year; it should be aided by rather easier credit, which —along with the Rent Act—should also stimulate expenditure on maintenance and repairs.

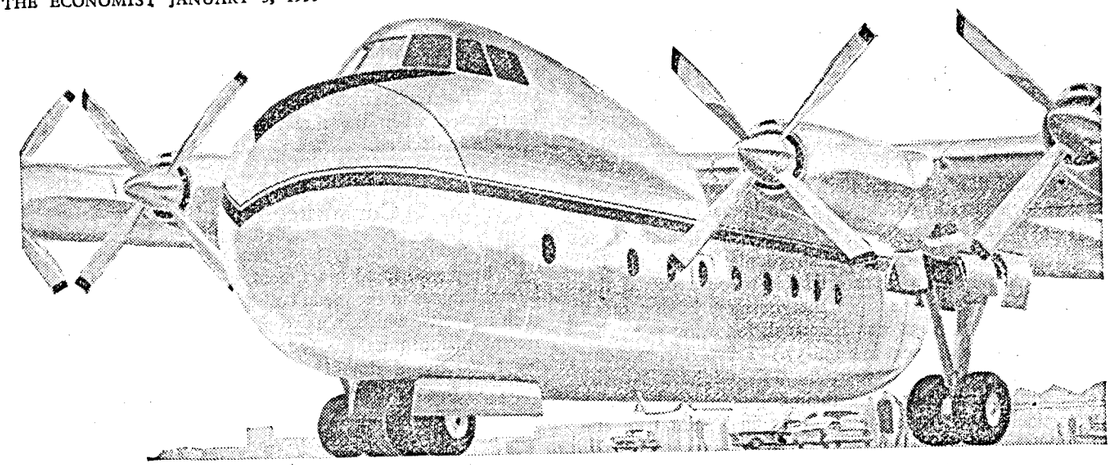
NEW WORK BY CONTRACTORS
(£ million)

	1957		1958
	First three quarters	Total	First three quarters
Housing :—			
Public	234	307	195
Private	184	246	193
Total	418	553	388
Other Work :—			
Public	277	375	308
Private industrial	207	275	204
Private miscellaneous	135	184	147
Total other work	619	834	659
Total, all new work	1,037	1,387	1,047

The most uncertain element at present is new private commercial building, which totalled £184 million in 1957 and may have been as much as seven per cent higher in 1958. But if commercial building merely remains unchanged in 1959, and the result is a slight decline in total private building, this decline should be more than offset by gains in the public sector.

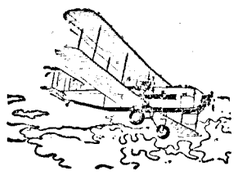
Motors

AMONG metal exports, as among the country's major industries, motors had perhaps the most impressive record in 1958, and the industry remains cheerful



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about 1959. But it has some qualms about the early part of this year. The seasonal dip in demand that it expects at this time has already been largely filled up by the freeing of hire purchase in the last quarter of 1958. So it is now a little uncertain whether to make a noise in the next couple of months about a reduction of purchase tax in the Budget—which could easily encourage the postponement of new orders—and dimly hopeful that Mr Heathcoat Amory will resolve the matter by cutting the tax in January or February.

If purchase tax is reduced, it should boost home sales to private consumers and more than counterbalance the fall in business purchases of cars that is to be expected this year. (There are some signs that business buying of all motor vehicles in 1958 was abnormal, following postponement of fleet replacement in 1956-57.) Prosperous as motor manufacturers were last year, they should have capacity for a substantial addition to their output in 1959; Ford, in particular, will be bringing in its final paint trim and assembly building at Dagenham to crown its comprehensive programme of expansion. It seems likely that BMC, and perhaps Ford as well, will be bringing out important new models next year in the small car range, where basic models from British makers have been unchanged for several years.

Nobody is as confident on the commercial vehicle side. These are capital goods and must be expected to suffer if capital investment by business goes down; neither total output nor exports have been particularly lively in recent months. Within this industry there is intense competition at the moment; the heavy vehicle producers have been feeling the draught more than makers of vans and light trucks, and the big car manufacturers have steadily been edging their way upwards through this market with bigger and bigger vehicles and larger production of their own diesel power units. But replacement demand is accumulating and must be released when the threat of renationalisation of road haulage is decided.

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Consumer Durables

THE motor industry is as much or more interested in business capital investment as in consumer durables; its stablemates in the metal consumer goods market have no such interests, which in 1959 means no such worries. The freeing of hire purchase, following the cuts in purchase tax for a variety of durable goods, has given the manufacturers of most of these goods a mighty fillip. They profess the conventional uncertainties about how long this will last, and whether a hire purchase boom merely brings forward purchases rather than initiating them; but, for the moment, they are all set to ride their boom while it lasts.

Less glamorous consumption goods have meanwhile been playing their part as the most stable elements in the economy. The British people eat a little more as their standard of living goes up; the amount that they are prepared to spend on clothing, however, has been declining, and with a considerably increased volume of imported clothing, the textile industries show little signs of recovery.

Chemicals

THOSE parts of the widely-diversified chemical industry whose demand is closely related to that of other basic industries showed a slight decline in 1958 following the drop in industrial output; for the chemical industry as a whole, 1958 brought the first fall in output since 1952. Output of heavy chemicals began to decline late in 1957, and consumption of sulphuric acid may have fallen by as much as ten per cent during 1958. Any recovery in 1959 will thus depend partly on a general economic advance. Paints and solvents are benefiting from the present high level of output in the motor industry and in building; dyestuffs and synthetic fibres have been affected by the general decline of the textile industry, which seems likely to continue.

But a large part of the chemical industry behaves rather independently of industry in general. This is particularly true of petroleum chemicals, and most of all of plastics. Feedstock deliveries to petrochemical plants rose during the first ten months of 1958 to over 725,000 tons, eleven per cent higher than the same period in 1957; while this represents a declining rate of growth in the latter part of the year, output is likely to rise somewhat this year.

Several new chemical plants were opened during 1958, including Britain's first synthetic rubber plant at Fawley. The current high rate of investment in new chemical plant reflects both the industry's ability to ride a general industrial decline, and its confidence in the face of considerable uncertainty about the future. While demand as a whole may not fall very sharply in 1959, margins will be lower and competition keener, both at home and from imports. Profits may be further reduced by increased depreciation charges on new plant. This year may also bring a further decline in exports, which fell from £267 million in 1957 to perhaps £260 million last year.

LETTERS

The Common Market

SIR—Only the last of your three major reservations against joining the common market is a serious obstacle to our membership. I myself would have made different reservations about the Rome Treaty, mainly concerning full employment policy, but for present purposes will confine myself to yours.

Your first reservation is certainly based on a very real problem, one which "Europeans" are indeed all too apt to overlook, but your conclusion is very much open to question.

You argue in terms of "new Japans" within the Commonwealth: but the problem of young industrial countries is only one aspect of a much wider problem—that of underdeveloped countries in general. The recent Haberler report prepared for Gatt gave priority to markets for agricultural exports from such countries, a priority your "Good European" correspondent was evidently allowing for in his suggestions for a relationship between the Commonwealth and Europe.

Further, with regard to "cheap" manufactures, you allow neither for the indirect effects of a dynamic "European" economy, whose development would—most are agreed—be hindered by the restriction of free trade to the Six, nor for the growth of trade in such manufactures between underdeveloped countries themselves, provided "Europe" pursues a favourable investment programme.

It is of course true that one or two Commonwealth countries would be somewhat worse off from losing the privilege of free entry into Britain for their manufactures. But is it not sounder to recognise their problems in the light of the foregoing considerations, and to seek out forms of compensation, than to elevate their difficulties into a principle constituting a major reservation against joining the common market?

Your second reservation takes out of context an admittedly rather rash statement by your correspondent. But his argument about getting "the best terms for Britain and the Commonwealth in Europe" would remain valid even if Commonwealth preferences did not all go by the time the common market reached its final form. It is enough for his case that the system of preferences has been eroded, is being eroded, and is likely to go on being eroded. It is a pity you did not follow up your correspondent's lead concerning possible alternative arrangements involving the Commonwealth.

Your final reservation is by far the most plausible. While a purist would prefer to describe "calling France's bluff" in other terms, e.g. "heeding the French suggestion that Britain should join the common market", it must of course be recognised that France would not take readily even to those reservations which your correspondent has himself made.

It is at this point tempting to cry over spilt milk, to lament our walk-out from the Spaak committee, and to argue that we could have obtained better terms more easily in 1955-56 than now, but is it really too late, as you imply, to break the deadlock by opting for membership of the common market? The only alternative form of possible agreement, to judge from the course of the negotiations, would fall far short of the conception of a free trade area, to which you have given such warm support in the past. Is not the former alternative, for all the political difficulties it raises, very much to be preferred?—Yours faithfully, J. C. HUNT

London, S.W.1

Teachers' Pay

SIR—Given your backwoodsman's view of what happens in the public system of education, I suppose it is something that you should at least recognise, in your editorial comment of December 20th, that teachers are in a "militant mood" following the breakdown in the Burnham Main Committee. That you should take a balanced view of the events leading up to the breakdown is, I realise, too much to hope for. That you should be so ill-informed about the membership of some of the organisations represented on the teachers' panel of the Burnham Committee is regrettable.

You find it difficult to understand what the Minister of Education is supposed to do. May I explain?

By the terms of the 1944 Education Act, no settlement can be made unless the Burnham Committee agrees and the Minister accepts its recommendations. Further, the committee can make recommendations at any time it so decides, and equally the Minister can invite the committee to make recommendations. The Minister has, therefore, some responsibility and we submit he should now intervene.

Only a journal so indifferent as yours is to the provision of adequate educational facilities for the majority of the nation's children, could take such a complacent view of the teacher supply situation, and such a disparaging view of the status the teaching profession should enjoy vis-a-vis others. The facts are that we need at least another 60,000 teachers by 1968 merely to reduce the size of classes to those prescribed by the Ministry regulations. A further 40,000 more would be needed to give real secondary education to all children, to say nothing of the extra numbers needed to replace the many thousands of unqualified teachers at present in the schools.

Whatever you might think about this union's case for a basic scale of £600 to £1,200, the fact is that it was not on the merits of that case that the breakdown in Burnham occurred. The chief reason for the union's rejection of the authorities' offer was that members were not prepared to wait two years for an effective response to an application lodged last April, or to see the present report run for three-and-a-half years.—Yours faithfully, FRED JARVIS

National Union of Teachers

Policy for the Unemployed

SIR—There is one aspect of redundancy to which your references to unemployment do not refer. It is not that of men above 65, by whom you mean industrial workers; it is that of men well below that age, technicians, managers, salesmen and the like, who find themselves out of a job or unable to move to fresh employment. In their case they are hamstrung by the advertisements which ask for men in their thirties or, at best, not more than 45. The reason appears to be the superannuation or pension schemes, largely backed by bulk insurance, which are offered as an inducement in the very jobs from which men still in their prime are debarred as applicants. For those in jobs the retirement schemes become a millstone where they were intended to be a sheet anchor and are likely to remain so till such schemes are transferable.—Yours faithfully, FRANK MACHIN

Sale, Cheshire

Israel

SIR—Your article of December 13th argues that the first move to allay hostility between Israel and the Arab States "must come from Israel or not at all."

In fact, such a move has already been made and I am surprised that you ignore it. It has always been the position of the Israeli Government that the question of reparations for Arab refugees could not be discussed outside the context of a general peace settlement. The Israeli delegate declared at the last session of the UN that Israel was now willing to discuss the reparation issue unconditionally. Does not a concession as considerable as this call for some response from the Arab side? The offer was refused outright.

The only "move" of the kind you ask for that would be acceptable to the Arab countries would be one which implied the liquidation of the Jewish state.

Unhappily, there can be no solution for the Palestine question so long as the Arab states refuse to admit the very existence of Israel, and no "moves" or "concessions" can have any point until this situation is changed.—Yours faithfully, S. SITTON

Paris

BOOKS

Unveiling the Oracle

The Blue and Brown Books

By Ludwig Wittgenstein.
Blackwell. 185 pages. 25s.

The Later Philosophy of Wittgenstein

By David Pole.
University of London: The Athlone Press. 132 pages. 15s.

Ludwig Wittgenstein: *A Memoir*

By Norman Malcolm.
Oxford University Press. 100 pages. 12s. 6d.

To the uninitiated the name of Wittgenstein conjures up a charismatic cult. He was the great philosopher who dominated Cambridge for a decade, who circulated his lecture notes privately among his followers, and who brooked no disagreement or criticism from his friends—with most of whom he eventually quarrelled. His followers inherited his strange sayings about language games, imaginary tribes, and feeling pain; they reduced his pregnant pauses to a kind of gamesmanship in discussion; and they paraded his passionate sincerity and seriousness—often about the most bizarre things. They were also accused by Wittgenstein of either misrepresenting his views if they published them or of making use of them without due acknowledgment. The world, as Whitehead put it, never quite recovers from the shock of a great philosopher. And when the philosopher happens to be a man who combined the dedicated passion for truth of a Socrates with a most eccentric and adolescent character, it is extremely difficult for the world to get clear what is hitting it.

The process of assimilating and getting into perspective Wittgenstein's contribution to philosophy will probably take a generation. But it has been eased and accelerated by the publication, within a short space of time, of three books which in different ways contribute to this end. There is first of all his famous "Blue and Brown Books," which were dictated to his class in Cambridge during 1933-34 and to two of his students in 1934-35, and circulated privately. This makes available to the public part of Wittgenstein's development from the position of the earlier "Tractatus" to the later "Philosophical Investigations," which were also published posthumously.

The "Blue and Brown Books" deal mainly with the question raised at the outset—"What is the meaning of a word?"—a question that produces a sort of mental cramp. Wittgenstein shows how this cramp is induced by our tendency to look for something in common to all the entities which we commonly subsume under a general term and to think of a general term as a kind of picture, and by our preoccupation with the methods of science. He tried to break free from such crude and common misconceptions about language by devising his famous language games. What would a language be like if, as Augustine said, we were taught to speak by learning merely the names of things? We must beware of nourishing ourselves on the meagre diet of a too simple model of meaning. Philosophy, for Wittgenstein, was the fight against the fascination which forms of expression exert upon us.

David Pole, in his "The Later Philosophy of Wittgenstein," makes an admirable attempt to clarify the central points of Wittgenstein's philosophy in a straightforward manner. He approaches it from the outside with sympathy and good sense. And since he combines a clear head with a fluent style of writing—a combination that is rare among the initiated—his book will prove an excellent introduction for those who need a succinct account of Wittgenstein's later philosophy without any mystical overtones. For Mr Pole is not like a man who goes to Delphi and tries to plumb the profundity of every cryptic utterance. He dares to criticise as well as to clarify the "official doctrine" and to develop his own—but too briefly. The appropriate reaction to this brave sortie is therefore not that of the initiated, who will cry "How superficial," or of the ignorant, who may exclaim "How true"; it is that of anyone else who wants to separate the sense of an oracle from its sententiousness—"Tell us more."

A similar feeling of fascination and incompleteness haunts the reader who sees Wittgenstein through the eyes of Von Wright and Norman Malcolm in their Memoir. Was there ever such a mixture of integrity, intensity and perverse puerility? How can one take a man very seriously who made such a strange show of being serious? The spell of the man hangs over his biographers' striving for impersonal and objective recording. Plato suggested that philosophy is a form of madness, and though there have been many great philosophers like Aristotle and Hume who were eminently sane, the mental torment and isolation of Wittgenstein give support to such a story. His life, no doubt, would provide a feast for Freudians and a godsend for anyone wishing to bring up to date the list of the world's great "outsiders" or "noble savages." But such approaches seem beside the point. One simply wants to know more about the man so that one can rethink his thoughts. But the more one reads the more the picture of his personality obtrudes upon the assessment of his thoughts.

Wittgenstein used to compare a person caught in philosophical confusion to a man in a room who wants to get out but does not know how. (A significant metaphor, one reflects, after reading about his life.) If he could only turn round, he used to say, he would see that the door had been open all the time. He himself was like the philosopher in Plato's cave who wrenched the prisoners round. But it takes time and trouble to accustom one's eyes to the new light. These three recent publications meet a real need by refracting its rays.

Placing the Cross

Marginal Seat, 1955

By R. S. Milne and H. C. Mackenzie.
The Hansard Society. 210 pages. 18s.

It is singular how little even professional politicians understand about what moves the ordinary voter. What explains the dramatic swing which—according to the Gallup Poll—has taken place in the last year? Who are the people whose fickleness has so transformed party prospects? No one knows. Ignorance in this field is the less excusable since the means for curing it exist. "Marginal Seat, 1955" is an admirable example of what can be uncovered about voting behaviour by a small team of research workers with very limited resources. Despite its unpretentiousness, it is the best book on the subject that has appeared in England, easily surpassing its own predecessor, "Straight Fight"—the 1951 study of the same constituency, North-East Bristol—and the 1950 Greenwich survey, "How People Vote."

"Marginal Seat" contains a formal description of the constituency, the parties and the campaign, but it is primarily based on the evidence of some 600 electors who were interviewed before and after the poll. The social characteristics of each party's supporters, and particularly of those whose allegiance wavered, are analysed, together with their exposure to the various media of propaganda and their attitudes to the issues and the parties. There are case studies of the conduct and opinions of twenty-five voters as well as an exploration of the part played by family pressure and "opinion-leaders" in the making of decisions. The whole is lucidly and succinctly presented and should be read eagerly by all political practitioners and observers; immediate steps should now be taken to sponsor further studies of this kind at the impending general election.

Many of the findings of "Marginal Seat, 1955" are inevitably familiar: the small part played by meetings and even by issues, the unimportance of the candidate's personality, the fewness of conversions during the campaign. But there are other conclusions that will occasion more surprise. The "floaters" did not come from the least interested or the least informed group of the electorate; they were drawn in very representative proportions from all sections—the old and the young, the rich and the poor, the bored and the eager. The Liberals were not a hard core of ageing free traders dreaming of 1906; they were unusually politically-minded, but many of them had never voted Liberal before, even though they had had the chance, while many who had voted Liberal in recent elections now deserted the party. The abstentions included an appreciable number of ex-Labour voters who said that, if they had voted in 1955, they would have voted Conservative; in other words, while it was in one sense true that Labour lost ground in 1955 because of Labour abstentions, a higher turnout might have helped the Conservatives. The voters were very ignorant about the issues of the campaign, but their attitudes were more Conservative than their votes. Labour supporters, although knowing less about their party's policy than the Conservatives, had a clearer "image" of the party itself—as the party that stood for the working class.

These and many other findings are set out in detail in this enlightening book. Despite their disheartening evidence of public ignorance and apathy, the authors come to a cheerful conclusion about the operation of British democracy. One of the best ways of testing whether their optimism is justified is for more research like theirs to be carried out.

The Age of Charles V

The New Cambridge Modern History. Volume II: *The Reformation*

Edited by G. R. Elton.
Cambridge University Press. 341 pages. 37s. 6d.

It is now generally agreed that the outstanding defect of the New Cambridge Modern History is the absence of bibliographies. The chapters that have been allowed bibliographical footnotes are twice as valuable as the rest. But there have been other failures to consider the needs of what Sir George Clark in the first volume called "those who read or consult a general history." The chapter head on the left-hand page and a paginal headline on the right would have made the volumes easier to use. A full system of cross-references (preferably on the inner margins) would have allowed events mentioned in different chapters to be seen synoptically in different contexts, and supplemented the indexes, which are good though not complete. And why does not each volume have a preface to explain its plan? The cancellation of intended chapters on international law and German constitutional development is too important to be concealed in footnotes. And the omission of any account of the Swedish war of independence and the establishment of the Vasas might have been argued, in relation to the principles of historical validity touched upon in the editor's introduction, against the inclusion of an excellent chapter on Russia under Ivan III and IV.

This volume is much better than "The Renaissance," and shows the advantage of an editor who himself contributes, providing a visible unity of treatment. Dr Elton writes on the Age of the Reformation and the English Reformation as well as on constitutional development in Western Europe and Germany. Professor Bindoff has a splendid chapter on the golden age of Antwerp. But the Reformation is happily treated not as an economic development but as a religious and political revolution, and theologians are given their head. Professor Rupp on Luther and Calvin, and Mr Payne on the Anabaptists, display an exuberance contrasting with Mr Evennett's Roman restraint on the new Orders. Professor Bizer roundly condemns Paul III's procrastination in calling a Council, and when he deals with Philip of Hesse's bigamy is embarrassed into making a personal declaration: "I cannot agree that Luther here stained his good name or acted wrongly as a theologian"—the most remarkable sentence, both in form and content, that has yet been published in the New CMH.

The mood of the volume might be illustrated by reference to two persons, Erasmus and Charles V. Erasmus's intellectual influence is all-pervasive, and gets fullest treatment in two first-class chapters by Professor Hay on literature and education. But the irenic hopes and tragic sadness of which he was the prototype are discounted. Professor Cantimori describes the Catholic reformers in Italy, perhaps justly, as romantic conservatives. The last great effort to conciliate the reformers at Regensburg in 1541 is seen as foredoomed, and Professor Rupp dates the final schism of Europe from Augsburg in 1530. Vittoria Colonna has only passing mention, the Michelangelo of the "Last Judgment" none at all.

If one can detect any such consensus between editor and contributors, it is perhaps the mood of an age that is out of sympathy with the Contarinis and Lord Robert Cecils of politics, and correspondingly attuned to a career, like that of Charles V, which embodies the insolubility of all political conflicts. Dr Elton warns the reader against an easy comparison of the sixteenth and twentieth centuries, but the diplomatic parallels and similarities of political fanaticism are inescapable. And the parochial believer in "the complexity of modern politics" might practise perspective by studying the complexity of Charles V's responsibilities. His slow, sad strength and scepticism are attested in many parts of the book. Mr Koenigsberger has an admirable chapter on the empire of Charles V in Europe; but Mr Spooner's on the Habsburg-Valois struggle, which is of great structural importance to the volume, is written with a wilful obscurity that spoils the good things it contains. It is a pity that when the chapter on international law fell out, Mr Hale remained confined to the art of war, instead of being allowed to cover international relations as he did in the first volume. In consequence both diplo-

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matic organisation and the great debate in Spain on the treatment of the Indians are only perfunctorily covered. And it is an oddity that the coronation of Charles V at Bologna, the last ceremonial meeting in history of a Pope and a Roman Emperor, is mentioned only in a subordinate clause. But such criticisms as these are descriptive, not censorious. This is a good volume, well planned, and with many fresh, valuable and well written chapters.

Unknown Settlers

They Came to New Zealand

By Marjorie Appleton.
Methuen. 318 pages. 30s.

THIS book is not a "blurb" for New Zealand. It says little about the country and its people today. Instead it aims to set the background to the establishment of a dominion which in less than a century and a half has grown from 150 to 2 million people, has converted Britons into New Zealanders with distinctive national and cultural characteristics and has given the world an example of how white and coloured can become part of one social unit.

With a population still only one quarter of Greater London's, New Zealand has pioneered social legislation in important fields, played an influential and generous part in international work (on a per head basis New Zealand is the largest or one of the largest contributors to international appeals for voluntary funds), and has given us such people as Rutherford, Gillies and McIndoe, David Low and Katherine Mansfield, not to mention the soldiers and airmen who fought in two European wars.

In a sense the author sets the scene for those later developments. Skilfully and kaleidoscopically little flints and chunks of history are fitted into a mosaic leading up to the settling of the country. Polynesian explorers, who discovered New Zealand in the tenth century, fixed stars through the half-shell of a coconut and navigated themselves back and forth across that alarmingly wide Pacific while Europeans were still locked inside their concept of a flat earth. Then came the groping fingers of Europe as Tasman and James Cook made their voyages.

In this age of enthusiastic anti-colonialism it is amusing to read how Britain was dragged slowly and unwillingly into taking possession of New Zealand. It was not until fifty years after Cook first visited New Zealand that the first concrete suggestion was made to send settlers there, and in 1831, when there were only 150 British people in the new land, they still had no official protection and feared that it was about to be taken over as a French possession.

There were exceptions to the apathy of politicians. John Lambton, later Lord Durham, is usually associated with Canada. This book refers to his part in promoting the settlement of New Zealand. To some extent, John Stuart Mill also saw the scope and value of a British Commonwealth. Yet for the most part, the story of overseas settlement belongs to the people who went out from the back-streets of Britain, struggled with loneliness, nostalgia, bush fire, drought and flood and did more to lay the foundations of Commonwealth prosperity than the politicians at Westminster. These people were building the foundations for a new power, but for the most part it went unrecognised.

Past, Present and Change

The Passing of Traditional Society
modernising the Middle East

By Daniel Lerner. With the collaboration of Lucille W. Pevsner.
The Free Press. 406 pages. $7.50.

THE role of communications, particularly radio broadcasting, in the Middle East today is so important that any serious study of it is immediately relevant. This study is the product of long and detailed researches by sociologists of Columbia University and Massachusetts Institute of Technology. The basic material is 1,600 interviews done by native scholars in the local language in six Middle Eastern countries, beginning in 1950. Professor Lerner, whose field is international communications, re-analysed these collected interviews for the purpose of presenting in this book his theory of modernisation and the contribution of communication to it.

As a sociologist Dr Lerner is, of course, interested in discovering regularities or trends in institutional or personal behaviour to account for the current social upheavals in the Middle East. As he read the evidence of these initial interviews from the area he discerned a new grouping of the population. Between the traditionals, clinging to the past, and the moderns, rejecting it, he found a large group of transitionals beginning to grasp the possibilities of change and responding in varying degrees to the stimuli now offered by mass media.

The common denominator of response that placed a person interviewed in the transitional group was his expression of opinions on impersonal or political matters. When enough such responses came from illiterates, it was clear that radio and films had served to arouse new interest in hitherto inaccessible ideas. Along with this evidence of the formation of opinion, the interviews brought out a surprisingly extensive capacity for empathy—that is, for *imagining themselves in other than* their present status—among the illiterates expressing positive opinions. This discovery confirmed Dr Lerner's thesis that modernisation requires transformations of character as well as of institutions and that such transformations distinguish a large element among the consumers of mass media in the Middle East today. He writes:

> Our concern is with the large historical movement, now becoming visible in the Middle East, of which an enlarged capacity for empathy is the distinctive psychic component. Our interest is to clarify the process whereby the high empathiser tends to become also the cash customer, the radio listener, the voter.

Unfortunately for the lay reader, much of Professor Lerner's clarification is presented in the technical jargon of the "disciplines" sacred to American social scientists. Since this constitutes a special language, its use in a general book about communications seems unnecessarily awkward. Few area specialists will question the basic assumptions borne out by the tables and graphs here: that a newly awakened and mobile middle group of young men is on the move in the Middle East; that their expectations and attempts to improve the terms of existence constitute both hope and danger in modernising unstable societies. It is useful to have the results of this pioneering effort to analyse the depth of the influence of mass media on this class.

The case studies of Turkey, Lebanon, Egypt, Syria, Jordan and Iran make sense, however, without the elaborate theoretical structure erected around them. The difficulty is, as Dr Lerner himself suggests, that he has two books here. The elaboration of his theory of modernisation would stand by itself as a text for the initiated. The case studies may be, as he says, more useful than "speculations which have not been disciplined by data." But they too suffer from the neutralisation that team production entails.

Lastly, area specialists may seriously question one of Dr Lerner's basic propositions: that Middle Eastern modernisers can usefully study the historical sequence of Western growth. Nothing is less likely or less applicable.

Mr Gadfly

Some Monetary Problems International and National

By Per Jacobsson. Edited by Erin E. Jucker-Fleetwood.
Oxford University Press. 374 pages. 42s.

A COLLECTION of essays and speeches on monetary policy, revolving round the constant theme of the importance of sound money and realistic interest rates, does not promise exciting reading; yet the fact is that Mr Jacobsson's book is hard to put down. It is not so much the lucidity of the style as the alertness of the mind: on paper as in speech, "Mr Gadfly" darts hither and thither, and his excursions into narrative and detail, often far afield but never without their relevance to the central theme, testify to the author's remarkable grasp. History, philosophy, even biology, are invoked in illustration of the lesson that "without stable money neither justice nor progress can be assured . . . that the human spirit cannot give of its best if it is harassed by all the uncertainties to which rapidly changing money values give rise."

Looking back over forty years, as he does in an absorbing 50-page introduction to this collection, Mr Jacobsson could fairly have said outright that he had won. The gyrations in economic thinking that have taken place in this period, the swing to Keynes and then

the reaction from Keynes, have largely passed him by. He was never an outright Keynesian in policy, yet he has a firm grasp of Keynesian principles, and his criticisms of cheap money in the postwar years have never suffered from the intellectual weaknesses of the extremist "anti-Keynesians."

The pendulum has indeed swung full circle for Dr Jacobsson. In 1919, as a young assistant to Eli Heckscher, he spoke fervently at Swedish political meetings to demand higher interest rates to combat inflation. Today, after twenty-five influential years at the Bank for International Settlements, Mr Jacobsson gives the same advice to the world, in his capacity as chief executive of the International Monetary Fund. Because of this single-minded and yet never narrowly based preoccupation, this book has a unity that such collections usually lack; it is a product of a fine mind and a vital man.

A Dickens Companion

Charles Dickens

By K. J. Fielding.
Longmans. 218 pages. 15s.

DICKENS is evidently so great a writer —it would clearly be absurd to regard him as anything else—that every age will probably find it necessary to interpret him, like Shakespeare, in the light of its own persuasions. Much in the attitude of his contemporaries baffles us today: Lord Jeffrey's judgment, for instance, that there was "nothing so good as Nell since Cordelia," or Thackeray's crying out at the death of Paul Dombey, "There's no writing against such power as this!" The sentimental Dickens is at a discount, and about the comic Dickens there is really nothing to be said. (But this was not always so. *The Spectator* protested against the "vulgar good humour" of "Pickwick," and deplored the author's "strong disposition to approve the distribution of punch . . . and kiss pretty women behind doors" as "not really English, and tending to modify English family feeling.") The inclination of modern criticism has been to offer us, instead, what may be called the morbid Dickens—the man fascinated by madness and violence, hallucinated by his own creations, driving his audience to hysteria and himself to the verge of the grave by the insane intensity with which he enacted the murder scene in "Oliver Twist." And along with all this has gone an exposition of an answering intensity, essentially poetic, in the use of imagery and symbolism in Dickens's prose.

Mr Fielding, who approaches his subject with the authority of one of the editors of the forthcoming Pilgrim edition of Dickens's letters, offers a firm and perhaps timely resistance to much of this. About the interpolated stories in "Pickwick" he judges that "little need be said"—except that they are "lamentable" and "unfortunate." Readers who are conscious of usually missing them out, and who have therefore been abashed by the importance attached to them by Mr Edmund Wilson, may now take heart to miss them out once more. And if they have the good habit of going on from "Pickwick" to "Oliver Twist" and then through the whole run of the novels, they will find Mr Fielding an agreeable companion through at least one entire reading. He brings extensive knowledge to bear with great economy, and his narrative is full of fascinating sidelights on the strange personality of the novelist. It is curious to learn that, hard upon the nationwide publicity attending his separation from his wife, Dickens was anxious to call a new periodical publication *Household Harmony.*

Sources of Tension

The Birth of a Plural Society: *The Development of Northern Rhodesia under The British South Africa Company, 1894-1914*

By L. H. Gann.
Manchester University Press. 230 pages. 25s.

THIS book had a curious origin. Mr Gann was commissioned by Professor Gluckman when he was Director of the Rhodes-Livingstone Institute to write a simple historical reference paper for the use of the institute's anthropologists. What Mr Gann produced was a much longer manuscript, designed to combine this piece of history with a more elaborate study of the tribal situation at the time and of the varying streams of immigration which flowed in upon it to form the beginnings of the complex plural society of today. His sponsors "rejoiced in their disappointment" and decided to arrange for the publication of the manuscript as a book.

They were certainly justified in doing so because Mr Gann's contribution to the study of the racial and political problems of the Rhodesian Federation is both timely and promising. He uses a great variety of sources, including published works, official archives, newspaper files and the memories of elderly (European) Rhodesians, and his text is well documented. He carefully analyses the many types of immigrants—foreign and British missionaries, British administrators, Afrikaner and Rhodesian settlers, Indians and Jews—and their several attitudes. His treatment of the current tribal situation is thin but also useful, and so, up to a point, is his general historical treatment. His style is clear and workmanlike.

The book has, however, some rather serious limitations. Mr Gann's chief difficulty was that he had to put the cart before the horse. Detailed, limited studies of this kind should come after and not before a full history has been written. Of course Mr Gann sees this basic difficulty; he does try to fill one end of the historical vacuum by sketching in the pre-occupation era, but as it is not his period he fails to see, or at least to impress upon us, some of the very factors that most powerfully influenced race relations in later years. He does not, for instance, sufficiently emphasise that the early treaty-making administrators came as liberators in the truest sense, or the prolonged and lasting effects of the Christian example and evangelism of the missionary pioneers.

In his treatment of the history of his own period he is generally accurate and his judgments of the "Company" and the Colonial Office, though given with the severity of hindsight, may be accepted. There is, unfortunately, one serious omission. No account is given of the important events at the start of his period that led to the establishment of the North Charterland Concession and half a century of trouble.

Parochial Criticism

English Critical Essays: *Twentieth Century: Second Series*
Oxford University Press, the World's Classics series. 363 pages. 7s.

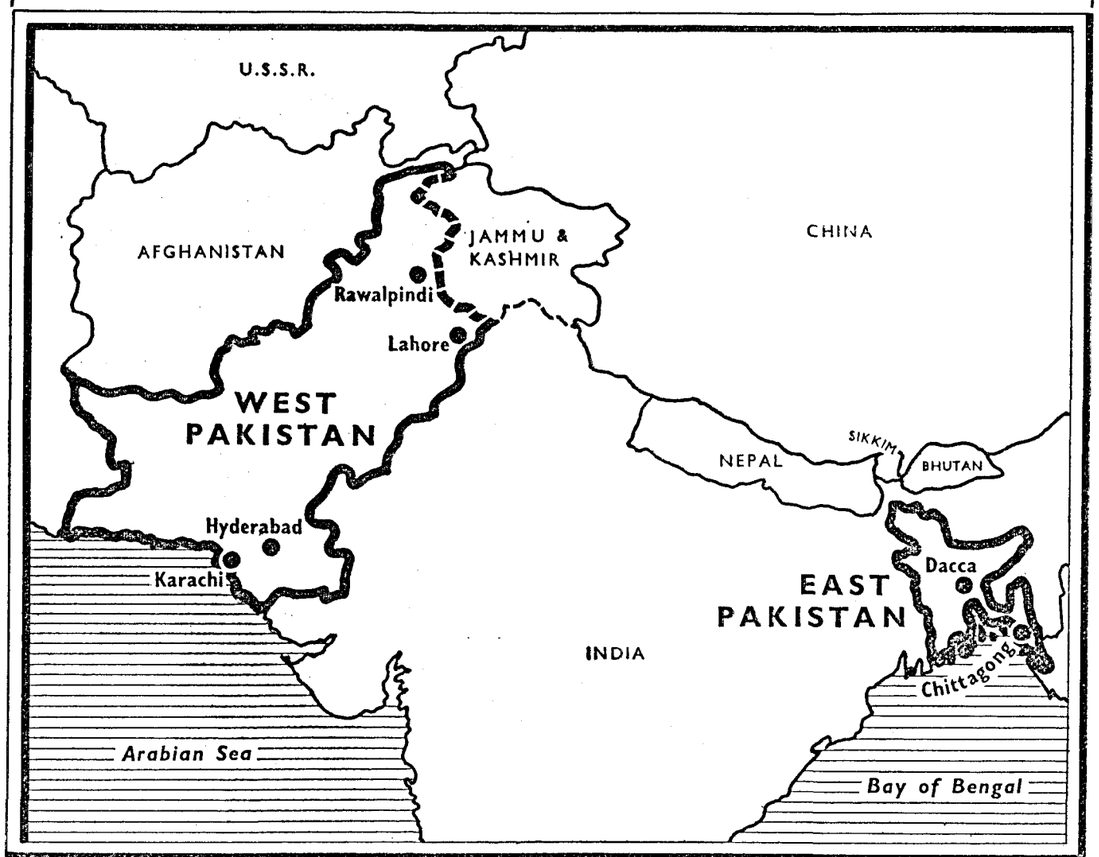
SURELY there is a misnomer here. If the designation "World's Classics" applies at all to literary criticism, it bears on such instances as the "Poetics," on the "Biographia Literaria," or on some of Baudelaire's essays. By no stretch of the imagination can it include a causerie on Leconte de Lisle by Sir Harold Nicolson, an amiable puff by Edmund Blunden or a little memorial for Denton Welch. Little in this odd volume assembled by Mr Derek Hudson is of universal interest; nothing of it is, as of this time, to be pronounced classical. Nor can this present collection be said to represent the obvious best in criticism. Naomi Lewis and Lord David Cecil are included; Helen Gardner is not. A chatty reminiscence by H. J. Massingham is placed near a genuine and powerful exercise in judgment by Dr Leavis.

Yet—and it is this which makes this volume worth looking at—Mr Hudson has succeeded in conveying a rather accurate picture of present-day English criticism. The result is not heartening. We observe the split between scholarship and *belles-lettres* (Sir Maurice Bowra pleads for reconciliation). We observe the parochialism of the English critic to whom foreign tongues, let alone foreign literatures, are all too often closed. Above all, we observe the spirit of clique, the art of criticism diminished to a game with highly determined rules and sides inexorably drawn. We are told of minor English novelists who must be read "with a kind of wistful admiration" albeit their prose is "hopelessly unambitious."

But all this has nothing to do with real literary criticism. And at a time when the language is under constant assault from the new illiteracy of the mass media, it is real criticism that is most urgently required and which most obviously deserves the imprimatur of Oxford's renowned series. Such criticism exists: in the writings of Edmund Wilson, in the subtle humanity of Lionel Trilling, in the essays of R. P. Blackmur. If it is rare in England (Mr Empson and Dr Leavis being noble exceptions), Mr Hudson's anthology tells us the reasons why.

(ADVERTISER'S ANNOUNCEMENT)

Facts about Pakistan



Area (square miles)	364,737		**DOMESTIC DATA**		
Resident population	85,000,000 (1958)		Number of homes	1,570,000	(May, 1958)
Density per square mile	233 (1958)		Homes wired for electricity	235,000	(May, 1958)
NATIONAL INCOME			Cars in use : personal	29,883	(1957)
Total (U.S. $ million)	4,319 (1956)		business	22,865	(1957)
Per head (U.S. $)	51 (1956)		Telephones	57,587	(May, 1958)
Money circulation (U.S. $ million)	707 (Mar., 1958)		Radios	77,000	(May, 1958)
EMPLOYMENT			Refrigerators (electric)	10,000	(May, 1958)
Working population (economically active)	22,392,900 (1951)		Electric cookers and ovens	300	(May, 1958)
Male	21,100,300 (1951)		Washing machines (electric)	500	(May, 1958)
Female	1,292,600 (1951)		Vacuum cleaners	3,000	(May, 1958)
			Sewing machines	600,000	(July, 1958)
			Air conditioners	8,000	(May, 1958)

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To Grow or Not to Grow?

WASHINGTON, DC

SELDOM, if ever, have men of good sense and good will differed so markedly and so intensely about what would be best for the American economy—while refusing completely to admit that any difference of opinion exists. The dispute between those who advocate more rapid economic growth and those who put the preservation of the value of money first is, of course, an old one, but the intensity of the feeling on both sides is new. Unfortunately, however, the debate is doing little to clarify the argument for the general public. This is because each side professes to accept the desirability of the objective aimed at by the other; some members of either side even go so far as to claim that their prescriptions will best achieve not only their own objective, but that of the other side as well. Thus Mr Martin, the chairman of the Federal Reserve Board, insists that over a period of time the rate of growth will be far greater if inflation is checked decisively, because growth will be interrupted less frequently. On the other side, Mr Leon Keyserling, the favourite economic adviser of the progressive Democrats, insists that the most rapid possible rate of growth is the best cure for the kind of "cost-push" inflation from which the United States has recently suffered.

As a result, even the best-intentioned public comment only serves to confuse the man-in-the-street still more. The *Washington Post*, the *New Republic*, Mr Walter Lippmann, the report sponsored by the Rockefeller Brothers Fund—all agree that more rapid growth is urgently needed; but none allows the readers to be aware that the governmental policies needed to achieve it might bring still more inflation. President Eisenhower, Mr Martin, and Mr Anderson, the Secretary of the Treasury, are thoroughly convinced that a squeeze on public expenditure and on credit is of the greatest urgency if respect for the dollar is to be maintained at home and abroad; but none of them is saying that such restraints may perpetuate the trend of the past few years during which the economy has almost ceased to grow and unemployment has risen uncomfortably. To make matters worse, the "growth" school—with all its near alarmist pressure—is seldom very specific about what should be done. It usually demands larger public expenditure, but more often than not this plea is accompanied by a rugged willingness to exact higher taxes—and the net effect on growth of such a prescription is dubious at best. The President seems convinced that a lower and balanced Budget will, to use his own words, help to promote "expansion" in the economy, though by what magic he does not say.

"You've Got To Stop Being So Inflationary"

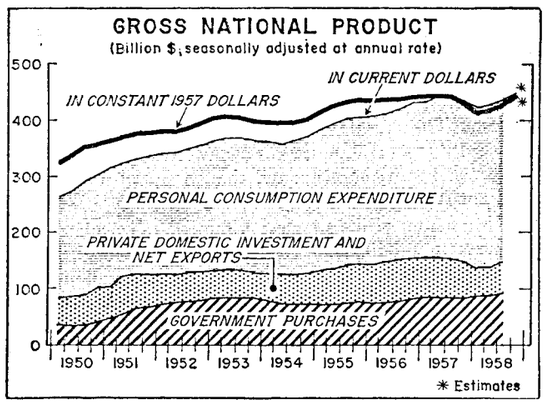


It is a matter of the simplest arithmetic to calculate, from increases in productivity and in the labour force, that a rate of growth of 5 per cent a year in the national output is easily achievable and then to show all the resources that would be made available by such expansion. Americans are constantly being told that, in effect, they can have their cake and eat it: that they can have far greater public expenditure of all kinds at home, defend the country against the Soviet Union more adequately than now, and have a higher standard of living as well. Mathematically speaking, this is true. Enormous losses are involved in the slowing-down of the rate of growth during the past five years. The new series on gross national product at constant prices—that is, in real terms—just published by the Commerce Department reveals that the economy was virtually stagnant for a full year before the 1957-58 recession began and that 1955 is the only year since the Korean war in which the economy has shown a really acceptable advance. Then the national product rose by 8 per cent, but since then the annual average has been only a little over 1 per cent; such a slow rate of growth undoubtedly involves a very large waste of resources.

It is also true, however, that during the same period prices were more stable than at any time in the postwar period. The sharp increase in prices from early 1956 to mid-1958 was enough to cause nightmares to Mr Martin and to the President, but it was still much less severe than that which accompanied the steep upward movement in the growth curve from 1945 to 1953. Despite the talk, and the evidence, of "cost-push," it is difficult in the face of the facts to dispute the idea that restraints on demand, chiefly monetary ones, have

moderated both inflation and growth. And yet the overwhelming majority of economists testifying before Congress's Joint Economic Committee in the past year have insisted that a high rate of growth is fully compatible with stable prices. Needless to say, so have government officials and politicians.

In part, the reason why the question is hardly ever posed as a choice is that economists have not reached a decision on the nature of modern creeping inflation. Surely this is why Senator Lyndon Johnson, the Democratic leader, advocates more public spending accompanied by still another enquiry into the causes and cures of inflation. On



the other side, this explains Mr Martin's unequivocally-held belief that even creeping inflation will prove disastrous because it will lead eventually to galloping inflation, speculation and severe depression—all of which is far from certain.

The disagreements among economists on the causes, inevitability and tolerability of creeping inflation account for the self-assurance with which each side maintains that its policies will achieve its objective without undermining the objective of the other. An "expert" can always be found to support this view and thus to avoid the necessity of admitting that any price must be paid. Americans are constantly being told that they can "afford" to do what needs to be done to preserve their safety and to improve public services—and they are just as constantly being told that the one thing they cannot "afford" is a continuance of inflation. The only thing they are not told is that they may have to choose.

Political Arithmetic

AMERICAN Budgets are much less closely wrapped in secrecy than are British but it was unprecedented for a President to announce, as Mr Eisenhower did two days before Christmas, the general outline of his calculations three weeks in advance of their statutory presentation to Congress. Although the announcement was one of good cheer—that the coming Budget would be balanced and that less would be spent than this year—it was hardly in keeping with the season of peace. In effect the Republican President was declaring war on the Democratic majority which will be in control of the new Congress. He was intimating that he would not modify his election charges that the Democrats were extravagant spenders even though he now depended on them to get his programmes through the legislature. By producing his 1960 Budget when he did, and free of confusing details, Mr Eisenhower was trying to convey to the average, deficit-conscious American that it will not be the fault of the Administration but of an irresponsible Congress if in fact the Budget turns out not to balance at all when the figures are finally added up in June, 1960.

In fact to the Democrats in Congress it is the President who looks irresponsible. Practically all of them profess to be as anxious as is Mr Eisenhower to see the Budget balanced but in their view he is over-optimistic in his confidence that prosperity will build up fast enough to bring a rise of $9 billion in tax receipts, chiefly from the existing levy on corporations. On this basis the Administration estimates revenue at $77 billion in the 1960 fiscal year. It expects to bring expenditure down to that level from this year's $80 billion by the automatic ending of various temporary programmes, mainly introduced to counter last year's recession, and by holding other outlays at or below the 1959 levels. Thus it is hoped to eliminate in one year the current deficit of $12 billion which, incidentally, at this stage in 1958 was expected to be a slight surplus.

Defence spending is the exception: it is to be higher than ever before but by how much is not yet known; it is unlikely to be enough to satisfy the many members of Congress who are convinced that it is now dangerously low. And the progressive Democrats who are coming to Washington, many of them for the first time, flushed with their election successes, are pledged to programmes of social welfare, slum clearance, education and so on, which are also supported in theory by the party's leaders and which are bound to mean more spending. It is rumoured that, on the Republican side as well, a group in the Cabinet, perhaps backed by the Vice President and certainly backed by the "modern" Republicans in Congress, has been trying to make the President face the lessons of the election returns but has been defeated by his blind insistence on holding down government spending at whatever ultimate cost to his party. But the advance publicity arranged for his Budget shows that Mr Eisenhower is not entirely unconscious politically.

Mikoyan's Holiday Tasks

OSTENSIBLY Mr Mikoyan, a Soviet Deputy Premier, is coming to the United States for a two weeks' holiday to visit his friend, the present Russian Ambassador in Washington. Officially it is presumed that, since he is a foreign trade expert, he will discuss how to increase commercial exchanges between the United States and Russia. Less officially it is believed that he hopes to arrange a meeting between President Eisenhower and Mr Khrushchev. Unofficially it is guessed that he wants to feel the international temperature of the United States, particularly as it affects Berlin. The State Department has prepared a warm welcome—warmer than on some similar occasions in the past—for a man who is said to be as charming as he is shrewd and who is close to Mr Khrushchev; his visa was granted with extraordinary speed and all doors are apparently to be open to him. But this does not necessarily mean that he will come away with hot news.

After a visit to the United States in 1936 Mr Mikoyan introduced ice cream cones to Russia and this time he is expected to ask for machinery to make other consumer goods so that the Russians may share more of the benefits of the American standard of living. If he is refused he will be able, when he goes home, to tell Russian consumers that it is the fault of the American government that they have to go short. But Washington doubts whether any substantial or durable commercial relations can be established with the Soviet Union; moreover, there are legal barriers against the credit facilities which the Russians have always maintained are essential if they are to increase their trade with the United States. Here Mr Mikoyan will be facing bargainers as tough as himself.

It has been noticed that Mr Mikoyan is taking his holiday just as members of Congress return to Washington from theirs. It is suspected that he may be hoping to embarrass President Eisenhower and Mr Dulles by exploiting his personal contacts with Senator Humphrey, whom he met in Moscow, and with other Democrats who are critical of the Administration's foreign policy. But his chances of success in this, never very great, will be lessened by the President's latest effort to ensure that there shall be co-operation and understanding between Congress and the Administration on international affairs, however lacking it may be on domestic matters. Top officials are to give the Senate Foreign Relations Committee a complete and informative exposition of the present American position in the world as soon as Congress reassembles instead of waiting until the next crisis develops to put Senators in the picture.

Strikes Off and On

NEW YORKERS had one cause to be happy as the New Year approached: the longest and costliest newspaper strike in the city's history was over. For nearly three weeks nine daily newspapers had gone unprinted because a handful of deliverymen refused to accept the recommendation of their negotiators that they approve the same settlement won earlier by the Newspaper Guild, the editorial workers' organisation. For a strike which is estimated to have cost the newspapers, the shops, and laid-off workers somewhere in the region of $50 million, the numbers involved were fantastically small; their financial gains were nil. Some 2,600 men took part in the vote on December 26th to accept the $7 a week rise, spread over two years, which the publishers had offered originally and which was turned down earlier by a vote of 877 to 772—a total of only 1,649. What the rebels in this tiny, ultra-democratic (if not anarchic) father-to-son union may have achieved is to show that they must be consulted when any wage pattern for the industry is being fixed. But they were too well paid already to command sympathy from the eight other newspaper unions, who refused to come to their aid.

New Yorkers can once more retire gratefully behind their newspapers, but like other Americans their freedom to travel, at least by air, is still restricted by other small but vitally important groups of workers. Flying south to the sun in Florida and the Caribbean is difficult because, although Eastern Airlines, the great north-south carrier, has settled with its mechanics, it is still immobilised by a strike of flight engineers. And flying west is hampered because American Airlines, the largest carrier of all, has been paralysed by a pilots' walk-out since just before Christmas. Over a third of the country's domestic air fleet is grounded.

On the surface these are disputes about pay and working conditions, but they are bedevilled by the "third man" issue, which is really an inter-union matter. The question is whether, on the new jet aircraft, the third man in the crew (two are pilots) should be an engineer, as at present, or should have had pilot's training. Both the pilots and engineers fear that the bigger, faster jets will reduce the number of jobs for them. Two government agencies have given directly contradictory rulings. The only solution likely to please everyone—except the accountants of the poorer airlines—is the squeezing of a fourth man into the cockpit, so that a jet would carry three pilots as well as an engineer. American is said to feel that there is technical justification for this flying featherbedding; and if it leads, the other lines will have to follow.

Leading Republicans

THE Eisenhower Republicans who this week chose Senator Cooper of Kentucky as their candidate for Republican leader in the Senate were defying not only the dominant Old Guard of the party, including the redoubtable Mr Styles Bridges, but also the President himself. With the Republicans in the Senate depleted to a threadbare 34, Mr Eisenhower had expressed the hope that the unity of the party would not be shaken by a contest. But the ten "modern" Republican Senators no longer regard the President's word as law; some doubt, on the evidence of the conservative Budget which he has just drawn up, whether he can himself be regarded any longer as an Eisenhower Republican. The President has, in any case, long cold-shouldered his most loyal supporters in the party in order to maintain cordial relations with its powerful conservative leaders. Very clearly he does not read the election returns as the insurgents do: as a mandate to the Republicans to face the future or perish. This handful of progressives argues that if the party is to speak with a modern voice that appeals to the voters, it must choose modern Republicans to lead it.

The conservatives have picked—and the White House has approved— Senator Dirksen, a flexible politician who was once a devotee of Senator Taft, but was painlessly converted to Mr Eisenhower. If he is elected, the conservatives seem prepared to give the liberals the post of assistant leader and a fairer share of the important committee assignments of which they have been starved until now. This is hardly half a loaf and the Republican liberals, who in the past have not been conspicuous, as a group, for back-bone, seem for once determined to demand more. They are unlikely to get it; most observers feel that, with Vice President Nixon standing quietly on the side-lines and with Senator Bridges assiduously pulling every wire, Senator Dirksen will be elected by about 19 votes to 15. The liberals' choice of Senator Cooper—in itself an excellent one—seems designed to retrieve one escaping vote. It is that of Senator Morton of Kentucky, whom the liberals thought of as one of themselves until he disclosed, after a visit to the White House, that he would vote for Senator Dirksen—unless his fellow Kentuckian, Mr Cooper, was a candidate.



Rule to End Minority Rule

FROM A SPECIAL CORRESPONDENT

WHEN the Eighty-sixth Congress convenes on January 7th the Senate will be plunged at once, for the fourth time in recent history, into a struggle to change Rule 22 which governs the shutting off of debate. What is at stake in this highly technical argument is the delicate balance between the rights of the majority and those of the minority. When the Constitution was being drawn up, the small states were concerned lest they be overwhelmed by the large ones. Their qualms were overcome by giving equal representation in the Senate to all states, whatever their population; for example, Delaware, which has only one Representative, has two Senators, just like New York, which has forty-three Representatives.

As time passed, the views of the minority gained further weight through the institution of the filibuster, a name borrowed from Caribbean free-booters to describe the process by which one or more strong-lunged members can talk a measure to death by holding up all other business. Next week's debate in the Senate will be over the means by which filibusters might be curbed more effectively.

In the early years of the Republic, debate in the Senate was controlled in two ways. One was the practice, taken over from British parliamentary procedure, of moving the previous question, but this was dropped, for unrecorded reasons, in the general revision of the rules in 1806. The other sobering influence was the power of the Vice President, in his capacity as presiding officer of the Senate; Adams and Jefferson were strict taskmasters, and no appeal from their rulings was possible. But the position of the Vice President was eroded in the course of the nineteenth century and by 1872 Vice President Colfax had ruled that "under the practice of the Senate the presiding officer could not restrain a Senator in remarks which the Senator considers pertinent"; thereafter, the filibuster flowered. (Irish nationalism provided Parliament with a similar problem at about the same time.) As pertinence became irrelevant abuses grew, until in the nineteen-thirties Senator Huey Long indicated his disapproval of the National Recovery Administration by reading to his fellow members good recipes for fried oysters.

YET the technique of prolonged debate has by no means always been misused, nor has it been a monopoly of either liberals or conservatives. Today southern Senators use the threat of a filibuster against Bills to protect Negro rights, but during the first quarter of this century it was frequently employed by Republican progressives such as Senators Borah, Hiram Johnson and LaFollette. Sometimes the filibuster has been used to delay a vote and expound an issue, with a view to gaining time for an informed public opinion to be mustered; sometimes, of course, it has been used to prevent any vote at all, and so to frustrate the will of the majority at a given time.

During this century three efforts have been made to provide a means of closing off debate. In 1917, when the United States was about to enter the first world war, the arming of merchantmen appeared certain to be blocked by a group of anti-war Senators, and there was no way of ending a filibuster. So, at the opening of the new Congress in March, Senator Walsh of Montana proposed the adoption of new rules, and thereby raised the vexed issue of whether the Senate is a "continuing body." Since only one-third of its members are elected every two years, some people hold that its rules carry over from session to session; others resent, quite as strongly, the dead hand of past majorities. Appalled by the prospect of this Pandora's box being opened, the Senate hastily voted, by 76 to 3, to change Rule 22 to permit debate to be ended by a vote of two-thirds of those present.

This change remained in force for 32 years, but in only four cases out of twenty-two was debate successfully shut off. And in 1949 an effort to make it easier to close debate made it, instead, harder, for a vote of two-thirds of the entire membership of the Senate, present or not, was required. It was also stipulated that debate on any motion to change the Senate's standing rules should be completely unlimited—a provision which made change impossible. Two further efforts to raise the question of the rules failed, but in 1957 38 Senators favoured a change as against only 21 in 1953.

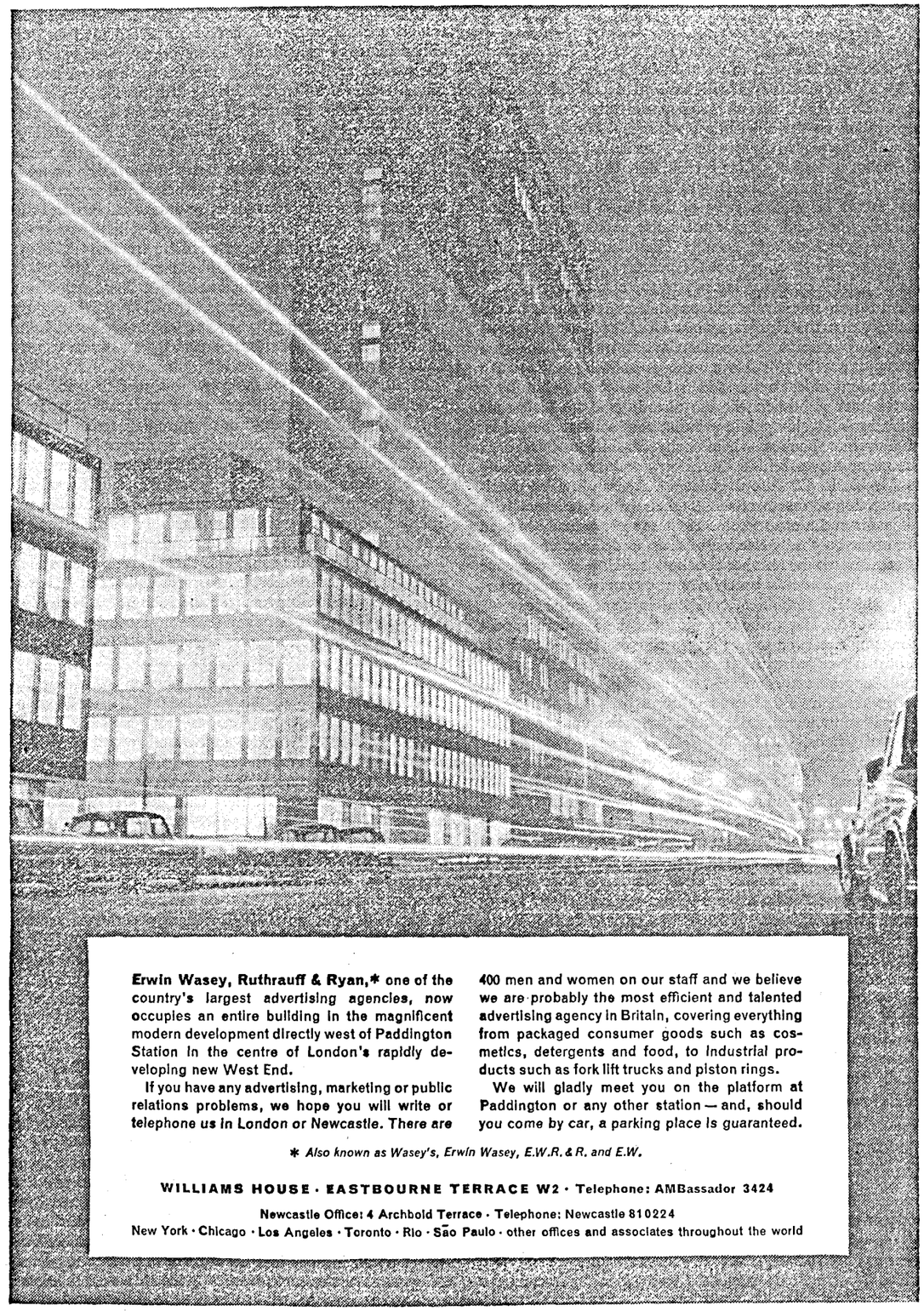
NOW that the voters have retired so many reactionaries and returned so many progressives to Congress, the omens look more favourable for another assault on Rule 22, this time by a bipartisan group consisting of Senators Douglas and Humphrey for the Democrats and Senators Javits and Case for the Republicans. Their motion for the adoption of new rules will be based on two arguments: first, that Article 1, Section 5, of the Constitution declares that "each House may determine the rules of its proceedings," and second, that the theory of a "continuing body" is untenable in view of the fact that all Bills and resolutions not acted on by one Congress must be re-introduced in both the new House and the new Senate.

The southern Senators, who possess very considerable parliamentary skill, may respond in several ways. They can seek a ruling on the "continuing body" argument from the Vice President, Mr Nixon. But this would be unlikely to favour their case; in an advisory opinion he gave in 1957, Mr Nixon's view was that rules adopted by the Senate in the past could not prevent a new majority from adopting its own rules. It is more probable that the Southerners will try to table the motion demanding a change in Rule 22; if this move were successful, as it was in 1953 and 1957, it would end the entire proceeding.

If, however, a motion to table is made and lost, and a motion to adopt new rules is carried, the debate will move into uncharted territory without any agreed rules. Much time may therefore be spent in deciding what rules should prevail in this preliminary struggle. Should a two-thirds majority be required to bring the question to a vote, or the simple majority favoured by many Senates of State Legislatures in all sections of the country? (Northern members tease southern Senators with the fact that the Constitution of the Confederacy provided for majority rule, with strict provision for ending debate.)

WHEN and if the debate reaches the stage where substantive proposals to replace Rule 22 are offered, two views are expected to emerge. If any change is made, it may well be a compromise between the two. Mr Johnson, the Democratic leader in the Senate, has hinted that he would not be opposed to a return to the rule that required for closure only two-thirds of those present and voting instead of two-thirds of the entire membership. This is too small a concession for the liberals; they favour a Bill drawn up during the last Congress.

This would make it possible to limit debate by a vote of two-thirds of the Senators present and voting, two days after 16 Senators have filed a petition for this purpose. Fifteen working days later, the Senate, by a majority vote of those "duly chosen and sworn" (50 of 98 Senators after the admission of Alaska) would be enough to choke off a filibuster although, as under the present rule, each Senator would be able to speak for an additional hour before the final vote. Consideration of the Senate's rules would not be exempt from this procedure.



Dr Alford Written Off

As soon as it begins to swear in its members, the House of Representatives will have to decide what to do about Dr Alford, the most outspoken advocate of racial segregation on the old Little Rock school board, who successfully persuaded Arkansans to "write-in" his name on the ballot instead of voting for the duly chosen Democratic candidate, Representative Brooks Hays. Mr Hays is a tragic loss, for in his sixteen years in the House he has applied a healing, moderate and constructive touch to the racial troubles which rack the South. The relative virtues of the candidates, however, are not the point, as Mr Hays himself insists; the issue is the honesty of the election.

Already a special election committee has found, unanimously, that the charges against Dr Alford are so serious that they deserve exhaustive investigation. They are brought, not by Mr Hays, who is showing a Christian resignation which must sadden his supporters, but by a Little Rock publisher who has already paid for his public spirit by losing his public printing contract—at the behest of Governor Faubus, whom many consider to have been the prime mover behind the Alford candidacy. According to Mr Wells, Dr Alford violated Arkansan law by distributing, for voters to attach to their ballots, stickers with his name and a cross; some of these were actually handed out at the booths by election officials, in defiance of the law. In some wards the number of ballots is said to have exceeded the number of voters; moreover, anonymous election material, which is forbidden, consisted in some instances of a picture of Mr Hays, who is president of the Southern Baptist Convention, talking to two Negro churchmen. Finally, Mr Alford is charged with representing himself as a Democrat while opposing the official nominee, Mr Hays, who had been chosen by a 15,000 majority of party members. Dr Alford won the general election by 1,200 votes out of a total of 60,000.

These charges will be thoroughly aired, but first the House must decide whether to seat Dr Alford while the investigation is pending. This is the issue which split the special committee, with three Northerners voting to recommend that he should not be seated until he is given a clean bill of health, and the two Southerners opposing this departure from past practice. The Democrats have already omitted Dr Alford's name and picture from their list of successful candidates. If it comes to a vote in the House, the North would probably prevail; besides, even some Southerners want to stamp out the risk of "write-in" methods spreading to their own constituencies. But an angry quarrel at the start of the session might jeopardise other plans; moreover, any unusual harshness might make Dr Alford a martyr in Little Rock and guarantee his victory if the seat is declared vacant and a new election has to be held. No wonder Mr Hays is not tempted to stand again.

Christmas Blessings

NEW YORK

The hope that Christmas sales would make up for the slackness in retail trade during the earlier part of the year has been largely justified. Department store business, which for the first six months was 3 per cent below the corresponding 1957 figure, is expected to show a small gain, around one per cent, over last year's record total of $200 billion for 1958 as a whole. However, the blessings of the Christmas season—which accounts for some 20 per cent of annual retail sales—were unevenly distributed. On the west coast some shops reported an improvement of 10 per cent or more over 1957. But the persistence of a relatively high rate of unemployment, as well as of strikes in the motor industry, made Christmas less merry in Detroit and sales in Boston were disappointing for no better reason, it seems, than that the weather was either so unseasonably warm that shoppers refrained from buying winter woollies or so unseasonably cold that they preferred to remain at home. Weather, indeed, is a vital consideration during these shopping days; one snow-storm can ruin a cherished annual statistic. In New York the newspaper strike brought a sharp drop in ordering by post or telephone, but this lost business was offset to some extent by a heavier concentration of personal customers.

Retail shops took special pains this year to bring their advance Christmas activities to the attention of the public. Defying daytime temperatures of up to 80 degrees, a group in Tampa, Florida, celebrated the opening of the season by converting a central shopping street into a winter-sports centre, complete with a five-storey ski-jump, a toboggan slide and an ice-rink. Thousands of enthusiasts delighted in this intimate acquaintance with snow, or rather with the 100,000 tons of ice-shavings which were required, in the course of one week, to cheat the sun. Elsewhere skating rinks sprang up in unexpected places—in the main halls of at least two large department stores and in the lobby of a New York bank. In California one shop made an unusually expensive improvement on nature by constructing its Christmas tree of chinchilla fur—at a cost of $125,000.

The calendar makes its own contribution to the statistics of retail trade and in 1958 it provided a vital extra shopping day (compared with the previous year) between Thanksgiving, the fourth Thursday in November, and Christmas, December 25th. Traditionally, the shops accept the fact that even the most foresighted customer is unlikely to relish the thought of a second turkey until the first is eaten; the day after Thanksgiving, therefore, marks the official beginning of a shopping season that can shrink or swell within a margin of six days according to how the dates fall in November. Shopkeepers have always resented this arbitrary and shifting limit to their enterprise, and this year a few boldly put up their Christmas decorations as early as the second week of November—a disconcerting sight in a New York still basking in an Indian summer and an unmerry prospect for the many who feel that the commercial enthusiasm for Christmas should be kept within bounds.

Scientific Co-ordination

President Eisenhower has lost no time in acting on one of the proposals of his advisory committee on strengthening American science, but its other, more fundamental, recommendations may not be implemented so promptly. Mr Eisenhower was anxious to get the new inter-agency council on science and technology established before Congress intervened, as it has been showing signs of doing, to set up an independent department of science to manage all government research work. Since this work is directly related to the separate activities of the individual agencies involved—the Department of Health deals with drugs, the Department of the Interior with fuels and so on—the advisory committee felt that central administration would be disastrous. Nevertheless, the need for co-ordination is obvious—hence the new council. Theoretically research work has been integrated at cabinet level; but it is unlikely that, for example, the Secretary of Health and the Secretary of Agriculture are aware, or bother to tell each other even if they are, that their subordinates are conducting overlapping experiments on food preservation. The new council will have representatives at the research working level from all the agencies involved, including the Atomic Energy Commission and the new Aeronautics and Space Administration. It will be headed by the President's own chief scientific adviser, Dr Killian.

The new council, by ensuring that there is more co-operation and less duplication between government research programmes and between public and private ones, will help the Administration to get better value for the $5 billion it is spending on research each year; as much again is spent by private interests. The advisory committee does not think any more tax money is needed but it does think that private research groups—universities and industrial firms—should be encouraged to widen their projects, mainly by helping them to meet the capital costs of additional research facilities. Workers in government laboratories should be better paid and should be eligible for administrative jobs. Government contracts with private companies should be for three years, instead of the usual one, and the companies should have more freedom to develop new ideas under these contracts, in order that the government programmes should have more continuity and balance and, above all, in order to foster creative research.

The advisory committee's most important criticism was of the over-emphasis which is put on applied research—missiles, satellites, etc. The government spends only 6 per cent of its research money on basic research, which is directed to no immediate end but without which, in the long run, applied research dries up for lack of new ideas. Nevertheless, the advisory committee, after its ten months' study, believes that American science has "a scope and strength unequalled anywhere in the world." Its recommendations are intended to ensure that this advantage is maintained.

Keep Cool on the Road

FROM A CORRESPONDENT IN DALLAS

There is an apocryphal tale of the Texan who arrived home perspiring and limp, to be greeted by his wife with: "Why on earth didn't you open the car windows?" "What!" he replied. "And let the neighbours know it's not air-conditioned?" Not everyone in Texas drives an air-conditioned car to keep up with the Joneses, but more people enjoy this luxury in Texas than anywhere else in America. In fact, Texas—and more specifically, the Dallas-Fort Worth area—is the cradle of the American automobile air-conditioning industry. Of well over a dozen independent manufacturers in a still infant industry, six make their headquarters in the area.

A combination of high temperatures and incomes that permit people to have the latest "extra" on a car as soon as it becomes available—an air-conditioner costs $300-$500—seems to be responsible for this concentration in Texas. Air-conditioning of automobiles in America began in the late nineteen-forties, but until the past few years only the most expensive makes, such as Cadillac and Lincoln, were equipped with it. Even today, sales still are concentrated heavily in the southwest, which is warm all the year round; about 45 per cent of all the air-conditioned cars are to be found in the five states of Texas, Oklahoma, Arizona, Louisiana and Kansas. But their number is growing in other warm areas, such as Florida and California, and the manufacturers in Texas are extending their activities all over the country.

They were able to make progress even last year, when the motor industry was in a severe slump. Although the output of new cars declined over 20 per cent in 1958 compared with 1957 even though sales of air-conditioners for cars were about 18 per cent higher in the first nine months of the 1958 model year (the period ending June 30, 1958) than they were for the same period of 1957. About two-thirds of all such sales are accounted for by the automobile manufacturers themselves, who make or buy air-conditioners, mostly for installation at the factory, but also for sale through dealers. But the independent producers, with their one-third or so share of the total, amounting to 142,330 units in 1957, appear to be gaining ground. In 1957 their sales grew faster than those of the automobile companies, and last year, while the motor companies just about held their ground, the independents forged ahead.

The chief advantage of a small firm based in Texas over a giant corporation in Detroit lies in flexibility. The big manufacturers of automobiles make air-conditioners exclusively for their own products, and the units are not interchangeable among makes, nor, of course, are they sold for installation on the cars of rival companies. By contrast, the Frigikar Corporation, the largest of the independent manufacturers, is prepared to instal any of 156 different air-conditioners on any new or old model in a matter of a few hours. There would be plenty of room for expansion for the Texas independents even if not a single new car came out of Detroit for the next five years. By the end of 1958, there probably were close to 60 million cars on the roads of America, and of these only some 2 million, or 3.3 per cent, were air-conditioned. And when temperatures soar, an air-conditioner is welcome whether it is fitted to an old model or a new one.

Even when Texas and the southwest become saturated—which still is a long way off—there will be untapped opportunities in the rest of the country. The heavily populated northeast, for example, accounted for only about 5 per cent of all sales last year. The manufacturers hope to do better by stressing the value of air-conditioning in eliminating dust, pollen and noise, as well as heat. They also are developing an export business with such natural markets as India, Singapore and the Middle East. They are beginning to air-condition foreign cars; for example, the Clardy Company recently reached an arrangement to air-condition automobiles for the British Rootes group. Finally, they are winning contracts to air-condition lorries. This niche of enterprise which Texans have whittled out for themselves is being broadened to a national business.

THE WORLD OVERSEAS

Nasser's Year of Wonders

BY OUR MIDDLE EAST CORRESPONDENT

THE Arabs seem to reserve many of their surprises for Christmas ; or perhaps it is merely that their surprises are so frequent that some of them are bound to fall within any given season. At the end of 1957 the Christmas holiday saw the beginning of the swift moves that resulted, after years of hollow talk, in the union of Egypt and Syria. In 1958 it was marked by a change in the attitude of President Nasser and his associates towards the Arab Communists in Syria. The communist newspaper, *An-Nur*, has been suppressed. Khalid Bakdash, the outstanding Arab Communist, has been forced for the second time into exile behind the Iron Curtain. A high-powered committee, with two Egyptians and one Syrian, has been formed to enforce compliance with the law in the Syrian region of the United Arab Republic.

In theory these measures mark no radical departure. All party activity in Syria was banned nearly a year ago, when the UAR was formed. Yet for many months the ban was applied with a light hand. Bakdash was allowed to stump the country freely ; while his newspaper conducted a barely concealed campaign against the one-party state, drawing a sharp distinction between the old Egyptian parties (" instruments of imperialism") and the Syrian parties (" foremost in the fight against imperialism "). The significance of the present governmental line is that the ban is now being applied with firmness, and that the new policy was preceded by an important speech by President Nasser, roundly accusing the Arab Communists of treachery to the Arab cause, on the patriotic occasion of " Port Said Day."

The strength of the Communists in Syria was always exaggerated, both before and after the union with Egypt. They could have been suppressed at any time, without fanfare. It was a fair inference from the hubbub that accompanied the measures taken against them that President Nasser was speaking not only to the Syrians, but also to the Iraqis. The inference became inescapable when Cairo newspapers, for the first time, were allowed to print acid comments on the course of events in Iraq.

The first signs of this new approach appeared in November, when President Nasser, in private conversation with his associates, expressed fear and irritation at the growing power of the Iraqi Communists. His fear was that the Iraqi prime minister, Abdul Karim Qasim, was committing himself too far to the Communists and their Kurdish allies ; his anger was directed largely against his own closest followers in Iraq, who had obviously overplayed their hands, just as the Jordanian Nasserists had overplayed theirs in the days that led to King Hussein's coup of April, 1957. For some weeks he hesitated, anxious to avoid a rupture with Qasim and to give his followers no false hopes that might lead to further premature outbreaks. Some time in December, it is now evident enough, he decided that he could hesitate no longer.

The new pattern is not yet clear ; but three questions pose themselves. Was President Nasser's speech on Port Said Day a message of encouragement to his followers in Iraq ? Was it a warning to Brigadier Qasim ? Was it intended to serve notice on the Russians not to press too far the advantage they had obtained in Baghdad ? Or was it a combination of all three ? From the point of view of the cold war, the Russian question is the most important ; and there are signs that the Russians may have gone too far and too fast in Iraq for President Nasser's comfort. Hitherto, he has drawn a sharp distinction between Arab communism and the governments of communist states. He may now be reflecting that, in many circumstances, this distinction is unreal. The next few weeks must surely throw more light on these obscure corners of Arab thinking.

As regards Colonel Nasser's relations with the rest of the Arab world, there is a strong suggestion that the pan-Arab resolution of August 20th at the emergency session of the General Assembly was a turning-point. While his strength in the Arab world gives him room for manœuvre, it also confronts him with some delicate choices. The other Arab states look to Cairo with both fascination and fear. Among the masses, fascination predominates ; among governments, fear often comes first. Thus the attitude of any Arab country as a whole towards Nasser depends largely on Nasser's attitude towards it. His real problem, therefore, is to decide between two possible courses: either to concentrate on the masses at the risk of antagonising governments or to try to conciliate governments without losing his appeal to the masses.

President Nasser has tried both courses in the past. But on the whole his emphasis has been on the masses, and he has not hesitated to quarrel bitterly from time to time with the governments of Iraq, Jordan, Saudi Arabia and Lebanon. Both his recent actions and his latest speech suggest that he has begun to see the disadvantages of these recurrent quarrels with the Arab governments. An obvious exception is President Bourguiba's government in Tunisia ; the cases of Jordan and Iraq, too, are at best obscure.

The reason for the change seems to be twofold. In the first place, the course of events in the Arab world during the past year has immensely strengthened his position. The decisive fact of the year was the revolution in Iraq, which removed his only serious rival for the leadership of the Arab world. Other events tending in the same direction were union with Syria, federation with the Yemen, withdrawal of Saudi support from Jordan and removal of the pro-western regime of Mr Chamoun in Lebanon. In many respects 1958 was his *annus mirabilis*.

In the second place, the old fear of Israel is again rising to the surface. It is reported on reliable authority that Mr Robert Murphy drew President Nasser's attention to the possibility of Israeli movements into Jordan when he saw him in Cairo late last summer. It is also said, wholly plausibly, that President Nasser replied that in such an eventuality he would fight. This would be a gamble on which his prestige among the Arabs might take a severe knock, for the Arabs cannot yet match the Jews in the field. It is unlikely that the knock would be fatal to Nasser, since he could throw much of the blame for any ensuing disaster on the West ; and indeed western acquiescence in Israeli action against Jordan would only confirm in Arab minds the main theme of nationalist propaganda, namely that Israel was created as a " springboard of western imperialism."

Nevertheless, in such a fluid situation, with the real intentions of the great powers (including the Soviet Union) still in doubt, the danger of Israeli action is not one to be courted. What Colonel Nasser needs most is time—time to push through his social reforms and to digest the economic and military aid given and promised from communist sources. His danger is that the revolutionary impetus of the Arab world may push him to new adventures for which he is not yet ready—or that the friendship of the Soviet Union may prove to be less disinterested than most Arabs now think. President Nasser's latest speech shows that this last point is receiving his earnest attention. Thus prospects for the West in the new year are less stygian than they appeared a few weeks ago. Yet if the West is to profit by this new and undeserved opportunity, it must bring to the problem a realism hitherto sadly lacking. The first requirement is a firm grasp of the proposition that in the Arab world you can fight either nationalism or communism, but not both.

France's Christmas Reckoning

FROM OUR PARIS CORRESPONDENT

THE days after Christmas brought, in quick succession, the news of devaluation, drastic cuts in subsidies, higher prices and taxes. The press at first tried to minimise the impact. It laid emphasis on the projected currency reform, on the new " heavy " franc (equal to 100 current units) which is to be introduced progressively over the year, and put the blame for devaluation on the designs of the perfidious English. But the veil was rapidly lifted. General de Gaulle, in probably his last major pronouncement before he leaves the prime minister's office for the presidential palace, whence he will run the government by proxy, exhorted the nation to great efforts, telling it that the heavy sacrifices that were being required were designed to achieve national greatness through financial recovery and price stability.

Many interconnected measures have been introduced at once. The budget, with its cuts in subsidies, would in itself have resulted in price increases and widened the gap between French and European prices on the very eve of the inauguration of the common market. On the other hand, the French government decided to devalue the franc by 17.55 per cent, reducing it to the rate of 494 francs to $1 and 1,382 to £1. It thus went somewhat beyond the prevailing open market rate, making a certain allowance for the expected rise in internal prices. Devaluation, in turn, enabled France to join Britain, Germany and other European countries in their venture towards partial convertibility. It also allowed the French to liberalise their trade with OEEC countries to the stipulated 90 per cent.

It must be remembered that this lifting of quotas refers to *nine*-tenths of trade in 1948. Nevertheless, by fulfilling its commitment to the full, France has deprived the British Government of a powerful argument in the common market controversy. This move is, at least partly, a counter to Britain. But increased foreign competition is also expected to act as a disinflationary brake.

All the changes are linked. The need for change, however, springs from the state of the home economy. France has been living above its means on an increasing scale. Budgetary expenditure simply carried forward would have raised expenditure estimates by about 900 milliard francs between 1958 and 1959. The defence estimates alone, at 1,576 milliard francs, are 250 milliard francs higher than last year (and 130 milliard francs above last year's actual expenditure). The overall deficit (what is now called the *impasse*) was expected to reach nearly 1,200 milliard francs. In France this balance is struck after including the government's outgoings on capital account. Even so, the *impasse* had to be halved to keep it within the limits of borrowing capacity. The government is unwilling to cut its commitments, including those in North Africa, and the country must, therefore, pay the bill through reduced home consumption. Inflation could not veil this fact indefinitely. The institutions of the new Republic have been set up. The elections are over. The government was not hampered by parliamentary control, since, unlike its predecessors, it enjoys the special powers—granted in June—that still allow it to promulgate the budget by decree. General de Gaulle could afford to follow closely the advice of the experts grouped in a committee set up by M. Pinay and presided over by M. Rueff (who had advised Poincaré in the nineteen-twenties and Laval in the nineteen-thirties).

THE experts' search for budgetary savings brought to light a coherent change in the ideas that govern French economic and financial policy. The Fourth Republic was born in a mood favourable to state intervention ; true, its lofty egalitarian aims were quickly distorted by the lobbies into the defence of various privileges. By contrast, the draftsmen of the new budget have been inspired by the gospel of economic liberalism. They have made a bonfire of subsidies, compelled the nationalised industries to bring their prices in line with their costs, and deprived agriculture of some of its special advantages. They have abolished all automatic sliding scales that relate wage levels to the cost of living, and have kept only the basic national minimum wage. The maze of purchase tax is reduced to four rates. State investments are not reduced, but the hope has been expressed that private saving should soon be able to take over. The general argument is that liberalisation of foreign trade cannot be accomplished with a distorted price mechanism at home. Faith is put in market forces. Increased competition is to guide the modernisation of the French economy through the survival of the fittest.

In practice, 255 milliard francs are saved through cuts in subsidies. Some subsidies (for bread and other foodstuffs, agricultural equipment and so on) are cancelled. The nationalised railways, coalmines, gas, electricity and the Post Office are to seek extra revenue by raising their prices. To this should be added a saving of some 60 milliard francs on social security, more than half of it coming from a cut in the national health bill. The net revenue from increased taxation is expected to yield 200 milliard francs, about three-quarters of this from wine and tobacco. Profits tax will

bring an additional 78 milliard francs but this is roughly cancelled by the elimination of some provisional forms of company taxation. Total expenditure is 6,189 milliard francs and revenue 5,602 milliards. The Treasury will thus have to find less than 600 milliard francs and M. Pinay stressed that this is less than the state lending for productive investment. State investments are actually increased, though the figure quoted is somewhat inflated by taking into the budget medium term loans hitherto granted by the Bank of France. Investment in Algeria is also included (as well as atomic energy). It remains to be seen whether the investments will prove enough to stimulate a revival in industrial production, or whether France will be willing, as Britain has been, to pay in stagnation the price of stability.

Financial stability is obviously the aim. The new "heavy" franc is to be the symbol of national confidence in the financial orthodoxy of the new regime. Partial convertibility, it is hoped, will attract foreign capital. The great dream of the experts, however, is to get at the gold and dollar hoardings of the French themselves; these are estimated at the fabulous amount of $10,000 million. In the meantime, it will be quite a job to preserve the integrity of the new structure against human encroachment. One task will be to keep the increase in the home price level within the limits of five to ten per cent. Devaluation will raise the price of imported raw materials. Coal prices are going up by 11 per cent. Transport, gas, electricity will cost more. Will these production costs be translated into higher prices all round? The government relies on the general state of business and the fear of foreign competition to keep profit margins in check.

The other unknown is the price of labour. This austerity budget will hit the lower income groups hardest. The government has taken some measures to prevent social unrest. The wages and salaries of public employees are to be increased by 4 per cent in February. Together with the increase in old age pensions, this will cost 65 milliard francs. The increase of 4½ per cent in the guaranteed minimum wage should cost somewhat less. Even those who get the benefit of this improvement will argue that it barely compensates for existing postponed claims. All the trade unions have expressed their misgivings. (The Socialist ministers have opposed the whole operation, and M. Mollet will now hardly be able to stay in the next government.) The government has to rely on the general's prestige, the absence of parliamentary pressure, the fear of recession, and the undecided mood of organised labour in the new political climate.

Thrice in succession the French have voted for General de Gaulle. They have made their choice; the referendum is over. Internationally, France begins its new operation with a certain cushion. Its own gold and dollar reserves are low, but its European neighbours, led by Germany and Britain, have promised their backing. At home, Frenchman are told to tighten their belts and wait for the benefits of stability. Since production is expected to remain stable this year, the cut in home consumption foreshadowed by the new measures is substantial. Having willed the man, and presumably his ends, will the French people accept the means? The answer will not be found in parliamentary debate. Not only the fate of the new franc, but the political future of the new regime, may hang on a forthcoming trial of strength between the general's government and the unions.

Tariff Cuts in Europe

The first tariff cuts in the European Common Market take place this week. This is the first stage of the long and complex process of establishing the Common Market. Through its European services The Economist Intelligence Unit can keep you abreast of these events and show how they are likely to affect your interests. Full particulars from:

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Puzzled Ottawa

FROM OUR CORRESPONDENT

BEHIND the Canadian government's official welcome for the currency moves taken last weekend lie two bothersome questions to which officials and businessmen would dearly like answers. One of them may have to wait until it is answered by events. The other is a question of past motives and calculations to which an answer should be possible now. It can be put like this: what prompted the timing of the British move to formal external convertibility of the pound? Does it represent a conscious new orientation of Britain's external economic policy? Is it the end of Mr Macmillan's "European dream" and the start of a new emphasis on trade ties with the Commonwealth and with North America?

This puzzle obviously arises from the almost simultaneous manifestations of British policy which appear here to be essentially contradictory. It should be stated that Canadians with access to all the official information believe that Britain took the decisive initiative in persuading the Scandinavian countries and all six common market countries to act simultaneously on external convertibility. They give the British Government the fullest credit for pushing through the concerted action which was much less acceptable in some capitals than in others. They recognise that it may have seemed politically advantageous to act early, leaving time to overcome all possible dislocations and uncertainties well before the British elections. But all this must have been under discussion at the same time as the preparations for the OEEC talks in the middle of December about the common market and the free trade area. Was convertibility originally conceived as an alternative to the successful solution of those difficulties before December 31st? Was it only after the failure of the crucial OEEC meeting that the British Government decided to go ahead with this currency move, or would it have done the same even if the free trade area had been adopted?

Looking in on Europe from outside, even those Canadians who are usually best informed about European affairs find it very difficult to make sense of this. As they see it, all

arguments for preferring European regional development of trade—all the economic and financial arguments anyway—must be weakened if not destroyed by the ending of the European Payments Union and by the requirement that all transactions between European countries shall be settled in currency just as "hard" as in transactions with North America. Logic, they think, now can find no advantage or peculiar charm in exclusive European arrangements and can provide no excuse for a liberalisation programme confined to the OEEC countries. Nor do the present currency changes appear to affect the French refusal to extend the "hard core" quotas to other countries besides the six members of the common market. Where does the British Government now stand on the free trade area?

At this point Canada's uncertainty about Britain's intentions towards Europe begins to overlap with a second question, which concerns the abolition of discriminatory restrictions on trade. It is accepted that the British programme announced by Sir David Eccles at the Montreal conference in September remains the effective guide rule. This indicated, with all safeguards, that quotas on foodstuffs and consumer goods which still discriminate against Canada and the United States would be tackled this year. Canada will be satisfied provided a start is made soon and progress is not unduly delayed. Mr Fleming, the finance minister, cannot be accused of holding out any false hopes here about the speed of advance to non-discrimination. In his official statement welcoming the moves toward convertibility, he said that Canadians could look forward to "more rapid elimination of trade discrimination against our exports in the United Kingdom." But he did not expect the end of the European Payments Union to have "any immediate influence" on Canadian exports, and he referred to the whole series of weekend moves only as "broad and constructive movements" which must eventually increase the opportunities for Canadian exporters.

The Canadian question about the relationship between trade and the new currency arrangements is this: "Will Britain and other newly convertible countries accept the interlocking obligations of the International Monetary Fund and Gatt?" According to the Canadian interpretation, all of them should start at once to bring themselves into line with article eight of the IMF articles of agreement which forbids "discriminatory currency practices" and instructs members to maintain the "convertibility of foreign held balances." So far all the countries concerned are still sheltering under article 14 which tolerates restrictions necessary to maintain balance of payments. Section four of this article, however, requires every member country to consult with the fund annually about its restrictions, and it envisages representations by other members urging the withdrawal of restrictions. The sort of progressive pressure envisaged in this article (culminating in the possibility of expulsion) is seen here as being completely appropriate to the present situation. It is also thought that it ought to be fully acceptable to the British Government because it would only involve a progressive abolition of restrictions such as is already promised. As Canada sees it, once the International Monetary Fund finds no further balance of payments reasons for restricting trade relations, the provisions of Gatt should be brought into full play. It is believed that for most this would mean the early end to all quota restrictions. The so-called "hard core waiver" as extended to Belgium might be used to provide a five-year period for gradual adaptation to a quotaless regime but in any case discrimination would have to stop.

If this sort of development of trade policy is agreed to be the logical result of the new external convertibility, then it is foreseen that France may now adopt an attitude of pious multilateralism in all dealings except only in the common market where it can make the fullest use of all restrictive provisions in the Rome Treaty. Such a result would be deeply deplored and the rest of the world acting through Gatt might have to take a much firmer stand about the common market arrangements. But the important thing in all this business is the intentions of the countries concerned rather than the speculations of a remote observer. Early and definite clarification would be most welcome here.

A Reforming Soviet

IN the Soviet Union the Supreme Soviet, or parliament, rang out the old year with a particularly busy session. It opened on December 22nd, shortly after a plenary meeting of the central committee, during which approval of Mr Khrushchev's agricultural programme was combined with attacks on the "anti-party group." It closed on Christmas day, having witnessed not only the traditional budgetary debate and review of foreign policy but also the passing of two important reforms: one overhauls the educational system; the other lays down the principles of law on which the various republics should base their legal codes. The purpose of the following notes is to outline the main features of the session in home policy.

The Budget.—Gross industrial output in the current year is planned to be 7.7 per cent higher than last year. Since national income is expected to rise by about eight per cent, the planners must be relying on a substantial increase in agricultural production. Budgetary revenue is to be increased by over nine per cent and the contribution provided by the profits tax continues to rise steadily. The planned return from the turnover tax, levied mainly on consumer goods, implies an expected rise in the sale of consumer goods by more than a tenth. Expenditure shows a further growth in grants to the national economy, which is supplemented by greatly increased investments from non-budgetary sources. Capital investment in the chemical industry is increased by three-quarters; in ferrous metals and engineering by a third. In social spending the biggest jump is made by education, which now absorbs nearly as much as the direct outlay on defence. The defence estimates are

SOVIET BUDGET
(billion roubles)

	1958 (estimates)	Per cent	1959 (estimates)	Per cent
Revenue :—				
Turnover tax	300·5	46·8	333·0	46·0
Profits tax	130·3	20·3	154·9	21·4
Direct tax	49·8	7·8	56·0	7·7
Other*	161·3	25·1	179·4	24·8
Total	641·9‡		723·4	
Expenditure :—				
Grant to national economy	257·2	41·0	308·9	43·7
Social and cultural services	212·8	33·9	232·2	32·8
Defence	96·3	15·3	96·1	13·6
Administration	12·0	1·9	11·5	1·6
Other†	49·4	7·9	58·9	8·1
Total	627·7‡		707·6	

* Including collective farm and co-operative taxes; insurance funds; foreign trade profits, etc. † Includes advances to banks. ‡ Actual revenue in 1958 was 661·2 billion roubles and expenditure 638·3 billion roubles.

almost unchanged, but as total expenditure grows their proportion of the budget is further reduced to 13.6 per cent.

Work and Study.—The educational reforms are based on Mr Khrushchev's theses on the need for closer links between study and production. His proposals, which are aimed partly at closing the social gap between manual and intellectual labour, have been subjected to the usual debate throughout the country. Some account seems to have been taken of criticisms; for instance education has been made compulsory for eight years (between the ages of seven and fifteen). Answering charges that general culture will be neglected, Mr Kairov, the rapporteur, replied that there will be 45 million pupils receiving general school education in 1965, compared with 31.6 million last year. But the comparison omits the fact that "matric. for all" (or ten years' compulsory education) was until recently the goal to be achieved in the near future. Moreover, Mr Kairov's figure covers all sorts of courses, including adult education.

In the future, a Soviet 16-year-old will have a choice between several methods of further education, though all will be combined with some form of practical work. He will be able, while working in a factory or on a farm, to attend an evening or part-time school and get his matriculation within three years. He may also, presumably after passing some sort of "15-plus," complete his secondary education in a polytechnical school, but this, too, must be coupled with productive labour. The so-called specialised secondary schools differ only in the length of study, which varies from branch to branch; it is in these schools that the bulk of the skilled cadres will still be trained. Provision is also made for vocational training ranging from one to three years. The proportion of young people following these various streams is not yet known.

Mr Khrushchev's suggestion that admission to universities should be partly determined by reports from youth organisations, trade unions or factory managements has been included in the bill. So has the idea of outside work for university students. Technical students will not attend a university full-time until their third year; an exception will be made for courses requiring prolonged laboratory work. Medical students are to be recruited chiefly among medical orderlies and other auxiliary staff in hospitals. Arts students will be no exception to the rule of study while you work.

It is claimed that the number of graduates will soon be raised to between 300,000 and 350,000 a year, compared with instead of between 250,000 and 290,000. The engineering graduates should exceed 120,000 a year. But soon more than half the students will attend evening institutes or follow correspondence courses. The whole overhaul implies a tremendous amount of co-ordination and co-operation between industry and agriculture and the schools and universities. It is scheduled to take three to five years. Only time can show the worth of this gigantic venture.

Legal Codes.—The draft principles of law and procedure defined by the Supreme Soviet are to serve as basis for revising the legal codes of the republics. Such a revision has been mooted ever since Stalin's death. The main reason has been the rejection of Stalin's assertion that, as the Soviet Union grows, the class war gains in intensity and repression must therefore be strengthened. In rejecting this, the new principles contain certain important improvements. All criminal cases are to be submitted to the same jurisdiction (military tribunals will deal only with military matters). Special courts and all forms of summary jurisdiction are abolished. Arrests can be ordered only by the court or the prosecutor's office. All trials must be open and the prerogatives of defence counsel have been increased. The indictment must be based on a specific provision of the code (the principle of analogy is dismissed). The concept of "enemy of the people," permitting expulsion from the country, disappears.

The death sentence is preserved for high treason, spying, subversive and terrorist acts and premeditated murder. The highest sentence of imprisonment is reduced from 25 to 10 years (in exceptional cases, 15 years). On the other hand, there is to be less scope for remitting sentences and some penalties, particularly those for drunkenness, have been increased.

Justice is what justice does. The new laws and procedures will still leave plenty of scope for abuses. And open trials could still be faked. The speech to the Supreme Soviet by Mr Rudenko, Vyshinsky's successor as public prosecutor, with its attacks on the "anti-party group," might even have been a hint that a political trial is being prepared. But the general trend of the contemplated legal reform is relatively liberal and it coincides with a further reduction in the powers of the security police. Party control over the security police was strikingly illustrated last week by the appointment of Mr Shelepin to succeed Mr Serov as chairman of the Committee of State Security. Mr Shelepin is a product of the party and was until fairly recently head of the Komsomol. Mr Khrushchev's extension of party authority, in this sphere at least, looks like an advance on the past.

Bulgarian Leap in the Dark

THE Bulgarian Communists, borrowing a favourite phrase of the Chinese, have embarked on a "great leap forward" in their economic development. The proposed leap was described by Mr Zhivkov, the first party secretary, to the Bulgarian central committee in November. It involves upsetting the economic plans approved by the seventh party congress only last June; completing the five year plan (1958 to 1962) in three to four years; doubling agricultural production next year, and trebling it in 1960.

This looks wildly utopian; and Mr Zhivkov did not satisfactorily explain either what it meant or why it should be attempted. He openly admitted that some groups in the party had grave doubts, and that if the party was content to plod on at the present rate of development, it would avoid tensions and difficulties. But he insisted that the time was ripe for a series of leaps to "bring us as near as possible to the threshold of the construction of communism." More prosaic needs may have dictated the resolve to make a herculean effort. Mr Zhivkov's harping on the need to economise, and on the shortage of investment funds, tends to bear this out; so does his constant emphasis on the need for the men on the spot to seek out and exploit all possible local resources without waiting to be prompted from Sofia.

Labour is the main resource to be exploited. Mr Zhivkov maintained that "several hundred million workdays" could be extracted from the peasants in autumn, winter and early spring for, among other things, irrigation and reclamation works. White-collar workers are to do thirty or forty days of manual labour a year. The use of students and school children is being considered. The amalgamation of the collective farms along Russian lines (from 3,200 to 800) will no doubt help the regime to control and mobilise the peasants' labour. Perhaps, too, the extraordinary speed with which this amalgamation has recently been completed (in two or three months instead of years) has encouraged the Bulgarian planners in bold designs.

The Sofia newspaper *Rabotnichesko Delo* reported the formation of a "commune" of 35,000 members at Botevgrad, near the Jugoslav border, on December 7th; on the 8th, it withdrew the report as "a gross mistake." It is too soon to say whether this curious episode, together with the proposed leap forward and Mr Zhivkov's vague talk of "profound changes in the entire life of the people," indicate that the Bulgarian Communists are tempted to desert the Russian path to socialism for the Chinese path. And if they are, will the recently-announced slowing-down of the Chinese plans to introduce communes, give them second thoughts?

Industry for Algeria

FROM A CORRESPONDENT

GENERAL DE GAULLE'S five-year plan for Algeria, which he outlined in his speech at Constantine on October 3rd, aims at raising the social standards of the largest and poorest part of the Algerian population. The planned increase in industrial and agricultural wealth has to be obtained in a way which serves this primarily social purpose. These promises, moreover, must be fulfilled while a huge programme of elementary education is being carried out. The general said at Constantine that by 1963 two-thirds of Algeria's children would be at school. At present 12 per cent from all communities is the official and probably exaggerated figure; as Mlle. Germaine Tillon pointed out in her book on Algeria, in many parts of the country barely one child in 70 goes to school. The priority given to education is essential politically. But, because of the age structure of the Algerian population, it will not be until 1975 at the earliest that education could begin to pay real economic dividends. Today, half Algeria's 10 million Moslems are under 20.

By far the most direct way to increase the economic wealth of Algeria would be to concentrate development in the three established industrial zones—Algiers, Oran and Bône—where railway and port facilities are available. But this would not help the country districts where work is most needed and would still further accentuate the dangers of concentration in Algiers itself. In 1957 half the registered profits of industry and commerce were earned in Algiers and a quarter in Oran; almost half the building permits in the same year were issued in Algiers. The areas where industrial employment is most needed are totally non-urban but do not necessarily have a low population density. For example, the mountainous department of Tizi Ouzou in eastern Algeria has no large town but has a population density of 150 per square kilometre, which is rather higher than that of the Seine Maritime department in France which contains Rouen and Le Havre.

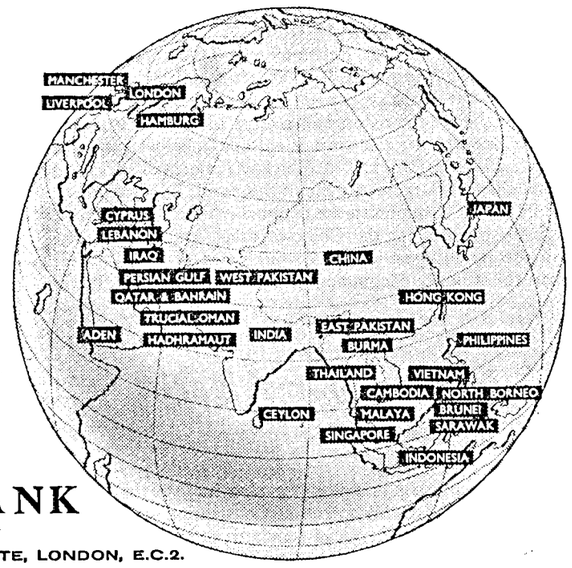
Another serious difficulty is that many industries which have to be developed in Algeria as a basis for reconstruction —such as chemicals, gas and electricity—give comparatively little employment. Nor will the exploitation of Saharan oil and natural gas need much man-power. It is clearly desirable that, together with public works (which has the highest employment coefficient of all), the industries to be encouraged should include leather and shoes, soap, pharmaceutical products and all those based on the skill of the artisan. These industries could be placed in the countryside and, supplying the home market, should eventually become well established.

BUT here, as M. Jean-Louis Fyot has pointed out in the *Revue de l'Action Populaire*, there is one great obstacle. French industry has always regarded Algeria as its private preserve and at a moment when sacrifices are being asked from consumers and producers in metropolitan France, there will be a strong feeling in favour of preserving the present form of economic "integration." There will certainly be opposition to any tariff-barriers that would save, for example, an Algerian boot and shoe industry from being swamped by French competition. The problem is greater because Algerian development cannot be carried out without financial and technical aid from French industry. It will need great resolution by the general's government to follow an economic policy for Algeria that is the reverse of "integration," but Algerian industry will have to be protected from competitors from metropolitan France.

General de Gaulle's figure of 400,000 new jobs for Algeria in five years was based on *Perspectives Décennales*, a report drawn up by a committee of civil servants and economists and published last year which spoke of 875,000 non-agricultural jobs in 10 years. It will be more difficult to achieve half the target in five years, since it should be in the last three or four years of the ten-year period that increased prosperity will have the most marked effect on employment. *Perspectives Décennales* also allowed ten years for providing 351,000 hectares of land for Muslim farmers, whereas the Constantine speech promises 250,000 in five years. It is hard to see how General de Gaulle's figure can be obtained without the expropriation of large estates and buying land from the poorer European farmers. Interference beyond a limited extent with Algerian agriculture would upset a whole nexus of trade relations that contribute to the national revenue, and would create as many problems as it would solve. However, failure to reach the target of 250,000 hectares will be less serious if there is a sufficient increase in employment in the over-populated rural areas. M. Jean Vibert, Director of the Plan for Algeria, believes that it should be possible to increase the number of Algerian workers in France by 20,000 per year, thus bringing the number of new jobs per year to 100,000.

Perspectives Décennales put the investment effort for the strictly economic aspects of the plan at 350 milliard francs per year from metropolitan France, over half coming from public sources. This excludes the cost of developing Saharan oil resources. On the other hand, the prospects of revenue from oil (and it is now clear that, for once, official figures for oil output in 1960-62 have erred on the prudent side) imply that France will not have shouldered an endlessly growing financial burden. There are plans for exporting natural gas to Italy, Spain and even Germany. It seems plain that even after 10 years' industrialisation, Algeria itself could only account for a fraction of the natural gas which will have to flow through the pipe lines to make the Saharan exploitation economically possible. Of course, there will be no satisfactory oil or gas revenue from the Sahara unless there is peace in Algeria. The future is at the mercy of political uncertainty.

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THE BUSINESS WORLD

Convertibility at Work

STERLING earned by residents outside the sterling area, and sterling balances held by them in bank deposits or Treasury bills, are now freely convertible in London into gold, dollars or any other currency for the first time since 1939. This move, long planned and long awaited, was made last week-end as part of an international operation, involving parallel moves to external convertibility by all the other West European currencies including the French franc—which is devalued by 17½ per cent, supported by Draconian measures of fiscal retrenchment, and transformed to a more respectable unit (the " heavy " franc) by dropping two noughts. These concerted currency moves, the most important since the devaluations of 1949, coincide with recommendations by the executive directors of the International Monetary Fund and the World Bank of increases in member countries' quotas in their institutions (which are discussed in a later note) ; and the exchange measures also coincide with the opening of the European Common Market. This conjuncture, together with the helpful weakness of the dollar, has provided the favourable opportunity for moving to external convertibility for which the British authorities had been waiting.

Europe's currency arrangements of recent years have been of a transitional character, and it was doubtful how much longer the transitional could last. The European Payments Union, designed to operate for two years, went halfway through its ninth ; and for almost the last four of them, sterling and major continental currencies have been convertible *de facto* in unofficial but broad and well organised markets. Effective convertibility of currencies made the EPU arrangements, with their settlements at mid-point parities and automatic grants of 25 per cent credits, increasingly anomalous. The most important of the original credit lines in EPU had long been exhausted ; the temporary renewals of the Union were achieved only by Germany agreeing to extend more and more credit, so that recurrent help could be given to France. Germany made no secret of its reluctance to go on pouring credit into a system that it considered outdated and, in the circumstances, unsound. Accordingly, Germany has led the Continental cry for formal convertibility and the replacing of EPU by the European Monetary Agreement, negotiated in 1955.

The move has now been made. On the face of it, formal external convertibility could involve certain additional risks for Britain. Against these risks (assessed at the end of this article) must be set the great improvement that has been achieved in the European climate —in finance, in trade and in politics. The possibility of a divided Europe has by no means disappeared, but the dangerous atmosphere of a fortnight ago has been transformed by the realignment of last weekend.

External Convertibility

The establishment of external convertibility is a major milestone ; but it stops well short of restoring full currency freedom, especially for residents of their own currency areas. What has been done, by Britain and by all other OEEC countries except Greece, Turkey and Iceland, is to unify all current external accounts. Thus the old transferable sterling accounts, the American and Canadian accounts and registered accounts are merged into a single " external account," which can be used for transfers anywhere throughout the world, and for the purchase in the London market or elsewhere of any currency and of gold. No country except France has changed its dollar parity ; but, as is explained below, the introduction of arbitrage in the official markets between the dollar and the European currencies necessitates a widening of the permitted margins within which European currencies can move in terms of each other. The margins of these currencies against the dollar are mostly unchanged.

The formal unification of external dealings in official and transferable sterling (they had been assimilated for nearly four years) has brought back to London exchange

business that hitherto was transacted in markets in transferable sterling in Zurich and New York; and other City markets are benefiting too. It is impossible to judge yet how much additional exchange business London will attract but in the first few days the rise has been most marked. London dealers have always worked on fine margins (cynics among international operators have hitherto been in a quandary about where to lose their money, in gilt-edged in London, or in commissions in Zurich) and in the new free market the narrow spread of quotations has been a powerful attracting force. Secondly, the London gold market has been broadened. Gold may now be bought from any non-resident account, instead of only against gold or dollar accounts; and the disappearance of "cheap" transferable sterling has removed the main reason why the Russians, in particular, have sold gold in Zurich rather than London. Thirdly, full trading freedom returns to all London's international commodity markets. All commodities can now be bought for external sterling or specified currencies (broadly, all currencies in which international trade is financed).

The Remaining Controls

There remain in Europe two major types of exchange control. The first is on liquidation by foreigners of capital assets. In Belgium, Switzerland and Germany, the minor restrictions on inward and outward movements of capital that remain are now expected to disappear. In Britain, however, the proceeds of non-residents' sales of capital assets may still not be paid into the convertible external accounts; security sterling remains as a separate category, which can be used only for buying sterling securities. But this week the discount on security sterling has all but vanished; on Tuesday the rate touched the parity of $2.80 for the first time. The same has happened in France and Holland. Effectively, therefore, non-residents at this moment enjoy full convertibility in most European countries—though the restriction on repatriation of capital could become important if confidence fell away and the unofficial discount widened.

Much more significant are the controls over external payments by residents. Residents of Britain and the overseas countries of the sterling area enjoy no relaxation at all in the writ of exchange control as a result of the present currency moves. People wanting to buy foreign currency for trade or travel must still apply to the exchange control to get it, and people earning foreign currency must still surrender it for sterling.

Trade Restrictions Now

The Government has reaffirmed its policy, announced at Montreal, of relaxing the remaining restrictions on dollar imports as soon as possible; and although the authorities consider that they are not obliged under IMF articles to remove all discrimination and all restrictions on current payments now that sterling is externally convertible, the logic behind such restrictions is greatly weakened, while the logic of discrimination entirely disappears. Britain has for some time lagged behind the Continent in the degree of convertibility it has granted to residents. In Germany and Switzerland almost all restrictions on foreign payments have been removed, and in Belgium a free market is openly available. The stronger continental countries have also freed a larger proportion of their dollar trade than Britain has done, even after the Montreal contribution. There must be no going back on promises to allow more dollar imports into Britain.

The biggest move to open the domestic market comes from France, which suspended all liberalisation in 1957. About one half its dollar trade is now being freed from quotas, and quotas for OEEC countries are raised to 90 per cent of the volume of private imports in 1948. The unliberalised 10 per cent still bars from the French market many items of great importance to overseas exporters. But in some measure the same distortion applies to the liberalisation percentages of other OEEC countries. That is shown by the significance that has been placed on the increase of quotas to cover at least 3 per cent of domestic production, which has now come into effect between the common market countries and which Sir David Eccles is proposing should be extended throughout OEEC.

France's Measures

THE ultimate success of this bid to continue the removal of trade barriers throughout Western Europe, and the viability of the new European payments system itself, will depend in large measure on the outcome of France's bold bid for financial reform. At last, France has taken the full range of corrective measures—devaluation, cuts in public spending and public subsidies, abolition of the dangerous practice of "indexing" wages and other benefits to prices, and the opening of trade to foreign competition—as recorded in earlier articles. Taken as a whole these measures make economic sense. The franc is also being supported by short-term swap facilities provided by the central banks of Britain, Germany, Holland and Belgium, together with the Bank for International Settlements. It is reported from Paris that these facilities amount in total to $250 million.

If this formidable combination of defences for the new franc attracts public confidence—and the first auguries have been good—then the French situation could quickly be transformed. The committee under the venerable M. Jacques Rueff, whose reports formed the basis of the reforms, put the total holdings of gold and foreign exchange in French ownership at the staggering figure of $10,000 million; the reserves in official hands are around $1,000 million. If a significant part of the vast private hoards ever did begin to flow back, some uncomfortable disturbances might be felt in the centres that now hold them.

The European Monetary Agreement

When Britain and other countries representing more than 50 per cent of the quotas in the European Payments Union notified the Secretary General of OEEC that external convertibility had been introduced, the EPU automatically ceased to operate and the European Monetary Agreement came into force. Under the new regime, payments between European countries will be settled 100 per cent in gold or dollars, in contrast with the EPU procedure, whereby 25 per cent of each balance to be settled ranked automatically for credit, received or given. New arrangements for European credit facilities will be made, but the credit granting function is now separated from the clearing function. Provision is made for multilateral (100 per cent) settlement through a monthly clearing; and a close limit is put on the maximum amount of "interim finance" that central banks are obliged to extend to other central banks between settlements (the Bank of England is obliged to provide sterling up to a total of $64 million). Settlements at the clearing, moreover, are to be made not at the middle parity rates, as under EPU, but at the extreme of the official dealing limits that is most unfavourable to the country, creditor or debtor, that takes the initiative in using the clearing.

The deterrent effect of this rule will presumably mean that very little is put through the clearing at all; throughout the 1955 negotiations, Britain was in favour of leaving the task of clearing to the market. It is difficult to see how it could be otherwise, given the greater permissible margin of fluctuation in rates. The margins for European currencies quoted against each other were previously at ¾ per cent either side of parity (giving a total spread of 1½ per cent), or roughly the same margins as were quoted for them against the US dollar. Most margins in terms of the dollar remain unchanged. Hence, now that arbitrage between the dollar and European currencies is permitted, the effective range of fluctuation of the rate between one European currency standing at its upper dollar limit and another standing at its lower dollar limit is 3 per cent. If this doubled range had not been recognised in the official margins for European currencies against each other, and central banks had intervened at an earlier stage, the effect, through arbitrage, would have been to prevent fluctuation against the dollar within the full 1½ per cent swing. For these reasons, the IMF in 1955 made no objection to the 3 per cent swing of European currencies in terms of one another, although this exceeds the 2 per cent maximum (1 per cent either side of parity) stipulated in the Fund agreement. As may be seen from the table, all the European margins except two now allow a total swing of 3 per cent. The exceptions are the Swiss franc, whose limits against the dollar are still wide, despite a small adjustment, and produce a swing against sterling of 5 per cent, and the Swedish kroner, which now has a very small range of fluctuation against the dollar and therefore needed very little adjustment against sterling.

The main credit facilities under the European Monetary Agreement, besides the interim finance and additional bilateral facilities such as the central bank "swap" credit granted to France, are to be through a new European Fund. This will provide the float that the Bank for International Settlements, the Agent, will need to run the monthly clearing, but its main purpose will be to provide short-term credits, up to two years, to OEEC members in financial need. Although the European Fund will be run by the same international managing board that has run the EPU, decisions on the granting of credits, their terms and on any conditions to be imposed will be taken by the OEEC. As has become the tendency in IMF, credits will probably be granted on merit rather than as of right. But this change does not curtail the amount of credit in European finance. The EPU system has in recent years provided very little new credit; and Germany is much more likely to open its coffers under the new arrangements.

As originally devised, the European Fund was to have resources totalling $600 million, some $328 million to come from new contributions from the European members, and the balance from the residual assets of the EPU and from the United States contribution. The amount was to be called only as required. The intention now seems to be to take as a working fund the $113 million that comes automatically from EPU, and to reconsider the basis of contributions in the light of changes since the original negotiations. There are obvious anomalies: for example, Britain's total contribution, at $86½ million, is more than twice as high as Germany's.

After the final settlement date in the European Payments Union in mid-January, work can begin on the winding up of the Union. The big creditor is Germany, with a claim of $994 million up to end-November, and the main debtors are France ($476 million) and Britain ($353 million). But arrangements to amortise most of these debts bilaterally have already been made. Britain is paying off about £20 million a year; and because the funding arrangements hitherto have provided only for repayments to net creditors, and not for individual repayments due to countries like Britain that are net debtors, the final settlement now due may actually reduce Britain's net annual commitment.

THE NEW RATES

Sterling exchange rates	Former official spread	New spread	Closing rates, December 31
USA	2·78–2·82	2·78–2·82	2·80 3/16–5/16
France	1167·18–1194·82	13·6220–14·0265	13·75–75 1/2
Germany	11·67 3/16–11·84 13/16	11·59 1/4–11·92 3/4	11·70 5/8–7/8
Switzerland	12·15 3/16–12·33 9/16	11·94–12·54 7/8	12·07 3/8–5/8
Belgium	138·95–141·05	137·96–142·05	139·80–85
Holland	10·56–10·72	10·48–10·80	10·57 7/8–58 1/8
Italy	1736 5/8–1762 7/8	1725–1775	1748–48 1/2
Sweden	14·37 5/8–14·59 3/8	14·37 3/4–14·59 1/4	14·49 5/8–7/8
Norway	19·85–20·15	19·71–20·30 1/2	20·00 1/2–01
Denmark	19·19 1/2–19·48 1/2	19·06 1/2–19·62	19·33 3/8–7/8
Portugal	79·90–81·10	79·17 1/2–81·83 1/2	79·80–80·00
Austria	72·25 1/2–73·34 1/2	71·72 1/2–73·88 1/2	72·60–65

Overseas Sterling Area

THE move to external convertibility has no direct effect on countries in the overseas sterling area; but it may indirectly hasten the move towards non-discrimination in trade and freedom of current payments in these countries. The Bank of England has long granted effective convertibility to governments of overseas sterling territories, and the foreign payments that may be made by individuals in these countries are decided by their own exchange controls. Thus the formal granting of convertibility to residents outside the sterling area gives no incentive to any sterling country to weaken ties with the sterling area. The countries that have lately been restless, such as Iraq, have been prompted by political considerations.

How Much Extra Risk?

IN the first three days of freedom in London's greatly expanded market, sterling has held up well. Some recent buyers of transferable sterling (and some recent sellers of francs) have taken their profit, and at times the authorities seem to have given some support against the dollar. But the profit-taking has been smaller than might have been expected, and sterling has been in keen demand from many quarters. Wednesday's rate on New York was $2.80\frac{3}{8}$-$\frac{1}{4}$, compared with $2.80\frac{1}{2}$ in the official market and $2.796 in the transferable market just before Christmas.

What of the longer run effect of the merging of the official and transferable rates? At times when confidence is firm, the right of formal convertibility is likely to provide an additional reason for transferring money to London, and for abstaining from withdrawal of existing balances. In addition, the return of a large volume of exchange business to London, besides adding to the City's earnings, must give the authorities a surer hold than they could have when dealing in Zurich. On the other side of the equation, some sterling may now be converted into dollars that otherwise would not have been. Just as discriminatory restrictions on trade now appear anomalous, the special limitations on the use of sterling that the Treasury has agreed with the big oil companies and others now become more difficult to justify.

On balance, one would guess that the strain from these sources would not be substantial, while confidence holds. What if it weakens? Then it might be argued that the advertisement and the official blessing given to the route into dollars will throw some sterling into the pool in London that would not have found its way into Zurich. But the overriding lesson of the two last sterling crises, that of 1957 and that of Suez, has been the speed with which speculators, traders and the ordinary public can and do unload when confidence fails—even when some of the sales, such as those on behalf of residents, have to take devious routes. In the worst phases of those crises, the outflow reached $300 million a month, or more. The only thing that can check flights of that magnitude is decisive corrective action to restore confidence. Formal convertibility is not likely to make much difference to Britain's leeway in a future crisis; it might help to build up the reserves in the good times.

Room for Private Fliers

Small airports and small aircraft have given the Ministry of Transport a New Year hangover

CROYDON AIRPORT was due to close down for good last Wednesday. The axe did not fall on the appointed day—this was not a reprieve so much as a stay of execution until the dispossessed tenants have found somewhere to go. It could be said that they have taken a long time to find other accommodation, for the government announced its intention of closing Croydon long ago in 1953 and it has never wavered. Croydon is a grass airfield; it costs the taxpayer £80,000 a year in direct running costs, and £150,000 a year with capital charges. It straddles awkwardly across the main air traffic control zone for Southern England. So the decision to shut it, sell the land and disperse the flying operations conducted from Croydon to newer airfields, such as Gatwick, was always reasonable. But it still leaves a real dilemma for the Croydon tenants, and indirectly for the Ministry of Transport. Small aircraft operate economically only from small airfields and there is no other Croydon-type airfield for them in the London region. The Ministry does not want to drive such aircraft out of business. Nor does it want to subsidise them at the taxpayer's expense. So the Ministry's file on Croydon airport has grown out of all proportion to the number of people affected by the decision to close it.

Croydon is in this one respect unique; it is the only airport near London that caters for small aircraft of all kinds. The plans for London's air traffic have concentrated on meeting the needs of international airlines using aircraft weighing 50 tons while the needs of smaller machines have been either overlooked or forgotten. A small aircraft need not be barred from using a big airport provided that it carries radio. But many of the smallest runabouts have no radio and the scale of charges at international airports is decidedly putting-off for an aircraft carrying half a dozen passengers—even if the airport will let it in, which London airport rarely will, and then only after much fuss. When the

tenants of Croydon airport were told four years ago that they would have to move to rebuilt Gatwick, they assumed that they would enjoy the same facilities as at Croydon and at roughly the same charges. Instead they are invited to become tenants of an airport built and equipped to handle the biggest transatlantic airliners, with rents and other airport charges to match. They asked for bed-and-breakfast, and are offered accommodation at the Ritz.

The Ministry of Transport has no wish to be charged with driving small airlines and private fliers out of the sky, but its policy has been moving towards that result for several years. Tenant airlines at new airports have to provide their own hangars and concrete aprons on land rented from the airport. At Gatwick, the annual rent is £500 an acre, and a modest three-acre hangar and apron will cost £200,000 to build. This puts it beyond the purse of the typical small airline that was able to work profitably from Croydon, paying an annual rental for old, but weatherproof, hangars. These small airlines, in their turn, have provided garaging and maintenance for the private owners and flying clubs that have been based on Croydon.

One proposal to satisfy the three types of flying at Croydon airport was to move them all to a far corner of Biggin Hill airfield. The Air Ministry's first offer of full repairing leases of buildings in varying states of repair for only four years was immediately turned down. Biggin Hill is unattractive to the small airlines that operate from Croydon; it would cost them a good deal to put the buildings in reasonable order for passengers and there are no Customs. Croydon flying clubs will almost certainly go to Biggin Hill if they can negotiate better terms with the Air Ministry, which owns it. The Ministry of Transport feels that in their case it has fulfilled its obligations to find them an alternative home and neither clubs nor flying schools will be allowed to use Croydon after January 31st. But it has not been able to satisfy the small airlines that fly scheduled and charter services out of Croydon and the airport will remain open for them and for business fliers until the airlines and the Ministry agree on a compromise. These small airlines, mainly Morton Air Services and Air Couriers, are not prepared to build hangars at Gatwick as another Croydon tenant, Transair, has done. Several plans have been suggested, including one by which the government would build hangars at Gatwick for rent to small operators. But the rents of the new hangars struck the companies as too high. Since then, Morton Air Services has been bought by Airwork, one of the largest of the independent airlines. The Airwork management seems no more anxious to shoulder the cost of transferring Morton's operations to Gatwick than Captain Morton himself.

THERE will certainly be disappointment if all small airlines boycott Gatwick. This airport, built at a cost of £7 million, was intended for a double purpose—to serve as a bad-weather diversion for London Airport and also as a centre of all charter, private flying and small-scale scheduled operations in and out of the London area. Its charges have been too high for this class of customer. Besides building hangars, the Ministry may now cut some charges at Gatwick for small aircraft and with them many of the expensive formalities about porters and baggage.

In these circumstances, the amount of private flying to and from the London region might grow. Of the private aircraft registered in this country, perhaps 300 belong to flying clubs, and another 300 to 350 to private owners, many of them companies with fleets running up to five aircraft. Freedom from the commercial airlines' schedules is a convenience and brings some saving of the tycoon's time. But the savings in costs, as distinct from the convenience, are harder to establish.

The standard business aircraft is the de Havilland Dove, capable of carrying six passengers. It is not an outstandingly cheap aircraft, either to buy or to run, but given a sufficiently high utilisation, its costs can be kept fairly close to those of a commercial airline. Ind Coope, the brewers, have calculated that the company's Dove may be used for as much as 800 hours a year, which could put it among the highest figures for any business aircraft in this country. On the basis of 800 hours, the cost per passenger is likely to average less than 11d. per mile. But to get utilisation up and costs down to this level the aircraft is fitted with a range of radio, navigation aids and de-icing equipment that will allow it to fly in all weathers; employing a pilot with full instrument rating; leasing an airfield to save landing charges; employing full-time aircraft maintenance engineers; and co-ordinating the aircraft's journeys through a central traffic department.

Most parts of Britain are now within 30 minutes of an airfield capable of handling small aircraft of this type. Besides the airports run by the Ministry of Transport there are two dozen private airfields, some owned by municipalities, some by companies, some by clubs, all of which are open in daylight. There are another 40 or so, not all of them open in winter, where permission to land can be arranged in advance. In addition, about 50 RAF stations allow private aircraft to call. Ind Coope's experience suggests that even in a country as small as Britain, private business flying might pay.

In this case, there is probably some reason for expecting the Ministry of Transport to provide airport facilities for private fliers of this calibre at Gatwick, if not at Croydon, just as it provides them for commercial airliners. It might be more convenient, but certainly more difficult, to open a private airfield for this purpose as Silver City opened theirs at Ferryfield. The next few years will show whether business flying in this country will develop as it has in other countries—with the helicopter too, using the Battersea helicopter station, where Westland Aircraft are now driving the first piles.

BUSINESS NOTES

CONVERTIBILITY MARKETS

Confidence in Pounds

THE stock markets as well as the exchange markets saw the Christmas moves to external convertibility as a sign of the British authorities' confidence in the viability of sterling and the economy. In line with the firmness of sterling this week, both gilt-edged and industrial stocks have gone ahead. Some observers had thought that the gilt-edged market was due for a rally in the new year in any event, after the dubiously founded setback in confidence in the late autumn. The currency moves have given added reason to the recovery. Few people in the City think that the commitment need involve, over the course of time, any noticeable toughening in monetary policy or hardening of interest rates. It is likely to induce still greater flexibility in Bank rate policy, but that need not be a bad thing for gilt-edged. The present level of prices is low in relation to 4 per cent Bank rate; now the display of official confidence implicit in the currency moves has had a significant impact on investors' confidence.

This week's buying of gilt-edged has been fairly well spread through the range of stocks, and the market has been an active one. Prices have risen only modestly, partly because the government broker has taken the opportunity to supply some stocks and partly because at least one big sale was made from private quarters. The fact that this was well absorbed reflects the firmness of the undertone. In the middle of the month the government will be paying out the unconverted portion of the £592 million maturing Conversion 2 per cents. This will help to offset the new year drain of funds to the Inland Revenue.

Through the Barrier

THE move towards sterling convertibility came as another pep pill for an equity market that was already full of pep. Before Christmas ordinary share prices were striding ahead confidently, just as they had been doing for most of the year, and they marched into the new year at an even brisker pace. One barrier was passed on the last day of the old year when the *Financial Times* ordinary index touched 225.5, going beyond the previous peak of 223.9 reached on July 21, 1955, and nearly 50 per cent above the February low point. *The Economist* indicator, which is based on a wider range of stocks, had risen beyond its 1955 peak in the first week of November and on December 31st it climbed to 255.6, a gain of 8.9 points within a week and of more than 50 per cent on the February 26th low of 166.1.

Partial convertibility has no direct effect on the stock market, for British shares can still be sold by foreign investors only for security sterling, which can be used only for new security purchases or sold in unofficial markets. But the discount has now almost run off. If sterling remains strong, overseas investors may find the earnings and dividend yields on British industrial equities—high by American and Continental standards—even more attractive. Indeed, such buying has already had a marginal effect on prices of steel shares and such stocks as EMI.

But basically the equity market will continue to depend upon domestic factors. Last year's boom in equities with a consumption goods flavour left many shares in the capital goods industries, oil, commodities and shipping lagging behind. Easier credit, Government measures aimed at expansion, small signs of economic recovery, hopes that the budget will bring further tax reliefs and a wider belief that the Conservatives will win the next election have all contributed to the markets' exuberance. Much has already been discounted and the approach of an election will presumably check the advance.

Current prices ignore the patchy profit and dividends record of British industry in 1958 and anticipate better earnings and dividends this year. That optimism has at least one justification: the credit squeeze forced many concerns to find permanent savings in costs. The recession made many of them more efficient. But, though economic recovery is on the way, there is still plenty of surplus industrial capacity and commodity prices have failed to advance very strongly. Orders in light engineering have begun to pick up, but by only a little; steel production this year may not be much, if anything, above its 1958 level; and another record breaking run by the motor industry has to be set down as a hope, not as an accomplished fact. Hence, to buy shares at values that look beyond recovery to a roaring industrial boom is to take a gamble. Yet, for many investors in this country and the United States, it is a gamble that has to be taken, for savings continue to pile up in the pensions and other institutional funds. They must find a home and increasingly that is in the equity market.

First of the Few

THERE seems to be little immediate prospect of another flood of new issues to mop up the flow of savings. British industry is not likely to embark on a fresh round of capital spending until its present capacity is more fully utilised. The new issues that will come forward early this year will be funding operations, to provide permanent finance for additions to capacity or capital developments already made and temporarily paid for by bank overdrafts. The banks, moreover, are not likely to press borrowers to pay off.

The first funding issue is by English Electric, to raise just over £10 million through Lazard Brothers. Ordinary, preference and debenture stockholders are offered £6 million of a 5½ per cent debenture (1979-84) at 97 and ordinary stockholders a one-for-ten rights issue of £1 ordinary units at 50s. Both issues should command a ready success. The debenture offers £5 13s. 5d. per cent flat and £5 14s. 6d. per cent to redemption and is covered 3½ times by assets and about 7½ times by earnings. The market gaily passed the test of a 5½ per cent debenture in December when Ind Coope made its £2 million placing at 96½; it now stands at 99¼ and a sizeable premium on the English Electric debenture is in prospect. When English Electric raised £16 million in May, 1957, it was exactly on the same terms for both debenture and ordinary stocks. The ordinary units stand at 61s. 6d. so that the value of the rights is only about 1s., but as the directors expect to maintain the dividend at 14 per cent on the increased capital the new shares at 50s. are offered at a yield £5 12s. per cent—about £1 higher than that offered at the market price on the old.

Heavy electrical engineering concerns have a voracious appetite for new money and even with this issue English Electric will still have about £10 million outstanding on bank overdraft. The new money is needed to finance a growth in production and orders, for since May, 1957, turnover has risen by about 13 per cent and the order book has expanded from £180 million to £238 million (of which about one sixth is for military orders). Yet despite this growth, costs continue to rise and profit margins to fall and for 1958 the directors' estimate of profits (before British tax and interest charges) is "not less than" the £8.3 million earned in 1957.

New York and Paris

WALL STREET ended the old year in much the same frame of mind as Throgmorton Street. Common stocks advanced to an all time peak on the last day of the year, carrying the *Dow Jones* average up to 583.65, a gain of 147.96 points over the whole year. Dealers on Wall Street, as in London, are optimistic though they recognise that if the advance in prices persists it will probably be at a slower pace. Economic recovery and higher earnings this year are being generously discounted, but Wall Street is continually subject to the buying pressure of the mutual funds (which in 1958 again scored a phenomenal success) and other institutional investors. Good equities are scarce on both sides of the Atlantic.

Continental bourses gave a more guarded welcome than did London to the moves towards convertibility. Prices were generally marked higher and Continental investors were buyers of German loans as well as a few selected British equities. In Paris, prices of gold shares and other international stocks had to be adjusted to the devaluation of the franc. For the first time for many years the premium on gold in the French market ran off, and the premiums on security dollars, security sterling and the like also disappeared. These premiums had been running at about 17 per cent, thus anticipating almost exactly the extent of the devaluation. Having guessed right, the professional dealers were quick to take their devaluation profits on the international stocks and this shaded their prices. But there was no heavy bout of selling, for any expectation of measurable repatriation of French funds from their foreign refuges would at this stage be premature. The political reaction to the policy of retrenchment has to be measured and the lasting efficacy of the economic reforms has to be proved before funds can be expected to flow back to Paris. The Bourse, having given a nominal vote of confidence by marking up French domestic issues, has to wait upon proof.

Freedom for Commodities

ALL the British commodity markets can now transact international business with equal freedom. Hitherto freedom was limited to the schemes for non-ferrous metals, rubber and copra. Those commodities, irrespective of the country of origin, could be bought from owners in the dollar area and re-sold for sterling or other major currencies. Chilean copper, for example, could be bought from an American owner, in Chile or the United States, and re-sold for sterling (but not if bought from a Chilean owner). A second group of commodities had a slightly more limited freedom. If coffee, cocoa, and raw sugar were bought for dollars and sold for sterling, they had to be bought in the country of origin. Cuban raw sugar, for example, could not be bought for dollars from a third country and sold for sterling. A third group of commodities was still more restricted. Because the main source of supply of raw cotton and grains is the dollar area, these important commodities had to be sold for dollars if bought from the dollar area. This restriction also applied to refined sugar. From last Monday, all commodities in the schemes can be bought for external sterling or any other currency, and sold for external sterling or other specified currency—which mainly excludes soft currencies of Latin America.

In the grain and cotton markets, particularly, British traders have an opportunity to increase their international business if they can offer a better standard of service than other centres. The scope for an increase should not be exaggerated. The role of the merchant is more limited than before the war. Prices of grain and cotton are largely controlled by governments; the usefulness of the futures markets is thereby curtailed and the scope for speculative merchanting business is that much narrower. Though London has succeeded in establishing an active market in barley futures, the wheat futures market in Liverpool is dead, and the cotton futures market in Liverpool is only just alive. Many consumers, indeed, are no longer interested in using the futures markets. No tears were shed by the millers when the Liverpool market died.

IMF AND WORLD BANK

Quota Increases Recommended

THE executive directors of the International Monetary Fund and the World Bank have recommended the increases in the capital of their institutions that were generally advocated at the New Delhi meetings. A standard increase of 50 per cent is recommended in quotas in the Fund, with substantially larger increases for three countries. It is suggested that Germany should more than double its quota, from $330 million to $787½ million. Germany would thus become one of the "big five" and would have a firm claim to a permanent seat on the board. The smallest of the five permanent members in terms of present quotas is India; the third largest is Nationalist China, but as this administration has paid up virtually none of its present quota it is difficult to see how it can be given an additional quota—and if it is not, it will rank behind the United States, Britain, Germany, France and India, and it might be possible to withdraw its permanent seat on the board. The other special increases proposed are for Canada (from $300 to $550 million) and Japan (from $250 to $500 million).

Together with the general increases of 50 per cent, these would add $5,100 million to the resources of the fund, of which a bit more than half would be in gold and dollars. At end-November the fund's uncommitted holdings of gold and dollars amounted to only $1,500 million. Together with some big repayments (including Britain's) now falling due, the quota increases would add very substantially to the

fund's lending capacity. Another help here should be the establishment of European convertibility; hitherto, drawings of sterling, D-marks and other currencies have been discouraged by the obligation that all drawings must be repaid in convertible currencies.

Only one quarter of the increases in quotas are payable in gold, and there are provisions for payments being spread over a period of years. Britain's gold commitment on its own account will be $162½ million, and overseas sterling countries will have to find $114 million in all, some of which may come from their own reserves rather than from the central pool. The next stage is that the governors of the Fund (the world finance ministers) will vote by post on the proposals early in February. The increases will take effect only if countries having 75 per cent of the quotas actually take up their increases before September 15th.

The World Bank proposal is to increase all subscriptions by 100 per cent, but to leave the whole of the increase uncalled (together with 80 per cent of the existing subscriptions). In practice this general increase is needed simply to increase the $2,500 million guarantee of the United States. The great bulk of the bank's new funds are raised in bonds denominated in US dollars, though often sold in foreign centres (this week, however, the Bank has issued a medium term loan for 100 million Swiss francs, and an issue in Germany may be seen this year). The executive directors express their regret that importance should be placed on the guarantee of one particular member—and they add with prescience that "the readier transferability of currencies will undoubtedly be of great help in this respect." But they consider that an increase in America's guarantee is desirable if the rapidly expanding volume of business is to be financed, and that once an increase is asked for there is no reason why it should not be large enough to cover the needs of the next decade. There should be no difficulty in getting members to agree. The Bank also is asking special increases from Germany, Canada and Japan, and to put them in line with other members, it will ask that on one half of these special increases, 2 per cent should be paid in gold and 18 per cent in local currencies, as was the practice with the original contributions.

BRITISH ALUMINIUM

Long Knives Out

EMOTIONS are never far from the surface of any take-over struggle and they are now running high in the battle for British Aluminium. The battle has become bitter, with the merchant banks and finance houses openly taking sides. A syndicate of City houses, many of them long established and many of them with a reputation for conservatism, has now entered the fight on the side of British Aluminium and its proposed deal with Alcoa. This group, listed in the accompanying table, is headed by Lazard Brothers and Hambros Bank, the financial advisers to British Aluminium.

The syndicate recommends stockholders to retain their shares in British Aluminium and not to accept the bid made by Tube Investments and Reynolds Metals on these grounds:

> . . . the maintenance of British Aluminium as a separate British company in partnership with Alcoa is in the national interest and affords the best and indeed the only opportunity for investors to hold a direct interest in a British company engaged in the production, fabrication and sale of aluminium on an international scale.

It is true that acceptance of the TI-Reynolds bid would leave the stockholders with only an indirect and diluted interest in aluminium. But this explicit appeal to patriotic interest sits oddly with the fact that British Aluminium has embarked on large-scale developments outside this country, that it is intent on further developments in Canada and elsewhere in the Commonwealth, and that it has itself sought the help of an American company, Alcoa, in financing these developments, in a manner that cannot but give Alcoa a dominant interest in its affairs.

Counter Bidding

THE syndicate has already approached a number of important stockholders in British Aluminium and some of them have indicated that they do not intend to accept the TI-Reynolds offer. Those stockholders and those within the syndicate are stated to hold more than £2 million of the £9 million ordinary capital of British Aluminium. The syndicate, however, recognises that the cash portion of the TI-Reynolds bid is attractive to some investors and its own scheme is designed to cap it. It offers to buy half of any holdings in British Aluminium (other than those of the TI and Reynolds interests) at 82s. per share on condition that accepting stockholders agree not to sell or transfer the remaining half before March 31, 1959. That period goes beyond the date to which the TI-Reynolds offer could be extended. Tenders for sale will not be considered by the syndicate before January 9th, the date on which the original TI-Reynolds offer closes. The syndicate reserves the right to refuse tenders when acceptances exceed £7 million in cash. It thus seems to be aiming at the acquisition of about 1,700,000 shares and the "sterilisation" of another 1,700,000 and it seems to be directing its appeal deliberately to the institutional investors. The sale of stock to the syndicate is a course of action that the syndicate explicitly does not recommend the stockholder to take. The syndicate evidently would prefer to see stockholders retaining the whole of their stake in British Aluminium—and therefore refusing the Reynolds-TI offer. In effect they would thus give their vote to the British Aluminium board and the Alcoa deal, but they would then be exposing themselves to the full risks of stock market fluctuations. Even the stockholder who accepts 82s. for half his holding is taking a risk, for there is no certainty what price the rest of the stock would fetch in the market when he is free to sell after the end of March.

The syndicate has some parallels with that formed to purchase Mr Samuel's holding in the Savoy Hotel shares so as to leave the management of that company in the hands of the sitting board of directors, though in that instance Mr Samuel was a willing seller. But its offer has a twist

THE SYNDICATE

Robert Benson, Lonsdale	Lazard Brothers
British South Africa Company	Locana Corporation
Brown, Shipley	Samuel Montagu
Cables Investment Trust	Morgan Grenfell
Robert Fleming	M. Samuel
Guinness, Mahon	Edward de Stein
Hambros Bank	The Whitehall Trust

THE ORDER OF BATTLE

	£
Issued ordinary capital of British Aluminium	9,000,000
Tube Investments Holdings and Reynolds Metals	say 1,900,000
American Metal Climax	650,000
Holders not accepting the T.I.-Reynolds offer	above 2,030,000
Obtainable by syndicate at 82s. out of fund of £7,000,000	1,700,000
Corresponding number "sterilised" until March 31, 1959	1,700,000
Remainder, assuming American Metal Climax holding is uncommitted	below 1,150,000

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all of its own. The syndicate, which includes some public companies, is willing to buy the stock on an indicated dividend of 17½ per cent (not generously covered by earnings) and on a yield of only 4¼ per cent. Yet while its members are willing to pay 82s. per share, they are also prepared to countenance the agreement with Alcoa which gives that company the right to buy up to 4½ million new units at only 60s. each (with a limited dividend of 12 per cent for three years). Neither British Aluminium nor Alcoa suggested or were consulted about the formation of the syndicate; nor has Alcoa contributed to the syndicate's fund and none of the stock the syndicate secures will be sold to Alcoa.

The syndicate's offer is a last minute attempt, backed with power and prestige, to keep TI and Reynolds Metals out of British Aluminium. The reasons as set down by the syndicate for doing so are not strong; in themselves they do not explain why the battle is being fought with such intensity. It is now for TI and Reynolds, if they wish, to outbid the syndicate by improving on their original offer of one TI ordinary share plus 78s. for every £2 of British Aluminium stock. They can afford to wait for a time—just as stockholders can—for the market price of the British Aluminium has now risen to 84s. 6d., above the syndicate's bid price. TI-Reynolds Metals and their associates are fighting back and they are now believed to control about 20 per cent of British Aluminium's ordinary capital, compared with about 13 per cent when they posted their offer to stockholders just before Christmas.

EXCHEQUER ACCOUNTS

On Course

THE budget accounts at the end of the third quarter of the Government's fiscal year are running roughly according to plan, but there have been some large, though compensatory, deviations from the estimates made last April. For the full year the Chancellor expected total ordinary revenue to expand by £97 million; now, with two-fifths of the total still to be collected, the expansion amounts to £82 million. Receipts from Customs already show the whole £49 million growth expected in the full year; profits tax has provided an additional £25½ million, compared with £20 million expected for the full year; income tax an additional £69 million, compared with £104 million. Excise receipts, on the other hand, have already fallen by almost as much as, and miscellaneous receipts by rather more than, their estimated change in the year. Ordinary expenditure appears to have been running slightly—but only slightly—above estimate. The budget provided for an increase of £156 million (of which £32 million was for debt service) while up to date the increase has been £133½ million (£25½ million for debt service).

The "above-line" deficit for the nine months has thus expanded by £51 million to £495 million, but this increase is £8 million smaller than was originally envisaged for the full year. Net expenditure "below-line" has contracted, but rather less markedly than the estimates had suggested it would do. Any contraction at all, however, is somewhat remarkable, given the massive growth of the requirements of the nationalised industries. Net borrowings by these industries had been expected to rise by £49 million over the year; up to date they have risen by £103 million, to £422 million; of this deterioration, £76 million is attributable to transport and £20 million to coal. A large part of the strain from these sources has, however, been offset by a further pronounced change in local authority finance. New advances by the Exchequer to the Public Works Loan Board have amounted over the nine months to a mere £3.7 million (compared with the year's forecast of £65 million), or £37½ million less than the amounts repaid by the Board to the Exchequer. Thanks very largely to this relief, the Exchequer account as a whole shows only a tiny shortfall from estimate. The "overall deficit" of £927 million is nearly £30 million larger than that for the similar period of 1957-58—but the budget forecasts had envisaged a worsening by £24 million (to an overall deficit for the year of £236 million).

BUDGET ESTIMATES AND THE NINE-MONTHS OUT-TURN

	April 1 to Dec. 31, 1958	Change on April 1 to Dec. 31, 1957	Budget estimate for full year 1958-59	Expected change in full year on 1957-58 out-turn
Revenue :				
Income tax	935·6	+ 69·5	2,312·5	+104·2
Surtax	55·6	+ 2·5	163·0	+ 5·6
Death duties	135·0	+ 8·8	163·5	− 7·1
Stamps	44·5	− 5·6	56·3	− 7·4
Profits tax†	220·8	+ 25·6	275·0	+ 19·8
Other inland revenue	0·2	...	...	− 0·6
Customs	968·0	+ 49·3	1,256·9	+ 49·4
Excise	694·6	− 9·5	932·3	− 10·1
Post office (net)	...	− 0·6	2·0	− 5·8
Other revenue	145·2	− 56·6	278·0	− 51·3
Total ordinary revenue	3,199·4	+ 82·4	5,439·5	+ 96·9
Expenditure :				
Debt service	522·9	+ 25·6	695·0	+ 32·0
Sinking funds	26·0	+ 0·5	38·0	+ 0·5
Other consolidated funds	56·6	+ 3·3	83·0	+ 1·7
Supply services	3,089·0	+104·1	4,259·6	+121·8
Total ordinary expenditure	3,694·6	+133·5	5,075·6	+156·0
Above-line balance*	−495·1	− 51·2	+363·9	− 59·1
Net below-line outlays*	432·1	+ 21·7	600·0	+ 35·0
of which :				
Local Authorities*	Cr. 37·6	+ 74·5	− 13·0	+ 32·0
Nationalised Industries*	422·3	−103·0	−478·0	− 49·0
Total deficit*	927·2	− 29·5	236·1	− 24·1

* In second and fourth columns (−) indicates increased deficit or reduced surplus, (+) indicates reduced deficit. † Comprises profits tax, excess profits tax and levy.

VENEZUELAN OIL

Breaking the Missing Principle

THE change in Venezuela's tax law announced by the Junta last week is clearly regarded by the oil companies as a more offensive act than throwing stones at Mr Nixon: they think that a breach of a fifty-fifty principle—retroactive and without any by your leave—is bad enough, and they fear that it will be worse if certain Arabs find out about it. Venezuelan law originally provided for a basic income tax of 2½ per cent, and a graduated surtax ranging from two to 28 per cent; in addition, the oil companies paid royalties to the government amounting to 16⅔ per cent of their output. The implicit intention in this arrangement was that Venezuela should receive one-half of the companies' profits. But in later years as the price of oil rose and costs fell, the government's proportion worked out at less than half, and in 1956 it was agreed that if royalty income plus taxes did not produce 50 per cent, a supplementary payment would be made to bring Venezuela's share up to one-half. In principle, the oil companies surrendered 50 per cent of their profits; in practice the government sometimes got more. Creole Petroleum, a subsidiary of Standard Oil of New Jersey, claims to have paid 56 per cent last year. Now the maximum tax rate is to be raised to 45 per cent, and certain reinvestment allowances formerly granted are to be revoked. This will mean that, since the oil companies pay the top rate, they will be giving something over 60 per cent of their profits to the Government if production remains at its average for the past few years.

But contrary to agreements now in force in the Middle East—where the fifty-fifty principle is generally explicit—there has never been a provision limiting the Venezuelan Government's share to 50 per cent. The Venezuelan move violates no contract, even though its arbitrary character certainly violates all past intentions. But a sovereign government is entitled to impose taxes, and if by doing so Venezuela makes its oil less attractive to produce, it must accept the consequences. It is possible that Venezuela's revenue from oil would ultimately have been greater had it lowered taxes, thus making its oil more competitive with Middle Eastern supplies.

The position of President-elect Betancourt remains unclear; he had announced that he intended to negotiate with the oil companies to raise the Government's share of oil revenues, and the lame-duck Junta may simply have tried to steal his thunder. He will certainly be able, after his inauguration this month, to modify the law if he wishes. Promise of more reasonable tax treatment for oil companies might well help him in the pending discussions on setting mandatory quotas on oil imports into the United States instead of the present voluntary ones.

ATOMIC ENERGY

Agreement with Euratom

THE text of an agreement between Britain and Euratom was finally approved by both sides before Christmas and will be signed later this month. It is likely to disappoint those who had hoped that the agreement might follow the same pattern as an earlier treaty signed last summer between Euratom and the US government which provides for American help on a fairly lavish scale in the development of atomic energy in Europe. The Anglo-Euratom treaty follows the same formal lines as earlier bilateral agreements concluded between this country and the governments of potential customers for atomic power stations in Italy and Japan; it promises Euratom no more aid, and no less, than was offered to them.

This is a less ungracious gesture than it seems. The goods that Britain has to sell are not of much interest to the research scientist in Europe in 1959. This country cannot hope to match the United States in breadth of experience with reactor design; only two basic types have been developed here, one at Calder Hall and one at Dounreay. It is still, however, the only country in the world that has tackled the difficult task of scaling up prototype reactors like Calder Hall for the bulk generation of electricity under commercial conditions. The commercial reactors being built in this country now bear the same relationship to Calder Hall as the engines in the Comet to Sir Frank Whittle's early jets. The engineering refinements that distinguish these reactors from Calder Hall are not important to scientists, but they are to electrical engineers. The Americans lack this experience; by working with Euratom, they may well acquire it. Meanwhile British scientists and British companies remain convinced that the way to develop nuclear power—and British trade—is by winning the confidence of public utilities and their engineers and keeping it as far removed from politics as possible. They have had one success in Italy; whether they can repeat it in other countries of Western Europe, without paying the attention that the Americans have paid to the political relationship with Euratom, remains to be seen.

AEA and Hot Water

SOME time this month a committee will decide whether or not to advise the Atomic Energy Authority to experiment with a boiling water reactor of the type developed in the United States. It seems almost certain that the committee will recommend that such a reactor should be built. It is a design that has been ignored in this country except by companies that have taken licences on American designs; its main advantage is that it is much better suited to provide electricity in small quantities as distinct from the bulk supplies from the Calder Hall system, which does not take kindly to being scaled down in size. Its disadvantage up till now has been the fact that it requires enriched uranium fuel. Enriched uranium is now, however, freely available from the United States and the International Atomic Energy Agency in Vienna, and the boiling water reactor has become the serious competitor to the Calder Hall type of reactor sold by British firms.

It is by far the most promising of the many different types of reactor tested in the United States; prototype reactors are already giving three times more heat than was originally expected, and the fact that there are no heat exchangers—water simply boils around the fuel and the steam goes direct to the turbines—makes for exceptionally low capital cost. It is perhaps a compliment to both British and American scientists that Britain should be considering adopting an American reactor design just at the time when the Americans are considering adopting the British Calder Hall type.

FOREIGN EXCHANGE

Money Out of Spain

DRAMATIC stories have been coming from Spain in the last few weeks about the interception of officials of Swiss banks by government agents tracking down the ownership and the location of expatriated Spanish money. This cloak and dagger activity reflects the growing concern of the Spanish authorities over the scale that the flight of capital has recently assumed. This is the more alarming as the people concerned are the natural supporters of the regime: this could be a *crise de confiance* in more than a financial sense.

The recent excitement follows a minor exchange reform. Spain has added another variant to its already diverse system of variable exchange rates. By clamping a levy of 25 per cent on the fob value of the great majority of its imports, it has, in effect, devalued the peseta for these imports from 117.60 to around 145 to the pound. The goods affected can best be described by specifying the exceptions; these are heavy equipment for power plants, mining machinery, railway equipment, newsprint and lubricants. Certain luxury imports already bore this surcharge,

or even higher ones. The higher rates remain in force—for example surcharges of 200 per cent are applied on imported motor cars and 50 per cent on whisky.

In April, 1957, Spain announced the abolition of the system of multiple rates that had previously been in force, and established uniform rates, of 42 pesetas to the dollar and 117.60 to the pound, for all transactions. This search for orthodoxy proved short lived. The uniform rate was soon overtaken by the inflationary rise in costs and prices and exporters of olive oil and canned fish among others soon had to be given subsidies through premiums on their foreign exchange earnings. The levy on imports is now being extended to finance these payments. The whole gamut of differential rates has thus been restored ; these have included for some time the special tourist rate of 52 pesetas to the dollar and 145.60 to the pound.

AIRCRAFT INDUSTRY

Orders in the Offing

THE Minister of Supply has never wavered from his statement last summer that the aircraft industry would have to shed about 120,000 of its workers by 1960 and stabilise at an employment level of 150,000. After the end of October employment was still as high as 247,000 though men were leaving the industry at the rate of about 1,000 a month. Mr Aubrey Jones's estimate was based on the assumption that the Ministry would not be placing orders for new military aircraft except in limited numbers to carry out functions that could not be given to missiles. These included a replacement for the Canberra bomber, a heavy freighter, a long distance troop transport and a small, strong fighter. Each of these new aircraft was included in the defence programme but it has proved difficult to get approval for ordering any one of them from all the government departments that have a say in aircraft procurement. This delay has threatened the aircraft industry with the danger of contracting even below the level set for it.

Now, presumably, that the outlines of this year's Defence White Paper have been agreed, the Ministry is belatedly getting the decisions for which it has asked. Orders are being placed for the Air Ministry's Canberra replacement, with Vickers-Armstrongs, and English Electric developing the "weapon system" aspect of the aircraft and the newly-merged Bristol-Armstrong Siddeley company providing the engine. The army appears satisfied with the short-range load-carrying and parachute-dropping characteristics of the Argosy freighter, a private venture of Armstrong Whitworth, and orders for a longer range transport are held up on the question whether it should be a jet or turbo-prop.

The interests of the service ministries concerned with getting the right aircraft, and of the Ministry of Supply, which would wish to spread production orders as widely as possible over the industry, may be divergent. The Air Ministry would presumably wish to place orders both for the Canberra replacement and for a trooping version of the VC 10 jet airliner with Vickers-Armstrongs. But this would concentrate two-thirds of all new military work in the factories of Vickers and of Rolls-Royce, which would be building engines for Vickers and for the Argosy. It would therefore tend to aggravate the unemployment that is already threatened in other factories, especially those of Bristol and of Shorts in Belfast, that are laid out to manufacture turbo-prop aircraft and their engines. The Ministry of Supply is, however, free to place research contracts where it chooses. It is awaiting an expert report—expected to be favourable—on the technical and commercial feasibility of a civil supersonic airliner. If the Ministry decides to sponsor the development of a prototype, it will represent the biggest act of government assistance that the civil aircraft industry has ever obtained.

THE PESO

Argentina's Exchange Reform

SIMULTANEOUSLY with the establishment of external convertibility of European currencies, Argentina this week announced the replacement of its system of multiple rates by a convertible peso at a single rate fluctuating in a free market, backed by big dollar credits. The concurrence was quite fortuitous ; Argentina's reform is on the pattern that has been under discussion for some months. Following recent precedents in smaller Latin American countries, proposals for credits from private American banks and US government agencies were linked to a credit from the International Monetary Fund ; and as Argentina had already drawn one half its quota of $150 million, the IMF was able to lay down important conditions on further support. It has now made available the remaining $75 million as a stand-by credit ; the US Treasury is providing $50 million, leading private banks $54 million, the Export-Import Bank $125 million (a loan for development of electric power), and the Development Loan Fund $25 million. The total dollar assistance amounts to $329 million.

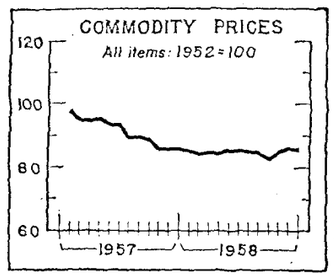
Argentina will be able to use the IMF credit for a stabilisation fund that is to check excessive fluctuations in the free peso. Dealings in the new peso have not yet begun ; some observers in the City guess that the new rate may be at around 120 pesos to the pound, compared with 50 pesos at the old official rate and up to 200 pesos in the limited free market. Although Argentina is now removing all direct controls on imports and is thus putting its trade on a non-discriminatory basis, the authorities are for the time being imposing important surcharges on imports, as well as retaining a part of export proceeds. Effectively, therefore, multiple rates have not been abolished. The real worth of this exchange reform depends largely on how long the temporary provisions are kept in being. That in turn depends on the government's ability to check inflation. It has now announced rigorous budget economies and new taxes, and proclaims a tough line on bank credit, wages and prices.

COMMODITIES

Past and Prospect

COMMODITIES had a mixed year in 1958. American industry did not start to recover until May, and then commodities were affected by the pause in industrial production in Europe. So commodity prices as a whole finished last year no higher than they began it. *The Economist* indicator, which averages the prices of seventeen items, opened at 85.6 (1952 = 100) ; it started to sag in the summer, reaching 82.8 in the first week of October, its lowest level for nine years. The subsequent recovery did not go far ; after rising to 87.9 in November the indicator slipped back again

to finish the year at 85.8, barely above its opening level. Movements of individual commodities have equally been mixed. Non-ferrous metals and copra finished appreciably higher. Over the year copper rose by £45 to £224 a ton and tin rose by £20 to £750 a ton. Zinc, which started at £62 a ton, £10 below lead, has recently overtaken its sister commodity, closing at £76 a ton, £3 dearer than lead. Supplies of copra were short, and prices rose by $56 to $245 a ton over the year ; cocoa, regularly afflicted by fears of shortage, finished 30s. higher at 334s. a cwt. Prices of coarse grains, especially barley, were helped by the late harvest in Europe, which led to hasty buying of imported grain. The weakest commodities were coffee and fibres. Brazilian coffee dropped by over one quarter ; United States cotton dropped by one-eighth and the long staple cottons by much more ; wool prices fell by over one-quarter.



While commodities as a whole should fare better in 1959, the improvement may be slight. Most items are in ample supply, and industrial prospects in Europe are hardly likely to set off a bout of re-stocking for some time. Supplies of copper are being augmented by the ending of the strike at the International Nickel Company's mines, and by the Board of Trade's decision to sell the whole of the copper remaining in the stockpile, amounting to 30,000 tons. The quantity is tiny in relation to world consumption, but its disposal will act as a brake on prices all the same. Presumably the remaining quantities of lead zinc and other metals in the stockpile will also be sold. And the time is bound to come when the United States will begin to run down its vast strategic stock.

GAINS AND LOSSES IN 1958

	Jan. 2	Dec. 30	High	Low
Tin, cash, £ per ton	730	750	764	642
Copper, cash, £ per ton	179	224	261	160
Zinc, prompt, £ per ton	62	76	77	61
Cotton, US 1-inch, spot, d. per lb	27·05	23·65	27·15	23·65
Wool, merino 64s, av. d. per lb*	96	73*	107	74
Jute	99	92	103	85
Rubber, spot, d. per lb	24	24½	26½	21
Copra, Philippines, $ per ton, cif	189	245	270	187
Sugar, spot, cents per lb	3·85	3·67	3·85	3·35
Cocoa, futures, s. per cwt.	304	334	403	271
Coffee, Santos 4's, cents per lb	55·50	42·00	55·50	41·50
Tea, North Indian, av. d. per lb*	52¾	53*	81½	51½
Wheat, 2 Canadian, £ per ton cif	27½	28½	28¼	26¾
Maize, 2 American, £ per ton cif	20¾	21	22¾	19¼
Barley, 2 Canadian, £ per ton cif	20¼	22¾	23¼	19¾
The Economist Indicator (1952=100)	85·6	85·8	87·9	82·8

*Week ending December 19.

GEOPHYSICS

End of a Long Year

THE International Geophysical Year, born in high summer eighteen months ago, ended on Wednesday night. Its main purpose was to make a detailed study of the earth's atmosphere, reaching upwards and outwards towards the sun. The dates were chosen to span a peak time for sun-spots which disturb the atmosphere in a way that interests scientists as much as it infuriates radio engineers. Polar regions are the best places to study these phenomena—hence the migration of scientists to the Antarctic. The work involved detailed readings taken round the clock by chains of stations running around the world. Standardised, 24-hour measurements of different phenomena from different points of the globe were the main object of the biggest scheme of scientific co-operation ever launched.

Sputniks undermined this scheme of co-operation before the IGY was more than a few months old. The eight earth satellites than went into orbit (including the 4-ton Atlas, which is not an IGY project) and the two moon rockets that did not were able to collect in hours more data than stations on the ground could have acquired in years. The scientist who controls a sputnik does not depend on the goodwill of colleagues overseas to fill gaps in his data. But scientists without sputniks are still in the dark about what the American and Russian satellites found in outer space, beyond their one or two well publicised discoveries.

Sputnik data, as well as the information thrown up by the IGY as a whole, may take a long time to analyse, so that the aircraft, missile and radio engineers who need more basic data on the earth's atmosphere will still have to wait. There are plans to carry some IGY projects into this year. Most of them depend on international co-operation in routine investigations but some of them are quite different. Countries that set up special IGY bases in the Antarctic, nominally to study sunspots, are showing no inclination to pack up and go home now that the "year" is over. Indeed sometimes they are digging in, as the Russians are, on slabs of ice over which other countries claim sovereignty.

BUTTER AND MEAT

A Mixed Business

THE British housewife has recently been told that imports of butter have been freed, and that imports of beef from Argentina will fall. She would be wrong to suppose from this news that supplies of butter will become much more plentiful, and supplies of beef much less. The restrictions on imports of butter from several European

MOTOR BUSINESS

The December issue of this quarterly research bulletin for the motor and allied industries includes

THE UK MOTOR INDUSTRY IN 1959

THE REPLACEMENT DEMAND FOR AUTOMOTIVE COMPONENTS IN THE UNITED KINGDOM

THE JAPANESE MOTOR INDUSTRY

The Bulletin is fully illustrated by charts, amongst which are

PRICE INDICES OF USED CARS AND VANS

NEW VEHICLE REGISTRATIONS IN GREAT BRITAIN

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Whitehall 1511, Ext. 140

countries were introduced in May, in response to New Zealand's complaints about dumping and the depressing effect on prices. The aim was to reduce total imports over a full year by roughly 10 per cent, or 40,000 tons, below the level of 1957. Now that prices have recovered sharply there is no reason to continue the restrictions. The steps taken by the exporting countries to reduce their surplus have proved too effective from the housewives' point of view, and thus there is no likelihood of an increase in shipments big enough to harm New Zealand's farmers. The actual rate of increase may be no more than 20,000 tons a year. The size of the exportable surplus will not be the only factor. Most of the countries accused of dumping may decide that it is better to restrain their shipments than risk the renewal of restrictions in Britain.

Argentina, Britain's main source of chilled beef, has decided to restrict shipments to this country in order to conserve domestic supplies. Prices have soared, and that is politically embarrassing in the largest meat-eating country in the world. It is intended to ship less than 50,000 tons to Britain in the first quarter of this year, compared with arrivals of over 74,000 tons in the first quarter of 1958. The actual rate of shipments in the first quarter and beyond may not suffer quite so severely. Beef is an important sourse of export income for Argentina, and the authorities may try to cut down domestic consumption a little further. Britain should also get some relief from Commonwealth supplies. Shipments of beef from Australia should be larger this year than last, and shipments of lamb from both Australia and New Zealand should improve.

UK SUPPLIES OF MEAT

(thousand tons)

	Beef and Veal	Mutton and Lamb	Pork
Home Output :—			
Jan to Oct, 1957	683	166	302
Jan to Oct, 1958	689	152	350
Imports :—			
Jan to Nov 1957	431	319	23
Jan to Nov, 1958	364	318	16
Cold-storage Stocks :—			
End-Nov, 1957	52	41	4½
End-Nov, 1958	29	31	2½

BUDGET HOPES

Postwar Credits

A PERENNIAL budget favourite is being tipped more strongly than usual this year: quicker release of postwar credits. Certainly, if the Government wanted to find a way of injecting purchasing power into the economy with equity, postwar credits are an obvious choice. They date from the budget of 1941, in which steep increases in income tax were sweetened by "offsetting" them against a credit to be payable "after the war." Some £765 million of credits piled up in this way ; and postwar governments, confronted with too much existing purchasing power, have been reluctant to create more by honouring the wartime pledge. The credits have been released only to women when they reach 60 and to men at 65 ; since 1954, they have been payable in the event of death or bankruptcy to the person having title to the credit, the timing of the payment being subject to the same conditions. Some £440 million of postwar credits have still to be paid off, and about 8½ million people are waiting for them ; the maximum held by any one person is £325. Apart from the special provision in the 1954 relaxation, the credits are not negotiable ; the Government has hitherto resisted (for no very clear reason) suggestions that people should be able to discount these claims with banks or any other institutions willing to take them.

SHORTER NOTES

Agreement on a three-year limitation of exports from Hongkong to Britain—for home consumption only—has been reached by the cotton textile industries of the two countries. It now remains for the cotton textile industries of India and Pakistan, who accepted restrictions on their own exports on condition that Hongkong did the same, to approve the level of restriction that Britain has agreed with Hongkong.

* * *

Mr Ian W. Macdonald, at present director and general manager of the Commercial Bank of Scotland, will be the full-time chairman of the merged National Commercial Bank of Scotland ; Mr David Alexander, at present director and general manager of the National Bank, will be director and general manager of the combined bank.

* * *

A new yard and a new pound weight for use by scientists and engineers have been defined by the Department of Scientific and Industrial Research. The English yard is fractionally shorter than the American yard and the scientists say that it is shrinking at the rate of more than one millionth of an inch each year, which is inconvenient for precision engineers. The standard yard and pound must still be used for trade.

* * *

Following negotiations between representatives of the British and Polish governments, quota lists have been drawn up covering mutual trade during 1959 under the 3-year trade arrangement signed at the end of 1956. These provide for British exports to Poland of machinery, machine tools, instruments and consumer goods at approximately the same level as in 1958 and for increased exports of chemicals, manufactures of rubber, and electrical equipment. Poland will be able to increase its exports of chemicals, canned meat, and toys, and to send 47,000 tons of bacon.

COMPANY AFFAIRS

Comments on pages 77 and 80 on

Turner & Newall — Lancashire Steel
Fine Spinners — H. & G. Simonds
Mitchells & Butlers — Friary Meux
Associated Motor Cycles

LONDON AND NEW YORK

Stocks, prices, yields and security Indices on pages 78 and 79

LONDON STOCK EXCHANGE

The week's movements reported on page 80

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 81

COMPANY MEETINGS

TURNER & NEWALL LIMITED

TRADING PROFITS SLIGHTLY LOWER

OUTLOOK CAUTIOUSLY OPTIMISTIC

The Annual General Meeting of Turner & Newall Limited will be held on January 20, 1959, at the Chartered Accountants' Hall, Manchester, when it is expected that Sir Walker Shepherd, the Chairman of the Company, will preside.

Sir Walker Shepherd's Statement to the Stockholders has been circulated to them with the Report and Accounts, and, after dealing with the accounts of the Company, it contains a detailed review of the Company's operations during the year to September 30, 1958, both at home and abroad.

The following are extracts from the Statement:

Before I deal with the Directors' Report and the Accounts for the year I wish to report, with great regret, a very sad loss to the Company in the death of Mr H. Hanson, who was our Deputy Chairman and a Joint Managing Director until his retirement, on grounds of ill-health, in January, 1958, which, unhappily, was followed by his death on February 5, 1958. This terminated an association with the business of this Company and its predecessors which had lasted for more than half a century, and removed from our Board an extremely able and experienced Director, and a man of whom, I feel it is literally truthful to say, that he had not an enemy in the world. Your Directors will long miss a valued colleague and a close personal friend of all of them. It is also my sad duty to report that in January last Mr George Wilson, whose resignation from our Board was reported a year ago, died within a few months of his retirement from the Board. Mr Wilson, too, had a long record of valued service to our Organisation, and your Directors regret exceedingly that it was not possible for him to have a reasonable period of full health and vigour in which to enjoy the retirement he had so well earned.

ASBESTOS TEXTILES

Demand for the general range of asbestos textile products of Turner Brothers Asbestos Company Limited was progressively affected during the greater part of the year by the general decline in trading activity but showed signs of some recovery by the end of the period. Export turnover again broke the record established in the previous year, partly owing to substantial and unusual orders from Russia for rubber transmission belting. Requirements of conveyor belting from the National Coal Board and other large users were appreciably reduced, but the Company strengthened its position in this highly competitive field and secured further substantial contracts for its Hindley Green factory. The production of automotive and industrial "V" belts has been considerably expanded to keep pace with sales, in face, once again, of strong competition. In both these directions, the keen attention that has been given to cost reduction is yielding increasing benefits. Progress in the modernisation and extension of the Rochdale factory has continued, but has been delayed by unexpected difficulties arising from the geological conformation of the site. These have now been overcome.

The transfer of certain important textile and plastics processes from Rochdale and Leeds to the new factory at Hindley Green has been brought close to completion. Asbestos textile manufacture at the Leeds factory of J. W. Roberts Limited has now ceased. Beneficial effects on costs are beginning to appear, as production becomes established in the new location. Construction of the new premises for J. W. Roberts Limited at Horwich, near Bolton has been recently completed, enabling the Company's commercial, research and development activities to be moved from Leeds to more suitable accommodation there. Despite adverse trading conditions, turnover in Sprayed "Limpet" Asbestos has been increased substantially, particularly in export markets, while encouraging progress has also been made in "Ferobestos" technical plastics.

BRAKE AND CLUTCH LININGS

In spite of more intensive competition the turnover of Ferodo Ltd. attained a new high level, with both home and export markets showing an increase on last year's figures. The motor trade has been enjoying a period of prosperity, and, since Ferodo brake and clutch linings are used by practically all vehicle manufacturers for original equipment, the Company's business has expanded accordingly. This does not mean that the continued development of markets outside the motor industry has been neglected ; for instance, following the trend of recent years, sales of non-slip stair treads have expanded still further to a new record figure. Costs, however, have continued to rise, but the effect of this has been cushioned by increased volume. Present indications are that this trend will continue in the immediate future and that it may be possible to avoid any significant fall in profits.

The extension of research facilities, to which I referred last year, has proceeded satisfactorily, and HRH Prince Philip, Duke of Edinburgh, honoured the Company by opening the new building last month.

In recent years one of the most important developments in braking has been the increasing use of disc brakes, and it is pleasing to be able to report that Ferodo Ltd. is the leading supplier of friction material for such brakes. Motor racing has always been regarded as one of the proving grounds for the Company's products, and the fact that this year eight out of ten Grand Prix races have been won by cars fitted with Ferodo brake linings provides an encouraging demonstration of the quality of the Company's products in the face of worldwide competition.

ASBESTOS CEMENT

During the past year the steps taken by the Government to control inflation had their inevitable damping effect on the activities of the construction and civil engineering industries ; under these circumstances it is very pleasing to be able to report that Turners Asbestos Cement Co. Ltd., which supplies these industries with a wide range of asbestos cement materials, has had a most successful year despite the fact that export markets have been in a very depressed state. Various new products have been developed in the past few years, and in particular "Turnall" "Colourglaze" Finish has been very well received by architects and is being specified by them on a substantial scale.

Demand for "Everite" asbestos cement pressure pipes for water mains has been lower both at home and overseas and price competition is acute ; there are, however, grounds for hoping that demand will improve, but it is not likely to return quickly to the very high level reached in the past few years. The amount of industrial and commercial building which is being planned has fallen substantially, with the result that the Company may experience in the early part of 1959 an appreciable fall in demand for its building products ; however, the financial year opened with the order book in a very healthy state and there appears to be no reason why the results for the whole year should not be satisfactory.

CHEMICAL AND INSULATION

The level of activity at the factories of The Washington Chemical Company Limited was somewhat less than that of last year. This was due principally to the effect of a general diminution in industrial demand throughout the country and increased competition in export business. The tendency towards reduced profit margins, mentioned last year, continued. The turnover of Newalls Insulation Company Limited did not quite reach the very high level of last year, as the completion dates of substantial contracts were not reached by the end of the accounting period. The volume of work on hand is, however, substantial, although in common with industry generally, profit margins are falling.

DIVIDEND ON ORDINARY STOCK

This year your Board recommend, as foreshadowed in their interim statement, a final dividend on the Ordinary Stock of 10 per cent, making, with the interim already paid, a total distribution of 15 per cent for the year. This figure corresponds to last year's total distribution and is, in view of the fact that our experience during the past year has not been quite as good as during the previous year, an appropriate rate of dividend in the circumstances.

FUTURE PROSPECTS

Last year I informed you that as far as could then be seen it was likely that conditions obtaining during the financial year ending September 30, 1958, would result in a rather lower profit for that year. In essence this forecast was repeated in the interim statement of the Board, and it has now been demonstrated to be broadly accurate. As regards the future, forecasting is even more difficult than is normally the case, but we do expect to remain prosperous on a somewhat lower level than that of the boom years, and, while a downward trend still continues in some sections of our activities, there is, here and there, an indication that bottom may have been reached and that some improvement of a modest character may not be far ahead. This is a movement which appears to have some significance in the United States of

America and Canada, but it does not show at present in relation to our operations within the United Kingdom, while our sales of raw asbestos, both from Africa and from Canada show a diminishing trend which, while not of a serious character, is disappointing. The current year, therefore, may not show figures as good as those in the Accounts now before you, although it is not anticipated that any reduction will be of a serious character, and the broad geographical spread of our Group activities tends to have a cushioning effect against extreme fluctuations, whether up or down. Our outlook, therefore, remains optimistic, but cautiously so in view of world-wide problems in both the political and economic fields, none of which, of course, is within our control.

OK BAZAARS (1929) LIMITED

(Incorporated in the Union of South Africa)

INCREASED VOLUME OF SALES

PROFIT AFFECTED BY PRICE REDUCTIONS

The twenty-ninth annual general meeting of OK Bazaars (1929) Limited was held on December 15th in Johannesburg, Mr M. Miller, chairman, presiding.

The following is the directors' report circulated with the accounts:

The Directors have pleasure in presenting the twenty-ninth Annual Report and Statement of Accounts for the year ended June 30, 1958.

The Profit and Loss Account of the Holding Company has this year been presented in narrative form. The figures quoted below have been taken from the Consolidated Accounts which show the state of the affairs of the Company and its Subsidiaries. The Company's Accounts are attached, and do not call for special comment.

PROFIT AND APPROPRIATION

The Group trading profit for the year is £2,156,563 compared with £2,129,059 for the previous year, from which charges and appropriations have been made as shown below:

1957		1958
£		£
2,129,059	Consolidated Trading Profit	2,156,563
216,745	*Deduct:* Interest paid less received	308,165
1,912,314		1,848,398
24,000	*Add:* Income from Trade Investments	24,000
1,936,314		1,872,398
680,907	*Deduct:* Taxation	695,146
1,255,407		1,177,252
1,503	*Deduct:* Minority Interests	6,082
1,253,904		1,171,170
4,531 (loss)	*Add:* Surplus on sale of Properties	34,502
£1,249,373	Net Revenue for the year	£1,205,672

	£	£	£
Dealt with as follows:—			
Dividends of Holding Company—			
On Preference Shares		75,400	
On Ordinary Shares—			
Interim of 20 per cent paid on 31st July, 1958	168,870		
Proposed Final Dividend of 42½ per cent	358,850		
		527,720	
603,120			603,120
Retained in the business of which £537,800 (£536,500 in 1957) has been transferred to Capital and General Reserves			
646,253			602,552
£1,249,373			£1,205,672

DIVIDENDS

In addition to the Interim Dividend of 20 per cent paid on July 31, 1958, the Directors now recommend a Final Dividend of 42½ per cent on the Ordinary, "A" Ordinary and "B" Ordinary Shares, making a total distribution for the year of 62½ per cent, which is the same as last year.

Directors.—It is with regret that we record the death of Mr I. Hayman, who was a Director of the Company for many years. The vacancy was filled by the appointment of Mr B. A. Ettlinger, QC, who retires from office at the forthcoming Annual General Meeting, but offers himself for re-election. Messrs A. Schwartz and L. M. Miller, who retire by rotation, being eligible also offer themselves for re-election.

Auditors.—Under the provision of the Companies Act of 1926, as amended, Messrs Peat, Marwick, Mitchell & Company, continue in office and a resolution fixing their remuneration will be submitted to the Annual General Meeting.

GENERAL

Whilst the Company increased its volume of sales over the previous year, it did not show a corresponding increase in trading profit by reason of the maintenance of competitive values and the reduction of prices to the public. Administrative costs continue to rise but an improved merchandise control has resulted in a better stock turn rate. Stocks show a slight increase, due to the opening of new branches. Throughout the year, the South African manufacturers who supply over 85 per cent of our total requirements have given us good service, and have improved the standard of their products, and it is gratifying to know that we, as large purchasers of locally made goods, have assisted them in achieving this position. Provision for the replacement, renewals and modernisation of shop fittings and equipment has this year been increased by an amount of £125,155. We have deemed it prudent to make this provision to enable us to continue our policy of modernising our shop layout and sales presentation wherever necessary.

The following statistics are given for the information of shareholders:

	1954	1955	1956	1957	1958
	£	£	£	£	£
Preference Capital	1,040,000	1,040,000	1,340,000	1,340,000	1,340,000
Ordinary capital	651,000	651,000	844,000	844,000	844,000
Reserves and Unappropriated Profits	6,271,000	6,953,000	8,703,000	9,347,000	9,950,000
	£7,962,000	£8,644,000	£10,887,000	£11,531,000	£12,134,000
	£	£	£	£	£
Profits after Tax	853,000	966,000	1,153,000	1,254,000	1,171,000
Percentage of profits of above totals	10·71	11·17	10·59	10·83	9·65
Preference Dividends paid	57,000	57,000	57,000	75,000	75,000
Profits attributable to Ordinary Shareholders	796,000	909,000	1,096,000	1,179,000	1,096,000
Dividends to Ordinary Shareholders:					
Amount	390,000	390,000	507,000	528,000	528,000
Per share	3s. 0d.	3s. 0d.	3s. 0d.	3s. 1½d.	3s. 1½d.
Profits retained	406,000	519,000	589,000	651,000	568,000*

* This figure does not include the surplus of £34,500 on sale of properties.

DEVELOPMENT

New branches were opened at Orange Grove (Johannesburg), at Kitwe (Northern Rhodesia) and at Florida (West Rand) in April, June and November, 1958, respectively. In August, 1958, we transferred our Randfontein (West Rand) branch business to new premises; portion of the extension presently being effected at Klerksdorp (Western Transvaal) was made available for trading in October, 1958. It was not possible to commence building operations at Rosebank (Johannesburg) as anticipated, but it is expected that a start will be made in January, 1959. The Company is busy on plans for the erection of new branches on sites which have already been purchased. Good progress is being made with the extension to Port Elizabeth and last month we commenced the extensions to Salisbury (Southern Rhodesia) and Wynberg (Cape). As stated in last year's report, capital outlays will be required for the extension of these three branches, as well as for alterations to certain other stores on long-term leases, the major portion of which will be recovered from Federated Stores Limited, over a period of years. At June 30, 1958, the amount of such recoverable outlays was £409,328 as reflected in the accounts.

During the year under review, the Company sold at a profit properties which were no longer required. Warehouse sites at Durban, Bloemfontein and Salisbury were purchased and work has already started on the Bloemfontein and Salisbury projects.

Staff: We extend to all members of the staff our thanks and appreciation for their continued loyal co-operation and efficient services. This year, as in previous years, bonuses were paid to the staff.

The report and accounts were adopted.

ARTHUR GUINNESS SON AND COMPANY LIMITED

STATEMENT BY THE EARL OF IVEAGH, KG, CB, CMG

The Annual General Meeting of Arthur Guinness Son and Company Limited will be held on January 14, 1959, at Park Royal Brewery, London, N.W.10.

The following is an extract from the statement by the Chairman, the Earl of Iveagh, KG, CB, CMG, which has been circulated with the Report and Accounts:

TRADING DIFFICULTIES AND PROFITS

The year had been a difficult trading period: increased unemployment and a decrease in overtime, together with competition of other consumer goods had combined with high taxation and poor summer weather to depress beer sales. For the first time for some years the upward growth of Guinness home sales had been temporarily halted, but exports had continued to expand.

Nevertheless it was satisfactory that an increase in profits could be shown. Total group profits before taxation were £8,154,000 compared with £7,461,000 in the previous year, an increase of £693,000.

CONFECTIONERY GROUP

The William Nuttall Group had now been a wholly-owned subsidiary for over a year. Over the years the bulk of the considerable profits had been ploughed back, but it was now felt the time had come for the shareholders to receive some tangible benefit; William Nuttall had accordingly declared a substantial dividend to the Parent Company.

INCREASE IN ORDINARY STOCK DIVIDEND

It had been decided to recommend an increase of 3 per cent in the Final Dividend on the Ordinary Stock, making the total 28 per cent for the year. The policy of building up reserves would continue.

RESEARCH

The emphasis on research and modernisation had been continued and intensified. An experimental section at Park Royal was trying out new brewing techniques, and unending attention was being devoted to the perfecting of the Guinness product, in which the Company had the fullest co-operation of the very many firms and individuals in Great Britain and in Ireland who bottle and serve Guinness. On such co-operation the Company was dependent, for Guinness was by a long way the greatest of malt liquors still sold naturally conditioned in bottle.

PENSIONS

This year would see the completion of the 10th year of the Pension Scheme under which part of existing and future pensions were payable from a separate Trust Fund. The Actuarial valuation showed a satisfactory surplus which would be used for the greater security of all pensioners. In addition the further strengthening of the Pension Fund was being considered.

BICENTENARY

In the last days of December the Company entered into the 200th year of its existence, having been founded in 1759. It was an indication of the Company's vitality that this year the Chairman had been joined on the Board by his grandson.

It is proposed to recommend the payment of final dividends on January 15, 1959, of 3 per cent on the Preference Stock and 18 per cent on the Ordinary Stock, both less Income Tax.

Staff and Employees are receiving a bonus of one month's pay.

KENDALL & GENT LIMITED

(Machine Tool Engineers)

A FAVOURABLE YEAR'S WORKING

The one hundred and twelfth Annual General Meeting of Kendall & Gent Limited was held on December 18th in Manchester. Mr F. C. Mosley (Chairman and Managing Director) presided, and in his speech, said: The net profit for the year is £88,494 against £82,601, and as usual we are making full provision for taxation by reserving £43,000 which covers all taxation liabilities. This year, your Directors recommend placing £10,000 (£5,000 last year) to General Reserve Fund, and to increase the carry forward to £59,670 against £58,909. Capital Reserves remain at £20,000, and the General Reserve is thus increased to £135,000. Dividend Equalisation Reserve remains at £20,000. The total of these three reserves is now £175,000 and with the carry forward of Profit and Loss Account balance (£760 better) at £59,670, there is a grand total of £234,670 against an issued Capital of £200,000. It is recommended that the final dividend of 10 per cent be maintained with a bonus of 5 per cent making a total of 20 per cent less tax for the year.

Having regard to all the circumstances, your Board reports a favourable year's working. Output has been at a high level, but demands for machine tools have fallen, due to the recession felt in many engineering industries. Although the rate of incoming orders is below that of deliveries, a satisfactory level has been maintained.

The subsidiary Company has maintained the high quality of its products and various structural improvements have been carried out.

Regarding the Balance Sheet, Current Liabilities and Provisions are some £39,000 less; Current Assets £18,000 less, and the surplus of current assets over liabilities has again shown an improvement.

Our investment in The Associated British Machine Tool Makers Limited remains the same, and is shown in the Balance Sheet at a very low figure indeed. Although as members of this organisation we are well represented throughout the world by reputable Agents, we have arranged for our own specialists to assist the selling organisation.

We have been very conservative in dealing with our profits for a long number of years, and have built up very good reserves. All necessary repairs have been carried out and new machinery installed, so that now our Works is amongst the most modern in the engineering world.

In thanking the workmen, officials and Directors for their support, Mr Mosley paid a tribute to Mr Foley who retires from executive duty after 54 years with the Company, but retains his seat on the Board.

The report and accounts were adopted.

ANGLO-ECUADORIAN OILFIELDS LIMITED

The fortieth Annual General Meeting of Anglo-Ecuadorian Oilfields Limited was held on December 30th, in London, Mr F. C. Bowring presiding. The following are extracts from his circulated Statement for the year ended March 31, 1958:

I regret to have to report that, as intimated in your Board's circular letter of April 1st, owing to the uneconomic trading conditions in Ecuador the profits for the year to March 31, 1958, were substantially reduced, though due to exports of crude oil the Company was able to show a consolidated profit of £235,880 compared with £773,347 (which includes a profit on the sale of investments of £171,112) for the previous year.

PRODUCTION

Crude oil production for the financial year ended March 31, 1958, amounted to 2,490,849 barrels compared with 2,453,423 barrels for the previous year, an increase of 1.5 per cent.

As Stockholders will be aware from my circular letter of April 1st, owing to the serious financial position resulting from the uneconomic refined products price basis in Ecuador and the increased costs of labour and materials, your Board decided the scale of your Company's operations must be reduced until such time as adequate prices for refined products were authorised by the Government of Ecuador. In consequence since April the Field has been operating on a substantially curtailed drilling programme, designed to give the maximum production for a minimum expenditure. It will be appreciated that this reduced programme is such that production must steadily decline. Moreover, serious long-term effects must arise from the inability to carry out a full programme of exploration and exploitation.

REFINERY

The new Refinery was originally planned to come into operation in July, 1958. During the year under review preparatory work on the site was completed and good progress made with the erection of the plant which would have been on stream as scheduled. Unfortunately, however, on March 15th last, lack of funds and no certainty of refined products prices being increased in the near future compelled your Board to cease construction of the new Refinery until products prices were adequately increased in accordance with the Company's contract with the Government of Ecuador and the terms of the Petroleum Law.

ACCOUNTS

The very serious decline in profits is principally due to the losses that have been incurred on Refined Products Trading in Ecuador, amounting to £387,790 as against £78,743 in the previous year.

You will observe that due to a change in Ecuadorian Social Legislation your Company has a substantial contingent liability for pensions, for which no provision has been made in the Accounts under review. Your Board has commissioned a legal and actuarial study of the position and should receive the results in time for consideration before next year's accounts.

The future trading conditions of your Company are uncertain as no price increases have yet been obtained and this, coupled with the unfavourable liquid position, does not justify your Board in declaring a dividend.

The report and accounts were adopted.

MITCHELLS AND BUTLERS LIMITED

MR ROBERT H. BUTLER'S STATEMENT

The Seventy-first Annual General Meeting of Mitchells and Butlers Limited will be held at The White Horse, Birmingham, on January 15, 1959. The following is an extract from the circulated statement of the Chairman.

RECORD PROFIT

I am happy to report that the trading profit for the year is once again a record. This is due partly to the strenuous efforts which have been made in all sections of the business to keep down production and selling costs, and partly to the fact that we have had the benefit for a full year of the price increase we had to make during 1957.

Although trading profits for the year are a record it has not been necessary to provide for taxation as much as last year. The policy of re-equipment of the Brewery has resulted in higher capital allowances, but more important than this has been the abolition in the last Budget of the two-tiered system of Profits Tax in favour of a flat rate of 10 per cent. Although this change has been operative only since April, it has been of considerable benefit to your Company and will be of additional benefit next year.

In addition to the re-equipment of the Brewery we have continued to spend large sums on the erection of new licensed properties and the improvement of existing ones; the total figure expended in the last year has been £332,000. We have been successful in selling a number of surplus properties and land at very good figures and, in fact, have financed a large proportion of the expenditure on licensed houses during the year in this way so that the Accounts only show an increase in the value of Fixed Assets of about £143,000.

FIRST CLASS PRODUCTS

Beer output of the Country has shown a considerable decrease over the previous year, due mainly to yet another poor summer, but I am happy to say that the output figures of this Company tell a better story.

Our beers have withstood all competition during the year under review, and the goodwill of customers has been firmly held and consolidated.

The reconstruction which has been completed during the year, mainly in the Power Station and Fermenting House, is already yielding excellent results. Further progress in modernisation in the Bottlery has been made, economies achieved and working conditions improved by mechanisation of the handling of both full goods and empty cases and cartons.

REPLANNING BIRMINGHAM—COMPANY'S PROBLEMS

The inhabitants of Birmingham will have noted the rapidly changing face of the City. Demolition and rebuilding now appear to be proceeding at an accelerated pace. All too often licensed houses disappear in the process and the sum total trade passing from these houses is considerable.

Three famous catering houses belonging to the Company are among the many houses affected, and in the all too near future a large and important section of the community will require to be provided with alternative accommodation at mid-day or in the evening where they may enjoy a meal in or near the City centre.

Your Board are devoting a great deal of thought to this problem with the object of providing the necessary accommodation in other houses as near the centre of the City as possible.

This is only a part of the vast rehabilitation problem with which the Company is faced, calling for a tremendous amount of capital to enable us to continue to provide the services which we have always done in the past.

It has always been our policy to plough back out of our profits adequate sums to meet this type of expenditure, and in order that stockholders may appreciate the full extent of the task I would say that over the past three years we have expended a sum in excess of £1½ million on new and improved licensed houses.

At the present time we have on hand major projects at about sixty existing licensed houses, and a further eight new fully licensed premises now in course of erection. These and other schemes which have been approved by the Board amount to nearly £1 million, and in addition to this we have further schemes under discussion amounting to another £500,000.

WEAR AND TEAR ALLOWANCE ON BUILDINGS

This brings me to a taxation point to which I have referred previously. While industrial undertakings receive certain taxation allowances in respect of industrial buildings, licensed houses are not included, although tied houses are necessary to a brewery business to enable it to earn profits. If assistance by means of capital allowances for the purpose of the financing of new or improved houses—providing greater amenities to the public—should lead to improved trade, and, therefore, to greater profits, more than 50 per cent will return to the Chancellor by way of taxation. Such allowances would therefore not be an entirely one-way affair.

Further, alterations to houses such as the improvement of domestic quarters or general betterment of premises to conform with high modern standards of hygiene, do not lead to additional trade and it is unfair that brewery companies should have to find the money out of taxed profits. This policy of regarding as capital each and every alteration to a licensed house, whether or not there is any increase in profit-earning capacity resulting therefrom, is liable to act as a deterrent to improving the standard of licensed premises generally.

In 1951 the Millard Tucker Committee on the Taxation of Trading Profits went so far as to recommend that a depreciation allowance should be given for all commercial buildings, and this was endorsed in 1955 by the Royal Commission on the Taxation of Profits and Income under the Chairmanship of Lord Cohen (as he now is), who stated: "We could find no fiscal justification for distinguishing between commercial and industrial buildings and we think both should get the allowance. Accordingly we endorse the recommendation of the first Tucker Committee."

ATTRACTIVE NEW LICENSED HOUSES

Building of the three Planning Removals in the suburbs of Birmingham to which I referred last year has been duly completed during the year, and the brisk trade they are doing provides ample evidence of the need they are filling. Five more have received all the necessary consents and building of these is just commencing. The Company is thus actively engaged in endeavouring to replace with all possible speed the trade lost through closings in the Redevelopment Areas of Birmingham.

The three new houses we have opened outside Birmingham since the date of our last meeting have delighted a large number of people and have received most enthusiastic references in the Press. Two of these houses are in towns where we have not previously built, Swindon and Cardiff, and trading results are most satisfactory, thus more than justifying our new ventures. The third is at West Bromwich and is also doing a very good trade.

The recently introduced Bill to improve the basis of compensation to be paid when land or property is compulsorily acquired by public or local authorities is a timely act by the Government to put right a situation which has borne unjustly and heavily not only on your Company but on other property owners.

An appeal lodged with the Lands Tribunal by the Birmingham & Midland Counties Wholesale Brewers' Association in respect of one of the Company's houses known as the "Edgbaston Hotel," Lee Bank Road, Birmingham, was taken in consequence of the disquiet caused to brewers by local authorities adopting a basis of compensation which was considered to be quite inadequate. The result was that the Lands Tribunal awarded a figure considerably in excess of that offered by the Corporation, and it is felt that this decision will provide a reasonable basis for the future compensation to be paid in respect of a large number of licensed houses.

ASSOCIATED MIDLAND BREWERS LIMITED

I informed Stockholders last year that a Company had been formed to deal with certain properties belonging to Messrs Ansells and ourselves, to enable a saving of expense to be made wherever it was thought possible and, as I pointed out, the idea being that in certain instances, one house only would have to be built instead of two. During the year we have dealt with two properties in Coventry which will be jointly owned, and in which the products of both Companies will be on sale. We are hoping to make arrangements with the Local Authority for the building of two jointly owned new houses on the Shard End Estate, both of the "community type" and selling the products of Ansells and ourselves.

In furtherance of the policy of making special contributions to the Pension Fund Trustees for the funding of liabilities which we have undertaken for augmenting the pensions which we are able to provide for our older employees through the contributory schemes, we have paid over a total of £25,000 to the Trustees out of the profits of the year. This is in addition to the Company's normal contribution to the contributory schemes and non-contributory fund for licensed house managers and manageresses.

CONFIDENCE IN THE FUTURE

Changes in social habits and the pattern of consumer spending have created greater competition than we have ever before experienced. I am confident, however, that this competition can be met—and met successfully—by the Trade pursuing a progressive policy of improvement such as we have undertaken.

THE INDUSTRIAL CREDIT COMPANY LIMITED

At the twenty-fifth Ordinary General Meeting of the shareholders in Dublin on December 17th, the chairman, Dr J. P. Beddy, in the course of his statement, said:

In round figures, total assets increased during the year by £940,000 because of increases of £302,000 in cash, £354,000 in investments and £300,000 in loans and advances, less a reduction of £16,000 in other assets. On the liabilities side of the balance sheet there is no change in the paid-up capital and only a slight change in reserves and profit and loss account; hence the increased assets were financed by additional bank accommodation which increased total creditors by £940,000. During the year we negotiated a loan of £1,800,000 from the Irish banks, which is repayable between 1970 and 1990.

There has been a further depreciation of £32,000 in the market value of our quoted investments during the year. This is entirely attributable to the further decline in the value of preference shares predicted at last year's general meeting; the market value of our quoted ordinary shares in fact increased during the year.

Principally because of increased income from dividends and interest, gross profit increased by £5,200 as compared with the previous year, despite a reduction of £5,300 in underwriting commission. Expenses were up by £7,800 mainly because of bank interest which increased during the year to £50,300 and represented 64 per cent of total expenses. Though net profits declined slightly (by £2,500), profits before charging bank interest increased by £3,900. Deducting provision for income tax there remains £50,442 and adding the balance brought forward from the previous year the amount available for allocation is £71,177. Your directors recommend the payment of a dividend of 4 per cent less income tax, which will absorb £50,000. There remains £21,177, out of which it is recommended that £10,000 be transferred to Reserves, leaving the Carry Forward at £11,177.

The Minister for Finance has intimated to your board that the provision of adequate funds for your company's business is assured. From the recently-published White Paper on economic expansion it is clear that the Industrial Credit Company is on the threshold of an era of major expansion of resources and activity. With resources available to us of the order mentioned in the White Paper we can embark with confidence on the work of assisting in and bringing about accelerated large-scale industrial expansion and, in particular, expansion directed towards the creation and development of export trade which is so vital a consideration to our economy. We are desirous of enlarging the facilities we offer to industry as we are aware of difficulties which have prevented industrial concerns from availing of our services.

We have decided to finance, by way of hire-purchase, the acquisition of plant and machinery by manufacturing industries. We consider that an organisation such as ours has a special function in bringing about the more widespread extension of hire-purchase to industrial plant and machinery. We believe, furthermore, that the terms on which hire-purchase finance is made available by us should recognise the fundamental difference between consumers' and producers' goods and that industry should be able to obtain hire-purchase facilities at rates substantially lower than those which apply to consumers' goods.

To meet the initial difficulties experienced by new industries, or by existing industries undertaking major expansion, we are prepared in suitable cases to grant loans on the basis that repayments will not begin for a period of up to five years. In cases in which we consider it appropriate—for example, where sizeable expansion is contemplated for export—we are prepared in addition to defer payments of interest for a period of three years or to charge specially reduced interest rates for limited periods.

We have noted with satisfaction the announcement that the Government intends to introduce legislation entitling companies to issue redeemable preference shares. Subject to the enactment of the proposed legislation, we are prepared to provide finance for both public and private companies through the medium of such shares and thereby enable them to meet their capital requirements in circumstances where the issue of other forms of share capital or where further borrowing would create problems for them and for those from whom they seek capital.

The report and accounts were adopted.

THE STRAND HOTEL LIMITED

The fifty-first Annual General Meeting of The Strand Hotel Limited was held on December 29th in London, Mr S. I. Salmon, the chairman, presiding.

The following are extracts from his statement which had been circulated with the report and accounts for the year ended September 30, 1958:

The accounts show that the profit for the year after taxation amounts to £88,336 compared with £100,639 last year. The Board again recommends a dividend of 16 per cent for the year on the Participating Preferred Ordinary shares.

The Provision for Repairs and Renewals is the same as last year, namely £20,000; and Profits tax shows a reduction mainly due to the change in the rate of this tax since April 1958. A trade investment has been written down by £6,566 and £20,000 has been transferred to General and Contingencies Reserve.

The trading balance of £273,033 is some £29,000 less than that of last year, and the decrease is accounted for by higher costs, especially wages, and a slightly lower volume of business, which have more than offset such increases in our charges as we have been obliged to make.

During the year under review further progress has been made in our programme of redecorating our bedrooms at both the hotels to conform with modern trends in design, and our guests have expressed appreciation of the changes. At the Strand Palace Hotel the facilities offered for banqueting, conferences and exhibitions are proving popular.

The report and accounts were adopted.

REGIS PROPERTY COMPANY LIMITED

A SCRIP ISSUE

The twentieth annual general meeting of the Regis Property Company Limited, was held on December 31st in London. The Right Honourable Lord Kennet of the Dene, PC, GBE, DSO, chairman, presiding.

The following are extracts from his circulated statement for the year to June 30, 1958:

Although the excess of rents over outgoings has risen from £474,881 to £518,710—a gain of £43,829—all this surplus has been absorbed by increased mortgage and bank interest. Profits subject to taxation are £177,256 against £177,312. However, taxation has increased from £80,336 to £91,535, which gives a net profit after taxation of £85,721 against £96,976, a fall of £11,255.

Increases in rents included only a portion of the allowable increases under the 1957 Rent Act. In the current year the income from flats and offices should again rise substantially. In the following year owing to termination of leases based on 1939 rents a further substantial amount should be available. The board recommend a final dividend of 11 per cent less tax, an increase of 1 per per cent, making 14 per cent for the year.

An item in the Appropriation Account of £8,780 includes legal costs in a friendly action between the company and a tenant for the purpose of obtaining a clear direction from the Courts as to the meaning of the new Rent Act in practice. By this means we have avoided almost completely any complaints that our new rents are excessive. The number of tenants who have not agreed to our new rental proposals represents only about 3 per cent of our lessees of residential flats.

CAPITAL PROPOSALS

The £500,000 4½ per cent Unsecured Loan Stock falls to be satisfied and redeemed on June 30, 1959, by the allotment to stockholders of a total of 200,000 5½ per cent Cumulative Preference shares of £1 each and 175,000 Ordinary shares of £1 each credited as fully paid. Your board are convening a meeting of the stockholders to approve proposals for satisfaction and redemption of their stock on the same terms but at an earlier date, January 1, 1959.

Subject to these proposals being carried into effect, your board recommend the capitalisation of £975,000 of the Capital Reserve and the distribution of 975,000 new Ordinary shares to Ordinary shareholders after redemption of the Unsecured Loan Stock in the proportion of one new Ordinary share for every Ordinary share held.

After allowing for this the Capital Reserve will still stand at the large figure of £2,450,259. In order to provide for the scrip issue an increase in the authorised share capital will be required and it is proposed to create an additional 1 million new Ordinary shares of £1 each, the excess, after providing for the bonus shares, being available for future issue as and when required.

It is also proposed to make an issue of Ordinary shares for the purpose of increasing the cash resources. Application is being made for Treasury consent to an issue for subscription by Ordinary shareholders in cash on a "rights" basis of 250,000 new Ordinary shares of £1 each. Unless any unforeseen circumstances arise the directors expect to be able to recommend a dividend in a full year on the increased capital at the rate of 8 per cent per annum.

The report and accounts were adopted.

FAIRBAIRN LAWSON COMBE BARBOUR LTD.

The fifty-ninth Annual General Meeting of the Company was held in Leeds on December 30, 1958. The following are extracts from the Statement circulated by the Chairman, Mr W. Walker, with the report and accounts for the year:

The Accounts and the directors' report thereon are substantially in accordance with the detailed statement issued on July 19th; they confirm the intimations then given and there would seem to be little point in repeating again the problems of the Company.

Much has been done in the way of diversification, particularly in general engineering, so that, in future, the company will not be so dependent upon the boom and slump conditions of textile machinery manufacture.

Unfortunately, the concentration from Dundee into Leeds did not go smoothly and there was considerable feeling aroused in Dundee regarding the closing of the works. Every consideration was given to our former workpeople, the Board delayed the closing as long as it was practical and gave all our workpeople a minimum of four weeks' notice, making eight to ten weeks in all. Preparations went ahead in Leeds on a considerable scale. During this period, the Board assisted the Dundee workpeople by releasing them immediately as they found other work but there was no similar co-operation in assisting the removal of the machines to Leeds so that, in effect, some plant was out of action for several weeks. Early in September the works were closed and, at this stage, the Unions "blacked" the removal but, after approximately two and a half weeks of total stoppage, this embargo was removed. I think I ought to say that the action was entirely of a political nature as a demonstration regarding unemployment in Scotland.

All the required plant and machinery is now in Leeds and, by the time of the Annual General Meeting, should all be working.

This delay has set back the directors' programme and although it is not possible to assess it in terms of cash, there is no doubt that this demonstration has cost the company and its shareholders a considerable sum of money. I should like, on behalf of the Board, to express the company's thanks to our customers who have been so very forbearing in the difficulties in which the company was placed.

Our small works at Townshend were sold at a reasonable price before the auction sale and an offer has been accepted for the sports ground. The main works at Blackness and the Wallace and Bellfield works are not sold. An auction was held on November 11th and 12th of the remaining plant, machinery and fixtures, etc., not moved to Leeds and was very successful.

There is no doubt that, with the installation of the machinery from Dundee, there will be an excellent balanced plant in Leeds. All production is now concentrated in the one works in Leeds under the direct control of the executive management.

There is nothing yet to alter my views that this concentration scheme should put the company back to profit making by the end of the current financial year, but the demonstration previously mentioned has added to the difficulties.

Finally, I must pay tribute to a number of our senior staff for the excellent work and very long hours in which they have been engaged in this major operation.

The report and accounts were adopted and the re-election of Mr W. Walker and Sir Digby Lawson, Bart, was unanimously agreed by the meeting.

THE PLESSEY COMPANY LIMITED

(Manufacturers of Components and Equipment for the Radio, Electrical, Aircraft, Nucleonic and Precision Engineering Industries)

LARGE-SCALE DEVELOPMENT PLANS

INCREASED PRODUCTION COSTS ABSORBED

MR A. G. CLARK REVIEWS EXPANSION AT HOME AND OVERSEAS

The thirty-fourth Annual General Meeting of The Plessey Company Limited was held on December 30th in London. Mr A. G. Clark (Chairman and Managing Director) presided.

The Secretary (Mr W. F. Cross BA) read the report of the auditors.

The following is the statement by the Chairman which had been circulated with the report and accounts.

You have received the Accounts for the year to the 30th June, 1958, from which you will see that the Consolidated Profit for the year amounts to £1,391,636, which is below that achieved in the previous year.

The general conditions which affect our business have been difficult both in respect of national policies and, I am sorry to say, continued increase in production cost. In this latter connection it has been our policy to absorb, in whole or in part, increases resulting from wage awards and this, together with a very considerable development programme to which I shall refer, accounts for the discrepancy between the profits of the past two years. To counter this we have devoted intensive effort towards improvement in productivity and the streamlining of our organisation and the result is encouraging.

In regard to the large-scale development programme, I told you last year of the work which we are undertaking with a view to adding continuously to our overall product range. This is now bearing fruit and in a number of cases completely new products are in production and other development work proceeds. It is unnecessary for me to tell you that such a programme is expensive but that in the long term it makes our position firmer and firmer.

As you know, the Company is organised into a series of Groups and Subsidiaries and under these headings I will give you a brief report of our achievement and problems during the period under review.

ELECTRONICS AND EQUIPMENT GROUP

There are three Divisions in this Group and they are concerned with Telecommunications, Military and Industrial Electronics and Radio and Television.

The Domestic Equipment business made a poor start because of national policy but the position is now considerably improved. It may be said that each Division has made material progress during the year and that continuous effort both in design and production technique is achieving the desired end.

AIRCRAFT EQUIPMENT DIVISIONS

In spite of the reduction in orders for equipment for piloted aircraft it is satisfactory to record that the total volume of orders for our Mechanical and Electrical Aircraft Equipment has been maintained. This is due to the development work which we have carried out over the years with a corresponding increase in our product range. I find it very difficult in this field to forecast the future, which is so closely bound up with national policy; suffice to say that intensive development work will continue and that additional fields of endeavour are being continuously surveyed.

COMPONENTS GROUP

In this Group, which manufactures components for the electronic and electrical industries, we suffered to some considerable extent earlier in the year from credit restriction, purchase tax and the rising cost factor to which I referred earlier.

At present, because of changed Government policy and manufacturing economies, the future appears brighter. This Group has a large development programme whose work is aimed at systematic and continuous increase of product range.

SWINDON GROUP

I should remind you that The Plessey Development Company was formed some years ago to introduce into our Company certain types of business with the idea that at a later stage and when ready therefore they would be integrated into our pattern as separate divisions within one or other Group.

This policy has been successful and in fact several of these new divisions, together with those which already existed, are now formed together into a fourth Plessey Group which is known as the Swindon Group and it is doing well.

Last year I told you of the formation of Semiconductors Limited, a joint company with Philco of America and you will be interested to know that this is now a going concern, manufacturing transistors to a very high standard.

ATOMIC ENERGY

Plessey Nucleonics Limited is now firmly established in the atomic field and they have substantial orders both from home and overseas markets. In common with other parts of the organisation they have a big research and development programme aimed at enlarging the field in which they operate and the results are most encouraging.

EXPORT AND INTERNATIONAL COMPANY

In export markets our operations are expanding profitably and progressively with the full support of our home divisions. We look to the export markets in these days to provide a considerable contribution to our business and planned action is taking place to fit our products for the requirements of the European Free Trade Area.

This then gives you a general picture of the Company's operations at the present time and you will expect from me some indication of our prospects for the coming year and in this connection I would say that the state of the business is fundamentally satisfactory. Our products are broadly based of high technical standard and sound, and our economic position is a satisfactory one.

As a result of recent Government policy the commercial outlook is expansive and we shall undoubtedly obtain our share of the resulting increased activity. Defence policy clouds the issue as do certain aspects of European trade tendencies but I look forward to progress in most of our operations and I hope my opinion will prove to be well founded.

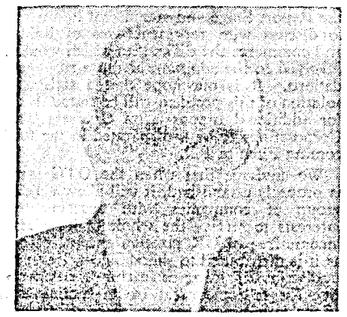
We again place on record our appreciation of the continued high degree of understanding and co-operation of Government establishments in particular the Admiralty and Ministry of Supply.

I thank my colleagues, managers and staff and all our workpeople for the hard and successful effort which they have made in a difficult year.

The report and accounts were adopted; the retiring Directors, Mr J. F. Mallabar and Mr A. E. Underwood were re-elected, and the remuneration of the Auditors, Messrs Deloitte, Plender, Griffiths & Co., having been fixed, the proceeding terminated.

THE WELLCOME FOUNDATION LIMITED

CHAIRMAN'S REFERENCE TO POLIOMYELITIS VACCINE



Mr Michael W. Perrin, CBE, FRIC, Chairman of the Wellcome Foundation Limited

The Annual Report and Accounts of The Wellcome Foundation Limited, a private company, are not normally published. But because of the general interest in poliomyelitis vaccine in the United Kingdom, the relevant portion of the Review by the Chairman, Mr Michael W. Perrin, CBE, to the shareholders, the Wellcome Trust, is quoted below. This was presented at the Annual General Meeting of The Wellcome Foundation Limited for the year ended August 31, 1958, and held in the Wellcome Building, Euston Road, on Monday, December 15, 1958.

'POLIMYLEX'

"As I was able to report in my previous Review the special building for the production of 'Polimylex' was taken into use in January, 1957. The cost of this building and its equipment was about £320,000, but this does not represent more than 50 per cent of the money which has now been invested in this project by The Foundation. Your Directors took the view in 1954, following the early development of Salk vaccine in the USA, that it was in the national interest that a comparable product should be manufactured in this country and that the experience of The Foundation in the field of biological products made it imperative that we should take a share in this. It was also decided that this work should be based on the Company's own high standard of research and technological development and that it must not be allowed to jeopardise the production of other biological products of equal, or even greater, importance. This polio vaccine project was, therefore, fitted in with the larger scheme of re-building and re-housing at Beckenham, planning of which was already under way, and at no stage was there any question that The Foundation would undertake this project under any special contract from the Ministry of Health.

CLOSE CO-OPERATION WITH MEDICAL RESEARCH COUNCIL

"From the start there has been close and mutually valuable co-operation with the Medical Research Council who have had the responsibility for independent testing and the passing of every batch of British vaccine.

"The Ministry of Health has stated its willingness to take any output during the coming year, less a very small percentage for the export market, at a price to be mutually agreed in contracts to cover successive periods of six months or a year. The Ministry has been informed of production plans at Beckenham and of the actual achievement but it has not always been easy to get acceptance of the fact that, in the kind of process involved in the preparation of a killed virus vaccine with a delicate balance between safety and potency, there will inevitably be unpredictable difficulties from time to time either in production or in the complex steps of testing.

LONG-TERM PROGRAMME BEING FOLLOWED

"During the year under review 'Polimylex' has been successfully launched by The Foundation with the issue of about 1 million doses and, in the latter half of the year, production has been running at the rate of about 4 million doses per annum. The long-term programme which was given to the Ministry of Health is being followed quite closely though difficult problems in the testing of the vaccine have slowed down the rate of issue of the batches.

"The Government decision to import large amounts of American and Canadian vaccine during the year has in no way interfered with the demand for 'Polimylex.'"

ALLIED LEATHER INDUSTRIES

At the annual meeting held on December 19th in London, Mr H. G. Barlow (Chairman and Joint Managing Director) presided. The following is an extract from his circulated statement:

Income Tax and Profits Tax on undistributed profit take £30,250, leaving a Group net profit of £21,296.

Sole leather has gone through an increasingly difficult year during which several more sole leather tanneries have gone out of business and we ourselves have suffered considerably. Although we have succeeded in maintaining and selling our normal production, shoe manufacturers have demanded the flexible leather in which we specialise, in lighter and still lighter substances, without any compensation in the price paid. It is quite impossible to buy hides that give these substances without paying the premium applicable to light hides normally used for upper leather. This considerable extra cost cannot be borne indefinitely by the tanner alone but must eventually be shared by the shoe manufacturer.

As our repairing business is in the main retail, the continued increase in rents and rates applicable to our premises makes this type of business more and more expensive to operate but we have nevertheless made progress during the year.

We have expanded our range of leather goods by taking over a firm of leather goods manufacturers whose business was complementary to our own and less subject to seasonal fluctuation. We are hoping to derive considerable benefit from this consolidation.

The report was adopted and the total dividend of 10 per cent approved.

MERLIMAU PEGOH

The forty-ninth annual general meeting of Merlimau Pegoh Limited, was held on December 30th in London, Sir Eric MacFadyen presiding in the absence in the East of the Chairman, Sir Harry Townend.

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

Although the Parent Company's crop for the year ended March 31, 1958, was 14 per cent higher, the working profit (including dividends from Subsidiary Companies) was down from £132,996 to £98,256.

The reason for this drop in profit was the lower price which we received for our product. The average Spot London price for No. 1 Quality Ribbed Smoked Sheet for the year was 25d. which was fully 2½d. per lb. lower than the previous year's average. A total of 7½ per cent was paid by way of two interim dividends of 2½ per cent on August 8, 1958, and 5 per cent on November 14, 1958.

The drop in the price of natural rubber also affected the results of our Subsidiary Companies and the Group working profits fell to £101,952.

The total crop for the Group showed an increase of 687,900 lbs. compared with the previous year. Higher yields from mature postwar replantings and further replanted areas reaching maturity and being brought in the tapping round helped in increasing the Parent Company's crop.

The increase in the Parent Company's crop has been fully maintained in the current financial year and at the end of September the crop for the six months was ahead of the corresponding figure for 1957 by 320,100 lbs.

BRITISH OVERSEAS MINING ASSOCIATION

The thirteenth ordinary general meeting of British Overseas Mining Association was held on December 29th in London.

Mr Clifford Waite, *President of the Council*, in the course of his speech, said: Mr Alfred Baer, your President last year, referred to the introduction of legislation in the Finance Act, 1957, creating a new class of company under the style of "Overseas Trade Corporations," which would be exempt from UK income tax on undistributed trading profits and from UK profits tax on all trading profits. The Association has been able during 1958 to play some part in the development of the idea underlying that new departure in UK tax law.

The OTC legislation had to be applied to a wide variety of companies. It was only rarely that individual companies found that their course of trading was precisely tailored to the statutory requirements and many companies of the type which the Royal Commission on the Taxation of Profits and Income had in mind when recommending the creation of this new class of companies had to make new arrangements to enable them to conform with the strict letter of the Act.

The Inland Revenue gave much helpful advice to such companies but, in the Association's view, might well have interpreted the escape clauses in the statute more liberally than they did. This would have relieved some members of the Association of the disadvantage which they suffered, in our opinion inequitably, during the transitional period until they were able to put into effect the changes in company administration and trading methods which the Inland Revenue required before granting them OTC status. There has been a measure of dissatisfaction among those members with the decisions of the Inland Revenue which may lead to appeals before the Courts.

One of the features of the OTC legislation was an improvement in the UK tax position of the non-resident shareholder in many overseas trade corporations. As he is now entitled to exemption from any UK tax applicable to dividends paid out of exempt trading income, it was the Association's hope that the administration of this matter could be simplified and that the troublesome and complicated procedure for claiming back UK tax by repayment could be avoided. An arrangement to allow non-residents to secure their tax repayment simultaneously with the dividend itself was under discussion with the Inland Revenue over a period of several months. Unfortunately the Association has not been able to agree with the form of arrangement proposed by the Revenue.

The Association believes that the OTC system, as advocated by the Royal Commission, could be of great value to British interests overseas. Unfortunately the legislation adopted in 1957 is only an instalment of the Royal Commission's recommendations, which referred not only to UK companies but also to their overseas subsidiaries. An attempt was made during the debate on the Finance Bill, 1958, to implement the Royal Commission's recommendations in relation to overseas subsidiaries. It did not succeed, but the Chancellor referred to this matter on the Report Stage and stated that he intended to discuss with representatives of industry and commerce the difficulties which would be involved in the adoption of those recommendations. It is our hope that a satisfactory solution of this problem will be found in time for additional proposals on Overseas Trade Corporations to be incorporated in the forthcoming Finance Bill.

We envisage that when the OTC system is properly established, it will allow a British group of companies with overseas trade interests to receive the whole of its overseas income free of UK taxation except in so far as it is distributed to shareholders, leaving its undistributed overseas earnings intact and free for re-deployment in its trading operations in any overseas territory.

ALLIED BAKERIES

A PROGRESSIVE AND VIRILE ORGANISATION
RECORD SALES AND PROFITS

The twenty-third annual general meeting of Allied Bakeries Limited was held on December 19th in London.

Mr W. Garfield Weston (the Chairman) presided and, in the course of his speech, said: It has not, I am sure, escaped your notice that the spirit of competition is daily being intensified in every trade and industry in this country. For many years now, I have been telling you that we have been preparing for and, I may say, looking forward to this challenge to our abilities in the fields of management, production and selling and it is a great achievement on the part of our executives, throughout this country and overseas, that we are able to present a report of record sales and profits.

We are spending millions of pounds every year in installing modern equipment in our factories up and down the country, as well as abroad.

We employ in our bakeries the finest craftsmen in the trade today and they are only too anxious to meet the demands of our customers whether it be for sliced and wrapped bread or for speciality bread.

The grocery side of our activities is playing an increasingly important part in the overall pattern of our organisation.

In Australasia, our bakery and biscuit activities are continually expanding both in production and sales capacity.

In South Africa, too, our companies are in good shape.

Our profit of £6,062,000 is almost £1 million more than a year ago, after all charges other than taxation. After taking into account taxation and the interests of minority shareholders, the net profit applicable to the Company is £781,000 higher at £2,843,000. In an organisation such as ours, it is always necessary to retain a large part of the profits in the business and in this year our retentions amount to £1,795,000, but the dividends to our ordinary shareholders were raised to take a total of £965,000, as against £723,000 in the previous year.

The retention of profits, however, is not sufficient to provide all the capital that is required in an expanding organisation such as ours, and there comes a time when it is desirable to seek permanent capital to reduce bank and other borrowings.

PROPOSED SCRIP AND RIGHTS ISSUES

It is our intention that an issue of new ordinary capital will be offered to shareholders in proportion to their holdings and at a price which will be favourable as compared to the market price at the time of issue.

At the same time as this new issue is made, we propose to capitalise approximately £5,600,000 of our reserves and to make a free scrip issue to the ordinary shareholders of one new "A" and one new "B" Ordinary Share for every two "A" or "B" Ordinary Shares already held.

The scrip issue which we are proposing to make will raise our issued total ordinary capital to £11,200,000, and a cash issue will raise this total even further.

You will not expect me to be too detailed in my comments on the financial results of the current year, but I can tell you that we are not dissatisfied with the profits which have been earned so far. In the absence of any unexpected difficulties in the next three months, I can reasonably forecast an increase in our figures as compared with last year.

We have already declared a first interim dividend of 10 per cent, as against 9 per cent last year. We hope to be able to pay two further dividends at the equivalent rate of 5 per cent on the capital as doubled by the free scrip issue, and further increased by the amount which we hope to issue for cash. Our new and enlarged capital will, therefore, receive the equivalent of 15 per cent.

In conclusion, Mr Garfield Weston, on behalf of the Board and the Shareholders, paid a tribute to all the Company's employees for their loyalty and hard work.

The report and accounts were adopted.

RIM (MALACCA) RUBBER ESTATES

INCREASE OF CAPITAL APPROVED

The forty-eighth annual general meeting of Rim (Malacca) Rubber Estates Limited was held on December 31st in London, Mr H. A. Kinney, FCA (the chairman) presiding.

The following is an extract from his circulated Review: The accounts for the year ended June 30, 1958, show a profit of £23,645. We have no hesitation or fear for the future in again recommending a dividend of 15 per cent.

A resolution is being submitted to increase the authorised capital to £250,000, which, if approved, will give us in hand nearly £60,000 of authorised but unissued capital. At the moment we have no plans for this capital, but it is felt that opportunity may readily occur for acquisitions by share issue to the benefit of your company, and we want to be ready if and when the opportunity comes.

Addressing the meeting the Chairman said: For the five months ended November we harvested 1,105,500 lb, which is almost exactly 50 per cent of the estimated total for the year, and if the weather holds there will certainly be record crops this month. What the ultimate result will be in a full twelve months I will not attempt to forecast, though I remain optimistic that the price for the remainder of the trading year will not fall off to the same extent as last year.

The report and accounts were adopted, and at a subsequent extraordinary general meeting the increase of capital was approved.

COMPANY AFFAIRS

TURNER AND NEWALL

THE £1 ordinary shares of Turner and Newall, now 76s. 4½d. and yielding 3.9 per cent, have always been popular with investors, both institutional and private. The dividend for the year to September 30th, maintained at 15 per cent, is covered nearly three times by earnings and backed by a strong balance sheet, with conservatively valued assets and ample liquid resources. Turner and Newall is the giant of asbestos; it ranges from mining the raw material to the sale of fabricated products, and it supplies many industries, of which the most important are building and construction, engineering and motor manufacture. Vertical integration is allied with industrial and geographical spread, and though Turner and Newall cannot opt out of a recession, as last year's fall in trading profits from £16.3 million to £15.1 million shows, it would take a world wide slump to topple it from its pedestal of security.

	Years to Sept. 30, 1957	1958
Consolid. earnings:	£	£
Gross trading profit..	16,331,237	15,093,895
Depreciation	2,752,728	2,715,252
Taxation	7,599,676	7,214,187
Net profit	*5,857,229*	*5,973,524*
Replacement reserve	1,500,000	1,000,000
General reserve.....	2,500,000	2,280,000
Ordinary dividend...	1,887,964	1,887,964
Ord. dividend (per cent)	15	15
Cons. balance sheet:		
Net fixed assets.....	28,002,535	31,069,639
Stocks	18,620,406	20,095,485
Investments	17,670,405	18,612,259
Cash, etc.	12,466,104	10,968,327
Net current assets ..	42,045,837	43,855,179
Revenue reserves ...	15,235,638	19,088,767
Capital reserves.....	27,037,141	27,857,489
Ordinary capital	21,899,436	21,899,436

The group had in fact to cut back mining production in Africa and may have to do so in Canada. Sales of asbestos textiles were affected by the general decline in economic activity, though there are now some signs of recovery. Exports ran at a new record level; the chairman, Sir Walker Shepherd, discloses that this was partly because of "substantial and unusual orders from Russia for rubber transmission belting." The Ferodo brake linings business has expanded with the motor boom, and though competition has increased and costs have risen Sir Walker says that the increased volume of sales has offset the fall in margins; he believes that this will continue and that "it may be possible to avoid any significant fall in profits." Despite the contraction in the building and construction trades, asbestos cement enjoyed a "most successful year," and though Sir Walker expects sales to contract further early this year, the order book is "very healthy" and results for the whole year should be satisfactory.

In all, this is an encouraging report from a board that has always been noted for its caution. This same impression is left by the chairman's summing up of the immediate prospect. He notes that a downward trend still continues in some sections of the business; but he adds: "There is, here and there, an indication that bottom may have been reached and that some improvement of a modest character may not be far ahead." There may be a further decline in profits in the current year, but not of a "serious character."

LANCASHIRE STEEL

PROFIT margins of Lancashire Steel were adversely affected in 1956-57 by an unsatisfactory price award late in 1956 on billets, wire rods, bars and light sections (which make up about 90 per cent of the group's output) and by a lightning strike of maintenance men. But another—and to the company a more satisfactory—adjustment in prices was made in July, 1957. This pointed to some improvement in earnings, but the jump of over £1 million in gross profits from £1,901,826 to £2,985,989 was surprising. Yet there had been straws in the wind. In January, the directors reported that higher output and the new price award had lifted earnings at least to the level of the previous year, and in February the chairman, Sir John James, said that the group was beginning to benefit from its development schemes.

Now the directors have again loosened the purse strings by adding a "profits tax" interim dividend of 2 per cent to the maintained ordinary dividend of 12 per cent. They say that this special interim "will not be taken into account when consideration is given to the payment of further dividends for 1958-59." Thus the ordinary dividend has effectively been raised from 9 per cent to 14 per cent in four years, within which equity earnings have risen from just over 37 per cent to nearly 51 per cent. Lancashire Steel cannot but be affected by the current slackening in production, but in a strong market for steel equities its £1 shares put on 4s. 6d. to 31s. 9d., to yield just over 8¾ per cent.

FINE SPINNERS

THE directors of Fine Spinners & Doublers say that the half year ended September 30th was one of the most difficult since the war for the UK cotton industry. They attribute this not simply to the recession in the textile trades throughout the world but more specifically to the continued flow of free imports of cotton goods from Commonwealth countries into Britain, to doubts about spinners' margins in view of the investigations of the Restrictive Practices Court, and to "weak and capricious marketing by raw cotton producing countries." They add that the breakdown in July of the voluntary scheme for spun rayon yarns brought prices down to unrewarding levels. The result has been "hand to mouth trading in reduced volume, severely curtailed production and intense competition for the few orders that were available."

Nevertheless, Fine Spinners earned a profit on the half year's working. What this profit was the directors do not indicate beyond saying that it was considerably less than in the corresponding period in 1957. But they have left the interim ordinary dividend unchanged at 5 per cent. The directors explain their decision on the dividend by referring to their confidence in the future prospects of the company with its widespread interests. They are streamlining and slimming the group's operations: closing down uneconomic mills and purchasing a 90 per cent interest in Lilac Mill Ltd., which the directors describe as being one of the most up to date and successful firms in Lancashire. They say that they are confident that capital is being better used in this way than in the mills that have been closed. The pact limiting exports of cloth from Hong Kong to this country has now been signed and that may remove some of "the doubts which have affected the industry adversely in recent months" to which the directors refer. But this is not a signal for confidence in textile shares, in which the £1 ordinary units of Fine Spinners, now standing at 20s. 6d. have an important ranking.

H. AND G. SIMONDS

H. AND G. SIMONDS, the brewery centred on Reading, has a wide spread of interests, including hotels and restaurants, wine stores, and associated brewing companies in Malta, Gibraltar, and East Africa. Its earnings mainly depend on the 1,300 licensed houses it owns in the South and South-West of England and in South Wales, but the chairman, General Sir Miles Dempsey, in his statement covering the year to September 30th, states that the wine stores are now contributing worthwhile profits, having achieved a marked increase in turnover. Sales of beer were close to the previous year's record, despite the cold wet summer and the trade recession (which led to the 3 per cent drop in beer consumption for the country as a whole). Higher sales to clubs balanced a small drop in sales to tied houses and increased sales of draught beer offset a fall in those of bottled beers.

The rise of 9 per cent in net profits from £351,238 to £384,818 compares with one of just under 3 per cent in gross profits from £828,001 to £850,799

Company Affairs *continued on p.* 80 **London and New York Stocks** *on next two pages.*

LONDON AND NEW

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Dec. 24, 1958	Price, Dec. 31, 1958	Net Yield, Dec. 31, 1958 £ s. d.	Gross Yield, Dec. 31, 1958 £ s. d.
100[1]/16	96[11]/16	War Loan 3% 1955–59	99[31]/32	100[1]/16	1 5 9	2 18 3[1]
96[23]/32	90[8]	Funding 2½% 1956–61	96[17]/32	96[23]/32	2 16 6	4 0 4[1]
99[61]/64	96[13]/16	Conversion 2½% 1958–59	99-18-10	99-19-3	3 1 1	5 1 6
—	—	Conversion 2½% Assented	99[15]/16	100[1]/32	2 11 7	4 19 6
98[3]/8	93[1]/16	Exchequer 2½% 1960	99[5]/32	99[3]/8	2 6 6	3 9 7
99[3]/8	95[1]/16	Exchequer 3½% 1960	99[7]/32	99[3]/8	1 18 1	3 11 2
100[7]/8	95[1]/16	Conversion 4½% 1962	100[21]/32	100[7]/8	2 1 0	4 3 9
94[19]/32	88[5]/8	Exchequer 3½% 1962–63	94[13]/32	94[7]/16	3 1 2	4 7 10[1]
101[13]/32	97[1]/16	Conversion 4½% 1963	101[13]/32	101[1]/4	2 8 2	4 8 9
100[7]/8	91[3]/4	Savings Bonds 3% 1955–65	90[7]/8	91[1]/8	3 6 10	4 15 7[1]
91[1]/8	83[3]/16	Funding 3% 1959–69	82[7]/8	83[1]/8	3 15 3	5 4 6[1]
90[3]/8	86[3]/8	Funding 4% 1960–90	89[7]/8	90[1]/4	2 15 9	4 12 8[1]
80[7]/8	75	Savings Bonds 3% 1960–70	80[1]/8	80[13]/16	3 16 11	5 7 0[1]
91[5]/8	84[3]/8	Exchequer 2½% 1963–64	91[1]/4	91[11]/16	3 3 6	4 6 6[1]
83[13]/16	78[5]/8	Savings Bonds 2½% 1964–67	83[3]/8	83[13]/16	3 15 1	4 19 2[1]
75[1]/16	69[7]/8	Savings Bonds 3% 1965–75	74[1]/2	75	3 16 6	5 8 1[1]
104[1]/8	99[1]/2	Exchequer 5½% 1966	103[15]/16	104[1]/8	2 13 6	5 5 8
84[1]/8	78[5]/8	*Funding 3% 1966–68*	82[7]/8	83[13]/16	3 16 5	5 3 6[1]
96[3]/8	91[1]/8	*Victory 4% 1920–76*	96[1]/8	96[1]/8	2 17 0	4 13 8[1]
88[7]/8	81[9]/16	Conversion 3½% 1969	87[3]/8	87[5]/8	3 11 1	5 4 9
100[1]/4	97[1]/4	Conversion 5½% 1974	98[3]/4	98[9]/16	3 3 0	5 8 3
78[1]/16	71[1]/8	Treasury 3½% 1977–80	76[3]/8	77	3 11 3	5 5 6[1]
77[1]/4	70[3]/8	Treasury 3½% 1979–81	76[1]/4	77[1]/4	3 11 2	5 7 5[1]
103	96[1]/2	Funding 5½% 1982–84	100[13]/16*	101[1]/8*	3 1 9	5 8 0[8]
67[1]/4	60[1]/2	Redemption 3% 1986–96	65[3]/8	65[3]/4	3 7 0	5 2 0[1]
74[1]/2	64[3]/8	Funding 3½% 1999–2004	70[3]/4*	71[1]/8*	3 4 6	5 2 10[1]
76[5]/8	69[1]/16	Consols 4% ..after Feb. 1957	72[5]/8*	73*	3 2 10	5 9 1[5]
69[1]/16	63[1]/8	War Loan 3½% ..after 1952	65[5]/8	66[1]/8	3 1 0	5 6 4[1]
68[1]/8	62[3]/8	Conv. 3½% ..after Apr. 1961	65[13]/16	66[1]/4	3 1 2	5 5 7[0]
60	54[3]/8	Treasury 3% after Apr. 1966	57[3]/8	57[3]/8	3 0 2	5 5 3[1]
52[13]/16	46[3]/4	Consols 2½%	51*	51[11]/16*	2 15 7	4 16 8[1]
51[3]/16	46[3]/8	Treasury 2½% after Apr. 1975	49	49[1]/2	2 18 6	5 2 4[1]
95[9]/16	90[1]/8	British Electric 4½% 1967–69	95	95[1]/4	3 4 8	5 6 2[1]
77[1]/4	72[1]/16	British Electric 3% ..1968–73	76[13]/16	77[1]/4	3 17 1	5 7 8[1]
74[1]/8	68[5]/8	British Electric 3% ..1974–77	73[3]/4	74[1]/8	3 14 9	5 6 3[1]
87[1]/8	82[5]/8	British Electric 4½% 1974–79	87[3]/8	87[7]/8	3 6 0	5 6 3[1]
78[1]/2	72[5]/16	British Electric 3½% 1976–79	76[13]/16	77[5]/16	3 11 8	5 7 2[1]
88[1]/2	82[7]/16	British Gas 4% 1969–72	88[1]/8	88[3]/8	3 9 3	5 7 8[1]
84[5]/8	79[1]/4	British Gas 3½% 1969–71	84[3]/8	84[5]/8	3 11 11	5 6 0[1]
67[7]/8	60[7]/16	British Gas 3% 1990–95	66[3]/16	66[5]/8	3 9 3	5 7 0[11]
77[1]/4	72[1]/16	Brit. Transport 3% ..1968–73	76[13]/16	77[1]/4	3 17 1	5 7 8[1]
85[1]/2	79[1]/4	Brit. Transport 4% ..1972–77	83[3]/4	84	3 9 3	5 7 4[1]
60[5]/16	60[1]/16	Brit. Transport 3% ..1978–88	65[1]/16*	66[1]/4	3 11 10	5 5 5[1]

Prices, 1958 High	Prices, 1958 Low	FIXED INTEREST STOCKS	Price, Dec. 24, 1958	Price, Dec. 31, 1958	Yield, Dec. 31, 1958
		DOMINION AND COLONIAL			£ s. d.
100[1]/16	96[3]/8	Australia 3½% 1954–59	99[7]/8	100	3 10 0[1]
105[7]/8	97[7]/8	Australia 6% 1974–76	104[1]/4	104[3]/4	5 10 9[0]
76[1]/2	73[1]/2	Ceylon 4% 1973–75	75[3]/8	76[1]/4	6 5 1[11]
100[3]/4	94[1]/2	Jamaica 6% 1977–82	99[1]/2	100[3]/4	5 18 1[0]
104[3]/8	97[7]/8	New Zealand 6% 1976–80	104[1]/4	104[3]/4	5 11 6[0]
100[7]/8	91[3]/4	Rhodesia and Nyasaland 6% 1976–79	100[3]/8	100[7]/8	5 18 6[0]
74[5]/8	69	Southern Rhodesia 2½% 1965–70	72[1]/2	72[5]/8	5 13 5[1]
		CORPORATION AND PUBLIC BOARDS			
102	98[1]/4	Agricultural Mortgage 5½% 1980–85	100[1]/8*	100[5]/16	5 9 6[0]
105	98[7]/8	Birmingham 5¾% 1974–76	102[1]/4	102[3]/4	5 9 9[0]
92[3]/4	86	Bristol 3% 1958–63	92	92[1]/8	4 16 1[11]
95[3]/4	91[1]/2	Glasgow 4¾% 1965–69	95[1]/2	95[3]/4	5 5 1[11]
100[1]/4	96[1]/2	Corporation of London 5½% 1976–79	99[1]/4	99[1]/2	5 5 9[1]
57[3]/4	53	L.C.C. 3% ..... after 1920	54[3]/4	55[1]/4	5 8 7[1]
64	56	Met. Water Board 'B' 3% 1934–2003	61[7]/8	62[1]/4	5 3 7[1]
		FOREIGN BONDS			
101[1]/2	83	German 7% 1924 (British Enfaced 5%)	99[3]/4	101	...
180	154	German 5½% 1930 (Enfaced 4½%)	176*	177	...
24[1]/2	12[3]/4	Greek 7% Refugee 1924	23[1]/2	24[1]/2	Nil
169	160	Japan 5% (Enfaced) 1907	163[1]/4	163[3]/4	...
119[1]/2	105[1]/2	Japan 6% (Enfaced) 1924	118	118	...
55	48	Uruguay 3½% Bonds (Assented)	54[1]/2	55	...

NEW YORK CLOSING PRICES

	Dec. 24 $	Dec. 31 $		Dec. 24 $	Dec. 31 $		Dec. 24 $	Dec. 31 $
Ath. Topeka...	27[1]/4	29[1]/4	Boeing	45[7]/8	46[1]/2	Inter. Nickel ..	86[7]/8	88[1]/4
Can. Pacific....	29[1]/2	28[3]/8*	Celanese	29	28[7]/8	Inter. Paper ...	116	117[5]/8
Pennsylvania...	19[1]/4	18[7]/8	Chrysler	50[1]/2	51[1]/4	Kennecott.....	97	98[1]/8
Union Pacific ..	35[7]/8	35[5]/8	Col. Palmolive .	87[3]/4	89[3]/4	Monsanto	39[5]/8	39[5]/8
Amer. Electric .	55[1]/8	54[1]/8	Crown Zeller..	55[1]/2	57[7]/8	Nat. Distillers .	29[1]/8	29[5]/8
Am. Tel. & Tel..	222[1]/2	225	Distillers Seag..	33[1]/4	34[1]/4	Pan-American..	23[1]/8	22[7]/8
Cons. Edison ..	61[1]/2	65	Douglas	57[3]/8	59	Procter Gamble	73[3]/8	74[1]/4
Int. Tel. & Tel..	63[3]/4	62[7]/8	Du Pont	202	213[3]/4	Radio Corpn....	45[1]/8	47[7]/8
Standard Gas ..	31[1]/4	31[1]/4	East. Kodak ..	142[3]/4	144[1]/4	Sears Roebuck .	39[3]/8	39[1]/4
United Corpn..	8[1]/2	8[1]/2	Ford Motor	50[1]/8	50[3]/8	Shell Oil	83[1]/2	85[1]/4
Western Union	32[1]/8	32	Gen. Electric ..	77[1]/2	78[3]/8	Socony-Mobil...	47[5]/8	48[3]/8
Alcoa.....	92[3]/4	93[3]/8	General Foods .	75[1]/4	75[1]/4	Stand. Oil Ind..	47[1]/4	47[1]/4
Aluminium	31[1]/2	33	General Motors .	48[3]/8	49[1]/2	Stand. Oil N.J..	56[3]/8	57[5]/8
Amer. Can.....	49	50[1]/4	Goodyear	118[1]/4	121	20th Cent. Fox.	37[1]/4	40[1]/4
Am. Smelting ..	48[3]/8	48[1]/4	Gulf Oil.....	125[1]/2	126	Union Carbide.	124[1]/2	126[1]/8
Am. Viscose ...	37[1]/8	37[1]/2	Heinz.....	62[1]/2	65	U.S. Steel	91[1]/8	96[1]/4
Anaconda	60[3]/8	60[3]/8	Int. Bus. Mach..	518	535*	West. Electric .	72[1]/4	73[1]/4
Beth. Steel	49[1]/4	52[3]/8	Int. Harvester ..	40[3]/8	41[3]/4	Woolworth	53	53[1]/8

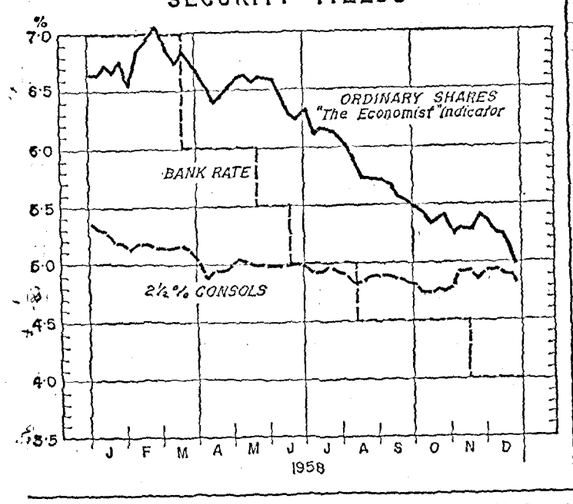
* Ex dividend. † Tax free. ‡ Assumed average life 5½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date.

YORK STOCKS

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Dec. 24, 1958	Price, Dec. 31, 1958	Yield, Dec. 31, 1958
			BANKING			
35/3	31/9	6 b 6 a	Barclays £1	53/3	55/3	4·34
46/–	27/6	4[1]/3 a 5[2]/3 b	Lloyds £1	44/6	45/3	4·42
86/–	57/6	9 b 9 a	Midland £1	84/–	84/9	4·72**
88/3	59/3	9 b 9 a	National Provincial £1	87/–	88/3	4·08
55/6	36/–	6[1]/4 b 5 a	Westminster B' £1	54/9	55/6	4·05
68/9	47/9	7[1]/2 b 7[1]/2 a	District £1	68/6	68/9	4·36
22/–	12/11[1]/2	7[1]/2 b 7[1]/2 a	Martins 5/–	21/3	21/3	4·71**
32/–	21/4[1]/2	5 a 7[1]/2 b	Com. Bk. of Scot. 'A' 10/–	31/4[1]/2	32/–	3·91
69/9	46/–	7 b 7 a	Royal Bank of Scotland . £1	68/9	69/6	4·03
38/–	27/6	4 a 5 b	Barclays D.C.O. £1	37/6	38/–	4·74
46/6	31/3	7[1]/2 b 7[1]/2 a	Chartered Bank £1	46/3	46/3	6·49
£28[11]/16	£20	$2·10c $2·25c	Royal Bank of Canada . $10	£28[15]/16	£29[1]/8	3·02
£20[3]/4	£14[15]/16	$1·60c $1·65c	Bank of Montreal $10	£20[1]/2	£20[1]/2	2·98
30[1]/2	25[5]/8	9 c 9 c	Bank of New S. Wales £20	30	30[1]/2	4·72[2]
33/3	28/–	5 b 4 a	Bank of Ldn. & S. Amer. £1	33/3	33/3	5·41
			FINANCIAL			
30/–	18/–	2[1]/2 a 2[1]/2 b	Alexanders £1	29/–	29/–	3·45
48/–	29/6	5 b 5 a	National Discount 'B' .. £1	48/–	48/6	4·12
62/6	40/9	6[1]/4 b 6[1]/4 a	Union Discount £1	61/3	62/6	4·00
41/6	32/9	362[1]/2 c 18[1]/2 a	Commercial Union.... 5/–	40/9	41/–	4·47
140/–	102/6	12[1]/2 a 15 b	Employers Liability £1	138/9	140/–	3·93
186/3	117/6	†16·2a †16·2b	Equity & Law 8/6	176/3	186/3	2·57
195/–	113/9	60 b 40 a	Legal & General 5/–	176/9	193/–	2·56
118/9	86/3	150 b 120 a	Pearl 5/–	117/6	118/9	5·13
220/–	154/–	†1332[1]/2 c †1427[1]/2 c	Prudential 'A' 4/–	210/–	220/–	4·68
81/3	63/9	8 b 8 a	Royal Exchange £1	80/9	80/6	3·98
34/10[1]/2	16/–	13[1]/8 b 10 a	Bowmaker 5/–	32/4[1]/2	33/6	3·73**
21/4[1]/2	16/10[1]/2	7[1]/2 b 7[1]/2 a	Lombard Banking 5/–	20/3	21/3	3·53
113/6	73/3	16 b 4 a	U.D.T. £1	112/–	113/6	3·52
40/–	19/9	7[1]/2 b 10 a	B.E.T. 'A' Defd. 5/–	38/–	39/–	3·53
18[1]/4	7/11	10 c 10 c	Cable & Wireless 5/–	12/6	13/4[1]/2	3·74
23/11[1]/2	7/10[1]/2	2[1]/2 b 2 a	Land Securities 10/–	19/3*	23/11[1]/2	2·59**
16/7[1]/2	8/7[1]/2	5[13]/2c 2[1]/2a	London & County 10/–	16/4[1]/2	16/7[1]/2	4·01**
			FOOD, DRINK AND TOBACCO			
52/6	27/–	30 c 10 a	Allied Bakeries 'A' 5/–	$1[9]/8*	50/–	3·00
26/–	13/4[1]/2	20 c 7 a	Beecham Group 5/–	25/11[1]/2	25/7[1]/2	3·90
12/–	6/5[3]/4	7 b 2[1]/2 a	International Tea 4/–	11/7[1]/2	12/–*	3·96
84/–	40/11[1]/2	9[1]/4 b 5 a	J. Lyons 'A' £1	83/3	83/–	3·41
19/6	13/7[1]/2	5 a 5 a	Ranks 10/–	19/3	19/6*	5·13
20/–	7/9	7[1]/2 b 2[1]/2 a	Schweppes 5/–	18/9	19/9	3·80**
76/3	48/9	4[1]/2 a 12 b	Tate & Lyle £1	74/–*	76/3	4·33
‡60/4[1]/2	47/4[1]/2	5 a 10 b	United Dairies £1	60/–	60/3	4·98
46/–	31/–	10 a 36 b	Bass £1	43/6	43/9*	5·26
27/3	15/9	6[3]/8 b 4 a	Distillers 10/–	26/6[1]	27/3[1]	3·92
15/3	11/6	6 a 11 b	Flowers 5/–	14/6*	14/9	5·76
57/–	37/–	10 a 18 b	Guinness 10/–	55/9	56/–*	5·00
13/9	9/4[1]/2	4 a 10 b	Ind Coope & Allsopp.. 5/–	13/6	13/9	5·09
80/–	56/6	7[1]/2 a 13[1]/2 b	Watney Mann Defd. £1	79/–*	80/–	5·25
111/–	75/6	17 b 8 a	Whitbread 'A' £1	106/–*	109/4[1]/2	4·57
60/4[1]/2	37/7[1]/2	†62[3]/8 b †10 a	Brit. Amer. Tobacco .. 10/–	58/11[1]/2	59/7[1]/2	4·86
38/9	20/6	15 b 5 a	Gallaher 10/–	36/10[1]/2	38/9	5·16
56/9	37/–	11[1]/2 b 8[1]/2 a	Imperial Tobacco £1	54/3	56/6	7·08

Prices, 1953 High	Prices, 1953 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Dec. 24, 1958	Price, Dec. 31, 1958	Yield, Dec. 31, 1958
			MISCELLANEOUS			
48/3	15/9	7[1]/2 a 22[1]/2 b	Assoc. Brit. Picture 5/–	47/9	48/–	3·12
45/6	28/–	11 c 5 a	British Match £1	44/–	44/9	4·92
63/–	51/6	6 b 4 a	British Oxygen £1	46/6	51/6	3·88
59/3	31/3	40 b 10 a	British Ropes 2/6	47/6	49/6	4·72
59/–	31/3	18·17b 6·17a	Hudson's Bay £1	175/–	176/3	2·76
10/9	5/7[1]/2	12[1]/2 c 5 c	Rank Organisation.... 5/–	10/3	10/6	2·38
16/6	11/8[1]/4	22[1]/2 c 22[1]/2 c	Sears 'A' 5/–	15/1[1]/4	16/6	6·82
63/6	44/–	7 b 6[1]/2 a	Thomas Tilling £1	60/6	63/6	4·17
76/4[1]/2	52/11[1]/2	5 a 10 b	Turner & Newall £1	74/4[1]/2*	76/4[1]/2	3·93
88/–	56/4[1]/2	8[3]/4 b 8[3]/4 a	Unilever £1	83/–	88/–‖	3·82
47/6	24/3	7[1]/2 b 3[3]/4 a	United Glass Bottle..... £1	45/6	47/6	4·74
47/6	26/–	†10 b †4[1]/4 a	United Molasses 10/–	35/–	35/6	6·94
			OIL			
58/6	39/9	†5 b †2[1]/2 a	British Petroleum..... £1	50/9	53/3	4·90
87/3	59/11[1]/2	†7[1]/2 b †5 a	Burmah Oil £1	78/–	80/3	5·60
£168[7]/8	£137[1]/8	17[1]/2 b 7[1]/2 a	Royal Dutch ..... 20 fl.	£165[3]/8	£167[3]/8	2·80
165/–	117/6	†13[3]/4 b 15 a	Shell Transport £1	145/–	148/3	4·40
95/6	41/6	... ...	Ultramar 10/–	68/6	69/3	...[d]
38/–	25/6	13[1]/8 b 7[1]/2 a	Wakefield C.C. 10/–	35/–	38/–	5·42
			SHIPPING			
45/9	27/7[1]/2	13[1]/2 b 6[1]/2 a	Brit. & Com'wealth. .10/–	44/3	45/9	4·37
23/9	16/6	10 c Nil	Cunard £1	17/10[1]/2	18/6	...
27/3	10[3]/4 c	10 c 10 c	Furness Withy £1	34/6	33/6	5·97
20/3	14/6	10 a 10 a	London & Overseas ..5/–	19/3	19/9	5·06
37/6	22/–	8 b 3 a	P. & O Defd. £1	36/6	35/9	...
21/6	12/–	5 c Nil	Reardon Smith 10/–	16/3	16/9	...
25/6	19/3	7[1]/2 c 9 c	Royal Mail £1	22/–	22/6	6·15
			MINES			
173/9	115/–	60 b 20 a	Anglo-American 10/–	173/11[1]/2	171/10[1]/2	4·65
116/3	73/9	10 a 15 b	General Mining £1	113/9	114/4[1]/2	6·37
49/4[1]/2	36/7[1]/2	80 b 40 a	Union Corporation ...2/6	48/7[1]/2	49/6	6·06
120/–	84/4[1]/2	60 a 80 b	Daggafontein 5/–	33/7[1]/2	33/11[1]/2*	15·09
118/9	76/3	40 a 60 b	Free State Geduld 5/–	117/6	115/–	4·35
69/9	56/–	35 b 35 a	Hartebeestfontein 10/–	66/9	65/3*	10·73
38/–	26/6	40 a 50 b	President Brand 5/–	66/11[1]/2	67/–	7·46
120/–	84/4[1]/2	60 a 80 b	Western Holdings 5/–	120/–	119/4[1]/2	5·86
64/3	41/6	12[1]/2 b 5 a	Consolidated Zinc £1	58/9	64/3	5·45
121/3	80/7[1]/2	120 b 80 a	De Beers Defd. Reg. ..5/–	120/–	121/3	8·25
$169	$132[3]/4	$3·75c $3·75c	International Nickel n.p.v.	$154	$156[1]/2	4·28
8/–	6/4[1]/2	20 a 5 b	London Tin 4/–	8/–	8/3	12·12
26/3	19/6	12[1]/2 a †10 b	Rhod. Anglo-Amer. ..10/–	78/9	80/–	5·00h
27/9	20/–	†5 a †5 b	Rhod. Selection Tst. .5/–	17/3	17/9	2·05h
22/3	17/6	10 b 4 a	Nuwara Eliya..... £1	17/–	17/3	4·89
1/11[3]/4	1/11[1]/2	16 b 4 a	Grand Central 2/–	1/3	1/3	32·00
4/–	2/4[1]/2	25 b 5 a	London Asiatic 2/–	3/8[1]/4*	3/9[1]/4	15·91
9[1]/4d	5[1]/4d	6 c 8 c	United Serdang..... 2/–	9[1]/4d	9[1]/4d	20·76
65/3	46/–	37[1]/2 b 12[1]/2 a	United Sua Betong..... £1	63/9	64/–	15·63
61/3	43/9	5 b 12[1]/2 b	Harrisons & Cros. Defd. £1	53/9	52/6	6·67
			TEA AND RUBBER			
25/9	26/–	16·73	Cons. Tea & Lands..... £1	25/9	26/–	16·73
24/3	25/–	13·92	Jokai (Assam)..... £1	24/3	25/–	13·92
22/3	17/–	16·23	Nuwara Eliya..... £1	17/–	17/3	16·23
1/3	1/3	32·00	Grand Central 2/–	1/3	1/3	32·00
3/8[1]/4*	3/9[1]/4	15·91	London Asiatic 2/–	3/8[1]/4*	3/9[1]/4	15·91
9[1]/4d	9[1]/4d	20·76	United Serdang..... 2/–	9[1]/4d	9[1]/4d	20·76
63/9	64/–	15·63	United Sua Betong..... £1	63/9	64/–	15·63
53/9	52/6	6·67	Harrisons & Cros. Defd. £1	53/9	52/6	6·67

SECURITY YIELDS



** Yields based on assumed dividends:—Babcock & Wilcox, 13%. Boots, 14[2]/3%. Bowmaker, 25%. British Motor, 17[1]/2%. British Aluminium, 17[1]/2%. Debenham, 13%. E.M.I., 20%. Land Securities, 6%. London & County, 6[2]/3%. Joseph Lucas, 10%. Martins, 20%. Midland, 20%. Schweppes, 15%. Steel Co. of Wales, 9%. Triplex, 27[1]/2%.

STOCK EXCHANGE INDICATORS

LONDON
The Economist Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
Dec. 3	235·1	5·34				
" 10	240·6	5·24				
" 17	242·5	5·22	255·6 (Dec. 31)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
" 24	246·7	5·15				
" 31	255·6	4·98				

* 1953 = 100.

Financial Times Indices

1950	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
Dec. 22	217·1	5·35	92·02	4·90	13,522	High 225·5 (Dec. 31)	High 207·6 (July 9)
" 23	217·5	5·33	92·03	4·90	11,060		
" 24	218·7	5·31	92·05	4·90	6,716		
" 29	221·4	5·24	92·21	4·87	11,557	Low 154·4 (Feb. 25)	Low 159·0 (Nov. 5)
" 30	223·7	5·19	92·24	4·85	15,677		
" 31	225·5	5·15	92·26	4·84	17,808		

† July 1, 1935 = 100. ‡ 1928 = 100.

NEW YORK
Standard and Poor's Indices (1941–3 = 10)

1958	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Dec. 3	56·06	3·32	33·58	4·64	41·23	3·98	92·00	3·70
" 10	57·09	3·26	33·72	4·60	41·82	3·93	91·80	3·75
" 17	57·64	3·21	33·69	4·60	42·34	3·88	90·90	3·80
" 22	57·30	3·23	33·36	4·62	42·50	3·86	90·60	3·83
" 30	58·65	3·15	34·23	4·53	43·13	3·81	90·60	3·83

425 Industrials:—1958: High, 58·65 (Dec. 30); Low, 48·20 (Jan. 10).

and this was due largely to the reduced burden of profits tax. The dividend is effectively maintained at 12 per cent for the seventh year running and it is paid from earnings of 23.5 per cent. The prospects of a thaw in the eighth year seem to turn not only on a full year's savings in profits tax but also on the increased charge in depreciation that follows in the train of the group's rebuilding and development programme. Such programmes make calls upon liquid resources but like other breweries pursuing these policies H. and G. Simonds is selling off unremunerative public houses and modernising out-of-date brewing and bottling plant. Sales in the current year are described by Sir Miles Dempsey as "satisfactory," but he adds that the rate of increase in sales of wines and spirits, "representing a most important fraction of total turnover" is slackening. At 10s. 6d. the 5s. shares yield 5.6 per cent—a yield which discounts the gains that may be expected from the rationalisation and development of the industry.

MITCHELLS & BUTLERS

ANOTHER brewery to benefit from the new flat rate of profits tax is Mitchells & Butlers, whose trade is centred upon the Midlands and South Wales. In the year ended September 30th, gross profits rose only fractionally from £2,114,519 to £2,164,496. But the group's net income was about 10 per cent higher, advancing from £900,242 to £995,162, as tax fell by £44,943 to £1,169,334. The directors have again left the ordinary dividend unchanged at 13½ per cent but this year it is accompanied by a 1½ per cent tax free capital distribution from the surplus arising from the disposal of land and properties. Although the chairman, Mr Robert H. Butler, says that earnings in the current year will benefit from a full twelve months of the new profits tax he again emphasises that the company must build many new houses in Birmingham to replace those affected by the City's rebuilding programme. He warns shareholders that this "vast rehabilitation problem" calls for "a tremendous amount of capital," for major projects already on hand will cost in all nearly £1 million and further schemes now under discussion would require another £500,000. But Mitchells & Butlers is not short of cash and at the end of September the group held £2,865,582 in liquid resources.

Competition is said by Mr Butler to be "greater than ever before," but like other brewers Mitchells & Butlers has been able to push up its "free trade" sales to privately licensed public houses and clubs. Looking further ahead Mr Butler is confident that the breweries can meet the challenge of changing social habits by a progressive policy of improvement. That policy has involved Mitchells & Butlers, as it has the other big breweries, in large expenditures on building new properties, rebuilding and refurbishing old ones, and installing up-to-date brewing and bottling plants. Such expenditure has enabled the progressive breweries to retain their hold on the market and has given their profits some impetus. But the gains that can be secured are likely to be limited in such a competitive trade and in the strong advance in brewing shares in 1958 they seem to have been well discounted. The £1 ordinary units of Mitchells & Butlers, for instance, now stand at 48s. 9d.xd. and they yield 5.5 per cent.

FRIARY MEUX AND PETERS

FRIARY MEUX, like other breweries, has made reciprocal trading agreements and has modernised its public houses and is building new ones. Now it has made an offer in shares and cash worth about £1¼ million for the ordinary and preference capital of George Peters and Co. of Portsmouth. On a conservative valuation Peters' net assets were worth over £750,000 at the end of March, and in that year it earned a profit before tax of nearly £120,000. The cash element in the bid is only £387,830 but the directors say that this sum will be provided from temporary bank loans and will be funded later from the proceeds of sales of licensed houses. The share exchange will require the issue by Friary Meux of 175,750 £1 5½ per cent preference shares (now quoted at 17s. 6d.) and 397,499 £1 ordinary shares (quoted at 48s.xd. The preference and ordinary shares in Peters are largely held by the Young and Peters family interests and the directors of Peters recommend acceptance.

The directors say that Friary's beer sales were adversely affected by the bad summer weather and although the group's profits before tax may not be maintained at the 1957-58 level (when they totalled £891,963) they anticipate satisfactory results for the current year. They expect future earnings to be progressively enhanced by the integration and expansion policies, of which the bid for Peters is the latest example, that they are now pursuing.

ASSOCIATED MOTOR CYCLES

THE financial year of Associated Motor Cycles ended on August 31st—before the government freed hire purchase. But its consolidated gross profits more than doubled, from £125,277 to £299,081, and net profits more than trebled, from £43,910 to £154,296. After two depressing years for the motor cycle industry, 1958 showed a big recovery in sales. Since August, sales have continued to run at a higher level and AMC, which supplies components to other firms as well as manufacturing the "Matchless," "AJS" and "Norton" machines, should easily hold its own. Net equity earnings are nearly 20 per cent and the ordinary dividend, effectively raised from 5 to 7½ per cent by the declaration of a "profits tax" interim of 2½ per cent, is well covered. The 5s. ordinary shares at 6s. 4½d. yield 5.9 per cent.

London Stock Exchange

FIRST DEALINGS:	Dec. 10	Dec. 31	Jan. 14
LAST DEALINGS:	Dec. 30	Jan. 13	Jan. 27
ACCOUNT DAY:	Jan. 6	Jan. 20	Feb. 3

THE funds, having been firm before Christmas, made widespread and immediate gains on the announcement of the moves towards sterling convertibility. The *Financial Times* index of Government Securities rose by 0.52 to 84.74 by Wednesday's close Among short dated stocks, Funding 2½ per cent 1956/1961 rose ⅝ to 96⅝ and in the medium dated stocks Savings 3 per cent 1960-70 jumped by ¾ to 80¾. In the long dated issues Funding 5½ per cent (1982-84) rose from 100⅛ to 101⅛ and in the irredeemables War Loan 3½ per cent gained ⅝ to 66½.

Industrials were strong on Christmas Eve, and markings at 6,716 were the highest recorded for the day since 1946. Prices went ahead again even more strongly at the end of the old account and the beginning of the new although some profits were taken on Wednesday afternoon. On December 31st the *Financial Times* ordinary index touched an all time peak of 225.5 and *The Economist* indicator rose in the week to December 31st by 8.9 points to 255.6. British Timken were quoted at 57s. 3d. on Christmas Eve, and later rose to 66s., having touched 69s. Dunlop gained 2s. to 25s. 4½d. and Metal Industries at 43s. were 2s. 6d. higher. Tobaccos were firm, BATS rising 1s. 9d. to 59s. 6d., Gallaher 2s. 1½d. to 38s. 9d. and "Imps" 2s. 9d. to 56s. 6d. Breweries maintained their earlier strength; Hewitt Brothers were outstanding with a gain of 6s. 6d. to 87s. 6d. and Strong deferred rose by 2s. 6d. to 114s. Textile shares responded to the news of the Hong Kong pact, Calico Printers jumping from 34s. 9d. to 38s. 9d. Oldham Twist on the results and capital proposals gained 4s. 3d. to 22s. 9d. Among stores, Drages in a narrow market rose by 4s. 3d. to 42s. 9d. Gamage at 63s. 6d., and Currys at 25s. rose by 4s. 9d. and 2s. 9d. respectively. Montague Burton ordinary on renewed rumours of the possibility of a take-over bid went up by 4s. 10½d. to 33s. 3d., having touched 35s.

British Bank of the Middle East on rumours of a take-over bid gained 11s. 6d. at 57s. 9d. Insurance shares were again active, Legal and General jumping by 6s. 3d. to 195s. and Equity and Law by 10s. to 186s. 3d. Among property shares, Grand Junction in a narrow market rose 7s. 6d. to 61s. In Oils, Anglo-Egyptian oilfields rose by 7s. 6d. to 37s. 6d., Burmah gained 2s. 9d. to 80s. 3d., BP the same amount to 53s. 3d., and Shell 5s. 3d. to 148s. 3d.

Among Kaffirs, Loraine fell from 29s. 3d. to 28s. 4½d. on Johannesburg selling, and "Buffels" lost some of its earlier gains to close on Wednesday at 46s. 3d. In diamonds, De Beers rose by 1s. 3d. to 121s. 3d. Bancroft among coppers reached a 1958 peak of 31s. 9d. before reacting to 31s. 6d., still showing a gain of 1s. 4½d. over the week. Rhodesia-Katanga rose 2s. 6d. to 17s. Consolidated Zinc gained 5s. 6d. to 64s. 3d. Rubbers were quiet.

Money and Exchanges

EXCHEQUER RETURNS

For the 11 days ended December 31, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £69,037,000 compared with a deficit of £76,121,000 in the previous week and a deficit of £13,527,000 in the corresponding period of last year. There was a net expenditure "below-line" of £76,730,000 leaving a total deficit of £527,278,000 compared with £897,788,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to Dec. 31, 1957	April 1, 1958, to Dec. 31, 1958	10 days ended Dec. 31, 1957	11 days ended Dec. 31, 1958
Ord. Revenue					
Income Tax	2312,500	867,073	935,594	28,265	34,614
Surtax	163,000	53,100	55,600	2,000	2,300
Death Duties	163,500	126,200	135,000	3,100	3,500
Stamps	56,250	50,100	44,500	1,600	1,800
Prof.'s Tax, EPT & EPL	275,000	195,200	220,800	2,700	3,600
Other Inland Rev. Duties	...	150	150	...	...
Total Inland Rev.	2970,250	1291,823	1391,644	37,665	45,814
Customs	1256,940	918,701	967,954	26,696	27,049
Excise	932,310	704,125	694,640	19,915	23,355
Total Customs and Excise	2189,250	1622,826	1662,594	46,611	50,404
Motor Duties	104,000	30,151	31,647	1,145	1,200
PO (Net Receipts)	2,000	600	...	Dr300	...
Broadcast Licences	34,000	21,200	22,900	3,200	3,500
Sundry Loans	30,000	27,631	26,126	...	...
Miscellaneous	110,000	122,853	64,525	9,798	1,899
Total	5439,500	3117,084	3199,436	98,118	102787
Ord. Expend.					
Debt Interest	695,000	497,309	522,926	8,369	43,764
Payments to N. Ireland Exchequer	73,000	47,653	51,530	3,028	3,051
Other Cons. Funds	10,000	5,636	5,090	32	28
Supply Services	4292,859	2984,915	3089,002	100027	124721
Total	5070,859	3535,513	3668,548	111455	171564
Sinking Funds	38,000	25,527	26,023	190	260
"Above-line" Surplus or Deficit	443,956	495,135	13,527	69,037	
"Below-line" Net Expenditure*	453,832	432,143	42,355	76,730	
Total Surplus or Deficit.	897,788	927,278	55,882	145767	
Net Receipts from:					
Tax Reserve Certificates	178,661	218,826	15,566	10,728	
Savings Certificates	−14,100	100,300	−800	400	
Defence Bonds	−26,718	68,694	−551	988	
Premium Savings Bonds	55,080	49,105	370	...	
Total	192,923	436,925	14,585	12,116	

* Including net receipts of the Civil Contingencies Fund of £11 million in 1957 and 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Dec. 31	5,684·7		218·4	...	5,903·1
1958					
Sept. 30	5,016·4		202·4	...	5,218·8
Oct. 4	3,290·0	1,736·2	179·4	...	5,205·6
" 11	3,310·0	1,773·4	163·1	...	5,266·5
" 18	3,320·0	1,756·1	214·2	...	5,290·3
" 25	3,330·0	1,771·8	180·8	...	5,282·7
Nov. 1	3,340·0	1,755·3	193·9	...	5,289·2
" 8	3,350·0	1,739·5	166·7	...	5,256·2
" 15	3,370·0	1,655·2	194·4	...	5,219·6
" 22	3,390·0	1,651·0	175·6	...	5,226·5
" 29	3,410·0	1,659·2	173·3	...	5,242·5
Dec. 6	3,420·0	1,688·0	176·8	...	5,284·9
" 13	3,440·0	1,687·6	190·1	...	5,317·7
" 20	3,460·0	1,761·9	184·7	...	5,406·6
" 31	5,351·0		222·2	0·3	5,573·4

THE MONEY MARKET

THE money market withstood the seasonal pressures of the year-end with unaccustomed ease. Market supplies of credit were adequate, and more than adequate, not only on December 31 itself but also on preceding days. There was actually a surplus of funds and the Bank made some special sales. Some banks were calling funds but the clearing banks as a whole were well placed and money came out easily. The market was also helped by a big official disbursement.

The Treasury bill rate was steady at the tender on Christmas Eve, having reversed its decline at the preceding tender, with a rise of 8d. per cent to around £3 3s. per cent. The discount market's allotment rate fell a little last week, from about 73 to 61 per cent on the whole allotment of £280 million (which included, besides £50 million of 63-day bills, some 92-day maturities to straddle Easter Monday). At yesterday's tender, the authorities offered only £260 million of three months' bills, leaving £50 million of maturing 63-day bills to help smooth the flow of tax transfers.

The Bank return shows a reflux of £38 million of notes in the first week after Christmas.

The Treasury bill rate in New York has declined for the second week, from 2.74 to 2.69 per cent for 90-day bills.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	Discount rates: Bank bills:	
Deposit rates (max.):		60 days	3 1/4–3 5/16
Banks	2	3 months	3 1/4–3 5/16
Discount houses	2–2 1/4	4 months	3 1/4–3 5/16
		6 months	3 1/4–3 3/8
Money:		Fine trade bills:	
Day-to-Day	2–3 1/8	3 months	4 1/4–5
Treasury bills:		4 months	4 1/4–5
2-3 months	3 5/32	6 months	4 1/2–5 1/4

New York

	%		%
Official discount rate: (from 2%, 23/10/58)	2 1/2	Treasury bills: Dec. 22	2·739
		" 29	2·690

BANK OF ENGLAND RETURNS

(£ million)	Jan. 1, 1958	Dec. 24, 1958	Dec. 31, 1958
*Issue Department**:			
Notes in circulation	2,092·1	2,172·9	2,134·8
Notes in banking dept.	58·2	27·5	65·5
Govt. debt and securities*	2,146·3	2,196·5	2,196·5
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	14·6	13·7	12·4
Bankers	192·8	181·5	215·5
Others	78·8	72·6	76·6
Total	286·2	267·8	304·5
Securities:			
Government	194·9	215·4	214·8
Discounts and advances	26·7	20·9	20·2
Other	22·2	21·3	21·2
Total	243·8	257·6	256·2
Banking department reserve	60·6	28·3	66·4
	%	%	%
"Proportion"	21·1	10·3	21·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,200 million December 17, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1957	91 day		s. d.	%
Dec. 27	260·0	409·2	127 8·91	84
1958				
Sept. 26	260·0	381·4	72 6·10	55
Oct. 3	270·0†	424·8	74 1·39	44
" 10	250·0	423·6	73 0·72	55
" 17	250·0	435·7	72 3·08	45
" 24	250·0	409·6	73 7·94	36
	91 day / 63 day			
" 31	200·0 / 50·0	442·9	71 8·23	46
Nov. 7	270·0	433·7	71 7·04	45
" 14	210·0 / 60·0	408·3	71 0·97	68
" 21	210·0 / 60·0	408·5	68 4·68	42
" 28	230·0 / 30·0	418·9	66 1·20	79
Dec. 5	260·0 / 30·0	489·2	64 5·75	40
" 12	240·0 / 30·0	485·3	62 4·92	67
" 19	240·0 / 30·0	443·5	63 0·96	73
" 24	230·0 / 30·0	423·0	63 0·47	60

* On December 26th tenders for 91 day bills at £99 4s. 3d. secured 5 per cent and for 63 day bills at £99 9s. 0d. 67 per cent, higher tenders being allocated in full. The offer this week was for £260 mn. of 91 day bills, †Allotment cut by £10 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: December 31	Market Rates: Spot: December 23	December 24	December 27	December 29	December 30	December 31
United States $	2·78–2·82	2·80 7/16–9/16	2·80 7/16–9/16	2·80 3/8–1/2	2·80 1/16–3/16	2·80 7/16–5/16	2·80 3/16–5/16
Canadian $	...	2·70 1/2–5/8	2·70 3/16–5/16	2·70–70 1/8	2·69 11/16–13/16	2·70–70 1/8	2·70 1/8–1/4
French Fr.	13·6220–14·0265	1179–79 1/4	1178–78 1/2	...	13·73 1/4–3/4	13·74 1/4–74 3/4	13·75–75 1/2
Swiss Fr.	11·94–12·54 7/8	12·18–18 1/4	12·18 1/8–3/8	12·15 1/4–1/2	12·04 1/2–05	12·07 3/4–08	12·07 3/8–5/8
Belgian Fr.	137·96–142·05	139·30–35	139·32 1/2–37 1/2	139·05–10	139·55–60	139·70–75	139·60–85
Dutch Gld.	10·48–10·80	10·58 5/8–7/8	10·59–59 1/4	10·56 1/2–57	10·58 3/8–5/8	10·58 1/2–3/4	10·57 5/8–58 1/8
W. Ger. D-Mk.	11·59 1/4–11·92 3/4	11·70–70 1/4	11·70–70 1/4	11·67 1/2–68	11·70–70 1/4	11·70 1/2–3/4	11·70 3/8–7/8
Portuguese Esc.	79·17 1/4–81·83 1/2	80·15–25	80·10–20	80·10–20	...	79·75–80·00	79·80–80·00
Italian Lire	1725–1775	1746–47	1745 1/2–46	...	1749–49 1/2	1749 1/4–3/4	1748–48 1/2
Swedish Kr.	14·37 3/4–14·59 1/4	14·46 7/8–47 1/8	14·46–46 1/4	14·45 1/2–46	14·48–48 1/4	14·49 1/4–1/2	14·49 5/8–7/8
Danish Kr.	19·06 1/2–19·62	19·32 5/8–7/8	19·32 3/8–1/2	19·32 1/4–1/2	19·33 1/4–1/2	19·33 3/4–34	19·33 5/8–7/8
Norwegian Kr.	19·71–20·30 1/2	20·00 3/8–5/8	20·00–00 1/2	20·00–00 1/2	20·00 1/4–3/4	20·00 1/2–01	20·00 1/2–01
One Month Forward Rates							
United States $		1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	3/16–1/16c. pm	1/8c. pm–par	1/8c. pm–par
Canadian $		par–1/4c. dis	par–1/4c. dis	par–1/4c. dis	par–1/4c. dis	par–3/16c. dis	par–3/16c. dis
French Fr.		75–90 dis	90–110 dis	...	par–1/8 dis	par–1/8 dis	par 1/8 dis
Swiss Fr.		1–3/4c. pm	7/8–3/8c. pm	7/8–5/8c. pm	7/8–5/8c. pm	7/8–5/8c. pm	3/4–1/2c. pm
Belgian Fr.		3/16–1/16 pm	3/16–1/16 pm	3/16–1/16 pm	3/16–1/16 pm	1/8 pm–par	1/8 pm–par
Dutch Gld.		1 3/8–1 1/8c. pm	1 3/8–1 1/8c. pm	1 1/2–1c. pm	1 1/2–1c. pm	1 1/4–3/4c. pm	1 1/4–3/4c. pm
W. Ger. D-Mk.		1–3/4pf. pm	1–1/2pf. pm	1–1/2pf. pm	1–1/2pf. pm	1–1/2pf. pm	3/4–1/4pf. pm
Three Months Forward Rates							
United States $		3/4–1/4c. pm	3/4–1/4c. pm	3/4–1/4c. pm	5/8–1/4c. pm	1/4–1/8c. pm	5/8–3/16c. pm
Canadian $		1/4–3/8c. dis	1/4–3/8c. dis	1/4–3/8c. dis	1/4–3/8c. dis	1/4–1/4c. dis	1/4–1/4c. dis
Swiss Fr.		2 1/8–1 7/8c. pm	1 7/8–1 5/8c. pm	1 7/8–1 5/8c. pm	1 5/8–1 3/8c. pm	2 1/4–2c. pm	2 1/4–2c. pm
W. Ger. D-Mk.		2–1 3/4pf. pm	2 1/8–1 5/8pf. pm	2 1/8–1 5/8pf. pm	2–1 3/4pf. pm	1 3/4–1 1/4pf. pm	1 1/2–1pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/2 1/4	250/2	...	250/5 1/2	250/33/4	250/4

UK External Trade

Imports are valued *cif*: exports *fob*.
Total trade unless otherwise stated.

The following list shows the most recent dates on which each statistical page appeared
World Trade ..... October 18th

BRITISH		OVERSEAS	
Prices and Wages.....	Nov. 29th	Western Europe Statistics..	Dec. 6th
Manpower and Output.....	Dec. 13th	British Commonwealth....	Oct. 11th
External Trade.....	This week	United States.....	Dec. 20th
Industrial Profits.....	Oct. 18th		

	Unit	Monthly averages			1957			1958			
		1955	1956	1957	Sept.	Oct.	Nov.	Aug.	Sept.	Oct.	Nov.
VALUE											
Imports:											
Total	£ million	323·6	323·8	339·6	308·4	353·1	319·9	304·3	311·2	328·0	313·0
Food, drink and tobacco	,,	120·1	120·7	124·7	112·6	133·2	114·0	121·8	123·8	136·3	128·3
Basic materials	,,	93·7	91·9	97·4	86·4	99·7	87·8	74·0	69·6	70·9	71·9
Fuels	,,	34·0	34·5	38·9	37·6	36·1	35·9	37·3	39·6	40·8	37·1
Manufactures	,,	74·7	75·5	77·4	70·3	82·8	80·8	69·9	76·9	78·9	74·0
Exports of UK produce:											
Total	,,	242·1	264·3	277·1	246·3	271·8	286·9	257·8	240·4	266·8	291·0
Manufactures—Total	,,	199·0	218·3	229·5	204·9	222·1	233·5	214·7	199·0	222·8	240·1
,, Metals	,,	33·0	36·8	39·7	34·9	39·6	39·7	32·3	32·9	35·1	42·7
,, Engineering products	,,	93·2	105·8	112·9	100·3	107·6	115·7	110·8	101·6	115·7	121·8
,, Textiles	,,	25·9	24·6	25·1	21·6	24·0	24·6	20·2	18·0	19·1	21·5
Re-exports	,,	9·9	12·2	11·1	9·8	11·2	11·0	13·1	10·9	12·2	12·9
Balance of trade (exports *less* imports):	,,	−71·6	−47·3	−51·4	−52·3	−70·1	−22·0	−33·4	−59·9	−49·0	− 9·1
VOLUME											
Imports:											
Total	1954=100	111	111	115	112[3]	...	115[4]	113[3]	...	118	114
Food, drink and tobacco	,,	107	109	113	105[3]	...	115[4]	118[3]	...	...	...
Basic materials	,,	105	102	106	105[3]	...	103[4]	90[3]	...	...	...
Fuels	,,	121	115	114	125[3]	...	112[4]	128[3]	...	...	...
Manufactures	,,	125	125	130	127[3]	...	135[4]	131[3]	...	...	...
Exports:											
Total	,,	107	114	116	110[3]	...	117[4]	109[3]	...	112	122
Manufactures	,,	109	115	118	113[3]	...	117[4]	141[3]	...	...	...
BY AREA											
Imports:											
Dollar area—Total	£ million	70·1	71·0	80·4	74·3	84·5	76·6	62·1	65·3	65·8	65·6
,, ,, USA	,,	35·0	34·0	40·2	36·1	43·5	36·7	23·8	30·5	33·3	33·4
,, ,, Canada	,,	28·6	29·0	26·7	26·0	27·5	29·0	26·9	25·7	24·4	23·9
Non-sterling OEEC countries	,,	78·4	79·6	80·8	80·3	91·4	84·8	75·0	79·2	87·2	78·4
Sterling area	,,	130·9	126·5	129·3	101·0	124·5	112·9	115·3	113·4	122·6	118·1
Exports:											
Dollar area—Total	,,	34·8	45·2	47·8	43·3	45·7	51·4	44·5	48·5	51·8	55·0
,, ,, USA	,,	16·6	21·6	21·5	20·2	20·6	22·9	22·5	24·2	28·1	28·9
,, ,, Canada	,,	12·1	15·2	16·7	14·0	16·3	17·3	14·4	12·8	16·8	17·5
Non-sterling OEEC countries	,,	67·5	75·1	78·2	67·1	78·2	75·6	73·5	69·0	70·7	73·9
Sterling area	,,	120·9	122·4	127·2	116·1	126·6	133·7	119·6	105·4	123·8	132·8
Balance of trade (exports *less* imports):											
Dollar area	,,	−35·3	−25·8	−32·6	−31·0	−38·8	−25·2	−17·6	−16·8	−14·0	−10·6
Non-sterling OEEC countries	,,	−10·9	− 4·5	− 2·6	−13·2	−13·2	− 9·2	− 1·5	−11·2	−16·5	− 4·5
Sterling area	,,	−10·0	− 4·1	− 2·1	+15·1	+ 2·1	+20·8	+ 4·3	− 8·0	+ 1·2	+14·7
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	374·3	393·4	377·6	323·9	394·8	409·1	368·7	348·4	406·1	279·7
Meat	,,	67·0	72·4	74·2	60·0	64·4	64·0	81·0	62·6	56·5	76·3
Sugar, unrefined	,,	186·2	194·3	235·6	180·9	282·3	216·6	197·9	225·0	238·2	200·3
Raw cotton (1)	,,	24·2	27·0	30·7	27·3	32·2	22·3	21·5	16·4	9·9	15·0
Raw wool, sheep's and lambs' (1)	mn. lb.	55·1	53·2	51·6	14·4	45·7	36·1	34·9	19·9	49·0	63·4
Rubber, natural and synthetic (1)	'000 tons	24·6	18·2	22·7	20·5	31·9	30·3	9·9	12·2	14·5	14·4
Softwood	'000 stds.	140·0	104·8	120·0	148·8	155·5	140·8	145·1	131·4	124·4	132·4
Woodpulp	'000 tons	186·9	183·3	178·2	180·0	189·4	171·8	177·9	184·5	181·8	193·8
Crude petroleum	mn. galls.	601	618	605	642	624	651	802	789	819	783
Exports of UK produce:											
Coal, including bunkers	'000 tons	1,196	836	686	589	647	650	371	425	450	423
Woven piece-goods—cotton	mn. sq. yds.	46	40	38	33	34	33	30	27	27	33
,, ,, , wool (2)	'000 sq. yds.	8,965	9,107	9,028	6,852	8,037	8,310	7,843	6,140	6,980	7,895
Passenger cars and chassis	number	32,545	27,986	35,522	33 460	37,022	41,091	35,070	38,389	39,425	36,506
Commercial vehicles and chassis	,,	11,656	10,506	10,214	8,183	10,217	11,538	8,766	7,204	7,953	8,685
Agricultural tractors	,,	8,720	7,482	9,414	9,366	11,481	11,412	7,568	7,975	7 376	7,270
Machinery—electrical	£ '000	5,158	5,314	5,602	5,360	5,039	6,023	5,963	4,046	5,897	6,193
,, other	,,	34,687	38,657	42,211	35,348	40,870	44,093	39,957	37,941	40,668	44,764
Chemicals, elements and compounds	,,	4,422	4,948	5,219	4,575	5,012	5,224	5,730	4,742	4,894	5,252

(1) Retained imports. (2) Excluding fents from January, 1956. (3) Average for third quarter. (4) Average for fourth quarter.

The ATLAS
ASSURANCE COMPANY LIMITED
is pleased to announce a

COMPOUND REVERSIONARY BONUS *at the rate of*

50/- *PER CENT PER ANNUM*

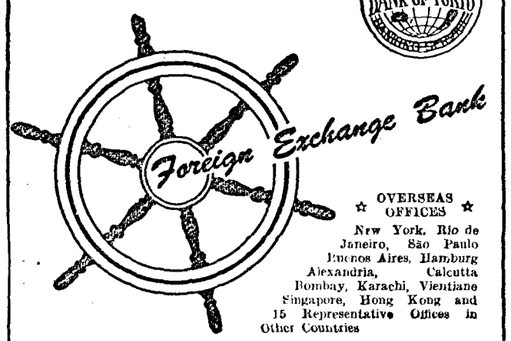
for the triennium 1956 to 1958.

All With-Profits Life Assurance Policies in force at midnight on 31st December 1958 participate in this Bonus which is calculated on the sum assured and attached Reversionary Bonuses.



ATLAS
ASSURANCE COMPANY LIMITED
ESTABLISHED IN THE YEAR 1808

Head Office: 92 CHEAPSIDE, LONDON, E.C.2.



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SUBSIDIARY: THE BANK OF TOKYO TRUST COMPANY
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From all corners of the earth people come to
MONTANA

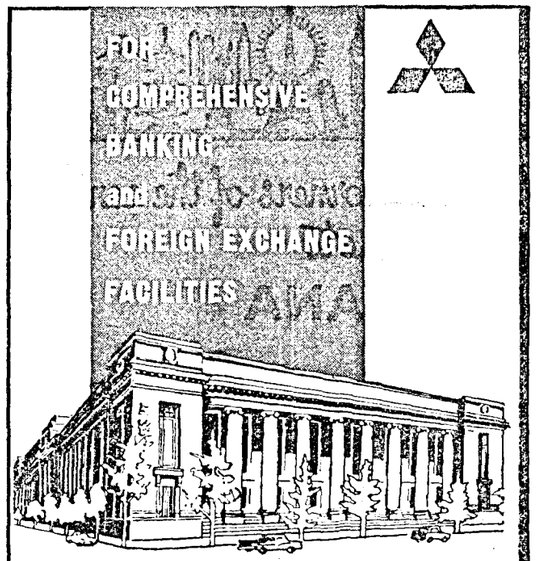


the popular health and sports resort situated on a lovely plateau, perched on mountain slopes facing the Valaisian Alps.
With its pure and bracing air, and its remarkable record of sunshine (averaging 8 hours 14 minutes daily in January alone), Montana is an ideal spot to enjoy happy holidays at any time of the year. Winter sport enthusiasts in particular, appreciate the advantages of two cable cars and five ski lifts.
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U S B G S
UNION BANK OF SWITZERLAND
SCHWEIZERISCHE BANKGESELLSCHAFT
UNION DE BANQUES SUISSES

HEAD OFFICE: ZURICH, Bahnhofstrasse 45
OVER 50 BRANCHES THROUGHOUT SWITZERLAND
Capital fully paid ..... Swiss Francs 100,000,000
Reserves ..... Swiss Francs 100,000,000
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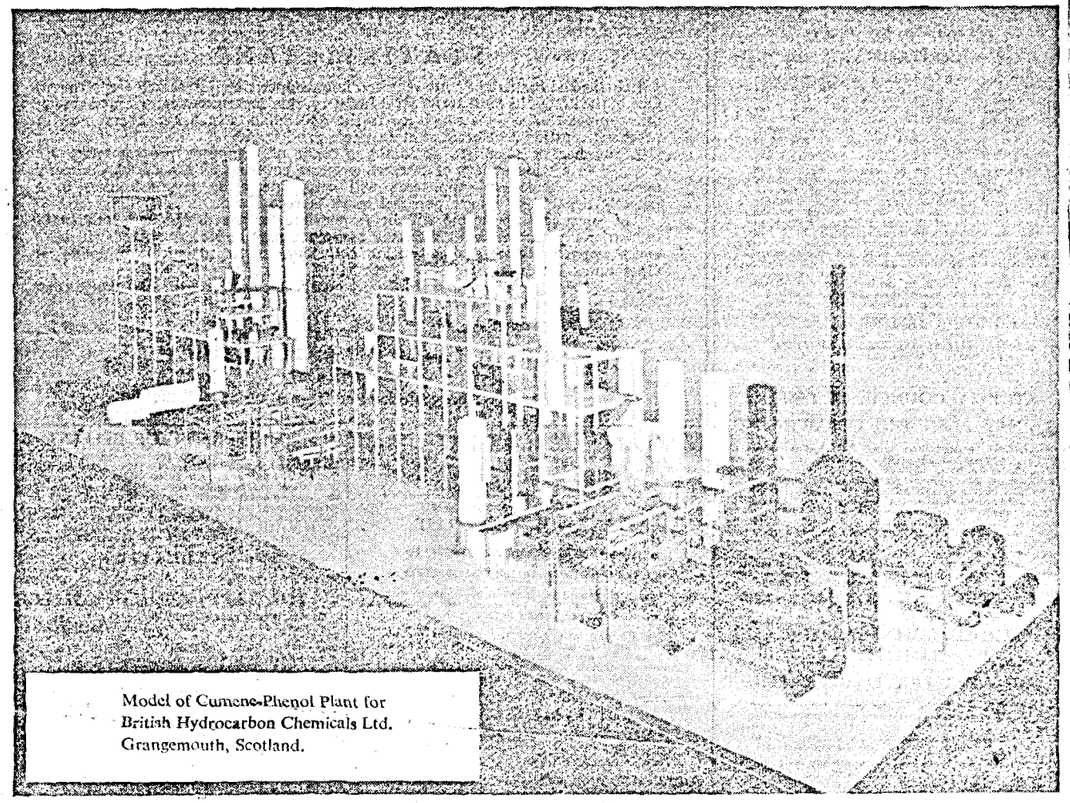
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Defeat for the British Aluminium board and their supporters in the City leaves many sore wounds but reinforces some important principles (page 145).

Generals Sink in the West

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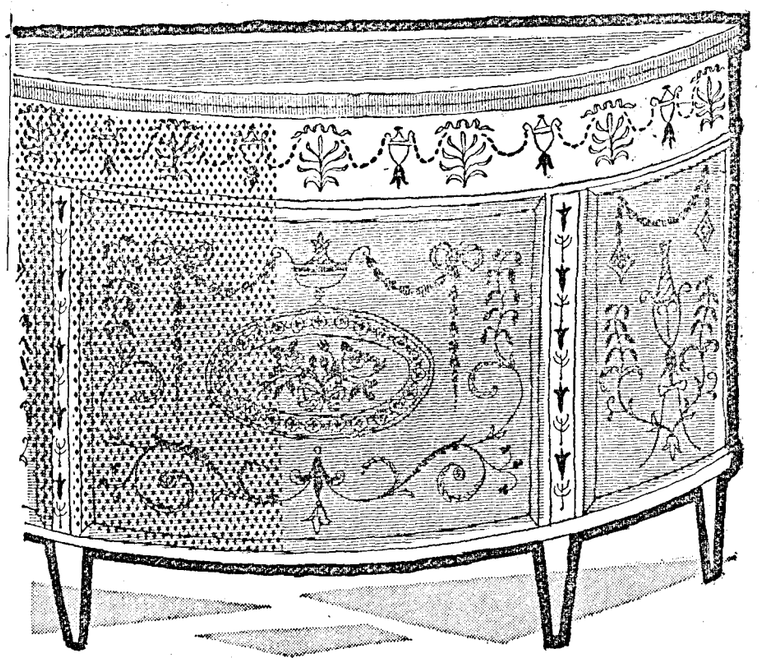
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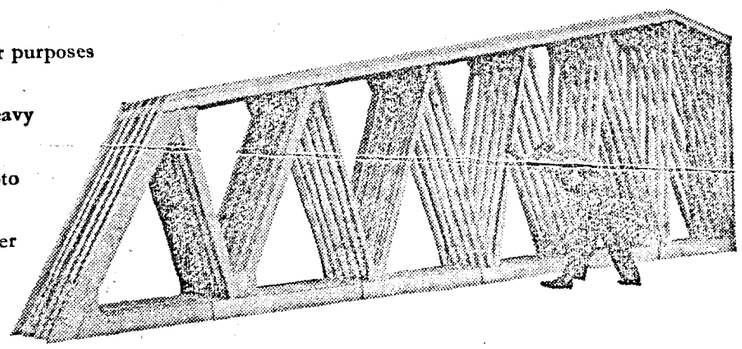
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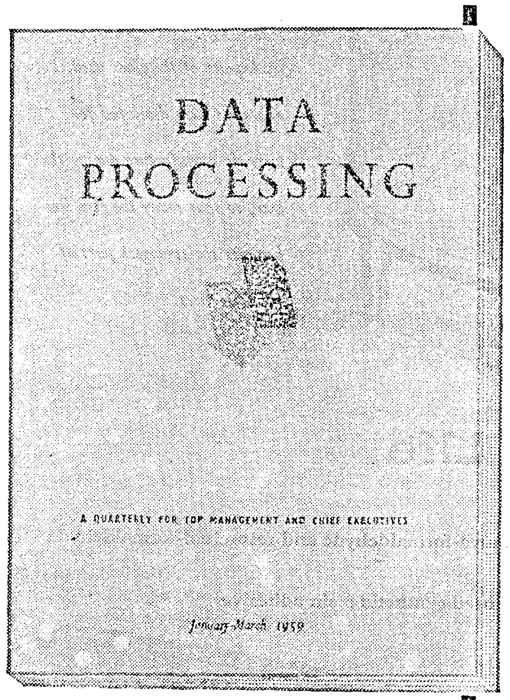
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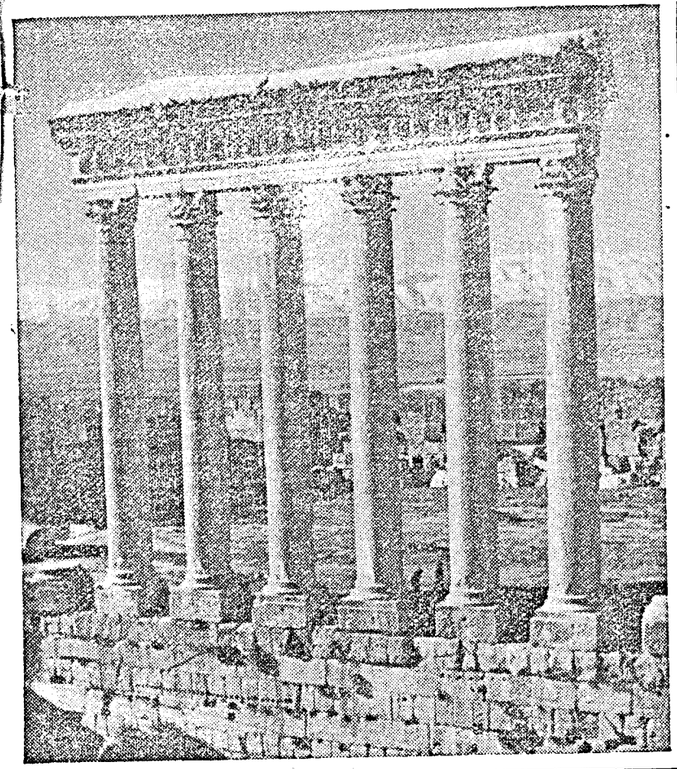
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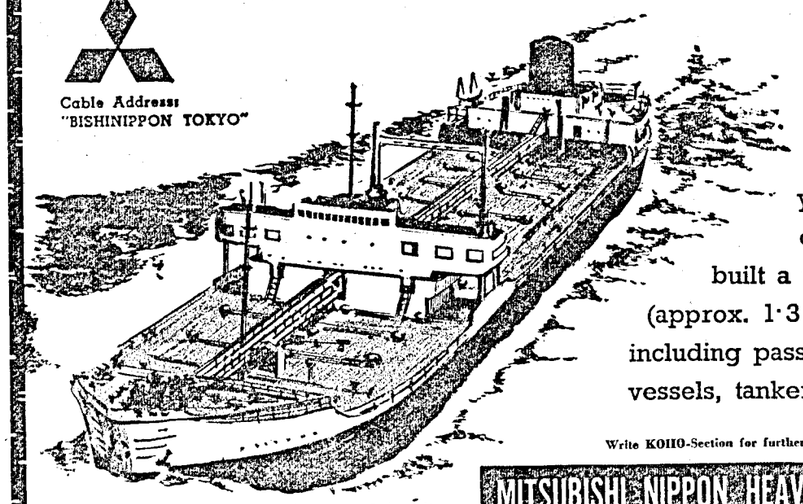
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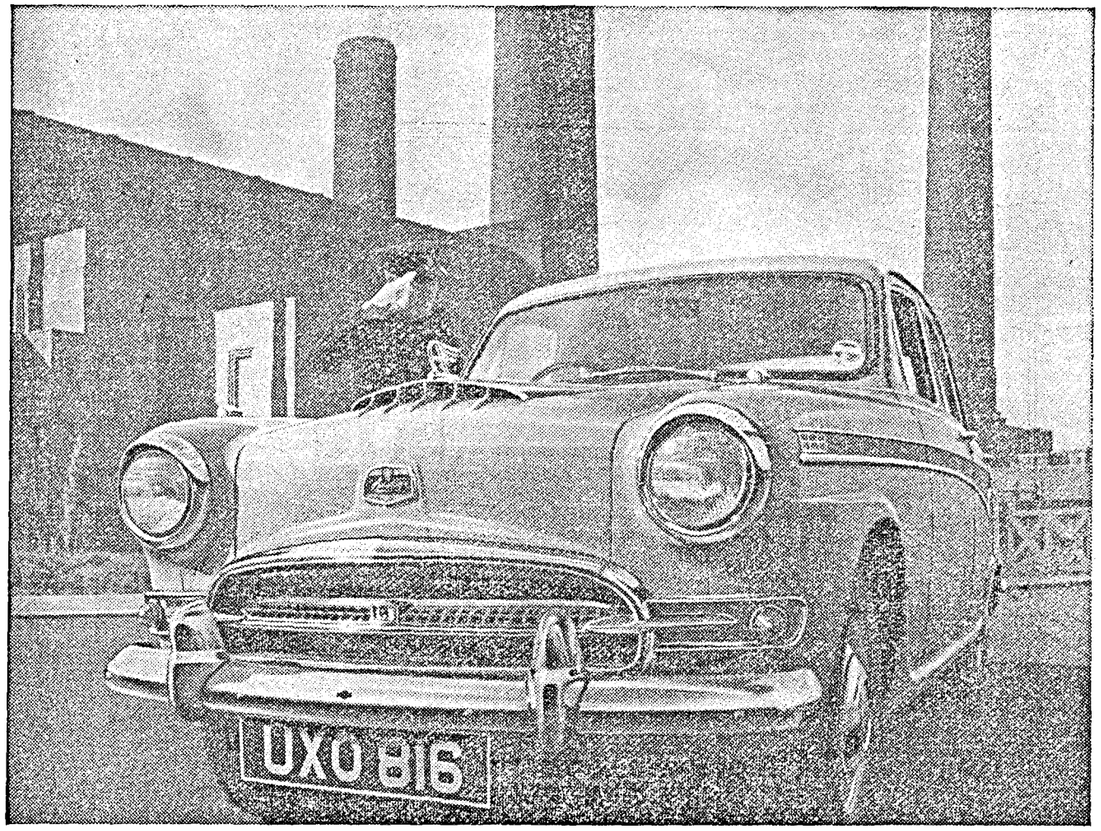
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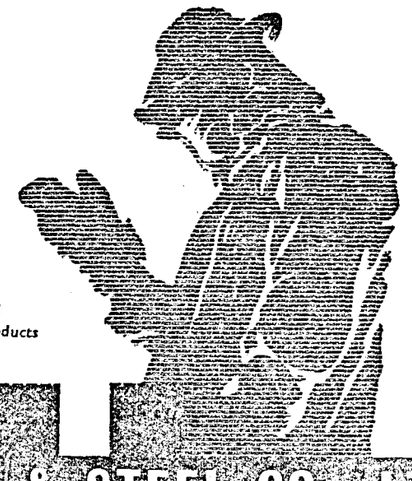
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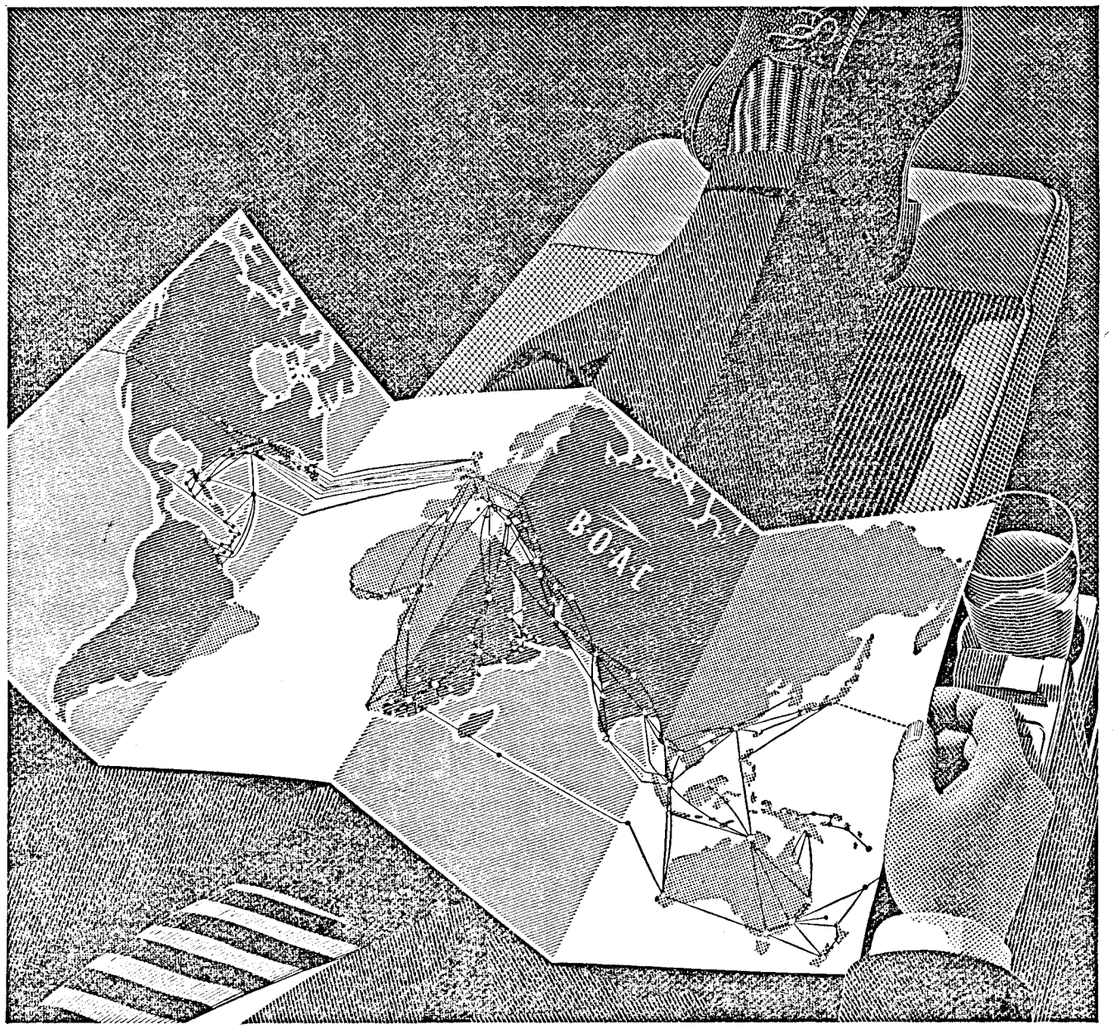
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The Economist

JANUARY 10, 1959

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Is Plenty Enough?

THE annual defence white paper is due next month; there has obviously been the usual round of argument about it. Questions are again being widely, and rightly, asked about the cost of the home-made as well as the imported British nuclear deterrent and the dent it makes in resources for other forces. For the past year Mr Sandys's argument has run like this :

> The nuclear deterrent—bombs and delivery—costs only 20 per cent of the defence budget; but half of this is for aircraft, radar, runways and suchlike which we must have anyway. The remaining 10 per cent would not buy us any *significant increase in non-nuclear strength*; *it does buy us a real deterrent.*

Will Mr Sandys repeat this argument in next month's white paper? If he does, he will have to prove it in more detail than he has provided hitherto. For the economics of defence have changed almost out of recognition since Britain first decided that it should produce its own H-bombs and rockets.

For some years there have been two schools of thought about the deterrent. One school, holding that "enough will be plenty," assumed that all one needed to do with nuclear weapons was to make them and then stockpile them. Once a country had made and stocked enough nuclear explosive to blast any potential enemy, resources could then be switched to helping to make good the West's inferiority to Russia and its satellites in other arms. This was the dominant feeling when Britain first began making nuclear warheads and missiles.

Unfortunately, it is now clear that the other school, which held that there was no foreseeable limit to expenditure on nuclear arms, is more likely to be right. This school points out that to possess enough warheads to destroy the enemy will be no deterrent at all if they can be blown up on the ground or intercepted in the air; with technological change so rapid, it will be imperative for any thermonuclear power to keep ahead in the race to build better missiles, space satellites and the other requisites of prompt and accurate delivery. To maintain the deterrent you must, like the Red Queen, run ever faster to keep in the same place.

The forward prospect, as these experts see it, is :

(i) Foreseeable developments in atomic anti-aircraft missiles will presently make it impossible for any manned bombers, or even missiles of the air-breathing type, such as Snark or Matador, to pierce the defences.

(ii) When this happens, the land-based deterrent will depend wholly on Thors (intermediate range ballistic missiles, based in Britain) and Atlases (intercontinental ballistic missiles, based in America). The problem of intercepting these is much harder, but it is necessary to pour out money and effort to try and solve it, because whoever solved it first would have the world at his mercy.

(iii) Just because this is a hard problem, it will put a premium on "Pearl Harbour" tactics to knock out opposing missiles before they leave the

ground. To counter this it is necessary to have in quantity missiles which can be fired from underground or undersea.

To accept this last argument is to open up a vista of massively expensive new weapons. An Atlas costs £5 million per missile. Atomic submarines capable of carrying Polaris missiles are likely to cost at least £25 million or £30 million each. They are not likely to be ready in quantity before 1970. When they are ready, each of them (on present specifications) will fire only sixteen missiles ; the West would need a large fleet all round Russia before naval nuclear warfare became more than a small auxiliary to the land-based deterrent.

To keep up with the nuclear Joneses on the scale thus envisaged would plainly beggar any middle-sized power ; indeed it may end by beggaring the Joneses themselves. But is it possible, or sensible, to be a "nuclear power" without going in for everything? The familiar argument against Mr Sandys's policy of making Britain an H-bomb and rocket-producing (as distinct from merely an American rocket base) power has been that it may compel Britain so to economise on its brush-fire forces that it cannot play an effectual and independent part in a world of peripheral skirmishes and cold war. Is this argument now reinforced by a new argument : that any such bargain-basement nuclear deterrent as we could hope to produce and mount in this country will be minimally effective for only a very short period anyway ?

THAT is the main new problem to be faced in considering this year's defence white paper. One should begin by leaning over backwards to be fair to Mr Sandys. Some day the prospect of any Armageddon being fought between missiles and anti-missiles somewhere in inner space may make sixty Thor IRBMs along the Norfolk coast like scrap. But for the time being the Thors, of which a squadron will be deployed in Britain this year, cannot be intercepted—once they are off the ground ; and their successors, the British modification of the Thors, to be called the Blue Streaks, will also come into operational use long before interception is likely to be practicable. (In addition, they will be less vulnerable to surprise attack.) Whatever the inner diplomacy behind Britain's original decision to produce its own H-bomb, the Government's promise to go ahead with developing Blue Streak is now formally an eagerly accepted British obligation under the Anglo-American alliance. It was a guarantee against the possible failure of the American programme to develop the Atlas, or against delays in that programme. The effectiveness of Blue Streak as a weapon will probably last to the early 1970s. Up to then, it looks as if Britain will be making a tangible contribution to the West's deterrent, costly as it may be.

So much for one argument about the "ineffectiveness" of Britain's own production of H-bombs and rockets. But the second argument which thoughtful critics deploy against Mr Sandys surely has much greater force. It is really very doubtful whether Britain's own H-bombs and rockets will ever constitute an "independent deterrent" of our own. It is only possible to conceive of them having to be used "independently" in circumstances in which the United States had decided to leave Britain to its fate, and Russia was making demands which Britain felt it necessary to resist even to the extent of threatening a third world war. It might be wrong to suggest that in no circumstances would the British—or any other minor nuclear power—stage an atomic Thermopylae ; but it would be hard to convince the Russians that they would do so without American support, and on that degree of credibility much of the deterrent depends. The first and last line of Britain's defence, in fact, is the trans-atlantic alliance. In this as in so much else, the American partnership has to be axiomatic.

If a military argument is to be found for Britain undertaking independent production of rockets, the best one is that the arms race threatens to go to such lengths that the entire scientific resources of the West will be needed to sustain it, not just the American. America needs Europe, just as Europe needs America. It can be argued that recognition of this was implicit in the "open door" agreement reached between Britain and America last year. On that argument, surely, a formula for Britain's proper level of nuclear spending emerges for this year's white paper. Logic suggests that this expenditure should be kept to (or cut to) the level at which it is agreed with the Americans that it does contribute usefully to (or fill gaps in) the deterrent mounted by them.

IT is hard to believe that this cost ought now to be allowed to rise much above the £150 million or so in this year's defence budget. At some stage it ought to be possible to say thus far and no further. For example, if Britain mounts an underground Blue Streak it would probably be wrong to go on to the further immense cost of submarine Polaris missiles ; it would probably also be wrong to try for an independent anti-missile missile as well. At a certain stage, the British nuclear budget should flatten out, even though (failing general disarmament) the American may still ascend.

As a direct corollary, the current level of British spending on non-nuclear forces and their equipment would have to be maintained, indeed probably increased. This equipment is bound to be costly. Non-nuclear musketry does not stay still. Large bills impend for air transport to make small forces mobile, for the new Canberra replacement, and probably for some nuclear submarines to handle the anti-submarine role. Even a minor bad investment in the nuclear field reacts disproportionately on these cold war and limited war forces. They can never have plenty. The first requirement of British defence policy, much more important than dreams of being an independent nuclear power, is that they should have enough.

17259

Generals Sink in the West

While in some Asian and African states "strong men" are setting aside the constitution, in Latin America the military caudillos have been discarded one by one

THE new temper of Latin American politics has received miserly notice in other countries. The swing against parliaments and personal liberties in half a dozen newly independent nations of Asia and Africa has inspired much gloomy comment, but the broadly heartening contrary movement in the New World has gone largely unobserved. The rebel victory in Cuba that filled the newspapers last week was only the latest Latin American manifestation of an explosive pressure for more political freedom. Since General Perón was thrown out of Argentina in September, 1955, all but three of the dictators who once bestraddled the continent have been swept away—and the three survivors rule only in poor and petty fiefs. And, whatever the immediate personal motives of some of the new victors, at the back of many of their minds is the same reforming zeal that inspired Bolívar, Santander, San Martín, and other founding fathers of the Latin-American republics.

The political leaders of the 20 Asian and African states now freed from foreign tutelage have usually chosen, in the first instance, to maintain the parliamentary forms they already knew. But this transplantation of western methods has not always been successful—forms have been too far removed from realities. In Pakistan and the Sudan (as, earlier, in Egypt), military strong men have now displaced constitutional government ; parliamentary methods have been threatened in Ceylon, Lebanon and Ghana, overridden, at least for a time, in Burma, and reduced to something like irrelevance in Indonesia ; and in the Indo-Chinese states and Korea the primacy of parliament has never really taken hold. But while the generals' stars have been rising in the East, the Latin Americans have been rapidly discarding their "strong men."

THERE is no stereotype for the now vanishing Latin American caudillo of the early twentieth century —except that he has nearly always been a self-appointed general. He has been ultra-conservative, demagogically radical, or firmly middle-of-the-road. Sometimes he has been warmly welcomed as the saviour with the sword ; General Rojas Pinilla, for instance, was thus hailed in 1953 when he first took control of a Colombia then being torn in half by battling political factions. Often he has manipulated the constitution instead of discarding it ; General Pérez Jiménez in 1952 held elections in Venezuela, though without any intention of paying heed to the result if it went against him (as it did). In some cases, like General Batista, he has been content to operate much of the time through hand-picked nominees while refreshing himself in the background.

General Batista's career is an epitome of the whole period. As leader of the Cuban "sergeants' revolt," he ousted a corrupt and unpopular regime in 1933, ruled throughout the next decade either as president or as the real power behind the throne, and then withdrew, between 1944 and 1952, into voluntary but threatening exile. In the unrigged 1952 elections, he stood for president (inspired, perhaps, by the successes of the "strong men" of Chile and Brazil, Ibáñez and Vargas, in returning to office by the constitutional methods they had formerly scorned) ; but when he saw that the vote would go against him, he at once seized power by a military coup. Before his downfall last week, he was once again preparing to withdraw behind the limelight. Like General Perón, he began his career as the working man's champion ; but while Perón kept most of the workers on his side to the end—nearly ruining Argentina's economy in the process—Batista eventually became more concerned to maintain himself in power and his associates in luxury than to retain popular support, and it was a popular movement that brought him down.

NOW only three dictators of the diehard type are left in obscure corners of Latin America: General Trujillo of the Dominican Republic ; General Stroessner of Paraguay ; and Luis Somoza of Nicaragua (technically not a member of the generals' club, since his brother, and not he, is in command of the armed forces). Generals Perón, Pérez Jiménez and Batista have piled up as refugees in Trujillo's tight little island haven ; Rojas Pinilla, too, has been swept away, and has failed in an attempted come-back ; the Peruvian dictator, General Odría, and General Ibáñez, former president of Chile, have read the signs and quietly allowed themselves to be constitutionally succeeded. Even in countries that were doing well economically, the dictators could not prevail against the pent-up anger of their restive peoples ; even in republics hard hit by recent falls in exports of primary products, there has been no revival of rule by "strong men" such as occurred in the slump of the 1930s.

In most cases this general revulsion against the caudillos could not have got far without backing from the armed forces. True, there are still many officers who distrust not only leftists but all civilian

politicians, and are ready to pounce at the first sign of disorder. But the army, which used to supply most of the dictators, is now producing a new kind of officer attuned to the more liberal impulses of the time, and seemingly as determined as the politicians—sometimes even more so—to make parliamentary methods succeed.

In Brazil the armed forces eased out Vargas at the end of the world war. In Colombia, they backed Rojas when he was putting an end to civil strife, but fell away from him when he sought to perpetuate his power. General Aramburu, who was head of state for most of the transitional period between Perón's departure and Señor Frondizi's election last spring, guided Argentina back to parliamentary ways on a tight and sometimes almost cruel rein. In Venezuela, Admiral Larrazábal put down three army diehards' revolts against his caretaker government last year, and, having nursed the country along to its first free elections in eleven years, accepted his own defeat at the polls with good grace. Not all Latin American officers by any means are so loyal to liberal forms of government; but today it is certainly misleading to regard the military and the civilian as two opposite camps.



The church has also veered in its loyalties. Until its quarrel with General Perón, the Catholic hierarchy had usually put its weight behind the "strong man," mainly on the pretext that Rome's worst enemy, communism, must be suppressed at all costs. But whether from change of heart or from political prescience, the church has now come down on the side of the democratic counter-revolutions. In Colombia, where the church has particular influence, Cardinal Luque's decision to back the civilian parties played a decisive part in the overthrow of General Rojas. In Venezuela, the public criticism by the Archbishop of Caracas of General Pérez Jiménez for misspending public money helped to galvanise the rebels' "patriotic junta" into action; and in the last year, the Cuban church has supported Señor Castro's now victorious uprising.

So popular opinion, backed by the church and by elements in the armed forces, has overturned the dictators. But, once in power, the new revolutionary or elected governments inherit both the troubles of the old regimes and troubles of their own. It is not easy to reconstruct the whole life of a country which, like Argentina, had been pressed into a totalitarian mould for a full decade; no European nation has had to tackle such a job unaided. And Latin American political "parties" have too often been no more than personal followings of rival groups of landowners or industrialists.

Now the younger, and more genuinely representative, parties are only with difficulty finding their way through the post-revolutionary maze. In particular, the Intransigent Radical party is finding it hard to get Argentina out of its economic tangle. And the new regimes are too inclined to lay all their troubles at the door of the old dictatorships, much as the dictators blamed communism. In fact, communism has never yet been a really serious danger in Latin America. Recent elections, indeed, have mostly shown a marked swing towards the right; the electorate in Brazil, Chile, Costa Rica and most notably in Uruguay—apparently disillusioned with left-wing experiments, promises, and extravagances—has tended to favour the right-of-centre parties.

In the past the bogey of communism often brought the dictators the support not only of the less authoritarian Right and of the church but also, at certain times and places, of the United States. The conviction, held by most Latin American students, that the United States had been invariably sympathetic to the dictators, was forcibly demonstrated by the abuse and vegetables hurled at the unfortunate Mr Nixon in Caracas and elsewhere last spring. However naive their belief—and it is far from clear what exactly they thought Washington should have done, given the basic Pan-American code of non-intervention—it is obvious that foreign business interests, whether American or European, find it easier to deal with a stable regime; and for a time the old order undoubtedly gave the appearance of stability in many of the republics. But both in the United States and in Britain, there has been a reluctance to recognise the changing trends that have recently made these regimes the least stable of all. The show of ignorance about the Cuban revolution displayed by British ministers emphasises how slowly, if at all, London has learnt the lesson that Latin American dictators have apparently had their day.

Informal and Compelled

The new Mental Health Bill deserves a general welcome, but some details need scrutiny

THE main and welcome purpose of the new Mental Health Bill, although no-one would think so merely from reading it, is to assimilate the care and treatment of the mentally ill with the other health and welfare services. At present, by law and by administration, the mentally ill and defective are in a class apart. They cannot, most of them, obtain treatment without going through a formal legal procedure. The hospitals they enter are "designated" by law to receive them and still carry some of the stigma associated with the word asylum. Some patients—though, for newly admitted ones, a small and decreasing minority—have to bear the additional stigma of certification, with all the loss of liberty and rights that it entails. It is the same sort of stigma as was formerly associated with the poor law; indeed, one of the original objects of the certification of the insane was to establish their eligibility to enter publicly provided institutions.

For some years, it is true, this legal and administrative system has been breaking up. With the big advances that have been made in methods of treatment, more patients have been able to get it informally in general hospitals. Moreover, as a result of the royal commission's report, published in May, 1957, mental defectives can enter institutions informally (without being certified) and some mental hospitals have been "dedesignating" parts of themselves so that they, too, can receive patients without the usual legal procedure.

Now, by the new bill, there is to be one code for the mentally ill and the mentally defective. More important, all legal distinctions between mental hospitals and institutions and general hospitals are to be swept away; and the mentally ill who seek treatment will be able to have it on the same terms as the physically ill—not by any positive assertion in the bill itself, but simply (clause 1) by virtue of the repeal of the Lunacy and Mental Treatment Acts and of the Mental Deficiency Acts, and through a funnily negative little clause, which begins

> Nothing in this Act shall be construed as precluding the reception or treatment in any hospital or mental nursing home, without power of detention, of any person for whose reception arrangements are made otherwise than . . .

Clearly, the sheer pressure of numbers will prevent most of the mentally ill from entering general hospitals for treatment. Gradually, these hospitals can be expected to add psychiatric wards to their existing facilities. But most mental hospitals were built with the Victorian determination that they should last, and it will be many years before their accommodation can be dispensed with in favour of less grim and remote buildings. In the meantime, the symbolic unlocking of the gates provided by this bill, together with the actual unlocking of wards that has already taken place on a large scale, should help to dispel some of the reluctance to enter. It is, however, a pity that the dissolution of the Board of Control will put an end to the statutory visits of its inspectors, who are often the means of spreading new ideas from one hospital to another.

At the moment, mental hospitals provide almost the sole accommodation for patients that have ceased to need treatment but are not well enough to live independently outside and have no families who are able, or willing, to take them. The second main positive purpose of the Mental Health Bill is to encourage patients back into the community by enabling them to live in hostels and residential homes provided by the local authority. Some of these hostels will be specially provided under the national health service. In other cases, the mentally disordered can be housed in an authority's welfare home for the physically infirm and disabled; and some of the mentally disordered children can be placed in homes set up under the Children Act. Few of these powers will be new, and—a big obstacle—their use will depend on the money being available; but the bill makes it clear that the provision of community care for the mentally disordered is to be integrated with the ordinary social services. Further, it lays down a more humane and considerate procedure for giving care and training to mentally defective children.

THE bill recognises, as did the royal commission before it, that however good the facilities for care and treatment are, there will still be some patients who will refuse it and who should be compelled to undergo it in their own interests or for the protection of others. Their numbers, when the bill becomes law, should be fewer than the present number of certified patients, because under the existing procedure a person has to be certified if he is unable to express his willingness to enter hospital voluntarily—unless he can be brought within the limited category of a "temporary" patient. Under the new bill the only people who will be compelled will be those who positively object to receiving treatment. Of about 90,000 admissions to mental hospitals each year, probably not more than 2 to 3 per cent will now be subject to compulsion.

Yet the procedure for compulsory treatment laid down in the bill makes up its biggest single part, and is likely to provoke most discussion in and out of Parliament—rightly so, since the issue of individual liberty is involved. The bill's proposals broadly follow the recommendations of the royal commission. They lay down the classes of people that can be compelled and the reasons; abolish the judicial order that is the essence of certification and substitute for it the recommendation of two doctors; and (in the place of the Board of Control) establish independent mental health review tribunals, with legal, medical and lay members,

to whom the compelled can apply periodically to have their case reconsidered.

Some objection will probably be expressed to the removal of the lay opinion that now exists in the magistrate's agreement to certification ; but it can be argued that he usually accepts the medical opinion in any case and that a better safeguard is provided by the need for two independent medical opinions, one of which is to be given, where practicable, by a patient's family doctor. What can be much more reasonably objected to is the provision in the bill that one of the doctors can be on the staff of the hospital to which the patient will ordinarily be admitted ; many doctors will prefer not to compel patients into their own hospitals.

Not that it will be certain, in every case, to which hospital a compelled patient will go. For, in accordance with another of the royal commission's recommendations, a hospital will be authorised to admit and detain a compelled patient but will not be obliged to do so, whereas at present a hospital serving the area in which a certified patient lives has to take him. The motive behind the removal of this obligation is the laudable one of making the mental hospitals more like general hospitals. The danger is that there will arise a class of unpopular patients whom hospitals will find good reason not to accept. If the bill goes through as it stands, there will have to be an administrative refereeing system such as exists for finding beds for the chronic sick in general hospitals.

The royal commission proposed that there should be three groups to whom compulsion should be applied : the mentally ill, now covered by the Lunacy Acts ; the severely sub-normal, classified as idiots and imbeciles under the Mental Deficiency Acts ; and psychopaths, with whom it included higher-grade defectives. The bill distinguishes the latter (whom it calls the "subnormal") from the psychopaths, and, as the commission suggested, allows compulsion to be applied to both groups only if the patients concerned are under 21—and therefore supposedly more treatable. The question is whether psychopaths should be made into a special group at all for compulsory treatment, or whether, as at present, they should be compulsorily detained in hospital, whatever their age, if their behaviour is such as to enable them to be brought somehow within the category of the mentally ill.

The question is likely to be exhaustively debated before the bill becomes law. Psychopaths are few in number—there are perhaps half a dozen among every thousand patients in a mental hospital. But with their frequent suicidal gestures and their violence, they have a nuisance value out of all proportion to their numbers. They are certified now as a last resort—to save them from themselves and to protect others from them. By restricting the use of compulsion to adolescent psychopaths, the new bill should reduce the numbers that are medically compelled. But this may merely mean that more of the older ones will find their way into hospital by another door—by direct committal from a court or by transfer from prison.

No answer has yet been found to the problem of how to treat people who are not mentally ill but whose behaviour is completely anti-social and irresponsible without necessarily—or as yet—being criminal. Probably it will have to await the setting up of more special institutions for them. In the meantime, it is to be hoped that the nuisance value of these people will not spill over into all the discussions on this bill and obscure the very real progress it marks in the treatment of the mentally disordered. One royal commission at least has seen its labours come to fruit in good time.

Set the People Free

There is need for a mid-twentieth century manifesto to free Britons from governessy legislation

EVEN the outside possibility of Sir Alan Herbert winning Harrow East, so that once more there would be an Independent in the House of Commons, is enough to make the New Year imagination leap to (doubtless excessively euphoric) thoughts of turning Britain into a freer and more mature society. While the political parties enforce discipline, fight elections and consume much of Parliament's time over minor questions of who should own the steel industry and how many subsidies there should be in an omelette, the problems of manners and morals, by which a society's degree of civilisation can be assessed, are "issues of conscience" which embarrassed parties are reluctant to see treated as issues at all.

Attitudes to these two types of issues are often wildly incongruous. A left-wing politician like Mr Sydney Silverman fights uncompromisingly for personal freedom of choice on moral issues and advanced humanitarianism on penological ones, while as a member of the "Victory for Socialism" group he endorses the aggrandisement of the state on the industrial and economic fronts. The bulk of the Tories, favouring a "dash for freedom" in economic affairs, cling to governessy statutes when it comes to regulation of personal conduct.

Sir Alan's own political commitments are contained in the boisterous manifesto which he has put on sale in order to finance his campaign. In true independent spirit it follows no party line—not even a liberal line since it favours the return of the birch. But while a few of his individual proposals can and will be challenged on liberal grounds, the fact that, for the most part, he is bringing issues that really matter into the political arena by presuming to fight an election about them in a reforming spirit is deserving of the warmest support. Now is the time for all good East Harrovians to come to the aid of no party.

Meanwhile Sir Alan's public spirited effort should be an inspiration to other nonconformists to produce their own suggestions for a mid-twentieth century manifesto that would help set Britain free from its archaic inheritances from medieval theology and from succeeding centuries of fussy English men and women who "thought there ought to be a law" against this or that contemporary scandal—and had their way.

FOR a start any society which considers itself liberal must face up to two fundamental decisions about the purpose of Parliament and the proper function of politicians. The relevance of both was suggested by the recent debate on the Wolfenden report. First, granted that political leaders cannot afford to be so far ahead of their troops that they vanish entirely out of sight, it is also profoundly true, as the Rev. Llywelyn Williams pleaded most movingly towards the end of that debate, that "We who legislate in this House should not be too timorous . . . because public opinion may be lagging behind. In a sense we are the creators of public opinion. Certainly someone must give a lead in these matters." The second argument that must be outfaced is that in taking a step such as the repeal of the Labouchere amendment (which made homosexual offences in private between consenting adults a crime), the House of Commons is in the public eye condoning an undesirable practice by the act of ceasing to make it illegal. In using this argument as the principal one which weighed with him against the compelling practical and humanitarian case for accepting the Wolfenden proposals on homosexuality, Mr Butler was travelling along the Home Office's deepest worn groove. But in doing so he was raising questions that have to be answered. Are we living in an adult society or are we not ? Have political leaders got tongues in their heads with which they can explain what they are doing to their constituents or have they not ? Does Mr Butler really want us to accept the profoundly despairing view of our society which replying No to these questions would confess ?

The usual reaction to any proposal to liberalise long-existing law is the listing of a great many hypothetical dangers. The main test of whether one is a conservative or a liberal, at the right or left of the freedom spectrum, is how one reacts to such arguments. In general the right liberal approach (except in a rigorously reduced minority of cases where disastrous consequences seem virtually certain) is to make the maximum concession to freedom, and then simply sit back and see if any of the snags turn out to be real. Then specific legislation, involving the minimum interference, should be directed at eliminating these and these alone.

With these principles in mind the following is a first short-list of desirable reforms which is offered for inclusion in any independent candidate's manifesto:

1. **Lord's Day Observance.** This should be left to the churches and the efforts of private societies. The whole absurd legal structure (which for instance permits a live television play but not a live theatre performance on Sundays) should be brought tumbling down. In most occupations the unions are strong enough to protect any workers who might otherwise be exploited. If there prove to be in practice some exceptional cases which require special provision, a very limited law (of limited duration) should be passed.

2. **Drink Licensing.** The elaborate restrictions on the licensing of pubs should be abandoned to enable them to compete on even terms with the clubs that are proliferating in the big cities. There should still be a few limitations, probably in the total number of opening hours and perhaps on a closing time, though this should certainly be at least an hour later than at present.

3. **Homosexuals.** The Labouchere amendment should be repealed, as the Wolfenden Committee proposed, and the other changes in laws affecting homosexuality which it suggested should be enacted.

4. **Gambling Laws.** Betting shops should be licensed, so as to do away with the anomaly (which is almost a form of class distinction) by which anyone with a credit account with a bookmaker can place a bet legally over a telephone, while the law is broken every time anyone places an off-course bet by cash.

5. **Literature.** The Obscene Publications bill should be enacted in the form that the Select Committee of the House suggested (and which largely originated with Sir Alan Herbert) and the Lord Chamberlain's control over the theatre abolished (which Sir Alan might oppose).

6. **Aliens Laws.** These should be drastically liberalised.

The Economist

JANUARY 8, 1859

LET THE PEOPLE STALK

"No one who knows Mr Bright, or who has watched his public career, can doubt either his honesty of purpose or the earnestness of his convictions. . . . In the early part of the Corn Law struggle . . . Mr Bright was an earnest defender of the rights of the people—an efficient denouncer of a selfish and mistaken policy ; but he was a bad political economist. In his reform movement he is falling into exactly the same errors, and with much less excuse. . . . Mr Bright calls it a *sinful* application of Highland moors to devote them to grouse and deer. So long as the Legislature confined this country by statute to our own soil for the supply of food, there was a fair pretence for requiring that no portion of it should be applied to any objects of secondary importance. But now that we have free access to the soil of the world, every sound principle dictates that land at home should be turned to that purpose for which it is best adapted, for which the greatest demand will give the highest profit. It is the whole case of the Free-traders. They said truly, do not compel us by restrictive laws to cultivate wild wastes, suited only for hunting-grounds, while we can bring grain at half the cost from Ohio or Chicago. Well, if the Highland estates are more than ever turned into grouse preserves and deer forests, is not the reason plain to Mr Bright as it is to others ? Does Mr Bright believe that Highland proprietors would let their estates for those purposes, if they could derive more profit in any other way ? By free trade we can bring wool and cattle and corn from any part of the world. We cannot bring game preserves. But there is a demand for grouse moors and deer forests. It may be that it is a mere fashion, but even if so, there is no reason why it should not, like a fashion for claret, or old port, or madeira, be supplied.

In this age of diminishing sovereignty, it should be made clear that foreigners are welcome to learn what they may of the British way of life at first hand and as nearly as possible under the same conditions as the British. This implies abandonment by the Ministry of Labour of the regulations preventing most foreign visitors from taking a job. It should be accepted that there is a positive public advantage to be gained in accommodating foreigners, particularly young people without full means of support but who are willing to turn their hand to whatever is available to gain some knowledge of Britain.

If this results in a flood of immigrants whom it is impossible to absorb the Government should intervene only as a last resort and then if possible by diplomatic arrangement with the countries from whom the excessive immigrants are coming. Real undesirables should, of course, still be deportable, but subject to proper appeals.

7. **Abortion.** At present this is illegal except where doctors can show that failure to carry out an operation would endanger a mother's life or health. The legal barrier should be removed and the matter left absolutely at the doctor's discretion, although, except where there are strong therapeutic reasons for the operation, efforts should be made by welfare workers to dissuade the mother from it.

These are a few candidates for the list. Other suggestions should be pressed on the Government. One whole field that deserves separate examination is that of the royal prerogative. There is, in fact, far too much prerogative still with us, but since the discretion of princes has under the modern constitutional dispensation become the convenience of politicians and civil servants, spasmodic attempts to re-open sectors of the uncompleted battle between Commons and Crown have usually been successfully ruled out of order in the House. (The recent *Auten* case, involving the claim of "Crown Privilege" to enable the Government to withhold documents that are important to a private litigant, uncovered one example of still untamed prerogative. There are many others.) In addition, although the British police are (quite genuinely) the best in the world, there is a case for a new enquiry into their powers over the ordinary public—and the powers sometimes assumed by people outside the police force who think they are entitled to enforce by-laws.

In a rather different category are two reforms, previously advocated by *The Economist*, which would fortify the civic freedom of voter and worker. These are (a) the electoral system of the "alternative vote," which would give the voter a better chance, though admittedly not as good a chance as under full proportional representation, to see that his vote counts in keeping out the candidate he most dislikes; and (b) a Companies Act for trade unions, which would confine the special legal exemptions of unions to those which satisfied the Registrar of Friendly Societies that they possessed and were practising proper arrangements to ensure fair internal elections, and a full procedure of appeal, before a member could be expelled and thus put in peril of losing his livelihood.

Let the list lengthen. Britons are not as free as they think.

NOTES OF THE WEEK

FRANCE

Paper Revolution

GENERAL DE GAULLE'S rule by decree has made France's *Journal Officiel* a bulky publication for some weeks past. As cabinet meeting followed cabinet meeting—and the general kept up the pace to the end before moving into the Elysée palace on Thursday—Frenchmen have turned with trepidation or anticipation, or merely a sigh at the mass of material to be digested, to the announcements and regulations that have changed institutions, policies, even a whole way of bureaucratic life, at one reforming stroke. Education, justice, social services, defence, a new penal code, administrative reorganisation, and the full impact of the general's financial and economic gospel of austerity all appear in bulging issues of the *Journal*.

The overhaul of French institutions is drastic, and has been badly needed. It is too early even to guess at how some of the changes will work out. The school-leaving age is to be raised to 16 from 1967. Criminal juries will have nine members instead of seven. The succession of political authority in a nuclear war is arranged. The idea of an urban district is introduced to local government. Social security payments are regulated, labour's share in management encouraged, and the decentralisation of Les Halles—Paris's antiquated food market—approved in principle. Changes that the deputies would have debated interminably have been put through without drawing breath.

This reforming spirit was not enough to persuade M. Mollet to remain in the government after the general handed over the reins to M. Debré (the new premier's personality and prospects are described on page 134). M. Mollet's resignation and that of a second socialist minister, M. Thomas (who had actually refused to sign the order raising charges in his own Post Office department), are now known to have been submitted on December 27th, after the budget decisions. Thus the party that, on its electoral posters in November, called itself "the advance-guard of the Fifth Republic" now goes into opposition.

UNITED ARAB REPUBLIC

Black to Mate

WINTER visitors are no novelty in Cairo. In the past, thousands of tourists seeking refuge from less amiable climates found the winter sun and a bit of antique culture along the banks of the Nile. This season the Egyptians are entertaining an array of visitors as varied, if not quite so numerous, as the tourists once were. In one day this week there was a round of talks between United Arab Republic officials and the prime minister of Italy, the prime minister of east Germany, the secretary-general of the United Nations, the UN truce supervisor, and Mr Eugene Black, president of the World Bank.

While Mr Black discussed with Dr Abdul Moneim el-Kaisouni, the UAR minister of economics, the settlement of outstanding Anglo-Egyptian financial disagreements, the most encouraging feature of a week of feverish activity and cautious public statements was the optimism of the controlled Cairo press. Never before during the seemingly endless Anglo-Egyptian financial negotiations had the Cairo newspapers regarded settlement as possible or even desirable. Perhaps the change in attitude is a result of communist scares in Iraq and Syria—but these same newspapers now claim to have discovered that the friendly Soviet Union is embarrassed by the activities of Arab communists against Arab unity and nationalism. Perhaps the Egyptians have discovered that in dealing with the neutral Mr Black they cannot hope, once they have agreed on everything else, to draw forth from their dispatch cases some claim unrelated to the general settlement.

On Thursday afternoon the Egyptians were apparently counting on the early arrival of British representations for direct talks. This implied that a settlement was already at hand. If it is reached, the Egyptians will doubtless claim that they have won a great victory. That will not necessarily mean that Britain has suffered a defeat.

ELECTION DATE

Riddle of the Sphinx

IT is generally assumed that the Prime Minister will have had one main political thing on his mind during his short and interrupted rest at his Sussex home: when to call the next general election. There are at present five by-elections outstanding, and it seems probable that the Conservatives will call three of them before February 15th. If these show a definite swing to the Government compared with the (for the Government) rather disappointing by-elections just before the Christmas recess, then almost all Tories will expect a general election in May. But if they do not show such a definite trend (and the appearance of a Liberal at Southend and of Sir Alan Herbert at Harrow is going to complicate reading of the omens), then heart-searchings at all levels of the Tory hierarchy are to be expected.

Many Government supporters probably agree that the convertibility of sterling now makes it rather less desirable to hold an election in the autumn, at the period of sterling's normal seasonal strain. It has only recently been generally realised that the schedule for the Queen's visit to Ghana may make the previous favourite date for an autumn election—in the second half of October or the first half of November—unfeasible anyway. On to these considerations, however, there has now been imposed the major additional factor (discussed on page 150) that Britain's small recession may be ending earlier than expected, that the economy may be already on the turn. Previously it had been supposed that an early turn in the economy might lead to an early election. Instead, it could be an influence the other way. The Tories are already rather more happily convinced than they were even three weeks ago that 1959 should be the year of the harvest after Mr Thorneycroft's and Mr Amory's hard ploughing; if the by-elections in the next few weeks do not show a swing in their favour, they may be more inclined than ever to want to delay the general election until after that economic harvest has been collected. Nor are the Conservatives unduly impressed by the argument that an election could not be held after mid-November, because of the risk of voters being fogbound on election day. In the present state of party organisations, bad weather on polling day would probably hurt Labour more than the Tories.

Some excitement has been caused this week by Sir Winston Churchill's remarks to members of his constituency association at Woodford; he told them that they must organise themselves for a general election "some time this year or next," but that he was personally "rather doubtful whether it is going to be so swift and sudden as is made out." But a local factor may have played a larger part than foreknowledge in this Churchillian utterance. Some of that audience at Woodford, worried at the rush to which they would be put if they had to find a new candidate in time for a May election, may have wanted Sir Winston to indicate to them for certain whether he is going to stand as their MP again. Sir Winston, it appears, was gently telling them that they must wait and see.

PAST THE MOON

"Planet Ten"

THE world heard of Russia's "cosmic rocket . . . launched toward the moon" early on the morning of January 3rd. By then the Soviet scientists already knew that it would escape the earth's pull, but they remained cagey about what exactly it was meant to do. "Shoot first and answer questions afterwards" is still the custom in Moscow. The rocket settled the issue by skirting the moon at a close distance of 4,600 miles and going into orbit round the sun. It thus becomes, its admirers say, "Planet Ten" although, with its sodium flare exhausted and its radio batteries dead, it is now as useless to man as any other asteroid. The Soviet rocketeers have proved their ability to send up a final stage missile of a weight and speed well above anything the Americans have achieved, and with a disturbing accuracy of aim (an engineering success that is examined on page 159). Had they been thinking seriously of orbiting round the sun, however, they would presumably have equipped the rocket with solar batteries.

In propaganda terms the launching was acutely timed. "Planet Ten" has been dedicated to the twenty-first party congress that opens later this month, and represented as a symbolic triumph of "the creative toil of the whole Soviet people." But seemingly most important of all in the Russians' eyes is the fact that they are still keeping in front in the space race. The gap that the Americans narrowed by launching their heavy Atlas satellite in December yawns widely again. But American reaction has been calmer, and more sporting, this time than when Sputnik I appeared in October, 1957. There were, of course, congressional calls for two more shots at the moon right away. But until the Russians show that they have solved the very different problem of re-entry, the Pentagon can still claim to be close to parity in the development of intercontinental missiles.

By avoiding a direct hit—as American rocketeers mean to do until more is known about the moon's dust—the Russians spared everyone a tricky problem in space law. The Lunik apparently carried pennants with the Soviet coat of arms and a suitable inscription. Had it landed, would it—by planting, or at least embedding, the flag—have constituted a claim to possession? It seems unlikely; Amundsen did not claim the South Pole for Norway—though how else did Britain take over Rockall in 1955? A United Nations committee on the uses of outer space was formed in November to look into this sort of question. But its batteries, too, seem to have gone dead.

CUBA

Hindsight Wisdom

WHATEVER comes next, this week has been Señor Fidel Castro's triumph. For twenty-four hours Cuba had two provisional presidents; then the revolutionary forces and their nominee, Dr Urrutia, took over. The youthful Señor Castro has marched across the island in a blaze of glory; he now has the chance of using his personal popularity to impose some kind of unity on his distracted country.

Wise after the event, the British Government must be regretting the aircraft and tanks it allowed General Batista to buy; it has hurried to try to make things up by quickly recognising the new government in Havana. But the problem is not quite as simply black and white as, say, Mr Graham Greene makes it. Britain is an arms exporting country. There are two possible criteria for forbidding the sale of arms to another state: either moral disapproval of the way in which they are likely to be used, or a shrewd calculation that the customer is riding a losing horse. The moral argument can be disputed to and fro: apart from the Nato allies, how many countries can be safely assumed to use any weapons sold to them only in ways acceptable to British opinion? And as for the practical argument, it would have needed considerable acumen to have foreseen the rebel victory at the time when the orders were placed in the early summer.

After that point, however, there was a sad miscalculation both about the situation in Cuba and about the likely indignation there and in this country. Mr Delargy first raised a question about the arms in the Commons on November 19th, and Mr Selwyn Lloyd then admitted that "the situation has rather changed since these orders were given"; but nothing was done to stop the arms going until Mr Delargy spoke out again on December 15th, when it was already much too late for the subsequent ban to be of any political use. It has all made Whitehall look pretty silly, and it will scarcely help to get Britain's relations with the victorious regime in Havana off to a good start.

TEACHERS' PAY

Out in the Cold

THE refusal of the Minister of Education to intervene in the deadlock over the teachers' pay demands puts the National Union of Teachers in so difficult a position that it is almost impossible not to feel sorry for them—or at least for the moderates among their leaders. Mr. Lloyd has in effect told the NUT to go back to the main Burnham committee and restart talks with the local authorities. The difficulty here is that Sir Ronald Gould, after his union had declared that the recommendation of the main committee for a 5 per cent increase was not enough, exerted all his very considerable negotiating talents to induce the authorities' side to reopen discussions on the two issues in which he is most interested, and the authorities flatly refused to do so. Although the authorities agree that the 5 per cent increase should be regarded as only an interim one, they declined to bind themselves in advance to a further pay increase when negotiations for a new salary scale start, and also refused to advance to an earlier date than April, 1960, the time when the new scale, if agreed, will start.

All the NUT can think of now is to beg the minister to have second thoughts about not intervening. Would not the teachers be wise to have second thoughts of their own? The union's narrow card vote for rejection of the 5 per cent increase probably exaggerated the extent to which teachers as a whole opposed the recommendation; the people who turn up to cast card votes naturally include a more than average proportion of keenly militant types. The union is not, one suspects, in a really strong position to push matters to extremes. It might, for example, organise a teachers' boycott of the schools meals service, which would put the local authorities to some expense and annoy parents. But the local authorities would dislike negotiating under duress even more, especially as they have to consider the many other organised blackcoat professions whose members they employ, some of whom are at least as discontented with their pay as the teachers (and possibly with more reason). It is extremely doubtful whether such action would win public support for the teachers' claims for a quicker salary review (let alone a demand for a 25 per cent rise). And would the boycott—or any similar direct action—really be complete? The moderate teachers might well object to such action, and, if they refused to be carried along by the militants, would reveal disunity in the NUT. It is difficult to think that the position is worth such risks, when a 5 per cent increase can be had now and some well-publicised responsible leadership would almost certainly win another advance by April, 1960.

MALTA

Mr Mintoff's Dream Island

BOTH Mr Lennox-Boyd and Mr Mintoff have now put forward their plans for Malta's future. Mr Mintoff got in ahead, probably because he knew that the Colonial Office was about to announce its intentions, and he has done his best to make those intentions non-starters in competition with his own. These latter are imaginative—in most senses of that term, especially the pejorative one, Mr Mintoff has shrewdly accepted the point that an independent Malta would have to be neutralised and demilitarised, so that it would be unable to sell its naval nuisance value to anti-western powers. But he has put a price on this—an outright gift of £100 million to make Malta the Switzerland of the Mediterranean. Instead of exporting watches, it would export ship repairs, and tourists would flock to it because of its scenic attractions and (Mr Mintoff pretends to believe) because of its atmosphere of dedicated peace. In the same breath Mr Mintoff has done his best to frighten off the one firm that showed willingness to risk

Mosquitoes Traced by Radioactive Nectar

RITCHIE CALDER, the science writer, explains how atomic power is helping to open up the frozen wastes of the Arctic...

PEOPLE do not usually associate mosquitoes with the Frozen North, but Arctic Old Hands will tell a tenderfoot: 'Mosquitoes! They are so big we skewer them on spigots and roast them!'

That is an exaggeration, but they are certainly 'man-eaters'. Fortunately they do not, like the anopheles of the tropics, transmit malaria; but when the icebound swamps unfreeze in the Arctic summer they swarm in such vast numbers, and bite with such blood-thirsty persistence, that the settlers' lives become unbearable. Indeed, it can be said that the mosquitoes are a bigger obstacle to settlement and development of Arctic regions than the cold or the six-month long night.



RADIOACTIVE ISOTOPES

Something will have to be done about these hostile and voracious insects. Already scientists are hard at work studying their habits. Ingenious methods are being devised to keep track of the swarms, not the least of which enlists the help of nuclear energy.

It is known that the mosquitoes drink the nectar of the Arctic poppies (again, people do not usually associate flowers with the Frozen North) and the experts are feeding the poppies with an artificial fertiliser containing radioactive isotopes, which are, of course, by-products of the release of atomic energy.

In the Arctic poppy then, this radioactive fertiliser finds its way into the nectar. The mosquitoes sipping the nectar, pick up the radioactive elements. And from there on, they are marked. They carry in their bodies a 'radio transmitter' and the scientists can follow them wherever they go and so find out vital information concerning their habits — information that will lead to their effective control.

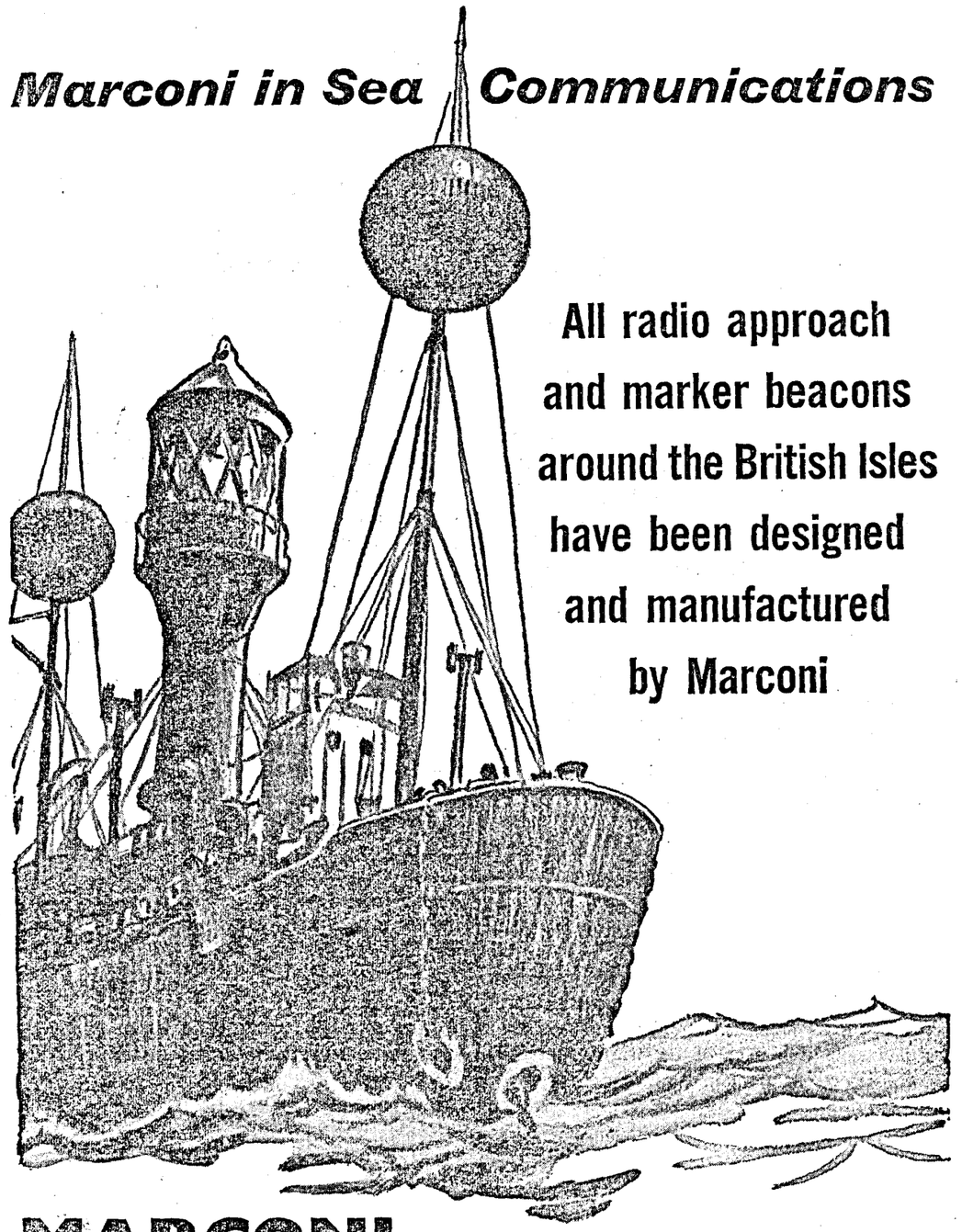
The end result of using this by-product of nuclear energy to plot the mosquitoes' activities will help to make the Frozen North a more comfortable place in which to live and work. And this, in turn, is an important factor in preparing the way for the time when atomic power itself releases the immense industrial resources of the Far North.



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capital in converting the dockyard for ship repair work, by telling it that if its operations failed to ensure full employment he would nationalise it without compensation.

This is not of course a plan: it is politics. Mr Mintoff wants to frighten off British private enterprise because he wants Malta's bread-and-butter to remain the moral responsibility of the Admiralty and the Colonial Office. He may be expected to say "boo" to every industrialist whom Lord Hives inveigles to the island on promise of Northern Ireland-type inducements. Mr Mintoff does not want any incoming industrialists—or the tourists either; he wants to keep the produce of the milch cows he knows. But he thinks that by flogging these bitterly he can eventually persuade them not only to move out, but also to send back much more money for him to spend as he pleases as boss ruler of Malta. His aim is a sort of large Danegeld in reverse, a new sort of economics based on absentee tenants.

Subvention without Representation

THE danger—for Malta as well as Britain—is that the British Government may be being manœuvred into a position where it may eventually seem least uncomfortable to accept some variant of Mr Mintoff's plan, and after causing a lot of bad blood. This week Britain has pledged itself to spend £29 million on Malta over 5 years. This is no more than the current annual budget subvention (equal to the island's regular capital expenditure) plus the outlay on dockyard conversion—and is thus the scale of aid which Mr Mintoff rejected. But it leaves the British Admiralty (unwillingly) paying considerable sums for the upkeep of the naval base indefinitely. On the constitutional side, a bill is to be rushed through the British Parliament this spring to confirm governor's rule in Malta, with a small nominated council. This reversion to old-fashioned colonial patterns is described as being only an interim measure, designed to tide over the period of dockyard conversion and to give Malta's solider citizens a chance to think again. (The first fruits of their rethinking will appear in the names of those who prove ready to serve on the council.) This is a miserable pass to have come to, after the high hopes of the Round Table conference.

Is the Government going down the wrong road and ignoring Britain's real interests in Malta? Briefly, Britain needs safeguards that the base does not fall into anti-western hands, it should give the island a limited and proper subvention for past services rendered, otherwise the Maltese should choose what government and which form of constitution they like. If they choose Mr Mintoff in his present mood, so much the worse for them. If, during the Colonial Office's attempted "breathing space," Maltese public opinion deserts Mr Mintoff, then this week's decision will prove to have been a brave and humane move. But if, as seems at least equally likely, that opinion now rallies to Mr Mintoff more excitedly than ever, then Mr Lennox-Boyd's policy will have been a mistake.

SOVIET UNION

The Double Crosser

ALTHOUGH Marshal Bulganin had already twice described his "anti-party" activities in abject terms, he again came under heavy fire at last month's plenary meeting of the Soviet Communist central committee, and his previous self-denunciations were rejected as "feeble, insincere, unprincipled and false." The full record of the meeting on December 15th was published in Moscow on Tuesday. The attacks made on Bulganin by his colleagues (he has apparently remained a member of the committee so far) were ruthless; since they were all made by good Khrushchev men, their original source is easy to trace. Mr Ignatiev, former minister of state security said that "Bulganin ran after a piece of gingerbread the anti-party group offered him, although the gingerbread was poisonous." Mr Matskevich, the minister of agriculture, accused the marshal of pretending to have joined the group of rebels only at the last moment, and exhorted him to "tell honestly about his subversive work and about the roots which have remained." At the end of the day the genial letter-writer and participant in the 1955 "summit" conference was roundly condemned as a double-crosser and traitor.

It seems unlikely, now that political trials have fallen into discredit, that Mr Krushchev will revive them. The men now under attack are carefully described, not as "enemies of the people," but as an "anti-party group." But more will certainly be heard about them and their vile activities. Further members of the group are likely to be made to confess, and Marshal Bulganin, a pliable man, will have to do so more fully. So far there has been an air of unreality, reminiscent of Stalin's and Kafka's trials, about both the accusations and the confessions—though that does not mean that opposition to Mr Khrushchev's policies, and mainly in the agricultural field, never existed, or that it does not now exist. For the time being, however, Mr Khrushchev does not need scapegoats for the failures of his policy; the "anti-party" men may be put in pickle for future use.

JUGOSLAVIA

Marshal Tito in Asia

MARSHAL TITO'S partiality for foreign travel is well known. On New Year's Day, after an all-night party in Bali, he sailed away to Rangoon for the next stage of his Asian tour. But his ten-day visit to Indonesia (his second) was not all the Indonesian equivalent of gas, gaiters and delight. It was also an opportunity, which he did not miss, for putting to the Indonesians and other uncommitted peoples of Asia the Jugoslav side in the running controversy with China and the Soviet block, and for demonstrating to them that it is both possible and desirable to keep clear of both the great power groups. Without naming any names, he made in public some palpable hits at communist interference in the internal affairs of other countries, and emphasised the importance of letting each country develop along its own chosen path. In private, no doubt, he was even more explicit.

Marshal Tito's words will not have fallen on unwilling ears. President Sukarno has in his time been deeply attracted by Chinese developments, but he appears lately to have become more aware that the attraction could be fatal. (In any case, much of the communist economic aid that has been arriving in Indonesia has been pretty shoddy stuff.) This no doubt largely accounts for the apparent success of the visit. And this success, in turn, helps to account for the way in which Chinese and east European propaganda is now stepping up its efforts to discredit the

Jugoslavs in Asian and African eyes. The gist of these diatribes is that the Jugoslavs are in reality zealously serving the "imperialist block" as its Trojan horse among the neutral countries of Asia and Africa. The aid which Jugoslavia is receiving from the West—a new agreement for nearly $95 million of farm surpluses has recently been signed with the United States and agreement in principle reached on a £3 million credit from Britain—is represented as payment received for past and future services.

The Jugoslavs, who have heard all this before, are not taking it lying down. They appear anxious, however, to keep on good terms with Moscow itself, and this may be easier for them if they feel—as they may—that the bitterness of the attacks now being made on them is a sure sign that Marshal Tito's Asian travels are well worth while.

LOCAL GOVERNMENT

How to Govern the Midlands

THE new Local Government Commission has picked as its first review area a section of the Midlands, covering 13 counties and extending across England from Herefordshire to Cambridgeshire. The area has been chosen because it contains a good sample of the thornier problems which the commission must tackle. It includes two towns seeking county borough status (Luton and Cambridge) and four counties (or five if Cambridgeshire loses control over Cambridge) which, with less than 100,000 population each, are very weak administrative units. It also includes the "special review area" of the West Midland conurbation, within which the commission has discretion to make whatever proposals it likes.

The commission will obviously find its course easier, however, if it sticks to the present types of local authority even within the conurbation. Once that is conceded, a possible line of reform can be suggested to it. The West Midland conurbation contains one giant county borough (Birmingham), five other county boroughs, and another 700,000 people served by 20 minor local authorities and three counties. The simplest course would be to absorb all these minor authorities into the existing county boroughs, possibly adding one or two new ones. Staffordshire and Warwickshire would survive as more compact but perfectly sound units, while Worcestershire might be joined to Herefordshire. In the eastern part of the commission's area, a number of counties could profitably be united. If (as would not be unreasonable) Cambridge becomes a county borough, Cambridgeshire could be joined with both Huntingdonshire and the Isle of Ely, while Rutland and the Soke of Peterborough could conveniently be merged with Leicestershire and Northamptonshire respectively. On the other hand, the futures of Luton and Bedfordshire are difficult to resolve in isolation from the adjacent home counties; it is a pity that they have been included in this first review area at all.

The net effect of these changes would be to reduce the number of counties from 13 to 8, to create one or two new county boroughs, and to unravel the tangled web of councils operating in the Black Country. This would be a workmanlike if unspectacular improvement, the maximum that can perhaps be expected within the commission's remit, and one that would do little real violence to the traditional administrative map. No doubt the affected county councils would still protest hotly, while the small councils of the Black Country would object that they were being partitioned in a Polish manner by their powerful neighbours. The commission will need to probe carefully into the real, as opposed to the aldermanic, weight of this type of objection. If it decides to be more ambitious than is suggested here, it should be congratulated; but it will deserve to be castigated if it is less so.

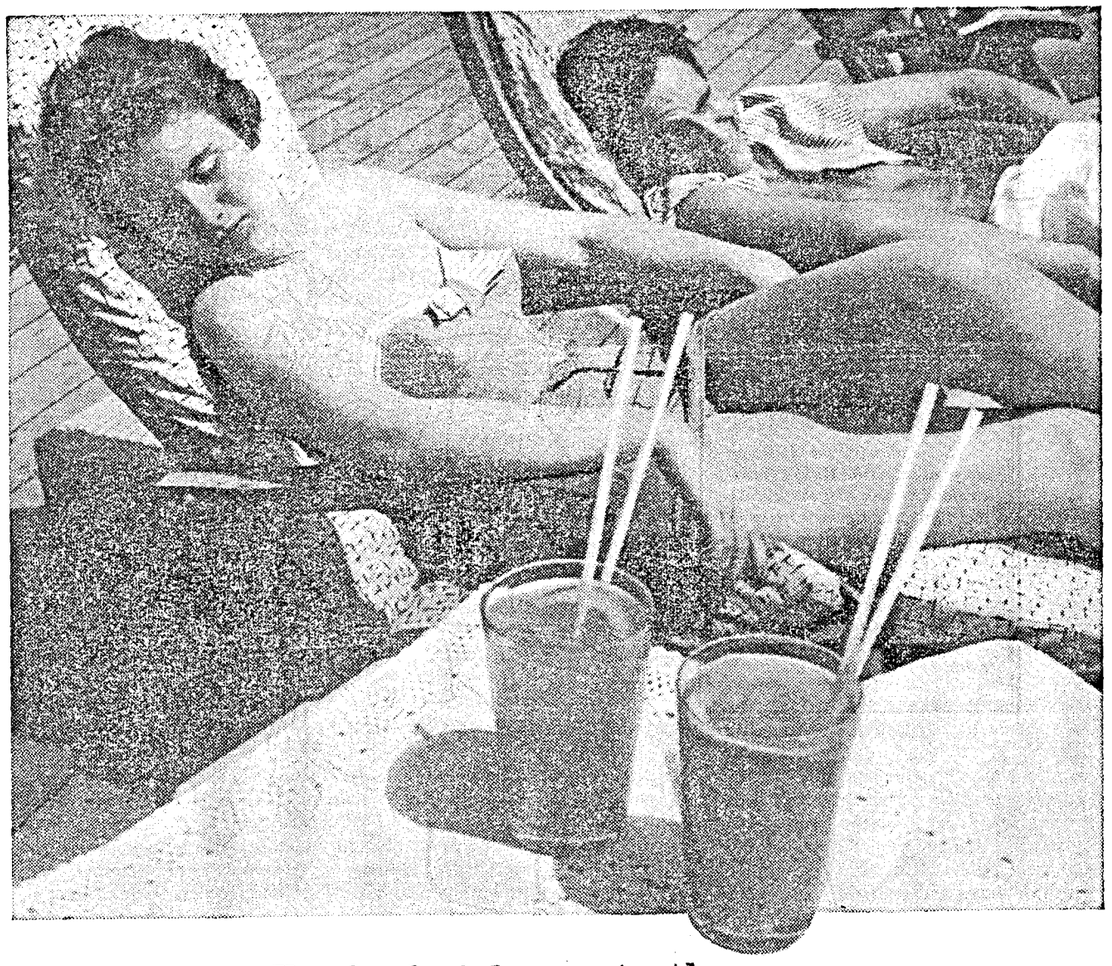
LORD ATTLEE

Look Back Inclemently

LORD ATTLEE'S lengthy recorded television interview with Mr Francis Williams last Saturday followed the lines which Mr Morrow had pioneered in his famous similar interviews with ex-President Truman in America. Never before has so large a proportion of the British people had so intimate an opportunity of assessing just what had made so recent a Prime Minister tick. The fact that Lord Attlee pulled no personal punches makes it morally permissible (as well as journalistically quite irresistible) to comment in similar personal vein on his own performance.

To judge from this interview, the main things that made Lord Attlee tick, by the time he reached the Premiership, were a belief in the innate "decency" of the ordinary Briton, which was so fervent that he still does not realise that he had a few extraordinary Britons even in his own cabinets; a love of administrative efficiency, which was sometimes sorely tested both by his own party and by some of his leading opponents (and which abetted his human unwillingness to admit easily to the occasions when his own policies proved wrong); together with some surprising tinges of jealousy which were just (but only just) sufficiently contained not to be absurd in an ex-Prime Minister nor unengaging in so outwardly unassuming and benign a *savant*. Two of these qualities were evident in Lord Attlee's impish denigration of Sir Winston Churchill; although he never quoted it, he obviously still gets immense enjoyment out of the famous judgment attributed to an ex-Cabinet official ("When we came out of Winston's cabinets, we always said 'what a great man'; when we came out of Attlee's, we always said 'what a lot of work we've done'"). Others of these qualities, one may guess, were evident in his antipathy to Mr Jinnah, but it is ridiculous that Pakistanis should be so cross that this has now been openly expressed. The antipathy to the founder of their dominion from this great socialist imperialist among British Prime Ministers was an important fact of history, and it is to everybody's interest that it should now have been revealed.

Some surprise has been caused by the tribute which Lord Attlee paid to Stanley Baldwin, a tribute which, by coincidence, has been repeated in not wholly dissimilar terms by Mr Macmillan in an interview published in the *Daily Mail* this week. There is room for an article-full of comment here. The emollient, unflappable, one-nation father figure of Stanley Baldwin was the sort of Prime Minister whom the British people often like, and whom other Prime Ministers, in their dreamier moments, often think they would like to emulate. And one of the abiding dangers of British politics is that they should think any such thing. For the personally popular Mr Baldwin, by leading Britain too slothfully through depression and too calmly down the road that eventually led to war, was in fact an unmitigated disaster for this country.



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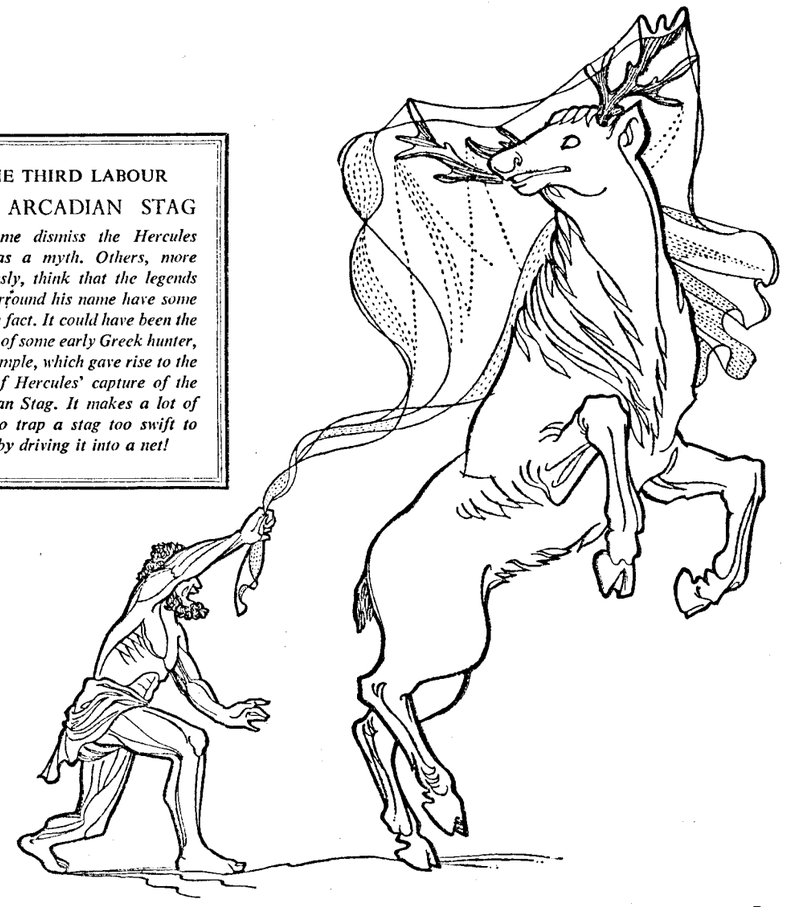
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UNIVERSITY FEES

The Unexpected Champion

MIDDLE-CLASS parents with children who will soon be going up to a university should take note of a significant political development last week. The general council of the Trades Union Congress has declared itself in favour of freeing all university tuition fees and other strictly academic expenses from the parental means test on scholarships and other university awards. Were this particular policy adopted, the relief to parents would not be enormous. Even at non-residential universities, and *a fortiori* elsewhere, it is maintenance rather than tuition that constitutes the main load. In terms of £ s. d., a further approach to greater liberality in the income scale to which parental contributions are related, and in the allowances for dependants other than the award-winner, would make much more difference.

But the TUC proposal marks, as a revision of scales and allowances would not do, a change of principle. It would assimilate higher education, at least as regards its direct cost, to ordinary state schooling whose benefits are available without question of means to every citizen. Whether those who agree with means tests in some other things should applaud the abolition of a means test on university awards is a nicely controversial question. But comment this week need be concerned only with effect. What the TUC recommends by halves today, the Parliamentary Labour party (some of whose leading lights are likely to be affected by university means tests themselves) may well be inclined to do by more than halves tomorrow; and the way has surely been made clear for the Conservatives, who are even more strongly subjected to middle-class pressure, to go the whole hog. To free university allowances from means tests altogether would not cost a great deal of public money. One suspects that the day when they will be so freed may have been brought significantly nearer by last week's announcement from the TUC.

GERMANY

Bonn Keeps the Door Open

FOLLOWING in the footsteps of its allies, the West German government has answered the Russian proposals on Berlin in terms whose moderation is in contrast with the intransigent noises which came from Bonn when the Russian proposals were first made. The note rightly rejects the Russian suggestion for a separate "demilitarised" Berlin; it takes the view that any separate Berlin settlement risks freezing the division of Germany. But it also suggests that broader talks on the German question are the proper context for solving Berlin's problems. And it reminds Russia that the door opened in the West German note of November 17th is still ajar.

That note, inspired by a resolution of the Bundestag, proposed the setting up of a four-power commission to discuss the German question. It also suggested, in contrast to earlier attitudes in Bonn, that talks need not be confined to German unity. The new note confirms this. The federal government apparently holds that if the East, for example, wishes to discuss the Rapacki plan in the commission, the West is willing to oblige. Disarmament, European security and German unity are, in Bonn's view, linked aspects of one problem. And Germany, the note says, has no political aims in the east beyond "a just and reasonable settlement of the German eastern frontier."

The note's explicit rejection of the idea of "confederation" between the two German states seems, however, to conflict with the declared willingness to discuss anything and everything. Bonn's fear that Herr Ulbricht's highly dubious version of "confederation" is merely a device for giving permanence to the division of Germany, and to his own regime, is understandable. But though the West cannot give up its advocacy of self-determination for the East Germans, many aspects of their status will have to be agreed between the four former occupying powers before Germany is reunited. This negative form of approach offers the Russians an excuse if they do not want to talk.

The question whether they do may be answered in Washington this week. There Mr Mikoyan has made it plain that Russia has not given up the idea of handing over the regulation of access to Berlin to the East Germans. But, unless and until this change comes to mean a clear threat to isolate Berlin, it is not the heart of the matter. What matters is to get talking on the German and European questions as a whole.

Drang nach Osten

HERR GROTEWOHL, the East German prime minister, is making a pilgrimage to Cairo, Baghdad, Delhi, and finally to North Vietnam and China. His large retinue includes his foreign minister, his deputy trade minister, and an atomic physicist. The East German government has for some years been doing its best to oblige Arab and Asian countries. Establishment of trade missions with a semi-diplomatic status has followed the conclusion of trade treaties; and there are many students from these countries at East German universities. The new mission is expected to propagate the idea that East Germany really exists as a separate state, that it is a peace-loving country and worthy of diplomatic support. And Herr Ulbricht and Herr Grotewohl have indicated that they regard their journey as a part of the diplomatic struggle for Berlin; they will present the Russian proposals as a step towards decreasing tension in Europe; they are clearly hoping to put Bonn on the defensive. They are reported to be doing their best to get Mao Tse-tung to repay their visit to Peking. Such an exchange would not only demonstrate the unity of the Soviet block; the East German and the Chinese leaders are faced with similar problems on the international scene, and they might find some striking similarities between the position of the offshore islands and Berlin.

The German visitors may, however, get a fairly cool reception in Delhi. The Indian government does not much like the way Russia has brought up the Berlin problem. And Mr Nehru has just made it pretty plain that he has no intention of recognising the East German regime in the near future. His example may well be followed by other "uncommitted" states.

EUROPEAN TRADE

Back to Paris

NEXT Thursday the council of ministers of the Organisation for European Economic Co-operation will try once more to agree on provisional arrangements to alleviate the

effect on outsiders of the tariff and quota changes which the six-nation common market made on January 1st. The chronology of the European trade controversy on page 133 records how Britain and other countries outside the common market have vainly sought, in the free trade area plan, a means of averting discrimination by reducing trade barriers throughout western Europe in step with the programme of the Six. In the absence of a long-term agreement, discrimination against countries outside the common market automatically began on New Year's Day. To mitigate this, the British have made the reasonable interim proposal that the new quota relaxations between the Six should be extended to all OEEC countries on a reciprocal basis.

France's five partners seem ready to accept this proposal. The French, however, are not. Some of them do not want anything like a free trade area at all ; others will not concede the principle of non-discrimination unless the scheme is radically changed ; some even seem to feel—quite wrongly—that the common market will actually be stronger if it discriminates against outsiders. On January 1st, however, France improved the situation when it agreed on a "90 per cent liberalisation" of import quotas within OEEC ; what this means in practice was explained on page 19 of *The Economist* last week (the Six had already agreed on certain other tariff and quota concessions to the countries outside). But the French still insist that some discrimination in favour of the Six follows from the principle of the common market.

Unfortunate though any discrimination in European trade will be, it would be wrong to allow whatever precedent is set next week to deepen the breach between Britain and the Six, for the need for the resumption of long-term talks must not be forgotten. In a press interview in Rome, Sir David Eccles has suggested that the European Monetary Agreement (EMA), the new successor to the European Payments Union, may prove unworkable if there is trade discrimination between its members. This was a telling point ; but past experience suggests that it is Britain's interest to strengthen and play a leading role in such organs of "big Europe" as survive, rather than to break them up.

TOWN PLANNING

Not even Hook

THE London County Council is having a frustrating time trying to find a site on which to build a new town for 60,000 Londoners. Ever since the Government prohibited it from building more satellites in the London green belt, the LCC has searched diligently for more distant sites on which some of its vast surplus population can be housed. Some small schemes have been started, but every proposal for a major project has so far fallen foul of local opposition. To minimise objections the LCC has excluded from its search all areas of high agricultural value or of distinction, charm or beauty, as well as sites close to existing towns. From the few possibilities thus left it recently picked a site near Hook in Hampshire, 40 miles from London. Now it has found that the National Farmers' Union is objecting after all, and that the Hampshire County Council, which previously flirted with the LCC over an alternative plan for a project near Ringwood, has decided that it does not want a new town anywhere in its area.

Whether or not Hook is in fact a good site for the purpose, it is impossible on this occasion not to feel sympathy for the LCC. As a colonial power, so to speak, it is not unenlightened. It is willing to build a complete new town, and not just a housing estate. It is ready to abrogate its own control over the colony to a more local body in due course. Its standards of building and design are higher than those of most local councils, and there are many worse vandals than it scouring the countryside. It is willing to take a poor site and spend money on its rehabilitation, to the advantage of local inhabitants and local rates. All in all, its reputation as a ruthless and insensitive public authority is hardly deserved in this case. Yet the reputation is there all the same, and seems to be blocking one of the LCC's last hopes for advance. This story furnishes yet another reason for entrusting London's next new town, like the previous ones, to a public corporation rather than to a big, unpopular city 40 miles off.

BELGIAN CONGO

Congo Drumbeat

THE Belgian authorities have been quick to attribute the rioting in Leopoldville, capital of the Belgian Congo, to unrest produced by unemployment and not to political feelings. It is certainly true that the Congo has been very severely hit by the world recession, and this was bound to cause hardship, given the Belgian policy of divorcing Africans completely from the land and urbanising them when they take up industrial and commercial jobs. Industrial unemployment is a new experience there, and bitterly resented. But that hardly explains the attacks made so persistently on Europeans and European quarters, or the fact that it was at a political meeting, held in defiance of a ban, that the affray started.

It looks as if the Belgians must learn to accept such outbreaks as the normal "ingratitude" which is shown when representative political institutions are introduced. It is only a short time since the first municipal elections were held in the Congo, and since then there has been a steady growth of political parties and political discussion. Congolese Africans are now discussing what is happening in the surrounding territories, and particularly the new autonomy granted to their neighbours in French Equatorial Africa. Some Congolese leaders went to the Accra conference last month. A mission sent from Brussels to consider future relations between the Congo and Belgium has recently visited the territory. All this is bound to lead to a mental ferment.

The question is whether the Belgians are wise to try to confine a normal political expression of this ferment to municipal and tribal institutions only. It looks very much as if a much more rapid advance to self-government will have to be considered, whatever additional social services are decided on. In any case the Congo can no longer be regarded as a solid dyke between emergent African nationalism to the north and the Rhodesias and the Union to the south.

Appointments, Business and Personal notices, and other Classified Advertisements pages 182 and 183

ADEN

Limited Democracy

ON January 4th, about a third of Aden Colony's qualified voters chose twelve "moderate" members for the Aden legislative council from among over thirty "moderate" candidates. The other two-thirds were presumably frightened away from the polls by local "extremists" and Cairo broadcasts. In Aden a moderate is anyone willing, for the present, to accept the *status quo ;* an extremist is an ardent Arab nationalist, probably under the influence of Cairo and a member of the Aden Trade Union Council. The extremists presented no candidates and urged a boycott of the elections. This was surely a mistake. How much worse it would have been for the British authorities if they had had to control the actions of a majority of extremists legally elected to the council. How simple it would have been for the extremists to call out their two-thirds of the voters and get themselves elected.

Before the council starts doing business, the governor of Aden is to appoint five more members. In view of the rather one-sided election results, which have already given him a loyal majority, he might consider offering these places to a few extremists in order to broaden the representation. But if he did, would the extremists' Arab consciences allow them to accept places on the council from the governor after they had refused to accept them from the people ? It is not likely that they would, but it is unfortunate that a majority of the colony's electorate will remain unrepresented.

Among the unrepresented are the Yemenis, who were not allowed to vote at all. Indians, Pakistanis and Somalis, being British protected persons, may vote after two years' residence in the colony, but Yemenis are considered too foreign. Many Yemenis have lived in the colony for years and are model citizens and good workers. It seems a pity that they are not allowed to take part in the kind of democratic experiment that the elections offer ; nothing of the sort is tolerated in the Yemen. If they had a vote there is no fear that the Yemenis in Aden would ever cast it for the extension of the Imam's oppression to Aden or the protectorate. The seeds of democracy that are being planted on the colony's barren soil will have more chance of survival if they are cultivated by all the people living there. Representative government there may succeed as an Arab institution, but the chances of success are small if it comes to be regarded merely as a British imposition.

LETTERS

Controlled Expansion

SIR—Sir Robert Renwick and Mr Green ask in your columns what the Labour party means by "controlled expansion" of the economy, and how it could be achieved. By controlled expansion we mean full employment without inflation.

If Sir Robert and Mr Green want to know the means by which a Labour government would set about this, they only have to read the policy pamphlet "Plan for Progress", where the programme is explained with much greater precision than is usual in policy statements by political parties. (Compare some of Sir Winston Churchill's post-war efforts.)

But the methods of achieving controlled expansion have, after all, been exhaustively discussed in written and spoken economic debates throughout the past 25 years (your columns included), and should be clearly known by now to Sir Robert and Mr Green. They include budget policy, credit policy, interest rates, distribution of industry, investment policy, key controls, the development programmes of public enterprises, etc. Your correspondent, however, must not expect to be told the full details of future budgets now. The present Chancellor would hesitate to announce the contents of the next budget until April; and I fear Sir Robert and Mr Green must wait a little longer to know the details of the one after that.

It is not the means to expansion which are lacking. It is the will to use them—and it is this which distinguishes the Labour party from the present Government. Sir Robert says we almost all desire expansion. But we are not getting it. National output is dropping drearily downwards.

Meanwhile I can set one of Sir Robert's persistent nightmares happily at rest. There is no intention whatever (as you rightly point out in your article that started this correspondence) that the next Labour government should embark on the "nationalisation of the greater part of British industry".

And anyway, if Sir Robert and Mr Green don't want controlled expansion, what do they want? More stagnation? Or uncontrolled expansion, i.e. inflation?
—Yours faithfully, DOUGLAS JAY
House of Commons

Teachers' Pay

SIR—Mr Jarvis's abuse were best ignored were it not for the fact that he is wrong on every issue that he takes with you. As a dispassionate scholar I must say how unfortunate it is that the National Union of Teachers has chosen to fight its pay claim on a series of demonstrably erroneous propositions. There is no shortage of recruits; teachers by and large are better off than they have ever been; they are not worse off than similar groups ; women teachers are not hard up—and so on.

The real problems are two: merit awards, and the position of the family man. I suspect that in an expanding service the prospects of promotion for the able man are so good that the first issue is a little exaggerated ; nevertheless, pay at the top is not as high as it might be. The problem of the family, however, is really serious. It is a general one. Is it too much to hope for an impartial investigation of the best means of helping the family ? Is it by additions to pay, tax allowances or bigger state payments ?

Mr Jarvis could use his union's time and money more profitably in furthering such an investigation than in writing silly things to you.—Yours faithfully,
Oxford JOHN VAIZEY

Rhodesia's Future

SIR—Mr Howard of Umtali appears to have a very inadequate knowledge of Central African constitutional history. It was, for example, Southern Rhodesia, not Rhodesia, which was granted self-government in 1923 and it is therefore Southern Rhodesia only that is at liberty to incorporate itself in the Union of South Africa (if the Union will accept so many citizens of British stock). No British political party thinks that it has the right to stop incorporation, if that is the future desired by Southern Rhodesians.

Northern Rhodesia however is in a very different position. Mr Howard may threaten as much as he likes, but he cannot escape the fact that federation is not amalgamation, that the northern territory has never been self-governing and that it remains under the Colonial Office except for the functions taken over by the Federal Government. Any decisions therefore concerning the future of Northern Rhodesia will be made ultimately by the British Government and Parliament after appropriate consultation with the inhabitants of the territory.—Yours faithfully,
Oxford JOHN TODD

The African Revolution

Education

SIR—From your excellent survey of the political economy of Africa I miss any reference to the extent of secondary education, which is one of the keys to economic development. There is a whole range of jobs for which the qualification is a secondary education, with or without one or two years of specialised training to follow—secretaries, nurses, laboratory assistants, junior technicians, agricultural assistants, bookkeepers, printers, elementary school teachers and the like. The middle and upper ranks of business consist almost entirely of secondary school products, and they are also the backbone of public administration. If the country does not produce enough secondary school people, we have to import from abroad, paying twice the normal salary, plus about £1,000 a year in housing allowances, car allowances, leave passages to Europe every fourteen months, and so on; and this is one reason why our costs of production are so high. Alternatively we have to abandon desirable schemes. For example, to have a proper agricultural credit system we must have small credit societies all over the country. These can work satisfactorily only if there are enough people living in the village with a secondary education to keep the books and records and to check that the secretary is not falsifying the accounts. Local government also breaks down unless there are plenty of secondary educated people around to act as clerks, committee members, and watchdogs.

By back-of-the-envelope methods I have reached the conclusion that countries in our state of economic development are not self-sufficient in secondary school products until about 4 per cent of each generation is entering secondary schools. This is about the figure in Jamaica, which is just about self-sufficient. The figure for India is about 10 per cent, which is more than economies at our stage can use, and the plight of unemployed Indian secondary school products is notorious. One of the most striking differences between Africa on the one hand and Asia and the West Indies on the other hand is that while the latter are nearly self-sufficient in administrators, African administrations and firms depend on white imports even at clerical and junior technical levels. In Ghana, which is better off than most, less than 2 per cent of the generation enters secondary schools, a deficiency which we are determined to remedy at full speed. When imperial governments speak of preparing their colonies for self-government, they usually think in terms of votes and Ministers; an equally important aid would be to ensure that there are enough secondary schools to take 4 per cent of each generation, since without this the country will still be almost entirely dominated by foreigners, both in business and in government, even after it becomes independent—or else will not have much administration or business worth mentioning.

It is also a fault of new self-governing cabinets to spend excessively on primary education, while neglecting secondary education. Most African politicians try to achieve universal primary education within five years, even when they start from a base of only 20 per cent in primary schools. Apart from what this does to the budget, it plays havoc with the economy, since the finished primary school products make a bee line for the towns, and the countryside tends to be starved of labour while the towns swell with unemployed juvenile delinquents. In Africa at present we need to keep 50 per cent of the children in agriculture, but educated children will not stay in agriculture as it now is, scratching three acres with a hoe; and revolutionising agriculture to make it more attractive and more productive cannot be done in five years. Neither can we in that time provide enough jobs in the towns for the other 50 per cent who will come streaming in. The expansion of primary education should be matched to the speed at which one can create the new economy into which these educated products are to fit.

If 4 per cent are to enter secondary schools, about 50 per cent should enter primary schools, so that, allowing for wastage, one can cream off the top ten per cent from the primary schools. Another proof of the fact that India's secondary school population is at present too large is the fact that its 10 per cent in secondary schools are drawn from only 45 per cent in primary schools; so it is not surprising that every year half the candidates for the matriculation examination fail. It seems to me that the right way for education to advance in Africa—where in most territories 20 per cent or less of children are in school—is to aim first to raise primary education to 50 per cent and secondary education to 4 per cent in the first five-year programme; and then to move to 100 per cent primary education and 10 per cent secondary education over the next ten years, by which time our absorptive capacity will, we hope, be very much greater.—Yours faithfully,

Accra, Ghana W. ARTHUR LEWIS

Capital

SIR—Your survey of Africa makes two priorities clear, the continuing need of outside capital and technicians if higher standards of living are to be attained, and the great importance of acceptable political conditions. Together these add a third priority. Through what medium are outside capital and technicians best mobilised in the aftermath of colonialism? *Laisser faire* and leave each country to find them where and how it can? The Commonwealth for those in it, the common market for those in that? The western world on the one hand, the communists on the other? Or the UN? Why not the UN? The jet age in ideas forces these alternatives before us however difficult and indiscreet. Can they be harmonised or must we choose? There is no real analogy in the past for, before our age, no higher material culture dealt with a lower by negotiation.

May I suggest another priority for future study—the problem of participation and time? Not time before a country gets independence or an adult is told he is competent to vote, but time before 99 per cent of people emerging from a subsistence economy can really feel a desire and a competence to participate in the modern world. Is it lack of attention to inexorable time which has turned so many hopes of democracy to dictatorship? If so, beyond the right medium lies also the right psychological technique for participation. Can you help to elucidate that?—Yours faithfully,

Taunton ARTHUR GAITSKELL

Nationalism

SIR—I read your survey of Africa with great interest. There was one thing, however, that I found rather misleading. You commented that the first consequence of any attempt by Egypt to rally Muslim sentiment in black Africa would be to alarm and alert all non-Muslim leaders. And then presumably to illustrate the point you go on to add: "When pan-Arab, pan-Muslim feeling was tested at the polls in Zanzibar . . . the Arab party was trounced by the African nationalists."

I suppose what you meant by "the Arab party" was the Nationalist Party, of which Sheikh Ali Muhsin Barwanix was (and remains) a leader. Of what use to Sheikh Ali a pan-Arab slogan could possibly have been in an election in which he was courting African votes you did not make clear. Nor did you elucidate what reasoning could ever make an experienced politician ask the electors to "vote Muslim"—when the Opposition belonged to the same religion. I do wish journals of the calibre of *The Economist* would be more careful what they serve their readers as illustrations for some pet theory. Mr Abeid Karume (the leader of the party that won) is hardly the best example of a non-Muslim leader being "alarmed". He is himself a Muslim.

What, in fact, was tested at the Zanzibar election and failed was neither pan-Arab nor pan-Muslim feeling. It was nationalism as distinct from racialism. That was what the nationalist party stood for. It failed because the electorate was not ready for it—thanks to many years of *communal* representation in the political system. It takes time to stop thinking in terms of racial groups if for ages the people have known nothing else. An encouraging sign, however, is that in the Nationalist Party today there are more Africans than Arabs, which is as it should be since Africans predominate in the country as a whole.—Yours faithfully,

ALI AL'AMIN MAZRUI

Manchester

BOOKS

Inside Industry

Business Enterprise: *Its Growth and Organisation*

By R. S. Edwards and H. Townsend.

Macmillan. 607 pages. 60s.

No academic economist in Britain has so close yet wide-ranging an acquaintanceship among British businessmen as Professor Edwards. This has come in part from his direct experience in various industries, such as the watch industry and, more recently, the electricity supply industry, but also from the continuing series of evening seminars that, with Mr Townsend's assistance, he has run at the London School of Economics during the last ten years. At each of these an industrialist or sometimes a civil servant has presented a paper on the development and organisation of the industry or business with which he is concerned, and discussed it with an expert and critical group. More than 200 of these "case studies" are now on file at the school; the present book is partly though not wholly a systematic review of some of the lessons to be drawn from this battery of business experience.

This rich bank of data has enabled the authors to produce something rather exceptional among British studies of business, and for that matter unusual, at this level, among American. The first half of the book, concerned with the variety of firms, of their growth, and of their patterns of integration, is illustrated with a wider range of comparative examples, quoting the unpublished experience of many of Britain's best-known firms, than any recent work of comparable scholarship: for a similar wealth of industrial anecdotage one would have to go to the far slighter books of management writers such as Drucker. These "illustrations" are inherently interesting in themselves, and it would be a remarkably well-informed businessman who could say he was already familiar with them all. But here they illumine a modest but penetrating analysis of such topics as industrial location, economies of scale, and the various forms of business integration.

The second half of the book, leaning less upon the case studies (and more upon one of the authors' experience?) sets the business they have been describing within the frame of the mixed economy in which it has today to operate, considering the relations of Government with industry. It moves from governmental regulation (development area policy, price control and the like) to more direct governmental supervision or ownership (as in supervision of the steel industry, and in the nationalised industries). Its discussion in some 60 pages of policy towards the nationalised industries, which might be described as going on where the Herbert Committee left off (Professor Edwards, as present deputy chairman of the Electricity Council, has included a disclaimer dissociating his new colleagues from his previously-formed views) is perhaps the best single thing in the book. In a fourth section, looking at the future of British industry, the authors are astringent but on the whole cheerful.

The quality of this book lies essentially in its easy, good-humoured familiarity with what really goes on in business (which is not as common among applied economists as it should be). There is not the air of surprised, condescending, and rather acid discovery that sometimes mars the descriptive analysis of an economist who within a few thousand words will be advising experts how they ought to be doing their jobs. The more dogmatic among industrial economists, indeed, may complain that the authors prefer to linger among their well-laden trees instead of mapping out the wood; and certainly they lean over backwards from almost any generalisation: "We know of no principles of organisation that are both right and useful. . . ." To the impatient seeker after some "secret" of industrial organisation such relaxed eclecticism may be provoking; but this study may go a long way towards promoting good relations between businessmen and the other economists nowadays appearing in droves, with their questionnaires (and sometimes their conclusions) already prepared, on industry's doorsteps.

The Larger Lunacy

The Lunatic Republic

By Compton Mackenzie.

Chatto and Windus. 223 pages. 15s.

THE publication of "The Lunatic Republic" is timed with an appositeness suggesting that Sir Compton Mackenzie's private intelligence service (or perhaps that of the firm of Chatto and Windus) is vastly more efficient than the official organisation; a superiority at which, on past evidence, he should feel little surprise. The republic in question lies (a point which Tass may shortly verify) on the far side of the Moon; it was established by the few survivors of that Abominable War which, waged with nuclear weapons between Lunaria and Lunatia some 3,000 years ago, reduced the Moon's visible side (including all of Lunaria) to the familiar rubble of craters. Its first human visitors arrived in 1997, in a rocket launched by the now all-powerful Celestial Chinese Republic. A conscripted English fellow-traveller of the Chinese scientist Tin Pan sets down his impressions of the Lunatic Way of Life and what he understands of Lunatic history.

The formula is, in fact, a familiar one: a Utopia or anti-Utopia, discovered by whatever device, preferably topical, may tickle the author's fancy, and presented, in any medium from the solemn to the farcical, as a mirror for social criticism or social ideals. Here its use falls a longish way short of complete success. This is partly because the author has not done his homework. There should be some logic, even a lunatic logic, in science fiction. If the amiable blue-coloured Lunamanians (all identically resembling Tweedledum and Tweedledee) have managed the technical miracles ascribed to them—an artificial atmosphere and climate, an artificial alternation of day and night, controlled gravity, and the even unlikelier biological achievements of abolishing excretion and entirely dispensing with water—then they should not be baffled by a shortage of raw material for clothes or books, or cultivate their single food crop by ordinary manual labour. Nor, for that matter, should they have progressed so ineffectively towards the Brave New World method of reproduction as to need specially bred and segregated "*drunes*" to perpetuate, albeit without personal contact, the Lunamanian race. The know-nothing attitude of the untechnically minded narrator serves as a colourable excuse for glossing over details; but a minimum of coherence, a minimum of continuity with existing scientific trends, is wanted if the supposed social results are themselves to seem convincing projections.

There is failure, too, on Sir Compton's own ground, that of human psychology. The narrator is not an observer of today, drawing on an immediately recognisable set of tastes, values and experiences; he is a product of the European welfare state of 1997, itself a barely adumbrated, greyish anti-Utopia in its own right. As such, he makes an unsatisfactory mouthpiece; he lacks a voice of his own, and he takes most of the resonance out of that of his creator. One wishes, vainly, that Tin Pan's fellow-traveller had been Ben Nevis or even Paul Waggett.

But there are delights as well as disappointments. "The Lunatic Republic" is extremely funny. (Only wide quotation would show how skilfully its author uses the elementary device of a not-quite-basic English dialogue—with such variants as "mug" and "wug" for "man" and "woman"—for the hilarious deflation of human solemnities.) And at the level of serious intention something at least is achieved. The Lunamanians are in many ways most admirable creatures. They are perfectly public-spirited and honest; cheating, lying and shirking are inconceivable to them. They are incapable of unkindness, meanness or spite. They have scrupulously good manners. They are hospitable, considerate and benevolent. And Sir Compton Mackenzie makes it perfectly credible that with all these good qualities they should have created a quite appalling society, in which joy is as absent as pain, love as

alien as hate, without creation, imagination, adventure or variety; a voluntarily regimented ant-hill whose motto is "Sameness is Strength." It is not quite clear whether the warning is chiefly against the consequences of "Abominable War"—there is an attempt, weakened by that lack of homework, to show that only thus could society reconstitute itself and survive—or against those of secular utilitarianism, the exclusive pursuit of the Greatest Happiness of the Greatest Number. Peace; social justice; freedom from want, hunger and disease; total solidarity; here they are, at a price. The price is not even paid in terms of tyranny or hypocritical submission; conformity is built in or rather bred in. Not very profound, not at all scientific, a squib rather than a rocket, "The Lunatic Republic" is still a salutary tract for the times.

My Great and Good Friend

Samuel Johnson: *Diaries, Prayers and Annals*

Edited by E. L. McAdam, with Donald and Mary Hyde. The Yale Edition of the Works of Samuel Johnson, Vol. I: *Yale University Press.* London: *Oxford University Press.* 461 pages. 80s.

BIOGRAPHERS can fare better than their subjects: Boswell's "Life" has been splendidly edited and a whole factory of scholars has been at work on his journals for twenty-five years, but there is no complete edition of Johnson. Now the gap is to be filled, and the Yale tradition of eighteenth century studies gives promise that the edition will be definitive.

To this, Volume I is in effect a prologue, for it includes all Johnson's fragments of personal record still extant (many of them new) intermingled in chronological order, since the manuscripts are incomplete yet overlapping. The system produces maximum readability; but much of the text is evidently scholar's meat. Details of purges are not manna to the part-time Johnsonian, nor are the telegraphic entries comprehensible even to the initiate; the text is thus underpinned by a consecutive narrative, deftly weaving the usual plethora of notes and translations into a painless pattern.

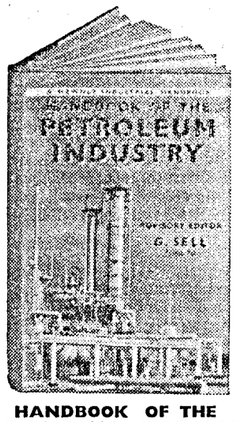
Some of the diary material is of course trivial; but it cannot be read without a profound impression of Johnson's strength of character: this, one says, is a big man, though in his jottings he hardly ever says big things. Only the Prayers are in themselves great literature; yet the diaries, too, show a man of extraordinary fortitude of spirit, infinitely troubled by malaise of body and scruple of conscience, a man whose piety and native courage fought a constant and eventually winning battle with his questioning mind and fear of death. There are moving passages: "Perhaps Tetty is now praying for me. God, help me. We were married almost seventeen years, and have now been parted thirty." And many items reveal how hard, and often organisedly, Johnson could work.

The picture is personal and intimate; Johnson's recreation for passing a tedious night, we learn, was to translate Boethius into Greek and the Greek Anthology into Latin. He was a generous man, whose frequent charities fill a full column of the excellent index, and had an inquiring mind and an interest in scientific fact that led him to remark after seeing wire drawn "I have enlarged my notions." And he was well travelled. The tour in the Hebrides has been recognised as a feat for a man of 64 at a time when very few Scotsmen had ever been there; but he had also toured in Wales and France and had seen all the English cathedrals except Carlisle, which few of the petrol-borne can boast.

Of the growth and design of Johnson's output, there is less record. Writing was his work, to be done "doggedly" and with effort, and when the work grew hardest his pen was least likely to stray into the penniless paths of his diary: the gruelling labours on the Dictionary, for example, are scarcely mentioned. Sayings in the great tradition are also few; never much given to monologue, he required a conversational cut-and-thrust to produce the profoundly sensible observations, the great hammer strokes, which Boswell recorded. Wrote up too, perhaps: certainly it is Johnson's kindness and strong piety rather than his ruthless destruction of fools that emerge here—and entitle him to Boswell's epitaph: "My great and good friend."

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The Executive Council

The Cabinet in the Commonwealth: *Post-War Developments in Africa, the West Indies and South-East Asia*

By H. V. Wiseman.
Stevens. 364 pages. £2 10s.

LIKE too many books nowadays, this one has a misleading title redeemed by a long accurate sub-title. The publisher may have thought the book would sell better if its title suggested a broader scope than it actually had. At all events, Dr Wiseman's book is not about the Cabinet in the Commonwealth. If it were, it would be concerned with the differences in Cabinet structure and procedures between the United Kingdom and the other member-nations of the Commonwealth; it would show how the Cabinet system has been adapted to the conditions of countries such as Canada, Australia, India and South Africa. In fact, however, it is about recent colonial developments, none of which, except in the Gold Coast and Malaya, has led to a full-blooded Cabinet system. It might justly have been called "The Movement Towards Responsible Government in British Colonies, 1946-1956." This might not have caught so many eyes, but it would certainly have caused less trouble in booklists and libraries.

Dr Wiseman has, as he says, tried to do for the colonial Executive Council what Mr Martin Wight did for the Legislative Council; but the result is not the same. Mr Wight's book was magisterial in its execution and bold in its generalisations. This is fussy and diffuse. The evidence is so dispersed as to make it hard for the reader to know what happened in which colony: such complicated stories as those of British Guiana and Nigeria are told in four or five separate sections, and some stories (for instance, Jamaica) are not told at all, only hinted at. The author has taken his examples from so many separate territories that only a reader already familiar with postwar colonial changes could be expected to follow him. Also, there is far too much quotation. Dr Wiseman quotes for facts (which is legitimate), but also for opinions (which soon becomes tiresome). We do not want to know what everyone else who has written about the subject thinks about it; we want to know what Dr Wiseman thinks about it. It is hard to censure a man who quotes so often and with such approval from *The Economist;* but less from the commonplace book, and more from his own reflections, would have served him better.

Nevertheless, the book is timely. It shows what special difficulties stand in the way of turning a crown colony constitution into one embodying responsible government. The difficult people may include the politicians, the officials, the journalists, the public and the Governor. It is likely that none of these will be accustomed to the restraints and understandings of responsible government, and that all will make mistakes in the awkward transitional stage before self-government. The politicians are inexperienced and suspicious; the officials are doubtful and sensitive; the press does not know what is going on; the administrative structure may have to be reshaped if the new "Ministers" are to have anything to do; and the Governor has to turn himself from a near-despot (who is also the Speaker of a near-Parliament) into a constitutional monarch. All these processes can be seen in operation in "The Cabinet in the Commonwealth," if the reader keeps his wits about him.

Rural Economics

The Country Craftsman: *A Study of Some Rural Crafts and the Rural Industries Organisation in England*

By W. M. Williams.
Routledge and Kegan Paul. 214 pages. 25s.

THIS is a book for the specialist, who will be fascinated by the array of facts that the author has amassed from normally inaccessible sources, but who will also be irritated by minor misstatements and imprecise conclusions.

Mr Williams explains the organisation set up to assist rural industries in England and Wales and describes in detail the role of the Development Commission, the Rural Industries Bureau, the National Council of Social Service, the Rural Community Councils and the all-important County Organisers.

On the basis of field work in Devon, Cheshire, Shropshire and Staffordshire, he describes saddlery, thatching, farriery, blacksmithing and agricultural engineering, and, more briefly, pottery, weaving and furniture making. All this is interspersed with rustic quotations from conversations with craftsmen. The reader may wonder why brick-making and boat-building, also on the list of crafts to be assisted by the rural industries organisation, are omitted, and may also inquire why Mr Williams does not ask why Devon is supposed to have 1,500 workshops, while Staffordshire, Cheshire and Shropshire have only 400. There is a very good chapter on "The Craftsman in Business."

The last two chapters are a critical analysis of the activities of the rural industries organisation and suggestions for the future. Perhaps one sentence sums up Mr Williams's criticism: "Ambiguity and vagueness are the lubricants that make the rural industries organisation run smoothly." This in fact sounds wholly admirable and very English and is the case wherever a central policy is administered by independent local bodies, in education and town and country planning as much as in rural industries. One is left wondering whether the author would prefer to go back to conditions of fifty or one hundred years ago or whether he approves of modernisation; he blames the Rural Industries Bureau for pulling both ways. One would also like to know how many of Mr Williams's policy proposals were in fact in the minds of the officials he talked to and may since have been carried out; he describes the situation only up to the end of 1955. This book should be followed (as is strongly suggested by the author) by a great deal of further research and investigation.

Antiquarian History

Medieval England: *A New Edition rewritten and revised, two volumes*

Edited by A. L. Poole.
Oxford University Press. 601 pages in all. 70s.

THIS book has a curious history. It first appeared in 1902 as Barnard's "Companion to English History," edited by an antiquary whose tastes were reflected in the large amount of space devoted to architecture, costume and heraldry. It was designed to satisfy a popular interest in these and other manifestations of medieval life and it was advertised as being suitable for school certificate candidates, university extension lectures, "the National Home Reading Union, forms in the First-grade Public Schools and many University and College courses in Great Britain, the Colonies and the United States of America." It was one of many co-operative works of historical popularisation at that time, of which the best (though now almost forgotten) was Traill's "Social England."

Like Traill's more ambitious work it also would doubtless have been forgotten if it had not been issued by a powerful university press, which could enlist the services of editors like H. W. C. Davis and Dr Poole, with their band of distinguished contributors, for later editions. The work was reissued with very many improvements in 1922, and now it appears once more greatly enlarged: the 372 pages of the original edition have nearly doubled their number, and instead of 97 plates there are now 140 plates with over a hundred illustrations in the text. The reader is at once struck by the extreme handsomeness of the production. The paper and print are of outstanding quality. The same may be said of the illustrations, with the single unlucky exception of the fourteenth century Gough map which looks like the photograph of a diseased organism. The only substantial cause for regret is that these improvements have entailed a huge increase in price from the original 8s. 6d., which will put the work out of the reach of those for whom it was originally intended: a cheap edition of a work with so wide an appeal is greatly to be desired.

Although the whole work has been rewritten by leading medieval scholars, the plan is still that of the original editor. The main emphasis is antiquarian rather than strictly historical: the chapters are chiefly concerned with the visual surface of things rather than the development of society or institutions. There are, however, some changes that have the effect of making the work more of a "history" and less of a "companion to history." Dr Hoskins's chapter on the English landscape, Professor Knowles's sketch of the development of the church, and Dr Crombie's account of medieval science are more systematic in their approach than anything in the earlier editions. But in general the reader is likely to continue to go to this work as a mine of information on armour, architecture, heraldry and other physical objects distinctively medieval. To anyone who is interested in these things, without being expert, it is full of absorbing reading.

These subjects have indeed not the hold on the attention of historically minded people which they once had: to this extent the work, though meticulously brought up to date, is itself a period piece. It is hard to think that, as it now appears, it can ever be greatly improved. Already the antiquarian framework is strained to bursting point. Subjects such as heraldry are now so thoroughly integrated with social and political history, largely through the efforts of Dr A. R. Wagner who contributes here a new and authoritative account of the subject, that it can no longer be confined within the few pages that once sufficed to explain the main points of emblazonry. Even with the greatly extended length it has been impossible to preserve everything of value in the old edition, and one must regret the disappearance of A. G. Little's masterly account of the Friars. On balance, however, the advantage is heavily on the side of the new edition, and it may well be that this will be the last, as it is also the best, edition of an old favourite.

University Dilemma

Technology and the Academics: *An Essay on Universities and the Scientific Revolution*

By Eric Ashby.
Macmillan. 118 pages. 15s.

SIR ERIC ASHBY'S Ballard-Mathews lectures, developed and deepened in book form, make a trenchant and constructive contribution to the dilemma facing the universities, which are under pressure to turn out more technologists as the crying need—the *sine qua non* of survival—of the country that pays for them. Sir Eric reviews the strange history of the universities in Britain, their decay from the sixteenth century to the mid-nineteenth, their sudden renaissance after science had largely passed them by, their rapid adaptation soon after the appearance of Charles Darwin's "Origin of Species," and their present state, which, Sir Eric concludes, is truer to the medieval idea of a university than at any time since the Middle Ages. But his main parallel is between the universities in the days when they were trying to swallow science without losing independence, culture and the education of gentlemen to be statesmen, and the present time when they are trying to swallow technology without losing their power to transmit a liberal education and keep alive non-practical ends.

It is a suggestive parallel, and Sir Eric makes it a hopeful one. His solution is

the well-worn one of making specialised studies into a vehicle of liberal education; and he does not hesitate to show how the curriculum for a degree in brewing could successfully lead a man to consider life steadily, as well as whole, through the contacts of his utilitarian course with basic science, social science, economics, ethics, philosophy and religion. Whether in practice the student to whom the course is a passport to a managership at £1,250 a year, and with not a spark of curiosity or speculation in his turgid make-up, will be prepared to be so diverted is another matter—certainly one which brings in question the quality of teachers as well as that of students. But the direction is the right and natural one, and Sir Eric does not fail to make the point against the classical men that the classics and even the "arts" man is really the specialist; it is the technologist (even more than the pure scientist) who can be shown to have been "exposed" to the whole range of humane studies. Of course, this is not quite fair; the good arts man, knowing, admittedly, little about science, is yet usually widely informed over a far wider range of humanistic and aesthetic studies than is the average technologist, who forgets his school history and school musical appreciation as quickly as he can and embraces his ideal of himself as a no-nonsense "practical" man. But the big-minded scientist, however rare, is a far more rounded character, and far less a specialist, than even the first rate arts man.

But all this leaves unresolved the university dilemma: how to civilise the technologist, and how to give the arts student some science. Sir Eric's views on both problems are well worth considering—and are, indeed, being considered in most universities in the little time left to professors to consider anything except administration and new building. This point was left out by Sir Eric; but an essay cannot be a book on university problems, draft syllabuses and all, and busy academics—and others—should be grateful to him for so skilfully bringing the subject down to bedrock in an eminently readable presentation.

Colonial Anachronism

Under Chartered Company Rule:
North Borneo, 1881-1946

By K. G. Tregonning.
Oxford University Press. 250 pages. 30s.

In these days, when colonialism in its non-pejorative sense continues to be misunderstood west of the Atlantic and is distorted and traduced behind the Iron Curtain and south-east of the Mediterranean, it is useful for an example of so beneficent a colonial administration as that of British North Borneo under its Chartered Company to be presented to the general reader in an objective and documented study. It is particularly so where the administration in question was conducted by a form of government even then held by some to be an anachronism. The British North Borneo (Chartered) Company exercised sovereignty over the north-east corner of the world's third largest island effectively for sixty, in theory for sixty-five, years from 1881 to 1946, and laid good, solid foundations for the happiness and prosperity of the new colony's native peoples.

Not that the company's early policy was uniformly sound. Founded largely through the vision and persistence of an enterprising young London business man who was to become Sir Alfred Dent, it began wisely by borrowing from the British colonial administrations in the Far East experienced civil servants as governors and administrators of the new territory. Then W. C. Cowie, an ambitious, obstinate and autocratic man, who had been the local Borneo manager of a small Singapore firm, nearly ruined the infant state, when he became managing director and ultimately chairman of the Chartered Company, by insisting on governing it himself from London. In pursuit of this determination he replaced the trained and independent-minded seconded civil servants by servile creatures of his own with neither administrative nor local experience. The great Sir Hugh Clifford, perforce called in from Malaya in 1900 to clean up the resultant mess, resigned in disgust at Cowie's refusal to listen to him. The territory's progress was blocked until Cowie's death in 1910.

This past history has been painstakingly gathered together by the author from company minute books, Colonial Office despatches and other original records not easily accessible, as an enlightening prelude to the story of later development. After the first world war the company made repeated efforts to induce successive British administrations to assume political control of the territory by annexation. These proposals were consistently declined until the Japanese devastation of the country during the second world war made its postwar rehabilitation a task beyond the power of the company to undertake. The Chartered Company never returned to North Borneo after 1941 although the legal transfer of sovereignty to the British crown was not effected until 1946.

Mr Tregonning has also some good specialised chapters on native administration, labour, health, education, economics and the abolition of slavery. He shows clearly that the company's local administration, after it was helped and no longer fettered by London, built well for the future. This book is a valuable contribution to British colonial history in the Far East.

Called to the Bar

Brief to Counsel

By Henry Cecil.
Michael Joseph. 190 pages. 12s. 6d.

All barristers know that a brief to counsel does not necessarily contain all the information he needs. Mr Cecil has produced one that most certainly does. In a comparatively short space he provides for the young man contemplating the Bar as a profession (or for his parents) a complete, if succinct, account of how to get there and how to get on when he does. This book gives a shrewd and witty explanation of what Mr Justice Devlin in a foreword describes as "the mechanics of a great profession."

By what was, no doubt, a coincidence, one of Mr Cecil's most important suggestions was put into effect within a fortnight of the publication of his book. He points out that the Bar is the only profession in which a person is treated as qualified to carry on business without having seen it conducted or knowing, from a practical point of view, how it is done. He, therefore, suggests that it should be made compulsory, before a new barrister be allowed to appear in court, that he should have read for a year as a pupil in the chambers of a practising barrister. At the beginning of October the Inns of Court issued regulations laying down this very condition for those seeking in future to practise in the English courts.

A danger Mr Cecil does not mention is that of excessive specialisation. Work in such fields as income tax, rating and Town and Country Planning tends to be concentrated in very few hands. This may be the inevitable result of the volume and complexity of modern legislation; but it means that the practitioner with a wide and general knowledge of the law as a whole, whose training and career Mr Cecil describes so admirably, is in some danger of disappearing. If this process continues, it may eventually affect the quality of the Bench, since the man who has been a specialist practitioner will be ill-fitted to cope with the diversity of work, civil and criminal, which the High Court Judge, particularly in the Queen's Bench Division, has to try.

In his description of the life of the barrister Mr Cecil employs an obviously wide experience and a humour which readers of his legal novels have learned to expect and appreciate. Some of the imaginary dialogues between the white-wigged junior and the wily solicitor's clerk or the testy judge are highly instructive. The book is generously illustrated with drawings by Mr Edward Ardizzone, whose wonderful sense of line and character captures the true atmosphere of the Temple and the courts.

OTHER BOOKS

Economic History of England: A Study in Social Development, *Sixth Edition.* By H. O. Meredith. *Pitman.* 440 pages. 20s.

Local Government in England. *New Edition.* By Josef Redlich and Francis W. Hirst. Edited and with introduction and epilogue by Bryan Keith-Lucas. *Macmillan.* 261 pages. 30s.

Stock Exchange Official Year-Book, Volume 2, 1958. *Thomas Skinner.* 3,789 pages. £8 for both volumes.

The Work of WHO 1957. *Official Records of the World Health Organisation, No.* 82. 190 pages. 6s. 9d.

Studies in the Mathematical Theory of Inventory. By Kenneth Arrow, Samuel J. Karlin and Herbert Scarf. *Stanford University Press.* London: *Oxford University Press.* 340 pages. 70s.

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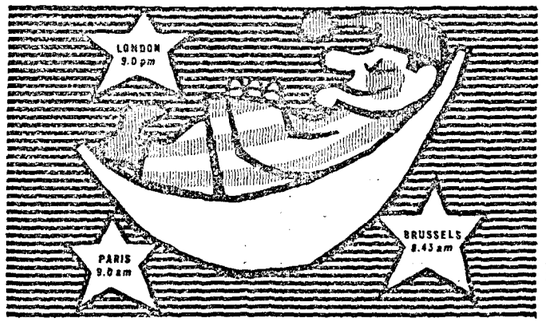
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STATEMENT OF CONDITION, DECEMBER 31, 1958

ASSETS		LIABILITIES		
Cash and Due from Banks	$2,100,874,863	Deposits		$7,386,096,807
U.S. Government Obligations	1,505,876,335	Foreign Funds Borrowed		4,136,456
State, Municipal and Other Securities	442,967,864	Reserve for Taxes		58,773,172
Mortgages	178,722,647	Acceptances Outstanding	$184,014,712	
Loans	3,807,259,870	*Less: In Portfolio*	14,765,846	
Banking Houses	65,042,893			169,248,866
Customers' Acceptance Liability	165,547,113	Other Liabilities		60,568,261
Other Assets	63,690,154	Reserve for Contingencies		19,749,712
		Capital Funds:		
		Capital Stock	$163,625,000	
		(13,090,000 Shares—$12.50 Par)		
		Surplus	400,000,000	
		Undivided Profits	67,783,465	
				631,408,465
	$8,329,981,739			$8,329,981,739

Of the above assets $510,850,056 are pledged to secure public deposits and for other purposes, and trust and certain other deposits are preferred as provided by law. Securities with a book value of $25,412,945 are loaned to customers against collateral. Assets are shown at book values less any reserves.

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BANKERS TRUST COMPANY

NEW YORK

Condensed Statement of Condition—December 31st, 1958.

ASSETS

Cash and Due from Banks	$ 903,774,810.54
U.S. Government Securities	629,521,625.48
Loans	1,391,104,667.14
State and Municipal Securities	84,657,871.41
Other Securities and Investments	34,822,445.16
Banking Premises	23,241,102.67
Accrued Interest, Accounts Receivable, etc.	12,130,607.66
Customers' Liability on Acceptances	48,411,749.26
	$3,127,664,879.32

LIABILITIES

Capital (par value $10 per share)	$ 40,299,500.00	
Surplus	160,000,000.00	
Undivided Profits	67,962,117.75	
		$ 268,261,617.75
Dividends Declared		3,022,462.50
Deposits		2,779,132,984.40
Reserve for Taxes, Accrued Expenses, etc.		23,002,078.56
Acceptances Outstanding	53,582,614.16	
Less amount in Portfolio	2,672,480.20	
		50,910,133.96
Other Liabilities		3,335,602.15
		$3,127,664,879.32

Assets carried at $134,672,970.27 on December 31st, 1958, were pledged to secure deposits and for other purposes.

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AMERICAN SURVEY

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

Liberal Fireworks Fizzle Out

WASHINGTON, DC

DURING the next two years, in the Eighty-sixth Congress which began its first session this week, the power of Mr Rayburn, the venerable Speaker of the House and of Senator Lyndon Johnson, his *protégé* and fellow Texan who leads the majority in the Senate, is likely to reach its highest point. In the past four years the two Democratic leaders, by their superior capacity for legislative manœuvre, have controlled much of the work of Congress although they had only thin, almost nominal majorities at their disposal. Now they have ample elbow-room in which to operate; their party holds nearly two-thirds of the seats in each House, the largest partisan majority in twenty years. After 1960, however, the congressional leaders are unlikely to be given as free a hand as they enjoy at present. Although Mr Eisenhower is not without political resource, as the early skirmishing over the new Budget has already made clear, his successor, whichever party he belongs to, will hardly exercise the powers of the Presidency with the same self-effacing restraint.

The objective of Mr Rayburn and Senator Johnson in their new political affluence remains the same as it was in the relative austerity of the past two Congresses. That aim is to keep the Democrats on a centre course: maintaining bipartisanship in foreign policy; carrying forward the party's tradition of liberalism on questions involving social welfare and natural resources; easing the devisive issue of civil rights for Negroes; and, above all, proving to the "swing voters" that the Democrats can provide moderate, responsible government. The congressional leaders contend that their middle of the road policy is responsible for the party's successes in the congressional elections.

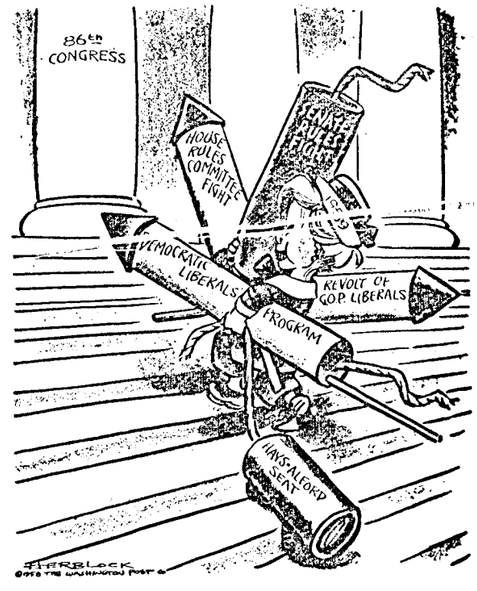
The liberals in the party have long disputed this. They attribute the Democrats' successes in November primarily to the aggressiveness of men like Senator Douglas of Illinois and Senator Humphrey of Minnesota who developed clear-cut challenges to the Eisenhower Administration on economic issues. More aggressiveness and not more moderation, the progressives assert, is the way to a presidential victory in 1960. This divergence also extends to foreign policy, or rather to the Democratic party's relations with the Administration's foreign policy makers, chiefly Mr Dulles. It was notable, for example, that last month while Senator Johnson was amicably serving as the Administration's spokesman at the United Nations on the problems of outer space, Senator Clark of Pennsylvania, one of the leaders of the liberal block, was angrily urging that Mr Dulles should be ousted.

Although the outcome of the election served to increase substantially the strength of the northern liberals, they are not strong enough to sustain any determined challenge to the party's entrenched congressional leaders. Mr Rayburn made that unmistakably clear on the House side before the session even began when he snuffed out an attempt to reduce the power of the House Rules Committee. This committee, under the leadership of Representative Howard Smith of Virginia, an arch-conservative, and under the control of a bipartisan conservative coalition, has often been the graveyard of progressive legislation. This is because no measure can be moved to the floor for action until it has been given a legislative "rule" by the Rules Committee.

The liberals first favoured the restoration of the so-called "21-day rule" which provides that a Bill can be called up for action if the Rules Committee has not acted on it after twenty-one days. This rule was adopted in the Eighty-first Congress of 1949-50 with strong backing from President Truman, but the bipartisan conservative coalition was able to repeal it in 1951. The alternative proposal favoured by the liberals was simply to add one northern Democrat to the Rules Committee, widening its Democratic majority from 8 to 4 to 9 to 3. This change would have ensured a liberal majority for all domestic legislation except civil rights measures, on which even progressives from the South defect.

Mr Rayburn rejected both changes, explaining that he disliked the 21-day rule because it interfered with the orderly routine of the House and that he could not change the parties' balance on the committee because he had a gentleman's agreement with Mr Martin of Massachusetts, then still the Republican leader, not to do so. After Mr Rayburn laid down this line, the liberals abandoned

"Might As Well Start Things Off With A Bang"



the struggle. In effect they accepted Mr Rayburn's contention that it would be more effective to rely upon his personal influence with the often difficult Mr Smith than to alter the rules or routines of the House.

By sheer weight of numbers, however, the newly elected Democrats, most of whom are of the liberal persuasion, are sure to have a leavening influence within the committees of the House. They will strengthen the existing progressive majorities on the committees dealing with labour and education, banking and currency, and taxes and reciprocal trade. The addition of some individuals of exceptional experience and ability will also make a difference. Mr Chester Bowles, for example, a former Ambassador to India, who is a new member from Connecticut, is expected to brighten up the House Foreign Affairs Committee.

The gain of thirteen seats by the Democrats in the Senate, plus the two Democrats from newly admitted Alaska, will have a less pronounced effect on the temper of the upper House. Only about half of the newcomers are aggressive liberals of the Douglas-Humphrey-Clark school ; the other half consists of middle-of-the-roaders whom Senator Johnson will have no difficulty in fitting into his highly personal system of political power.

The changes in the Republican leaders of the House and the Senate suggest that there will be a sharper partisan tone to debates during the next two years. In place of Representative Martin of Massachusetts, the amiable stalwart who had reigned over them for twenty years, the House Republicans in a surprise move elected Representative Halleck of Indiana, a younger, more ambitious and more aggressive figure, by a margin of 74 to 70 on a secret ballot. The change had no ideological significance, both men being routine conservatives ; it reflected instead the restlessness of the minority after its repeated defeats and a desire for a leader who would develop a more clear-cut partisan record. Mr Martin's personal friendship with Mr Rayburn and his predilection for settling controversies by private arrangement had aroused the resentment of many members of his party.

In the Senate the election of Mr Dirksen of Illinois by a vote of 20 to 14 over Mr Cooper of Kentucky was an anticipated victory for the old guard. Senator Dirksen, who has shown himself to be politically flexible, may well prove a more responsive agent of the Administration than his predecessor, stubborn Mr Knowland, but he is certain, in any event, to put on more impressive—if unavailing—forensic displays of indignation and partisan outrage.

THE big imponderables of the new Congress are the foreign situation and the problem of racial segregation. Any major crisis with the Russians or any prolonged deterioration in world affairs which increased the likelihood of war would transform the congressional scene and push all normal political calculations to one side. The racial issue arouses profound emotions ; and, once the unavoidable opening day clash in the Senate over the filibuster is past, all the artfulness of the Democratic leaders in Congress will be directed toward mollifying feelings on this subject and keeping it in the background. If racial problems should nevertheless cause an explosion of rancorous public dispute, there always exists the possibility that the thinly concealed antagonisms between North and South within the Democratic party will bring about sharp political changes that cannot now be foreseen.

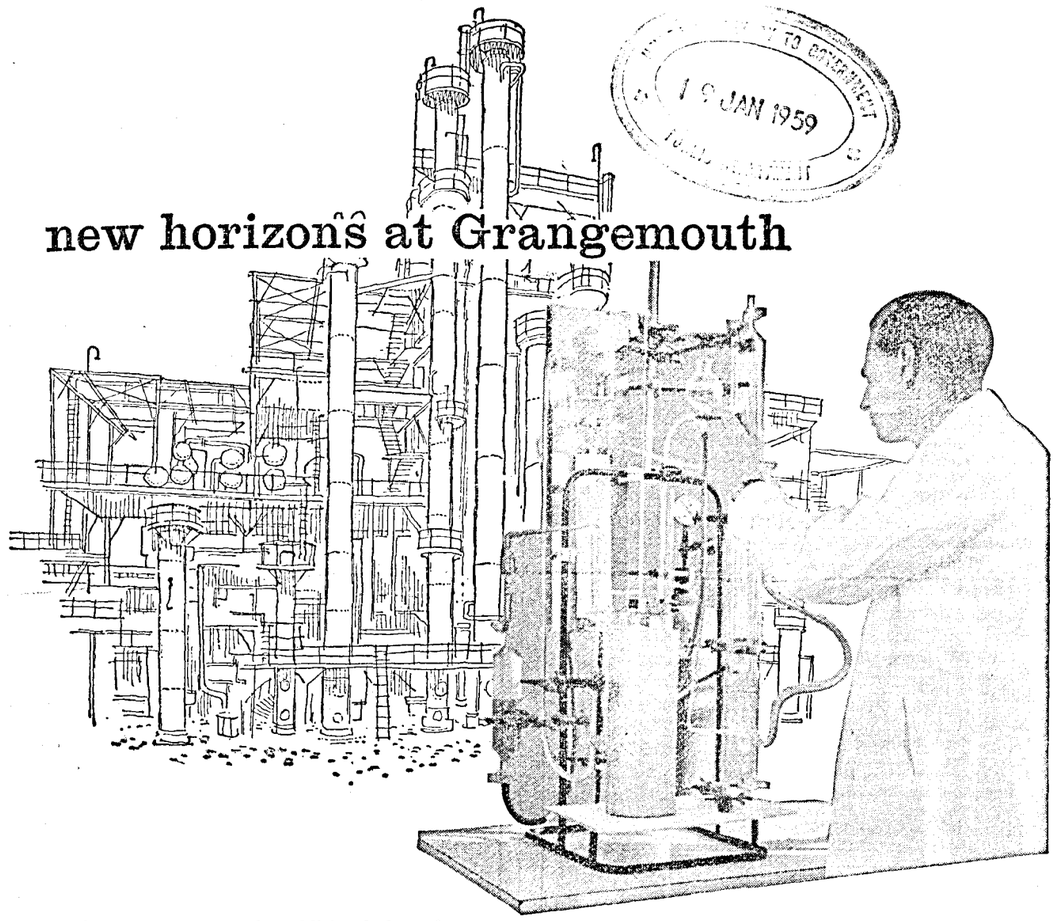
Leaving aside these two contingencies, the liberal revolution of last November is probably going to have its biggest impact on the new Congress through its effect on the attitudes of the Democratic party's congressional leaders. Mr Rayburn was, after all, one of the legislative architects of Franklin Roosevelt's New Deal and Senator Johnson was one of that President's most ardent supporters. While both have grown more conservative with the passage of the years, they are by no means insensible to pressures from the left. Legislative measures brought forth with their official blessing are likely to be more ambitious in scope and more progressive in spirit than those introduced in the Congresses of the recent past. This will not wholly satisfy the liberal block, but most of its members most of the time are likely to act in accord with Speaker Rayburn's perennial advice to new members : " The way to get along is to go along."

Urgency in the Hemisphere

IT was only chance that the successful revolt against General Batista coincided with Dr Milton Eisenhower's latest report to his brother on Latin America, but the Cuban sensation dramatises Dr Eisenhower's contention that the whole continent is in a state of ferment and that his proposals, first made in 1953, have now become urgent. It also underlines his endorsement of Vice President Nixon's suggestion that the United States should offer a hearty embrace to democratic leaders in the hemisphere and only a formal handshake to dictators. Dr Eisenhower recommends various other steps for fostering better understanding of the United States in Latin America, mainly by making more information available, and the creation of a high-level governmental council in Washington which would demonstrate the importance which the United States attaches to co-operation among the American republics.

On the economic side progress is already being made towards setting up the inter-American financial institutions which Dr Eisenhower believes should advise on development plans as well as provide credit for them. Moreover, the American government has itself stepped up its lending to Latin America substantially during the past year. Practically half the credits authorised by the Export-Import Bank in 1958 were to Latin American countries, which received $477 million. And the year closed with a spectacular combined loan by international, governmental and private agencies, $329 million, the largest amount of aid ever provided for a single Latin American country, to reward Argentina for its sincere efforts to put its economy in order. This, it is hoped, will spur other countries to similar austerity in the hope of similar assistance ; economic reform would also make them more attractive to the private interests which have already provided 80 per cent of the United States capital invested in Latin America.

Dr Eisenhower is prepared for the United States to co-operate with groups studying the problems of surplus commodities, is it has already done in the case of coffee, but he does not believe it should enter into any agreements on price stabilisation. He recognises, with some understandable embarrassment, that the United States, in disposing of its own agricultural surpluses—wheat and cotton, for example—and in protecting its own producers



During the next twelve months, additional plants for the production of petroleum chemicals will add their dramatic silhouettes to the changing Grangemouth skyline. The rapidly expanding demands of British industry for the growing range of petroleum chemicals produced by British Hydrocarbon Chemicals have amply justified all the heavy investments in new processes and plant. By 1959, over £30m. will have been spent at the 400-acre Grangemouth site, where the production of chemicals from oil has already become one of Scotland's leading industries. With the continued technical backing of its two parent companies —The British Petroleum Company and The Distillers Company—and the increasing use of petroleum chemicals throughout industry as a whole, British Hydrocarbon Chemicals is playing its part in the ever widening horizons of this new Elizabethan age.

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Diethyl Ether	Solvent for extraction of oils and alkaloids in the pharmaceutical industry. Anaesthetics.
Isopropyl Alcohol	Acetone (solvent for rayon, explosives, lacquers, aircraft dopes, and adhesives). Intermediate for pharmaceuticals and other fine chemicals.
Tetrapropylene	Household and industrial synthetic detergents.
Butadiene	Synthetic rubbers and rubber-like plastics. Boot and shoe soles.
***Polyethylene**	Sheet, film and monofilaments; household, medical and laboratory articles.
***Cumene/Phenol**	Phenol (resins; insecticides; herbicides; synthetic fibres; lubricating oil additives). Intermediate for dye-stuffs, pharmaceuticals and other fine chemicals.

*PLANTS NOW UNDER CONSTRUCTION AND DUE FOR COMPLETION IN 1959.

British Hydrocarbon Chemicals Ltd
GRANGEMOUTH · STIRLINGSHIRE

TAB 819

Guaranty Trust Company of New York

Condensed Statement of Condition, December 31, 1958

RESOURCES

Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers		$701,681,840.20
U.S. Government Obligations		568,778,717.90
Loans and Bills Purchased		1,664,878,218.00
Public Securities	$98,897,690.35	
Stock of Federal Reserve Bank	9,600,000.00	
Other Securities	27,587,408.47	
Credits Granted on Acceptances	36,324,275.92	
Accrued Interest, Accounts Receivable, etc.	38,387,462.96	
Real Estate Bonds and Mortgages	11,471,172.06	222,268,009.76
Bank Premises		16,974,949.56
Total Resources		$3,174,581,735.42

LIABILITIES

Capital: (6,000,000 shares—$20 par)	$120,000,000.00	
Surplus Fund	200,000,000.00	
Undivided Profits	98,876,622.87	
Total Capital Funds		$418,876,622.87
Deposits		2,633,018,353.42
Foreign Funds Borrowed		247,800.00
Acceptances	$67,232,362.52	
Less: Own Acceptances Held for Investment	25,940,553.03	
	$41,291,809.49	
Dividend Payable January 15, 1959:		
Regular	$4,800,000.00	
Extra	4,800,000.00	
Items in Transit with Foreign Branches	85,621.05	
Reserve for Expenses and Taxes	33,002,385.75	
Other Liabilities	33,369,142.84	117,438,959.13
Total Liabilities		$3,174,581,735.42

Assets carried at $226,287,586.78 in the above statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes.

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Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION

Condensed Statement of Condition December 31, 1958

(Figures of Overseas Branches are as of December 24, 1958)

RESOURCES

Cash and Due from Banks	$1,860,453,871.96
United States Government Securities and Securities Guaranteed by the Government	2,398,143,579.13
Federal Agency Securities	124,372,037.99
State, County, and Municipal Securities	740,290,190.72
Other Securities	154,734,050.16
Loans Guaranteed or Insured by the United States Government or its Agencies	1,382,149,369.30
Other Loans and Discounts	4,279,738,981.37
Bank Premises, Fixtures, etc.	130,696,396.48
Customers' Liability for Acceptances	150,067,009.00
Accrued Interest and Other Resources	70,207,265.61
TOTAL RESOURCES	**$11,290,852,751.72**

LIABILITIES

Capital	$160,000,000.00	
Surplus	340,000,000.00	
Undivided Profits and Reserves	107,536,822.99	
TOTAL CAPITAL FUNDS		$607,536,822.99
Reserve for Possible Loan Losses		103,771,685.06
DEPOSITS Demand	$4,975,210,399.13	
DEPOSITS Savings and time	5,332,350,593.47	10,307,560,992.60
Liability on Acceptances		152,985,857.84
Reserve for Interest, taxes, etc.		118,997,393.23
TOTAL LIABILITIES		**$11,290,852,751.72**

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Condensed Statement of Condition December 31, 1958

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Branches: Duesseldorf · Singapore · Paris · Beirut · Guatemala City

(Branch figures are as of December 24, 1958)

RESOURCES

Cash and Due from Banks	$136,330,592.04
United States Government Obligations	13,646,792.97
Other securities	15,487,814.21
Loans and Discounts	141,269,082.88
Customers' Liability for Acceptances	26,056,780.50
Accrued Interest and Other Resources	2,128,808.03
TOTAL RESOURCES	**$334,919,870.63**

LIABILITIES

Capital	$34,000,000.00	
Surplus	6,800,000.00	
Undivided Profits	1,201,812.11	
TOTAL CAPITAL FUNDS		$42,001,812.11
Reserve for Possible Loan Losses		2,630,002.42
Deposits		260,529,535.01
Liability on Acceptances		27,575,309.75
Reserve for Interest, Taxes, etc.		2,183,211.34
TOTAL LIABILITIES		**$334,919,870.63**

of oil and metals, has not always acted in full accordance with its declared trade policy. Developments of this type have perhaps had a more destructive effect on American relations with the northern part of the hemisphere than with the southern and have been, as so often before, one of the main topics of this week's economic discussions in Ottawa between Canadian and United States cabinet ministers. While some progress is said to have been made in dealing with these and other difficulties no final solutions seem to have been reached. It would be surprising if they had.

Rockefeller's Taxing Role

MR NELSON ROCKEFELLER, who proved in November, by a margin of 570,000 votes, that he was an energetic and most attractive Republican candidate, was sworn in as Governor of New York State last week and now has his chance to display more solid merits. As the only prominent member of his party to win a great victory in a Democratic year, he will necessarily—and cheerfully—be measured against the responsibilities of an even more exalted office. For Mr Rockefeller now governs a state which has provided four of the country's Presidents and nine of its presidential candidates; moreover, although he insists tactfully on wearing all three political labels—conservative, liberal and progressive—he stands with the modern wing of his party, not with the old guard which was so decisively repudiated in November. The new Governor devoted the lion's share of his inaugural address to an enlightened, if very general, discussion of international and national issues. Clearly Mr Rockefeller does not want to be confined to the housekeeping problems of any state—even if it is the Empire State and the wealthiest of all.

Yet New York presents a real challenge to any Republican who hopes to combine progressive social policies with financial responsibility, as Mr Rockefeller does and as President Eisenhower once set out to do. The state faces a $220 million deficit in the financial year, which begins in April, because of falling revenues during the recession and because increases in certain state programmes are mandatory. It is too late now to put up the taxes on income earned in 1958, which fall due in April. But Mr Rockefeller has gone to great pains to make it quite clear that more money must be found, not just by raising the taxes on petrol and cigarettes, which would bring in about $100 million in a full year, but possibly also by raising taxes on income and instituting a "pay-as-you-earn" system.

Even if the budget can be balanced, on paper, by February 1st, the economic growth which the Governor wants will have to be swift to provide the revenues to support the better education, more social welfare, and greater cultural opportunities which he has promised New Yorkers. The state educational authorities already are asking for an additional $123 million for next year. Some economies have already been put into effect; Mr Rockefeller's first appointments have been promising; and he plans a study of the executive organisation of the state to achieve greater efficiency. These steps are unlikely to bear a great harvest in the year and a half before the Republican presidential convention. But the energy and resolution with which Mr Rockefeller tackles his first elective job may be great enough to impress the delegates.

Institutions Go to Market

FROM A CORRESPONDENT IN NEW YORK

INSTITUTIONAL investors—mutual funds, life insurance companies, savings banks and pension funds and individual trusts managed by banks—have always been a significant influence in the American stock market, but in 1958 they were clearly a dominant one. The share of the issues listed on the New York Stock Exchange which is held by institutions has risen from a value of $9.5 billion—or 12.4 per cent of the total outstanding—in 1949 to an estimated $40 billion—over 16 per cent of the total—at the end of 1958. These figures do not include equities in those individual trusts which are institutional in character; if these are added, the 1958 total comes to over $80 billion, or about 30 per cent, of the value of all issues on the New York Exchange.

Most of the growth in institutional portfolios is due to the steady and often spectacular rise in the values of securities over the past ten years, but the annual accumulation of funds available for investment is also growing larger. Pension funds, for example, which owned $500 million worth of equities in 1949, made net purchases of $1 billion last year. Other institutions were big buyers in 1958, particularly in the second half of the year, and this helped to accelerate the rise in share prices. The enormous purchasing power of the institutions can be exaggerated, for they do not always operate in the same way. A mutual fund looking for capital appreciation will not pursue the same investment policy as a savings bank seeking safe yields; and frequently one institution will sell a big block of an issue at the precise moment when others are buying. But even when their policies differ, the institutions, with their staffs of technicians and analysts, form the single most important pool of professional opinion, and are largely responsible for the prestige and respectability now associated with investment in equities.

In spite of the countless tales about barbers, secretaries and bootblacks playing the stock market, it was only in the upper-income groups that ownership of equities was common before the last world war. Since then much wider distribution has become possible as a result of the huge rise in personal incomes at all levels, but much of the credit for the actual increase belongs to the open-ended mutual funds, whose energetic sales campaigns have stressed the safety—and the profitability—of investment in equities. The satisfactory performance of these funds, which owes as much to inflation as to professional management, has expanded the demand for equities in general, not just for shares in mutual funds. Moreover, great publicity has been given to the concept of "growth stocks." and "dollar averaging" by the institutions and these have helped to overcome the small investor's fear of losing his shirt.

THE performance of the stock market in 1958 demonstrated the respect in which the public holds institutional dogma. Last winter, when business activity was declining rapidly, spokesmen for the mutual funds were publicly expressing their faith in common stocks, while privately they were expressing their concern over the possibility of a prolonged recession which would bring with it the threat of large redemptions of mutual fund shares. Other institutions were similarly cautious; while they did little

outright selling, there was some switching to defensive issues and a good deal of hesitancy about making new commitments. But the public did not lose confidence. In fact, there was a marked increase in purchases of mutual fund shares which forced the funds to expand their investment programmes. And as soon as the down-turn showed signs of levelling out, other institutions began practising what they had been preaching. Their buying, combined with that of individuals, resulted in the return of the bull market.

Whatever motivates the general public, the institutional demand for equities is based largely on the increasing stability of the national economy. In the highly cyclical period between the world wars institutional investors avoided equities which fluctuated with rises and falls in corporate earnings, and gave priority to the safety provided by fixed income obligations. But the economy's ability to resist downward pressures, which has now been tested on three separate occasions in the post-war period, changed this. The institutional preference for equities was already well established before last year's decline, but there is no doubt that the relative shortness of the decline hardened and confirmed the trend. The bond market's fall from grace, the result of speculative excess on one hand and psychotic fears of inflation on the other, served to exalt the status of equities and hastened the conversion of the remaining sceptics. Fear of inflation was also a recognised factor in the decision of the American Telephone & Telegraph Company and its subsidiaries, which together hold $2.6 billion in pension funds, to put 10 per cent of these assets into common stocks. AT & T's action was followed by other conservative pension funds and stirred up the savings banks and insurance companies to ask for increases in the present legal limits on equity holdings in their portfolios.

This cult of equities has led to a severe shortage of these shares. The amount available for purchase is limited largely by the tax laws which, by making interest payments on bonds—but not on dividends—tax deductible, restricts the supply of new equity issues and, by assessing a capital gains levy, tends to freeze outstanding shares in the portfolios of permanent investors. Because institutional investors buy in volume, they usually deal in actively-traded issues with a large number of shares outstanding. Of the 1,500 companies whose shares are listed on the New York Stock Exchange, the institutions have big holdings in about 200 " investment grade " issues which, not surprisingly, are also the public's favourites. These are the issues that, by and large, show the biggest gains, mainly because too much money is chasing too few shares.

THE managers of institutional money are becoming more and more apprehensive at the public's persistence in following their lead. But there is nothing they can do about it The portfolios of the open-end and closed-end funds are published quarterly and are closely followed as buying guides. The portfolios of other institutional investors are not exposed to such consistent scrutiny, but brokers can count on increasing their trade with individual customers by airing rumours of institutional transactions.

The enhanced value of equities, especially of issues formerly regarded as cyclical—steels, machine tools, electrical equipment, paper, metals—has a permanent look. Institutional analysts are in fact upgrading many issues that were once termed semi-speculative to the ranks of stable investments, while an ever-widening search is on for speculative situations which give promise of providing big gains. But there is growing concern that some of the groups—like drugs and electronics—which the institutions have made popular are being bought too liberally by individual investors who lack the balance of more stable holdings.

The public's tendency to follow the dollar averaging system—to invest a fixed sum in the same issue over a long period—is also questioned by the institutions. The success of the system depends on undeviating adherence to it, a test of discipline that an institution, which can count on a constant accumulation of funds, can meet more readily than an individual who depends on what may turn out to be a fluctuating personal income. Yet individual investors and investment clubs are now resorting to dollar averaging, particularly by means of the monthly share purchase plan that bears the New York Exchange's stamp of approval.

It is obvious that the institution and the individual share the same desire for increased profits and dividends, but professional fund managers, who are themselves executives in large enterprises, are likely to support the policies of the large enterprises whose shares they hold, including proposals for higher pay and bonuses for executives and, of course, more liberal pension plans, all of which are of dubious benefit to the small shareholder. The institutions rarely seek to improve the management of a company in which they hold shares ; if they dislike a company or fear unwanted changes, then they sell out as advantageously as possible. Some critics claim that this hurts the individual investor but the institutions, anxious to avoid the more serious charge that they are dictating to a company's managers, take the position that their responsibility is limited to their own shareholders.

No matter how far the trend towards domination of the equity market by the institutions goes, and the peak has probably not yet been reached, it is no insurance against a decline in stock market prices. This could come without any wholesale liquidation by the institutions ; a definite slowdown in their buying of equities is all that would be needed, so great is their power today.

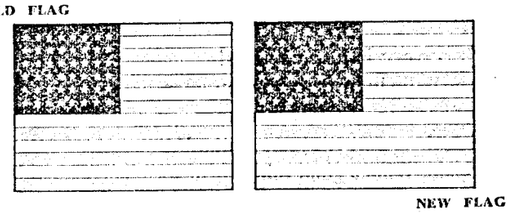
Now There are Forty-Nine



DURING the nineteenth century Americans made a habit of admitting new states to the Union, but last Saturday's proclamation of statehood for Alaska, the first addition for nearly fifty years, brought with it a number of technical questions with which people nowadays are not accustomed to dealing. The founding fathers had answered the first with their provisions for ensuring staggered terms in the Senate: the two new Senators each drew a slip of paper from a box to settle the length of each man's service. Neither drew six years ; Senator Gruening has a four-year term, Senator Bartlett only two. By proclaiming statehood on January 3rd, the day the new Congress officially took over from the old, President Eisenhower ensured that the Senators from Alaska would have exactly the same status as the other newly-elected members.

The President also made the final decision on the new flag, the twenty-sixth design the United States has had, after a special cabinet commission had reviewed nearly 2,000 suggestions. The pattern chosen does not come into use officially until July 4th and may well be superseded after only a year, since before Independence Day comes in 1960 Congress seems likely to have given Hawaii statehood as well. One advantage of the new design—the now traditional thirteen stripes for the original states and forty-nine stars for the number of states today—is supposed to be that a fiftieth star can be fitted in easily ; but it is difficult to see how this can be done satisfactorily without some fairly drastic revision.

An official abbreviation for the name of the new state is also wanted, although it is so long and its name is so short that the map makers at least ought to be able to write the word in full. " Ala." has been pre-empted by Alabama ; " Aaa.," which may in the end be chosen, seems



nearly as unwelcoming as " Alas." No one seems to have proposed " Ask.," although this is what many people believe Alaska will be forced to do—ask for federal funds to help it to carry the new burdens of statehood and to make up for the neglect from which, according to its new officials, it suffered during its ninety years of inferior status. Certainly the Governor, Mr Egan, and the majority in the Legislature, which meets towards the end of January, will not find it easy to make ends meet, particularly since they are Democrats who put social welfare before economy. And the burden of maintaining the biggest state in the Union will fall on only 215,000 residents, fewer than in any other state.

Bank Hold-up

FORTIFIED by its sweeping victory in the Bethlehem Steel case, the anti-trust division of the Department of Justice is taking more interest in business mergers which are likely to lead to greater concentration and to reduce competition. Banks, which are subject to state banking authorities and in most cases to the supervision of the Federal Reserve Board as well, have so far been able to combine without being held to account under the anti-merger provisions of the Clayton Act. But the Department of Justice, which three years ago raised no objection when the Chase National Bank and the Bank of the Manhattan Company joined forces to become the third largest bank in the country, has announced that it is examining the proposed merger of J. P. Morgan and Company with the Guaranty Trust Company to see if it violates the anti-trust laws. Those laws, it is interesting to recall, were in considerable part a response to the industrial giants such as the US Steel Corporation which the first J. P. Morgan created by a series of mergers at the turn of the century.

Section 7 of the Clayton Act, which covers bank amalgamations brought about by an exchange of shares, the method apparently chosen in this case, forbids mergers which tend to restrict competition in any line of commerce in any part of the country, or which tend to create a monopoly. The Guaranty Trust Company and J. P. Morgan are both " wholesale " banks, which deal primarily with other banks and large business concerns ; merged, they would have total resources of $4 billion and would become the third largest bank in New York City and the fourth largest in the country. Although Morgan's, with deposits of $791 million, compared with $2.5 billion for the Guaranty Trust, is much the smaller, the officers of this historic and still most influential bank are to have many of the plums in the new concern ; and the chairman of Morgan's foresees " intensified competition " with the other big banks. In the Bethlehem case, however, an exactly similar contention by the defendants was judged irrelevant.

The inquiries of the Department of Justice do not necessarily mean that it will intervene, or that the amalgamation will not take place. But there are other hurdles to be surmounted. The Federal Reserve authorities have power to bar the operation of branches by a bank, though this would not necessarily be fatal to a bank dealing with great corporations rather than with small depositors. Permission must also be sought from the New York State Superintendent of Banks, who has already said that the burden of proof is on the two banks to prove that their merger will not harm existing competition.

SHORTER NOTES

The controlling interest in the *Chicago Daily News*, which has belonged since 1944 to Mr John S. Knight, who also owns a number of other important newspapers, has been sold to Mr Marshall Field who founded the *Chicago Sun-Times* during the war. While the afternoon *News* has in the past been by no means as liberal as the morning *Sun-Times*, it has been much more so than its only direct competitor, the *Chicago American*, originally a Hearst paper, which was taken over in 1956 by the reactionary *Chicago Tribune*. The *Tribune* is the only morning paper in the city, apart from the *Sun-Times* and the two will therefore now be in continuous rivalry throughout the day.

* * *

The strike which had held down Eastern Air Lines for over five weeks was settled on New Year's Day when the company agreed not to require the engineer who is the third member of the flight crew on a jet airliner to qualify as a pilot for the present ; to stifle the pilots' objection to this settlement, the company then agreed to increase the flight crew to four by adding a third pilot. American Airlines is still grounded, however, and on Monday the company laid off nearly all of its 20,000 other employees.

* * *

In 1958, for the first time since 1950, fewer babies were born than in the previous year—4,248,000, 53,000 less than 1957's record. In 1957 the marriage rate had declined by 4 per cent.



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CRC 33

THE WORLD OVERSEAS

The European Rift

A diary of the events which led up to the split between Britain and the six countries of the European Economic Community.

1940 is the year Europeans look back to when they talk of Britain's relationship with the Continent. In that catastrophic year Mr Churchill breached a barrier of prejudices by proposing a union of the British and French nations. His offer reflected a profound historical truth, for 1940 was the end of the era when individual European nations could queen it in the world alone. And in that hour of physical isolation Britain came in a sense nearer than ever before to many European hearts.

In **1946** it therefore seemed natural that Mr Churchill, speaking at Zürich, should give the first resounding expression to the ideal of European unity. All over western Europe men were looking for a new ideal that would restore their self-respect, for a new system suited to a dangerous world in which their individual countries could not stand alone. Gradually there appeared a band of political leaders —Spaak, De Gasperi, Schuman, Adenauer, Monnet—dedicated to the idea of European unity, not just in the form of "membership of a club" or a "good neighbour policy," but in the form of a new federation, a United States of Europe.

The **1945-1951** Labour government, preoccupied with social transformation at home and political transformation in the postwar Commonwealth, did not share these ideas. In **1949** Britain backed the creation of the Council of Europe at Strasbourg, but was opposed to letting it acquire any powers. Many of the "Europeans" on the Continent were becoming suspicious of British motives.

In **1950** the first rift opened between Britain and the six countries that have now formed the European Economic Community. In **May, 1950,** M. Robert Schuman, then French foreign minister, proposed the establishment of a high authority to control west European production of coal and steel. This was presented as the first step in a *rapprochement* between France and Germany which was to lead to European federation. The French invited Britain to join in the talks on the "Schuman plan," but made it clear that they regarded acceptance of the goals of a supranational authority and ultimate political unity as a precondition of attendance. The British government disliked this prior commitment and in **June, 1950,** declined the invitation. The six-nation Coal and Steel Community began operations in **1953**; Britain has remained outside, linked with it only by a tenuous association.

Until **1951,** many "Europeans" hoped that a Conservative government would prove less aloof than Labour. It was Mr Churchill who had first publicly called for a joint European army in the Assembly of the Council of Europe in **August, 1950**; and his son-in-law, Mr Sandys, drafted the first plan for it. During the winter of **1950-51** the French and their five partners developed the concept of a European Defence Community (EDC). In **October, 1951,** Mr Churchill's government took office; but within a few months it made it clear that Britain could not join the EDC. When, in **August, 1954,** the plan for a European army—and with it the project for a political union—was finally killed, it was the French Assembly that struck the fatal blow. But Britain's aloofness was not forgotten by the "Europeans."

Late in **1954,** as the dust settled over the corpse of the EDC, and the Paris Agreements for the seven-nation Western European Union (WEU) were hastily concluded, on the initiative of Mr Eden, as an alternative means of bridling West Germany's new armed forces, these men began to seek a way of "relaunching" the European idea. They turned to economics. Since **1948,** some of the best practical teamwork in Europe had been achieved through the 17-nation Organisation for European Economic Co-operation (OEEC); and Britain had played an active part in its successful efforts to liberalise trade.

During **1955** the low tariff countries, led by Benelux, who were irked by the restriction of OEEC's work to the easing of quotas, urged that it should also tackle the lowering of tariffs. But once again Britain held back; and meanwhile the Six began to move on by themselves. In **June, 1955,** their ministers met at Messina, and set up the "Spaak committees" to work out plans for a customs union and an atomic community (Euratom).

There still seemed, even **late in 1955,** to be a chance that Britain might join in. At France's suggestion, British experts were invited to sit with the Spaak committees in Brussels; this invitation was accepted.

November, 1955, may prove to have been a decisive date. The work of M. Spaak's committee on the common market had gone so far that he asked for some commitment from the British on the long-term purpose of the talks, if they wished to extend their stay in Brussels. Britain's response was to withdraw its experts.

In **April, 1956,** the Spaak team reported to the six governments; in May they instructed it to go ahead with the negotiation of treaties setting up the two new communities—economic and atomic.

Meanwhile, partly in reaction to the work of the Six, partly under a liberal impulse of its own, the British government was changing its mind about freer trade in Europe. The ideas of enlightened officials were given political drive by Mr Thorneycroft, then President of the Board of Trade, who sensed the invigorating value of

free trade, and by Mr Macmillan, then Chancellor of the Exchequer and long a close follower of Mr Churchill, who clearly saw Britain's political need to find new strength in closer association with Europe.

So, in **July, 1956,** Britain proposed in the OEEC the creation of a European free trade area. At the end of **September, 1956,** it put the idea to a meeting of Commonwealth finance ministers and a few days later explained it to the public. The lack of rules and institutions in the free trade area plan, as compared to the common market plan, and its pragmatic spirit, had many economic virtues ; and it was well designed for British political conditions. Latent in the free trade area—in the merging of national economies which it implied—were many of the political and social implications of the common market ; but Britain was to be guided gently into the European family, without sudden shocks, and care was taken of particular British interests—the Commonwealth, the farmer.

At the end of **1956** an OEEC working party, in which all the member countries were represented agreed that a free trade area was possible. In **January, 1957,** when M. Spaak visited London on the morrow of Mr Macmillan's becoming prime minister, Mr Thorneycroft proposed immediate negotiations between the Six and the "other six" countries most interested in the free trade area (Britain, Austria, Switzerland and the Scandinavians). At M. Spaak's request, however, Britain agreed to wait until after the common market treaty was signed. But, meanwhile, the solidarity of the Six had grown enormously since Messina ; and to the devoted band in the country house outside Brussels, where their negotiations had reached a decisive stage, the outside world, Britain, the free trade area, seemed far away.

On **March 25, 1957,** the treaties to set up a European Economic Community and an atomic community were signed in Rome. In **February** the OEEC council had agreed to carry on technical discussions on the free trade area so that major decisions could be taken by July, but these talks proved desultory. In **May** the British government, still determined to show that there were no destructive motives in its European plans, again agreed not to press the free trade area project until the Rome treaty had been ratified in France and Germany—which was done in **July, 1957.**

Soon after that the British cabinet, disconcerted by the delays, undertook something of a reappraisal. It considered, but rejected, the idea of joining Euratom and the Coal and Steel Community, and instead appointed Mr Maudling, the Paymaster-General, to drive the free trade area plan home. In **October,** the OEEC council approved the creation of a free trade area in parallel with the common market, set up a ministerial committee to negotiate it, and put Mr Maudling in the chair. It was only when he took up his task that it became clear just how difficult it was.

ON **January 1, 1958,** the twin treaties of the Six came into force. The new European institutions, which already have some powers to overrule the member governments and will acquire more, were set up. The Six began to send their best men to Brussels to work their new creation. It became clear that they were prepared to give it high political priority and to adapt their national policies considerably to that end. Whatever its commercial advantages, the free trade area offered them no political alternative to the Treaty of Rome.

During **1958** French opposition to the free trade area plan changed from a combination of lip-service with reservations and delaying tactics into a much more explicit resistance. Although much of this opposition arises from sheer protectionism, the painful medicine of the common market, which is already laying France open to foreign competition, has nevertheless been accepted—on political grounds. France's young "Europeans" see European institutions as a means of regenerating both their country's economy and its political life ; and the common market has also appealed to them—like the EDC and the Coal and Steel Community—as a means of harnessing German energies to European ends. The free trade area, in contrast, has seemed to them to jeopardise these political aims.

Thus, behind the French case against the free trade area, which was first expressed in a memorandum to the other members of the Six in **March, 1958,** there has lain a strange alliance between destructive nationalist protectionism and the forward-looking idea of European unity.

In **October** the Six took up a common position in Mr Maudling's committee. In six months of negotiation between themselves they had got rid of a lot of the protectionist French demands ; but they kept most of the others—the demand for a different balance of economic interests (here the Commonwealth comes in), the demand for some tariff harmonisation, and for other commitments on broad policy akin to those in the Treaty of Rome.

During the **summer of 1958** the British made it clear that they were ready to leave out some sectors of French industry altogether, to accept subsidies to others, to give France a special position—in other words to go a long way to appease French protectionism. But they never succeeded in starting a real dialogue with the French. **On November 15th** Mr Maudling broke off the talks in his committee after a French spokesman had appeared to go back even on the position the Six had just taken up.

On **January 1, 1959,** the process of tariff and quota disarmament began in the common market. Unless some new provisional arrangements can stave off or modify the discrimination against non-members which this means, a precedent will be set which runs counter to the basic purpose of the free trade area. Meanwhile the Six have given the European Commission (the executive of their economic community) the task of elaborating their long-term position ; and, as is noted on page 115, the Council of Ministers of OEEC is to tackle the problem once again.

France's Princeling

FROM OUR PARIS CORRESPONDENT

"CES Princes Qui Nous Gouvernent" was the contemptuous title of the last book published by the man who this week became the first prime minister of the Fifth Republic. On Thursday a salvo of twenty-one guns in Paris proclaimed that the last official touches had been put to the country's new institutions. M. Coty, having helped in the transfer of power, has gone. General de Gaulle has taken over as president, giving up the leadership of the government. It has been known for some time that this job, which now bears the British title of prime minister in place of the Third and Fourth Republics' "president of the council," would go to the general's faithful lieutenant, M. Michel Debré.

Michel Debré was born 47 years ago in Paris of a professional, upper middle class family. His father's is a highly esteemed name in the French medical profession. (Biographers are reluctant to probe deeper into his ancestry since diehard nationalists might object to the Jewish blood that apparently flows in the veins of this new champion of French nationalism.) After showing brilliant promise in his studies in law and politics, the young Debré passed into the higher civil service. In 1938 his distaste for the political "system" was not yet sufficiently pronounced to prevent him from joining the staff of M. Paul Reynaud, then a minister in the Daladier government.

When the war came, he was called up as a cavalry officer. He was taken prisoner, escaped, and served for a time in the French administration in Morocco. In 1942 he went back to France and joined the resistance movement. The French authorities in London must have had confidence in him despite his youth, since he was entrusted, soon after, with the preparations for setting up the postwar administration (the job was partly concerned with efforts to minimise communist influence).

After General de Gaulle's return, he worked for a time in the general's cabinet. In 1946 he tried, unsuccessfully, to get elected to parliament. After that he served on the French commissariat for German and Austrian affairs, but two years later he finally entered parliament through the back door—the upper chamber. Once in the Council of the Republic, he rapidly became the chief gaullist spokesman. He used the rostrum and his prolific pen to attack successive governments for their weakness (to which his party greatly contributed) and for the decadence of France. He was the champion of nationalism, the arch-enemy of the European Defence Community and the common market. He described the "European" ideology as an anti-nationalist heresy, and European integration as an obstacle to the French mission in North Africa.

TOWARDS the end of 1957, sensing that the hour had nearly struck, M. Debré started a weekly called *Courrier de la Colère*. There, and elsewhere, he vituperated against the government, particularly for its pliability when faced with the alleged pressure of the Anglo-American good offices mission after the Sakiet affair. On April 15, 1958, M. Debré delivered his indictment against the government in the Council of the Republic, and M. Gaillard's cabinet was defeated in the Assembly on the same day. M. Debré, one of the few gaullists who had not been tempted by office under the Fourth Republic, received his reward for faithfulness. General de Gaulle made him minister of justice and, as such, he played a key part in drafting the new constitution. He also carried out a reform of the judiciary. He joined the directing committee of the neo-gaullist UNR party at its creation. And when the UNR scored its electoral success, he became the obvious choice for prime minister since he was both more reliable and more obedient to the general than, say, M. Soustelle.

M. Debré's past jingoistic outbursts, his attacks against "Europe" and Anglo-Saxon interference, are a source of worry in certain quarters. But it should be remembered that the new head of government, though he may interfere with the execution of policy, is no longer the real policy maker. True, he can be sure of a greater stability than his predecessors. The powers of parliament have been curbed; in any case, the neo-gaullists and conservatives have a comfortable majority in the National Assembly. But in the new structure the prime minister is overshadowed by the president of the republic. It is the president who nominates the prime minister and other members of the government, and who appoints to all the important jobs, civil as well as military. It is the president who commands the armed forces, who negotiates treaties, and who can dissolve the assembly or assume all powers in a national emergency.

In constitutional terms it is possible to imagine a situation in which a prime minister, tired of his hybrid position and backed by parliament, might defy the president. But such a trial of strength is most unlikely with this president and this parliament. General de Gaulle dotted the "i's" in his last message: "Guide of France and head of the republican state, I shall exercise supreme power in its full scope and according to the new spirit which brought it to me." The seat of political power in France has been moved to the Elysée Palace, where General de Gaulle has taken up residence. It may be unfair to M. Debré, chosen for his faithfulness rather than his ideas, to rank him among *ces princes qui gouvernent*. The new princes, it seems, are not called to govern but to carry out orders.

REFUGEES IN CENTRAL EUROPE—I

Somewhere Cheap to Live

BY OUR SPECIAL CORRESPONDENT

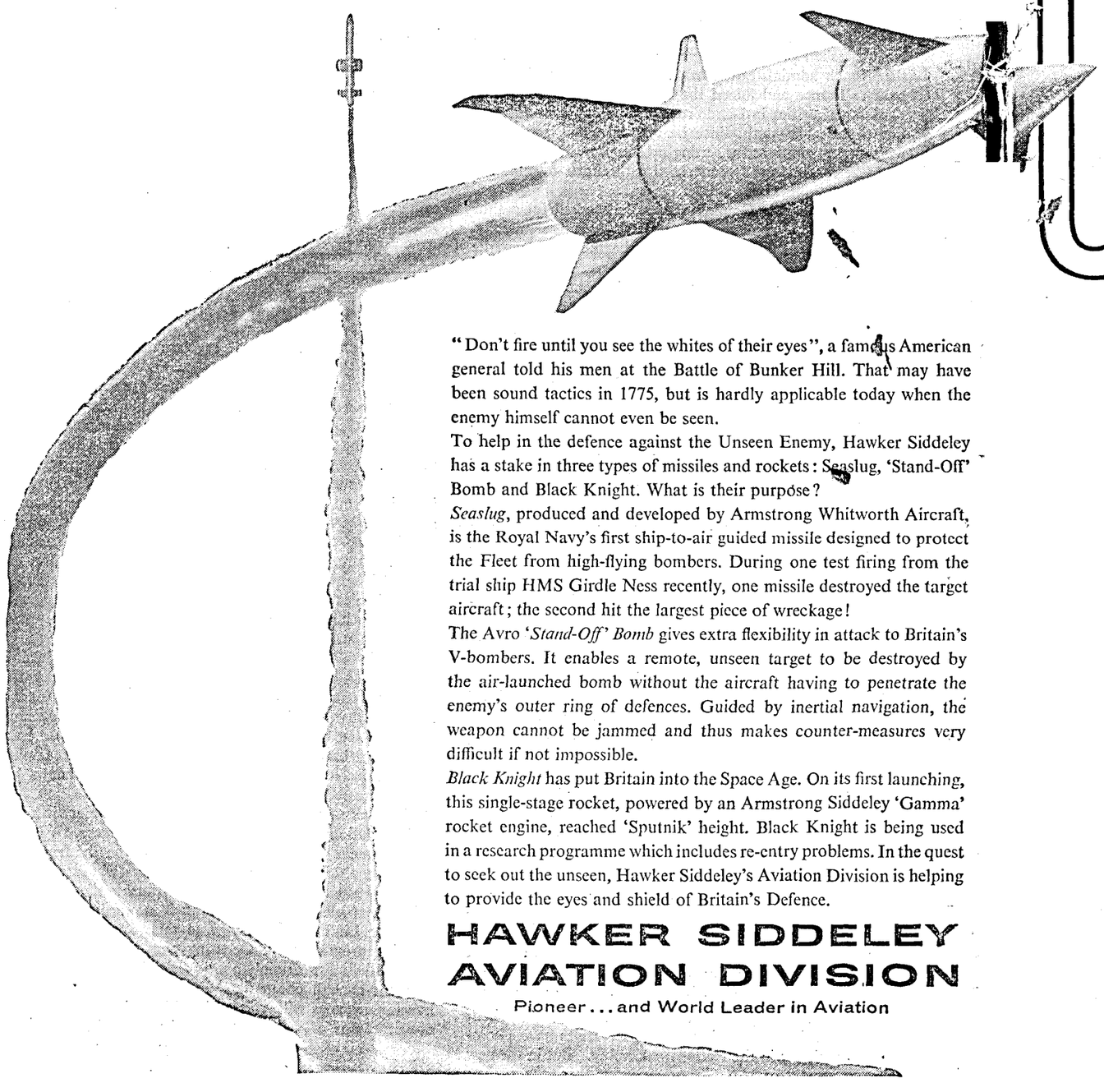
SOMETIMES by design, sometimes because there is no room anywhere else, refugees from east Germany share the same west German camps as foreign refugees who may have been drifting from one camp to another since the end of the war. The rooms where the Germans are living are often the more squalid. The force of their numbers piles them into tiered bunks, and since they have only been in camp a few months—and have every hope and intention of moving on directly—they have not bothered to paint the packing-case furniture, or to stick photographs on the walls. But the squalor is superficial ; there is no doubt where the atmosphere is bleaker. The Germans still have confidence that eventually things will turn out all right ; the non-Germans have often waited too long.

A lot is talked about "camp psychosis"—that failure of spirit which makes a refugee frightened of leaving the security of camp life. More often than not this neurosis is a straightforward fear of the expense of life outside the camp. But now that the reborn German army wants to take back most of its barracks, the refugees who have been camping in them are having to move out. Nobody yet knows for sure where they will all go.

Since very few of them have a chance of emigrating, the United Nations High Commissioner for Refugees, Dr Lindt, plans to move them into housing schemes on the fringes of large towns. In Germany, those refugees who are able to work can usually find jobs, and once outside the camps the children, at least, will be able to melt into ordinary German life. Dr Lindt is now trying to raise $6 million for his building programme in Germany and Austria. But since there will almost certainly not be enough money, and therefore not enough cheap flats, the refugees left out of the housing schemes will have to be shifted into the prisoner-of-war camps of wood hutments that the war left dotted

Continued on page 138

In Search of the UNSEEN



"Don't fire until you see the whites of their eyes", a famous American general told his men at the Battle of Bunker Hill. That may have been sound tactics in 1775, but is hardly applicable today when the enemy himself cannot even be seen.

To help in the defence against the Unseen Enemy, Hawker Siddeley has a stake in three types of missiles and rockets: Seaslug, 'Stand-Off' Bomb and Black Knight. What is their purpose?

Seaslug, produced and developed by Armstrong Whitworth Aircraft, is the Royal Navy's first ship-to-air guided missile designed to protect the Fleet from high-flying bombers. During one test firing from the trial ship HMS Girdle Ness recently, one missile destroyed the target aircraft; the second hit the largest piece of wreckage!

The Avro *'Stand-Off' Bomb* gives extra flexibility in attack to Britain's V-bombers. It enables a remote, unseen target to be destroyed by the air-launched bomb without the aircraft having to penetrate the enemy's outer ring of defences. Guided by inertial navigation, the weapon cannot be jammed and thus makes counter-measures very difficult if not impossible.

Black Knight has put Britain into the Space Age. On its first launching, this single-stage rocket, powered by an Armstrong Siddeley 'Gamma' rocket engine, reached 'Sputnik' height. Black Knight is being used in a research programme which includes re-entry problems. In the quest to seek out the unseen, Hawker Siddeley's Aviation Division is helping to provide the eyes and shield of Britain's Defence.

HAWKER SIDDELEY AVIATION DIVISION

Pioneer ... and World Leader in Aviation



Continued from page 135

about the country, or into barracks so dreary and so inconvenient that even the army does not want them.

The High Commissioner's " non-operational " mandate is interpreted strictly in Germany. So far all he has been able to do is to use his emergency fund (Unref) money to buy a very small share in German housing projects. These houses, put up by building societies as good investments, are admirably suited for a family of average size and moderate means. But about half the refugees still living in camps are on public assistance, and few of them are average ; some have a great many children, others are just single men or women. Dr Lindt has now appointed the Danish architect, who designed most of the much simpler refugee houses in Austria, to try his hand in Germany. This is a step forward ; but it is still doubtful whether the Federal and Land authorities will accept the UN plans. The High Commissioner's officers, who fall over their own feet to be tactful to a dozen masters, can do no more than urge their schemes.

Cheap flats are badly wanted for the 3,000 or so " difficult cases." It is rather easy to be called difficult in refugee language: the disabled, petty criminals, drunks, sluts and old people who refuse to go into homes are all lumped together into this class. Nobody quite knows what to do about them. Although there is a federal German law laying down minimum housing standards, the Land government of Lower Saxony is thinking of defying this and—with the support of the High Commissioner's representative—building some very rudimentary flats for the type of tenant who would never be accepted by a building society. The danger here, as the government is well aware, is that these low-class houses could develop into a sort of ghetto.

In North Rhine-Westphalia the government has decided to pack all its difficult cases into a single camp. In that way the authorities can at least keep an eye on the children and run adequate schools and kindergartens on the premises. But the camp, in a Münster barracks that the army rejected, has a nightmare Hogarthian quality, and nobody living in it can forget the failing or disability that has singled him out. In a long, cheerless corridor, a prostitute's five children, the eldest nine, live next door to the stable-like room where six middle-aged men lie on their beds drinking themselves to slow death. However well-intentioned, this is surely not the solution.

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For each difficult refugee whose problem defies solution, however, there are many more who only need somewhere cheap to live and a little money to get them going. Since west Germany has shown that it has the will and the power to absorb an immense number of newcomers, including some 3 million east Germans, it is all the more irrational that the settlement of the residue of a few thousand non-Germans should be so painfully drawn out.

(To be concluded)

Mr Kadar's Safety First

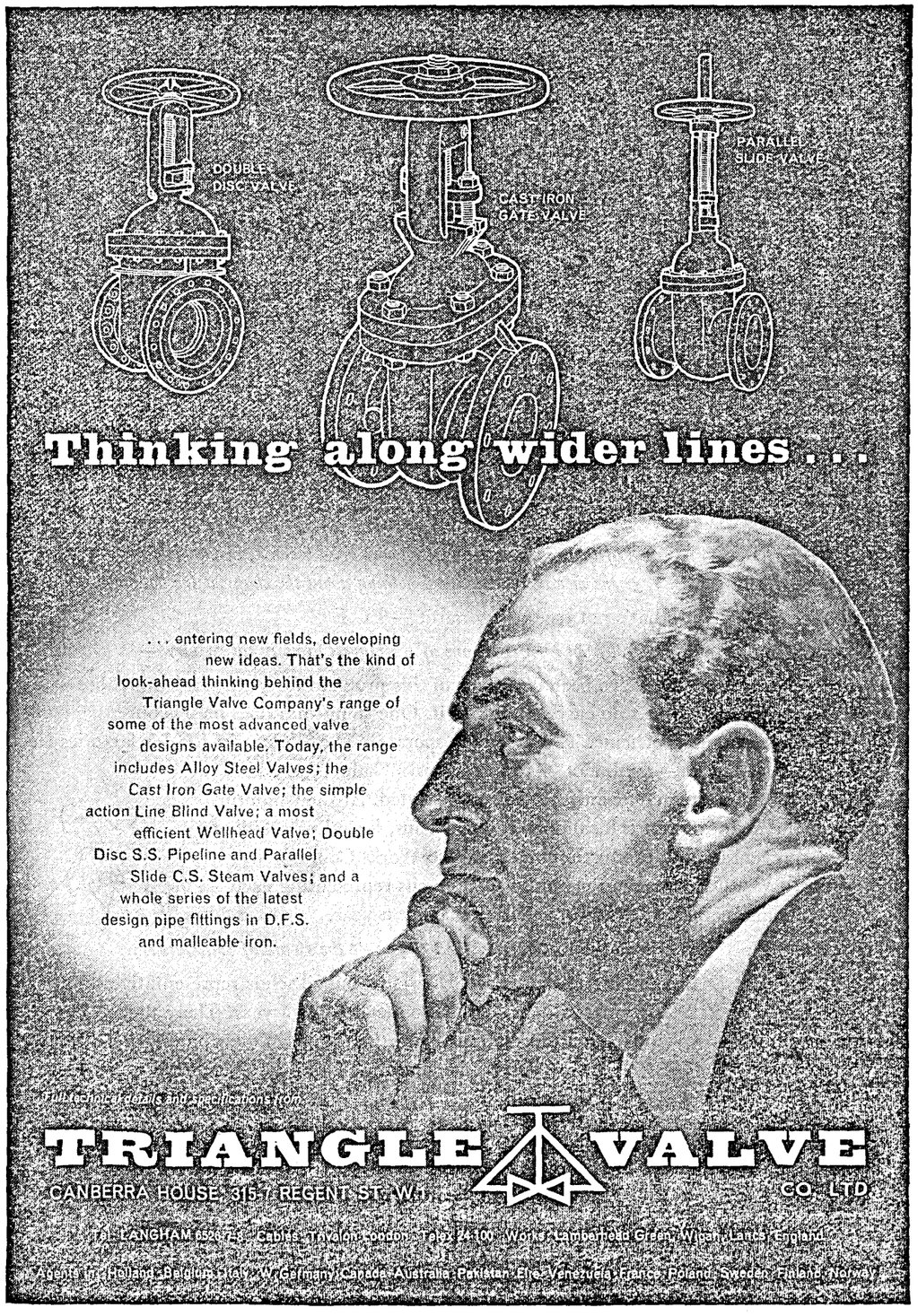
BY A CORRESPONDENT

THE Humpty Dumpty of Hungarian communism almost had a great fall in 1956. In any case it certainly had a good fright ; and this in many ways is still exerting its salutary influence on Mr Kadar's governing apparatus. The party's many wings are flapping less and less, reason is no longer taken for proof of treason, nor is zeal sufficient evidence of trustworthiness. Safety first is the guiding principle. However, even such unambitious rules of conduct as reason and safety first can clash. It is about their inconsistency that a fascinating internal debate seems to be going on within the party.

There is a broad group of middle and lower functionaries, frustrated and depressed by unrewarding daily contact with " the masses," who are for a policy of resigned frankness. " It is worse than useless (they argue) to go on telling the people that *they* like the way things are ; perhaps it is also a mistake to tell them that we in the party do. Certainly one should not irritate them with elections such as the last one with its ludicrous 99-plus per cent majority. All this merely makes them think that we Communists are responsible for the unrelenting march on the one and only road to socialism. Let us instead remind them that what we do is not a matter of choice, but of geography ; that we should have to act the way we do even if we personally preferred some Polish or Titoist way to socialism or, like the unfortunate Imre Nagy, an 'Austrian solution.' Thus we could make a reasonable bid for popular understanding and co-operation ; otherwise we must remain despised outcasts."

One of the cleverest exponents of this line is the writer Mesterhazi, whose daring between-the-lines hints in a pre-election article in *Nepszabadsag* are still the talk of the town. He has all but said that it may well be nicer to be independent than a colony, nicer to live in a bourgeois than in a proletarian democracy, " but "—so ended each paragraph—" we cannot freely elect " the time and place of our national existence.

AMONG the higher party leaders, perhaps the only practitioner of this frank line is Mr Marosan, nicknamed Georgie the Bun. An impatient and arrogant man, he is annoyed with the attempts of Mr Kadar and others to justify the party's rule. Why should power, backed by Soviet strategic interest, have to justify itself? For Mr Kadar and the other leaders, however, this line, no matter how likely to disarm popular resentment by pointing to a *force majeure*, is nevertheless unsafe. By confessing to their own subjects that Hungary is and must remain communist primarily by





the things they say!

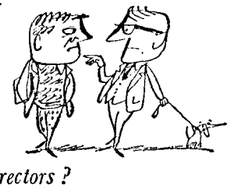


Most of the troubles in industry today arise because, in the big firms, the men at the top know nothing about the chaps at the bottom.

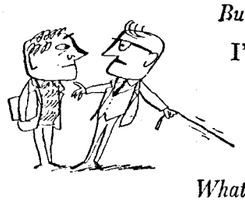
Well, that's not true of my outfit — I.C.I.

Why not? I.C.I. is one of the biggest firms in the country —

Yes but we've been conscious of this problem for years, and we realise there's no easy solution to it. One thing that does help is our Works Council Scheme. This is how it operates. The workers in I.C.I.'s factories elect their representatives — by ballot — to their Works Council, to which members of the management are also appointed. At their monthly meetings the main interest is local domestic problems, including accident prevention and production matters. The Works Councils in their turn send members to Councils representing each manufacturing Division, which meet twice a year.



But how do the workers meet the top men — the Board of Directors?



I'm coming to that. Each Division Council sends representatives to a Central Council that also meets twice a year. There the men from the shop floor put their point of view on all sorts of topics before the Chairman himself and the Directors.

What sort of topics — rates of pay, perhaps?

No, those matters we negotiate with the Trade Unions. These Councils deal with other features of the Company's labour policy.

The interest they showed in the idea of Profit-Sharing for example, helped to bring our I.C.I. scheme into being. I.C.I.'s 1,300 Works Councillors are an important link between top management and workers, because they do a lot to ensure that the Company's policies are understood by everybody.

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force of geographical circumstance, they would implicitly charge Russia with "colonialism," and this would be a much graver risk to take than any that is involved in accepting responsibility for the status quo.

The status quo, safe as it may be for Mr Kadar, is cheerless and uninspiring for his cadres, and this is worrying the brainier of his lieutenants. The Kadar policy is one of *immobilisme,* of an obsession with security and caution which the more sanguine regard as cowardly. In particular, his go-slow approach to collectivisation is resented as appeasement of the peasants, and his reluctance to break the writers' strike by force is thought to yield nothing but humiliation to the party. Economically, matters are kept on a fairly even keel only by accepting a rate of growth which is far too low by communist standards; the "raised" plan provides for a 4.7 per cent increase in manufacturing production and a 2.8 per cent rise in real wages for next year, with the share of accumulation in the national income rising slightly to 16.5 per cent. There is little in these relatively unamibitious figures to fire the imagination of the faithful. Not surprisingly, they are getting bored and stale.

The old magic is gone, and some of the party's ablest brains feel an urgent need to recapture it. China is the one obvious source of fresh magic; and while the Sino-mania of the old stalinist firebrand, Jozsef Revai, is making scant impact, more important people are also smoothing the path of intangible imports from the Far East. General Revesz, the cool-headed and polished defence minister who, more than anyone else, is steering the course of the regime from the background, is on a protracted visit to China, having conversations with Chinese leaders including Mao himself, while a Chinese delegation led by the deputy head of the Chinese planning board is staying in Budapest. Contemptuous of their familiar Russians, Hungarians are wondering what the emerging Chinese connection has in store for them.

Black Outlook for Swedish Liberals

FROM A CORRESPONDENT IN STOCKHOLM

AT international liberal meetings Sweden's Liberal party (*Folkpartiet* or the Peoples' party) has long been hailed as the most successful in Europe. This will not happen again for some time. In last year's elections—the "pensions" elections in June, and the ordinary elections in September—the party was cut back from 24 per cent of the votes to less than 16 per cent. It no longer forms the leading opposition to the Social Democrats, who have now been in power for over a quarter of a century.

The main cause of the catastrophe was the party's difficult middle position on the pensions issue, which has dominated Swedish politics for several years. The question is whether there should be additional pensions, graded according to income, for all employees, on top of the existing uniform national pensions. The Social Democrats have proposed a compulsory system for these new pensions; the Conservatives and the Centre (formerly Farmers') party are against any new law; and the Liberals, seeking a compromise, proposed a permissive law, involving "a legal right but not a legal obligation." And this proposal has not found favour.

There is not even much prospect that the Liberals will regain their losses once the pensions issue has been settled, for this issue is only one illustration of the problems of a middle party. The political situation has changed enough in the last two years to depress the Liberal strategists. The Conservatives have found "reactionary" platforms politically profitable, and will consequently maintain them, especially as there is now far less prospect of a non-socialist government than even a year ago. They are now challenging important parts of the postwar welfare system. This policy has had a great appeal among upper and middle class groups, who are less interested in children's allowances, national health insurance, and similar recent reforms than in the promises of lower taxes which are the mainstay of the Conservative programme. It is, generally speaking, these same groups that do not want any new pensions law, as they already enjoy quite good private or public pensions. The Liberals' dilemma is simple. If they join the Conservatives in demanding a more restrictive social policy, they will lose votes to the Social Democrat party, thereby perpetuating its majority or at last stopping the electoral trend away from it; if they adopt a radical policy, they will continue to lose votes to the Conservatives and the Centre party.

Before the June elections, they stood a good chance of leading a Liberal-Centre-Conservative coalition. This possibility is now very remote. In their own words, the Liberals have now gone out into the political "wilderness," to wait for the other parties to come to their senses about pensions—that is, to accept the Liberal idea of combining statutory security with some freedom of choice. There is little likelihood of this happening, as the voters have twice rejected the Liberal compromise.

With no non-socialist coalition government in prospect, the three opposition parties now seem bent on competing even harder for the non-socialist half of the electorate. The Conservatives can show off their "new" conservatism much more boldly, as they are no longer afraid either of having to accept a common programme for a three-party coalition, or of having to fulfil their promises; and they can make more trouble for the Liberal party, not so much by attacking it directly as by carrying on a policy that will intensify its dilemma.

A SPECIAL Liberal problem is the weak party organisation. Only about 10 per cent of Liberal voters are party members. Moreover, the actual members are generally less radical than the leading Liberal papers and the party leadership, even in its present cautious mood. The membership has traditionally been based on groups of small traders and businessmen, farmers, free church members, temperance reformers, and so on. The pensions fiasco has only served to demonstrate once again, and even to widen, the divergence between this cautious party body and the "culturally radical" or "social-liberal" attitudes of the Liberal press and the party leadership under Professor Ohlin. The party's official ideology, the so-called "social liberalism," of the last ten years has undoubtedly been too radical for these groups. Now that the party has been defeated, their influence is increasing. At the party congress in Uppsala, held after the electoral set-back in June, conservative tendencies became obvious. There is probably a wider split between the old main body of the party and the "radicals" of the big Liberal papers than there is either between the party's right wing and the Conservatives, or between the

more radical Liberals and the Social-Democratic right wing.

The staunch supporters, moreover, are not the most important party subscribers. Much of the money needed for the party work comes from big business men. These financial supporters, who often themselves belong to the Conservative party, have naturally become less willing to subscribe now that the Liberal party's chances of effectively challenging the Social-Democrats seem to be vanishing. If the party should move to the left and join the Social-Democrats in a coalition—it is forty years since that happened, except during the all-party government of the last war—or make an agreement with them on pensions and other important issues, these industrial subscribers would of course close their wallets.

Priorities for Irish Investment

FROM OUR DUBLIN CORRESPONDENT

ALL Irish governments since the war have been great believers in public capital investment. The fashion began in the days of Marshall aid ; it has been retained and financed out of external assets (i.e. out of the sterling balances) since the flow of dollars ended. The ultimate objects of public investment have been clear enough, though their relative priorities have never been clearly stated—to make good the arrears of housing and other social amenities such as hospitals and electrification, and in general to create circumstances in which an expanding economy might absorb a greater part of the natural increase of population, so reducing emigration.

In the nine years 1949-50 to 1957-58, the State spent £278 million on capital investment. It is a sizeable sum for a population that numbers less than 3 million and has a national income of a shade under £500 million. This expenditure has undoubtedly secured a great improvement in housing and a considerable expansion in the production of fuel and power and in the provision of public services such as telephones. But its effect in bringing about an expansion of national income has been negligible. In these nine years, the real national income is estimated to have increased by only 8 per cent, compared with increases of 21 per cent in Great Britain and of over 40 per cent in western Europe as a whole. Worse still, this period has also witnessed a heavy fall in population ; the increase in emigration persists.

It is no wonder, therefore, that reviews of investment policies have lately become as fashionable as the investment programmes themselves. The last government began the process by appointing an advisory committee of Irish economists which has presented three reports on various aspects of investment. The present government has issued two further publications. One is a white paper which sets out programmes of investment from now until 1963-64. The other, perhaps even more interesting, is a detailed review of the possibilities of economic development which was drawn up by the secretary of the Department of Finance. It is an engaging exercise to compare what the secretary thinks with what the government proposes, but it has certainly been an enlightened decision to make his review available.

The white paper proposes to continue investment on a relatively large scale. It contemplates capital expenditure totalling £220 million over the next five years. This is to be found from current savings and drafts on the sterling balances ; to expedite the latter, it is said that a decision may be taken that future issues of legal tender notes will no longer need to be backed 100 per cent by external assets. This last suggestion is not as portentous as it may seem : the increase in the currency has been very small in the last three years. Savings have been volatile, but the external assets of the commercial banks have nearly regained the level of about £120 million at which they stood nearly five years ago. It looks as if the financing of the programme is possible.

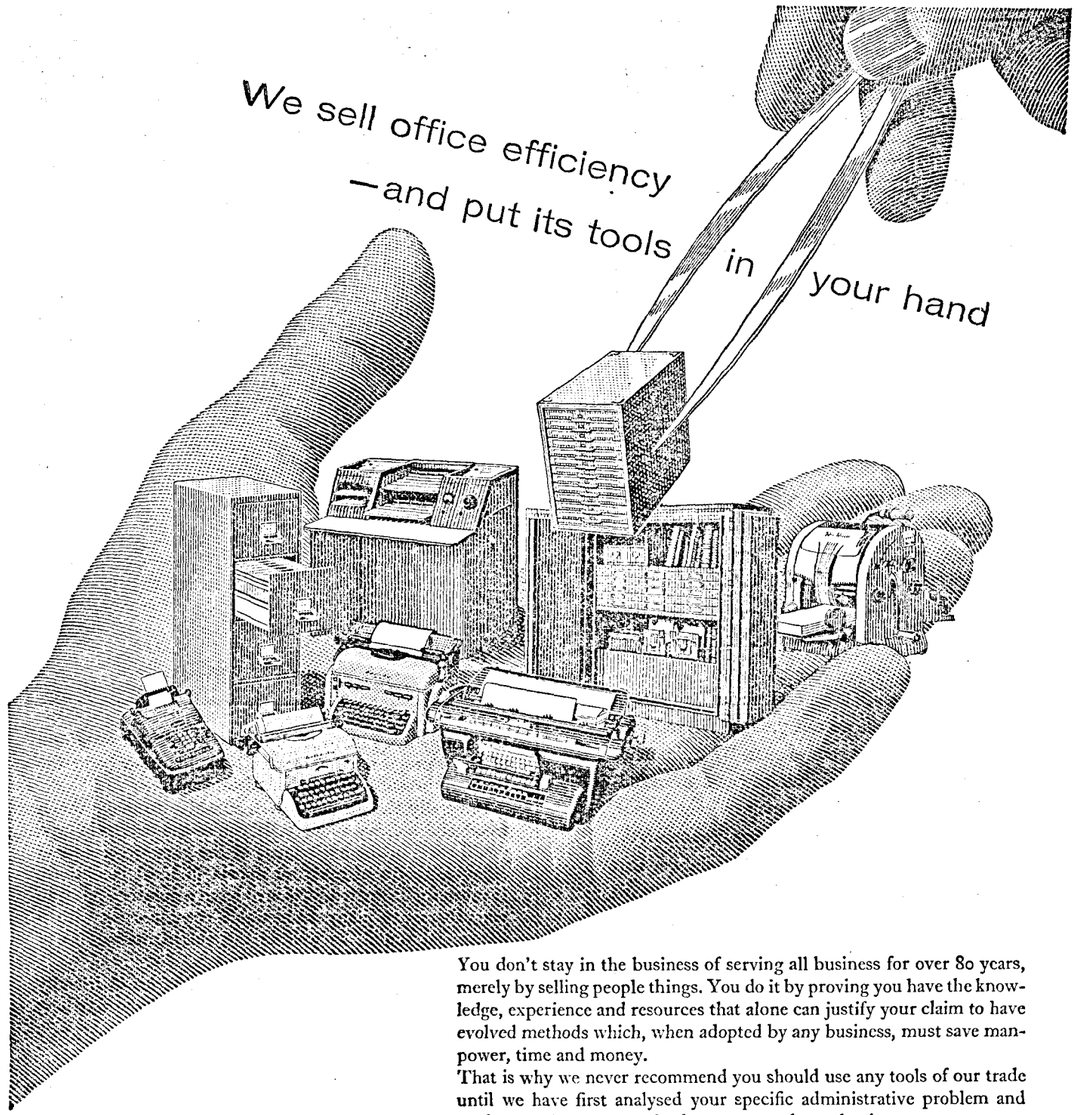
THE encouraging aspect of the programme lies in its priorities. First place is given to agricultural production for export—and, consequently, to the improvement of grasslands and the increase of stock. This is only common sense ; but Mr de Valera's governments, since he first came to office more than 25 years ago, have always paid more attention to tillage than to livestock and have paid more attention to cutting imports by home production of wheat and feeds than to the more easily realisable possibilities of increasing exports. In its aim of obtaining better pasture and more livestock, the government will receive useful aid from the Irish banks, who have lately become interested in the provision of loans to increase herds and to hasten the eradication of bovine tuberculosis.

All this is a considerable change for the better. Some doubts must remain. The provision of capital for these purposes still seems less than it should be. More widely, it seems that an expansion of agricultural production demands consultation with the British Government. The existing trade agreement has worked well but present British policies (and, no doubt, Irish shortcomings) have increased the importance of the cattle trade at the expense of the traditional products, bacon, eggs and butter, on which the smaller farmers depend. And it is difficult to repress a suspicion that money would be better spent on the provision of marketing facilities, research and instruction of producers than in the usual channels of capital expenditure. The Irish government may be using a hammer where a screwdriver is needed. But at least it is trying to use it in the right section of the economy.

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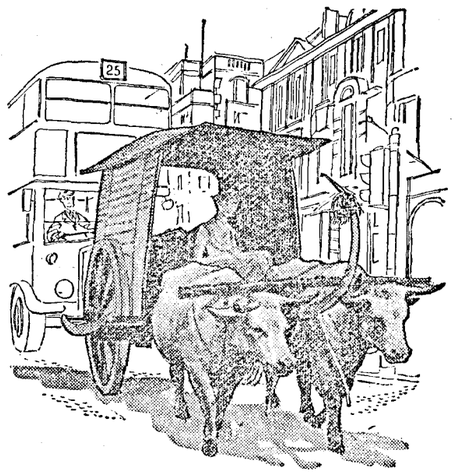
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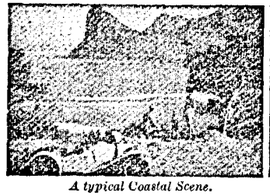
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THE BUSINESS WORLD

War to What Purpose?

On Wednesday, victory in the battle over British Aluminium was conceded. By then Reynolds-TI interests controlled over 50 per cent of the ordinary stock of British Aluminium. By 3 p.m. yesterday there had been a flood of acceptances of their offer, making the triumph complete. A lot of dust now has to settle. Tube Investments and Reynolds Metals will have to sort out their holdings so that the intended 51-49 per cent division of interests in their joint company is secured, leaving nominal control in this country. The Treasury still has to give its consent, though it had made it pretty clear that this would go according to the majority decision of British Aluminium's stockholders. A great battle has been won and lost. The destiny of British Aluminium is irrevocably altered and its present directorate cannot conceivably reach any *modus vivendi* with the new controlling interest. The balance of power between the successful American bidder, Reynolds Metals, and the BA board's chosen instrument, Aluminum Corporation of America, has been radically changed. And the struggle has left permanent scars on the City. Bitterness of an unprecedented kind has been provoked. The prestige of some of the City's oldest houses has been put into the hazard and has been weakened. Qualities of foresight and rational calculation on which the expertise of the City has for centuries been based seem suddenly to have taken flight; in the last crunch, some of the proud establishment sought to teach some of the newcomers a lesson—and defeat has done them and the City no good.

At an early stage, before the battle developed with such intensity and bitterness, the directors of British Aluminium lost sight of a cardinal principle in the administration of company affairs in this country. They failed to take their shareholders into their confidence and to convince them that the courses on which they were set were inevitably the right ones. Having made this irretrievable mistake, they were always on the defensive, making their counter-blows too obviously, and in their promise to raise the dividend, too dubiously. The bidders, TI and Reynolds, dictated the battle and imposed their initiative throughout.

There is plenty of room for differing views about the best arrangements for the future of British Aluminium. It remains to be proved that the Reynolds Metals interest will be the best for the company—just as it would have remained to be proved that the Alcoa participation was best, if the BA board had won the day. No point of British national prestige or interest made the one unequivocally preferable to the other. Arguments in terms of "national interest" have to be proved. In this case they were merely asserted and they were quite irrelevant. British Aluminium needed help in its development and it sought an American partner. With the same object, Reynolds Metals and TI were distinctly aggressive. But battles are won by aggression. Defeat teaches not that aggression is wrong, but that only a sound policy fully supported by shareholders provides a sufficient defence against it.

As a case study of what went wrong, the British Aluminium episode will long be worth study. Here was a company with an important foothold in British and European markets; with important developments afoot in Canada; and potentially even bigger things in prospect in Australia. It had to transform itself from an important but still modest company in this country, largely dependent upon outside sources for aluminium, into an international concern, exploiting bauxite deposits and producing its own ingots. For this, it required enormous capital; it had gone to North America for capital to bring the first two stages of the Baie Comeau project in Canada into production and a modest estimate of the capital needed to set up production in Australia was £100 million. One could be bullish about aluminium, but British Aluminium's share in the potentialities were inescapably linked with the raising of big international capital—which in

practical terms, meant linking itself with one of the established American producers. The two questions were when it should do so and with whom.

The board of British Aluminium and its financial advisers were certainly aware of these problems. But they do not seem to have addressed them with a sufficient sense of urgency. Early in 1957, they knew that American Metal Climax had acquired about 650,000 units in British Aluminium and had stopped buying. They must also have become aware that another group was seeking a link with British Aluminium—which was not identified as Reynolds Metals until a year later. The directors of British Aluminium and their advisers concentrated on raising new capital in the British market to finance the participation in the first stages of the Baie Comeau development and the exploratory stages of the other developments. There was an ill-fated rights issue, but after the preliminary moves to broaden the capital base, British Aluminium seemed disposed to wait until Baie Comeau began to make profits before deciding to proceed more vigorously there or in Australia.

THIS apparent lack of purposiveness in 1957 gave Reynolds Metals and Tube Investments the chance to make the running in 1958. Not until British Aluminium became aware of a buyer of its stock early in 1958 did it begin to seek seriously a marriage of its own choosing rather than one forced upon it. Its relations with Alcoa were already close and in June it began negotiations with that company. There were exchanges of information and a general acceptance of the idea of some kind of link between the two companies—though without firm obligations on either side. By September British Aluminium must have had a shrewd idea who the buyer was, but he was not formally identified until November 3rd, when British Aluminium, TI and Reynolds met together. The directors of British Aluminium then declined to hear the detailed proposals of TI and Reynolds on the ground that they could not negotiate with two rivals at the same time. Two days later TI sent their letter, saying that, in association with Reynolds, they would make a bid on terms favourable to BA's stockholders.

That letter precipitated action by British Aluminium. On November 14th, they signed the contract with Alcoa; it was not, apparently, until this meeting with Alcoa that the final terms of the deal were fixed. The price of 60s. per unit for the purchase of 4½ million BA shares by Alcoa was then fixed in relation to the current market price of British Aluminium stock and to the fact that the rights issue in August, 1957, had been at 58s. per share. The desire by British Aluminium directors to avoid an unwelcome union with TI and Reynolds may explain their haste. But they then committed another and more damaging error of judgment; they did not disclose to their stockholders the terms of the contract they had signed to sell a one-third interest in the equity to a newcomer.

This mistake gave TI and Reynolds, who must have got wind of the terms, the chance to turn on the pressure with a bid of 78s. in cash plus one TI ordinary share for every £2 of British Aluminium stock. The board of British Aluminium, saddled with the Alcoa deal, had then to reconcile the argument that the stock was worth a good deal more than 78s. with the fact that they had agreed to give Alcoa a dominant stockholding, and an important say in the management, at 60s. Lord Portal argued that to accept the TI-Reynolds bid was to sell "a powerful empire for the price of a small kingdom." He did not explain why Alcoa had been let in for the price of a minor principality.

This dilemma forced the board of British Aluminium and its advisers into further error. They honestly believed that the link with Alcoa was in the best interests of the company and its stockholders. Some of the institutions taking the long view were at that stage prepared to agree with them. But the better income and the cash advantage offered by the TI bid were attractive present facts, and in an attempt to counter them British Aluminium responded with a two tier dividend proposal to pay 17½ per cent to all ordinary stockholders, except Alcoa which for three years would receive only 12 per cent. Immediately, the dilemma was made worse, for this increased dividend was palpably not satisfactorily covered by earnings. The way was always open for TI to improve its own dividend—which by contrast was well covered; to that company's credit it refused any such temptation.

At this stage the issues had become clear for stockholders. They could choose a diluted and indirect interest in aluminium production and fabrication by accepting the TI-Reynolds bid. Or, by refusing to accept it, they could give their vote to the directors of British Aluminium and the Alcoa deal. At that moment the balance of decision was a fine one, but it was up to the stockholders to make up their minds about the merits of the management of British Aluminium, weighing the maladroit defensiveness of the board against the purposeful aggression of Reynolds and TI.

IF matters had been left there, the story of British Aluminium would have remained one of hard battle and nothing more. But then another and extraneous element entered the fight. A group of fourteen merchant bankers and City houses, consisting of the joint financial advisers of British Aluminium and their friends, and claiming themselves to speak for £2 million of BA's ordinary stock, offered to buy half of any holdings in British Aluminium (other than those of TI and Reynolds) at 82s. a share, subject to the questionable condition that the rest of the holdings should be held intact until the end of March. They appealed to stockholders either to retain their holdings or to accept the syndicate's offer on grounds of the "national interest." They were prepared to convince stockholders that British Aluminium was really worth more than 78s. by putting their own resources (and in some cases, those of public companies for which they are responsible) at risk and for a very lean return. All they succeeded in doing was to focus attention on the adequacy of what Alcoa had agreed to pay. Some important institutions and merchant banks in the City who were not already committed in the BA battle were noticeably absent from this group, whose action went beyond the role of stockholders and advisers. As stockholders, they had a perfect right to band together and to say in concert that they would refuse the TI-Reynolds bid. Instead, they entered the battle themselves.

THEIR action will be a matter of argument for a long time to come. If it was not likely to succeed brilliantly, it could only have been inadvisable. In fact, it failed totally and was withdrawn two days before the TI offer closed on Friday afternoon. Stockholders not committed one way or the other were unimpressed with the partial and conditional nature of the group's offer. The ordinary investor was well aware that City tempers were frayed (beyond remedy even by the Governor of the Bank of England who made an unavailing attempt to bring the two sides together nine days ago). There is no doubt at all that the operations on behalf of Reynolds Metals and TI had been resented, and this emotion may have been sufficient to explain why the affair turned into a very rough fight indeed. In the end, the less powerful but shrewder opponents have come out easily on top.

The syndicate, in fact, sealed the issue against themselves. Once the gloves were off, the Reynolds-TI group and their advisers, already ahead on points, traded blow for blow, and ended with the most telling punches of all. Reynolds Metals came into the market, prepared to buy any British Aluminium stock that was offered. Institutional holders and private investors sold enormous quantities of stock and in a matter of days the Reynolds-TI interest in BA was raised from 13 per cent to 45 per cent by the purchase of three million shares costing £12½ million. Anyone who chooses to remain with British Aluminium as a minority holder (which may include some recent sellers who decide to get in again much lower down when the dust has settled) knows what he faces. Sir Ivan Stedeford has given the clear warning that "future dividends paid on BA ordinary stock will be consistent with a prudent financial policy determined by ascertained results."

It now remains for tempers to cool and for the obvious lessons of the BA affair to sink deeply into the minds of company directors and the City. Lack of information cannot be made good by irreconcilable arguments. The City is a market where dealings should be governed by facts, convincing reasons, and proper prices. It is competitive, but its actions should not be tinged with prejudice or allowed to degenerate into feuds. And it needs always to keep pace with modern ideas of how business should be done and how investment is best conducted.

Mr Jones Gives His Orders

Two new orders for military aircraft do not spell a new defence policy; but they may spell more businesslike buying for defence

THE leader of the Opposition sent a telegram from Belfast to the Minister of Supply early this week urging him to place aircraft contracts with the local Short Brothers factory to prevent "an already serious unemployment problem becoming greatly aggravated." Such a move may be good politicking; it is not calculated to improve Short's chances of getting work. The Ministry of Supply is anxious not to lay itself open to the charge of channelling work for political reasons to a company—any company—badly hit by Mr Aubrey Jones's plan to rationalise the aircraft industry. Shorts will not necessarily lose the order for which it is now competing, that for an intercontinental troop transport. But should the company get it, this will be because the aircraft, a modified Britannia, comes closest of the four competing designs to the Army's requirements, not because of the efforts of any Ulster lobby.

The tide has recently been turning in Mr Jones's favour and the five, or at most six, strong production units into which he hopes to concentrate the sprawling aircraft industry are begining to emerge. The recent award of the engine contract for the RAF's Canberra replacement to the newly merged Bristol and Hawker-Siddeley engine divisions ensures the future of a second engine manufacturer to compete with Rolls-Royce. Although British European Airways' decision to buy a new jet from de Havilland rather than from one of the bigger airframe manufacturers was in some ways a setback to the Ministry, it did wring from de Havilland an undertaking of sorts to group with several other smaller manufacturers; and out of the nebulous Airco company they formed may come one of the three or four airframe manufacturing units in a rationalised industry. Last week's shot-gun wedding between Vicker-Armstrongs and English Electric forms the obvious basis of a second group; even if the marriage fails, Vickers alone is big enough to be considered as an independent production unit. So is the Hawker-Siddeley group, although it has the least new work in hand of any.

Whichever way the country's defence policy goes, the forces are expected to want sufficient number and

variety of weapons of some kind to keep this number of separate manufacturing and design teams in existence, although this demand will certainly not keep them fat. For anything above subsistence diet they must look to the civil market. Whether there is a marginal living to be found for yet a fourth airframe manufacturer depends on the size of the civil market and on the inconvenient manner in which the brightest ideas repeatedly turn up on the drawing boards of companies not among the Ministry's chosen few. What happens when the views of the Ministry on what is right, economically, for the industry diverge from the views of the services on what is right, technically, for the forces?

EVENTS in the past week or so provide some interesting answers. During this time new orders have been placed for a Canberra replacement, for a new Army freighter for parachute drops and a technical assessment (not yet finished) has been undertaken of designs for an intercontinental freighter. The Fairey company has been offered both more Government help for the Rotodyne and a letter of intent from British European Airways to buy six of these vertical take-off airliners, provided Fairey can arrange for the supply of engines. There has not been so much activity in the industry's contract departments for years; indeed, it is twelve months since any new aircraft—civil or military—was ordered for this country.

A note in *The Economist* last week explained that this was no sudden departure from the defence policy for the RAF laid down by Mr Sandys two years ago, but the result of a number of belated decisions foreshadowed in that defence policy and brought to a head by the sudden and apparently dramatic intervention of the Minister of Supply who saw the aircraft industry running down to a level where it would soon become incapable of handling even the essential minimum of military construction. Closer examination of these orders shows that they all favour aircraft that are either fully developed, under development or relatively easy to develop from existing types, and that the main contractor for the only radically new aircraft, the Canberra replacement, has been chosen on the company's production record more than the technical brilliance of the design. This time, the Air Staff is taking no chances. It cannot afford to back aircraft that might not arrive on time or up to specification. And this makes the Air Ministry as anxious as the Ministry of Supply to foster the formation of strong production units with the emphasis on production rather than on inventive brilliance.

The Armstrong Whitworth freighter, for example, uses Rolls-Royce Dart engines identical with those on the Viscounts; the first civil prototype is already built and made its first flight at Coventry on Thursday afternoon. The freighter was developed privately by Hawker-Siddeley, and the Air Ministry will get delivery of the first military version in the next two to three years. Although four companies are competing for the order for an intercontinental freighter, Handley Page, Blackburn, Vickers-Armstrongs and Shorts, only the last two have any real chance of the contract because they are offering modified versions of existing civil aircraft, while the others propose new machines. The Air Ministry's natural leaning is for a freight version of the Vickers VC-10 jet airliner. But a jet, and particularly one operating in hot and humid weather to Africa and the Far East, suffers from certain runway limitations.

Both the Air Ministry and the Australian Air Force decided against buying American-built military jet transports because there were so few airfields that these could use. The VC-10 may be turned down for much the same reason, namely that it might take less time to fly troops direct from A to B in a slower Britannia than it does to fly them seven-eighths of the way by faster VC-10 and then tranship them into an Armstrong Whitworth short-range freighter for the last leg of their journey. If the present technical examination of the two designs shows that the Britannia can get in and out of airfields closed to the VC-10, then this coveted and contested order will go to Shorts; the same company will also win if the rear mounted engines of the VC-10 prevent Vickers from being able to build a loading door into the tail of the aircraft of the size that the Army has specified. In either case, the Air Ministry will be buying an aircraft that is merely a variant of an existing design, with engines already fully proved.

THE same cannot be said of the "Canberra replacement," a dual purpose aircraft in which the most important single consideration is structural strength and the second most important, immense engine power. Choice of engines lay between the Rolls-Royce jet being built for the new de Havilland airliner (a new engine evolved from the Conway) and a modification of the existing Bristol Olympus. There is not much doubt that Vickers-Armstrongs would have preferred to go on working with Rolls-Royce as the company has always done, and the Rolls-Royce engine would have given the new aircraft greater range. But the Olympus gave it the shortest, quickest take-off, and so the order went to Bristol. This fitted admirably into the Ministry's plan for fostering a second big engine company, conveniently avoiding the intriguing question of what might have happened if the technical assessment had gone the other way.

The most interesting example of the change in the Ministry's and the Air Staff's attitude to the aircraft industry lies in the order for this bomber's airframe. This must be capable of high altitude flying for photo reconnaissance, which can only be done by manned aircraft, and of supersonic attack at tree-top level on bases immediately behind the front line. It is probably the RAF's last combat aircraft. These are difficult

requirements to reconcile in the same structure and English Electric began investigating them probably a year earlier than any other British company. But when the designs of English Electric came to be weighed against those of Vickers-Armstrongs, the delivery record of the two companies was also taken into account. Vickers' Valiant bomber is one of the few postwar aircraft delivered to the RAF on schedule and to the specification laid down. It is probably as much a result of this as of anything else that Vickers has become the main contractor for the new aircraft, with English Electric sending a design team to work at Weybridge under Vickers' managing director.

A decision of this type is something new in Government-industry relations. In the past, Government support of the aircraft industry has put a premium on novelty in design and a discount on conservative engineering. The emphasis in these recent orders seems to be on predictable performance and delivery. It does not follow that the Ministry of Supply has withdrawn all support from the new and untried; it is free, within the limits of research spending as a whole, to finance the type of project that no company could undertake on its own. The Rotodyne is one example. Its present troubles arise not from lack of Government support but from the fact that Fairey (along with British European Airways) wants to change the engine from Napier's Eland to Roll-Royce's Tyne, but needs the goodwill of Napier to carry on trials until Rolls-Royce can supply an engine. Research projects still under discussion include other developments in vertical take-off and in Dr Barnes Wallis's flapping aircraft wing.

IT is sometimes overlooked, however, that the Ministry of Supply is also responsible for the production of atomic weapons and that it pays for these out of its nominal research and development vote of £200 million. Production of nuclear weapons is running at a higher rate than some recent discussion might suggest. Hydrogen bombs will never be stock-piled in large quantities, even in the United States, but statements that there are no more than five in this country are certainly without foundation. The precise number is known to be less than a dozen people in this country, and these do not include the Chiefs of Staff. The switch to hydrogen warheads, and the work going on to scale these down in size so that they will replace the old A-bomb to an increasing extent has relieved some of the pressure on the supply of military plutonium in this country. The reason for the change is partly a practical, partly a political one; a hydrogen explosion produces only a fraction of the radioactive contamination of one based on the fission of uranium or plutonium. One practical consequence of the switch is that the 300 to 400 kilograms of plutonium that will be produced yearly by the Calder Hall and Chapel Cross power stations of the Atomic Energy Authority—Chapel Cross begins working this year—should, together with the diffusion plant at Capenhurst, be able to satisfy the country's military requirements without requiring the Central Electricity Generating Board to arrange for their new civil power stations to produce plutonium in case of need.

Meanwhile, there are other defence projects outside the aircraft industry making calls on the Ministry's research budget. A new armoured vehicle is under development for the Army and more may be heard in the future of anti-tank guided weapons for use by the infantry. The country's one big rocket, the Blue Streak 2,500-mile range missile, is a project that fits fairly closely into the Air Ministry's new buying policy in the sense that it is evolved from existing American rockets and should more properly be considered as a Mark II Thor built to British engineering standards and tolerances than as a completely new design. But the use to which Blue Streak is put is another matter. Pressure for a British satellite programme with Blue Streak as launching vehicle is beginning to build up among scientists in the same way that pressure is building up among aircraft designers for a Government-sponsored supersonic civil airliner programme. But these pressures are nothing compared to those applied to the Minister of Supply to find work for the idle draughtsmen of aircraft companies left out of the recent round of defence orders. This is the pressure that it is most important for him to resist—if the British aircraft industry is ever to group itself into units big enough to handle the few vital defence projects built here and efficient enough to hold their own in the civil and export markets from which most of its future livelihood must come.

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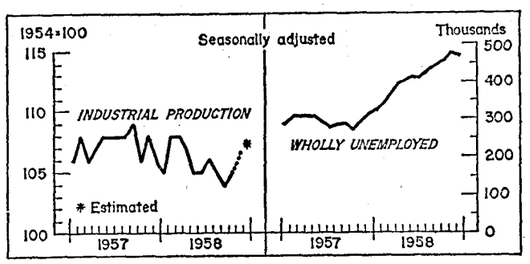
BUSINESS NOTES

THE ECONOMY

The Turn Already?

BY revising upward their first estimate of industrial output in October and reckoning on a further improvement in their similar first estimate for November, the statisticians of the Treasury are now suggesting that a turn may have taken place in the economy much earlier than anybody except Mr Ian Macleod had been prepared to forecast. And a more than seasonal reduction in unemployment with a small increase in vacant jobs on offer between mid-November and early December is now on record further to justify Mr Macleod's optimism.

It is true that the revision for October should re-emphasise the need for caution in accepting these early estimates of industrial production (the Central Statistical Office reckoned that the index would be 103-104 seasonally adjusted (1954=100) and now think it was 105). The new index seems no better in this respect than the old, and as a matter of statistical nicety perhaps the CSO should think of giving a range of four points rather than two (baffling as in present circumstances this would be). Nevertheless, the profile of the recession that is now drawn by the index suggests a low point in September, with output just on 5 per cent lower than a year before, and a slight improvement since then to only 1-2 per cent below 1957 levels.



And in this apparent improvement manufacturing output, after so many months, would seem to have shared: allowing for seasonal influences, it is shown as turning a point upward between September and October.

Obviously, one cannot place too much confidence on provisional figures for a couple of months (there was an apparent upturn in July both in output and employment, which proved a false dawn). But this timetable for the turning point would accord fairly logically with the easing of credit in the middle of the year, and with the rapid response of sales of durable consumer goods to freer hire purchase terms (followed later by full freedom for everything on HP, the effects of which have still to show in these output figures). Moreover, they accord with the greater confidence expressed already in October in the FBI's sampling of business trends and attitudes. It would be early to think of any immediate improvement in the general outlook for heavy industry: the encouraging export figures for October-November seem to have been influenced partly by bunching of deliveries of certain ships and aircraft, and in the same way heavier investment spending by the iron and steel industry in the third quarter may have reflected accelerated deliveries of certain plant—from abroad as well as from Britain's own capital goods producers. But the hire purchase boom is roaring along merrily still, that predicted drop in exports looks to have been shallow and shortlived, and across a wide range of intermediate and miscellaneous industries—which the last few years have shown are more responsive to motors and consumption than to fixed investment demand—there is a smell of better business in the air.

COAL

Trimming the Plans

IF one accepts the National Coal Board's estimates of how much oil, as well as how much coal, was used in Britain last year, the total for both fuels comes out roughly the same in 1958 as in 1957, which was a year of rather higher economic activity. A crude allowance for changes in stocks and exports of coke and manufactured fuels, indeed, suggests that the country may have used in all about 1-1½ per cent more fuel—presumably as a result of much more motoring as well as colder weather. What matters to the Coal Board, however, is the market where coal could have been sold, which covers a little more than 90 per cent of total fuel consumption. Here, it reckons, total consumption was fractionally lower than in 1957, but consumption of coal was more than 10 million tons lower—because oil increased its share from 7.9 per cent to 11.3 per cent of the available market. There can be various quibbles about these calculations (was 1958 a 53-week year or not?) but their import is plain. Oil statisticians, incidentally, will be intrigued to see that the Coal Board gives every ton of oil used in competition with it a conversion factor of nearly 2 tons of coal equivalent, against the customary factor of 1.7 tons.

Sir James Bowman talked with some bravado this week about future competition from oil—"I do not ask my experts for estimates of how much more we are going to lose from coal. What I want from them is plans about how much we are going to win back." He may have taken some comfort from the increase of 5s. a ton on fuel oil announced this week (the kind of thing that nearly causes a riot if it happens to coal, which is unlucky enough not to be sold by the gallon). But the trend to oil is part of the writing on the wall that made him admit in another passage:

> I doubt very much indeed whether the future levels of demand we envisaged in our 1956 revision of the National Plan will now be realised, owing to this competition, to improved fuel efficiency, and to the Clean Air Act.

The NCB is at present reviewing its long-term plans for output—though it is hampered in this, as other people in similar boats are, by lack of guidance from the Government, which still purports to hold to estimates of expansion that have never been significantly hedged since the brave days of Mr Butler. A touch of Sir James's same bravado was evident, when asked whether if he was not hoping to sell as much coal he still needed to invest £100 million a year in creating capacity to produce it; "More vital than ever! This industry can only live on its efficiency." The mere decision to accept a lower output, in this industry with so long a tail of mines, must reduce inefficiency; why should the board's capital investment necessarily be sacrosanct?

Sacrificing the Mines

SIR JAMES BOWMAN obviously feels deeply about the decision, forced upon him by events after a year of expedients, to close 36 short-life collieries that would mostly have gone out of production in the next three or four years anyway.

> I do not have to tell my friends and colleagues how I feel about this. It is a bitter pill to swallow. But let us have it on a basis of planning. If it is to protect the great body of men employed in the industry we can only do it according to our lights and our convictions.

About 13,000 miners, he said, were involved; 9,000 of them could be found jobs elsewhere in the industry without difficulty, though this proportion would be lower in Wales and Scotland.

COAL OUTPUT & SUPPLIES
(Million tons)

	1956	1957	1958
Coal Production :—			
Deep-mined	209·9	210·1	201·5
Opencast	12·1	13·6	14·3
Total	222·0	223·6	215·8
Net exports	5·3	5·0	4·1
Increase in total stocks	1·1	6·4	10·1
Inland consumption			
Coal	218·4	213·2	202·9
Oil in same markets.....	9·5	9·9	14·4
as coal equivalent	19·0	19·6	28·3
Total oil	22·3	21·8	27·8

It is impossible not to appreciate this involvement with the men of the industry in which Sir James has spent his life—or to ignore his priorities in coal:

> It is true that 1958 has cost us money, but sometimes we can be penny wise and pound foolish. What we are spending on those stocks may be on the debit side of our achievements. It's a very little debit side. We have maintained a full working week for the British miner throughout 1958, a year in which we have not created a single unemployed miner despite the position we have faced, and we have not jeopardised our long-term capacity.

There is nothing cold-blooded about Sir James Bowman, as his former comrades ought to remember. And the detached observer must feel something of a Gradgrind in questioning whether this mood, at this moment, is quite the wisest one for the chairman of the National Coal Board, facing the continuing problems of this industry.

AFTER THE PARTY

Equities or Gilt-edged?

INVESTORS have begun the New Year by taking a cold look at what they have been doing, and a number of them have decided that they have overdone it. The psychological mood of the last two months of 1958 has been almost exactly reversed this week: gilt-edged are strongly in favour and eyes have been looking more critically at equities. Selling has not been large, and it has included some profit-taking following the big rise; but investors are now making a more careful scrutiny of earnings and immediate prospects, rather than buying all and sundry because "equities are the thing." In the week to Wednesday, *The Economist* indicator fell from its peak of 255.6 to 249.3; notable exceptions to the falling trend were Gallaher, P & O and the Midland Bank. Wall Street followed London after a lag; the Dow Jones index was still climbing until Tuesday, but on the following day it dropped 8 points to 593.

GILT-EDGED RECOVERY

	Net Prices			Gross Redemption Yields					
	Oct. 14, 1958	Dec. 22, 1958	Jan. 7, 1959	Oct. 14, 1958		Dec. 22, 1958		Jan. 7, 1959	
				£	s. d.	£	s. d.	£	s. d.
3% Exch. 1960..	$99^{5}/_{32}$	$99^{3}/_{16}$	$99^{3}/_{4}$	3	12 9	3	14 2	3	4 7
$4^{3}/_{4}$% Conv. 1963	$101^{3}/_{32}$	$101^{1}/_{16}$	$101^{5}/_{16}$	4	9 8	4	9 9	4	8 5
3% Savgs. '65-75	$73^{7}/_{8}$	$73^{7}/_{16}$	$75^{9}/_{16}$	5	7 6	5	8 11	5	4 5
$5^{1}/_{4}$% Conv. 1974	$97^{15}/_{16}$	$98^{1}/_{4}$	$98^{9}/_{16}$	5	8 11	5	8 5	5	7 9
$5^{1}/_{2}$% Fund. '82-84	$100^{5}/_{8}$	$101^{1}/_{4}$	$101^{1}/_{2}$	5	8 8	5	8 4	5	7 10
				Gross Yields					
$3^{1}/_{2}$% War Loan.	$68^{1}/_{4}$	$65^{7}/_{16}$	$67^{1}/_{2}$	5	2 7	5	6 11	5	3 8
$2^{1}/_{2}$% Consols...	$52^{3}/_{4}$	$51^{1}/_{16}$	53	4	14 10	4	17 11	4	14 5

The transformation in the atmosphere of the gilt-edged market owes something to the act of convertibility, but probably more to a natural reaction from the unfounded fears of the autumn. There was also a renewal of Bank rate talk, but Thursday's silence suggests that the authorities have other priorities. The November reduction, they knew, was a calculated risk; to its credit, the Bank of England judged the forces in the market to a nicety, and the reduction has not renewed the market's fears of inflation. But it might be imprudent to take the same risk again—especially as a rate of 3½ per cent might put London bill rates below New York, and thus encourage an outflow of funds.

This week's buying of gilt-edged has included significant orders from abroad, including the United States. War Loan 3½ per cent and 3 per cent Savings 1965-75, on which interest is not deducted at source, have risen by about 1¼ points since December 31st. Most gilt-edged prices are now above their previous peak in mid-October; and the authorities, quick to take advantage of the favourable turn in mood, have brought forward a medium sized local authority issue, £5 million for Fife County Council. The coupon is still 5½ per cent; the price of 99½ and life of 1974-76 give a gross redemption yield to latest date of £5 10s. 11d. per cent. This is only 4d. below the yield that was offered in October on the Lanarkshire issue, the last local authority to get under the wire before the gilt-edged market turned sour. The run of corporation issues before then was an unhappy one, remembered by the underwriters for many weeks. Fife may give something to the stags, but by making the terms attractive the City sponsors have improved the prospect for further small trustee issues.

FOREIGN EXCHANGE

Convertible Pounds In Demand

TURNOVER in the London exchange market this week has continued to be larger than before the establishment of official convertibility for transferable accounts. The market has settled down following the first rush of profit-taking sales of sterling previously bought in the transferable market, and of covering of bear positions in French francs. Sterling had to be momentarily supported by the Exchange Account early last week, but since then the tide has turned and this week the authorities are believed to have gained considerable

amounts of dollars and Continental currencies. Foreign balances have been returning to London and for the most part are not being covered by forward sales of sterling.

The exchange markets shrugged off the big deficit in the European Payments Union in the last settlement period, up to December 27th, as a consequence of special operations in anticipation of convertibility. Sterling has risen against the dollar this week to $2.80\frac{1}{2}/\frac{5}{8}$, fully up to the level of the previously restricted category of convertible sterling. It would have risen appreciably beyond this figure had it not been for considerable purchases of dollars by the Exchange Equalisation Account. The market reports steady selling of dollars from the Continent. In the now fully integrated market, arbitrage quickly spreads the impact of any one influence over the whole range of rates. Sterling has risen significantly against the D-mark (to over 11.72, above the pre-convertibility level) and has recovered against the Swiss franc, to around 12.10 (following the drop from 12.18 to $12.04\frac{1}{2}$ after the widening of official margins).

London's great attraction is the closeness of its dealing margins, and the modesty of its commissions. On January 3rd the pound was quoted in Zurich at 12.08-12.14; in London the quotation against Swiss francs was $12.11\frac{1}{2}$-$12.12\frac{1}{2}$. The sterling-dollar rate was quoted in Zurich at $2.80\frac{1}{8}$-$\frac{5}{8}$, in London at $2.80\frac{3}{8}$-$\frac{1}{2}$. A similar contrast exists in the gold markets. As a result, now that London has full freedom of international dealing, it is attracting the lion's share of it.

Another Credit for the Franc

THE French franc this week has remained fairly steady at 13.76 against the pound. Some confusion has arisen in this market from mistakes about which francs, heavy or light, the dealers were quoting, with a result that one or two operators have found themselves long or short by a hundred-fold in the position they had intended to establish. In the forward market, the franc is quoted at a small discount and there is still a small premium on the gold bar in Paris. But the French authorities now have available substantial reinforcements of their own $1 billion of dollar,

The Business of Retailing

THE welcome speed of publication of the initial findings of the 1957 Census of Distribution shows how justified was the installation of an electronic computer in the census office. Unlike the first picture of Britain's shops and shopkeepers taken in 1950, this second census was a sample inquiry only; information was obtained from all the largest retailers but from only 10 per cent of the small traders.

When these sample figures have been rated up, it seems that there were fewer shops in 1957 than in 1950, although the apparent reduction of 1 per cent in numbers is little more than the possible error introduced by sampling. However, there is no doubt that in these seven years both the multiple retailers with 10 or more branches and the co-operative societies have ousted some of the "independents"—defined as those retailers with fewer than 10 branches. Yet these independent shopkeepers still account for over three-fifths of Britain's retail trade.

TURNOVER OF SHOPS, 1957

	No. of establishments	Turnover £ mn.	Turnover per shop £
Grocers and provision dealers	148,988	2,040	13,690
Other food retailers	126,689	1,560	12,310
Confectioners, tobacconists, newsagents	77,429	706	9,120
Clothing and footwear	93,347	1,150	12,320
Household goods	64,787	884	13,640
Other non-food retailers	58,488	579	9,900
General stores	3,715	872	234,720
Total retail trade	**573,443**	**7,790**	**13,580**

The total turnover of all the 573,443 shops was £7,790 million. This was 53 per cent higher than the turnover recorded in the 1950 census—a result which blessedly agrees exactly with that obtained from the retail trade figures collected monthly by the Board of Trade. Since the prices of goods sold over the counter probably increased in this period by just over a third, the volume of retail business rose by around 14 per cent.

The multiple chains have taken the lion's share of new business in both food and non-food shops—but only by taking on the biggest increase in staff; in 1957 they employed 30 per cent more people than in 1950 to give them their additional 72 per cent in cash turnover. Total turnover per employee appears indeed to have risen less for the multiples than for other retail organisations. But the implications of this will not be clear until fuller details of the census are available; comparisons must be affected by differences in the composition of trade and by the larger proportion of part-time workers employed by the multiples, who rank equally with whole-timers in the count.

The census reflects the striking changes in food retailing between 1950 and 1957—the movement towards ever larger food shops and more general ones. While grocers and provision dealers increased in number, there was a reduction of 9,000 in all kinds of food retailers. In particular, the small bakeries are disappearing, their numbers having dropped precipitously from nearly 20,000 to 13,400. Altogether, the share of the small shops in the food trade has fallen from 62 per cent to 59 per cent.

Rather strangely, the census did not collect information about the method of trading, but the official report has drawn on other sources to conclude that there were in 1957 nearly 2,000 co-operative food shops and some 850 multiple food shops run on self-service lines with a combined turnover of more than £150 million, over £100 million of which was in the co-operative shops. In 1950 the comparable figure had been £17 million. Adding in the self-service food departments of department stores and the independents, self-service food turnover in 1957 was put at "probably well over £160 million."

Another striking increase between 1950 and 1957 was in mail order sales which had risen from less than £50 million in 1950 to some £130 million in 1957. Fuller information about mail order trading will be published later as will information on wages, stocks, gross margins, credit trading, all of which should add up to a fairly full picture of the retail business.

RETAIL TRADE IN 1957

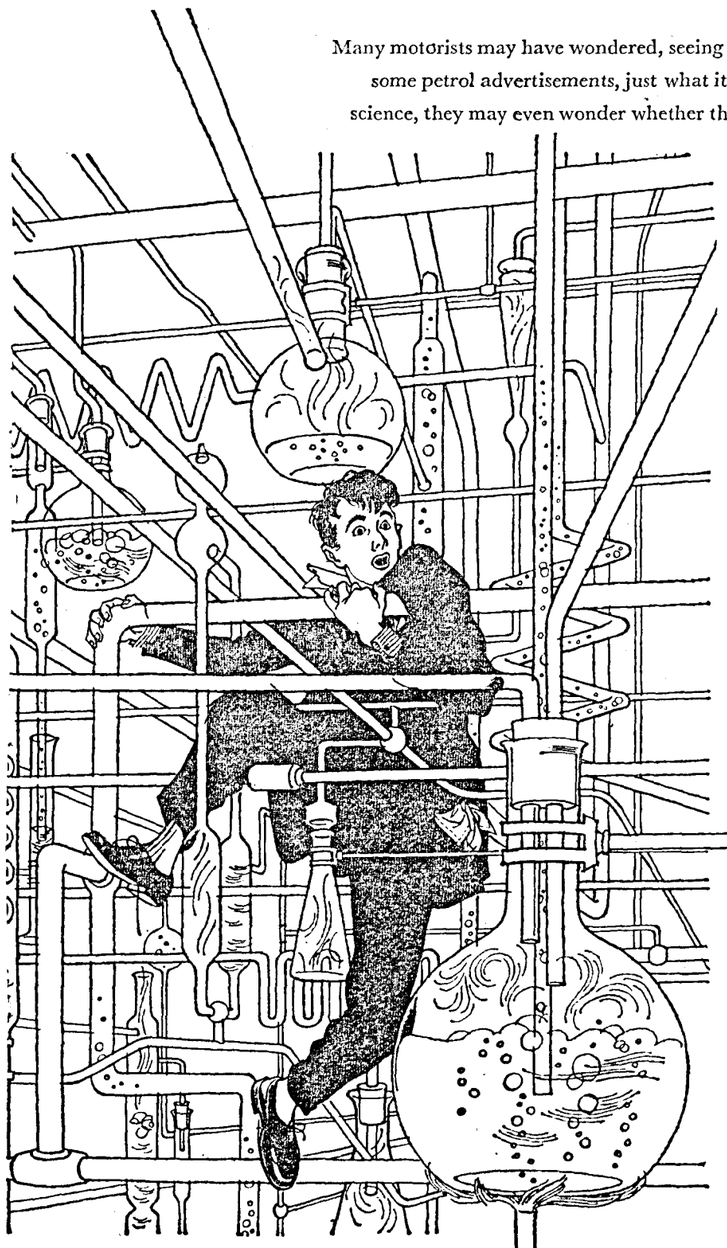
Form of Organisation	Number of establishments	Per cent of total	Turnover (£ mn.)	Per cent of total	Employment (thousands)	Per cent of total
Multiples	62,468	10·9	1,977	25·4	640	23·8
Co-operatives	28,972	5·1	905	11·6	246	9·1
Independents	482,003	84·1	4,908	63·0	1,806	67·1
All Retailers	**573,443**	100·0	**7,790**	100·0	**2,692**	100·0

PER CENT CHANGES SINCE 1950:—

Form of Organisation	Number of establishments	Turnover	Employment	Turnover per employee
Multiples	+10	+72	+30	+33
Co-operatives	+13	+58	+10	+44
Independents	− 3	+45	+ 1	+44
All Retailers	**− 1**	**+53**	**+ 8**	**+41**

"Help—let me out!"

Many motorists may have wondered, seeing the rather technical look of some petrol advertisements, just what it's all about. Perhaps, blinded by science, they may even wonder whether there is very much in it after all!



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gold and foreign exchange reserves. In addition to the central bank facilities of $250 million reported last week, leading US commercial banks are making available a standby credit of $200 million to be used when necessary to help maintain the franc parity. Morocco and Tunisia have decided not to follow the franc in its devaluation and the new rate of 1,000 Moroccan or Tunisian francs to 1,175 French francs has now been established.

THE RESERVES

Gold and Convertible Currencies

THE statement of the reserves for December bears a significant difference from the previous series. As a result of the unification of non-resident sterling from December 29th, the Treasury points out, and of the announcement of convertibility of the main European currencies, the statement now embraces official holdings not only of gold and dollars but of all convertible currencies. The Treasury has therefore decided to express the reserve figures in pounds sterling rather than in dollars. This may be a justifiable touch of panache, but so many people are used to looking at the reserves in terms of dollars, to which gold is still keyed at $35 an ounce, that it may be helpful to express the reserves in both pounds and dollars, as we do below. The inclusion of convertible currencies other than US and Canadian dollars does not involve "more than an insignificant amount"; presumably there has been some fall in holdings of OEEC currencies from the level of £8 million in mid-June, the latest published figure. The overwhelming proportion of the total, consisting either of balances in US dollars or gold earmarked for Britain in the vaults of the Federal Reserve, will in any case have been converted by the Treasury from dollars to sterling in the first place.

Unfortunately the figures themselves in the December statement were rather poor, though in all the excitement this did not attract much attention. The reserves had been expected to fall, and the loss of $146 million was more than accounted for by the payment of $196 million on North American debts, and of $11 million to the European Payments Union in gold settlement of the November deficit. But in the last settlement period before the replacement of EPU, from December 1st to December 27th, Britain incurred a deficit in the Union of £40 million—easily the biggest since the crisis months of 1957. It involves a gold payment this month of $84 million. Thus on a current basis, there was a net dollar deficit in December even after allowing for the special debt payments ; and this was the first such deficit since September, 1957.

RESERVES BEFORE CONVERTIBILITY

	True dollar balance in period*	Actual change in reserves $ million	Reserves at end of period
1957 :—			
October	+141	+243	2,093
November	+ 71	+ 92	2,185
December	+ 86	+ 88	2,273
1958 :—			
January	+166	+131	2,404
February	+206	+135	2,539
March	+148	+231	2,770
April	+137	+144	2,914
May	+ 88	+125	3,039
June	+ 17	+ 37	3,076
July	+ 22	+ 8	3,084
August	+ 48	+ 5	3,089
September	+ 21	+ 31	3,120
October	+ 57	+ 54	3,174
November	+ 55	+ 41	3,215
December .....$ mn.	− 23	−146	3,069
December .....£ mn.	− 8	− 52	1,096

* Adjusting for one month lag in EPU settlements, for $250 million drawn from Export-Import Bank in October, 1957, for small receipts of US aid and for special payments, including $196 million last month on North American debt. December figures slightly distorted by inclusion for first time of non-dollar currencies now convertible.

A substantial part of the EPU deficit is ascribed to further *ratissage* by the Bank of France ; though some of the sterling thus clawed back by the French authorities must surely have been offset by sales of francs for sterling by private French speculators. Another big influence in Britain's EPU deficit was the heavy selling of sterling against Swiss francs, in anticipation of the widening of the official margin of fluctuation in this market following the establishment of convertibility. German banks among others were selling sterling against Swiss francs as well as withdrawing some funds from London for their own seasonal needs. Germany's surplus in EPU in December rose to £53 million, and Switzerland had a surplus of £13 million. Germany has this week foreshadowed full formal convertibility for the mark, for residents as well as non-residents.

AIRLINE FARES

Stalemate on Jets

THE conference on the fares to be charged by airlines for jet services was to have been resumed in ten days' time in Paris ; it has been postponed, apparently indefinitely, while the three airlines in the thick of the fight meet privately in New York to attempt their own compromise, having tried unsuccessfully to find one in London last week. This is an issue on which it is not easy for either side to make concessions. Two of the three airlines, Pan American and BOAC, have jet aircraft in regular daily service between Europe and North America—the only international airlines to do so. The third, Alitalia, emerged during stormy discussions last autumn as spokesman for the majority of airlines, which will not have jets in service for another year or so. Fearful of the effect of jet competition on their own traffic, they have demanded a surcharge on all jet fares. The Italian government refused at one point to allow Pan American to fly its jets into Rome without such a surcharge ; under an uneasy truce, Pan American has since been operating jet services to Rome at normal fares.

The International Air Transport Association, through which the airlines have successfully fixed world air fares every year since the war, dare not risk another breakdown. According to the rules, air fares must be agreed unanimously at IATA meetings and must then be referred to governments, which hitherto have given virtually automatic approval. Every new tariff has a time limit, and the present arrangements expire on March 31st. If the airlines have not then reached agreement about new fares, the cartel agreement automatically lapses and operators would be theoretically free to charge whatever they like. No airline believes that anarchy in fares is workable or tolerable to governments. But until the issue about jet fares is settled, a new tariff cannot be extracted from the IATA rate-fixing machine. Hence the importance of getting the three airlines to agree privately on a common policy so that this can be put to a full meeting of all the airlines, who will be

greatly relieved to rubber-stamp it. Neither BOAC nor PAA have changed their attitude to a jet surcharge, which they feel with some reason would drive passengers off their aircraft into the arms of competitors. What they need is a formula to allow Alitalia to climb down without too great loss of face. Pooling may offer a way out. But the ordinary air traveller will think that a better policy would be to aim at reducing fares on other services. Let the airlines show, if they can, that there are no commercial arguments for lower fares on turbo-prop and other non-jet services. There are none for a surcharge on jet services.

HONGKONG COTTON

Better than Nothing

THE undertaking announced this week by the Hongkong textile industry to limit its exports of cotton piece goods for home consumption in the United Kingdom brings to an end—if not to an entirely happy end—the negotiations that have been in more or less constant progress since Lord Rochdale's mission to Hongkong last September. The undertaking limits exports (but not re-exports) to the United Kingdom of cotton piece goods to 115 million square yards annually for a period of three years; the limitation will be put into effect some time this year. It also provides that exports of yarn-dyed cloth and towelling in excess of four million square yards a year will be subject to a limit of three million square yards; and whereas a shortfall in the overall quota may be carried forward for the first half of the succeeding year, any shortfall in finished goods will lapse. No explicit limit has been placed on exports of made-up goods, much to Lancashire's dismay. However, there is an overall ceiling of 161 million square yards, so that if exports of made-up goods exceed the equivalent of 46 million yards in any year, exports of piece goods will be correspondingly decreased. Cotton yarns and threads and a number of made-up goods are entirely exempted from the undertaking.

The initial reaction in Lancashire to the announcement has been—as could be expected—that the limits are not sufficiently severe. Imports from Hongkong during the first eleven months of last year were running at the rate of 135 million square yards, of which 94 million were grey cloth, three million finished cloth, and 38 million made-up goods; to Lancashire, the present undertaking therefore sounds like no limit at all. But imports from Hongkong had been steadily increasing in recent years; and the present figure is considerably lower than the one previously proposed by the Hongkong industry, although much higher from the Cotton Board's original request. Though yarn is not included in the undertaking, the amount of yarn imported from Hongkong is a negligible part of British production.

Thus the badly-winded Lancashire cotton industry has been given a breathing space. It will not be a very deep breath; nor will it be a long-lasting one, since the undertaking has been made for three years only and there is no reason to count on its being renewed. Furthermore, should economic conditions deteriorate badly during the life of the undertaking, the Hongkong government—which will administer the undertaking—may have it withdrawn. Thus the modernisation and re-equipment of the industry, so long overdue, will have to come in a hurry. As India and Pakistan have been kept in touch with the Hongkong negotiations, Lord Rochdale's expressed hope that they will observe the agreements reached last year in principle presumably has a firm foundation.

BUILDING SOCIETIES

Bids for Sheerness

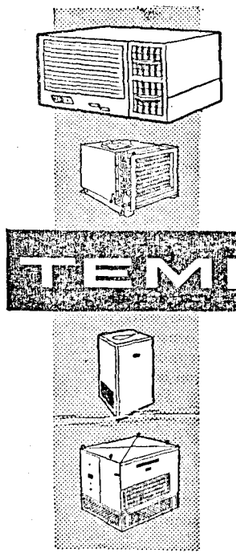
AT the moment when the City of London was profoundly disturbed by the battle for British Aluminium, three building societies put in rival bids to absorb the Sheerness and Gillingham Building Society. This is an unfamiliar sight in a non-profit making movement but it is not a matter for surprise or for criticism. The Sheerness and Gillingham society has about £3 million of assets and its reserve ratio is particularly strong—much stronger indeed than that shown by some bigger societies intent on expansion. That is the major attraction to the rival bidders. Its mortgages are well spread throughout the country, but the directors seem to have been disturbed by the rate of withdrawals by local shareholders and depositors. They were thus disposed to consider the possibility of merging with another society. Other societies facing similar problems have gone out to seek the best possible terms for their shareholders; one such case was Newcastle-under-Lyme which considered competitive offers and which finally agreed to a merger with Leek and Moorlands because that society offered the best terms to shareholders. The directors of Sheerness and Gillingham, however, do not appear to have shopped around in this way and they accepted the terms of a merger, including a bonus of 5s. per cent to shareholders, proposed by the neighbouring society Hastings and Thanet. But that proposal did not receive the necessary majority at a meeting of shareholders and Hastings and Thanet then raised its offer to 25s. per cent. Before the meeting to consider this improved offer, the Co-operative Permanent, which last year took over the Scottish Amicable and seems to have digested this not too palatable meal fairly well, stepped in with a bonus offer of 40s. per cent. And then Leek and Moorlands, which is also intent on expansion and is not so well represented in Kent as the Co-operative Permanent, went one better by offering 70s. per cent. No one seems likely to improve on that, and it is now up to the shareholders of Sheerness and Gillingham to decide. The directors of Sheerness and Gillingham do not care for these outside and unsolicited offers and they may prefer the proposals put to them by the Hastings and Thanet, which are accompanied by security of office or compensation. But in a friendly society as much as in a public company, shareholders should look to their own interests and Co-operative and Leek and Moorlands have done them a service.

Abbey National's Expansion

PRELIMINARY figures of the Abbey National for its year to December 31st show a growth in total assets from £278 million to £304 million: previously only the Halifax had passed the £300 million mark. The Abbey National improved its ratio of liquid assets from 14.4 to 15.6 per cent in 1958; but its reserve ratio is down a little, from 3.80 to 3.79 per cent, still comfortably above the 2½ per cent stipulated for societies eligible for the new government facilities, but equally below the traditional recommendation of the Building Societies Association of 5 per cent. New receipts from shareholders and depositors during 1958 rose to £57 million, compared with £48 million in 1957; the preliminary figures do not show withdrawals, but these are unlikely to have risen much. Accordingly, the society was able to grant new advances of £41 million, compared with



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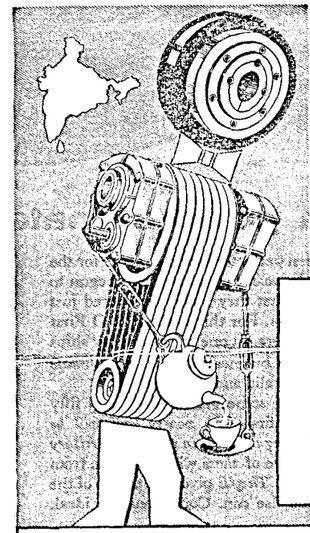
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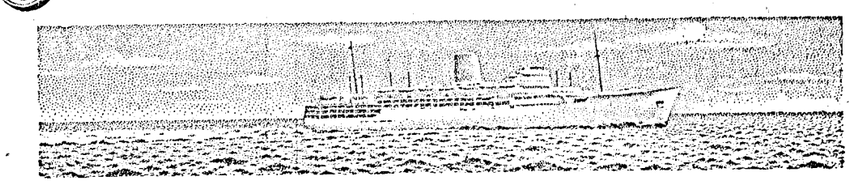
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£38 million in 1957. Money seems to have been coming in to most of the bigger building societies fairly well in recent months, enabling them to lend a bit more freely. But some of the smaller and medium sized societies are still feeling the pinch. The prospect of trustee status, for some, is making its mark.

SALES ON HIRE PURCHASE

Record Month, Record Year

THE boom in sales of motor vehicles on hire purchase continued during December; 102,530 contracts—nearly eighty per cent more than a year before—were concluded during the month. Although this was fewer than in November, when the highest total for any month was recorded, it represented a new peak for credit sales of vehicles during the month of December, and brought to a close a record year of hire-purchase dealings. Figures released by Hire Purchase Information show that sales of new cars on hire purchase totalled 10,630 during December, compared with 13,399 in November and 5,621 in December, 1957; used-car contracts were 54,413, against 71,718 in November and 39,808 a year before. HP sales of both new and used commercial vehicles were higher than a year earlier at 4,051 and 9,139, although both were lower than in November. Sales of motor cycles, on which hire purchase controls were removed in mid-September, fell during

The High and the Low Road

THE gondola of the balloon that had drifted across the Atlantic on the trade winds reached land at approximately the same time as Soviet engineers lost contact with their moon rocket nearly 400,000 miles out in space. The two voyages have much in common. They are practical demonstrations of what has been known for a long time to be theoretically possible. They prove that those theoretical predictions have been remarkably accurate. And there is an engaging futility about both enterprises that sounds echoes of science's lost age of innocence.

The technical effort required to send the Russian rocket to the moon is roughly equal to that required to despatch a warhead of several megatons, weighing perhaps two tons in all, from Soviet Russia to the heart of the United States. These big ballistic weapons have a certain flexibility and a rocket vehicle with a sufficiently big motor to enable it to carry death and destruction across those distances will also be able to put a fairly sizeable satellite into orbit or, if necessary, to shoot a smaller package one quarter that size out of the earth's orbit altogether to the moon and beyond.

Where the package goes depends on the speed it is given. Less than 18,000 miles an hour, and it will fall back to earth. At 18,000 miles and above it will begin to orbit the earth as an artificial satellite. At 25,000 miles an hour, it breaks away from the earth's gravitational pull and travels into space. The speed reached by the package depends on the power of the engine behind it, and it is calculated that motors of 600,000 pounds thrust were required to lift the 200 ton rocket vehicle that propelled Planet X past the moon.

The scientific results sent back by the four transmitters of this rocket are completely dwarfed by the immense effort that went into its launching. There is intense interest among scientists of certain disciplines to get first hand, factual information about the composition of outer space and what nuclear particles drift about it. They are interested in cosmic rays and the existence or otherwise of a magnetic field on the moon. But not even the Russians would build and develop a moon rocket just to discover this or even to see, by television and other means, whether the moon is really made of green cheese.

But once big ballistic rockets have been developed and have to be tested, there is more sense in harnessing them to shoot sputniks into orbit and baby planets out into space than there is in idly banging them from one end of a test range to another. The Russians have a bigger incentive. They possess no range long enough to test their biggest 8,000 mile range ballistic missiles and perhaps the only means of proving these is to fire them into space and check from their velocity and the direction in which they travel whether their motors, instruments and guidance systems are working properly.

The extreme accuracy of the Russian moon-shot is one of its most alarming implications. Earlier American attempts have failed for a variety of reasons, because the rocket tilted more than it should at launching or because motors failed to light; the one American rocket that did travel some way into space had faults in its scientific instruments. The Americans were attempting the more difficult task of orbiting round the moon, which involves the use of forward-firing rockets to brake speed of the package of instruments as it approaches the moon. Yet they never expected to be able to launch a missile with such precision that it would almost graze the moon's surface as it passed by.

The other disturbing aspect of the Russian experiment is the indication it gives of Soviet progress in rocket motors. The biggest rocket built in America, the Atlas, uses a total of nearly 400,000 pounds of thrust to lift it off the ground where the Russian moon rocket probably has 50 per cent more power behind it. As with aircraft, the heart of a rocket is its engine, and American missile designers have been handicapped, as it now seems, by the constant need to scale down the size and weight of the skin, the instruments and the payload carried by their rockets to fit the size of engine available to power them—all of which makes for a cheaper rocket.

The Vanguard satellite programme almost certainly failed through an attempt to scale down the rocket to a point where it was impossible to get reliable engineering. The Russians almost certainly succeeded in all their experiments in space because their engineers and instruments designers were given plenty of room and plenty of spare power for rugged equipment not built to over-fine tolerances. Even if American reports are correct that the Russians have been trying on and off to reach the moon even since Sputnik 1 was launched in 1957, they are still the first to have succeeded.

The future of space exploration seems closely tied up with military rocket developments. At this moment, military interest in outer space and the moon is an academic one, but there is considerable research into the development of sizeable reconnaissance satellites that would transmit back to earth pictures of the territories over which they passed. Thanks to the tilt of the earth, a satellite launched in the right direction will gradually cover every corner of the globe. The rockets that will ultimately launch these satellites will give scientists the chance to send bigger payloads out into space; when the military begin to put men in satellites, scientists will have the beginnings of their first moon ship.

The satellites and the moon rockets have proved that scientific calculations about the requirements for space travel, by man or by geiger counter, have been gratifyingly accurate. They have also demonstrated the difficulty of translating these calculations into practical engineering. These difficulties have led the Americans to experiment along bizarre lines with winged rockets that would borrow some of the properties of the aeroplane and send a crew skimming along the outer fringes of the atmosphere, but most British engineers are sceptical about their chances of success. This country incidentally will have no stake in outer space until the Blue Streak rocket—which could serve as a small satellite launcher—is built and working.

December in line with their normal seasonal pattern but were nonetheless nearly twice as high as in December, 1957. The total number of vehicles sold on hire purchase in 1958 was 1,289,014, an increase of 18 per cent over 1957.

The record activity in credit sales of motor vehicles during November was reflected in a rise of £40 million in outstanding hire-purchase debt to a total of £567 million, according to provisional estimates released this week by the Board of Trade. This was an increase of 7-8 per cent, compared with an increase of two per cent (£12 million) in October, when restrictions on HP sales of vehicles were still in effect. But the Board of Trade states that rather more than half of the increase in total debt during November was accounted for by household goods. Restrictions were removed on some of these goods—notably furniture—in September, and relaxed on most others; vehicle sales thus responded more rapidly to freedom from control than did household goods. These goods account for less than half of the total hire-purchase debt, and thus accounted for a more than proportionate share of the rise during November; Christmas shopping and a seasonal fall in vehicle sales make it likely that this was repeated in December.

LIFE ASSURANCE

Another Bumper Year

ORDINARY life assurance and annuities business shows no sign of slackening; 64 offices whose 1958 figures have been announced reached a record of £1,593 million for new sums assured, compared with £1,335 million in 1957. This shows an increase of 15 per cent compared with 11 per cent in 1957 and 13 per cent in 1956. Industrial life assurance, though expanding less rapidly, also seems to have had a record year in 1958.

Sales of individual policies seem to have been buoyant, and new life assurance and pension benefits under employees' schemes also reached new records. The prospective widening of the scope of state pensions will presumably have reduced the number of brand-new schemes arranged with the life offices. New business from recruits entering existing schemes and from higher pay levels continues to mount. Only one office specifically mentions Millard Tucker annuities for the self-employed, but these are bringing in a useful, if unspectacular, flow of new money. There is no indication about the volume of overseas new business, which has accounted in recent years for about 15 per cent of the total new sums assured. The life offices have, however, at last taken the point that premium income is a better measure of saving than new sums assured; nowadays a £10 premium may assure as little as £100 or as much as £5,000 according to the nature of the cover. This year the majority of offices give details of new premiums, which show an increase of 8 per cent, half the rate of increase in sums assured. Total premiums paid in 1958 for life assurance must have approached £300 million (including about £30 million overseas), and for annuities (mainly insured pensions) at least £120 million.

Last year's growth of ordinary life and annuity funds must have been fully £275 million; and in addition, industrial life funds are expanding by about £50 million a year. The boom in equities and the useful recovery in fixed interest stocks brought welcome replenishment to inner reserves that had been sharply reduced. An average life office portfolio will have shown an appreciation over end-1957 values of over 9 per cent of total assets; offices with an above-average stake in equities should have done even better. The bumper bonuses now being declared on participating policies reflect in the main the benefits of high interest rates.

MONEY

Not So Suspect

THE average level of bank deposits in England probably rose in 1958 by more than in any year since 1954; yet the economy was less inflationary. The explanation lies largely in the changes in money velocity. In the years when they were trying to check the boom, the monetary authorities found that it was not sufficient to check the rise in total deposits, if the general economic climate encouraged

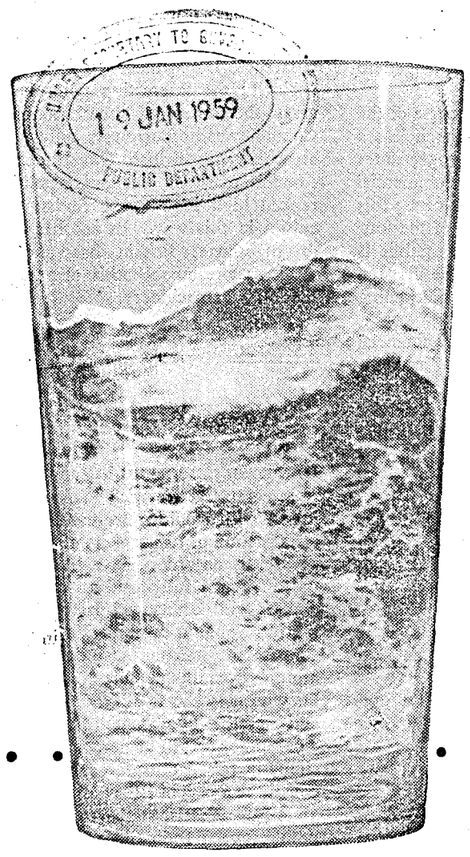
ORDINARY LIFE NET NEW BUSINESS

(Net Sums Assured £ million)

Office	1956	1957	1958	Office	1956	1957	1958	Office	1956	1957	1958
Alliance	11·3	12·2	15·4	Legal & General	137·1	143·9	182·6	Provident Mutual	9·6	10·9	13·0§
Atlas	9·5	9·8	10·3	Licenses & General	1·3	1·5	2·9	Prudential	176·4	216·4	258·0§
Avon	0·7	1·5	1·6	Life Assn. of Scotland	3·5	3·7	4·3	Refuge	17·6	17·7	15·8
Beacon	13·3	11·9	11·9	Liverpool & Lond. & Globe	12·0	13·4	14·3	Reliance Mutual	1·3	1·6	2·1
Britannic	8·2	7·9	10·2	Liverpool Victoria	5·8	5·7	6·8	Royal	24·0	28·1	31·8
Caledonian	4·3	6·0	6·8*	London & Manchester	5·3	5·6	6·2	Royal Exchange	9·5	10·9	11·2
Canada Life†	12·5	14·8	16·7	London Assurance	10·5	10·0	12·4*	Royal London	10·6	13·1	14·3
Clerical, Medical & General	10·1	10·5	11·0	London Life	4·4	5·4	6·1	Scottish Amicable	12·8	14·1	28·6
Colonial Mutual†	15·0	15·8	15·8	Manufacturers' Life†	13·6	15·6	15·1	Scottish Equitable	5·6	6·7	8·4
Commercial Union	22·0	24·1	28·9	Mercantile & General	25·5	27·6	34·0*	Scottish Life	9·0	10·6	11·1§
Confederation Life†	5·5	6·0	6·6*	Midland Employers'	2·2	2·4	2·5	Scottish Mutual	5·2	6·2	9·3§
Co-operative	23·7	29·6	33·4	National & Colonial	2·5	2·1	2·9	Scottish Provident	11·1	11·6	15·6
Crusader	5·0‡	7·0‡	14·0‡	National Farmers' Union	5·6	6·3	8·1	Scottish Union & Nat.	7·8	7·7	8·4
Eagle Star	61·8	62·0	63·5*	National Mutual	2·6	3·1	3·8	Scottish Widows'	26·2	26·2	35·0*
English	6·0	5·6	5·8	Nat. Mutual of Australasia†	5·8	7·1	8·1	Standard	54·5	63·1	83·1
Equitable	5·3	7·0	8·2	National Provident	6·9	7·8	8·9	Sun Life	56·1	60·8	70·2
Equity & Law	10·5	12·2	13·5	N. British & Mercantile	14·4	15·9	18·4*	U K Provident	10·5	11·7	12·9
Friends' Provident	29·8	38·3	47·7	Northern	29·0	32·0	38·1	University Life	1·1	1·4	1·4
General Life	9·3	10·9	15·6	Norwich Union	70·3	77·9	100·0*	Wesleyan & General	4·4	4·7	4·9
Gresham Life	12·5	12·4	11·8	Pearl	38·1	38·1	42·1	Yorkshire	24·1	25·9	33·0*
Guardian	17·3	25·0	26·6	Phoenix	8·9	10·7	12·1				
Law Union & Rock	6·7	7·2	7·2§	Provident Assn. of London	13·4	12·0	12·8	Total 64 Offices	1196·4	1334·9	1503·1

* Approximation. † UK business only—the figures for the other offices are global. ‡ Gross. § New basis—not comparable with earlier years.

To any town thinking of drinking sea water—



Mad idea? Not a bit of it. Go mad if you drink it? Nonsense. Not today; not with modern evaporators; certainly not with the newly developed Richardsons Westgarth evaporator. This tidy and compact piece of plant will distill for you—from sea water—anything up to 250 tons of fresh water every hour. And by fresh we mean crystal clear, far purer and softer than good drinking water supplies. Of course, large sea water evaporators are not, in themselves, anything new; Richardsons Westgarth and many other people have been building them for years. But this latest R.W. evaporator is the result of a radically different approach in design. It is indeed something quite new in its simplicity of operation, relatively low first cost, and ability to go on delivering full output—without having to be shut down for cleaning—for months or years on end and with almost negligible attention and maintenance. Fresh water from sea water now becomes feasible economically where cost had hitherto put it out of court.

THE RICHARDSONS WESTGARTH GROUP

Co-ordinating the land and marine activities of

THE NORTH EASTERN MARINE ENGINEERING CO. LTD. — RICHARDSONS WESTGARTH (HARTLEPOOL) LTD.

PARSONS MARINE TURBINE CO. LTD. — THE HUMBER GRAVING DOCK & ENGINEERING CO. LTD.

GEORGE CLARK & NORTH EASTERN MARINE (SUNDERLAND) LTD. — RICHARDSONS WESTGARTH ATOMIC LTD.

ASSOCIATED COMPANY: ATOMIC POWER CONSTRUCTIONS LTD.

R W G

RICHARDSONS, WESTGARTH & CO. LTD., WALLSEND, NORTHUMBERLAND

LONDON OFFICE: 58 VICTORIA STREET, S.W.1.

people to turn over those deposits more quickly. Correspondingly, in the past year, part of the impact of monetary expansion has been offset by the greater caution that has been induced in spending habits. Turnover through the London Clearing House (which excludes internal clearings through branches of the same bank and also local clearings) rose by less than 5 per cent, compared with 8 per cent in 1957; excluding the Town clearing, which is heavily weighted by stock exchange transactions, the rise was 3.5 per cent, compared with 6.3 per cent in 1957. Turnover through the much smaller provincial clearings actually fell, by 1 per cent; the fall was wholly in the three big centres of Liverpool, Manchester and Bradford. Crudely measured by expressing the figures of cheque clearings as a multiple of total deposits, money velocity was virtually unchanged in 1958, following a long run of increases.

A similar tendency has been apparent in the course of the note circulation. A rise in the note issue is much less a cause of inflation than a reflection of it. In 1958, notes held outside the Bank of England, including the commercial banks' till money, rose by £42 million, or 2 per cent; this followed increases of £110-£120 million in each of the four preceding years. Circulation of notes among the public is estimated to have risen by about 3½ per cent in the first ten months of 1958, but the rate of increase was slackening markedly towards the end of that period.

Another manifestation of the more chastened financial mood of 1958 can be seen in the rise in "small" savings. The national savings movement reports an excess of new savings over withdrawals of £216 million in the calendar year, compared with £76 million in 1957. In the first nine months of the fiscal year from the beginning of April, new savings reached £149 million, whereas in the same period of 1957 there was net dissaving of £29 million. Savings certificates and defence bonds have done well; their unchanged terms are markedly attractive against a background of lower rates. Many surtax payers have switched into them up to the permissible limits. And a good number of small savers, as in the past, must have been adding to their savings certificates at the same time that they have increased their hire purchase debt. But total personal savings have probably gone on rising.

SOUTH AFRICA

Cheaper Money

THE South African Bank rate has this week been cut by ½ per cent to 4 per cent. Bank rate is changed rarely in South Africa—it had stood at 4½ per cent since 1955—and moves in recent years to set up a money market have not led to any greater flexibility. In particular, the South African authorities have been reluctant to raise interest rates to the levels dictated by London. Instead, they have imposed restrictions on the outflow of funds to other parts of the sterling area. Those restrictions are still in force; but the Reserve Bank feels that the reductions in the London rate to 4 per cent now justify a reduction in South Africa, which will presumably be followed by corresponding adjustment of money market rates. The Reserve Bank had no wish for hot money from London to take advantage of higher rates in South Africa; and it is anxious to give a stimulus to industry, after the recent interruption of its postwar expansion. Yields on medium dated and long dated government stocks, however, are not being changed—in South Africa these rates are pegged by the government. Nor has there been any marked response so far in the equity markets.

SUDAN AND JUGOSLAVIA

Political Loans

THE British Government has agreed to make a credit of £5 million available to the Sudan for up to five years. The credit will be arranged under section III of the Export Guarantees Act, and administered by the Export Credits Guarantee Department. The rate of interest has yet to be decided; the interesting point here is whether Sudan is given the benefit of the "Montreal policy" of charging Commonwealth borrowers only ¼ per cent over the rate at which the British Government itself borrows in the London market. Certainly, political considerations have ranked high in assisting Sudan out of its financial difficulties in this way. In another "Foreign Office" credit, to Jugoslavia, Britain has undertaken to provide £3 million; presumably this also will be arranged through the ECGD machinery.

TANKERS

New Tonnage for BP and Esso

BRITISH PETROLEUM has announced this week that a new company, Warwick Tanker Company, has been formed jointly with Houlder Brothers to take over contracts for the construction of two tankers of 35,000 deadweight tons each, previously on order in British shipyards. Warwick Tanker has an issued fully paid-up capital of £500,000; the two tankers will be financed partly through these resources and partly through a combination of bank loans and an issue of 6¼ per cent first mortgage debenture stock believed to total around £5 million. One of the vessels will be delivered by Hawthorn Leslie to BP Tanker Company in March, 1960, and the other by Cammell Laird in July, 1960. As with the £52 million worth of new tanker capacity for which BP has similarly raised outside capital this year, these two vessels constitute a part of BP's tanker building programme through 1960; 26 vessels, stated to cost over £80 million, will be built between 1960 and 1963.

It has also been announced this week that negotiations are in progress to increase the size of two tankers being built for Esso Petroleum from 47,000 to 70,000 deadweight tons each. If completed, these vessels would rank among the largest in the world, and would be the largest ever built in Britain; they would also be too large to be used at Esso's refinery at Fawley, and would thus be confined to operating at the company's refinery at Milford Haven—at present under construction and due to be completed late in 1960—which will be able to accommodate vessels up to 100,000 tons. But the final decision to build these giants has not yet been taken, and officials of the Walker yard of Vickers-Armstrongs at Newcastle-on-Tyne, where the two ships are to be built, this week announced that up to 60 redundant welders are being paid off; the remaining welding force are reported to have decided on a self-imposed shorter working week.

COMPANY MEETINGS

THE STEEL COMPANY OF WALES LIMITED

THE CHAIRMAN'S STATEMENT

MR HARALD PEAKE ANNOUNCES ANOTHER SUCCESSFUL YEAR

EXCELLENT PROGRESS BRINGS THIRD DEVELOPMENT PLAN NEAR COMPLETION

In a year during which the iron and steel industries of both the United States of America and of the United Kingdom have experienced a marked depression, the Company has been successful in attaining a modest increase in turnover from £109,488,348 to £113,329,707. This has been made possible by a very active selling organisation and by the outstanding achievements in the export market of our many customers in the motor, engineering, electrical and packaging industries. These achievements place upon us a great obligation to make available to them in increasing quantities materials of the highest quality as and when they are required. In spite of lower prices in the export market, the total value of our direct exports was £27,407,000 compared with £29,543,000 in the previous year. If the value of the indirect exports of our customers' goods is added, the total value of our products sold in the export market during the past year has increased considerably.

Expenditure on Capital Account during the year amounted to £22,473,818, most of which was in connection with our third development plan.

The average earnings of our workpeople continued to rise during the year. A small part of the increase is due to the operation of the cost of living clause in the wages agreements. The greater part is due to the continuing expenditure on new plant and machinery and to improved production methods.

The number of shareholders on the register is now 31,500. Approximately 40 per cent of the ordinary shares are held by insurance companies and trustees of pension funds representing many hundreds of thousands of policy holders and pensioners.

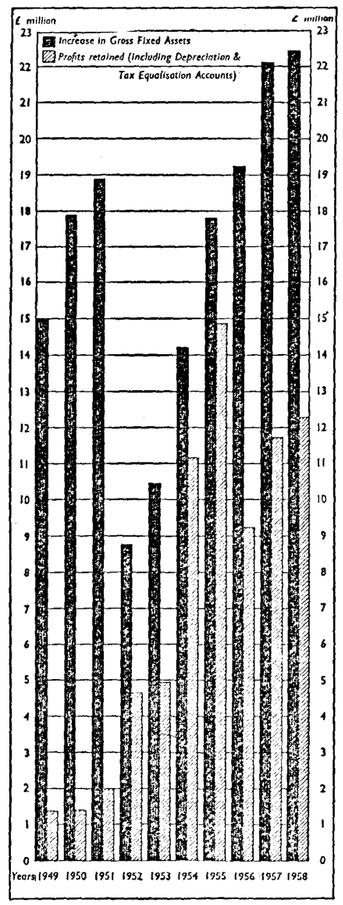
The Directors feel amply justified in recommending a final dividend and a special interim dividend which will bring the return to the holders of the risk capital to 9 per cent, less Income Tax, during a period of twelve months. If the recommendation relating to final dividend is approved, the average rate of interest on the ordinary share, Debenture and Loan Capital for a period of twelve months is 6.7 per cent. The rates of interest on the Debentures and on the Loans were fixed on a commercial basis in March, 1957.

Conditions during the past year have not been easy and the staff and workpeople have every reason to be proud of the results achieved.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Sales and Other Income together with the Costs of Production and Other Charges have been included in the Consolidated Profit and Loss Account for the first time to give shareholders a clearer view of trading conditions.

Trading surplus before depreciation amounts to £22,181,916 compared with £18,980,450 in the previous year. In the prospectus issued in connection with the offer for sale of the Company's shares in March, 1957, it was stated that by January, 1958, the trading profit should be running at the rate of £20 million per annum. The Directors are pleased that, in spite of more difficult trading conditions, their forecast has been justified by results.



Provision for depreciation is higher than last year by £448,659 at £6,108,228 as a result of bringing additional plant into use.

Interest on Debentures and Loans is higher than last year by £370,624 at £4,534,841, due partly to heavier borrowing and partly to higher rates of interest on Loans.

Taxation on profit for the year at £6 million is £1,500,000 greater than last year, due partly to higher profits.

Dividends, less Income Tax, totalling 6 per cent for the year, of which 3 per cent was paid on July 31, 1958, and 3 per cent is recommended to be paid on February 4, 1959, take the some amount as in the previous year. A full explanation regarding dividend policy is given later in this statement.

If the recommendation as to final dividend is approved, the balance of profit carried forward to the next account is £7,725,334 compared with £6,006,487 brought in.

BALANCE SHEET

Whilst it is obligatory to publish a Consolidated Balance Sheet in addition to the Company's Balance Sheet, the two are so nearly the same that I shall comment only on the former.

The issued capital remains the same. Borrowing on Debentures and Loans has increased by £8,500,000 to meet in part the cost of the third development plan.

Fixed Assets Replacement Reserve is increased by £2,500,000 to £8,800,000 by a transfer from the year's profit. The amount set aside for future taxation is higher by £4,350,000 at the formidable figure of £23,900,000.

Current liabilities and provisions total £23,209,357, being £1,431,739 higher than a year ago. The increase calls for no special comment other than to say that the total is affected by expenditure on development, and by taxation resulting from higher profits.

Under Fixed Assets the only significant change is under development schemes, where the expenditure to date on plant not yet in operation has increased by £18,270,515 during the year to a total of £31,117,286. This reflects the good progress which has been made with the third development plan.

Current assets call for no special comment other than to note a welcome reduction of £1,192,001 to £16,760,013 in the value of stocks, including stores.

DIVIDEND POLICY

In the prospectus issued at the time of the offer for sale of the Company's shares by the Iron and Steel Holding and Realisation Agency in March, 1957, it was stated to be

the intention of the Directors to pay an interim dividend of 2½ per cent (less Income Tax) on the ordinary capital in September, 1957, and to recommend a final dividend of *3½ per cent in January, 1958*. Also that the aggregate of these dividends which total 6 per cent would represent a rate of approximately 8 per cent on the average of the paid up capital during the year to September, 1957. Later in the prospectus the Directors stated that by January, 1958, in the absence of unforeseen circumstances, the trading surplus should be running at the rate of £20 million and that they would expect to be able to recommend dividends totalling 8 per cent for the year ending in September, 1958.

In the event the results for the past year have come out substantially better than the Directors' forecast. Having regard, however, to the incidence of Profits Tax, the Directors are recommending a final ordinary dividend of 3 per cent for the year to September, 1958, making with the interim of 3 per cent a total of 6 per cent—the same as for the previous year.

In addition, the Directors are declaring a special interim ordinary dividend of 3 per cent in respect of the year ending September, 1959, payable at the same time as the final dividend for last year. This special dividend will not be taken into account when consideration is given to the payment of further dividends for the year to September, 1959.

In the absence of unforeseen circumstances, the Directors will declare a further interim dividend of 3 per cent in July, 1959. The amount of the final dividend must, of course, depend on the results of trading during the current financial year.

THIRD DEVELOPMENT PLAN

By the end of the year payments to meet expenditure on this plan amounted to £30,938,956 out of the estimated total cost of *£52,500,000. Excellent progress has been* made during the year and the main producing units are expected to be in operation between now and the end of June, 1959. It is hoped that an ingot production rate of 3 million tons per annum will be attained early in 1960.

STEEL DIVISION

In spite of the inevitable interference with normal working which results from the constructional works relating to the third development plan, the division has done well to increase annual ingot production from *2,095,000 tons in* 1957 to 2,178,000 tons in 1958.

Profit has been substantially higher due, for the most part, to the completion of the second development plan.

Among the records set up during the year was the discharge of 83,350 tons of imported iron ore at Port Talbot in a week in June, 1958. The previous record was 73,600 tons.

In September, 1958, *the melting* shops beat all previous records by the production of 48,295 tons of steel ingots in a week.

The blast furnaces have operated very well during the year. Coke ovens production has been slightly in excess of requirements and repair work on the older ovens has been *completed.*

Since the end of the financial year, after many months of preparation, a task of the greatest difficulty has been completed satisfactorily in a period of twelve and a half days with the minimum interference with normal production. The original slabbing mill was dismantled, before being despatched to a purchaser in Canada, and an entirely new mill of much larger capacity, built by Davy and United Engineering Company of Sheffield, was installed in its place. Part of *the normal production of steel ingots* which would have passed through the old mill during this period were put into stock for use at a later date. Steel slabs which should have been produced by the old mill during this period were purchased from other steel works at home and abroad in order to maintain production of steel sheets, plates and tinplate. A thousand men working in continuous shifts by day and night completed this unprecedented changeover thirty-six *hours ahead of scheduled time. The tech*nicians and men who planned and carried out the work in conjunction with the makers of the new mill deserve the highest praise for their enthusiasm, skill and endurance.

TINPLATE DIVISION

The financial year started *in October, 1957,* with a serious shortage of orders which, in spite of the closing of the remaining old type hand mills, necessitated some short time working at both Trostre and Velindre during the first six months. In the early summer demand for tinplate both at home and abroad increased above the normal seasonal variation and full time has been worked regularly. Over the year the output of the division was 670,000 tons compared with 703,000 tons last year.

In September, 1958, the mill at Trostre achieved a record output of 11,304 tons in a week. In July, 1958, Velindre had a similar record week of 9,604 tons.

Profit for the year was rather lower than in the previous year owing to the reduced output and to lower prices all round, *especially in the export market. During the* year 240,168 tons of tinplate were exported compared with 248,375 tons a year ago. Export sales of tinplate represented 36 per cent of our total sales of tinplate in the year. The whole of the Company's production of tinplate now comes from the new Works at Trostre and Velindre. It is believed that there are no more up to date or efficient works in the world. They are set in the Welsh countryside and the working conditions and amenities are second to none.

NEWPORT DIVISION

A development scheme costing approximately £2 million was completed and has operated fully since early in 1958.

The division was working to capacity early in the year but during the middle months it was affected adversely by a world-wide recession in the electrical sheet trade.

A further development plan estimated to cost £2,250,000 is now proceeding and should be in partial operation late in 1959. The purpose of this expenditure is to expand the production of electrical steel in sheet and *coil form.* The most highly specialised type is known as UNISIL, deliveries of which have nearly trebled during the year.

A new and improved canteen for staff and workpeople is being built.

The profit for the year was substantially higher than a year ago due to an improved demand for high grade electrical steels and to new plant coming into operation.

SALES ORGANISATION

Since 1956 special attention has been paid *to setting up an efficient and world-wide* selling organisation to meet the more competitive conditions which were foreseen. The Managing Director, Mr Julian Pode, has during the period visited Australia, New Zealand, East and South Africa, South America, France, Italy and Germany, in all of which areas our sales agents are active. These top-level meetings with agents and customers are of the greatest possible value. The Sales Controller, the Honourable Michael Layton, and members of his staff, have also visited regularly many overseas markets. At the present time the Company is actively represented in thirty Commonwealth and foreign countries.

Great improvements have been made in the packing of our various products. The distinctive containers and the quality of their *contents are becoming more and more* recognised.

On March 31, 1958, the Iron and Steel Board announced a general reduction in steel prices for the home market, the first to be announced since 1938. At the same time the Tinplate division introduced a new price structure designed to give additional advantages to the users of light-weight tinplate, thus enabling our customers to compete more effectively with other packaging materials.

DIRECTORATE

Mr S. E. Graeff, who joined the Board when the Company was formed in 1947, is an American citizen and has recently taken up residence in America. Consequently he has decided not to offer himself for re-election.

An acknowledged authority on continuous wide strip mills since their earliest days, Mr Graeff has been the Company's principal technical adviser on the rolling mill side. The results attained by the hot strip mill at the integrated works at Margam and by the cold strip mills at Trostre and Velindre provide proof of his skill and experience. The Directors will miss the presence of a greatly respected colleague at their meetings.

PERSONNEL

At the end of the year the Company was employing 20,053 men and 1,502 women, a total of 21,555 staff and workpeople. In addition, 4,947 men were employed on development work.

In January, 1958, the Directors announced that the Company had reached a state of development which enabled them to introduce a non-contributory pension and life assurance scheme for works employees. Embodied in the scheme were provisions to enable an employee to contribute either to secure an additional pension or to secure a lump sum payment at retiring age. At the present time all of the eligible works employees, numbering 14,091, are enrolled in the scheme and of this total 4,338 members are contributing towards additional pensions and 6,135 towards securing a lump sum payment at retirement age. The voluntary contributions for additional benefits are now running at a rate of £101,000 a year.

The Company is very proud of the work of its National Savings Committees and it is good to be able to report that the rate of saving has not been adversely affected by the contributory element of the works employees pension scheme already referred to. During the year National Savings within the Company amounted to £853,300 and no less than 79.5 per cent of employees were regular savers.

Recruitment for all branches of our work continues to be good and a large number of our staff and workpeople have undergone specialist courses of training at home and abroad.

During the year 77 members of the technical staff visited the USA, Germany, Russia and other countries to investigate and discuss a wide range of technical subjects.

Prizes to the value of £3,000 have been paid to 438 members of the staff and workpeople for suggestions which have, in many cases, led to useful results in operating technique.

FUTURE DEVELOPMENTS

The original development plan for the Company cost approximately £73 million and was in operation by the end of 1952. The *second development plan cost* £54 million and came into complete operation during the summer of 1958. The third plan estimated to cost £52,500,000 is expected to be completed towards the end of 1959. Shareholders may wish to know what further developments, if any, are contemplated.

In general, it is satisfactory to be able to report that production estimates have been exceeded in nearly every case. Our object now is to utilise to the full the surplus production capacity of certain units. The Directors have under consideration certain projects which, if carried out, would have the effect of further increasing the production of tinplate at a fairly early date and at a comparatively low cost. A scheme on these lines might cost approximately £5 million and this expenditure could be met from the Company's internal resources.

PROSPECTS

The current year has opened with full time working in all divisions and the order book for the first quarter of 1959 promises well. In the second and third quarters production capacity is expected to increase as a result of additional units coming into operation. A greater trading surplus is essential to enable the Company to meet the interest on the heavy capital cost of *the third development* plan. The task ahead of us is to sell in the more competitive markets at home and abroad the increasing production of our steel and tinplate Works. A thriving national export trade is the key to our future prosperity.

In my statement a year ago I appealed for a standstill policy in regard to nationalisation in order to allow the industry time to complete its developments and to increase its exports. I make the same appeal today.

There is abundant evidence that the British public is becoming increasingly critical of the disappointing service given by nearly all of the nationalised industries. The threat of re-nationalisation of the iron and steel industry, however, still exists. Under these circumstances, I should be evading my responsibility if I did not express the view that re-nationalisation would be disastrous to the Company and to our staff and workpeople. I am convinced that under nationalisation rigidity and frustration are inevitable. It would be difficult to maintain, much less to expand, sales in the export market in competition with countries whose iron and steel industries are not nationalised.

In the interest of our country, our staff and workpeople, and our customers, re-nationalisation must be avoided.

STERLING ESTATES

The thirty-first annual general meeting of Sterling Estates Limited, was held on December 30th in London, Mr Douglas Overall, JP, FAI, chairman, presiding.

The following are extracts from his circulated statement for the year to September 30, 1958:

The Group's Gross Rental Income of £259,857 shows an increase of £15,917 over that of the previous year; increased revenue from the Associated Company and the surplus of £26,694 arising from the sale of property brings the total income for the year to £295,451.

Your Directors recommend a final dividend of 7 per cent, making 11 per cent for the year.

In view of the changes in the rates of Profits Tax your Directors decided not to recommend an increase in the dividend for the year under review, but since the close of the year they have declared a special interim *dividend of 3 per cent for the current* year, which will be paid with the final dividend of 7 per cent.

Your Directors recommend that £64,287 of the Capital Reserve be capitalised and applied in issuing fully paid shares in the proportion of 1 Share for every 10 held. It is anticipated that in addition to the special interim dividend declared for the current year on the existing capital, the Directors will, in the absence of unforeseen circumstances, be able to recommend interim and final dividends totalling 14 per cent on the enlarged capital for the year ending September 30, 1959.

The report and accounts were adopted.

BRITISH TABULATING MACHINE

PROPOSED MERGER WITH POWERS-SAMAS

The fifty-second annual general meeting of The British Tabulating Machine Company Limited will be held on January 29th in London.

The following is an extract from the circulated statement of the chairman, Sir Cecil M. Weir, KCMG, KBE, MC:

The business transacted in our Company's Golden Jubilee Year which has now come to an end fittingly constitutes a *record in our* history.

On July 4, 1958, it was announced that we were *proposing to enter into a merger with* another important British Company in the same general field of business machines, Powers-Samas Accounting Machines Limited. Between the two Companies we shall offer users a greater choice of punched card equipment than has yet been available from any one source and in addition our electronic developments will provide a wide range of calculators and computers of varied and diverse capacities.

The statement then outlined the progress that had been made in the production and use of the Company's electronic machines and continued: I mentioned last year that the introduction of electronic equipment had not reduced the market for punched card machines. This, we believe, will continue to be the case for a long time to come.

In the overseas areas in which we have for long been established the number of Hollerith users has continued to grow.

BARCLAYS BANK DCO

ANNUAL GENERAL MEETING

The thirty-third Ordinary General Meeting of *Barclays Bank DCO was held on* January 2nd, at 29 Gracechurch Street, London, E.C.3.

Mr Julian Stanley Crossley (the Chairman) presided.

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

With the concurrence of the stockholders present, the Report and Accounts and Statement by the Chairman, which had been previously circulated, were taken as read.

The Chairman spoke of the change in the financial climate during the year covered by the accounts. At the time of the last meeting, Bank Rate had been 7 per cent, sterling was under pressure and the credit squeeze at its tightest. In the USA, on the other hand, the authorities had adopted a cheap money policy to counteract a depression. Now within one year the position had been almost reversed. This background had called for unusual vigilance on the part of the Bank's staff and particularly from the General Managers and others in the most responsible posts. *The rapidly changing economic* and social pattern, particularly in Africa and many of the new countries the Bank served, called for qualities of a high order, not only in the technical field, and the Chairman said he knew stockholders were grateful to the staff for the way they measured up to their very considerable responsibilities.

The Chairman referred to the appointment of Mr H. S. Morony and Mr J. P. van Heyningen as Assistant General Managers in South Africa and wished them well in their new posts.

THE DIVIDEND

Finally the Chairman spoke of the increase in the dividend from 8 per cent to 9 per cent, and said that though small, this was the most that the Directors felt able to recommend under present conditions, with the economic outlook still so uncertain.

The Chairman then moved the adoption of the Report of the Directors and the Statement of Accounts and the payment of a final dividend of 5 per cent actual on £12,932,250 Ordinary Stock, making 9 per cent for the year, less income tax at the standard rate of 8s. 6d. in the £.

The motion was seconded by Mr A. C. Barnes, Deputy Chairman, and carried.

The retiring Directors, Mr Anthony Charles Barnes, DSO, OBE, The Honourable Sir Geoffrey Cokayne Gibbs, KCMG, and Mr Cuthbert Fitzherbert, were re-elected.

On the motion of Mr J. D. Cowen, seconded by Brigadier E. C. Pepper, the auditors, Messrs Deloitte, Plender, Griffiths and Company, Price Waterhouse and Company, Peat, Marwick, Mitchell and Company and Cooper Brothers and Company, were reappointed.

A vote of thanks to the staff, proposed by Mr P. V. Emrys-Evans (a Director) and seconded by Sir Frank Newson-Smith, Bart, was carried unanimously and was responded to by Mr J. F. Cade (a General Manager).

A vote of thanks to the Chairman was proposed by The Right Honourable The Lord Mancroft, KBE, and was unanimously accorded.

SOUTH DURHAM STEEL AND IRON COMPANY

SATISFACTORY RESULTS DESPITE SOME ADVERSE CONDITIONS

RECORD PROFIT EXCEEDING £7 MILLION

DIVIDEND INCREASED TO 12 PER CENT

MR B. CHETWYND TALBOT ON BENEFITS FROM CAPITAL EXPENDITURE

The sixtieth annual general meeting of South Durham Steel and Iron Company Limited, will be held on January 28th at Caxton Hall, Westminster, London, S.W.

The following is the statement by Mr B. Chetwynd Talbot TD, chairman and managing director, circulated with the report and accounts for the year ended September 27, 1958.

The financial results for your Company's past year show the gross profit, including £13,721 income from investments, amounting to a total for the year of £7,106,417, which is a record, compared with £5,131,207 for the year 1956-1957, equivalent to an increase of 38 per cent over the profits earned in the previous financial year. It will be noted that the profits after deducting Directors' Fees, Pensions, Depreciation and Interest Charges amounted to £5,141,117, compared with £3,760,360 in 1956-1957, or an increase of 37 per cent over the previous year. I particularly draw your attention to the fact that we introduced Workmen's Pensions and Life Assurance Schemes from January 1, 1958, to which I referred in my remarks last year. The cost for the nine months amounted to £81,371 and has been given effect to in the above results.

CAPITAL COMMITMENTS

In commenting on the Balance Sheet figures as at September 27, 1958, you will note the capital expenditure, including routine capital expenditure, incurred during the year amounted to £8,502,601. Of this total, approximately 43 per cent was secured from your Company's resources by way of sums set aside for depreciation and transfers to reserves. The capital commitments as at September 27th still to be expended on Stage Two Development amounted to £2,585,526. The principal items of plant on which this money will be expended comprise the completion of (i) boiler plant and turbo alternators and (ii) a large diameter blast furnace and ancillary equipment, both at West Hartlepool Works. Benefits will be secured from these items of plant as and when they come into operation towards the end of the present financial year, and also from the improved ore discharging facilities on the River Tees which are in the final stage of completion at Cargo Fleet Works.

The balance of capital expenditure outstanding at September 27, 1958, as authorised by the Directors on the Stage Three Development amounts to £43,450,362, in addition to which there is, of course, the anticipated working capital which will be required.

STOCKS AND WORK IN PROGRESS

You will note that the value of stocks and work in progress has increased by only £137,000, whereas debtors have decreased by £500,000 compared with values at September 28, 1957. This decrease in debtors is chiefly due to the fall in demand towards the end of the financial year for the products of the Cargo Fleet Works.

The temporary investment in Government Security of £1,489,447 and the cash at Bankers and in hand of £1,305,450, compared with the Bank overdraft last year of £2,701,149, was the surplus from the issue of £8 million 6 per cent Convertible Second Debentures in March of this year. It is anticipated with capital expenditure progressing according to schedule and production remaining at its present level that these amounts will be absorbed in the early part of 1959, following which the loan arrangements with Barclays Bank and Finance Corporation for Industry to which I refer later will come into effect.

During the financial year under review the investment allowances reserve has been increased by £250,000 to an amount of £1,630,000, and the replacement of fixed assets reserve by £300,000 to an amount of £1,250,000. These appropriations, together with the sum of £1,750,000 transferred to general reserve, amount in total to £2,300,000 for the year.

A GRATIFYING RESULT

There was a falling off in the demand for the home and export markets for the products of your Cargo Fleet Works and I am, therefore, gratified to report to you the substantial increase in the Company's profits during the financial year under review. This was mainly due to certain units of plant of the Second Development Scheme coming into production during the year. The steel outputs of your West Hartlepool Works were increased and substantial benefits accrued from the boiler plant, the turbo alternators and sinter plant at Cargo Fleet. In addition there was increased benefit from the extensions at the Pipe Works at Stockton resulting from additional outputs.

I think you will consider the results for the year satisfactory, especially in view of the adverse conditions prevailing during the last few months of the year. Despite the falling off in orders from the shipbuilding and engineering industries, production at the West Hartlepool Works and the Pipe Department at Stockton-on-Tees has been fully maintained. Your Company is actively engaged in efforts to obtain further orders in world markets for the rolled steel products of your West Hartlepool and Cargo Fleet Works and also for the specialised products manufactured in the finishing departments at the Stockton-on-Tees Works. While the level of production of heavy sections and rails at your Cargo Fleet Works is being adversely affected by the recession in the heavy steel trade the demand for pipes at your Stockton Works continues; consequently the Stockton Works and your West Hartlepool Works, which supplies the plates for the Stockton Works, should not be substantially affected and the total profits for the year ending September 26, 1959, should not show a drastic curtailment.

NEW INTEGRATED STEELWORKS

In my Statement last year I referred to the financing of the new integrated steelworks on the site of approximately 530 acres of land—known as the South Works—which links up as regards rail connection and inter-works services with the existing North Works at West Hartlepool. Your Directors decided to proceed with the full scheme, as the necessary finance has been made available from the issue of the £8 million 6 per cent Convertible Second Debentures made during the year, from the loans arranged from the Finance Corporation for Industry Limited and our Bankers, and anticipated retentions from future earnings.

The capital expenditure and working capital of £66 million mentioned in the Prospectus dated March 14, 1958, comprised:

	£
Second Development Scheme and Working Capital ...	7,500,000
Routine Capital Expenditure ...	3,500,000
Third Development Scheme and Working Capital ...	55,000,000
Making the total	£66,000,000

It is with great pleasure that we congratulate the United Engineering & Foundry Company of Pittsburgh, USA, on their execution and prompt delivery of the slabbing mill for the South Works.

Work is proceeding on our developments according to plan and all departments should come into operation in accordance with our estimates provided there is no interruption by events outside our control.

I must place on record my view that in order to keep prices competitive with those of other countries and to encourage capital investment, the question of the restoration of the Investment Allowances should receive the very serious consideration of the Government.

TRANS-CANADA PIPELINE COMPLETED

During the year the Trans-Canada Pipeline was completed and your Company was congratulated on the quality of the pipes which it supplied and the deliveries thereof. The official opening of the pipeline has not yet been arranged, but it is my intention to endeavour to attend this function as I did the opening of the Westcoast Transmission Pipeline in October 1957. On the successful completion of the welding of the final joint on the Trans-Canada Pipeline, which incidentally comprised two South Durham steel pipes, I received an appreciative letter from the President of the Bechtel Corporation praising South Durham for the outstanding part the Company had played and the great contribution it had made to the Western Hemisphere and Canada in particular by supplying several hundreds of thousands of tons of large diameter steel pipes. These have aided materially in the early and successful completion of the Westcoast Transmission Pipeline and the Trans-Canada Pipeline projects.

During the course of my travels and those of Mr R. W. Baillie and other Pipe Works executives to ensure site requirements were being met and in search of contracts, it has become obvious to us that there will be an increase in the use of pipes for the transportation of natural gas and oil. It is, therefore, the policy of your Board to keep in touch with the large developments at present subject to investigations and negotiations. These projects are in Western and Eastern Canada and at many other different points on the American Continent, including Latin-America.

OTHER IMPORTANT CONTRACTS

In addition to the deliveries to the Trans-Canada project we have executed during the year contracts for the supply of pipes for Iraq and the Middle East to the value of over £4½ million in connection with the vast developments in those areas as well as deliveries to the Latin-American countries.

We have been successful in obtaining contracts for over £2,800,000 for the supply of 22 in and 24 in pipes to the Argentine. Future prospects so far as the demand for the supply of the products of the Pipe Works are concerned appear to be very encouraging.

Deliveries of substantial value were made during the year of other specialised products, particularly Rendhex Foundation Columns for oil companies in the Middle East, and we have been successful in obtaining the order for the supply of Rendhex Columns and Decking for the harbour at Malta. The value of these contracts exceeds £2 million.

PROPRIETORSHIP OF EQUITY AND DEBENTURES

I take this opportunity of referring to the proprietorship of the Equity capital and Debentures of your Company in view of the issue at £95 per cent of £8 million 6 per cent Convertible Second Debenture Stock 1978/83 which was made in March, 1958. The number of holders of the 8 million Ordinary Shares as at December 1, 1958, was 16,000 and represented an average holding of 500 shares. The holders of the £3 million 5¼ per cent Debenture Stock 1976/81 at the same date amounted to 1,800 and represented an average holding of £1,666 Debenture Stock. The holders of the £8 million 6 per cent Convertible Second Debenture Stock amounted to 2,500 and represented an average holding of £3,200 Debenture Stock. Many of these Shares and Debentures are held by Insurance Companies and Pension Funds, so that the ownership is in fact even more widely spread than these figures indicate.

I mentioned last year that it would be the policy of your Directors to maintain the rate of dividend on the Equity capital of your Company at a level in relation to annual profits and your Directors have pleasure in recommending an increase in the final dividend this year to 8 per cent, making 12 per cent for the year compared with a total of 10 per cent last year.

RENATIONALISATION

You will no doubt expect me to say a few words on Renationalisation. In my opinion Nationalisation of Steel should not continue to be a political issue when the Steel Industry is already effectively supervised by the Iron and Steel Board and the Ministry of Power on behalf of the Government. It has been admitted by a member of the Shadow Cabinet that Renationalisation of Steel has nothing whatever to do with its present efficiency. It is entirely a political issue.

The Iron and Steel Act, 1953, empowers the Iron and Steel Board, consisting of consumers, producers and trade union representatives, to exercise a general supervision over the Iron and Steel Industry which includes the fixing of maximum home prices and the power to recommend the Minister to undertake any development project which may be thought necessary.

Your Company, like others in the Industry, is taking steps to see that the real facts on the matter are put before the public.

THE DIRECTORATE

Mr Astley Barton tendered his resignation from the Board on November 30, 1958, and we express our appreciation of the valuable services rendered by him. Mr Barton joined the Company in 1920.

You will have noted from the Directors' Report that the Secretary, Mr W. A. Metcalfe, was elected a Director of your Company in November last. Mr Metcalfe has been employed at the Company's Head Office for the past 35 years and your Board have every confidence in his abilities on the Accountancy and Secretarial sides of your Company. I am sure you would wish me to express to Mr Metcalfe every success on his appointment.

In concluding my remarks I would like to place on record my tribute and that of the Directors to the services of our staff and workpeople during the year and I am confident we can look forward to their continued co-operation in the future.

J. H. FENNER & COMPANY (HOLDINGS) LIMITED

The twenty-second ordinary general meeting of this Company and subsidiary companies was held on January 7, 1959, at the Queen's Hotel, Leeds. The following extracts are taken from a Joint Statement by Mr C. Bradshaw, FCA, the Chairman, and Mr S. B. Hainsworth, FTI, the Managing Director and Deputy Chairman.

Comments on Financial Position: The consolidated net profit of the Group is £486,118, compared with £449,593 for the year ended August 31, 1957. After adding the balance brought forward from the last Account of £384,588, and the amount of £3,763 being a reserve for taxation no longer required, the sum of £874,469 has been appropriated as shown below:

	£
Provision for Taxation	260,063
Transfer to Mortgage Debenture Sinking Fund	9,705
Dividend on Preference Shares	3,953
Dividend on Ordinary Shares	43,125

leaving a balance to carry forward to next year of £557,623.

The Reserves of the Company are considerable and for a number of years it has been possible for the Company to finance its growth and the increase in its facilities out of its own resources. Consequently, the Reserves are, in the main, permanently employed in the business. The Board have therefore, decided to recommend the capitalisation of part of the Reserves by the free issue of Ordinary Shares to the Ordinary stockholders at the rate of one fully paid Ordinary Share of 5s. for each two Ordinary Shares held and the issue of one fully paid Preference Share of £1 for each 16 Ordinary Shares held. The necessary Extraordinary General Meeting of the Company to deal with this matter took place immediately after the Annual General Meeting.

J. H. Fenner and Company Limited: This has been a difficult year for trading. There has been a lessened demand for mechanical power transmission drives to be fitted to new machinery in this country and we find that shrinking overseas markets close up faster than growing ones develop. Under these circumstances, we are happy about the results that have been achieved, and they represent an enormous amount of hard work on the part of your Executives and staff. We do not expect a quick improvement in the general economic climate and we anticipate less satisfactory results in the future than those we are now able to report.

And in connection with the economic climate, we believe that in an industrial country such as ours, which has to rely upon its capacity to export for the maintenance of its high living standards, there is something to be said for the creation of economic conditions which force manufacturing companies to be efficient if they are to survive. We ourselves have seen industries abroad which, by means of quotas and tariffs, have so protected themselves that genuine competition from makers in other countries is ruled out. In such countries the high protective fence which is built round manufacturing industries makes for a soft and easy life inside. We do not think that in the long run a soft and easy life for UK manufacturing industry would be helpful. It would be very nice in the short run, but it weakens instead of toughening. We ourselves have had some hardening over the year and have come out of it at the end in pretty good shape. Never before have we done so much in the way of improving our products and developing new ones, and we plan to do even more in this direction during the coming year. We are not deceived by the prosperity which arises out of an inflation which has not yet, in our opinion, been checked.

Taper-Lock.—The application of this device, the quickest and easiest method of fixing to shafts, has been further widened by its use in the "Fenaflex" rubber tyre couplings which we began to make and sell this year. Something like 85 per cent of all the pulleys we make are now fitted by the Taper-Lock method and already there are more than a million of them in use. During the year we completed the transfer of our pulley manufacturing operations to the new factory in Hull with consequent benefit both in administration and production.

Premium V-Belts.—Our leadership in the field of V-Belt design, manufacture and application continues, and the Premium V-Belts we were the first to make in this country—they employ Terylene for the load-bearing cords—have now proved our claims to three times normal life, thus bringing greater economies to many industries.

GENERAL MATTERS

We are engaged in a competitive industry, a very competitive industry, with all the hazards and the opportunities that are in the way of such industries. No one makes claims for special treatment, or subsidies, or the injection of new capital into our sort of business on the grounds that we are a strategic industry, or that if we are not supported in some way from outside our own resources, business and employment would be lost to this country. We have to stand on our own, and we do not even hope for, or think of, help from outside. Perhaps it is as well. We have to look carefully at the items of expense we incur, we have to examine projects in detail to see whether they are likely to develop and pay off within a reasonable time, we have to employ and encourage only those who come into our organisation prepared to work hard and to be rewarded only if the business is prosperous. All this makes for a tough, hard organisation, as being the only type that can live in the world competitive field in which we operate.

BANK OF CEYLON

YEAR OF SATISFACTORY PROGRESS

REVIEW OF POLITICAL AND ECONOMIC CONDITIONS

MR H. V. PERERA'S STATEMENT

The Annual General Meeting of the Bank of Ceylon was held on December 20th at Colombo.

The following is an extract from the statement of the Chairman, Mr H. V. Perera, QC, on the report and accounts for the year ended September 30, 1958:

The political and economic storms which have blown over Ceylon during this year have been some of the worst in recent history. Some of these misfortunes were caused by factors beyond our control, but others are to a large extent attributable to our own folly and short-sightedness.

Prices of some of our export commodities have been the lowest on record in recent years and our external trade has been in the doldrums from time to time. In the early days of the year, unprecedented floods ravaged a large part of the countryside and also some townships, but the misfortunes of our distressed people were alleviated to some extent by foreign aid, given promptly and spontaneously.

During the early months of the year strikes were a common feature and labour discontent continued to grow throughout the year. In May, civil strife spread far and wide and the Government was compelled to impose a state of emergency which still continues in a modified form. The repercussions of some of these events on the social, political and economic life of our country and on its people have been widespread. The immediate cause of the civil strife may appear to be communal or political differences, but in the last analysis these differences are due to social discontent arising from the economic disease of inadequate employment opportunities against the background of a fast growing population in a virtually stagnant economy.

ECONOMIC ACHIEVEMENTS—AGRICULTURE

Looking at the other side of the picture we may reflect awhile on a few of our achievements in the economic sphere. In the field of agriculture, the rehabilitation of rubber and coconut is a significant development, and credit is due to the Government and the planting interests for the systematic manner in which lands have been manured and replanted so as to obtain increased yields at lower costs, thus helping us to meet our competitors on more favourable terms. The rehabilitation of tea lands is also receiving the attention of the Government and we may expect the benefits of this undertaking to accrue in full measure in the course of the coming years.

The Honourable the Minister of Agriculture has put forward a comprehensive plan for agricultural development which involves, among other schemes, the nationalisation of foreign-owned tea estates by payment of compensation based on stock exchange prices. Provision is made in the plan for the replanting of uneconomic land now in cultivation and for the opening up of lands for new crops. Other needs such as easy credit, insurance and marketing facilities are to be met by provisions such as multi-purpose co-operatives, crop insurance and price support schemes. The views expressed in the plan particularly on nationalisation of foreign-owned estates and State-monopolised Boards for supply and distribution, may not be acceptable to the Government, but certain other parts of the plan would probably be adopted by the Government in due course.

On the subject of the nationalisation of foreign-owned estates I would do no more than make the general observation that we should consider the State-ownership of any instrument of production not as an end in itself but as a possible means to an end, and have due regard not only to other relevant factors, such as increased costs of production, which bear on the achievement of the end in view but also to possible repercussions of such a step on our economy in general, as for example the discouragement of desirable foreign investment and the reduction of the earning capacity of our exports.

INDUSTRY

No overall plan for industry has yet been formulated, but some industrial development has nevertheless been undertaken by Government, and plans for further development are encouraging. In this connection we must not fail to acknowledge our indebtedness to Governments abroad for financial assistance in promoting our industrial projects.

What I would like to see however, is a greater participation of the private sector in industry. We need more private effort in economic activity because, in my opinion, healthy private enterprise is a pre-requisite of democracy. Any undue growth of State intervention in the industrial, agricultural and commercial life of the country constitutes a threat to true democracy.

We welcome the long-awaited statement by the Government of its policy on foreign private investment in Ceylon. With the adequate safeguards which have been proposed, we have nothing to lose and much to gain from foreign private investment in this country. Of special significance is the assurance by the Government that it will not consider for the next ten years the question of nationalising any new private foreign investment.

While these inducements are encouraging, they are not enough. The period of guarantee may be too short for some investors, but what is more pertinent to the encouragement of foreign investment is not so much the assurance of freedom from nationalisation over a period of time, although this in itself is important, as the business and investment climate in the country, and the certainty that adequate compensation will be provided in the event of nationalisation. In the unsettled conditions prevailing in Ceylon today I do not think that the Government's statement of policy in this connection will evoke much foreign interest in investment here, though it is a step in the right direction; and I hope that with the passage of time, more stable conditions and the right investment climate will be created for foreign private capital, which may then be expected to come in appreciable quantities and partake in joint ventures with Ceylonese entrepreneurs.

BANK OF CEYLON

The Assets of your Bank as at September 30, 1958, amounted to Rs 777 million, representing an increase of Rs 35 million over the assets as at the end of the previous financial year.

The Bank's advances reached an aggregate of Rs 179 million, an increase of Rs 19 million over the figure of the previous year. These advances were granted in the form of Commercial Advances, Personal Loans, Medium Term Loans backed by Medium Term Deposits, and the discounting of bills for exports and imports. In view of certain recent developments in banking in the UK, it is worthy of note that the Bank of Ceylon has over the past twenty years been engaged in the Personal Loan business where modest advances are granted to customers without tangible security. About one year ago the Bank also introduced the equated instalment personal loan.

Total deposits of all commercial banks were Rs 981.7 million as at September 30, 1958, as against Rs 997.6 million as at September 30, 1957, a fall of 1.6 per cent. In the face of this general decline in the volume of deposits, the total deposits with your bank increased from Rs 433 million to Rs 454 million, an advance of 4.85 per cent over the previous year.

Your Bank was privileged as at September 30, 1958, to hold 46.1 per cent of the total deposits within the commercial banking system. It must be said, however, that on account of the operations of Government during September, which is the closing month of the Government's financial year, certain "hot deposits" are made by the Government with the commercial banks. For the purpose of illustrating, however, the position of leadership which your Bank holds, I may say that the Bank of Ceylon now controls 38.5 per cent of total non-government deposits. This is indeed gratifying proof of the confidence reposed in the Bank by the people no less than by the Government.

It is interesting to note, in the light of very recent developments in British banking, that your Bank introduced two systems of commission-free, no-minimum-balance current accounts known as Safety Checking and Security Checking Accounts as far back as 1954.

Cash, Bullion, Loans at Call, Money at Short Notice and Treasury Bills aggregated to Rs 150.6 million. Our total liquid assets including Bills Discounted amounted to Rs 197 million. The percentage of liquid assets to total deposits is 43; the percentage to demand deposits is 58.

Your Directors recommend the transfer of Rs 350,000 out of current net profits to "Other Free General Reserves." Together with the transfer of Rs 1,550,000 authorised during the year, this transfer will result in "Other Free General Reserves" standing at Rs 6,750,000. The capital and published free reserves of your Bank will then amount to Rs 17.25 million.

I am sure that you will agree with me that your Bank has made satisfactory progress in the year under review.

The report and accounts were adopted.

ENI

ENTE NAZIONALE IDROCARBURI, ROME, ITALY

RECORD NATURAL GAS PRODUCTION — SYNTHETIC RUBBER PLANT IN OPERATION

The ENI Balance Sheet and Report for the year ending April 30, 1958, were published recently, the main features of which are set out below:

EXPLORATION AND PRODUCTION

Exploration activities were extended and intensified during the year. New exploration permits were secured on the Italian mainland, outside the Po Valley area where the Group has exclusive rights, and in Sicily. Outside Italy AGIP MINERARIA set up a new company in 1957, jointly with the National Iranian Oil Company, the Società Irano-Italiana dei Petroli (SIRIP). This new company has been granted concessions in three areas covering altogether 8,842 sq. miles. A similar agreement was concluded with Morocco giving AGIP MINERARIA a concession of some 11,600 sq. miles in the province of Tarfaya.

Geological exploration work was carried out in Italy, Iran and Morocco.

The total of Geophysical surveys effected in Italy during 1957 amounted to 210.5 crew-months while during the first four months of 1958 it amounted to 54.5 crew-months.

Geophysical surveys of the Persian offshore concession were started early in 1958 under the control of AGIP MINERARIA.

During 1957 AGIP MINERARIA and its associated companies sank 156 oil wells, 49 of which were exploration wells and 107 production wells. Outstanding among discoveries of hydrocarbon deposits were the natural gas deposits of San Pietro in Casale (Bologna) and of Casteggio (Pavia).

NATURAL GAS PRODUCTION

Natural gas production in 1957 amounted to 163,975m. cu. ft., equivalent in calorific value to app. 7m. tons of coal, and representing an increase of 12.7 per cent compared with the previous year. Output of liquid and liquefiable hydrocarbons rose from 134,828 tons in 1956 to 216,706 tons last year, thus showing a rise of 61 per cent. During the first four months of 1958, output included 60,480m. cu. ft. of natural gas and 78,747 tons of crude oil, including 48,173 tons from the first four productive wells of the Gela deposit where output for 1959 is expected to reach 1m. tons.

In the course of 1957 and during the first few months of 1958, the first equipment stage of the Gela field was brought to a conclusion.

The network of gas pipelines installed by SNAM and its associated companies had reached a length of 2,447 miles by the end of 1957. The urban distribution networks run by constituent companies of the ENI Group had covered 448 miles by the same date.

In 1957 the ENI Group distributed a total of 168,910m. cu. ft. of natural gas—a figure equivalent to 97 per cent of Italian consumption as a whole.

OIL REFINING AND PETROCHEMICALS

New installations were built during the year in some of the refineries in which the ENI Group holds an interest. During 1957 the refineries connected with the Group processed 5,475,000 tons of raw material and have made it possible to improve and strengthen productive capacity in this sector. The big ANIC petrochemical plant at Ravenna was inaugurated in April, 1958. In the field of nitrogenous products, production of ammonia, nitric acid, ammonium nitrate and ammonium sulphate began between the end of 1957 and April 1958. The installations for the production of synthetic rubber came into service in April of this year when the unit for the production of styrene was still in course of erection and preparations were being made to build a second plant for the production of butadiene. This plant will begin working in the course of 1959 and use butane produced by the Group's refineries. Once all the installations planned have been completed, the plant will have an annual output capacity of 60,000 tons of synthetic rubber and 750,000 tons of fertilisers.

DISTRIBUTION OF PETROLEUM PRODUCTS

In the course of 1957 AGIP's distribution network was further extended and complemented by new motels. Considerable increases over the 1956 figures were achieved in sales of petrol (12.5 per cent) and gas oil (21 per cent). Sales of liquid gas (AGIPGAS), which is being used in 2,700,000 households, increased by 13 per cent compared with the previous year.

AGIP also resumed the distribution of its products in Italian Somaliland, Eritrea and Ethiopia and established a company (ASSEIL) in Libya, on an equal basis with a Libyan group, for distribution in that country.

TANKER TRANSPORT

The Group's tanker fleet, which was 118,000 tons at the end of 1957, was increased in March, 1958, by AGIP RAVENNA, the first of two 36,000 dwt turbine tankers launched during the current year. The tonnage carried during 1957 showed an increase of 37.6 per cent and reached a total of 2,196,740 tons of crude oil and petroleum products.

NUCLEAR ENERGY

In 1957 AGIP NUCLEARE concluded a consultative agreement with the United Kingdom Atomic Energy Authority (UKAEA) and a special agreement with the Nuclear Power Plant Company which will help AGIP NUCLEARE in its research and in the erection of nuclear power stations of the natural uranium developed from the original British Calder Hall type. An agreement for the delivery of a power station project of the slightly enriched uranium type was also concluded with the American Vitro Engineering Company.

SIMEA, in which AGIP NUCLEARE holds 75 per cent of the shares and IRI the remaining 25 per cent, has begun on the construction of a first natural uranium power station with a capacity of 200 MW in the neighbourhood of Latina. The SOMIREN Company has intensified prospecting work for radioactive materials in Northern Italy as well as in Calabria and Sardinia, and has confirmed, particularly in Piedmont, the existence of mineralised structures with mineable contents of such materials.

ENGINEERING

In this sector considerable progress was made by NUOVO PIGNONE by expanding its technical equipment.

Total turnover during 1957 rose by 60 per cent over 1956. Machinery and equipment for the oil and chemical industries delivered during the year represented an increase of 20 per cent in weight over the figure achieved during the preceding year.

E N I
(Ente Nazionale Idrocarburi)
Rome, Italy

BALANCE SHEET AT APRIL 30, 1958

LIABILITIES	Lit.	Lit.	ASSETS	Lit.	Lit.
Medium and Short-Term Loans	11,835,513,273		Cash in Hand and at Bank, Securities and Allied Items	660,743,283	
Bonds	53,200,000,000		Miscellaneous Assets	4,717,873,213	
Miscellaneous Liabilities	2,487,170,813		Holdings	38,559,737,545	
Provisions	484,663,268		Financing of Subsidiary Companies	68,026,165,005	
Endowment Fund	36,900,000,000		Premises, Fixed and Movable Assets, Fittings (after Depreciation)	632,999,403	
Reserves	7,277,103,088		Expenses for Bonds Issue to be Amortised	4,359,076,120	
		116,996,594,569			116,996,594,569
Contra Account		55,934,693,932	Contra Accounts		55,934,693,932
		172,931,288,501			172,931,288,501

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED APRIL 30, 1958

EXPENDITURE	Lit.	Lit.	RECEIPTS	Lit.	Lit.
Financial Charges	3,319,876,398		Dividends on Holdings:		
General Operating Expenses and Miscellaneous Charges	686,914,993		AGIP	570,000,000	
Taxes	889,955,678		AGIP MINERARIA	1,795,500,000	
Amortisation and Depreciation	79,999,366		ANIC	330,641,910	
			SNAM	1,859,902,875	
					4,556,044,785
Total Expenditure		4,976,746,435	Loan Interest received		4,551,837,877
Net Profit for the Financial Year		4,812,144,127	Miscellaneous Revenue		324,970,223
			Extraordinary Revenue		356,037,677
		9,788,890,562			9,788,890,562

DORMAN LONG AND COMPANY LIMITED

SIR ELLIS HUNTER'S REVIEW

STEEL DEMAND FALLS BUT STRUCTURAL ENGINEERING OUTPUT MAINTAINED

NATIONALISATION POLICY OBSOLETE

The Sixty-ninth Annual General Meeting of Dorman Long and Company Limited, will be held in London on Wednesday, February 4, 1959. The following extracts are from the statement by the Chairman and Managing Director, Sir Ellis Hunter, circulated with the Report and Accounts:

TRADING RESULTS

After charging depreciation based on historical cost and transferring £1,500,000 to Fixed Assets Replacement Reserve of Dorman Long (Steel) Limited (same as last year) the group profits before taxation amounted to £6,104,807. After deducting the profits of subsidiary companies applicable to outside shareholders at approximately £39,000 before taxation, there is left approximately £6,066,000 which arose broadly as follows:

	1958		1957	
	Amount £	%	Amount £	%
Bridge building, Engineering and Chemicals	2,915,000	48	3 086 000	41
Iron and Steel..	3,151,000	52	4,365.000	59
	6,066,000	100	7,451.000	100

When a similar analysis was given last year, the Bridge building, Engineering and Chemicals item included the profits of Dorman Long (Africa) Limited attributable to the holding of Dorman Long and Co., Limited. Since the African Company is no longer a subsidiary company the above figures for both years include only the dividends receivable by Dorman Long and Co., Limited.

The reduction in the ordinary dividend from Dorman Long (Africa) Limited due to the lower shareholding is the main reason for the lower amount of profits from Bridge building, Engineering and Chemical activities in 1958.

More than £900,000 of the reduction of approximately £1,200,000 in the Iron and Steel profits is due to increased depreciation. The charge for depreciation will be higher in the current year. It follows the Inland Revenue allowances for profits tax purposes, except for initial allowances.

Interest on loan capital has increased substantially, owing to variations in Bank Rate and to further calls on the loan from Finance Corporation for Industry Limited, of which £1,500,000 still remains available.

DORMAN LONG (STEEL) LIMITED

The falling off in world trade and the consequent reduction in the demand for steel has inevitably affected the Company's production for the past year. In the aggregate both ingot and rolled steel outputs were lower. Ingot production at 1,927,005 tons compares with 2,118,715 tons in 1957. Rolled steel production at 1,454,163 tons showed a reduction of 44,601 tons on 1957.

The Universal Beam Mill at Lackenby has been operating since February, 1958, when the first beam was rolled. Since July the mill has been rolling first class beams and columns, on a commercial basis, six shifts per week. Experience to date shows that the mill will do efficiently all we expected.

Trial operations have begun at the new rod mill at Lackenby, the semi-finished steel requirements of which will be provided by the new billet mill recently installed at that works.

HOME AND EXPORT DEMAND REDUCED

The decline in orders for rolled steel began early in 1958, and the downward tendency increased as the year went on. The works have been operating at much below capacity since June. At home, consumers and merchants have been reducing their stocks and this was accentuated by the financial restrictions on the nationalised industries which have only recently been lifted.

The reduction in demand also affected export markets. After a long period of severe restriction of British steel exports during which the limited tonnages released earned substantial premiums in prices, we are now being urged by the Government to export all we can. Competition is keen, but we are making determined efforts to expand our old markets and develop new ones.

The marketing of our new product, universal beams from Lackenby mill, is beginning to show encouraging results. Orders for the home market are building up. Structures are now generally being designed with universal beams specified and the beams are also being used in the highway programme. A ready outlet has been found in Canada, and we hope to do business in the United States. Orders for small tonnages have been received from other overseas markets.

RENATIONALISATION

The Labour Party is still committed to renationalise the steel industry and this threat cannot be ignored. The Party does not seem anxious that re-nationalisation should become a major issue at the polls. The reason for their attitude is readily understandable.

The great majority of the people in this country have no desire for any further extension of State ownership of industry. What they have seen of the results of nationalisation has killed any enthusiasm for it. They do not regard further nationalisation in any form as likely to contribute to their own well-being or to the economic progress of their country.

If the general election, whenever it comes, were to be fought on the question of renationalising steel it is certain the country would reject it. The hope of the Labour Party is that steel re-nationalisation will be obscured by other issues. It is, therefore, of the utmost importance that there should be a lively recognition in the country at large of the harm that would be done to the steel industry whose efficient operation is essential to virtually every form of industrial activity.

The arguments against nationalisation are well known, generally accepted, and to those capable of objective consideration can lead to only one conclusion. The urge to renationalise steel is based on the Labour Party's political thinking of forty years ago. In view of the experiences of the past decade, the Labour Party should have the courage to admit that this policy is obsolete, and scrap it.

EFFICIENCY NOT THE ISSUE

We know, on the authority of Mr Alfred Robens, MP, that "the nationalisation of the iron and steel industry has nothing whatever to do with its present efficiency," and that "no one is making a case for public ownership on the basis of an inefficient industry." The Labour Party's recent policy statement ignores Mr Robens's declaration. After stating that it is essential in the national interest to restore steel to full public ownership, it remarks in a subsequent paragraph "if after careful enquiry other industries are found to be failing the nation, we shall not hesitate to use whatever remedies, including further public ownership, are shown to be most effective." The purpose of this carefully worded sentence must be to create the impression that the steel industry is failing the nation and should therefore be nationalised. This is serious misrepresentation. The steel industry is one of the most efficient of the nation's industries. Moreover in twelve years it has raised its capacity by about 65 per cent and in the early 1960's capacity will be double that of 1946.

The Labour Party's policy statement tries to justify renationalisation of steel on the grounds that "Only the State can be relied upon to supply the large capital funds and to carry through the great expansion programme that will be required when Labour's production drive gets going." This also is misleading. It is the Labour Party's threat of nationalisation which makes the public reluctant to risk their capital in the industry at the present time. Remove this threat and steel will attract the capital required.

GRAVE RISK TO STANDARD OF LIVING

Steel and the great industries it serves are carrying the main burden of the battle for overseas trade. As the people of this country have good reason to know, the decline and fall of the steel industry would be inevitable under nationalisation. Economic disaster for Great Britain would result and no reasonable hope of a rising standard of living would remain.

Under nationalisation steel would soon become a rigid monopoly. The engineering industry of this country comprises thousands of concerns both large and small responsible in the aggregate for a substantial part of the country's home and export trade. How would they be likely to fare if they found their interests and needs at variance with such a vast state monopoly?

GROUP ENGINEERING ACTIVITIES

Activity at a high level was maintained at the fabricating shops of Dorman Long, Redpath Brown and Tees Side Bridge and Engineering Works. A large tonnage of steelwork has been exported and new bridge contracts secured. Both at home and abroad financial difficulties have restricted the placing of work in recent months, while disturbed conditions in the Middle East caused a number of projects to be held back.

Outputs from the Chemical Works have increased and would have been still higher but for the slowing down of operations at the iron and steel works. At Clarence Chemical Works we have first-class units which in efficiency compare favourably with anything in this field in the United Kingdom.

MERCANTILE CREDIT COMPANY

ADDED FINANCIAL STRENGTH

The twenty-fifth annual general meeting of Mercantile Credit Company Limited was held on January 7th in London, Sir Mark Turner, chairman of the company, presiding.

The following are extracts from his statement circulated with the report and accounts for the year to September 30, 1958:

It is, I think, significant that the twenty-fifth annual general meeting of your company which this is, should coincide with the emergence of the hire purchase business from a modest and much criticised youth into the maturity of a recognised part of the banking and monetary system of the country. At the extraordinary general meeting which was held on September 15, 1958, you sanctioned an increase in the authorised capital and Martins Bank and Westminster Bank are between them subscribing in instalments for a 40 per cent interest in the company at a price closely approximating £4 million.

This is not only important for the added financial strength and stature which it brings to your company, but also for the potential growth in business which must inevitably result from an association between Mercantile Credit and two joint stock banks together having over 1,800 branches in the United Kingdom.

EXPANSION

Although both banks have agreed to pay for their shares in full earlier if required, the present arrangement is that the £4 million will be paid in four equal half-yearly instalments, the first instalment having been paid on October 1st last. We are hopeful that the natural growth of business will be such as to match each instalment of capital provided by the banks with an appropriate amount of new business.

When I speak of new business, this can be by means of serving new customers, entering new trades, the increase of business from existing connections or, alternatively, the acquisition of other companies such, for example, as Mutual Finance, which we agreed to purchase on January 1, 1959. Our experience since the relaxation of credit restrictions leads us to believe that our target, to match new business with instalments of new capital and borrowings based thereon, is capable of achievement.

Since its inception Mercantile Credit has enjoyed the support of the acceptance houses and the joint stock banks, a support which it hopes it will continue to enjoy in the future. Some four years ago the natural growth in the company's business made it necessary to look for other sources of borrowing and we started to take deposits. At first these deposits represented only a small proportion of the company's borrowings. More recently they have grown considerably and represented as at September 30th last about 57 per cent of the total group borrowings. We are happy to see that some of our shareholders, both private and corporate, are on our list of depositors and look forward to being of service to many more in this way.

ACQUISITION OF MUTUAL FINANCE

The acquisition of Mutual Finance as from January 1, 1959, is another important step in the policy—United Motor Finance Corporation, which we acquired a year ago, being the first—which your company has been adopting for some time in the expansion of its activities by the acquisition of suitable companies, particularly those operating in fields and areas where they can make a positive and rapid contribution to the group's activities.

During the last eighteen months or so your company is so changing its shape that our consolidated balance sheet is becoming a document of much greater relative importance than that of the parent company alone. The best illustration of this feature is that there is now a difference of no less than £10,800,000 in hire purchase agreements, etc., on hand between the one balance sheet and the other. The growing importance of the contribution made by subsidiaries is illustrated by the addition of another £6 million in agreements outstanding brought to us by the group's most recent acquisitions, Mutual Finance and Dunelm Trust of Darlington.

LOSS RATIO

This year I wish to devote a little time to general matters associated with hire purchase financing. The first concerns losses.

All sorts of figures, percentages and so on are published from time to time, and whilst I do not question their accuracy, I think some tend to show [illegible] and sometimes misleading picture. To begin with, fraud excepted, a loss is incurred at the particular point in the history of a transaction at which it is not considered possible to reduce it further. The assessed loss therefore understates the true amount lost by the additional cost incurred in reducing it to that point. The ultimate figure of true loss is therefore often unrealistic. However, there is no other way of expressing loss without complicated and expensive analysis.

Subject to these remarks shareholders might like to know how we ourselves have fared and I will give you figures relating to our entire motor business. Comparing average losses with average balances financed over the last ten years, the figure is 0.064 per cent. But, of course, losses incurred in one year seldom apply to transactions entered into during that year, and one must remember that turnover has been rising. Therefore I will give you another and perhaps more accurate assessment by comparing losses incurred during the period 1949-1958 with turnover during 1947-1956. This percentage is 0.108. May I suggest that both percentages are equally striking and reflect the common sense and integrity of the hire purchaser and the care with which the business of your company is conducted.

Now for a word about unearned finance charges. Many will have noticed that the proportion of these to agreements outstanding varies somewhat from year to year and perhaps wonder why this should be so. Let me say that the amount decided upon at the end of each financial year is based upon as accurate an assessment of the requirements as we can make. We were perhaps, a little more ponderous years ago but this figure used to be called "Reserve for Interest, Collection and Unearned Finance Charges." Certainly that description indicated exactly the purpose for which the amount was set aside. Therefore we carefully review our companies' portfolios at the end of the period to ascertain the required cover for these items on a factual basis according to the period of agreements outstanding and according to the known costs of money and operating and our assessment of the trends thereof.

At the end of the year under review, in the parent company for example, we decided to reduce the reserve in question from 8.72 per cent of outstandings in 1957 to 8.24 per cent for 1958, because of the present lower cost of money and by reason of our portfolio having an average shorter date than in the preceding year.

United Motor Finance which joined our group just prior to the close of our financial year ended September, 1957, has in every way fulfilled all and more than we expected of it. Again it is my pleasure to express thanks to the company's board and its management.

In Ireland, Mercantile Credit Company of Ireland, and in the Union of South Africa, National Industrial Credit Corporation, have had record years.

Our associated company in Canada, Interprovincial Building Credits, continues to grow in importance.

In conclusion, I would like to emphasise on this occasion that you, as shareholders, owe a real debt of gratitude to the executive Directors and the staff of your company.

The report and accounts were adopted.

WEBSTERS PUBLICATIONS LIMITED

EMINENTLY SATISFACTORY RESULTS

The fourth annual general meeting of Websters Publications Limited was held on January 5th, in London, Lieutenant Colonel W. D. Gibbs (the chairman) presiding.

The following is his circulated statement:

I am pleased to report that the profits of the Group for the period under review amounted to £124,723 compared with £133,894 for the previous year. Your Board regard this as eminently satisfactory, having regard to the particularly inclement weather during the Flat-racing Season.

It will be recalled that during the year the sum of 6d. per share was returned to shareholders, being money surplus to the normal trading requirements of the Company. This repayment was effected by the liquidation of the principal Operating Company, and a reduction of Capital. The reduced shares were subsequently consolidated back into units of 1s. each, and the Holding Company assumed the name of the former principal Operating Company.

It will be observed that the Authorised Capital is shown as slightly reduced. This arose from a technicality and a resolution will be proposed to restore the Capital to its original £250,000. There is no present intention of increasing the Issued Capital of the Company.

As regards dividends, last year an interim of 10 per cent followed by a final of 30 per cent, making 40 per cent in all, was paid. This year your Directors have ensured that Shareholders will receive the same amount in dividend as last year—viz., an interim of 20 per cent, which has already been paid, and a final of 60 per cent which is now recommended, making 80 per cent in all. This is as I forecast at the last Annual General Meeting.

In conclusion, I am glad to report that the business of your Company continues on the same sound basis.

The report and accounts were adopted and the ordinary resolution increasing the capital to £250,000 by the creation of a further 47,010 Ordinary Shares of 1s. each was approved.

COMPANY AFFAIRS

Record Bank Profits

THE banks have enjoyed a bumper year. Every one of the "Big Seven" has announced a substantial increase in profits for 1958 and every one has raised its effective distribution. Four of these increased distributions are in accordance with forecasts made at the time of announcement of capitalisations of reserves—which in the case of the Midland Bank provided for only a fractional increase in the distribution for 1958 but an increase by a further one-ninth for 1959. The newly disclosed increases are those of the National Provincial (18 to 20 per cent), Westminster (11¼ to 12½ per cent) and the District (15 to 17 per cent). Increases in published profits range from 16.9 per cent for Barclays to just over 3 per cent for the Midland and the aggregate profits of the seven banks examined by us by £1.4 million, or 10.2 per cent, to the new peak of £15.1 million.

A notable expansion of bank earnings had been generally expected; but it has been attributable much more to the credit trends of the year—the reaction from a phase of abnormally high interest rates—than to the banking innovations that have attracted so much public interest. It seems probable, too, that the expansion of true current earnings may not have been quite so pronounced as that in published earnings. On the one hand there is no longer need to make special provision for investment depreciation; on the other hand there have been the important series of capital increases, and associated increases in effective distributions, by capitalising reserves. The first of these considerations makes it feasible, and the second makes it desirable, for the banks to bring a larger proportion of their earnings into the published account.

In true earnings the gain is the resultant of several conflicting forces. The banks in 1958 had the benefit of a further increase in their resources; net deposits through the first eleven months averaged some £187 million, or 3 per cent, more than in the similar period of 1957. But all this increase, and more, went into deposit accounts on which interest is allowed at 2 per cent below Bank rate; these accounts showed on the average an expansion of no less than £353 million—and the year's average deposit rate, like the average Bank rate, declined by less than ¼ per cent. Average bill rates fell by a little more and average short money rates by considerably less than this; but on the bills the banks were benefiting from the fact that the fall in their earnings consequent on each new drop in market rates did not begin until their existing holdings matured, whereas each drop in deposit allowances became effective immediately. This lag effect working in the banks' favour as rates were falling was also important in relation to investment portfolios. The greater part of the addition to the banks' average resources available for employment went into gilt-edged investment (these averaged £148 million more over the eleven months for which figures are available), and the purchases were mostly made early in the year. In spite of the freer lending policies pursued in the second half year, the average level of advances over the eleven months was only £27 million higher than in 1957. The recent rise should help to swell profits in 1959. Adverse influences were a continuing rise in salaries and pension provisions and the incidence of the equalisation of the two rates of profits tax—a change that generally increased the tax on the banks' substantial undistributed (disclosed and undisclosed) profits.

Barclays Bank

Barclays' net profits, shown as in all banks after tax and internal transfers, showed the biggest increase, of £484,004, to £3,345,411. This was a greater proportionate rise than the increase from 9.6 to 10.8 per cent in ordinary dividend being made effectively this year. But the maintained final dividend of 6 per cent on a capital increased by a one for four scrip issue is to be followed by two payments of 6 per cent this year. Despite the rise in dividend disbursements, it has been possible to add £1,561,914 to published reserves; together with a transfer of £5 million from contingencies, this raises total reserves to £21 million, up £1 million despite the capitalisation of £5.6 million.

Lloyds Bank

Lloyds, as forecast, is paying its final dividend on its increased capital, at 5⅔ per cent, raising the total dividend from the equivalent of 8⅔ per cent to 10 per cent. Net profits rose by £225,144 to £2,727,535; the larger dividend absorbs £1,601,237 against £1,387,739. The transfer of £1,250,000 to general reserve, added to a transfer of £8,032,535 from inner reserves, restores the published reserve to £18 million. A further transfer of £500,000 has been made from profits to contingencies reserve.

Midland Bank

The Midland, as forecast, is making only a tiny increase in dividend this year, from 17.6 to 18.0 per cent; it forecasts an effective increase for 1959 to 20 per cent on the present capital. Following a one for three capitalisation published reserves will be restored to the present level of £16.2 million by a transfer from inner reserves. Disclosed profits rose only modestly in 1958, from £2,846,687 to £2,934,039. The distribution policy of the Midland also seems the most modest in the longer run comparison with dividends in the long phase of stabilisation before 1953.

National Provincial

The National Provincial announces a rise in its final payment from 9 to 11 per cent, making 20 per cent for the year. Net disclosed profits rose from £2,061,966 to £2,236,426. The rise in dividend was less than the market hoped and the £1 shares fell 9d. to 89s. 9d. on the results. An allocation of £1 million has been made to *contingencies reserve*; in 1957 a similar sum was allocated to reserve funds.

BANK PROFITS AND DIVIDENDS

	Disclosed Profits		Dividends		Retained earnings		Dividend Rates and Yields				
	1957 (£'000s)	1958 (£'000s)	1957 (£'000s)	1958 (£'000s)	1957 (£'000s)	1958 (£'000s)	Before 1953 (effective rate)*	1957*	1958	Price, January 7	Yield
							%	%	%		%
Barclays	2,861	3,345	1,618	1,809	1,244	1,536	7	9·6	10·8†	56/6	4·2
Lloyds	2,502	2,728	1,388	1,601	1,115	1,126	6·4	8·7	10	45/6	4·4
Midland	2,847	2,934	1,621	1,672	1,226	1,262	15·2	17·6	18‡	86/9	4·6
National Provincial	2,062	2,236	1,088	1,209	974	1,027	13·7	18	20	89/9	4·5
Westminster	1,852	2,070	1,076	1,178	776	892	9	11¼	12½	54/9§	4·6§
Martins	901	1,051	455	607	246	244	12½	15	20	21/9	4·6
District	673	738	344	390	329	348	13·1	15	17	69/9	4·9

* On present capital. † On 12 per cent as forecast for 1959. ‡ On 20 per cent. Dividend of 15 per cent for 1959 is forecast on capital to be increased by 33⅓ per cent scrip issue. § On the "B" shares.

Westminster Bank

In reporting the substantial increase in profits, the directors of the Westminster Bank have had regard "not only to the satisfactory trading results of the year but also to the continued increase in the strength of the bank's internal position." The rise in disclosed profit is among the best—£217,266 to £2,069,747. The dividend paid on the £1 "B" shares is 12¼ per cent compared with the equivalent of 11¼ per cent forecast at the time of the capital re-organisation in 1957. But here too market hopes were not realised in full; the "B" shares eased to 54s. 6d. on the announcement. The appropriation to published reserves has been raised by £100,000 to £900,000.

Martins Bank

When Martins Bank anticipated its final results early in December by the announcement of a one for four scrip issue and an increase in the ordinary dividend from 15 per cent to 20 per cent, the warning was given that this did not imply that substantially higher profits were earned in 1958. The profits now announced show a rise of £149,403 to £1,050,805, second only to Barclays in proportionate advance. The directors explain that this arises from "some easement in the necessity of allocations to reserves," and not from substantially higher profits.

District Bank

The District shows a rise of £65,237 to £738,197 in net profits and has raised its dividend from 15 per cent to 17 per cent. An interim dividend of 8½ per cent is forecast for 1959, so that it can be assumed that the bank intends to maintain the total of 17 per cent in the full year.

STEEL COMPANY OF WALES

BY the end of June the main producing units in Steel Company of Wales' third development plan are expected to be in operation. The first stage costing £73 million was completed in 1952, the second costing £54 million was completed last summer and now a third stage amounting to £52½ million is nearing completion. During the year £22 million was spent on capital account and capital commitments at the end of last September came to £24 million; the figure for plant not then in operation carried in the balance sheet rose from £12.8 million to £31 million. Ingot production is expected to rise to an annual rate of 3 million tons early in 1960. Further development plans are on a smaller scale; the chairman, Mr Harald Peake, mentions a £5 million tinplate project; the objective now is "to utilise to the full the surplus productive capacity of certain units."

Steel of Wales' loan capital has risen by £8½ million to £81½ million, while the credit extended by ISRHA has expanded from £8½ million to £16½ million. A limit of £40 million has been set on loans from this source, and these loans are repayable by the end of 1964. Despite the rise in the cost of servicing the outstanding debt as well as higher depreciation and taxes, net profits have risen from £5,528,000 with a rise from £19,217,481 to £22,527,147 in gross trading profit. The completion of the second development plan was mainly responsible for this improvement. The true cost of an ordinary dividend of 9 per cent, including the special interim dividend of 3 per cent, is £207,000 net.

In the early stages of the financial year a fall in orders for tinplate led to the final shutting down of all hand mills; all tinplate produced by Steel of Wales now comes from the new mills at Trostre and Velindre. The current year has opened with full time working in all divisions. Mr Harald Peake expects good results from the first six months of this calendar year, but he points out that a greater profit is essential to service comfortably the capital borrowed to finance the third development plan. At 22s. 6d. the £1 ordinary shares of Steel Company of Wales yield 8 per cent on a 9 per cent dividend.

DORMAN LONG

BRIDGE building, engineering and chemicals supported Dorman Long's profits last year, when the heavy burden of interest charges and depreciation stemming from the company's expansion programme bit into its steel profits. The group's trading profit declined slightly from £10,472,166 to £10,151,465. Further calls were made on the loan facilities from FCI, raising Dorman Long's indebtedness to FCI from £9¾ million to £13½ million and leaving only £1½ million still uncalled. Increased depreciation accounted for £900,000 of the fall of £1,200,000 in the profits before tax of the iron and steel section, but a charge of £675,183 for repairs made last year before striking gross profits has not been repeated. The final stages of the expansion programme were only starting to earn their keep in the latter part of the financial year. A universal beam mill at Lackenby started on commercial production in July. Trial operations have also begun on the new rod mill. It was a misfortune that just when increased capacity and new products had become available orders began to contract sharply and after June the works as a whole were operating much below capacity. Rolled steel output fell by 44,601 tons to 1,454,163 tons over the year.

Profits from the engineering and chemical side of the group's business were virtually unchanged; the sale of part of the shareholding in Dorman Long (Africa), reducing Dorman Long's interest from a majority to minority holding, is the principal cause of the reduction in profits before tax of £171,000 to £2,915,000 shown by this division. Dorman Long therefore earned almost

STEEL ASSETS AND PROFITS

(£'000s)

Years to end-September	Steel Co. of Wales 1957 £	Steel Co. of Wales 1958 £	United Steel 1957 £	United Steel 1958 £	Dorman Long 1957 £	Dorman Long 1958 £	South Durham 1957 £	South Durham 1958 £	Thos. Firth & J. Brown 1957 £	Thos. Firth & J. Brown 1958 £
Consolidated earnings :—										
Trading profit	19,217	22,527	20,380	20,152	10,472	10,151	5,118	7,093	4,563	5,538
Depreciation	5,660	6,108	3,118	3,779	1,780	2,749	1,000	1,350	568	665
Loan interest	4,164	4,535	466	487	607	1,305	281	430	132	132
Tax	4,500	6,000	7,151	7,233	3,978	2,472	1,200	2,250	2,113	2,612
Net profit	4,657	5,539	9,447	9,828	4,678	4,139	2,560	2,891	2,025	2,449
Ordinary dividends	1,380	1,380*	1,984	2,157	863	1,035	460	552	392	443
Ordinary dividend (per cent)	6	6*	11½‡	12½	10	12	10	12	10	10
Replacement reserves	2,400	2,500	1,700	1,700	1,500	1,500	350	300	601	559
General reserves	3,277†	4,159	5,397	5,488	2,198	1,446	1,750	2,039	1,321	1,407
Consolidated balance sheet :—										
Net fixed assets	124,719	141,778	70,063	79,587	47,400	54,182	22,396	29,549	7,152	8,416
Stocks	17,952	16,760	25,543	23,957	21,829	22,315	6,315	6,452	8,715	7,553
Debtors	12,561	14,034	19,954	16,731	11,961	11,058	3,564	3,064	4,610	4,174
Liquid assets	323	371	7,571	7,594	935	1,429	52	2,821	3,837	4,829
Net current assets	9,059	7,955	23,755	23,677	21,458	22,786	974	4,478	11,399	12,605
Revenue reserves	6,006	7,725	18,553	23,038	19,853	20,436	8,013	9,802	5,553	6,960
Capital reserves	6,300	8,800	9,475	12,442	10,245	13,321	3,231	3,196	3,207	3,932
Loan capital	73,000	73,000	10,275	10,273	19,330	23,575	3,000	11,000	2,935	2,931
Preference capital	...	...	9,097	9,097	5,000	5,000	...	...	...	...
Ordinary capital	40,000	40,000	30,000	30,000	15,000	15,000	8,000	8,000	7,700	7,700
Ordinary shares : Price	22/6		27/9		28/9xd		28/11½		22/3	
Yield	8·0		9·0		8·4		8·5		9·0	

* Excluding special interim dividend of 3 per cent. Yield calculated on 9 per cent. † Before exceptional appropriations relating to denationalisation. ‡ Adjusted for scrip issue.

two-fifths of its profits before tax and replacement reserve appropriations in activities other than the furnaces and steel mills. But that proportion is an index of how badly steel fared last year, and already Throgmorton Street is discounting higher earnings from steel. On the full report Dorman Long's £1 ordinary shares strengthened to 28s. 9d., to yield 8.4 per cent on the 12 per cent dividend.

SOUTH DURHAM

MR B. CHETWYND TALBOT, the chairman of South Durham, does not expect total profits for 1958-59 to be drastically curtailed. Since profits in the year to September 27th were much better than expected, rising from £5,117,815 to a record level of £7,092,696, this is fairly encouraging. Hopes are pinned on the performance of the steel pipe division in offsetting any drop in production of heavy sections and rails. The necessary finance has recently been secured for the third big stage of the group's development programme. Authorised capital expenditure on September 27th was £46 million, compared with a mere £5.7 value of fixed assets "at end, a book million. Barclays Bank is prepared to lend £10 million and FCI £22½ million. A 6 per cent convertible debenture issued last March brought in £8 million; the bank overdraft of £2¾ million has thus been repaid, leaving a balance of liquid assets in hand of about the same amount. The face of the company will be unrecognisable after such massive changes and the ordinary capital will eventually have to reflect these changes. FCI has the opportunity to subscribe for 2 million £1 ordinary at par next October, and £4 million of debenture stock can be converted to ordinary at par after March 1960. The options are attractive at the current market price of 28s. 1½d., at which the £1 units yield 8½ per cent.

THOMAS FIRTH AND JOHN BROWN

FOR the greater part of the financial year to September 30th, the plants of Thomas Firth and John Brown were fully employed but the order book was being thinned out. Record profits were achieved, with earnings before tax advancing from £4,563,265 to £5,537,764, but by the end of the financial year deliveries were falling. Debtors contracted from £4.6 million to £4.2 million and stock and work-in-progress fell from £8.7 million to £7.6 million. "If the present rate of order intake does not improve," says the chairman, Sir John Green, "the company's plant will have to operate at two-thirds of capacity." In that event, the fall in profits might be even greater, for the proportionate cost of overhead expenses would rise. The installation of a new rolling mill by the associated company, Firth-Vickers Stainless Steels, and a contraction in orders led to a substantial fall in its profits last year but these profits are likely to improve. At the current price of 22s. 3d. the £1 ordinary shares yield 9 per cent.

UNITED STEEL

THE directors of United Steel report that the group's works operated at a high level of capacity during the first half of the financial year, but that production slackened later. Stocks dropped by £1.6 million to £24 million and debtors declined by £3.2 million to £16.7 million.

GALLAHER

ONCE again Gallaher is coming to the market. Sir Edward de Stein and his co-directors have announced an impending "rights" issue in the ratio of one new share for every four held by holders of the existing £11 million of ordinary capital. Treasury consent for this issue has been obtained. The price of the issue has not yet been fixed, but it is hoped to publish the terms and post allotment letters within the next three weeks. The directors say that funds are needed to finance the continued expansion of the group's business. That growth, on any reckoning, has been [illegible] has so has Gallaher's appe- new money in every year since 1954 except 1957. But even then there was only a short respite for last year, to fund its short term debts, Gallaher raised £9,325,000 on a loan stock. In the prospectus this loan was said to be sufficient "for the purpose of the present business." Clearly, then, the proposed rights issue indicates another increase in turnover, requiring a bigger investment in tobacco stock (on which the company has to bear the burden of duty). The issue seems to be assured of a good welcome in a market that is short of new capital issues of first-class ordinary shares. The preliminary results for 1958 now announced nearly three months ahead of their normal date provide the right background for a successful issue. Last year gross profits of no less than £7.5 million were earned, compared with £6.6 million in 1957, £5 million in 1956 and £4 million in 1955, and the ordinary dividend, which is well covered by earnings, has been raised from 20 to 25 per cent. Barring "unforeseen circumstances" the directors expect to be able to maintain that rate on the increased capital this year. Investors were obviously happy about the prospect for Gallaher, for on this announcement its 10s. ordinary units, which enjoyed a strong rise last year, were marked up another 4s. 3d. They now stand at 42s. 3d. and yield just under 6 per cent.

CARRERAS

THE financial year of Carreras ended on October 31st—just before the announcement on November 4th of Rembrandt's bid for the 240,000 £1 voting ordinary shares. The Baron family controlled most of that stock and the bid, which left the "B" non-voting stockholders out in the cold, went through. The directors now announce that trading profits in that year rose by only £11,136 to £1,455,347 and that net profits actually fell from £726,554 to £700,148. Clearly, though other tobacco and cigarette manufacturers were growing, Carreras was not. Moreover, the ordinary dividend is left unchanged at 6 per cent, and this may disappoint those investors who were hoping that the payment would be restored to the rate of 8¾ per cent paid in 1955 and 1956. At the time of the Rembrandt bid the Carreras directors spoke of some improvement in profits—as might well have been expected in a year that benefited fully from an increase in cigarette prices. These results and the directors' statement that the dividend is held at 6 per cent "in order to conserve resources" to meet "the considerable expenditure" soon to be incurred on "reorganisation, re-equipment, and promotional activities" cannot but add to the anxieties of shareholders. What does the future under a new regime hold for them? These stockholders, who contribute £7,200,600 of Carreras' £7,440,600 equity, will be eager to hear what the new chairman, Mr A. E. Rupert, has to say. Not least they will want to know what benefits the merger will bring to them. Their 2s. 6d. shares now stand at [illegible] and yield 3¾ per cent.

NATIONAL DISCOUNT

A YEAR in which Bank rate fell from 7 to 4 per cent gave the discount houses the opportunity of making good their previous knocks, and particularly those suffered under the impact of 7 per cent. The National Discount, the first of the houses to report, shows a very marked recovery and is raising its dividend from 10 to 12 per cent. In its accounts for end-1957 it was obliged not only to value its bonds above market value, as other banks and discount houses did in the years of sagging gilt-edged prices, but also to write up the book value in anticipation of redemption profits, and include that writing up in the "balance of profit." This year the profits figure is on an orthodox basis, after making transfers to contingencies. Thus the disclosed increase from £208,117 to £284,275 after tax must understate the true improvement. The bond portfolio is shown at less than market value, for the first time since end-1954. Despite the bigger dividend, the "B" shares fell 1s. 6d. to 46s. 9d.

THE GRANADA GROUP

THE Granada Group is tightly controlled by the Bernstein family, but there are a few voting ordinary shares and some non-voting "A" shares in the market. Official dealings in these shares have been suspended since August because the company has no present intention of seeking an official quotation, but unofficial dealings have taken place in them outside the stock exchange, at booming prices, with buyers anxious to gobble up the few shares available in the hope that the group's commercial [illegible] television interests would immediately produce the boom in profits already enjoyed by other commercial television concerns. From 40s. in August the price of the voting shares has risen as high as 80s. and the non-voting "A" units are now around 52s. 6d.

Granada's profits have indeed risen, but not nearly to the same level as the profits of Associated Rediffusion and ATV; in the year to September 27th, the trading surplus of the Granada Group was £1,109,694 (against £332,278) and the net profit £257,129 (against £34,971). Effectively, by the payment of a special interim of 10 per cent for 1958-59, the dividend has been raised from 5 to 15 per cent. But the speculators were looking for something much better, and they will search carefully through Mr Sidney Bernstein's statement to see why they did not get it. There they will find some crumbs of comfort. The cinema side of the business found the going hard. But that was to be expected, and Mr Bernstein's references to commercial television have much greater significance. Commercial television will be the main source of profits in the future and a further improvement in television profits has taken place in the current year. Mr Bernstein adds that: "Arrangements for programming made in the early days protected the television subsidiary from heavy losses. These arrangements are terminable by the television subsidiary in 1960 when increasing profits may reasonably be expected." But Mr Bernstein has not revealed with whom these arrangements were made nor given any indication of their actual impact on earnings. The bonanza is, in fact, further off than the speculators thought it was, for if these arrangements protected the Granada group from incurring heavy losses in the early days, they also prevent the group, for the moment, from sharing in the boom that other commercial television companies are now enjoying. Investors also have to measure the implications of the directors' decision to re-submit the proposals, first made last August, that would have the effect of authorising the issue at par of "A" shares and of deferred shares in the subsidiary, Granada TV Network, to executive directors and officers. There would be a big paper profit on the "A" shares accruing to the directors and officers if this issue went through and clearly, though no price can be fixed for the TV deferred shares, these on the basis of current profits—which in the seven months to end-November came to £900,000—these shares would be worth more than their par value of 1s.

WESTERN DEEP LEVELS

THE prospectus of the deepest and most expensive gold mine in the world, Western Deep Levels, has now been published. The issue in February of 4,750,000 "A" shares of £1 each at par in addition to the £850,000 already in issue plus the loan facilities provided by Anglo American amount in all to £10.6 million. This will cover expenditure up to the end of October this year. To bring the mine to initial production in 1962 will require another £10½ million and the further stages to bring output up to 120,000 tons a month, by tapping the Carbon Leader Reef, will require at least another £7½ million. Thus a sum of the order of £28 million is to be spent and if production is to be stepped up even further sums will be required. Even with the special tax concession, this is a tremendous act of faith that gold will be found in sufficiently payable qualities at a great depth to justify this enormous expenditure, for even the most careful sampling does not guarantee that a mining venture is bound to be a paying proposition. Sampling and borehole results make the risks seem worth taking. But the risks are big and it is not until the shafts are sunk and development has proceeded a good way that the venture is proved. Yet investors in Kaffir shares are prepared to support this venture; in unofficial dealings in Johannesburg the new shares are quoted at 25s. (nil paid). Thus for those investors who are offered the right to take up the new shares there is already an incentive to do so.

RANKS

L[illegible] competitors, Ranks, the flour miller, baker, and manufacturer of animal feeding stuffs, has been growing fast. Now Lord Rank, the chairman, says the bakery side of the business is broadly based, and it now includes bakeries, biscuit factories and retail shops as well as flour mills. This has, of course, led to a big increase in investment in fixed assets and in the year to August 30th the net book vale of these assets (including goodwill) rose by £5,593,636 to £48,871,010. And at the end of the year outstanding capital commitments came to over £2½ million. Over the year, the group drew down its liquid assets from £3 million to £1½ million and its bank overdraft rose from just over £600,000 to nearly £2.7 million. Lord Rank says rather mildly that "the question of finance is constantly under review." Ranks, in fact, is faced with a problem similar to that facing Allied Bakeries.

A rights issue of ordinary stock from that group is impending and investors must wonder if a capital issue from Ranks can be long delayed. The advance in trading profits (from £4,330,733 to £7,250,873) and in net profits (from £1,546,024 to £3,259,670) is a good augur for any issue that may be decided upon. But this is a highly competitive trade and profits are vulnerable to swings in wheat prices; in 1956-57, for instance, profits were sharply cut when the group had to sustain heavy losses on flour stocks. The big capital investments are now producing their returns, but the directors, though they look forward to "the maintenance of satisfactory results," still remain cautious in their dividend policy. At 10 per cent the ordinary dividend was effectively left unchanged; in that dividend the 10s. units at 18s. 10½d.xd yield 5.3 per cent.

London Stock Exchange

FIRST DEALINGS:	Dec. 31	Jan. 14	Jan. 28
LAST DEALINGS:	Jan. 13	Jan. 27	Feb. 10
ACCOUNT DAY:	Jan. 20	Feb. 3	Feb. 13

GOVERNMENT bonds advanced strongly this week. There was some switching from industrial equities into bonds on yield considerations and institutional buying was heavy. The *Financial Times* Index of Government Securities rose from 84.46 to 86.52 at Wednesday's close. Among the shorts, Funding 2½ per cent 1956-61 gained ⅞ to 96⅝, and in medium dated stocks Funding 3 per cent 1959-61 jumped two points to 85½. Consols 2½ per cent gained 1⅛ to 53 and War Loan 3½ per cent, which was particularly active on Monday, rose 1¾ points to 67⅞.

Widespread selling led to points falls in industrial equities as investors took their profits, and over the week *The Economist* Indicator fell by 6.3 points to 249.3. On the full report and dividend forecast British Tabulating dropped by 5s. 9d. to 58s. 3d. Guest Keen after touching 60s. closed at 54s., a drop on the week of 4s. 3d. [illegible] Box fell 6s. 3s. 6d. In the engineering section, Murex lost 1s. 6d. at 44s. 3d. but Birmid jumped by 2s. to 76s. 6d. Among textiles, Calico Printers fell by 9d. to 38s. on disappointment with the progress of the "Terylene" patent case. In electrical issues Philips Lamp fell by 2s. to 91s., Chloride "A" 3s. 3d. to 66s. 3d. and Plessey 1s. 3d. to 71s. But Enfield Cable rose by 2s. 9d. to 19s. and E. K. Cole by 1s. 9d. to 19s. 9d. Teachers (Distillers) fell by 3s. to 33s. on the dividend disappointment and in brewing shares Whitbread "A" lost 8s. 10½d. to 100s. 6½d.

Among Insurance shares, Atlas gained 1s. 6d. to 77s., Equity and Law 1s. to 187s. 3d. and Legal and General 5s. to 200s. In the property field, Metropolitan Estates rose by 3s. 6d. to 43s. 6d., and Regis Property by 2s. 6d. to 67s.

Kaffirs were hardly affected by either the December output returns or the cut in the South African discount rate. In the OFS group Loraine fell by 3s. 3d. to 25s. 1½d., Welkom shed 1s. 9d. at 19s and President Brand dropped 9d. at 68s. 3d. But Cape bidding for Merriespruit in a narrow market lifted the shares 1s. 4½d. to 7s. 1½d. Coppers fell on selling from Paris, Bancroft losing 2s. to 29s. 6d. Teas were quiet but rubbers were firm.

***The Economist* Ordinary Share Indicator was re-based on December 31, 1958, and linked back to the original base (Average 1953=100). British Aluminium £1 stock units, Monsanto Chemicals 5s. shares and Ranks 10s. stock units have been replaced by Daily Mirror Newspapers 5s. stock units, Gallaher 10s. stock units and Midland Bank £1 shares in the 50 ordinary shares used.**

LONDON AND NEW

Prices, 1958/9 High	Prices, 1958/9 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Dec. 31, 1958	Price, Jan. 7, 1959	Net Yield, Jan. 7, 1959 £ s. d.	Gross Yield, Jan. 7, 1959 £ s. d.
100 1/8	96 1/16	War Loan 3% 1955–59	100 1/16	100 1/8	1 3 3	2 16 6
96 29/32	90 5/8	Funding 2 1/2% 1956–61	96 23/32	96 23/32	2 14 10	3 18 10
		Conversion 2½% ... Assented	100 1/32	100 1/32	2 11 7	4 9 9
98 19/32	93 1/16	Exchequer 2½% 1960	98 3/8	98 1/32	2 2 6	3 6 0
99 3/4	95 3/16	Exchequer 3½% 1960	99 3/8	99 3/4	1 11 1	3 4 7
102 29/32	95 3/16	Conversion 4½% 1962	100 7/8	102 29/32	2 0 6	4 3 6
94 13/16	88 5/8	Exchequer 3½% ... 1962–63	94 7/16	94 13/16	2 19 3	4 6 01
101 11/32	99 7/16	Conversion 4½% 1963	101 1/4	101 5/16	2 7 8	4 8 5
92 3/4	83 5/8	Savings Bonds 3% ... 1955–65	91 1/8	92 3/4	3 1 3	4 9 10
85 5/16	77 5/8	Funding 3% 1959–69	83 1/8	85 5/16	3 9 9	4 18 7
91 5/8	86 3/8	Funding 4% 1960–90	90 1/4	91 5/8	2 4 5	4 11 0
82 3/4	75	Savings Bonds 3% ... 1960–70	80 13/16	82 3/4	3 12 5	5 2 2
93 1/8	84 3/8	Exchequer 2½% ... 1963–64	91 11/16	93 1/8	2 17 7	4 0 6
85 3/8	78 5/8	Savings Bonds 2½% ... 1964–67	83 13/16	85 3/8	3 10 5	4 14 4
76 3/4	69 3/8	Savings Bonds 3% ... 1965–75	75	76 3/4	3 13 3	5 4 5
104 9/16	99 1/2	Exchequer 5½% 1966	104 1/8	104 9/16	2 12 4	5 0 7
85 3/8	78 5/8	Funding 3% 1966–68	83 3/16*	85 3/8*	3 10 7	4 18 3
97 5/8	91 1/8	Victory 4% 1920–76	96 5/16	97 5/8	3 13 10	4 10 3‡
89 3/8	81 9/16	Conversion 3½% 1969	87 5/8	89 3/8	3 6 10	5 0 2
100 1/4	97 1/4	Conversion 5½% 1974	98 9/16	98 15/16	2 5 6	5 7 9
77 1/16	71 1/8	Treasury 3½% 1977–80	77	78 1/8	3 9 7	5 4 7
73 3/8	70 3/8	Treasury 3½% 1979–81	77 1/4	73 3/8	3 9 6	5 5 6
103	98 1/2	Funding 5½% 1982–84	101 1/8*	101 7/16*	3 1 6	5 7 8
67 1/4	60 1/2	Redemption 3% 1986–96	65 3/4	67 1/8	3 5 5	4 19 10
74 1/2	64 3/8	Funding 3½% 1999–2004	71 1/8*	72 7/8*	3 2 8	5 0 5
76 5/8	69 1/16	Consols 4% ..after Feb. 1957	73*	75*	3 1 3	5 6 4
69 7/16	63 1/8	War Loan 3½% ..after 1952	66 1/8	67 7/8	2 19 6	5 3 8
68 7/8	62 3/8	Conv. 3½% ..after Apr. 1961	66 5/16	68 1/8	2 19 7	5 4 3
60	54 5/8	Treasury 3% ..after Apr. 1966	57 3/8	59 1/8	2 18 10	5 2 10
53	46 3/4	Consols 2½%	51 11/16*	53	2 14 3	4 14 5
50 5/8	46 3/8	Treasury 2½% after Apr. 1975	49 1/2	50 9/16	2 17 4	5 0 3
78 7/8	72 1/16	British Electric 4½% 1947–69	95 1/4	94 5/8*	3 3 4	5 2 4
75 1/2	68 1/2	British Electric 3% ... 1974–77	77 1/8	73 3/4	3 13 10	5 4 1
83 7/8	82 3/8	British Electric 4½% 1974–79	87 7/8	88 7/8	3 4 8	5 3 6
78 1/2	72 1/4	British Electric 3½% 1976–79	77 5/16	78 1/2	3 9 11	5 5 0
83 5/8	82 7/16	British Gas 4% 1969–72	88 3/8	87 7/8*	3 8 2	5 4 2
86	79 1/4	British Gas 3½% ... 1969–71	84 5/8	86 1/4	3 8 3	5 2 0
69 1/8	60 7/16	British Gas 3% 1990–95	66 5/8	68 1/4	3 4 8	4 18 5
78 3/4	72 1/16	Brit. Transport 3% ... 1968–73	77 1/4	78 7/8	3 13 10	5 4 1
85 1/2	79 1/4	Brit. Transport 4% ... 1972–77	84	85	3 7 9	5 5 7
63 15/16	60 15/16	Brit. Transport 3% ... 1978–88	66 1/4	67 7/8	3 9 7	5 2 7

Prices, 1958/9 High	Prices, 1958/9 Low	FIXED INTEREST STOCKS	Price, Dec. 31, 1958	Price, Jan. 7, 1959	Yield, Jan. 7, 1959 £ s. d.
		DOMINION AND COLONIAL			
103 11/16	96 3/8	Australia 3½% 1954–59	100	100 1/8	3 9 7
105 3/4	97 7/8	Australia 6% 1974–76	104 3/4	105 3/8	5 9 1
76 1/2	73 1/2	Ceylon 4% 1973–75	76 1/4	76 1/2	6 5 3
101 5/8	94 1/2	Jamaica 6% 1977–82	100 3/4	101 5/8	5 17 2
105 7/8	97 7/8	New Zealand 6% 1976–80	104 3/4	105 7/8	5 9 3
101 1/2	91 3/4	Rhodesia and Nyasaland 6% ... 1976–79	100 7/8	101 1/2	5 16 9
74 5/8	69	Southern Rhodesia 2½% 1965–70	72 5/8	73 1/4	5 11 10
		CORPORATION AND PUBLIC BOARDS			
102	98 1/4	Agricultural Mortgage 5½% 1980–85	100 5/16	100 5/8	5 9 1
105	98 7/8	Birmingham 5¾% 1974–76	102 3/4	102 3/4	5 9 9
92 3/8	86	Bristol 3% 1958–63	92 1/8	92 3/8	4 14 10
96 1/4	91 1/2	Glasgow 4¾% 1966–68	95 3/4	96 1/4	5 4 9
100 1/8	96 1/2	Corporation of London 5½% 1976–79	99 1/8	100	5 5 0
57 3/4	53	L.C.C. 3% ..... after 1920	55 1/4	56 1/4	5 5 6
64	56	Met. Water Board 'B' 3% 1934–2003	62 1/4	63	5 2 2
		FOREIGN BONDS			
104	83	German 7% 1924 (British Enfaced 5%)	101	104	...
180	154	German 5½% 1930 (Enfaced 4½%)	177	179	...
24 1/2	12 3/4	Greek 7% Refugee 1924	24 1/2	23 1/2	Nil
169	160	Japan 5% (Enfaced) 1907	163 3/4	164 3/4	...
119 1/2	105 1/2	Japan 6% (Enfaced) 1924	118	118 1/2	...
56	48	Uruguay 3½% Bonds (Assented)	55	56	...

NEW YORK CLOSING PRICES

	Dec. 31 $	Jan. 7 $		Dec. 31 $	Jan. 7 $		Dec. 31 $	Jan. 7 $
Ath. Topeka...	28 1/4	28 1/2	Boeing	46 1/2	44 1/2	Inter. Nickel ..	88 1/4	86 5/8
Can. Pacific...	28 3/8*	29 3/8	Celanese	28 7/8	27 5/8	Inter. Paper ...	117 5/8	119
Pennsylvania...	18 7/8	19	Chrysler	51 1/4	52	Kennecott.....	98 1/8	98 1/2
Union Pacific ..	35 5/8	35 7/8	Col. Palmolive .	89 3/4	95	Monsanto	39 3/8	39 1/8
Amer. Electric..	54 1/8	51 7/8	Crown Zeller..	57 7/8	60 1/8	Nat. Distillers .	29 5/8	30 7/8
Am. Tel. & Tel..	225	233 3/4	Distillers Seag..	34 1/4	34 1/8	Pan-American..	22 7/8	24 3/8
Cons. Edison ...	65	64 3/4	Douglas	58	57 1/2	Procter Gamble	74 1/4	74 3/4
Int. Tel. & Tel..	62 7/8	61 1/4	Du Pont	213 3/4	207	Radio Corpn....	47 7/8	46 3/4
Standard Gas ..	3 1/4	3 3/8	East. Kodak	144 1/4	143 3/4	Sears Roebuck .	39 3/4	39 5/8
United Corpn..	8 1/2	8 3/8	Ford Motor	50 3/8	53	Shell Oil	85 1/4	82
Western Union	32	30 1/4	Gen. Electric ..	78 3/8	77 1/8	Socony-Mobil ..	48 3/4	48 7/8
Alcoa.....	93 3/8	86 1/4	General Foods .	75 1/4	76	Stand. Oil Ind..	47 1/4	47 3/4
Aluminium	33	31 1/2	General Motors	49 1/2	49 1/2	Stand. Oil N.J..	57 5/8	56 3/8
Amer. Can.....	50 1/4	50 1/8	Goodyear	121	118 7/8	20th Cent. Fox.	40 1/4	39 3/8
Am. Smelting...	48 1/4	47	Gulf Oil.....	126	125 1/4	Union Carbide.	126 1/8	125 1/2
Am. Viscose	37 1/2	37 3/4	Heinz.....	65	67 1/2	U.S. Steel	96 1/4	95 1/8
Anaconda	60 3/8	61 1/2	Int. Bus. Mach..	535*	514	West. Electric .	73 1/8	71 1/2
Beth. Steel	52 3/8	51	Int. Harvester .	41 3/4	41 7/8	Woolworth ...	53 1/8	54 1/4

* Ex dividend. † Tax free. ‡ Assumed average life 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date.

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Dec. 31, 1958	Price, Jan. 7, 1959	Yield, Jan. 7, 1959
		%	%	**STEEL AND ENGINEERING**			
31/6	24/11 1/2	5 a	8 b	Colvilles £1	31/–*	29/7 1/2*	8·78
29/7 1/2	21/7 1/2	4 a	8 b	Dorman Long £1	28/4 1/2*	28/9*	8·35
23/11 1/2	15/6	6 c	3 a	Steel Co. of Wales £1	22/10 1/2*	22/6*	8·00**
32/3	20/–	3 a	8 b	*Stewarts & Lloyds* £1	30/6*	28/9*	7·65
42/10 1/2	22/3	6 a	10 b	John Summers £1	42/11 1/2*	38/9*	8·26
30/3	17/9	4 a	8 1/2 b	United Steel £1	29/4 1/2*	27/9*	9·01
34/–	23/–	4 a	6 b	John Brown £1	34/–	32/–	6·25
9/93/4	6/9	11 b	4 a	Cammell Laird 5/–	9/9	9/3	8·11
64/–	43/–	13 b	5 a	Swan Hunter £1	59/9	60/–	6·00
36/3	28/6	7 1/2 b	2 1/2 a	Vickers £1	35/9	36/3	5·52
70/6	43/3	62 3/4 b	5 a	Averys £1	70/6	66/6	3·51
18/7 1/2	12/9	†43 3/4 b	†17 1/2 a	Coventry Gauge 10/–	17/10 1/2	18/4 1/2	5·92
41/6	28/3	†17 1/2 a	†43 3/4 b	Alfred Herbert £1	41/3	41/6	5·03
16/9	9/3	5 a	10 b	Ransome & Marles 5/–	16/9	16/9	4·49
40/9	30/4 1/2	9 1/2 b	3 a	Renold Chains £1	40/–	39/9	6·29
42/9	21/9	8 3/4 b	3 3/4 a	Allied Ironfounders £1	41/–	40/6	6·17
55/6	41/10 1/2	6 3/4 b	6 a	Babcock & Wilcox £1	50/6	49/9	5·23**
85/–	36/9	8 b	4 a	British Aluminium £1	84/–	81/6	4·29**
87/–	45/3	15 c	20 c	Davy & United £1	87/–	86/3	4·64
58/6	34/7 1/2	7 1/2 b	4 a	Guest Keen £1	58/3	54/–	4·26
73/3	41/–	7 b	5 a	Metal Box £1	73/3	67/3	3·57
55/6	43/9	33/4 b	33/4 a	C. A. Parsons £1	55/3	53/6	2·80
27/9	23/–	15 b	10 a	John Thompson..... 5/–	24/6	24/6	5·10
86/–	48/6	7 1/2 a	10 b	Tube Investments..... £1	84/9	73/9	4·75
				BUILDING, etc.			
54/6	31/–	6 b	3 a	Associated Portland £1	54/6	51/3	3·51
22/–	12/7 1/2	7 1/2 b	5 a	British Plaster Board. 10/–	22/–	22/–	5·68
68/9	27/11 1/2	5 c	83/4 c	Richard Costain £1	63/11 1/2	61/10 1/2	4·83
10/11 1/2	6/3	5 a	10 b	Crittall Manufacturing. 5/–	10/–	10/–	7·50
64/9	36/11 1/2	15 3/4 c	20 c	London Brick £1	64/6	63/3	4·94
83/9	52/6	5 a	13 1/2 b	Wall Paper Defd..... £1	83/9	79/9	4·60
				CHEMICALS AND PAINT			
20/7 1/2	13/4 1/2	16 c	4 a	Albright & Wilson..... 5/–	22/–	20/9	3·86
7/7 1/2	4/10 1/2	12 1/2 b	9 1/2 a	Borax Defd..... 5/–	18/–	17/4 1/2	2·52
71/6	42/10 1/2	5 a	10 b	Fisons £1	76/–	76/6	5·33
38/–	24/3	5 1/2 b	22 1/2 a	I.C.I. £1	38/–	38/11 1/2	4·35
14/–	8/7 1/2	18 c	6 a	International Paints ... 4/–	13/6	13/3	4·43
16/6	12/6	5 a	8 1/2 b	Monsanto 5/–	16/6	16/–	5·43
22/–	15/3	11 2/3 b	5 a	Pinchin Johnson 10/–	20/9*	19/9*	4·22
				ELECTRICAL AND RADIO			8·44
58/9	47/–	7 1/2 b	7 1/2 a	A.E.I. £1	58/–	57/–	5·26
52/6	39/3	8 1/2 b	4 a	B.I.C.C. £1	52/–	49/9	5·03
41/3	24/7 1/2	433/4 c	147 1/2d	Decca Record 4/–	40/9	39/–	4·49
63/–	21/–	11 1/4 c	11 1/4 c	E.M.I. 10/–	54/6	54/–	3·70**
61/10 1/2	44/6	10 b	4 a	English Electric..... £1	60/6	59/6¶	4·71
40/6	29/9	3 1/2 a	6 1/2 b	General Electric..... £1	40/–	38/9	5·16
17/–	10/3	12 1/2 c	12 1/2 c	Pye Defd. 5/–	15/–	15/7 1/2	4·00
97/3	74/6	11 b	6 1/2 a	A. Reyrolle £1	97/3	94/9	3·69
				MOTORS AND AIRCRAFT			
13/10 1/2	6/7 1/2	12 1/2 c	5 a	British Motor 5/–	13/10 1/2	13/2 1/4	6·64**
51/9	31/9	6 b	3 1/2 a	Ford Motor £1	51/6	51/–	3·73
48/9	39/–	12 1/2 c	12 1/2 c	Leyland Motor £1	46/3	45/9	5·46
7/10 1/2	4/11 1/2	8 c	4 a	Rootes Motors 4/–	7/3	7/10 1/2	4·05
9/3	6/7 1/2	8 c	12 c	Standard Motors..... 5/–	9/11 1/2	9/3	6·49
26/6	14/4 1/2	11 b	4 1/6 a	Dunlop Rubber..... 10/–	25/10 1/2	24/7 1/2	6·16
45/6	28/–	2 1/2 a	5 b	Joseph Lucas £1	45/3	44/6	4·49**
26/11 1/2	12/5 1/4	14 b	7 1/2 a	Pressed Steel 5/–	25/6	24/9	4·34
51/3	32/9	20 c	7 1/2 a	Triplex Holdings 10/–	50/–	48/6	5·67**
14/4 1/2	8/7 1/2	6 1/2 b	3 1/2 a	Bristol Aeroplane..... 10/–	10/9	10/10 1/2	9·20
21/4 1/2	14/3	7 1/2 c	7 1/2 c	De Havilland £1	17/3	17/–	8·82
48/6	29/3	15 a	16 1/2 b	Dowty Group 10/–	48/6	44/6	4·49
34/9	24/9	3 a	7 b	Hawker Siddeley £1	32/3	31/9	6·30
106/–	82/9	15 b	5 a	Rolls-Royce £1	105/3	106/–	3·77
				PAPER AND NEWSPAPERS			
45/3	26/6	8 b	4 1/2 a	Bowater Paper £1	47/3	45/3	5·71
50/–	27/9	9 b	5 a	Albert E. Reed £1	49/6	48/9	5·74
24/9	16/–	5 b	3 a	Spicers £1	24/6	24/–	6·67
23/6	8/9	7 1/2 a	12 b	Daily Mirror 'A'..... 5/–	22/9	22/9	4·29
29/–	18/6	5 a	12 1/2 b	Odhams Press 10/–	27/3	26/6	6·60
				TEXTILES			
24/11 1/2	19/6	6 1/4 b	2 1/2 a	J. & P. Coats £1	22/3	22/–	7·95
20/6	12/10 1/2	5 b	5 a	Fine Spinners £1	20/6	20/6	9·76
40/4 1/2	29/10 1/2	5 a	12 1/2 b	Lancashire Cotton £1	40/11 1/2*	38/9*	9·03
33/4 1/2	30/–	12 1/2 c	7 1/2 a	Patons & Baldwins £1	37/7 1/2	36/6	6·85
6/8 1/4	4/3	6 c	4 a	Salts (*Saltaire*)..... 5/–	4/9	4/3	11·76
51/6	38/4 1/2	10 b	5 a	Woolcombers £1	50/–	51/6	5·83
19/11 1/2	10/11 1/2	6 c	Nil	Bradford Dyers..... £1	17/10 1/2	18/3	...
43/4 1/2	33/11 1/2	22 1/2 c	22 1/2 c	Calico Printers £1	38/9	38/–	11·84
34/9	19/7 1/2	5 b	3 a	Courtaulds..... £1	34/6	33/6	4·78
13/7 1/2	8/10 1/2	3 a	10 b	Jute Industries..... 10/–	10/–	12/7 1/2	10·30
30/6	15/3	7 1/2 c	7 1/2 c	Tootal £1	25/4 1/2	24/6	6·12
				DRAPERY & STORES			
21/10 1/2	14/9 3/4	18 c	3 a	Boots Pure Drug 5/–	21/9	20/7 1/2	3·49**
28/9	16/9	3 1/2 b	10 a	Debenhams 10/–	28/9	28/4 1/2	5·73**
34/3	17/3	25 b	7 1/2 a	G.U.S. 'A' 5/–	34/–*	32/11 1/2*	5·05
80/–	55/6	12 1/2 a	5 b	Harrods £1	76/6	74/9	4·63
34/3	20/3	25 b	10 a	House of Fraser 'A' ... 5/–	34/3	34/–	5·15
16/6	10/5	13·6c	7 a	Lewis's Investment ... 4/–	16/3	16/3	4·18
55/9	37/3	22 1/2 b	12 1/2 a	Marks & Spencer 'A'... 5/–	55/9	53/–	3·07
36/4 1/2	21/–	20 b	12 1/2 a	United Drapery 5/–	36/4 1/2	35/–	4·64
52/9	34/7 1/2	26 2/3 b	13 1/3 a	Woolworth 5/–	52/9	50/–	4·01

YORK STOCKS

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Dec. 31, 1958	Price, Jan. 7, 1959	Yield, Jan. 7, 1959
		%	%	**BANKING**			
56/9	31/9	6 a	6 b	Barclays £1	55/3	56/6	4·25
46/3	27/6	4 1/3 a	5 2/3 b	Lloyds..... £1	45/3	45/6	6·59
57/3	57/6	9 a	9 b	Midland £1	84/9	86/9	4·61**
92/–	59/3	9 a	11 b	National Provincial £1	88/3	89/9	4·46
56/3	36/–	5 a	7 1/2 b	Westminster 'B'..... £1	55/6	54/6	4·59
73/9	47/9	7 1/2 a	9 1/2 b	District..... £1	68/9	70/3	4·84
22/–	12/11 1/2	7 1/2 a	12 1/2 a	Martins..... 5/–	21/3	21/9	4·60
32/–	21/4 1/2	5 a	7 1/2 b	Com. Bk. of Scot. 'A' 10/–	32/–	32/–	3·91
69/9	46/–	7 a	9 b	Royal Bank of Scotland. £1	69/6	69/6	4·60
38/6	27/6	4 a	5 b	Barclays D.C.O. £1	38/–	38/6	4·16
46/6	31/3	7 1/2 b	7 1/2 a	Chartered Bank £1	46/3	46/–	6·52
£28 11/16	£20	$2·10c	$2·25c	Royal Bank of Canada. $10	£23 5/8	£28 1/4	2·94
£20 3/4	£14 15/16	$1·60c	$1·65c	Bank of Montreal..... $10	£20 1/2	£20 1/8	3·03
31 1/8	25 5/8	9 c	9 c	Bank of New S. Wales.£20	30 1/2	31 1/8	4·63g
34/3	28/–	5 b	4 a	Bank of Ldn. & S. Amer. £1	33/3	33/9	5·33
				FINANCIAL			
30/–	18/–	2 1/2 a	2 1/2 b	Alexanders £1	29/–	29/–	3·45
49/–	29/6	5 a	7 b	National Discount 'B'..£1	48/6	47/6	5·05
63/–	40/9	6 1/4 b	6 1/4 a	Union Discount £1	62/6	62/6	4·00
41/6	32/9	362/3 c	18 1/3 a	Commercial Union..... 5/–	41/–	40/9	4·50
140/–	102/6	12 1/2 a	15 b	Employers Liability £1	140/–	140/–	3·93
190/–	117/6	†16·2a	†16·2b	Equity & Law 8/6	186/3	187/6*	2·55
200/–	113/9	60 b	40 a	Legal & General 5/–	195/–	200/–	2·50
120/–	86/3	†50 b	†20 a	Pearl 5/–	118/9	119/9	5·08
225/–	154/–	†132 1/2 c	†147 1/2 c	Prudential 'A' 4/–	220/–	225/–	4·57
81/3	63/9	8 b	8 a	Royal Exchange..... £1	80/6	81/–	3·95
34/10 1/2	16/–	13 3/8 b	10 a	Bowmaker 5/–	33/6	32/7 1/2	3·83**
21/6	16/10 1/2	7 1/2 b	7 1/2 a	Lombard Banking..... 5/–	21/3	21/6	3·49
116/9	73/3	16 b	4 a	*U.D.T.* £1	113/6	116/6	3·43
40/–	19/9	7 1/2 b	10 a	B.E.T. 'A' Defd. 5/–	39/–	36/6	3·77
13/10 1/2	7/11	10 c	10 c	Cable & Wireless..... 5/–	13/4 1/2	13/3	3·77
23/11 1/2	7/10 1/2	2 1/2 b	2 a	Land Securities 10/–	23/11 1/2	24/11 1/2	4·14**
16/7 1/2	8/7 1/2	5 5/12 c	2 1/12 a	London & County			
				FOOD, DRINK AND TOBACCO			
52/6	27/–	30 c	10 a	Allied Bakeries 'A'.... 5/–	50/–	50/–	3·00
26/–	13/4 1/2	20 c	7 a	*Beecham Group* 5/–	25/7 1/2	24/10 1/2	4·02
12/–	6/5 1/4	7 b	2 1/2 a	International Tea 5/–	12/–	10/10 1/2*	4·37
84/–	40/11 1/2	9 1/4 b	5 a	J. Lyons 'A' £1	83/–	77/6	3·66
19/6	13/7 1/2	5 a	5 b	Ranks 10/–	19/6*	18/10 1/2*	5·30
20/–	7/9	7 1/2 b	2 1/2 a	Schweppes..... 5/–	19/9	18/6	4·05**
76/6	48/9	12 b	4 1/2 a	Tate & Lyle £1	76/3	74/9	4·41
60/4 1/2	47/4 1/2	5 a	10 b	United Dairies £1	60/3	59/3	5·06
46/–	31/–	10 a	36 b	Bass..... £1	43/9*	44/6*	5·17
27/7 1/2	15/9	6 3/4 b	11 b	*Flowers* 5/–	14/9	14/9	5·76
57/–	37/–	10 a	18 b	Guinness 10/–	56/–*	54/–*	5·19
13/9	9/4 1/2	4 a	10 b	Ind Coope & Allsopp..5/–	13/9	13/–	5·38
80/–	56/6	7 1/2 a	13 1/2 b	Watney Mann Defd. £1	80/–	78/3	5·37
111/–	75/6	17 b	8 a	Whitbread 'A' £1	109/4 1/2	100/6	4·98
60/4 1/2	37/7 1/2	†63 3/4 b	†10 a	Brit. Amer. Tobacco .10/–	59/7 1/2	56/6	5·13
42/3	20/6	5 a	20 b	Gallaher 10/–	38/9	42/3	5·92
56/9	37/–	11 1/2 b	8 1/2 a	Imperial Tobacco £1	56/6	55/–	7·27

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Dec. 31, 1958	Price, Jan. 7, 1959	Yield, Jan. 7, 1959
48/3	15/9	7 1/2 a	22 1/2 b	**MISCELLANEOUS** Assoc. Brit. Picture ...5/–	48/–	44/9	3·35
45/6	28/–	11 c	5 a	British Match £1	44/9	44/–	5·00
54/6	28/3	6 b	4 a	British Oxygen £1	51/6	51/–	3·92
9/6	6/9	13 b	4 a	British Ropes 2/6	9/–	9/6	4·47
39/6	21/–	41/4 a	7 1/2 b	Glaxo 10/–	38/9	35/9‖	3·26
59/–	31/3	40 b	10 a	Hoover 'A' 5/–	59/–	57/6	4·35
195/–	133/9	18·17b	6·17a	Hudson's Bay £1	176/3	181/3	2·69
10/9	5/7 1/2	12 1/2 c	5 c	Rank Organisation 5/–	10/6	10/6	2·38
16/10 1/2	11/8 1/4	22 1/2 c	22 1/2 c	Sears 'A' 5/–	16/6	16/6	6·82
63/6	44/–	7 b	6 1/2 a	Thomas Tilling £1	63/6	62/9	4·22
76/4 1/2	52/11 1/2	5 a	10 b	Turner & Newall £1	76/4 1/2	73/11 1/2	4·10
92/6	56/4 1/2	85 a	85 a	Unilever..... £1	88/–‖	88/3‖	3·81
49/3	24/3	7 1/2 b	33 1/4 a	United Glass Bottle..... £1	47/6	49/3	4·57
36/–	26/–	†10 b	†14 1/4 a	United Molasses 10/–	35/6	34/6	7·14
				OIL			
58/6	39/9	†5 b	†21 1/2 a	British Petroleum..... £1	53/3	55/6	4·70
87/3	59/11 1/2	†7 1/2 b	†5 a	Burmah Oil £1	80/3	80/6	5·58
£18 7/8	£13 7/8	17 1/2 b	7 1/2 a	Royal Dutch ..... 20 fl.	£16 7/8	£17 1/8	2·76
165/–	117/6	†133 4/9 b	†5 a	Shell Transport..... £1	148/3	149/6	4·36
95/6	41/6	...	...	Ultramar 10/–	69/3	65/9	... d
39/6	25/6	13 1/8 b	7 1/2 a	Wakefield C.C..... 10/–	38/–	37/–	5·57
				SHIPPING			
46/6	27/7 1/2	13 1/2 b	6 1/2 a	Brit. & Com'wealth. 10/–	45/9	46/–	4·35

Money and Exchanges

EXCHEQUER RETURNS

For the 3 days ended January 3, 1959, there was an "above-line" surplus (after allowing for Sinking Funds) of £40,235,000 compared with a deficit of £69,037,000 in the previous 11 days and a surplus of £40,166,000 in the corresponding period of last year. There was a net expenditure "below-line" of £28,255,000 leaving a total deficit of £915,248,000 compared with £894,579,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to Jan. 4, 1958	April 1, 1958, to Jan. 3, 1959	4 days ended Jan. 4, 1958	3 days ended Jan. 3, 1959
Ord. Revenue					
Income Tax	2312,500	906,901	971,577	39,828	35,983
Surtax	163,000	62,100	62,600	9,000	7,000
Death Duties	163,500	128,400	138,700	2,200	3,700
Stamps	56,250	51,000	45,900	900	1,400
Profits Tax, EPT & EPL	275,000	201,700	225,400	6,500	4,600
Other Inland Rev. Duties	...	150	150	...	...
Total Inland Rev.	2970,250	1350,251	1444,327	58,428	52,683
Customs	1256,940	933,405	979,546	14,704	11,592
Excise	932,310	711,470	696,855	7,345	2,215
Total Customs and Excise	2189,250	1644,875	1676,401	22,049	13,807
Motor Duties	104,000	40,489	39,638	10,338	7,991
BC (Net Receipts)	2,000	2,550	...	1,950	...
Sundry Loans	36,000	21,200	22,900	...	...
Miscellaneous	110,000	123,150	89,771	[illegible]	[illegible]
Total	5439,500	3210,146	3279,103	93,062	79,667
Ord. Expend.					
Debt Interest	695,000	507,251	528,790	9,941	5,864
Payments to N. Ireland Exchequer	73,000	47,653	51,530	...	...
Other Cons. Funds	10,000	7,981	7,218	2,345	2,128
Supply Services	4292,859	3024,315	3119,702	39,400	30,700
Total	5070,859	3587,200	3707,240	51,686	38,692
Sinking Funds	38,000	26,737	26,713	1,210	690
"Above-line" Surplus or Deficit	— 403,791	— 454,850	— 460,166	+ 40,166	+ 40,285
"Below-line" Net Expenditure*	490,789	460,398	36,957	+ 28,255	+ 12,030
Total Surplus or Deficit	— 894,580	— 915,248	+ 3,209	+ 12,030	
Net Receipts from:					
Tax Reserve Certificates	203,491	226,791	24,830	7,965	
Savings Certificates	— 16,800	102,600	— 2700	2,300	
Defence Bonds	— 27,901	70,064	— 1183	1,370	
Premium Savings Bonds	58,240	49,945	3,160	840	
Total	217,030	449,400	24,107	12,475	

* Including net receipts of the Civil Contingencies Fund of £11 million in 1957 and 1958.

THE MONEY MARKET

THE unaccustomed ease that the money market enjoyed up to the close of December proved short-lived; on New Year's Day, the usual heavy turnover of credit was accompanied by heavy and widespread calling by the main clearing banks. The authorities gave no assistance and several houses borrowed moderate amounts from the Bank. The authorities gave a fairly large amount of special aid on Friday, and intervened again on Saturday morning. This week, official intervention enabled books to be balanced without recourse to the Bank until Wednesday, when no help was forthcoming and three or four houses borrowed small amounts at Bank rate. Night balances have been taken at up to 3½ per cent.

At yesterday's tender for Treasury bills the offer remained at £260 million of three months' bills, £10 million more than maturities. No 63-day bills mature next week, but on Thursday the Government will pay out the unconverted portion of the Conversion 1958-59s.

At last week's Treasury bill tender, the discount market kept its bid unchanged at £99 4s. 3d. and secured an allotment of about 52 per cent. April maturities changed hands in the market during the week at 3⅜ per cent.

BANK OF ENGLAND RETURNS

(£ million)	Jan. 8, 1958	Dec. 31, 1958	Jan. 7, 1959
Issue Department:*			
Notes in circulation	2,033·7	2,134·8	2,036·6
Notes in banking dept.	66·7	65·5	63·8
Govt. debt and securities*	2,096·2	2,196·5	2,146·5
Other securities	0·8	0·8	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	10·5	12·4	12·0
Bankers	213·4	215·5	193·7
Others	75·2	76·6	67·7
Total	299·1	304·5	273·4
Securities:			
Government	207·0	214·8	179·7
Discounts and advances	19·1	20·2	26·3
Other	22·0	21·2	21·1
Total	248·1	256·2	227·1
Banking department reserve	69·1	66·4	64·6
" Proportion "	% 23·0	% 21·8	% 23·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,150 million January 7, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills Average Rate of Allotment	Allotted at Max. Rate*
1958	91 *day*		£ s. d.	%
Jan. 3	260·0	405·7	126 0 70	55
Oct. 3	270·0†	424·8	74 1·39	44
" 10	250·0	423·6	73 0·72	55
" 17	250·0	435·7	72 3·08	45
" 24	250·0	409·6	73 7·94	36
	91 *day* 63 *day*			
" 31	200·0 50·0	442·9	71 8·23	46
Nov. 7	270·0 ...	433·7	71 7·04	45
" 14	210·0 60·0	408·3	71 0·97	68
" 21	210·0 60·0	408·5	68 4·68	42
" 28	230·0 50·0	418·9	66 1·20	79
Dec. 5	260·0 30·0	489·2	64 5·75	40
" 12	240·0 50·0	485·3	62 4·92	67
" 19	240·0 50·0	443·5	63 0·96	73
" 24	230·0 50·0	423·0	63 0·47	60
	91 *day*			
1959 Jan. 2	260·0	402·8	62 11·35	52

* On January 2nd tenders for 91 day bills at £99 4s. 3d. secured 52 per cent, higher tenders being allotted in full. The offer this week was for £260 mn. of 91 day bills. † Allotment cut by £10 mn.

MONEY RATES: London

	%		%
Bank rate (from 4½% 20/11/58)	4	**Discount rates:**	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	3¼–3 5/16
Discount houses	2–2¼	3 months	3¼–3 5/16
		4 months	3¼–3 5/16
Money:		6 months	3¼–3⅜
Day-to-Day	2⅜–3⅛	Fine trade bills:	
Treasury bills:		3 months	4¼–5
2-3 months	3 5/32	4 months	4¼–5
		6 months	4½–5¼

New York

	%		%
Official discount rate: (from 2%, 23/10/58)	2½	**Treasury bills:** Dec. 29	2·690
		Jan. 5	2·678

FLOATING DEBT

(£ million)

Date	Treasury Bills Tender	Treasury Bills Tap	Ways and Means Advances Public Dept.	Ways and Means Advances Bank of England	Total Floating Debt
1958					
Jan. 4	3,450·0	2,248·9	228·5	...	5,927·4
Oct. 4	3,290·0	1,736·2	179·4	...	5,205·6
" 11	3,310·0	1,773·4	183·1	...	5,266·5
" 18	3,320·0	1,756·1	214·2	...	5,290·3
" 25	3,330·0	1,771·8	180·8	...	5,282·7
Nov. 1	3,340·0	1,755·3	193·9	...	5,289·2
" 8	3,350·0	1,739·5	166·7	...	5,256·2
" 15	3,370·0	1,655·2	194·4	...	5,219·6
" 22	3,390·0	1,651·0	175·6	...	5,226·5
" 29	3,410·0	1,659·2	173·3	...	5,242·5
Dec. 6	3,420·0	1,698·0	176·8	...	5,284·9
" 13	3,440·0	1,687·6	190·1	...	5,317·7
" 20	3,460·0	1,761·9	184·7	...	5,405·6
" 31	5,351·0		222·2	0·3	5,573·4
1959 Jan. 3	3,500·0	1,789·8	205·6	...	5,495·4

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates January 7	Market Rates: Spot January 1	January 2	January 3	January 5	January 6	January 7
United States $	2·78–2·82	$2·80^{1}4–3_8$	$2·80^{5}16–7_{16}$	$2·80^{3}8–1_2$	$2·80^{7}16–9_{16}$	$2·80^{1}2–5_8$	$2·80^{1}2–5_8$
Canadian $	...	$2·70^{1}16–5_{16}$	$2·70^{1}_2–5_8$	$2·70^{3}8–3_4$	$2·70^{11}16–13_{16}$	$2·70^{9}16–11_{16}$	$2·71–71_8$
French Fr.	13·6220–14·0265	$13·74^{3}4–75^{1}4$	$13·75–13·75^{1}_2$	$13·75–13·75^{1}_2$	$13·75^{3}4–76$	$13·75^{5}8–7^{7}8$	$13·75^{7}8–76^{1}8$
Swiss Fr.	11·94–12·54⅞	$12·07–07^{1}4$	$12·09^{1}_2–09^{3}4$	$12·11^{3}_4–12^{1}4$	$12·09^{1}2–3_4$	$12·10^{1}4–1_2$	$12·10^{3}8–7_8$
Belgian Fr.	137·96–142·05	139·80–85	$139·92^{1}2–97^{1}2$	139·95–140·00	140·00–05	140·00–05	$140·07^{1}2–12^{1}2$
Dutch Gld.	10·48–10·80	$10·53^{1}8–3_8$	$10·57^{3}4–58$	$10·58–58^{1}4$	$10·58–58^{1}4$	$10·57^{3}4–58$	$10·57^{3}4–53$
W. Ger. D-Mk.	$11·59^{1}4–11·92^{3}4$	$11·70^{3}8–7_8$	$11·71^{5}8–7_8$	$11·72^{1}2–3_4$	$11·72^{1}4–1_2$	$11·72^{1}8–3_8$	$11·72^{1}4–1_2$
Portuguese Esc.	79·17½–81·83½	79·90–80·00	79·90–80·00	79·90–80·00	80·15–30	80·15–30	80·10–20
Italian Lire	1725–1775	$1748–49^{1}2$	$1748^{1}4–49$	$1748^{1}2–49$	$1748^{3}4–49^{1}4$	$1748^{3}4–49^{1}4$	$1748–49^{1}2$
Swedish Kr.	$14·37^{3}4–14·59^{1}4$	$14·50^{1}4–3_4$	$14·50^{3}4–7_8$	$14·50^{7}8–511_8$	$14·50^{3}4–51$	$14·50^{1}8–3_4$	$14·51^{3}4–7_8$
Danish Kr.	$19·06^{1}2–19·62$	$19·33^{1}2–34$	$19·33^{1}2–34$	$19·33^{7}8–34^{1}8$	$19·34–34^{1}4$	$19·34–34^{1}4$	$19·34^{1}4–1_2$
Norwegian Kr.	$19·71–20·30^{1}2$	$20·00^{1}2–01$	$20·00^{1}2–01$	$20·00^{3}4–01$	$20·00^{7}8–01^{1}8$	$20·01–01^{1}4$	$20·01^{1}4–1_2$
One Month Forward Rates							
United States $		$^{1}8c.$ pm–par	$^{1}16c.$ pm–par	$^{1}16c.$ pm–par	$^{1}16c.$ pm–par	$^{1}8c.$ pm–par	$^{1}8c.$ pm–par
Canadian $		par–$^{1}4c.$ dis	par–$^{1}4c.$ dis	par–$^{1}4c.$ dis	par–$^{1}4c.$ dis	par–$^{3}8c.$ dis	par–$^{3}4c.$ dis
French Fr.		par–5c. dis	par–5c. dis	par–6c. dis	par–5c. dis	par–5c. dis	par–4c. dis
Swiss Fr.		$^{3}4–1_2c.$ pm	$^{3}4–1_2c.$ pm	$^{3}4–1_2c.$ pm	$^{7}8–5_8c.$ pm	$^{7}8–5_8c.$ pm	$^{7}8–5_8c.$ pm
Belgian Fr.		10–5c. pm	10–5c. pm	10–5c. pm	10–5c. pm	8–3c. pm	8–3c. pm
Dutch Gld.		$^{1}1–^{3}4c.$ pm	$^{3}4–1_2c.$ pm	$^{3}4–1_2c.$ pm	$^{5}8–^{3}4c.$ pm	$^{5}8–^{3}4c.$ pm	$^{5}8–^{3}4c.$ pm
W. Ger. D-Mk.		$^{3}4–1$ pf. pm	$^{5}8–^{3}8$ pf. pm	$^{5}8–^{3}8$ pf. pm	$^{1}2–^{1}4$ pf. pm	$^{1}2–^{1}4$ pf. pm	$^{1}2–^{1}4$ pf. pm
Three Months Forward Rates							
United States $		$^{5}16–3_{16}c.$ pm	$^{3}16–1_{16}c.$ pm	$^{3}16–1_{16}c.$ pm	$^{1}4–^{1}8c.$ pm	$^{1}4–^{1}8c.$ pm	$^{1}4–^{1}8c.$ pm
Canadian $		$^{1}16–^{1}4c.$ dis	$^{1}8–^{5}16c.$ dis	$^{1}8–^{5}16c.$ dis	$^{1}16–^{1}4c.$ dis	$^{1}15–^{1}4c.$ dis	$^{1}16–^{1}4c.$ dis
Swiss Fr.		$2^{1}4–2c.$ pm	$1^{7}8–1^{3}8c.$ pm	$1^{7}8–1^{3}8c.$ pm	$2^{1}8–1^{7}8c.$ pm	$1^{1}8–1^{7}8c.$ pm	$2^{1}8–1^{7}8c.$ pm
W. Ger. D-Mk.		$1^{1}2–1$ pf. pm	$1^{1}4–^{3}4$ pf. pm	$1^{1}4–^{3}4$ pf. pm	$^{7}8–^{5}8$ pf. pm	$^{7}8–^{5}8$ pf. pm	$1–^{3}4$ pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)	...	...	250/3¼	...	250/1¾	250/0¾	250/1

* On January 2nd tenders for 91 day bills at £99 4s. 3d. secured 52 per cent. higher tenders being allotted in full. The offer this week was for £260 mn. of 91 day bills. † Allotment cut by £10 mn.

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

World Trade ..... October 18th

Prices and Wages

BRITISH		OVERSEAS	
Prices and Wages	This week	Western Europe Statistics	Dec. 6th
Manpower and Output	Dec. 13th	British Commonwealth	Oct. 11th
External Trade	Jan. 3rd	United States	Dec. 20th
Industrial Profits	Oct. 18th		

	Unit	1955	1956	1957	1957		1958	1958 (5)			1959
		mid-June			Dec. 23	Dec. 31	Jan. 7	Dec. 16	Dec. 23	Dec. 30	Jan. 6
WORLD PRICES											
Commodity Price Indicator:											
All items	1952=100	93	91	94	86	86	86	85	85	86	85
Food	"	92·0	90·8	98·8	92·4	93·0	92·3	87·9	87·6	88·2	86·0
Fibres	"	83·2	81·5	95·9	84·1	84·4	83·9	74·6	75·3	74·8	74·3
Metals	"	95·7	95·6	79·7	68·3	68·1	68·1	75·4	75·2	75·9	76·2
Other items	"	106·9	96·1	99·2	98·9	98·4	97·7	107·1	108·2	107·9	111·3
		Monthly averages			1957			1958			
BRITISH WHOLESALE PRICES		1955	1956	1957	Sept.	Oct.	Nov.	Aug.	Sept.	Oct.	Nov.
Materials used in:											
Non-food manufacturing (excluding fuel)	1954=100	105·9	108·4	106·5	103·8	102·1	100·3	93·4	92·5	93·0	94·0
Mechanical engineering	"	110·2	116·5	121·9	124·3	124·3	124·3	123·5	123·5	124·2	124·8
Electrical machinery	"	110·2	114·3	114·9	115·8	115·5	115·5	114·5	114·5	115·5	116·1
Building and civil engineering	"	104·7	109·5	113·7	115·5	115·4	115·3	114·0	113·8	113·9	114·1
House building	"	105·2	109·4	112·3	113·5	113·5	113·4	111·6	111·3	111·4	111·6
Products of:											
Non-food manufacturing (excluding fuel)	"	103·1	107·5	111·5	112·5	113·2	113·4	112·8	112·8	113·0	113·0
Chemicals and allied trades	"	99·4	103·4	106·8	106·9	106·7	106·7	105·0	104·9	105·1	105·2
Iron and steel	"	104·7	112·8	125·2	130·2	130·8	130·7	129·6	129·5	105·5	106·5
Textile industry	"	97·7	97·5	100·9	101·5	101·3	100·6	...	...	...	...
Food manufacturing	"	102·1	105·8	107·1	104·0	...	...	...	...	...	...
Commodities:											
Cotton, raw	"	89·1	90·6	90·7	88·0	86·9	84·2	76·4	75·5	75·1	72·9
Wool, raw	"	166·6	143·4	101·1	99·3	93·2	88·6	72·0	67·6	64·6	64·6
Rubber, No. 1 RSS, one month future	"	108·6	109·5	131·6	126·6	125·5	115·6	119·1	120·1	126·7	130·0
Softwood, imported	"	141·5	132·4	109·7	109·3	109·1	108·9	101·9	99·1	98·1	96·8
Copper, ex-warehouse	"			88·3	78·0	75·1	75·6	82·8	84·2	95·1	97·8
UK RETAIL PRICES											
All items[1]	Jan. 17, 1956=100	...	102·0	105·8	106·1	107·1	107·7	108·3	108·4	109·4	109·8
Food	"	...	102·2	104·9	104·8	104·7	104·8	105·2	105·6	108·1	108·4
All items	1938=100[2]	242	254	263	264	267	268	270	270	272	273
Food	"	257	269	276	276	275	276	277	278	284	285
Housing	"	138	145	155	156	161	163	174	174	175	175
Clothing	"	256	263	267	268	269	269	268	268	268	268
Fuel and light	"	226	251	268	271	273	286	275	275	275	289
Household durable goods	"	288	308	308	307	309	309	305	305	305	305
Drink	"	260	264	272	273	276	276	276	276	276	276
Tobacco	"	389	411	421	428	428	428	428	428	428	428
Purchasing power of £ (based on all consumer spending)	1938=100	39	37	36	36	36	36	36	36	35	35
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	103	105	107	104	103	103	99	98	98	99
Food, drink and tobacco	"	101	101	101	100	98	96	97	97	98	100
Basic materials	"	104	106	110	107	107	107	94	93	92	91
Fuels	"	102	110	128	117	116	116	112	113	110	111
Manufactured goods	"	109	110	104	102	101	102	102	101	102	104
Export prices:											
All items	"	102	106	111	112	111	111	110	109	109	109
All manufactures	"	102	106	109	111	111	112	110	111	111	111
Metals	"	104	112	115	116	117	117	119	117	118	117
Engineering products	"	103	107	112	114	113	114	116	114	116	116
Textiles (*excluding clothing*)	"	100	99	101	102	104	102	101	100	98	97
Terms of trade:											
Ratio of import to export prices	"	101	99	96	93	93	93	90	90	90	91
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	127·7	157·0	112·7	81·6	80·7	82·3	65·0	65·7	70·4	76·4
UK WAGES											
Weekly wage rates:											
All workers[3]	Jan. 31, 1956=100	...	104·7	110·0	111·5	111·8	112·0	114·1	114·4	115·6	115·8
Men	"	...	104·8	110·0	111·5	111·8	111·9	113·9	114·2	115·5	115·7
Women	"	...	104·2	109·7	111·1	111·4	111·8	114·7	114·9	115·7	115·8
Juveniles[7]	"	...	105·5	111·3	112·7	113·2	113·4	116·0	116·2	117·4	117·6
All workers	Sept., 1939=100	252	272	286	290	291	291	297	297	300	301
Weekly earnings: [4]											
All workers	s. d.	187 2	200 8	212 5	...	212 5	...	...	...	...	...
Men	"	222 11	237 11	251 7	...	251 7	...	...	...	...	...
Women	"	115 5	123 2	129 6	...	129 6	...	...	...	...	...
All workers	Oct., 1938=100	351	377	399	...	399	...	...	...	...	...
Men	"	323	345	365	...	365	...	...	...	...	...
Women	"	355	379	398	...	398	...	...	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947 multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey. (5) Revised figure for food for November 25th was 89·6. (6) Figures relate to April survey. (7) In general males under 21 and females under 18 years of age

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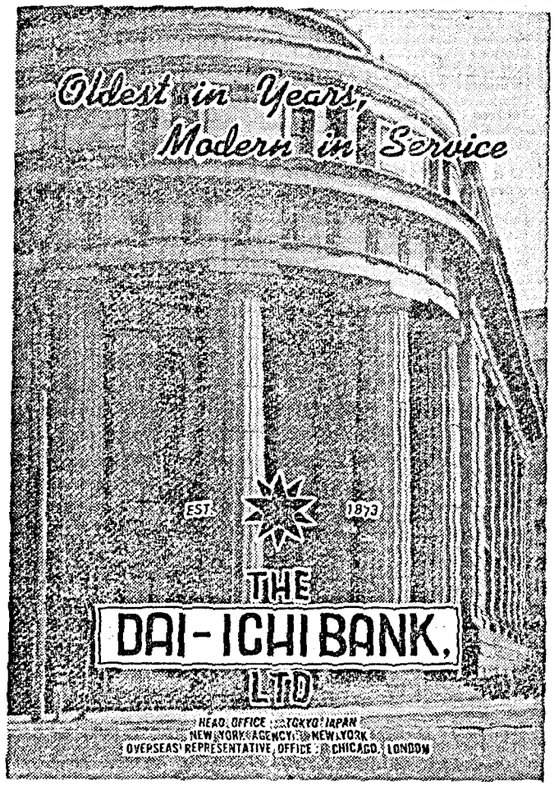
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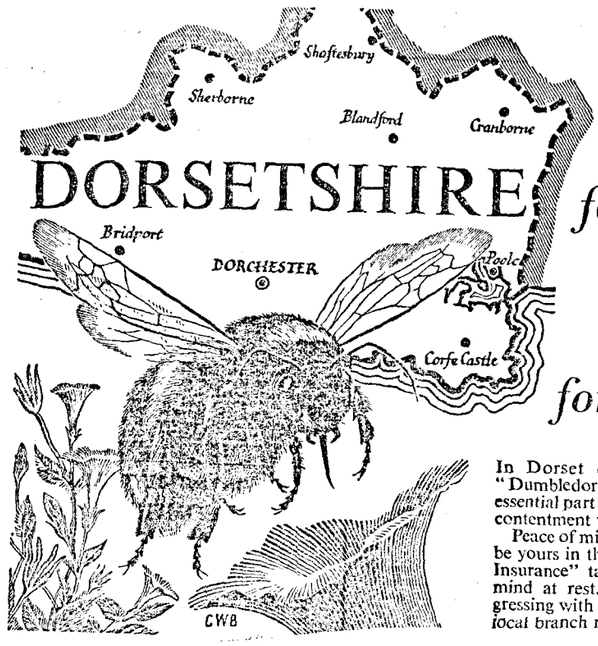
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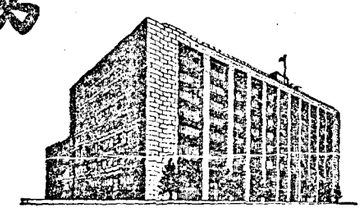
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services offered.
H. J. Gutberlet, 11 Anzengruberstrasse, Frankfurt/Main.

DISTINCTIVE HOSPITALITY 3 star. Commanding panoramic sea view. Warm sheltered terraces. Excellent cuisine. Swimpool. Educated staff. Colour Brochure. —Greystoke Hotel, Canford Cliffs, Nr. Bournemouth.

APPOINTMENTS

Vacant 9/- a line; Required 6/- a line.

MATHEMATICIANS

LAPORTE INDUSTRIES LIMITED invite applications from Mathematicians for new posts to deal with a range of problems of great variety and interest arising throughout the diverse *operations of a progressive industrial group.*

Candidates will need real mathematical capacity *over a wide range, with good physical appreciation* and an equal interest for problems both academic and practical. They must have direct *experience* and provide evidence of achievement in operational research or the application of statistics to industrial and scientific problems or in the application of non-statistical mathematics (any "applied" branch) to such problems. Some successful leadership of a team, even if a small one, would be an advantage. Age should be in the range of 25 to 35. The salary offered will be *in accordance with qualifications and experience.*

Candidates who have already replied to an advertisement in more general terms in this connection will be considered for the post and need not apply again if they have already supplied adequate details.

Replies should be addressed to the Group *Personnel Manager, Laporte Industries Limited,* Hanover House, 14, Hanover Square, W.1, and quote the Reference LIL/E1/33.

AMERICAN daily newspaper wants well-educated man, preferably early 20s, for news desk in London office. Some sub-editing and re-writing experience desirable, good general knowledge equally important.—Box 1099.

CHIEF ACCOUNTANT

Production-Engineering Ltd., have been asked to advise on the selection of a Chief Accountant with wide industrial experience in modern Management Accounting practice and control techniques *for a large Irish undertaking based in Dublin.* The post, *which will command a salary* of about £3,000 per annum, is pensionable and is one which involves a high degree of responsibility.

Applications giving full particulars, which will be treated in confidence and not disclosed to the Company until applicant's approval has been given, should be sent within ten days to:

Production-Engineering Ltd. (*ref. JB/WM*)
11, Ely Place,
Dublin.

ASSISTANT WOMAN PERSONNEL OFFICER. A vacancy exists in the Personnel Department of The Mullard Radio Valve Co., Ltd., for an Assistant Woman Personnel Officer who will be required to work under the guidance of the Senior Women's Personnel Officer, and who will be expected to take responsibility for the recruitment, placing and follow-up of female employees. The work is in a large personnel department which is capable of giving the necessary training to help the successful applicant to broaden her experience so that she may eventually take an active part in all aspects of the personnel function. Applications are invited from young women up to the age of 25, preferably with a university degree and some industrial experience.—Apply, in writing, to Mr. J. C. Ross, Plant Personnel Officer, The Mullard Radio Valve Co., Ltd., New Road, Mitcham Junction, Surrey.

FORD MOTOR COMPANY LIMITED require young men aged 24-27 as Analysts to work on *financial and commercial problems. The work is interesting and exacting, covering all aspects of* the Company's activities. It requires a high standard of intelligence and imagination with the ability to think and write clearly. Applicants must have the broad background necessary to appreciate management, as opposed to *accounting*, problems, and should be Graduates, professionally qualified men, or have had suitable experience in industry, commerce or public service.

Please send full particulars to Training and Recruitment Department (012A), Ford Motor Company Limited, Dagenham, Essex, quoting reference CFA.

ASSISTANT Economist. The person appointed to this *position will be engaged in obtaining information* and presenting reports on trends in economic conditions in the United Kingdom and overseas, and their possible influence on activity in the constructional industry. Apart from publications it will be necessary to obtain data by means of surveys and personal interviews, which could involve a certain amount of travelling in the United Kingdom. Applications for this post are invited from women aged 22-30, with at least a second-class honours degree in economics and preferably two years' experience since graduating. The commencing salary will be in the range £650-£800 per annum. Letters should be addressed to Assistant Personnel Officer, Richard Costain Ltd., 111 Westminster Bridge Road, London, S.E.1.

CHIEF ARCHITECT IN THE MINISTRIES OF HOUSING AND LOCAL GOVERNMENT AND HEALTH

The Civil Service Commissioners invite applications for two pensionable posts of Chief Architect.

Ministry of Housing and Local Government (one post)

Applicants must be registered Architects and hold professional qualifications in architecture, and have had a wide experience of housing and other building development. Experience in the field of public authority housing would be an advantage.

The person appointed will be responsible for the organisation, direction and supervision of the Ministry's architectural advisory service on housing and local government building generally. The work of this service is being reviewed and extended and will afford increased scope for the study of design problems and constructional techniques. There will also be opportunity for carrying out selected demonstration schemes in the housing field.

Salary (London) £3,750.

Ministry of Health (one post)

Candidates must be registered Architects and hold professional qualifications in architecture. Experience of hospital building an advantage. All-round experience and organising ability essential.

The Chief Architect will be in charge of the Ministry's Architectural Staff. He will be responsible for organising the examination of building schemes of Hospital Boards engaged in an expanding programme, as well as of schemes for other health and welfare services, and for a design group which it is intended shall undertake development work. His duties will include collaboration with professional staff of Hospital Boards and Local Authorities.

Salary (London) £3,400.

Application forms and further particulars from Civil Service Commission, Scientific Branch, 17 North Audley Street, London, W.1, quoting S 4925/59. Closing date January 30, 1959. Applicants should state the post for which they are applying and if they wish to be considered for both appointments this must be indicated.

TUBE INVESTMENTS LIMITED

COMPUTER PROGRAMMER

A vacancy exists for a Computer Programmer at the Computer Unit at Walsall, Staffs.

The work involves the preparation of commercial programmes and preference will be given to candidates having a background of accountancy or production control and possessing the appropriate professional qualifications. Previous experience essential. Applicants ... between 25 and 35 years of age.

Reply giving details of age, experience, qualifications and present salary to Computer Unit, T.I. (Group Services) Ltd., The Airport, Walsall, Staffs.

CENTRAL ELECTRICITY GENERATING BOARD

Applications are invited for the following appointments in the Commercial Branch of the Commercial and Operations Department at Headquarters, London, E.C.2.

A. Economist

The duties will include the provision of an economic intelligence service to all Departments; the formulation of long and short term estimates of the future maximum demand and the consumption of electrical energy; the assessment of production trends affecting the consumption of electricity; and appraisals of the probable effect of changes in policy of the Government and of other bodies.

Candidates for the post should have an Honours Degree in Economics, a sound knowledge of modern statistical techniques and practical experience in a large organisation.

Salary within provisional range £2,160—£2,360 per annum.

B. Assistant Economist

To assist in the above duties.

Candidates should have a good Degree in Economics or Statistics.

Salary within scale £1,375—£1,495 per annum.

Applications, stating age, qualifications, experience, present position and salary, should be forwarded to S. S. Scott, Chief Personnel Officer, 24/30 Holborn, London, E.C.1, by January 23rd. Please mark envelopes "Confidential Ref. E/4."

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS AND RESEARCH GRANTS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above studentships and grants, for research in Economics, Economic Statistics, Government, Social Administration, Social Anthropology or Sociology, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The studentships are normally of the value of £350 or £400 per annum. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University.—Applications should be sent not later than February 15, 1959, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

APPOINTMENTS

MSL have been retained to advise on the appointment of a

GENERAL SALES MANAGER

for Sanderson Brothers and Newbould—founded in 1776 and still a leader in its field with an extensive export business. The General Sales Manager will co-ordinate and manage the sales departments dealing with the company's five main groups of products—special steels, saws of all types, machine knives, engineering small tools and reduction gears and will be responsible for developing both the home and overseas markets.

This is an important appointment as the company wishes to find a man to whom a seat on the board may soon be offered.

Candidates must have had a public school and university education, preferably with a degree in *engineering, and have had selling experience* at senior level in the steel, toolmaking or similar industries. A knowledge of languages and *experience in more than one company and country* would be assets. Age range 36-45. Salary will depend on experience and age and there is a *contributory pension scheme and a car.*

No information will be disclosed to our clients until candidates have given permission after personal discussion. Please send brief details in confidence, quoting reference S.1472, to P. J. H. Fryer.

MANAGEMENT SELECTION LIMITED
17, Stratton Street, London, W.1.

SENIOR Research Executive required by Associated Television Limited. Age 25-30. Good appearance. University degree. Ability to prepare and present sales research propositions and act as Assistant to Research Manager. Minimum of four years' experience all aspects consumer research. Full details, in writing, including salary required, to Personnel Manager, Associated Television Limited, Television House, Kingsway, London, W.C.2.

THE BRITISH OXYGEN CO., LTD.

HEAD OF ECONOMICS AND STATISTICS SECTION

Applications are invited for the above post at the Company's Head Office in the West End. It is a senior position; applicants should have had industrial experience preferably on the finance side, together with a practical knowledge of statistical methods and a flair for carrying out investigations and writing lucid Reports. The post has been advertised before, but has not yet been filled; previous applicants should therefore not re-apply. Apply in writing to:

THE STAFF OFFICER,
THE BRITISH OXYGEN COMPANY LIMITED
BRIDGEWATER HOUSE, CLEVELAND ROW, ST. JAMES'S, S.W.1.

SOUTH-WEST ESSEX TECHNICAL COLLEGE AND SCHOOL OF ART

FOREST ROAD, WALTHAMSTOW, E.17.

APPOINTMENT OF HEAD OF DEPARTMENT OF COMMERCE AND MANAGEMENT

Applications are invited for appointment as Head of the Commerce and Management Department. The post will be vacant from September 1, 1959, on the retirement of the present Head.

Candidates should possess a degree and have had some teaching experience. Experience in research, industry, or commerce would be an added qualification.

The Department is at present in the III Department under the Burnham Further Education Report, 1956, the salary scales being £1,600 x £50 to £1,750 (men) and £1,280 x £40 to £1,400 plus equal pay increments (women), plus London Allowance and the 5 per cent addition.

Details and forms from the Chief Education Officer, County Offices, Chelmsford. Closing date February 7, 1959.

STATISTICIAN/ECONOMIST with some experience required by Birmingham stockbrokers. Reference given to personal accountancy or head teaching, or financial newspaper experience. Particulars treated in strict confidence. Applicants asked to state salary required.—Box 1096.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for TWO LEVERHULME POSTGRADUATE FELLOWSHIPS, one in the School of Architecture or the Department of Civic Design, and one in any Department of the Faculty of Arts. The Fellowships will be tenable for one year at a value of £600, but may be renewed for a second year. Applications, three copies, stating age, qualifications and experience, proposed field of research, the names of two referees and in the case of the Fellowship in Architecture or Civic Design, enclosing copies or photographs of work, should be received not later than March 1, 1959, by the Registrar, from whom further particulars may be obtained.

STATISTICIANS

Experienced Statisticians are required in our Operational Research Department. One of the first of its kind in the Steel Industry, this department contributed among other things to decisions which led to the £50 million expansion scheme now in progress, a major development in Britain's productivity.

A number of scientists, including a team of computer programmers, are engaged in a wide variety of research projects covering all aspects of Company operations. Successful applicants will carry increasing responsibilities in a friendly department where personal merit is recognised.

The successful applicants will be responsible for the design and conduct of industrial experiments with whatever assistance may be necessary and will have every opportunity of making major contributions to statistical discipline in Operational Research studies.

Please write, giving full details of age, experience, qualifications and any further information considered relevant, to:—

Superintendent, Personnel Services,
THE STEEL COMPANY OF WALES LIMITED
(Steel Division),
Abbey Works, Port Talbot, Glam.

AN FORAS TALUNTAIS

(THE AGRICULTURAL INSTITUTE, DUBLIN, IRELAND)

CHIEF OF THE RURAL ECONOMY DIVISION

... invited for the above position are invited from suitably qualified persons. In addition to possessing a recognised University Degree, or equivalent, in Agricultural Science and/or Economics, candidates must have at least 10 years' post graduate specialist and/or research experience in farm management and/or agricultural economics and marketing and/or rural sociology, or in allied subjects.

Further particulars and application forms may be obtained from The Director, An Foras Taluntais, 21, Earlsfort Terrace, Dublin. Latest date for receipt of completed application forms is January 30, 1959.

SALES OPENINGS

with

CALTEX

in

EAST AFRICA

University Graduates in Economics, or Business Administration, aged 24 to 30, and preferably single, are required to train and thereafter control a Sales Zone in the marketing of Caltex Petroleum products in East Africa. Some previous selling experience is desirable, not a necessity, the commencing salary being £115-£130 per month, plus a cost-of-living allowance, at present 11 per cent, of salary.

Home leave is granted after the first three years of service and thereafter at intervals of two years and local leaves are also given.

Candidates should apply in writing, giving full particulars of experience, etc., and quoting "FAF," to CALTEX SERVICES Ltd., Caltex House, Knightsbridge Green, London, S.W.1.

BOARD OF TRADE: ASSISTANT RESEARCH OFFICER required in Cardiff; RESEARCH ASSISTANTS in Cardiff, London and Manchester. Duties include collection and presentation of data, assistance in preparation of regional surveys of population, distribution, trade, industry, communications, services and natural resources. Qualifications: at least 2nd Class Honours degree, or equivalent in Economics, Statistics or kindred subjects. Background knowledge and experience essential. Assistant Research Officer post and advantageous Research Assistant posts. Temporary appointments but with F.S.S.U. benefits. Men's salary ranges: Assistant Research Officer, £1,160-£1,370; Research Assistant, £605-£1,080; slightly more for service in London. Starting pay according to age and experience. Write, giving age, qualifications and experience, to Ministry of Labour and National Service, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4, quoting reference PE 2437/8. Closing date January 30, 1959. Only those persons selected for interview will be advised of result.

LARGE Industrial Group with Headquarters Manchester (not Cotton Textiles) requires two or three young executives, each initially as personal assistant to Chairman of an operating company, but with definite prospect of appointment to subsidiary company directorial status within two or three years. Age 35-45 (no higher). ... ore

Qualifications required ... ... of industry, and (irrespectively) ... to carry responsibility for the work of others. *Capacity for team-work imperative.*

These are exceptional opportunities of a career in top-level management, and applicants should give full *particulars of education, training and experience* to date, and also indicate present earnings level.

Absence of a University degree does not disqualify, but *graduate applications welcome.*

Please do not apply unless willing to give full details first letter, and unless prepared to risk being found unsuitable within twelve months. We are interested only in men of sterling character and unusual talent, and are well able to remunerate these qualities appropriately.

Apply to Box 1100.

LONDON COUNTY COUNCIL

Applications are invited for the position of Principal of the London County Council College for the Distributive Trades, Charing Cross Road, W.C.2, to commence duties in September, 1959.

The activities of the College include day and evening classes for men and women engaged in or preparing to enter the distributive trades.

The College is equipped with a textile laboratory and display studio as well as commodity rooms and model shops.

Experience in retail distribution and ability to command the confidence of employers' and employees' organisations are necessary and it is desirable that applicants should possess graduate or equivalent professional qualifications, organisation and teaching experience.

The salary scale is £1,732 10s. x £52 10s. to £1,890 plus London Allowance under the Burnham (Further Education) Report 1956.

Further particulars and application forms (stamped addressed foolscap envelope) from the Education Officer (F.E.4), County Hall, London, S.E.1, returnable by January 31, 1959.

2471

BRITISH TRANSPORT COMMISSION require Economist/Statistician. Candidates should have some years' experience as an economist in the business world and understanding of the problems of high level management in a large organisation, ability to write briefly and clearly in non-economic language, and a good knowledge of the structure of the economy and of sources of statistical information. Direct experience in inland transport is desirable, but not essential; good academic or professional qualification required. Salary range £1,315-£1,590 per annum. Starting salary within this range according to qualifications and experience. Superannuation scheme. Certain free travel facilities. Medical examination. Write, giving age and details of education and career, to Principal Establishment and Staff Officer, British Transport Commission, 222 Marylebone Road, London, N.W.1, within 14 days. S.A.E. for acknowledgement.

DUNDEE TECHNICAL COLLEGE

DEPARTMENT OF MANAGEMENT AND HIGHER COMMERCIAL STUDIES

Applications are invited for the newly-created post of LECTURER in Industrial Administration. Candidates should possess an honours degree, or an equivalent professional qualification. Experience in industry in a responsible position is essential.

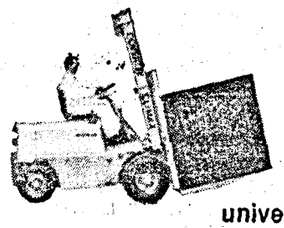
Salary—

Honours graduate, or equivalent—
Grade II (a) £785 x £35—£890 x £40—£1,250 x £50—£1,350.
Other Qualifications—
Grade II (b) £700 x £35—£805 x £40—£1,005 x £40—£1,125.

Note.—An increase of 5 per cent on the above-named scales is presently under consideration.

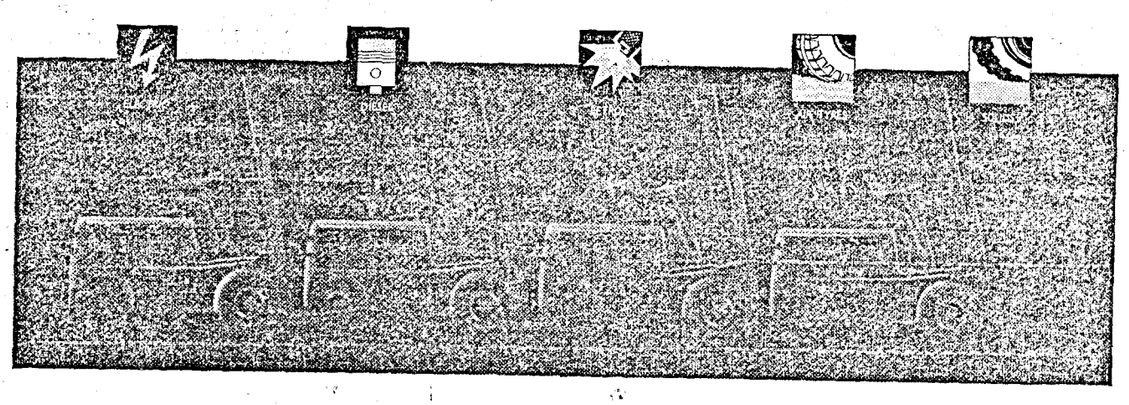
The full particulars and application form may be obtained from the Clerk and Treasurer, Dundee Institute of Art and Technology, 40, Bell Street, Dundee, to whom the *completed* form should be returned not later than two weeks after the appearance of this advertisement.

Registered as a Newspaper. Entered as Second Class Mail Matter at New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa. Printed in England by St. Clement Press, Ltd., London, W.C.2. Published by The Economist Newspaper Ltd., at 22 Ryder Street, London, S.W.1. Postage on this issue: UK 4d.; Overseas 4½d.



Fork lift trucks, modern industry's universal handling machines, according to their manufacture and use, are powered by electric batteries, or petrol or diesel engines, and run on pneumatic or solid tyres.

All these are basic variations imposing their own design problems, which have been successfully solved in the recently introduced



Coventry Climax

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This range offers the user choice of the above-mentioned variables, within a universal basic design utilising fullest possible standardisation of main components. This saves everybody trouble—AND COST!

COVENTRY CLIMAX ENGINES LIMITED COVENTRY

MINISTRY OF AGRICULTURE FISHERIES AND FOOD LIBRARY 9 MAR 1959

AIR EDITION

The Economist

JANUARY 17, 1959 ONE SHILLING AND SIXPENCE FOUNDED 1843

The Way to Reflate

If the Government is going to pump more demand into the British economy, one way of doing so stands out as vastly preferable to any others (page 193).

Recession and Steel Profits (page 235).

Policy on New Pensions (page 237).



M. Debré's New Government (page 228).

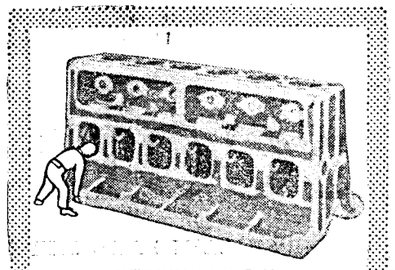
A Chance to Talk

Many of Russia's proposals on Germany are unacceptable; but they offer the West the chance to negotiate (page 194).

How Green Are Our Diplomats? (page 196).
H M G Requests the Pleasure (page 197).
Nato's Gaullist New Year (page 227).
American State of Disunion (page 217).

Annual Postal Subscription by ordinary Mail £4.10s.; overseas £5; by air see page 279
THE ECONOMIST · 22 RYDER STREET · ST. JAMES'S · LONDON · S.W.1
VOLUME CCXC · NUMBER 6021

HEAVY castings



Well, heavier than we have previously supplied. We have increased our capacity in the floor moulding department and can now supply castings up to 5 tons weight in grey iron, and up to 2 tons weight in aluminium alloy.

Intricate castings



These have been our speciality for many years. Let us examine your casting problems. We supply grey iron castings made in green sand, dry sand, and by the shell moulding process.
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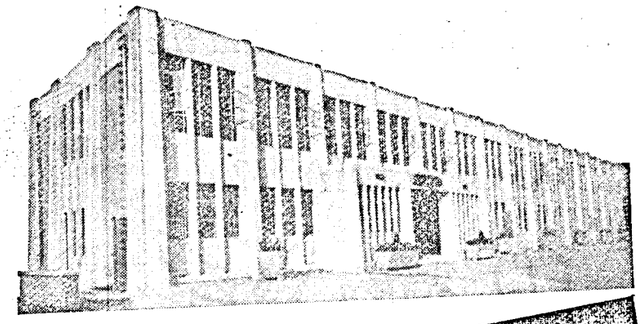
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West Yorkshire Foundries Ltd.

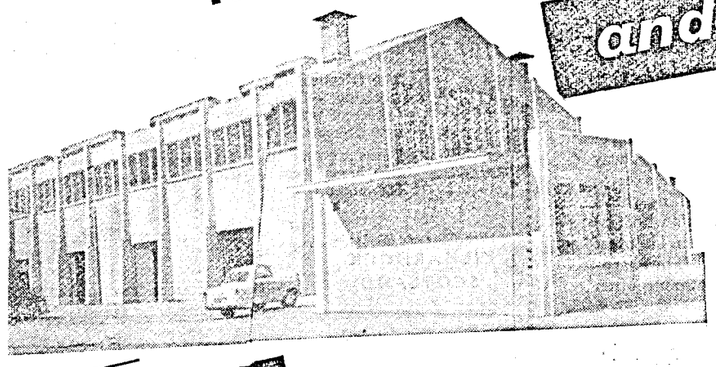
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and cost less

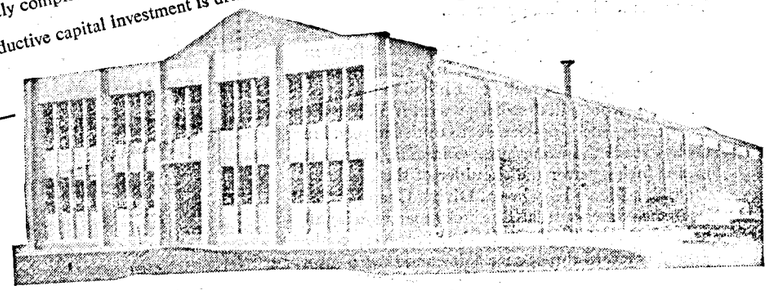


This announcement is of vital interest to you. It's news—news of price reductions in a period of rising costs.

It can make the building project you may have scheduled for the future an economic proposition *NOW!*

HERE'S WHY

- Advanced techniques eliminate all waste and delay.
- Firm quotations are given at design stage.
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- The period of unproductive capital investment is drastically reduced.



And you get a building of better quality at a lower cost!

Beecham Buildings

Beecham Buildings *give a quick return on capital*

Write or telephone today!

BEECHAM BUILDINGS LIMITED

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LONDON SOUTH AFRICA AUSTRALIA

BY **DC-7B** AIRCRAFT



FOR THOSE IN A HURRY
Two stops only—Amsterdam and Kano—this fast service lands you in Johannesburg in less than a day.

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Via Europe and Central Africa with stop-over facilities at many interesting places.

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SOUTH AFRICAN AIRWAYS
IN ASSOCIATION WITH B.O.A.C., C.A.A. AND QANTAS

MAN MEETS GOOD JOB: JOB MEETS GOOD MAN

Every year a number of the country's leading industrial and commercial companies take full pages in the Manchester Guardian to speak about themselves: to announce what they are looking for in the way of executive personnel and what prospects they offer for the right man with the right ambitions.

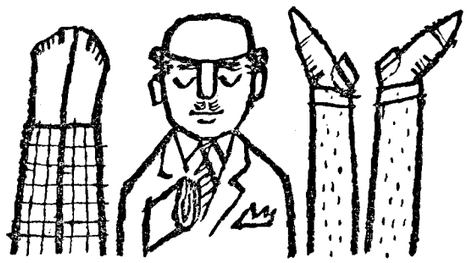
This year, starting on January 19, the sixth 'Careers' series begins in the Guardian. To Employers, to Careers Masters and others who work with the young, to graduates and school-leavers, these announcements give a valuable picture of the current employment situation. Past years have shown that they serve as an excellent introduction between men-in-search-of-jobs and jobs-in-search-of-men. Here is an interesting and imaginative approach to the problem of executive recruitment which you may well find worth considering.

... in the

MANCHESTER GUARDIAN

Who are the men behind the

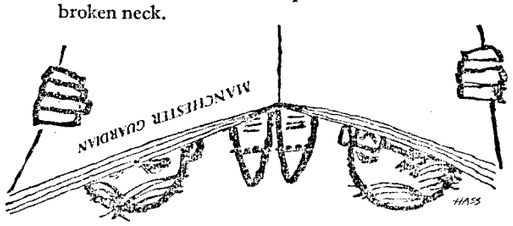
MANCHESTER GUARDIAN?



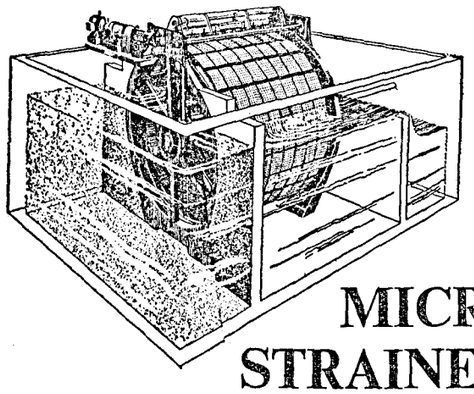
The man on the left, as our illustration shows, is going downhill fast. He is in fact accelerating at 32 feet per second per second, on the short way down from the ten-metre diving-board. This seems an odd moment for the Hackney Dolphins Men's Highboard Diving Champion (for that's who it is) to be reading the *Manchester Guardian*. He must be very absorbed in the paper indeed. The sharp-eyed observer will notice that he has also forgotten to take his trousers off.

The man in the centre is the right way up because he is a Top Person. He has his chin in, his chest out, and is keeping a stiff upper lip. If this text were not in the way, you would be able to see that he is keeping a straight bat, too. He keeps it on a sticky wicket, where he uses it to explore every avenue and leave no stone unturned. That neatly rolled newspaper under his arm is not the *Manchester Guardian*, which he never reads. You can see his point, poor chap.

The man on the right is by no means a Bottom Person, in spite of his position in the illustration. He has eight pints of really blue blood in his veins, ancestors who sailed steerage with William the Conqueror, and king-size death duties to pay. He always reads the *Manchester Guardian*, even if it means looking over the shoulder of the Hackney Dolphins Men's Highboard Diving Champion as he rushes water-wards. The lucky man who is still unencumbered by death duties, however, could probably afford threepence a day and have a copy all to himself. It's a cheap way of avoiding a broken neck.



GLENFIELD



MICRO-STRAINERS

for Water and Effluent Clarification

The Glenfield filtration process, widely known as Micro-straining, offers a highly efficient, automatic mechanical means of purifying public and industrial water supplies, and effluents.

There are over 100 plants, in operation or under construction, in many counties, with a total flow capacity exceeding 500 m.g.d.

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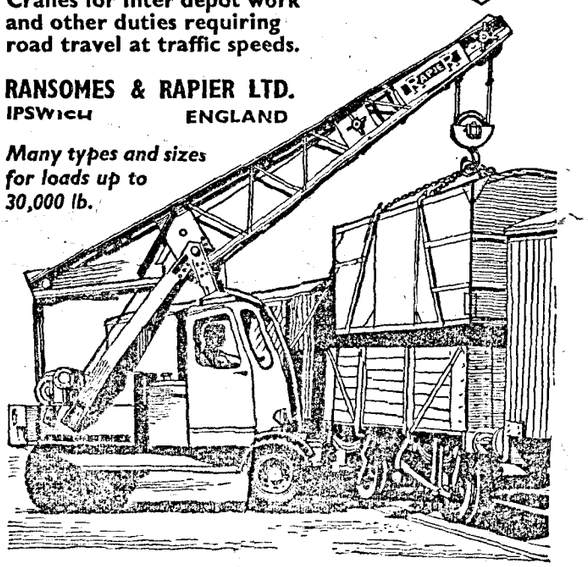
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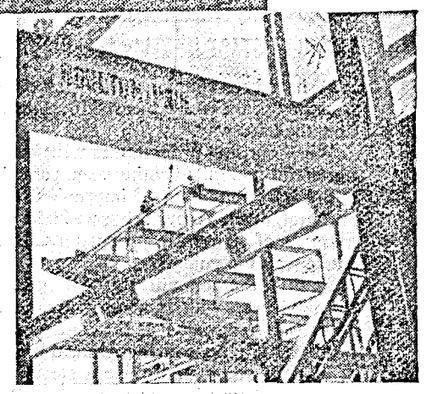
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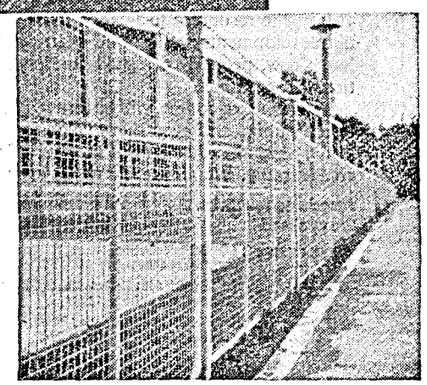
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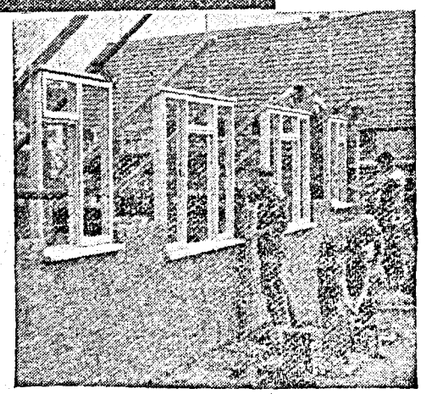
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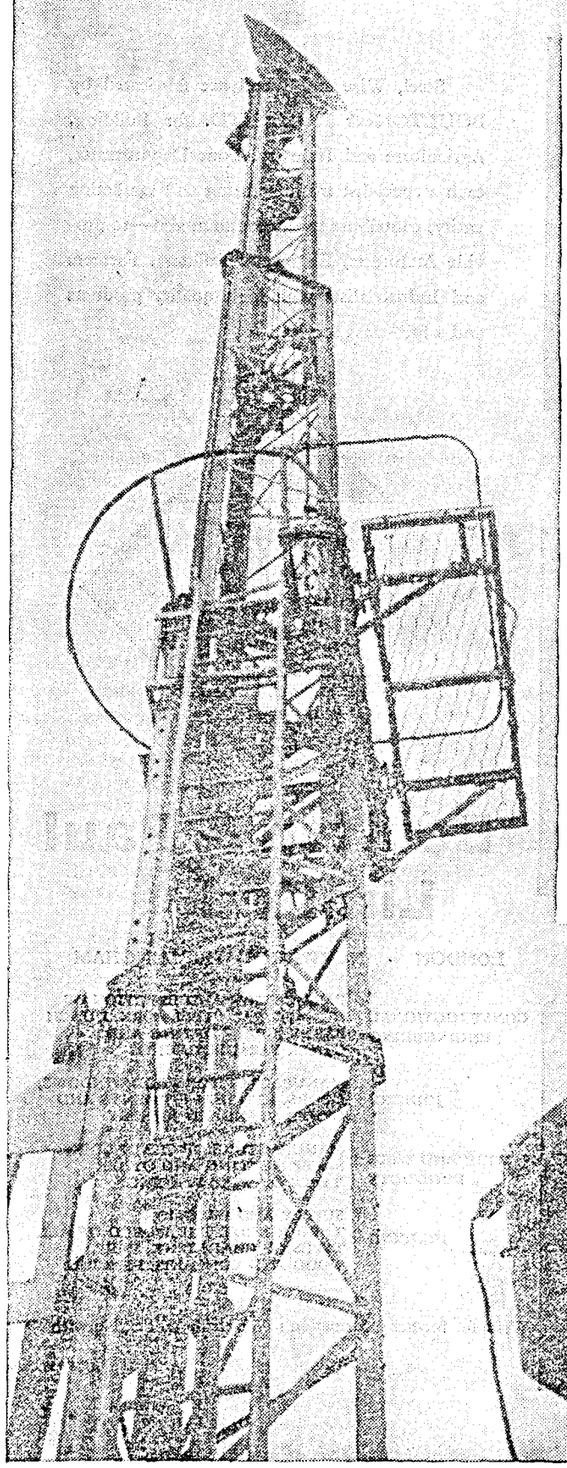
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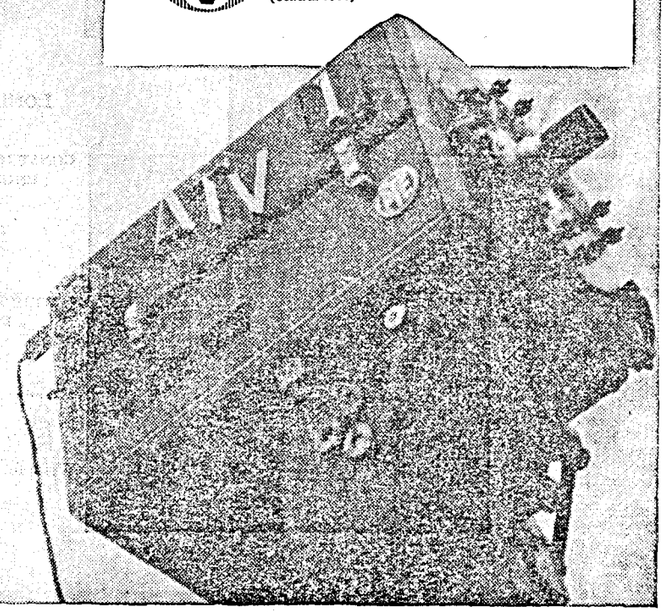
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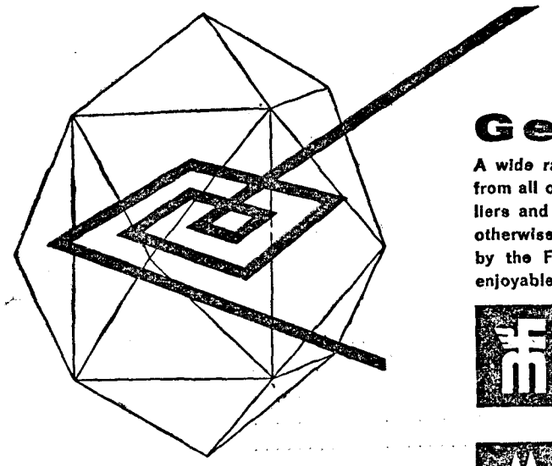
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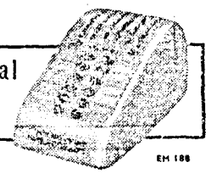
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ASSETS

Cash on hand and due from banks	$242,685,323
United States Government securities	235,000,649
State and municipal bonds and notes	61,003,628
Other bonds and securities	11,877,035
Loans and bills purchased	391,219,811
Accrued interest, accounts receivable, etc.	4,789,294
Stock of the Federal Reserve Bank	2,100,000
Investments in Morgan Grenfell & Co. Limited, Morgan & Cie. Incorporated, and 15 Broad Street Corporation	6,135,000
Banking house	3,000,000
Liability of customers on letters of credit and acceptances	24,749,294
	$982,560,034

LIABILITIES

Deposits: U. S. Government	$ 38,036,883
All other	770,401,501
Official checks outstanding	49,430,287
	$857,868,671
Accounts payable, reserve for taxes, etc.	11,775,138
Acceptances outstanding and letters of credit issued	24,865,389
Capital—350,000 shares	35,000,000
Surplus	35,000,000
Undivided profits	18,050,836
	$982,560,034

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The Economist

JANUARY 17, 1959

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The Way to Reflate

THE parliamentary term which starts on Tuesday will be an occasion for major economic decisions. This is not because anything has happened in the recess which suggests that reflationary measures are now going to be more urgently needed in order to save people's jobs. Indeed, rather the reverse. The signs are that Britain may already have begun to pull out of its small recession, somewhat earlier than anybody except the optimists had expected; both the index of industrial production for November and the unemployment figures for December give indications to that effect. Even some normally gloomy prognosticators of the new year's economic prospect are now guessing that, even without any further reflationary measures by the Government, production should rise slightly in 1959—perhaps to, say, 2 or 3 per cent above 1958 levels. The big question, however, is whether the Government is now ready to make the psychological break away from assessing how much reflation is needed to assessing how much reflation can be afforded.

The orthodox economic arguments why quite a lot might be afforded have just been set out in the debutant issue of the *Review* of the National Institute of Economic and Social Research (see page 245). "There is now," says this new and closely reasoning addition to the academic economic establishment, "a considerable margin of excess capacity in industry which, with present reserves of labour, should readily permit a rise in industrial production of 10 to 15 per cent in about two years." To bring this capacity into use would plainly necessitate the release of several hundred million pounds' worth of additional purchasing power.

If there is such a release soon, it is probable that Britain's present considerable balance of payments surplus will be reduced; but the institute's argument is that this will happen anyway when expansion gets going again, and that the period ahead is one in which it can be afforded more easily than usual. Perhaps re-expansion would also bring with it a risk of rising prices, but the institute believes that "there is now substantial scope for increases in productivity," which should help to keep costs stable. To these arguments the outside observer should add two points. First—and this can reinforce the economists' optimism—the trade unions seem less likely, even in a re-expanding economy, to press exorbitant wage demands to the point of strike threats this year; they feel that this would cause political damage to the Labour party just before a general election. Secondly, however—and this is the real rub—the external barrier to re-expansion in recent years has not been the exact statistical state of the current balance of payments, but the largely psychological state of foreign confidence in the pound.

One can agree with the economists that, if ever a substantial measure of re-expansion can be afforded, the strictly economic conditions are never likely to look more ripe for it than now. But they looked nearly as ripe in early 1957, and look what happened then. All experience since the war has shown that neat arithmetical calculations of a Chancellor's elbow

room can be constantly upset by the fourth dimension of economics: by the degree of confidence, buoyancy, *incentive and initiative in* and about an economy. The task this year should be to recapture that confidence trick in a re-expanding economy. If any re-expansionary measures which Mr Amory takes look like give-away gestures made under pressure, then his scope for reliefs without misfortune is likely to be much less than hopeful economists at present calculate. But if his policies can be made to look like a determined advance towards a new order of Conservative society, particularly in a year when foreign holders of sterling are likely to cheer on any increased prospect of Tory electoral victory, reflation this year might be able to go even further than prosaic economists at present presume. What measure would best fill the bill?

Would the right recipe be special steps to encourage investment? That would please many economists, but it seems very unlikely that a great new economic dynamic could be found by laying too much emphasis on subsidised inducements to add to an industrial capacity which is being under-utilised already. Would the right crock be found at the end of the rainbow by an extensive reduction in purchase tax, either this month (to avoid depression in the shops while awaiting such tax cuts in April) or in the ordinary budget? The consequent reduction in the cost of living would placate the trade unions, but the unions are not the people who most need placating this year. The spectacle of British consumers being encouraged by sizeable cuts in purchase tax to go on a sudden spending spree would not be likely to impress foreign bankers, many of whom think that popular spending on frivolities in Britain is quite high enough already.

Is it not much more likely that the right policy would be for Mr Amory to concentrate his efforts on the most ambitious possible assault on Britain's astronomical rate of income tax? Many foreigners (and some shrewd natives of this country) envisage the English as a people whose sense of initiative and responsibility is hopelessly downtrodden by some of the highest marginal rates of income tax in the world; they also believe that if a substantial reduction in income tax rates were made now, any incoming Labour government would find it politically difficult to raise rates quite back to their old level, so that this would remove one of the main weapons through which a Labour government might carry on a form of administration which foreign holders of our currency particularly dislike. Moreover, there is at least a possibility that they are right in both conclusions.

Each shilling cut off the standard rate of income tax, with a proportional reduction in the reduced income tax rates, would now cost a Chancellor some £280 million of revenue a year, of which over £100 million would go to business enterprises rather than to consumers. No doubt many stern realists will say that to mention even a shilling is wildly inflationary. No doubt many economists will propound that other tax reliefs would do more direct good to particularly deserving or depressed sections of the economy. No doubt departmental ministers will be pressing for increases in their own public investment programmes (for which they can make a reasonable case); and there are arguments about timing, about vote-getting (income tax cuts naturally favour those with the biggest incomes), and about debt management that will be heard as well. But the task of a statesman is to listen to his professional advisers on economics, political machinery and finance, and then to add his own touch of instinctive flair. The instinct one would like to inculcate into Mr Amory for the next three months can be expressed in a single sentence. There are largely uneconomic, wholly unstatistical, partly illogical but nevertheless plausible reasons for suggesting that every pound's worth of income tax relief this year would bring less risk to sterling than every ten shillings' worth of reflation made in any other way.

A Chance to Talk

Russia's aims remain obscure, but the shift from Berlin to the broader German question makes useful talks possible

To any sanguine souls who imagined that Mr Mikoyan's remarks in America augured a hopeful change in Soviet policy, the Russian proposals on Germany have been a disappointment. The Russians have proposed a conference to discuss a peace treaty. But the timing is impracticable—within two months; the attendance—31 countries—too cumbrous; and the substance of the proposed treaty contradicts what has been a basic postulate of western policy—that a peace treaty can only be signed with a freely elected all-German government. The treaty, says Moscow, must be signed by the two existing German governments. Progress towards unity is also left to them. *En passant*, the note suggests confederation between the two. That, as the communists interpret it, appears to mean the maintenance of a communist regime in the existing German Democratic Republic. It means, as it stands, perpetuating the present partition.

Mr Dulles has dubbed the Soviet scheme "stupid" and Mr Eisenhower terms it an "exercise in futility." It has caused general dismay among the Germans. Yet it would be a serious mistake to regard the Russians' proposals as merely offering no change. On November 27th they demanded the end of the occupation regime in Berlin and said they would hand over their own occupation powers to the Democratic Republic in six months' time. On New Year's Eve the western powers refused to give up their position in Berlin, but called for broader talks on Germany. Now the Russians have inched forward from their first position. They are not, it seems, delivering an ultimatum. They are, after all, *offering to talk, in their fashion*, on Germany as a whole. They still intend to hand over east Berlin, and their functions in regard to the western approaches to Berlin, to the Democratic Republic. But even on Berlin they leave room for counter-proposals; and if the western powers want "preliminary exchanges on the contents of a peace treaty" before the proposed conference, Russia will agree—given the participation of both German states. The rub is that, both in the transfer of functions in Germany and in the proposed talks, the West is asked to give recognition, *de facto* or *de jure*, to the existing East German regime.

It is this requirement that sticks, inevitably, in the gullet of Dr Adenauer and, to a lesser extent perhaps, of Mr Dulles. Yet the western response to the Russian proposals themselves cannot simply be negative. Many people in the West, as well as in, say, Poland or Czechoslovakia, may agree that some of the points in the Russian draft treaty are fair starting-points, at any rate, for discussing the place of a united Germany in Europe. Certainly there can be no agreement on German unity without agreement first on the frontiers and military status of the new united state.

The western obligation is to discuss, if there is the chance of progress, not simply to accede to the Russian bid. The West cannot sign a peace treaty unless German unity is at least on the way. But even this must be approached with an open mind. On Tuesday Mr Dulles himself conceded that free elections are not the only way to unity. Eventually, of course, the Germans must —indeed they will—decide their own destiny themselves. But the process of unification must start from the situation as it is. It has to be accepted to start with that the Democratic Republic does exist; but it is equally a fact, of which the West must make properly intelligent use in any discussions, that the great majority of its subjects would pitch it overboard the moment they felt it safe to do so. This is the great change in the balance of bargaining since the years just after the war. Then the fear was that, if the barriers in central Europe came down, communism might spread westward. Now the fear, Russia's fear, is the other way; given the choice, and uncowed by the presence of Soviet arms, the east Germans (and others) would choose a freer system.

Precisely because of this fact it is very much in the western interest to develop early contacts between east and west Germany. A closer economic relationship, for example, by *bringing* large-scale capital *from* western firms into east Germany's enterprises and freeing it from its economic bondage within the Soviet block, might be a valuable prelude to reunion. Once Russian troops withdrew—if ever that is likely to happen—the Democratic Republic could not last long, and German unity would be on the way. It is well worth while, in hard bargaining, to explore the chances—*without being deceived* by any false hopes.

It is, of course, the political importance of any conceivable withdrawal of Russian troops that makes *military disengagement in central Europe* so much in the interest of the West. Disengagement is plainly the only context in which German reunification could take place. The difficulties are obviously formidable. Russia's offer to withdraw its troops only from Germany, leaving them in Poland and Hungary, is clearly not enough, if a safe military balance in Europe is to be preserved, as *it must be*. But the important thing, when the prospect of piling up more atomic arms in western Germany has so alarmed not only the Russians but also Germany's other neighbours, is to see, in open-eyed negotiation, what, if anything, can be done to turn back the tide. The second Rapacki plan for a nuclear-free zone in central Europe offers some basis for a start to discussion. A scheme which brought international inspectors into the satellites would have real significance.

In this context what the West has to say about Berlin is important. The West cannot place the two million people of west Berlin at the communists' mercy—which is what the Russian proposal for a "demilitarised" west Berlin means. The idea, set out in *The Economist* of December 6th, that the West might propose the demilitarising of the whole city provides no sort of solution, by itself, for the Berlin problem. As was then said, it is realistic only in the setting of a wider accord, with guarantees, for Germany at large. But, if foreign troops in Germany were actually being gradually withdrawn, if atomic arms were under ban on both sides, and if the two states were coming practically together in their daily life, then the demilitarisation of all Berlin might help to speed reunion.

There is no possible way of knowing whether the Russians would in any circumstances be prepared to do any of these things. They will follow their own interests; and, plainly, even if they do want a settlement, they are going to try to get the best terms they can. Obviously, if they can persuade the West to keep its nuclear armaments out of western Germany, to recognise the Democratic Republic, and to give way in Berlin, without themselves conceding anything in return, they would be delighted. And the West must firmly and unequivocally refuse any such one-sided claim. But the one way for the West to test the Russians' intentions is to talk to them—confidently, and with its own counter-proposals.

How Green Are Our Diplomats?

Caught with their striped pants down in Baghdad, in Paris and now in Havana, Britain's diplomatic representatives need a closer examination than they themselves are evidently able to give to their surroundings

THE Fleet may be shrinking, but Nelson could still take pride in the doughty defence of his tradition by Britain's Foreign Service. It has formed a habit of clapping the glass to its sightless eye right up to the moment when some new catastrophe hits it, custard pie like, slap in the other one. Last year Her Majesty's envoys were taken completely by surprise by the military eruptions in both Baghdad and Algiers. More recently—if ministers are to be believed, and Commander Noble is, after all, an honourable as well as a gallant member—our men in Havana failed to notice that a civil war was going on until the fighting was pretty well all over bar the shooting of the losers.

In each case—and there have been others—advance warning could have been got without any need to coax cloaks and daggers from Ministry of Works storekeepers. Our diplomats did not have to slink in Haroun al Rashid's tracks through the bazaars, or steal the saddlebags containing The Papers, or smuggle beautiful temptresses, disguised as bagwash, into the bedrooms of the chief conspirators. They had only to read reports published in papers as reliable as (and including) the *New York Times*, and to keep in touch with equally respectable, though admittedly unofficial, persons who were fully alive to the way things were going. In the three cases cited they could have got their information without even having to wrestle with such notoriously exotic languages as French, Spanish or Arabic.

The indictment must be tempered. Its purpose is certainly not to torment a diplomatic service which cannot itself answer back (though it has some formidable champions who are free to joust on its behalf). It is rather to initiate a search for remedies. To begin with, one knows no more than Edmund Burke the method of drawing up an indictment against a whole service. Exceptions abound, many of them admirable ones. There is brilliance as well as ballast among British diplomats; and there is a wealth of solid ability. Diplomatic readers of *The Economist* may recall that it has on various occasions—notably, perhaps, in the issue of August 3rd, 1957—taken their part against their sillier critics. And the service has a proud record of loyalty—loyalty both to fellow officials and to even the dimmest of its ministerial masters. This seals its lips when it is unjustly blamed for what is really a politician's bloomer. It is a valuable quality; the example set by American and French (pre-de Gaulle) officials in vocally canvassing umpteen different policies at the same time is not an encouraging one.

Yet that same loyalty may contribute to the present alarming epidemic of myopia. This is not to accuse the Foreign Service of being exceptionally prone to "cover up" for its less competent members; nor is it to suggest that British diplomats are deferentially apt to report only what they think their superiors want to hear. (This last nightmareishly dangerous failing certainly besets the Soviet and other fear-ridden systems, and after McCarthy's evil hour it has had some noticeable effects on American diplomacy too.) But the corporate sense of the Foreign Service embodies some of the vices as well as the virtues of the British "public" school system. Conformity in thinking may not be as over-stressed as critics sometimes suspect; but conformity in conduct is. And some of the things which are "simply not done" need to be done.

IS it over-fanciful to detect in this at least one root of the trouble? Good manners are admittedly one of civilisation's essentials, but too much anxiety about them can have an inhibiting effect. Many British diplomats have the art of mixing easily in any society; but many others, aloof either because of their training or in an attempt to conceal awkwardness, leave a questionable impression both on foreigners and on their fellow countrymen. Some scarcely bother to conceal their boredom or unease in the company with which it is their duty to mix. Far from complaining about the over-frequent and often fantastic transfers that keep them scudding about the globe, they seem quite content with the excuse this system provides for their not troubling to master languages or probe beneath local superficialities. They may not be instinctively either snobbish or race prejudiced; but they are apt to arouse suspicions that they are, because they conform to a pattern of reserve, muscular Trappism, and revulsion from the least hint of alien fulsomeness, that was laid down by Dr Arnold at Rugby a century ago. And while their colleagues and superiors doubtless criticise frankly enough any technical inefficiency they show, even their best friends may well hesitate to tell them that this impeccable Rugby form is out of date and liable to keep them sadly out of touch.

Example from above is the only means of curing this malady. Happy is the junior diplomat who works under a master of the art of making contact (which does not call for a more than Rotarian heartiness, but for an approachable warmth and a genuine interest in other people's affairs). Unfortunately there are still to be found among the top ranks of the Foreign Service some practitioners of the lack of personality cult, some west-of-Suez, suburbia-minded innocents whose attitude towards non-pinko-grey people combines courtesy with total inability to regard such people as real, and some embusqué survivals who seem to feel that prewar Geneva was really quite as far as one could decently go in mixing with the mass of mankind.

The public has no chance to judge these men until, safely retired, they ventilate their terrifying ignorance of our changing world in memoirs, the posh papers, or Another Place; but their subordinates know their deep-frozen preconceptions all too well. Malleable subordinates may know better than to keep drawing H.E.'s attention to discrepant facts which disturb his liver as well as his Panglossian conviction that everything is under control. Less malleable diplomats may, like honest doctors, speak as they find—and later learn with horror that somewhere along the proper channels their timely warnings had been pigeonholed by an official determined not to let the Foreign Secretary be bothered by panicky nonsense. And, of course, the minister himself (and even his prime minister, as has been known) may suddenly embark on an adventurous policy against which the diplomats deployed in the area affected would have warned him practically with one voice—if only they had been given some inkling of what he was about to do.

Either way, British diplomacy is liable to end up looking myopic rather than Machiavellian, and its best men get tarred with the same brush as its boobies. One cannot hope for a clean sweep of its defects; but a start might be made by unfreezing some upper lips, taking the plums out of some mouths, and adopting the friendly grins commonly found on the faces of, say, the Canadians upon whom British diplomacy now often depends to help it to its feet after its pratfalls. To be warm and approachable does not, admittedly, ensure that one will always win friends and influence people; but when combined with a shrewd good sense, it does make it rather easier to find out what is going on in the world.



HMG Requests the Pleasure



The Government has an official organisation for throwing cocktail parties. But does it throw too few?

THE great gilt-encrusted mirrors of Lancaster House have reflected the glitter of state conviviality for over a century. "I come from my house to your palace," said Queen Victoria, when visiting the Duchess of Sutherland there. But today the uniforms and *tenues* which emerge from the equipages that deliver guests to the entrance are less obviously up to the standard of the decor. Gatherings of aviation officials, world zoologists, trade delegates and even diplomats tend to be subfusc under such regency opulence, although African or Eastern robes may sometimes conjure the sense of the past.

Lancaster House at least imparts an impressive air of occasion to government dinners and cocktail parties. It is an air cheaply bought at the price of the house's maintenance (borne by the Ministry of Works vote), and it does something to plump out the modest sociabilities made possible by the annual grant in aid of the government hospitality fund (Class 1, Vote 13 in the annual civil estimates). The great hostesses and princely establishments have vanished; the state can no longer count on private enterprise to receive its guests fittingly. What must be done must be done by the taxpayer, and he is lucky to have had Lancaster House presented to him by Lord Leverhulme to do it in. For the Treasury has no intention of competing with the past in any other direction. The policy is one of providing an irreducible minimum of hospitality done in decent order by a small and efficient unit within the Treasury establishment.

The unit organises government hospitality—which of course extends far beyond the functions held at Lancaster House. For instance, official lunches and dinners often have to be laid on at No. 10. Receptions may occasionally be more appropriately held at Hampton Court or even the Science Museum, depending on the provenance of the guests. Then there are hotel and other bills to be paid. Eminent state guests (if not staying at their embassies or at Buckingham Palace) are put up at Claridges and the Dorchester—others at more modest places suited to their station. The bills go to the debit of the government hospitality fund.

There are also the bills of the private contractors who tender for the dinners, lunches, cocktails or evening receptions wherever held. A bare half dozen firms come

up to the exacting standards of price, provisioning and security that are required of those who wish to be caterers to HMG. They have to look on the business as good public relations (which it is), and as splendid training in what is *comme il faut* (it is all that); there are no fortunes in it. The government insists on good fare, and first class but not frenchified cooking. The contractor has the onerous task of taking charge of the Government's own stocks of glassware, china, silver and cutlery; and his waiters must be beyond suspicion. He must serve, under the Government's butler's severe eye, the Government's own wines. Lancaster House is fully equipped with these; a voluntary committee of experts (on which it is an exacting but interesting honour to serve) purchases wines and spirits for the cellars at the rate of some £3,000 a year. On these unusual Treasury liquid assets the taxpayer makes a handsome, but rarely enjoyed, capital appreciation. There is no nonsense, of course, about insisting on Empire wines (although they may be stocked); but one residue of the dollar problem is to be found in continued investment in Jamaican cigars. Some nervousness was felt about this, but complaints have been gratifyingly few. Whether a detente with the new Cuban regime will require partial return to the Havana standard remains to be seen.

THE taxpayer's guests are thus fittingly received. Yet the total annual outlay under vote 13 is notably small. In 1956-57 it was only £67,501 10s. 3d.; in 1953-54 only £37,536 19s. 9d. In 1948-49, when Labour was throwing the parties, it was £110,628 16s. 4d. The latter figure seems more commensurate with the scale of entertaining before the war when (as we all know) the cost of a "do" was much less than half what it is now. For in 1937-38 the government spent £46,734 on state guests, and even as long ago as 1922-23 it spent £14,829. Expenditure has risen unevenly from the initial grant of £6,000 instituted in 1908 (by Lloyd George, just before his squeeze-the-rich budgets). But the number of guests to be entertained is hardly declining. (Consider the Commonwealth alone.) The conclusion must be that in recent years the Treasury has been economising. It has been permitting fewer parties or insisting that parties shall be smaller.

The rule is that a request to entertain Somebody or some Body must come from a minister (obviously the greatest number come from the Foreign Office). Provided that the guests rate for ministerial importance—to ensure which, the minister or his deputy must in person be their host at the party—the Treasury contends that such requests are never turned down. But its rules keep down the parties; and there is always liable to be a delicate *pourparler* about just how big or lavish a party is called for. Lunches may be substituted for dinners. It is rare for all the rooms of Lancaster House to be filled (they will hold over 1,000), rarer still for larger premises to be taken for a still greater number.

Thus the taxpayer may be assured that no great hordes of nobodies are now being dined and wined at his expense. In fact, the number of functions, large and small, averages 350-400 annually, many of them small cocktail parties at £50 a time. The accounts give details only of a score of major affairs; these, too, vary so much that no very significant conclusions can be reached. At first sight, the expansion of the Commonwealth would seem to be revealed in the fact that the cost of the 1957 prime ministers' meeting was £14,994 against only £7,143 in 1953. But the Labour government spent £11,420 on no more prime ministers in 1948; while the cost of the Imperial Conference in 1922 was £23,000. Length of sojourn and size of staffs are variable factors as well as consumption of champagne. The visit of Messrs Khrushchev and Bulganin cost £11,231 in 1957, King Feisal only £714. (Labour spent £1,655 on the Shah of Iran). The Soviet parliamentary delegation was also the most expensively entertained of any in recent years at £4,355; the Jugoslav MPs cost only £1,215, the American Congressmen only £1,211 and the Danish parliamentarians only £971. Naturally there are several degrees of state visit; but it is to be hoped that guests do not look up the accounts and make invidious comparisons.

At bottom, the Treasury's view of a really fitting entertainment policy is probably that it should be mainly concentrated on heads of state, brass-hats, parliamentarians and colonial leaders demanding independence. The entertainment of a conference of the top men in air safety or geology is rare; to bang £520 on the London Fashion Fortnight was exceptional. Parties thrown for such people as athletes (e.g., Empire Games) are modest. Parties given to meetings of learned and scientific societies average hardly one a year.

ECONOMY is gratifying. But an international reputation for stinginess would not befit or profit a trading nation in a competitive world. The blunt fact is that the British Government spends less on hospitality than the government of almost any other major western country. It is true, of course, that much more hospitality is given than is covered by vote 13; each department has, under its "travelling and miscellaneous" subheads, the wherewithal for an occasional sedate binge. But HMG appears to some of the rest of the world to be a rather reluctant host, very selective in its guests. In particular it shows none of the eagerness to attract, by a round of official receptions and so on, the conventions and conferences of learned men and women which are such a feature of state entertainment in other lands, even those that do not have a Ministry of Culture to insist on its importance.

The hospitality vote has been debated in Parliament only once—on Conservative allegations of waste in the administration of the government hostel at No. 2 Park Street ("The Cripps Arms"). This was proper; but perhaps the very success of recent economies ought now to stimulate MPs to take another look at this question, and consider just what sort of a figure Britain ought to cut as a host among the nations.

NOTES OF THE WEEK

THE ECONOMY

Particular or General Remedies?

SHORTLY before he left on his meet-the-people tour of North East England this week, Mr Macmillan held a special meeting at Downing Street of those ministers who are primarily concerned with the economic situation. There is nothing surprising in this. Such an assembly was to be expected towards the end of the recess, to decide whether or not to take early steps to re-expand production and employment. Subsequent speculation in the newspapers —about the possible appointment of a big industrialist as "Lord Job-Finder" for the development areas and so forth —probably flowed from intelligent assessment of what was likely to be discussed rather than from any precise knowledge of what was decided.

Broadly speaking, there are two alternative decisions which the Government could take in order to help re-expansion along. The first of these would be to intensify the policy of trying to poke new production discriminatingly *into particularly depressed areas of the country.* There is no doubt that the Government is disappointed at the comparative lack of response to its offer, under the Distribution of Industry Act last summer, that industrialists who directed their new enterprises to areas with above-average *unemployment could secure advantageous finance from the* Treasury. For some time, therefore, the idea has been mooted that this programme might be made to look more attractive if an industrialist or committee of industrialists were recruited to manage it rather than the Board of Trade, and if some of its provisions were extended. But the more logical conclusion to draw from the relative failure of the Act is surely that cost accountants seem to agree that there are bigger disadvantages involved in moving jobs to the workers than the politicians had hoped. Instead of recruiting some super-industrialist to bully or cajole other industrialists to go against their better judgment, it would be wiser to switch policy back towards helping unemployed workers to move to more extensive opportunities for jobs.

As is argued in the leading article in this issue, the best medium of general expansion this year, for a Chancellor who keeps his eye on long term objectives as well as short term ones, would be the biggest practicable reduction in income tax rates. If that decision were taken, the question of timing would be comparatively unimportant—although to advance the budget to some date before April, as was done in 1952, would not do any obvious harm. If the less enterprising alternative of concentrating on purchase tax reductions were adopted, then there would be a stronger case for advancing the announcement of them to before April, rather than allow a depression caused by anticipation of them to hang over the shops for another three months. But here again arguments about timing are arguments only of degree. To spur forward general re-expansion by means other than tax cuts, because of a political desire to do something early and because of the presumed administrative inconvenience of advancing the budget's date, would probably be the least satisfactory decision of all.

MIKOYAN IN AMERICA

Kind Words for "Traitors"

MR EISENHOWER very sensibly remarked on Wednesday that he did not yet know just what Mr Mikoyan's "holiday" in America was meant to achieve, and, equally sensibly, he invited the newspapermen with whom he was lunching to give him their opinions. The one thing he was quite firm about was that he did not want his Armenian visitor's informal call this week-end to develop into negotiations about definite proposals. Moscow's spokesmen have been even more discreet about the coincidence between Mr Mikoyan's holiday and the publication of Russia's latest terms for Germany; according to the Soviet press, the deputy premier's journey reflects his government's wish to find a "common peaceful language" with the West.

Mr Mikoyan has certainly been smoking the pipe of peace with the ogres of Wall Street, the monopolists of the Middle West and the decadent anti-social elements of Hollywood. He has been particularly smooth-spoken about his own former colleagues now in disgrace. While the Soviet press has kept up its onslaught on the "traitors" and "double-crossers" of the "anti-party" group, Mr Mikoyan has been reassuring his American audiences that they are still honourably employed and regarded as valuable assets. He expressed his "respect and admiration" for Mr Molotov, criticising him and Mr Kaganovich only for a tendency to conservatism.

These remarks, astonishingly in conflict with the line taken up by Mr Mikoyan's colleagues in his tactful absence, may amount to no more than a desire to please American listeners. Yet it is possible that Moscow's latest witch hunt is meeting resistance, and that Mr Mikoyan is among those who do not want to press it too hard. The persistent rumours that Mr Molotov is to be transferred from the distant oasis of Ulan Bator to the post of ambassador at The Hague lend some weight to these speculations, and at least make it seem less likely that the fallen titans are about to be brought to trial.

BAGHDAD PACT

Friend and Allies

THE last session of the Baghdad Pact council, in London last July, was in the form of a wake at which the United States tried to cheer up the surviving members of the family. Iraq was gone, Nuri es-Said, the architect of the pact, was dead. The future of Iraq was uncertain, but there was little prospect that it would retain any effective links with the pact.

Already a member of the military, counter-subversion, and economic committees of the pact, the United States pledged itself to become even more closely associated with the members, without becoming a full member itself. At an earlier stage it may have remained outside in deference to the feelings of King Saud, but now it could not easily or

quickly join because of constitutional limitations on treaty-making. During the past six months, however, it has been preparing bilateral agreements with Iran, Pakistan and Turkey. These efforts to patch up the pact have not gone unnoticed in Moscow. In October, Iran was warned that the Soviet Union could not "remain indifferent" to a treaty that subjected its southern border to immediate danger; the Pakistan foreign ministry has had to reply to a similar protest this week, Iran got another long-range missive from Moscow.

Meanwhile, the Iraqi government has opened its doors to the Russian influences the pact was partly designed to stop, its ambassador in Cairo has pronounced the pact dead, and demonstrations in Baghdad make it clear that the government in power now could not, even if it had any wish to, take an active part as a member of the pact. Iraq has in practice defected, but it need not, according to the terms of the pact, tell the other members until September.

The pact organisation has been given a new start in Ankara, but its files and its headquarters building remain sealed up on the outskirts of Baghdad. The pact council meets again in Karachi on January 26th. The proceedings should be a bit less funereal than those in July, but the problems are, if anything, trickier than six months ago.

LONDON UNDERGROUND

The Turning Worm

THE London Underground's sit-down strikers have won a certain moral victory. It is now admitted that passengers differ from "luggage with legs" (to use the horribly revealing phrase of a London Airport spokesman) to the extent of requiring an explanation when something goes very wrong with their journey. More loudspeakers, better briefing of station staff, and more consideration all round, are promised. High time, too. But this does not—and should not—mean that there will never again be any of that infuriating (but sometimes sensible) decanting of eight-carriage trainloads to await, for seemingly interminable periods, the arrival of six-carriage trains already crammed to bursting point.

Behind the squabble lies the fearfully complex question of costs and price policy in a highly capitalised public transport monopoly. London Transport cannot fairly be accused of giving inadequate service for the passengers' money; indeed, since it is in deficit, the main trouble is really that it gives too many services for too little money. There are three ways out of this dilemma. One way is to raise fares; on the whole (though it and the public rarely dare to admit this) London Transport has not raised fares enough. A second tempting expedient for an organisation in deficit is to rely too long on making do with decrepit equipment, instead of spending money on replacing it. On the whole, London Transport has relied on this way too much. Many of the (on average) eighteen instances a day of passengers being turned off London Underground trains are due to faulty equipment. The third way out of a deficit is to make economies in running costs. Asking passengers to change trains is sometimes a way of achieving them. London Transport's main organisational problem is to be able to meet demand at the rush-hour without carrying too much uneconomic idle capacity outside it. To turn a proportion of trains round at an intermediate point on their run and send them back into the thickest of the fray, leaving a thinner service to carry the thinner traffic seeking the extremities of the system, is sometimes a sensible means of doing this.

Suspicion remains, however, both that other ways of economising may remain neglected (such as skimming some surplus labour off pay rolls) and that the system of turning round trains has often been dictated more by the convenience of the railway staff than by constructive economy. The convenience of staff (mainly crews accustomed to joining their trains at a particular station) is certainly to be considered when organising turn-rounds; but the fact that staff can unitedly protest about inconvenience while the monopoly's passengers have hitherto suffered in silence makes it humanly certain that the path of least resistance, the first resort rather than the last, has been to load inconveniences on to the passengers. The sit-down strikers have at least made this policy less attractively trouble-free and stimulated second thoughts. Those fellow-worms who have never been exasperated quite to turning point owe them—along with the advice not to make a habit of obstruction—a couple of rousing cheers.

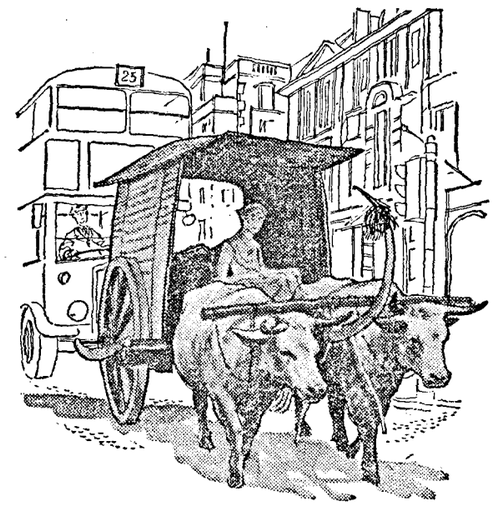
MPS' WELFARE WORK

No Complaints?

LORD ATTLEE and Sir Alan Herbert have been giving fresh currency to a complaint that is more often muttered to each other by backbenchers in private—that MPs are much put upon by the welfare work they are expected to do by their constituents. They both take exception to the weekly or fortnightly "surgeries" which many members hold so that constituents can drop in with their problems. Sir Alan Herbert admonishes the voters of East Harrow that if they elect him as their member: "One thing, I tell you frankly, I shall not do. I shall not act as a kind of glorified welfare agent or poor man's lawyer. . . . A member must have time to think." Lord Attlee suggests that by a "gentleman's agreement" the parties should gang up on the public by agreeing not to compete in providing such personal service.

Nothing in fact could be worse for the malaise that affects Parliament—the people's lack of interest in politics and politicians, and the sense of futility of too many members. It is not the pressure of constituency problems that is preventing backbenchers from being more effective than they are, but the archaic conditions and procedures under which they work. Politicians may well feel that when they have arrived in Westminster they ought to be doing something grander than wrestling with parochial and ill-expressed grievances. So they should, part of the time; and any reform which, within the general framework of the British system, gave them a greater chance of participating in the work of the House should be welcomed. But on the other hand any member who feels no sense of purpose in being a mediatory force between "us" and "them" (as so many people think of their relationship to those in authority) is simply in the wrong vocation.

The argument, often resorted to by MPs who feel themselves ill-used, that a high proportion of their letters ought to be addressed to someone else, usually the local council, is no argument at all. It simply shows that many ordinary people cannot distinguish between the different layers of authority, and need guidance from some identifiable individual on how a problem which is important



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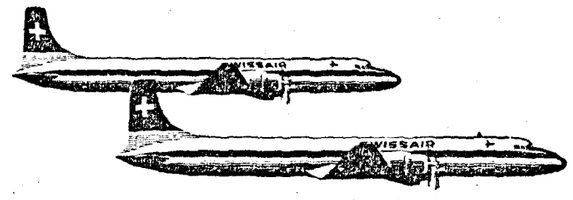
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enough to the person involved is to receive proper attention. A member who deserves his seat should welcome regular contact with real people (instead of merely with other politicians and journalists).

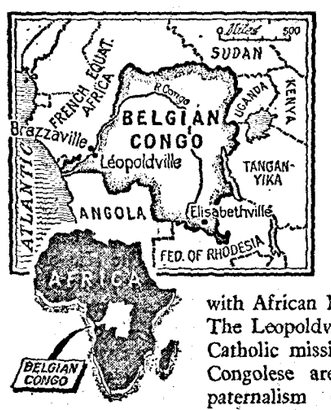
Of course much routine letter-writing is an imposition on a member who cannot afford a secretary and has no office space of his own. The solution is not to deprive the constituents of his services, but to provide all MPs with a decent minimum of facilities. Britain is far behind other parliamentary democracies in providing these.

BELGIAN CONGO

One More 1960 Deadline

After a "soul-searching" parliamentary debate, an openly penitent Belgian government has announced its plan for dealing with the suddenly agitated Congo. The first part is an undated cheque for independence, backed up by a timetable of elections for local bodies which are in turn to elect next year—the year of independence for Nigeria, Somalia and Cameroons—a "skeleton" assembly to which responsibility will be transferred in unspecified stages. The second part involves the suppression of the nationalist Abako party, and the jailing of, among others, three of the elected African burgomasters who represented the first fruits of last year's limited political reforms. The third part is fair play for Africans in the civil service, and other measures to end race discrimination and alleviate unemployment. The fourth is a strengthening of the Belgian armed forces in the Congo.

The Belgians may cling for some time to the idea that the disaster which has overtaken their colonial policy is mainly the work of agitators influenced by the nationalism "irresponsibly" unleashed by French and British policies in Africa. But the inconsistency of promising political advance while suppressing political organisation cannot last. The genie will not go back into the bottle, and the Belgians, like the British and French before them, now have to learn to live with African Nationalist politicians. The Leopoldville rioters' attacks on Catholic missions indicate that the Congolese are tired of the joint paternalism of enlightened big business and a ubiquitous church. This paternalism has threatened to leave the Congo as ill-prepared for statehood as the Dutch left Indonesia; and even if combined with repression, it will no longer hold up the march of change.



The Belgians' wisest course would be to grasp the nettle, while the "soul-searching" mood prevails, and get down to discussions with African leaders about developing in the Congo the representative institutions which the Belgians have long condemned as premature in British and French Africa. If, instead, they concentrate on finding new devices for maintaining their authority, they will be ignoring the lesson of their neighbours' experience—and drifting towards violence on a scale alien to their own inclinations. They would do better to leave that to the Portuguese—and even Portugal's African deadlines will now evidently arrive sooner than has been generally expected.

FRANCE

The Price of Pinay

The first French reactions to General de Gaulle's financial policy of *vérité et sévérité* have been, as expected, not less than anguished. Now the critical time for the government's gamble on prices begins. The socialists' feeling that the new budget weighs too heavily on the poorer classes has already driven M. Mollet out of the government. Although he reaffirmed, in his letter of resignation, that he still supports the general's policy on other issues, including Algeria, the full effect of socialist opposition in the country, as well as in the Assembly, will be increasingly felt. Above all, the government cannot afford a year of industrial unrest.

M. Pinay is banking on the overall price rise caused by his budget not going above 8 per cent. If it does, his advisers believe, the benefit of the latest devaluation will—as in the past—be lost and, with it, the best stimulus to French industry's competitiveness in the common market. Some increases which have been published in the past week show how strong the pressure may become in some sectors. Steel prices will rise by 8-10 per cent, railway transport by 10 per cent, and gas and electricity by 4.5 and 6.5 per cent (more to domestic consumers). A man's haircut will cost 15 per cent more and cigarettes and tobacco 15-20 per cent. The present increase in meat prices, although partly seasonal, fits into the pattern of budget reactions. If this trend becomes widespread M. Pinay's bet will be lost at the outset. But for the moment at least the government does not intend to intervene. It is relying on the psychological effect of the new regime and its reforms, as well as on a continued fall in demand. But a clear sign of popular nervousness about prices has been the spurt in purchasing domestic appliances and similar items since the budget.

The position on the labour front is also in the balance. Union feelings have been critical and watchful, and the Catholic unions have again appealed to the government (which still includes MRP ministers) to modify its economic policy. Gas and electricity workers in Paris have already held a mass demonstration of protest. It may be that the government is depending on the continuance of the present recession to hold the general wages line. But such a policy must eventually increase the Communists' political strength in the country and spur the communist-led CGT to direct economic action.

GERMANY

The Krupp Merger

Last week's merger between the Rheinhausen steel group and the Bochumer Verein carries on the process of reconcentration that has been going forward in the Ruhr for several years. The main medium-sized Ruhr firms—Mannesmann, Hoesch, Klöckner—have long since recombined coal with steel and steel with engineering. The

Vereinigte (united) group, biggest of all before the war, has not regained its former size. But out of it have emerged three major groups, two owned by separate branches of the Thyssen family ; each of the three produces 2 to 3 million tons of steel. Now the main steelworks in the Krupp group has merged with another descendant of Vereinigte. Under the allied deconcentration laws Herr Alfried Krupp was obliged to sell his holdings in coal and steel. As a result he sold his "Constantin der Grosse" coalmines to his Swedish friend, Hr Axel Wenner-Gren, who had already acquired control of the Bochumer Verein. Now both firms have been bought by the Krupp group and merged with the Rheinhausen steelworks, which Herr Krupp never sold. The combined group produces some four million tons of steel a year. The 3.8 million tons of coal it produces, mainly from the Constantin der Grosse mines, should cover 75 per cent of its coke needs. A large proportion of its steel output will go to the engineering industries to which Herr Krupp has devoted his energies since the allies sought to keep him out of coal and steel.

The move has the consent of the High Authority of the European Coal and Steel Community. There is no political provision in the treaty which could justify rejection, and since other French and German firms in the community are already larger, there could not very well be a refusal on economic grounds. But a special and somewhat controversial order has been imposed on the new group: all investment must have the blessing of the High Authority.

The merger still offends the allied deconcentration order, which the west German government took over when it attained sovereignty and which is supposed to be in full effect by 1960. But Bonn is hardly likely to enforce it. Hitherto, Herr Krupp's main argument against carrying out the order has been that there was no one who could afford to buy. The new repurchase suggests that he is reasonably confident that it will lapse altogether. Whether he will succeed in getting a waiver on his personal commitment to the allies to give up the management, as well as the ownership, of his coal and steel works, remains to be seen. Hitherto Herr Krupp has kept his obligation on management, but he is not the only German to regard both provisions as economically unjustifiable, and imposed under duress.

LIBERALS

Third Party Prospects

THE return of Mr Frank Byers, the former Liberal Chief Whip, to the political active list as chairman of the Liberal Party's pre-election campaign committee should give his party the first-rate organiser it urgently needs. But his desperate appeal for a beggarly £50,000 fund, half of which is simply to meet the normal bills of party headquarters, contrasts starkly with the revelation from Transport House that it is thinking up fancy ways to blue £750,000 on its campaign. The Liberals' danger is that in contrast they too may be driven to gimmickry because of the sheer lack of resources for a fully sustained effort. It sounds ominous that Chorley Liberal Association, for instance, which has not yet got a candidate, already has a publicity firm that is advising it to "forget about the Commonwealth and the Colonies and concentrate on what you can do for Chorleyans—after all, they are your prospective customers."

The Liberals have already adopted 186 candidates, compared with 110 who stood in 1955. Of these all except forty-five are fighting Tory incumbents. Save in a very few instances, such as North Cornwall, North Dorset, Carmarthen, Merioneth and Roxburgh, where the Liberals used to hold the seat and have managed to stay second, their main hope lies in the handful of seats where there may be the prospect of a two-stage recovery—first pushing Labour down to third place, and then becoming the main beneficiary of any anti-Tory swing as well as stealing extra votes from Labour on the deliciously ironic grounds that they would otherwise be wasted.

The next election will be a harsh test of the theory that second place is halfway to first. Rochdale, where Mr Ludovic Kennedy will be attempting to better his spectacular performance in a by-election, is probably the constituency where the theory is least likely to work. There are four other constituencies—North Devon, Inverness, Denbigh and Hereford—in which the Liberal candidate forced his way up into second place in 1955 (and in Hereford the same candidate came only 2,000 votes short of victory in a by-election in 1956). In the first three the candidates who did well last time have been hard at work, although in Hereford, oddly enough, there is still no one in the field.

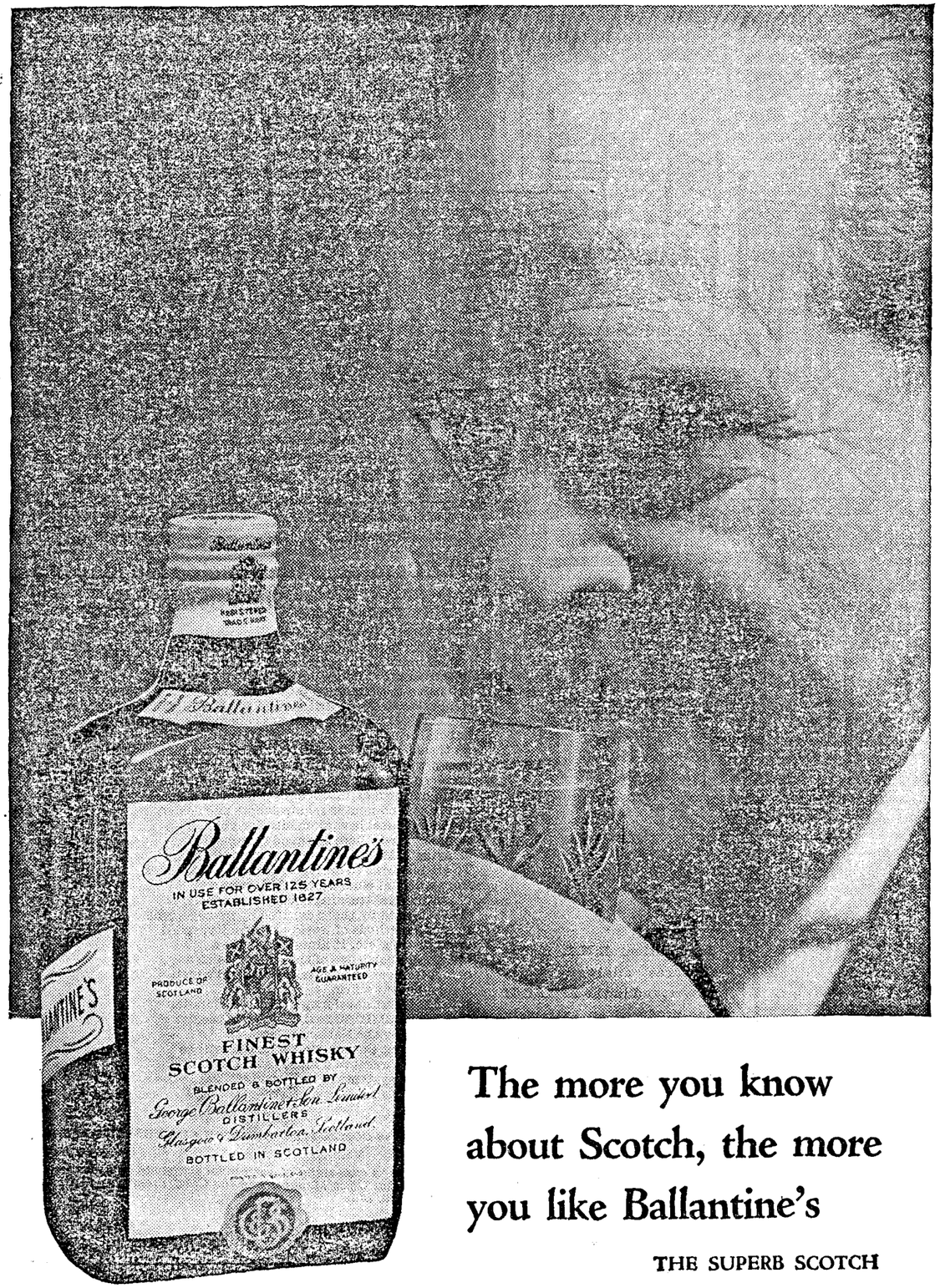
What the Liberal party, which is not going to win many seats in the next election in any case, most urgently needs is to get two or three hell-raisers in the House so that the country is repeatedly made aware that there is a third party in action. Apart from Mr Thorpe in North Devon and Mr Bannerman in Inverness, it is difficult to pick out the future Liberal Sydney Silvermans and Gerald Nabarros from among the Liberal candidates most likely to succeed.

WAGE CLAIMS

Printers Press

THE stage is now set for what is always one of the most intriguing wage claims in any year to a weekly newspaper such as *The Economist*—and this year it could be more painfully intriguing than ever. Last week nine craft unions in the Printing and Kindred Trades Federation approached their employers, the British Federation of Master Printers and the Newspaper Society (who together represent all printing firms except those producing London daily newspapers), with a demand for a 10 per cent rise in wages and a shorter working week. The size of the claim—which, if extra overtime, increased pay and the industry's cost of living bonus are included, would raise printing wage costs by up to 17 per cent—is certainly in part a show of bargaining panache ; but by any standards, and especially those of wage settlements of the last two years, it is still exorbitantly high. The unions have not, however, achieved a united front with their demands. Natsopa, the other large printing organisation, which is primarily a union of semi-skilled and unskilled men, has decided not to join the craft unions in their claim. Instead, it is to present one of its own.

The reason for this split in the union ranks is the constant friction in this most sacred of craft preserves between skilled and unskilled workers. Lack of common policy among the unions over demarcation and differentiation has led in the past to a series of leapfrogging claims. Relations between the craftsmen and the rest were badly strained





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* *Extract from 'A case study of commercial electronic data processing' by the General Office Manager and the Chief Programmer of Boots Pure Drug Co. Ltd.*

five years ago by the dispute between Natsopa and the Machine Managers Trade Society (a small craft union which is now amalgamating with the London Typographical Society) over who should organise the machine minders on the new presses of the *Daily Sketch*. Natsopa has since left the printing unions' federation altogether and is unlikely, in the near future at least, to rejoin.

On the employers' side, too, there have been important changes since the last dispute in 1956. Then only the London master printers came to open battle with the unions; a long dispute followed, during which London printing firms closed down and their customers (such as this newspaper) had to appear from printing firms on the continent. Printing firms in the provinces were only lightly affected. This year a far greater sense of solidarity exists among the employers. They say that they are determined not only to resist the claim, which they have described as "staggering," but also to sign any agreement only with the printing unions as a whole and not, as in 1956, one by one. Much hard bargaining and a period of uneasiness probably lie ahead before the old agreement expires in April.

. . . and Builders Bargain

THE builders are another group who do not believe in doing things by halves. Last year, with unemployment threatening in their industry, they claimed an increase of 8d. an hour in their basic rates, both on account of rises in the cost of living and in order to offset any loss of wages suffered because of a shorter working week. In the end they got an extra 2d., half from an automatic cost of living award and half, five months later, from the Industrial Disputes Tribunal. This same cost of living scale has meant that this February the builders will again get an increase of 1d. an hour. But, alone at the moment among major groups of manual workers, they have now claimed an additional 4d., with extra allowances for dirty work, travel and tools to boot.

These flamboyant claims probably should not be taken too seriously—certainly not as seriously as those of the printers. One reason for this is that there seems to be little steam behind the demand for any immediacy in settling the claim. The question is being shunted into the industry's sub-committees, and probably no decision will finally be reached until late spring or early summer. A second reason is that the workers' negotiating committee, the National Federation of Building Trade Operatives, though covering more than one million workers and having (on paper) unusually strong federal powers over both the industrial and strike policy of affiliated unions, is by no means as powerful as it seems. Builders are not always the most disciplined of unionists, and there is some bad feeling in the federation over the increasing inter-union competition for unskilled workers. Before making any threat of aggressive action, the builders are bound by agreement to ask that their claim should go to arbitration. As the Industrial Disputes Tribunal has now been abolished, the final arbitration body they would go to this year would presumably be the Industrial Court. As they already have an agreement giving them automatic increases when the cost of living rises, they must know that the court, in present conditions, would be quite likely to turn down their claim. The union movement as a whole probably does not regard the building workers as the ideal pace-setters for any 1959 wages struggle.

COMMONWEALTH

Advance, Altrincham

ON Wednesday Lord Altrincham put forward some interesting new developments in Cwthmanship, the principles of which were set out, with notes on recent work, in *The Economist* of December 27th. J. Altrincham's latest findings must, like his earlier, be regarded as purely preliminary; but Cwthmen everywhere, royalist and republican, are bound to take the liveliest interest, as did the mixed audience of Cwthpapermen whom he was addressing.

The suggestion that Mahatma Gandhi, rather than St George, should be Cwthpatron has much to be said for it; it would meet Indian claims to set the general moral tone of the Commonwealth, and would not in practice prevent members from adopting strong-arm tactics against their more irritating neighbours—though some may argue that St George's obsolete type of military equipment accurately reflects the position of the Commonwealth in the thermo-nuclear age.

J. Altrincham's proposal that the Monarchy should preach and practice racial tolerance runs into the difficulty that HM ministers in each Realm write HM speeches for delivery there; they will very properly do so when the Queen goes this year to Ghana, where Cwthman K. Nkrumah is still promising, equally properly, to delay the declaration of a republic until after her visit. Royal speeches touching on racial issues would thus be differently phrased during visits to, say, South Africa and Ghana, though any references to the parliamentary opposition, the duty of judges, and so on, might of course be much the same. Research may show that the difficulty could be met by making a clear distinction between the occasions when the Queen speaks as Queen of a particular Realm and those when she speaks as Head of the Commonwealth; she could be far more independent in the latter role.

Cwthman Altrincham is not the first man since King Solomon to have seen the advantages of royal inter-racial marriages; but the best chance in this direction passed with the later Moghul emperors. It is now for the peerage of which he is a member to begin by developing more racial variety in the Upper House, which could attain new splendour under the title of Lords Spiritual, Temporal and Ultramarine; work on this ploy, following the Life Peers Act, is actively proceeding. But J. Altrincham's suggestion that the Prince of Wales should go to a non-U British state school is perhaps a bit uncwth. Not all Cwth members admire the achievements of our own Ministry of Education; more, perhaps, admire the Public School system, which is an OK but by no means an exclusively UK institution; and in any case the royal house of a cosmopolitan Commonwealth requires a more cosmopolitan training than either of these institutions can provide.

IRISH REPUBLIC

Mr De Valera for President?

OUR correspondent in Dublin writes: It looks as if Mr de Valera's campaign to remove proportional representation from the Irish constitution will culminate in his own removal from active politics and translation to the less exciting pasture of the Presidency. The electorate has

already had a thorough course of instruction in the merits and demerits of the single non-transferable vote. It will now be given an example of the mechanical working of a written constitution.

Last year Mr de Valera's government introduced two bills: one to amend the constitution by abolishing proportional representation and substituting the single-non-transferable vote and single-member constituencies, the other to

Financing the Arts

THE case for an increase in the state's subsidy to the arts has been fervently pressed home in the annual reports of the Tate Gallery and the Royal Opera House, Covent Garden, which have just been published for the financial year 1957-58.

At present the Tate Gallery receives an annual purchasing grant of £7,500; even with its additional investment income, the total money available falls far short of any reasonable assessment of the sum necessary to fill the more serious gaps in the gallery's modern foreign collection. This requires, the trustees consider, a lump sum of £100,000 to overtake arrears and an annual grant of not less than £40,000 for current purchases. These are not enormous sums in relation to present-day prices which, as the report points out, still seem to be rising. While the Treasury is making up its mind, the gallery is to be congratulated on having taken steps to raise some private funds through the subscription society "The Friends of the Tate."

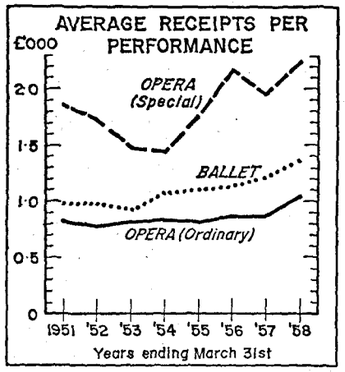
Up till now, comment on the running of the Royal Opera House has been largely speculation. Only with the publication of this first annual report are the accounts made public; they are set out for each year since the formation of the present company in 1950. The taxpayer contributes to Covent Garden in the form of a grant made by the Arts Council; this rose from £145,000 in 1950-51 to £302,000 in 1957-58. But in only one of these years—1952-53—was this assistance sufficient to cover productions of opera and ballet in this country; and even when profits from North American ballet tours are included, the company has been running at a loss in each of the last four years. Its overdraft on March 31, 1958, stood at £163,287.

COVENT GARDEN EXPENDITURE, 1957–58

(Including tours; £'000)

Salaries and wages	781·8
Artists and management	*341·2*
Orchestra	*209·5*
Stage and staff	*177·4*
Administration	*9·6*
Front of house	*44·2*
Buildings	57·4
Rent, rates and insurance	*29·8*
Maintenance, etc.	*27·6*
Production and reproduction costs	62·0
Contract payments	37·2
Touring and miscellaneous expenses	359·4
Total	**1,297·8**

Inflation has been the main cause of rising costs. Until 1957-58, when responsibility was assumed for the Sadler's Wells Theatre Ballet, there had been only a small addition to the number of staff. In 1957-58, the salary



bill for artists and management, including temporary engagements, was £341,190—80 per cent higher than in 1950-51; the rise in the numbers of permanent staff in this category—from 178 to 276—was little more than 50 per cent. The rise in other pay seems to have been greater.

But, inflation or no, the root of the trouble is the vast expense of maintaining the building at Covent Garden and of putting on full-scale productions with a complete orchestra and large cast—in short, of running a great opera house. In 1957-58, when 259 performances of opera and ballet were given at Covent Garden, the total expenditure of the company on all items other than tours was £674,458, or £2,600 a performance. Admission receipts were £334,885—an average of just under £1,300 a performance, or half the actual cost. Tours in that year, including an American visit by the ballet, were run at a slight total loss.

Opera is the worse commercial proposition, rather more costly to produce and less popular than ballet. In the eight years since 1950, the average production expenses for an opera up to the date of performance—that is, the capital, as distinct from the running, costs—were £11,500 (most expensive were *Gloriana* in 1953-54 and *The Trojans* in 1957-58, each of which cost nearly £24,000). A comparable average cost for ballet cannot be given because so few new productions of full-length ballets have been staged. Of those that have been, the *Prince of the Pagodas* and *Sylvia* cost nearly £10,000, and *Ondine*, in the current year's repertory, will probably prove to have been more expensive. The cost of short ballets, forming part of "triple bills," has varied from about £1,400 for *Birthday Offering* to over £10,000 for *Petrushka*.

POPULARITY POLL, 1957–58

(Figures of average paid attendances. Number of performances in brackets).

Opera			
Highest		*Lowest*	
Madam Butterfly	(5) 2,167	La Boheme	(4) 1,517
The Ring	(2) 2,079	The Carmelites	(9) 1,428
Aida	(16) 2,034	Tales of Hoffmann	(13) 1,403
The Trojans	(8) 2,030	A Masked Ball	(10) 1,277
Tosca	(7) 1,907	The Magic Flute	(5) 1,237
Elektra	(4) 1,834	Rigoletto	(12) 1,186

Ballet			
Full-length			
The Sleeping Beauty	(8) 2,120	Swan Lake	(13) 1,983
Giselle	(10) 2,050	Coppelia	(7) 1,857
Sylvia	(4) 2,029	Prince of the Pagodas	(7) 1,542
Triple Bills	(52) 1,965		

In all these years, average attendances and receipts were higher for ballet than for ordinary opera. In four years special opera performances at higher prices were the best attended, and in all years they yielded the highest revenue. The seating capacity of the house is 2,200; last year it was 88 per cent filled on the average for ballet, 87 per cent for special opera and 73 per cent for ordinary opera. For 49 out of the 158 opera performances, the house was less than two-thirds full. Thus, higher prices for all seats for every performance are not the automatic answer, though more might be done by way of selective price increases.

Other countries face more vigorously the problem that opera is no money-maker. One useful change, however, has now been made in Treasury policy. Instead of a flat sum, it has been agreed that the Arts Council grant should henceforth be calculated as a fixed percentage of "approved expenditure," but the rate has still to be settled. The new arrangement will extend over three years, and the directors of Covent Garden believe that, at present-day prices, the annual grant required is about £500,000.

The three big institutions—the National Gallery, the Tate and Covent Garden—have made their annual financial needs clearly known. To meet them all, the taxpayer is being asked for a little more than £300,000 a year over and above what he is at present giving. This can hardly be called a runaway inflationary sum. Is it really worth the Treasury's while to go on boggling at it and to spend so much time haggling over details?

provide machinery for the referendum which is required before any change in the constitution can take effect. These bills have passed their second reading and are now in committee in the Dail.

But the timetable for them has run into that for another political event. Next June Mr Sean T. O'Kelly completes his second term of office as President. (The President is elected by vote of all the electorate, holds office for seven years, and is eligible for re-election for a second term only.) For some time there has been speculation whether Mr de Valera would be a candidate. Originally, most people assumed that the Presidency was probably too remote from practical politics to interest him, and that there would again be general agreement between the parties on a single candidate. But then Mr Costello's party put forward a candidate, General MacEoin. He would probably beat any of Mr de Valera's ministers, but not Mr de Valera himself. Mr de Valera has now indicated to his party that he will stand.

Mr de Valera has always insisted that the poll for the Presidency should be kept separate from the referendum. But it is possible that the Senate will reject the two bills and so hold them up for three months. In that event, the two issues will fall to be decided almost together, and it will no doubt be found convenient to have the voting for both on the same day. Now that Mr de Valera is definitely to stand for the Presidency, the Opposition may oppose the bills less furiously in the Senate than they have in the Dail and let them through in order to separate the issues. Mr de Valera is probably odds on for the Presidency, but it seems very possible that the electorate has not been at all convinced by the arguments against PR. All this reflects Mr de Valera's undying interest in political institutions and tactics. A disadvantage of this is that it takes up time that might be better devoted to economic and social issues; an advantage is that two years ago nobody would have believed that the IRA would have fallen so far out of public attention as it has at present.

HORTICULTURE

Part-time Producers?

THE most interesting and heartening feature of the National Farmers' Union study group on small horticultural enterprises is that its recommendation that the smallest growers should consider taking up other work and running their holdings part-time.

The study group's other findings are all fairly predictable, ranging from sensible advice on making more use of the National Agricultural Advisory Service, on co-operative purchasing, and on the improvement of records and accounts, to the usual plea for cheaper credit, bigger production grants, and higher import duties. The recommendation on part-time holdings stands out from the rest less by reason of its positive content than because it tacitly drops an assumption underlying practically every other pronouncement by a trade union or trade association—the NFU being, in this respect, very far from unique. This is the assumption that the only proper and tolerable arrangement of public affairs is one that will enable every individual currently engaged in the occupation concerned to go on indefinitely making a good living in that occupation. In the farmers' philosophy, the familiar major premise of all arguments about guaranteed prices or the volume of other aid to agriculture has hitherto been that, if these do not guarantee a living income to the very last holder of the very worst-placed and least fertile splinter-holding, then they are by definition inadequate and due for increase.

By advising its uneconomically small members to look outside horticulture for their main source of income, the NFU study group is conceding that there are limits to this usual doctrine of right-to-a-specific livelihood. Were it recognised not only that some holdings should properly be recognised as part-time enterprises but also (by not too difficult logical extension) that some holders should move out entirely, the ground would be cleared in more senses than one. The popularly accepted view that agriculture and horticulture occupy a specially significant place in the social and economic framework, calling for a degree of special privilege, would then become easier to reconcile with the general requirements of economic commonsense—such as that it is a bad idea to give £1 for a shillingsworth, or to encourage the expanded production of something for which the demand is already saturated, or, in general, to pay through the nose for the privilege of misusing one's resources. Any such general recognition is probably a long way ahead. But the report of the NFU study group on horticulture is a straw in the wind.

The Economist

JANUARY 15, 1859

EVERY MAN HIS OWN BOSWELL

THE AUTOCRAT OF THE BREAKFAST TABLE. By OLIVER WENDELL HOLMES. Edinburgh: Alexander Strahan and Co. London: Hamilton, Adams, and Co.

There is a great charm in the familiar yet serious talk of an original and observant man—a charm, too, which is often altogether absent from his writings .... The sudden metaphor that comes as by inspiration and lights up the darkest parts of a subject; the thorough and unshrinking comprehension of whatever belongs essentially to the question at issue; the truths that have presented themselves to us, but which we have decorously banished from our consideration; ... these invigorating elements are wanting in almost all written thoughts, while they are daily experienced in the conversation of intellectual men. These constitute the attraction of Boswell's "Life of Johnson", ... and they also belong in no inconsiderable degree to the "Autocrat of the Breakfast Table". It is a genuine book of its kind, and we predict for Mr Holmes a large share of favour from readers on this side of the Atlantic. ... "The Autocrat" gives us his remarks at a series of breakfasts at an American boarding-house. He has it mostly to himself, though now and then a suggestion or remonstrance is permitted from one or other of the guests at the table. These consist of a schoolmistress, young and timid; a lady of a certain age, strict and angular; an old gentleman, mild and benevolent; a "Divinity-student", somewhat pedantic and priggish; a "young fellow, called John", a sort of American "gent", who is described as having the power of laughing and winking on one side of his face and looking perfectly serious on the other—an accomplishment which we suppose is not uncommon in the States, seeing that Mr Dickens also mentions it as belonging to Mr Scudder, the land agent, in "Martin Chuzzlewit". ... All these characters, it is evident from the very appellations of some of them, are of true native growth. ... The author appears to be a scholar and a traveller, but he has not sunk the Yankee in the cosmopolitan, and we like his book all the better for it; while his thoughts have depth and breadth enough to recommend themselves to cultivated men, whether of the Old or New World.

LETTERS

Baldwin's Statesmanship

SIR—In your current issue, you criticise sharply the tributes which Lord Attlee and Mr Macmillan have recently paid to Baldwin's leadership. Baldwin, you argue, led the country "too slothfully through depression and too calmly down the road to war": his, you state, is precisely the kind of leadership which is not desirable today.

It depends, of course, on how you look at it. (Not all of us feel compelled to base every historical or political judgment on the mythology of the thirties.) It could surely be put differently: truth, as Baldwin said, is many-sided. To me, it seems that Baldwin's achievement was to lead the country united through a general strike and a depression, and to enable it to enter a war in 1939 just as united. I cannot persuade myself that there is any more important function of statesmanship than the preservation of a country's unity.

As you remark, there is material for more than an article in this subject. I will confine myself to only one or two more obvious points.

No one, surely, would deny now that it was largely as a result of Baldwin's vision and influence that it became possible for working-class politics in this country to operate successfully within the parliamentary system. In France, the working class has, up to date, been excluded from the parliamentary regime, and therefore has looked for leadership to what Luthy calls "that internal *emigré* group, the French Communist Party." To prevent any substantial class, group or interest from being excluded, or itself seceding, from the state: this, I would suggest, is a vital property of statesmanship. Baldwin possessed it.

Thirdly, anyone who has read and studied the now copious memoirs of the twenties and thirties cannot fail to appreciate the skill with which Baldwin civilised his own party. The party which, spurred by him, overthrew Lloyd George in 1922 was a greedy party. Baldwin took it and gently and with a consummate practice of all the arts of political leadership dulled its appetite. Duff Cooper's account of how Baldwin handled the "forty thieves" inside his own party is worth reading and re-reading if one wishes to understand what political leadership is. Here, then, a third criterion of statesmanship by which Baldwin may happily be judged: using, as all politicians must, a party based on a sectional interest, he yet turned it into an instrument of national policies.

No one would try to conceal Baldwin's weakness: as Mr Macmillan himself remarked, "he did not understand foreign policy and here he failed." But to deny his greatness as a political leader is to ignore what the true functions of leadership are. Unity, calmness and stability: these are not slight achievements. The country which entered the war in 1939 united and remained in it united until 1945; which stood firm in 1940, when France collapsed; which calmly accepted the return of a Labour Government to power in 1945: this was the country which Baldwin created.

He devoted himself, as a statesman should, to the preservation of the fabric of society. That fabric is still strong, as the past few years have shown, and it is historically inaccurate as well as politically dangerous to deny Baldwin his substantial share of the credit. *Si monumentum requiris, circumspice.*—Yours faithfully, HENRY FAIRLIE

London, E.C.4

Controlled Expansion

SIR—Mr Douglas Jay in your columns seems to be vying with his colleague, Mr Anthony Greenwood, in those of *The Times*, in rushing from one sensational disclosure to another.

Having blue-printed the features of the "planned economy," which so notably failed between 1945 and 1951, he goes on to assure us that "there is no intention whatever that the next Labour government should embark on the nationalisation of the greater part of British industry". Is his party, or is it not, pledged to acquire the shares of the top 500 companies? What do the chairman and vice-chairman of the Labour party national executive say?—Yours faithfully, TED LEATHER

House of Commons

SIR—I am sorry that Mr Douglas Jay in his letter to you of January 10th should have decided to avoid the question put by Sir Robert Renwick and commented on by myself; namely whether or not the Labour party is genuinely abandoning nationalisation or merely abandoning the use of the word.

Nobody has asked Mr Jay or anybody else to divulge details of future budgets and his references to this suggestion are wholly irrelevant.

I do note that Mr Jay lists seven instruments of economic policy—including interest rates—but excluding nationalisation. He does say that the next Labour Government has no intention of nationalising "the greater part of British industry". Unfortunately his party's most recent policy statement directly affirms that public control must be extended over the Board decisions of about 600 giant privately owned firms. The same policy statement repeats the intention to renationalise steel and road transport. Sir Robert's original question remains wholly unanswered; perhaps Mr Jay regards it as too inconvenient a question.—Yours faithfully,

House of Commons ALAN GREEN

SIR—Mr Douglas Jay says that the Labour party wants controlled expansion of the economy and that the expression "controlled expansion" means full employment without inflation.

If he really thinks that the Labour party are capable of carrying out such a policy, please will he kindly explain why the Labour party were unable to achieve full employment without inflation when they were last in office.—Yours faithfully, G. S. NAYLOR

London, N.12

Independent MPs

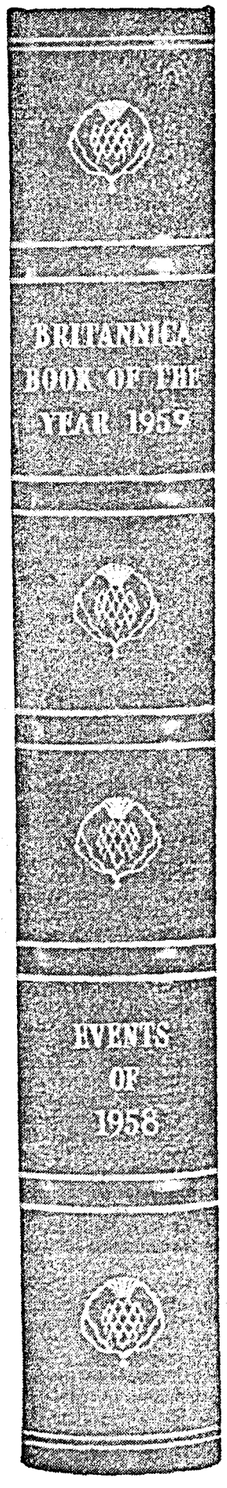
SIR—You write "now is the time for all good East Harrovians to come to the aid of no party," and appeal for support for independent candidates. It is perfectly true that both major party machines are getting over-powerful, and that Parliament has been the poorer since the independently minded University members were abolished. But who abolished the University seats? Surely the Socialists! They destroyed the independent MPs, and they are the only party who could benefit if your advice were followed. Your independent candidates would not take any material number of votes from the Socialists, but would steal almost exclusively from the Conservatives, and to that extent would be wolves in sheeps' clothing. The Prime Minister has a perfect right to say "he who is not for me is against me," and every vote cast for any candidate other than the Government one is a vote to make Mr Gaitskell the Prime Minister, and Mr Bevan the Foreign Secretary. If that is what the people of Harrow really want, surely they should vote straight Socialist. If they don't want this change in government, they should support the Prime Minister's supporter.—Yours faithfully,

CYRIL OSBORNE

House of Commons

Local Government

SIR—Your note on "How to Govern the Midlands" seems to be based on the assumption that "Bigness is Best". This leads you to threaten the Boundary Commission with castigation unless it merges Rutland with Leicestershire and makes other changes designed to submerge "small" counties in larger ones. To anyone who has any personal knowledge of local administration in a small homogenous unit, your basic assumption appears unsound and unproven. Because of its "smallness", Rutland enjoys a local administration which by any known tests is cheaper, and just as efficient, as that of its "bigger" neighbours. It enjoys moreover a sense of community which is quite delightful and of great value. This is due, *inter alia*, to the more intimate personal contact which exists between the ratepayers on the one hand, and their representatives and the local officials, on the other. Moreover, people actively engaged in business, in the professions and in jobs of every kind (often the most valuable type of councillor) can and do afford the few hours necessary to attend small short meetings in a county town only a few miles from their own work places. With



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the best will in the world the same type of people could not give up whole days to sit at large gatherings over twenty miles away concerned only incidentally with the problems of their own area.

It is remarkable that, apart from a somewhat sneering allusion to "aldermanic" views, nowhere in your note do you allude to the wishes of the inhabitants. Surely you, Sir, of all people, will wish to "Set the People Free" from attempts by theorists and bureaucrats to impose on them changes in local government which they do not desire and for which they can see no justification.—Yours faithfully, JOHN HOBSON

House of Commons

The Prudent Saints

SIR—Your review of "The Quakers" by John Sykes (December 20th issue) happens to contain a very misleading passage, viz. ". . . for an introduction to the religious technique offered by meeting for worship and meeting for sufferings, . . . this book is highly recommended." In the context, your use of small type fails to differentiate between two dissimilar conceptions.

No doubt meeting for worship could be described as a religious technique, since it is the name given to the normal form of Quaker service, held in quiet waiting. However, "Meeting for Sufferings" is merely the title of the executive body of the English Society of Friends—a particular group of representatives who meet once a month in London, to guide the current business of the society. The term is an archaic survival from the time of persecution in the 17th century, and many modern Friends do not like it for the confusion it causes; but at least it does not indicate an indulgence in morbid festivities!—Yours faithfully, T. S. BACON

Oxford

Teachers' Pay

SIR—Mr John Vaizey may be right in saying that there is no shortage of recruits for teaching if he takes as his basis the number of applications for places in training colleges. But that is far from the whole story. Many heads could tell him that there is a considerable shortage, both in quantity and quality, of scientists and mathematicians in all kinds of secondary schools; and those in touch with university education departments know that the proportion and quality of graduates who intend to teach these subjects do not match up to the need. Further, it is very doubtful if anything like enough of the training college recruits will teach them.

It is clear that the success of the Government's plans for expansion in science and technology must depend on an adequate, well qualified, and satisfied teaching staff in schools, technical colleges, and universities. The present manpower position in science and mathematics should therefore be a matter of grave concern.—Yours faithfully,

KINGSLEY M. RAW

King Charles I School, Kidderminster

BOOKS

Common sense for Development

The Design of Development

By Jan Tinbergen.
Johns Hopkins University Press. London: *Oxford University Press.* 99 pages. 20s.

As the world's population races up to five thousand million, and nearly half humanity continues to live largely under conditions of subsistence agriculture, no single issue is more urgent than that of economic development, by which is understood the process whereby static economies are given the technological dynamism needed for self-sustaining growth. But how is this vital transformation to be brought about? The answer varies, of course, from region to region and depends vitally upon local resources and the availability of outside stimulus. But some broad conclusions are possible, and Professor Tinbergen's compact and sensible "Guide to Development" sums up much of the relevant material.

He remarks that "programming is not an alternative to common sense." But programming of the type he outlines is a sort of systematised common sense, and although some of the techniques discussed—such as the use of "accounting prices"—will seem abstruse to the layman, the general design he proposes for development will commend itself to any reader by its reasonableness and good sense.

On the basis of much statistical information devised from past economic growth, economists are now inclined to believe that it takes between three and four units of capital to produce an additional unit of national income. When, therefore, population is increasing by between one and two per cent a year, national income will do no more than keep pace if only 6 to 8 per cent of it is used for productive investment. To break through the sound barrier into rising living standards and self-sustained expansion, an annual investment of not less than 12 per cent of national income is necessary. This is the starting point—an expansion of saving on the necessary scale.

But the types of investment must be as various as the economies in which it is to take place. Given the aim of expanding savings, what is the pattern that will ensure success? Are there alternative uses of local resources? Which programme brings about what modifications over the whole period of the plan? And which of these possible programmes uses all available means to the optimum degree? The process of answering these questions resembles, as Mr Tinbergen dryly remarks, "the solution of a jigsaw puzzle of considerable complexity" and one, moreover, in which the pieces, as in Alice's croquet match, obstinately alter their size and shape.

Yet even in this complexity, the programme makers have some fixed points of reference. One is "complementarity." It is useless to forecast a plan of development in which estimates of future power are unrelated to the actual provision of power, or factory construction to the availability of materials. That this occurs under public plans can be seen from the recent over-extension of manufacturing capacity in eastern Europe.

Another principle is consistency. It is not possible to accomplish a programme if its separate parts demand more resources than are actually available. Sometimes, it is true, consistency can be undermined by sharp changes in the resources themselves. The second Indian Five-Year Plan may have included a gamble on the scale of foreign assistance. It could not forecast the fall in India's export income as a result of the American recession. For this reason, as Professor Tinbergen points out, all planning must be constantly subject to revision and the element of guesswork recognised.

A number of different programmes may be based on both these principles. What is the final criterion of choice? Ideally the plan to choose is the one that uses available resources to produce the maximum increase in income. But this is not an easy judgment to make, particularly in areas where some resources are either especially scarce or over-abundant. In many parts of Asia capital is desperately scarce in relation to labour. This underlying disequilibrium distorts the picture of optimum use. The market cost of labour is fixed by trade union activity and may overstate the labourer's value. The price of capital may be too low as a result of government regulation or international loans at low rates. In these conditions, Professor Tinbergen believes that planners might substitute "accounting prices" for market prices—prices that would increase rates on capital and lower wage costs to bring them into line with reality. Only then would anything like a genuine maximisation of income occur.

However, as the study fully concedes, the chief enemy of consistency, complementarity and optimum use in planning is not so much the planner's errors in calculation as the unpredictable politics of government. There is so much "prestige" development these days, so much demand for the trappings of "modernisation," so much eagerness for flamboyant technology, that straightforward, effective, indispensable means

of capital accumulation, such as better land use, may be set aside for a steel mill—without iron ore—or a civil airline—without passengers. These are the hazards of development that not even the most painstaking planning can avoid. But national programmes can minimise the waste and Mr Tinbergen offers useful, sensible guidance for their construction.

Russell's Recipe

Common Sense and Nuclear Warfare

By Bertrand Russell.
Allen and Unwin. 93 pages. 7s. 6d. cloth, 3s. 6d. paper.

LORD RUSSELL has reached the conclusion that any nuclear war is bound to do frightful damage to all parties. Breaking away from the Aldermaston column of march, he opposes unilateral disarmament, pacifism, and passive resistance. Instead, he tells us that the only escape for mankind lies in a change of heart, universal agreement to re-educate all peoples on anti-nationalist lines, and universal tolerance between ideologies. After that, and only after that, a supreme world authority could be created (he does not say how it would be elected), with irresistible armed forces at its disposal (he does not say how they would be commanded).

As interim measures, he proposes a solemn renunciation of war and provocation, and the removal of various sources of local tension. Russia must join the western powers in guaranteeing Israel's present frontiers against any attack. Formosa should be handed over to China (without regard to any views its ten million inhabitants may have). All foreign forces must be withdrawn from Europe; the peoples of central and eastern Europe would then throw off their communist regimes and choose democracy, having no serious reason to fear a Russian invasion because their immunity would be guaranteed (he does not say how or by whom).

Lord Russell justifiably complains that policy-makers in all countries

> are too busy to be able to acquaint themselves with more than a small fraction of the facts upon which policy ought to be based.

Still, even a small amount of acquaintance with the more intransigent facts of life can be useful. There are at least a certain number of people who share Lord Russell's fears about a nuclear catastrophe but, being rather more directly involved in the human hurly-burly, find that it is not quite so easy. To him, the world's political leaders—he lumps them all together, though it is the Americans whose more alarming words he quotes, perhaps because he finds *Pravda* and the Chinese press hard going—are delinquent militarists, passing their time in playing "brinkmanship," and apt to feel that "loss of face is more dreadful than nuclear annihilation." Yet even a cursory reading of last year's newspapers might have led him to deduce that even the most powerful of these potentates are in reality worried and uncertain men, all of whom have in recent months accepted repeated "loss of face" rather than risk war.

Mankind's real problems in its struggle for peace are certainly complex enough to make both politicians and public look hopefully to such eminent figures as Lord Russell for philosophical guidance through the perilous maze. Books such as this must shatter these hopes. Instead of original thought, we are offered platitudes; instead of workable initiatives, pies in the sky; instead of bread, a stone.

Empire in Decay

The Sultan: *The Life of Abdul Hamid II*

By Joan Haslip. *Cassell.* 299 pages. 25s.

"THE Red Sultan," "Abdul the Damned," the "Great Assassin"—Abdul Hamid II, who for over thirty years presided over the decay and dissolution of the Ottoman empire, has never lacked opprobrious epithets. And most people would say that they were richly deserved. His latest biographer, however, is not concerned with moral judgments; nor with whitewashing. She simply sets forth, as far as she can, what sort of a man she believes Abdul Hamid to have been, and why.

The picture that emerges is not an agreeable one. Abdul Hamid was intelligent, and not without either kindness or affection; he was also shifty, unscrupulous, ruthlessly cruel and a victim of pathological fears for his own safety. But seen against the background of the decadent and intrigue-ridden atmosphere of the harem and the seraglio, judged in the light of his inherited conception of his position as sultan and caliph which he was determined to preserve, Abdul Hamid's actions become easier to understand if not to condone.

There is much, however, that remains unravelled. Was the air of sincerity that so moved the British ambassador on the eve of the Russo-Turkish war of 1877 assumed or genuine? Which of the strange contradictory reports of his behaviour at the time of the Armenian massacres had most truth in them? Those that said he was going mad, or those that suggested he had never been more sane? The author sensibly does not try to answer these questions or pretend to anything more than an incomplete understanding of an immensely complicated man, who was both a master of dissimulation and a victim of conflicting moods and impulses.

This is a very vivid, smoothly written, exciting book. It can also claim to be a serious study both of Abdul Hamid and of the Eastern Question as seen, not from London, Paris, Berlin or Petersburg, but from Constantinople itself. The author weaves her way competently and clearly through the maze of great power politics and diplomacy. But her attempt to marry the solidity of a serious study to the liveliness of a best seller is not altogether successful. The local colour, which in a book of this sort should enliven and supplement the solid stuff, tends to detract from its value. The description of Midhat Pasha, just before his dismissal by the Sultan in 1877, waiting for the fatal audience in an "airless stuffy room while in the distance, from the direction of the harem, came the faint notes of a piano playing a tune from Offenbach," is very vivid, but on what is it based? And how does the author know what went through the mind of Izzet Pasha, when, thirty years later it was his turn to be dismissed by the Sultan?

The author may have chapter and verse for everything she writes, but no memoirs or correspondence of either Midhat or Izzet is listed in the bibliography at the end of the book, and in the complete absence of any references, the reader cannot help wondering what exactly is fact and what only surmise. Many books suffer from an overdose of references; this book deserves a sufficiency and gets none at all. It also deserves an index and does not get that either.

East and West

Missionaries, Chinese, and Diplomats: *The American Protestant Missionary Movement in China, 1890-1952*

By Paul A. Varg.
Princeton University Press. London: *Oxford University Press.* 345 pages. 48s.

CRITICS of America's China policy complain that it is emotional; its defenders claim that it is based on moral principles. Emotion and principle are both in the tradition of American relations with China, the heritage, in part, of the Protestant missionary movement. Certainly America had commercial and industrial interests in China. But to thousands of ordinary citizens, China meant missionaries, and the Chinese were an especial American responsibility. To understand this attitude and its consequences is, therefore, an important step towards an understanding of American foreign policy today.

This would seem to support the diplomatic and intercultural approach that Professor Varg has chosen in this work. The author sees the missionary movement in terms of the impact of one culture on another and finds his sources mainly in the diplomatic correspondence and reports that attend such contacts. Within this framework, his conclusion must inevitably be that the missionary effort failed.

But the purpose of the Protestant missionaries was to convert the heathen, not to ease the impact of east and west. Or, failing conversion, the missionary intended to instil in the Chinese a regard for those values which seemed at the time to be the essential products of belief in the Christian faith. Given these primary purposes, it is unlikely that the missionaries would also qualify as diplomats in this sensitive world. But

then, it might be argued, neither would Christ.

Mr Varg's most important contribution is his description of the interplay of changing missionary attitudes, both in the field and at headquarters, with the necessities of a new Chinese nationalism and the legalism of a sterile treaty-port policy. But in his account of the Chinese reaction to American missionaries he is less successful. Depending heavily on State Department records and published missionary articles, Professor Varg has failed to utilise either the Chinese language source material, much of which is readily available in American libraries, or the mass of unpublished missionary correspondence. In consequence this important part of his story is secondhand and unconvincing.

As a study of the missionary movement, however, the main fault remains the secular and unsympathetic standards by which the missionary must be judged in a work on diplomatic history. If this study is taken as an essay on what may happen when east meets west, then Professor Varg has many useful and thought-provoking things to say.

Carrying Out the Charter

Britain and the United Nations

By Geoffrey Goodwin.
Oxford University Press. 478 pages. 38s.

India and the United Nations
Japan and the United Nations
La Belgique et les Nations Unies

Manhattan Publishing Company, New York. European distributors: *Martinus Nijhoff,* The Hague. Each $3.

SINCE 1952 the Carnegie Endowment for International Peace has been encouraging and helping national institutes such as Chatham House to prepare studies of their own countries' attitudes toward the United Nations. Over twenty of these studies have been undertaken, although the one dealing with Soviet attitudes is, perforce, emanating not from Moscow but from California. In most cases a study group has worked over a considerable period, but the published text has been primarily the work of one or two individuals. Thus Mr Goodwin's book derives from the generally agreed findings of a group appointed by Chatham House, while the volume sponsored by the Indian Council of World Affairs is mainly the work of Mr K. P. Karunakaran.

The tone set by these studies is admirable. Each reflects, as indeed it should, its national origins; but a visible effort has been made to stand well back and take an objective look at each particular nation's uneven record of fulfilment of its commitments under the Charter. There is some quietly frank comment, too, about the average citizen's ignorance of, or indifference toward, the United Nations, and the lack of enlightenment afforded him by the greater part of the press. (The Belgians, who give a particularly interesting analysis of this latter point, also provide the essential clue to its source: "*Le souci primordial d'un directeur de journal est que son journal soit lu,*")

One's main complaint against these otherwise very useful volumes is, paradoxically, that they are really too international. Each contains too much straightforward account of the UN's manifold activities to allow the reader to concentrate on the individual country's share in, or reaction to, these. The Indians make no bones about this, referring the reader to other publications for a fuller version of India's role in UN affairs. Would it not have been better to stick to narrower terms of reference, and to assume that the reader would be fairly familiar with, or would have access elsewhere to, the record of the international organisation itself? The British volume sins perhaps most in this respect, though it might be argued, in excuse, that Britain has been more directly involved in a greater variety of UN issues and activities than the other countries under consideration here. (The American study, it may be noted, is projected as a three-volume work.) However, one must not be ungrateful for the immense amount of work that has gone into these illuminating studies, whose only other fault arises from the difficulty of keeping publication schedules abreast of a fast-changing world. These four studies, and those previously published (which deal with Canada, Denmark, Egypt, Greece, Israel, Switzerland and Sweden), are necessarily focused on the United Nations' first decade. In the case of Britain, it would be of particular interest if a supplementary survey could be made, at a suitable time, to record the evolution of British policy and opinion in regard to the UN since "Suez."

Museum of Little Monsters

The Small German Courts in the 18th Century

By Adrien Fauchier-Magnan. Translated by Mervynn Savill
Methuen. 292 pages. 32s.

THE historical facts of court-life presented by M. Fauchier-Magnan are stranger than the fictions of A. E. W. Mason's "Königsmark," Preedy's "Rocklitz," or Feuchtwanger's "Jew Süss." Asserting that three-quarters of the princes and dukes were "not right in the head" and that "only the exiguity of the spheres in which they functioned saved these little monsters from the obloquy of history," he promises to "pursue them into their private lives and bring them into the light of day." But the pursuit is interrupted by somewhat repetitive speculations about foreign influences; and by lengthy lectures on the palace-building and landscape-gardening by which these petty despots bankrupted their states; so that it is difficult, even with occasional halts for gossip, to get a clear sight of individual oddities. And the title and the text do not harmonise: the only courts examined are those of Würtemberg and Montbéliard.

The careers of the Dukes of Würtemberg clearly exemplify princely tastes and aspirations. Everhard-Ludwig was dominated for twenty years by his mistress, Wilhelmina von Grävenitz, who persuaded him to banish his wife, establish a new court composed of her own friends and relations in a new palace eight miles from Stuttgart, and defy Pope and Emperor in an unsuccessful attempt to marry her bigamously and make her his duchess. Karl-Alexander succumbed to the wiles of Süss Oppenheimer, whose reputation for witchcraft was due to skill in procuring mistresses and extorting money from the Duke's subjects. Karl-Eugen hardly ran true to form, for a mistress whom he eventually married converted him to an unimaginative belief in "enlightened despotism"; she could not stop him building yet another palace, but she did make him found the repulsively spartan boarding school from which the young Schiller ran away. This comparatively respectable couple may have inoculated their subjects against revolutionary infection from France; but more credit should be given to the Würtemberg "Estates" for their persistent and successful assertion of constitutional rights in the second half of the century. Montbéliard seems to owe its inclusion to a dynastic connection with Würtemberg, and to its Count's unconventionality (even by contemporary standards) in justifying his own polygamy and the incestuous marriages of his children by inaccurate quotations from the Koran.

M. Fauchier-Magnan's entertaining exhibition of "monsters" and their attendant adventurers, buffoons, freaks, and professional hangers-on, would be worth the price of admission if the specimens were more carefully arranged.

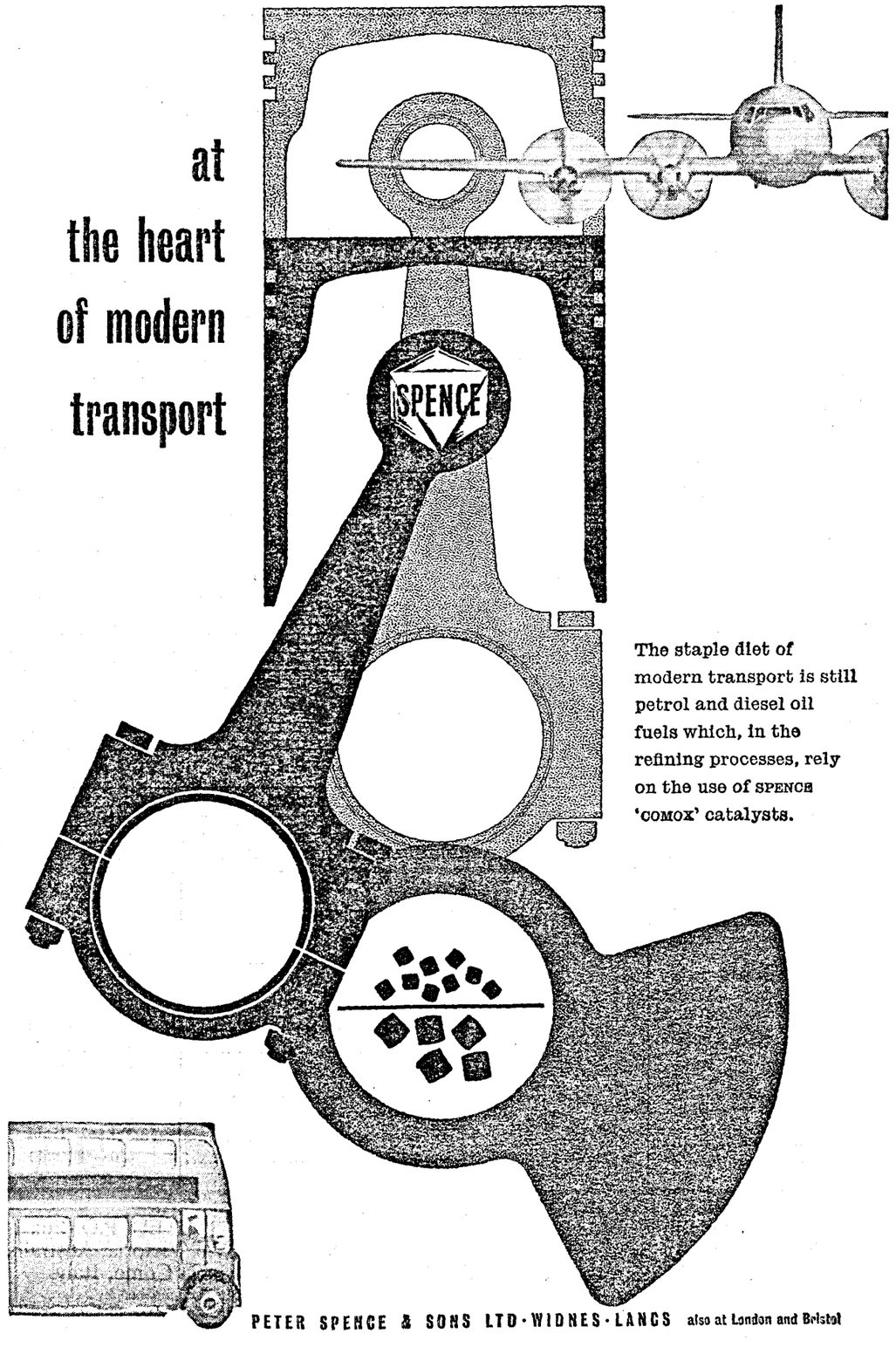
OTHER BOOKS

LONDON'S RIVERSIDE. By Eric de Maré. *Max Reinhardt.* 272 pages. 30s.

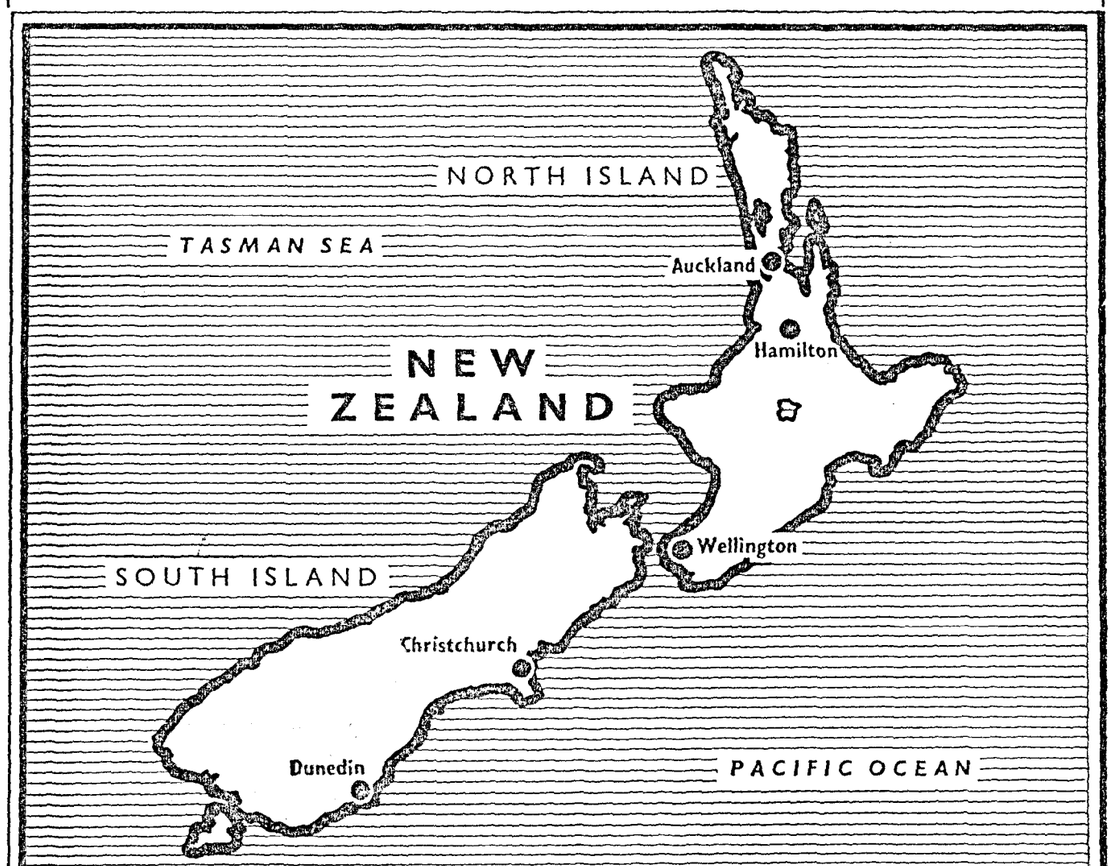
This is the story of the part the Thames has played in London's history and of how the riverside has changed through the centuries. It is attractively written by an architect, who shows his affection for Thames-side without finding too much of the picturesque in its stretches of "seedy squalor." Mr de Maré is a planner who would like to tidy up the river banks, yet wistfully clings to the past believing that the new and the old can be coaxed into "a fascinating and viable whole." The book contains over a hundred drawings, maps, engravings and photographs.

SOCIAL ECONOMICS. By Walter Hagenbuch. *Nisbet and Cambridge University Press* in association with *University of Chicago Press.* 336 pages. 12s. 6d.

This thirteenth book in the Cambridge Economic Handbooks deserves to be lucky. Mr Hagenbuch has covered his subject well, with chapters ranging from population and housing to family allowances and charities. Most of the book is descriptive—as it has to be. But the opening chapter on the meaning of social economics shows the author's grasp of his subject in theory as well as in practice.



Facts about New Zealand



Area (square miles)	103,939	**DOMESTIC DATA**	
Population	2,229,000 (1957)		
Density per square mile	21	Number of homes	561,496 (1956)
NATIONAL INCOME		Homes wired for electricity	373,900 (1954)
Total (U.S. $ million)	2,474 (1956/57)	Cars in use : Personal	442,760 (1957)
Per head (U.S. $)	1,110 (1956/57)	Business	126,322 (1957)
Money circulation (U.S. $ million)	205 (Sept. 1958)	Telephones	539,501 (1955)
EMPLOYMENT		Radios	519,000 (1955)
		Refrigerators (electric)	304,846 (1956)
Working population (economically active)	740,500 (1951)	Electric cookers & ovens	318,810 (1956)
Male	569,000	Washing machines (electric)	321,867 (1956)
Female	171,500	Sewing machines	450,000 (1958)

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State of Some Disunion

WASHINGTON, DC

LAST Friday was the occasion of the President's annual speech to Congress on the State of the Union, the only day of the year on which a journalist or a bomb-thrower can count on finding the various parts of the American government assembled together in one room. It should be an occasion of some grandeur; and Mr Eisenhower's wistful opening words, calling for "co-operative work" between the new Congress and the Administration, showed that he hoped it would also be a visible symbol of national unity. That it turned out to be neither illustrates what the doctrine of the separation of powers leads to when President and Congress cannot agree whether to take the road of a high Budget or of a low one to the solution of their economic problems.

Mr Eisenhower, speaking with that oddly chewing style of delivery with which he tries to get some flavour out of the doughy American prose his speech-writers serve up, was greeted with polite applause and dismissed with rather less. The speech itself was interrupted by clapping unusually seldom—only twenty-five times—and in fourteen cases the applause came almost solely from the Republican side. The only propositions for which the Democrats could not forbear to cheer wholeheartedly were that Berlin must be defended, that Communists are untrustworthy and that disarmament would be a good thing. The studied boredom of Mr Lyndon Johnson, the Democratic leader in the Senate—wearing, after his first victory in the filibuster battle, the smile of a tiger who has just swallowed a whole platoon of liberals—summed up the refusal of most of the President's audience to take him quite seriously.

This is the more ominous because the speech was courageous and, in parts, very much to the point. Though not as crisp as last year's, it continued Mr Eisenhower's recent habit of concentrating on a few major topics and leaving the detailed proposals for subsequent messages to Congress. There emerged three dominant thoughts. The first was that the United States must not let itself be stampeded, in its anxiety to "catch up with the Russians," into wasteful and unnecessary spending on weapons and satellites. In part, the difference between the President and his critics on this point springs from a difference of premises: he is concerned chiefly with the military implications of the latest triumphs of Soviet rocketry—and rightly doubts whether they change the balance of power—whereas his opponents are worried about the political consequences of letting the world watch the Russians take the lead. But in demanding a balanced Budget he is also defying the influential prophets of doom who seem to have persuaded a great many people in both parties that the "missile gap" already threatens the Americans with military disaster.

This belief, as set forth in a number of recent articles, rests on two debatable assumptions. One is that, before the Americans get enough ballistic missiles to matter, the Russians will have acquired a system of anti-aircraft defence that can keep out all manned bombers, plus the guided missiles which some of them will soon carry. The other is that the principal function of the western deterrent is to strike back at Russian launching sites and airfields in case of attack (and not, as most people assume, to retaliate against Russian cities) and that there will not be enough missiles to do this for some years to come. It is good that someone of the President's authority should speak up, if only by implication, for the view that the principal job of the deterrent is to deter by its threat of general devastation—rather than to knock down the stable after the horse has left—and that, for this purpose, the West still commands weapons enough. One of the oddities of American politics is the readiness of many liberals to accept the alarmist theory. The last Congress, in the end, showed comparative self-discipline in adding to the defence budget; if this one is less restrained, it will be spending money that might have gone on social welfare at home.

THE President's second train of thought, if it really was a train of thought, emerged in a number of hints about central supervision of the nation's affairs. It may be that these constituted no more than a last obeisance towards the liberal Republicanism from which, in other respects, he seems to be retreating. If not, they contain the seeds of some disputes that will enliven Mr Eisenhower's last two years in office spectacularly. His suggestion of a "national goal" for education seems to imply a degree of federal intervention, in the shape of both money and prescribed standards, which the conservatives of both parties would bitterly oppose. His plan to set up a kind of royal commission to define the economic and social objectives of the next few years will toss such a body headlong into the heated controversies about the rate at which the national income ought to be expanding and the ways in which the increment ought to be spent. Perhaps the most pregnant sentence of all was that in which he announced his intention of seeking an amendment to the Employment Act of 1946 in order to declare war on inflation. A law which prescribes both full employment and price stability is going to set its administrator some fascinating problems.

Mr Eisenhower's third theme, the need for thrift and a balanced Budget, was the passage which clearly stirred the President's heart and set his Republican listeners on fire. On Wednesday, when he ventured into the lions' den of the National Press Club for the first time in his six years in office, he repeated his hint that taxes might be cut before very long if this year's Budget is balanced. He seems to be fixed in his belief that the growing revenue produced by the

economic recovery should be devoted to putting more money into private spenders' hands rather than improving the public services which America has neglected. The insistence on economy which, in the case of military spending, may be Mr Eisenhower's most valuable contribution to the cause of good sense in 1959 is far more questionable if it is extended to the social services. True, it is doubtful whether the electors, in voting for the Democrats so overwhelmingly last November, were directly calling for higher taxes or an increase in the national debt. But the election was evidence that they recognise the need for expanding what Senator Johnson gingerly called the "capabilities of government."

Last week's scene in the Capitol, in which an earnest and slightly baffled President faced an irreverent, even slightly contemptuous, Senate leader, suggests that the relationship between these two men is going to shape what happens in the United States in the coming year. Senator Johnson has demonstrated that he controls the big Democratic majority of this Senate as tightly as he controlled the tiny majority of the last one. But this is not the comfort to Mr Eisenhower that people might have assumed three months ago. Mr Johnson seems no longer to be in a mood to be mild and co-operative towards the President. His demeanour last Friday, and the whole tone of the private state-of-the-union speech which he delivered to his Democratic colleagues two days earlier—denouncing the Administration for "exalting the static" and for a "deficit of vigour and will"—is enough to make Mr Eisenhower swallow with apprehension.

At the same time the President, in his last years of power, is apparently moving to the right in matters of domestic economic policy. Whether this represents an eleventh-hour conversion, as the conservatives like to believe, or simply the emergence of the true Eisenhower, as the liberals claim, is irrelevant. Nor is it very important whether the change in Senator Johnson's attitude has been brought about by an adroit anticipation of what the new Democratic majorities want. These two centres of authority, originally made separate by the Constitution, are now divided by a widening gap of belief; and this has occurred just when Mr Johnson's grasp of the techniques of parliamentary power is at its height. He looks like being the most powerful man in America during the next two years.

Johnson Rules on Filibusters

MR JOHNSON'S mastery of the Senate has never seemed more complete than in the critical struggle over its own rules with which the session opened. To northern liberals of both parties a change in the rules, making it easier to bring debates to an end, was an essential preliminary to the passage of new legislation to protect and extend Negro rights. To the South, virtually unlimited debate has always been its chief safeguard against the tyranny of the majority. Senator Johnson's problem was how to force a compromise that would avoid a corrosive, time-consuming combat at the very outset of the session; this would almost certainly have split the Democratic party beyond repair. Five days after the session began, the compromise was an established fact, by the overwhelming vote of 72 to 22.

What the liberals sought was power to cut short debates by the vote of a simple majority rather than by two-thirds of the whole membership of the Senate, the requirement that has prevailed since 1949. What they secured at Mr Johnson's hands was a rule that filibusters can be ended by a vote of two-thirds of the Senators present and voting; whether this makes it easier to end debate depends on the turn-out of Senators, but at least absentees and abstainers will not be automatically counted on the side of the filibuster. Moreover, the same rule will apply to debates on changing the rules. For the past ten years these debates have been absolutely unlimited, which made alterations impossible unless the South acquiesced. Finally, as a sop to the Southerners, it is agreed that the rules of the Senate continue from one Congress to another. They cannot, that is, be changed by a majority vote at the beginning of a new session, as the liberals argued that they could and should.

In this argument progressives had the support of the Vice President, Mr Nixon, who presides over the Senate and hoped that his rulings would mark him as a vigorous champion of Negro rights. For once, however, his customary skill and calm self-assurance were lacking. Unlike Mr Nixon, Senator Johnson was well prepared. Conservative Republicans supported him; some of the fifteen new Democratic Senators owed him debts of gratitude for help given during their campaigns and none was allowed to forget that his committee assignments—which can determine whether a Senator is to bask in the limelight or lie forgotten in the shadows—would not be determined until after the vote on the rules. As a result, more than half of these new Senators, including the two from Alaska, stood with Senator Johnson on the critical votes. The significance of this technical victory is that the South will still be able to hold up most legislation protecting Negro rights. In view of the great adjustments required, this may be no bad thing.

Cuba Libre

THE summary executions of Batista followers by the new regime in Cuba provide a chilling response to the warm welcome offered by Washington to Señor Castro's successful revolution. Senator Morse, the sympathetic Democrat who is conducting a study of Latin American problems for the Senate Foreign Relations Committee, made an immediate protest. Unless the Castro forces restrain their not unnatural demand for vengeance, the Milton Eisenhower Doctrine—that the United States should offer a hearty embrace to Latin American democracies, but only a formal handshake to dictators—will be tarnished in its very first application.

The State Department moved with unusual speed to recognise the new government, no doubt in the hope of dispelling its suspicions that the United States, behind a veil of neutrality, had favoured General Batista's dictatorship. The American Ambassador to Havana has resigned; like his predecessor, who was a close friend of the dictator, Mr Smith was a political appointee whom the rebels felt to be hostile to their cause. Whether Mr Smith really behaved incorrectly may be the subject of investigation by a House subcommittee; he is expected to be succeeded by a career diplomat. Meanwhile, General Batista, who is in no present danger, will not be given asylum in the United States, as other dictators have, to the irritation of Latin American democrats. Although the State Department

MANUFACTURERS TRUST COMPANY

NEW YORK

STATEMENT OF CONDITION, DECEMBER 31, 1958

RESOURCES		LIABILITIES		
Cash and Due from Banks	$1,057,629,207	Capital (5,039,000 shares—$10. par)	$ 50,390,000	
U.S. Government Securities	865,585,430	Surplus	100,000,000	
U.S. Government Insured F.H.A. Mortgages	79,154,073	Undivided Profits	71,113,502	$ 221,503,502
State, Municipal and Public Securities	234,702,131			
Stock of Federal Reserve Bank	4,511,700	*Reserve for Possible Loan Losses		48,712,786
Other Securities	28,980,056	Reserves for Taxes, Unearned Discount, Interest, etc.		31,912,070
Loans, Bills Purchased and Bankers' Acceptances	1,268,386,427	Dividend Payable January 15, 1959		2,519,500
Mortgages	23,958,221	Outstanding Acceptances		56,719,484
Banking Houses and Equipment	23,298,055	Liability as Endorser on Acceptances and Foreign Bills		31,982,360
Customers' Liability for Acceptances	55,604,573	Other Liabilities		2,839,103
Accrued Interest and Other Resources	12,234,755	Deposits		3,257,855,823
	$3,654,044,628			$3,654,044,628

*Applicable to cover such future loan losses as may develop. None are at present known.

United States Government and Other Securities carried at $148,196,612 *are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.*

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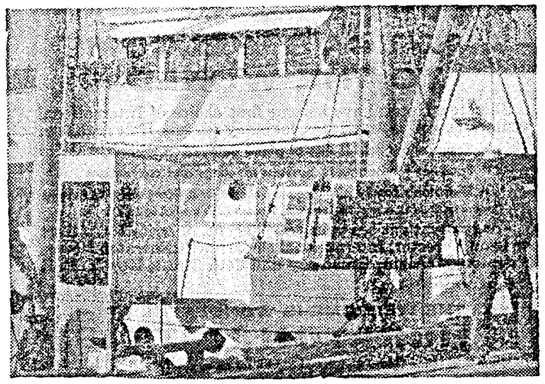
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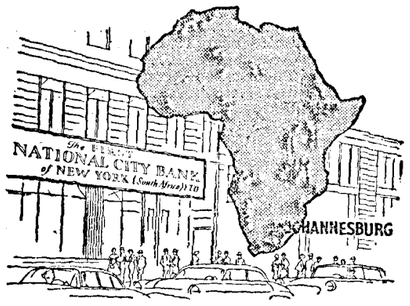
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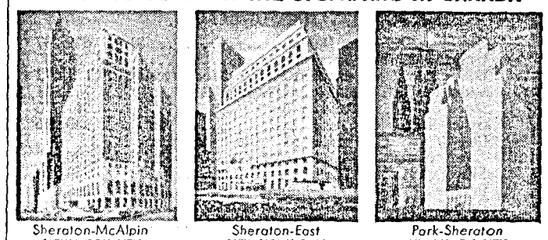
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managed to warn Congress only the day before it happened that General Batista was likely to fall, it prudently halted the sale of arms to both sides in the Cuban civil war as long ago as last March; incidentally this was before Mr Nixon's visit to Latin America, not afterwards as has been reported in some quarters. The three military missions sent to train General Batista's troops were not withdrawn but, as Señor Castro has mischievously observed, they were not notably successful.

What the State Department could not control was the pro-Batista attitude of most members of the American business community in Cuba; they found a venal regime easy to deal with and feared that victory for the rebels would mean expropriation and the closing of Cuba's notorious gambling casinos, many of which are owned by North Americans and some of which have been run—to the shame of the United States—by gangsters from the mainland. Now that nationalisation has been repudiated and gambling, if regulated, will be allowed to supplement Havana's other attractions for the tourist, American businessmen are quite reconciled. In all, about $750 million of United States capital is invested in Cuba, a third of it in sugar mills, a little more than that in public service industries, and a growing amount in luxury hotels.

Hunt the Submarine

FROM A DEFENCE CORRESPONDENT

Two recent announcements suggest that the Navy is paying more attention to the threat of enemy submarines—and particularly of nuclear-propelled ones. Last summer the Navy unexpectedly refused to proceed immediately with the four additional nuclear submarines, designed to carry Polaris missiles, which a worried Congress had authorised, on the ground that five of the first-generation ones were enough; delay would enable later improvements to be incorporated in the others. But that was only part of the story. Contracts are now being let for four more nuclear submarines but, instead of being armed with Polaris missiles to be used against land-targets, they will be of the fast-attack type which is increasingly regarded as a most promising destroyer of hostile nuclear submarines.

The second development is the unexpected cancellation of the contract for the RAT (rocket-assisted torpedo), a complicated but highly praised anti-submarine device. The curt official explanation is that a much-improved weapon against enemy submarines is in prospect; an unofficial but responsible assurance is that the new device will be effective against nuclear-powered submarines, while RAT was not. The nuclear submarine, it should be remembered, is much faster while submerged than the electric one, and habitually travels at a greater depth, beneath the thermal layers which thwart most methods of detection.

The naval planners evidently recognise that in time the Russians are certain to produce a nuclear-powered submarine, as well as the nuclear ice-breaker already proclaimed by Moscow. No one will say how soon the improved RAT can be developed, tested, and put into production, but the readiness of the usually discreet Navy to mention it at all suggests that development is far enough advanced to permit contracts to be let for the launching mechanisms as well. In general, the device will follow the pattern of its predecessor which could be launched on or below the surface; it would mount into the air, proceed by guided rocket to a designated spot, descend by parachute, and then go on as a guided torpedo to the target. It is in this last stage that the naval scientists have apparently made revolutionary progress.

Wealth on the Shelf

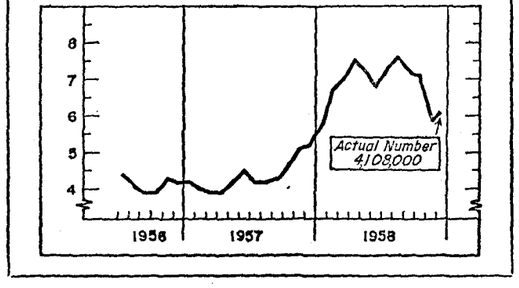
FROM A SPECIAL CORRESPONDENT

Some time during the next few weeks or months the Supreme Court will be hearing the suit which the United States is bringing against the states bordering the Gulf of Mexico, to establish what these states in fact obtained by the "offshore" Act of 1953. This gave them the right to exploit the mineral resources under the ocean as far as three miles off the coast or to the limit of their "historic boundaries," whichever was farther. Texas and Louisiana claim that for them this means three leagues—or over ten miles—and there are other ambiguities in the Act which make it difficult to decide at exactly what point the underwater rights of the states end and those of the federal government begin. The latter, according to Congress, extend to the edge of the continental shelf—although the United States government's claims do not go so far in international negotiations on surface rights. It would be interesting if a foreign company or country were to begin underwater drilling for minerals on the American shelf outside the three-mile limit.

The immediate importance of the case before the Supreme Court lies in the potential earnings from oil, natural gas, sulphur and other deposits in the Gulf of Mexico. Already over $100 million in rents and royalties from the comparatively small area in dispute is being held in escrow until the court decides to whom it is legally due. Since 1954 the federal government has received about $400 million in revenue from the public domain under the waters of the Gulf and within the next fifteen years it is estimated that somewhere around that sum will be coming in each year from offshore oil and gas wells. But exploitation of the continental shelf, whether off the coast of North America or of other land masses, has only just begun, and the present developments are a minute portion of what may be expected as the world becomes increasingly short of raw materials for its ever-growing population.

Altogether, all the world over, there are some 10 million square miles of continental shelf—one-fifth the area of dry

UNEMPLOYMENT in the UNITED STATES
PERCENTAGE OF CIVILIAN LABOUR FORCE
(seasonally adjusted)



land. By definition the shelf is land covered by 600 feet of water or less although, geologically speaking, all low flat coastal areas between high land and deep sea are part of the continental shelf; thus the minerals found under the land are likely to continue under the sea. This has already been proved very satisfactorily in the case of the Gulf of Mexico, where reserves of 12 billion barrels of petroleum and 70 trillion cubic feet of natural gas have been found—an addition of between one-third and one-half to those known on the dry land of the United States.

The whole country has nearly 300,000 square miles of shelf surrounding its continental area; this is widest off New England, where the shallow waters make good fishing but where so far little evidence of mineral wealth has been discovered. Alaska has brought into the Union with it a shelf equal to its dry land, 600,000 square miles, which may be equally rich in minerals. But this shelf is in large part shared with the Soviet Union, which also has one of the world's largest expanses of shelf off Siberia. Canada has more continental shelf than the United States, even if Hudson Bay is excluded, and another wide one is off south-eastern Argentina. In and around the Malay Archipelago, if the sea level were lowered a few hundred feet, there would emerge a continent as large as Australia, interspersed with deep sea inlets and lakes. Australia itself has a big continental shelf, especially towards New Guinea.



Until recent years, however, even the shallowest sea protected the offshore minerals from the depredations of man. Even now virtually all exploitation, except for some hundreds of miles of pipeline along the bed of the Gulf of Mexico, is from the surface of the water. Permanent steel islands, giant movable drilling rigs and platforms that can be temporarily anchored to the bottom by concrete piles are used to reach undersea mineral deposits. Some $2 billion has been spent in the Gulf of Mexico alone and so far only a fraction of it has been earned back by the drilling companies. Moreover, the cost increases substantially with each additional foot of water, quite apart from the awkwardness and danger of such surface operations. The deepest water to be penetrated successfully is 140 feet, which leaves much the greater part of the shelf out of reach, even in the shallow Gulf of Mexico.

Eventually, however, there may be permanent domes on the bottom of the ocean, protected by the sea itself from surface storms, containing home comforts for the workers who live there for long periods and serving as centres for drilling and mining operations for miles around. These domes might even some day be connected with each other, and with the shore, by tunnels through which would pass not only the pipelines carrying oil and gas and perhaps "slurry," a thin soup of minerals (which are already being transported long distances in this way by pipeline on dry land), but also a growing two-way underwater traffic.

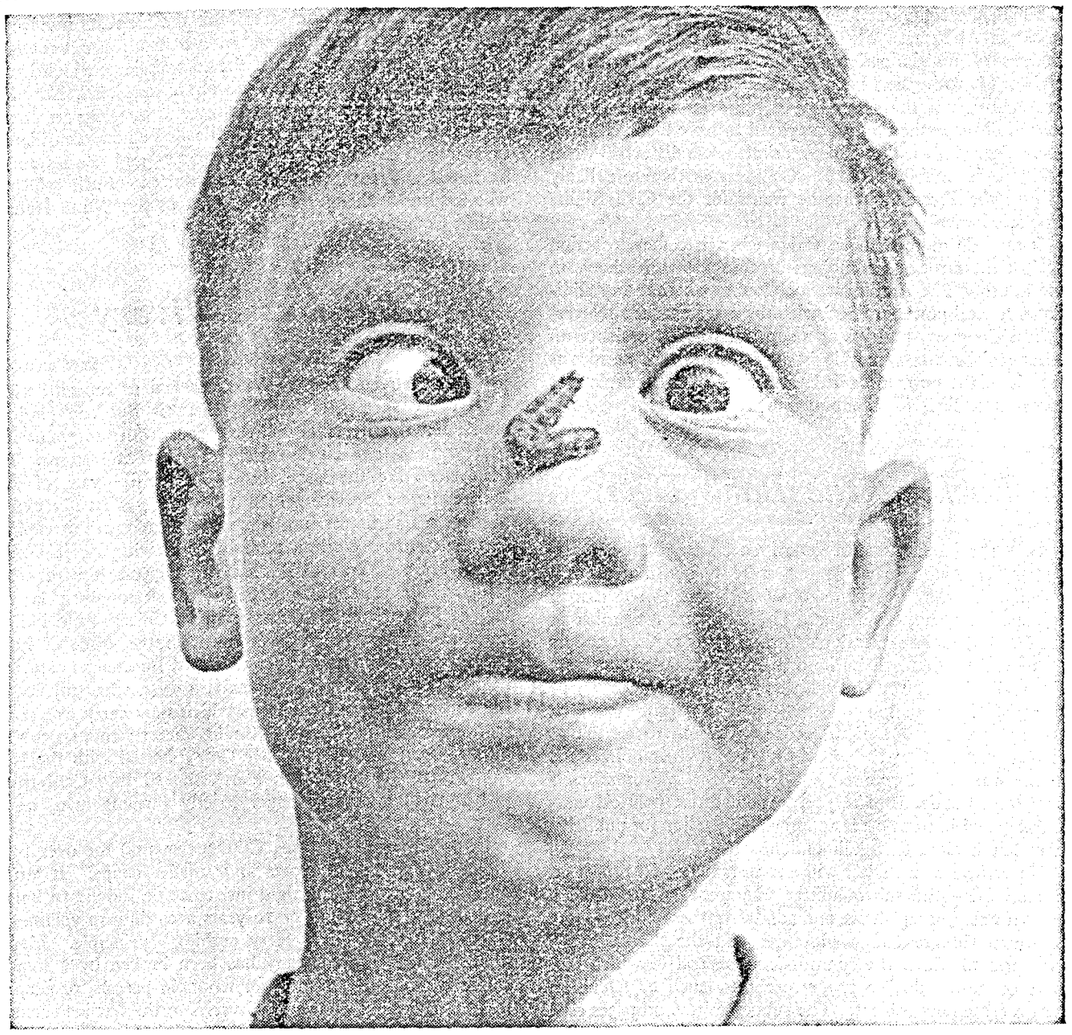
Nor for that matter need exploitation of the bed of the sea be limited for ever to the shallow depths of the continental shelf and to semi-permanent installations. A recent scientific survey reported that large areas of ocean bottom in the depths of the south-east Pacific are covered with nodules containing nickel, copper, cobalt, iron and manganese, worth as much as $500,000 a square mile. Even the sea-bed itself may some day prove worth digging up and bringing back in. Each year some 6 billion tons of sand, soil and minerals are carried out to sea, containing such valuable items as phosphorus which, according to ecologists, is the chemical whose exhaustion may first limit life on land. Meanwhile men have already descended in the free-moving "bathyscaphe" or super-submarine as deep as 14,000 feet and there has been talk of giant heavy duty atomic submarines which might anchor themselves at the bottom of the sea to become underwater mining camps for drilling and exploratory operations and even for gathering minerals directly.

However visionary all this may seem, the continental shelf is obviously not as far out of this world as is the moon; it is certainly more accessible and both it and the deeper areas under the ocean are very probably more worth exploitation.

Rights by Degrees

ONE of the strongest passages in the President's State of the Union message was his condemnation of the closing of schools, to avoid mixing Negro and white pupils, because a bad impression is created abroad by thus depriving American children of the opportunity of education and because this discrimination flouts the principle of equality under the law. Mr Eisenhower promised to submit his proposals for dealing with this to Congress shortly but, when he was questioned at the National Press Club this week, his answers implied that nothing in the proposals would bear directly on the schools. These are a state responsibility with which Mr Eisenhower, like many Congressmen, believes the federal government should not interfere, tragic though their closing is and ineffective as the various legal steps to get them reopened have been so far. It has been suggested that the federal government might offer financial encouragement to southern communities if they begin to integrate their schools. It has also been suggested that the Justice Department might again ask for power, denied to it in 1957, to bring suits on behalf of individuals who have been denied their civil rights by racial discrimination in schools or elsewhere. It is still possible that such proposals may be included in the coming Bill but it is unlikely that the Southerners in Congress would permit them to become law.

What the President does definitely intend to propose is an extension of the life of the Civil Rights Commission, set up for two years in September, 1957, and some strengthening of its powers to investigate refusals of voting rights to Negroes. He, like many other people, argues that, if the right to vote is safeguarded, the observance of other rights will follow gradually. He will probably ask that the Department of Justice should have specific authority to subpoena voting records in order to prevent frustrations of the kind



One makes a pet!

The depredations of one caterpillar are nothing much, but caterpillars rarely come in ones. *Multiply by x . . .* and then, almost overnight, a cabbage crop can be eaten to the ribs, or a forest of young conifers become a desert of standing sticks. The only really effective answer is to strike back hard with insecticides. This is what growers are now doing with a new systemic insecticide called 'Phosdrin', developed by Shell specifically for the quicker, cheaper control of caterpillars and aphids. 'Phosdrin' virtually wipes out the heaviest infestations within a few hours of spraying. Yet it decomposes quickly, so that the sprayed crops may be gathered safely three clear days later.

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to which the commission's officials have recently been subjected in Alabama. There they have been inquiring into charges of discrimination against Negroes who tried to register for voting and have been defied in a way which has lost Alabamians the sympathy of more far-sighted Southerners. Many who are not prepared to have black children share classrooms with white are nevertheless disturbed when a Negro is unable to vote. Congress is therefore likely to give the President what he wants for the Civil Rights Commission.

It may do more than he wants when it comes to action against the atrocious bombings of churches and schools in the South. The Administration doubts whether any additional federal powers to deal with these are needed. Nevertheless Congress, perhaps as a sop to its bad conscience on other racial matters, may insist on legislation. One idea is that it might be made a federal crime to bring explosives across state lines for bombing purposes.

Locking the Back Door

THE special House Subcommittee on Legislative Oversight whose investigations were responsible for the downfall of the President's chief assistant, Mr Sherman Adams, his crony, Mr Bernard Goldfine, and a member of the Federal Communications Commission, expired quietly at the end of 1958. Even its own members do not propose that it should be given a new lease of life, although they urge that the investigation of the powerful agencies which regulate great sectors of the economy should be continued to discover whether they have "neglected their obligations to the public." Supposedly, this was the subcommittee's own task, but inadequate preparation, bitter political controversy and in some cases an unbridled passion for publicity have left it more than half undone.

Nevertheless, in its last will and testament—its report on its activities—the subcommittee unanimously supported a great number of legislative and administrative reforms, some of which Congress may adopt, to end the "back-door" pressures to which the commissions, several of which dispose of most valuable property rights, such as television licences, are now subject. The subcommittee proposes civil and criminal penalties for the exercise of improper influence, even by members of Congress or of the White House staff. Members of the commissions would themselves have to observe a code of ethics. The FCC, the most often hit target of the inquiry, is already moving to require a higher standard of conduct.

The subcommittee also wants to make the commissions more independent of the White House, which selects their members and chooses the chairman, but has only a very disputed authority—which the subcommittee thinks should be clarified—to discharge commissioners for neglect of their duties. It suggests that the chairman, who often wields great power, should be chosen by his fellow commissioners and serve for only three years; and that the agencies be given the right to institute court cases rather than having to rely, as at present, upon the Department of Justice, an arm of the executive, to do so. Finally the subcommittee feels that when the Civil Aeronautics Board awards an air route—a most profitable concession—the President, who has the power of veto, should not be able, as he is now, to suggest an alternative recipient. This procedure subjects the White House staff to great pressures from the interests involved. The subcommittee recognises, however, that it is not enough simply to pass more laws. If the commissions, which have many judicial duties, are to be above suspicion, like the courts, they need men whose ability and integrity are commensurate with their responsibilities. Political considerations must play no part in appointments, and salaries must be raised and tenure of office lengthened. Such reforms will require a change of heart both in the White House and in Congress.

Painless Delivery

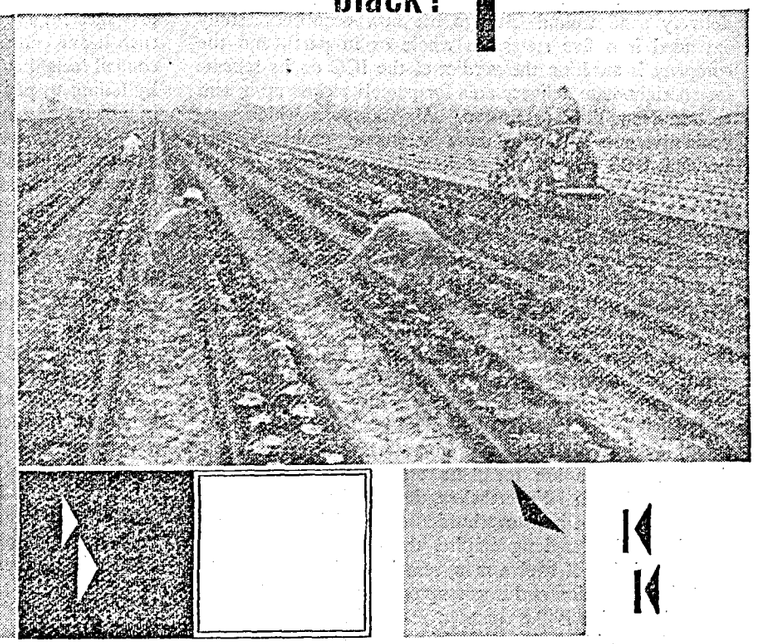
NEW YORK

ON the streets of New York, packed to capacity with every species of vehicle, there is but one glaring omission: the fleets of delivery vans which customarily bear witness to a city's variety of shops and stores. In their stead are the large, brown, beetle-like vans of the United Parcel Service which today carry virtually every package which moves from shop to customer in this capital of retail trade. While a third of its activities are concentrated in New York, UPS has brought the joys of consolidated delivery to fourteen other metropolitan areas, including San Francisco, Los Angeles, Chicago, and Philadelphia. This network has grown, in the space of fifty years, out of a small, bicycle-based messenger service opened in Seattle by Mr James E. Casey, who still heads the enterprise with 6,000 vans which now carry over 180 million parcels in the year. Moving directly counter to the best pioneering traditions, Mr Casey started with the last frontier (the Pacific North-West), moved into California, and in 1930, when no longer strictly a young man, went East.

UPS delivers (and takes COD payments) for over two thousand department stores and smaller shops. It attributes its expansion to a rigid insistence on individual long-term contracts—of 1, 5 or 10 years according to volume—and on a "carry all or carry nothing" principle. Many a smaller carrying company has been broken by a shop's freedom arbitrarily to grant or withhold parcels, or simply to leave the more awkward deliveries to the outside carrier. Contracts vary widely from shop to shop according to the number of packages, the extent of the delivery area, and such considerations as local labour costs, traffic congestion (New York) and hilly streets (San Francisco). UPS is really interested only in parcels but, in order to make full provision for the needs of its customers, it has introduced an entirely separate Furniture Service to carry those items falling outside its definition of a package. In terms of size and facilities offered UPS has no rival. While several cities boast a local consolidated delivery service, real competition comes from the stores themselves, acting either individually or in groups. From time to time shops forsake UPS in the belief that they can conduct their own affairs more cheaply, but usually they return chastened to the fold.

Retail delivery, however, is a declining business, and in spite of its postwar territorial gains, UPS today carries rather fewer parcels for the stores. There are two main reasons for this: the shops, mindful of the charges involved, put more pressure on customers to take their packages with them; and the greater emphasis on suburban shopping centres means that more customers transport their own

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UNION CARBIDE

packages by car. To counter this trend, UPS has turned its attentions to wholesalers and, in the course of the last five years, it has signed up 25,000 of them; in 1957 a third of its bundles were wholesale ones.

As a common carrier of parcels (up to a maximum weight of 50 lb) the august and tax-exempt United States Post Office is the main competitor of UPS. But while its rates approximate to those of parcel post, UPS can offer a door-to-door service, faster delivery schedules and other advantages. Its wholesale division now operates in fifteen states and the present aim is to expand these separate units and to provide links between them. Apart from the economic problems of enlarging delivery zones, the crossing of state boundaries involves UPS in delicate and lengthy negotiations with the Interstate Commerce Commission. The delivery zone around Chicago has now been successfully extended into five states (in whole or in part), and the company is awaiting the verdict of the ICC on its scheme for an eight-state delivery area for parcels picked up in and around New York or Boston. Air transport, which conveniently cuts through these interstate problems, has enabled UPS to establish a long-distance service which links New York and Chicago with San Francisco and Los Angeles. In addition, UPS-Air, a relatively small affair, provides direct air service between a handful of cities.

UPS employs ten thousand men, and their wages make up 75 per cent of its total costs. Two-thirds of them are on the road; the remainder, apart from office staff, sort parcels, mainly at night. Reflecting the convictions of its founder, the company has a refreshingly Victorian flavour which has contributed considerably to its success: the appearance and conduct of its delivery men are governed by an outspoken and personal "Manual of Instructions" that would make even a Boy Scout wince—the more remarkable since its readers are members of the somewhat tough Teamsters' Union. Nevertheless, the world's largest carrier of parcels has not been overburdened with labour troubles. In spite of its far-flung empire, the central executive of UPS, consisting of twelve men, remains intimate, intensely loyal to its founder, and uncorrupted by the lavish interior decoration which is the common mark of a profitable concern. In addition, there are fourteen managers of local plants to whom responsibility is liberally delegated. The corporation, which is private and therefore keeps its finances to itself, is owned by those who work in it.

Security for Benefits

FOR nearly 90 million Americans—the 12.5 million receiving insurance benefits and the 75 million paying contributions—allegations by conservatives that the social insurance system is "bankrupt" strike an alarming note. They are based on the fact that last year, for the first time in twenty years, more was paid out to beneficiaries than came in; this is possible, without resort to general tax revenues, because a reserve fund of about $22 billion was built up in the early years, when total pension payments were small. Interest on this fund is expected to play an important part in balancing the social security budget in the long run.

At the beginning of this year, benefits went up again, by about 7 per cent; in election years, like 1958, Congress cannot resist the temptation to sweeten the social security cheques which reach so many American families. Last August, however, Congress also raised the social security contributions, which are paid both by employees and their employers, from 2¼ per cent of the first $4,200 of wages to 2½ per cent of the first $4,800. Higher rates were also introduced for the self-employed.

This increase in contributions is the chief reason why a special advisory council created by Congress in 1956 is able to declare that the system is financially sound. It reports that in 1960 income will once more exceed outgo and should continue to do so until 2020, if Congress sticks to another decision made last year: to raise the rate of contributions every three years from 1960 to 1969. By then, employers and employees will each be paying 4½ per cent of wages for social security, unless experience shows that such heavy contributions can be postponed. Although the council feels that the Treasury short-changes social security by failing to pay the market rate of interest on the bonds in which this money is invested, so far both Congress and the Treasury have regarded the social security reserves as sacred. New problems may arise if the progressive Democrats should succeed, over the protests of the American Medical Association, in providing a medical and hospital care programme for retired old people. But what really worries the advisory council is that in years to come pensioners who have paid in good money may be paid back in bad, unless creeping inflation can be checked.

SHORTER NOTES

As part of the general pacification proceedings by the Democratic leaders in Congress, Dr Dale Alford has been seated temporarily while charges that he won his victory over Representative Brooks Hays by fraud are being investigated. Dr Alford took the oath after all the other Representatives and therefore ranks behind them for privileges such as committee assignments. If the segregationist Dr Alford is finally seated permanently, liberal Democrats intend to protest against his recognition as a member of their party.

* * *

An exhibition which opened in Washington this week and which will be touring the museums of America until mid-1960, visiting small cities as well as large all across the country, is of sculpture, tapestries, ecclesiastical furnishings, ceramics, stained glass, metal work, everything except paintings and drawings, by 85 of today's leading artists in Britain. Careful selection and competent organisation have ensured an impressive display of works, many of them created especially for the exhibition, which demonstrate the outstanding contribution which British artists can make to the embellishment of churches, public buildings and private houses. The exhibition has been organised voluntarily by a group of enthusiastic Anglo-American women who wanted to prove that Britain can compete with countries such as Scandinavia and Italy which are famous for their contemporary craftsmanship.

* * *

The last of the aviation strikes, that against American Airlines by its pilots, has been settled by a wage increase which raises the earnings of a top-rated pilot to $22,500 a year from $19,000. He flies 85 hours a month, half by day and half by night.

THE WORLD OVERSEAS

Nato's Gaullist New Year

FROM OUR SPECIAL CORRESPONDENT

"YOU people are going to find us making quite a bit of trouble for you this year," said a French civil servant in tones of satisfaction to a number of Nato colleagues over a convivial glass recently. Last year—indeed, ever since Mr Sandys's first white paper on defence—the most irresponsible member of the alliance was felt to be Britain, which set a bad example to weaker brethren by cutting down its forces in Germany on specious pretexts that provided precedents for everybody to reduce defence spending, shorten national service, economise on equipment, and generally postpone the time when the Supreme Commander could count on the thirty divisions which he, like his predecessors, regards as the minimum for the shield. But it now looks as if, compared with a Gaullist government's policy for national greatness, Mr Sandys and his white paper are going to seem very small beer.

But it is Mr Sandys who has given the French their cue, and this is going to be remembered against him, even though Nato commanders feel that at long and weary last they have argued him into a more cooperative frame of mind. The French are now demanding British status, or are preparing to. Britain retains control over the bulk of its forces, allocating to the Supreme Commander (Saceur) only 55,000 men (and it may be only 45,000 next year); France means to take the same line. The renaissance of France must be based on the army, says General de Gaulle; this cannot be done if the army is commanded by foreigners, and Shape is altogether too Anglo-Saxon. The Mediterranean is a French sea—but the Americans have the biggest fleet there and the British have the nominal Nato command. Britain flourishes an independent deterrent, which enables it to economise on troops but spread itself in the matter of top posts, technical aid, and cosy little nuclear club talks; France cannot be fobbed off with less. Meanwhile France provides the basic military infrastructure on which the alliance is supplied. Yet, unsatisfied with this, the Anglo-Saxons want to take over France's skies too, and command them in the name of integrated air defence. This sort of thing, the general says (or his intimates say he says), is good enough for small countries, but not for France.

The British are busy arguing that they are not in the least responsible for such nonsense. It is time, they say, that the French (or the general) realised that everybody's forces are, and in peace remain wholly, under national command; Shape gives orders in time of war but is otherwise simply an allied planning organisation. Britain may have stressed its overseas commitments, but it has sustained these for years (to everybody's advantage), while supplying at first four, and even now three plus, fully-found fighting divisions to the alliance, compared with the French 1½ (if France's 60,000 troops beyond the Rhine do in fact include that many fighting effectives). This contribution, as well as the scale of the British naval and air effort, is the basis of the commands held by British officers; and anyway a French general has the command of all Nato forces in the vital central area. As for the deterrent, the British say the French argument is absurd: why, it was American legislation, not British love of national glory, that led them to undertake the hard, costly and unrewarding task of providing Europe with an indigenous nuclear striking force based on the pioneer British work done during the war. Britain is not insisting on British control of American-made warheads; the French are (or were). Finally, Britain has entirely agreed that in these days of supersonic aircraft British skies must become part of an integrated Nato air defence area.

This last argument, it is said, is specially resented by the French as a typical piece of Anglo-Saxon double-crossing. So, too, with the deterrent; of course France must insist on having control of American-supplied warheads in order to reach equality with Britain in keeping its deterrent under its own control; of course the British, having their own bomb, did not need to insist! Anyway, France is to make its own bombs, and when the first is detonated (probably this year) its allies will treat it with the respect due.

The British are all for laying on respect with a trowel; but they doubt if detonating one device will, in fact, make France a nuclear power. Five years after the British did the same, they remain five years behind the United States in respect of most types of warhead. France has, moreover, to develop means of delivery as well as warheads: and that means missiles, because (except for tactical use) aircraft are approaching their penultimate phase as carriers of the deterrent. It is all a terrible pity because France, by treading the bankrupting path to glory, will end up with no hardware worth having; whereas, if American terms were accepted, its aircraft could be adapted to certain nuclear missions immediately; and everything else would follow. American control is minimal, and not likely to last for ever. But if France follows in practice some of the lines of policy now being mooted, it will find that in a few years at most the Germans have a bigger, better army, more fully committed to Nato, with more claim to commands in the alliance. And it will be a far more modern army, equipped with, and trained on, a full range of efficient tactical nuclear weapons, which the French will be still years from making. Even if General de Gaulle cannot see the logic of this, it is suggested, younger de Gaulles of the future will see it. This may perhaps underestimate the work France's scientists have done before their first test explosion.

Meanwhile, despite all these wrangles, the unity of Nato is exemplified by the general acceptance of the requirements outlined by General Norstad in his MC-70 paper, and by the resolution to maintain allied forces in Berlin; France subscribed to both plan and resolution. Shape still assumes that France will put a full six divisions at Saceur's disposal when Algeria permits, and that, with MC-70 agreed, the miseries of year-to-year planning are over. Nato's atomic

stockpile will grow. As it grows, manpower needs will themselves change. The common market, atomic technology, the German army—all will tie France increasingly to Nato. But a period of difficult relationships lies immediately ahead (unless Berlin changes everything). The Americans are inclined to say: "Well, you British began it. It is you, and your demands for special treatment, that the French watch so jealously. What you do or say will make for unity or disruption. So for all our sakes be careful." Just now, they are probably thinking of that infernal machine, the annual British defence white paper, quietly ticking away the hours till its time comes to burst upon apprehensive allies.

M. Debré's Team

FROM OUR PARIS CORRESPONDENT

GENERAL DE GAULLE, like a good manager, did not want to alter more than was necessary the team that had served him well and faithfully, although the departure of the Socialists after the budget shocks meant that he had to relinquish M. Mollet, the man who had given him such great service as the team's left winger. Allowing for all the possible permutations, the changes are comparatively few. M. Debré, of the UNR, is promoted to the premiership. His more famous party colleague, M. Jacques Soustelle, becomes second in command, with the title of minister delegate to the prime minister. It is everybody's secret that M. Soustelle had other ambitions; having shown his skill in placing friends and influencing people at the ministry of information and having left this job to a reliable fellow gaullist (M. Frey, the secretary of UNR), he apparently wanted to exercise his skill on a wider scale at the ministry of the interior. This job, however, was given to Senator Berthoin, the only Radical in the cabinet. M. Soustelle was placated not so much by his new functions—he is in charge of overseas territories, the Sahara and atomic energy—as by the fact that through his new rank he becomes M. Debré's closest collaborator and a sort of deputy prime minister. In this position he can wait. After all, only eight months ago he was fleeing to Algiers in the boot of a car.

The neo-gaullist UNR, in addition to the Debré-Soustelle tandem, is in charge of information, justice (M. Michelet), and a couple of less important ministries. The conservative Independents are the second party in the government; they have one minister of state, M. Jacquinot. M. Pinay, having associated his name with the new economic policy, remains at the ministry of finance assisted by two party colleagues as secretaries of state. A senator of the same party is minister of agriculture. Thus the Independents have almost complete control of the economy.

Many Christian Democrats were reluctant to enter a cabinet saddled with such an unpopular budget. But they have joined the government all the same. Since M. Pflimlin felt in need of a rest, M. Lecourt has been appointed minister of state in charge of the French Community (M. Houphouet-Boigny of the African Democratic Rally is also a minister of state). Two other MRP ministers stay in their jobs.

The "technicians" form the biggest single group in the government. Out of 21 full ministers only twelve will now have to vacate parliamentary seats; the rest are outsiders. M. André Malraux, the famous ex-fellow traveller and novelist, has been promoted minister of state in charge of everything vaguely connected with culture. Civil servants are in control of key ministries like foreign affairs (M. Couve de Murville) and defence (M. Guillaumat). A newcomer to this group of technicians is the new minister of industry and trade, M. Jeanneney, a professor of economics and the son of the late speaker of the senate. The minister of education, M. Boulloche, is the Socialists' only link with the government; but he sits in the cabinet in a personal capacity.

M. Mollet had to take his colleagues into opposition. It is true that at the party's national council last weekend he defined this opposition as "constructive." He argued that the Socialists must not oppose the new regime but make counter-proposals whenever they disagree with the government's measures. Nevertheless the final motion adopted by the council attacks the government's economic policy in the most scathing terms as a denial of common sense and justice. On going into opposition, the Socialists have suddenly discovered the heavy cost of the Algerian war. This "discovery" by the party of M. Mollet, who when in office always tried to minimise the burden, has caused amusement, but memories are short and this is not the first of M. Mollet's somersaults. Yet his fate still remains linked to that of General de Gaulle. If the country swallows the new economic policy without too much resistance, M. Mollet will keep the leadership of his party and perhaps serve again. Otherwise all his dexterity may not be enough to channel popular discontent within the limits of constructive opposition.

GENERAL DE GAULLE will retain control of the government team but as president of the republic he also has a team of his own. The new staff at the Elysée Palace includes M. de Courcel, head of the French delegation at Nato; M. Brouillet, hitherto in charge of Algerian affairs; General de Beaufort; and M. Janot, who will deal with the problems of the French Community.

The general has immediately taken the initiative. The measures of clemency in Algeria are wide and significant. Seven thousand Algerian internees are to be freed. All death sentences have been commuted to life imprisonment. Ben Bella and the other Algerian leaders who were kidnapped by the French in October, 1956, on their way from Morocco to Tunis, are being moved from jail to a fortress. This is not yet freedom, but an implicit recognition that they are prisoners of war. These measures have made an impact—they have been received hopefully by liberal Frenchmen and angrily by the ultras in Algeria.

In Paris the mood was not unlike that last October, when on the eve of the general's press conference hopes of a negotiated settlement in Algeria rose high, only to be dashed a few days later. Once again, this week, the air has been full of rumours of secret talks in Egypt, Switzerland and Tunis. Then came the denials. Signor Fanfani, the Italian prime minister, denied that he had any message from President Nasser. M. Frey asserted that there could be no question of negotiation about the political status of Algeria. M. Yacid, the FLN minister of information, echoed from Cairo that any negotiation would have to be direct, based on "independence" and held on neutral territory. Yet, despite all these denials, rumours persist that Algeria might be offered a place in the French Community

(which would not exclude future independence). The snag lies in the French official refusal to discuss the status of Algeria. Can the FLN accept a cease-fire, taking the general on trust? Is the general willing to give them, publicly, any political guarantees?

M. Debré, speaking at the opening session of the Assembly on Thursday afternoon, gave no indication that a positive answer will be given tomorrow. Dismissing all "stupidly and complacently circulated rumours," he proclaimed that it was unthinkable to go beyond the general's offer of last October. If the prime minister speaks for the president the prospects of a negotiated solution are as dim as ever.

Economic Danger Signals in Spain

FROM OUR CORRESPONDENT IN MADRID

GENERAL FRANCO'S report to the nation at the year's end contained all the ingredients that Spaniards have come to expect: justification of the regime, assurances that it is here to stay, warnings to beware of "the enemy" abroad and of "detractors" at home, exhortations to maintain unity and discipline, regret at foreign "incomprehension." Throughout, the tone tended towards optimism and complacency. The average Spaniard, General Franco pointed out, was eating better than before. His standard of living was higher. Industrial production was increasing. Abroad, the regime had gained in prestige, respect and admiration. There were even imitators.

> We view with optimism the revolution on the other side of the Pyrenees provoked by the army backed by the vast majority of Frenchmen. Looked at in terms of political thought this has special meaning for us. For when our own national revolution undertook to restore order in government by circumventing parliamentary rule and the machinations of political parties its purpose was wrongly interpreted and unjustly criticised.

General Franco's speech was notable, too, for what it left out. There was no reference to an alarming side of the economic picture that thinking Spaniards are worried about. Nor was there any mention of the flight-of-capital scandal (see *The Economist*, January 3, 1959, page 65) uncovered last month; under another system of government the affair would have made newspaper headlines for weeks and possibly provoked resignations from high posts.

Most Spaniards today do live better than they did five, ten, and fifteen years ago, but at the moment it looks as if they will not be able to maintain their new standards. The economy has developed serious symptoms of impending crisis. The cost of living has soared 40 per cent in two years, thus wiping out the benefits of the large wage increase decreed by the government in the autumn of 1956. Too rapid industrial expansion in recent years has eaten away the nation's gold reserves from some $220 million in 1955 to $57 million now—and these $57 million are the "untouchable" minimum required as cover for the national currency. Foreign exchange reserves are virtually exhausted, partly because of the growing need for industrial raw materials to keep the country's expanding economy going. A year ago the total trade deficit stood at a record $387 million compared to $170 million two years earlier, and the figure for 1958 promises to be about the same. (True, American economic aid covers about half of the deficit, but what remains is too much to shrug off with a wish and a hope.) Foreign credits and necessary imports are becoming harder to obtain.

Lack of foreign exchange, for instance, is forcing the government to cut imports of petroleum products by something like twenty per cent. The gravity of the measure is clear: trucks, tractors and fishing boats stand to feel the pinch and the economy as a whole will be affected unless somebody (the United States?) comes to the rescue. Petrol rationing may have to be imposed (but foreign tourists would be spared this inconvenience).

Another sombre development concerns Catalonia's textile industry which has been caught up in a severe recession. The average Spaniard has begun to cut expenses, starting with clothing. In October textile sales were 25 per cent below what they were the previous year, and advance orders had dropped by 59 per cent. If the mills are forced to reduce output, 300,000 workers will be affected. Labour legislation ensures that the working man is paid for workless days, but there is always the risk that induced idleness will disturb social stability.

A curious feature of the country's economic plight is that things are bad although American economic aid to Spain has just passed the billion dollar mark (this does not include $350 million for the bases and $400 million for the modernisation of General Franco's armed forces). In explanation the Americans say that their economic assistance is not a recovery programme; it is for "defence support," that is, it is designed to help Spain to withstand the economic impact of the joint construction of military bases and the modernisation of the armed forces. American aid, therefore, is not being poured into the Spanish economy indiscriminately; it is being channeled into basic and selected sectors, notably to agriculture, electric power, transportation, and the supply of certain raw materials and foodstuffs. The Americans feel that their aid programme in Spain cannot be held accountable for a situation brought about by excessively rapid industrial development pushed forward at the expense of agricultural needs, by an immovable reluctance to disturb vested interests, by resistance to foreign capital investment, and by excessive government controls on private economic activity.

REFUGEES IN CENTRAL EUROPE—II

Who is a Refugee?

BY OUR SPECIAL CORRESPONDENT

THE refugee world is full of paradoxes. One of the more curious is that refugees who after long years of waiting in Austrian camps managed to acquire Austrian nationality, now find that they acted unwisely, or at least precipitately. Once they become officially Austrian, they are no longer under the mandate of the United Nations High Commissioner, and so are disqualified, after a year's grace, for the UN integration schemes. This would not matter if the Austrian government could afford to do as much for its refugee citizens as the High Commissioner is doing for the mandate refugees. But in Austria, where the UN has a much freer hand than in Germany, the Unref building

Advertiser's Announcement)

"Why no strikes in Steel?"

asks Margaret Stewart—and comes up with this astonishing answer

MARGARET STEWART *has been industrial correspondent of the News Chronicle since 1949, and before that was on the staff of The Economist. She is the first and only woman industrial correspondent of a national newspaper. She has also broadcast on current affairs for the BBC.*

Miss Stewart was educated at St. Leonards School, St. Andrews, and Newnham College, Cambridge, where she read Modern Languages and Economics.

Before entering journalism she was a research worker for the Nuffield Social Reconstruction Survey and prepared evidence for the Beveridge report on social insurance.

She has made a special study of industrial relations and trade union problems. So her remarks on Steel carry a good deal of weight, because she knows so much about the way other industries are faring.

Miss Stewart has been impressed by the absence of industrial strife in Steel. She writes: "In many years of industrial reporting, I have yet to come across an industry where there is such a 'will to peace'".

IN MANY YEARS of industrial reporting, I have yet to come across an industry where there is such a "will to peace" as in Steel.

In 1957, more working days were lost through industrial disputes in Britain than in any year since 1926 – the year of the General Strike.

The steel industry can plead "Not Guilty". Industrial strife has passed it by, and it has not had a major strike, apart from the General Strike in 1926, for more than half a century.

Last year, there were serious stoppages in road and air transport, and in the docks. This year? Many TUC leaders have voiced the fear that there will be more strikes, because of the Government's decision to scrap compulsory arbitration.

ROUND A TABLE

But such fears are irrelevant to an industry where arbitration by outsiders is the last resort and not an integral part of industrial relations.

This does not mean that there are never any disputes in Steel. It means that both sides prefer to settle their differences round a table. They use their own well-tried conciliation machinery to the full.

This machinery is so good that when Steel was nationalised in 1949, nobody wanted to change it. *This is how it works:*

At the top are national agreements for each section of the industry. These fix minimum wages and such matters as hours, holidays and the cost of living sliding scale. Heavy steel usually sets the pattern, but agreements vary to suit each section.

MEN ON THE SPOT

At the bottom are plant-by-plant negotiations – undoubtedly the key to success. The men on the spot who work on the job, and know the local conditions, fix the rates for a particular machine, mill or furnace.

If a dispute cannot be settled locally, it goes to a neutral committee of four – two management and two union men, drawn from firms *not* concerned in the dispute but thoroughly understanding the job.

These neutral committees nearly always reach agreement. If not, the top officials on either side take a hand and see if they can suggest a solution. If they fail, then – and only then – the dispute will go to arbitration. One side never *forces* the other to arbitrate. It is done on jointly agreed terms of reference, and on the understanding the award will be accepted.

SQUARE DEALING

Many other industries have just as good machinery on paper, but it has not prevented strikes and unhappy labour relations.

Steel has a tradition of fair and square dealing. "We talk the same language and we trust each other", was how one big steel executive described his relations with his men.

The unions, on their side, have for the past 90 years followed the maxim of one of their early pioneers: "Reason, not force, is the weapon men should use". Union leaders, at every level, exercise an effective discipline over their members, and insist, to the point of expulsion if need be, on the honouring of agreements.

Both sides can be tough. That is not surprising in an industry where the job is tough, the hours are tough, with round-the-clock working, and the product itself is tough. But both sides are conscious of the serious effects any loss of production would have in a highly capitalised industry, where each worker is backed by up to £10,000 worth of equipment.

In my view, the short answer to the question: "Why are there no strikes in Steel?" would be: "Men of Steel are Men of Sense."

This personal report was invited by the British Iron and Steel Federation, which believes that everyone in Britain should know the facts about steel and about the men who make it.

schemes are progressing much faster than government projects, and the new Austrians may, as they now fear, have only their right to vote to comfort them as they watch their companions house-moving.

The German refugees in Austria may be even worse off. A great many displaced people of German descent took German nationality after the war, not necessarily intending to go and live in Germany but tempted by the higher pension schemes. Now, although living side by side with the others, they are eligible for neither the UN projects nor for the more hypothetical Austrian schemes, and they see themselves stuck in the camps when the rest have departed.

These unfairnesses, which outside might be accepted as just part of life, are starkly resented in the close, institutional life of a camp. It is dreadfully difficult for the "integration counsellor" to explain to a man who is rather proud of himself for having taken the decisive step of adopting Austria as his permanent home, that he has thereby killed his immediate chance of a flat. The distinctions between refugees may be arguable enough at the High Commissioner's headquarters in Geneva; to the refugee it just seems that he is being penalised for showing initiative.

The counsellors, who by murmuring "don't we all want to be integrated" mock their high-sounding title, are forever trying to explain why one refugee is different in official minds from another. They have to tell families who on their own initiative moved out of camp into private lodgings that they are no longer eligible for international assistance. They have to pass on to old-age pensioners the change of directive that now disqualifies them for a flat. Perhaps their most difficult job is unravelling the abracadabra of the United States escapee programme, which is apparently capricious in the way it whisks one refugee off to the United States and leaves another stranded. But the counsellors themselves sometimes add to the confusion since many of them, although employed by the High Commissioner, belong to religious organisations. The more conscientious of them work impartially among Catholics or Protestants; others have their own protégés. And social welfare on a confessional basis is a puzzling affair.

In perspective, the mandate refugees in Austria are not now getting too raw a deal. Austrian citizens by birth, no less than the ineligible refugees, have to face the fact that accommodation which they need most urgently is denied them. But the refugee is by definition cursed with an insecurity that makes inconsistency particularly hard to bear.

(Concluded)

Israel's Election Starts Early

FROM OUR CORRESPONDENT IN TEL AVIV

WITH the election a good six months away, Israel's political parties are already manœuvering for position. There is not much of a floating vote among the older inhabitants, but this year, for the first time, newcomers will play an important role. Among the old-timers political affiliations are strong and hardened by tradition. The political loyalty of Labour supporters has been well fed by material benefits, such as cheap housing schemes, higher wages or social benefits. It is true that in the 1951 elections there was a swing towards the General Zionists; controls and a clumsily administered rationing system made even the adherents of a planned economy restive and brought the undecided over to the side that advocated less state interference. But controls were relaxed by stages, and in the last elections four years ago the government adroitly exploited the rising standard of living. The newcomers, unused to electoral procedures and strongly impressed by the officials who looked after them when they first arrived in Israel, did not play a decisive role but fitted surprisingly well into the old party patterns.

This time the newcomers will be more important. They have multiplied, and they have learnt something about the functions of government and trade unions as well as about elections. The party that can best attract them, will do well. Mr Ben-Gurion appears to be well aware of this and in particular of the need to attract the Oriental Jews to his side. He used the conflict with the orthodox wing in the Knesset—about the registration of children from mixed marriages—to co-opt into the cabinet the 76 year-old Sephardi Rabbi, Moshe Toledano, and admitted openly that this was done to increase the influence of the Sephardim in the cabinet. In this context, Sephardim means the Jews who came to Israel from Oriental countries. Many of them nurture grievances against the people at the top and against government officials because these are still drawn mainly from the Ashkenazim, the immigrants from Europe. The cleavage between east and west in Israel shows in many places and a political party stands to gain if it can either show that it offers opportunities to Oriental immigrants or exploit their resentment.

The venerable old Rabbi of the Sephardi community is not a newcomer. He was born in Tiberias but he has served among the Jewish communities in Casablanca and Egypt and is well known as a champion of the Sephardi Jews. It was, therefore, a clever tactical move by Mr Ben-Gurion to take him into the cabinet instead of a representative of the religious block, all of whom come from the West. On the other hand, Mapai may now loose votes because of the opposition of the religious block. Disappointed politicians from the religious parties play on the fear of parents that their children will be taken away from them by freethinkers and they do this now with fewer inhibitions than when they were still in the coalition.

It is impossible to say at this stage whether the elections will be fought on the question of "Who is a Jew?" and on the relations between church and state. In the past, Mr Ben-Gurion has always tried to avoid an all-out battle on these issues, and he may choose to fight the elections on other problems. Among these foreign policy does not promise much to his opponents except to the Communists and they still count only among the Arab minority. Heruth has lost much of its aggressiveness, people shun public discussions of security issues, and neutralist Mapam has lost some of its appeal outside its own party-ranks by its acceptance of the Eisenhower doctrine.

THERE remain the economic issues, which are both complex and urgent. Israel needs outside help to the extent of roughly $3 million a year. Everybody agrees that as long as this is the case it is no use talking about economic independence. But although the finance and trade ministers shout themselves hoarse with the slogan "export or unemployment" things jog along much as before. And people who listened to the budget speech of the minister of finance last week were well aware that the long predicted economic reforms would have to wait till after the elections. The government appears to be trying to keep as many

people as it can in work—partly by emergency jobs—so that the standard of living can rise and people will be in a good mood during election year.

The most revolutionary speeches come not from the right-wing opposition, which just repeats its war-cry of *liberalisation*, but from the ranks of Mapai itself. The leader of the revolt is General Moshe Dayan, the hero of the Sinai campaign who has recently entered politics. He is now a student at the Hebrew University in Jerusalem, and has proved himself as flamboyant a figure in civilian clothes as ever he was in khaki. He demands that workers should be dismissed for inefficiency—a sore point with the trade unions. He proclaims that the administration is overstaffed and should get rid of 5,000 officials. He complains that the Israelis eat the money needed for development. And he has attacked, with unprecedented sharpness, the old guard of Mapai. He maintains that the young people of Israel who have lain gun in hand among the thorns and sands of the Negev, understand as much of economics and politics as do the old teachers of Mapai who have sat for twenty-five years in the offices of the Labour Federation. This has led to an open running fight with Pinchas Lavon, the general secretary of the Histadruth.

Mr Ben-Gurion is well aware that success may depend on the absorption of the younger generation into the top ranks of Mapai. But even those who plead for economic reform and for a pruning of the wild growth of the administration are wary of backing General Dayan in the political arena. They realise that an army education is not an adequate background for a political career, and that the general and many of his friends who make up the young group in Mapai, know too much about military discipline and too little about parliamentary thought and democratic procedure. This is the more significant as Mr Ben-Gurion is reported to have selected General Dayan as his eventual successor.

Polish Writers Feel the Pinch

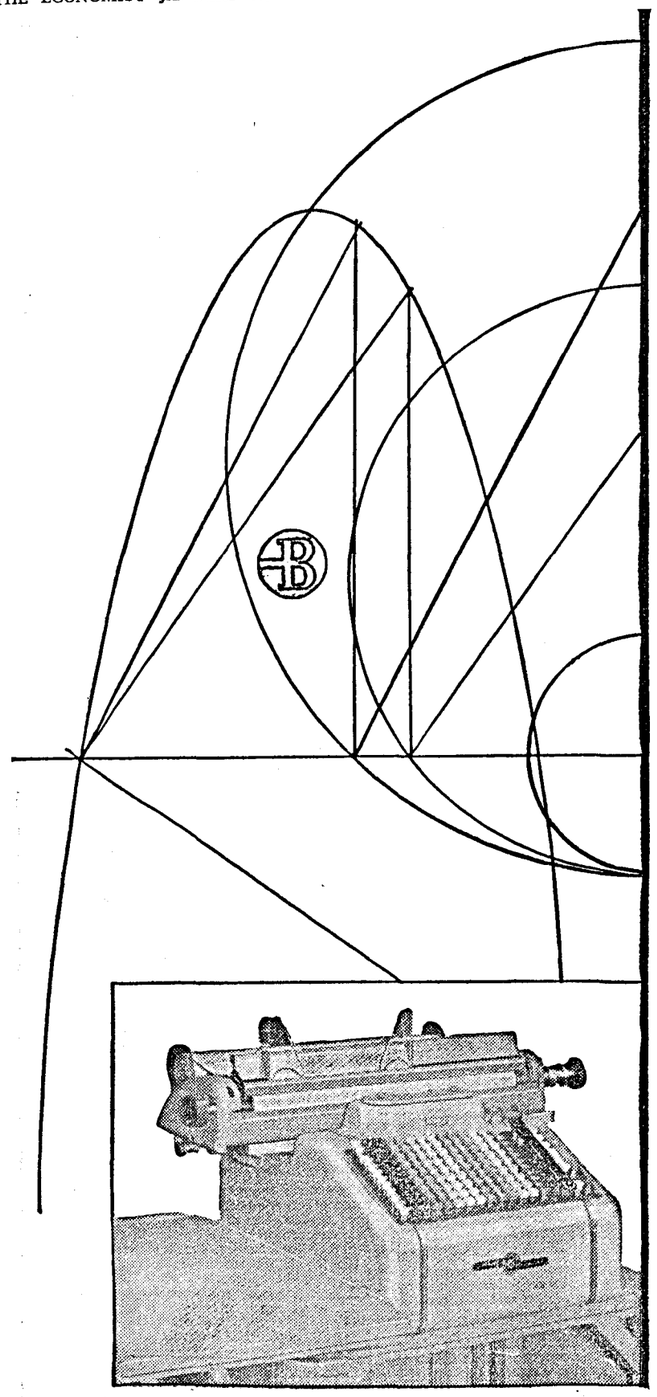
A POLL of writers conducted by the Polish communist weekly *Polityka* has had two interesting results. The writers listed "Dr Zhivago," which in Poland can only be read in smuggled-in foreign editions, among their favourite books of 1958; and *Polityka*, far from suppressing or hiding away this unorthodox expression of opinion, published it in a prominent place. Thus the writers demonstrated their persistent determination to hang on to some vestige of the freedom to write what they want (as opposed to only speaking it) which they thought they had gained in October, 1956, but which has been steadily eroded since; while *Polityka* demonstrated the unusual flexibility, the curious inconsistences, of the Polish communist regime, which makes the search for a *modus vivendi* between writers and regime more complicated and more nicely balanced in Poland than elsewhere in the Soviet block.

The tension between the writers (many of whom are themselves communists) and the Polish regime has lately become more acute and more open. The party line towards culture was redefined early last month; presumably aimed at a compromise, it achieved only ambiguity and dissatisfied the writers still more. At their congress in Wroclaw on December 15th and 16th they were openly critical of the government's present attitude towards literature, and in particular of the increasingly widespread operations of the censors. A resolution criticising the censorship and demanding freedom of expression was introduced by Jan Kott, one of the many intellectuals who supported Mr Gomulka in October, 1956, and adopted by an overwhelming majority.

After brooding over the Wroclaw congress for over a fortnight, *Trybuna Ludu* eventually published an admonitory article. It contrasted the writers' congress unfavourably with the conference of culture and education workers that took place in Warsaw a few days later. The Wroclaw atmosphere, according to *Trybuna Ludu*, was full of misgivings over the writers' ideological programme and fears of a return to bad old stalinist practices; by contrast, the cultural workers, although admittedly their discussion "was not very brilliant at many points," did at least have their ideological hearts in the right place. Instead of worrying about the way in which Polish literary works are lagging behind "the development of social consciousness," the writers at Wroclaw went on and on about the censorship. Nor have they yet finished. The chairman of the writers' union, Antoni Slonimski (who sent a telegram of congratulation on his Nobel prize to Pasternak and has never in any way suggested that this was a mistake), is now engaged in controversy with *Trybuna Ludu* over whether some of the writers at Wroclaw were opposed (as their paper alleges) to the principle of censorship, or whether they were only condemning (as Dr Slonimski maintains) the "often unjustified and damaging decisions of censors" against which, he says, there is no appeal.

THE censorship is an even more damaging weapon against recalcitrant writers than may at first appear. Not only does it keep their books in mothballs; it also prevents them from earning their living. It is in fact reported that Jerzy Putrament, the very minor novelist who is now the chief exponent of the party line on culture, told the writers not long ago that they would be starved out if they did not conform. Whether or not this report is accurate, some writers are already feeling the pinch. They include Adam Wazyk, who wrote the famous "Poem for Adults" shortly before Poland's "October days"; the poet and novelist Pawel Hertz; the poet Mieczyslaw Jastrun, who has just had a book banned; and Jerzy Andrzejewski, who is believed not to have earned anything since he was paid for the film rights of his novel, "Ashes and Diamond," eighteen months ago.

It remains to be seen how far this attempt to secure conformity through cutting off the cash will be pressed—if indeed it is as yet a deliberate and conscious attempt. Mr Gomulka will probably be most reluctant to push matters too far with a group of men many of whom were among his staunchest supporters in October, 1956. The Communists themselves maintain that they do not want to create a uniform style in the arts, that they approve of a free clash of opinions, and respect experiments and creative research. But it is another matter to reconcile these unexceptionable intentions with their avowed determination not to allow any straying outside the Marxist fold into revisionist or bourgeois pastures. In Gomulka's Poland, where stalinist police methods are becoming an unsavoury memory and where men have far greater freedom to speak their minds than elsewhere in the Communist block, the task of corralling the written word within strict Marxist-Leninist fences is bound to be immensely difficult.



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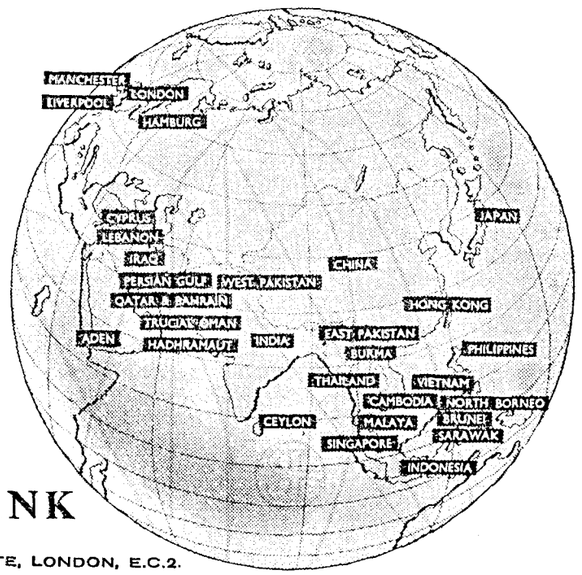
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Electrical Aids in Industry — *Data Sheet* **No. 8**

Light-Sensitive Cells

What are light-sensitive cells? They are devices which can sense and measure changes in the level of light or, in some cases, respond to the quality of light falling on them. There are various types of cell and each has its particular field of use. One of the best known is the photo-electric cell.

What can light-sensitive cells do? A change in the amount of light falling on the cell can cause a switch, relay or counter to operate. Alternatively, the direct indication of the light intensity can often allow some other factor to be determined and, if required, controlled. They are reliable and require little maintenance. Careful installation, as with all types of equipment, gives a good reward.

How can they be used? These cells have many applications in industry, for controlling processes, for inspection and measurement, for sorting material and for safety purposes:

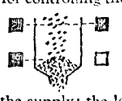
Counting

Where objects on a conveyor belt are too soft or light to operate a direct mechanical counting device, where they are too delicate or freshly painted to sustain physical contact or where the articles vary in size, a light-sensitive cell can be used. This counts the objects by interruption of an appropriately sited beam of light.



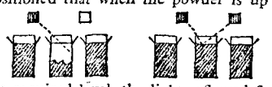
Hopper or Tank Level Control

Many forms of feed can be accurately controlled by light cells. One important one is for controlling the input to a hopper of fluid solids such as sand or peas. Here, two horizontal light beams are required: the upper, when interrupted, indicates that the hopper is full and stops the supply; the lower, when it ceases to be interrupted, indicates that the hopper is nearly empty and restarts the flow.



Package Content

The level of powder in packages can be checked with light cells. The cell is so positioned that when the powder is up to the required level, the light reflected from the surface of the powder is picked up by the cell and causes the carton to be accepted. If not, it is rejected.



Colour Sorting

The quality of many articles can be gauged by their colour—seeds and nut kernels, for instance. The objects are fed into a tube by means of a vibrator pan and fall into the beams of three equally spaced light cells which scan them from all sides. If the object is acceptable it falls into a chute carrying it to one conveyor; if its colour is bad it is deflected as a reject.

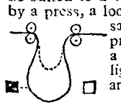
Guillotine Guard

Light cells for guarding a guillotine or power press should be used only as a supplement to a mechanical guard or where the latter is impracticable. The interruption of a curtain of light by a hand stops the machine instantaneously.



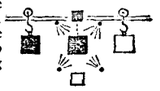
Press Feeding

Where the rate of feed of strip metal must be suited to a varying speed of acceptance by a press, a loop of the strip is allowed to sag between the feed and the press. When the loop reaches a predetermined depth a light beam is interrupted and the slack is taken up.



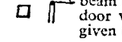
Processing Objects on the Move

Many articles are processed while on a conveyor line. For instance, where articles are to be sprayed while on the conveyor, the paint saved by stopping the gun between articles will make the device worth while. The same principle applies in a bakery to the spraying of baking tins with fat.



Automatic Door Opening and Closing

Doors can be caused to open or close by the interruption of a beam of light. This has its uses in such cases as control of doors on a heating oven or for the passage of vehicles in a factory. This is effected by a light beam on the side from which the approach is made (in many cases, both). When the approach beam is interrupted it opens the door which closes again after a given time interval.



For further information, get in touch with your Electricity Board or write direct to the Electrical Development Association.

An excellent series of reference books are available (8/6, or 9/- post free) on electricity and productivity—"Higher Productivity" is an example. E.D.A. also have available on free loan a series of films on the industrial uses of electricity. Ask for a catalogue.

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THE BUSINESS WORLD

Recession and Steel Profits

DURING its financial year that ended on September 30th last, the British steel industry produced just over 20¼ million ingot tons of crude steel. This was 6 per cent less than in 1956-57, and its deliveries of finished steel were about 5 per cent down. The industry's productive capacity—which in Britain means what the industry would have been glad to produce economically, not some theoretical maximum—averaged at least 23¼ million tons during the year, so that as a whole it operated about 13 per cent below full capacity. Steel's recession developed only after the beginning of 1958. In the October-December quarter of 1957 deliveries of finished steel were still nearly 5 per cent higher than a year before ; yet by the July-September quarter of 1958 they were 15 per cent lower.

During the first quarter of the current financial year—the last three months of 1958—steel production was at the rate of about 18 million tons a year, against a capacity of some 24 million tons. Nobody knows yet how much more consumers have reduced their steel stocks. But few people in the industry believe these stocks are low enough yet to revive buying quickly. On a conservative but not lugubrious forecast, allowing for some upturn in ordering by the middle of this year, one cannot now expect production in this financial year to be much above 19 million, from a capacity averaging say 24¼ million tons—operations, that is, averaging 20 per cent or more below full capacity.

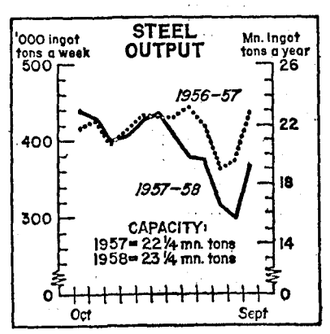
On the face of these figures, one might expect to be recording a poor year for steel profits and looking forward to a still more doleful one. Yet the mixed array of steel profits that have so far been disclosed—which include all the industry's ten biggest producers of crude steel—has been by no means uniformly unhealthy. Preliminary and detailed trading figures for several concerns have been given already (and figures for four publishing full acounts this week are set out on page 236). Their comparison with 1956-57, in terms of trading and in some cases of operating experience, can be summarised.

Changes, 1957–58 from 1956–57	Output, ingot tons	Profit Before depreciation and tax	Profit After all* depreciation before tax
	Per cent	Per cent	Per cent
Colvilles	−12	− 7	− 5
Consett Iron	n.s.	−30	−40
Dorman Long (Steel)	− 9	n.s.	−21
Whole group	n.s.	− 3	−18
Lancashire Steel	n.s.	+36	+57
South Durham	n.s.	+38	+37
Steel Company of Wales	+ 4	+17	+25
Stewarts and Lloyds	−14	−19	−24
John Summers	+ 5	+16	+12
Richard Thomas & Baldwin	n.s.	−17	−27
United Steel	−5	− 5	− 3

* Including allocations to reserves for replacement of fixed assets.

No company among these big ten has felt impelled to reduce its dividend ; several have increased them, either as a result of buoyant profits or grudgingly in retreat from a skinflint policy. Why have these results, in general, been more favourable than might well have been feared in a year of steel recession ?

The first answer, as the table shows, is that the recession hit different companies very unequally : three or four out of these ten big companies actually produced more steel in 1957-58 than in 1956-57. Demand for sheet steel, last year, almost completely escaped the recession, which was concentrated at the heavy end of the industry and in tubes. John Summers and Steel of Wales, accordingly, could record increases in output and very healthy increases in profits, while Consett, Dorman Long (Steel) and Stewarts and Lloyds were hit in output and more heavily in profits. Lancashire Steel and Richard Thomas and Baldwins do not fit this pattern of



recession and profit too neatly. Though the wire trade's relative prosperity probably meant somewhat increased output for Lancashire Steel, its production cannot have soared as much as its profits ; at the other extreme there seems no obvious reason why RTB's output should have slumped enough to cut profits by a sixth. But the spurt in Lancashire's profits ought properly to be set against their slump in 1956-1957 ; while RTB, which as yet has said nothing about its output or experience, is said to have had continued teething troubles in bringing in certain new plant recently, and may well have lost heavily for a while on some of its obsolete works before it finally decided to close them.

Secondly, for some companies the recession has been cushioned by profits from activities wholly or partly outside steel and outside price control. South Durham's engineering works making large-diameter pipe has been able to bail out Cargo Fleet from adversity, leaving a handsome increase in total profits in hand. Dorman Long, whose activities outside steel contributed nearly half last year's profits, did at least less badly in these structural engineering and chemical branches than in steelmaking. United Steel's rich assortment of products and activities, too, seems to have tempered the effect of steel recession upon profits.

Thirdly, steel producers in 1957-58 had the benefit of rather more generous treatment in the Steel Board's setting of prices than in the year before. During 1956 the recovery of extra costs was somewhat delayed on top of Mr Macmillan's plateau, and an increase in December that year left out special cost increases following the Suez affair. But in July, 1957, the next increase gave the industry, *inter alia*, £10 million a year extra for depreciation, by reducing the lives set for assets in the computation of this element in prices. The "profits after all depreciation" comparisons shown in the table on the previous page take account of the depreciation and replacement reserves the companies show, not what the board allows in prices. There was, admittedly, a small cut of 1½ per cent in steel prices in March, 1958—which, incidentally, altered the balance of costs between companies because prices of imported ore were made more realistic and the ingot levies on output everywhere were reduced. Since then landed prices of ore have come down further ; has the British Iron and Steel Corporation in turn reduced its internal price to steelworks that use this ore ? Apart from price control, export premiums on many steel products finally disappeared and there was some soft selling abroad. On the other hand, the "basket" of products actually sold abroad included proportionately more expensive items, so that the value of exports, ton for ton, was rather higher last year than in 1956-57.

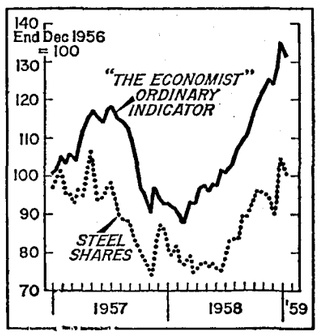
It can hardly be said, therefore, that 1957-58 was exactly a testing time for conventional ideas about the effects of recession upon so highly capitalised an industry as steel ; a 5 per cent drop in output to 13 per cent below capacity, in a year when total price allowances for depreciation themselves went up by 10-15 per cent, is not exactly an acid test. Certainly British steel companies have not yet had occasion to rival their American counterparts in continuing to make profits when operating at 60 per cent of capacity or less. The industry has achieved some economies in prime costs from its lower rate of operations—not necessarily wholly offsetting the extra cost of spreading overheads over a lower volume of output, but enough to reduce the effect. Some old and inefficient blast furnaces and other plant have been taken out of service ; some reductions in the coke rate per ton of iron have come from running furnaces on slacker blast, though reductions here do not necessarily save as much money as they save fuel—they mean bringing in new sinter plant.

Moreover, the burden of fixed costs in this industry can be exaggerated. Depreciation probably accounts for 7 per cent or so, salaries for another 4-5 per cent ; total overheads may not exceed 15 per cent or so at a reasonable rate of operations. The industry has not laid off many men, but it has cut working time ; average earnings are down. Even accepting that labour costs do not fall fully in line with operations, the effect of operating at about 10 per cent below optimum capacity would not be too severe. This year, when the operating average might well be 20 per cent below capacity, may offer the applied economist more evidence to test his conventional wisdom.

The investor, as an applied micro-economist, will be less concerned with the effects of operating rates upon costs than with the commercial prospects that 1958-59 presents for individual steel companies. The companies making thin flat steel, once again, seem better placed, as cars and consumer goods ride the latest surge of hire purchase—though Steel of Wales will soon have to provide much more for depreciation when its latest cluster of investment projects comes into commission, and Summers has warned its shareholders that no further large expansion in output can be expected before 1959-60. South Durham, confident about its pipeline contracts, is perhaps the most bullish in its assessment of 1959. Most other companies have reported fewer orders in hand, and until heavy investment in things that take steel turns upward the heavy end of the business is likely to remain depressed.

But this year political prospects may well outweigh even the commercial chances of particular companies in the investor's mind. Before the current financial year ends, the threat of nationalisation may either have been postponed for another five years, if not for ever—or placed on the immediate agenda, making Mr Gaitskell's words about "full and fair compensation" a matter for anxious calculation. The prices at which renationalisation might be carried through put a limit on the commitment that even the most reckless investor dares take today. But the gamble is an attractive one. Most of the companies have raised their dividends in recent years. Yet the price of their ordinary shares have lagged behind the boom, so that dividend earning yields for steel equities are high. It is only politics that keeps yields on leading steel equities at about 8-9 per cent, nearly twice as high as those offered by "blue chips" in other industries. A Conservative victory at the polls would bring those yields down with a rush and give punters sizeable capital gains. But if the gamble comes off and the threat of renationalisation fades, individual steel shares—at present depressed into uniformity by politics—will have to be appraised and valued on their economic merits, as other equities are. Management, the pattern of profits and markets, the timing and finance of development would come again into the reckoning.

PROFITS IN STEEL



ASSETS AND PROFITS (£'000s)

Years to end-September,	Stewarts & Lloyds 1957	Stewarts & Lloyds 1958	John Summers 1957	John Summers 1958	Colvilles 1957	Colvilles 1958	Consett 1957	Consett 1958
Consolidated earnings :—								
Trading profit	21,003	16,944	11,134	12,442	12,038	11,335	5,400	3,813
Depreciation	2,807	2,874	2,299	2,416	2,092	2,230	1,260	1,400
Loan interest	485	548	732	700	166	643	200	200
Tax	8,928	7,353	3,880	4,590	3,658	4,437	1,959	1,012
Net profit	9,026	6,642	*4,259*	*4,848*	*5,944*	*3,842*	*1,966*	*1,205*
Ordinary dividends	1,265	1,265	983	1,242	748	748	503	503
Ordinary div. (per cent)	*11*	*11*	*14*	*16*	*13*	*13*	*8¾*	*8¾*
Replacement reserves	2,240	1,580	1,400	1,800	750†	270†	800	350
General reserves	5,205	4,245	1,749	1,969	4,351	3,674	684	526
Cons. Balance Sheet :—								
Net fixed assets	46,347	60,256	35,795	41,380	36,010	39,268	16,563	17,847
Stocks	36,056	33,266	13,136	13,563	19,655	17,431	8,137	7,654
Debtors	21,694	20,184	8,946	8,177	12,117	8,223	4,262	3,274
Liquid assets	1,144	660	4,086	2,827	275	5,503	3,161	2,051
Net current assets	*31,099*	*20,839*	*13,970*	*11,964*	*12,123*	*19,279*	*9,786*	*8,071*
Revenue reserves	20,999	23,215	9,217	11,341	12,964	14,637	3,857	4,382
Capital reserves	10,390	13,953	5,323	7,123	8,371	10,562	5,820	6,174
Loan capital	10,000	10,000	12,489	12,399	10,000	16,000	4,000	4,000
Preference capital	10,000	10,000	4,000	4,000	4,000	4,000	...	...
Ordinary capital	20,000	20,000	13,500	13,500	10,000	10,000	10,000	10,000
Ordinary shares: Price	29/4½		40/-		31/6		20/6	
" " Yield	7·3		8·0		8·3		8·5	

† Additional depreciation.

Policy on New Pensions

If the new proposals for national pensions were put forward originally with some thought of catching votes, they seem to be attracting singularly little popular attention now. Bills and Government Actuary's reports about something that does not start for two years are not everybody's meat, but employers ought to begin to form some views about the impact of the proposals on their own policies about pensions. Save in one respect, the Bill precisely follows the white paper proposals outlined in *The Economist* of October 18th last year. The Government has taken the point that the Exchequer contribution should have some relation, as in the past, to the contributions paid by employers and employed. Instead of finding a fixed annual sum of £170 million, the Exchequer will quite possibly be paying £216 million by the end of this century, some £80 million more than now.

That is the only change of substance that comment and representations about the white paper proposals have managed to evoke. The framework of the scheme and most of the cladding remain quite intact. Three major premises have been built into it on Government instructions: unemployment at 3 per cent; earnings rising by 2 per cent a year ; and 2½ million employed people outside the scheme. The graduated element in pensions starts with earnings at £9 and is limited to £15 a week. Two per cent per annum, without any extra help from inflation, will push more and more wage earners up to this earnings barrier. Average earnings of men are already over £12 10s. a week.

The first fact that employers must grasp is that this £15 limit is laid down now, starts to be applied in 1961-62, and will govern the graduated pension payable to the youngest entrants when they come to retire in the next century. The lad of 18 who enters the scheme in 1961-62 and averages £15 a week or more over 47 years will get £6 1s. a week in 2008 for himself and his wife. A man already 40 in two years' time who averages £12 a week for the ensuing 25 years will get £4 10s. a week for himself and his wife when he retires in 1986.

It is not easy to relate the benefits in the scheme, of which these are two examples, to the payments that secure them. Every man will have to do his own homework to see how he comes out. A full contributor in the scheme will pay 8s. 4d. a week (and the employer 7s.) for the minimum pension (£4) and for industrial injuries and national health service. A £15 a week man will pay 5s. 1d. on top of this for the graduated addition to his pension (£2 1s. if he enters at 18 and 22s. if he enters at 40) and a £12 a week man 2s. 6d. (20s and 10s. a week at these ages of entry). All graduated contributions are equally matched by employers. These are the opening rates of contribution. But the scheme arranges for quinquennial increases in both rates. From April, 1965, and every five years up to 1980 the minimum rates will be put up by 1od. a week (divided equally between the two sides), making a total weekly payment in 1980 of 18s. 8d.; the graduated contributions will be raised by about ½ per cent of earnings—1s. 6d. a week (again divided equally) for the £15 man, giving 16s. 2d. for

the graduated pension contribution in 1980 and a total contribution, from insured and employer, of £1 14s. 10d. a week.

The only firm thing that can be said about these scales of contributions and benefits is that they will not last for ever, and perhaps not for very long. The quinquennial increases are intended to bring the scheme into approximate balance on the new "pay as you go" basis. The Government Actuary's figuring on the prospects of the scheme over the next forty years looks hopeful enough on this new basis. But there are important reservations to be borne in mind. It is quite improbable that all the underlying assumptions will work out. It is virtually certain that political pressure will before very long demand "improvements" in the new scheme. There have been five increases in state pensions in the last twelve years. Is it really to be supposed that if earnings increase by 2 per cent a year, there will be no changes in the next twenty? If there are, contributions will certainly have to be raised too.

ALL this is relevant background that employers must keep in mind. Quite the most complicated clauses in the Bill relate to the provisions for "contracting out," which employers are allowed to do. The terms may seem stiff and the practical difficulties enormous. But so, on the other hand, may be the difficulties of many employers if they do not contract out. The first point here is whether it will be possible for an employer to contract in later, if the scheme or his own circumstances change. The clear inference from Clause 7 (3) of the Bill is that he may. Suppose that he has contracted out for the first twenty years of the scheme, matching in that time, as he has to, the graduated state pension by his own private pension arrangements. Then in 1981, the basis of the state scheme is altered to increase the future flat pension (which everybody has to pay for) or the future graduated pension. It may then suit this employer to come into the state scheme and suspend or modify his private scheme. Only if back dated increases are applied in the graduated pension between 1961 and 1981 will he be caught—and a retrospective increase of this kind is something that even the most cynical politician would think twice about. An employer who opts out now, because his scheme provides at least as much as the state scheme, can get in later if circumstances change.

This point is of immense practical importance. It gives employers real latitude in framing their pensions policies; they are not committed once and for all, either in or out, by any decision they may take at the start of the scheme. There are, indeed, some important immediate snags in contracting out. One is that a contracted-out employee will have to pay the present contribution of 9s. 11d. (including 2s. 6½d. for industrial injuries and national health) to secure the minimum benefit of £4. The contracted-in employee will pay only 8s. 4d. for the basic pension and if he earns no more than £11 a week he can get an additional graduated pension for another 1s. 8d. a week. This extra penny will give him 13s. extra pension if he enters the state scheme at 18. He would certainly want to know from a contracting out employer why he should be charged more for getting less. All employees earnings less than £11 will rightly object if their employers contract them out. That and not £9 is the practical datum level for contracting out at all.

The next point about contracting out is that the employer has to provide "equivalent benefits" related not to what an employee earns in fact but to the maximum earnings of £15 in the state scheme. The employer has to secure benefits of at least £2 1s. a week after 47 years' service, for all contracted out employees—whereas, to take an example, if the employee's earnings had averaged £12, his additional pension would be only £1. This is not merely a long-term obligation. It applies to all future service after April, 1961, and employers will have to provide on this maximum basis for all contracted out employees—a formidable burden for any business that has to cope with a high turnover of low paid staff.

For wages staff, many employers would have to increase their private provision if they wanted to match the state scheme. Insured pension schemes for wages staff vary according to what the employer is prepared to pay. There are some that provide as much as £6 pension for every year of service—nearly £5 a week for the man who serves 40 years. At the other extreme, where pensions of the order of 15s. to 30s. a week are provided, there will be a sizeable gap to fill if the employer contracts out. On such figures as these the less prosperous concern might be tempted to close down its private scheme and leave it all to the state. But many employers are likely to continue their own scheme regardless of the changes in the state scheme. If his employees earn about £11 a week, the employer's contributions under the new scheme would be the same as under the old. Even if all his employees were at the £15 level, his state contributions would go up by no more than 1¼ per cent of his pay roll. Many employers will think that such an increase in cost would not be all that burdensome and may therefore decide to ride both the state and their own scheme.

If that is the general view, the typical wages scheme should be able to live quite happily with the new state scheme. But in some staff schemes, as distinct from wages schemes, something may have to go. Some employers will have to think of splitting their pension arrangements between the state scheme and a revised private scheme. A sensible employer will certainly include all workers earning up to £11 in the state scheme. If he splits his arrangements at that level, and in addition provides privately for staff earning more, he will not prejudice his lower paid staff and should be able to do better for his higher paid staff than the state benefit. How individual cases will be sorted out is impossible to guess; the most formidable demands are going to be made on employers' time and powers of explanation and many of them will take the easy way out and go wholly along with the state scheme (with any additional private arrangements that they think justifiable) just to save themselves headaches and reproaches. The average employer is likely to content himself with making the best of both the state system and his own scheme, and his own scheme (whether on top of the state scheme or as a supplement to it) is likely to be more helpful to his higher paid staff than to his lower paid staff.

There are various possibilities here for the employer with higher paid staff. He can aim at a private scheme that, together with the state scheme, produces a given level of pension, whether expressed in terms of average earnings or final earnings. Or he can disregard a certain proportion or amount of earnings, and bring only the residue into the private scheme. Mr V. R. Jackson, the pension officer of the Unilever Organisation, outlined these possibilities in a public address two months ago and came down in favour of fixing a slice of earnings to be regarded as covered by the state scheme, leaving a balance eligible for inclusion in a private scheme. Let the state pension provide benefits, he suggested by way of illustration, on a slice of income corresponding to half the state pension maximum of £15 a week—that is on £390 a year. Then put your employee in your private scheme for the difference over £390—if he earns £600, put him in at £210. If you pay the whole cost under a non-contributory scheme, preserve the accumulated rights of existing employees, but reduce their pensionable salaries by £390 for the future.

Not all pensions officers and actuaries would support these views. An iron rule in any case is hopeless; every scheme and every set of employer's circumstances are *sui generis*. One of the frightening things is that there simply are not enough skilled people in the pensions business to guarantee that in the next two years the pensions affairs of about 5 million people in industry can be adjusted in good time for the introduction of the new state scheme. Industry will need all the best advice it can get—from pensions consultants, actuaries, insurance offices and, not least, from their own personnel officers. There is no ready made answer—only an urgent need for wet towels galore.

BUSINESS NOTES

SOCIAL INVESTMENT

Returns from Ravenscraig

A NEW semi-continuous steel strip mill at Motherwell, on the outskirts of Glasgow, cannot do the British economy any real harm unless.

1. it hampers the time-table of erection of the major strip mill that is to be developed at a deepwater, low-cost site near Newport, or
2. it weakens the potential competitive power of consuming firms that may be attracted to uneconomic locations by the supply of sheet and strip steel it will offer.

A third objection, that this would probably not be the best way to spend an extra £30 million on steel development during the period 1959-63, may be affirmed as stated. But there is no evidence that the Prime Minister was anxious to press £50 million of public money into the hands of steel producers for any other project, so that the misdirection of capital it may involve can only be reckoned against average returns on public and private investment in the British economy as a whole, not against returns on investment in steel.

There is nothing rewarding about taking so negative an attitude towards this new Scottish steel project, which may indeed bring sectional benefits to the locality in which it is to be erected. But the details of its financing—rather than details of the actual project, which are still being worked out—announced by Colvilles Ltd this week do little to commend it to the taxpayer who is providing the money. Colvilles' shareholders are not. The Government loans will reduce the amount of capital that the firm was reckoning it would have to find from its own resources and elsewhere during this period; and will leave it with more iron and crude steel capacity than it expected to have by 1963, rather more plate capacity, and modern plant for hot rolling and cold reduction of strip and sheet. So the directors of Colvilles may well commend it to their shareholders. The prospects of return are understandably couched in rather vague terms:

> It is obviously too soon to make a reliable forecast of the earnings to be expected from the scheme but when the strip mill reaches an output of 500,000 tons per annum, and assuming the profit margins are similar to those ruling at present, the plant covered by the scheme should earn sufficient not only to meet its own depreciation and interest charges but also to contribute to the general profits of the company, as well as generating a cash flow sufficient to provide for substantial repayments of borrowed moneys.

These are perhaps not quite the prospects of return that a steel company's board might require to take a decision about risking its own money on a normal investment project: but they are not doing so, and the project is not a normal one.

The Government's Part

ORIGINALLY Colvilles had planned to add to their new steelworks at Ravenscraig another blast furnace, extra coking plant, and more steelmaking capacity, plus a modern slabbing mill; a new plate mill to be constructed at Clydebridge would be fed by slabs from this new primary mill.

Over the six years 1958-63 this, with alloy steel development that is not affected by the new decision, was to cost £40 million. The plate project at Clydebridge has not yet begun: Colvilles says "the detailed plans will have to be reviewed as the proposed strip mill will now produce some of the light plates which it had been planned to make at Clydebridge." The semi-continuous strip mill planned for Ravenscraig in the revised plan will have an initial capacity of 500,000 tons of finished products, about half hot rolled strip and the balance light plates: the hot rolled strip will be cold reduced in a new plant at Gartcosh. A third blast furnace plus extra coking and steel melting capacity will be required; Colvilles' productive capacity, which was to reach 1,400,000 tons of pig iron and 2½ million ingot tons of crude steel by 1963, is now to become 1,800,000 tons of pig iron and 3 million ingot tons of steel.

The total cost of developments as revised is now estimated at £70 million instead of £40 million; the Government has agreed to provide up to £50 million in respect of the strip mill project by way of a loan repayable by 1978, so that the company may now need to find only about £20 million during the period instead of £40 million. The loan, to be provided in eight instalments, will be at interest rates "having regard to the cost of borrowing by H.M. Government at that each date for a similar period." Interest during the period until the works commence hot strip production will be postponed, and the company will have the option of postponing interest for a further three years from that date. Colvilles will not, without consent, during the currency of the loan borrow any money ranking in priority before this loan, except to the extent that the existing 6 per cent convertible debenture, issued to the public last year, has been converted or repaid; or carry out any other major new developments without Government consent.

This denationalised steel company now has £10 million of ordinary shares and £6 million of convertible debentures in the hands of private investors, with £4 million of cumulative preference shares and £10 million of 4½ per cent debentures owned by the Iron and Steel Holding and Realisation Agency. On completion of the Government loan, out of £80 million likely to be employed in the business, barring any further disposal of ISHRA's holding to the public private investors, £64 million would be public money.

THE ECONOMY

Indicators Uncertain

DURING 1958, on a comparable basis, Britain produced about 1½ million tons less steel than in 1957; and about a million tons of the fall in output was in the third quarter. Production in December, 21 per cent down, was indeed worse than most people had expected, making the fourth quarter 19 per cent below that of 1957. The comparison with production a year before, growing steadily worse as 1958 ended, does not indeed square too well with optimism about an upturn in parts of engineering: if all the recent statistics are equally correct, the reduction of consumers' steel stocks in the final quarter of 1958 must have been very considerable indeed. Interpretations of these figures, as of the rather duller export figures for December, and the figures of factory building authorised, vary according to the breakfasts economists and businessmen happen to have eaten—and where they do business. Gloom among some makers of heavy capital goods shows no sign of abating.

The Steel Board records that deliveries to heavy industry, and also to makers of intermediate engineering products such as bolts and nuts and drop forgings, have recently been a third below twelve months before. The hire purchase boom in cars and consumer durables should by now have worked through to the intermediate engineers; but it is only from firms concerned mainly with large scale public invesment programmes such as electricity supply (some of which have a very convenient spread into light engineering and durables) that one hears much optimism among producers of capital goods. Nor is there much hope from the Government's plans to increase public investment slightly over the next twelve months: many of the projects concerned make little call upon engineering—or steel. As one economist in the steel industry said this week: "The capital investment statistics are all very well. But 25 per cent of the actual expenditure on any investment scheme may well be shown in the final three months of it. Practically all the steel has been bought in the first month."

BRITISH ALUMINIUM

After the Battle

A NUMBER of details still remain to be cleared up now that Tube Investments and Reynolds have secured effective control of British Aluminium. Through the flood of last minute assents and through their own holdings, TI and Reynolds now control a little over 87½ per cent of BA ordinary stock. As Reynolds holds a preponderant share of it, the number of shares that TI will have to issue will be less than was at first expected; on Monday shareholders in TI sanctioned the necessary increase in capital. In law, compulsory acquisition of the stock requires a 90 per cent acceptance of a bid. Therefore for TI and Reynolds to secure 100 per cent control of BA, Reynolds itself would have to accept the bid in respect of all the BA stock it has acquired for cash. But neither TI nor Reynolds seem to want Reynolds to become a big shareholder in TI and Reynolds may put its BA stock straight into the holding company, which will preserve a 51 per cent control in TI's hands, leaving a small minority of BA stock in the hands of other investors. The Treasury is studying the details of these clearing-up operations before giving its consent to the TI-Reynolds bid. But there can be no doubt that consent will be forthcoming, especially as Alcoa has said that it is no longer interested.

What will the board of British Aluminium do now? Sir Ivan Stedeford said last Monday that the continuing endeavours of the existing organisation of BA would have the full support of TI, but after all the bitterness and criticism an accord with the BA directors seems inconceivable. TI and Reynolds have now to plan how to capitalise on their victory. It will be no easy task, for Sir Ivan has admitted that the price paid for British Aluminium has substantially discounted the early growth prospects.

Speaking for the City

MR OLAF HAMBRO, chairman of Hambros Bank and co-signatory with Lord Kindersley of Lazards for the group of City houses and companies that sought to defeat the Reynolds-TI bid, has added a public postscript to the affair in a letter to *The Times*, which is reproduced in part below:

> . . . I can now reveal that it [the group] was far more numerous [than fourteen] and consisted of many large banking institutions and financial concerns who, for various reasons, did not want their names to appear on the list.
>
> It is, therefore, quite clear that except for the two houses who were connected with the Tube Investments as financial advisers and who would inevitably have to back their client, practically the whole of the representatives of the City were supporting the British Aluminium Company and its resistance to the American-dominated take-over.
>
> This being so it is very unclear why the majority of the City Editors of the Press seemed to be against City opinion and openly wrote in favour of the take-over bid. It may be that take-over bids backed by America may gradually absorb very many of our great industries but it seemed to us and our colleagues that some resistance should be made to it.

Since Mr Hambro's argument leads to the conclusion that the majority of City editors were perverse in their comments on the battle for British Aluminium, it is permissible for *The Economist* (without necessarily accepting his measure of the views of "practically the whole of the representatives of the City" or his gloss on the part played by the two houses connected with TI) to comment about its own role in this affair.

From the very start, the long-term importance of a link between British Aluminium and Alcoa was emphasised in these columns. This might have been the better arrangement, as we then said, and as many good judges in industry and finance certainly held. But the actions of the British Aluminium directors, and their inadequate explanations to their shareholders, never made that point conclusive. The Reynolds-TI bid was followed by the much criticised decision to raise the British Aluminium dividend. Even then, it was possible that the British Aluminium board would get sufficient support to win. But the intentions of the City group, which had become known several days before their formal offer, at a higher price and on both dubious grounds of argument and dubious conditions of purchase, immediately opened the way for the Reynolds side to start buying heavily. None of these mistakes was the fault of City editors; but they made the worst impression on those among them who had long respected the City's standards of reasoning and judgment.

IN THE MARKETS

Success and the Stags

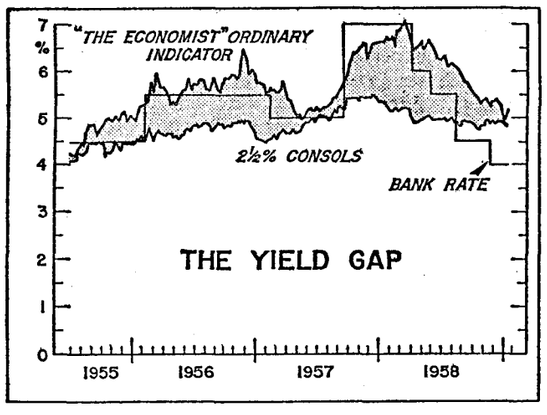
THE declaration of a large number of three months "call" options this week was absorbed without any difficulty and equity prices remained firm enough to carry *The Economist* indicator up from 249.3 to 252.9, after the fall from the end-1958 peak of 255.6 But the focal point of interest was the continued strength of gilt-edged; the market is now wondering how soon the authorities will allow another small gilt-edged issue, and whether the coupon will be cut to 5¼ per cent. With fixed interest stocks back in favour, investors and speculators alike were quick to send in their applications for the £5 million issue by Fife County Council of a 5½ per cent stock (1974-76) at 99½ and for the £6 million issue by English-Electric of a 5½ per cent debenture (1979-84) at 97.

Both issues attracted the stags. The Fife stock was so heavily oversubscribed that no allotment of more than £3,600 of stock was made; smaller applications were pared right down and no allotment at all was made for applications of less than £1,200. That decision no doubt saved a lot of administrative bother, but weeding out the small stags weeds out the small local investors too. Nor did this basis of allotment weed out all the stags. That is an impossible task, for once professionals scent success they are not modest in the amounts of the stock for which they apply. Active dealings in the Fife stock began at a premium of 1 point and after selling by stags had been absorbed the price settled down at ¾ premium. A bigger premium than this is the confident forecast for the English Electric debenture, which attracted applications of not far short of £100 million by the time that the lists closed on Wednesday.

Eyes on the Yield Gap

THE closing of the gap between yields on long-dated gilt-edged and on industrial equities to the point where it almost vanishes has often in the past heralded a major change in the course of stock exchange prices. The gap almost vanished completely at the beginning of this year; now there has been a resurgence of buying in the gilt-edged market and far more restraint in the buying of industrial equities (with the exception of the special, political case of steel shares). Is the gap about to widen again?

The accompanying chart plots the yield on Old Consols against the average yield offered by the industrial equities



included in *The Economist* indicator. It begins in mid-1955, which marked the peak of the boom in ordinary shares, just after the authorities had moved reluctantly away from a short-lived 3 per cent Bank rate. The yield gap at that point had vanished, for investors were discounting the effects of inflation. Since then the economy has moved through two cycles, first through a period of relatively dear money—5½ per cent Bank rate—to expectations of cheapening money, and secondly through the 7 per cent Bank rate and the successive reductions to the present 4 per cent. The Government's actions in the second cycle were more bold and forthright than in the first and their effect on the market was correspondingly the greater.

The cycles have their logic. Abnormally high interest rates, after they have had their initial shock effect on the market and once investors see a hope of their passing, make gilt-edged stocks look cheap; while fears of their effect

upon industrial output, earnings and dividends, throw a shadow across the equity share. Thus the yield gap widens. The usual converse is that reductions in Bank rate encourage fears of inflation, or at least of counter-action through future Bank rate increases; and the buying of equities and marking down of gilt-edged prices lead to a narrowing of the yield gap.

That historical pattern, however, has not repeated itself in the latest narrowing of the gap. Gilt-edged have recently been firm, and prices have been rising rather than falling. The gap has narrowed because equity prices have been rising more quickly. The yields on these equities are still higher than they were in mid-1955, but so is the yield on Old Consols, even though Bank rate is one-half per cent lower than it was then. Fears of inflation are more subdued now than they were on the two occasions when the gap closed in the recent past. If the gap widens again now it may do so because investors have come to realise that the boom in equity prices has already discounted bigger profits and dividends well into the future. Another reduction in Bank rate, however, at this juncture might raise the bogey of inflation again and after its first impact it might have the effect of putting steam back into the equity market again and taking it out of gilt-edged.

OVERSEAS TRADE

A Fortunate Year

BRITISH exports did not fare as badly last year as was at one time feared. A big rise in shipments to the United States, plus a revival in shipments to other markets in the fourth quarter, brought the total value to £3,208 million fob, which was £116 million—3½ per cent—below the total for 1957. As export prices were only fractionally lower last year, the fall was almost wholly one of volume. The reverse was true of imports. The fall in commodity prices enabled Britain to import the same volume as in 1957 for a total cost of £3,782 million cif, which was £289 million—seven per cent—less than in 1957. That windfall can hardly be repeated this year. Re-exports rose by £14 million to £147 million, owing mainly to the increase in shipments of natural rubber to Russia, and the apparent visible trade deficit fell by £187 million to £426 million. In the first half of the year, when the apparent visible deficit was £173

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

	Imports cif	Exports fob	Re-exports fob	Trade deficit	Exports to North America†
Year 1957 ..	339·2	277·0	11·1	51·1	36·6
Year 1958* .	315·1	267·4	12·3	35·5	38·4
1957 1st qtr.	352·7	278·8	13·0	61·0	33·9
2nd ,,	346·9	283·8	10·2	52·9	39·3
3rd ,,	332·1	265·6	9·8	56·6	37·5
4th ,,	325·3	279·9	11·6	33·8	35·8
1958 1st qtr.	311·2	273·7	13·7	23·9	34·6
2nd ,,	303·9	258·8	11·6	33·5	39·2
3rd ,,	314·9	261·5	12·0	41·4	37·2
4th ,,*	330·5	275·5	11·9	43·1	42·6

* Provisional. † Includes repayments of silver bullion to the United States amounting to £7 million in 1957.

million, there was actually a surplus on visible trade (taking imports and exports fob) of £137 million. The United States was Britain's largest and fastest-growing market; shipments to that country rose by £29 million to £273 million, and though shipments to Canada fell slightly, total exports to North America rose by £21 million to £461 million.

Last month the balance of trade swung heavily against Britain, but not as ominously as the bare figures suggest. Exports fell by £21.6 million to £269.4 million fob, while imports shot up by £40.5 million to £353.5 million cif; with re-exports £2.5 million lower at £10.4 million, the visible deficit soared by £64.6 million to £73.7 million. There is little reason to suppose that this deterioration augurs a change in trend. Exports in November were almost a record, thanks partly to an adventitious bunching of deliveries of ships and aircraft, while imports were seasonally low. Exports in December were relatively high, while the import figures were to some extent inflated by a technicality—the coming into force on January 1st of the new customs and excise tariff. There is always a number of import documents still to be settled with customs when the "trade month" ends. Last month the authorities, with the support of importers, tried to settle as many outstanding queries as possible before the new year began, so that importers would not have to re-submit their documents according to the new classification. A fairer picture is given by comparing trade in the fourth quarter with that of the same quarter of 1957. On this basis exports averaged £275.5 million a month, only 1¼ per cent below the average of a year ago, whereas between June and September exports were six per cent smaller than a year ago. Imports averaged £330.5 million a month, 1½ per cent more than in the fourth quarter of 1957, while re-exports were £300,000 higher at £11.9 million a month. The result was that the average deficit for the fourth quarter increased by £9.3 million to £43.1 million a month.

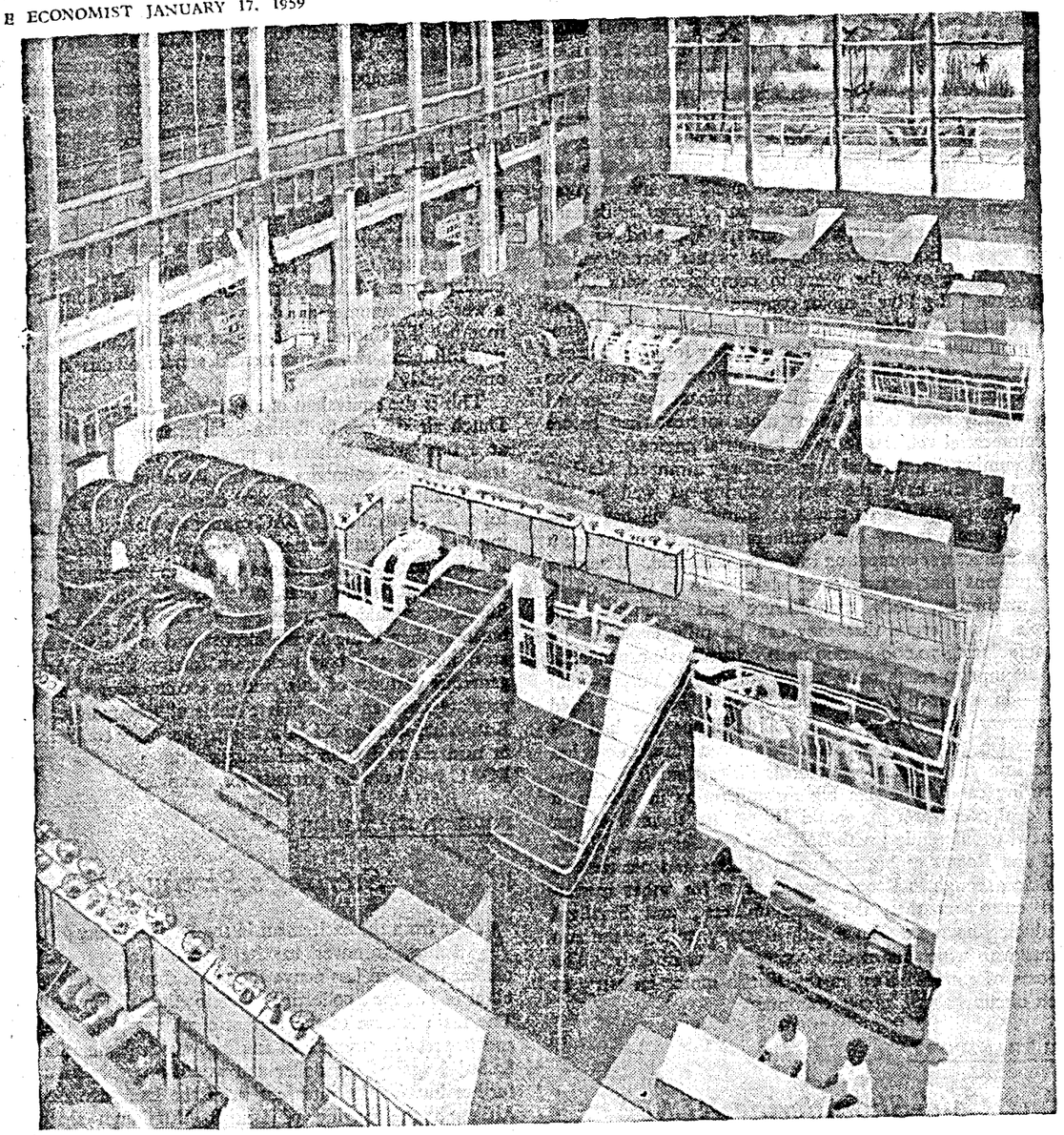
Shipments to North America remained high in December, in fact shipments to the United States set yet another record at £27.1 million, £700,000 above the previous best in November. Shipments to Canada fell by £1.3 million to £15.4 million, and a fall was to be expected owing to the freezing up of the St Lawrence.

STANDARD AND MASSEY-HARRIS

Divorce Proceedings

THE next, predictable figure in the stately but ungallant pavane that the Standard Motor Company and Massey-Ferguson have been performing over the past two years has now been reached: Massey-Ferguson has announced that it will not renew its contract for tractor manufacture with Standard, which has formally still seven years to run, that it intends ultimately to build all its tractors itself, and that it is negotiating to buy the tractor division that Standard has built up since the war. Discussions are now proceeding: apparently Standard would be willing to sell, in a deal which would probably also involve the 8 million ordinary shares in Standard that Massey-Ferguson has acquired, representing about a quarter of the equity.

Standard's tractor division, which comprises essentially the modern and recently re-equipped plant at Banner Lane, plus a half-share with Massey-Ferguson in a French tractor plant at Beauvais, represents a substantial investment, perhaps of the order of £10 million. Tractors make up roughly half of Standard's production, which in 1958 was about 148,000 units; originally this enabled considerable



Earning our keep

BRITISH ELECTRICAL EQUIPMENT OVERSEAS

Four times as much heavy electrical equipment—generators, switch gear, transformers and so on—is exported by Britain today as before the war.

A score of leading manufacturers and some hundreds of smaller firms make up the electrical industry, which directly employs over 200,000 people and sells fully a quarter of its products overseas.

In many cases this export trade has only been possible because British manufacturers were able to offer special credit terms extending over several years.

We in Lloyds Bank take pride in having been able to help by providing finance of this kind for projects in all parts of the world for the generation and utilisation of electricity.

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economies of scale in production, since the same basic engine block and components were used in the Ferguson tractor and the Vanguard cars, but with variations in design since the Ferguson interest was acquired by Massey-Harris, the degree of common machining and use of components may have declined. The contract has continued to supply Standard with a satisfactory bread and butter business and to even out its operations, since demand for tractors does not seem to have fluctuated at the same times as demand for cars; but the butter has always appeared to have been spread thin, moderating the profits that Standard could achieve over the years in comparison with others among the "Big Five" motor companies. In none of these does tractor manufacture constitute anything like as important a part as in Standard, nor do they forgo all marketing profits; they have tended to balance car production with commercial vehicles, and it is significant that Standard has recently been taking much more interest than before in commercial vehicles (also in industrial engines).

Presuming that the deal is satisfactorily arranged, Massey-Ferguson will have the manufacturing as well as the marketing profits for its tractors: Standard will have considerably more money but a vulnerably small output for a car manufacturer competing in the popular field. Wherever one reckons that economies of scale begin to shade off in car machining, body manufacture and assembly, few people would argue that they can be fully exploited by manufacturing 70,000-80,000 units of two basic car models. An attempt to reach more viable volumes of output—and sales—in a short period might involve new and rapid investment in manufacturing facilities; one has had the impression that more of Standard's recent investment has gone into strengthening tractor facilities than into manufacturing cars. The five big manufacturers in Britain, if the deal goes through, would be sorting themselves out somewhat differently; with BMC and Ford as giants, Vauxhall and Rootes as big producers of cars and commercial vehicles, though in Rootes' case catering for rather specialised customers than the other makers; and Standard producing no more than a fifth as many units as the two giants with which its models compete most directly. The process of amalgamation in the British motor industry, in such circumstances, might continue.

AIR TRANSPORT

Cold-Shouldering KLM

THE Ministry of Transport can never have expected its small-minded decision to ease the Dutch airline, KLM, out of Singapore airport to attract such an embarrassing amount of attention. International air transport is a great deal less competitive than most airlines like to paint it. One operator losing traffic to a more efficient competitor has no compunction about asking its government to restrict the flights that the other makes in its national territory. Airlines from big countries, such as the United States, can get their own government to retaliate in kind; other airlines can at least do what the Dutch have done this week—tip the dirty linen out in public. It may have some effect.

For many years KLM has been allowed to pick up and put down passengers at Singapore three times a week on its way to Indonesia. When the Dutch were turned out of Indonesia in 1957 the KLM airlift of refugees was based on daily flights from Singapore, the nearest big airport. As the flow of refugees began to dry up, KLM's flights were cut back to three a week, the number they formerly made through Singapore, but with this difference: instead of dropping off and picking up a handful of passengers at Singapore, KLM's flights now began and ended there. Many of the passengers may still, as the Dutch argue, be travelling on to Indonesia, but in BOAC's eyes KLM is now loading and unloading an entire aircraft on territory that BOAC and its close associate, the Australian airline Qantas, regard as their private preserve. BOAC complained to the Ministry of Transport and the Ministry began to turn the screw, cutting down KLM flights to Singapore from three to two a week last summer and to one a week at the end of this month. This amounts to notice to quit Singapore, since no airline can run a commercial service of this kind on a once-weekly basis.

This is the equivalent of a swingeing quota restriction on Dutch air services to British-held territory in the Far East at a time when Britain is preaching the liberalisation of trade to other countries and the Board of Trade is taking a generally unsympathetic view of other industries' requests for tariff protection. BOAC cannot be blamed for attempting to protect its commercial interests by whatever means it has to hand—most airlines would do the same. But the Government might bear other considerations in mind. Singapore would welcome regular Dutch services for the business they bring to the airport and to the surrounding area, just as any port welcomes foreign ships. And ungenerous gestures of this kind to a competitor that cannot retaliate have an unfortunate habit of rebounding. What Britain has done to KLM in Singapore, other countries may in turn do to Britain and British airlines, and if they do, BOAC will have no grounds for complaint.

FOREIGN EXCHANGE

Sterling's Strength

APART from the excitement in the Belgian franc, discussed below, turnover in the London foreign exchange market has been less active this week than in the first fortnight of Europe's collective move to external convertibility. The main feature of the market continues to be the quiet and impressive strength of sterling, which has hardened to $2.80½-⅝ against the dollar and would probably have risen further but for the intervention of the Exchange Account. Although the buying of British Aluminium shares by Reynolds Metals has now come to an end, there has been no reaction in the rate for security sterling, which this week has been quoted at $2.80⅜-½, only a shade below external account sterling. Even in the "grey" market in resident sterling the rate is above the dollar parity of $2.80. Sterling has also held firm against most European currencies; it improved fractionally against the mark from 11.72⅛ to 11.72¼ on the day on which full convertibility was announced in Bonn.

The market this week has begun to quote the Argentine peso on the basis of the new free rate. In Buenos Aires dealings had been suspended by the Government since December 29th when the rate in the free market was around 67 pesos to the dollar. When dealings were resumed at the beginning of this week the rate sent over from Argentina was 63-67 to the dollar. This gave a cross rate of around 182½ pesos to the pound and it is on this basis that dealings

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Putting In Their Two Pounds' Worth

WHEN the National Institute of Economic and Social Research announced in July, 1957, that it had received a grant from the Ford Foundation to begin publication of a new economic bulletin, its initiative was welcomed on several grounds. First, the more informed interpretation of the current workings of the economy the better. Secondly, the institute planned to draw upon a team of economists and statisticians who could combine continuous study of the economy with more detailed research into particular aspects of it. Thirdly, these economists were promised somewhat fuller access to such information as Government departments gather but do not publish than the general press.

The first two-monthly *Economic Review*, published this week, promises fair to fulfil the hopes that have been placed upon it. Its editorial team has been fortunate, as it happens, in timing, in that the first view it has had to take of the economy is a firm and noteworthy one—that Britain is emerging from the recession. What it has to summarise this first time, on the first page that it has designed broadly for the managing directors whose companies it hopes will buy the *Review*, is a good deal more definite than much of the advice those said managing directors have recently been getting from their own economic advisers. (Their companies, incidentally, will be getting a quite remarkable bargain: some 20,000 words of expert economic analysis and a battery of comparatively clarified statistics, six times a year, for £2.)

Much the larger part of the *Review* is taken up with a full-scale assessment of the present economic situation and the prospects for this year. Indeed, if the National Institute is in fact getting full co-operation from the Whitehall economists and statisticians, it is difficult to see what there is going to be left for the official *Economic Survey* to say. Here and there are traces of the same convoluted, facing-both-ways language —"Disinvestment in stocks may not have been intensified . . ."—but in general this review is written in straightforward English.

I. CAUSES OF EXPANSION AND RECESSION, 1953–58

(£ million at 1954 factor cost at annual rates)

	1953 to 1955	1955 to 1957	1957 to 3rd qtr. 1958*
Changes in:—			
Exports of goods and services	+254	+126	−130
Fixed investment	+160	+118	+ 50
Consumers' expend...	+408	+148	+132
Govt. expenditure	− 30	− 34	+ 10
Investment in stocks	+ 76	+ 56	−430
Total expenditure	+868	+414	−368
Met by:—			
Imports of goods and services	+274	+130	− 5
Gross dom. product	+654	+178	−275
Statistical discrepancy	− 60	+106	− 88

* Seasonally corrected.

The institute's assessment of changes in demand in the first nine months of 1958 are shown in the first table reproduced here. These estimates of national demand and output in real terms (which are given in more detail in another table in the *Review*) have been made with assistance from the London and Cambridge Economic Service.

According to the institute's reckoning, after allowing for seasonal influences, the rate of investment in stocks in the whole economy fell from a quarterly rate of £101 million in 1957 (at 1954 prices) to £40 million in the first quarter of last year, to £10 million in the second quarter, while in the third quarter stocks were run down by £20 million. Its view that the fall in stocks may soon be reversed is perhaps the most challengeable of the institute's contentions.

II. CHANGES IN IMPORTS AND STOCKBUILDING

(£ million at current prices)

	Changes since previous year			
	In imports†	Of which due to prices	Of which due to volume	In stock-building
1951.....	+1,295	+970	+325	+249
1952.....	− 427	− 85	−342	− 45
1953.....	− 135	−370	+235	+ 5
1954.....	− 31	− 71	+ 40	−109
1955.....	+ 512	+114	+398	+ 30
1956.....	+ 3	+ 48	− 45	− 61
1957.....	+ 186	+ 66	+120	+154
1958*....	− 254	−183	− 71	−101

* First half of 1958 compared with first half of 1957. † Of commodities for which estimates of stock changes have been made.

As a step towards at least getting more data in part of this field, the institute has provided a new series of figures of stocks of imported commodities. Estimates of changes in stocks of commodities making up nearly two-thirds of all British imports and of the importance of stock fluctuations year by year in relation to the volume and prices of imports of such commodities can be seen from the second table reproduced here. The evidence is that for each period, except 1956, falling import prices appear to have been accompanied by a fall, and rising import prices by a rise, in stockbuilding.

In an analysis of industrial changes, the institute is bold enough to put out some figures of productivity. Taking 1955 as a starting-point, table III shows that in the last three years the change in industrial productivity as a whole has been negligible, but that the highest rises in productivity have occurred in industries in which expansion has continued.

Employment is only one of the factors for which the institute has now supplied series corrected to iron out purely seasonal fluctuations. But this one is, perhaps, its boldest statistical step. Once a year, employment figures are liable to revision by the Ministry of Labour, and these revisions may go back as far as eighteen months. The size of these revisions may not seem large in relation to the size of the whole labour force, but they can be very large in relation to the apparent changes from one year to another, sometimes changing a decrease into an increase. The statistical nicety of eliminating seasonal factors from figuring of this quality, can give an appearance of unwarranted precision.

But generally the institute should be congratulated on an excellent statistical appendix of twenty-one tables aimed at giving the main current economic data in the most digestible form. There are seasonally adjusted figures, quarterly or monthly, for output of many industrial groups, employment, excess demand for labour, overtime, incomes, consumer expenditure, fixed investment and volume of exports. (Perhaps rather surprisingly, no regular seasonal pattern could be detected in imports.) There is an important series showing changes in the volume of total and manufacturers' stocks. Figures are given for wage-rates in separate industries that are not given elsewhere. There are also three new commodity price indicators.

This first review devotes nearly all its discussion to the broad survey of the current economic situation: in most issues of a year it is intended to make the general article short and include special articles on "topical economic problems and studies of underlying trends." These—and indeed general discussion when trends in the economy show no marked shift—may be less easy to summarise in terms that will hold the interest of the managing director. Shorter, and less full-dress analysis of the economy, again, may be less easy to keep fresh and stimulating as well as cool and authoritative. From here on, that is to say, it gets harder: but the institute's team is no shorter of controversial opinions than of academic brilliance.

III. PRODUCTIVITY CHANGES

Per cent changes, average 1955 to 2nd qtr., 1958 (seasonally corrected)

	Output	Employment	Output per man year
Metals	− 5·4	−1·5	−4·0
Engineering	+ 1·6	+1·8	−0·2
Vehicles	+ 3·9	+0·9	+3·1
Textiles	−12·5	−8·8	−4·1
Clothing	− 4·9	−3·7	−1·3
Food, drink & tobacco	+ 8·7	+2·0	+6·6
Wood products	− 7·4	−7·9	+0·6
Paper and printing	+ 3·4	+5·0	−1·4
Chemicals	+ 7·5	+1·8	+5·7
Building materials	− 5·5	−6·7	+1·3
Total manufacturing	− 0·2	−0·9	+0·7
Building & contracting	+ 5·4	+0·2	+5·2
Mining & quarrying	− 4·8	−0·4	−4·4
Gas, water & electricity	+10·6	+0·3	+10·3
Total industry	+ 0·7	−0·6	+1·3
Agriculture & services	+ 2·4	+1·9	+0·5
Total economy	+ 1·3	+0·6	+0·6

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were resumed in London. Thus the merging of the official and the free markets has had very little effect on the free rate.

The Belgian Scare

THE Belgian franc is not a currency accustomed to devaluation talk. For years after the war it and the Swiss franc stood alone as the hard currencies of Europe; and it has kept a very comfortable gold backing, now at about £440 million or $1,200 million. Yet at the end of last week speculators began selling Belgian francs heavily. The National Bank had to give continuous support in the official market, and in the free market in Brussels the Belgian franc fell to an appreciable discount against foreign centres, including Paris; the pound was quoted at 145, compared with the official parity of 140. The Belgian franc also moved to a discount in the official market for forward transactions, though the margin was never large. At the peak on Monday the three months discount in London was 35-45 cents; subsequently the Belgian franc recovered in both forward and spot markets.

What did the speculators fear? An early devaluation can hardly be on the cards. The Belgian authorities cannot intend it, immediately after cutting the Bank rate last week from 3½ to 3¼ per cent, and their cushion of reserves gives them ample room for manœuvre. The immediate pressure has come partly from selling of Congo securities such as Union Minière by foreign holders. A good deal of French money has in recent years taken refuge in Belgium, and Congo securities have been popular. Now the troubles in the Congo as well as the better prospect of the French franc are encouraging some of this money to return home. On the longer view, Belgium's high costs may be an increasing handicap in the common market. While the scare is now over, therefore, it may leave its mark. It is also some indication of what could be in store for a number of international centres if France did achieve a recovery impressive enough to draw back that estimated $10,000 million of flight capital. Observers with long memories recall the power wielded by the Bank of France over foreign centres, not least London, in the twenties when Frenchmen began to sell to it their accumulated foreign balances after the stabilisation of the franc.

A Contribution from Germany

IN Germany, too, the Bank rate was reduced last week, from 3 to 2¾ per cent; but this reduction, to the lowest rate in Germany's central banking history, was followed by an impressive display of strength by the mark. The German authorities have now given formal freedom to their residents to buy and hold foreign currencies as they please. Restrictions remain on payments for films, insurance and transport services, for special reasons of administrative regulation; there are also still certain limitations on capital transfers by business enterprises, though it is difficult to see how these could have much restrictive effect when German citizens have free access to foreign exchange. To some extent the freeing is a formal measure, for in the past two years few barriers have been put in the way of German residents wanting to transfer money abroad or buy foreign securities in Germany. But the new measure has important tangible results. Germany is now likely to establish a common list of imports free of quota, merging the existing OEEC and dollar lists; and restrictions have been lifted on re-export from Germany of goods bought in dollar countries for sale to non-dollar countries.

No country gave a more fervent welcome than did Germany to the establishment of external convertibility in Europe. Dr Erhard and the like-thinking officers of the German Bundesbank had their plans all ready for a move to complete freedom "five minutes after Britain"; and they are anxious now to make a contribution to the smooth working of the new system for which they have argued so strongly. It is in this context that Dr Erhard describes the Bank rate reduction; its limited extent—past reductions in the German Bank rate have been in steps of ½ per cent—suggests that there is no desire to give any strong stimulus to the domestic economy. The German authorities' chief aim is to encourage a further outflow of capital and short-term funds. The return of money at the end of 1958 (largely to meet the German banks' seasonal needs) has recently given way to a new outflow. Altogether, the German banks may hold the equivalent of some £80 million in all foreign centres; about half of this is offset by their own liabilities in D-marks to foreigners.

MOTOR INDUSTRY

Records on Record

MOTOR vehicle output during 1958 topped the previous peak year, 1955, by more than ten per cent, and brought a reversal of the pattern of distribution of output within the industry that was established during the recession and recovery of 1956-57. During 1957 the three largest manufacturers—BMC, Ford, and Vauxhall—increased their share of the total market to slightly over three-quarters, while the other two major producers, Rootes and Standard, declined; last year, with total production estimated to have risen by just under 20 per cent including over one million cars, Rootes and Standard, recovering, showed the biggest increases. The proportion of total production accounted for by the big five manufacturers remained about the same, at about 92 per cent. Production of commercial vehicles, while increasing by about one-eighth over 1957, was still below that of 1955. While a high rate of demand was maintained at home throughout the year, aided by removal of restrictions on hire purchase in the last quarter, a large part of last year's recovery was based on exports, and particularly dollar exports. Although final figures for the year are not yet available, it seems certain that British manufacturers outsold their closest competitor, West Germany, in the United States in 1958, after trailing them for the first four months; at the end of October over 111,000 British cars had been sold in the United States, compared to 102,000 from West Germany.

VEHICLE PRODUCTION—Cars & CVs
'000 (Estimated)

	1956	1957	1958
BMC	331	450	(505)
Ford	284	300	357
Vauxhall	123	150	175
Standard	66	(60)	(74)
Rootes	105	(97)	(135)
Total	995	1,140	Say, 1,350

Profits Under Pressure

IN the last quarter of 1958 the accounts of 506 public companies were analysed in this office. The usual detailed tables appear on pages 272 and 273. Most of these companies made up their accounts to June 30th or September 30th last. Their combined trading profits rose by nearly £24 million (7.3 per cent) to just over £348 million. They were dominated, however, by the results of the motor companies, whose booming recovery contrasted with the previous year of recession. Profits of the 37 companies in the "motors, cycles and aircraft" group rose by £24 million (34½ per cent) to just over £92 million. If this group, which enjoyed an exceptional year in contrast to the general experience of lagging production and profits, is excluded, the remaining industrial groups show no change in trading profits, at £254 million. This accords with recent trends shown by these quarterly analyses—a fall of about 1¼ per cent in the profits of the companies reporting in the third quarter of 1958 following a string of tiny gains.

With the exception of textile and plantation companies, ordinary shareholders in these companies have not felt the pinch in reduced dividends and the capital value of their shares has boomed in a stock market intent on discounting the future. This is neither surprising nor unexpected, for few British companies are excessively liberal in their distributions and the earnings cover on their dividends is usually generous. Moreover, most of the companies have made some gain in net earnings from last year's change-over to a flat rate of profits tax. As a result, the net equity earnings of the 506 companies have risen from £108 million to £114 million and net ordinary dividends from £41.2 million to £41.6 million. Absolutely, there is little change but relatively these ordinary shareholders are a little worse off, for while net earnings show much the same ratio of about 23 per cent to issued capital, in terms of assets available for equity, the earnings ratio has fallen from 9.0 to 8.7 per cent. Dividends expressed as a gross rate on issued capital have fallen from 15.4 to 14.7 per cent. Thus, the under-utilisation of capacity apparent in the fall in the rate of earnings on net assets has its reflection in a declining return on the equity subscribed by investors.

Few companies committed themselves to new capital investment programmes last year but some of them were completing earlier programmes. The balance sheets of these 506 companies, in fact, reflect little more than a normal process of replacement, with the gross book value of their fixed assets rising by £195 million, almost all of it self-financed. An increase of £21 million in liquid assets is balanced by the growth of £20 million in bank overdrafts. The aggregate value of stocks held rose by £26½ million to £682 million, but the single group of "motors, cycles and aircraft" showed a rise of £28 million to £209 million; the other groups therefore showed collectively a slight fall in stocks. Some £23 million more has been raised on debentures, loans and mortgages but only £9 million by issues of ordinary shares.

While the biggest increase in profits is reported by the group, "motors, cycles and aircraft," which has the biggest weight, the greatest falls in profits come from those groups—textiles and plantations—which have the smallest weight. For other important groups, the advance in profits has been neither large nor uniform. The breweries and distilleries group always looms large in the fourth quarter and their gross profits have risen by 3½ per cent; but their net equity earnings as a ratio of net assets have remained unchanged at 9.1 per cent. In the food and confectionery group, where gross profits have risen by 9¾ per cent, this ratio has actually fallen, from 10.3 to 9.5 per cent, as it has in the "miscellaneous manufacturing" group, where it is down from 8.8 to 8.4 per cent following an absolute fall of nearly 4½ per cent in gross profits. In engineering gross profits are up by 6½ per cent and the ratio from 10.1 to 10.2 per cent, and in building, gross profits are up by 6¾ per cent but the ratio has fallen from 9.1 to 8.7 per cent. In electrical manufacturing a rise of only 2 per cent in gross profits is reflected in an increase from 10.5 to 12.0 per cent in the net earnings/net assets ratio while an increase of one per cent in the gross profits of the "iron and steel" group (which reflects largely the experience of heavy engineering companies) is in contrast with a slight fall in the ratio, from 9.7 to 9.5 per cent These ratios roughly demonstrate the differing rates at which assets are remunerated and where they have fallen, in the face of an advance in gross profits, they are a reflection of the fact that some capacity is not being fully employed.

PROFITS, PROVISIONS AND DEPRECIATION (£'000)

	Reports Published October to December, 1958		Reports Published January, 1957 to December, 1958	
	506 Companies		2,325 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	324,329	348,143	2,179,553	2,271,541
Income from investments	9,110	11,566	87,760	99,988
Other current income	804	1,024	3,053	2,950
Non-recurring credits	11,721	10,677	50,380	54,324
Total Income	345,964	371,410	2,320,746	2,428,803
Depreciation	62,668	70,232	389,217	441,251
Income tax	107,653	116,570	744,749	742,858
Profits tax	27,288	26,243	169,353	176,071
Directors' emoluments	11,246	11,454	58,959	60,603
Administrative charges	2,859	3,018	20,321	22,655
Contingencies, provisions, etc.	7,350	7,477	45,319	55,035
Pensions	4,384	4,299	32,306	33,383
Minority interests	2,314	3,716	26,516	30,378
Loan interest	6,916	8,866	45,829	57,771
Preference dividends	5,346	5,459	31,986	32,857
Profits retained by subsidiaries	25,573	26,083	182,575	179,577
Ordinary dividends	41,198	41,643	268,748	289,818
Reserves (parent company)	39,024	44,087	254,937	269,796
Brought in (parent company)	63,194	65,339	409,908	459,839
Carried forward (parent company)	65,339	67,602	459,839	496,589

ANALYSIS OF BALANCE SHEETS Published October-December, 1958 (£'000)

Capital, Liabilities and Reserves	506 Companies Previous Year	506 Companies Latest Year	Assets	506 Companies Previous Year	506 Companies Latest Year
Capital (Parent Companies):			**Fixed Assets:**		
Debenture	160,999	184,042	Land, property and plant	1,328,121	1,523,379
Preference	166,273	167,240	Less depreciation	404,200	488,123
Ordinary	465,900	492,674		923,921	1,035,256
	793,172	843,956			
Reserves and Surplus:					
Capital reserves	234,111	255,507			
Revenue res. and carry forward	502,872	555,972	**Trade Investments**	56,815	72,840
Total Capital, Reserves and Surplus	1,530,155	1,655,435			
			Intangible Assets	39,173	40,020
Outside Interests in subsidiaries	40,585	68,247			
Current Liabilities and Provisions:			**Current Assets:**		
			Stocks	655,307	681,839
Bank overdrafts and loans	131,481	151,728	Debtors	473,428	505,307
Creditors	375,242	380,360	Gilt-edged securities	46,646	51,734
Other current liabilities	203,132	214,386	Other marketable investments	24,383	24,340
Future taxation	107,858	118,957	Cash	190,881	206,632
Other provisions	22,101	28,855			
	839,814	894,286		1,390,645	1,469,852
	2,410,554	2,617,968		2,410,554	2,617,968

TRAVEL

No Show Him Pay

BRITISH RAILWAYS and British European Airways have simultaneously taken action against the passenger who books and never arrives. This type of traveller is a major pest on the railways' sleeping car services and on BEA's holiday flights. He is also well known in the United States where airlines have christened him "no show." To be sure of a seat or a sleeping berth, the "no show" traveller books on several different services and sits back to decide at leisure which booking to take up. This multiple booking gives a false impression of the amount of traffic; airlines put on special flights, railways make up special trains, genuine customers are turned away because the service is apparently fully booked, yet at the last moment services leave with empty seats and empty berths. About 12 to 14 per cent of the berths booked on the 12 sleeping car trains that leave Paddington station nightly are never claimed.

British Railways have always had the right to claim one quarter of the fee for berths booked and cancelled before 4 p.m. on the day of departure, but unless the tickets have been paid for in advance, they have no means of collecting. From next month, all sleeping car berths must be paid for when booked; if cancelled in time, British Railways will refund three-quarters of the fare, if not they will keep the whole of it. British European Airways has not yet been driven thus far. On the Channel Island services, where seats at peak holiday weekends are booked as long as eleven months in advance, they are demanding a non-returnable deposit of £1 on each seat, in the hope that this will check families who book on three consecutive weekends and decide later on in the year they will choose which to start their holiday. At present, neither they nor the travel agent who booked them incur any penalty provided the seat is cancelled roughly half an hour before the aircraft is due to take-off. But even if cancellations are made at rather longer notice, holidays are arranged so far ahead that BEA has often found it impossible to re-sell the cancelled seats. Although few travel agents will admit it, they are probably as much to blame as anyone for teaching the public these tricks. It remains to be seen whether the £1 per seat penalty imposed by BEA will be adequate to check them and, if so, whether it will be extended to other BEA holiday services. Other airlines have tried with no great success to beat the "no-show" traveller by insisting on re-confirmation of bookings, but if TWA's experience is in any way typical, between 6 and 7 per cent of passengers booked from London to New York fail to turn up. A special meeting of the International Air Transport Association will discuss in March what to do about them.

BANK REPORTS

How It Happened

THE bank chairmen's reviews have been awaited with special interest this year after the exciting innovations of last summer. This week opened the series with two of the big seven banks, Barclays and Martins. Martins breaks new ground with a glossy cover and coloured photographs in a new format replacing the austerity of its former reports. The annual reports of the clearing banks have been some way behind the attractiveness of presentation of the reports of American banks and of many British businesses including big overseas banks operating from London. Sir Harold Bibby, Martins' chairman, reveals another innovation: Martins is to open the first British "drive-in" bank, in Leicester. The presentation of the report and accounts of Barclays, also, is improved; and Mr Anthony Tuke's survey provides a closer description and analysis of banking operations as such than English clearing bankers have given in the past.

How and why did Barclays line up with a hire purchase finance house after the chairman in his last report went out of his way to advocate a reduction in financial links between banks and hire purchase houses? A year ago, Mr Tuke now states, Barclays took note of the plans of its competitors to go into hire purchase, "either directly or by acquiring an existing company," and decided it would stand aside—resting on its plan for personal loans, which was worked out some months before the lifting of the credit squeeze enabled it to be put into operation. However, in May "an unexpected opportunity" arose to make an investment in the equity of United Dominions Trust, giving Barclays a 25 per cent share. This profits participation was "consistent with our policy of holding trade investments in businesses akin to our own, such as overseas banks." Mr Tuke's statement still leaves open one question: was the unexpected feature the fact that a minority participation was possible at all, or that it was possible in UDT?

In his opening remarks, Mr Tuke again expresses scepticism about the efficacy of the financial measures of September, 1957, and notably of the 7 per cent Bank rate. His remarks here seem a little grudging, and his chain of reasoning is open to challenge. Mr Tuke rightly emphasises the overriding importance of confidence in reviving both sterling and the gilt-edged market. Had 7 per cent nothing to do with that?

BUILDING SOCIETIES

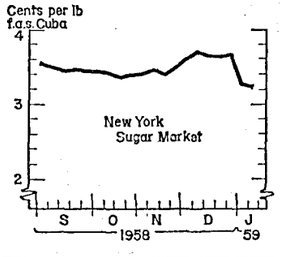
Competitive Urges

FOR many months the building societies have been competing solely as borrowers, but recently funds have been flowing into shares and deposits at an impressive rate. This is especially true of the larger societies and of those who will be accorded trustee status under the Government's Housing Act. They have now to prepare to compete among themselves as lenders. The phrase "mortgage loans," so welcome to the young married couple, is reappearing in their advertisements.

There are other signs, too, of a revived competitive spirit. One is the competition by the Hastings and Thanet, the Co-operative and the Leek and Moorlands to take over the Sheerness and Gillingham society. The chairman of Hastings and Thanet has denounced this as "an unprecedented and ruthless war between building societies" and he argued that "public company take-over methods, if applied to Building Societies, will inevitably do great harm to the movement generally." The shareholders in Sheerness and Gillingham, however, have to thank the intervention of the Co-operative and Leek and Moorlands for the fact that the bonus offered by Hastings and Thanet for a transfer of engagements was raised from 25s. (the original offer, indeed, was 5s., which failed to secure the requisite number of votes) to 80s. for each £100 of shares owned.

The Co-operative Permanent was concerned in this affair and in that society the spirit of expansion has always run high. It seems now to be limbering up for the more competitive period ahead. It has absorbed Scottish Amicable without great difficulty and its reserve ratio, though not high, must now look more comfortable. It has followed the Building Societies' Association's recommendation in paying 3½ per cent net on its shares but since October, 1957, it has charged a quarter of one per cent more than the Association's recommended rate of 6 per cent on 20-year mortgages. During the squeeze it did not lend very much at 6¼ per cent on mortgages up to 25 years and 6½ per cent on mortgages from 26 to 35 years. On new mortgages it will now be in line with the other leading societies, charging 6 per cent on mortgages up to 20 years and 6¼ per cent for mortgages from 21 to 35 years. It is making no change "at present" on existing mortgages, most of which are at 6 or 5¾ per cent.

CASTRO UP, SUGAR DOWN



Sugar has fallen sharply since the civil war in Cuba ended. The spot price of Cuban raw sugar is now 3.25 cents a lb fas, half a cent below the December peak.

RHODESIAN COPPER

Strike Losses Small

THE losses suffered by the Rhodesian copper mining companies during the 52-day strike that ended on November 5th were very small. This was stated by Sir Ronald Prain, chairman of the Rhodesian Selection Trust group, during the informal shareholders' meeting in London this week. The real losers, he said, were the employees, because the leaders of the European mine-workers could have reached substantially the same settlement of the dispute without a strike. The RST mines were able to sell from stock, at prices that were inflated partly by the strike, and their stocks will have been fully re-built before the current financial year ends on June 30th.

Sir Ronald confirmed that his companies will not be able to make good the full tonnage lost during the strike. Output of Roan Antelope in the current year may not much exceed 77,500 tons, compared with a target of 80,000 tons; and output of Mufulira may not exceed 86,000 tons, compared with a target of 93,000 tons. The targets for both mines are below rated capacity, though the policy of restricting output became academic after the strike. Output at Chibuluma is expected to exceed 18,000 tons, compared with 17,860 tons in 1957-58, and Sir Ronald expects the output of all the mines to be sold.

RESTRICTIVE PRACTICES

Court Report

BY the end of last year 2,100 trading agreements had been registered under the provisions of the Restrictive Practices Act, which came into effect in August, 1956. The Registrar of Restrictive Practices notified parties to over 140 of these that he intended to refer their agreements to the seven-member Restrictive Practices Court headed by Mr Justice Devlin, which would decide whether or not they were contrary to the public interest; of these agreements, 55 were subsequently abandoned or modified to remove any registerable restrictions in them, and over 40 others were abandoned or suitably modified before being warned of his intention to bring proceedings against them in court by the Registrar. So while the Court has heard only two cases and given a judgment in only one of them—concerning the Chemists' Federation's Agreement—over 95 restrictive trading agreements have ceased to operate since the passage of the act. The formal threat of proceedings (or of their costs, which are borne by both sides regardless of outcome of the case) may well bring the abandonment of more agreements in the future before they reach the Court; in addition, it is possible that if the Court finds for the Registrar in future cases, as it did in the Chemists' case, an even higher proportion of agreements may be dropped by their makers before being referred to the Court.

From April, 1957, to September, 1958, when the order of cases was directed by the Board of Trade, parties to 81 agreements were notified that the Registrar intended to refer them to the Court; by contrast, from October to December, 1958, when the Board of Trade ceased to issue directions to the Registrar, Notices of Reference were received by parties to 50 agreements.

COMPANY AFFAIRS

Comments on pages 267 to 269 on

Hawker Siddeley
Borax (Holdings)
United Dominions Trust
Lombard Banking
Joshua Hoyle
Union Discount
National Discount
Alexanders
Radio Rentals
Edgar Allen
Westinghouse Brake
Illingworth Morris
ACV
David Brown
British Industrial Plastics

LONDON AND NEW YORK
Stocks, prices, yields and security indices on pages 270 and 271

LONDON STOCK EXCHANGE
The week's movements reported on page 269

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 274

SHORTER NOTE

Two shareholders in Camp Bird, Mr J. C. George, MP, and Mr M. S. Crofton, have written a letter to other shareholders proposing that a shareholders committee should be set up to investigate the affairs of the company and its subsidiaries. The stock exchange quotation on the Camp Bird shares is still suspended.

COMPANY MEETINGS

BARCLAYS BANK LIMITED

MR ANTHONY TUKE'S SURVEY OF AN EVENTFUL YEAR

FREEDOM RESTORED TO BANKING

GOVERNMENT'S ECONOMIC POLICY

BANK'S ASSOCIATION WITH "UDT" IN HIRE PURCHASE FIELD

The Annual General Meeting for the year 1959 of the Stockholders will be held at the Head Office of the Bank, 54 Lombard Street, London, E.C.3, on Wednesday, February 4, 1959.

The following is the address of the Chairman, Mr Anthony William Tuke, circulated to the Stockholders:

Beyond any question the most exciting event of an eventful year in the banking world has been our release from the bondage of detailed restriction of our lendings. Bankers celebrated this happy event by a competitive display of fireworks which surprised the public and perhaps even their more sober selves. The populace responded to the gratifying spectacle by emitting, as is their custom, a long-drawn *oo-oo-oh!*, but the time has now come to subject the changed scene to objective survey. The banks will be free to compete with one another for business without any externally imposed limitations, which is salutary for us in that it will act as a stimulus to even greater efforts in providing our best service to our customers. The customer for his part will be free in all circumstances, if he is not satisfied with what his present bankers will do for him, to go (or I would rather say come) across the road to see if their rivals can do better.

Before I discuss in detail the uses to which we intend to put our new freedom, it may be desirable to submit to somewhat close examination the events which have made it possible. The short answer is, without doubt, the great improvement in Government credit, both externally and internally, since certain drastic measures were taken in September, 1957. The Government believe, I am sure quite sincerely, and would like us to believe, that it is a case of *post hoc, ergo propter hoc*. But what precisely has brought about this improvement, so that we may try to understand what has happened and know what to do next time? Our overseas trading surplus has been exceptionally good in 1958, but it was also good in 1957 when the disastrous fall in our gold and dollar reserves took place. Internally the explanation is not much clearer. In September, 1957, which was the moment of crisis, the then Chancellor, Mr Thorneycroft, announced various economies in Government expenditure, and imposed a further quantitative limit on bank advances; Bank Rate was raised to 7 per cent to help to intensify the pressure. The limits on banking advances were duly observed, but if one is candid one must admit that this was due more to a general slackening of inflationary pressure than to any further action that the banks may have taken at that time. If the inflationary pressure had continued unabated, I do not believe that the banks could have held their advances to their former level without gravely interfering with the country's industry and commerce and with their customers' legitimate business.

What then of the effect of the Government's economies in its own spending? It may be a matter of argument how this should be measured, and in view of the elementary form of the national accounts it is difficult to be dogmatic. To me, however, the annual overall surplus or deficit in the Government accounts is the best criterion. In his budget statement in April, 1957, Mr Thorneycroft reported an overall deficit in the 1956-57 accounts of £331 million and the actual result for 1957-58, allowing for any savings already secured as a result of the September measures, was a deficit of £212 million. Mr Micawber taught us the importance of sixpence in the family finances but £100 million in a national budget of £6,000 million can hardly be the full measure of the great change in our fortunes. What may be the outcome of 1958-59 we cannot yet know, but there was no further saving anticipated in Mr Heathcoat Amory's budget of April last, and recent Government decisions suggest that there may even be an increase in the deficit.

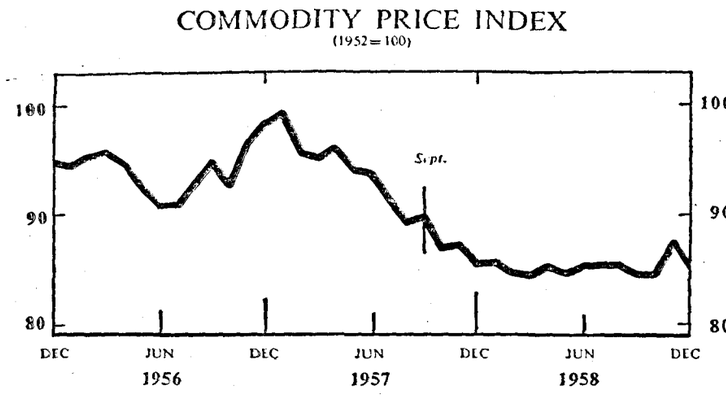
THE 7 PER CENT BANK RATE

There is, it is true, a great difference between the effect produced on the economy by the deficits of 1956-57 and 1957-58. The Government does not publish any figures relating to its operations in its own securities through the market, by means of which it carries out funding operations, including the funding of budgetary deficits. But it is commonly believed, and the appearance of the market confirmed, that in 1957, except for the early months, little if any net funding was possible, with the result that the necessary finance had to be provided by other means, such as the issue of Treasury Bills to the banks through the money market, which must have increased the inflationary pressure. In 1958, on the other hand, it has been evident that the Government has been a net seller of its securities on a large scale. The gilt-edged market has throughout the year presented a firm appearance, though still at a low level owing to the heavy Government sales, and there is little doubt that the Government has been able to provide for its immediate needs with something to spare. This, however, is the effect and not the cause of the improvement in our fortunes, the explanation of which must be sought elsewhere. Can it be found in the 7 per cent Bank Rate? This is very hard to believe taken in isolation. Previous attempts to check inflation by high rates (not, it is true, as high as 7 per cent), proved ineffective in the face of continued ease in the supply of money as distinct from its price. Doubtless high rates for money add to the force of other restrictive measures, and it may be noted that the yield offered on Government securities in 1958, when funding was successful, was in general higher than in 1957, when they were very difficult to sell. Even so, confidence is a much more potent factor than the rate of interest offered. Funding at 4 per cent on a rising market will be more successful than at 5 per cent on a falling one. Investors, and perhaps also their professional advisers, seem often to take short views, even when they are buying long-term investments. We should also remember that, although their immediate effect on the economy is the same, covering expenditure by funding is not the same thing as covering it by taxation. Funding is borrowing, and borrowing money involves the obligation to repay it one day. It is to be feared that the trifling distinction between a gift and a loan is often blurred in the discussion of our economic problems.

What effect did the 7 per cent Bank Rate have on bank borrowings? Here, if anywhere, I should be on firm ground, but I find the answer no less difficult. As a matter of historical record there was a substantial fall in the total of bank advances, but the highest point reached was in mid-May, four months before the raising of the Bank Rate (I ignore the June figure because it is not comparable) and they began to rise again before the first of the five subsequent reductions, despite the fact that the other restrictions were still in full force. We were, however, still well below our target average when the contest was called off in July.

Surely there must have been some other factor at work, one perhaps on which human influences have little effect; something which one hardly notices at first, such as a change in the direction of the wind. I referred in my statement a year ago to the fact that early in 1957 the prices of raw materials had begun for no immediately obvious reason to turn downwards, after having risen since the end of the war continuously and steadily, if one ignores a violent aberration caused by the Korean crisis. The reaction which would be expected in the banking accounts of manufacturers and others concerned did not begin until after May and does not appear to have become general until the introduction of the September measures caused business men to take stock of the situation. My conclusion is that as the raising of the Bank Rate was the most spectacular, as well as the most tangible, of these measures, it was effective in that it focused attention on a deflationary influence, which had in fact begun to take effect nine months before, but had been to some extent overlooked in the general atmosphere of gay inflation.

The following graph, which I borrow with permission from *The Economist*, demonstrates the considerable extent of the fall in prices and the rather surprising fact that the September measures do not seem to have had the effect of reinforcing the downward tendency as monetary action of a deflationary character might have been expected to do; in fact the curve flattened out soon afterwards. (It is also noteworthy that gilt-edged prices followed a parallel course during this particular period.)



A fall in the price of raw materials benefits the United Kingdom by reducing the cost of imports. It is true that a second factor enters into the final result, namely volume. Normally volume falls as prices begin to fall, and vice versa, but in 1957, whereas *The Economist's* graph shows that prices fell by an average of 2 per cent as compared with 1956, Board of Trade returns show that the volume of imports rose by 4 per cent. The comparison of prices between 1957 and 1958 is, however, much more marked; the average of the figures shown on the graph shows a fall of over 7 per cent, and as this was accompanied by a fall in volume also, the explanation of our astonishingly favourable balance of payments in the first half of 1958, and the continued strength of sterling throughout the second half, is immediately apparent. As compared with an estimate of no change between the Government accounts of 1957-58 and 1958-59, the overall cost of imports for the first eleven months of 1958 shows a fall of £340 million on the corresponding period of 1957.

This situation is satisfactory to the Sterling Area as a whole, though not equally so to all its members. It is widely appreciated that the United Kingdom is a very heavy net importer of raw materials and foodstuffs, but it may not be generally realised that, notwithstanding the vast production of primary commodities in other sterling countries, the Area as a whole is on balance a large net importer of these commodities, which have to be paid for in the main by the export of manufactured goods and of invisibles by the United Kingdom. Thus the losses of the other sterling countries on a fall in the price level would normally reduce, but not extinguish, the benefit derived by the United Kingdom. On this occasion the other sterling countries offset their losses to a large extent either by making unusually large gold sales to the United Kingdom or by receiving substantial capital and loans from outside the sterling area. The external effect of our improved terms of trade is thus precise and tangible. Apart from this we no doubt owe something to the mercurial caprice of a few foreign gamblers, but in the speculative field I regard as much more important the elimination of leads and lags: the reaction of business men, British as well as foreign, to the removal of their fears of a possible exchange crisis. Whatever the explanation, however, I am quite sure that the strength of the pound in the exchange markets of 1958 reflects its value much more truly than its weakness in 1957 and it has enabled us to take a useful further step along the road towards the full convertibility of our currency.

The internal effect of the fall in prices consisted largely in a change of outlook: a cessation of the hoarding not only of stocks but also, which is perhaps even more important, of labour; and its reaction was accentuated by the fact that a slight reduction in demand fell at a time when industrial capacity had been increased as a result of extensions to plant undertaken two or three years earlier. It is regrettable that the substantial fall in raw material prices has had no more marked effect on retail prices than to hold them steady. No one wants to reduce the selling price of his goods before he is obliged and 1958 has seen another round of wage increases which have not been sufficiently justified either by increased production or increased prices. All that can be said is that the percentages were lower than in previous years, but the country cannot go on paying higher and higher wages for the same work without a return of inflation. Furthermore, if the elimination of inflation has been caused, as I believe, by the downward trend of raw material prices, caused in its turn by over-production due to world-wide inflation, then an eventual resumption of an upward trend is liable to bring about a return of inflation in this country, because other elements, such as high Government expenditure and wage increases, are still present.

GOVERNMENT'S OUTSTANDING INTERNAL FINANCIAL SUCCESS

The Government's outstanding financial success internally in the past year lies, undoubtedly, in its ability to carry out sufficient funding to provide for its budgetary deficit and its maturing bonds, and in general to regain control of the short-term money market. This last has been expensive, but it may perhaps rank as the greatest of all the achievements of the authorities during the past year. It could not have been undertaken unless Government credit had first been restored and it is of the highest importance that confidence should not be lost again owing to a return to laxity in Government expenditure. Confidence is hardly won and easily lost; as elusive as it is precious, not only to politicians but also to bankers. Now that the pendulum has swung towards deflation, it has become necessary that the monetary and fiscal policy of recent years should be put into reverse, in order to prevent it from swinging too far. This is rightly the present policy of the Government, but I feel that there may be a risk of too much emphasis being laid in some quarters on directly encouraging the extension of industrial capacity as a means of bringing it about. The volume of production is, no doubt, the best measure of the general prosperity of industry, but can we expect an industrialist to increase his plant, and therefore his productive capacity, if he is already finding it difficult to sell his present production? Was it not better to begin as the Government did by stimulating demand at home and abroad: abroad by encouraging overseas loans and at home by relaxing restrictions on credit and perhaps by reducing taxation? If demand increases, will not increased production take care of itself without the adventitious aid of initial allowances or other fiscal devices? Indeed, is not the recent rather rapid rise in unemployment probably due, at least in part, to the fact that the nation's productive capacity has been increased faster than demand as a result of inflation?

If my diagnosis is correct it indicates an abnormal state of affairs which provides no clear precedent for corrective action on a future occasion. My final word on this difficult problem is that, in so far as we deny to the Government the credit for the improvement in our economic health, we must exempt them from blame for the temporary unemployment which has inevitably accompanied it. They might incur blame if they did not take action to mitigate it, but there is nothing that the Government has done, and nothing that any Government can ever do beyond checking, if they act wisely, or aggravating, when they act unwisely, the swing of a pendulum which is governed by the inexorable natural forces of supply and demand. The Prime Minister claimed recently, in the words of a now famous ditty, that he is entitled to "a little bit of luck." *So he is; he knows how to use it and his* friends will not grudge it to him, if only so that (to complete his quotation) "the bloodhound don't find out." That diligent and faithful animal has at any rate been doing his best to find out and follow the true scent.

THE USES OF FREEDOM

Let us now turn to examine the uses to which we hope to put our restored freedom. The first point to be made is that this freedom is not, and could never be, absolute. Our operations must always be controlled by the overall supply of credit, and there still remains the obligation on the borrower in certain instances to obtain the sanction of the Capital Issues Committee. Apart from the powers which the authorities have always possessed to encourage or discourage our activities by operations in the market, a new device has been invented whereby we may be called upon to place on deposit at the Bank of England a stated percentage of the money deposited with us, and this deposit will be sterilised so far as our ordinary business is concerned. The authorities are perfectly entitled to fortify their control machinery, if they feel, perhaps on account of the special problems relating to Government expenditure, that the conventional weapons may be insufficient; and the specific object of this device, which is expressed as being provisional pending the report of the Radcliffe Committee, is to restrict our ability to lend by reducing our liquid assets. Superficially, it bears a strong resemblance to the unpopular wartime device of the Treasury

Deposit Receipt, but we may hope that in practice it will be operated, if at all, more flexibly. To operate it fairly as between one bank and another may, however, prove difficult, if not impossible.

Whatever may be thought of the practicability, or the fairness, of the new device, it can hardly be denied that the present level of bank advances, though it has risen in recent months, is still very low, and when production has shown signs of faltering it cannot be wrong to let it rise if customers' demands tend to increase. First and foremost our existing customers of all descriptions will benefit, in so far as they may wish to do so, but there is room, at least in our judgment, for spreading our lending business more widely. The recent lifting of restrictions has given us an opportunity of doing something which we have long wanted to do in the direction of giving our services a wider appeal to that large section of the community whom, for want of a better term, I would describe as "the weekly wage-earner." We have long felt that he might be able to make greater use of the services of the Bank if these were presented to him in a more acceptable form and that they should include not only a current or deposit account but provide also for his borrowing needs, which had hitherto been restricted very largely to the field of hire purchase. So far as his borrowing was concerned, we were determined that it should be provided for him on proper banking lines as an individual customer dependent on his own credit-worthiness. In this respect, apart from others, the hire purchase principle, which relates the finance so closely to the goods, has always seemed to us to be undesirable as governing the relations between a banker and his customer; so also has the payment of commission for the introduction of business, which the hire purchase companies practise. Hire purchase business, however, includes a feature which is salutary both to borrower and lender, and which we were very ready to adopt for this type of lending, in its insistence on regular monthly payments in reduction of the debt. These thoughts crystallised in our minds, some twelve months ago, in the idea of the personal loan to meet the needs of the individual, the exact nature of which would be of less consequence to us than our estimate of his ability to repay. This principle is already well known in the United States of America and we did not imagine that we were alone in this country in allowing our thoughts to run on these lines in making our plans. Our discussions, however, appeared at the time to be academic, as it was manifestly impossible to court new lending business when we were obliged to ration our existing customers. We therefore put our plan into a pigeon-hole, ready for production when conditions were favourable. We have now been able to bring it out again and put it into operation. Its main effect so far appears to have been to revive an interest in banking generally, and we have lent more new money to private borrowers on conventional lines than by means of the new personal loans.

When it comes to considering the weekly wage-earner as a creditor customer, what we have to offer him is less apparent, much as we should welcome him in that guise. In the first place the famous Truck Act of 1831 makes it necessary that his wages should be paid to him in cash. When this Act was passed, it was no doubt desirable thus to protect the workman from being forced to accept part of his wages in kind; today his Trade Union is quite powerful enough to prevent an unscrupulous employer from imposing upon him in this or other ways. An even greater influence in promoting the banking habit would be for factory workers to accept payment on a monthly basis as office workers, some of whom receive less money, normally do. The thin end of this wedge has already been forced into the door, in factories where certain employees are being paid fortnightly instead of weekly. If this practice became more widespread and could be extended to allow for payment on a monthly basis, a banking account would become a necessity for the artificer, as the Act calls him, as it is now for the office worker, and this in its turn would greatly diminish the opportunities for highway robbery. It is not clear, however, what special attractions we can offer to him. His needs are likely to be simple and the meeting of them therefore relatively inexpensive. They will not, however, necessarily be stereotyped. Our private customers cannot be divided neatly into two classes, like the passengers in a railway train; in any case no bank would like any of its customers to feel that they were travelling second class.

THE BANKS AND HIRE PURCHASE

About a year ago it was becoming an open secret that certain of our competitors might be contemplating taking an interest in hire purchase, either directly or by acquiring an existing hire purchase company. A proposition of this kind did not at the time appeal to us; we were content to rest on our plans for personal loans to meet the need for consumer credit and to leave aside any participation in the field of medium-term industrial lending in which hire purchase companies also operate. However, in May last an unexpected opportunity arose for us to make an investment in United Dominions Trust sufficient to give us a holding of 25 per cent of the equity. This proposal was quite different from any which we had hitherto contemplated and it seemed to us to be attractive from several points of view; it was consistent with our policy of holding trade investments in businesses akin to our own such as overseas banks, which are a source of banking business to us as well as earning their keep on a relatively generous scale; if alliances were to be formed between banks and hire purchase companies, it was desirable that we should participate in one, provided that we could do so without becoming directly involved in the management of hire purchase, which we do not understand; and it was very agreeable to us that we were able to take an interest in the company which is the acknowledged leader in industrial banking, and which has for long regarded us as its principal bankers and clearing agents. That the ramifications of United Dominions Trust cover a much wider field than mere hire purchase business does not make the association less attractive, since their other activities and services are within the sphere of operations directed towards the greater efficiency of commerce and industry. So, having disclosed to their Board our intention to introduce a system of personal loans, and having found that this would not be likely to provoke a conflict of interest between us, we had no difficulty in reaching an agreement on the terms originally offered to us. We were obliged to put this plan also into a pigeon-hole, but it did not have to remain there long. At the beginning of July the Chancellor announced the impending relaxation of the credit squeeze, and his instructions to the Capital Issues Committee included the statement that the Treasury would be prepared to act on a recommendation in favour of an issue where the Committee considered that the raising of finance was desirable as a means of improving the stability of the hire purchase financial system. Apart from the fact that United Dominions Trust was not in evident need of greater financial stability, this formula might have been tailor-made to fit our agreement with them; and while any form of alliance with a leading clearing bank probably enhances the credit of any hire purchase company, thus conforming to the spirit of the Chancellor's direction, a transaction which adds substantially to its capital and reserves complies strictly with the letter of the new regulation in a sense that the purchase by new shareholders of existing capital does not. We could therefore feel confident that the Capital Issues Committee would give their consent, even though this was in a sense a test case, being probably the first to be submitted under the new regulations. So in fact it proved, and I have no doubt that it marks the beginning of a fruitful era of mutual co-operation between the two companies.

WIDER IMPLICATIONS

It may be of interest to consider what are the wider implications of these alliances. It seems possible, first of all, that business will tend to flow towards the hire purchase companies concerned in them, at the expense of those who remain uncommitted. Even when the link does not involve the moral obligations of a parent towards its subsidiary, its existence will help the hire purchase company to raise money from the public at more favourable rates, and thus to offer better terms for its lending business. Already there has been a considerable outbreak of competition in this field, which has served to emphasise an important point, hitherto generally overlooked, that the interest charged by a bank on a personal loan is in principle eligible for income tax relief, whereas the financial charge made by hire purchase companies on their normal contracts, being in the nature of rent, gives no similar right to the personal borrower. This may tend to draw away from the hire purchase companies some of the cream of the individual borrowings for personal consumption. There will, however, remain ample scope for them to expand their medium-term lendings to industrial companies and firms, where rent and interest rank alike as a charge against profits for tax purposes. The future of the smaller, uncommitted hire purchase companies would appear in many cases to lie in amalgamation with their larger rivals. Their situation is in fact not dissimilar to that of many private banks at the turn of the present century. The problem is complicated by the fact that in the last few years large numbers of new companies have been formed; in so far as these companies have financed themselves by offering very high rates of interest to the public, a general squeezing of profit margins under the stress of competition might make it difficult for some of them to continue to conduct a profitable business.

It will be interesting to see whether the recent practice of hire purchase companies of inviting deposits directly from the public (an unforeseen result of the credit squeeze which largely defeated its objects as applied to hire purchase) will be extended or contracted under the influence of their banking alliances. Personally I think it could well be extended always provided that the rates quoted are not extravagant, as they have appeared to be in many instances in the past. As I have said on a former occasion, it seems to me natural and proper that hire purchase companies should finance themselves in this way, as building societies do, relying on their banking associates or other bankers to provide them with temporary liquidity when the need arises. The fact that banks will thereby lose, or fail to gain, certain deposits seems to me a secondary consideration, at least in the public interest.

There is, however, one problem which is as yet unresolved. It is common knowledge that the authorities have wished to exercise more effective control over hire purchase lending in inflationary conditions, and that they have not hitherto found a means of doing so. It is also well known that official control over bank lendings is much more effective; even though it is normally exercised on a basis of voluntary agreement, there is a sanction which could be operated if necessary within certain well-defined limits. In so far as hire purchase business becomes a function of the banks, it becomes susceptible to control through the banking machinery. This would have been a sufficient reason, if none other had existed, to make us wish to avoid taking a direct part in this field of business, even through a subsidiary company whose actions we should have the power, and therefore perhaps the duty, to bring under formal control. It would be much better that the Authorities should find means of applying any control considered necessary directly to the hire purchase companies themselves.

There have also been several important events during the year which are of more parochial concern. I wrote to Stockholders in August to tell them of our plans for the increase of the Bank's Ordinary Capital by the issue to them of additional shares arising from the capitalisation of part of our Reserve Fund and also for the offer to the Staff of a further block of their Special Stock. The formalities of both operations have now been completed and the final ordinary dividend of 6 per cent which we are recommending will be payable on the new stock as well as on the old. During the year events have tended to favour our affairs. Both investment income and the earnings of our money market assets have shown substantial increases which, coupled with larger balances at our disposal and an easement in the necessity of setting aside funds by way of provision, have enabled us to bring down a very satisfactory profit. We have made a transfer from Inner to Published Reserves of an amount which, together with the transfer from this year's profits, will leave the Reserve Fund £1 million higher than it was a year ago.

REBUILDING OF HEAD OFFICE

The rebuilding of our Head Office is now proceeding apace. It is being undertaken in three phases, the first of which covers in the main the site of the former Church and Churchyard of All Hallows, Lombard Street. Here a forest of steel has grown up in the past few weeks and walls and floors are now beginning to appear. The foundation-stone of the new building will be laid on January 15th at a private ceremony, and a model of the building as it will appear when eventually completed will be available for inspection by any interested Stockholder on the day of the Annual Meeting. We have been subjected to inconvenience in our Head Office accommodation for so many years now that the prospect, even if it is still remote, of occupying an efficient modern office building gives us great encouragement.

We are also embarking on an important building operation in the neighbourhood of Northampton, where we propose in future to conduct all the clearing operations between branch and branch of our own Bank. These amount to nearly fifty million vouchers in the course of a year and require the employment of a staff of about a hundred. The transfer of routine administrative work out of London is in furtherance of present Government policy, and is entirely in keeping with our own long standing traditions of decentralised administration. The arrangements which we are making at Northampton are such that there would be no difficulty in extending them to cover the whole of our share of the inter-bank clearing in case the opportunity to do so should arise in the future.

We have opened a number of new branches during the year, including one in the West End of London under the management of a member of our women staff, Miss H. M. Harding. This interesting experiment has been hailed in some quarters as a portent, as indeed in a sense it is, but it may also be regarded as a natural and perhaps somewhat belated recognition that the holding of responsible posts in contact with our customers is no longer necessarily an exclusively male preserve.

The Board have recently decided to introduce into the Rules of the Bank's Pension Fund a provision whereby a member of the Staff leaving the Bank before pensionable age can, subject to a qualifying period of service, retain or take with him the benefit accumulated in respect of his past service. Our Pension Fund is non-contributory, and was already most favourable to the members both in respect of the basis of calculation and of certain valuable options available when the pension accrues; the new provision will bring it into full conformity with the most modern practice. It will come into operation as soon as the necessary alteration in the Rules has received the formal approval of the Inland Revenue.

I referred last year to our having come to the rescue of the depositors of a small savings bank in Birmingham known as The Ideal Bank. The result of this action has come up to our best expectations. We have been able to retain 90 per cent of the money deposited with The Ideal Bank and we have, we hope, made a large number of new friends in the Birmingham area.

THE NEW CHEQUES ACT

The new Cheques Act has now been in operation for more than a year and so far as the banks are concerned there has been no hitch nor difficulty in its working. It has, however, produced an unexpected secondary effect in that many trading concerns have taken advantage of it to discontinue the practice of issuing receipts to their customers, in respect of which their legal obligation has not in fact been altered in any way. The lack of any concerted plans or adequate explanation caused great confusion at first in many instances, but this is gradually being overcome, and in due course both debtor and creditor will no doubt become accustomed to the new system. We await with interest the introduction of further legislation removing the prohibition of the payment of wages by cheque or by direct transfer to banking accounts, which I have already mentioned and which will, I hope, now find general acceptance provided that it is permissive and not compulsory.

THE BOARD OF DIRECTORS

Before closing I must mention that we have welcomed to our Board during the year Colonel W. H. Whitbread, whose outstanding position in the brewing trade needs no emphasis from me.

We congratulate our colleague, Mr R. H. Parker, on his appointment by The Queen as Her Majesty's Lieutenant for the County of Cambridge, and also Sir David Evans Bevan on the Baronetcy conferred upon him in the Birthday Honours.

Finally, I must refer to a sorrowful event, the retirement of Sir Cecil Ellerton from the office of Deputy Chairman at the end of the year. Sir Cecil has been always at my right hand since I became Chairman in 1951 and we had previously been colleagues as General Managers during the war. I know, therefore, what I owe to his loyal friendship and wise counsel over many years. I know also that he would not like me to set it all down in writing, and although he is at this moment at a safe distance in the Antipodes, I will not incur his displeasure by trying to do so. I am happy to say that he will remain a member of the Board and will continue many of his activities in the City, in which he has performed great service not only to the Bank, but also to the Country.

When they were informed of Sir Cecil's intentions the Board appointed one of our Vice-Chairmen, Mr John Thomson, to take his place as Deputy Chairman, and they have now appointed as a Vice-Chairman Mr T. M. Bland, who has recently completed a distinguished two-year period as President of the Institue of Bankers, an office in which he followed after twenty years his father, the late Mr F. L. Bland. We have thus introduced into the highest offices in the Bank two of a younger generation, on whose wisdom and experience as bankers the Stockholders can rely with complete confidence.

FLOWERS BREWERIES LIMITED

INCREASED SALES

The Sixty-first Annual General Meeting of Flowers Breweries Limited was held on January 12th in London, Sir Fordham Flower, Chairman, presiding.

The following are points from his statement:

Despite the unfavourable weather last summer, the sales by volume of your Company's beers have increased by more than 3 per cent. This compares favourably with the national trend, for in the U.K. brewings up to September 30th, 1958, have decreased by 2.86 per cent. I am glad to report that Keg Bitter and Brewmaster have done particularly well.

Your group shows an increase in profits before deducting taxation for the past financial year. The first part of the financial year was extremely difficult, but a number of economies were instituted in the last six months and this action has had a beneficial effect on the results.

Since the end of our financial year, we have made a trade agreement with H. & G. Simonds Ltd., whereby certain beers of each Company will be made available to the other. I am certain that this arrangement will be mutually advantageous.

The arrangement with Friary-Meux has now been in force for two years and is proving satisfactory to both Companies.

Your Board has concluded an agreement whereby Schweppes mineral waters have been made available in our houses in the Luton and Tunbridge Wells areas.

We have opened a number of new off-licences and public houses. This programme should be continued and will require substantial capital sums over the next few years. It is vital that an expanding business, such as yours, should plough back considerable sums every year.

The report and accounts were adopted.

STEWARTS AND LLOYDS LIMITED

FACTORS AFFECTING THE YEAR'S RESULTS

HOME AND OVERSEAS TRADING POSITION

FINANCING LARGE-SCALE DEVELOPMENT PROJECTS

MR A. G. STEWART ON CURRENT AND FUTURE PROSPECTS

The sixty-ninth Annual General Meeting of Stewarts and Lloyds Limited will be held in the Merchants' Hall, 30, George Square, Glasgow, on Tuesday, February 10, 1959, at 12.15 p.m. The Accounts for the fifty-two weeks ended September 27, 1958, have been circulated with a Statement by Mr. A. G. Stewart, the Chairman, which reads as follows :

Shareholders will have noted from the dividend declaration that this year's financial results show a decline from the record figures of the previous year.

The profit of the whole Group amounted to £14,265,000 before tax and before charging £1,580,000 for Fixed Assets Replacement Reserve. The table set out below shows the proportions in which the decrease in the profits of £3,986,000 as compared with the previous year is accounted for as between Stewarts and Lloyds, Limited, as a manufacturing company, home subsidiaries, and the earnings from trade investments and overseas companies.

	Profit	Per cent of total profit	Decrease	
	£		£	Per cent
S. and L. Ltd.	8,510,000	59	2,477,000	23
Home Subsidiaries	3,230,000	23	1,389,000	30
Trade Investments and Overseas Companies	2,525,000	18	120,000	5
	£14,265,000	100	£3,986,000	

These results will, I think, come as no surprise to shareholders, bearing in mind what I said as to future trading prospects in my statement with last year's Report and Accounts and my remarks at last year's Annual General Meeting. Further, a statement was issued at the time of the interim dividend declaration last June recording not only a falling-off in home trade demand but that our export trade, particularly to the Oil Industry, was seriously affected. It was stated that practically all our works were on short-time with the result that the profits of the year ending September, 1958, would be substantially lower than those of the preceding year.

It will be remembered that as far back as the beginning of 1957 I reported a falling-off in home trade demand for general purpose tubes up to 4 in. diameter which comprises the largest single section of our business. I now have to report that from the early part of the year under review there was a considerable reduction in demand for casing, tubing and line pipe for the Oil Industry. This fall in demand is not peculiar to Stewarts and Lloyds but has also affected American and Continental producers.

The effect of these events on the earnings of the United Kingdom Group is shown by the fact that its estimated profits for the last three months of the financial year ended September 27, 1958, are about half those of the corresponding three months of 1957.

However, in view of the amount of cover still available, your Directors have no hesitation in proposing the same rate of Ordinary Dividend as last year.

TRADING POSITION

The total tonnages despatched during the year were:

	52 weeks ended September 27, 1958			52 weeks ended September 28, 1957	
	Tons	Per cent of total	Per cent variation on 1956/57	Tons	Per cent of total
Steel Tubes :					
Home, excluding Oil	424,000	49	−12	480,000	50
Oil Industry—Home	39,000	5	−33	58,000	6
Export, excluding Oil	186,000	21	− 6	198,000	20
Oil Industry—Export	217,000	25	− 7	233,000	24
	866,000	100	−11	969,000	100
Spun Iron Pipes and Castings :					
Home	247,000	74	− 4	256,000	70
Export	87,000	26	−21	110,000	30
	334,000	100	− 9	366,000	100

(a) Stewarts and Lloyds Limited

As will be seen, 866,000 tons of steel tubes were despatched in the year compared with 969,000 tons in the previous year. The low level of home trade demand for general purpose tubes in sizes up to 4 in. diameter continued until the end of the year, since when some slight improvement became evident. De-stocking by merchants and consumers has continued but with stocks now being maintained at minimum levels, the year ended with a realistic order book.

The demand for quality tubes throughout our range of manufacture which had been satisfactory until towards the end of 1957 fell away considerably during 1958 due to a contraction in demand from consumer industries affected by the general recession in trade and cuts in Government spending, one important instance of which, so far as we are concerned, being the retarding by twelve months of the nuclear power plant programmes. However, several important orders for pipework for Nuclear Power Stations have been executed, and a number of contracts have still to be completed. The prospects of future business in this field are most promising. We also have a good order book for large diameter mains.

During the year we commenced the manufacture of Rectangular Hollow Sections for structural and mechanical purposes. Initial experience confirms our belief that there is a wide use for members of this kind.

In export markets our order load from Oil Industry customers at the beginning of the financial year was sufficient to keep our works fully employed for six months ahead. It was clear at that time, however, that the immediate needs of the Oil Industry were being satisfied and that with reduced drilling activity a fall in the volume of new orders could be expected. By January, 1958, many of our oil company customers were not only unable to place new orders but in some cases were cancelling existing orders. Others continued to purchase but on a much reduced scale.

The figures in the table above show a fall in the volume of despatches for export to the Oil Industry in the year under review of 7 per cent in comparison with the record figures of the previous year. This reduction is very much smaller than the reduction in the volume of orders booked during the year and a further substantial fall in Oil Industry export despatches in the current financial year must be expected.

Export demand from customers, other than the Oil Industry, has remained fairly steady but competition has become more severe partly as a result of new tube manufacturers having started operations on the Continent. Export prices overall have for the first time since before the war been lower than home trade prices.

Despatches of manipulated pressure pipework were around the previous year's level but the value of orders received in the year was substantially down on that for 1957. Competition is intense and prices have not been very remunerative.

Our tube works operated in 1957/58 at 79 per cent of capacity in producing 815,000 tons as compared with 93 per cent of capacity in 1956/57 when 969,000 tons were produced. The reduced operations at our tube works have resulted in a reduced rate of working in the iron and steel works, which is referred to later in this statement, though this has been offset to some extent by increased sales of semi-finished steel and hot rolled strip. As the general decline in demand for steel products has progressed it has become more difficult to find outlets at home for increasing quantities of semis and strip but we have been able to make some sales in export markets though at very low prices.

In the home trade average prices obtained for steel tubes during the year were higher than in the previous year, due partly to a change in the composition of the order book. The increase in prices rather more than absorbed increases in costs of raw materials and freights. This advantage, however, was outweighed by the relatively lower level of export prices for general purpose tubes. It should also be noted that since the end of the financial year the British Transport Commission announced its intention to increase freight charges on raw matrials for the iron and steel industry by 7½ per cent, and, following the Engineering Award in October, 1958, wages of certain of our men have been increased.

(b) The Stanton Ironworks Company, Limited

Despatches of spun iron pipes and iron castings in the home market were maintained at a level only slightly below that of the previous year. In the export trade, however, owing to a world-wide recession in demand, despatches fell by 21 per cent. India's continued restrictions on imports, the unsettled state of the Middle East, and the increasing development of local manufacture in overseas markets, contributed to this result. Stanton was, however, able to maintain a proportionate share of business in world markets in spite of increasing competition from other exporting countries.

Vertically cast iron pipes for use as water mains have now been largely superseded by prestressed concrete pipes, of which Stanton is the only producer in the UK. Despatches during the year were more than 45 per cent greater than in the previous year. Despatches of concrete products, other than prestressed concrete pipes, were maintained at approximately the same level as in the previous year.

The foundry iron market remained weak and Stanton's despatches of pig iron were down overall by 24 per cent. A marked decline in home demand for high phosphoric foundry iron was partly offset by increased sales of low phosphoric foundry iron in the home and export markets. A changed pattern of demand from iron foundries has now become evident in which a tendency towards the use of lower phosphoric irons is increasing.

Requirements of steelmakers for outside purchases of basic pig iron fell away sharply during the year. This, combined with the decline in demand for foundry iron, meant that furnace capacity was not fully occupied. Total pig iron production represented slightly less than 75 per cent of available furnace capacity.

(c) Tubewrights Limited

Our wholly-owned subsidiary, Tubewrights, was engaged during the year in a variety of important work in the structural field. This included the construction for the roofs of the new hangars and workshops at London Airport. After prolonged design and development work, the Electricity Authorities in this country have accepted Transmission Line Towers of tubular construction and pilot orders are now being executed.

Turnover for the year under review was the highest yet achieved but as a result of the decreased demand for capital goods, the value of orders outstanding at the end of the year was considerably below that twelve months earlier.

(d) Stewarts and Lloyds Plastics Limited

During our first year of marketing polythene tubes, primarily for cold water services, we obtained a good share of the available business against severe competition.

Experience continues to indicate that, in their present form, plastic tubes are not likely to take any great tonnage away from steel.

FUTURE TRADING PROSPECTS

Prospects in the home trade for 1959 for general purpose tubes are on the whole more encouraging than they were a year ago owing to the stimulus now being given by the Government to public expenditure.

On the other hand, there are no firm indications of any early revival in demand for casing, tubing and line pipe for the Oil Industry. As I have stated above, 1959 prospects for this section of our business are not favourable, and a significant reduction in turnover in 1959 compared with 1958 would not be surprising.

So far as Stanton is concerned, its main business in the home market is largely dependent on public investment expenditure and is especially susceptible to Government economic policy. It is expected that the easing of credit restrictions and the positive encouragement now given by the Government to public investment spending will create an improved demand for cast iron pipes and concrete products in the current year. There are at present no indications of revival in the foundry iron market, although in this sector also recent Government action is expected to produce some increased activity.

Whilst immediate prospects are less favourable than for many years past and fully justify the note of caution that I sounded last year, I have no misgivings about the longer-term future. There is nothing novel in striking fluctuations in demand for general purpose tubes, and I see no reason to doubt that with the expansion in the general economy that we all expect, and the continued widening of their use, the demand for these tubes will in due time reach and indeed exceed its previous peak. I am also quite confident that demand from the Oil Industry will revive, and in due course greatly expand.

ACCOUNTS AND FINANCE

The accounts are presented in similar form to that used last year. The actual liability for UK Income Tax on profits of the year is reduced considerably due to the fall in trading profit and also because of the increased capital allowances, which amount to £1,900,000 compared with £692,000 in the previous year and arise from the heavy capital expenditure. Since the effect of these allowances is to defer payment of income tax they have been added to the amount set aside for equalisation of taxation.

It will be noted that in the UK Group of Companies the bank overdrafts increased during the year by £4,500,000 and at September 27, 1958, amounted to a total of £6,100,000 in spite of a reduction in stocks of almost £3 million. The chief reason for increased borrowing arises from our capital development programme which during the year in the UK Group amounted to a record total of £16,300,000.

It will be recalled that last year I stated that the balances of schemes approved at the end of September, 1957, amounted to £41 million. It should be remembered that when our plans were made for this substantial capital development, conditions of national and world trade gave grounds for an expectation of a more rapid expansion of demand than has taken place or seems likely in the immediate future.

Under these conditions your Board have reviewed carefully the whole of the development programme. It has been possible to rephase the rate at which some of the schemes are progressing and thus to reduce the rate of expenditure, particularly during the current financial year. It will, however, be appreciated that some of the major schemes are on the point of completion and no postponement of expenditure on these projects is possible.

The immediate reductions in expenditure that have arisen as a result of this review amount to about £6 million during the current financial year.

In spite of this revision, it is still likely that the amount of capital expenditure during the current financial year will approximate to the amount spent during the year to September, 1958. The balance of schemes approved at September 27, 1958, amounted to £28 million.

Your Board have had it constantly in mind during the past two years that our capital expenditure programme could not continue to be financed entirely out of retained profits even if the profit level were maintained, and that recourse must increasingly be had to borrowing and to consideration of a capital issue.

Your Board have been unwilling to raise new money of a permanent or semi-permanent nature on the unattractive terms arising from the political uncertainties surrounding the Steel Industry. The alternative that we have sought, therefore, is to approach our Bankers for their assistance. This has been forthcoming in full measure and we are assured of substantial support from them for a limited period, after which it is hoped that we shall then be in a position to judge how best to clear the major part of our indebtedness.

OPERATIONS AND DEVELOPMENTS

(a) Ironstone

There was a substantial fall in the output of the Group which was 26 per cent lower at 4,200,000 tons. The demand for ironstone for the furnaces producing foundry iron was particularly low.

We are still planning to increase our ironstone capacity within the next few years but some of this additional capacity may not be required quite so early as was previously anticipated.

The construction of a new large walking dragline has been commenced and this machine will go into production this year. It will be installed in an existing quarry where the depth of overburden will increase beyond the capacity of the existing excavator. The jib boom will again be of welded tubular construction.

Production has now started in our new underground mine in Rutland but owing to the difficult conditions which have been encountered underground the rate of development has been relatively slow.

I referred last year to the survey which, at the request of the Iron and Steel Board, we had agreed to carry out jointly with the United Steel Companies Limited in the

Northampton Sand Ironstone Bed in Rutland and South Lincolnshire. Work has proceeded as rapidly as possible and the Company has now obtained consents from 44 landowners to bore over an area of 24,000 acres. Approximately 100 boreholes have already been put down. The programme is an extensive one and it will be some time before it is possible to arrive at any conclusions.

The Company has a half-share in the Oxfordshire Ironstone Company Limited which, last year, produced 1,300,000 tons of ironstone against a capacity of 2 million tons. There are indications of a substantial increase in the demand on this field in a few years' time and plans are accordingly being prepared to increase capacity.

(b) Blast Furnaces

Pig iron production from Stewarts and Lloyds' furnaces at Corby, Wellingborough and Bilston during the year under review was some 74 per cent of the previous year's output. The internal demand was, of course, affected by the steelworks' operating programme, and the customary external iron sales practically ceased.

We expect to maintain our Corby blast furnace operations at a reasonable level during the current year, but operations at Wellingborough and Bilston furnaces are likely to continue on a restricted basis.

The additional ore preparation equipment at Corby, to which I referred last year, is now in operation and is providing improved facilities for preparing and sintering our Northamptonshire ores.

At the Corby blast furnaces, blowing equipment of increased capacity will be in service by June, 1959, and additional equipment for handling the blast furnace iron will come into service at about the same time.

At Stanton, good progress is being made with the new ore preparation plant which, it is expected, will be fully commissioned by the middle of 1959.

(c) Steel Works and Rolling Mills

Ingot steel production, as will be seen from page 25 of the Report and Accounts, fell from last year's record figure of 1,545,000 tons to 1,323,000 tons. The indications are that we shall be able to maintain Bessemer steel production at Corby at a reasonable level during the current financial year but that there will be considerable open hearth and electric furnace steelmaking capacity at Bilston, Clydesdale and Corby Works unfilled for the time being.

While strip mill and heavy rolling mill operations at Corby are likely to continue at a reasonable level, the rolling mills at Bilston may be working well under capacity loading.

Among major developments, it should be mentioned that the first stage of the reconstruction of the Corby heavy rolling mills should be completed in 1959. The replacement of the old blooming mill by a new 48 in. mill was carried out in December, 1958, an undertaking which reflects great credit on all concerned.

The new Corby tonnage oxygen plant, although actually installed, is, most unfortunately, not yet available for use owing to a faulty design which the contractors are now correcting.

At Bilston, the first of the new oil-fired *open hearth furnaces came into* successful operation last September.

Work on the installation of the new rolling mill plant, to which I referred last year, is proceeding and it is expected that the new mills, with their resulting econor ies, will be in operation in mid-1959.

At Clydesdale, the sixth open hearth furnace has now been completed and new steel casting facilities will shortly be available.

(d) Tube Works

Good progress has been made with the installation of the new Extrusion Plant at our Prothero Works, Wednesbury, for the manufacture of small diameter seamless tubes, and this unit is planned to commence operation in a few months' time.

Plans for the supply of Extreme Line Casing from tubes rolled at our new Seamless Mill at Clydesdale Works are now well advanced.

Reference was made last year to our plans for installing an Electric Resistance Weld tube plant at Shotton. The site has now been filled and building foundations are nearly complete. The main mill equipment is in an advanced stage of manufacture.

I have referred earlier to the present state of our order book, particularly in so far as the Oil Industry is concerned. We feel, therefore, that with capacity being available in our existing tube plants it may be some little time before a demand materialises for our Shotton project.

(e) General

The new building to house our Department of Research and Technical Development at Corby is now complete and in use. Much thought was put into the design of this building to enable it to meet our needs for many years to come, and we feel sure that it will be both a material aid and an incentive to all who work in it.

Reference was made last year to a LEO computer which the Company was proposing to install. This was delivered in April, and within three weeks was successfully doing the payroll work planned for it. It is our intention to extend the computer's activities as fast as we can.

OVERSEAS COMPANIES

South Africa and Southern Rhodesia

The turnover of the Stewarts and Lloyds of South Africa Group during the year under review was £13,600,000 as compared with £14,600,000 in the previous year.

The Vereeniging Tube Works had a sharp decline in production due to a falling off in demand mainly in respect of screwed and socketed tubes. The position was aggravated by the increasing cost of wages, fuel, power and consumable stores. At various times during the year some departments had to be placed on short time.

The demand for tubular structures is continuing and it was necessary to erect a new Bay for the further development of this department.

There was an improvement in the demand for non-ferrous and plastic tubes. Increased production facilities for the latter are contemplated.

The Que Que tube works of the South African Company were similarly affected, but here again an increase in tubular structures compensated to a considerable extent for the drop in output from the tube works.

During the year Stewarts and Lloyds of South Africa acquired the business of the Eagle Tube Company (Proprietary) Limited as a going concern. The main reason was that the time had arrived to increase their capacity for certain types of tubes and to operate the Company's works at Vereeniging more economically by concentrating on their standard products without the disruption caused by the more specialised lines. The Eagle Tube Company Works are at Germiston.

Australia

The Tubemakers of Australia Limited group of Companies has had a successful year. Production, in terms of steel consumed, at 279,000 tons and Sales at £A34 million were both higher than any previous year and profits were more than maintained. Export work accounted for rather more than 10 per cent of total sales and new markets are being developed.

In spite of the fall in wool prices, on which Australia's economy and prosperity so much depend, the new financial year has made a good start and prospects for the remainder of the year are considered to be hopeful.

New Zealand

Results for the year were satisfactory. As a result of falling prices for New Zealand exports, import licensing was imposed on January 1, 1958. Turnover has, however, been maintained in the year under review but this has been achieved at the expense of stocks which will be hard to replace until sufficient import licences are available.

So far, no reduction in the demand for steel products has been felt but with less money available for investment, the level of consumption could be affected in the future.

India

The Indian Tube Company (1953) *Limited.* The despatches of tubes made on the Continuous Weld plant increased by 30 per cent compared with their previous year to 45,000 tons. The demand for this class of pipe has increased at a faster rate than was envisaged but additional facilities for finishing will be completed in a few months' time when the limit to productive capacity will probably be the amount of skelp allocated by Government.

The production of cold rolled strip and Electric Resistance Weld cycle and other tubes has improved now that the initial difficulties regarding supply of hot rolled strip have been overcome. There is also a heavy demand for the products from these plants and with additional annealing capacity shortly becoming available there should be a considerable step-up in production during the coming year.

The Seamless plant is nearing completion and should be ready for trials early in 1959.

Stewarts and Lloyds of India, Private Limited.—This Company has had another profitable year. It has virtually ceased to be a merchant concern and its activities are now almost entirely concerned with the fabrication and erection of both pressure pipe work and structures. The Company has a very satisfactory order book.

Canada

Stewarts and Lloyds of Canada Limited had a more difficult year than last year. The demand for all categories of tubes was lower and increased capacity was available from Canadian tube plants. The Canadian Government for the first time imposed a tariff on imports of oil well casing and tubing, which nevertheless is preferential.

Ireland

Stewarts and Lloyds of Ireland Limited has had another satisfactory year and although demand has been low, the fall in trade there has not been so great as in the United Kingdom.

MR JAMES MITCHELL

It was announced in October, 1958, that Mr Mitchell had resigned from the Board.

He joined Stewarts and Lloyds in 1908 from the staff of the Metallurgical Department of the Royal Technical College, Glasgow, where he had received his training.

Mr Mitchell, during those 50 years, held various appointments of increasing responsibility and he became a Member of the Board in 1947.

The authority of his knowledge on all matters appertaining to Iron and Steel was accepted both in this country and abroad and was recognised by the Iron and Steel Institute in 1950 when he received the Bessemer Medal. I am sure it would be your wish to thank him for his long and faithful service to the Company.

EMPLOYEES

We very much regret that difficult trading conditions in the United Kingdom have led to some employees being laid off. Wherever possible we have found them alternative employment within the Company. If this was not possible, we have endeavoured to confine the redundancy to employees of retiral age or with short service. Redundancy compensation has been paid in the few cases where employees have been paid off who are ineligible for a pension and have appreciable service.

I would like to thank all employees at home and abroad for the notable part they play and to say how much we appreciate their loyal services.

NATIONALISATION

Shareholders will recall the resolution on this subject adopted by such a striking majority at last year's Annual General Meeting. Thus encouraged, your Directors have not been inactive. Shareholders will have noticed advertisements and correspondence in the local and national Press. More recently they have received a booklet entitled "20 Questioners." This booklet has also been sent to all employees and pensioners, all members of the House of Commons and to many other persons and associations. Other activities have been and are being undertaken.

Apart from this short report, I propose to deal with the subject fully in my address at the Annual General Meeting.

CHELTENHAM AND GLOUCESTER BUILDING SOCIETY

RESULTS FOR 1958

The Society's assets now amount to £31,604,000, being an increase of £1,329,000 during the year.

After deducting withdrawals, and allowing for interest, the total increase in savings in the Society amounted to £1,516,000.

A total of £3,129,000 was advanced on mortgage, which is considerably less than the figure for 1957 because of the restrictions on lending which had to be enforced whilst the credit squeeze was in operation. As a result of the improved inflow of funds during the past few months, however, these restrictions have now been very largely removed.

The improvement in the market value of the Society's quoted securities is over £100,000, and accordingly this amount has been transferred to General Reserve from Investment Depreciation Reserve. Total Reserves and Unappropriated Surplus now amount to £1,922,000, representing 6 per cent on the assets. The Society's liquid assets amount to 16 per cent of the total.

CLYDESDALE & NORTH OF SCOTLAND BANK

HIGHLY SATISFACTORY RESULTS

SIR HAROLD E. YARROW ON ESTABLISHMENT OF BASIS FOR COUNTRY'S EXPANSION

The one hundred and twenty-first Annual General Meeting of Shareholders of Clydesdale & North of Scotland Bank Limited will be held on Wednesday, February 11th, in the Head Office, St. Vincent Place, Glasgow.

The following are extracts from the circulated statement of the Chairman, Sir Harold E. Yarrow, Baronet, GBE, LLD:

The Balance Sheet shows a strong position and, in view of the difficult conditions, it must be considered that the results for the year are highly satisfactory. Our Deposits have been well maintained throughout the year, and show an increase of £626,303.

Our Note Circulation shows a small decrease of £222,228. This is the first decrease for many years and it undoubtedly reflects the reduction in the general trading activity.

The total of Acceptances, Confirmed Credits and Engagements on account of Customers stands at £8,513,141. This entry reflects some of the support we provide for our customers in their export activities.

Turning now to the Assets side of the Balance Sheet, you will see that Cash, Balances with other Banks, Money at Call and Short Notice in London, and Bills Discounted amount to £71,642,210. In relation to our Deposits and Notes in Circulation this represents a liquidity ratio of 35.6 per cent.

Our holding of British Government Securities at £79,612,485 shows a reduction on the year of £2,436,700. There has been a substantial improvement in the market value of these investments and the difference between book value and market value has been reduced to £1,542,488.

Advances show an increase of £5,919,568 at £48,503,294. Following the easing of credit restrictions there has been a general increase in our lending, which continues to be well spread, and we have also given increased assistance for the finance of exports.

From the Profit and Loss Account you will see that our net profit for the year at £497,971 shows an increase of £11,505. We propose to maintain unchanged the year's dividend of eighteen per cent and the allocations of £32,500 to the Staff Widows' Fund and £100,000 to Reserve for Contingencies, which will leave a balance of £214,881 to be carried forward to 1959.

RELAXATION OF CREDIT RESTRICTIONS

A year ago I referred to the "regrettable atmosphere of restriction" in which our affairs had to be conducted in 1957; in the interval the climate has undergone a remarkable change. In a period of under twelve months we have seen Bank Rate reduced by five stages from the high level of 7 per cent to one of 4 per cent, and as a result of measures announced by the Chancellor of the Exchequer in July, the Banks find themselves largely free—for the first time in many years—from artificial restrictions on their lending policies, restrictions which had long been irksome to Banks and customers alike. I echo Mr Heathcoat Amory's hope that control of the volume of Bank lending by "direc-tive" has gone from the scene for ever. It must not be overlooked, however, that the Chancellor has now in reserve—as an interim measure pending the findings of the Radcliffe Committee—a new method of controlling the level of Bank advances in the shape of Bank of England powers to call for "Special Deposits" by the Banks.

BANKING DEVELOPMENTS

I recall with pleasure that we were the first Bank in Scotland to announce the introduction of the Personal Loan Service, and the degree of advantage which has been taken of it by old and new customers is most encouraging and is ample evidence that there was a demand for such facilities.

The participation of the Banks in hire purchase followed the Chancellor's indication in his July announcement that the Treasury would view favourably developments which might be considered "desirable as a means of improving the stability of the hire-purchase financial system." The hire purchase system has obviously become an accepted part of our financial fabric, and personally I believe that wisely used it has a distinctive contribution to make towards increasing production and raising the standard of living generally. As I have already indicated, the Banks have chosen, and I think rightly, to enter the hire purchase field indirectly. For our own part, and in association with Midland Bank Limited, we made an offer in August last for the Share Capital of Forward Trust Limited which was accepted by the shareholders, and as a result of which this Bank now holds a 40 per cent interest in the Company.

BASIS FOR EXPANSION

While none can view with equanimity any under-employment of resources, either of manpower or of manufacturing capacity, we should be careful not to draw too gloomy a conclusion from the immediate outlook.

Last year I said that the country's position was inherently strong. Now we have established a firm base from which to begin our advance, having achieved relative stability in prices and in the cost of living. However, we may be faced with thinner and shorter order books in the trading conditions we are now likely to encounter, and what must be guarded against in the days ahead is the exploitation for narrow sectional interests of temporary advantages which may arise from time to time. In particular, it must be appreciated that we cannot afford so many stoppages of work as have occurred in recent years, a number of which are due to demarcation disputes between one union and other. There must be the closest co-operation between employers and employees, and in order to secure mutual confidence both sides of industry should approach every labour problem in a reasonable and conciliatory spirit. Industrial peace is vital for this country at the present time.

It would be idle to pretend that the coming months look like being anything other than difficult, but one would hope that by the end of this year world trade will again be expanding.

WILLIAMS DEACON'S BANK LIMITED

HIGHLY SATISFACTORY RESULTS

CONTINUED GROWTH IN BANK'S BUSINESS

STABILITY—FIRST ESSENTIAL FOR REAL AND SUBSTANTIAL PROGRESS

SIR ERIC A. CARPENTER ON THE HOME ECONOMIC SCENE

The Annual General Meeting of Williams Deacon's Bank Limited will be held on February 12th in Manchester.

The following is the statement by the Chairman, Sir Eric A. Carpenter, OBE, on the Report and Accounts for the year ended December 31, 1958:

The proceedings at the Annual General Meeting will be restricted to the transaction of formal business and I propose to continue the practice of recent years in issuing a brief statement on the Bank's affairs in advance of the Meeting.

From the Report in your hands you will see that the reorganisation of the Share Capital of the Bank, to which I made reference last year, became effective on June 23rd last, after the High Court had confirmed the reduction of Capital resulting from the cancellation of the uncalled liability on the "A" Shares. The Issued Capital then became a single class of 2,275,000 Shares of £1 each fully paid, the Authorised Capital remaining unchanged at £10 million. In addition, on December 18, 1958, an Extraordinary General Meeting of the members approved the capitalisation of £225,000 of the Reserve Fund, thereby increasing the Paid Up Capital to £2,500,000, at which it now stands. The balance standing to the credit of the Reserve Fund has been increased to a like amount by a transfer of £450,000 in all, £225,000 from the Profit and Loss Account and £225,000 from inner reserves.

Referring to the actual Accounts, you will see that Deposits stand at £138,858,226, an increase of £2,917,200.

On the Assets side, the liquid items, namely, Cash, Money at Call and Bills Discounted, amount in total to £43,080,668, or 31 per cent of our Deposits.

British Government Securities, which we have continued to value at market price or less, stand at £37,220,991.

The prices of gilt-edged securities have, generally speaking, risen slowly through the year with the fall in the level of interest rates.

Advances at £49,862,717 show an increase of £3,952,462 as compared with December, 1957. This, as you would expect, is the result of the ending of the credit squeeze which has enabled us to meet many of the requests of our customers which had previously, of necessity, been refused or curtailed to comply with official policy, and we are glad to be in a position to revert to ordinary banking practice in these matters.

HIGHER PROFIT

In the uncertain conditions prevailing in recent years our policy of strengthening the internal reserves of the Bank has been a major factor in determining the proportion of net profit available for credit to the Profit and Loss Account. I am glad to say that the Directors now feel that the time has come when a moderate relaxation in the policy can be prudently adopted. Our Net Profit, after making the usual provisions, which include contributions to Staff Pensions and Widows and Orphans Funds, and appropriations to Contingencies Account, is £474,334, an increase of £84,358 on the year.

With the balance brought forward of £285,830 a total of £760,164 remains to be dealt with. After transferring £150,000 to Pension Funds (additional to the usual contributions to these Funds) and £225,000 to Reserve Fund, and after having paid in July an interim dividend of 8 per cent on the then Paid Up Capital, we propose to pay a dividend of 10 per cent on the increased Capital, and to carry forward £136,764. I feel sure you will agree that these results are very satisfactory.

INTEREST IN BRITISH WAGON CO.

As already announced in the Press, we have, in conjunction with The Royal Bank of Scotland and Glyn, Mills and Co., acquired an interest of approximately 40 per cent in the capital of The British Wagon Co. Ltd. This extension of our interests from orthodox banking into the realms of hire purchase is one to which a great deal of thought had been given over a considerable period, and it was extremely gratifying that, when the opportunity arose, we were able to reach agreement with The British Wagon Company as the Bank has been very closely connected with that Company since they commenced business in 1869. I am sure that the arrangement will work out to our mutual benefit.

From the point of view of the Staff the year has been notable for the appointment of our first woman official, a move that has been widely welcomed.

BRANCH AND HEAD OFFICE EXPANSION

In accordance with our policy of widening the area covered by our branch system, branches of the Bank have been opened at Bristol, Cardiff, Chester, Leeds, Nantwich, Southampton and Warrington. We shall continue this policy as and when opportunities occur to acquire premises in other places.

By reason of our expanding business the Head Office premises of the Bank have now become inadequate. The present building was erected in 1862 and was then the only office of the Bank, when the staff was very small indeed. It is a tribute to the foresight of the Directors of those days that it has fulfilled its purpose for so long, although admittedly enlarged by the absorption of the adjacent office block. The time has arrived, however, when further accommodation is needed and it is proposed to add a new building on the opposite side of Mosley Street, Manchester. Plans are being drawn up and the work will begin as soon as possible.

THE POLITICAL ATMOSPHERE

I turn now to a wider sphere and regretfully record that the past year has been as much troubled as ever in the political sphere, though most of the trouble would evaporate if it were not communist inspired, or at least communist fostered. Fortunately, both in the political and in the industrial worlds the man in the street now generally recognises that communist agents and sympathisers are out to create strife for their own ends and a good feature has been the action taken of late by some of the Trade Unions to get rid of these elements in their midst.

The cold war goes on and the price of freedom is more than ever eternal vigilance. If such a thing can ever be certain, the dividing line between East and West seems to have been drawn a little more firmly in the last twelve months whether at Berlin, off the China coast or, less distinctly, in the Middle East. It is, however, regrettable that military rule has extinguished some of the struggling early forms of democracy in Pakistan and the Sudan, and also that the Cyprus problem remains with us and seems nearly, if not quite, as intractable as ever.

One of the more interesting, if terrifying, forms of competition between East and West is the rocket race, with the Russians now in the lead with the most spectacular satellite to be launched into outer space. It is a pity that these experiments are a facet of the desire to create missiles which could hurl destruction over great distances of the globe and that more co-operation of the sort seen in connection with the International Geophysical Year in Antarctica could not be seen. Both sides are building up weapons of frightening power and if the past is any guide these weapons eventually go off. We can only hope that some lasting good may come from the conference now proceeding at Geneva to control nuclear explosions, though previous experience of conferences with the Russians is not a good omen.

The most disturbing feature of international relations is both political and economic and concerns Western Europe alone, which in resources and manpower alike has enough to match either Russia or the USA. It is therefore greatly to be regretted that the negotiations for the European Free Trade Area have broken down and thereby close co-operation between all the nations of Western Europe, which might eventually lead to a third force of great strength in the world, has received a set-back. A trade war between the six countries in the European Economic Community and the rest of the countries of Western Europe, principally ourselves, is unthinkable and it is therefore a more hopeful sign that at the end of the year complete co-operation in currency affairs was forthcoming.

HOME ECONOMIC SCENE

In our domestic economic affairs, a year ago the bogey was still inflation and stern measures had been taken to deal with it. Whether those measures of crisis interest rates and other restrictions affecting bankers particularly could be effective was still a matter for conjecture. In the event they have been abundantly justified. It has since been possible not only to bring interest rates down to more modest figures but also to grant full convertibility of sterling for current transactions to all non-residents—a course which would have been unthinkable only a short time ago. Indeed, the need is now seen to be the active encouragement of expansion in the economy at home rather than the reverse.

For a period after the war we tried to manage with physical controls alone and found that course unsatisfactory. We have now had some seven years of operating largely through monetary policy and though this worked unevenly at first it can now be seen that if it is used resolutely and changes are made rapidly it can give us, when accompanied by other and complementary measures, that degree of stability which I am convinced is the first need of the economy if real and substantial economic progress is to be made.

I do not think that monetary policy alone can ever achieve all that is required. It is necessary for the Government to take other measures to supplement control of the credit machine and this the present Government has had the courage to do. With action on somewhat similar lines in the United States the stage does seem fairly well set for avoiding serious slumps in the future provided suitable steps are taken rapidly enough.

HEARTENING SIGNS OF IMPROVEMENT

We have had excellent figures in our transactions with the rest of the world. We achieved a surplus of no less than £334 million in our balance of payments in the first half-year and continued to show satisfactory surpluses in the monthly gold and dollar returns, so that by the end of the year these had risen by £284 million or 35 per cent—a truly remarkable achievement. We must not, however, delude ourselves into thinking that this can go on or that it would be desirable that it should. During the year we have been in the happy position of receiving payment for our exports at high prices whilst we have been able to obtain our imports at reduced prices, but this is to the detriment of the raw material producing countries who may later on be unable to afford our exports. Equally, our present relaxations have their dangers in that they encourage both domestic consumption and imports and could make exports seem less urgent. This has been the situation in most of the years since the war and it could easily recur. Relaxation can only be countenanced so long as there is some slack in the economy and so long as the old situation of too much money chasing too few goods does not reappear.

That there is some slack to be taken up is seen in the unemployment figures and in the fall in the Index of Industrial Production in 1958, neither of which is a matter for complacency. It is therefore heartening to see some signs of an improvement generally at the end of the year.

It is also very satisfactory to see that the trend in exports is improving and that applies particularly to exports to the United States. The decline in exports to primary producers also seems to have been stopped now that the fall in the prices of their products has apparently ceased.

One feature of the relaxation of restrictions which is of particular note is the course of events following upon the removal of restrictions on hire purchase. This has brought an immediate and very large increase in the sale of all those articles which are peculiarly suited to instalment finance, especially household durable goods and motor cars, and this increase in business so far shows no signs of abating. In this connection we have been pleased to help both our retailer customers and finance companies with some of the additional finance they have required. These sales will work their way through the economy and be of benefit ultimately in many quarters. The rapidity of the increase in sales is also of great interest to the monetary authorities in that it provides a very potent weapon for reverse action if and when that should be needed, but frequent and sudden changes from restriction to freedom and vice versa present grave additional problems for manufacturers whose production is affected by such measures.

NEW MONETARY DEVICE

This, indeed, applies also to Banking, as Bankers are also traders trying to earn a living by their art, though recognising their special responsibilities to the community. It was consequently with somewhat mixed feelings that the Banks saw the setting up of a new monetary device at the time of the ending of the credit squeeze. I refer to the system of special deposits at the Bank of England which the commercial banks can be called upon to provide at short notice, though the present intention is that this course will be taken only when the Banks are very liquid and might be tempted to expand their lending at a time when the authorities considered this to be undesirable.

This new system will, I am sure, only be brought into operation with the fullest co-operation between the two parties concerned and is in the best British tradition of having flexible rules to be used when necessary but altered to suit changing conditions and abandoned if proved to be detrimental. It is infinitely to be preferred to some of the rigid liquidity rules in force in some other countries. I repeat, however, that what we need most of all is reasonable stability if we are to make the best and, in the end, the most rapid progress.

In recent years almost everyone has become inflation conscious and has learned that it seems more profitable and more secure to have one's savings in ordinary shares which have become very popular to the neglect of the older forms of investment in fixed interest securities, notably gilt-edged. The year-end has seen a great increase in the popularity of the Unit Trust which enables the small investor to make use of the services of highly qualified experts in the field of investment and to spread his investment over a large number of leading ordinary shares. The provision of these facilities is wholly admirable, particularly so if it leads to a much wider circle taking the trouble to acquire knowledge of the workings of British industry. At the same time, prices of ordinary shares can go down as well as up and as a rule in the past have tended to fluctuate more than gilt-edged stocks, and this has to be borne in mind.

BANKS' INTEREST IN HP

The year has been an exacting and I might almost say an exciting one for Bankers. It has seen the heaviest restrictions on their activities succeeded rapidly by the greatest freedom since the war. It has also seen the institution of that American speciality, the personal loan, which we are now offering to our customers in suitable cases. Although to us in this country this is a slightly new method of lending there is nothing new in making loans to individuals with or without security with arrangements for regular repayment; indeed, that is the normal method, though hitherto it has been tailored to fit the individual case and where remuneration is received irregularly repayment has come in that way too. However, the habit of payment by regular instalments has become a feature of the age and the Banks have not only welcomed it but also gone further and taken a more active part by acquiring shareholdings in Hire Purchase Companies. In our case, as I have already said, along with the other members of the Three Banks Group, we have taken a 40 per cent interest in The British Wagon Co. Ltd.

CHARGE FOR BANKING SERVICES

I am sure you will want me to say a word on the subject of charges for banking services. We pride ourselves on the fact that all our customers are treated as separate individuals, and it is indeed surprising how different individual needs can be and how varied are the services which a Bank has to offer. A separate assessment is made by our Managers each half-year of the cost of providing the services used by each customer and a charge made accordingly. If the customer thinks the charge is too high the Manager is always willing to explain how it is arrived at and welcomes inquiries. We think that this is a fair method of dealing with the matter and that in the long run most customers will want to have the great convenience that comes from having the call of all the many services which the Bank provides.

INDUSTRIAL CONDITIONS

This has not been an easy year for individual industries. The cotton industry has experienced a particularly difficult year with steep falls in production and turnover in all sections, resulting in the permanent closure of many mills. While the continued increase in imports from the Far East has been a major contributory to the decline of the industry and some contraction was inevitable, a general lack of confidence has aggravated the position. The agreement reached after long negotiations with the Hong Kong industry and the decision pending regarding the Spinners Price Agreement may well restore a measure of confidence and enable the industry to assess more accurately the prospects ahead. Meantime, the contraction in the industry brings many human problems to an area where the employment of married women, who cannot move elsewhere, has been a major factor in the labour force for over a century.

Shipping is still suffering badly from the fall in freights and very many modern ships are laid up as well as even more older ones which seem unlikely to find further profitable employment. As a consequence orders for new ships are few, but shipbuilders still have substantial order books, though they are now becoming anxious about cancellations.

Perhaps the greatest change in fortune has come to the coal industry, which is now closing pits rapidly and has stocks of unsaleable coal lying stored in many places at considerable expense.

Some voices have been raised in criticism of the continued construction of atomic power stations because of the surplus of coal suitable only for use to raise electric power, but I am convinced that the right policy is being followed. Even if the cost of electricity from atomic stations is not yet below

that from conventional stations, it will be one day not very far off, and in any case the lead we now have over other nations in this field gives us the prospect of useful exports quite apart from the new opportunities which research and experience provide for further developments, many of which cannot yet be foreshadowed.

If steel has been feeling the effects of competition and reduced demand, the motor car industry which it supplies has been having a record year, both in total production and in exports. To some extent this is due to the relaxation of hire purchase controls, but exports to North America are a very satisfactory feature.

FUTURE VIEWED WITH CONFIDENCE

I view the future with confidence. Although we now have rather more unemployment than we like, I expect to see this reduced in the coming months, and if some industries are at present finding things difficult these problems should, and I hope will, lessen shortly. Our economy is now more soundly based, the monetary situation both at home and abroad is much more healthy and an air of greater confidence pervades the economic scene.

The year has seen a continued growth in the Bank's business. I would like to express on behalf of myself and my colleagues on the Board to Mr Allman, the General Manager, to the Assistant General Managers and to all the members of the Staff our best thanks for their devoted services throughout the year and our appreciation of their efficiency and enthusiasm.

BROOME RUBBER PLANTATIONS

The twenty-fifth annual general meeting of Broome Rubber Plantations Limited was held on January 7th in London, Sir Lionel Smith-Gordon, Bart (the Chairman), presiding.

The following is an extract from his circulated statement:

Those who followed the course of the market price of rubber during the financial year now under review will not be surprised that there was a reduction in our profits. However, by reason of an increase of nearly 400,000 lb in the crop and a reduction of over 1d. per lb in the cost of production, we arrived at a figure of £64,532, which compared with £74,056 in the previous year, and this result, in the circumstances, must be considered very satisfactory.

Our ability to meet future competition from synthetic rubber depends upon increasing our efficiency, and to do this it is essential to replace ageing trees with modern high-yielding material. We replanted 300 acres during the year under review. Since then we have replanted a further 172 acres, and plan to replant an additional 231 acres in 1959. We shall then have more than half of our planted area under high-yielding pedigree rubber.

With regard to the future I will go no further than saying that I feel reasonably confident. The experience of the past five months has been very satisfactory; the output has been fully maintained, in fact it is a little ahead of this time last year; a further reduction in cost has been achieved, and the price of our commodity has recovered considerably.

The report was adopted.

ANSELLS BREWERY LIMITED

SATISFACTORY SALES OF "THE BETTER BEER"

The fifty-eighth annual general meeting of Ansells Brewery Limited was held on January 12th at Birmingham, Mr A. E. Wiley (chairman and joint managing director) presiding.

The following are extracts from his circulated statement for the trading year ended September 28, 1958:

The year has been a period of continuous rising costs, including wages, materials, and services of all kinds, and you will also observe the higher charge for depreciation. Against these rising costs the group trading profit for the year of £2,500,767, shows a small decrease of £23,839 on that of the previous year, but that the net profit of £1,125,697, gives an increase of £5,997. I am sure you will agree that the results as a whole are very satisfactory.

During the year the sales of "The Better Beer" have been satisfactory, in spite of the very poor summer of 1958. Unfortunately, the increased sales were not sufficient to absorb the continuous rising costs.

MAINTENANCE OF LICENSED PREMISES

As in past years, it has been your Board's policy to maintain the licensed premises, Brewery premises and plant, at a very high standard of efficiency, and during the year no less than £622,000 has been expended, which is £134,000 more than the previous twelve months.

The consolidated Profit and Loss Account for the year under review shows a balance available for distribution of £1,602,320. The Charge for taxation, although not quite so heavy as last year, is still a penal one, amounting to £1,375,070. In this connection I feel it is my duty again to mention the unfair treatment which Companies such as yours receive in that no "depreciation of buildings" is allowed in respect of hotels, licensed premises, and other retail establishments, when making assessments for taxation. This is a matter which the industry as a whole should pursue, and press the Chancellor of the Exchequer to put right.

The net current assets show an increase of £60,726 over last year, the total net surplus being £2,329,435. In view of the heavy capital commitments, your Directors are of the opinion that the liquid assets of the Company for the time being are adequate. I am sure you will feel pleased by the continued growth of the Company.

DE-RATING OF INDUSTRIAL PREMISES

In regard to the future, I must remind you that there is still very increased inflationary pressure of rising costs, and I particularly refer to the fact that on April 1, 1959 derating of industrial premises will take effect, and the benefit of the allowance which has been in operation will be reduced from 75 per cent to 50 per cent. The increased assessment on industrial premises could be serious, but you may rest assured your Board will do everything possible, by way of increasing trade, to offset this extra expense.

Developments in the City of Birmingham are rapidly progressing. The new Inner Ring Road is well in hand, which of course means the demolition of many properties, including licensed houses, owing to the reconstruction of the City centre. We are in negotiation with the Development Companies to obtain suitable sites in their schemes, and we are hopeful that we shall be able to acquire positions which will prove to be beneficial to all parties concerned.

We have already commenced several new houses on new Estates, and in preparing our plans we are mindful of the necessity, which present-day conditions demand, to enable the residents to enjoy their leisure time. I would like to say we have had great support from the Chairman and Committee of the Licensing Justices, who have taken great interest in the plans submitted for their approval. These embody designs for the large "community type" house where the residents can enjoy both dancing and concerts, which, in our opinion, is essential in these new houses.

ALTERATIONS AND MODERNISATIONS

I referred last year to the alterations taking place at the "George Hotel," Solihull. This house was re-opened in February last, and although it has not yet completed a full twelve months' trading, has undoubtedly justified the alterations. I think the residents in that district, and the public generally, are very pleased with the amenities now available.

With regard to Leicester, the trade in this area is improving, and we have opened several new houses, all of which are doing a satisfactory trade, and we feel that the acquisition of The Leicester Brewing & Malting Company has proved a wise investment.

The trade in South Wales fluctuates according to the industrial conditions in the areas which we serve. I must repeat once again that the question of Sunday opening still remains a very sore subject with all licensees who trade in Wales. They do not ask for anything more than to be put on the same footing as Clubs, which are able to open on Sundays, and where many of their customers go as they are unable to obtain their requirements in their usual licensed houses.

In the industrial area of the Black Country, we have opened eight new houses during the past twelve months, and we are continuing our policy of replanning and reconstruction of our older properties so that they will meet with modern requirements.

It will interest stockholders to know that in all we have opened fifteen new houses in the various districts in which we trade, and we have many more in process of rebuilding. We hope these will restore some of the trade lost through the houses in the centre of Birmingham being demolished owing to the replanning of the City.

BENEFIT OF NEW BREWERY AND BOTTLING STORES

We are reaping the full benefit from the new Brewery and Bottling Stores, which have greatly assisted our output and the maintenance of the high quality of our beers. We are now actively engaged in reconditioning and modernising the older section of the Brewery, and re-equipping the old Bottling Stores, which will be completed in time for the summer trade.

The dividend recommended together with the interim dividend already declared, makes the same total distribution as that of last year.

The report was adopted, and a final dividend of 10 per cent on the Ordinary stock, making 16 per cent for the year was approved.

ANNUAL REPORT AND STATEMENT OF THE CHAIRMAN

Hawker Siddeley's Year of Consolidation

SIR THOMAS SOPWITH REPORTS GOOD PROGRESS

GROUP ASSETS NOW £200 MILLION; SALES £250 MILLION; EMPLOYEES 100,000

TRADING PROFITS FROM 'ANOTHER SUCCESSFUL YEAR' WERE £15,191,093

Some months ago an American survey classified our Company as the twelfth largest industrial organisation in the world, outside the United States. When one considers that our assets now exceed £200 million, our annual sales are running in excess of £250 million and our employees number around 100,000, our position and our responsibility as a world leader in industry comes into perspective.

This has been another successful year for our Group. As you know, in recent years we have been following a carefully planned programme of expansion and diversification. This year has been a period of consolidation—and the Accounts show it.

Trading profits amounted to £15,191,093 before taxation and special development expenditure of £2,886,203. This compares with last year's trading profit of £13,753,502 before taxation and special development expenditure of £1,645,019. The net profit attributable to members of Hawker Siddeley Group amounted to £5,118,601.

Your Board is recommending a final dividend on the ordinary shares of 7 per cent less tax, making with the interim dividend already paid, a total dividend for the year of 10 per cent less tax. This rate of dividend has been maintained for the last three years.

Dealing with Canada first, we are disclosing for the first time details of our investment in Canada. This is shown at cost which was £13,062,486. It is interesting to compare this figure with the Hawker Siddeley share of the Canadian net assets which now amounts to £29,329,055. This remarkable growth has arisen because our profits earned in Canada have been ploughed back into the business. It is noteworthy also that on the basis of current market quotations in Canada, the Hawker Siddeley investment in A. V. Roe Canada Limited has a value of approximately £26 million—just about double our original investment.

To turn now to the United Kingdom, as I have said, this has been a year of consolidation marked by the absorption of the former Brush Group into the new Hawker Siddeley Industrial Division. The Brush headquarters organisation has been abolished.

The expansion of the Group both in the United Kingdom and overseas has increased the amounts borrowed from our bankers to finance working capital.

You will have seen references in the press recently to the need to fund these borrowings. In the opinion of your Board the problem is not a pressing one, for two reasons—firstly, that approximately £10 million of it relates to Canada, which can reasonably be regarded as now able to finance its own requirements; and secondly, that the UK bank borrowing is not high in relation to the volume of trading. The position is, however, being kept under constant review by your Board and their advisers, and suitable steps to put the finances of the UK organisation on a satisfactory long-term basis will be taken only at the appropriate time. In the meantime, our main task remains that of completing the consolidation and reorganisation of the Group.

To conclude this financial review, the following facts and figures may serve to give you a general background picture of the Hawker Siddeley Group;

Total Assets exceed £200 million.
Total Sales last year exceeded £250 million of which about £113 million related to the UK companies and about £137 million to the Canadian companies.
Investment in new capital assets during the year exceeded £13 million. Our companies have some 100,000 employees, of which about 60,000 are in this country and about 40,000 in Canada. Last year we paid these employees, in wages and salaries, some £107 million.
For materials purchased we paid some £110 million.
In Taxes, Rates, National Insurance, etc., we paid some £12 million.

All our aviation interests have been merged into one new Aviation Division. To give you a picture of the strength of this new Division, I can do no better than to tell you that of the 182 aircraft flying at 1958 Farnborough Air Show, the show window of British aviation, no fewer than 129 came from Hawker Siddeley.

We have provided the Royal Air Force with its only day interceptor, the Hawker Hunter; the only all-weather fighter, the Gloster Javelin; and its most potent V-bomber, the Avro Vulcan. At sea, the Avro Shackleton III serving with the RAF Coastal Command is recognised as the most effective maritime reconnaissance aircraft in the world, and the Armstrong Whitworth Sea Hawk is in front line service with the Fleet Air Arm.

All our aviation companies maintained a high level of production during the year under review and they are still busy turning out 'Vulcans,' 'Hunters,' 'Shackletons' and 'Javelins.' Our order book, both home and export, is substantial.

But the present defence policy does raise many problems for the future. The aircraft industry is bound to contract if the Government continues with its policy of concentrating on Guided Missiles with the consequent rundown of manned aircraft. The Group, of course, has interests in the Guided Missile field and already has a number of notable successes to its credit with the Armstrong Whitworth Seaslug for the Royal Navy and the rocket motor developed by Armstrong Siddeley to power the Black Knight. In addition, the Avro Stand Off Bomb, a guided missile to be launched from the V-bombers, is actively being developed.

At home our Armstrong Whitworth Argosy, the world's first pressurised turbo-prop freightercoach, is just beginning its flight trials. This aircraft has been financed wholly by the Group as a private venture and it is designed for use as a commercial and military freighter as well as a freighter-coach. We are hopeful of receiving a production order for the military version of the "Argosy" from the Ministry of Supply for RAF Transport Command. This we believe will be the forerunner of more orders both from home and overseas because this aircraft with its capabilities is in a field and in a price class of its own.

Looking to the future, we have a number of new projects in the design and development stage including a novel form of vertical take off close support fighter.

When the policy decision was taken some years ago to expand and diversify, your Group's interests were then mainly in Aviation. That situation has been completely changed and our Industrial activities now account for about 70 per cent of our total net assets.

This achievement has entailed not only the expenditure of a great deal of money with the acquisitions of Canadian Car, Brush and Dosco, but it has also required a great deal of hard work to put these units together, to absorb them into the Company organisation and to reorganise and rationalise their production facilities.

The net result of all this has been that Hawker Siddeley is now an industrial complex of the first magnitude with great inherent strength for future development in many industrial fields.

In a Review such as this one must always ask the question—what about the future?

I feel strongly that we in the Hawker Siddeley Group can look to the future with confidence because we are dealing from great strength. Our business is now diversified to such an extent that it covers coal, iron, steel, alloys, and a very wide field of heavy engineering and power plant as well as aviation, so that we have within our Group not only tremendous resources but also the strength of great diversification. Our resources are deployed in such a way that we can move whichever way trade and commonsense dictates.

Our order book is substantial, our factories, plant and equipment are up to date and we are confident in our ability to continue making good profits in the future. You will not, at this stage of the Group's financial year, expect me to give you more than a general indication of how we are faring in it. I am, however, glad to tell you that compared with the same period last year, our turnover and profitability have been maintained and, subject to unforeseen circumstances, we may expect that the results of the current year will be satisfactory.

With a good year behind us and a promising year ahead of us, I am sure you will want to join me in expressing our thanks to our executives and employees for achieving these successes.

MARTINS BANK LIMITED

COMMENTARY BY THE CHAIRMAN SIR A. HAROLD BIBBY, DSO, DL

INCREASED DIVIDEND AND CAPITALISATION

AN ADVENTUROUS YEAR FOR ENGLISH BANKING

The one hundred and twenty-eighth Annual General Meeting of members of Martins Bank Limited will be held at Head Office, Liverpool, on February 11th. In his statement circulated to members, the Chairman, *Sir A. Harold Bibby, DSO, DL,* writes:

In presenting the accounts for the year 1958 in a new form, it is hoped to give shareholders a clearer picture of the progress and position of the Bank.

The graphs which we have included are intended to give our shareholders an indication of our progress.

Your Board feel that the time has arrived to increase the capital of the Bank and to raise the dividend.

Resolutions will be submitted to shareholders on the day of the Annual General Meeting on February 11th authorising the issue of one new share for every four held on January 24, 1959, which will involve the creation of 5,276,426 new shares and will increase the Issued Capital from £5,276,425 10s. to £6,595,532 by capitalising £1,319,106 10s. of the published reserve. A transfer from the Bank's contingency fund will then be made to restore the published reserve to £5,500,000.

Your Directors recommend an increase in the current dividend from 15 per cent to 20 per cent on the present Issued Capital for the year 1958 by paying a final dividend of 12½ per cent instead of 7½ per cent. In doing so it is the intention of your Board, unless unforeseen circumstances occur, to equalise the interim and final dividends at 8 per cent each, making 16 per cent per annum on the increased capital which will be equivalent to 20 per cent per annum on the present Issued Capital.

Your Board have reviewed the Bank's earnings and growth of reserves since the end of the war and, while internal reserves continually require to be augmented, your Board consider that a larger proportion of our profits can be disclosed and distributed. This does not mean that substantially higher profits have been earned in 1958 than in recent years but rather that some easement in the necessity of allocations to reserves can now be countenanced with safety.

In your Board's opinion such an increase in dividend is warranted and is well deserved by the members who have waited patiently and have not hitherto shared in any marked degree in the general increase in rewards during recent years such as have been made to our hard-working and excellent staff.

The net profit for the year ended December 31, 1958 (inclusive of a dividend of 5 per cent actual from Lewis's Bank amounting to £28,750 net) is £1,050,805 which compares with £901,402 in 1957. The past year has been a period of steadily falling money rates with no less than five changes in Bank Rate from the peak of 7 per cent at the beginning of the year down to 4 per cent at the end of December. Despite this, conditions have been generally favourable to our operations; our deposits have expanded; our advances show a satisfactory rise but general expenses have also shown a substantial increase and have largely offset the increased earnings.

Total advances inclusive of those made under the new Personal Loans Scheme now stand at £107,498,777 compared with £91,487,280 a year ago and may well continue to rise and for this reason, as in previous years, it is still considered prudent to maintain a high liquidity ratio which we consider important in the overall direction of our affairs.

Our total liquid resources as at December 31st were £123,208,616 (1957—£137,319,136) and the ratio of these resources to our deposits is 36.15 per cent compared with 41.01 per cent; the drop in the percentage ratio reflects the recent increases in lending.

With the lifting of the credit squeeze the return to the full exercise of lending, one of the bankers' traditional functions, is welcomed and the effect should be beneficial to our future earnings.

The total of our Quoted Investments has varied very little during the year; they continue to be valued at or under market prices. Over 99 per cent of the total are British Government securities redeemable at fixed dates, the majority maturing within six years.

The increase of £1,500,000 in our Investments in Subsidiary Companies and of £495,336 in Trade Investments is due to the interests we have acquired in Lewis's Bank Limited and in the Mercantile Credit Company Limited respectively.

Current, deposit and other accounts stand at £339,265,701 (1957—£333,948,312) and total assets at £373,781,066 (1957—£366,289,158); both these items constitute records.

THE DIRECTORATE

I, with my two Deputy Chairmen, have felt for a considerable time that it would be to the advantage of the Bank to have an additional Deputy Chairman and I am glad to report that in December Sir John N. Nicholson, Bart, CIE, agreed to accept this added responsibility and was elected a Deputy Chairman; I am sure his appointment will add strength to the Bank.

Earlier in the year we welcomed Mr Philip E. Bates, who is closely identified with Shipping and Merchant banking, to our deliberations on the General board and the Honourable M. A. R. Cayzer joined the London board in the place of Sir W. Nicholas Cayzer, Bart, who felt it necessary to relinquish his seat owing to pressure of other business. We are also pleased to have the assistance of Viscount Walberton on our Manchester board. In April last we lost through death the valued services of Mr P. H. Muirhead, CBE, who had been a member of the North Eastern board for a number of years.

During the year Mr C. Whiteley was appointed Assistant General Manager of the Bank and is stationed in London, and, following the retirement of Mr G. C. Dresser after 44 years' distinguished service, Mr L. J. Walton became North Eastern District General Manager.

NEW INTERESTS

It has been an adventurous year for English banking and, as will be seen from the foregoing figures, we have taken full advantage of the developments made possible by the easing of the restrictions imposed during the period of the credit squeeze.

For some years it has been felt generally that there were useful services which the banks could render to those who were not already fully using the banking system. No major developments in this direction could be made while the credit squeeze was in operation, but it was clear that with the country's improving economy these restrictions could and would be lifted.

Early negotiations were, therefore, started in anticipation to acquire a substantial participation in the hire purchase business. This culminated in an equal joint venture with the Westminster Bank to subscribe for new shares in the Mercantile Credit Company Limited which will ultimately result in each bank holding 20 per cent of the paid up capital of this company which is one of the leading and most experienced in this specialised business.

Altogether it is a most happy outcome and the final developments may well be far reaching.

In July 1958 Martins also acquired the full share capital of Lewis's Bank Limited which has nine branches in the department stores, including Selfridges, of the Lewis's Investment Group.

This has brought us over 130,000 additional new customers, most of whom had no other banking association and it is hoped and anticipated that this banking adventure will develop further.

In addition, the Personal Loans Scheme has been introduced which it is felt will provide a welcome facility for those who require this particular type of advance. It is as yet early days to assess to what extent this service will be used but it has made and continues to make steady progress.

All these schemes which have only been possible with the easing of the credit restrictions are a serious attempt to reach those who so far had not availed themselves of the normal banking services.

"DRIVE IN" BANK

Since the last report twelve new branches have been opened which with the nine Lewis's Bank branches raises the combined total of our branches to six hundred and thirty-three.

From the above it will be seen that Martins is pursuing a vigorous programme, all under our decentralised system, which ensures prompt and personal attention to our customers' problems and a local understanding of their requirements.

A new branch will be opened shortly which will incorporate "drive in" banking facilities as a contribution towards easement of transport problems for our customers.

So much for our domestic endeavours made possible by our country's improved financial position and the belief that our national and international trade, on a long term outlook, will continue to expand as world requirements continue to grow.

CONFIDENCE IN THE FUTURE

The courageous steps taken by our Government in 1957 arrested the downward trend in our national fortunes and today with our foreign trade in better balance and with the added degree of convertibility of sterling and the co-operation of other European countries in freeing currency restrictions the signs are all hopeful.

This easement in monetary relations should materially assist in the negotiations for the Free Trade Area which still remains the best hope for the expansion of European trade including our own.

If the new moves bring about a sustained sense of confidence trade prospects would certainly look brighter than for many years past.

Provided a check can be held on inflation we can face the future with some optimism. There is always the danger that the recovering convalescent may overtax his strength and extreme care will have to be taken to ensure that no relapse occurs by indulging in some of the practices which brought about the original malady.

A constant reminder that this nation or any other cannot have, nor is it entitled to have, more than it earns is ever necessary. An exuberance of spending could easily lead the country into even graver financial difficulties than those from which we are just recovering. Capital can only be increased from genuine savings, whether Governmental, industrial or individual, but capital investment can also be made by borrowing and it is this aspect which has to be so carefully watched.

The Government have now decided to alter their methods of controlling bank lending should this again be necessary.

For a number of years the banks have received "directives" which they faithfully followed in the spirit as well as in the letter. This system worked but it was agreed that that method should not continue indefinitely. In future, when necessary, in times of monetary difficulties the Bank of England can call upon the Clearing Banks and certain others to make special deposits at the Bank of England which would reduce their liquid assets immediately available and thus restrict the ability of the banks to make new loans for the time being.

The Radcliffe Committee, the result of whose deliberations we await with the greatest possible interest, may have other ideas to suggest.

PROSPERITY THROUGH MUTUAL UNDERSTANDING

The year under review, like many of its predecessors, has been marred by strikes, but this year more than previously the disputes have been unofficial strikes or inter-union quarrels largely over demarcation of work claimed by different unions.

With new techniques forced on industry, if it is to keep up to date and competitive, changes are inevitable but the problems involved are surely not insolvable without bringing an industry to a standstill, which achieves nothing.

Both sides of industry have not yet acquired the belief that the welfare of both employers and employed is wrapped up in the prosperity of their industry. Generally, in industry unless adequate profits are made there is no money available for new tools or even modernising old ones and, ultimately, the ability to pay salaries and wages will be endangered. In some quarters dividends are often considered almost shameful but unless these are on a level to attract new capital industry will be prevented from expansion, building new factories and so forth.

The British workman is inherently sound and logical in his thinking if the position is put squarely before him, provided that by good relations and close contact with the management he can be satisfied that no one is trying to trap him with fair words.

This mutual confidence cannot be built up overnight. It can only come from trust engendered by experience over a considerable time.

The lack of this may be due to the speed at which we live when no one has sufficient time to bother enough with the outlook of the other fellow, all being too preoccupied with their own point of view.

It is surely worthwhile for both employers and employed to make a concerted effort to be in very much closer contact so that an atmosphere can be built up in which mutual trust and understanding can prosper.

The employees' leaders would find their work very much easier in this atmosphere in their dealings with the employers and their position infinitely stronger with their own members.

So much of our industrial trouble has arisen by the rank and file refusing to carry out contracts made by their accredited representatives, resulting in unofficial bodies being set up and the authority of their official leaders being flouted by self-appointed men calling out their fellows in unofficial strikes.

Every industry and each business would have to work out its own particular methods and form of approach, but without doubt the time spent where this was done seriously and successfully would bring happiness and prosperity where otherwise there might well be mistrust and strife.

In the banking sphere the employees themselves through their own elected representatives of their staff associations have a ready access, freely availed of, for consultation on conditions of employment.

OVERSEAS TOUR

During the autumn, in company with Mr Conacher, our Chief General Manager, and Mr Wetherell, our Liverpool Overseas Manager, I completed an extensive tour of our business connections in the United States of America, Canada and Mexico.

I am happy to think that we have cemented many old friendships and established many new connections all of which should add to the mutual benefit of our friends and ourselves.

May I close my remarks by recording my thanks to my colleagues on our various Boards, to our management and staff from Mr Conacher to the last joined recruit for their loyal and enthusiastic work during the last year?

ORION PROPERTY TRUST LIMITED

INCREASED EARNINGS

The fifteenth annual general meeting of Orion Property Trust Limited was held on January 13th in London, The Lord Colgrain, MC, chairman, presiding.

The following is an extract from his circulated statement for the year ended September 30, 1958:

The profit, subject to taxation, is £94,054 compared with £66,984, an increase of £27,070, due to an increase in net property earnings amounting to £178,185 compared with £147,011. There is an item of £4,064 for Special Expenditure in connection with the 1957 Rent Act, and we have transferred £15,000 to Reserve for Repairs and Contingencies to meet the cost of Special Repairs carried out for the benefit of tenants, to encourage them to agree to our new rental proposals and to ensure that we are providing the best possible services. The total cost of repairs should not be so high in the future.

Our policy in carrying out these special repairs, and in associating ourselves with an action whereby a clear direction from the Courts as to the meaning of certain sections of the Rent Act was obtained, has resulted in an almost complete absence of complaints from tenants concerning our new rents.

Rental income should rise again in the current year and there should be a further saving in profits tax. The policy will be to seek to expand the portfolio either by buying existing buildings or by arranging for new properties to be built.

The report and accounts were adopted.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to: The Company Meetings Department, The Economist, 22 Ryder Street, S.W.1.

THE ROYAL BANK OF CANADA

TAX FLEXIBILITY AND WIDER CONTROL NEEDED TO CURB INFLATION

RISK CAPITAL ENTITLED TO ADEQUATE REWARDS

MR JAMES MUIR ON SIGNIFICANCE OF MOVE TO STERLING CONVERTIBILITY

The Ninetieth Annual General Meeting of shareholders of The Royal Bank of Canada was held on January 8th at the Head Office in Montreal. Mr James Muir, Chairman and President, reviewing Canadian economic trends in the preceding 12 months, said:

"We seem to have reached the economists' hell on earth: inflation and unemployment. The alternately 'creeping' and 'surging' inflation is still the pattern—in recovery as well as in recession. I believe that this chronic inflation is the greatest single threat to Canada's economic development."

WIDER CONTROLS NEEDED

"Regardless of the skill and energy of the monetary authorities," said Mr Muir, "an effective monetary policy is impossible as long as consumer credit is free to move in the opposite direction. The Central Bank contracts credit in booms and expands in recession. Unregulated consumer credit expands in booms, contracts in recession. Those dependent on bank credit have to bear the full brunt of credit restrictions while others enjoy a spending spree. To break up this unholy alliance of injustice and futility, I have repeatedly urged that monetary and credit control should embrace a wider area of our financial world than they now do."

MORE FLEXIBLE TAX SYSTEM CALLED FOR

Mr Muir suggested that fiscal experts should devise a system that would minimise the role of the business cycle in determining the size and nature of government sponsored economic activity. "Surely," he said, "a more flexible tax system could be devised which would adjust tax rates to counter cyclical disturbances, not only quickly and effectively but without arbitrarily changing the relative importance of the government sector in our economic life. Such a system, combined with a more comprehensive coverage by our monetary authorities in the regulation of credit, could I think, provide an economic climate for high-level employment and economic growth and at the same time protect the value of our currency from the ravages of chronic inflation."

RISK TAKER DESERVES REWARD

"An important condition for economic development in any country," said Mr Muir, "is adequate reward for productive effort and risk. Greater equality through taxation has much to recommend it, up to a point. That point is where the incentive to produce is so adversely affected that the nation's total product falls short of its potential, and economic growth is retarded. To achieve a fair and economic balance between equality and incentive in taxation is, of course, a tremendous task. Nevertheless, in the interests of Canada's economic growth, I would like to urge that the government should make a thorough study of our complex tax structure with a view to improvement both in the distribution of the burdens and in the allocation of the net rewards for productive activity. If risks are taken to expand production in some direction, the opportunity for a correspondingly large reward is not only prerequisite, but justified to the extent of the risk-taker's contribution to general economic welfare."

SIGNIFICANCE OF STERLING CONVERTIBILITY

Mr Muir mentioned that one of the most important devices for ensuring the mobility of investment funds, capital goods, consumer goods and services among the nations of the world is a freely operating foreign-exchange market. In this context two recent events of special interest concern the French franc and the pound sterling.

"Devaluation of the French franc was inevitable. Now it remains to be seen how stable the new rate will be. Naturally this will depend upon how firmly the internal economy of the country can be built up and upon how faithfully the people will accept the new restrictions they must endure to come through successfully.

"The immediate significance of Britain's move towards convertibility must not be exaggerated. All she has done is to make formal what has informally been more or less the case, viz, put Canadian and US sterling, so-called, and Transferable sterling in the same bracket. This means that all non-sterling area holders of pounds are now in the same boat, which is to say they can freely dispose of their sterling for dollars or any other currency at the going rate within the support points established by the British authorities, viz $2.78 to $2.82 US.

"One important outcome is that London can deal freely and directly with all currencies and again get back to where she was before the war as the most important foreign exchange market in the world.

"The great hope is that these latest developments will hasten the day when the UK can throw all shackles overboard and make the pound free and fully convertible for everybody inside, as well as outside the sterling area."

AID TO UNDERDEVELOPED COUNTRIES

"Why are so many 'underdeveloped countries' very old countries—what has held them back?" concluded Mr Muir. "I believe the answer lies in certain cultural and moral values which are inconsistent with economic progress. This does not, of course, mean that the West has a superior moral code—far from it. But the apparent rigidity of certain customs, traditions, taboos and attitudes towards economic activity make me pessimistic. Aid is useless unless it leads to sustained, and self-sustaining, development; and fundamental social changes in the underdeveloped country are required before the spirit of enterprise is sufficiently strong to achieve what we might call 'escape velocity' independent of the temporary rocket-thrust of economic aid. Without these fundamental changes, greatly expanded aid fanned by overenthusiasm, if not emotional compulsion, may have perverse effects, not only in the inflation-ridden West, but in the underdeveloped countries themselves.

"I feel, too, that the identification of progress with industrialisation may lead to wrong policy at this stage. Before Britain had her industrial revolution she built up what was literally a grubstake by having an agricultural revolution. The underdeveloped countries appear at times to be attempting an industrial revolution based on a totally inadequate and inefficient agricultural economy."

THE LANCASHIRE COTTON CORPORATION LIMITED

MR R. M. LEE'S STATEMENT ON TRADING CONDITIONS AND PROSPECTS

The Thirtieth Annual General Meeting of The Lancashire Cotton Corporation Limited will be held in Manchester on February 12, 1959.

The following is an extract from a Statement circulated by Mr R. M. Lee, the Chairman, with the Accounts for the year ended October 31, 1958.

ACCOUNTS

There has been a reduction in the Group Trading Profit which this year amounts to £2,735,243 compared with £4,021,239 last year. This reduction is entirely attributable to the trading conditions which have prevailed throughout the year and to which I refer below.

The Board has decided to allocate to General Reserve £400,000 and also £400,000 to Replacement of Fixed Assets Reserve, and recommends a final dividend of 12½ per cent, less tax, on the Ordinary Stock, which is the same as last year, and with the interim dividend of 5 per cent, less tax, paid in August gives a total of 17½ per cent, less tax, for the year. The amount carried forward is £1,025,822, of which £147,495 is retained in the accounts of our subsidiaries.

TRADING CONDITIONS

When I reported to you last year, I indicated that the outlook was somewhat uncertain and depended largely upon the ultimate decisions regarding the continuance of the Yarn Spinners' Association, the European Free Trade Area and the importation of yarn and cloth from Asian sources.

Throughout the trading period covered by our accounts, no decisions were reached on any of these matters, and the resulting uncertainty undoubtedly had an adverse effect upon the whole industry, and was conducive to a lower level of activity in general.

Negotiations to obtain a voluntary limitation of imports to the United Kingdom of cotton textiles from India, Pakistan and Hongkong have dragged wearily along throughout the year. In referring thus to these negotiations, I would not wish it to be thought that I was in any way criticising

the efforts made by those who were entrusted with the onerous task of representing our industry. On the contrary, I would like to pay tribute to the patience, perseverance, and tenacity which they have exercised, and to express the hope that these may yet be rewarded by a satisfactory agreement being concluded.

I believe that this type of problem is likely to arise again and again and will not be confined to the cotton textile industry, and that some other way of reaching a speedy solution will have to be devised which will reconcile the desires of the under-developed countries for rapid industrialisation with the interests of long established industries in countries with higher living standards.

NEW DEVELOPMENTS AND SUBSIDIARIES

We have continued to pay close attention to all new developments in the textile industry and have tested and adopted many new techniques in the spinning of yarns from raw cotton and man-made fibres, and it is our intention to continue and extend these efforts whenever possible.

We have also continued our policy of diversifying our interests and in pursuance of this policy, in May we acquired the whole of the issued capital of the Accrington Brick & Tile Company Limited, and in September, Smith & Calverley Limited, of Huddersfield, was added to the Group. The latter manufactures fine woollen fabrics for the ladies' fashion goods trade. We believe that these companies with their skilled and experienced managements and reputations for excellent products, are likely to prove worthy additions to our Group of Companies.

YARN SPINNERS' ASSOCIATION

The most important single event for the cotton textile industry during the past year has been the hearing by the Restrictive Practices Court of the Yarn Spinners' Association case. This hearing, which commenced on October 27th, lasted for six weeks, and at the time of writing this Statement the Court has not yet delivered its judgment. From the comments I and my predecessor have made in past years regarding the Yarn Spinners' Association, you will not be in any doubt as to the importance to your Company of the decisions reached by the Court.

THE OUTLOOK FOR THE COTTON SPINNING INDUSTRY

Despite the fact that the contraction in the number of spindles installed in the United Kingdom Cotton Spinning Industry has continued at considerably more than one million mule equivalent spindles in each year for a number of years, it is apparent that further contraction is still urgently necessary. There is no doubt that this contraction will continue to take place, but it may be that the best interests of the industry would be served if some means could be devised to expedite the process, in order to bring about quickly a balance between productive capacity and potential demand. This could be achieved by an organised scheme to deal with the excess capacity.

This Corporation was formed in 1929 to bring about a measure of rationalisation in the industry and it is still ready and willing to play an active part in any such measures. Your directors have these matters constantly in mind and will do everything possible to promote the best interest of the industry in general, and it is hoped that in these endeavours they will be joined by others engaged in the industry.

JOHN SUMMERS & SONS LIMITED

ELEVEN YEARS OF STEADY PROGRESS

MR RICHARD F. SUMMERS ON THE OUTLOOK

The annual general meeting of John Summers & Sons Limited, will be held on February 5th at the Iron and Steel Institute, 4 Grosvenor Gardens, London, S.W.

The following is the circulated statement of the Chairman, Mr Richard F. Summers:

Believing as we do that the form which we adopted for our accounts some two or three years ago sets out the affairs of the Company as clearly and simply as possible under modern conditions, we have continued on the same lines this year, except for the fact that we have added at the end a table which shows the expansion that has taken place in production over the last eleven years, and a number of the more important Balance Sheet items during that period. I hope you will agree that these comparisons are interesting, and show the very considerable growth that has taken place. Coke production has increased more than three times, pig iron nearly four times, and the output of steel ingots has been doubled. At the same time the fixed assets have increased by £50 million, and the trading surplus by approximately £10 million.

Another feature that these figures bring out is that the growth has been steady and progressive, and has, in my opinion, borne out the forecasts which we have made from time to time as to what we hoped, and expected, to achieve. I should perhaps remark in passing that the relatively small reduction in the output of coke and pig iron in 1958 compared with 1957 is chiefly due to the lower level of operations at the Shelton Works at Stoke-on-Trent and partly to the fact that No. 1 blast furnace at Shotton was off production for nearly two months for relining after working for over five years.

VALUE OF CONSERVATIVE FINANCE

A further point which is borne out by the figures is the very substantial amount that we have retained out of our surpluses; had it not been for this policy the position of the company today would not have been nearly so favourable. I know that the question of the proportion of its surplus which a company should retain for the expansion and modernisation of its plant is a controversial one; I also know that it is not easy, when speaking about it, to be dogmatic—the answer cannot necessarily be the same for every industry. As far as the Steel Industry is concerned there are one or two special factors which must be taken into account. Firstly, it is perhaps one of the largest consumers of capital; modern equipment and plant are complicated and very expensive, and during the period since the war the technical advances have been rapid and numerous.

Secondly, it must be remembered that the maximum prices at which steel products may be sold are fixed and controlled by the Iron and Steel Board. In arriving at these prices the Board takes into account a number of points, one of the most important of which is that if the industry is to expand and modernise itself in line with the growing needs of the Country as a whole, the prices at which the Companies should be allowed to sell their products should enable them to provide a reasonable proportion of their future capital expenditure out of their current earnings. I do not think this policy can be criticised, because a company that keeps up to date, and wherever possible expands its capacity, must in the long run be acting in the best interests of all concerned. As far as this company is concerned, we have been spending very large sums of money; the table in the accounts to which I have referred bears out this fact, and also shows how very much the assets and earning power of your company have been increased by this expenditure.

STRONG COMPETITIVE POSITION

I hope you will agree with me that so far in our expansion dividend policies we have struck the happy medium. When we have completed the present scheme—which we anticipate will be towards the end of 1959, or at any rate early in 1960—the company will be in a strong and highly competitive position. It will then be a question of building up our production until we reach the target figure of around 2 million tons of steel ingots a year. Provided the demand for our products continues we should be able to start increasing deliveries of sheets immediately after the initial running in period of the new equipment has been completed, and with this increase in deliveries I would hope there would be a corresponding increase in our trading results.

From my own experience in the Steel Industry, it is unwise, except in particular circumstances, to make categorical forecasts about possible future expansion. Whilst we are now in sight of the end of our latest big scheme, we must always be on the look-out for ways and means of improving our efficiency and keeping our plant abreast of modern developments, and, should circumstances justify it, be prepared to embark on further expansion. We are financing our present scheme partly from the issue of Ordinary Shares which we made in May 1957, partly by Bank borrowings, and to a very considerable extent out of our own resources.

It will naturally be our desire to pay off our indebtedness to our Bankers as soon as possible, and as things stand at present the Unsecured Loan Stock falls due for repayment not later than 1964. If our hopes are realised the shareholders would be entitled to expect some reward for their patience during this growth period. Accordingly your Board would hope to be able to make appropriate recommendations when the programme which I have outlined above is complete, assuming of course, that the conditions then prevailing allow them to do so.

FUTURE PROSPECTS

The year which lies ahead of us may well be somewhat difficult, as it will not be possible to install all the new pieces of equipment without some interference with our normal production. The whole operation has, however, been very carefully planned, and we are determined that this dislocation shall be kept to the absolute minimum. We do not anticipate that there will be any significant increase in production and deliveries during the current year, but, as it would appear at the moment that the demand for our products is likely to continue at a high level, I am hopeful that when we present the account of our operations for the year ending September 1959 we shall be able to show figures somewhat similar to those which are before you now. In effect what I am saying is that I do not think that in the current financial year we can expect to see the same rate of progress as has taken place over the last three or four years, but, as I have previously mentioned, in the absence of any unforeseen circumstances I would expect the upward trend to start again in the latter part of the financial year 1959-60, with a further substantial improvement in the year 1960-61.

Currently in the home market the demand for sheets remains brisk, and, as I have already said, present indications are that at any rate for the next few months this state of affairs is likely to continue. In contrast, however, conditions in the export market are not so favourable; competition from Continental makers is now very keen, and there has been a substantial drop in prices.

SUBSIDIARY COMPANIES

I have already referred briefly to the reduction in output of pig iron and coke at Shelton. Here, where we make sections, joists, rails and other heavy steel products, there was a very marked falling off in demand, especially towards the latter end of the financial year, and great credit is due to the management there for the fact that in spite of these difficulties they were able to produce satisfactory financial results. Unfortunately, there are no immediate signs of any improvement, but every effort is being made to secure orders, and to effect whatever economies are possible.

Our Brick Works have also had a somewhat difficult year, with a smaller demand in some areas and keen competition in the building brick industry. The same sort of conditions also prevailed on the refractory side of the business, but here a large percentage of the production is used at the Shotton steelworks, and I am glad to be able to report that the quality has remained at a high level, and the supplies have been of considerable assistance to us. Labour and fuel are by far the biggest factors in the cost of producing bricks, and we are doing all we can to see how economies in these directions can best be effected.

NATIONALISATION

I dealt with this subject at some length in my statement last year, and made it quite clear that we were bitterly opposed to the nationalisation of this company and of the Steel Industry. I put forward certain arguments at that time, and you may remember that we circulated a copy of an article entitled "Leave Steel Alone" which I wrote, and which appeared in the "Sunday Times" on February 23, 1958. You may have noticed recently that one or two organisations outside the Steel Industry have published carefully considered documents on the subject of nationalisation. They come down very firmly on the side of leaving the Steel Industry alone, and are against any extension of the doctrine of nationalisation.

Our views are just the same as they always have been. We are still firmly convinced that the Industry under the present organisation can serve the Nation better than it could as a State monopoly, and we, who are responsible for the conduct of this business feel that it is our duty to take all the steps that we are legitimately entitled to take to try to convince people that the best interests of the Nation are served by leaving the Steel Industry as it is, operated under private enterprise, controlled by people who have spent the whole of their lives in steel, who have built up an unrivalled reputation for labour relations and good management, and have proved that they are fully aware of their duties to their customers and to the economic well being of the Nation.

TRIBUTE TO EMPLOYEES

In conclusion I should like to pay tribute to all those employed by the Group for their contribution to the year's results. The friendship and mutual understanding which have been such a feature of this company throughout its history remain strong. This is gratifying to me and to my colleagues for there is still much work to be done, but with so many willing helpers in the organisation I feel sure that we shall overcome whatever difficulties may lie ahead of us.



TATE & LYLE, LIMITED

AN ANALYSIS OF INCOME AND EXPENDITURE IN 1958

	£	£	*Proportion of each £1 of Income* s. d.
GOODS AND SERVICES PURCHASED FROM OUTSIDE :—			
Raw Materials (including £19,854,674 Duty, Levy, etc.)	102,084,637		15 10½
Fuel and Power	1,952,758		3¾
Packing Materials	4,607,955		8½
Other Refinery Expenses	1,597,901		3
Other Expenses including Advertising (£118,539), Selling and Distribution	5,177,041		9½
		115,420,292	
VALUE ADDED OR NET OUTPUT :—			
Wages, Salaries, National Insurance and Employees' Benefits	7,482,615		1 2
Provided for Renewals of Plant and Machinery and Depreciation of other Fixed Assets	1,616,781		3
United Kingdom Taxation on Profits	2,470,606		4¼
Amount placed to Reserves ...	967,517		1¾
Dividends to Ordinary and Preference Stockholders (Net)	872,913		1¾
		13,410,432	
		£128,830,724	£1 0 0
VALUE OF EXPORT SALES (including £7,967,449 Duty and Levy Drawback, etc.)		33,794,896	5 3
VALUE OF HOME TRADE SALES AND OTHER INCOME		95,035,828	14 9
TOTAL INCOME		£128,830,724	£1 0 0

COMPANY AFFAIRS

HAWKER SIDDELEY

WHILE the full accounts of Hawker Siddeley left the impression that a capital issue of some kind could not be long delayed, they also suggested that this issue, when it came, would not fund completely the £10½ million in bank overdrafts in Canada and the £23 million in this country. The impression created by the full accounts has contributed to the recent firmness of the company's £1 ordinary units; they now stand at 31s. 6d. and yield, on the maintained dividend of 10 per cent, £6 7s. per cent.

Now shareholders have been told that the group is intent on raising about £15 million. With the air of an actor throwing away his lines, the chairman, Sir Thomas Sopwith, said at the annual general meeting that talks had begun about a £15 million issue of a convertible debenture stock. Thus the group will fund nearly half of its total indebtedness and will be financing permanently something more than the "hard core" of its indebtedness—the £10 million owed by the Brush Group—in this country. A convertible debenture issue may look from the company's standpoint the ideal solution of its financing problems, promising shareholders a fixed rate of interest while the process of reorganisation and consolidation is being completed and a share in the equity when the group's new interests really begin to pay off. Nonetheless, the directors have drawn a bow at a venture, for institutional investors are already having second thoughts about convertible debentures. It is to these investors that Hawker, just as any other big borrower must, has to look for support and it remains to be seen whether they will agree that this is the exceptional case where a convertible debenture is justified. The directors will no doubt explain in time why they have chosen this method of raising new money when a rights issue of ordinary stock for a smaller amount seemed at least theoretically possible.

A convertible debenture, by postponing the day when the equity is diluted, will give the group an opportunity of tackling its "main task" of completing the "consolidation and reorganisation" of its new interests. But the directors seem to be absolutely convinced of the rightness of their decision to diversify the group so much that its industrial activities now account for about 70 per cent of total net assets. Diversification of this radical order means, Sir Thomas suggests, that the group can deal from strength and can "move whichever way trade and common sense dictates." Looking at the more immediate future, he says the order book is "substantial" and the plant and equipment are "up to date" and he is confident of the group's ability to go on earning "good profits." So far in the current financial year turnover and profits have been maintained, and Sir Thomas expects the full year's results to be "satisfactory." This, as a whole, is a cheerful sounding report from a group that has invested large sums of money in ventures far removed from its traditional business of making aeroplanes and that has had to face up to big new managerial problems. And it is, of course, DOSCO that is the crucial test for the Hawker Siddeley management.

DISCOUNT HOUSE PROFITS

THE sharp decline in money rates from the abnormal peaks reached in 1957 has evidently affected the earnings of the discount houses even more favourably than it did those of the banks. A discount company, unlike a deposit bank, has to pay interest on virtually the whole of the resources it employs in financing its portfolios of bills and bonds; and when rates are falling the decline becomes fully effective almost immediately upon interest payable but does not affect interest receivable until the bills and bonds in portfolio mature and have to be replaced. In a phase of falling rates, therefore, the true profit margins on running the portfolios are substantially wider than the current margins between money rates on the one hand and bill rates and bond yields on the other. This factor, plus the associated recovery in the market value of short bond portfolios, is clearly reflected in the results announced by the three large discount houses that make up their accounts at end December. Each of the three reports a substantial increase in profit and each is either paying or foreshadowing an increase in dividend. However, these increases are no more than the market expected: in each case the shares dropped a little on the announcement, though the losses were subsequently made good.

The **Union Discount,** giant of the market and the only one of the big houses to have maintained its dividend through the difficult years since 1954, is repeating its payment of 12½ per cent for 1958; but the directors propose to make a scrip issue of one for five (capitalising £1,108,800 of reserves) and hope to maintain the present rate on the increased capital. Thus the distribution for 1959 should be the equivalent of 15 per cent on present capital. The Union shows a big rise in profits, from £415,253 to about £550,000—the highest yet. The carry forward is raised from £917,295 to £1,069,000. The **National Discount,** as reported last week. raised its dividend from 10 to 12 per cent (back to the 1954 level). Its profits show a big rise, but, as at **Alexanders,** they are still well below their 1954 level. Alexanders is paying 7½ per cent, after last year's cut to 5 per cent; but the rate in 1954 was 12½ per cent. Profits have recovered smartly from £50,900 to £166,943, after provision for depreciation of securities—which is now fully covered in the balance sheet. The carry forward is up from £142,000 to £198,543.

BORAX (HOLDINGS)

AS Borax (Holdings) has been prolific in quarterly statements of profits and interim progress reports from its directors, its preliminary statement for the full year to September 30th contains few surprises for investors. But the few new facts which do emerge make depressing reading. The ordinary dividend, paid out of the reserves of the parent company in this country, is left unchanged at 5¼d. per 5s. unit—just as it was expected it would be. The trading profits of the group over the full year have fallen from £2,970,780 to £1,624,997 and its net profits have more than halved, dropping from £1,203,237 to £573,976. This means that trading profits in the last quarter of the financial year amounted to only £453,227 and thus ran below the profit of £592,813 earned in the third quarter and the one of £533,382 earned in the second quarter. In a supplementary report to this statement the chairman, Lord Clitheroe, says that though borate sales "are as great as they have ever been" not all the difficulties in bringing the new plant at Boron into production have yet been overcome. On the other side of the business, Lord Clitheroe describes the immediate future of the potash industry as being "far from bright." Shareholders already know of the passing of the first dividend by the subsidiary, United States Borax and Chemical, in respect of the current year. The Borax 5s. units now stand at 16s. 10½d. and yield only 2.6 per cent. These units in 1955 and 1956 were bid up to fantastically high levels. As yet the new developments put in train by the re-organised group have not produced the results that were discounted in that boom.

LOMBARD BANKING

THIS vigorous company has stood apart from the other big finance houses in their affiliations with commercial banks: instead, it is spreading its interests through the Commonwealth and is seeking to absorb other smaller finance houses in Britain. Its latest acquisition, following the purchase of Awley Finance from Vactric last summer, is Equity Credit. This medium sized company has been bought from Mr Bernard Sunley and his associates, in exchange for 421,053 new Lombard ordinary shares of 5s. (the present shares stand at 21s. 3d.) plus £200,000 in cash. The net profits of Equity Credit in the year to end-February, 1958, were £56,000, and group assets at that date were £2,238,384. The main business was in vehicles, plant and machinery; and the group had subsidiaries in the Bahamas and Jamaica.

Thus Lombard acquires interests in the West Indies, adding to those in Australia, New Zealand, Rhodesia, Uganda and Singapore. Another valued aspect of this acquisition is the experienced staff —Mr R. S. Davenport is continuing as managing director of Equity Credit. Also, Lombard may now be hoping to get some of the financing business for Caterpillar tractors of Blackwood Hodge, of which Mr Sunley is chairman.

UNITED DOMINIONS TRUST

THIS giant finance house is broadening its business further. It has purchased, for £636,000 from private holders, the capital of British Trusts Association, a member of the Issuing Houses Association. UDT was already engaged in issuing business, and represented in the association, through its ownership of Old Broad Street Securities. The new acquisition will strengthen its hand in long-term financing.

RADIO RENTALS

THE demand for rented radio and television receivers has thrived but the industry has not been the authorities' favourite child. The curbs were first put on hire purchase and then they were put on rentings. Last year, however, controls over renting were completely removed. Controls or no controls the renters have done remarkably well and in particular Radio Rentals has expanded at a cracking pace. For much of its financial year to August 31st the renting controls were still in force yet the number of installations carried out by the group rose by 15 per cent, with the written down value of rented equipment rising from £5 million to £6.9 million over the year. The group has always traded on a narrow margin of liquidity, and pressure has been relieved—the authorities permitting—by a stream of rights issues. In February, 1958, when the Treasury still frowned on the raising of new capital by HP or renting companies the group raised money from its shareholders by the indirect and uncontrolled route of a "shell" transaction. Permission has now been obtained from the Treasury for a straightforward rights issue of 1,600,000 ordinary shares of 5s. each at 15s. per share. It has been the practice of Radio Rentals to inject a substantial bonus element into its issues and now does so again with this one for five rights issue, which at the current market price of 33s. 9d. puts a value of 3s. 6d. per share on the rights.

The new issue will bring in about £1,200,000. This should ease the strain on finance, as shown in the latest balance sheet by the excess of £1,211,709 in current liabilities over current assets. Profit retentions are inevitably an important—though not self-sufficient—source of the group's finance. The advance in gross profits from £3,350,688 to a record level of £4,194,643 was finally reflected in a rise in net profits from £613,410 to £804,658 and this enabled the directors to transfer £750,000 (against £405,000) to general reserve. The ordinary dividend has been set at 15 per cent; this is equivalent to the 1956-57 payment, but in addition a special interim payment of 5 per cent has been declared. The existing shares are thus on a dividend basis of 20 per cent and at their current price of 33s. 9d. they yield only 3 per cent. That dividend will no doubt be at least maintained on the increased capital and thus the new shares are offered at a yield of 6¾ per cent. The issue, in fact, sweetens the yield for investors, though in considering the new offer they will note that Mr P. Perring-Thoms, the chairman, says that the present high peak of public demand will undoubtedly level off in due course.

JOSHUA HOYLE

ANOTHER tough year seems to be in store for Joshua Hoyle & Sons, in the year to September 30th last. The statement by Mr Ducket, the chairman, issued in December with the full accounts made no direct comment on future prospects but at the annual general meeting Mr Enright, the deputy chairman, argued that the concentration of trade into the hands of big buyers such as chain stores and mail order houses, has made the cotton industry more vulnerable to recession than ever before. Buying, he said, had become "disorderly and spasmodic," making it impossible to maintain an even flow of production.

The company's difficulties, shared by others in the cotton industry, are of long standing. Mr Ducket had already stressed that the Hongkong agreement, though welcome, would be little more than a temporary palliative unless it provided "reasonable ceilings for a long period of time". He added that a breathing space was essential if Joshua Hoyle were to develop its output of more specialised cloths made from Nylon and Terylene.

As the 1957-58 ordinary dividend, which was cut to 5 per cent from 8 per cent in 1956-57 was short earned for the second time in three years, shareholders will perhaps have to pin their hopes for a dividend on the fact that Joshua Hoyle possessed £848,961 in liquid assets at the end of the financial year. But their hopes cannot be very sanguine ones for Mr Enright revealed that the company has been forced "to go to the limits of short time running," with its "resultant heavy losses." Demand has picked up following the end of the credit squeeze but the continued imports of foreign cloth and uncertainty about the yarn spinners' mark-up obviously restrict the scope for recovery. The yield of 6.2 per cent offered by the 2s. shares at 1s. 7½d. is low in comparison with the yields offered by other cotton equities.

WESTINGHOUSE BRAKE AND SIGNAL

THE advance of only £10,614 to £2,704,709 in gross profits which the directors of Westinghouse Brake and Signal reports for the year to September 27th last is a little disappointing. The chairman, Captain A. R. S. Nutting, over a year ago said that orders on hand (of which those coming from overseas form a high proportion) ensured a very busy year and he anticipated profits at least as satisfactory as those earned in 1956-57. The prosperity of Westinghouse is largely geared to the modernisation programme of British Railways for which it supplies braking and signaling equipment. But the group also makes compressed air and vacuum brakes for commercial vehicles, handling plant for collieries, and metal rectifiers. The subsidiary owning the "Vespa" motor scooter business and the companies operating in the Commonwealth have also made significant contributions to profits in the past.

Such a group as Westinghouse must spend large sums on fixed assets and research from retained earnings and therefore cannot afford to be too liberal in its dividends. Hence the decision to maintain the ordinary dividend at 10 per cent should come as no surprise, for net profits have fallen by £27,116 to £879,235, following an increase in depreciation by £118,979 to £669,608. The dividend is covered only about twice by earnings and the yield of 4.7 per cent on the £1 ordinary shares, now standing at 42s., looks forward to better results than those just published.

EDGAR ALLEN

EDGAR ALLEN, the Sheffield steel and tool makers and engineers, suffered a substantial reduction in its profits in the six months to September 30th, and with less than three months of the financial year to run the directors see no immediate prospect of any improvement. The galling fact for the directors is that profits fell sharply although turnover was running at a higher rate than the record level achieved in 1957-58. The galling fact for Edgar Allen's ordinary shareholders is that the directors have deemed it necessary to cut the interim ordinary dividend from 5 to 4 per cent even though the full year's dividend of 12½ per cent paid in 1957-58 was almost covered three times by available earnings and the balance sheet showed an adequate balance of liquid resources. The £1 ordinary shares fell 4s. to 32s. on the announcement. This result demonstrates how quickly engineering and tool-making firms can swing from conditions of boom to those of recession. One British subsidiary and the French subsidiary were alone responsible for the increase in sales, and sales by the parent company and other subsidiaries have fallen. As long ago as last March the directors spoke of a reduction in the value of unexecuted orders and of the growing severity of price competition.

ILLINGWORTH MORRIS

THE woollen industry is in a more confident mood, encouraged particularly by the steadying of wool prices. Lord Wilmot of Selmeston, the chairman of Illingworth Morris, which successfully bid for a controlling interest in Salts (Saltaire) last October, tells shareholders that there are signs of revival in the volume of business. He states that American trade for the autumn season was good and that if the home and European markets respond in the same way the group's mills may revert to full production. Industry has run down its stocks, and once trade does expand Illingworth Morris will be well placed, as it can now quote shorter delivery dates. The recession has allowed the group to consolidate financially; the run down in its own stocks from £3,891,252 to £1,969,443 in the year to September 30th permitted almost full repayment of the overdraft of £1,581,001. As the directors paid an ordinary dividend for 1957-58 at an effective rate of 7½ per cent (by adding a special "profits tax" interim of 5 per cent to the 2½ per cent dividend), from equity earnings of only 9 per cent, shareholders can reasonably look forward to its repetition in the current year. This puts the 4s. shares at 4s. 4½d. on a yield of nearly 7 per cent.

BRITISH INDUSTRIAL PLASTICS

MANUFACTURING moulding powders, unbreakable china, and fittings for a variety of trades, British Industrial Plastics is one of the leading firms in the plastics industry, and it has shared fully in that industry's postwar expansion. In the year to September 30th BIP's gross profits, despite more difficult trading conditions, rose by 8 per cent from £906,248 to £979,129. But a sharp jump of £41,707 in depreciation, reflecting investment in new plant and equipment, cut the gain in net profits to 5½ per cent (from £296,073 to £312,508). Shareholders were told in September that profits in the first nine months of the financial year were 20 per cent higher but the directors then emphasised the fact that as the last quarter of the previous financial year had been an exceptionally good one, a proportionate improvement for the full twelve months could not be expected. The £500,000 then raised by a "rights" issue was to be used in part to finance BIP's "much increased turnover," the remainder being ear-marked for the construction of a plant to manufacture formaldehyde and the modernisation of three factories operated by BIP Chemicals.

Following the repeated 7½ per cent interim on the old ordinary capital of £1,247,087, the directors have maintained the final at 12½ per cent on the new capital as they promised they would at the time of the rights issue. On a 20 per cent dividend, the 2s. shares at 7s. 3d.xd yield 5½ per cent.

DAVID BROWN

ONLY the preference shares of the David Brown Corporation are quoted on Throgmorton Street. The ordinary shares are privately held. This family business serves a number of markets and manufactures a wide range of products, including gear-boxes, gear-cutting machines, machine tools, castings, tractors and motor cars. In the year ended June 30th the development departments' "careful and patient study" enabled the group to penetrate new markets; and the group's efforts to develop new products, to invest in new plant and to rationalise production are paying off. In the latest year, the value of orders increased and turnover ran at a new record level, and net profits rose from £177,750 to £234,334. One reason for the comparative lack of buoyancy in net profits is that the company, intent on self-financing, does not pay an ordinary dividend and thus it was one of the companies to lose, rather than gain, from the introduction of a flat rate of profits tax.

But self-financed expansion has left the group short of cash, as the overdraft of £2,241,546 shows. Stocks rose by over £653,000 to £6,707,952 as customers are demanding shorter delivery dates, though Mr Brown says much of this increase is seasonal. Competition is still severe, he adds, and orders are won only on narrowed margins of profit. But orders in hand are worth over £7 million and all divisions, except the foundries, seem to have more than sufficient work. The £1 5½ per cent preference shares, quoted at 16s. to yield 7 per cent, are covered nearly five times by earnings.

ASSOCIATED COMMERCIAL VEHICLES

THE commercial motor manufacturers have not shared in the prosperity enjoyed by the manufacturers of private cars and in his statement to shareholders in Associated Commercial Vehicles about a year ago Lord Brabazon, the chairman, again said that "body building capacity in this country is in excess of probable requirements."

Hence another fall in equity earnings was not unexpected, but the slump from £430,618 to £163,003 in group net profits, despite a saving of £346,167 in tax, did surprise investors. Sales seem to have fallen in practically every market and in their report the directors say that keen competition reduced profit margins. There were also "a number of non-recurring factors . . . particularly the running down of production at Stockport. This factory has now ceased operation and production has been transferred to other group factories." The ordinary dividend has inevitably been cut—from the 22½ per cent paid since 1951 to 10 per cent. But a special "profits tax" interim of 5 per cent payable with the final dividend is also declared. Effectively, the dividend has come down from 22½ to 15 per cent. Trading, the directors add, is now at "a more encouraging level" and in the current year earnings should accrue from the production of the "Routemaster" buses. At 40s. 6d. the £1 ordinary shares yield 7.4 per cent.

London Stock Exchange

FIRST DEALINGS:	Dec. 31	Jan. 14	Jan. 28
LAST DEALINGS:	Jan. 13	Jan. 27	Feb. 10
ACCOUNT DAY:	Jan. 20	Feb. 3	Feb. 17

GILT-EDGED stocks were again strong this week. Short dated issues were in demand, Conversion 4¾ per cent 1963 gaining ⅞ to 101⅛ and Funding 2½ per cent 1956-61 nearly ¾ to 97⅝, as there was some buying in front of the repayment on Thursday of Conversion 2½ per cent. In medium dated issues, Transport 5 per cent 1968-73 rose by 1⅜ to 79⅜. Corporation loans were very firm, Birmingham 3½ per cent 1966-71 rising by ¾ to 76¼ and Bristol the same amount to 98¼. Dealings began in the new Fife Loan at a premium of 1 and the price then settled down at ¾ premium.

Industrial equities remained fairly strong before the week-end, reflecting the recovery on Wall Street and anticipating the prospect of buying by unit trusts. Monday was the last declaration day for the three month options bought when dealings in options were resumed at the beginning of last October. The declaration of many "call" options was absorbed without much difficulty by the dealers.

At the beginning of the new account interest in equities waned a little, but nonetheless, there were many gains over the week to Wednesday's close, and *The Economist* indicator rose from 249.3 to 252.9. In the engineering section Murex rose by 3s. to 47s. 3d. and Metal Box by 1s. 9d. to 69s. Among electricals, Johnson and Philips gained 2s. to 29s. 6d., Ultra Electric 1s. 3d. to 11s. 3d. and Plessey 3s to 74s. In Chemicals, Reichold were firm, rising by 1s. 3d. to 23s. 4½d. and British Xylonite gained 1s. 6d. at 48s. 9d.. In shipping shares, Donaldson gained 1s. at 24s. and P. and O. deferred rose the same amount to 38s. 3d. In the building section Wallpaper deferred rose 5s. to 84s. 9d., Eastwoods 1s. 6d. to 48s. 6d. and Costain 1s. 10½d. to 63s. 9d. In motors, Jaguar jumped by 2s. 3d. to 41s. 9d. on the record output and sales. Among newspaper shares, Amalgamated Press shot up from 50s. 9d. to 54s. 6d. and *Daily Mirror* "A" from 22s. 9d. to 23s. 1½d. In breweries, Bass rose by 2s. to 46s. 6d. and in distilleries, Teachers advanced from 33s. to 36s. 6d. xd. Tobacco shares were strong, "Bats" rose by 2s. 2½d. to 58s. 7½d. and Gallaher by 2s. 6d. to 44s. 9d. In stores, Woolworth gained 2s. 4½d. to 52s. 4½d. and Gamage 1s. 6d. at 63s. 6d. In the HP field, Bowmaker rose by 2s. 3d. to 34s. 10d. and UDT jumped from 116s. 6d. to 121s.

In the property field, British Land rose by 1s. 6d. to 25s. 4½d. and Town and City jumped by 7s. 6d. to 32s. 6d. In Kaffir shares, finance house issues were weaker but there were some gains among the OFS producers, Loraine closing on Wednesday 1s. 7½d. higher at 26s. 6d. and FS Geduld 1s. 3d. higher at 115s. Among coppers, Rhodesian Anglo-American jumped from 80s. 7½d. to 83s. 1½d. but "Tanks" lost 2s. at 53s. In rubber shares, "Suas" were 2s. better at 66s. 6d.

US Dollar premiums NIL on $2.80½

LONDON AND NEW YORK STOCKS

Prices, 1958/9 High	Prices, 1958/9 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 7, 1959	Price, Jan. 14, 1959	Net Yield, Jan. 14, 1959 § £ s. d.	Gross Yield, Jan. 14, 1959 £ s. d.
100½	96 1/16	War Loan 3% 1955–59	100⅛	100 3/16	1 0 8	2 14 9†
96 29/32	90 5/8	Funding 2½% 1956–61	96 29/32	97 21/32	2 7 10	3 11 11†
98 19/32	93 1/16	Exchequer 2½% 1960	98 19/32	99	2 3 2	2 19 0
99¾	95 3/16	Exchequer 3% 1960	99¾	100 1/16	1 5 0	2 19 0
100 29/32	95 5/16	Conversion 4½% 1962	100 29/32	101 1/16	2 5 9	4 2 9
94 13/16	88⅝	Exchequer 3% 1962–63	94 13/16	95 5/32	2 17 6	4 4 4†
101 11/32	99 7/16	Conversion 4¾% 1963	101 13/16	101 19/32	2 6 2	4 7 0
92¾	83⅝	Savings Bonds 3% 1955–65	92¾	92¼*	3 0 3	4 6 6†
85 5/16	77⅛	Funding 3% 1959–69	85 5/16	85 9/16	3 9 3	4 18 1†
91⅝	86⅜	Funding 4% 1960–90	91⅜	91⅞	9 10 10 / 4 10 10	11 13 3e / 2 14 2†
82¾	75	Savings Bonds 3% 1960–70	82⅞	83¼	3 11 4	5 1 1†
93⅛	84⅜	Exchequer 2½% 1963–64	93⅛	93 5/16	2 17 0	4 0 0†
—	—	Conversion 4½% 1964	—	100⅛	2 11 3	4 9 6
85⅜	78⅝	Savings Bonds 2½% ..1964–67	85⅜	85⅞	3 9 1	4 13 0†
76¾	69⅜	Savings Bonds 3% ..1965–75	76¾	76*	3 13 2	5 3 0†
104 9/16	99½	Exchequer 5½% 1966	104 9/16	105 1/16	2 11 0	4 19 3
85⅜	78⅝	Funding 3% 1966–68	85⅜*	85¾*	3 9 9	4 17 5†
97⅜	91⅛	Victory 4% 1920–76	97⅜	98⅛	2 12 8	4 9 1†
89⅛	81 9/16	Conversion 3½% 1969	89⅛	89¾	3 6 0	4 19 4
100¼	97¼	Conversion 5¼% 1974	98 15/16	99 7/16	3 1 9	5 7 0
78 1/16	71⅛	Treasury 3½% ..1977–80	78⅛	78¾	3 8 8	5 3 7†
78⅛	70⅝	Treasury 3½% ..1979–81	78⅛	77 1/16*	3 9 6	5 4 3†
103	98⅛	Funding 5½% 1982–84	101 7/16*	101 13/16	3 1 1	5 7 4e
67¼	60½	Redemption 3% 1986–96	67⅛	67⅝	3 4 10	4 19 2†
74½	64⅜	Funding 3½% 1999–2004	72 7/8*	73⅛	3 2 6	5 0 1†
76⅝	69 1/16	Consols 4% ..after Feb. 1957	75*	75*	3 1 3	5 6 5†
69 1/16	63⅛	War Loan 3½% ..after 1952	67⅞	67 11/16	2 19 8	5 4 1†
68⅞	62⅜	Conv. 3½% ..after Apr. 1961	68⅛	67 15/16	2 19 9	5 4 7†
60	54⅝	Treasury 3% ..after Apr. 1966	59⅛	59½	2 18 6	5 2 4†
53	46¾	Consols 2½%	53	53¼	2 14 0	4 14 0†
51 3/16	46⅜	Treasury 2½% after Apr. 1975	50 5/16	50 13/16	2 17 1	4 19 10†
95⅜	90⅛	British Electric 4½% 1967–69	94 5/8*	94 7/8*	3 2 10	5 1 11†
78⅞	72 1/16	British Electric 3% ..1968–73	78⅛	79½	3 12 7	5 2 9†
75½	69⅝	British Electric 3% ..1974–77	75½	76⅜	3 10 11	5 1 11†
83⅞	82⅝	British Electric 4½% 1974–79	88⅛	89¼	4 3 2	5 4 2†
78½	72⅝	British Electric 3½% 1976–79	78½	79¼	3 8 10	5 3 9†
83⅝	82 1/16	British Gas 4% 1969–72	87 7/8*	88½*	3 7 0	5 3 4†
86	79¼	British Gas 3½% 1969–71	86⅜	86⅞	3 7 4	5 1 0†
63½	60 7/16	British Gas 3% 1990–95	68¼	68¾	3 4 1	4 17 8†
78¾	72 1/16	Brit. Transport 3% ..1968–73	78⅞	79½	3 12 7	5 2 9†
85½	79⅛	Brit. Transport 4% ..1972–77	85	85⅝	3 6 10	5 4 7†
68 15/16	60 13/16	Brit. Transport 3½% ..1978–88	67⅞	68⅜	3 8 11	5 1 10†
			58/9	47/–	7½ b	7½ a
			52/6	39/3	8½ b	4 a
			41/3	24/7½	433/4 c	147/120 c
			63/–	21/–	111/4 c	111/4 c
			61/10½	44/6	10 b	4 a
			40/6	29/9	3½ a	6½ b
			17/–	10/3	12½ c	12½ c
			97/3	74/6	11 b	6½ a

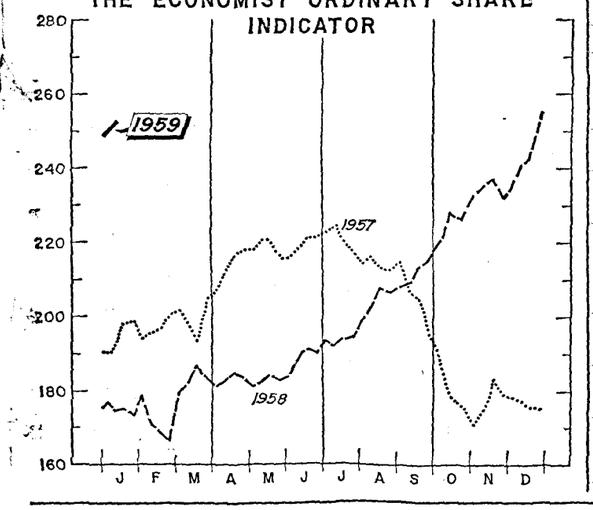
Prices, 1958/9 High	Prices, 1958/9 Low	FIXED INTEREST STOCKS	Price, Jan. 7, 1959	Price, Jan. 14, 1959	Yield, Jan. 14, 1959 £ s. d.
		DOMINION AND COLONIAL			
100 11/16	96⅜	Australia 3½% 1954–59	100⅛	100¼	2 17 6†
105½	97⅞	Australia 6% 1974–76	105¾	106½	5 7 3e
76⅜	73½	Ceylon 4% 1973–75	76½	76¾	6 6 7†
102¼	94½	Jamaica 6% 1977–82	101⅜	102¼	5 17 0‡
105½	97⅛	New Zealand 6% 1976–80	105⅞	106¼	5 9 2e
101⅞	91¾	Rhodesia and Nyasaland 6% 1976–79	101½	101⅞	5 16 8e
74⅜	69	Southern Rhodesia 2½% 1965–70	73¼	73½	$ 15 11†
		CORPORATION AND PUBLIC BOARDS			
102	98¼	Agricultural Mortgage 5½% 1980–85	100⅝	100½	5 9 2e
105	98⅞	Birmingham 5¾% 1974–76	102¾	103	5 9 1e
92¾	86	Bristol 3% 1958–63	92⅜	92½	5 2 0†
97	91½	Glasgow 4¾% 1966–68	96¼	97	5 3 1†
100¾	96½	Corporation of London 5¼% 1976–79	100	100¾	5 4 10†
57¾	53	L.C.C. 3% ..... after 1920	56¼	56¾	$ 5 9†
64	56	Met. Water Board 'B' 3% 1934–2003	63	63¼	$ 1 3†
		FOREIGN BONDS			
105	83	German 7% 1924 (British Enfaced 5%)	104	106	...
182½	154	German 5½% 1930 (Enfaced 4½%)	179	182½	...
24½	12¾	Greek 7% Refugee 1924	23½	24	Nil
169	160	Japan 5% (Enfaced) 1907	164¾	165½	...
119½	105½	Japan 6% (Enfaced) 1924	118½	114½*	...
57	48	Uruguay 3½% Bonds (Assented)	56	57	...

NEW YORK CLOSING PRICES

	Jan. 7 $	Jan. 14 $		Jan. 7 $	Jan. 14 $		Jan. 7 $	Jan. 14 $
Ath., Topeka...	28½	30½	Boeing	44⅛	43½	Inter. Nickel ..	86⅝	88¼
Can. Pacific...	29⅞	29⅞	Celanese	27⅝	27⅝	*Inter. Paper ...*	119	120
Pennsylvania...	19	18⅝	Chrysler	53	52⅛	Kennecott	98½	102¾
Union Pacific ...	35⅞	36	Col. Palmolive .	95	92¾	Monsanto	39⅛	40
Amer. Electric .	51⅞	51½	Crown Zeller..	60⅛	59½	Nat. Distillers .	30⅞	30¾
Am. Tel. & Tel..	233¼	234½	Distillers Seag..	34⅛	36	Pan-American..	24⅜	27⅝
Cons. Edison ..	64⅜	65⅜	Douglas	57½	56¾	Procter Gamble	74¼	76⅝
Int. Tel. & Tel..	61¼	64	Du Pont	207	211	Radio Corpn...	46¾	50
Standard Gas ..	3⅜	3⅜	East. Kodak ...	148⅝	146¼	Sears Roebuck .	39⅝	40⅛
United Corpn..	8⅜	8⅞	Ford Motor ...	53	55⅜	Shell Oil	82	85¼
Western Union	30¼	32¼	Gen. Electric ..	77⅛	79½	*Socony-Mobil..*	48⅞	48¼
Alcoa	86¼	88⅞	General Foods .	76	77½	Stand. Oil Ind..	47¾	48⅞
Aluminium	31½	32⅞	*General Motors*	49½	49¾	Stand. Oil N.J..	56⅜	56½
Amer. Can.....	50⅛	49⅞	Goodyear	118⅞	119¼	20th Cent. Fox.	39⅜	39⅜
Am. Smelting..	47	49½	Gulf Oil.....	125¼	125½	Union Carbide.	125½	125
Am. Viscose	37¾	37⅜	Heinz.....	67½	71	U.S. Steel	95⅛	97¼
Anaconda	61½	67	Int. Bus. Mach..	514	525	West. Electric .	71½	74
Beth. Steel ....†	51	52¼	Int. Harvester .	41⅞	42⅜	*Woolworth ...*	54¼	57⅝

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, Jan. 7, 1959	Price, Jan. 14, 1959	Yield, Jan. 14, 1959
				STEEL AND ENGINEERING			
37/–	31/9	6 a	6 b	Colvilles £1	29/7½*	31/6	8-2--
46/3	27/6	4½ a	5⅔ b	Dorman Long £1	28/9*	29/10½	8·03
87/3	57/6	9 a	9 b	Steel Co. of Wales £1	22/6*	23/9	7·53--
92/–	59/3	9 a	11 b	Stewarts & Lloyds £1	28/9*	29/4½	7·49
56/3	36/–	5 a	7½ b	John Summers £1	38/9*	40/–	8·00
73/9	47/9	7½ a	9½ b	United Steel £1	27/9*	29/–	8·62
32/–	17/–	4 a	6 b	John Brown £1	32/–	31/9	6·30
22/–	12/11½	2½ a	12½ b	Marcins 5/–	21/9	22/–*	4·55
32/4½	21/4½	5 a	7½ b	Com. Bk. of Scot. 'A' 10/–	32/–	32/4½	3·86
69/9	46/–	7 a	9 b	Royal Bank of Scotland £1	69/6	69/6	4·60
38/9	27/6	4 a	5 b	Barclays D.C.O. £1	38/6	38/6	4·16
46/6	31/3	7½ b	7½ a	Chartered Bank £1	46/–	45/6	6·59
£28 11/16	£20	$2·10c	$2·25c	Royal Bank of Canada $10	£28¼	£28¼	2·94
£20 3/4	£14 15/16	$1·60c	$1·65c	Bank of Montreal $10	£20⅛	£20¼	3·00
31½	25⅝	9 c	9 c	Bank of New S. Wales. £20	31⅛	31½	4·57g
34/3	28/–	5 b	4 a	Bank of Ldn. & S. Amer. £1	33/9	34/–	5·29
				FINANCIAL			
30/–	18/–	2½ a	5 b	Alexanders £1	29/–	29/6	5·08
49/–	29/6	5 a	7 b	National Discount 'B' .. £1	47/6	45/–*	5·33
63/–	40/9	6¼ a	6¼ b	Union Discount £1	62/6	61/3	4·08
42/6	32/9	3⅔ c	18½ a	Commercial Union.... 5/–	40/9	42/6	4·31
140/–	102/6	12½ a	15 b	Employers Liability £1	140/–	140/–	3·93
195/–	117/6	†16·2a	†16·2b	Equity & Law 8/6	187/6*	195/–	2·46
200/–	113/9	60 b	40 a	Legal & General 5/–	200/–	200/–	2·50
120/–	86/3	†50 b	†20 a	Pearl 5/–	119/9	119/6	5·09
225/–	154/–	†132½ c	†147½ c	Prudential 'A' 4/–	225/–	222/6	4·62
81/6	63/9	8 b	8 a	Royal Exchange £1	81/–	81/6	3·93
34/10½	16/–	13½ b	10 a	Bowmaker 5/–	32/7½	34/10½	3·58**
21/6	16/10½	7½ b	7½ a	Lombard Banking 5/–	21/6	21/9	3·45
121/3	73/3	16 b	4 a	U.D.T. £1	116/6	121/3	3·30
40/–	19/9	7½ b	10 a	B.E.T. 'A' Defd. 5/–	36/6	36/6	3·77
13/10½	7/11	10 c	10 c	Cable & Wireless 5/–	13/3	13/7½	3·67
23/3	7/10½	2½ b	2 a	Land Securities 10/–	21/7½	23/3	2·58**
16/7½	8/7½	5 5/12 c	2 1/12 a	London & County 10/–	16/11½	16/–	4·17**
				FOOD, DRINK AND TOBACCO			
52/6	27/–	30 c	10 a	Allied Bakeries 'A' 5/–	50/–	50/–	3·00
26/–	13/4½	20 c	7 a	Beecham Group 5/–	24/10½	24/4½	4·10
12½	6/5¼	7 b	2½ a	International Tea 5/–	10/10½	11/–	4·32
84/–	40/11½	9½ b	5 a	J. Lyons 'A' £1	77/6	78/9	3·60
19/9	13/7½	7½ b	2½ a	Schweppes 5/–	19/9	19/11½	3·92**
20/–	7/9	7½ b	4½ a	Tate & Lyle £1	74/9	72/9	4·54
76/6	48/9	12 b	5 a	United Dairies £1	59/3	59/3	5·06
60/4½	47/4½	10 b	36 b	Bass £1	44/6*	46/6	4·95
47/–	31/–	10 a	8 a	Distillers 10/–	25/4½ ‖	25/7½	4·16
27/7½	15/9	6⅔ b	11 b	Flowers 5/–	14/9	14/9	5·76
15/3	11/6	6 a	10 a	Guinness 10/–	54/–*	55/6	5·05
57/–	37/–	10 a	18 b	Ind Coope & Allsopp.. 5/–	13/–	13/3	5·28
13/9	9/4½	4 a	10 b	Watney Mann Defd. £1	78/3	78/9	5·33
80/–	56/6	7½ a	13½ b	Whitbread 'A' £1	100/6	102/–	4·90
111/–	75/6	17 b	8 a	Brit. Amer. Tobacco .10/–	56/6	58/7½	4·94
50/4½	37/7½	16⅔ b	†10 a	Gallaher 10/–	42/3	44/9	5·59
44/9	20/6	5 a	20 b	Imperial Tobacco £1	55/–	56/7½	7·06
56/9	37/–	11½ b	8½ a				

Prices 1958/9 High	Prices 1958/9 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, Jan. 7, 1959	Price, Jan. 14, 1959	Yield, Jan. 14, 1959
				MISCELLANEOUS			
48/3	15/9	7½ a	22½ b	Assoc. Brit. Picture ... 5/–	44/9	45/–	3·33
45/6	28/–	11 c	5 a	British Match £1	44/–	43/6	5·06
54/6	28/3	6 b	4 a	British Oxygen £1	51/–	50/9	3·94
19/9	6/9	13 b	4 a	British Ropes 2/6	9/–	9/7½	4·42
40/–	21/–	4½ a	7½ b	Glaxo 10/–	35/9‖	40/–‖	2·92
59/–	31/3	5 a	7½ b	Hoover 'A' 5/–	57/6	58/–	4·31
18-17/8	6-17/8	1½ a	2½ c	Hudson's Bay £1	18l/3	18l/3	2·69
10/9	5/7½	12½ c	5 c	*Rank Organisation* ... 5/–	10/6	10/3	2·44
16/10½	11/8¼	22½ c	22½ c	Sears 'A' 5/–	16/6	16/6	6·82
63/6	44/–	7 b	6½ a	Thomas Tilling £1	62/9	62/–	4·27
76/4½	52/11½	5 a	10 b	Turner & Newall £1	73/11½	74/10½	4·01
92/6	56/4½	8½ b	8½ a	Unilever £1	88/3‖	88/9	3·79
49/3	24/3	7½ b	3¾ a	United Glass Bottle £1	49/3	49/3	4·57
†10 h	†4¼ a	†4¼ a		United Molasses 10/–	34/6	34/9	7·09
				OIL			
58/6	39/9	†5 b	†2½ a	British Petroleum £1	55/6	55/3	4·72
87/3	59/11½	†7½ b	†5 a	Burmah Oil £1	80/6	79/–	5·69
£18 7/8	£13 7/8	17½ b	7½ a	Royal Dutch ..... 20fl.	£17 1/8	£16 1/2	2·87
168/–	117/6	†133½ b	†5 a	Shell Transport £1	149/6	145/3	4·52
95/6	41/6	—	—	Ultramar 10/–	65/9	64/9	... d
39/6	25/6	13⅞ b	7½ a	Wakefield C.C. 10/–	37/–	37/6	5·49
				SHIPPING			
46/6	27/7½	13½ b	6½ a	Brit. & Com'wealth. 10/–	46/–	45/9	4·37
23/9	16/6	10 c	Nil	Cunard £1	19/9	19/6	...
35/6	27/3	10⅝ c	10 c	Furness Withy £1	34/6	35/–	5·71
20/6	14/6	10 b	10 a	London & Overseas ... 5/–	20/–	20/–*	5·00
38/–	22/–	8 b	3 a	P & O Defd. £1	37/3	38/3	5·75
17/9	12/–	5 c	Nil	Reardon Smith 10/–	17/6	17/6	...
25/6	19/3	7½ c	9 c	Royal Mail £1	23/6	24/–	7·50
				MINES			
173/9	115/–	60 b	20 a	Anglo-American 10/–	169/4‖	165/–	4·85
116/3	73/9	10 a	15 b	General Mining £1	115/–	114/4½	4·37
80	36/7½	80 b	40 a	Union Corporation ..2/6	49/4½	48/6	6·19
34/3	23/10½	50 a	50 b	Daggafontein 5/–	32/7½*	31/4½	15·94
119/9	76/3	40 a	60 b	Free State Geduld 5/–	113/9	115/–	4·35
69/9	56/–	35 b	35 a	Hartebeestfontein 10/–	65/6*	63/–	11·11
68/9	46/6	50 a	50 b	*President Brand* 5/–	68/3	66/4½	7·53
121/10½	84/4½	60 a	80 b	Western Holdings 5/–	121/3	119/4½	5·86
67/3	41/6	12½ b	5 a	Consolidated Zinc £1	62/9	65/3	5·36
130/–	80/7½	120 b	80 a	De Beers Defd. Reg. .. 5/–	123/11½	130/–	7·69
$169	$132¾	$3·75c	$3·75c	international Nickel.n.p.v.	$155¾	$157½	4·24
8/7½	6/4½	20 a	5 b	London Tin 4/–	8/–	8/–	12·50
83/11½	50/7½	10 a	30 b	Rhod. Anglo-Amer.... 10/–	80/7½	83/11½	4·81
62/4½	45/7½	†15 c	26 c	Rio Tinto Reg. 10/–	55/7½	53/9	4·84
9/9	6/10½	1½ a	4½ b	Roan Antelope 5/–	8/6	8/4½	3·10h
67/–	42/6	15 a	17½ b	Tanganyika Cons. 10/–	55/–	53/–	6·13
11/7½	7/10½	60 c	20 a	Tronoh 5/–	11/7½	11/7½*	...
				TEA AND RUBBER			
26/3	19/6	†2½ a	†10 b	Cons. Tea & Lands £1	24/9	24/–	18·13
27/9	20/–	†5 a	†5 b	Jokai (Assam) £1	24/6	23/–	15·13
22/3	17/–	10 b	4 a	Nuwara Eliya £1	17/3	16/9	16·72
1/1 1/4	1/1½	1½ b	4 a	Grand Central 2/–	1/33½	1/4½	29·09
4/–	2/4½	25 b	5 a	*London Asiatic* 2/–	3/93/4	3/11½	15·24
101 4d	51 4d	6 c	8 c	United Serdang 2/–	93 4d	101 4d	18·73
66/6	46/–	37½ b	12½ a	United Sua Betong £1	64/6	66/6	15·04
61/3	43/9	5 b	12½ b	Harrisons & Cros. Defd. £1	53/9	58/9	5·96



STOCK EXCHANGE INDICATORS

LONDON

The Economist Indicator

1958/9	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
Dec. 17	242·5	5·22				
,, 24	246·7	5·15				
,, 31	255·6	4·98				
Jan. 7	249·3	5·15	255·6	166·1	225·0	171·2
,, 14	252·9	5·07	(Dec. 31)	(Feb. 26)	(July 10)	(Nov. 6)

* 1953 = 100.

Financial Times Indices

1958/9	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
Jan. 7	218·6	5·31	93·00	4·72	14,653	*High*	*High*
,, 8	216·5	5·36	93·08	4·71	13,320	225·5	207·6
,, 9	219·5	5·29	93·41	4·67	12,896	(Dec. 31)	(July 9)
,, 12	220·9	5·25	93·49	4·67	16,873	*Low*	*Low*
,, 13	220·6	5·26	93·48	4·69	15,820	154·4	159·0
,, 14	220·9	5·25	93·46	4·71	14,167	(Feb. 25)	(Nov. 5)

† July 1, 1935 = 100. ‡ 1928 = 100.

NEW YORK

Standard and Poor's Indices (1941–3 = 10)

1958/9	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Dec. 17	57·64	3·21	33·69	4·60	42·34	3·88	90·90	3·80
,, 22	57·30	3·23	33·56	4·62	42·50	3·86	90·60	3·83
,, 30	58·65	3·15	34·23	4·53	43·13	3·81	90·60	3·83
Jan. 7	58·51	3·16	34·83	4·45	43·63	3·76	90·50	3·84
,, 14	59·25	3·12	35·82	4·33	44·21	3·71	89·90	3·90

425 Industrials :—1958/9 : High, 59·46 (Jan. 12, 1959) ; Low, 48·20 (Jan. 10, 1958).

† Ex dividend. ‡ Tax free. ; Assumed average life 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date. (m) Assented stock.

** Yields based on assumed dividends:—Babcock & Wilcox, 13%. Boots, 14⅔%. Bowmaker, 25%. British Motor, 17½%. British Aluminium, 17½%. *Debenham*, 15%. E.M.I., 20%. Land Securities, 6%. London & County, 62⅔%. Joseph Lucas, 10%. Midland, 20%. Schweppes, 15%. Steel Co. of Wales, 9%. Triplex, 27½%.

Industrial Profits and Assets

The tables below continue the analysis of company balance sheets and profit and loss accounts which was introduced in *The Economist* of January 22, 1949; the figures are discussed on an earlier page in this issue.

Comparative analysis of 506 profit and loss accounts published October-December, 1958 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(32)		(12)		(19)		(11)		(2)		(27)		(62)		(14)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	37,966	39,291	2,911	2,779	31,422	34,512	7,824	7,631	35	42	12,042	12,857	30,046	31,997	22,994	23,269
Income from investments	1,134	1,289	46	51	849	1,039	23	34	46	6	243	289	980	1,089	691	1,165
Other current income	...	...	...	...	69	59	1	2	...	...	...	...	18	26	...	3
Non-recurring credits	454	406	23	78	605	380	427	177	2	30	358	291	1,042	1,371	161	204
Total Income	39,564	40,986	2,980	2,908	32,945	35,990	8,275	7,904	83	73	12,643	13,437	32,086	34,483	23,846	24,641
Depreciation	3,954	4,549	329	355	7,054	7,952	589	779	12	13	2,496	2,934	5,163	5,657	4,613	4,595
Income tax	13,719	14,019	1,022	901	9,733	11,417	2,911	2,712	25	39	3,907	4,023	10,160	10,730	8,163	8,281
Profits tax	4,121	3,580	280	249	1,998	2,147	1,059	860	4	6	978	941	2,720	2,837	1,724	1,917
Directors' emoluments	955	908	240	257	576	601	293	321	21	25	571	647	1,692	1,714	611	600
Administrative charges	163	163	18	18	169	222	125	129	26	17	170	254	244	258	194	15
Contingencies, provisions, etc.	65	144	26	26	616	934	21	27	21	36	203	203	388	419	16	2
Pensions	368	370	39	45	905	694	53	118	...	...	214	218	162	182	75	46
Minority interests	238	174	4	3	346	301	268	260	...	...	45	59	60	42	141	164
Loan interest	1,720	1,609	122	126	485	536	152	151	...	...	241	247	138	150	70	387
Preference dividends	832	871	120	142	654	648	282	282	...	...	220	197	230	230	245	246
Profits retained by subsidiaries	2,789	3,428	159	177	3,225	3,046	1,030	970	18	6	668	554	2,866	2,861	1,270	1,212
Ordinary dividends	6,675	6,991	294	298	2,703	3,118	1,261	1,230	6	9	1,498	1,569	4,251	4,353	2,099	2,336
Revenue reserves	3,775	3,846	335	295	3,815	4,438	186	149	...	...	1,478	1,501	4,203	3,709	4,361	4,521
Brought in (parent company)	5,615	5,805	681	633	2,420	3,036	1,188	1,233	Dr. 134	Dr. 134	1,817	1,771	8,105	7,914	3,749	4,013
Carried forward (parent company)	5,805	5,939	693	699	3,086	3,022	1,233	1,249	Dr. 184	Dr. 257	1,771	1,861	7,914	9,247	4,013	4,332

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(7)		(7)		(15)		(37)		(12)		(92)		(5)		(9)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	7,072	7,112	5,176	5,366	13,967	14,274	70,012	94,213	4,933	6,021	47,283	45,195	1,622	1,200	3,737	1,818
Income from investments	285	371	247	433	243	297	822	1,441	235	178	1,818	2,136	159	237	144	141
Other current income	...	...	1	1	...	...	140	139	...	...	358	547	...	...	...	...
Non-recurring credits	...	28	28	203	65	71	5,236	2,177	180	106	1,629	2,946	6	17	77	655
Total Income	7,357	7,511	5,452	6,003	14,275	14,542	76,240	97,961	5,348	6,305	51,093	50,824	1,787	1,454	3,953	2,614
Depreciation	1,012	1,112	1,073	1,254	2,042	2,187	19,531	22,926	720	933	9,031	9,863	285	213	996	866
Income tax	2,584	2,559	1,438	1,524	5,347	5,160	21,483	30,855	1,753	2,071	16,539	15,535	495	169	885	436
Profits tax	596	608	339	426	994	1,012	5,265	5,952	494	592	3,773	3,460	145	43	316	186
Directors' emoluments	282	262	259	263	620	607	1,411	1,583	256	258	2,114	2,177	30	26	270	223
Administrative charges	13	11	28	35	62	63	187	211	65	65	746	902	19	13	38	52
Contingencies, provisions, etc.	...	...	6	23	1,049	509	2,699	3,467	79	19	1,470	886	11	...	45	12
Pensions	12	10	267	286	48	47	1,730	1,721	18	60	293	313	...	...	60	61
Minority interests	...	...	13	8	168	205	722	2,031	20	61	207	324	1	2	5	...
Loan interest	6	...	257	438	241	262	363	942	32	37	533	638	70	145	167	162
Preference dividends	96	96	141	139	183	182	898	958	165	160	675	691	20	20	49	39
Profits retained by subsidiaries	694	574	22	32	1,094	1,799	7,196	7,962	150	236	2,960	2,537	43	31	552	129
Ordinary dividends	750	747	580	672	1,419	1,416	7,617	7,807	1,194	1,033	5,510	5,768	194	171	499	390
Revenue reserves	1,326	1,246	929	875	540	2,198	5,039	12,743	361	286	8,887	6,063	475	375	270	244
Brought in (parent company)	1,629	1,615	630	680	4,740	5,208	10,369	12,463	3,750	3,791	10,277	8,632	346	344	2,900	2,708
Carried forward (parent company)	1,615	1,901	680	709	5,208	4,203	12,463	11,216	3,791	4,285	8,632	10,291	344	590	2,708	2,522

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS 506 Companies	
No. of Companies	(5)		(8)		(11)		(1)		(54)		(21)		(43)			
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	257	220	2,487	1,377	5,237	4,294	57	66	3,849	2,952	2,044	1,410	11,321	10,187	324,329	348,143
Income from investments	10	14	36	39	203	217	...	...	296	354	144	147	456	599	9,110	11,566
Other current income	...	...	...	...	3	3	...	...	57	47	4	7	153	199	804	1,024
Non-recurring credits	...	12	108	100	69	155	4	1	672	538	250	175	315	556	11,721	10,677
Total Income	267	246	2,631	1,516	5,512	4,669	61	67	4,874	3,891	2,442	1,739	12,245	11,541	345,964	371,410
Depreciation	57	65	350	385	1,916	2,084	12	15	279	293	111	122	1,042	1,080	62,668	70,237
Income tax	73	59	761	367	1,273	854	8	14	1,273	1,194	752	622	3,344	3,011	107,653	116,570
Profits tax	29	14	223	138	349	265	3	5	412	73	279	90	1,137	834	27,288	26,243
Directors' emoluments	38	35	178	172	327	262	9	10	111	94	50	42	332	367	11,246	11,454
Administrative charges	1	3	7	9	35	42	3	8	128	130	45	54	375	344	2,859	3,011
Contingencies, provisions, etc.	...	...	7	18	57	65	...	...	350	440	79	51	145	196	7,350	7,477
Pensions	1	1	16	12	20	21	...	...	12	...	20	10	71	84	4,384	4,291
Minority interests	...	...	16	14	Dr. 50	Dr. 43	...	...	7	5	...	14	103	92	2,314	3,711
Loan interest	3	3	80	73	148	150	...	...	26	10	12	7	2,050	2,593	6,916	8,861
Preference dividends	13	9	40	47	120	120	...	...	7	4	30	31	326	328	5,346	5,451
Profits retained by subsidiaries	10	Dr. 3	263	21	209	59	...	...	Dr. 11	6	...	31	366	515	25,573	24,088
Ordinary dividends	43	16	341	246	470	436	5	8	1,491	981	584	444	1,724	1,604	41,198	41,643
Revenue reserves	...	15	310	65	585	127	...	...	730	546	478	275	941	570	39,024	44,087
Brought in (parent company)	292	291	736	778	394	447	Dr. 18	3	1,071	1,130	368	370	2,269	2,558	63,194	65,339
Carried forward (parent company)	291	320	778	727	447	674	3	10	1,130	1,245	370	316	2,558	2,471	65,339	67,602

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

Comparative analysis of 506 balance sheets published October-December, 1958 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(32)		(12)		(19)		(11)		(2)		(27)		(62)		(14)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	215,595	228,661	8,737	9,673	134,007	153,175	44,938	48,309	424	412	46,786	51,969	88,525	99,955	67,409	69,086
Trade investments	6,820	7,411	141	153	4,731	5,383	259	342	310	310	1,146	1,242	3,157	3,464	4,202	10,493
Stocks	38,193	38,620	7,866	8,527	85,356	86,609	12,057	12,605	516	572	23,925	24,573	58,106	58,961	37,960	37,077
Debtors	20,852	21,730	2,362	2,376	31,847	35,701	11,046	12,288	224	289	18,429	18,911	39,672	41,756	32,898	29,244
Net balances due to parent company	...	...	...	...	497	205	...	...	172	14	...	...	73	80	10	33
Gilt-edged	7,122	7,670	259	90	3,006	4,056	16	24	...	...	53	70	3,566	4,509	1,048	911
Cash	19,415	20,621	2,528	2,286	12,913	17,947	1,792	3,444	35	54	4,071	4,078	21,467	21,553	16,867	17,982
Other marketable investments	1,107	971	82	74	781	995	315	317	...	...	4,038	3,897	2,525	1,926	429	460
Intangible assets	6,787	6,710	729	780	402	438	3,757	4,216	776	863	1,370	1,408	2,020	1,921	2,066	2,334
Total Assets	315,891	332,394	22,704	23,959	273,540	304,509	74,180	81,545	2,457	2,514	99,818	106,148	219,111	234,125	162,889	167,620
Bank overdrafts and loans	931	1,611	1,493	2,137	25,686	30,619	3,736	3,760	354	343	4,855	4,736	4,495	5,596	212	589
Reserve for future income tax	13,562	13,157	1,462	1,315	8,881	10,355	3,518	3,199	29	41	4,483	4,424	12,058	12,787	7,863	8,048
Depreciation and obsolescence	29,604	33,268	1,982	2,154	42,817	49,885	4,848	5,284	123	121	18,309	20,276	33,892	37,834	25,267	27,778
Capital reserves	30,728	31,549	1,413	1,700	24,424	29,229	10,580	13,466	61	35	3,045	3,278	17,224	18,125	18,391	18,092
Other provisions	1,415	1,431	57	53	3,489	3,859	1,118	1,097	...	...	451	779	1,907	1,770	179	179
Creditors	31,136	31,074	2,365	2,176	37,104	41,087	7,402	7,944	63	90	13,856	13,724	25,264	25,877	18,942	14,595
Other current liabilities	19,592	20,090	1,430	1,553	16,891	18,513	6,068	7,606	23	43	5,642	5,955	19,509	18,785	11,326	11,364
Revenue res. and carried forward	55,452	62,958	4,309	4,555	45,587	49,666	11,998	12,862	228	257	20,416	22,556	50,181	55,519	43,395	49,109
Net balances due to subsidiaries	...	...	5	...	2,640	2,712	...	...	...	...	26	35	54	18	54	18
Minority interests	4,832	4,836	104	109	6,387	7,034	5,543	5,584	1	...	1,081	1,232	1,311	1,199	1,704	1,835
Loan capital	41,135	42,377	1,281	1,154	9,763	10,769	3,663	3,626	...	9	4,755	5,270	2,734	3,171	7,550	7,551
Preference capital	25,852	25,857	3,253	3,253	18,569	18,569	7,740	7,740	1,275	1,275	6,961	6,954	7,287	7,287	7,751	7,745
Ordinary capital	61,652	64,186	3,550	3,800	31,302	32,212	7,966	9,377	300	300	15,963	16,963	43,223	46,140	20,255	20,717
Total Liabilities	315,891	332,394	22,704	23,959	273,540	304,509	74,180	81,545	2,457	2,514	99,818	106,148	219,111	234,125	162,889	167,620
Year's Free Scrip Issues	2,078	2,152	—	250	8,140	—	—	—	—	—	158	—	2,446	2,836	329	300

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(7)		(7)		(15)		(37)		(12)		(92)		(5)		(9)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	23,305	25,585	18,211	21,747	27,075	30,032	280,339	380,186	17,281	18,984	160,397	175,762	8,039	8,799	25,592	26,864
Trade investments	436	627	2,228	2,596	2,508	2,470	12,177	17,285	869	947	8,832	10,408	172	236	559	559
Stocks	23,712	23,169	11,026	9,951	28,664	25,938	180,319	208,599	6,940	7,055	87,175	88,161	24	27	14,372	14,500
Debtors	5,390	6,483	4,522	4,952	23,424	27,028	123,205	130,852	7,432	7,553	84,302	91,698	1,009	1,066	7,468	6,919
Net balances due to parent company	...	...	...	...	...	...	13	...	38	18	95	51	48	...	727	598
Gilt-edged	457	457	4,365	4,555	217	319	2,426	5,328	...	144	18,199	18,251	2,050	2,050	112	111
Cash	7,107	9,810	1,074	1,531	6,626	7,784	35,584	45,716	2,815	2,868	32,635	27,681	2,005	1,416	4,294	3,714
Other marketable investments	3,213	3,636	2	2	38	37	1,748	1,761	1,518	1,475	1,764	1,095	1,472	1,835	73	55
Intangible assets	...	...	2,983	2,993	2,611	2,876	3,037	2,930	4,502	4,552	5,061	5,166	48	48	268	344
Total Assets	63,620	69,767	44,411	48,327	91,163	96,484	638,848	792,657	41,395	43,596	398,460	418,273	14,867	15,477	53,465	53,664
Bank overdrafts and loans	152	632	10	45	6,147	4,690	40,296	46,249	1,179	1,168	19,836	24,481	...	...	405	823
Reserve for future income tax	2,544	2,490	2,164	2,449	2,982	2,825	24,182	37,165	1,658	2,073	14,413	12,845	746	605	867	402
Depreciation and obsolescence	10,532	11,571	6,086	7,084	10,896	12,560	120,798	172,144	6,064	6,441	62,579	69,567	290	229	9,583	10,480
Capital reserves	3,871	3,900	3,196	3,295	4,998	4,977	22,717	27,633	2,189	2,535	50,684	49,879	1,841	2,066	5,058	5,100
Other provisions	113	108	3	3	318	328	3,821	10,303	...	...	6,545	5,829	...	...	25	13
Creditors	6,473	6,695	4,255	4,606	18,720	20,506	112,618	123,166	5,469	5,770	59,325	54,689	2,405	2,200	3,284	2,839
Other current liabilities	13,924	16,376	2,578	2,821	7,391	7,622	45,237	47,019	2,761	3,081	23,619	22,432	361	296	1,627	1,634
Revenue res. and carried forward	14,977	16,963	5,729	6,627	15,012	16,021	103,083	116,757	10,288	9,955	62,495	72,198	4,445	4,956	14,416	14,169
Net balances due to subsidiaries	40	38	...	...	...	...	...	...	136	89	816	1,368	...	...	...	...
Minority interests	...	...	171	172	1,205	1,199	9,743	37,197	690	741	3,964	4,269	20	22	52	51
Loan capital	...	...	8,219	8,128	4,475	4,585	8,645	22,683	771	737	9,564	11,377	1,270	1,614	3,932	3,838
Preference capital	2,777	2,777	5,198	5,198	5,598	5,565	30,513	30,513	4,162	4,162	19,534	19,579	686	686	2,239	2,239
Ordinary capital	8,217	8,217	6,802	7,899	13,421	15,606	117,195	121,828	6,028	6,844	65,086	69,760	2,803	2,803	11,977	12,076
Total Liabilities	63,620	69,767	44,411	48,327	91,163	96,484	638,848	792,657	41,395	43,596	398,460	418,273	14,867	15,477	53,465	53,664
Year's Free Scrip Issues	150	—	—	—	1,336	2,120	450	3,266	300	850	11,116	3,272	750	—	—	100

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS 506 Companies	
No. of Companies	(5)		(8)		(11)		(1)		(54)		(21)		(43)			
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	1,848	1,892	7,259	7,745	24,520	24,268	161	185	21,136	21,454	7,788	8,545	98,749	110,091	1,328,121	1,523,379
Trade investments	1	1	419	426	1,283	1,328	2	2	930	1,304	555	548	5,078	5,305	56,815	72,840
Stocks	1,020	1,104	13,857	11,350	13,384	13,152	25	34	1,946	1,892	3,005	2,860	5,859	6,503	655,307	681,839
Debtors	433	452	4,864	3,819	5,770	5,458	76	108	955	819	2,521	2,181	42,511	51,795	471,212	503,478
Net balances due to parent company	...	...	...	...	498	544	...	...	...	...	...	...	45	286	2,216	1,829
Gilt-edged	7	7	...	...	200	190	...	...	1,509	1,385	977	924	1,057	683	46,646	51,734
Cash	289	346	844	1,088	2,532	2,672	...	6	5,978	4,632	3,020	2,237	6,990	7,166	190,881	206,632
Other marketable investments	148	184	...	...	1,564	1,621	...	...	694	665	155	210	2,717	3,124	24,383	24,340
Intangible assets	147	119	405	393	284	252	33	33	15	17	91	100	1,781	1,527	39,173	40,020
Total Assets	3,893	4,105	27,648	24,821	50,035	49,485	297	368	33,163	32,168	18,112	17,605	164,787	186,480	2,814,754	3,106,091
Bank overdrafts and loans	186	265	4,899	2,725	1,464	888	7	...	45	54	292	266	14,801	20,051	131,481	151,728
Reserve for future income tax	81	63	1,161	818	1,929	1,367	8	14	1,066	609	612	237	1,589	1,669	107,858	118,957
Depreciation and obsolescence	1,239	1,309	3,052	3,384	5,989	5,461	100	108	2,936	3,114	842	823	6,272	7,248	404,200	488,123
Capital reserves	157	157	1,265	1,171	8,016	9,939	4	4	4,049	4,504	2,209	2,192	17,971	22,681	234,111	255,507
Other provisions	13	13	33	33	205	205	...	...	1,044	1,321	215	273	1,150	1,258	22,101	28,855
Creditors	245	359	2,832	2,834	4,389	3,621	73	112	2,302	2,452	2,334	2,186	14,386	11,758	375,242	380,360
Other current liabilities	113	91	1,322	848	1,928	1,885	7	25	2,432	1,819	2,791	2,580	12,757	17,541	199,329	209,979
Revenue res. and carried forward	779	769	5,271	4,718	11,787	11,789	5	12	5,317	4,956	3,021	3,189	14,681	15,411	502,872	555,972
Net balances due to subsidiaries	...	...	...	...	...	10	...	...	...	...	...	9	85	127	3,803	4,407
Minority interests	...	...	168	166	707	211	...	...	137	141	...	34	2,763	2,215	40,585	68,247
Loan capital*	43	42	1,694	1,527	3,612	3,612	...	...	397	133	286	193	47,210	51,646	160,999	184,042
Preference capital	270	270	1,200	1,450	4,536	4,536	...	...	42	42	816	816	10,014	10,727	166,273	167,240
Ordinary capital	767	767	4,751	5,147	5,473	5,961	93	93	13,376	13,023	4,694	4,807	21,006	24,148	465,900	492,674
Total Liabilities	3,893	4,105	27,648	24,821	50,035	49,485	297	368	33,163	32,168	18,112	17,605	164,787	186,480	2,814,754	3,106,091
Year's Free Scrip Issues	—	—	—	396	—	488	—	—	89	150	—	65	820	1,755	36,162	18,000

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended January 10, 1959, there was an "above-line" surplus (after allowing for Sinking Funds) of £122,278,000 compared with a surplus of £40,285,000 in the previous 3 days and a surplus of £135,490,000 in the corresponding period of last year. There was a net expenditure "below-line" of £11,716,000 leaving a total deficit of £804,686,000 compared with £770,778,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to Jan. 11, 1958	April 1, 1958, to Jan. 10, 1959	Week ended Jan. 11, 1958	Week ended Jan. 10, 1959
Ord. Revenue					
Income Tax	2312,500	1056,053	1104,229	149152	132652
Surtax	163,000	72,100	76,000	10,000	13,400
Death Duties	163,500	130,500	141,600	2,100	2,900
Stamps	56,250	51,800	47,000	800	1,100
Profits Tax, EPT & EPL	275,000	205,400	232,000	3,700	6,600
Other Inland Rev. Duties	...	350	150	200	...
Total Inland Rev.	2970,250	1516,203	1600,979	165952	156652
Customs	1256,940	953,397	1002,607	19,992	23,061
Excise	932,310	715,935	702,000	4,465	5,145
Total Customs and Excise	2189,250	1669,332	1704,607	24,457	28,206
Motor Duties	104,000	58,829	56,565	18,340	16,927
PO (Net Receipts)	2,000	2,350	...	*Dr.* 200	...
Broadcast Licences	34,000	21,200	22,900	...	...
Sundry Loans	30,000	29,273	26,152	1,642	26
Miscellaneous	110,000	132,060	71,402	8,909	1,691
Total	5439,500	3429,248	3482,605	219101	203502
Ord. Expend.					
Debt Interest	695,000	516,585	533,904	9,334	5,114
Payments to N. Ireland Exchequer	73,000	51,330	55,476	3,677	3,946
Other Cons. Funds	10,000	7,981	7,329	...	111
Supply Services	4292,859	3094,115	3190,202	69,800	70,500
Total	5070,859	3670,011	3786,911	82,812	79,671
Sinking Funds	38,000	27,537	28,266	800	1,553
"Above-line" Surplus or Deficit	— 268,300	— 332,572	+ 135490	+ 122278	
"Below-line" Net Expenditure	502,478	472,114	11,689	11,716	
Total Surplus or Deficit	— 770,778	— 804,686	+ 123801	+ 110562	
Net Receipts from:					
Tax Reserve Certificates	167,580	211,913	–35911	–14878	
Savings Certificates	–18,000	106,000	–1200	3,400	
Defence Bonds	–28,785	74,036	–884	3,972	
Premium Savings Bonds	60,220	52,745	1,980	2,800	
Total	181,015	444,694	–36915	4,706	

* *Including* net receipts of the Civil Contingencies Fund of £11 million in 1957 and 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Jan. 11	3,410·0	2,192·2	237·0	...	5,839·2
Oct. 11	3,310·0	1,773·4	183·1	...	5,266·5
„ 18	3,320·0	1,756·1	214·2	...	5,290·3
„ 25	3,330·0	1,771·8	180·8	...	5,282·7
Nov. 1	3,340·0	1,755·3	193·9	...	5,289·2
„ 8	3,350·0	1,739·5	166·7	...	5,256·2
„ 15	3,370·0	1,655·2	194·4	...	5,219·6
„ 22	3,390·0	1,661·0	175·6	...	5,226·5
„ 29	3,410·0	1,659·2	173·3	...	5,242·5
Dec. 6	3,420·0	1,688·0	176·8	...	5,284·9
„ 13	3,440·0	1,687·6	190·1	...	5,317·7
„ 20	3,460·0	1,761·9	184·7	...	5,406·6
„ 31	5 351·0		222·2	0·3	5,573·4
1959					
Jan. 3	3,500·0	1,789·8	205·6	...	5,495·4
„ 10	3,450·0	1,734·9	206·0	...	5,390·8

THE MONEY MARKET

FUNDS remained in short supply throughout the week despite direct and indirect help from the authorities. Small amounts had to be taken from the Bank on Thursday of last week and again on Monday and Wednesday. Tax transfers caused acute shortages at some stages and 3¼ per cent was conceded for overnight loans, but the heavy tax transfers on Thursday were offset by repayment of outstanding 2 per cent Conversion Stock and funds were just adequate without any intervention from the authorities. The amount of Treasury bills offered at this week's tender has been cut by £20 million to £240 million; and as maturities of £60 million of 63-day bills next week supplement £250 million of 91 day bills, the market will have a surplus of maturities of £70 million on a full allotment.

At last week's tender the discount houses kept the syndicated bid at £99 4s. 3d. for the fourth week running and received 47 per cent of its application at that rate compared with 52 per cent in the previous week. The average discount rate was £3 2s. 10.22d.

The reflux of Bank notes in the three weeks to January 14th reduced the active circulation by £134 million, just the same as in the corresponding period a year ago.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	**Discount rates:** Bank bills:	
Deposit rates (max.):		60 days	3 1/4–3 5/16
Banks	2	3 months	3 1/4–3 5/16
Discount houses	2–2 1/4	4 months	3 1/4–3 5/16
		6 months	3 1/4–3 3/8
Money:		Fine trade bills:	
Day-to-Day	2 3/8–3 1/8	3 months	4 1/4–5
Treasury bills:		4 months	4 1/4–5
2-3 months	3 3/32	6 months	4 1/2–5 1/4

New York

	%		%
Official discount rate: (from 2%, 23/10/58)	2½	**Treasury bills:** Jan. 5	2·678
		„ 12	2·808

BANK OF ENGLAND RETURNS

(£ million)	Jan. 15, 1958	Jan. 7, 1959	Jan. 14, 1959
Issue Department:*			
Notes in circulation	1,994·8	2,086·6	2,039·2
Notes in banking dept.	55·6	63·8	61·1
Govt. debt and securities*	2,046·3	2,146·5	2,096·5
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	10·4	12·0	12·1
Bankers	209·6	193·7	208·5
Others	74·5	67·7	69·2
Total	294·5	273·4	289·8
Securities:			
Government	200·5	179·7	193·8
Discounts and advances	32·7	26·3	31·0
Other	21·8	21·1	21·2
Total	255·0	227·1	246·0
Banking department reserve	59·0	64·6	62·0
"Proportion"	% 19·6	% 23·6	% 21·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,100 million January 14, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted, at Max. Rate*
1958	91 *day*		s. d.	%
Jan. 10	260·0	398·7	126 7·25	45
Oct. 10	250·0	423·6	73 0·72	55
„ 17	250·0	435·7	72 3·08	45
„ 24	250·0	409·6	73 7·94	36
	91 *day* 63 *day*			
„ 31	200·0 50·0	442·9	71 8·23	46
Nov. 7	270·0 ...	433·7	71 7·04	45
„ 14	210·0 60·0	408·3	71 0·97	68
„ 21	210·0 60·0	408·5	68 4·68	42
„ 28	230·0 50·0	418·9	66 1·20	79
Dec. 5	260·0 30·0	439·2	64 5·75	40
„ 12	240·0 50·0	485·3	62 4·92	67
„ 19	240·0 50·0	443·5	63 0·96	73
„ 24	230·0 50·0	423·0	63 0·47	60
1959	91 *day*			
Jan. 2	260·0	402·8	62 11·35	52
„ 9	260·0	407·4	62 10·22	47

* On January 9th tenders for 91 day bills at £ 99 4s. 3d. secured 47 per cent, higher tenders being allotted in full. The offer this week was for £240 million of 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 14	Market Rates: Spot: January 8	January 9	January 10	January 12	January 13	January 14
United States $	2·78–2·82	2·80 9/16–11/16	2·80 7/16–9/16	2·80 7/16–9/16	2·80 1/2–5/8	2·80 1/2–5/8	2·80 1/2–5/8
Canadian $	...	2·71 13/16–15/16	2·71 15/16–3/16	2·71 7/8–1	2·71 13/16–3/16	2·71 11/16–3/16	2·70 15/16–7 1/16
French Fr.	13·6220–14·0265	13·76¼–½	13·75¾–76	13·75¼–½	13·75⅞–76⅛	13·75⅞–76⅛	13·75½–¾
Swiss Fr.	11·94–12·54⅞	12·10⅜–5/8	12·09½–¾	12·09⅝–¾	12·09¼–½	12·08¾–09	12·09⅛–¾
Belgian Fr.	137·96–142·05	140·50–55	140·65–70	140·55–65	140·27½–32½	140·00–05	140·05–10
Dutch Gld.	10·43–10·80	10·58–58¼	10·57⅞–59⅛	10·57⅝–⅞	10·57⅝–⅞	10·57½–¾	10·57⅜–⅝
W. Ger. D-Mk.	11·59¼–11·92¾	11·72⅜–5/8	11·72–72¼	11·71⅞–72⅛	11·72–72¼	11·72⅛–⅜	11·72–72¼
Portuguese Esc.	79·17½–81·83½	80·10–25	80·15–30	80·10–25	80·15–35	80·10–25	80·10–25
Italian Lire	1725–1775	1747¾–48¼	1746¾–47¼	1746¾–47¼	1748¾–49¼	1748¾–49¼	1747¼–¾
Swedish Kr.	14·37¾–14·59¼	14·51½–¾	14·51–51¼	14·51–51¼	14·51⅛–⅜	14·51–51¼	14·51⅛–⅜
Danish Kr.	19·06½–19·62	19·34½–35	19·35⅛–⅜	19·35–35¼	19·35⅜–⅝	19·35⅞–36⅛	19·35⅞–36⅛
Norwegian Kr.	19·71–20·30½	20·01½–02	20·01¾–02	20·01¾–02	20·01⅞–02⅛	20·01⅞–02⅛	20·01¾–02¼
One Month Forward Rates							
United States $		⅛c. pm–par	3/16–1/16c. pm	3/16–1/16c. pm	⅛c. pm–par	⅛–1/16c. pm	3/16–1/16c. pm
Canadian $		par–3/16c. dis	1/16–1/4c. dis	1/16–1/4c. dis	1/16–1/4c. dis	1/16–1/4c. pm	1/16–3/16c. dis
French Fr.		par–4c. dis	par–4c. dis	par–4c. dis	par–3c. dis	par–3c. dis	par–3c. dis
Swiss Fr.		1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1 1/2–7/8c. pm	1 1/8–7/8c. pm
Belgian Fr.		5c. pm–par	5–10c. dis	5–15c. dis	15–25c. dis	par–10c. dis	5–15c. dis
Dutch Gld.		5/8–3/8c. pm	5/8–3/8c. pm	5/8–3/8c. pm	1/2–1/4c. pm	5/8–3/8c. pm	5/8–3/8c. pm
W. Ger. D-Mk.		1/2–1/4pf. pm	5/8–3/8pf. pm	5/8–3/8pf. pm	3/4–1/2pf. pm	3/4–1/2pf. pm	5/8–3/8pf. pm
Three Months Forward Rates							
United States $		1/4–1/8c. pm	3/8–1/4c. pm	3/8–1/4c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm
Canadian $		1/16–1/4c. dis	1/8–3/8c. dis	1/8–3/8c. dis	1/8–3/8c. dis	1/8–3/8c. dis	3/16–5/16c. dis
Swiss Fr.		2 1/4–2c. pm	2 1/2–2c. pm	2 1/4–2c. pm	2 1/2–2 1/4c. pm	2 1/2–2 1/4c. pm	2 3/4–2 1/2c. pm
W. Ger. D-Mk.		1–3/4pf. pm	1 1/8–7/8pf. pm	1 1/4–1pf. pm	1 1/4–1pf. pm	1 1/4–1pf. pm	1 1/4–1pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/11¾	250/0¼	...	249/11½	249/10¾	249/11½

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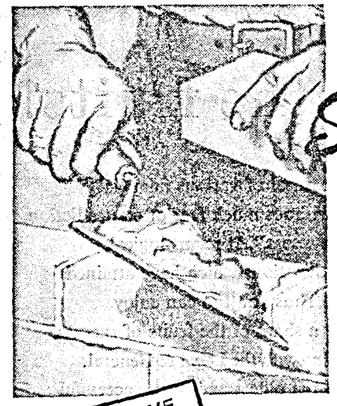
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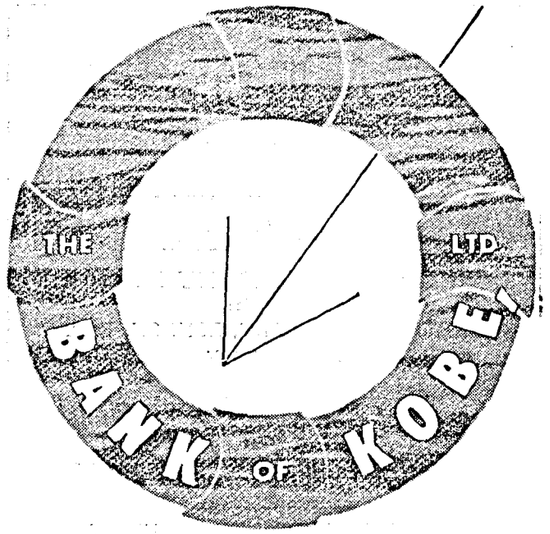
MARTINS BANK
LIMITED

STATEMENT OF ACCOUNTS 31st December 1958

LIABILITIES	£
Capital paid up	5,276,425
Reserve Fund	5,500,000
Current, deposit and other accounts (including Profit and Loss Account)	340,719,214
Acceptances and engagements on account of customers	22,285,427
	£373,781,066

ASSETS	£
Cash in hand and at Bank of England	28,013,077
Balances with, and cheques in course of collection on, other banks in the British Isles	24,079,288
Money at call and at short notice	29,312,500
Balances with banks abroad	433,115
British Government Treasury Bills	61,985,000
Bills discounted	3,898,039
Investments	89,012,882
Advances to customers and other accounts	107,498,777
Subsidiary Companies	1,600,000
Trade Investments	1,137,064
Bank Premises	4,525,897
Liability of customers for acceptances and engagements	22,285,427
	£373,781,066

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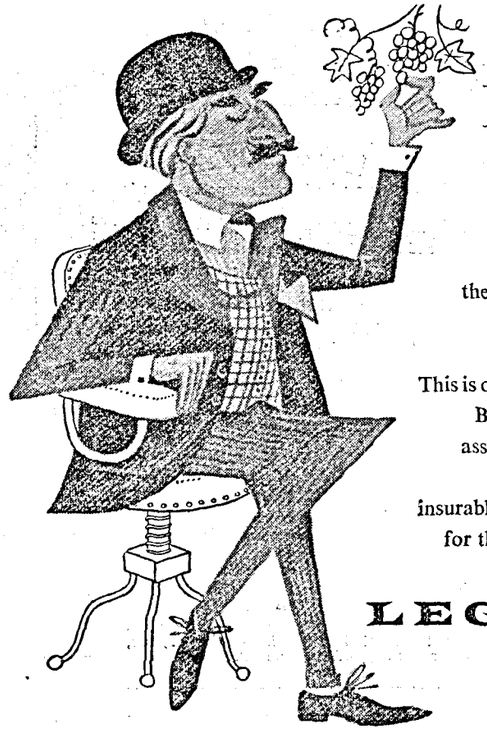


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9/- a line.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

NOTICE IS HEREBY GIVEN that the SHARE TRANSFER BOOKS of this Corporation will be CLOSED from 27th February to 13th March, 1959, both days inclusive, for the purpose of preparing for payment of Dividend for 1958.

ASHANTI GOLDFIELDS CORPORATION LIMITED

NOTICE IS HEREBY GIVEN that the Board of Directors have today recommended a Final Dividend (No. 124) on the present Issued Capital of the Corporation at the rate of 1s. per share, plus a Cash Bonus of 6d. per share from former tax over-provisions, making a total amount of 1s. 6d. per share, less Income Tax at 8s. 6d. in the £. This Dividend and Bonus which is in respect of the Year ended 31st December, 1958, is to be payable on and after 2nd April, 1959, to all Shareholders on the Registers on 6th February, 1959.

THE TRANSFER BOOKS WILL BE CLOSED from 7th February, 1959, to 15th February, 1959, both dates Inclusive, for the preparation of Dividend Lists.

By Order of the Board
H. HARRIS, *Acting Secretary*.

Registered Address:
10 Old Jewry, London, E.C.2.
8th January, 1959.

BIBIANI (1927) LIMITED

NOTICE IS HEREBY GIVEN that the Board of Directors have today recommended a Final Dividend (No. 49) on the Issued Capital of the Company at the rate of 2.4d. per share, less Income Tax at 8s. 6d. in the £. This Dividend which is in respect of the year ended 30th September, 1958, is to be payable on and after 2nd April, 1959, to all Shareholders on the Registers on 6th February, 1959.

THE TRANSFER BOOKS WILL BE CLOSED from 7th February to 15th February, 1959, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board
H. HARRIS, *Acting Secretary*.

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(b) PROCESS DEVELOPMENT ENGINEER
who will be responsible for the engineering aspects of process development, improvement, including refrigeration. Candidates should have a degree in engineering and experience of food processing machinery.

(c) FOOD PROCESS DEVELOPMENT MANAGER
who will be responsible for carrying out investigations on the characteristics of food products and their raw materials in relation to processing methods. Candidates should have an honours degree, or equivalent, in chemistry with experience of either food processing techniques or industrial process development.

2. **AN INDUSTRIAL STATISTICIAN**
based on the London Head Office to work on a variety of operational problems. Applicants should possess a degree in statistics, or qualification by examination of the A.I.S. Practical experience in experimental design is desirable and several years' industrial experience is required.

3. **TWO WORK STUDY MANAGERS**
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Personnel Officer (Ref. DVB), BIRDS EYE FOODS LIMITED

Hesketh House, Portman Square, London, W.1

and should state for which vacancy the candidate is applying, giving details of qualifications, experience and salary required.

ORGANISATION AND METHODS. The British Oxygen Company Limited has vacancies in its Organisation and Methods Section, due to the expansion of the Section. Preference will be given to applicants between 30 and 40 with a broad practical experience in industry. Please apply in writing to the Staff Officer, The British Oxygen Co. Ltd., Bridgewater House, Cleveland Row, St. James's, London, S.W.1.

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Applications with full particulars should be sent, marked "Confidential," to The Director, International Federation of Cotton and Allied Textile Industries, 557 Royal Exchange, Manchester 2, England. They will be dealt with in the strictest confidence by an Appointments Committee.

PRODUCTION ENGINEER, first-class *ability in factory management* and preferably with specialised knowledge of Plastics, required to join team of young executives in expanding organisation. Please state qualifications, experience, and salary required in detailed application to Managing Director, Box No. 1103.

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WORKERS' EDUCATIONAL ASSOCIATION—York-shire district (South). Applications are invited for the post of Organising-Tutor in North-East Derbyshire. *Applicants should be Honours graduates in history,* economics or other subjects appropriate to adult education. Salary scale £650 x £50 to £1200. Closing date twenty-one days after the *appearance* of this advertisement. Application forms and further details from District Secretary, W.E.A., 26 Campo Lane, Sheffield, 1.

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Further particulars may be obtained from the undersigned, with whom applications, giving the names of two referees, should be lodged not later than 16th February, 1959.

CHARLES H. STEWART,
Secretary to the University.

January, 1959.

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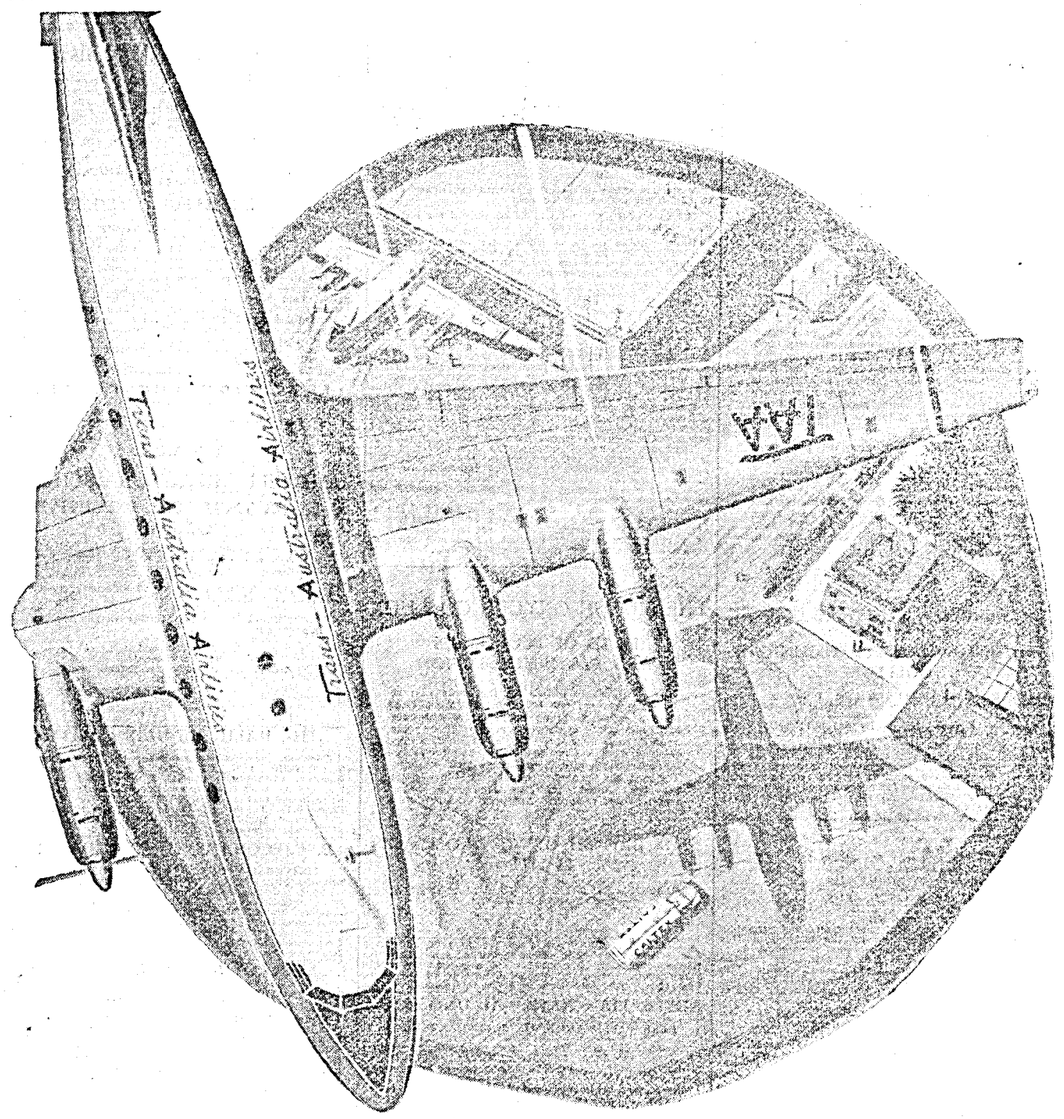
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Pre-Election Politics

Some reflections on the two big parties' methods of choosing words for their propaganda (page 293) and choosing candidates in their constituencies (page 297).

Banking for the Bankers

After last year's revolutions what have the banks to say? (page 333).

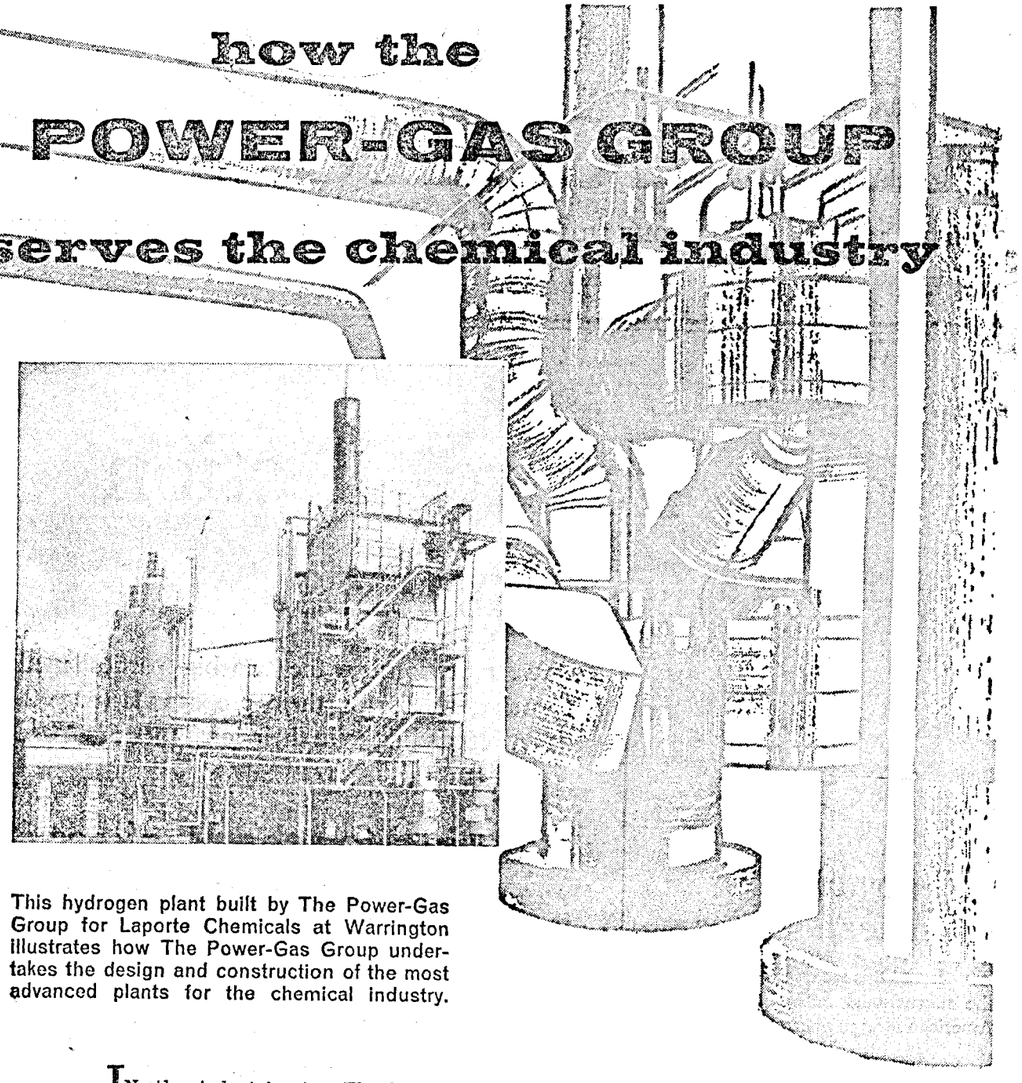
The Fight for Algeria (page 325).

Closing a Branch Line (page 335).

The Egyptian Agreement (pages 300, 326 and 336).

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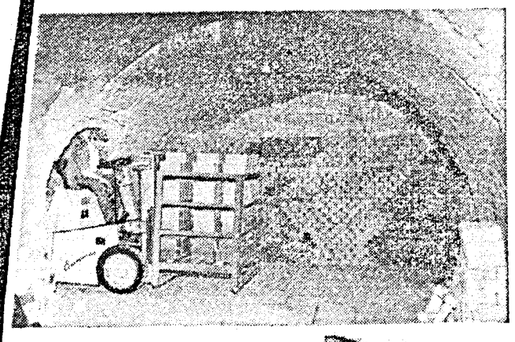
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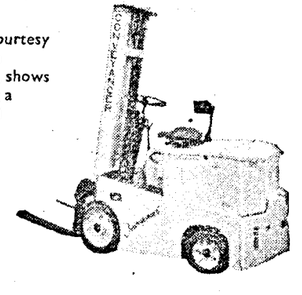
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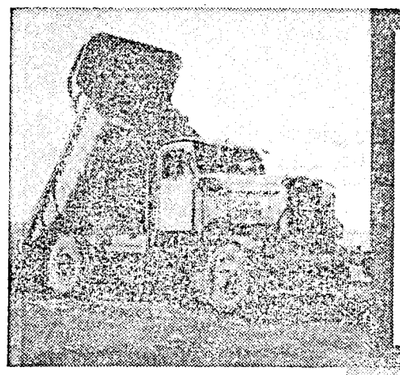
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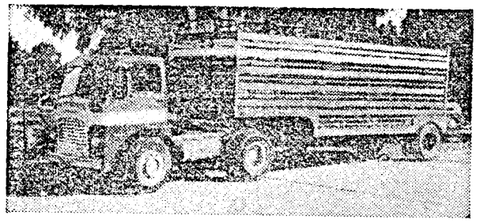
(Below) Operating in Johannesburg, this Leyland BEAVER articulated outfit is employed in transporting cattle over long distances.

(Bottom) This 8-wheeled Albion CALEDONIAN with twin rear driving axles is fitted with a 4,000 gal. tank. G.V.W. is 24 tons with payload of 16½ tons.



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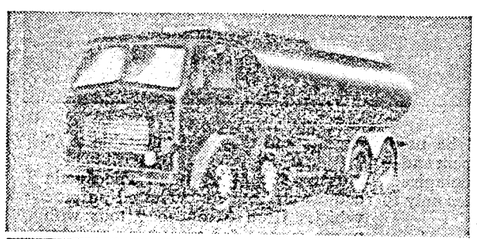


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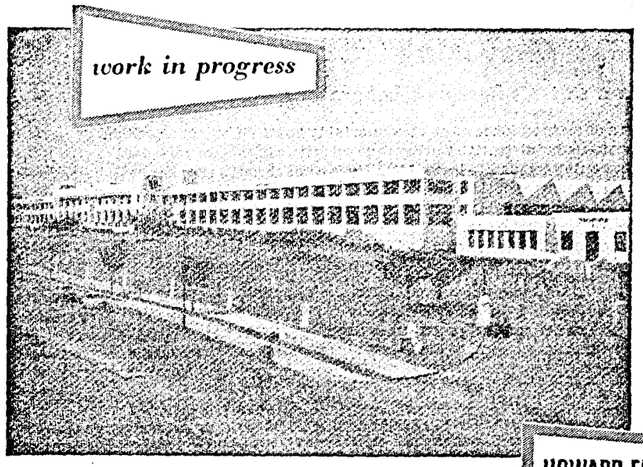
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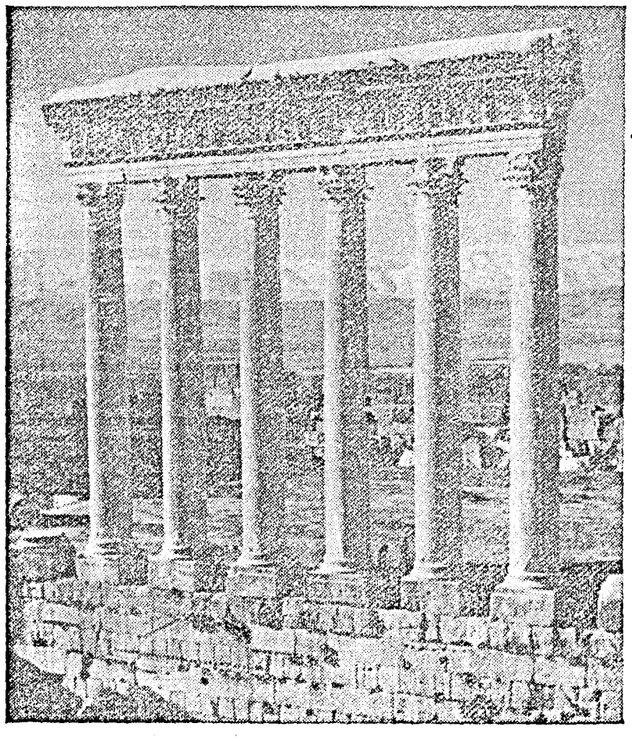
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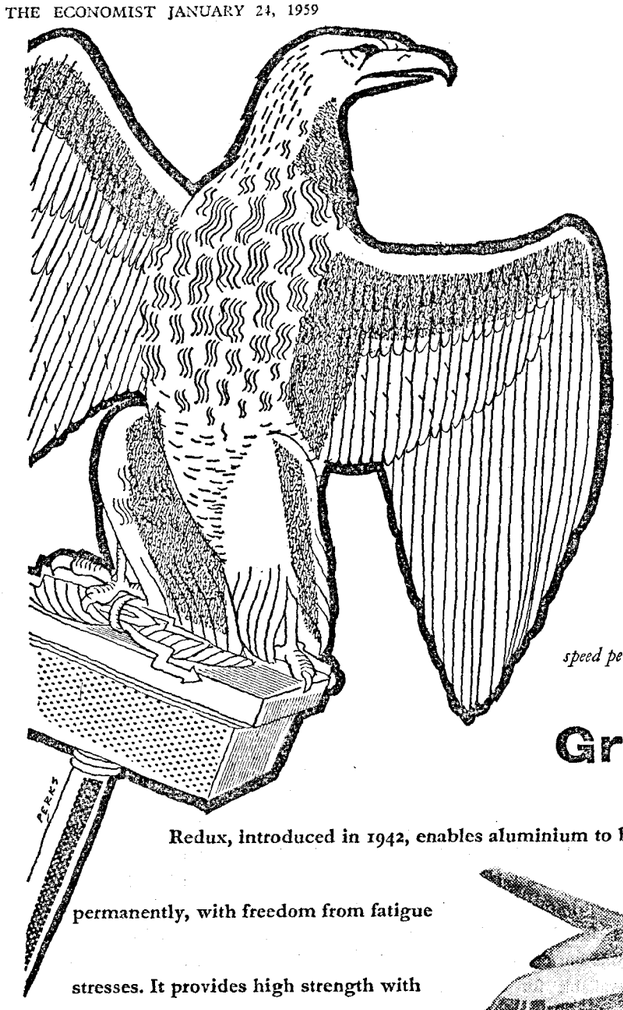
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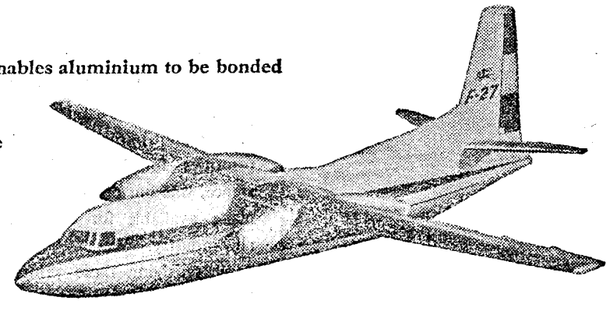


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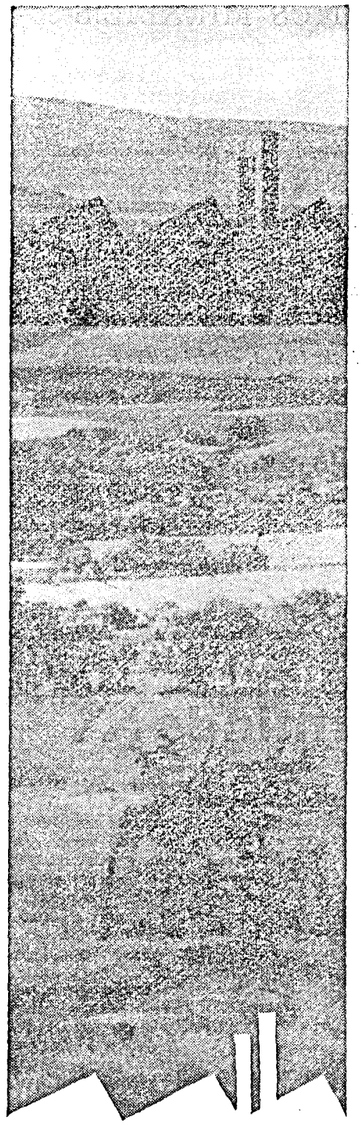
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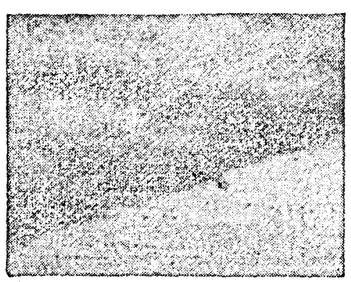
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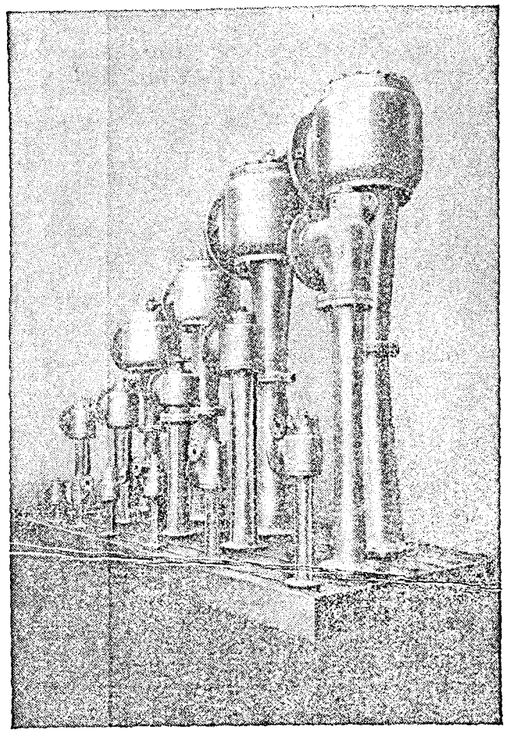
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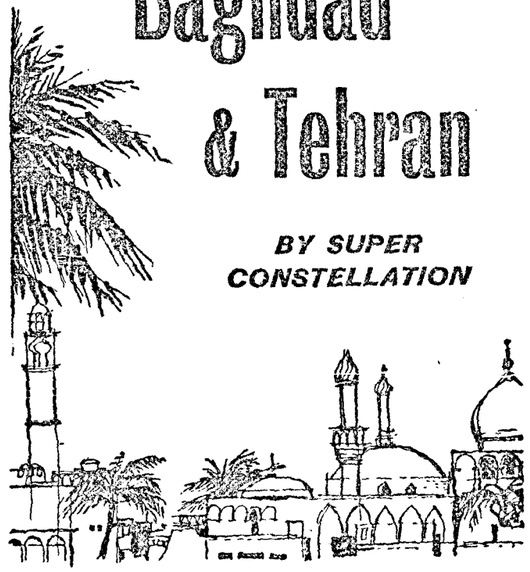
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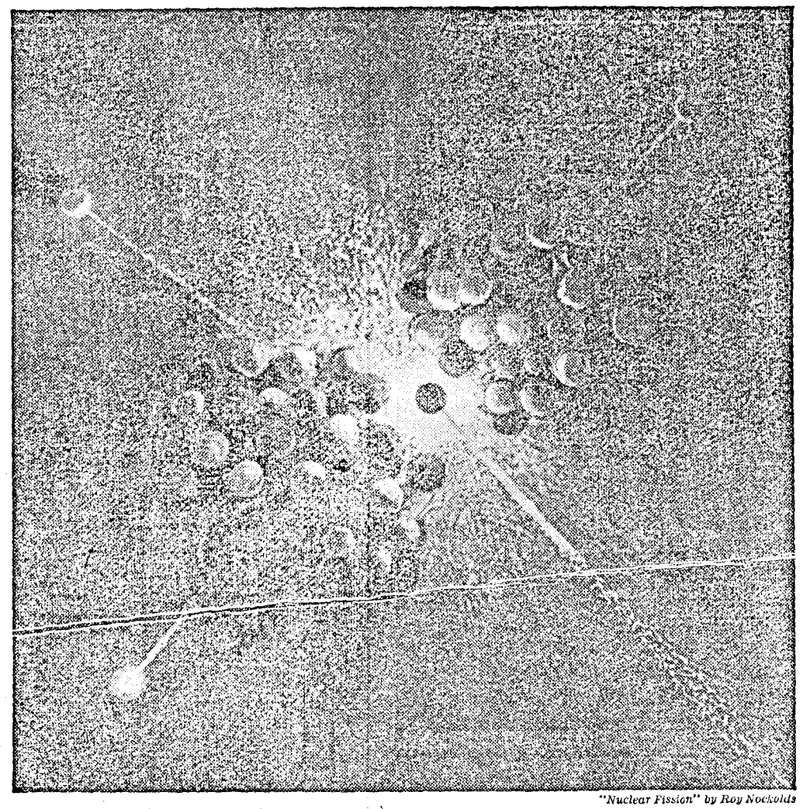
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The Economist

JANUARY 24, 1959

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Masked Words

BERNARD SHAW believed, just before he died, that life could be made easier by adding a dozen or so letters to the alphabet. What is much more obvious, just before an election, is that politics could be made easier by subtracting a dozen or so words from the language. All through history British elections have been fought with the obstruction of certain standard adjectives and phrases, which are used unnecessarily to embellish good ideas, deliberately to obscure selfish ideas or wantonly to cover up the lack of any ideas at all.

It was about this dissembling vocabulary, it will be remembered, that Ruskin waxed very cross nearly ninety years ago:

> There are masked words abroad, I say, which nobody understands, but which everybody uses, and most people will also fight for, live for, or even die for, fancying they mean this or that, or the other, of things dear to them . . . . . There were never creatures of prey so mischievous, never diplomatists so cunning, never poisoners so deadly, as these masked words; they are the unjust stewards of all men's ideas; whatever fancy or favourite instinct a man most cherishes, he gives to his favourite masked word to take care of for him: the word at last comes to have an infinite power over him —you cannot get at him but by its ministry.

Today, between one election and the next, particular masked words rise or fall in popularity as quickly as women's hemlines. It is worth examining the changing fashion in two pairs of favourite masked words for 1959, both in order to put the elector on his guard and in order to glean some clues to how the politicians think that the pattern of public opinion has altered since 1955.

At the moment it looks as if the top of the bill for the election of 1959 is going to be the masked word "national." This is at present unpopular (and therefore avoided by its sponsors) in one form only: with the suffix "-isation," meaning publicly owned industrial monopoly divorced from some of the disciplines of market control. It is also a trifle past its peak as a vote-winner when attached to the word greatness, signifying cover-up for some past snafu in the Middle East or future inclination to break the Anglo-American alliance. At any rate Conservative spokesmen would probably be unwise to make too much use of the term *national greatness* in the coming election—although Labour would still be even more unwise to attack it. But, everywhere else, it looks as if national is going to be carried in this year's manifestos like the flag.

The National Union of Mineworkers, for instance, is now on the point of persuading Labour to opt for a *national fuel policy, meaning a purely* sectional one (stopping industrialists burning oil, instead of stopping them burning coal). The Conservatives—in sharp contrast to 1955—have found that to talk of "safeguarding the national currency" is the best slogan for a cautious economic policy; while Labour talks of a "national drive for expansion" as a synonym for precisely the reverse. And there is an increase, rather than an abatement, of uses of the adjective national that have gone on unchecked for a generation; such as

putting the word before Liberal (to make it mean Conservative), or before aspirations (to excuse the skulduggery of some right wing fascist dictator in the thirties or left wing coloured dictator now), or before interest (to signify the speaker's personal opinions).

The most interesting feature of the recent rise of the masked word national has been its tendency, even on the left, to demote the favourite 1955 masked word "fair." Four years, or for that matter thirty years, ago the mineworkers' slogan would not have been a "national fuel policy" but a "fair deal for the mines." To some extent, this change in labels was a foreseeable result of the howling failure of Labour's 1955 slogan "fair shares," which the Tories managed to make to sound like a socialist desire to return to ration books, more welfare orange juice and fish queues. But, historically, one would have expected "fair" to gain in the lists during a small trade recession, such as Britain has recently been passing through. Certainly one would have expected more use to be made of the masked word "fair" competition (meaning no competition) in protest against the welcome growth of cut price supermarkets and shops.

It seems reasonable to presume that this small change between two favourite masked words does indicate some change in public attitudes. Politicians now believe that it is a little easier to persuade the ordinary elector that he is being done down by foreigners, and a little harder to persuade him that he is being done down by the British rich. To that extent, it probably marks a swing to the right in what might be called the silly centre of British politics. But two things seem to have prevented this swing in public prejudices from being translated into a swing from Labour to Conservative. One is that Labour has moved over smartly rightwards itself; the other is that the second main change in masked words since 1955 has been to Labour's advantage.

THIS second change has been the slight but significant demotion of the slogan "free" and the partial recovery of the slogan "controlled" (though only in its adjectival form). It looks as if Labour is going to poke reasonably effective fun this election at last time's boast "Conservative Freedom Works." This is peculiar, since the main burden of current Labour propaganda is not in fact that Conservative freedom has failed, but that it has been disastrously replaced by Conservative restrictionism at home and the impulse for domination abroad. Any Rip Van Winkle asked to guess which party was more in favour of holding back demand—the one whose slogan was freedom or the one whose slogan was "controlled expansion"—would surely guess the wrong way round. The return to respectability of such a slogan as "controlled expansion," in which the adjective is quite meaningless except as a vague hedge, must (in so far as it really catches on) be a sign of lack of confidence among the electorate.

Thus the main changes in basic public attitudes which the politicians seem to think have occurred since 1955 are that there has been a further definite swing away from egalitarianism and nationalisation, but possibly also a slight swing towards apprehensive protectionism and towards distaste for rash experimentation. If so, it will be, on the face of it, a startling paradox if this also presages even a small party swing from Conservative to Labour. Yet that is precisely what most people are expecting in the coming election; statisticians disagree about who is more likely to win it, but hardly anybody seems to be forecasting an actual increase in the Conservative majority. Maybe all this is a sign that politics are no longer a battle between basically differing attitudes, but only between basically similar (because equally disguised) masked words. If so, some people will conclude, Ruskin has been proved right in his warning ninety years ago that the mongrel breed of the English language could pervert the whole democratic process.

BUT an alternative and much more moral lesson can be drawn. Elections are fought on masked words mainly when they are also fought on masked attitudes; and (because of the almost automatic swing of the pendulum) such disguised battles are nearly always against the interests of the government of the day. In 1955 the Conservatives avoided the usual swing against those in authority in the only possible and positive way. They managed to pose a clearly differing image of the two parties before the electors. Voters had a picture of a Conservative party which favoured opportunity and freedom and which believed that change was its ally (massively different from the Conservative party they used to know), while Labour was regarded as favouring egalitarianism and controls.

The Labour image of 1955 was so obviously unpopular that Mr Gaitskell was bound to try to change it this time. His new image is not, in its essentials, very different from that of the old pre-1950 Conservative party, which believed that change was this nation's ally only in very small doses. In each sector where change has threatened any pain to particular interests—as in threatening the right to a specified livelihood at a specific income with specified benefits at a specific place—Labour has hurried to propose old-fashioned Conservative actions (e.g. farm and cotton protectionism, development area grants, cushions under the rent act). And the Government in this Parliament, more often than in the last, has hurried into hasty intimations that at bottom it believes in much the same thing.

It is a favourite myth that Conservative publicity has been very good this last year, and that the Opposition has suffered from making itself look too like the Government. It is not impossible that future historians may draw precisely the opposite conclusion: that Conservative publicity has been rather bad all through the period from 1955 to 1959, and that the Government has failed to counter the usual swing against authority because it has allowed itself to look, even by using some of the same masked words, too much like the Opposition.

TOWARDS THE NINETEEN-SIXTIES—I

A Holding Operation

Now that the post-war period is over, is the world entering on a period of stability, or on a new pre-war period? It is possible that the next ten years will be neither of these, but a time of change and confusion in which the big powers are powerless either to make war or to achieve their objectives by other means. This series of articles will consider the international postures of America, Russia and Britain and the outlook for some of the crucial regions of the world.

THE most enduring influence affecting American foreign policy is a profound lack of confidence in the staying power of western public opinion when exposed to a sophisticated challenge from its potential foes. Memories of Munich and the pre-war neutrality laws dominate the State Department's view of the frailties of the west European and American masses just as the recollection of Pearl Harbour dictates the Defence Department's strategic apprehensions. The diplomatic errors which marked the end of the war have also left a seemingly indelible mark. Deeply conscious of European suspicions of a Soviet-American *rapprochement* at the expense of others, the Americans forswear any desire for a "summit for two," fearing that any such experiment on their part would encourage the growth of a neutralist third force in Europe.

Mr Dulles and his Democratic predecessor, Mr Acheson, are at one in assuming that the American public, which has accepted the decisive role of American power in the defence of the West, at the cost of three-fifths of the American budget, would not be willing to support the retention of American forces in Europe if they were to be withdrawn from Germany. In Europe itself, each fears the impatient pressure of a pacifically-inclined public eroding the western negotiating position during any long drawn-out conference with the communists.

Mr Acheson has made it plain that he opposes any "summit" conference at any time; he regards any conceivable agreement that could be reached now with the Russians as sure to be disadvantageous to the West. Mr Dulles, who, being in office, has to deal with America's allies—and with a President who may still hope to round off his political life with a major stroke for world peace—has never taken so dogmatic a position. But, under his guidance, America's appearance of a muscle-bound mastodon has convinced his critics that he has been possessed by the same negative thoughts.

In fact this is only a part of the picture. Two major purposes can be discerned behind the shifting expedients of American policy: to continue to hold fast, by both precept and example, the chain of loosely interlocked western coalitions, and to force upon the Soviet leaders, by the accumulation of unmistakable evidence, a change in the Marxist doctrine of international struggle. Only if the first purpose is not relaxed do Americans consider that the second can possibly be achieved. Under some conditions, Mr Dulles is prepared to take experimental but limited risks with American and allied public morale, in order to convince the Russians that American purposes are neither inconstant nor menacing. Mr Mikoyan's visit was one such risk: a great-power conference later this year might conceivably be another.

AMERICAN officials take very seriously the role of the United States as the western leader. They are sometimes criticised, despite the magnanimity and high cost of America's comfort and aid to its allies, for a failure to lead, in the sense of providing the main source of fresh ideas and initiatives. But they are convinced that they must not behave like the legendary loud-mouthed American tourist, telling the world how to solve its problems. Whatever luxuries their allies may allow themselves in the way of independent gestures, the Americans consider that the leader's true burden is to ensure that in any change of course, even the slowest and smallest member of the convoy will not be left behind. To suggestions of bold new moves to test the sincerity of Russia or to throw it off balance, they reply that America must make sure that all round the periphery of communist power, wherever the West has friends, the news of some lightning American gambit will not produce a flight from the political dollar.

They remind their European friends that it is not only European opinion that they have to take into account. Any sign of a *rapprochement* with China, for instance, might well cause a collapse of morale among America's friends throughout the Far East, so that the communists would have gained their objective through the mere fact of negotiation, without needing to make any concessions in the negotiations themselves. Similarly, the Indian five-year plan, which deserves American support, cannot be underwritten too dramatically without upsetting the Pakistanis, who demand to know why an ally should come lower in the queue for aid than a neutralist state.

By and large, the Republican Administration seems to have accepted both the responsibilities and the limitations philosophically, on the principle that, now that the United States has replaced Britain as a world

power, it must display such British virtues as understatement and a willingness to live with a problem rather than seek to force forward immediate solutions. This tendency to what might be called a rationalised sluggishness is increased by the peculiarities of American presidential government. Lacking a proper cabinet system, the Administration is so fragmented into such fiercely autonomous instruments as the Atomic Energy Commission, the State, Defence, and Treasury Departments (not to mention the splits within these institutions) that the task of evolving a new and agreed policy cutting across strict departmental lines is exceptionally arduous, rather akin to an international negotiation. Even when the President has made an apparently binding decision, it may later be sabotaged by the losers (as the Atomic Energy Commission's pet scientists may now be doing in the case of the technical agreement at Geneva over controlling a ban on atomic tests).

All the time, moreover, there is Congress to consider, with its investigators restlessly exposing to public gaze the raw nerves of controversy within the Administration, and its uncertain readiness to sanction any changes of policy that require legal adjustments, the ratification of a treaty, or the voting of money. The need for huge annual appropriations for foreign aid subjects foreign policy to an exceptional degree of minute congressional scrutiny ; while the conviction of many American politicians that, because of the size of the national debt, their country is teetering on the verge of bankruptcy, has made it hard to obtain funds and discretionary authority needed for the longer range economic plans that would fire the world's imagination with something that would seem different from a holding operation.

When to the strains of evolving a new American proposal are added the labours of securing allied agreement, it is little wonder that American negotiators are sometimes near the end of their resources before the negotiations proper have even begun.

The Americans firmly believe that first priority must go to bolstering, by military and economic aid together, the coalitions containing the communist world, because only when the communists accept their inability to extend their conquests with impunity can there be any possibility of effective negotiations. Mr Dulles, who regards himself as a shrewd student of Marxism (although his references all come from a single canonical work, Stalin's "Problems of Leninism," which he is said to keep by his bed), believes that normal relations will become feasible only when communist theology drops the conception of spreading communism by violence and the assumption that war between capitalist and communist countries is inevitable. At Suez the exemplary American ban on violence, by whichever side, was enforced at the temporary sacrifice of harmony with allies. The intervention over Quemoy was considered to be of a piece with the intervention at Suez ; Russia was being warned, in turn, to keep its own side in order.

The Americans are far too realistic to expect communism to disappear. They know that, in time, they will have to come to some terms with communist rulers both in Russia and in China. The question they ask themselves in each case is whether, given the limited concessions that the West can afford to make, it is likely to get a better bargain from the present communist rulers or from their communist successors. In the case of China the firm answer given by Mr Walter Robertson, the assistant secretary of state who dominates America's Far Eastern policy, is that the present Chinese rulers are far more dedicated communist ideologists than the Russians and that any concessions to them would be wasted.

In the case of Russia's rulers, the American analysis has wavered. The events of the Twentieth Party Congress led Mr Dulles to voice so optimistic an interpretation at a Senate hearing in February, 1956—even going so far as to say that Western firmness had forced the Russians to revise their creed "from A to Z"—that it permanently impaired the confidence of several members of the Foreign Relations Committee in his judgment. Despite their unaltered conviction that the congress did mark a step in a better direction, the Americans have since become very dubious about making progress with Mr Khrushchev. Above all, they do not want to throw away what they regard as the chance in a century to bury the German menace for ever, which is offered by the willingness of the present government in Bonn to tie Germany inextricably to European institutions, for the sake of a quick, superficial reconciliation with Russia.

What the Americans continue to hope for by holding firmly to their present positions is that, as Russia grows in economic power and self-confidence under the lead of the new technocratic middle class, its neurotic fears of the West will pass. Ultimately, the hypothesis goes, Russia will cease to be interested in holding down central and south-eastern Europe—provided that a premature Western eagerness to withdraw from Germany does not first offer the Soviet rulers the temptation of easy adventure.

ALTHOUGH the most noticeable features of American diplomacy are its inhibitions, it would be totally mistaken to assume that America attempts no positive policies at all. In the Middle East Mr Dulles in fact propounded a perfectly sensible and farsighted plan for settling the Arab-Israel dispute as far back as August, 1955 ; the President's address to the United Nations last year was simply the dressing up in dramatic form of ideas that the Americans had long been quietly advancing. The obstacle has proved to be the intractability of local political facts. The State Department, with the full agreement of the Foreign Office, did at one moment, in 1955, attempt to bend these facts to its will by a policy of building up Colonel Nasser, so that there would be one Arab leader with the prestige to make the indispensable concessions to Israel. After the lamentable consequences of the policy's failure, and the disproportionately small return for the large risks subsequently taken in Lebanon, it is, at any rate, understandable that the Americans should have resumed their mood of waiting upon events.

In their wistful moments many Americans still yearn to play the part of a super-Sweden or Switzerland, patching up other people's quarrels just as Mr Eugene Black has been doing in Cairo, rather than acting as a major interested party themselves. Some of that yearning came to the forefront at the time of the Suez crisis ; some of it is seen in the vestigial presence of the anti-colonial theme, while the painfulness of repressing this theme is betrayed by the violent reaction to the envied self-righteousness of Mr Krishna Menon. As a major motive of American policy, anti-colonialism is dead. But frustration at being prevented by British and French sensitivity from using the American anti-colonial tradition as a propaganda weapon in the uncommitted countries is still very much alive.

There are areas of the world, outside the main battle lines of the cold war, where the United States would vastly like to be the midwife of change. Mr Dulles's own proudest contribution to the literature of diplomacy has been his insistence that, in contrast to the League of Nations, international institutions must make allowance for the fact that "change is the law of life." But, on the two main fronts of Europe and the Far East, the alternatives that are offered seem to the Americans more fraught with danger than the *status quo* itself. In areas of intermediate importance, where the Americans would wish to take a more positive stance, the bonds of obligation to friends, who would feel let down if they did, become ever more constraining. The illusion of American omnipotence, if it ever existed, has now become something very like the disillusion of diplomatic impotence ; and the apostle of change may go down in this period of history, perforce, as a twentieth-century Metternich, the pillar of the established order.

The Public's Business

The desire to have braver candidates for Parliament should not be mixed up with the desire to make the selection of candidates more democratic

A NATURAL reaction to the comedy of errors in which the Tories of Bournemouth have involved themselves is that the Bournemouth East Conservative Association and Mr Randolph Churchill deserve each other. On television, Mr Robin Day put it to Mr Churchill that the only difference between him and the sitting member, Mr Nigel Nicolson, was that he recognised Sir Anthony Eden's policy at Suez to be a blunder two years later than Mr Nicolson did. Conceivably, after Lord Hailsham's seaside trip this week end, the association might settle for this tardier percipience. If left entirely to its own devices it would obviously prefer somebody like Major Friend who is a little more than two years behind the times.

But it is very important not to be unfair to reactionaries. They have no right to question their member's freedom to use his judgment. In Bournemouth they were quite wrong when they suggested two years ago that Mr Nicolson should suddenly resign a seat to which he had been elected for the duration of a Parliament (the dismissal of MPs from Westminster is a matter for the Queen, by the general process of prorogation, not for Major Grant). But reactionaries have as much right as anyone else to take a member's use of his freedom of judgment into account when deciding what sort of man they want to fight the next election.

In discussions, both of the Bournemouth imbroglio and of the episode in Belfast East (in which Mr Montgomery Hyde had difficulty in securing renomination mainly on account of his progressive views on moral and penological questions), some liberal papers have fallen into the trap of implying that a sitting member has a prescriptive right to his local party's support, regardless of his record in the House. This must be wrong. It would be undemocratic. It would reduce to a farce the conception of a member representing a particular area (which is already thin enough, with few constituents attending meetings and with some members bellyaching about doing welfare work). And it would deprive the member of any incentive to undertake the political education of his constituency. Without reference to the particular individuals recently involved, it is worth examining some of the issues of principle that their champions, perhaps unconsciously, raise.

ON national grounds, one would like to give encouragement to all MPs to be less timid about making up their own minds (instead of always accepting their parties' convenience) on issues of both conscience and judgment. But the price of insulating a member from his constituents, by accepting it to be a constitutional impropriety to challenge a member about his views and free votes, is too high a price to pay. The member has a duty to let his constituents know what he is at, because the process of representation in Parliament ought to be regarded as a form of participation by the people in their own affairs rather than their abdication of civil functions.

While a full sense of participation will not be achieved until the day, which is bound to come (although probably not for many years) when important debates in the

House of Commons are carried on television, the member can and should be expected to keep his constituents in the picture. At one end of the scale, it is mistaken to hold him unaccountable for his actions and therefore entitled to automatic renomination. At the other end, a member should no more be expected to resign and cause a by-election because of the apparent displeasure of his constituents over a single issue than a government should be expected to hold a general election just because a Gallup Poll shows that the country is temporarily lacking confidence in its capacity.

Cases in between these extremes present special difficulties only for reasons of machinery. Constituency associations are usually run by a small group of active and often extremist party workers. Even in theory this small group is elected only by the few hundreds of local zealots who work for a candidate, not by the tens of thousands who vote for him ; in practice it is often personally dominated by two or three active enthusiasts who have time to spare. Yet, because of the device of nominating a "prospective parliamentary candidate" well before the election, this tiny and unrepresentative group has absolute control over the timing of what is in most cases the *de facto* choice of a candidate. Thus, although Mr Nicolson could not be forced to resign over his attitude to Suez, the Bournemouth East Conservative Association was able to take instant action to nominate a different "prospective candidate." The implication of statements by Major Grant and officials involved in conflicts in other constituencies is that this is a private matter for party associations—rather like the selection of officials by a club—and that the general public (not even the Bournemouth general public, still less the national newspapers) have no business to poke their noses in.

But, if the coming election comes up to current forecasts, this will be the third time in a row in which the turnover of seats between parties will have been very small. This means that perhaps five-sixths of the seats in the country are currently regarded as safe. Their only focus of political interest as far as Parliament is concerned lies in the choice of candidate by the dominant party. Should this continue to be stage-managed, as at present in all parties, by at most fifty or sixty people and often by two or three ?

It happens that there does already exist in most of the American states a full-blooded alternative: the primary election, in which any voter who cares to register as a party member can go to the polls several months before the election proper and indicate his choice among candidates for his party's nomination. This is a great boon in democratic theory, but there are serious objections that would seem to be fatal to its adoption in Britain. In the United States elections take place at fixed periods, so that primaries can be scheduled at fixed intervals before the election. Further, American primaries have inherent disadvantages even in the United States—they lead to an excessive amount of electioneering (and consequently of expense to candidates who at the primary stage cannot be financed out of party funds), and they tend to narrow the range of people who have the time or can raise the money to seek election. Finally, the tradition of the secrecy of party membership in Britain is probably too strong to be modified in such a drastic way ; quite a lot of Labour or Tory voters would not like their business associates or workmates to know that they were registered as such.

The solution for a British constituency cannot be dogmatically laid down. The first requirement is that there should be much more public discussion, locally and nationally, about the process of selecting candidates. Constituency associations should rid themselves of any conception that this is a private matter. It is quite the contrary. The nature, quality and views of members of parliament are highly public matters, although the privilege of playing a decisive role is accorded, in a pragmatic British way, to private associations because this suits the public convenience. Therefore, the least that can be expected of such a constituency association is, first, that it shall so make its arrangements that there is maximum publicity about what it is doing ; secondly, that membership of the association is made as easy as possible (subject to simple verification that all members are in general support of the party and that there is no great influx of hostile tigers within the gates) ; and, thirdly, that everything is done to ensure that all members have a full say.

Mr Nicolson has proposed that where a few candidates have been short-listed for a nomination (or where, as in his case, the sitting member is in trouble) the prospective candidates involved should be given every chance to do the circuit of local ward meetings, rather than have the whole matter decided, as it usually is, by a short interview—rather as if it were a job in the civil service at stake. These suggestions seem very reasonable. Lord Hailsham would be wise to try to satisfy honour all round by getting something like them put in practice in Bournemouth East, and both Tory Central Office and Transport House should then try to give them more general application. The more radical suggestion, in Mr Nicolson's book, that two probationary candidates should normally be selected to compete with each other in the constituency for a year before the final nomination meeting, probably goes too far in the American direction and shares some of the drawbacks of the full primary. Perhaps there is a better case for one additional suggestion, which may be tentatively advanced here : when a defined minority of an association (say twenty per cent) sign a protest against a decision about candidates, there might be a right of an appeal to a secret postal ballot of the full membership.

But the spirit of the argument is not concerned, at this stage, with too many details about machinery. The immediate need is an appeal to the party organisations to take themselves in hand and ensure that democracy works meaningfully in safe seats, rather than, in effect, conniving at perpetuating public cynicism and inertia.

NOTES OF THE WEEK

PRE-ELECTION POLITICS

Polls and the Wind Up

The Commons returned to work this week in a rash of pre-election fever. The by-elections last November had already suggested that Labour and the Conservatives were running down the last straight of this Parliament almost exactly neck and neck. Now the public opinion polls, which for some reason were showing the Conservatives three or four points in the lead towards the end of 1958, also report that there is not more than about half a point between the parties. This has been widely interpreted as a sign that Labour has been catching up on the Conservatives in the last few weeks. Students of by-election statistics will suspect that it may merely be a sign that the polls have been catching up with the real state of electoral opinion. The latest "swing back to Labour" is, however, reported by the senior poll (the *News Chronicle* Gallup Poll) to be accompanied by all the normal leftward subsidiary movements—a little less personal popularity for Mr Macmillan, a little more for Mr Gaitskell, a more general agreement that the "most urgent problem facing the Government" is unemployment. This last point is regarded by many politicians as especially significant. Here again it would be wise to be cautious in interpretation. In December the "most urgent problem" was generally designated as Cyprus. Now Cyprus is out of the news, and those polled had to accord the palm in urgency to something.

The Where and When

There is no doubt, however, that the Government is taking seriously the shadow which it thinks that unemployment may cast over its electoral prospects. All the indications are that its recipe will be to continue Mr Amory's "progressive relaxations" of consumer demand, with a bias against doing anything really dramatic but possibly with an impulse towards hurrying things up. New efforts are being made to persuade industrialists to start enterprises in the development areas. The pricking of one's thumbs (or, more accurately, a guess at what most Chancellors would do under present conditions) must suggest that some more general—but probably deliberately undramatic—pump-priming action is a possibility in the next few days. Some reductions in purchase tax ? Or a new formula for the release of postwar credits ? Or an announcement that budget day will be brought forward earlier than April ? There is no sign yet of the administrative arrangements that might facilitate the latter decision.

Whatever happens in next week's debates, it would be a mistake to interpret any speeding up of the programme for reflation (or indeed any delay in it) as a sure pointer to the date of the election. That is much more likely to depend on the results in the impending series of by-elections. Southend West will be first in the field next Thursday. In this safe Conservative seat in 1955 the Tory candidate got 64.2 per cent of the vote, Labour 20.8 per cent and the Liberal 15 per cent. But Southend is one of those seaside resorts in which the Conservatives have done rather badly in recent local government elections ; the Liberals have a mature candidate, and the Tories' candidate (like three previous Tory incumbents) is a cadet of the Guinness brewing family and some locals are said to be annoyed at the implication that their constituency is being treated as an hereditary seat. If the Tories maintain their 1955 share of the poll here it will (*pace* the public opinion polls) be a sign of a definite recovery in their fortunes since November.

If there is such a recovery, party pressure will come strongly on Mr Macmillan for a May election. If there is not such a recovery, and party pressure turns the other way, Mr Macmillan should be urged to announce any decision for delay as soon as he takes it. The present pre-election fever in the House of Commons, the rising excitement, the tendency of all politicians to say and do things, not for their own sake, but for the sake solely of appearance, are matters which the Prime Minister himself is temperamentally well-fitted to view with aplomb. But the country and the pound may be less well fitted than he.

EAST-WEST RELATIONS

Trust the Summit Climber?

In his parliamentary answers the first day after the recess the Prime Minister's object was evidently to show himself to be as game for the summit as any head of government alive, without actually getting out of line with Mr Dulles. This has been something of a standard formula with Mr Macmillan for at least twelve months, but there was a hint this week of a special eagerness for the encounter. It is four years since a Conservative Prime Minister was quite so obliging to the small group of left-wing backbenchers who regularly provide the opportunity by enquiring about progress towards the summit ; and four years ago an election was also in the offing.

In 1955 President Eisenhower came out in favour of a meeting, thus making it a certainty, shortly before Sir Anthony Eden went to the country. "Eden the Peacemaker," it is now ironic to recall, was one of the telling slogans of that contest. This time an election might well again be held just before a conference, and the voters could be asked whether they really want to exchange "Unflappable Mac" for the leader of the "unpatriotic party" (Mr Soames's epithet) at the final staging camp. Alternatively, if the conference came first and dispersed in a general atmosphere of euphoria, the Government might be sorely tempted to cash in quick on the appearance of relaxed tensions. The danger then, of course, would be that the attainment of euphoria might be the British Government's primary objective at the meeting.

Mr Macmillan's responses to Mr Bevan's detailed questions on Germany differed slightly and perhaps significantly in emphasis from Mr Dulles's answers to the press. Mr Dulles said : "We would not be alarmed by the

broadness of the agenda; the only thing that alarms us would be the narrowness of the agenda." The Prime Minister said: "I would accept even a narrower basis such as the Soviet suggestion if we could in the course of discussion and negotiation broaden it into the wider consideration." But he endorsed both Mr Dulles's concession that there were other methods than free elections by which Germany could be unified, and his insistence that a united Germany must be free to follow the foreign policy of its choice. However, the pith of the exchange was Mr Macmillan's tantalising hints of much more western flexibility in private, provided that the West's opening stand was not eroded by excessive public debate in advance. "Trust Flexible Mac" is a slogan that at least attempts to reconcile good politics with good diplomacy. But if these slogans are to be bruited abroad, it would be much better to have the election before any Summit meeting, not after it.

Cards on the Green Table

A MOVE this week in the Geneva talks on nuclear tests supplied Mr Macmillan with a handy piece of evidence that, if impatient western critics will just leave diplomatic tactics to their governments, these can be trusted to be flexible enough when given half an incentive. Since these talks began on October 31st, no substantive progress has been made. The crux of the matter is whether Russia will accept any effective form of international supervision; and on this crucial sector the Russians have not yet budged.

Up to this week, they have clung to a formula which would be farcical if the matter at stake were not so serious. Mr Tsarapkin has argued that any "international" control post on Soviet territory must be manned by twenty Russians and only one foreigner; that no mobile inspection teams should be kept standing by to probe suspicious phenomena; that only in exceptional circumstances might an investigating team be tardily assembled (to reach the scene only when radiation had fallen off and other traces had been deftly obscured); and that each nuclear power should be able to veto even this hamstrung kind of inquiry. If this is the sort of "international control" which Mr Khrushchev has in mind for disarmament generally (and Mr Rapacki for his Plan) the outlook is gloomy.

Western impatience with this childishness (which Moscow has been understandably ashamed to reveal to its own people) has yielded two reactions. First came the contention by Dr Teller and his scientific and military associates that new information shows how certain nuclear tests can be harder to detect than last summer's conference of scientists thought. This seems a pretty contentious contention, by no means universally accepted in America itself, and evidently reflecting yet one more inter-departmental shindig in Washington; but its injection into the Geneva talks may still help to make the Russians see that they cannot squat in their frozen posture for ever. The same may be true, in time, of this week's joint western concession, the dropping of the argument that the duration of a ban on tests must depend on progress in other aspects of disarmament. The British and Americans have deliberately presented this in the form of a challenge to Russia to make matching concessions. If this works, they will certainly be able to claim that they know the best way of dealing with Moscow's skilful hagglers. But will it work? The Russians, who do not enjoy having their own standard gambits played back at them, sound unimpressed—so far.

UNITED ARAB REPUBLIC

The Thaw

THE financial agreement initialled last week in Cairo turns a sterile chapter in Anglo-Egyptian relations. However suspicious the two governments may still be of one another, it is something that they have agreed to put an end to a stalemate that had grown to be an intolerable nuisance all round. A financial settlement was an essential preliminary; now, after many false hopes, the way should be open for the resumption of a normal, working relationship not only with Egypt and Syria, but also with Saudi Arabia, which in a burst of Arab brotherhood broke off relations with Britain in November, 1956. President Nasser is still procrastinating for reasons discussed by our correspondent in Cairo on page 326. But neither Britain nor the United Arab Republic can go on affording the political luxury of openly snubbing the other. For more than two years, London and Cairo have had no diplomatic or consular relations and have consequently been even more in the dark about each other's intentions than they were before.

Negotiations for a financial settlement first began in Rome in May, 1957, six months after the Anglo-French expedition to Port Said. Since then the talks have been on and off four times, the last meeting in September, 1958 (when Anglo-American troops were in Jordan and Lebanon) being one of the least promising. Egyptian bargaining has progressively got stiffer, and it is quite possible that if the British had settled some months ago they might have got better terms. The details of the agreement, and its implications for British industry, are discussed on page 336.

The important thing is that the first hurdle has been taken. The leisured dignity of the Government's advance towards rapprochement with the UAR has been completely out of step with the pace of events elsewhere in the area. Although it is an idea that cannot officially be admitted, events in Iraq must certainly have forced the pace of negotiation. The British Government may not yet have come round to the view that it is self-defeating to try to fight communism, and Arab nationalism as led by President Nasser, at the same time; but it may have seen the need to prepare the ground for a change of attitude. And President Nasser, although bolstered by the great gathering of VIPs from east and west that created a shortage of palaces in Cairo two weeks ago, is openly unhappy about the growth of communism in Iraq. His acrobatics in attacking the communists in his own and other Arab countries while involving himself all the time more closely with the Soviet Union are difficult, but he is banking on the sound political sense that the Russians have already shown towards Arab nationalism. There is now at least an opening for the West to show good sense, too.

TEACHERS' PAY

Second Chance

BY great skill, the leaders of the National Union of Teachers have manœuvred themselves into a position in which they have been able to call a second meeting of their union delegates for this weekend. They will ask it to ratify a tentative agreement whereby the NUT would resume

negotiations in the Burnham committee for a new salary scale—and meanwhile accept the 5 per cent increase in pay which was offered in December to start on January 1st, and would now start on February 1st.

Will the delegates agree? The executive claims that it has extracted something from the tricky situation into which the militants threw the Burnham committee by rejecting its recommendations of last December. The authorities' side has now agreed to enter discussions on a new teaching salary structure "without preconceived ideas on the outcome" instead of, as previously, with the warning that they are not committed to any increase. One can argue interminably whether there is any real difference in this new formula. Further, the authorities have agreed to defer any decision about when any new salary scale should begin to be paid; this is in place of the fixed starting date in April 1960, which was previously proposed and which seemed absurdly remote to the militants last December. The authorities claim that they have not made any new concession here; but the NUT believes that, as the Minister behind the scenes has urged the authorities to accelerate negotiations, it can advise its members that an earlier date will in fact be achieved. The union delegates will be making a mistake this weekend if they spend too much time arguing whether the new formulae have been worth the forfeit of nearly £1 million, which teachers as a whole have suffered through the enforced delay of the 5 per cent increase from January 1st to February 1st. They would be wise to debate merely whether further delay might not be equally expensive without achieving more.

Assuming the executive carries the meeting, it will then promptly put up its own proposals for a new salary structure. The most dubious of these are some of its claims for adjustments of allowances (one of them springs from the desire to equalise the treatment of primary and secondary school heads), and its general emphasis on the need for a higher basic scale rather than on more incentive payments for special qualifications and responsibility. This latter emphasis, which the NUT has adopted mainly in the interests of women teachers in the primary schools, does not accord with present educational requirements. An adequate supply of primary teachers is still coming forward for recruitment, but there is a shortage of teachers with specialised skills. In passing, it may be noted that women teachers' pay between now and April 1960 will increase not only by the 5 per cent, but also by another 3 per cent (on the present starting salary), representing the agreed annual increases in their salaries which will make their pay equal to the men's by April 1961.

FARMERS

Olympian Sir James

THE annual general meeting of the National Farmers' Union this week produced a familiar list of arguments and resolutions. Full recoupment of costs at the price review; higher tariffs for horticultural products; regulation of imports; a "land budget" to protect agricultural land from development; an end to opencast coal-mining—all these subjects are hardy perennials on which farmers' feelings run deep and strong. But the Government must have been relieved to find the meeting in a milder mood than usual. There was, for once, only one resolution about prices and that was so intemperately phrased that Sir James Turner wisely obtained its withdrawal. The union will certainly be hoping to get a better price deal this year than last, when the Government cut its guarantees by almost the full permitted amount; and electoral strategy suggests that it may well succeed. But last year's settlement has damaged farming prosperity less than the union feared, and its first angry reaction has subsided.

This situation enabled Sir James Turner to celebrate his elevation to the House of Lords by advocating a broad, international approach to the basic problems of agriculture. He suggested that a greater degree of international price stability was in the long-term interests of Britain as well as of primary producers everywhere; and he wanted a high level Government committee to be set up to concern itself with the supply and prices of food for the British market. Behind Sir James's olympian approach and studied moderation lurks an obvious desire for a much stronger degree of direct protection for British agriculture. Sir James probably considers it safer than indirect protection by subsidies. But against whom and what is agriculture to be protected? Against the occasional dumping of subsidised surpluses? Or against the regular supply of more efficiently produced and lower-cost food from such sources as New Zealand, Denmark and Canada? It may be reasonable for British farmers to ask for protection against the first type of competition—although, as last year's Government investigation into butter surpluses revealed, it is often the regular overseas supplier (in that case New Zealand) who really suffers from the competition of low-price surpluses. But it is the second type of competition which is of most practical importance; and here the need is to reduce, not increase, the degree of insulation which British farmers already enjoy by way of subsidy. Sir James's concern for the world's primary producers has little relevance to this situation.

FREE TRADE AREA

M. Debre and Europe

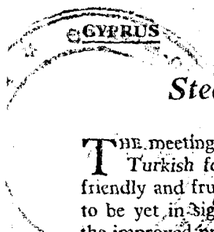
ANY lingering hope that provisional arrangements might set a precedent favourable to a free trade area appear to have been dispelled by the meeting of ministers from the common market on January 14th. On French insistence, they finally turned down the British proposals for provisional arrangements to avoid discrimination. Instead, the Six will stick to the proposal they made in December—to extend the 3 per cent clause in the Treaty of Rome only to the members of the European Community, to enlarge all quotas on imports from other European countries by 20 per cent, and to ease any other special difficulties through bilateral talks. First contacts with the French do not suggest that they are likely to be generous. Any bilateral arrangements will cost them more in foreign exchange than the simple British proposal would have done.

M. Debré, in his statement of policy to the French National Assembly on taking office as prime minister, also gave little comfort on the long-term prospects for the free trade scheme. France, he said, was as determined as ever not to give up its requirement of guarantees of the kind accepted in the common market: common tariff, equalisation of labour costs, common agricultural policy and (a new demand in the free trade area context?) participation in overseas investments.

Except for the last demand, all this is hardly new. But it should extinguish any false hopes that M. Debré's party, whose nationalism accords so ill with the common market, is more likely to accept a free trade area instead. Perhaps the only encouraging aspect of the Gaullist view of Europe is the bearing it might have on any application by Britain to join the common market itself. So long as General de Gaulle is in power, it is quite clear that the community will not drift in the direction of a federal state; that should remove a good many political objections to a British decision to join.

At present the commission of the common market is conducting exploratory discussions with the six governments of the community on a long-term agreement with the countries outside. There are, however, indications that its thoughts are moving towards a world-wide arrangement—perhaps within the framework of the General Agreement on Tariffs and Trade—and not necessarily a European one. The prospect of anything like a free trade area looks dimmer than ever.

The French have got past the crucial deadline, January 1st, and have established a precedent of discrimination; they are in the clear. Thanks to the new French economic and monetary measures, the community's external policies are taking a more liberal direction than was feared at one time. That does not remove the objections to a division of Europe. Britain seems likely to be left with the choice of adjusting itself to the division, or thinking of joining the common market itself. Some thought is being given to this last possibility in British Government circles, but so far the arguments against have carried most weight.



Steadying the Applecart

THE meetings in Paris this week between the Greek and Turkish foreign ministers are reported to have been friendly and fruitful, although no concrete solution appears to be yet in sight. At present the British contribution to the improved prospect of a Cyprus settlement that has been created by the unexpected Greco-Turkish rapprochement is limited to not upsetting the applecart by some impolitic move in the island itself. This, however, is a highly exacting task.

In spite of some threatening leaflets, Eoka has kept the "truce" which it declared on December 23rd. The British authorities have responded by lifting curfews, releasing an increasing number of detainees, and removing various restrictions. But military operations against Eoka have continued, and a lengthy, large-scale sweep against the terrorists in western Cyprus has been evoking bitter protests against "truce-breaking" from the Greek Cypriots. On Tuesday this operation was suddenly called off on the ground that it had achieved its purpose. On the same day, however, Mr Lennox-Boyd told the House of Commons that he could not ask for military operations in Cyprus to be stopped during negotiations. Assuming that there has been no muddle or division in high places, the local security operations that are to continue in Cyprus presumably constitute the steps which the Colonial Secretary thinks should be taken "to keep the peace and prevent the organisation of terror."

The record of events illustrates the dilemma in which the British are placed. Their object is to bring permanent peace and a settled future to the island. But so long as they lack the slightest guarantee against renewed Eoka violence, they feel bound to proceed in a piecemeal, unspectacular way which fails to disperse the Greek Cypriots' distrust of British intentions. As a first step out of the dilemma, might it not be possible to devise some means whereby the terrorist leaders' intentions could be more closely tested without asking them actually to surrender their arms or their persons? One way might be a public challenge to them to call off the boycott of British goods.

DOCTORS AND THE HEALTH SERVICE

The BMA Burns its Fingers

NEARLY two years ago, the British Medical Association, exasperated beyond all measure by the Government's blank refusal to grant any increase in doctors' pay or to agree to arbitration, produced a plan for the progressive withdrawal of general practitioners from the health service. The Government's reaction was to appoint a royal commission to consider all aspects of doctors' pay and to grant them an immediate increase of 5 per cent. As the royal commission is still sitting, a further increase of 4 per cent was made at the beginning of this month.

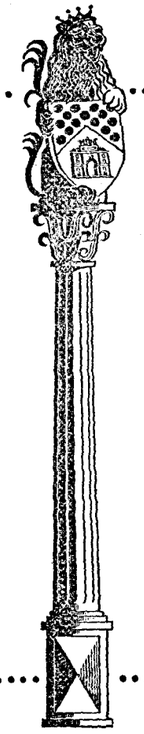
The doctors' plan for withdrawal was consequently shelved, but later a sub-committee of the BMA's General Medical Services Committee was appointed to consider and report on an alternative service to be provided by general practitioners if withdrawal were eventually decided on. But this sub-committee apparently could not agree, so Sir Frank Newsam, formerly permanent secretary to the Home Office, was asked to investigate any deficiencies in the existing service and frustrations arising from it, and to suggest practical modifications or alternative schemes.

Sir Frank's report has now been published, and it contains a useful and sound, though not very original, account of defects and frustrations. But on the main point, an alternative form of service, he was unable to carry out his terms of reference because, as he quite rightly points out, the health service is here to stay and "it would be quite unrealistic of doctors to think of withdrawing" from it. The council of the British Medical Association has indignantly dissociated itself from this conclusion. But the failure of its own sub-committee to agree on an alternative service obviously lends weight to Sir Frank Newsam's views. They will certainly be endorsed by the users of the health service, who are incidentally excluded from representation on the Porritt Committee—a body set up by the medical profession as a whole to consider the health service as a whole after ten years of experience of it.

IRAQ

Justice and Nationalism

THE president of the military court in Baghdad, Colonel Fadil Abbas Mahdawi, has added a new twist to military justice, turning aside now and then from the trials of former ministers and officials to give a news release. This week, as a former commandant of the police was being tried, Colonel Mahdawi announced that Rashid Ali al-Gaylani, four times prime minister of Iraq and leader of



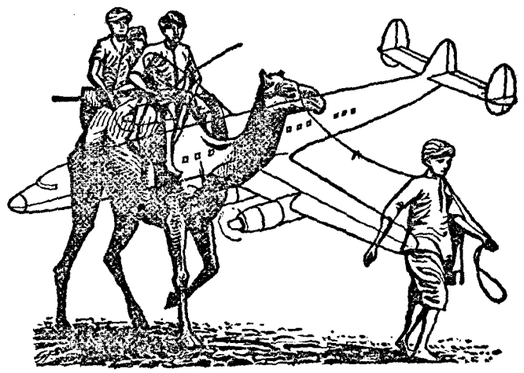
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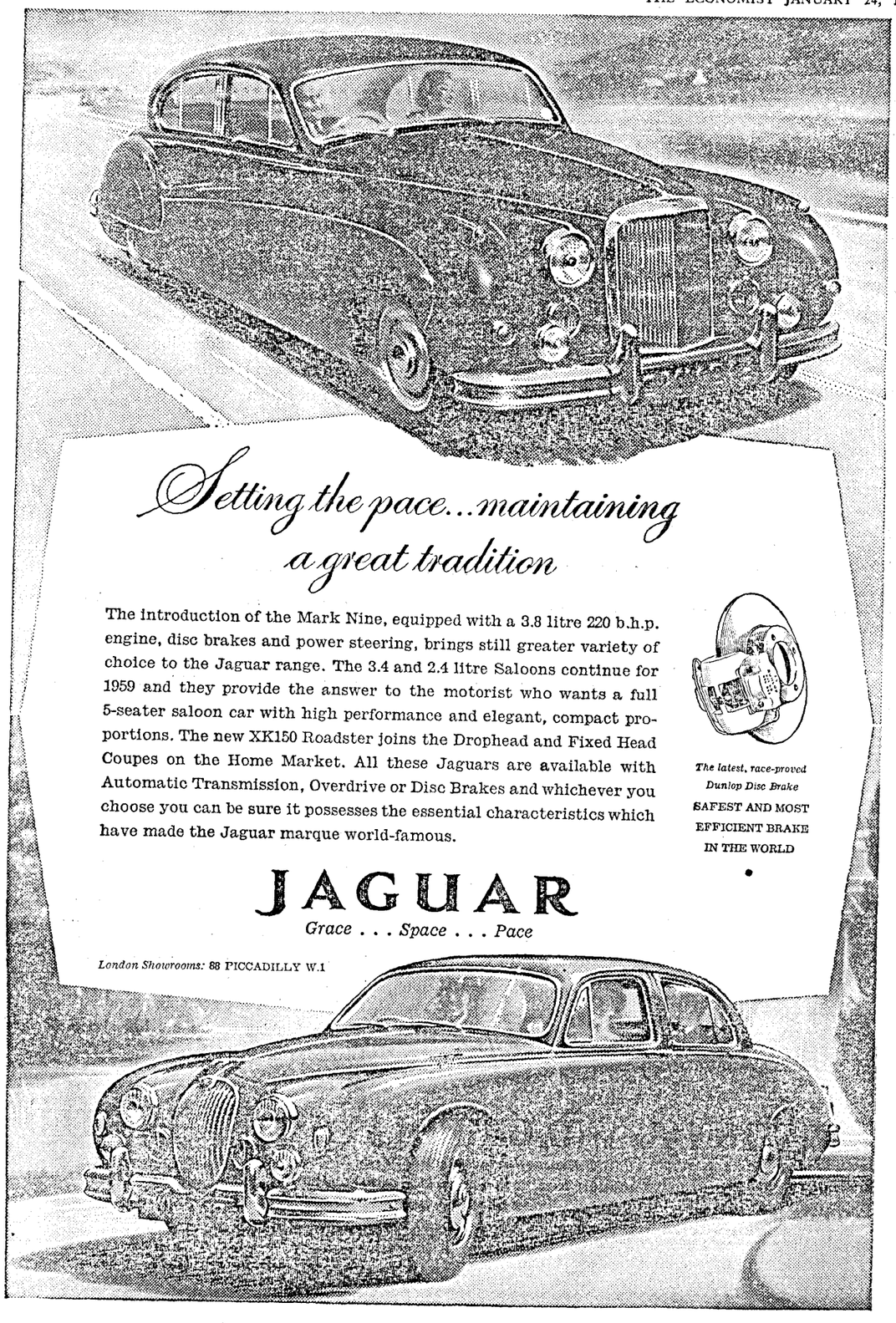
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the nationalist revolt in 1941, and Colonel Abd al-Salam Aref, the former deputy prime minister, had been tried for treason.

The overthrow of the Nuri es-Said regime in July ended nearly eighteen years of exile for Rashid Ali in Saudi Arabia and Egypt. From the day he left Cairo for Baghdad, proclaiming the imminent addition of Iraq to President Nasser's United Arab Republic, it was clear that he was out of touch with revolutionary affairs in his native land. When he arrived in Baghdad he made his first mistake by snubbing Brigadier Qasim and calling first on Colonel Aref.

The career of Colonel Aref was much shorter. He was first heard of when he became deputy to Qasim at the time of the revolution in July. Some observers thought he was the man to watch among the new Iraqi rulers, that he would play the role of Nasser to Qasim's Neguib. But Qasim also seemed to feel that Aref needed watching, and soon relieved him of his positions as minister of interior and deputy prime minister. Aref was then packed off to an honourable exile as the Iraqi ambassador to Bonn but he never presented his credentials. In November he returned to Baghdad and arrest. The details of the plot, if there was actually a plot, engineered by Rashid Ali and Aref have never been publicly announced. According to Colonel Mahdawi, a recording was made of their trials and one day, presumably, they will be played by Baghdad radio.

The Iraqi government may have disposed of those former officials whose crime it was to have worked for the union of Iraq and Syria. Are we now to expect a new series of charges against those who, in one way or another, wanted to unite Iraq and the United Arab Republic? The rift between Cairo and Baghdad can no longer be denied, it is already assuming the dimensions of the old one between Nasser and Nuri. Faced once more with the necessity of taking sides, the weary Arabs must be hard put to explain Arab nationalism to each other. If this is so, what sympathy to their aspirations can they expect from the rest of the world?

COHEN COUNCIL

The Wise Men Going West?

It is not quite clear, probably least of all to itself, whether the Cohen Council is now gently fading away. By Christmas the only economist among its three wise men (Sir Dennis Robertson), the council's original secretary (Mr Hopkin), and its assistant secretary (Mr Blackaby) had all left. On the analogy of the ten little nigger boys, it seemed that the number of members would soon be none. But Messrs Hopkin and Blackaby have both been replaced and a small staff is carrying on background work on topics —such as the international position of sterling and the techniques of wage bargaining—which were listed in the council's first report as worthy of further study. In the absence of an economist, however, no actual report is being prepared. And although the first report came out last February, and the second after a six-month interval, nothing new will appear this February or indeed for some months.

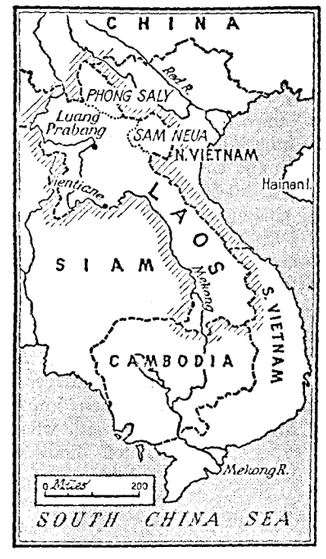
Would not the Government now be wise to discontinue this experiment? The arguments against are presumably three. First, the personal one: that such action would be unnecessarily rude to the two wise men (the judge and the accountant) who still remain. Secondly, the psychological one: that the council had built up a reputation as a force favouring a stern economic policy, and that its abandonment might be taken by some suspicious people abroad as a sign that the Government was anxious to launch out to profligacy. Thirdly, the practical one: that the addition of this small research body to the economic establishment is still worth while. But this third argument is surely much weaker now that the National Institute for Economic and Social Research is to produce every two months its own closely argued assessment of the economy.

LAOS

Missing, One Dictator

After Burma, Pakistan and points further west, the kingdom of Laos has now dispensed with parliamentary government. Mr Phoui Sananikone, the Laotian prime minister, has been granted special powers for twelve months by the national assembly. He has undertaken to draft a new constitution and to hold fresh general elections when the draft has been approved.

It would be wrong to suppose that because Laos is underpopulated and underdeveloped it is ignorant of parliamentary processes. Since the country became independent after the Geneva settlement of 1954, it has held two general elections with evident fairness. On the other hand, its parties have been composed of individual leaders and their personal followings. The exception has been the Neo Lao Haksat, a thin disguise for the communists. The Haksat was set up under an agreement between the communists and the government in 1957, which provided for the return of two north-eastern provinces to the government. These provinces, Sam Neua and Phong Saly, had been under communist rule since the Vietnamese communist invasions of 1952 and 1953.



At the elections last May, the Haksat won nine seats; it had already been given two cabinet seats. The 1957 agreement had provided for the "integration" of the communist officials and soldiers into the national civil service and army—a prospect which the Americans, who foot the bills, did not relish. It did indeed seem possible that Laos might be taken over by its communist minority. Corruption in Vientiane, the capital, and currency fortunes from the overvalued *kip* provided fertile soil for communist tactics.

In the past few months, however, there has been a dramatic change. Crown Prince Savang, a determined figure, took over behind the scenes. The *kip* has been devalued. The former prime minister, Prince Souvanna Phouma, was sent to Paris as ambassador. An anti-

communist national association was formed. Of the communist soldiers, the majority were sent back to the villages, and two battalions appear to have been interned.

The request for special powers, however, stems not from the internal situation but from external threats. The communist army in north Vietnam is reported to have crossed the Laotian border at several points after accusing the Laotian army of doing the reverse. Democracy was too fragile to meet the menace. Mr Phoui, however, hardly looks like a dictator. Will Prince Savang fill the job?

MALTA

Mr Mintoff Weighs In

MALTA was the subject of the first parliamentary question this week, but the Colonial Secretary showed himself determined to postpone the post mortem on his policies there until the second reading of the bill that will give the island its new and unrepresentative constitution. The debate on that second reading will deserve to be searching, but meanwhile Mr Mintoff seems intent on making the task of Mr Lennox Boyd's critics as difficult as possible. He is now setting out the ways in which his party is to intimidate Maltese from co-operating with the Government; he declares that when the Labour party is returned to power it will take "legal action" against all who co-operate with the "Imperial Government's policy." This, of course, would be impossible without the introduction of communist-type laws and courts. In more general terms Mr Mintoff has assured his followers, and would-be members of the proposed governor's council, that all who profit from the people's tears will pay for their crimes. Meanwhile, the ball is to be opened by a general strike on the day that the new constitution comes into operation.

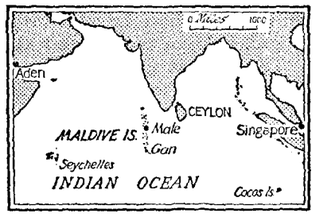
This is for local consumption. For the foreign press Mr Mintoff has now said that Malta does not necessarily want to leave the Commonwealth when independent. All it wants is the status of Trieste, with the money to keep it going. It will then repair the ships of all nations impartially, presumably using Messrs Bailey's shipyard, whose installation at British expense Mr Mintoff finds so "insincere."

MALDIVES REPUBLIC

Tell It Not in Gan

IT comes as something of a surprise to learn that the treaty between the British and Maldivian governments under which Britain was given rights to build a Royal Air Force staging post on Gan atoll, though initialled, is still unratified. The base itself may be completed this year, and the Secretary of State for Air has told the Commons that progress is satisfactory, while the Commonwealth Relations Office continues to hope for ratification. But despite the efforts of the newly appointed British representative to the Maldives (responsible to the High Commissioner to Ceylon), it is clear that the Maldivian prime minister, Ibrahim Nassir, is anxious to put off the evil day. It was his predecessor who made the original concession to the British in their extremity after they lost their bases in Ceylon. He regrets the way the Maldives are being dragged into global strategy, and it seems he is also apprehensive that the influence of the RAF on the unsophisticated outlook and moral purity of the Maldivian fishermen at the Gan end of the archipelago will not be what he would wish.

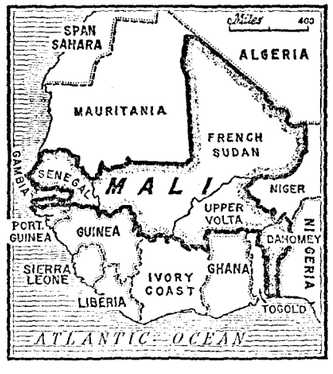
Hence, it would appear, the labour dispute in Gan, which took the unusual form of the government urging the Maldivian workpeople to strike against their RAF employers, and the workpeople chasing the official agitator into a British warship. It is clear that the Naafi has very real attractions for men who have live a toilsome, if meritorious, life at sea. The RAF has employed some 500 of them alongside 1,200 Pakistani labourers. While 500 of the Gan islanders have been resettled on other atolls at British expense (and they are pleased with what they have made out of it), another 300 have still to go. Finally, when the airstrip, fuel tanks and domestic buildings are completed, they will all go; but whether quiet will then settle on the base is a question. The Maldivians are all for visits to the Naafi, it seems, and good communications thereto. Their government is all against it. But in these arguments it is usually the consumer who wins.



AFRICA

Introducing Mali

THE French Community is on the move. Four of the newly autonomous republics of west Africa—Dahomey, Haute Volta, Senegal and Soudan—formed the new federation of Mali at Dakar last weekend. (The old African empire of Mali entered recorded history when its ruler was converted to Islam in 1050; it succumbed in the seventeenth century.) Although the delegates declared their "democratic republic" open to "every autonomous state of west Africa wishing to join it," few believed that the three separatist states of what was French West Africa would be in any hurry to do so. Balkanisation has its advantages for them. The rich Ivory Coast of M. Houphouet-Boigny, a minister of state in M. Debré's cabinet in Paris, prefers direct links with France. So, too, does the Niger, which claims to have better air communications with Paris than with Dakar. Its new head of government, M. Diori, is opposed to any restoration of the distant west African administrative system of French days under which the Niger usually came off badly. The third, Mauritania, has strong natural ties with the Arab Maghreb to the north, and its political leaders—some of whom have fled to Rabat in the past—have always sought to avoid submergence in a black African community.



Even so, the federalists counted it a success to have won the adherence of Volta, after the uncertainties of the Bamako conference last month. Volta's natural route to the sea is through the Ivory Coast, and M. Senghor, the federalist leader, spoke darkly after the Bamako meeting of the pressures—known and occult—that the Volta delegates had to resist. M. Senghor has denied that the federation is a step toward secession from the French Community. Mali intends to maintain close relations with its neighbours in the community, and its official language will be French. But with its federal government, assembly, judicial authority and high court, it must tend to form its own interests and go its own way. The four equatorial African states of Chad, Congo, Gabon and the Central African Republic (formerly Ubangi-Shati) which agreed to unite in a customs union last Saturday, have deliberately set themselves against a federal relationship; the nearest they go is a common transport system. The decision reflects the strength of M. Houphouet-Boigny's party in the four republics.

M. Debré's government in Paris is now hastening ahead in setting up the community's central institutions: the executive council is expected to meet for the first time next month. One problem for M. Debré is the status of Guinea. M. Sekou Touré is knocking at the community's door in the guise of an independent but "associated" state under article 88 of the constitution. But for the moment the way seems barred.

SIERRA LEONE

More Diamond Trouble

IN its statement last week the Sierra Leone government came near to admitting that it had lost control of parts of its territory, much as it lost control in the chieftaincy riots of 1955. Big mobs have even attacked and routed the police. As in so much Sierra Leone unrest, diamonds are to blame. This time the trouble is that the African diggers have made a solid attack on the preserves of the Sierra Leone Selection Trust. These are the areas reserved to the company under the agreement of 1955, when diamond mining was made legal in other areas of the territory over the whole of which the company once held a diamond monopoly. But this has meant that, once the African wildcat diggers have begun to exhaust their own diamondiferous areas by potholing for the best gem-stones, the company's more carefully worked areas have begun to tempt them.

The government rightly points out that this imperils the country's economic future, since it destroys a valuable natural asset. In his recent report on Sierra Leone's economic position, Professor Jack made the same point: with agriculture in a rather sickly state, the country's hope of an expanding economy lies in its mineral resources, mostly iron and diamonds. Without these, its prospects of viability as an independent state would become questionable; yet the pressure upon Sir Milton Margai, the premier, to move forward to this decisive step grows equally with the ferment in French Africa and with attempts in Sierra Leone to stop Sierra Leonians from poaching a foreign company's preserves. Shrewd and moderate, Sir Milton knows his country is not really ready for independence yet; but the Governor, a man of outstanding vision and liberality, knows that only an independent African government can take really strong action against Africans. A fully independent government would have to take action, however, not only against Africans but also against the Lebanese organisers of the traffic, who are well dug in; and it is by no means clear that it would have the strength of mind to to so.

SOVIET UNION

Eve of Congress

THE 21st All-Union congress of the Soviet Communist party will open on Tuesday. Though this is, in theory, the highest party body, Stalin did not convene a congress at all between the war and 1952, the year before he died. At the next one, held in February, 1956, Mr Khrushchev produced his time-bomb—the secret indictment of Stalin, which, when released, shook the communist world. Officially the new congress has been called to endorse the country's first seven-year plan; no doubt the *lumik* will help to endow its debates with a glow of self-confidence.

The progress report on the Soviet economy in 1958, published last week in Moscow, gives some insight into the state of planning. Gross industrial production last year rose by 10 per cent, and—thanks to a good harvest—national income increased by 9 per cent. Thus the annual plan was exceeded. All the same, the figures quoted below show that if Soviet basic industry were merely to continue at its present pace, then it would not reach the targets originally set for 1960. The switch from five to seven years as the planning period thus veils a slackening of the pace, though possibly only a temporary one. The same is true of light industry. Many of the pledges to the consumer, particularly about radio and television sets, will not be kept on time. Housing, on the other hand, with 68 million square metres of new floor space in the towns, made a big jump forward last year. Finally, the objective for grain output (180 million tons in 1960) is shown to have been completely unrealistic. Now that they have dropped the camouflage of a "biological crop," the Russians are quite frank about results. The barn crop was as low as 81 million tons in 1953. It rose to 127 million tons in 1956, fell to 104 million tons the following year, and then reached the highest recorded figure, 138 million tons, last year. Wheat accounts for 73 million tons out of this total.

SOVIET BASIC PRODUCTION
(million tons)

	1957	1958	1960 original target
Coal	463	496	593
Crude oil	98	113	135
Electric power*	209	233	320
Crude steel	51	55	68

* Billion kWh.

Mr Khrushchev's reforms in town and countryside have met with stiff opposition. The "anti-party" group may well be attacked during the congress as a warning to other oppositionists. But the congress will also talk about problems of the block and about international affairs. Mr Mikoyan has hastened home from Washington in time to help in the revision of that part of Mr Khrushchev's report. Even if it does not produce a secret time-bomb on this occasion the congress is a very important forum and the best guide to the current mood and plans of the Soviet leadership.

CAITHNESS

No Samaritans Wanted

THE lot of the superfluous Samaritan is a trying one. People who heroically dive to the rescue of perfectly competent swimmers; people who climb trees to retrieve agile and self-sufficient cats; even people who offer lifts to pedestrians out for a bracing walk, not only get little gratitude for their altruism, but look rather silly. As the presumed victims are apt—if human—to feel a shade silly themselves, such gestures can even generate acerbity.

This psychological element no doubt played its part in the reactions of the Caithness Public Health and Welfare Committee to the arrival, over the snowbound hamlet of Braemore (population 34), of an Automobile Association helicopter. This aircraft, the AA have explained, was merely observing the state of the roads, not preparing an airlift. But its presence brought an air of emergency. To sensitive spirits, it suggested a belief on the AA's part both that the Braemore villagers were a feckless lot, who could not be trusted to stock up against winter hazards, and that the Caithness council were complacently prepared to let them starve. More, it appears, will be heard of this complicated if wordless insult to Highland pride.

But there is more to the committee's indignation than psychology. There is a well-founded, bread-and-butter apprehension, shared by other Scottish local authorities, of onerous future expenses if heavy snow should come to be equated with emergency. Hitherto these authorities have got by without a comprehensive snow-clearance service—which in countries regularly snowed up for the duration of every winter is an obvious must, but which demands a capital outlay on snowploughs too exasperatingly uneconomic to be cheerfully undertaken where snow normally interrupts traffic only for a few days each year.

A few days' isolation, even a few weeks in an exceptional winter, is a normal feature of Highland life, better endured than cured at so disproportionate an expense. Thus the standard argument; but it has its critics. After the last comparatively protracted siege, three winters ago, the Scottish councils only just fended off an order to stock up with a full battery of snowploughs. Every isolated village that survives a siege, with plentiful supplies and everything under control, reinforces their case. By the same token, it is feared that every incursion of eager beavers in publicity-worthy helicopters implicitly puts the case for the snowplough. But is not this logic shaky? The advocates of a snowplough reserve see it as a necessary insurance against rare emergency. The helicopter—even intrusive, even unwanted—demonstrates that, for that rare emergency, the alternative exists.

ARGENTINA

Revolt against Austerity

PRESIDENT Frondizi has shown great sangfroid in persisting with his visit to Washington despite the trouble at home. In his absence, the Argentine government has broken the back of the general strike in Buenos Aires by arresting the strike leaders, calling up one group of reservists and mobilising the transport and oil workers so that they come under military discipline. This is the second time President Frondizi has bulldozed his way through labour troubles; it will almost certainly not be the last.

The strikes were in protest against the *austeridad* with which the president inaugurated the New Year. The Argentinians, who for years have been living beyond their means (helped by what is reputed to be the fastest note-printing press in the world), were unprepared for the check that President Frondizi has administered by limiting the supply of credit and making consumer goods more expensive. During this month prices have doubled and trebled, and wage earners—who are used to seeing their wages go up with the prices—have rebelled. Yet the austerity that they were asked to accept is mild. Argentinians today eat twice as much meat as Britons, and half as much again as each American.

President Frondizi won the elections last year because the *peronistas* believed him to be their man. Once in power, he showed very toughly that he was not. Disillusioned, they have opposed all his attempts to put the economy in order, and especially his decision to allow foreign companies to participate in the development of oil resources.

President Frondizi can rely on the support of the former provisional president, General Aramburu, who still carries weight in the armed services. But in Argentina, as in Venezuela, there are military cliques who dislike the president and who would dearly prefer a return to direct military rule. Their intrigues weaken his position on one side, while on the other General Perón still exercises remote control from the dictators' club in the Dominican Republic.

The Economist

JANUARY 22, 1859

THE LIMITS OF IMPERIAL POWER

Whatever may be the final issue . . . of the present critical relations between France and Piedmont and Austria, it must now be clearer to the Emperor than perhaps at any previous time since the *coup d'état* that the Imperial power in France is not so omnipotent as is ordinarily supposed. . . . Louis Napoleon has suddenly discovered that the tether of his power in France has a very definite limit. His despotic government is sullenly permitted, not actively supported by the public opinion of the middle classes. They feel that his government is in a certain sense necessary to the internal repose of France. They prefer him, even as he is, to the horrors and uncertainties of anarchy. They do not see their way to any change. But this is all. He has not sought to strengthen his government by consulting the popular opinion of the nation, and he is, consequently, left without anything more than its passive acquiescence. His schemes are matured in the isolation of his own brain—and are neither originated nor biased by the symptoms of national feeling. When he slowly brings them forth to the nation, they are received with the indifference and dislike that plans so originated generally meet with. What has not been born of any strong popular feeling, will not call forth any such feeling. The reveries of a cold, though in some sense a superstitious despot, cannot excite any enthusiasm in a people who neither associate his rule with any brilliant military success, nor feel any kind of national grudge towards the enemy he has so carefully and so meditatively selected. The Emperor is learning for the first time that no man, however powerful, can wield in Europe the full influence of France who has not really studied the feelings and won the *heart* of the French people. . . . The Emperor finds almost for the first time that it is one thing to be the real organ of a great nation's will, and quite another to be tolerated as the best substitute in the absence of any such real organ.

LETTERS

Diplomats

SIR—May I be allowed a mild word of protest at some of the suggestions made in the article on our diplomats in *The Economist* of January 17, 1959? For you suggest, unless I misunderstand you, that some of the limitations and inhibitions of which you complain are due to their public school upbringing. Is it permissible to remind you that Dr Arnold, to whom you refer, died some 120 years ago? And that even Newbolt is little more than an embarrassing memory in his own Close? May not some of these inhibitions be due to national temperament? The island race was never at its happiest with foreigners. May some of them even be due to the traditions of a service which may have adapted itself less quickly to the modern world than have the public schools? For when I call to mind those of my old pupils at school and university who are now members of the foreign service, I cannot say that I remember them as suffering from any such inhibitions when they left me.—Yours faithfully,

The College, Winchester H. D. P. LEE

SIR—Your description of the Nelson tradition in "How Green are Our Diplomats?" is a little odd. Nelson was not in the "habit of clapping the glass to his sightless eye right up to the moment when some new catastrophe hit (him)." Catastrophe usually came to his opponents.

At the battle of Copenhagen when the famous incident occurred, he first persuaded an irresolute and personally hostile commander-in-chief to allow him to make a daring attack on a formidable enemy. At the crisis of the fiercely fought battle which ensued, Hyde Parker flew the signal "Cease Action." It was this signal which Nelson disregarded, putting his telescope to his blind eye. Some time after this, sensing that the Danes had had enough, although still in the midst of the cannonade, he wrote a letter to the Danish Crown Prince and offered a truce. Sir Arthur Bryant wrote of the sequel ("The Years of Endurance," page 328), "The truce, prolonged from day to day, ended, thanks to Nelson's exquisite skill as a negotiator, in a permanent armistice."

There are many lessons in this superb example for our diplomats, our fighting men and even for leader writers in *The Economist*. Here we see high courage, unhesitating acceptance of responsibility, cool and calculating judgment in the midst of a hard-fought battle and an accurate appreciation of when to fight and when to talk. It is scant justice to the great admiral to compare this with the miscalculations of Baghdad and Havana.

Not that Nelson himself would have disagreed with your opinion of some of our diplomats. "I hate your pen and ink men" he wrote.—Yours faithfully,

Leeds JOHN G. WALKER

Cuba

SIR—In your article "Generals Sink in the West" you say that Batista ousted a corrupt and unpopular government in 1933. The Machado government fell on August 12, 1933, after many Cubans suffered and died fighting, but Batista did not make the slightest contribution to that fight and fall. Only on September 4th, when there was no danger or merit, did Batista lead the "sergeants' revolt" which overthrew the Cespedes government which had had no time to be anything except weak and tolerant.

Batista never ceased to try hard to win popular support. If he never succeeded it was due to causes which are rightly a source of pride to us Cubans. The vast majority of Cubans never forgave Batista for the way he reached power in 1952, ousting a government that everybody recognised as democratic and legitimate, no matter what he might have done or tried to do afterwards.

At first there was resignation, only because it was considered impossible to overthrow the military usurper. But the savage repression of the first attempts made by some isolated heroes changed that. After each new atrocity more and more people, instead of being intimidated, decided to join the rebels or aid them in some way. The murders were *non seulement des crimes mais des fautes*.

In the Cuban revolution there was no backing from the armed forces. Not a single organised military unit went over to the rebels. The army was soundly beaten by civilians in arms, and surrendered unconditionally.—Yours faithfully,

Havana, Cuba LEON PRIMELLES

Abortion

SIR—Although your article "Set the People Free" gave me great satisfaction, may I protest against an omission in your first short list of desirable reforms? Why urge changes in the abortion laws and not refer to the situation which so largely contributes to the problem? But in fact your omission is regrettable on much wider grounds than this.

It is true that there is no law in this country against the practice of birth control or the sale of contraceptive appliances, but under the national health service advice is available only to those for whom a further pregnancy would be detrimental to health. Other couples, who simply want to plan and space a family for the sake of their married happiness and the security of the children themselves, have to rely on their own common sense and initiative—hardly likely to be well developed in this field, in the prevailing social climate.

To those who suggest that *laisser faire* is proper in these matters I would like to show some of the records of the 300,000 patients who came to Family Planning Association clinics last year and the many thousands of letters which reach the association telling of threatened marriage breakdown through sheer ignorance and fear. In the sphere of preventive medicine should not the provision of advice to such couples merit statutory help at least to the same extent as the issue of orange juice and cod liver oil?—Yours faithfully,

A. J. CLIFFORD SMITH
General Secretary
The Family Planning Association, S.W.1

SIR—About the desirability of six of your suggested reforms I am sure that all liberal-minded adults will agree but I am equally sure that you are wrong, not only ethically but also socially, in advocating the legalisation of abortion.

The taking away of life is murder whether the destruction of the life occurs before or after its birth and the condonation of antenatal murder would be regarded as justification for infanticide and as grounds for the legalisation of that crime too.

The fact that the breaking of the seventh commandment is no longer a criminal offence is no excuse for suggesting that the sixth commandment also should be abrogated.—Yours faithfully,

MATTHEW STIRLING
London, W.1

Economic Review

SIR—May I correct one point in your illuminating and helpful comments last week on the *Economic Review* that this institute has just launched? You suggested that we were promised "somewhat fuller access to information in Government departments than the general press." In fact no such promise was asked for or given. The institute is an independent body which has enjoyed no special favours.—Yours faithfully,

C. T. SAUNDERS
Director
National Institute of Economic and Social Research

The Free Pound

SIR—While I appreciate your reservations concerning sterling convertibility, it seems to me that Britain's favourable experience in the past year is due to much more than "quite unusual good luck." The so-called flight from the dollar may be a further redistribution of existing gold reserves due to the strengthened financial position of many countries, notably Britain, who seems to have absorbed about half of the $2 billion gold loss of the US in the first nine months of 1958. (Must all additions to existing gold reserves outside the US come from current gold production?) Or it may be that one must regard fluctua-

tions of this order as normal phenomena caused by price movements, interest rate differentials, etc. It is not too surprising that a combination of relative monetary ease in the US and favourable balance of payments developments in Europe (including Britain) should lead to an accumulation of gold and a weaker preference for dollars abroad. One need not invoke the fear of dollar devaluation to explain the US loss of gold. The only remarkable thing about it is that it represents a flight from dollars into gold, not a flight from dollars into sterling. This in itself is reassuring.

Second, how "inadequate" are Britain's reserves to support sterling convertibility? £35 million was adequate in 1913; today we wonder whether $3 billion is adequate. To answer this question we must go beyond the figures on gold and dollars held by Britain and consider all sorts of second—and third—lines of reserves. What assistance can be obtained from the IMF under the increased quotas? What is the maximum accommodation that can be secured from US commercial banks? Such accommodation, it should be noted, has played an increased role in the recent past. What about bond issues? Would a slight increase in spreads dampen speculative movements of funds? A spread of only 2 per cent in each direction would mean a spread between 2.744 and 2.856. Finally, while recent experience has demonstrated that bank rate changes have a powerful effect on speculative movements of funds, Mr Harrod is probably right in saying that much of the speculation against sterling in 1957 might have been avoided by an earlier and much stronger official pronouncement of Britain's determination to defend the existing parity. Factors such as these make any single figure, such as that relating to gold and dollars, almost totally meaningless.

Your article under emphasises one potential danger spot. Britain's movement to external convertibility may be likened to its decision to return to the gold standard in 1925. The system that emerged at that time put excessive and almost exclusive reliance on domestic monetary measures as a means of preserving international equilibrium. A potential source of weakness in the system now emerging is that Britain may again find bank rate changes required to defend the pound incompatible with domestic policy objectives; the ability of America to utilise monetary measures for international ends may be similarly restricted. It is for this reason that many people today seem to apply stricter standards to what they regard as "adequate" foreign exchange reserves. However, the remarkable revival of the international capital market in recent years, as well as the degree of international co-operation, may well have added even more to the depth, strength and resilience of the world's reserve position than the remarkable increase in the amount of gold and dollars held by the European countries.—Yours faithfully,

OTTO VON FIEANDT
Yale University,
New Haven

BOOKS

Striking a Bargain

The Economics of Collective Bargaining

By P. Ford.
Blackwell. 135 pages. 10s. 6d.

EVER since the demise of Ricardo's Iron Law of Wages, labour economics have remained in a thoroughly unsatisfactory state. There are two reasons for this. The first is that the theoretical assumptions, of small Marshallian groups indulging in independent bargaining, have been obsolete ever since national negotiations succeeded in tying most wages to those in a few key industries. The second reason is more topical. For now that a policy of full employment has largely removed the traditional market checks on wage increases, the real centre of theoretical interest becomes not so much the market as the internal power politics of the unions' and employers' associations concerned. Within wide limits, any rate or structure of wages is now possible provided it is agreed by both employers and unions through collective bargaining.

Up to a point, Mr Ford, who is writing about the real world of wage negotiation, realises this. In his numerous asides, he shows a ready grasp of how the trade unions actually work and of the wage problems they face. Moreover—and this is none too common among economists—he is able throughout the book to provide concrete examples to illustrate his argument. This is continually stimulating and has only been bettered by Mr H. A. Turner in his notable contributions on wages in issues of the *Manchester School*. But Mr Ford has not let his sense of realism take him far enough, and the final impression is, unfortunately, of an opportunity missed rather than of a challenge accepted.

The error Mr Ford makes, if error it can be called, is one of focus. His eyes are constantly on the market, where wage claims lead to unemployment in amounts depending on the various elasticity of supply and demand. But his questions are never the questions of the hour because his "labour market" no longer, in the *real politik* of collective bargaining, really matters. Wages today will rise when there is excess demand for labour; but they will not fall (as they did before the war) when demand falls and the market for labour is weak. The unions will go on raising wages (as they have done in textiles) and see that any unemployment that results is removed by men being absorbed into other more prosperous industries.

Thus, especially with both political parties working to remove any unemployment that does at any time appear, market checks on the level of wages (except those in the export market) are almost infinitely elastic. Each year the unions will put in a claim based on last year's profits; the employer will refuse it by pointing to a black future of internecine competition; and, at the end, both sides agree on a halfway award. Arbitration reinforces this pattern. Only in the last two years, because of a change in the employers' (and Government's) attitude, has this automatic process not worked so well. The results were the engineering strike of 1957 and last year's bus strike.

The economic haphazardness of collective bargaining is reflected equally in the attitudes on both sides of industry; but, when it comes to internal politics, it is on the union side that the balance of forces is most important and—because of the highly democratic union constitutions—most delicate. Employers and their federations resist claims; but it is the unions who both press them and determine their form. Demands made at the end of the war, for equal cash increases for all workers, by closing percentage differentials, twisted the country's whole wage structure against the skilled; since then, percentage wage demands have begun to twist it back again. And there is nothing arbitrary about the form of these claims. Equal cash increases will be demanded by unions with a preponderance of unskilled workers or by those recruiting them and wanting to appeal to members at the margin; percentage increases will be demanded by craftsmen. At the border between dissimilar unions lies an area of constant—and sometimes highly damaging—interunion conflict, which shows nowhere better than in such groups of dissimilar unions as are found in building and engineering.

Except in this context—of indeterminacy in the market and political balance across the bargaining table—it is almost impossible to make any sense of postwar wage changes. Between 1946 and 1950, the unions got smaller wage increases than the market would have allowed; since 1956, they have got more, and even in the years between the market (*vide* John C. Lewis's capital-squeezing tactics in the American coal mines) could, in the short run, have supported almost anything. But between them mass unionism and employers' resistance have created a wage logic of their own, with the fortunate result that economists in this field ought to be able to marry practice and theory with a neatness that is seldom possible. Mr Ford does the marrying admirably; but his analysis, though true enough, is not particularly relevant.

The Road to Cold War

A Diplomatic History of Europe since the Congress of Vienna

By René Albrecht-Carrié.
Methuen. 736 pages. 45s.

"DIPLOMATIC history" used to be concerned almost exclusively with the aims and machinations of foreign offices and the activities of diplomats. Its crises were preludes to war, its triumphs the negotiations of treaties, its moments of greatest glory the large international conferences. The study of "diplomatic history" differed from the study of "international relations" in its concentration upon the intricacies of negotiation and the nuances of agreements, and therefore in its precision, as compared wtih the many-sided, broader issues involved in "international relations" as a whole.

Professor Albrecht-Carrié discards this distinction for the purposes of discussing European history since 1815, and to many the title of his book will be misleading. What he has written is a careful, well balanced and sensible account of international relations since the Congress of Vienna. As required by his theme it is not even limited to Europe, and in the whole of its second half dealing with the years since 1914 he gives as much attention to world affairs as to more parochial European affairs. The book gives less attention than might be expected to comparisons between the procedures and organisation of the great peace conferences, and more than its title suggests to economic developments, population changes and the history of warfare. It is written, as its American spelling emphasises, from a transatlantic point of view, so that Britain is throughout treated as a part of Europe. This is done, avowedly, in defiance of the traditional British (and at times American) view, that "foreign affairs are something, usually unpleasant, that happens to other peoples."

The result is a more valuable and intelligible account, but also a less original book. The story here told has been told already many times, and the author has little that is original to offer in the way of interpretation or fruits of research. It is best on the years before 1919, and gets less sure in touch as it approaches its terminal date of 1956. It is outstandingly good on the nature and outcome of the first world war, and on many matters it provides neat, concise assessments, pithily phrased. The reader is constantly reminded that the components of power, which underlie foreign policies, include economic resources, tough social institutions and public morale, no less than military forces and strong allies. The relativity of great power status is never neglected, and the eventual dwarfing of Europe by the two super-powers of the American and Soviet Unions casts a long shadow backwards over the account of earlier twentieth-century events.

The success of the book is the encompassing of so vast a theme in so workmanlike a manner. As a moderate-minded compilation of existing knowledge about how and why Europe took the road it did during the last hundred and forty years, it is admirable. There are, inevitably, a few slips and repetitions, and a few generalisations that are dubious. The view that in 1945, as regards postwar France and Italy, "Britain, or Churchill, tended to support the more conservative forces, in contrast with the American tendency to favour the elements of the Left," must make the shade of Admiral Darlan smile, and raise the eyebrows of President de Gaulle. The author is more than generous in his interpretation of Gustav Stresemann. The maps are too few and too small to be adequate, unlike the footnotes, which are too many and too long to make for tidy reading. These are minor blemishes in a useful addition to the secondary literature on modern Europe.

Non-Cyclical Cycle

Business Cycles and Economic Growth

By James S. Duesenberry. *McGraw-Hill.* 335 pages. 50s. 6d.

THIS is, in intention, a high-grade textbook, part of its publishers' Economic Handbook Series, which includes among others Professor Hansen's "Guide to Keynes," Professor Lerner's "Economics of Employment" and Professor McCord Wright's "Capitalism." Readers of any of these will be aware that originality of thought is not excluded from the contributors' notion of what a textbook should offer; and "Business Cycles and Economic Growth" is in the same tradition. It is not easy reading or meant for laymen; parts of it are unmistakably stiff; but it offers a remarkable combination of scholarship plainly interpreted, theoretical excitement, and common sense.

Its central thesis is that depressions are of two radically different sorts, of which the genuinely and purely "cyclical" are comparatively unimportant—their tidal ebb and flow being of a gentle, as it were Mediterranean or Baltic type, not a Bay of Fundy race. The serious depression, the 1929-type catastrophe, is another matter altogether; a matter of some particular shock impinging on an economy which for institutional and structural as well as cyclical reasons is especially vulnerable. The arguments leading up to and expounding this thesis are skilfully organised. The cyclical, "accelerator-multiplier" mechanism as expounded by the major post-Keynesian theorists is related to pre-Keynesian theory and to Keynes himself, and its working is explained from the point of view both of growth and of stability. Professor Duesenberry then gives his reasons for supposing the fluctuations generated by this mechanism to be, in themselves, comparatively innocuous; there are more self-correcting elements in the economy than Mr Harrod, for instance, allows for. Were truly cyclical elements alone in question, activity would fluctuate, over perhaps a three-year period, shallowly and quite tolerably. Their real importance lies in the fact that they periodically bring about a state of affairs in which, if any specific shock hits the economy, its resistance is low.

From this analysis he goes on to consider the structural and institutional changes that make the economy more fundamentally vulnerable to shock, and the nature of the shocks to which it is subject. Between 1900 and 1929, he argues, the American structure evolved so as to reduce the rate of growth of demand and, for this and other reasons, the stability of the American economy. No equivalent driving force replaced the expansion of the "frontier," and the process of railway construction, which supplied the main nineteenth-century dynamic; population growth slowed down; more immediately, in the late 1920s, the working off of the postwar housing backlog, and the gearing of consumption directly to security values by the spread of speculation to the general public, between them abolished two normally effective stabilising influences. When the shock came—in itself not very different from others which in the past, impinging on a fundamentally expansive economy, had produced only short-lived effects—its results were consequently devastating.

The doctrine of specific shocks has a good deal in common with Professor W. W. Rostow's theory, and it is a pity that Professor Duesenberry leaves that theory undiscussed and indeed unmentioned. But the synthesis of this essentially historical and particularist explanation with general, quasi-mathematical analysis is both new and promising. Much testing and probably much modification will, its author makes clear, be needed before it can serve the purposes of prediction or policy, but it would be hard to upset his modest claim that it makes better sense of past events than do its possibly more elegant rivals.

Fabled Land

Ethiopia Today

By Ernest W. Luther.
Stanford University Press. London: *Oxford University Press.* 158 pages. 25s.

FOR centuries, Ethiopia has been a fabled land, hymned by romantics ranging from Sir John Mandeville to Miss Sylvia Pankhurst. Over and above their adulation, it lately collected a martyr's crown at the hands of Mussolini. Additionally, its highlands are so remote, and most of its lowlands so hot and dreary, that few travellers know the whole of it. Even today, it is easier to get about by air than by road. It dwells inviolate (except Eritrea and Addis Ababa) in ignorance and self-satisfaction. Who can say that it is worse off than Cape Canaveral or Swaffham? The least attractive aspect of its way of life is that its tiny ruling class succeeds in forbidding re-entry to anyone who ventures, as Miss Margery Perham once did, on helpful criticism.

On the whole, this diet of unadulterated worship does it damage—damage

to its own assessment of its role and possibilities, damage to the cause of the young Ethiopians who aspire to crack the carapace of tradition and conservatism in which it lives. This outspoken book, kindly though it is, will not find favour with Ethiopians though it could do them much service if they were to heed its comment instead of writing it off as beneath their notice.

Now that the country's commercial possibilities have excited attention, advisers pour in, lenders lend, and travellers keep arriving. Since the war, it has prospered on the strength of a coffee-boom (though its other exports are so poorly graded that they do not earn it what they might, and though nothing yet goes to show that any of its many known minerals are present in commercial quantities).

To all such visitors, Mr Luther will be a godsend. He has travelled all over the country as economic adviser to the state bank. He has experienced, as have the Food and Agriculture Organisation and Point Four, all the frustrations that attend such a role; he knows how far Ethiopia has yet to go before it plays the role it would like to play—that of a Switzerland to the milling crowds of Black Africa. He puts his finger into all the familiar chinks in the armoury of an underdeveloped land that lives in complacent satisfaction with its own long history: notably, unwillingness to take responsibility except at the very top, and unwillingness to trust any fellow creature with the business details that need to be imparted before there can be development. His book is indispensable to visitors, and will do Ethiopia a service if these no longer arrive, as most have done since the Portuguese landed in the sixteenth century, expecting something rosy, only to come away disillusioned.

Speed on the Ground

The Racing Driver

By Denis Jenkinson.
Batsford. 207 pages. 18s.

MR JENKINSON is a motor journalist with a little experience of motor-cycle racing, and as passenger to Stirling Moss: he is writing about the top-rank professional drivers, not the happy band of club amateurs. He sets out to show how a racing driver manages a given type of car, how and why he is able to corner fast in a four-wheel-drift, and what problems he has to contend with—very swiftly and neatly—if, indeed, he finds himself "over the limit." But his chapters on oversteer and understeer, for example, will be of interest to many amateur drivers, who are likely to be safer as a result of knowing what they are attempting to do and the technical reasons why their cars do or do not respond.

The author is concerned only with what makes the racing driver outstanding in his professional sphere, and of this nothing is omitted. The danger of being "speed happy" and of keeping going until a crash happens; the importance of good eyesight; the difficulty some first-class drivers have of reading the instruments, even to quoting a figure after their practice laps from a dial which has been removed from the car; the different methods of making a good start when the flag falls, how drivers of different temperaments act after an accident—these and many other intimate aspects of motor racing are fully and scientifically discussed. The medical aspects of racing are included, and Mr Jenkinson tends to dispose of the popular theory that the racing driver senses how his car is responding through the "seat of his pants," preferring the more scientific explanation that the driver's "proprioceptive system" comes into play. Although this is primarily a scientific study of the modern racing driver and the cars he is called upon to drive at the limit, Mr Jenkinson's book is punctuated with many fascinating episodes put in to illustrate his points and which bring in most of the famous names in present day motor racing.

One chapter discusses driving in terms of "tenths." It is suggested that the average slow driver in an unwieldy car is driving at what the young man in the sports car would call two-tenths, but which the harassed man in the slow vehicle regards as four-tenths. As he reaches clear road the young man in the sports car will probably drive at seven-tenths, and if he is experienced and really in a hurry, he may proceed at eight-tenths. By way of comparison, Mr Jenkinson holds that racing drivers habitually use nine-tenths; an occasional relaxation at a corner to a mere eight-tenths means that all hope of making a record lap or perhaps of winning a race will be lost. After making this comparison in driving ability the author goes on to remark that what constitutes eight-tenths to the average road driver would be regarded as five-tenths by drivers of the ability of Fangio, Moss or Hawthorn.

Commemorating Freud

Psycho-Analysis and Contemporary Thought

Edited by John D. Sutherland.
Hogarth Press and the *Institute of Psycho-analysis.* 149 pages. 25s.

Freud and the Twentieth Century

Edited and selected by Benjamin Nelson.
Allen and Unwin. 314 pages. 28s.

Festschriften tend to be repetitive and uneven, with reminiscence gaining status from the qualities of the person to whom honour is being done. These two books are no exception to the rule. The first is a collection of six lectures given by members of the British Psycho-analytical Society in 1956 to celebrate the centenary of Freud's birth. The second contains a set of papers for the most part specially written for the same centenary; the authors are mainly American.

To say that a book is uneven need not be regarded as merely disparaging; both these books contain papers that are well worth reading. Of the six lectures in the British volume, the second, "Psycho-analysis and Child Care," by Dr John Bowlby, is a little masterpiece of clarity and good sense. The author is an authority on this topic, who has been at pains to communicate his findings to the mothers and nurses who have to use them. He writes persuasively with hardly a trace of jargon, whereas the third paper, "Psycho-analysis and the Teacher," returns to the cloudy abstract style that is typical of so much psycho-analytic literature.

The paper on "Psycho-analysis and Art" might be read along with the twelfth chapter of "Freud and the Twentieth Century." Both are difficult, and Miss Milner sometimes seems a little perverse, but they grapple with a real problem, and the reader, even if he disagrees, will find that his awareness of the creative processes in art has been heightened.

The papers on "Psycho-analysis and Philosophy" and "Psycho-analysis and the Current Economic Crisis" are intelligent and challenging, though it is not always clear how much the ideas they express derive strictly from psycho-analysis.

The second book is much wider in its appeal, and contains sixteen papers arranged in six sections, which include "Society and Politics," "Literature and the Arts," and "Philosophy and Religion." Alfred Kazin opens with a brilliant essay, "The Freudian Revolution Analysed." "Freud," he says, "a tough old humanist with a profound sceptical mind, would have been shocked or annoyed by the degree to which everything is sometimes explained by 'Freudian' doctrine. He offered us not something that applies dogmatically to all occasions, but something useful, a principle of inquiry into those unconscious forces that are constantly pulling people apart, both in themselves and from each other." Mr Kazin goes on to complain about "the increasing tendency to think that all problems are psychological," to ignore the real conflicts in society that underlie politics, and to interpret politicians and candidates—especially those you do not like—in terms of "sexual" motives. Nigel Walker develops the theme that what Freud really did was to "invent something useful." He offers us a technique not a *Weltanschaung.*

Both books have something to offer the general reader, but "Freud and the Twentieth Century" is a much more considerable publication if choice has to be made.

France and the Levant

Syria and Lebanon under French Mandate

By Stephen Hemsley Longrigg.
Published for the Royal Institute of International Affairs by *Oxford University Press.* 404 pages. 42s.

THE history of the French mandatory regime in Syria and Lebanon is not a happy one. French claims to the territory were based on a desire to strengthen a centuries-old *mission civilisatrice* by adding political control to it. When the mandate came to an end it was found that political control had been a failure and that what France had left in the Levant was a rich legacy of education, public works, and law and order.

In an effort to establish a firm foundation for political control, France pushed aside, as being of no importance, the growing aspirations of Syrians and Lebanese for independence. True, a small group of clients soon gathered around to encourage the French to believe that they were loved and wanted by the local inhabitants, but French failure to recognise how shallow was this pool of affection led to continuing troubles between them and the people of Syria and Lebanon. The French administration in Beirut, always at the mercy of ever-changing governments in Paris, acted as if the mandate was meant to last forever; the Syrians and Lebanese were determined that it should not. It came to an end when it did simply because it would not work any longer.

Brigadier Longrigg has given us more than a history of the Levant under French rule. He has painstakingly sorted out the wartime promises made by often unauthorised Britons to the French or to the Arabs. He has calmly traced the basic reasons for French suspicions of British actions in the Middle East during two great wars. He has, however, not limited himself to a discussion of French shortcomings and says that these are too often remembered not only by the Arabs but also by British, Italian and American critics.

The Ghost of Rome

Power and Folly: *the story of the Caesars*

By Ivar Lissner.
Cape. 384 pages. 35s.

The Great Invasion

By Leonard Cottrell.
Evans. 209 pages. 21s.

AS a result, partly, of the emancipation of the masses into the wide world of TV and the cinema, there has been a remarkable revival in Roman studies, not only in Britain. These two books testify to the popularisation of what was once recondite knowledge. Dr Lissner's, though admirably translated from the German (by J. Maxwell Brownjohn), is described on the jacket by *L'Express* as "historical journalism"; but it is, unhappily, not even good journalism. It is hard to guess why it should have been published in English to sell at so high a price to what can only be an uninstructed mass public. Dr Lissner has scripted—it seems the best word—chunks of Suetonius, Seneca, Petronius, Sallust, Ammianus, Eusebius, Dio, Appian, Lactantius, and others; but his stitching is jerky, and many of his *obiter dicta* are odd. He seems surer than his sources of his subjects' feelings, words and motives: and he even imputes to them beliefs imperceptible in any sources. He thinks "character" is "an immutable factor" to be best studied in "family background." Neither Gibbon and Burckhardt nor modern authorities warrant his view of Constantine's calculations; and he lends the pious Eusebius altogether too much credence. He should consult Hume or Carcopino on "the populousness of antient nations." He brackets Socrates and Seneca as the only two philosophers of the ancient world who went to death in serenity, and forgets Boethius. He thinks Caesar "possibly the most versatile genius ever born," and peppers his work with generalisations like "the audacity which springs from frequent failure and lack of money." The Celts—see the learned journals *passim* today—were never "the forefathers of the English." Diocletian was a cool genius, not a glory-drunk. The good things in this book are the quite lovely plates of the heads and other features of the Caesars and their families and mistresses. All look tough, able, handsome.

Mr Cottrell's work is simple, clear, factual and informative. It brings together, though also jerkily, almost all we know of the Roman invasions of Britain, the occupation, and the organisation of the country while it was under Rome. It is a pleasant book to browse in, but it is not for serious students, as can be gauged from this: "There was an ancient festival in Rome called the *Saturnalia* (our Christmas festivities are descended from it) . . ." Its author's infectious enthusiasm, however, should convert some uninformed browsers into serious students.

Elizabethan Bureaucracy

The Queen's Wards: *Wardships and Marriage under Elizabeth I*

By Joel Hurstfield.
Longmans. 378 pages. 42s.

TO write, as does Mr Hurstfield, of feudalism resurgent under the Tudors may appear surprising. Yet the Crown's feudal rights to administer the lands and control all marriages of all minors who were heirs to estates held of the crown by knight service offered a source of revenue which the Tudors could not ignore. The Court of Wards, set up in 1540 to collect an erratic form of death duties and abolished by parliamentary ordinance in 1646, has long awaited its historian. In the last five years it has found two: Mr H. E. Bell, who recently published an admirably lucid account, and now Mr Hurstfield, who concentrates upon the social and political aspects of the court under Elizabeth I. The Court of Wards mirrors in miniature much of Tudor government and society: the domination of the two Cecils, masters of the court from 1561 till 1612; the desperate recklessness of their rival, Essex; the gross venality of the officials, multiplying in accordance with Parkinson's law; the widening gap between aspiration and achievement; and the failure of James I to remedy what had become a major political grievance of the gentry.

Mr Hurstfield carries a great deal of learning very lightly. His statistics and accounts of procedure are enlivened by delightful studies of individuals. As the author of one of the official war histories, he makes enjoyable comparisons between bureaucratic ways under Elizabeth I and in the Second World War—and effectively punctures any complacency in the reader. In his discussion of the difficult problem of Elizabethan corruption he is penetrating and balanced; he patiently traces the bribes received by the Cecils and points out that "without these apparently corrupt practices the Elizabethan civil service would have gone inadequately paid and have ultimately collapsed through shortage of men and money." Indeed he ventures the provocative remark that "the Tudor attitude to office and administration was more flexible and more frank than our own." In his preface Mr Hurstfield promises a full-scale biography of Robert Cecil, and it will be extremely interesting to see how he deals with that most flexible statesman.

Goods in Transit

The Changing Pattern of Distribution

By Nicholas A. H. Stacey and Aubrey Wilson.
Business Publications, in association with *Batsford.* 380 pages. 45s.

DISTRIBUTION is a large subject and Messrs Stacey and Wilson cast their net wide. The reader is invited to consider the Antonine age in Rome, as well as the risk of salmonella food poisoning

THE POWER ÉLITE

C. WRIGHT MILLS '. . . one of the most acute critics of the recent development of American society . . . . His new book analyses the composition, outlook, nature, and recruitment of those in the seats of power, with more than a glance at the mass society underlying their exercise of power—of which, he argues at length and cogently, the essence is organized irresponsibility. Mr Mills's acute insight is that of an economist who is also a psychologist, a moralist, and a social analyst.' *Scotsman* 42s. net

SMALL-TOWN POLITICS

A Study of Political Life in Glossop

A. H. BIRCH 'This is a penetrating study of political life in an English industrial town of about 18,000 inhabitants . . . the findings are of wide interest . . .' *Yorkshire Post* '. . . there is a great deal here which ought to be read with care by party organizers.' *New Statesman* 'The sections of the book on political opinions and voting habits add usefully to the growing literature on this subject.' *The Times* 25s. net

Oxford University Press

in frozen whole egg pulp. The appendices tell him that there were 8,051,000 life insurance policy holders in 1949, and that sales of white fish not for human consumption are used partly for fish and partly for animals. The authors discuss not only the varying fiscal structures of the Free Trade Area countries, but also the tenth commandment. Even so the book is not exhaustive. There is a chapter on the United States, but recent and often more instructive developments on the European contingent are barely mentioned. The bibliography includes "Love in a Cold Climate" but not "The Economics of Resale Price Maintenance." Square milk bottles are recommended to save space, but the "Tetra-pak" is ignored.

With whatever surprising omissions, however, here is a storehouse of information, much of it never before between hard covers. At least two chapters are sensible and straightforward. But the value of this compendium is reduced by its untrustworthiness: the number of Co-operative supermarkets in 1957 is wildly understated, and an OEEC estimate that not more than 1-2 per cent of goods reach the retail level unpackaged is made to apply to "all foods" instead of to the grocery trade alone. There is bound to be confusion, too, if the reader remembers what has gone before; the statement approved on page 42 that not one department store "could be rebuilt today to operate at a profit" hardly prepares him for the reference on page 199 to new department stores "now being built."

Much of the book looks at distribution from the manufacturers' point of view, and since the authors' own field is market research this is only natural. This background may account also for their reluctance to state their views on many of the major issues in distribution today, such as the optimum number of shops, the tied filling station, vertical integration, the economies of scale, resale price maintenance, and whether department stores should trade "up" or "down." All these issues are desultorily discussed, but (except for a forthright rebuttal of the restrictive retailer's arguments against organisation discounts) in no case is there a clear statement of pros and cons or a firm conclusion. The concept of the public interest is introduced on page 123 rather as if it were some strange new animal; and it is left there.

Particular attention, however, is given to new techniques, ranging from electronic computers to fork-lift trucks, and from quick-freezing to motivation research. The assessments usually conclude that they are "of the greatest importance" but "require intensive study." Problems are "not insuperable" and possibilities, "while not limitless, are still extremely wide." Unfortunately, hasty finish is evident in every chapter, not only in misprints but also in sentences without main verbs, unorthodox punctuation and other literary abberrations.

Distribution is emerging from its role as the Cinderella of economic studies. The statistical blackout is being lifted, and not by the 1950 census alone; as managements become less secretive, trade journals are becoming more informative; the spread of new methods is attracting public scrutiny; and, particularly abroad, the flow of valuable studies sponsored by universities, trade associations or government bodies is increasing. There is still a long way to go; great statistical and conceptual difficulties remain; the patient sifting of facts and the clear-headed development of criteria of the public interest are much needed. But the time has gone when one would have welcomed almost any book on distribution, however haphazardly thrown together and inaccurate in detail.

Legal Aspects of the Civil War

The King's Government and the Common Law: 1471-1641

By Charles Ogilvie.
Blackwell. 176 pages. 21s.

SIR CHARLES OGILVIE, formerly Lecturer in History in the University of St. Andrews, has written a useful small book, which helps notably to revive the often neglected legal aspects of the Civil War period. The book would have been still more useful, and more convincing, if it had been composed to a different and a larger design.

It is a book that is in no way pretentious; but its main thesis is too big and complicated to be demonstrated adequately in 168 pages divided into nineteen short chapters that cover much more than the period mentioned in its title. It is not possible, for example, to say anything very illuminating about "The Origins of the Common Law" in a chapter of five and a half pages, especially when the author's mediæval scholarship is hardly up-to-date. Nor is it necessary indeed to say anything about so remote and intricate a theme when the main thesis of the book concerns the motives and objectives of the common lawyers in their opposition to the first two Stuart kings. The whole book lacks structural unity, and the succession of chapters reads more like a course of lectures than integral parts of a literary entity.

There is little material in the book that is not readily accessible in well-known secondary sources, but Sir Charles performs a useful service in bringing together and discussing evidence that emphasises the corruption, vested interests, dilatoriness, and inefficiency of the common law courts in the period; the decay of equitable jurisdiction; and the ineffectiveness of the Crown's not very persistent efforts to reform them in the sixteenth and seventeenth centuries. He also brings together material that tends to show the value of the prerogative jurisdiction exercised in the King's Council, Star Chamber, Court of Requests, and elsewhere, with their much more expeditious and impartial procedure. It is useful to have the enormous deadweight of common law procedure, with all its gross abuses, exposed, but the argument would have been clearer if fewer detailed illustrations and trivial instances had been included.

The argument itself seems to rely too much on magnifying sinister professionalism on the part of the common lawyers in their opposition to the Stuart kings, much of whose legal and administrative activities were hardly so pure and disinterested as the author seems to imply. The common law admittedly was the protector of property, as Sir Charles reiterates. But it was also and in the process the protector, the only possible protector, of the rights of the individual. If organised opposition to the Stuart policy was to come from anywhere, it is difficult to see where it was to come from, if not from the common lawyers (or some of the most influential among them), clumsy and self-interested even though that opposition was in some degree. The Puritan bodies as such could scarcely have accomplished much on their own. It may be true in part at least that "the real victors of the Civil Wars were the lawyers," but when all is said and done, it does not follow that we ought to lament this result.

OTHER BOOKS

SIR CHARLES DILKE. By Roy Jenkins. *Collins.* 447 pages. 25s.

Our review of this book, which was printed in *The Economist* of November 8, 1958, was, on one point, unfair to Mr Jenkins. Our reviewer accused him of ignoring the damaging remark about Dilke's way of life that is said to have been made by Lady Dilke to W. T. Stead. Mr Jenkins does, however, quote this remark, though he does not tackle its implications.

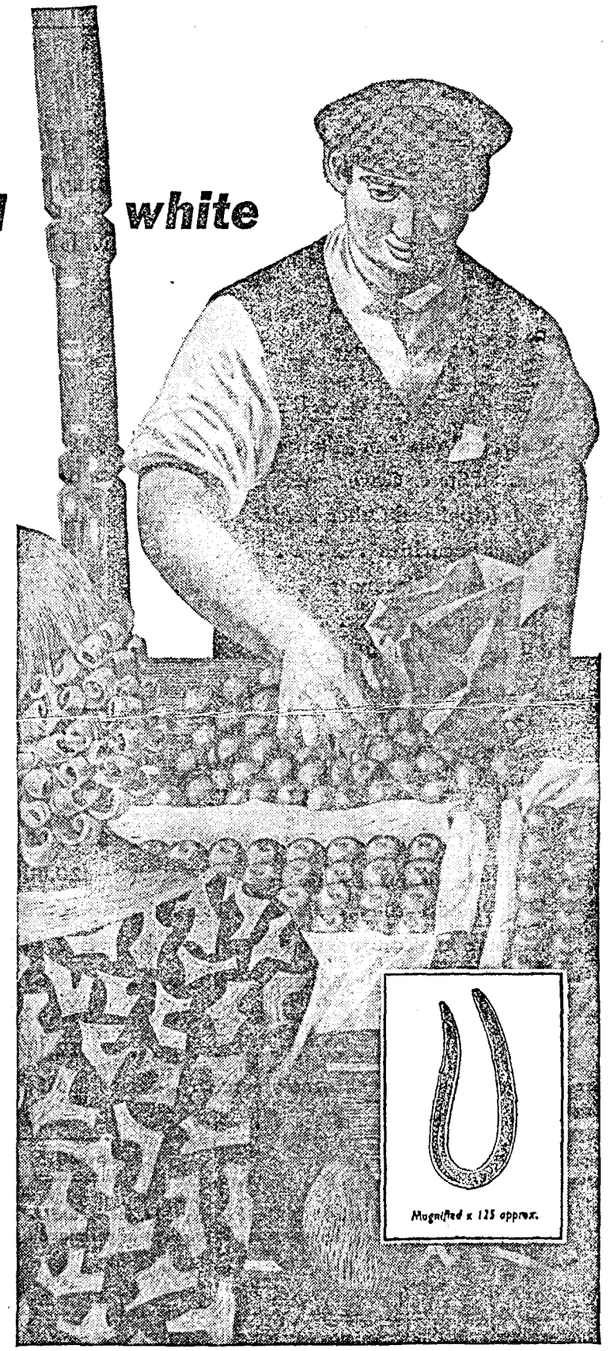
THE TAXATION OF GIFTS AND SETTLEMENTS. By G. S. A. Wheatcroft. *Pitman.* 287 pages. 52s.

This is the third edition of a book that first appeared in 1954 and immediately established itself as a classic. The new edition covers the most recent legislative changes, including Section 23 of last year's Finance Act—a section of staggering incomprehensibility which of all recent changes in the tax law was probably least considered and understood in its progress through Parliament. In these measured pages, there is little about the arranging of personal affairs to minimise the taxpayer's burden that is missing.

THE TRAVEL TRADE. By L. J. Lickorish and A. G. Kershaw. *Practical Press Limited.* 356 pages. 42s.

This useful book presents a detailed and all too rare examination of the structure and economics of the travel business. The standard throughout is high—as one would expect from Mr Lickorish, who, as deputy director of the British Travel and Holidays Association, has world-wide experience of the trade. It is primarily designed to help students and managers in industries connected with travel; but anybody interested, both in the past and the future of the world's biggest industry and Britain's largest dollar earner (tourism beats both whisky and woollens in this respect), will find this volume useful.

In the pink and white



In April, there is ski-ing on the eastern slopes of the Cairngorms. In late May snow water still swells the salmon pools of the Spey. Even in the lowlands, spring in Scotland can be chill and drear, with rain like steel needles piercing from the North Sea. But in the glasshouses of the Lothians and the Forth-Clyde valley there is no bad weather, and the tomato plants come dark green and sturdy, an inch taller day by day.

Yet, as in all growing under glass, there are still serious hazards. Mosaic disease and spot mildew. Buck eye and spotted wilt. Red spider and tomato moth. And, in the warm soil itself, nematodes—deadly eelworms almost invisible to the eye, so insidious that they can be accidentally brought into the glasshouse in the mud on a worker's boot, carried in countless thousands in a single gallon of water from an infested stream. Nematodes, both the Root-Knot eelworm (*Meloidogyne incognita*) and the Potato Root eelworm (*Heterodera rostochiensis*), are serious pests of the tomato—as they are of many valuable world crops—and for years growers had to resort to laborious and expensive soil sterilisation with steam to keep them in check.

To-day, D-D Soil Fumigant is the chosen weapon of an ever-increasing number of growers, because it effectively controls the parasites, thereby greatly increasing both growth and yield. In some Scottish glasshouses where D-D was injected into the soil at a rate of 400 lb. per acre (452 kg. per hectare), plants spurted to twice the height of those grown in untreated soil, and the yield increased by 40%. In other tests in the U.K., some yields increased by a full 100%—with a general average of over one-third. To tomato growers indeed, D-D is an assurance of a crop in the pink—and the pink and white.*

** In the U.K., first-grade tomatoes are known as 'pink and whites'—indicated by coloured papers in the container. Other grades are 'whites', 'pinks' and 'blues'.*

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December 31, 1958

RESOURCES

Cash and due from Banks	$210,814,150.75
United States Government Securities . .	95,537,634.85
Municipal and Other Public Securities .	15,090,042.53
Other Securities	8,137,579.74
Loans and Discounts	266,953,077.58
Banking Houses	8,853,418.80
Customers' Liability for Acceptances . .	11,465,054.40
Accrued Interest and Other Resources .	3,507,319.03
	$620,358,277.68

LIABILITIES

Capital (270,000 Shares—$100 Par)	$ 27,000,000.00
Surplus	20,000,000.00
Undivided Profits	6,224,257.88
Reserve for Contingencies	2,745,239.89
Dividend Payable January 2, 1959 . . .	675,000.00
Deposits	543,484,450.44
Acceptances	12,136,418.34
Reserve for Taxes, Interest, etc.	5,565,194.63
Other Liabilities	2,527,716.50
	$620,358,277.68

Securities carried at $13,892,997.81 have been pledged to secure U. S. Government Deposits and for other purposes as required or permitted by law.

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AMERICAN SURVEY

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



An Innocent in America

WASHINGTON, DC

MR MIKOYAN, having come in like a lamb, has now gone out like a lion. On Monday, his last day in the United States, he attacked in turn Mr Harry Truman, the State Department and an interviewer who had questioned him on television the day before. He thus caused eyebrows to go up simultaneously among Democrats, Republicans and journalists, and stung the State Department into the undiplomatic retort that "this man" was being "fatuous." This has demonstrated that, for a Russian trying to make a good impression on America, it is better to travel hopefully among millionaires than to arrive in Washington. It may also help to correct the idea that he has been getting on altogether too famously with his hosts.

A good many Americans agree with Mr Mikoyan that he was treated cavalierly towards the end of Sunday's television programme, "Meet The Press." Some also suspect that Mr Truman is being unduly (and uncharacteristically) timid in doubting the value of meetings such as those the Russian Deputy Premier has been having with American businessmen. But Mr Mikoyan's angry replies have reminded his audience that he represents a regime which does not easily accept disagreement or criticism ; and they have recalled a number of similar incidents earlier in his tour—such as his reference to the Hungarian demonstrators as "hooligans"—which got less attention at the time than they deserved.

In the long run, the visit may prove to have played a small part in a process which is very radical indeed. But in the short run, it will cause fewer changes than many foreigners, including perhaps Mr Mikoyan himself, expected. Maybe he was a victim of his own Marxist dogma in thinking that American policy is controlled directly by the bankers of Wall Street and the industrialists of the Middle West. It was among these audiences that he was most charmingly persuasive. No doubt their applause, when he told them that Russia was growing daily more democratic, and their happy blushes, when he complimented them on American efficiency, led him to believe that this newfound warmth would be reflected at once in the local newspapers and, before long, in the attitude of the Administration in Washington. In fact, he was greeted so genially because he came from a country which is, to most Americans, as fascinatingly remote as Mars and yet he turned out to be human ; because he was attentive and impressionable ; and because he did not claim that Russia was perfect. Mr Menshikov, the present Soviet Ambassador, created much the same stir when he first arrived in Washington, and yet the ripples he set moving among the cocktail parties have never penetrated to Mr Dulles's office.

Indeed, there are some who think that in the immediate future Mr Mikoyan's visit may have more effect in Russia than in the United States. Any visitor who wants to leave his mark on the grass-roots of American public opinion has to browse a good deal more extensively than Mr Mikoyan could in a couple of weeks. But, as Senator Humphrey perceptively pointed out last Saturday, the grass-roots in the Soviet Union consist of the handful of people on the Central Committee of the Communist Party. There is reason to believe that Mr Mikoyan, like anyone who last came to America in the aftermath of the great depression, has been deeply impressed by its consumer comforts today ; his report may be a revelation to the hermits of the Central Committee.

This is not to say that feeling in America about the Russians is not changing and will not change still more. Fear that Mr Mikoyan might exploit the reaction from the hostility of the McCarthy era is presumably what has led people like Mr Truman to regret glumly that the Americans could not treat him with the clammy aloofness with which the British treated Mr Khrushchev and Marshal Bulganin in 1956. Last weekend Senator Bridges, misappropriating Kipling, invoked the God of Hosts lest Congress forget what the Communists are really like. But the Americans, though many of them like to believe it, are not glacial Anglo-Saxons ; in their attitude towards foreign powers, particularly Russia, they are notably volatile. It is just conceivable that five years from now there may have taken place a return to something like the optimistic amity of the nineteen-thirties. But, if there has, it will have sprung from deeper causes than Mr Mikoyan's visit.

IN the two subjects closest to his heart, the German problem and Soviet-American trade, he has clearly achieved less than he hoped for. It is now generally accepted in Washington that there will be fresh negotiations on Germany, probably at the level of Foreign Ministers, in the spring or early summer. In part this has been made possible because both the latest Soviet note and Mr Mikoyan himself have taken care not to imply that the West is confronted with an ultimatum on Berlin, a situation in which it was plainly unwilling to negotiate. Mr Dulles, for his part, contributed his widow's mite of flexibility last week by suggesting that free elections were not the only means of reuniting Germany.

Since then the State Department has been at pains to explain that this was an exercise in pure logic by a man who is still, at heart, a lawyer rather than a diplomat. Conceivably, when Mr Dulles's hint of "other means" is put to the test, it will turn out to refer to some entirely abstract possibility like the voluntary self-liquidation of the East German government. But until then, the journalists to whom his remark was addressed—and the Russians—are entitled to assume that he is at least mulling over the

thought of something more substantial. Quite possibly he has not yet made up his own mind. Whether he is genuinely flexible, or whether he is simply leading the Russians up the path to the conference door, may depend on what his advisers at home and his allies abroad say in the interval. In the past, the most influential voice has been that of Dr Adenauer, and there is no reason to think that Mr Mikoyan's drowned it last week.

The idea that some kind of "deal" is brewing between the Americans and Russians is further deflated by what happened in the discussions about trade. It was clearly Mr Mikoyan's failure to make any headway in these that left him so short-tempered on Monday. In the last few years trade between the two great powers has been reduced to the muddiest of trickles; the total for the last four years put together is substantially below that for 1938 alone. In part, the Administration is entitled to say that Congress is responsible. It is Congress which bars the purchase of specific items such as furs and crab-meat and which, since 1951, has forbidden most-favoured-nation treatment to be extended to other Russian imports. But the Administration could, if it wanted, seek changes in these laws. Moreover, it could—by executive action, without reference to Congress—ease the flow of exports to Russia. At present all of these, with the exception of a small "general list," have to have individual export licences; this applies even to items which do not come under the embargo on strategic goods, and the Administration has told the Russians that it does not know whether their request for consumer goods can be approved until they have submitted an itemised list.

Those who think free trade is a good thing in principle ought to conclude that it would be a good thing to practice with the Russians. The Americans, however, are entitled to make one or two qualifications, quite apart from the problem of strategic exports. There is the fear that the Russians are "dumping" some items. Mr Mikoyan's bland denials have not entirely removed the suspicion that they have been doing this with tin. But the American procedures for finding out whether "dumping" has in fact taken place are very complex ones, including the despatch of an investigating team to the country in question. Would Mr Khrushchev let such a team in? Moreover, since the Russians are unlikely to be able to sell as much as they want to buy for some years, they would need extensive long-term credits. At present these are denied, under the Johnson Act, to countries in default (as Russia is) on earlier debts. Apparently the State Department still regards these as hopeless hurdles. In this respect, as in others, Mr Mikoyan has been unable to persuade it to put on its vaulting shoes.

Balanced or Complacent?

THE basis of President Eisenhower's 1960 Budget, for the year beginning on July 1st, and of his Economic Report, covering what happened in 1958 and what is expected to happen in 1959—and covered in pink paper even rosier than its contents—is that the recession is over and prosperity is here again. Few people dispute this assessment of the situation but there are many who disagree with the President when he argues from it that the main duty of the Administration is to encourage future economic growth by preserving stability and avoiding inflation—the most immediate threat to America today, according to Mr Eisenhower. These people, who include most of the Democrats who control Congress, and quite a number of Republicans, contend that the Budget is the unrealistic calculation of a complacent President rather than a constructive forecast of the fiscal needs of the next eighteen months.

Mr Eisenhower claims that the Budget is balanced, with a small surplus; responsible, because the absence of a deficit means that the cost of living will remain stable; confident, because it expects revenues to increase; positive, because it responds to national needs without extravagance; and attainable, given the co-operation of Congress. And if it is attained, he offers hope of reduced taxation. His critics insist that the balance is entirely notional, being achieved by overconfident forecasts of receipts and by irresponsible and negative efforts to hold down expenditures which should be increased in the interests of both the security of the nation and the welfare of its citizens. Finally, far from co-operating, Congress is already at work on Bills which would increase government spending in various ways and which are completely at variance with the philosophy of the Budget. The President can, and presumably will, reply with a veto if these Bills go through in anything approaching their present form. But in the Eighty-sixth Congress, unlike the three others with which President Eisenhower has had to deal, the two-thirds majorities in both Houses, which are needed to over-ride presidential vetoes, are practical possibilities.

Massive Resistance Collapses

TWO years ago Virginia, the intellectual leader of southern opinion, passed a series of laws to prevent local communities and their school boards from obeying federal courts which ordered them to admit Negro students to the white schools. The Governor was given the power to close schools, to assign students, to cut off state funds for education, and to provide tuition grants for white students who refused to attend mixed schools. Since last autumn, such "massive resistance" to the Supreme Court has locked about 13,000 children out of schools in three communities; Norfolk, the big cosmopolitan naval base, Charlottesville, the home of the University of Virginia, and Front Royal, a country town. Schools in other places—Arlington and Alexandria—were in danger of being shut.

On Monday, however, the closing of certain schools in Norfolk was struck down by a federal court as incompatible with the federal Constitution and the Supreme Court of Virginia itself ruled, in a five to two decision, that all these laws are incompatible with the constitution of Virginia, which requires the state to maintain an efficient system of free schools. The decision of the State Supreme Court cannot be appealed and is therefore of the greatest immediate consequence. The federal decision, which applies only to Norfolk, is an important precedent for other cases which may be brought because it lays down the principle that a state may not discriminate by shutting certain schools and leaving others open; it must obey the federal courts or sacrifice all public education.

The legal collapse of "massive resistance" was not unexpected. The test was sought by the state itself, probably because Mr Almond, the Governor of Virginia, a reasonable man for all his talk of continued defiance,

Continued on page 320

How the 1960 Budget is Balanced

THE reliability of this week's **estimates** of the government's receipts and expenditures in the fiscal year which begins next July, and is supposedly going to end with a surplus of $100 million, seem a little suspect when it is remembered that at this time last year the 1958 year was expected to show a deficit of $400 million and the current, 1959, one a surplus of $500 million. Yet, when the 1958 year ended, just five months later, the actual deficit came to $2.8 billion and the present estimate for 1959 is for a deficit of $12.9 billion.

But allowance must be made for the fact that last January's calculations were completely frustrated by the recession. This has brought a fall of $5 billion in estimated receipts from income taxes during the current year and has pushed up spending with special remedial programmes such as supplementary unemployment benefits and housing subsidies. The 1959 estimates also now include for the first time $1.4 billion for an increase in the American contribution to the International Monetary Fund. And last year's good harvest meant an enormous rise in farm subsidies which the President has dramatised by treating agriculture separately from other domestic programmes in his Budget summaries.

In these circumstances, and particularly since the recession programmes are only temporary, the President's forecast of a reduction of $3.9 billion in **expenditures** during the 1960 fiscal year does not seem impossible even if, as is likely, his hopes of saving money by shifting some of the federal burdens on to state, local and private agencies fail to materialise. Outlays in 1960 will still be higher than in any year, except 1959, since 1945 and, as the President points out, they will be $12.5 billion more than in 1955, which means an increase on the average of nearly $2.5 billion a year. This provides some answer for those who say that the Budget makes no allowance for the growing needs of an ever-expanding population.

It is more difficult to accept the estimated rise of over $9 billion in **receipts** during the 1960 fiscal year, mostly from income taxes. Mr Eisenhower argues that this is less than the increase which in fact took place in the year after the 1954 recession. But so far there is little indication that the expansion in the economy this year is going to reach the boom proportions of 1955 and 1956. The President also proposes a number of minor changes which would push up receipts—if Congress accepts them. Most of these are either technical tax changes, relating to insurance companies, co-operatives and mineral depletion allowances, or are intended to make existing services more nearly self-supporting—the post office and the highway and aviation programmes in particular. Finally, the current "emergency" rates of taxation on corporate incomes and excise taxes are to be continued for another year.

Of the other **legislative recommendations** in the Budget message, a number cover areas where the Democratic Congress is already preparing to do far more than the President asks. These include grants for:

- construction of civil airport facilities;
- aid to areas of chronic unemployment;
- urban renewal.

The President also asks for:

- revision of the farm price support programmes;
- statehood for Hawaii;
- home rule for the District of Columbia;
- an increase, to $285 billion, in the permanent ceiling on the national debt;
- authority to veto individual items in spending Bills—which he is most unlikely to get.

In the labour field he recommends:

- broadened unemployment insurance;
- improved laws on hours of work and minimum wages;
- stronger regulation of the financial affairs of trade unions.

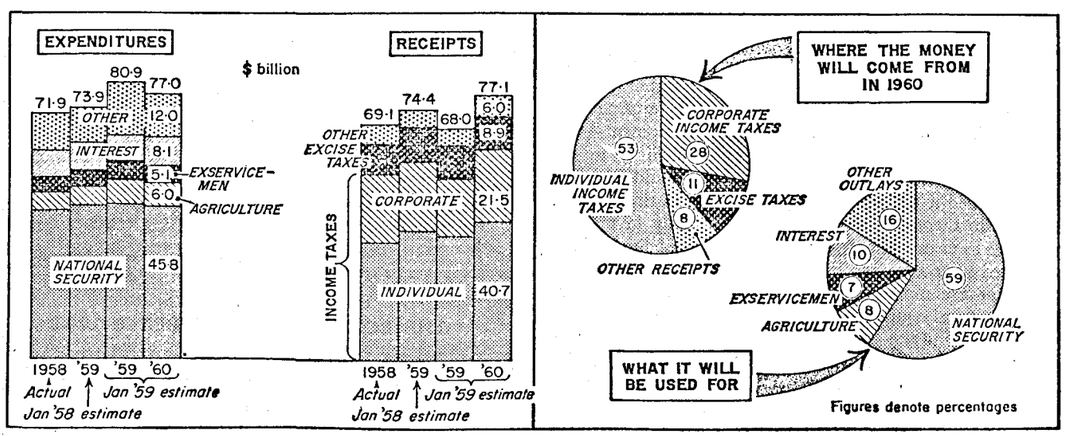
Where defence is concerned the President wants:

- conscription to be continued;
- limitations on the minimum strength of the reserve forces to be repealed.

Total **spending on defence** in the 1960 fiscal year, at $41 billion, is put at $145 million more than in the current one, but $800 million more is allowed for missiles and research and development by the Department of Defence. Expenditure on **military assistance,** mainly payments for deliveries ordered earlier, will be substantially lower—$1.8 billion compared with $2.3 billion—than this year, but those for **economic aid abroad** will be slightly higher—$1.65 billion compared with $1.57 billion. The President wants to emphasise the developmental aspects of foreign aid programmes by:

- increasing the American contributions to the International Bank and Fund;
- supplementing the capitalisation of the American Development Loan Fund at once by $225 million, since its entire capital is now committed;
- adding $700 million, less than had been hoped, to its authority for 1960;
- creating a development bank jointly with the Latin American countries;
- expanding the investment guarantees under the mutual security programme.

This "hold-the-line" **Budget,** according to President Eisenhower, will increase the military effectiveness of the United States, help friendly nations, enhance the country's well-being, preserve fiscal soundness and encourage economic growth in years to come. And he believes that all this can be done within the country's income, without any deficit financing.



Fiscal Years ending June 30th

Continued from page 318

appreciated that the scheme must eventually be struck down in the courts, that it was unpopular with parents, and that some concessions must be made to the letter, if not to the spirit, of the Supreme Court's ruling that racial segregation is unlawful. Long ago Mr Almond said that if the test went against massive resistance he would call a special session of the State Legislature, presumably to adopt a system of pupil assignment which would provide for token compliance while preserving segregation in most cases. But meanwhile control over the schools returns to the local communities. In Charlottesville it seems likely that the schools will reopen with some Negro students enrolled, but in Norfolk the courts may have to intervene again, for the City Council, unlike the school board, does not want to open the closed schools until the Legislature acts ; in fact it is even threatening to cut off funds from all but the primary schools.

Security by Turbine

THE Office of Civilian Defence and Mobilisation has ruled that the English Electric Company's bid of only $1,450,700, to supply two hydraulic turbines for a dam being built by the Army Engineers in Arkansas, must be rejected in favour of one of $1,757,210 put in by the Baldwin-Lima-Hamilton Corporation of Philadelphia. The official explanation is that, if the American company does not get this contract, so-called "jumbo" machine tools will fall into disuse while the national security demands that they should be kept in working order. The latter assertion may well be true but it makes an unconvincing excuse for a decision which contradicts the constantly repeated American contention that foreign countries should earn their dollars by exporting instead of receiving them as gifts from the American taxpayer.

Unofficially, the reason for the decision seems to be a desire to reward the unemployed voters of Pennsylvania for having gone against the national trend last November by choosing a Republican, Senator Hugh Scott, to represent them in Washington. Unemployment in the Philadelphia area cannot, however, be given as the official reason because the English Electric bid is more than 12 per cent below that of the successful American firm, and 12 per cent is the maximum advantage which the law allows to an American bidder in these circumstances.

It is, however, some consolation that the OCDM used the machine tool difficulty as an excuse rather than the more general complaint normally advanced by American firms against imports of heavy electrical equipment—that their manufacturers lack adequate repair facilities in the United States and that the national security would therefore be threatened if the equipment broke down in time of war. Tenable in theory, this claim does not usually in practice stand up to examination ; but it is the basis of the petition presented some time ago by a group of American manufacturers for a complete ban on imports of certain types of heavy electrical equipment. The OCDM is still considering this petition and the strong and well-publicised British protests against the Arkansas ruling, which is unlikely to be reversed, may at least give the OCDM strength to resist the pressures for a decision, on this broader and much more important case, which would be even more harmful to America's international reputation.

New Voices on Old Committees

THE eighteen newcomers to the Senate were agreeably surprised last week when their committee assignments were announced. Each had a plum in the shape of appointment to one important committee. Moreover, this principle of fair shares was incorporated, for the first time, in the rules of the Senate, which in the past has reserved its rewards for its senior members. Mr Johnson, the Democratic leader, who began six years ago to chip at the privileges of senority to give new members some scope, is to be commended for doing away with the bad old practice of condemning newcomers to begin their senatorial careers on obscure committees. This helpful reform will soften resentment of the rough-shod manner in which Mr Johnson got his own way in the debate over methods of ending filibusters and will steer the energies of his critics into constructive channels. By expanding the size of six of the major committees, Mr Johnson has been able to show his magnanimity even to newcomers who voted against him. Although the Republican strength on individual committees has been reduced to reflect the fact that they have only 34 Senators compared with the Democrats' 64, they have grudgingly followed Senator Johnson's example in modifying the principle that seniority is all.

In the House, where Mr Rayburn, the Democratic Speaker, is challenged, so far unsuccessfully, by an even larger contingent of new liberal Democrats, efforts have also been made to give them no cause for complaint. Three have made their way at once to the important Foreign Affairs Committee ; room has been found for eight others on the new committee on space. The committee on labour and education has been given a large influx of Democratic liberals to overpower the conservatives of both parties who have held up controversial measures. But in spite of their greatly reduced numbers, the Republicans, under their new leader, Mr Halleck, have seized other key points for the conservatives. The appointment of two reactionary Republicans to the House Rules Committee, to reinforce its conservative Southerners, means that Mr Rayburn will not find it easy to keep his promise to clear a way for legislation involving new spending. And the four Republicans sent to the tariff-writing Ways and Means Committee are all protectionists who oppose the President's freer trade policies.

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This Republican refusal to bow to the election returns may be underlined when the chairman of the party's Senatorial Campaign Committee is chosen. He is virtually certain to be Senator Goldwater of Arizona, a forthright Republican conservative who managed to survive the liberal tide in November. He is young and energetic, and should be successful at the important task of raising funds, but Republican progressives fear that he will give a fatally anti-labour tinge to their party between now and 1960.

Atoms Go Underground

FROM A CORRESPONDENT IN COLORADO

THE first large-scale use of atomic energy for peaceful purposes in the United States may be to release the reserves of energy contained in the enormous oil-shale deposits of western Colorado. These deposits are estimated by the Bureau of Mines to contain more than 1,000 billion barrels of recoverable oil, about ten times as much as the whole world has used up to now. But at their best these deposits are 90 per cent rock and only 10 per cent organic matter. Exploiting them by conventional methods apparently would not pay, at the present price for crude oil, but atomic energy may make it feasible.

The Atomic Energy Commission feels that the success of its "Rainier" project in September, 1957, showed that subterranean atomic explosions can be used for many peaceful ends and it established "Project Ploughshare" to explore some of them. "Rainier" released energy equivalent to 1,700 tons of exploding TNT. A second experiment in Nevada in October, 1958, exploded a bomb equivalent to 20,000 tons of TNT, the same size as those dropped on Hiroshima. Both were well-contained underground, released no harmful radiation into the atmosphere, and fused and fragmented the subterranean rocks in a sensationally efficient manner which at once opened up many possibilities. But progress in investigating them is likely to be slow. Eventually the United States hopes that nuclear explosions underground will be allowed, under supervision, for peaceful purposes, but at the moment such experiments fall under its self-imposed ban on atomic tests of all kinds.

Recently, however, a conference on exploiting the deposits of oil-shale was held at Dallas, Texas, between representatives of the petroleum industry, of the Atomic Energy Commission and of the Bureau of Mines, which has charge of oil-shale research and which for a decade conducted a big experiment on the best methods of extraction. The major petroleum companies have bought up almost all the deposits of oil-shale to hold as a reserve. But they are interested in commercial exploitation when it becomes profitable and the government hopes to enlist them in a joint programme of research.

The proposal outlined by Mr Gooding, of the Bureau of Mines, is to set off an atomic blast—of an unspecified power—deep within the richest stratum of oil-shale, one estimated to contain 35 to 50 gallons of oil to each ton of shale. This, he said, would release immediately an estimated 15,000 barrels of oil from the rock plus 10,000,000 cubic feet of natural gas. The heat would set fire to the pulverised shale and the resulting gases, rising up the shaft, would be trapped. Also the heat would, in effect, "fry" out the oily rock, as surface-retorting does now, and would produce large quantities of oil that could be pumped out. The spent shale could be left in place. This is an important consideration, since it has been estimated that, if all the oil-shale were exploited by conventional methods, enough slag would be left to cover the whole state of Colorado seven feet deep. The government's experts gave an assurance that all radiation would be confined underground and that there would be no danger of its escaping. Some 1,500 feet of rock overlie the richest, or "mahogany ledge," stratum in which the explosion would be set off.

The Atomic Energy Commission is prepared to pay for the explosion, which will cost about $1 million ; and it was proposed that the government and the oil industry should share equally the cost of the succeeding elaborate studies, which, it is estimated, will be about $1.2 million. Even if the oil industry agrees to shoulder its part of such heavy expenses, only preliminary preparations can be made this year, since the government has pledged itself to set off no more atomic explosions before October 31st at the earliest.

ANOTHER experiment which is being seriously considered is the explosion of a similar atomic charge deep within the massive salt beds that underlie much of eastern New Mexico. The purpose would be, not to obtain salt, but to release atomic energy in an environment which would retain the heat at usable levels for a long time. In "Rainier," the 1957 experiment, the explosion blew a molten bubble of rock some 55 feet in diameter, which was sustained momentarily against the weight of the crushed rock above it by a pressure of a million atmospheres and a temperature of a million degrees fahrenheit. But the water in the surrounding rock was so efficient a heat-exchanger, diffusing the heat in all directions, that within a few days the temperature dropped below that of boiling water.

The salt beds of New Mexico, which are hundreds of feet thick, contain almost no water. Hence the expectation is that the heat generated by the explosion would be maintained at a temperature several times as high as that of boiling water. The resulting energy could be drawn off and used directly, or to make electricity in a plant built above the underground site. As the heat fell below usable levels, new explosions could renew it. The Livermore Laboratories of the University of California, which perform these underground tests for the AEC, estimate that a kiloton bomb (one equivalent to a thousand tons of exploding TNT), exploded every ten days, would provide such a plant with a continuous supply of energy. The heat would be extracted by running water down into the salt, and guiding the resulting steam through turbines.

The enthusiastic scientists connected with "Project Ploughshare," including the experts of the United States Geological Survey who have provided technical advice on geological effects, see many other possible peacetime uses for the vast energies of exploding uranium and plutonium. Among these are the cheap moving of earth in huge quantities, such as the instantaneous creation of harbours where none exist—off the northern coast of Alaska, for instance ; digging huge canals by connected explosions that would leave little to do but tidy up ; damming mountain canyons to hold back water for irrigation projects by blowing a section of the canyon wall into the bed of the stream ; and creating artificial acquifers, or reservoirs of underground water, by shattering dense rock to provide the fragmented

rock in which such water collects. An expert at Livermore estimates that one underground explosion could provide storage for 80 billion gallons of water.

The shale-oil experiments might also be modified to exploit the immense tar sands of Athabasca and elsewhere, which have so far stubbornly resisted commercial development, to renew oil fields exhausted by conventional methods, and to convert coal into energy without lifting the coal itself to the surface. Another possibility is that in a "magma" of molten rock, such as is created by underground explosions, the heavier elements would settle to the bottom before the mass cooled, thus making extraction of ores easier. Clearly the proposed oil-shale experiment is of wide interest.

California's Young Entry

FROM A CORRESPONDENT IN SACRAMENTO

CALIFORNIA'S new Democratic Administration got off to a good start on January 5th with even the Republican minority in the State Legislature behaving almost as though it was sharing the victory which last November gave the Democrats control of both houses for the first time since 1889. Obviously the Republicans like Mr "Pat" Brown, the second Democrat to govern California in this century. They have known him for years; once he belonged to their party but they learned to admire him for his fairness and moderation when he, by then a Democrat, was Attorney General in the recent Republican Administrations in the state. Governor Brown therefore took office as the heir to the non-partisan tradition in Californian politics. Many Republicans in the state have more sympathy for his moderate liberalism, even though he is a Democrat, than they have for the relentless conservatism that has characterised some of the local leaders of their own party.

California is changing too rapidly, expanding too fast, to be attracted by conservative thinking—which is one reason why the Democrats won last November. Another allied one, particularly telling in the voting for the State Legislature, was the emphasis they put on youth, the first time California has really acknowledged politically that it is a young state, made up predominantly of youngish people, who seldom look back and who feel that anything is conceivable when it comes to the future. As a result the thousand guests who packed the green and gold assembly chamber in the handsome State Capitol to listen to Governor Brown's inaugural address saw something new as they looked around. The 40 State Senators and 80 Assemblymen who were their hosts included more young men than any state house in the country had probably ever brought together before.

Not all these young men are Democrats, but the party's candidates last November were certainly notable for their youth and attractiveness. The main asset of most Republican candidates was that they were incumbents; this meant that they were political "veterans" who had almost lost track of the passage of time, so long had they been in the State Legislature. Thus in Santa Rosa, a town full of young families, where the school population has quintupled since the war, a young Democratic lawyer was elected State Senator. He replaced a veteran Republican and thinks that a major reason for his success was that he belongs to a school-conscious, growth-conscious, future-conscious group of youngish citizens.

This kind of thing happened all over California. It looked almost as if the election results were more a matter of the rising fortunes of youth than of the rising fortunes of the Democratic party. But it was that party, not the Republican, which took up the challenge, mainly through the Council of Democratic Clubs, a volunteer organisation predominantly youthful in its membership. There are many talented young Republicans in California but so far they have no such enthusiastic and dedicated organisation.

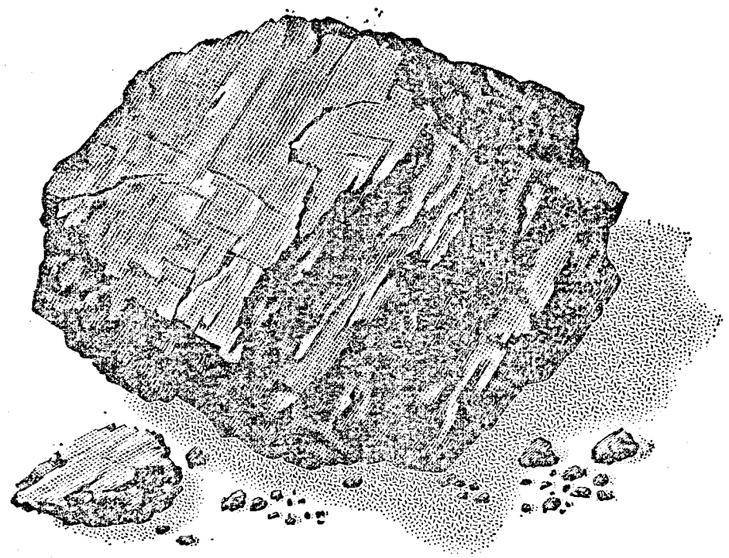
Recognising this trend Governor Brown has picked a staff of young men to help him to develop policies which the youthful legislators will favour. He calls them "creative thinkers" and trusts to his own experience to moderate their ideas to the extent necessary to produce programmes which the older groups who remain in the Legislature will also accept. Some of these members feel that it is their function to save Mr Brown from the ultra-liberal wing in his own party. What the outcome of all this will be will not be apparent until the Legislature completes its work in about five months.

Counting the Savers

THE first long-term Treasury bond offered since the near-disaster of last June, a 4 per cent one maturing in 1980, $750 million of which were sold last week, at a slight discount to yield 4.07 per cent, was carefully aimed at savings institutions. They are given four months to pay, keep off signs were posted for speculators and commercial banks, and the price was attractive. Even so, the response, although adequate, struck the market as less enthusiastic than had been expected and prices of long-term government securities fell; they were already depressed, partly because of the conviction that the Treasury will seize every opportunity to offer more long-term bonds.

Most of the new money sought by the Treasury to carry it through until April was, however, raised by the sale of $2.2 billion of 16-month, 3¼ per cent notes, also offered at a small discount; these were bought chiefly by the commercial banks. It had not been thought that the Treasury would seek so much, but it evidently decided to safeguard itself against the high level of spending on agricultural subsidies and against the risk that investors may demand a big proportion of cash next month when $15 billion of maturing securities have to be refinanced.

The Treasury has already announced that it may offer, in part exchange, an intermediate-term bond maturing in ten or twelve years; this would be another step away from the hand-to-mouth financing forced on the Treasury—in a year when a $13 billion deficit is being incurred—by the nervous state of the bond market. The expectation that the Treasury will be competing with private interests for the available savings is one reason that some increase in rates of interest is likely this year; they are already back to the levels prevailing before the recession began. This would not necessarily look like a calamity to the Federal Reserve Board, which in its fears of inflation is keeping the banks short of reserves. But it might embarrass the Administration in two ways. If the pace of recovery is curbed the rise in revenues, relied upon to balance the Budget, will also be slower. And if long-term interest rates go up much more, they may exceed the 4¼ per cent which is the most that the Treasury is permitted, by law, to pay.



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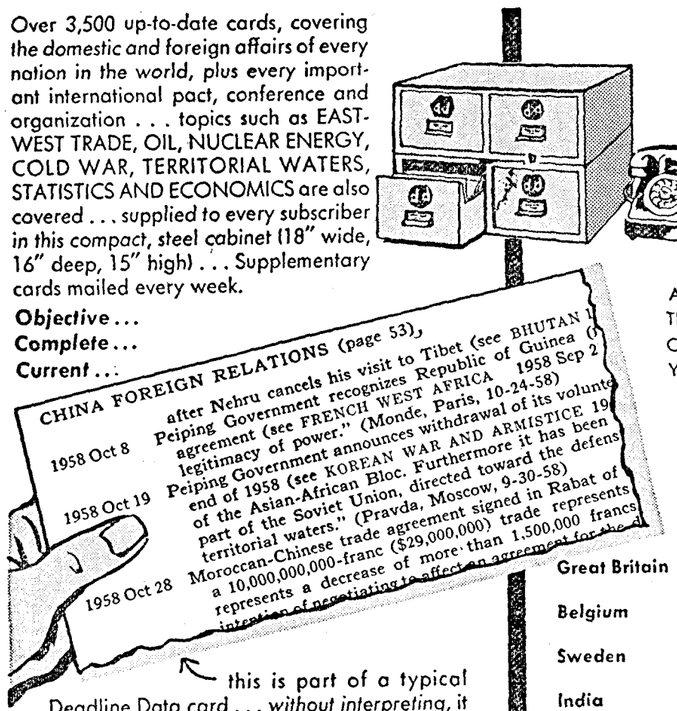
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THE WORLD OVERSEAS

The Fight for Algeria—I

FROM OUR SPECIAL CORRESPONDENT

If there were only one Algeria, the problem of what to do with it would be soluble, if unpleasant. There are, however, two: the one a scattering of Mediterranean trading towns along the Barbary coast, the other a land mass where the soil, the climate and the population are all equally hostile to any European way of life. France has been caught between its indiscreet attachment to the one Algeria, and its failure to get the measure of the other. It is not altogether surprising that France has, at the same time, been caught between the settler and the military interests. For while to the Europeans in the towns it appears as the simple duty of France to protect a way of life and keep the East at bay, the French army, busy in the valleys and mountains and across the high plateaux of the interior, has committed itself beyond recall to a more complex and ambitious task, the pacification and civilisation of the Arab and Berber peoples against heavy demographic and economic odds. The interests of the European settlers and of the Army are by no means the same, but it is easy to see how both groups found the conventional prefectural administration of the Fourth Republic, which worked tolerably well in the Loiret or the Manche, hopeless in face of a surge of Arab nationalism in an undeveloped country.

Having combined in the *coup* of last May to sweep the prefectural administration away, and having swept away the Fourth Republic in the process, they have been left with very little in common. If the settlers do not yet recognise this fact when they talk to a stranger, the army officers, in general, do. "Integration" was the formula on which the Europeans of Algeria, and the Army, united ; but integration means one thing in the half-European towns of the coast, and quite another in the African countryside. To the settlers it offers a refuge from the minority complex, to the Army a mission of social transformation. Of these two groups, the Army and the settlers, it is quite obvious that the Army is the stronger ; on the other hand, it is the Army that has taken on the Augean task.

Prefects, sub-prefects, and directors-general are now gradually being infiltrated back into militarised Algeria under the circumspect eye of General de Gaulle's admirable delegate-general in Algiers, M. Delouvrier ; but it is perfectly clear that the rough work of administration up-country is going to continue to be done by the Army, if only because of the Army's simple belief in itself as the only body in the French state equipped and ready to do it. The belief is not unfounded. The French Army had generations of experience of this kind of work in the nineteenth century, when the military *bureaux arabes* were the instruments of pacification, just as the military SAS (*sections administratives spécialisées*) are now. Events in Morocco, Indo-China, and elsewhere enabled it to keep its hand in while Algeria was relatively quiet. It saw, in 1955 and 1956, the established structure of civil government in the countryside swept away by the rebellion. Its officers have in their minds a clear conception of the means by which the rebellion can be rooted out, not only on the ground, but in the minds of the Muslim population. As the generals will explain, it is the minds and the hearts that have to be conquered. Their conception involves not only sustained military and police work, not only an ambitious programme of social and economic modernisation, but the transfer and regrouping of vast sections of the population, to produce a country which it is possible not only to police and control, but to render workable in a modern way. In this way, it is supposed, life will be made worth while and the Algerian Arabs given a reason "why they should feel French."

Seen at close quarters, the resettlement of the Muslim population shows, as clearly as anything could, the way in which the tasks of fighting and of governing have become fused. The indigenous communities and tribes have moved, or have been moved, in different ways and for different reasons. Since the early outbreaks in the towns were mastered, the French forces in Algeria have met their main difficulties in the mountain regions which cover a good half of the country, but which house very little of its organised economic life. In some of those regions they needed the population out of the way in order to find the rebels and fight them effectively, as well as to deprive them of food. In others, the Arabs themselves found life insupportable under the harrow of the French forces by day and the rebels by night—the French interrogating them, searching their houses, burning down their trees to deprive the rebels of cover, and fighting over their land, while at night the rebels moved in to take their money, their livestock, and their sons, gave them jobs of sabotage to do, and cut their throats if they did not obey. Some were pulled, others pushed, into leaving the disturbed hill country where they lived and trekking down into the valleys ; there the Army assembled them in new settlements designed to provide them with homes, food, protection and discipline.

Probably not less than 600,000 Muslims of Algeria have been moved in this way ; many hundreds of completely new villages have been built, or are building, to accommodate them. Experts on rural economy in the civil government will say that these new settlements are intended for the most part as temporary shelter, and that two-thirds of the displaced people will go back to their old grazing-lands when things are quiet again. The soldiers take a different view ; to them the new villages—compact, rectilinear, easily policed, rainproof and furnished with electricity and water—represent a great advance on the old Arab way of life as well as a great advance in security, and have therefore come to stay.

To visit a few of these new villages is to be made to feel the audacity of this conception, the depth of the economic misery with which the French soldier-reformers have to contend, and the imperious pressure of population growth which threatens to make nonsense of their efforts. The first product of the migration is a collection of home-made shacks thrown together from petrol tins, loose stone, mud,

wood, osier, coarse cloth, or whatever material can be scrounged. A good SAS will supervise this first stage to see that the home-made dwellings are as good as sensible advice can make them ; even so, they are ghastly. As they go up, new groups of families collect round them. Work starts on a road, a school, and a settlement of more permanent houses. These may be no more than one room without chimney or window—the suspicion of windows, as admitters of evil spirits, has not died out—but with the necessary yard and outer walls to enable the Arab to keep his womenfolk screened off from the world. Or they may, in the neighbourhood of a big town or in the more advanced west, be fairly decent one-storey dwellings of two or three rooms with electricity and sanitation.

In either case the real trouble is that they tend to have to house very large families—who sleep all together in one room, on the floor—and that there is often little, and sometimes no, regular work for the menfolk. Where there is public land to be put to use, the SAS distributes it, or allocates pasture rights, or even forms the village into a collective farm. But in many places there is none to spare. What do people do for a living then ? They cannot all find employment in building their new village, or not for long. The agricultural estates have the workers they need already. Sometimes there is a bit of industry in the neighbourhood, but never enough ; thus at Oued Fodda, near Orleansville, a model of this kind of settlement built round an enlightened and patriarchal civil engineering establishment, the available work is rotated so that each man gets three days' work a fortnight. Oued Fodda has been particularly energetic in education ; all its children are at school. But what will become of them when they leave school ?

If France is fighting for their minds, this may be decisive. By an immense and ruthless effort, the Army has got the military situation in hand. This does not mean that the rebellion has been extinguished. Trains are still derailed, bridges blown, power pylons cut down ; funds are collected at night under threats, collaborators with the French are occasionally murdered. Wire perimeters round the new villages, patrols, curfews, roads closed at night, are reminders that the war goes on. Now and then an Army sweep through the mountains ends in a bloody engagement. The rebels are, however, much more confined in their movements than they were ; more and more of the population is being put out of their reach ; the elaborate electrified barriers along the Tunisian and Moroccan frontiers have made supply and reinforcement difficult for them.

Assuming that no international event intervenes from outside, and assuming that the taxpayer of the mother-country continues to bear his lot with resignation, the French Army can maintain such a war of attrition for very many years. It is apparently resolved to do so. But it needs to see light at the end of the tunnel, however long. The light it has chosen is social and economic change. The population of Algeria has gone through a major upheaval, and it is the present French policy to make use of that upheaval to modernise Algerian society. Only if that is done (the theory runs) can the Algerian Muslims be set on the road to equality with the European citizens of France. A second article will consider whether there is any economic basis on which the ambition might be realised.

(To be concluded.)

Cairo: All Passion Spent?

FROM OUR SPECIAL CORRESPONDENT

By their financial agreement initialled on January 16th, Egypt and Britain have given themselves another chance to find a working relationship. The negotiators have laboriously cleared the site but nothing worth while has yet been done to lay the foundations of a better relationship than existed before 1956. It would be dangerous, therefore, to be too optimistic about a situation in which the will for positive co-operation may be lacking.

The British Government is doubtless still unhappy about much of Egyptian policy. President Nasser, on his side, is far from convinced that the British have ceased to regard him as their principal foe in the Middle East. It is symptomatic of this continuing distrust that the Egyptian government firmly believes that British meddling in post-revolutionary Iraq led to the defeat of the pro-Egyptian nationalists by the communists. It still believes that there are clandestine radio stations, directed by Britain, that seek to undermine President Nasser. The financial settlement in itself does nothing to remove these and other causes of distrust and conflict. For this reason the establishment of diplomatic relations on a scale sufficient for creative diplomatic effort would be the real measure of progress in Anglo-Egyptian relations.

At the moment, it is Egypt which is reluctant to take the diplomatic plunge. It is not that it is reluctant to explore the possibility of political understanding: on the contrary, President Nasser is believed to want this. But he is so used to the idea that British embassies everywhere work both openly and covertly against him that he would like more positive signs of good will before allowing such a potential enemy to take up position in Egypt. In this he is too cautious. In the present situation Britain and Egypt need to sweat out their distrust in daily diplomacy: the diplomatic mechanism needed to implement the financial settlement would not be enough for this purpose.

The position is analogous to that of October, 1954, when an Anglo-Egyptian agreement on a larger scale liquidated a long standing dispute ; but any constructive possibilities it contained came to nothing. If the conflicts since then have left many new wounds, they have also helped to explain the revolutionary process now taking place in the Arab Middle East. President Nasser, who has led the Middle East into economic involvement with the eastern block, is now emerging as the balancing factor. His position is still tentative, for he is taking what is possibly the gravest risk of his career in challenging the Arab communists, who are

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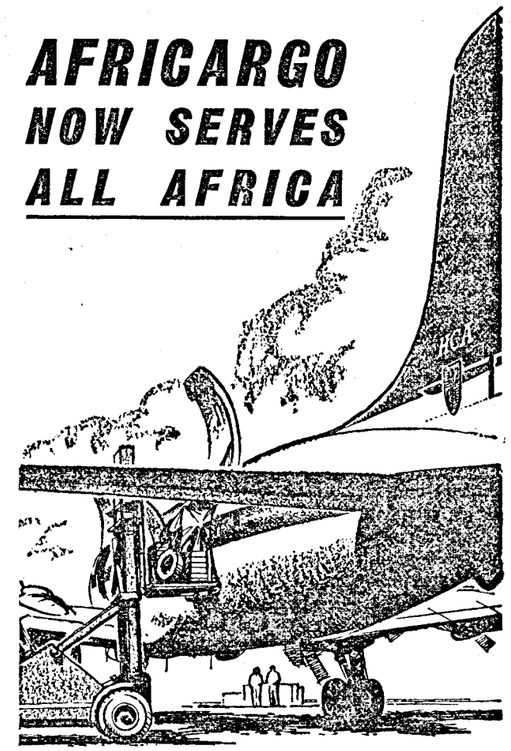
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already seeking to represent him as having abandoned the revolution. In effect there is a regrouping of forces within the Arab nationalist movement with President Nasser drawing together the broadly based indigenous elements. This seems to be mainly in response to trends in Iraq and it is the Egyptian press and radio which make the most effective protest against Iraqi excesses.

Perhaps President Nasser has gained more from his outright attack on communists and from the Anglo-Egyptian settlement than he realises. Syrian businessmen, who looked with fear on United Arab Republic policies, seem to have been at least partly reassured. The Syrians who rushed to the new Iraq in search of old trade returned full of fear at the trend of events. In Lebanon there also seems to be a shift of moderate opinion in Egypt's favour. In Cairo one senses a general relief. Two large classes of people are pleased for workaday reasons: city workers, taxi drivers, waiters, servants, and so on, look for more and better employment; business men hope for wider trading, particularly in the sterling area. But also among the left-wing nationalists, who welcomed Egypt's eastern connections as a defence against the wicked imperialists, there seems to be genuine hope for more neutrality in Egyptian foreign relations.

President Nasser clearly cannot go too far too fast, and he would probably be greatly embarrassed if Britain and the United States started throwing kisses in his direction. However, if it was made clear in practice that Britain was willing to work with Arab nationalism as led by President Nasser, this might give courage and strength to the moderate nationalist opinion that is now showing its head, and make possible a durable detente with Britain.

IN itself, the financial settlement will help to avoid new friction because it is—as far as is known—a much more workmanlike document than the Franco-Egyptian agreement. The British Government stood out against a cumbersome implementation commission such as the French accepted, and private British claims have been effectively removed from the Egyptian state council to the British Government. Both arrangements will save many British people from frustrating delays, new financial losses and ill temper. Some people are bound to suffer pecuniary losses; it is impossible to liquidate almost the entire British position in a country and then convert it into cash two years later. Then there is the little man—Maltese, Cypriot, or stateless Jew—who lost not so much his wealth or job as his way of life. It will take a lot of good will to win back for them their residential visas.

What the Egyptian government wants most of all is the restoration of trade, and if this follows the diplomats' task will be greatly eased. The release of the blocked sterling will end Egypt's acute shortage of foreign exchange for the moment, but only trade can give permanent value to the agreement. As usual there is an almost frightening optimism about the commercial resurgence which may soon lead to disappointment. If Britain does want good working relations with Egypt it should first look to the economic side. More people here ask if Britain will buy cotton than whether it supports positive neutrality.

However, there is now a great deal of individual good feeling for the British. Cairo seems genuinely pleased to see the British who are already back and anxious to welcome more. Why not?

Stoicism for Germans

FROM OUR BONN CORRESPONDENT

THE broodings of the editor of *Die Welt* on the Soviet proposals for a German peace treaty read like a page by Marcus Aurelius. Herr Zehrer deplores the agitated despatch of messengers to Washington to make soundings and suggestions, and "gradually get on American nerves"; and he maintains that it would be just as mistaken for the Germans to try to conduct talks of their own with Moscow. "One must know when to talk and act, and when to keep silent and await events," says the stoic of Hamburg:

> For Germany the moment has come to do the latter—when only two things can be said and demonstrated: that Germany has full confidence in America's friendship, and that it is ready at any time for a tolerable settlement and an understanding with the Soviet Union. . . . One can say "no" without possessing power, rockets, and satellites. Unhappily the latest Soviet proposals are such that we must say "no" before history and posterity. But we cannot reach up to the level on which the decisions are being made.

The agitated messengers have returned to Bonn and reported inconclusively to the Chancellor and the cabinet. They have been unable to add anything more definite to the uncertain and shifting picture produced in the normal course of duty by the German ambassador and his staff in the United States. Herr von Brentano would not have sent off Herr Dittmann in such a hurry had not Dr Adenauer commissioned his indispensable factotum, Herr von Eckardt, to trespass on foreign office preserves. But for a few days there was an understandably prodigious flap in the provisional capital. As if the Soviet proposals, the Dulles oracle, and the teasing Mikoyan activities were not quite enough for the augurers to be going on with, there was the simultaneous spectacle in yet another direction of the east German premier, Herr Grotewohl, hobnobbing with Mr Nehru and President Nasser. While officialdom twitched nervously, politicians plunged precipitately into debate, mainly through the party press services. In the circumstances it is probably fortunate that the Bundestag is only just getting down to work again. (Its foreign affairs committee is meeting this week-end to consider the Soviet proposals.)

The national stoicism preached by the editor of *Die Welt* is now to some extent being practised, if not quite to the point of resignation which he seems to consider proper. Although nobody likes to voice his misgivings in public, it is widely admitted in private that western Germany may not be as nearly finished paying the bill for defeat as was generally supposed. To many west Germans it looks as though a Berlin transport agreement with the east German regime is going to be the lowest possible price demanded of the Federal Republic for getting the West out of the predicament tentatively billed for May 27th.

Yet most politicians believe there is still some useful purpose to be served by Germany trying to influence the powers one way or another. Not all members of the Christian Democratic Union are happy about Dr Adenauer's and Herr von Brentano's first flat rejection of the Soviet draft as containing "not a single proposal that could be usefully discussed." They want the government to present constructive counter-suggestions, and in this they have been publicly supported by the chairman of the coalition German party, Herr Herbert Schneider. The Social Democrats are consistently repeating their thesis that the business of clearly defining the military status of a re-united Germany must come before that of holding free, all-German elections. The Free Democrats have set up a committee of seven Bundestag deputies to work out their counter-proposals; and it seems that these will recommend an itinerary starting from the same point as that of the Social Democrats, but leading to a referendum before elections for an all-German parliament.

Faced with this new manifestation of Russian intentions—to deny a united Germany free choice of government, and of military and economic association—the Federal government feels compelled to play for time. It will continue to urge its western partners to press for the time being for a general agreement on disarmament rather than for a detailed German settlement, chiefly on the ground that the "German problem" is a symptom and not the cause of tension.

The officially sponsored noises from eastern Germany are of course confident, if not jubilant. In its westward broadcasts the east German radio talks seductively of the real sovereignty of a Germany united on the Russian terms, of its prosperity through trade with the eastern block, and of an era of lasting peace with former enemies. But it seems that there are still Germans in the east who have not yet been cured of old nationalist stirrings, and who consequently share the dismay that has swept through west Germany at the prospect of a Fatherland shorn irretrievably of so much glory and opportunity. During the past ten days thousands of party propagandists have been on the move in east Germany explaining to doubters and unbelievers the virtues and benefits of the Russian proposals.

Nenni's New Departure

FROM OUR SPECIAL CORRESPONDENT IN NAPLES

AFTER years of hesitation and travail the Italian Socialist party has put itself into the hands of a united directorate, pledged to keep it free from communist influence and interference. The Socialists have also pledged themselves to remain true to the "democratic method" in government as in opposition. The independent platform proposed by Signor Nenni two years ago in Venice prevailed at the party's thirty-third national congress last weekend in Naples. This time, however, the programme is to be implemented by men who have staked their political future on the battle for "socialist autonomy." Forty-seven of the eighty-one seats on the central committee have gone to the "autonomists" and Signor Nenni, thanks mainly to the determination of his lieutenant, Riccardo Lombardi, agreed on the need not to invite the "opposition" to join the executive. It is the boldest step he has taken since the Liberation. The party is committed to a policy of complete independence (Signor Nenni does not like the expression "splendid isolation"). There is to be no more talk of collaborating with the Christian Democrat party in its present condition or of a merger with the Social Democrats. Signor Nenni proposes to make the Socialist party strong enough in the country and in Parliament to become "an alternative" to Christian Democracy.

He and his friends control a bare 58 per cent of a party which is itself scarcely more than a third of the left-wing opposition in the present Parliament, but their programme should not be dismissed as utopian. In its new state of grace the Socialist party should be a powerful magnet for thousands of voters who swore, after the general election last May, that they would never again give their votes to one of the smaller parties.

One third of the congress voted for Signor Vecchietti and the group of party bureaucrats who sabotaged Signor Nenni's policy in the previous directorate. The Communist party's fifth column—an important item on the PCI's budget—is lodged in this Socialist left-wing. Since Signor Nenni recovered his ascendancy the Communist party treats him officially with respect; and should the Communists feel that the Socialist left-wing is likely to remain isolated for long they may decide to cut their losses and retrench. One reason why Signor Nenni and his friends hope for an early election is to eliminate the communist fifth column from their parliamentary ranks.

The Naples congress has put an end to the prospect of socialist unification in the form of a merger, at high level, with the Social Democrats. This line was always unpopular with the Socialists and Signor Nenni dropped it before the congress. Like the Church of Rome, the Socialist party claims to be ready to "unite" with all who wish to enter its bosom. Signor Matteotti, Signor Zagari and several other left-wing Social Democrats are said to be contemplating this step within the next three months. Should the government fall before then the Social Democrat party itself will have to revise its position.

The coup de grace to the old unification plan seems to have been delivered, perhaps unwittingly, by Mr Crossman, who told some reporters in Naples that he personally believed that the majority of the Labour party would like to see the Socialist party enter the International. Interpreted as a statement of Labour policy, this remark had its effect. Not all Signor Saragat's indignation can wipe this out or cancel the fact that, after so many years in government, the Social Democrat party has ceased to fulfil any political function except to provide favours for its clients.

IT is too soon to assess the full impact of the Naples congress upon the Christian Democrats. The Socialist programme assumes that in the foreseeable future the Christian Democrat party will either split, or its left-wing will drop quietly away and sever its political from its religious allegiance. The accession of a new Pope and the signs of a change in Vatican policy towards the Catholic party in Italy—the fact that the direction of Catholic Action has been delegated from the Pope to the Italian episcopate—were welcomed in Naples with varying degrees of caution. The immediate effect of the congress is to deprive Signor Fanfani of the prospect of Socialist help in Parliament, where he is being harried by his own right wing. Even if the bulk of the Social Democrat party remains in the government it will be difficult for Signor Fanfani to find a majority. But beyond the immediate prospect of a possible government crisis is a more important query. Will the new Socialist challenge speed the Christian Democrat party towards division, or galvanise it into a new cohesion? A period of uncertainty could be followed by a big Catholic drive for a much stricter Christian Democrat regime, starting with a reform of the election law on the French model.

There is one unfortunate side to the Naples congress. Two of the best men in the party, Lelio Basso and Vittorio Foa, are not in the new directorate. Signor Basso is the leader of a minority group which stands in a position of such absolute intransigence towards Catholics and Communists alike as to be outside the realm of practical politics.

He obtained eight per cent of the votes. Signor Foa is a trade union leader, a brilliant economist and a man of integrity. His belated alignment with the pro-communist left wing was a shock to the Nenni faction and a disturbing factor in the congress. At its best this became a dialogue between Foa and Lombardi. The first claimed that the Socialist party is not strong enough in Italy to fight the class struggle alone. The second maintains that the party must cease to think in terms of an industrial economy of the time of Marx or Robert Owen. A modern Socialist party must fight not only in the unions but in Parliament, where it can influence investment policy and industrial development. The banks, not the factories, are the nerve centres of a modern capitalist state. This obvious truth has shaken both the party and its opponents and, with luck, may become the starting point for a concrete socialist policy.

Turkey's Uneasy Politicians

FROM OUR CORRESPONDENT IN ANKARA

WESTERN ears are so inured to resounding clichés about Turkey being the linch pin of the alliance in the Middle East, that one is inclined to forget that they are true. The Turks themselves have no doubts whatever. Despite Mr Khrushchev's disparaging comments to Mr Walter Lippmann about the uselessness of Turkey to the West in the missile age, Turkey will go to the meeting of the Baghdad Pact Council in Karachi on Monday as the strongest and most confident Asian member of the pact, almost jubilant that the quasi-defection of Iraq has transferred the pact's headquarters to Ankara.

This attitude is common to both the leading Turkish parties. Although the opposition Republican Peoples' party's attitude towards the pact and its criticism of western intervention in Lebanon and Jordan in the summer have called down on its head the opprobrious epithet of "neutralist" (which it hotly denies), there is no doubt that if the party came to power it would follow the same lines of foreign policy as the Menderes government. It has never even debated the principle of having missile bases on Turkish soil. On Cyprus it has also adopted a relatively statesmanlike posture by not harassing the government, even at a moment when it seems that some modification, indeed exclusion, of partition is in the air. Nevertheless, at the Peoples' party congress last week, the opposition leader, Mr Inönü, reaffirmed his party's view that partition is the "final solution" for Cyprus.

The Peoples' party congress—the first to be held since the controversial elections of 1957 which the opposition claims to have won—was a more moderate affair than might have been expected after the violent political strife of recent months. The opposition had predicted for Mr Menderes the same fate as that of Nuri Said in Iraq, and the prime minister had retaliated with talk of the gallows. When the opposition claimed that the government was encouraging religious reaction, Mr Menderes had retorted by dubbing them "infidels"—a word of extraordinary virulence in a Muslim country and a reference to the Peoples' party's identification with Ataturk's secular state. President Bayar, whom the opposition claims to be less impartial than the spirit of the law demands, joined in the fun with a speech in which he talked of crushing the opposition "like an ant." As the President had been observed taking the air one day with a walking stick bearing the Democratic party crest, the congress not unhumorously passed a motion presenting the Chief of State with a second stick embossed with the Turkish national emblem, the star and crescent.

Though the underlying strife is as bitter as ever, the feeling current in November that there might even be an armed clash between the parties has abated. This is partly due to a certain restraint on the part of Mr Menderes, who is fully occupied, not only with Cyprus and the economic situation, but with restiveness in his own party. His supporters are anxious about the effects of the economic reform programme undertaken by the government on the insistence of those western nations which baled Turkey out of the red last July. The Turks so far seem sincerely wedded to this programme—a fact which was appreciatively noted by OEEC and IMF experts who visited Ankara last week—but its consequences are politically most awkward. There has been a sharp rise in the cost of living since the devaluation of the lira in August, and a marked increase in unemployment as a result of the almost too abrupt credit squeeze which succeeded the runaway spending gallop of the last few years. Unless Mr Menderes gets the large drafts of further aid for which he is reported to have already angled, he has a sticky time ahead of him—and his more nervous supporters know it.

This malaise within the ruling party, even if it may not amount to much, has put a brake on those who would like to hamstring still further the troublesome opposition. Meanwhile, the Peoples' party, having increased its strength and momentum by a merger with the high-minded but unsuccessful Freedom party, and encouraged by reports that the country is swinging its way, feels that this is the tide which, taken at the flood, leads on the fortune. Only it is a bit doubtful how to cash in on it. The party congress ended with a high-sounding declaration of human rights, most of which (the right to strike was a notable exception) are to be found in Ataturk's republican constitution. This is all very well, especially in the light of the government's despotic tendencies. But some Turkish intellectuals wonder whether it strikes a sufficiently different note from that of the ruling party—which also subscribes in name to all these freedoms.

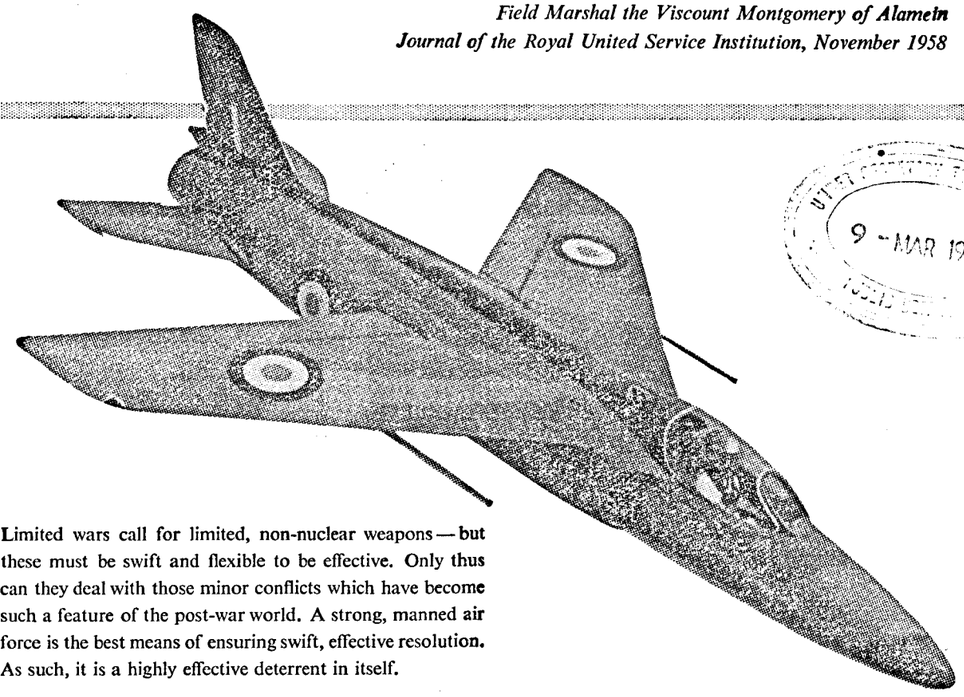
One result of the congress was a reinforcement of the opposition's support for the right to strike, which does not exist in Turkey. There was also talk of making the Peoples' party a social (though nobody ventured to say social*ist*) party. This raises the interesting question whether a party of the left will develop in Turkey. Since 1945 several attempts to found one have failed also to accompaniment, at times, of arrests and prison sentences. Proximity to Russia has meant that left-wing movements, however innocent, are lumped together indiscriminately as "communist." (A Turkish journalist is at present being sued for libel for calling another a "leftist.") A clause in the Turkish penal code prescribes the death penalty for anybody convicted of creating a subversive political party. This in itself is enough to cow the Turkish Fabians, of whom there are more about the place than one might think. Still, with the growing number of wage-earners and a mounting urban proletariat, the first party to brave this law in Turkey, provided it has good leaders, will probably reap political advantage.

Correction.—In the article "Israel's Election Starts Early" on page 231 of *The Economist* of last week, the figure given for the amount of outside help that Israel needs annually should have been $300 million, not $3 million.

THE FIRST PRIORITY

'The first priority for the N.A.T.O. nations is to be able to tackle quickly and effectively cold war activities and to play their full part in limited wars. This means the provision and upkeep of efficient conventional forces.'

Field Marshal the Viscount Montgomery of Alamein
Journal of the Royal United Service Institution, November 1958



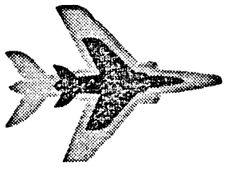
9 MAR 1959

Limited wars call for limited, non-nuclear weapons — but these must be swift and flexible to be effective. Only thus can they deal with those minor conflicts which have become such a feature of the post-war world. A strong, manned air force is the best means of ensuring swift, effective resolution. As such, it is a highly effective deterrent in itself.

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THE BUSINESS WORLD

Banking for the Bankers

BANKING in Britain in the past year has broken free of its shackles. It has been competitive, exciting, profitable and businesslike. In the few months since the authorities called off the credit squeeze last summer, the banks have regained, largely through a series of dramatic innovations, much of the goodwill they sacrificed during their enforced passivity. The changes have attracted widespread public attention; on the Stock Exchange they have transformed bank shares from virtually fixed interest money stocks to equities with a new growth potential.

How do the bankers themselves regard their new situation? The annual reports, which always command an audience much wider than the banks' shareholders, gave the bankers an occasion to describe their revolution. But only two do so. The two bank chairmen who set off the fireworks, Mr Anthony Tuke of Barclays and Lord Monckton of the Midland, tell something of last summer's changes and give some facts about how they are going. But the rest (all the big English banks except the National Provincial have now published their statements) are in this respect disappointing. A number of the banks' reports are better dressed, and that is welcome. But contents matter as well as clothes and the banks' own activities certainly deserved a report this year. It is, after all, a little *piano* to say of the unprecedented participation in the capital of a hire purchase company that it was undertaken "after careful consideration," and that the bank is "wholly satisfied" of its desirability.

The bankers' views on wider topics are as interesting as always. Indeed they would surprise many people. The chairmen of the great deposit banks are far from being hard money men, still less deflationists. They show a remarkably unanimous restraint in the way they greet external convertibility and they all join in welcoming the government's measures to pull the economy out of its modest recession. And, once again, no special enthusiasm is displayed for the use of the thoroughbred controls—Bank rate and open market policy. Bankers' views on monetary policy would be very welcome, together with more detail about commercial banking operations. But the bankers' comment about the economy might be more selective. Where their comments are drawn from their particular experience they still have a unique interest; but the general survey nowadays has to compete with a profusion of economic comment from ever widening sources.

Although most of the bankers are reticent about monetary policy, almost all of them express their hearty welcome for the end of the credit squeeze—and their reservations about the scheme for "special deposits" at the Bank of England. (Sir Oliver Franks of Lloyds, a member of the Radcliffe Committee, eschews comment.) The strongest condemnation of special deposits comes from Lord Aldenham of the Westminster, who regrets the decision and trusts that the power will never be used. "I would have thought," he adds, "a better method would be for the Government itself to refrain from creating an excessive volume of credit." At the other extreme, Mr Tuke, long sceptical about the efficacy of Bank rate, holds that the authorities are "perfectly entitled to fortify their control machinery"; whether it can be operated fairly between individual banks he is less sure.

Mr Tuke, as noted in these columns last week, spells out in some detail the considerations that led Barclays to take up a 25 per cent interest in United Dominions Trust last July. His fellow bankers—who had less past criticism of HP to live down—are less forthcoming about their own HP affiliations. Not all of them are as emphatic as Barclays about the need to keep HP at arm's length. Lloyds, which like the National Provincial has not gone in for the new personal loans, has over £13 million invested in three finance houses; Sir Oliver Franks says the spread of the bank's interest is a natural extension into a field that might be described as the "first cousin" to banking proper. That is the

view that has generally been taken by Lloyds' associates in Scotland; and Scottish leanings about HP are reflected in the acquisition of the Midland Bank group, of which 40 per cent has been taken by the subsidiary, the Clydesdale and North of Scotland Bank.

The most controversial of the year's banking innovations, the introduction by the Midland of "personal cheques" offering a cheap bare bones transfer service, still shows no signs of being followed by other banks. Mr Tuke refers meaningly to "second class passengers," and Lord Aldenham states flatly that it has not been thought necessary to "advertise a special cheap restricted current account"; in fact the Westminster scored a record number of new accounts last year. But Lord Monckton, too, reports a "marked acceleration" of day to day business of the established kind, following the introduction of personal loans and personal cheques. These new facilities thus seem to be succeeding in getting a new class of customer into the banks. "Large numbers" of personal cheque accounts are being opened every day, and the average balance on these accounts has exceeded the bank's expectations. Employers have shown a lively interest in them, in connection with paying their staffs; and here Lord Monckton joins Mr Tuke in a plea for amendment of the Truck Acts, which at present inhibit employers from paying "artificers" by cheque.

The Midland also attaches particular importance to personal loans, which it was the first to announce, though other banks had their schemes waiting in the pigeon holes; and it is the only bank that gives any information about them. Up to the end of December the Midland had made 45,000 personal loans, averaging about £160; the amount outstanding was about £7 million. Lord Monckton states that the demand has been evenly spread through the country, and that over a third by number, and a half by amount, have been for purchase of cars. This bears out Mr Tuke's point that the banks may draw away from HP companies some of the cream of their private business.

Most of the increase in advances since the end of the credit squeeze, however, has been through overdrafts. In all the rise has been considerable—over £200 million or 10 per cent in the second half of 1958. But on a long view, as Mr Tuke points out, the level of bank advances is "still very low." Advances are far smaller than they were in relation both to the banks' own assets and to the volume of credit available to business. The ratio of advances to deposits is particularly low at Barclays and the Midland. Their jockeying for position has played a big part in the more venturesome and competitive attitudes the banks have recently taken. The Midland has just managed to regain its lead in total resources helped by a big increase in foreign business and foreign deposits. Both banks seized the new opportunity to serve their borrowing customers and attract new ones. The Midland proudly points out that its liquidity was strong enough to permit this expansion without any sales of investments. The other big London banks have each had to sell.

Some of the bank selling, especially of medium dated stock, has incurred the displeasure of the authorities, who in a delicate gilt-edged market have sometimes taken stock straight into departmental portfolios. These moral overtones from the Old Lady seem rather out of place—especially as the authorities during the prolonged curb on advances were encouraging the banks into gilt-edged. Long years of inflation have indeed left the gilt-edged market uncomfortably narrow and ill placed to absorb substantial sales; but in the long run the market will not be helped if banks are made to feel, by dint of the official frown, that they have not full freedom to manage their portfolios. The great achievement of this past banking year has been the restoration of banking decisions to bankers; the authorities, as well as the bank chairmen, must accept the logic of freedom.

Leaders and Laggards

THE growth in bank resources has been led this year by the Midland and Barclays, the Midland edging back to first place. On the longer comparison Barclays shows easily the fastest growth—deposits up 23 per cent since the end of 1951. The National Provincial has lost ground, though it has been doing well in the past year. But the two biggest banks are those with the smallest proportion of their assets in advances—probably the most profitable of bank assets. Lloyds, the National Provincial, and the District succeeded in raising their ratios of advances through the years of the credit squeeze—though this rise in ratios was partly a reflection of the slower growth of total resources at these banks. Even after the increases of recent months, advances at end-December still totalled only 28.9 per cent of deposits at Barclays and 29.9 per cent at the Midland—compared with 35.6 per cent at the National Provincial (in November), 33.3 per cent at the District, and 32.7 per cent at the Westminster. Barclays has the highest ratio of investments, at 32.5 per cent (though in August it was even higher at 36.8 per cent). All the banks have lightened their investment portfolios since 1954; again, the Midland and Barclays show smaller reductions than the rest. The Midland gives more detail than most on the composition of its portfolio. Purchases last year took a "very small fraction" into a maturity of just over ten years; well over three-fifths matures within five years. Although the Midland has not sold investments in recent months, it still has the best liquidity ratio of the big five, at 35.3 per cent. The Westminster, despite recent sales, showed only 33.2 per cent—but it has gained relief from the mid-January maturity of Conversion stock.

	GROSS DEPOSITS				ADVANCES			INVESTMENTS			LIQUID ASSETS	Yield on Shares Jan. 21, 1959
	Dec. 31, 1958 (£ mn.)	Per cent change since end year			as a Percentage of Gross Deposits at end year							
		1957	1954	1951	1954	1957	1958	1954	1957	1958	1958	%
Midland	1,581·0	+4·8	+6·1	+17·2	26·7	26·4	29·9	32·9	30·0	30·2	35·3	4·69
Barclays	1,580·3	+4·5	+9·8	+23·0	27·0	25·0	28·9	35·6	32·9	32·5	34·3	4·25
Lloyds	1,301·2	+3·2	+4·4	+11·0	25·1	27·1	31·4	34·4	29·5	23·0	34·6	4·49
Westminster	921·9	+3·6	+0·7	+13·2	29·5	27·9	32·7	33·9	28·5	29·2	33·2	4·69
Martins	340·7	+1·8	+2·9	+ 8·2	29·1	27·5	31·7	33·1	26·7	26·6	35·2	4·35
District	255·8	+0·7	...	+ 7·0	25·8	26·7	33·3	32·6	30·1	29·3	32·1	4·90
National Provincial	Nov. 803·1	Nov. +5·9	Nov. −7·9	Nov. + 0·7	Nov. 30·0	Nov. 32·6	Nov. 35·6	Nov. 32·6	Nov. 28·9	Nov. 28·3	Nov. 32·8	4·44

Closing a Branch Line

British Railways has a major headache when it closes even a minor line

MANY of the unprofitable railway lines which the Transport Commission is now closing were uneconomic to build in the first place; others have simply failed to survive in competition with road transport, and railway management has long been saddled, in attempting to pay its way, with the problem of how to cut these losses. Most of the obsolete services removed by the Transport Commission are passenger services, for the railways are still the best carriers of heavy freight; and most of them are branch lines, although the Midland and Great Northern Joint Line—most of which will be closed at the end of February—is a railway system 176 miles long. In the past nine years, 183 lines have been closed, with total savings of £2½ million a year.

One example of this type of unprofitable service was the branch line which ran from Abergavenny, in Monmouthshire, via Tredegar to Merthyr Tydfil in South Wales. It was founded in 1859, and bought by the London and North Western Railway in 1866, in an attempt to take traffic from the Great Western. The Merthyr, Tredegar and Abergavenny line ran 24 miles through rugged coal and steel country, connecting such places as Gilwern, Nantybwch, Hoelgerrig, Cwnantgam and Pantysgallog. It is probable that on strict costing the service never paid from the time it was introduced. Most of the freight service was removed in 1953 because of falling receipts, and in 1955 the future annual deficit on the passenger service was estimated at £58,939. The closing of the MTA line offers a case study of the way that the Transport Commission removes an unprofitable service.

On July 25, 1956, after more than a year's study, the Branch Lines Committee of the Western Region officially recommended that this line should be closed. The expenses of running it in 1955 had totalled £64,744—staff costs of £30,171, costs of rolling stock, £5,897, permanent way maintenance and renewals £19,369 and other expenses £9,307. Future annual receipts were estimated at £5,705 a year; thus after allowing a £100 subvention for the provision of extra bus services in the area, the net saving from closing the line was put at £58,939 a year. If the line was to be kept open, £8,550 of major repairs were needed in the next two years. The Branch Lines Committee recommended that passenger services should be withdrawn completely, leaving a single-track freight service running over part of the line.

Studies were made to see if the line could profitably be operated with lightweight diesels. Savings of £10,134 could have been made in this way, but even allowing for a sizeable increase in traffic, a big loss would have remained. The committee's report was submitted to the Western Area Board of British Railways, which approved it on November 13, 1956, and the Transport Commission gave its approval on December 14th.

The next step was to submit a complete brief to the Transport Users' Consultative Committee for Wales and Monmouthshire. Consultative committees are appointed by the Minister of Transport to represent transport users; their heaviest job is to consider proposals to withdraw services. They do not sit in permanent session, and their members are unpaid; they are not tribunals, and their work—relatively little of which is done in public—is to advise the BTC and the Minister, rather than to formulate transport policy. There are nine area committees covering England, separate committees for Scotland and Wales, and a central committee. After studying the facts about a proposed withdrawal of services, the committees sometimes hear deputations from objectors, before making their recommendation to the Minister.

Soon after the Welsh Users' Committtee received details of the proposals for the MTA line, notices were posted informing the public of the Commission's plans, The committee held its first meeting at Llandudno on May 24, 1957, to circulate details of the Commission's brief; objectors were given simplified statements of the costs and estimated savings involved. On June 15th representations against the closing were received from the local authorities of several towns in the area, including Abergavenny; on June 17th, another

group of 1,125 people headed by a resident of Pantysgallog, near Merthyr Tydfil, submitted an eight-page protest and replies to these were prepared by the Transport Commission.

At the committee's next meeting, held at Cardiff on July 12, 1957, the Commission's replies were further attacked by spokesmen for the protesting groups. Deputations are sometimes represented by lawyers (even by QCs) although since the committee has no judicial powers, this is unnecessary. Railways are objects of enormous sentimental attachment, and nobody—particularly no railway man—much likes to see one closed. Many of the objections—that the line had strategic value in wartime, that snow and ice sometimes made roads in the area impassable, that tourist trade or industrial expansion would be thwarted—simply could not (even if wholly true) justify a loss of £59,000 a year. Serious proposals were advanced by protesting groups for running the line at a profit or, more realistically, at a lower loss, chiefly by re-scheduling trains and by using lightweight diesel equipment. But an enormous amount of new traffic, or a heavy increase in fares, would have been required to produce this result, and the Commission has plenty of opportunities to use its diesel equipment where it will make a profit, and not merely reduce a large loss.

In the majority of cases the loss on these branch lines does not arise from the use of expensive equipment ("spartan" would often be a generous description of the rolling stock in operation) but from heavy fixed costs which are shared among far too few passengers; the average number of passengers per train per day on the MTA line during 1956 was 36. When passenger lines are closed, the Commission attempts to arrange for extra bus services in the area, which is usually simplified by the fact that it owns the country's two largest bus groups, Tilling and Scottish Omnibus. Where these extra services would also be unprofitable, a subvention is sometimes made.

On July 25, 1957, the MTA line was mentioned during an adjournment debate in the House of Commons by the Member for Merthyr Tydfil, Mr S. O. Davies. (It may be recalled that the earlier case of the celebrated "Bluebell Line" in Sussex also received the attention of Parliament.) Since the case was before the Welsh Users' Committee, no official reply was made. On September 27, 1957, the committee met again to hear further representations; its final meeting over the MTA line was held on October 18th, when it recommended that the line be closed.

Recommendations of the Welsh and Scottish committees go directly to the Minister of Transport without the ratification of the central committee, which is required for the decisions of the English area committees. The Minister of Transport subsequently approved the Committee's recommendation, the closing date decided was January 6, 1958, and the public was notified of the closing date on December 6th. On January 5, 1958, the Stephenson Locomotive Society ran a special train from Abergavenny to Merthyr Tydfil and back, and 250 of the Society's members mourned the line's passing in the presence of BBC Television cameras. The next day the MTA line was formally closed. Nearly a year later, *The Economist* wrote to the major objectors to the closure, asking how transport conditions in the area had in fact turned out since the line was closed, and whether the result was better or worse than they had expected. None has replied.

BUSINESS NOTES

EGYPT

£27½ Million for What?

THE press reports from Cairo about the Anglo-Egyptian financial settlement have left business men in Britain pretty much in the dark about where they stand. Signature of the agreement and a statement from London are expected shortly after this issue of *The Economist* goes to press. It may then be possible to assess Egypt's reported agreement to pay £27½ million (compared with Britain's request for £35 million) in compensation for British concerns that have been "Egyptianised" and to meet claims for losses on property that was sequestrated, and will now be returned. At present it is still not wholly clear in London what property has been "Egyptianised" and what is to be returned.

As expected, Britain has set off its claim for the installations on the Suez military base against Egypt's claims for war damage. Egyptian sterling balances will be released: but it should be remembered that ever since 1945 the larger part of Egypt's balances have been blocked in No. 2 accounts, with agreed annual releases, dutifully continued into the (temporarily blocked) No. 1 accounts. The balance in the No. 2 account is now around £27 million.

Egypt's total sterling balances are estimated, at market value, at some £73 million. About £10 million may be deducted for compensation to shareholders of the former Suez Canal Company, under the terms agreed; and the £27½ million for holders of British property would be paid within one year. Britain has asked that administration of claims should be handled by Foreign Office representatives installed in Cairo.

Disorder and Probable Sorrow

THE largest concern seized by Egypt and now to be returned is Anglo-Egyptian Oilfields, of which BP and Royal Dutch-Shell each own 31 per cent; ten per cent is owned by the Egyptian Government and the rest of the shares are held publicly. Anglo-Egyptian's production in 1956 was 1,380,000 tons, out of total Egyptian production of 1,800,000 tons; since then the country's oil output has been growing, new fields having been found in the Sinai peninsula, and was estimated to be over 3½ million tons last year. Anglo-Egyptian owns the largest of the country's three refineries, which is located at Suez and has an annual capacity of 2,200,000 tons, and a coastal tanker company. Two marketing companies—Shell Company of Egypt and BP (Egypt) Ltd—are subsidiaries of another company jointly owned by BP and Shell. In addition, Shell Chemicals Distributing Company of Egypt, wholly-owned by Shell, was seized. A settlement concerning these properties was announced on December 19th by Jonkheer J. H. Loudon, after returning from negotiations in Cairo, although its terms have not been revealed pending the signature of the general agreement between Britain and Egypt; it is expected that Shell and BP will resume operation of these properties.

Over 350 British firms in all are believed to have been seized. Some of these, like Anglo-Egyptian, were sequestrated, i.e., were seized and managed by Egypt but still technically owned by Britons. About 50 others—the number is uncertain—were "Egyptianised," and became wholly Egyptian-owned. The Egyptian Government has said that sequestrated properties will be returned to their owners, while former owners of Egyptianised companies will be paid compensation for them. But the distinction between the two states is not clear in practice, and in the two and a half year limbo since seizure many firms have no clear idea of the exact condition of their properties. Barclays Bank DCO formerly operated about 50 offices in Egypt, which were Egyptianised; its balance sheet in 1956 showed £17.6 million of advances and bills discounted in Egypt and £18.2 million in local cash and short-term Egyptian Government securities. The Ottoman and Ionian Banks also had branches Egyptianised. None of the three companies has any clear idea of the compensation it is likely to get.

Many of the companies concerned were small, some of them being only agencies or sales offices. Over 50 British insurance companies were in business in Egypt before November, 1956; some of these were sold to Egyptians after sequestration. The Egyptian Government has announced that it will levy a ten per cent charge on the sequestrated assets, to pay for expenses of administration. After deducting claims for Egyptianised property—which also seem unlikely to be settled at anything like their full value—it seems doubtful whether many of the owners of the returned assets will be fully compensated for the depreciation of their property while it was in Egyptian hands.

ELECTRICITY

Borrowings and Costs

TWO things were politically notable about this week's debate on the Electricity (Borrowing Powers) Bill, which seeks to increase the borrowing powers of nationalised electricity authorities in Britain by £1,060 million: the studied disingenuousness of Mr Maudling, and the new, possibly incidental back-bench alliance of Mr Nabarro, Mr Birch and Mr Enoch Powell. In their exchanges, Mr Nabarro, who never gets the same thing wrong twice, demonstrated how much he has been learning about the economics of fuel and power, whereas Mr Maudling might have been trying to demonstrate how much he is trying to forget; Messrs Birch and Powell, resigned to being sea-green incorruptibles, were concerned essentially with the financial probity of committing public expenditure far beyond the tenure of this Government and possibly beyond the tenure of the next one.

Debatable but conveniently esoteric statistics enabled Mr Maudling to proceed smoothly from saying that the electricity industry's investment programme will enable it to increase its margin of spare generating capacity over peak winter demand in future, as it has in recent years, to claims and hopes about a "continuing" improvement in load factor. He told the House that since the White Paper on the nuclear power programme was published there had been "a certain recalculation of the comparative costs of conventional generation and nuclear generation." Without disclosing that this recalculation had in general made nuclear costs look rather worse against comparable base load stations using coal or oil, he broadly managed to imply the opposite:

> Our calculation now is that the Hinkley Point station, of which the capital cost will be £120 a kilowatt against £145 in the case of the earlier ones, should be marginally, slightly more economic than a coal-fired station operating in the same area, because one must compare the nuclear power plant, not with a coal-fired plant operating in the coal fields, but with one operating away from the coal fields and in the area where a nuclear plant will be, which will make a big difference.

These first nuclear plants, certainly, have been put down in places where there might once have been a choice between local generation with high-cost coal and generating the power at low-cost stations on the coalfields and transmitting it there over the Supergrid. But this is not the relevant companion. The new atomic power plants can be justified only as base-load stations, with their costing reckoned at a load factor of 75 per cent more than any existing plant today achieves. No one in his senses would have proposed a base load coal plant at such a place as Hinkley Point. The whole logic of pre-nuclear generation and transmission planning was to generate cheaply on the coalfields and transmit the power because this is cheaper than hauling coal. Incidentally, one might further ask whether the reduction in cost per kilowatt for Hinkley Point was simply a matter of technical progress: and equally, if one is considering actual costs as against negotiated prices, whether all—or indeed any—of the consortiums building these first nuclear power stations expect to break even on their contracts.

Budgeting for Power Investment

OUT of the £2,130 million that the English Electricity Council expects to invest in the electricity supply system of England and Wales during the next seven years, it proposes to find £980 million from internal sources (finally from prices), or what Mr Maudling reckons "austerely" at 46 per cent. This compares with 33 per cent of its capital expenditure since nationalisation, and represents a large increase. "To go further," argued the Paymaster General, "would involve increases in the current price of electricity which would certainly not be popular—which is not so important—and which would not be economically sound." As a discussion of the principle of

self-financing, this is unexceptionable. But Mr Maudling did not address himself to the question of the return that electricity obtains from those current prices upon its huge capital investment in comparison with the return that private capital investment in the economy, without benefit of gilt-edged rates of interest, has to earn. This, and not some abstract discussion of "How much ought one to self-finance?" should be the principle that determines prices and the financing of investment in this industry.

Messrs Birch and Enoch Powell, echoed by Mr Nabarro, would like to cut the period covered by this bill, to impose an annual limit on the borrowings of electricty as well as coal, and to give the Select Committee on Nationalised Industries an official of the stature of the Comptroller and Auditor General to investigate nationalised industries on its behalf. To give Parliament a chance to look closely at capital spending in the nationalised industries at least once a year is a reasonable ambition, though it might best be fulfilled by a full-dress debate on the annual white paper on their total spending (into which transport should be brought along with the fuel and power industries). Appointing an Auditor-General without giving him the actual auditing job—which the late Sir Frank Tribe reckoned might mean recruiting half the accountants in London—would be administratively difficult, though the Government at the end of the debate promised to consider it. Mr Enoch Powell, since he left the Government, has discussed the possibility of broad estimates looking forward five years or so in national budgeting as a whole, partly because of the various long-term capital programmes that the Treasury has now to finance. This, rather than chopping up the borrowing allocations of nationalised industries into unreal yearly instalments, might be the wiser course in the long run.

FBI ON THE BUDGET

2, 4, 6, 8, 10—or 9½?

THE recommendations of the Federation of British Industries for tax changes in the forthcoming budget are restrained. The federation considers that the coming year should aim at "expansion in all sections of the economy, short of the revival of inflation." The main reliefs it recommends in income tax, surtax, profits tax and purchase tax are estimated to cost £265-£280 million, which would not be an excessive figure if the Chancellor were to plump for major fiscal reflation. In addition, the FBI asks for the substitution of investment allowances in place of initial allowances, at the rates as increased in 1958 to 30 per cent for equipment and 15 per cent for industrial buildings. The federation would like to see commercial buildings eligible too. The change, broadly involving the replacement of a loan by a grant, would have no immediate effect on the revenue. But not everyone is convinced of the economic logic, in a relatively advanced economy, of subsidising investment.

The proposal that attracts warmest sympathy is for reductions in income tax from 8s. 6d. to 8s. in the standard rates and from 6s. 9d. to 6s., 4s. 9d. to 4s., and 2s. 3d. to 2s. in the lower rates (along with the raising of the upper limit of the band of income taxed at 2s.). The FBI proposals would thus produce, at a cost of £125-£140 million, the 2-4-6-8 that *The Economist* assessment of the 1958 budget suggested should be the aim for 1959; but they would give 9½ instead of 10 for companies, since the FBI urges that the profits tax should be reduced from 10 to 7½ per cent. The federation also proposes relief for surtax, possibly through extension of the earned income relief at present granted to income tax.

The recommendation on purchase tax is a modest one: no general cut in rates, but removal of the tax from materials and equipment "used in production"—notably commercial vehicles and stationery (cost £37 million); the repeal is urged of the duty on light hydrocarbon oils used in industrial processes (£11 million). The FBI also repeats past pleas for technical reforms, some of which were argued by the Royal Commission. The Federation's list includes:

- depreciation allowance for commercial premises;
- allowance of cost of the right to work minerals;
- substitution, for deduction of expenses, of "all expenses personally incurred for the appropriate performance of the duties of the office or employment" for the present "wholly exclusively and necessarily incurred in performance of the duties";
- treatment as overseas trade corporations of subsidiaries registered overseas;
- more flexible valuation by the Inland Revenue of stocks and work in progress;
- consideration of the "current year basis" of assessment for companies; and
- fairer valuation for estate duty of shares in closely controlled companies.

All this is germane. Finally, the FBI this year recommends that tax allowances should be given for all educational grants or endowments, and not only those related to the trade of the donor.

STOCK MARKETS

Sense and Sensitivity

THE market is both active and sensitive. One reason for its activity is the cash released by Reynolds Metals' buying of British Aluminium stock in the earlier account. Another is that the willingness of small investors to take their profits when prices are high is matched by continued buying on the part of the institutions in a market that is still short of stock. This balance of forces produced on Monday a record number of bargains, with 19,831 dealings marked. But after their long rise, prices are sensitive to changes in the political winds in this country and to economic winds on Wall Street. An opinion poll that suggested that the Conservatives had lost their electoral lead combined with a little uneasiness on Wall Street scared some of the short-term speculators, and prices turned down both in the gilt-edged and the industrial market. But the check was only momentary. Basically, the gilt-edged market remains strong, with the authorities easing on the reins a little but not letting the horse bolt away. And when Wall Street rallied, so did the British industrial market. The final result over the week to Wednesday's close was that the *Financial Times* government securities index fell only slightly, from 86.94 to 86.52, and *The Economist* ordinary indicator fell only from 252.9 to 251.6. The quickness of equity prices to respond to economic and political cross-currents is a symptom not so much of volatility as of common-sense caution.

The £6 million issue of English Electric's 5½ per cent debenture 1974-76 at 97 was home and dry, with

a massive over-subscription, before the market in fixed interest stocks faltered. Applications were cut down to about 5½ per cent, with a minimum allotment of £100, and dealings began at 2¼ premium before the price settled down at 2 premium. At one moment the £5 million issue by the Port of London Authority looked as if it might become a casualty. This 5½ per cent stock 1975-78 was offered at 99½, on terms practically identical with those of the Fife County Council issue; but, unlike that stock, it is a non-trustee issue and in the less buoyant market this week it did not attract the stags. But the rally in gilt-edged prices came just in time to allow the issue to scrape home, oversubscribed but only just so. Applications of up to £10,000 were allotted in full and above that sum they were scaled down to 65 per cent. Dealings began at ⅛ discount but the price quickly improved to just under par.

Cheaper in Switzerland

THE British Petroleum Company is to make an issue for 60 million Swiss francs (some £5 million) in Zurich around the end of February. This could be an important augury for big British firms, and for the international capital market—which is becoming much more of a reality. Hitherto, firms operating from the United Kingdom have not had access to public capital markets overseas. The exchange control authorities have generally felt unable to give permission because of the commitment for interest and repayment in foreign currency. Some issues have gone through, but apart from the special issue by Bowater in the United States some years ago to finance its mill in Tennessee, this is the first major one to receive public attention.

The attraction for BP is obvious. It is expected to issue a loan stock at 4½ per cent; in the London market it could not offer less than 5½ per cent. At the same time, it does incur a certain exchange risk: if sterling were to depreciate in terms of the Swiss franc, the company would face a heavier burden of repayment. The proceeds of the issue follows the raising of £17 million on the London market in two operations for the financing of tankers. The Swiss money will presumably be used for BP's growing interests on the Continent, in refining and distribution.

It will be surprising, if the differential between interest rates in London and centres such as Zurich remains, if the Treasury is not confronted with more applications for long term borrowing overseas. Having said yes to a concern in which it has a direct financial interest, it might have difficulty in turning down a serious application from another large business, especially one with important international interests.

MOTORS

Return to Seasonal Demand?

PRODUCTION in the motor industry this autumn has not completely fulfilled the industry's expectations of a return to sharper seasonal fluctuations, because freeing of hire purchase came to stimulate buying in November and December, but there were still signs of the "normal seasonal pattern" that the industry last experienced before the war. In the years immediately following the war, pent-up demand at home kept production at maximum levels throughout the year, taking all the cars spared from export; later, the high rate of exports to countries in the Southern Hemisphere also kept output artificially high in the last half of the year. The return to a more seasonal pattern has been predicted for some years, but recession and recovery in 1956-57 further blurred the picture. Last year a total of 364,670 cars and commercial vehicles were made in the first quarter and 361,143 in the second quarter. In the third quarter, because of holidays and quite apart from demand, production fell to 310,954. It rose again, with the stimulus provided by removal of hire-purchase restrictions, in the fourth quarter, but not quite to the levels of the first half year.

Any continued return to "normalcy" this quarter will be further upset this month by two apocalyptic events: the fire at the Pressed Steel works at Oxford, which will affect supplies of bodies for the Standard Vanguard and Hillman Minx and Gazelle, thus reducing output of both Rootes and Standard, and an unofficial strike called this week at the Birmingham plant of Fisher and Ludlow, which supplies car bodies to both BMC and Standard. At one point Standard had increased output of its other models to make up for the reduction in production of Vanguards, and had laid off 500-600 men; BMC had laid off 4,000 workers and suspended production on six models. As this issue of *The Economist* went to press no settlement had been announced.

Evidence that seasonal demand is returning has been revealed by Vauxhall, who have announced that they will shortly start overtime working in order to meet increased demand for cars and trucks. Production schedules have been drawn up on the basis that overtime will be worked as necessary during the first few months of the year (though the company state that this will not be "compulsory"), and a limited number of workers will also be taken on during the next few weeks. Vauxhall have announced that orders for both cars and trucks for delivery during the first six months were rising, and have told their workers that since demand will be greater in the spring than in the autumn overtime will be required during the next few months, if "large fluctuations" in the labour force were to be avoided later in the year.

The Farina Line

THE first fruits of the collaboration of BMC with Pinin Farina appeared in the unveiling towards the end of last year of the new Austin A40—something between a station wagon and a saloon—which seems to be winning public acceptance as a practical, useful and very handsome little vehicle. Two more offspring have since come to bless the union, the Wolseley 15/60 and the Austin A55. Both use most of the same body panels. The Wolseley's frontal appearance acknowledges the ancestry indicated by its name, with a resemblance to the Wolseley 1500. The front of the Austin also makes allusion to its descent, and especially to the new A40, with a rhythmic and rather more satisfying shape.

The A55, judged in the showroom, seems to have what it takes to sell well—and with Issigonis, who left BMC after designing the Morris Minor, returned to the fold and responsible for engineering BMC designs, it would be surprising if its behaviour on the road were not first class. It seems likely that within the next year or two BMC will have a new range of cars, covering the gamut of the high volume categories upwards from the new very small car that is expected to be forthcoming next May. If Issigonis

and Pinin Farina can repeat the achievement throughout the BMC range, the effect could be far reaching.

The production facilities of BMC are not inferior to any in Europe, and capable in total of an output nearer three-quarters of a million vehicles than half a million. Their mechanical components, engines, and gearboxes, are excellent; but for years the Morris Minor has been their only passenger car of outstanding sales appeal. A range of cars, all of which proved to be winners, could take up the unused slack in BMC's production facilities and bring down costs. The end result, in terms of sales at home and abroad, could have an important effect on the balance between the British and the Continental manufacturers in all the contested markets.

The fact that this new body for the Wolseley and the A55 is made by Pressed Steel suggests that it will be some time before BMC goes as far as General Motors in exploiting the full cost savings of a big group. In the States GM uses common body panels for cars sold under several different names; there seems to be no reason why Austin and Morris should not do likewise. But in that event, one would have expected the bodies of models in the high volume ranges to be made by Fisher & Ludlow, BMC's own subsidiary.

OPERATION BRITAIN

Triumphs of Engineering Dept.

ASPIRATION and performance in the British civil engineering industry now ranges from the readiness to guarantee that a nuclear reactor to be built in Japan will be proof against earthquakes to the inability to guarantee that a new motor road surface laid in Britain will be proof against a normal winter frost. Cracks, corrugation and crumbling of the asphalt surface of the Preston motorway, which this week caused it to be closed just 48 days after it was opened, have occurred at about fifteen to twenty places; though they affect only about 1,200 square yards out of 225,000 square yards of carriage way on the 8½ mile motorway, they have been enough to cause traffic to be diverted. This surface, laid by the Tarmac Group, was classed as a "temporary surface" which meant that subsidence might be expected during the first two or three years, after which a permanent surface would finally be laid: it was put on top of a 9-inch layer of "wet mix" waterbound macadam developed for road construction by the Lancashire County Council. The reason why "temporary" and "wet" have taken on a new meaning in these circumstances appears to have been that the under surface was not properly dried, because it was raining most of the time while the road was being completed; water got into the weak spots, and frost followed by a quick thaw has broken them up.

The Tarmac Group has said that it completed the road surface according to the specifications laid down by the Ministry of Transport, and has suggested that the problem of building in and for severe weather is one to which no fully satisfactory answer seems yet to have been found. This does not sound promising for the several sections of the London to Birmingham motorway which have been under construction throughout much of the same period as the Preston road, and on which similar standards of construction are presumably being used. British standards of motorway construction are claimed to have taken advantage of all the lessons of trunk roads built overseas, and a large amount of research into road surfaces has been done in Britain's road research laboratories. If this is a foretaste of what has been learned, it is not encouraging.

Not According to Poster

DURING 1958 British shipyards obtained orders for only 144 ships totalling just under half a million tons gross, even including some tankers in building programmes announced in earlier years; an almost equal tonnage of ships on order was cancelled; and the yards completed 1,464,000 gross tons, so that tonnage on order at the end of the year declined to 5,430,000 gross tons—which still represents four years' work at the industry's current rate of output. Ranking now third (by tonnage launched) among the world's shipbuilding nations, the British builders retain today perhaps only this consolation—that their combined orderbook represents employment for a considerably longer future period than Japan or Germany can at present foresee. This is not full employment in any real sense of the word, however, since the orders are so concentrated into heavy tankers; the arithmetic of total orders against output offers cold comfort to some of the builders of smaller dry cargo vessels, who have comparatively little work on hand and see no early prospect of any revival in merchant ship ordering.

At the end of December, British yards had 2,334,158 gross tons of shipping under construction, about 3 per cent less than a year before. Japan had less than a million tons. This partly represents different methods and timetables of construction: British yards ordinarily lay keels well in advance, and have fifteen months' "output" of ships in progress at the same time. Nevertheless, the Japanese figure of tonnage construction in hand is now about a third lower than a year ago, and the fairly large export orders it received in the last quarter still brought its orderbook to only about two years' work. Sweden and the Netherlands are the only major shipbuilding nations with a higher tonnage under construction than a year ago. Across the world, shipyards are operating far below the capacity that they built up during the last boom.

BRITISH ALUMINIUM

The Treasury Agrees

ON the same day that Reynolds Metals had to settle in cash for all the British Aluminium ordinary shares it had bought in the market, the Treasury announced that it had given consent to the acquisition of BA by Tube Investments and Reynolds Metals on the understanding that control of BA would remain in this country. TI and Reynolds have sorted out their holdings of BA stock acquired for cash and tendered in acceptances of their bid in such a way as to fulfil the intention that BA should be controlled through Reynolds-TI Aluminium in which TI will have a 51 per cent majority interest. These arrangements cannot be modified without the consent of the Treasury.

FOREIGN EXCHANGE

Foreign Funds to London

THE demand for sterling in the foreign exchange market has continued strong this week. At this time of the year the seasonal demand for sterling area commodities is running high; sterling has also been in demand on capital account

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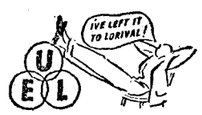


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and there has been consistent bidding for sterling from New York and most Continental centres. The rate against the dollar has hardened to $2.80\frac{3}{4}$. None of this demand seems to have been diverted from the market by requests for "interim finance" from the Bank of England under the new Monetary Agreement, which has supplanted EPU. That is not surprising, since any sterling borrowed by European central banks under this provision would have to be repaid after the clearing at $2.82, or equivalent Continental rates, the most unfavourable for them. Turnover in the London exchange market is being maintained at a level consistently higher than it was before the move to external convertibility. The excitement in the Belgium franc had died down; the National Bank shows a gold loss of £7 million in the week to January 15th.

Foreign money continues to be drawn to the London market for short-term investment. During the past week there has been evidence of German, Swiss and Dutch demand for bills and short bonds: and since the currency freeing of December, much of this money has been left uncovered in the forward exchange market. With the Dutch Bank rate down to $2\frac{1}{2}$ per cent this flow of short-term money may increase in the near future—though the bill rate in New York went above 3 per cent this week, narrowing the margin in favour of London below $\frac{1}{4}$ per cent. London is still the most attractive centre in Europe for short-term investment.

France Frees External Capital

The French franc has been weakening slightly against sterling, moving to 13.76$\frac{3}{8}$ in spite of this week's announcement that gold and dollars have been flowing into the French reserves since devaluation at the rate of between $10 and $15 million a day. Nor has there been any marked response in the exchanges to the announcement from Paris that the "capital franc" (comparable to security sterling) is being abolished and that for non-residents the French franc is to become convertible not only for current but for all capital transactions. The rights of convertibility and repatriation already existed for new and authorised foreign investments; but the proceeds of sales of prewar investments in France had to be credited to capital franc accounts and either reinvested in France or sold at a discount, which before the devaluation had widened to the extent by which the franc was in fact devalued on December 29. The sums involved must be considerably smaller than would be affected by the freeing of security sterling.

The aim of this grant of convertibility to the proceeds of capital transactions held by non-residents is to encourage the inflow of foreign, and particularly German and American, capital, on which high hopes are placed for development of the Sahara's oil resources and the industrialisation of North Africa. Prices on the Bourse have risen strongly. There are also French hopes that with the advent of the Common Market and the knitting of closer ties between French banking and industry and firms in other Continental countries, French securities will be admitted to quotations on the German, Belgian and Dutch Bourses. The granting of full convertibility to the proceeds of capital transactions is an essential preliminary to this move. Reforms on the French Bourse itself, including stiffer requirements for firms to give information, are expected shortly.

IMPORTS THIS YEAR

Rise in Volume and Prices?

In 1958, a year of recession, the volume of Britain's imports was just as large as in 1957. Imports of basic materials fell sharply, and imports of semi-manufactures less sharply. But the volume of manufactures brought in continued to rise, while imports of crude oil were about one-fifth higher than in 1957, when supplies were curtailed by the closing of the Suez Canal, and arrivals of refined petroleum were slightly higher in quantity. Food items, which accounted for nearly 40 per cent of the total cost of Britain's imports, rose by about five per cent in volume last year. As Britain climbs out of recession imports are bound to increase. Consumption of food will remain high (though a good harvest would diminish the need for imported feedingstuffs) and industry will need larger stocks.

There are already signs of an increase in imports of industrial materials. The total value of imports in December, at £353 million cif, was nearly £40 million higher than in December 1957, though a part of that increase was adventitious. The figures were swollen by a drive to clear outstanding documents through customs before the new tariff list came into force on January 1st. And imports of tinned salmon, which were relaxed in September, shot up by over £10$\frac{1}{2}$ million to £11$\frac{1}{2}$ million, more than the whole import in 1957. Britain can hardly eat salmon at that rate for very long. But arrivals of some industrial materials, such as raw wool, softwood, woodpulp, aluminium and copper were all higher in quantity than a year ago. The recovery so far has been modest, and not broadly based. Some rise in prices of industrial materials is also to be expected, though it would start from a relatively low level. While import prices of foods and manufactures were three to four per cent higher in December than a year ago, prices of basic materials remained weak and were over 13 per cent lower than in December 1957. Import prices as a whole are clearly not likely to be as favourable as in 1958, when they fell by seven per cent.

This was the main reason for the sharp drop of £189 million to £424 million in the apparent visible trade deficit. Most of that improvement occurred in the first half of the year; in the second half the apparent deficit was £251 million, only £25 million lower than in the same period of 1957. An article in the *Board of Trade Journal* this week states that "it is certain that the exceptionally large payments surplus on visible trade in the first half of last year [of £137 million, taking imports and exports fob] will not be repeated in the second half, and there is likely to be a return to a small deficit as in 1956 and 1957." A small deficit on visible trade, however, would be comfortably offset by invisible earnings.

MACHINE TOOLS

A Sensible Proposal

Something over 10 per cent of the plant and machinery installed in British factories during the recent investment boom has come from abroad; probably 15-20 per cent of that imported equipment has come in without paying duty; and maybe half of the duty free machinery that has been imported into Britain has been machine tools. The Machine Tool Trades Association has now proposed to

the Board of Trade that arrangements for the duty free entry of machine tools should cease and that, as a *quid pro quo*, the duty on foreign machine tools should be reduced from 17½ per cent to 10 per cent.

There is a good deal of sense in the machine tools industry's argument, though believers in free trade might prefer the duty to be cut further or even abolished. Exemption from duty for machinery imported into Britain is licensed when the Board of Trade, advised by a committee including businessmen, is persuaded by the buyer that a particular item of equipment is either not available from British manufacturers or can only be delivered after unacceptable delay. The amounts of equipment brought in under such arrangements accounted for a fairly large proportion of the total machinery imported into Britain in the thirties and an even larger proportion during the immediate postwar years, when British industry was re-equipping in the teeth of shortages of all kinds. All issues of duty free licences were suspended from 1952-54 (though much of the machinery imported by the Ministry of Supply for rearmament came in under special arrangements). No recent detailed statistics are available: but during the past three years, since the system came fully into operation again, published figures about amounts of duty remitted suggest that the amounts coming in are of the order of some £20-£25 million a year out of total machinery imports of about £125-£170 million a year.

The machine tool industry thinks that the procedure by which a customer wanting to buy a foreign machine has a standing temptation to argue that it cannot be obtained here at all or cannot be obtained in a reasonable time provides a constant source of friction between the British machinery supplier and its customers. It argues, moreover, that if a British manufacturer really insists on an American or Continental machine in preference to what British machine tool makers can offer him, a 10 per cent duty would probably not be a very powerful deterrent. During certain periods of shortage here customers have been prepared to pay premium prices for quick delivery of foreign equipment that would significantly outweigh such a duty. It is not easy to guess whether a 10 per cent duty without exemptions would afford the machine tool industry more effective protection than a 17½ per cent duty which possibly half the imports of machine tools escape. However, it should not be impossible for the Board of Trade to arrive at some rate of duty that would even things out. If it can, anything to get rid of these elaborate consultative procedures and arguments between customers and suppliers about the relative virtues of their machines might on balance be a good thing.

STRATEGIC STOCKS

Has Policy Changed?

THE Government appears to have decided that there is no longer any need to hold strategic stocks of industrial raw materials. Three years ago the defence white paper stated that in the light of the new priorities for defence such stocks could be run down "to some extent without risk." The running down began, though sales of a number of items have been suspended owing to the weakness of the market. But on two occasions the Board of Trade has announced that a particular stock is to be run down, not "to some extent," but to zero. In October, 1957, it said that the 20,000 tons of lead remaining in the stockpile was to be sold, and last month it said that the 30,000 tons of copper left in the stockpile was also to be sold. If Whitehall now considers that there is no need to hold a strategic stock of lead and copper it is difficult to see why this view should not extend to stocks of other metals and fibres. If there has been a change in policy the sooner industry is informed the better; consumers should be left in no doubt that they will not be able to rely on help from the Government if normal channels of supply break down.

DISPOSALS FROM U K STRATEGIC STOCKS

Item	Size of Stock	Comment
Copper	85,000 tons	About 55,000 tons sold. Remainder for sale up to November, 1959.
Lead	50,000 tons	36,700 tons sold before sales suspended in June, 1958.
Wool	96 million lb	About 31 million lb sold before sales suspended in April, 1958.
Softwood.....	230,000 standards	All sold.
Hardwood.....	1·8 mn. cu. ft.	All sold.
Plywood.....	16 mn. sq. ft.	All sold.
Rubber.....	Est. 125,000 tons	No action.
Item	**To be Sold**	**Comment**
Zinc	27,000 tons	About 18,000 tons sold before sales suspended in Feb., 1958.
Tin	2,500 tons	No action.
Aluminium	52,000 tons	Over half sold before sales suspended early in 1957.
Nickel	1,600 tons	All sold.
Wolfram	500 tons	Less than half sold.
Jute.....	20,000 tons	All sold.
Jute goods.....	15,200 tons	All sold.
Manila hemp	2,900 tons	All sold.

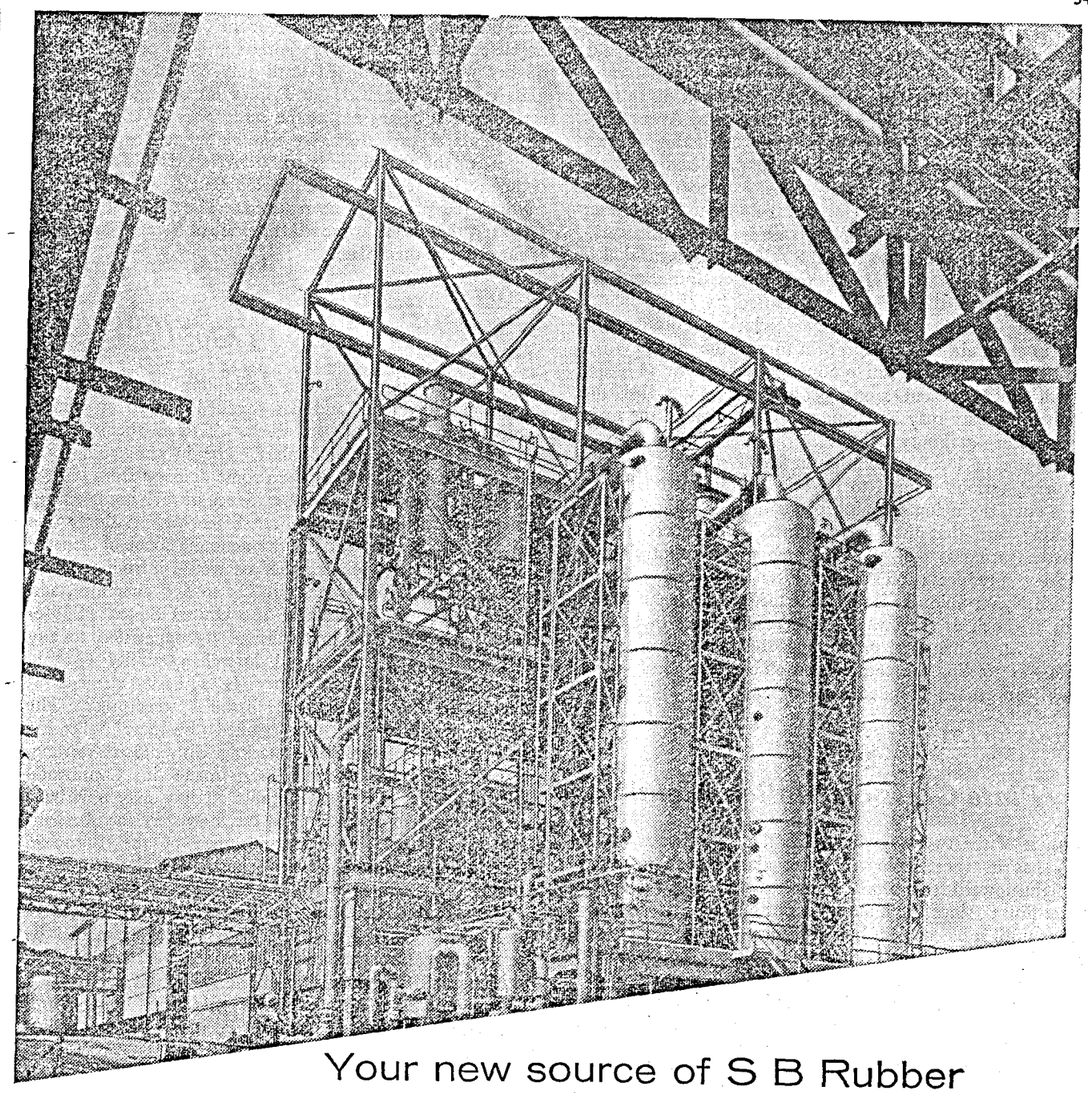
The approximate size of the strategic stocks is known only for a few items. Stocks of copper and lead, which are listed in the first part of the table, were equal to about 15 per cent and 30 per cent respectively of annual British consumption (excluding scrap) and stocks of wool were equal to about one-fifth of consumption. The stock of natural rubber, which can only be roughly estimated at some 125,000 tons, appears to be large in relation to the recent rate of consumption of about 180,000 tons a year.

As the Government believes that a war, if it comes, is more likely to be an all-out nuclear conflict than a Korean-type affair, it follows that there is little purpose in holding stocks of raw materials for consuming industries that may well be wiped out. If this argument is accepted, the right policy is surely to build up stocks of food, medical goods and other items needed to care for survivors. The Pettibone report on United States stockpiling policy recommended that emphasis be shifted from raw materials to finished items, and contrasted the billions of dollars spent by the American government on stocks of raw materials and the comparatively tiny sum spent on medical and other items for civil survival and relief. Is the British Government giving fresh thought to this aspect of stockpiling policy?

NYLON

The New Site

HAVING been refused permission from the Board of Trade to build a nylon spinning factory near Southampton because this was not "a development place," British Nylon Spinners has now arranged to take over a factory at Brockworth, Gloucestershire, which is not one of the Government's favoured areas either. This may not be the most encouraging first "response" from industry



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to the Board of Trade's latest appeal to put new development where unemployment is high rather than where costs would be low; but it can fairly be considered as a special case. The factory BNS is taking over has been owned up to now by the Ministry of Supply, and used hitherto by Armstrong-Siddeley for aero-engine manufacture. Shrinking aircraft orders have raised serious employment problems not only here but in the neighbouring Gloster Aircraft factory, which, like Armstrong-Siddeley, also belongs to the Hawker Siddeley group. Nylon spinning, with its three shift working, uses much the same kind of skilled and semi-skilled labour as these works did. British Nylon Spinners' long search for a third site has been caused by the difficulty of finding one that has the right technical requirements, such as clean air, and enough men to staff the plant. When the new factory is in full production some time in 1961, it will employ about 2,000 people, suggesting that the planned capacity may be about two-thirds that of the main BNS factory at Pontypool.

In spite of local difficulties in some stocking knitting factories, serious enough to have led to discussions about wage cuts, the nylon spinning plants are still selling all the stocking yarn that they can produce. But where a year ago the yarn was still allocated among the country's 200 stocking producers on an unofficial rationing scheme, British Nylon Spinners is now able to provide its customers with as much as they want. The result seems to be that the industry's marginal producers—and there are many of them—are feeling the competition of big producers selling heavily-advertised branded stockings.

FL(O)AT GLASS

Plate Glass on Molten Metal

EACH of the two ways by which flat glass is now made has its shortcomings. Sheet glass, which is drawn straight upward from a pool of molten glass, has a desirable "fire finish" since the material is not touched except at the edges until it has cooled, but is distorted by the weight and viscosity of the rising glass, while plate glass, which is poured out horizontally, is free from distortion and perfectly flat but must be ground and polished before it can be used. The best features of each method are combined in a new process developed by Pilkington Brothers, called the Float process; the high finish of sheet glass is produced without distortion and without the necessity for grinding and polishing the finished product. In the float process, a continuous ribbon of molten glass is fed out of the furnace across the surface of a tank of molten metal in a controlled atmosphere, gradually being allowed to cool. Since the glass is untouched except by the metal while it is hot, the finish is better than that of ordinary sheet glass and, since the surface of the molten metal is flat, is entirely free from distortion.

Float glass, as Pilkington's call the new product, is thus suitable for mirrors, motor vehicle windows or shop windows, for which plate glass is used. Since the plant required is roughly half the size of the £10 million factory now needed to make continuous plate glass (because grinding and polishing are eliminated) and since labour costs are correspondingly lower, it costs much less to make. The furnace and cutting equipment used are the same as those now used in making conventional plate glass.

The Float process was first thought of by Mr Alistair Pilkington, the technical director of the firm, in 1952; a full-scale plant has been in operation at the company's factory in St Helens since April, 1955, although glass of satisfactory quality was not produced until July of last year. Float glass is now being used by Triplex for automobile windscreens; it is being sold at the same price as conventional plate glass at present, although Pilkington Brothers state that when the technique is fully developed (and when the company has recovered its development costs of over £4 million) the price will be reduced. They do not believe, however, that it will approach the price of sheet glass, which is far cheaper than plate.

GOLD

A Flurry in Gold

THE dollar price of gold in the bullion market has been rising this week and has touched $35.10 an ounce, compared with $35.06 last week. This is the result of widespread demand, which has come in the main from the Continent. There has been some demand from central banks, but there has also been evidence of reviving hoarding demand, particularly in the French market. A flurry was caused over the weekend by the announcement of Senator James Murray of Montana that he would introduce a bill to raise the price of gold from $35 to $70 an ounce, and restore a free gold market in the United States. Subsequently the US Treasury affirmed its opposition to any such measure: "the assured interchangeability of gold and dollars at $35 an ounce is a basic element of strength in the international financial structure." The London gold market has gained business following the merging of transferable sterling with official sterling. Sales of gold which had been made in Continental markets against cheap transferable sterling may now have been diverted to London. So far, however, the Russians have sold little. The disappearance of the European Payments Union and its replacement by the European Monetary Agreement may lead to less active intervention by European central banks in the gold market. Many of their operations had in recent years been stimulated by the arbitrage turn that could be gained by covering their positions in EPU, calculated at the mid-point parity rates, through purchases or sales in the gold market, in accordance with their debtor or creditor positions and the bullion prices quoted.

BANK FIGURES

Scotland and Ireland

ALL the English clearing banks that have shown their gilt-edged investments above market value in recent years have now succeeded in getting rid of the disclosed depreciation and return to the traditional valuation, below market value. The last to do so was the Midland Bank; but both the Scottish and Ulster subsidiary still show a depreciation: the Clydesdale and North of Scotland Bank of £1.54 million, on a book portfolio of £79.6 million and the Belfast Banking Company a depreciation of £1.02 million on £14.16 million. This bank shows a small reduction in profits, from £116,179 to £115,626. On the other hand the Ulster Bank, subsidiary of the Westminster, has closed the gap in its investment valuation and shows an increase in profits from £182,230 to £196,337. Profits at the National Bank are up from £227,979 to £268,757, and its dividend

is raised from 12 to 14 per cent; both the Northern Bank and the Royal Bank of Ireland, two other banks in the Irish republic, show modest increases in profits and higher dividends. Profits at the Clydesdale and North of Scotland are up from £486,466 to £497,971; the distribution is unchanged. The Royal Bank of Scotland, the only other Scottish bank with an accounting year to December 31st, shows an increase in profits more in line with those of English banks—from £637,253 to £690,771, and its dividend is raised from 14 to 16 per cent.

WHOLESALE PRICES

Stability in Manufactures

IN December British manufacturers were paying six per cent less for their basic materials than a year earlier, and fuel prices were only a little higher. Yet the prices they charged for their products barely changed over the year. There had been a slight fall in the price index for manufactures (excluding food and fuel) up to August, but by December the index had risen fractionally to 113.1 (1954=100), just 0.3 per cent below the level of December 1957. This rigidity in prices of manufactures is more apparent than real. Materials usually account for a small part of the total cost of finished goods (the import content of manufactures is reckoned to be one-fifth), and labour costs were rising last year. Wage rates in manufacturing went up by roughly 3½ per cent and productivity fell; labour costs per unit of output probably rose by about five per cent.

WHAT INDUSTRY PAID

1954=100

	Dec., 1957	Dec., 1958	High	Low
Basic materials ..	98·4	92·6	98·4	92·5
Fuel	130·4	130·6	131·0	129·9
Materials & fuel used in :—				
Mechanical engineering...	124·2	124·0	124·9	122·8
Textile industries.....	94·3	83·8	94·3	83·8
Building & civil engineering	115·0	114·0	115·0	113·8

WHAT INDUSTRY CHARGED*

1954=100

	Dec., 1957	Dec., 1958	High	Low
All manufactures except food & fuel.....	113·4	113·1	113·5	112·8
Chemicals	107·0	105·8	107·0	104·9
Iron & steel	130·7	129·7	130·9	129·5
Textiles (excluding clothing)..	100·1	95·6	100·1	95·6
Building & civil engineering†..	115·0	115·0	115·0	115·0

* Home market sales. † Index of building costs, quarterly average.
Source: *Board of Trade.*

Prices of materials and fuel used in the mechanical and electrical engineering industries fluctuated narrowly and closed no higher than in December 1957. Materials and fuel for the textile industries were 11 per cent lower in price, following the sharp fall in raw cotton and wool, and some part of this was reflected in prices of textiles (excluding clothing), which dropped by 4½ per cent. Materials used in building and civil engineering fell by one per cent over the year, and building costs remained stable. Prices of chemicals and iron and steel fell by about one per cent.

RESTRICTIVE PRACTICES

An Agreement Dismantled

COUNSEL for the British Constructional Steelwork Association told the Restrictive Practices Court this week that the Association had abandoned that part of its agreement which contained a price-fixing scheme, and would submit to a Court order formally declaring it to have been contrary to the public interest under the Restrictive Practices Act. The Agreement also contained recommendations for standard conditions of contracts made by the Association's members and for agreements with customers like the Coal Board and Central Electricity Authority. Counsel for the Registrar noted that these provisions did not appear to have any substantial economic importance; accordingly, the Court was not invited by the Registrar to consider them. The Association has given an undertaking to the Registrar that they will give 28 days' notice of their intention to revive their previous price-fixing scheme or to introduce a new one; the Registrar has accordingly made a representation to the Board of Trade under section 12 of the Act to have the Steelworkers' Agreement removed from the register, since it apparently no longer contains any item of economic significance.

BANK CHARGES

Value for Money

BANK charges on current accounts are among the latest items to come under the microscope of *Which?*, the magazine of the Consumers' Association. The investigators have not fared much better than anyone else in face of the diversity of practice among English bank managers (the Scottish banks have a fixed scale). The sample of individual people's experience "illustrates the point that the English banks do not have a fixed system of charges. . . ." The nearest the report can get to a generalisation is the usually quoted basis of 9d.-1s. for each ledger entry set against a credit of 1-2 per cent on the average daily credit balance. But the survey does a good job in presenting the range of choice available to the customer, showing how cost can be cut down as the facilities available are reduced to the bare function of transferring money. In ascending order of banking "service," and of probable cost, the main alternatives are: Post Office Savings Bank, Co-operative Wholesale Society Bank, Midland Bank personal cheques, and normal current account service.

ECONOMIC SURVEY OF A TOWN

READING

The Economist Intelligence Unit Ltd. has prepared a detailed report on the prospects for retail trade in Reading over the years ahead. This report analyses trends in population, employment and incomes in the Reading area, and considers the effect on the town's prosperity of new developments in housing, shopping facilities and communications.

All those doing business in the Reading area should apply for further details of this important study from

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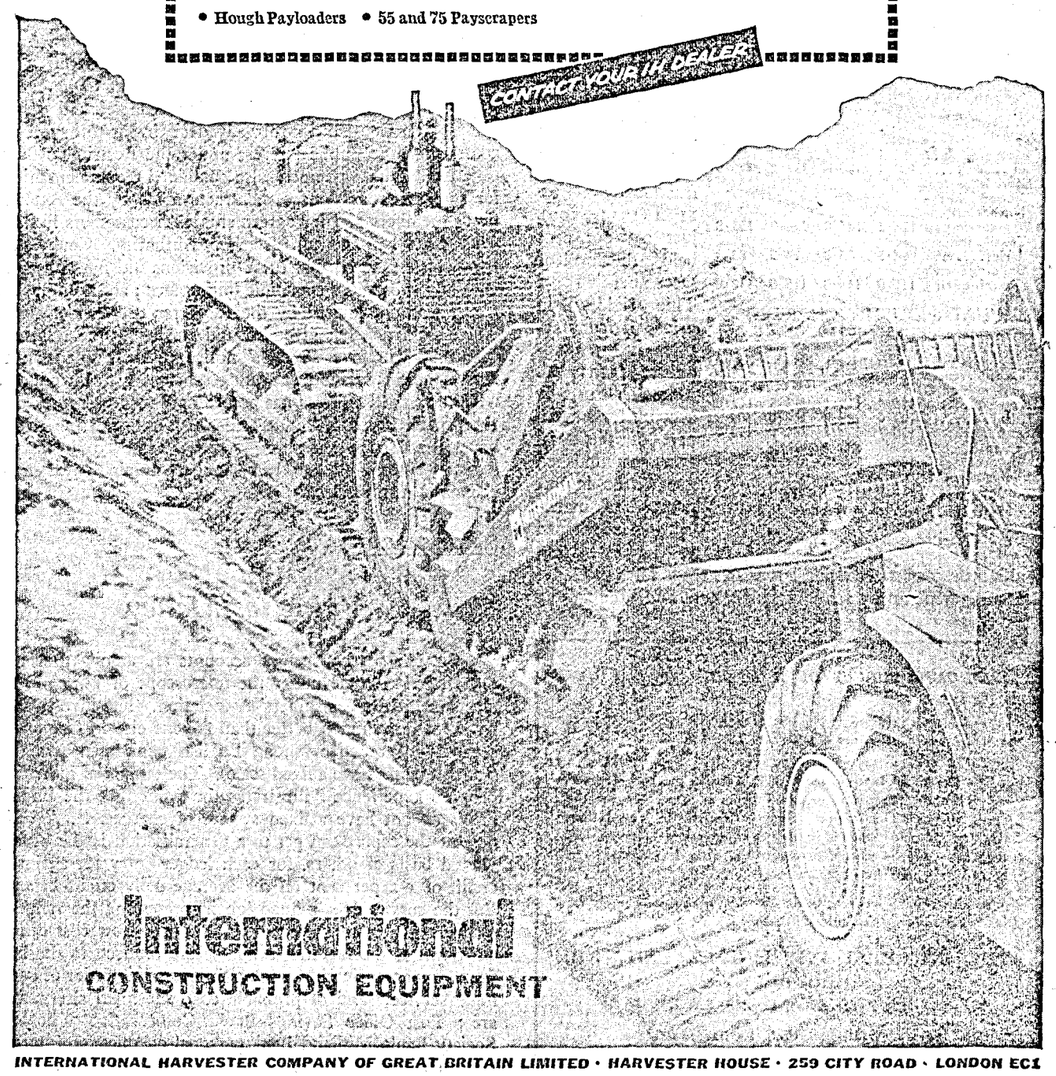
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AIR TRANSPORT

A New Independent?

BEHIND the streamlining now going on at Airwork Ltd and its several subsidiaries can be seen the outline of a sizeable new independent airline. Besides its own services, flown mainly to Africa and Far East with a mixed fleet of new Viscounts, old Hermes and older Vikings, Airwork has substantial interests in at least four other independent airlines, its most recent acquisition being the Morton company operating from Croydon together with its subsidiary, Olley Air Services. Individually these companies are no great shakes. But collectively they have quite a useful route network ranging from short-range internal and cross channel services to long-range trooping and charter work. Their fleets are made up of a mixed bag of aircraft ranging from the very old to the very new. Airwork is now beginning a slow process of consolidation that will probably end in these separate companies merging their identities into a single big airline. The first stages involve the transfer of Airwork's own Viscounts to its subsidiary Transair at Gatwick, the sale of Airwork's obsolete Vikings and Hermes, and the closing of the Airwork base at Blackbushe airport. Airwork will then cease to be an operating and become a holding company, co-ordinating services from two bases, Southend and Gatwick. If it succeeds in welding its separate purchases into a compact operating unit, then the company may be on the way to providing the air corporations with their first serious taste of competition at home.

LUNCHEON VOUCHERS

The Perk Is Not for Taxing

THE Chancellor of the Exchequer opened the batting after the Christmas recess by telling the House that the Inland Revenue took the view that the majority of meal vouchers in use today are such as to render them taxable. The use of such vouchers is now so widespread that a rigid application of this Revenue opinion would produce chaotic results and Mr Amory hastened to add that he proposed to continue the extra-statutory concession under which they have been previously exempted from tax, but now subject to three conditions. Vouchers must be non-transferable and used for meals only; where any restriction is placed on their issue to employees, they must be available to lower paid staff; and their value must not exceed 3s. for each full working day.

These conditions are not very different from those under which the Revenue has hitherto operated the so-called concession. They are not to begin till April 6th, and it would be interesting to know why the announcement was thought desirable. If the law is already watertight no legislation would appear necessary; but is this matter quite so free from doubt as the Revenue seems to suggest? Many authorities, including the editors of Simon's Income Tax, think otherwise; they regard luncheon vouchers as inconvertible benefits which are not money's worth and therefore are not taxable in the hands of employees earning under £2,000 a year. This question of convertibility is probably the mainspring of the announcement. Most vouchers are already in form non-transferable and inconvertible, but in practice they are widely used as cash tokens for purchases other than meals. It is hard to see how the Chancellor's first condition can be policed: the Revenue will not welcome the task.

The statement may also be a move to discourage the increasing provision of untaxable benefits in kind which, as the Royal Commission said, and as most will agree, is capable of becoming an abuse of the tax system. It is wrong that an ever greater proportion of an employee's true remuneration should be expressed in a form which is neither money nor convertible into money. With present case law it is difficult to see how the trend can be reversed without legislation on the lines that already apply to higher paid employees.

COMPANY AFFAIRS

Comments on pages 366, 367 and 370 on

Massey-Ferguson	Richard Thomas & Baldwins
F. W. Woolworth	Lancashire Steel
Decca Record	Bowmaker
Bovril	Associated Television
Montague Burton	Leicester Permanent
Gallaher	Associated British Picture

United Dairies — Cow and Gate

LONDON AND NEW YORK
Stocks, prices, yields and security indices on pages 368 and 369

LONDON STOCK EXCHANGE
The week's movements reported on page 370

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 371

SHORTER NOTES

The Sugar Board has raised the surcharge on raw sugar by 4s. 1d. to 14s. 3d. a cwt, or by ½d. to 1¾d. a lb on refined sugar. The board buys Commonwealth sugar at a fixed price, and sells it to the trade at the world price. In the financial year to last June the board incurred a deficit of £7.6 million. Recently the world price has fallen to about 29s. 6d. a cwt while the price fixed for Commonwealth sugar in 1959 was raised to 45s. a cwt. The board must adjust the surcharge from time to time to ensure that over a period the consumer pays the true cost of sugar.

* * *

The Bank of England has agreed to sell its City printing works to Oddenino's Property and Investment Company for about £1 million. The Bank acquired St. Luke's Printing Works, occupying a site of 4¾ acres, in 1920 and printed there until 1956. The Bank now has its printing facilities at Debden in Essex.

Appointments, Business and Personal notices, and other Classified Advertisements pages 365 and 375

COMPANY MEETINGS

LLOYDS BANK LIMITED

SIR OLIVER FRANKS ON FREE WORLD'S NEED FOR CO-OPERATION, NOT EXCLUSIVENESS

SATISFACTORY GROWTH IN VOLUME OF BUSINESS

NATURAL EXTENSION OF INTERESTS INTO HIRE PURCHASE FIELD

BASIC IMPROVEMENT IN STRENGTH OF STERLING

PROBLEMS OF TRADE BETWEEN INDUSTRIAL AND DEVELOPING COUNTRIES

The Annual General Meeting of Lloyds Bank Limited will be held on February 13th at the Head Office, 71 Lombard Street, London, E.C.3.

The following is the statement by the Chairman, The Right Honourable Sir Oliver Franks, GCMG, KCB, CBE, which has been circulated with the report and accounts for the year ended December 31, 1958:

I have to record with great regret the retirement of Lord Brand, who first joined our Board nearly forty-three years ago. He has served as a Director for the whole of this period apart from a two year gap during the time in which he represented HM Treasury in Washington from 1944 to 1946. We have all had the habit for many years of turning to him for advice on the bank's affairs and it is difficult to say how much we shall miss his wisdom and dispassionate judgment.

We congratulate Sir James Turner on the conferment of a barony, and also Sir Jeremy Raisman on becoming a Knight Grand Cross of the Order of St. Michael and St. George.

I now turn to the Local Committees. I must first refer with regret to the death of Viscount Bledisloe, member of our Capital and Counties Committee since its inception in 1918 and a Director of the bank 1918-1924.

We have newly constituted a Local Committee at Bristol for the Counties of Gloucester, Hereford and Somerset. The first members are Sir Egbert Cadbury, DSC, DFC, DL, Chairman, The Duke of Beaufort, KG, GCVO, Colonel T. F. Hood, OBE, TD, DL, and Sir Reginald Verdon Smith: of whom Sir Egbert Cadbury and Sir Reginald Verdon Smith are members of our Board.

At Birmingham I must record the resignation, owing to the pressure of other commitments, of Mr K. S. Peacock, who of course remains a member of the Board.

Mr T. C. Buckingham has been appointed to the Devon and Cornwall Committee on his retirement as District Manager, and Mr A. L. Ball has joined the Pall Mall Committee on his retirement as Manager of Pall Mall Branch.

At Salisbury I must record with deep regret the death of Sir Philip Williams, who served on the Committee for more than ten years. Mr Anthony E. Ledger Hill, OBE, has joined the Committee in the course of the year.

I have also to refer with deep regret to the death of Mr Guy Bown, of the South Wales Committee.

Mr G. M. Warry has been appointed a Joint General Manager in succession to Mr F. O. Faull who, on retirement, has been appointed a member of the Yorkshire Committee.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

The profit for the year, at £2,727,535, is £225,144 higher than last year and the dividends paid or proposed represent an effective increase from 13 per cent to 15 per cent allowing for the enlargement of the capital by the issue of one new share for every two shares held.

The business of the bank has shown a satisfactory growth over the year, and this applies to all categories of our domestic affairs; the number of our customers continues to increase as the banking habit spreads to a wider section of the population. To provide for this steady growth we continue to open new branches, particularly in areas planned for expansion in population; 29 additional offices were opened during the year.

With the growth in earnings we have experienced a further rise in operating costs, especially in salaries as a result of the improved scales of remuneration introduced a year ago.

The year has been a difficult one for officials and staff; at short notice they have had to adapt themselves to far-reaching changes in the conduct of our business. They merit our warm commendation for their excellent work.

Dealing with the principal items in the balance sheet, our deposits have increased on the year to a record figure of £1,298 millions. Loans and advances to customers are more by £65 millions than they were a year ago, while on the other hand Investments are lower by £23 millions. "Other Trade Investments," however, show a substantial increase, largely as a reflection of our entry into the hire purchase field. Our total investment in hire purchase finance companies is £13,326,500.

The offers to purchase the Ordinary and Preference share capital of Olds Discount Company Limited at 35s. 6d. and 20s. per share, respectively, as announced in the press at the time, were accepted to the extent of 99½ per cent of the Ordinary Share Capital and 97¾ per cent of the Preference Capital. Steps are being taken to acquire the outstanding balance in each case. The purchases were made in conjunction with The National Bank of Scotland Limited and The Commercial Bank of Scotland Limited and have since been transferred to a new holding company, Lloyds and Scottish Finance Limited, to which company the Commercial Bank of Scotland has similarly transferred its holding of shares in Scottish Midland Guarantee Trust Limited. The Commercial Bank of Scotland and Lloyds Bank each hold 50 per cent of the capital of this company at a cost to us of £10,300,000.

Our bank has also subscribed for 2,000,000 new Ordinary shares of 5s. each in Bowmaker Limited at 29s. 6d. per share, costing £2,950,000.

The profit and loss account for 1958 has not benefited from these investments, the first dividends thereon being payable in 1959.

EASTERN BRANCHES

The year 1958 proved a difficult one for our Eastern Branches. The continuing restriction on imports in both India and Pakistan has inevitably been reflected in a reduced call for our services; in addition to which we have during the year under review seen some decrease in the rather exceptionally heavy demand for bank advances which we experienced in 1957.

In spite of these adverse factors our Eastern Branches have succeeded in maintaining our business at a satisfactory level, thanks in no small measure to the high standards of loyalty and service of our officials and staff. We are grateful for all they have done during the year.

I hope and believe that Lloyds Bank, with the benefit of the experience we have gained in past years, can continue to play its full part in furthering the interests of the countries in which we operate in the subcontinent.

LLOYDS BANK (FOREIGN) LIMITED

The subsidiary Company has again had a satisfactory year, especially in France where a substantial increase in resources enabled it to satisfy a strong demand for advances. After providing for a heavy addition to operating costs, especially for salaries, the net profit is virtually the same as for the previous year. A dividend of 6 per cent has been declared, compared with 5 per cent for 1957.

During the year a controlling interest in the Banque de Cannes SA was acquired. This old established bank has a good business which should be of increasing value to the Foreign Bank in the future.

At the close of the year the French franc was devalued and it is impossible at this stage to estimate the effect which this will have upon the business of our subsidiary company in France, but the introduction of the Common Market and the fiscal and other measures announced by the French Government should be to the long-term advantage of the French economy and of our business.

The staff in France, Belgium, Switzerland and Monaco have given splendid service in a difficult year, and our warm thanks are due to them.

NEW TRENDS IN BANKING

The ending of the credit squeeze was rapidly followed by a number of interesting new departures in the field of banking. For our own part, we have so far felt that in the freer conditions we can once again fully serve the interests of our customers and of the general public without the introduction of special schemes for personal loans or for a class of customer entitled to less than the general services of the bank. The change in official policy did, however, provide an opportunity to put into effect our plans for participation in hire purchase finance, the details of which have already been mentioned.

Now that the official restraints have been relaxed, it seems natural that our bank should extend its interests into this field, which might be described as first cousin to banking proper. It seems natural, also, that our participation should take the form of acquiring the ownership or part-ownership of established organisations possessing the specialised experience required for this type of business. The association between our bank and the finance companies in question promises to be of mutual advantage from the commercial point of view and we feel no doubt that our investment will prove worth while.

It is an odd fact, with interesting implications for the social historian, that such a relationship had not existed since the time when consumer credit first began to increase. So competent an authority on the banking scene as Professor Sayers, surveying the long-term trend of bank advances of the conventional kind, has concluded that the banks should consider extending their operations to consumer credit and other kinds of lending that they have not traditionally undertaken. To my mind, there is much force in his observation that "in a community where wealth is growing and the ordinary people are becoming more sophisticated in their personal business, the profitable future for banking may lie in more varied catering for the needs of small customers."

TOWARDS CONVERTIBILITY

Meeting at Bretton Woods in 1944 to thrash out a post-war monetary system, forty-four nations agreed that the interests of the world would best be served, after a transition period, by a regime of stable and convertible currencies, free of exchange restrictions and discrimination.

The recent return to convertibility of the leading Continental currencies, and the merging of the official and transferable rates for sterling, clearly brings us a long step nearer to such a system than anything we have seen hitherto. It opens a fresh chapter in world currency relations, a new phase in which the dollar will be only one among many convertible currencies and in which, therefore, special discrimination against dollar goods will cease to have any point. Several factors have combined to make this concerted move possible, among them the continued rise in the American price level, the adoption of a more realistic parity for the French franc and the prospective increase in the resources of the International Monetary Fund.

It has been confirmed on numerous occasions, the latest of them the Montreal Conference, that full convertibility for sterling remains the object of British policy. In form, the recent move was an important advance in this direction. In reality, it changed but little the situation which has prevailed since 1955, when it was decided to support transferable sterling at levels only slightly below the official rate. That decision was taken because experience showed that if the discount became at all wide the reserves were exposed to a heavy indirect drain through so-called "shunting" operations in commodities. Ever since, the reserves have been as effectively committed to support of transferable as of American account sterling and for many months prior to the recent move transferable sterling had been quoted above the lower limit for the official rate.

That being so, it does not appear that the recent move commits us to any new policies or imposes any major restraint on our freedom of action over and above that which is always implicit in the need to have regard, in our own interests, to the soundness of the currency. Nevertheless, the move could be made only at a time of high external confidence in sterling, a factor closely bound up with the level of the reserves. For more than a year past, these have shown a rapid and sustained recovery to their highest point since the eve of the 1951 crisis. This still leaves them far short of the desirable level, especially when allowance is made for our short-term liabilities. The improvement has, however, been sufficiently great to encourage the authorities to resume service of the American and Canadian loans and to announce a programme for the repayment of the International Monetary Fund.

BASIC IMPROVEMENT IN STERLING

All this implies confidence that the recent improvement in sterling will prove more lasting than that which took place, for example, in 1954. There are good reasons for hoping that this will prove to be the case.

The first is that the recovery in the reserves has not been offset by an increase in liabilities or a reduction in other assets. An increase in this particular asset, gold and foreign exchange, has sometimes been achieved at the cost of running down another kind of asset, stocks of food and raw materials. That has not been the case on this occasion. Again, an improvement in the reserves has frequently been accompanied by an increase in our liabilities on sterling balances. At such times, it was the overseas members of the sterling area that were earning a surplus in trade with the outside world, paying their foreign exchange earnings into the central pool and receiving sterling in return. In the twelve months following the crisis, however, the overseas sterling countries actually drew down their balances by more than £200 million; and although non-sterling countries were rebuilding their London funds, the sterling balances as a whole were reduced by more than £100 million. Hence the recovery in the reserves has gone on side by side with a reduction in our sterling liabilities; it has been due entirely to the improvement in the United Kingdom's own balance of payments.

Secondly, the monetary climate of today is obviously very different from that of 1954. Since the Radcliffe Committee, of which I am a member, has not yet issued its report, it is not my intention to discuss domestic monetary policy or the efficacy of the various measures adopted. It is, however, interesting to note the marked change that has come over our monetary situation in the past two or three years.

In discussions of monetary policy as a means towards keeping the economy on an even keel, the "liquidity" of the economy is usually regarded as important. A convenient measure of this liquidity is the relationship between the size of the money stock (currency and bank deposits), on the one hand, and the level of money incomes or expenditures, on the other hand. If the situation is inflationary, the authorities are likely to take measures which have the effect of reducing liquidity as so measured, possibly through an actual contraction in the supply of money.

In the recent experience of this country there was only one period, from the middle of 1955 to the spring of 1956, in which bank deposits were actually falling. Since the middle of 1956, they have been steadily rising again, so that by November last the index of bank deposits published by this bank had just about regained its previous peak level touched in February 1955. Over this period, then, from February 1955 to November 1958, the supply of bank money showed no change, either upwards or downwards.

But another influence has been at work to reduce the liquidity of the economy very considerably: namely, the continued rise in money incomes. Over this period, the money turnover to be financed rose by some 20 per cent. The result is that the stock of money (currency and bank deposits taken together) is now far smaller in relation to current incomes than at any previous time since soon after the 1914/18 war. That was already true in 1957 and the ratio probably fell a little further last year.

In drawing attention to this fact, I am not wishing to imply any special moral. There is no pre-determined right ratio between money stock and national income which holds good through time. Nevertheless, it is important to realise that a very considerable change in the fundamental monetary situation has in fact been taking place.

INDUSTRIAL PRODUCTION SLOWS DOWN

While all this is most satisfactory, it is well to remember that the improvement in the balance of payments has been largely the product of special circumstances: a decided shift of the so-called terms of trade in our favour, due to the combination of stable prices for our exports with lower prices for primary products. The fall in import prices between the first half of 1957 and the third quarter of 1958 was in fact equivalent to an annual saving of well over £400 million. The improvement in the terms of trade should not be exaggerated. The relationship between our export and import prices, though more favourable than in any previous postwar year, is still less favourable than immediately prewar. All the same, it is the improvement in this respect which has gone a long way towards enabling us to earn what the Chancellor has called, perhaps a little ambiguously, "the surplus of the century."

The most disappointing feature of our situation, on the other hand, has been the failure of production to expand. During the first decade after the war the world passed through a major boom. In the last two or three years the pace of activity has slackened, not only in this country but in North America and most other industrial countries. In our own case, after two years or more of stability at a high level, production fell away perceptibly after the spring, though in recent weeks there have been signs of improvement. In the United States, on the other hand, after a very sharp decline in activity during 1957, a pronounced upswing had already set in before the middle of 1958, with the result that nearly the whole of the lost ground had already been regained by the end of the year. Whether, and if so at what rate, that recovery will be maintained is one of the outstanding questions in the world economic outlook.

The sharpness of the American downturn was due largely to a change-over from the building up to the running down of stocks—a movement that was continuing, though on a much reduced scale, as late as the third quarter. But the recession was something

more than an "inventory shake-out." Throughout the previous period of expansion it became evident that the rate of increase of capacity was outstripping the expansion of demand; surplus capacity has piled up in many branches of industry. In the recovery which has occurred, the most potent influence has undoubtedly been the pumping out of purchasing power in the form of a large public deficit, a factor which has helped to sustain personal expenditure on things other than durable goods. The outlook appears favourable but there are as yet no more than tentative signs of revived investment in plant and equipment of the kind which in the past has normally provided the basis of a sustained recovery.

It would be an over-simplified picture to regard the fall in the prices of primary commodities simply and solely as a reflection of failing demand on the part of the industrial countries. There is evidence that in some branches of primary production, too, the post-war decade saw a major expansion of capacity. Nevertheless, the fact remains that at a time when many industrial countries have been following restrictive policies, often to safeguard their balance of payments, many primary producing countries have felt bound to restrict—in some cases severely—their imports of manufactured goods. To this extent, the contraction in world trade has something of the appearance of a deflationary spiral, about which I expressed some apprehensions in last year's statement.

It would have been far more severe had the American recession brought, as one might have expected, a sharp fall in American imports. Consumer incomes and expenditure having been well maintained, this did not happen. Instead, we have seen a pronounced fall of some 20 per cent in American exports, which have been rendered relatively dear by a continued rise in costs; and this, in combination with other factors, has caused a deterioriation in the American balance of payments such that the United States has lost well over $2,000 million of gold since the beginning of 1958. Even so, it is reassuring that at the annual meetings in New Delhi of the International Monetary Fund and the World Bank the member countries decided that action should be taken to sustain international purchasing power by augmenting the resources of these two institutions.

THE EUROPEAN ECONOMIC COMMUNITY

On the long view, the most significant developments of the past year have been the entry into force of the Rome Treaty creating the so-called European Economic Community, and the attempt to bring into being, as an adjunct to the common market of the six countries of that Community, a free trade area that would include the United Kingdom and other members of the OEEC.

Even from the economic point of view, the formation of the common market can be an event of overwhelming importance. Admittedly, the application of the treaty is likely to be so gradual, the transitional stages so prolonged, that it may be some years before really dramatic results are seen. But the underlying conception is on the grand scale. It is gradually to remove all barriers to the free movement of goods, of capital and of people between the six member countries. The aim is to create a vast market capable of supporting large-scale industries employing the most modern techniques of production, so that in the end the economies of the six nations will be welded into a single economic unit of great power. And this in an area which contains almost as large a population as the United States and about one-fifth of the manufacturing capacity of the free world, an area which in 1957 took about £500 million of this country's exports and a further £1,000 million of goods supplied by the overseas sterling countries.

To regard this great experiment simply as a move towards greater economic unification, however, would be to mistake its real meaning. In the minds of the creators of the common market, economic unification is itself far more a step towards greater political unification. They feel that they have drawn the true lessons of history: that the boundaries of the small nation state are an anachronism in this day and age; that European culture cannot survive if Europe is to be torn apart by internal conflicts; that it is necessary, even at a sacrifice of old-fashioned sovereignty, to create a political entity more likely to be viable under twentieth century conditions than the nineteenth-century nation states of Western Europe.

Historically, this country has for centuries been opposed to the emergence of a single dominant power in Europe. Should we, then, look askance at this new development? Surely not: for the size of the unit has changed. Europe is already dominated by a single monolithic power. It is the welding together of our friends across the Channel that is needed to help preserve the world balance. And, indeed, it can be said that the attitude of this country has throughout been well disposed towards the common market plan, notwithstanding the painful adjustments that might be involved for particular groups and interests, whether we were to participate or not.

At the same time, it must be recognised that the creation of the Community can hold certain dangers for this country and for others outside the charmed circle, dangers which were thrown into relief during the protracted negotiations for a Free Trade Area.

Since the war, seventeen countries of Western Europe have created important new institutions for the discussion and resolution of their problems of defence, of trade and of payments. This degree of co-operation is itself a remarkable advance compared with the anarchy of national rivalries that we knew before the war. It has been made possible, in the sphere of trade and payments, by the principle of absolute non-discrimination between the member countries; each of them deals on an equal footing with all the others. It would be regrettable if the Little Six, in drawing closer to each other, were to move farther away from the remaining eleven and so create a rift within Europe that would jeopardise the existence of the OEEC, with all the political repercussions which that might involve. At the eleventh hour, fortunately, the prospects of preserving co-operation within the OEEC framework, and also of harmonious trading relations between the Common Market countries and the other members, seem to have been greatly improved by the adoption of a more realistic parity for the French franc and the other recent currency changes.

Even so, it remains to be seen what direction the European Economic Community will take as it develops. Its effects upon the outside world will depend very much upon how far it creates an expansion of trade by the lowering of barriers, how far it merely diverts existing trade into new channels. It could become either a great area of complete free trade internally, trading liberally with the outside world; or it could become a discriminatory bloc. The intention is that the removal of barriers between the six countries should not be accompanied by any raising of barriers, on the average, against the outside world. But certain provisions of the Rome Treaty leave it open whether this is in fact what will happen.

The improvement in the standard of living of the six countries which is expected to flow from the creation of a customs union would be realised through an all-round lowering of production costs. Yet some provisions of the Treaty seem designed rather to force up the production costs of the more efficient towards the level of costs of the less efficient. To the extent that this happened the Community would tend to become a high-cost area. The markets of the six countries would become still more attractive to imports from the outside world; yet by the same token the countries of the Community would be less willing to receive those imports. A pressure towards greater protectionism might well result and might not be resisted.

This is not just an issue between the members of the Common Market and Britain, or indeed between the Common Market and other industrial countries in general. The agrarian countries of the world also have much at stake. To mention only a few examples within the Commonwealth, the countries of the Community take nearly a third of the exports of Ghana and Kenya, a quarter of the exports of Pakistan, getting on for a quarter of the exports of Australia and Nigeria. Yet, as is pointed out in the recent report to GATT by a panel of four economists of international repute:

> The association of the overseas territories with the EEC will give rise to discrimination against other overseas countries in Africa and elsewhere, not only in the area of tariffs, but also through long-term arrangements or contracts and through preferential treatment with respect to investment. Concretely, arrangements are to be made to channel German, Dutch and Italian investments into French and possibly Belgian territories in Africa.

Thus, apprehensions on the score of possible discrimination reinforce those which are felt in under-developed countries about the limitation of the outlets for their products by agrarian protectionism in Europe and in the industrial countries generally. Already, we are told, at the Montreal Conference of the Commonwealth countries many delegations expressed anxiety lest arrangements for closer economic association in Europe should result in a narrowing of the trading opportunities for outside countries, or in the extension of protection, especially in agriculture where they feared that existing tendencies might become reinforced and entrenched.

TRADE WITH DEVELOPING COUNTRIES

This whole question of the trading relations between industrialised and less developed countries has been rendered a matter of lively international concern by the decline in commodity prices. The difficulties of developing countries are repeatedly stressed in the report of the Montreal Conference, where it was agreed that we must do all we can, "even to the extent of some sacrifice," to assist in their solution, knowing that in the end this would be of material benefit to us all.

Fears are often expressed in this country that the favourable swing in the terms of trade, by reducing the incomes of so many of our overseas customers, may react adversely upon our export industries. From the purely domestic point of view such anxieties appear excessive. By definition, the shift in the terms of trade means that, to pay for a given volume of imports, fewer exports are required. And a reduction in demands upon the export industries, leading to a release of resources from them, might in some circumstances prove helpful in meeting a resurgence of domestic demand (spontaneous or induced) without a relapse into inflation.

From the international point of view the question is more serious. With some exceptions, the standard of living of primary producers, especially in tropical areas, is deplorably low by European standards. There is an obvious danger of the gap between rich and poor countries widening still further. Aside from all other considerations, the political dangers of this are apparent.

What kind of policies ought we to be adopting to give practical expression to the undertaking to help given at Montreal? Obviously, the under-developed countries cannot be free to embark upon development programmes, regardless of their own resources, and then demand that the industrial countries underwrite these to any extent that the former may wish. At the same time, it is true that the developing countries, if they are to have any chance of raising their living standards (for there is no certainty that this will happen if populations expand too rapidly) must undertake capital development on a scale which means their demand for imports will outrun their ability to pay their way by exports, even under favourable conditions for primary products, for many years to come.

That we must accept: in an expanding world there will be a gap to be covered—by finance or by gift—from the savings of the more developed countries. It is of mutual advantage that the export earnings of the primary producers should be raised, if only to prevent this gap from becoming too wide. Recent events have reminded us that the industrial countries cannot guarantee at all times to prevent temporary contractions in their markets, even in their own interests, to say nothing of the interests of others. At such times, there may be a case, as the GATT experts suggest, for measures to help in stabilising primary prices, though the difficulties of such schemes (and in particular of ensuring that "stabilisation" does not come to mean holding prices above an economic long-term level) are notorious.

What the under-developed countries can reasonably demand, in any event, is that their products should not be unfairly denied access to the markets of the industrial countries. At Montreal, there was in fact agreement on the need "to limit and to seek progressively to reduce the level of effective protection afforded to basic agricultural commodities and minerals," though in the report of the conference this is at once limited to cases where such protection tends to discourage domestic consumption or cause difficulties for low-cost production elsewhere. One would have thought that all barriers to trade were bound, in some degree or another, to do both; but this, as we all know, is a particularly difficult question from the political viewpoint. Nobody supposes that agrarian protectionism is going to disappear overnight, in the Commonwealth or anywhere else; but the Commonwealth is at any rate committed in general terms to its reduction.

Whether transfers of capital take the form of investment or of aid, the essential condition in either case is that we should have a surplus in the balance of payments available for investment overseas. At Montreal, some doubts were expressed about the need for a new Commonwealth financial institution, and those doubts I share. If the savings are available, the existing financial machinery is adequate for the task.

This problem, in any case, is not one for this country alone, or even for the Commonwealth alone. As a family of free nations, the Commonwealth has, as the Montreal report says, "a unique responsibility to help in fostering the progress of human society." But the whole spirit of the report is outward-looking and not inward-looking. It is recognised that we cannot hope to flourish by developing trade between ourselves alone, that to achieve Commonwealth expansion we require the co-operation of other countries, "and especially that of the United States with its great economic power."

Co-operation, not exclusiveness: that, surely, must be the guiding principle throughout the free world. The arrangements between the six countries of the Common Market, the discussions in Montreal, are each in their own way recognitions of the growing interdependence between nations; yet neither of these groupings is sufficiently embracing by itself to provide a satisfactory answer to the problems they set out to solve. Our interest is that a solution should be found of the difficulties in the relations of the Common Market and of the developing countries with the rest of the free world which gives an extension of liberal trading policies over the widest possible area. But if we and others are to play our parts in finding a solution, it must be recognised that there is no constructive element in recrimination. It must be recognised that, given good will, a solution is completely possible. And it is easy to foresee the verdict of future generations if we and others allow ourselves to get stalled in fruitless "Whodunit" politics.

HEWITT BROTHERS

SATISFACTORY TRADING RESULTS

The annual general meeting of Hewitt Brothers Limited was held on January 21st in London, Sir James Charles Calder, CBE, (the chairman), presiding.

The following is his circulated statement:

The trade of your Company and its Subsidiaries for the year shows a satisfactory increase at £418,617 as against £408,002 for the preceding year and, after charging £214,231 for taxation, the net profit is higher at £130,148 as against £124,265. An amount of £10,680 for Taxation in respect of previous years no longer required has been brought back into the Accounts during the year. After allocating a sum of £55,000 to General Reserve bringing this up to £500,000, your Directors recommend a Final Dividend of 17½ per cent on the Ordinary Capital, making a total distribution of 22½ per cent for the year compared with 20 per cent for the previous year.

Our sales have been well maintained considering the poor Summer weather. The Subsidiary Companies have also had a good year and the Dividends received have contributed to our higher profits.

The properties are in very good condition and considerable expenditure has been made on improvements during the year. We have now completed the new houses in Immingham and Scunthorpe which I mentioned last year, and these are proving satisfactory, even bearing in mind the large capital outlay. The house at Immingham is jointly owned and operated by your Company and Messrs. Bass and Worthington and is a great success. We are planning to erect two further houses next year, one in Hull and another in Scunthorpe.

We owe our thanks to all the employees who, by their efforts, have helped to maintain the quality and standard of our products. Trade generally has been maintained since the end of our Financial Year, and I hope that I may be able to give as good a report next year.

The report and accounts were adopted.

NELSON FINANCIAL TRUST LIMITED

SIR DENYS LOWSON'S ADDRESS

The Annual General Meeting of Nelson Financial Trust Limited was held on January 8th in London.

Sir Denys Lowson, Baronet (the chairman), presided and in the course of his remarks, said: The total gross Revenue for the year of £116,778 compares favourably with that of the previous year which amounted to £103,152: the Net Revenue of £36,579 compares with a figure of £25,562; and thus shows an increase of some £11,017.

The Directors recommend the payment of a Dividend of 7 per cent, less tax, on the Ordinary shares compared with 6 per cent paid last year; and, if you approve this recommendation there will be £50,250 to carry forward against £42,998 last year.

The valuation of our investments at October 31st last shows an appreciation of 30.62 per cent or some £411,475 over the Balance Sheet figure.

FUTURE OUTLOOK

I expect you would like me to say something about our future prospects for the current year. It would appear that conditions in the United States and Canada will continue in a favourable climate for investments in those countries. On the other hand it is obvious that both the United States Government, and also now the Canadian Government, are facing substantial Budget deficits; and that so long as this deficit financing continues there must be an inflationary tendency.

Also I think one must recognise that it would be satisfactory to see the basic businesses of those countries, particularly the United States, showing a more general and uniform recovery.

There is still a very large measure of unemployment in certain sections of industry in the United States—at least large as measured by most of our existing standards here. That being the case, while one can look forward to a year's prosperity in North America the future outlook is clearly somewhat uncertain until the natural and substantial annual population growth in those countries again overtakes the existing manufacturing facilities.

It follows therefore that it would be wise to look for a somewhat similar impact on our own markets in this country in due course. The price of shares as a whole today stand at a high level both in this country and in North America. Undoubtedly exports may tend to become more difficult for us to make over the next twelve to eighteen months; so that while we may look forward on the whole to maintenance of dividends from our investments, we are bound to encounter some disappointments, even if there are also some increases.

We are hopeful that in this Company when we meet you again next year that we shall at least be able to pay the same dividend.

The adoption of the Report and Accounts was seconded by Mr Guy Nelson, OBE, JP, and carried unanimously. The formal resolutions were adopted; and the proceedings closed with a warm vote of thanks to the Chairman, Directors and Staff.

DISTRICT BANK

LIMITED

ESTD. 1829

CHAIRMAN'S STATEMENT

The Chairman, Sir Thomas D. Barlow, GBE, has circulated with the report and accounts the following statement to the shareholders of District Bank Ltd., prior to the

129th Annual General Meeting

to be held on Friday, the 13th February, 1959, at the Head Office, Spring Gardens, Manchester:

Before turning to the accounts it is appropriate to refer to the step we took last August which identified us more closely with hire purchase finance. The decision to extend our interests in this way followed a change in the official attitude towards the participation by banks in this field of business and we acquired a substantial interest in The Astley Industrial Trust Limited on terms which by them and by us are considered satisfactory. We much welcome the formation of so important a link with this progressive company with whom, as their bankers, we have long had most friendly relations. The closer association will we feel sure be of mutual benefit and also to the advantage of the wide public we both serve.

STATEMENT OF ACCOUNTS

From the Balance Sheet you will see that Current, Deposit and other Accounts are nearly £2 million higher than they were in December, 1957. This increase would no doubt have been greater had the fall in interest rates not induced some customers to make heavy withdrawals during the Autumn for the purpose of providing in advance for taxation by the purchase of Tax Reserve Certificates.

On the assets side, Cash, Money at call and short notice, Treasury Bills and Bills of Exchange amount to £82 million. Of these items Treasury Bills have been sharply reduced during the year in order to provide the additional accommodation required by our customers. Notwithstanding this variation, our ratio of liquidity represents 32 per cent of our liability to depositors.

Investments are slightly down in total. Underlying this change is, on the one hand, a reduction in British Government Securities and, on the other, an increase in Trade Investments due to the inclusion of our shares in The Astley Industrial Trust Limited. All our holdings of British Government Securities, the values of which are appreciably higher than they were twelve months ago, have a fixed date of redemption and a large proportion reach maturity within ten years. Investments again appear in the Balance Sheet at less than their market value.

INCREASED LENDINGS

It was with considerable satisfaction that we learnt last July of the Chancellor's relaxations in credit control. To have a large measure of freedom restored so that we could once more base our lendings on traditional banking principles would be welcome at any time, but was particularly so last Summer because the de-restrictions provided a most timely incentive to sluggish trade.

As will be seen the increase in our advances over the year amounted to £17 million. To some extent the requests for finance we have been receiving relate to projects which, although unexceptionable and sound in themselves, had not been put forward during the credit squeeze because customers had assumed the propositions did not come within the Government's rigid conception of lending and would, therefore, be automatically refused. But on the whole the inflow of applications from industrial and commercial concerns would suggest a growing demand for accommodation for general business purposes. The larger amount that we are lending to the farming community is chiefly to meet their needs for capital expenditure on buildings, machinery and equipment.

Since consumption, as distinct from production, had been deprived of bank finance for many years it was only natural as well as desirable that we should give immediate consideration to its requirements, and we particularly welcomed the opportunity of again being able to place at the disposal of our private and professional customers the overdraft facilities to which they had previously been accustomed. But as the aim of good banking is to serve people in every walk of life and there are now many thousands who, consequent upon the redistribution of incomes, could, yet do not, make use of a banking account, we lost no time in adding to our already comprehensive banking services a less conventional scheme of lending. This new facility makes available unsecured loans for personal requirements and is particularly adapted to the need of the salaried and wage earning public because the amount borrowed is repayable by monthly instalments. That there was a call for such a facility has been abundantly proved by the steady flow of inquiries, and we are very satisfied with the general response and the quality of the business which is being transacted.

FOREIGN AND TRUSTEE SERVICES

Most of the decrease in the item Liabilities of Customers for Acceptances, Confirmed Credits and other obligations is due to a marked diminution in the volume of foreign exchange dealing, particularly for forward delivery. Inevitably these transactions reflect the ups and downs of sterling and therefore it is not surprising that, with the pound very much stronger than it was at the end of 1957, our figures should be so much smaller. The rest of the contraction can be explained by the general decline in overseas trade during the first part of the year, but with a reversal of the downward trend in the Autumn there has been some increase in the amount of foreign business handled.

It is now fifty years since the Bank took the necessary powers to act as a Trust Corporation and the present size of our Trustee Department with its area branch offices in important centres and its trained and experienced staff shows that its specialised work forms a most important side of present-day banking.

As in previous years, it is gratifying to record the continued expansion of this department. Last year there was, in fact, a record intake of new business particularly affecting such services to customers and others as the administration of estates, the supervision of investments under Declarations of Trust and the Trusteeships of Pension Funds and of Debenture Stock issues.

BANK PROPERTY AND DEVELOPMENT

The expansion of the Bank's activities is under constant review and to this end we have purchased premises in places where we intend to open branches. These acquisitions, together with the reconstruction and building of offices where our business has outgrown the existing accommodation, explain the increase in Bank Property. During the past year we have opened branches at Oxford, Swindon, Wolverhampton and York, and we have just opened an additional branch at Newcastle upon Tyne.

THE YEAR'S EARNINGS

Last year we paid a greatly increased amount of interest to our depositors and, due mainly to increased salaries, the upward pressure of operating costs continued. There have, however, been compensating factors in that the increasing pace of business during the second half of the year has enabled us to employ our funds more remuneratively. I am, therefore, pleased to say that the position is sufficiently favourable for us to show an increase of £65,237 in Net Profit over the figure for the previous year. After making the usual provisions this profit amounts to £738,197 and, adding the amount brought forward, there is for disposal £1,041,667. As mentioned in the Report we are appropriating £300,000 to our reserve for contingencies. With recent developments creating opportunities which have long been denied to banking and with the possibilities of benefiting from any additional business that may be generated by economic expansion we consider the time is propitious for an increase in dividend and are recommending a final payment of 9½ per cent, making 17 per cent for the year. It is the Board's intention, in the absence of unforeseen circumstances, to pay an interim dividend of 8½ per cent in August next. After the appropriation to the reserve for contingencies and providing for the dividend payments there remains a sum of £351,789 to be carried forward to the next account.

These good results reflect the high standard of service achieved by both management and staff and I have pleasure in expressing my thanks and those of the Board to all concerned. Although such excellent work owes much to the example and leadership of the officials and experienced members of the staff, the necessity for organised training remains and to extend our existing facilities for tuition we have during the year opened a Staff Training Centre in Manchester. The courses held there will supplement the practical knowledge gained in our Head Office departments and at branches and will be of material assistance to our younger employees.

INCREASED INTERNATIONAL LIQUIDITY

The past year has been marked by the unexpectedness and rapidity with which economic stresses and easements have followed one another. Within the twelve months the United States experienced a severe recession which it was thought would have world-wide repercussions culminating in a general loss of reserves. In the event, however, she made a rapid recovery and the rest of the world, instead of losing, actually gained gold and dollars. On our part we began the year with a 7 per cent Bank Rate and signs of considerable external strain, but a series of reductions eventually brought Bank Rate down to 4 per cent, and so great was the improvement in our payments position that it gave remarkable strength to sterling.

Nevertheless with so much uncertainty pervading the year it was not surprising that the nations became increasingly aware of the shortage of liquidity and the urgent need to add to existing resources. The fact that most important steps are being taken to rectify this position should do much to recreate confidence. But a larger supply of money is not an end in itself. Although more international liquidity means access to much needed additional foreign currency, neither exchange stability nor economic expansion will be achieved unless primary production and the development of backward countries are kept within the limits of what can be soundly financed, and the highly industrialised countries vigorously pursue good creditor policies. In short, additional liquidity should provide more oil for the wheels of international trade, but the economic behaviour of countries will determine their pace.

Meanwhile, although the monetary forces conducive to recovery are gathering strength, the recession in world trade lingers on. Admittedly the business revival in the United States has arrested the downslide elsewhere, but it is open to question whether the improvement across the Atlantic, even if sustained, will be a sufficiently strong stimulus. That is a cause for uneasiness in Europe, where the recession is still troublesome. Whilst expansion there largely depends upon a restoration of demand from raw material producing countries for manufactures, these countries in turn largely depend upon the Continental market to buy their products. Plainly with such interdependence the way out of a recession is not easy, and is likely to remain so, while trade between Common Market countries and the rest of Western Europe is so far from being based on the principles of non-discrimination and multilateralism. It is too early to say whether the recent concerted advance of the major European currencies towards convertibility, together with the other financial measures, will bring this ideal within easier reach, but they at least denote a forward movement in world economic relations which is encouraging, having regard to the imperative need for all nations to co-ordinate their policies and resources if full advantage is to be taken of the projected increase in international liquidity.

STERLING AND UNJUSTIFIED COMPLACENCY

Whatever may be the outcome of recent deliberations in the sphere of international finance it is certainly gratifying that underlying the proposals to strengthen currency reserves there is much greater comprehension of the place of sterling in the world's exchange system. The importance of the Sterling Area and the ultimate responsibility of the United Kingdom for the value and stability of sterling have indeed become more widely understood—and perhaps not surprisingly in view of the pound's performance during 1958. Although there have been persistent and heavy drawings by Commonwealth countries on their sterling balances owing to the fall in commodity prices, other countries, because of increased confidence in the pound at the time when the dollar has been showing signs of weakness, have added substantially to their balances. Still more impressive has been the big inflow of gold and dollars arising out of the sizeable surplus in this country's current payments with the rest of the world. So sterling has had a remarkably good year: good enough in fact to enable us to propel the pound another step towards full freedom, to make some repayment of our external debt and to give creditable support to the new moves for the re-expansion of world credit and trade.

Whilst these achievements are in no small measure due to official policy, and even though our overseas payments are producing a worth-while surplus, I think we need to guard against any feelings of complacency. The stronger position is very much due to external conditions over which we have had no control, notably an improvement in the terms of trade. A fortuitous development of this kind is on the face of it gratifying but, because the underlying factor has been the slump in world commodity prices and these still

show recurring signs of weakness, the attendant improvement cannot be looked upon as lasting. Our gains clearly imply losses of such magnitude for other countries as may yet enforce a marked curtailment of their purchases from us: indeed some reduction is already reflected in their intake of our exports. Perhaps the best we can hope for is that the race will be close between the depressing effects of further cuts in such purchases and the liberalising effects of the easier lending policies of the United Kingdom and other countries.

A matter of no less concern is lest our rapidly acquired payments surplus should have led us to give too much credit to the policies we have been pursuing and too little to the favourable terms on which we have been buying from abroad, and that we should rely upon these policies to maintain this improvement. In reality, however, had there been no convenient turn in external events and we had therefore been forced to press on more vigorously with corrective measures, inflation, always in the background, might not still be so ready to emerge. It is, of course, a lack of balance between wages and output that is particularly conducive to its resurgence, and I should say that, without the windfall brought by cheap imports, wages would by this time have had to be much more closely adjusted to production. That wages have been rising at a pace that could be justified neither by the increase in productivity, the number of under-employed, nor the rise in the cost of living is proof of the indulgence we have allowed ourselves in this matter. The consequent maladjustment presents, in my opinion, a most pressing problem and one which, if not energetically tackled, may soon become very serious.

POLICY FOR EXPANSION

To permit wage inflation now might well build up such pressures as would prevent our policy of economic expansion ever getting into its stride. Yet this forward movement we must have if our country is to counteract the recession which threatens some of its industries. However, I do not believe the danger of inflation is so imminent nor the trade situation so critical as to necessitate anything in the nature of shock tactics. Even so, steering a middle course between inflation and deflation, especially with limited official influence over wage rates, is no easy matter, and there is much to be said for continuing the "step by step" action we have been following.

Actually the reflationary moves that have already taken place make an imposing list. The lowering of Bank rate, the easing of credit, the de-restriction of hire purchase and the aggregate commitments which the Government has already undertaken in respect of Commonwealth programmes, the capital projects of nationalised industries, the increased expenditure of local authorities and the drive for house ownership add up to a considerable stimulus. Moreover moves such as these are warranted by the strength of our external financial position and by the slack that is now present in the economy. Indeed, by making fuller use of under-employed resources of capital and labour these measures could lower costs and thus counteract the inflationary forces inherent in re-expansion.

On the other hand under-employed capital resources add a complication to the recovery programme. Considerable capital expenditure over the past few years has left industry with a good deal of latent productive capacity, so much so in fact that private enterprise cannot be expected to undertake further capital development without the assurance of adequate future demands. In the realisation of this, and because capital projects must be got under way if we are to succeed in putting the economy into higher gear, it has been considered necessary to stimulate consumption first. Granted that our existing stability permits this priority, yet re-expansion this way is not without its risks. For one thing the stimulus we are administering, if used to excess, could deflect export effort to the home market. Thus by the misdirection of easements and incentives we should be in danger of adding to the import bill without assuring a satisfactory increase in our export income. Furthermore, to whip up our existing level of consumption and then impose on this the additional consumer demand that will inevitably be generated by oncoming capital development could, if the new levels of demand prove artificially high, saddle us with an embarrassing surplus of productive capacity. So would our last state be worse than our first. Provided these risks are not disregarded, it is reasonable to hope that the stronger position the Government has worked so hard to achieve may permit us to proceed with expansion in a way which will obtain maximum reward without endangering the smooth working of the economy.

SAVINGS AND TAXATION

But a recovery programme, however soundly directed, which is largely based on spending, much of which has to be financed by Government borrowing, must give consideration to the over-riding importance of savings. After all we are forcing the pace of capital expenditure despite the fact that even a low level of investment can, in the absence of adequate savings, be inflationary. And we are forcing the pace of consumer spending, although such spending in itself is incompatible with personal savings. It is true that the latter are encouragingly high, but they are not large enough in relation to personal incomes to justify the view that all is well with savings.

Briefly, our national problem is the reconciliation of high investment and expansion with stable prices and freedom from inflation. That being so we can surely best achieve our ends by ploughing back profits and increasing personal saving in order to create a sufficiency of savings. But with so much dependent upon them how are savings to be nurtured whilst industry and individuals continue to be so frustrated by taxation? It can be argued that lower taxes would merely add to present spending. Yet what could be more conducive to extravagance in business, to slipshod management and to listless effort than penal taxation? If this is agreed, carefully considered tax incentives would undoubtedly make it more worth while for trade and industry to curtail wasteful expenditure in order to augment profits and for individuals to save instead of spend. Nor do I think these concessions, if put into practice, would necessarily entail a loss of revenue since, given sufficient inducement, both industry and individuals would strive for bigger earnings, the higher levels of which would yield more in taxation for the Exchequer.

A TRYING TIME FOR TEXTILES

As to the industries which might be in need of such concessions, none could make out a better case for special treatment than textiles. Taxation, however, is only one of the many difficulties that are being encountered. In addition to such long-standing problems as fierce competition from Asian countries and interference by Governments in the price and marketing of raw cotton with the consequent lack of effective hedging facilities, sales have been adversely affected by the downward trend of prices, the imposition of import quotas and restrictions abroad, to say nothing of two wet summers in succession at home. But a further explanation of the slackening in activity has of course been the stringent monetary conditions. All things considered it would be surprising if these misfortunes were not now being reflected in the trading results of many companies.

Of material consequence at present, however, is what the trade may expect from the recent relaxations of economic policy, and here it has to be acknowledged that the public's early reactions to the easing of credit and controls have been to display more interest in durable consumer goods than in clothing and household textiles. Nevertheless it is perhaps reasonable to look for some improvement, since, as trade recovery gets under way, there should be an increase in the total volume of purchasing power and with this an expanding home market for fabrics.

Because the setback to production during 1958 must have reduced the industrial use of textiles and curtailed the orders of distributors, any expansion of trade as a result of Government policy should quicken this demand. In any case the use of fibres is likely to increase, for progressive developments in the older industries and the emergence of new industries create ever-widening needs for yarn and cloth. With an easing of financial restraints the opportunity is also provided for buyers generally to build up depleted stocks to a higher level. Moreover, given time, there is no need to rule out the prospect of some change for the better in overseas markets. The expansion of trade being the aim of recent Commonwealth and International conferences, it is not over-optimistic to hope for easier market conditions and for a general increase in purchasing power, all of which should facilitate sales of the kind of textiles the United Kingdom industry manufactures better than its competitors.

Any improvement in demand that may be forthcoming must not, however, lead the industry to overlook the fact that the range of fabrics in which it is free from overseas competition is constantly narrowing, nor be allowed to deflect attention from the urgent task of increasing efficiency in order to lower cost of production. Such a reduction would mean not only the multi-shift working of extremely expensive machinery but the utmost use of technical ability in order to improve quality and design.

ASSOCIATED ENGINEERING LIMITED

A VERY SUCCESSFUL YEAR

PREVIOUS TURNOVER RECORD SURPASSED

MR H. R. MOORE'S STATEMENT

The twelfth annual general meeting of Associated Engineering Limited was held on January 15th in London, Mr H. R. Moore (the chairman) presiding.

The following is an extract from his circulated statement:

The more active trading conditions of the second half of our financial year to September 30, 1957, continued throughout the first half of the year under review and produced the excellent half year's results which were reported to you last May. In that half year turnover expanded by approximately 20 per cent over the corresponding six months of 1956-57, which it must be remembered was a period severely affected by the aftermath of the Suez crisis; and turnover for the second half of our financial year showed a small increase over the comparable period of last year. Cost increases resulted in a small reduction in profits for the second half of the year as compared with those for the first half year.

Overall, however, the year has been a very successful one for your Group, with a record turnover which has resulted in a Profit before taxation of £2,532,698. This is the highest in our history, and exceeds the previous years' figure by £316,890. In normal circumstances an increase of this magnitude would justify raising the rate of the final dividend on the Ordinary stock. However, after very careful consideration your Directors felt that the interests of the Ordinary stockholders would at this stage be best served by maintaining the total distribution for the year at the same rate as last year, and conserving our resources against known capital commitments in what appears to be a more difficult year ahead.

CAPITAL EXPENDITURE

The present programme of capital expenditure which was commenced in 1956 will be nearly completed by September 30, 1959, and will require a cash expenditure of approximately £1 million during the current year. Firm commitments of £445,000 against this figure had been made at September 30, 1958. A number of new schemes are at present under consideration, but the total involved will not add considerably to the Group's commitments.

CAPITALISATION OF RESERVES

The Consolidated Balance Sheet shows that the accumulated Reserves (including the Share Premium Account) attributable to the Ordinary stockholders amount to £6,323,129. The whole of these Reserves are used in the business of the Group and are in addition to the issued Ordinary capital of £3,452,003. Accordingly your Board considers that it would be advisable to capitalise part of the total Reserves in order to bring the amount of the issued Ordinary Stock more nearly into line with the real capital employed.

It is therefore intended to recommend to the Annual General Meeting that the sum of £1,726,001 10s. out of the Share Premium Account be capitalised and distributed to the Ordinary stockholders in the proportion of one new Ordinary Share of 5s. for every two Stock Units of 5s. each.

A Resolution to increase the authorised capital to £10 million will be submitted to the Members at the Annual General Meeting. Although this increase is somewhat greater than the amount required for the proposed capitalisation, the Directors have no intention at present of issuing any further Ordinary capital. In any event it is not their intention, without the consent of the Stockholders, to issue any further Ordinary capital which would materially affect the control of the Company or the nature of its business.

DIVIDENDS

The preliminary announcement of the results for the past year and of your Board's intention to recommend the capitalisation of part of the Reserves was accompanied by a warning that this latter proposal was not to be taken as implying any increase in the total distribution for the current year. It is, however, our intention during the current year, in the absence of any unforeseen circumstances, to maintain the present rate of the Interim Dividend at 5 per cent less Income Tax, on the increased Ordinary Capital with the object of reducing the present disparity between the Interim and Final Dividends. This would be done at the same time as we publish our half year's trading results.

After reviewing in detail the Group's overseas interests, the statement concluded.

FUTURE PROSPECTS

The British Motor Car industry has been working at almost peak capacity throughout the past year, and is very much to be congratulated on the remarkable results it has achieved. Although there are signs of a return to a more seasonal pattern, the outlook is still a very promising one. As I mentioned last year, your Group supplies approximately 40 per cent of its total turnover to this industry.

Activity in certain other industries supplied by the Group is not so great and whilst we have suffered some reduction in the demand for Turbine Blades for jet aircraft engines, it is anticipated that production will continue at a satisfactory level during the current year. We are, however, continually developing into new lines with the object of spreading our activities over a wider field, and this is a valuable factor in levelling out the effects of fluctuations in any particular section.

I am very optimistic about the long-term possibilities for the growth of your Group; but feel that I should sound a note of caution about the current year, as at present it looks as though it may be difficult to maintain the same level of profits as were achieved in the past year.

The report and accounts were adopted and the proposed increase of capital and scrip issue were approved.

BAJOE KIDOEL RUBBER & PRODUCE

The forty-seventh annual general meeting of the Bajoe Kidoel Rubber & Produce Company, Limited, will be held on February 11th in London. The following is an extract from the circulated statement of the chairman, Mr J. A. Clubb:

The combined net rupiah profit of the two subsidiary companies, after taxation of Rp.4,850,000, rose to Rp.4,559,300. NV Rubber Cultuur Mij.Bajoe Kidoel has remitted to the UK £1,090 in respect of its 1955-56 profits and expects to remit another £218 on this account. There are outstanding applications for permits in respect of profits for the years 1954-58 totalling Rp.3,900,550 for the two subsidiaries. On past experience, it is impossible to predict what this sum will realise in sterling when remittance can be made. Intimation has been received from Djakarta agents that a permit for the remittance by NV Celebes Landbouw Mij. of Rp.851,134 in six equal monthly instalments in respect of profits for the year ended March 31, 1957, has been granted. If remittance is effected at the present rate, about £8,030 should be received in London. After reviewing the whole matter, the board felt that a dividend might be paid in respect of the current financial year of the company. They declared accordingly an interim dividend of 10 per cent less tax, payable on January 14, 1959. Subsequent to the date of the balance-sheet of the parent company as at March 31, 1958, a capital repayment has been made to members of 1s. for each 2s. share, totalling £62,240, and the issued capital is now £62,240 in shares of 2s. each.

APEX (TRINIDAD) OILFIELDS

The thirty-ninth annual general meeting of Apex (Trinidad) Oilfields Limited was held on January 21st in London, Mr F. R. Cottell (the chairman) presiding.

The Chairman in submitting the accounts for the year ended September 30, 1958, said that after provision for development and contingencies and depreciation of fixed assets, net oil revenue was £1,190,000. After providing £625,000 for taxation in Trinidad and the United Kingdom, the net profit for the year was £685,000.

The Directors recommended a final dividend of 1s. 6d. per 5s. unit of stock, making a total dividend for the year of 2s. free of income tax per unit of stock.

The year's production of crude oil and casinghead gasolene was 3,258,000 barrels and deliveries amounted to 3,268,000 barrels.

The fall in oil prices which had been the general experience during the year, and a further addition to the Company's costs, only partly offset by increased production, together accounted for the reduction in the net oil revenue.

As regards the Company's prospects for the current year, the recession in oil prices had so far continued. This recession had halted, the Chairman trusted temporarily, the policy of paying steadily increasing dividends to stockholders. This policy had been so successful that over a period of 12 years the cash dividend had increased more than threefold. At the same time the Company had been able to build up its reserves to the point where it could regard them as sufficient for its requirements as seen at present, so that it was expected during the current year to maintain the dividend at its present rate.



MIDLAND BANK LIMITED

Viscount Monckton on testing time ahead for U.K. production and employment

The One Hundred and Twenty-third Annual General Meeting of MIDLAND BANK LIMITED will be held on February 13, at the Head Office, Poultry, London, E.C.2.

The following are extracts from the statement by The Right Honourable The Viscount Monckton of Brenchley, P.C., K.C.M.G., K.C.V.O., M.C., Q.C., the chairman, on the report of the directors and accounts for the year to December 31, 1958:

The past year has been one of the most eventful in the history of the Bank, by reason of the innovations made in banking service, the publicity attracted at home and abroad by these developments, and the volume of new business that has come to the Bank as a direct or indirect consequence of them.

EXPANDING VOLUME OF BUSINESS FROM NEW SERVICES

The first innovation, at the beginning of September, was the Personal Loans Scheme. This was an extension of service, quite new for this country, which had been under consideration for some time past; the lifting of the "credit squeeze" opened the way for its speedy introduction. I need not recite details of the scheme, which has features distinguishing it from ordinary borrowing from a bank on the established patterns; the extent to which the facilities have been taken up has confirmed the existence of a considerable demand which can be met within the broad principles of commercial banking. Up to the end of December we had made over 45,000 personal loans, for sums averaging about £160, and the amount outstanding on them is nearly £7m. Analysis of the purposes for which the loans have been taken shows that over one-third of them by number, and over one-half by amount, have been for the purchase of motor vehicles. The other major elements in the demand are for furniture, fittings or equipment, and for repairs, decorations or improvement of premises. In all these groups are to be found many loans related to small business and professional, as distinct from personal, requirements. The demand has been evenly spread throughout the country.

A few days later we made available a second new service, by introducing the Personal Cheque Account. Here we were concerned to develop our business by enlarging the range of resort to cheque payments—a process which has been rendered more practicable and desirable by trends in the distribution of incomes and by the spread of substantial and regular payment obligations. It is obstructed, in this country as compared with some others, by the existence of the stamp duty on cheques; but early experience has shown that even so there is room for expansion. The Personal Cheque system is designed to meet the needs of people requiring a standard, limited banking service, provided at the lowest possible cost, known in advance. It was foreseen that to achieve widespread recognition of the advantages of such a service would require steady, sustained publicity through the various techniques now available. Here, too, however, we have been gratified by the immediate response. Large numbers of Personal Cheque Accounts are being opened every day, at branches throughout the country, and the average balance on such accounts has exceeded our expectations.

One item on the balance sheet reflects a welcome addition to our group of affiliated companies, resulting from the acquisition, jointly with the Clydesdale & North of Scotland Bank, of the share capital of the Forward Trust Limited. The arrangements for taking over the shares and for the establishment of an effective working partnership have gone ahead smoothly and we have been impressed by the possibilities of fruitful development, among other things through branches to be opened in major cities of both England and Scotland.

REMARKABLE CHANGE IN COUNTRY'S MONETARY SITUATION

It cannot be necessary for me to recall in detail the remarkable change in the country's monetary situation during the past year—a change that was recognised, in domestic affairs, by the lifting of the credit squeeze, and the many steps by way of relaxation and stimulus that have been taken during the past nine months. Concurrently, credit has been re-expanded and interest rates reduced, and the long upward trend of prices has been restrained.

On the external side, the year ended with notable steps in the general direction of enlarging the convertibility of the pound sterling. The timing of this action, as part of a broad return of European currencies to free markets, was doubtless influenced by the fact that the United Kingdom's external monetary position was probably stronger than at any other time since the war. Compared with the position a year ago, the basic reserves have been fortified. Confidence abroad in sterling is high. The balance of payments is in a healthy condition; exports have declined less than might have been expected, and are particularly well maintained in the dollar markets; and some relaxation of remaining import controls had already been found practicable.

The unification of various types of sterling into the single category of "external sterling" brings almost to completion the restoration of full convertibility of the pound for people outside the sterling area. Thus we are, so to speak, mid-way towards the objective of free convertibility which has been in view throughout the period since 1945. Once this new position has been consolidated, within the modified structure of European monetary arrangements, the next long-range process is presumably towards equality of status between sterling coming into the hands of sterling-area residents and sterling passing into the possession of people outside that area. This process, however, may well prove to be prolonged, since it implies the working out of a practical reconciliation between the maintenance of a fixed exchange parity in a free market and the pursuit of a domestic policy aiming at a high level of employment and continuous improvement of the standard of living.

THE DOMESTIC SITUATION

At the moment, the disquieting aspects of the domestic position have to do with production and employment. The higher figures of unemployment and short-time working are in themselves disturbing; so is the fact that the productive capacity of industry—greatly enlarged by heavy capital investment—is not being fully used. No doubt the situation is in part to be regarded as an easing of unhealthy tension; but it would be wrong to shut our eyes to the risk of positive recession. The real test will come when, in the spring of this year, the indices show or fail to show a seasonal improvement of average or more than average magnitude.

ROLES OF GOVERNMENT AND PRIVATE BUSINESS

A year ago I stressed the need of adaptability, in the regulation of bank lending, to changes in the general business situation. The same quality of flexibility is needed on all aspects of national economic policy; and in fact during the past year the direction of policy has been radically altered by a series of steps, taken one by one as soon as it seemed evident that a change could be made with advantage and without prejudice to the long-term gains already in hand.

In these days we look to Government as exercising major responsibility for modifying the climate within which private industry and trade are carried on. This extension of responsibility is perhaps the most significant addition to the functions of Government that has taken place since the 'thirties. The past year has brought us to the first occasion after the war on which Government has been called upon to face what, in the absence of positive action, might merge into serious depression. The fact that Government recognises its new responsibility, and has already acted upon it, is a source of reassurance; so also is the fact that it is better equipped, with statistics and other information, for its task than it has ever been before; and again that its discretionary powers to influence the economic situation are both wide-ranging and adaptable.

THE LIMITATIONS ON GOVERNMENT ACTION

In practice there are limitations on a Government's powers, not least because in a free economy it must act largely by way of inducement, persuasion and deterrent; only to a limited extent, usually on the negative side, can it order or dictate; and the magnitude of those operations which it directly controls, while substantial, is by no means as large as the total volume of business which is governed by private decisions. These limitations, it should be noted, apply both when striving to check over-expansion and when seeking to combat recession. Yet experience suggests that inducement and persuasion may prove to be less effective, once recession has been allowed to take a firm grip of the economy, than deterrents are likely to be at a time of excessive activity.

It would be easier to carry out a continuing policy, promptly adapted to changing conditions, if the available instruments of policy could be used with equal facility. But in fact they cannot. At one extreme the authorities have at their command such means as Bank rate, credit restriction and hire-purchase regulation, which can be put into action immediately, and without notice, once the necessary decision has been taken. At the other they have fiscal measures and the speeding-up or slowing down of programmes of public capital expenditure, which take time to come into operation though the decisions themselves may have some influence in the period immediately following their announcement. On occasion, indeed, the psychological effect of the decisions taken may be more important than their direct practical results.

Finally, account has to be taken of this country's special international position—special in degree if not in kind. It is by now, for example, generally recognised that the increased surpluses on Britain's current balance of payments have been the consequence in large part of a so-called favourable turn in the terms of trade; on the other hand, some export trades have been feeling an unfavourable reaction from the loss of purchasing-power suffered by overseas customers through this same fall in the level of prices of primary commodities. Experience has taught us, too, that our economy is exceptionally vulnerable, not only to trends in world trade, but also to the impact of unfavourable events that cannot be foreseen.

There is and always must be a large element of the "hunch" and the "intelligent guess" in the efforts of any Government, however wise and well-informed it may be, to maintain lasting equilibrium on a steadily rising trend. In my view, there is good reason to hope that action already taken, perhaps supplemented by further steps in the same direction, will go far to bring about a resumption of general economic expansion coupled with monetary stability.

THE CONTRIBUTION OF PRIVATE BUSINESS

It is well, however, to remind ourselves of what business undertakings, for their part, can do, in the present phase, to encourage a speedy re-expansion of activity. There are three lines of action which I suggest are worth consideration by those in control of such undertakings, and one or more of them will be found relevant to every branch of business. First, close attention might be given to all possibilities of lowering prices of goods sold over the counters in the day-to-day run of retail trade, for along this line lies the best hope of removing any undue hesitancy among buyers resulting from loss of overtime earnings or the fear of redundancy. Secondly, now rather than when business is at peak level is the time to consider pressing on with plans for physical reorganisation and expansion and for raising standards of efficiency in production and distribution; the speeding-up of private capital investment is one of the surest ways of stimulating a broad-based business revival. And thirdly, it is vital to swift re-expansion that the country's export earnings of every kind should be enlarged to the very utmost.

There must be a combination of well-judged action at Government level and sustained effort and enterprise in private business if forces making for recession are to be overcome and the national economy firmly established once again on a steadily rising trend of employment, production, consumption and investment.

WESTMINSTER BANK LIMITED

SATISFACTORY TRADING PRODUCES LARGER PROFIT AND DIVIDEND

FURTHER GRATIFYING GROWTH IN OVERSEAS BUSINESS

RESTORATION OF CONFIDENCE IN STERLING

SUCCESS OF GOVERNMENT'S POLICY

LORD ALDENHAM ON FACTORS IN THE OUTLOOK

The annual general meeting of Westminster Bank Limited will be held on February 11th at the Head Office, 41 Lothbury, London, E.C.

The following is the statement by the chairman, The Right Honourable Lord Aldenham, circulated with the report and accounts for the year to December 31, 1958:

It is with the greatest sorrow that I have to tell you that Mr C. D. Hely-Hutchinson, who had served as a Director for nearly twenty-five years, died in November last, a few days after his ill-health had compelled him to retire. Lord Dudley, who joined our Board in 1937, also retired during the year as, on medical advice, he now has to spend the winter months abroad. We shall sadly miss the wise counsel of two Directors who had rendered such valuable service over a long period.

In December, 1958, we welcomed to the Board Sir Walter Barrie, four times Chairman of Lloyds, and Major-General C. A. L. Dunphie, Managing Director of Vickers Limited, who received a Knighthood in the New Year's Honours List. I am sure we shall benefit greatly from their breadth of experience.

The General Management suffered a great loss when Mr L. E. Aldridge retired in June after nine years as a Joint General Manager. He was succeeded in that office by Mr R. E. Elliott, formerly an Assistant General Manager. This was the only change in the General Management, and mentioning it I am prompted to reinforce the evidence the results themselves supply by paying tribute to the untiring efforts of Mr Chesterfield and his colleagues.

RESULT OF YEAR'S OPERATIONS

Our profit for the year of £2,069,747 was some £217,000 higher than in 1957 and the satisfactory trading experienced in 1958 has enabled us to pay a final dividend of 1s. 6d. per share on the "B" shares, making for the year 2s. 6d. per share compared with 2s. 3d. per share in 1957

We have allocated £900,000 to Published Reserve and after this allocation and allowance for the increased distribution by way of dividend, our Profit and Loss carry-forward is down by some £8,000.

The factors affecting our trading figures this year have been numerous, the most significant being the persistent downward trend in the Bank rate and the restoration, after many years' absence, of the freedom we enjoy in the conduct of our business. In some ways these two factors, when considered in terms of trading results, tend to conflict and their impact in a full year cannot accurately be assessed. At the same time they provide a challenge to us all in seeking and applying new methods of operation.

Our Current Deposit and Other Accounts have increased by over £36 million to a new peak figure of £917 million, but in this connection it should be borne in mind that the attraction of a Bank Deposit Account, brought home to so many of our customers in the high interest rate period from September, 1957, has tended to remain, and much of our increase in this item is in the form of Deposit Account balances upon which we are paying interest. It is against this background that we have to regard the profitability of the overall rise in our Current, Deposit and Other Accounts. Incidentally, I am pleased to record a very large increase in the numbers of the new accounts opened during the year—indeed, the largest increase on record.

SUBSTANTIAL INCREASE IN ADVANCES

Turning to the Assets side of the Balance Sheet, you will see that Advances have increased substantially, by £53 million, a pleasing indication of the needs of our customers and our present ability to satisfy them wherever we can properly do so.

The rate of earnings on our Loans and Overdrafts has fluctuated with the various changes in Bank rate, the average being rather lower than in 1957. The expansion in our Advances during the last few months has not quite compensated, in terms of total earnings, for this downward trend in the rate and I would not attempt to assess the likely result under this heading in 1959.

You will recollect that at the end of 1957, with a desire in the conditions then obtaining to be rather more than usually liquid, we were employing a substantial portion of our resources in the purchase of Treasury Bills. With the gradual reduction in the yield on these Bills since early in 1958 and bearing in mind the return to more normal considerations of liquidity, we have switched in some measure not only into the much more remunerative Advances but also, at favourable opportunities, into British Government Securities. Our employment of resources in this latter manner has risen by nearly £16 million and it is eminently satisfactory to report that the deficiency in terms of market value, which we have noted since 1955, has now disappeared from our Balance Sheet: once again we have not used reserves to write down our holdings.

HIRE PURCHASE FINANCE

Our Trade Investments reflect the purchase of a 20 per cent interest in the Mercantile Credit Company Limited, which we undertook after careful consideration of the desirability of obtaining a participation in the field of hire purchase finance, about which we are wholly satisfied: we are hopeful that our total investment in this Company of some £2 million, of which we have paid one-quarter to date, will be of benefit to our profits in the years ahead.

EXCELLENT STAFF RELATIONS

Once again by far the largest of our outgoings, payments to or for the benefit of our Staff, has risen: there has been a modest increase in our Staff numbers.

I am pleased to say that relations between the Board and Management of the Bank and our Staff Associations, both Clerical and Non-Clerical, have continued to be excellent and I have no doubt of the value of the many meetings that take place from time to time during the year and at which views are most freely exchanged.

During 1958 our banking offices rose in number to 1,199 and with the lifting of restrictions on expenditure in this field we are not unhopeful of materially improving our representation throughout the country.

SERVICE TO PRIVATE CUSTOMERS

While we have had a full share in developments in domestic banking generally in 1958, we have not thought it necessary to advertise a special cheap restricted Current Account. As a Bank which has traditionally served the private customer, we have always given careful consideration to his particular needs and I am confident that we remain as fully competitive in this service as we have always been, not only in terms of commission charges but also in the comprehensive nature and manner of our service, which after all is the best advertisement we could have.

I am sure that most of our private customers, as well as our commercial customers, are pleased to be able to receive printed detailed statements from any branch at which they may keep their account: I believe that although we introduced, and advertised, this beneficial service in May, 1956, no other country-wide Bank has emulated this achievement.

TRAVELS ABROAD

1958 has been another year of extensive travel abroad by members of our senior Staff. The United States, South America, the West Indies, the Far East, including China, and Europe have all been visited and the establishment of new, and maintenance of old, contacts have done much to bring about the further gratifying growth in our overseas business. Much credit is due to the Officers who have given up so much of their time to this end, for I know how very concentrated and arduous can be these journeys on the Bank's behalf.

Indeed we are grateful to the whole Staff of the Parent Bank for their efficient and loyal services. Our thanks also go out to the Staffs of the Ulster Bank—which had an excellent year's trading—and of Westminster Foreign Bank, which in a not very easy year has also done well.

CONFIDENCE IN STERLING

In September, 1957, confidence in the International value of the pound sterling was not very strong abroad, and severe steps were taken to remedy the situation—Bank rate was raised to 7 per cent and the credit squeeze reinforced: but it was not until well into 1958 that there was any certainty that the desired results of checking inflation and restoring confidence in our currency had been achieved. It is noteworthy that, with the exception of a very few days, the pound sterling has been above par in relation to the US dollar throughout 1958.

It is probable that the obvious determination of the Government to maintain the value of the pound even at the cost of some slight loss of production was an important factor in this success; but there were of course other factors such as the encouraging stability of the value of our exports and the continued fall in the prices of our imports. Sterling in common with other European currencies was helped by the adverse balance of payments of the US which resulted in a large outflow of gold and dollars to the rest of the world.

EXPORTS TO USA

Our exports to the United States have continued to expand and this enabled the Chancellor of the Exchequer to announce at Montreal some further welcome liberalisation of our imports from the dollar area and to hold out the hope of yet further relaxations in 1959.

The recession in the United States caused industrial production there to fall steeply from September, 1957, until April, 1958: but since then well over half of that fall has been recovered. Even during the worst stages of the recession consumer demand was surprisingly well maintained: this was reflected in the continued high level of American imports of manufactured goods. Europe has also experienced a minor recession. The worst feature of the setback in world industrial production was that it caused a fall in commodity prices with a consequent loss of income to the primary producing countries. Loans have been made during 1958 by the World Bank and the International Monetary Fund to Overseas Sterling Area countries: these loans have helped to meet current deficits which would otherwise have had to be met from our gold reserves

HEALTHY BALANCE OF PAYMENTS

The effect on primary producing members of the Sterling Area of the reduced demand for their exports was also eased by the way in which they drew on their sterling balances: large drawings by Sterling Area countries were more or less equalled by the inflow of foreign money. Our very healthy balance of payments—£334 million in the first six months of 1958—has been used principally to increase the gold and dollar reserves, and to make long-term investment in the rest of the Sterling Area and in Canada, most of it on private account.

During 1958 the reserves in fact increased by £284 million to £1,096 million at the end of the year. They are, however, still too slender for comfort, especially in view of the known claims on them in the coming months. The Government has declared its confidence by undertaking to repay, by April, 1959, £71 million of our debt to the IMF. There are other payments to be made from the reserves. Repayment of the debt to the US Export-Import Bank of £89 million is due to begin in 1960. At New Delhi the decision was taken, largely at the instigation of this country, to strengthen the resources of the IMF. When this is ratified by the member governments, a payment of £58 million will become due in respect of the UK share: but this strengthening of the IMF will add to the stability of the pound. There will also have to be a small contribution to the new European Fund which replaces the EPU.

CONVERTIBILITY OF STERLING

In December it proved possible to announce legal convertibility of sterling held by residents abroad: a step which is already helping to increase the income from our foreign business, and which is welcome too in that it implies that the Government do not intend to permit expansion to lead to renewed inflation.

The price of the restraint necessary to achieve these successes has been a slight fall in industrial production during the year, and some increase in unemployment and lessening of overtime earnings. But the price, measured solely by the amount of unemployment, would I believe have been very much higher if inflation had been allowed to continue unchecked. It was, however, natural and proper that, as soon as stability had been attained, steps should be taken towards renewed expansion. At the end of July the credit squeeze was officially ended and freedom of competition between the banks was thereby restored. By October all restriction on hire purchase was ended. Bank rate had been gradually reduced during the year, and stood at 4 per cent by November. Advances from the Clearing Banks have moved up sharply since July, though not more than was to be expected after the long period of repression: in this connection the introduction of personal loans for current expenditure has had its effect. Moreover, we expect that some of our medium-term commitments—largely concerned with exports —will be used.

Some of our senior officials, in visits to the United States over the last few years, studied the results of the personal loans schemes operated by American banks and their reports convinced us that the business would be useful to the community and profitable to ourselves, and should be introduced as soon as Government policy permitted. It must be remembered, however, that before the credit squeeze we regularly made loans on the security of personal character and the prospects of the business. But it is true that, for the first time, lending to the individual has been widely advertised by us. By an odd chance I received a letter from a customer, just when personal loans were being announced, thanking the Bank for having lent him £10,000 some years ago on what he himself regarded as entirely inadequate security: he was repaying the last penny, and was left with a prospering business of his own.

SPECIAL DEPOSITS REGRETTED

When ending the credit squeeze the authorities decided, pending the report of the Radcliffe Committee, to take power to call for Special Deposits if necessary to control bank lending. I regret this decision, and trust that the power may never be used. I would have thought a better method would be for the Government itself to refrain from creating an excessive volume of credit.

So far the result of steps towards re-expansion has been most apparent in the sale of consumer goods: quick alternation between the application of the brake and the accelerator creates unease, whether in driving a car, or in planning long-term investment. The stimulus to consumption has made many businessmen more confident than they were a few months ago: but reports from our Branches still give little sign that private industry is resuming investment in plant and buildings on the scale necessary to increase the future prosperity of our industries.

GOOD FEATURES IN NATIONAL RECOVERY

There have been many good features in the recovery achieved during 1958. The Savings Movement has been increasingly successful; less time has been lost in industrial disputes; and there has been wider recognition of the fact that full employment can be secured only when our costs of production are kept in line with those of our competitors.

Our farmers have had an arduous and disappointing year. After early promise of good yields, for some months it seemed that bad weather would make the 1958 harvest a disastrous failure: but in the end, though harvesting costs were high, the yield of cereal crops will probably not prove to be very greatly below the average of the last five years. The Government have introduced a Bill to give further help to small farmers.

A CAUTIOUS OUTLOOK

The prospects for 1959 have to be viewed with caution. There seems no certainty that the West is nearer to an accommodation with Russia, and there is considerable danger in the possibility of a Western European split over the Common Market and the Free Trade Area. It was easy to understand the French anxiety about the Free Trade Area, when her price level was not competitive, and it is greatly to be hoped that the recent devaluation of the franc will have removed this obstacle to agreement. At the same time, the fact that France has liberalised her trade in accordance with her obligations to OEEC has gone a long way towards answering our complaint about discrimination against non-Common Market countries

Recent reports from the shipbuilding, textile and coal mining industries do not indicate much early improvement: and the heavy fall in the volume of imports of the raw materials of our main industries during 1958 does not give cause to expect a rapid up-turn in production. Moreover, just as the reserves have gained by the using up of raw materials for exports, so they will suffer when the stock of raw materials comes to be made good. The latest figures for manufacturers' stocks of raw materials suggest that their running down may not go very much further and that before many months industry may find it necessary to start rebuilding those stocks. A possible immediate stimulant to several industries would be to declare that there will be no important alteration in purchase tax this year: there is always a considerable reluctance to buy during the months before the Budget if a change downwards in purchase tax is generally expected: and we are told that the next three months may see more unemployment. But the Budget date is generally in April: a long time to wait if unemployment trends continue upwards.

Since profits have been harder to earn the revenue may be less buoyant than of late, and there are many clamorous calls on the Public Purse: but this should not deter the Chancellor from fulfilling the faint hopes he has given of a reduction in taxation, which, as the Cohen Committee suggests, would be an important stimulant to production.



THE UNITED STEEL COMPANIES LIMITED

Extracts from the Statement by the Chairman Sir Walter Benton Jones, Bt., on the Accounts for the year ended 30th September, 1958.

The consolidated accounts and the Report of the Directors give a full and clear account of the year's operations and their result.

As explained in the Directors' Report, larger non-recurring and extraneous items and smaller net transfers to specific reserves make the balance carried to the appropriation account considerably larger than for the previous year.

In comparing one year with another trading results can be affected by variations in the realizable values of stock. If changes of cost are immediately passed on in selling prices, a fortuitous gain or loss will arise when the stocks on hand at the time of the change are sold at the new prices.

Such an occurrence is not uncommon and it arose in both 1957 and 1958, affecting the comparison of the two years to the detriment of 1958. But for this, the starting figure in the profit and loss account for 1958 would have been slightly better than the starting figure for the previous year.

Capital Expenditure

The amount spent on capital account in the year was £14 million which compares with an average of £11 million in the last five years. It is expected that it will continue at about this level for the next five years.

Activity and Capacity

It is not a simple matter to calculate the rate of capacity we are working at any one time either in volume or value, because no two departments are working at the same rate continuously.

The rate fell during the latter part of the year under review and we are now working at an average level of about 80 per cent. The present indications are that we can hope to maintain this level.

The following analysis of the markets which we serve may help you to form opinions for yourselves.

	%
Direct Export	11.5
Constructional engineering, building and contracting	9.9
Shipbuilding and marine engineering	9.1
General engineering	12.3
Wire and wire manufacturing ...	10.6
Coal mining and quarrying ...	6.4
Motors, cycles, aircraft drop forgings and springs	15.0
Railways and rolling stock... ...	13.1
Stockholding merchants	4.7
Miscellaneous	7.4
	100.0

Iron Making at Appleby-Frodingham

The blast furnace installation at Appleby-Frodingham consists of four furnaces built between 1939 and 1954. With the knowledge and experience available when the installation was designed in 1939 we estimated the capacity of each of the two furnaces installed in that year would be 2,500 tons per week. Following the experience which we have gained in the beneficiation of our low grade ores, coupled with modification in design and operation of the furnaces themselves, the performance of the four furnaces has increased and exceeded what had been common practice. The highest production achieved experimentally on one furnace has been 11,750 tons in a week. These developments have enabled us to demolish all our older blast furnaces and the new installation of four furnaces will make all the iron we expect to require for the present.

Employment and Unemployment

The number of employees on our books is 36,862. The normal recruitment by which the regular wastage through retirement and other causes is made good has been restricted in recent months to mitigate the effects of the reduction in activity which we have suffered. Every effort has been made to avoid dismissals for redundancy; men employed in steel-making work under an agreement, common in our industry, guaranteeing four shifts work per week, and this arrangement has been widely used in recent months. Overtime work has been considerably reduced and the fall in working time has been shared as widely as possible over our labour force.

Engineering

The main purpose of our Company is, of course, the production of steel in many different forms, but in the course of years our activities have extended to engineering on a large scale.

Important work recently undertaken by this company has been the Jodrell Bank Radio Telescope, Barton Bridge, a dual-carriageway road bridge over the Manchester Ship Canal, and the steelwork for two large power stations. The company is now engaged upon the steel building for the Hinkley Point nuclear power station.

We were the principal contractors in the building of the Jodrell Bank Radio Telescope, which is now finished and in use. If we take credit for the part which our company played, which we may well do, it should not be forgotten that the men who actually built the structure were partners too. Some of the erection took place in hard weather and a great deal of it involved working at high levels in a very exposed situation.

As you may remember, Yorkshire Engine Company is a locomotive building works of long standing. It is now concentrating on the building of diesel locomotives, for which it has a large order book.

The Distington Engineering Company is a large undertaking established by us since the war. It has one of the largest iron foundries in the country, specialising in the casting of ingot moulds and other heavy castings used in steelworks and elsewhere. And in its machine shops it undertakes general engineering and sub-contracting to engineering companies which cater for steelworks plant.

The Owen & Dyson company specialises in machining and assembling railway wheels, axles and tyres which are made at Steel, Peech & Tozer.

In addition to these subsidiary companies we have large maintenance engineering shops at our steelworks which are run on the lines of independent engineering undertakings.

All these works together employ 4,854 men which gives an indication of the size of our engineering interests and establishments.

Free Trade Area

Not everyone is engaged in industry and trade, but all are concerned in the outmoding of wars and all fear the devastating possibilities of nuclear weapons, H bombs and all that.

Such fear is natural. But if we cannot exclude nuclear weapons and world wars from our own thoughts we have to turn our urgent attention to the building up of Western Europe into an integrated trading and commercial unit which in common with all English speaking nations can stand up to the rest of the world.

Given peace, there can be little doubt that in this age of technological advance, the industries of the Free Nations of Europe will expand and prosper. Here we are all concerned, because it is just under these conditions that a failure to keep the peace will spell not only economic ruin, but suicidal devastation for all concerned.

Last year, after various ups and downs in Western European relations, the Treaty of Rome was signed, largely owing to the dynamic leadership of the then Belgian Foreign Secretary, M. Spaak. This created amongst the same six nations a Common Market for all other commodities (besides coal and steel) and at the same time founded a special organisation known as "Euratom" for dealing with the peaceful development of nuclear energy. The first reduction in trade barriers between the Six came into force on the 1st January, 1959 and the Rome Treaty provides for their complete elimination in 12 to 15 years.

This has given rise to very intricate problems for the other Western European trading nations and particularly for the United Kingdom. Negotiations, which have had a distinctly chequered history, are still being carried on in the hopes that the remaining eleven O.E.E.C. powers, with Great Britain inevitably in the lead, will succeed in establishing a working relationship with the Common Market of the Six, by forming a complementary association, originally to be called the Free Trade Area.

These proposals raise many delicate political and economic issues which are outside the province of this statement. But, I venture the opinion which I know you will share, that the prime need for the Free World is the establishment of closer links which will reduce the risks of war. We must hope, therefore, that a sufficient spirit of give and take will be shown by all concerned to ensure the setting up of some form of Western European economic union on an enduring basis. What is good for Europe should be good for the United Kingdom.

Nationalisation

The present Parliament and previous Parliaments for some years now have been composed almost entirely of two political parties. Basically one party strives to conserve the freedom of the individual; it is called the Conservative Party. To the other party the freedom of the individual is a secondary consideration; this party is called Labour, I do not know why.

Immediately after the war, in July 1945, the Labour Party was returned to Parliament with a large majority, viz. about 150. In pursuit of Socialist dogma it proceeded to nationalise, as it is called, a number of activities which we now speak of as the nationalised industries.

It is generally accepted that this nationalisation movement has been a failure, that it has cost the State a lot of money, and that it will cost the country a lot of money in the future.

The steel industry was not included in the first nationalisation campaign. It was nationalised all by itself by an Act of Parliament called the Iron and Steel Act 1949, the date of which was the 24th November 1949.

It is true that when that Act was passed the Labour Party still had its large majority. But men soon forget and so it is as well to recall by how small a majority the nationalisation of the steel industry was actually brought about.

The Bill to nationalise the steel industry was introduced into the House of Commons in October 1948 and met with the strongest opposition in both Houses. Eventually a compromise was reached. This provided that the actual vesting of the steel companies which were to be nationalised would not take place before the next General Election and the Act fixed the earliest vesting day as the 1st January 1951.

Another General Election was held in February 1950 and as a result the Labour Party's overall majority was reduced to no more than six. In this new Parliament before the vesting day arrived the strongest opposition was renewed but the Labour Party persisted and used its majority in the House of Commons, small though it was, to force their decision. The recorded majority was ten votes. It may therefore be said that at the time when the properties of the iron and steel companies concerned became vested in the State the Labour majority was no more than ten.

Only ten months later the Labour Party went to the country and was defeated. A Conservative government succeeded which denationalised the industry by means of the Iron and Steel Act 1953 and established a new form of Public Supervision exercised by the Iron and Steel Board which has been in operation ever since.

All the arguments which the Labour Party have brought forward in support of nationalising steel have been refuted time after time. They are being refuted day by day and refuting will continue. In spite of this lack of support the Labour Party still persists in declaring that if and when it is returned to power it will nationalise steel again. The only reason left to it is the pursuit of an outmoded Socialist dogma. Or perhaps there is even less in it than that. Perhaps it is for no better reason than the reason why a girl once became the owner of a double bass, a true story which came within my personal knowledge many years ago. I do not remember the girl's christian name, but let us say it was Sally.

Sally was walking along a street when a friend stopped her and asked:

"Whatever is that musical instrument you are carrying on your back?"

"Oh" she said "it is my double bass".

"But can you play the double bass?" her friend asked.

"Don't be silly" she replied.

"Then why have a double bass?" said her friend.

"Well, you see, it was this way. I told me Momma I wanted one and so me Dadda went and bought me one".

Staff

At all our branches and at our headquarters and at all times we know that we have the support and the co-operative inspiration of our staff at every level. At our meeting I shall ask you to join us in a resolution to tell them of our appreciation and our thanks.

Copies of the full Statement can be obtained from the Secretary,

THE UNITED STEEL COMPANIES LIMITED · 17 WESTBOURNE ROAD, SHEFFIELD 10

H. & G. SIMONDS LIMITED

SALES MAINTAINED AT HIGH LEVEL

EXPANSION AND DEVELOPMENT

The Annual General Meeting of H. & G. Simonds Limited was held on January 19th at Reading. General Sir Miles Dempsey, the Chairman, presided, and the following are extracts from his circulated statement:

FINANCE

The year's operations resulted in a small increase in the profit from trading, which amounted to £1,113,256. The profit before taxation was £22,798 higher at £850,799, and the tax charge, mainly by reason of the alteration in profits tax, was lower by £10,782. The profit after taxation was £384,818, as compared with £351,238.

Capital Expenditure on properties during the year was in excess of £400,000. Whilst this partly reflects the building and other costs incurred on new and existing houses, the major proportion of this year's expenditure arose from the purchase of the freehold of a group of Licensed Houses in the Bristol area, previously leased by us. This important investment formed a part of our planned Capital Investment programme.

TRADE

Our total sales of beer were almost identical with the previous year. As these had constituted a record, we feel that we have stood up fairly well to the effects of a cold, wet summer, and of economic recession in some of the areas we serve.

The structure of our sales, however, revealed certain differences, notably that the quantity of bottled beer declined slightly, while that of draught beer increased by nearly the same amount, thus reversing a trend which has been in evidence for many years.

During the year we again directed our greatest sales effort towards promoting our "Tavern Ale," both in bottle and can. I am glad to report that we achieved a satisfactory increase, despite the overall fall in sales of bottled beer. *This will continue to* be our policy, as we have great confidence in the quality of "Tavern Ale," and our wide publicity will still further emphasise the merits of this beer.

Wine and Spirit Sales, representing a most important fraction of our total turn-over, maintained about the same rate of expansion as for the past year or two, but there are definite indications that this is now slowing up.

LICENSED PROPERTIES

Six new Public Houses have been opened during the last year, and work is now proceeding on five more new houses, respectively at Reading, Oxford, Swindon, Bristol and Cwmbran New Town, all of which should be completed within the next twelve months.

PLANT

Our efforts have been bent mainly on improving productivity as fast as resources permit. We have pressed on with schemes at Reading and Devonport, and have locked into them further important plans. These will have the effect of closing down our Bottling Stores at Bristol and of greatly increasing our bottling capacity at Reading by installing the most modern and efficient high speed machinery.

ARTHUR COOPER

The Arthur Cooper organisation now controls fifty-two retail Wine Shops, and experienced a marked increase in turn-over resulting in a substantial extra profit.

From a small beginning seven years ago, this group has now become very well-known throughout our trading area, and is contributing worthwhile profits to our account.

Since the closing of the financial year, we have entered into a trade agreement with Flowers Breweries whereby certain beers of each Company will be made available to the other. We are hopeful that this arrangement will be mutually advantageous.

The Reports and Accounts were adopted, and the Retiring Director re-elected.

MINWORTH METALS LIMITED

FACTORS AFFECTING EARNINGS

The eighteenth annual general meeting of Minworth Metals Limited was held on January 16th in London, Sir John Fox, OBE (the chairman), presiding.

The following is an extract from his circulated statement:

Again stock losses during the year under review, due to the downward trend in the price of Wolfram Ore, which is the raw material for Ferro Tungsten, adversely affected our earnings. In July 1957 the price of Ferro Tungsten was 9s. 8d. per lb, a downward trend continued throughout the year and the price at July 31, 1958, was 6s. 6d. per lb, representing a difference of approximately £285 per ton.

It is generally agreed that during the period the price of Wolfram fell below its economic level. The July price was the lowest for ten years and in terms of real money far below the 1948 price. At the time of writing this report prices are rising and today Ferro Tungsten stands at 8s. 6d. per lb., but to attempt to prophesy as to the possible antics of this metal would be folly.

Technically the year was one in which investments of the past paid full dividends, a large part of the earnings being due to the research and development of previous years.

Results for the first part of the year were very satisfactory but from January onwards we began to feel the effects of the recession in the steel trade, which continued into the present year. As the standard of living rises there is an expanding market for our products, and whilst our trade is one to feel the effects of a general recession it is one of the first to feel the effects of a recovery.

The Group Trading Profit for the year was £94,332. Taking into account the setbacks encountered during the year we may with reason congratulate ourselves that this was only £3,090 less than the previous year. Your Directors feel justified in recommending a dividend of 25 per cent.

I extend our thanks to all our staff for the loyalty and co-operation which has contributed in full measure to the results achieved, in spite of the difficulties to which I have referred.

The report was adopted.

BIRD & CO. (AFRICA) LIMITED

FAVOURABLE TEA DEVELOPMENT

The forty-first Annual General Meeting of Bird & Company (Africa), Limited, will be held on February 14th at Tanga, Tanganyika.

The following are extracts from the circulated statement by Sir Eldred Hitchcock, CBE, chairman and *managing* director, including some additional comment:

The profit for the year after tax was £199,681, compared with £238,000 in the previous year. Our reserves built up over the years total £1,245,000, and the unappropriated profits carried forward at June 30, 1958, were £1,054,729, mainly absorbed in the Company's development. Your Board declared a total dividend for the year of 17½ per cent, the same as in previous years.

Future dividend policy will need careful consideration if primary commodity prices continue to fall, although present indications are favourable.

TEA DEVELOPMENT

During the year we have energetically pushed forward our tea development programme and are well in advance of it.

During the year 1958-59 our made tea will probably total 200,000 lb, but our factory is designed to meet a capacity to exceed 3 million lb a year when our tea areas come into full production. Expenditure to date on the Kwamkoro-Ngua-Ndola group, referred to now as "Kwamkoro," has totalled almost £500,000 which represents a high capitalisation per acre in respect of just over 1,000 planted acres at this stage.

As we complete our programme of a minimum of 2,700 planted acres, the scale of this expenditure may for a while increase but will then steadily decline, and unless local costs and the price of imported products and equipment increase, which some of them are tending to do, I believe that we shall not be far off the target of an overall final capital expenditure of £300 per acre. Before this programme is completed revenue should increase at a progressive rate, and I am glad to report that we are already making "quality" tea.

When first offered at the London Tea Auctions in December, our tea obtained the highest price of all African teas—from Tanganyika, Kenya, Uganda, Belgian Congo, Nyasaland and Mozambique, amounting to over 1s. per lb premium over the average. Tea, I find, is a more exacting but less complicated crop than sisal.

THE SISAL OUTLOOK

Following a visit which I made to Rio de Janeiro earlier in 1958, discussions on an international level are hoped for with the aim of achieving a more stable and better sisal price. Unlike most primary commodities the accumulated world carry forward of sisal is 5 per cent of the annual production and world consumption increases steadily with production. The problem should not be an unmanageable one.

Sisal producers have no intention of boosting the sisal price above its world economic level based on supply and demand. They are determined, however, to eliminate certain weaknesses in selling, partly the result of currency arrangement, which result in a price below its economic level.

LABOUR RELATIONS

Labour relations in Tanganyika, especially in the sisal industry, are traditionally good. I referred last year to the measures which the industry was taking under authoritative advice to set up formal consultative machinery to deal with all matters affecting conditions, wages and labour relations of the 130,000 workers engaged in the industry.

A Joint Council of the Industry consisting of 21 representatives elected by the workers engaged in the industry and 21 by management together with three trade union nominees of a recently formed Sisal and Plantation Workers' Union and three appointed by the Sisal Growers' Association, is now established under the independent chairmanship of Sir Barclay Nihill, who recently retired as President of the Appeal Court for Eastern Africa.

This Joint Council, besides being a conciliation and negotiating body, is a medium of information and education to both sides. It represents all sisal interests in Tanganyika a thousand miles apart. After two successive and prolonged Council meetings a comprehensive Wages Agreement for the whole of the industry was agreed unanimously by the workers and management representatives, only the three trade union representatives voting against.

Whilst over 90 per cent of the 169 producing sisal estates throughout Tanganyika, including our own, adopted the Wage Agreement, the union attempted by strikes and various means, on the remaining estates, to discredit the sisal workers' representatives, and to undermine the consultative machinery and the Agreement. The industry has displayed a patient and generous attitude on all these matters, but will not willingly see the good relations which have been freely established undermined by such tactics.

MANAGEMENT

There has for some time been foremost in the minds of your directors the question of the future management of your Company. For many years I have combined the function of managing director and chairman. I am now past 70, have been associated with the Company since 1920, and had undertaken to continue as managing director till June, 1960, and thereafter if the board and shareholders wished, to continue for some further period as chairman. We have, however, now been fortunate to secure the services as managing director of Mr John Francis Lloyd, who is a banker and joined the staff of the Standard Bank of South Africa Limited in 1928.

I shall still be available to continue as chairman and that should make for continuity. It will be necessary for me to relinquish my appointment as managing director a year earlier than I had previously agreed, and I have every confidence that the arrangement is in the interests of the future of the business.

FINANCIAL NOTICE

9/- a line.

THE ROYAL BANK OF CANADA

DIVIDEND NO. 286

Notice is hereby given that a DIVIDEND of 50 cents per share upon the paid-up capital stock of this Bank has been declared for the current quarter and will be PAYABLE at the Bank and its branches on and after March 2, 1959, to shareholders of record at the close of business on January 31, 1959.

Shares not fully paid for by January 31, 1959, to rank for the purpose of the said dividend to the extent of the payments made on or before that date on the said shares respectively.

By Order of the Board.
K. M. SUDGEWICK,
General Manager.

January 21, 1959.

ORDERS for advertisements in *The Economist* are accepted on condition that they are liable to rejection at the discretion of the Editor: that while every effort will be made to publish an advertisement on a specified date, no guarantee is given; and that white on black, reverse blocks, or large sizes of black-faced type may be stippled or lined at the Editor's discretion.

BUSINESS AND PERSONAL

9/- a line.

DISTINCTIVE HOSPITALITY 3 star. Commanding panoramic sea view. Warm sheltered terraces. Excellent cuisine. Swimpool. Educated staff. Colour brochure.—Greystoke Hotel, *Canford Cliffs*, Nr. Bournemouth.

A FAULT IN SPEECHES

MANY otherwise able public speakers talk to audiences who are half the time day-dreaming about something else. I can show any intelligent speaker, however dry his subject, how to make people listen with enjoyment. Write for verification.—John Radcliff, 50, Avenue Road, *Herne Bay*.

APPOINTMENTS REQUIRED

GENERAL MANAGER

Englishman, very experienced Business Administrator with many years' experience in *management and control* of foreign staff and labour, with Sales Engineering background (mechanical *and electrical*) at present employed in Middle East, having spent 13 years in Near and Middle East, desires a change. Age 40. Very active and driving personality, excellent references, fluent in three languages, working knowledge three others. Available to take up new appointment in July/August, 1959.—Write *Box 1109*.

PH.D. Economics (Pol. Th.), good French, U.S. experience, 27, seeks opening in industry, trade, research.—Box 1108.

INTERNATIONALLY RECOGNISED ECONOMIC and FINANCIAL EXPERT, now employed abroad, seeks post based on London as DIRECTOR or very senior ADVISER of large concern which already has overseas connections or wishes to develop them. He possesses an intimate, up-to-date knowledge of Western Europe and North America, has had wide executive and administrative experience, and is accustomed to *negotiations* on the highest levels.—For further details write Box 1110.

APPOINTMENTS

THE GUEST KEEN AND NETTLEFOLDS GROUP OF COMPANIES

requires a

STATISTICIAN

A new Operational Research Unit, *centred* at Cardiff and responsible for carrying out Operational Research in all Group companies in the area, requires a Statistician to fill a senior post.

Candidates should have a sound knowledge of statistics and an interest in the practical application of this knowledge. Industrial experience would be an advantage, and a desire to apply statistical *methods* in new fields is essential.

Applications should be addressed to:
Recruitment Officer,
G.K.N. GROUP RESEARCH LABORATORY,
Birmingham New Road, Lanesfield,
WOLVERHAMPTON.

ACTUARY required by a leading firm of consulting actuaries in South Africa and Rhodesia. Attractive commencing salary and prospect of a partnership within a few years.—Apply, giving full details of experience, to Box 1101. All applicants will be interviewed.

Scholarships Abroad 1959-60

Applications are invited from British students for scholarships offered by Austria, Belgium, Brazil, Denmark, Finland, France, Germany, Iceland, Iran, Italy, Japan, The Netherlands, Norway, *Poland*, Portugal, Spain, Sweden, Switzerland and Yugoslavia. The awards are *mainly* for university graduates and undergraduates and are tenable for periods varying from a few weeks to twelve months during the academic year 1959-60.—Full particulars and application forms, for which a stamped (3d.) self-addressed adhesive label should be sent, are obtainable *from* The British Council, 65 Davies Street, London, W.1, or from any British Council office in the United Kingdom.

THE BRITISH OXYGEN COMPANY LIMITED

HEAD OF ECONOMICS AND STATISTICS SECTION

There is a particularly interesting vacancy at the Head Office of The British Oxygen Company Limited, in the West End, for the Head of the Economics and Statistics Section. A man with appropriate qualifications is required, with industrial experience, preferably on the financial side, a practical knowledge of statistical methods and a flair for carrying out investigations and writing lucid reports. He should be a live, creative type, fairly young but *mature in outlook*. The post has been advertised before but not yet filled: previous applicants should therefore not re-apply. Please write to:—

The Staff Officer,
The British Oxygen Company Limited
Bridgewater House, Cleveland Row,
St. James's, London, S.W.1.

NORTHERN POLYTECHNIC
HOLLOWAY, LONDON, N.7

The Governing Body invites applications for appointment as PRINCIPAL of the Northern Polytechnic. Candidates should possess high academic qualifications and appropriate educational and *administrative experience*. Salary scale—£2,467 10s. rising by annual increments of £105 to £2,782 10s. per annum, plus London Allowance. In determining the commencing salary, increments, subject to the maximum of the scale, might be given to a suitable candidate. Duties will commence on *January 1, 1960*, or such date as may be agreed.

The Northern Polytechnic is a major Regional Technical College. To meet current needs and to provide for future development, a large site adjacent to the Polytechnic is now being acquired for a *substantial* extension.

Form of application, together with full particulars, will *be forwarded on request*, and should be returned to me, duly completed, not later than March 31, 1959.

R. H. CURRELL, A.C.A.,
Clerk.

UNIVERSITY OF SOUTHAMPTON.—Applications are invited for appointment on October 1, 1959, to a Chair in the Faculty of Economics. Initial salary not less than £2,300 per annum with child allowance and F.S.S.U. benefits.—Further particulars should be obtained from the *Secretary and Registrar*, to whom applications should be submitted not later than February 21, 1959.

COMPUTER DEVELOPMENTS LIMITED

The Joint Company of The General Electric Company Ltd., and the British Tabulating Machine Company Limited, producers of Digital *Computers* and complex Data Handling Systems, offer rewarding and interesting careers to the following specialists:

(1) MATHEMATICIAN/LOGICAL DESIGNER
with a Degree in Mathematics, Engineering or Physics, plus *experience in programming and/or logical design of Digital* Computers or like devices. Operations Research and Communications experience useful. Required to work with Team on new computer designs and concepts, including large Systems. Salary up to £1,500.

(2) GRADUATE MATHEMATICIAN/O & M STUDIES
(or equivalent); experience in operation or programming of one or more Digital Computers on commercial work. O & M or language translation. To investigate the operation and basic design of an automatic coding system. Salary up to £1,500.

Applications to The Chief Executive,
COMPUTER DEVELOPMENTS LIMITED,
Computer House, 390-394 Kenton Road, Kenton, Middlesex.
'Phone WORdsworth 0321.

Council of Europe Research Fellowships

The Council of Europe awards annually a number of Fellowships to encourage research into the following questions, considered in the light of their present-day importance: (a) political, legal, economic, agricultural, *social, educational* and scientific problems connected with European integration; (b) European civilisation (philosophy, history, literature and the arts).

The Fellowships are each of the value of 500,000 French francs and are tenable for a period of eight months. The *next awards will be made in July, 1959*.

Candidates are invited to propose such subjects as are likely to make a real contribution to the fields of study mentioned above with the object of writing a *publishable* work. Subjects which have an essentially national bearing *will not be accepted*.

Candidates must normally be nationals of a Member State of the Council of Europe. An exception, however, is made in favour of refugees *from European countries* non-Member States of the Council of Europe, provided that they are legally resident in the territory of a Member State.

The British Council assists in publicity and recruitment for these Fellowships in the United Kingdom. Further particulars and forms of application which must be submitted before *March 15, 1959, may* be obtained from the Director, Universities Department, Education Division, the British Council, 65 Davies Street, London, W.1.

AUSTRALIAN NATIONAL UNIVERSITY
RESEARCH SCHOOL OF SOCIAL SCIENCES

Applications are invited for appointment to a READERSHIP IN INTERNATIONAL RELATIONS *in the* Department of Political Science and of International Relations.

The Reader in International Relations will be expected to engage in and to assist in supervising research into the political, legal and economic relationships between *nations*. In its empirical work the Department pays considerable attention to the Asian and Pacific regions.

The salary range for Readers is £A2,763-£3,213. A Reader is appointed to the permanent staff; retiring age is 65 with the option of retiring after the age of 60. Study leave entitlement is one year on full pay in every six years, plus contribution of up to £A1,342 towards travel and other expenses.

Superannuation on the *Federated* Superannuation System for Universities pattern is provided and reasonable removal *expenses are paid*.

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

Applications close, in Australia and London, on *February 27, 1959*.

For other appointments see page 375

COMPANY AFFAIRS

MASSEY-FERGUSON

MASSEY-FERGUSON is now busily engaged in two sets of negotiations. First, it is negotiating to purchase the tractor division of Standard Motor, which since the war has been manufacturing the light Ferguson tractor, and to sever its links, a contract and a substantial equity holding, with that company. Secondly, it is preparing to make a take-over bid for the ordinary stock of F. Perkins, the diesel engine manufacturers. Massey-Ferguson intends to build its own tractors and the acquisition of F. Perkins would give it ample capacity for producing diesel engines for the heavier types of tractors. The terms of the bid have not been announced. Perkins 10s. units, of which there are 5,200,000 in issue, have risen to 16s. in the market. At that sort of price, the deal would cost Massey-Ferguson about £4½ million. But Massey-Ferguson may not have it all its own way for there is already talk of a rival bid.

Since commercial vehicle manufacturers began to make their own diesel engines, F. Perkins has had a problem on its hands. In 1957 its turnover fell by £7 million to £14 million and it made a net loss of £319,000. Last year there was some recovery and it seems to have been earning a modest profit. Clearly, however, the directors were thinking in terms of diversification and within the last few weeks concluded an agreement on outboard motors, with the Oliver Corporation of Chicago, requiring the issue of 650,000 Perkins shares at 10s. each.

F. W. WOOLWORTH

WOOLWORTH'S preliminary results for 1958 tested the high price to which the 5s. ordinary units were carried in the recent market boom. The directors disappointed the optimists by failing either to raise the ordinary dividend (which for the third year running has been left effectively unchanged at 40 per cent) or to make a scrip issue, and in the setback in the industrial market Woolworth's 5s. units fell by 2s. to 49s. 6d. But there was a sweetener, for the directors will celebrate the company's golden jubilee by the payment of a special dividend of 4d. per share. This special dividend will be paid with the interim dividend next August.

The rise in profits before tax from £24,071,753 to £25,597,085 is satisfactory enough but the earnings cover on the ordinary dividend remains slender. Tax has risen from £12,838,552 to £13,561,840, leaving net profits £802,044 higher at £12,035,245. But the amount available for distribution has risen by £1,318,331 to £12,140,738 as there has been a windfall of £255,962 from a provision for investment depreciation no longer required. In contrast, the 1957 accounts were burdened with a charge of £76,574 for investment depreciation and expenses of £216,502 in connection with the revaluation of the company's properties and the scrip issue that ensued. But even including this windfall, the maintained ordinary dividend (absorbing £7,762,500 net) is still covered only one and a half times by earnings. This is not unusually low for a chain store trading for cash, but it does impose an effective check on the rate at which dividends can be expanded. On the bare 40 per cent dividend, the yield on F. W. Woolworth 5s. units is only 4 per cent. On a dividend of 46⅔ the yield is 4.7 per cent and most investors will believe this is the basis on which the yield should be calculated for it must seem hardly conceivable to them that after this special payment the stock will pay only 40 per cent in 1960. Woolworth has been classified as a growth stock for many years and it has been a popular counter with small investors. But the yield discounts the future some way ahead.

DECCA RECORD

A MINOR irritation suffered by ordinary shareholders in Decca Record is the absence of really up-to-date information about profits. But this has not unduly perturbed them for year after year, as the gramophone record boom has gone spinning on, there have been big rises in profits. This week the market responded generously to the increase in ordinary dividend from 1s. 9d. to 2s. per 4s. unit (from 43¾ to 50 per cent) for the year to March 31, 1958, and the news of the scrip issue, for which all the share premium account is being capitalised, to write up the nominal value of Decca units from 4s. to 10s. The 4s. shares gained 2s. 3d. to 42s. 6d. on the news, to offer a yield of 4.7 per cent on the higher dividend.

The directors follow their custom of giving some indication of turnover for the first nine months of the current financial year with the preliminary profit figures for the previous year. A year ago they reported that turnover was "considerably greater" than in 1956-57 and a few weeks later the chairman, Mr E. R. Lewis, disclosed that profits earned in 1957-58 would show a "marked increase." The figures now published show the increase in trading profits to have been of the order of 23½ per cent (from £2,389,000 to £2,950,000). Though the provision for maintenance and depreciation has risen from £788,000 to £937,000 and tax has gone up from £829,000 to £975,000, net profits have jumped from £573,000 to £885,000. The bigger ordinary dividend absorbs £484,000 net (against £423,000), but even so the earnings cover has improved from 1.3 to 1.9 times. Gross profit margins showed no sign of contraction; the group's sales rose by £3,900,000 to £20,950,000 and the ratio of gross profit to sales improved fractionally from 14.0 to 14.1 per cent.

But these results are now nearly a year old and investors have to draw their own conclusions about profits from the statement that in the first nine months of the current year turnover "has been maintained." It should be noted that last year's results, good though they were, indicated a slowing down in the rate of advance in turnover and profits and shareholders may therefore conclude that profits are not this time rising as quickly as they did in 1957-58.

TELEVISION DIVIDENDS

LAST year's boom in commercial television equities was justified by the enormous profits that were then beginning to emerge. But the market was always very short of stock and prices were bid up very sharply. Either the investor had to be content with an indirect interest in commercial TV by buying the shares of newspaper or cinema companies or he had to bid for the handful of shares directly relating to commercial TV that came on offer. Very few did so, for much of the stock was privately and firmly owned. Nor can this tiny market be said to be properly organised as yet: the 5s. "A" shares in **Associated Television** have yet to be introduced officially and official dealings are still suspended in **Granada** shares.

Faith in these TV equities has, however, just been given another boost. In advance of the statement for information to accompany the application for an official quotation for ATV units, the directors have declared an interim dividend of 40 per cent for the year to April 30th. Thus for the half-year the directors are paying more than the 30 per cent for the previous full year and conceivably the 1958-59 payment could be as high as three times last year's. The "A" shares are now quoted at 68s. The directors of **Associated British Picture** which controls **ABC Television** have followed this with an interim dividend of 20 per cent for the year to March 31st, against the previous interim of 7½ per cent and a total dividend of 30 per cent. Here, too, an increased final is obviously indicated. The 5s. ordinary units of ABP are now quoted at 49s. 6d.

GALLAHER

THE terms of Gallaher's one for four rights issue, underwritten by Edward de Stein and Company, have now been announced. Effectively, the new shares in 10s. units will be offered at 32s. 6d. each so that on the basis of Tuesday's closing price of 43s. 4½d. the rights are worth 2s. 2d. per share. This issue will raise nearly £9 million gross and follows only eight months after a loan stock issue which brought in £9.3 million. The directors hope to maintain the 25 per cent ordinary dividend on the increased capital; this should be covered well over twice, for a gross profit of at least £7.5 million for 1958 has already been announced. The old shares now yield 5¼ per cent and the new ones are offered at a yield of 7.7 per cent.

RICHARD THOMAS AND BALDWINS

THREE years ago the board of Richard Thomas and Baldwins was reconstituted and its links with the Steel Company of Wales were severed. Though SCOW was subsequently denationalised, RTB has stayed on in public ownership, the resale of its equity to investors seeming to turn on the outcome of the arguments about the new strip mill. Three years ago RTB faced a sellers' market for its sheet and tinplate, but since then SCOW has increased its output and export premiums have run off. RTB's gross trading profits have fallen in each financial year since 1955-56; the latest fall from £10,076,815 to £8,460,319 in the year to September 27th last the directors attribute in the main to increased competition in the export markets and "substantial losses" suffered by the group's "old type works" on the fall in demand for billets, bars and hand-made sheets. Three of RTB's steel works and three of its hand mills were closed down during the year; presumably up to their closing down they lived on as pensioners within the group. These closures also resulted in a loss of £254,569 on the realisation of stocks and in the final outcome the group's net profits fell sharply from £4,264,563 to £2,759,468. But £875,000 was written back from tax provisions no longer required (against £1,400,000 in the previous year) and the net income attributable to the group fell from £5,664,563 to £3,634,468. The allocation to fixed assets replacement reserves has been cut by £100,000 to £1,400,000 and other profit retentions, after meeting the cost of the maintained ordinary dividend of 13½ per cent paid to ISHRA, have come down from £3,323,987 to £1,393,892.

Now that the controversy about the siting of the new strip mill has been settled, it can been assumed that RTB will go ahead with plans for the expansion of strip steel production, presumably obtaining finance from ISHRA. During the year the directors authorised capital expenditure of £10,790,000 for the Ebbw Vale Works and £14,053,000 for the Redbourn Works.

LANCASHIRE STEEL

LANCASHIRE STEEL suffered a fall from £3,915,412 to £2,899,200 in trading profits in 1956-57. The advance from £2,899,200 to £4,001,470 in trading profits for the year to September 27th last thus does little more than to restore profits to that level. Indeed the latest trading profit is only 4 per cent higher than the £3,842,771 earned in 1954-55, the first year of its return to private ownership. Since that date the net assets of the group, at book value, have risen from £15.5 million to £19.2 million and capital expenditure by the group during the latest financial year was £2,076,870. Progress has been made in the development of the group's Rhodesian interests; a wholly owned subsidiary in Rhodesia has begun to draw wire and the reconstruction and expansion programme of The Rhodesian Iron and Steel Company (in which Lancashire Steel has a "substantial financial interest") has made further progress.

Since the end of the financial year the directors have reorganised the group's administrative structure: its iron and steel activities have been concentrated in a new subsidiary formed for this purpose and its structural and general engineering activities have been transferred to another subsidiary, the Pearson and Knowles Engineering Company. The parent company is now only a holding concern.

Years to September 27,	Richard Thomas & Baldwins 1957 £'000	Richard Thomas & Baldwins 1958 £'000	Lancashire Steel 1957 £'000	Lancashire Steel 1958 £'000
Consolidated earnings:				
Trading profit	10,077	8,460	2,899	4,001
Depreciation	2,295	2,597	750	850
Loan interest	87	68	76	37
Tax	3,417	2,639	1,000	1,750
Net profit	5,665	3,634	1,252	1,486
Ordinary dividends	841	841	311	311†
Ordinary dividend (per cent)	13⅓	13⅓	12	12†
Replacement reserves	1,500	1,400	350	250
General reserves	1,311	1,388	443	777
Consolidated balance sheet:				
Net fixed assets	32,647	36,311	13,235	14,415
Stocks	20,168	19,751	4,455	4,459
Debtors	12,370	11,392	3,769	3,731
Liquid assets	4,225*	2,311*	2,411	2,570
Net current assets	20,693	19,004	5,634	6,490
Revenue reserves	27,179	28,262	8,501	9,528
Capital reserves	12,509	14,574	593	667
Loan capital	1,780	1,296	...	...
Preference capital	...	...	4,500	4,500
Ordinary capital	10,829	10,829	4,500	4,500
Ordinary shares: Price		...	31/6	
" " Yield		...	8·9	

* Including loan to ISHRA. † Excluding special interim dividend of 2 per cent; yield on 14 per cent.

BOWMAKER

A RISE of 37 per cent, from £750,289 to £1,026,524, in Bowmaker's gross profit for the year to October 31st has been taken by the market to be only a foretaste of what is in store. Hire purchase shares rose steeply throughout 1958, and higher profits and an increase in distributions were discounted. Bowmaker has improved on its June forecast of a total ordinary dividend of 25 per cent for 1957-58 by raising the final payment to 17½ per cent, making 27½ per cent for the year. All shareholders will be entitled to this dividend except Lloyds Bank, which subscribed for 2 million ordinary 5s. shares at 29s. 6d. last August. Bowmaker's 5s. units gained a further 1s. 3d. on the results, rising to 36s. 1½d., and lowering the yield to 3.8 per cent. The justification for such a low yield is the flood of credit business that the relaxation of hire purchase restrictions has released, and the benefits that the company can reasonably expect from its association with Lloyds Bank and its recent acquisition of Midland Counties Motor Finance Corporation. One other factor that has contributed to last year's upsurge in profits and may also add to profits in 1959 is the fall in interest rates, which gives the company a larger margin of profit on the hire purchase paper that it holds, in the same way as falling rates help the discount houses. Tax rose from £430,696 to £572,623, leaving net profits of £453,901, against £319,593, of which the group has retained £254,432, against £158,919. The directors have also proposed a 100 per cent scrip issue to be made from the share premium account. This stood at £402,019 at October 31st, 1957, but the premium that Lloyds Bank paid in taking up about one-quarter of the equity will have raised this figure by £2,450,000.

LEICESTER PERMANENT

AS 1958 progressed, the pressure that high, competing rates of interest exerted on building societies slackened. Many societies with end-December accounting dates have been able to announce a further increase in total assets and many landmarks have been passed by individual societies. But Leicester Permanent's achievement in leaving the £50 million landmark behind is exceptional, since its total assets stood at only £44.4 million at December 31, 1957. Its total assets have risen by £6.6 million, or just under 15 per cent, to £51 million. An innovation introduced by the society a year ago when, like the other societies, it was perturbed by the slow rate at which new funds were flowing into its coffers has helped a good deal to make this achievement possible: deposits and shares for a fixed term of three years

Company Affairs *continued on p.* 370
London and New York Stocks *on next two pages.*

LONDON AND NEW YORK STOCKS

Prices, 1958/9 High	Prices, 1958/9 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 14, 1959	Price, Jan. 21, 1959	Net Yield, Jan. 21, 1959 §	Gross Yield, Jan. 21, 1959 §
		CONSOLS				
100 3/16	96 1/16	War Loan 3%	100 3/16	100 5/32	2 15 6	3 0 6
97 5/8	90 5/8	Funding 2½% 1956–61	97 21/32	97 7/16	2 9 10	3 14 2
99	93 1/16	Exchequer 2½%	99	98 27/32	2 5 0	3 1 1
100 1/16	95 1/16	Exchequer 3%	100 1/16	100	1 5 7	3 0 2
101 1/16	95 5/16	Conversion 4½%	101 1/16	101	2 5 10	4 3 2
95 5/32	88 5/8	Exchequer 3%	95 5/32	95 3/32	2 17 9	4 4 7
101 19/32	99 7/16	Conversion 4½%	101 19/32	101 17/16	2 6 8	4 4 9
92 3/4	83 5/8	Savings Bonds 3% 1955–65	92 1/4*	92 3/16*	3 0 7	4 7 0
85 9/16	77 7/8	Savings Bonds 3% 1959–69	85 9/16	85 1/4	3 10 2	4 19 2
92 1/16	86 3/8	Funding 4% 1960–90	91 7/8	91 7/8	9 13 10	11 17 0
					2 14 3	4 10 11
83 7/16	75	Savings Bonds 3% 1960–70	83 1/4	83 1/4	3 11 6	5 1 3
93 5/8	84 3/8	Exchequer 2½% 1963–64	93 5/16	93 3/8	2 17 0	4 0 0
100 5/32	99 11/16	Conversion 4½% 1964	100 1/8	100 5/32	2 10 11	4 9 4
86	78 5/8	Savings Bonds 2½% 1964–67	85 7/8	85 5/8	3 10 0	4 14 11
76 7/8	69 5/8	Savings Bonds 3% 1965–75	76 1/8*	75 7/8*	3 13 6	5 3 5
105 5/16	99 1/2	Exchequer 5½% 1965	105 1/16	105 1/4	2 10 7	4 19 0
85 7/8	78 5/8	Funding 3% 1966–68	85 3/4*	85 9/16*	3 10 4	4 18 2
98 1/8	91 1/8	Victory 4% 1966	98 1/4	98	2 13 1	4 9 8
89 13/16	81 9/16	Conversion 3½% 1969	89 3/4	89 9/16	3 6 8	5 0 1
100 1/4	92 1/4	Conversion 5½% 1974	99 7/16	99 1/2	3 1 9	5 7 0
78 3/4	71 1/8	Treasury 3½% 1977–80	78 3/4	78 1/2	3 9 2	5 4 21
78 3/8	70 3/8	Treasury 3½% 1979–81	77 16/32*	77 1/8*	3 10 1	5 4 11
103	98 1/2	Funding 5½% 1982–84	101 13/16	101 7/8	3 1 1	5 7 4e
67 5/8	60	Redemption 3% 1986–96	67 3/8	67 1/8	3 5 6	5 0 11
74 1/2	64 3/8	Funding 3½% 1999–2004	73 1/8	72 7/8	3 2 9	5 0 7f
76 5/8	69 9/16	Consols 4% after Feb. 1957	75*	74 3/8*	3 1 10	5 5 1f
69 9/16	63 1/8	War Loan 3½% after 1952	67 11/16	67 7/8	3 0 3	5 5 5f
68 7/8	62 3/8	Conv. 3½% after Apr. 1961	67 5/16	67 1/2	3 0 2	5 3 3f
60	54 3/8	Treasury 3% after Apr. 1966	59 1/4	59	2 19 0	5 4 4f
53 1/2	46 3/4	Consols 2½%	53 1/4	53 1/8	2 14 7	4 14 4f
51 3/16	46 3/4	Treasury 2½% after Apr. 1975	50 13/16	50 3/8	2 17 7	5 0 10f
95 5/8	90 1/8	British Electric 4½% 1967–69	94 7/8*	94 3/4*	3 3 3	5 2 6f
79 11/16	72 1/16	British Electric 3% 1968–73	79 1/2	79 3/8	3 13 0	5 3 3f
76 11/16	68 5/8	British Electric 3% 1974–77	76 3/8	76 3/8	3 11 0	5 2 11
89 3/8	82 5/8	British Electric 4½% 1974–79	89 1/4	89 1/4	3 4 3	5 4 4f
79 3/8	72 5/16	British Electric 3½% 1976–79	79 1/4	79 1/16	3 9 2	5 4 3f
88 3/4	82 7/16	British Gas 4% 1969–72	88 1/2*	88 1/4*	3 7 1	5 3 6f
87 1/16	79 1/4	British Gas 3½% 1969–71	86 7/8	86 13/16	3 2 7	5 1 4f
68 13/16	60 7/16	British Gas 3% 1990–95	68 3/4	68 3/8	3 4 7	5 4 18
79 11/16	72 1/16	Brit. Transport 3% 1968–73	79 1/2	79 1/8	3 13 0	5 5 3
85 13/16	79 1/4	Brit. Transport 4% 1972–77	85 9/8	85 1/2	3 7 2	5 5 0
69 15/16	60 15/16	Brit. Transport 3½% 1978–88	68 3/8	69	3 9 6	5 5 2

Prices, 1958/9 High	Prices, 1958/9 Low	FIXED INTEREST STOCKS	Price, Jan. 14, 1959	Price, Jan. 21, 1959	Yield, Jan. 21, 1959 §
		DOMINION AND COLONIAL			
100 11/16	96 3/8	Australia 3½% 1954–59	100 1/4	100 3/8	2 12 0f
106 1/2	97 7/8	Australia 6% 1974–76	106 1/2	106 1/8	5 7 3e
76 3/4	73 1/2	Ceylon 4% 1973–75	76 3/4	76 3/4	6 6 7f
102 1/4	94 1/2	Jamaica 6% 1977–82	102 1/4	101 1/2*	5 17 3e
106 7/8	97 7/8	New Zealand 6% 1975–80	106 1/2	106 3/4	5 7 9e
101 7/8	93 1/4	Rhodesia and Nyasaland 6% 1976–79	101 7/8	101 3/4	5 17 9e
74 5/8	69	Southern Rhodesia 2½% 1965–70	73 1/2	73 7/8	5 14 9f
		CORPORATION AND PUBLIC BOARDS			
102	98 1/4	Agricultural Mortgage 5½% 1980–85	100 1/2	100 1/2	5 9 2e
105	98 7/8	Birmingham 5¾% 1974–76	103	103	5 9 1e
92 3/4	86	Bristol 3% 1958–63	92 1/2	92 1/2	5 2 0f
97	91 1/2	Glasgow 4¾% 1966–68	97	96 3/4	5 4 11
100 3/4	96 1/2	Corporation of London 5¼% 1976–79	100 1/4	100 3/4	5 4 10f
57 3/4	53	L.C.C. 3% after 1920	56 3/4	55 1/2	5 6 2f
64	56	Met. Water Board 'B' 3% 1934–2003	63 3/4	63 1/2	5 1 1f
		FOREIGN BONDS			
106 1/2	83	German 7% 1924 (British Enfaced 5%)	106	106 1/2	...
183 1/2	154	German 5½% 1930 (Enfaced 4½%)	182 1/2	183 1/2	...
28	12 3/8	Greek 7% Refugee 1924	24	27 3/4	Nil
169	160	Japan 5% (Enfaced) 1907	165 1/2	166 1/2	...
119 1/2	105 1/2	Japan 6% (Enfaced) 1924	114 1/2*	115 1/4 *	...
58	48	Uruguay 3½% Bonds (Assented)	57	58	...

NEW YORK CLOSING PRICES

	Jan. 14 $	Jan. 21 $		Jan. 14 $	Jan. 21 $		Jan. 14 $	Jan. 21 $
Ath. Topeka	30 1/2	29 7/8	Boeing	43 1/2	45 1/2	Inter. Nickel	88 1/4	88 5/8
Can. Pacific	29 7/8	31 1/8	Celanese	27 5/8	29 3/8	Inter. Paper	120	119 5/8
Pennsylvania	18 5/8	18 1/4	Chrysler	52 1/8	53 1/2	Kennecott	102 3/4	103 7/8
Union Pacific	36	36 1/8	Col. Palmolive	92 1/4	90 1/2	Monsanto	40	42 1/8
Amer. Electric	51 1/2	51 5/8	Crown Zeller	59 1/2	58 1/4	Nat. Distillers	30 3/4	31 5/8
Am. Tel. & Tel.	234 1/2	230 3/4	Distillers Seag.	36	35 7/8	Pan-American	27 5/8	29 1/4
Cons. Edison	65 3/8	67 1/2	Douglas	56 1/4	59	Procter Gamble	76 5/8	76 1/2
Int. Tel. & Tel.	64	62 5/8	Du Pont	211	213 3/4	Radio Corpn.	50	48 3/4
Standard Gas	33 1/8	31 1/2	East. Kodak	146 1/4	145 3/4	Sears Roebuck	40 1/8	43 5/8
United Corpn.	87 1/8	85 5/8	Ford Motor	55 3/8	55 3/4	Shell Oil	85 1/4	85 7/8
Western Union	32 1/4	34 1/2	Gen. Electric	79 1/2	78 5/8	Socony-Mobil	48 1/4	49 3/8
Alcoa	88 7/8	86 1/2	General Foods	77 1/2	81	Stand. Oil Ind.	48 7/8	48 3/4
Aluminium	32 7/8	32 5/8	General Motors	49 3/4	49 7/8	Stand. Oil N.J.	56 1/2	58
Amer. Can	49 7/8	49 7/8	Goodyear	119 1/4	125	20th Cent. Fox	39 7/8	39 1/8
Am. Smelting	49 1/2	49 3/8	Gulf Oil	125 1/2	126 1/8	Union Carbide	125	125 3/4
Am. Viscose	37 3/8	39 3/4	Heinz	71	68	U.S. Steel	47 1/4	47
Anaconda	67	67 1/4	Int. Bus. Mach.	525	515	West. Electric	74	74 1/2
Beth. Steel	52 1/4	53 1/8	Int. Harvester	42 3/8	41 5/8	Woolworth	57 3/8	56

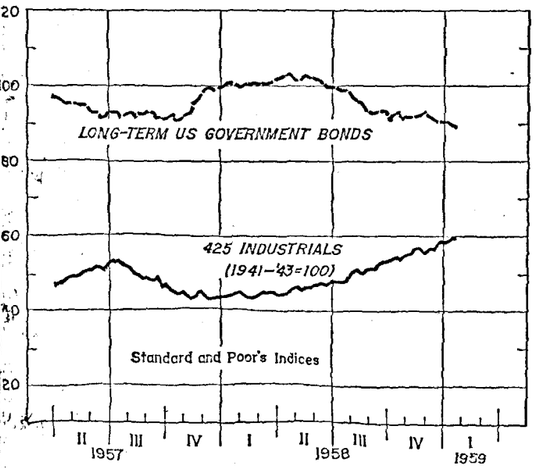
* Ex dividend. † Tax free. ‡ Assumed average life 9¼ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date. (m) Assented stock

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Jan. 14, 1959	Price, Jan. 21, 1959	Yield, Jan. 21, 1959
				STEEL AND ENGINEERING			
58/9	47/–	7½ b	7½ a	A.E.U. £1	58/–	57/6	5·22
52/6	39/3	8½ b		B.I.C.C. £1	49/9	48/6	5·15
42/9	24/7½	147/12d	355/12 b	Decca Record 4/–	35/3	36/3	4·71
63/–	21/–	11¼ c		E.M.I. 10/–	55/6	54/9	3·65
61/10½	44/6	10 b	4 a	English Electric £1	59/6¶	58/6¶	4·79
40/6	29/9	3½ a	6½ b	General Electric £1	39/3	39/3	5·10
17/–	10/3	12½ c		Pye Defd. 5/–	15/3	15/–	4·17
97/3	74/6	11 b	6½ a	A. Reyrolle £1	95/–	93/–	3·76
				MOTORS AND AIRCRAFT			
14/2½	6/7½	12½ c	4 a	British Motor 5/–	13/3	14/1½	6·19
51/9	31/9	6 b	3½ a	Ford Motor £1	51/4½	51/9	3·49
48/9	39/–	12½ c	12½ c	Leyland Motor £1	45/6	46/6	5·38
7/10½	4/1½	8 c	4 a	Rootes Motors 4/–	7/9	7/7½	4·20
10/–	6/7½	8 c	12 c	Standard Motor 5/–	9/–	8/7½	6·95
26/6	14/4½	11 b	4½ a	Dunlop Rubber 10/–	24/7½	24/–	6·32
45/6	28/–	21½ a	5 b	Joseph Lucas £1	44/3	44/6	4·49
26/11½	12/5¼	14 b	7½ a	Pressed Steel 5/–	24/9¾	24/2¼	4·44
51/3	32/9	20 c	7½ a	Triplex Holdings 10/–	48/6	48/6	5·67
14/4½	8/7½	6½ b	3½ a	Bristol Aeroplane 10/–	10/4½	9/10½	10·13
33/4½	14/3	7½ c	7½ c	De Havilland £1	16/11¼	17/2¼	8·73
48/6	29/3	15 a	15½ b	Dowty Group 10/–	45/6	45/–	4·44
34/9	24/9	3 a	7 b	Hawker Siddeley £1	31/10½	33/1½	6·04
106/3	82/9	15 b	5 a	Rolls-Royce £1	106/–	103/9	3·86
				PAPER AND NEWSPAPERS			
47/6	26/6	8 b	4½ a	Bowater Paper £1	46/6	46/3	5·41
52/3	27/9	9 b	5 a	Albert E. Reed £1	49/9	52/3	5·36
24/9	16/–	5 b	3 a	Spicers 10/–	23/9	23/6	6·81
24/6	8/9	7½ a	12 b	Daily Mirror 'A' 5/–	24/1½	23/6	4·15
29/–	18/6	5 a	12½ b	Odhams Press 10/–	26/3*	26/6*	6·60
				TEXTILES			
24/11½	19/6	6½ b	2½ a	J. & P. Coats £1	22/4½	23/7½	7·41
21/–	12/10½	5 b	5 a	Fine Spinners £1	20/7½	21/–	9·52
41/4½	29/10½	5 a	12½ b	Lancashire Cotton £1	40/–	40/–	8·75
38/4½	30/–	12½ c	2½ a	Patons & Baldwins £1	37/–	36/4½	6·87
6/8½	4/3	6 c	4 a	Salts (Saltaire) 5/–	5/3	5/7½	5·33
53/11½	38/4½	10 b	5 a	Woolcombers £1	52/–	52/3	5·74
19/11½	10/11½	6 c	Nil	Bradford Dyers £1	18/3	18/–	—
48/4½	33/11½	22½ c	6 c	Calico Printers £1	38/3	39/4½	11·43
34/10½	19/7½	5 b	3 a	Courtaulds £1	34/–	34/3	4·67
13/7½	8/10½	3 a	10 b	Jute Industries 10/–	11/9*	11/9*	11·06
30/6	15/3	7½ c	7½ c	Tootal £1	25/–	26/–	5·77
				DRAPERY & STORES			
21/10½	14/9¾	14·4c	3 a	Boots Pure Drug 5/–	20/9	20/6	3·51
29/3	16/9	3¼ b	10 a	Debenhams 10/–	29/3	29/–	5·17
34/3	17/3	25 b	7½ a	G.U.S. 'A' 5/–	33/4½	33/3	4·69
80/–	55/6	12½ a	5 b	Harrods £1	75/–	75/6	4·64
35/3	20/3	25 b	10 a	House of Fraser 'A' 5/–	33/9	34/3	5·88
16/6	10/6	13·6c	7 a	Lewis's Investment 4/–	16/3	16/6	3·26
55/9	37/3	22½ b	12½ a	Marks & Spencer 'A' 5/–	53/4½	53/9	4·51
37/6	21/–	20 b	12½ a	United Drapery 5/–	36/6	36/–	4·04
53/11½	34/7½	26½ b	13½ a	Woolworth 5/–	52/4½	49/6	4·04

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Jan. 14, 1959	Price, Jan. 21, 1959	Yield, Jan. 21, 1959
				BANKING			
37/3	31/9	6 a	6 b	Barclays £1	56/9*	56/6*	4·25
46/3	27/6	4½ a	5½ b	Lloyds £1	44/6*	44/6*	4·49
87/3	57/6	9 a	9 b	Midland £1	85/3*	85/3*	4·69**
92/–	59/3	9 a	11 b	*National Provincial* £1	88/3*	90/–*	4·44
56/3	36/–	5 a	7½ b	Westminster 'B' £1	53/3*	53/3*	4·69
73/9	47/9	7½ a	9½ b	District £3	69/4½*	69/4½*	4·90
23/–	12/11½	7½ a	12½ b	Martins 5/–	22/–*	23/–*	4·35
43/9	33/3	5 a	7½ b	Com. Bk. of Scot. 'A' 10/–	32/4½	33/11½	3·77
69/9	46/–	7 a	9 b	Royal Bank of Scotland £1	69/6	68/6	4·67
38/6	31/3	4 a	5 b	Barclays D.C.O. £1	38/6	38/9	4·65
46/6	31/3	7½ b	7½ a	Chartered Bank £1	45/6	45/–	6·67
£28 11/16	£20	$2·10c	$2·25c	Royal Bank of Canada $10	£28 1/4	£28 3/8	2·92
£20 3/4	£14 15/16	$1·60c	$1·65c	Bank of Montreal $10	£20 1/4	£20	3·04
31 3/4	25 5/8	9 c	9 c	Bank of New S. Wales £20	31 1/2	31 3/4	4·54g
34/3	28/–	5 b	4 a	*Bank of Ldn. & S. Amer.* £1	34/–	33/3	5·41
				FINANCIAL			
30/–	18/–	2½ a	5 b	Alexanders £1	29/6	30/–	5·00
49/–	29/6	5 a	7 b	*National Discount 'B'* £1	45/–*	44/6*	5·39
63/–	40/9	6¼ a	6¼ b	Union Discount £1	61/3	61/6	4·07
44/6	32/9	3 6/3 c	18½ a	*Commercial Union* 5/–	42/6	44/–	4·17
143/9	102/6	12½ a	15 b	Employers Liability £1	140/–	138/9	3·96
196/3	117/6	16·2a	16·2a	Equity & Law 8/6	195/–	191/3	2·50
202/6	113/9	60 b	40 a	Legal & General 5/–	200/–	196/3	2·55
120/–	86/3	†50 b	†20 a	Pearl 5/–	119/6	118/6	5·14
225/–	154/–	†132½ c	†147½ c	*Prudential 'A'* 4/–	222/6	217/6	4·73
83/–	63/9	8 b	8 a	Royal Exchange £1	81/6	82/6	3·88
37/11½	16/–	10 a	17½ b	Bowmaker 5/–	34/10½	37/11½	3·70**
23/9	16/10½	7½ b	7½ a	Lombard Banking 5/–	21/9	23/3	3·23
26/9	7/3	16 b	4 a	U.D.T. £1	12/3	12/6	3·19
40/–	19/9	17½ b	10 a	B.E.T. 'A' Defd. 5/–	36/6	37/4½	3·68
13/10½	7/11	10 c	10 c	Cable & Wireless 5/–	13/7½	13/9	3·64
23/3	7/10½	2½ b	2 a	Land Securities 10/–	23/3	21/10½	2·74**
16/9	8/7½	5 9/12c	2 11/12a	London & County 10/–	16/–	16/6	4·04**
				FOOD, DRINK AND TOBACCO			
53/6	27/–	30 c	10 a	Allied Bakeries 'A' 5/–	50/–	49/6	3·03
26/–	13/4½	20 c	7 a	Beecham Group 5/–	24/4½	24/–	4·17
12/–	6/5¼	7 b	2½ a	International Tea 5/–	11/–	11/3	4·22
84/–	40/11½	9½ b	5 a	*J. Lyons 'A'* £1	78/9	76/11½	3·63
19/10½	13/7½	5 a	5 b	Ranks 10/–	19/9	19/6	5·13
20/–	7/9	7½ b	2½ a	Schweppes 5/–	19/1½	18/10½	3·97**
76/6	48/9	12 b	4½ a	Tate & Lyle £1	72/9	71/–	4·65
15/7½	7·5/6	17 b	8 a	Whitbread 'A' £1	102/–	102/6	4·88
40/4½	37/7½	†6 3/4 b	†10 a	Brit. Amer. Tobacco 10/–	58/7½	57/9	5·02
21/–	20/6	5 a	20 b	Gallaher 10/–	44/9	42/10½	5·83
11½ b	8½ a	Imperial Tobacco £1	56/7½	55/7½	7·19

* Yields based on assumed dividends:—Babcock & Wilcox, 13%. British Motor, 17½%. British Aluminium, 17½%. Debenham, 15%. E.M.I., 20%. Land Securities, 6%. London & County, 62½%. Joseph Lucas, 10%. Midland, 20%. Schweppes, 15%. Steel Co. of Wales, 9%. Triplex, 27½%.

AMERICAN SECURITY PRICES



Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Jan. 14, 1959	Price, Jan. 21, 1959	Yield, Jan. 21, 1959
				MISCELLANEOUS			
50/9	15/9	30 c	20 a	Assoc. Brit. Picture 5/–	45/–	49/6	—
45/6	28/–	11 c	5 a	British Match £1	43/6	43/6	5·06
54/6	28/3	6 b	4 a	British Oxygen £1	50/9	53/6	3·74
13 b	6/9	13 b	4 a	British Ropes 2/6	9/7½	10/3	4·15
44/–	21/–	41¼ a	7½ b	Glaxo 10/–	40/–‖	43/–‖	2·71
59/–	31/3	40 b	10 a	Hoover 'A' 5/–	58/–	58/6	4·27
195/–	133/9	18·17b	6·17a	Hudson's Bay £1	181/3	180/–	2·70
10/9	5/7½	12½ c	5 c	Rank Organisation 5/–	10/3	10/6	2·38
17/11½	11/8¼	22½ c	22½ c	Sears 'A' 5/–	16/6	16/10½	6·67
63/6	44/–	7 b	6¼ a	Thomas Tilling £1	62/–	62/6	4·24
76/4½	52/11½	5 a	10 b	Turner & Newall £1	74/10½	72/3	4·15
96/–	56/4½	8½ b	8½ a	Unilever £1	88/9	95/6	3·52
49/3	24/3	7½ b	3¾ a	United Glass Bottle £1	49/3	49/3	4·57
36/–	26/–	†10 b	†4½ a	United Molasses 10/–	34/9	34/9	7·09
				OIL			
58/6	39/9	†5 b	†2½ a	British Petroleum £1	55/3	56/–	4·66
87/3	59/11½	†7½ b	†5 a	Burmah Oil £1	79/–	79/6	5·65
£18 7/8	£13 7/8	17½ b	7½ a	*Royal Dutch* 20 fl.	£16 1/2	£16 3/8	2·89
165/–	117/6	†13¾ b	†5 a	Shell Transport £1	145/3	146/–	4·47
95/6	41/6	...	...	Ultramar 10/–	64/9	64/9	— d
39/6	25/6	13½ b	7½ a	Wakefield C.C. 10/–	37/6	37/6	5·49
				SHIPPING			
46/6	27/7½	13½ b	6½ a	Brit. & Com'wealth. 10/–	45/9	45/6	4·40
23/9	16/6	10 c	Nil	Bunard £1	19/6	18/9	...
35/6	27/3	10¾ c	10 c	Furness Withy £1	35/–	35/6	5·63
20/6	14/6	10 b	10 a	London & Overseas 5/–	20/–*	20/–*	5·00
8 b	2 a	8 a	3 a	P & O Defd. £1	38/3	37/3	5·91
17/9	12/–	5 c	Nil	Reardon Smith 10/–	17/6	17/–	—
25/6	19/3	7½ c	9 c	*Royal Mail* £1	24/–	25/–	7·20
				MINES			
173/9	115/–	60 b	20 a	Anglo-American 10/–	165/–	171/3	4·67
116/10½	73/9	10 a	15 b	General Mining £1	114/4½	116/10½	4·28
80 b	40 a	40 a	40 a	Union Corporation 2/6	48/6	49/4½	6·08
50 a	50 b	50 a	50 b	Daggafontein 5/–	31/4½	31/7½	15·81
126/3	76/3	40 a	60 b	Free State Geduld 5/–	115/–	126/3	3·96
35 b	35 a	35 a	35 a	Hartebeestfontein 10/–	63/–	62/3	11·24
68/9	46/6	50 a	50 b	President Brand 5/–	66/4½	68/–	7·35
123/11½	84/4½	60 a	80 b	Western Holdings 5/–	119/4½	123/11½	5·69
67/3	41/6	12½ b	5 a	Consolidated Zinc £1	65/3	62/3	5·62
130/7½	80/7½	120 b	80 a	*De Beers Defd. Reg.* 5/–	130/–	130/7½	7·66
$169	$132½	$3·75c	$3·75c	International Nickel n.p.v.	$157½	$158¼	4·22
22/3	17/–	10 b	4 a	Nuwara Eliya £1	16/9	16/9	16·72
1/11 3/4	1/11½	16 b	4 a	Grand Central 2/–	1/4½	1/4½	29·09
4/11¼	2/4½	25 b	5 a	London Asiatic 2/–	3/11¼	4/1¼	14·62
10½d	5½d	6 c	8 c	United Sterling 2/–	10½d	10½d	18·73
68/3	46/–	37½ b	12½ a	United Sua Betong £1	66/6	68/3	14·65
61/3	43/9	5 b	12½ b	Harrisons & Cros. Defd. £1	58/9	58/9	5·96
				TEA AND RUBBER			
24/–	24/–	24/–	24/–	Cons. Tea & Lands £1	18·13		
23/–	22/9	15 a	15 b	Jokai (Assam) £1	15·30		
16/9	16/9	10 b	4 a	Nuwara Eliya £1	16·72		
1/4½	1/4½	16 b	4 a	Grand Central 2/–	29·09		
3/11¼	4/1¼	25 b	5 a	London Asiatic 2/–	14·62		
8/7½	8/–	8 c	6 c	United Sterling 2/–	18·73		
53/–	53/9	4 a	4 a	*Rio Tinto Reg.* 10/–	4·84		
66/6	68/3	14·65					
58/9	58/9	5·96					

STOCK EXCHANGE INDICATORS

LONDON
The Economist Indicator

1958/9	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
Dec. 24	246·7	5·15				
„ 31	255·6	4·98				
Jan. 7	249·3	5·15				
„ 14	252·9	5·07	255·6 (Dec. 31)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
„ 21	251·6	5·10				

* 1953=100.

Financial Times Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
Jan. 14	220·9	5·25	93·46	4·71	14,167	High	High
„ 15	221·9	5·23	93·52	4·69	13,461	225·5	207·6
„ 16	223·1	5·20	93·52	4·69	14,879	(Dec. 31)	(July 9)
„ 19	221·1	5·25	93·47	4·72	19,831	Low	Low
„ 20	219·9	5·28	93·43	4·72	17,674	154·4	159·0
„ 21	220·2	5·27	93·54	4·71	15,066	(Feb. 25)	(Nov. 5)

† July 1, 1935=100. ‡ 1928=100.

NEW YORK
Standard and Poor's Indices (1941–3=10)

1958	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Dec. 22	57·30	3·23	33·56	4·62	42·50	3·86	90·60	3·83
„ 30	58·65	3·15	34·23	4·53	43·13	3·81	90·60	3·83
Jan. 7	58·51	3·16	34·83	4·45	43·63	3·76	90·50	3·84
„ 14	59·25	3·12	35·82	4·33	44·21	3·71	89·90	3·90
„ 21	59·75	3·10	36·15	4·29	44·19	3·71	89·30	3·95

425 Industrials:—1958/59: High, 59·75 (Jan. 21, 1959); Low, 48·20 (Jan. 10, 1958).

at a higher rate of interest than the classes subject to call at short notice made up £3.2 million of Leicester Permanent's new funds out of a total inflow of £10.4 million. Fixed term deposits and shares now account for 6.8 per cent of total subscribers' balances. The response to this attractive medium of investment when interest rates began to fall was evidently so good that the margin between the fixed and ordinary rates was reduced last October. There is no point in paying over the odds when the Building Societies Association's recommended rate is sufficient to attract new savings.

New mortgagors who bore the brunt of high interest rates benefited from Leicester Permanent's reduction in its *fixed rate, for the interest charged* on new mortgages was brought back to the Association's recommended rate of 6 per cent. New mortgage advances by the society rose by £674,000 to £8,705,000. The society was also intent on the orthodox and conservative policy of strengthening its liquid resources; its liquid assets at market value rose from £5.4 million to £7.2 million, raising the liquidity ratio at market values from 12.2 to 14.2 per cent. The ratio of reserves to total assets has been maintained at 5.9 per cent.

UNITED DAIRIES—COW & GATE

SUBJECT to Treasury consent, United Dairies and Cow & Gate have agreed "in principle" to merge. A new holding company will be set up on April 1st and it will exchange six of its 5s. ordinary units for £1 of UD ordinary stock and eight of these units for 20 of Cow & Gate's 1s. ordinary shares. United Dairies is the principal manufacturer of butter and cheese in this country; it has about 600 shops in the Greater London area; and it has the biggest milk "round" in that area. Cow & Gate is the second largest wholesale buyer of milk in this country and the second largest manufacturer of milk products. The directors of both companies say that the proposed merger is in the "national interest." Quite what they mean by that phrase is not clear, but it is obvious that economies will flow from the integration of these two complementary concerns and it may aid them in competing with the milk and dairy business of the co-operative retail societies.

For its part Cow & Gate must welcome an alliance with a group possessing over £5½ million in liquid assets, for its own expansion had left it by September 30th last with an overdraft of £1 million, against £840,000 in cash. On the other hand the alliance should be welcome to United Dairies, whose profits record has been comparatively static in recent years, for it will be linking itself with a company whose profits have been advancing steadily. But United Dairies as the bigger concern of the two must be looked upon as the senior partner in the new company; its chairman, Mr L. Maggs, will head the new concern with Mr E. Taylor of Cow & Gate as the deputy chairman.

The directors say that the market values of the ordinary shares of the respective companies are roughly three times par for the UD units and four times par for the Cow & Gate units, and that these values are in line with current dividend rates—15 per cent for UD and 20 per cent for Cow & Gate. Thus the proposed ratio of exchange is in keeping with "present dividend yields and is in line with market values." Stockholders in UD, however, are offered in addition £1 of 6 per cent preference stock in the new holding concern for every £4 of UD ordinary stock; this, the directors say, is to take account of the "surplus liquid funds" of UD. Finally, preference share holders, who are sometimes left out in the cold in such deals, are told that the possibility of extending the merger to cover their shares "is being examined." Throgmorton Street's reaction to these proposals was to leave the Cow & Gate units virtually unchanged at 4s. but to mark up the UD units by 1s. 3d. to 64s. 3d.

BOVRIL

BOVRIL has recently sold off most of its holding, which amounted to just under one million 5s. ordinary units, in Brand and Company, the preserved foods manufacturers. Most of the shares have been sold to the institutions at a price slightly under that ruling in the market. Since the completion of these sales, Brand units have risen from 13s. 9d. to 15s. Bovril recently added to its holdings in Virol so as to secure a controlling interest, but the £500,000 odd it has realised from the sale of the Brand shares will be spent in expanding its traditional business. Clearly, the directors believe that this money can be more profitably employed here than in retaining a holding in a company whose dividend record has been conservative and whose profits fell in 1957-58.

MONTAGUE BURTON

THE past record of Montague Burton, the multiple tailors, shows that its profits are vulnerable to swings in the prices of wool. Over its latest financial year to end-August, wool prices fell by 30 per cent and some loss on stocks, reflected in lower profits, was an obvious deduction for investors to make, especially as the group seemed to be intent on *keeping its selling prices down* and willing to accept lower margins in the hope that turnover would expand. *Nevertheless*, the actual drop in profits from £2,431,113 to £1,736,404 before tax and from £1,067,113 to £701,904 after tax—has surprised and dismayed the market. The 10s. ordinary shares were marked down from 31s. 6d. to 29s. 3d. and the non-voting 10s. "A" units from 24s. 9d. to 22s. 10½d. The ordinary dividend has been left unchanged at 10 per cent, and is still covered over twice by earnings. This company is *periodically the subject of* take-over rumours and the disparate yields—3.4 per cent on the ordinary and 4.4 per cent on the "A" units—are thin.

London Stock Exchange

FIRST DEALINGS:	Jan. 14	Jan. 28	Feb. 11
LAST DEALINGS:	Jan. 27	Feb. 10	Feb. 24
ACCOUNT DAY:	Feb. 3	Feb. 17	Mar. 3

GILT-EDGED stocks were reasonably firm before the weekend, only to encounter some selling on Monday after a public opinion poll put a more sober assessment on the Conservative party's election prospects. But prices rallied on Wednesday. Among the irredeemables, War Loan 3½ per cent lost ⅛ at 67⅛ and in the longer dated issues Treasury 3½ per cent 1977-80 dropped by ¼ to 78½. But the "tap" stock, Funding 1982-84 5½ per cent, remained firm at 101⅛. In colonial loans, St. Lucia 6 per cent placed at £98, closed on Wednesday at £99¾.

Industrial equities were also affected by the polls, losses spreading to virtually every sector of the market. Wednesday's rally throughout most of the industrial market did not spread to shipbuilding shares, which were depressed by the poor output figures. Swan Hunter fell by 1s. to 59s. and Harland and Wolff by 1s. 3d. to 21s. 6d. In miscellaneous industrials, Central Wagon lost 5s. 3d. to 22s. 9d. following the profit setback and Turner and Newall fell by 2s. 6d. to 72s. 3d. But Unilever NV, on Amsterdam buying, rose 1s. 6d. to 109s. and the Limited shares gained 6s. 9d. to 95s. 6d. Leading electrical shares rallied strongly, Decca gaining 2s. 3d. at 42s. 6d. and Philips Lamp 3s. 6d. at 94s. 6d. But "Emmies" eased 9d. to 54s. 9d. Stores closed strongly on Wednesday on consideration of the record December sales, but Debenhams, in which a big line of stock has been sold, closed on Wednesday 3d. weaker at 29s. *In a firm motor section*, Leyland rose by 1s. to 46s. 4d. and BMC, continuing their long rise, rose another 10½d. to 14s. 1½d. Textiles were firm in a market not too well supplied with stock, Linen Thread rising by 5s. 6d. to 22s. 6d., and Tootal by 1s. to 26s. Tobaccos were dull after their earlier rise, "Imps" losing 10½d. to 55s. 7½d. Insurance shares were irregular, Equity and Law falling by 6s. 3d. to 188s. 9d. and Legal and General by 3s. 9d. to 196s. 3d.

Oils were initially weak in sympathy with Wall Street but they also rallied on Wednesday. Thus BP were 9d. higher at 56s. over the week and *Burmah were 6d. better at 79s. 6d.* Ultramar, after sagging to 62s. 9d., rallied to 64s. 9d. Anglo-Egyptian "B" slipped by 5s. to 36s. 3d., with speculators selling on details of the Egyptian agreement.

In Kaffirs finance houses were strong, Anglo-American advancing by 6s. 3d. to 171s. 3d., Central Mining by 3s. to 78s. 6d., and General Mining the same figure to 116s. 10½d. Cape buying helped to push F. S. Geduld beyond the £6 mark for the first time since 1955; at 126s. 3d. they were 11s. 3d. better. St. Helena rose by 4s. 4½d. to 53s 6d., a new peak. Dealings in Western Deep Levels (nil paid) started at 20s.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended January 17, 1959, there was an "above-line" *surplus (after allowing for Sinking Funds)* of £95,252,000 compared with a surplus of £122,278,000 in the previous week and a surplus of £105,434,000 in the corresponding period of last year. There was a net expenditure "below-line" of £18,000 leaving a total deficit of £709,452,000 compared with £714,660,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to Jan. 18, 1958	April 1, 1958, to Jan. 17, 1959	Week ended Jan. 18, 1958	Week ended Jan. 17, 1959
Ord. Revenue					
Income Tax	2312,500	1196,522	1236,287	140469	132058
Surtax	163,000	82,000	85,500	9,900	9,500
Death Duties	163,500	133,500	145,000	3,000	3,400
Stamps	56,250	53,300	48,600	1,500	1,600
Profits Tax, EPT & EPL	275,000	212,700	235,700	7,300	3,700
Other Inland Rev. Duties	...	350	350	...	200
Total Inland Rev.	2970,250	1678,372	1751,437	162169	150458
Customs	1256,940	976,863	1025,800	23,466	23,193
Excise	932,310	720,375	706,155	4,440	4,155
Total Customs and Excise	2189,250	1697,238	1731,955	27,906	27,348
Motor Duties	104,000	60,063	70,126	1,234	13,561
PO (Net Receipts)	2,000	550	...	Dr. *1,800*	...
Broadcast Licences	34,000	21,200	22,900	...	...
Sundry Loans	30,000	29,295	26,152	22	...
Miscellaneous	110,000	138,137	83,193	6,077	11,791
Total	5439,500	3624,855	3685,763	195607	203158
Ord. Expend.					
Debt Interest	695,000	518,263	551,416	1,678	17,512
Payments to N. Ireland Exchequer	73,000	51,331	55,476	...	...
Other Cons. Funds	10,000	8,096	7,433	115	104
Supply Services	4292,859	3181,915	3280,252	87,800	90,050
Total	5070,859	3759,604	3894,577	89,593	107666
Sinking Funds	38,000	28,117	28,506	580	240
"Above-line" Surplus or Deficit	— 162,866	— 237,320	+ 105434	+ 95,252	
"Below-line" Net Expenditure*	551,794	472,132	49,316	18	
Total Surplus or Deficit.	714,660	709,452	56,118	+ 95,234	
Net Receipts from:					
Tax Reserve Certificates	115,198	184,686	—52382	—27227	
Savings Certificates	—16,300	111,200	1,700	5,200	
Defence Bonds	—29,357	77,058	— 572	3,022	
Premium Savings Bonds	62,760	53,275	2,540	530	
Total	132,301	426,219	—48714	—18475	

* Including net receipts of the Civil Contingencies Fund of £11 million in 1957 and 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Jan. 18	3,370·0	1,714·0	250·3	...	5,335·2
Oct. 18	3,320·0	1,756·1	214·2	...	5,290·3
„ 25	3,330·0	1,771·8	180·8	...	5,282·7
Nov. 1	3,340·0	1,755·3	193·9	...	5,289·2
„ 8	3,350·0	1,739·5	166·7	...	5,256·2
„ 15	3,370·0	1,655·2	194·4	...	5,219·6
„ 22	3,390·0	1,661·0	175·6	...	5,226·5
„ 29	3,410·0	1,659·2	173·3	...	5,242·5
Dec. 6	3,420·0	1,688·0	176·8	...	5,284·9
„ 13	3,440·0	1,687·6	190·1	...	5,317·7
„ 20	3,460·0	1,761·9	184·7	...	5,406·6
„ 31	5,351·0		222·2	0·3	5,573·4
1959					
Jan. 3	3,500·0	1,789·8	205·6	...	5,495·4
„ 10	3,450·0	1,734·9	206·0	...	5,390·8
„ 17	3,460·0	1,948·3	236·6	...	5,644·9

THE MONEY MARKET

THE allocation of Treasury bills at last week's tender was cut by £20 million to £220 million; total applications for the *offer of £240 million* rose slightly to £414 million. The excess of maturities over new bills this week was thus increased to £90 million, but credit was scarce in the money market, and small amounts money were taken at Bank rate on each of the first three days of the week. The banks were reluctant lenders in the course of making up their January balance sheets and outside institutions withdrew funds, causing an acute shortage of money on Wednesday. A very large amount of special assistance was given by the Bank.

The discount houses raised their common bid by 2d., to £99 4s. 5d. per cent, at last week's tender, but the allotment at the common price fell to 40 per cent, compared with 47 per cent a week earlier. The average rate of discount fell about ½ per cent to £3 2s. 3.42d. Conversely, the average rate for the allotment of United States Treasury 91-day bills rose sharply from 2.808 per cent to 3.035 per cent at last week's tender.

At yesterday's Treasury bill tender £230 million of 91-day bills were offered. Next week maturities of 91-day and 63-day bills will again amount to £310 million.

MONEY RATES: London

	%		%
Bank rate (from 41/2/59)	4	Discount rates:	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	3¼–3⅝
Discount houses	2–2¼	3 months	3¼–3⅝
Money:		4 months	3¼–3⅝
Day-to-Day	2⅜–3⅛	6 months	3¼–3⅜
Treasury bills:		Fine trade bills:	
2 months	3 3/32	3 months	4¼–5
3 months	1⅛	4 months	4¼–5
		6 months	4½–5¼

New York

	%		%
Official discount rate:		Treasury bills:	
(from 2%, 23/10/58)	2½	Jan. 12	2·808
		„ 19	3·035

BANK OF ENGLAND RETURNS

(£ million)	Jan. 22, 1958	Jan. 14, 1959	Jan. 21, 1959
*Issue Department**:			
Notes in circulation	1,966·4	2,039·2	2,011·2
Notes in banking dept.	34·0	61·1	39·2
Govt. debt and securities*	1,996·2	2,096·5	2,046·5
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	12·8	12·1	13·2
Bankers	206·4	208·5	248·0
Others	73·5	69·2	69·6
Total	292·7	289·8	330·8
Securities:			
Government	227·5	193·8	270·0
Discounts and advances	25·6	31·0	18·2
Other	21·5	21·2	21·0
Total	274·6	246·0	309·2
Banking department reserve	36·4	62·0	40·0
	%	%	%
"Proportion"	12·4	21·3	12·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,050 million January 21, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million): Allotted	Amount (£ million): Applied for	Three Month's Bills: Average Rate of Allotment	Three Month's Bills: Allotted at Max. Rate*
	91 day		s. d.	%
1958 Jan. 17	260·0	403·8	125 10·33	52
Oct. 17	250·0	435·7	72 3·08	45
„ 24	250·0	409·6	73 7·94	36
	91 day 63 day			
„ 31	200·0 50·0	442·9	71 8·23	46
Nov. 7	270·0 ...	433·7	71 7·04	45
„ 14	210·0 60·0	408·3	71 0·97	68
„ 21	210·0 60·0	408·5	68 4·68	42
„ 28	230·0 50·0	418·9	66 1·20	79
Dec. 5	260·0 30·0	489·2	64 5·75	40
„ 12	240·0 50·0	485·3	62 4·92	67
„ 19	240·0 50·0	443·5	63 0·96	73
„ 24	230·0 50·0	423·0	63 0·47	60
	91 day			
1959 Jan. 2	260·0	402·8	62 11·35	52
„ 9	260·0	407·4	62 10·22	47
„ 16	220·0†	414·0	62 3·42	40

* On January 16th tenders for 91 day bills at £99 4s. 5d. secured 40 per cent, higher tenders being allotted in full. The offer this week was for £230 million of 91 day bills.
† £240·0 mn. offered.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 21	Market Rates: Spot: January 15	January 16	January 17	January 19	January 20	January 21
United States $	2·78–2·82	$2·80\frac{1}{2}-\frac{5}{8}$	$2·80\frac{5}{8}-\frac{3}{4}$	$2·80\frac{3}{8}-\frac{3}{4}$	$2·80\frac{11}{16}-\frac{13}{16}$	$2·80\frac{11}{16}-\frac{13}{16}$	$2·80\frac{11}{16}-\frac{13}{16}$
Canadian $	...	$2·71\frac{3}{8}-\frac{1}{4}$	$2·71\frac{5}{8}-\frac{3}{4}$	$2·71\frac{5}{8}-\frac{3}{4}$	$2·71\frac{3}{8}-\frac{1}{2}$	$2·71\frac{1}{4}-\frac{3}{8}$	$2·71\frac{1}{2}-\frac{5}{8}$
French Fr.	13·6220–14·0265	$13·75\frac{3}{4}-76$	$13·76-76\frac{1}{4}$	$13·76-76\frac{1}{4}$	$13·76\frac{1}{4}-\frac{1}{2}$	$13·76\frac{3}{8}-\frac{5}{8}$	$13·76\frac{1}{2}-\frac{3}{4}$
Swiss Fr.	11·94–12·54⅞	$12·09\frac{1}{4}-\frac{3}{4}$	$12·09\frac{3}{8}-10\frac{1}{8}$	$12·09\frac{3}{4}-10$	$12·09\frac{3}{4}-10$	$12·09\frac{3}{4}-10$	$12·09\frac{3}{4}-10$
Belgian Fr.	137·96–140·20	$140·22\frac{1}{2}-$	$140·15-$	$140·22\frac{1}{2}-$	$140·25-27\frac{1}{2}$	$140·20-40$	$140·32\frac{1}{2}-37\frac{1}{2}$
Dutch Gld.	10·48–10·80	$10·57\frac{3}{8}-58$	$10·57\frac{5}{8}-58\frac{1}{8}$	$10·57\frac{5}{8}-58\frac{1}{8}$	$10·58\frac{1}{8}-\frac{3}{8}$	$10·58\frac{1}{8}-\frac{1}{2}$	$10·58\frac{1}{8}-\frac{3}{8}$
W. Ger. D-Mk.	11·59¼–11·92¾	$11·72\frac{1}{2}-\frac{3}{4}$	$11·72\frac{1}{2}-\frac{3}{4}$	$11·72\frac{1}{2}-\frac{3}{4}$	$11·72\frac{5}{8}-\frac{7}{8}$	$11·72\frac{5}{8}-\frac{7}{8}$	$11·72\frac{5}{8}-\frac{7}{8}$
Portuguese Esc.	79·17½–81·83½	80·15–25	80·20–30	80·20–30	80·10–25	80·10–20	80·10–20
Italian Lire	1725–1775	$1747\frac{1}{4}-\frac{3}{4}$	$1747\frac{1}{2}-48$	$1747\frac{3}{4}-48\frac{1}{4}$	$1748\frac{1}{4}-\frac{3}{4}$	$1748-48\frac{1}{2}$	$1747\frac{1}{4}-\frac{3}{4}$
Swedish Kr.	14·37¾–14·59¼	$14·51\frac{1}{4}-\frac{1}{2}$	$14·51\frac{3}{4}-52$	$14·52-52\frac{1}{4}$	$14·52-52\frac{1}{4}$	$14·52\frac{1}{4}-\frac{1}{2}$	$14·52\frac{1}{4}-\frac{1}{2}$
Danish Kr.	19·06½–19·62	$19·36\frac{3}{8}-\frac{7}{8}$	$19·36\frac{7}{8}-37\frac{1}{8}$	$19·37-37\frac{1}{4}$	$19·37\frac{1}{8}-\frac{3}{8}$	$19·37\frac{1}{8}-\frac{3}{8}$	$19·37\frac{1}{8}-\frac{3}{8}$
Norwegian Kr.	19·71–20·30½	20·02–02¼	20·02–02¼	$20·01\frac{7}{8}-02\frac{1}{8}$	$20·01\frac{7}{8}-02\frac{1}{8}$	$20·01\frac{3}{4}-02$	$20·01\frac{3}{4}-02$
One Month Forward Rates							
United States $		$\frac{3}{16}-\frac{1}{16}$c. pm	$\frac{3}{16}-\frac{1}{16}$c. pm	$\frac{3}{16}-\frac{1}{16}$c. pm	$\frac{3}{16}-\frac{1}{16}$c. pm	$\frac{3}{16}-\frac{1}{16}$c. pm	$\frac{3}{16}-\frac{1}{16}$c. pm
Canadian $		par–$\frac{1}{8}$c. dis	par–$\frac{1}{8}$c. dis	par–$\frac{1}{8}$c. dis	par–$\frac{1}{8}$c. dis	par–$\frac{1}{8}$c. dis	par–$\frac{1}{8}$c. dis
French Fr.		par–3c. dis	par–3c. dis	par–3c. dis	par–3c. dis	par–3c. dis	par–3c. dis
Swiss Fr.		$1\frac{1}{8}$–1c. pm	$1\frac{1}{8}$–$\frac{7}{8}$c. pm	$1\frac{1}{8}$–$\frac{7}{8}$c. pm	$1\frac{1}{8}$–$\frac{7}{8}$c. pm	$1\frac{1}{4}$–1c. pm	$1\frac{1}{4}$–1c. pm
Belgian Fr.		10–20c. dis	15–25c. dis	15–25c. dis	15–25c. dis	15–20c. dis	12–17c. dis
Dutch Gld.		$\frac{5}{8}-\frac{3}{8}$c. pm	$\frac{1}{2}-\frac{1}{4}$c. pm	$\frac{1}{2}-\frac{1}{4}$c. pm	$\frac{1}{2}-\frac{1}{4}$c. pm	$\frac{1}{2}-\frac{1}{4}$c. pm	$\frac{1}{2}-\frac{3}{8}$c. pm
W. Ger. D-Mk.		$\frac{5}{8}-\frac{3}{8}$pf. pm	$\frac{5}{8}-\frac{3}{8}$pf. pm	$\frac{5}{8}-\frac{3}{8}$pf. pm	$\frac{5}{8}-\frac{3}{8}$pf. pm	$\frac{5}{8}-\frac{3}{8}$pf. pm	$\frac{5}{8}-\frac{3}{8}$pf. pm
Three Months Forward Rates							
United States $		$\frac{5}{16}-\frac{3}{16}$c. pm	$\frac{5}{16}-\frac{3}{16}$c. pm	$\frac{5}{16}-\frac{3}{16}$c. pm	$\frac{5}{16}-\frac{3}{16}$c. pm	$\frac{5}{16}-\frac{3}{16}$c. pm	$\frac{5}{16}-\frac{3}{16}$c. pm
Canadian $		$\frac{1}{16}-\frac{1}{16}$c. dis	$\frac{1}{16}-\frac{1}{4}$c. dis	$\frac{1}{16}-\frac{1}{4}$c. dis	$\frac{1}{16}-\frac{1}{16}$c. dis	$\frac{1}{16}-\frac{1}{16}$c. dis	$\frac{1}{16}-\frac{1}{16}$c. dis
Swiss Fr.		$2\frac{3}{4}-2\frac{1}{2}$c. pm	$2\frac{3}{4}-2\frac{1}{2}$c. pm	$2\frac{3}{4}-2\frac{1}{2}$c. pm	$2\frac{3}{4}-2\frac{1}{4}$c. pm	$2\frac{3}{4}-2\frac{1}{4}$c. pm	$2\frac{3}{4}-2\frac{1}{2}$c. pm
W. Ger. D-Mk.		$1\frac{1}{4}$–1pf. pm	$1\frac{1}{4}$–1pf. pm	$1\frac{1}{4}$–1pf. pm	$1\frac{1}{4}$–1pf. pm	$1\frac{1}{4}$–1pf. pm	$1\frac{3}{8}-1\frac{1}{8}$pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/11½	249/10¾	...	250/–	250/0¼	249/11¼

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

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

BRITISH		OVERSEAS	
World Trade	Oct. 18th		
Prices and Wages	Jan. 10th	Western Europe Statistics	Dec. 6th
Manpower and Output	This week	British Commonwealth	Oct. 11th
External Trade	Jan. 3rd	United States	Dec. 20th
Industrial Profits	Jan. 17th		

	Unit	Mid-year or averages			1957			1958			
		1956	1957	1958	Oct.	Nov.	Dec.	Sept.	Oct.	Nov.	Dec.
TOTAL MANPOWER		June figures									
Working population :											
Total	'000s	24,107	24,188	24,073	24,291	24,264	24,148	24,134	24,149	24,126	...
Men	,,	16,188	16,225	16,169	16,254	16,238	16,218	16,190	16,194	16,168	...
Women	,,	7,919	7,963	7,904	8,027	8,026	7,930	7,944	7,955	7,958	...
Armed Forces	,,	761	702	614	665	656	650	599	598	594	...
Civil employment :											
Total	,,	23,149	23,245	23,083	23,325	23,287	23,131	23,097	23,078	23,043	...
Manufacturing industries	,,	9,269	9,271	9,119	9,371	9,355	9,300	9,108	9,104	9,088	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955 :											
Employees in engineering(1)	,,	+ 53	+ 48	+ 35	+ 109	+ 113	+ 106	+ 22	+ 17	...	...
,, ,, consumer goods industries(2)	,,	− 9	+ 2	− 96	+ 21	+ 6	− 27	− 86	− 87	...	...
UNEMPLOYMENT		Monthly averages									
By duration :											
All durations—total	,,	257·0	312·5	457·4	275·2	316·5	335·4	476·0	513·8	536·0	531·7
Temporary or under 2 weeks—	,,	98·2	95·7	141·0	85·7	101·9	96·7	164·7	173·2	154·0	141·6
Over 8 weeks—	,,	93·1	129·3	197·7	111·0	119·3	129·4	193·0	211·6	237·7	248·3
By regions (3) :											
Great Britain	,,	1·2	1·4	2·1	1·3	1·5	1·5	2·2	2·3	2·4	2·4
London and South Eastern	,,	0·8	1·0	1·3	0·9	1·0	1·1	1·2	1·4	1·5	1·4
Eastern	,,	1·0	1·3	1·7	1·1	1·3	1·5	1·5	1·6	1·7	1·7
Southern(4)	,,	1·0	1·3	1·6	1·2	1·4	1·4	1·5	1·8	1·8	1·8
South Western(4)	,,	1·2	1·8	2·2	1·7	2·0	2·2	2·1	2·5	2·6	2·6
Midland	,,	1·1	1·3	1·6	1·0	1·0	1·0	1·9	1·9	1·9	1·8
North Midland	,,	0·6	1·0	1·6	0·8	0·9	1·0	1·7	1·7	1·7	1·8
East and West Ridings	,,	0·8	0·9	1·9	0·8	1·0	1·0	2·4	2·5	2·4	2·3
North Western	,,	1·3	1·6	2·7	1·4	1·6	1·6	3·1	3·2	3·2	3·3
Northern	,,	1·6	1·7	2·4	1·4	1·7	1·8	2·5	2·8	3·1	3·2
Scotland	,,	2·4	2·6	3·8	2·2	2·6	2·9	3·7	4·0	4·4	4·4
Wales	,,	2·0	2·6	3·8	2·5	2·9	3·0	3·7	4·1	4·1	4·1
VACANCIES											
Unfilled vacancies notified to Employment Exchanges : Total	'000s	390	276	198	274	252	236	179	167	159	163
INDUSTRIAL PRODUCTION											
Index :											
All industries	1954=100	106	107	...	112	115	105	107	110	112–113(6)	...
,, ,, *seasonally adjusted*	,,	...	...	...	*106*	*109*	*106*	*104*	*105*	*106–107(6)*	...
Mining and quarrying	,,	99	99	...	100	105	96	93	99	...	...
Construction	,,	106	106	...	...	106(5)	...	105(5)	...	...	...
Gas, electricity and water	,,	110	112	...	114	125	131	104	116	...	...
Manufacturing, total	,,	106	108	...	113	116	105	108	111	...	...
,, ,, *seasonally adjusted*	,,	...	...	...	*107*	*109*	*107*	*105*	*106*	...	...
Engineering and electrical goods	,,	107	111	...	116	121	109	112	...	...	...
Shipbuilding	,,	117	108	...	111	113	114	108	...	...	...
Vehicles	,,	107	115	...	116	126	117	115	...	...	...
Chemical trades	,,	111	115	...	120	119	111	116	...	...	...
Textiles, leather and clothing	,,	99	99	...	103	103	85	95	...	...	...
BASIC MATERIALS		M/W averages									
Production of :											
Coal (5) (7) W	'000 tons	4,269	4,301	4,145	4,353	4,610	4,220	4,116	4,331	4,436	4,136
Pig iron W	,,	253	275	245	286	282	276	231	242	234	223
Steel, ingots and castings W	,,	397	417	370	438	429	393	369	364	352	314
Sulphuric acid M	,,	187·2	194·7	...	199·7	191·0	206·8	280·1	198·9	...	...
Newsprint W	,,	12·36	12·55	...	12·90	12·26	11·06	12·28	11·83	...	...
Electricity (5) M	mn. kwh	7,263	7,581	...	8,039	8,812	9,443	7,250	8,565	9,190	...
MANUFACTURING											
Textile production :											
Cotton yarns, single W	mn. lb.	16·33	16·85	...	17·61	18·31	15·82	14·30	15·25	15·23	...
Worsted yarn M	,,	19·38	19·48	...	21·94	20·11	16·60	17·90	20·48	18·40	...
Rayon and synthetic fibres M	,,	40·21	41·32	...	41·94	39·94	35·15	31·97	35·84	37·63	...
Cotton cloth, woven W	mn. yds.	31·0	31·4	...	32·8	34·3	29·4	24·8	27·5	27·2	...
Wool fabrics, woven M	mn.sq.yds	33·1	32·8	...	35·0	33·6	30·1	30·5	33·7	30·0	...
Engineering production :											
Passenger cars and chassis W	'000s	13·61	16·56	19·80	19·85	20·99	18·18	20·45	19·87	19·83	17·93
Commercial vehicles and chassis W	,,	5·71	5·54	5·89	6·34	6·74	6·18	5·86	5·91	6·00	5·93
Metal-working machine tools M	'000 tons	12·90	14·10	...	...	14·20(5)	...	11·72(8)	...	...	...
Internal combustion engines M	'000 BHP	411	406	...	411	386	407	370	...	...	...
BUILDING ACTIVITY (5)											
Permanent houses completed :											
Total M	'000s	25·03	25·09	...	26·40	26·48	23·90	24·29	25·33	23·06	...
By private builders M	,,	10·35	10·54	...	11·70	11·23	10·05	12·43	12·36	11·77	...

(1) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (2) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (3) Number registered as unemployed expressed as a percentage of the estimated number of employees. (4) Dorset (excluding Poole) was transferred from the Southern to the South Western Region on May 12, 1958. (5) Great Britain. (6) Provisional estimate. (7) Excluding all screening losses normally amounting to around 5,000 tons a week. (8) Average for third quarter. (9) Average for fourth quarter.



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For further appointments and other classified advertisements see page 365

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MILLIONS OF MEN WITH TEASPOONS!

RITCHIE CALDER, the science writer, tells about world wide possibilities for mechanical handling equipment (or automation if you prefer) . . .

LIKE GNOMES in some weird, exotic fairy-tale, copper-red bodies were swarming up swaying bamboo ladders with baskets of rubble on their heads. Others, in parasol hats, were crouched over great boulders which they were breaking up with chisels and wedges into pieces small enough for the basket carriers. This was in central Java, where the peasants were hewing a canal through the volcanic mountains. Along the canal would eventually flow the waters of the Progo River, to cascade over the terraces of The Hungry Hills. Here rice would grow where it had never been grown before.



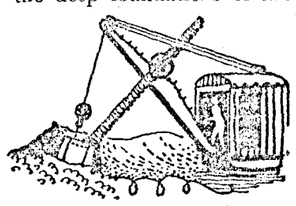
SAME METHODS AFTER 2,500 YEARS

My brain, teetering in the sweltering heat, tried to grasp that this was the mid-Twentieth Century; this freakish effort of flesh-and-blood and primitive iron was how, as long ago as 542 BC, the slaves must have dug the Hillah Canal in Ancient Babylonia. Two thousand five hundred years later, the Javanese peasants had taken twelve months to cut 2½ miles of their 40 mile canal.

With picks and mattocks, hammers and chisels, they were engaged in a desperate clod-by-clod battle with the earth to dig that canal and get more food. With a few sticks of gelignite, mechanical diggers, hoppers and bulldozers, they could have had it in as many months as the years they were now taking.

It reminded me of an incident in the 1930's when I was standing on a bridge near London watching a giant steam-shovel biting off tons of earth to each 'mouthful', digging a railway cutting. Unemployed men were watching too and one of them said bitterly: "If it weren't for that ruddy machine, there would be work for hundreds of men with picks and shovels". "Or", said another bystander, "millions of men with teaspoons".

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The Economist

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UNDER SECRETARY TO GOVERNMENT 9 - MAR 1959 PUBLIC DEPARTMENT

A Judgment on Price-Fixing
(page 425).

Lancashire under the Hammer
(page 426).

To Whom it may Concern
(page 427).

The Virtues of Buying Cheap
The American decision at Greer's Ferry, like the judgment of the Restrictive Practices Court, throws into the limelight one of the most ignored problems of our times. (page 385).

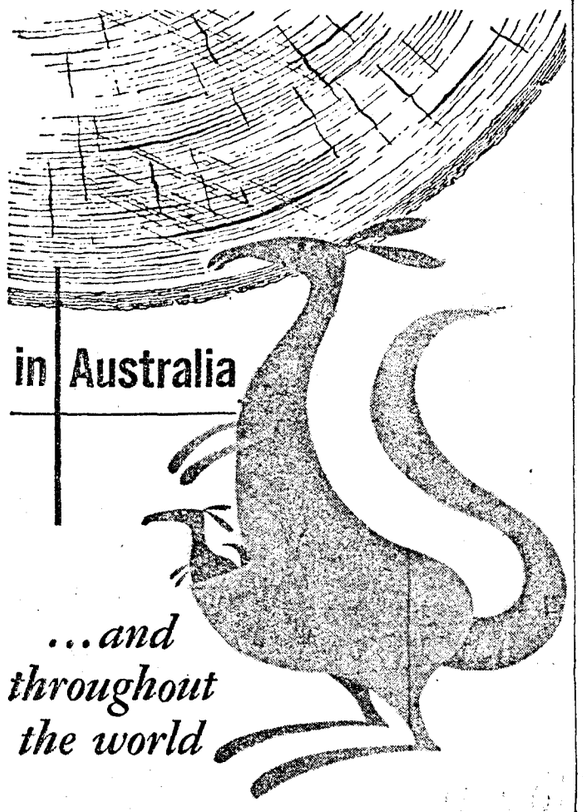
The Congo and White Africa (page 390).
America's High Price for Restraint (page 409).
Lessons for Lombard Street (page 428).



Mr Khrushchev's Foreign Fronts
The diplomatic outlook for Russia is the subject of the second article in the series "Towards the Nineteen-Sixties" (page 387).

Moscow Message to Congress
(page 419).

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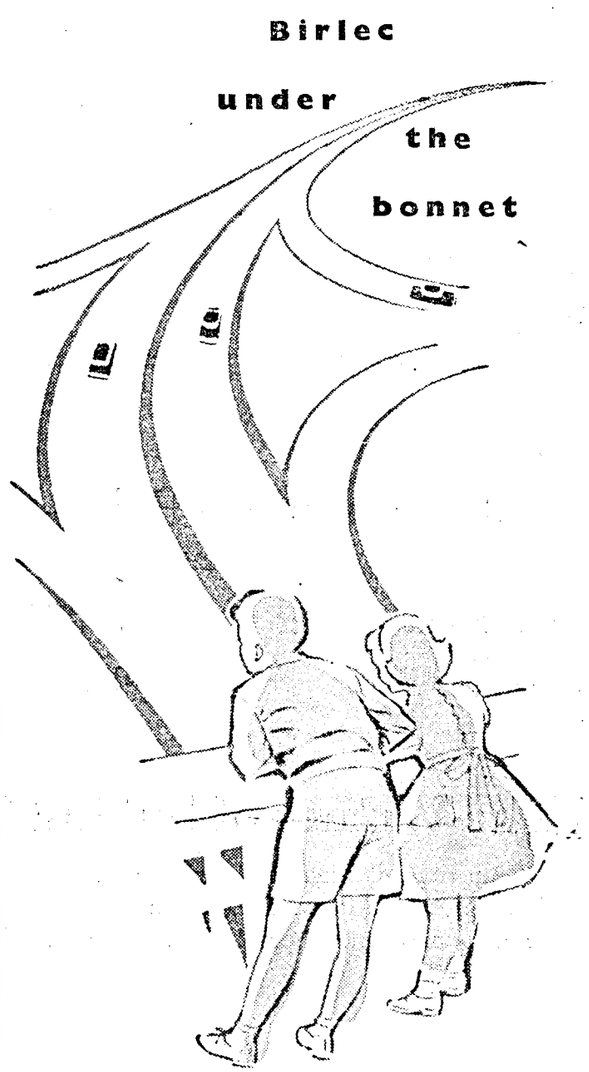
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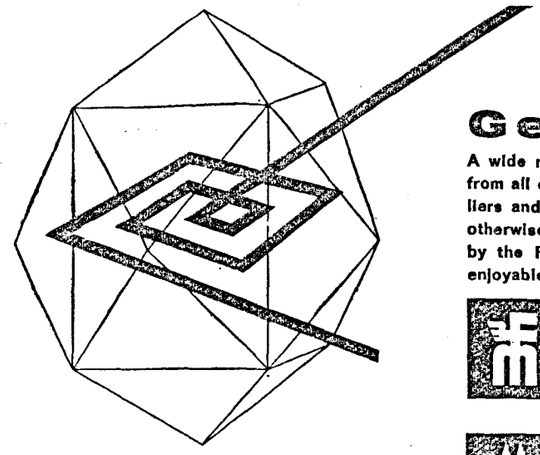
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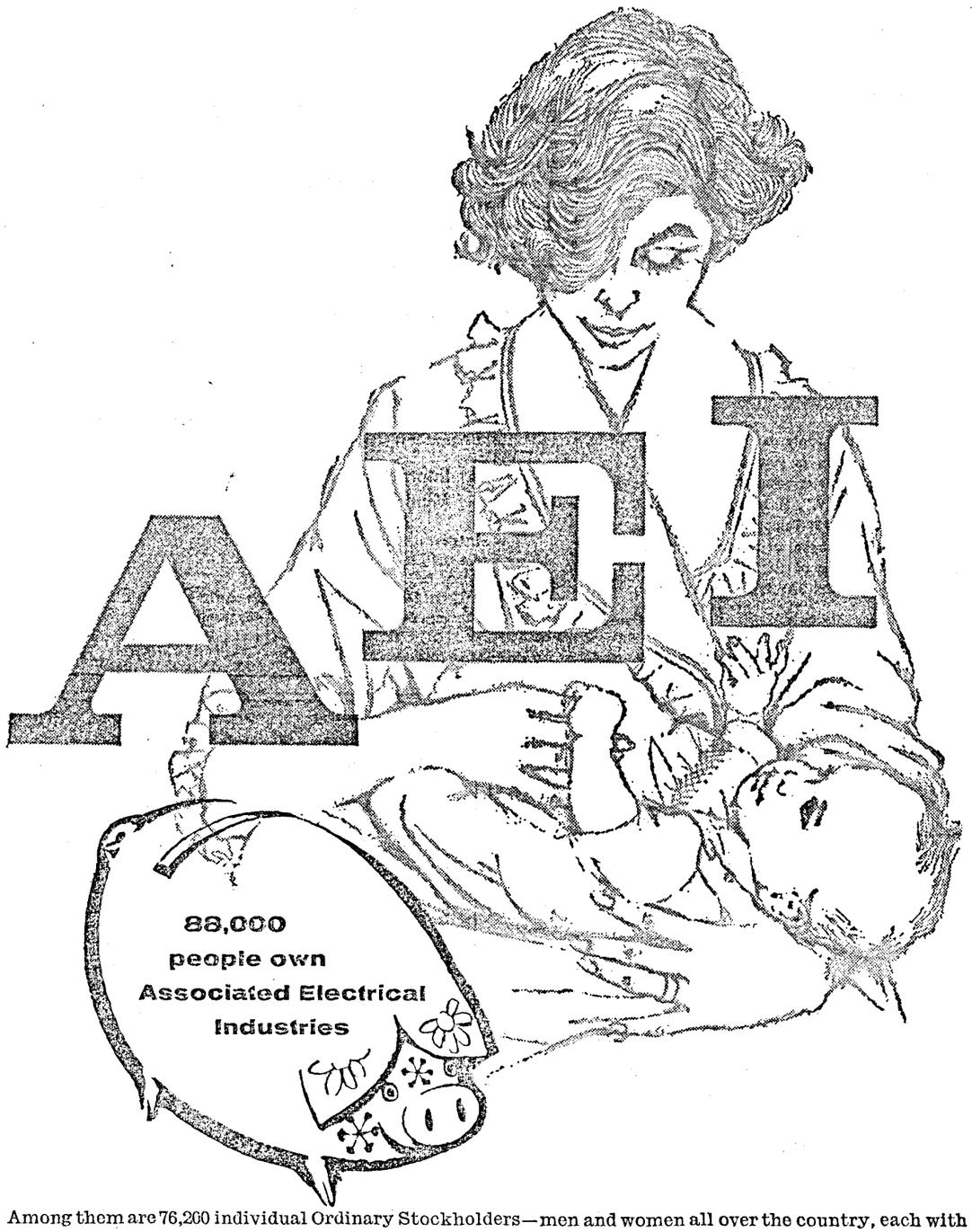
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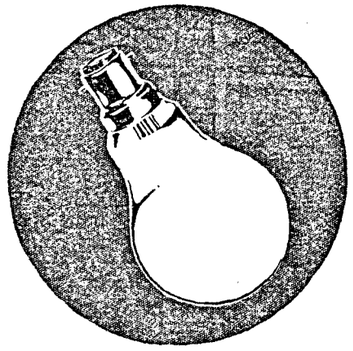
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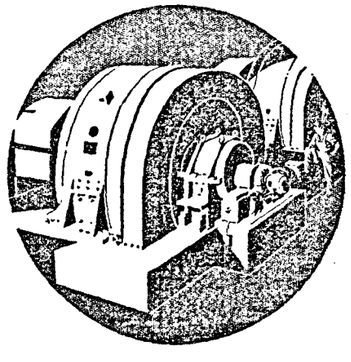


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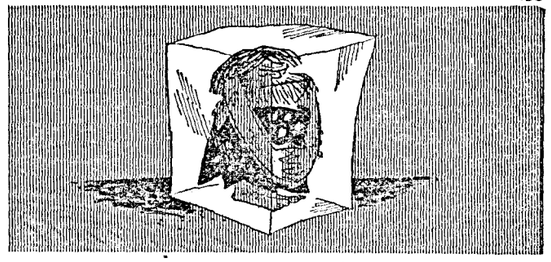
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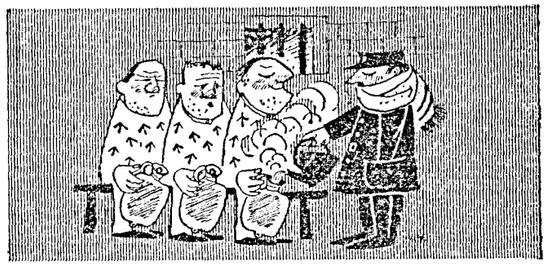
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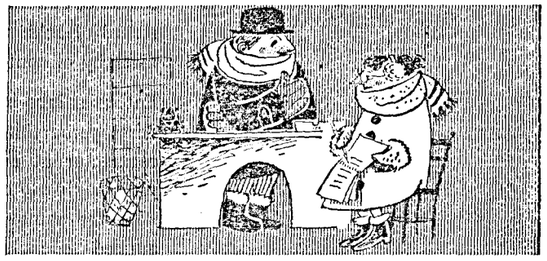
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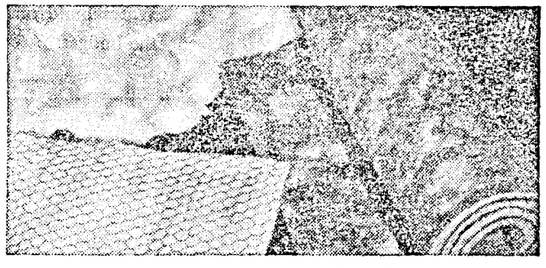
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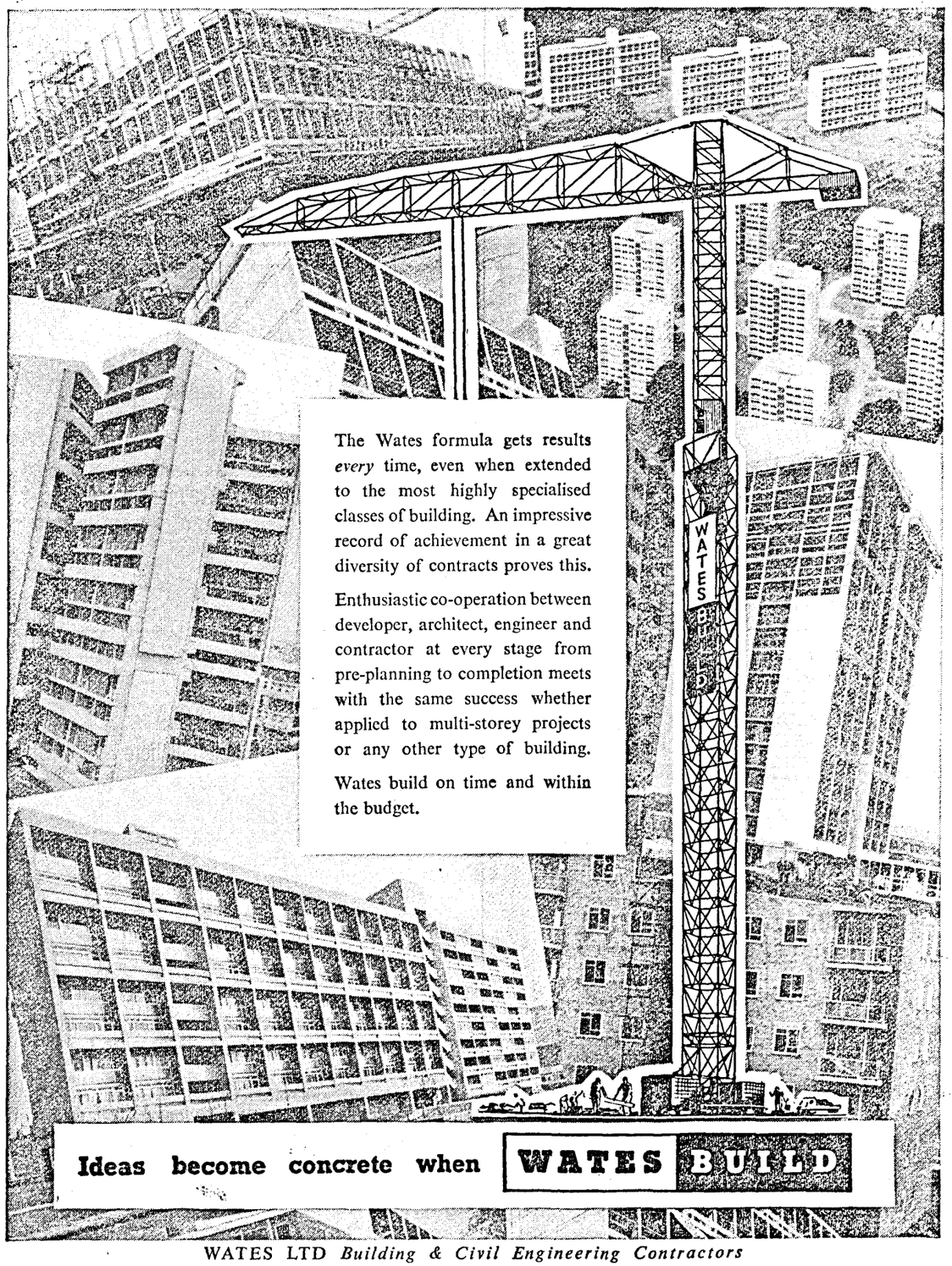


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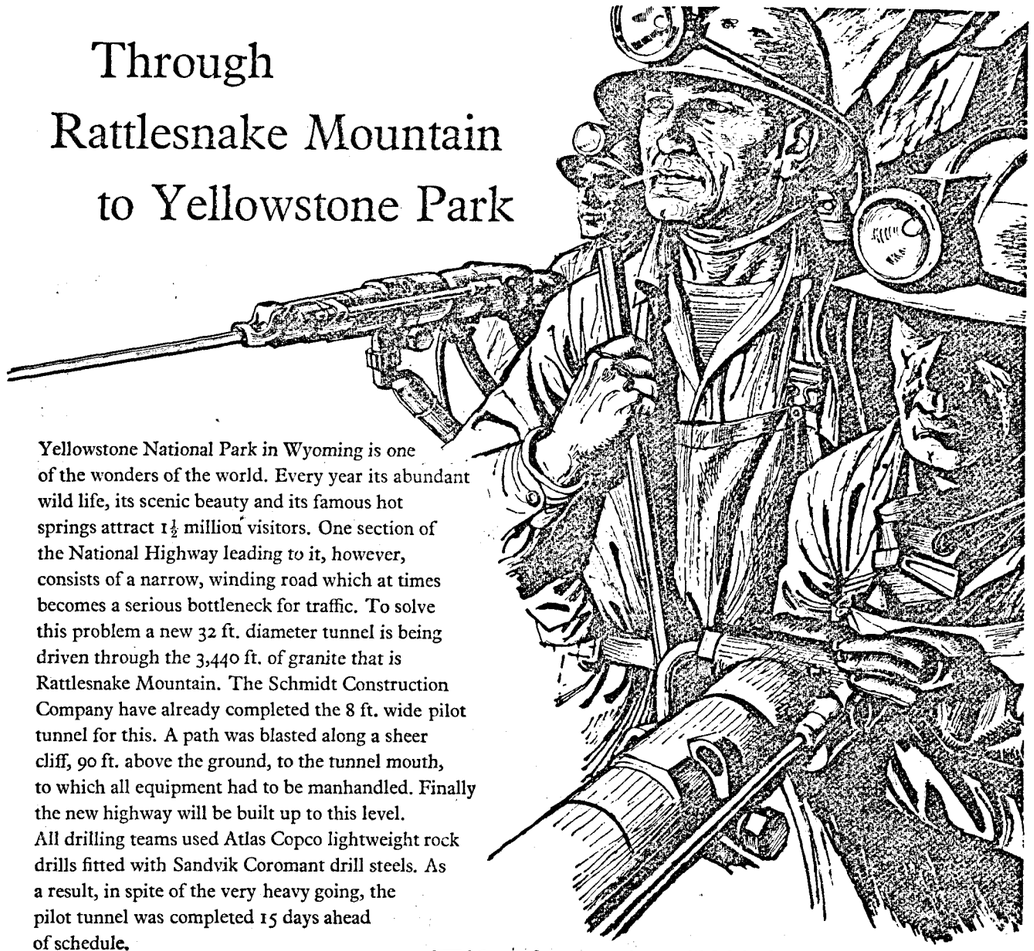
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Yellowstone National Park in Wyoming is one of the wonders of the world. Every year its abundant wild life, its scenic beauty and its famous hot springs attract 1½ million visitors. One section of the National Highway leading to it, however, consists of a narrow, winding road which at times becomes a serious bottleneck for traffic. To solve this problem a new 32 ft. diameter tunnel is being driven through the 3,440 ft. of granite that is Rattlesnake Mountain. The Schmidt Construction Company have already completed the 8 ft. wide pilot tunnel for this. A path was blasted along a sheer cliff, 90 ft. above the ground, to the tunnel mouth, to which all equipment had to be manhandled. Finally the new highway will be built up to this level. All drilling teams used Atlas Copco lightweight rock drills fitted with Sandvik Coromant drill steels. As a result, in spite of the very heavy going, the pilot tunnel was completed 15 days ahead of schedule.

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The Economist

JANUARY 31, 1959

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The Virtues of Buying Cheap

THERE are two ways of looking at the British Government's loud protest about the rejection of the English Electric Company's tender for the Greer's Ferry turbines. One is to regard it as an expression of understandable but perhaps tactically exaggerated exasperation. This exasperation, of course, is very natural. It is a spider-and-fly sort of trade policy for America to say that foreign firms can tender for a contract, and then, when they offer terms which are nearly 20 per cent cheaper than any native producer, to put forward "defence reasons" why their bids cannot be considered after all. An insult to the ordinary Briton's intelligence is added to an injury to his commerce when Americans pretend that the veto has been imposed in order to safeguard certain obscure machine tools for military production, when everybody knows that it has really been imposed in order to safeguard employment in Philadelphia.

But it is certainly no less important to remind Britons that American policy has not in fact been getting more protectionist in recent years. To anybody willing to look a little lower than the pronunciamentos, Washington's tactics have been for some time to escape towards greater liberalism, while throwing off to the following wolves occasional and much-publicised sacrifices, carefully chosen to do as little real harm as possible. These tactics have had a fair measure of success. Today Americans are still buying large numbers of foreign bicycles and Swiss watches, several years after the much-publicised tariff increases which everybody said would keep these articles out.

Thus, if one were concerned only that existing trends in trade policy should not get worse, Britain's right reaction to the peccadillo at Greer's Ferry might be to regard it merely as part of a familiar and perhaps even not unhopeful pattern; it has come shortly before a decision has to be reached on the much bigger demand by a group of American producers for a complete ban on the import of certain types of heavy electrical machinery, against which it is vastly more important that Washington should stand firm. And America's right reaction might be merely to note what a shattering error it makes in international public relations when it excuses an unwelcome commercial decision by transparent cant about defence; it is no part of any concept of alliance that a great nation's government should tell even political lies to its friends.

In a world where outside political developments were sleeping that might be enough said. But in a world in which vast krakens are waking one has a duty to say very much more, not on grounds of short term exasperation but on considerations of future strategy for the whole free world. It is a matter of comparatively small political significance if Britain is turned away today from places like Greer's Ferry. But it is a matter of huge political significance that tomorrow the industrialising countries of Asia and Africa will be knocking at these doors.

The distinguishing feature of liberal Americans today (liberal

Republicans as well as liberal Democrats) is their welcome recognition that, provided there is no thermonuclear war, the whole future balance of international manpower is likely to depend on one factor: on whether the poorer nations can be offered the prospect of getting richer within the free world's economic and political system than they would within the communist one. But the delusion of western politicians is that, to achieve this prospect, the main problem is going to be to lend these countries money; instead, it is going to be far more important, and often far more awkward, to open markets to them. If, once they are industrialised like so many Japans, they find that their "cheap labour" goods are shut out by the advanced countries of the west (as Japan's were shut out) then the free world will soon learn a bitter lesson: that the peoples most likely to be tempted towards communism are not the very poor, very dormant and illiterate, but the half-awake and half-educated who feel that they are being prevented by recognisable capitalists from becoming richer as quickly as their capabilities ought to allow. The strange thing is that, while one route to a great expansion of free world markets—the campaign for a massive increase in international liquidity—was partially blocked last year because some rich western countries thought that it might tend to put prices up, the west's chief objection to the obvious alternative route—through a great increase in freer trade—seems to be that it would serve to put prices down.

This warning is of general application. It is sauce for European ganders as well as for the American goose. But the American goose is so obviously the free world's leader that it is worth saying boo to it most loudly and directly. It will be wiser in the long run to be blasphemously specific about the main protectionist problems set by and for the United States.

CONSIDER, first, the field of raw materials. As recently as ten years ago American production of raw materials was cheaper than most production of them abroad, so that when America ran into a destocking recession in 1949 its imports fell more sharply than its offtake from domestic producers. Since then costs have risen higher in America so that in the recession of 1958 it was often found that American, not foreign, production had become marginal. This had the thoroughly welcome result—from the viewpoint of international politics—that when the American giant sneezed it was no longer economically inevitable that the underdeveloped world should catch pneumonia. Unfortunately the American reaction to this, at any rate in the case of lead and zinc, has been that if foreign supplies are no longer kept out by economic considerations during a recession, they had better be kept out by import quotas instead.

It is true that foreign sensitivity to American raw materials policy has been forcibly borne in upon the Eisenhower Administration, most forcibly of course upon Mr Nixon while in Latin America. But the Administration's only conclusion seems to have been that it should co-operate in studying "stabilisation schemes." There may be some scope for these; but, in so far as they would mean that a large number of uneconomic raw material producers might be temporarily kept in being all over the world by international bounty, they would obviously spin out the problem rather than tackle it. The blunt fact is that the efficiency of raw material production is being more rapidly increased in the hitherto undeveloped world than in the developed one. The logic of the free enterprise system is almost certainly that, over the next decade or so, many uneconomic American producers should get out of the raw material business.

THE same brutal considerations apply, perhaps politically even more embarrassingly, to agriculture. Some time the United States is going to have to decide whether it regards itself as an industrial economy or still as a partly peasant economy. The most obvious current absurdity concerns dairy products. Butter now costs over 70 cents (5s.) a pound in the shops of North America; if it were not for American import restrictions, New Zealand could now get butter into those shops at not much over 40 cents (about 3s.) a pound. The money which American consumers would save through a lifting of these import restrictions would then be diverted towards buying the products of other American industries. It is therefore nonsense to say that this cut in the American cost of living would spread unemployment in the United States. The crowning absurdity of America's policy of protecting high prices for domestic butter is that Americans' individual consumption of butter has fallen by 50 per cent in the last twenty years, in spite of increasing prosperity.

The American import restrictions concerned were imposed in the worst sort of contravention of the solemnly signed General Agreement on Tariffs and Trade—a contravention that other signatories to that agreement were bullied into agreeing to regard as a permitted waiver, on the entirely bogus grounds that butter production was essential to America's military defence. The result, of course, has been that a major breach has been opened in the whole structure of international trade, because other countries have hastened to follow America and justify their protectionism by saying that they, too, defend themselves by butter as well as guns.

Britain still supports its farmers to an economically unjustifiable degree, in all conscience, but at least it does not impose import barriers of this sort. Indeed, if the United States imported even half as much food per head as Britain does, it would add to its payments for imports by over $3,250 million annually, which would go far towards abolishing all further fear of dollar shortage, and would certainly enable other free countries to lift their remaining restrictions on imports of American manufactured goods. Because of the relative abundance of land in America compared with Britain, this straight comparison of proportions of food imported may not seem quite fair. But it is surely not really outrageous, although it may be political dynamite, to suggest that on strict economic grounds the trend should be for America's economy to become at least as nearly as industrialised as Britain's is.

Finally, in the field of manufactures, the next generation must expect to see an eruption from the underdeveloped countries of precisely the same sorts of light consumer and capital goods as erupted from Japan in the last generation, and at similar cut prices. It is precisely against those sorts of goods that protectionist barriers in North America are at present most forbidding. To justify such barriers on grounds of defence strategy just will not do. If the defence envisaged is for a brief and terrible thermonuclear war, then the keeping in being of certain isolated factories or machine tools is supremely irrelevant. If the struggle envisaged with Russia is a long cold tussle for the minds of uncommitted men, then the shoring up of an uneconomic American factory, which might prevent a lower cost competitor in India from expanding Indian prosperity through increasing its exports, is an actual liability to American defence. And a grim sort of Gresham's law works in this business whereby whenever America, as the free world's leader, acts illiberally, its allies feel bound to act less liberally in their own import policies. That is why foolishness such as that at Greer's Ferry matters very much more than an Arkansas dam.

TOWARDS THE NINETEEN-SIXTIES—II

Mr Khrushchev's Foreign Fronts

Now that the postwar period is over, is the world entering on a period of stability, or on a new prewar period? The purpose of this series of articles is to consider the international postures of America (dealt with in the first article on January 24th), Russia and Britain and the outlook for some of the crucial regions of the world.

MR KHRUSHCHEV in his marathon message to the 21st party congress on Tuesday repeated Russia's economic challenge to the West. Pointing to the *lunik* as a proof of Soviet power, he announced that Russia had started production of intercontinental rockets which it could send to any part of the globe "without a miss." At the same time he reaffirmed Moscow's wish for a ban on nuclear weapons and its desire for a summit conference. Mr Khrushchev's 45,000 words to the highest assize of the communist party will now be discussed, assessed and interpreted in all sorts of ways throughout the world; the speech is discussed more fully on page 419. The following article examines the framework in which Soviet foreign policy now operates.

Western statesmen, preoccupied as they are with the communist world and the menace that it represents, often fail to understand that the Russians, too, fear attack and view the western bases surrounding their territory as bases for aggression. Soviet foreign policy is indeed bent upon extending communist influence and Russian power; but it is also deeply affected by the fear of "encirclement" by those who distrust its intentions and oppose its aims.

The Russians can meet this fear in different ways: by grabbing land and thus keeping western forces at a distance from Soviet frontiers or, alternatively, by negotiating a mutual withdrawal, leaving a vast no man's land between the contesting parties. The third, and parallel, solution is to build up such striking power as to neutralise their opponent's positions. The *lunik* has confirmed that the Russians are a step ahead in the ballistic race. Men who send a rocket beyond the moon need not have a military inferiority complex.

A second misconception is to view Soviet foreign policy as something altogether rigid, made by a monolithic leadership, unaffected by internal pressures and impervious to counter-proposals. Without any doubt, the totalitarian leaders in the Kremlin are communists believing in the ultimate victory of their cause, and confident of success in the world through the ineluctable process of history; but they differ among themselves on method, means and tactics as western statesmen do. They, too, have their "containers," convinced that any withdrawal might bring the whole structure down, and their "disengagers". Between these extremes there are many shades.

The influence of public opinion is not easily discernible in a totalitarian dictatorship; still, it exists. Any ruler is tempted to strengthen his position with the popular slogan of "peace and plenty"; internal reforms and international moves are often interconnected. It is not necessary to take everything in the official Soviet indictment of Mr Molotov and his associates as gospel-true. But the accusation that they opposed reforms within the block, the reconciliation with Tito, and a more flexible diplomacy seems plausible. Soviet aims may be fixed, but Soviet foreign policy is not immutable.

All this has to be kept in mind when looking at the international position of Russia six years after Stalin's death. The Soviet Union is now separated

from the western powers by a belt of European states —with a total population of nearly 100 million—in which Stalin established and riveted his own brand of communism after the war. The reliability of these states is, however, uncertain ; and the amount of attention they require, and the claims they make on Russian resources, are certainly resented by Russia's Chinese allies, who felt happier when Stalin was in control and eastern Europe was kept firmly in its place.

On its eastern frontier, the Soviet Union has for the last ten years had its rear protected on land by the massive bulk of China. China is certainly no satellite. It is frequently a very awkward ally. The younger of the revolutionary partners is also the more dynamic of the two. Having less to lose, it is more willing to take risks in foreign policy. Within the wider communist block, over the last year, China has visibly dictated the pace of the campaign against "revisionism" or any form of liberal relaxation. At home, the Chinese search for a short cut to communism, through the establishment on a nation-wide scale of integrated "communes," must have appeared to Mr Khrushchev as a dangerous example, just when he has been using the opposite method of concessions to stimulate his own agricultural production. He has just admitted that "their methods of building socialism are in many respects unlike ours." And China's determination to industrialise at a very fast rate must either involve an additional strain on Soviet economic resources, or lead to ill-feeling if the additional help is not given.

The communist partnership, however, has not only this captious side. Cemented, but not made, by western ostracism of China, the alliance is founded on a community of views and interests. It also gives practical advantages to Russia. From 1931 to 1949 the Soviet Union had to keep a large proportion of its armed forces in the Far East ; in the last decade most of this sector was taken over progressively by China. Even if it becomes necessary to equip the Chinese with atomic weapons, the proposition will still be a paying one for Moscow. In more general terms, the victory of the Chinese revolution has been the biggest communist triumph since the war.

With its back well covered, Moscow has been able to maintain massive military strength in Europe and at the same time to look southward ; it is in the Middle East that post-stalinist diplomacy has made its most striking scores. The ground was propitious. The clash between rising Arab nationalism and Israel provided the Russians with an opportunity to get a foothold in Egypt. The *sputnik*, as forerunner of the inter-continental missile, destroyed the assumption of western policy in this area rich in oil—namely, that a monopoly could be preserved thanks to a superior military deterrent. Helped by the reverses that western policy has suffered in its dealings with the Arabs, Russia has been able to get fairly near to its first goal, which was to spread "neutralism" among Arab states so as to wreck the bastion of the Baghdad Pact. The Iraqi coup last July was an important success.

Soviet policy in the Middle East has always courted one serious risk. If the western powers were to succeed in conciliating the leaders of Arab nationalism with economic aid and helpful trade policies, a Nasser could well change sides as spectacularly as a Chiang Kai-shek (one of Moscow's earlier nationalist allies) did in the past. This is probably why the Russians have refrained from putting all their eggs in one basket. They have not yet recognised the rebel Algerian government, though China has. They keep their supporters in Syria, and particularly in Iraq, as a reserve weapon in case Nasser should change sides.

The general Soviet premise, however, seems to be that nationalism is as vital a force in Asia and Africa now as it was in Europe in the nineteenth century and, wherever conditions are not ripe for communism, the Kremlin must work with it. Indeed, it is in the Middle East that Soviet policy remains at its most "stalinist" ; the fate of local communist parties is completely subordinated to the interests of Russian diplomacy. The coincidence of arrests of communists in Cairo with the announcement of an agreement for Russian aid in the construction of the Aswan dam was significant. The Soviet Union is self-sufficient in oil, while the West is heavily dependent on its Middle Eastern sources of supply. Mr Khrushchev has now spoken out against the campaigns "conducted in some countries against progressives under the spurious guise of anti-communism." But there is no doubt that he still regards his investment in Egypt as worth while.

The combination of a nationalist wave and a nuclear balance opens up great vistas for Soviet diplomacy. It is increasingly difficult for Washington to apply modern versions of the Monroe doctrine to other continents. Africa is, naturally, the next target for Soviet envoys, but Latin America, though it may come later, cannot be excluded after that. The Russians may thus drive towards their penultimate objective, which an acute commentator has defined as the isolation of the United States to an extent that some American theoretician would have to invent the doctrine of "capitalism in a single state."

The immediate outlook for Soviet diplomacy is relatively least bright in Europe itself, where the bulk of Russia's military forces is concentrated. Stalin's successors apparently grasped that his methods, which had brought his brand of communism up to the Elbe, were no longer yielding results. For a time, while they set about reforming the empire they had inherited from Stalin, it seemed that they might go even further and accept a withdrawal within Russia's frontiers as part of a broader bargain. In order to get the Americans out of Europe, they might have done this, hoping that rapid gains in the west of the continent would compensate their immediate losses in the east. Whether this opportunity ever existed it is impossible to tell ; it was never even explored.

Many things have happened since then to harden the Soviet line. In the first place, the series of explosions starting with the Berlin rising in 1953 and culminating in the Hungarian insurrection of 1956 served as a warning to the Kremlin of what might happen if eastern Europe were let loose. And prospects of rapid gains in western Europe were dimmed by the communist setback in France. It may be, too, that the Soviet ballistic exploits of the last two years, by opening up the prospect of a Russian supremacy in intercontinental rockets, have made the Russians feel less vulnerable to western nuclear bases on German soil, and therefore less ready to negotiate about Germany (though their fear of nuclear arms in German hands remains). The lyrical tone in which the Soviet press greeted the *lunik* was not due only to the eternal dream to get out of this world and conquer space ; it also furnished ordinary Soviet people with confirmation of the fact that their government is a world power of the first rank, able to talk to the Americans on, at least, equal terms.

All these considerations are not likely to create a particularly conciliatory mood within the Soviet leadership. Yet there are two factors working the other way. A country's capacity for annihilating its opponents does not make it any more keen on collective suicide. Those Russians who believe that a world war could start by accidental friction may still be interested in disengagement as a safety measure, however strong they feel their retaliatory system to be. The second factor springs from Russia's internal development. The Soviet leaders, convinced of the superior efficiency of their economic system, have promised their people to outstrip American levels of output in the not so very distant future. They have just launched a seven year plan that could bring them within sight of that goal. But the pace of development could be speeded up, the strains diminished and living standards improved, if this plan could be combined with international economic deals and cuts in defence spending.

According to the latest figures, Soviet defence spending has been reduced to less than 14 per cent of total budgetary expenditure. But this has been achieved by expanding the budget, while keeping military expenditure roughly stable. A substantial cut in defence spending could help in improving the ordinary man's lot in Russia. Mr Khrushchev has embarked on bold reforms of industrial management, agriculture and education. All these measures involve risks and clearly meet with resistance. What could do more to increase his chance of success and consolidate his position than to come back from an international parley with guarantees of greater security and the solid promise of a better life ?

On balance the Soviet Union has no compulsive need for an international agreement; it can wait for better terms. It can concentrate practically all its military strength in the West, while exerting such subsidiary pressure on other fronts (chiefly in the Middle East) as it chooses. It can go on keeping its deterrent up to date, hoping that the vagaries of western economic growth, compared with its own regular advance, will eventually give it the lead in the economic race. The recipe that might suit the Kremlin best, at this stage, is probably an international pact underwriting the political *status quo* in Europe (that is, the maintenance of communist regimes in Central Europe), combined with a mutual withdrawal of troops from Germany and, possibly, with a deal halting the nuclear race—a recipe which the West could not accept.

But, as Mr Molotov may muse on his way from Ulan Bator to The Hague, Soviet diplomacy, too, can change course under prodding or pressure. Mr Khrushchev has officially confirmed the Russian interest in early great-power talks. It is for the western powers to see whether such talks can be used to shift the Russians from the position on which they are dug in. Neither on disarmament, nor on the German question, is any compromise, acceptable to both sides, readily apparent. Such compromises would have to be searched for, probably at length. Time will not necessarily improve the West's bargaining position.

The Economist

JANUARY 29, 1859

THE ABUSE OF CONGRESSES

"*Canning*," says the historian of the Thirty Years' Peace, quoting from Mr Canning's biographer, "always protested against the system of holding Congresses for the government of the world." We are now told that a European Congress can alone settle the questions at issue between France, Piedmont, and Austria. We must renew Mr Canning's protest. . . . A Congress is only in place where there exists a real desire, on the part of all the influential States which compose it, to come to an agreement, and a sufficiently near approximation of opinion to render discussion useful instead of dangerous. . . . A Congress must always take its stand either on a prescriptive right of long standing and obvious justice, or on the *status quo*. It has no pretence for interfering with the *status quo*, unless it be in accordance with the indignant moral opinion of Europe, violated by some flagrant breach of international equity. Then, indeed, and then only, an overwhelming combination against the offending State may compel it to disgorge its prey. But in any other case it can only settle the affairs of Europe in accordance with the existing balance of power. This may be just or unjust,—and quite as often unjust as just,—still it is all a Congress can do: any effective appeal against the actual preponderance of any one great military power in a European Congress,—unless it be a preponderance so dangerous as to unite all the other powers against it,—is useless in a mere conference. Each power is certain to hold its own,—and to break up the Congress altogether rather than be deprived of what it believes it has the power to retain. Thus in 1815 the annexation of Poland to Russia was an act of even far grosser injustice than the recognition of the right of Austria to Lombardy ; and yet the protests of the dissentient powers were quite unable to prevent it. It is perfectly clear that a Congress is in general only able to arrange European affairs on the *general* basis of admitting that each State shall keep what it has at present within its grasp,—that it is at least only on the minor questions of boundaries, mutual exchanges, and compensation,—on which something might be yielded for the sake of peace,—that it can act with effect.

Fulcrum of Africa

The Congo riots have increased the pace of change in Africa. White settlers and black leaders alike face a new situation

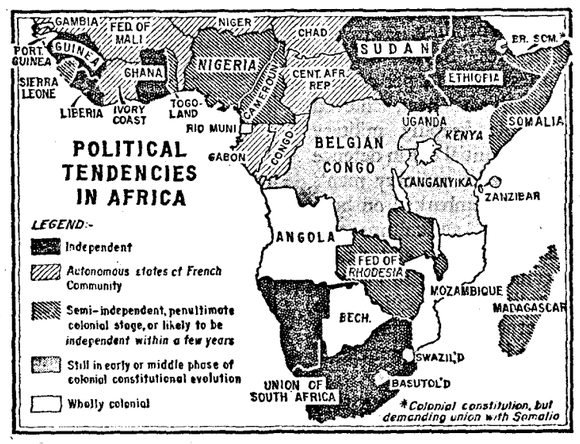
KING BAUDOUIN'S promise that Belgium will lead the Congo "towards independence without delay but also without inconsiderate haste" has been widely received as a decisive victory for African nationalism. It may well be asked why so cautious a commitment should appear so fateful, when events are moving so much more rapidly in British and French West Africa. The Belgians had already, for two years at least, been planning a modest development of representative institutions in the Congo. The cagey statement of intentions made last week by the Belgian government can have added little to what was in draft; the time-table is vague; all that is clear is that racial discrimination is to go, and, by a series of indirect elections, the Congolese will elect some sort of national assembly some time in 1960, to which responsibilities will be transferred by undefined stages thereafter. On paper, that is little enough.

The significance of the statement lies in its timing and in the key position the Belgian Congo occupies in Africa. The promise of independence was made after riots whose immediate cause was an agitation for political change, even if their deeper reason was economic distress; and both the riots, and the Belgian reaction to them, came after the Pan-African nationalist congress at Accra. In turn, the statement has been followed by more rioting, which is evidence of tense Congolese feelings. Furthermore, the goal of independence under an African regime has been set, for the first time, for a territory in which there is a considerable white settlement (there are about 85,000 Belgians in the Congo, compared to 50,000 whites in Kenya) without any by-your-leave from the settlers themselves. Deprived of any say in a paternalist government of the Congo in which the Africans were similarly voteless, the whites are not even to be consulted in future. The Congo is not to be entrusted to them even transitionally. This way of doing things, however gradually, ranges the Belgian Congo's political future decisively with the African states of the north and west rather than with the multiracial, or white-dominated, territories of the east and south. It brings the challenge of African nationalism to their doors. Overnight, Elizabethville promises to become a political suburb of Accra.

This is, potentially at any rate, a tremendous shift in the balance of Africa. For the last ten years the Congo has been the buffer state, the *cordon sanitaire*, between the two regions which white men have frankly, if unofficially, called "Black Africa" and "White Africa." On the map this huge, sparsely peopled area interposes vast tracts of tropical forests between the territories (north and south of the Sahara) in which the colonial powers have allowed the inflammable doctrines of democracy, liberalism and nationalism to race to their logical conclusion, and the territories in which power remains with the white officials or the settled white minorities (whether or not the African majority has some voice in government).

BUT this division was not merely geographical. To the white settlers in East and Central Africa the Congo was not simply a colony which democracy had not yet reached; to them it was an area in which a colonial government had the sense to see that democracy would not work, and was proceeding on the completely different track of *putting economic advance before political* advance for Africans. It was insulating the area from politics by the drastic method of denying political rights to all, black and white alike.

It is the suddenly revealed bankruptcy of this "practical" colonial policy that has most painfully struck the white minorities in East and Central Africa, as well as in the Union. The Congo, it appears, has its nationalist parties and its African politicians even without the vote, even without scholarships to take bright mission lads to the London School of Economics. The whites in *southern Africa have* now to ask themselves seriously whether, if this can happen in the Congo, it may not happen presently in the Portuguese colonies of Angola and Mozambique, which they also regard as part of the insulating belt between *them and African* nationalism. Clearly, if dangerous thoughts can so easily hop from Brazzaville to Leopoldville, they can hop the next few miles to Angola.



In considering the challenge of African nationalism, the whites of the east and south have until now taken comfort from the thought that time would show whether the West Africans were capable of running powerful modern states, or only so many Liberias and Haitis; and it seemed to them worth while to gain time, since, if black leadership came to grief, some form of white leadership in the south—partnership or apartheid—would emerge as the winning answer to African problems. The acceleration of events is working against any such competitive test, even if it ever made sense. In 1960, four new African states will emerge—Nigeria, Togoland, Cameroon and Somalia; by then the degree of French African independence, within or without the French Community, will also be plain. This will probably speed up events in East Africa.

For instance, the Tanganyika African Nationalist Union already bids to become the governing party in that trustee territory after the elections next month at which its candidates will have little opposition to meet. It will hardly refrain from declaring that what other trust territories are given, irrespective of their administrative capacity or economic viability, Tanganyika cannot be long denied. The proposal of a visiting United Nations mission that a twenty-year timetable for independence should be set—laughed down by the British then—begins to look reactionary. Again, Uganda is at present divided only on the best way to achieve independence, not on the goal. The general atmosphere in Africa in 1960 may, in turn, make it impossible for the Belgians to stick to their plan of moving "without inconsiderate haste." African assemblies are apt to emulate the Tiers-Etat of 1789 in assuming constituent powers—as the French have discovered. Meanwhile, it is clear that Africans are learning the crucial technique of organisation.

Thus the hopes the white minorities had of waiting to see whether the West African states would really make a success of independence behind a firebreak of Belgian and Portuguese paternalism are growing slim. Sir Roy Welensky has himself got a date in 1960 to come to London to talk about independence for the Federation of Rhodesia and Nyasaland; but Dr Banda and Mr Nkumbula (or whoever are then leaders of the Nyasaland and Northern Rhodesian African Congresses) will be able to point to the difference between the type of independence envisaged for the Congolese and for their countrymen, if Sir Roy gets what he asks for. (It is, of course, possible that by 1960 Sir Roy's ardour for independence will have cooled, while Britain's may have increased.) Similarly, Mr Tom Mboya has for long been demanding that the British Government should make some definite statement of its ultimate intentions for Kenya. The Belgian statement now puts London in an awkward position; it can hardly promise anything less, and it will find it hard to attach to independence much more stringent safeguards for White and Asian interests than the Belgians do. If the Belgians can subordinate the interest of their settlers, Mr Mboya can argue, so can the British.

THERE are, unfortunately, great dangers in this new impetus to the pace of change in Africa. African leaders, impatient and buoyed up by the sense that the tide-race is with them, may well become more stubborn in negotiation, more overbearing in their demands, and less responsible in their handling of the crowds who come to hear and cheer them. There could easily be more violence, which at best would hinder an orderly constitutional advance, and at worst could saddle the West with one or more minor Algerian situations in black Africa. This might ruin their relations with the emergent states of West and North-East Africa without saving the political future or personal fortunes of the whites in East and Central Africa. But it would also wreck the prospects of the present African leaders—the Mboyas, Kianos, Bandas, Nyereres and Kasabuvus—who wish to inherit the sort of viable state that was Britain's supreme gift to Dr Nkrumah. There is very great reason, therefore, for everyone to be reasonable and to hold together in the racing current.

This implies big mental adjustments by the white minorities: the sort of mental adjustment that could first find expression in Dr Verwoerd drawing back at the last moment from abolishing native representation in South Africa, in Sir Roy Welensky going ahead with his plans to appoint African ministers in the Federation government in the teeth of his party's prejudices, in Colonial Office readiness to risk giving Nyasaland Africans control of their territorial parliament within the Federation. Such a mental change would embolden the four East African governors, who conferred this week in London, to return to their charges in the spirit of so many Arden-Clarkes, determined to educate, guide and canalise, but not dam up, African ambitions; and just as determined to teach realism to the whites. It should find expression in the statement the Kenya settlers are expected soon to make.

The Congo, which is now about at the same stage of its political evolution as the Gold Coast in 1948 also needs its Arden-Clarke. For it is the fulcrum by which the southern end of Africa is being heaved out of its immobility.

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NOTES OF THE WEEK

UNITED ARAB REPUBLIC

Cairo's Go-slow

THE delay in the signing of the Anglo-Egyptian financial agreement is over questions of detail rather than principle. Of the 350 or so British businesses abandoned two years ago, it is not at all easy to know which were taken over by Egyptians for the duration and which were taken over for good. The agreement attempts in an annexe to distinguish between sequestrated businesses, which are to be handed back, and "Egyptianised" concerns, to be retained upon payment of compensation. But the two governments do not see eye to eye over this list, and their delegates cannot sign the agreement until they have finished horse-trading. Under the spur of Mr Black's mediation, Royal Dutch-Shell's separate agreement with Cairo, and the fear of increasing communist influence in Iraq, both sides were anxious to subscribe an agreement in principle without waiting to settle all the details.

The interval between initialling the agreement and signing it has given President Nasser the opportunity to make it appear that the British are more anxious to resume diplomatic relations than he is. Cairo press and radio are enjoying themselves with solemn discussion on whether or not London's presumed advances ought to be accepted. Provoking as their attitude may be, they must be allowed their day. The temptation to take the British down a peg or two is, after all the years of Raj, too strong to resist. But diplomatic relations have not yet become an issue ; nothing more has yet been discussed than the setting up of a British mission in Cairo to supervise the implementation of the agreement.

None of this sparring alters the fact that it would be to the advantage of both sides to get back to normal diplomatic and trade relations as quickly as possible. Britain has interests in the Middle East which it cannot secure if it is permanently estranged from Cairo ; while, for its part, Egypt cannot sustain its neutrality if the western scale of the balance is half-empty. If in the course of haggling over the financial agreement the United Arab Republic gains a little face—and if the British government does not feel the need to do the same—some corners may be cut off a difficult path.

BAGHDAD PACT

Defence without Offence

AT the half-yearly meeting of the Baghdad Pact council at Karachi this week, Iraq, once regarded as the keystone of western defence arrangements in the Middle East, was not represented ; the United States, having assumed active leadership, was still not a full member of the pact.

Between the regional members and the Americans there were differences of opinion concerning the scope of the pact. Pakistan and Persia are dissatisfied with the draft bilateral military and economic agreements which Mr Dulles has offered them as a substitute for full United States membership in the pact. Pakistan, mindful of its perennial quarrels with India and Afghanistan, wants guarantees against aggression from any quarter. Persia, lacking either the Nato connections of Turkey or the Seato connections of Pakistan, wants safeguards against revolutionary Iraq. The Americans, caught up in the limitations of President Eisenhower's executive authority, cannot easily extend their commitments beyond what Congress has approved—the promise of help against outright communist aggression. In any case, they do not want to be drawn into local disturbances ; nor are they anxious to give offence in India, Iraq or Afghanistan. Negotiations for the bilateral defence agreements will continue in the hope that they will be safely signed before the council meets again in July. Presumably to show the rest of the world that the differences between the pact members and their good friends are not to be taken too seriously, the regional members asked for the July meeting to be held in Washington ; however, there was no immediate American response, and they decided to meet at Teheran after all.

At Karachi the council sensibly paid increased attention to the economic aspects of the pact. As Dr Eqbal, the Persian prime minister, pointed out during the Karachi meetings, progress towards carrying out plans for economic development has been very slow. The council has adopted communications as the field in which it can do the most useful work. If the projects now being considered can be pushed beyond the survey stage, then the Baghdad Pact may be able to win some much-needed prestige in an area where good roads and modern railways are rare.

BY-ELECTIONS

Bogey for Southend

SOUTHEND WEST was polling on Thursday, and the result was expected to be announced that night. The figures there are bound to be extensively analysed because of their possible bearing on the timing of the general election. Some preliminary warnings to the analysts may be useful. In 1955 the Conservative candidate won 64.2 per cent of the votes here, Labour 20.8 per cent and the Liberals 15 per cent. It would be reasonably in line with what might be called last November's standard of by-election experience if the principal movement of electoral opinion has been for the Liberals to increase their share of the Southend West vote to over 20 per cent, mainly at the expense of the Tories. A paradoxical result could ensue: it would be conceivable for Labour to have dropped to third place in the poll—and yet for the proper statistical analysis to be that the swing against the Tories has been maintained at a level that would give Labour a better-than-average chance of winning the next general election.

Certainly if the Liberals have not increased their vote at Southend they should be disappointed. In the heady days of Rochdale and Torrington, less than a year ago, when people were talking of the possibility of 30 or so Liberal MPs, Southend West was actually being marked down as a possible Liberal gain ; there are only about twenty-five other seats in the country which, on past form, it would be easier for them to win. The fact that nobody was dreaming of a Liberal victory on Thursday shows how far that Rochdale-Torrington revival is feared to have faded. Tory-minded analysts seemed to be poised with two arguments before Southend: ready to blame any bad result on the candidate's family connection ("another Guinness was not good for us"), and ready rather cautiously to discount any favourable result by saying that the Government must expect at the moment to do better in the south of Britain than it would in the north. Either argument should be taken with a pinch of salt. In recent by-elections and local elections there has, in fact, been an above average swing against the Tories in most seaside resorts ; if the Conservatives prove to have maintained their share of the vote at Southend, they can reasonably regard it as a happy omen for their chances in the country as a whole. A final point worth making is that, as the register of voters was drawn up eleven and a half months ago and as a lot of people are away from Southend at this off-season time of the year, it would be normal to expect a smaller total vote than at the May general election in 1955. Even quite a heavy drop in the turnout here should not necessarily be interpreted as a sign of increasing apathy among the electorate.

GOVERNMENT SPENDING

A Little for the Arts . . .

THE index of industrial production for December (discussed on page 431) continues to support the view that the economy has passed the turn, although as yet without any strong follow through. Certainly ministers are still assuming that the unemployment figures for January and February will show a sufficiently sharp seasonal increase to prove a pretty painful political bullet to bite on. Nevertheless the Chancellor implied in a parliamentary answer this week that he is unlikely to cut purchase tax rates before the budget. The next questions that eager reflationists put to him should presumably be about the date of that budget and about invesment allowances.

Meanwhile, however, the Treasury is feeling able to adopt an unusually (albeit still cautiously) generous attitude towards more of the worthy causes that habitually come to it asking for money. Last week it was the turn of the arts. The Government announced that the annual purchasing grant of the National Gallery is to go up from £12,500 to £100,000 (it had asked for £150,000), that of the Tate Gallery from £7,500 to £40,000 (it had asked for this plus a lump sum of £100,000 to overtake arrears), and Covent Garden opera house's grant through the Arts Council from £362,000 to 43 per cent of its expenditure subject to a maximum of £500,000 (this should give it some £450,000 next year, while it had asked for £500,000). The Chancellor has also agreed that the galleries can continue to ask for special grants for exceptional acquisitions, an arrangement which has in the past benefited the National Gallery more than the Tate since it is easier to get public money for a Uccello than for a Picasso. An important innovation is that at last these three big institutions can plan ahead, for the new grants are to hold for three years for Covent Garden and five years for the galleries. Provincial museums and galleries should benefit from an increase in the amount and scope of the Victoria and Albert's grants-in-aid for their acquisitions, and their claims to house some of the works of art surrendered in lieu of death duties will be considered.

. . . And a Little for the Elderly

THIS week, a little more money was released to elderly people who are still doing part time work. The so-called "earnings limit" has been raised, so that retired people and widows will now be allowed to earn up to £3 a week, and widowed mothers up to £4 a week, without suffering any reduction in their pensions. The Government estimates that this should cost only about £1 million a year, which probably means that it does not expect more than about 50,000 people to be affected. The minister said that he could not abolish the earnings rule altogether because that would "cost over £100 million a year," nearly all of which would go to the half million or so men between 65 and 70 (and women between 60 and 65) who have chosen to continue in full time work and thus temporarily to forgo their pensions.

But the Government should never think only of its own outlay ; it should always think also of national income. The presumption must be that an abolition of the earnings rule would induce more elderly people to stay on at work and thus add to national production, while the Government's own figures suggest that tinkering with the earnings limit will not do so. Yet one Labour MP argued that the minister, "bearing in mind that there is now quite an amount of unemployment," should have consulted the trade unions before making even his ten shillings increase in the earnings limit. If Labour thinks that the right way to cover up unemployment is to force the elderly to retire before they want to, then it believes in a scrapheap society.

MOROCCO

The Rivals

THE Istiqlal, Morocco's ruling party, has been badly shaken by the revolt of its left-wing leaders under M. Mehdi Ben Barka. Its cohesion, increasingly suspect, may now be shattered beyond repair. It was learned in Rabat last Saturday that M. Ben Barka had resigned from the party's executive committee, whose meetings he had stopped attending for some months. He and his lieutenants promptly challenged the executive by addressing nine regional conferences in Rabat, Casablanca and other towns, carefully prearranged and attended by local party militants, particularly from working-class districts. This defiance brought the Istiqlal's leader and founder, M. Allal el-Fassi, into action, expelling M. Ben Barka and six of his friends —including M. Ben Ammar, the present minister of agriculture, and M. Ben Seddik, the trade union leader—from the party. The executive seems to be solidly opposed to any concessions to the rebels.

This new blow to Moroccan stability—while the Berber tribes are in arms in the Riff and Middle Atlas mountains—is scarcely a surprise. The Istiqlal began as a national movement, united only in its opposition to the French protectorate. By attempting to submerge its economic differences in the interests of national cohesion, it has become the prey of internal strain and dissension. The orthodox government of M. Balafrej, which bowed to the palace's wishes and in which the left wing of the party was

kept under strict control, fell in November. The present government of M. Ibrahim is popular with the Left and the trade unions, but has been strongly opposed by M. Balafrej and his supporters, who control the party executive. Their latest quarrel has centred on responsibility for the Berber unrest and on the decision not to devalue Morocco's currency with the French franc—a policy that has begun to hit exports. If the Istiqlal, which has provided the backbone of Moroccan administration since the protectorate, is now permanently split, the national readjustment may be long and hard.

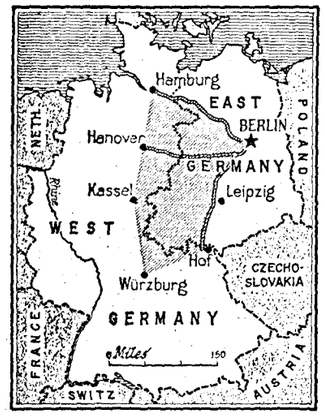
GERMANY

A Plan for Berlin

Now that Mr Dulles has conceded that free all-German elections may be "not the only method" of unifying Germany (January 13th), Mr Khrushchev has said that the Russians for their part "have never objected to free elections" (January 22nd). Thus, on the hypothetical aspects of the German question, differences which were held to be vital are suddenly found to be secondary. But the real aspect of the German question which is going to force itself first on the attention of the powers is the position of west Berlin; and on that, neither the Russian nor the western attitude has so far shifted.

Dr W. W. Schütz, the chairman of the "Indivisible Germany" organisation and a thoughtful and passionate advocate of German unity, has submitted to the Bonn government a tentative proposal about Berlin which, one suspects, will probably go the way of all earlier plans to resolve aspects of the German question; but it is an interesting idea, based on serious thought about the real matters in dispute, and it is possible that it may influence the future search for a solution, even though the Russians, or the western powers, or both, turn it down now.

Dr Schütz's scheme treats the approaches to Berlin, rather than Berlin itself, as the area of conflict and danger; and it is designed not to disturb the existing arrangements either of Nato or of the Warsaw Pact in any essential way. It would not remove the western garrisons from Berlin or affect the rights of the western powers there. A zone would be established covering all the routes to Berlin from the West, and from that zone all foreign troops would be withdrawn; alternatively, the zone might be demilitarised entirely. The zone (shown as the shaded area on the accompanying map) is not very precisely demarcated at this stage, but the intention is that it should neutralise roughly equivalent areas of west and east Germany.



Nobody seems to intend to publish this plan officially just now. All concerned are more likely to wait and see what the reactions are; it does not appear that the initial reaction in Bonn has been hostile. The Communist reaction may be hostile, simply because the Schütz plan would not remove the western powers from Berlin—a declared Russian objective. But if the Communists were to look more closely, they would see that what is proposed is a zone of disengagement in the heart of Germany, from which a start on a more general disengagement might be made in conditions of relative safety.

VEGETABLES

Growers' Consolation Prize

The support conceded to the operatic end of Covent Garden has been extended simultaneously to the department of home-grown vegetables. The Government has announced a plan for £7½ million worth of aid for the horticultural industry, to be spread over five years. Horticulturists, unlike farmers, have hitherto been protected only by tariff, not by subsidy; and they have been strongly pleading for an increase in the tariff levels fixed in 1954. The Government has now rejected this demand so far as vegetables are concerned. This liberal decision has inevitably aroused a storm of protest from many growers (particularly glasshouse ones) who have been suffering severely from competition from European countries where horticultural wages are lower. The new aid programme is plainly a sort of consolation prize to vegetable growers.

The Government is certainly right to refuse to raise the tariff walls, interfering with the flow of cheap all-the-year-round vegetables to the British housewife and increasing her cost of living. In view of this, criticism of the consolation prize should perhaps be muted. The fact remains, however, that this particular *bon marché* is not likely to do much good to anyone. A maximum of £1½ million a year will spread very thin among the 50,000 commercial growers unless its uses are very closely and carefully circumscribed—and that seemingly is not the Government's intention. Although the details have still to be worked out, improvement grants are to be paid for a wide variety of purposes connected with both production and marketing, and most growers (including co-operative associations) will apparently be eligible. Even more than with the small farmers scheme, there is an obvious danger that the resulting gains in efficiency will not justify the scheme's administrative overheads; if horticulture is to be directly aided, a plan that was both larger and more selective would probably be preferable.

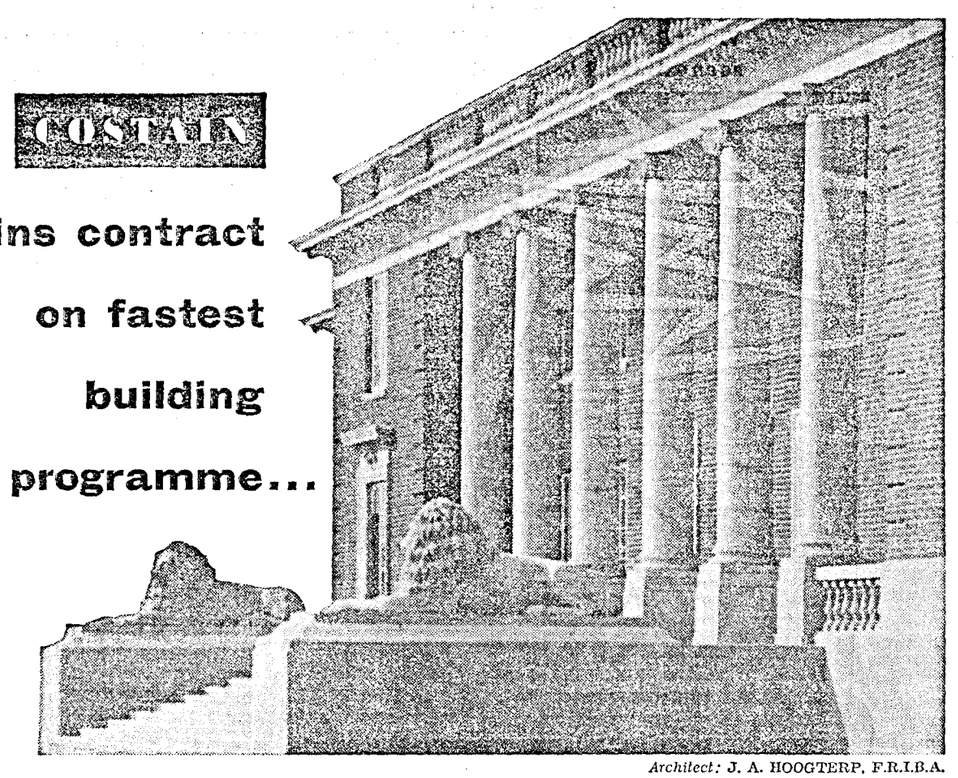
The Government's political calculation is presumably that the subsidy may allay the maximum amount of growers' wrath for the minimum of expenditure. But things do not always work out that way. The National Farmers' Union, which is very careful nowadays to try to satisfy its horticultural wing, has given the scheme a cool reception; it has decided to press on with a fresh set of claims for tariff increases. People who work in glasshouses are busy throwing stones.

HOUSE OF LORDS

Brains Trust in Ermine?

The new quartet of life peers—Sir Eric James, Sir Edwin Plowden, Sir Hartley Shawcross and Professor Lionel Robbins—have all the marks of a shrewdly balanced Brains Trust; if Dr Bronowski and Mr Norman Fisher

LUSAKA HIGH COURT NORTHERN RHODESIA

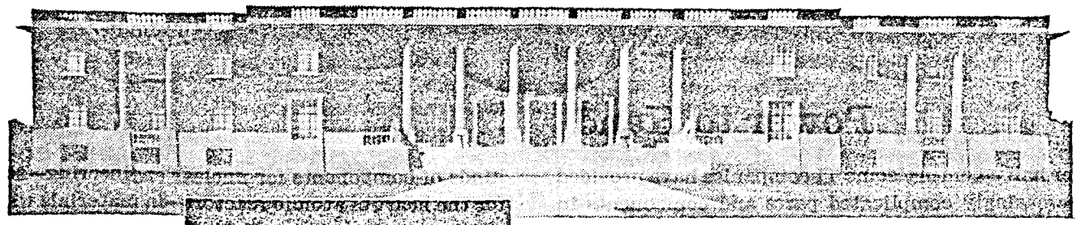


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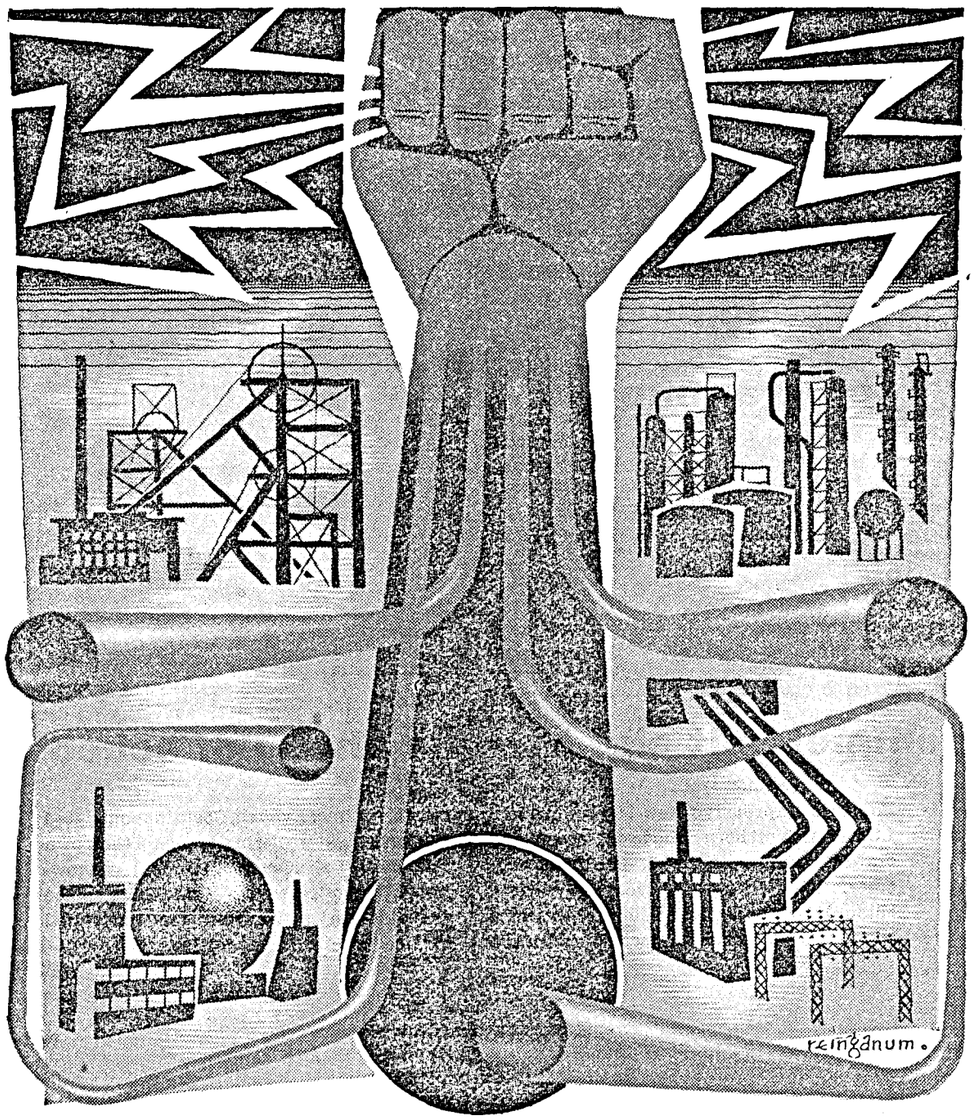
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could be similarly ennobled, it would be scarcely necessary for the BBC to stoop to commoners for its future programmes. Taken as a whole, Mr Macmillan's second selection is more imaginative than his first. The new peers are the kind of active men of distinction whose absence from the House of Commons is now frequently deplored and who in the past might have gone there as members for university seats. The Commons will need to look to its public relations if the people are not to turn increasingly for guidance to the "senate of intellect."

The last fortnight's debates in the Lords, although they may foreshadow the harder times ahead for the Government front bench, did not quite live up to that Elysian ideal. In an exchange on the question of "how green are our diplomats?" Lords Attlee and Hailsham demonstrated that, so long as any old House of Commons men are around, the "you're another" technique will not be altogether lost. And the actual falterings of the Government front bench were in the face of assaults neither from an official opposition revived by an infusion of "lifers'" half blue blood, nor from the new egghead élite, but from the more familiar sources of service leaders and the landed and hereditary interests.

In a week that ended with the Government bending before Lord Tedder's barrage over the Malcolm clubs the rot was started by Lord Brocket, a former chairman of the Land Union and the owner of a good many Scottish acres. He refused to take excuses from Scotland's premier baron, Lord Forbes, for waiting until 1962 to begin the new close season for red deer, and carried an amendment against the Government to start it one year sooner. The next day Lord Reading's motion to admit women hereditary peers (now that the life peeresses have broken through the sex barrier) prevailed against both Government and Opposition whips.

This last debate was mainly remarkable for another chapter in the delicious process by which Lords Hailsham and Salisbury have been exchanging positions on almost every issue since the one gained, and the other ceased to hold, office. Lord Hailsham now rehearsed at Lord Salisbury's expense the caution with which Lord Salisbury used to admonish his rank and file during the Labour Government—that issues that are mainly of interest to peers should not be pushed against official Labour opposition. But on one point the Lord President's non-partisan vehemence carried him rather further than the chairman of the Conservative party might think prudent. In listing the proposals the Government would rather give time to than to the distressed female peers he included repeal or revision of the laws on the Lords Day Observance, betting, licensing, obscene publications and marriage. There is a simple solution to Lord Hailsham's complaint. Let us have no election until February, 1960, and let us have a pre-election session of three months devoted exclusively to these topics.

EDUCATION

Church Controversies . . .

LAST week's debate on the education white paper was not very constructive, except perhaps for a welcome hint that both front benches, having at last woken up to the facts of the teacher shortage, might accept adjustments to the plan to lengthen the teachers' training course from two years to three. But the most intriguing educational problem for this election year looks like being the old familiar hot potato of the church schools, which neither party is eager to pick up. To telescope many complexities, the compromise which was reached in 1944—after long-drawn interdenominational argument—and which has been extended since was that: (a) the running costs (including salary costs) in church schools should continue to be borne by the state; (b) the state should also meet (though partly at the minister's discretion) 50 per cent of the cost of bringing existing church schools up to the new standards called for; but (c) there should be no state grant towards building new church schools. Since 1944 this last principle has to some extent been whittled away, in order to meet special problems set by movements in population and so on. But the main structure of the compromise remains.

In the church schools controversy of 1959, the participants are lining up roughly as follows:

(1) The Roman Catholics are asking that the present state contribution of 50 per cent to the cost of reorganising their existing schools should be raised to 75 per cent, and that the state should also meet 75 per cent of the cost of building the many new Roman Catholic schools they want. This is in pursuance of their aim to get every Roman Catholic child into a Roman Catholic school.

(2) The Church of England wants more for reorganising existing Anglican aided schools, but it has almost abandoned hope of persuading its faithful to cough up even 25 per cent of the cost of building new ones. It therefore opposes grants for building new schools as "the introduction of a new principle."

(3) The Free Churches have few aided schools of their own. They fear the "missionary" effect of the extension of Roman Catholic schools aided by taxpayers' money.

(4) The local authorities dislike the complexities of the present system of administering grants, and would support simplification. But most of them are afraid of opening the door to a rash of inefficient and expensive little voluntary schools in the catchment areas of good county schools.

(5) Some teachers would regard the growth of denominational schools as a threat to their professional prospects, if not to their freedom.

. . . and Secular Principles

THE broad principles of a fair new deal in this church schools controversy are surely clear. It would be a pity to allow purely religious squabbles to muddle them. The most important thing is that the improvement of all existing British schools, and the distribution of resources engaged for such improvements, should not be held up or distorted by interdenominational rivalries. The Roman Catholics and the Church of England both have a reasonable argument when they say that the 1944 compromise has been made obsolescent by the rise in repair costs; their case for an increase in the 50 per cent grant to 75 per cent deserves sympathetic consideration. The second point (*pace* some zealots in the low churches) is that it would be an advance in human freedom, which the state should support within the limit of its resources, if every British Roman Catholic parent could send his child to a Roman Catholic school if he wants to. But, in a secular state, this has in most areas to be regarded as definitely a second priority after wider educational improvement—especially of secondary schools. The case for a state grant towards building a new church school, in any place where a church would like one, cannot be conceded unconditionally. But there are strong arguments for widening the minister's discretion in deciding when and where such grants can be made.

HOLLAND

Friends and Allies

HOLLAND'S relations with Britain have been only marginally improved by this week's visit of the Dutch foreign minister, Dr Luns, to London. Before his arrival, the Government had deferred until the end of February the application of its decision to reduce KLM (Royal Dutch) flights to Singapore from two to one a week. Dr Luns brought with him statistics on passengers carried which conflicted with those presented by the British Overseas Airways Corporation. The two sets of figures, and other technical data, are now to be studied; but no assurance has been given to Dr Luns that the reduction will not be enforced.

As was pointed out on page 244 of *The Economist* of January 17th, this decision is, on practical grounds alone, small-minded and shortsighted. It is also politically undesirable. The Dutch are friends who have recently suffered much through arbitrary Indonesian behaviour. Britain, incidentally, needs their support, and has usually had it, in the negotiations in Europe that arise out of the creation of the common market.

It was psychologically unfortunate that the KLM decision coincided with the granting of licences to the Fairey Aviation Company for the sale of 18 reconditioned Royal Navy Gannets to Indonesia. The decision to permit this sale was taken, despite Dutch and Australian representations, after the Indonesians had given assurances that they had no aggressive designs on Dutch New Guinea.

The obvious argument in favour of meeting the Indonesians' requests for arms is that they would otherwise buy elsewhere; another, more doubtful, argument is that only those who provide arms have a say in the use made of them. But at present there are other reasons why the wisdom of selling British arms to Indonesia is debatable. In December, Labour MPs seemed unaware of the incongruity of asking the Government to stop the delivery of arms to General Batista in Cuba only four days after pressing it to let British arms go to President Sukarno. International convention approves the sending of arms to a country in a state of "civil disturbance," but not to one torn by civil war. Yet on December 11th Mr Profumo, in defending the Government's refusal—at that time—to let arms go to Indonesia, told Mr Callaghan in the House of Commons that there was a "civil war" in that country. The situation has not changed since then.

FINLAND

A Little Diversion

PRESIDENT KEKKONEN suddenly left Helsinki on January 21st for Leningrad. Although his visit was described as private, it soon developed into a high-level Russian-Finnish negotiation. Mr Sakharov, the Soviet deputy foreign minister, accompanied by experts on Scandinavian affairs, came from Moscow to welcome the president; on the 22nd, Mr Khrushchev and Mr Karjalainen, the Finnish minister of trade and industry, appeared on the scene. The President visited the room in the Smolny Institute where, forty years ago, the declaration of Finnish independence had been signed; in an after-luncheon speech Mr Khrushchev expressed his hope that the president's "informal visit" would constitute a "little diversion from the daily cares of statesmanship."

There was not much basis for this kindly hope of Mr Khrushchev's. The Finns went to Leningrad because their relations with the Soviet Union had, for some months, been going extremely badly, and this, the Soviet Premier must have known, was not entirely their own fault. The last government in Helsinki, that of Mr Fagerholm, had to go because it contained, and was backed by, men unacceptable to Moscow; now the new, purely Agrarian government of Professor Sukselainen, having only a narrow parliamentary basis, needs all the goodwill it can get, and this means Soviet goodwill in particular. There are now some 85,000 unemployed in Finland, the highest number for ten years. In his speech, Mr Khrushchev dwelt on the part trade with Russia had played in helping the Finns solve their employment troubles; at the same time, he warned his guests, quite openly, that his country had no intention of being on the losing side in its trade with Finland, and that those people in Helsinki who hope to sell more to Russia while buying less from it are bound to be disappointed. As far as trade with Finland is concerned, the Russians will have their own way. The Finns have solved their problem of government for the moment, and have gained at least a temporary Russian tolerance for the solution they have found. It looks as though Mr Kekkonen and the Finnish communists have agreed on the future conduct of Finnish-Russian relations, and that on this basis the communists have agreed to give Professor Sukselainen a trial.

GLASGOW

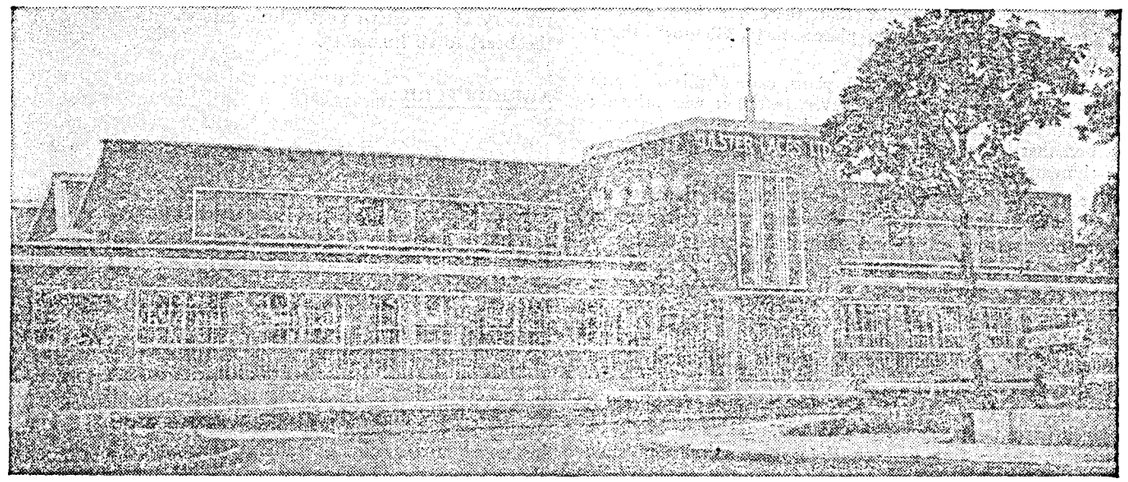
Scots A'Roaming

GLASGOW'S plan for eventually dispersing one-fifth of its million inhabitants to places all over Scotland (and one in England) has set off a spirited controversy. The scale of the proposed migration is a measure of Glasgow's appalling problems of congestion and squalor, which dwarf those of any English city. Half a million people are crammed into four square miles of the city, 80,000 of them living in the intolerable sordidness of over three persons per room. The city's 20-year redevelopment plan provides for the wholesale demolition of the worst slums and their replacement by tall blocks of flats, but even so it will displace 200,000 people. It is proposed that some of these should move to the nearby new towns of East Kilbride and Cumbernauld, but—according to present Scottish plans—the majority are to move right out of the congested Clyde valley.

In general terms, the plan is an excellent one. The shame of Gorbals, Hutchesontown, and the rest, cannot be erased until many of their inhabitants move; and a redistribution of people and jobs within Scotland would bring new life to many stagnant areas. To so naturally mobile a nation there ought to be nothing that is distasteful, and much that is beneficial, in the prospect. But social dreams have a habit of jarring their heads against economic realities. In particular:

(1) Compensation will be offered at market values to the numerous small firms whose premises will be acquired under Glasgow's redevelopment programme. Particularly to the city's very Socialist council this must seem fair enough. But compensation that is sufficient to pay for old

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GO TO NORTHERN IRELAND—AND GROW

and written down premises is not likely to be enough to enable their owners to build new ones. Many of these firms are liable to close down, thus adding to Scotland's unemployment problem.

(2) Those firms that want and need to stay in the city will require the corporation to do more for them than mention the "possibility" of flatted factories.

(3) Whatever happens, and despite all inducements to incoming industrialists (including government assistance under the Scottish Town Development Act), it is going to be difficult to ensure that there are jobs enough in the smaller and remoter places among Glasgow's thirty proposed reception towns.

(4) As so often happens with plans, parts of this one seem to have become out of date even before it was printed; insufficient attention has been paid to the voluntary emigration that has already taken place from some of the worst slum areas.

The economists at Glasgow University, who have seemingly played little part while decisions were being made, have now sprung to life and started airing their doubts.

What is clearly needed is not abandonment of the 20-year plan, but flexibility in it. Given the general improvement of public utilities in Scotland and recent signs of appreciably greater industrial mobility, parts of the plan seem to have a fair chance of success: particularly those that envisage the transfer of some major industrial units to other parts of central Scotland, such as Midlothian which has a large scheme in prospect. Glasgow would be wise to concentrate first on these economically possible parts of its plan, and to recognise that the economically improbable will take a little longer.

COMRADE BURNS

Their Ayrshire Lad

PUSHING and butting with cultured ease, the Russians moved in last Sunday to gatecrash the celebration of the two hundredth anniversary of the birth of Robert Burns. By the end, they were pretty well running the party. Scottish idolaters of the national, and proletarian, poet offered surprisingly little resistance. Concerned at the native reputation for using Burns night as a hoary excuse for "getting fou and unco happy," the local litterateurs hummed and hawed in anxious re-evaluation, conceding genteelly that Burns, after all, might belong as much to his age as to all time. Most of their hearers, it may be hoped, dissented.

The Russians had no doubts. It was not merely that Moscow broadcast, in the doric verse of Mr Samuel Marshak, the fraternal assurance that

> In this boundless land of ours your homespun views we cherish;
> From Baltic to Pacific shores your fame will never perish.

Full play was made with Soviet exhibitions, lectures, poesy corners and critics' rhapsodies. In the absence of Mr Malik, himself a known devotee, a first secretary of the Soviet embassy was despatched to the ceremony at Ayr, near the poet's birthplace. The Scottish communists, not to be outdone, hired the largest hall in Glasgow for their spree. Finally, to improve the shining ideological hour, the newspaper *Trud* rebuked the English reactionaries, principally the Postmaster-General, who had done their best to "distort and belittle" Burns by not issuing a postage stamp in his honour. Mr Emrys Hughes, MP for South Ayrshire, who had periodically thrust the Russian stamp before Mr Marples's unsympathetic gaze, was given a hearing on Moscow radio. All that seemed to be missing was an anti-party assessment from that old Burnsian admirer, Mr Malenkov.

This piety did not spring entirely from pure poetic pleasure. The Russians play the cultural game hard, and they play it to win. They can count it a small scoop to have muscled in so smartly, in the eyes of the world, on the memory of a western poet whose gift was to speak from the heart to all humanity.

AGRICULTURE

Small Farm Mergers?

THE passage of the Small Farmers' bill through its committee stage revealed what, if the scheme is to produce its full effects, is obviously going to be a besetting difficulty of administration. An advantage of the bill is that the lower acreage limit of the scheme is not only a negative provision, designed to exclude those holdings too small to yield an adequate full-time livelihood; it is also, potentially at least, a positive incentive to their amalgamation. Two fifteen-acre holdings, each ineligible alone, could qualify for government help if merged into a single "farm business" under joint operation. The committee debate showed that the Government, as well as the Opposition, hopes to see a substantial amount of this small-scale rationalisation set in train as the scheme's attractions become clear.

But two difficulties stand in the way. One is the doubt as to what constitutes, for these purposes, a single "farm business." A full partnership would obviously meet the case. But not all farmers are willing either to face the legal formalities and expenses involved or to submerge their independence so permanently and completely. How elastic an interpretation is possible? How close an integration is needed before two farms can rank as one? *Prima facie*, there is some divergence between what the Minister said in the debate and what farmers have been told in the official leaflet explaining the scheme. The leaflet was the tougher statement. Obviously a delicate balance will need to be struck between a rigidity that frustrates the scheme's possibilities and a laxity that makes nonsense of its limits. It is important that this balance should be struck both correctly and clearly. Otherwise much justifiable annoyance can be expected.

The other difficulty concerns the National Agricultural Advisory Service. The NAAS is a technical body. The merging of farm businesses is far from being a purely technical affair. A NAAS official who has long familiarity with his neighbourhood and its farmers can indeed both take tactful initiations in suggesting amalgamation and actively help to carry it through. A newcomer would be almost paralysingly handicapped. And a great many NAAS officials are, in practice, going to be newcomers, shifted from their usual areas to the small-farming regions of Britain to meet the special demand for their services arising out of the scheme. This is not a difficulty to be conjured away at short notice. It is the more important not to lose sight, during the inevitable teething-troubles of the scheme, of the fact that an increase in amalgamations could be one of its most valuable long-run results.

THE HEALTH OF THE SCHOOLCHILD

Generation of Billy Bunters?

NO one could have foreseen fifty years ago, when the school health service had just completed its first year, what spectacular changes would subsequently occur in the health and appearance of schoolchildren. Even twenty-five years ago, the virtual eradication of infectious diseases (including respiratory tuberculosis) as a cause of death would not have been thought possible. Nor would it have been foreseen, in the hungry thirties, that it is obesity in schoolchildren rather than malnutrition that would now attract attention in school clinics.

Compared with their predecessors of fifty years ago, according to the annual report of the Chief Medical Officer of the Ministry of Education (HMSO 10s. 6d.), boys and girls in urban areas are 2-3 inches taller at the age of five and 2-4 inches taller at the age of twelve. At the same ages, they are 4-6 lbs. and 7½-9 lbs. heavier. How much of the increase in growth is the result of the school health service, together with the provision of school milk and meals and the general improvement in nutrition of the last twenty years, is not known. The same change has been reported in America and in other countries of Western Europe and is noticeable in all social classes—not only among the poorer ones. Thus, there seems to be a long-term secular increase in growth, on which an increase due to a specific improvement in living conditions has been superimposed. There is also some evidence that the secular change is tending to wear out, for the maximum rate of increase has shifted from early childhood to school age.

In an increasing number of children, according to the report, obesity is being superimposed on the increase in weight resulting from the other two factors. It is itself, of course, the result of higher incomes all round, coupled with a tendency to interpret instructions that children should be well fed as that children should be allowed to eat as much as they like. The greater prosperity of the children themselves encourages them to supplement excessive feeding at mealtimes with excessive eating of sweets in between. Obesity can be as big a handicap to a child's progress at school as malnutrition, and Sir John Charles is right to draw attention to the potential dangers of over-eating.

UNIVERSITIES

Churchill and Cambridge

CHURCHILL COLLEGE is coming into existence with commendable speed: a beginning with its corporate life may be made even before 1961, if the building, which will be started this year on land sold to the trustees by St John's College, proceeds fast enough. Two-thirds of the new college's members will be science men and one-third arts men, a ratio which may mirror Britain's future technological needs but which more or less reverses the present pattern of Cambridge as a whole. Sir John Cockcroft is to be the first master—a logical choice, both because of the proposed numerical preponderance of scientists and technologists and because of the high proportion of post-graduate students which the college intends to attract.

At last week's meeting at the Senate House the opposition of some Cambridge dons to the foundation of Churchill was not, after all, pressed to a vote. The critics dislike the idea of a college in which science so preponderates; they also deplore the prospective influx of 600 more men to Cambridge, and are afraid that the new foundation will eventually cause some change in the character of the university as a whole. Many of their specific complaints will be regarded by other people as specific advantages of the scheme. It can be confidently predicted that in a few years this preliminary backbiting will have been forgotten, and the only question will be where to put other colleges of this kind. When it seems so hard to get a start made on the new universities that the country badly needs, it is right to send up a prayer of thanksgiving for so useful an interim blessing.

RESTRICTIVE PRACTICES IN HOSPITALS

Who Washes the Walls?

"*The general cleanliness of all parts of a hospital makes an important contribution to the prevention of infection.*" This indisputable statement appears in a report, published recently, by a committee of the Central Health Services Council on staphylococcal infections in hospitals, outbreaks of which are causing growing concern. Walls are specifically mentioned in the report as potential depots where staphylococci can survive.

"*Where washing down [of walls and paint work] has been decided on instead of repainting it is considered skilled labour should be used.*" This is part of a recommendation for the hospital service agreed on by both sides of the ancillary staffs council builders' committee and accepted by the minister. As a result, there is a tide mark along the walls of many hospitals representing the limit beyond which the unskilled Mrs Mops are not allowed to clean. Above this limit, usually shoulder level, the dust accumulates, and harbours the staphylococci, until the skilled painters have time to remove it by the methods which Mrs Mop is accustomed to use in her own home.

BOOKS AND PUBLISHING

Exports and Propaganda

TO judge by the records put up by British publishing last year, the industry continues to flourish. The number of new titles and reprints issued rose from the 1957 high of 20,719 to 22,143. The number of new books published (16,172 titles) is actually 25 per cent above the American figure, though the American turnover, owing to huge paperback editions, is higher. Of the total annual turnover (which was over £60 million in 1957, and was £45½ million for the first nine months of 1958) 37½ per cent was exported. This proportion shows only the slightest signs of sagging. But publishers say that they are encountering great difficulties in countries where the amount of foreign

Appointments, Business and Personal notices, and other Classified Advertisements pages 450 and 459

exchange allocated for the purchase of books is restricted, as well as growing competition in those areas—and in others—from heavily subsidised books and reprints emanating from behind the iron curtain.

In recent months a number of spokesmen for the publishers have come forward to complain of this state of affairs; to describe the political damage entailed by the loss of traditional British book markets in countries like Israel, Pakistan and India; and to urge that in the national interest (and indeed as part of the cold war) sales of British books to these areas should be in some—unspecified—way subsidised by the taxpayer. They are eagerly awaiting a statement from Dr Charles Hill on his return next week from Singapore.

Arguments of this kind, coming from an interested group, ought always to be scrutinised severely. The narrower part of the problem is that some foreign countries have imposed restrictions on imports of British books because they are short of foreign exchange. The Americans meet this difficulty by building up blocked accounts in local currency which are used for propaganda purposes. Britain could hardly afford to do this on an American scale, even if it were desirable. The wider problem is competition from cheap Russian and Czech books. Here, it is alleged, the cheap reprints of Dickens are the spearhead of more subversive literature (banned by most British colonial governments, not always wisely). But would the offer for sale of British paperbacks at, say, half their published price in Britain turn Africans or Asians from reading communist propaganda to reading *Erewhon* or *Lucky Jim*—or even *Dr Zhivago*—if they were available? And would the result be politically significant? If a propaganda counter-offensive by the west is felt necessary—and it may be—it is far from certain that the normal book export trade is the right channel through which to direct it.

SOVIET UNION

How Many Russians?

MILLIONS of Soviet citizens have been answering questions about their age, job, mother tongue and so on. The first census to be staged for twenty years has been in progress. Four similar inquiries had been held in the past, though the results of the 1937 one were never published. The long delay since the 1939 census is probably explained by Moscow's reluctance to reveal its tremendous war losses. It was presumably feared that these losses would be viewed not as a symbol of Soviet sacrifices but as a sign of Russia's resulting weakness. When Moscow disclosed that its estimated figure for Soviet population at the beginning of 1956 amounted to only 200 million, the figure was much lower than the available western estimates. The Soviet government now evidently feels that the country has recovered enough not to need further camouflage of this particular kind.

Fifteen questions have been put altogether. The results, when published, should provide valuable information about the age-structure and the social make-up of the population. Taking into account the huge area involved, the census presents quite a lot of technical problems. Some preliminary inquiries were made last year in the far and frozen North, but the bulk of the job has been carried out in mid-winter. Population results are promised for April; certain other figures are to be published before the end of the year. If the censor does not intervene, this information will greatly increase knowledge of Soviet society.

LETTERS

Primary Elections

SIR—In your article entitled "The Public's Business," you put the strong case for the introduction of primary elections in this country, and I suggest that the few objections you mention can be easily overcome in a typically British way.

There need be no expenditure by the prospective candidates if it were accepted that it is the duty of the party organisations to short-list candidates and to circularise the ballot forms together with the candidates' own statements of their qualifications, policies, and proposals. "Writing in," in the approved American style, should be permitted, thus giving an opportunity to members to indicate support for any candidate of their own choice.

The primary elections could be conducted quite efficiently by party organisations with less disclosure of party membership than is involved in the contracting out of political levies by trade union members. A change of this nature would bring a fresh and stimulating change into stagnant or decaying political associations, and might even persuade the cynics that the existing parties can be democratically influenced from within.
—Yours faithfully, J. HARLEY
London, NW4

Official Parties

SIR—There is another and equally important aspect to the question discussed in your article—"HMG Requests the Pleasure." Businessmen like myself who attend international conferences have been shocked by the parsimony of Treasury allowances to important United Kingdom officials.

As the senior British officials who attend these conferences are men of the highest calibre they are more often than not appointed chairmen of key conference committees. Yet their allowances hardly permit them to have meals in their hotels, much less give an official dinner or cocktail party.

Russia and her satellites readily fill the entertainment gap thus opened up by short-sighted Treasury policy.—Yours faithfully, ROBERT KIRKWOOD
Kingston, Jamaica

Gallup Polls

SIR—You suggest in your last issue that students of by-elections were better informed about the political health of the nation than those who were content with reading opinion polls. By an odd coincidence one of your respected contemporaries, *The Spectator*, carried a week earlier a detailed article warning against reading the signs of the times from by-election results. Dare we be so churlish as to side with *The Spectator*?

We have a very considerable store of data which does not get published. It suggests the following conclusions, as at the present time:

(a) There is a breaking up of the national swing which made the life of the psephologist and the pollsters so easy and pleasant.

(b) There is a danger in arguing from by-election results to the outcome of the General Election, even in the same constituency.

(c) The extent of the swing is not uniform throughout the regions.

—Yours faithfully, HENRY DURANT
Social Surveys (Gallup Poll) Ltd.
London, W1

BOOKS

Cosmoscope

The Sleepwalkers: *A History of Man's Changing Vision of the Universe*

By Arthur Koestler.
Hutchinson. 610 pages. 25s.

THIS is a big, useful, but puzzling and often banal book: useful because it brings in small compass an adequate history of what can loosely be termed the materialists' view of the universe in its struggles to become what we call science; puzzling because Mr Koestler seems to have written it as much for the codification of his own views as for any prerecognised public, so it often becomes banal, its progress punctuated with judgments and statements of fact already familiar to people with even a smattering of the history of science. It is useful, and in the author's intimately colloquial style easy, to have the modern mass public's inherited views about Galileo put right; yet at least two books by Italian and American savants have done this fully and effectively within the last three years. Mr Koestler gives us, in English for the first time (strange to say but true), a lot more about Kepler and his family. But it is almost thrown in as he goes along; and at the end of his long book both the savant and the uninstructed may well wonder to what end all the work was done.

Nothing now put into English about Kepler, for instance, alters the scientists' world view of him and his work; and Mr Koestler's accomplished weaving through Brahe, Galileo, and so on does not clarify what really went on between the Church and the secular authorities on the one side and the New Scientists on the other. Accordingly, as we approach the final sections on the Newtonian synthesis and our atomic era, we are like men long travelling in a jungle with a few tracks: the open horizon appears, but there seems nothing on it, and we know not whether we were led hither to die in a desert, or whether we may find meat and drink and company. Nor does the author. On the penultimate page of his text this appears:

> Thus within the foreseeable future, man will either destroy himself or take off for the stars. It is doubtful whether reasoned argument will play any significant part in the ultimate decision, but if it does, a clearer insight into the evolution of ideas which led to the present predicament may be of some value.

So it may; but from this book it is not clear of what value. The author seems to have missed his chance to lay bare more of what actually went on between the New Scientists, the Churches, the arms of the secular authorities, and the organisation of society and education in other climes and eras. For example, a true Marxist (as Mr Koestler should well know) has his cosmoscopy whereby he explains all. So does a believer like Dr Butterfield, who can discern in the historical unfolding—as did long before him both unbelievers and believers, like Acton and Hobhouse, Spencer and Westermarck—something like a "Consciousness the Will informing, till It fashion all Things fair." It would have been more helpful to us, struggling as we are in all our so-called social sciences, if Mr Koestler had taken natural scientific thought or cosmology and traced its development as a part of the development of occidental rationalism. Indeed, early on, he throws out the oft-made but seldom analysed observation that all our knowledge of the so-called "physical world" stems from north of the equator, on the hither side of India and Ethiopia. Why? Why was there in these regions such obvious parallelism between what came to be called religion and science, almost a "psycho-physical parallelism"? The internecine feuds of the early Christian church are shot through with cosmologies bearing much within them of ancient, heathen, physical lore. Sir Steven Runciman's "Medieval Manichee" was a brilliant, constructive sally into these borderlands of matter and spirit, science and religion, mythology and reason. Mr Koestler's fertile mind might have taken us farther and "some place else." Instead it brings us to a full stop before this penultimate sentence:

> Our hypnotic enslavement to the numerical aspects of reality has dulled our perception of non-quantitative moral values; the resultant end-justifies-the-means ethics may be a major factor in our undoing.

But are our young, new scientists so enslaved; and, if so, is it "to the numerical aspects of reality"? Are not philosophers and scientists, "rationalists" or not, alike pushing beyond numbers and mathematical presentations to "the meaning of Meaning"? And is *any* kind of ethics around us today a "resultant" of our enslavement to numerical aspects of reality? Could it not be said that, everywhere in that West whence these things came, the pendulum of Galileo is swinging back fast, especially in the New Thought of the Russians? After all, the horrors of our New Scientific era have only made themselves horrible enough to awaken men's spiritual, as well as strategic and political and economic, alarm through their "numerical" (or at least their physical) aspects. Accordingly the end of the Age of Reason is not yet, and the triumph of myth, slogan and irrationality is by no means secure. Nor is the self-destruction of man, even though the means lie now within his own hands. Mr Koestler throws his little lantern backward along the rough track, kindly and helpfully. We stand fearful on a dangerous ledge. But the track leads ahead, and we cannot go down again. How much more helpful would his lantern have been if he had shone it round and forward.

Three Men in a Boat

The Charm of Politics

By R. H. S. Crossman.
Hamish Hamilton. 246 pages. 18s.

Along the Road to Frome

By Christopher Hollis.
Harrap. 288 pages. 17s. 6d.

Distinguished for Talent

By Woodrow Wyatt.
Hutchinson. 264 pages. 21s.

THERE is no compelling reason why these three books should be read or reviewed together. But each is well worth reading, and to take them together is at any rate to glimpse one weakness of political parties. For all three authors are, in their fashion, thwarted politicians. Mr Crossman, whose book is simply a clutch of shrewd and idiosyncratic book reviews, may still survive to be a really distinguished Minister of the Crown; Mr Hollis and Mr Wyatt are in the wilderness, without seats for all the one's wit and the other's earnestness.

Yet, undeniably, all three of these authors, in intelligence, in curiosity and in their own (very different) forms of piety, are well above the average of most MPs and many ministers. If Mr Crossman is the most civilised of them, Mr Hollis, whose book sets out very simply, very well and very modestly the faith and fun of a lifetime, is certainly the most cultured; while Mr Wyatt, who has tried not altogether successfully to collect his impressions of the persons he has met who represent the hopeful growing points of a forward-looking Britain, is equally certainly the most contemporary.

All three of them share two simple things. One, momentarily masked but not at all concealed by the sometimes weary-seeming elegance of Mr Crossman's don-cum-journalist manner, is the very simple desire to do good in politics. The other, probably because of this old-fashioned urge, is an honest discomfort in any doctrinal straitjacket. Of the three, who should none of them stay too long on the literary and television sidelines, Mr Crossman is (and can yet show himself to be) the biggest; his famous inconstancy of judgment is no greater than that of Winston Churchill at his age—and both men have been spokesmen of Zion. Mr Hollis is (though he would blush to have it said) the good man of the three; and Mr Wyatt is the practical and didactic one who hankers after prodigies. Anyone who wants to make a quick comparison of these three books should read what they have to say about the one subject they all three include: Lord Attlee.

Upstarts in Japan

The Rise of the Merchant Class in Tokugawa Japan 1600-1868

By C. D. Sheldon.

J. J. Augustin, New York. 208 pages. $5.

IT is one of the paradoxes of Japanese history that, although the rise of the merchant class during the Tokugawa era was a major factor in the collapse of feudalism and of the old regime, the members of that class played only a modest role in the leadership of the new society as it emerged at the time of the Meiji Restoration (1868). Dr Sheldon had this paradox in mind in writing his concise and well documented book, and he clothes a story, familiar in general outline to Western students, with much fascinating detail. He shows how the policy of the Tokugawa Government after its firm establishment early in the seventeenth century fostered the growth of internal trade, the diffusion of a money economy and the growth of a prosperous merchant class.

At times it seemed as if that class would develop as a force independent of feudal authority. Examples can be found of individuals who displayed enterprise of a high order. The merchants devised elaborate forms of commercial organisation and ingenious instruments for handling financial business. They contributed notably to the superb cultural and artistic flowering that made the Genroku period (1688-1703) one of the most gracious in human history. But they never made any serious attempt to wrest political power from the feudal classes, and from time to time they received brutal reminders that it was not for them to usurp the places and privileges of their betters. Consequently, the majority of them remained conservative in temper, restrictionist in commercial policy and content to accommodate themselves to the demands of feudal society. In this connection, the seclusion policy, enforced from 1641 until the middle of the nineteenth century, was of the utmost significance, for it meant that for two hundred years the merchants were never exposed to the vitalising influences of foreign trade.

Yet, although the merchants served mainly as instruments of the feudal order, their commercial and financial activities gave rise to forces destructive of the economy of the old regime, based as it was on peasant agriculture and payments in kind and service. Individuals from the samurai sometimes engaged in trade and allied themselves with merchant families; but as a class the samurai, like the Tokugawa Government itself, were too contemptuous of the merchants, and too anxious to assert the exclusive privileges of their order, to conceive the possibility of constructive compromise. Although the Government and the lords looked to the merchants to sustain their tottering finances, they were never prepared to let the merchants promote the economic development that might have alleviated the increasing impoverishment of the feudal classes after the middle of the eighteenth century and so saved the regime from its ultimate collapse.

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Physicist Off Beam

Mind and Matter

By Erwin Schrödinger.

Cambridge University Press. 104 pages. 13s. 6d.

THESE are the Tarner lectures delivered at Trinity College, Cambridge, in October, 1956. Professor Schrödinger is a very eminent physicist and a brilliant lecturer. Who could resist—or, indeed, would wish to resist—the Viennese charm of his delivery as he freely roams about from physics to metaphysics, from the Upanishads to Boltzmann's "statistical theory of time." He is an expert storyteller and is at his best when he relates, albeit at second hand, the absorbing findings of the physiologists.

But however delightful it may have been to listen to the lively *raconteur*, as reading matter these lectures are as disappointing as they are disconcerting. We are often told that a scientific training is a training in careful observation, critical judgment of the evidence, and a systematic striving for truth. How is it that eminent scientists, and physicists (it seems) particularly, when straying into subjects not their own, so often betray no signs whatever of this admirable training? Professor Schrödinger calls physics "the humblest of sciences"; yet it would hardly seem to be a sign of humility if the students of matter now feel entitled to discuss the problems of mind as if no one else had ever given more than the most fleeting attention to them. The first lecture, for instance, purports to deal with consciousness. On the basis of a few exceedingly elementary observations—that habitual actions can be performed without attention—we are presented with the following "tentative answer" to this deep and abiding mystery:

> Consciousness is associated with the *learning* of the living substance; its *knowing how* (*Können*) is unconscious. Consciousness is a phenomenon in the zone of evolution.

We are then told that "the theory of consciousness that I have adumbrated seems to pave the way toward a scientific understanding of ethics." Now this is great news indeed. How does Professor Schrödinger understand ethics scientifically?

> The ethical law . . . is plainly a fact . . . I regard its puzzling existence as an indication of our being in the beginning of a biological transformation from an egoistic to an altruistic general attitude, of man being about to become an *animal social*.

The next lecture deals with "Understanding." Here the eminent physicist deals with the genetic effect of individual behaviour—he calls it "feigned Lamarckism"—ending up with a page and a half on economics. He warns us (in what Professor Galbraith would no doubt enjoy as a splendid example of "conventional wisdom") that evolutionary

dangers lurk behind the "protection of the workers against exploitation and unemployment and many other welfare and security measures":

> We cannot shut our eyes to the fact that, by alleviating the responsibility of the individual to look after himself and by levelling the chances of every man, they also tend to rule out the competition of talents and thus to put an efficient brake on biological evolution.

He thinks that "competition between big firms and concerns all over the world . . . is as uninteresting as it is biologically worthless":

> Our aim should be to reinstate in its place the interesting and intelligent competition of single human beings.

And so we move happily on, to all the most stupendous questions of mankind. How can a great scientific mind produce so much triviality and confusion? Professor Schrödinger describes Kant's attitude to science as "incredibly naïve." This reviewer is at a loss how to describe Professor Schrödinger's attitude to man's most difficult intellectual problems.

Squalor in Delhi

Slums of Old Delhi

A survey by the Bharat Sewak Samaj Delhi Pradesh, with a Foreword by Jawaharlal Nehru. *Atma Ram.* 239 pages. 15s.

THE stupendous task before the authority that is planning a Greater Delhi emerges from this socio-economic report which Jawaharlal Nehru accurately describes as "useful, impressive and distressing." In Old Delhi, there are today 951,000 people living in accommodation intended for 301,000. Of this 650,000 "excess population," no fewer than 365,000 are crammed into the walled city built by Shahjehan in 1648 to accommodate 60,000 people. Forty-three per cent of the property is privately owned; 57 per cent is owned by government agencies. Almost the only source of water in these slums is the municipal tap, available in 66 per cent of the tenements while 34 per cent depend on public hydrants outside the buildings. An average of 8 families, or 40 persons, uses each tap. Latrines are virtually non-existent. The approaches to the *basti* (or hut) type of slum are normally littered with excreta.

People live in slums because they cannot afford to move. Most of Delhi's slum dwellers are unskilled labourers or petty craftsmen (mechanics, carpenters and so on), 80 per cent of whom are compelled by poverty to live within walking distance of their jobs. Only 15 per cent can afford cycles and 5 per cent public transport. The average size of a slum family is 4.81 persons and of its income 30s. per head a month. Only 3.4 per cent earn more than £15 per month. Fifty-four per cent of the children between the ages of 6 and 14 attend school. Twenty-eight per cent of Delhi's slum dwellers are "squatters" and pay no rent. Nearly 70 per cent believed that shifting people out of the slums would be good, but 24 per cent said that they could not afford to move further away from their work. Seventy-six per cent expressed willingness to move and nine out of ten are willing to pay higher rents for better quarters up to 12s. a month compared with present average of 4s. 6d.

Some of the solutions recommended are that the government should cease to open new offices in Delhi and move as many existing as possible elsewhere, and that the planning authority should redistribute economic activity now concentrated on Old Delhi over a Greater Delhi region—a chain of new townships, each more or less self-contained but with an economic function related to the metropolis and to the other townships. One salutes the sense of dedication that has produced this well thought out and exhaustive report, but the task is bigger than the mere building of new houses; slum prevention and cure depend on the growth of the national income. The index of India's income per head has risen from 100 in 1948 to 115 today; but the clamorous demands that are simultaneously being made upon it suggest that Old Delhi will have to take its place in the queue.

Women and Work

Wives and Mothers in Victorian Industry

By Margaret Hewitt.

Rockliff. 245 pages. 30s.

THIS is a neat and extremely competent study of the social effects of the employment of married women in Victorian industry. It begins with a series of sweeping generalisations, made by shocked contemporaries, and ends, as all such studies must do, with a series of cautious and carefully qualified conclusions. If its content is of general interest, its techniques are of special interest to students of social history. Miss Hewitt has read widely, made use of hitherto unexamined sources, and above all retained her commonsense. No opinion or judgment escapes her critical scrutiny, and yet she contrives at the same time to feel as well as to criticise. Victorian women are not remote and distant to her, but flesh-and-blood creatures, subject to strain yet capable of happiness.

The kind of generalisation which she is anxious to challenge was often highly rhetorical. Women's work, Gaskell wrote in 1833, "lays the axe to the root of social confederacy, [and] paves the way for the break-up of the bonds of society which are the basis of national and domestic happiness." Lord Ashley was equally vehement a decade later. "Domestic life and domestic discipline must soon be at an end; society will consist of individuals, no longer grouped into families." More specifically but no less violently, Mrs Bayley, a member of the National Association for the Promotion of Social Science, asserted in 1861 that

> the wife and mother going abroad for work was, with few exceptions, a waste of time, a waste of property, a waste of morals, and a waste of health and life and ought in every way to be prevented.

Miss Hewitt shows that there is insufficient data to substantiate the first two of Mrs Bayley's points, that there is no reason for believing the third to be true—she has a whole chapter on this—and that the last point needs breaking down according to circumstances. Mothers with young children exposed their children to grave risks when they handed them out to the care of others and relied on artificial feeding and "infants' preservatives": on the other hand, the position of wives without young children cannot be so easily assessed. In a chapter called "some unsolved problems" Miss Hewitt explains why. She also makes some sensible remarks about the evolution of social policy, demonstrating how concern for the "sanctity of the family" actually held back effective action. Her unpretentious study is a model for parallel works on other aspects of Victorian society.

Pisa's Golden Age

Pisa in the Early Renaissance: *A Study of Urban Growth*

By David Herlihy.

Yale University Press. London: *Oxford University Press.* 229 pages. 36s.

MR HERLIHY writes of a period when the (unfinished) leaning tower was still perpendicular, of Pisa's golden age, when, from the middle of the thirteenth

Psephology and all that

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century to the beginning of the fourteenth, the city spent a fortune on works and buildings that were to be the symbols of its greatness. His theme is how that fortune was amassed.

This work is particularly useful because it resolves the contradiction between two views of early Renaissance Pisa: that it was an age of wealth and luxury on the one hand, and of decline due to civil and foreign war—it was resoundingly beaten at sea by Genoa in 1284—on the other. Pisa was, indeed, outstripped by Genoa and Florence, but at the same time its own prosperity notably improved. It is the same story as that of Venice in the sixteenth century when, as M. Braudel has recently shown, after the Portuguese had short-circuited its spice routes, it declined in relation to Antwerp and Lisbon, but improved nevertheless on its own prosperity in the previous century. Another useful achievement of the author's is to emphasise that Pisa is yet another exception to M. Sombart's thesis that immigration from the medieval countryside to the towns raised urban rents and thus led for the first time to the accumulation of profits on a capitalistic scale. In Pisa the aristocratic grip on property kept the cost of living high, and a drastic overhaul of the tax system in the popular interest was needed before urban industries could begin to function on a really profitable scale. And this revolution, in spite of its early date, was not carried out by men who are mere cyphers to us. Mr Herlihy is confident that his sources (largely notarial contracts) enable him to chart the personality of the petty merchant whose political influence brought it about and whose economic drive enabled him to explode it.

The main theme of the book is thus immigration from the countryside to the town, the political struggle needed to ensure a favourable economic environment there, the improvement of communications as trade increased both inland and to the ports used by Pisa in place of its own silted river mouth, and the fight to keep an expanding population alive in a marshy, malaria-ridden atmosphere. It can be said, indeed, that Pisa's failure to keep on expanding was to a great extent a matter of hygiene. To keep a thriving population healthy the city needed costly drainage projects, and the money went instead on war. To keep its industries refreshed with cheap labour it needed the full resources of its agricultural hinterland, but much of this was malaria-ridden marsh. The Black Death hit Pisa harder than its rivals because it was already more disease-prone.

The author avoids jargon and tells his statistic-strewn story with a shrewd ear for the telling phrase. He spends, perhaps, too much time describing his sources, and lets his joy in the act of discovery sometimes impede his narration of what has actually been discovered, but the pleasures of research are worth communicating, and he has given us no gutted thesis but a readable and—appropriately enough—civilised book.

Pacific Paradise

British Columbia Rides a Star

By Vera Kelsey.
Dent. 309 pages. 30s.

CANADA'S far western province has been celebrating its centenary. Miss Kelsey tells us she was chosen to write this book about it as "someone with little or no knowledge, preconceived impressions or opinions" and, above all, none of "the rooted loyalty" of its own denizens. "What would such an innocent see, hear, find significant, interesting, amusing, beautiful?" The answer is so much that three hundred packed pages seem hardly enough to do justice to it all. Clearly Miss Kelsey enormously enjoyed the cobweb of comprehensive travels that took her to nearly every corner of British Columbia; her readers cannot but share her enjoyment. Indeed, it seems unreasonable, on putting down the book, not to take passage instantly for a country offering such varied and spectacular delights.

Although it makes no pretence of investigating or analysing the significance of the impressions it records, the book gives a picture of the complex geography of the province, with maps to help the reader trace its intricacies. There are also a number of beautiful illustrations, which go far to confirm descriptions, given in a style so vivid that it occasionally verges on the flamboyant, that might otherwise be taken for Münchausen exaggerations. There are undoubtedly seamy sides to life in British Columbia, but they did not impress Miss Kelsey. She found both people and places—almost all of them—exhilarating and enchanting.

The Fall of the Kuomintang

The Inflationary Spiral: *The Experience in China, 1939-50*

By Chang Kia-ngau.
Chapman and Hall. 401 pages. 80s.

IN 1949 the forces of the Chinese Communist Party drove the Nationalist Government to the island exile of Taiwan. This was the government which, only a short time before, had won the praise of the free world for its heroic stand against aggression, which had raised China to the status of a "big four" power, and which had been a founder of the United Nations. The fall of such a government provoked heated debate about its causes.

Professor Chang Kia-ngau now presents a first objective account of the disintegration of the Chinese economy, which preceded the political and military collapse and was the cause of it. The state of the economy was reflected in the hyperinflation which Professor Chang correctly assesses as the "direct and immediate cause which overshadowed all other factors" contributing to the collapse of the Nationalist government. From the over-sanguine estimates of the economy early in the war, to the discouraging dislocation caused by Japanese successes, the problems of supply and excessive demand, the increased expenditures following V-J Day, and the continued harassing of the economy by the Communist forces, the author recounts the story of a government without a long-run economic policy, forced from one temporary scheme to another until disaster occurred. When in August, 1948, the people sold their hoardings of gold and dollars for the new notes and when the government betrayed this last gesture of trust, the Nationalist Government clearly lost the mandate of heaven, the moral right to rule.

Although Professor Chang held high government positions throughout the period, including the governorship of the Central Bank of China, the book is a completely impersonal study. To readers familiar with the memoirs of western military leaders, it will carry some of the impact of Caesar's "Gallic Wars." To the extent that the decisions in China rested on personal and family considerations, to the extent that corruption influenced the course of public affairs, the story of the fall of Republican China is still not fully told. Yet this book, written for the student of modern history as well as for the economist, is the most important to have been published yet on the last years of the Kuomintang's power.

OTHER BOOKS

BETWEEN EAST AND WEST: *Essays dedicated to the memory of Bela Horovitz,* Edited by A. Altmann. *East and West Library.* 214 pages. 30s.

This sumptuous volume embraces many of the late Dr Horovitz's interests. The very typography, the fine roman and Hebrew fonts, are a tribute to the founder of the Phaidon Press and to a man who, during his whole busy life, loved books both for their content and their outward beauty. As is invariably the case with *Festschriften* of this kind, the contributions are uneven. Fragments of monographs alternate with formal essays. Some of the latter, in turn, are hurried restatements of material set out more authoritatively elsewhere. But the range does honour to Horovitz's numerous activities: Maimonides and the Hebrew University, Nineteenth-Century Frankfurt and the Dead Sea Scrolls, an unpublished Hebrew poem from Spain and the novels of Kafka. But it is highly significant of both Judaism and Horovitz's personal originality that there should be nothing here for the art historian.

NUCLEAR POWER YEAR BOOK 1958-59. Edited by William Davidson. *Rowse Muir Publications.* 750 pages. £2 12s.

This is the second edition of a reference book that first appeared last year, the only one to specialise exclusively on atomic energy. It is rather more than a straight buyer's guide; roughly a third of the pages are given over to technical information, for instance, the properties of heavy water, and to a directory of the world authorities involved in nuclear research.

BUILDING SOCIETIES' YEAR BOOK 1958. Compiled, edited and published by *Franey and Company.* 795 pages. 42s.

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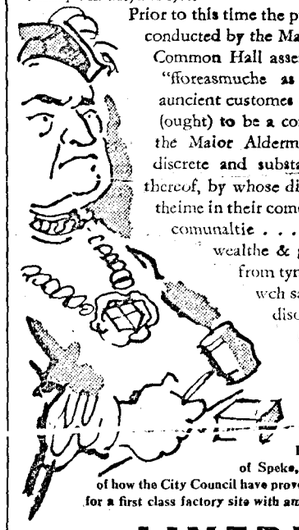
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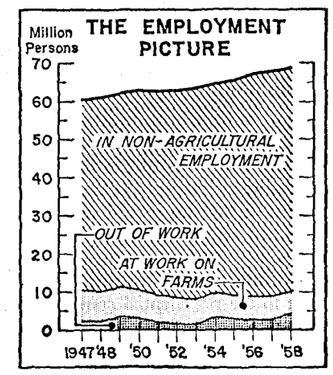
ACCORDING to a special analysis in the President's Economic Report last week, prices, with the possible exception of those of manufacturing facilities, have risen less in the past five years in the United States than they have in other industrial countries. Another special analysis shows quite clearly that the slump in American exports in 1958, and the outflow of gold, can in no important sense be attributed to the fact that American goods are being "priced out of world markets." Still another shows that the government's very large amount of deficit financing in the fiscal year which ends next June has largely been completed already, and that there has been no undue expansion of bank credit from this cause. Another reveals that a significant portion of the price increase which occurred between 1956 and 1958, and particularly the increase in the first half of 1958, was accounted for by special conditions in agriculture and by non-economic factors affecting the prices of a number of services. Finally, prices—from those of "sensitive" commodities to the cost of living—have been stable for six months, except for industrial prices at the wholesale level; there is reason to believe that the averages will probably remain stable for some time, particularly in view of the outlook for farm prices.

Yet in spite of all these things, the over-riding theme of both the President's Budget and his Economic Report was that inflation is the primary economic problem confronting the United States. There can be no doubt of the genuineness of the Administration's convictions on this score. Dr Saulnier, the sophisticated chairman of the Council of Economic Advisers, appears to believe nearly as strongly as do the Secretary of the Treasury and the chairman of the Federal Reserve Board that creeping inflation will seriously threaten economic growth. The Economic Report accepts so clearly the concept of "cost push"—the independent forces in the economy which raise wages and hence prices without regard to the state of demand—that it could hardly do otherwise than issue a warning that there is a threat of more price increases. If labour and business (particularly labour) do not exercise "restraint," two alternatives are held out by the Economic Report: rising prices or direct controls.

But it also mentions a third, more significant, alternative: if the economic power of private individuals—chiefly trade unionists—is used to force up the price level, the report said, "restrictive monetary and fiscal policies" would be required and thus "our chances of fully realising our potential for economic growth" would be lessened. This is not an academic threat. Whatever the causes, a rising price level in 1956-57 did provoke a restrictive monetary policy and an effort at least at a restrictive fiscal policy. Again, whatever the cause, the economy practically stopped growing in real terms. Now in 1959 a herculean budget squeeze, helped substantially by the ending of a number of non-recurring obligations, has sharply reduced estimates of future spending by the federal government and the central bank, aided by private operations, has driven interest rates up to levels not seen since the nineteen-twenties. All this has happened without any noticeable signs of inflation except that prices failed to fall during the recession and wages continued to rise.

WILL this combination of policies again hold up economic growth, as the trade unions and some of the more intellectual Democrats are saying? The Administration's own projections—made public in connection with its estimates of next year's budget receipts—imply that the rate of growth will be only slightly slower this year than in the extraordinary recovery year of 1955. This is true even though the projection of an annual rate of $480 billion for the gross national product in the final quarter of 1959 is only 6 per cent higher than in the last quarter of 1958, compared with a leap upward of 10 per cent during the same interval in 1955, after the last recession. The difference is largely accounted for by the fact that the recovery began sooner in the year this time and thus had gone farther by the fourth quarter of 1958. When the changes from the lowest quarter of each recession are compared, the rise by the fourth quarter of this year will have been 12½ per cent, compared to 14½ per cent last time.

Because unemployment was higher when this slump began, and rose more during it, such an increase in total national output will not be enough to restore "full employment" by the end of the year, but it is still a very respectable rate of growth. The question is whether it will actually occur in the face of the budget squeeze and the degree of monetary restraint already existing. For example, even though much of the reduction in expenditures in the Budget is more technical than "economic," there will still be a downward drift in purchases of goods and services by the federal government during the last half of this year, meaning a downward drift in one important sector of demand. And there is more than a possibility that the mild monetary restraint, and even more the reaction of long-term interest rates to it, will begin to affect the housing industry in the last half of the year.



The Administration is clearly willing to take these chances and, in addition, to oppose new domestic programmes involv-

ing expenditure and to permit only a nominal rise in defence spending and in foreign economic aid. As in Britain, it can be argued that there is considerable room in the economy for a little more reflation, and that there is need for more government services. Furthermore, there are no present signs of inflation. What, then, is the explanation of the Administration's view?

A large part of the reason for it lies in the unpublicised field of debt management. The nervousness of the money markets—a nervousness attributed in Washington to "inflation psychology"—has given nightmares to the Treasury and the Federal Reserve Board. The government's recent modest long-term bond offering fell below the issued price within a week of the closing of the books. A record amount of short-term debt must be re-financed this year, mainly because last year's deficit financing, while it was conducted without excessive resort to the banks, was almost entirely on a short-term basis. The only hope of bringing order into the situation that the Treasury can see is to balance the Budget and thus to remove at least the need for raising new money. A balance would also, in the Treasury's view, have the effect of persuading the financial community that inflation is in fact being got under control. Moreover, it would help to restore the respect for the dollar abroad, which some people in Washington seem to feel has been threatened by recent events, particularly by the deficit of $13 billion in the Budget.

The Administration, in the belief that the next price rise must be tackled before it begins, has been willing to antagonise the trade unions, to make the government's public image one of "*do-nothingness*" and to give the Democrats an opportunity of assuming the part of the activists. It has firmly rejected the idea that the present state of the economy needs any stimulus from fiscal policy and has made clear it would prefer the recovery from this slump to be somewhat more gentle than it was from the last one, even though this will mean fairly high unemployment for some time. All this is very courageous, even "bold" in a negative sort of way. But it is not only the "*irresponsible spenders*" who wonder whether it is also wise.

Republican Mutiny

GENERAL EISENHOWER may have won two battles for the Presidency but he has lost the Republican war against the Democrats and should be retired: that at least was the judgment of the Republican National Committee at its heated meeting in the freezing Middle West last week. Strongly representative of the reactionary influences in the party the committee has never ceased to resent Mr Eisenhower's "modern Republicanism"; but its leaders have waited to mutiny against him until the moment when he appears to have become almost as conservative as they. The explanation for this paradoxical timing is that he is now in the last two years of his Presidency and is already losing command of his party. One member of the committee even suggested that he should resign at once in favour of Vice President Nixon and it was clear that the committee wanted Mr Nixon to command the party in 1960. To him this may seem ominous for, ever since 1940, the Republican who has gone to the presidential convention with the backing of the right wing of the party has lost the nomination to the candidate of the liberals—to someone like Mr Nelson Rockefeller.

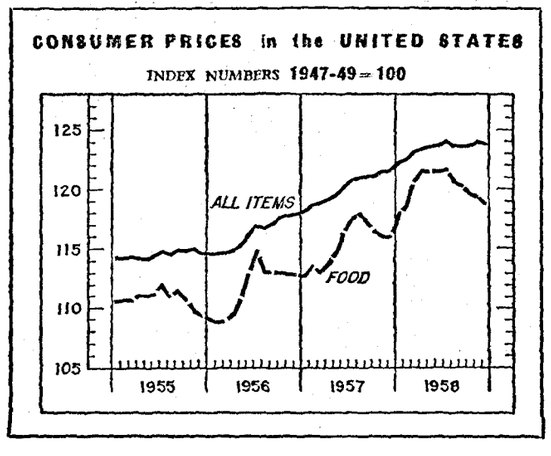
To do the members of the National Committee justice what they are, with some justification, accusing the President of failing to provide is leadership in that "unremitting political effort" which he and they agree is vital if November, 1960, is not to be an even worse disaster than was November, 1958. They endorsed the detailed programme which their able and intelligent chairman, Mr Alcorn, put before them for raising funds, improving publicity, recruiting workers and candidates and attracting young people—in fact, for curing the party of its "political anæmia." The purpose of all this, in Mr Alcorn's view, is to erase from the voters' minds the "false image" of the Republicans as the party of big business and of privilege, a party which is against the trade unions and has nothing to offer the young.

But although the committee realised that a fresh face would be needed to fill the blank it was not its job to draw one and luckily it did not try. There were many demands for a new statement of where the party stands and Senator Goldwater, just appointed chairman of the Senate Campaign Committee, is only one of many who says that this should be right of centre because the left is overcrowded. From this it is obvious that, if the National Committee had drawn up a fresh statement of policy, it would only have served to etch Mr Alcorn's false image more firmly into the voters' minds. If the National Committee's were the only voice in the Republican party there would be little hope that the GOP, old though it may already be, would ever be grand again.

First With the Most

REVERSING the usual pattern, it seems that this year Congress will propose, the President dispose. The Democrats are convinced that their electoral victory in November was a vote against Republican stagnation and inaction; a good many trace their personal triumphs to the President's veto of a Bill to assist depressed areas and to the failure of new housing legislation to surmount a Republican blockade. In the Senate, where the press of would-be presidential candidates is thickest, many Democratic Bills were given a flying start before the Administration made up its mind on its own proposals.

The fact that the Democrats have seized the initiative and control the majority in both Houses does not mean that the President is powerless. The Republican leaders say he will use the veto freely to defend the precarious balance



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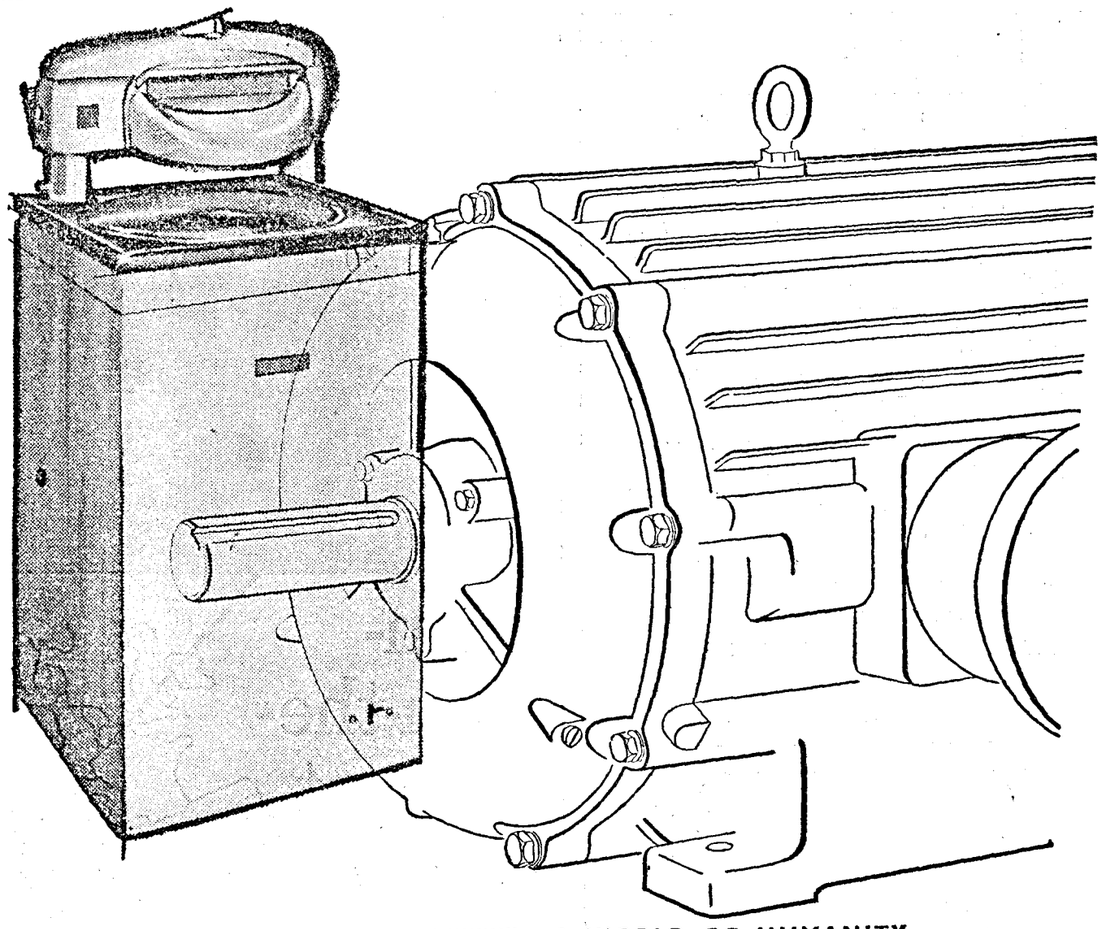
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BALL ROLLER AND NEEDLE BEARINGS FOR PRACTICALLY EVERYTHING

of the Budget if the Democrats pass extravagant welfare measures. Housing and the modernisation of airports will probably provoke the first clash; the Democrats want much more generous provision than the Budget makes for urban renewal, slum clearance, public housing, college buildings, and housing assistance for the aged and other special groups; they are in a position to exact a good deal as the price of giving the President the authority to continue insuring private mortgages which he must have if the housing boom is not to collapse. On the other hand—and this is a restraining factor where much legislation is concerned—the two-thirds majority to over-ride a presidential veto will be forthcoming only if measures are moderate enough to win broad support.

One of the most remarkable coups of these opening weeks was the introduction of a Negro rights Bill by Senator Johnson, the Democratic leader; he stole most of the Administration's least controversial ideas while it was havering over proposals to deal with the most controversial issue of all—continued racial segregation in southern schools. In one move, Senator Johnson check-mated the Administration and the liberals of both parties who back a Bill to force the South to integrate; intentionally or not, he managed to blanket much of the publicity for Senator

"By The Way, Did You Get My Message Of November 4?"



Kennedy's labour Bill. The Johnson proposals are moderate enough to pass, probably without provoking a southern filibuster: he would extend the life of the Civil Rights Commission to January, 1961; give the Department of Justice powers of subpoena so that it can secure access to voting records; make it a federal crime to transport explosives across state lines knowing that they were to be used to blow up buildings; and—his personal contribution—create a federal conciliation service for racial problems. The constitutional rights of Negroes may hardly be a suitable subject for conciliation, which implies concessions. But if, for the second time in two years, a Democratic Congress passes a civil rights Bill, the party will be in a strong position in 1960; so, incidentally, will Mr Johnson if, in spite of his disclaimers, he decides to challenge the unwritten rule that a Southerner cannot win a presidential nomination.

Carrying on with the Carriers

FROM A DEFENCE CORRESPONDENT

In spite of the insistence of land-based critics that the aircraft carrier is obsolescent the Navy is pressing full speed ahead for another big carrier in this year's building programme. It has reluctantly laid aside its hope for another *Enterprise* (the big nuclear-propelled carrier scheduled to be launched in 1961) in favour of another *Forrestal*, which would be conventionally powered, but otherwise would be as "modern" as the *Enterprise*. Another *Enterprise* could range the seas indefinitely, but its cost—$300 million—would probably sink it in Congress. Another *Forrestal* will cost $120 million less, and yet will supply the additional big flight-deck, 1,046 feet long, which the naval planners declare is essential to American sea-power.

Even so, the fight for congressional approval will not be easy, but the Navy is confident enough to have signed the contract early this month for a new dry dock 1,152 feet long (needed for a carrier and nothing else except perhaps an Ark). The development of long-range missiles has made even the advocates of land-based aviation realise how vulnerable a huge, fixed airbase is. A naval task force may be threatened by enemy submarines or by advanced types of guided missiles, but a 30-knot carrier on a constantly altering course offers no target whatever to a long-range ballistic missile.

The other effective argument which the Navy will use before congressional committees is that neither an A-bomb nor an H-bomb has been employed in the 17 limited wars of the past 13 years. The communist forces have made their gains with conventional weapons, and the free world has blocked them with conventional weapons. In two recent crises, in Lebanon and the off-shore Chinese islands, completely conventional naval forces served most efficiently. As the Navy's air chief, Vice Admiral Pirie points out, naval aviation is immediately available all around the globe and is able to provide the exact amount of force required, with precision and discrimination.

The modern carriers which the Navy wants will have the new improved steam catapults, the canted deck, the landing mirror, the fast-moving lifts and, properly, a hull initially designed to meet all stresses. They should also have the long, broad deck and the stability which has cut accidents in half on the *Forrestal* compared with those on the shorter Midway and Essex types and which make it relatively easy to recover aircraft, even in stormy seas.

Fifteen truly modern carriers is what the Navy would like, but it may have to make do with 12 by 1965. Today there are only four *Forrestal*-class carriers with three more, plus the *Enterprise*, to be launched by 1961. With the three converted Midways, the gap must be filled by conversions of Essex types, for all the disadvantages of their 520-foot landing strips compared with ones of 720 feet. The Navy will fight hard to get another new carrier every two years.



Vice President to Mr Nixon?

WASHINGTON, DC

UNTIL recently the man thought most likely to be the Republican candidate for Vice President in 1960 was Mr James Mitchell, the Secretary of Labour in the present Administration. Mr Mitchell is a Roman Catholic from the eastern seaboard, with the kind of face that novelists describe as ruggedly honest and a flair for getting along with the trade unions better than most people believed possible for any Republican in his office. This seemed to make him an ideal running mate for Mr Nixon, a Protestant westerner who needs more support among trade unionists and whose face—at least in the photographs which are all that most people see—has a look which his friends call alert and his enemies downright devious.

But, if Mr Mitchell has ambitions for the Vice Presidency, two recent developments have put difficulties in his way. One is the emergence of Governor Rockefeller of New York as a potential rival to Mr Nixon. Mr Mitchell, who hails from New Jersey and made his business career in New York, comes from the same corner of the country. Worse still, both easterners are ranked among the party's liberals. In the unsubtle operation known as " balancing the ticket " this is a grave disadvantage. Mr Mitchell's fate is thus tied to Mr Nixon's.

His second difficulty arises from the trade union legislation which Congress, aroused by the exposures of the McClellan committee, is once more tackling. Last summer Mr Mitchell surprised many observers by vigorously attacking the Kennedy-Ives Bill, a moderate measure chiefly designed to make sure that the unions held secret elections and published accounts of their financial activities. It was killed by the House of Representatives after being passed by the Senate. Mr Kennedy has now re-introduced a similar Bill, and Mr Mitchell has repeated his criticisms of its alleged inadequacy. He wants the Secretary of Labour to be given wider powers to check the truthfulness of the reports he receives. He also wants to impose restrictions on secondary boycotts—the practice by which unions bring pressure to bear on a firm not involved in a strike to prevent it from doing business with one that is—and on picketing designed to force an employer into accepting organisation of his workers even if fewer than half of them wish it.

The trade union movement, which accepted the Kennedy-Ives Bill after some qualms, strongly opposes the additions. Unfortunately for Mr Mitchell, the Bill which the Administration introduced this week will be guided through the Senate by Mr Goldwater of Arizona, the senior Republican on the labour committee and a radical right-winger who thinks that Mr Mitchell's proposals are, if anything, too mild. The Republican right wing will tug Mr Mitchell in one direction and his hope of preserving his good name with the unions will pull him in the other.

This is a pity, because in his five years in office Mr Mitchell has been one of the most effective Secretaries of Labour in the history of the job. He had had experience in labour relations when he worked for large New York stores ; and since he took over the department in 1953 (after President Eisenhower's brief and unsuccessful experiment at putting a Democratic trade unionist in the post) he has expanded its activities and reasserted its authority. Under Democratic Administrations union leaders dealt directly with the White House and in Mr Eisenhower's early days the conservative Secretary of Commerce, Mr Weeks, plainly thought that labour matters ought to come under his wing. But in 1954 Mr Mitchell successfully opposed an attempt by Mr Weeks to make the unions subject to the anti-trust laws. Since then Mr Mitchell has become the President's adviser on labour relations, and has gradually taken on the role of supervising the various independent agencies which deal with labour. He is now one of the more substantial figures in the Cabinet.

Perhaps the reserves of good will he has built up with the trade unions will last him through the present crisis, if Congress can pass a labour law without too protracted a quarrel. Certainly some of the things Mr Mitchell says are calculated to make many Republicans wince. At the height of the debate over union corruption last summer, in his appeal for a distinction to be made between the sheep and the goats, he said: "I think it is a good thing for the country that labour has assumed a more influential position in the total sum of our affairs." In 1955 he supported the successful move to raise the statutory minimum wage to a dollar an hour, and this year he has questioned, at least by implication, the view that the unions' wage claims are chiefly responsible for inflation. Not many Republicans enjoy this kind of appeal.

Merging to Compete

THE Manufacturers Trust Company, determined to preserve its position as the third largest bank in New York City, is considering a merger with the Bankers Trust Company, now the sixth largest bank. The new institution would have assets of $6.7 billion and would thus be able to trump the $4 billion of the new Morgan Guaranty Trust Company which will otherwise become the runner-up to the two present leaders, the Chase Manhattan and the First National City Banks. The Morgan-Guaranty merger is still being considered by the various regulatory authorities ; if it is not approved, the Manufacturers-Bankers amalgamation, should it become a formal proposition, may not be approved either. But in that case the two banks would not mind very much, for the main purpose of their proposal is to enable them to compete more effectively with the Morgan-Guaranty giant.

Essentially the Manufacturers Trust is a " retail " bank, serving small depositors and borrowers, while until recently the Bankers' Trust was a " wholesale " bank concentrating on business customers. But it too has been spreading out and, if the merger takes place, the new bank will have some 160 branches, far more than any other in New York City. The competitive pressure for more branches, to bring in more deposits and to tap the ever-growing market for loans for buying consumer goods, has been one of the main reasons for the successive waves of bank mergers since the war. It is cheaper and quicker to take over existing branches than to set up new ones.

Another reason why banks want to grow bigger, affecting the wholesale rather than the retail side of the business, is that there is a legal limit, fixed in relation to a bank's capital, on the amount of money it may lend to a single customer ; no bank wants to share with competitors the interest on a loan which it might have handled itself if it had had more capital ; in any case large borrowers may prefer to deal with only one institution. Some banks also look for mergers to bring in younger and better managerial talent ; this is one of the benefits which the Guaranty Trust will obtain from joining Morgan's. Finally, the best way of checking the rise in operating costs, and of increasing earnings, is to introduce mechanical equipment ; but a bank must be big for this to be worth doing on any large scale.

New Start for Atoms

IF only the Budget were a little more elastic, room probably could be found at last for a settlement of the quarrel between the Administration and the Democratic majority on the Joint Congressional Committee on Atomic Energy over the right way to develop this great new resource. The Democrats fear that the United States will be left behind in the technical race unless the government itself builds large-scale plants to produce electricity from the atom, but up to now the Administration has left this to private industry, with the government paying the costs of fuel and research. Fortunately, the new chairman of the Atomic Energy Commission, Mr McCone, is more sympathetic toward the Democrats than his stiff-necked predecessor, and an advisory committee he appointed to reappraise the whole programme has provided some elements of a compromise.

This committee, like the Democrats, feels that the government must give a stronger lead and firmer direction to atomic development. It would leave the building of large-scale plants until this becomes profitable for private industry but, to reach the goal of competitive nuclear energy by 1970, the committee says that more must be spent on research and that the commission should start work this year on several new prototype reactors, if industry will not build them. One of these is of the gas-cooled type which Congress, over-riding the Administration last year, said that the commission must build unless private interests submitted an acceptable offer in double-quick time. The advisory committee thinks that the private offer to build a more advanced version ought also to be accepted. But congressional suspicions of the reliability of private industry have been sharpened by the recent decision of the Pennsylvania Power and Light Company and the Westinghouse Electric Company to abandon their project for a large-scale homogeneous-type plant ; this may tilt the scales against reliance on private enterprise.

Mr McCone, taking courage from his advisers, has boldly announced that next year's government construction programme will include some small reactors. He seems to feel that the commission, after five years of exploring different concepts, should start to develop the most promising. He also threw out a welcome hint of more financial aid to advance private construction of nuclear electricity plants. But first he will have to convince the President ; the Budget, which gives the commission more to spend than it has ever had—$2.7 billion—makes no provision for any new departures in developing peaceful atomic energy.

Displaced Negroes

FROM A CORRESPONDENT IN IOWA

LIKE other northern cities which have hastened to take advantage of the grants now offered by the federal government to help to clear slums and to build roads linking town centres with the great new interstate highway system, Des Moines is being made to realise that the North, like the South, has its racial problems and that the gravest of these is discrimination against Negroes in housing. In spite of legal decisions, the earliest over forty years ago, declaring that segregation in housing cannot be enforced by law, it has been increasing steadily as whites have moved out to all-white suburbs and Negroes have crowded from the rural South into the decaying central portions of the big towns, northern and southern.

Like all northern towns with more than a token number of Negro residents Des Moines, which has 10,000 of them to 180,000 white citizens, discriminates in various ways against Negroes by custom, although none of these is backed by law or by much open public support, and some are beginning slowly to break down, particularly in employment. But the Negroes remain segregated residentially, living almost exclusively in three run-down districts near the central business section.

There are blocks and blocks of houses entirely inhabited by Negroes, and then a surrounding belt where white and coloured live side by side. In these mixed areas there is a strong tendency for most new residents to be Negroes ; but in Des Moines (unlike parts of New York, Chicago, and other cities where the Negro population has been growing quickly) these " transitional neighbourhoods " do not change their racial balance very rapidly, remaining bi-racial for many years. However, estate agents, familiar with what has happened in Chicago, believe that once a single Negro moves into a block near a coloured district, then the houses on both sides of the street from corner to corner are bound in the long run to become predominantly or wholly Negro ; in the meantime whites are ill-advised to move in.

Some estate agents encourage—and profit from—panic sales by the whites who are already there but most consider such " block-busting " unethical ; it is also considered unethical to bring the first Negro into a block. Social scientists do not believe that one Negro is enough to turn a whole section black but they do believe that there is a " tipping point," perhaps around 10 per cent, certainly much less than half. A large but undetermined percentage of the public shares these views, though in less mathematical form and with dwindling force.

In practice, when a Negro tries to rent or buy a house anywhere outside the informally established coloured area, there is likely to be a tremendous flurry among the neighbouring whites, with indignant and threatening telephone calls to the owner and agent. Sometimes meetings are held and petitions signed ; sometimes the objectors recognise that the Negro has a right to buy, and attempt to buy him off. People who claim to have no personal objection to a Negro neighbour are hysterical about the loss in the value of their property. If the Negro moves in, " For Sale " signs often appear on white houses nearby and youngsters shout insults,

dump sacks of refuse on the newcomer's doorstep, or throw stones through his windows. Bombings and hostile crowds make headlines, but these milder protests are too common to be treated as news. They have in fact been relatively rare in Des Moines because the Negroes form a small and rather static minority, and only a few prosperous professional men have challenged the colour bar in housing.

BUT now the new road is going through the main Negro district and part of it is also included in the related slum clearance scheme. Soon houses will be torn down and hundreds of Negroes will be looking for new homes. Several local groups are preparing for this upheaval and are hoping to use it to break the colour bar and to establish in custom as in law the right of Negroes to buy or rent dwellings wherever they can afford to go. A striking feature of the last decade or two, in Des Moines and elsewhere, has been the whites, few but dedicated, who are willing to spend time and energy and to risk unpopularity in order to press for justice for Negroes, and the Negroes, also few but militant, who are willing to do the same to win advances for their race. These activists have great influence since the principles for which they stand are ones which few Northerners care to oppose formally in public because they will be pilloried by the press, the politicians, the teachers, the preachers, and the ex-servicemen's groups.

Now the Quakers of Des Moines are undertaking to get a thousand people, preferably well-known and respected leaders in the community, to sign a manifesto saying that they believe in equality in housing and will welcome Negroes of good character who come into their own neighbourhoods. Other religious organisations are supporting this effort, mainly by the educational work and personal approaches which they think will be needed before very many people will "stand up and be counted" on this issue.

Two official city advisory committees are also seriously concerned with the coming displacement of the Negroes: the Urban Redevelopment Committee and the City Commission on Human Rights. These, also, agree that equal opportunity in housing must come and want to speed the day; but they differ somewhat on how to go about it. Part of the Urban Redevelopment Committee's responsibility is to recommend to the city council how decent and sanitary houses are to be provided for people whose homes are about to be pulled down. Most of them expect to find their own dwellings, but for those with very small incomes this will be difficult. Iowa is one of the few states which does not permit its cities to take grants from the federal government for building subsidised public housing, so the committee plans to borrow money, buy cheap land, and lease it to private contractors who will put up low-cost dwellings there. The contractors will also be required to welcome Negroes and whites alike, both in this "relocation area" and in the larger slum area to be cleared and rebuilt later.

The "relocation area" picked as a site for building 200 dwellings is mostly vacant, but in a district which was 40 per cent Negro in 1950 and is now 65 per cent Negro. The committee saw this as an established inter-racial area and thought that in any case the new project would create its own wholesome climate and attract both races. The Commission on Human Rights (backed by the local branch of the National Association for the Advancement of Coloured People) objected that it was in a district which was in transition from all-white to all-Negro occupancy. The Urban Renewal Committee stood its ground and the city council adopted the recommendation, with assurances that it stood against compulsory segregation. But if the arrival of a single Negro occupant can change an all-white district into one in transition, as the estate agents contend, no satisfactory site can be found anywhere. The only answer is to drive out this concept all over the city, as the religious groups are trying to do.

A detailed report on racial discrimination in housing, "Where Shall We Live," was published last year by the University of California Press. $1.50. 77 pages.

Unfair to the Subconscious

SUBLIMINAL advertising caused a great stir in 1957 and early 1958, but for almost a year little has been heard about this Orwellian scheme for influencing people by flashing on cinema or television screens symbols or messages which can be perceived only by the subconscious mind. The message flashed to one Democratic Congressman, however, has not been forgotten; it was "ban the horror." Last week Representative Wright of Texas, himself formerly an advertising man, introduced a Bill to forbid any device "designed to advertise a product or indoctrinate the public by means of making an impression on the subconscious mind" when the public was unaware of it. The proposed penalties include a $5,000 fine and five years in prison.

It is not yet certain that the subconscious needs such a heavy-handed guard. The first experiment did show that sales of popcorn rose by 58 per cent when the message "East Popcorn" was flashed on the screen so rapidly as to be invisible to the conscious mind. A whole new dimension of manipulation seemed to be at hand and Senator Potter called for control over this "revolutionary and frightening development." But such effective salesmanship was not maintained in all cases. For three weeks a television station in Maine, W-TWO, urged its viewers to "Write W-TWO," but its post remained obstinately stationary. A test by the Canadian Broadcasting Corporation showed that only one viewer out of 500 received the right message and, when members of the Federal Communications Commission and of Congress submitted themselves to subliminal advertising, Senator Potter's own fears must have been relieved; his response was to demand a hotdog when he should have asked for popcorn. The subliminal technique, it is suggested, can also be used to heighten pleasure or emotion by superimposing symbols upon the screen, either abstract ones such as triangles or, presumably for less sophisticated audiences, traditional ones such as hearts or serpents.

Not all Americans objected to acting as guinea-pigs, but some reacted strongly; temperance societies, for example, feared that subliminal advertising might break down resistance to alcohol. Public protests led a television station in California to abandon plans for using the new technique; the big networks refused to permit it. The FCC declined to issue a ban, and is waiting to see what Congress decides. The risks no doubt were grossly exaggerated; the inventor, Mr Vicary, never claimed more than that subliminal advertising was useful as "reminder advertising." It cannot be used to introduce new products. Even so, it might save a good deal of time for pure entertainment if sponsors used it for their commercials.

THE WORLD OVERSEAS

The Fight for Algeria—II

FROM OUR SPECIAL CORRESPONDENT

THE soil of Algeria is favourable to illusions, if to little else. But one illusion, at least, has withered: it is no longer supposed that the rebellion can be defeated by repression alone. Political equality, education, housing, social services, and economic improvement all have their place in the French programme for Algeria today. Those Frenchmen who see things simply would say that the object of the programme is to root out Arab nationalism in the country by making *l'Algérie française* a reality. Others, more sophisticated, hope that as the years go by and the identity of the rebel leaders, kept at arm's length by the omnipresent Army, becomes more shadowy in Algerian minds, benevolent government and social progress will produce a new Algerian elite which sees the benefits of the French connection. Thus the rebellion, they hope, will become outmoded and pointless. In either case the programme is much the same; it is merely the view of the end that differs. The only other possible programme—a political negotiation with the rebels, quite a different thing from General de Gaulle's *paix des braves*—is ruled out for the present by the political condition of France.

At every point, the programme of pacification by improvement faces very great obstacles. The men engaged in it themselves call it a gamble. Political equality cannot mean very much in a country engaged in civil war, where opposition is identified with rebellion. The present political spokesmen of the African community in Algeria are not to be found in the National Assembly in Paris, but in the government in exile, the rebel army, the prisons and the internment camps, and in hiding. How is this to be changed? In education, the French are making a conscientious effort, but it will be an entirely new thing if education proves successful in leading the youth of an undeveloped country away from nationalism; most experience points the other way.

What of economic improvement? It is not understood by most people in France, let alone in Britain, how poor, how unevenly developed, and how difficult to improve the Algerian economy is. The powerful wine, the out-of-season vegetables and delicious fruits that represent the Algerian economy in the markets of north-west Europe give a false picture; milk and honey flow only in patches of the narrow coastal plain, a tiny area of the country, providing work for a modest fraction of its population. An excellent official publicity presentation of the problem, *Documents Algériens*, estimates that only a quarter of the population of Algeria, Europeans included, participates at all in the "modern sector" characterised by the specialisation of labour and the common use of money: that is, in industry and trade, public and other services, and cultivation for the market. This organised sector supports, say, a million Europeans and a million and a half Muslims. Certain others, principally the Kabyles, live by exporting their labour to France. The rest, the bulk of the Muslims of Algeria, live by a steppe, mountain, and desert economy which has no affinities with Europe. A rural improvement service works doggedly, but on too small a scale, at the reclamation, irrigation, and terracing of land and the improvement of small farming methods. The Arab way of life and the weather work the other way. By one estimate, 50,000 acres of land are reclaimed every year, but 125,000 acres go out of cultivation through erosion.

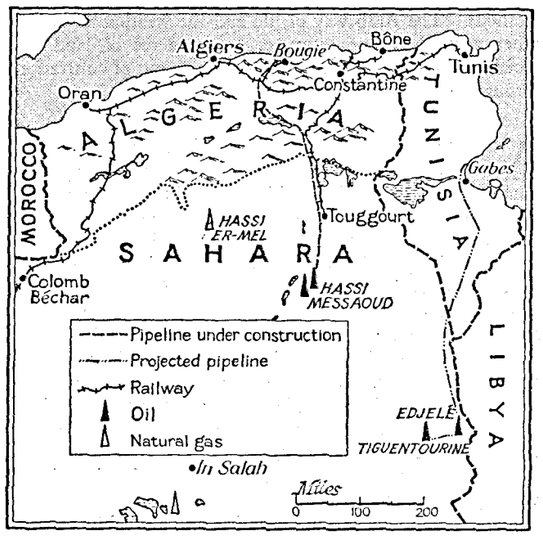
A HUNDRED years ago this huge arid country sustained perhaps two and a half million people. Today it is inhabited by 10 million, with no doubt an appreciably higher mean standard of life; but it would not be quite accurate to say that it sustains them now, since Algeria has a large and regularly growing budget deficit, met by subsidies from Paris, and a large and growing deficit in its external trade. Population increases at a fantastic rate, something over 260,000 (well over 2½ per cent) a year. Forty per cent of the population is under 15. To raise the national product year in, year out, as fast as the population rises would be quite an achievement; but if the Algerians are to be made into Frenchmen, there has to be a much faster improvement than that.

Statistical unemployment makes little showing in a country where most people have never been regularly employed; but, by an authoritative and probably conservative French estimate, the equivalent of an unemployment figure of 600,000 is spread over about two million men in the form of under-employment. The essence of the ten-year plan described on page 53 of *The Economist* of January 3rd is to create 780,000 to 850,000 new jobs by public expenditures of 5,000 milliard francs; General de Gaulle's plan announced at Constantine in October is in effect a commitment to get half of this plan into effect in five years—an acceleration of what had been intended.

Obviously the government can create some of these jobs directly by housing and road schemes and other public works. But there will still be a need for a stimulus to miscellaneous industrial enterprise to take advantage of the offer of subsidies and tax rebates to firms starting up in Algeria. This will be crucial. A return of political confidence is hardly a stimulus, but rather a first condition of the industrial expansion that the government desires. Before Arab nationalism had been heard of in Algeria, very little French industry settled there; to an outsider it is not clear why, but the chambers of commerce seem unanimous that costs are too high, the market too small, and the competition of the metropolitan French firms too formidable. Nearly all manufactured goods are imported, in consequence, from France; and few traders in Algeria expect much change.

The idea that Algeria can be modernised in a few years to support a fast-growing population at a decent standard of life does not spring, however, from a calculation of probabilities but from political necessity. Under this compulsion, French opinion has been groping around for a golden key to unlock the door, and has found it in the energy

resources—oil and natural gas—of the Sahara. Oil and gas are to take up about a fifth of the expenditure under the ten-year plan. A succession of discoveries at widely separated points has made it clear that the Sahara does contain important oil and gas deposits. The three that come immediately in question for development are the oilfield at Hassi Messaoud, from which a pipeline is being laid to Bougie ; two oilfields near Edjelé, further south and close to the Libyan frontier, which are to be connected by a second pipeline across Tunisia to the Gulf of Gabès ; and the gas field at Hassi er-Mel, estimated to contain five or six times the reserves of Lacq, in southwest-France.



A short visit to Hassi Messaoud this month left no doubt that this oilfield is being energetically developed. Because of the great depth of the formation and the distance (500 miles) from the coast at Bougie, the drilling operations and the pipeline are taking very large amounts of capital, but they are now getting close to the point at which they will give a useful return. Most of the pipe has been laid, and work has started on the first two of four pumping stations. The project is being pressed ahead at a pace that reflects the high political priority of a link calculated to bind France and Algeria yet tighter together. The planned outputs of 4,500,000 tons a year by October and 14 million tons a year in April, 1960, may not be reached dead on time, but they should not be missed by big margins.

Failing some unlikely misfortune, an oil production of about 20 million tons a year from the French Sahara seems fairly assured in 1961 or soon after. Clearly this will be a useful asset to the franc area ; but it will have cost a lot to get. The further exploration and development that are planned will cost a lot, too—and a large part of it will come out of the French budget in the form of working capital for the French state-owned oil companies. On the face of it, it will be many years yet before the French oil operations in the Sahara begin to yield revenue faster than they draw capital. (When they do, the revenue will go not to Algeria but to Paris, through the Saharan regional organisation.)

What the French economic planners hope for from the Sahara is not quick money, but a cheap source of energy, which, it is hoped, will somehow provide the wanted stimulant to release a burst of industrialisation in Algeria. This cheap energy is sought in natural gas—perhaps by piping the waste gas from the oilfields ; perhaps by developing the natural gas field at Hassi er-Mel as a separate project. But if either of these sources is developed, at heavy cost, merely to supply the small and dispersed market of the Algerian coastal economy, the gas when delivered is not going to be cheap. Ideas are being bandied about for opening up a bigger market by exporting the gas (by ship or submarine pipeline) across the Mediterranean. Much of this is still fanciful. But on the uncertain basis of such ideas there is serious talk of an iron and steel complex at Bône, using the good-quality iron ore of eastern Algeria with the gas of the Sahara. Not only the economics but the technology of this scheme look quite indeterminate. Oil refineries and petrochemical plants are mentioned—excellent things, which make money ; but, like steelworks, they take very large capital investment to create very few jobs ; and what Algeria wants is employment.

Somewhere about this point the imagination begins to run out. The truth is that it is not at all likely that the development of Sahara oil and gas will bring about rapid or widespread economic development in Algeria. What Algeria needs even more urgently than sources of energy is an energy-consuming economy, with all its miscellaneous industrial components which take many years of investment to create. Above all, it needs a huge effort to extend and improve the cultivable land and to develop systematic agriculture over large areas as the staple means of livelihood.

It seems hard to resist the conclusion that the French economic effort in Algeria will not bring much more than negative benefits for many years to come. It may stem the tide of poverty, which without French help would grow to appalling dimensions ; but it cannot in a few years so transform the country that the people will experience the change of heart which France desires. The Muslims of Algeria, where they are not committed to the rebellion, are waiting to see who wins ; with few exceptions, their attitude to the French is at best non-committal. Perhaps the best result for which the French can hope is that time, attrition, and sustained evidence of effective French goodwill will produce a desire for compromise and an Algerian elite genuinely prepared to run the country's affairs for a time in collaboration with France. Even such a new elite would seek, and obtain, independence in the end ; but it might by then be an independence which both sides could accept. It is hard to see how this long process could be shortened, except by a negotiated peace ; and the mood neither of France nor of the rebel leaders is ripe for that yet.

(Concluded)

THE PAPER BULLETIN

The January issue of this quarterly bulletin contains Special Reports on

THE WEST GERMAN PULP AND PAPER INDUSTRY

TRENDS IN CONSUMPTION OF FOOD WRAPPINGS

THE TREND OF BRITISH PAPER OUTPUT

The Economist Intelligence Unit Ltd.,
22, Ryder Street, London, S.W.1.
Whitehall 0353, Extension 7.

Mr Khrushchev's Message to Congress

LAST Tuesday was Mr Khrushchev's day of glory. For over six hours he read his message to the 21st party congress. To the 1,269 Soviet delegates as well as to the upper crust of the world communist movement packed in the Kremlin hall (with only Mao Tse-tung conspicuously absent) his was the real voice of Russia's leadership. True, at the celebrated last congress three years ago Mr Khrushchev played the leading part and his secret speech was the great sensation of the meeting. But that speech marked the beginning of a critical period for Mr Khrushchev. Eastern Europe was shaken by a series of internal convulsions later the same year and in June, 1957, Mr Khrushchev's policies and leadership were challenged in a dramatic way inside the Kremlin.

Since then, however, his star has been rising. His opponents from the "anti-party group" have been kicked out of all important jobs. His own radical reforms have been started. Even the rocket to the moon became a symbol of his success. And this week came the crowning glory. The highest body of the party met with one item on its agenda—the new economic plan—and with Mr Khrushchev as the only rapporteur. His proud words about Russia's bright future were enthusiastically applauded by the Kremlin's distinguished audience. As Mr Khrushchev's manifesto, they were in fact aimed at the Soviet people as a whole.

Much of Mr Khrushchev's marathon oration was taken up with an exposition of the goals of the new seven-year plan (*The Economist* of November 22, 1958, page 673). The Soviet economy is to go on forward without change of gear at only a slightly lower speed. Within the next seven years gross industrial output is to increase by about 80 per cent, with basic production still developing faster than the light industries. This progress is to be achieved chiefly through modernisation and higher productivity. Oil and gas are to have an increasing share in the fuel balance. The generation of electricity is to be more than doubled ; the output of chemicals is to be trebled. The massive influx of skilled technicians and graduated engineers, technological change, automation—it is on all these that Mr Khrushchev is banking. He hopes, too, to derive advantages from an eastward shift of Soviet industry towards cheaper sources of energy.

Though heavy industry still gets priority, consumers are not forgotten. Real wages are to rise by 40 per cent over the period ; peasant incomes, pensions and social benefits are also to go up. The fulfilment of this pledge will partly depend on the success of the ambitious agricultural plan. The laggard of the Soviet economy is now scheduled to surge forward by leaps and bounds. Total agricultural output is expected to rise by seventy per cent and for many foodstuffs production is to be doubled. Previous plans to increase agricultural production have not succeeded, but Mr Khrushchev seems to think that the time has now come to reap rewards from past investments and recent reforms in Soviet agriculture.

By emphasising Mr Khrushchev's promise to eliminate income-tax, foreign correspondents have made him into a sort of Soviet Poujade crusading against taxation. But in a country where the state directly controls the level of wages, the raising of income tax always seemed a duplicating operation. Even now it accounts for less than eight per cent of the budgetary revenue, which comes chiefly from the indirect turnover tax and a levy on the profits of state enterprises. The gradual abolition of income tax, if unaccompanied by a levelling of wages, would go against the recent egalitarian trend. This pledge is certainly not the most welcome part of the new deal for most Russians.

For the average Russian the most attractive feature, in addition to the promise of better food and more consumer goods, is the prospect of a gradual reduction of the working week towards the goal of 35 hours. Next, for a lot of people, comes the pledge to raise minimum wages and pensions substantially. Last but not least is the prospect of 15 million new flats—a staggering figure in itself, yet hardly sufficient to meet Russia's present needs and the rapid growth of its population.

The slogan remains "to catch up with America." Mr Khrushchev has now claimed that in output per head this should be achieved five years after the end of the current plan, that is to say about 1970. This boast naturally neglects the competitor's performance. Nevertheless, Mr Khrushchev seems absolutely convinced that in the not so distant future the Soviet Union will take the lead in the economic race and that this will ensure the ultimate victory of communism. He did not, however, forget about armaments. He quoted Soviet exploits in space as proof of the deadly accuracy of Soviet rockets, while asserting that inter-continental missiles are now in serial production. But he also emphasised Russia's anxiety to disarm, which he described as the "task of tasks."

In his long oration Mr Khrushchev made frequent and wide-ranging excursions into the foreign field. But it was on China and the Middle East that he said new things worth noting. For the first time the Soviet leader has acknowledged openly, from a public platform, that Russians and Chinese differ on the road to socialism, that the Chinese will not follow the Soviet example. With this admission, and Mao's absence, Mr Khrushchev's angry dismissal of suggestions that there might be a rift between the two countries as "reactionary fabrications" sounded somewhat hollow—unless he merely wanted to say that the two leaders of the Communist block have agreed to disagree. Next day, Mr Chou En-lai attacked American "imperialists" and Jugoslav "revisionists" for their efforts to break the Russo-Chinese bond.

Mr Khrushchev made one proposal that concerns his Chinese ally. He put forward a sort of Rapacki plan for the Far East, the creation of a nuclear free zone in this part of the world. This would not only relieve Moscow from ever having to supply China with atomic weapons. It would also put the Chinese, with their vast manpower resources, in a favourable position *vis-à-vis* the United States, since any such "free area" is bound to include Japan, Formosa and other American bases in the Pacific. Strangely enough, Mr Chou did not take up this idea.

For President Nasser Mr Khrushchev had a bouquet and a warning. He included the President of the UAR with General Qasim of Iraq among leaders "who have won the warmest regard of the Soviet people." But he also obviously had the Egyptian leader in mind when he criticised the anti-communist campaign in the Middle East. Mr Khrushchev said it was absurd to lump Zionists and Communists together as imperialist agents, since nobody "is more resolute in the struggle against colonialists than the Communists." This lesson from the congress pulpit

was a clear reminder to Colonel Nasser that if he wants help he must behave.

Mr Khrushchev left the rostrum after six hours amid tremendous ovations. This is clearly his congress. And yet it would be wrong to conclude that the struggle within the Soviet leadership ended with the defeat of Mr Molotov, Mr Malenkov and their associates. The victorious Mr Khrushchev has just announced a further reduction in the size of the security police. It would not be a sign of strength if he were now compelled to bring his defeated opponents into the dock. His promise to bring the Soviet people, in seven years, within sight of the land of plenty is certainly popular. But he still has to keep it. He cannot relax after this hour of triumph.

Knockabout Farce in Japan

FROM OUR CORRESPONDENT IN TOKYO

THE worst thing that can happen to a Japanese prime minister is for his party to win a general election with an ample majority. This calamity befell Mr Nobusuke Kishi in the middle of last year. The election results seemed to make it clear that the reins of government were not likely to pass out of the hands of the Liberal-Democrat party in the foreseeable future. The effect of this reassurance on the Liberal-Democrats was that they immediately turned their backs on the boring business of governing the country in order to devote themselves to factional strife. The battles were waged in subterranean fashion for some time, but erupted into the open during the season of peace and goodwill, in an explosion that leaves Mr Kishi still prime minister, but wearing much-tattered political clothes and considerably begrimed with political gunpowder.

Though theoretically a hyphenated merger, the Liberal-Democrats are in fact only a loosely jointed coalition of rival factions bearing a strong family resemblance to the warring clans of feudal Japan. Several of the factions, temporarily banded together as the "anti-main current," resented the prestige that the election victory had conferred on the "main current" led by Mr Kishi. They therefore sought some means to cut the prime minister and the "main current" down to size, and decided they had found it in the widespread unpopularity attending Mr Kishi's Bill for beefing up the powers of the police. The "anti-main current," it should perhaps be stressed, had no objection in principle to the police having more power to deal with gangsters and also, if need be, with recalcitrant trade unions. But they gladly seized on the public apprehensions that the Bill aroused, as evidence of a "main current" blunder for which Mr Kishi should personally be forced to eat humble pie.

Anxious to retain at least a semblance of party unity, and also with an eye on the approaching convention of his party, Mr Kishi decided, no doubt reluctantly, to eat his pie with as good a grace as possible. He therefore made appropriate noises of appeasement towards the "anti-main current" factions. But this in turn roused the ire and distrust of some of his own "main current" factions, who apparently feared that the prime minister was about to try to double-cross them: it would not be the first time that Mr Kishi has blithely switched horses in mid-stream. The prime minister suddenly found himself fighting a defensive battle on two fronts within his own party. To extricate himself from this cross-fire, Mr Kishi decided that attack would be the best method of defence. Rather spiritedly carrying the war into both camps, he boldly accepted the resignations of three prominent "anti-main current" faction leaders from his Cabinet, but at the same time briskly lopped off three "main current" heads that had prematurely believed themselves to be indispensable to him. The outcome of all these manœuvres is that Mr Kishi is still afloat; four new cabinet ministers, agreeable to both factions, have been appointed, and last weekend Mr Kishi was re-elected president of the Liberal-Democratic party.

The newspapers almost unanimously accuse the Liberal-Democrats of transforming democratic government into a knockabout farce. As Japan has a two-party system this would seem to provide the Socialists with their opportunity. But nobody seriously expects them to be able to take it. The Socialists are just as faction-ridden as the Liberal-Democrats. Superbly ignoring the chance to strike a hard blow at the squabbling conservatives, the left-wing Socialists have chosen this moment to urge the party leadership to abandon all pretensions of being an alternative government capable of winning power through an appeal to the whole electorate. Instead, the left-wingers demand that the Socialists should confine their appeal strictly to the working class, and offer to lead the proletariat to victory over all other classes, including the fast-growing middle class, with the object of setting up a working-class dictatorship. Rightly appalled by this rash reversion to Lenin's early period—even the Japanese Communist party nowadays eschews the revolutionary road—the party leadership, which mainly represents the right wing, has firmly rejected the proffered advice, but without being able to conceal that the Socialists are as much at war with one another as are the Liberal-Democrats.

IT is highly improbable that the weak Socialists can lead the proletariat, or anyone else, to victory, even over the in-fighting conservatives. Amid the growing political gloom, some Japanese business leaders have gone so far as to make tentative overtures to the least radical Socialist leaders, in the dim hope of seeing the emergence of a third party that might combine the more stable elements of the two existing ones. But a middle-of-the-road, faction-free third party seems a very distant ideal. All the politicians of whatever ideology are clearly more fascinated by their personal prospects than they are moved by the principles which they profess.

The chances are that Mr Kishi will somehow contrive to continue as prime minister, by playing off one set of factions against another. Should he fall, his place will be taken by Mr Ishii, or some other compromise candidate temporarily acceptable to a majority of the factions. But the Liberal-Democrats will remain in power, and the game will go on, though with all important matters—the proposed revision of the US-Japan Security Treaty, Japan's relations with Communist China, even the future of what the Japanese call "the national livelihood," meaning trade—piled up once more in the pending tray.

The Japanese are fortunately not a demanding people. They ask little more from their politicians than that they should annually suspend their internal feuding long enough to get a Budget through the Diet. Day-to-day administration rests in the capable hands of trained bureaucrats. The United States is still in practice responsible for the country's defence. Japan has no foreign policy independent enough to call for painful decision-making at top levels. It seems to be just as well.

Signor Fanfani Gives Up

FROM OUR ROME CORRESPONDENT

JUST before his government fell, Signor Fanfani announced briskly that his cabinet would only resign if it were beaten on a vote of confidence. Instead, like all his predecessors who have won parliamentary investiture (except Signor Zoli whose government died a natural death when the last parliament came to an end) Signor Fanfani has come to grief as a result of the internal conflicts within his own party and its partner, the Social Democrat party.

This crisis, however, is substantially different from its predecessors, and more serious. Earlier premiers—Pella, Scelba, Segni—threw in their hands when they found that they had lost the support of the party secretary. But last July, after years of laborious planning, Signor Fanfani succeeded in uniting the offices of prime minister and party secretary in his own person. He had just led the Christian Democrats successfully through a general election which gave them twelve and a half million votes and 273 seats in the Chamber; and the stage was set for him to show what could be done when the man who leads the government controls the party. In partnership with the Social Democrats he presented a government programme which read like a ten year development plan, assumed that the government would stay in office for the whole legislature and clearly required the tacit support of the Socialists. For this reason, although Signor Fanfani had fought the election under the cautious slogan of "Progress without Adventure," his government was hailed by many—and deplored by others—as the first step in a great Catholic move to the left.

A FEW weeks sufficed to show that these hopes and fears were misplaced. Signor Fanfani was not the man to make a positive political choice. He avoided the few measures such as nationalising electricity or planning industrial investments in the south which would have shown the Socialists that he meant business. At the same time he made the mistake of allowing his adversaries in his own party to see that they had nothing to lose by rebellion. A handful of Sicilian deputies were the first to point out the contrast between the government's words and its deeds. They were expelled and formed a regional government which left the main body of the Christian Democrats at Palermo in opposition. This was the signal for revolt in Rome, where a score of Christian Democrat *francs tireurs* began systematically to vote against the government.

Signor Fanfani, who had made the strict observance of the national wage contract a cardinal point of his programme, fell battling against a threatened general strike of state employees and against rural agitation caused by the farmers' refusal, after a ruling of the constitutional court, to keep on an obligatory quota of labourers. With the country quite unprepared to receive the impact of the European common market the government was unable to resist pressures from landowners and industrialists for greater freedom to turn away labour. A lock-in strike at the Galileo works in Florence has ended this week in forced eviction and street fighting with the police. At Naples and Salerno the *cotonieri meridionali* are in turmoil because 1,500 spinners have been sacked. With little understanding of the country's main problem of redundant manpower, the Fanfani government, under the influence of its conservative Treasury and Budget ministers, Signor Medici and Signor Andreotti, has pursued a monetary policy anchored to a hard lira and a reduced deficit.

Economic unrest and political disappointment are the background to the present crisis whose immediate cause was the resignation of the Social Democrat minister of labour, Signor Ezio Vigorelli; he has joined his party's left wing which threatens to break away from Signor Saragat and join the Nenni Socialists. The extreme rapidity with which events have followed Signor Nenni's victory at the Socialist congress last week shows that a political void has existed which only a revived Socialist party can fill. The government has fallen, the Social Democrat party is breaking up, the Christian Democrats are splintering—a new and more serious cleavage is to be expected in Sicily—and the only solution in view is a general election within the next few months.

Signor Fanfani and Signor Saragat hope at all costs to restore their coalition, but failing this—and there is no chance whatever of a majority for such a government—the Christian Democrats would prefer the elections to take place at once before the Socialists have time to prepare the country and their own party for a big come-back. The calculation may be wrong, for though the country would be puzzled by a general election within a year of the last one, it would understand that a great Christian Democrat experiment has failed. As the intermediate step between the present crisis and a general election, a caretaker government headed perhaps by Signor Tambroni or Senator Merzagora, now president of the Senate, is to be expected.

East Germans Seek Trade without Politics?

THE trade arrangement between the Federation of British Industries and the east German Chamber for Foreign Trade announced on Monday is the first formal trade agreement between east Germany and a representative British body. In the past the negotiation of an agreement has been held up by conflict between the British wish not to do anything which might imply a measure of recognition to the German Democratic Republic and the opposite east German view. At the same time, however, the FBI has been exploring the possibilities of a private agreement which would by-pass the political issue. It has now succeeded. The new agreement was concluded by an exchange of letters which leave the formal position of both governments untouched.

The agreement provides for a major growth in trade. Last year British exports and re-exports to east Germany were worth only £2.6 million; imports were worth £3.4 million. The new deal suggests figures of £7 million each way. Though the agreement was theoretically a private one, the Board of Trade was closely in touch with the negotiations, and the figure for British imports implies a willingness to grant import licences where necessary. Presumably the figure for imports on the east German side implies an intention to buy. How fast British exports grow

in practice depends, of course, on east Germany's sterling resources; these may be adequate at present, but whether export earnings come up to expectations remains to be seen.

Despite the absence of any formal political commitment, all this will mean a little more contact between Britain and east Germany. The German chamber is expected to set up an office in London with the FBI's help. More British business men may be found in Leipzig and east Berlin. One or two eyebrows may be raised in Bonn at this, for the east German government is making special efforts at the moment to acquire political respectability not only in Berlin but in Asia, where the premier, Herr Grotewohl, has been on tour. It would be silly, however, to attach too much political importance to the FBI's initiative. West Germany has had trade agreements with east Germany for years, and maintains regular technical contact to implement them.

Ghana's Bread and Butter Politics

FROM A CORRESPONDENT LATELY IN ACCRA

CONTINUED deportations, sedition trials, preventive detention of opposition leaders, talk of coups d'état, planned assassinations, and the judiciary overruled by parliament: one might ask if Dr Nkrumah's "African Personality" simply amounts to the gradual dismantling of democracy and the rule of law, at least in so far as it applies to the domestic political scene. A government with overwhelming support both in parliament and in the country is behaving in a fashion that alienates many of its friends and can only be explained by a feeling of insecurity which is difficult to account for. Last year saw the final demise of chieftaincy as a political force; the most important opposition members from Northern Ghana crossed the carpet; why should the government worry?

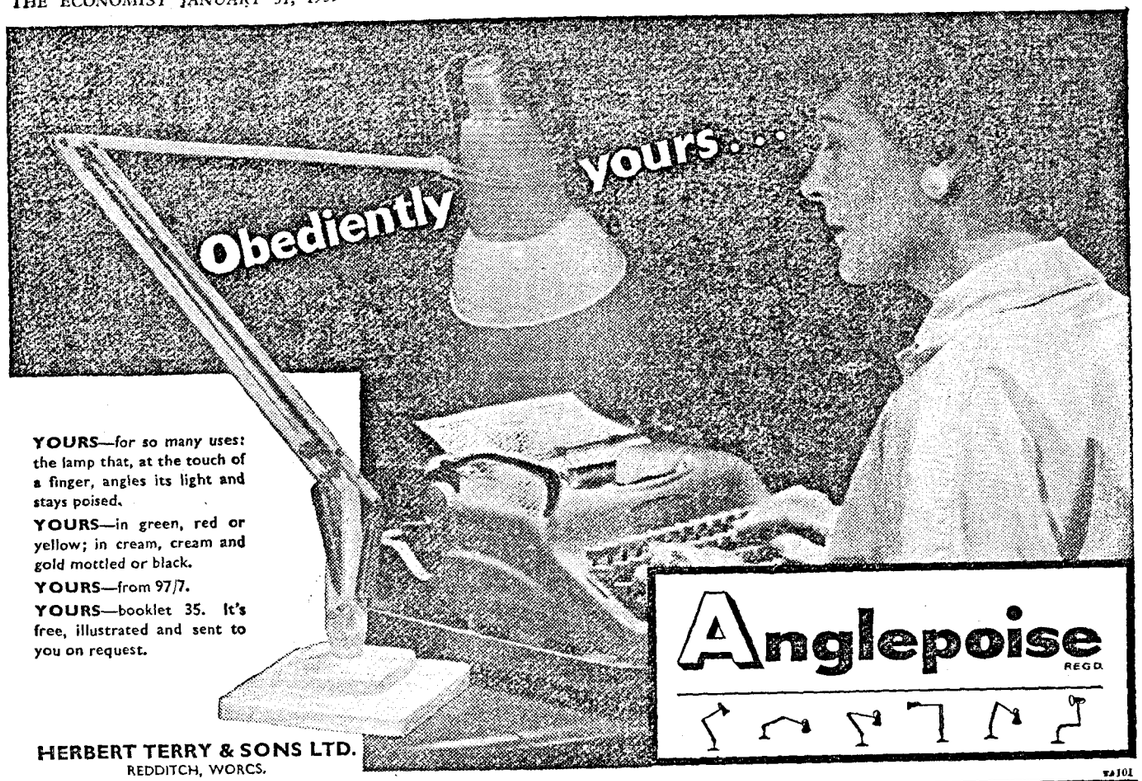
Much of the feeling of bitterness of the Convention People's Party towards the opposition undoubtedly goes back to the days before independence, when the National Liberation Movement and its allies terrorised CPP supporters in a way which made even their friends wonder just how democratic *they* would have been had they succeeded in gaining power. This desire to repay past wrongs has been reinforced by the essentially tribal character of the opposition, which the CPP considers, and considers rightly, an obstacle to the growth of national consciousness.

A more fundamental explanation may be that colonial rule is hardly the best preparation for democracy. After fifty years of rule based on power rather than consent, it would have been more surprising if the CPP were more sensitive than it is now to minority views, or less ruthless in driving home a tactical advantage. No doubt this ruthlessness has cost the party some of its support, though not enough to affect its electoral prospects. The intellectuals had already been disaffected, and are, in any case, too few and too scattered to count politically. Most of them are teachers, civil servants or other professional employees of the government, and therefore in no position to participate actively in politics. Most other middle-class positions outside the civil service are still occupied by expatriates, and the struggling African business community is in no position to put pressure of any kind on the government.

Politics is still very much a bread-and-butter affair in Ghana, and continued support of the CPP by the bulk of the population will depend on whether it delivers the goods, in the form of roads, schools, hospitals, electricity and drinking water, and most of all expanding employment opportunities. Both Dr Nkrumah and his minister of finance, Mr Gbedemah, are aware of this, just as they are aware that the government cannot indefinitely go on expanding the social services without at the same time widening the agricultural and industrial base of the economy. This is why the government's declarations about its anxiety to attract foreign capital and treat it well are quite certainly sincere. This is also why the government takes no notice of its struggling businessmen-backbenchers, who would like to see expatriate firms pushed out of the country to make it easier for them to earn a living. The CPP realises that most of its voters, while by no means enthusiastic, indeed sceptical, about preventive detentions and the like, do not worry over-much about the "drift to dictatorship" so long as their standard of living rises.

How well, then, has the government done on the economic front? Gross national income has risen by about 15 per cent in real terms since the CPP came into power in 1951; during the same period gross expenditure a head rose from £44 to £46 in real terms. This is not exactly spectacular, but it is something, and people in urban areas have certainly done better. The number of wage and salary earners has increased by over a quarter since 1952, despite a fall in mining employment by a fifth, and is now around 275,000, more than half of it in government employment. While the real income of this group has only increased from £102 to £106 a head, the operative fact is that 50,000-60,000 people have moved out of the subsistence sector, where income *per capita* is probably not more than £30, into the urban £100 plus group, whose political importance is far in excess of its numerical strength. More than anything, the future popularity of the CPP depends on its success in ensuring that this process continues; the greatest source of danger to it is the flood of 30,000-40,000 young people leaving middle-school every year, who will not dream of returning to the land, and for whom jobs have to be found in the towns. Hence the Builders' Brigade, though so far it has been more a welfare scheme than an economic project.

THUS the outlook for an opposition to the CPP is not particularly bright, and their task is made no easier by the Ghanaian sense of humour: most of those who worry about the government's strong-arm measures get it out of their system by making jokes about it. Any serious challenge that Dr Nkrumah will have to face in the next few years will almost certainly come from within his own party There is no likelihood of a split; Mr Gbedemah, who might be the natural focus of dissatisfaction with Dr Nkrumah's leadership, has lost face by being defeated in his opposition to some of the more extreme strong-arm measures. His instincts may be no more democratic than Dr Nkrumah's, but he is more concerned about the effect of domestic political measures on foreign opinion, particularly among potential investors. If his fears are borne out, he will certainly gain in influence within the party.



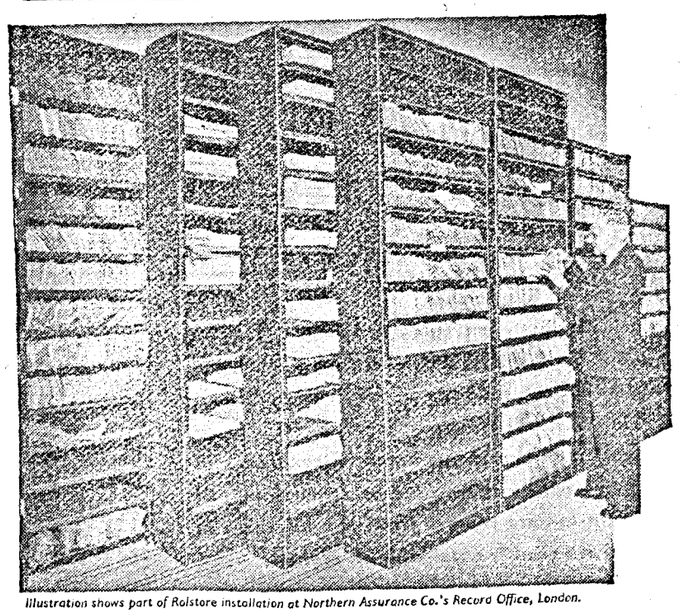


Illustration shows part of Rolstore installation at Northern Assurance Co.'s Record Office, London.

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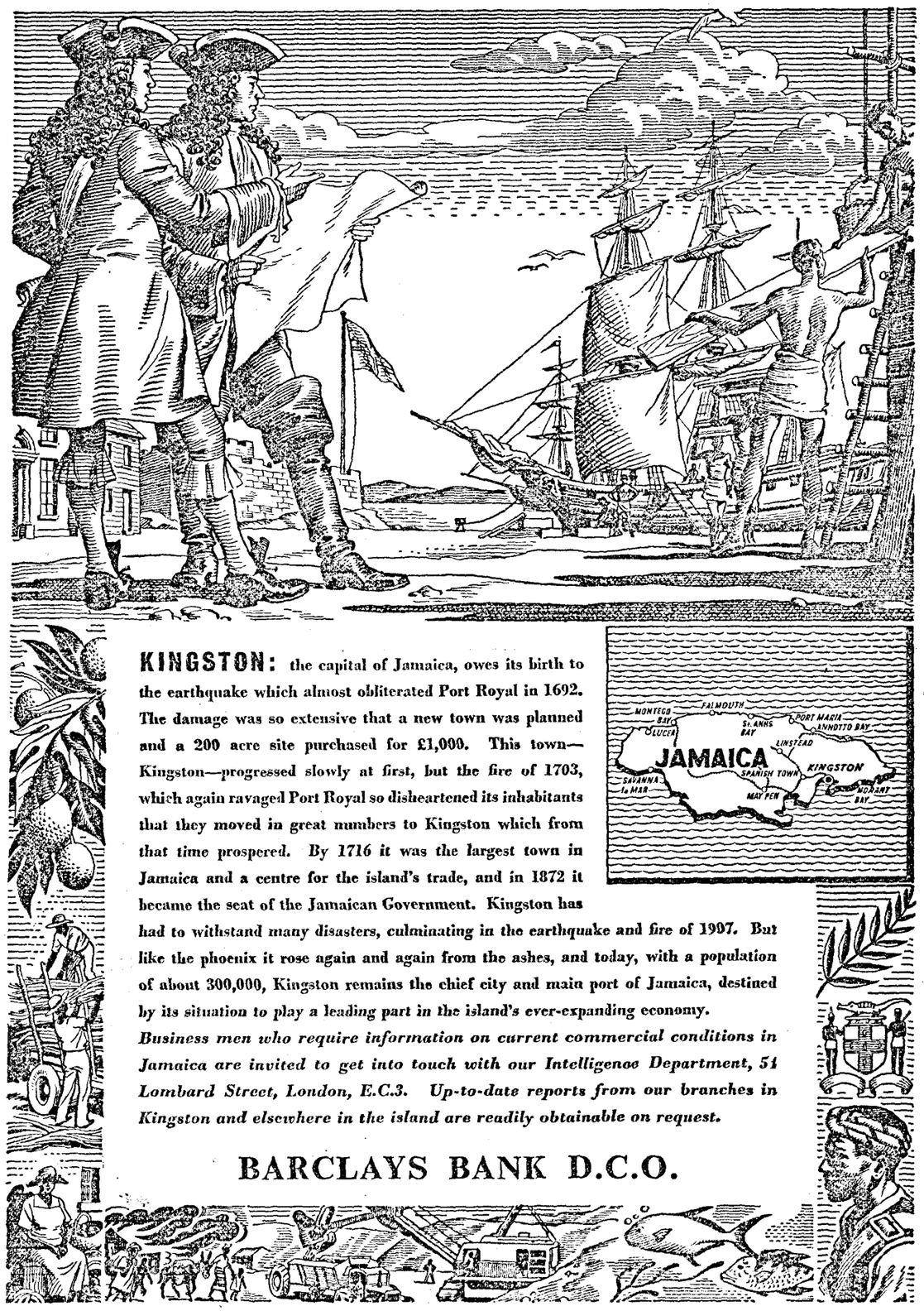
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KINGSTON: the capital of Jamaica, owes its birth to the earthquake which almost obliterated Port Royal in 1692. The damage was so extensive that a new town was planned and a 200 acre site purchased for £1,000. This town—Kingston—progressed slowly at first, but the fire of 1703, which again ravaged Port Royal so disheartened its inhabitants that they moved in great numbers to Kingston which from that time prospered. By 1716 it was the largest town in Jamaica and a centre for the island's trade, and in 1872 it became the seat of the Jamaican Government. Kingston has had to withstand many disasters, culminating in the earthquake and fire of 1907. But like the phoenix it rose again and again from the ashes, and today, with a population of about 300,000, Kingston remains the chief city and main port of Jamaica, destined by its situation to play a leading part in the island's ever-expanding economy.

Business men who require information on current commercial conditions in Jamaica are invited to get into touch with our Intelligence Department, 54 Lombard Street, London, E.C.3. Up-to-date reports from our branches in Kingston and elsewhere in the island are readily obtainable on request.

BARCLAYS BANK D.C.O.

THE BUSINESS WORLD

A Judgment on Price-Fixing

"We do not intend to pass judgment for or against minimum price schemes in principle, either in the cotton trade or in any other," said Mr Justice Devlin, delivering the judgment of the Restrictive Practices Court this week on the price agreement of the Yarn Spinners' Association of Lancashire. The president of the new Court was understandably concerned to delimit the formal precedents set by this first major decision, which in effect forms the biggest instalment of the Court's case law so far. But he will not have been under any illusion that the economic and political implications of this uncompromising decision that the spinners' scheme was contrary to the public interest—or the reactions of British business to it—can be nearly so neatly limited.

It remains to be seen how important these reactions will prove in the long run. It would be hyperbole to hail this decision as a 20th-century equivalent of the repeal of the Corn Laws, a seminal event of which the continuing consequences, in shifting attitudes throughout British industry, are likely to be appreciated only in historical perspective. But the implications of the judgment should by no means be underrated. It has reminded British industry that the Restrictive Practices Act of 1956 lays down quite unequivocally, as a general presumption, that price restrictions are contrary to the public interest. Neither the special circumstances that the cotton spinners could plead as an obviously distressed industry, nor the much more fashionable doctrine that "persistent local unemployment" demands protection regardless of cost, have availed with the Court.

This should not be interpreted to mean that more prosperous industries, with no such painful tales to tell, will therefore stand no chance of justifying price schemes before the Court; the effects of price stabilisation in such industries, during a period of inflation, may be more complex than its clear cut effect in holding prices up in a steadily declining industry. Nevertheless, the economic and political repercussions of this judgment must reach far beyond the mills and the marginal seats of Lancashire. This newly appointed Court, set up by a Conservative Government that explicitly denied itself any power to override its new arbiter, has firmly reasserted a recently much-diluted law of the copybook headings—that price rings nearly always are disreputable. The Monopolies Commission, to do it justice, said this often enough from 1948 onwards, but the Commission was so constituted that governments could listen politely and take no action—which is what they usually did. The writ of the Restrictive Practices Court commands compliance, and is not subject to any politicians' veto. This has immediate and uncomfortable consequences for practice in Lancashire. Its effects upon how much British businessmen in general think that they need compete to be respectable will be more indirect and more gradual; but they could be equally salutary. If so, they will in the long run be far more important.

CONTRACTION OF THE COTTON INDUSTRY SINCE 1954.

	Labour: Numbers on the books* at year-end (thousands)				Mills Closed						Machinery in place at year-end: Spindles (millions)		Looms (thousands)
	Total	Spinning	Weaving	Finishing	Spinners & waste spinners	Doublers	Weavers	Finishers	Total	Counting integrated plants as one	Mule	Ring	
1954.....	333·0	113·4	140·7	46·5	4	9	14	n.a.	n.a.	n.a.	15·28	10·90	366
1955.....	300·5	100·1	126·6	44·4	22	20	59	8	109	96	13·94	10·78	344
1956.....	286·5	97·8	117·4	43·1	20	18	76	11	125	109	12·80	10·45	310
1957.....	283·5	98·8	114·3	42·3	11	14	52	6	83	79	11·72	10·28	293
1958†.....	249·0	85·9	100·0	39·5	19	13	60	6	118	114	9·88	10·01	257

Source: Cotton Board

*Includes workers handling man-made fibres. † Figures for labour and looms are estimated.

Lancashire under the Hammer

The maximum price is an artificial figure calculated on a hypothetical average cost . . . every mill will therefore be above it or below it by a small or large margin. In theory it is designed to tide the spinner over short periods of recession [but] the fact is that for most of the time since 1952 the majority of spinners have been operating at the minimum price. . . . One way or another the minimum price appears to ensure a reasonable return all the time to the majority of spinners . . . since 1951, on the average, the prices obtained for yarn have been higher than they would have been in a free market.

Everyone agrees that spinning is a contracting industry; therefore reductions in capacity ought broadly to match the falling demand and high-cost producers ought to be closing down. The scheme has not altogether prevented the natural process but has seriously retarded it. . . . Since 1952 the spindle capacity in the industry has been running on the average only to the extent of about 70 per cent . . . the industry can and ought to be made smaller and more compact.

THESE were the Court's general conclusions. By the terms of the Act all price-fixing schemes are *prima facie* against the public interest, unless mitigating circumstances can be proved under one or other of the seven grounds set down in Section 21. The Yarn Spinners' Association sought exoneration under two: that the scheme benefited the general public, or alternatively the buyers of yarn; and that its abolition would be likely to have a serious and persistent effect on the general level of employment in areas in which a substantial proportion of the spinning industry is located.

The Registrar sought to show that the scheme was against the public interest in three main ways: it maintained yarn prices at a high level; it handicapped the export trade; and it resulted in excess capacity and thus wasted national resources. The court accepted all three. It is satisfied that the price of yarn could be lower than it is, and that

quite a considerable export business has been lost, not so much in yarn as in cloth, through the rigidity of the scheme . . . anything which appreciably hinders or diminishes the export trade must be regarded as a public detriment. . . . [Lastly] It is in the public interest that labour and capital should be employed as productively as possible, and we consider therefore that the excess capacity in the cotton industry is a public detriment.

Against these considerations the Court had to balance the mitigating circumstances pleaded by the Association. It gave little weight to the industrial and commercial benefits claimed for the scheme, holding that these were either outweighed by the loss of a free market or would not be affected by the abolition of the scheme.

Under the second head, the Court found that the closing of mills that would follow abolition of the scheme would have a serious adverse effect on the general level of employment in cotton spinning areas. It also found, "though with even greater doubt and hesitation," that the effect would be persistent. But the effect would be localised, and the price of its avoidance would have to be paid nationally—in the price of cotton goods, the loss of export trade, and waste of resources.

. . . on balance it would be unreasonable to continue the restrictions in the scheme in order to avoid the degree of local unemployment which we fear.

ON Monday, then, the scheme will be declared void, and Lancashire will be forced to have a free market in yarn prices after more than twenty years of price control. Does this really sound the "death knell" for the spinning industry? Only a few cotton men this week fully supported the phrase that Sir Andrew Clark had used before the Court on their behalf; but almost everyone feared that it would bring hard times. Those who believed, as the Court did, that abolition of the scheme would ultimately be beneficial to the industry and its employees, could be numbered on the fingers of one hand. "Price-cutting is a disease in Lancashire," said one spinner. "We have had it for the last seven months in spun rayon yarn, and for two to three years in mixture yarns. People will cut prices and hurt somebody else—they don't see that they're crippling themselves at the same time." Another one said: "Competition will be fierce, perhaps as fierce as in the twenties and thirties."

Though price cutting must be expected in an industry with surplus capacity and many small units, there is no logical reason why spinners should make weavers "a present" of their yarn. Spinners have some bargaining power, if they keep their heads. The recession in cotton textiles has been prolonged because buyers have been waiting for the case to be tried and judgment delivered. Buying has continued to fall short of consumption and stocks, therefore, have continued to fall. The volume of orders held by converters, weavers and spinners is lower than at any time in the last few years, though many spinners have a good stock of yarn on hand. There must be a big bout of buying ahead to meet consumption and build up stocks, and buyers will have to weigh their desire for lower prices against the need for quick delivery.

If in the past six years competition among the spinners had operated freely, or even if the minimum price had been set at a lower level, the excess capacity might have been got rid of gradually without serious disturbance to the labour market. The scheme has held back the outflow from the industry and it is inevitable that when the dam is breached, the flood should be greater than the normal flow.

Mr Justice Devlin's fears are echoed in Lancashire—and with less equanimity. "I know half a dozen mills in Bolton, to take one town," said a cotton man the day after the decision was announced, "that today and tomorrow will be discussing with their solicitors how quickly they can get out." Other mills will postpone liquidation in the hope of attracting a take-over bid or of getting compensation from a redundancy scheme. The Court's verdict has intensified and complicated the argument about a redundancy scheme in Lancashire—or rather schemes, for there is excess capacity in other sections as well as in spinning. A majority of spinners, including Lancashire Cotton Corporation and other big combines, are evidently in favour of trying to introduce a scheme as soon as possible. They realise that the absolute cost of compensation should be smaller in two or three years' time, when more spinning mills will have been forced to close, and when mills still in operation would probably settle for a smaller payment per spindle than they would now. But as the mills that intend to stay in business will almost certainly have been making smaller profits, the burden of financing compensation from the remaining mills might be no lower, and might even be higher, than at present. Other spinners, led by Fine Spinners & Doublers, one of the big combines, are still opposed to a scheme, and put their faith in natural forces. Those forces will surely be stronger now than in the past.

Proponents of a scheme will try to extract the maximum financial help from the government, which has stated more than once that it would examine sympathetically any proposals from Lancashire. But Whitehall is unlikely to move quickly. Moreover, a purely private scheme for buying up spindles, which is avowedly action in restraint of trade, would have to be registered and in due course brought again before the Restrictive Practices Court, if only for approval.

To Whom It May Concern

ROUGHLY 2,000 trading agreements remain on the Register of Restrictive Practices and over half of these contain some sort of provisions for price-fixing. But only about half of those concerned with prices attempt to set minimum prices, as did the Yarn Spinners' agreement. Most of the rest operate in such a way as to fix a market price (neither explicitly minimum nor maximum), and a few fix maximum prices (which in practice fairly often turn out to be minimum prices as well). The cotton industry was in decline during the time that the Yarn Spinners' agreement was in force. But price-fixing agreements have also operated in expanding industries, and in some cases may be argued to have kept prices lower than they otherwise might have been. To the economist, holding prices too low can be as objectionable, because it may distort demand and investment by keeping them too high. But this view is not shared, for example, by most politicians, and it would, in any case, be premature to draw too many specific inferences as to the fate of other agreements from the Court's first big judgment.

The Court has explicitly held, however, that price stability is not, as a general rule, of sufficient benefit to the public to outweigh the loss of a free market. So in future the parties to any price-fixing agreement are likely to have to show either that their formal price stability brings specific benefits to a large part of the public involved, or alternatively that no benefit would be likely to accrue to the public from a free market. Two other features of the Court's judgment—that any appreciable adverse effect on exports or, more important, that it counts any waste of national resources by the preservation of excess capacity as significant public detriments—may also be taken as precedents on which all future schemes, whether or not they fix prices, will have to measure.

The remaining agreements on the Register are of widely varying kinds. Some recommend either fixed or minimum prices, as did the constructional steelwork agreement. Some control margins as does the Radio Valve Manufacturers' agreement. And a great many control distribution, as did the Chemists' Federation's agreement. Many of them are local or regional in character, and some are concerned with small or relatively unimportant industries. The Registrar's aim so far has been to bring examples of the different basic types before the Court in the early stages, to secure a widely ranging set of decisions and precedents as quickly as possible. The Yarn Spinners' case was only the second case fully argued before the Court. Nearly a hundred agreements have been abandoned or suitably modified since the Act came into force. It is likely that with each adverse judgment, an increasing number of small agreements will be abandoned. Other small agreements may be dropped before their "prototype" is heard; but if judgment on it is favourable, they can easily be revived.

There is likely to be one other effect. Most of the agreements now on the Register were drawn up before the passage of the Act, and certainly were never drafted with the idea of being defended in Court from the standpoint of the public interest. It is one thing to argue that "What's good for cotton is good for cotton," another to argue successfully that it is also in the public interest. The Yarn Spinners' decision has awakened British businessmen to the reality of the Act. Existing agreements may well be revamped (and any new ones will certainly be drawn up) with an eye to satisfying the Court. In the 69 years since the passage of the Sherman Antitrust Act was passed, American businessmen have devoted as much energy to keeping clear of the Department of Justice as some of their British counterparts today devote to tax avoidance. If a similar emphasis on "corporation law" should develop here, the Court may find the economic arguments in future cases much more sophisticated and complex.

Lessons for Lombard Street

DEAR money at its highly abnormal peak sixteen months ago gave the Lombard Street dealers in bills and short-dated Government bonds an uncomfortable and even alarming time. By contrast, falling money rates, starting early in 1958, gave them an exceptional opportunity to repair the damage they inevitably suffered from high interest rates. Of the eleven public companies—there is also one private company—that comprise the discount market proper, only three make up their accounts at the end of the calendar year; but the results announced by these three show that the opportunity has been seized.

The Union Discount, biggest house of all, reports record profits: £550,000, compared with £415,000 for 1957 and £505,000 at the previous peak in 1954. The Union Discount's dividend policy has always been conservative—the payment has never been reduced—and it is making a capitalisation of reserves that should have the effect of increasing the distribution by one-fifth in 1959. The results of the other two companies, if less impressive on the longer view, are equally striking on the short Twelve months ago the National Discount showed a widening of the uncovered depreciation on its bond portfolio, with a slightly increased "balance" on profit and loss account sustained by undisclosed credits resulting from writing up the book values of investments ("amortising the discounts"). Now the depreciation has been wiped out; the profit "balance" is raised from £208,000 to £284,000—computed this time after transfers to inner reserves; and the dividend is restored to 12 per cent after being cut to 10 per cent in 1955. A year ago Alexanders also showed an uncovered depreciation, though a narrower one; it made a second cut in its dividend (from 12½ to 7½ to 5 per cent); and even so the chairman thought it necessary to give warning that "if Bank rate continues at its present high level, our profits will be seriously and directly affected for some time to come and future dividends will be in jeopardy." Now the depreciation has disappeared, the published profit has jumped from £51,000 to £167,000, and the second of the dividend cuts is immediately restored. It can safely be assumed that in each of these companies the improvement during the year has been larger than the published figures disclose.

No appraisal of the recent and prospective fortunes of the discount market should focus too closely on these unquestionably good results. The fortunes of Lombard Street have always been prone to considerable fluctuations; and the greater the chances of profit the wider the fluctuations are likely to be. The gradual return after 1951 to a flexible monetary policy increased the potentialities in the discount market—but increased by at least as much the risks that it must run. A bad time may not inexorably follow a good one, nor a good one a bad; but only rarely will the market enjoy conditions so profitable as those of the past year, unless it has just suffered abnormal difficulty. Those in the market whose memories reach back beyond the 20-year spell of virtually stabilised short money rates are well aware, indeed, that this is so. For them it is a consolation as well as a warning. They know that any period of exceptional difficulty can generally be trusted to give place to one of more than average opportunity. Hence the first precept that experience teaches in Lombard Street is the need to husband sufficient resources from the fat years to carry the business safely through the lean.

FOR a discount house, prudent finance in this sense is much more than a moral virtue; it is a practical necessity. A discount house resembles a deposit bank in that it carries a very large volume of assets in proportion to its own resources of capital and reserves: the multiplier for the market as a whole is rather over twenty times, and in some of the smaller houses it is considerably higher than that. But a discount house differs from a bank in that almost the whole of the external finance by which 95 per cent or more of its portfolios are financed consists of short money that can be borrowed from the banks (and certain other lenders) only against the deposit of collateral security which affords an appropriate margin in its market value over the amount of the loan. This collateral comprises the bills and bonds that the loans are required to finance.

The discount houses serve the monetary authorities as controllers of the credit system; they serve the Treasury in its capacity of borrower, and the commercial banks in their disposition of liquid assets; and they serve the traders who borrow on commercial bills. All these services derive from their operations in making a market in the two broad categories of securities, Treasury and commercial bills and short bonds, and in the money by which these portfolios are financed. The limits to the operations of a discount house are set by its ability to finance the margins that have to be provided by the collateral it tenders; in other words, they are set by the amount of its capital and reserves. The extent of the margins does not depend, as in the case of a bank, on opinion or convention; it is settled by the behaviour of discount rates and bond prices in the open market.

When money rates are both low and stable, the margins required on bill money are correspondingly low; and at the same time it may seem reasonable to reduce the surplus of unpledged securities (or of margins voluntarily offered in excess of the recognised minima) kept in reserve against the contingency of a

rise in bill rates or a fall in bond prices. During the long period of pegged and low money rates, which was also the time of rapidly increasing borrowings by the Government the discount houses greatly increased the scale of their operations relative to their capital resources, for both these reasons. It was, moreover, only then that the carrying of short bonds became a really large and officially recognised part of their operations; and it was not until the end of the war that they assumed any clear responsibility for making a market in such securities. But bond dealing makes much bigger demands on capital; not only do lenders against bonds require bigger margins: the greater risks of fluctuation require the operator to keep a bigger reserve of collateral in hand—though just how much is reasonable at any time naturally depends upon how soon and by how much interest rates are likely to rise.

The enlarged and much more fully extended discount market had its foretaste of the effects of rising rates in 1951-52, but the movement then was relatively gradual. The first real test came early in 1955, when Bank rate rose from 3 to 4½ per cent; and it then became apparent that some houses had not really measured up to the stark discipline of the margins, and to the fact that if the capital reserve should be insufficient to leave scope for manœuvre when stress occurs, the resultant losses will be severely intensified. If the dealer's capital is insufficient to provide the additional margins required on depreciating bonds, he will have to reduce his portfolios and take a realised loss. If he holds on to bonds of anything but the shortest life, he will suffer for a long time after the rise from a reduced margin between the yield on his bonds and the cost of financing them, or even from an outright running loss.

Several members of the market suffered acutely in this fashion during 1955 and 1956; for it has to be remembered that the larger houses, unless they scent trouble far in advance, have bond portfolios too big to be radically readjusted—in any case, when the market has started to fall it is their function as jobbers to act in some measure as shock absorbers. The houses that suffered most were those that had been tempted unduly into the 2 per cent bond issues made by the Treasury in the heyday of 1954. These bonds fell so severely as to make it impracticable for houses heavily committed to cut their losses. They had therefore to be carried on money costing at least twice as much as their coupon yield, so that the bond side of the business had not only severely strained their capital resources but continued to impose a heavy drain upon profits earned on bills.

In some instances a drain of this kind evidently persisted for at least two years—until the short spell of strength in the bond market in early 1957, when Bank rate came down from 5½ to 5 per cent, at last thawed out the frozen holdings. Throughout this lengthy period the capacity of the short bond market was seriously narrowed. Some of the bigger Lombard Street houses, however secure they might have felt on the longer view, were in effect too crippled to perform their jobbing function.

Thanks to the respite of early 1957, the most vulnerable houses were better poised to face the shock of the 7 per cent Bank rate than they would otherwise have been. An unexpected rise in rates by 2 per cent inevitably involved losses throughout the market, but the period of exceptionally dear money was generally less damaging than the 1955-56 period had been, chiefly because of its relatively short duration. The bond market had made a notable recovery well before the first reduction in Bank rate last March, and thereafter nearly all the adverse influences rapidly gave place to favourable ones.

Admittedly, the current margin between bill rates and the costs of short money steadily narrowed, until it is now no more than about ⅛ per cent, compared with an average of ⅜-½ per cent over 1958 as a whole and about ⅞ per cent in 1956. Until quite recent weeks, however, the average return from the bill portfolio has always much exceeded the current market rate, so that bill business over the year has been highly profitable, in spite of the intensification of outside competition. The corresponding benefit from the lag in the fall of earnings behind that in costs has been even more important on the bond side of the business. Bonds bought during the late summer on a yield basis of well over 4½ per cent are now being financed with money costing, say, 3 per cent on average.

The year's excellent running profits from both bills and bonds, together with jobbing profits on bonds and the recovery in market values, should have fully replenished the inroads made into capital resources in the difficult years. Aggregate true resources of the twelve houses, which at the worst point cannot have been much over £30 million, are now almost certainly above the previous peak of about £45 million reached in 1954. If the market is wise, however, it will not regard this success as having wiped the mistakes of a few years ago clean from the record. If the discount houses are to continue to enjoy present facilities for bond dealing—the results of which are increasingly important in their profits—they must demonstrate their capacity to operate constantly in the interests of maintaining a flexible market. This means that in good times such as the present they must avoid the twin temptations: they must not push their portfolios close to the limits of capacity, nor must they concentrate on the longer stocks within their range.

DIVIDENDS, PRICES AND YIELDS*

		Dividend %	Price, Jan. 28, 1959	Yield, Jan. 28, 1959
Union Discount	Dec. 31	15†	59/9xd	5·02
National Discount	Dec. 31	12	45/–	5·33
Alexanders Discount	Dec. 31	7½	29/–xd	5·17
Cater, Brightwen	April 5	10	38/3	5·17
Ryders Discount	May 31	10	45/6	4·40
Gillett Bros. Discount	Jan. 31	11¼	50/6	4·46
Smith, St. Aubyn	Mar. 31	15‡	61/–	4·92
Jessel, Toynbee	Mar. 31	10	38/6	5·19
Allen, Harvey & Ross	April 5	10†	38/6	5·19
King & Shaxson	April 30	12½	67/6	3·71
Seccombe, Marshall & Campion	April 30	10	39/–	5·13

* Eleven public companies; *italic figures* show dates of 1958 balance sheets. † Indicated. ‡ Estimated.

BUSINESS NOTES

IN THE MARKETS

Bank Rate Quandary

THURSDAY passed with Bank rate unchanged at 4 per cent. Decision must be finely balanced. Domestically, a cut might seem called for by the rise in unemployment expected to be announced for January. It would certainly be useful politically; would it be economically wise? In a speech to the Leeds Chamber of Commerce last week-end, the Governor of the Bank of England said:

> Downward trends have to some extent flattened out and, though there are still soft patches, here and there one sees signs of a gradual pick-up.

That does not of itself suggest that Mr Cobbold thinks that measures of stimulation have been carried too far. The longer term danger of a new bout of inflation "has still to be reckoned with . . . but it does not seem an immediate threat." Mr D. J. Robarts, chairman of the National Provincial Bank, says in his annual statement this week that 4 per cent is "perhaps still rather on the high side for a period of recession."

In such circumstances the decision would normally be swung by international considerations. But these also point both ways. On the one hand, European money rates are still falling. The central banks of Germany and Holland have each cut their rates to 2½ per cent; Belgium has also cut its rate and is expected to be followed by the Bank of France. These adjustments encourage the flow of short-term funds to London; and while these give a useful prop to sterling and the reserves, the Bank of England and the Treasury have no desire to attract hot money whose withdrawal may add to sterling's strains during a May election or the heavy commercial demands of the summer.

Money rates in the United States, however, are moving upward. Treasury bills yield 2.98 per cent for three months' maturities and 3.34 per cent for six months' bills; this compares with 3.11 per cent for London's three months' bills. Many Americans now expect a further rise in official discount rates from their present 2½ per cent. A ½ per cent reduction in London Bank rate might put London bill rates significantly below New York. It could be argued that the current distrust of the dollar permits London this rare luxury; it could also be argued that the conjuncture might encourage international operators to question their current implicit assumption that America's inflation is going to be worse than other people's. Amidst all these conflicting considerations, has anyone on the Bank Court suggested a not quite unprecedented ¼ per cent?

Election Shadow

THE Stock Exchange has been subdued this week. The approaching election, and investors' fears that Labour might win it, have again been the main influence. Turnover has been much smaller than last week. To some degree, the election influence is the deadening one of sheer uncertainty; that is bad for any market. But industrial shares have been hit worse than gilt-edged. That may reflect the feeling that while a Labour government might after all be tough in general economic policy, there is little chance of its being sympathetic to the shareholder. *The Economist* ordinary indicator dropped in the week to Wednesday by 6.6 points to 245.0, bringing the fall since the December 31st peak to about 4 per cent. The relatively good showing of gilt-edged, in the face of some further bank selling, is by no means entirely the result of political considerations. Industrial shares look high after their long rise, and many have discounted a trading recovery that has not yet started. Some of the institutions will not now consider shares with yields under 4 per cent. They are holding off, too, in expectation of a number of new issues known to be on the way, after the long absence of new outlets.

The gilt-edged market has been firm enough to absorb successfully a loan of £2,584,000 for the Government of Barbados. The coupon, like that on other recent issues of West Indies governments, was 6 per cent, for dates 1971-73, and the offer price was 98½—sufficiently on the cheap side. The offer opened and closed on Thursday and the loan was oversubscribed. The gross redemption yield of £6 3s. 2d. to latest date gives a useful margin, of almost a full point, above yields on British Government stocks of comparable length. But not many colonial, or recently ex-colonial, governments have the credit to borrow on the London market at all. The dollar influence in the Caribbean is undoubtedly a help. Jamaica has for many months been negotiating for a loan in New York; it is finding the requirements of the New York authorities exacting, and London's terms by comparison may not seem so onerous after all.

Dip on Wall Street

THURSDAY'S fog was in keeping with the renewed feeling of uneasiness in the London industrial market, for the day before the Dow Jones average had fallen by 6.13 to 588.53 in very heavy dealings as a late wave of profit-taking swept over Wall Street. At their present heights, dollar stocks, offering low earnings and dividend yields, are sensitive and a slight shift in the balance of buying and selling quickly brings about an abrupt change in their values. Two factors are especially worrying at the present time: first, there have been reports of net selling by some large institutional holders and, secondly, there is as yet little statistical confirmation of the optimistic prophecies that business will boom this year. Nevertheless, dealers on Wall Street continue to believe that the boom will come and to shrug off sudden dips in market prices as technical corrections. They believe that the trend in equity prices will still be upwards but, unlike last year when the recovery was characterised by slight intermittent pauses, they are now arguing that there will be repeated breaks in this upward movement, producing quite violent swings in the prices of individual stocks. The bulls, in fact, are looking a little tired, just as they are in London.

THE ECONOMY

Signs of Recovery

NOTHING in this week's statistical indications about the economy need modify the official opinion about a moderate recovery. The Central Statistical Office still holds to its estimate that there has been an upturn in production, with amendments to its figures for September now putting the turn between October and November. The index, seasonally adjusted, is now shown at 105 (1954=100) in September and October, as it was during most of the summer; with a rise to 107 in November. Its first impression of the level of production in December, 106-107, suggests that allowing for seasonal fluctuation production has been maintained at this rather higher level, suggesting that December was quite as high as the year before. Another rather more optimistic gloss upon economic indications has come from the Board of Trade, which reckons from a sample of businessmen's investment intentions that it took just before the end of last year that private investment this year will be roughly the same as last year. The replies to its questionnaire suggested that manufacturing investment will be about a tenth lower than last year; private investment outside manufacturing is expected to be higher than in 1958. An earlier sample taken last summer had suggested a fall in manufacturing investment of about a sixth; the companies who replied then have not changed their minds, but a larger number of companies offered forecasts at the end of the year than in the summer, and those replying only to the later inquiry forecast much smaller declines in investment.

No Collusion

THE Central Statistical Office has now published—in the current issue of *Economic Trends*—its estimates of national income in the third quarter of last year. These present a rather more optimistic picture than those given out ten days before by the National Institute of Economic and Social Research in its new bulletin *Economic Review*. The official estimates suggest that, measured at constant prices, the gross domestic product in the three months July to September was only 1 per cent lower than a year ago; in the previous quarter the corresponding fall had been 2 per cent. To compete with the new bulletin, the Central Statistical Office now chances its arm at ironing out seasonal factors and, after so doing, hazards that "the gross domestic product, at constant prices, probably fell slightly during the first half of 1958, but the fall appears to have been halted in the third quarter." The National Institute does not think so; according to its estimates the gross domestic product was still falling gently.

Admittedly the two sets of estimates are not exactly comparable; one is at market prices, the other at factor cost, one is built up from the expenditure angle, the other from production records. Nevertheless they do reflect a real difference in stock figuring, the trickiest part of the accounting. With a large residual element in their estimation, the National Institute, after taking seasonal influences into account, reckoned that stocks on balance, right across the economy, had begun to fall in the third quarter of last year; the official estimates, which claim to be more direct ones, do not support this view. No outsider can judge the relative quality of the estimates, although it might be thought that the official statisticians should be in a position to make the more reliable ones. On the other hand, it is difficult to see why the national product should have started to rise again in months when industrial output did not.

On the external account, the latest estimates show that the surplus on trade in goods and services had virtually disappeared by the third quarter, after totalling £237 million in the first six months. Although to some extent the closing of the gap is seasonal, the value of both imports and exports were back to their 1956 level.

CONVERTIBILITY DEBATE

The Next Move

STERLING'S further rise in the exchange markets this week—the rate touched $2.81 on Tuesday—provided a sobering background to Labour's attack in the Commons debate on the rashness of unifying the transferable and American sterling accounts. The Chancellor confirmed that the authorities do not regard this as a significant change in sterling's vulnerability to speculative attack; he went further than official spokesmen have in the past to confirm the degree of backdoor convertibility previously existing through the transferable markets overseas, and to admit that there was very little room for manœuvre in letting the transferable rate go. Nor was there any real conflict between Mr Amory's description of official considerations in the timing of the move and the version Mr Gaitskell drew from Paris. In the late autumn the authorities were looking for a favourable opportunity for unification of the rates; in choosing the opportunity, the prime consideration was European and above all French and German co-operation; in the event, an unexpectedly impressive concerted step forward was achieved.

Mr Amory confirmed that the next step in external liberalisation is to be on the trade side—liberalising imports of dollar consumer goods. Until this programme is "well launched," Britain will not make the move from the temporary transitional provisions of article 14 of the International Monetary Fund to *de jure* convertibility under Article 8. The IMF articles do not require freedom for capital transfers; and Mr Amory reminded the House that control over foreign withdrawals of capital remained unchanged. City hopes that Britain may follow Continental example and scrap the restrictions on security sterling may be premature.

The main burden of the Labour attack was that current convertibility in the London market would increase the risk in a future crisis; Mr Gaitskell repeated that despite opposing the decision, "we would have to do our best to work it." His report of an estimate that "the total amount" of exchange business likely to be gained by London bankers "does not exceed about £125,000 a year" is mystifying: Mr Gaitskell may be thinking of profit rather than turnover, but even then his figure seems much too low.

ROAD CONSTRUCTION

No Lessons from Preston

NOTHING is admitted to be wrong with the design of the Preston motorway nor with the specification of a "flexible" type of road carriageway base incorporating pre-

mixed water-bound macadam. The programme of testing the subsoil with bore holes was inadequate; for example, it missed a peat bog that was encountered during construction and had to be wholly excavated. At the beginning of the project the constructors, Tarmac Ltd., asked for the construction period to be extended by twelve months; it was eventually agreed by the Ministry of Transport and its agents, the Lancashire County Council, that a five-month extension should be given. Summer rainfall during the three summers in which construction was going on was a third higher than the previous 80-year average, and the cold spell in January, preceding the thaw that broke up part of the surface of the Preston motorway, was one of the severest this century. Trial bore holes suggest that most of the excess moisture in the various layers of the road had been held in since the construction period, but final conclusions cannot be drawn until there has been a period of continuous thaw.

These were the factual ingredients in the preliminary report that the Minister of Transport gave to Parliament on last week's damage to the motorway. Mr Watkinson denied suggestions that his Ministry urged undue haste in completion—the timetable of construction, he said, had been entirely a matter of the County Council to decide—or that the methods of construction adopted, and in particular the amount of drainage, had been affected by his department's pressure for cheapness. He refused to have an independent inquiry into this damage to parts of the road surface, which he described as a "minor issue" although he was taking it seriously. Road building on this scale, he argued, involved inevitable risks; any local authority which felt that risks should reasonably be taken on the basis of professional competence would have his support, as the Lancashire County Council had for the Preston road.

Supplementary drainage on the parts of the road where excess moisture has caused damage are to be completed by the end of next week. Resurfacing will follow as soon as there is a complete thaw; and eventually the road will be reopened, possibly first to car traffic and only later to heavy vehicles. Mr Watkinson said that the particular kind of construction used at Preston which had been used successfully since 1952 in parts of Lancashire and Yorkshire, was not being used on the London to Birmingham motorway or the Ross-Spur motorway, though in parts of these lean concrete and water-bound macadam are being employed. But the specifications and materials used at Preston still appeared to him to be as suitable for conditions there as those used in the different circumstances of the other motorways. These too, he admitted, were subject to the risks unavoidable in major road construction in British weather, though all possible care was being taken to avoid any trouble with them. During the present spell of bad weather, he added, there has been no work on the London to Birmingham motorway except in bridge construction.

CREDIT TREND

Record Credit Expansion

THE volume of bank credit rose in 1958 by more than in any year since 1947: for the first time, the authorities can feel, the increase was by design. The best figure of net deposits available for this period shows a rise of £245 million, or 3¾ per cent. As the table shows, that increase was achieved in face of a decline in liquid assets (which reflected the success of the government's sales of stock in the gilt edged market and of small savings securities).

The banks had some cushion of excess liquidity; the average ratio was run down from 38.4 per cent at end-1957 to 34.6 per cent. But the increase in advances, which reached £366 million or almost one fifth in the year, rose to such proportions after the lifting of the credit squeeze in mid-year that the banks had to reverse their earlier increases in investment portfolios. Their purchases in the first half

LONDON CLEARING BANKS

	Dec. 31, 1958 £ million	% †	Change since Nov. 19, 1958	Change since Dec. 31, 1957
Gross Deposits	7,193·7		+409·9	+269·6
"Net" Deposits*	6,617·5		+211·4	+245·0
Liquid Assets	2,492·9	34·6	+206·4	−171·1
Cash	586·3	8·1	+ 31·2	− 14·3
Call Money	586·6	8·2	+144·6	+ 61·3
Treasury Bills	1,185·0	16·5	+ 8·0	−217·9
Other Bills	135·0	1·9	+ 22·7	− 0·1
Investments and Advances	4,371·6	60·7	+ 74·0	+419·9
Investments	2,102·5	29·2	− 49·0	+ 53·7
Advances	2,269·1	31·5	+123·0	+366·2
(Advances, less transit items)	(2,125·8)		(+69·9)	...
State Boards	79·5		+ 5·2	+ 0·7

* Excluding items in course of collection, and internal items in transit (but these are not available for the change on the year). † Assets as a ratio of gross deposits.

of the year were sufficient to keep the end-1958 total some £54 million above that a year before; but the individual statements of the banks for their January make-up show a total decline of £81 million in the first three weeks of this year. Most of these reductions, including the big movements at the Midland and Westminster, reflected the maturity of Conversion stock on January 15th rather than sales of stock. Liquidity ratios have received a welcome boost.

These January statements show, once again, that an exceptionally rapid rise shown in bank credit in November-December was strongly influenced by special end-year items. The greater detail in the banks' combined statement shows a rise of £144 million in "balances in course of collection," swelling the total of gross deposits, and also a rise of £54 million in internal clearings not included in "balances"; these two items swell both deposits and advances. Excluding them, the rise in deposits in the six weeks was just over half the rise of £410 million in published deposits; that in advances was £69 million, compared with the published rise of £123 million. This marks a rate of expansion similar to that prevailing since September. The January statements show on the whole little change in the advances items; and since the extraneous items must have fallen sharply, the increase in advances has evidently continued into the new year.

BRITISH RAILWAYS

Faster Freight to the Midlands

IT may seem ironic that British Railways should attempt to recover some of the ground which it has lost to road transport by supplanting certain of its rail freight services with its own road vehicles. However, this is the essence of the plan which the London Midland Region announced this week that it will put into effect in coming months. The London Midland, largest of the four operating divisions of British Railways, is also the biggest freight carrier; two-thirds of its total annual receipts of about £160 million

come from this source. The plan involves a reduction in the number of sundries depots from 170 to 48, and of marshalling yards from 111 to 46; the remaining depots will be extensively modernised to speed handling of freight —particularly merchandise—traffic.

Parcels traffic will be concentrated at six centres (Birmingham, Leicester, Liverpool, London, Manchester and Nottingham), through which 90 per cent of the London Midland Region's parcels traffic already passes. Freight will be delivered from the railheads to its destination in the railway's own motor vehicles, thus cutting out the delay incurred by rail transhipment to local stations. Thus, between points within the zone served by each railhead, British Railways will be operating an ordinary road haulage service (although there is not much traffic of this type now). Other measures include increasing the number of express freight trains (now just over 600), which in turn depends on fitting more wagons with vacuum brakes; increased dieselisation, the mechanisation of warehouse facilities, the development of special containers, and modernisation of signalling and control facilities in stations and yards.

It is also probable that the railway's fleet of road vehicles will be both expanded and altered somewhat in composition to handle the longer trips involved. Their licences, however, limit their operations to within a radius of 20 miles. The London Midland's plan is essentially a regional acceleration of the overall 15-year modernisation plan for British Railways; much of it will be accomplished this year, and it is scheduled to be completed within three and a half years. Its total cost may run to £25-£30 million, including £5½ million spent this year; but with the savings in costs—including considerable cuts in manpower—it is hoped to recover this new money in five or six years.

CONSULTING THE SHAREHOLDERS

Lord Chandos Makes a Promise

UNLESS the articles of association forbid it, the directors of any company, so long as they are acting in good faith, can issue unissued shares without first consulting the existing shareholders. A good deal of fuss was made about these powers when the board of British Aluminium proposed to issue ordinary shares to Alcoa. Not all investors were sure that this was a legitimate—as opposed to a legal—use of these powers and now several spokesmen of various sections of British industry have made it plain that they will not contemplate issuing a large block of unissued ordinary stock without first seeking authority from shareholders. A week ago, the directors of Associated Electrical Industries called an extraordinary general meeting, seeking authorisation from shareholders for the issue of AEI shares in connection with the London Electric Wire Company deal and

The British Trade Picture in 1958

IMPORTS FELL MORE THAN EXPORTS

	1957 £ million	1958 £ million
Imports, cif	4,071	3,780
Change in value		−7%
Change in volume		None
Exports, fob	3,324	3,208
Change in value		−3½%
Change in volume		−3%
Re-exports, fob	133	147
Apparent deficit	613	424

SURPLUS WITH STERLING AREA, SMALLER DEFICIT WITH NON-STERLING AREA

	Imports cif 1957	Imports cif 1958	Total exports fob 1957	Total exports fob 1958	Trade balance 1957	Trade balance 1958
	£ million		£ million		£ million	
Dollar area	965	787	573	587	−392	−200
OEEC area	968	963	938	874	− 29	− 89
Other non-sterling	588	597	420	413	−168	−185
Total non-sterling	2,520	2,348	1,932	1,874	−589	−474
Sterling area	1,550	1,432	1,526	1,481	− 24	+ 50

ENGINEERING PRODUCTS GROW, TEXTILES DECLINE

Percentage of British Exports

	1935/8	1957	1958
Engineering products	20·1	40·7	43·6
Metals	13·4	14·3	13·5
Textiles	24·0	10·4	9·2
Chemicals	6·3	8·0	8·2
Coal & coke	8·0	1·9	1·0
Petroleum	1·0	2·7	3·1
Food & tobacco	7·4	6·2	6·0

CHANGES IN IMPORTS

	1958 £ million	Per cent change on 1957
Food & Tobacco	1,506·4	+ 1
Meat	314·5	+ 2
Cereals & feeding stuffs	276·0	+ 7
Fruit & vegetables	262·4	+15
Raw sugar	94·2	−35
Tea	127·5	− 5
Basic materials	907·9	−22
Rubber	76·2	−10
Timber	140·5	−19
Raw wool	134·1	−29
Raw cotton	65·0	−36
Iron ore	72·9	−26
Manufactures	908·7	− 2
Machinery	166·4	+10
Transport equipment	48·8	+19
Chemicals	119·8	+ 5
Newsprint, paper & board	71·1	+ 1
Textile manufactures	85·1	− 4
Iron and steel	46·6	−41
Copper	90·6	−13
Fuels & Lubricants	440·8	− 5
Crude petroleum	295·9	+ 6
Refined petroleum	130·3	−15

CHANGES IN EXPORTS

	1958 £ million	Per cent change on 1957
Engineering products	1,397·7	+ 3
Non-electric machinery	567·2	+ 1
Electric machinery & apparatus	223·7	− 2
Cars & chassis	188·7	+19
Commercial vehicles	80·4	− 6
Aircraft and parts	98·5	+41
Ships and boats	63·1	−20
Metals	431·8	− 9
Iron and steel	187·6	−12
Copper	54·7	+ 2
Textiles	294·5	−15
Wool tops, yarns & fabrics	119·4	−15
Cotton yarns & fabrics	70·4	−20
Other textile manufactures	103·9	−12
Other manufactures	692·9	− 2
Chemicals	263·1	− 2
Clothing & footwear	45·6	− 7
Pottery and glass	31·0	+ 6
Food & Tobacco	193·7	− 6
Whisky	56·0	+ 7
Fuels & Lubricants	133·2	−13
Refined petroleum	93·3	+13

EXPORTS TO UNITED STATES, GERMANY, UP SHARPLY

	Total Exports 1958 £ million	Total Exports Per cent change on 1957
North America	487	+ 8
United States	293	+17
Canada	194	− 3
Common Market	462	− 9
France	81	−21
West Germany	141	+14
Italy	71	− 7
Netherlands	105	−14
Belgium & Luxembourg	65	−21
Commonwealth	1,496	− 3
Australia	237	None
New Zealand	129	− 8
India	160	−10
South Africa	187	+ 8
Rhodesia & Nyasaland	52	−13
Ghana	35	− 9
Pakistan	29	−15
Malaya & Singapore	72	− 9
Latin America	153	− 8
Argentina	33	None
Brazil	19	+ 5
Middle East	193	+ 2

at that meeting the chairman, Lord Chandos, spoke of the principles involved and the distinctions that could be drawn. The principle, he argued, was that

> shareholders should normally be consulted unless their interests would be damaged by publicity. Nevertheless, if any deals which involve either an important proportion of the equity, or where the nature of the business appears to be altered are under consideration, the risks of publicity will have to be run. The proprietors are entitled to be consulted on major transactions.

The distinctions that Lord Chandos made were that he and his fellow directors would always consult shareholders on every occasion where the issue of a block of shares to a single company or portfolio is concerned, unless the issue represents only "a very small percentage" of the capital; and that they would also do so where an exchange of shares with another body of shareholders was proposed unless the issue represents only "a small percentage" of the capital. As Lord Chandos rightly says, absolutely rigid rules confer no advantage and the directors must have some discretion to decide what is "very small" or just "small." By distinguishing cases, Lord Chandos, in fact, has set down a most useful policy guide for other boards of directors to follow when they have to consider their responsibilities to ordinary shareholders.

TIN MARKET

Russia's 'Understanding'

THE International Tin Council is at last able to announce that an "understanding" with Russia has been reached. After breaking the tin market last September, Russia, it is now stated, has "moved towards the desires of the exporting and importing members of the council" and intends to limit exports of tin to non-communist countries this year to 13,500 tons. The head of the Russian Trade Delegation in London and the chairman of the council will keep in touch to resolve any questions which might arise. The unforeseen spurt in sales by Russia last year raised its total exports to the free world to about 18,000 tons. The tonnage was not large in terms of world consumption, but the sudden increase shattered the statistical basis of the council's control over exports, and the finances of the buffer stock became exhausted in buying what was, in effect, Russian tin.

In response to Russia's move Britain and other countries have removed their restrictions on imports of tin from Russia. It is open to argument whether Russia could have exported substantially more than 13,500 tons had these restrictions been maintained, and therefore hard to assess how real a concession Russia has made. As the understanding applies only to 1959 Russia's new-found sympathy with the tin market does not go far, but as far, perhaps, as it was reasonable to expect. The council would naturally prefer Russia to join the agreement as an exporter, and thus formally accept export restriction and the other obligations of producing members, particularly the contribution to the buffer stock. Whether Russia can in time be persuaded to join is anyone's guess.

It would be churlish just now to question Russia's good faith. It is clearly alive to the criticism that its sales have hurt the primary producing countries. But it is as well to bear the limitations of the understanding in mind. A good portion of Russian exports are believed to be tin made from Chinese ore, or Russian tin made surplus because bigger supplies are being received from China. If China chose to start exporting tin the council would then have to try to plug a new hole in the tin scheme. This is why the British government will continue to watch imports of tin from the communist countries as a whole. The announcement has not made much impression on the market; cash metal closed on Thursday at £767 a ton, a gain of £3 10s. on the week, but this mainly reflected the tightening in supplies.

EXPORTS OF MANUFACTURES

Germany Overtakes Britain

THERE were three notable developments in world trade in manufactures in the first nine months of last year. The value of trade declined for the first time since 1953, because of a sharp fall in shipments from the United States, the largest exporter; West Germany replaced Britain as the second largest exporter; and the British share of the total remained steady after falling continuously since 1950. Provisional estimates made by the Board of Trade, covering about nine-tenths of trade in manufactures within the free world, put the total for the first nine months at $30,757 million, three per cent down on the same period of 1957. Shipments from the United States fell by 13 per cent to $7,198 million, lending support to the view that America is pricing itself out of world markets. Three countries—Germany, Holland and Italy—managed to increase their exports in face of a contracting demand. West Germany's exports were four per cent up at $5,657 million and its share rose sharply to 18.4 per cent from 17.2 per cent in the first nine months of 1957. Though Germany has overtaken Britain in manufactures, Britain still leads Germany in total exports by a short head: total British exports amounted to $8,982 million in 1958 and total German exports to $8,802 million. Exports of manufactures by Britain fell by three per cent to $5,612 million, leaving its share of world trade unchanged at 18.2 per cent.

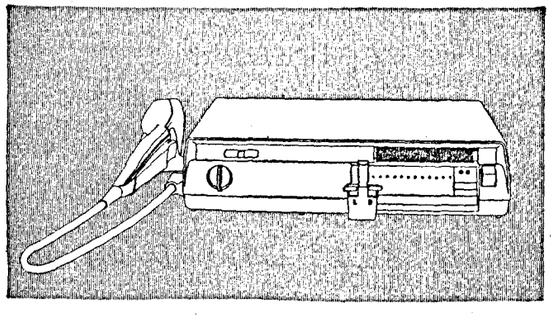
	January to September, 1957		1958	
	$ mn.	Per cent share	$ mn.	Per cent share
Free world total	31,763		30,757	
United States	8,169	25·7	7,193	23·4
Britain	5,784	18·2	5,612	18·2
W. Germany	5,449	17·2	5,657	18·4
France	2,563	8·1	2,562	8·3
Japan	1,863	5·9	1,834	6·0

WORLD CAPITAL MARKET

Three More Issues

THE international capital market grows steadily more active. Three important loans (besides BP's issue in Zurich foreshadowed last week) are being launched now or in the near future. The Electricity Supply Commission of South Africa is raising 50 million Swiss francs in Zurich. The loan has a coupon of 5 per cent—a high rate for Swiss investors—and is repayable in fifteen years. Secondly, the Japanese Government will shortly issue its first postwar external bonds, in an issue of $30 million in New York. The interest rate is not yet known. Half the loan will be redeemable in three to five years, and the remainder after fifteen years. Thirdly, the Verbundgesellschaft of Austria, the national electricity corporation, has arranged a further foreign loan. A syndicate of German banks headed by the Berliner Handelsgesellschaft of Frankfurt is extend-

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You make it sound quite pleasant . . . But what about the old stopwatch?

Well, we use it for measuring time—just as we use weighing machines to measure quantities and rulers to measure lengths. We don't guess a ton of salt for a customer, and we don't guess times when we're dealing with the way the other fellow does his job—it wouldn't be fair.



And it pays?



Would we employ a Work Study staff of 1,400 if it didn't? I can remember when one of our manufacturing Divisions was thinking of spending a million pounds on a new factory, but they were able to postpone it for years, just by making better use of the machines and equipment they already had.

Pity more people don't use Work Study, considering our economic position. Why don't people face the facts?

Well, you can't face the facts unless you have them. That's what Work Study provides. More and more people are learning to face facts each year.

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ing a loan for Dm 100 million to finance construction of power plants. This is the first Austrian loan to be placed exclusively in Germany since the war; though German banks participated in Austria's issue of dollar bonds at the end of last year.

German banks and other financial institutions are also preparing to invest more heavily in ordinary shares of the leading industries of the common market countries. A number of new investment trusts have been formed, with provisions to embrace leading securities on foreign Bourses. They include Europa 1, formed by the Frankfurt banking house of Hardy & Co.

HAWKER SIDDELEY

Funding and After

SINCE the beginning of the year the £1 ordinary units of Hawker Siddeley have risen from 29s. to 33s. There have been quite big buying orders for the stock and its price has been as high as 34s. The reason is that the air of uncertainty that has hung over the stock for so long has been dispelled first by the directors' comments on the funding problem and secondly by the snap announcement of the intention to raise £15 million on a new convertible debenture. That issue will more than cover the Brush Group's overdraft of £10 million and will fund a good part of the total overdraft of £23 million in this country. This overdraft and the £10½ million owing to banks in Canada is, in the directors' opinion, more than adequately covered by net current assets and the banks are prepared to go on financing the group. But the massive new interests of Hawker Siddeley and the fact that the group has now to find almost all the money for aircraft development from its own resources point to the need for a funding operation.

Not so very long ago the directors seemed to be thinking in terms of a rights issue of ordinary stock, but now they have plumped for a convertible debenture—that hybrid for which the institutional investors do not nowadays much care. It must be assumed that the institutions are prepared to agree that Hawker's exceptional problems demand an exceptional answer and that an issue guaranteeing a fixed return while the process of absorption, consolidation and re-organisation is being completed is preferable to the immediate dilution of the equity. From the company's point of view, the issue will provide breathing space, but it will want to purchase that space as cheaply as possible, for it is paying a little under 5 per cent on its bank overdrafts. The terms of the issue are still being negotiated but the negotiations, even though there is the job of settling exactly what is the security on the debenture, do not seem to have run up against any unexpected snags. Clearly, the aim of these negotiations is to hit on a formula that gives as an attractive as possible option on the equity and keeps the coupon on the debenture as low as possible—say, 5¾ per cent or under.

The issue clears the air but it will not solve Hawker's basic problems overnight. These are to fit the administration and management of a group that was concerned almost solely with aircraft in this country to the new role of a capital goods producer, largely in Canada; to focus the aircraft business on the civil market; to tidy up the tangled affairs of the Brush Group; to nurse Canadian Car and Foundry over a period of famine in the hope of a feast to come; and to prepare Dosco for further development. Dosco is the key to the future; new money will have to be found if it is to become a fully integrated and modern steel concern and, here, the obvious solution would be to raise fixed interest capital in North America without disturbing the parent's equity holding in Avro Canada. Some progress towards solving these problems has been made and some vigorous and not untimely changes have already been made in the managerial structure of the group. At least, a convertible debenture will give investors a chance to hedge the risks.

BUILDING SOCIETIES

The Co-operative Consolidates

EXPANSION has long been a factor in the policy of the Co-operative Permanent Building Society. Last year it absorbed the Scottish Amicable, which had got into trouble with its gilt-edged investments, and this added about £22½ million out of the total growth of £42 million in the Co-operative's assets last year. Withdrawals by shareholders and depositors in Scottish Amicable were between £2 and £2½ million—about half the expected rate—and a rising gilt-edged market helped the Co-operative to sell the irredeemable stocks and some of the long dated stocks in the Scottish Amicable portfolio.

ASSETS AND RATIOS
£'000s

Years to December 31	1957	1958
Received from shareholders	36,547	42,428
Withdrawn by shareholders (cum interest)	23,486	29,942
Mortgage advances	29,064	30,265
Liquid assets	23,609	32,368
Liquidity ratio*	13·28%	15·02%
Reserves	4,780	5,713
Reserve ratio*	1·70%	1·99%
Total assets	162,621	204,523

* Calculated on the market value of investments.

That meal can now be said to be digested but 1958 was not an easy year for the building societies—at least not until the credit squeeze was relaxed. The Co-operative lent £30 million on new mortgages (against £29 million) but, like the other leading societies, it was carefully nursing its liquidity ratio. At book values, this ratio improved from 14.52 to 15.83 per cent and, thanks to the rise in gilt-edged prices, it went up from 13.28 to 15.02 per cent. The recovery in the gilt-edged market is also reflected in the improvement in the reserve ratio, which, after allowing for the depreciation on the portfolio, has risen from 1.70 to 1.99 per cent. But this ratio is still low; at book values, because of the absorption of Scottish Amicable, it actually fell from 2.94 to 2.80 per cent. The Co-operative must build up its reserves, for it would not wish to jeopardise the prospect of trustee status under the government's housing bill. Consolidation and a controlled rate of growth are now the aim. The Co-operative is not adding to its branch offices and it is making a drive to secure more small investors. At the moment, therefore, its managers, conscious of the competition of national savings certificates and premium bonds and of the possibility that the demand for new mortgages will remain high, may not be too keen to see any reduction in the borrowing and lending rates of the societies. Its own recent reduction of its rate on 20-year mortgages was to the Association's recommended rate of 6 per cent on all mortgages; but the Co-op. continues to

charge more than the recommended rate on mortgages with a longer life, though the Association does not look too kindly to mortgages of more than 25 years.

ATOMIC ENERGY

Uranium at Springfields

THE uranium processing plant at Springfields is the first of the Atomic Energy Authority's factories to reach the end of its useful working life through obsolescence. Ten years old, built at an original cost of £5 million, it is about to be closed down in stages as a new £15 million ore-smelting and rod-producing plant comes into production. The differences between the old and the new Springfields plants are similar to those that distinguish a jobbing foundry from one concentrating on continuous production runs. The new plant is highly mechanised and the operations are carried out in an almost unbroken sequence from start to finish. Much of the operation could be completely automatic but for the fact that plant engineers still think it a wise precaution in atomic energy plants to rely on operators rather than on automatic control.

The Springfields re-equipment plan was drawn up partly to increase capacity, partly to cut costs. The new plant has a much bigger potential rate of output than the old. In its present form it can supply the combined needs of the AEA's eight reactors at Calder Hall and Chapel Cross, the Generating Board's civil power stations, and any immediate export demand. It is laid out in such a way that output can be increased to keep pace with export sales—if any. This is important since a power-producing reactor needs an initial charge of fuel running to several hundred tons in the bigger power stations, and each fresh design of fuel rod requires its own production line. But changes in the dimensions of the uranium rods produced at Springfields, other than small changes of length, could not be carried out in less than three months; radical changes in design, such as a switch from rod to thin metal plates, would take considerably longer. Because of this element of inflexibility, which is the price of higher output, part of the old plant will be refitted on a jobbing basis.

The plant's ability to cut fuel costs will be closely watched by the British companies now trying to sell nuclear power stations abroad. More complex design of fuel elements, introduced to increase heat transfer efficiency inside the reactor, have sharply raised production costs. With the new Springfield plant working all out it should be able to sell manufactured fuel rods at between £20,000 and £22,000 a ton. This is less than the cost would have been on the old plant, but it is a good deal higher than industry had expected on the basis of estimates for older, simpler, kinds of fuel element.

UNIT TRUSTS

Shield for Small Investors

CO-OPERATION between N. M. Rothschild and Sons, the merchant bankers, and the National Group of unit trusts has given birth to a new unit trust that is very like Philip Hill Higginson's British Shareholders Trust. The management company, Shield Fund Managers, has offered 5 million units in its new trust, Shield Unit Fund, at 10s. each. The prospective yield at this price is 4 per cent; it compares with the 4¼ per cent offered by BST last November when it offered the same number of units at the same price, but at their current price the BST units yield just 4 per cent. Both these unit trusts are cash funds in which the managers act as agents, but the Shield Trust does not give investors the dubious opportunity of buying units on instalments. Instead, it has given them an opportunity of "averaging" on a mixed bag of securities by adopting a thrift plan with a minimum payment of 10s. a week. Other unit trusts already operate similar schemes, but BST favoured the deferred payment plan and it associated itself in this respect with United Dominions Trust. The Shield Fund has one indirect link with BST for the chairman of UDT, Mr J. Gibson Jarvie, will sit on its investment advisory panel. The initial aim is that three-quarters of the trust fund's portfolio will be made up of a wide spread of British stocks and one-fifth of North American securities.

Block issues by unit trusts have their critics, but recently they have proved their worth as a means of making unit trusts more popular—at least among white-collared workers: BST, for instance, has sold over 10 million units since its inception. Some critics have argued that the management of the unit trusts' portfolios has failed by comparison with the indices of industrial ordinary shares, but the injection of merchant bank expertise into the movement may help to disarm this criticism.

MONEY MARKET

A Rhodesian Discount House

RHODESIA is taking another step towards the establishment of an organised money market; and the structure that is emerging is much closer to the London pattern than that in any other Commonwealth or foreign country. Soon after a central bank was set up, with Mr Grafftey Smith from the Bank of England as governor, two acceptance houses, Rhodesian Acceptances and the Merchant Bank of Central Africa, were formed with the help of the great mining companies. Now it is announced that a discount house is to be formed. This follows the precedent in the Union of South Africa, where Anglo American Corporation set up a discount house to flank its Union Acceptances. But the discount house proposed for Salisbury is independent of the acceptance houses, on the London pattern.

One fifth of the capital of £100,000 of Discount Company of Rhodesia is being supplied by Gillett Brothers, a leading light in the London market. The Bank of England's sanction does not imply any change in its general opposition to overseas ventures by London discount houses; Rhodesia is regarded as a special case, worthy of help and with limited resources of its own in this sphere. The rest of the capital of the new company is being supplied by leading Rhodesian investment houses and by British and South African insurance companies operating in Rhodesia. The chairman is Mr G. Ellman-Brown, the managing director is Mr E. Clifton-Brown (who helped in the formation of Union Acceptances and Rhodesian Acceptances) and Gillett Brothers are making available one of their directors, Mr C. J. B. Chalkley, as well as an experienced manager.

SHARES FOR EXECUTIVES

The Costain Plan

RICHARD COSTAIN, the public works contractors, has devised a scheme to retain the services of its managerial executives by offering them a chance of a tax free capital gain in place of a taxable bonus. Because of the sporadic nature of the business, Richard Costain finds it difficult to hold on to the technical staff that forms the middle management of the group by the normal incentives of salaries, bonuses and pensions. This new scheme is therefore limited to those of its executives who earn £1,350 or more a year, but it does not extend to the directors of the company. In place of a bonus or commission, these executives can borrow a sum, limited in scale with their salaries, from a trust set up by the company and use that money to buy newly-issued ordinary stock of Richard Costain either at the market price or just a little below it. They have to pay some interest on their loans and if they sell the stock within three years of buying it, the capital profit accrues to the trustees and not to them.

The scheme is hedged in with a number of safeguards. Not more than 10 per cent of the ordinary capital can be issued under it, protecting shareholders from any excessive dilution of their equity. Shareholders will be asked to authorise the scheme before it goes into operation and a number of institutions have already been consulted and they have raised no objections. But the scheme is not all that far removed from the purchase of shares by instalments and it does tie executives tightly—perhaps too tightly—to the fortunes of the company that employs them. Both these executives and the company itself, for it is the company that at one remove makes the loan, have a joint interest in the market value of the company's own stock. The success of the scheme in retaining executives in the company's employ turns on the market value of the ordinary stock. In announcing the scheme the directors have declared an interim dividend of 5 per cent and indicated a final of 10 per cent. Thus within three years the dividend has been effectively trebled; the £1 units now stand at 62s. 9d. xd and yield 4.8 per cent.

CO-OPERATIVES

Cassandra Speaking

LAST week, that centre of reaction in the co-operative movement, the Co-operative Wholesale Society, published its views on the trading reforms approved by last November's Congress. Predictably, it has rejected them all; particularly those—the most important—proposing the setting up of an independent retail development society to run co-operative chain stores. This is a high-handed move that will almost certainly do the society no good; but it typifies the sterile attitude that still afflicts the high places of co-operation.

Another example of this attitude is to be found in the current issue of the monthly review of the Co-operative Union. This says some sensible things in a thoroughly defeatist way. Last year's disappointing results are analysed. Total sales rose by less than 2¼ per cent in value; in many of the profitable dry goods lines they actually fell. This confirms again the forebodings expressed in the independent commission's report last year and seems at last to have forced on the executive a grudging acceptance of the spirit, as well as of the form, of the commission's proposals. But then come the warnings about the future—and they make dreary reading. Again and again the point is made (though one would have hoped that it no longer needed making) that the fat postwar years of high retail margins and minimal competition are gone; that new methods of retailing, and the price cuts they make possible, are here to stay; and that co-operatives must either match this competition or fade away. But throughout the analysis one vital thing is missing, as it has been from all co-operative policy for the last thirty years: a sense of enthusiasm for the job in hand.

Nobody, in fact, could be less enthusiastic or optimistic about the future than the Co-operative Union—and for less reason. As they themselves say, they have half of the country's 180 supermarkets and a high proportion of the cut-price stores. They are even planning to rationalise production on the line pioneered by Marks and Spencer. But the union dreads getting its hands soiled in the hurly-burly of competition. Thus, even after the commendably liberal remark that "price-cutting stores share with their customer the economies of self-service" and must thus "be welcomed by co-operators," the central executive return to their old defensive posture. Easier hire purchase facilities have created a "problem" and cut prices will mean lower margins which "must be accepted as the price of maintaining sales in the face of price competition." But what about expanding sales? And what about a policy designed, not as a countermove against more enterprising competition, but with an eye to the commercial opportunities of the movement itself? The co-operatives are ideally placed to take advantage of the new age of working-class prosperity, but new blood will be needed before they realise it.

SHORTER NOTE

Copper prices have risen steadily. Cash metal closed on Thursday at £239 a ton, having gained nearly £19 since the month began.

COMPANY AFFAIRS

Comments on pages 451, 452 and 453 on

General Electric	Allied Bakeries
Linen Thread	Gallaher
Jute Industries	OFSIT
F. Perkins	WRIT
R. A. Lister	Westinghouse
Primitiva Holdings	Lancashire Cotton
Baring Brothers	Amalgamated Cotton
Erlangers	West Riding Woollen

LONDON AND NEW YORK
Stocks, prices, yields and security indices on pages 454 and 455

LONDON STOCK EXCHANGE
The week's movements reported on page 453

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 456

Consent of the Treasury has been obtained to this issue in compliance with the Order made under Section 1 of the Borrowing (Control and Guarantees) Act 1946; it must be distinctly understood that in giving this consent the Treasury does not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them.

SHIELD UNIT FUND

AN AUTHORISED UNIT TRUST

Applications are invited for 5,000,000 Units at 10s. net per Unit

The list of applications will open on Friday, 30th January, and will close at or before 3 p.m. on Wednesday, 4th February, 1959.

N. M. ROTHSCHILD & SONS, New Court, St. Swithin's Lane, London, E.C.4, and NATIONAL PROVINCIAL BANK LIMITED, New Issue Department, P.O. Box No. 71, 22, Old Broad Street, London, E.C.2, and Branches are authorised by the Managers to receive applications for Units at the price of 10s. net each payable in full on application.

TRUSTEES FOR THE UNITHOLDERS

ROTHSCHILD EXECUTOR & TRUSTEE COMPANY

New Court, St. Swithin's Lane, London, E.C.4.

INVESTMENT ADVISORY PANEL

LEOPOLD D. DE ROTHSCHILD—Partner, N. M. Rothschild & Sons

MICHAEL BUCKS—N. M. Rothschild & Sons

THE HON. A. L. HOOD—Director, J. Henry Schroder & Co. Limited, Associated Electrical Industries Limited and other Companies

J. GIBSON JARVIE—Chairman, United Dominions Trust Ltd. and Chairman and Director of other Companies

R. F. KAHN, C.B.E.—Professor of Economics in the University of Cambridge

BANKERS: N. M. ROTHSCHILD & SONS, New Court, St. Swithin's Lane, London, E.C.4.
NATIONAL PROVINCIAL BANK LIMITED, 15, Bishopsgate, London, E.C.2.

SOLICITORS: FRESHFIELDS, 1, Bank Buildings, Princes Street, London, E.C.2.

AUDITORS: PEAT, MARWICK, MITCHELL & CO., Chartered Accountants, 11, Ironmonger Lane, London, E.C.2.

MANAGERS: **SHIELD FUND MANAGERS LIMITED**
Ocean House, 24/25, Great Tower Street, London, E.C.3.

DIRECTORS

The RT. HON. SIR CUTHBERT MORLEY HEADLAM, BT., P.C., D.S.O., O.B.E., T.D., D.L. (*Chairman*)
SIR CHARLES EDWARD PONSONBY, BT., T.D., D.L. THOMAS DANIEL MULLINS (*Joint Managing*)
JULIAN HENRY RAIKES, T.D. (*Joint Managing*) WILLIAM HARRISON-CRIPPS (*Executive*)

The above are all Directors of Management Companies of the "National Group" of Unit Trusts.

DISTRIBUTORS: INVESTMENT FUNDS SERVICES LTD.,
Ocean House, 24/25, Great Tower Street, London, E.C.3.

PARTICULARS

Objects

The purpose of Shield Unit Fund is to provide an investment suitable for everyone. The Fund is, however, specially designed for the smaller investor and for the investor who has, perhaps, *neither* the time nor the experience to take adequate care of his own investment affairs.

Since 1948 the real value of the £ has fallen from 20s. to 13s. 9d. so that £1 invested in 1948 must now be represented by £1 9s. 1d. for the original investment to have maintained its real value.

Nevertheless an investment made in 1948 in a wide representative selection of ordinary shares would on balance have kept pace in value with the rise in the cost of living. This would not have been so with an investment in a representative selection of Government Stocks or of other fixed interest securities.

A similar investment in a skilful choice of such ordinary shares might have done even better.

Through Shield Unit Fund the small saver, however modest his holding, can obtain not only a wide spread of investment but also, and this is perhaps even more important, the benefit of skilled professional investment management.

It is the opinion of the Managers of the Fund that investment in well chosen ordinary shares is likely in the future, as in the past, to offer to the ordinary investor the best chance of safeguarding the value of his capital and savings. Accordingly it is this investment policy, applied with such flexibility as may seem appropriate, that the Managers intend to pursue. It should, however, be borne in mind that any general decline in Stock Exchange prices, even one of relatively short duration, must be reflected in the value of the Fund and therefore of Units.

The Fund

The Fund is of the Cash Fund type. This means that all moneys received from the issue of new Units are paid direct into the Fund after deduction only of the sales charge referred to below. It will be seen therefore that in the creation of Units the Managers act as agents for the Fund and all benefits resulting from advantageous investment dealing accrue solely to the Fund.

Trusteeship

As Trustees to the Fund, Rothschild Executor & Trustee Company are responsible to Unitholders for the safe custody of all securities and cash and for the collection and distribution of income.

Under the terms of the Trust Deed the Trustees have the right to refuse to permit the inclusion in the Fund of any security which for any reason they consider unsuitable.

Investment Advisory Panel

The Investment Advisory Panel provided for in the Trust Deed will consist initially of five members whose names are shown above. Between them they bring to the Panel extensive experience and knowledge of investment in all its aspects.

Two members of the Panel are appointed by the Trustees as their nominees and they in turn appoint the other three members. All the members of the Panel are independent of the Managers to the Fund whom it is their function to advise, though the Managers remain responsible for investment policy.

N. M. Rothschild & Sons have undertaken to make freely available to the Panel the benefit of their wide investment experience.

Investment Policy

The investment policy of the Fund is, by a wide, carefully balanced spread of investment in the securities of many well-known domestic companies and of selected overseas concerns and in British Government Stocks, to achieve so far as possible a steady appreciation in the capital value of the Fund and at the same time a regular and growing return for the Unitholder by way of income.

The Fund will comprise not less than fifty securities but it is intended to effect a wider spread by the inclusion of substantially more than this number. The initial investments of the Fund may include Gilt-edged and other Trustee securities, the stocks or shares of any of the companies set out in the list below and such other investments permitted by the Trust Deed as the Managers may decide.

At the time of the payment of each half-yearly distribution of income Unitholders will receive an up-to-date list of the investments of the Fund, showing the percentage of the Fund invested in each.

Initially the geographical spread of investments will be approximately:—

United Kingdom	73.5%
U.S.A.	10.0%
Canada	10.0%
Other Commonwealth countries	5.0%
Miscellaneous	1.5%
	100.0%

Income Distributions and Yield

The whole of the distributable income of the Fund will be paid to Unitholders on 1st April and 1st October in every year. The first distribution will be made on 1st October, 1959. The half-yearly distributions of income are to be audited and certified by Peat, Marwick, Mitchell & Co., Auditors to the Fund.

It is estimated that the initial yield on the Fund, calculated according to the formula of the Board of Trade, will be at the rate of approximately 4 per cent. per annum before deduction of income tax.

Applying for Units

To apply for Units you should fill in the application form herewith and send it, so as to arrive not later than 3 p.m. on 4th February, 1959. Letters of allotment will be sent to applicants in respect of Units allotted to them and Unit Certificates representing their holdings will be prepared and posted to them as soon thereafter as possible. Any commissions payable to agents will, under the terms of an agreement with the Managers, be paid by the Distributors, Investment Funds Services Ltd.

Selling Units

If at any time you want to sell any of your Units you may do so by offering them, either direct or through an agent, to the Distributors, who will buy them on behalf of the Managers. The price that the Managers will pay is to be quoted daily and published in the Press. No deduction will be made by the Distributors but agents may charge their usual commission for their services. The minimum price to be paid is governed by Board of Trade regulations and is calculated on the Stock Exchange prices of the securities held in the Fund. Under normal conditions, however, the Managers expect to be able to quote a price above this minimum.

Management

Shield Fund Managers Limited is a new company formed in association with The National Group of Fixed Trusts Limited, especially for the purpose of managing Shield Unit Fund. Its Directors, whose names appear above, have a wide experience of finance and investment and of Unit Trust Management. Three of them have already served in the direction and management of Unit Trusts for over twenty-five years.

The Managers are responsible for meeting all the expenses of administering the Fund including the remuneration and disbursements of the Trustees and such remuneration as may be payable to the members of the Investment Advisory Panel. To provide for these expenses and for their own remuneration the Managers are entitled to a half-yearly service charge of three-sixteenths of one per cent. of the average value of the Fund payable from the income of the Fund. In addition a sales charge of five per cent. is included in the price of the Units.

Under the terms of their agreement with the Managers the Distributors receive out of the sales charge a commission on the sale of Units, from which they are paying the commissions due to Stockbrokers, Banks and other agents in respect of Application Forms bearing their stamps, and are meeting the costs of the advertising and promotion of this issue.

The Trust Deed

It is intended that the Fund shall continue for a minimum period of twenty years and subject to compliance with the provisions of the Trust Deed the life of the Fund is not limited. Under certain circumstances, explained in the Trust Deed, the Fund can be terminated by the Unitholders, the Trustees or the Managers. The Trust Deed contains provisions for its alteration by Supplemental Deed which in some cases will require the approval of a meeting of Unitholders. A copy of the Trust Deed may be inspected at the offices of the Trustees and of the Managers or may be had from the Managers on payment of 5/-.

Copies of the Prospectus and Application Forms may be obtained from all branches of National Provincial Bank Limited, from N. M. Rothschild & Sons and from the Managers and Distributors.

List of Companies whose stocks or shares may be included in the initial investment of the Fund

Banks and Insurance
Alliance Assurance
Bank of New South Wales
Barclays Bank
Commercial Bank of Scotland
Eagle Star Insurance
General Accident Assurance
Guardian Assurance
Hongkong & Shanghai Bank
Lloyds Bank
National Provincial Bank
Northern Assurance
Pearl Assurance
Prudential Assurance
Royal Exchange Assurance
Standard Bank of S. Africa
Sun Life Assurance
Westminster Bank

Stores and Food
Brooke Bond
Finlay (James)
Home & Colonial Stores
House of Fraser
International Tea
Mackintosh (John) & Sons
Marks & Spencer
National Canning
Ranks
Reckitt & Colman
Unilever
United Biscuits
United Dairies
United Drapery Stores
Woolworth (F. W.)

Beer and Tobacco
Ansells Brewery
Bristol Brewery Georges
British-American Tobacco
Gallaher
Guinness
Imperial Tobacco
Tetley (Joshua) & Son
Vaux & Associated Breweries
Whitbread

Chemicals and Miscellaneous
Associated Portland Cement
Ault & Wiborg
Booker Brothers McConnell
British Electric Traction
British Match Corporation
British Plaster Board
Cementation
Coats (J. & P.)
Courtaulds
Distillers
Dunlop Rubber
English China Clays
Glaxo Laboratories
Goodlass Wall & Lead
Imperial Chemical Industries
International Paints
Lancashire Cotton
Laporte Industries
Metal Box
Smith & Nephew Ass'd Co.
Turner & Newall
United Glass Bottle
West Riding Worsted

Paper and Publishing
Beaverbrook Newspapers
Bowater Paper Corporation
Daily Mirror Newspapers
Robinson (E. S. & A.)

Oil and Mining
British Petroleum
British South Africa Co.
Canadian Eagle Oil
Central Mining
North Broken Hill
Rhodesian Anglo-American
"Shell" Transport & Trading
Tanganyika Concessions
Union Corporation

Steel and Engineering
Associated Electrical Industries
Babcock & Wilcox
Birmid Industries
British Motor Corporation
Broken Hill Proprietary
Chloride Electrical Storage
Davy & United Engineering
Dorman Long
Doxford (William) & Sons
English Electric
Herbert (Alfred)
International Combustion
Leyland Motors
Mather & Platt
Richardsons Westgarth
Rolls-Royce
Smith (S.) and Sons
South Durham Steel & Iron
Tube Investments
Vickers
Westinghouse Brake & Signal

Shipping
Furness Withy
London & Overseas Freighters
P. & O. Steam Navigation

Canadian and American
Asbestos Corporation
American Tel. & Tel.
Bell Telephone Co. of Canada
British Columbia Power
Building Products
Canadian Breweries
Canadian Pacific Railway
Chase Manhattan Bank
Columbia Gas System
Consumers' Gas of Toronto
Equitable Gas
Firstamerica Corporation
General Telephone Corporation
H. J. Heinz
International Nickel
International Utilities
Pacific Gas & Electric
Public Service Electric & Gas
Sinclair Oil Corporation
Socony Mobil Oil
Standard Oil (New Jersey)
Union Gas Co. of Canada
F. W. Woolworth (U.S.A.)

SAVINGS PLAN The Managers propose to introduce a Savings Plan to be run in conjunction with the Fund.

By means of this Savings Plan it will be possible for investors and small savers to take an interest in the Fund by making regular monthly payments. These regular payments will be accumulated in the Plan member's account and every time the cash balance is enough to buy ten Units these will be bought and held for him. The minimum payment that can be accepted will be at the rate of 10/- per week. Above this minimum there will be no limit to the amount that can be invested in this way.

No additional charge will be made by the Managers for administering the Savings Plan.

A booklet describing the Savings Plan will in due course be available on application to the Managers or the Trustees or to the Bankers and their branches. It is expected that the Savings Plan will start operating shortly and its inception will be announced in the Press.

How to Buy Units

Fill in the Application Form below and send it, to arrive not later than 3 p.m. on 4th February, 1959, to NATIONAL PROVINCIAL BANK LIMITED, *New Issue Department, P.O. Box No. 71, 22, Old Broad Street, London, E.C.2 (or any Branch of that Bank) or to* N. M. ROTHSCHILD & SONS, New Court, St. Swithin's Lane, London, E.C.4, together with a remittance in favour of the *appropriate Bank. Units may only be bought in multiples of 10, with a minimum of 40.*

APPLICATION FORM — EC.1

To: SHIELD FUND MANAGERS LTD.

I hereby apply for Units, or such lesser number as may be allotted to me, of Shield Unit Fund at a price of 10s. per Unit, upon the terms of the prospectus dated 30th January, 1959, and of the Trust Deed and I authorise you to place my name on the register accordingly. (Applications must be for multiples of 10 Units, with a minimum of 40 Units.)

* I declare that I am not resident outside the Scheduled Territories and that I am not acquiring the above mentioned units as the nominee of any person(s) resident outside these Territories.

I enclose the sum of £ being payment in full.

Date 1959

SIGNATURE

BLOCK LETTERS

SURNAME
Please state Mr., Mrs. or Miss.

CHRISTIAN NAMES (in full)

ADDRESS

Application Forms for joint holdings will be issued on request.

* If you are unable to make this declaration, the form must be lodged through a Bank, Stockbroker, Solicitor, or other Authorised Depositary. "Authorised Depositary" and "Scheduled Territories" are defined in Bank of England Notice E.C. Securities 8, as amended.

Authorised Depositaries are informed that permission has been given by the Bank of England for subscriptions to be made on behalf of non-residents, payment being effected in External Sterling or Blocked Sterling (Security Sterling).

COMPANY MEETINGS

NATIONAL PROVINCIAL BANK LIMITED

MR D. J. ROBARTS ON MEETING PRIVATE BORROWERS' NEEDS

ENTRY INTO HIRE-PURCHASE FINANCE A DEVELOPMENT OF MAJOR IMPORTANCE

WORLD CONFIDENCE IN UK RESTORED DURING 1958

NEED TO PRESS FORWARD TOWARDS FULL CONVERTIBILITY

The one hundred and twenty-sixth annual general meeting of National Provincial Bank Limited will be held on February 19th at the head office, 15 Bishopsgate, London, E.C.2.

The following is the statement by the Chairman (David John Robarts, Esq), which has been circulated with the report and accounts for the year ended December 31, 1958:

Board of Directors.—Since our last Annual General Meeting the Right Honourable Sir Percy James Grigg, KCB, KCSI, who joined our Board in 1949, has been elected a Deputy Chairman of the Bank. We have also had the pleasure of announcing the election to seats on the Board of the Right Honourable Lord Sinclair of Cleeve, KCB, KBE, MA, and Sir Cecil William Aykroyd, Bart. The former is well known as the chairman of Imperial Tobacco Company (of Great Britain and Ireland), Limited and for his wartime services in the Army Council, the Ministry of Production and the Board of Trade: the latter is a leading figure in the woollen industry and has been a Local Director for Bradford and District since 1947. Both bring to our Board long experience and expert knowledge of trade and industry, which will be of much value to the Bank.

Mr Alan James Peech, a prominent figure in the steel industry, has been elected a Director for the Sheffield Local Board.

SUBSIDIARY COMPANIES

The Balance Sheet of Coutts and Company as at December 31st last and the Profit and Loss Account for the year ended December 31, 1958, accompany our own Report and Accounts. A Consolidated Statement of Assets and Liabilities of North Central Wagon and Finance Company Limited and its subsidiary companies as at September 30, 1958, is also included.

STATEMENT OF ACCOUNTS

The Balance Sheet and Accounts of the Bank together with the Directors' Report are before you.

It will be seen that the liabilities of the Bank to its Current, Deposit and other Account holders at £862,495,561 exceed last year's figure by £31,789,692.

The total of our liquid assets—Cash, Money lent at Call and Short Notice, and Bills—represents 36.0 per cent of our deposit liabilities. This compares with 39.6 per cent twelve months ago.

Investments in securities of, or guaranteed by, the British Government continue to be shown at a figure which is below their market value. The Balance Sheet value of £215,726,394 gives a ratio of 25.0 per cent to Deposits as against 25.9 per cent last year We hold no undated government securities and the majority of our holdings mature within ten years.

Our Advances stand at £284,411,586 which represents 33.0 per cent of our Deposits. The corresponding figures at December 31, 1957, were £240,093,573 and 28.9 per cent.

PROFIT AND LOSS ACCOUNT

The account shows a net profit for the year of £2,236,426 compared with £2,061,966 for 1957.

Together with the amount brought in of £628,729 there is a balance for disposal of £2,865,155. An interim dividend of 9 per cent has been paid, taking £544,056, leaving available £2,321,099.

It is now proposed to deal with this balance as follows:

To pay a final dividend of 11 per cent	£664,957
To appropriate to Contingencies Account	£1,000,000
This will leave to be carried forward	£656,142

The proposed final dividend of 11 per cent makes, with the interim dividend of 9 per cent paid in July last, a total dividend of 20 per cent in respect of the year 1958.

MANAGEMENT AND STAFF

During the year Mr C. G. Wheatley, a Joint General Manager, retired after more than 43 years of distinguished service to the Bank, including seven years as Joint General Manager. The Directors have been pleased to appoint as Joint General Managers Mr S. B. Heys and Mr F. A. Vaughan.

The question of staff training continues to receive the closest attention.

Our Junior Training College at Chalfont was established in July, 1955, and we believe it is proving to be a very worthwhile venture. At Unsted Park, near Godalming, we have our Training Centre for more senior members of the staff.

Some time ago we felt that our Managers would welcome the opportunity of discussing with some of their colleagues the problems which arise in the course of their daily work, and at Middleton Park, near Bicester, we have now set up a Managers' Conference Centre. There for a fortnight at a time sixteen Managers from all parts of the country and from every type of branch meet in ideal surroundings and in an atmosphere of complete informality. They exchange views and experiences on the basis that each has something to contribute for the benefit of all, and visits to the Centre by General Managers and other Head Office officials help towards a closer understanding between branches and Head Office. The two hundred Managers who have already had the opportunity of staying at Middleton Park have been unanimous as to its very real value to them.

The ladies on our staff—they now number about 4,700—continue to give excellent service and in recognition of this we have given appointments, appropriate to the work they are doing, to a limited number of these ladies of long service and of outstanding merit.

Our Athletic Association continues to play an important part in the welfare side of our staff, particularly, of course, in London. We have a finely equipped sports ground at Lower Sydenham, which is well supported, and our Rowing Club at Hammersmith has again been very much in the news this year. For our Coxless Four to beat the Russian crew at Henley, to be the runners up in the Steward's Cup there, to represent England in the British Empire Games at Lake Padarn and become Gold Medallists, and, finally, to represent their country in the European Championships in Poland, is a record of which any crew, and, indeed, any bank, can be proud.

We are fortunate in the National Provincial Bank in having a thriving Staff Association and a Ladies Guild. The freely elected representatives on these bodies have ready access at all times to the Directors and General Managers. We welcome full and frank discussion of any problem, large or small, concerning the conditions and welfare of the staff. It is worth noting that in the event of failure to reach agreement either side can take the case to arbitration, thus ensuring an impartial settlement. I am glad to say that it has never been necessary to resort to this machinery, and I hope that the need to use it will not arise in the future. The non-clerical staff also have their own Association which meets the Directors and the Management from time to time.

Once again I wish to put on record the most cordial thanks of the Directors to the Management and the Staff of the Bank. The men and women who serve the National Provincial Bank are a body second to none in their industry and loyalty, and they have completed another year of excellent work which has made possible the satisfactory results which we are able to place before you today. It is through the fine calibre of our staff that we are able to maintain our high tradition of service to the public.

NORTH CENTRAL WAGON & FINANCE COMPANY LIMITED

In July last the Chancellor felt able to relax the credit squeeze and to modify or abolish many of the financial restrictions then existing. This made possible the entry of the National Provincial Bank into the hire-purchase finance business—a development of major importance in the history of the Bank. A review of the considerations which led to this decision is, therefore, desirable.

The business of hire purchase, in one form or another, is of long standing in this country and has grown steadily over the years. It has extended from capital goods into many kinds of consumer goods, and, providing it is kept within bounds and does not encourage inflationary trends, it has its appropriate part to play in modern life. There seems no doubt that the financing of hire purchase will continue to expand and will form an increasingly important part of the credit system of this country, provided that the companies engaged in it continue to be managed with prudence. A bank such as ours can make a useful contribution to a hire-purchase finance company, both by way of financial support and by the introduction of customers of the bank who require hire-purchase facilities.

Against the background of these views, your Directors gave careful consideration to the best method of entering this type of business. We decided that, hire-purchase finance and banking being in many ways different, they should be kept separate from each other and therefore that a hire-purchase finance company operating as a subsidiary of the Bank but under its own established and proved management was the best arrangement. We were fortunate indeed in being able to acquire by purchase for cash the ordinary share capital of the North Central Wagon and Finance Company Limited. The National Provincial Bank has been the sole banker to North Central since the formation of the latter company nearly 100 years ago. Based upon our long connection, we have the highest opinion of the management of North Central and we intend to leave that management undisturbed. The only changes which have occurred in its board since we acquired the share capital of North Central are the elections as directors of Mr Keighley, Chief General Manager of the Bank, and of Mr. Wheatley, until his recent retirement, a Joint General Manager.

We look forward to working in the closest co-operation with North Central and to the steady progress of our investment in that company.

PERSONAL LOANS

With the ending of the credit squeeze last July, the matter of "Personal Loans" came into prominence. Such loans, being in the private sector of the bank's lendings, had been severely pruned at the request of the authorities over the years when the credit squeeze was in operation. When it became possible to adopt a more liberal lending policy, the banks were naturally anxious once again to meet the legitimate needs of their private customers, and much consideration was given as to how this could best be done. Your Directors decided that the existing system of the National Provincial Bank, which could now be used with greater freedom, would best meet the needs of the new situation. Every Branch Manager in the Bank has a discretionary power which enables him to make loans to his customers on his own judgment and within this discretion. In general, the level of this discretionary power will enable him to meet the normal requirements of most of his private customers—above that level, reference to Head Office is necessary and arrangements are such that a prompt reply is forthcoming. Since last July it has been possible for this system to function in the manner for which it was designed and our Managers have been, and are, able once again to grant loans on proper banking lines and at normal banking rates of interest to their private customers.

SPECIAL DEPOSIT SYSTEM

Among the events of importance to British banking which occurred in 1958, the introduction by the Bank of England of a system of Special Deposit Accounts must rank high. The object of the system, which exists in one form or another in several other countries, is to enable the authorities to exercise control over bank credit through direct action upon the liquid assets of the banks. The system is designed in the following manner. Should the authorities wish to curtail bank credit, the Bank of England would make a call, with due notice, upon the banks to place on deposit with the Bank of England a sum of money based upon a percentage of their deposits. Interest at approximately the Treasury bill rate will be allowed upon these Special Deposits, but they will not rank as liquid assets of the banks for balance sheet purposes. A call would at once diminish the liquid resources of the banks and so curtail the volume of bank credit. Provision is made for adjustment of the amount of its Special Deposit in the event of any bank coming under exceptional pressure.

These arrangements are of an interim character pending the recommendations of the Radcliffe Committee, and the banks have agreed to co-operate in them on a voluntary basis as they did in the operation of the credit squeeze. So far the machinery of Special Deposits has not been used and at the present time conditions do not call for restriction of credit. Meanwhile it is satisfactory to note that the Chancellor accepts the view that the method of "official requests" to the banks to restrict total advances, although it has proved efficacious for short periods, hampers the efficient working of the banking system and is thus damaging both to the banks and to the public interest, if carried on for too long or too frequently renewed.

With proper management of Government finance, there is no reason why it should be necessary in the future again to resort to any artificial means of curtailing the ability of the banks to finance the legitimate requirements of their customers.

CHANGED TEMPO OF BUSINESS ACTIVITY

The past year has seen a definite change in the tempo of business activity in this country. The long-sustained boom of the postwar years first levelled off and then was succeeded by a small but significant decline in industrial production. The change was worldwide. It may have been touched off by the dearer money policies pursued in some measure by the United States authorities and more markedly in the United Kingdom, but the basic cause seems to have been a general over-expansion of productive capacity stimulated by recent years of shortage and optimism. Whether we look at shipping, steel, aeroplane manufacture and many branches of engineering, or at base metals like copper, lead and aluminium, production and productive capacity have expanded during the past ten years on a scale which exceeds even the very rapid increase in demand. Moreover, technological changes—e.g., in regard to power stations—have in some cases caused demand to fall away just after productive capacity had been encouraged to expand. The policies of governments in building up or disposing of stockpiles and the emergence of Russia as an exporter of raw materials have also had their effect. The result was a general fall in most commodity prices which encouraged manufacturers to live on stocks and traders to liquidate rather than to increase inventories. In fact, the recession has the typical marks of a downward movement in the trade cycle.

The Government have taken energetic action to meet the situation. Successive changes in Bank rate have reduced it from the crisis level of 7 per cent to 4 per cent—

perhaps still rather on the high side for a period of recession. Apart from dropping the credit squeeze and relaxing the restrictions on hire purchase, generous facilities have been provided to encourage house-building and house-repair. The Government also reversed the measures taken last year to cut down capital investment by the public authorities and have announced large programmes of expenditure on power stations, railways and other public services. These programmes can all be justified on a long view but they can hardly be expected to have much influence on the present difficulties of business, having regard to the inevitable time lag in turning plans into plants. Of more immediate importance is the Government's undertaking to provide finance, in different ways, to the Governments of India, Pakistan and other Commonwealth countries for their development plans which are already in course of execution. This type of measure is probably the most helpful both to the Commonwealth countries and to the United Kingdom economy and it deserves the fullest support. It may be hoped that the capital required for all these schemes can be raised out of genuine savings, without recourse to inflation. As the Cohen Council has said, inflation has certainly been scotched, but it would be rash to assume that it has been completely eliminated from our system.

SATISFACTORY FEATURES

One of the most satisfactory features of the past year has been the way in which our exports have been maintained and even increased—particularly, despite the recession, to America. With the fall in prices of raw material imports, this has enabled us to attain a favourable balance of payments running to upwards of £300 million. It is not to be expected that such an achievement can be repeated in 1959. If the recovery in the United States is sustained, commodity prices ought to improve with the result that the cost of our imports will increase, while our exports to the Commonwealth countries must feel the backwash of the reduction in their export earnings during the past year. Moreover, the introduction of the Common Market in Europe, even though its impact may be only gradual, raises a question mark as to the future of our trade with the six countries concerned. We shall certainly need to do all we can to maintain and if possible improve our competitive position if, with our many external commitments, we are to keep our economy on an even balance.

The sterling exchange has had a very good year. The Government were able to make a number of substantial relaxations in the exchange control system culminating in the restoration of convertibility to non-resident holders of sterling. Free convertibility is the best test, and the only safeguard, of the value of a currency and every advantage should be taken of the present propitious conditions to press forward towards full convertibility and the abolition of all exchange controls.

CONCLUSION

To sum up: 1958 may fairly be regarded as the year in which world confidence in the United Kingdom was restored. Sterling recovered from a position of weakness to one of strength. Given a reasonable level of world trade, there is no reason why 1959 should not see further substantial progress. When we look back upon the enormous achievements of the post-war years, built as they were upon small financial foundations, we can surely look forward to great developments for this country in the years ahead, provided always that the Government maintain a sound financial policy.

LLOYD'S PACKING WAREHOUSES (HOLDINGS)

FACTORS AFFECTING RESULTS

SIR ERIC A. CARPENTER'S REVIEW OF OPERATIONS

The sixty-third Annual General Meeting of Lloyd's Packing Warehouses (Holdings) Limited was held on January 28th in Manchester, Sir Eric A. Carpenter, OBE (the Chairman), presiding.

The following is an extract from his circulated statement:

In the Accounts for the year to September 30, 1958, now presented, those for Regentone Products Limited have, as previously, been excluded from the Consolidated Profit and Loss Account and Balance Sheet and are shown separately.

The Consolidated Profit and Loss Account shows the Group Trading Profit as £167,711 as against £389,404 for the previous year.

The substantial fall in Trading Profit is accounted for to the extent of approximately £100,000 by a non-recurring loss to which I make further reference in my remarks regarding the Timber Division.

After making provision for Taxation £88,514 as against £236,396 last year, there is an aggregate Net Profit of £79,197 compared with £153,008 a year ago. There is an available balance in the Group of £377,625.

An interim dividend of 4 per cent less tax was paid on the Ordinary Stock in July, 1958. This payment meets the requirements with regard to distributions for Profits Tax purposes; any further distributions for the year would have involved an additional charge to Profits Tax. Your Directors, therefore, do not recommend the payment of any final dividend on the Ordinary Stock for the year ended September 30, 1958, but they have declared a special interim dividend on the Ordinary Stock of 6 per cent less tax, in respect of the year to September 30, 1959. The tax saving by this procedure amounts to approximately £12,000. The special interim dividend will absorb £51,750.

The major changes in the fixed and net current assets in the Consolidated Balance Sheet reflect the sale of the Group interest in J. Smith Hargreaves & Company Limited (to which I made reference last year) and Cawthorn & Sinclair Limited, and the purchase of the remaining 49 per cent interest in Regentone Products Limited, making that Company a wholly owned Subsidiary of the Group. The value of the investment in Regentone Products Limited shown in the Balance Sheet at £750,000 is the equivalent of the total of that Company's Capital and Capital Reserve.

The Consolidated Accounts of Regentone Products Limited show a Trading Loss of £75,721 compared with a Trading Profit of £94,536 for the previous year. This regrettable change is mainly accounted for by a non-recurring loss of £145,936 directly arising from an American contract, to which I make further reference in my remarks regarding the Regentone Group.

DIVISIONAL ACTIVITIES

Packing Division.—Textile packing has suffered a precipitous fall in volume, particularly during the latter half of the year under review, with consequent fall in profits. The decline has far outpaced the benefits derived from the concentration measures previously carried out. Further concentration, though presenting practical difficulties in view of obligations to tenants, will be essential unless there is an early and substantial improvement in the prospects.

The machinery packing section established in suitable premises a year ago has attained a substantial turnover and, after surmounting initial difficulties and expenditure, has achieved profitable operation.

Paper and Packaging Division.—The year under review has been a difficult one for the paper industry. With many extensions of paper making and converting plants coming into operation production has tended to exceed demand in the industry generally, resulting in reduced margins.

Timber Division.—The re-organisation of timber importing and merchanting referred to a year ago has proved beneficial and this section has returned satisfactory profits. On the other hand, I regret to have to report that the cabinet making undertaking has been a costly failure, incurring a loss of approximately £100,000. From its inception, labour and management problems proved far more difficult than had been anticipated. These were accentuated in some measure by the difficulties experienced at Regentone Products Limited referred to later. The factory has been closed and much of the plant is being transferred to the Regentone Group cabinet works.

Transport Division.—Gross earnings of the fleet were maintained in spite of increased competition, but increased costs with no compensating increase in rates again reduced net earnings.

REGENTONE GROUP

Stockholders will recall that initially the Group purchased from Mr W. Harries a 51 per cent interest in the Regentone Products Limited Group. Mr Harries retained the remaining 49 per cent and continued as Chairman and Managing Director.

In any such arrangement there is a tendency for dual control to militate against maximum efficiency and I regret that in our view this proved to be the case in this instance. In the circumstances your Board decided that it would be in your best interests to acquire from Mr Harries his 49 per cent interest and thereby unify control. Mutually acceptable terms were agreed to that end and the purchase was completed in July, 1958.

Prior to July, 1958, a serious loss was incurred in connection with a large contract for the supply of merchandise to the USA due in the view of your Directors to a failure to provide adequately for the particular requirements of the American market. The total amount of the loss has been ascertained at £145,936.

Mr J. H. Williams has been appointed Managing Director of the Regentone Group and your Directors have complete confidence in the management of the Group and good reason to anticipate that the investment in Regentone Products Limited will prove to be advantageous.

The recent relaxation of Credit Restrictions will be a helpful factor during the current year.

SUMMARY

The year under review has been a difficult one and your Directors do not regard the results with any degree of satisfaction. Apart from the non-recurring losses to which I have made particular reference, the underlying causes of the lower profits have been falling margins, highly competitive conditions, wage increases and rising costs. With the present tendency to recession, there is no reason to expect relief from these conditions and it is evident that profits will be harder to earn. In such circumstances, it is particularly dangerous to forecast but after a very careful survey, I have reason to be confident that the current year will produce better results in both the Lloyds and Regentone Groups.

The report and accounts were adopted.

THE UNION DISCOUNT COMPANY OF LONDON LIMITED

PROPOSED SCRIP ISSUE

LORD KENNET'S STATEMENT

The Annual General Meeting of The Union Discount Company of London Limited, will be held on February 20, 1959, in London.

The following is the circulated statement of the chairman, The Right Honourable Lord Kennet of the Dene, PC, GBE, DSO:

The year under review has not repeated the conditions which made difficulties for the Discount Houses during the previous year. Five successive reductions in Bank Rate during the year, from 7 per cent to 4 per cent, have made conditions easier in comparison, and profits are shown at a record figure of £550,993 as compared with £415,253 for 1957. Hence our Balance Sheet reflects a reversal of last year's trend. But a concomitant result was increased competition for Treasury Bills from outside quarters, and a lower volume of Bank Bills coming forward. Bills discounted were therefore over £19 million lower at £165,718,532. Our contingent liability on bills rediscounted, which stands in the balance sheet at £30,213,986 compared with £34,523,989 for 1957, reflects fairly accurately the reduced turnover in commercial bills during the course of the year. High money rates, low commodity prices, and the general stagnation of commodity markets, have caused this diminution in the Discount Market's traditional business. Current indications, however, are that commercial bill business is picking up again.

Dealing in bonds has been profitable in a year of falling Bank Rate, and the yield on bonds has remained substantially above money rates. We have, therefore, increased our bond portfolio by over 50 per cent from £58,154,071 to £88,296,604 in order to take advantage of these favourable conditions.

It will be noted that we propose to capitalise a part of our reserve by the issue of £1 of Stock for every £5 held, bringing the issued capital to £6,652,800. We accordingly propose to transfer £750,000 from "carry forward" to our published reserve.

In the course of the year our Manager, Mr A. W. Trinder, retired after forty years' service. The Board wish to record their grateful recognition of his long and distinguished service to the Company. He will be greatly missed by his many friends in the City. We welcome as his successor Mr F. W. Arnold, who has been his chief assistant for the past twelve years.

Finally, we would like to thank all our friends and customers for their continued co-operation, and to record our appreciation of the good work by both management and staff.

The Union Discount Company of London, Ltd.

The Rt. Hon. LORD KENNET OF THE DENE, P.C., G.B.E., D.S.O. (Chairman)
ERIC O. FAULKNER, M.B.E. (Deputy Chairman)
The Hon. Sir GEOFFREY C. GIBBS, K.C.M.G. Sir ARCHIBALD JAMIESON, K.B.E.
DAVID JOHN ROBARTS MARK R. NORMAN, O.B.E. J. IVAN SPENS, O.B.E.

BALANCE SHEET AS AT 31st DECEMBER, 1958

LIABILITIES

1957 £		1958 £	£
	CAPITAL (in £1 Units of Stock):		
7,500,000	AUTHORISED		7,500,000
5,544,000	ISSUED		5,544,000
2,456,000	RESERVE		2,456,000
8,000,000			8,000,000
	PROFIT AND LOSS:		
917,295	Balance carried forward		1,069,813
8,917,295			9,069,813
217,531,277	LOANS secured on Assets of the Company	226,312,752	
33,897,613	DEPOSITS, OTHER LIABILITIES AND RESERVE FOR CONTINGENCIES	36,861,090	
100,107	DEPOSITS BY SUBSIDIARIES	100,107	
199,238	PROPOSED FINAL DIVIDEND *less* Income Tax	199,238	
251,728,235			263,473,187
£260,645,530			£272,543,000

NOTES: (1) There is a contingent liability in respect of Bills Re-discounted (excluding Treasury Bills) of £30,213,986 (1957, £34,523,989).
(2) The amount now recoverable in respect of income tax suffered in excess of taxation upon profits to date has been included in Loans and Amounts Receivable.

CURRENT ASSETS

1957 £		1958 £	£
6,031,000	CASH AT BANKERS AND IN HAND		6,166,235
185,052,018	BILLS DISCOUNTED *less* rebate and reserve		165,718,532
	SECURITIES at less than Market Value:		
53,478,228	British Government, British Corporation, Public Board, Dominion and Colonial Government and Corporation	81,203,474	
	Unquoted:		
4,675,843	British Corporation and Public Board Mortgages	7,093,130	
58,154,071			88,296,604
11,208,334	LOANS AND AMOUNTS RECEIVABLE		12,161,522
260,445,423			272,342,893

FIXED ASSETS

100,107	SHARES IN SUBSIDIARIES at cost... The net assets of Subsidiaries at 31st December, 1958, are represented by Deposits with the Company (*per contra*).	100,107
100,000	FREEHOLD PREMISES, including Furniture and Fittings, at cost *less* amounts written off	100,000
	KENNET, *Chairman.* E. O. FAULKNER, M. R. NORMAN, } *Directors.* C. G. SEVASTOPULO, *Secretary.*	
£260,645,530		£272,543,000

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1958

1957 £		1958 £	£
415,253	PROFIT FOR THE YEAR, after providing for amortization of premiums on securities, rebate and taxation, and after making a transfer to Reserve for Contingencies		550,993
	NOTES: (1) The Accounts of Subsidiaries show neither profit nor loss for the year 1958 (1957, same). (2) The Directors' emoluments for the year were — Directors' Fees £7,500 and Chairman's Remuneration £2,400 — a total of £9,900 (1957 same).		
	Deduct Dividends paid and proposed per £1 Unit of Stock, *less* Income Tax—		
	Interim of 1s. 3d. paid 2nd August, 1958	199,237	
	Final of 1s. 3d.	199,238	
398,475			398,475
16,778			152,518
900,517	*Add:* Balance brought forward from previous year		917,295
£917,295	Balance carried forward 31st December, 1958		£1,069,813

39, CORNHILL, LONDON, E.C.3

TANGANYIKA CONCESSIONS LIMITED

CAPTAIN CHARLES WATERHOUSE'S REVIEW

A REFLECTION OF AFRICAN ECONOMIC CONDITIONS

The Annual General Meeting of Tanganyika Concessions Limited was held on January 22, 1959, at the Head Office of the Company, Tanganyika House, Salisbury, Southern Rhodesia, Captain The Right Honourable Charles Waterhouse, MC, DL, *the Chairman, presiding.*

The Chairman addressed the Meeting as follows:

"Since the last Annual General Meeting, Mr Harry Oppenheimer has accepted an invitation to join the Board. He has been able to attend several Meetings in the last twelve months and his experience and wisdom will be of the greatest value to the Company.

"You will have seen the portrait of Sir Robert Williams at the beginning of the Annual Report, and you will have noticed that last Tuesday, January 20th, marked the 60th Anniversary of the foundation of this Company. We may therefore feel that this Meeting commemorates its Diamond Jubilee.

PROFIT AND DIVIDEND

"The financial year to July 31, 1958, ended with a net profit of £3,446,103 as against £4,309,796 in the previous year. The Board recommends a final dividend of 2s. 3d., making a total of 3s. 9d. for the year on the doubled capital of the Company, as compared with 9s. 6d. last year on the old capital.

"An agreement, after prolonged negotiations with the Inland Revenue authorities, makes it possible to pay 6d. of this year's dividend out of a section of the revenue reserves which had paid United Kingdom Income Tax, bringing a material advantage to Shareholders resident in Great Britain. The total dividend of 3s. 9d., if agreed to, should be considered in its entirety as justified by this year's earnings. It therefore indicates no modification of the Company's dividend policy but it involves a readjustment of the figures in the Balance Sheet within the general heading of 'Revenue Reserves.' This, unhappily, is a process which cannot be repeated.

COPPER PRICE

"At our meeting last year I referred to the sharp fall in the price of copper which during 1957 averaged £219 per ton. That fall continued in the first months of this year, until in February the low figure of £163 was touched. Since then, there has been a marked improvement, though it has unfortunately been followed by a fall from the highest point reached. The average price for 1958 was £198.

"On January 3rd this year, the Union Minière paid an interim dividend after taxation of 600 Belgian francs against 750 francs in 1957. They stated that in so doing they merely reverted to an earlier principle whereby a fixed interim dividend of 600 francs was paid each year and that the size of the interim dividend should not be taken as an indication of the size of the total distribution; the latter would only be fixed in May, 1959.

"The sales of copper by Union Minière have remained satisfactory in 1958, which has led that Company to make substantial deductions from its stocks. To maintain these at the level required for an efficient organising of the sales, it was decided in October to come back to a rate of production nearly equal to that of 1957. We therefore await the Union Minière results for the year ended December 31, 1958, with as much interest as ever.

"As you have heard, some disturbances have taken place recently in the Belgian Congo. They have been limited to Leopoldville where there is a turbulent group of the Bakongo tribe. The Congo is a vast country and the ethnical and economic problems differ widely from one province to another.

"For some time before this trouble arose, the Belgian Government had been preparing a new programme for the political development of the Congo. This programme, which has now been made known, sets the various stages of the evolution and the conditions to be fulfilled at each stage, the final aim being a continued association between Belgium and the Congo. The need to carry on economic development and to promote public and private enterprise was emphasised.

THE BENGUELA RAILWAY COMPANY

"The year 1958 has not been an easy one for the Benguela Railway. Freight rates are in some cases dependent on the price of the metal carried, and the low price of copper and of other metals and ores has therefore resulted in lower freight receipts. Even more important has been a material fall in the flow of traffic inward to the Belgian Congo. On the other hand, internal Angola traffic is developing in the steady but unspectacular way which one would expect in a healthy agricultural economy. In spite of this and certain compensations from other sources, the net revenue shows a material decline on that for 1957.

"During the year the Company has done its utmost to meet the demand for the transport to Lobito of increasing quantities of iron ore from Cuima deposits and in the last months of 1958 had worked up the tonnage to over 30,000 tons per month. This considerable achievement on the part of Dr Pinto Basto and his Board, supported by the highly competent staff in Africa, will, we hope, receive the full recognition it deserves both from the Angola Government and the Mining Companies in the negotiations which are now taking place in Lisbon between them and the Railway Company concerning the long term development of this traffic.

"The exploration projects in Northern Rhodesia and in Tanganyika Territory in which, with The Zambesia Exploring Company, we are interested through our associate company, Tanganyika Holdings Limited, are continuing according to plan, but as yet, there are no major discoveries of economic value to report.

"You will have noted with satisfaction the conclusion of the merger between The Zambesia Exploring Company Limited and Kentan Gold Areas Limited, from which material benefits should accrue to the Shareholders of both companies.

"On behalf of the Shareholders of Tanks, I am happy again to offer my thanks to the Staffs both of this Company and of its Associates."

The Report and Accounts were adopted, the payment of the final dividend was approved and the retiring Directors were re-elected.

SECOND COVENT GARDEN PROPERTY COMPANY LIMITED

EXPANSION OF ACTIVITIES

The 25th annual general meeting of Second Covent Garden Property Company Limited was held on January 20th in London, Sir Brian Mountain, Bart (the chairman), presiding. The following is an extract from his circulated statement:

The Group profit before taxation for the year to September 30th, 1958, amounted to £604,569 which compares with £571,042 for the previous year. The net profit after providing for taxation and minority interests is £175,133 which compares with £153,546 for the previous year.

The revenue of the Group has shown a satisfactory increase during the year and several development schemes have been satisfactorily completed. Your Board is pressing ahead with further schemes of this nature with the object of expanding your Company's activities wherever possible.

During the year the Company acquired a substantial equity interest in The Arndale Property Trust Limited, a public property development company with headquarters in Bradford. Your Directors consider that this stake in this most progressive Company will grow steadily in value and they welcome the association with it.

The Covent Garden Market has had a satisfactory trading year, and I hope that the current year will turn out to be equally satisfactory. In the House of Commons on June 11, 1958, the Minister of Agriculture, Fisheries and Food announced that the Government accepted the view of the Runciman Committee on horticultural markets that the market at Covent Garden should not be moved, and had decided that a statutory Covent Garden Market Authority should be created to acquire and run the Market. Your Directors are naturally very concerned to see that the interests of your Company and of the Market traders are properly protected, and are continuing to take the best advice to achieve this.

Your Directors recommend a Final Dividend of 7½ per cent, less income tax, making a total of 12½ per cent for the year, compared with 10 per cent for the previous year. The retained profits of the Group amount to £47,196 as compared with £47,171 for the previous year.

Your Directors consider that in view of the increasing value of your Company's shares, the time has come to sub-divide each Ordinary Share of £1 into four Ordinary Shares of 5s. Shareholders are therefore being asked at an Extraordinary General Meeting to approve this. A resolution is also being submitted for the adoption of new Articles of Association in modern form.

The report and accounts were adopted and at the subsequent extraordinary general meeting a special resolution sub-dividing the Ordinary Shares and adopting new Articles of Association was passed. At a separate class meeting of the holders of the 5 per cent Cumulative Preference Shares sanction was given to the adoption of new Articles of Association.

ALEXANDERS DISCOUNT COMPANY LIMITED

AN EVENTFUL YEAR

SIR ERIC GORE BROWNE'S STATEMENT

The Ninety-first Annual General Meeting of Alexanders Discount Company Limited will be held on February 19th in London.

The following is the circulated statement of the Chairman, Sir Eric Gore Browne, DSO, OBE, TD:

The year 1958 was one in which there were very few dull moments in the City of London.

A paradox is defined as "a proposition seemingly absurd yet really true." I think that the year for which we now account has been fairly described as a year of paradox. Looking back on it, you will remember that it started with a 7 per cent Bank Rate, the aftermath of the sterling crisis in the Autumn of 1957, that the economic and financial position in the USA was then obscure, and that, owing to the fall in world commodity prices, the purchasing power of some of the countries which are our best customers for finished articles was seriously diminished. Then, in the Spring of 1958, sunshine began to break through the mist. By the end of the year Bank Rate was down to 4 per cent—this country had a large increase in gold and dollar reserves and a record surplus on international account—some restrictions on bank lending and hire purchase had been removed—"personal" loans had found a place amongst the facilities offered by the banks—and, as the year drew to its close, the £ sterling was made fully convertible, within the prescribed official rates, by holders outside the Sterling area. And all these great events had taken place in spite of a moderate increase in unemployment and some fall in production in this island kingdom.

A PARADOX INDEED!

But for myself I am proud to think that this improvement in our national position marks a great tribute to British character on which in no small degree the value of the £ Sterling, in the markets of the world, depends. In a world of controlled economies it is difficult to know the true value of any currency. "Gild the farthing if you will, yet it is a farthing still." Or is it not?

BANK RATE CHANGES

In the result, as you can well imagine, 1958 was a year full of incident in the history of your Company. I have already referred to the 3 per cent fall in the Bank Rate over the year. This was accomplished in five stages. The first, a reduction of a full 1 per cent being made on March 20th; subsequent reductions of ½ per cent at a time were made on May 22nd, June 19th, August 14th and November 20th, bringing the rate down to 4 per cent where it now stands.

The only Government loan falling due for repayment during the year was the 4 per cent Conversion 1957/58 on June 15th; an offer to convert this into 4¾ per cent Conversion 1963 or 5¼ per cent Funding 1974 was accepted by the great majority of holders. There were two issues of stock bearing interest at the rate of 5½ per cent during the year; one in January falling due in 1966 and one in February with a longer maturity 1982/84. In December an offer limited to 250 million was made to holders of 2 per cent Conversion 1958/59 to convert into 4¾ per cent Conversion 1964. This was fully accepted.

THE YEAR'S RESULTS

Now, if you will turn to the figures which accompany this statement, you will see that your Capital, Share Premium Account and General Reserve remain unchanged, that the balance carried forward has been increased to £198,543, that our holding of Government securities, now shown at market value, is £42,527,056 and of bills £80,389,380, and that the increased dividend which we propose to you has been fully earned. Our turnover in Treasury Bills has increased by nearly 6 per cent during the year and our total holding of Commercial Bills constitutes a record in the history of the Company.

I hope you will regard these results as satisfactory. But I must remind you that we have to look forward to a future when the operation of the Bank Rate and circumstances over which we have no control may not prove to the advantage of holders of Bills of Exchange or of short dated Government securities. And thus it behoves your Board to make its primary objective to reconstitute once more its reserves, having due regard to the interests of the shareholders which are always in our minds.

It is again my pleasant duty to express the gratitude of all of us to the Banks for their unfailing support, and to Sir Antony Macnaghten, Mr Dawkins and all of our staff for their hard work and devotion to duty during the past year.

We have a very good team. Sir Antony, in his capacity as Chairman of the Discount Houses Association, gave evidence in January of last year to the Ratcliffe Commission on the operation of the London Discount Market. We await the findings of this Commission with keen interest.

ALEXANDERS DISCOUNT COMPANY

LIMITED.

Statement of Accounts, December 31, 1958

LIABILITIES

	£	£
Authorised Capital:—		
100,000 Preference Shares of £2 each and 2,400,000 Ordinary Shares of £1 each		2,600,000
Issued Capital:—		
100,000 £2 6% Cumulative Preference Shares, fully paid		200,000
2,400,000 £1 Ordinary Shares, fully paid		2,400,000
		2,600,000
Share Premium Account	533,750	
General Reserve	1,466,250	
Profit and Loss Account	198,543	
		2,198,543
		4,798,543
Loans, Deposits and Sundry Creditors (including liabilities of £118,620,460 secured on certain assets per contra)		119,942,608
Final Dividends (*less* Tax) recommended		72,450
		£124,813,601

Notes:—
1. There is a contingent liability in respect of Bills Re-discounted excluding Treasury Bills of £9,661,860.
2. Taxation recoverable to date has been included in these accounts.
3. British Government Securities are included herein at their market value at 31st December, 1958. At 31st December, 1957, the aggregate market value of British Government Securities was £2,307,853 less than the amount at which they were stated in the balance sheet.

ASSETS

	£
Balances at Bankers and Cash in Hand	743,405
Bills Discounted (*less* Provision for Rebate)	80,389,380
British Government Securities (quoted)	42,527,056
Corporation and Dominion Government Securities (quoted)	306,236
Loans on Security and Amounts Receivable	847,524
	£124,813,601

24, LOMBARD STREET, LONDON, E.C.3.

THE DAVID BROWN CORPORATION LIMITED

MR DAVID BROWN'S REVIEW

The Eighth Annual General Meeting of The David Brown Corporation Limited was held at Park Gear Works, Huddersfield, on Monday, January 26, 1959, at 12 noon. The following is an extract from Mr David Brown's review: The financial year covered by the Accounts which it is my pleasure to present to you was one of steady improvement for almost all angles and the orders received by the Group were some £1,200,000 higher than those obtained during the previous year. In parallel with this, the value of goods despatched to our customers increased by over £800,000 and the turnover was the highest in the company's history.

Unfortunately, the year has also been one of rising costs and, with business becoming increasingly competitive, these increases have had to be absorbed in order to keep the prices of our products stable. In spite of these increasing costs in material and labour we have, by concerted attacks on overhead costs, had some success in neutralising their effect, as will be seen from the fact that our profit before taxation is £703,336, as against last year's figure of £469,240. Some of the economies have been of a drastic nature but will, I am sure, be beneficial in the years to come.

I think you will agree that an increase in Profit before Tax of £234,096 calls for congratulations to all concerned. As usual, this pleasure is spoilt by the large slice which goes to the tax collector, and this year he takes £469,002 as against £291,490. Part of the increase in this year's taxation figure results from the change in the basis of Profits Tax, and it seems strange that, as a prudent organi-

sation which ploughs back as much as possible of its resources into the business, we should be made to suffer for so doing.

NEW DEVELOPMENTS

You will be interested to know that the careful and patient study of the Company's products undertaken by our Development Departments over the last few years, is now beginning to show results and is enabling us to open up markets which are helping to mitigate the decline in others which have been almost traditional with us. For instance, we have been successful in obtaining orders from China, Germany and Russia which are well in excess of a million pounds and the most satisfactory aspect of this is that they cover Machine Tools, General Gearing, Small Tools and Tractors. We have been able to place on the market an entirely new Aston Martin, in the shape of our Mark IV model, and orders have already been received which will more than dispose of the production for the coming year. In previous reports I have mentioned the developments which were taking place in our Agricultural Machinery Unit at Leigh and current orders on hand are of such a volume that we can predict with certainty that its turnover in the current year will be the highest on record.

FUTURE OUTLOOK

It would be foolish of me to leave you with the impression that everything has reached a state of perfection. We are meeting intense competition, not only at home but also overseas, and where orders are being won these are on considerably narrowed margins of profit; in many cases we are finding, particularly in the export market, that credit of a long-term nature is becoming a vital factor. Our customers are demanding shorter delivery periods and you will see that this again compelled us to increase our Stocks and Work in Progress by some £650,000.

We are, at present, carrying an order book in excess of £7 million and our General Gearing, Machine Tool and Automobile Divisions have more than sufficient work in front of them to keep them in full production for the rest of the current year, but our Foundries Division, while still fully occupied, may suffer a diminution of volume in common with the trade generally.

In spite of these factors, I feel confident that the results for the current year will be no less satisfactory than those I am at present placing before you.

The report and accounts were adopted.

THE NATIONAL BANK OF KUWAIT LIMITED

Established 1952

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

BALANCE SHEET as at 31st DECEMBER, 1958

1957 Indian Rupees	LIABILITIES	1958 Indian Rupees
	Capital, Authorised, Issued and Paid Up	13,100,000
13,100,000	General Reserve	15,000,000
8,600,000	Current, Deposit and Other Accounts (including Provisions for Contingencies)	658,952,491
447,494,600	Dividend Payable	1,834,000
1,441,000	Profit and Loss Account Balance	1,072,984
801,357	Confirmed Credits and Guarantees on behalf of Customers, as per contra	76,909,347
60,744,341		
532,181,298		766,868,822

1957 Indian Rupees	ASSETS	1958 Indian Rupees
148,837,704	Cash and Balances with Banks	181,628,215
169,291,000	British Government Treasury Bills	333,250,000
29,098,076	British and Other Government Securities (at under market value as at 31.12.58)	33,101,300
1,000,000	Other Investments, at or under cost	2,931,055
123,010,177	Advances to Customers, Bills Discounted and Other Accounts	138,348,905
200,000	Land and Buildings, less amounts written off	700,000
60,744,341	Liability of Customers for Confirmed Credits and Guarantees, as per contra	76,909,347
	NOTE.—There is a contingent liability of Rs.1,000,000 in respect of uncalled capital on "Other Investments."	
532,181,298		766,868,822

AHMED SAOUD ALKHALED, *Chairman.* KHALIFA KHALED GHUNEIM, *Deputy Chairman.* A. E. MEDLYCOTT, *General Manager.*

PROFIT AND LOSS ACCOUNT for the year ended 31st DECEMBER, 1958

1957 Indian Rupees		1958 Indian Rupees
1,600,000	Transferred to General Reserve	2,400,000
1,441,000	Provision for payment of dividend of 14%	1,834,000
801,357	Balance carried forward	1,072,984
3,842,357		5,306,984

1957 Indian Rupees		1958 Indian Rupees
3,351,941	Profit after charging all expenses, making provisions for contingencies and writing down assets	4,505,627
490,416	Balance brought forward from last year	801,357
3,842,357		5,306,984

London Correspondents: Midland Bank Limited. Eastern Bank Limited. Chartered Bank. Chase Manhattan Bank. Lloyds Bank Limited.

New York Correspondents: Irving Trust Company. Bank of America. Chase Manhattan Bank. Guaranty Trust Co. of New York.

Correspondents in all principal countries

A COMPLETE BANKING SERVICE FOR TRANSACTIONS WITH KUWAIT

THE BURNLEY BUILDING SOCIETY

SOUND AND CREDITABLE PROGRESS

The Annual Meeting of The Burnley Building Society was held on January 28th at Burnley.

Sir John H. Grey, JP (the Chairman), presided, and, in the course of his speech, said:

The Society's one hundred and eighth Annual Report and Statement of Accounts records another year of very creditable progress. The enlargement of our asset figure to £55 million is a particularly noteworthy achievement when viewed against the perpetuation of the Government's credit restriction policy until the middle of the year. They are figures in which we take a great pride because they demonstrate our enjoyment of an extensive goodwill and a widespread background of unfailing support. Our progress has been essentially sound in character and wholly to be commended in that the expansion of our assets has been matched by an appropriate increase in our reserves.

The Government's ability in July substantially to unshackle the economy from the credit restriction had the effect of freeing money for investment in building societies. Indeed, investments flowed into the Society in the last four months of the year at a rate comparable with that seen prior to the imposition of credit restriction at the beginning of 1955.

INTEREST RATES

Commenting on interest rates, the Chairman said: The reasons which prompted us in 1957 to face a rising Bank rate without resorting hastily to an alteration in our own interest rates are precisely those which have persuaded us in 1958 to face a fall in Bank rate with similar circumspection. It would have been precipitate and irresponsible for the Building Society Movement to lower its rates immediately with the reduction in Bank rate without waiting to observe the effect such fall would have upon the level of long term interest rates. In fact, the yield on War Loan, which may be taken as a guide to long term rates, is now little different from that obtainable in 1956 when our rates were stabilised at their present level.

The enormous and vital contribution which the Building Society Movement has made in the housing of the people has been based upon its continued ability to offer competitive terms for the attraction of investors' funds, due regard being paid to the undoubted security and the facility for investment and withdrawal which our members enjoy. This competitive position is one which we are obliged to maintain if money is to flow freely on mortgage, and if our ability to perform our essential worthwhile function is not to be imperilled. We must therefore, resist any irresponsible pressure to reduce our rates: we must ensure, before any reduction is countenanced, that our investing members would be justified in leaving their funds in our keeping.

In operating the House Purchase and Housing Bill laid before Parliament in December, as is our intention, there will be no relaxation in our lending policy. A little over 10 per cent of our mortgage advances already relate to houses within the Government's qualifying limits—i.e., built before 1919 within a price ceiling of £2,500. Exchequer grants will be available to us for the financing of this class of business if we should need to avail ourselves of them.

The report and accounts were adopted.

R. A. LISTER & CO. LTD.

The Annual General Meeting of R. A. Lister & Company Limited was held at Dursley on January 23rd. In the course of his statement Sir Percy Lister, the Chairman, who presided, said:

From the Consolidated Balance Sheet and accounts you will have observed that the Group Profits have been maintained in a trading period that has been far from normal.

These encouraging results have been in part due to the steady development of your principal subsidiary and associated companies, both at home and overseas, which have increased their volume of turnover and, in consequence, their yield on your investment in them.

In the Home Market the wide and varied range of the products of your group of companies has enjoyed a growing demand. The production volume of the air cooled diesel engine range has been increased with encouraging results. The introduction of Lister Air Cooled Diesel driven power units to our range of Lister Auto Trucks has increased the demand for new trucks and permitted users of the petrol driven models to convert to diesel and enjoy the greatly added economy of operation.

Your Marine company has enjoyed another successful year and its range of marine propulsion and marine auxiliary diesel engines is building an enviable reputation both at home and overseas. The activities of this company will, we believe, steadily grow based on the good reputation of the products and service behind them.

Last year, I was able to report of the benefits accruing to your Australian company resulting from the sale of certain of its fixed assets, which could not be profitably employed. This has released resources for developing the other manufacturing activities of this company, which are being steadily developed in line with the logical requirements of that great country.

During the year, your associated company in Mexico has commenced its trading operations on a basis which should permit of the future expansion of the business in this market.

Your Rail Traction company, the formation of which I referred to last year, has made steady progress and will, during the coming year, have additions to its range, of interest we believe, to the home and overseas markets.

As I forecast to you a year ago, your Directors, after securing expert advice, have during the year created the R. A. Lister Pensions Trustees Limited, in order that it may give to the Staff and Employees, the best possible scale of benefits and security from a self-operated Pensions Scheme. The Benefits accruing to all concerned are considerably increased over those previously available and increased ex-gratia payments are being made to existing pensioners.

The Record Turnover, the Record Net Profit, the strength of the Reserve Position created by the ploughing back of profits for many years, and bearing in mind that during the year all in your employ have secured increased emoluments, there is a long deferred opportunity of increasing the dividend to our Shareholders, whose support and co-operation has been fundamental to our progress. This higher dividend, though much appreciated, represents less than 7 per cent on the capital employed in the Group.

The Political and Economic difficulties, which have beset the Middle and Far East and many of the Latin American and European countries, together with the currently lower prices of primary products seriously affecting the purchasing power of those who produce these products, make any attempt to forecast future trends hazardous. We take courage from the fact that there is a great need and demand for the products of our modern and well-equipped factories and we can only hope that peace and sanity will permit of the need being satisfied in the normal manner for the benefit of all concerned.

In conformity with your Board's policy of making provision for the future direction and management of your Parent Company and its Subsidiaries, they have invited Mr P. MacKay-James (who has been Director of Blackstone & Company Limited and in charge of the Blackstone Factory at Stamford) and Mr F. E. Blackstone (who has been a Director of some of your Subsidiary Companies and an executive with our Export Sales Division) to join your Board, and these appointments I now have pleasure in formally submitting to you for your confirmation.

BROOK MOTORS LIMITED

IMPROVED PROFITS DESPITE INCREASED COMPETITION

The Ninth Annual General Meeting of Brook Motors Limited was held on January 24th at Huddersfield. Mr Frank V. Brook, the Chairman and Joint Managing Director, presided.

The following is an extract from his statement circulated with the report and accounts:

The trend of improved profits shown in our brief half yearly Statement continued, but at a slower rate. In line with the general fall in demand experienced throughout British industry, we also felt its effect, although our overall export orders helped to retain full production. Whilst some reductions in prices of materials have assisted the control of manufacturing costs, the recent further wage awards are likely to more than offset this advantage. Increased competition on both home and export markets is to be expected which must be met by improved production methods, better technical facilities, and concentration in types of equipment manufactured. The popularity of the new British Standard Motors is a major factor in helping to achieve this position.

In the last few months an opportunity was taken to terminate existing agency agreements in Canada and form our own Canadian Subsidiary Company under the name of Brook Electric Motors of Canada Limited, with headquarters in Toronto.

Sales through the American Subsidiaries, Brook Motor Corporation and Brook Motor Corporation of Florida, have continued to expand. The last few months of the year under review particularly indicated a trade revival and produced satisfactory results.

In other overseas markets our experience has been one of retention rather than expansion. Import restrictions imposed by the New Zealand government are having some effect and more recently heavy import duties on the popular sizes of motors have been imposed by the Eire government. These unfortunate restrictions present many difficulties to the manufacturer who is export minded.

Our new fractional horsepower motor factory has now been in full production for a number of months. It has come into operation at a time when the demand for this class of motor is increasing, partly as a result of the easement in credit restrictions resulting in higher demand for domestic machinery, where large quantities are required.

Although competition is keener and is likely

to remain so in the foreseeable future, your Company is well equipped to meet that challenge although profit margins may be lower. We are expecting continued expansion from both of our Subsidiary Companies and the order book is in a satisfactory state.

I would take this opportunity of thanking all your employees on behalf of the shareholders and the Board, for their continued loyalty and enthusiastic interest in the prosperity of the Company.

Mr David Brook was re-elected to the Board.

The report and accounts were adopted.

EDUCATION AND COURSES

9/- a line.

SHORT COURSE IN OPERATIONAL RESEARCH.—The London School of Economics and Political Science, Houghton Street, London, W.C.2, in conjunction with the Operational Research Society, will hold a course in *Operational Research, from 6-17 April, for graduates*, or persons with equivalent qualifications and suitable experience. Residential accommodation will be available and *fees will be £65, including residence, or £50 non-resident*.—Particulars and applications forms can be obtained from the Registrar of the School. The last date for the return of completed application forms is March 4th.

UNIVERSITY OF LONDON: A course of two lectures entitled "Economic Growth and the Problem of Inflation," will be delivered by Mr. N. Kaldor (Cambridge) at 5 p.m. on February 6 and 13, at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE. WITHOUT TICKET.

JAMES HENDERSON,
Academic Registrar.

THE RAPID RESULTS COLLEGE

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Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for Lond. Univ. B.Sc.Econ. (three if entrance is included). Moderate fees, instalments. 1,147 W.H. students passed Lond. Univ. B.Sc.Econ. exams. 1950-58. *Tuition also for* G.C.E., Law, Statistical, other exams.—Prospectus from J. W. Shaw Fletcher, C.B.E., LL.B., Director of Studies, Dept. P16, WOLSEY HALL, OXFORD.

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UNIVERSITY CORRESPONDENCE COLLEGE provides postal tuition for the above Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees; instalments.—Prospectus of U.C.C. Courses for London Degrees and Diplomas, G.C.E. Law, free from the Registrar, 60 Burlington House, Cambridge.

EXPERT POSTAL TUITION

for *Examinations*—University, Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical *(non-examination)* courses in business subjects.—Write today for free prospectus, and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/22).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

FINANCIAL NOTICE

BENGUELA RAILWAY COMPANY

The following preliminary traffic results for the year 1958 compared with the year 1957 have been issued.

	1958		
Kilometres run			*6,091,660*
	Tons		
Passenger Traffic	1,585	— Esc.	17,006.000
Local Traffic:			
Minerals	197,110	— ,,	27,429.000
Other	597,881	— ,,	71,290.000
Transit Traffic:			
Minerals	463,793	— ,,	225,306.000
Other	104,634	— ,,	74,594.000
Miscellaneous Receipts	—	— ,,	9,865.000
Tons (excluding Service Traffic)	1,365,003	— ,,	425,490.000
Working Expenses in Africa			240,328.000
Net Operating Receipts			185,162.000
	1957		
Kilometres run			*5,992,120*
	Tons		
Passenger Traffic	1,540	— Esc.	16,765.000
Local Traffic:			
Minerals	88,357	— ,,	11,486.000
Other	648,627	— ,,	66,237.000
Transit Traffic:			
Minerals	482,295	— ,,	238,397.000
Other	169,883	— ,,	119,302.000
Miscellaneous Receipts	—	— ,,	11,732.000
Tons (excluding Service Traffic)	1,390,702	— ,,	463,919.000
Working Expenses in Africa			235,621.000
Net Operating Receipts			228,298.000

Tanganyika Concessions Limited owns all the Debentures and 90 per cent of the equity of the Benguela Railway.

APPOINTMENTS

Vacant 9/- a line; Required 6/- a line.

STAFFORDSHIRE COUNTY COUNCIL

Applications are invited for the appointment of an officer to have charge of the administrative and clerical work of the County Planning and Development Department. The officer will be designated as Chief Clerk and the appointment will be on A.P.T. Grade V (£1,175-£1,325 per annum) the commencing salary to be according to qualifications and experience.

Applicants should have had extensive experience of administrative work and in the writing of reports and memoranda. They should have a degree in Administration, Economics, Law or Commerce, or a recognised *secretarial qualification*.

The Council are prepared to grant lodging allowances of 35s. per week for a period of six months and second-class railway travel home every two months during the initial six months to married applicants maintaining a home outside the geographical county. Consideration will also be given to the granting of financial assistance in appropriate cases towards removal expenses.

Applicants should give details of age, education and *training, qualifications, present and previous appointments* and experience, and the names of two persons to whom *reference can be made. Applications, in which relation*ship to any member or senior officer of the County Council must be disclosed, should be sent to D. W. Riley, County *Planning and Development Officer*, 41a Eastgate Street, Stafford, not later than February 11, 1959. Canvassing will disqualify.

T. H. EVANS,
Clerk of the County Council.

ORGANISATION AND METHODS

Men aged 24-30 with a keen interest in O. & M. work are required in expanding departments in the Midlands and North in an industrial group. The commencing salary will be in the range £750-£1,250 p.a.

Candidates should have had one or two years' experience in this field. They should preferably possess a degree in commerce or economics, or an accounting qualification.

Successful candidates will be given such further training as is necessary, and will be expected to specialise in O. & M. for five years, after which they will be encouraged to take appointments within the group at executive level.

Applications will be treated in confidence.—Box 1118.

GOVERNMENT OF THE FEDERATION OF RHODESIA AND NYASALAND

VACANCY: BIOMETRICIAN: DEPARTMENT OF RESEARCH AND SPECIALIST SERVICES: MINISTRY OF AGRICULTURE

A vacancy exists for a fully qualified consultant Biometrician. Duties would include the design of experiments in all phases of Agriculture and Animal Husbandry Research, together with the analysis of data and related statistical practice.

Salary range: £1,925 x £75—£2,000 x £50—£2,050 p.a.

Application forms and further details may be obtained *from the Secretary (R), Rhodesia House, 429 Strand*, London, W.C.2. Closing date February 14th.

MINISTRY OF LABOUR AND NATIONAL SERVICE

Psychologist (Vocational Officer) for unestablished post *required at Industrial Rehabilitation Unit. Possibility of* establishment by open competition later. Age at least 21 years. Qualifications: Good honours degree in psychology or equivalent and preferably with post-graduate training or experience in occupational psychology. Work involves aptitude testing and vocational guidance. National salary scales: *Men* £575 (at 21)—£920 (at age 30 or on entry if over 30)—£1,215. *Women* £575 (at 21)—£910 (at 30 or on entry if over 30) —£1,180.—Particulars and application forms from I.L.N.S., Technical and Scientific Register (K), 26 King Street, London, S.W.1 quoting G.159/8A.

ACTUARY required by a leading firm of consulting actuaries in South Africa and Rhodesia. Attractive commencing salary and prospect of a partnership within a few years.—Apply, giving full details of experience, to Box 1101. All applicants will be interviewed.

GENTLEMAN required as Assistant by Managing Director of Large Industrial Group. Candidates for this position should be in age group 35-40, of good address and thoroughly experienced in commercial matters and administration; competent to advise in the *engagement of commercial staff as required, and possessing the* ability to carry out negotiations at executive level. Commencing salary for the position will be adequate and intending applicants should at present be in receipt of not less than £1,500 per annum. Successful applicant must be prepared to reside in Northern England. Applications will in first instance receive full consideration prior to interview, and will be treated with the utmost confidence.—Write Box 1116.

ECONOMIST required by BRITISH PETROLEUM COMPANY LIMITED in Its Head Office in London. Applicants, aged 28-35, should have a good degree in Economics and have experience of Applied Economics. Would be required to undertake economic studies of individual countries in which an Oil Company would be interested. Salary according to age and experience. Non-contributory Pension Fund. Assisted House Purchase scheme. Removal expenses and settling-in allowance payable in certain cases. Luncheon Club.—Write, giving *full particulars, quoting reference* B.4450, to Box 5981, c/o 191 Gresham House, E.C.2.

UNIVERSITY OF SOUTHAMPTON, Department of Economics.—Applications are invited for the post of Lecturer or Assistant Lecturer in *Sociology*. Candidates should have a good Honours Degree in Sociology, or Economics with Sociology. Salary scales: Lecturer £900 x £50—£1,350 x £75—£1,650 with an efficiency bar at £1,300. Assistant Lecturer £700 x £50—£850. The initial salary will depend on qualifications and experience.—Further particulars should be obtained from the Secretary and Registrar, to whom applications (7 copies from U.K. applicants) should be sent, not later than February 28th.

COMMONWEALTH OF AUSTRALIA

APPLICATIONS ARE INVITED FOR POSITION OF COMMISSIONER

EXPORT PAYMENTS INSURANCE CORPORATION

The Corporation is a statutory body established to promote trade with countries outside Australia by providing Insurance against the risk of non-payment in Export Trade. In its first full year of operation to June 1958, the Corporation issued policies to a face value of over £11 million.

The Commissioner is responsible for the operation of the Corporation. He will be required in the course of promoting the business of the Corporation to further a high standing for the Corporation and its officers with leaders of industry and commerce and export trade throughout Australia. Liaison with overseas and international organisations in this field is also required.

Applications will be judged on qualifications and experience, not necessarily in the field of insurance.

The appointment will be for a period of seven years and there is provision for re-appointment.

Salary will be commensurate with the responsibilities of the appointment and the qualifications and experience of the successful applicant. Appropriate allowances also will be paid.

The headquarters of the Corporation are in Sydney with a Branch Office in Melbourne.

Applications will be treated in strictest confidence. They should be marked "E.P.I.C.," and be lodged not later than February 28, 1959, with the Official Secretary, Australia House, The Strand, London, from whom further particulars can be obtained.

NATIONAL HEALTH SERVICE

TRAINING POSTS IN HOSPITAL ADMINISTRATION

The Minister of Health and the Secretary of State for Scotland invite applications for up to the sixteen training posts in Hospital administration.

Successful applicants will hold these posts for a maximum of three years, beginning in the autumn of 1959, and will be given practical experience of all branches of hospital administration, together with courses of instruction at the University of Manchester or at the Hospital Administrative Staff College of King Edward's Hospital Fund for London.

A short list of applicants will be called for interview by a Selection Committee.

Applicants should be not more than 30 years of age at September 1, 1959, but the Selection Committee has discretion to accept applicants up to 35 years. Subject to the discretion of the Selection Committee in exceptional cases, one of the following qualifications is required:

If already employed in the hospital service, applicants should either:

(i) have graduated from a British University; or

(ii) hold a professional qualification acceptable to the Selection Committee; or

(iii) have had at least three years' experience in the hospital service on September 1, 1959, and to have passed at least the intermediate examination for a professional qualification.

If not employed in the hospital service, applicants should either:

(i) have graduated (by September 1959) from a British university; or

(ii) have obtained (by September 1959) a professional qualification acceptable to the Selection Committee.

Applicants should have discharged their obligation for National Service.

Applications will be considered from students who are *due to take their final examinations in 1959.*

The salary during the training period begins at £575 (plus a small addition in the London area) with the increment of £30 in the second and third years. Applicants already in the hospital service will retain their present salary scale if higher than this. Training fees will be met.

Further information and application forms can be obtained from University Appointments Boards or by writing to the Secretary, Ministry of Health, Savile Row, London, W.1, or to the Secretary, Department of Health for Scotland, St. Andrew's House, Edinburgh 1. Applications should be completed and returned to the appropriate Ministry *not later than Saturday, February 28, 1959.*

For other appointments see page 459

ORDERS for advertisements in *The Economist* are accepted on condition that they are liable to rejection at the discretion of the Editor: that while every effort will be made to publish an advertisement on a specified date, no guarantee is given; and that white on black, reverse blocks, or large sizes of black-faced type may be stippled or lined at the Editor's discretion.

COMPANY AFFAIRS

GENERAL ELECTRIC

THE big electrical manufacturing companies are finding that the returns on big electrical engineering contracts, especially in nuclear power, are small. The manufacturers cannot afford to lose their stake in the capital goods markets and they have to spend heavily on research and development. But while AEI and English Electric have managed to live with these unpleasant facts, the other giant of the industry, General Electric, seems less able to do so—at least, its ordinary shareholders are the losers in income. Although GEC's turnover has been rising, its profits have been falling since 1955 and in the two last financial years (ending on March 31st) its ordinary dividend was cut from 14 per cent to 12½ per cent and then to 10 per cent.

The market had hoped that there would have been no further drop in equity earnings from the level of 14 per cent reported in 1957-58 and that the ordinary dividend would be left unchanged in the current financial year. Electrical shares therefore had a bad knock when the GEC directors announced that the interim dividend was again to be cut, this time from 3¼ to 3 per cent. The £1 ordinary units lost 5s. 6d. to 33s. 9d., on the obvious inference that the final dividend will be reduced too. This is a sorry state of affairs and the directors say:

> Turnover shows a slight increase, but the provisional results for the first nine months' trading, together with an estimate for the remainder of the financial year, indicate that the decline in profits has continued. Continuing high expenditure on research and development, particularly in the nuclear field, combined with the increase in wages and other costs, has again constituted a heavy burden on profits. The full benefits of reorganisation have not yet been felt.

Two new directors—Mr S. G. Catto, a managing director of Morgan, Grenfell, the merchants bankers, and Mr R. N. Millar, the manager of GEC's heavy engineering and nuclear establishments at Erith—have been appointed. It is upon the strength of the management and the vigour with which the policies of reorganisation are pursued that the future of GEC depends. Its recent past has been unimpressive.

LINEN THREAD

IN recent years, Linen Thread's United States subsidiary has not pulled its weight. In the financial year to September 30th last it incurred a substantial trading loss which completely wiped out the trading profits of all the other members of the group. The directors have taken two brave decisions: to sell the unprofitable business which represents about half of the group's net assets and to distribute to ordinary shareholders a large part of the proceeds from this sale. Linen Thread Company Incorporated has been sold to Indian Head Mills, of New York, for $6,500,000 in cash, $5,000,000 in 5 per cent notes repayable over five years and the transfer of a sub-subsidiary to Linen Thread at a book value of $475,000. Subject to Treasury consent Linen Thread will receive about £4,276,000 at nominal values and will make a capital profit of £1,500,000 from this sale. The directors of Linen Thread have cut the losses and they now propose to make a capital distribution of 10s. per £1 ordinary share. This distribution will require £1,650,000, or rather less than the cash that Linen Thread will receive immediately from the sale.

Just before the announcement the £1 units had started to climb but when it was made they jumped by 6s. 1½d. to 27s. 7½d. The present price reflects, of course, the tax free capital payment but once that has been paid over to shareholders it should be possible for investors to put a realistic value on the Linen Thread business in this country.

JUTE INDUSTRIES

JUTE INDUSTRIES is the largest British producer of jute goods, and is an efficient, modernised group. But efficiency and size cannot shelter it from the storms that buffet Dundee. In his statement at this time last year the chairman, Mr W. G. N. Walker, said that profits might show a further decline. In the event, the trading surplus for the year ended September 30, 1958 fell by £402,653 to £716,546, and net profits dropped by £193,047 to £149,876. There were several reasons for this setback. This was the first full year since the Board of Trade decided to give Dundee a smaller margin of protection against imports of jute goods from India. In the summer, partly because buyers correctly expected that prices of raw jute would fall, demand slackened to the extent that production during the three months May to July was one-fifth smaller than during the same period of 1957. The group suffered losses on stocks, and also lost money on its trading in the United States, but it is now taking further steps to concentrate production among the lower cost units by making the greatest possible use of multiple shift working. The Belmont works, used as a machinery store since the war, has been sold and another works is up for sale.

Since the summer, Mr Walker reports, business in both the home and export markets has increased. Prices of raw jute have risen and the spinning and weaving sections "are operating at a high level of activity," thanks largely to the bigger demands from the carpet and linoleum industries. Mr Walker "could not fail to be optimistic" about the outlook, were it not for two imponderables—Indian competition and the prices of raw jute. Evidently the chairman does not feel confident that the Board of Trade will not try to squeeze further the margin of protection against Indian goods, and he rightly wonders whether Pakistan, so heavily dependent on exports of raw jute, will be able to maintain its present minimum export prices. Supplies this season are ample, and India has now entered the market as an exporter of low-grade fibre.

For 1957-58 the dividend was cut from 20 per cent to 13 per cent. Investors are clearly aware of the elements of uncertainty: the 10s. ordinary units have fallen by 10½d. to 11s. 6d. since the preliminary results were issued nearly a month ago, and at this price they yield 11.3 per cent.

F. PERKINS

THE TREASURY has given its consent to the bid by Massey-Ferguson for the 5,200,000 ordinary shares of 10s. each of F. Perkins, the Peterborough diesel engine manufacturers. Through the merchant bankers, Philip Hill, Higginson, Massey-Ferguson is offering 17s. 3d. per 10s. share in cash, and the offer remains open at least until February 12th. In a circular to shareholders, the directors of F. Perkins, with the support of their financial advisers, Baring Brothers, describe the offer as "fair" and unanimously recommend acceptance. For their own part, the directors are accepting the offer; that may mean that the bid will go through without much difficulty for the Perkins family interest, though not a controlling one, is thought to be large.

The Oliver Corporation of Chicago reaps an unexpected windfall for having agreed to receive 650,000 shares at par in exchange for Perkins' right to manufacture its outboard motors, it is now to be paid 13s. per share by Massey-Ferguson. Other shareholders will realise that the bid of 17s. 3d. per share falls far short of the 33s. 6d. that was paid for the shares when markets were at their peak in 1955. But it has to be set against the "high" of only 14s. last year and the prospective market price in the next few years. The decision by the commercial vehicle manufacturers to make their own diesel engines cut into F. Perkins' principal market, and a policy of diversification would have taken a long time to carry through.

R. A. LISTER

THAT the experience of F. Perkins may not be quite typical of the diesel engine field as a whole is suggested by the performance of R. A. Lister. But this group supplies diesel oil engines for a variety of uses, including locomotives, autotrucks and marine propulsion. One clue to Lister's success lies in the com-

plementary nature of its many products, for its dairy and agricultural equipment is frequently powered by its own engines. In the year to September 30th last, which is described by the chairman, Sir Percy Lister, as being "far from normal," the group managed to hold its gross profits at £1,074,972 (only £4,164, down over the year). A lower tax charge left net profits actually £12,181 higher at the record figure of £488,120. But equity earnings work out at only 21½ per cent, and indeed they have shown no real growth since 1955.

But the directors have now raised the ordinary dividend from 10 per cent (paid in the three preceding years) to 12½ per cent. In justifying their decision they cite the record turnover, the record net profit and the strength of reserves. Investors looking ahead will take account of the chairman's "cautious optimism," even though he had stressed in his statement the difficulties that beset the underdeveloped countries whose purchasing power has been cut by the fall in prices of primary products. The £1 ordinary shares yield 7.4 per cent at 33s. 7½d.

PRIMITIVA HOLDINGS

LAST June, Mr W. M. Codrington, the chairman of Primitiva Holdings, said it was the duty of the board to see that as much money as possible was returned to stockholders at the earliest possible moment. But the company's tangled affairs do not permit a speedy solution. Though the directors were able to negotiate an agreement with the Argentine Government on compensation for the nationalisation of the group's gas undertakings, it was followed by a postponement *sine die* of the delivery of the bills that formed part of the settlement. Later, however, the nine bills of £206,000 each were handed over, and the first was redeemed by the Argentinian Government in November. The last does not fall due for repayment until the end of 1962. Assuming the successful negotiation of the bills promised by the Argentine Government, the directors put a tentative value of 17s. 9d. on the possible capital repayment. But that estimate excluded the prospective recovery of income and excess profits tax from the Inland Revenue. Now this claim has been met and the directors propose a repayment of 12s. 6d. per share, and revise their estimate of the total repayment that shareholders will eventually receive to about 23s. per share. At December 31, 1957, the company held £153,000 in cash and securities and its subsidiary, Primitiva Gas, in which the parent owns three-quarters of the equity, held £1.3 million in quick assets. Since then it has received £412,950 from the Argentine Government. The proposed repayment of capital would amount to £1,493,000. The company has not been able to discount the other seven negotiable promissory notes at a satisfactory rate, and the eighth bill, which is a guarantee against fees and expenses payable by the company is not discountable at all. The market has therefore been cautious in its assessment of the value of the company's £1 stock; dealings had taken place at around 17s. before the announcement, and after it the price rose only 1s. 6d. to 18s. 6d.

BARING BROS. & ERLANGERS

INFORMATION about merchant banks is so rare that the balance sheets of the few that publish them have a special interest—even if the amount of information disclosed, especially in the profit and loss account, is limited by the special dispensation enjoyed by a banking company. **Baring Brothers,** with capital and reserves of £3 million and deposits of nearly £22 million, shows a substantial increase in its acceptance business in 1958, from £9 million to £11 million in the year to December 31st. This may reflect the increasing volume of foreign business attracted to London in recent months: for the fall in commodity prices, as well as London's relatively high interest rates, would be expected to have reduced the value of acceptances. Baring's big issuing and underwriting business hardly figures in the balance sheet. Investments other than gilt-edged are down from £4.0 million to £3.6 million; while gilt-edged are up from £6.3 to £7.9 million.

Erlangers, which has £2.3 million of capital and reserves and £5.6 million of deposits—a much smaller ratio—also shows a marked increase in acceptances, from £4.5 million to £4.9 million. It is very liquid; cash and call money at December 31st were £2.94 million, about £1 million higher than a year before. Market value of gilt-edged rose by £12,501 to £256,754, and other investments rose from £30,495 to £318,512. Advances and other accounts were almost stationary at £3 million.

ALLIED BAKERIES

THE rights issue by Allied Bakeries certainly lives up to Mr Garfield Weston's promise made at the general meeting that it would be "at a favourable price." As the "A" shares closed at 48s. 9d. and the "B" at 47s. on Tuesday the "rights" issue of one share for every ten held at January 30th at 12s. 6d. contains a substantial bonus element. Allowing for the 100 per cent scrip issue, the "rights" are worth 11s. on the "A" and 10s. on the "B" shares. The parent company, George Weston Holdings, will take up its due allotment and the London and Yorkshire Trust is guaranteeing the issue free of charge to the company. Mr Weston has already said that the directors are not dissatisfied with the profits earned so far in the current year and their forecast of an ordinary dividend of 15 per cent on the doubled capital (equivalent to the 30 per cent paid in the previous year) is an indication of their confidence. As the new "A" shares are offered at a yield of 7½ per cent cum the 10 per cent payment this will be a sweetener to shareholders whose present shares yield only 3 per cent.

GALLAHER

IN their third circular to shareholders concerning the one for four "rights" issue of 10s. units at 32s. 6d., the directors of Gallaher, the cigarette and tobacco manufacturers, demonstrate in figures what they meant by the "continued expansion" to which they referred in their earlier statements. Last year, they report, turnover rose from £204 million to £244 million and at the end of the year tobacco stocks and debtors were nearly £12 million higher at about £73 million. The group's total borrowings, including loan capital, had risen from £28,377,582 to no less than £40,690,878 by the end of December. The proceeds of the latest issue will bring in about £8,750,000 net and will thus fund about half of the group's short-term debt. But the directors already anticipate a further growth in working capital commitments this year. Following the announcement of the issue terms, the £1 shares (to be converted into 10s. units) dropped by 3s. to 40s. 4½d.

OFSIT AND WRIT

THE rising tide of production, profits and dividends at Orange Free State gold mines is reflected in the bigger investment incomes of **Ofsit** and **Writ.** These holding companies form part of the Anglo American group and they have played a useful part in the development of the goldfields in the OFS and the Klerksdorp area. Ofsit paid a maiden dividend of 15 per cent in 1956, doubled the payment to 30 per cent in 1957 and has now declared a final dividend of 25 per cent for 1958, making 40 per cent or 4s. per share for the year. Its net profits have almost doubled from £1,396,319 to £2,682,000. The earlier dividends absorbed nearly all available profits, but the latest advance in earnings has enabled the directors to increase the dividend by a quarter and, in addition, to transfer £500,000 to general reserve. The 10s. units now stand at 83s. 9d. and yield 4.7 per cent.

The dividend income of Writ first began to reflect a sharp increase in dividends from the new mines in 1956. But in 1957 profits nearly doubled and the dividend was raised from 20 per cent to 30 per cent on the increased capital. Last year, both the rise in profits and the increase in dividend were of rather more modest proportions. Writ's net profits rose from £1,714,297 to £2,636,000 and its total dividend has been increased from 30 per cent to 35 per cent. Its 10s. units at 56s. 9d. xd yield 6 per cent while the 10s. ordinary shares of Anglo American Corporation, which like other finance house shares have recently enjoyed a strong rise in the Kaffir market, yield 4.8 per cent at 166s. 10½d., but its final dividend for 1958 has still to be declared.

WESTINGHOUSE BRAKE AND SIGNAL

CAPTAIN A. R. S. NUTTING, the chairman of Westinghouse Brake and Signal, in his statement accompanying the full accounts, says that profits in the current year should be at least equal to the 1957-58 level of just over £2 million. Indeed, he said he will be "disappointed" if they are not "somewhat better," for, as he points out, Westinghouse has large orders, extending over several years, for electro-pneumatic braking equipment and compressors in the home market. The group will probably also benefit this year from the rephasing of its contracts with British Railways. Moreover, sales of the "Vespa" scooter, which were running at a reduced level in the summer, were at "a very satisfactory level" in the closing months of 1958, following the ending of HP restrictions.

Thus, shareholders, noting that the maintained ordinary dividend of 10 per cent is twice covered by earnings and that capital commitments are down from £856,000 to £347,000 (as the big expansion programme nears completion), may hope for a dividend thaw. But they should also note that the growth of fixed assets at book values by £1,282,851 to £7,715,372, and the rise in stocks, by £1,161,190 to £9,602,505, has brought down liquid resources from £875,756 to £218,281, while the bank overdraft has gone up from virtually nothing to £1,598,176. That is a factor that investors cannot ignore, but the market, in putting the £1 shares on a yield basis of 5 per cent at 40s. 3d.xd, is looking well ahead—to the time when the massive expansion in fixed assets in recent years is fully reflected in earnings. Whether they will be so in the current year may well depend on the success with which the group combats those pressures of rising costs and competition which contributed to the check in profits in 1957-58.

COTTON PROFITS

THE £1 shares of **Lancashire Cotton** Corporation had risen by 3s. 10½d. to 41s. 10½d. before the Restrictive Practices Court announced its decision on the Yarn Spinners Agreement. They were subsequently marked down to 35s. 10½d. and at that price they yield nearly 9¾ per cent on an ordinary dividend of 17½ per cent. The decision to leave the dividend unchanged for the third year running is justified arithmetically, for though equity earnings fell from 46 per cent to 34½ per cent in the year to October 31st they still cover the dividend nearly twice. But the chairman, Mr R. M. Lee, does not make any forecast about future trading. Indeed, he again puts the emphasis on the familiar uncertainties of the Lancashire cotton industry, arguing that further contraction in the industry is not merely urgently necessary but inevitable.

Year ended October 31,	1957 £'000s	1958 £'000s
Consolidated earnings:		
Trading profit	4,021	2,777
Tax	2,100	1,488
Net profit	2,163	1,640
Ordinary dividend	814	814
Retained	1,318	794
Consol. balance sheet:		
Net fixed assets	8,326	9,011
Stocks	6,626	6,161
Debtors	1,976	1,944
Liquid assets	12,172	12,344
Net current assets	17,622	17,048

The group has hardly begun to tread the path of diversification—indeed, three of the four new subsidiaries it acquired during the year were in the textile industry. Formed in an earlier slump in a deliberate attempt to bring some measure of rationalisation to the industry it is perhaps more difficult for Lancashire Cotton to adopt a policy of diversification than it is for other cotton spinners.

In contrast, the **Amalgamated Cotton Mills Trust** seems to have been more bold, but it too has broadened its base within the textile industry, not outside it. Towards the end of 1958, following a £1.6m take-over bid, it added British Van Heusen shirts and collars to the "Adastra," "Vantella" and "Aertex" clothing it already supplied. In so doing it probably exhausted its £750,000 of liquid assets. But, like Lancashire Cotton, Amalgamated Cotton cannot opt out of the industry's ills, and its net profits of £194,599 for the year to September 27th compare with those of £249,498 for the previous nine months. The ordinary dividend is set at 25 per cent, but this represents effectively a slight cut in the payment, for 20 per cent was declared for the preceding nine months. At 9s. 6d.xd. the 5s. shares yield 13 per cent.

WEST RIDING WOOLLEN AND WORSTED

SIR JOHN KEELING strikes a note of optimism in his statement with the full accounts of West Riding Worsted and Woollen Mills for the year to August 31st. He points out that since mid-October wool prices have steadied and he argues that once confidence revives there should be a substantial backlog of orders to work off. Since the end of the financial year the group's factories have been "well employed," and profits running well above the previous year's levels. There are other reasons for encouragement as well. First, though wool prices fell by 30 per cent during the financial year, bringing stock losses in its train and dragging down profits before tax from £925,432 to £695,094, production fell by only 10 per cent while equity earnings of 23 per cent were sufficient for the payment of a maintained ordinary dividend of 17 per cent. Secondly, the current year will benefit from a full twelve months of profits tax at a flat rate. Thirdly, West Riding's liquid resources have been strengthened, the bank overdraft having been reduced from £553,524 to £73,524 and cash balances having been strengthened from £115,220 to £294,715. The Bradford woollen industry is noted for its volatility and the stock market is not taking too much for granted in pricing the company's £1 units at 48s. 3d., to offer a yield of 7 per cent.

London Stock Exchange

FIRST DEALINGS:	Jan. 14	Jan. 28	Feb. 11
LAST DEALINGS:	Jan. 27	Feb. 10	Feb. 24
ACCOUNT DAY:	Feb. 3	Feb. 17	Mar. 3

AFTER a few days of uneasiness gilt-edged stocks rallied, as sterling was firm and there was some talk of a further reduction in Bank rate. At Wednesday's close some losses remained, but there was a further improvement on Thursday. Old Consols rose 1/8 on balance to 52 1/16. In the medium dated stocks Transport 4 per cent 1972-1977 rose by ¼ to 85¾ and the "tap" stock, Funding 5½ per cent 1982-1984, rose by 1/8 to 102 3/16.

Election fears encouraged some investors to sell equity shares and prices fell in every section of the industrial market; *The Economist* Indicator fell by 6.6 points over the week to 245.0. Hoover fell by 2s. 6d. to 56s. 9d., British Oxygen by 1s. 9d. to 51s. 3d., and Glaxo by 1s. 6d. to 41s. 6d. Unilever NV fell by 2s. to 107s. despite Amsterdam buying and the Limited shares were 1s. 9d. lower at 93s. 9d. Steels were weak as the market awaited Labour's policy statement, John Summers losing 2s. 3d. to 35s. 9d. and United Steel 2s. to 25s. 3d. Textiles were dull, following the decision against the yarn spinners' price maintenance agreement; Lancashire Cotton fell by 4s. 1½d. to 35s. 10½d., Fine Spinners by 9d. to 19s. 3d. and Bradford Dyers by 1s. 10½d. to 16s. 1½d. Electricals were affected by the cut in GEC's interim dividend; AEI fell by 2s. 6d. to 55s., but English Electric closed only 3d. lower at 58s. 6d. Reyrolle fell by 3s. 3d. to 89s. 9d. and "Emmies" by 1s. 3d. to 53s. 6d. In shipping Donaldson gained 2s. to 26s., although P & O weakened by 1s. 3d. to 36s. In shipbuilding, Harland & Wolff rose by 2s. 7½d. to 24s. 1½d., and John Brown by 2s. 4½d. to 34s. 1½d. Stores shares rallied after the initial uncertainty following the Chancellor's statement on purchase tax, Harrods closing 2s. 6d. higher at 78s. Sun Insurance lost 3s. 9d. to 175s. and Equity and Law 5s. to 186s. 3d. In property shares Baranquilla gained 3d. to 81s. 3d. and City Centre 4s. to 49s. 6d., as it was announced that Pearl Assurance and City Centre had bought a substantial interest in Baranquilla.

Oil shares remained firm after optimistic forecasts from the United States on earnings prospects, and Shell Trinidad, on US buying, jumped from 125s. to 134s. 9d. Royal Dutch rose by 1 3/8 to 17 3/8 and Shell, which attracted some Paris buying, rose by 4s. to 150s. Kaffir shares after some initial uncertainty went ahead strongly following the lead of FS Geduld, which jumped a further 13s. 9d. to 146s. 3d. on Thursday following the announcement of good development values. Union Corporation rose by 1s. 10½d. to 51s. 3d. and Selection Trust by 1s. 3d. to 103s. 1½d. Coppers were better following the rise in the price of the metal, Bancroft gaining 1s. to 29s. 3d. and Nchanga 3/8 to 11½.

LONDON AND NEW YORK STOCKS

Prices, 1958/9 High	Prices, 1958/9 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 21, 1959	Price, Jan. 28, 1959	Net Yield, Jan. 28, 1959 £ s. d.	Gross Yield, Jan. 28, 1959 £ s. d.
$100^{3}/_{16}$	$96^{1}/_{16}$	War Loan 3% 1955–59	$100^{5}/_{32}$	$100^{1}/_{8}$	1 0 3	2 16 3
$97^{5}/_{8}$	$90^{5}/_{8}$	Funding $2^{1}/_{2}$% 1956–61	$97^{1}/_{16}$	$97^{3}/_{8}$	2 10 5	3 15 0
99	$93^{3}/_{16}$	Exchequer $2^{1}/_{2}$% 1960	$98^{29}/_{32}$	$98^{29}/_{32}$	2 5 1	3 1 6
$100^{1}/_{16}$	$95^{3}/_{16}$	Exchequer 3% 1960	100	$100^{1}/_{32}$	2 19 6	3 19 0
$101^{1}/_{16}$	$95^{5}/_{16}$	Conversion $4^{1}/_{2}$% 1962	101	$101^{1}/_{32}$	2 5 4	4 2 10
$95^{5}/_{32}$	$88^{5}/_{8}$	Exchequer 3% 1962–63	$95^{3}/_{32}$	$95^{3}/_{32}$	2 17 5	4 4 6
$101^{29}/_{32}$	$99^{7}/_{16}$	Conversion $4^{1}/_{2}$% 1963	$101^{7}/_{16}$	$101^{7}/_{8}$	2 6 9	4 4 8
$92^{3}/_{4}$	$83^{5}/_{8}$	Savings Bonds 3% 1955–65	$92^{1}/_{16}$*	$92^{1}/_{16}$*	3 1 3	4 7 9
$85^{9}/_{16}$	$77^{5}/_{8}$	Funding 3% 1959–69	$85^{1}/_{4}$	$85^{5}/_{16}$	3 10 6	4 19 7
$92^{1}/_{16}$	$86^{3}/_{8}$	Funding 4% 1960–90	$91^{7}/_{8}$	$91^{7}/_{8}$ {	4 19 10 4 11 0	12 0 9e 2 14 4
$83^{7}/_{16}$	75	Savings Bonds 3% 1960–70	$83^{1}/_{4}$	$81^{13}/_{16}$*	3 13 0	5 1 4
$93^{5}/_{8}$	$84^{3}/_{8}$	Exchequer $2^{1}/_{2}$% 1963–64	$93^{3}/_{8}$	$93^{3}/_{8}$	2 17 2	4 0 4
$100^{5}/_{32}$	$99^{11}/_{16}$	Conversion $4^{1}/_{2}$% 1964	$100^{5}/_{32}$	$100^{5}/_{32}$	2 10 10	4 9 4
86	$78^{3}/_{8}$	Savings Bonds $2^{1}/_{2}$% 1964–67	$85^{5}/_{8}$	$85^{5}/_{16}$	3 11 2	4 15 4
$76^{7}/_{8}$	$69^{5}/_{8}$	Savings Bonds 3% 1965–75	$75^{7}/_{8}$*	$75^{3}/_{4}$*	3 13 10	5 3 10
$105^{5}/_{16}$	$99^{1}/_{2}$	Exchequer $5^{1}/_{2}$% 1966	$105^{1}/_{4}$	$105^{3}/_{16}$	2 10 11	4 19 6
$85^{7}/_{8}$	$78^{5}/_{8}$	Funding 3% 1966–68	$85^{9}/_{16}$*	$85^{1}/_{2}$*	3 10 8	4 18 7
$98^{1}/_{8}$	$91^{5}/_{8}$	Victory 4% 1920–76	93	$96^{1}/_{4}$*	2 14 9	4 9 3
$89^{13}/_{16}$	$81^{9}/_{16}$	Conversion $3^{1}/_{2}$% 1969	$89^{7}/_{16}$	$83^{5}/_{8}$*	3 6 7	4 18 2
$100^{1}/_{4}$	$97^{1}/_{4}$	Conversion $5^{1}/_{4}$% 1974	$97^{1}/_{2}$	$99^{3}/_{8}$	3 1 7	5 7 0
$78^{7}/_{8}$	$71^{1}/_{8}$	Treasury $3^{1}/_{2}$% 1977–80	$78^{1}/_{2}$	$78^{1}/_{2}$	3 9 3	5 4 4
$78^{3}/_{8}$	$70^{3}/_{8}$	Treasury $3^{1}/_{2}$% 1979–81	$77^{1}/_{8}$*	$77^{1}/_{8}$*	3 10 1	5 5 1
$103^{1}/_{4}$	$99^{1}/_{2}$	Funding $5^{1}/_{2}$% 1982–84	$101^{7}/_{8}$	$102^{3}/_{8}$	3 0 7	5 6 9
$67^{5}/_{8}$	60	Redemption 3% 1985–96	$67^{1}/_{8}$	67	3 5 9	5 0 4
$74^{1}/_{2}$	$64^{3}/_{8}$	Funding $3^{1}/_{2}$% 1999–2004	$72^{7}/_{8}$	$72^{5}/_{8}$	3 3 1	5 1 1
$76^{5}/_{8}$	$69^{7}/_{16}$	Consols 4% ..after Feb. 1957	$74^{3}/_{8}$*	$74^{3}/_{8}$*	3 1 10	5 7 6
$69^{7}/_{16}$	$63^{1}/_{2}$	War Loan $3^{1}/_{2}$% ..after 1952	$67^{1}/_{8}$	67	3 0 4	5 5 5
$68^{7}/_{8}$	$62^{3}/_{8}$	Conv. $3^{1}/_{2}$% ..after Apr. 1961	$67^{1}/_{2}$	$67^{3}/_{8}$	3 0 4	5 5 9
60	$54^{5}/_{8}$	Treasury 3% ..after Apr. 1966	59	$58^{3}/_{4}$	2 19 3	5 3 10
$53^{1}/_{2}$	$46^{3}/_{4}$	Consols $2^{1}/_{2}$%	$46^{3}/_{4}$	$52^{7}/_{8}$	2 14 6	5 4 14
$51^{3}/_{16}$	$46^{3}/_{8}$	Treasury $2^{1}/_{2}$% after Apr. 1975	50	$50^{3}/_{8}$	2 18 1	5 1 8
$95^{5}/_{8}$	$90^{1}/_{8}$	British Electric $4^{1}/_{2}$% 1967–69	$94^{3}/_{4}$*	$95^{1}/_{8}$*	3 2 6	5 1 9
$79^{11}/_{16}$	$72^{1}/_{16}$	British Electric 3% ..1968–73	$79^{3}/_{8}$	$79^{1}/_{4}$	3 13 4	5 3 9
$76^{11}/_{16}$	$68^{3}/_{8}$	British Electric 3% ..1974–77	$76^{3}/_{8}$	$76^{1}/_{4}$	3 11 4	5 2 6
$89^{3}/_{8}$	$82^{5}/_{8}$	British Electric $4^{1}/_{2}$% 1974–79	$89^{1}/_{4}$	$89^{3}/_{8}$	3 9 2	5 4 3
$79^{3}/_{8}$	$72^{5}/_{16}$	British Electric $3^{1}/_{2}$% 1976–79	$79^{1}/_{16}$	$79^{1}/_{4}$	3 9 0	5 4 11
$83^{3}/_{4}$	$82^{7}/_{16}$	British Gas 4% 1969–72	$88^{1}/_{2}$*	$88^{5}/_{8}$*	3 7 0	5 3 5
$87^{1}/_{16}$	$79^{1}/_{4}$	British Gas $3^{1}/_{2}$% 1969–71	$86^{13}/_{16}$	87	3 7 3	5 1 1
$68^{15}/_{16}$	$60^{7}/_{16}$	British Gas 3% 1990–95	$69^{3}/_{8}$	$69^{3}/_{16}$	3 4 11	4 18 9
$79^{11}/_{16}$	$72^{1}/_{16}$	Brit. Transport 3% ..1963–73	$79^{3}/_{8}$	$79^{1}/_{4}$	3 13 4	5 3 9
$85^{13}/_{16}$	$79^{1}/_{4}$	Brit. Transport 4% ..1972–77	$85^{1}/_{2}$	$85^{3}/_{8}$	3 7 1	5 1 11
$68^{15}/_{16}$	$60^{15}/_{16}$	Brit. Transport 3% ..1978–83	69	$67^{11}/_{16}$	3 10 0	5 3 4

Prices, 1958/9 High	Prices, 1958/9 Low	FIXED INTEREST STOCKS	Price, Jan. 21, 1959	Price, Jan. 28, 1959	Yield, Jan. 28, 1959 £ s. d.
		DOMINION AND COLONIAL			
$101^{1}/_{4}$	$94^{1}/_{2}$	Australia $4^{1}/_{2}$% 1960–62	$101^{1}/_{4}$	$101^{1}/_{2}$	3 11 0e
$106^{1}/_{2}$	$97^{7}/_{8}$	Australia 6% 1974–76	$106^{1}/_{2}$	$106^{1}/_{2}$	5 7 3e
$76^{3}/_{4}$	$73^{1}/_{2}$	Ceylon 4% 1973–75	$76^{3}/_{4}$	$76^{3}/_{4}$	6 6 7f
$102^{1}/_{4}$	$94^{1}/_{2}$	Jamaica 6% 1977–82	$101^{1}/_{2}$*	$99^{1}/_{2}$	6 0 11e
$106^{7}/_{8}$	$97^{7}/_{8}$	New Zealand 6% 1976–80	$106^{3}/_{4}$	$104^{1}/_{4}$*	5 12 2e
$101^{7}/_{8}$	$91^{3}/_{4}$	Rhodesia and Nyasaland 6% 1976–79	$101^{3}/_{4}$	$101^{1}/_{2}$	5 17 3e
$74^{5}/_{8}$	69	Southern Rhodesia $2^{1}/_{2}$% 1965–70	$73^{7}/_{8}$	$73^{3}/_{4}$	5 15 11
		CORPORATION AND PUBLIC BOARDS			
102	$98^{1}/_{4}$	Agricultural Mortgage $5^{1}/_{2}$% 1980–85	$100^{1}/_{2}$	$100^{1}/_{2}$	5 9 2e
105	$98^{7}/_{8}$	Birmingham $5^{3}/_{4}$% 1974–76	103	103	5 9 1e
$92^{3}/_{4}$	86	Bristol 3% 1958–63	$92^{1}/_{2}$	$92^{1}/_{2}$	5 2 0f
97	$91^{1}/_{2}$	Glasgow $4^{3}/_{4}$% 1966–68	$96^{3}/_{4}$	97	5 3 4f
101	$96^{1}/_{2}$	Corporation of London $5^{1}/_{4}$% 1976–79	$100^{3}/_{4}$	101	5 3 5f
$57^{3}/_{4}$	53	L.C.C. 3% ..... after 1920	$56^{1}/_{2}$	$56^{1}/_{2}$	5 6 2f
64	56	Met. Water Board 'B' 3% 1934–2003	$63^{1}/_{2}$	$63^{1}/_{2}$	5 1 11f
		FOREIGN BONDS			
107	83	German 7% 1924 (British Enfaced 5%)	$106^{1}/_{2}$	107	...
$184^{1}/_{2}$	154	German $5^{1}/_{2}$% 1930 (Enfaced $4^{1}/_{2}$%)	$183^{1}/_{2}$	$184^{1}/_{2}$	...
28	$12^{3}/_{4}$	Greek 7% Refugee 1924	$27^{3}/_{4}$	$25^{1}/_{2}$	Nil
169	160	Japan 5% (Enfaced) 1907	$166^{1}/_{2}$	167	...
$119^{1}/_{2}$	$105^{1}/_{2}$	Japan 6% (Enfaced) 1924	$115^{1}/_{4}$ *	115	...
$58^{1}/_{4}$	48	Uruguay $3^{1}/_{2}$% Bonds (Assented)	58	$58^{1}/_{4}$	...

NEW YORK CLOSING PRICES

	Jan. 21 $	Jan. 28 $		Jan. 21 $	Jan. 28 $		Jan. 21 $	Jan. 28 $
Ath. Topeka...	$29^{7}/_{8}$	$28^{3}/_{8}$	Boeing	$45^{1}/_{2}$	$42^{3}/_{4}$	Inter. Nickel ..	$88^{5}/_{8}$	$89^{1}/_{2}$
Can. Pacific....	$31^{1}/_{8}$	$30^{5}/_{8}$	Celanese	$29^{3}/_{8}$	$27^{3}/_{8}$	Inter. Paper	$119^{5}/_{8}$	119
Pennsylvania...	$18^{1}/_{4}$	$17^{3}/_{4}$	Chrysler	$53^{1}/_{2}$	$51^{1}/_{4}$	Kennecott.....	$103^{7}/_{8}$	104
Union Pacific ..	$36^{1}/_{8}$	$35^{7}/_{8}$	Col. Palmolive .	$90^{1}/_{2}$	$88^{7}/_{8}$	Monsanto	$42^{1}/_{8}$	$41^{3}/_{8}$
Amer. Electric .	$51^{5}/_{8}$	$50^{3}/_{4}$	Crown Zeller..	$58^{1}/_{4}$	56	Nat. Distillers .	$31^{5}/_{8}$	$30^{3}/_{8}$
Am. Tel. & Tel..	$230^{3}/_{4}$	$229^{5}/_{8}$	Distillers Seag..	$35^{3}/_{8}$	35	Pan-American..	$29^{1}/_{4}$	$29^{1}/_{4}$
Cons. Edison ..	$67^{1}/_{2}$	$65^{3}/_{8}$	Douglas	59	$57^{5}/_{8}$	Procter Gamble	$76^{1}/_{2}$	$75^{7}/_{8}$
Int. Tel. & Tel..	$62^{5}/_{8}$	$59^{7}/_{8}$	Du Pont	$213^{3}/_{4}$	$209^{1}/_{2}$	Radio Corpn....	$49^{3}/_{4}$	$46^{1}/_{2}$
Standard Gas ..	$3^{1}/_{2}$	$3^{1}/_{4}$	East. Kodak ...	$145^{3}/_{4}$	$143^{1}/_{4}$	Sears Roebuck..	$43^{5}/_{8}$	$43^{1}/_{4}$
United Corpn..	$8^{5}/_{8}$	$8^{5}/_{8}$	Ford Motor	$55^{3}/_{4}$	$54^{5}/_{8}$	Shell Oil	$85^{7}/_{8}$	$84^{1}/_{2}$
Western Union	$34^{1}/_{2}$	$33^{3}/_{4}$	Gen. Electric ..	$78^{3}/_{8}$	$78^{1}/_{4}$	Socony-Mobil ..	$49^{3}/_{8}$	50
Alcoa	$86^{1}/_{2}$	$82^{3}/_{8}$	General Foods .	81	$77^{1}/_{2}$	Stand. Oil Ind..	$48^{3}/_{4}$	$48^{1}/_{2}$
Aluminium	$32^{5}/_{8}$	$30^{7}/_{8}$	General Motors	$49^{7}/_{8}$	$48^{3}/_{4}$	Stand. Oil N.J..	58	$56^{1}/_{4}$
Amer. Can.....	$48^{7}/_{8}$	$48^{3}/_{8}$	Goodyear	125	124	20th Cent. Fox.	$39^{1}/_{8}$	$39^{3}/_{8}$
Am. Smelting..	$49^{3}/_{8}$	$50^{3}/_{4}$	Gulf Oil.....	$126^{1}/_{8}$	$124^{1}/_{4}$	Union Carbide.	$125^{3}/_{4}$	$124^{3}/_{4}$
Am. Viscose ...	$39^{3}/_{4}$	$38^{3}/_{4}$	Heinz.....	68	$68^{1}/_{2}$	U.S. Steel	97	$94^{7}/_{8}$
Anaconda	$67^{1}/_{4}$	$65^{3}/_{8}$	Int. Bus. Mach..	515	494	West. Electric .	$74^{1}/_{2}$	$71^{3}/_{4}$
Beth. Steel	$53^{1}/_{8}$	$52^{1}/_{4}$	Int. Harvester .	$41^{5}/_{8}$	$39^{7}/_{8}$	Woolworth ...	56	55

Prices, 1958/9 High	Prices, 1958/9 Low	ORDINARY STOCKS	Price, Jan. 21, 1959	Price, Jan. 28, 1959	Yield, Jan. 28, 1959
		STEEL AND ENGINEERING			
31/9	$24/11^{1}/_{2}$	Colvilles £1	30/3	30/–	8·67
30/6	$21/7^{1}/_{2}$	Dorman Long £1	29/3	$28/7^{1}/_{2}$	8·38
23/–	$19/10^{1}/_{2}$	Steel Co. of Wales £1	$23/–$	$21/4^{1}/_{2}$	8·42*
32/3	20/–	Stewarts & Lloyds £1	$26/7^{1}/_{2}$	25/–	8·80
$42/10^{1}/_{2}$	22/3	John Summers £1	38/–	35/9	8·95
30/3	17/9	United Steel £1	27/3	25/3	9·90
34/–	23/–	John Brown £1	32/3	$34/11^{1}/_{2}$	5·86
11 *b*	6/9	Cammell Laird 5/–	$9/7^{1}/_{2}$	$8/7^{1}/_{2}$	8·70
64/–	48/–	Swan Hunter £1	59/–	58/9	6·13
71_2 *b*	21_2 *a*	Vickers £1	$36/11^{1}/_{2}$	34/9	5·76
62_4 *b*	43_4 *a*	Averys £1	68/–	67/–	3·45
$17/7^{1}/_{2}$	12/9	Coventry Gauge 10/–	$17/–$	16/9	6·49
42/–	28/3	Alfred Herbert £1	40/–	$38/10^{1}/_{2}$	5·37
17/3	9/3	Ransome & Marles 5/–	17/–	17/–	4·41
41/3	$30/4^{1}/_{2}$	Renold Chains £1	41/3	40/9	6·13
42/9	21/9	Allied Ironfounders £1	40/–	37/6	6·67
55/6	$41/10^{1}/_{2}$	Babcock & Wilcox £1	48/6	47/3	5·50*
85/–	36/9	British Aluminium £1	82/–*m*	82/–*m*	4·27*
88/–	45/3	Davy & United £1	88/–	87/6	4·57
58/6	$34/7^{1}/_{2}$	Guest Keen £1	54/–	52/6	4·38
73/3	41/–	Metal Box £1	69/–	67/9	3·54
55/6	43/9	C. A. Parsons £1	51/6	49/–	3·06
27/9	23/–	John Thompson 5/–	24/6	24/3	5·15
86/–	48/6	Tube Investments £1	74/3	74/–	4·73
		BUILDING, etc			
54/6	31/–	Associated Portland £1	53/3	51/6	3·50
$22/11^{1}/_{2}$	$12/7^{1}/_{2}$	British Plaster Board .10/–	$21/10^{1}/_{2}$	21/3	5·88
69/9	$27/11^{1}/_{2}$	Richard Costain £1	64/3	62/9*	4·78
$10/11^{1}/_{2}$	6/3	Crittall Manufacturing .5/–	10/–	$9/10^{1}/_{2}$	7·59
64/9	$36/11^{1}/_{2}$	London Brick £1	63/3	62/6	5·00
86/9	52/6	Wall Paper Defd. £1	84/3	83/3	4·40
		CHEMICALS AND PAINT			
22/–	$13/4^{1}/_{2}$	Albright & Wilson 5/–	21/–	20/3	3·95
$20/4^{1}/_{2}$	$14/4^{1}/_{2}$	Borax Defd. 5/–	$16/11_2$	$15/9^{*}$	2·78
7/–	$4/10^{1}/_{2}$	Brit. Ind. Plastics 2/–	$7/3^{*}$	7/–	5·71
71/6	$42/10^{1}/_{2}$	Fisons £1	67/9	66/3	4·53
38/–	24/3	I.C.I. £1	36/3	34/9	4·60
14/–	$8/7^{1}/_{2}$	International Paints ...4/–	$13/7^{1}/_{2}$	13/6	5·33
16/6	12/6	Monsanto 5/–	$15/10^{1}/_{2}$	15/3	4·43
22/–	15/3	Pinchin Johnson 10/–	19/–	19/3	8·63
		ELECTRICAL AND RADIO			
58/5	47/–	A.E.I. £1	57/6	55/–	5·45
52/6	39/3	B.I.C.C. £1	49/6	46/3	5·41
42/9	$24/7^{1}/_{2}$	Decca Record 4/–	$35/12_b$	40/–*	5·00
63/–	21/–	E.M.I. 10/–	54/9	53/6	3·74
$61/10^{1}/_{2}$	44/6	English Electric £1	58/6¶	58/6	4·79
40/5	29/9	General Electric £1	39/3	33/9	5·63
17/–	10/3	Pye Defd. 5/–	15/–	$14/4^{1}/_{2}$	4·35
97/3	74/6	A. Reyrolle £1	93/–	89/9	3·90
		MOTORS AND AIRCRAFT			
$14/2^{1}$	$6/7^{1}/_{2}$	British Motor 5/–	$14/11^{1}/_{2}$	$13/8^{1}/_{4}$	6·39
52/–	31/9	Ford Motor £1	51/9	51/9	3·67
48/9	39/–	Leyland Motor £1	46/6	46/3	5·41
$7/10^{1}/_{2}$	$4/11^{1}/_{2}$	Rootes Motors 4/–	$7/7^{1}/_{2}$	7/6	4·27
10/–	$6/7^{1}/_{2}$	Standard Motor 5/–	$8/7^{1}/_{2}$	8/9	6·86
26/6	$14/4^{1}/_{2}$	Dunlop Rubber 10/–	24/–	$22/10^{1}/_{2}$	6·63
45/6	28/–	Joseph Lucas £1	44/6	44/3	4·52*
$26/11^{1}/_{2}$	$12/5^{1}/_{4}$	Pressed Steel 5/–	$24/2^{1}/_{2}$	$24/4^{1}/_{2}$	4·41
51/3	32/9	Triplex Holdings 10/–	48/6	49/6	5·56*
		PAPER AND NEWSPAPERS			
47/6	26/6	Bowater Paper £1	46/3	46/–	5·43
54/–	27/9	Albert E. Reed £1	52/3	53/–	5·28
24/9	16/–	Spicers £1	23/6	23/–	6·96
24/6	8/9	Daily Mirror 'A' 5/–	23/6	$23/1^{1}/_{2}$	4·22
29/–	18/6	Odhams Press 10/–	26/6*	27/–	6·48
		TEXTILES			
$24/11^{1}/_{2}$	19/6	J. & P. Coats £1	$23/7^{1}/_{2}$	22/6	7·78
21/–	$12/10^{1}/_{2}$	Fine Spinners £1	21/–	19/3*	10·39
$41/4^{1}/_{2}$	$29/10^{1}/_{2}$	Lancashire Cotton £1	40/–	$35/10^{1}/_{2}$	9·76
$38/4^{1}/_{2}$	30/–	Patons & Baldwins £1	$36/4^{1}/_{2}$	$35/7^{1}/_{2}$*	7·02
$6/8^{1}/_{4}$	4/3	Salts (Saltaire) 5/–	$5/7^{1}/_{2}$	5/6	5·45
$53/11^{1}/_{2}$	$38/4^{1}/_{2}$	Woolcombers £1	52/3	52/3	5·74
$19/11^{1}/_{2}$	$10/11^{1}/_{2}$	Bradford Dyers £1	18/–	$16/11^{1}/_{2}$	...
$48/4^{1}/_{2}$	$33/11^{1}/_{2}$	Calico Printers £1	39/4¶	37/9	11·92
$34/10^{1}/_{2}$	$19/7^{1}/_{2}$	Courtaulds £1	34/3	33/3	4·81
$13/7^{1}/_{2}$	$8/10^{1}/_{2}$	Jute Industries 10/–	11/9*	11/6*	11·30
30/6	15/3	Tootal £1	26/–	25/9	5·83
		DRAPERY & STORES			
$21/10^{1}/_{2}$	$14/9^{3}/_{4}$	Boots Pure Drug 5/–	20/6	20/–	3·60
30/–	16/9	Debenhams 10/–	29/–	28/–	5·36
34/3	17/3	G.U.S. 'A' 5/–	33/3	32/–	5·08
80/–	55/6	Harrods £1	75/6	78/–	4·47
35/3	20/3	House of Fraser 'A' ...5/–	34/3	34/–	5·15
16/6	10/6	Lewis's Investment ...4/–	16/6	16/6	3·30
55/9	37/3	Marks & Spencer 'A'..5/–	53/9	50/3	3·48
37/6	21/–	United Drapery 5/–	36/–	35/9	4·55
$53/11^{1}/_{2}$	$34/7^{1}/_{2}$	Woolworth 5/–	49/6	47/9*	4·19

Prices, 1958/9 High	Prices, 1958/9 Low	ORDINARY STOCKS	Price, Jan. 21, 1959	Price, Jan. 28, 1959	Yield, Jan. 28, 1959
		BANKING			
57/3	31/9	Barclays £1	56/6*	55/–	4·36
46/3	27/6	Lloyds £1	44/6*	45/3	4·42
87/3	57/6	Midland £1	85/3*	85/3	4·69**
92/–	59/3	National Provincial £1	90/–*	90/9	4·41
56/3	36/–	Westminster B' £1	53/3*	53/3	4·69
73/9	47/9	District £1	$69/41_2$*	$69/11_2$	4·92
$23/4^{1}/_{2}$	$12/11^{1}/_{2}$	Martins 5/–	$23/–$*	$23/4^{1}/_{2}$	4·28
33/3	$21/4^{1}/_{2}$	Com. Bk. of Scot. A' 10/–	$33/11^{1}/_{2}$	33/3	3·76
69/9*	46/–	Royal Bank of Scotland .£1	68/6	67/9	4·72
38/9	27/6	Barclays D.C.O. £1	38/9	37/9	4·77
46/6	31/3	Chartered Bank £1	45/–	44/3	6·78
£203/16	£20	Royal Bank of Canada $10	£283/-	£281/4	2·93
£203/4	£141/516	Bank of Montreal $10	£20	£197/16	3·13
313/4	255/8	Bank of New S. Wales £20	314	311/4*	4·61g
34/3	28/–	Bank of Ldn. & S. Amer. £1	33/3	32/6	5·54
		FINANCIAL			
30/–	18/–	Alexanders £1	30/–	29/–*	5·17
49/–	29/6	National Discount 'B' ..£1	44/6*	45/–	5·33
63/–	40/9	Union Discount £1	61/6	59/9*	4·18
44/6	32/9	Commercial Union.....5/–	44/–	43/3	4·24
43/9	102/6	Employers Liability £1	138/9	136/3	4·04
196/3	117/6	Equity & Law 8/6	191/3	186/3	2·57
102/6	113/9	Legal & General 5/–	196/3	195/–	2·56
20/–	86/3	Pearl 5/–	118/6	117/–	5·20
125/–	154/–	Prudential 'A' 4/–	217/6	210/–	4·90
83/–	63/9	Royal Exchange £1	82/6	81/3	3·94
37/11	16/–	Bowmaker 5/–	10 *a*	$17^{1}/_{2}$ *b*	3·81
13/9	16/10	Lombard Banking 5/–	17_2 *b*	17_2 *a*	3·30
28/9	73/3	U.D.T. £1	16 *b*	4 *a*	5·23
40/–	19/9	B.E.T. A' Defd. 5/–	$17^{1}/_{2}$ *b*	10 *a*	3·79
$13/10^{1}/_{2}$	7/11	Cable & Wireless 5/–	10 *c*	10 *c*	3·81
23/3	$7/10^{1}/_{2}$	Land Securities 10/–	$21/10^{1}/_{2}$	$21/–$	2·86**
16/9	$8/7^{1}/_{2}$	London & County 10/–	16/6	$15/4^{1}/_{2}$*	4·34**
		FOOD, DRINK AND TOBACCO			
52/6	27/–	Allied Bakeries 'A' 5/–	49/6	50/9	2·96
20 *c*	7 *a*	Beecham Group 5/–	24/–	$23/7^{1}/_{2}$	4·23
7 *b*	$2^{1}/_{2}$ *a*	International Tea 5/–	11/3	11/3	4·22
$9^{1}/_{4}$ *b*	5 *a*	J. Lyons 'A' £1	78/11	75/9	3·74
5 *a*	5 *b*	Ranks 10/–	19/6	19/6	5·13
12 *b*	$4^{1}/_{2}$ *a*	Schweppes 5/–	$18/10^{1}/_{2}$	18/6	4·05**
10 *a*	10 *b*	Tate & Lyle £1	71/–	68/3	4·84
7 *a*	$13^{1}/_{2}$ *b*	United Dairies £1	64/3	63/–	4·76
10 *a*	36 *b*	Bass 5/–	47/–	46/–	5·00
$6^{3}/_{4}$ *b*	4 *a*	Distillers 10/–	24/9	$24/4^{1}/_{2}$	4·38
6 *a*	11 *b*	Flowers 5/–	$14/10^{1}/_{2}$	14/9	5·76
10 *a*	18 *b*	Guinness 10/–	55/3	55/6	5·05
4 *a*	10 *b*	Ind Coope & Allsopp.. 5/–	13/3	$12/10^{1}/_{2}$	5·44
$7^{1}/_{2}$ *a*	$13^{1}/_{2}$ *b*	Watney Mann Defd. £1	78/3	77/9	5·40
17 *b*	8 *a*	Whitbread 'A' £1	102/6	102/6	4·88
$16^{3}/_{4}$ *b*	10 *a*	Brit. Amer. Tobacco .10/–	57/9	56/–	5·18
20 *b*	5 *a*	Gallaher 10/–	40/9	$40/41_2$¶	6·19
$11^{1}/_{2}$ *b*	$8^{1}/_{2}$ *a*	Imperial Tobacco £1	$55/7^{1}/_{2}$	55/6	7·21

Prices, 1958/9 High	Prices, 1958/9 Low	MISCELLANEOUS	Price, Jan. 21, 1959	Price, Jan. 28, 1959	Yield, Jan. 28, 1959
50/9	15/9	Assoc. Brit. Picture ...5/–	49/6	46/–*	...
45/6	28/–	British Match £1	43/6	43/–*	5·12
54/6	28/3	British Oxygen £1	53/6	51/9	3·86
10/6	6/9	British Ropes 2/6	10/3	10/6	4·05
44/–	21/–	Glaxo 10/–	43/–‖	41/6	2·81
59/–	31/3	Hoover 'A' 5/–	58/6	56/9	4·41
195/–	133/9	Hudson's Bay £1	180/–	180/–	2·70
10/9	$5/7^{1}/_{2}$	Rank Organisation 5/–	10/6	10/9	2·33
$17/11^{1}/_{2}$	$11/8^{1}/_{4}$	Sears 'A' 5/–	$16/10^{1}/_{2}$	$16/4^{1}/_{2}$	6·87
63/6	44/–	Thomas Tilling £1	62/6	62/3	4·26
$76/4^{1}/_{2}$	$52/11^{1}/_{2}$	Turner & Newall £1	72/3	71/3	4·21
96/–	$56/4^{1}/_{2}$

Money and Exchanges

EXCHEQUER RETURNS

For the week ended January 24, 1959, there was an "above-line" surplus (after allowing for Sinking Funds) of £157,180,000 compared with a surplus of £95,252,000 in the previous week and a surplus of £124,694,000 in the corresponding period of last year. There was a net receipt "below-line" of £7,329,000 leaving a total deficit of £544,943,000 compared with £557,906,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to Jan. 25, 1958	April 1, 1958, to Jan. 24, 1959	Week ended Jan. 25, 1958	Week ended Jan. 24, 1959
Ord. Revenue					
Income Tax	2312,500	1336,058	1399,523	139536	163236
Surtax	163,000	90,200	94,300	8,200	8,800
Death Duties	163,500	135,300	148,700	1,800	3,700
Stamps	56,250	53,600	49,700	300	1,100
Profits Tax, EPT & EPL	275,000	215,200	241,000	2,500	5,300
Other Inland Rev. Duties	...	350	350	...	...
Total Inland Rev.	2970,250	1830,708	1933,573	152336	182136
Customs	1256,940	997,134	1047,568	20,271	21,768
Excise	932,310	726,440	710,500	6,065	4,345
Total Customs and Excise	2189,250	1723,574	1758,068	26,336	26,113
Motor Duties	104,000	82,677	93,229	22,614	23,103
PO (Net Receipts)	2,000	5,400	...	4,850	...
Broadcast Licences	34,000	21,200	22,900	...	...
Sundry Loans	30,000	29,404	26,152	109	...
Miscellaneous	110,000	139,824	84,389	1,687	1,196
Total	5439,500	3832,787	3918,311	207932	232548
Ord. Expend.					
Debt Interest	695,000	525,897	558,514	7,634	7,098
Payments to N. Ireland Exchequer	73,000	54,967	55,476	3,636	...
Other Cons. Funds	10,000	8,103	7,433	7	...
Supply Services	4292,859	3253,725	3348,342	71,810	68,090
Total	5070,859	3842,692	3969,765	83,088	75,188
Sinking Funds	38,000	28,267	28,686	150	180
"Above-line" Surplus or Deficit	— 38,171	— 80,140	+ 124694 Cr.	+ 157180 Cr.	
"Below-line" Net Expenditure*	519,735	464,803	32,059	7,329	
	—	—	+	+	
Total Surplus or Deficit	557,906	544,943	156753	164509	
Net Receipts from:					
Tax Reserve Certificates	73,894	133,609	—41304	—51077	
Savings Certificates	—15,600	113,500	700	2,300	
Defence Bonds	—30,314	82,228	—957	5,170	
Premium Savings Bonds	64,880	55,365	2,120	2,090	
Total	92,860	384,702	—39441	—41517	

* Including net receipts of the Civil Contingencies Fund of £11 million in 1957 and 1958.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Jan. 25	3,300·0	1,707·0	208·4	4·8	5,221·0
Oct. 25	3,330·0	1,771·8	180·8	...	5,282·7
Nov. 1	3,340·0	1,755·3	193·9	...	5,289·2
„ 8	3,350·0	1,739·5	166·7	...	5,256·2
„ 15	3,370·0	1,655·2	194·4	...	5,219·6
„ 22	3,390·0	1,661·0	175·6	...	5,226·5
„ 29	3,410·0	1,659·2	173·3	...	5,242·5
Dec. 6	3,420·0	1,688·0	176·8	...	5,284·9
„ 13	3,440·0	1,687·6	190·1	...	5,317·7
„ 20	3,460·0	1,761·9	184·7	...	5,406·6
„ 31	5,351·0		222·2	0·3	5,573·4
1959					
Jan. 3	3,503·0	1,789·8	205·6	...	5,495·4
„ 10	3,450·0	1,734·9	206·0	...	5,390·8
„ 17	3,460·0	1,948·3	236·6	...	5,644·9
„ 24	3,370·0	1,940·8	213·0	3·3	5,527·0

THE MONEY MARKET

FOR the second week in succession, the Treasury "cut the top off" the bill tender on Friday of last week, allotting £220 million of the offer of £230 million. The discount market kept its concerted bid at £99 4s. 5d., and its allotment at this rate declined from 40 per cent to 31 per cent. Other tenderers raised their bids and the average rate of discount eased from £3 2s. 3.42d. to £3 2s. 1.96d. This week the offer of 91-day bills has been restricted to £220 million.

The market had a surplus of maturing bills over new bills of £90 million this week, but next week, unless the offer is again cut, the surplus will fall to £30 million. A little special help from the authorities was sufficient to tide over patchy conditions for much of this week, but credit was seldom easy. On Wednesday three or four houses borrowed small amounts from the Bank. Up to $3\frac{1}{8}$ per cent was paid for overnight money. Turnover in bills was small.

The US Treasury sold its latest offer of 91-day bills at an average rate of 2.975 against 3.035 previously, but the rate for 182-day bills rose from 3.233 per cent to 3.337 per cent.

The active circulation of Bank notes declined by £8.3 million to £2,003 million in the week to January 28th.

MONEY RATES: London

	%		%
Bank rate (from 4½% 20/11/58)	4	**Discount rates:** Bank bills:	
Deposit rates (max.):		60 days	$3\frac{1}{4}$–$3\frac{5}{16}$
Banks	2	3 months	$3\frac{1}{4}$–$3\frac{5}{16}$
Discount houses	2–$2\frac{1}{4}$	4 months	$3\frac{1}{4}$–$3\frac{5}{16}$
Money:		6 months	$3\frac{1}{4}$–$3\frac{3}{8}$
Day-to-Day	$2\frac{3}{8}$–$3\frac{1}{8}$	Fine trade bills:	
Treasury bills:		3 months	$4\frac{1}{4}$–5
2 months	$3\frac{3}{32}$	4 months	$4\frac{1}{4}$–5
3 months	$3\frac{1}{8}$	6 months	$4\frac{1}{2}$–$5\frac{1}{4}$

New York

	%		%
Official discount rate: (from 2% 23/10/58)	$2\frac{1}{2}$	**Treasury bills:** Jan. 19	3·035
		Jan. 26	2·975

BANK OF ENGLAND RETURNS

(£ million)	Jan. 29, 1958	Jan. 21, 1959	Jan. 28, 1959
Issue Department:			
Notes in circulation	1,957·2	2,011·2	2,002·9
Notes in banking dept.	43·2	39·2	47·4
Govt. debt and securities*	1,996·2	2,046·5	2,046·5
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	12·2	13·2	13·5
Bankers	205·1	248·0	229·2
Others	74·6	69·6	68·1
Total	291·9	330·8	310·3
Securities:			
Government	218·0	270·0	249·8
Discounts and advances	25·3	18·2	9·5
Other	21·4	21·0	21·0
Total	264·7	309·2	280·3
Banking department reserve	45·6	40·0	48·3
"Proportion"	% 15·6	% 12·0	% 15·5

* Government debt is £11,015,100, capital £14,553,000. *Fiduciary issue* reduced by £50 million to £2,050 million January 21, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million): Alloted	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1958	91 *day*		s. d.	%
Jan. 24	230·0	421·0	125 6·56	24
Oct. 24	250·0	409·6	73 7·94	36
	91 *day* 63 *day*			
„ 31	200·0 50·0	442·9	71 8·23	46
Nov. 7	270·0 ...	433·7	71 7·04	45
„ 14	210·0 60·0	408·3	71 0·97	68
„ 21	210·0 60·0	408·5	68 4·68	42
„ 28	230·0 50·0	418·9	66 1·20	79
Dec. 5	260·0 30·0	489·2	64 5·75	40
„ 12	240·0 50·0	485·3	62 4·92	67
„ 19	240·0 50·0	443·5	63 0·96	73
„ 24	230·0 50·0	423·0	63 0·47	60
1959	91 *day*			
Jan. 2	260·0	402·8	62 11·35	52
„ 9	260·0	407·4	62 10·22	47
„ 16	220·01	414·0	62 3·42	40
„ 23	220·02	415·1	62 1·96	31

* On January 23rd tenders for 91 day bills at £99 4s. 5 secured 31 per cent, higher tenders being allotted in ful The offer this week was for £220 million of 91 day bill 1 £240 million offered. 2 £230·0 mn. offered.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 28	Market Rates: Spot: January 22	January 23	January 24	January 26	January 27	January 28
United States $	2·78–2·82	$2·80^{11}/_{16}$–$^{13}/_{16}$	$2·80^{13}/_{16}$–$^{15}/_{16}$	$2·80^{13}/_{16}$–$^{15}/_{16}$	$2·80^{15}/_{16}$–$81^{1}/_{16}$	$2·80^{15}/_{16}$–$81^{1}/_{16}$	$2·80^{13}/_{16}$–$^{15}/_{16}$
Canadian $	...	2·71⅞–¾	$2·71^{11}/_{16}$–$^{13}/_{16}$	$2·71^{11}/_{16}$–$^{13}/_{16}$	$2·71^{11}/_{16}$–$^{13}/_{16}$	$2·71^{13}/_{16}$–$^{15}/_{16}$	$2·71^{11}/_{16}$–$^{13}/_{16}$
French Fr.	13·6220–14·0265	13·76⅝–⅞	13·77–77¼	13·77⅛–⅜	13·77⅜–78	13·77⅝–⅞	13·77–77¼
Swiss Fr.	11·94–12·54⅞	12·09⅞–10⅛	12·10⅛–¾	12·10⅛–¼	12·11⅜–⅝	12·11–11¼	12·10⅝–⅞
Belgian Fr.	137·96–142·05	140·30–35	140·30–35	140·35–40	140·42½–47½	140·45–50	140·37½–42½
Dutch Gld.	10·48–10·80	10·58¼–½	10·58¾–59	10·58⅞–59⅛	10·59¼–½	10·59¼–½	10·58⅞–59⅛
W. Ger. D-Mk.	11·59¼–11·92¾	11·72⅝–⅞	11·72¾–73	11·72⅞–73⅛	11·73¼–½	11·73⅛–⅜	11·73–73¼
Portuguese Esc.	79·17½–81·83½	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1746–46½	1745¾–46¼	1745¼–¾	1745–45½	1745–45½	1745–45½
Swedish Kr.	14·37¾–14·59¼	14·52¼–½	14·53¼–53	14·52⅞–53⅛	14·53⅛–⅜	14·53¼–½	14·52⅞–53⅛
Danish Kr.	19·06½–19·62	19·37–37¼	19·37⅛–⅜	19·37⅛–⅜	19·36½–¾	19·36½–¾	19·36½–¾
Norwegian Kr.	19·71–20·30½	20·01⅝–⅞	20·01¾–02	20·01⅞–02⅛	20·01⅞–02⅛	20·02½–¾	20·02½–¾
One Month Forward Rates							
United States $		3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm
Canadian $		par–1c. dis	1/16c.pm–1/16c.dis	1/16c.pm–1/16c.dis	1/16c.pm–1/16c.dis	1/16c.pm–1/16c.dis	1/16c.pm–1/16c.d
French Fr.		par–3c. dis	par–3c. dis	par–3c. dis	par–3c. dis	par–3c. dis	par–2c. dis
Swiss Fr.		1¼–1c. pm	1–¾c. pm	1–¼c. pm	1⅛–⅞c. pm	1⅛–⅞c. pm	1⅛–⅞c. pm
Belgian Fr.		par–5c. dis	par–5c. dis	par–5c. dis	par–5c. dis	2–7c. dis	2–7c. dis
Dutch Gld.		⅝–⅜c. pm	⅝–⅜c. pm	⅝–⅜c. pm	⅞–⅝c. pm	⅞–⅝c. pm	⅞–⅝c. pm
W. Ger. D-Mk.		⅝–⅜pf. pm	⅝–⅜pf. pm	⅝–⅜pf. pm	⅝–⅜pf. pm	⅝–⅜pf. pm	⅝–⅜pf. pm
Three Months Forward Rates							
United States $		5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–1/16c. pm
Canadian $		1/16–3/16c. dis	par–1c. dis	par–1c. dis	1/16c.pm–1/16c.dis	1/16c.pm–1/16c.dis	1/16c.pm–1/16c.d
Swiss Fr.		2¼–2½c. pm	2¾–2½c. pm	2¾–2½c. pm	2¾–2⅝c. pm	2⅞–2⅝c. pm	2⅞–2⅝c. pm
W. Ger. D-Mk.		1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/11¼	249/9½	...	249/7¾	249/6¾	249/7¾

UK External Trade

Imports are valued cif: exports fob.
Total trade unless otherwise stated.

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

BRITISH

Prices and Wages	Jan. 10th	External Trade	This week
Manpower and Output	Jan. 24th	Industrial Profits	Jan. 17th

OVERSEAS

Western Europe Statistics	Dec. 6th	United States	Dec. 20th

	Unit	Monthly averages: 1956	1957	1958	1957: Oct.	Nov.	Dec.	1958: Sept.	Oct.	Nov.	Dec.
VALUE											
Imports:											
Total	£ million	323·8	339·6	315·0	353·1	319·9	313·6	311·2	328·0	313·0	353·5
Food, drink and tobacco	„	120·7	124·7	125·5	133·2	114·0	117·2	123·8	136·3	128·3	147·3
Basic materials	„	91·9	97·4	75·7	99·7	87·8	87·1	69·6	70·9	71·9	78·3
Fuels	„	34·5	38·9	36·7	36·1	35·9	34·4	39·6	40·8	37·1	43·7
Manufactures	„	75·5	77·4	75·7	82·8	80·8	73·4	76·9	78·9	74·0	82·2
Exports of UK produce:											
Total	„	264·3	277·1	267·3	271·8	286·9	282·4	240·4	266·8	291·0	269·4
Manufactures—Total	„	218·3	229·5	224·0	222·1	233·5	233·5	199·0	222·8	240·1	221·2
„ Metals	„	36·8	39·7	36·1	39·6	39·7	37·8	32·9	35·1	42·7	39·2
„ Engineering products	„	105·8	112·9	116·4	107·6	115·7	122·2	101·6	115·7	121·8	113·0
„ Textiles	„	24·6	25·1	21·3	24·0	24·6	23·7	18·0	19·1	21·3	19·4
Re-exports	„	12·2	11·1	12·3	11·2	11·0	12·2	10·9	12·2	12·9	10·4
Balance of trade (exports *less* imports)	„	—47·3	—51·4	—35·4	—70·1	—22·0	—19·0	—59·9	—49·0	— 9·1	—73·7
VOLUME											
Imports											
Total	1954=100	111	115	...	...	115[4]	...	113[3]	118	114	...
Food, drink and tobacco	„	109	113	...	...	115[4]	...	118[3]	...	...	...
Basic materials	„	102	106	...	...	103[4]	...	90[3]	...	...	...
Fuels	„	115	114	...	...	112[4]	...	128[3]	...	...	...
Manufactures	„	125	130	...	...	135[4]	...	131[3]	...	...	...
Exports:											
Total	„	114	116	...	...	117[4]	...	109[3]	112	122	...
Manufactures	„	115	118	...	...	117[4]	...	111[3]	...	...	...
BY AREA											
Imports:	£ million										
Dollar area—Total	„	71·0	80·4	65·7	84·5	76·6	70·5	65·3	65·8	65·6	82·3
„ „ USA	„	34·0	40·2	29·3	43·5	36·7	31·9	30·5	33·3	33·4	39·3
„ „ Canada	„	29·0	26·7	25·7	27·5	29·0	27·8	25·7	24·4	23·9	32·2
Non-sterling OEEC countries	„	79·6	80·8	80·4	91·4	84·8	77·6	79·2	87·2	78·4	88·9
Sterling area	„	126·5	129·3	119·4	124·5	112·9	118·5	113·4	122·6	118·1	126·0
Exports:											
Dollar area—Total	„	45·2	47·8	48·5	45·7	51·4	49·3	48·5	51·8	55·0	52·6
„ „ USA	„	21·6	21·5	24·5	20·6	22·9	21·6	24·2	28·1	28·9	29·0
„ „ Canada	„	15·2	16·7	16·1	16·3	17·3	14·3	12·8	16·8	17·5	15·9
Non-sterling OEEC countries	„	75·1	78·2	72·9	78·2	75·6	72·4	68·0	70·7	73·9	75·4
Sterling area	„	122·4	127·2	123·5	126·6	133·7	135·3	105·4	123·8	132·8	116·8
Balance of trade (exports *less* imports):											
Dollar area	„	—25·8	—32·6	—16·8	—38·8	—25·2	—21·1	—16·8	—14·0	—10·6	—29·7
Non-sterling OEEC countries	„	— 4·5	— 2·6	—7·5	—13·2	— 9·2	— 5·2	—11·2	—16·5	— 4·5	—13·5
Sterling area	„	— 4·1	— 2·1	+4·1	+ 2·1	+20·8	+16·9	— 8·0	+ 1·2	+14·7	—9·2
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	398·4	377·6	376·8	394·8	409·1	419·4	348·4	406·1	279·7	372·7
Meat	„	72·4	74·2	69·4	64·4	64·0	51·7	62·6	56·5	76·4	69·2
Sugar, unrefined	„	194·3	235·6	220·1	282·3	216·6	261·5	225·0	238·2	200·3	235·0
Raw cotton (1)	„	27·0	30·7	21·5	32·2	22·3	25·8	16·4	9·9	15·0	20·1
Raw wool, sheep's and lambs' (1)	mn. lb.	53·2	51·6	51·2	45·7	36·1	53·1	19·9	49·0	63·4	80·6
Rubber, natural and synthetic (1)	'000 tons	18·2	22·7	17·0	31·9	30·3	26·0	12·2	14·5	14·4	17·3
Softwood	'000 stds.	104·8	120·0	106·5	155·5	140·8	102·0	131·4	124·4	132·4	135·4
Woodpulp	'000 tons	183·3	178·2	175·2	189·4	171·8	184·0	184·5	181·8	194·8	194·2
Crude petroleum	mn. galls.	618	605	732	624	651	618	769	819	783	871
Exports of UK produce:											
Coal, including bunkers	'000 tons	836	686	422	647	650	575	425	450	423	406
Woven piece-goods—cotton	mn. sq. yds.	40	38	32	34	38	37	27	27	33	28
„ „ „ wool (2)	'000 sq. yds.	9,107	9,028	7,878	8,037	8,310	8,340	6,140	6,880	7,896	7,641
Passenger cars and chassis	number	27,986	35,522	40,568	37,022	41,081	36,632	38,389	39,425	36,506	36,471
Commercial vehicles and chassis	„	10,506	10,214	9,338	10,217	11,538	11,005	7,204	7,953	8,685	7,088
Agricultural tractors	„	7,482	9,414	8,724	11,481	11,412	7,506	7,975	7,376	7,270	6,468
Machinery—electrical	£ '000	5,314	5,602	5,855	5,089	6,023	5,358	4,046	5,887	6,198	6,050
„ other	„	38,657	42,211	42,880	40,870	44,093	44,563	37,941	40,668	44,764	43,409
Chemicals, elements and compounds	„	4,948	5,219	5,037	5,012	5,224	4,832	4,742	4,894	5,252	4,777

(1) Retained imports. (2) Excluding fents from January, 1956. (3) Average for third quarter. (4) Average for fourth quarter.

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The Staff Officer,
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CENTRAL OFFICE OF INFORMATION requires INFORMATION OFFICER (unestablished). Duties involve the study of either U.K. social and political affairs or general economic affairs (both home and overseas), the selection of "source" material and the writing of factual articles and reference papers on one of these subject fields. Desirable qualifications are a University degree, knowledge of relevant sources of information; experience in preparing basic material to serve information purposes (e.g. factual articles, reports, lectures or broadcasts). Salary £1,110 to £1,285 (men); £1,064 to £1,234 (women). Write, giving age, *full details of qualifications and experience*, to Manager (Ref. PF.2265), Ministry of Labour and National Service, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4. Only applicants selected for interview will be advised.

PURCHASING OFFICERS' ASSOCIATION requires a TECHNICAL OFFICER to be responsible for the preparation of publications, educational programmes and research studies. Applicants should have writing and speaking ability, a thorough understanding of economics, and be willing to travel extensively in the United Kingdom. Commencing salary £1,250 to £1,500 according to age and experience.—Applications, marked "T.O.," should be addressed to the Secretary, Purchasing Officers' Association, Wardrobe Court, 146a Queen Victoria Street, London, E.C.4. Previous applicants are asked not to re-apply.

UNIVERSITY OF OXFORD. INSTITUTE FOR RESEARCH IN AGRICULTURAL ECONOMICS. *Applications are invited for appointments as research workers in agricultural economics, particularly research into demand for farm products.* Starting date April 1, 1959. Two year appointments, with possibility of extension to six years. Some lecturing duties possible. Salary up to £900 p.a. for recent graduates; higher rate could be considered for experienced workers. Applications to the Secretary.

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Applications are invited from ECONOMISTS who are interested in undertaking short-term (usually up to 12 months) assignments in underdeveloped countries under the United Nations Technical Assistance Administration. Must have high academic qualifications and experience of economic planning and development at a senior level in underdeveloped countries. Salaries usually of the order of £800 *per month plus liberal allowances.* All emoluments are entirely tax free. Immediate vacancies in Libya, Tunis, Lebanon, Afghanistan, *Colombia and the Philippines.* Similar vacancies also occur for STATISTICIANS. —For application forms and job descriptions, write Ministry of Labour & National Service (E.9), 26-28 King Street, London, S.W.1.

CENTRAL OFFICE OF INFORMATION requires an EDITOR with wide general knowledge and interests to commission short topical and semi-topical talks, and organise interviews with overseas visitors to the United Kingdom *for use by local radio stations abroad.* Experience of broadcasting techniques, preferably including experience outside the United Kingdom, and good knowledge of use of tape-recorders essential. Would be primarily concerned with the production of "cut-in" tape and would collaborate with other producers of recorded material as requested. His own output will largely *supplement an existing service* of written material supplied to Information Officers for placing with radio stations overseas. The Post is *graded Senior Information Officer* (unestablished), salary £1,380 to £1,605 (men), £1,302 to £1,541 (women).—Write, giving age, full details of *qualifications* and experience, to Manager (P.E.276), Ministry of Labour and National Service, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4. Only applicants selected for interview will be advised.

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THE BRITISH ASSOCIATION OF ACCOUNTANTS AND AUDITORS LIMITED (Incorporated 1923). The next Examinations will be held on Tuesday, Wednesday, Thursday and Friday, the 26th, 27th, 28th and 29th May, 1959. Membership can only be obtained by those who have passed the prescribed Examinations. *Copies of the Syllabus can be obtained from the Secretary,* 4 Clareville Grove, South Kensington, LONDON, S.W.7.

STATISTICIAN/ECONOMIST

not over age 27, required for Investment Department of an important financial institution at its Head Office in the City of London. Work *primarily* research. Previous investment experience is not necessary but academic or professional qualifications are desirable though not essential. Excellent prospects.—Replies, which will be treated in strict confidence, should be sent to Box 1114.

For further appointments and other classified advertisements see page 450

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LONDON, S.E.18

Applications invited from Honours Graduates for an Assistant Lecturer, *Grade B, to teach Geography* up to degree standard and Economics to Intermediate standard. Salary scale within £650-£1,200 (plus 5 per cent), commencing salary according to qualifications and experience, with London allowance of £36 to £48 (plus 5 per cent). Particulars and application form from Clerk to Governors, to be returned by February 14, 1959.

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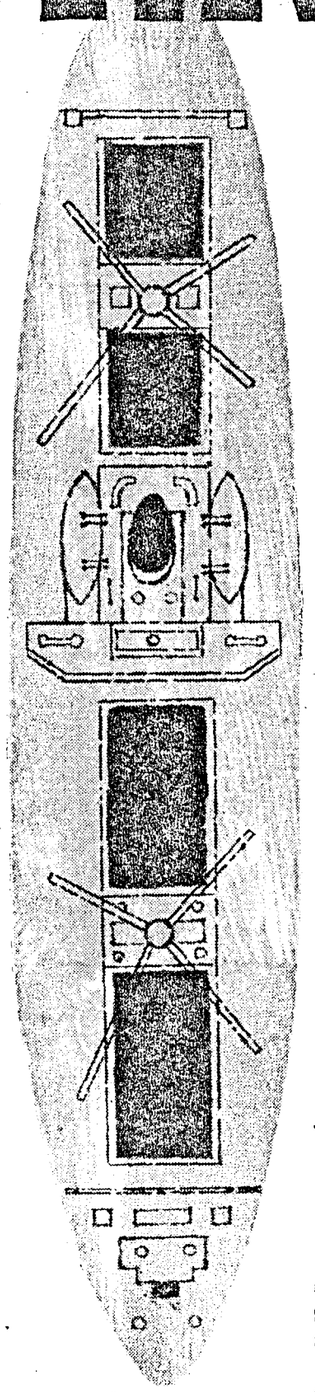
Successful applicants will be appointed as Tax Officers at commencing salaries of £640 p.a. or more, dependent on their initial qualifications and experience. Chartered or Incorporated Accountants can expect to proceed to £1,250 per annum as Grade II Assessors one year after appointment; Certified Accountants (A.C.A.A.) can proceed to this salary *in not more than two years*; while holders of a B.Com., C.I.S., or C.C.S. can expect to reach this salary in not more than three years. The salary scale for Assessors Grade II covers the range £1,250-£1,550 by increments of £50 per annum.

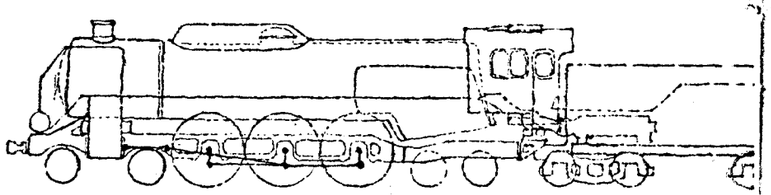
Senior posts within the range £1,600-£3,050 are sufficiently numerous to ensure good career prospects. These posts are normally filled by internal promotion from within the Department.

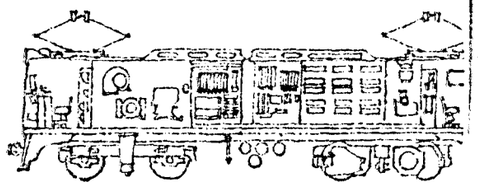
Further details are obtainable from the Secretary (R), Rhodesia House, 429 Strand, London, W.C.2. Closing date February 28th.

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UNDER SECRETARY TO GOVERNMENT
9 - MAR 1959
PUBLIC DEPARTMENT

The European Nettle

The failure of the free trade area project compels Britain to reappraise its European policy (pages 470 and 519).

7 - APR 1959
DEPUTY SECRETARY TO GOVERNMENT
PUBLIC (PLANNING & DEVELOPMENT)

To Moscow

(page 469)

Middle Eastern Interregnum

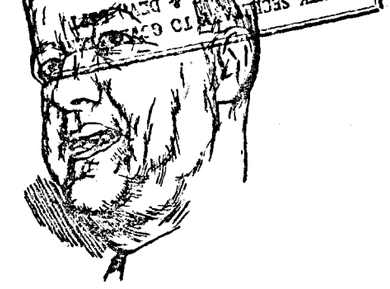
How can the West check Russia's steady encroachment in this troubled area? (page 472).

Uniform for Unit Trusts?

The need for government help and the limits of government control (page 509).

The Business of Marriage page 473

Packaged Holidays page 511



Prospect for Prisoners

A welcome for Mr Butler's white paper (page 474).

Annual Postal Subscription by ordinary Mail £4.10s.; overseas £5; by air see page 537
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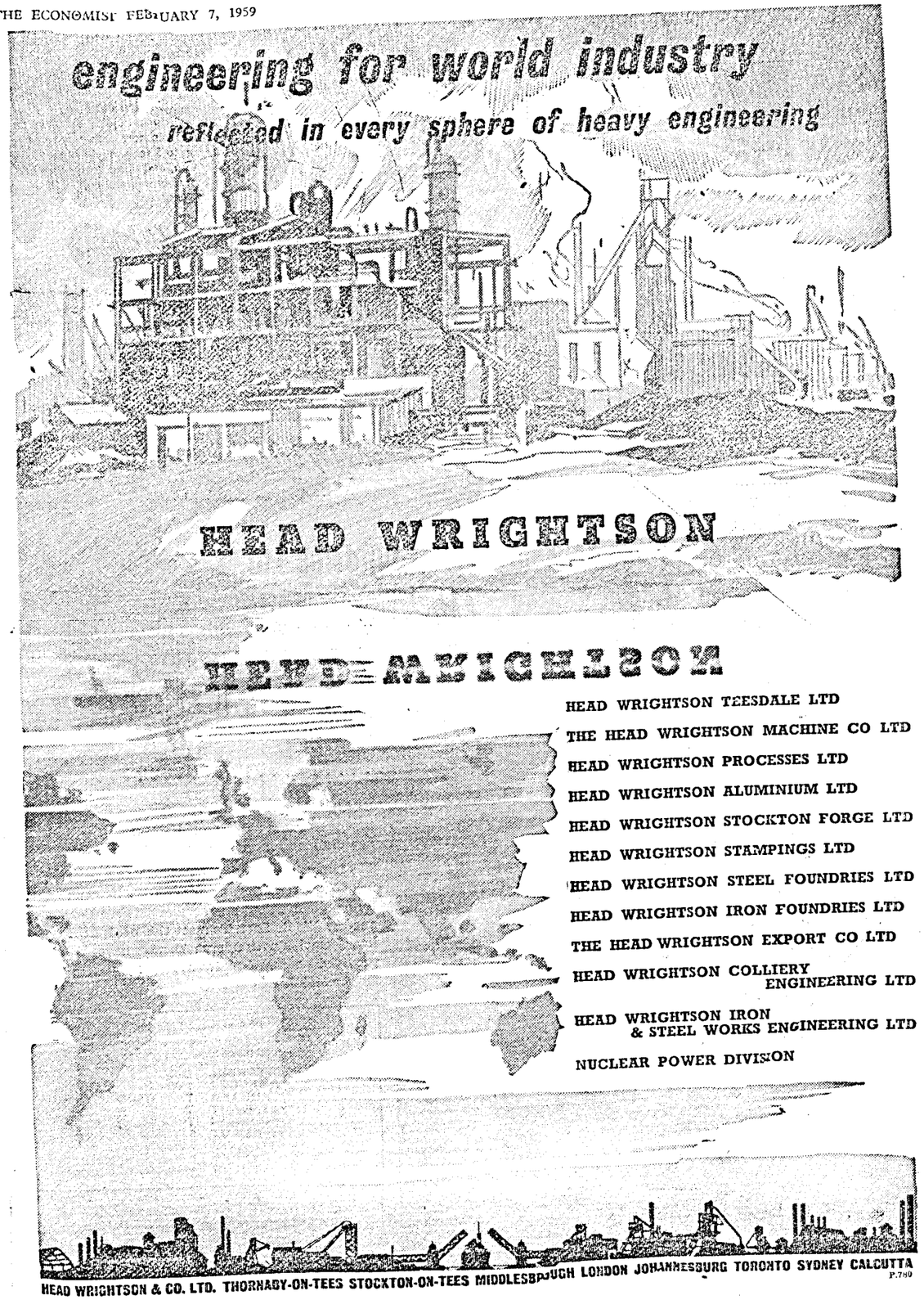
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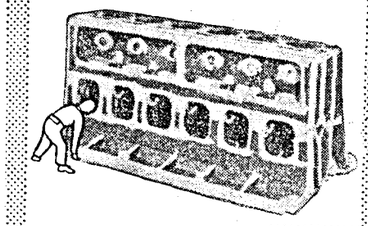
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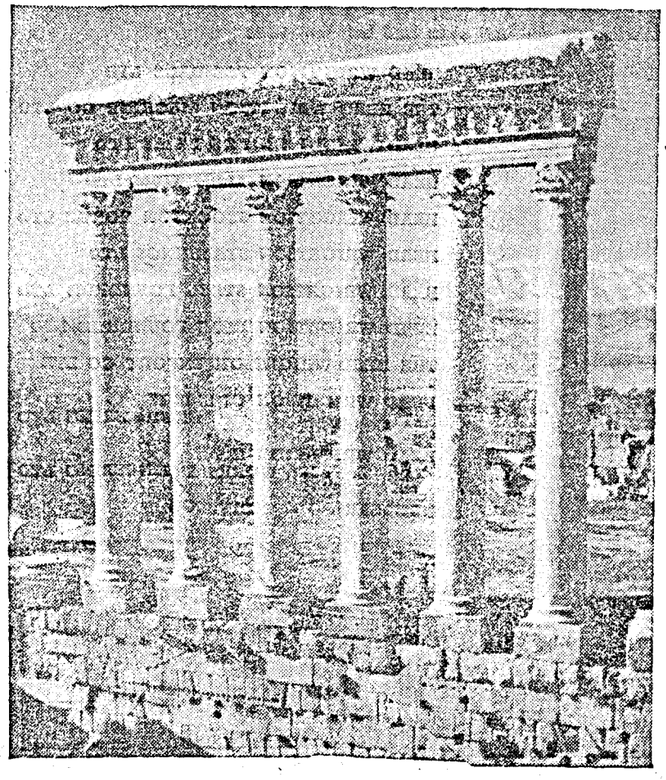
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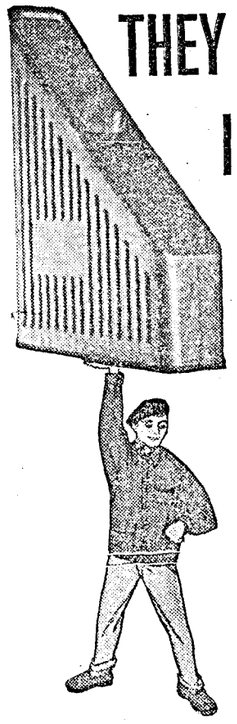
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THEY CAN CAN COAL IN FRANCE



Charbonnages de France (the French coal authority) have found a clean, easy way to deliver coal—by packing it in corrugated sheet steel. This pack is a triangular jerrican holding 33 pounds of coal. The coal is delivered in the can, to be tipped from it straight into the stove or grate, thus avoiding the dusty, dirty shifting of coal from sack to cellar to scuttle to fire.

"BULLY"

This is only one example of the versatility of sheet steel as a packaging material. Ever since the early 19th century tinplate (which is sheet steel with a protective coating of tin) has been the premier pack for food. Without such stand-bys as bully-beef and dried milk, Great Britain would have been starved out by the rigorous blockades of two world wars. And today, despite much competition from new materials, tinplate maintains its pre-eminence as a food pack. No less than 3,500 million cans of food were marketed last year. There isn't a larder in the country that doesn't contain half a dozen tins "just in case."

THE FUNCTIONS OF THE IDEAL PACK

Food, being highly perishable, needs efficient protective packing to retain freshness. That is where tinplate comes in. More than any other material, tinplate fulfils all the functions of the ideal pack.

Tinplate affords complete and permanent protection to the product against climate, contamination and decay (a tin of beef 87 years old has been opened and found perfectly fit for consumption).

Because tinplate takes colour-printing as brilliantly as art-paper it is an excellent medium for establishing product identity. This characteristic of tinplate is increasing in importance as the popularity of supermarkets increases.

But the advantage of a tinplate pack most attractive to traders and the buying public is its convenience. A tin is easy to transport, easy to handle, easy to store, easy to open and easy to dispose of. For all forms of perishable goods, tinplate as a pack has no equal.

TINPLATE—THE PACKAGING MATERIAL OF THE FUTURE

There is little doubt that tinplate will maintain its lead as a packaging material. Its many great advantages — already known — are being still further developed by The Steel Company of Wales, who make two-thirds of Britain's tinplate.

It has always been the policy of The Steel Company of Wales to pay particular attention to customers' specific problems, and to ensure that its products are "tailor-made" to individual requirements. If you have a packaging problem it will be worth your while to write to us or telephone Swansea 51571. We believe we can help.

THE STEEL COMPANY OF WALES LIMITED

Tinplate Division, Carmarthen Road, Swansea, Glamorgan
Phone: Swansea 51571 · Telegrams: Welshplate, Swansea

MAN MEETS GOOD JOB: JOB MEETS GOOD MAN

Every year a number of the country's leading industrial and commercial companies take full pages in the Manchester Guardian to speak about themselves: to announce what they are looking for in the way of executive personnel and what prospects they offer for the right man with the right ambitions.

The sixth series of these 'Careers' advertisements is now running in the Guardian. To Employers, to Careers Masters and others who work with the young, to graduates and school-leavers, these announcements give a valuable picture of the current employment situation. Past years have shown that they serve as an excellent introduction between men-in-search-of-jobs and jobs-in-search-of-men. Here is an interesting and imaginative approach to the problem of executive recruitment which you may well find worth considering.

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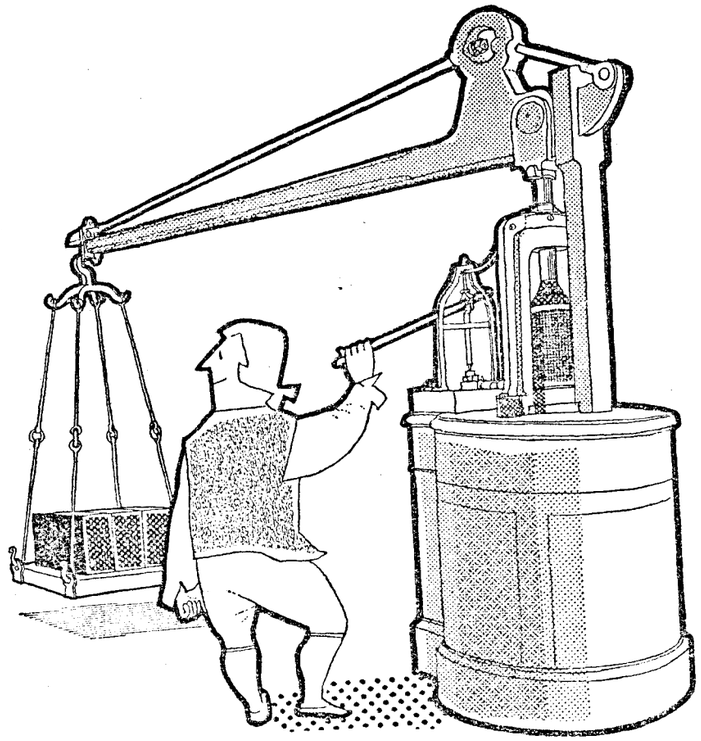
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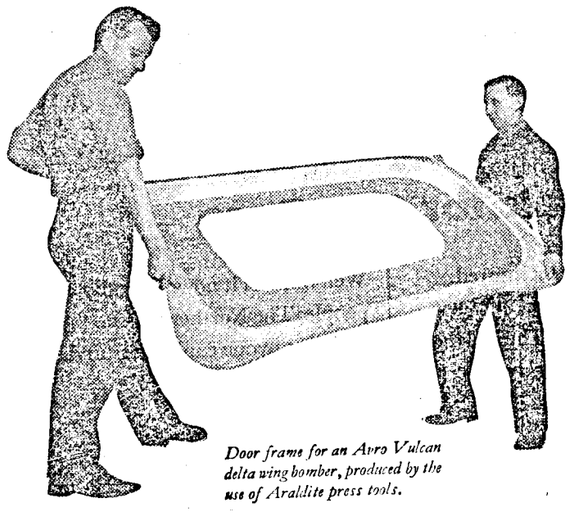
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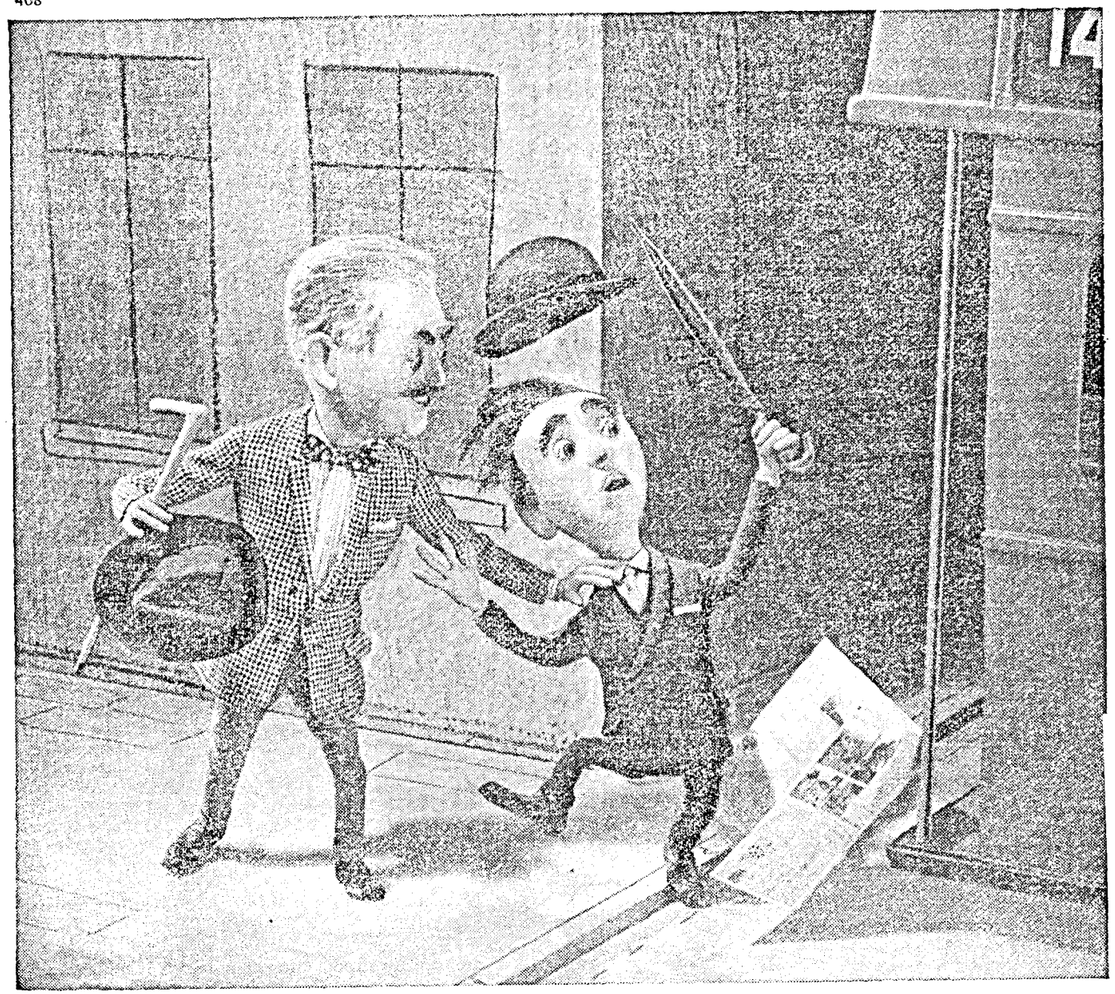
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The Economist

FEBRUARY 7, 1959

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Reconnaissance in Moscow

EXACTLY what brought Mr Dulles to London this week may remain uncertain; but there is not much doubt what he and Mr Macmillan talked about when he got here. The idea of a personal excursion to Moscow by the Prime Minister has germinated quickly; it is only a week or two ago that a few seeds were being tentatively scattered from the top of the tree to see how they took. Probably not many people now will find the idea alarming or even very unexpected. Things are different from the days of the B and K visit to London in 1956, though the change is hard to define. Perhaps it is merely that in 1956 the heirs of Stalin had still not been long in the saddle, and contacts with them were still a perilously unknown quantity. Or perhaps the new technique of bland conciliation which they employed appeared a more formidable threat to western unity then than it does now, when experience has shown how little it means.

Relatively little apprehension is going to be spread by Mr Macmillan's decision to return the B and K visit this month. That he would not do it against American disapproval—which is a first consideration—is, or ought to be, obvious. What has to be asked is what purpose Mr Macmillan's trip can serve. It cannot run to an actual negotiation on any of the important matters at issue between Russia and the West—all of them intricate and intractable questions which will not be settled without lengthy manœuvre. It might, however, produce a few hours of serious discussion, not for the propaganda record, which could allow the two sides some insight into each other's mind. This is most urgent, and could be most useful, about Berlin, where the running out of the Russians' six months' time-limit, announced on November 27th, threatens an ugly situation soon. On this topic, there are three propositions that the Prime Minister can usefully convey. The West is in earnest in its determination not to be squeezed out of Berlin. Arrangements are conceivable by which the occasions of tension in Berlin, and of friction on the approaches to Berlin, could be narrowed down. Any such arrangements would involve a first step towards a longer-range objective, a solution of the German question; but the West would regard that as an inducement, not a deterrent.

The idea that the trip to Moscow may contain a possible electoral advantage for Mr Macmillan and his party is bound to cross somebody's mind. Certainly the trip will be vastly (if unthinkingly) popular; and politicians not uncommonly have an itch to do something to improve their electoral chances, as well as a hankering to bring off some personal stroke for peace. Both motives may have played a part in the sudden renewal of the Moscow invitation. But there should be no great harm. Mr Macmillan can be trusted not to pull off an ill-considered or simulated "stroke for peace" for the short-lived domestic effect it would have. It is easier to imagine him allowing the glow of the mission to Moscow to warp his judgment of the best date for the next election; that would not be a disaster, but it might be a pity.

The European Nettle

In the vacuum left by the collapse of the free trade area project, it is not enough to leave the thinking to the Six. A new approach is required from Britain

WHEN a well-intentioned policy has come a cropper in an irritating way, and the tang of approaching elections is in the air, nothing is more tempting than to tuck the uncomfortable subject away out of sight. There are, however, few issues that so urgently impose a review of policy as the breakdown of the European free trade area project. The white paper and blue book* which appeared a week ago tell a sad story: of how British ministers were misled in the early stages by vague French declarations of intent that were never carried out; of the emerging differences of principle and attitude that seemed to lead inexorably to the final break. The lessons of that failure cannot safely be neglected: this is a nettle that has to be grasped. The necessities which gave birth to the idea of a free trade area exist unchanged and require that a course of action be chosen. The initial impact on British industry is described on page 519.

Because the British plan ran aground on the objections of the Six, *it is tempting, and superficially logical,* to leave it to them to make the next move. And they have indeed been doing some thinking. The executive commission of the common market has been working out proposals; last week the member responsible for the community's external relations, the Belgian Liberal M. Jean Rey, toured the six capitals to try them out on governments. Two major principles inspire these ideas of the Six. The first is a proper determination to be liberal in their commercial policies towards the outside world, to do what they can to mitigate any ill-effects the emergence of their community is having on outsiders. But the second principle is less encouraging for outsiders; it is a quite clear determination to defend the community as a political and economic idea by "discriminating." All of its members now accept that non-members, such as Britain, who do not subscribe to all its obligations, shall not get the same treatment as the members do.

These principles have caused two different policies to be outlined in Brussels for the consideration of the six governments. The first can be described as the world-wide approach. Several countries outside Europe send a larger proportion of their exports to the community than Britain does. The community has been under fire in the General Agreement on Tariffs and Trade at Geneva, as well as in the Organisation for European Economic Co-operation in Paris. To meet both attacks at once, the commission would like to make a start on reducing trade barriers on a world-wide scale, using the new power of the community's future external tariff to take up the American offer of tariff talks in Gatt. In itself the approach is welcome, but it is not surprising that it has met with a pretty cool reception from the member governments. They know the difficulties of world-wide tariff negotiations including the United States. They know that the world-wide approach hardly solves the political problems in Europe which their community has precipitated.

The Six have, therefore, been brewing some ideas about Europe as well. But there, of course, all the old objections hold them back. Some members of the commission would like to limit arrangements in OEEC to quotas and to leave tariffs to Gatt. No doubt the Six, if pressed, will come up with some tariff proposals for "big Europe." But all the schemes that are on the cards are unsatisfactory mongrel creatures. One idea is to liberate trade in a few sectors of industry where agreement is easy to reach, making special arrangements about the outer tariff in each case. But that plainly means free trade where it does not hurt and therefore where it is worth least. Another idea is to cut tariffs in the OEEC area, but at a slower pace than in the common market, creating a second more modest preferential zone in Europe. In this, European countries would be operating three different tariffs amid mountains of forms.

Both schemes would be abominably bureaucratic, gross affronts alike to the spirit and the letter of Gatt. Neither is likely to provide for automatic cuts in tariffs within the area, ending in their complete removal. All seem likely to have a nasty political bite in the form of constant bickering about discrimination, hardly a service to the unity of Europe. The Six have discovered *no magic new solution.* Indeed, their efforts merely rub in the lessons of the past two years, that Britain cannot hope to achieve its objectives—close political participation in the new European groupings, equal benefits with the Six from the dismantling of trade barriers—without a radical new approach in its own policies.

THERE have been times in the past two years when a new move might just conceivably have broken the free trade area jam. But events have now moved so far that it is difficult to see what initiative is open to Britain except the most radical: a proposal to join the common market itself. Little serious consideration has ever been given to this idea; it is time that it was.

It is, of course, possible that the Six, or the French at least, might simply answer No, despite the provision in their treaty inviting other European states to join; there are French industrialists who dislike the idea of more competition in any framework. But the opposition has never come exclusively from the protectionists; they have at all times been able to enlist in their support a wider body of opinion, in France and in the other five countries, by the argument that the free trade area endangered the community of six and all it stands for; *that is why the British effort to appease the protectionists* by granting all sorts of exceptions to free trade has never got anywhere. Conceivably a serious British proposal to join the communities might transform the situation, by bringing a great body of reasonable European opinion over to the British side.

The proposal would not, of course, have to be so heavily hedged about with conditions that Britain would once more be open to the charge of seeking to get the benefits without paying the fee. To make it would involve some major decisions. Britain would have to be ready to accept all the features of the common market that are essential to its character as an economic community: the institutional set-up, the investment fund and rehabilitation fund, the free movement of capital and labour, and the harmonisation of social charges—notably equal pay for women—as provided for by the Treaty of Rome. There is nothing here that obviously rules out a British proposal to join. Concerted economic policies, free movement of the factors of production—even, perhaps, funds to overcome regional difficulties—were implicit in a free trade area if it was to work.

More distrusted in this country than these economic proposals are the feared political implications of the authority exercised by the institutions of the common market. But there is no insuperable objection here either. The idea that the economic commission or executive is a sort of supra-national dictator, which would be empowered to boss Britain about, rests on very little more than a misreading of the treaty. There are one or two specific cases in which the commission is given a disciplinary task—for instance to enforce the ban on export subsidies. For the rest its task is to formulate and propose policies on which the council of ministers of the member governments then decides. Sometimes the council must decide unanimously, sometimes by majority—which is precisely the pattern that was beginning to emerge in the free trade area discussions. The existence of the European Commission does not in itself make it easier for one country to be overruled by the others; rather the reverse. The idea is to have a strong independent body able to formulate acceptable compromises and common solutions before a problem reaches the ministers.

THERE is, quite obviously, one major condition that Britain would need to attach to any offer to join. It concerns the Commonwealth. Joining the common market must not mean slamming the door on Commonwealth exports. At bottom the Europeans recognise this. But as with the political approach to the common market, so with the Commonwealth, there has to be a new approach. The feeling has to be removed that Britain simply wants to remain the exclusive meeting point of two great trading areas, enjoying preferences in both. There would seem to be only one logical new approach: that is, a broader association between the Commonwealth and Europe, opening the preferences the Commonwealth gives British industries to Europe *too, and giving Commonwealth* farmers markets in Europe in return. The Commonwealth itself should welcome this. Its economic advantages—cheap food for industrial Europe, cheap industrial products for the Commonwealth—are plain: so plain, indeed, that if no lead comes from Britain, some Commonwealth countries will make their own terms with the Six.

Many ways of solving the technical problems of the Commonwealth relationship are conceivable, provided they are based on the premise that, as Britain steps into Europe, that relationship becomes one aspect of a common European policy towards the outside world. And the idea of joining the Commonwealth with a united Europe is an idea that has imaginative appeal to match its practical advantages.

Whatever the next step is to be, it will need first

* Negotiations for a European Free Trade Area. HMSO. Cmnd. 648 and 641.

The Economist

FEBRUARY 5, 1859

WHITEHALL DOES NOT KNOW BEST

"There is a certain Pharisaism of intellect which is created or fostered by the habits of official, and especially of departmental life. It is a dangerous thing for a man to live with all the official data he can want for any decision always within his reach, docketed in pigeon-holes, with intellectual labourers always at his command to search, investigate, and condense for him. There is no profounder idolatry,—no deeper prostration of mind, than that which the constant use of these neatly-arranged and exhaustive stores of information is apt to produce. Sir James Stephen, like many other able men, is in constant danger of this idolatry of accurate information; and on Saturday last he indulged himself, at the Law Amendment Society, with a perfect paroxysm of Pharisaic scorn over the loose fragments of thought and knowledge which go to make up what is commonly called "public opinion." . . . Now we can really sympathise with such men as Sir James Stephen and Mr Chadwick. From the list of editorial *improvisations* which Sir James Stephen derides, he might, perhaps, be inclined to make some slightly favourable exception for the substratum of fact and figure on which our columns generally rest. More than most journals can we enter into that somewhat rabbinical spirit of belief in Blue-Books, which is apt to pervade the Civil Service. . . . [But] the people may be very vague-minded and tolerably ignorant, and yet the necessity of securing their acquiescence may breathe a completely new spirit into political life. It ensures in statesmen a wider range of thought;—it obliges the well-informed official to take a broader base for his calculations. It would be, however, lost labour to meet with any seriousness Sir James Stephen's ebullition of caste-feeling, were not that ebullition of his a wholesome reminder of the Pharisaic exclusiveness of mind to which even the ablest and most sagacious officials, in the consciousness of their vastly superior special knowledge, are liable. . . . They regard the nation as existing for the sake of Census-tables, instead of Census-tables as existing for the sake of the nation; for they hold themselves culpably careless if they do not study and master all the lessons taught by the former, and culpably deficient in self-respect if they listen at all to the lessons of popular conviction proclaimed aloud from the myriad lips of the latter.

to be discussed unostentatiously with the European governments and the European Commission, so that a new initiative will not break down in a clash of public postures as the last one did. A useful preliminary gesture to the common market might be to accredit the present able ambassador to Euratom to the commission of the common market as well. But there is not too much time to lose in the preliminaries. Britain has already lost too many opportunities in Europe ; and each year, each month even, sees the European communities hardening in the mould and their common policies taking shape on such vital matters as agriculture and the outer tariff. It will be best for everyone if the next British move is made soon.

TOWARDS THE NINETEEN-SIXTIES—III

Middle Eastern Interregnum

The last thirteen years have seen a continuous decline in the western position in the Middle East and a steady gain for the Communist interest. The third in this series of articles on the international outlook examines the conditions in which western policy has to face a prolonged and difficult holding operation.

In the Middle East, since the war ended in 1945, the West has failed to hold the positions taken over from the Turks a generation earlier. Syria and Lebanon set out on their own in 1946 ; Palestine was cast aside in 1948 ; the occupation of Egypt came to an end in 1956. Last year the pace quickened. In Iraq, a revolution put an end to western influence ; pro-western voices were silenced in Lebanon ; King Saud gave up his American-inspired efforts to become the leader of the Arab world and the arbiter between the Arabs and the other Middle Eastern peoples. American troops spent three months ashore in Lebanon and the British Army returned briefly to Jordan without changing the trend of Middle Eastern politics. As the process went on, it was bound to reach a point at which the West no longer had any effective control over the course of events in the Middle East. Has this point been reached ? The present inability of the West to find a balance between its own interests in the area and those of the Middle Easterners themselves indicates that it has.

The West, then, has to consider the implications of its present status in an area where its influence continues to decline but in which it still has three great interests. Two of these interests—oil and the containment of Russia—have grown fast in importance in the last fifteen years. The third, communications, the cause of western involvement in the area for much longer, is closely related to the other two. Since 1946, when Russian troops finally departed from the Persian province of Azerbaijan, and 1947, when President Truman agreed to assume responsibility for Greece and Turkey, the West has been committed to " contain " the Soviet Union on its present southern borders. In Turkey and Persia, whose peoples have past experience of Russian imperialism, the policy has been reasonably successful. It has not, however, kept the Russians from jumping nimbly over the barrier and landing with aplomb in some of the Arab countries south of the northern tier. Now the West finds itself sustaining an island in a sea of Soviet influence. Physical containment, as it now appears, is not enough against an opponent who can arm himself with psychological weapons.

Western Europe needs the oil of the Middle East and will continue to need it, perhaps indefinitely. In dealing with the problems of the Middle East, the West cannot afford to sit back and wait for the technicians to fulfil the scientists' promise of virtually limitless atomic energy. The men of the oil industry have, on the whole, been more successful in getting along with the Middle Eastern peoples than have western diplomats and politicians. While the western political position has been deteriorating, the oil companies have increased their operations steadily. No doubt their task is the simpler. The risk remains that their arrangements will be blown apart by a political explosion.

Security of communications, important enough only two years ago to set off the Anglo-French expedition to Egypt, now appears as a less urgent anxiety. Ships pass without incident through the Egyptian-controlled Suez Canal. Oil still flows through the pipelines to the Mediterranean. The experience of 1956-57 has shown that, at least for a limited period, the West can live (if uncomfortably) without the Canal. It is equally relevant that, until a big Asian market develops, the Arabs cannot get the money they need from their oil except by selling it to the West.

Did the decline of western influence mean that Russia was free to set the pace in the Middle East ? Russian interests in the area are not so easily defined as western interests are, but there is more to them than merely the propagation of the communist faith. The Russians have an understandable concern about encirclement along their southern borders. They do not

accept western assurances—missiles notwithstanding—that bases in Turkey, Persia, Arabia and Pakistan will be used only for defence. They do not need the oil of the Middle East for themselves ; but it may suit their purpose to be able, at need, to deny it to the West.

So far, the Russian penetration of the Middle East has been painless. While the West was hampered by old obligations and embarrassed by old friends, the Russians adopted local enthusiasms and suspicions and, by doing so at no cost to themselves, became popular and respected. But they had not yet assumed the responsibilities that come with control. For this reason they still had to step carefully for fear that their friends in the Middle East would recognise traits of the old imperialism beneath the cloak of friendship. The Russians could not move into a position of absolute control over any one country without driving the others back towards the western camp.

The Turks and Persians understand the implications of the changes in political authority in the Middle East since the war. Russia holds much territory that once belonged to Turkey or to Persia, but to the Arabs the replacement of westerners by missionaries from the Soviet block is not so alarming. They have insisted that there is no connection between Russia as a friend and communism as an enemy. It was partly through fear of communism that a group of Syrian army officers, in February, 1958, hastily placed their country in President Nasser's hands. In December, Egyptian and Syrian communists were rounded up and gaoled, while Cairo and Damascus radios tried to warn their listeners against communism without actually calling it by name. More recently, Cairo's leading daily, *al-Ahram,* has invited Mr Khrushchev to mind his own business. Arab propaganda had been so exclusively concentrated against the West that it was difficult for the Arabs to believe that the Soviet Union could do wrong: so it was supposed that if Arab communists were misguided, Russia need not be to blame.

One lesson learnt from post-war experience is that Britain cannot go on alone trying to do all the western chores in the Middle East. After fifty years of effort against the establishment of German, French, Italian, or even American, control in the area, the only remaining purely British chores are those to be done in the Persian Gulf, which the British Government has classified as its own particular last ditch, and along the southern coast of Arabia. Who would take over for the West ? Only the Americans are in a position to try. They have become the leaders (while avoiding full membership) of the Baghdad Pact ; they have made offers of financial help ; and they are ready, occasionally, to whack down the policeman's truncheon, as in Lebanon last summer. These, however, are all old remedies. One or another of them may succeed briefly but none will keep the West out of trouble indefinitely.

If it were possible for the West to find a substitute for control based not, as in the past, on money, shaky thrones, pacts, or tame local politicians but on the peoples of the Middle East the outlook would not be so dismal. Are the Middle Easterners ready to cope with their own problems ? There are few signs that they are. Turkey and Persia are becoming increasingly isolated and increasingly dependent on the West. The Arabs quarrel with the Turks over Alexandretta and the Persians quarrel with the Arabs over Bahrain. With Israel the Arabs have maintained a theoretical state of war, and an actual state of political and economic warfare, since the day it was founded in 1948. Whenever trouble breaks out between them the Arabs cry for help not to other Arabs, who would not or could not give it, but to the United Nations. Such an attitude necessarily puts them at the mercy of outsiders.

The Arabs regard Israel as an outpost of western imperialism, though Russia was among the first to recognise the state of Israel ; after ten years they still refuse to settle the Palestine refugees, though greater numbers of refugees have been settled elsewhere in the world. The Israelis have shown that they can take care of themselves in warfare with the Arabs, but when the Middle East is considered as a whole they remain apart. Not until there is an Arab leader strong enough to admit publicly that Israel is there to stay can the Israelis take their place as a Middle Eastern people.

All the talk of Arab brotherhood has not brought the Arabs together. The revolution in Iraq did not for long stop the bickering between Cairo and Baghdad. The Egyptians and Syrians dare not bring down the government of Jordan, which they have threatened to do, because when it comes to the point they are willing neither to take on the problems of Jordan for themselves, nor to see Israel pick up the pieces. Arab national leaders have been, in practice, notably less enthusiastic about a united Arab state than the masses who listen to the promises of Cairo. President Nasser has, perhaps, failed the Arabs by not bringing about wider political unity among them. Internal and external pressures have debarred him from becoming the empire builder the West feared he would become. If he had, the initial shock to the West would have been greater ; but the Arabs might by now have been better prepared to stand on their own.

Thus it seems that the western powers are no longer in a position to control the Middle East, and that the time has not come when the peoples there are ready to assume the responsibilities that go with the independence they have gained. It cannot be assumed that the Soviet Union will not be tempted to take over what used to be the western position ; and it is this, rather than the success of Middle Eastern nationalism, that the West really needs to avoid. Western relations with the Middle Eastern nationalities need to be conceived for the future in this framework ; but first, there are prejudices and vestigial emotions, on both sides, to be discarded.

Prospect for Prisoners

The Home Office deserves unstinted congratulations on its new white paper on penal reform

ANY fears that Mr Butler's plans for penal reform would be hampered by the "restore flogging" motions of last autumn's Tory conference should be dispelled by the white paper he presented to Parliament this week. There is no hint in it of any concession to the myth that prison regimes have become too soft to have any deterrent effect on criminals. Between the two extremes of opinion about prisoners—the one castigating them all as bad and the other sympathising with them as mad—"Penal Practice in a Changing Society" steers an essentially pragmatic course. Its object is to help the prison service to achieve its main aim: that a person who has served a prison sentence does not return to serve another one.

It is true that the white paper does at one point go out of its way to deny that a modern penal system should place the interests of the offender before those of his victim. This denial might be regarded simply as an attempt to reassure the more fearful among the population at large and the reactionaries in the Tory party in particular. But the white paper also recalls that the late Margery Fry had proposed a scheme of state compensation to the victims of violent crimes. Consideration of the interests of the victims has its place in any progressive scheme of penal reform, and the Government is setting up a working party to examine Miss Fry's technically difficult proposal.

Apart from this brief digression on the need for a reappraisal of the philosophy of punishment, the white paper is mainly concerned with how to make punishment both effective and humane. All penal reform has been hampered by the combination of a flood of prisoners—the inevitable result of the postwar increase in crime—and, until recently, a complete lack of new prison buildings. It is thus not surprising that buildings bulk large in the white paper. Because most of the postwar increase in crime is accounted for by the younger age groups, the programme already planned, and in part carried out, includes three secure borstals for boys and one for girls, four open borstals for boys, one borstal reception centre for boys and six detention centres for boys (four of which have already been completed). What is called the future programme provides for another six detention centres and such additional borstals as prove to be necessary if the amount of crime committed by young adults continues to increase.

How necessary these new institutions are can be seen by the numbers of youths in local prisons, either waiting for transfer to borstal or because the young prisoners' centres cannot take them. Furthermore, although the Criminal Justice Act of 1948 provided for the establishment of remand centres for young adults who would otherwise be remanded to prison, none has yet been built. Work on the first one, to serve the Crown courts of Manchester and Liverpool, will begin this year, and the "future programme" includes enough centres "to accommodate all untried prisoners and such convicted prisoners as require observation before being classified."

This does not exhaust the list of buildings in the present and future programmes; there are also to be more security prisons, including one for dangerous prisoners, and Holloway is to be replaced and Dartmoor reconstructed. But the urgency and size of the problem can be gauged from the white paper's statement that even if the work were completed now, there would still be over 1,500 men sleeping three in a cell in local prisons; as things are, there are about 6,000. In the meantime, therefore, the only way to relieve the intolerable congestion, according to the white paper, is to increase the numbers placed in open prisons.

Open prisons have the support of everybody except those living in the area chosen by the prison commissioners as a site for one. But it is astonishing how quickly objections die away when the prison is established and fears are not realised. The English open prisons have, in fact, won international admiration, and the prison commissioners would be justified in accepting a rather bigger risk in the selection of men for transfer to them. The risk of an occasional incident must be set against the 6,000 men sleeping three in a cell.

CONGESTION has given the building programme an urgency that cannot be denied. But, in the long run, and on the assumption that a further increase in crime does not overtake the provision of new institutions, they should also provide elbow room for a better classification of prisoners and for experiments in treating them. The prison commissioners have made an important proposal for integrating borstal and imprisonment by the provision of a single indeterminate sentence for youths, with a minimum of six months and a maximum of two years. This does not mean that for more serious offences the courts will be precluded from passing sentences of imprisonment of three years and upwards. And for offences meriting a sentence of less than six months boys will go to detention centres when there are enough of them. But, in between the two, by passing an indeterminate sentence of custodial training, a court will enable a youth to be sent to either borstal or a young prisoners' centre, according to whichever seems more appropriate after he has been carefully studied at a reception centre; and he could also be transferred from one type of institution to another according to the way in which he responds to training. This proposal is one of the very few contained in the white paper that would need legislation before it could be put into effect.

The problem of sentence—of how to ensure that a convicted person is sentenced appropriately—does not apply only to younger offenders. It has for some time been realised that, though Parliament may have placed various forms of treatment at the disposal of the court, the assize courts, which sit infrequently and for short periods, do not always have before them all the information about an offender that ought to enter into their consideration of what to do with him. This difficulty is at present being considered by a committee under the chairmanship of Mr Justice Streatfeild.

THE ultimate success of any arrangements for sentencing offenders, classifying them and transferring them to what appears the appropriate institution will, however, stand or fall by what happens to him when he gets inside it. Ex-prisoners have been so vocal, and so literary, in the last few years that the public may be inclined to think that life in prison is dominated by primitive sanitation and reactionary warders. In fact, within the very limited resources put at the prison commissioners' disposal, a great change has been wrought in some prisons, both in physical conditions and, more subtly, in the attitude of the custodians. But entrenched habits of mind die hard. In most of the local prisons the existence of two closed and mutually hostile communities still serves as a barrier to effective treatment.

The white paper acknowledges this, and points to the Norwich experiment, now being extended to other small local prisons, as a means of relaxing tension between prisoners and staff. But, for effective treatment, a more sympathetic and humane understanding in prison warders is not enough. In the tricky business of changing hardened attitudes of mind, a warm heart has to be accompanied by a cool head. The white paper recognises that prison staffs need special skills, or at least special techniques, if casework, whether individually or in groups, is to be undertaken within the prison service. But in seeking to attract recruits capable of acquiring these skills and techniques, will it not be competing with the mental health services, which are already short of much the same sort of workers and will need more when the community care provisions of the Mental Health Bill come into force?

A shortage of skilled staff is more likely to prevent the full realisation of new model prisons and the remodelling of local ones than a shortage of accommodation. For once the building programme has got under way and has the force of the administrative machine behind it, it will probably survive any economic crises and cuts on spending. The important thing is that over staff as well as buildings the Home Office and the prison commissioners have set their sights high and deserve unstinted congratulations. Nearly fifty years ago a Home Secretary said to the House of Commons:

> The mood and temper of the public with regard to the treatment of crime and criminals is one of the unfailing tests of the civilisation of any country.

It remains for the public to pass this Churchillian test by accepting the responsibilities and obligations of Mr Butler's white paper as wholeheartedly as it was welcomed on Monday by all political parties.

The Business of Marriage

Our correspondent, recently engaged, sets out the knotty problems which modern couples have to unravel before the knot itself is tied

FEW things are booming so satisfactorily in Britain today as the marriage market. One reason for this is the more even balance between the sexes; marriageable men, for long in short supply, are now in small surplus. More money for the young and a less inhibited social code have also contributed to the boom. In all, there were 399,100 weddings last year, at an average age of 25 for the groom and 22 for the bride (both two years younger than the average age twenty years ago). Today half of the population is married, compared with a third at the beginning of the century. Nineteen-fifty-nine looks like beating all records yet. The firms in or on the fringes of the marriage business are already rubbing their hands in pleasant anticipation.

The trades that make money out of marriages are a varied and generally fiercely competitive lot; success in this business requires a great deal of know-how. Their first problem is to tap the market. This is done partly through personal contacts, and, much more important, through pestering those who announce their engagements in the press. Especially picked as targets are those supposedly more opulent couples (and the girls' mothers) who advertise in the *Daily Telegraph* or *The Times*. The first telephone call in the struggle for contracts might come at 8.30 a.m. on the morning that the engagement is announced; in the following fortnight, the woman who advertises in one of these papers is likely to get at least thirty letters. Roughly half of these will come from caterers and photographers, the rest from a motley assortment of silversmiths, brewers, stationers, furniture stores, and the like. The man will usually be sent advertisements of a more serious sort. Insurance and birth control leaflets predominate.

It is, however, a group of manufacturers who do not advertise by post who cream some of the best profits from the marriage market. These are the jewellers. Total British jewellery production, a high proportion of which is made up of engagement and wedding rings,

increased from £3½ million in 1938 to £12 million in 1954, a real increase as well as a money one. Moreover, the big chain jewellers, for whom these rings form some 90 per cent of total turnover, seem to have done better than average. Engagement rings can be bought for any sum between £4 (for phoney rubies and diamonds) to upwards of £4,000 (for real ones at Cartier's); the trade says (perhaps a little hopefully) that the average price paid nowadays is about £20, allegedly with little difference between buyers in different social classes.

The pattern of sales has changed recently. During and just after the war, when jewellers were closely controlled by the Government's hold on the supply of precious metals, most rings sold were second-hand. Now, because of pressure from British goldsmiths, many jewellers advise customers to buy new rings, and back this up by showing a price differential between new and second-hand jewellery that, substantial ten years ago, is now very small. In part, the narrowing of the gap is due to the reduction in purchase tax rates on new jewellery (from 100 per cent in 1948 to 30 per cent). But there are some signs of a restrictive practice here.



Perhaps the most pushful of the trades providing services for marriage — more pushful even than the caterers —are the photographers. They have organised their trade on a basis that gives high profits on any contract secured, so that competition among them shows itself in a rush of applications for the job. That is true of many other branches of the marriage business. The claims made in some firms' brochures are so synthetic, and the ignorance of most people about how to get married so profound, that a new service has recently been evolved—that of the wedding counsellor.

These counsellors will give up-to-date advice on organising receptions, buying flowers, hiring cars, dealing with photographers, and almost anything else. (They must not be confused with owners of marriage bureaus, who advise on a possible husband or wife as well.) One such counsellor whom your correspondent interviewed has already advised on over 350 weddings and is expanding her business steadily. As well as saving time and bother, her service is free. Commissions are collected off the suppliers, not off those to whom the advice is given. If commissions are expressed as a percentage of total expenditure, this could provide an incentive to recommend the most expensive suppliers; although so far this trade impressed your correspondent as being conducted both productively and efficiently, it might be better in the long run to organise the system of payment the other way round.

The marriage business is throughout geared to a white wedding and a large reception—and usually rightly. For although most people do not go to church —only 28 per cent go once a month or more—70 per cent get married there. This may be either because more people are basically religious than practise religion (the churches' explanation), or because the girl likes a church wedding where her friends can see her (her friends' explanation), or because parents like to keep up with the Joneses in disposing of their children. Weddings also provide the opportunity for a large family gathering, which is impossible on almost all other occasions except at a funeral; this feeling, buttressed by a thoroughly practical desire on the part of the couple to get as many presents as possible, usually ensures that a great mass of relatives and friends are invited.

A church wedding is nearly always a good deal more expensive than one in a registry office. Admittedly the basic fee for getting married in a church is only 36s. 6d. against £4 5s. in a registry office; but it is the church extras that add up. By the time the vicar, choir and organist have been paid, and the verger and a few others helped on their way, the cost of a wedding in even an ordinary church can be considerable. If a fashionable church, like St Margaret's, Westminster, is chosen, prices are high indeed. Ringing bells in St Margaret's costs £6, the organ and full choir £25, and guardsmen with polished swords will require a substantial tip. But even a very ordinary white wedding is likely to cost, say, £15 for the wedding itself; when the costs of the reception and of all the manifold preliminaries are added in, the bride's father will be lucky if he escapes with spending less than £100. With 400,000 marriages a year, more than two-thirds of them in church, total expenditure in the marriage business probably exceeds £30 million, perhaps even £40 million, a year.

This is a sizeable sum; but from a business point of view it has its drawbacks. Chief among these is the seasonality of the trade. This arises for the most part because a ridiculously complex series of income tax regulations enables people marrying in certain months to qualify for much higher income tax rebates than those who marry in others. The basic facts are that on marriage a man always gets an extra £100 of his income for that and subsequent years freed from tax; while a woman, if she goes on working, gets in the year she is married an extra £140. The problem is to maximise the total gain from these allowances; for two people earning between them, say, £1,700 before marriage, the difference between getting married at the best and worst times amounts to nearly £90. (April will be the best month for this if the woman stops work; October if she goes on). Since £90 will cover the cost of quite a good honeymoon, even the most unbusinesslike of couples cannot afford to ignore it. This means that churches and registry offices are full to capacity at some dates—including Lent—and empty at others.

Against all these extra problems posed by the advance of bureaucracy, young people getting married today can count on some solid help not widely available to previous generations. This comes from a number of voluntary organisations, chief among them the Marriage Guidance Council. The council runs courses and issues booklets whose sensible contents belie the awful sentimentality of their covers. There is also the Family Planning Association, another voluntary body whose advice fills a gap which ought, but for absurd Government regulations, to be filled by the national health service. How much advice is needed can be gauged from the lack of success which running a marriage by intuition has had in the past. One out of every seven British marriages now ends in divorce.

NOTES OF THE WEEK

ELECTION DATE

Wait for the Next Tide?

ALTHOUGH last Thursday's pea-soup fog kept the total poll at Southend West to below 43 per cent, the result there was again almost extraordinarily well in line with the pattern set in by-elections up and down the country in November; it therefore accorded closely with the "bogey for Southend" discussed in *The Economist* last week. The logical statistical conclusion is that any early general election would be likely to be a very close run thing. This conclusion, incidentally, now seems to be shared by both the public opinion polls and the students of by-election statistics; the only difference between them is that the Gallup pollsters believe that this prospect is partly a result of a significant recovery by Labour in the last few weeks, while believers in by-election pointers maintain that it is merely a continuation of a state of affairs which has persisted since last autumn at least.

It is against this background that Mr Macmillan must be pondering the best date for appealing to the country. So long as there is so great a danger that a general election might result in something near to a dead-heat, he should be urged to delay it. Nothing could be worse for Britain than a new Parliament in which either side had only a very small and therefore timid majority. On purely party grounds, one would also have thought that in delay there lay more hope of plenty for the Tories. Mr Macmillan can afford to play the waiting game up to and including about March of 1960 if he wants to—but always standing prepared to pounce into a general election if ever opinion seems to have shifted those last few critical points in his favour.

Optimistic Conservatives at Westminster have been hoping for some time that two factors may help opinion to do just that. One factor is the budget, which Mr Amory is plainly expected to approach in the mood of a Chancellor bountiful. The other factor, at which they have always looked longingly, is the possibility of some démarche in the foreign field. It is established lore at Westminster that, although it would probably at present be politically embarrassing for President Eisenhower to appear to take the lead in arranging new discussions with the Russians, it would undoubtedly be politically advantageous for Mr Macmillan to do so. This week's prospect of the Prime Minister going to Moscow with American approval has undoubtedly made the Conservatives very happy indeed. But rather than decide now to hold an election in the immediate wake of that visit, the Prime Minister would surely be wise to wait for the results of the next two by-elections in England —probably Harrow and South Norfolk—to see whether the cheques of popularity are being cashed.

Southend's Statistics

THE statistical outcome at Southend West was that the Liberal increased her share of the vote by 9.2 per cent, while the Tories' share dropped by 8.6 per cent and Labour's by 0.6 per cent. As was foreshadowed here last week, this had the paradoxical result of relegating Labour to third place in the poll and yet of serving to fortify Labour's hope that it has at least an equal chance of being elected to be the next government. This is not primarily because the drift of former Tory votes to the Liberals is in danger of wiping out many marginal Tory majorities. On present form, and looking at the present list of intended runners, one would guess that less than twenty seats which the Government should otherwise retain would now go to Labour as a result of the new Liberal inroads on the former Tory vote.

In addition the Liberals might expect to win some three or four seats from the Tories themselves at any early general election (although, to counterbalance this, the Liberals' own present seat at Torrington must now be in some danger, and so would their existing seats at Bolton and Huddersfield if the Tories decided to put up candidates there). But the major point is that, compared with 1955, there now seems to be a greater degree of apathy among the Government's supporters than among other electors. This greater apathy is at present on a scale which seems liable to show itself in a swing from Tory to Labour of between about 2 and 3 per cent in the average straight fight between the two big parties. And it would require a general swing of only just over 2 per cent at a general election to bring Labour to equality with the Conservatives in a new Parliament.

MALTA

After the Inquest

NEITHER side in the House of Commons emerged with much credit from this week's debate on Malta. The immediate danger, under the Conservative government, is that Mr Lennox-Boyd's present bill—to give the governor interim powers to rule the island by ukase until Mr Mintoff, or the Maltese, come to their senses—will be taken as an excuse by the Colonial Office to give up the arduous task of thinking out Malta's future. Once a colony is being run by colonial civil servants there is a permanent temptation to postpone taking it out of their capable hands again—at least until this or that important scheme has matured, or this or that threat of disorder has been removed. This would be disastrous; the only condition which makes governor's rule in Malta tolerable is the promise that it is only temporary, and Mr Lennox-Boyd must be kept very strictly to his promise.

Unfortunately, this sense of urgency did not emerge in Government speeches, and Opposition criticism was far more concerned with trying to score party points in an inquest on past failures than to make constructive suggestions for the future. Mr Lennox-Boyd's only suggestion seemed to be that if Mr Mintoff stewed in his own juice long enough he would begin to come round, though whether to the "integration" proposals of 1955 or to the offer of an autonomous status made just before the breakdown last spring, Mr Lennox-Boyd did not explain. Such a passive attitude—typical of the Colonial Office—is more likely to make the imbroglio more intractable. If the Colonial Office wants the Maltese to part company with Mr Mintoff, it must take the initiative. In the first place it ought to nerve itself to an all-out effort to make quite clear to the Maltese man or woman in the street what the facts of the island's position are—Conservative and Labour members showed themselves at one on these facts—and what are the alternatives. The logical alternatives to hold out are independence on Mr Mintoff's revised terms or 1955-style integration on Britain's; both the Colonial Secretary and Mr Bevan agreed this week that integration would still be the most statesmanlike solution. Then, having given the Maltese people the plain facts through Mr Mintoff's propaganda barrage, the only sensible thing to do is to let them choose.

If they choose Mr Mintoff—a neutralised independence by 1962 with no visible means of support, no base to hock, and no £100 million in the bank—then Britain's responsibility will have been discharged, both to the Maltese and to Nato. The support for Mr Mintoff's day of mourning shows that at present reason would not win the day. That is unfortunate, but eventually the Maltese must be allowed to make an adult decision. The present constitution makes no provision for testing this by a general election; but a referendum might be an appropriate instrument. The first requirement is that just enough time should be allowed to make sure the Maltese do know and face the facts, and that they should feel free of intimidation when voting. Above all, the time interval should not be too long. Should not the Colonial Office decide now that it will aim to hold a referendum before Mr Mintoff's target date of 1962 for independence? It would be a grim risk, for Mr Mintoff will probably never believe that if he gets independence he cannot sell it again to somebody profitably; but a greater risk is to let matters drift.

UNITED ARAB REPUBLIC

Caveat Vendor

THE battle for British assets in Egypt is now being fought over the playing fields of Smouha. The financial agreement, initialled on January 16th, has not been signed and the good offices of Mr Eugene Black, president of the World Bank, have again been sought.

Only after the initialled agreement arrived in London was it discovered by the British side (who surely might have been expected to know) that land at Alexandria, on which the Smouha family had built a racecourse, a golf course and a garden suburb, was described in the document as Egyptianised agricultural land worth £1 million. As developed property which may be worth as much as £12 million, it should have been on the list of "sequestrated" properties. This and other inexplicable errors sent Sir Denis Rickett with more haste than dignity to Washington last weekend to seek Mr Black's support for a provisional solution. But Mr Black has gone fishing, not back to Cairo. The British Government still wants to conclude the financial settlement on the terms reached in January if the Egyptians will agree to the insertion of a saving clause detailing the few properties in dispute for later agreement. Claims on the Smouha land are further complicated by provisions of the Egyptian land reform laws.

The other point still not settled is the extent of the immunities and facilities to be granted to the British team delegated to carry out the property agreement. The Cairo newspapers have ceased to air the pros and cons of resuming diplomatic relations, and there has been no real indication that Saudi Arabian views affect the question one way or the other. Perhaps the Saudis have not recovered from the shock of being asked.

The goodwill engendered by the initialling of the agreement may be jeopardised by haggling over details that might have been more easily settled earlier in the talks. There is still time to correct the mistakes that have been made without starting the whole business all over again.

ADEN

The First Six

IN Aden and the protectorates around it the British Government still has a chance to create a state—the last chance it is likely to have in the Arab world. After years of discussion of the form that state should take, the rulers of six of the eighteen states of the Western Aden Protectorate have agreed to set up a federation later this month.

While this may appear to be a step in the right direction, the federation is being brought forth because the rulers fear the acquisitive tendencies of the Imam of Yemen. They are not federating because they are now better prepared to take over more responsibility for their own affairs but because, by joining together, they can demand more attention from old mother Britain who has promised financial and military aid. The rulers want to build a federal capital near Aden and instal therein the trappings of modern government—a president, prime minister, ministers and the usual bureaucrats. But they need capital investments far more than a capital city.

The Abdali Sultanate of Lahej, Aden Colony's closest neighbour and the most advanced of the protected states, is not among the founding members of the new federation. The former sultan of Lahej is in Cairo, where he pays his way by broadcasting anti-British and anti-federation speeches. The new sultan, recently elected by the elders of Lahej, apparently still finds it prudent to sit on the fence.

What is to be the role of Aden Colony in plans for the federation? Will the colony continue to be regarded as part of a world strategic plan, too important to join its poor relations in the hinterland? Aden is part of the Arab world and will sooner or later have to be treated as such. It is also the natural leader of the petty states around it and the closer it can be allied to them the sooner that leadership can be effective.

President Nasser may regard the federation plan as a wicked British trick, but his Cairo radio commentators err when they describe the Aden government as a gang of imperialist vampires. There are British officials in Aden who would like to see it become a useful member of the Arab community. An unwarranted amount of criticism and interference from Cairo only makes their task more difficult.

STEEL NATIONALISATION

Much Ado About Mr Hurry

SCATTERED across a hundred or so towns and country districts in Britain, there are about a hundred thousand otherwise unremarkable people who hold the political destiny of this country in their wavering hands. They are those political four leaf clovers, the floating voters in marginal constituencies, and for years it has been the dream of every practising political scientist that somebody would give him up to half a million pounds to ferret out these, our real but accidental governors, and find out exactly what makes them tick. Mr Colin Hurry's public relations organisation has now got the money to set a market research bureau searching for that grail. It is therefore quite maddening that he is using it to ask such silly questions and in such an unscientific way. He is concerned only to ask marginal constituents what they think should be done with Labour's dying (but not quite dead) policy of nationalisation. Everybody knows that the majority answer to that will merely be something rude.

Still, the businessmen who are financing Mr Hurry's survey are using their own (or more exactly, their shareholders') money; the trend of opinion in these marginal constituencies is likely to affect British business conditions as much as any other single factor capable of being subjected to research; and the survey, even as conducted, will have some slight (very slight) value as a contribution to political knowledge. It is therefore ridiculous that Labour dignitaries should scream so loudly that the poll should not have been undertaken or that its results should not be shown to anybody; they have come very close to suggesting that political research among the grassroots should be undertaken only by the political parties themselves or by impartial institutions instead of being undertaken by as many people as possible. The scurry about Mr Hurry is another symptom of the way in which certain Labour leaders, having decided to paper over some of their problems about policy, have become almost neurotic about problems of vote-counting and organisation.

The result of Labour's protest could be odd. Mr Hurry's only logical reason for concentrating his survey on questions about steel nationalisation was that this might help that subject to come further into the forefront of political controversy; the more widely steel nationalisation is debated, the more likely is Labour eventually to abandon it. The Hurry survey had been continuing for several months without getting any publicity, until Transport House did the steel firms' job for them by attracting such sudden public attention to it last weekend. The stock exchange probably showed the right sophisticated reaction by marking steel shares slightly higher on Monday.

PARLIAMENT ON TV

Questions in the Home

IF Mr Macmillan is going to be as much off his best form as he was on Tuesday when answering a proposal for the televising of question time, he might become more opposed to the idea than he sounded. As in the old days before he had reached the top of the greasy pole, he laboriously dug himself a trap of heavily over-prepared jokes about the quiz shows between which parliamentary question time would be scheduled—and released a prolonged howl of catcalls when he fell into it.

But the really interesting feature of this exchange was that this was its only noisy interlude. A short while back, when the unlamented fourteen-day rule was in effect, any wild verbal swing at the encroachments of the camera was good for a cheer. On Tuesday there were no cheers for Mr Herbert Morrison when he trotted out the traditionalists' standby—that if there were microphones and cameras MPs would talk to them instead of to each other. And there was no audible protest when the Prime Minister, who had first stated that the matter was one for the House as a whole rather than for the Government, made his personal inclinations clear by remarking that Mr Morrison's argument was also the one used against the publication of *Hansard*.

The fact is that, fourteen-day rule or no fourteen-day rule, the House of Commons will continue to dwindle in the public mind until some of its proceedings, which are after all the public's business, can be seen in the home. The right to televise Parliament should not be confined to question time, which, *pace* Mr Ellis Smith, is not always or even usually "dynamic." Television at Westminster would present formidable technical difficulties. But once these are overcome it would have the supreme merit of portraying to the voters the great issues of the day being contested by the country's real political leaders rather than by the colourful but peripheral substitutes who now fill the screen. The thought of constituents looking in might even induce rather more members to attend debates.

STREET OFFENCES BILL

Trusting the Police

THE vote of 235 to 88 by which the Street Offences Bill obtained a second reading in the House of Commons last week did not fully reflect the extent of the doubts which had been sown in MPs' minds by the pamphlet published by the Church of England Moral Welfare Council. This was partly because the Tories were whipped in while the Opposition was not, partly because Mr Reginald Paget's totally hostile amendment was chosen for debate by the

Speaker (in preference to the reasoned rejection favoured by the women's organisations) and partly because many members felt that their libertarian qualms could be more appropriately expressed at the committee stage.

Undoubtedly a rather alarming amount of trust is being placed in the honesty and common sense of the police in recognising a prostitute when they see one. On the assumption that when the penalties are higher there will be more defended cases, the bill does away with the need, at present perfunctorily discharged, to prove that residents or passers-by were annoyed. This means that any two policemen, without requiring other witnesses, can, after watching a woman's activities (and in Mr Butler's revealing language), "condemn her as a common prostitute and bring her before court." Only in the case of such a "common prostitute," a term which is nowhere defined, does loitering or soliciting become punishable as a nuisance in itself.

But how else are the streets to be cleared of these offensive purveyors? The Moral Welfare Council's attempt to dispense with the term "common prostitute" by defining the offence to cover any person loitering in a public place for a libidinous purpose was wisely rejected by Mr Butler: it threatened far more dangers to private liberty than it might have averted. Mr Butler did accept as a police practice, though not as a part of the statute, the proposal for prior cautioning, although this made him vulnerable to Mr Greenwood's contention that if it is generally known that there would be no prosecutions until two cautions had been administered, this in itself would prejudice a woman when she came before the court. Even the Moral Welfare Council, however, when proposing to keep annoyance as one form of the offence, had to suggest that "nuisance," which does not involve producing people who have been annoyed, should be included as another form if the bill is to be effective.

There remains Mr Paget's root-and-branch attack on the whole idea of driving prostitutes off the streets. His strongest point was that by doing so society would be tampering with something it did not understand; his weakest was that without streetwalkers London would have a call-girl system as in New York. In the first place the New York system would be an improvement; in the second if there was any demand in London for the kind of arrangements exposed by Mr Ed Murrow in his radio programme on "The Business of Sex," which was quoted in the debate, it would not depend for its satisfaction on the absence of opportunities for soliciting in the street.

On the whole, although its safeguards should be tightened in committee where this seems feasible without destroying its central purpose, this bill had better be tried—and most scrupulously watched.

LONDON'S GOVERNMENT

Eight Ministries Say . . .

THE evidence presented by eight government departments to the Royal Commission on Local Government in Greater London (HMSO, 10s.) is well worth reading. For once the ministries have not carefully "co-ordinated" (i.e., emasculated) their respective views. The departmental hobby-horses therefore get an indecent and refreshing exposure. Only the Ministry of Housing and Local Government has fallen, through anxiety to remain impartial, into the most horrible sort of white-paperese. It even perpetrates the following:

> Inevitably some [housing] authorities have been more vigorous and efficient than others, though the level of performance has on the whole been pretty even.

The Board of Trade offers an admirable students' essay on the principles of weights and measures administration, and the Ministry of Agriculture is reassuring about the capacity of a hundred-odd councils to chase rats along London's 3,400 miles of sewers.

It is the Ministries of Education, Health and Transport that offer the most interesting and definite opinions. Education rejoices in a most unexpected manner over the efficiency, imagination, and good public relations of the London County Council, which it is anxious to leave undisturbed. (With some reservations and doubts, the LCC gets a remarkably good press all round.) Health emphasises the importance of keeping the health and welfare services under the same local council, and does not want a system of delegation. Transport is the most precise. It wants to abolish completely the present system of highway and traffic administration in London; it would like to set up instead 22 local councils for road maintenance and improvements, together with a single traffic control authority dealing with traffic regulations and parking for the whole of built-up London.

What guidance can the royal commission extract from this maze of opinions? One point is clear. Everybody seems to agree that the hundred lower-tier councils in Greater London, already enfeebled, cannot manage even their remaining tasks satisfactorily. Many of these have too little road mileage to be efficient highway authorities, many (particularly the metropolitan boroughs) are revealed as extravagant collectors and disposers of refuse, while their participation in education through delegation schemes is cumbrous and unhappy. *Per contra,* the LCC (like to a lesser extent the other counties) scores simply because it is a large and wealthy body which can afford to attract efficient staff; these chaps, the central civil servants seem to be saying, are almost like us. The LCC also scores through the lack of any departmental argument for a Greater London authority save for traffic control—and even here a policy, not an authority, is or should be the first need. On the other hand, government departments' aversion from any bigger regional-size elected authority may well have coloured their evidence, while civil servants are not the people to over-emphasise the point that for some other functions the LCC emerges as unnecessarily large.

ITALY

The Christian Democrats Split

IT is Signor Fanfani's misfortune that although by energy and ability he has given the Christian Democrats the efficient party machine which they had previously lacked, his personality uncovered his party's deep divisions. A week ago he resigned the post of party secretary which he had held since he supplanted Signor de Gasperi in 1954. This apparently completely unexpected step was preceded by party discussions which are reported to have been very stormy, and it may be doubted whether Signor Fanfani was really as calm as he said he was when he wrote his letter of resignation. His long-term political calculations are uncertain; so are his enemies' next moves. All that is certain is that Italy, with its ruling party deeply split, faces a grave problem of government.

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Signor Fanfani's move has not resolved the crisis. President Gronchi has apparently found himself sharply at odds with the leaders of the Christian Democrat parliamentary group whom he does not believe fully to represent the feelings of the rank and file. He refused to accept their nominee (Signor Segni) for premier because they failed to produce an agreed government programme as well ; and he has been trying to get them to hold a full meeting of the parliamentary group so that the strength of the various Christian Democrat factions can be more accurately assessed. The party leaders have strongly resisted this pressure, maintaining that the president is trying to split the party.

On Tuesday, therefore, President Gronchi took what looked like a desperate decision. He rejected Signor Fanfani's resignation as premier and invited him to go before the Chamber and seek a vote of confidence. Signor Fanfani refused on Thursday to take up this challenge, presumably calculating that his chances of getting his vote were too low, especially as neither the Nenni Socialists nor the left wing of the Social Democrats were at all likely to support him. If the president's new round of consultations does not produce a solution, he may have no alternative, as he himself has hinted, but to hold new elections. This possibility could be viewed with more enthusiasm if there were a reasonable chance that the electorate would not return the mixture very much as before.

FRANCE

The First Round

FRANCE is settling down into the new normality of the Fifth Republic. The emergency powers given to General de Gaulle, and then assumed by M. Debré, expired on Thursday in a final flurry of decrees. The special session of the Assembly, summoned to approve M. Debré's policy statement, had already been closed on presidential orders ; parliamentary life will resume on April 28th. The Assembly's sitting ended in mild uproar and dubious legality when a UNR deputy, M. Moatti, was allowed to introduce a specious motion intended to associate the right-wing majority with the integrationist cause in Algeria. President de Gaulle himself, speaking to the country for the first time since he moved into the Elysée Palace, appeared on television a few hours later. In this fireside briefing to " the infantry, which always wins the battles," he discounted slogans and rhetoric in bringing peace to Algeria, and reminded the Assembly that he would dissolve it if it misbehaved.

The French Community, linking France with the dozen newly-autonomous republics of west and equatorial Africa and Madagascar, drew its first ceremonial breath at the Elysée on Tuesday. Less formal convocations of African federalists and anti-federalists elsewhere in Paris showed clear signs of trouble ahead. With the word that High Volta and Dahomey were having second thoughts about their membership of Mali, the anti-federalists gathered at the home of M. Houphouet-Boigny in noticeably high fettle. Exactly how President de Gaulle intends to run the periodic meetings of the Community's executive council—and how much personal influence M. Houphouet-Boigny is to be allowed in its affairs—remains to be seen.

On the financial front the figures for the first month after *vérité et séverité* seemed to bring a lightening of M. Pinay's burden. The franc has been buoyant on the open market ; capital entering, or re-entering, France in January made up for December's pre-devaluation drain ; the Bank of France has felt able to cut bank rate by ¼ per cent. But the next three months may bring sterner tests. Politically, three by-elections for the Assembly, beginning on February 22nd, and the municipal elections on March 8th and 15th will give a first demonstration of popular reaction to the budget.

BBC AND POLITICS

No Love for Candidates

MR CHRISTOPHER ROWLAND, a talks producer in the BBC Overseas Service, was recently dismissed from his job as a result of his adoption as prospective Labour candidate for Eastleigh, a highly marginal seat at present held by the Tories with a 500 majority. Under the BBC's regulations anyone holding a " restricted " post—which means one in which he might be called on to handle delicate party or other controversial questions—may not " nurse a constituency " without the corporation's written permission. This, in Mr Rowland's case, was denied.

It is easy enough to understand the motives for this Reith-like regulation. Like Caesar's wife, it is said, the BBC must be above suspicion of partiality. A talks producer is responsible for the choice of speakers in straight talks, discussions, and features and for maintaining the proper balance between parties. His *bona fides* above all others must be apparent to party organisations. There are subsidiary arguments about the diversion of a candidate's energies from his work and the possibility of conflict of loyalties when he is speechmaking in his constituency. But talks producers are a fairly numerous race, and only some programmes are political. Mr Rowland's entire output was directed abroad, away from British voters, and the work could have been shuffled so as to have kept him off politics. The fact that the BBC did not use its discretion in his favour shows that it has determined on an extreme interpretation of its own regulations (it was even suggested to Mr Rowland at one point that he would be ineligible to run overseas programmes on sport because a Labour MP might be called on to do a commentary).

The odd thing is that the BBC is sticking to these regulations in the case of sound radio, where it still has a monopoly, at a time when different standards are developing in television, which has a much greater impact on the voter. In at least one commercial television company an adopted candidate is in charge of editing a weekly current affairs show, while in the BBC itself some curious fictions are keeping well-known personalities with political ambitions on the screen. Heaven forbid that they should be taken off it, as a result of any further extension of the BBC's misconception of the public interest. That interest lies in ensuring that the best possible candidates are available to go into politics. Under the British system prospective candidates are adopted some time before an election, which is itself of uncertain date. Immediate forfeiture of employment is a severe and undesirable deterrent. There are many private and public employers who could make out as good a case as the BBC that they run a risk of embarrassment if they allow their employees to nurse constituencies. By assuming such a risk, the BBC should be setting a good example, instead of its present excessively timid one.

PRICES AND WAGES

A Year of 2 Per Cent Inflation

THE final figure for the cost of living index in 1958 shows that retail prices rose less last year than in any previous year since 1953. The official index, after some month-to-month fluctuations, finished the year no higher than in June and only 2 points (just under 2 per cent) higher than at the end of 1957. This compared with an average annual rise of 4½ per cent from 1954-57.

CHANGES IN RETAIL PRICES

	Index* at Dec., 1958	Points difference from Dec., 1957		Index* at Dec., 1958	Points difference from Dec., 1957
Food	109·2	+3·2	Tobacco	107·8	Nil
Housing	125·1	+8·2	Drink	105·8	+0·1
Fuel and light	116·6	+1·0	Transport & vehicles	113·1	+0·4
Durable household goods	99·9	−1·4	Miscellaneous goods	113·6	+2·0
Clothing and footwear	102·7	−0·3	Services	115·4	+1·2
			Total Index	110·2	+2·0

* Based on 100 at January 17, 1956.

The cost of housing rose more than any other form of spending last year—by 7 per cent—and caused the total index of retail prices to go up by 0.7 points. But, because food is four times as heavily weighted in the index, the 3 per cent increase in food prices contributed more to the general rise—1.1 points. Most other items rose only a little in price, and clothing and durable household goods became very slightly cheaper. Six foods had a lot to do with the fluctuations in the general level of prices: potatoes, tomatoes, eggs, milk, bacon and apples. (The first four of these, incidentally, are foods for which there are producer marketing boards.) Some of the movements were seasonal ones, but these do not necessarily have exactly the same timing each year. In October, vegetables were 14 per cent dearer than they had been a year before ; fruit, on the other hand, was 10 per cent cheaper. More significant, at that date the price index for meat and bacon was 9 per cent above a year before ; this alone would have put up the total index of retail prices by 0.8 points.

Wage rates still kept ahead of prices last year ; they rose by 4 points (or just over 3½ per cent), about the same as in 1953. In the intervening years the average annual rise had been just over 6 per cent. Nearly 11¼ million workpeople benefited last year and got, on average, an extra 6s. a week. But, with some reduction in hours, take-home pay did not grow as much. In October earnings were only 2 per cent higher than twelve months before in industries in which wage rates had risen by 3½ per cent.

SOVIET UNION

The Penitent Form

AFTER Mr Khrushchev's remarkable performance the party congress in Moscow went on its expected way. All successive speakers paid tribute to the undoubted master of the ceremony. Most of them, including Mr Chou En-lai, condemned the activities of the " anti-party group." But there were differences in emphasis. It was left to Mr Spiridonov, the Leningrad party secretary, to launch an all-out attack. He claimed that the guilty men should be called to account before the congress for their actions, " particularly those who are still members of the central committee." He made it plain that he had the former chief planners, Mr Saburov and Mr Pervukhin, in mind. And indeed Mikhail Pervukhin, now Soviet ambassador in Berlin, duly spoke his *mea culpa on Tuesday*.

The official inclusion of Mr Pervukhin and Mr Saburov among the " plotters " confirms that in the crucial struggle of June, 1957, the " anti-party group " had a majority in the party presidium ; of the eleven full members, six—Molotov, Kaganovich, Bulganin, Malenkov, and the two now mentioned—belonged to the group. Mr Khrushchev managed to survive only by shifting the struggle to the larger arena of the central committee packed with his own supporters. Since then he has punished his defeated rivals. Messrs Malenkov, Molotov, Kaganovich and Shepilov went first ; then Marshal Bulganin, whose confession is now judged insufficient. Now comes the turn of Pervukhin and Saburov.

There are differences of behaviour among the accusers as well as among the accused. Mr Spiridonov, before coming to the congress, published an article in *Party Life* recalling the Leningrad affair, the mysterious purge of 1949 which Mr Khrushchev revives whenever he is gunning for Mr Malenkov. Mr Mikoyan, on the other hand, has now repeated what he had said in the United States, namely, that " the faction has not increased by a single person " and that, if the matter is raised again, it is simply " to prove again with facts how wrong the political position of this faction was." Clearly not all the leaders agree on the best way of handling the opposition. The question whether to put them on trial or not may have been argued out at some secret session of which nothing has been heard. The answer will be an indication of Mr Khrushchev's position and of the structure of power within the Soviet Union.

SCANDINAVIA

Room for Manoeuvre

MOSCOW has for some months been taking an interest, keener than usual, in Scandinavia and the waters around it. Finland was the first object of the intensified Soviet concern for this area. A leading article in the Warsaw paper *Trybuna Ludu* argued on January 28th that one of the reasons for the recent meeting between Mr Khrushchev and President Kekkonen in Leningrad, and for the earlier lightning visit of Mr Mikoyan to Copenhagen, was the Soviet intention to launch a campaign for the " neutralisation of the Baltic sea."

Last week's foreign policy debate in the Norwegian parliament must have stimulated Moscow's Scandinavian experts to some more thought. The main topic was the economic integration of the Scandinavian countries: Mr Skaug, the minister of trade, reported on the meeting of government delegations which had taken place in Oslo at the weekend. He said that his government has so far taken no stand on the highly controversial issue of a northern customs union, and that no agreement among the governments has been reached. The Rapacki plan also came under discussion—it was during his visit to Norway that the Polish foreign minister made the revised version of his plan public for the first time. Mr Finn Moe, the chairman of the parliament's foreign affairs committee, expressed his opinion that the plan for a central Europe free from atomic weapons and with thinned-out conventional forces was certainly worth

considering ; speakers for the Conservative party disputed this view, and Mr Lange, the Labour foreign minister, said that the question might be discussed in the coming international negotiations on Berlin.

The Russians are bound to oppose any plan for economic integration in Scandinavia (if only because such a plan would be likely to attract the Finns), just as they will applaud any initiative to detach the Scandinavian countries from Nato. Mr Lange dwelt longer, however, on the dispute about the Norwegian intention to build a civil airport on Spitzbergen. The Russians object to this project as contrary to the Spitzbergen convention of 1920. They have always been sensitive about this strategically important group of islands, where they possess mining concessions ; in 1951, they protested against the stationing of Norwegian troops there. A general Soviet diplomatic offensive is in course in Northern Europe, with a divided, and preferably disengaged, Scandinavia as its aim.

SOUTH AFRICA

Instalment of Apartheid

At the opening of the new session of the South African parliament something more was learned of the system of native representation which is to emerge, along the lines of apartheid, when Dr Verwoerd abolishes the present white representatives of the Union's nine million Africans. "Bantustan" is to come into existence—but it is to be carefully divided into five tribal areas, each of which is to have a secretary-general who is to have direct access to the Minister of Bantu Development, an arrangement that is said to be a far better way of getting Bantu wants and grievances known than by parliamentary questions from their present white MPs. As the secretary-generals are to be appointed by the Ministry this may be doubted ; but the argument evades two other points. The first is that it cuts the last line of contact between white and black at the political level —for the white MPs did tour their Bantu constituencies (if much to Dr Verwoerd's disgust). The second point is that while each of the five tribes will have a native official to keep them in touch with their own tribesmen working in the "white" areas, the detribalised Africans will have no representation at all. In the Nationalists' eyes they are, of course, unpersons ; for a cardinal object of apartheid is to get Africans back into their traditional tribal boundaries —mental if not territorial—and to prevent them becoming black proletarians without tribal loyalties.

Meanwhile, though it is stated that the native authorities are to be elected in these five Bantu areas, no dates are given. But something has been set up which can be talked of as a solution and, hollow as it is, it would be wrong to suppose that South Africans will not soon persuade themselves and tell the world that they have given their Bantu virtual self-government. They are already calmly comparing their system with the new constitution of Basutoland, where adult franchise is being introduced at once. Thus the division between theoretical apartheid and the grim reality of racialism goes on.

CAMEROONS

Vote for Secession?

The election in the British trusteeship territory of the southern Cameroons has ended in a narrow but unexpected victory for the Kameroun National Democratic party led by Mr Foncha who has been asked to form a government. With 14 seats in the new legislature, he has a majority of two over the supporters of the outgoing premier, Dr Endeley, who had wanted the Cameroons to remain as part of the Nigerian federation when it becomes independent in October, 1960. Mr Foncha's party opposed the terms agreed for the Cameroons at the Nigerian constitutional conference last year, and it is assumed that he stands for joining the French Cameroons to the east. As a matter of prestige, but not of economics or even ethnology, the French Cameroonians desire to recreate the unity of the pre-1914 German colony ; possibly propaganda from the French Cameroons had some influence on the election.

But it is not certain that Mr Foncha has made up his mind. He does not know the terms on which the British Cameroons, with a population of 800,000, would be allowed to unite with the French, with 3,500,000. He favours a federal link, but Mr Ahidjo, the premier of the French Cameroons, wants a French-type unitary state. Nigeria has always heavily subsidised the British Cameroons, but it is not certain if the French territory could do the same—or whether it is even viable ; and nobody knows if the French Cameroons will opt for full independence in 1960 or elect to remain in the Franco-African community. Dr Foncha has hedged in the past with the suggestion that the British Cameroons ought to be able to choose to remain under British trusteeship if it wants. Such a solution would find no support in Nigeria, or the United Nations, and little (despite the compliment) in Britain.

Obviously, there must now be a plebiscite to try to discover what the southern Cameroonians really want (the northern Cameroons certainly wants to remain part of northern Nigeria, as before). But what alternatives are to be put before voters—and when is it to be done ? Everything has to be fitted into the tight timetable of Nigerian independence ; yet Mr Foncha certainly wants to gain time. The issue is now being discussed in the meeting of the trusteeship council, and will come before the special session of the United Nations on February 20. But the report of the visiting UN mission, which reported this week, hardly suggests that the United Nations has any clear ideas. The Cameroons show again the complete artificiality of frontiers in Africa.

CROYDON'S COUNCIL HOUSES

Ins and Outs

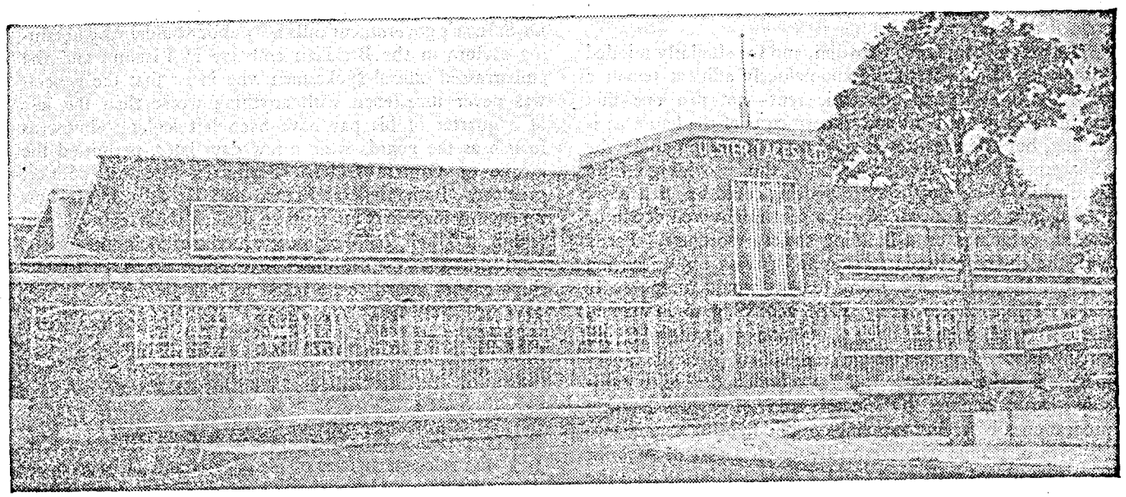
The decision of the Croydon Borough Council to turn out all those council-house tenants whose family incomes (excluding children's earnings) exceed £20 a week is both courageous and dreadfully stupid. The Croydon

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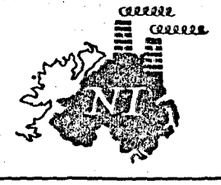
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or, if you prefer, to: THE MINISTRY OF COMMERCE, BELFAST (*Tel.:* 28271).



councillors are right to regard it as an anomaly that well-to-do council tenants should everywhere be subsidised out of rates paid by less well-to-do occupants of private houses. Their new system is possibly an ethical improvement on the existing arbitrary division of "ins" and "outs," which makes the present privilege of council tenancy depend neither on present ability to pay nor on present need but on the past hazards of the waiting list. But the problem could be solved much more effectively by enlisting market forces as an ally, instead of by relying on council decree.

The proper course for Croydon, and for similarly minded authorities, is to charge the anomalously affluent tenant a perfectly hard-hearted economic rent—not just one that would cover the interest and upkeep costs of the house he is renting, but one that would yield a profit margin above the replacement cost of that house today, thus providing a fund from which more social service housing could be financed or total deficits be reduced. Such a rent might well equal, or exceed, outgoings on a building society mortgage. Faced with the choice between staying and paying up, or leaving and building or buying, many tenants would undoubtedly leave. But a choice freely made according to individual circumstances is one thing; eviction regardless of all circumstances but the single element of present family income is quite another. It is far more conducive to hardship; it runs counter to the whole spirit of postwar housing programmes by trying to reduce public housing estates into enclaves of people who are all living on a sort of superior form of national assistance; and it does nothing to help the council's finances.

Of course, the charging of differential rents involves a means test. But so does the present scheme. The Croydon councillors have demonstrated their courage. If they would now also demonstrate their intelligence they could give a valuable lead to every local authority concerned to achieve a little more justice between "ins" and "outs."

SPAIN AND PORTUGAL

Iberian Itch

FIRST reports of the Spanish monarchists' latest moves seem to have exaggerated their dramatic quality. Their meeting in Madrid last week under the banner of the Union Española did not amount to an open defiance of the ban on all political parties other than the Falange. The union's spokesmen now say that it is not a party, that it has no headquarters or offices, and that it is not antagonistic to General Franco's regime. Certainly its announced programme, so far as it goes, corresponds pretty closely to the general's own definition of the "Catholic, traditional and representative" monarchy to which, in his own good time, he proposes to bequeath Spain. And although the monarchist union is seeking to draw into its ranks as many different groups as it can, it has not attracted the social democratic or even the Christian democratic groups.

For the present, the government is evidently maintaining its tactics of cracking down hard on socialists and moderates—the victims of the round-up carried out two months ago—who want to see a speedy restoration of Spanish liberties, while using the velvet glove on restive dissidents among the ranks of the regime's own "establishment." The latest example of the gloved technique was the formal and farcical "trial" and immediate release of the former leading Falangist, Sr Dionisio Ridruejo, who had been charged with criticising General Franco and his government in a Cuban newspaper. Proceedings of this kind may be meant to show that the regime has become tolerant, an impression that the treatment of more serious critics belies; in fact they are apt to leave the impression that it is hesitant.

A similar impression of uncertainty and half-heartedness is left by some of the Portuguese government's recent actions. General Delgado, the opposition candidate in the 1958 presidential elections, has successfully created what Dr Salazar's government calls a "public scandal" by obtaining asylum in the Brazilian embassy in Lisbon; and the embarrassed official spokesmen who insist that the general was never threatened with anything worse than the loss of a quarter of his pay have been left looking almost as foolish as the guards who, a few days later, permitted the escape of Captain Galvao, Portugal's foremost political prisoner. Both General Franco and Dr Salazar are now up against ingenious attempts to weaken their regimes from within, and their fumbling merely increases their antagonists' confidence that the old order is breaking down. Dictatorships cannot afford to be made to look foolish.

MONACO

Coup de Grace

HIS patience exhausted, Prince Rainier III suspended the relevant articles of his charter and disbanded the elected bodies of Monaco on Thursday of last week. *Rien ne va plus.* Europe is not Latin America, where the tide has turned against absolute rulers. Whether he has been spurred to action by example across the frontier (his new French-appointed minister of state was General de Gaulle's minister of the interior) or simply wanted to reassert the hereditary rights of the Grimaldis, Prince Rainier has now ended a chapter in his struggle with the well-heeled Commons of Monaco.

In the last few years Monaco's elected National Council has tried to exercise some control over the activities, particularly financial, of the Prince and his advisers. Prince Rainier has now reminded the elected members that their rights were subject to his good will. It is not yet clear whether he, too, will attempt to bolster his hereditary position by a "massive" popular vote. One thing points in this direction. The Prince has announced his intention of giving women the vote. Court pundits have let it be understood that the Monegasques owe this prospective boon to Princess Grace—on top of all the other blessings: the glamour, the boom in the tourist trade and, most important of all, an heir, who assures their continued independence of France.

Prince Rainier could, if he chose, find a logical justification for his absolute power. Elsewhere in the western world, the growth of parliamentary government has been associated with the growth of taxation. The happy few who live in this charmed half of a square mile, where tax-collectors do not tread, should logically accept the deprivation of political rights as a corollary. But this does not seem to be the view of all Monegasques. They argue that their privilege is ensured by treaty; some even seem to feel that now that they have an heir apparent, the reigning prince is no longer indispensable. Still, it would be a little naive to expect a Cromwell or a Robespierre to arise in the shadow of the Monte Carlo casino.

LETTERS

Sending Books Abroad

SIR—I hope you will allow me to correct some errors of fact, as well as of implication, in your note on exports and propaganda last week.

Publishers have never asked for a general subsidy for book exports, nor have they failed to specify, very precisely, what help they think is needed. They recognise that, however much it may be in a nation's interest that the publications of its nationals should have the widest possible distribution overseas, the British Government cannot afford to subsidise book exports on anything like the same scale as the US government and the USSR already do. Nor do they believe it is necessary; for British books have at present two great initial advantages in their cheapness and in the predisposition of readers in many parts of the world to British modes of instruction and of entertainment. Publishers ask only for the reintroduction of the "British book export schemes" that were in operation at the end of the war; they would limit them to at most six or seven countries; and they have estimated the maximum amounts that would have to be accepted in blocked currency (whose disposal, though partly controlled by the government of the country in which it was held, would certainly not be confined, as you say, to propaganda purposes).

Furthermore, the suggestion that a subsidy is required to counter the Russian and Chinese production of cheap books has emphatically not come from publishers. This is, for the present a political and not a commercial problem.

Your claim that the arguments must be severely scrutinised would be accepted by all. What publishers have been working for, over the last five years and more, is only that the arguments should be heard, and fairly heard. The chances of a fair hearing are not increased by your suggestion that one of the parties to the dispute is in no sense disinterested and is making exaggerated and unpractical demands.—Yours faithfully,

R. W. DAVID

Export Research Committee of the Publishers' Association, W.C.1

Liberals

SIR—Hardened as Liberals have become to being hit below the belt by *The Economist*, I am still stung to protest against its statement that "In the heady days of Rochdale and Torrington, . . . Southend West was actually being marked down as a possible Liberal gain." By whom? Certainly I, the prospective Liberal candidate, indulged in no such pipe-dream; and the Southend West Liberals, who last Thursday so adequately demonstrated their tenacity and spirit, are far too sensible to have thought that they could overset an 18,000 Conservative majority in the time available—though in the event they reduced it by 10,000.—Yours faithfully,

HEATHER HARVEY

London, S.W.7

Shaw's Alphabet

SIR—The opening sentence in your article "Masked Words" in your issue of January 24th reads: "Bernard Shaw believed, just before he died, that life could be made easier by adding a dozen or so letters to the alphabet."

This is doubly wrong. In the first place, it was no last-minute whim of an aged man but the most dearly cherished and considered judgment of a creative lifetime; and in the second he wanted, and left his money for, a British alphabet of 40 new letters, not a dozen or so additional letters to the Roman alphabet.

I published an advertisement in the programme of *My Fair Lady* to explain to at any rate some of the public what Shaw had in mind. Part of it read:

> "In his Will he provided for the design of a British alphabet *additional to our Roman alphabet*—an alphabet of 40 letters at least, in which one visible letter, and only one, was to represent one audible letter. He objected to SH, wanting one new letter in lieu of the combination of two quite irrelevant old letters. He objected also to H h (which are two very different versions of but a single letter), insisting on only one form for any letter. Indeed, he wanted to get right away from the 26 Roman letters to a newly-to-be-designed set of 40 British letters.
>
> "In Shaw's view, WOZ for WAS is, and always will be, an "obscenity." Therefore the new alphabet, if it were to be acceptable, must have brand new forms for W, for O, and for Z—in which case the new word form for WAS would become a form both so new and so economical that everyone might see without prejudice the advantage of the new form. . . .
>
> "'Androcles and the Lion' in this most interesting format will be published probably late in 1959: please keep a space in your bookshelf for it, and above all, do not allow any adverse predisposition, with which you may have started, to becloud your judgment of a great Irishman, or of his last Will and Testament, which generously and ingeniously sought to achieve for the language he so greatly loved the dearly cherished hopes of an exceptional man."

—Yours faithfully, I. J. PITMAN

House of Commons

Painters in Hospitals

SIR—Since the hospital membership of my organisation exceeds that of any other two unions combined, I feel justified in commenting on your note last week. Contrary to your inference, there is not and never has been ". . . a tide-mark along the walls of many hospitals representing the limit beyond which the unskilled Mrs Mops are not allowed to clean. . . ."

The agreement to which you refer was reached by the ancillary staffs council in 1952, after a number of circulars calling for economies in the hospital service resulted in many hospital management committees postponing necessary painting in their hospitals and, instead, having the paintwork cleaned. This sort of operation has nothing in common with ". . . the methods which Mrs Mop is accustomed to use in her own home. . . ." A typical case is a hospital painted some fourteen years ago and not cleaned for the past seven years, where the corridor walls, some fifteen feet high, are being cleaned by men on ladders and scaffolding with abrasives. Surely even the most ardent opponent of restrictive practices would not consider this normal employment for a middle-aged hospital cleaner.

It would be unfortunate in the extreme if sensational and inaccurate references were allowed to cause trouble in a field where the unions have made every effort to ensure the smooth running of the hospitals and where there just aren't any restrictive practices.—Yours faithfully,

RICHARD W. MARSH,
Health Service Officer

National Union of Public Employees, S.E.3

The City's Business

SIR—A business note in your issue of January 31st dealing with the convertibility debate reads in part:

> His [Mr Gaitskell's] report of an estimate that the "total amount" of exchange business likely to be gained by London bankers "does not exceed about £125,000 a year" is mystifying: Mr Gaitskell may be thinking of profit rather than turnover, but even then this figure seems much too low.

Mr Gaitskell is probably basing his statement on a misreading of an article in *The Observer* of January 4th wherein it is estimated that the additional business in sterling likely to accrue to London after the closing down of the transferable account markets abroad should not exceed £1,000,000,000; that the average rate earned by foreign exchange dealers is one-eighth per mil, and that consequently the maximum additional profit for London would therefore not exceed £125,000 per annum.

There are some 134 separate first-class banking institutions conducting foreign exchange operations in the City of London, so that this estimate would mean an average daily gain per dealing organisation of about £3, a figure which caused some eyebrow-raising in the City. Assuming, however, that it is true, what is it that Mr Gaitskell wants? More profits for the wicked City of London? If not, then his message to the world is that the London market offers its facilities in converting foreign currencies at threepence per £100, which must be extremely reassuring for every trader and a great incentive to the very expansion which Mr Gaitskell so ardently desires. But does not this make a point for, and not against, the Government's policy?—Yours faithfully,

H. W. AUBURN

London, N.W.3

BOOKS

Business in Economists' Eyes

The Structure of British Industry

Edited by Duncan Burn.

Published for the National Institute of Economic and Social Research by the *Cambridge University Press*. Volume I (covering agriculture, building, road and rail transport, coal, oil, chemicals, steel, building materials, machine tools), 403 pages, 45s. Volume II (covering motors, aircraft, shipbuilding, electronics, cotton and rayon, woollen and worsted, man-made fibres, pottery, pharmaceuticals, and cutlery), 499 pages. 50s.

WHEN this survey was originally planned it was intended that all the chapters should be contributed by professional economists who were already experts on the industries in question. This soon proved impossible —partly because there were not enough economists who knew enough about any particular industry. Some of the 19 industries discussed in this symposium, therefore, had to be studied afresh and in more detail by economists who had some acquaintance with them. This has delayed publication, but has also enabled a good deal of fresh fact to be quarried out and assembled. It increases the value of the symposium, which is a patchwork of existing expertise and new applied economic research. Several of the authors whose acquaintance with particular industries is comparatively recent have produced or are producing longer books upon them; but this work will remain a unique summary of up-to-date economic opinion about a selection of Britain's more important and interesting industries.

The difficulty that confronted the editor must equally nonpluss any reviewer. It would be a brave man who pretended to universal and equal competence in assessing all of these studies —and one is uneasily conscious that some of those that seem most impressive are about the industries with which one is least familiar—such as, in this reviewer's case, Mr Raeburn's account of British agriculture. The studies are inevitably uneven in approach as well as in the quality of their reasoning and writing; and the advantage is not always upon the side of the established expertise. Professor Reddaway's fresh approach to the chemical industry, for example, has produced possibly the most interesting section of the first volume. One senses some frustrations behind his deliberate limitation of any detailed examination to sulphuric acid, alkali, dyestuffs, and plastics materials. But his discussion first of how far this can be called an industry at all and secondly (perhaps conversely) why it often pays one firm or group to engage in so wide a variety of its activities, whets one's appetite for a fuller and deeper treatment using the same approach. On the other hand Professor Walker on road and rail transport and Professor Beacham on coal, for example, are experts producing workmanlike accounts of industries, plus distillations of their known views upon them.

The point is oddly illustrated by Dr Burn's own studies of steel, upon which he can count himself an expert, and of oil, upon which he probably would not. One turns with interest to the chapter on steel to find out how Dr Burn's strongly held opinions on some controversial issues have stood the test of time, and finds some of the expected *obiter dicta* still very strongly expressed, though not to the complete exclusion of other views; but these stud an only adequate summary of the present nature and condition of the industry. For anyone wanting an outline of an industry simply within the compass of this book, however, his more modest and less controversial summary of the oil industry possibly does the job better.

Among those contributors who take the opportunity of suggesting changes in "problem industries" one might single out the study of the machine tool industry by Messrs Beesley and Troup, which happens to be the first study of this baffling business ever published by independent economists. One may or may not put as much emphasis as they do on the significance of the exclusive distributing agency as a factor in the weaknesses of this industry, but their argument is a useful starting-point for the informed discussion it so sorely needs. Professor Devons, again, describing the aircraft industry, goes closely into the vexed question of how government pricing, development contracts, and support for research influence the successful development and timely production of militarily and commercially competitive aircraft. Mr Wilson, discussing the electronics industry, takes issue at some points with the findings of the Monopolies Commission regarding valves: he, like Dr Hague in discussing man-made fibres, finds that a good deal more effective competition exists than the structure of the industry may suggest to the outside observer.

The contributors to this symposium concentrate on the structure of the individual industries they are considering rather than on their part in Britain's general industrial structure. The coverage was, moreover, never intended to be complete—almost inevitably, for example, it did not prove possible to include any effective analysis of that heterogenous huddle of activities that goes on under the label of "general engineering." Even so, to crown a series of studies of this quality, some general discussion of the pattern of British industry, of how it is changing, and of how the industries discussed here fit into it, might have been useful. Dr Burn's "Retrospect," the final chapter in the volume, does not attempt to do this: it is a discursive discussion of some of the general factors brought up in the individual studies, such as measures of relative efficiency, restrictive practices, technical progressiveness, and relations with the Government. It displays that characteristic, uncompromising refusal to accept easy or convenient explanations, that rather gnarled writing, and that occasional arrogance ("There is a school of thought, or more precisely of opinion," for which read, "somebody disagrees with me") which readers of his more periodical jottings upon British industry have learned, over the years, to expect and to savour.

More Religion?

Religious Behaviour

By Michael Argyle.

Routledge and Kegan Paul. 196 pages. 25s.

AN age of mass cultures, scientific innovation, rapidly rising living standards and international tension is bound to be a testing-time for voluntary organisations, not least the religious institutions. Indeed, it is often assumed that religion is on the decline, if not on the way out. One of the merits of Mr Argyle's study is that he examines this assertion through a dispassionate factual microscope and shows how, certainly in Anglo-Saxon society, the long-term slump in religious activity has been halted, even reversed.

The author has drawn on a widely varied range of empirical studies bearing on religious activity, mainly since the turn of the century, and has, thanks to the catholicity of their scope and the ingenuity of his own analyses, produced a most comprehensive picture. Although the fruits of this method may be richer than those of a current field study, there is nevertheless a risk, especially in view of the abstract nature of the subject, in "fusing" so many disparate investigations in time and place. Thus it is always possible that certain differences noted by the author in the association between religious activity and education in Britain, as compared with the United States, may be the result of methodological differences in the surveys concerned. Mr Argyle's analysis, particularly the application of statistical and psychological theory to the basic data, is technically excellent; but the subject is inherently subtle, and the author has to steer between the Scylla of excessive simplification and the Charybdis, less successfully avoided, of over-emphasising the obvious: for example, "the logarithm of the rate of church attendance was linearly related to favourability of attitude to the church."

Although the subject matter will be easier for specialists than for laymen, there is plenty here for the general reader. Here is an interesting assortment of facts: the lack of much positive association between religion and economic depression (if anything, there is more religious activity during times of prosperity); the particularly high proportion of American combat troops reporting an increase in faith; the greater marital happiness among religious people. There is room for further investigations, both intensive and extensive, into the subject which Mr Argyle has so admirably outlined.

Heretic with a Difference

Can Inflation be Controlled?

By Harold G. Moulton.

Anderson Kramer Associates. 296 pages. $4.95.

TO call Dr Moulton, President Emeritus of the Brookings Institution, a monetary heretic, is to risk misinterpretation; monetary heretics generally believe that money is all-important. To call him a monetary reactionary, an anti-Keynesian, is no better; anti-Keynesians generally hanker for the discipline of gold, but otherwise share the heretics' conviction. Dr Moulton's heresy and anti-Keynesianism are of a very different kind; they consist in a belief that money, or at all events monetary policy as wielded by central banks and governments, hardly matters at all. Prices change in response to changes within the productive system. They rise when, and only when, higher remuneration is paid for the same services—a matter outside the control of any monetary or credit authority—and fall in converse circumstances. Interest rates are as insignificant, in influencing the wages-output relation, as the quantity of money; interest is a negligible element in business costs. Money and credit, in fact, are passive; they react, and must react, to the underlying wage-and-output relationship, and it is on stability in this relationship that any hope of stable prices must rest. Price and wage control being impracticable in peacetime, stability can be ensured only by the self-restraint of organised labour and the willingness of business to lower prices to the consumer as productivity improves.

This argument is, in substance, recognisably an extreme version of the "needs of trade" theory of banking policy. In method, it represents a possibly useful shift of emphasis from the "What" of the quantity-theory or Keynesian equations—given such-and-such numerical values, such-and-such other values follow automatically—to the "How" of real-life events and sequences. But it really will not do. It will not do, as a matter of observable human behaviour, to maintain that increments of money income have no effect on the recipients' valuation of liquid assets versus consumption—a proposition necessary to Dr Moulton's denial of the possibility of "suppressed" inflation. It will not do to assert—on the strength of the fact that auctions are not a representative form of retail transaction—that there is no such thing as "too much money chasing too few goods," that prices are set, in fact, regardless of the recorded or prospective buoyancy or slackness of the market. But this is a proposition necessary to the denial of "demand-pull" inflation. The parallel denial that competition between employers plays any part in setting wages—backed by the offhand assertion that labour is immobile except under duress—really defies comment; but it is necessary to the further denial that extra funds in the hands of entrepreneurs will initiate a general rise in earnings, which in turn is essential to the argument that monetary authorities cannot influence earnings through the supply of such funds. It will not do to equate "interest" as a very small accountant's item in corporation costs, with "interest" as the price of the use of capital; but this feat is necessary to the argument that changes in credit policy make no difference to business activity. One could continue the list for a long time; and it would take longer to itemise Dr Moulton's confusions between necessary and sufficient causes and between causal and temporal sequences.

It is salutary to be made to re-examine basic propositions and to pay more attention to the leads and lags, the sometimes tortuous and obstructed channels of causality, which are among the practical data of monetary policy. Dr Moulton's book—the first venture of a new publishing enterprise—was worth publication But he does not come within even remotely measurable distance of overthrowing the orthodoxies.

Since Hiroshima

Japan's Economic Recovery

By G. C. Allen.

Oxford University Press for Royal Institute of International Affairs. 215 pages. 25s.

THE economy of West Germany today is something very different from the "pastoralism" of the Morgenthau Plan, and the current economic condition of Japan likewise differs widely from the intentions of the victorious Allies in 1945. Both in Germany and Japan the waning of the original spirit of revenge among the victors and the emergence of the cold war against communism as the central international issue had the effect of inducing the western occupying powers to promote economic revival instead of perpetuating economic ruin, and in both cases the revival has been on an impressive scale. The German example is well known; the Japanese has attracted less attention, and has been harder for western observers to follow because of the special features of Japanese economic life that lie outside western experience. The economic recovery of Japan has now, however, found a uniquely qualified interpreter; a professional economist who formerly taught in Japan and acquired an extensive first-hand knowledge of the Japanese prewar economy, Professor G. C. Allen has been highly successful in describing and explaining its postwar development, first under the directing hand of the Allied (in effect American) occupation, and since 1952 under sovereign Japanese governments acting with substantial American support.

Professor Allen points out that Japan was in a desperate condition at the end of the Pacific war. Not only had there been immense devastation by bombing —a quarter of the total housing accommodation of the country had been destroyed—but also large quantities of machinery from civilian industry had been scrapped to provide metal for munitions. All external assets had been lost and the mercantile marine virtually wiped out. For the first two years of the occupation SCAP was less concerned with restoring Japanese industry than with eliminating what was left of the nation's war potential and with introducing social and political reforms that in some cases had the effect of retarding economic recovery. But from 1948 onwards it became American policy to strengthen Japan economically and remove opportunities for communism to thrive there by exploiting national misery. The currency was stabilised and industries built up again. Then came the Korean war as an unmixed blessing for Japan, for the Japanese, without being themselves involved in the fighting, got the benefit of massive procurement expenditure.

Today Japan has in the author's words "once again emerged as the leading industrial country in Asia"; it

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has "increased manufacturing production to more than twice that of the middle 1930s and raised income a head well above the prewar level." The international trading position of Japan remains nevertheless precarious as it is a marginal supplier of many classes of goods and highly vulnerable to adverse changes in market conditions. Professor Allen does not ignore the points of weakness in the economy, but he concludes from his survey that "Japan owes her recent success to good management as well as to good luck."

The Steel Frame

The English Utilitarians in India

By Eric Stokes.
Oxford University Press. 350 pages. 45s.

THE Indian Empire, described by Macaulay as "the strangest of all political anomalies," was a testing ground for many nineteenth century British theories and movements. As Professor Stokes remarks in a brilliant introduction to his study of the Utilitarian impact on India and the Indian impact on Utilitarianism, "particularly in the earlier decades, India provided that element of scale and expansiveness to the new middle-class mind, so essential for the deployment of its political and moral ideas." The Utilitarians saw all Indian problems as opportunities, and framed an analysis of social change that centred on reform of land revenues, a strong administration, and systematic codes of law.

From the start, their programme diverged from that of less doctrinaire Liberals, and it proved possible on Indian soil to reconcile, for a time at least, traditional paternalism and theories of progress. During the late nineteenth century Utilitarian emphasis on power, justice and authority tinged new theories of "imperialism." The writings of Fitzjames Stephens, who abhorred "popular Liberalism" and defended the "belligerent civilisation" of the British in India, expressed one element in what by that time had become "an authentic Utilitarian tradition." The enduring influence of Utilitarianism on India was represented, indeed, in the administrative and judicial system, "the steel frame," which continued, as Professor Stokes notes, "to supply the daily framework of State action to the end of British rule and beyond. It was in the realm of authority and not liberty that the Utilitarian work was done."

Such themes are vast and fascinating, and this is an extremely interesting and searching book, which should be of interest to students of India and to historians of British political ideas. The best part of the book, however, is the beginning rather than the end. The introduction and the admirably lucid chapter on "the doctrine and its setting" explore competing and complementary theories—Evangelicalism as much as Utilitarianism—with insight and critical power. Fitzjames Stephens at the end of the book is taken rather too much at face value. For all his pooh-poohing of "sentimentalism," he admitted that he never heard "God Save the Queen" or saw the Union Jack flying in India without feeling the tears in his eyes. Not all his criticism of his opponents hit the target, and he was completely uncritical of himself. At this point in the story a fuller analysis is needed of other elements in late nineteenth century Liberalism and of emerging concepts of nationalism. More too, perhaps, should be said about the limitations of "political economy" as a guide either to economic or social progress in Victorian India. Steel frames are never enough and this, indeed, is one of the main lessons of this book

A New Dig in Dickens

Charles Dickens: *The World of His Novels*

By J. Hillis Miller.
Harvard University Press. London: *Oxford University Press.* 362 pages. 30s.

THE dust-cover of this book tells us that the author "manages to transport us into the midst of Dickens' 'world' and to bring alive for us the whole strange and wonderful tribe that people his novels." No reader should be put off by the more than common absurdity of this. Mr Miller is not engaged in the superlatively otiose labour suggested; rather he is making an unusually philosophical and analytical examination of "Dickens' deepest apprehension of the world and of the human condition within it." That this is indeed philosophy without much cheerfulness breaking through—that one unfamiliar with Dickens could read the book from cover to cover without gathering that the novelist is often quite funny—by no means invalidates Mr Miller's work. Dickens is now acknowledged to be a serious novelist. Beneath all the laughter there is as sombre a questioning of life as is to be met with in Hardy or Conrad, and this makes a sufficient, indeed a formidable, subject for detached study.

"Pickwick Papers" dramatises in the adventures of its hero a definitive exit from innocence. And Pickwick sees no solution to the problem of living in the fallen world he has discovered; having the material means at his disposal, he simply retreats again to an artificial Eden of his own contriving. But how is a person who cannot withdraw going to avoid destruction by the evil forces of the world? Dickens propounds this problem at its stiffest in "Oliver Twist," begun while "Pickwick" was still appearing. How is someone who starts as an outcast going to discover anything that will be a support for his identity and the source of a coherent life? This, according to Mr Miller, is the grand question insistently presenting itself to Dickens throughout his career, so that he is in a sense—although Mr Miller does not use the expression—an obsessional novelist. And the attempts to answer the question are made at progressively greater depth. The characters are engaged in "a constant attempt to reach something transcendent, something more real than one's own consciousness or than the too solid everyday material world." Eventually they make the surprisingly modern discovery that "the transcendent spiritual power glimpsed at the margins or in the depths of the material world is not really a positive support for human values, even for good ones, but is the negation and reduction to nothing of all the human world indiscriminately."

As a consequence the mature Dickensian protagonist, rather than receiving selfhood as a gift from the outside and from the past, "imposes value on himself and on the world as he assumes his future, including his death, in a dynamic process of living." Some will find this a strange region of discourse to encounter in relation to books which appeared wholly transparent to them in childhood. But to dig in Dickens is indubitably to find successive layers of meaning, and Mr Miller's particular excavation is new, arresting and largely persuasive.

Disorder and Genius

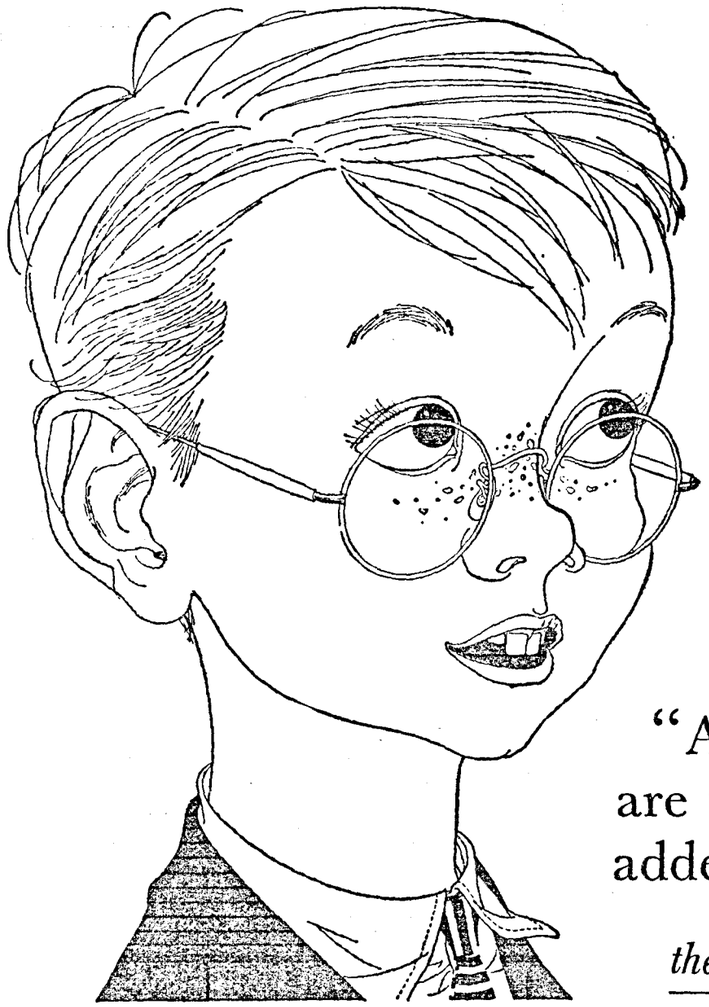
The Life and Times of Frédérick Lemaitre

By Robert Baldick.
Hamish Hamilton. 283 pages. 25s.

THIS is a model biography of an actor. Frédérick Lemaitre was by common consent the finest actor of his day, and was as important to the Romantic movement in France as Hugo himself. He drank, had mistresses and died in poverty; but Dr Baldick has refrained from writing a *vie romancée* and has given only so much of his private life as is needed to illuminate his development as an actor; this he has done with rare clarity.

Frédérick was an innovator. He broke through the conventions of his time and ranked as a naturalistic actor. He would not have seemed so to us, but he used the gestures and voice that conveyed truth to the audiences of his time, who revelled in Hugo and Dumas. Like most great actors, he could do everything that came his way: he was intensely moving in powerful drama, but he made his name as Robert Macaire, a comic and satirical figure representing the worst of the bourgeois monarchy, which would have been remembered as well as the drawings of his friend Daumier if its vigour had not necessarily died with him.

His misfortune was that he was tied to those particular times. The romantic theatre was a firework show, which soon expired; and the jealousy and bureaucracy of the official theatre always excluded him from the Comédie Française and the French classics. To the end, he was acknowledged as the finest actor of his country, but the playwrights who might have served him were writing no longer; and too often he acted in second rate plays designed as a crude vehicle for his talents, instead of himself bringing out the talent of good authors.



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NATIONAL INCOME		Homes wired for electricity	698,318 (1953)
		Cars in use: Personal	139,100 (1956)
Total (U.S. $ million)	2,311 (1957)	Business	51,200 (1956)
Per head (U.S. $)	361 (1957)	Telephones	143,700 (1956)
Money circulation (U.S. $ million)	449 (June, 1958)	Radios	1,022,000 (1956)
EMPLOYMENT		Television Sets	275,000 (1956)
		Refrigerators (electric)	200,000 (1957)
Working population (economically active)	1,971,400 (1953)	Electric cookers and ovens	10,000 (1957)
Male	1,715,000 (1953)	Washing machines (electric)	25,000 (1957)
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Resistance Changes Course

WASHINGTON, DC

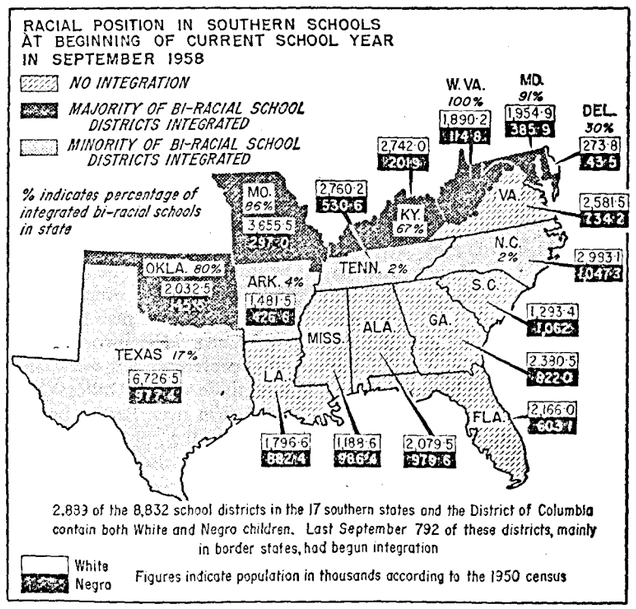
THE South has lost a battle, but it is not yet safe to prophesy that it has lost the war. In Virginia on Monday, in the frosty early morning sunshine, twenty-one Negro children were admitted peaceably to seven formerly all-white schools in Norfolk and Arlington. Two days earlier a special session of the Virginian Legislature, in which the wholly unyielding segregationists suddenly found themselves in a minority, had grumpily conceded that it was no longer able to prevent a certain amount of racial integration in the state's schools. Virginia has thus withdrawn from the group of seven states committed to a policy of total non-compliance with the Supreme Court's orders to abandon the colour bar in tax-supported schools.

Virginia's moral authority in the South is such that at least some of the other six are now likely to waver. But the twenty-one young Negroes who entered white schools on Monday mark only the tiniest of advances towards racial integration. There are 1.7 million coloured children in these seven states alone, and nearly half as many still attend unmixed schools in the other southern states where integration has been nibbling at the fringes. Even if the soberer leaders of the South are now abandoning the melodramatics of "massive resistance," there is still room for them to fight a delaying action so lengthy and so damaging to national unity that the reformers may settle for something less than total compliance.

For a number of reasons, it was easier for Virginia to be flexible than it is likely to be for some of its sister states farther South. It is known that Governor Almond, a former Attorney General of the state, had privately admitted for some time that the "massive resistance" laws, which Virginia adopted on the insistence of Senator Byrd were unworkable. Since the State Supreme Court confirmed his pessimism by invalidating these laws last month, he has successfully controlled the wrath of the die-hard segregationists of southern Virginia. The legislation which the General Assembly passed last weekend does no more than make school attendance voluntary and provide tuition grants for pupils who want to opt out of racially integrated schools; Mr Almond threatened to veto anything more radical. Other Governors may be less prudent. The case of Judge Wallace of Alabama, who deliberately—though unsuccessfully—courted a prison sentence last month by refusing to hand over records of voting registration directly to the Civil Rights Commission, suggests that some southern politicians are hungry for martyrdom.

Moreover, Virginia was able to sweeten the pill by swallowing it on the prescription of its own courts. The State Supreme Court, in setting aside Senator Byrd's handiwork, invoked the clause in Virginia's constitution which requires it to maintain a state-wide system of free schools; this makes it unconstitutional for the Governor to shut individual schools when federal courts order them to accept Negro pupils. But South Carolina, for instance, has already repealed a similar item in its own constitution, and others are likely to follow suit. They will thus strip themselves of the comforting pretence, to which they may one day want to resort, that they are yielding to the inevitable at the behest of their own rules rather than those of the abominated Supreme Court of the United States.

It is not only the state constitutions which pose the choice of either giving way when the courts insist on integration or else abandoning the entire system of state-supported schools. The ruling of the federal court in Norfolk last month, which was overshadowed by the decision of the Virginia Supreme Court on the same day, declared that the closing of a few schools to avoid integration, while the rest stay open, violates the guarantee of "equal protection of the laws" provided by the Fourteenth Amendment of the Federal Constitution. This ruling has not yet been upheld by the US Supreme Court. If it is, it will mean that the last device for nullifying integration orders, short of cutting the throat of public education, has been taken out of the segrega-



The figures given above for the Negro populations of South Carolina and Georgia were transposed in error.

tionists' hands. But there are still various ways in which they can seek to slow down the issuing of orders and to soften their impact.

For instance, the Supreme Court in Washington has found that the pupil placement laws of Alabama and North Carolina are, on their faces, perfectly proper because they do not mention the factor of race. It may often be a very moot point whether or not a pupil has been assigned to a given school on racial grounds; and some courts may be tempted, as the country grows weary over the long conflict, to accept a little integration instead of insisting on a lot. Again, although the Supreme Court said last year that the threat of violence could not be allowed as a reason for delaying integration, it will be difficult for lower courts completely to ignore the local background—or what they are told is the local background—in deciding whether compliance is proceeding with "all deliberate speed" as the Supreme Court said it should. In the last resort a few extremist Governors may use the threat of closing the entire system of public education as a kind of massive deterrent against early court action. Meanwhile, the availability of tuition fees will encourage a drift away from the tax-supported schools; and the segregationists will cling to their not entirely unfounded hope that in time all things may change, including the reformers' resolve and the membership of the Supreme Court.

A good many liberals are willing to give the region as long as fifteen or twenty years to accept total racial equality. Whether the segregationists merely extend their period of grace, or succeed in permanently diluting the Supreme Court's medicine, will depend partly on the legislation on Negro rights adopted by the present Congress. The liberals have little hope that they will be able to pass the measure proposed by Senator Douglas last week. This would give the federal authorities the power—omitted from the Civil Rights Act of 1957—to set the legal process rolling in desegregation cases instead of leaving it to private plaintiffs to start it. It would also authorise the Administration, if all else fails, to draw up its own integration plans for the South. Now that Senator Johnson, the Democratic leader, has thrown his enormous authority behind a rival Bill, it is doubtful whether Mr Douglas can rally as much as a third of the Senate behind his proposals. A great deal thus depends on the effectiveness of Senator Johnson's plan for a federal conciliation service to mediate in racial disputes.

It is not entirely fair to complain, as some of Mr Johnson's critics have, that there can be no mediation between what is lawful and what is not. The supporters of his Bill insist that their plan simply does not apply where the law is clear-cut, as in the case of the Negro's right to vote. Where they expect it to operate is in the legal no-man's-land which lies around the definition of what constitutes "integration." It is possible that the conciliators could help to smooth the process of negotiation which goes on before a federal court issues its order. They might, for instance, help Negro parents and the local school board to agree whether integration should begin in the first forms or the older classes, and how long the process should take.

A fairer criticism is that the whole concept of mediation implies the existence, to mediate between, of two groups of roughly equal strength—like the trade unions and industry. In cities like Atlanta, where the Negro community is strong and organised, this may be valid. In the rural counties of the South, where the Negro is weak and often terrorised, it is harder to see the "conciliators" striking a fair bargain. The danger is that in some areas mediation will result in putting the stamp of federal approval on an arrangement which gives the Negroes no more than an irreducible minimum of their rights.

The segregationist South can no longer hope to win the war, in the sense of preventing the entry of any Negroes into its white schools. But it is still possible for it to achieve a stalemate by admitting a few thousand coloured children with such reluctant and sluggish hostility that faint hearts in the rest of the country will seize upon this token compliance as a reasonable compromise. Conceivably, Governor Almond's new-found moderation, by leading the retreat from a patently untenable legal position, may ultimately help the South to cling to most of what it holds.

Fulbright's Foreign Relations

Before Mr Dulles left Washington on Tuesday to concert the western response to Mr Khrushchev's proposals on Berlin and Germany, he had a long meeting with Senator Fulbright, the new chairman of the Senate Foreign Relations Committee. This important post long held by Democrats whose ability and interest in foreign affairs were far inferior to those of the Secretary of State has now fallen to the intellectual Mr Fulbright, the most articulate critic of Mr Dulles's alleged refusal to explore new ways of reaching agreements with the Russians. Senator Green, who at 91 is the oldest man ever to serve in Congress, displayed his characteristic good sense by recognising that he was no longer equal to the demands of the chairmanship, although he will remain a member of the committee.

Both Mr Dulles and Mr Fulbright know that, whatever their personal feelings, they must co-operate or face two years of frustration which would damage things they both believe in; the Secretary of State, who wants to remain in office until President Eisenhower retires, must feel this with particular keenness. In many ways, the confrontation is a healthy development. Mr Dulles, who has a reputation for flexibility where Congress is concerned, will be brought into closer and more continuous contact with new thinking in the field of foreign policy, not only with the views of the able and powerful Democrats in the majority on the Foreign Relations Committee, but also with ideas being discussed by intellectuals at the universities and elsewhere. Senator Fulbright is a former president of the University of Arkansas and the man for whom the Fulbright scholarships are named. His own positions, which he discussed at a press conference last week, are by no means all at variance with those of Mr Dulles: he believes that the West must stand firm over Berlin, but be ready to discuss with the Russians the possibility of disengagement in Central Europe; he also favours exploring a settlement in Asia, but concedes that recognition of Communist China is unlikely at present.

Although the Foreign Relations Committee can make life hard for a Secretary of State, it can seldom force him to change his policy, particularly when it cannot withhold his appropriations; in this Congress the purse-strings are held by Senator Johnson, the Democratic leader, who is far less

Common sense

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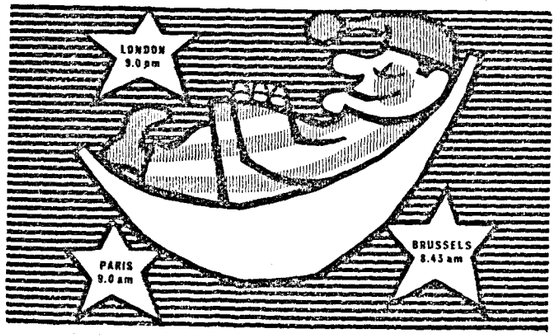
is good sense

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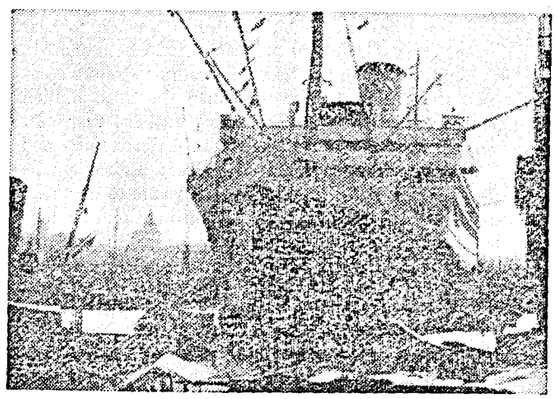
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willing to crack this whip at Mr Dulles than are the more liberal Democrats who surround Mr Fulbright. Senator Fulbright's real opportunity is his chance to educate the country on the issues and choices in foreign affairs. In the past he has made some remarkable speeches, but he has not been noted for his staying power or toughness. He was an outspoken critic of Senator McCarthy but, perhaps understandably, he crumbled where racial segregation—and his prospects of re-election in Arkansas—were concerned.

Space Overshadowed

THE grand inquest with which the Democrats have opened their attack on the President's Budget was billed in advance as an effort to discover whether, to save money, the United States is being exposed to unnecessary military risks and accepting a back seat in space. For this reason the Senate Space Committee joined in the hearings of the Preparedness Subcommittee. But what captured the headlines for Senator Johnson and Senator Symington was the "missile gap." This is the likelihood, which the Administration concedes, that in the early nineteen-sixties, before the second generation of missiles, the Polaris and Minuteman, are available, the United States may well have fewer intercontinental missiles than the Russians and will have to continue to rely too much on manned bombers. In all the publicity excited by the open hearings and the hush which attended the secret ones, the question of whether the Administration is doing enough to catch up with the Russians in space was pushed to one side.

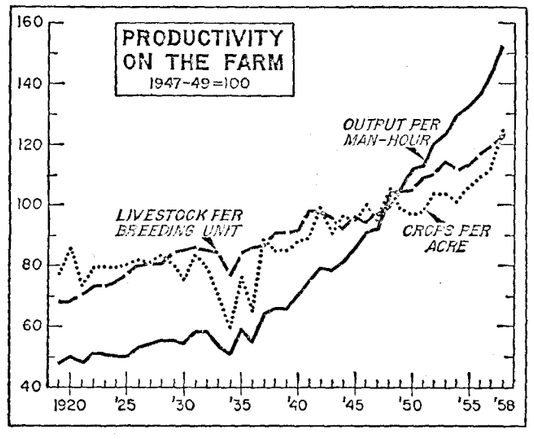
Yet in December a select committee of the House expressed grave doubts, which the Lunik seemed to bear out, over whether the present programme was bold enough, and its military, though not its civilian administrators complain that they need more money than the $700 million allotted to space projects in the coming financial year. Dr Glennan, the head of the civilian National Aeronautics and Space Administration, says that America must roll up its sleeves—and keep them rolled up—if it wants to eliminate the Russian lead of one or two years, but that progress must be scientific and orderly. More money for ill-considered crash programmes, he argues, is no substitute for sustained effort over many years. Unfortunately nothing in the President's statutory report on "Year One of the Space Age" seems likely to persuade the critics that this prudent attitude is allied with a sufficient sense of urgency. The report expresses a bland confidence that the successes and failures of the past year provide a firm foundation for future projects.

To remedy the chief cause of these failures, contracts have been let for two rocket engines of 1,500,000 pounds thrust, a single chamber one and a "clustered booster"; lack of adequate propulsion is the outstanding weakness of the American space programme and it will not draw level with the Russian efforts, in this respect, for three years or so. Another project, Mercury, is to launch a man into orbit in about two years, though probably not until the Russians have done so; 112 candidates with the suitable qualifications have already been sorted out electronically. What many critics allege, however, and what Congress may well ask, is whether the proliferation of agencies and bureaucrats in the last year is not multiplying rather than reducing the obstacles to the exploration of space.

Horn of Overplenty

PRESIDENT EISENHOWER'S latest farm message is a dramatically factual presentation of how the American taxpayer is still being swamped by the flood of agricultural plenty. But the remedies he proposes amount to no more than an increase in the number and strength of the ones which have so far proved ineffective. This is partly because his Secretary of Agriculture, the determined Mr Benson, genuinely believes that with perseverance this gradual lowering of price supports can eventually stop the surpluses from accumulating. But the President also wants to put the responsibility for rescue operations directly on Congress and, rather unexpectedly, the Democratic leaders in the Senate are apparently prepared to accept this responsibility —although their acceptance is taking a form very different from that which Mr Eisenhower wants.

Certainly Congress has never given Mr Benson a fair chance to show whether his schemes for modernising the price support system are the answer to the technological



progress which is the reason for today's agricultural abundance. If it had, the government might not now be expecting to spend well over $5 billion, the equivalent of about 40 per cent of farm income, on supporting agricultural prices next year. The Bill now being drawn up in the Senate in reply to the President's challenge is basically a revival of the Truman Administration's ten-year-old Brannan plan, under which farmers would sell their output at market prices and receive payments from the government, when necessary, to bring their incomes up to a "fair" amount. An attempt to repair the splits which Mr Benson has encouraged in the old farm block, the Bill is the result of an unprecedented coalition between the liberal Senator Humphrey from wheat-producing Minnesota and the reactionary Senator Talmadge from cotton-growing Georgia. But this Brannan plan has never been very popular even with Democrats; moreover, if the new version does go through, it will probably be vetoed. On the other hand Congress is not likely, as far as can be judged at present, to do much about the legislation which the President wants. It looks therefore as if the Democrats may have the double political satisfaction of offering a fresh approach to the farm problem and of leaving the President in an "intolerable" position.

Book Business

FROM A SPECIAL CORRESPONDENT

ST MARTIN'S PRESS, the happy publisher of "Anatomy of Murder," a recent best-selling novel, reported an increase of 147 per cent in its net income for its last fiscal year. St Martin's is a small house and the novel was unusually successful, but the figure illustrates the extraordinary dependence of the book-publishing industry on the occasional success. *Publisher's Weekly*, the principal medium through which the publishers approach the retail book sellers, is thick with promises of "big" books to be backed by national advertising campaigns. True, these campaigns are minute in comparison with those of the cigarette and toothpaste makers, but publishers commit themselves to spend what are, for them, very sizeable sums before they see the reviews of their books, and sometimes even before the books are finished, in the usually vain hope that they can thus whistle up a best-seller.

These feverish efforts are not inspired primarily by an expectation that economies can be made by large-scale production. Demand can seldom be predicted in advance, and profits from best-sellers have often been dissipated by miscalculations in the number of copies printed. The explanation is rather that the average book simply does not pay its own way. The publisher who sells three to four thousand copies of a book to the retail trade is fortunate if he recovers his out-of-pocket costs, even on a relatively expensive book. Book prices in the United States are almost double those in Britain, running to $4 or $4.50 for a 300-page novel and up to $5 for a non-fictional work of equal length. And the chart of a publisher's sales is likely to show a plateau at or below the 4,000-copy mark, with a few hillocks and an occasional lonely peak, but also with a sprinkling of valleys.

Even before television Americans had not acquired the habit of reading books. It has been estimated that since 1946 spending on books and maps has declined from 15 to only 10 per cent of total personal outlays on recreation. Mounting costs and lagging prices also carry part of the blame for the publishers' difficulties. While costs of production increased by 100 per cent between 1940 and 1957, the prices of books have gone up by only between 60 and 70 per cent. Only three publishing houses are large enough to attack costs directly by operating their own printing plants and their ability to do this is dependent on their substantial outside printing business. Moreover, there is little prospect of reducing overhead charges by other means.

By far the greatest share of the blame, however, falls on the thoroughly inadequate system of retail distribution. Depending on the generosity of the tabulator, there are in the United States only between 1,200 and 1,500 really well stocked book shops and book departments in large stores. The latter are among the least efficient and the least profitable of department store operations and are often tucked away in an inaccessible corner of the building, while the book shops do no more than provide a meagre livelihood for book-lovers who have a minimum of commercial instinct. There are two substantial chains of book-shops, Brentano's Incorporated and Doubleday Book Shops, which have introduced some modern marketing techniques, but between them they are responsible for only three to four per cent of sales and they are concentrated in the north-eastern part of the United States. In fact there are many parts of the country, particularly in the south and west, where it is impossible to find an adequate bookshop and where, if the potential buyer cannot pick out a paperback edition of the book he wants from a rack in a drugstore or on a newsstand, his desire must go unsatisfied.

The ubiquity of these racks has helped to maintain a precarious solvency for the publishers. Some 240 million paperbacks were sold in 1957, compared with 30 million hard-cover books. Few established publishers have moved into the paperback field, except for limited lines aimed chiefly at academic and intellectual readers. But, when a publisher makes a contract with an author, he buys not only the primary right to produce a trade edition, but also a number of so-called subsidiary rights, which frequently make the difference between profit and loss on the book. An author's agent may retain some of these rights and handle them separately on the author's behalf, but the publisher customarily takes a half-interest in the author's royalty on the paperback edition (if any).

The other principal sources of income from subsidiary rights are the hundred-odd book clubs, which distributed more books in 1957 than the combined retail sales of adult and juvenile hard-cover books. These clubs range from the sleek, prosperous Book-of-the-Month Club, and its even larger, although more plebeian, rivals, the Literary Guild, the Doubleday Dollar Book Club, and the Readers' Subscription (which has been offering "Lolita" to its sophisticated members). The Readers' Digest supplements its capsulised journalism with a Readers' Digest Book Club, with condensations of three or four full-length books in a single monthly volume. Usually the book club member may return unwanted selections (provided he retains a minimum number during the year) and periodically he receives a "book dividend" to reward him for his continued patronage. The clubs have suffered from the recent increase in postal rates, since they must send out between 50 and 100 circulars to secure one new subscription, but they are vulgarly prosperous in an industry where genteel poverty is the rule. The quality of their selections, however, sticks dismally close to the lowest common denominator.

IF a book is not sought after either by the paperback houses or by a book club, its publisher can usually predict for it an obscure life—and a short one. Unless a new title strikes fire almost immediately, it flickers out. Fiction in particular may last less than six months before booksellers exercise their almost unlimited privileges of returning unsold copies and the publisher turns his excess stock over to the remainder houses—or to the paper mill.

Because fame is almost as fleeting as oblivion, and even best-sellers are soon forgotten, every publisher cherishes his staples: his Bibles, his dictionaries, his cookery books, and those rare products of the human imagination that endure more than a season. Statistics indicate the importance of this backlist: between 12 and 13,000 new titles are brought out every year, but the annual catalogue of books in print has almost ten times as many listings. Many of these fail to return the ever-increasing cost of handling and storage but the backlist still accounts for half the annual business of the industry and it provides some publishers with as much as three-quarters of their business.

One possible solution to the publisher's problems is to

cultivate a particularly durable backlist. This requires the development of a superior staff, which is hard to come by in an industry that still treats editorial positions rather like lieutenancies in an eighteenth-century army. Another solution is to expand the force of salesmen and to use them to teach modern methods to the retail trade; so far there have been some fairly spectacular results from this approach. Finally, the happy experiences of the book clubs in using the postman as a salesman and delivery boy are being applied informally by the publishers themselves to single titles and groups of titles. Publishers now send out circulars to people on mailing lists, bought from a growing class of "list brokers" or specially tailored. These mailing lists are not cheap so they are used chiefly for high-priced gift books or those with particular mail-order appeal—books on psychic phenomena are an example of the type that seem to fall into this latter class. Even if these efforts do not have very spectacular results by comparison with other industries, in this most unbusinesslike of American businesses any improvement looks impressive because there is room for so much.

Nettles for the Governor

IN the two most important states in the Union, New York and California, new Governors, the first a Republican and the second a Democrat, have just unveiled record Budgets of over $2 billion—and the tax increases needed to pay for services to an expanding population. Each is asking for over a quarter of a million dollars, practically all of it to finance existing programmes. Each suffers from the fiscal irresponsibility of his predecessor (oddly, a Republican in California and a Democrat in New York) who raided the state's financial reserves rather than grasp the nettle of higher taxes. Mr Brown, the Californian Democrat, at least has one comfort; he can claim to be proving that "liberal leadership is responsible leadership" where money is concerned. He also has the advantage that California in the past has not taxed tobacco or alcohol; if Mr Brown can overcome the objections of his labour supporters, he has two rich sources of untapped revenue to exploit—something that all the hard-pressed states hunger for.

On the other hand, Mr Rockefeller, as a Republican millionaire, is presumed to be sound on money; what he has to prove, politically, is that a Republican is also responsive to human needs. But first he has to find the revenue to meet the state's existing obligations. On Monday he took the plunge, asking for an increase of $277 million in taxes, $150 million of this in increased levies on incomes, the rest in higher taxes on cigarettes, petrol, and estates. Exemptions are to be at a flat rate of $600 for each individual, making 400,000 more people liable to tax and ending the discrimination in favour of families; by instituting a "pay-as-you-earn" system, tax avoidance will be reduced and the state, which is to forgive the taxes due on 1958 income, will start in April to reap the richer harvest due on incomes earned in the recovery year of 1959. There are to be no new taxes on industry, which the Governor wants to attract to New York, but the top rate of income tax will be 10 per cent instead of 7 per cent.

The Democratic cry that this is a "soak-the-poor" Budget is particularly hurtful to a Republican who is a millionaire. Even some Republicans have qualms. But Mr Rockefeller has shown great energy and political resource in disarming criticism just as he has shown courage and energy in tackling the disagreeable task of putting the state on a sounder financial footing. The Republican majority in the Legislature will have to stand shoulder to shoulder to pass his Budget over Democratic opposition. But defections are not likely so early in the term of a new, popular and determined Governor.

Inflation in Committee

WHETHER or not inflation is as immediate a threat to the American economy as the President thinks—the expert evidence now being heard by Congress suggests that it is not—one aspect of Washington's life, its committee work, is certainly being inflated as part of the effort to counter the more general threat. The Cabinet Committee on Price Stability for Economic Growth is under the chairmanship of the Vice President, Mr Nixon, his first important executive responsibility. His desire to become more widely known and to keep in the public eye will be furthered by one of the committee's duties, which is to foster better understanding of the problem of inflation; this will probably be done through public hearings and television programmes. But Mr Nixon may find himself in trouble with both trade unions and businessmen as the result of the committee's other duty, to study factors affecting the stability of costs and prices. Here it is expected to concentrate not only on wage increases but also on other practices which push up costs—building codes and methods of distributing food.

To ensure that the government itself is not contributing to inflation by pushing up its own costs, the President has set up another committee, under Dr Saulnier, of his Council of Economic Advisers and composed of the chief economists from government operating agencies. It is to consider practices, in connection with procurement, stockpiling, subsidies, import quotas and so on, which may lead to higher prices. The third of the minor moves against inflation which the President announced in his Economic Report last month—the major move was his balanced Budget—was a request to Congress to amend the Employment Act of 1946 and to add "reasonable price stability" to the mandatory objectives of the government's economic policy. These are now three—the attainment of maximum employment, production and purchasing power. Many critics argue that the last of these implicitly includes price stability and that, even if the President's amendment is desirable, it is unnecessary.

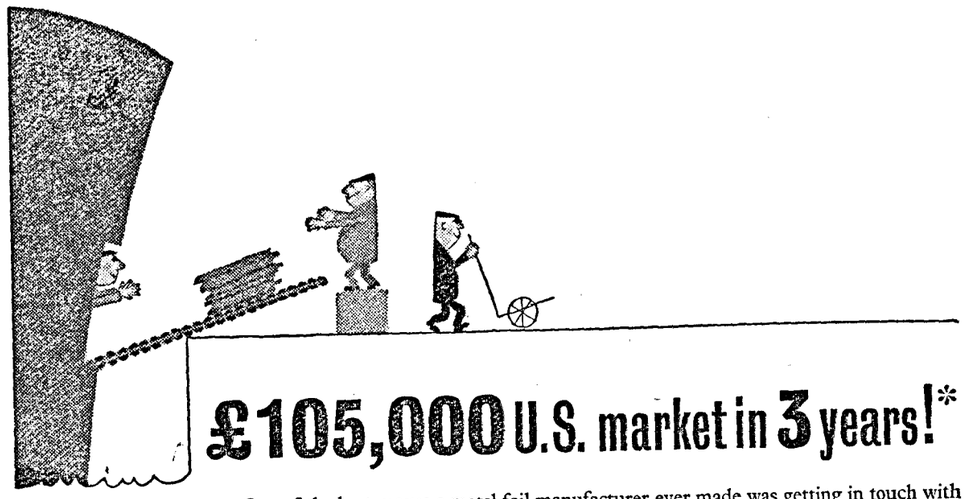
On one thing at least the Democrats agree with the President: that inflation will be a big political issue in the next two years. For this reason there is great competition among members of Congress for a share in the publicity. Senator Kefauver has already pre-empted a large piece, with his series of hearings on price fixing, and the Senate Banking Committee will probably get another by conducting hearings on the amendment to the Employment Act. Its new chairman, to succeed Mr Fulbright, is Senator Robertson, a conservative Democrat who shares the President's distrust of heavy government spending. But the main act of the drama is likely to be the study of the basic causes of inflation today which Senator Johnson has promised but which will probably be produced by Senator Douglas, the liberal, independent economist who has just, once again, become chairman of Congress's Joint Economic Committee.



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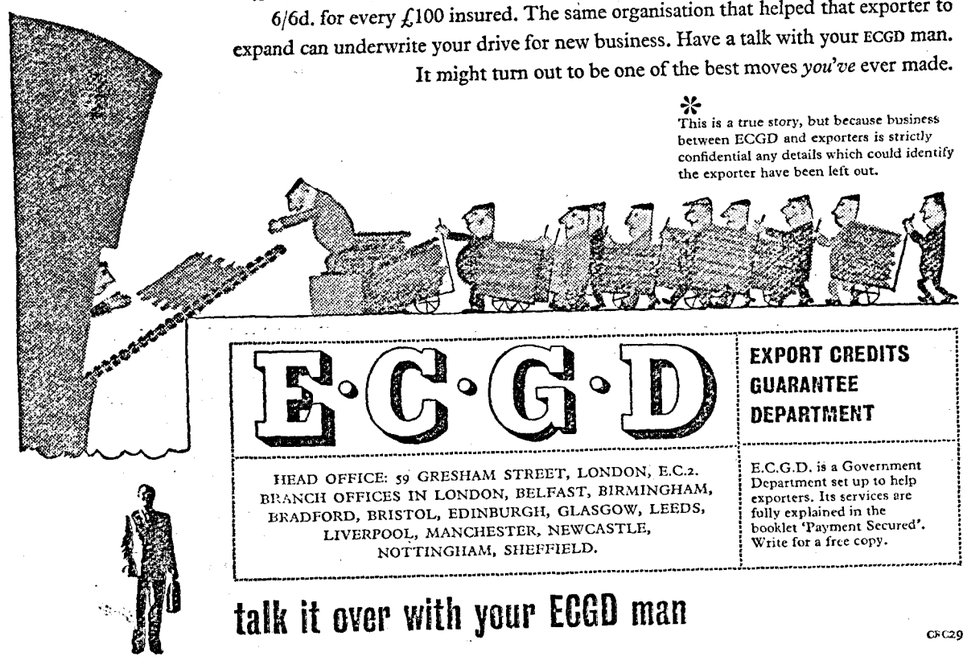
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THE WORLD OVERSEAS

Is Iraq Going Communist?

FROM A CORRESPONDENT LATELY IN BAGHDAD

Apart from a brief dust-storm which reduced visibility to a few yards from dawn till dusk, Baghdad has been enjoying cloudless winter sunshine, as acceptable to the rare visitor from the rainy north as it is unwelcome to the Iraqi peasant whose land is suffering from a shortage of rain. In politics, however, low visibility has been the rule. Everything in Iraq seems, for the moment at least, to depend on the decisions of the *Zaim al Auhad* or unique leader, about whose views nothing was known before the revolution and whose present silences about the future direction of Iraqi policy leave the way open to as many conflicting interpretations as do General de Gaulle's utterances about the future of Algeria. Both generals were brought to power by a military movement which canalised strong popular feelings; both have to arbitrate between supporters who hold conflicting views. Nobody can be quite certain in which direction either will move.

One tendency in Iraq is that of the traditional form of Arab nationalism, as developed by President Nasser; the other is that of people who are sometimes called progressives but are known to their opponents as communists or leftists and for whom the Iraqi censor prefers the designation "friends of the Republic." The attempt of Colonel Aref, presumably with the aid of Rashid Ali, to rush Iraq into union with the UAR provoked a reaction. This resulted in the arrest and secret trial of the two men, while General Qasim resorted to the "friends of the Republic" to mount demonstrations in favour of the regime. They alone appear to have had an organisation ready to act; its nucleus may well have been the former Communist party which the repressive measures of the Nuri regime had not prevented from developing underground. When the crisis was over and the improvised volunteer "defence force" began to make a nuisance of itself in various ways, such as stopping foreign cars on the pretext of searching for arms, General Qasim put it under army control and gave instructions that its activities should in future be confined to times of emergency; his orders were immediately carried out.

Doubts were nevertheless aroused in the minds of foreigners, and of many Arabs too, by the prominence which the Left thus achieved; they had already been disturbed by the rapid appearance of a host of communist embassies and the conclusion of numerous trade agreements with communist states. Another cause of alarm was the prominence given in Iraqi news bulletins to the most trivial happenings in communist countries often to the exclusion of important world news. Very noticeable too is the emphasis given in the new Republic to the words "democratic" and "the people" (as in the "People's Court" where the wall is decorated not with "*bismillah*"—"in the name of God," but with "*bism-ashshaab*"—"in the name of the people").

The impression is heightened by an examination of the rather limited output of Iraqi periodical literature. For example, the current issue of a well-written monthly review called *New Culture—al-Thaqafa al-Jadida*—opens with two articles, to which prominence is given by heavy type and coloured overprints. They are devoted to the subject of freedom of thought which is, satisfactorily enough, declared to be the basis of all healthy national development. The first writer, however, then goes on to say that freedom of thought and the framework in which it operates are instruments of government which must be so employed as to deny freedom to the people's enemies. The second writer, a woman, says more briefly and emphatically that an essential accompaniment of freedom of thought is a dictatorship exercised against the people's foes. A longer article in the same issue discusses the definition to be given to the word "people." After rejecting as equivalents "the inhabitant of a country" or "those having a common sense of nationality" the writer arrives at the conclusion that the interpretation must depend on circumstances. In those of Iraq today, he says, "the people" must be taken to mean the workers and peasants and such of the bourgeoisie as are willing to co-operate in building a true democracy.

Though there is a remarkable display of communist propaganda on the bookstalls this may represent the amount of funds available to the distributors of this form of literature rather than the number of Baghdadis who read it; but it is also an indication that young Iraqi intellectuals have been extensively influenced by marxist terminology; for it is impossible today to find any corresponding literature in Iraq devoted to the exposition of more liberal principles.

This sort of evidence has quite naturally given many people the idea that Iraq is rapidly sliding towards a communist type of government. Among Europeans such feelings are intensified by the days or weeks of delay which the censorship causes in the delivery of foreign newspapers, by the difficulty which business colleagues or friends encounter in obtaining visas, and by the restrictions on movement outside Baghdad. On top of all this, the one European language newspaper of Baghdad, the *Iraq Times*, has been turned by the censor into a channel for the diffusion of Iraq government propaganda. This is written in a style of English which is apt to have the opposite effect on European readers from what is intended; at the same time the paper has been virtually cut off from all world news sources, and so has lost its value as a conveyor of news. In these circumstances, for which the exaggerated censorship is largely responsible, it is not surprising that many observers regard Iraq as half communist already. But there is another side to the picture.

An equally good, perhaps a better, case can be made out that Iraq will not go communist. First and foremost, nobody who has met General Qasim supposes that he is a communist; the strongest criticism made of him is that his previous career has not provided him with either the

experience of the constructive ideas by which his undoubtedly good intentions can be implemented. Secondly, for what it is worth, spokesmen of the new regime indignantly deny that Iraq has any idea of establishing any totalitarian regime after the pattern of the communist states of eastern Europe. They see the Iraqi revolution as a revolt against a totalitarian system, not a move towards one. Few foreigners in fact seem to realise how completely the former regime did have the appearance of a police state in the eyes of the great majority of politically active or politically minded Iraqis. Since the British and Americans, as the allies of the former rulers, enjoyed a privileged position, they tend to think that the restrictions of which they now complain are a novelty in Iraq ; whereas these are in fact very limited in their application compared with the extensive restraints on freedom under the old regime.

When a system of direct parliamentary elections had at last been granted in Iraq, the parliament that resulted was dissolved after a single meeting, because a dozen nationalists had managed to get into it in spite of administrative manipulation. This seemed to the foreigner a joke ; but it was a shameful and humiliating outrage in the eyes of most Iraqis. Thus, when representatives of the new regime say that one of their main aims is to give free expression to opinion, they are not necessarily proved insincere by the fact that the preceding repression has led to an outburst of leftist feeling. It is claimed with plausibility that there never were anything approaching free elections for anybody at all in pre-revolutionary Iraq ; and it is pointed out that only now have, for example, school teachers been allowed to elect a body to represent them. The elections for this body were held last week and if the leftists have gained a big majority and officials hold important posts, there was at any rate an honest election with a high percentage of participants. The losing list in fact polled a very large number of votes, as General Qasim, who spent an hour or two watching the proceedings, was able to observe. As a former teacher, he dropped a voting paper in the urn—leaving it, however, blank to indicate that the "unique leader" was impartial. His presence on this occasion and at other popular gatherings has made a good impression ; one of the failings of the former rulers was that they failed to give the appearance of taking any interest whatever in what ordinary Iraqis were doing.

TOWARDS the oil company the government has so far behaved with great correctness, taking care that work shall be maintained with undiminished efficiency, and declaring its intention of abiding by agreements. Other foreign employers of labour do, indeed, complain of the compulsory raising of wages, and of a labour insubordination which the authorities do little to remedy. On the other hand, the more enlightened recognise that the lot of the Iraqi working classes is in great need of betterment (as a peep behind the facade of the handsome new Baghdad which is now arising is quite sufficient to show) and that the creation of trade unions, however inconvenient their first blundering efforts may be, is long overdue. Where trouble occurs, it is caused by the inefficiency of an administration unsettled by changes in outlook and in personnel, and by the difficulty of getting inexperienced officials to take necessary decisions, rather than by deliberate obstruction. The finance minister, Mohammed Hadid, who is now also minister for development, has no intention of turning the carefully thought-out development plans topsy-turvy ; though he wishes (in the fashion of labour governments elsewhere) to vary the priorities in favour of speeding up housing plans and creating light industries which bring speedy benefit to the classes that need it most. Rents have already been cut by a fifth. No doubt it will be much harder to implement than to promulgate the land reform laws ; yet nobody can doubt that the attempt to tackle the problem was decades overdue.

Many Iraqis criticise the procedure, though not the sentences, of the "People's Court," which is trying the leading figures of the old regime. This is a military tribunal of a revolutionary character, which assumes the guilt of the accused in advance more than it seeks to establish it by careful legal processes. The public, who are admitted to the full capacity of the former parliament building where the proceedings take place, are encouraged to intervene by shouting slogans demanding the blood of the accused, or reciting poems exalting the revolution and its leader. On the other hand, the accused have not suffered physical ill-treatment during their detention—indeed their motor-cars can be seen at meal times taking their food to them from their homes—and they are allowed to speak in their defence for as long as they wish. Since the entire proceedings are televised, the public has every opportunity of judging the issue for itself. In these respects the trials are claimed to be an improvement on those held under the former regime. The number of prisoners is not great, and the dozen or so death sentences passed have not so far been carried out ; the ultimate decision rests with General Qasim, who has a reputation for humanity, not for severity. Indeed, the blood spilt in the revolution has been extraordinarily little. Of the killings in the first hours of July 14th some at least were certainly not intended by the revolutionary leader and are officially regretted.

When the various influences at work are surveyed as a whole, it seems undeniable that there is, somewhere, a communist nucleus which is directly active, unhindered by the authorities, and that Marxist views are widespread among the younger generation. Yet the desire of the majority who support and acclaim General Qasim is not for a Marxist state but for a state that will represent the Iraqi people more genuinely than the former regime did ; that will permit free elections to be held, will encourage the growth of trade unions, and will give more attention to the immediate needs of the masses than was done in the past. Certainly the revolutionary fervour has not yet worked itself out ; but if it is too soon to say definitely that Iraq is not going communist, it would certainly be very rash to assume that it is.

Keeping Berlin Going

FROM OUR BONN CORRESPONDENT

NEARLY three of the six months have passed in the course of which the western allies are invited to reconcile themselves to accepting the communist prescription for the future of Berlin. Notwithstanding their announced intention of doing nothing of the sort, and the Berliners' own unequivocal rejection on December 7th of Mr Khrushchev's unsolicited gift of emancipation, many uncertainties remain. One of them is how strongly western public opinion would back a show of force should east German frontier officials try to hinder allied transports. The federal German government would like more particularly to know how strongly west Germans feel that Berlin is worth making sacrifices for. Should they be hesitant—and probably many are—it is not for want of guidance. A swelling chorus of influential official and unofficial voices intones: "Who has Berlin, has Germany. Who has Germany, has Europe." In a newly-published book about Berlin, Burgomaster Brandt, one of the joint authors, writes:

> In earlier years we used to speak of the "free world's shop window" and of a "lighthouse of democracy." Our friends called Berlin an "outpost," a "bulwark," or a "front-line city." Of course there is still a good deal of validity in these terms today. But we have come increasingly to speak simply and positively of "the Berlin capital."

There are signs that the movement of all good men to the aid of Berlin, the capital, is slowly gathering political and economic momentum. Here and there, in the political field, there has even been something of a stampede. There was, for instance, a perceptible wince or two in the provisional Bonn capital last week when the Berlin capital announced, without warning, its robust plans for observing the tenth anniversary of the lifting of the blockade on May 8th—just under three weeks, that is, before the six months' period fixed by the Russians for allied cogitation expires. If the Berlin Senate has its way, and everybody plays ball, Mr Truman and Lord Attlee, along with the allied politico-military brass of blockade days (Lucius Clay, Brian Robertson, Joe Koenig, Jean Ganeval, Geoffrey Bourne and General Frank Howley and all) will be taking part in a series of commemorative ceremonies, which, at that delicate moment, are bound to be considered highly provocative east of the Brandenburg Gate.

WHETHER the Bundestag will persist in meeting in west Berlin in June for the purpose of electing a successor to President Heuss remains to be seen. There can scarcely be any objection at present to the plans of the federal ministry for family and youth affairs to send altogether 70,000 young west Germans to Berlin in the course of this year "in order to see for themselves the special political, economic, and cultural position and achievements of the capital of divided Germany." In the meantime it is becoming increasingly fashionable to sport the Brandenburg Gate badge which the Indivisible Germany movement is urging everybody to wear as a token of sympathy for divided Berlin.

Practical measures to ensure that the isolated west Berliners do not grow dispirited through diminishing opportunity to earn a square living are being co-ordinated mainly by the Federation of German Industries. Unemployment in west Berlin has been constantly higher than in western Germany. Today roughly six per cent of west Berlin's working population are without jobs ; and those responsible for the city's morale are understandably anxious to prevent the figure rising. Some big west German firms have commissioned one of their senior staff to keep a look-out for chances to buy from Berlin.

Several firms which already have branches there are proposing to develop them, partly with the help of public funds. Daimler-Benz are planning an extension of their engine-building plant at Berlin-Marienfelde, which should double the present strength of 1,500 workers. Siemens say they will be able to take on another 2,000 in consequence of an additional investment of 36 million marks in their Berlin operations. Osram, who produce in Munich these days as well as in Berlin, have decided to allot to Berlin 8 million of the 13.6 million marks they have earmarked for investment in 1958-59. Phoenix-Rheinrohr, steel tube makers in the Ruhr, have announced their intention of building a factory at Berlin-Spandau for making lamp-posts and ships' masts. An extension of capacity by some thirty per cent is also projected by Muratti, the only cigarette factory in Berlin that was operating before the war.

These are all promises which the Federation of German Industries believes to be serious and valuable. Yet the Federation is not satisfied that expansion of existing undertakings, or launching of new ones, is the best way of tackling the problem. It believes that it is more important to keep the existing industrial wheels profitably turning. Of the approximately 5,500 firms in west Berlin, 38 employ more than a thousand persons ; 156 employ between 200 and a thousand. The remainder 5,300 in number, are comparatively small undertakings, and it is these that most want assurance of support in the days ahead. Unluckily many of them are engaged in making clothes, leather articles, and precision instruments, industries that are going through a slack time in west Germany itself. The value of west Berlin's industrial output in 1956 was estimated at DM 6,600 million (approximately £500 million). West German buyers took DM 4,700 million, foreign countries (including Britain) DM 1,000 million, and local customers the remainder. Estimates of the additional orders required to maintain full employment vary from DM 600 million to DM 1,000 million. It should not be difficult to get these from one part or another of the western world if the western world means what it says about Berlin. Last year west German industry alone placed orders, including those in Berlin, worth altogether DM 200,000 million.

It would be idle to speculate at the moment how far Berlin, and the generosity of its sympathisers, are going to be put to the test before the summer is out. For their part, the western allies are dutifully using their six months' grace to build up west Berlin's stocks, not only of fuel and food but also of the raw and semi-finished materials required to keep the factories and workshops going should supplies be interrupted.

Korea's Clouded Crystal Ball

FROM OUR SPECIAL CORRESPONDENT

THE Koreans have already begun to fight their 1960 presidential elections. Despite his 84 years President Rhee proposes to stand for a fourth term. His opponent may be the present vice-president, Mr John Myun Chang. On Christmas Eve the ruling Liberals, occupying the main hall of the National Assembly while policemen detained the Opposition in the basement, rushed through 22 bills in a few hours. The opposition Democrats, of whom vice-president Chang is the titular head, are still protesting. A new security law threatens to gag the press and suppress the Opposition. City and town mayors and village heads will be appointed by the government instead of being elected. The president now has power to postpone the creation of an Upper House. He is also empowered to increase the number of Supreme Court judges from nine to fifteen. In October, President Rhee was given power to retain district court judges on the bench beyond their ten-year tenure, but with the right to dismiss them any time thereafter. Formerly the president had either to reinstate or dismiss judges, without leaving them in suspense, and was furthermore expected

to reinstate judges recommended by the Judges' Council. In fact, the president has seen fit to dismiss judges unanimously recommended by the council for reinstatement. The Seoul district court judge and a Supreme Court judge have attacked these new powers as destroying the independence of the judiciary.

The political tensions that these drastic innovations have produced in Korea are being watched with apprehension by the Americans, who in the past four years have furnished the Republic with billions of dollars of aid, and who had hoped to make Korea a "showcase of democracy" under the very noses of the Communists. It is all the more ironical that alleged new communist "assassination plots," and alleged "infiltration" of the opposition Democrats by communist agents from the North are the excuse given by the Liberals for their measures, though it is an excuse that few Koreans or Americans are prepared to accept at face value. The Americans have been further upset by President Rhee's obvious annoyance and resentment at American press criticisms of his actions. The president has in effect told the United States to mind its own business; a good many Americans thought Korea *was* their business, in the sense that they feel responsible for democratic processes being preserved in the Republic, which owes its continued existence predominantly to 30,000 American soldiers who died fighting there a few years ago.

THE Americans had already been expressing some uneasiness over the way in which the Korean government handled the aid funds. There existed considerable suspicion that supporters of the Liberal party were getting most of the government concessions, in return for kickbacks into the party funds. In addition, the Korean government has tended to turn a hard face towards private foreign capital. The excuse given is that any invitations extended to foreign investors would bring back the hated Japanese, but American businessmen complain that they, too, are adversely affected by the government's insistence on protecting Korean businesses from foreign competition. When President Rhee suddenly tightened the screws on his political Opposition, some Americans had already been speculating aloud about whether the Democrats would not prove to be a better bet from their point of view than the Liberals.

The Democrats are now in a very awkward position. They feel that if they allow Mr Rhee to have his way with them, political democracy will effectively cease to exist in Korea. It is not inconceivable that some leading Democrats, like the vice-president, might find themselves sharing the fate of Mr Cho Bong-Am, the leader of the now banned Progressive party, who is at present in prison under sentence of death on a charge of working secretly with the North. At his first trial, Cho Bong-Am got only five years, but a second trial jacked this up to capital punishment. On the other hand, a frontal assault by the Democrats against the government might provoke a debacle that could benefit only the Communists, which is certainly the last thing the Democrats want to happen. The Democrats therefore have the delicate task of opposing Mr Rhee just enough to persuade him to retreat but not enough to precipitate a serious internal struggle. Some sort of compromise is possible, but the prospects are not very bright. The Liberals may find it expedient to make some display of flexibility, but their determination to win the 1960 elections appears inflexible, and it is anything but certain that they can win without resort to "emergency" powers.

In any event nearly all observers agree that a real struggle for power will ensue immediately President Rhee passes from the scene. Amid the anticipated political turmoil the classical pattern would then be for the army to step in. But President Rhee has already thought of this, and all the really strong military men appear to have been shipped out of the country as ambassadors, while the remainder seem to be too equally matched in a watchful balance of power for any one general to emerge as an accepted leader. Some observers, however, are inclined to believe that the general most likely to succeed is whoever the American military advisory group decides to back. It is, of course, too early to say who that would be, and the contingency may not even arise. But it is perhaps not without significance that the American military advisory group in Korea is at present being strengthened; the period of duty in Korea is being extended from 13 to 24 months and officers and enlisted men are being allowed to have their wives and families with them. Housing projects are now under way in Seoul and other cities. When they are completed, there will be some 2,500 American military dependants living in Korea.

Before the Korean war, there were 1,600 American military dependants living in the country. The Koreans joke that while the Chinese in the north are withdrawing their troops, the American soldiers in the south are bringing in their wives. The Koreans may not be permitted to nullify the American war sacrifices even if they show a disposition to do so. But there are not likely to be any Koreans crying "Yankee, go home!" The Liberals can scarcely object to continued protection against the Communists; the Democrats may be glad to be assured of protection against the Liberals.

The Admirals' Smalls

FROM OUR CORRESPONDENT IN AUSTRALIA

LAST month the usual steady movement of population into overgrown Melbourne was temporarily reversed when there began a wholesale migration of the Australian defence departments from that city to Canberra. In the days when the sheep station in the bush was being made ready for its role as the federal capital, the seat of the federal government was temporarily Melbourne; but it is a quarter of a century since the other departments moved into Canberra, leaving the defence departments behind until accommodation could be built for them.

It has been a most inconvenient separation, obliging ministers and officials to conduct delicate discussions by teleprinter and to make countless air journeys between Canberra and Melbourne. One might have thought, therefore, that the present move would have been universally recognised as long overdue. Instead, it has been accompanied by moans and groans and tears and jeers. The trouble is houses. Before the Commonwealth government can move its servants to Canberra it must first build them somewhere to live. All the controversy concerns the standards to which it builds.

Australians as a whole do not believe in Canberra. Most of them have never seen it, for all that it is becoming a tourist attraction. They regard it as a huge extravagance, a monument to the rivalry between Melbourne and Sydney, neither of which would allow the other to be the capital. They think of it as a place where Parkinson's Law works

overtime, and where public servants, remote from reality, feather their nests when they are not reefing money off honest citizens and trying to impede them in their lawful pursuits. Any house that is built with their money for public servants is too good for them. And why, they ask, must the defence departments now join the party in the ivory tower?

That is the reaction of a large part of the general public. A section of the population in Canberra is even more hostile. Married couples normally wait something under six months for a government house, while the single may languish in government hostels for as long as ten years, paying in Nescafé the price of their celibacy. They are indignant that the defence personnel should be able to walk into specially built houses without having, so to speak, done their stint in purgatory. They are even more indignant because the most senior officers and officials of the defence departments are getting special houses, a little larger than the others and planned in recognition of the fact that they will have to do a good deal of entertaining. This causes ill-feeling, too, among officials of other departments who have got their government houses but have not rated a "special" one. And what is all this about senior officers having to entertain, they ask. Will cocktail parties save Australia from the yellow men or from a Russian nuclear submarine?

The defence people take a different view. The ordinary houses built by the Department of the Interior are of only 1,150 square feet superficial area, and resemble a local authority house in Britain except that they are rather smaller and built all on one floor. The VIP houses are of only 1,700 square feet. In nearly all cases, therefore, the move from Melbourne means giving up a much larger house, selling some furniture, abandoning the mature garden—not to mention the friends, shops, theatre, concerts, sea bathing and lower prices to which Melburnians are accustomed. Those who are getting the ordinary houses are perhaps less discontented, oddly enough, than some of those who are getting special houses. They will pay a subsidised rent and will have the chance to buy on very favourable terms, and some of them have plans to build on a room or a "sleep-out" in due course. But some of the senior officers (who being itinerants cannot buy) and more particularly their wives, feel that the special houses are incompatible with their age and station, and that it is hard, after years of service, still to be occupying a bijou residence. They tell you, wryly, that a certain ambassador has complained about the VIP houses built behind his embassy, and has erected a trellis to shut out his view of the admirals' smalls.

Here are two irreconcilable and personal points of view. But some objective judgment is possible in the light of the future appearance of Canberra. The centre of the city shows, half developed, an impressive plan. The shaded boulevards and curving carriageways of Walter Burley Griffin, the Chicago architect who won an international competition for the city's design, are now well established. The parks and gardens are beautiful, and some time in the next decade the River Molonglo will be dammed to produce an artificial lake, beside which a new Parliament House will stand, replacing the present temporary structure. (Sir William Holford, who recently refurbished Burley Griffin's plan, thinks that there should also be a royal residence where the Queen would regularly stay.) But in the newest suburbs the tiny bungalows huddle ever more closely together, as the cost of taking electricity and water to them rises and as building costs still soar. When their gardens are mature they will look tolerable, for the red soil of Canberra is very fertile when well watered, and its profusion of trees and flowering shrubs would make even a Nissen hut look enticing. But in their present nakedness they stand revealed as unsuited to the dignity of a national capital, and the dark blue beauty of the surrounding mountains merely emphasises the unworthy use that is being made of an incomparable site.

What can be done? First, surely, a greater effort could be made to "sell" Canberra to the Australian public, so that it no longer grudges the money that is spent there. Australia needs new cities—Melbourne and Sydney are both too large, and either would be intolerable if it were also the seat of government. As for the charge of remoteness, that is not so apt now, with the excellent internal air services—though Canberra is still too homogeneous a community. Secondly, a strenuous attempt should be made to bring down building costs, which are over three times as high as in Britain (where they are bad enough); the "special" house of 1,700 square feet costs £A8,000. Some of the high cost is undoubtedly due to the haste and consequent overtime, with which these houses are built.

Canberra is a fine place for the many New Australians who are here to build up some capital, but will it be a fine place for posterity?

THE PAPER BULLETIN

The January issue of this quarterly bulletin contains Special Reports on

THE WEST GERMAN PULP AND PAPER INDUSTRY

TRENDS IN CONSUMPTION OF FOOD WRAPPINGS

THE TREND OF BRITISH PAPER OUTPUT

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Mr Zhivkov Explains

MR ZHIVKOV, the Bulgarian party boss, made a mammoth speech to his central committee on January 15th; four days later he delivered it all over again to the National Assembly. His object was to enlighten party and people on what to expect as Bulgaria makes the "great leap forward" in its economic development that he first proposed last November. The prospect is daunting. Mr Zhivkov envisages changes that if fully carried out will make Bulgaria a more exact model of Mr Khrushchev's Soviet Russia than any other country of eastern Europe. He also makes proposals which smack of Chinese influence (although that influence is in fact ostentatiously ignored) and which could have a profound effect on family life; various measures, such as the development of communal kitchens and nurseries, are to help women to get out of the home and into the factory, and are to assist them in overcoming "the Philistine petty-bourgeois survivals about life and work" to which housewives apparently are particularly prone.

The most important part of Mr Zhivkov's "theses," however, is a drastic administrative reform along the lines of the managerial revolution initiated by Mr Khrushchev in Russia two years ago. In future the economy is to be managed by local bodies from regional centres instead of by ministries from the centre. Seven ministries in Sofia are being completely scrapped and the country is being divided into thirty new administrative units. The object is to do away with the "exaggerated swelling of the apparatus," the "departmentality," red tape and "passiveness" in planning which Mr Zhivkov freely laments. It does not mean less actual control from the centre; on the contrary, Mr Zhivkov is careful to emphasise that it will mean more. It means, too, that a large number of redundant civil servants (according to a Jugoslav journalist, 140,000) will have to be absorbed willy-nilly into industry; but as there is already considerable unemployment, especially in the large towns, this may take some time.

In the countryside important changes are also contemplated; their object is both to raise production and to reach a higher ideological level. Compulsory deliveries are abolished, but the obligation to supply the state with the necessary foodstuffs and industrial raw materials remains. The activities of the amalgamated collectives (their number has now been reduced from 3,450 to 625) are to be enlarged—by taking over, for instance, local industry and the local trading network—and they are to make more efficient use of their members' labour in winter as well as in summer. They are also to take over the Machine Tractor Stations—as was done in Russia just a year ago. Members are being encouraged "voluntarily" to renounce the rents that they are paid for the land they brought into the collective so that the "national ownership" of the land (as in Russia) can gradually supplant "co-operative ownership." The payment of farm workers is also to be reorganised with the object of moving closer to the ultimate goal of eliminating all differences between rural and industrial labour.

These changes are bound to produce at least temporary difficulties and dislocation. But they are designed to secure much greater production, both industrial and agricultural, and production targets have in fact already been drastically, and some might even think fantastically, stepped up; agricultural output, for instance, is to be doubled this year—even though the production of some important crops actually dropped last year. Mr Zhivkov insists that this great leap forward in the country's economic development must be made before it is possible to reach the goal of a substantial improvement in living standards. One can approve wholeheartedly of his goal while remaining unconvinced of the wisdom of his methods.

Indian Business Becomes U

FROM OUR CORRESPONDENT IN INDIA

INDEPENDENCE in 1947 found India with a reasonable supply of its own army officers and civil servants, doctors and engineers; but its big business was still managed very largely by foreigners. Today, business, even when the capital is foreign, is being increasingly run by a cadre of professional Indian managers, a cadre mainly created by the initiative of British companies.

The growth of this cadre is shown very clearly by the annual census of employees of foreign controlled firms earning £900 a year or more. Today half of all such jobs are held by Indians as against one in twelve in 1947 and one in four in 1951. The Indians in this group have increased from 504 to 6,704. Moreover, except for the occasional specialist artisan, there are now virtually no foreigners earning less than £900 a year.

Yet the reason why there are so many more Indians in management now is not because of any wholesale reduction of foreign employees but because foreign business here has expanded so much. There are still 5,625 foreign managers, only 192 less than in 1947—though 1,452 less than in 1952, when expansion had already got under way, but many of today's Indian managers were not yet trained, often not yet recruited. The percentage of Indians in the higher income brackets still drops off sharply; foreigners hold only 38 per cent of the £1,350-£1,800 posts, but 94 per cent of those over £4,500. This is partly because many Indians are still fairly new to business, but also partly because many foreigners are specialists who have to be tempted to come for a short spell by a high salary (some of the best paid of all are the senior Russians at the Bhilai steel works), and even those who spend most of their lives in India have to be offered some premium for expatriation. The result is that, taking these groups as a whole, the foreigners still earn £15 million a year against the Indians' £9½ million.

THESE twelve thousand Indians and foreigners (80 per cent of whom are British), together run enterprises which represent a foreign investment of £400 million (also 80 per cent British). It has doubled since independence. Nearly one-third of it has come from ploughed-back profits; the rest has been new money, mainly coming from the great international engineering and chemical firms whose products range from oil refineries to bicycles, from explosives to dyestuffs. It is these new enterprises that have the largest percentages of Indian managers—about 75 per cent in rubber and chemicals and oil. ICI's subsidiary has an Indian chairman, Hindustan Lever has three Indian directors. In many joint ventures with Indian capital, the foreign partner, Raleighs or Tube Investments or Pilkingtons, for instance, is content with a minority of seats on the board. The proportion of senior Indians is much smaller in the older British businesses, which are expanding less rapidly or not at all, and which have to wait for their employees to retire to replace them with Indians because they cannot offer them posts somewhere else. In jute and tea Indian managers are still only one in four, though even here the new recruits are now mainly Indian. The tea plantations, for instance, normally take two Indians to one European; their biggest difficulty is the dislike of many Indian wives for the loneliness of plantation life.

Behind these figures lies a quiet social revolution. Before the war Indians of good education and family hardly ever thought of a career in business. They gravitated automatically to government service or the professions. Business was for the less well-bred "banias" or for Britons. Today business itself has become a profession, absorbing numbers comparable with those who go into the armed forces and much bigger than those in the administrative service. For the first time, therefore, there is spreading among the educated who in India make policy, an inside knowledge of the problems, the techniques and the outlook of business



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THE BUSINESS WORLD

Uniform for Unit Trusts?

PROPERLY drilled, unit trusts are a useful platoon in the brigade of savers. Members of the movement itself and some Tory MPs would like to see them grow into the shock battalions of a property-owning democracy. Why, they ask, should this country now lag behind Germany, Australia and the United States ? A fresh wave of interest in popular investment, redoubled efforts by existing unit trusts, the formation of three new ones backed by the prestige of merchant banks, and a boom in industrial equities have lately revitalised the movement. The Government looks with favour on this new growth. But at the same time that some people are pressing the Government to make concessions so that unit trusts can become more accessible and more attractive to the small investor, other people are asking for further safeguards to protect him. The President of the Board of Trade has said that he is ready "to consider any recommendation, either from unit trusts or from the public, for the improvement of legislation," but many people will agree with him that present legislation affords "adequate safeguards."

The Board of Trade was given wide powers of regulation over the unit trusts by the Prevention of Fraud (Investments) Act in 1939. Major scandals in the movement are impossible, if only because trustees hold the investments and issue units against them. There are arguments about management costs and about methods of organisation which are important, but these hardly justify a crusade based on the contention that the legislation is out of date and badly needs revising. The emphasis ought to be more on what can be done to encourage the unit trusts to invest well and economically and less on grandmotherly amendments to the regulations under which they operate.

At the moment, the unit trust movement is a compact body of about fifty trusts run by less than a dozen groups. The swift advance of the last six months has carried the savings for which it is responsible to about £100 million. In 1939 there were nearly one hundred trusts with portfolios worth about £80 million. What has happened since the war hardly represents an astounding achievement, but it has to be remembered that for most of the time the trusts were cramped by controls by the Capital Issues Committee based on the absurd idea that the raising of capital for financial purposes was wrong. All unit trusts are governed by strict Board of Trade regulations on management charges and the calculation of buying and selling prices and yields, and by general provisions about trustees, advertising and disclosure of management accounts. The regulations do indeed leave unit trust managers some latitude, particularly in their stock dealing operations ; they have never attempted to resolve the argument between the merits of the "cash fund" and "appropriation" type trusts, which was first brought out into the open in one of the several prewar surveys of the movement by *The Economist*.* The accompanying table sets out the main particulars of some of the important trusts.

THERE is certainly room for differing opinions on one recent development in the unit trust movement. This is the making of a block issue, on the lines of a public issue, as distinct from offering units on tap. It is argued that this new method of block issue can in some circumstances upset the equitable balance that the managers should preserve between new unit holders and existing holders. Other questions are at least as important. One is concerned with the way in which managers repurchase their units. Only three trusts are quoted on the stock exchange ; in other cases the cash value of the units can be realised only by surrendering them to the trust managers. They then have an alternative. They can hold them for resale ; or they can unwind the units they hold by selling the equivalent underlying securities and cancelling the units. If the managers hold—that is, if they job in their own units—they save the cost of unwinding them and the cost of creating new units when the public again comes in to buy. So it is sensible and economical that managers should act as jobbers in their units, and it is not necessarily objectionable that occasionally their

* *The Economist*, April 17, 1937

book as principals in this jobbing function may be substantial. Sellers get a better price so long as the trust is not being unwound. But there is nothing in the Board of Trade regulations to stop them from accepting a price lower than the realisation value when a trust is being unwound. Units cannot be sold above the maximum price calculated by the Board of Trade formula, but managers can offer to repurchase units below the minimum price which a unitholder is entitled to demand. A small revision of the regulations prohibiting the repurchase of units below the Board of Trade price would enable the prospective seller, without further inquiry, to obtain full value for his units. This point

SOME UNIT TRUSTS

	Cash or Appro-priation	Initial charge %	Semi-annual charge %‡	Manager's bid price	Manager's selling price	Yield %
AEG :						
Orthodox	C	6½†	3/16	11/1	11/10	4·85
Allied Investors :						
Brit. Ind. 1st	A	3†	¼	16/0½	17/1½	5·55
Brit. Ind. 2nd ...	A	3†	¼	14/1	15/1	6·00
Bank Insurance :						
ITU	A	2	1/10	12/1½	12/10½	3·59
Scotbits	A	5	1/16	15/4½	16/3xd	3·72
M and G :						
General Fund ...	C	2	3/8	8/13¾	8/7xd	4·71
Second General .	C	2	3/8	6/4¼	6/7¼xd	4·55
National :						
Domestic 2nd ...	A	2	¼	10/4½	11/1½	4·71
New Trusts :						
BST	C	3¼†	¼	10/1½	10/5½	4·00
Crosby	C	3¼†	¼	9/11	10/3½	3·89
Shield	C	5†	3/16	...	10/–	4·00
Unicorn	C	5†	3/16	12/11	13/6½	4·20

† Including commission. ‡ Based on value of trust.

apart straight forward jobbing in the units can be beneficial to unit-holders, and managers who quote close prices in their units are entitled to a reasonable jobbing "turn"

THE argument between "cash fund" and "appropriation" trusts involves the question of whether managers should be at risk (and therefore interested as principals and not merely acting as agents) both in the creation of units for sale and in the appropriation of securities into the trust. In the "appropriation" type of trust it is possible—and for some securities with a difficult market it may be expedient—for the managers to buy securities on their own account and appropriate them into the trust later at a different price. That fact can expose them to the question whether they are acting solely as agents for the unitholders, or whether in some degree they are acting as principals in their own interest. The cash fund type of trust in which the managers act solely as agents is not on such equivocal ground. It is the type that has been chosen by all the recently formed trusts.

This twenty-year-old argument about agents and principals is still a matter of dispute between individual unit trusts. Most of them, however, would agree that at least three tax modifications would be welcome. The first is that costs of management should be chargeable against gross income, as they are for investment trust companies, and not, as now, found out of net income. This tax point has led some trusts to deduct them from the capital of the fund, which is not satisfactory. The second is a plea for the abolition or reduction of the transfer stamp duty ; there are lower rates of stamp duty already for transactions in small property and something for the genuine small investor is sought. (The unit trusts presumably would not demur from the general proposition that a 2 per cent duty on investment transactions is an outrage anyway). The third is that the unit trusts should be able to regain the tax already deducted at the standard rate from the dividends they receive and then make their own distributions gross, leaving the Inland Revenue to settle with each unitholder for any tax that is due. That might help to make unit trusts more popular among those who pay less than the standard rate of tax. But most unitholders seem to fall into the ranks of the lower middle-class and pay at least some tax ; the Inland Revenue would take some convincing that such a concession, involving a further breach in the principle of tax deduction at source, is necessary.

Tax changes would help. So would a relaxation of the limits for management charges. The maximum charge now allowed for new unit trusts, based on the market value of the fund, is 13¾ per cent over twenty years, of which the initial loading charge is normally restricted to 5 per cent. If those managers that receive income from supplementary sources, not always apparent to unitholders, are to forgo it, the question will arise of the adequacy of the remuneration currently allowed to managers. The quality of the trusts' management is as important as their growth and it is worth paying for. Superficially, the idea of raising the limit is attractive, for the trusts could then sell their units much more vigorously. Competition between the trusts would presumably keep charges down ; many managers already take less than the permitted maximum. It ought to be possible to avoid ambiguity about the payment of dealing commissions. In fact, the purchaser pays directly or indirectly and what he pays and to whom should always be evident.

The aim of the government's regulations should be to guide the movement, not to truss it. From the government, the unit trusts can reasonably seek the privileges already enjoyed by other small savings media. Beyond that, they should not expect concessions which cannot be extended to other forms of investment. The unit trust movement itself must sell the idea of expert management and the spreading of risks to the public. The trusts that give investors confidence will be those who take investors into their confidence, whether they operate as cash funds or by the appropriation method. Among the unit trusts themselves there has always been keen argument on this and other points of method. But that is no reason why an association of unit trust managers should not do good work in widening the movement's future service to the small investor. It might be preferable to a revised code of regulations imposed by the government.

Packaged Holidays

New concessions in air fares to travel agents will encourage the packaged holiday

ABOUT two million people went abroad last year for their holidays, spending some £50 a head on fares and hotel bills alone. About a million and a half booked their holidays through travel agents. In a few cases they were disappointed, when the agent went bankrupt or misappropriated at the local casino funds intended for hotel bills ; but the great majority of the agencies' customers appear to have been satisfied. They are now spending winter evenings poring over sunlit travel brochures and their lunch hours queueing at the agencies' desks. By March, as things go today, most of the hectic business of booking holidays will be over, with dates fixed and deposits paid. If in April or May illness, shortage of cash or a change of plan cause the Joneses to cancel their August holiday the agency will find it hard to fill their vacated seats and hotel rooms ; the Smiths and Browns who were on its waiting list will by that time have made other arrangements.

The business of retailing travel has grown and altered a lot since the war. The backbone of a travel agent's trade remains much what it was when Thomas Cook hired his first excursion train nearly 120 years ago ; it is his ability to get discounts from carriers on big bookings. But the airlines, with their rigidly controlled international fares, have introduced a new element. Forbidden to cut fares to the public without prior international agreement, the airlines have worked out any number of devices for cutting the prices charged to the travel agent. These cuts often have no connection at all with bulk bookings ; they really amount to a "Dutch auction" to sell spare seats.

The astonishing proliferation of small travel agencies in recent years is due in part to the concessions that they can get from airlines, both the international operators and the small charter companies. There are about 450 travel agencies (using the term in its strict sense) in Britain. These businesses, which have 800 offices in the country as a whole, sell tickets of all kinds as well as packaged holidays, taking a straight commission of 7 to 7½ per cent from the airlines, railways and shipping companies that deal through them. They are open all the year round, with permanent staff and the usual office overheads. The biggest of them all is Cooks, with 2,000 people working in its Berkeley Street office alone and a total payroll of 12,000. About four-fifths of Cook's business consists of the routine sale of tickets and booking of hotels, and only one-fifth is made up of packaged holidays. But the profits on retailing holidays are much greater than those on the straight sale of tickets.

At the other end of the scale are perhaps 1,000 businesses that can hardly be described as travel agents because they do not do the whole of a normal travel agent's business. The trade calls them "tour operators," and the public knows them as retailers of packaged holidays, many of them at bargain prices. They do not run a normal ticket agency. Some of them close down entirely during slack periods or keep only a skeleton staff. They incur the minimum of overheads and wages and they offer much cheaper holidays, if a more restricted choice, than their larger competitors. It needs little more capital to start such a business than is necessary to pay for a few advertisements in the week-end papers at this time of year and perhaps also to rent a doll-sized office. Bookings, as they come in, automatically provide working capital. In this particular business, size brings no economies of scale. The bigger travel agents maintain that these small businesses skim much of the cream off the lucrative holiday market: but their customers seem well satisfied.

The airlines are partly responsible for this, because they have turned holiday travel by air into a closed shop. Any group of 15 people can go to British Railways and buy a special party ticket, and the bigger the party, the cheaper the rate they are offered. Any school teacher can fill in his holidays taking parties of children abroad for two weeks at a time, and the railways, the shipping companies and the hotels will be prepared to make a special price for him. The airlines will not do so to anything like the same extent.

AIRCRAFT can be chartered for single flights by anyone able to pay for them, but the public cannot buy tickets on flights run at cut prices. The airlines have an agreement under which they can sell special holiday tickets: the return ticket costs only 25 per cent more than the normal single fare. But the only way that the public can take advantage of these tickets is to go to a travel agent and buy a packaged holiday, usually consisting of two weeks or ten days (the poor man's fortnight) for an all-in charge that includes air ticket and hotel bill. The airlines make only one stipulation, that the total charge shall be at least as much as the price of a normal return air ticket to the place concerned.

British airlines can make further cuts if they choose. They can go to the Government-appointed Air Transport Advisory Committee and apply each season for a licence to operate "inclusive tour" services ; the ATAC in its turn advises the Minister of Transport whether to grant a licence or not. It is granted on precisely the same terms as those agreed by the international airlines, that tickets on the flights are not sold direct to the public but only through a travel agent. Holiday air traffic of this kind has been the mainstay of some of the small independent airlines. British European Airways gets only about 15 per cent of its

revenue in this way but this summer it intends to make a direct frontal attack on the holiday market.

In such an " inclusive tour," the aircraft is technically considered to be on charter to the travel agent organising the holidays. No other passengers can be carried, and if bookings fall below expectations, the travel agent has still to pay for all the seats on the flight and can stand to lose substantial sums. One medium-sized travel agent lost £4,000 last year on two tours that sold badly. The price at which the packaged holiday is sold depends largely on the travel agent's own estimate of the number of bookings over the season. The higher load factor on each flight for which he is financially at risk, the lower his price can be.

The bombshell that BEA has sprung on the travel market is an offer to match these low charter rates but for individual seats on normal scheduled flights. It is offering cut-price fares, substantially below even the usual " inclusive tour " concession, to travel agents that want to book customers to 15 different holiday routes. BEA is stipulating two conditions : that these cheap fares are sold only as part of a packaged holiday, and that the flights are made during the middle of the week or on the night services. The price cuts range from half to less than half the normal return fare, the biggest concessions being offered at night. They double the usual discount of 16¾ per cent offered to travel agents on holiday tickets.

Those agents who have stayed out of the air charter business because they felt it introduced an element of unreliability and so might affect their reputations are frankly delighted at this new arrangement. They will now be able to book holiday makers on normal scheduled services at bargain prices that compare for the first time with those offered by the enterprising small man round the corner.

Although air travel has added as much as £20 a head to the cost of a packaged holiday, from a third to a half of the customers of travel agents choose to fly in preference to the overland journey. They do this partly to get an extra day's holiday, partly to avoid the rigours of second class rail travel on the Continent. The new BEA tariff, especially on night flights, narrows the gap between air and surface travel to a relatively insignificant difference of a few pounds. This is a perfectly sensible device to boost traffic on slack, off-peak services. But the travel agent does not enter into any kind of charter arrangement with BEA. Nor does he incur any financial liability, as he does in the usual type of inclusive tour. He simply books passengers at these special rates as they come in. Thus it will be possible for two people to fly side by side in the same aircraft, getting the same service, but one having paid more than twice as much for his seat as the other. From BEA's standpoint, this is a much better arrangement than leaving the second seat empty. But some ordinary air passengers will think it strange that this way of getting fares down involves such a manipulation of IATA's cats-cradle.

BUSINESS NOTES

IN THE MARKETS

Gilts in Good Heart

BANK rate is still unchanged at 4 per cent but persisting hopes that it will soon be reduced, the putting of CIC into cold storage and the good gain in dollars shown by the reserves kept all sections of the stock market in good heart this week. Industrial equities remained firm and *The Economist* indicator rose from 245.0 to 248.3. But interest is now centred more firmly on the gilt-edged market. The government broker is still finding a fair amount of custom, especially for the Funding 5½'s 1982-84 ; but his supplies are not exhausted. The authorities are clearly exerting less pressure on prices than in the days of vigorous funding of 1958 ; but prices have not run away and the authorities' continued restraint is shown by the yield differential offered by the 1982-84 stock over issues of comparable life. If the authorities are still anxious to stimulate the economy, they may do more to pump in liquidity. That could mean a further deceleration of funding ; it could mean that as stocks on tap in official portfolios run out, there may be no hurry to replace them.

	GROSS REDEMPTION YIELDS				
	Oct. 14, 1958	Dec. 22, 1958	Jan. 7, 1959	Jan. 28, 1959	Feb. 2, 1959
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
3% Exchequer 1960 ..	3 12 9	3 14 2	3 4 7	2 19 6	2 17 8
4½% Conversion 1962	4 6 4	4 6 2	4 3 6	4 2 10	4 1 11
4¼% Conversion 1963	4 9 8	4 9 9	4 8 5	4 8 0	4 7 2
3% Savings 1965–75 ..	5 7 6	5 8 11	5 4 5	5 3 10	5 2 4
5½% Exchequer 1966 .	5 3 9	5 1 11	5 0 7	4 19 6	4 18 9
5¼% Conversion 1974	5 8 11	5 8 5	5 7 9	5 7 0	5 6 9
5½% Funding 1982/84	5 8 8	5 8 4	5 7 8	5 6 9	5 6 4
3½% Funding 1999/2004	4 19 6	5 3 4	5 0 5	5 1 1	5 0 9
3½% War Loan	5 2 7*	5 6 11*	5 3 8*	5 5 5*	5 4 3*
2½% Consols	4 14 10*	4 17 11*	4 14 5*	4 14 10*	4 13 7*

* Flat yield.

The strength of the gilt-edged market offers an attractive prospect for the £15 million issue by Esso Petroleum of a 5½ per cent debenture (1979-83) at 98. The terms are slightly finer than those on the English Electric issue of a 5½ per cent stock (1979-84) offered at 97 and the Esso stock gives a running yield of £5 12s. 2d. per cent and a redemption yield to 1983 of £5 13s. per cent. But the English Electric stock is now quoted at 2 premium and stagging of the Esso issue and a premium on it when dealings begin are probable.

COTTON INDUSTRY

Yarn Prices Fall

IN Manchester this week many yarn salesmen have had the novel experience of selling in a free market. With the ending of the minimum price schemes for single and doubled yarn salesmen have had to negotiate on price as well as on quantities. A fair amount of business has been done, though not as much, evidently, as many salesmen expected in view of the lack of business before. Prices have fallen by between 5 and 7½ per cent, with the biggest reductions generally in the finer yarns, which is the most distressed section of the trade. The initiative in cutting prices seems to have come from the small mills, and the big combines, who account for only about 40 per cent of the total spindleage, have been obliged to follow. But there is a good deal of variation, even among mills within a combine, depending on the trading circumstances of particular mills and their customers. As competition among weavers is keen it is taken for granted that cloth prices will reflect the fall in yarn. A reduction of 2d. a lb on one type of single yarn formerly selling for about 48d. a lb, is equivalent to ½d. a yard on a cloth weighing 4 ounces a yard. It is impossible to guess when yarn prices will stabilise, and at what level. Some merchant convertors are confident that they will be able to sell more cloth abroad, and believe that Lancashire weavers may win back some business from merchants who have been buying cloth from Hongkong.

The government, whose sympathy for Lancashire industry may be somewhat greater now that the yarn spinners' scheme has been abrogated, has again repeated its willingness to help the industry. After the Prime Minister told the Commons that he would be making a statement shortly about the reorganisation of the industry, Mr John Rogers, Parliamentary Secretary to the Board of Trade, said in a written answer that the Cotton Board would be making a report on the reorganisation of the various sections of the industry. The Government, he said, was anxious to discuss the proposals as soon as they became available and to hear whether direct government help was asked for. It certainly will be asked for, and hope of obtaining compensation from a redundancy scheme is encouraging many mills to postpone a closure that they know to be inevitable.

CAPITAL ISSUES COMMITTEE

Dead but Embalmed

PERSONS or firms in the United Kingdom need no longer apply to the Capital Issues Committee to borrow money. The only remaining official control of domestic issues is over redeemable bonus issues, which the Treasury itself is continuing to scrutinise to check tax avoidance. Local authorities and other trustee borrowers are still subject to sanction of the Bank of England of the terms and timing of issues over £50,000 ; and the Bank's agreement is also needed on the timing of industrial issues over £1 million. But these arrangements are designed to secure orderly marketing ; they are not restrictive.

So after two decades the heavy hand of CIC is lifted from the British economy. There is every cause for rejoicing. The control was irksome, haphazard, and therefore inefficient. If anyone did want to control the private investment in Britain, this was not the way to do it ; if they did not what was CIC's job? That has been the contradiction of CIC in these past eight years of Tory government. Even now it is not clear that the lesson has been learned. The authorities see the freeing as a relaxation in line with other official measures to stimulate economic activity ; not as a clean cut. Is the corollary that the control will return when the economy is again in need of restraint? Certainly that could be the deduction from the form of the relaxation. In the worst bureaucratic manner, the relaxation is wholly discretionary. The Control of Borrowing Order, which underlies the whole structure, is unamended. Borrowers could be obliged to queue up at CIC again without the Treasury having to waive a statutory instrument. Most ominously of all, perhaps, the CIC itself remains in being. The functions of Lord Kennet and his colleagues are now reduced to one—to vet applications by overseas borrowers. It is difficult to believe that this power would not have been handed over to the Treasury or the exchange control if someone had not been reluctant to see the committee disappear.

The practical results of the relaxation are likely to be few. Since July the CIC has been instructed to be more liberal. But one incomprehensible decision has been advertised to the world—the blocking of a rights issue by the Midland Bank. Presumably this will now go forward—and presumably other banks will follow. Investors have been quick to appreciate this, and on Thursday bank shares moved up sharply.

CONVERTIBILITY

Sterling Pulls in the Gold

THE external reserves shown by the Exchange Equalisation Account rose by $42 million, or £15 million, during January, to $3,111 million (£1,111 million). Since £30 million in gold had to be paid in the final settlement of the European Payments Union to meet the heavy deficit in the pre-convertibility weeks of December, this is a highly satisfactory result. It was to be expected that the special operations of the French authorities and the speculative selling of sterling in Zurich in anticipation of the Christmas cur-

RISING RESERVES

	True dollar balance in period*	Actual change in reserves $ million	Reserves at end of period
1957 :—			
October.....	+141	+243	2,093
November.....	+ 71	+ 92	2,185
December.....	+ 86	+ 88	2,273
1958 :—			
January.....	+166	+131	2,404
February	+206	+135	2,539
March.....	+148	+231	2,770
April.....	+137	+144	2,914
May.....	+ 88	+125	3,039
June	+ 17	+ 37	3,076
July	+ 22	+ 8	3,084
August	+ 48	+ 5	3,089
September.....	+ 21	+ 31	3,120
October.....	+ 57	+ 54	3,174
November.....	+ 55	+ 41	3,215
December	− 23	−146	3,069
1959 :—			
January..... $ mn.	+126	+ 42	3,111
January..... £ *mn.*	+ 46	+ 15	*1,111*

* Adjusting for one month lag in EPU settlements, for $250 million drawn from Export-Import Bank in October, 1957, for small receipts of US aid and for special payments, including $196 million in December on North American debt. December figures slightly distorted by inclusion for first time of non-dollar currencies now convertible.

rency changes would have a favourable backwash in January. The authorities knew, too, that they were taking the convertibility plunge at the season when commercial demand for sterling is at or near its peak, and that the London money market still offers a significant margin above rates on the Continent. Convertibility has certainly encouraged the inflow of money—and much of it now comes uncovered, exerting its full impact on the official reserves.

Another important inflow on capital account has come from the Reynolds Metals purchases of British Aluminium shares. These involved total sterling outlays of about £10 million. Part of this was obtained through the security sterling market but the buying quickly mopped up the supplies of this type of sterling, and lifted its rate near parity with the official rate. The balance had to be satisfied by purchases in the market for convertible external account sterling. The reserve probably benefited to the extent of about £5 million through this one operation. No dollar transfers took place last month in connection with the Massey Ferguson/Perkins deal but this together with the sale of the American subsidiary of Linen Thread should have a beneficial effect on the reserves in the near future.

Allowing for the special influences, the initial experience of convertibility in Europe is good. If the figures for December and January are taken together, and the special debt payments excluded, Britain shows a true dollar surplus for the two months of just over $100 million—much the same rate of increase as in October-November. London, unlike Brussels, and to some extent also, Frankfurt, has not been hit by the repatriation of funds to Paris, which has reached the considerable total of $400 million.

From EPU to EMA

THE Treasury statement again embraces "gold and convertible currencies," including the West European currencies that have lately been freed (though formally these currencies, like sterling, are not *de jure* convertible). All but a small portion of the reserves are in gold and dollars. No mention is made in the return of any currencies that may be brought into the new multilateral clearing of the European Monetary Agreement, which has replaced EPU. Britain, not surprisingly, appears to have made no use of the clearing in January. It is likely that EMA will be used for clearing only in abnormal circumstances, since the terms of its settlements are at the extremes of the notified exchange margins that are most unfavourable to the central bank taking the initiative in using the clearing. Unless those margins or the parities are changed during a settlement period, better terms will be available in the open market.

Details have now been worked out on the liquidation of the European Payments Union. Britain has incurred bilateral debts of $466 million; but it has bilateral claims (mainly against France) of $88 million; and it is able to offset, under the existing agreements, some $146 million of its debts against postwar debts owed to Britain by Germany, the Netherlands and Austria. All but $82 million of the gross debt is covered by the existing funding agreements, under which Britain pays about $3 million a month in total; and since no account has been taken up to now of Britain's EPU claims, the net effect of the EPU liquidation is not expected to involve any net increase in Britain's commitments.

The residual assets of EPU have now been disbursed. Under the EMA agreement, $113 million has been transferred to the European Fund; and a further $123½ million is being held in suspense to be paid into the Fund dollar for dollar as subscriptions of member countries rise above $148 million. The remaining $167 million of gold and dollars held by EPU has been distributed to creditors—mainly Germany, which has received $130 million. Under the EMA arrangements EPU is to provide a total of $272 million (including claims on Norway and Turkey) to the European Fund and member countries $328 million. But the scale of members' subscriptions is now under review, and for the time being the European Fund is working with $113 million. This is sufficient to provide the "float" for any multilateral settlements that take place; an addition to its resources will become urgent only when the Fund receives the first requests for short term (up to two year) advances to countries in payments difficulties.

COAL

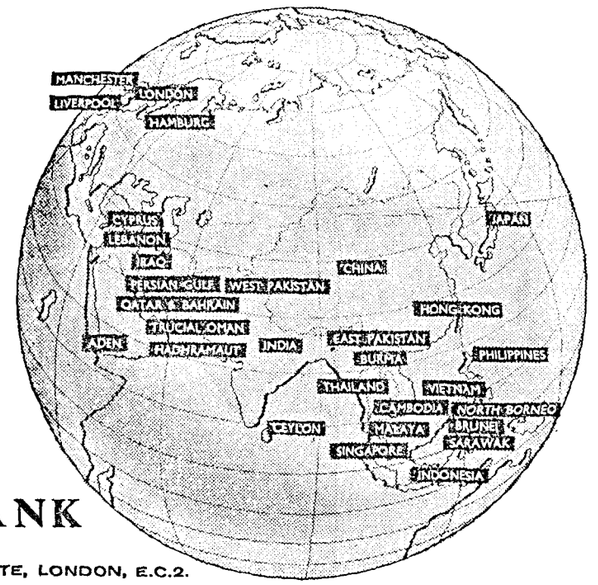
Stocks Level Off

IN about the middle of December total coal stocks in Britain stopped rising, at something over 38¼ million tons, and by January 17th they had come down to 35¼ million tons. This brought no financial relief to the National Coal Board since the whole fall has been in the distributed stocks of coal in merchants' and consumers' hands. The unsold stocks at collieries and opencast sites still total nearly 19½ million tons, the vast amount of coal on the ground in Britain has not prevented local shortages of certain kinds of coal for householders during recent cold weather. Nevertheless, there are few signs that the "stock turn" in coal held by the industry's customers is sharper than usual; and it would take many weeks of very bad weather to make any real impression on the Board's mountains of coal.

While the Coal Board talks sagely about much greater efforts on the marketing side, little new policy has as yet emerged. One of the leading coal distributors, Charringtons, has begun offering "branded" house coal and smokeless fuel in paper bags, at a slightly higher price for the convenience. Neither the Coal Board nor any British supplier has yet offered coal in metal containers from which it can be tipped straight into the stove or fire, as the French *Charbonnages* are doing. It is clear that solid fuels can no longer maintain their domestic market on price alone, because growing affluence among average householders is making them ready to pay a premium for cleanliness. Further development of the packaging of coal and coke to the bag small enough to put on to the fire without opening it at all—seems advisable.

On balance, the Coal Board may have welcomed last week's Government decision to cease offering loans at preferential rates to industrialists for the purpose of putting in fuel saving equipment. Any kind of fuel saving equipment usually saves coal—though it is only fair to say that the Coal Board is a heavy contributor to the funds of the National Industrial Fuel Efficiency Service. But in recent years this special financial assistance to investment in fuel saving equipment—which was supplemented by investment allowances for which other capital investment does not qualify—may well have tipped the balance in the decisions of quite a large number of industrialists to switch over to oil. Switching over, in the national picture, must very often have increased fuel efficiency and saved the consumer money. But it is a kind of improvement about which nobody could expect the Coal Board to be too enthusiastic.

British Banking in Asia



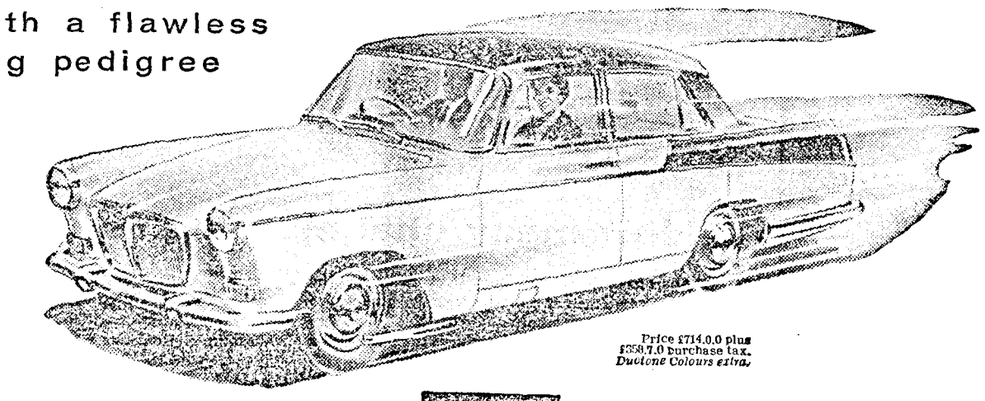
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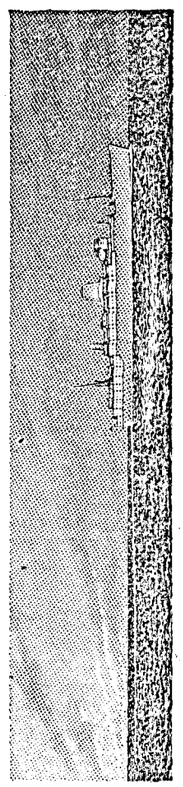
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STEEL

Scrap to Spare

EXPORTS of ordinary grades of steel scrap under open general licence, which were originally permitted for a two-month period that came to an end this week, can continue until March 7th under an extension granted by the Board of Trade last week. These exports, which have been prohibited for years, were permitted under licence from August last year, and since the beginning of December have been free—reflecting primarily the softening of demand from the steel industry during its recession. Last year the industry cut its consumption of scrap by about the same proportion as its output fell, but its "internal arisings" hardly fell at all, mainly because consumers were placing smaller individual orders for finished steel and being more exacting in their requirements.

Accordingly, the industry cut its imports of scrap very heavily indeed—from about 670,000 tons in 1957 to not much more than 70,000 tons last year. Then it reduced its buying from scrap merchants in Britain—from 5,340,000 tons in 1957 to 4,370,000 tons last year. By the middle of last year merchants' stocks of scrap were exceptionally high. Since August the merchants appear to have exported perhaps 350,000 tons of scrap ; with world demand for steel-making materials generally depressed, they are getting about £11 a ton for it, roughly the same as the agreed British price.

AIR NAVIGATION

Argument at Montreal

A BITTER argument that began in Geneva last year will be revived in Montreal next week. What form of air navigation aids should be used by aircraft flying in Europe and the Mediterranean area ? The majority of representatives at a meeting of the International Civil Aviation Organisation last year wanted to continue with various versions of the existing radio beacons, a system known as VOR which originated in America and has gradually become the most commonly used international navigation aid. Britain's Ministry of Transport, which operates an air traffic control network that many airlines consider the finest in the world, said flatly that its experts considered VOR was obsolescent, if not already obsolete. It wanted the meeting at least to leave the door open for the introduction of the British Decca system already used by BEA and Silver City Airways, and adopted a week or so ago by BOAC. The meeting failed to agree, and the question of navigation aids was held over to talks that open in Montreal on Tuesday.

During the intervening months the Ministry has been attempting to win over airlines and air traffic controllers of other countries to its view. In the past weeks it has been demonstrating the accuracy of the Decca navigator in a Comet II borrowed from the Ministry of Supply, flying it first in this country, then in Paris, in New York and finally in Montreal. The basic difference between the new Decca and the old VOR is that the latter consists of a string of radio beacons emitting signals picked up by aircraft: navigating with it is much like navigating cross-country by prominent landmarks. The Decca system consists of associated chains of transmitting stations laying a fine grid of radio signals across a whole area: the aircraft can pick a precise course anywhere it chooses across this grid as if it were navigating by a detailed ordnance map. One of the Decca system's greatest assets is that it uses a pen in the cockpit to trace the precise course of the aircraft across the grid, so that the pilot can navigate by watching the track of the pen.

British air traffic controllers believe that this system is accurate enough to allow aircraft to fly much closer together than they could otherwise do with safety. This reduces congestion in and around airports, and airlines coming into Britain have already been warned that those navigating by Decca will get increasingly preferential treatment over those that do not. This threat, combined with the growing fear of mid-air collision, are the two factors working most strongly in the Ministry's favour. But it may take more than this to swing opinion, particularly American opinion, in favour of a British-built device whose adoption will involve them in an expensive programme of re-equipment. Much hangs on tests that Pan-American are about to carry out on their jet Boeings using a long-range version of the Decca system: if American airlines can be won over to it, it will be difficult for the American authorities to refuse to instal it.

AIRCRAFT INDUSTRY

Change Partners

IT has taken just over a year for Hawker Siddeley and the Bristol Aeroplane Company to decide how to implement their joint undertaking to marry their aero-engine divisions. The significant feature of the new company, Bristol Siddeley Engines, is the care that has been taken by its parents to cut it off completely from the aircraft manufacturing activities of either Bristol or Hawker Siddeley. The new organisation is designed to set up a completely independent engine manufacturing company, taking a leaf from Rolls-Royce's book of not being associated with any particular aircraft manufacturer or designer.

The engine division of Bristol has provided Rolls-Royce with its only serious competition in this country for many years, and has recently won a coveted order in a straight fight between the two companies. Amalgamation with Armstrong-Siddeley will give it the extra manpower and factory resources needed to put the same kind of development into its engines that has made Rolls-Royce's name so famous in foreign markets. The reorganisation will concentrate the manufacture of aero-engines at Bristol, leaving Armstrong-Siddeley to manufacture diesel engines and both Bristol and Armstrong-Siddeley cars.

The first fruits of Mr Aubrey Jones's policy of amalgamation must be eminently gratifying to his Ministry, but the formation of the new company leaves some loose ends. The separation of the lucrative Bristol Engines from Bristol Aircraft brings into question the future of the aircraft manufacturing division at Filton. The same could be asked of many of the Hawker Siddeley Group's scattered aircraft factories. Some of them have now taken over certain orders, jigs and tools transferred from the factories of the Brush group, but others are still finishing off aircraft orders placed long ago. In forming a special aircraft division, Hawker Siddeley's management have recently shown signs of hoping to weld these scattered aircraft activities into a single whole headed by a single design team. The group's weakness in the past has been the number of apparently autonomous companies, each with its own management, marching raggle-taggle under the Hawker Siddeley banner.

The group's new management, which is taking shape after a kaleidoscopic series of board changes, appears to have taken the lesson that amalgamation begins at home.

ELECTRONIC BANKING

Taking the Plunge?

THE problems to be solved before electronic methods can usefully be introduced seem up to date to have proved somewhat more intractable in the sphere of banking than in some other spheres in which the basic needs might seem at first glance to resemble those of the banks. Some notable progress has, however, now been made. Both the difficulties and the progress were this week surveyed by Mr J. D. Cowen, a general manager of Barclays Bank and chairman of the Committee for Electronics appointed by the clearing banks rather more than three years ago for continuous study of these problems. This committee has so far made only one public announcement. It intimated in 1957 that the banks had agreed in principle to the use of magnetic ink as the means of encoding vouchers so as to communicate the data on them to electronic apparatus, whether for bank bookkeeping or for cheque sorting. Given this decision, the banks were able to issue to manufacturers a "preliminary forecast" of the sort of equipment they seemed likely to need. Since then, nothing has been officially revealed about the work of the committee. Mr Cowen's survey, given as the first lecture in the Institute of Bankers' spring series, this year wholly devoted to electronics, is therefore especially welcome.

In spite of recent progress, it is still impossible to formulate precise estimates of what savings might or might not result from the use of electronic methods. Therefore, says Mr Cowen, "if no bank is prepared to make a move until assured of a safe answer on the profit and loss account, then this country will have to wait a long time for electronics in banking." It is evident, however, that he expects some banks to be prepared to "go ahead blind"—perhaps in the fairly near future. There is, it is clear, no longer any technical reason to prevent the use of electronic methods for bank book-keeping—provided that the data contained on cheques and other vouchers are first conveyed on to magnetic tape or punched cards in order to communicate them to the computer. As yet, however, no satisfactory means seems to have been devised of conveying the information direct from the original vouchers—which is what is needed if electronic methods are to yield their full potentialities in this sphere. The banks and the manufacturers are obviously paying close attention to this problem, and Mr Cowen gives the impression that there is reason to hope it may soon be solved.

BUDGET ESTIMATES

£109 Million for Supplementaries

THIS year's seasonal crop of new year supplementaries amounts to £109 million. Submission of supplementaries is not itself a sign that total spending will exceed the estimate, but simply that spending under individual votes is threatening to do so. This year the Treasury has given a broad hint that offsetting economies are likely to be seen in supply expenditure. The budget accounts themselves look a little less favourable than at the end of December. Ordinary expenditure is up by £151 million on the year (compared with an estimate of £156 million in the full year) while revenue is up by £77 million, compared with an expected £97 million. Yet by recent standards the budget is still reasonably on course; while by Keynesian precepts, the Chancellor ought not to be deterred from budget concessions by a fall in his surplus that is the reflection of recession in the economy. The biggest item in the supplementaries, £26½ million for national insurance, is a direct result of the higher level of unemployment, and of unemployment pay. Other big additional votes are for national health (£19 million), colonial services (£12¾ million, partly for a loan to British Guiana), roads (£11¼ million), foreign office grants (£6¼ million) and the Ministry of Power (£6 million).

Putting More Oil in Stock

ONE of the supplementary estimates published this week recalls the emergency arrangements that had to be made to maintain oil supplies in Western Europe following the Suez incident. In the middle of last year the OEEC committee that administered those arrangements recommended to the governments concerned that they should increase their oil stocks from the existing average of about two months' supplies to about three months' supplies. The stocks concerned exclude stocks of oil held for purely military purposes, and, in certain countries, some other "earmarked" stocks that can be used only in special circumstances; they represent the stocks available for ordinary purposes in these countries' home markets. It was recommended at these Paris meetings that the governments with their oil companies concerned should settle the method of carrying out the recommended increase in stocks.

It is not too clear how far all these countries have yet managed to fulfil the recommendation—since oil consumption in most of these countries is increasing pretty rapidly the job of accumulating and storing the extra oil can be a fairly large one. Britain appears to have been building its oil stocks up to somewhat more than the recommended minimum, and the Ministry of Power is sharing the cost of doing so with the oil companies. This operation, rather than increases in "strategic stocks" of oil as such, is reflected in the £6,002,600 specially set aside for oil stocks in the supplementary estimates.

BRITISH EXPORTS TO THE COMMON MARKET IN 1958

(£'000)

Main Groups	Benelux	France	Germany	Italy	Total	Percentage of all exports
Chemicals	16,152	7,659	10,466	7,718	41,995	15·0
Wool tops, woollen yarns and fabrics	5,831	2,285	16,923	7,267	32,311	22·2
Cotton yarns and fabrics	974	301	631	213	2,119	3·0
Iron and steel	6,632	833	2,251	2,357	12,133	6·5
Non-ferrous metals	4,169	3,394	10,418	3,692	21,654	23·2
Manufacts. of metals	6,028	1,750	2,598	2,872	13,248	8·8
Non-electric mach.	32,910	23,068	22,197	16,759	94,934	16·7
Electric machinery	10,875	4,036	3,604	3,255	21,770	9·7
Motor cars	6,074	1,607	2,053	522	10,256	5·7
Scientific instrmnts.	2,372	1,654	1,824	1,438	7,288	18·1

Total of all groups ..... £253 million
Percentage of total exports in those groups .. 13½
Total British exports to Common Market .... £452 million
Percentage of total British exports 14½

The Common Market— Where Britain Suffers

THE embryo of the European Common Market exists; the dream of a Free Trade Area is shattered. It is fruitless to speculate just now about what may be saved from the wreckage; it is more useful to measure, as far as one can, the barriers to British trade and industry erected around the common market. Reports that some Continental agents of British manufacturers are already thinking of giving up their exclusive connections here in favour of companies within the common market seem exaggerated, but there is no doubt that in time British firms will find it harder to retain good agents. The uncertain future of British trading relations with the common market makes it difficult for British industry to take crucial decisions: should they expand or establish branch plants in the common market; should they take an interest in Continental firms; or should they wait and see? And American companies who thought of investing in Britain as a convenient springboard into both the free trade area and Commonwealth markets may conclude that investment in the common market is the better bet.

Discrimination by quotas: The common market countries undertook to convert any bilateral import quotas for manufactures that they had with one another into one quota open to all members. The value of the quota for each commodity had then to be increased by at least 10 per cent, and the total value of all the common quotas had to be increased by 20 per cent. If a common quota was still equivalent to less than three per cent of domestic production of that item—or no quota existed at all—the quota had to be raised to, or opened at, a level equivalent to three per cent of domestic production. To avoid trade discrimination within the OEEC area, Britain proposed that the common market countries should apply this procedure throughout the area, and that other OEEC countries should do the same.

Owing to the opposition of France this proposal has not been accepted. Instead, the common market countries have proposed that each member should negotiate bilaterally with other OEEC countries to obtain reciprocal increases. Britain and France are now exploring this approach. While it is conceivable that Britain might obtain an increase of 20 per cent overall on its existing quotas from France, it cannot expect anything like equality of treatment on items covered by the negligible or nil quotas opened for common market countries.

Taking basic materials and manufactures, Germany has liberalised imports to the extent of 94 per cent, the Benelux countries to 96½ per cent, and Italy to 99.7 per cent. A comparable figure for France is not available; for all imports, however, its liberalisation stands at 90 per cent. One hundred per cent liberalisation means that no import restrictions remain on goods which were imported on private account in the base year (1949 for Germany, 1955 for Benelux and 1948 for France and Italy). Though the yardstick is somewhat antiquated, the liberalisation achieved by Germany, Benelux and Italy is meaningful for Britain, for their remaining quantitative restrictions cover only a fraction of British goods.

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From Britain's point of view Germany stands highest on liberalisation; imports of almost all the items in which Britain is interested are free, even motor cars. Benelux comes next. Its global quotas, which really are global, have been preserved and increased by 20 per cent, so Britain suffers no discrimination here. Of the goods on bilateral quotas, less than a dozen—including pharmaceutical products, paints, sheet glass, bottles and other glassware, twist drills and hard-tipped tools—are of interest to Britain.

France (especially) and Italy are the countries that injure Britain by the refusal to open to all OEEC countries the quotas that are equivalent to three per cent of domestic production of those items. Hitherto, the Italian import quota for cars from Germany amounted to about £800,000, from France to about £350,000 and from Britain to less than £750,000. The quota for common market countries now goes up to about £2.5 million, and though Belgium is now able to export to Italy the main beneficiaries of this increase are clearly Germany and France. A full increase of 20 per cent in Britain's quota would amount to less than £150,000.

Roughly one-third of French imports of industrial products from Britain are subject to quotas. They include high quality wool fabrics, a wide range of engineering goods, consumer durables, radio and television sets, office machinery and furniture, motor cycles, toys, pottery and clothing. Though France has not yet announced its new quotas it is possible to indicate the order of discrimination against Britain and other "outsiders." Broadly speaking, the value of French quotas to members of the common market, and to other members of OEEC, are each about £50 million. An increase of 20 per cent on each amounts to £10 million. But to the quotas for common market countries must be added the value of the new quotas equivalent to three per cent of domestic production; this is believed to amount to roughly £30 million.

French production of motor cars in 1957 was about 725,000 units; three per cent of this is about 22,000 units. Imports from common market countries in 1957 amounted to about 8,000 units, and imports from Britain to about 1,600 units. The quota from common market countries will therefore jump by nearly three times to about 22,000 units, while imports from Britain can hardly rise by more than 20 per cent.

Discrimination by tariffs: On January 1st the common market countries reduced their tariffs against each other on industrial goods (excluding those covered by the coal and steel treaty) by 10 per cent. The tariffs against all other members of OEEC and Gatt were also reduced by 10 per cent, unconditionally, but not if this reduction would bring the tariff below their eventual common external tariff. On such items, therefore, the tariff against countries within the common market is now lower than that against outsiders. The French and Italian tariffs are generally above the eventual external tariff; the German tariff is close to it already, and the Benelux tariff is generally below it, and will have to be raised in time. Among British exports to Germany, the major item now suffering discrimination is wool fabrics; the tariff for members of the common market has been cut to a range of 10½ to 15 per cent; for Britain and other countries it remains at 12 to 17 per cent.

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As the Benelux tariff is already low—on engineering goods generally it is only six per cent—the degree of discrimination is small, though widespread. But motor cars bear a high tariff; for common market countries it dropped to 21½ per cent, and stayed at 24 per cent for non-members. Details of the changes made so far by Italy are not yet available, and the reductions made so far by France do not cover the items in which Britain is most interested.

Though the immediate effects of the changes in quotas and tariffs are not likely to be severe, discrimination will steadily increase. All quotas are to be increased at intervals until they eventually disappear, just as the tariffs on goods moving within the common market are to be reduced until they too disappear. Clearly there is every need for Britain and other countries to strive for a form of association with the common market that will give them something like equitable treatment.

CIGARETTES

Kings Go Forth

A NEW competitor in the smallest, but fastest growing, section of the British cigarette industry will make its appearance this month, when W. D. and H. O. Wills will introduce their king-size tipped Kingsway brand. Kingsways, which will be in the tobacconists' shops on February 23rd, will sell for 3s. 11d. for 20, the same price as most of the existing king-size tipped brands. They will be the second long, tipped brand made by the Imperial Tobacco group; the other is Churchman "K," which was introduced last October. Along with Gallaher, Imperial Tobacco make nearly nine-tenths of all the cigarettes made in Britain; Gallaher, however, has not yet produced a king-sized tipped brand. The present sales leader of this type (and the first to be introduced here, in March, 1957) is Rothmans, made by Rembrandt Tobacco of South Africa. With the introduction of Kingsway, Wills will offer a tipped brand at each of the three main price levels in the market; their tipped Woodbines now lead sales in the lowest-priced group, 2s. 6d. for 20.

Tipped cigarettes now account for an estimated 10-12 per cent of the total market in Britain. In the United States, nearly half of all cigarettes sold are tipped, and most of these are king-size; however, it seems unlikely that similar popularity will be enjoyed by them in Britain for a long time, if ever. The phenomenal success of tipped brands in America comes—at least in part—from public fears arising from experiments showing that nicotine could produce cancer in mice; about three years ago, American manufacturers of tipped cigarettes captured a large part of the total market from untipped brands on this account. British manufacturers, noting the drop in total cigarette consumption in America at the time of the cancer scare, assiduously refrain from using the word "filter" in their advertising, on account of its psychological implications. Other reasons for the popularity of tipped cigarettes may be their relative cleanliness and their economy (since they may be completely smoked without wasting a stub). The method of assessing duty on tobacco in Britain also favours tipped brands; since duty is paid on tobacco before it is made into cigarettes (in contrast to Federal and State taxes levied on each package in the United States) a tipped cigarette, containing less tobacco than an untipped one of equal length, carries less duty.

Sales in Britain of king-size cigarettes—all of which are tipped—have increased nearly threefold in the past year and a half; however, they still account for only about one per cent of all cigarette sales. Although exact figures are not available, it is believed that women account for somewhat more than half of tipped brands' sales. Popularity among men, however, is growing. One of the few well-substantiated triumphs of "motivation research" to date has been to discover—and help to overcome—the notion that smoking tipped cigarettes is effeminate.

IMF

Quotas and Convertibility

THE process of raising members' quotas in the International Monetary Fund and the World Bank is in the final stage. The Fund announced this week that it has received affirmative votes from governors representing countries with more than 99 per cent of the present quotas for the proposal of the executive directors to raise quotas by 50 per cent (and those of Germany, Canada and Japan by considerably more). Each country has now to ratify the increase in quotas offered to it; the increases will become effective if countries having 75 per cent of the present quotas do so. Members are asked to notify the Fund of acceptance of increases in their quotas by September 15th. The British Government has already introduced a bill providing for its own increase. Britain's quota will rise from $1,300 million to $1,950 million, and $162½ million of this will have to be paid in gold. A much bigger payment of gold or dollars to the Fund, of $200 million, is to be made before the end of April as the first instalment on the Suez drawing of $561 million.

This burden could be significantly reduced if other countries took drawings from the Fund in sterling. Last year Mr Jacobsson and his colleagues were thinking of encouraging the use of sterling and D-marks in this way by easing the obligation that any drawing, even of an inconvertible currency, has to be repaid in a convertible currency. They now seem to have decided that the moves to external convertibility of European currencies make a change unnecessary. Sterling and Continental currencies are still not fully convertible *de jure* under IMF articles, and the Fund could therefore not accept these currencies in repayment of drawings. But since they can be converted freely into dollars in official markets, a country borrowing them from the Fund need not worry about the dollar obligation.

Looking further ahead to the day when European currencies are convertible *de jure*—which will be when all restrictions on current trade and transfers have been removed—some observers have expressed concern that for countries holding most of their reserves in sterling this will involve an immediate jump in the reserves recognised by IMF and may therefore involve an obligation to make earlier repayments of IMF drawings. This hypothetical argument appears to overlook Schedule B, Section 3, of the IMF articles, which explicitly states that in calculating members' reserves in connection with repayment obligations, no account is to be taken of the increases resulting from currencies having become convertible.

TELEVISION PROFITS

Odd Contractor Out

ONE contractor, the Granada Group, is not at the moment reaping a fortune from commercial television. But, unlike those that are, it did not have to bear the burden of heavy losses when the programmes were first put out. Associated British Picture, which wholly owns ABC Television, has announced that profits before tax in the year to March 21st next will be of the order of £4.6 million, compared with £2.8 million, and it has already raised its interim ordinary dividend from 7½ to 20 per cent. Associated Television, now seeking a fully fledged quotation on the London Stock Exchange, estimates its profits for the year to April 30th next at over £5.1 million, compared with £3.7 million, and it intends to follow up the interim payment of 40 per cent on the ordinary shares with a final of 60 per cent—making the total payment 100 per cent, compared with 30 per cent in 1957-58.

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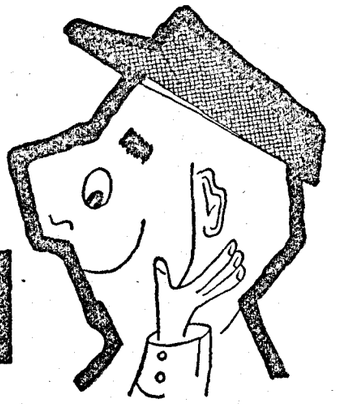
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Commercial television profits will, no doubt, continue to advance but, as the directors of ATV say, they cannot be expected to do so "at the same high rate" as in the recent past. As yet, however, the Granada Group has not fully shared in the boom. It is true that its gross profits jumped from £330,000 to £1,100,000 in the year to September 27th, but it is still tied to a network agreement with another contractor (rumoured to be Associated Rediffusion) which saved Granada from heavy losses initially but which now puts a brake on current profits. That agreement can be terminated in 1960 and Mr Sidney Bernstein said of it at the annual general meeting:

> We may wish it to continue. I can't say. It will depend on conditions at the time. If we do terminate, obviously it will be because we think it will be to our advantage.

Whatever minority shareholders in Granada may feel about this, the fact remains that three-quarters of the capital is in the hands of the Bernstein family and their associates: whatever fuss is created outside the boardroom, it is this controlling interest that will settle the destiny of the company. Mr Sidney Bernstein and his brother have now said that the intended issue of deferred shares in the television company will not be issued to them but to the parent company. The meeting empowered the directors (who had a big majority of proxies in their hands) to issue 400,000 "A" 5s. shares to directors and executives at par, but Mr Bernstein said that the first 200,000 shares would not be all issued at once and that those that were could not be sold by the owners while they were still employed by Granada unless a stock exchange quotation had been secured. The second tranche of 200,000 shares would not, Mr Bernstein added, be issued without the prior approval of shareholders.

GOLD SHARES

A Rich Strike

THE rich strike at Free State Geduld set in train a familiar series of reactions in the Kaffir market. First, there had been some anticipatory speculation in these shares in Johannesburg. The announcement of the rich development values brought in dealers and professional investors at London and the Cape and the price rose sharply. OFSIT and Blinkpoort, which both have substantial holdings in FS Geduld, and the neighbouring mine, Western Holdings, followed this lead. After the week end the market broadened, if only temporarily, and most OFS issues were in demand. These reactions were sufficient to carry up the *Financial Times* index of gold shares in the week to Wednesday's close up from 86.1 to 88.4, just a shade above the previous peak touched in the middle of November. The strike in the south-western development of FS Geduld, giving an average value of 9,772 inch-dwts from a small footage of reef, is certainly rich and it is a different area from the earlier "jackpot" boreholes that have made FS Geduld the leading counter in the OFS market. At 146s. 3d., Free State Geduld are not overvalued if this pocket of enrichment turns out to be a zone of high values in the southern portion of the mine. But the strike has been made in an area of complex faulting and it will be some months before the find can be fully assessed. The strike justifies the flurry, but in itself does not form the base for another strong and sustained advance in Kaffirs.

The market, however, could remain reasonably firm, for there are no signs that the finance houses are sellers. The main reason is that with the OFS mines still in the early stages of their lives the shops want to hold on to the shares as high-yielding investments. The second is that in the autumn the newly formed American-South African Investment Company (ASA) bought its portfolio of shares directly from the finance houses. It bought them at a value equivalent to $25.80 per ASA share and by the end of the year that value had risen to $30.05. Mr C. V. Richdale and Mr C. W. Engelhard, who launched this venture, are now reported to be considering the formation of a second trust on similar lines to ASA. Whether it will be the same size as ASA and whether or not the shops will again be ready to sell shares directly to it remains to be seen.

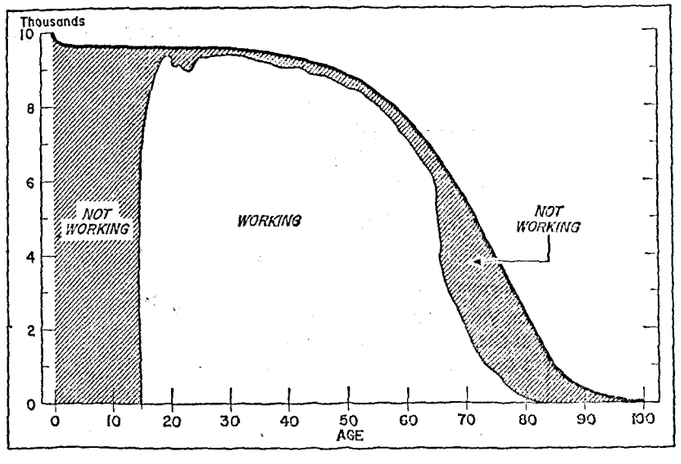
How Long at Work

HOW many years a man of a given age may expect to continue at work is the subject of a new official pamphlet.* Following the lines of actuarial life tables, the Ministry of Labour's statisticians have calculated the figures illustrated in the chart. These show, out of 10,000 males assumed to be born at the same time, how many should have survived at different ages and how many should be in employment—or be seeking employment—on the assumption that death rates and working habits remain unchanged from those general in 1955.

In addition to those continuing full-time education, there are always some men, even at younger ages, who, because of sickness, infirmity or, perhaps, good fortune, remain outside the labour force. Out of the 10,000 starters, 9,437 would be expected to be surviving at the age of 30, but only 9,390 would, on 1955 experience, be in the working population. Two-thirds of the starters are expected to survive to the age of 65, and 87 per cent of these may be expected to be still working; but, by the next year, at age 66 the proportion occupied has dropped to 60 per cent. Nevertheless it is not until the age of 68 is reached that there are more men in retirement than at work.

Such calculations can be looked at another way. Taking the number at any given age in the working population, the total future man-years they may expect to spend in the labour force can be shared out between them to give an estimate of their average expectation of working life. On this basis, a youth of 15 may expect to live another 55 years and to spend 48½ years of it at work; a man aged 40 may expect to live another 31½ years and to work another 25 years.

Between 1931 and 1955, the expectation of working life at birth rose from 40½ years to 45½ years and there was some increase at all ages up to the middle-forties, after that, earlier retirement outweighed the reduction in mortality rates. Whereas in 1931, 54 per cent of men aged 70 were occupied (including part-timers), in 1955 the proportion was only 40 per cent; at age 75 the proportion has fallen from 36 per cent to 21 per cent.



* The Length of Working Life of Males in Great Britain. Ministry of Labour and National Service. HMSO. 3s. 6d.

EXPORT CREDITS

No Breakaway

BRITAIN'S efforts to check the sag in its exports to countries that have suffered falls in their own export earnings depend in some part on its willingness to supply the exports on credit. Happily, there has been no general breakaway, here or by the other member countries of the Berne Union, from the agreed maximum period of repayment of five years for official insurance of export credits; the recession in world trade has set off no credit war. But the greater needs of Britain's customers for extended credit, as well as Britain's strengthened external finances, encourage more generous treatment of applications. The Government itself has led the way, by extending credit direct through the Section 3 machinery of the Export Guarantees Act. The emphasis at the Montreal conference was on Commonwealth borrowers, who were to be charged only ¼ per cent above the rate at which the British Government itself borrows; but apart from the substantial aid to India, and a loan to Pakistan, the new borrowers so far have been non-Commonwealth countries, Sudan and Jugoslavia, and another non-Commonwealth application is now being considered. Such borrowers do not appear to get the cheap "Commonwealth rate."

The bulk of export finance comes from private banking sources, and receives publicity only when a new venture is made (and not always then). This week Hambros Bank, which has long been active in financing trade with Scandinavian countries, announced a new credit for up to £3 million to finance British exports to Finland (which have been falling off in recent years). The credit will cover capital goods for the most part, including agricultural machinery; it provides for payment by Finnish importers of 20 per cent in cash and the balance over five years. The credit is dependent on co-operation of the Export Credits Guarantee Department, which has to satisfy itself that the credit terms are appropriate for the particular items in question. A number of British exporters will benefit from this credit, which is expected to foster new exports to Finland as well as help traditional business.

RADIO AND TV

Thorn's Transatlantic Agreements

THE agreement announced this week between Thorn Electrical Industries and Philco International, of New York, is not the first time that Thorn has stated it would co-operate with an American manufacturer in the production of television equipment. On August 29, 1955, Mr Jules Thorn, chairman of the company, announced that it intended to embark on the manufacture of cathode ray tubes for television receivers in conjunction with Sylvania Electric, an American firm; it had previously worked with Sylvania in the production of fluorescent lamp tubes. At that time, Thorn stated that it would sell TV tubes thus produced to the public at prices up to a third lower than those charged by the members of the British Radio Valve Manufacturers' Association, whose trading agreement standardises valve and tube makers' discounts. But no tubes were ever made by Thorn in conjunction with Sylvania.

Under the announced terms of the agreement with Philco, Thorn will obtain the use through licence of all Philco patents and designs in black and white television, radio and phonographs, including high-fidelity and stereophonic sound. In addition, it is reported that Thorn will acquire—for an undisclosed consideration—the issued capital of Philco (Overseas), Philco's radio and television manufacturing subsidiary in Britain. Philco (Overseas) in turn owns a sales company, Philco (Great Britain); both of these companies will continue to operate in their present form, as subsidiaries of Thorn, who will make radio and television sets under the Philco trademark both for sale in Britain and abroad.

Thorn has probably been the largest British producer of television receivers since it took over production of EMI's HMV and Marconiphone radio and television in 1957; its sets are sold under several names, the largest-selling one being "Ferguson." The company also claims to be the largest maker of fluorescent lamps in Britain, and its subsidiary Atlas Lighting makes a wide range of other lighting apparatus including street lighting. In addition another subsidiary produces domestic electric cookers. Philco is one of the leading American manufacturers of electrical and electronic appliances and equipment; it has extensive international connections, including manufacturing licensees in fifteen countries. Its "Predicta" television set, in which the picture tube is separate from the rest of the receiver chassis, has met with very favourable reception in America. Philco also has a licensing agreement with Semiconductors, Ltd., for the manufacture of transistors.

ATOMIC ENERGY

Euratom Signed

OFFICIALS of the Prime Minister's Atomic Energy Office heaved a sigh of relief this week at the signing of a treaty with Euratom. This manages by a miracle of

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diplomacy to give least offence all round. The treaty is closely modelled on the so-called "power agreements" that cleared the way for the sale of British nuclear power stations to Italy and Japan. The important clauses in these agreements are those that govern the supply of nuclear fuel. Because Euratom is the sole distributing agent for nuclear fuels produced in or supplied to the six member countries, Britain was obliged to complete a similar "power agreement" with Euratom in order to remove what would otherwise have been an insuperable legal barrier to the sale of British-built reactors to members of Euratom.

It is no secret that Euratom negotiators would have preferred a very different sort of treaty, one that was something more than a legal formality. Britain, however, is especially anxious for commercial reasons not to give the impression of offering bigger concessions to Euratom, in the form of co-operation and technical aid, than are offered to any other potential customer of the UK nuclear engineering industry. The Euratom countries are not particularly good sales prospects compared with some of the other OEEC members outside the Common Market. They have the engineering know-how to design and build their own nuclear power stations, as the French are already doing, and the mere existence of Euratom as a co-ordinating authority gives them an added incentive to do so.

The United States, with no commercial nuclear power industry at home, considered it well worth while to buy a foothold for US manufacturers in Europe by offering lavish concessions to Euratom. Britain, on the eve of completing its second major atomic export contract, felt that any attempt to match American generosity would give more offence to potential customers outside the six countries than it would win friends inside them. The decision has certainly cost some good will at Euratom headquarters; time alone will show whether it was the right one to take.

BANK FIGURES

Other Accounts in Other Accounts

THE banks are meeting the long-standing demands for more information about their balance sheets little by little. Since the autumn, footnotes have appeared on the combined monthly statement showing subdivisions of most items, and showing the banks' internal clearing items which artificially swell deposits and advances. The January statement adds a further subdivision—and the banks state officially that the change has been made by agreement with the Radcliffe Committee. The new information is about the "other accounts" included with deposits. The most important of these accounts are internal, representing inner reserves. It would be hoping for too much to expect the banks to reveal their hidden reserves; but the new split gives little clue to their magnitude. Internal funds are grouped with suspense accounts (a notorious banking hotchpotch) and "credits in course of transmission" (which arise when a bank debits an account before another is credited). The total of the three items is £414 million—included in the aggregate deposits item of £6,936 million. It is virtually impossible to guess the size of the special clearing items, thus only the broadest range can be given to internal funds. A complementary yardstick is the total published capital and reserves—rather over £200 million.

The January statement confirms that, allowing for the special transit items, advances have gone on rising strongly this year. Indeed the pace seems to have quickened somewhat; but that was to be expected at the opening of the taxpaying season. The true rise in the first three weeks of January was £44 million.

CHEMICALS

Silicon from ICI

IMPERIAL CHEMICAL INDUSTRIES' announcement that they have begun to produce high-purity silicon in a large-scale development plant emphasises the growing use of this material in semi-conductor devices. Germanium is still much more widely employed, being cheaper and easier to use, but silicon has advantages for some applications. That it can stand much higher temperatures than germanium is perhaps of only limited value. More important are its ability to stand higher voltages and its much lower leakage. There are different opinions in the industry concerning the extent to which these characteristics will enable silicon to supersede germanium, but it seems likely that silicon's main application in the immediate future will be in rectifiers and microwave diodes. But the extent to which its use increases in transistors will depend on how far costs fall as experience is gained in its use.

Up to now British-produced high-purity silicon has not been available on the market, and supplies have been imported from France and the United States. Standard Telephones and Cables began production for their own use on a substantial scale some two years ago, using the process they had developed for converting silene gas to silicon. They sold the North American and British rights to this process to du Pont last spring, and du Pont are employing it at their new factory in North Carolina, from which much of the British supplies are at present coming.

ICI's entry into the market will add an independent British source of silicon, which should be able to compete with imported supplies and facilitate its extended use. In spite of the price of over £100 a pound silicon is less expensive to use than it might appear; only microscopic quantities need be employed. So ICI's output of 4,000 pounds a year by next June will represent a significant addition to British supplies.

COMPANY AFFAIRS

Comments on pages 538 and 539 on

Standard Bank of South Africa
Bowmaker
Montague Burton
Watney Mann
Bank of London and South America
Leyland Motors
Massey-Ferguson
Camp Bird
Cable and Wireless (Holding)

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 540 and 541

LONDON STOCK EXCHANGE

The week's movements reported on page 539

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 542

COMPANY MEETINGS

THE ROYAL BANK OF SCOTLAND

VERY SATISFACTORY RESULTS

DRAMATIC RECOVERY IN COUNTRY'S FINANCIAL POSITION

GROWING RECOGNITION OF ROLE OF HIRE PURCHASE IN CREDIT SYSTEM

NEED FOR FUNDAMENTAL CHANGE IN SCOTTISH INDUSTRY TO COMBAT EMPLOYMENT PROBLEM

THE DUKE OF BUCCLEUCH ON AN EVENTFUL YEAR

The Annual General Court of Proprietors of The Royal Bank of Scotland will be held on February 24th in Edinburgh.

The following is the circulated statement of the Governor of the Bank, His Grace The Duke of Buccleuch and Queensberry, KT, PC, GCVO, LLD.

The past year will, I am sure, go down in banking history as one of the most eventful for a very long time. There can scarcely have been in any other period of six months so many important developments as took place in the second half of the year. They followed, and indeed came as a result of, the changes in monetary policy made possible by the dramatic recovery in the country's financial position from the low point touched in the late summer of 1957. Since March 20th last, five successive reductions in Bank Rate, following fairly closely upon one another, have brought it down to 4 per cent from the crisis level of 7 per cent, to which it had been increased in September, 1957; with one exception of minor importance—the granting of credit for the speculative buying or holding of shares, materials or property—the restrictions which had for so long hampered the Banks in their lending were withdrawn in July; the controls on hire purchase trading were subsequently relaxed and later removed completely; and by December our Gold and Dollar reserves had been built up to a level which, with the strength being displayed by Sterling, justified the Authorities in making fully convertible all Sterling accruing on current account to persons outside the Scheduled Territories. This granting of convertibility to all non-resident account Sterling was a demonstration of the confidence with which the future of our currency is now viewed—in marked contrast to the fears held in September, 1957—and it should enable London to regain its position as the world's leading International Foreign Exchange Market. Already there are indications that much of the exchange business transacted in recent years in exchange centres overseas is returning to London. Another declaration of confidence was the decision to resume payment of the interest on the American and Canadian Loans.

EXPORTS WELL MAINTAINED

It must be conceded that the recovery in our external financial position was in considerable measure due to the improvement in the terms of our overseas trade brought about by the fall in the prices of the primary commodities which we import. Nevertheless our exports were well maintained throughout a period of recession in international trade when they might have been expected to fall substantially, and there was the most encouraging feature that in some of the most competitive lines we actually succeeded in expanding our sales in overseas markets. The actual extent of the increase in our Reserves over the year was £284 million; in the first half of the year the surplus of £334 million on our Current Payment Account was a record, and it is noteworthy that Sterling continued in demand in the second half of the year, the period when the pattern of our overseas trade generally brings it under severe pressure.

Internally, the situation is rather less satisfactory for there was a substantial decrease in the level of our production during the year and despite the success of the monetary policy in other directions it did not succeed in completely halting further wage increases. The increases actually granted were less than in recent years, the average rate working out at around 4 per cent, but—and this is the most disturbing feature—the increases were not matched by a corresponding increase in the productivity of industry generally. The impact of the wage increases granted was, however, fortunately more or less neutralised by the lower prices of our imports of basic commodities and it was to this factor as much as any other that we were indebted for the relative stability in the level of our prices. Had the terms of trade not been so favourable for us our prices would inevitably have risen as a result of the wage increases granted. We cannot hope to be so fortunately placed in this respect every year.

SPECIAL DEPOSITS SCHEME

The withdrawal in July of the controls over credit was warmly and universally welcomed and, while we shall have to await the Report of the Radcliffe Committee before we shall know how the credit situation is to be regulated in future, it is to be hoped that controls of the nature we have had in recent years will never be reimposed. The Authorities have however made it clear, and it bears out what I have said in the past, that the Bank Rate weapon is not now considered sufficient by itself to regulate the credit situation. It is admitted by the Chancellor of the Exchequer that some additional method must be available "to reinforce the existing machinery of interest rates and open market operations." Accordingly, the Authorities, with the co-operation of the Banks, have drawn up a Special Deposits Scheme to be put into operation should the need to restrain an increase in the total of Bank advances arise before the Radcliffe Committee reports. The Scheme, which is an innovation of a fundamental character in British Banking policy, invests the Bank of England with power to call upon the Banks to make Special Deposits with it—Deposits which will be set apart from and not regarded as part of the Banks' liquid assets. This will, by reducing the liquidity of the Banking system, limit its capacity to add to its lending. Special Deposits will be distinguishable from Treasury Deposit Receipts, which were issued during and immediately after the last war, in that they are to be used purely as an instrument of monetary policy and not as a means of borrowing from the Banking system to finance Government expenditure.

ENTRY INTO HIRE PURCHASE FIELD

Following upon the relaxation of credit restrictions, a number of the British Banks acquired interests in the Share Capital of Hire Purchase Finance Companies. In our case, in conjunction with our Associated Banks—Williams Deacon's Bank Ltd. and Glyn, Mills & Co.—we purchased a 40 per cent interest in the capital of The British Wagon Co. Ltd., with whom Williams Deacon's Bank Ltd. have had a close connection since the Company commenced business almost ninety years ago. We look forward to a long and happy association with the Company and I am confident that the partnership will be to the mutual benefit of the Company and our Group. This association of the Banks with Hire Purchase Companies will give the Banks an interest in a section of the credit machinery which has become increasingly important in recent years. It will also add strength to the Hire Purchase financial system. In the past the Banks were the chief providers of credit but now many other types of concerns are also providing credit either for general or specific purposes. Partly as a result of this and partly because of the restraints on Bank lending in recent years, the Banks have actually been supplying a much smaller share of the credit requirements of the country than formerly. It is surely, therefore, in their own interests and, I would say, in the interests of the community as a whole, that the Banks should not continue to stand aside and allow an increasing share of their traditional business to pass into other hands. There has undoubtedly been a great change in the public attitude to hire purchase and much of the prejudice with which it was formerly regarded has disappeared. There is now a much greater disposition to recognise that hire purchase has an important place in the credit system, that it stimulates the production and use of consumer durable goods, and that it encourages the acquisition of durable goods with money which might have been devoted to less worth-while forms of spending.

PERSONAL LOANS

I think I should at this stage refer to the new category of personal loans which we have instituted. This type of loan has not

been introduced to take the place of the conventional personal overdraft which we have always been willing to give to credit-worthy customers, nor has our policy in regard to these changed in any way. We consider that the new type of loan, with its fixed repayment terms and the fact that in the event of the death of the borrower before repayment the balance of the loan outstanding is extinguished, may be more acceptable than an ordinary overdraft to some people, particularly the salary and wage earner in receipt of a regular income. I should like to see a wider section of the community availing themselves of the services of the Banks and we, on our part, must do everything we can to encourage this by offering to those whom we wish to attract as new customers the kind of service which most appropriately fits their circumstances and needs.

EUROPEAN FREE TRADE AREA

So far all the efforts directed towards the establishment of a European Free Trade Area to take its place alongside the European Common Market have not met with success. A year ago I said that we could not, by refusing to become part of the Free Trade Area, afford to isolate ourselves from the European Community. I hoped then that by this time a Free Trade Area would have become a reality and, still being as acutely conscious today of the desirability—not only in this country's own interests but in the interests of Europe as a whole—of the setting up in Europe of a Free Trade Area on the widest possible basis, I trust that our Ministers will persevere in their endeavours to reach agreement with the other nations concerned.

SCOTTISH UNEMPLOYMENT PROBLEM

One of the most unfortunate and disturbing features of 1958, which we are carrying with us into 1959, is the level to which unemployment has risen. This is a particularly serious matter for Scotland where, due to the character of our economy, unemployment is traditionally higher than in other parts of the United Kingdom. The proportion of the working population unemployed at present is twice the average for the whole country and even this does not reflect the full measure of the hardship felt in some areas, where a very high percentage of the working population is out of work. This is a state of affairs for which there is no easy or quick remedy. It is one of the consequences of the present structure of Scottish industry and it will be necessary for this to be fundamentally changed before any real and lasting improvement can be looked for in our general employment situation. Considerable effort has been devoted towards diversifying Scottish Industry and indeed, much has been accomplished in this direction but the country is still too dependent on the shipbuilding and capital goods industries. Figures published during the year suggest that approximately 12 per cent of the Scottish population is dependent, directly or indirectly, upon shipbuilding. Furthermore, the proportion which capital goods production bears to consumer goods production is much higher in Scotland than in the United Kingdom as a whole, and because of this, I do not anticipate that the Scottish unemployment problem will get any quick relief from the recent policy changes designed to stimulate consumer spending. What Scotland needs more than anything is the establishment of new industries manufacturing a wide range of consumer durable goods. Our economy is at present seriously deficient in this respect.

AN IMPORTANT INDUSTRIAL DEVELOPMENT

It is for this reason principally that I welcome the decision to build a Steel Strip Mill at Ravenscraig. It is satisfactory that Scotland is being allocated a share of the whole strip mill project, and the Government's decision was, I think, in the circumstances, a fair and reasonable compromise in view of all the considerations—political, economic and social—involved. When the Mill is fully operational it will be capable of producing abundant supplies for the existing sheet steel consuming industries in Scotland and still leave adequate supplies available for new industries. Accordingly, if the country is to reap the maximum benefit from the new project, new sheet steel consuming industries must be attracted to Scotland. I believe that it is one of the most important industrial developments in Scotland in recent times and that it will provide us with a really great opportunity to secure the most substantial contribution yet to the diversification of our industry. Apart from this, it will bring a better balance into our steel industry, which has always hitherto been predominantly engaged in producing for the heavy side of industry. The effect of this is seen in the extent to which the steel industry in Scotland operated below capacity in 1958—44 per cent as compared with 25 per cent in the United Kingdom as a whole.

In September of this year we are again to have in the Kelvin Hall, Glasgow, a Scottish Industries Exhibition organised by the Scottish Council (Development and Industry) on similar lines to the successful Exhibitions of 1949 and 1954. The Exhibition is to be essentially a Trade Fair with the primary object of promoting Scottish Export Trade and stimulating further interest throughout the world in Scotland and her products. The emphasis will be on increasing the sales of the goods we produce. It is not enough that we can make goods of a high quality; we must also be able to sell them.

In a year in which the Scottish economy has suffered from the general decline in manufactures it is very encouraging that work has started on the new extension to the British Hydrocarbon chemical plant at Grangemouth. As befitting such a venture, the first pile was driven by Mr Maclay, the Secretary of State for Scotland, at a formal ceremony in October. I have in other years stressed the value to Scotland of the developments at Grangemouth and I hope with the Secretary of State that "the versatility of the Chemicals produced at Grangemouth will" before long attract to the area "a still wider range of industrial production."

WOOL

Our high class woollen industry which a few years ago was conducting a very substantial export business, particularly to Dollar Markets, encountered difficult conditions in 1958, partly because of the import quota arrangements imposed by the United States of America and partly because of the American recession. Prospects for 1959 are, however, regarded as being more favourable. In a recession the demand for high quality goods in the luxury range is one of the first to be affected by the cutting down of personal expenditure, and I hope that when the recession in the United States and Canada finally passes, purchases of the products of our woollen industry will revive and thereby restore the industry to a leading position as a Dollar earner.

SCOTCH WHISKY

Exports of Scotch Whisky still continue to expand and a new record was achieved in 1958. Our exports of this great Dollar earner are still limited by the capacity of the Trade to increase the amount of blended whiskies available for sale, but there should be an improvement in this respect in the years ahead and there is every prospect that exports will continue to expand.

SHIPBUILDING

Although the larger shipbuilding yards in Scotland have full order books and some have sufficient work in hand for the next five years, the future prospects, particularly of the smaller yards, are less bright because of a definite scarcity of new orders. Keener prices and earlier delivery dates from countries with shorter order books, such as Germany and Japan who have now greatly increased capacity, have resulted in much fiercer competition. A factor in attracting orders to foreign yards has been the generous credit terms offered by them. The cancellations of orders have also been a disquieting factor, especially for some of the smaller yards which for the first time since before the war find themselves with empty berths. But even if the future has its uncertainties, it cannot altogether be without prospects when it is remembered that there is still a considerable backlog of old shipping to be replaced and that a new demand may arise for ships using nuclear power. Moreover, the continued expansion in the consumption of oil will increase the need for more tanker capacity, and the long-term outlook may therefore not be so unpromising as it may appear.

FARMING

The weather during the past year was again unkind to farmers. The spring was disappointing but towards the end of April an improvement set in and the better weather in May favoured lambing on the hills. The crops looked very healthy in early July when the weather was good but thereafter for a period of about seven weeks the rainfall was abnormally heavy. This greatly affected the cereal crop, the east of Scotland suffering more in this respect than the west. At one time the position in the Lothians was desperate. Although September brought better weather, the harvesting conditions were difficult and there can be no doubt that many farms suffered substantial damage. Livestock markets, however, were buoyant and fat cattle prices tended to rise to guaranteed prices and beyond. Notwithstanding all the difficulties which they have had to face, particularly adverse weather and rising production costs, our farmers are still doing a first class job and continue to contribute substantially to our economic health.

THE BANK'S AFFAIRS

Turning now to our own affairs, I feel sure you will derive considerable satisfaction from the results for the year and the state of the Bank's affairs as contained in the Annual Report and Accounts, a copy of which accompanies my Statement.

The Profit for the year—£690,771 after the usual allocations—is a record and it has enabled the Court of Directors to recommend an increase of 2 per cent in the final dividend, which will make 16 per cent for the year as compared with 14 per cent last year. It is proposed to transfer £150,000 to the Published Reserve Fund and if the dividend recommendation is approved there will be a balance of £145,002 at credit of the Profit and Loss Account to be carried forward. It is hoped that in the absence of unforeseen circumstances the dividend will be maintained next year at the increased rate of 16 per cent.

Deposits at nearly £135 million were approximately £14 million above the figure at December, 1957, and, while they include some balances which were higher than normal and which may have been built up to provide for special payments due in the early part of the new year, the trend of our Deposits throughout the year has been very encouraging, particularly in the second half of the year when the level showed a gratifying increase.

Our Advances at December 31st amounted to £45,700,000—just over £3 million higher than at the end of 1957. With the upsurge in demand which has been in evidence since the restrictions were withdrawn in July and with commitments not fully drawn against at the end of the year, we anticipate that a further increase in our lending will take place in the current year. Although our Personal Loans Scheme has met with an encouraging response the total involved is not likely to become, for some time at any rate, a major factor in our total Advances.

Notes in Circulation showed an increase of £400,000 over the total in circulation at the end of 1957. The smallness of this increase, in relation to the general expansion in our business, is an indication of the less prosperous times being experienced by industry and the consequent rise in unemployment and short time working.

STRONG FINANCIAL POSITION

The Balance Sheet again shows a strong and liquid position. Our Investments are entered at or under their market value at the end of the year. The improvement in the prices of British Government Stocks is one of the most favourable features of the past year and our Stockholders will not need to be reminded that the Bank's results are affected by the provisions which have to be made to cover any diminution in the market value of our Investments and other contingencies.

The increase in the Trade Investments from £166,500 to £1,218,687 reflects our investment in The British Wagon Co. Ltd.

ASSOCIATED BANKS' CONTINUED PROGRESS

I am pleased to report that our Associated Banks continue to make satisfactory progress. They show strong liquid positions, but perhaps the most pleasing feature is the expansion in the totals of Deposits, and the higher resources thus available, together with the increase in Advances, have enabled both Williams Deacon's Bank Ltd. and Glyn, Mills and Co. to record higher profits. You will have observed from the Press that during the year Williams Deacon's Bank increased their Paid-up Capital from £2,275,000, consisting of £5 "A" Shares £1 paid and "B" Shares £1 fully paid, to £2,500,000 in £1 Shares fully paid. Following this reconstruction of their Capital, Williams Deacon's Bank raised their Reserve Fund to the same amount as their Paid-up Capital. Our practice is to value the holdings in our Associated Banks as Paid-up Capital and Published Reserve Fund, and accordingly you will observe from our Balance Sheet that the total under Subsidiary Companies is now shown at £7,400,000 as against £6,950,000 for last year. Both Williams Deacon's Bank and Glyn, Mills and Co. have declared dividends at increased rates for 1958.

Last year I referred to the policy of Williams Deacon's Bank in expanding their Branch system and I am glad to report that in furtherance of this policy they opened during 1958 new Branches at Bristol, Cardiff, Chester, Leeds, Nantwich, Southampton and Warrington.

Looking at the Group as a whole, the total of Deposits amounted to £341,838,679 as compared with £316,953,048 for the previous year, while Advances at £113,746,841 showed an increase of over £6 million. The consolidated Profit amounted to £996,289, an increase of £102,000 over the 1957 figure.

There has been only one change in the composition of the Court of Directors since last year—the appointment to the Court of Mr Hugh Cowan-Douglas, CA, of Glasgow, who strengthens our representation from that City and brings to the Court a wide knowledge and experience of Scottish Industry. We feel very fortunate to have secured his services. The Stockholders will be invited to approve his re-election.

RESIDENTIAL STAFF COLLEGE

I feel that I should take this opportunity of informing Stockholders of the inauguration during the year of a residential Staff College. Since 1954 we have carried through a programme of training courses for our Branch Accountants and this experiment proved so successful that your Directors decided to broaden the basis of the scheme by extending the benefits to all Members of the Staff by instituting a Staff College. Accordingly, the Bank acquired suitable property in Edinburgh and I am pleased to say that the College was opened on October 6th with a Branch Managers' Conference. It is intended that the College will operate for the greater part of each year and the Courses will embrace all grades of Staff from Managers to Apprentices. Your Directors are confident that this development in Staff Training will be beneficial to the Bank and Staff alike and it affords the Board and Management the opportunity of meeting socially a wider circle of the Staff than has hitherto been possible.

Once again I would like to pay tribute to our Staff. The very satisfactory results which I have just reported could not have been achieved without considerable application and team work. To Mr Ballantyne and all those who serve so loyally under him I would like to convey the sincere appreciation of all of us.

ARTHUR LEE & SONS LIMITED

GROUP'S STRONG FINANCIAL POSITION

The first annual general meeting of Arthur Lee & Sons Limited was held on January 30th at Sheffield.

The following is an extract from the statement by the chairman and managing director, Mr G. Wilton Lee, TD, JP, which has been circulated to all members:

The Trading Profit for the year as shown in the Consolidated Profit and Loss Account is £794,395, which compares with £820,922 in the previous year. It should be noted, however, that this is after charging Depreciation and Additional Depreciation totalling £330,043, i.e. approximately £50,000 more than in the previous year. Other income is £44,096 compared with £71,165, the fall being mainly due to the hiving off of investments to the Investment Company. The profit for the year before taxation is thus £838,491 against £892,087 last year. I think this profit can be regarded as reasonably satisfactory in all the circumstances of varied and difficult trading conditions through which we have passed. We commenced the trading year with a good order book in all departments, and in the early part of the year our profits showed an improvement over the figures for the corresponding period of the previous trading year. Then came the delayed effect of the Government's measures to combat inflation, i.e. severe credit restrictions, high interest rates, reduced Government spending, etc., resulting in liquidation of stocks and weakening of demand by most of our customers.

Simultaneously, the export market became progressively more competitive and whilst the value of export sales was only 12¼ per cent less than the figure for the previous year, profits on exports decreased by nearly 50 per cent, this being largely due to the recession on the Continent as a result of which our competitors in Germany and Belgium, and even in Sweden, have taken orders for export at prices considerably below those of their home trade and in many cases below the cost of production. Commonwealth trade, notably in India and New Zealand, owing to import and credit restrictions, and Colonial trade, due to lack of finance, have contracted severely. These markets are now receiving Government attention at high level with a view to restoring demand from them.

During these difficult trading conditions a certain amount of short time became necessary in our hot rolling mills. In addition, our profits on hot rolled strip were affected by difficulties with certain new plant, and especially by the arbitrary reductions in selling price in April last whereby the effective margin was considerably reduced. In the cold working sections of our business, despite the various adverse circumstances little short time has been necessary. This I believe is due to our rather unique position in the cold worked steel industry as makers of steel strip, bars and wire which are complementary, and to the comprehensive nature and high quality of our products.

It is difficult to forecast future trading conditions. I am, however, optimistic as orders recently have been more encouraging. Easier credit facilities, coupled with Government measures for the easement of hire purchase restrictions and for increased investment should now result in increasing demand, particularly as most customers' stocks are now at the minimum for economic working.

RECONSTRUCTION

It is not my intention to repeat all that I said in my circular addressed to Shareholders last March but, in brief, your Directors felt that the separation of certain of our investments from our trading assets might prove very beneficial to you in the event of the re-nationalisation of the Steel Industry. This necessitated the carrying through of a complicated procedure after you had given your approval at the end of March. The result was that a new company emerged, namely, Arthur Lee (Investments) Ltd., which does not form part of our Group and whose shares are now quoted separately on the Stock Exchange.

ACCOUNTS

As a result of the Reconstruction, there are a number of differences in the Balance Sheets which are explained in the Notes on the Accounts. Perhaps to the shareholder the

most significant point is that the Revenue Reserves of the old Group have now become Capital Reserves in the new Group. Put briefly, this means that they can no longer be regarded as available for the purpose of paying dividends. Your Directors, however, have always followed a conservative dividend policy, believing that dividends, however described, should be well covered by the profits available of each current year. It is their intention to continue this policy, but it should be explained that subject to sufficient profits being available they intend that future Ordinary dividends, which will all be subject to deduction of tax, shall not be less in total net amount than those distributed in recent years in the form of Ordinary dividend and tax-free capital bonus. It is the intention of the Directors to consider the payment of an interim dividend in the Spring of 1959.

The Consolidated Balance Sheet shows that the Group is in a very strong financial position. Despite the "hiving off" of the investments, the total of Share Capital and Reserves at £4,267,325 shows an increase of £112,674. The Net Current Assets have increased by £237,562 to the impressive figure of £3,242,894. Due mainly to some lessening in Stocks and Debtors, our Bank Balances, Short Term Loans and Cash are £557,952 higher than last year.

DEVELOPMENTS

Some three years ago we purchased a new site of 25 acres, within two miles of our present Trubrite Works, on which we intend to develop our wire production. This has become necessary due to the fact that the old buildings at our Crown Works and at Shipmans do not lend themselves to economic handling and production, and owing to geographical features it is not possible to remedy this on the existing sites. In order to remain competitive, we must accelerate production and handling, and the only way to do so is to develop on a new site.

Considerable planning has been carried over the past two years and visits have been paid to other plants both at home and abroad, where friendly co-operation was appreciated. The project is likely to be expensive but when completed we believe that we shall have equipment for high-grade wire production which will be at least equal to that of the best of our competitors from the point of view of production costs. We expect to finance this project entirely out of our own resources.

RE-NATIONALISATION

In my Statement last year I drew attention to the threat of the re-nationalisation of our industry in the event of a return to power of a Labour Government. My feelings on this matter have in no way altered in the interim. The Socialist opposition in Parliament have not said anything to contradict what has been said by me and by other Chairmen of public companies, nor have they advanced any sound or logical reasons for carrying out their intentions.

STAFF AND WORKPEOPLE

In closing, I would again pay tribute to the work which has been put in by all our staff and workpeople in a year of difficult trading conditions. They have faced up to circumstances quite new to many of them in a determined manner, and their co-operation has been much appreciated. We look forward to a continuance of this endeavour with optimism for the future success of our undertaking.

The report and accounts were adopted.

THOS. FIRTH & JOHN BROWN LIMITED

SIR JOHN GREEN'S STATEMENT

The Seventy-eighth Annual General Meeting of Thos. Firth & John Brown Limited was held on January 29th at Atlas Works, Sheffield, Sir John Green, JP (the Chairman), presiding.

The following is an extract from his circulated statement:

The gross surplus after providing for Directors' Remuneration but before providing for Debenture Interest £131,986, Depreciation £664,600, and Additional Depreciation £599,000, amounts to £5,856,879, an increase of £1,018,776 as compared with last year. United Kingdom Taxation amounts to £2,611,723, compared with £2,113,392 for the preceding year.

The amount of Unappropriated Profit brought forward is £1,133,098, giving a net amount of £2,982,668 to be dealt with in the Consolidated Accounts of the Group.

Your Directors propose to transfer £1,300,000 to General Reserve, and to pay a final dividend of 6 per cent, which together with the interim dividend of 4 per cent absorbs £442,750, leaving £1,239,918 to be carried forward.

The Current Assets of the Group now amount to £17,830,513, as compared with Current Liabilities of £5,225,882, giving a cover of the latter of 3.4 times.

CAPITAL EXPENDITURE

During the year £1,959,781 has been spent on Land, Buildings, Plant and Machinery by the Group.

The capital expenditure of the associated company, Firth-Vickers Stainless Steels Limited, was £1,075,181.

Outstanding capital commitments already entered into amount to £1,342,000 for the Group, and £100,000 for the associated company, Firth-Vickers.

During the year the following major projects have received the approval of the Iron and Steel Board: (1) A new Ring Rolling Mill. (2) A new 4,000 tons Forging Press. (3) A new 2,000 tons Forging Press.

The approximate cost of this equipment is £1,900,000, and the Company is engaged on the preliminary planning work.

The abnormal conditions associated with the financing of the Iron and Steel industry at this time makes it necessary to retain a substantial proportion of the trading surplus for the purpose of meeting the heavy capital charges involved in the various schemes of improvement and modernisation to which the Company is committed.

TRADING CONDITIONS AND PROSPECTS

The Company and its subsidiaries commenced the year with a satisfactory Order Book, and for the greater part of the financial year were able to operate the plant at full capacity. Unfortunately, during the whole of the period there was a continuing contraction in demand, so that certain of the plant has in recent months been worked below capacity. If the present rate of order intake does not improve, the Company's plant overall will have to operate at about two-thirds capacity. This will have a more than proportionate effect on profits, since overheads such as administration charges and operating costs cannot be reduced in direct proportion with production.

It is difficult to predict the likely trend in business. The relaxation of credit restrictions may lead to an increased demand for flat products and affect the stainless steel and hardened steel roll demand favourably. The demand for special steels for the aircraft industry would appear to have suffered a permanent contraction as a result of recent Government decisions relating to the future scope of the Royal Air Force. Both the Parent Company and William Beardmore & Co. Limited have a large stake in the heavy forgings trade, the products of which are used essentially in capital schemes. Most of the industries concerned—shipbuilding, electrical and mechanical engineering, etc., are finding business difficult to obtain, and even when an improvement does take place there will be a time lag before your Company begins to experience a substantial expansion in demand.

The price of primary commodities is still low, so that in many of our export markets funds are no longer available for new capital schemes. It is very desirable that steps should be taken to improve the credit facilities available to the Commonwealth countries so that their development programmes can proceed.

STABILISATION OF NATIONAL PRICE STRUCTURE ESSENTIAL

The general reduction in demand for steel both in this country and on the Continent has led to increased competition, and a reduction in profit margins. Notwithstanding the warnings of employers, the demand for wage increases persists. During the year increases in wages and salaries were awarded, freight rates and fuel costs were also increased. Under present trading conditions both in this country and in the export markets, these increased costs cannot be passed on. I must emphasise again the urgent necessity to infuse stability into our national price structure.

Having regard to the unusual trading conditions experienced during the year, the overall results are considered very satisfactory and reflect the hard work and loyalty of our workpeople, staff and executives. On your behalf and on that of the Board, I have the greatest pleasure in thanking them all.

The report and accounts were adopted.

COLVILLES LIMITED

SIR ANDREW McCANCE ON FEATURES OF THE PAST YEAR

SCOTLAND'S FIRST MODERN STRIP MILL

HOW NATIONALISATION DEFEATS ITS OWN ENDS

The twenty-eighth annual general meeting of Colvilles Limited was held on February 6th at Glasgow.

The following is the circulated statement by Sir Andrew McCance, DL, DSc, LLD, FRS, chairman and managing director, for the year to September 30, 1958:

DIRECTORATE

During the past year the Board suffered a heavy loss through the unexpected death of Mr Sam Thomson, who had been a director for seven years and had served Colvilles for no less than 52 years. He combined an extensive knowledge of steel manufacture with a rare managerial capacity and his energetic and forceful personality was devoted wholly to the interests of the Company. It is with great regret that I record the passing of a most valuable and helpful colleague.

I am also very sorry to record that Mr Robert Marshall, director in charge of sales, found it necessary to tender his resignation owing to ill-health. Mr Marshall, too, has spent a lifetime of service with Colvilles and throughout the whole industry he is widely known and held in the highest esteem. It is a matter of particular regret that the state of his health did not permit him to continue his long and eminently useful service with the Company.

The directors have appointed Mr J. A. Kilby, Mr T. J. Smith and Lord Clydesmuir to fill vacancies on the Board and I welcome their collaboration in directing the affairs of the Company. Mr Kilby, as Chief Engineer to the Company, has been responsible for the technical details of the many development schemes which have been sponsored in recent years. Mr Smith has been in charge of all purchasing, including raw materials, which have increased greatly both in volume and in importance with the development of our pig iron production. In Lord Clydesmuir, who is managing director of The Steel Company of Scotland Limited, we welcome the continuance of the association of the Colville family with the Company.

Two more special directors have been appointed—Mr E. W. Ferguson, who has been in charge of export sales, and Mr Duncan Ferguson, Purchasing Manager. Both bring to their new responsibilities a wide experience and a long term of service with the Company.

The conditions during the past year, particularly during the latter half of it, have by no means been easy and I wish to record the sincere appreciation of the Board for the fine manner in which the staff and all the employees have given of their best in dealing with the difficulties brought about by changing conditions.

ACCOUNTS

The decrease of £376,000 in the manufacturing and trading profit is explained principally by the recession in the demand for steel during the second half of the year. The reduction in the profit would have been greater but for the operations at Ravenscraig and General Terminus. Their modern facilities enabled the reduced production to be carried out more economically.

This is the first year in which the charge for interest on the £10 million 4½ per cent Debenture Stock has been paid in full, and there is also interest for a little more than half a year on the 6 per cent Debenture Stock issued in January, 1958. The total interest charge is greater in consequence by nearly £477,000. Income from investments has risen by £8,906, but the balance of income before taxation is lower by some £844,000.

The significant difference this year compared with last year is the greater charge for taxation which is explained by the reduction in the relief in respect of Investment Allowances. This relief amounts to only £112,091 compared with £1,043,911 in last year's balance sheet, when we had the full benefit of the Investment Allowances on the major development at Ravenscraig. In total, the charge for taxation is some £779,000 more, so that the net profit after taxation is reduced by £1,623,000 to £1,571,850, rather less than half the figure for last year.

The settlement of taxation relating to the war and some of the postwar years enables over £1,050,000 to be restored from the provisions set aside in these years. This may seem a large sum, but it must be considered in the light of the period covered which stretches for more than twelve years and the complexity and uncertainty of the taxes involved. Its restoration goes some way to restore the balance available for appropriation.

The amount retained by subsidiary companies is small, the available profits having again been concentrated in the accounts of the Parent Company, where they are available for dividends or for investment in any sector of the Group's activities. This does mean, however, that subsidiary companies cannot cover development expenditure from their own resources and must borrow from the Parent Company. To avoid the consequent increase in loans creating the impression that there were liquid funds in the hands of subsidiary companies, advances which are known to have been spent on fixed assets have been separated from current advances. This explains the entry in the balance sheet of Colvilles Limited under the heading of "Subsidiary Companies" where "Fixed Loans for Development" appears for the first time.

The balance sheets also show that the investment in stocks has been reduced and the lower rate of turnover is reflected in the smaller amounts for debtors and creditors. These changes, coupled with the fact that the expenditure has not as yet been significant on the new slabbing mill, for which the proceeds of the issue of the £6 million Convertible Debenture Stock were earmarked, explain the considerable change for the better in the liquid position during the year.

To offset the inadequacy of depreciation allowances for the replacement of assets, £2 million has been transferred to the capital reserve and it is also proposed that £1,500,000 be transferred to the general reserve.

The Board recommend that a final dividend of 8 per cent be paid, making a total of 13 per cent for the year.

SUBSIDIARY COMPANIES

As in the Parent Company the earnings of the subsidiary companies have been affected by the recession in trade which has been in progress for nine months or more and is unfortunately still noticeable.

The rebuilding of the finishing equipment of the mills at The Lanarkshire Steel Company Limited is now completed and in operation, the last stage having been carried through at the last New Year holiday period. This change allows speedier operation and also enables the saleable yield to be increased. The new equipment will also be able to deal with broad-flanged beams.

Early in the year the falling away in demand for heavy sections entailed the cessation of production at the Hallside Works of The Steel Company of Scotland Limited.

Hallside was our highest cost producer of steel sections. For some time considerable losses have been made on products rolled there, but so long as the demand exceeded the capacity of our other works, the responsibility of meeting that demand was carried by the Company in spite of the financial loss which resulted. Once the demand had fallen, however, the works inevitably had to be closed down. The reconstruction of the plant is now proceeding without the hindrance of having to carry on production at the same time and this will undoubtedly make for quicker progress. We are not yet in a position to state when it may be possible to restart the works on its new products.

The extension to the Light Foundry at the Craigneuk Works of The Clyde Alloy Steel Company Limited has been in operation for a large part of the current year and has enabled the output of castings to reach new records in spite of a marked slackening in the demand during the past six months. Due to a similar fall in demand the rolling mills producing special steels have been living from hand to mouth and quick delivery has become of paramount importance. Fortunately the organisation has stood up well to these testing times and I am glad to report that the earnings of this company have been the highest in its history.

It is not easy to forecast the course of future trade, but it can be said that with the steady developments of the past year The Clyde Alloy Steel Company Limited is in an excellent position to respond to any improvement in demand.

I reported last year that The Carnlough Lime Company Limited had made a small loss in spite of the installation of new equipment. I am glad to say that after further changes in operating methods, the corner has been turned and profits are now being earned.

Blanchland Fluor Mines Limited is not a large-scale undertaking, but it has made a contribution commensurate with its size.

Fullwood Foundry Company Limited, Colville Constructional Company Limited and Smith & McLean Limited have all continued earning profits, although naturally at a lower rate owing to the reduced level of demand.

Only in the case of Colville Constructional Company Limited can it be said that the reduced activity is directly associated with the credit squeeze of the past year or so. Undoubtedly investment in steel frame buildings has been influenced to a substantial degree by the Bank rate changes and it is to be hoped that the gradual restoration of normal conditions will soon be reflected in terms of increased work.

It has been found necessary to cease coke and pig iron production at Dixon's Ironworks Limited on account of the recession. When the demand for pig iron in Britain exceeded production, imports of pig iron were needed to maintain steel production at the level required. During 1956, for instance, this country imported over 500,000 tons of pig iron. It was therefore an advantage to the national economy to produce pig iron even in uneconomic units and the production from Dixon's was useful to the Group during that time. When the demand for pig iron fell, production was transferred to the more efficient unit at Ravenscraig. The closure of Dixon's was not final until November, 1958, and it will not adversely affect future earnings of the Group.

FUEL ECONOMY

For many years coke oven gas has been supplied from Dixon's to the Scottish Gas Board, who distributed it to users in Glasgow. With the closure of Dixon's we have concluded an arrangement with the Scottish Gas Board to supply them with coke oven gas from both Clyde Iron and Ravenscraig Works. The necessary boosting and control plant has been installed and supplies of coke oven gas are now flowing into the Gas Board's mains for distribution. Our agreement provides for a supply of 4 to 6 million cubic feet of gas per day from each works with the possibility of a future increase from Ravenscraig should it be required.

This agreement represents a change in policy, for hitherto the Company has encouraged the full utilisation in the production of steel of the coke oven gas and blast furnace gas which are produced in large quantities in an integrated works. The steel furnaces which used this gas will now increase their use of fuel oil to balance heat requirements. The change is in the long term a contribution to the conservation of national fuel resources.

PRODUCTION AND COSTS

The production of coke, pig iron and steel during the past financial year has been as follows:

	Six months to March 31 Tons	Six months to Sept. 30 Tons	Total Tons
Coke....	447,027	336,337	783,364
Pig Iron..	505,914	413,028	918,942
Steel	1,051,488	795,575	1,947,063

The output during the first six months of the year was moving towards new records, but the decline in demand during the second six months prevented their complete attainment when these two periods were taken together.

The advantages of Ravenscraig have been clearly demonstrated even although the plant has not yet been able to show what it can do under the steady pressure of an urgent demand. The blast furnace has maintained an output in excess of its rated capacity of 7,000 tons per week and we are confident that when required an output of 9,000 tons per week can be obtained. Steady progress in the development and operation of the furnace and the sinter plant by the works staff has reduced the coke consumption for long periods to very low figures. The open hearth furnaces have also given excellent performances and record outputs in excess of 4,000 tons per week have been attained. When the demand for steel improves, even greater outputs from these furnaces will be possible by the application of oxygen.

Unfortunately the reduction in operating costs which high production can achieve is often offset under present conditions by the depreciation charge required for the very expensive plant necessary to bring it about. We are in a position to compare the steady advances in the cost of manufacturing plant, since we make at Mossend Engineering Works some of the steelworks plant required for our own development plans. Expressing our cost per ton of machinery in 1938 as 100, the cost today is 425 and we believe that this figure is comparable with those of other makers. Owing to this increase in the cost of plant, it has been found in some cases that new plant may not show any commercial advantage over the plant it was replacing.

Nevertheless even when it is known that such plant may do little more than earn during its lifetime sufficient money to pay for its installation, there is no alternative. Obsolete plant if allowed to continue in operation can only hasten industrial decline. This factor must be recognised adequately in the margins allowable on all steel products.

DEVELOPMENT

As announced recently, the Board have agreed to prepare and submit a scheme for a major extension to the Ravenscraig Works, which will embrace the construction of a semi-continuous strip mill for the production of light plates and sheet with additions to the steelmaking and pig iron production necessary for this expansion of output.

There has been some ill-informed talk and criticism of this proposal arising from a lack of knowledge and appreciation of the capabilities of the semi-continuous type of mill.

For the manufacture of flat products such as sheets, the cast ingots are rolled in a heavy primary mill into slabs, each of which may weigh up to 15 tons or more according to requirement. These slabs constitute the feed material for the strip mill, which may be of the continuous or semi-continuous type. In the first case, the slab passes continuously through a series of roll stands—usually ten in number—arranged in tandem, the slab being progressively reduced in thickness until it emerges from the last set of rolls as a thin strip of the required gauge. In the case of the semi-continuous mill, the number of stands of rolls can vary from five to seven with resultant saving in capital cost. The reduction in thickness which the slab undergoes in the first set of rolls of the semi-continuous mill has therefore to be greater than is the case in the fully continuous mill, and as a result the rolling process takes a little longer. Nevertheless, there are semi-continuous mills already in operation which have produced over two million tons per annum compared with three million tons per annum from fully continuous mills, and even larger outputs are considered possible as improvements in rolling techniques are perfected.

This new mill will therefore have ample capacity to meet the demands of the available market and to allow for the expansion of this market in the foreseeable future.

The Ravenscraig proposal will include two additional blast furnaces similar in size to the existing furnace with corresponding coke ovens and blowing equipment. An increase in the steelmaking capacity will bring the total ingot capacity of the Group to between 2,900,000 and 3 million tons per annum.

It is planned to send the hot rolled strip in coils to the Gartcosh Works of Smith & McLean Limited, where cold rolling and ancillary equipment will be installed for the production of finished sheets, which will be dispatched direct from these works.

The Company's engineers are now in consultation with the manufacturers of the steelworks plant and when the details have been completed the scheme will be submitted to the Iron and Steel Board and to the British Iron and Steel Federation for consideration and approval.

One of the noteworthy features in the expansion of steel demand in recent years has been the increase in the proportion of the steel output made into sheet. In Britain ten years ago this proportion was about 10 per cent. Today the proportion is approximately 20 per cent and is still growing. For many years the corresponding proportion in the United States has averaged about 30 per cent, and, bearing in mind the similarity in the pattern of development of the steel industry in most countries, it is confidently expected that the growth in the demand for sheets in Britain will continue for some years ahead.

It is hoped therefore that this development will make a major contribution to the encouragement of Scottish industrial activity, particularly in the field of those lighter industries which are based on the use of sheets and which have hitherto been hindered from establishing themselves in the Scottish area because local supplies of sheets of strip mill quality were not available.

FINANCE

As shareholders have already been advised, the cost of the plant and equipment, together with the cost of installation, is estimated at approximately £50 million. Whilst this amount is very substantial, it is much less than would be required for any equivalent production on a green field site on account of the considerable contribution made by the civil engineering work and the other facilities already available at Ravenscraig. The new slabbing mill foreshadowed last year as part of our second development plan fits admirably into the new proposals. It will be able to handle the increased ingot production now required with the provision of additional heating facilities, but with relatively little other change. The new blast furnaces will also be less costly than would otherwise be the case.

Owing to the political threat of renationalisation the steel industry is suffering a serious disadvantage in obtaining the finance required for capital extensions of this kind. So long as that risk continues and the possibility exists that industries may have their assets taken over in the name of the State at less than their real value, so long will it be impossible to obtain finance from the sources which would normally be available. A damaging drag on progress by established channels has been created.

The desirability of constructing a strip mill in Scotland was generally agreed and the long term advantage admitted for the reasons I have already given.

Initial considerations with Mr John S. Maclay, Secretary of State for Scotland, were followed by discussions with Lord Mills, Minister of Power, together with Sir Archibald Forbes, Chairman of the Iron and Steel Board, and these discussions resulted in an agreement being reached that the finance required for the strip mill proposal would be provided up to a maximum of £50 million from Government sources.

The acceptance of this loan requires an extension of the borrowing powers of the Company. The measures required to effect this and the details of the agreement have already been circulated to you, and I hope that you will feel justified in passing the necessary resolution to grant the directors the increased borrowing powers they need to implement this development.

RENATIONALISATION

This threat of renationalisation has brought much uncertainty into the future prospects of the steel industry and we can see evidence of that uncertainty in the present state of trade. I have already stressed the difficulty of finance which has affected the rate of development. Other factors in that uncertainty are equally disturbing.

PROFITS DISAPPEAR

In the arguments put forward originally to justify the policy of nationalisation, it was always tacitly assumed that the profits being made under private ownership would continue after the industries became State controlled. The records of the nationalised industries for the past ten years, during which time private enterprise industries were moving from success to success, has shown how completely fallacious that argument has proved. The truth must be faced that under public ownership heavy losses, more often than not, have made former profits disappear.

NO PROFITS—NO TAXES

Industries which formerly made substantial contributions by way of income tax to the national income now make no contribution at all. This loss of revenue is made good by larger tax contributions from the rest of the population, including the wage-earners themselves. It should not be overlooked that the tax contributions from the activities of private enterprise pay a substantial part of the cost of the Welfare State. Destroy that income and the finances of the country would be seriously disturbed. That is the threat which nationalisation policies contain.

"PUBLIC ACCOUNTABILITY" —BUT HOW ?

In the search for arguments to support such policies, frequent reference is made to "public accountability"—a phrase of rather nebulous meaning. If those directing the affairs of a company whose shares are held by individual investors fail to conduct the business of the company efficiently, the shareholders have direct and immediate channels of redress. The same thing can certainly not be said of the nationalised industries.

THE PUBLIC ARE IMPOTENT

When year after year, as has been experienced, depressing results are reported that would stir the shareholders of a private concern into angry revolt, it seems completely beyond the powers of the public who own these industries to change ineffective management or to modify their control. It has become abundantly clear that nationalisation does nothing to enforce public accountability on those industries which it takes over—it merely allows them to escape public accountability in the ordinary meaning of the term.

LEAVE STEEL FREE

It is universally conceded that the steel industry is efficient and progressive. It is in the national interest that it should be allowed to remain so. I would ask all our shareholders who own the assets of the Company to resist any threat that would change their ownership by compulsion. That support would counter those policies which imperil the future success of the industry and imperil the existence of companies like our own which have built up that success by private enterprise.

APPENDIX
ANALYSIS OF INCOME AND EXPENDITURE

	1958 (£'000)	1957 (£'000)
Income from sales, interest, etc.	75,480	77,100
Cost of materials, trade expenses and services bought	36,247	38,126
Cost of fuel	13,883	13,941
Depreciation	2,500	2,842
Debenture interest	643	166
	53,273	55,075
Balance available for wages, salaries, taxation, dividends and re-investment by way of reserves	22,207	22,025
Distributed as follows:		
Wages, salaries, national insurance and superannuation contributions	13,223	13,148
Taxation	3,791	3,016
Dividends—Gross	1,520	1,511
Reserves	3,673	4,350
	22,207	22,025

Note.—Since wages and salaries are paid before deduction of tax, dividends have been treated on the same basis and the amount of taxation has been adjusted accordingly.

Number of Employees, 16,500. Number of Shareholders, 39,000.

MASSEY-FERGUSON LIMITED

Summary of Consolidated Results for year ended 31st October, 1958

	1958	1957
Sales	$440,109,455	$412,411,468
Net Profit before tax	$ 21,712,151	$ 603,800
Net Profit after tax	$ 13,025,282	*Loss* ($ 4,737,341)
Dividend per common share	40c.	40c.

Copies of the Annual Report to 31st October, 1958, may be obtained from the London Transfer Agents, The British Empire Trust Company, Limited, 3, Lombard Street, London, E.C.3, on application.

Residents in the British Isles, whose shares are not registered in their own names and other interested parties who wish their names placed on the Mailing List for future communications, should notify the London Transfer Agents accordingly.

THE AVON INDIA RUBBER COMPANY

The sixty-ninth ordinary general meeting of The Avon India Rubber Company Limited was held on February 2nd at Melksham, Wilts, Mr C. M. Floyd, OBE (the chairman), presiding. The following is an extract from his circulated statement:

The Group profit after providing for taxation of £259,339 amounted to £302,488. Group sales value has been maintained but a repetition of last year's record profit was not attainable. Even so Group net profit before tax is the second highest recorded.

After commenting on the acquisition of the entire share capital of Henley's Tyre & Rubber Company Limited and on the further investment in the International Synthetic Rubber Company Limited, in accordance with their commitment, the chairman continued:

All subsidiaries of your Company have been affected by the more difficult trading conditions but George Spencer, Moulton & Company Limited continues fully to justify the confidence your Directors have expressed in respect of this purchase, and J. W. & T. Connolly Limited, in which our holding has been increased from two-thirds to five-sixths during the year, has continued to make progress. Those subsidiaries trading in rubber products other than tyres will benefit in due course from the improved production facilities that are planned.

The current financial year has started with a satisfactory level of orders both in Home and Export markets and your Directors have full confidence in your Company's ability to continue to make progress.

The report was adopted.

ELY BREWERY COMPANY LIMITED

Mr. L. Nidditch on the Board's Policy

THE *sixty-second annual general meeting* of the Ely Brewery Company Limited was held on January 29 at the New Inn Hotel, Pontypridd.

Mr. L. Nidditch, F.F.S.(Eng.), F.R.Econ.S., F.V.I. (chairman and managing director, financial director) presided, and in the course of his speech said:—

In presenting the Accounts for the year ended 31st August, 1958, it is with a welcome to all the Company's stockholders and in particular those new stockholders on our enlarged register, who have joined the longstanding members. The policy that has been pursued since I became executive leader, and, I hope, 'aggressive defender' of your true investment, has not been unrewarding.

The Accounts show the Company's earnings for the year (subject to certain usual outgoings and taxation) £322,023. A satisfactory result considering the upward trend of the profits in the last few years, and aims in priority given to *consolidation* and, then the moving on.

The Board agreed the new approach to the payment of dividend of an amount per share instead of a percentage figure. An Interim Dividend on the Ordinary Capital of 1¼d. per share had been declared and paid. Your Board now recommend a final dividend of 2d. per Ordinary Stock unit, making in all 3¼d. per stock unit for the year (less tax).

As your Directors have already reported, Major The Hon. Oscar M. Guest died in May, 1958; he was a *nominee* Debenture representative of Hambros Bank Executor & Trustee Co. Ltd., a near kinsman of Sir Winston Churchill, a former member of Parliament and a former Parliamentary Private Secretary to a Cabinet Minister, he was a world travelled man of great common sense and balance, respected in Society, and also commanded the respect of his Board Room colleagues. There grew up a mutual understanding and respect between us, both as persons and in our respective offices. During the last decade, I regret that his sound advice and pressure for restraint towards stopping outrageous actions in diverse situations in the trial of strength and *envious greed* was ignored. He was the Chairman of several public industrial companies, and a man who used no idle words nor "empty" statements.

Take Over Ethics

We would like to cover the walls of all our Toilets with Vitrolite glass and install refrigeration in our bars and high trade house cellars and modern glass plate external doors, also central heating, etc. How can we proceed when our shares do not enable any rights issue benefit.

Sir Anthony Eden's resignation helped to prove the *unfortunate* fickleness of *hesitation* or *non*-disclosure of goings on behind the scenes.

As Lord Goddard had occasion to say "The causes of *crime today* are *the same* as *they* were in the days of the Old Testament—greed, love of easy money, jealousy, lust and cruelty."

I have said before and I say again that, if anyone wishes to take over your company, considering the achievement resulting from virile leadership and management effort and success, they should do so *in an honourable way*, by making an open bid at a fair price, or leave us—and our shares—alone and 'inside bears' with pressure of harassing, cease damaging our credit worthiness towards raising normal and just *expansion capital*.

History *has* shown that the Country's business *can be* transacted and run efficiently by men of calibre, with *human sympathies* and *no axe to* grind.

In the lingering unfortunate situation created and *thrust upon us*, it is *necessary to re-emphasise* the intention to do all that can be done to safeguard the position of the general body of stockholders of, and the employees in, this *important* independent unit of the British Brewing industry in Wales and that, so long as this principle is not *placed in jeopardy*, we will *continue* to co-operate to the maximum with sincere parties on such matters in which we have mutual interest.

With our *consolidated* success record, where is there reason and purported honesty to allow our Ordinary Units last year to a 27% earnings yield against the usual 10% to 14% and, a 'fear yield' grip on our Preference?

It will be noted that during the year, the cash *liquidity* was reduced by about £110,000, although we also received £11,732 Capital Repayment from trade investment. I feel I should point out that we *have paid out substantial sums for our new* bottlery—buildings and plant—as also freeholds acquisition of leasehold houses. Our Debenture *Debt has been reduced by another £20,000* (subject to capital gain on market values against 1946 values) and, while our creditors and taxation *account are about comparably equal to 1957*, our debtors and stocks are greater by £66,000, consequential to healthy trading demands. These are *important items to assess as a picture in any* Balance Sheet in any Company.

Trend of Trade

As you will know, the trend of trade has been very difficult in the first half of the year. The licensed house trade was affected as much as any —commencing November, 1957, until Easter —when there was a general depression in the country resulting from the 7% Bank Rate and economic crisis, some unemployment and fears of this being enlarged, exceedingly bad weather, Asian 'flu and other annual winter epidemics of short duration that traversed through the country. Our Summer two months of rain was not of compensatory advantage. However, I am pleased to say that by strong team work and concentration at *points* of sale, we obtained our fair share of trade, although rising costs in all directions continued: we made every endeavour to minimise and *control outgoings* and get the best value for money in all our commitments which run at £10,000 a week excluding purchase of materials *of our trade*.

During the year we marketed a new Stout 1s. per half bottle under the trade mark "Gold and *Silver*"; this has been well received and bringing in a regular trade greatly gaining popularity, being receptive to a widening circle of patrons.

In the area where one of the small *mines* are being closed, on the extreme edge of our general area, a club is being extended for drinking and concerts and £8,000 expenditure with no approval required of any authority—except bye-laws and new cottage converted 'clubs' opened at cost of 5s. Yet Monopoly Law charge persists. There are still **10,000** surplus 'poor results' licensed houses where a bare living is earned, *awaiting a realistic decision relative to clubs* and concerts and, the newly developed competition (aided by small open gambling) of Housey Housey and £10 or £20 *prize purse*. ***Industrialists refuse to open factories in Wales*** principally because of the 'dead atmosphere' Sunday, with non access to Cloak Room *facilities on leaving one's* home. Wales and the Board of Trade officials would have less arguments to face from those *industrialists* they seek to attract, aided by executives and wives refusals, if recognition were given to clear World Conditions of freer choice of use of *social time*.

Our new Bottlery can provide treble our present bottling production, now governed and aided by increased conditioning tank and new refrigeration space, and, by small alterations in the main Brewery we will by end year have facilities for an extra 20,000 barrels annually. We also have plans approved under Bye Law and Town Planning to extend production capacity by another 25,000 barrels per annum.

I have obliterated despondency at Ely.

The report and accounts were unanimously adopted without question or comments, and the other formal business transacted.

The proceedings terminated with a cordial vote of thanks to the chairman, directors, staff and employees.

"AT A GLANCE"

Year	Profit Before Taxation	Taxation Overprovided and Refunded	Taxation	5% Pref. Dividend Gross	7% Pref. Dividend Gross	Ordinary Dividend Gross	Bonus Issues	Earnings on Ordinary	Book Value of Net Assets per £1 of Ordinary Stock	Total Assets
	£	£	£	£	£	£	£	%	£ s. d.	£
1948	238,613	—	140,500	8,249	—	69,000	25,875	31	1 8 0	2,483,698
1949	190,155	—	98,500	9,647	—	75,900	13,800	30	1 18 8	2,678,558
1950*	177,790†	—	88,000	25,940	10,487	41,400	34,500	23	1 19 4	2,576,839
1951	159,066	—	105,000	17,293	10,625	43,987	49,225	20	1 17 4	2,590,196
1952	193,186	2,600	118,000	17,293	10,625	47,131	117,824	24	1 13 0	2,686,036
1953	191,953	51,000	110,000	22,792	10,625	48,813	143,633	22	2 2 0	3,195,323
1954*	231,222	18,194	113,000	24,363	16,221	64,802	29,625	24	1 19 0	3,215,714
1955	188,512	35,000	106,000	24,363	12,217	64,802	37,030	19	2 0 7	3,163,438
1956	237,215	15,000	137,000	25,289	13,255	64,802	27,771	25	1 19 10	3,175,783
1957	272,036	50,000	136,700	26,214	13,255	86,417	—	29	2 1 4	3,319,701
1958	269,981	—	150,000	26,214	13,255	91,654	314,243	21‡	1 11 10	3,420,168

Year	Staff Pensions: Paid	Staff Pensions: Future Provision	Amortisation and Depreciation	Sundry Creditors	Capital: Total	Capital: 5% Pref.	Capital: 7% Second Pref.	Capital: Ordinary	Surplus
	£	£	£	£	£	£	£	£	£
1948	1,639	15,000	1,000	144,474	855,000	165,000	—	690,000	325,133
1949	1,747	2,500	10,000	135,401	1,035,852	345,852	138,000	552,000	511,751
1950	2,511	1,500	12,750	164,949	1,049,652	345,852	151,800	552,000	532,961
1951	2,172	1,500	13,000	142,707	1,044,152	345,852	151,800	586,500	504,109
1952	2,133	1,500	19,500	153,804	1,204,595	424,401	151,800	628,395	494,185
1953	2,514	1,500	19,250	157,563	1,312,321	487,241	151,800	673,280	745,893
1954	3,056	2,500	19,750	177,276	1,387,694	487,241	159,755	740,608	744,742
1955	2,658	2,500	17,700	174,009	1,417,228	487,241	189,379	740,608	761,782
1956	2,377	3,099	18,000	173,967	1,454,238	524,271	189,379	740,608	735,813
1957	2,441	3,503	18,000	173,052	1,490,258	524,271	189,379	785,608	837,714
1958	2,243	1,000	15,239	170,628	1,813,851	524,271	189,379	1,099,851	648,792‡

NUMERICAL DETAILS OF SHAREHOLDERS' REGISTER

TOTAL SHAREHOLDERS 1947—1,642
1958—3,531

INDIVIDUAL SHAREHOLDINGS AS AT 31ST AUGUST, 1958:

Ordinary (Shares 3/6 Stock units 3/6 each)	2,723
5% Cumulative Preference (Shares £/- Stock units £/- each)	2,610
7% Cumulative Second Preference (Shares £/- Stock units £/- each)	1,965

* Accounts for 1950—15 months. Accounts for 1954—14 months.

† Refer to Chairman's 1959 Review, page 10, left hand side, paragraphs 5, 6, 7, 8 and 9.

‡ After Bonus Issue of £314,243 writing up Shares to 3/6d.

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AVELING-BARFORD LIMITED

EXTENSION OF OVERSEAS ACTIVITIES

The Sixty-fourth annual general meeting of Aveling-Barford Limited, was held on January 28th at Grantham.

In the absence of the Chairman, Mr Edward Barford, MC, owing to illness, Mr H. C. Ryan, Managing Director, presided.

The following is an extract from the Chairman's circulated statement for the year ended September 30, 1958.

The world demand for the earth-moving equipment and contractors' plant of the types manufactured by your Company has been at a much lower level during the past year.

Our activities are predominantly overseas and much of our output was formerly going into the developing countries which have been the most hard hit by the fall in commodity prices—the reduced purchasing power of these countries has therefore hit us with particular severity.

INCREASED INTERNATIONAL COMPETITION

The increased international competition for the smaller demand has presented considerable difficulties, but reports from our export markets have indicated that we have more than maintained our share of the business available, so that turnover was not substantially reduced although profit margins suffered further.

Under the circumstances prevailing, the trading profit of £589,889 is regarded as satisfactory.

Last year, we extended the activities of all our subsidiaries abroad and formed new ones. Last year I stressed the vital necessity of competitive export credits, and I now emphasise again the urgency and importance of what I then said.

At home the Road Programme is most welcome, but it has not yet reached sufficient proportions to have made a marked impact upon our domestic volume of business. To build the new motorways, modern and specialised earth-moving equipment is required. This type of equipment is used extensively overseas and a larger home demand will be of great benefit to us.

The Engineering and Technical Division has had another very busy year. New models of advanced design are now available in practically all the lines in which your Company and its subsidiaries are so well known.

THE OUTLOOK

I find it difficult to express a view as to how long the present depression in our industry is likely to last. There is little doubt that the continued low demand has resulted in a general consumption of contractors' equipment which will need replacing on an increased scale before very long. Additionally, many countries are now embarking upon road schemes and other public works projects which are a vital necessity if those countries are to continue to prosper and develop.

Whenever the revival takes place, we shall be in a strong position to satisfy the demand for the types of equipment in which we specialise.

The final Dividend has been recommended at 7½ per cent as last year, making a total gain of 12½ per cent for the full year.

The report and accounts were adopted.

BOWMAKER LIMITED

A MOST EVENTFUL AND SUCCESSFUL YEAR

SIR ARTHUR MORSE ON NEW ACQUISITIONS AND INTERESTS

The thirty-first annual general meeting of Bowmaker Limited will be held on February 24th in London.

In the course of his circulated statement the Chairman, Sir Arthur Morse, CBE, said that the financial year under review had proved not only the most eventful but also the most successful in the history of the Company and its subsidiaries. The business transacted increased by more than 35 per cent and there was a similar increase in the balances outstanding under hire purchase agreements at the year end. The bulk of the expansion took place in the second half of the Company's financial year and following the abolition of controls in October transactions in the new financial year again showed a material increase.

At the end of the financial year deposits exceeded £10 million and were more than double the figure in the previous consolidated balance sheet. Having ample funds available facilitated the planned expansion which had taken place in the business.

Referring to the changes in the capital structure, Sir Arthur recalled that shareholders on the register as at February 14, 1958, received an allotment free of cost of one new Ordinary share of 5s. each for each three Ordinary shares held. In order to bring the capital and reserves of the Company more into line with the expansion of deposits and turnover the Board decided in May, 1958, to acquire three companies whose assets consisted solely of cash. The vendors accepted a cash sum of £103,010 together with the allotment of 1,214,000 Ordinary shares of 5s. each fully paid and those shares were offered by the vendors at 16s. per share to the Ordinary shareholders of the Company in the proportion of one new Ordinary share for each four Ordinary shares held on May 29, 1958.

Lloyds Bank's Interest

Sir Arthur continued: With the entry of the joint stock banks into the hire purchase field we were approached by Lloyds Bank Limited, whose unfailing support and co-operation throughout the history of your Company have made a very important contribution to the growth of the Company. The negotiations which ensued resulted in Lloyds Bank Limited subscribing for 2,000,000 5s. Ordinary shares at 29s. 6d. per share. The cash proceeds of the issue amounted to £2,950,000 and Lloyds Bank Limited became the proprietors of approximately 25 per cent of the Company's issued Ordinary share capital.

In the result of all these operations the Company's issued Ordinary share capital has increased from £910,500 to £2,017,500 represented by 8,070,000 Ordinary shares of 5s. each.

Shortly before the close of the financial year your Company made an offer to purchase the issued Ordinary share capital of Midland Counties Motor Finance Company Limited, and since the close of the financial year an offer was made to acquire the issued preference share capital. Both these offers have been accepted by well over 90 per cent of the shareholders concerned and the balance will be acquired. Your Company will have invested approximately £2,600,000 in this new subsidiary.

Early in November, 1958, the Bowmaker stocks and shares investment plan was introduced and received very wide and favourable publicity. It is designed to assist investors to buy stocks and shares of their own choosing and after a *minimum initial outlay* to pay the balance of the cost by *instalments out of income*. The plan meets the requirements of the small investor who wishes to invest part of his savings in stocks and shares.

Accounts

Reviewing the accounts, Sir Arthur said that the group profit before tax of £572,623, amounted to £1,026,524, compared with £750,289. The Board recommended a final dividend of 17½ per cent making 27½ per cent., less tax, for the year.

He continued: During the year the share premium account has increased from £402,019 to £3,151,765 and in the result the reserves of the company are again unduly large in relation to the issued capital. It is, therefore, proposed to increase the authorised share capital from £3 million to £6 million and to apply £2,017,500 of the amount standing to the credit of the share premium account in paying up in full new Ordinary shares of 5s. each and to distribute these shares in the proportion of one new Ordinary share for each Ordinary share held on February 24, 1959.

The capital and reserves of the group have increased from £3,785,451 to £8,138,285 and the total assets from £19,784,669 to £29,381,326.

Referring to Bowmaker (Ireland) Limited, the Chairman said that in August last the 40 per cent interest in the issued Ordinary share capital of that Company previously held by another Company was sold to The National Bank Limited.

Sir Arthur concluding his statement said: The first two months of our financial year are normally the slackest but with the elimination of controls under the Hire Purchase Orders last October a quite exceptional amount of business was transacted in November and December. It is not unreasonable to suppose that some of this increased business might normally have been spread over a longer period. Nevertheless, the prospects for the current year, subject to unforeseen circumstances, appear to be satisfactory.

FIRST RE-INVESTMENT TRUST LIMITED

SIR DENYS LOWSON'S ADDRESS

The Annual General Meeting of First Re-Investment Trust Limited was held on January 29th in London.

Sir Denys Lowson, Bt (the Chairman) presided, and in the course of his remarks said:

The revenue for the year amounted to £113,364, which is a record in the history of the Company; and compares with £100,590 for the preceding twelve months.

Part of the increase in revenue is due to the additional Ordinary Share capital which was issued during the course of the year; but from which we have not yet received a full year's income. We shall receive the full benefit from a revenue angle during the course of the current twelve months, and I am pleased to tell you that the estimate which we have prepared in addition shows that, barring unforeseen circumstances, we may also expect some increase in our normal revenue over 1958.

After payment of a dividend of 12 per cent on the Ordinary shares, there is a surplus of £12,235 which, added to the Profit and Loss Account, now gives a total of £89,718 to be carried forward. As shown in the accounts it will be seen that we have the following priority percentages:

Debenture interest takes from 0-10.25%
Preference dividend 10.25%-25%

Dividend on the Ordinary stock 25%-79.5% with the balance, i.e., 79.5 per cent—100 per cent being retained in the business.

Our investments with a book value of £1,284,674, had a market value of £1,981,142; thus showing an appreciation over book cost of some 54 per cent.

It is your directors' intention to make a further issue of Ordinary shares on bonus terms in the near future, in the proportion of one Ordinary share at par for each five Ordinary shares held. Consent for this issue has already been received from the Capital Issues Committee.

FUTURE OUTLOOK

In the past year the economic climate has changed considerably; the inflationary pressure has temporarily ceased, and there are some signs of a recession in trade. There has been an increase in unemployment, industrial production has fallen and is no higher than it was three years ago; in spite of the volume of investment in capital equipment which took place between 1954 and 1955. As is already well known, when industrial production falls, the ratio of overhead costs to output rises; and this would appear to have been one of the reasons why manufacturing costs in the past year have not felt the full benefit of the lower prices of imports. Steps have been taken during the last six months to ease hire purchase controls. Whilst this will stimulate internal demand, it must be borne in mind that it will also increase our import requirements; as we in this country are dependent to a great extent on countries overseas for our raw materials. If, therefore, benefit is to be gained from the easing of controls, it must be accompanied by a proportionate increase in the volume of our exports; otherwise such a step will weaken our Balance of Payments.

During the year under review there has been a reversal of the rising trend in exports during recent years, which for 1958 amounted to £3,208 million compared with £3,324 million in 1957—a fall of 3½ per cent. Furthermore, we are faced with the prospect of lower exports to some of the other sterling area countries, notably Australia, India and New Zealand, whose overseas reserves are considerably lower than a year ago

BALANCE OF PAYMENT PROBLEMS

I have on previous occasions mentioned the possibility that we may lose the dollars earned by certain countries such as Ghana, Malaya and Singapore who have now attained full independence; and naturally may wish to use the dollars which they earn for their own purposes. In order to meet this possibility, it is obviously essential that we must increase the volume of our exports to the dollar area. It is very gratifying therefore to learn from statistics recently published by the Board of Trade that exports to the United States of America during 1958 were 17 per cent higher than in the previous year. The United States with a gross national product of $420,000 billion and a population of 175 million (which it is estimated will increase by over 90 million or perhaps as much as 55 per cent in the next twenty years), offers great opportunities to the British exporter, provided he can sell his goods at competitive prices.

One of the outstanding features of the year has been the strength of Sterling, and the improvement in our gold and dollar reserves which have risen from £812 million at the end of 1957 to £1,096 million. If it is remembered that this improvement was helped by the terms of trade moving in our favour, it can be seen that our Reserves in the coming year may well have to bear a greater strain, if there is an increase in the cost of imports through a rise in commodity prices. It follows that if we are to avoid a substantial fall in our Reserves, we must ensure that any expansion in production in this country is accompanied by a proportionate increase in the volume of our exports.

You will see from what I have said that I look forward with restrained confidence to the coming twelve months. There are clearly problems ahead, but I feel that in this Company with over 400 different investments in our portfolio we are in a position "to meet the slings and arrows of outrageous fortune" should they arise.

The adoption of the Report and Accounts was seconded by Colonel Robert Adeane, OBE, and carried unanimously; as well as the other formal resolutions. The proceedings then terminated with a hearty vote of thanks to the Chairman, Directors and Staff.

BARCLAYS BANK LIMITED

ANNUAL MEETING OF STOCKHOLDERS

The Annual General Meeting for the year 1959 of the stockholders of Barclays Bank Limited was held on February 4th at the Head Office of the Bank, 54 Lombard Street, London, EC3.

Mr A. W. Tuke (the Chairman) presided.

The Secretary read the Notice convening the Meeting and the Report of the Auditors.

The Chairman moved:

"That the Report of the Directors of the Company now produced, together with the Accounts annexed as at December 31, 1958, duly audited, be received, approved and adopted, and that there be declared, payable on February 20, 1959, to the stockholders registered in the books of the Company on January 10, 1959,

a Final Dividend of 6 per cent, making 12 per cent for the year, on the Ordinary stock and a Final Dividend of 10 per cent, making 20 per cent for the year, on the Staff stock (excluding the £50,000 Staff stock issued on January 6, 1959), less income tax at the standard rate in each case."

Mr John Thomson, Deputy Chairman, seconded the Motion which was carried.

The Right Honourable the Earl of Airlie, KT, GCVO, MC, Mr Anthony Charles Barnes, DSO, OBE, Mr Lawrence Emlyn Douglas Bevan, Mr Julian Stanley Crossley, Sir George Colvile Hayter-Hames, CBE, the Right Honourable the Viscount Knollys, GCMG, MBE, DFC, Marshal of the Royal Air Force the Right Honourable the Viscount Portal of Hungerford, KG, GCB, OM, DSO, MC, and Colonel William Henry Whitbread, retiring Directors, were re-elected Directors of the Company, and other ordinary business was transacted.

The Meeting passed a Special Resolution increasing to £40 million the nominal capital of the Company.

A Vote of Thanks to the Staff and a Vote of Thanks to the Chairman for presiding at the Meeting were unanimously accorded.

KOLOK MANUFACTURING COMPANY LIMITED

(Manufacturers of Carbon Papers and Typewriter Ribbons)

The fiftieth annual general meeting of Kolok Manufacturing Company Limited, was held on January 30th in London, Mr E. S. Dumont (chairman and managing director) presiding. The following is an extract from his circulated statement for the year ended August 31, 1958:

The net profit of the company for the year under review is £159,908, and the net profit for the Group is £178,815 as compared with £174,377 and £196,997 for the previous year. Although the profit is lower, I believe you will consider it satisfactory bearing in mind the previous year's figures included approximately £9,000 covering a provision no longer required.

The demand for our products continued at a high level resulting in a higher turnover and output, but costs have continued to rise and have been absorbed instead of being passed on to our customers. In so far as the current year is concerned, incoming orders are satisfactory. Competition in export markets has intensified and towards meeting this we have invested £23,695 in an overseas company manufacturing products similar to our own, which should prove remunerative in due course.

The financial strength of the Group remains strong, the excess of current assets over current liabilities amounting to £443,924 as compared with £441,509 for the preceding year.

Your directors propose to recommend the payment of a final dividend of 16½ per cent, an interim dividend of 5½ per cent having been paid. The total dividend for the year will then be 22 per cent; this represents the same total distribution as last year.

Mr D. S. Richardson, who has now attained the age of 70 years, has decided to retire from the Board, having continuously served the company for over twenty years, and on your behalf, and my own, I express our best thanks for the assistance he has given during this period.

The report was adopted.

THE STANDARD TRUST LIMITED

TOTAL REVENUE EXCEEDS MERGER ESTIMATE

CAPTAIN NUTTING'S STATEMENT

The fifty-sixth Annual General Meeting of The Standard Trust Limited will be held on February 25th in London.

The following is an extract from the circulated statement by the Chairman, Captain A. R. S. Nutting, OBE, MC:

The proposals for the scheme of merger of this Company with The Trust Company of London & Scotland Limited, and The Phoenix Investment Trust Limited, were duly approved and became effective as from January 1, 1958; the accounts now presented reflect the changes resulting therefrom.

It is gratifying to note that our total revenue exceeds the merger estimate by almost £19,000. It will be seen that for the first time there is a charge on a subsidiary Company of £3,706 for Profits Tax; it is considered unlikely that this figure will be exceeded during the current year. The net revenue of the group, after deducting the Preference dividend, amounts to £311,001, equivalent to earnings of 26.13 per cent on the Ordinary Stock, compared with 24.25 per cent envisaged under the merger proposals and the Directors recommend a final ordinary dividend of 13 per cent, making 19 per cent for the year, an increase of 1 per cent on the dividend forecast.

VALUATION OF INVESTMENTS

A valuation of the Investments, of which 98 per cent are publicly quoted, shows an appreciation of 82.11 per cent on the figure at which they appear in the consolidated Balance Sheet, an increase of slightly more than 30 per cent on the year. In this connection it should be emphasised that the close of our financial year coincided with the peak of Stock Exchange prices for 1958 and it would be unwise to attach too much importance to any valuation made at any particular date. Although there are some indications of an industrial recovery, there is no doubt that some branches of industry are passing through a period of reduced activity with fewer orders and with lower profit margins. The anti-inflation measures which the Government took in 1957 have undoubtedly been effective and as evidenced by the recent easing of credit and hire purchase restrictions, the Chancellor is moving from a policy of restraint to one of expansion. Nevertheless the prospects for 1959 must be viewed with caution.

THE CURRENT YEAR

The revenue estimate in respect of the current year indicates that earnings may not be far different from those now under review. Subject to the possibility of restrictive legislation or other unforeseen contingencies, your Directors are hopeful of being able to recommend an equally satisfactory distribution twelve months hence.

To reduce the disparity between the two dividend payments on the Ordinary Stock it is intended in August next to pay an interim dividend of 8 per cent, but this must not be taken to indicate an increase in the total dividend for the year.

RADIO RENTALS LIMITED

YEAR OF CONSIDERABLE PROGRESS AND EXPANSION

MR P. PERRING-THOMS ON WELCOME RETURN TO FREE TRADING CONDITIONS

The twenty-second annual general meeting of Radio Rentals Limited was held on February 4th at The Dorchester Hotel, Park Lane, London, W.1, Mr P. Perring-Thoms (chairman and managing director) presiding.

The Secretary (Mr A. O. B. Wall, CA) read the notice convening the meeting and the report of the auditors.

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

In presenting to you the Directors' Report and Accounts of the Group for the year to August 31, 1958, I am pleased to report that the year under review was one of considerable progress and expansion.

After meeting all charges, other than taxation, the trading profit of the Group amounted to £1,736,887—compared with £1,322,900 for the previous year. This constitutes a new record in the history of the Organisation. The net profit of the Group, after providing £911,947 for taxation, amounted to £824,940—an increase of £219,221.

In the Consolidated Profit and Loss Account the only item to which I wish specially to draw your attention is the charge for depreciation. This considerable figure has been calculated on the same basis as for previous years and it is interesting to note from the Group's Accounts for several years past that trading profits, depreciation and capital employed have all increased proportionately as the Group progressed and this illustrates the fact that the increased profit is due to planned expansion and steadily improving efficiency throughout the Group and not to an increase in profit margins. Indeed, our terms of business are now more highly competitive than ever. Rental charges and sale prices have been stabilised, whilst an even better range of products has been offered to the public.

GROWTH OF NEW BUSINESS

During the year under review eight additional branches were opened, including several in areas not previously covered by our service, thus bringing us closer to complete national coverage. In addition, seven existing local branches were re-sited, to greater trading advantage.

There has been an appreciable rise in the number of Television sets installed to new customers. Over the twelve months a record number was achieved which represented an increase of 15 per cent over the previous year. Our Regional Works have met the increased demands arising from maintaining many more instruments and I am pleased to report that our reputation for prompt and efficient service remains unparalleled. Two Regional Repair Works at Nottingham and Bristol have been extended by the purchase of adjacent premises and Works have been acquired in Manchester to replace a unit at Stockport now inadequate for our needs.

Mains Radio Gramophones Limited, our manufacturing subsidiary, has achieved a new record level of production, enabling the Parent Company to keep pace to a greater extent with the growing public demand for our products. All new receivers distributed throughout the year were manufactured by our subsidiary.

ADMINISTRATIVE OPERATIONS

Operating costs in offices in maintaining accounts have been rising for many years due to an all-round shortage of clerical labour, especially in our larger cities, and the administration of a very large number of subscribers' accounts calls for modern methods and techniques. I am pleased to inform you that during August, 1958, a large-scale National-Elliott 405 Electronic Computer was installed at the Company's Watford Offices as part of our long-term plan to promote increased efficiency, stabilise operating costs and to minimise the necessity continually to replace and recruit clerical labour. The computer will progressively take over the maintenance of all our subscribers' accounts, and it is planned to incorporate other aspects of our administrative operations in due course.

APPROPRIATIONS

Turning now to the matter of appropriation, your Directors propose to transfer £750,000 to General Reserve, and recommend the payment of a final dividend at the rate of 10 per cent on the 8 million Ordinary Shares of the Company, an interim dividend of 10 per cent having been paid on June 1, 1958, on the then issued 4 million Ordinary Shares.

In the existing circumstances your Directors have also decided to pay on February 5, 1959, a first interim dividend of 5 per cent, less Income Tax, on the Ordinary Capital of the Company in respect of the year to August 31, 1959.

During the four months ended December 31, 1958, Government Controls on Renting and Hire Purchase were completely removed in two stages. This has had a stimulating effect on our trading, particularly on the Television Rental side of the business. Whilst your Directors have welcomed the return to free trading conditions, they recognise that the present high peak of public demand will undoubtedly level off in due course.

Month by month we are increasing the number of trading outlets, a further eight new branches having been opened during the first three months of the current financial year, with many more in the planning stage. Your Directors will continue their endeavours to increase efficiency of operation and production, to enable the Group to avoid the necessity of passing on increases in costs to its customers.

RIGHTS ISSUE

I am glad to be able to tell you that the consent of HM Treasury has been received to the issue of 1,600,000 Ordinary Shares of 5s. each at 15s. per share. Your Directors propose to offer these shares to Ordinary Shareholders by way of Provisional Allotment Letters in the proportion of one new share for every five Ordinary Shares held at the close of business on January 16, 1959.

It is expected that the necessary documents will be posted to Ordinary Shareholders shortly after the Annual General Meeting.

The year ended August 31, 1958, has been a year of considerable achievement in all fields of staff activity. Moreover, the year under review has seen a large extension of staff social activities, operating in the main on a regional basis throughout the country. Spring, 1958, marked the occasion of the first anniversary of the Group's own House Magazine, a highly popular medium and valuable for staff relationships. I count us fortunate indeed in having so able and loyal a staff. Accordingly, it gives me great pleasure, on behalf of the Directors and the Shareholders, to record a hearty vote of thanks to the staff of the Group.

The report and accounts were adopted and the retiring director, Mr R. M. Blair, was re-elected.

MICHAEL NAIRN & GREENWICH LIMITED

The thirty-seventh annual general meeting of this company was held on February 3rd at Kirkcaldy, Sir M. George Nairn, Bt, chairman, presiding. The following are extracts from his circulated statement for the 52 weeks ended September 28, 1958:

The net profit of the group, after providing £512,966 to meet taxation, amounts to £494,687, an increase of £234,699. The Board recommend a final dividend of 5 per cent, less income tax, on the issued Ordinary Stock, which makes a total distribution of 6¼ per cent for the year. It is the intention of the Board to declare a special interim dividend of 1¼ per cent, less tax, for the financial period 1958-59. The reasons for this are the improvement in the group's earnings and the recent change in the basis of the charge for profits tax.

Your company has had a considerably better year. In all our activities competition is keen and profit margins are consequently low, but the continual modernisation of our plants has enabled us to manufacture and trade on a more economic basis, which has helped to produce these improved results.

Business generally should benefit from the government's policy, and their decision to press on with the provision of new schools and hospitals and to encourage the building of more flats and houses should ultimately prove of special advantage to the floor covering industry. Unless unforeseen circumstances arise, therefore, I see no reason why the future prospects of the company should not be regarded as encouraging.

The report and accounts were adopted.

RUSTENBURG PLATINUM MINES LIMITED

(Incorporated in the Union of South Africa)

EXTRACT FROM CHAIRMAN'S SPEECH

The Twenty-seventh Annual General Meeting of Members was held at Johannesburg on February 5, 1959. Mr. D. A. B. Watson (Chairman) presided and, in the course of his speech, said:

FINANCIAL RESULTS FOR THE YEAR ENDED AUGUST 31, 1958

The profit from the sale of metals during the year ended August 31, 1958, before providing for transfers to and from Reserves, and before providing for taxation, was £1,519,000 as compared with £4,480,000 for the previous year. Revenue from the sales of metals other than platinum, although somewhat lower than in the previous year, was at a reasonably satisfactory level and the two main factors which adversely affected trading results were, firstly, the decline in the volume of the sales of platinum to approximately 50 per cent of that for the preceding year and, secondly, the fall in the official retail price of the metal to an average of £27 15s. as compared with a price of £34 per ounce during the twelve months ended August, 1957.

The estimated tax liability arising from the year's operations and from adjustments to previous assessments amounted to £116,000. An amount of £589,000 was transferred to the Stock Realisation Reserve, being the value of the increased stocks of metals at cost of production. Net capital expenditure amounted to £294,000, and after adjusting for sundry expenditure and revenue and bringing into account the sum of £178,000 arising from a reduction in the value of stores and materials on hand, the balance of the year's profits was approximately £680,000.

During the year a loan of £1 million was obtained from The Standard Bank, repayable over a period of five years at a rate of not less than £200,000 per annum. The first repayment falls due in April, 1959. This loan was raised to finance current operations and the term of five years was arranged to afford an opportunity to extend, if considered desirable, the period over which the deficit in funds as at August 31, 1958, will be extinguished by appropriations from current profits.

In considering the question of a dividend for the year ended August 31, 1958, the Board of Directors decided that, because of the uncertainty of the platinum metal market, no dividend should be paid in respect of that year, and that the whole of the available profit of about £680,000 should be applied towards a reduction of the deficit in the amount of the funds which had been provided to meet expenditure incurred up to August 31, 1957. After applying the sum of £680,000 to this purpose, the amount still to be provided in respect of past expenditure amounted, at August 31, 1958, to approximately £1 million.

OPERATIONS

Early in the calendar year 1958 output at the mines was reduced to a rate below the estimated level of sales, and that rate of production has since been maintained. Both Rustenburg and Union sections are operating, certain advantages being gained by the continuance of production at the latter mine at a low milling rate and at a low cost of production. The mines have been and will be maintained in such conditions that mine output can immediately be increased if necessary.

STOCKS

During the first six months of the past financial year, mine production of platinum was in excess of sales, which had declined rapidly and progressively during the same period. As a consequence the total stocks of platinum increased during the year under review. A relatively satisfactory level of sales was achieved in respect of the by-product metals, stocks of which remained virtually unchanged. The value, at cost of production, of the increase during the year, in stocks of all metals was approximately £589,000.

The value of the increase in stocks during the previous financial year 1957 was £895,000, and therefore during the past two financial years nearly £1½ million was appropriated to finance the increase in metal stocks. It is of interest to note that this figure, which represents the cost of production of tangible assets in the form of stocks of metal which can in due course be realised, is in fact greater than the deficit of approximately £1 million between expenditure and funds provided up to August 31, 1958.

DEMAND

During the financial year under review, the pattern of demand remained more or less constant. Of the decrease in the total volume of sales during the year compared with the previous year, about two-thirds occurred in the United States and one-third in the United Kingdom.

The consumption of platinum by industrial users in countries other than the USA and the UK remained at relatively satisfactory levels and in the case of certain countries whose industrial development is advancing, previous levels of consumption were in fact well maintained.

The USA is, however, by far the largest single consumer and that country and the UK constitute our most important markets. The decline in consumption by those two countries has therefore overshadowed the variations in demand by other consumers.

As regards sales of platinum to the different types of industrial users, diminished demand from oil refineries in the United Kingdom and the United States accounted for about 70 per cent of the decline in the company's total sales in those two countries.

SUPPLIES

The supply position remains easy with Russia offering platinum relatively freely in various markets. Total exports from Russia to the Western countries, in so far as these can be determined, were less during the period under review than in each of the previous two years. These sales were nevertheless material, and have had and continue to have a marked effect on the platinum market.

As regards the International Nickel Company of Canada, the mine output of unrefined platinum group metals as by-products of nickel was probably reduced during 1958 as a result of the curtailment of nickel production to a rate equivalent to about two-thirds of the normal rate. That company's operations were, furthermore, interrupted by a strike which continued virtually throughout the last three months of 1958. On the termination of the strike, the company announced that production of nickel was to be resumed at a rate which is equivalent to about 80 per cent of the rate of production at the end of 1957. Despite the reduction in mine output during the calendar year 1958, the refined output of platinum group metals by the International Nickel Company may not necessarily have been materially reduced during that year, but a reduction in refined output during the current year can reasonably be anticipated.

The other platinum producers throughout

the world which operate individually on a relatively small scale have in the aggregate produced less platinum during 1958 than in previous years.

A quantity of platinum scrap was released by US authorities during the calendar year 1958 with some adverse effect on the market. The quantity released was immediately absorbed by dealers.

PRICE

Supplies from Russia provide a strong competitive element in the markets with a consequential depressing effect upon prices. The drop in the official price of Rustenburg metal from £34 in 1957 to an average of £27 15s. in 1958, and to the present figure of £19 10s., is a most serious factor affecting the profitability of the operations of this company, but for so long as other producers are prepared to reduce their prices in an endeavour to obtain additional sales in the present restricted world markets, we have no alternative but to remain in a fully competitive position by continuing to match our prices with those of other producers and sellers.

The continuous decline of the past eighteen months has resulted, in my opinion, in a price of platinum which is too low when considered in relation to the capital employed in the production and refining of platinum, and the financing of the necessary pipelines of unrefined metals and the trading stocks of refined metals. Again, when considered historically, the increase in the price of platinum from $37 in 1939 and to $52 in 1959 at the present moment is on a lower scale than the increases which have occurred in the prices of other industrial metals over the same period.

In my opinion, the price of platinum is now at such a level as to be likely in due course to discourage a continuance of the free flow of platinum on to the world markets.

FUTURE OUTLOOK

As stated previously, 70 per cent of the decline in the company's total sales of platinum has been occasioned by the marked reduction in sales to the oil industry throughout the world. At the present time there is no significant change in the position as regards this industry, whose reduced requirements for platinum during the past year have to a large extent been met from its accumulated stocks. The number, and total capacity, of oil refining plants throughout the world are, however, both increasing and there are good grounds to believe that this increase will continue. At the moment there are no indications of any major changes in the techniques involved in the production of high octane fuel by the use of platinum catalysts. Should no adverse change occur, and if the increase in world refining capacity continues as expected, there is every likelihood that overall sales of platinum to the oil industry will again increase as stocks now in the hands of oil refining companies become depleted.

The economy of the United States appears at present to be moving forward out of the recent recession and, should this movement continue, the expansion of industrial activity is likely to assist the market for platinum. Since the end of the financial year 1958, there have in fact been signs in the United States of an increased interest by industrial users, other than oil refiners.

There has in recent months been some slowing down in the rate at which the price of platinum has fallen but there is at present no indication of any hardening of the price, which may indeed decline further. Neither is there any firm sign of the material reduction in the over-supplied state of the market which is a prerequisite for a return to more rational prices.

Changes in the platinum market tend to be rapid, whichever way they develop, and it is always difficult to forecast the future position of this company. Present indications, however, after five months' operations during the current financial year, are that sales will be at a higher level than they were during the year ended August 31, 1958.

Given the presently indicated volume of sales of platinum and the associated platinum group metals, copper and nickel, in relation to the current rate of production, there will be a significant reduction during the current year in the available stocks of metals held by us and, particularly, in the stocks of platinum. Provided that there is no material reduction in prices over the balance of the current year and provided that sales remain in accordance with present indications, it appears that operations for the year ending August 31, 1959, should, after a substantial transfer of funds from the Stock Realisation Reserve in respect of metals sold out of stocks, yield sufficient profit to extinguish, if we so decide, the present deficit in funds of approximately £1 million and to leave a surplus in hand.

This forecast is contingent, as I have said, upon the continuance of the present indicated level of sales and upon prices remaining at about the present level.

I wish to draw attention to various factors which will favourably affect the financial position during the current year but which are likely to operate less favourably in future years. Firstly, the hoped-for improvement in the financial position, if it is achieved, will arise largely from the disposal of a considerable portion of the excess stock of platinum which was produced last year and the year before in anticipation of a higher level of sales during the years 1958, 1959 and 1960. The depletion of stocks against a low level of production cannot continue indefinitely and therefore the improvement in the company's financial position which may arise from the reduction of stocks during the current year will not necessarily be repeated in subsequent years.

Secondly, as a result of heavy capital expenditure in recent years a considerable sum is available as a redemption allowance to set off against profits for tax purposes for the current year. Present indications are that the tax liability during the year ending August 31, 1959, will be insignificant. Although further amounts will be allowable for redemption after the end of the current year, the effective rate of tax levied on profits in subsequent years is likely to increase, the rate of increase being dependent naturally upon the profits earned during such years.

Thirdly, although it is anticipated that there will be virtually no capital expenditure during the current year, it will be necessary at some stage in the future to undertake certain work of a capital nature which has been deferred during the present period of reduced sales.

At the same time therefore as indicating to shareholders the possibility that the current year's operations may result in an improvement in the financial position sufficient to convert the present deficit in funds into a surplus, I wish to emphasise that such results, if achieved, will not necessarily be indicative of the results which may flow from a similar level of sales in future years when some or all of the favourable factors which I have outlined above may no longer be operating.

I am not prepared at this stage to forecast when this company will resume the payment of dividends. The position remains extremely uncertain and it will be necessary to assess the results of the financial year in September, 1959, in the light of probable future market conditions at that time before deciding upon the magnitude of the appropriations to be made to provide, not only for the repayment of the outstanding loan, but also for possible future contingencies.

I should report that Rustenburg has recently been informed that it will shortly be gazetted as a controlled mine of Group B in accordance with the provisions of the Pneumoconiosis Act, 1956 (Act No. 57 of 1956). It is not expected that this will have any significant effect upon working costs."

Johannesburg,
February 5, 1959

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COMPANY AFFAIRS

STANDARD BANK OF SOUTH AFRICA

THE Standard Bank of South Africa is to make a rights issue of a further 1,840,000 £1 ordinary shares at 37s. in the proportion of one new share for every five held. This will bring in £3.4 million of new capital. The Standard Bank has links with the clearing banks by way of overlapping directorships and direct shareholdings. It certainly seems to have had an infusion of their recent spirit. Last December it was announced that the Standard Bank had agreed to acquire a 40 per cent interest in the equity of Mercantile Credit's South African subsidiary at a cost of £500,000. It has followed the example of several banks in anticipating the usual dividend announcement by projecting a substantial increase. The final dividend normally declared in May will be raised from 7½ per cent to 9 per cent, making a total dividend of 14 per cent, against 12½ per cent. The new shares will rank for the final payment. The issue price of the new shares was pitched close to the price then ruling in the market of 39s. 4½d., putting a value of less than fivepence on the rights. But the promise of an increase in dividend is the real attraction and after the announcement the ordinary shares rose to 41s. 6d., putting a value of 9d. on the rights. The old units yield 6¾ per cent at this price, and the new shares yield 7½ per cent on the issue price on the assumption of an annual payment of 14 per cent.

BANK OF LONDON AND SOUTH AMERICA

LAST September the directors of the Bank of London and South America agreeably surprised the market when they said that they expected to maintain the total dividend for 1958 at 9 per cent on the capital as increased by the one for two rights issue on bonus terms. They have now gone one better by declaring a final dividend of 6 per cent, against 5 per cent in 1957, raising the total dividend to 10 per cent. The disclosed net profit has fallen from £683,000 to £649,000. Part of this fall is due to the transfer of its Caribbean branches to the newly created Bank of London and Montreal, jointly owned with the Bank of Montreal, on October 1st. Just over £3 million was raised by the rights issue, and the directors said that this money was required because "the encouraging prospects" of the new venture in partnership with the Bank of Montreal might require the subscription of further capital by the parent companies. On the increase in the dividend the £1 ordinary stock rose 1s. 6d. to 33s. 9d., to yield 5.9 per cent.

BOWMAKER

IT was a shrewd stroke of business by the joint stock banks when they decided to take up an interest in the hire purchase finance houses. Lloyds Bank, for instance, bought a 25 per cent interest in Bowmaker at 29s. 6d. a share. The Bowmaker 5s. ordinary shares now stand at 39s. 4½d.xd and Bowmaker has just presented a balance sheet that tells a tale of expansion and promises more expansion to come. Much of the expansion took place in the second half of the financial year that ended on October 31st. On that date, Bowmaker's HP debtors stood at £22.4 million (against £16.3 million) and its "deposits and retentions" at just under £11 million (against £5¼ million).

It then held £2½ million in money at call but since the end of the financial year that sum has been absorbed in its purchase of the ordinary and preference capital of another HP finance house, Midland Counties Motor Finance. This new investment will cost Bowmaker about £2.6 million in all; last year the new subsidiary's gross profits came to not less than £300,000 and it held about £5 million in HP paper. That is one tangible sign of Bowmaker's ambitions; another is the launching of the scheme to enable investors to buy shares on the instalment plan. But the heart of the business remains in hire purchase finance and the chairman, Sir Arthur Morse, points out that quite an exceptional volume of business was transacted in November and December, following the lifting of the HP controls. It is reasonable to suppose, he suggests, that some of this increased business might normally have been spread over a longer period and he then rather conservatively concludes that the outcome for the present financial year should be "satisfactory."

LEYLAND MOTORS

ALTHOUGH its net profits fell from £2,222,069 to £2,045,745 in the year to September 30th, the directors of Leyland Motors are holding the ordinary dividend at 12½ per cent. This decision is justified not only by the cover that earnings of 35 per cent provide but also by the faint signs of recovery in the commercial vehicle industry, to which the chairman of Associated Commercial Vehicles, Lord Brabazon, has already borne cautious testimony. In recent months, Leyland Motors has secured a number of important contracts, the latest being for diesel trucks from Iran. No doubt the chairman, Sir Henry Spurrier, will make his comments on the industry's future at the annual meeting in March, but he has already pointed out that the home market has reached saturation point, so that Leyland's future seems to turn on its ability to continue to sell more than half its output abroad. That output covers the whole range of commercial vehicles, including buses, lorries, fire engines, petrol and heavy oil engines.

Leyland's £1 shares yield 5½ per cent at 45s. 3d., a return that the group's performance last year justifies. The heavy commercial vehicle industry did not share in the boom in passenger cars. At home, demand has been checked by recession, by fears about renationalisation and by the 30 per cent purchase tax, while overseas, customers are demanding lengthening lines of credit. Throughout the industry profit margins have been shaved. In these circumstances, for a concern even as dominant as Leyland in the industry to return net profits only 8½ per cent lower was indeed creditable.

CABLE AND WIRELESS (HOLDING)

CABLE AND WIRELESS (HOLDING) has done as well as the market expected. In 1958 its consolidated gross income rose by 11½ per cent (from £1,167,772 to £1,302,000); this compares with an advance of 7 per cent in 1957. But it has to be remembered that Cable and Wireless raised £1.2 million from a one for five "rights" issue last March. Tax takes £55,000 more at £560,000, leaving net profits £80,000 higher at £742,000. This trust does not fully distribute its earnings, ploughing some of its income back to strengthen the base for further growth. The ordinary dividend is held at 10 per cent but this is paid on the capital as increased by a 10 per cent scrip issue and the 20 per cent "rights" issue, so that effectively the dividend has been raised from 9 1/11 to 10 per cent. But the directors are still able to plough back £307,000 to reserves, which is equivalent to about 40 per cent of net profits; this compares with the practice in most trusts of retaining one quarter to one fifth of net earnings. The 5s. units at 13s. yield 3.8 per cent; this is lower than the general run of yields among the investment trusts, but the earnings cover and the break-up value on the ordinary shares is strong.

MONTAGUE BURTON

THE net profits of Montague Burton fell by a third, from £1,063,867 to £698,979, in the year to August 31st but the maintained ordinary dividend of 10 per cent was still covered by equity earnings of 23 per cent. This suggests that shareholders in Montague Burton, having seen the price of wool fall by 30 per cent or so, can look with confidence to the current year now that the price of Burton's chief raw material has steadied. That confidence will be strengthened by Mr Lionel Jacobson's disclosure that there was "a marked revival" in trade towards the end of 1958. Mr Jacobson points out that the group still retains "the greater proportion" of the nation's multiple tailoring trade, and increased its turnover in 1957-58 when the clothing trade as a whole had ceased to expand.

The directors are clearly determined to consolidated their gains, for they have introduced credit trading, at 5 per cent,

to offset both competition from credit clothiers and from other HP traders. But over the long term the directors are pinning their faith on a big programme of modernisation and development. The conversion of the Tivoli in the Strand into a modern store is planned for the current year and both the principal subsidiaries, Peter Robinson and Jackson the Tailor, are opening new stores in the provinces. But such expansion must be paid for and the chairman warns shareholders that capital spending at the present rate will be a permanent feature of the accounts. For the current year capital commitments of £648,400 should fully employ Burton's year-end cash resources of £623,065. Although the ordinary shares have fallen from a 1958 peak of 34s. to 29s. 4½d. xd they still yield only 3.4 per cent and the "A" non-voting ordinary units at 23s. 3d. yield 4.3 per cent. To some extent these prices still reflect repeated, but apparently not too well founded, take-over suggestions. But on trading merits alone, even though some recovery in profits is likely, they look high enough.

MASSEY-FERGUSON

IN the year to October 31st Massey-Ferguson turned a net loss of $4,737,341 into a net profit of $13,025,282. The rise of 7 per cent to $440.1 million in total sales cannot be the full explanation and it is significant that sales in the United States alone rose by 46 per cent to $130.3 million, making the United States the largest single market as France was in 1956-57. But Europe as a whole took 45.7 per cent of sales by value, against North America's 38.8 per cent. As the volume of sales increased, the total cost of selling fell by 3 per cent to 82 per cent of net sales. Nor did profits in 1957-58 suffer from the previous year's debit of $8.7 million for stock write-offs and non-recurring expenses. The big reorganisation programme affecting every division of this giant producer of tractors and self-propelled combines has clearly played its part.

But these are early days for shareholders to be thinking of any restoration of the dividend to the 50 cents per share paid in 1956, let alone the 60 cents of earlier years. Although the dividend, left unchanged at 40 cents per share, is covered over three times by equity earnings of $11,931,188, shareholders must recognise that the big investment programme has driven up bank loans and overdrafts by $7.7 million to $12.9 million and has brought down liquid resources by $17 million to $13.3 million. Presumably all these resources will be needed to finance the $13.78 million take-over bid for F. Perkins, the Peterborough diesel engine manufacturers. The report sheds no light either on this deal or on the negotiations with Standard over the future of the Banner Lane tractor plant and Massey's declared intention of disposing of its holding (now 24.28 per cent) in the Standard Motor equity once the deal is closed. But the directors do report that in the first two months of the current year sales were running at still higher levels. The common shares of no par value—of which British investors hold roughly 5 per cent—have risen by ⅜ to $23⅜ and yield just over 3 per cent.

WATNEY, MANN

WATNEY'S merger with Mann, Crossman in March, 1958, established one of the largest brewery companies in Britain with total net fixed assets of about £34 million. Economies will obviously ensue in time, and Watney, Mann, is now well represented in those areas, notably Essex, Luton, Dunstable, and Coventry, where Watney by itself was weak. But the chairman, Mr S. H. Combe, makes it clear that the union was the direct outcome of the impending loss to Watney of the Stag Brewery site at Victoria. The re-development of this site will ultimately bring money into the coffers, but to have built a completely new brewery would have cost about £4 million whereas the concentration of output at Mortlake and Whitechapel and their subsequent development (made possible by the merger) would require much less. But £1½ million will still have to be spent at Mortlake alone and extensions to brewing capacity have already reduced liquid assets from £2,779,072 to £2,405,689. By now they will have fallen to much lower levels as trade reaches its seasonal peak and tax liabilities have to be met. The ordinary dividend has been left unchanged at 21 per cent even though it is covered by equity earnings of 39 per cent. The brewery industry is of course highly competitive, and Watney, Mann's trading profits in the year to September 30th actually fell by 6 per cent from £3,595,650 to £3,373,743. Sales fell in line with the slight fall in beer consumption but the chairman blames this not simply on the bad summer weather which affected most breweries, but also on the seven-week London bus strike last year. Nor is he particularly hopeful about the current year's outcome as he is unable to see any decided tendency for trade to pick up. Like other brewers he points to hire purchase sales as a competing attraction, and to the big duty on beer. On the other hand Watney, Mann should benefit from the merger and from the recently negotiated reciprocal trading pact with Bass. At 77s. 9d., the £1 deferred ordinary shares yield 5.4 per cent.

CAMP BIRD

FOLLOWING the hullabaloo over the Ghana Minerals affair, the Stock Exchange Council suspended dealings in the 10s. ordinary shares of Camp Bird. After seven weeks the ban has now been lifted. Dealings began in an active market at 10s. to 11s. 3d. and by Wednesday's close the price had settled down to 11s. Since the ban some shareholders have canvassed support for the requisition of an extraordinary meeting to consider the appointment of a shareholders committee. This group claims it has already secured substantial support in its demand for a scrutiny not merely of the Ghana Minerals affair but also the conduct of the Camp Bird business as a whole.

London Stock Exchange

FIRST DEALINGS:	Jan. 28	Feb. 11	Feb. 25
LAST DEALINGS:	Feb. 10	Feb. 24	Mar. 10
ACCOUNT DAY:	Feb. 17	Mar. 3	Mar. 17

GILT-EDGED stocks remained firm throughout the week to Wednesday's close and the *Financial Times* Index of Government Securities rose 0.62 to 87.04. The market reflected hopes of an early reduction in Bank rate and the continued strength of sterling. Among the irredeemables, War Loan 3½ per cent gained 1/16 to 68 3/16, Old Consols ⅝ to 53½, and Daltons ⅞ to 51. High coupon Dominion and Corporation loans were in good demand and the new Barbados 6 per cent scrip issued at 98½ closed at 1⅛ premium on Wednesday. The Fife 5½ per cent stock (£30 paid) gained 1/8 to 31 1/16.

Industrials weakened on Friday following the setback on Wall Street only to rally strongly in a market not too well supplied with stock after the week-end. *The Economist* Indicator rose by 3.3 to 248.3. Unilever NV rose by 1s. 9d. to 108s. 9d., Metal Box by 2s. 6d. to 70s. 3d., and ICT, the product of the British Tabulating and Powers Samas merger, by 1s. 9d. to 64s. 6d. Borax on the good quarterly figures from the American company rose by 1s. 4½d. to 17s. 1½d. xd. Engineering shares were particularly strong, Tube Investments rising by 5s. 9d. to 79s. 9d. and Babcock and Wilcox rose by 1s. 6d. to 48s. 9d. Electrical issues were also firm, shaking off their earlier dullness; BICC gained 2s. 6d. to 48s. 9d., GEC 1s. 3d. to 33s. 9d. and Parsons 1s. to 50s. Steels were firmer, John Summers rising by 1s. 3d. to 37s. and United Steel by 1s. to 26s. 3d. Textile shares hardened on the prospect of Government help for Lancashire. Lancashire Cotton rose by 2s. 1½d. to 38s. and Amalgamated Cotton was 9d. better at 10s. 3d. xd. Calico Printers gained 1s. to 38s. 9d. In store shares, Woolworth rose by 1s. to 48s. 9d. and United Drapery improved by 2s. 9d. to 38s. 6d. Among building shares, Eastwoods rose by 2s. 3d. to 48s. and Wallpaper Deferred by 3s. to 86s. 3d. However, Wimpey lost 2s. 6d. at 82s. 6d. on the proposed capital distribution. HP shares were strong; Astley rose by 3s. to 24s. 4½d., UDT by 3s. 3d. to 126s. 6d., and Lombard by 1s. 3d. to 24s.

Oils were dull before the week-end, reflecting the setback on Wall Street. Although they shared in the ensuing general rally, US selling had led to further losses by the close on Wednesday. Shell Transport lost 5s. 6d. to 144s. 6d., Burmah 1s. 3d. to 78s. 9d. and British Petroleum 2s. 6d. to 52s. 9d. Gold shares forged ahead following the lead of FS Geduld. Western Holdings, which adjoins FS Geduld, benefited from switching and gained 10s. 7½d. to 135s. OFSITS moved up from 83s. 9d. to 92s. 3d. In the finance house section, Union Corporation rose by 3s. 3d. to 54s. 6d., Central Mining by 3s. 9d. to 80s. 9d. and Anglo American by 8s. 7½d. to 175s., 7½d.

THE ECONOMIST FEBRUARY 7, 1959

LONDON AND NEW YORK STOCKS

Prices, 1958/9 High	Prices, 1958/9 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 28, 1959	Price, Feb. 4, 1959	Net Yield, Feb. 4, 1959 § £ s. d.	Gross Yield, Feb. 4, 1959 £ s. d.
100 3/16	96 1/16	War Loan 3% 1955–59	100 1/8	100 1/8	19 2	2 16 2l
97 13/32	90 5/8	Funding 2 1/2% 1956–61	97 3/8	97 23/32	2 7 2	3 11 10l
99 3/32	93 3/16	Exchequer 2½ 1960	98 29/32	99 3/32	2 0 2	2 16 10
100 3/32	95 7/16	Exchequer 3% 1960	100 1/32	100 3/32	1 13 3	2 17 1
101 7/32	95 1/16	Conversion 4½% 1962	101 1/32	101 7/32	2 3 9	4 1 6
96	88 5/8	Exchequer 3½ 1962–63	95 31/32	96	2 13 2	4 0 2l
101 21/32	99 7/16	Conversion 4¾% 1963	101 5/8	101 21/32	2 5 2	4 6 7
92 3/4	83 9/16	Savings Bonds 3% 1955–65	92 1/16*	92 1/16*	2 19 8	4 6 2l
85 9/16	77 5/8	Funding 3% 1959–69	85 1/16	85 1/2	3 9 10	4 18 11
92 1/2	86 3/8	*Funding 4%* 1960–90	91 7/8	92 1/2	2 13 9 / 9 8 4	4 10 4l / 11 12 10e
83 7/16	75	Savings Bonds 3% .. 1960–70	81 13/16*	82 5/16*	3 11 11	5 0 3l
93 3/8	84 3/8	*Exchequer 2½%* *1963–64*	93 3/8	93 5/16	2 16 7	3 19 10l
100 3/32	99 11/16	Conversion 4½% 1964	100 5/32	100 3/32	2 10 2	4 8 10
86	78 1/8	Savings Bonds 2½% . 1964–67	85 5/16	85 1/16	3 10 2	4 14 4l
76 1/8	69 5/8	Savings Bonds 3% ... 1965–75	75 3/4*	76 5/8*	3 12 3	5 2 8l
105 5/8	99 1/2	Exchequer 5½% 1966	105 3/16	105 5/8	2 9 9	4 18 5
86	78 3/8	Funding 3% 1966–68	85 1/2*	86	3 9 6	4 17 4l
93 1/8	91 1/8	Victory 4% 1920–76	96 1/2*	96 1/2*	2 14 3	4 8 9‡
89 13/16	81 9/16	Conversion 3½% 1969	88 5/8*	89 5/16*	3 5 0	4 16 6
100 1/4	97 1/4	Conversion 5½% 1974	99 5/8	99 13/16	3 1 5	5 6 10
73 15/16	71 1/8	*Treasury 3½%* 1977–80	78 1/2	78 15/16	3 8 8	5 3 8l
78 3/8	70 3/8	Treasury 3½% 1979–81	77 7/8*	77 7/8*	3 9 1	5 3 10l
103	98 1/2	Funding 5½% 1982–84	102 3/8	102 13/16	3 0 1	5 6 3e
67 1/8	60	Redemption 3% 1986–96	67	67 1/8	3 4 8	4 19 11
74 1/2	64 3/8	Funding 3½% 1999–2004	72 5/8	73 1/4	3 2 6	5 0 3l
76 5/8	69 1/16	Consols 4% ..after Feb. 1957	74 3/8*	75 1/4	3 1 2	5 6 5f
69 1/16	63 1/8	War Loan 3½% ..after 1952	67	68 1/16	2 19 6	5 3 10f
63 7/8	62 1/8	Conv. 3½% ..after Apr. 1961	67 3/8	68 1/2	2 19 4	5 4 1f
60	54 3/8	Treasury 3% ..after Apr. 1966	58 3/4	59 1/8	2 18 2	5 1 11f
53 1/16	46 3/4	*Consols* 2½%	52 7/8	53 1/16	2 13 10	4 13 9f
51 3/16	46 3/8	Treasury 2½% after Apr. 1975	50	51	2 16 11	4 19 9f
95 13/16	90 1/8	British Electric 4½% 1967–69	95 1/8*	95 13/16*	3 1 1	5 0 3l
73 13/16	72 1/16	British Electric 3% .. 1968–73	73 1/4	73 13/16	3 12 4	5 2 7l
75 13/16	68 5/8	British Electric 3% .. 1974–77	76 1/4	76 13/16	3 10 5	5 1 6l
89 13/16	82 5/8	British Electric 4½% 1974–79	89 3/8	89 13/16	3 3 7	5 3 8l
73 7/8	72 5/16	British Electric 3½% 1976–79	79 1/4	79 7/8	3 8 1	5 3 1l
88 3/4	82 7/16	British Gas 4% 1969–72	88 5/8*	89 3/8*	3 5 7	5 1 1l
87 1/16	79 1/8	British Gas 3½% 1969–71	87	86 1/4*	3 6 10	4 18 11
69	63 7/16	British Gas 3% *1990–95*	68 3/16	69	3 4 0	4 17 7
79 13/16	72 1/16	Brit. Transport 3% .. 1968–73	79 1/4	79 13/16	3 12 4	5 2 7
66 7/8	79 1/4	Brit. Transport 4% .. 1972–77	85 5/8	86 3/8	3 5 11	5 3 8
63 13/16	60 15/16	Brit. Transport 3% .. 1978–88	67 11/16	68 5/8	3 8 10	5 1 9

Prices, 1958/9 High	Prices, 1958/9 Low	FIXED INTEREST STOCKS	Price, Jan. 28, 1959	Price, Feb. 4, 1959	Yield, Feb. 4, 1959 £ s. d.
		DOMINION AND COLONIAL			
101 11/16	94 1/2	Australia 4½% 1960–62	101 1/2	101 11/16	3 9 0e
103 1/4	97 7/8	Australia 6% 1974–76	106 1/2	106 3/4	5 6 10e
77	73 1/2	Ceylon 4% 1973–75	76 3/4	77	6 7 0l
102 1/4	94 1/2	Jamaica 6% 1977–82	99 1/2	100	6 0 0l
105 7/8	97 5/8	New Zealand 6% 1976–80	104 1/4*	104 5/8*	5 11 6e
101 3/8	91 3/4	*Rhodesia* and Nyasaland 6% 1976–79	101 1/2	101 3/8	5 17 5e
74 5/8	69	Southern Rhodesia 2½% 1965–70	73 3/4	74 1/4	5 13 6l
		CORPORATION AND PUBLIC BOARDS			
102	98 1/4	Agricultural Mortgage 5½% 1980–85	100 1/2	100 1/2	5 9 2e
105	93 7/8	Birmingham 5¾% 1974–76	103	103	5 9 1e
93	86	Bristol 3% 1958–63	92 1/2	93	4 19 0l
97	91 1/2	Glasgow 4¾% 1966–68	97	97	5 3 4l
101	95 1/2	Corporation of London 5¼% 1976–79	101	101	5 3 5l
57 1/4	53	L.C.C. 3% ..... *after 1920*	56 1/2	57*	5 5 3f
64	55	Met. Water Board 'B' 3% 1934–2003	63 1/2	63*	5 2 6
		FOREIGN BONDS			
107	83	German 7% 1924 (British Enfaced 5%)	107	107	...
184 1/2	154	*German* 5 1/2% 1930 (*Enfaced* 4½%)	184 1/2	185	...
23 3/4	12 3/4	Greek 7% Refugee 1924	25 1/2	29 1/2	Nil
159	100	Japan 5% (Enfaced) 1907	167	167 3/4	...
113 1/2	105 1/2	Japan 6% (Enfaced) 1924	115	115 1/4	...
54 1/2	43	Uruguay 3½% Bonds (Assented)	58 1/4	58 1/4*	...

NEW YORK CLOSING PRICES

	Jan. 28 $	Feb. 4 $		Jan. 28 $	Feb. 4 $		Jan. 28 $	Feb. 4 $
Ach. Topeka...	29 1/2	29	Boeing.....	42 3/4	42 5/8	Inter. Nickel ..	89 1/2	92 1/8
Con. Pacific....	33 1/8	33 1/2	Celanese.....	27 3/8	27 7/8	Inter. Paper ...	119	117 3/4
Pennsylvania...	17 1/2	17 5/8	Chrysler	51 1/4	50 7/8	Kennecott.....	104	107
Union Pacific...	37 5/8	37 7/8	Col. Palmolive .	88 1/2	88 1/4	Monsanto	41 3/8	41 3/8
Amer. Electric..	52 1/2	50	Crown Zeller..	56	56	Nat. Distillers .	30 1/8	30 1/2
Am. Tel. & Tel..	229 1/2	231 1/2	Distillers Seag..	35	35 3/8	Pan-American..	23 1/4	23 3/8
Cons. Edison...	65 3/8	64 1/8	Douglas.....	57 3/4	55 3/8	Procter Gamble	75 1/8	73 1/2
Int. Tel. & Tel..	59 1/8	59 1/4	Du Pont.....	209 1/2	209 1/8	Radio Corpn...	46 1/2	45 1/2
Standard Gas..	3 1/4	3 1/2	East. Kodak	139 1/4	139 1/8	Sears Roebuck .	43 3/4	41 1/2
United Corpn..	8 3/8	8 3/8	Ford Motor	54 1/8	54 1/4	Shell Oil	84 1/2	85 1/4
Westinghse Elec.	33 1/4	34	Gen. Electric ..	78 1/2	77 1/8	Socony-Mobil ..	50	49 1/4
Acco.....	82 1/8	82	General Foods .	77 1/2	77 1/2	Stand. Oil Ind..	48 1/2	48 1/2
Aluminium	39 1/2	39 1/8	General Motors	48 3/4	48 3/8	Stand. Oil N.J..	55 1/4	55 1/8*
Anaconda.....	47 1/4	46 1/2	Goodyear	124	122 1/2	20th Cent. Fox.	39 5/8	39 7/8
Am. Smelting..	50 1/4	51 3/8	Gulf Oil.....	124 1/4	122	Union Carbide.	124 3/4	124
Am. Viscose ...	38 3/4	41 1/2	Heinz.....	60 1/2	68 1/2	U.S. Steel	94 7/8	93 1/2
Anaconda.....	65 3/8	69 1/8	Int. Bus. Mach..	494	518	West. Electric .	71 3/4	75*
Beth. Steel	52 1/4	54 5/8	Int. Harvester .	39 7/8	40	Woolworth ...	55	55 1/2

Prices, 1958/9 High	Prices, 1958/9 Low	ORDINARY STOCKS	Price, Jan. 28, 1959	Price, Feb. 4, 1959	Yield, Feb. 4, 1959	Last Two Dividends (a) %	(b) %	(c)
		STEEL AND ENGINEERING						
31/9	24/11 1/2	Colvilles £1	30/-	30/3	8·6·57/3	5 a	8 b	
30/6	21/7 1/2	Dorman Long £1	28/7 1/2	30/-	8·6·46/3	4 a	8 b	
23/10 1/2	15/6	Steel Co. of Wales..... £1	21/4 1/2	22/4 1/2	8·0·47/3	6 a	3 a	
32/3	20/-	Stewarts & Lloyds £1	25/-	26/6	8·3·92/-	3 a	8 b	
42/10 1/2	22/3	*John Summers*..... £1	35/9	37/-	8·6·36/3	6 a	*10 b*	
30/3	17/9	United Steel £1	25/3	26/3	9·5·73/9	4 a	8 1/2 b	
34/11 1/2	23/-	John Brown..... £1	34/11 1/2	33/9	5·9·23/6	6 b	4 a	
10/-	6/9	Cammell Laird 5/-	8/7 1/2	9/-	8·3·33/3	11 b	5 a	
64/-	48/-	Swan Hunter..... £1	58/9	58/9	6·11·49/9	13 b	5 a	
36/6	28/6	Vickers..... £1	34/9	35/-	5·7·49/9	7 1/2 b	2 1/2 a	
70/6	43/3	Averys £1	67/-	67/6	3·4·38/9	4 a	5 b	
18/7 1/2	12/9	Coventry Gauge..... 10/-	†17 1/2 a	†18 b	6·4·46/6	7 1/2 b	7 1/2 a	
42/-	28/3	Alfred Herbert £1	†2 a	†4 b	5·5·2·£28 1/16	£20	$2·10c	$2·25c
17/3	9/3	*Ransome & Marles*.... 5/-	15/-	10 b	4·4·£26 3/4	£14 15/16	$1·60c	$1·65c
41/6	30/4 1/2	Renold Chains..... £1	40/9	41/6	6·0·31/4	9 c	9 c	
42/9	21/9	Allied Ironfounders £1	37/6	38/-	6·5·34/3	5 a	6 b	
55/6	41/10 1/2	Babcock & Wilcox..... £1	47/3	48/9	5·-/-			
85/3	36/9	British Aluminium..... £1	82/-m	85/-m	4·-/-			
89/3	45/3	Davy & United £1	87/6	89/3	4·4·50/-	2 1/2 a	5 b	
52/6	34/7 1/2	Guest Keen £1	52/6	53/3	4·2·49/-	5 a	7 b	
73/3	41/-	Metal Box £1	67/9	70/3	3·4·63/-	6 1/4 a	6 1/4 b	
55/6	43/9	C. A. Parsons £1	49/-	50/-	3·0·44/6	32/9	36 2/3 c	18 1/3 a
27/9	23/-	John Thompson..... 5/-	24/3	23/6	5·2·43/9	102/6	12 1/2 a	15 b
42/9	21/9	Tube Investments..... £1	74/-	79/9	4·3·36/3	117/6	†16·2a	†16·2b
		BUILDING, etc.			4·2·02/6	113/9	60 b	40 a
54/6	31/-	Associated Portland..... £1	51/6	52/-	3·7·00/-	86/3	†50 b	†20 a
22/11 1/2	12/7 1/2	British Plaster Board. 10/-	21/3	21/3	5·8·05/-	154/-	†132 1/2 c	†147 1/2 c
68/9	27/11 1/2	Richard Costain £1	62/9*	64/9*	4·4·33/-	63/9	8 b	8 a
10/11 1/2	6/3	Crittall Manufacturing. 5/-	9/10 1/2	9/10 1/2	7·9·41/2	16/-	10 a	17 1/2 b
64/9	36/11 1/2	London Brick £1	62/6	62/9	4·9·24/-	16/10 1/2	7 1/2 b	7 1/2 a
86/9	52/6	Wall Paper Defd..... £1	83/3	86/3	4·4·26/9	73/3	16 b	4 a
		CHEMICALS AND PAINT			4·0/-	13/10 1/2	7/11	10 c
22/-	13/4 1/2	Albright & Wilson..... 5/-	20/3	20/6	3·9·23/3	7/10 1/2	2 1/2 b	2 a
20/4 1/2	14/4 1/2	Borax Defd..... 5/-	15/9*	17/11 1/2*	2·9·6/9	6/7 1/2	5 12/20	2 17/20
7/7 1/2	4/10 1/2	Brit. Ind. Plastics 2/-	7/-	7/-	5·-/-			
71/6	42/10 1/2	Fisons £1	66/3	66/6	4·-/-			
38/-	24/3	I.C.I. £1	34/9	35/-	4·-/-			
14/-	8/7 1/2	International Paints ... 4/-	13/6	13/4 1/2	5·5·2/6	27/-	30 c	10 a
16/6	12/6	Monsanto 5/-	15/3	15/6	4·8·6/-	13/4 1/2	20 c	7 a
22/-	15/3	Pinchin Johnson 10/-	19/3	19/3	8·4·2/-	6/5 1/4	7 b	2 1/2 a
		ELECTRICAL AND RADIO			8·4/-	4/11 1/2	5 a	5 b
58/9	47/-	A.E.I. £1	55/-	55/9	19/10 1/2	13/7 1/2	5 a	5 b
52/6	39/3	B.I.C.C. £1	46/3	48/9	5·2·0·0*	7/9	7 1/2 b	2 1/2 a
48/9	39/-	Decca Record 4/-	40/-*	40/-*	5·7·6/9	48/9	12 b	4 1/2 a
63/-	21/-	E.M.I. 10/-	53/6	53/-	5·5·6/3	47/4 1/2	5 a	10 a
61/10 1/2	44/6	English Electric..... £1	58/6	59/6	3·4·7/-	31/-	10 a	36 b
40/6	29/9	General Electric..... £1	33/9	32/6	4·4·27/7 1/2	15/9	62 3/4 b	4 a
17/-	10/3	Pye Defd. 5/-	14/4 1/2	14/3	5·5·5/3	11/6	6 a	11 b
97/3	74/6	A. Reyrolle £1	89/9	90/6	3·4·7/-	37/-	10 a	18 b
		MOTORS AND AIRCRAFT			3·4·3/9	9/4 1/2	4 a	10 b
14/2 1/4	6/7 1/2	British Motor 5/-	13/8 1/4	13/9 3/4	6·0·0/-	55/6	7 1/2 a	13 1/2 b
53/7 1/2	31/9	Ford Motor £1	51/9	53/6	6·0/4 1/2	37/7 1/2	†62 3/4 b	†10 a
48/9	39/-	Leyland Motor £1	46/3	45/3	3·2/3	20/6	5 a	20 b
7/10 1/2	4/11 1/2	Rootes Motors 4/-	7/6	7/8 1/4	3·7/-	37/-	10 a	11 b
10/-	6/7 1/2	Standard Motor 5/-	8/9	8/10 1/2	6·-/-	55/6	7 1/2 a	13 1/2 b
26/6	14/4 1/2	Dunlop Rubber..... 10/-	22/10 1/2	23/3	6·2/3	20/6	5 a	20 b
45/6	28/-	Joseph Lucas £1	44/3	45/-	5·11/3	11/6	6 a	11 b
26/11 1/2	12/5 1/4	Pressed Steel..... 5/-	24/4 1/2	24/4 1/2	5·7/6	48/9	12 b	4 1/2 a
51/3	32/9	Triplex Holdings 10/-	49/6	50/3	5·6/3	47/4 1/2	5 a	10 a
14/4 1/2	8/7 1/2	Bristol Aeroplane..... 10/-	9/7 1/2	9/6	3·4/7	31/-	10 a	36 b
21/4 1/2	14/3	De Havilland £1	17/-	17/03/4	4·27/7 1/2	15/9	62 3/4 a	4 a
48/6	29/3	Dowty Group..... 10/-	†6 1/2 b	42/3	5·15/3	11/6	6 a	11 b
34/9	24/9	Hawker Siddeley £1	33/4 1/2	33/9	4·6/7/-	37/-	10 a	18 b
106/3	82/9	Rolls-Royce £1	102/7 1/2	101/7 1/2	3·2/3	20/6	5 a	20 b
		PAPER AND NEWSPAPERS			3·7/-	37/-	10 a	18 b
49/-	26/6	Bowater Paper £1	46/-	49/-	6·-/-	55/6	7 1/2 a	13 1/2 b
54/-	27/9	Albert E. Reed £1	53/-	51/9	5·-/-	55/6	7 1/2 a	13 1/2 b
24/9	16/-	Spicers £1	23/-	22/3	5·-/-	55/6	7 1/2 a	13 1/2 b
24/6	8/9	Daily Mirror 'A'..... 5/-	23/11 1/2	23/3	4·-/-	55/6	7 1/2 a	13 1/2 b
29/-	18/6	Odhams Press..... 10/-	27/-	26/9	6·-/-	55/6	7 1/2 a	13 1/2 b
		TEXTILES			7·-/-	55/6	7 1/2 a	13 1/2 b
24/11 1/2	19/6	J. & P. Coats £1	22/6	22/9	5·-/-	55/6	7 1/2 a	13 1/2 b
21/-	12/10 1/2	Fine Spinners £1	19/3*	19/11 1/2*	4·-/-	55/6	7 1/2 a	13 1/2 b
41/4 1/2	29/10 1/2	Lancashire Cotton £1	35/10 1/2	38/-	5·-/-	55/6	7 1/2 a	13 1/2 b
38/4 1/2	30/-	Patons & Baldwins..... £1	35/7 1/2*	36/9*	5·-/-	55/6	7 1/2 a	13 1/2 b
6/8 1/4	4/3	Salts (Saltaire)..... 5/-	5/6	5/7 1/2	5·-/-	55/6	7 1/2 a	13 1/2 b
53/3	38/4 1/2	Woolcombers..... £1	52/3	53/3	5·-/-	55/6	7 1/2 a	13 1/2 b
19/11 1/2	10/11 1/2	Bradford Dyers..... £1	16/11 1/2	16/10 1/2	5·-/-	55/6	7 1/2 a	13 1/2 b
48/4 1/2	33/11 1/2	Calico Printers £1	37/9	38/9	5·-/-	55/6	7 1/2 a	13 1/2 b
34/10 1/2	19/7 1/2	Courtaulds..... £1	33/3	32/6	5·-/-	55/6	7 1/2 a	13 1/2 b
13/7 1/2	8/10 1/2	Jute Industries..... 10/-	11/6*	11/7 1/2	5·-/-	55/6	7 1/2 a	13 1/2 b
30/6	15/3	Tootal..... £1	25/9	26/-	5·-/-	55/6	7 1/2 a	13 1/2 b
		DRAPERY & STORES			5·-/-	55/6	7 1/2 a	13 1/2 b
21/10 1/2	14/9 1/2	Boots Pure Drug 5/-	20/-	20/3	5·-/-	55/6	7 1/2 a	13 1/2 b
30/-	16/9	Debenhams 10/-	28/-	28/6	5·-/-	55/6	7 1/2 a	13 1/2 b
34/3	17/3	G.U.S. 'A' 5/-	32/-	33/4 1/2	5·-/-	55/6	7 1/2 a	13 1/2 b
80/-	55/6	Harrods £1	78/-	77/3	5·-/-	55/6	7 1/2 a	13 1/2 b
35/3	20/3	House of Fraser 'A'.... 5/-	34/-	34/-	5·-/-	55/6	7 1/2 a	13 1/2 b
16/6	10/6	Lewis's Investment .. 4/-	16/6	16/6	5·-/-	55/6	7 1/2 a	13 1/2 b
55/9	37/3	Marks & Spencer 'A'.. 5/-	50/3	52/3	5·-/-	55/6	7 1/2 a	13 1/2 b
38/6	21/-	United Drapery 5/-	35/9	38/6	5·-/-	55/6	7 1/2 a	13 1/2 b
53/11 1/2	34/7 1/2	Woolworth 5/-	47/9*	48/9*	5·-/-	55/6	7 1/2 a	13 1/2 b

Prices, 1958/9 High	Prices, 1958/9 Low	ORDINARY STOCKS	Price, Jan. 28, 1959	Price, Feb. 4, 1959	Yield, Feb. 4, 1959	Last Two Dividends (a) %	(b) %	(c)
		BANKING						
56/-	45/3	Barclays £1	55/-	54/9	4·38	6 a	6 b	
50/-	41/-	Lloyds..... £1	45/3	45/6	4·40	5 a	6 b	
64/-	48/-	Midland £1	55/3	54/9	4·42**	6 a	6 b	
57/6	45/-	National Provincial £1	90/9	90/6	4·42	9 a	9 b	
59/3	47/9	Westminster 'B'..... £1	53/3	53/6	4·67	9 a	11 b	
47/9	36/-	District..... £1	69/11 1/2	69/11 1/2	4·92	5 a	7 1/2 b	
23/6	12/11 1/2	*Martins*..... 5/-	23/4 1/2	23/6	4·26	7 1/2 a	12 1/2 b	
21/4 1/2	5/-	Com. Bk. of Scot. 'A' 10/-	33/3	33/3	3·76	5 a	7 1/2 b	
46/-	7/-	*Royal Bank of Scotland*. £1	67/9	67/6	4·74	7 a	9 b	
27/6	3/-	Barclays D.C.O. £1	37/9	37/9	4·77	4 a	5 b	
31/3	7/6	Chartered Bank £1	44/3	43/9	6·86	7 1/2 b	7 1/2 a	
£20	$2·10c	Royal Bank of Canada. $10	£28 1/4	£28 7/16*	2·90	7 1/2 b	3 1/4 a	
£14 15/16	$1·60c	Bank of Montreal..... $10	£19 7/16	£19 1/4*	3·14	4 1/2 a	4 1/2 a	
25 5/8	9 c	Bank of New S. Wales. £20	31 1/4*	31*	4·59g	9 c	9 c	
28/-	4 a	Bank of Ldn. & S. Amer. £1	32/6	33/9	5·93	4 a	6 b	
		FINANCIAL						
18/-	2 1/2 a	Alexanders £1	29/-*	29/-*	5·17	5 b	5 b	
29/6	5 a	National Discount 'B'... £1	45/-	43/9	5·49	7 b	7 b	
40/9	6 1/4 a	Union Discount £1	59/9*	61/-*	4·10	6 1/4 a	6 1/4 b	
32/9	36 2/3 c	Commercial Union.... 5/-	43/3	42/-	4·36	18 1/3 a		
102/6	12 1/2 a	Employers Liability £1	136/3	135/-	4·07	15 b	6 1/2 a	
117/6	†16·2a	Equity & Law 8/6	186/3	186/3	2·57	†16·2b	40 a	
113/9	60 b	Legal & General 5/-	195/-	192/6	2·60	40 a	40 a	
80/-	†50 b	Pearl 5/-	117/-	116/-	5·22	†20 a	10 a	
154/-	†132 1/2 c	Prudential 'A'..... 4/-	210/-	210/-	4·90	†147 1/2 c	3 a	
63/9	8 b	Royal Exchange..... £1	81/3	80/6	3·98	8 a	8 a	
16/-	10 a	Bowmaker 5/-	36/11 1/2*	39/4 1/2*	3·49	17 1/2 b	7 1/2 a	
16/10 1/2	6 a	Lombard Banking..... 5/-	22/9	24/-	3·13	7 1/2 b	7 1/2 a	
73/3	16 b	U.D.T. £1	123/3	126/6	3·16	4 a	4 a	
19/9	17 1/2 b	B.E.T. 'A' Defd..... 5/-	36/3	37/6	3·67	10 a	10 a	
7/11	10 c	Cable & Wireless..... 5/-	13/11 1/2	13/-	3·85	10 c	10 c	
2 1/2 b	2 a	Land Securities..... 10/-	21/-	21/6	2·79**	2 1/2 b	2 a	
6/7 1/2	2 12/20	London & County 10/-	15/41 1/2	14/71 1/2*	4·56**	2 12/20	2 12/20	
		FOOD, DRINK AND TOBACCO						
27/-	30 c	Allied Bakeries 'A'.... 5/-	50/9	49/-	3·06	10 a	10 a	
13/4 1/2	20 c	Beecham Group 5/-	23/7 1/2	24/-	4·17	7 a	7 a	
6/5 1/4	7 b	International Tea 5/-	11/3	11/6	4·13	2 1/2 a	2 1/2 a	
40/11 1/2	9 1/6 b	J. Lyons 'A'..... £1	75/9	74/9	3·79	5 a	5 a	
13/7 1/2	5 a	Ranks 10/-	19/6	19/9	5·06	5 b	5 b	
7/9	7 1/2 b	Schweppes 5/-	18/6	18/41/2	4·08**	2 1/2 a	2 1/2 a	
48/9	12 b	Taste & Lyle £1	68/3	69/-	4·78	8 1/2 a	4 1/2 a	
47/41/2	5 a	United Dairies £1	63/-	64/9	4·63	10 a	10 a	
31/-	10 a	Bass..... 5/-	46/-	45/6	5·05	36 b	10 a	
15/9	62 3/4 b	Distillers 10/-	24/41/2	24/71/2	4·33	4 a	11 b	
11/6	6 a	Flowers 5/-	14/9	14/71/2	5·81	11 b	6 a	
37/-	10 a	Guinness 10/-	55/6	55/6	5·05	18 b	10 a	
9/41/2	4 a	Ind Coope & Allsopp..5/-	12/10 1/2	12/9	5·49	10 b	4 a	
55/6	7 1/2 a	Watney Mann Defd. £1	77/9	77/9	5·40	13 1/2 b	13 1/2 b	
75/6	17 b	Whitbread 'A' £1	102/6	103/-	4·85	8 a	17 b	
37/71/2	†62 3/4 b	Brit. Amer. Tobacco .10/-	56/-	56/41/2	5·14	†10 a	62 3/4 b	
20/6	5 a	Gallaher 10/-	40/41/2¶	41/6¶	6·02	20 b	5 a	
37/-	11 1/2 b	Imperial Tobacco £1	55/6	57/-	7·02	8 1/2 a	11 1/2 b	

Prices, 1958/9 High	Prices, 1958/9 Low	ORDINARY STOCKS	Price, Jan. 28, 1959	Price, Feb. 4, 1959	Yield, Feb. 4, 1959	Last Two Dividends (a) %	(b) %	(c)
		MISCELLANEOUS						
50/9	15/9	Assoc. Brit. Picture 5/-	46/-*	48/-*	...	30 c	20 a	
45/6	28/-	British Match £1	43/-*	44/3*	4·97	11 c	5 a	
54/6	28/3	British Oxygen..... £1	51/9	51/3	3·90	6 b	4 a	
10/6	6/9	British Ropes 2/6	10/6	10/6	4·05	13 b	4 a	
44/-	21/-	Glaxo 10/-	41/6	40/9	2·66	4 1/6 a	7 1/2 b	
59/-	31/3	Hoover 'A' 5/-	56/9	57/-	4·39	40 b	10 a	
195/-	133/9	Hudson's Bay £1	180

Money and Exchanges

EXCHEQUER RETURNS

For the week ended January 31, 1959, there was an "above-line" surplus (after allowing for Sinking Funds) of £104,457,000 compared with a surplus of £157,100,000 in the previous week and a surplus of £136,499,000 in the corresponding period of last year. There was a net expenditure "below-line" of £31,225,000 leaving a total deficit of £471,711,000 compared with £431,280,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to Feb. 1, 1958	April 1, 1958, to Jan. 31, 1959	Week ended Feb. 1, 1958	Week ended Jan. 31, 1959
Ord. Revenue					
Income Tax	2312,500	1470,069	1543,479	134011	143956
Surtax	163,000	99,700	103,300	9,500	9,000
Death Duties	163,500	143,000	152,700	7,700	4,000
Stamps	56,250	55,200	51,200	1,600	1,500
Profits Tax, EPT & EPL	275,000	218,300	244,400	3,100	3,400
Other Inland Rev. Duties	...	350	350	...	...
Total Inland Rev.	2970,250	1986,619	2095,429	155911	161856
Customs	1256,940	1019,257	1069,574	22,123	22,006
Excise	932,310	753,460	734,365	27,020	23,865
Total Customs and Excise	2189,250	1772,717	1803,939	49,143	45,871
Motor Duties	104,000	92,951	95,657	10,274 Dr.	2,428
PO (Net Receipts)	2,000	4,000	...	1,400	...
Broadcast Licences	34,000	25,500	27,800	4,300	4,900
Sundry Loans	30,000	29,404	26,152	...	...
Miscellaneous	110,000	148,923	88,571	9,099	4,182
Total	5439,500	4060,114	4137,548	227327	219237
Ord. Expend.					
Debt Interest	695,000	525,897	562,658	...	4,144
Payments to N. Ireland Exchequer	73,000	55,352	59,842	385	4,366
Other Cons. Funds	10,000	8,562	7,904	459	471
Supply Services	4292,859	3343,568	3453,891	89,843	105549
Total	5070,859	3933,379	4094,295	90,637	114530
Sinking Funds	38,000	28,407	28,936	140	250
"Above-line" Surplus or Deficit	+ 98,328	+ 24,317	+ 136499	+ 104457	
"Below-line" Net Expenditure*	529,608	496,028	9,873	31,225	
Total Surplus or Deficit.	431,280	471,711	126626	73,232	
Net Receipts from:					
Tax Reserve Certificates	44,792	104,156	–29102	–29453	
Savings Certificates	–11,100	116,400	4,500	2,900	
Defence Bonds	–31,365	85,137	–1051	2,909	
Premium Savings Bonds	66,710	58,185	1,830	2,820	
Total	69,037	363,878	–23823	–20824	

* Including a net receipt of the Civil Contingencies Fund of £6 million in 1958 and a net expenditure of £4 million in 1957.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Feb. 1	3,220·0	1,768·6	179·1	...	5,167·7
Nov. 1	3,340·0	1,755·3	193·9	...	5,239·2
„ 8	3,350·0	1,739·5	165·7	...	5,255·2
„ 15	3,370·0	1,655·2	194·4	...	5,219·6
„ 22	3,390·0	1,661·0	175·6	...	5,225·5
„ 29	3,410·0	1,659·2	173·3	...	5,242·5
Dec. 6	3,420·0	1,688·0	176·8	...	5,284·9
„ 13	3,440·0	1,687·6	190·1	...	5,317·7
„ 20	3,460·0	1,761·9	184·7	...	5,406·6
„ 31	5,351·0		222·2	0·3	5,573·4
1959					
Jan. 3	3,500·0	1,789·8	205·6	...	5,495·4
„ 10	3,450·0	1,734·9	206·0	...	5,390·8
„ 17	3,450·0	1,949·3	236·6	...	5,611·9
„ 24	3,370·0	1,940·8	213·0	3·3	5,527·0
„ 31	3,280·0	1,973·2	223·5	...	5,476·7

THE MONEY MARKET

THE authorities gave a large amount of assistance to tide the market over the customary shortage of funds in the tax gathering season, but credit remained difficult up to Tuesday. Very small amounts were taken from the Bank last Thursday and again on Monday and a rate of 3½ was readily conceded for overnight loans. Pressure was relieved on Tuesday when calling diminished to negligible proportions, later balances becoming available from the banks at their minimum rate of 2½ per cent. The authorities did not intervene, but on Wednesday the supply of credit was barely adequate and some use was made of privilege facilities.

At last week's Treasury bill tender the full offer of £220 million was allotted. The discount houses left their concerted bid at £99 4s. 5d. for the third week in succession and again received 31 per cent of their applications at that price. The average rate of discount was almost unchanged at £3 2s. 1.68 per cent, total applications dropping by £27.1 million to £388 million. This week the offer has been further reduced to £210 million and maturities will amount to £300 million.

The seasonal reflux of Bank notes from active circulation came to an end in the week to February 4th. Notes in circulation rose by £1.8 million to £2,003 million.

MONEY RATES : London

	%		%
Bank rate (from 4½%, 20/11/58)	4	**Discount rates:**	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	3 1/4–3 5/16
Discount houses	2–2¼	3 months	3 1/4–3 5/16
Money:		4 months	3 1/4–3 5/16
Day-to-Day	2 3/8–3 1/8	6 months	3 1/4–3 3/8
Treasury bills:		Fine trade bills:	
2 months	3 3/32	3 months	4 1/4–5
3 months	3 1/8	4 months	4 1/4–5
		6 months	4 1/2–5 1/4

New York

	%		%
Official discount rate: (from 2%, 23/10/58)	2½	**Treasury bills:** Jan. 26	2·975
		Feb. 2	2·721

BANK OF ENGLAND RETURNS

(£ million)	Feb. 5, 1958	Jan. 28, 1959	Feb. 1959
Issue Department:			
Notes in circulation	1,959·3	2,002·9	2,004·7
Notes in banking dept.	41·1	47·4	45·4
Govt. debt and securities*	1,995·2	2,046·5	2,046·5
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·4
Banking Department:			
Deposits:			
Public accounts	11·2	13·0	16·5
Bankers	204·8	229·2	220·4
Others	73·4	69·1	69·4
Total	289·4	310·3	306·3
Securities:			
Government	197·4	249·8	244·1
Discounts and advances	45·9	9·5	12·1
Other	21·0	21·0	20·4
Total	264·3	280·3	287·4
Banking department reserve	43·4	48·3	46·7
"Proportion"	% 15·0	% 15·5	% 15·1

* Government debt is £11,015,102, capital £14,553,09
Fiduciary issue reduced by £50 million to £2,050 mill
January 21, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million) Allotted	Applied for	Three Months' Bills Average Rate of Allotment	Allotted at Max. Rate
1958 Jan. 31	91 day 210·0	421·2	s. d. 122 6·59	% 41
Oct. 31	91 day 200·0 / 63 day 50·0	442·9	71 8·23	46
Nov. 7	270·0	433·7	71 7·04	68
„ 14	210·0	403·3	71 0·97	42
„ 21	210·0	403·5	68 4·68	79
„ 28	230·0	418·9	66 1·20	40
Dec. 5	240·0	489·2	64 5·75	67
„ 12	240·0	485·3	62 4·92	73
„ 19	240·0	443·5	63 0·96	60
„ 24	230·0	423·0	63 0·47	31
1959	91 day			
Jan. 2	260·0	402·8	62 11·35	51
„ 9	260·0	407·4	62 10·22	47
„ 16	220·0†	414·0	62 3·42	49
„ 23	220·0‡	415·1	62 1·96	31
„ 30	220·0	388·0	62 1·63	31

* On January 30th tenders for 91 day bills at £99 4s. secured 31 per cent, higher tenders being allotted in The offer this week was for £210 million of 91 day b
(†) £240 million offered. (‡) £230 million offered.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot					
	February 4	January 29	January 30	January 31	February 2	February 3	February
United States $	2·78–2·82	2·80 7/8–81	2·80 7/8–81	2·80 7/8–81	2·81–81 1/8	2·81–81 1/8	2·80 15/16–81 1/8
Canadian $	...	2·71 15/16–72 1/16	2·72 1/4–3/8	2·72 9/16–11/16	2·72 13/16–15/16	2·73 1/8–1/4	2·73 1/4–3/8
French Fr.	13·6220–14·0265	13·77 1/8–3/8	13·77 1/4–1/2	13·77 1/4–1/2	13·77 3/4–78	13·77 3/4–78	13·77 1/2–3/4
Swiss Fr.	11·94–12·54 7/8	12·10 7/8–11 1/8	12·10 3/4–11	12·11–11 1/4	12·11 1/4–1/2	12·11 1/4–1/2	12·11–31
Belgian Fr.	137·96–142·05	140·37 1/2– 40 1/2	140·35– 45	140·40– 47 1/2	140·42 1/2– 45	140·40–	140·35–
Dutch Gld.	10·49–10·80	10·59–59 1/4	10·59–59 1/4	10·59 1/8–3/8	10·59 3/8–5/8	10·59 3/8–5/8	10·59 1/4–1/2
W. Ger. D-Mk.	11·59 1/4–11·92 3/4	11·73–73 1/4	11·73 1/4–3/8	11·73 1/4–1/2	11·73 1/2–3/4	11·73 3/4–74	11·73 3/8–7
Portuguese Esc.	79·17 1/2–81·83 1/2	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1745 1/2–3/4	1745 1/2–46	1745 1/2–46	1745 1/2–46	1745 1/2–46	1744 1/2–4
Swedish Kr.	14·37 3/4–14·59 1/4	14·53 1/4–3/8	14·53–53 1/4	14·53 1/8–3/8	14·53 1/4–1/2	14·53 1/4–1/2	14·53 1/8–3/8
Danish Kr.	19·06 1/2–19·62	19·36 3/4–37	19·37 3/8–5/8	19·37 3/8–7/8	19·37 3/8–7/8	19·37 3/8–7/8	19·37 3/8–7/8
Norwegian Kr.	19·71–20·30 1/2	20·02 3/8–5/8	20·02 5/8–7/8	20·03 1/8–3/8	20·03 3/8–5/8	20·03 1/4–04	20·03 1/4–0
One Month Forward Rates							
United States $		3/16–15/16c. pm	3/16–15/16c. pm	3/16–15/16c. pm	5/16–15/16c. pm	3/16–15/16c. pm	3/16–15/16c. pm
Canadian $		1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par
French Fr.		par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis
Swiss Fr.		1 1/8–7/8c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm
Belgian Fr.		7–12c. dis	7–12c. dis	7–12c. dis	5–10c. dis	3–8c. dis	3–8c. dis
Dutch Gld.		7/8–5/8c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm	1–3/4c. pm
W. Ger. D-Mk.		5/8–3/8pf. pm	5/8–3/8pf. pm	5/8–3/8pf. pm	5/8–3/8pf. pm	3/4–1/2pf. pm	3/4–1/2pf. pm
Three Months Forward Rates							
United States $		5/16–3/16c. pm	3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm
Canadian $		1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par
Swiss Fr.		2 7/8–2 5/8c. pm	2 7/8–2 5/8c. pm	2 7/8–2 5/8c. pm	3–2 3/4c. pm	3–2 3/4c. pm	3–2 1/4c. pm
W. Ger. D-Mk.		1 1/4–1pf. pm	1 1/4–1pf. pm	1 3/8–1 1/8pf. pm	1 3/8–1 1/8pf. pm	1 3/8–1 1/8pf. pm	1 1/2–1 1/4pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/6 1/4	249/6	...	249/6 1/4	249/5 1/2	249/6 1/2

Western Europe

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

BRITISH

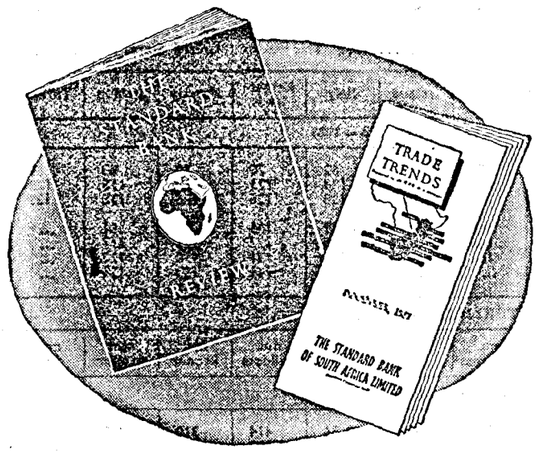
Prices and Wages	Jan. 10th	External Trade	Jan. 31st
Manpower and Output	Jan. 24th	Industrial Profits	Jan. 17th

OVERSEAS

Western Europe	This week	United States	Dec. 20th

	Austria	Belgium	Denmark	France	Germany, FR	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey	United Kingdom
INDUSTRIAL PRODUCTION (1) (1953 = 100)													
1948	54	87	82	79	...	52	70	62	70	70	90	69	83
1956	138	122	114	133	139	134	105	128	123	122	115	128	112
1957	146	123	117	145	147	145	102	138	126	126	118	139	114
1958, July	153	100	79	147	145	166	100[3]	149	126	84	61	...	104
„ August	141	107	118	102	142	166		115	122	121	117	...	96
„ September	160	109	126	149	153	166		148	131	130	122	...	115
„ October	...	...	127	155	160	...	...	...	141	133	124	...	118[13]
VALUE OF EXTERNAL TRADE (2)													
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[4]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira	mn. £
	Imports (c. i. f.)												
1948	243	7,249	285	56·08	264[6]	152[5]	11·36	70·36	414	310	413	64·2	168·0
1956	2,110	13,635	755	162·12	2,315	1,159	15·24	165·34	1,180	721	953	95·1	311·6
1957	2,445	14,302	782	187·16	2,624	1,311	15·40	188·88	1,300	759	1,047	92·7	328·5
1958, July	2,421	12,642	803	194·94	2,662	1,239	16·20	165·96	1,114	772	852	81·5	325·6
„ August	2,758	11,416	736	161·87	2,383	1,403	12·53	141·29	1,063	663	888	41·9	291·2
„ September	2,003	13,186	868	171·70	2,638	1,176	15·12	163·32	1,168	817	988	41·5	300·3
„ October	2,281	14,179	859	188·47	2,714	...	...	166·95	1,240	781	1,080	52·9	315·8[14]
	Exports (f. o. b.)												
1948	165	6,171	228	36·18	151[6]	39[5]	4·11	47·99	226	172	332	45·9	131·6
1956	1,840	13,177	640	132·45	2,571	475	9·01	111·74	906	460	839	71·2	264·3
1957	2,120	13,275	676	155·73	2,996	549	10·94	132·30	981	489	922	80·6	277·1
1958, July	2,046	12,662	704	180·13	3,172	317	12·15	146·97	968	402	852	44·7	285·8
„ August	2,046	10,267	666	146·73	2,938	274	10·30	116·15	950	393	781	19·5	257·8
„ September	1,989	13,050	737	156·82	3,237	508	11·38	133·65	1,152	495	1,005	49·1	240·4
„ October	2,211	13,785[7]	765	202·61	3,353	...	...	143·00	1,173	511	975	51·1	266·8[15]
COST OF LIVING (8) (1953 = 100)													
1948	50[10]	95	81	60	93	63	79	86	78[9]	74	77	89	77
1956	108	104	113	103	105	126	107	109	108	109	109	136	112
1957	112	107	116	106	106	129	112	110	114	112	113	152	116
1958, August	114	108	...	123	110	131	117	114	114	119	119	174	119
„ September	115	108	...	123	109	131	...	114	115	120	119	...	119
„ October	115	108	118	124	109	131	...	113	115	119	119	...	120
„ November	115	108	...	...	...	...	117	...	117	119	...	...	120[16]
EXPORT PRICES (11) (1953 = 100)													
1948	42	95	91	68	...	...	78	103	97	84	76	91	77
1956	105	103	104	99	101	143	96	102	102	115	103	...	105
1957	105	106	102	106	103	140	98	102	105	119	105	...	110
1958, July	105	99	...	...	102	125	101	105	99	102	...	...	109
„ August	99	97	...	...	104	134	103	103	100	108	101[3]	...	109
„ September	102	...	...	...	101	146	103	...	99	109	...	...	108
„ October	99	...	...	...	101	...	...	...	100	106	...	...	108[17]
GOLD AND FOREIGN EXCHANGE HOLDINGS (12) (mn. US Dollars)													
1948	62	938	84·0	...	295	...	209	539	343	140·6	233	192	1,856
1956	406	1,143	131·1	1,356	4,291	211·4	234	1,308	1,072	178·8	473	230	2,133
1957	510	1,131	171·9	775	5,643	196·4	258	1,532	1,056	184·2	456	316	2,273
1958, August	603	1,406	206·4	...	6,063	...	248	1,979	1,312	191·6	468	275	3,089
„ September	620	1,425	222·9	...	6,098	...	249	...	1,339	206·1	474	275	3,120
„ October	635	1,456	216·4	...	6,144	...	252	...	1,383	222·9	464	269	3,174
„ November	632	1,460	219·8	...	6,225	...	257	...	1,398	...	471	...	3,215[18]

(1) This *covers mining, manufacturing, electricity and manufactured gas with the following exceptions : Denmark excludes mining* ; Greece, mining and manufactured gas ; Ireland and Sweden, electricity and manufactured gas ; and Austria, manufactured gas. *Germany excludes West Berlin.* (2) Special trade excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxembourg. Italy includes Trieste. (3) Average for second quarter. (4) New drachma introduced May 1, 1954 (1 new drachma = 1,000 old drachmas). (5) Thousand million drachmas. (6) Bizonal area. (7) November, 12,495. (8) *In capital cities only for Austria, France, Greece and Turkey; Austria and Belgium exclude rent; Denmark includes* direct taxes ; Ireland based on August, 1953 = 100. (9) Including direct taxes. (10) July–December. (11) Index *numbers of unit value which compare the current* average value of trade with its value in 1953 ; they are influenced by changes in the composition of trade as well as price movements. Figures for Ireland are adjusted for seasonal variation. (12) Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings ; *Norway and Sweden include foreign investments ; Ireland includes some long-term securities.* (13) Nov., 121 ; Dec., 113. (14) Nov., 300·1 ; Dec., 343·0. (15) Nov., 291·0 ; Dec., 269·4. (16) Dec., 121. (17) Nov., 108 ; Dec., 109. (18) Dec., 3,069 ; Jan., 3,111.



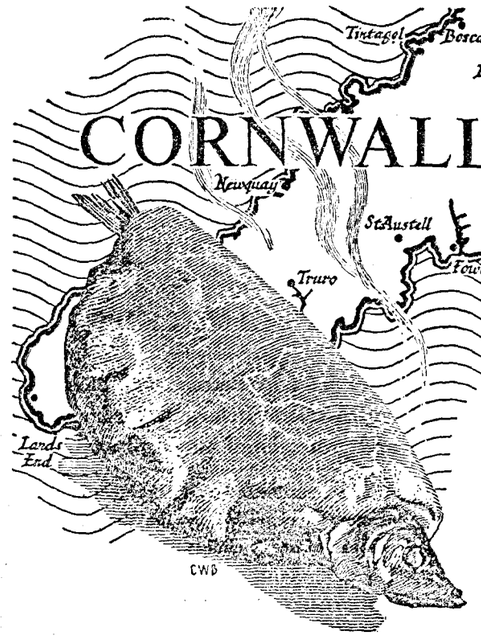
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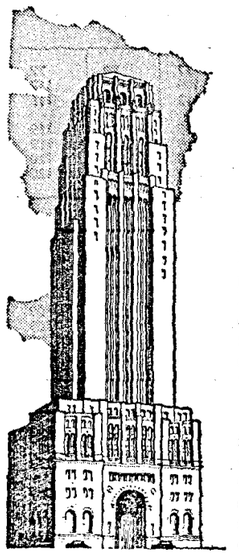
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BAY HALL TRUST LIMITED

Summary of Directors' Report for the year ended 31st December, 1958 and of the accompanying Statement by the Chairman, Sir Charles J. Hambro, K.B.E., M.C.

The gross revenue amounted to **£244,117** and showed a satisfactory increase as compared with **£228,515** in 1957. After providing for Taxation, Directors' Fees and other outgoings amounting to **£105,156**, there was a net profit of **£138,961** as compared with **£136,244** in the previous year. The increase in net profit would have been greater but for the incidence of Profits Tax, to which the Trust became liable during the year under review. The charge for Profits Tax, as at present levied, can be expected to be lower in future years. Adding **£138,325** brought forward, the total available for appropriation is **£277,286**. The Directors have placed **£100,000** to General Reserve and recommend a dividend of 17 per cent, less tax, which will absorb **£103,063**, leaving **£74,223** out of which the Directors further recommend a bonus dividend of 1 per cent, less tax, which will absorb **£6,062**, leaving **£68,161** to be carried forward. The bonus dividend has been recommended instead of increasing the annual dividend in order to minimise Profits Tax. It is intended to initiate the payment of interim dividends in 1959.

Full provision has been made in the Profit and Loss Account for United Kingdom Income Tax and Profits Tax in respect of all income to 31st December, 1958. Double taxation relief allowable to the Company amounting to **5s. 1d.** in the **£** has been taken into account in arriving at this provision.

At market prices on 31st December, 1958 (or where no market price existed, at valuations by the Directors at that date amounting to **£358,238**) the Investments had an aggregate value of **£3,848,628** as compared with their book value of **£2,017,151**. There is thus an indicated appreciation of **£1,831,477** over book cost.

At the valuations taken at 31st December last, over **95** per cent of the Investments are situated in the United Kingdom, Union of South Africa and other parts of the British Commonwealth. About **94** per cent of the Investments are in ordinary stocks and shares and the balance in fixed-interest-bearing securities.

APPOINTMENTS

Vacant 9/- a line; Required 6/- a line.

GKN

The Guest Keen & Nettlefolds Group of Companies

wish to make the following appointment in one of their constituent companies.

MARKETING—HOME AND OVERSEAS

An exceptional *opportunity* exists for a fully experienced Sales Executive to join a large *engineering* company in the Midlands.

As this appointment can lead to a Directorship, applicants must be able to provide evidence of particularly sound experience of selling at all levels in the engineering or allied industries, possess ability to organise internal and external sales force *and deal* with publicity, etc.

A number of *new* products are about to be launched on a world-wide basis and there are particularly good prospects and scope for a man with drive and initiative.

Salary and associated benefits commensurate with this very important top level appointment.

Appropriately qualified men who consider that *they have had relevant experience* are invited to write, stating full details of age, *qualifications*, career to date, etc., to the Group Personnel Officer, Guest Keen & Nettlefolds Ltd., 66 Cannon Street, London, E.C.4. No one who has recently applied for a sales appointment within the Group *need* re-apply.

ASSISTANT SECRETARY to take charge of legal and taxation department at Association of British Chambers of Commerce. Post requires extensive reading of Bills and Statutes affecting business also serving Finance and Taxation Committee. Candidates should have legal background, knowledge of accounting and taxation principles, and have initiative for research. Ability to *prepare memoranda* essential. Salary £1,000-£1,500 according to qualifications. Pension scheme.—Applications to Secretary, 14 Queen Anne's Gate, London, S.W.1, *marked Confidential.*

THE BRITISH OXYGEN COMPANY LIMITED

HEAD OF ECONOMICS AND STATISTICS SECTION

There is a particularly interesting vacancy at the Head Office of The British Oxygen Company Limited, in the West End, for the Head of the Economics and Statistics Section. A man with appropriate qualifications is required, with industrial experience, preferably on the financial side, a practical knowledge of statistical *methods* and a flair for carrying out investigations and writing lucid reports. He should be a live, creative type, fairly young but mature outlook. The post has been advertised before but not yet filled; previous applicants should therefore not *re-apply*. Please write to :—

The Staff Officer,

The British Oxygen Company Limited

Bridgewater House, Cleveland Row, St. James's, London, S.W.1.

For further appointments and other classified advertisements see page 537

ADMINISTRATIVE STAFF : The United Kingdom Atomic Energy Authority require to make a few senior appointments on salaries in the range £2,200-£3,150 *leading with policy, primarily* in the fields of finance, Accountancy and Personnel. Some of the posts are in London and carry a London *addition of £100 a year.* There is a contributory pension scheme.

People with high quality administrative or managerial experience in financial control, management accounting, commercial policy, contract negotiation, or staff management (industrial or professional), and senior professional accountants with suitable experience are invited to send a postcard for an application form to the Establishments Officer, Room 317, United Kingdom Atomic Energy Authority, 11 Charles II Street, London, S.W.1.

Closing date for completed application forms, February 28, 1959.

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For new business and industrial publication. (1) Must be thoroughly grounded in subject. (2) Must have top editorial training, able to select, handle team of reporters, contributors ; must be keen to get "story behind the story."

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Useless applying unless of this calibre. Applications treated in very strictest *confidence.*—Box 1121.

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The Corporation is a statutory body established to promote trade with countries outside Australia by providing Insurance against the risk of non-payment in *Export Trade.* In its first full year of operation to June, 1958, the Corporation issued *policies* to a face value of over £11 million.

The Commissioner is responsible for the operation of the Corporation. He will be required in the course of promoting the business of the Corporation to further a high standing for the Corporation and its officers with *leaders of industry* and commerce and *export trade* throughout Australia. Liaison with overseas and international organisations in this field is also required.

Applications will be judged on qualifications and experience, not necessarily *in the field of insurance.*

The appointment will be for a period of *seven years* and there is provision for *re-appointment.*

Salary will be commensurate with the responsibilities of the appointment and the qualifications and experience of the successful applicant. Appropriate allowances also *will be paid.*

The headquarters of the *Corporation are in* Sydney with a Branch Office in Melbourne.

Applications will be treated in strictest confidence. They *should* be marked "E.P.I.C." and be lodged not later than February 28, 1959, with the Official Secretary, Australia House, The Strand, London, from whom further *particulars* can be obtained.

GENTLEMAN required as Assistant by Managing Director of Large Industrial Group. Candidates for this position should be in age group 35-40, of good address and thoroughly experienced in commercial matters and *administration*; competent to advise in the engagement of commercial staff as required and possessing the ability to carry out negotiations at executive level. Commencing *salary* for the position will be adequate and intending applicants should at present be in receipt of not less than £1,500 per annum. Successful applicant must be prepared to reside in Northern England. Applications will in first instance receive full consideration prior to interview, and will be treated with the utmost confidence.—Write Box 1116.

MARKET INVESTIGATION OFFICER

Important Group in the heavy chemicals industry seeks Market Investigation Officer to :

(a) interpret the significance of economic and marketing data

(b) carry out market studies.

Applicants should have three years' *experience* of such activities, be University *graduates*, and the preferred age range is 28 to 35.

This is a *new appointment*, reporting to top management, to which considerable importance is attached, in the light of a policy to expand *sales at home* and abroad, and to widen the product range.

A progressive salary of at least £1,500 per annum is offered, in accordance with qualifications and experience, and there is a pension scheme.

The Group's *employees have been informed* of the vacancy.

Write, in strict confidence, attaching a chronological summary of experience, to Urwick, Orr and Partners Limited, who have been asked to advise *in connection* with this appointment, at 8, Buckingham Palace Gardens, London, S.W.1, quoting reference LOR/1288 on the envelope.

COUNTY COUNCIL OF ESSEX

COUNTY PLANNING DEPARTMENT

Applications invited for the post of Planning Assistant APT Grade I (£575-£725) at Braintree.

Applicants should have had experience in development control *and/or* development plan work, particularly design and elevation control, but consideration will be given to those who are *qualified in* Economics, Geography or Landscape Architecture and wish to train and study for a qualification in *Planning.*

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STATISTICIAN/ECONOMIST, *not over age 27, required* for Investment Department of an important financial institution at its Head Office in the City of London. Work primarily research. Previous investment experience *are necessary but academic or professional qualifications* Replies, &c though not essential. Excellent prospects.— be sent to Box will be treated in strict *confidence. should* 14.

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The Northern Polytechnic *is a major Regional* Technical College. To meet current needs and to provide for future development, a large site adjacent to the Polytechnic *is now being acquired for a substantial extension.*

Form of application, together with *full particulars, will* be sent on request, and should be returned to me. du. *completed, not* later than March 31, 1959.

R. H. CURRELL, A.C.A.,
Clerk.

UNIVERSITY OF OXFORD. INSTITUTE FOR RESEARCH in AGRICULTURAL ECONOMICS. Applications are invited for appointments as research workers in *agricultural economics*, particularly research into demand for farm products. Starting date *April 1, 1959.* Two year appointments, with possibility of extension to six years. Some lecturing duties possible. Salary up to £900 p.a. for recent graduates : *higher* rate could be considered for experienced workers. Applications to the Secretary.

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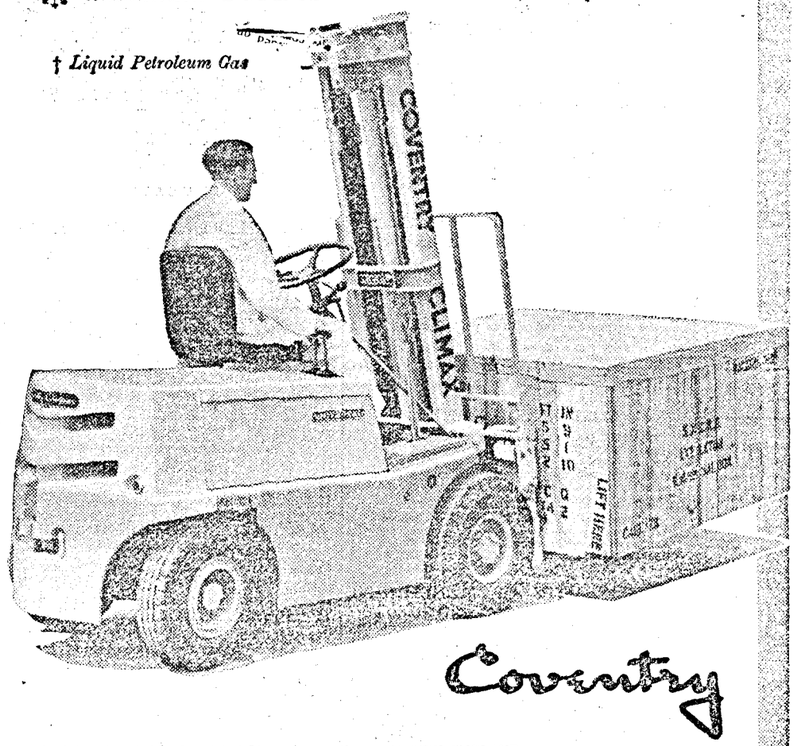
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Independent Cyprus?

The Turkish and Greek agreement creates new hope for Nato's Mediterranean flank (page 565).

Reactions in Nicosia (page 602).

Blank White Paper

15,000 more men; £20 million more money; but no new defence policy and no defence of the old one (page 566).

America's Missile 'Gap' (page 590).

Groundswell

Four months ago business men were optimistic about an upturn in the economy —and turned out right. How do they feel now? (page 611).

Shareholders and Directors

Lessons from the British Aluminium affair (page 612).

Should Charity Begin in the Office?

(page 570).

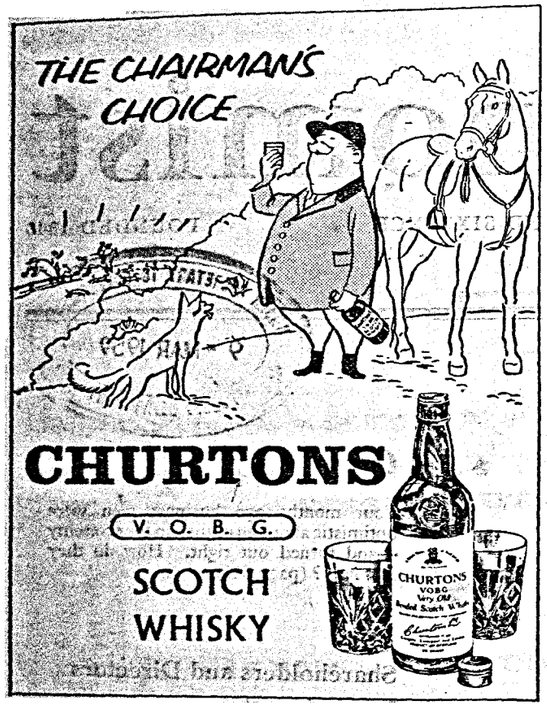
Afro-Asia's Casting Vote

The attitudes of the uncommitted nations of Asia and Africa, and their effect on the international balance of power, are considered in this fourth article in the series "Towards the Nineteen-Sixties" (page 568).

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Who are the women behind the

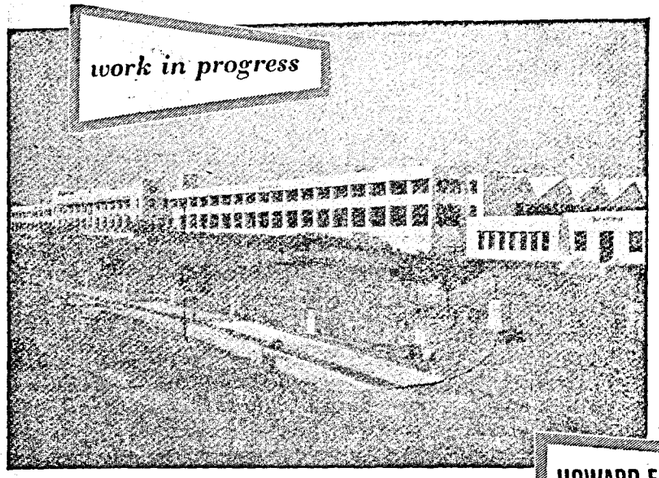
MANCHESTER GUARDIAN?



The woman on the left is against. Practically everything. Particularly the *Manchester Guardian*, which is often wildly for. As she reads it she grows against-ster and against-ster. Pretty soon she will raise that well-oiled hockey stick and knock down the editor, who will thus join a select company which includes a Grenadier Guardsman, Great-uncle Charles, and two Cabinet ministers.

In the centre is the Hon. Felicity Sparks, who is a model. She is usually to be found wearing pale grey clothes in pale grey photographs. Her cheek-bones are high, her brow is low. The photographer, however, thought it would be an amusingly colourful idea to stand the pale grey Miss Sparks behind the pale pink *Manchester Guardian*. Alas, she herself reads only papers in which pictures outnumber the words.

The woman on the right is a beautiful, kind, wise, witty, cultured mother of three children. She is also an economist, and therefore sees the good sense of buying the *Guardian*, which for three pence a day provides her with paper for wiping the omelette-pan, and for giving to the children to make cocked hats. The *Manchester Guardian*, moreover, has another interesting feature which is provided at no extra cost; the staff take pains to write it so accurately, intelligently, and amusingly that it is actually quite a pleasure to read it before you wipe the floor with it.



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This photograph illustrates a general view of the Firestone Tyre & Rubber Co. Ltd., showing East and West wing extensions recently completed.

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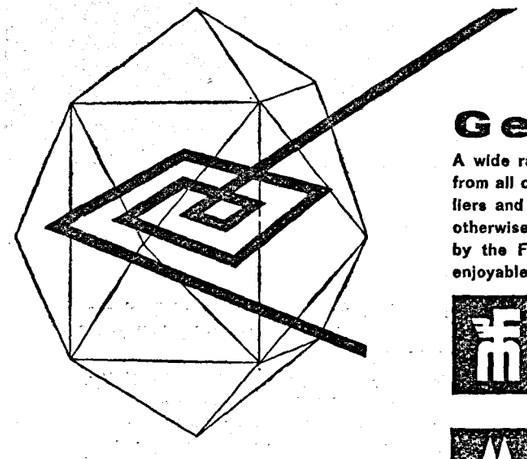
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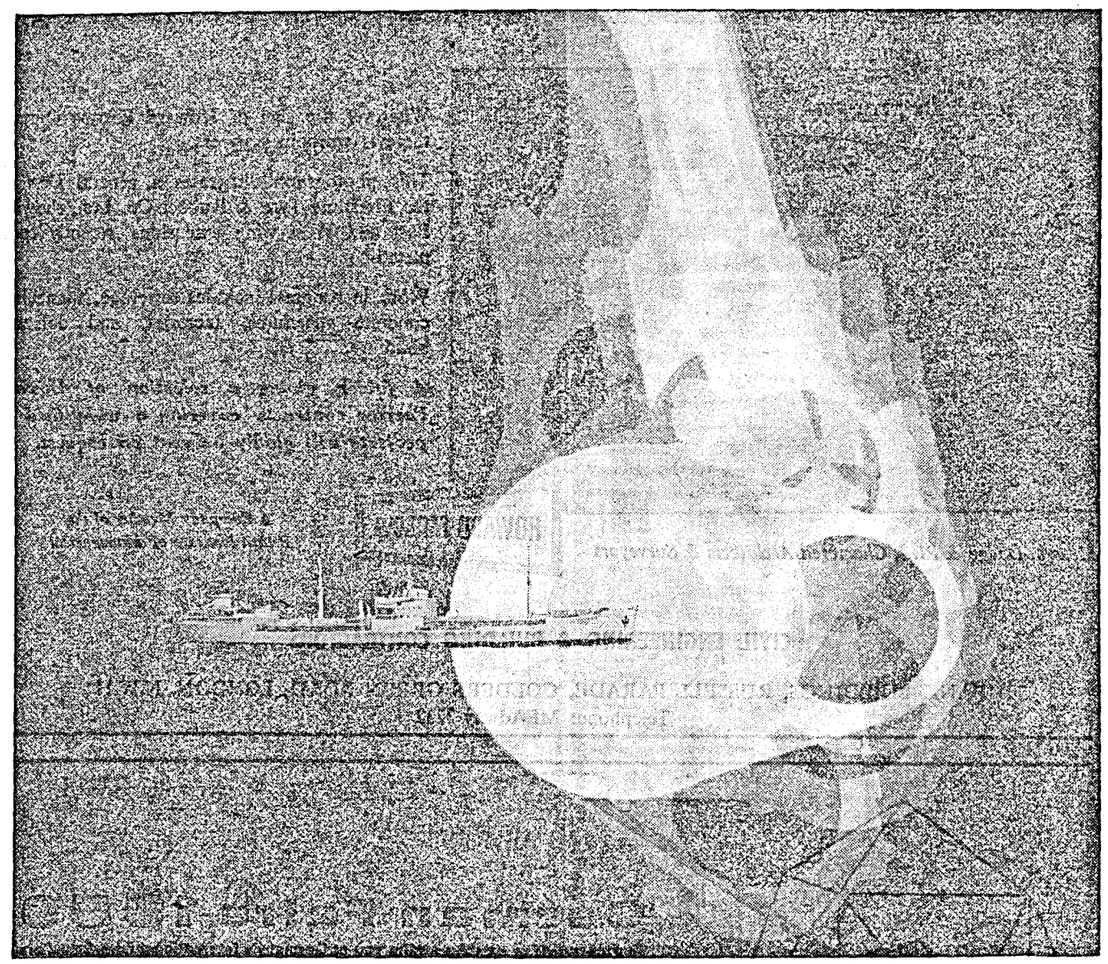
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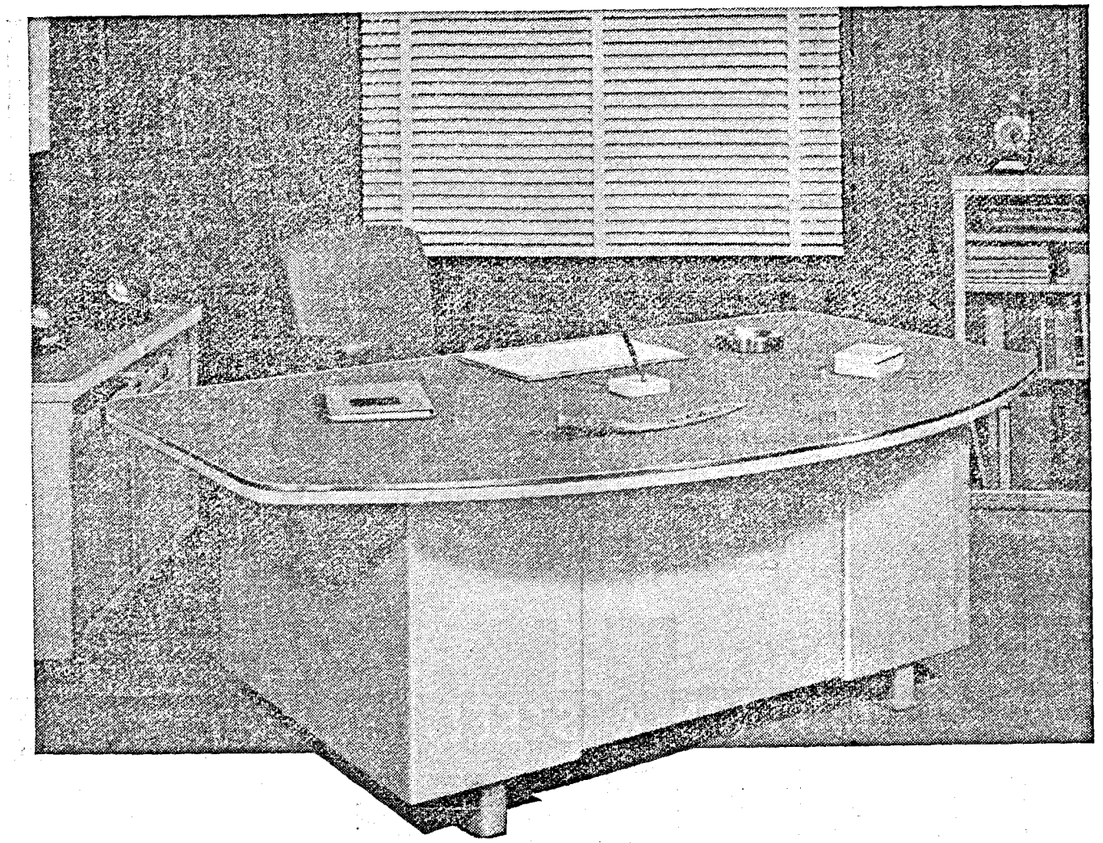
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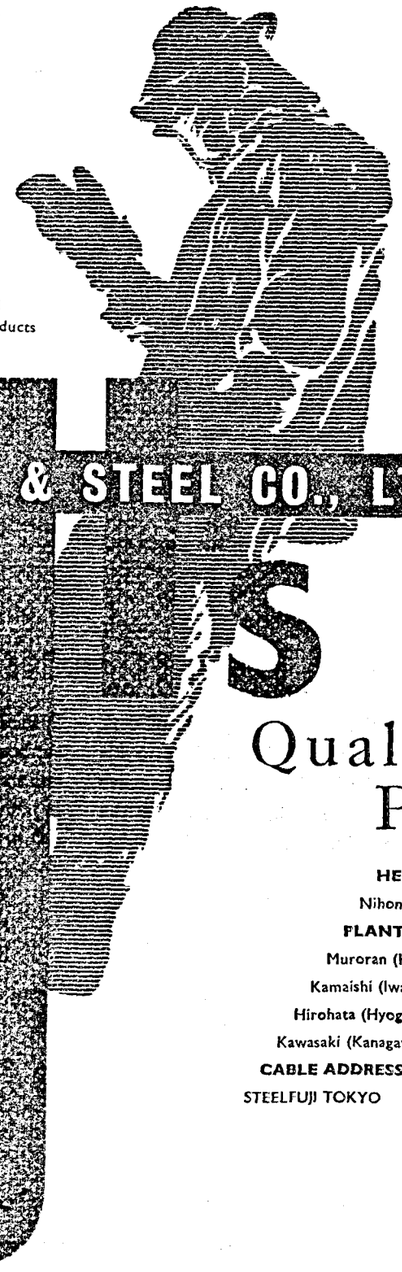
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On 30th January, The British Tabulating Machine Company Limited and Powers-Samas Accounting Machines Limited merged under the name of International Computers and Tabulators Limited.
This Company (I·C·T for short) is now Britain's largest manufacturer and distributor of data-processing machinery.
Its operations will be world-wide.

International Computers and Tabulators Limited

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What are these men doing?



They are having a telephone conversation...

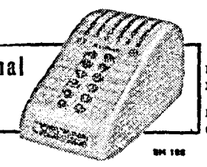
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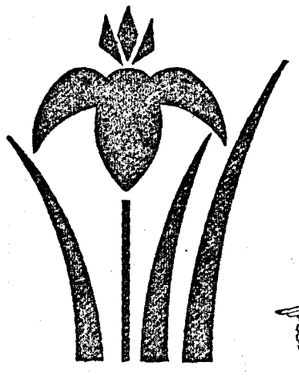
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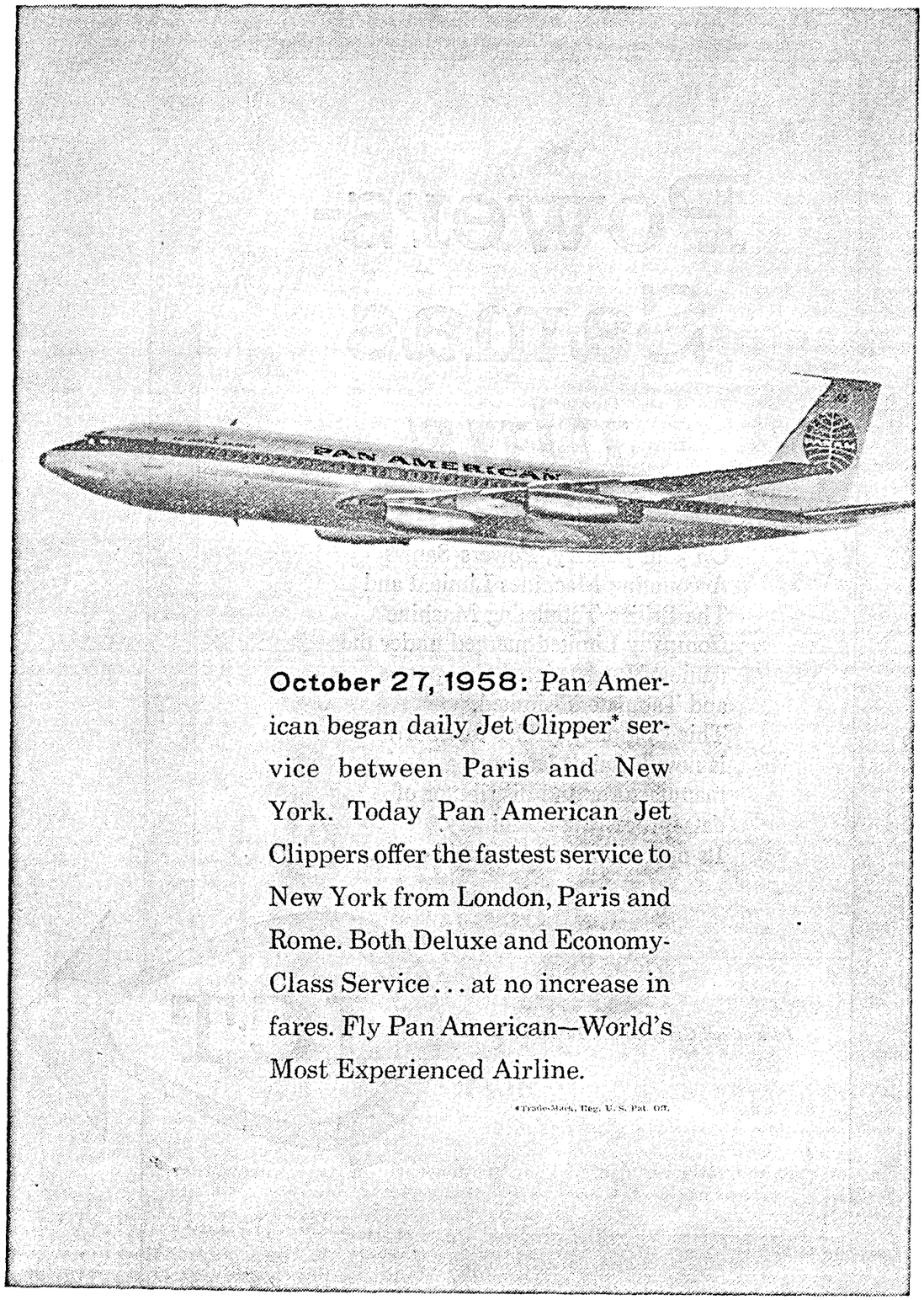
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On 30th January, Powers-Samas Accounting Machines Limited and The British Tabulating Machine Company Limited merged under the name of International Computers and Tabulators Limited.
This Company (I·C·T for short) is now Britain's largest manufacturer and distributor of data-processing machinery.
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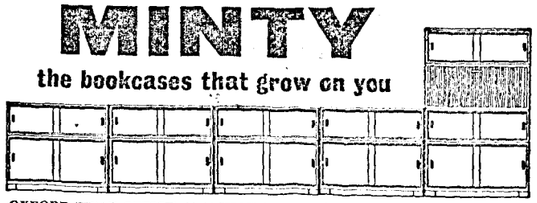
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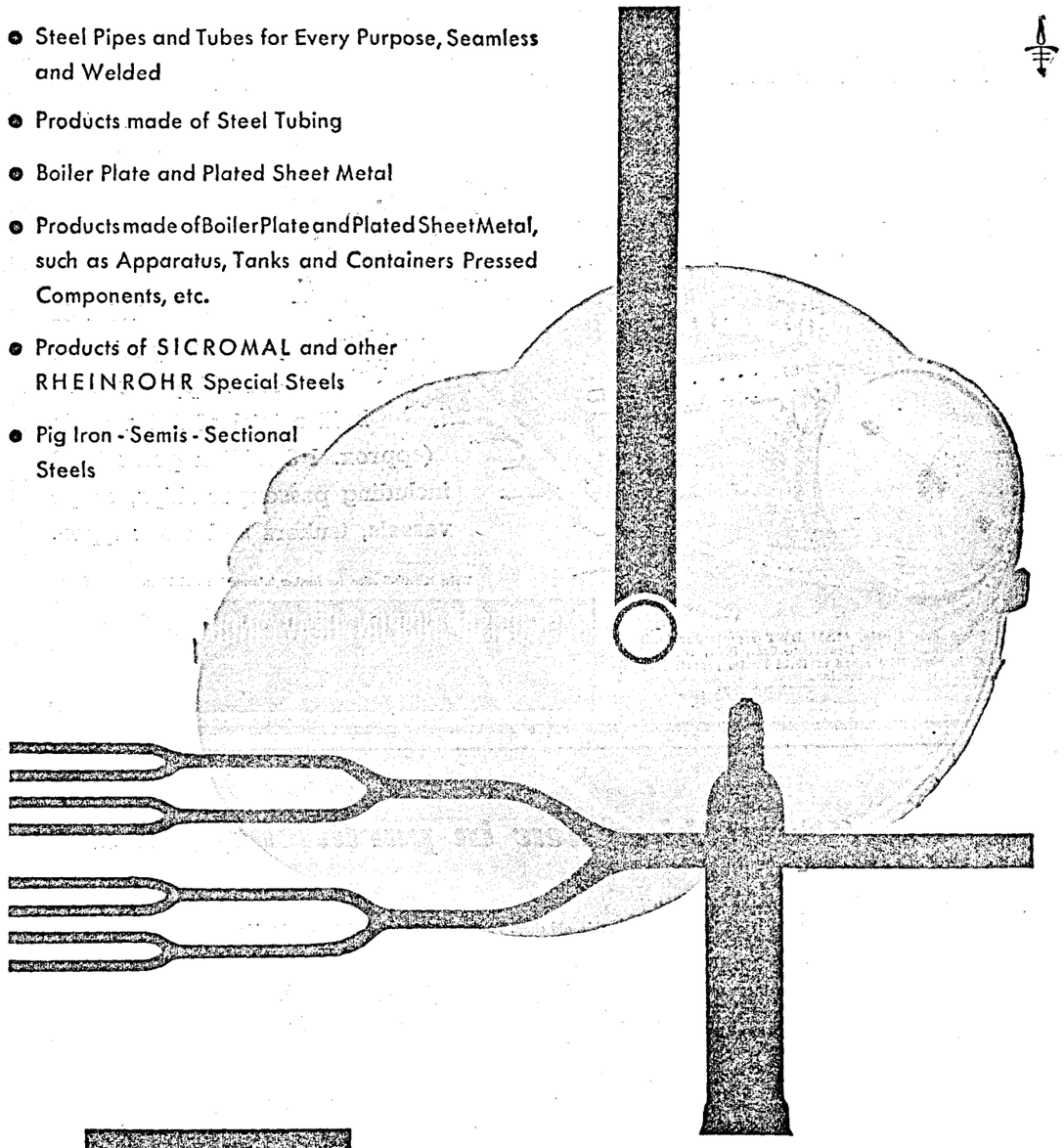


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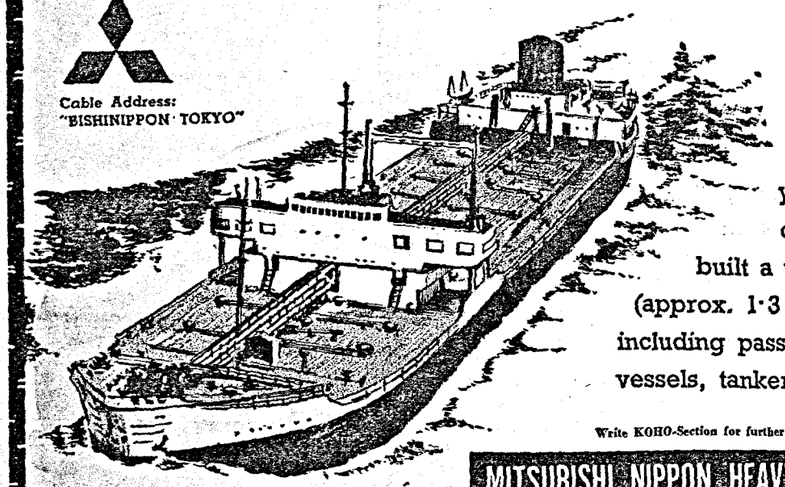
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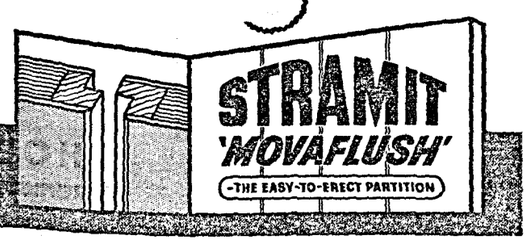
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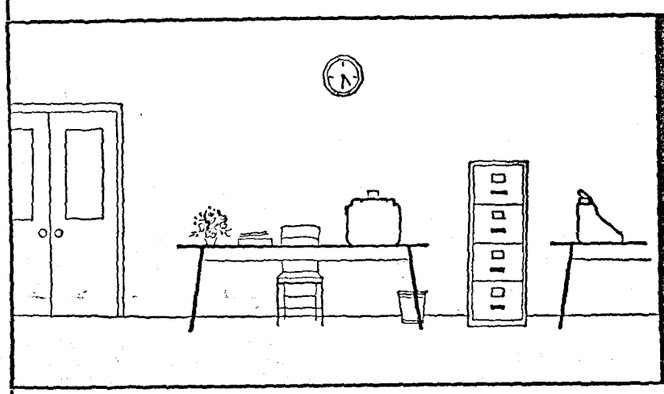


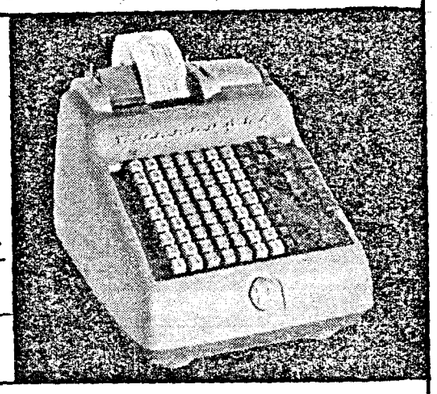
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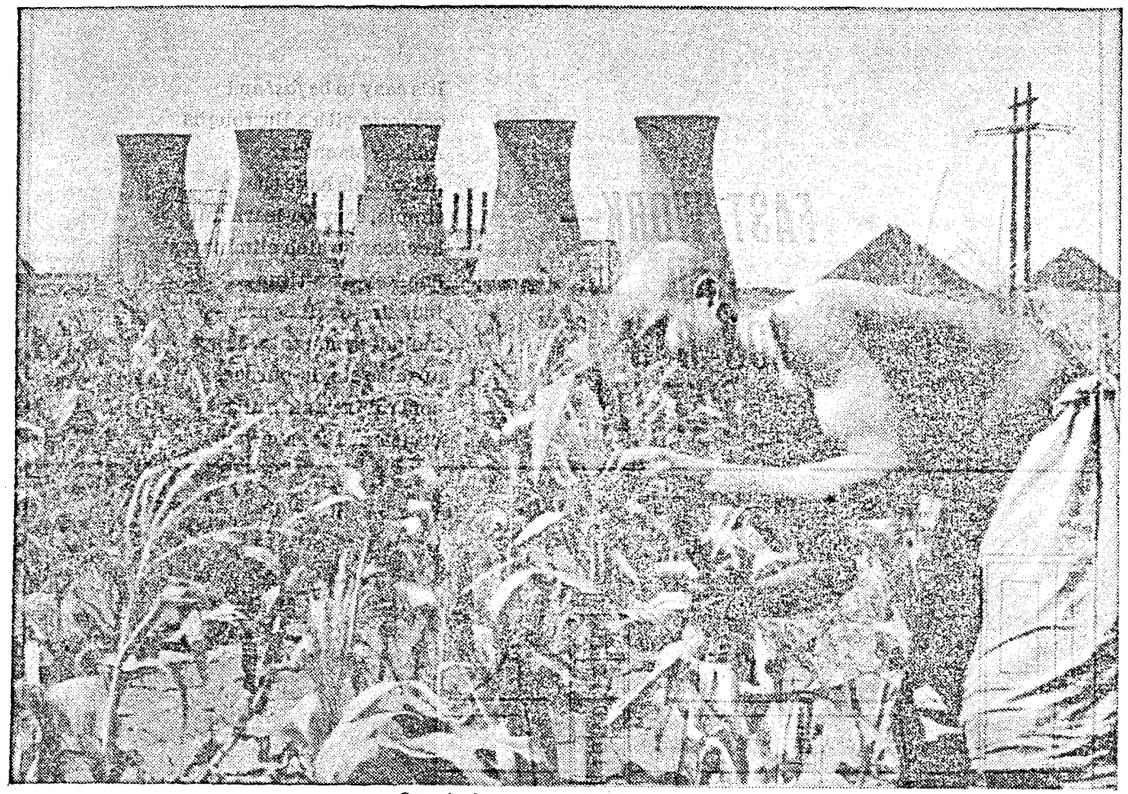
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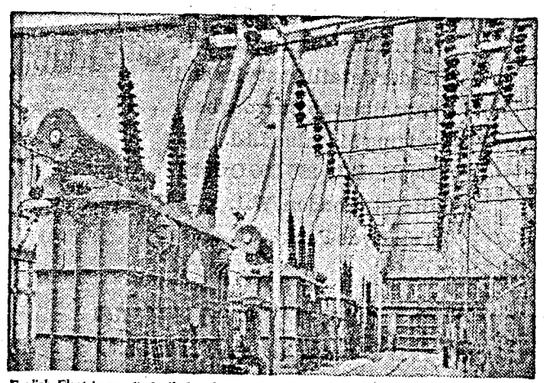
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The Economist

FEBRUARY 14, 1959

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An Independent Cyprus?

AT last it looks as if a new dawn for Cyprus may be breaking. The depressing cycle of abortive solutions and broken hopes, of mistrust and recrimination, of murder and repression, has been arrested by the agreement on an independent regime for Cyprus reached at Zurich on Wednesday by the prime ministers and foreign ministers of Greece and Turkey. Both sides were apparently agreed on the principle of independence before they came to the conference table; but it took five days of hard diplomatic slogging to hammer out mutually acceptable guarantees for that independence. That success finally came, when hope for it had been all but abandoned, was primarily due to the fact that for the first time both Mr Karamanlis and Mr Menderes were set on agreement, and ready to compromise to get it.

For the first time, that is, the indispensable condition for a successful solution of the Cyprus problem—agreement between Greeks and Turks—has been fulfilled: though Britain, to whom the island belongs, has still to give its verdict on what has been agreed. Earlier efforts to find a solution—the Radcliffe constitution three years ago, the British plan last June, and Mr Macmillan's pilgrimage to the eastern Mediterranean in August—all foundered on the mutual distrust of Greeks and Turks and on their consequent common determination not to abandon their conflicting claims. In fact, although Britain's fumbling with the Cyprus problem for thirty years must have contributed to the Greeks' and Turks' growing animosity, it has not in recent years been within the power of any British Government to root out their wickedly burgeoning mutual distrust.

That Greeks and Turks should now have taken matters into their own hands seems, in the light of all the attitudes that have been struck in Athens and Ankara, a near-miracle. And as always with near-miracles one can only speculate on how it has come about—and hope that it may not be, after all, a mirage. The heart of the problem was to get the Greeks and the Turks to exclude both enosis and partition. Last October Archbishop Makarios did in fact offer to forgo enosis in favour of independence and not to change the island's status without the consent of the United Nations. But his offer was regarded as equivocal by the Turks, who feared that enosis would be brought in by the back door after independence had been gained; and in October the failure of the efforts to arrange, with Nato's help, another tripartite conference made the Cyprus deadlock look more intractable than ever. But just before Christmas, when the Nato powers were meeting in Paris, the outlook brightened; the talks that Mr Selwyn Lloyd then held with the Greek and Turkish foreign ministers stopped the rot and pointed the way to this week's agreement.

Greece's rebuff at the United Nations last November and its deep dislike of the Macmillan plan which the British doggedly pressed on with; Turkey's growing disenchantment with partition in any form; the obvious impossibility of any settlement without compromise by both

sides ; increasing pressure from Washington ; above all, a more lively appreciation of the dangers to Greek and Turkish security involved in a perpetuation of the Cyprus quarrel—all these factors must have made their contribution towards bringing the Greek and Turkish leaders together. Their conduct of the Cyprus dispute has in the past often been criticised here ; all the more reason to applaud the courage, determination and good sense they have now shown.

There should be an equal welcome from the British Government ; and Mr Selwyn Lloyd's initial statement on Thursday in the Commons suggests that this is in fact forthcoming. Independence goes beyond anything that Britain has yet offered. With enosis and partition excluded, Britain is asked to cede its sovereignty. Until now British thinking on the future of the island has rested on the premise that it was necessary to have an interim period of self-government, during which passions on both sides could cool off, before settling Cyprus's permanent status. But now that Mr Karamanlis and Mr Menderes have agreed on the outlines of a definite solution, the idea of an interim cooling-off period loses its meaning ; what is now all important is to seize the precious chance of a settlement while it is there. The great majority of the Cypriots (who, as is often forgotten, are the people most concerned) will no doubt welcome in principle any solution that promises them stability, freedom and a quiet life, although our correspondent in Nicosia suggests (on page 602) that there are a good many doubts and reservations in the first Cypriot reactions. Presumably both premiers believe that they can sell their plan to their respective supporters at home—and their political opponents. Archbishop Makarios has lost no time in expressing his satisfaction. Whether Grivas will approve is more doubtful. He has always fought for enosis, and has not specifically endorsed the archbishop's offer of independence, although in his leaflets he has recently been demanding freedom rather than enosis. In a Cyprus at peace, his occupation will be gone.

The negotiators in Zurich had the blessing of the British Government and in return emphasised that they were keeping its interests always in mind. Details of the agreement have not yet been published ; and Britain's precise attitude will no doubt be governed by these. But one must suppose that the Government will thankfully endorse any settlement that allows it to retain base facilities in the island and provides reasonable guarantees for the minorities in Cyprus and against the island falling into undesirable (that is, communist) hands. According to unofficial reports these guarantees are to be provided both by the proposed constitutional arrangements and by treaty. Each community is to have internal autonomy exercised through separate Greek and Turkish communal councils ; above these there is to be a joint assembly, in which the Turks (18 per cent of the population) would have some 30 per cent of the seats. Legislation will require the assent, not only of the Greek president, but also of the Turkish vice-president, who will thus in effect, be able to veto any discriminatory legislation.

The independent status of the island is, it seems, to be preserved both by an international treaty of guarantee signed by Greece, Turkey, Britain and Cyprus, and by the presence of a joint Greek and Turkish force. British forces, too, are to remain on the island in possession of the bases that Britain now holds. Mr Selwyn Lloyd said on Thursday that sovereignty over these bases would remain unchanged. This should mollify some Tories ; it is to be hoped that the Cypriots, whose assent is necessary if the bases are ever to be of much use, will agree.

The British Government cannot by its own unaided efforts resolve the Cypriot conflict or impose a solution; but any solution requires its assent, and it has an essential and inalienable part to play in implementing the solution for which others are primarily responsible. Even though Greeks and Turks have at last agreed on what they wish to be done, a trying period of transition, of shaking down and changing gear, is inevitable ; it may well throw up difficulties and dangers threatening the success of the compromise settlement so painfully reached. Britain's particular contribution to this settlement must be to make sure that the Cypriots get off to as good a start as they possibly can in what all will hope is a new and happier chapter in their history.

Blank White Paper

Mum's the word from the Minister of Defence this year. Does this mean that Mr Sandys has fulfilled his mission?

SINCE Mr Sandys's last defence white paper appeared, public controversy has sharpened and hardened about the basic tenets of present British defence policy. The wisdom or error of the original decision to develop an independent British nuclear deterrent, the adequacy of our conventional forces, the sufficiency (both in military and political terms) of Britain's reduced contribution to the Nato shield forces and to the needs of our other alliances —all these have been keenly argued. But this year's white paper ignores the lot. Mr Sandys is not to be drawn. He has nothing to add, except 15,000 regulars to the army. For all the answers to all the problems the public is referred to the monumental white paper of 1957, as amplified last year. Policy is unchanged and unexplained ; all that the public gets this year are brief notes on manpower, new equipment and pensions.

This suggests either a contempt for the critics or a determination to run away from controversy with them. The questions that continue to be asked about the premises of our defence policy continue to be made more urgent by changing circumstances. There is the new evidence of Russian advances in rocketry which has led to warnings in America (examined on page 590) that Russia might be achieving a position in which it could destroy most of the West's retaliatory capacity at one blow and thus break the nuclear stalemate. Does this erode some of the original reasons given in 1957 for assuming that the West could safely make some economies in defence. There is General de Gaulle's accession to power, and his determination to develop France's nuclear deterrent, for precisely the excuses of prestige and independence of allied action once given for developing Britain's. Does this affect British plans or priorities ? And there is the threat to Berlin, which seems to pose the whole problem whether and in what form there might ever be such a thing as a European-type limited war— and to raise a host of questions about possible reliance on the graduated use of atomic weapons, which (or the alternatives to which) Mr Sandys has hitherto flatly refused to discuss. Against the rush of the past year's events, the incommunicativeness of this year's defence white paper stands out as starkly as did the bold (but not infallible) thinking behind its predecessor of 1957.

Why ? It is nonsense to suggest that in fact the military planners think all the right decisions were made in 1957. They do not. It may be that they cannot think of anything better, and do not wish to commit themselves to views that may look all wrong in February, 1960. Or it may be (indeed it is more likely) that the generals, admirals and airmen are deeply divided on crucial issues, and the Government no less ; so that the policy behind the defence white paper is simply the defensive one of keeping mum. The one explanation the white paper does give—about the reasons for raising the army's target strength from 165,000 to 180,000 regulars—is less than frank. The plain fact is that all the experts have always agreed that the safe *minimum* for the army is well above 165,000 (the Hull Committee recommended 197,000) ; and it would be absurd to turn recruits away when it looks as if the Hull figure can after all be approached. In this respect, Mr Sandys took a great risk with the country's security in 1957, and Britain (and Nato) should now be relieved that the full penalty of that risk is not having to be paid.

NO doubt the imminence of a general election has played some part in the drafting of this year's white paper. The two previous papers produced a deal of controversy. Last year an excited argument was set off by Mr Sandys's warning that a massive attack by the Russians with conventional weapons would be met with nuclear weapons. By contrast, this white paper, by keeping out of all controversy and merely detailing this year's shopping list of hardware for the services, will have a politically sedative effect. (If it has this effect in Nato it can be claimed even as an advantage.) Economically, too, it is neutral. Mr Amory's task of tax remission in April is not made even easier by the new defence estimates (which, at £1,514 million, are some £20 million greater than expected actual expenditure for the current financial year) ; but the Chancellor has not allowed to the defence departments the additional real resources which some of the civil spending departments are to enjoy. The £20 million extra for defence will be more than absorbed by increases in prices, service pay and pensions.

In real terms, in fact, spending on the army is taking a small but quite significant cut. That needs to be remembered when considering the white paper's promises of a lot of badly needed new service equipment (see page 615) and more hydrogen warheads to boot. Some public criticisms of the army's scruffiness may appear to be met by a hopeful list of the scout and armoured cars, trucks and submachine guns and FN rifles it is now getting. But there are notable gaps in the list, such as tanks, carriers, antitank guns and wireless.

By contrast, the navy (awarded £30 million more than in its original estimate for 1958-59) is to get at any rate some of the money needed to modernise its ships ; and it is told again that the nuclear submarine *Dreadnought* is coming along. The RAF is to get its Canberra replacement, its supersonic fighter to defend the deterrent and, above all, more transport planes. But the white paper gives no real guidance on what these aircraft will mean—to take an urgent point—in terms of the actual units which can be transported with their equipment to a given brushfire. Again, it does not deal with the older aircraft carriers, which might do useful service as combined trooper and commando launchers It discusses the British deterrent without a hint that what matters is not what you have on the ground but what you can get into the air in the time it takes for a missile to reach Britain from Poland. It gives no data for considering the rightness or wrongness of the choices Britain can make and the priorities these entail.

The white paper also omits all reference to the reorganisation of the central defence planning system, which last year put—presumably—the coping-stone on Mr Sandys's work. For Mr Sandys was called into office partly in order to end the inter-service rivalries: to start a new era of inter-service thinking, which alone could bring the 1957 plan (or indeed any defence policy nowadays) to full fruition. Can the reasons for the white paper's silence about the reorganisation be that the disagreements on the Defence Board suggest that this object is still far from realisation ? Or can it possibly be that the reorganised *Oberkommando* is working so well that Mr Sandys looks as if he might be working himself out of a job ?

It would indeed be no shame to him if he was. Let it be fairly said that as defence minister Mr Sandys has done a tough, unpopular, intellectual job for the Government. He created a defence policy in a few weeks of hectic bulldozing work in 1957, out of a

vacuum where Britain previously had virtually no defence policy at all. In some of the details of his plan, such as in his assumption that the country could recruit a regular force of 375,000 in all arms after the abandonment of conscription, he has proved himself splendidly right and most of his critics shamefacedly wrong. But even if he were also right about most of the other details of his policy, does not the laying of the coping-stone on his reorganisation (personified by Lord Mountbatten) mean that his mission is fulfilled? Does it really need a man of Mr Sandys's restless energy, blunderbus approach to personal relations and passion for minutiae as well as principles to keep an established machine running? Or to produce another such white paper as this?

Alternatively if, as his critics believe, this white paper suggests that a second look is needed at some of the policies of 1957, does not Britain require a new minister to take it? A decision-maker who has had to fight ruthlessly to get any decisions accepted is not well-placed to look back later to see (and then explain) whether and why some of his decisions were wrong. It would be no personal disparagement now if the Prime Minister were to move him on. There are other ministries that need a man like Mr Sandys—even if the thought sends a thrill of fear round Whitehall.

TOWARDS THE NINETEEN-SIXTIES—IV

Afro-Asia's Casting Vote

Emancipated, or in course of emancipation, from European rule, the peoples of Asia and Africa are impatient with the great-power conflict and inclined to set their own course. The fourth article in this series considers how their attitude is likely to affect the world balance of forces.

In one sense, the cold war suits Asians and Africans pretty well. True, their tendency to deplore the whole thing is genuine and natural. Intent on their own problems, most of them resent being pressed to take sides; they long for the resources now poured into the arms race to be diverted to their advantage; they are no less worried than the rest of us about the risk of world war. Yet their more sophisticated leaders have learnt to make quite a good best of the situation. To be wooed by wealthy rivals can be profitable. The arms race maintains demand for certain primary products; and above all, if there were no nicely balanced great power conflict, Asia and Africa would not wield a sort of "casting vote" on many international issues.

In this sense, it is as much to their interest that the world should remain sharply divided as it was to Britain's interest, in the days of Eyre Crowe, that continental Europe should not come under one dominant authority. If the communist block did not exist, Asia and Africa would, at best, be less well placed to bargain with the West; if the West did not exist, or even if its strength were sapped, they would be easy prey for the communist powers. As things stand, however, despite their economic and military weakness, their wishes often have to be taken into account, even by the super-powers.

The logic is simple. If Asia and Africa finally reject communism, as Europe has already rejected it, Soviet dreams of world-wide victory will be just as finally exploded. If they accept it, liberty will be doomed—in both the Old World and the New; for a "free world" comprising only the Americas and western Europe could not withstand a communist system that controlled three quarters of mankind—unless it sacrificed its own freedoms to some form of total discipline.

A casting vote is not a veto. Asians and Africans have learnt the limitations of their influence as well as its extent. During the first postwar decade, as they advanced to an ever more prominent place on the world stage, their natural tendency was to exploit the cold war situation to obtain concessions from the formerly dominant West. This phase reached what seemed a triumphant climax in 1955, with the Bandung conference, at which a newly emancipated Asia claimed to serve notice on Europe to quit Africa too; with the Bulganin-Khrushchev honeymoon tour of southern Asia, and the Russian arms deal with an Egypt which was, at the same time, gathering in promises of aid toward the building of the Aswan high dam; and also with the formation of the Baghdad alliance, which, however hotly resented by Egypt and India, did create new Asian claims on western support.

From 1956 onward, however, things became more complicated. Doubts developed about the "disinterested" nature of Soviet aid. Burma, Ceylon and others learnt painful truths about barter deals with the communist powers. And although the shock of the Suez adventure temporarily alienated nearly the whole Bandung group from Britain and France, Asians and Africans noted with appreciation the "uncommitted" attitude of other western countries, and some of them drew two further conclusions: first, that the West was no longer up to playing the old role of ogre; secondly, that "uncommitted" Asia and Africa themselves should take more care to see that their actual words and deeds did not widen the gap between them and the West.

But to recognise the West's relative loss of strength and the need to adjust the balance accordingly is a very different matter from taking the western side. Apart from the Chinese, already engulfed by communism, there are well over a thousand million Asians and

Africans, and very few of them—most of those few being directly under the shadow of the Russian and Chinese giants—feel involved in the world struggle to stem the advance of communism. In part this reflects a false sense of security, and some indifference to personal liberty; but among politically active Asians and Africans, the biggest factor is still a desire to be fully free of western dominance in any form—including the dominance of western concepts of world politics.

Westerners may understandably be puzzled by the continuing intensity of this seeming obsession. Since the war, nearly 700 million Asians and Africans have been emancipated from European rule; twenty-one new sovereign states have sent their representatives swarming into the United Nations Assembly; in vast areas where Europeans did not ostensibly rule but in fact had the final word, sunset has also descended on the consuls; and the great retreat still goes on. In 1957 Malayan independence effectively completed the European withdrawal from mainland Asia, leaving only a spattering of coastal specks, from Aden and Kuwait by way of Goa and Singapore to Hongkong and Macão. Next year, when Nigeria, Cameroons and Somalia become independent, the greater part of Africa's population will have passed out of the European hands into which it fell a bare life-span ago; France has already invited all its dependencies south of the Sahara to opt out if they wish; and with the cracking of the Congo "dyke," the pace of change is now quickening not only in West but also in East and Central Africa.

The westerner of today may well feel that the Bandung crusade is all but won. How much faster, he may wonder irritably, do these fellows expect things to go their way? Can it be that they really are leagued with the communists to goad and persecute a West which is already in full retreat?

Certainly, the communist powers miss no opportunity of exacerbating disputes between Afro-Asia and the West, and they do their utmost to capture and direct anti-western movements. To identify themselves with Asian and African nationalism, they have been willing to fawn upon backward or even barbarous potentates, as in Yemen or Afghanistan, to acclaim the atavistic beastliness of Mau Mau, and to woo governments which, like Burma's, are at war with communist rebels, or, like the United Arab Republic's, have suppressed and imprisoned their own communists. But however successfully they have exploited Afro-Asian anti-westernism, they are not responsible for its continued existence. It continues to exist partly because there are still territories, not only in Africa but around the Arabian shores and elsewhere, that are restive or rebellious against European control; partly because political independence does not always make those who now enjoy it feel wholly free of foreign domination.

Suspicion of the West may linger to an unreasonable extent, but it is scarcely surprising against the historical background. The foreign companies that developed the modern economy of Asia and Africa still loom large after the transfer of political power; and their burra sahibs and bwanas, effendis, tuans and taipans have not all adjusted themselves to new forms of gracious co-existence. Western offers of alliance are apt to awaken, in Asian ears, echoes of bygone treaties which at first tempted sultans, sheikhs and rajahs with the promise of protection, but in due course drew them into a less welcome tutelage. Monstrous blunders like the 1956 attack on Egypt, and lesser miscalculations such as marked British and American actions in the Arab world in 1958, all leave their mark. And, towering above all other factors, there is western man's seeming inability to rid himself of racialism.

Racialism is stranger than fiction, and the distant observer may find it hard to believe that, eleven years after India became free and sovereign, a colour bar should still be applied in a Bombay swimming pool. Such a bizarre exception might be held merely to prove the rule; but there are many less bizarre, and more alarming, instances, ranging from the supercilious conduct of certain senior British staff at Durgapur, where Indo-British teamwork is furthering India's steel programme and ought to be furthering Indo-British personal relations, to the offensively infantile treatment by white Rhodesians of the political leaders of their African "partners." It is perfectly true that the white man has already divested himself of much of his racial arrogance along with his burden; it is also true that in our grandfathers' days Asians and Africans accepted white superiority as part of the scheme of things (their own world being itself stiffly hierarchical). But their demand for racial equality has grown, and is still growing, faster than white enlightenment.

Communist China's appeal to the Afro-Asian mind rests only partly on pig-iron production; just as telling has been the sight of a once prostrate and humiliated country getting its own back on the proud white man in many different ways. Egypt has done the same; Japan, although brought low in 1945, had previously won Asia's admiration twice—in 1905, when it defeated Russia, and in 1941-42, when it swept the Americans and Europeans out of the whole Far East.

It would thus be a dangerous self-deception for the West to suppose that Asian and African aspirations can be satisfied by purely economic and diplomatic means. The under-developed countries—facing almost unimaginable economic tasks, and problems which in some ways are becoming not less, but more, acute—are indeed crying out for aid, and for support in such forms as an open door and price stabilisation for their products; but their sensitivity about the terms on which they will accept aid should be given its full significance. Neither power block can hope to buy more than a fraction of their favours, however much the emphasis is shifted from the making of alliances to the distribution of aid. Indeed, as postwar Europe also learnt, over-dependence

on foreign aid is apt to deepen the resented feeling of inferiority ; note how the communists have sought to present many of their offers of aid as normal commercial transactions between equals. Asia's ambition is—and Africa's will be—to pay their own way to economic advance by regular trade, not aid.

Asian and African eyes will long be fixed on the goal of equality in terms of respect—both personal and national respect—and on the problem of lifting backward economies out of stagnation near the poverty line. And in many Asian, and almost all African, states, the political structure itself, under the strain of tremendous economic and social pressures, will remain for years a matter of contention ; the series of military coups in 1958 was only one illustration of this continuing ferment. Moreover, fears and conflicts between and even within the new states themselves—Kashmir, Arab rivalries, and splintering trends in Indonesia already provide examples—can be expected to continue and probably to increase, particularly as new African states emerge, with poor prospects of independent viability, and artificial frontiers which reflect the accidents of colonial history.

Small wonder that the communists see in these regions limitless possibilities for the sowing of their seed, which thrives on frustration, insecurity, and uncertainty about the way ahead. Against them, there are the signs of an emerging maturity, of a new scepticism about the glittering promises of Moscow and Peking, about the value of ritual pledges of non-interference, about the wisdom of slapping down the foreign investor with one hand while beckoning him in with the other. No single standard can be applied to a group of peoples who range from the sophisticated Japanese to the Congo pygmies. But it is as unlikely that Asia and Africa will advance willingly into communism's bear-hug as that they will set aside all their old scores against the West and fall demurely into line with its policies. While the stalemate between the super-powers lasts, they will retain their kind of casting vote.

Should Charity Begin in the Office?

A suggestion to Mr Amory for one small and specific tax reform

THE publication of the £3 million list of subscribers to the new Churchill College again emphasised the part that is being played by industry in providing the main sinews of charity in Britain today. Like the fund for the advancement of scientific education, which has provided schools outside the state system with another £3 million, this latest benefaction is a measure of industry's anxiety to swell the flow of trained scientists available for it. But industry does not direct its largesse to utilitarian objects alone. National appeals, such as those for St Paul's and Westminster Abbey and for the disaster funds, are underpinned by the gifts of the business world. This country has insensibly drifted into a position where the main impulse behind the stream of charity in our national life is provided by boards of directors, who have taken upon themselves the charitable impulses of the shareholders in the individual companies concerned.

Is this a good thing ? To pose this question is not to attack charitable businessmen ; the country is very lucky that they are doing the job if it is inevitable that nobody else could. Certainly the welfare state has not, and should not have, rendered independent charitable effort unnecessary or undesirable. Plenty of avenues remain —the young and the aged, the uneducated and the pagan—all the gaps that a munificent state does not fill. But the gaps are obviously likely to be filled—or left unfilled—in a different way when the main benefactors are big industrial concerns and when private giving is stifled by Britain's tax laws. Charity which begins in the boardroom is liable to be more inflexible in its practical effects, as well as being arguably more dubious in some of its implications, than charity which begins in the home. At the very least, tax laws should bear no more heavily on the individual who gives away his own money than on companies who give away their shareholders' money.

At the moment the British tax system smooths the way for gifts by the boardroom and impedes that for gifts by the individual. In making its contribution, industry is able to carry the Revenue with it as sleeping partner, to the extent that its contributions are about doubled by the tax relief obtained. If the charitable object is one that directly benefits the employees of the donor company, so that the money is " wholly and exclusively laid out for the purposes of the trade," full relief is available for both income tax and profits tax purposes. Together, these taxes now amount to 10s. 6d. in the pound, so that a contribution of £1 will cost the company only 9s. 6d.

If the charitable purposes are remote from the company's business, relief can still be obtained for income tax purposes (though not for profits tax) either by the execution of a deed of covenant or by the creation of a charitable trust by the company. If a covenant is used, the company must undertake to make a regular annual payment for a period exceeding six years. The charitable trust, which is being increasingly used as an alternative, provides a means whereby a company can undertake to pay a certain amount to charitable trustees for seven years or more without committing itself in advance to make payments to any one particular charity. The trustees distribute the funds from time to time as and when they like.

An individual can also save income tax by executing deeds of covenant. But since 1946, when Mr Dalton objected that rich men were making themselves look charitable at the Revenue's expense, an individual has not been able to claim any surtax relief in this way. It is surtax at up to ten shillings in the pound that is stifling private charity ; and, in a year when Mr Amory is likely to have tax revenue to give away, there is a strong case for saying that something specific should be done to revive it. But the wisest course would not necessarily be to repeal the Dalton amendment. Deeds of covenant are things that only the very rich or very charitable are likely to draw up ; a charity tax law based on them would not make it easier for the ordinary man to yield to a generous impulse at the time of, say, an influx of Hungarian refugees or of some particular local or national call which especially appeals to him. An alternative suggestion can be proffered to the Chancellor.

Would it not be possible to exempt charitable donations aggregating not more than 5 per cent of an individual's taxable income from both income tax (without need for covenants) and surtax ? This would be in line with long-standing American practice—which, indeed, allows relief on up to 30 per cent of an individual's income. It is not possible to estimate how much such a concession would cost the Exchequer: probably relatively little in the short run, especially as many of the causes which wither while private charity is impeded tend to fall back on state support of one sort or another in the end. But if, in the longer term, the state found that more money was going to charity than it could afford to allow to escape from its own coffers, it could then reconsider income tax law in relation to charity from a position of equality as between industrial and private donations. It might well find then that it would be better to begin to tighten up at the business rather than the individual end of the line.

NOTES OF THE WEEK

FRANCE

The Willing Horse

MR DULLES'S diplomatic stopover in Paris on February 6th was brief enough to show how changed times are. After London's restiveness, Paris seemed as willing a draught horse for the Nato relief column into Berlin as anyone could wish for. Complete agreement was unanimously reported after his meetings with President de Gaulle and MM. Debré and Couve de Murville. The President, although personally dubious about inviting the Russians to a conference before the Berlin ultimatum expires on May 27th, did not insist on the point. For him, the preservation of the axis with Bonn, forged at Bad Kreuznach on November 26th, is clearly paramount, a gesture which Dr Adenauer, interviewed for French television on the day Mr Dulles was in Paris, responded to with warm recollections of family life at Colombey. President de Gaulle is being credited in some quarters with having taken the initiative in the allied talks on dealing with a Berlin blockade.

The French reaction to Mr Macmillan's Russian visit—which seems to have been arranged without undue consultation with Paris—self-righteously reflects this new toughness. Where the journey has not been dismissed as pure electioneering it is seen, equally darkly, as a sign of British unreliability. Mr Macmillan seems to be doing off his own bat exactly what British and American diplomacy feared General de Gaulle might try last year—and what is more, he is doing it first. The reversal has been too neat for it to be played down in the gaullist press.

Besides Berlin, the Elysée talks centred on President de Gaulle's own plans for a triumvirate to direct western policy outside the Nato area. Government and press in Paris have put great emphasis on the meetings between Mr Murphy, deputy under-secretary of state, and the British and French ambassadors that have been going on in Washington for the past two months. Western political consultation, they claim, is now back to pre-Suez effectiveness. Yet there seems to have been little progress toward the tight world-wide integration of policy, particularly in military affairs, that President de Gaulle has sought. Nor is it likely to develop.

(*Mr Dulles's visit to Bonn is discussed on page 608.*)

ALGERIA

In M. Mollet's Footsteps

THREE years after M. Mollet, another prime minister, the gaullist M. Debré, was hooted by the crowd at the Algiers war memorial on Monday. M. Debré answered back on the spot. His more formal speeches did, however, steady the nerves of the European population which had been sadly frayed for some weeks by distrust of President de Gaulle's clemency measures, a perceptible rise in rebel attacks, and rumours of an impending rundown in army strength. Encouraged by local firebrands and by metropolitan deputies like M. Biaggi—in Algiers to address the new *Mouvement Algérie française*—the settlers were again impatient to hear the word " integration " on official lips. Eight months of gaullist rule had not given it them, and M. Debré was not the man to break a good habit. His vocabulary, including the affirmation that Algeria was a " land of French sovereignty " and that France would remain there, was popularly held to be more integrationist than the President's. But he made it clear that the Presi-

dent's policy was sacred; for a prime minister, it seems, only phrasemaking is moderately free.

M. Debré's chief task was to launch the Constantine plan to provide 400,000 new jobs through industrial and agricultural development in the next five years. At the opening meeting of the planning council M. Delouvrier, the delegate-general in Algiers, emphasised that one asset the government was relying on was French industry's new willingness to invest in Algeria's future. The extent of this willingness, and of the prospect of attracting German capital, has still to be discovered. A governmental decision on the proposed iron and steel works at Bone is hoped for next month; but first the French steel industry has to have its say.

The settlers' fears that the French army effectives will be reduced this year have been partly allayed by official reassurances. Because of the drop in the birthrate during the last war the conscript classes available for service will be appreciably smaller and Algeria's claims may be hard to meet. The idea is disconcerting to a population that has seen how it is beyond the strength even of the present huge army to stifle the rebellion.

LABOUR AND GERMANY

Purloining the Gaitskell Plan

THE revival of newspaper headlines about a split in the Labour party over Germany, occasioned by the appearance of rival backbench motions on the order paper, is almost certainly premature. The old Bevanites are in no position openly to challenge Mr Gaitskell, who in the last resort would be even more inclined to use the big stick on insurrectionists against Labour's foreign policy than Mr Attlee was. Instead their tactic has been to pretend that, by favouring discussions with the Russians about disengagement, the party has at last seen the light and to all intents and purposes come round to the point of view for which they had, such a short time before, been facing martyrdom. Of course there are still a few little matters outstanding between them and the leadership, such as their desire that Britain should refuse to have anything to do with the H-bomb or American rocket bases. But last week Mr Mikardo, speaking with the authority of the vice-chairmanship of the national executive, told a television audience that whatever might be said during the election campaign the party would before the end of the next Parliament have come round to his group's view on the H-bomb also.

There are about 40 Labour MPs in this group, all of them former Bevanites from the heady days when Mr Bevan was one too. The tone of their propaganda was set when Mr Zilliacus shouldered his way on to the platform at the "Victory for Socialism" rally at Scarborough, pronounced in his most patronising manner that, despite a few factual errors, the party's foreign policy was now not in too bad a shape, and added his personal word (on the basis of his talks with Soviet officials) that the gap between this policy and that of Russia was not unbridgeable; within the party the leftists' line is that, since it is their heresy that has become the new orthodoxy, they have a special right to interpret it. But the point is, of course, that, by recommending discussions about disengagement, the Labour party has not swallowed whole the Bevanites' former argument for a unilaterally disarmed western Germany. And it is certainly not committed, as the new Silverman-Mikardo-Zilliacus motion would commit it, to anything so rash as the public acceptance in advance of negotiations of the Russians' views on the *de facto* recognition of east Germany and the formation of an all-German Federal Council by the two Germanies.

Mr Gaitskell sensibly decided that there was no need for him to deter this minor show of activity, which has stuck almost ludicrously close to the sequence of revolt mapped out for a left-wing group in Wilfred Fienburgh's posthumous novel *No Love for Johnnie*. He left it to Mr Herbert Morrison and ninety-four other Labour members, including four who in the far too casual way of Westminster had originally lent their signatures to Mr Silverman, to restore perspective by tabling an unexceptionable amendment calling for a four power conference on Germany. But the major question for the longer term must be the personal effect on Mr Bevan of the increased activity of the Mikardo group. In the last few months, Mr Bevan has leaned over backwards to keep out of the rebels' way (and thus also of their fire). By doing so, he is in danger of giving the impression, in the quarters whose confidence he most needs to gain, that if he comes to office his policy could be vulnerable to the sapping and mining of the busy men on the left whose idol he used to be.

RESTRICTIVE PRACTICES

No Myth

THE National Joint Advisory Council, a body composed of 17 employers, 19 trade unionists and 6 representatives from the nationalised industries, all under Mr Macleod's chairmanship, has produced the only sort of report so unwieldy a group could produce on restrictive practices in industry. So many voices had to be heard on the council before the lowest common multiple of agreement was reached that the result is an extreme form of portmanteau writing. It contains no conclusions, a great deal of circumlocution, and defensive phrases galore; but the council does have the results of an initiative to report. In 1956 it sent out letters to employers' organisations and unions covering the great majority of workers in British industry, asking if they had any problems of "manpower efficiency" (officialese for restrictive practices), and whether they would set up machinery for union-employer discussions about them if they had.

After an initial period of utter apathy, during which it appeared that hardly anybody was going to reply to the minister's letter, the council is now able to report that industries employing 29 per cent of workers in British industry said they had no problems of manpower efficiency; 39 per cent agreed they had some problem, but said that they would or had set up joint consultation machinery for dealing with it (varying, of course, from the vigorous to the useless); and 7 per cent had labour restrictions but saw no hope that the unions would co-operate in effective consultation machinery at all. Another 16 per cent of workers are in industries which were not asked to report to the council (including the National Health Service, which might well have had something to say), and the remaining 10 per cent either did not reply to the minister or in effect told him to go away. Among the most important industries, the engineering industry is listed as having machinery which could discuss problems of restrictive practices, but the council "had some misgivings" about whether it is doing anything effective. In the shipbuilding industry, the employers feel that, despite a signed agreement in 1957, "the unions concerned have shown no willingness to discuss outstanding problems." And the National Federated Electrical Association (faced by the ETU) does "not consider that any purpose would be served by discussion with the union concerned."

One can form one's own judgment of the extent of restrictionism in industry according to how these figures and facts are viewed (the council makes much of the 29 per cent without restrictions, others might make more of the 46 per cent with them). The council does not report a single instance in which, as a result of its initiative, any restrictive practice has yet been abandoned. But at least, where some machinery of consultation has been set up or reactivated, any impact from the council's initiative can only be for the good; even if most of the old restrictive practices remain, the introduction of any new ones would cause some red faces at future council meetings.

IRAQ

Old Politics—New Economics

THE sorting out continues in Baghdad. On February 7th, Prime Minister Abdul Karim Qasim appointed eight new cabinet members to replace six whose resignations had been accepted on the same day. Now there are no Baath socialists or Istiqlal conservatives left in the cabinet. The leading parties of the old opposition to Nuri es-Said are demoralised. The Baath overplayed its hand in the Aref affair and the right-wingers are clearly out of step with prevailing trends in Iraq. Three of the new ministers are from the army; the new foreign minister represented republican Iraq at the United Nations last summer. Dr Ibrahim Kubba, minister of economics, and Muhammad Hadid, minister of finance, remain in the cabinet. These changes are further discussed on page 605. None of the new members is regarded as being a strong communist sympathiser, but the enemies of the Baghdad government claim that the cabinet counts for nothing, and that Iraq is being ruled by a small clique of communists who issue the orders and instructions and direct the press, radio and television.

Colonel Abd al-Salam Aref, only last July the hero of the Iraqi revolution, was sentenced to death on February 5th at the tenth secret session of the court set up to try him for plotting against the regime and attempting to assassinate the prime minister. Aref pleaded not guilty to both charges and was found guilty only of the second. In what was not so much a recommendation as it was a reminder, the court mentioned the prime minister's right to exercise clemency should he choose to do so.

It may be true that the Iraqis are, as they insist, politically holding their own against the inroads of communism but they appear to have weakened where matters of economics and development are concerned. According to a statement broadcast on February 7th, the pattern of Soviet economic penetration already established in Syria and Egypt is to be extended to Iraq. A Soviet economic delegation and the Iraqi ministers of economics and finance have agreed in principle on the provisions of a draft agreement involving large-scale economic and technical co-operation. In dealing with their new friends the Iraqis may feel that they are in a more comfortable bargaining position than Syria and Egypt. For so long as the West continues to buy the oil of Kirkuk, Mosul and Basra the Iraqis need not become totally dependent on Soviet largesse and trade.

KUWAIT

A Local Affair

THE admirers of President Nasser and the United Arab Republic are many in Kuwait. To celebrate the first anniversary of the founding of the UAR, on February 1st, they received permission from the Kuwaiti authorities to have a parade and speeches in the public square between Jashanmall's Indian stores and the British bank. Sheikhly approval was expressed by the gift, from Sheikh Abdullah Mubarak, of fifty sheep to be consumed by the crowd after the ceremonies. Everything went according to plan. The populace cheered Abdullah Mubarak as he took his place on the platform and everybody settled down for a jolly Arab time.

The organisers of the event had, however, imported a surprise package in the person of Ahmad Said, the Egyptian political commentator whose gravelly voice is well known to the millions who listen to Cairo's Voice of the Arabs. Ahmad Said had not come merely to promote good will; he launched into a violent attack against the present government of Iraq—a display of bad manners which infuriated his host and did not please all the crowd. The Kuwaiti authorities are sensitive to the dangers of antagonising the government of Iraq, whether monarchy or republic.

While they would not object to a pro-Nasser or a pro-Qasim speech, they know that criticising either leader is something that even the rich little state of Kuwait cannot afford. The four organisers of the anniversary celebrations were arrested. The political clubs and newspapers, ordinarily regarded as places for letting off steam, were closed temporarily. There was no state of emergency and, for once, the oil company and the British escaped criticism.

There is some doubt whether the goings on in the public square are connected with the changes in government posts announced soon after. The ruling family remains firmly in control. All security forces have, after years of discussion, come under the control of Abdullah Mubarak, who appears to be consolidating his position as heir-presumptive. The appointment of Sheikh Jabr al-Ahmad as president of the treasury and the ruler's representative to the oil company is generally welcomed, because he is active and popular, but also because this is the first time the ruler has allowed anyone else to touch the finances of the state.

ECONOMIC CONTROLS

Set Imports Free?

FOR the first time in just under twenty years Britons are now, in effect, free to use and spend their own money in their own country as they like. Last week's discontinuance of official scrutiny over British capital issues can reasonably be described as the demobilisation of the final small rearguard of Britain's once vast system of domestic rationing and internal physical controls. The few remaining internal economic controls are all, in practice, social or political or merely administrative in intent; the most important are the remaining rent restrictions on working-class

housing and the various powers used to try to divert new factory building away from flush areas towards, if possible, regions with above-average unemployment. Nobody would suggest that these controls are likely to be made looser before the general election. But the Government must still be hoping to do something in this Parliament about two of the three major external economic controls that remain: Britons are still not free to import all types of foreign consumer goods, or to spend as much as they like on foreign travel, and (officially at any rate) they still cannot export their capital without permission.

The Government promised at Montreal that it would move forward this year to relax import controls on consumer goods from the dollar area. Remaining controls on imports from outside the dollar area are unimportant from a balance of payments point of view, although important to the domestic industries they protect (e.g., the jute control, or quotas on some isolated European manufactures such as watches and cameras); there will be no political incentive to relax these before the election. The balance of payments difficulty about relaxing import restrictions from the dollar area is that nobody can tell which American goods the British people are really hungering for, after having been cut off from American suppliers for twenty years. For some goods (such as American motor cars) it is clear that Britons are not hungering at all, since the tiny quotas already allowed have not been fully taken up. For other goods (such as tinned salmon, which was put on the open list to please Canada at the Montreal Conference) the initial response to freedom has already given the Board of Trade a fright; possibly of course, difficulties in selling the salmon will frighten future importers also. Perhaps one of the biggest question marks, however, is how much of the £900 million-odd of the national income now spent by British teenagers would go on American "pop records," natty gents' suiting and other aspects of transatlantic culture if the Board of Trade sets imports free. It will be interesting to see whether the strategy in liberalising dollar imports will be to concentrate first on lifting controls altogether on a wide range of goods for which there is unlikely to be any additional British demand, or on raising quotas gently on the things that the Government thinks the British people probably want most. The former strategy would look more impressive, and the latter strategy do more good.

And Tourists Too?

SIMILAR problems of tactics will presumably arise if and when the Government decides to increase the foreign travel allowance, which is now £250 a year for British tourists to Scandinavia and £100 a year to everywhere else. There is no doubt that British tourism (which is already by no means a light element in the balance of payments) is likely to cost the country an increasing amount of foreign exchange; as industrial workers get richer, more and more are likely to spend their holidays abroad. But not many people can afford more than £100 each for an annual holiday anyway, so that to raise the general allowance to the Scandinavian limit probably would not be costly.

Unfortunately, an increase of this sort would not remedy the worst defect of the limited travel allowance today. The main trouble is not the restriction the present limit imposes on the annual holidaymaker, but the barrier it places in the way of a rather longer stay abroad by private British citizens (such as retired people who want to seek a year in the sun, or professional people on a private sabbatical year abroad, or young people whose parents might be willing to finance them on a year of travelling abroad as an alternative to giving them a university education). The usual argument is that there can be no general de-control for these people (although there can be, and have been, some *ad hoc* administrative relaxations) because general de-control would in effect open the door to the export of British capital, which most people think should not yet be freed. Is there not a simple way out of this difficulty? Could not the Treasury lay down that, as an alternative to the £100 or a £250 annual allowance, any private citizen who wished to could opt instead for an allowance of £3 or £4 a day?

NUCLEAR DISARMAMENT

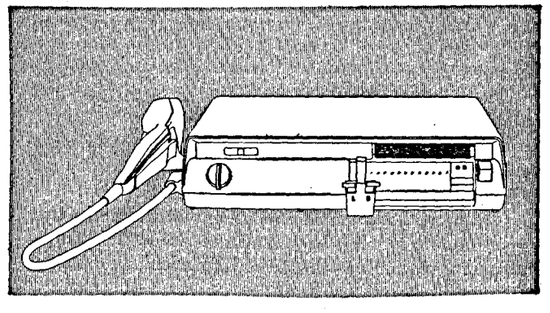
The Nth Power

LORD SIMON OF WYTHENSHAW'S motion on a pact of renunciation of atomic weapons by the middle powers was worth debating in the House of Lords on Wednesday. At least it focused some attention on the state that the world can expect to get into, as the number of nuclear powers grows, if no agreement is reached to arrest the nuclear arms race. The end in view is one to which almost everyone (Lord Strang was of the minority that favours atomic bombs for every Ruritania) would subscribe—and to which, indeed, the Government did subscribe; all that is in dispute is how it can be reached. The proposition that Britain should offer to renounce its own nuclear weapons as part of a pact between it and other potential nuclear powers to leave the great deterrent strictly to Russia and America is at first sight attractive. It could inaugurate inspection and control techniques outside Russia and America which later become acceptable to the super-powers themselves. It was moderately urged—with one or two lapses—by Lord Simon and Lord Russell as a practical first step.

But the difficulties are formidable. To rope Sweden, Switzerland and Canada in such a policed abstinence area is one thing; to bring in France and China is another. It would have to leave the existing balance of power between the West and the East undisturbed, and hence the deployment of American and Russian nuclear bases outside American and Russian soil would have to continue; those bases would thus find themselves within the policed area. Lord Home made the reasonable and obvious point that the immediate objective is to get three-power agreement on suspension of tests now—the best possible gesture to the non-nuclear countries—and Russian agreement to inspection, which would be a greater immediate gain.

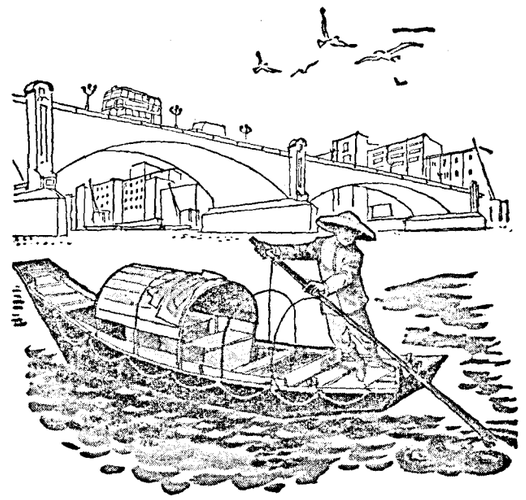
The objections to proposals of this kind from people who are in fact believers in much more radical forms of nuclear abstinence emerged in the debate. Lord Simon's cohort of bishops was far keener on moral gestures than on practical policies; and others of his supporters clearly showed that they saw such a plan as a mere stalking horse for more impractical forms of unilateral disarmament. Labour's official refusal to support the motion was therefore significant. In fairness it must be added that, on the Government side, the debate also brought into the open many of the more unreal arguments for Britain's clinging to her bombs irrespective of fourth, fifth and nth powers having them too. Lord Home's vision of the British H-bomb as a shield for Commonwealth defence is a prize example.

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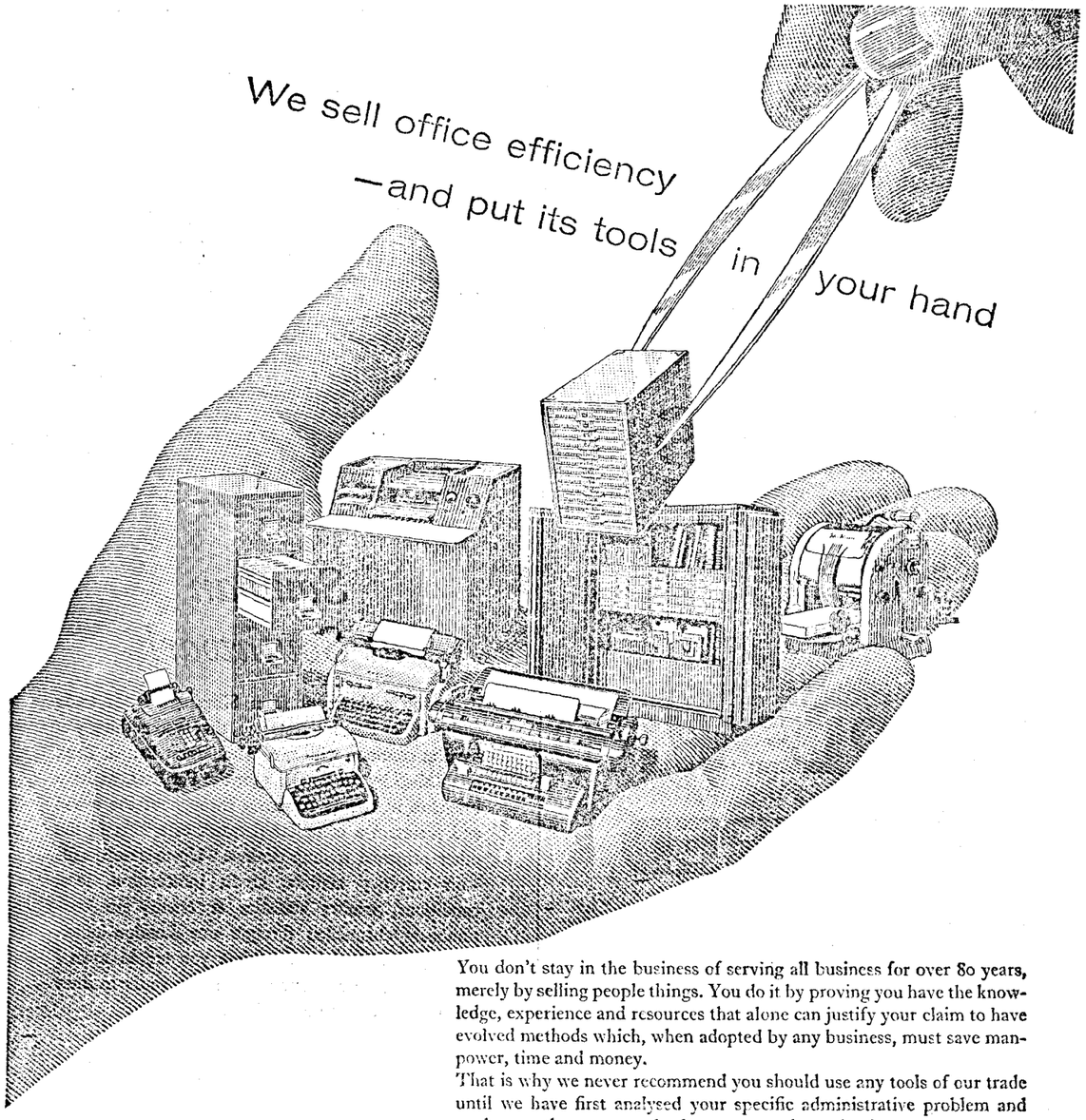
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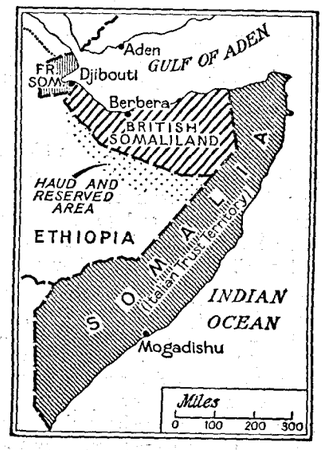
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SOMALILAND

The Bull by the Horn

MR LENNOX-BOYD has taken to heart the many warnings he has had in the past year that British policies in the horn of Africa were running into serious trouble. His promise at Hargeisa on Monday to rush Somaliland into self-government within a year, and to give it an open licence to merge with an independent Somalia thereafter, was political wisdom, though it is almost certainly administrative nonsense. For that, however, the Colonial Office has largely to blame its past mistakes—though it can also blame the Foreign Office for the agreement to hand the Haud back to Ethiopia, which alienated most of the tribes' former loyalty to the British tie and provided a springboard for the spread of pan-Somali nationalism in the protectorate. As the British moved sluggishly along the well-trodden path of colonial education and constitutional advance, the Italians next door, saddled with the heavy cost of their trustee territory and conscious of having something to live down, rushed Somalia through a crash training programme towards independence by 1960; indeed, it is virtually Somali-run now. The contrast between the two territories became too glaring, and what Mr Lennox-Boyd has done, to put it bluntly, is to save us from bloodshed by an extremely rapid retreat.



There was nothing else to be done; but this means that there is now a very great deal to be done. Somaliland is an arid, undeveloped, remittance territory. A heavy fall in administrative standards is inevitable; but it is now urgent to train at any rate a handful of leaders to take responsibility at the top. In the event of amalgamation, British Somaliland must expect to be mainly ruled from the former Italian area. But this is not all: together the two areas need a subvention of something like £5 million a year to make progress. It is becoming an urgent question who is to be rich uncle to the new state. If it came within the Commonwealth, something might perhaps be arranged. If not, will the United Nations, or the United States, accept the responsibility? Undismayed by thoughts of income and expenditure, the Somalis themselves are in an expansionist mood; some of them think Somalia's southern frontier is in the suburbs of Nairobi, and they intend to reclaim the Haud. This is disturbing not only for the Kenyans but for the Ethiopians too. The two-year course in political education will have to include some lectures on good-neighbour policy, with particular reference to cases in which the neighbours are bigger and richer than oneself.

MALAYA

The Tengku Steps Down

THE Malayan prime minister, Tengku Abdul Rahman, has done what U Nu of Burma did and Mr Nehru failed to do: he has laid down the burden of office to devote himself to his party. His decision was unexpected, although ten days earlier, he had handed over the external affairs portfolio, which he also held, to the Malayan ambassador in Washington, Dr Ismail bin Dato Abdul Rahman.

The Tengku announced his retirement at a meeting of his party, the United Malays' National Organisation (UMNO). After a holiday, he will visit every district to strengthen the party machine before the general elections in August.

There is little doubt that UMNO needs a shake-up. Finances are low because so many subscriptions are in arrears; there have been complaints of poor co-ordination between the state executive committees and the local divisions. Indeed the ruling Alliance party as a whole looks unhealthy. It has suffered reverses at by-elections and, recently, at the Ipoh town council elections. The Chinese wing of the Alliance, the Malayan Chinese Association, is divided on the issue of a new party constitution.

The Tengku has handed over the premiership to his able deputy, Dato Abdul Razak, who, at 37, is 20 years younger than he. It is generally believed in Malaya that Tengku Abdul Rahman will resume office after the elections, which the Alliance ought to win despite its present troubles. This will be widely hoped, both outside and within the Malayan Federation; his successor's abilities are no substitute for the Tengku's common sense, natural dignity and international stature.

On the international scene, indeed, the Tengku has chosen an unfortunate time to resign. He visited the Philippines at the beginning of the year with plans for an economic and cultural alliance in South East Asia. The statements of his host, President García, showed him to be more interested in a wider regional arrangement, extending to Japan and Formosa. This is clearly not what the Tengku had in mind, for on his return he spoke of a "rebirth of the Malay race from the Straits of Malacca to the Pacific Ocean." This sounds visionary, but not necessarily unfruitful, despite disturbing echoes of President Nasser's "one Arab nation from the Atlantic Ocean to the Persian Gulf." When the Tengku returns, more will be heard of his plans.

LIBERALS AND COTTON

Bravery at Bolton

SINCE the Liberal Party received some pointed criticism from its friends during some recent by-elections, when it seemed to be bending in the direction of local special interests that felt aggrieved, it seems only fair to give a round of applause to Mr Arthur Holt, who sits rather precariously for the textile town of Bolton West. After the blast of the Restrictive Trade Practices Court's admirable decision condemning the yarn-spinners' price-fixing agreement had hit Lancashire, Mr Holt endorsed it without qualification at a rally in Bolton town hall. Moreover, he stuck his neck out still further by including in his casti-

gation, as well as price-fixing, the agitation for protection against imports from the Commonwealth. His yarn-spinning constituents were told that their campaign for quotas and tariffs had not only made matters worse, by delaying vital decisions in the industry, but was largely irrelevant. The fact that imports had gone down by £1 million in 1958 had not stopped this from being a very difficult year for cotton.

> The trade therefore did not suffer through an increase in imports as the public at large is often led to believe. But it did lose £16 million of export business. You can't stop this by putting a protective tariff on Commonwealth exports.

Actually Mr Holt is unlikely to lose his seat by his plain speaking. He can probably hold it in a straight fight with Labour. He will probably lose it if the local Tories decide to run a candidate. (Rumours that they have decided to do so appear to be premature, having sprung from the anxious activity of some local Tory ladies). But their decision is unlikely to turn on cotton policy—since, after all, it was the Tory Government that set up the Restrictive Practices Court and is refusing to take protective measures. However, prompt candour such as Mr Holt's is sufficiently rare to be remarked upon. If other parties would copy it, Lancashire would see its proper course sooner, and the habit of bravery might even be catching in other parts of the country.

THE HOSPITAL SERVICE

A Call for Leadership

THE Acton Society Trust has rounded off its interesting and valuable series of pamphlets on the hospital service by a general survey called "Creative Leadership in a State Service." The title sums up the trust's findings: the main criticism to be brought against the Ministry of Health is not that it controls too much but that it inspires too little. It has failed to use its special position at the centre to give any leadership or purposeful direction to individual hospital authorities or even to initiate badly wanted comparative studies of costs and efficiency.

The Ministry's organisation, the trust points out, urgently needs a central intelligence and statistics department. "At present a vast amount of statistical material pours into the Ministry and remains unprocessed." No one considers whether this material justifies its collection, whether it answers the questions, or even whether the right questions are being asked. It took nine years for a more realistic form of hospital costing to be introduced, and even now there seems to be a disposition to regard the new costing system as an end in itself instead of merely a technique. No one, for instance, has yet tried to work out, in the words of the trust, "what a given service ought to cost if performed with reasonable standards of efficiency."

One reason for the Ministry's failure to give leadership is its status. Since 1951, when housing and local government were separated from it, it has been a junior department whose minister has had no seat in the Cabinet. This means that it lacks an effective voice in wider Government decisions now (a Minister of Health in the Cabinet, for instance, might have obtained more realistic sums for capital expenditure on the hospitals); it also means that it does not get the best recruits, which threatens the future efficiency of the department. In a personal statement, Sir George Schuster, one of the Acton Society trustees and chairman of a regional hospital board, makes two important sug-

aress of yo

gestions for improving the Ministry of Health's effectiveness: the first, and more drastic, is that the department should have a body to supervise the hospital service analogous to the Army Council in the War Office, with the top posts filled by people with professional experience in the field; the second is that there should be exchanges of staff between the Ministry and the hospital authorities. This second suggestion is both useful and immediately feasible. But the whole pamphlet is full of constructive suggestions that should be followed up. An interesting commentary on the negative, empirical basis on which relations between the Ministry and hospital authorities have developed is the current controversy over who should wash the hospitals' walls.

EDUCATION

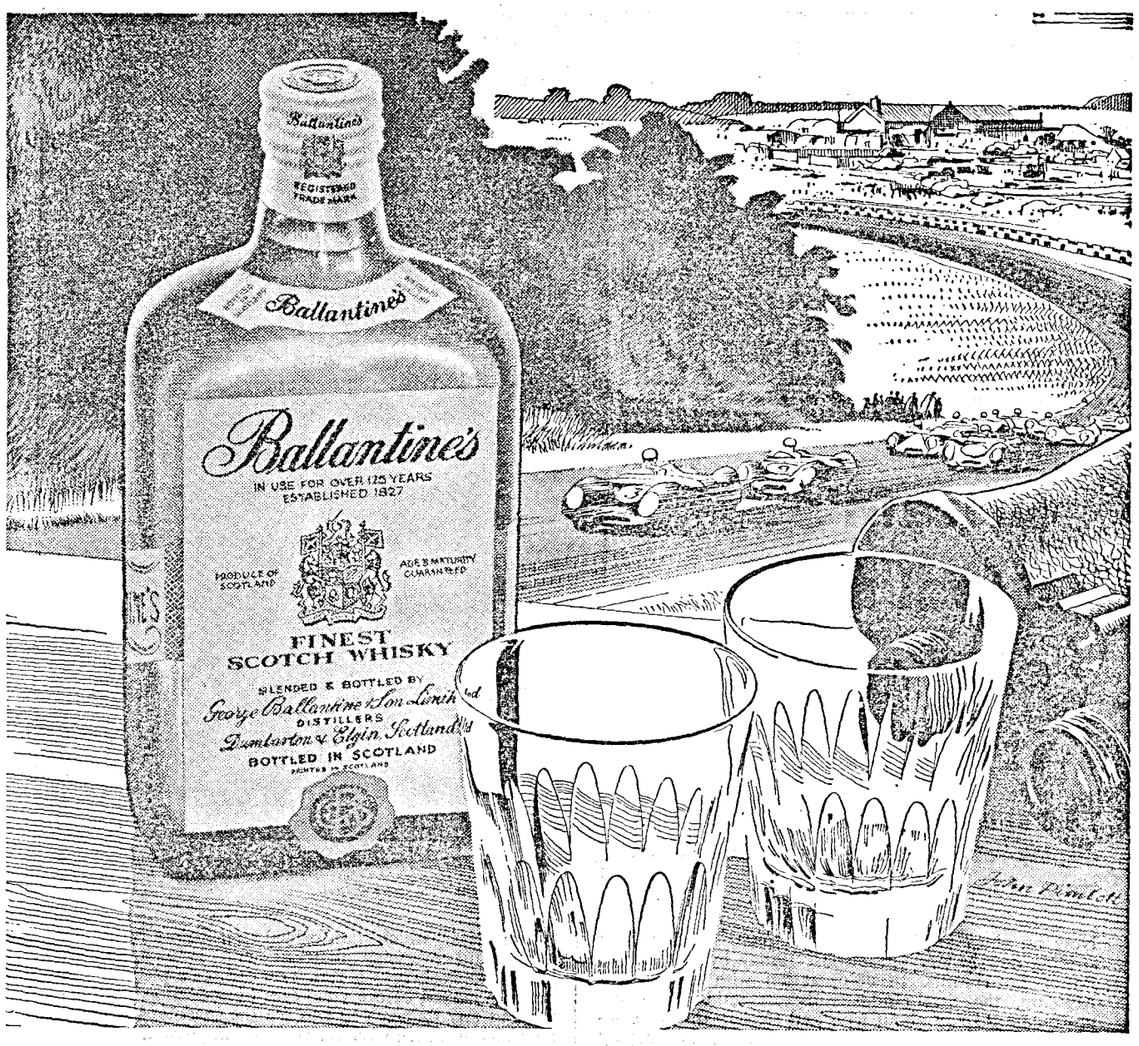
Sums for Teachers

SINCE "The Future Labour Offers You" was published it has become extremely difficult to understand just what Labour's education policy is. This is particularly true of the semantics of the comprehensive system, but it also extends to the arithmetic of teacher-training; and the recent conference at Harrogate, at which Labour's educationists spoke, did not clarify it. It seems that Labour is promising to reduce all classes to the proposed maxima of 30 in secondary schools and 40 in primary almost at once; and some Labour educationists are impatient for a pledge to reduce *all* classes to a maximum of 30. Of the excellence of this proposal for education nobody can be in any doubt. But who is adding up the sums?

On the basis of a ratio of one teacher to 27 pupils in primary schools and one to 16 in secondary, the first proposal would require another 60,000 teachers today; and the second proposal over 50,000 again on top of that. The newly expanded teacher-training programme will at best produce 18,000 more teachers by 1963, and the extension of the training course by an additional year in 1960 will immediately consume about 15,000 of these. At the present rate of expansion (mostly, as Mr Lloyd has just revealed, by the quick method of adding wings to old colleges, not building anew) there will be only 285,000 to 290,000 teachers in 1963, against a requirement of 316,000 for the more modest of Labour's proposals, and 370,000 for its more ambitious one.

Thus Labour has to choose between postponing this political competition in class-cutting, postponing the lengthening of the course, or setting out to train some 25,000 additional teachers to meet its first proposal, or 75,000 more to meet its second. The achievement of any such figure by 1963 is flatly impossible, and it is unlikely by 1968.

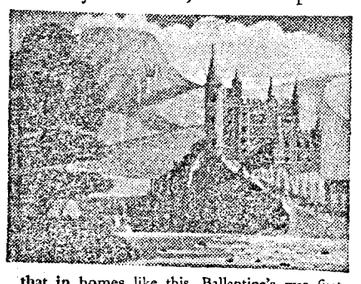
This is not to say that a teaching profession of 370,000, teaching average classes of 30, is an absurd ideal. But if the school leaving age were raised by a year, another 25,000 would have to be added. Then it must be remembered that state school teachers are not the only teachers. There are also at present some 67,000 teachers in special schools, direct grant schools, nursery schools, private schools, in further education, technical colleges and universities; existing programmes call for a substantial increase in these staffs too. Teachers and academic staffs of all kinds probably number 320,000-330,000 now. To meet all the reforms that are being discussed so airily, the total would have to rise



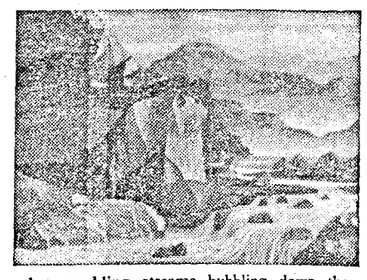
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THE SUPERB SCOTCH

Did you know, for example? . . .



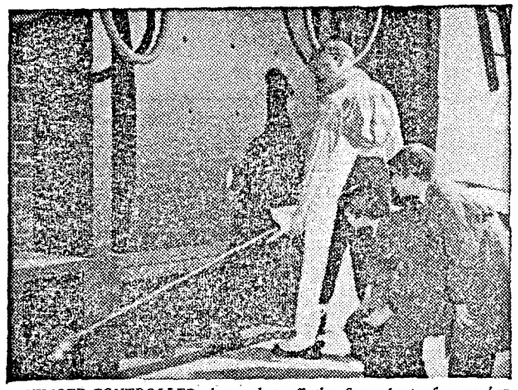
that in homes like this, Ballantine's was first drunk over a century ago. The knowledge and appreciation of really good Scotch has been handed down with the family escutcheon — the same famous names appear in the order books of to-day.



that sparkling streams bubbling down the heather-clad hills are used in the making of Ballantine's. Their crystal-clear waters impart their own unique character to the flavour of this fine Scotch.



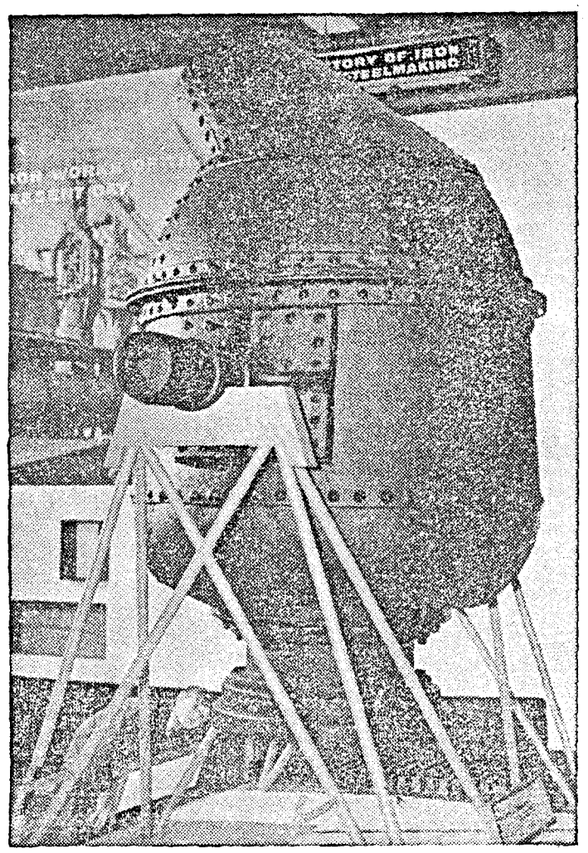
that Ballantine's is one of the best liked Scotches in the world. In the United States, Sweden, France and many other countries, it is a top seller. The world over, when friends meet together, they naturally prefer the superb Scotch.



REMOTE CONTROLLED doors shut off the fierce heat of a modern open-hearth steel furnace. It's really a model (full size) and forms the central part of the new Science Museum gallery designed by Willy Rotter, F.S.I.A., one of Britain's most celebrated industrial artists.

Britain's Steel men show how it's done

Lord Mills opens new Science Museum display of Britain's up-to-the-minute ways of making steel



FIRST-EVER method for mass production of steel was patented by Sir Henry Bessemer in 1856. This is one of his original "converters". Since then, Britain has been in the forefront in the modern manufacture of steel.

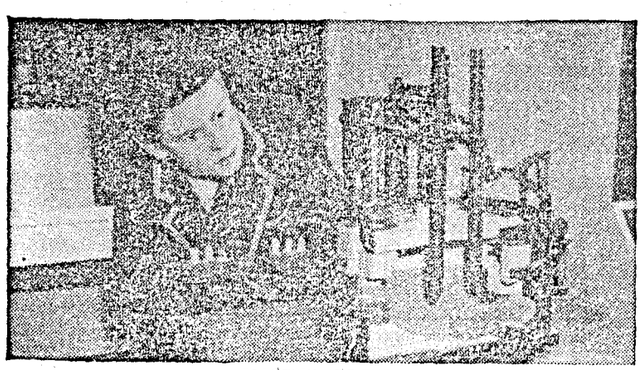
Now on show at the Science Museum, London, is a striking new gallery opened last Friday by Minister of Power Lord Mills. In co-operation with the Science Museum, the Steel Industry is presenting the most up-to-date display about iron and steel in the world — with the emphasis on the modern methods used today by Britain's steel makers.

MELTING STEEL WITHOUT FLAME

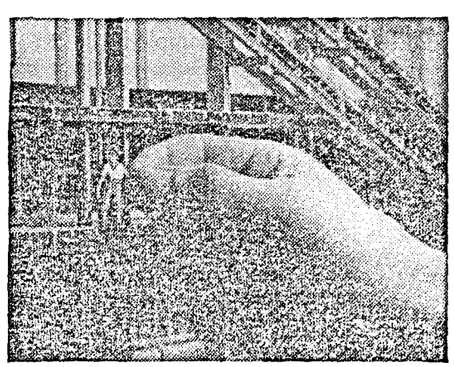
Here you can see the whole fascinating process, from the iron ore dug from the ground, to the finished tough, resilient steel. You can see one of Bessemer's original "converters" which transformed steel from a rarity into a plentiful everyday material – and how a modern integrated steelworks is run. You can see a piece of steel actually melted before your eyes by induction heating – without any flame. You can see the ingenious scientific methods by which steel is tested and improved.

The story of steel is one in which British inventors and British pioneers have led the world. Britain has played the leading role in giving the world this metal, on which civilisation depends.

The British Iron & Steel Federation



ELECTRIC ARC FURNACE model shows how some special steels are made. Behind it, there is an apparatus in which you can watch steel being melted without flame, by high frequency current.



WORKING MODEL of a modern "sinter" plant – used to process iron ores – is another of the marvellously detailed models. All have full explanations.

to 500,000 or so. This would be quite expensive ; it would also mean that one out of every ten people in the most intelligent 25 per cent of the working population would have to become a teacher. Teachers would say "why not ? ", and it may be hard to gainsay them. But every industry and profession is already complaining that it does not get its fair share of brains—and predicts disaster therefrom. These figures are rough, because circumstances are so hard to forecast ; but formidable as they are, educational theorists should bear them in mind occasionally.

INDONESIA

Chat with a Neighbour

THE Indonesian foreign minister's visit to Australia this week has been a red-carpet occasion ; it must also have been an experiment in the art of agreeing to differ. On all points except one the two countries are friends as well as neighbours. Indonesia sends students to Australian universities and receives Australian aid under the Colombo Plan. The one point of difference is, however, substantial: Indonesia claims Dutch New Guinea, and Australia, which administers the eastern half of the island, supports Holland's refusal to part with it. Before the minister, Dr Subandrio, had left Jakarta, he had assured the Australian ambassador there yet again that Indonesia did not intend to use force in settling the New Guinea dispute. It was, perhaps, unfortunate that a two-day conference of the Indonesian West Irian (west New Guinea) Liberation Front had been arranged in Jakarta for the week of Dr Subandrio's trip.

Dr Subandrio has probably been trying to persuade his opposite number, Mr Casey, and the prime minister, Mr Menzies, that Indonesia is bound to get Dutch New Guinea in the long run, and that Australia's defence planning should be based on this assumption. Indonesian spokesmen have been arguing that Indonesia needs to settle the New Guinea dispute (in its favour, of course) because of the growing strength of communist China. This argument could just as plausibly be used to justify the *status quo* ; but Dr Subandrio gave a clue to what he had in mind when he remarked that Indonesia was "a shield for Australia."

Jakarta chose this moment to announce that American light equipment for twenty Indonesian battalions was to be delivered. This, however, is the fulfilment of a commitment assumed by the United States last August—against Dutch and Australian objections. Colonel Siswadi, deputy chief of the air staff, who accompanied Dr Subandrio, revealed that Indonesia has also received 51 MiG and Ilyushin aircraft from Czechoslovakia. All these statements, arguments and disclosures are designed to build up a picture of Indonesia as a reliable (but neutral) bastion shielding Australia from the communist world. They are unlikely, in the near future, to produce a change of policy in Canberra.

FINLAND

Squalls After Leningrad

NEITHER the formation of Professor Sukselainen's government, nor the prospect of a *rapprochement* between Finland and Russia—the appointment of a new Soviet ambassador to Helsinki last week was the first concrete sign of improving relations—has soothed Finland's political unrest. As soon as President Kekkonen returned from Leningrad after his unexpected meeting with Mr Khrushchev, the executive committee of the Social Democrats sharply condemned his journey. They questioned the wisdom of Mr Kekkonen's negotiations, emphasising that he had not informed the government of his intentions and had even left his foreign minister behind.

Dissensions among the socialists and the Agrarians further illustrated the unhealthy state of politics. At the end of last week it was announced that the organ of Mr Simonen's left-wing socialists, which is run and supported by a trade union group, would amalgamate with the Social Democrat press. Hopes of a reconciliation between the two socialist groups rose, only to be disappointed when Mr Simonen said he would go on publishing the paper under new management. At the same time, Mr Simonen attacked the majority socialists, blaming them for the economic depression and for the recent government crisis.

During the socialists' squabble, the Agrarians also got into difficulties. Mr Vennamo, a former Agrarian deputy, announced his intention to form a new party, which would represent the "small peasants." Mr Vennamo is the director of the influential, though non-political, "bureau of colonisation," which, among other things, protects the interests of the displaced inhabitants of Karelia. The Agrarian leaders are in no doubt that Mr Vennamo's breakaway may cost them a lot of votes.

Thus it seems that the new session of the Finnish parliament has some dangerous quicksands to negotiate. By attacking Mr Kekkonen—not without justification—the Social Democrats have shown that even the office of the president is not as sacrosanct as it used to be. The Finnish politicians' realisation that they are not the undisputed masters of their own fate, and their shock on seeing their government fall at Moscow's displeasure, clearly made a considerable contribution to their present restiveness.

LCC & FREE SPEECH

Councillors' Gag

NO sooner do the Conservatives make asses of themselves in Bournemouth than the Labour party goes one worse in the London County Council. Luckily for the London public, the Labour aldermen include awkward customers like Dr Donald Soper, who has promptly and in a loud voice defied the Labour group's decision to threaten withdrawal of the whip from any member who attacks the party line in a speech or a letter to the press. Whatever merits there may be in the arguments for and against the present measure of party discipline in the House of Commons, the contention that a much stiffer dose of it is needed to run local government is utterly indefensible. So, too, is the feeble answer given by Sir Isaac Hayward, the Labour leader of the LCC, to all invitations to offer a defence of his behaviour—that this is a private party matter of no proper concern to the press.

There are times, in contemplating the behaviour of local politicians, when one wonders just how elementary is the level at which instruction is needed about the essentials of a democracy. How many local councillors or officials of party associations would pass an eleven-plus examination on the rights of the public to know why and how policies are being devised in their name ? The accumulation of reports of local councils stooping to transparent ruses to

exclude the press from their meetings, of party discipline (especially in Labour-held boroughs) being enforced over the most picayune details, and of hole-in-corner methods used by all parties in selecting parliamentary candidates suggests that there would not be many.

If the public is to be aroused out of its dangerous apathy, politicians must not shirk their public duty of politically educating their masters and inciting their participation. The proper democratic method is to bring controversy out into the open. Any party which abuses a permanent monopoly of power, as Labour in effect possesses in London, to prevent a majority of the councillors from talking politics in public is conspiring to intensify the apathy. The LCC is, by and large, an efficient authority. Doubtless it is tiresome to have public criticism from within the governing party. But Sir Isaac Hayward should remember that he and his party have been given the privilege of governing a great democratic metropolis, not a backward tribal reservation.

TOWN CLERKS' SALARIES

Restoring the Differentials

LAST week the Industrial Court announced two awards which put up the pay, as from the beginning of last August, of some 1,350 full-time town and district council clerks, some 2,150 chief officers (accountants, treasurers, engineers, surveyors, chief education officers and architects), and some 6,500 other senior council staff.

This is the first occasion on which these officers have gone to arbitration on their salary scales, after their usual joint negotiating machinery with the employers had failed to settle the dispute—which has been going on since the autumn of 1957. The first postwar national scales related 1949 salaries to the population of the authority, but provided a range of scales within which an individual council of a given size had discretion to choose. Since then, until this new award, two revisions had increased the scales for small authorities relatively more than those of the large ones. Thus a clerk in a district of 10,000 population had had a 24 per cent rise since 1949, but a clerk in a borough of 500,000 had received only 12½ per cent more.

EXAMPLES OF NEW MAXIMUM* SCALES

Population (in thousands)	Town and District Council Clerks £	Chief Officers £
5— 10	1,125—1,295	990—1,190
30— 45	2,060—2,290	1,450—1,990
75—100	3,005—3,280	2,125—2,800
250—400	4,010—4,270	2,995—3,675
400—600	4,345—4,600	3,200—4,010
Over 600	At discretion	At discretion

* Maximum is reached after 3—5 years' service in a post.

The town clerks' claim was broadly for a restoration of the 1949 position—a return to the differentials established in that year and a 40 per cent rise all round to compensate for the fall in the value of money since then. The chief officers sought a more fundamental overhaul of the structure of their scales which would have involved some larger rises. The employers offered only a 5 per cent increase over current scales. The Industrial Court, under Sir John Forster, has agreed with the town clerks that the 1949 differentials should be restored; but, instead of compensating fully for the 40 per cent fall in the value of money since then, it has awarded increases throughout of 30-33 per cent over 1949 (the maximum of the town clerks' scales throughout has been raised about 2 per cent less than the minimum). This has meant that clerks and chief officers in the smallest authorities receive £50-£80 (5 to 7 per cent) more; those in the largest boroughs £440-£690 (16 to 19 per cent) more. In finding in favour of the few at the top of this pyramid who have the highest professional qualifications, instead of spreading the money which it judged could be afforded more thinly over the lower-paid staff, the court has followed the interesting pattern set in some other recent public service awards.

INDIA AND PAKISTAN

Land for the Little Man

BOTH India and Pakistan have made new, and characteristically different, moves to reform land tenure for the benefit of the "small man." President Ayub Khan has bluntly issued detailed marching orders for the carrying out of land reform throughout West Pakistan by the end of September. (In East Pakistan, the evils of absentee landlord zamindari had already been abolished.) The soldier-president is equally blunt about his intention of destroying the political power of the great landlords. He is not reducing them to penury; each landowner may keep 500 acres of irrigated or 1,000 acres of unirrigated land, 150 acres of orchards, and even larger areas if his land is poor; and compensation will be paid, in 25-year bonds, on a reasonable scale. But the political landlords' wings will also be clipped by limitations on their power to eject tenants, raise rents, and demand free labour. Forfeited land will first be offered to the existing tenants, who may hire-purchase it over a 25-year period, and afterwards to other "deserving" purchasers.

A fortnight earlier, the Indian Congress party's latest tussle with the long-debated project of limiting all land holdings ended with a resolution which called for the fixing of ceilings on land ownership before the end of 1959, and for the handing over of all forfeited land to be run by co-operatives of landless peasants. But, quite apart from the fact that lively criticism of these proposals continues, few people in India really seem to expect to see them implemented at any early date—though, if and when they do go through, the ceilings will evidently be much lower than the Pakistani ones.

Both countries face familiar economic dilemmas. Outright ownership ought to embolden the cultivator to experiment and give him more interest in improving his crops; but arbitrary fragmentation may, on the contrary, reduce output sharply—and both India and Pakistan urgently need to step up food production. (The latest estimate gives India's population growth at well over six million a year.) India's latest remedy is co-operatives, Pakistan's a new ban on undue fragmentation; but neither of these is a real solution, and in both countries the political argument for land reform—the argument that power and responsibility must be more broadly distributed—is stronger than the purely economic ones.

The Economist

FEBRUARY 12, 1859

RESTITUTION BY CRIMINALS?

A paper in the last number of the "National Review" deals clearly and ably with the perplexed subject of criminal punishment. Its main purpose is to draw attention to the practical exigencies which arise from broad phenomena in criminal life which have never been contemplated by our jurisprudence and, indeed, have only lately become the subject of any definite attention. It is now, however, very clearly established and very distinctly noted, that the particular acts of crime with which our Courts of Justice are called on to deal spring from two very distinct classes of criminals. In one case, they are the exceptional lapses of men whose lives are in the main conformable to law; in the other, they are the regular activity of men whose whole lives are in contravention of the law. This distinction is particularly applicable to the numerous offences which may be placed under the general category of thieving. It is not unfrequent for new and pressing want or sudden temptation to lead a man to steal. But the great mass of stealing, of burglary, of robbery, against which society tries to guard itself, is the work of men who make it their business to steal and depend on it for their regular livelihood, as implicitly as the gentleman on his profession, or the artisan on his handicraft. . . . No punishment exercises a deterring influence on one of this class. Prison is to him only ill success, and liberation is the opportunity to try his luck again. He no more thinks of changing his life when his three months or three years are over, than a bankrupt thinks of leaving trade and going into the army. . . . The paper we have referred to suggests, we think, the only sensible mode of dealing with criminals of this class. It is necessary to protect ourselves from them, and there seems to be but one way hitherto proposed which holds out any hope of our doing so without incurring expenses even more oppressive to society than the undisturbed professional labours of the thief, and at the same time without shutting out from him the chance, small though it be, of choosing a new life within the pale of society. This way is to incarcerate for extremely long or even indefinite periods of time—terminable, however, by the payment of money fines to be discharged by the criminal out of the surplus proceeds of his prison industry after he has earned a minimum sum to defray the expense of his subsistence. Every prisoner would thus be compelled to work for his own support, and encouraged to work for his liberation.

SWITZERLAND

Housewives' Choice

SWITZERLAND'S patient suffragettes seem to be getting somewhere at last. After 40 years of gentle agitation the first national referendum on women's suffrage, held on February 1st, found two Swiss males against this risky plunge into emancipation for every one willing to chance it. But in the three French-speaking and protestant cantons of Geneva, Neuchâtel and Vaud the all-male electorate voted the women's way for the first time; and Vaud, the first canton ever to do so, narrowly admitted women to full political rights in cantonal affairs. Inspired by these successes and hoping for more than the lip service they have had from male politicians, the suffragettes are showing a new militancy. After they had heard the results, the women teachers at the girls' *lycée* in Basle promptly declared a one-day strike over the outraged protests of their male colleagues.

The suffragettes believe that their political participation in Vaud, which includes the city of Lausanne, will come to shame the diehards elsewhere and, equally, persuade them that political equality does not necessarily upset party policies or alignments. As Unesco studies have confirmed, most women everywhere still vote the same way as their husbands. But Swiss men say the vote belongs only to those who have a duty to fight for the country (although women did help in the defence forces in the last war). They also claim that Switzerland's system of government, requiring numerous federal and local plebiscites, makes it hard for housewives to keep in touch with issues that may call for their vote every third Sunday. The big stumbling block is the reluctance of many Swiss women to claim the vote in conservative cantons where the three Ks—*Kinder, Küche, Kirche*—still fix their place in family life. This primacy of family principles is curious in a country that has one of the highest divorce rates in Europe.

To get the federal vote the suffragettes must amend the constitution, which involves securing a popular majority and a majority in over half the 22 cantons. They have a long way to go before Switzerland leaves the dwindling company of non-Moslem states which, like San Marino and Paraguay, still keep their women out of politics. But after 25 local defeats since 1919, things are now modestly looking up.

HORTICULTURE

Vegetable Trouble

VEGETABLES have this week been the cause of an unusual amount of political fuss. First, Conservative MPs on the party's agricultural committee are indignant at the Government's rejection of higher tariffs for fresh tomatoes, new potatoes and other vegetables. The Government has so far stood out bravely against them; the danger is that it may be tempted to appease the objectors by conceding the other horticultural claim—for higher tariffs on cut flowers—which is still outstanding.

Secondly, two producer-controlled marketing boards are again in trouble. A fresh move to abolish the precarious tomato and cucumber board is under way. It would be unfair of growers to visit their tariff disappointment upon the board's head; better home marketing, and not import protection, is or should be its job. But by campaigning for this (and other) horticultural boards on the grounds that their existence would strengthen the case for import regulation, the farmers' union has itself invited precisely this reaction. It cannot complain if its protégés now feel the draught.

Meanwhile Mr Jack Merricks, the cuckoo in the potato board's nest, has broken ranks by openly criticising his colleagues' policy of following up their introduction of acreage controls with a decision to levy the maximum penalty (£10 an acre) upon any producer who exceeds his quota. Mr Merricks is quite right to emphasise the bad effects of the quota system on farmers' cropping programmes. But the board has a new problem. If the Government were still guaranteeing potato prices directly, the rational and proper way of checking a potato surplus (if such is likely) would be a reduction in the support price. The Government, however, has transferred responsibility for any price support to the board, to whom it will pay a subsidy; and the board—afraid of burning its fingers in the open market—clearly means to play extra safe by restricting supplies. Paradoxically, this safety play could be a great danger to it. If the board's policy of restriction should lead to a potato shortage later in the year, Mr Merricks's protest will be remembered; and the public revolt against the board could become a major affair indeed.

LETTERS

BBC and Politics

SIR—In your note in last week's issue you referred to the policy under which certain staff in the BBC are not allowed to nurse a constituency without the corporation's consent, and to the fact that such permission had recently been refused to a talks producer in the BBC Overseas Service.

Your readers may be interested to know that it is our policy to allow the fullest possible freedom to staff over their outside activities provided that the corporation's reputation for impartiality and its standing as a public body are not prejudiced. You fairly state the reasons underlying this policy and appear to agree that the open expression of political views involved in nursing a constituency could be inappropriate for a talks producer. You go on, however, to describe the BBC's refusal of permission to a particular overseas talks producer as "excessively timid" because the producer's "entire output was directed abroad, away from British voters" and "the work could have been shuffled so as to have kept him off politics."

It is true that this producer's "entire output was directed abroad," but the inference you draw from this is in the corporation's view wrong and also leaves out of account the number of service men within the audience for the overseas services. Apart from electoral considerations, the need for impartiality is no less great in broadcasts overseas than it is in broadcasts within this country. Indeed, much of the strength of the BBC's reputation abroad is due to the knowledge that our overseas broadcasts are subject to the same standards of impartiality as our output within this country. The possibility of "shuffling" the work was carefully considered in this case, but it did not prove feasible.

There is in our view a valid distinction between the editorial responsibility for a programme borne by a producer who is a permanent member of the corporation's staff and the role of an interviewer or commentator contracted for a particular programme.

From the refusal to grant permission in one particular case, you infer that the BBC "has determined on an extreme interpretation of its own regulations." I know of no substance for this statement. Each application is considered on its merits and the corporation continually exercises discretion in favour of freedom for the outside activities of its staff.—Yours faithfully, J. H. ARKELL

Broadcasting House, W.1

Painters in Hospitals

SIR—I must refute the letter from the National Union of Public employees in your issue of February 7th. The present position appears to be that painters have achieved a virtual monopoly for the cleaning of paint in the hospitals up and down the country. With the present limitation of money for maintenance this means that hospital walls may go anything from twelve months to several years without anyone touching them unless the cleaner mops shoulder-high leaving a high-tide mark.

Your correspondent mentions a hospital where the walls have not been cleaned for seven years and indeed cites this as a typical case. My contention is that the Ministry directive 52/153 does in fact allow unskilled labour to wash walls and indeed a few hospitals have begun to clean their walls either with suction brushes or with long-handled, specially impregnated mops; in one East End hospital this is now being done once a week. This seems to me an obvious approach.

No one disputes the need and right of the painters to do a proper spring-cleaning, particularly prior to re-painting, but surely it ought to be accepted practice for cleaners and porters to undertake the cleaning in the intervals between the major washing.—Yours faithfully, F. AVERY JONES

Harley Street, W.1

Co-operative Wholesaling

SIR—Having read the one paragraph in your issue dated January 31st, in which you dismiss the document "The Challenge Before Us," published by the Co-operative Wholesale Society, I am forced to the conclusion that *The Economist* is no student of co-operative affairs. There can surely be no other explanation for the succession of inaccuracies contained in so few words.

You write that the CWS had "published its views on the trading reforms approved by last November's Congress." This is wrong. Three of the five chapters deal with subjects specifically remitted by congress to the CWS Board and its shareholders for their consideration and action. Congress decided that far from making pronouncements on these subjects, which covered the whole field of co-operative production and wholesaling and the control of the CWS and its Scottish counterpart, it would not even discuss them. The reason for this was that decisions affecting the future of the two national federations could only be made by their directors and shareholders.

Perhaps you were confusing congress *resolutions* with the *recommendations* of the independent commission. But if so you are wrong again when you say that the CWS "... has rejected them all; particularly those—the most important—proposing the setting up of an independent retail development society to run co-operative chain stores."

The CWS directors have not rejected all the trading reforms recommended by the commission. We have welcomed many of them. That sentence also contains a common error that CRDS would "run" the national chains. Neither the independent commission nor the congress resolution recommends this. Because the CWS regards the setting up of chain stores as urgent and will in any event be called upon to play a major part in the capital arrangements for them, it was considered necessary to give our shareholders the CWS ideas on how the chains should be run. There is nothing in the early submission of these ideas which could be construed as a desire on the part of the CWS to disregard the wishes of congress.—Yours faithfully,

HUGH STEELE

Co-operative Wholesale Society Manchester

The Business of Marriage

SIR—Lest it be concluded from your article that the church's only interest is in ceremonial and the charges therefor, may I point out that it is not only secular societies that offer help to those intending to marry. An increasing number of parish clergy now ask those coming to put up the banns to attend one or more pre-marital instructions. In my own case the number is three; the first on the physical aspects, the second on the spiritual, and the third on the actual service.

Although these classes are voluntary, I have never yet met with a refusal to attend, and in the majority of cases I have been thanked either by the parents or by the young people themselves. I hope that in time this may constitute a more worthy reason for choosing a "church" wedding than many of those you mention—justifiably—in your article. —Yours faithfully, J. C. TOWNSEND

Melbury Osmond, Dorset

★

SIR—In your article reference was made in several paragraphs to the jewellery trade. I hope you will allow me to correct the statement that the fact that certain secondhand goods are offered for sale not much cheaper than new articles indicates a restrictive practice.

It will be appreciated that at the time when the purchase tax on jewellery was between 60 and 100 per cent, secondhand articles, which were not subject to purchase tax, could be sold at a figure higher than their intrinsic value. It is not surprising, therefore, that a number of jewellers may have secondhand articles in stock for which they paid comparatively high prices.

The fact that purchase tax on new jewellery has been reduced since last April to 30 per cent has caused a drop in prices of secondhand jewellery. On the other hand, the jewellery trade is a highly competitive one. It is not difficult for a small manufacturer to set up in business and produce his rings, etc., with a minimum profit. It is logical, therefore, that new articles including purchase tax can be offered for prices not much higher than old secondhand stock.—Yours faithfully,

F. L. COPPERMAN

J. Aardewerk (Diamonds) Limited, E.C.1

★

SIR—Your correspondent has succeeded in contributing a little more misunderstanding to the subject of marriage, concerning which sufficient misunderstanding exists.

The statement that basic fees are 36s. 6d. in a church and £4 5s. in a register office is alarmingly inaccurate so far as the register office is concerned. The statutory fees payable for a marriage by certificate (i.e., after 21 clear days' notice) is 14s. 3d. where both parties reside in the same registration district; if they reside in different districts then the cost is 17s. 3d. By licence the fee is £3 6s. 9d., but your correspondent was not discussing marriage by licence either in church or register office. These fees include a certificate of marriage—the "marriage lines."—Yours faithfully,

L. A. CLARKE

National Association of Registration Officers, Epsom

★

SIR—Marriage failure, if measured by the divorce statistics, is not so widespread as the final sentence in your correspondent's article asserts. The Registrar-General has suggested that on average about 7 per cent (*not* 1 in 7) of all marriages end in divorce. His calculations necessarily cover couples marrying over the past twenty years or so, during which time war disrupted family life and legal aid made the courts more accessible to estranged couples hitherto excluded. This proportion inevitably hides some interesting differentials which, in our work for the Population Investigation Committee, we have attempted to examine. Using the rather scanty data available, we have estimated, for example, that marriages contracted in the wartime year 1942-43 have so far proved rather more divorce-prone than those entered into either before or since: ten years after the date of marriage 46 per 1,000 of these couples had got divorced as against 36 per 1,000 of those married in 1938-39 and 38 per 1,000 in 1944-45. Only time can show, of course, whether the mid-war marriages continue to break up more than others. Recent figures suggest, however, that so far the postwar marriages are rather more stable than the wartime ones, and that the divorce rate may be no longer rising.

The astonishing thing about recent trends is not the divorce rate but rather the growing popularity of marriage and the increasing youth of the parties. Their enthusiasm promotes the "business" your correspondent so engagingly describes. It does not confirm the fears of older people that marriage as a social institution is in decay.—Yours faithfully,

GRISELDA ROWNTREE
N. H. CARRIER

Population Investigation Committee, W.C.2

BOOKS

Most Eminent Victorian

Walter Bagehot: *A study of his life and thought together with a selection from his political writings.*

By Norman St John-Stevas.
Eyre and Spottiswoode. 501 pages. 36s.

"THE most original mind of his generation," wrote Lord Bryce of Bagehot when he came to set down his recollections of the figures of his youth. Although there have been some dissenting voices—Keynes had no admiration for his literary essays or Harold Laski for his economic views—this is a judgment that has been more widely endorsed than challenged in the hundred years since Bagehot became editor of *The Economist*. But he has always remained an elusive figure: partly because of the diversity of his gifts and attainments, as a banker and economist, as a social psychologist, as a political analyst, as a literary essayist and as an editor, so that he evades any attempt to classify his work or mind; partly because of the comparative paucity of biographical material, for the files of letters, journals and diaries, out of which it has been possible to reconstruct the personalities of Darwin, Matthew Arnold or Leslie Stephen, have in his case been the victim of time and mischance. In consequence he has too often been regarded merely as an aphorist rather than as one of the key figures in the development of nineteenth-century ideas.

The only collected edition of Bagehot's works was published in 1915 and is now hard to come by. A new life of him is due to be published later this year. Meanwhile, in this book Mr St John-Stevas has set out to rescue him from this partial oblivion by producing a new edition of "The English Constitution"—Bagehot's most famous book—together with a selection of his political essays. Here are the studies of Brougham and Disraeli and, above all, "The Character of Sir Robert Peel," the "man of common opinions and uncommon abilities," perhaps the shrewdest character sketch of a British politician ever written.

This Mr St John-Stevas has prefaced with a long and useful essay on Bagehot himself. Such biographical material as was assembled by Bagehot's sister-in-law is reduced to readable proportions, and it is followed by a scholarly comparison between Bagehot's views on the British and American constitutions and the later development of both—of the points where time has upheld his judgment and where it has falsified it. To the student of modern constitutional history, who is often encouraged to take Bagehot as his point of departure, but who has little means of spanning the gap between 1867 and 1959, it is a great help to have a continuous commentary of this kind.

In terms of the book's own sub-title, this essay has one shortcoming. It is preponderantly concerned only with Bagehot's views on politics, and his other works, "Physics and Politics," "Lombard Street" and "Economic Studies" are only referred to summarily. This is perhaps less surprising in the case of his economic writings, for his trenchancy in this field derived from the very fact that he was dealing with ephemeral rather than fundamental problems. But it is curious to see "Physics and Politics" dismissed as "rather dated," for it is in many ways the most pioneering of his works and the clue to the unity of Bagehot's method and enduring importance—his insistence on the connection between the social and the political structure of a nation.

Tenth Birthday in Italy

Comitato Nazionale per la celebrazione del primo decennale della promulgazione della Costituzione: *Vol I, Discorsi e scritti sulla Costituzione; Vols II and III, Studi sulla Costituzione; Vol IV, I precedenti storici della Costituzione; Vol V, L'attuazione della Costituzione.*

Milan. 148, 552, 496, 331, 265 pages respectively. 12,000 lire the set.

WRITTEN constitutions are like vintage motor cars: splendid to look at, but uncertain in action. The one with which the Italian Republic furnished itself at the end of 1947 is no exception. These five volumes, published to celebrate its tenth anniversary, show this very clearly.

The eminent committee that presided over their preparation, collecting articles and studies from the Italian President, ministers and politicians, academics and journalists, was obliged to handle its charge gingerly. The root of the problem was the awkward fact that the constitution was the product of a strange moment in Italian history. During most of the time it was under discussion, communists and socialists were members of the government along with the Christian democrats and their allies. Signor Nenni, later to be branded the arch enemy of the reborn parliamentary regime, headed the ministry set up to prepare for the constituent assembly—and it was a communist, Signor Terracini, who presided over its labours.

Ten years later, at the time when the commemorative committee was set up, the Christian democrats were alone in power, and far from anxious to be reminded—or to remind others—that their long tenure of power had seen

certain essential parts of the constitution put into effect only tardily, and the quiet interment of others. It is not at all surprising, therefore, that these volumes shy away from a number of awkward problems.

There is hardly a word, for example, about the delicate—and highly important—matter of church-state relations; and only muffled references to the failure to put into effect the regional structure foreseen by the constitution. The working of parliament is also given only superficial treatment. There are pages of statistics showing how often, and for how long, each chamber has met, how long they have taken to vote and so on, but, apart from a highly theoretical article by Signor Basso, no attempt to examine how power has been distributed within the system. There are one or two laments that the constitution has little to say about the position of political parties within the state, but no examination of the impact of their increasingly disciplined masses on the way the organs of the state work.

The more one reads—especially the contributions of the experts in constitutional law—the clearer it becomes how artificial and academic their minute analyses of the constitutional text are. Some of the wisest words in the whole five volumes come from Signor Ruini, one of the constitution's chief architects, He allows himself to wonder whether rigid constitutions are in fact suited to modern states, and whether their provisions deal effectively with the factors that have now emerged as decisive for their life and health. Valuable though some parts of these studies are—especially the volume which chronicles how the present text was arrived at—it is impossible not to conclude that most of the important factors in Italy's political life in the past decade have here found no place.

This Way to the Bloodbath

South African Winter

By James Morris. *Faber.* 196 pages. 18s.

No Further Trek

By P. V. Pistorius. *Central News Agency,* South Africa. London: *Gordon and Gotch.* 84 pages. 11s.

Hope for South Africa

By Alan Paton. *Pall Mall Press.* 95 pages. 10s. 6d.

It is increasingly noticeable that books about South Africa take on a fatalistic tinge, even books which set out to offer solutions to the impasse. When all the facts have been piled up: the history of racial antagonism; the eternal triangle of Boer, Briton and Bantu; the victory for messianic Afrikanerdom; the totalitarian power of the Nationalist part; the towering structure of repressive legislation; the maniacal absurdity of the official panacea, apartheid; the ever more certain evidence of an ever more deadly hatred of the black serfs for their white masters—when all this has been set out, any solutions proposed, any "hope" offered, seem so puny as to complete the outsider's growing impression that revolution is the inevitable end. These diverse books are no exception; one is by an Afrikaner, one by an English-speaking South African, one by a Briton. The Briton, Mr James Morris, undoubtedly has the best of it. He leaves the South African entanglement most lucidly and inextricably tied up and then, after sympathising charmingly with everyone concerned, brings his study of South African attitudes to a close with the dry reflection that the situation would look a *little* brighter if one heard the Government saying one morning "your obedient servant, Mr Jones." His book puts the South African problem with an imaginative understanding that not only makes the tragedy more poignant, but adds a compulsive force to the sense of doom.

Mr Paton is a Liberal party politician concerned with remedies of a specific nature. He explains cogently just where the Liberal party stands, and why—for example—it demands votes for natives and Asians, but not as yet, on practical grounds, universal franchise. If even a restricted franchise for non-whites were introduced by Dr Verwoerd tomorrow, one imagines that the Liberal party would probably form a sizable block on the opposition benches, to put it no higher. Dr Verwoerd has the power; but unfortunately he will not do it and nobody else can. It follows that the Liberal party will remain a group of people telling South Africa what they would do if Dr Verwoerd would let them. There is sense in this. Nobody should dismiss it lightly. But the South African Liberal party is not going to put any of its plans into operation. It will have all its work cut out, as an inter-racial party, even to maintain political contact between its members of differing races. It can be accused of contravening the Suppression of Communism Act any day. But a study of its origins and proposals in this excellent and lucidly written tract also adds up neatly to a demonstration that the only change likely in South Africa is—revolution.

"No Further Trek" has a special interest as a tract for Afrikaners: it was written for a South African, not a liberalistic British, public. It fills out and reinforces the impression given by both Mr Morris and Mr Paton that Afrikaners are marching to the ultimate bloodbath with their eyes wide open. They know they cannot win; they know apartheid is a mirage beyond which lies the revolution; they know that there is no further trek, that they are in the laager already. Mr Pistorius sets out no solutions; he modestly confines himself to the preconditions of a solution. These include indefinite white guardianship of blacks, the simultaneous upholding of Afrikaner, British and Bantu nationalism, the preservation of white civilisation, respect for colour prejudice, advancement for Africans and the formula that every measure "must not favour any group to the detriment of any other group." Unless these conditions are fulfilled, says Mr Pistorius, the road ahead leads to "disaster," *scilicet* revolution. The reader can only draw his own conclusions.

But, of course, given an efficient police, it may be quite a long road, with time for money-making, cricket-matches and Volk-dancing on the way. That is almost certainly what Dr Verwoerd believes. The alternative is a miracle. Nobody who reads Mr James Morris's exquisite descriptions of Afrikaner religious belief can doubt that Dr Verwoerd believes in miracles, too.

Oft Told Tale

T. E. Lawrence

By Jean Beraud Villars.
Sidgwick and Jackson. 358 pages. 30s.

When T. E. Lawrence wrote in 1915 of his ambition to "biff the French out of all hope of Syria," he framed a cherished but most un-allied thought. His French colleagues in the desert campaign (some of whom came from Algeria and knew just as much about the Arabs as he did) reciprocated his dislike and mistrust. But even though he lost, and they won, the desired end—for Syria became a French mandate out of which they were not biffed until thirty years later—Frenchmen still persist in seeing his shade prodding at his successors. In view of their obsession, it is not surprising to find the political part of this book cluttered with guesses and dark hints about the British Secret Service. Admittedly, Lawrence served Military Intelligence at intervals from the time of the Sinai survey of 1913 onwards, but not before that and not with the regularity here suggested. It is queer how reverently MI is mentioned by foreigners even in areas where it has few triumphs to show for its pains.

M. Villars, in an important review of the petulant and much-criticised Aldington book which appeared in 1954, remarked that he hoped Mr Aldington's cantankerous strictures would at least have the virtue of stimulating contradiction, and so producing new material. It did not do this, and so he perforce worked over the old familiar sources, and has nothing new to say, bar the spy-stuff, about the political or the physical side of Lawrence's life. He is sensitive and understanding about the mental tortures through which so disturbed a soul was wont to put itself, and his literary criticism of Lawrence's books is perceptive; one or two interesting comparisons are drawn with French minds, notably Gide's.

Unfortunately, most English readers will derive more irritation than pleasure from a book so ill-translated. Sentences such as "Intransigent in ideals, and manly in pride, the child learnt with obstinacy to master himself" would barely pass muster at O level, and it is best, when rendering French into readable English, to remember that in the common construction: "*S'il est sévère, il est juste*" the English for "*Si*" is not "if," but "although." Nor is the text free from the sin of careless copyings from the Lawrence letters; for instance,

the snow seen in Syria in July was on Mount Hermon, not Carmel (which is only 1,800 feet high) and Gertrude Bell was neither an "elderly lady" nor "installed in Baghdad" in 1911. But, all told, enough books of this type have been written on Lawrence—three in the last three years. The book of books has yet to be written—and by someone who is ready to do the varied work that would relate his military exploits to the war as a whole and his archæological ones to the then state of archæology. The rest of the tale will always be *sui generis.*

Looking at the Law

Current Legal Problems 1958

Edited by G. W. Keeton and G. Schwartzenberger.
Stevens. 304 pages. 35s.

The most radical contribution in this year's collection of the fruits of progressive legal research comes from a solicitor, Sir Edwin Herbert. He and Mr W. O. Hart, the Clerk of the London County Council, are guest artists in a production otherwise consisting entirely of professors. Unfortunately Mr Hart's essay on local government in London is almost entirely factual, which, considering that he is a former professor, is disappointing. Sir Edwin Herbert makes several sound suggestions designed to overcome the present difficulties facing both branches of the legal profession. Although strongly in favour of preserving the division of the profession, he proposes that it should be made as easy as possible for a barrister to become a solicitor and *vice versa.* As a means to this end he suggests that basic legal training should be the same for both branches and that only at a comparatively late stage should a law student be required to choose which branch to join. This is one way of avoiding the present waste of ability that results from large numbers of men and women being called to the bar without any substantial hope of making a living, a situation which is accompanied by a shortage of young and able solicitors. It would have been even more instructive if Sir Edwin had permitted his controversial speculations to wander into the field of closer association or even partnership between solicitors and accountants.

Mr Prevezer throws out some ideas for reforming English criminal law and draws on the American Model Penal Code. It is curious that we have enriched the legal system of several countries by providing them with criminal codes and have denied ourselves the same convenience. Most lawyers would be willing to settle for piecemeal reform of different branches.

Dr Schwartzenberger's essay on the legality of nuclear weapons suffers, like all writings on this type of subject, from the fact that basically the problems are political and not legal. Dr Schwartzenberger protests that every single question discussed in his essay is strictly of a legal character and, at least tentatively, answerable by reference to international law; this may be so in theory, but sometimes he is subjected to a certain amount of strain. On the other hand, it is possible to draw some comfort from Dr Cheng's review of state ships and state aircraft. He finds in the law of England, in common with the law of other nations, an increasing submission of state ships and aircraft to the ordinary rules of law in respect of the contractual, quasi-contractual and tortious liabilities of the Crown. In fact it would be irrational as well as mutually inconvenient to persist in carrying into commercial activities rules of immunity conceived for entirely different conditions, which leads to the conclusion that mutual convenience and ability, even on the part of small nations, to hit back are the true basis of such international law as we have.

Lessons of History

The Great Powers: *Essays on Twentieth Century Politics*

By Max Beloff.
Allen and Unwin. 240 pages. 20s.

The historian has long been at the politician's elbow when he makes history, but it takes a bold and dedicated man—among historians—to say what he should, and should not, do. This collection of Professor Beloff's articles and addresses—almost all safely above the fugitive standard—in the past decade has one dominant theme. He declares: "I have become more and more convinced . . . of the relevance of historical experience to our own problems, provided we know where to look for this experience and how to apply it." Mr Beloff has some sensible things to say on political analysis and its present academic status. Where he is most devastating is in his application of historical experience to two of the major debates in the western alliance today: European federation—not to mention "federal solutions" elsewhere — and anti-colonialism in American foreign policy.

Each essay in the American section, in fact, opens a new door. An anniversary piece on Benjamin Franklin's diplomacy in 1776 leads directly to an assessment of the natural foreign policy "for a newly enfranchised nation, for a new member of international society," that is immediately illuminating. So, too, a modern look at Tocqueville compels a reassessment of easy, "Pilgrim Dinner" platitudes on Anglo-American political roots and activities. All this needed saying: Mr Beloff has done it acutely and trenchantly.

Successful Colony

A History of Hongkong

By G. B. Endacott.
Oxford University Press. 322 pages.

This is a record of the administration of the colony which, never intended and never trying to be a colony, has become the most successful one today and looks like never wanting to be anything else. As a great trading post Hongkong has outrun the most optimistic dreams of its founders; as a colony the ingredients could not have looked more unpromising—a governing European community of professed non-residents and a vast and ever-increasing and ever-changing Chinese population. The Europeans wanted security and such home comforts as result from good local government; the Chinese cared for none of these things and traditionally shunned all activities of Government. They found, however, that law and order were good for trade, and both European and Chinese merchants consistently fought in their different ways against any limitation of free trade. They had thus a complete identity of interest in the economic field and one, moreover, that was bound to be constant, the making of profits.

Mr Endacott intersperses his record with periodic chapters on social and economic conditions, which show the conflict between two opposed ways of life in which such problems as prevention of crime, penal reform, town planning and sanitation could be solved only with difficulty. The record ends in 1947 and the only reference to the last ten years is a footnote saying that Sir Alexander Grantham's governorship was the longest in the colony's history. It might at least have added that it was also quite the most remarkable, for the late Governor set the seal of his personality, probably indelibly, on the colony's economic, social and cultural progress. Under his inspiring leadership Europeans and Chinese have cooperated in making Hongkong a place in which 2¼ million people will be able to live

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The history of Hongkong is a great story. This book, however, though of value for reference is not at all easy to read; it consists almost entirely of a chronological catalogue of administrative details, a great many of which are of little or no consequence today, and includes many names of bygone officials not significant in the colony's history.

★

The Economic Growth of Hongkong

By Edward Szczepanik.
Oxford University Press for the Royal Institute of International Affairs. 200 pages. 25s.

EIGHT years ago Hongkong appeared economically doomed. Today these 400 square miles on the edge of the Asian continent are witnessing a remarkable industrial revolution. Although exports of Hongkong's manufactures totalled more than £50 million in 1956, this hardly indicates their full importance in the world economy. This book is an account of the course of this revolution. Mr Szczepanik, senior lecturer in economics at the University of Hongkong, has successfully described the interlocking, complementary stimuli which, based on the social and economic overheads required by the entrepot trade, have caused that take-off to self-sustained growth which has eluded the underdeveloped nations of the world. It is an exicting story, and he has told it clearly.

The relevance of this study to other economies is not, however, immediately apparent. With the possible exception of Singapore, the situation of Hongkong would appear to be unique, and the author has not focused on those factors, for example, entrepreneurship, which might be common to all developing economies.

Even within the limits of a single economy the author faced difficult problems. Mr Szczepanik has been forced to quote his own statistical estimates, the proof of which lies mainly in a series of articles not readily available outside Hongkong. These estimates are based on incomplete and questionable data, and analysis depending upon them must be suspect. Other statistics simply are not available, and the author may well have misinterpreted the role of the banks in the new industries; nor can he prove the importance of the open-money market, or even be certain of the relative importance of the various possible sources of capital for Hongkong's development.

Writing in early 1957, the author would appear to have been unprepared for the current economic recession in Hongkong, nor does he touch on the international controversies that recently brought the colony into the economic news. In spite of these limitations, Mr Szczepanik has made an important and useful case study of economic growth in an area of particular interest.

Japanese Trafalgar

The Fleet that had to Die

By Richard Hough.
Hamish Hamilton. 205 pages. 18s.

TSUSHIMA is the Japanese Trafalgar, one of the few complete naval victories ever won. It is easy to see now why the annihilation of the Russian fleet was inevitable, but it was not possible to forecast it then. The Russian ships rolled and plunged on their long voyage of agony across half the world to their doom, scattering in their wake, like the black cinders from their funnels, diplomatic crisis after crisis. Relics of a bygone age of ironclad experiment or modern ships of bad design, the ships were manned by officers and ratings in the thrall of a curious kind of fatalism—at one moment recklessly and uselessly energetic, at the other lethargic and defeatist. The voyage has the tragic, pathetic air of a blunder. But, like the fat man slipping on the banana skin, it is also funny.

As a historical farce, almost as a joke, is how Mr Richard Hough has decided to treat it. Fortunately, the jest comes off. It does so because this is an intimate vivid writing up of carefully collated and documented facts. The effort of research has been made, but it does not appear in the writing. This is not perhaps the way purists like to see naval history written, but the book is never, never dull.

OTHER BOOKS

THE SECOND WORLD WAR. By Winston S. Churchill. *Cassell.* 1033 pages. 35s.

This abridged version provides most of the grandeurs and the delights of Sir Winston's incomparable account without the military detail and texts of telegrams that are of little interest to the ordinary reader. It contains, as well, a twenty-page epilogue, written in 1957, surveying the events of the twelve years since Sir Winston, to his still undisguised disappointment, was defeated. There are some understandable omissions; for example, there is no mention of Suez, unless there is a veiled reference to it in the condemnation of the United Nations as "a vain assertion of the equality of influence and power which has no relation to the facts." Sir Winston touches briefly on the great opportunities that were missed, by the Americans for example, when they allowed the Russians to sweep into Europe. But he does not believe that the democracies have acquitted themselves too badly when, having vanquished one despotism, they seemed to be confronted by another; and he has hopes that the Russians, as they experience the "complications and palliatives" of their expanding standard of life, will outgrow the confines of Marxism.

BRITISH RUBBER MANUFACTURING. By Audrey G. Donnithorne. *Duckworth.* 159 pages. 25s.

This survey of the products and processes involved in rubber manufacturing would serve as an excellent introduction to the industry were it not for the fact that it sets itself a different task—to study the relationship between innovation and the structure of the industry. Miss Donnithorne's conclusion is that there is "little evidence . . . to link innovation with the degree of monopoly or competition in the industry," by which is meant, presumably, the structure of the industry. The conclusion is almost certainly correct. Although innovations, defined here as original inventions and their development, have shaped many industries, the present form of rubber manufacturing is due as much to the influences exerted by other industries and to the effects of the McKenna duties as to anything else.

In her examination of innovation Miss Donnithorne finds much to be critical of in the British industry. In particular, she claims that innovations in synthetic rubber and tyres over recent years have been left largely to American firms. At a time when European firms have led in the development of steel cord breaker tyres, this may occasion some surprise, and it can be argued that the well-base rim and latex foam, both Dunlop developments, provide excellent instances of British research and endeavour. Nevertheless, this well-written book gathers together much that should be known about an important, if complex, industry.

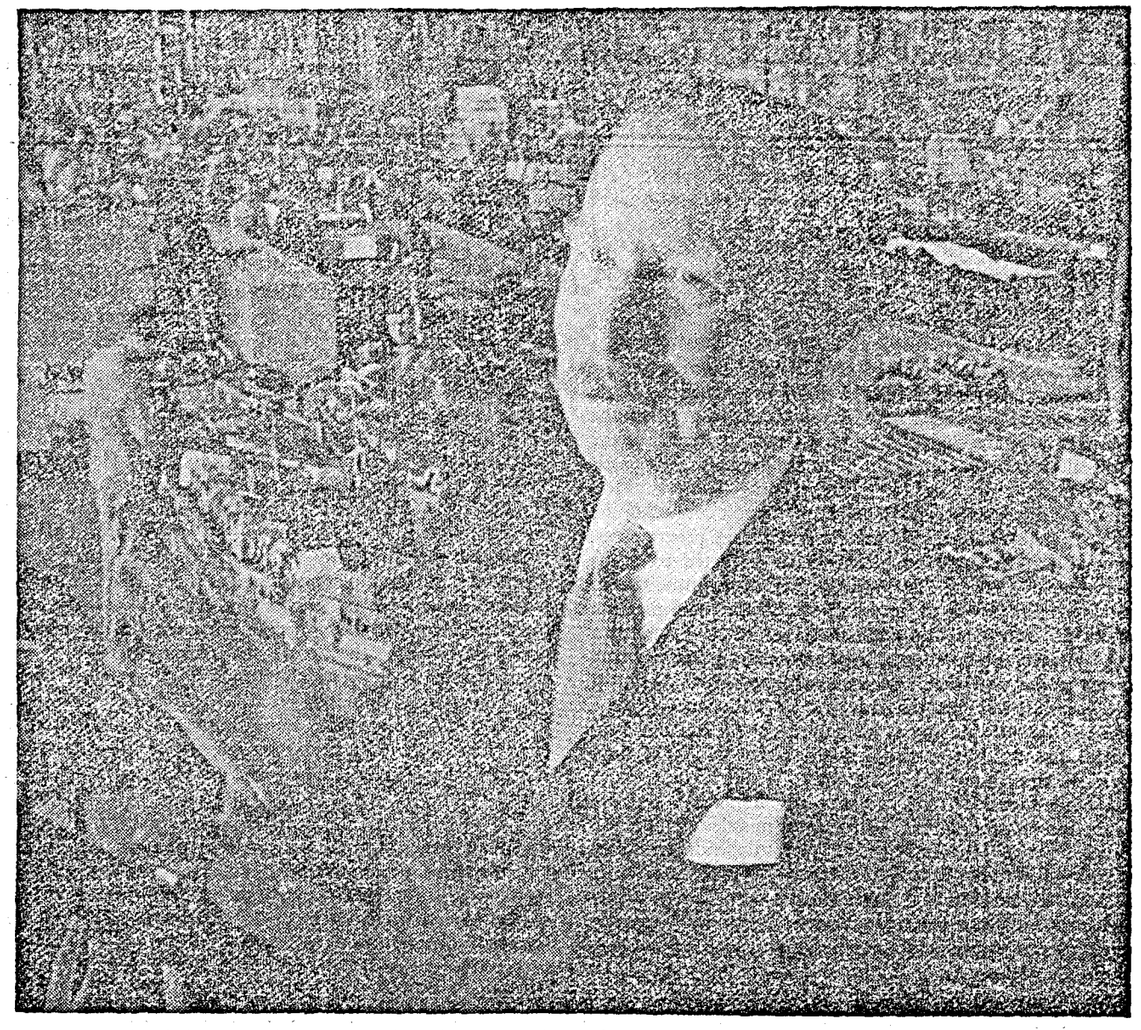
EXPLORING VILLAGES. By Joscelyne Finberg. *Routledge and Kegan Paul.* 253 pages. 28s.

This book is addressed to students of all ages. Although the narrative is packed with facts, there is no confusion and only a slight air of the schoolroom. The village is first of all analysed by shape, size and site; its historical evolution reviewed; and the reader skilfully guided through the centuries by simple explanations of geology, geography, place names, boundaries, farm practice, and the like. The anatomy of village buildings is revealed from the early cruck to the Victorian prize cottage. The church has a chapter to itself. Society is also treated in its widest sense: crafts, the rise of industry, the poor, the influence of the squire. Wisely, Mrs Finberg only hints at the twentieth century.

There are nearly a hundred good practical sketches, mostly by the author, a bibliography at the end of each chapter and an index. As an inspiration to deeper reading and personal observation, it is worthy of a wide public.

PROSPERITY AND DEPRESSION. By Gottfried Haberler. *Allen and Unwin.* 520 pages. 18s.

When Professor Haberler's "Prosperity and Depression" first appeared, under the League of Nations imprint, in 1937, it was an up-to-date critical conspectus of the various current schools of economic thought on the nature, causes and possible cure of the trade cycle. The 1939 edition included an account of the General Theory; that of 1941 took in the first post-Keynesian developments. In this new, revised and enlarged edition the original critical conspectus, up to and including the General Theory, remains unchanged; losing topicality, it retains a solid historical value, proof against the passing of time. The stop-press section of the 1941 edition has, however, been scrapped and replaced by new matter; a less expository, more critical chapter on "Monetary and Real Factors Affecting Economic Stability," condensed from a paper presented in 1956 to the Congress of the International Economic Association, and, as appendices, two reprinted and translated articles—"Notes on the Present State of Business Cycle Theory," and "The Pigou Effect." While the result lacks the symmetry and unity which might have been achieved had the new matter been melted down and digested in a major revision of the whole, it undoubtedly offers the best available means of seeing cycle theory in perspective.

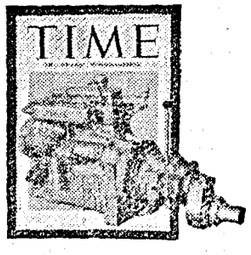


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How Many Missiles?

WASHINGTON, DC

IF Damocles had climbed on his chair to measure the width of the hair that held the sword above his head, he would have been no wiser about the future than the Senators who are currently arguing about the width of the "missile gap." Certainly the joint sessions of the Senate's Space Committee and its Preparedness Subcommittee, summoned two weeks ago to make an "honest count" of the present state of America's missile and rocket programmes, have had some successes. They have extracted from the Secretary of Defence, Mr McElroy, who at one time tended to clap his telescope to his blind eye at the mere mention of missile statistics, the admission that there is indeed a gap between the number of intercontinental missiles which the Russians and the Americans will possess in the next few years; it will open this year, if it has not opened already, and will go on widening at least until 1961. But the committee has not yet established what the pessimists have claimed, that the gap will amount to virtual nakedness for the United States; and to the really important problem facing the defence planners—how many missiles are needed?—it has got only the dusty answer that it depends what they are intended to do.

Some obscurities have been cleared up. Mr McElroy and his most persistent critic, Senator Symington, are now tolerably close to one another in their estimate of how far ahead the Russians will be in intercontinental missiles in 1961. The Secretary puts it at three to one, the Senator "conservatively" at four to one; at least both figures are more cheerful than the ten to one or worse which Mr Joseph Alsop has been talking of. It is also generally accepted that the Americans are still ahead in manned bombers; but the Russians have such an overwhelming lead in intermediate-range missiles that they can neutralise not only the sprinkling of these missiles which the Americans are deploying in Britain and southern Europe but also a large part, at least, of the Strategic Air Command's bases outside the United States. This is undoubtedly unpleasant. The question is whether it is enough to nullify the power of the United States to deter aggression.

There are three reasons why the Administration can reasonably claim that it is not, that even in the worst of circumstances—a surprise Russian attack—the Americans could still retaliate with vigour. In the first place, so long as the superiority of the Soviets in ICBMs is not more than about four to one, most of these long-range missiles would have to be devoted to knocking out their American counterparts. It is reckoned that, even with the five-megaton warhead the Soviet missiles are said to carry, their inaccuracy would make it necessary to fire several of them to guarantee the destruction of a single target. As the Americans progress from the first crowded and vulnerable launching site to shielded and finally to underground positions, this "multiplication factor" is likely to increase. Thus, even if the Russians could obliterate at a blow all the Americans' long-range and intermediate-range missiles, and most or all of the airfields used by the big bombers overseas, they are unlikely to have enough left over to deal with the home bases of the Strategic Air Command.

Secondly, even though the Russian anti-aircraft defences are believed to be so good that they may soon be able to destroy most of an attacking bomber fleet, this is being offset by the Americans' acquisition of air-launched missiles which the bombers can let fly at a discreet distance. The Hound Dog, with a range of up to 500 miles, is now going into production; the Bold Orion—an air-launched ballistic missile which is still only a glitter in the scientists' eyes—is reported to have a planned range of 1,000 miles. Thirdly, it is not enough for the Russians to take into account only the SAC bases; if they hope to wipe out the Americans' power to retaliate, they must also reckon with the many smaller airfields from which even a fighter-bomber could set off with an atomic load on a one-way trip to the Soviet Union. And the farther a Russian attack deviates from the conditions of pure surprise, the more time the Americans will have to get their bombers safely into the air.

THERE remain a great many people who say, despite all this, that the Administration ought to spend substantially more on missiles, that its current defence estimates are based on the amount that can be spent without unbalancing the Budget or increasing taxes, rather than on the needs of national security. Some of these critics are concerned chiefly with the political implications of giving the Russians best. Senator Jackson of Washington, one of the most lucid defence analysts in Congress, has argued that for the United States to admit that it cannot match the Soviet Union in missile production would be to risk the disintegration of the western alliance. In the short run there is some force in this. In the long run, however, the political danger depends on the military one; it is unlikely that America's allies will be hopelessly dismayed by the inferiority of the United States in this one type of weapon unless they become convinced that it has lost its power to protect them. To prevent this, some critics are now insisting that the United States must regain what is called, in Air Force jargon, its "counter-force" capacity.

In its pristine form, the counter-force strategy was based on the hope that the Russians' own bases could be overwhelmed virtually at a single blow. Only if American cities were immune from retaliation, ran the argument, would the allies really believe that the United States would be willing to use its massive deterrent power in their defence. This hope withered as soon as the Russians acquired a substantial intercontinental bomber strength, let alone missiles. The ambition of the counter-force strategists is now to amass so many missiles that it would be possible to do major damage to the Russians' launching sites even after the United States had suffered a serious attack; thus the amount of devastation inflicted on American cities would at least be limited. But even if all the Soviet sites could be detected, which is unlikely, the "multiplication factor" would call for vastly swollen forces of missiles to guarantee the destruction of even a part of them. It is doubtful whether this kind of leap—from a one-to-four inferiority to something approaching the reverse—is within the reach of the Americans in the immediate future.

It is the fear that the Russians will in turn achieve a "knock-out" capacity, or something near enough to make the Americans unwilling to continue the fight, which stirs most of the congressional critics. Senator Symington wants more funds to be devoted immediately to the construction of the Atlas, the first of the ICBMs, which will begin to go into service this summer, and the Titan, which has just made its first short-range test. By contrast, Senator Jackson shares the Administration's reluctance to concentrate too many eggs in the baskets of the Atlas and Titan, both already condemned to rapid obsolescence. He would like to devote substantial extra funds—perhaps a billion dollars in the coming fiscal year—to their solid-fuelled and less vulnerable successors, the Polaris and the Minuteman; he hopes to advance the date when these will be ready for service, and to make more of them when they are. At present the Polaris is expected, at least by the sanguine Mr McElroy, to go into operation late next year and the Minuteman in 1962.

Once the deterrent weapons can be tucked away in cosy invulnerability below ground or under water a black cloud will obviously lift from the brows of the defence experts. But the hastening of the scientists' work depends only partly on the infusion of extra money. The Administration's case is that the gains to be won, in time and numbers, are not big enough to justify either upsetting the precious balance of the Budget or asking more of the taxpayer.

America Needs Mr Dulles

PRESIDENT EISENHOWER'S emotional tribute to his Secretary of State, as Mr Dulles entered hospital, might have gone even further. Not only does America need him, it can hardly do without him; nor for that matter can America's allies, critical as they have often been of Mr Dulles. Experienced, profound, devoted, he has relied on himself alone to plan and conduct the foreign policy of the United States for six years. Now there is no one with sufficient knowledge to take over, except perhaps the President himself—and Mr Eisenhower does not feel that he can give any more time to foreign affairs, even in this emergency. The Under Secretary of State who is to deputise for Mr Dulles, Mr Herter, came to the job with both experience and reputation but he has been given little opportunity to add to either. Moreover, he is thought to differ from Mr Dulles on the vital issue which must be discussed while the Secretary is away—what to do about the Russian threat to Berlin.

Indeed many people, among his colleagues as well as his allies, are thought to differ from Mr Dulles on this issue, although the extent of the differences, particularly where the British are concerned, has obviously been exaggerated in certain newspapers. That all are agreed to use force if necessary to preserve the western position in Berlin has been confirmed by Mr Dulles's trip round the European capitals last week and by the assurances now being given to Mayor Brandt. But this theoretic agreement has still, it appears, to be translated into specific details. Once his operation is over Mr Dulles intends to spend his convalescence of several weeks thinking about the German problem; he will also be available for consultation by his colleagues. This gives rise to fears that they—and negotiators for other countries—may feel that they have no independent authority and that final decisions may be held up until Mr Dulles comes back. By then May and the Berlin deadline will be very near.

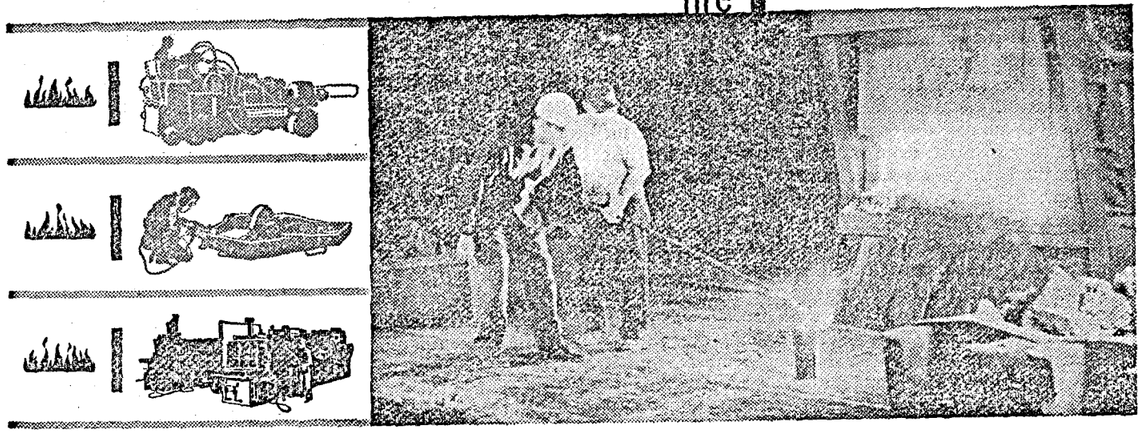
Officially there is absolute confidence that Mr Dulles will come back, that his present illness will respond to treatment and that he will soon be adding to the 560,000 miles he has already flown on official business. Much as everyone hopes that this will be so and probable as it seems that his determination and toughness will conquer his ill-health, nevertheless there is naturally speculation about a possible successor. Many names are mentioned but, since Mr Herter suffers severely from arthritis, the two who head the list are the other Under Secretary of State, Mr Douglas Dillon, who has specialised in economic matters with imagination and success, and Mr Henry Cabot Lodge, who represents the United States at the United Nations.

Getting Around the Veto

CONGRESS put aside work this week to join in the bi-partisan celebrations of the 150th anniversary of the birth of Abraham Lincoln, the great Republican. But the Democrats, urged on by their leader in the Senate, Mr Johnson, had left the present occupant of the White House with more to think about than log cabins, the immortal Gettysburg address, or the new Lincoln penny. Ever since the election in November Mr Eisenhower's stance has been that of a St George attacking the dragon of Democratic extravagance, which could so easily swallow up the frail $100 million surplus in the Budget for the year beginning next July. But the housing and airport Bills which the Senate passed last week, by big majorities, contain enough concessions to the President's demand for economy to make him look unreasonable and politically short-sighted if he vetoes them. These concessions will also make it easier to find a two-thirds majority to pass the Bills over his veto if he sticks to his doctrinal guns.

Over the next six years the Senate's housing Bill is expected to cost just under $2.7 billion, about $1 billion more than the President proposed. The big long-term difference is over urban renewal and slum clearance, which is naturally dear to Democratic liberals who speak for the big cities. But because urban renewal needs long planning ahead, the congressional provisions which really affect next year's Budget are those for direct loans to ex-servicemen in rural areas and to colleges. The accommodating Mr Johnson, after a talk with the President, cut the first from $300 million to $150 million, and second by $100 million. Moreover, both the Senate and House, which has yet to pass a full housing Bill, have approved increases in the interest which may be charged on government-insured mortgages, something they have been unwilling to do in the past. This should attract more private lenders. Mr Johnson now claims that the Senate Bill would add, at most, only $135

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million to spending in the next fiscal year and perhaps much less; he implies that among reasonable men this is hardly worth quarrelling about.

Mr Johnson's concession on the airport Bill is of only academic interest to Mr Eisenhower; it was simply to cut off the last year of a five-year programme in order to bring the cost down from $565 million to $465 million. The President wants to spend only $200 million over four years, arguing that federal aid should be confined to making airports safer. But after the disaster at Idlewild this month, which cost over 60 lives, cities and towns are not likely to look with favour at the tapering off of federal assistance at the beginning of the jet age.

The Treasury Goes Short

MUCH against its will, the Treasury unexpectedly had to raise $1.5 billion this week through the sale of seven-month tax anticipation certificates. This was to pay off holders of $2.1 billion of maturing certificates who demanded cash last week instead of accepting new government securities. These had been made particularly attractive in the hope of ensuring the success of the big refunding operation. In all, it amounted to $14.9 billion of maturing securities, of which $9.2 billion were held by the public and the rest by the central banking system and government trust funds. In exchange the Treasury offered a new one-year certificate bearing 3¾ per cent interest and a new 3-year note bearing 4 per cent—both of these higher than the going rate on securities of comparable maturity.

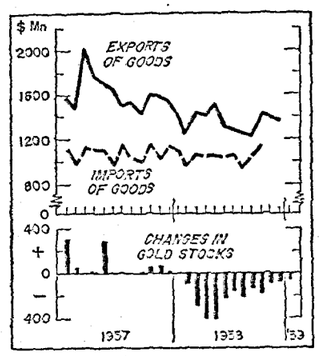
A demand for cash amounting to 22 per cent on the part of the public is second only to the attrition of 30 per cent encountered last summer when the bond market collapsed. The Treasury had abandoned plans to offer a long- or intermediate-term bond; it sold only $1.4 billion of the three-year notes; and for many even one year was too long. Few investors wish to tie their money up for more than very short periods when they are convinced that interest rates are bound to rise farther as the recovery goes on and when they know what heavy refinancing lies ahead for the Treasury this year. Others, fearing that the government deficit will continue and revive inflation, or anxious for quick profits, prefer to put their money into the stock market. The banks will buy only very short-term securities.

One effect of forcing the Treasury to rely on short-term financing may be to drive the short-term rate above that for long-term money. Another is to make it harder for the central bank to control inflation; and this in turn may make investors still more unwilling to buy long-term bonds. So far no escape from this circle of misfortune is in sight, but it explains why many officials in Washington are "obsessed" with balancing the Budget.

Losing the Midas Touch

LAST year the United States, which in 1949 owned 70 per cent of the free world's stock of gold, found that everything it touched no longer turned to gold. Instead it lost—or rather sold—gold worth $2.3 billion, the largest figure for any year on record. This contribution to the better distribution of the free world's $39.5 billion stock of gold does not leave the United States in pressing financial difficulties. Its remaining stock, worth over $20 billion, is still $8 billion more than is legally required as a reserve against currency and deposits. But some American advocates of balancing the Budget have been quick to conclude that the loss reflects distrust of the dollar abroad and that this is inspired by the prospective deficit of $13 billion in the government's Budget this year.

The balance of payments offers a more reassuring explanation. During 1958 America's commercial exports were a sixth lower than they had been in 1957, a year when they were swollen by abnormal demands for petroleum, wheat and cotton. The Council of Economic Advisers ascribes three-quarters of the fall in exports in the first half of the year to "special circumstances" affecting these three and three other groups—metals, coal and motor cars. Imports, sustained by domestic consumer demand, fell very little, and exports of capital, both private and governmental, remained higher than they were in 1956, though they fell somewhat below 1957. The United States not only did not export its recession, but is recovering from it without the rise in exports which was so helpful in 1953-54.



The consequence was that during the first three quarters of the year foreign countries increased their holdings of gold and dollars by over $2.2 billion, adjusted for seasonal variation, through their transactions with the United States—compared with an average annual increase of $1.6 billion between 1952 and 1956. The spectacular rise in purchases of gold has two explanations. One is that the European countries which amassed dollars are traditional buyers of gold; the other is that the return on short-term investments was unattractively low in the first part of the year because of an easy money policy. Now that it is higher, purchases of gold are diminishing. So far from there being any "flight from the dollar," foreign countries increased their holdings of dollar assets by nearly $1 billion in the twelve months ending in September.

Baghdad in the Suburbs

FROM A CORRESPONDENT IN NEW YORK

THE migration to the suburbs, which has been such a feature of American life since the war, faced the city shops with a choice. They could try to woo back their customers, or they could follow them. Most of the big stores have elected to pursue their quarry by means of the shopping centre. In effect, this is a little bit of the urban shopping district, transplanted to the suburb.

Whether a shopping centre is simply a "neighbourhood" one, grouping a handful of shops to supply perhaps 1,000 families, or a mammoth "regional" development, with more than 150 shops, supermarkets, banks, and other

enterprises serving a community of half a million, it is a modern and extremely functional bazaar made up of independently-owned businesses. Along with its variety of shops (which is the city's great *attraction*) the suburban development aims at beauty of design, which the city usually lacks. Wide and handsome malls are combined with the convenience of "one-stop" shopping. Most important of all, it has room for the motor cars which rule the lives of suburban people. There is no shopping centre, big or small, that does not have a car park large enough to accommodate every customer's car. The shopping centre may be part of a general decentralisation, but it effectively centralises the commercial affairs of the sprawling suburbs.

About 2,700 shopping centres (of which about 1,200 are the giant regional ones) exist already, serving about 80 million people, nearly half the population of the country. About 2,000 more are in various stages of planning or construction ; their growth has been so rapid and so widespread that it is hard to keep count. Ten years ago there were only 75. An editor of *Redbook* magazine, who is generally accepted as an authority, thinks that the centres sold goods worth $50 billion in 1958, and thus accounted for about a quarter of the country's retail sales.

THESE new markets have their own special characteristics. For example, the suburban population is younger, on the whole, than that in the city. Consequently, stores in shopping centres display prominently the maternity garments and the children's clothes which their city cousins tuck away upstairs. A shop in Levittown, Pennsylvania, has had to ask its home office to stop sending the so-called "stylish stout" sizes, since all of its matrons are slim. Delivery of parcels is no trouble ; suburban housewives take everything home in the car. A chain store in a Miami centre has found that the popular 10-pound package of garden fertilizer does not fill the bill ; the central buying office has had to supply it with 100-pound sacks.

Most shopping centres have play areas for children and many have closed-circuit television cameras keeping an eye on them ; their mothers can watch them from receiving sets scattered round the centre. At the huge Southdale centre in Minneapolis, the children are even provided with a full-fledged zoo. Finally, shopping centres keep open much longer hours than is usual in the city. About two-thirds of the supermarkets, most of which are in shopping centres, stay open after six o'clock six or seven nights a week and 27 per cent are open all day on Sunday. The Lakewood centre in California, in area the largest in the country, does more than 60 per cent of its business after five in the evening. Costly as these late hours are, they bring big rewards in terms of sales.

Trial and error have shown that the construction of a shopping centre is a big job requiring careful planning. For lack of this, a number of centres are in financial difficulties and a couple have gone bankrupt. It is not enough simply to build in a growing suburb, as many of the promoters of the earliest centres have discovered. A careful survey needs to be made of the habits, incomes and shopping tastes of the population and to discover what competition already exists. Then the developer (an independent estate specialist or a departmental or chain store company) decides whether the centre is to be a neighbourhood affair, with 10 to 15 shops covering ten acres or less and serving a market of 1,000 ; a "community" or district one, with a branch of the big store, on a 10 to 25 acre site to serve 5,000 families or more ; or a regional centre, covering 35 acres and including several big stores in a complex of more than 100 shops and serving at least 100,000 people.

The detailed architectural plan must be attractive both to the prospective customers and to the prospective shopkeepers. The big central stores must be placed so as to bring in the crowds and then send them circulating throughout the centre. This is because the profitability of the whole venture depends very largely on the wellbeing of the little shops. The big stores can and do demand preferential treatment. While a little shop may have to pay rent equal to 15 per cent of its sales, the large ones will pay a relatively nominal tribute of 2 or 3 per cent or less, and may even demand exclusive rights to sell certain kinds of goods in order to protect themselves against what is held to be the greater risk. Competition between the shops in a centre is kept in mind as a working theory ; in one case however, a trader addicted to price-cutting was thrown out by the shopkeepers' association.

SOMETIMES potential sales are overestimated right from the start, and many a centre has been abandoned before it was off the drawing boards. There is concern today even for the well-planned ones, simply because there are so many of them. In densely-populated Bergen County, New Jersey, a suburb of New York with about 750,000 residents, two of the giants rub shoulders. One, Garden State Plaza, is run by Allied Stores, the biggest chain of department stores ; the other, Bergen Mall, is the showplace of Macy's, whose New York store is probably the biggest in the world. Ultimately, each of these centres will sprawl over 1,500,000 square feet, with parking space for 12,000 cars. It would appear to be saturation of the market on a classic scale.

But both Macy's and Allied feel that energetic promotion will keep their plazas thriving. The former has been serving free coffee and pastry to housewives who show up daily for "Breakfast on the Mall." The latter has scheduled art shows. The possibilities are almost boundless. At the Hillsdale centre in southern California there are daily "fishing derbies for small fry" in well-stocked trout pools. At Mondawmin Mall in Baltimore there are starlight symphony concerts. In Raleigh, North Carolina, and Houston, Texas, circuses are the attraction. Not long ago the Northshore centre in Peabody, Massachusetts, featured

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a review of the British Grenadiers and Scots Guards, massed pipers and all.

Perhaps the best example of success against high odds is suburban Detroit, where so far $82 million has been invested in shopping centres. A dozen have gone up outside the city, another six are being built and nine more are planned. Hudson's, a big store in Detroit, underwrote two of the centres and did $50 million worth of business in each during the first year. It now leases space to over 160 shops. What is remarkable is that Hudson's big central store has grown too. Part of the explanation may be that the company has induced Detroit to add 6,000 municipal parking spaces to those in existing car parks and garages, and even has the city government thinking about urban renewal schemes revolutionary enough to include a shopping mall in the centre of the city.

Middle Road on Civil Rights

WHEN the Senate committee starts work on civil rights in about a month's time, it will have a trio of plans before it, supplied by Senator Douglas, Senator Johnson and President Eisenhower who, as might be expected, steers a middle course between the two Democrats. In the mood of hope for conciliation which prevails after Virginia's abandonment of massive resistance to racial integration in education and after the peacefulness with which a few token Negroes have been received in its white schools, there is a real possibility that some effective legislation on civil rights may be passed this year. But its content will depend largely on Senator Johnson, for only he has the power to prevent the southern filibuster which could keep any Bill from coming to a vote.

His measure is designed to placate the Southerners for it contains no reference to the school difficulty, although he claims that his special community relations service will cope with problems arising out of integration in education. Senator Douglas's plan is guaranteed to provoke a filibuster for it empowers the federal authorities to force schemes for racial integration on school boards which refuse to make their own. He would also have the federal government provide technical and financial help for communities which wish to open mixed schools. The President wants to do the same, provided that the help is requested by the local school board. He also wants it to be a federal offence to interfere with a court order on school desegregation ; this would enable violence such as that at Little Rock to be dealt with without the use of troops. But the President does not ask, as does Senator Douglas, for power to bring lawsuits on behalf of people who are suffering from discrimination but who dare not start proceedings themselves. The Attorney General is understood to have desired these powers but to have changed his mind in the light of the comforting developments in Virginia. On the school question the President has now spoken more directly and explicitly than ever before in support of the Supreme Court's decision against segregation. His approach may well appeal to some northern Democrats more than either of the schemes put forward by members of their own party.

Both the President and Senator Johnson would extend the life of the Civil Rights Commission for two years and would give the Department of Justice power to subpœna voting records, to make it easier to deal with obstruction of the kind which the commission recently faced in Alabama. Finally, both plans would strengthen methods of countering the bombing of schools and churches ; there was an epidemic of such outrages last year.

Oregon's Hundredth Birthday

FROM A CORRESPONDENT IN PORTLAND

LITTLE more than a century ago, the first settlers began to pour into the lush, green land then known as the Oregon Country. They cleared away the tall firs to make homes in the valley of the Willamette River, on the shores of Puget Sound and, to the north, along the Fraser River in what was to become British Columbia by international treaty. So now is the time for centenary celebrations in the Pacific Northwest of America. British Columbia began them last year, and in 1961 comes the turn of the State of Washington ; but this year belongs to Oregon, which became the thirty-third state in the Union one hundred years ago, on February 14, 1859.



For the past three years a state-wide committee has been making preparations for a birthday party to which all the world is asked ; some four million persons, more than double the present population of the state, are expected to accept the invitation. The celebration is to begin this weekend with a formal reception in the rotunda of the State Capitol in Salem, and the Vice President of the United States, Mr Richard Nixon, is to head a long list of distinguished guests. Once the centennial has been launched in this way, virtually every community in Oregon will offer its own programme for the entertainment and the enlightenment of visitors. They will be able to pan for gold, to send mail by pony express, to fish and shoot in areas specially restocked with game so that they compare with the undespoiled land when the white man first came. And there will be modern entertainments ranging from art festivals to open-air symphony concerts.

The Oregon Historical Society and the State Highway Department are co-operating to complete the marking of the state's historic landmarks for the information of visitors. These preparations have been inspired by a Van of History, a mobile display of historical relics which has been touring Oregon for the past three months, carrying exhibits which include petroglyphs carved by Indians in pre-Columbian days and the gold-headed sword-cane of the Hudson Bay Company's factor, Dr John McLoughlin, the dour Scotch-Canadian who was the Oregon Country's most distinguished citizen in the decades before statehood.

The practical purpose of a centennial, of course, is to call

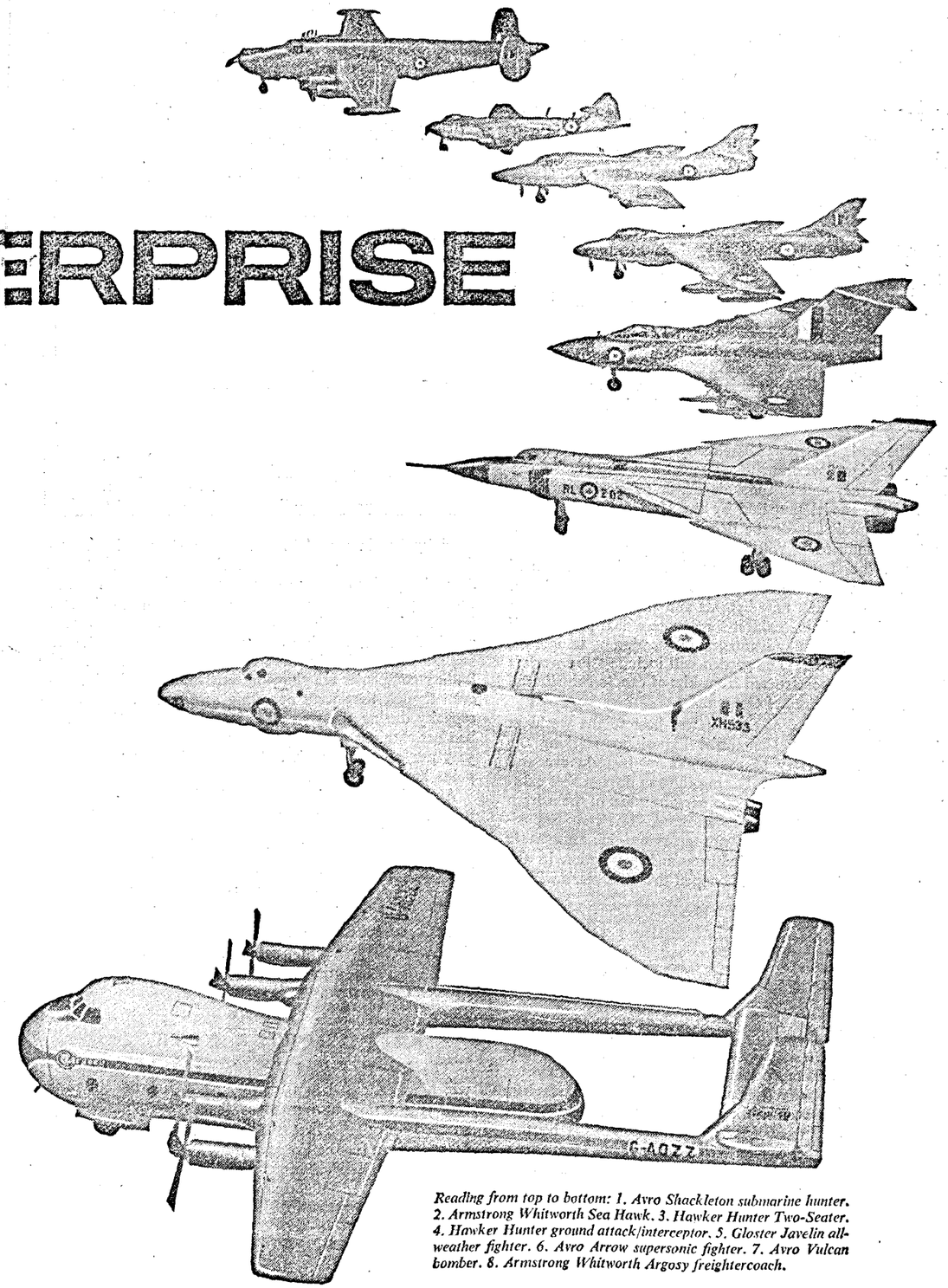
Continued on page 598

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Reading from top to bottom: 1. Avro Shackleton submarine hunter. 2. Armstrong Whitworth Sea Hawk. 3. Hawker Hunter Two-Seater. 4. Hawker Hunter ground attack/interceptor. 5. Gloster Javelin all-weather fighter. 6. Avro Arrow supersonic fighter. 7. Avro Vulcan bomber. 8. Armstrong Whitworth Argosy freightercoach.

Continued from page 595

attention to the opportunities offered by the state, and for this the main effort will be the Centennial Exposition and *International Trade Fair, which will open in Portland on* June 10th. It will be on a 165-acre tract at the northern edge of the town, on the bank of the Columbia River. The chief building will put eleven acres under one roof and will be surrounded by a number of attractions, including a demonstration tree farm and a display of the products of the Northwest's lumber industries, which will include a permanent exhibition of modern techniques of building in wood. A dramatic feature will be an 80-foot-high "tower of fire," fed by the natural gas which has recently been *brought to Oregon from the southwestern regions of the* United States and from far over the Canadian border. There will be an Adventureland, with an authentic Indian village, a reconstruction of a community in the time of the explorers Lewis and Clark, a frontier town, a ghost town, an early logging camp and a children's zoo. Stands have been built along the bank of the Columbia River, from which spectators will be able to view water sports and a nightly water pageant at the "aqua centre."

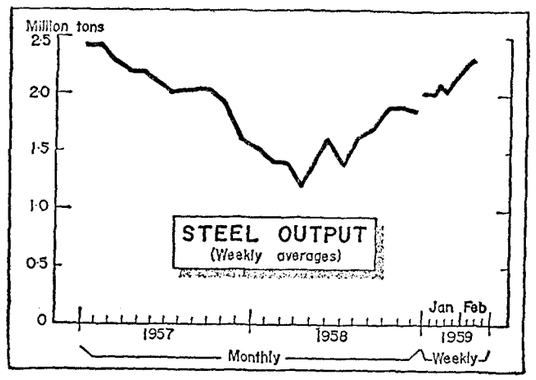
In the trade fair space has already been reserved by over twenty foreign governments. The exhibits will feature the coming century and will include the first American appearance of the model prepared by the United States Atomic *Energy Commission for the Brussels World Fair.* Oregon's building industries will show a $75,000 "home of tomorrow" and there is to be an "international garden of tomorrow," which will cover 50,000 square feet and will include rare species, new hybrids and plants from all over the world—a suitable exhibit for a state which prides itself on the horticultural advantages of its damp, temperate, "English" climate. The garden will include "the world's largest candle," constructed from bits of candle contributed by the school children of Oregon.

Fifty-three years ago, Oregon was host to the world at the Lewis and Clark Centennial Exposition, marking the hundredth anniversary of the explorers' historic overland trek to the Pacific Ocean. During the 137 days of that exhibition, approximately 2,500,000 persons, most of them from other states or countries, were admitted. The 1905 Exposition is generally credited with sparking the remarkable development of Oregon's industry and population in the first half of this century. It is hoped that this year's will do as well for the second half.

Steel's False Spring?

THE American economy as a whole may not be booming but steel output, a basic indicator, has been shooting up in recent weeks to levels not reached for nearly two years. Partly this is because consumers have let their stocks run down so far that even in the sluggish car industry they are inadequate for current needs. But mainly it is because buyers expect either a steel strike when the present three-year contract expires on June 30th or higher prices as the result of wage increases. Competition for supplies of certain types of steel is already such that four months may not give some customers time to build up as large reserves as they would like. Even though this early spring fever will almost undoubtedly mean a sharp falling-off in the demand for steel during the summer, the producers welcome it. Determined to be tough in their bargaining with the union, which is also breathing fire and thunder—perhaps only for psychological purposes—the employers feel that their position will be stronger if their customers are able to carry on without any new supplies of steel for some time.

Clinging to the banner of the anti-inflation campaign the companies insist that they will not grant any wage increases that are not justified by higher productivity; the union is talking of winning another $1 billion a year. That pro-



ductivity has increased in steel seems clear from the fact that employment has not been rising as fast as output. Annual capacity has gone up by 14.3 million tons since the end of 1956. The industry now needs to run at only about 80 per cent of capacity to produce steel in amounts which required all-out working only two years ago and the new facilities are obviously more economic than the old. The leading companies are showing satisfactory profits for 1958 even though they were operating at under 60 per cent of capacity during the year; the Republic Steel Corporation had net earnings of nearly $4 a share on an average rate of 52.5 per cent of capacity. The traditional "break-even" point has been well above this.

A possible strike is not the only threat to steel's bright future. The Bethlehem and Youngstown companies have decided to drop their proposed merger rather than appeal to the Supreme Court against a lower court's ban on it. But the Department of Justice is still concerned about undue concentration and monopolistic practices in the steel industry and is thinking of proceeding against it on several fronts. At least these enquiries will cover newer ground than will the grand jury which is about to examine once again the ramifications of the much-investigated General Motors Corporation.

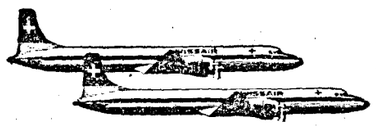
SHORTER NOTE

The Twenty-Second Amendment to the Constitution, which was adopted in 1951 to limit each President to two four-year terms, also provides that if the Vice President succeeds during the first two years of his predecessor's term, he may stand for the Presidency only once in his own right. January 20th marked the end of the first two years of Mr Eisenhower's second term of office and therefore the end of a political, if theoretical, disadvantage for the Vice President. If Mr Nixon should succeed to the White House during the next two years, he would still be free to serve two further terms.



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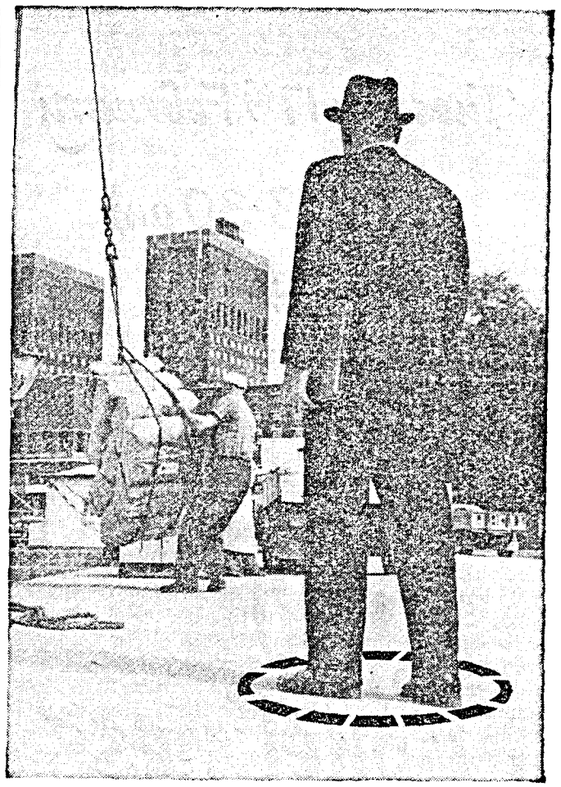


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ITV 8-30 p.m.

*

The Garden of Loneliness

by Gerhart Hauptmann

The Garden of Loneliness was recently produced with success at the Arts Theatre. It is set in the early eighteen-nineties, at a country-house near Berlin. It gives a striking picture of the Germany of those days; and it has as its hero a young man whose character and whose problems have remarkable parallels with the present day. John Vockerath, a young scientist in revolt against the society he lives in, is torn between his love for his beautiful, patient and conventional wife Kitty, and his comradeship with a remarkable and brilliant "New Woman", Anna Mahr.

Friday 27th February

ITV 9 p.m.

*

A Memory of Two Mondays

by Arthur Miller

Miller says of this play: it is a pathetic comedy; a boy works among people for a couple of years, shares their troubles, their victories, their hopes, and when it is time for him to be on his way he expects some memorable moment, some sign from them that he has touched them and been touched by them. They barely note his departure. I wrote it, I suppose, in part out of a desire to relive a sort of reality where necessity was open and bare; I hoped to define for myself the value of hope, why it must arise, as well as the heroism of those who know, at least, how to endure its absence.

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THE WORLD OVERSEAS

Mr Khrushchev's Middle Way

THE twenty-first congress of the Soviet communist party, which ended last week, was a personal triumph for Mr Khrushchev. His long report on the seven-year plan opened the proceedings. The 86 Soviet speakers who followed him during the next eight days, as well as the foreign delegates, all paid tribute to his performance. Mr Mikoyan described his report as a "symphony of communist construction." Others paid their homage to Mr Khrushchev's contribution to each sphere of Soviet activity from maize to foreign affairs. The first secretary is undeniably the first. But now that the Kremlin hall has emptied and the applause died down, Mr Khrushchev's programme must be closely examined if his position and power are to be assessed.

The empirical Mr Khrushchev dealt largely with facts and figures. But he was compelled to venture into theory in order to tackle the problem of "transition to communism." He argued that this transition cannot be sudden and abrupt; it will be long and gradual. The many reforms for which he claims credit are merely designed to speed up the pace of Soviet development. By the end of the seven-year plan, the Soviet Union should approach American levels of production; by 1970 it is hoped to reach American output per head. Yet even this is described as only a stage in the long march towards a society of plenty. Only when this goal is achieved, he argued, will it be possible to put into practice the old, attractive slogan: "from each according to his capacity, to each according to his needs."

It suits Mr Khrushchev and his associates to brand his opponents of the "anti-party group" as diehards resisting every progressive and popular measure. His speech, however, revealed that he also has to contend with a different kind of opposition. The answers he gave were an admission of the kind of ideological questions that are being asked, particularly by younger men. Why, despite Russia's economic growth, are there still such big differences in earnings and in living and social standards? What is being done to bridge the gap between physical and mental labour, and the gap between town and country? Why does not the state show more signs of "withering away"? Having proclaimed that the party must return to "Leninist principles," Mr Khrushchev can hardly be astonished that the early slogans of the revolution are being revived.

Mr Khrushchev would like to appear as the unquestioned leader of the reformers. In practice, he has to fight on two fronts. Against Russia's conservatives his campaign is easy as long as his reforms prove successful. He is finding it more difficult to curb the zeal of impatient youth. His main argument is that the ground is already being prepared for some of the desirable long-term objectives. The state, he claims, already takes care of some 20 million old-age pensioners and spends large amounts on education and social welfare. It will spend still more on kindergartens, boarding schools, free meals and so on. The strengthening of the Soviet block enables the state to rely less on coercion ("there are no political prisoners"). Incomes are becoming less disparate, thanks to the gradual increase in minimum wages. Shorter hours, automation and the reform of education should narrow the gulf between labourers and white collar workers. When collective farms grow richer and more modern, it should be easier to transform them into state property. But, for the time being, the emphasis must remain on incentives because, without a rapid increase in the country's wealth, the other dreams will not come true.

His strictures on social experiments unwarranted by the state of material progress were aimed not only at the internal position, but at the Chinese leadership as well. For all the denials, the congress confirmed the existence of an ideological rift between Moscow and Peking. But at the same time it has shown the basis of the "agreement to disagree" reached between the partners. Last year Mr Khrushchev may well have been more worried by the Chinese "leap forward" through the method of the communes than by Jugoslav experiments with workers' councils. Peking, however, has never even suggested that it might move outside the Soviet block. The main accusation against Belgrade during the Kremlin debate was that Jugoslavia has tried to sit on "a separate chair" between the two camps. Mr Khrushchev seems to have accepted the principle that communist countries can follow their "own roads," suited to their particular conditions. What he will not tolerate is any questioning of allegiance to the block. This is probably why his definition of inter-party relations was endorsed so wholeheartedly by Mr Gomulka. The Polish leader is more interested in relative freedom of action at home than in quixotic aspirations to independence in foreign policy.

One of Mr Khrushchev's theoretical statements must have appealed to the Chinese. He argued that all the countries of the block will reach communism at roughly the same time. This must mean that the laggards are expected to catch up with the more advanced countries. In other words, the Soviet Union, in the van, should help the more backward members. The Chinese, at any rate, received one immediate benefit from this line of thinking. Last Saturday, after the congress had ended, Mr Chou En-lai signed an agreement in Moscow providing for additional Soviet aid for 78 Chinese investment projects over the next eight years; the credits involved amount to 5,000 million roubles. Was this cheque enough to end the ideological dispute between the communist partners?

The congress shed comparatively little new light on Soviet foreign policy. It merely confirmed Russia's mood of self-confidence combined with its desire for international talks. Marshal Malinovsky, the minister of defence, described the might of the Soviet forces and warned the would-be attackers: "Your arms are too short." Mr Gromyko, the minister of foreign affairs, particularly took to task Dr Adenauer, and cautioned western statesmen that if no agreement is reached over Germany, the Soviet Union "will explore other ways of

solving this problem." Finally, Mr Khrushchev, in his second speech, warned outsiders not to doubt his assurance that the Soviet Union now has inter-continental rockets in serial production. At the same time, while restating the Soviet position on German reunification and nuclear control, he expressed his wish to negotiate and threw out an invitation to President Eisenhower to visit Moscow.

Mr Khrushchev is always in need of success. Indeed, his supporters' chief argument against the "anti-party group" was the progress that the country had made since the group's defeat. This argument could be weakened by, say, a bad harvest. The fatter the next seven years are, the easier will be Mr Khrushchev's defence against critics of his reforms. But this is not his only problem.

The treatment of the "anti-party group" has revealed the limitations and extent of "destalinisation." Nobody at the congress, at least not in open session, dared to defend the viewpoint of the opposition or to question Mr Khrushchev's premises or performance. On the other hand, the recantations of Mr Pervukhin and Mr Saburov were markedly lukewarm and in the end other "culprits" were not dragged before the open congress. When it is proclaimed that there are no longer any political prisoners, and that persuasion has replaced coercion, it becomes more difficult than in Stalin's time to eliminate and uproot opposition.

Success thus brings its own problems. Better fed, better educated, feeling more secure, the Russians are likely to be more outspoken about their political rights. This was not a congress of young men. Four delegates out of five were over forty, that is to say they were fairly advanced in their careers at the time of Stalin's death. The next party congress, scheduled for 1961, may hear the voice of a younger generation call for a freer as well as a better society.

Cyprus Hears the News

FROM OUR CORRESPONDENT IN NICOSIA

WHEN a rumour spread through Cyprus on Tuesday that the return of Archbishop Makarios was imminent, bells rang in village churches, flags came out, and excited Greeks gathered in Ledra Street discussing the phenomenon. When on the following day the fact of the Zurich agreement became known, most Cypriots went about their business, no doubt inwardly uplifted, but ostensibly unmoved; some, indeed, were patently suspicious. These reactions epitomise both the unpredictable Cypriot character and the confused feeling that the fate of Cyprus has become enmeshed in a diplomatic spider's web of which the ordinary man has little comprehension.

Yet it is possible to detect several distinct, though interwoven, strands of reaction to the Zurich agreement. The basic emotion is a human relief that the end of the four year nightmare seems in sight. Despite the violence, the Cypriots are basically kind and friendly people, most of whom have longed for "the end to the troubles," in their own phrase, more than for anything else. At the same time a contrary reaction seemed to come into play—the old obsessive distrust about Britain and in particular the present government's intentions. "The British don't want a solution" has been a pet Greek slogan in the press and the pulpit alike for the last four years; and it is still much in evidence. Even at this stage, with all the indications of a new relationship between the three governments concerned, Greek Cypriots are still uneasy that somewhere and somehow "the Tories will cheat them."

This obsessive distrust (to which Britain itself has contributed) could seriously affect the embryonic settlement in the coming weeks if certain circumstances arise. If the British Government should approve of the Zurich plan in principle but recommend delay—on the ground that a too hasty transition to independence is not in the island's true interests—this would almost inevitably be construed by the Cypriots as a British attempt to torpedo the whole scheme. They will see deferment as synonymous with rejection. Nothing so far has leaked in Cyprus about the time-table of the new plan, but if dates are being weighed up the British Government would do well to pay some belated regard to the Cypriot mentality and susceptibilities.

A third strand of local reaction to the Zurich agreement is a rational concern about the vagueness (at the moment of writing) of what is known of the Greco-Turkish plan on certain important points. In particular the Greek Cypriots are worried about the fate of the municipalities—a topic which has lately assumed giant proportions in coffee shop controversy. Only about a week ago it was being freely forecast that if the Cyprus government officially approved the establishment of separate Turkish municipal councils this in itself would be a signal for a new wave of Eoka violence. In the last resort one suspects that Archbishop Makarios would not reject the whole scheme merely on the score of the municipalities; but in the island, whatever decision is made seems bound to cause a great fuss.

THE Greeks are similarly uneasy about the exact veto powers envisaged for the Turkish minority in the national assembly, and about the functions of the two lesser assemblies for communal affairs—which, according to some reports, are being carried over from the Macmillan plan. These understandable apprehensions may be dispelled when the full details are made public; the present uncertainty largely explains why Greek Cypriot reaction to the Zurich plan has been cautious. Underlying the reserve is a suspicious feeling that the whole Cyprus question has mysteriously been "fixed" by the diplomats without the Cypriots themselves directly participating.

On the left wing, the mood of caution is even more pronounced. The commitment to Nato which the new plan envisages is a rebuff to left-wing hopes of an independent republic with its waggon hitched to the Soviet star. The leaders of the left, however, have a fine sense of practical politics; most probably they will not now force an issue with Archbishop Makarios over the bases, but will tactically bide their time—which almost certainly will come. Their ranks include convinced and able men, such as Mr Ziartides himself, who have given their allegiance to Marxism largely because they have never seen any ideology of comparable dynamism in the West.

On what seems to be the eve of a new phase in Cyprus's turbulent history a shadow is cast by two inescapable factors. One is the grim fact that intimidation is as powerful today as ever. Violence has too long been glorified and the island will pay a heavy price for it in its own political development. Archbishop Makarios, whose return seems daily more urgent, may be able to bring Eoka's activities to an end; but the fact remains that when the first elections are held a great many people will still be armed. The other harsh reality is that the right has so far shown little awareness of the implications of independence and made no attempt to work



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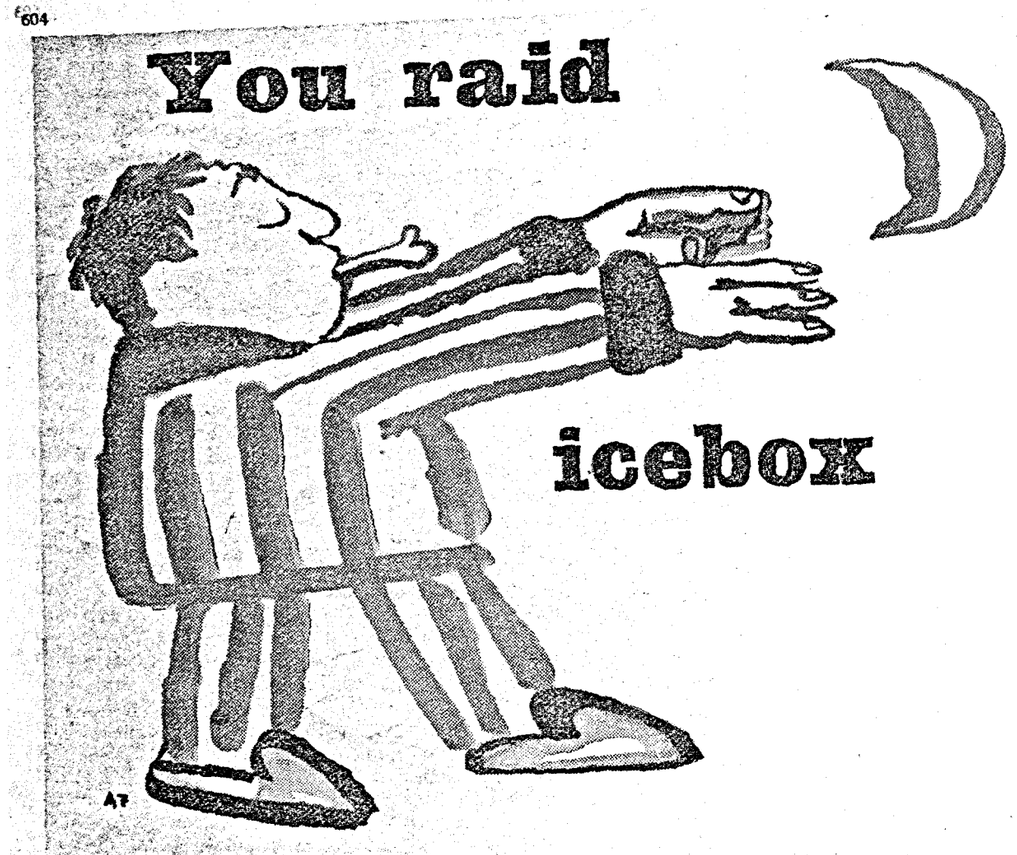
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out a programme. Successive slogans of enosis, self-determination and independence have been the be-all and end-all of political existence, and now that independence seems in sight one suspects that few of them have very clear ideas what they will do with it. Yet in their ranks, too, there are individual men of high calibre who are capable of statesmanship and could be effective allies of the West. One thing clearly is emerging from the crucible; new ideological alignments are being subtly formed. The acrimony that has accumulated will have to be quickly put aside if an independent Cyprus is not to become a flotsam in an ideological whirlpool. Britain, Greece and Turkey, alike, will need to give the new country magnanimous support.

New Faces in Baghdad

FROM OUR MIDDLE EAST CORRESPONDENT

THE revolutionary caravan in Iraq lurched sharply to the left with a sweeping reconstruction of the cabinet last weekend. But the terms "left" and "right" are less precise in the Arab world than in Europe; and it is by no means clear towards what sort of left the caravan is now heading, nor how fast. Despite official claims that the aim of the reshuffle was "to maintain and consolidate the unity of ranks" it seems unlikely that the reconstructed ministry represents a new angle of repose. Unity has been achieved (if at all) by a surgical operation; by the removal of ministers representing large slices of Iraqi public opinion. To that extent, General Qasim has failed to hold the revolutionary movement together. The basis of his new government is much narrower than that of its predecessor.

The immediate cause of the change of government was the death sentence passed on Colonel Aref by the People's Court in Baghdad. But for the past few weeks the case of Aref has become a symbol of wider issues. There was the growing bitterness between Cairo and Baghdad which disturbed nationalist opinion in Iraq. There was the sudden squall that blew up between Cairo and Moscow, which may have heartened Iraqi communists for a new drive towards influence, if not power. With the death sentence on Aref came the announcement of a comprehensive economic agreement between Iraq and the Soviet Union. There seemed some ground for believing that the situation was getting out of control and last week six ministers decided that, without necessarily challenging the leadership of the prime minister, General Qasim, they could no longer accept their share of responsibility for his policies.

Some of the outgoing ministers were members of the right-wing Istiqlal party or of the left-wing Baath party. Both these parties are anti-communist and both favour closer links with the United Arab Republic. To that extent the cabinet changes represent a gain for the communists. But the allegation that the new government is communist-dominated is certainly wrong. The new ministers are either National Democrats or independents. In western terms National Democrats are socialists in temporary alliance with communists. But they are not themselves communists; nor are they opposed in principle to closer links with the UAR. Independents are non-party men on whom the prime minister—himself a self-proclaimed non-party man—thinks he can wholly rely. It is true that the new government is supported by the communists, who continue their steady organisational activity. Provided they are allowed freedom to strengthen their positions in the government, in trade unions and in professional syndicates they may well be content for the moment to keep out of the limelight.

The first words of the new government suggest a wish to end the propaganda war with the UAR. The minister of guidance suspended a communist newspaper on the ground that it had expressed needlessly violent criticism of the outgoing ministers. There is some doubt, however, whether the suspension was effectively enforced. The minister called for "unity in Iraq and the Arab homeland" and for moderation in press comment on Arab affairs. He explicitly held out both India and the UAR as models of true neutralism. Too much weight should not be attached to the mere utterance of such thoughts (the Arabs have their fair share of the human facility for keeping words and deeds in separate compartments). But it is an advance, however temporary, on the sterile insults of recent weeks.

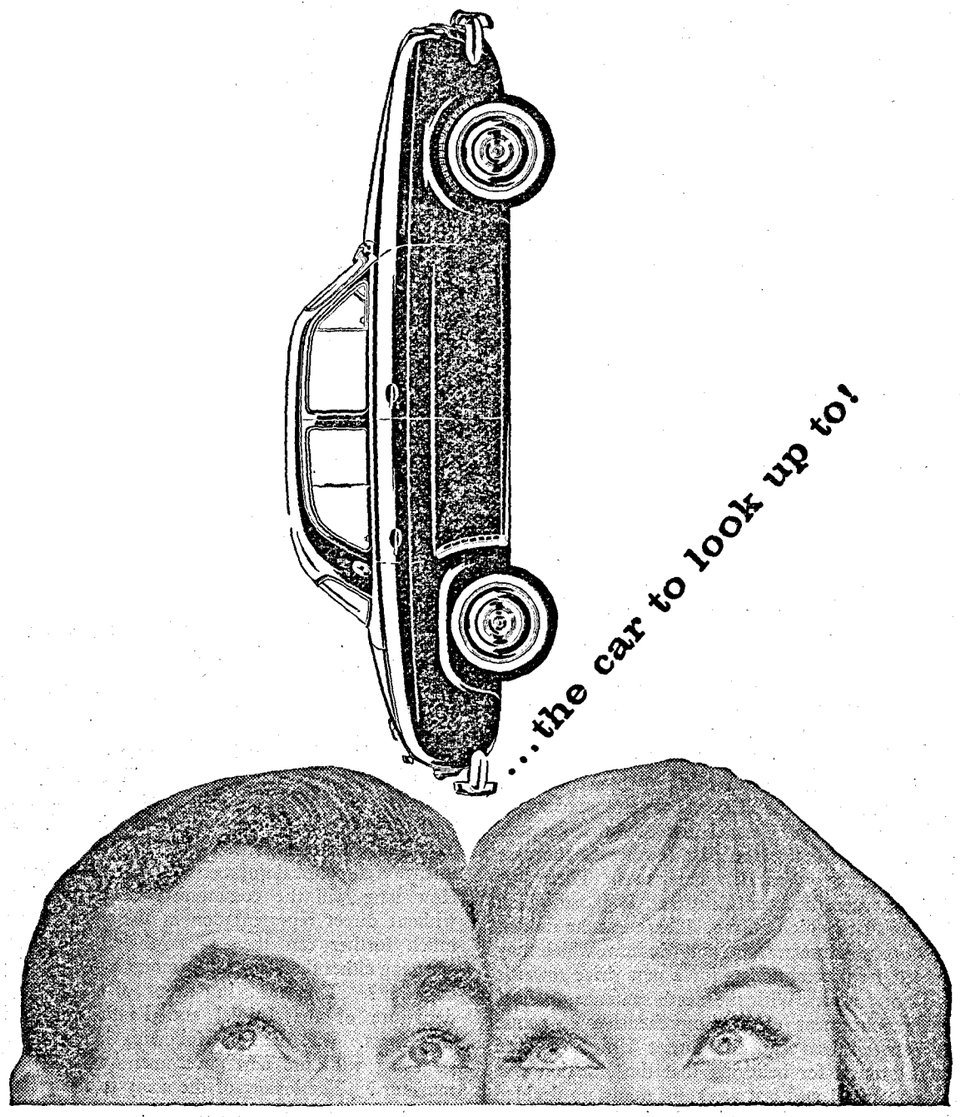
The propaganda organs of the United Arab Republic have not responded favourably to the tentative peace overtures from Baghdad. The immediate reaction of Damascus and Cairo newspapers is not encouraging. Despite broad hints from Baghdad that the transcript of the People's Court proceedings against Aref would reveal UAR complicity in his alleged treasonable activities, nothing of the sort has emerged. Indeed, a careful study of the record suggests that Aref's only "crimes" were personal ambition, instability and disagreement with the prime minister on important points of policy; and that President Nasser's only known reaction to him (before the martyr's crown was forced on his head) was displeasure at his table manners.

The suggestion that more changes are in the offing seems well founded. The sudden departure of six ministers, and the administrative changes that will certainly follow the arrival of the new brooms, must strain the already slender resources at the prime minister's disposal. But more important than such technical problems are the still unanswered political questions that cloud the future of Iraq. How long will the communists be prepared to remain without direct representation in the government? How much further can they press their advantage without alarming either the National Democrats or the independents, or both? The most important of all perhaps is the departure of the Istiqlal and Baath parties into the wilderness. Will their old following in the officers' corps go along with the new government without question or murmur? The loyalty of the army to the prime minister is being put to its severest test yet.

Cambodia's Neutral Stars

FROM OUR CORRESPONDENT RECENTLY IN PHNOM PENH

IT is reliably reported in the beguiling, tree-shaded little capital of Cambodia that a hard-headed western ambassador once seriously contemplated adding a local astrologer to the embassy staff. He argued, logically enough, that all royal astrologers received their basic training at the same traditional fount of starry wisdom and that he would therefore know at any time what decisive astrological advice was influencing the dynamic, able and all-powerful ruler of Cambodia, young (37) Prince Norodom Sihanouk. But the ambassador's brave heart failed him when he thought of possible newspaper headlines at home.



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Ancient customs still persist pleasantly in Cambodia. Royal personal air timetables are governed by last-minute horoscopes, and agricultural forecasts and plans are shaped by the dietetic choice of sacred bulls between priestly offerings of corn, wheat, rice or alcohol after a *Hinayana* Buddhist festival (attended, significantly, by three Brahmin priests.) But these picturesque survivals have not impeded or distracted Prince Sihanouk in his astute, energetic and versatile programme for raising his happy little country's living standards and, while harkening to the old, making the best of the two *modern worlds*—Communism and the West.

To him, neutralism is the only possible policy for Cambodia. To him, the South Vietnamese and the North Vietnamese (alike) and the Siamese are more dangerous forces than the Chinese Communists. He dived into deep waters last year when he decided to recognise Peking, and thus brought the first official Chinese Communist representatives, instead of the Chinese Nationalists, into his strategic area, bordered by Siam, Laos and South Vietnam—all determined on armed resistance to Chinese communism.

So far, the neutral stars have shone brightly and encouragingly on the Prince's ambivalent endeavours. He is reaping aid from a record variety of rival and opposing donors. Theoretically, it will soon be possible for a lucky Cambodian pedestrian, who has been knocked down by a Polish steam locomotive, travelling to a port constructed by the French on a railway line built by the Chinese, to be rushed in an East German ambulance, driven by a Japanese-trained chauffeur and fuelled by American petrol, along a highway built by the Americans, to a modern hospital erected by the Russians and staffed by nurses, using Czech medical equipment, who have been educated under the Colombo Plan.

THE Prince admits, frankly, that American aid, so far, has been "much more important" than Chinese aid. (American aid to Cambodia last year: $32.9 million; probably less this year. Overall Chinese commitments: $28.3 million.) But the American aid is hedged round with customary and unavoidable congressional conditions; it is largely devoted to basic but unpublished needs such as army pay and police training; it seldom seeps down to the people in recognisable form, and it is geared to long-range plans—reafforestation, rubber plantations and, strangely, avocado pears. Now the Chinese, turning speculative eyes towards this friendly oasis in the hostile Seato-South Vietnam desert, are planning a generous and expedient aid offensive, which will be short-ranged, quick and spectacular: a railway to the new port from Phnom Penh, simple ditch-canal irrigation designed to double rice production by June next year, cash handouts, cement and sugar plants, a national radio station (personal gift of Chou En-lai), and oil, coal and iron surveys.

It is absurd to suggest that Prince Sihanouk, who abdicated as king to rule as prime minister, is pro-communist. (His mother, Queen Kossamak, told a western diplomat informally: "There have been eighty kings on the Cambodian throne; if the Communists come here, there will be no more.") He was greatly impressed by his observations in China, and now, toiling in shorts with calloused hands, regularly leads his people in Chinese-style mass-labour projects, such as road-building and dam-digging. Only he knows his real thoughts as he thanks the sycophantic ambassadors and officials of communist embassies for their spontaneous, perspiring contributions to these communal undertakings. He has rejected an arms offer by the Chinese and has said that he is more than satisfied with the present arrangement under which the Americans pay and the French train his minuscule armed forces.

He still places his trust in the neutral stars and believes sincerely that strict neutralism will continue to protect his four million devoted subjects and to ensure a dual flow of aid from both the East and the West. There are suggestions, probably apocryphal, that palace officials were vastly relieved when the capital's roguish white elephant, in one recent week, gored an American and tossed a Czech; it had previously, by evil misfortune, charged, butted and beaten up with its single remaining tusk a small bus, laden with terrified Chinese entertainers on a cultural visit: the later anti-western exuberances, no matter how regrettable, at least demonstrated that the holy elephant's illwill was not ideological or even racial.

Footnote: The US authorities should take note of the fact that *all* Chinese technicians and advisers posted to Phnom Penh speak Cambodian.

Roman Conjuring Trick

FROM OUR CORRESPONDENT IN ROME

A CHRISTIAN DEMOCRAT minority government supported in parliament by the Right is the prospect that is taking shape here this week. The Liberals will decide on Saturday whether to vote for Signor Segni or benevolently abstain. The two monarchist parties are inclined to vote for him, and the neo-fascist MSI say that they find his economic and foreign policies satisfactory. Signor Segni has announced that his government will have a strictly orthodox attitude towards Nato (with no preconceived ideas about Berlin), will put the common market well before a free trade area or any similar plan and will fight the effects of recession by loosening credit so as to stimulate private enterprise. State enterprise will be encouraged to operate in the depressed areas and the unemployment problem will be met by a programme of public works. A loan will be floated to meet the demands of state employees for increased pay.

Everything that the confederation of industries could ask for is in this list of "priorities" which Signor Segni claims to have chosen "in view of the present state of the country" from the programme laid down by the Christian Democrat party after the general election last May. Last week the prime minister designate promised President Gronchi to make that programme his own. Today the conservative press congratulates him on a programme that it considers to be the opposite of Signor Fanfani's and exults in the anticipated discomfiture of the state oil magnate Signor Mattei.

In theory a government supported by the Right should have some thirty votes to spare in the Chamber, but it will put a severe strain upon the unity of the Christian Democratic party which Signor Segni was called in by its leaders to preserve. The party's extreme Left, represented by Signor Granelli and two other deputies, have already declared themselves "in opposition" though they have promised, under pressure, to obey the whip. The Catholic

trade union leaders are seriously embarrassed and may not be fobbed off with a place or two in the government; widespread unrest has been caused by the labour redundancies which are becoming more and more frequent.

Signor Segni's main problem, however, is the attitude of the 94 Christian Democrat deputies who owe their seats and their careers to Signor Fanfani. No one knows as yet whether Signor Fanfani has retired from politics, or whether he means to come back and stand for leadership at the forthcoming party congress. It is estimated that 75 per cent of the votes would go to him should he decide to move quickly before his followers lose heart. Signor Segni will have to watch out for sharp-shooting from this group.

There is another unknown factor in the situation. How will President Gronchi react when Signor Segni presents him with a government supported by most, perhaps all, of the monarchists and the MSI? Constitutionally, the president could not object to a government which drew support from the Liberals and declared itself orientated toward the right; but this is not the case with Signor Segni, who was recommended by his own party as its nominee for a left centre government in which its trade union and other progressive elements were to be widely represented. The president might object that there are inherent contradictions between the government's programme, its composition and its parliamentary support. In the last analysis he could refuse to sign the decrees appointing each minister. He is not likely to go to such lengths, but it is certain that the conflict between the president and the Christian Democrat leaders is not resolved. Signor Segni may claim that the split in the Social Democrat party left him no choice.

Five of Signor Saragat's 22 deputies and about a third of his party have joined the independent "Movement of United Socialist Initiative" which is preparing to merge with the Nenni Socialists. Signor Saragat offered Signor Segni his remaining 17 votes on condition that his party should join the government as the sole partner of the Christian Democrats; but Signor Segni not unnaturally rejected these terms. The present state of confusion is grist to the communist mill, but the Socialist party is not anxious to find itself thrust into close contact with the Communists by the advent of a government which could not fail to be the cause of serious labour disputes. It is, however, still far from certain that Signor Segni will succeed in pulling off this latest feat of Christian Democrat *trasformismo*.

Bonn and Mr Dulles

FROM OUR BONN CORRESPONDENT

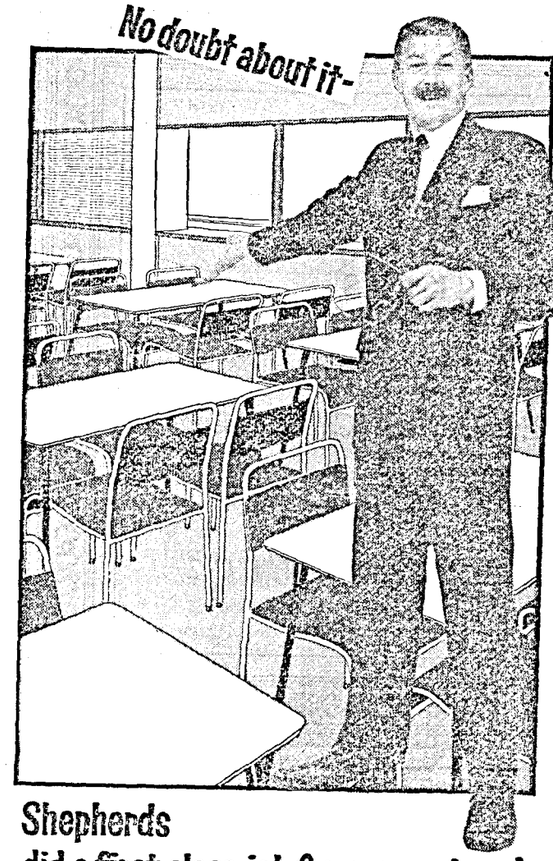
EAST GERMANY'S principal daily, *Neues Deutschland*, opened on February 4th with the news, spread across three columns, that forty British Labour MPs had tabled a motion recommending the Government to recognise the German Democratic Republic and to support the establishment of an all-German council with which the former allies might negotiate a peace treaty. Two days later the same paper led even more spaciously with Mr Khrushchev's reaffirmation before the Soviet party congress of the Soviet government's determination to preserve the communist achievements of the German Democratic Republic lock, stock, and barrel for ever. The editor cannot have hesitated for long before selecting either item for prominent display. For the proprietors (the Socialist Unity party), the theme transcends all others in importance. The opportunity to exploit it has since been grasped again in the handling of the news of the east German premier's return from abroad, with the promise of east German consulates-general opening in Cairo and Peking as the cockiest feather in his cap.

What would not Dr Adenauer give for a like instinctive certitude within the western camp! Disturbed by speculation in the western capitals, the canonical *Bulletin* of the federal government's press and information office, whose master is Herr von Eckardt, felt impelled to choose Saturday, the day of Mr Dulles's arrival from Washington, London, and Paris, to put and answer the question: "Why is confederation not the way to German unity?" In a prominently displayed meditation (printed in italics), the warning was given to all who might toy with the palliative of a provisional German confederation, that it would prove to be a deadly poison for west Germany, Europe, and the rest of the free world.

No names, no pack-drill. But Washington itself had been pressing Bonn for new ideas, and apparently at one point had suggested confederation, with appropriate safeguards, as a promising field for the west Germans to cultivate. Mr Dulles had announced he was bringing no proposals to Europe; he wanted to hear other people's views. Simultaneously Dr Adenauer had made it known he was not intending to put forward any new proposals to Mr Dulles. In short, it was clear from the outset that Dr Adenauer had not been relieved of any of his old misgivings, and was intending to rejustify them, if necessary, against a Dulles newly plagued with doubt. It does not seem to have been necessary. The official spokesmen afterwards indicated warily that there were certainly to be no concessions to Moscow without proportionate concessions in return. But nobody had supposed that there would. What, then, does the statement mean? To Dr Adenauer it means no retreat from Berlin, no confederation, and no sacrifice of the principle of free elections. To Mr Dulles, presumably, it means the same. It has also been indicated, however, that a field exists for study and exploration by the western powers.

The federal government may not be quite as inflexible and negative as it looks. There is still ground for manœuvre; and in response to the demand, both at home and abroad, for a reappraisal of policy, the federal Foreign Office has set a team of experts and planners threshing out ideas, the best of which are being pieced together in Washington to constitute the West's proposals for a European and long-term solution to the German problem. The high aim is to produce an alternative programme which by its initiative and reasonableness will satisfy Moscow and win the sympathy of the rest of the world.

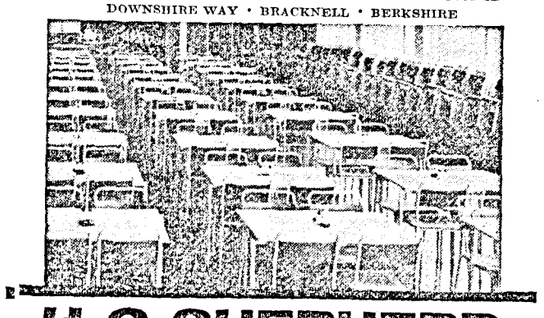
Understandably, a great deal of secrecy surrounds this work at the present stage. The Social Democrats, increasingly impatient to know more, and disturbed by talk of "no concessions," are threatening to abandon the reserve they have been maintaining over the past few weeks. But there is little they can do at the moment other than press for a foreign affairs debate in the Bundestag, which they hope to achieve in mid-March. Their plan to send party representatives to sound opinion in Moscow, Warsaw, Prague, and Belgrade—a project welcomed by the government—has so far been frustrated for lack of response in the capitals concerned. The public as a whole is resigned to waiting.



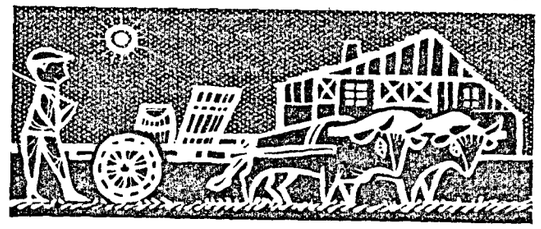
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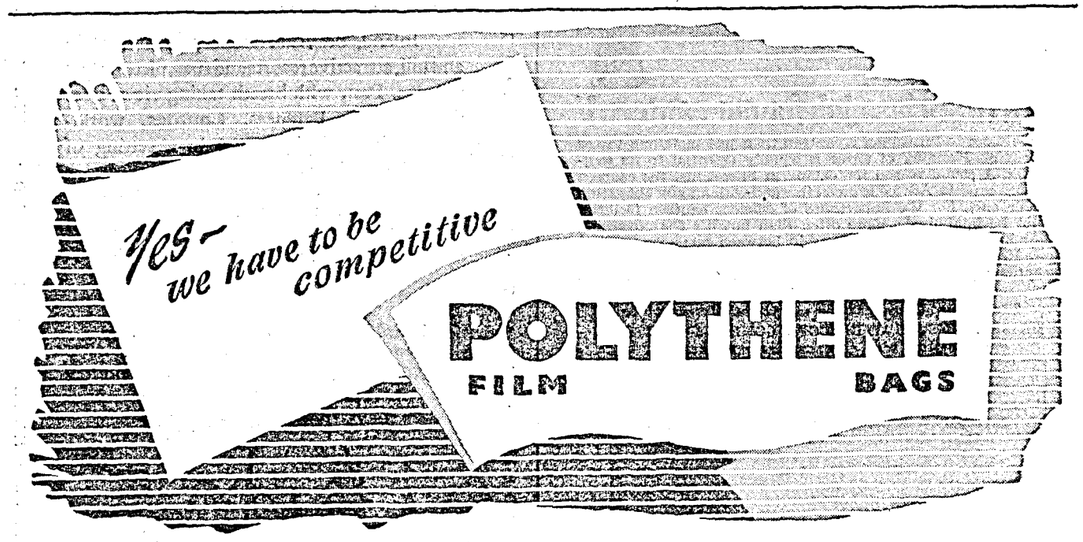
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THE BUSINESS WORLD

Groundswell

DOLE queues on a cold winter's day in a recession, even a mild one from which the economy is emerging, provide a ticklish statistic for the Minister of Labour of any Government with an election not far off to handle. Mr Macleod, who had managed to give an indication of what was happening to unemployment in December by the 17th of the month, could not have done so as early in January; his department's formal count was not taken until January 13th, as against December 8th. Still, his political colleagues have been gossiping about "the bad January unemployment figures" for well over a fortnight, and vaguely rounded estimates were leaked into the press last week. This dribbling out of unpalatable news, compared with the prompt announcement of an apparently more favourable figure, has only contrived to make the January total that the minister announced this week, 621,000 unemployed, look rather worse than it is—which is in fact no more than he himself had forecast at the beginning of November, and rather better than most other people would then have guessed.

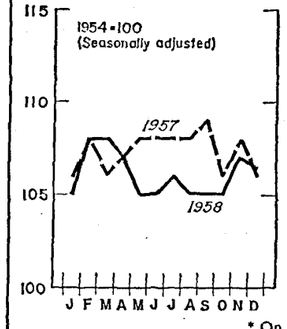
So far as ordinary seasonal influences go, this January figure should be about as bad as the minister will have to handle this winter: the peak of unemployment usually comes in January or February, with little between them. Mr Macleod has a fair chance that the February figure may be fractionally lower, and we should all be unlucky if the March figure does not show an improvement. The normal seasonal fall in unemployment alone—and it would perhaps be optimistic to expect much more—should by then begin to take some political sting out of the figures.

To guess that unemployment, seasonal changes apart, will not fall much in the next six months is not to discount the signs of growing activity elsewhere in the economy, which are persistent and multiply. Last October, according to the barometer of the Federation of British Industries, businessmen were more confident than, say, economists about an upturn, and they seem to have been right; today they seem slightly more confident than they were then. But over the four months to February a majority of these businessmen have reported higher output to back their confidence, and a rather higher rate of orders.

These extra orders have come from home customers. Export orders, on balance, seem to have declined. These

THE LATEST READINGS

INDUSTRIAL OUTPUT

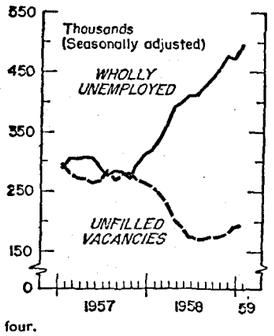


FBI SURVEYS OF BUSINESSMEN

Percentage reporting*	Four months to October, 1958			Four months to February, 1959		
	Up	Same	Down	Up	Same	Down
Output	23	47	29	30	46	24
Hours worked	12	65	23	16	59	25
Employment	12	59	29	18	55	27
Home deliveries	26	46	27	29	45	24
Export deliveries	14	41	31	14	42	28
All new orders	28	35	33	31	40	26
Export orders	16	34	34	15	40	28
Order books	16	32	43	19	36	35
Stocks of raw materials	18	45	35	16	48	34
Work in progress and finished goods	27	44	26	29	43	25
Costs per unit	35	50	13	39	45	15
Selling prices	3	66	30	9	62	29
Profit margins	4	37	58	8	39	53

* On their experience over latest four months compared with the previous four.

THE LABOUR MARKET



businessmen have indeed reported to the FBI a continued fall in export deliveries during the past four months, which gybes a little oddly with official trade figures for the fourth quarter of 1958, and those for January published this week, which are all higher than those for the summer. Who else did the extra exporting?

Nor can one gauge from the FBI's sample (some 900 businessmen, with a 75 per cent response) how far the higher demand at home has come from the fillip to hire purchase of consumer goods, which from the January figures of hire purchase contracts has shown no signs of spending its force. The vehicle manufacturers, certainly, had better business and greater confidence to report than those in other industries; but the metals and engineering group of industries, which lumps together everything from refrigerators to steel rails, was worse off than the rest. This contrast indeed shows itself more clearly in the production figures that the steel industry itself has published this week; in January it was operating on the average at about 75 per cent of capacity, but the mills producing sheet and tinplate were still flat out, while output of heavy steel was as depressed as ever. The heavier half of steel demand depends upon investment; also, and particularly at the moment, upon stocks. These came down heavily in the fourth quarter of 1958, but not necessarily enough to make customers anxious yet about replenishing their supplies.

Public investment, the Chancellor said a week ago, is rising perhaps a little faster than his extra allocations to the investment programmes of the public departments and nationalised industries would have suggested. The fairest thing to say about private investment is that the indications are rather less pessimistic than they were. In the last quarter of 1958 capital expenditure in manufacturing appears to have been lower allowing for price changes than 12 months before, but not so much lower as it had been in the third quarter. Again, among the manufacturers reporting to the FBI who expect their capital expenditure to change there is still a majority expecting it to be less this year than in 1958, but this, too, has declined in each of the last three inquiries. That seems to fit figures of manufacturers' investment plans collected by the Board of Trade, which suggest that the falling off will not be as severe as was originally forecast. And the Government is reckoning upon an increase in investment in distribution and commerce that should roughly offset the decline in manufacturers' spending.

The resultant of these mixed intentions about investment this year is not yet showing in any substantial revival in demand for capital goods. Machinery manufacturers still seem to be working through their order books, with deliveries falling, but not as much as orders. There are indeed signs of a similar process in the wider cross-section of manufacturing covered by the FBI: output may have been rising more than incoming orders, with the consequence that order books are shortening while stocks of work in progress and finished goods are rising.

Just about as many of these members of the FBI reported that they were operating below capacity as had done so four months before; nor were indications that their output had increased matched by reports of taking on more workers. These are the main reasons why optimism about a continued, though probably still mild, improvement in output over the next few months carries no corollary assumptions that employment need rise or unemployment fall correspondingly. Workers have been considerably underemployed in many British factories for many months past, if not perhaps quite as much as machines have. It might be politically embarrassing if British industry manages to achieve a significant increase in its output before it needs to take on many extra men. But it will be economically scandalous if it cannot.

Shareholders and Directors

THE struggle for British Aluminium was won and lost a month ago. Every take-over fight awakens the old question of the relation between directors and equity shareholders, but no earlier battle was so big or so bitter. Never were City houses so openly committed and never, by their acts and words, had they demonstrated so clearly the need for new thinking about the management and ownership of companies. The one thing that rankled above all others in the British Aluminium fight was that the directors and the City houses who supported them automatically assumed by a kind of divine right that needed no proof that the shareholders should follow their line without question. The mutterings that had been heard a few months earlier about the Barclays Bank—United Dominions Trust deal (when the former bought 40 per cent of the equity of UDT right over the heads of existing shareholders) came to an angry climax. The shareholder may be supine, indifferent and even stupid in ninety-nine cases out of a hundred. British Aluminium tried his patience too far, and British company practice ought to profit by the experience.

The nexus between directors and shareholders is equivocal in law and tenuous in fact. British Aluminium's directors came under fire not because any question of good faith was involved but because at the moment of crisis they could not resolve a quite different question: to what or to whom does a board of directors owe its duty? Is it to that legal abstraction called "the company"? Or is it to the general body of shareholders? Does the fact that the latter have hitherto accepted what the board did and have taken no special

interest in the management of the company mean that tacit agreement with what the directors do is a valid assumption in all company affairs?

This is not the view of some important industrialists or of some important shareholders. Lord Chandos, of Associated Electrical Industries, has said that "proprietors are entitled to be consulted on major transactions . . . the risks of publicity will have to be run." The Association of Investment Trusts has made known this week a statement made by its chairman three months ago, long before the British Aluminium fight reached its pitch, that "it is wrong for the board of a company to permit any change in the control of the company or the nature of its business without referring to shareholders." For these statements there should be loud and deserved applause. But who are the proprietors of a company and what are their rights?

In theory the ownership of a company rests with those who bear the ultimate risk, the ordinary shareholders. But the trend of modern company law (in fact since the introduction of limited liability on the grand scale a century ago) is to distinguish sharply between the company and the holders of the equity in it. They have certain rights in the company—in particular, a residual share in its profits and a residual claim on its assets when it is wound up; but the company has a separate continuing entity, apart from its members, and they can be said to own it only in a limited special sense. The judgment of Lord Evershed in the Short Brothers case ten years ago put the point explicitly:

> Shareholders are not, in the eye of the law, part owners of the undertaking. The undertaking is something different from the totality of shareholdings.

In other words, an ordinary stockholder does not own an aliquot part of the company's assets. He is entitled to an aliquot part of the profits that the directors recommend for distribution (or a lesser sum, though not a greater one) and he can, in the last resort, challenge their administration of the company by refusing to re-elect them or by having their actions officially investigated.

On this reasoning, directors cannot be accurately described as the "trustees" or the "agents" of shareholders. That was the clear view of the law long before the short Brothers case. In *Percival v Wright* (1902), a director had prior knowledge of an arrangement to sell the company's business at a good price. He purchased shares from a member without disclosing this, but it was held that he had committed no misrepresentation, and the transaction could not be upset.

In law, the director owes a fiduciary duty not to shareholders but to the company and sometimes there may be a clash between them. The short-term interests of the shareholders—as they see them—may be inimical to the long-term interests of the company—as the directors see them. They may quite conscientiously form views about the direction and development of the company that are at odds with the views of a majority of shareholders. They are entitled, that is, to act as an organ of the company. By so acting in the best interests of the company (or what they honestly believe are those best interests) it does not follow that directors are necessarily acting in the evident interest of shareholders.

BUT although the law is to this extent clear, does it not leave the directors in an impossible position? Can they be expected invariably to divorce their own interests from their decisions? They may think, for instance, that a take-over bid is objectionable because it will frustrate their intentions about the future of the company. They would be superhuman if they were always ready to accept it as a protest against the manner in which they have conducted the company's affairs—which is largely what it is. How far they can go (legally as distinct from practically) in subordinating the interests of shareholders to those of the company is matter for dispute. In his report on the Savoy Hotel affair, Mr Milner Holland, QC, recognised that the directors behaved in good faith and in keeping with the company's articles of association. But he added:

> Power conferred by the shareholders on directors for the purpose of managing the business of the company cannot be used for the purpose of depriving those shareholders of such control as under the regulations of the company they may have over the company's assets.

That is an opinion of great authority, but it has never been put to the test in the Courts. Nor was the analogous case in Scottish Motor Traction; there an interim injunction was granted on the ground there was a case to be argued, but Mr Clore won the battle and the action was never tried.

In practice, too, it has to be recognised that directors are subject to other and often more potent pressures than those of shareholders. Employees, executives and the Government all make their weight felt and no board can ignore them, even though on occasion their demands may be clearly prejudicial to the interests of shareholders. In practice, too, directors become set in administrative procedures and ways of decision taking; they acquire habits, even rights, of tenure, and getting them out sometimes involves fancy "compensation for loss of office" which soft-hearted shareholders rarely refuse.

The check that prevents directors from securing absolute power is the annual general meeting. This fawning occasion is usually full of references to "your directors" and "your company," but these are not words empty of meaning. The shareholders can amend the articles of association (so as to take power away from the directors) and they can remove the directors (since the 1948 Act by a simple majority) and substitute others. Here lies their ultimate control. It is given through the vote, which indeed is not automatic but is a proprietary right established by the articles of association of the company and not by statute or by common law. In exercising that right of control through the vote, the shareholder is not necessarily concerned with the interests of the company (as a director *qua* director should be) but only with his own interests.

How effective is this control? Its exercise depends on the possession of a vote and not all ordinary shares carry voting rights. It is perfectly possible and quite legal for the owners of the minority of the stock but the majority of the votes (as in the Carreras case) to carry a resolution (including one transferring control over the company's assets) that may be in their own interests without being accountable to the owners of the bulk of the company's capital. Secondly, it depends on willingness to use the vote. Few shareholders turn up to meetings; those who do rubber-stamp the decisions of the directors, allowing them to continue in office or accepting their nominations for seats on the board. That is the normal case. But power in reserve is only one stage removed from power in use. Those with the most concentrated power—the institutional investors—are seen to use it only in extreme cases (as one did in the BSA argument), but there are many other occasions when their influence is consciously felt in board-rooms. It is equally true that splits and rows in the board-room do not always lead to splits and rows in the general meeting, and that a great deal of work and organised pressure is required to force criticisms on a board, let alone unseat it. The really big rows come only when the board's actions are wrong or gauche beyond doubt.

It is logical enough for shareholders not to interest themselves in the process of management and administration. That is not their job and they should not usurp the constitutional powers of the board by interfering with it. But they are interested not only in profits and dividends but also in the developing *ethos* of their company. That is why major upheavals usually occur only through outside intervention; only then do shareholders become aware that the actions of the board they have appointed have not produced the best result. The first case in which shareholders band together, first to reject a bid, then to dismiss the sitting board as unsatisfactory, and finally to appoint a new board to do more for them than either the old board or the bidder will be a great day in British company history.

Because most boards are self-perpetuating and most shareholders apathetic, it is easy for a board to forget that its freedom to go its own sweet way is permissive. The ultimate sanction is the vote in the shareholders' hands—or to be realistic in the hands of any block that owns between a quarter or a third of the voting stock and acts in concert. Directors govern by consent. They damage the concept of a property-owning democracy every time they disregard their silent supporters, every time they deny them information and fail to consult their wishes. After the British Aluminium affair, they will not offend so often—if only in the interest of their own peace and comfort. But they ought also to learn the positive lessons that this episode teaches.

BUSINESS NOTES

THE BUDGET

Rising Expenditure

THE expenditure side of the coming budget has taken shape this week, with the publication of the annual white paper on defence (discussed in detail on page 615) and the vote "on account" of civil expenditure in 1959-60. As the accompanying table shows, the net total estimated for supply services as a whole is £4,490 million, which is £230 million more than was estimated for 1958-59 at the corresponding time last year and £88 million more than the so-called "revised" estimate for that year. Neither of these comparisons, however, affords a clear indication of the extent to which expenditure is likely to rise. The "revised" estimate for 1958-59 is not a forecast of the year's actual expenditure: the "revisions" comprise only those supplementary estimates that it has been necessary to present to Parliament, and thus reflect over-spending while taking no account of savings under other votes. During the current year such savings are believed to have been substantial—thanks, in particular, to the rise in the prices received for agricultural produce, which has correspondingly reduced the Exchequer outgoings for grants and subsidies. Thus, the increase in prospective supply expenditure over the amount actually spent in 1958-59 is likely to be between the two extremes mentioned above—probably about half-way between them. The other main constituent of "ordinary" expenditure will probably show a reduction in 1959-60—both in comparison with the actual and the estimated expenditure for 1958-59. This other expenditure,

£ mn.

	1958-59 Original Estimate	1958-59 "Revised" Estimate	1959-60 Original Estimate
Supply Services :—			
Civil Expenditure (excluding Post Office but including Revenue Depts.)	2,841	2,954	2,988
Defence Expenditure, gross	1,465	1,465	1,514
Less receipts from Germany	47	17*	12
Net defence expenditure	1,418	1,448	1,502
	4,259	4,402	4,490
Consolidated Fund Services :—			
Debt service	733	—	?
Other	83	—	?
Total Ordinary Expenditure	5,075	...	...

* Actual receipts in the current year will be £12 million (as in 1959-60 also), but the Supplementary Estimate provided for a reduction of only £29½ million in the receipts originally estimated—on the assumption that the remaining £5½ million of the shortfall would be covered by countervailing savings.

known as the Consolidated Fund Services, the estimates for which are not disclosed until budget day, notably includes the interest on the national debt. The provision for this was sharply raised last April, because of the high level of interest rates then; a smaller provision seems likely for

1959-60, principally because of the steep reduction that has occurred in the Treasury bill rate.

The resultant net increase in prospective expenditure "above the line" will not, it should be noted, provide a full measure of the reflationary effort that is being imparted through additional Government spending. Much of this effort will be reflected in Exchequer advances—for example, to the nationalised industries—that are accounted "below the line." Partly for this reason, but also for much wider "policy" reasons, the prospective state of the conventional budget accounts is this year even less indicative than usual of the Chancellor's room for manœuvre when shaping his budget. It is relevant to note, even so, that the out-turn of the above-line account in this current year may not fall far short of the £364 million surplus for which Mr Amory budgeted. That estimated surplus was £59 million less than the realised surplus of 1957-58, whereas up to date there has been a decline of £70 million. Below the line the Chancellor forecast an improvement of £35 million (to a net deficit of £600 million); up to date there has been an improvement of £16 million.

DEFENCE PRODUCTION

A Sigh of Relief

WITH the research and production bill running at £585.5 million for the coming year, and accounting for a third of the defence budget, the defence industries are able to breathe freely again. If the white paper has given them almost no new orders, at least it has not cut those they already have. Most of the new orders mentioned in the white paper, for the RAF's Canberra replacement and its new short-range freighter, and for the Navy's new helicopter and guided missiles, have already been announced by the services. The exception was the decision to order the Britannic freighter from Short Brothers to do the Army's long-range trooping. This was only decided on Tuesday and announced by Mr Sandys on Wednesday, and it ends a long and hard-fought contest between Shorts, Vickers-Armstrongs, Handley Page and Blackburn for one of the few remaining contracts that held out the promise of government finance to aid the development of what was basically a civil aircraft. The Britannic uses the wings of the Bristol Britannia and many of its other components, the Rolls-Royce Tyne engines of the Vickers Vanguard and a fuselage that is entirely of Shorts' own designing. The deciding factor in placing the order with Shorts rather than any of the other three was that in the last resort its fuselage, the loads it could carry and the size of its doors matched up best with the Army's Argosy freighter, whose function it is to take the loads carried by the big freighter and deliver them to points where no big aircraft can penetrate, dropping them, if necessary, by parachute. The Britannic's other main function will be the ferrying of the 70 foot long Bluestreak missiles for test to Woomera. The order may relieve unemployment in Northern Ireland, but will aggravate it in other aircraft factories.

The rising production bills both of the Admiralty and of the RAF mark the crossover point where aircraft orders are being completed and missile deliveries beginning to get under way. The Navy has blown alternately hot and cold about the alternatives of converting existing ships to take guided missiles or laying down new guided missile ships; it now appears more disposed to accept conversion than a year or so ago. The RAF will still be taking delivery of some V-bombers during the coming year (though the order for Valiants was completed early last summer). But wherever this white paper refers to new weapons under development, those weapons are all missiles—though some, such as the successor to the de Havilland Firestreak, will need an aircraft to carry them part of the way to the target. This does not necessarily mean that the Ministry of Defence is retreating from its earlier decision to end the development of fast fighters. It does mean that the English Electric Lightning fighter is likely to have a longer service life than anyone would have been prepared to forecast for it a year or so ago.

Plans for Research

ALTHOUGH the white paper does not specifically say so, almost all the new missiles will be designed to take nuclear warheads. These are weapons for the kind of hot war in which the only chance of bringing down a supersonic nuclear bomber will be to blast it out of the skies with a nuclear-tipped anti-aircraft missile. The only indication of plans involving weapons designed for non-nuclear wars are the white paper's references to research to provide the army with new guns and tracked vehicles. Orders for the type of fighting vehicle put into production at the time of Korea, the armoured cars, scout cars and light lorries, are coming to an end; light tanks, anti-tank guns, carriers and wireless equipment are still needed. The white paper now specifically promises the Army a bigger cut of research expenditure in the form of new designs for weapons and trucks; the two new air freighters, the Argosy and the Britannic, might also be said to have been tailored specially for the Army's requirements.

This extra research and development looks, however, as if it is to be squeezed into the same-sized research budget as last year's. At £149 million, the Ministry of Supply's spending is estimated to be only fractionally higher than it will have been in 1958-59. The fact that the Ministry of Supply is expected to meet the increasing costs of developing the Bluestreak missile, several new Mark II missiles, the Lightning fighter, the new Canberra replacement, stand-off bombs, nuclear weapons of several varieties, nuclear submarines, helicopters, military transports, guns, trucks and electronics out of the same total expenditure, and have a margin in hand to continue pure aerodynamic research to aid civil aircraft development suggests that the Chancellor's axe must have fallen on a good many other research projects.

THE ECONOMY

Three Cures for Black Spots

THREE measures for dealing with local unemployment were announced in Parliament this week by Mr John Rodgers, Parliamentary Secretary to the Board of Trade, during Tuesday's labyrinthine debate on Supplementary Estimates for National Insurance and Family Allowances. The first of these is that tenants in factories in Development Areas will receive substantial rent concessions in the future. On leases expiring before January 31, 1960—which will be renewed at higher rents—the increases will be spread over a five-year period, so that the full new rent will not be paid until the sixth year; and successful applicants for vacant factories during the next twelve months will receive a flat rent abatement of 25 per cent for a period of five years.

The second step is that the Government will in future consider applications from local authorities in scheduled Development Areas for grants toward the clearing of derelict sites, with a view to their subsequent industrial use, or to improve the amenities of the neighbourhood. Third, the Ministry of Supply is withdrawing machine tools from its surplus sales during this month and next.

The last of these steps is admittedly directed at an industry rather than an area; this industry is widely scattered geographically, including some areas where unemployment is not particularly heavy. Machine tools probably accounted for about £1½ million out of an estimated total of about £40 million worth of Government surplus sales last year; it seems doubtful whether withholding this amount will bring any substantial benefits to the industry. But certainly the offering of surplus machine tools in an already depressed second-hand market might adversely affect demand for new tools, and there is no reason why the Government should not time its sales so as to interfere as little as possible with manufacturers. (Similarly, the Ministry of Supply has announced that it will sell a surplus of Army boots on the export market, but not at home.)

The land-clearance measures must remain something of a mystery for the present. Mr Rodgers stated that the Minister of Housing and the Secretary of State for Scotland will shortly inform the local authorities of the conditions on which grants will be made; they will be invited to submit schemes, which they must be able to complete by March, 1960. Free clearing of derelict sites would—as well as making a little work—make them more attractive for subsequent industrial development; but this may be of little use in the case of areas which are uneconomic anyhow, and the provision of "amenities"—a national park was suggested by one member—would appear to be less relevant to creating future employment in these near black spots.

Subsidising Employment

THE proposal to give rent concessions to companies in factories in Development Areas seems even more doubtful. Since the Report of the Select Committee on Estimates in 1955-56 on Development Areas, the Government's policy has been to charge full rents for factories in these areas which reflect current market values, as assessed by the district valuer. In the years 1951-56 most firms in these factories received a rent rebate beginning at 50 per cent, decreasing by ten per cent annually, for the first five years of their lease. Although these rebates were not granted on leases signed after 1956 (though some are still in effect on leases signed before then), all firms in Development Areas receive in addition a more or less permanent rent subsidy, since there is not—and, on the Board of Trade's word, has never been—any attempt to relate rentals to the cost of building a new factory in these areas. The Board regards its expenditure in Development Areas as social service, and in fact probably has no exact idea of the amount of effective subsidy which it gives its tenants at the present. The Select Committee discovered that the deficit on Development Area rentals was just over £2 millon, against rent receipts of £1.8 million, in 1954; a recent study* has placed the total subsidy actually received (compared with the rents which should have been charged if it had been intended to cover costs) at between three and four million pounds in that year. It has probably risen since then.

There are at present 1,100 government factories in Development Areas; 28 of these are now empty, of which 15 are located in Scotland. Increasing the present subsidy by means of either a partial rent holiday or a five-year breathing space may not only add to the present—and rather questionable—social expenditure; it may well not work. Furthermore, the high rate of subsidy offered on existing factories in certain areas is itself an admission that these areas are highly uneconomic locations; increasing the subsidies may distort investment even further. Admittedly, it is difficult to mislocate anything seriously on an island where one can never be more than 80 miles from the sea. But any inducements to make the location of industry more illogical ought to be carefully considered.

* A. J. Odber and P. J. Bowden, "Rent Subsidies in the Development Areas," Journal of Industrial Economics, October, 1958.

RAILWAY FREIGHT

As the Condor Flies

BRITISH Railways refer to the new "Condor" express freight service—which the London Midland Region will operate five nights a week between London and Glasgow beginning March 16th—as "a passenger service for freight." This description perhaps does the new train less than justice from the point of view of speed; the "Condor" will make the 400-mile journey non-stop in ten hours, at speeds up to 75 mph. Only container freight will be carried; the charges for shipment will be £16 for a container of 300 cubic feet capacity, and £18 for one of 700 cubic feet (both with a maximum weight of four tons) and will include collection and delivery within the Greater London and Glasgow areas. Thus goods may be picked up at the shipper's door in the late afternoon and delivered early the next morning; at present the rail journey alone takes twelve and a half hours.

This is not only much faster than shipment by road; it may be cheaper, too. Ordinary freight charges—both rail and road—depend to some extent on the nature of the goods carried; but for roughly comparable loads British Road Services now charge around £20. Private road hauliers' charges and ordinary rail freight rates vary widely; but the cost to a carrier using his own vehicle (with a "C" licence) would almost certainly be higher than that offered by the railway, if the vehicle had to return empty. Whether the charges for the "Condor" are not too low is another matter. The twin-diesel train will pull a maximum of 27 wagons, each carrying one of each type of container; the maximum receipts per train will thus be £918. But the "Condor" will operate as a scheduled train, running regardless of the traffic available, and in addition to the three freight services now operating between London and Glasgow, which—though slower than the "Condor"—are probably also cheaper.

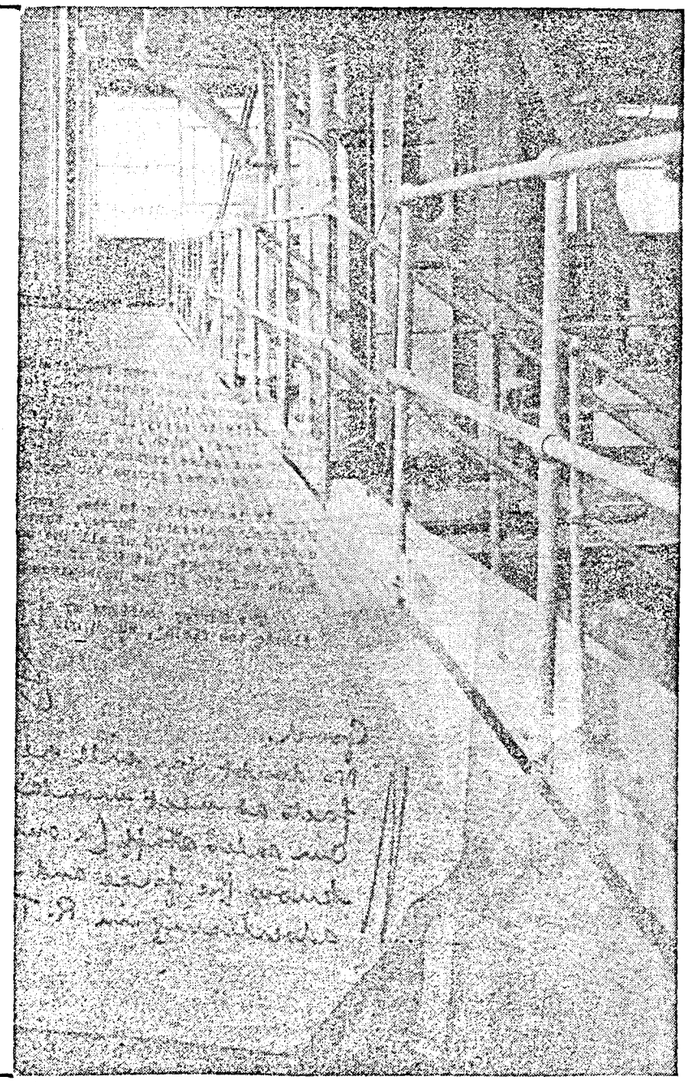
British Railways' freight receipts continued to feel the effects of lower business activity in the four weeks ended January 25th. Total freight receipts fell by nearly ten per cent, to £24 million, compared to the same period in 1958. Passenger receipts during the month increased slightly, as did revenue from parcels, but revenues from minerals, coal and coke and merchandise and livestock all were lower than a year before. Some seasonal decline is usually experienced in January by both the railways and road hauliers; this year it has been exaggerated by the recession, which has

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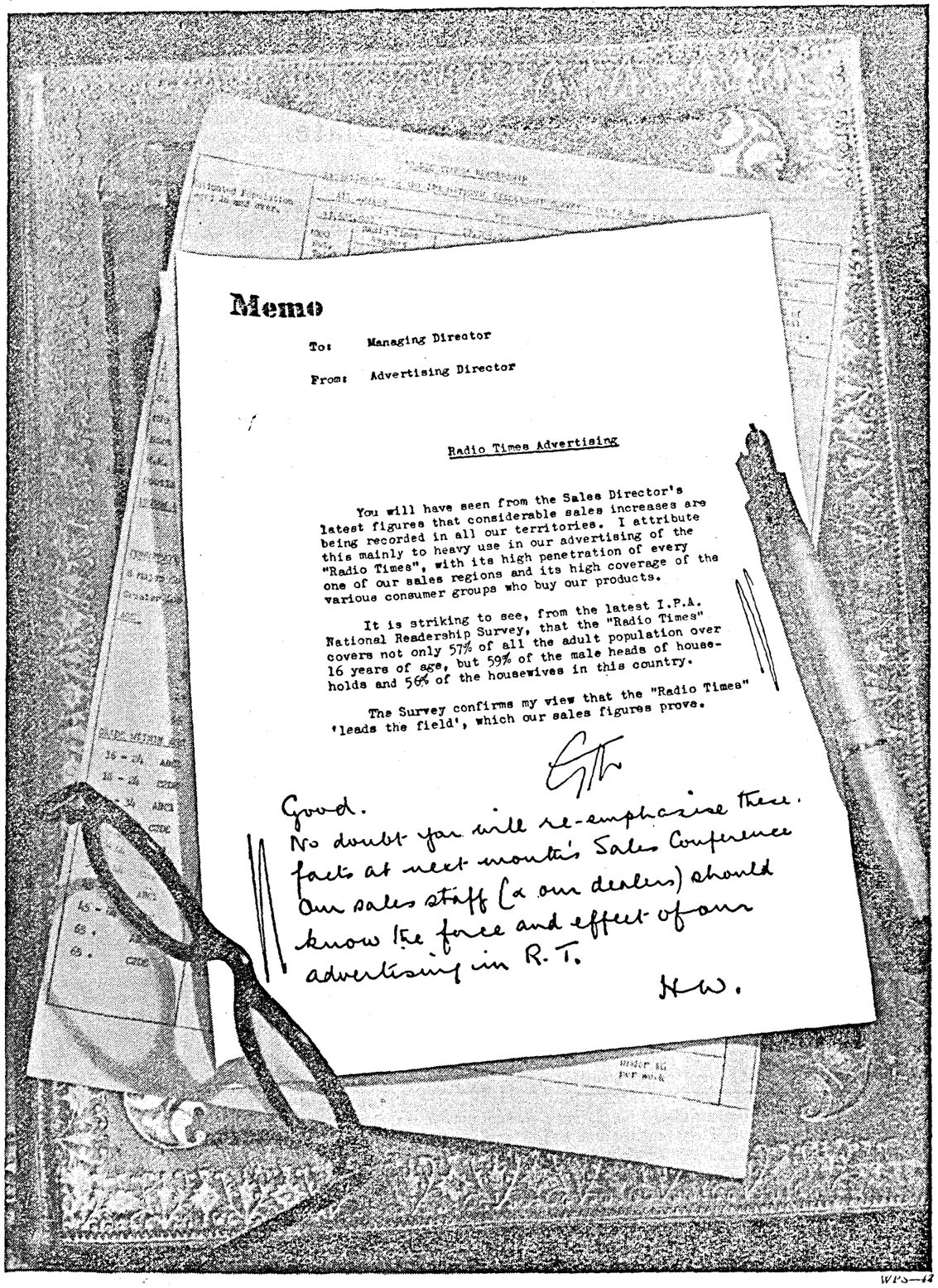
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affected the railways' heavy traffic somewhat more than it has road haulage. Yet another factor may become more marked within the next month: retail and wholesale traders, hoping for a reduction of purchase tax, may increasingly hold back orders until after the Budget.

BANK CAPITAL

£4 million for the Midland

THE Midland Bank, as was to be expected, has got quickly off the mark in its approach to the newly freed capital market. The Midland is certainly not the only bank that wants to increase its capital by an issue for cash, but since it was the only one to have risked (and received) a rebuff to a formal application, it evidently had a good start on its competitors in the matter of completing the necessary formalities. The bank announced on Thursday an offer of 2,019,464 new £1 shares to existing shareholders (before allotment to them of the one-in-three scrip issue announced last December) at a price of 40s. and in the proportion of one new share for every eight now held. As the shares were quoted at Wednesday's close at 91s. 6d.—showing, incidentally, a sharp advance in the week since the news of decontrol made an early issue probable—the "rights" to the new issue are worth about 5s. 9d. a share. The bank had already announced that it expected to pay a dividend of 15 per cent for 1959 on the capital as increased by the one-in-three scrip issue, or the equivalent of 20 per cent, compared with 18 per cent for 1958, on the existing capital. It has now announced that the 15 per cent will likewise be paid on the shares issued for cash.

The existing paid-up capital of £16,156,000 will be raised by £5,385,000 by the scrip issue and by a further £2,020,000 by the cash issue, to £23,560,000. The first of these increments will involve, of course, a corresponding draft on published reserves, but this is to be made good by an equivalent transfer from inner reserves. The cash issue will then provide £2,020,000 for share premium account, so that after both operations the published reserves will have been raised from £16,156,000 to £18,175,000, and the aggregate disclosed capital resources, including the balance of profit and loss account, will be £42,650,000. The upshot will be to increase the ratio of the published resources to deposits from around 2¼ per cent to about 2¾ per cent. This is still, of course, a long way below the ratios that were customary before the war and postwar inflations of bank deposits; and in spite of the fact that the lower ratios have been well established and are obviously acceptable to public opinion, most banks are evidently anxious to raise them so far as this is feasible. One point in the Midland's proposal deserves comment. The bank will offer approximately 600,000 new £1 shares (identical in all respects to the new shares just described) to the staff "at a price to be determined by the board." Is it really desirable to allow staff to have privileged access to the equity, with the dilution of the existing shareholders' interest that this entails? Surely, if they are not to receive shares specially designed for staff holding, they ought to pay the same price that any outside investor must do.

THE EXCHANGES

Interest Rates and the Pound

FOLLOWING the drop in the Treasury Bill rate last week from £3 2s. 1.68d. to £3 0s. 0.22d., the lowest point for four years, sterling has come under selling pressure. This is because European dealers have become exceptionally conscious of interest rates and interpreted the cut in the Treasury Bill rate as the harbinger of a reduction in Bank rate—again belied by "no change" on Thursday. This preoccupation with interest differentials has not gone so far as to cause actual withdrawal of funds but the customary "leads and lags" are at work, postponing commercial demands for sterling and accelerating sales of sterling in anticipation of what a lower Bank rate might do to the exchange value of sterling.

Against the US dollar sterling has dropped this week to $2.80¾ after hovering around $2.81 a week ago. This movement is part of a general improvement in the dollar against most Continental currencies, though even now the dollar is still at the bottom of the foreign exchange "league table." At its head by a comfortable lead is the Swiss franc followed by the guilder, lira, French franc, Deutsche mark and the pound. Bottom but one is the Belgian franc, which is still suffering from the effects of the troubles in the Congo and heavy sales of Congolese securities by investors outside Belgium.

The French franc holds exceptionally firm against the dollar. Immediately after its devaluation the rate at which the Bank of France was prepared to sell francs against dollars was fixed at 490.60. This was soon moved to 490.50 and more recently to 490.40 and at this last figure the Bank of France is still reputed to be taking in dollars on a fair scale.

Evidence now coming to light of the extent to which the European Monetary Agreement was used in settling

BANKS' CAPITAL AND RESERVES

	DECEMBER 31, 1952				DECEMBER 31, 1958				DIVIDENDS, PRICES AND YIELDS				
	Paid up Capital (£'000s)	Ratio to Deposits %	Published Reserves** (£'000s)	Ratio to Deposits %	Paid up Capital (£'000s)	Ratio to Deposits %	Published Reserves** (£'000s)	Ratio to Deposits %	1958 Div. %	Price, Dec. 31, 1958	Price, Feb. 4, 1959	Price, Feb. 11, 1959	Yield
Barclays	15,858	1·2	16,164	1·2	28,527	1·8	21,867	1·4	10·8	55/3	54/9	56/3	4·27†
Lloyds	15,810	1·4	16,418	1·4	27,848	2·1	18,703	1·4	10	45/3	45/6	47/3	4·23
Midland	15,159	1·1	15,979	1·2	23,560*	1·5	19,093††	1·2	18	84/9	84/9	91/6	4·37‡
National Provincial	9,479	1·1	12,186	1·4	10,513	1·2	13,872	1·6	20	88/3	90/6	93/6	4·48
Westminster	9,320	1·1	11,002	1·3	16,391	1·8	13,204	1·4	12½	55/6§	53/6§	55/9§	4·48§
Martins	4,315	1·3	5,265	1·6	6,596*	1·9	6,065	1·8	20	21/3	23/6	24/10½	4·02
District	2,976	1·2	3,894	1·6	3,989	1·6	4,352	1·7	17	68/9	69/11½	71/4½	4·76

** Includes balance on P. and L. Account. * Includes forthcoming scrip and rights issues. † On 12 per cent as forecast. ‡ On 20 per cent, i.e., the equivalent of the dividend of 15 per cent forecast for 1959 on capital as increased by the 33⅓ per cent scrip issue and by the rights issue. § On the "B" shares. †† Includes addition to share premium account as a result of the forthcoming rights issue.

intra-European payments for January, confirms the impression that the recourse to this mechanism will prove negligible. Some interim finance was provided between members of EMA but in all cases the advances were repaid before the end of the month. These facilities were used only by the so-called "peripheral" countries, Iceland, Greece and Turkey, which having no foreign exchange markets are more likely to use EMA facilities than the other members. Some balances were put into the EMA settlement at the end of the month. These came from bilateral agreements and were also those due from one or other of the peripheral countries.

FRANCE

Reforms for the Bourse

THE National Council of Credit agreed last week on the expected relaxations in credit policy. Bank rate is cut from 4½ to 4¼ per cent and more official finance will be available for medium-term credits. No change, however, is made in the general ceilings on rediscounts at the Bank of France; and the fact that Bank rate was cut by only ¼ per cent points to the limited significance of the relaxation. A gesture has been made to help industry at a time when all the omens point to recession. But the primary aim of official policy is still to achieve external and internal confidence in the franc. A good start has been made. The gain of gold and foreign exchange in January is described by the Bank of France on a "statistical" basis (that is, after allowing for the lag in the EPU settlement) as over $400 million; and there are reports that the total has now reached $450 million. The bulk of that gain represents a recovery of the December outflow: the Bank of France is now probing the books of the commercial banks to see how far they took part in that speculation. The next stage in external recovery, to attract foreign investment and encourage Frenchmen to part with their foreign securities and their gold, will be a longer and more difficult one. The French authorities consider that a basic need is to widen the market on the Paris Bourse and to spread the habit of investment in securities to new sections of the people.

An initial batch of reforms was announced together with the Bank rate decision. Quoted companies in France with balance-sheet totals of more than 1 billion francs must now inform their shareholders half-yearly of their balance sheets and profit and loss accounts; moreover, they must now publish details of their investment portfolios. Shareholders in *banques d'affaires* and financial companies will have a clearer view of what they are buying. At the same time, the authorities have conceded an abatement of the tax on profits from security dealings—which in a country where share prices have risen year by year with the depreciation in the value of money has encouraged a freezing of existing portfolios. Henceforth, tax will not be levied on sales of shares when the proceeds are reinvested in plant or equipment, in a subsidiary or in fixed interest securities—though the tax liability remains and will take effect in the event of sale of these assets or liquidation of the company. The investment community would like to see this liability abolished outright. Hopes are also placed on reduction in the tax on stock exchange dealings; and "structural" reforms on the Bourse are expected in due course. As an interim measure, the authorities have banned direct transfers of securities; the *banques d'affaires* and investment houses hope that brokers will now reduce their commissions on transfers where the client has already found his customer.

MARKETS AND ISSUES

Expectant and Cautious

TWO influences contend for paramountcy in the stock market. The first, a bull factor, is the decline in interest rates. Again that was not signalled by a reduction in Bank rate this week but the hope that it would be was enough to keep gilt edged prices reasonably firm in a quiet market. But, there, what will happen to the long end of the market if and when sales by the authorities of the 1982-84 stock come to an end is seen to be as important as a change in Bank rate. And, at the moment, the assumption is that the restricting hand of funding in the long dated stocks would not be immediately re-imposed. The other, a bear point, is the political uncertainty about Berlin and the election. This has restricted business in industrial equities and their prices have done little more than mark time.

This pause in the market is understandable on another count: the shortage in the supply of stock that characterised the closing months of last year has given way to a flow of new issues. On the equity side, the Midland Bank, Rediffusion and Dalgety are to make sizeable rights issues and Dalgety are to offer a debenture as well. In addition, the marketing for the first time of the ordinary shares of the News of the World is in preparation; most of those shares are tightly held by the Carr and Jackson family interests but, following a reorganisation of the ordinary capital, enough shares will be released, at a price of not less than 36s. per 5s. unit, to secure an official quotation. On the fixed interest side, the market digested easily the £15 million issue by Esso Petroleum of a 5½ per cent debenture (1979-83) at 98. The issue was heavily oversubscribed and will command a premium when dealings begin. There is still the Hawker Siddeley convertible debenture issue to come and it will be surprising if the authorities do not soon slip a trustee issue into the queue.

STEEL

Flaws in the Pattern?

SEVERAL of the chairmen of Britain's steel companies have recently taken advantage of the fact that their annual meetings occur some weeks after their accounts are published to add a little more, at the meeting, to the statements they had circulated to shareholders. Most have said a little more about the threat of nationalisation, which is understandable; and about the state of trade, which is useful. Mr Clive Cookson of Consett said that there had not been much improvement in demand for the company's products, but there were signs that customers were using up their stocks and would soon be ordering steel again. Sir Ellis Hunter of Dorman Long could see no sign of improvement. Mr A. G. Stewart, of Stewarts and Lloyds, said this week that in the last three months of 1958 demand for pipes from the oil industry was more than 50 per cent down on the same period of 1958, though orders from other customers were rather better.



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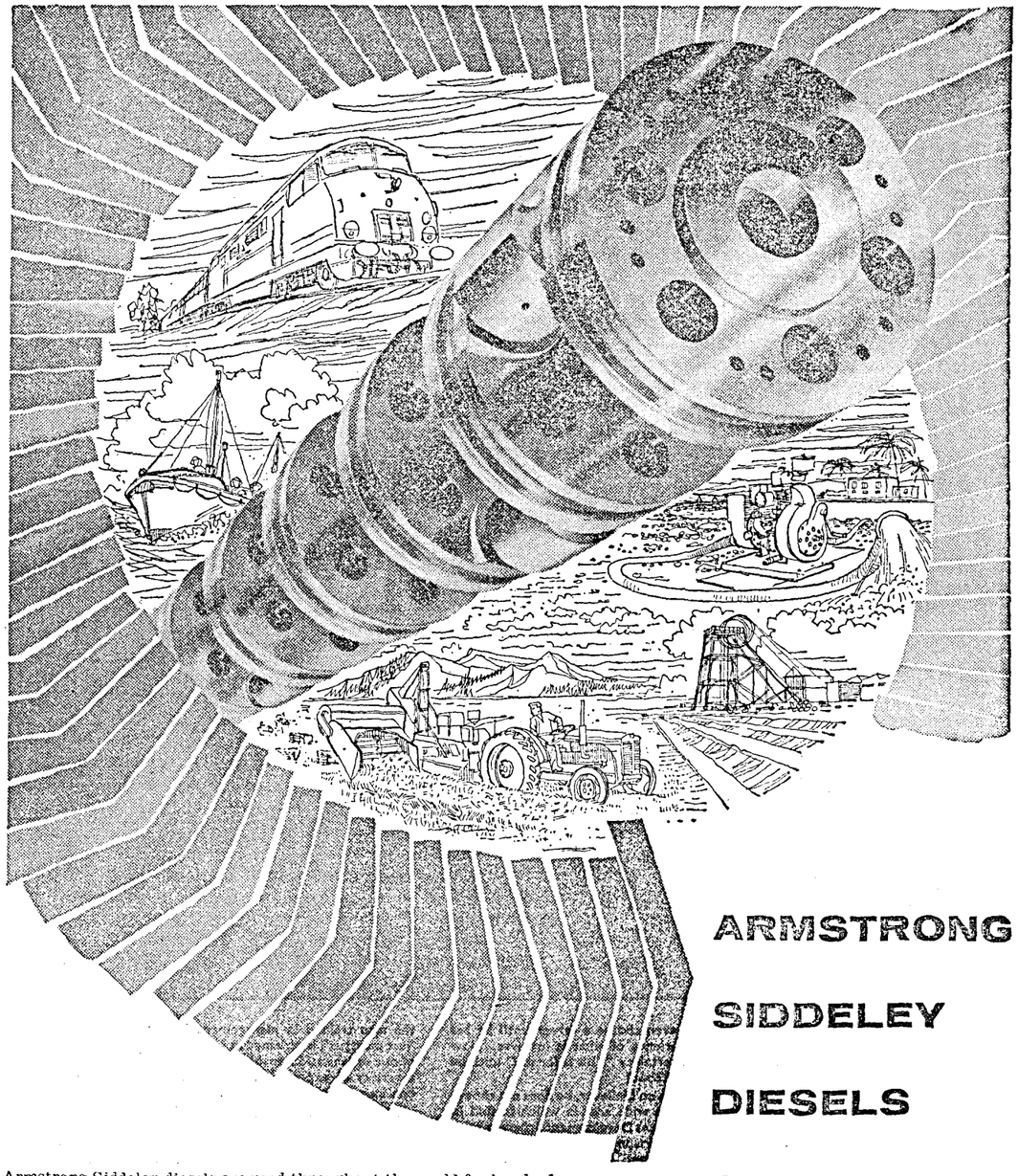
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Sir Andrew McCance, chairman of Colvilles, made some effective points in reply to critics of the decision that the new strip mill to be built at Ravenscraig should be semi-continuous (though he did not address himself to the question whether a strip mill should be located there at all). He made one interesting disclosure: that the project has not yet been submitted to the British Iron and Steel Federation and the Iron and Steel Board for their "consideration and approval" (which in this case will presumably be taken as read). Not the least significant aspect of this arrangement between the Government and Colvilles was that it cut right across the formal pattern of central co-ordination and supervision of capital investment of which the steel industry has long been so proud as a practical and successful alternative to nationalisation. Neither of the two central bodies played any major part in the firm's bargain with the Cabinet. The federation, in particular, has never been as formal and cold in its remarks about any other of its members' steel projects. This followed upon a period in which there had been sharp divisions of opinion within the industry about the most effective way to oppose nationalisation. Mr Colin Hurry's quiz, which has turned out to achieve more effective if more controversial publicity than any advertising campaign could, seems to have embarrassed Steel House: it may not be the only thing doing so.

OVERSEAS TRADE

A Satisfactory Month

OVERSEAS trade last month was satisfactory. Imports and exports remained at the higher levels established in the fourth quarter of last year and the visible trade deficit, though above the fourth quarter's average, gives no cause for concern. Some further growth in imports is to be expected (if it does not come the Government's reflationary plans will not have worked), and exports will be expected broadly to match that growth. Last month they totalled £270 million fob, some £4½ million higher than in December and within £2 million of the fourth quarter average. Imports were exceptionally high in December and last month they dropped by £23½ million to £328.7 million cif, a little above the average for the fourth quarter. With re-exports unchanged at £9.3 million the apparent deficit fell by £28 million to £49½ million, against the fourth quarter average of £45 million.

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

	Imports cif	Exports fob	Re-exports fob	Apparent deficit	Exports to North America
Year 1958	312·5	264·3	11·7	36·5	38·3
1958 1st quarter	309·4	271·0	13·2	25·2	34·5
2nd "	300·0	255·8	11·1	33·1	39·1
3rd "	312·5	258·6	11·4	42·5	37·1
4th "	328·2	271·8	11·2	45·2	42·6
October ..	325·4	263·2	11·6	50·5	42·3
November	312·4	287·7	12·7	12·0	43·1
December	352·1	265·6	9·3	77·3	42·4
1959 January* ..	328·7	270·0	9·3	49·4	41·3

* Provisional.

Some small changes have been made in the coverage and arrangement of the Trade and Navigation Accounts. Trade between the United Kingdom and the Channel Islands no longer ranks as overseas trade, and trade between the Islands and other countries (about £2 million a year each way) will sensibly be included. The British whaling catch, which has mysteriously been treated as an import, is also excluded, and so is trade in second-hand aircraft, for the good reason that accurate figures of this trade cannot be obtained. Trade in second-hand ships and boats similarly defeated the customs authorities and was dropped some years ago. Following the entry into force of the new tariff list the description and placing of some items in the accounts have been changed; certain mixture yarns and fabrics, for example, have been moved from the wool to the man-made fibre division. The total value of trade now excluded amounted in 1958 to about £29 million in imports, £36½ million in exports and £6½ million in re-exports. When comparing the 1959 trade figures with those of earlier years the Board of Trade will as far as possible bring the old figures on to the 1959 basis, and the figures published in the table above are so revised.

ATOMIC ENERGY

On the Brink

WHILE the Atomic Energy Authority is completing plans for the second generation of nuclear power stations in this country, the Japanese government is blandly presiding over a Dutch auction to decide which of three competing British groups will build the first nuclear power station in the Far East. Tenders invited from Associated Electrical Industries, English Electric and the General Electric Company have all produced bids of about £31 million, with less than £250,000 difference between the three. The Japanese government is committed to spending no more than £30 million on the power station all told, and last week it invited representatives of each of the groups to go to Japan with the sole object of seeing which of them was prepared to knock £1 million off its tender.

The British companies are arguing that the extra costs of the special civil engineering work required for Japanese conditions might be slipped under some different head of expenditure: how firmly they will hold to this argument in the bargaining remains to be seen. Of the three, GEC is bidding in association with a Japanese engineering group; the other two are making "package bids" with the consortiums formed to build power stations in Britain. The AEI consortium, in building its station in Britain, has elected to use a much simpler method of construction than the other nuclear engineering teams, and this could be significant in the Japanese context. It has dispensed with the huge Goliath crane, which looks like a bridge on rails and can cost as much as £400,000, and is building each of its reactors at the Berkeley site with a pair of 15-ton cranes no bigger than are found on many big building sites. The group argues that nuclear power stations are likely to be built in countries where the skilled and specialised labour needed to erect a Goliath is not available. The soundness of the method will be shown when the first of the two Berkeley pressure vessels goes on test in a week or so.

If the Atomic Energy Authority's plans for substantially increasing the operating temperature of these Calder Hall type reactors prove successful, it may not be necessary to build such huge and cumbersome pressure vessels in future, which should reduce the complexity of building nuclear power stations. The prototype of this next generation of "advanced gas cooled reactors" will be built at Windscale, but before its design is finally settled, the AEA intends to

experiment with different arrangements of fuel and graphite in a small "Hero" reactor to be built alongside the bigger prototype. There is no longer any room at Harwell to put up these small experimental reactors; they are being divided between Windscale and the AEA's new research station at Winfrith Heath, in which OEEC countries are taking a direct interest. In spite of the decision not to send thermo-nuclear research to Winfrith Heath, because it is too far from university laboratories, the new station is expected to house between 2,000 and 3,000 people, twice the number originally expected.

RETAIL TRADE

Prices Slightly Softer

ALTHOUGH the overall index of retail prices continued to rise during 1958, it rose more slowly than it had for some years; prices of some goods, in fact, remained virtually stable. Throughout the year, selective price-cutting by retailers took some of the edge off the general rise, and resale price maintenance was increasily frequently ignored. These trends appear to have become more marked in the opening weeks of this year; in addition, there are indications that concealed price-cutting—by trade-ins, hidden discounts, and the like—is becoming more widespread. Thus the general effect, though perhaps not a discernible one from official figures, has been that seasonal increases in some items, such as meat and fuel, have been at least partly offset by "bargains" in other lines.

Not all the price-cutting has been of the concealed variety: Marks and Spencer last week announced price reductions of 7½ to 10 per cent on a wide range of clothing, which constitutes about one-fourth of the company's turnover. These were made possible, the company explained, chiefly by lower prices for raw materials, including wool, and by increased selling efficiency (although Marks and Spencer do not make use of self-service selling in their stores, and do not intend to introduce it). This is probably the first concrete evidence of lower prices for raw materials working their way through to the consumer; the fall in cotton yarn prices following the Restrictive Practices Court's recent decision should also have this effect in the future. Possibly another indication of the increasing competition in retailing was the decision taken this week by Woolworth's to advertise in the newspapers; no new price cuts were announced, however.

There is some evidence that the traditional January sales are lasting rather longer this year than they have in the past; and retailers, having once originated "white sales" to bolster a seasonally slack period, are now finding that housewives defer an increasing part of their purchases of bedding until the sales. Supermarkets continue to lead the way in cutting prices of food items, although other shops—including some co-ops—have also followed suit to some degree. Here, too, consumer resistance poses a problem: items once offered as "loss leaders" are difficult to sell afterwards at their former prices. Thus margins on some items have been cut severely: it is reported that in some areas Nescafé instant coffee advertised by the manufacturer at 3s. 6d. a tin is being sold for as little as 2s. 9d. a tin, producing a profit for the retailer of something under 2d. a tin. However, this has meant higher mark-ups on other items, with the net result that supermarkets' overall rates of profit have probably risen slightly in recent months.

UNIT TRUSTS

Trusts in Unison?

PREWAR attempts to form a strong and united association of unit trust managers foundered on disagreements between the managers on how the trusts should be run. Now, after informal discussions between some of the leading groups, there is a good chance that an association will be formed, for on Wednesday, the representatives of the managing companies agreed to set up a committee that will consider the creation of a managers' association. Whether or not any association born out of discussions within this committee will be strong enough to establish minimum standards of conduct remains to be seen. But an association of unit trusts in which there is some measure of agreement would be opportune: it would strengthen the movement's hand in negotiations with the Government and enhance its standing with investors.

On the eve of this meeting the managers of "Scotbits," who are making a block issue of one million units at 16s. 3d. each, announced a revision of their method of appropriating securities into the trust. The aim in the future will be to ensure that any profits or losses on the purchase of underlying securities (which in the past have accrued to the managers' own account) will accrue to the trust itself. The new mechanics of operation suggest that while the managers of "Scotbits" will be principals in the creation of units they will act as agents in security dealings.

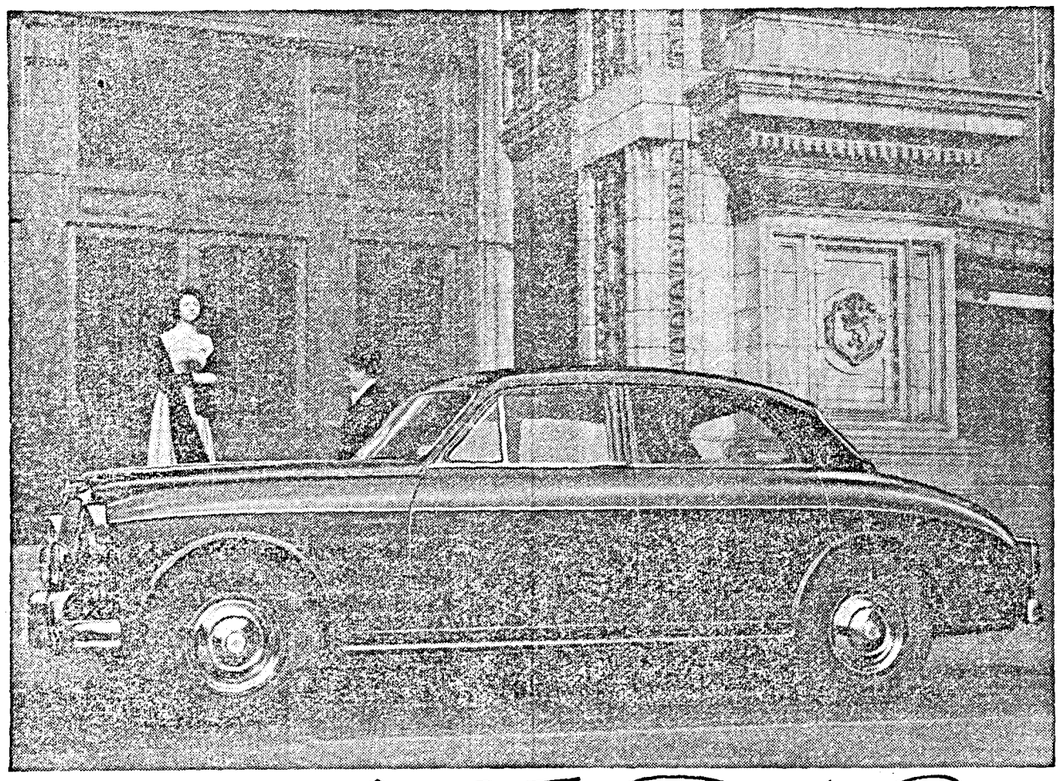
RAW COTTON

The American Dilemma

THE United States is the largest producer of raw cotton. The crop is well graded, it can be shipped quickly to the main importing countries, and export prices can be made attractive by drawing subsidies from the richest Treasury in the world. Why then does America find it so difficult to sell more cotton abroad? This season's exports are expected to be about 3½ million bales, compared with 5.7 million bales last season and a so-called "traditional" market of about 5 million bales. The reason is that American exports are largely determined by the crops in other exporting countries. They cannot afford to hold off the market, and they undercut the United States, which is left in the ignominious role of residual supplier. If the United States increases its export subsidy, other countries cut their prices further and the United States sells no more. The only practicable course is for the United States gradually to reduce the export price in the hope of so discouraging cotton production abroad that it will eventually be left with a larger (but still residual) market.

Changes in export programmes announced last week by the American government take this policy a step further. From August 1st, when the new season begins, cotton will be exported only by the payment-in-kind system. Exporters buy cotton in the domestic market and sell it at the lower export price, the difference being compensated by a claim on the government's cotton stocks of equivalent value. This system has the merit of turning export business back into normal trade channels, and has been used for some

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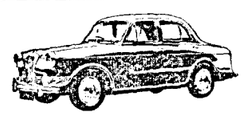


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Friday 13 February

The Rt. Hon. **EARL ATTLEE** K.G., O.M., C.H.

Labour Prime Minister 1945-51

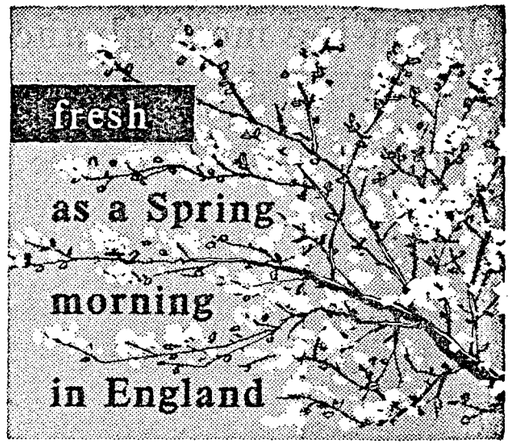
Friday 20 February

The Rt. Hon. **VISCOUNT HAILSHAM** Q.C.

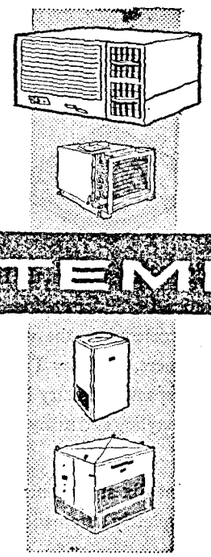
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time for wheat and other grains. For cotton it has taken second place to the direct sales programme, under which the government has invited exporters to bid for its stocks (at prices that have been about 6½ cents a lb below the farmers' support price). Direct sales will cease at the end of this season, but may be resumed if the expanded payment-in-kind system does not fulfil the Department of Agriculture's hopes.

The subsidy under the payment-in-kind system next season will initially be increased from 6½ to 8 cents a lb, and may be raised further. As the effective support price will drop sharply next season to 31.30 cents a lb for middling-inch staple, cotton for export will cost about 23.30 cents a lb, which is equivalent to roughly 23½ a lb cif Liverpool. In fact American cotton is obtainable in Liverpool now at about this price, because some distressed exporters have been forced to meet keen competition from other exporting countries. The possibility of a further increase in export subsidy is doubtless intended to scare foreign producers before they plant the new crops. Unhappily it is also scaring buyers of cotton ; thus the prospect is for continued lack of confidence in prices, hand-to-mouth buying, and continued discount on futures in Liverpool.

CANADIAN WHEAT

Impact of the Seaway

To many grain traders the opening of the St. Lawrence seaway this spring seemed to present a welcome opportunity to clip the monopolistic wings of the Canadian Wheat Board. For wheat that is to be shipped through eastern ports the board has up to now based its price on Fort William/Port Arthur (on the north-western edge of Lake Superior), and then added a fixed charge to cover the cost of shipment by lake vessels through the Great Lakes to the elevators at St. Lawrence or Atlantic ports. Buyers could take delivery only at these ports. With the opening of the seaway buyers will want to buy some wheat for delivery at Fort William, and charter ocean-going vessels to take it direct from the lakehead to European and other ports. Fluctuations in ocean freight rates will affect the lake shippers' rates, and make it awkward for the board to maintain true parity between its prices at Fort William and St. Lawrence and Atlantic ports. Grain traders argued that the simple solution was for the board to sell wheat through the Winnipeg futures market, as it now sells coarse grains, for delivery at Fort William. Buyers could then arrange their own freight as they pleased—by ocean-going vessels or by lake vessels to the St. Lawrence and ocean vessels thereafter—and the Winnipeg futures market would be given a fresh lease of life.

The trade's brave hopes have been dashed, at least for the present. The board is not going to use the futures market. It will sell wheat at Fort William for direct shipment abroad. It will no longer establish a fixed charge (formerly 22 cents a bushel) for moving wheat from lakehead to St Lawrence or Atlantic ports but will quote daily prices at these ports. All prices will change as freight rates change. Its deferred pricing arrangements, which enable the buyer to fix his purchase at the ruling price within a certain period after shipment, have been adjusted. The period now ranges from 14 days for shipment from Fort William to eight days from St. Lawrence and Atlantic ports. With a surprising pretension to accuracy the board has estimated that the seaway will cut freight costs generally by 5½ cents a bushel, and it is raising its Fort William price by this amount to ensure that the farmer gets the benefit of this saving. No. 1 Northern Manitoba wheat thus becomes 171 cents a bushel. The board may be wise in taking one step at a time. No one can foresee all the changes that the seaway will bring about. As they become clearer the board may well have to think again about its selling policy.

RAW WOOL

A Less Free Market?

As commodity markets go in the postwar world, the raw wool market is relatively free. Sales of wool in Argentina and Uruguay are apt to be disrupted by changes in government policy, but these countries are relatively small suppliers. And though the woolgrowers' organisations in South Africa and New Zealand support the market by buying in wool at their reserve prices, these prices have been set at a modestly low level. So far Australia, the largest producing country, has stuck to a free market—and is receiving an uncovenanted benefit from the schemes operated by its Commonwealth cousins, at their expense. But with merino prices having fallen recently to their lowest level for nine years, and crossbreds to their lowest level for six years, many Australian farmers have begun to question the virtues of a free market. Representatives of most of the woolgrowers' organisations now appear to be in favour of a reserve price scheme, the major exception being the Woolgrowers' Council, which represents the big growers.

Enthusiasm for a scheme may diminish if the modest recovery in wool prices continues. In the last two weeks the average price of merino 64's, for example, rose by fourpence to 77d. a lb. This week, although offerings at the Australian auctions are the heaviest of the season, prices rose a little higher and then held firm, and the trade is now beginning to feel more confident. If the experience of British wool textile industry is any guide, the recent improvement in wool consumption is being maintained. In December the rate of consumption, though slightly lower than in the previous month, was 15 per cent higher than in December 1957, with the worsted side of the industry faring best: the rate of consumption in topmaking

RUBBER TRENDS

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Trends in consuming countries	Technical developments
Market reports	Trends in synthetic rubber
General notes	The effect of planting programmes
Statistics	

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was one per cent higher than in November and 19 per cent higher than a year ago, whereas woollen consumption was 5 per cent lower than in November and 7 per cent higher than a year ago. It will be just as well if events in the wool market allow Australian growers to weigh more calmly the merits of a support scheme. Wool has to compete with other fibres and a free market has not served Australia badly in the past.

TELEVISION

Rank Buys a Pipe

RELAY television, in which subscribers have their programme "piped" over a cable circuit from a central receiving station, started slowly in Britain; the first service began operations in 1951, but subscribers did not pass 50,000 until December, 1956. Numbers doubled during 1957, reaching 108,000 by December, and it seems that this rate of growth was maintained in 1958. The end of controls on hiring and relay charges last autumn stimulated demand, and a period of vigorous expansion is expected. Large capital resources will be needed for this; the Rank Organisation, in a complicated deal, has offered to buy half the share capital of Regency Holdings, and will lend the company £250,000 if the offer is accepted. The Rank group already owns a share in Viewline (Oxford) Ltd., which is about to start operations there, and Regency will give them access to Brighton, Hove and Eastbourne. The purchase of more small regional companies would be a logical method of expansion.

For the operator, relay television has the advantage over set rental that the receiver costs 25 per cent less, and the cost of maintenance is lower. For the consumer, rentals are normally about the same, but there is less interference and the reception is better, especially where signals are normally weak. No aerial is required, which to the consumer may seems dubious benefit where social prestige is concerned. One potential advantage is its suitability for subscription television systems; Rediffusion Ltd, the largest company in the business, announced in 1955 that their equipment was adaptable to subscription systems. Rediffusion is one of several firms that make their own equipment; another large company, British Relay Wireless and Television Ltd, is associated with Pye Ltd, and Murphy Radio Ltd.

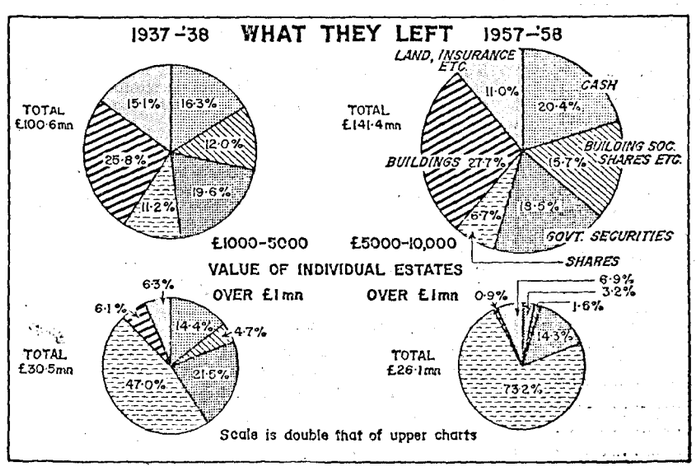
The capital cost of starting a relay television system is naturally greater than beginning to rent out sets, but there are much greater savings as subscribers multiply. This growth should mean increasing profits; but the Post Office licences are non-exclusive, so expansion will bring more competitors in.

Top Incomes and Estates

THE one hundred and first report of the Commissioners of the Inland Revenue (Cmd. 628), published recently, again provides detailed information of earnings and saving habits in the top income brackets. During 1956-57, the latest year for which surtax figures are available, the number of payers was 296,000, or 30,000 fewer than in the previous year—but that was the result of the concessions in the 1957 budget, which released 45,000 persons in the over £2,000 income group from paying surtax. Forty-five incomes were recorded over £100,000, compared with forty-nine in the previous year; this decline in numbers, however, was common to all the higher income groups, with 38, or 3 per cent, fewer persons receiving over £25,000. Of the total income of surtax payers last year, 61 per cent was earned and 39 per cent was investment income; in the over £20,000 class, investment income accounted for two-thirds of the total.

The total capital value of estates valued at over £1 million on which death duties were paid in 1957-58 was £26 million; this was made up mainly of a few large properties valued at over £2 million. Because of the small numbers involved, it is impossible to draw any hard and fast conclusions about the investment habits of millionaires, but nearly 75 per cent of these particular estates were in the form of equity holdings and a further 14 per cent were in Government securities. However, in the previous year industrial shares accounted for less than half the total and the distribution was not dissimilar to prewar experience illustrated in the chart.

The suggestion that investment habits have not altered greatly over the last twenty years is also borne out at the other end of the scale. Making some allowance for the changing value of property, the chart compares the distribution of the smaller estates. A somewhat higher proportion of those in 1957-58 was held in cash and invested in building societies at the expense of land, insurance policies and equities. These estates, valued at £5,000-£10,000, accounted for one-sixth of the total gross capital value of £812 million on which duty was paid last year.



WHAT THEY EARN
Surtax: Classification of Incomes

Range of total income £	1951–1952 Number of persons	1951–1952 Income assessed £ mn.	1956–1957 Number of persons	1956–1957 Income assessed £ mn.
2,000 ...	128,209	310·4	127,876	305·7
3,000 ...	81,945	309·5	107,432	386·2
5,000 ...	39,061	261·1	47,367	308·4
10,000 ...	11,320	178·0	13,480	206·4
50,000 ...	239	21·8	247	21·4
Total ..	260,774	1,080·9	296,452	1,228·2

STERLING AREA EXPORTS

Pointers to Recovery

THE trade figures of the overseas sterling countries are of no less interest to Britain than its own. These countries take about 45 per cent of Britain's exports. Their purchasing power is a function of the quantity of raw materials and food that Britain and other industrial countries buy from them, and the prices paid. The American recession, and the subsequent levelling-off in industrial production in Europe, caused the overseas sterling countries' exports to fall in volume and value, and that, in turn, obliged these countries to buy less abroad. With the American recovery now nine months old, and with signs of improvement in Europe, some response in the overseas sterling countries' exports was to be expected. Figures published in the *Board of Trade Journal* last week point to it. In the first nine months of 1958 exports from overseas sterling countries totalled £2,673 million, 12 per cent less than in the same period of 1957. In the third quarter alone the rate of decline slackened to about 10 per cent, and in the fourth quarter "the trend appears to have improved considerably." Export prices in the first half of the year were about 11 per cent lower than a year earlier, and changed little in the third quarter. Market prices, which have a delayed effect on the value of recorded exports, "probably turned upwards in the fourth quarter." But it is unlikely that they rose very far. Taking *The Economist* indicator as a guide, commodity prices rose by 6 per cent between the beginning of October and late November; the indicator has since slipped back and is now only about 2½ per cent above the October trough.

TRADE OF OVERSEAS STERLING AREA

	Exports to Jan.–Sept., 1958 £ mn.	Exports to Per cent change on Jan./Sept., 1957	Imports from Jan.–Sept., 1958 £ mn.	Imports from Per cent change on Jan.–Sept., 1957
Sterling area	1,394	−10	1,702	−6
Non-Sterling area ..	1,279	−15	1,801	−5
Dollar area	353	−10	491	−5
OEEC area	446	−14	566	−5
Other countries ..	482	−18	744	−5

EXPORTS FROM OVERSEAS STERLING COUNTRIES
January to September, 1958 values in £ million; Percentage change on January to September, 1957 in italics

Australia ...	420	−29	Rhodesia & Nyasaland	111	−10
India	320	−14	Nigeria	99	− 1
Malaya	309	−11	East Africa	92	+ 3
South Africa	245	−14	Ceylon	90	− 4
New Zealand	201	− 9	Pakistan	78	−11
Hongkong	133	− 6	Ghana	73	+14

SHORTER NOTES

Mr Jonathan Guinness has withdrawn his proposal for a Board of Trade inquiry into the affairs of the Granada Group following the revision of the plan for the issue of deferred shares.

* * *

Shell Chemical Company have announced that they will build a large-scale polyolefin plant at the Partington works of their subsidiary, Petrochemicals, Ltd, near Manchester. The new plant, which is expected to be in production in 1961, will have an initial output of 30,000 tons a year of polyethylenes and polypropylenes, including high-density polyethylene manufactured by the Ziegler process, for which Shell Chemicals hold an exclusive licence in Britain. Total capacity of the plant is expected to reach 45,000-50,000 tons a year, of all materials.

* * *

The directors of Gillett Brothers, the discount house, have recommended an increase in the total ordinary dividend for the year to January 31st from 11¼ per cent to 12½ per cent. After a transfer to contingencies reserve, the disclosed profit was £203,344, against £85,777 in 1957-58, after charging certain realised losses to investment reserve.

* * *

The directors of "Shell" Transport have proposed that the rate of dividend on the first preference stock should be increased from 5 to 5½ per cent in return for the loss of the right of holders of the stock to authorise the issue of loan stock by the company. There are no present plans for any issue of loan capital.

* * *

The directors of Camp Bird have suggested that the Board of Trade should inquire into the company's affairs. A few days before, a group of shareholders had presented a requisition for an extraordinary meeting to consider the setting up of a shareholders' committee.

* * *

Planned industrial building fell in the fourth quarter of 1958; Industrial Development certificates were issued during the quarter for a total of 11.2 million square feet, compared with 12.3 million square feet in the third quarter and 13.8 million square feet in the fourth quarter of 1957. Industrial building schemes approved during the year totalled 46.1 million square feet, against 63.6 million the year before; this was the lowest figure for any year since 1953.

COMPANY AFFAIRS
Comments on pages 634 and 635 on
Imperial Tobacco, Rediffusion, Radio Rentals, British Home Stores, Roan Antelope, Mufulira, Chibuluma, "Chartered", Wagon Finance, Liebig's, Inveresk Paper, Jaguar Cars

LONDON AND NEW YORK
Stocks, prices, yields and security indices on pages 636 and 637

LONDON STOCK EXCHANGE
The week's movements reported on page 635

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 638

COMPANY MEETINGS

STEWARTS AND LLOYDS LIMITED

NATIONALISATION: THE BEGINNING OF THE END OF FREE ENTERPRISE

STEEL INDUSTRY'S ACHIEVEMENTS: NO CASE FOR STATE-OWNERSHIP

BALD FACTS REFUTE ARGUMENTS IN FAVOUR

NATIONALISATION—"NO WARM COAT TO PROTECT WORKER AGAINST ECONOMIC CHILL WINDS"

MR A. G. STEWART ON "WILLING SERVANTS OF THE STATE"

The Sixty-ninth Annual General Meeting of Stewarts and Lloyds Limited was held on Tuesday, February 10, 1959, in the Merchants' Hall, 30 George Square, Glasgow.

The Chairman, Mr A. G. Stewart, presided and said:

Ladies and Gentlemen, it gives me much pleasure to address this, the Sixty-ninth Annual General Meeting of the Company. As in the past, I assume you will take the Notice of the Meeting as read, and I will, therefore, ask the Secretary to read the Auditors' Report.

After the Auditors' Report had been read the Chairman continued:

A copy of the Directors' Report was contained in the copy of the Accounts circulated to each shareholder on January 15th. My Statement was also included with the Accounts. I assume you will take all these as read.

CURRENT YEAR'S TRADING

The Statement with the Accounts nowadays virtually takes the place of a Speech. You will, however, expect me to give you some information as to how the trading and earnings position has developed since that Statement was prepared in December last.

So far as the trading position is concerned, despatches of steel tubes and pipes, to other than the Oil Industry, in the first quarter of the current Financial Year were slightly higher than those for the corresponding quarter of the previous Financial Year, but despatches to the Oil Industry showed a substantial decline of rather over 50 per cent.

Despatches of Stanton products were also somewhat lower than in the first quarter of the Financial Year 1958.

Unfortunately, demand from the Oil Industry still shows no immediate indications of revival from the present very low level and it would be wise, therefore, to anticipate that overall earnings during this year will be below those of 1958.

I would like, however, to repeat what I said in my Statement which was circulated to shareholders, that in the long run your Directors are satisfied that the capacity which we have created, and are still in the process of creating, will be fully required.

I am now going to propose the resolution to adopt the Report and Accounts. If you have any questions arising out of the Accounts, would you ask these immediately after the resolution has been proposed and seconded. I mentioned in my Statement that I proposed to deal with the subject of nationalisation fully in my address at the Annual General Meeting. This I shall do at the end of the ordinary business of this Meeting. I suggest, therefore, that any questions you have on this subject might well be raised at that stage in the proceedings.

The Report and Accounts having been adopted, the dividend and the usual resolutions approved, the Chairman continued:

NATIONALISATION

I now turn to the subject of nationalisation.

Last year you gave us a go-ahead signal to fight the threat of nationalisation. The resolution confirming the power of the Board to take such steps as they considered necessary, and approving the Board's actions in so doing, was carried by an overwhelming majority.

You have seen, and heard, for yourselves evidence of our activities. We have advertised in the national and provincial press and shall continue to do so. We have published booklets and procured their wide distribution.

Our illustrated booklet, "20 Questioners," though intended primarily for circulation within the Company, has had a good reception and has provoked wide discussion and comment. It answers many of the questions which people have been asking about the nationalisation of steel.

We have shown the achievements of our Company under free enterprise, provided facts and general information about ourselves and our Industry, and have challenged the advocates of nationalisation to show that their system could have achieved more.

One reason given for nationalising the Industry is that it is inefficient; another is that it has not expanded quickly enough. The first has been contradicted by a prominent Socialist MP speaking in this City of Glasgow almost exactly a year ago. He said: No-one is making a case for the public ownership (of steel) on the basis that it is an inefficient industry. We have never said that.

The second argument is completely refuted by bald figures. Steel production has consistently exceeded the official targets set by Government or the Iron and Steel Board. Today, as everyone knows, there is spare capacity. The Industry has, in fact, increased its capacity by over two-thirds since the end of the war, and has planned to increase it further within the next five years by another 5 million tons per annum. This will mean an expansion since the end of the war of more than 100 per cent.

OVERWHELMING CASE AGAINST STATE-OWNERSHIP

There has been no effective answer to our arguments, and no evidence whatever has been produced to show that the record would have been better if the Industry had been state-owned. Nor is that surprising: there is no case for state-ownership: there is an overwhelming case against it. This is becoming increasingly appreciated. During the past year there has been growing criticism not only of the steel nationalisation proposal but of the whole futile theory and sorry practice of state-ownership.

The belief has been held, in some quarters, that state-ownership is a safeguard against unemployment, but recent events have unfortunately shown that it provides no warm coat to protect the worker against economic chill winds.

It is absurd to suppose that the Industry itself can create the demand for its products. This can only come about when national and world economic conditions permit, stimulated so far as possible by Government action.

There are positive reasons why nationalisation is not only no benefit but is, in fact, dangerously harmful. It is already difficult to run efficiently large organisations of any kind. And steel firms are large: they have to be. If the Industry is nationalised, control will be in the hands of men who know nothing of steel making, marketing, or usage. Their duty will be to control. All major decisions and many smaller ones will be delayed.

BANEFUL EFFECTS

The Industry is already supervised in the interests of the nation and the steel-users; detailed control by men without experience would be fatal. The result would be frustration and slackness all down the line. There would be disruption of relations between management and men, and a feeling of hopeless resignation among the staff. It is hardly possible to exaggerate these baneful effects. They are inevitable, not just vague possibilities.

We know, too, that many of our customers, both at home and abroad, are greatly perturbed at the prospect of state-ownership of steel. Many of them are asking themselves how they would like to deal with a state department, instead of with an individual firm or its representatives.

Customers over the years come to rely on the integrity of individual firms and the men in them, whom they have known over a long period. It is a cherished Company tradition, which state-ownership would inevitably swamp.

It must never be forgotten that industry depends as much on the faith of those who buy as on the skill of those who make, and that the prosperity of this country is dependent on its export trade. So far as our customers at home are concerned, sadly enough, they would have no option but to deal with a state-controlled steel industry. Overseas buyers, on the other hand, cannot be compelled to buy steel from Britain. They may prefer, when the time comes, to buy from a free enterprise industry elsewhere.

"OUR DUTY TO DEFEND OURSELVES"

We have emphasised from the beginning that we do not wish to take part in politics. The threat of nationalisation, however, is a matter of concern to the shareholders, to the Industry, to the nation and to our employees. So long as the threat hangs over us it is our duty to defend ourselves.

Our quarrel with the Labour Party is confined to this one issue. Many of us have said in the past few years that we hoped that wiser counsels might still prevail, but there is, unfortunately, little sign of a change of attitude on the part of the advocates of state-ownership.

It is a matter for concern that apathy is being shown by some other industries in making their views known on the threats of further nationalisation of many sections of industry. The damage which would be suffered by these industries would be as grave as it would be to the Steel Industry. Those who hang back, thinking, perhaps: Let the other fellow carry on the struggle, are deluding themselves. If Steel goes under the grip of the State, I believe that it would be the beginning of the end of Free Enterprise in this Country. Many industries would find their supplies controlled and their destinies ruled by officials. Whether it be pots and pans, bicycles or bull-dozers, it would soon be officials who would say who could make what and how many they might be permitted to produce. When you take account, too, of the proposals for "backdoor nationalisation" by the acquisition of shares, it is not difficult to see how Free Enterprise, through which this country has grown to its present prosperity, would be stifled and suppressed.

Surely we must all do everything we can to seek to ensure that we do not all become slaves of the State, but that we remain willing servants of the State. (Applause.)

The proceedings terminated with a vote of thanks to the Chairman and the Board for their conduct of the Company's affairs during the past twelve months, and with a full endorsement by the shareholders present of the Board's actions in fighting the threat of nationalisation.

HUDSON'S BAY OIL AND GAS COMPANY LIMITED

The following announcement is made by Mr R. C. Brown, President of Hudson's Bay Oil and Gas Company Limited:

Hudson's Bay Oil and Gas Company Limited and its Subsidiaries had an estimated net operating income of $1,316,000 or 7 cents per share for 1958. Net operating income for 1957 was $3,073,000 or 17 cents per share.

Today's announcement stated that quoted earnings figures are after charges for depreciation and depletion of $5,616,000 in 1958 and $5,340,000 in 1957. Non-recurring gains raised net income to $3,788,000 for 1958 and to $7,815,000 for the previous year.

Mr R. C. Brown, president, said that the Company's 1958 output of crude oil was 20,100 barrels daily 9.7 per cent below the 1957 mark. Crude oil production by the entire petroleum industry in Western Canada declined 9.1 per cent in 1958 but in Alberta where most of the Company's production is located the decline was 17.7 per cent.

Although the Company's sales of natural gas increased to 45 million cubic feet daily at year end resulting from the completion of the TransCanada Gas Pipe Line it still has large shut-in natural gas reserves.

F. W. WOOLWORTH & CO.

NEW SALES RECORD

The annual general meeting of F. W. Woolworth & Co., Ltd., will be held on March 6th in London.

The following are extracts from the Statement of the chairman, Mr R. J. Berridge, circulated with the report and accounts for 1958:

Trade was anything but encouraging during the early months of last year, but the better economic climate in the autumn brought about a very welcome improvement.

1958 provides an excellent illustration of how misleading a half-year's statement of profits would have been to investors in your Company, as at that time profits barely showed an increase. Conversely a good first six months could be equally misleading if it were followed by less satisfactory results during July to December, bearing in mind that the latter part of the year, particularly the month of December, contributes so substantially to the profits of the year.

Companies engaged in the retail trade have not the same means of guidance as have industrial concerns, who from their order books have some indication at the half-way stage as to what the situation is likely to be during the latter half of each financial year and are therefore in a better position to issue half-yearly statements with appropriate qualifications.

The increase in turnover was greater during last year than for 1957, so that a new high record of sales was achieved. I commented last year that there seemed to be no likelihood of any change in the pattern of expenses increasing at a greater rate than turnover—particularly wages and salaries. This proved to be your Company's experience in 1958.

STORE EXPANSION

The building progress during 1958 resulted in the total number of stores in the British Isles being raised to 1,012. Many letters and comments of a most complimentary nature have been received, expressing the satisfaction that the new, extended and modernised stores have given to members of the public. These modern stores emphasise that in so many others the same high standards have yet to be achieved. I assure stockholders whose neighbouring stores are still of pre-war vintage that the Company's development programme is proceeding with all speed but that it will be some years yet before every store needing this attention has been brought up to date.

Self-service stores increased during the year from 46 to 56, either in entirely new areas or after conversion from conventional service. I am glad to say that last year's experience of this mode of selling is more assuring.

The three stores in operation in the West Indies Federation at June 30, 1958, contributed a total profit of £136,538 before taxation, compared with £97,794 for the previous year. This is excellent progress.

Since then three new stores have been opened in the West Indies, at Crossroads, Kingston, Jamaica; at Montego Bay, Jamaica; and San Fernando, Trinidad; so that the Company now has a total of six stores functioning in the West Indies Federation. Initial experience in the three new stores is satisfactory.

At Salisbury, Southern Rhodesia, the building has now been completed and present indications are that the store will open for business during March this year.

SUPPLIERS OF THE GOODS ON THE COUNTERS

The following table shows the very considerable periods during which many of our regular suppliers have been associated with the Company, and demonstrates how well your Company has been served by its suppliers and what confidence has been engendered between buyer and seller.

Number of Suppliers	Period of Association
113	40/50 years
292	30/40 years
494	20/30 years
360	10/20 years

CONSOLIDATED PROFIT AND LOSS AND APPROPRIATION ACCOUNT

Excluding the income from Rents Charged to Stores' Trading Accounts, which as advised last year is now shown as a separate item in order to give a more realistic trading profit, this trading profit proper for 1958 amounted to £23,586,872 compared with £21,906,164. The increase of £1,680,708 or 7.67 per cent is considered very satisfactory.

Net profit before taxation amounted to £25,597,085 compared with £24,071,753 for 1957, an increase of £1,525,332 or 6.34 per cent. Income Tax, Profits Tax and Overseas Taxation on profits for 1958 are estimated at £13,561,840 compared with £12,838,552 for 1957, an increase of £723,288.

The resulting net profit after taxation for 1958 is £12,035,245 compared with £11,233,201 for 1957, or 47.02 per cent of net profit before taxation, so that the Government still claims the lion's share of 52.98 per cent of net profit before taxation. The proposed appropriation to General Reserve is again £2 million.

Final dividend proposed on Ordinary Stock at 1s. 4d. per unit, plus 8d. per unit interim dividend paid in August last, repeats the total distribution of 2s. per unit on the Ordinary capital for 1957.

However, as already announced, it is the intention of the Board to mark the Company's Golden Jubilee, which falls on July 23, 1959, by declaring a special cash bonus of 4d. per 5s. unit of Ordinary Stock (less income tax) payable on August 15, 1959, with the interim dividend. This will cost £1,293,750 on the basis of income tax being deducted at the current standard rate.

THE YEAR 1959

For some months now it has been refreshing to learn of the upward trend in the country's economic outlook, so that from this aspect no pronouncement of mine is necessary.

The prospects for the current year, viewed against the background of 1959 being the Company's Golden Jubilee Year, are promising too. Extensive advertising plans have been laid, covering most months of the year, to support special features and culminating in the Golden Jubilee Sale from Friday, April 24th to Saturday, May 2nd. By these means it is hoped that demand for your Company's merchandise will be stimulated still further.

1959 could well be an outstanding year for your Company, but only time will tell whether this hope, reasonable as it seems at present, will be realised.

WATNEY MANN LIMITED

MR S. H. COMBE'S STATEMENT

The annual general meeting of Watney Mann Limited, was held on January 30th in London, Mr S. H. Combe, MC, chairman, presiding.

The following is an extract from his statement for the year to September 30, 1958:

In the early part of 1958 we arrived at an agreement with Mann, Crossman & Paulin, Limited, to purchase the assets of their Company in exchange for Ordinary Stock in the proportion of £110 Watney Stock for £100 Mann, Crossman & Paulin Stock. The Company's name was then changed to Watney Mann Limited. Negotiations for this amalgamation had been going on for some considerable time and were the direct result of the threat to Watneys of losing the site of our Stag Brewery at Victoria.

The main advantage of this fusion can be summarised in one sentence. With the disappearance of the Stag Brewery the greater part of the output of Watney Mann can be concentrated in two breweries, Mortlake and Whitechapel, instead of in three. This, of course, cannot be achieved without very heavy expenditure in adapting both Mortlake and Whitechapel; indeed, a sum of about £1½ million will have to be spent at Mortlake alone, which will make that brewery one of the most up to date in this country.

RECIPROCAL TRADING AGREEMENT

Watney Mann Limited and Bass, Ratcliff & Gretton Limited have entered into a reciprocal trading agreement whereby each brewery undertakes to stock certain of the other's beers.

FINANCE: The Group trading profit amounts to £3,373,743, a decrease of £221,907 on the previous year. The profits, after taxation and excluding outside interests, are less than the previous year by £66,964.

The Board recommend that £150,000 be appropriated to the Properties and Plant and Contingencies Reserve, and that a final dividend of 7½ per cent and a bonus dividend of 6 per cent be paid on Deferred Ordinary Stock, making 21 per cent for the year.

TRADE AND TAXATION

The trade showed a slight decrease last year. A not surprising result in view of last summer's weather conditions.

The Beer Duty works out at just under 13 pence per fluid ounce alcohol. The Wine Duty, on the same basis, is little over 7 pence. Broadly speaking, therefore, British beer pays twice as much in taxation, in proportion to strength, as imported light wine. The tax on British beer is about five times as high as it was in 1939. The tax on light foreign wine at its most usual strength is little more than three times as high.

This inequality in the taxes on beer and wine has persisted since the Budget of 1950, when the Beer Duty was last readjusted. It is, I believe, an anomaly without precedent. Certainly, I have never heard of another example of a nation raising a tariff wall against one of its own products to the advantage of a foreign competing product.

Again, it should be remembered that beer is made almost entirely with home-grown materials. No sensible person would like to see any increase in the Customs Duty on wines; that would be a thoroughly retrograde step. I feel, however, that we now have an unanswerable case for redress in the shape of a Beer Duty reduction.

The report and accounts were adopted.

TRINIDAD SUGAR ESTATES

The 36th annual ordinary general meeting of Trinidad Sugar Estates Limited was held on February 5th in London, Mr E. Cassleton Elliott, CBE, FCA (the chairman) presiding.

The following is an extract from his circulated statement:

The Crop was again a disappointing one being only four tons more than in 1957. Unfortunately, exceptionally wet weather conditions were experienced during the latter part of the grinding season.

The average price realised for sugars including by-products was £49 10s. compared with £48 7s. in 1957. The cost of production in Trinidad was a little lower and as a result the profit in Trinidad rose to £3 13s. 1d. per ton compared with £1 18s. 10d. in 1957. The financial position continues to be satisfactory—the surplus of current assets over current liabilities and provisions being £197,364.

The profit shows an increase of £14,383 and consequently the Directors recommend a dividend of 10 per cent for the year.

With regard to the prospects for 1959 Crop, if weather conditions from now up to the commencement of grinding and during the grinding period are normal we should obtain a reasonable production of sugar.

The price under the Commonwealth Sugar Agreement for the part of the sugar sold at the Negotiated Price has been increased from £43 16s. 8d. to £45 2s. per ton. I am also pleased to be able to say that owing to increase in consumption in the United Kingdom the quantity of sugar being purchased at the Negotiated Price has been slightly increased. The report was adopted.

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

2,900,000 Shares

Universal Oil Processes, Inc.

(Name to be changed to Universal Oil Products Company)

Capital Stock

(Par Value $1 Per Share)

Price $25 per Share

Copies of the Prospectus may be obtained in any State only from such of the several Underwriters, including the undersigned, as may lawfully offer the securities in such State.

Lehman Brothers

Smith, Barney & Co.

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

February 5, 1959.

ILLINGWORTH, MORRIS & COMPANY

(Worsted Spinners)

DIFFICULT TRADING CONDITIONS

The 39th annual general meeting of Illingworth, Morris & Company, Limited was held on February 5th at Bradford, The Right Honourable Lord Wilmot of Selmeston, PC, JP (the chairman), presiding.

The following is an extract from his circulated statement:

The Accounts show the increase from £1 million to £2 million in Ordinary Capital, following the Capitalisation of Reserves in December, 1957.

The net profit of the Group for the year after taxation is £178,173 and, after adding £227,031 which represents the balance of £327,031 brought forward from last year less £100,000 capitalised as part of the bonus issue referred to above, there is a Group total available for appropriation of £405,204. Of this, £103,500 has been used by the payment of dividends on the Preference Stocks and by an interim dividend of 2½ per cent less Income Tax paid on the Ordinary Stock last July; £23,000 has been transferred to General Reserve, leaving £278,704 to be carried forward.

The Directors do not recommend a final dividend for the year ended September 30, 1958. They do, however, propose the payment on February 6, 1959, of a special Interim Dividend of 5 per cent less Income Tax, for the year ending September 30, 1959.

The Group Current Assets now amount to £3,909,801, showing an excess of £3,170,996 over Current Liabilities, and the Group Revenue Reserves are now shown at £603,704.

The year under review was one of very difficult trading conditions throughout the whole Wool Textile Industry. The first signs of an American recession were beginning to show at the start of our financial year and with the tightening of credit and the raising of the bank rate, the fall in wool prices continued. This fall in prices was almost continuous throughout the year and amounted to about 30 per cent during the period.

More serious was the difficulty in obtaining orders for several months. This affected most sections of the industry, but more particularly Worsted Spinning. As a result there was a good deal of short time running in your Company's mills and such business as was available had to be taken on a less profitable basis. It is not surprising, therefore, that the profits for the year have fallen sharply.

INDUSTRY'S SOUNDER POSITION

It would appear that the trade was heavily overstocked in piece goods and yarns. This is shown by the length of time many manufacturers were able to keep their factories running full time without ordering further yarns; it is doubtful whether these stocks have yet been entirely used. But it is felt that with the liquidation of stocks, both of cloth and yarn, the industry is in a sounder position. For the time being delivery dates are shorter and manufacturers do not need to buy our products merely to keep in the queue. Let us hope that, with a healthier stock position, shorter delivery time and reasonable prices, we may look for a steadier flow of orders.

Fortunately, as I write this statement, there are signs of some revival in the volume of business. The American trade for the autumn season has been good—better than expected—and should the Home and European trades follow the same course, your mills may revert to full production.

Since the close of the financial year, your Company has increased its investment in Salts (Saltaire) Limited and is now the majority shareholder.

The report was adopted.

SECOND BRITISH ASSETS TRUST

RECORD INVESTMENT VALUATION

MR A. C. BLAIR ON BOARD'S POLICY

The Eightieth Annual General Meeting of Second British Assets Trust Limited will be held on March 5, 1959, at the registered office of the Company, 9 Charlotte Square, Edinburgh.

The following is the review by the Chairman, Mr Alastair C. Blair, CVO, WS, which has been circulated with the Report and Accounts for the year ended December 31, 1958:

The year 1958 has been a year of surprises and when I wrote my last review I did not anticipate that we should end the year with a record valuation of £7,800,000 which is an increase of some 35 per cent over the figure of a year ago. Fluctuations of this size make it difficult to assess the true worth of securities and some of our investments are now at prices that by previous yardsticks appear to discount several years' growth ahead. However share prices last year had been depressed by the run on sterling and by the news of the American recession. Both these crises were successfully overcome during 1958 and in spite of the present slight recession in the United Kingdom, the prospects for 1959 look reasonably hopeful.

In comparison with the rapid recovery of our valuation, our income performance was relatively disappointing. This was mainly due to the effects of the American recession on commodity prices and on Company profits and dividends. Even allowing for the help we have received from the reduction in Profits Tax our net income for 1958 only shows a small increase compared with the previous year. We have however felt sufficiently confident of the outlook to recommend a small increase in the dividend and we anticipate that as a result of some investment changes we have made income will be somewhat higher this year although we cannot expect a large increase since world trading conditions are still difficult. Owing to the revision of the form of Profits Tax as from last April we expect that in future years we shall not have to make any provision for this tax, as our liabilities will be offset by various reliefs.

INVESTMENT DISTRIBUTION

On page 11 of the Report we have given a table showing the number and size of our investments and their spread between different industries. It may interest you to know that of our total equity holdings 63 were in the USA, 17 in Canada and the remaining 92 in the Sterling area. Of the 20 largest holdings 5 were American companies, 1 Canadian and 14 British. You will see that while we have a comparatively short list of investments not all are large holdings and we are quite prepared to invest in smaller Companies provided that we can get information and co-operation on matters which concern us.

May I take this opportunity of thanking the Managements of these Companies which have been visited by our Directors or by our Staff during the past year. We have had many happy and interesting visits and we are finding increasing understanding and co-operation from those visited.

KULIM RUBBER PLANTATIONS LIMITED

MR P. B. L. COGHLAN'S REVIEW

The Twenty-fifth Annual General Meeting of Kulim Rubber Plantations Limited will be held on February 24th at the Rubber Growers' Association (Inc), 19 Fenchurch Street, London, E.C.3.

In his circulated review, the chairman, Mr P. B. L. Coghlan, refers to the company's overall progress. Annual production now totalled over 1 million lb more than the levels of 10 years ago and was still increasing. Also, rapid progress was being made in planting up some 1,000 acres of new land. It was particularly pleasing that notwithstanding the financing of this and other valuable additions to the Company's assets out of profits, it had been possible to maintain satisfactory rates of dividend.

Shareholders will no doubt have read in the Press that the Malayan Government has seen fit to increase the rate of company tax from 30 per cent to 40 per cent with effect from January 1, 1959, and this will, of course, apply to all overseas trading companies operating in Malaya. I must protest against this additional burden which has been imposed on the rubber industry in Malaya. It appears to have been overlooked entirely that rubber producers already make substantial contributions, by way of export duty, to the revenue of the country and it seems unreasonable that an industry which has contributed so much to the prosperity and development of the country should suffer more in comparison with other companies and undertakings who derive considerable benefit from the rubber industry and commercial enterprises more recently introduced. It is fully realised that the Federation badly requires this additional revenue, but all that is asked is that the burden of producing that revenue should be more evenly distributed.

The Federal Government are anxious to encourage replanting and new planting of rubber land and in recent years have increased the rate of export duty applicable at certain price levels to enable them to pay planting grants to those companies carrying out new planting and replanting. Unfortunately, these grants are taxable in the hands of the recipients and now, with the increased rate of company tax, no less than 40 per cent of the value of the grants has to be repaid to the Government. This means, of course, to that extent there will be less money available for this important work. Surely this is not the best way to encourage the modernisation of the rubber industry in Malaya. In view of the increased rate of company tax now to be levied, it should be possible for the Malayan Government to allow some refund in export duty to those who pay this heavy rate of company tax or, with a view to giving further encouragement to new planting and replanting, allow the grants paid for this work to be free of tax. It is still vitally important for Malaya to attract further foreign capital and, in doing so, she must remember that the penalties, in the form of taxation imposed on that capital, must not be out of line with other countries in a similar position. While appreciating the difficulties of raising internal revenue, she must not overlook the advantages of attracting external capital on which to a great extent her future prosperity will depend and from which the major part of her revenue will be forthcoming.

COMPANY AFFAIRS

IMPERIAL TOBACCO

ALL the guesses were right, except one. A full year of higher cigarette prices lifted Imperial Tobacco's profits in the year to October 31st; these profits and bigger dividends on Imperial Tobacco's shareholdings in BAT and Gallaher improved equity earnings; and the ordinary dividend has been restored to 21 per cent, from which it was cut to 20 per cent in 1956-57. The guess that was wrong was that Imperial Tobacco had maintained its share of the cigarette market. Cigarette consumption was again up last year, but the directors of "Imps" refer to "a slight decrease in total sales."

As the directors also speak of another rise in manufacturing and selling costs, the advance in the trading profit of the parent (that is purely the tobacco side of the business) by £2,904,646 to £21,107,120 must have stemmed almost entirely from higher prices. The group's trading profit is only £2,738,501 higher at £24,293,066, suggesting that the profits earned from the paper and carton side of the business were lower. But dividend income rose from £5,252,375 to £5,492,924, and the total net income after tax from £12,006,911 to £14,326,283. Earnings on the ordinary dividend have risen from about 33 to nearly 40 per cent. The obvious inference from these preliminary results and the directors' comments is that, while higher cigarette prices gave profits a shot in the arm last year, another advance of the same order cannot be expected this year. The past results justify the recent strength of "Imps," but a sober assessment does not seem to offer much immediate scope for what is essentially an income stock, priced at 58s. 9d. and yielding 7.1 per cent.

REDIFFUSION

ONE company to step forward now that the home activities of the Capital Issues Committee have lapsed is Rediffusion. It proposes to make a rights issue of ordinary shares to raise the large sum of £4,250,000. That issue is simply subject to the approval of the Bank of England on its timing. The company, which last made a rights issue, raising £1,350,000, in 1956, has an issued capital of £5,497,247; the 5s. units are quoted at 37s. 6d. (to yield 2.9 per cent on the tax free dividend of 12½ per cent). Piping radio and television programmes into customers' homes involves high capital costs and CIC controls and credit restrictions have borne heavily on both the relaying and the renting sides of Rediffusion's business. At the moment, the relay business seems to be growing faster.

Rediffusion and British Electric Traction are partners in Associated-Rediffusion. That television programme contractor has made quick progress, in common with other contractors, and it has been able to repay large advances made by BET and Rediffusion and to pay its first dividend. Its directors have now revealed that they expect the company to make a profit of not less than £7 million in the year to April 30th next, compared with £5.1 million in 1957-58, and a loss of £626,228 in 1956-57. Profits in 1959-60 are expected to be no lower than in 1958-59. Rediffusion's interest in commercial television is the magnet that will attract investors to the new issue.

Radio Rentals had to obtain CIC consent for its one for five rights issue at 15s. per share, raising £1,178,000. The directors now say that trading results so far in the current year to August 31st have been satisfactory, and they expect to pay an effectively unchanged dividend of 20 per cent on the larger capital. At the current price of 31s. 7½d. xr the 5s. units yield 3.2 per cent.

COPPER PROFITS

SIR RONALD PRAIN, the chairman of Rhodesian Selection Trust, stole his own thunder when he disclosed last month that the mining companies suffered only "very small" losses from the 52-day strike on the copperbelt in the last quarter of 1958. The recovery in profits shown in the quarterly statements of Roan Antelope and Mufulira therefore comes as no surprise. By running down their stocks during the strike these mines were able to sell almost as much copper as in the third quarter, and as the realised price was at least £30 a ton higher—partly owing to the strike—profits rose sharply. Estimated profits before tax of Roan rose to £997,000 in the fourth quarter from £813,000 in the third, and for the first half of the 1958-59 financial year these profits amounted to £1,810,000 (against £1,486,000 in the first half of 1957-58). Mufulira's profits advanced to £1,500,000 in the fourth quarter from £1,193,000 in the third, and in the first half of the year they came to £2,693,000 (against £2,422,000 in 1957-58).

	Roan Antelope		Mufulira	
Six months to Dec. 31	1957	1958	1957	1958
Output (long tons) ..	39,815	29,112	47,052	33,263
Sales (long tons).....	38,793	38,670	45,059	43,373
Sales Revenue (£'000s)	7,283	8,009	8,944	9,493
Gross income (£'000s)	1,486	1,810	2,422	2,693

But Chibuluma spoils this tale of recovery, as this new mine had no stocks to fall back on and in the first half of 1958-59 its estimated profit before tax slumped to £140,000 from £640,000 in the first half of 1957-58. This accounts for the decline from £1,943,000 to £1,758,000 in the profits of Rhodesian Selection Trust, the parent company of Mufulira and Chibuluma.

Unless the mines run into unforeseen difficulties this year's results will be distinctly better, for the average price for copper should be appreciably higher. Barring further labour troubles copper is unlikely to regain during the next few months the peak of £260 a ton reached during the strike, but it is also unlikely to sink much below the existing level of about £230 a ton. The next question in shareholders' minds must be whether the production targets are to be raised next year. Though the group has been working at full capacity since the strike it has not formally abandoned the policy of restricting output.

BRITISH SOUTH AFRICA COMPANY

ALTHOUGH the directors of the British South Africa Company have left the ordinary dividend for the year to September 30th unchanged at 30 per cent, they will pay a special "profits tax" interim dividend for 1958-59 of 5 per cent, effectively restoring the total dividend to 35 per cent (from which it was cut to 30 per cent in 1956-57 following the fall in the price of copper and hence in Chartered's royalty payments). The recovery in the price of copper must be one reason for restoring the dividend.

But there are others. First, though the major proportion of the company's portfolio is in the shares of the copper producers, "Chartered" has become an important investor in Kaffir shares. The income from these shares is now growing quickly. Secondly, 'Chartered" has qualified as an OTC, relieving its undistributed royalty income from British tax. In 1957-58 this led to a considerable saving, for though total gross income dropped from £10,918,141 to £7,971,197 (because of lower copper royalties and dividends), the tax charge also fell sharply from £6,087,141 to £3,607,980 so that the net income was only £467,279 lower at £4,363,217. The 15s. shares at 79s. 6d. xd. yield 6.6 per cent.

BRITISH HOME STORES

IN a year in which retail trade expanded by 3 per cent, British Home Stores, one of the smallest chain store groups, has reported a small decline in its trading profits from £1,686,997 to £1,640,140. Its net profits in the year to January 3rd were a mere £2,288 higher at £718,465 and this was simply the result of a smaller charge for profits tax. Thus it seems that the group's policy of modernising and developing its 80 odd stores is barely keeping pace with the erosion of margins under the pressure of rising costs and price-cutting competition.

In the past British Home Stores has been the subject of take-over rumours.

The directors have now raised the ordinary dividend from 4½d. to 5d. per 1s. unit and they also propose a 10 per cent scrip issue. On the new dividend the 1s. units at 8s. 7½d. yield 4.4 per cent; on the assumption that the payment will be maintained on the enlarged capital the yield is nearly 5½ per cent.

WAGON FINANCE

WAGON FINANCE is one of the few hire purchase finance houses that is not linked with a commercial bank. In 1957, the directors made a final call of 16s. per share on the company's £1 ordinary shares, eliminating the uncalled liability and raising the paid up capital from £250,000 to £1,250,000. Much of the new capital was put to work before the end of 1957. But as hire purchase agreements run for up to two years profits did not receive a substantial boost until 1958: gross profits in that year jumped by 29 per cent, from £414,931 to £533,948. In 1957 a final payment of 7½ per cent was made on the fully paid up ordinary capital; taken with the 3⅛ per cent interim dividend on the partly paid capital, this represented an effective annual rate of 15 per cent. For 1958, the dividend has been raised to 17½ per cent. This dividend absorbs £125,781 from a net profit that is £64,837 higher at £244,954.

Wagon Finance had capital resources of £870,000 on December 31st, 1956, and this helped to support £3,190,000 in hire purchase paper. A year later its capital resources had risen to £1,973,000 and £4,187,000 was held in hire purchase paper. Presumably there was another increase in business last year, especially in the last two months after the lifting of HP controls. The yield of 4.4 per cent on the £1 ordinary shares at the current price of 80s. looks forward to further growth, but it is higher than the yields offered by the shares in those HP finance houses that are now associated with the joint stock banks.

LIEBIG'S

PROFITS of Liebig's Extract of Meat have been disappointing in recent years, but those investors who held on to their shares are now rewarded, for the advance in gross profits from £1,168,376 to £2,022,101 in the year to August 31st more than regains the ground lost in the three preceding years. This recovery is marked not only by the transfer of £624,002 (against £36,954) to subsidiaries' reserves but also by an effective increase in the ordinary dividend. A "profits tax" interim of 2 per cent, tax free, for 1958 has been declared in addition to the ordinary dividend of 11 per cent, tax free, which was paid in the last three financial years. The market in the £1 shares has not been very active and after the announcement the shares were at once marked up by 7s. 9d. to 66s. 9d. xd., to yield 6½ per cent.

It looks as if the reorganisation of the group and its capital development programme has put its affairs on the right road again. Following the net exchange loss of £181,000 in 1956, as a result of the depreciation of Argentinian and Paraguayan currencies, profit margins in 1957 were squeezed by the pressure of rising costs on a static turnover, substantial spending on advertising and sales promotion, and a drastic writing down of stocks following the closing of the Sudan factory. But the chairman was able to tell shareholders last February, when five months of the financial year had passed, that remedial measures had already been taken. The price of "Oxo" was raised in September 1957, marketing expenses were curbed, the sales division reorganised, and the medical side of the business streamlined. Mr Carlisle also said that the adoption of modern productive techniques was producing results.

INVERESK PAPER

TRADE in the paper manufacturing industry began to pick up in the second half of 1958 after two years of recession, but by then a good deal of new productive capacity had been installed and some of it was still not being fully utilised. And in September the directors of Inveresk Paper said that profits for the full year to September 30th would be little different from those of 1956-57. They then left the interim ordinary dividend unchanged at 1½ per cent, tax free. But the preliminary statement now shows that in fact gross profits went up by 11 per cent, from £2,720,141 to £3,012,268.

Like the other paper manufacturers, Inveresk has been a big investor in new plant and machinery and this has enabled it to hold its own in the competitive struggle. Now the directors say that they have set aside £700,000 too much in depreciation since 1947 and they have this year transferred this sum to capital general reserve. On the new basis for depreciation they have allocated £482,064, that is £122,043 less than in 1956-57. Thus the group's net profits have risen from £790,623 to £1,022,872. But the total ordinary dividend is left unchanged at 8 per cent, tax free. The decision to plough all the additional profit back into the business will have helped to cover capital expenditure last year. The 6s. ordinary shares at 13s. yield 6.4 per cent.

JAGUAR CARS

THE patience of ordinary shareholders in Jaguar Cars has been rewarded. Following the doubling of its net profits in the year to July 31st (from £315,321 to £624,337), the ordinary dividend has been raised from 12½ to 17½ per cent and, in addition, a special interim of 12½ per cent for 1958-59 will be paid. Moreover, there is to be a two for one scrip issue. This was the self-financing company *par excellence*, and the news of its more liberal policy was greeted by a strong advance of 5s. 4½d. in the 5s. ordinary units (which at 55s. 4½d. yield 2.7 per cent) and in the "A" units (which at 50s 9d. yield just under 3 per cent).

London Stock Exchange

FIRST DEALINGS:	Jan. 28	Feb. 11	Feb. 25
LAST DEALINGS:	Feb. 10	Feb. 24	Mar. 10
ACCOUNT DAY:	Feb. 17	Mar. 3	Mar. 17

TURNOVER in gilt edged stocks had contracted by Friday's close although short-dated issues remained firm on the fall in the Treasury bill Rate to 3 per cent. But revived hopes of a cut in Bank rate and some investment buying led to widespread gains by Wednesday's close. The *Financial Times* index of Government Securities rose fractionally over the week from 86.96 to 87.04.

Industrials fell at first on end-account profit taking and the setback on Wall Street, but the market went ahead again on Wednesday following the start of the new account. Unit trust buying was again evident and sentiment was helped by the recovery on Wall Street. *The Economist* Indicator gained 1.6 to 249.9 over the week. Among miscellaneous issues, Glaxo rose by 4s. 9d. to 45s. 6d. and Hoover by 3s. 6d. to 61s. 3d. Gestetner "A" were 1s. higher at 24s. and Metal Box 6d. better at 70s. 9d. But Unilever NV lost 2s. 6d. to 106s. 6d. and Limited 1s. 9d. to 92s. 3d. There were some good rises in engineering issues, TI gaining 4s. 3d. to 83s. and Davy and United 2s. 9d. to 92s. Among electricals, Phillips lost 2s. to 99s. 3d., but "Emmies" rose by 2s. 4½d. to 55s. 4½d. In an otherwise quiet building section Associated Portland Cement rose by 9d. to 52s. 9d. and Goodlass Wall by the same amount to 30s. In textiles, Lister regained an earlier loss of 10½d. on the passing of the dividend, to close unchanged on Wednesday at 10s. 10½d. Food shares were firm; United Dairies jumped by 4s. 3d. to 69s. in advance of the interim dividend announcement. Gorringe were outstanding in stores shares on take over rumours, advancing by 7s. 3d. to 53s. 9d. GUS, which have attracted some American interest, rose by 3s. 3d. to 38s. 9d., but the "A" shares gained only 4½d. to 33s. 9d. HP and Bank shares held their earlier rises following the lifting of CIC restrictions; UDT gained 4s. to a fresh peak of 13s. 6d. National Provincial was 3s. higher at 93s. 6d., Royal Bank of Scotland 1s. 9d. better at 69s. 3d. and Westminster "B" 2s. 6d. higher at 55s. 9d.

Oil shares were weak at first on the setback on Wall Street and renewed Middle Eastern fears, and the subsequent rally failed to recover all the ground lost. Ultramar's fall of 3s. 9d. to 57s. 3d. was particularly sharp.

Kaffirs closed quietly on Friday after their strong rise and encountered some selling at the end of the old account. But Wednesday's rally was strong and widespread as American buyers reentered a market short of stock. OFS issues forged ahead, FS Geduld gaining 1s. 10½d. to 148s. 1½d. and Western Holding 3s. 1½d. to 138s. 1½d.

LONDON AND NEW YORK STOCKS

Prices, 1958/9 High	Prices, 1958/9 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Feb. 4, 1959	Price, Feb. 11, 1959	Net Yield, Feb. 11, 1959 § £ s. d.	Gross Yield, Feb. 11, 1959 £ s. d.
100³/₁₆	96¹/₁₆	War Loan 3% 1955–59	100⅛	100⅛	18 0	2 16 11
97²³/₃₂	90⅝	Funding 2½% 1956–61	97²³/₃₂	97²³/₃₂	2 7 1	3 12 11
99⁹/₃₂	93¹/₁₆	Exchequer 2½% 1960	99⅝	99⅝	2 0 2	2 17 2
100⅝	95³/₁₆	Exchequer 3% 1950	100⅝	100⅝	1 12 9	2 17 0
101⅝	95⅝	Conversion 4½% 1962	101⅞	101⅝	2 2 10	4 0 9
95¹/₃₂	80⅝	Exchequer 3% 1962–63	96	96¹/₃₂	2 13 0	4 0 21
101¼	99⅞	Conversion 4¾% 1963	101²¹/₃₂	101¼	2 4 6	4 6 1
92¼	83⅜	Savings Bonds 3% ... 1955–65	92⅛*	92⅛*	2 12 5	4 6 01
85⅛	77⅜	Funding 3% 1959–69	85⅛	85⅛	3 9 10	4 19 01
92⅜	86⅜	Funding 4% 1960–90	92⅛	92⅜	2 13 8	4 10 31
83⅞	75.	Savings Bonds 3% ... 1960–70	82⅝*	82⅞*	3 11 9	5 0 11
93⅜	84⅜	Exchequer 2½% ... 1963–64	93⅛	93⅞	2 17 4	4 0 81
100²¹/₃₂	89¹¹/₁₆	Conversion 4½% 1964	100²³/₃₂	100²¹/₃₂	2 9 9	4 8 6
86	78⅜	Savings Bonds 2½% . 1964–67	85¹⁷/₁₆	85¹⁵/₁₆	3 9 7	4 13 91
76⅞	69⅜	Savings Bonds 3% ... 1965–75	76⅜*	76¹⁷/₁₆*	3 12 3	5 2 21
105⅜	99½	Exchequer 5½% 1966	105⅜	103¹³/₁₆*	2 12 6	4 17 8
86¹⁵/₁₆	78⅜	Funding 3% 1966–68	86	86¹⁵/₁₆	3 9 2	4 17 01
93⅛	91⅛	Victory 4% 1920–76	96½*	96½*	2 14 5	4 9 0‡
89¹⁵/₁₆	81⅞	Conversion 3½% 1969	89⅝*	89⅞*	3 4 10	4 16 4
100¼	97¼	Conversion 5½% 1974	99¹³/₁₆	99¹⁵/₁₆	3 1 4	5 6 9
78¹⁵/₁₆	71⅛	Treasury 3½% ... 1977–80	78¹⁵/₁₆	78¹⁵/₁₆	3 8 9	5 3 91
78⅜	70⅜	Treasury 3½% ... 1979–81	77⅛*	77⅜*	3 9 2	5 4 01
103	98½	Funding 5½% 1982–84	102¹³/₁₆	103	2 19 11	5 6 2e
68	60	Redemption 3½% ... 1986–96	67⅞	68	3 4 7	4 19 01
74½	64⅜	Funding 3½% 1999–2004	73¼	73⅞	3 2 4	5 0 11
76⅜	69¹⁄₁₆	Consols 4% ..after Feb. 1957	75¼	75⅝	3 1 2	5 6 5f
69¹⁄₁₆	63⅛	War Loan 3½% ..after 1952	68⅛	68⅛	2 19 5	5 3 10f
69⅞	62⅜	Conv. 3½% ..after Apr. 1961	68¼	68⅞	2 19 6	5 4 3f
60	54⅜	Treasury 3% ..after Apr. 1966	59⅛	59⅛	2 18 3	5 2 01
53¹⁄₁₆	46¾	Consols 2½%	53⅛	53⅛	2 14 3	4 14 7f
51³⁄₁₆	45⅜	Treasury 2½% after Apr. 1975	51	51	2 17 0	4 19 10f
95¹⁵/₁₆	90⅛	British Electric 4½% 1967–69	95³/₁₆*	95¹⁵/₁₆	3 0 11	5 0 21
79¹³/₁₆	72⅛	British Electric 3% ... 1968–73	79¹³/₁₆	79¹⁵/₁₆	3 12 2	5 2 61
76¹³/₁₆	68⅝	British Electric 3½% 1974–77	76¹³/₁₆	75¹¹/₁₆*	3 10 11	5 0 111
89⅞	82⅝	British Electric 4½% 1974–79	89¹³/₁₆	89⅞	3 3 7	5 3 91
80⅛	72⅝	British Electric 3½% 1976–79	79⅞	80⅛	3 7 9	5 2 91
88¾	82⅞	British Gas 4% 1969–72	89¾*	89⅜	3 5 4	5 1 91
87¹⁵/₁₆	79¼	British Gas 3½% 1969–71	86¼*	86⅛*	3 6 5	4 18 61
69	60⅞	British Gas 3% 1990–95	69	69¹⁵/₁₆	3 4 1	4 17 91
79¹³/₁₆	72¹⁵/₁₆	Brit. Transport 3% .. 1968–73	79¹³/₁₆	79¹⁵/₁₆	3 12 2	5 2 61
85⅜	79¼	Brit. Transport 4½% . 1972–77	86⅜	86⅛	3 5 10	5 3 71
69¹⁵/₁₆	60¹⁵/₁₆	Brit. Transport 3% . 1978–88	68⅜	68⅛	3 9 0	5 2 11

Prices, 1958/9 High	Prices, 1958/9 Low	FIXED INTEREST STOCKS	Price, Feb. 4 1959	Price, Feb. 11, 1959	Yield, Feb. 11, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	94½	Australia 4½% 1960–62	101¹¹/₁₆	102	3 5 0e
105¾	97⅞	Australia 6% 1974–76	105¾	106⅝	3 7 0e
77	73½	Ceylon 4% 1973–75	77	77	6 7 01
102¼	94½	Jamaica 6% 1977–82	100	100	6 0 01
107⅛	97⅛	New Zealand 6% 1976–80	104⅝*	104⅝*	5 11 6e
101⅞	91¾	Rhodesia and Nyasaland 6% 1976–79	101⅛	101	5 18 1e
74⅝	69	Southern Rhodesia 2½% 1965–70	74¼	74¼	5 13 61
		CORPORATION AND PUBLIC BOARDS			
102	98¼	Agricultural Mortgage 5½% 1980–85	100½	102	5 6 10e
105	98⅞	Birmingham 5¾% 1974–76	103	103	5 9 1e
93	86	Bristol 3% 1958–63	93	93	4 19 01
97¼	91½	Glasgow 4¾% 1966–68	97	97¼	5 2 91
101¼	96½	Corporation of London 5¼% 1976–79	101	101¼	5 3 01
57¾	53	L.C.C. 3% ..... after 1920	57*	57*	5 5 3f
64	56	Met. Water Board 'B' 3% 1934–2003	63*	62⅞*	5 3 91
		FOREIGN BONDS			
107¾	83	German 7% 1924 (British Enfaced 5%)	107	107¾	...
186½	154	German 5½% 1930 (Enfaced 4½%)	185	186½	...
34½	12¾	Greek 7% Refugee 1924	28½	34½	Nil
169	160	Japan 5% (Enfaced) 1907	167¾	168	...
119½	105½	Japan 6% (Enfaced) 1924	115¼	115¼	...
50½	48	Uruguay 3½% Bonds (Assented)	58¼*	58¼*	...

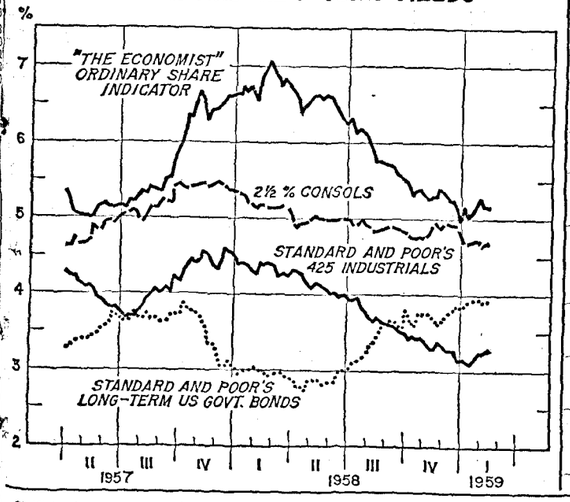
NEW YORK CLOSING PRICES

	Feb. 4 $	Feb. 11 $		Feb. 4 $	Feb. 11 $		Feb. 4 $	Feb. 11 $
Ath. Topeka	29	28¾	Boeing	42⅝	42¼	Inter. Nickel	92⅝	92
Can. Pacific	30½	30½	Celanese	27⅞	28	Inter. Paper	117¾	118¾
Pennsylvania	17⅛	16⅞	Chrysler	50⅞	52¾	Kennecott	107	105
Union Pacific	37⅜	37¼	Col. Palmolive	88½	91½	Monsanto	41⅜	41⅜
Amer. Electric	50	49½	Crown Zeller	56	55⅝	Nat. Distillers	30½	30
Am. Tel. & Tel.	231½	233⅞	Distillers Seag.	35⅜	34¾	Pan-American	25⅜	26¼
Cons. Edison	64⅛	64¼	Douglas	55⅝	53½	Procter Gamble	75½	74
Int. Tel. & Tel.	59¼	58⅜	Du Pont	209⅛	207	Radio Corpn.	45½	45⅜
Standard Gas	3½	3½	East. Kodak	139⅛	142	Sears Roebuck	41½	42¾
United Corpn.	8⅝	8⅝	Ford Motor	54¼	53⅞	Shell Oil	85¼	81½
Western Union	34	33⅝	Gen. Electric	77⅛	76½	Socony-Mobil	48¼	48
Alcoa	82	84	General Foods	77½	76½	Stand. Oil Ind.	49¼	47
Aluminium	30⅞	29¾	General Motors	48⅜	46¾	Stand. Oil N.J.	55⅜*	53⅜
Amer. Can	48½	48	Goodyear	122½	122	20th Cent. Fox	39⅞	37⅝
Am. Smelting	51⅜	51	Gulf Oil	122	117⅞	Union Carbide	124	122⅞
Am. Viscose	41½	40½	Heinz	68½	65½	U.S. Steel	93½	89⅞
Anaconda	69⅛	68⅛	Int. Bus. Mach.	513	506	West. Electric	75*	74¼
Beth. Steel	54⅜	52⅞	Int. Harvester	49	47¼	Woolworth	55½	54½

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Feb. 4, 1959	Price, Feb. 11, 1959	Yield, Feb. 11, 1959
		%	%	**STEEL AND ENGINEERING**			
57/3	31/9	6 a	6 b	Barclays £1	54/9	56/3	4·27
47/3	27/6	4½ a	5⅔ b	Lloyds £1	45/6	47/3	4·23
91/6	57/6	9 a	9 b	Midland £1	84/9	91/6	4·37**
93/6	59/3	9 a	11 b	National Provincial £1	90/6	93/6	4·28
56/3	36/-	5 a	7½ b	Westminster 'B' £1	52/6	55/9	4·48
73/9	47/9	7½ a	9½ b	District £1	69/1½	71/4½	4·76
24/10½	12/11½	7½ a	12½ b	Martins 5/-	23/6	24/10½	4·02
35/9	21/4½	5 a	7½ b	Com. Bk. of Scot. 'A' 10/-	33/3	35/9	3·50
69/9	46/-	7 a	9 b	Royal Bank of Scotland £1	67/6	69/-*	4·64
29/9	27/6	4 a	5 b	Barclays D.C.O. £1	37/9	38/9	4·65
46/6	31/3	7½ b	7½ a	Chartered Bank £1	43/9	44/6	6·74
£28¹¹/₁₆	£20	$2·10c	$2·25c	Royal Bank of Canada. $10	£28⅞*	£28½*	3·95
£20³/₄	£14¹⁵/₁₆	$1·60c	$1·65c	Bank of Montreal $10	£19¼*	£19¹³/₁₆*	3·04
9 c	9 c	9 c	9 c	Bank of New S. Wales. £20	31*	31¼	4·61g
4 a	6 b	4 a	6 b	Bank of Ldn. & S. Amer. £1	33/9	33/3*	6·02
				FINANCIAL			
2½ a	5 b	2½ a	5 b	Alexanders £1	29/-*	29/9	5·04
5 a	7 b	5 a	7 b	National Discount 'B' ..£1	43/9	44/-	5·45
6¼ a	6¼ b	6¼ a	6¼ b	Union Discount £1	61/-*	61/-	4·10
36²³ c	18¹³ a			Commercial Union 5/-	42/-	41/6	4·42
12½ a	15 b			Employers Liability £1	135/-	137/6	4·00
†16·2a	†16·2b			Equity & Law 8/6	186/3	188/9	2·54
60 b	40 a			Legal & General 5/-	192/6	198/9	2·52
†50 b	†20 a			Pearl 5/-	116/-	116/6	5·22
†132½ c	†147½ c			Prudential 'A' 4/-	210/-	215/-	4·79
8 b	8 a			Royal Exchange £1	80/6	80/9	3·96
10 a	17½ b			Bowmaker 5/-	39/4½*	39/7½	3·47
7½ b	7½ a			Lombard Banking 5/-	24/-	25/-	3·00
16 b	4 a			U.D.T. £1	126/6	130/6	3·07
19/9	17½ b	10 a	10 a	B.E.T. 'A' Defd. 5/-	37/6	38/9	3·55
7/11	10 c	10 c	10 c	Cable & Wireless 5/-	11/-	12/6*	4·00
7/10½	2½ b	2 a	2 a	Land Securities 10/-	21/6	22/-	2·73**
8/7½	5¾c	2½a	2½a	London & County 10/-	14/7½*	15/7½	4·41**
				FOOD, DRINK AND TOBACCO			
27/-	30 c	10 a		Allied Bakeries 'A' 5/-	49/-	49/-	3·06
13/4½	20 c	14 a		Beecham Group 5/-	24/-	25/-	4·00
6/5¼	7 b	2½ a		International Tea 5/-	11/6	11/9	4·04
40/11½	9¼ b	5 a		J. Lyons 'A' £1	74/9	76/6	3·73
13/7½	5 a	5 b		Ranks 10/-	19/9	20/-	5·00
7/9	7½ b	2½ a		Schweppes 5/-	18/4½	18/9	4·00**
48/9	12 b	4½ a		Tate & Lyle £1	69/-	69/9	4·73
47/4½	10 b	5 a		United Dairies £1	64/9	69/-	4·35
31/-	10 a	36 b		Bass 5/-	45/6	45/-	5·11
15/9	6²³ b	4 a		Distillers 10/-	24/7½	25/3	4·23
11/6	6 a	11 b		Flowers 5/-	14/7½	14/9	5·76
37/-	10 a	18 b		Guinness 10/-	55/6	56/9	4·93
9/4½	4 a	10 b		Ind Coope & Allsopp. 5/-	12/9	12/7½	5·54
7½ a	13½ b			Watney Mann Defd. £1	77/9	79/-	5·32
7/6	17 b	8 a		Whitbread 'A' £1	103/-	105/-	4·76
†62½ b	†10 a			Bric. Amer. Tobacco . 10/-	56/4½	58/-	5·00
5 a	20 b			Gallaher 10/-	41/6¶	42/6	5·88
8½ a	12½ b			Imperial Tobacco £1	57/-	58/9	7·15
58/9	47/-	7½ b	7½ a	A.E.I. £1	55/9	54/6	5·50
52/6	33/3	8½ b	4 a	B.I.C.C. £1	43/9	43/9	5·48
42/9	24/7½	14½a	35⅝b	Decca Record 4/-	40/-*	42/3	4·73
63/-	21/-	11¼ c	11¼ c	E.M.I. 10/-	53/-	55/4½	3·61
61/10½	44/6	10 b	4 a	English Electric £1	59/6	60/-	4·67
49/6	29/9	6½ b	3 a	General Electric £1	32/6	32/6	5·85
17/-	10/3	12½ c	12½ c	Pye Defd. 5/-	14/3	14/7½	4·27
97/3	74/6	11 b	6½ a	A. Reyrolle £1	90/6	90/6	3·83
14/2¼	6/7½	12½ c	4 a	**MOTORS AND AIRCRAFT**			
53/7½	31/9	6 b	3½ a	British Motor 5/-	13/9¾	13/6	6·48
48/9	39/-	12½ c	12½ c	Ford Motor £1	53/6	52/6	3·61
8 c	4 a	4 a	4 a	Leyland Motor £1	45/3	44/-*	5·68
12 c	8 c	8 c	8 c	Rootes Motors 4/-	7/8¼	7/7½	4·20
26/6	14/4½	11 b	4½ a	Standard Motor 5/-	8/10½	8/8¼	6·91
23/6	14/4½	11 b	4½ a	Dunlop Rubber 10/-	23/3	23/6	6·46
45/6	28/-	2½ a	5 b	Joseph Lucas £1	45/-	45/-	4·44
26/11½	12/5¼	14 b	7½ a	Pressed Steel 5/-	24/4½	24/6	4·33
51/3	32/9	20 c	7½ a	Triplex Holdings 10/-	50/3	49/9	5·53
14/4½	8/7½	6½ b	3½ a	Bristol Aeroplane 10/-	9/6	9/6	10·53
21/4½	14/3	7½ c	7½ c	De Havilland £1	17/03¼	17/4½	8·60
43/6	29/3	4¾ a	6½ b	Dowty Group 10/-	41/6	44/3	4·50
34/9	24/9	3 a	7 b	Hawker Siddeley £1	33/9	33/9	5·91
106/3	82/9	15 b	5 a	Rolls-Royce £1	101/7½	97/6	4·10
49/-	26/6	8 b	4½ a	**PAPER AND NEWSPAPERS**			
54/-	27/9	9 b	5 a	Bowater Paper £1	49/-	47/9	5·23
24/9	16/-	5 b	3 a	Albert E. Reed £1	51/9	51/9	5·43
25/11½	8/9	7½ a	12 b	Spicers £1	22/3	22/3	7·17
29/-	18/6	5 a	12½ b	Daily Mirror 'A' 5/-	23/3	25/11½	3·81
24/11½	19/6	6¼ b	2½ a	Odhams Press 10/-	26/9	27/9	6·31
21/-	12/10½	5 b	5 a	**TEXTILES**			
41/4½	29/10½	5 a	12½ b	J. & P. Coats £1	22/9	22/10½	7·68
38/4½	30/-	12½ c	2½ a	Fine Spinners £1	19/11½*	19/4½	10·31
6/8¼	4/3	6 c	4 a	Lancashire Cotton £1	39/-	37/10½	9·72
49/4½	33/11½	22½ c	22½ c	Patons & Baldwins £1	36/9*	37/9	6·62
34/10½	19/7½	5 b	3 a	Salts (Saltaire) 5/-	5/7½	5/3	5·71
13/7½	8/10½	3 a	10 b	Woolcombers £1	53/3	54/6	5·51
30/6	15/3	7½ c	7½ c	Bradford Dyers £1	16/10½	16/9	...
				Calico Printers £1	38/9	37/9	11·92
				Courtaulds £1	32/6	32/6	4·92
				Jute Industries 10/-	11/7½	12/4½	10·58
				Tootal £1	26/-	27/10½	5·38
21/10½	14/9¾	14·4c	3 a	**DRAPERY & STORES**			
30/-	16/9	3¾ b	10 a	Boots Pure Drug 5/-	20/3	20/6	3·51
34/3	17/3	25 b	7½ a	Debenhams 10/-	28/6	29/4½	5·11
80/-	55/6	12½ a	5 b	G.U.S. 'A' 5/-	33/4½	33/9	4·81
35/3	20/3	25 b	10 a	Harrods £1	77/3	77/-	4·53
124	13·6c	7 a	5 b	House of Fraser 'A' ..5/-	34/-	34/-	5·15
55/9	37/3	22½ b	12½ a	Lewis's Investment ..4/-	16/6	17/9	3·08
93½	29/-	21/-	20 b	Marks & Spencer 'A' ..5/-	52/3	52/9	3·32
38/6	21/-	20 b	12½ a	United Drapery 5/-	38/-	37/-	4·32
53/1½	34/7½	26²³ b	13½ a	Woolworth 5/-	48/9*	49/-	4·08

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Feb. 4, 1959	Price, Feb. 11, 1959	Yield, Feb. 11, 1959
		%	%	**MISCELLANEOUS**			
50/9	18/9	30 c	20 a	Assoc. Brit. Picture ...5/-	48/-*	47/-	...
45/6	28/-	11 c	8 a	British Match £1	44/3*	44/9*	4·92
54/6	28/3	6 b	4 a	British Oxygen £1	51/3	51/9	3·86
10/6	6/9	13 b	4 a	British Ropes 2/6	10/6	10/6	4·05
46/-	21/-	4¼ a	7½ b	Glaxo 10/-	40/9	45/6	2·56
61/3	31/3	40 b	10 a	Hoover 'A' 5/-	57/-	61/3	4·08
195/-	133/9	18·17b	6·17a	Hudson's Bay £1	176/3	175/-	2·78
11/7½	5/7½	12½ c	5 c	Rank Organisation 5/-	10/9	11/7½	2·15
17/11½	11/8¼	22½ c	22½ c	Sears 'A' 5/-	16/4½	16/4½	6·87
63/6	44/-	7 b	6¼ a	Thomas Tilling £1	62/3	62/3	4·26
76/4½	52/11½	5 a	10 b	Turner & Newall £1	71/10½	70/10½	4·23
82⅜ a	82⅜ a			Unilever £1	94/-	92/3	3·64
49/3	24/3	7½ b	3¾ a	United Glass Bottle £1	48/9	48/9	4·62
†10 b	†4¼ a			United Molasses 10/-	34/-	34/9	7·09
				OIL			
58/6	39/9	†5 b	†2½ a	British Petroleum £1	52/9	52/3	5·00
87/3	59/11½	†7½ b	†5 a	Burmah Oil £1	78/9	77/9	5·80
£18⅞	£13⅞	17½ b	7½ a	Royal Dutch ..... 20 fl.	£16⅞	£16½	2·96
165/-	117/6	†133⅓ b	†5 a	Shell Transport £1	144/6	141/6	4·61
95/6	41/6	...	...	Ultramar 10/-	61/-	58/3	... d
39/6	25/6	13½ b	7½ a	Wakefield C.C. 10/-	36/-	36/-	5·63
				SHIPPING			
46/6	27/7½	13½ b	6½ a	Brit. & Com'wealth. .10/-	44/3	43/9	4·57
23/9	16/6	10 c	Nil	Cunard £1	18/3	18/-	...
35/6	27/3	10⅝ c	10 a	Furness Withy £1	34/3	34/6	5·80
20/6	14/6	10 b	10 a	London & Overseas ...5/-	19/9	19/6	5·13
38/3	22/-	8 b	3 a	P. & O. Defd. £1	35/9	36/-	6·11
17/9	12/-	5	Nil	Reardon Smith 10/-	17/3	17/6	...
25/6	19/3	7½ c	9 c	Royal Mail £1	25/-	25/3	7·13
				MINES			
180/-	115/-	60 b	20 a	Anglo-American 10/-	175/7½	180/-	4·44
130/-	73/9	10 a	15 b	General Mining £1	130/-	130/-	3·85
54/9	36/7½	80 b	40 a	Union Corporation 2/6	54/6	54/11½	5·54
34/3	23/10½	50 a	50 b	Daggafontein 5/-	29/6	29/-	17·24
151/3	76/3	40 a	60 b	Free State Geduld 5/-	146/3	148/11½	3·38
56/-	35 b	35 a	35 a	Hartebeestfontein 10/-	63/3	64/-	10·94
69/7½	46/6	50 a	50 b	President Brand 5/-	69/3	69/7½	7·18
138/11½	84/4½	60 a	80 b	Western Holdings 5/-	138/11½	138/11½	5·07
67/3	41/6	12½ b	5 a	Consolidated Zinc £1	62/9	63/9	5·49
130/-	80/-	80 a	40 a	De Beers Defd. Reg. ..5/-	128/11½	129/4½	7·73
$169	$132⅜	$3·75c	$3·75c	International Nickel n.p.v.	$164⅝	$162¼	4·12
19/9	7/6	40 a	5 b	London Tin 4/-	8/-	8/4½	11·94
86/3	50/7½	50 a	30 b	Rhod. Anglo-Amer. 10/-	85/-	83/9	4·78h
19/9	12/10½	11²⁄₁₆ a	6¼ b	Rhod. Selection Tst. ..5/-	17/9	17/3	2·11h
62/4½	45/7½	†15 c	26 c	Rio Tinto Reg. 10/-	57/6	54/4½	4·78
9/9	6/10½	11²⁄₁₆ a	4¼ b	Roan Antelope 5/-	8/9	8/9	2·97h
42/6	15 a	17½ b	20 a	Tanganyika Cons. 10/-	51/-	51/6	6·31
12/10½	7/10½	60 c	20 a	Tronoh 5/-	12/4½	12/7½	...
				TEA AND RUBBER			
26/3	19/6	†2½ a	†10 b	Cons. Tea & Lands £1	23/-	23/3	18·71
27/9	20/-	†5 b	†3 a	Jokai (Assam) £1	22/9	23/3	11·97
22/3	16/6	10 b	4 a	Nuwara Eliya £1	16/9	16/9	16·72
1/11¾	1/11½	16 b	4 a	Grand Central 2/-	1/3	1/4½	29·09
5/-	2/4½	25 b	5 a	London Asiatic 2/-	4/03¾	4/6	13·33
101⁄4d	5¼d	6 c	8 c	United Serdang 2/-	9¾d	9¾d	19·69
70/3	46/-	37½ b	12½ a	United Sua Betong £1	68/-	70/3	14·23
61/3	43/9	5 b	12½ b	Harrisons & Cros. Defd. £1	55/-	55/7½	6·29

LONDON AND NEW YORK YIELDS



STOCK EXCHANGE INDICATORS

LONDON

The Economist Indicator

1959	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
Jan. 14	252·9	5·07				
,, 21	251·6	5·10				
,, 28	245·0	5·26				
Feb. 4	248·3	5·18	255·6 (Dec. 31)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
,, 11	249·9	5·16				

* 1953=100.

Financial Times Indices

1959	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
Feb. 4	215·7	5·38	93·72	4·67	13,530	High	High
,, 5	217·2	5·34	93·78	4·67	13,782	225·5	207·6
,, 6	216·0	5·37	93·71	4·69	13,468	(Dec. 31)	(July 9)
,, 9	214·9	5·40	93·64	4·72	17,464	Low	Low
,, 10	215·2	5·39	93·68	4·72	14,138	154·4	159·0
,, 11	216·0	5·38	93·85	4·69	14,771	(Feb. 25)	(Nov. 5)

† July 1, 1935=100. ‡ 1928=100.

NEW YORK

Standard and Poor's Indices (1941–3=10)

1959	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Jan. 14	59·25	3·12	35·82	4·33	44·21	3·71	89·90	3·90
,, 21	59·75	3·10	36·15	4·29	44·19	3·71	89·30	3·95
,, 28	58·84	3·20	34·85	4·61	43·59	3·82	89·30	3·95
Feb. 4	58·70	3·20	35·19	4·56	43·59	3·82	89·80	3·91
,, 11	57·86	3·25	34·98	4·64	43·41	3·88	89·60	3·92

425 Industrials:—1958/59: High, 59·75 (Jan. 21, 1959); Low, 48·20 (Jan. 10, 1958).

* Ex dividend. † Tax free. ‡ Assumed average life 9¼ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date. (m) Assented stock. (p) Unassented stock.

** Yields based on assumed dividends:—Babcock & Wilcox, 13%. British Motor, 17½%. British Aluminium, 17½%. Richard Costain, 15%. Debenham, 15%. E.M.I., 20%. Land Securities, 6%. London & County

Money and Exchanges

EXCHEQUER RETURNS

For the week ended February 7, 1959, there was an "above-line" surplus (after allowing for Sinking Funds) of £142,772,000 compared with a surplus of £104,459,000 in the previous week and a surplus of £138,627,000 in the corresponding period of last year. There was a net expenditure "below-line" of £29,927,000 leaving a total deficit of £358,866,000 compared with £304,799,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to Feb. 8, 1958	April 1, 1958, to Feb. 7, 1959	Week ended Feb. 8, 1958	Week ended Feb. 7, 1959
Ord. Revenue					
Income Tax	2312,500	1591,918	1698,550	121849	145071
Surtax	163,000	108,700	114,300	9,000	11,000
Death Duties	163,500	146,400	156,700	3,400	4,000
Stamps	56,250	56,200	52,900	1,000	1,700
Profits Tax, EPT & EPL	275,000	222,200	247,100	3,900	2,700
Other Inland Rev. Duties	...	350	350	...	...
Total Inland Rev.	2970,250	2125,768	2259,900	139149	164471
Customs	1256,940	1041,120	1091,961	21,863	22,387
Excise	932,310	798,680	773,480	45,220	39,115
Total Customs and Excise	2189,250	1839,800	1865,441	67,083	61,502
Motor Duties	104,000	96,842	102,768	3,891	7,111
PO (Net Receipts)	2,000	2,650	600	Dr. 1,350	600
Broadcast Licences	34,000	25,500	27,800	...	...
Sundry Loans	30,000	29,841	26,624	437	472
Miscellaneous	110,000	154,655	89,612	5,732	1,041
Total	5439,500	4275,057	4372,745	214943	235197
Ord. Expend.					
Debt Interest	695,000	531,659	584,406	5,762	21,748
Payments to N. Ireland Exchequer	73,000	59,015	63,789	3,663	3,947
Other Cons. Funds	10,000	8,963	7,904	401	...
Supply Services	4292,859	3409,068	3518,891	65,500	65,000
Total	5070,859	4008,705	4174,990	75,326	90,695
Sinking Funds	38,000	29,397	30,666	990	1,730
'Above-line" Surplus or Deficit	+ 236,955	+ 157,089	+ 138627	+ 142772	
Below-line" Net Expenditure*	541,754	525,955	12,146	29,927	
Total Surplus or Deficit	304,799	358,866	126481	112845	
Net Receipts from:					
Tax Reserve Certificates	20,501	82,291	–24291	–21865	
Savings Certificates	–10,400	119,000	700	2,600	
Defence Bonds	–32,277	87,955	–912	2,818	
Premium Savings Bonds	69,320	59,545	2,610	1,360	
Total	**47,144**	**348,791**	**–21893**	**–15087**	

* Including a net receipt of the Civil Contingencies Fund of £6 million in 1958 and a net expenditure of £4 million in 1957.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Feb. 8	3,160·0	1,746·9	157·6	...	5,064·5
Nov. 8	3,350·0	1,739·5	166·7	...	5,256·2
„ 15	3,370·0	1,655·2	194·4	...	5,219·6
„ 22	3,390·0	1,661·0	175·6	...	5,226·5
„ 29	3,410·0	1,659·2	173·3	...	5,242·5
Dec. 6	3,420·0	1,688·0	176·8	...	5,284·9
„ 13	3,440·0	1,687·6	190·1	...	5,317·7
„ 20	3,460·0	1,761·9	184·7	...	5,406·6
„ 31	5,351·0		222·2	0·3	5,573·4
1959					
Jan. 3	3,500·0	1,789·8	205·6	...	5,495·4
„ 10	3,450·0	1,734·9	205·0	...	5,390·8
„ 17	3,460·0	1,948·3	236·6	...	5,644·9
„ 24	3,370·0	1,940·8	213·0	3·3	5,527·0
„ 31	3,280·0	1,973·2	223·5	...	5,476·7
Feb. 7	3,250·0	1,891·6	237·9	...	5,379·5

THE MONEY MARKET

ENCOURAGED by the large amount of help given by the authorities last week the discount houses sharply raised their common bid for Treasury bills—by 7d. to £99 5s. per cent—at last week's tender in the hope of securing a higher allotment. The offering was, however, under-allotted; the authorities allotted only £190 million of the £210 million. This reinforced the impact on the average rate, which fell from £3 2s. 1.68d. per cent to £3 0s. 0.22d. The discount market secured 45 per cent of its applications at the common price, compared with 31 per cent at the previous tender. "Hot" bills commanded a rate of 2⅛ per cent after the tender and the market cut its buying rates for fine paper by ⅛ per cent.

The authorities gave some assistance, both directly and indirectly, but credit has remained in keen demand and as much as 3⅛ per cent has been willingly conceded for overnight loans. Two or three houses took seven-day loans at 4 per cent from the Bank of England on Monday and Tuesday.

The average rate at which the US Treasury sold its latest issue of three month bills rose, from 2.721 per cent to 2.810 per cent, and the rate for six month bills rose from 3.107 per cent to 3.326 per cent.

MONEY RATES: London

	%		%
Bank rate (from 4½% 20/11/58)	4	Discount rates:	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	3⅛–3 3/16
Discount houses	2–2¼	3 months	3⅛–3 3/16
Money:		4 months	3⅛–3 3/16
Day-to-Day	2⅜–3⅛	6 months	3⅛–3¼
Treasury bills:		Fine trade bills:	
2 months	2 3/16	3 months	4¼–5
3 months	3	4 months	4¼–5
		6 months	4½–5¼

New York

	%		%
Official discount rate: (from 2%, 23/10/58)	2½	Treasury bills: Feb 2	2·721
		„ 9	2·810

BANK OF ENGLAND RETURNS

(£ million)	Feb. 12, 1958	Feb. 4, 1959	Feb. 11, 1959
Issue Department:			
Notes in circulation	1,960·4	2,004·7	2,006·1
Notes in banking dept.	40·0	45·6	44·2
Govt. debt and securities*	1,996·3	2,046·5	2,046·5
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	12·6	16·5	15·9
Bankers	219·3	220·0	233 7/8
Others	75·8	69·0	68·8
Total	307·7	305·5	314·5
Securities:			
Government	197·4	244·3	252·0
Discounts and advances	65·5	12·2	14·6
Other	20·9	20·9	21·2
Total	283·8	277·4	287·8
Banking department reserve	42·4	46·7	45·1
" Proportion "	% 13·7	% 15·2	% 14·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,050 million January 21, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million) Allotted	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max Rate*
1958	91 *day*		s. d.	%
Feb. 7	230·0	387·5	121 3·29	65
	91 *day* 63 *day*			
Nov. 7	270·0 ...	433·7	71 7·04	45
„ 14	210·0 60·0	409·3	71 0·97	68
„ 21	210·0 60·0	409·5	68 4·63	42
„ 28	230·0 50·0	418·9	66 1·20	79
Dec. 5	260·0 30·0	499·2	64 5·75	40
„ 12	240·0 50·0	485·7	62 4·92	67
„ 19	240·0 50·0	443·5	63 0·96	73
„ 24	230·0 50·0	423·0	63 0·47	60
	91 *day*			
1959				
Jan. 2	260·0	402·8	62 11·35	52
„ 9	260·0	407·4	62 10·22	47
„ 16	220·0[1]	414·0	62 3·42	40
„ 23	220·0[2]	415·1	62 1·96	31
„ 30	220·0	388·0	62 1·68	31
Feb. 6	190·0[3]	385·3	60 0·22	45

* *On February 6th tenders for 91 day bills at £99 5s. 0d. secured 45 per cent, higher tenders being allotted in full. The offer this week was for £190 million of 91 day bills.* (1) £240 mn. offered. (2) £230 mn. offered. (3) £210 mn. offered.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: February 11	Market Rates: Spot: February 5	February 6	February 7	February 9	February 10	February 11
United States $	2·78–2·82	2·81–81 1/8	2·81–81 1/8	2·80 15/16–81 1/16	2·80 15/16–81 1/16	2·80 13/16–15/16	2·80 13/16–15/16
Canadian $	...	2·73 1/4–5/8	2·73 3/16–5/16	2·73 1/8–1/4	2·73 11/16–13/16	2·74 1/8–3/8	2·74 1/8–3/8
French Fr.	13·6220–14·0265	13·77 3/4–78	13·77 3/4–78	13·77 1/2–3/4	13·77 1/2–3/4	13·76 3/4–77	13·76 7/8–77
Swiss Fr.	11·94–12·54 7/8	12·11 1/4–1/2	12·11 1/4–1/2	12·11 1/8–3/8	12·11–11 1/4	12·10 1/2–3/4	12·10 5/8–3/4
Belgian Fr.	137·96–142·05	140·37 1/2–421/2	140·37 1/2–421/2	140·35–40	140·32 1/2–37 1/2	140·27 1/2–32 1/2	140·30–35
Dutch Gld.	10·48–10·80	10·59 3/8–5/8	10·59 3/8–5/8	10·59 3/8–5/8	10·59 1/4–1/2	10·59–59 1/4	10·59 3/8–5/8
W. Ger. D-Mk.	11·59 1/4–11·92 3/4	11·73 7/8–74 1/8	11·73 7/8–74 1/8	11·73 7/8–74 1/8	11·73 3/4–74	11·73 1/2–3/4	11·73 1/2–3/4
Portuguese Esc.	79·17 1/2–81·83 1/2	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1744–44 1/2	1744–40 1/2	1743 3/4–44 1/4	1743 1/2–44	1742 3/4–43 1/4	1743 1/4–4
Swedish Kr.	14·37 3/4–14·59 1/4	14·53 1/2	14·53 1/8–5/8	14·53 1/2–3/8	14·53–53 1/4	14·52 3/4–53	14·52 1/2–3/4
Danish Kr.	19·06 1/2–19·62	19·37 5/8–7/8	19·37 5/8–7/8	19·37 1/2–3/4	19·37 1/2–3/4	19·37 1/4–1/2	19·37 1/4–1/2
Norwegian Kr.	19·71–20·30 1/2	20·03 5/8–7/8	20·03 5/8–7/8	20·03 1/2–3/4	20·03 1/2–3/4	20·03 3/8–5/8	20·03–03 1/4
One Month Forward Rates							
United States $		3/16–1/16c. pm	3/16–1/16c. pm	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par
Canadian $		1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/16c.pm–1/16c.dis	par–1/8c. dis	par–1/8c. dis
French Fr.		par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis
Swiss Fr.		1/8–7/8c. pm	1/8–7/8c. pm	1/8–7/8c. pm	1/8–7/8c. pm	1–3/4c. pm	1–3/4c. pm
Belgian Fr.		2–7c. dis	2–7c. dis	2–7c. dis	3–8c. dis	3–8c. dis	3–8c. dis
Dutch Gld.		1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm
W. Ger. D-Mk.		3/4–1 2pf. pm	3/4–1 2pf. pm	3/4–1 2pf. pm	5/8–3/8pf. pm	5/8–3/8pf. pm	5/8–3/8pf. pm
Three Months Forward Rates							
United States $		5/16–3/16c. pm	5/16–3/16c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm
Canadian $		1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/16c.pm–1/16c.dis	par–1/8c. dis	1/16–3/16c. dis
Swiss Fr.		3–2 3/4c. pm	3–2 3/4c. pm	3–2 3/4c. pm	3–2 3/4c. pm	3–2 3/4c. pm	2 7/8–2 5/8c. pm
W. Ger. D-Mk.		1 5/8–1 3/8pf. pm	1 5/8–1 3/8pf. pm	1 5/8–1 3/8pf. pm	1 3/8–1 1/8pf. pm	1 3/8–1 1/8pf. pm	1 1/4–1pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/6 3/4	249/5 3/4	...	249/7	249/7 1/2	249/8 1/4

Prices and Wages

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

BRITISH

Prices and Wages	This week	External Trade	Jan. 31st
Manpower and Output	Jan. 24th	Industrial Profits	Jan. 17th

OVERSEAS

Western Europe Statistics	Feb. 7th	United States	Dec. 20th

	Unit	1956	1957	1958	1958			1959 (5)			
		mid-June			Jan. 28	Feb. 4	Feb. 11	Jan. 20	Jan. 27	Feb. 3	Feb. 10
WORLD PRICES											
Commodity Price Indicator:	1952=100										
All items	„	91	94	85	85	85	85	85	85	85	85
Food	„	90·8	98·8	94·8	94·3	93·4	93·5	84·8	84·6	84·5	84·3
Fibres	„	81·5	95·9	80·1	81·9	81·5	82·0	74·6	74·5	74·6	74·6
Metals	„	95·6	79·7	70·8	66·7	67·4	67·1	76·2	76·6	76·0	75·8
Other items	„	96·1	99·2	93·0	96·4	94·4	94·5	113·3	113·1	112·1	114·4
BRITISH WHOLESALE PRICES		Monthly averages			1957			1958			
		1956	1957	1958	Oct.	Nov.	Dec.	Sept.	Oct.	Nov.	Dec.
Materials used in:	1954=100										
Non-food manufacturing (excluding fuel)	„	108·4	106·5	94·0	102·1	100·3	98·4	92·5	93·0	93·7	92·6
Mechanical engineering	„	116·5	121·9	123·6	124·3	124·3	124·2	123·5	124·2	124·9	124·0
Electrical machinery	„	114·3	114·9	114·5	115·5	115·5	115·0	114·5	115·5	116·1	115·0
Building and civil engineering	„	109·5	113·7	114·2	115·4	115·3	115·0	113·8	113·9	114·2	114·0
House building	„	109·4	112·3	111·9	113·5	113·4	113·0	111·3	111·4	111·6	111·5
Products of:											
Non-food manufacturing (excluding fuel)	„	107·5	111·5	113·1	113·2	113·4	113·4	112·8	113·0	113·1	113·1
Chemicals and allied trades	„	103·4	106·8	105·8	106·7	106·7	107·0	104·9	105·1	105·7	105·8
Iron and steel	„	112·8	125·2	129·9	130·8	130·7	130·7	129·6	129·5	129·6	129·7
Textile industry	„	97·5	100·9	97·6	101·3	100·6	100·1	98·7	96·2	95·9	95·6
Food manufacturing	„	105·8	107·1	104·9	102·9	102·7	103·3	105·5	105·6	106·5	107·5
Commodities:											
Cotton, raw	„	95·1	90·7	77·2	86·9	84·2	83·6	75·5	75·1	72·9	70·7
Wool, raw	„	90·6	101·1	72·4	93·2	88·6	81·9	67·6	64·6	64·7	64·2
Rubber, No. 1 RSS, one month future	„	143·4	131·6	118·2	125·5	115·6	123·5	120·1	126·7	130·0	122·0
Softwood, imported	„	109·5	109·7	102·1	109·1	108·9	108·3	99·1	98·1	96·8	96·5
Copper, ex-warehouse	„	132·4	88·3	79·4	75·1	75·6	73·0	84·2	95·1	97·8	88·9
UK RETAIL PRICES											
All items(1)	Jan. 17, 1956=100	102·0	105·8	109·0	107·1	107·7	108·2	108·4	109·4	109·8	110·2
Food	„	102·2	104·9	107·1	104·7	104·8	106·0	105·6	108·1	108·4	109·2
All items	1938=100[2]	254	263	271	267	268	269	270	272	273	274
Food	„	269	276	282	275	276	279	278	284	285	287
Housing	„	145	155	172	161	163	165	174	175	175	176
Clothing	„	263	267	269	269	269	269	268	268	268	268
Fuel and light	„	251	268	281	273	286	287	275	275	289	289
Household durable goods	„	308	308	307	309	309	309	305	305	305	305
Drink	„	264	272	276	276	276	276	276	276	276	276
Tobacco	„	411	421	428	428	428	428	428	428	428	428
Purchasing power of £ (based on all consumer spending)	1938=100	37	36	35	36	36	36	36	35	35	35
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	105	107	99	103	103	101	98	98	99	99
Food, drink and tobacco	„	101	101	97	98	96	96	97	98	100	100
Basic materials	„	106	110	96	107	107	104	93	92	91	90
Fuels	„	110	128	112	116	116	116	113	110	111	110
Manufactured goods	„	110	104	101	101	102	101	101	102	104	104
Export prices:											
All items	„	106	111	110	111	111	111	109	109	109	110
All manufactures	„	106	109	111	111	111	111	110	111	111	111
Metals	„	112	115	118	117	117	117	117	118	117	117
Engineering products	„	107	112	115	113	114	115	114	116	116	117
Textiles (excluding clothing)	„	99	101	101	104	102	102	100	98	97	98
Terms of trade:											
Ratio of import to export prices	„	99	96	90	93	93	91	90	90	91	90
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	157·0	112·7	67·1	80·7	82·3	71·6	65·7	70·4	76·4	74·6
UK WAGES											
Weekly wage rates:											
All workers(3)	Jan. 31, 1956=100	104·7	110·0	113·9	111·8	112·0	112·2	114·7	115·9	116·1	116·2
Men	„	104·8	110·0	113·8	111·8	111·9	112·1	114·5	115·9	116·0	116·1
Women	„	104·2	109·7	114·0	111·4	111·8	112·1	114·9	115·7	115·8	116·0
Juveniles(6)	„	105·5	111·3	115·8	113·2	113·4	113·7	116·5	117·7	118·0	118·1
All workers	Sept., 1939=100	272	286	296	291	291	292	298	301	302	302
Weekly earnings: (4)											
All workers	s. d.	200 8	212 5	216 9	212 5	...	...	...	216 9	...	...
Men	„	237 11	251 7	256 3	251 7	...	...	...	256 3	...	...
Women	„	123 2	129 6	133 11	129 6	...	...	...	133 11	...	...
All workers	Oct., 1938=100	377	399	407	399	...	...	...	407	...	...
Men	„	345	365	371	365	...	...	...	371	...	...
Women	„	379	398	412	398	...	...	...	412	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) *The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service.* (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a *year; annual figures relate to October survey.* (5) Revised figures for January 6th were: *all items, 86; food, 86·2.* (6) In general males under 21 and females under 18 years of age.

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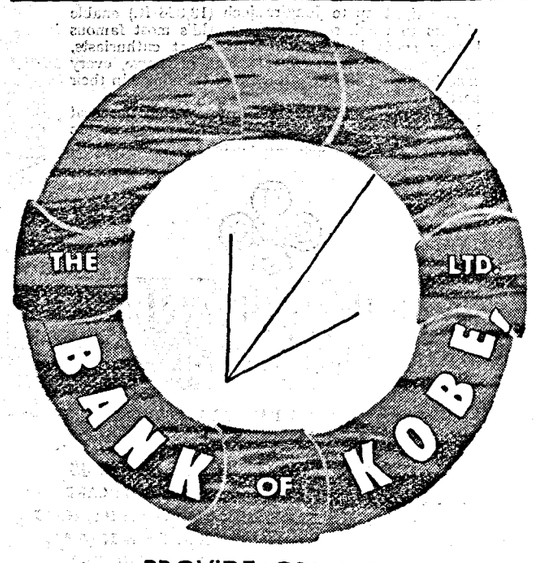
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The following summaries are an extract from the accounts :

Profits :		
Profit of Group before Taxation		£ 695,094
dealt with as follows :	£	
Taxation	410,311	
Retained	63,707	
Dividends (net)—		
6% Preference	21,562	
Ordinary (17%)	199,514	
		695,094
Net Assets :		
Current Assets less Current Liabilities		4,316,128
Fixed Assets less depreciation		1,749,118
		£6,065,246
represented by :	£	
Preference Share Capital	625,000	
Ordinary Share Capital	2,041,060	
Capital reserve	48,353	
Revenue reserves	3,004,833	
		5,719 246
Amount set aside for future Income Tax		346,000
		£6,065,246

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Applications to County Planning Adviser, Broomfield Place, Broomfield, Chelmsford, by February 24, 1959.

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CITY OF STOKE-ON-TRENT EDUCATION COMMITTEE

COLLEGE OF COMMERCE

Principal: A. E. Hayes, M.A., B.Com., A.C.I.S.

Applications are invited from Graduates with teaching experience for the post of Assistant Grade B (two vacancies) to teach General and Commercial Subjects.

Duties will commence on September 1, 1959, and will include teaching on two evenings per week if required.

Application forms are obtainable from the Chief Education Officer, P.O. Box No. 23, Town Hall, Hanley, Stoke-on-Trent, to whom they should be returned within 10 days of the appearance of this advertisement.

H. DIBDEN, Chief Education Officer.

PRIVATE American organisation in Germany requires expert in public opinion and audience research. Applicant must have at least a master's degree or its equivalent in sociology or social psychology and adequate knowledge of general statistics, sampling methods, research design and processing, transportation, medical insurance and other benefits.—Reply in confidence to Box 1124.

UNIVERSITY COLLEGE OF NORTH STAFFORDSHIRE

CHAIR OF ECONOMICS.

Applications are invited for the Chair of Economics to be rendered vacant from October 1, 1959, by the appointment of Professor R. R. Williams to the Robert Ottley Professorship of Economics at University of Manchester.

Salary £2,500 p.a. F.S.S.U. and children's allowances.—Applications must be received not later than March 14, 1959, by the Registrar, The College, Keele, Staffs, from whom forms and further particulars may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN ECONOMIC STATISTICS. Duties to commence on October 1, 1959. The salary scale is as follows:—£700 x £50 to £850 per annum. Membership of F.S.S.U. and Children's Allowance Scheme.—Applications must be sent not later than March 15, 1959, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF POLITICAL ECONOMY

Applications are invited for the post of Assistant in Economics in the above Department. Salary Scale £700 x £50 to £850 per annum, with superannuation benefit, and family allowance where applicable. Application will be considered from students who expect to graduate with Honours in Economics at the end of the present academic year. The successful applicant will be expected to take up duty on October 1, 1959.

Further particulars may be obtained from the undersigned, with whom applications, giving the names of two referees, should be lodged not later than March 7, 1959.

CHARLES H. STEWART,
Secretary to the University.

COUNCIL OF EUROPE

COMPETITION IN ADVANCED EUROPEAN RESEARCH

A competition will be held every two years under the auspices of the Council of Europe. Candidates will be required to write a work on a given subject relating to a question of European importance.

The subject of the competition for 1960 is:

"Consequences of the use of nuclear energy for the European mode of life."

Works must be of a high academic standard. They must not have been previously published, and must represent an original contribution on the subject set. They may be written in any one of the following languages: Dutch, English, French, German, Italian, Spanish.

The amount of the prize will be one million francs. The Council of Europe will be responsible, in agreement with the author, for the publication of the winning thesis. Candidates should submit six typewritten copies of their work to the Secretariat of the Council of Europe, Strasbourg, France, before December 31, 1960. The Secretariat-General will arrange for the work to be transmitted to an international jury specially appointed to award the prize.

Further information may be obtained from the Secretariat of the Council of Europe.

B.B.C. requires Economics Correspondent, News Division, who will be the Corporation's economic and financial specialist and will be required to gather and prepare news of economic and financial interest in a form suitable for use in news bulletins and to broadcast his own brief reports and talks and to conduct interviews in newsreels and other topical programmes in Sound and Television. He will work to Head of News Talks, and as necessary in co-operation with producers in the current affairs field. Candidates should combine specialist qualifications in the financial or economic field with first-rate journalistic ability and experience. News sense and a flair for brief and simple exposition are essential. Candidates who reach the final short-list will undergo screen and microphone tests. Salary £1,725, rising by seven annual increments to £2,345 p.a. max. Requests for application forms (enclosing addressed envelope and quoting reference G.999 (E)) should be made to Appointments Officer, Broadcasting House, London, W.1, within five days.

ASSISTANT AGRICULTURAL ECONOMIST: DEPARTMENT of AGRICULTURE for SCOTLAND. Pensionable post in Edinburgh for man or woman, aged at least 21 and under 28, on 1.1.59 (with extension for regular Forces Service and Overseas Civil Service), with 1st or 2nd Class honours degree in agriculture, economics or related subject, or other high academic qualifications in appropriate subjects. Duties include investigation of changes in economic conditions of agricultural industry and factors affecting agricultural output, analysis of farm accounting data and agricultural statistics. Men's salary scale: £635-£1,120. Starting salary above minimum in certain circumstances. Promotion prospects to £2,070 and higher.—Write Civil Service Commission, Burlington Gardens, London, W.1, for application form, quoting 4910/59. Closing date March 4, 1959.

AMERICAN COMMUNICATION CONCERN in Tripoli, Libya, requires the services of a QUALIFIED ACCOUNTANT. Must have at least 5 years' commercial experience. Salary commensurate with experience plus $4.00 daily cost-of-living allowance.—Airmail replies to Hycon-Page, P.O. Box 666, Tripoli, Libya, giving full details of personal history, previous employment, and salaries received.

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Four copies of applications, including the names of two referees should be forwarded to the Agent General for New South Wales, 56-57, Strand, London, W.C.2, and a copy forwarded by airmail in an envelope marked "University Appointment" to the Bursar, Box 1, Post Office, Kensington, New South Wales, Australia, by 7th March, 1959.

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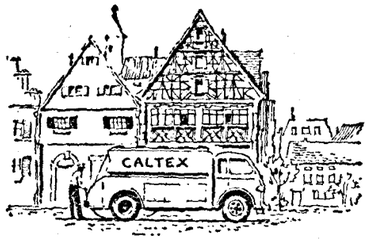
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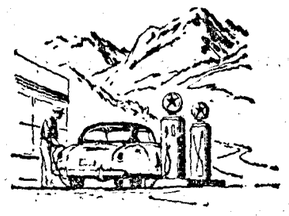
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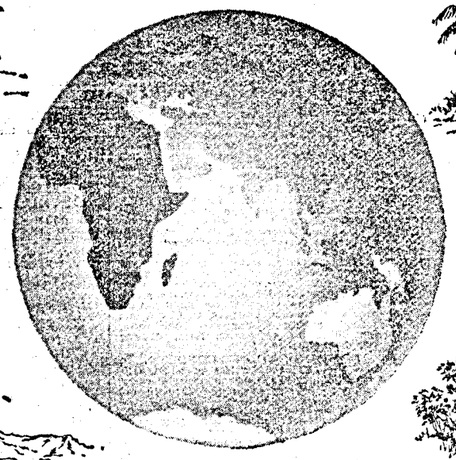
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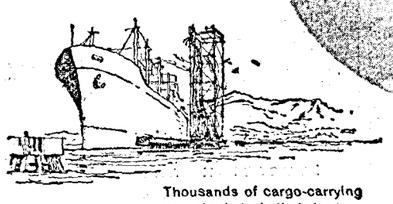


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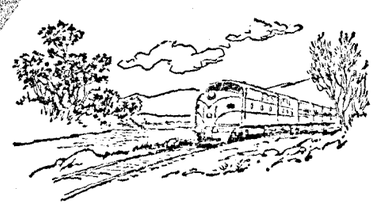


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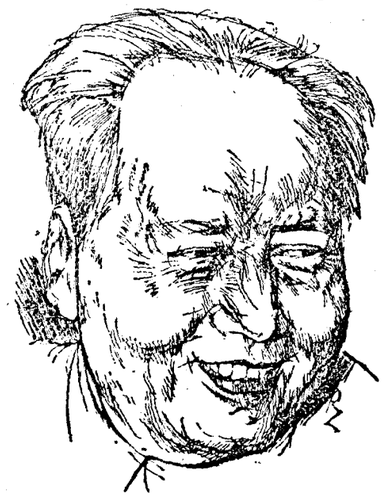
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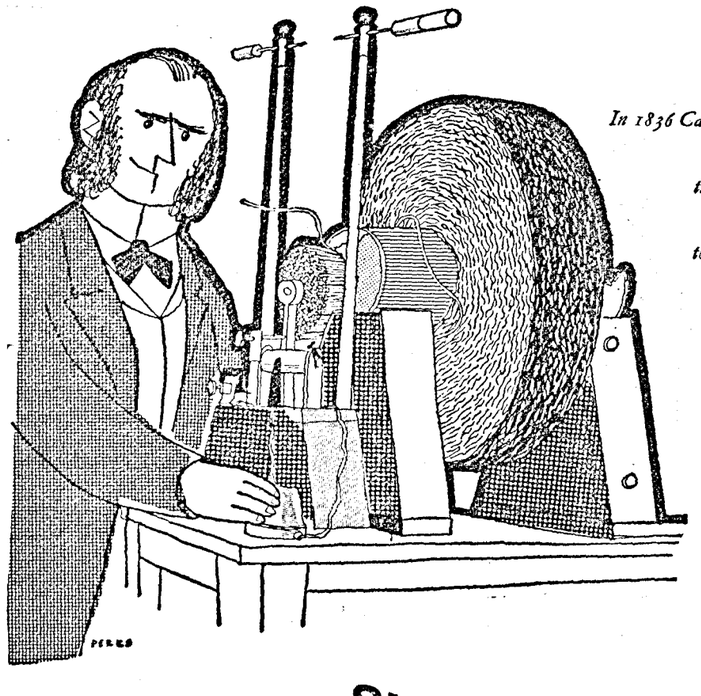
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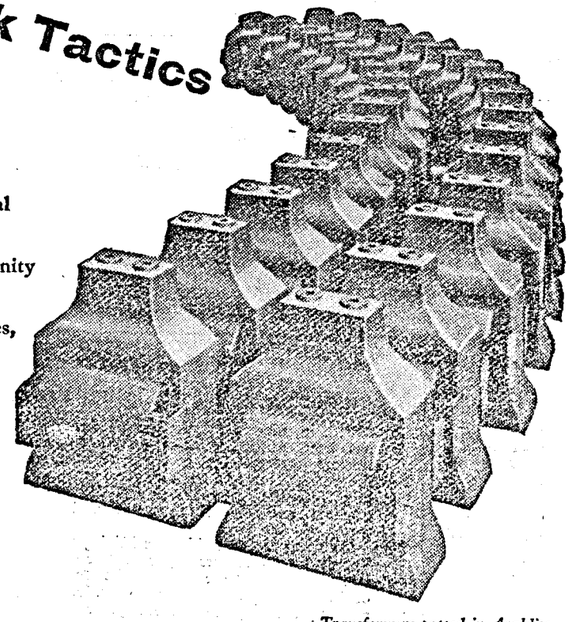


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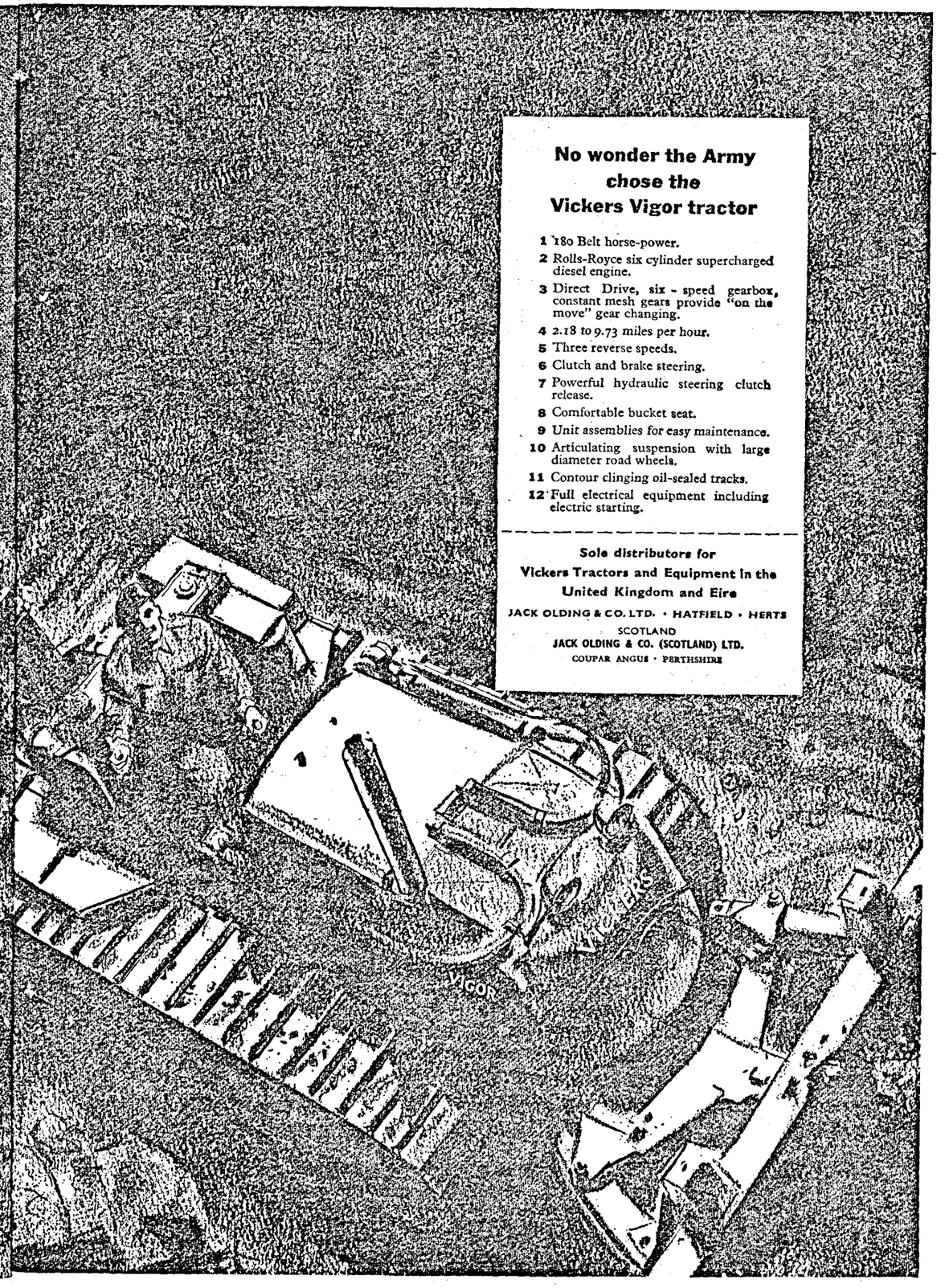
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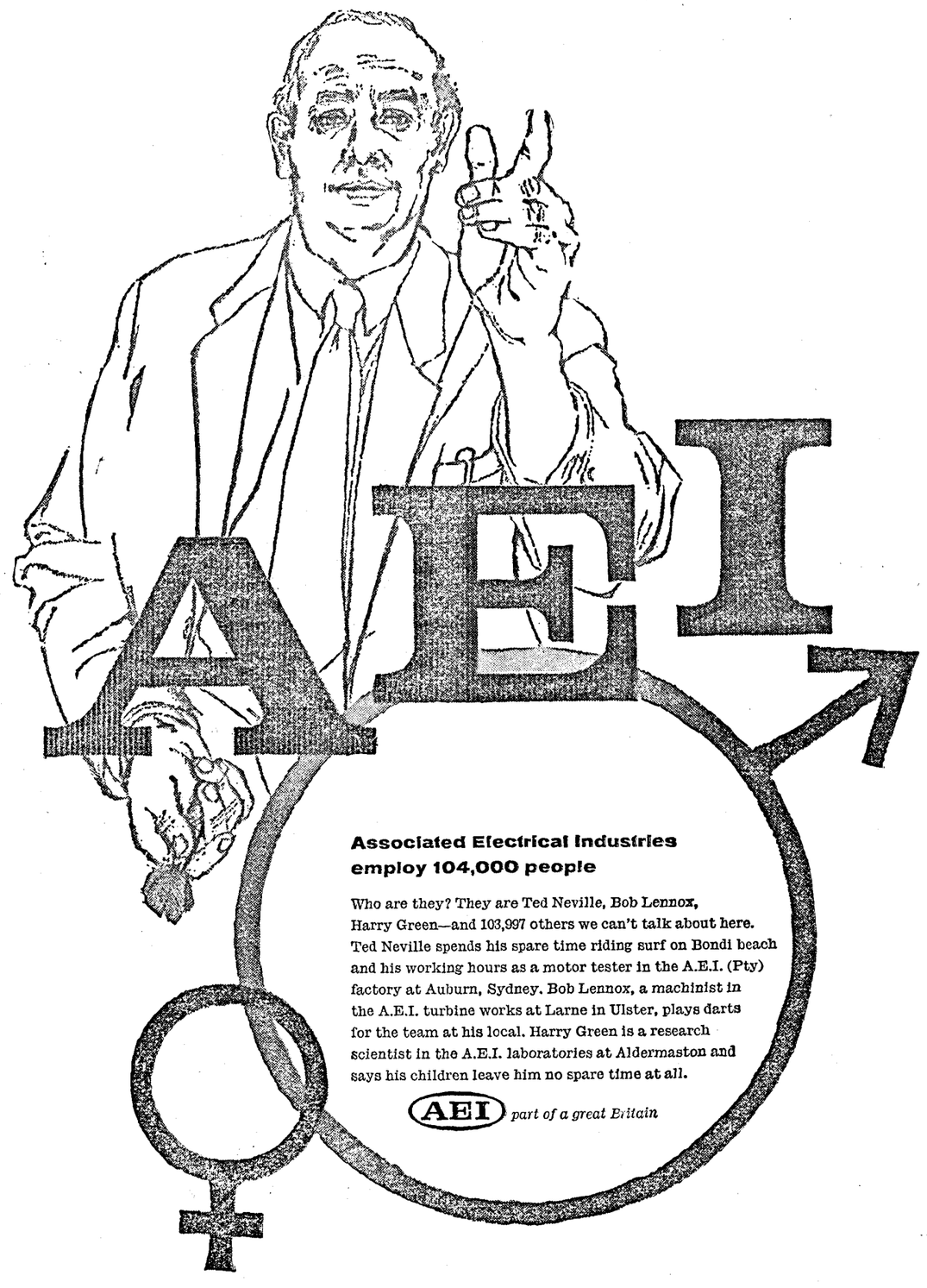
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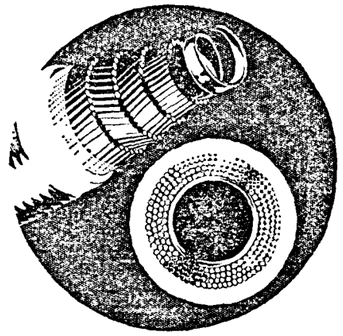


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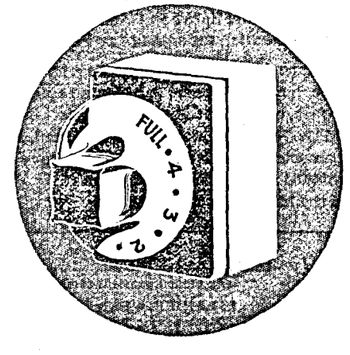


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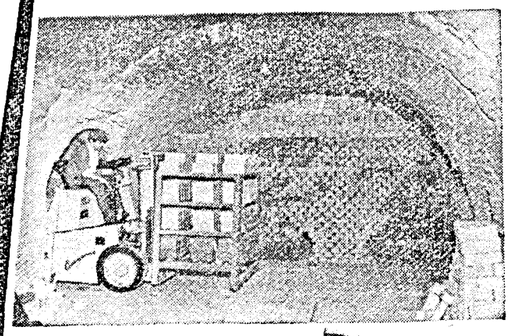


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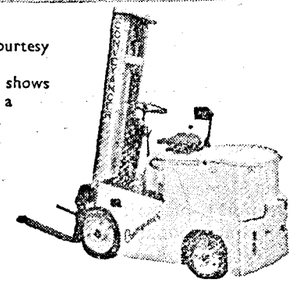
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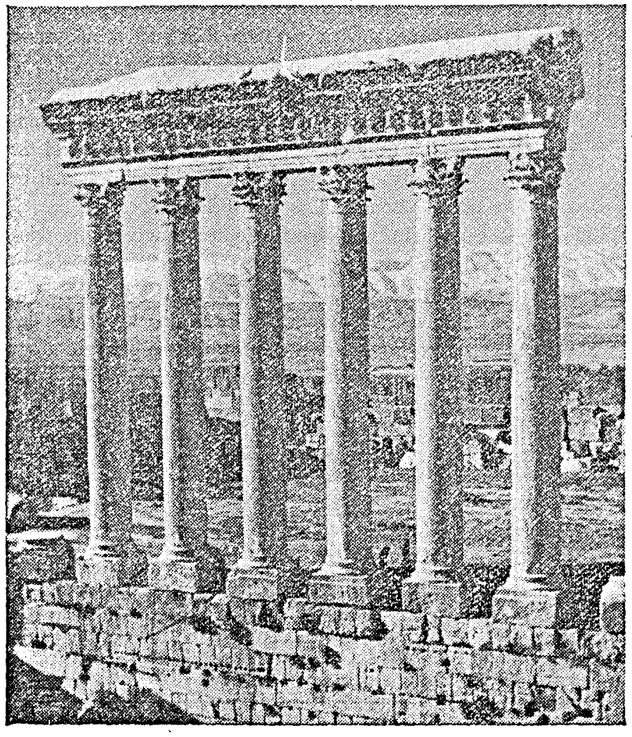


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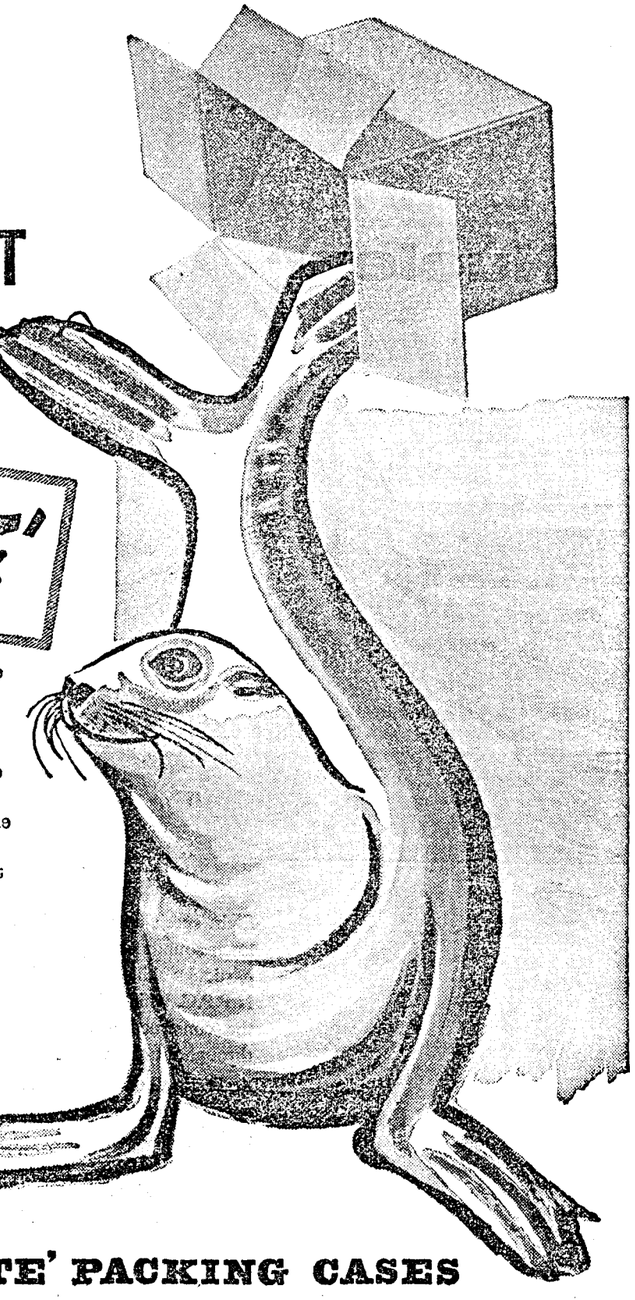
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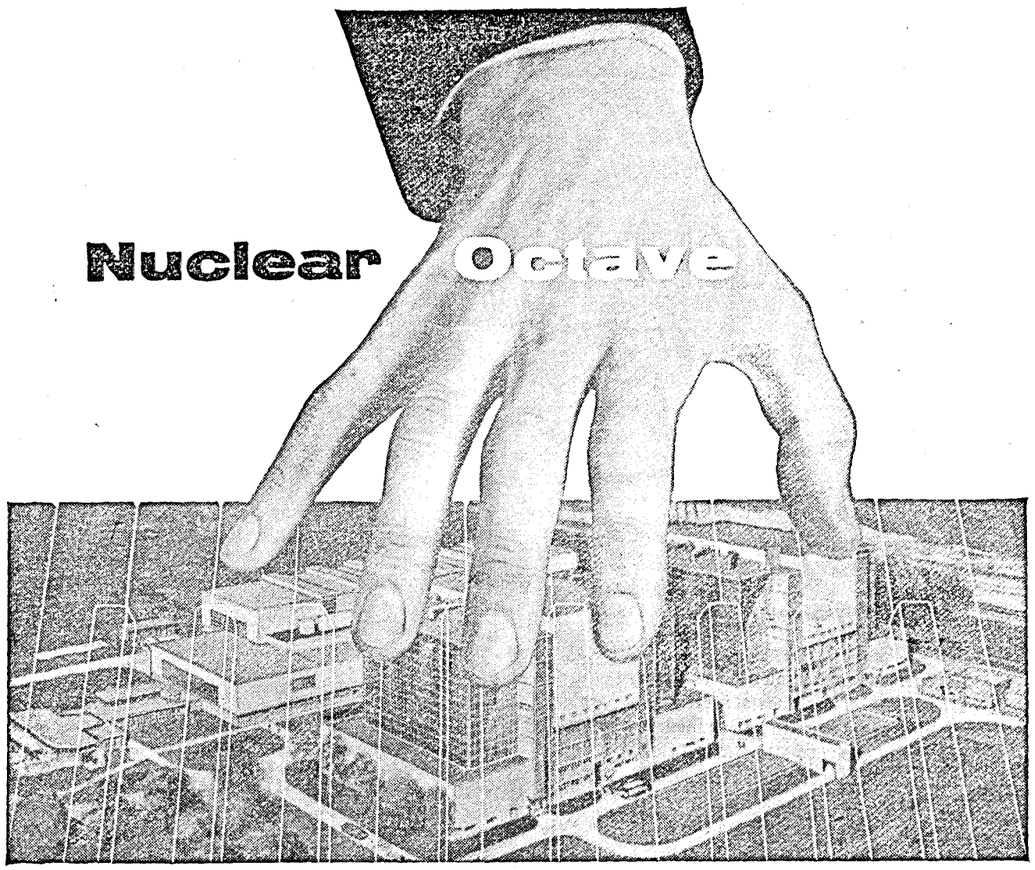
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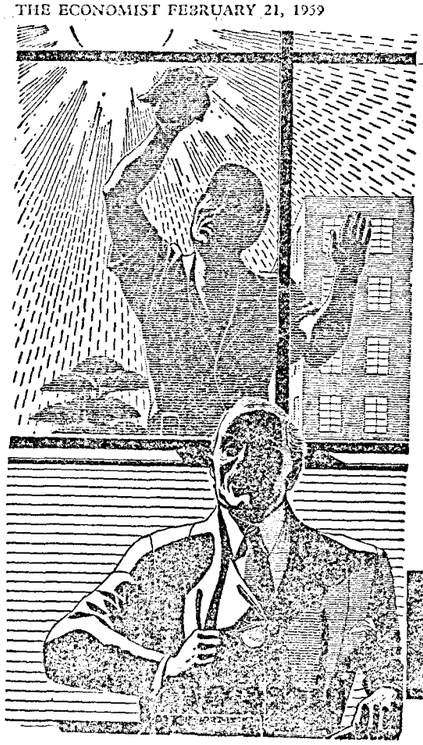
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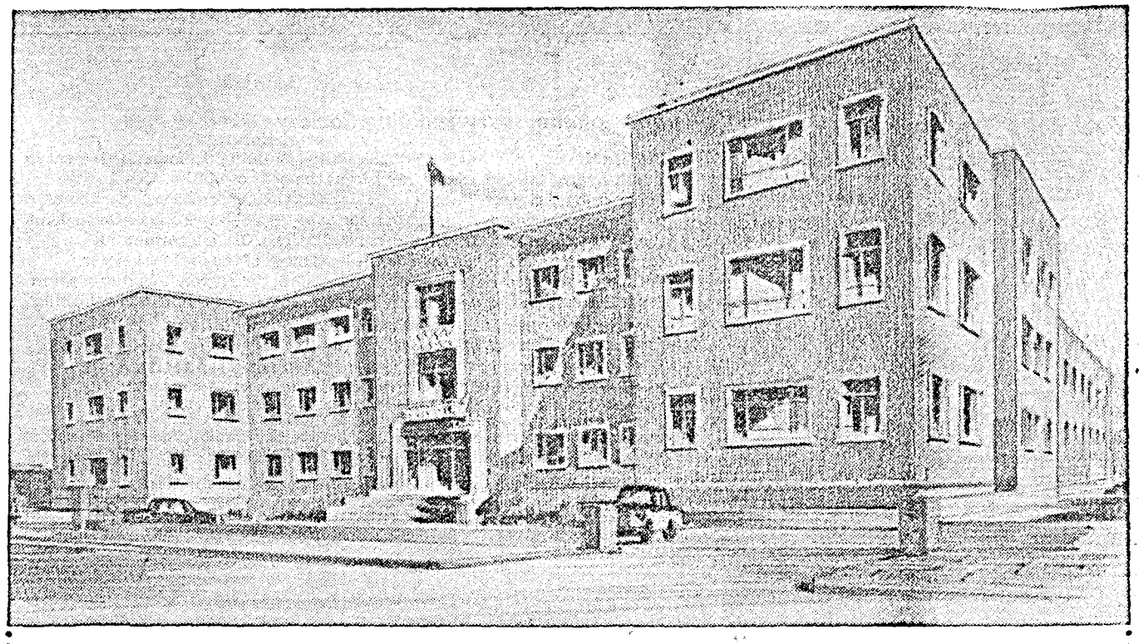
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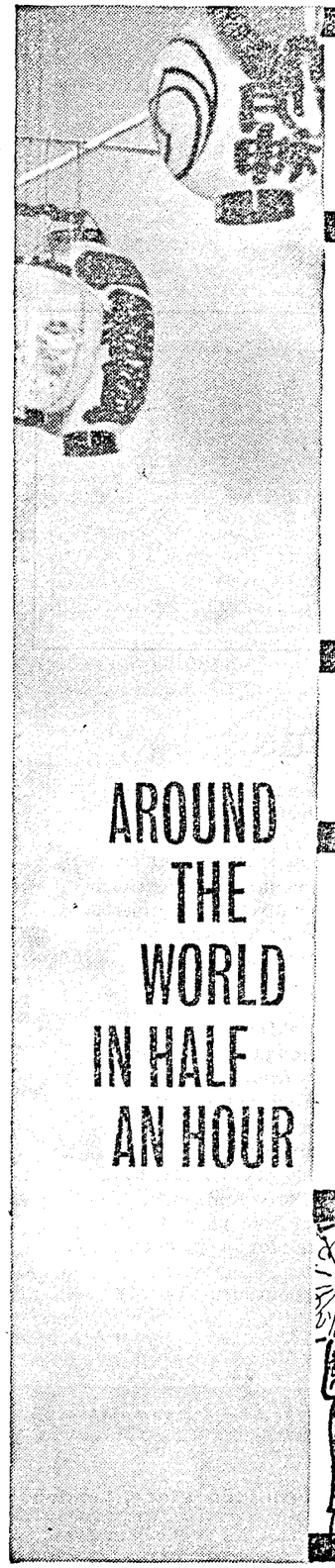
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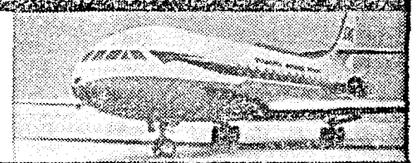


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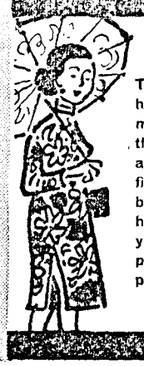


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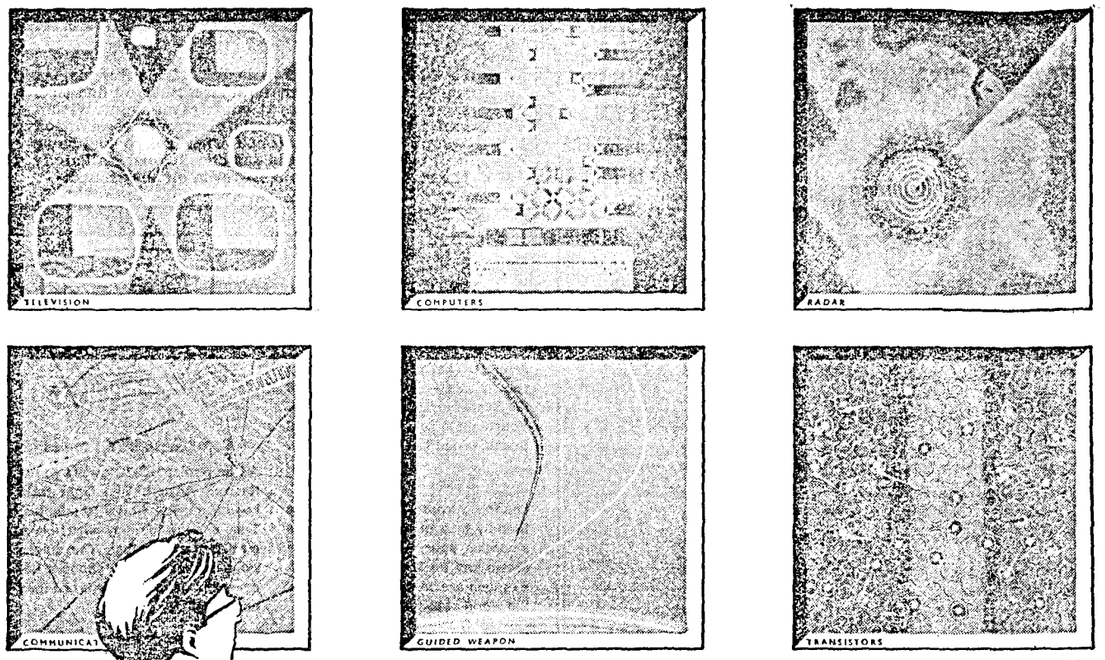


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The Economist

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Mr Macmillan's Task

MR DULLES'S renewed and grave illness has made Mr Macmillan's trip to Russia both more necessary and more difficult. Just how important was Mr Dulles's work of harnessing and concentrating western policy towards the communist alliance becomes fully apparent now when he has been obliged to lay it down. Such a work necessarily involves tacking and compromising between different allied interests and attitudes, and often when Mr Dulles laid himself open to criticism it was out of deference to an attitude which, with his own consistent—and uncommon—intellectual tenacity, he would not, left to himself, have shared.

The latest crisis in east-west relations, which concerns Berlin, has been gathering for three months; there are three more to go before it comes to a head. Berlin must necessarily bulk large in Mr Macmillan's talks in Moscow; it is not much use making sensible arrangements for trade and cultural exchanges if they are all to be brought to nothing by a head-on clash in Germany. Three months ought not to have been too long for the West to arrive at a reasonably co-ordinated attitude if consultation between governments had been all that was needed. In fact, however, the different attitudes to be reconciled have so far been less between the western capitals than within some of the governments themselves (particularly the American and west German), which have not yet been able to make up their own minds at what point the risks of flexibility begin to exceed the risks of immobility. (The course this debate is taking in Washington, including Senator Mansfield's unorthodox contribution to it, is more fully discussed on page 685.) They are agreed, as the western notes to Moscow showed on Monday, on their refusal to budge from Berlin and on their readiness to discuss in a conference of foreign ministers "the problem of Germany in all its aspects."

Both these attitudes are altogether sound. But, taken together, they do not go very far. The offer to have a conference is something short of a negotiating position. How much is still undecided can be guessed from the implied refusal in the western notes to accept the east German state as custodian of the approaches to Berlin, together with the implied offer to invite east German representatives to the foreign ministers' conference on the same footing as west Germans—that is, as "advisers" with the right to be consulted.

A basis of logic can be found for this distinction. But the Russians, as conquerors, can assert as much right to transfer sovereignty to a government in east Berlin as the western powers, as conquerors, can claim to transfer sovereignty to a government in Bonn; and if the western powers had been ready to recognise east Berlin, as the Russians recognise Bonn, the possibility that the Russians might also devolve responsibility for the Berlin road on the east Germans would not have caused an international crisis. The western governments have not yet in fact resolved for themselves the key question, which is not what they will do if they are stopped, but what they will do if they are confronted with authorities

whom they do not recognise, ready to let them through. Will they refuse to be waved through the road crossing-point, and given the all-clear on the railway and the air routes, by east German instead of Soviet officials? If they refuse, what will they do instead?

The east Germans, if they handle themselves cleverly, can make it impossible for the West to stick to its present theory of total non-recognition without giving the East a clear opportunity to get them on the wrong foot. Wednesday's exchange between Mr Khrushchev and President Eisenhower showed how concerned each side is to put the onus of resorting to force on the other. Thus an armoured thrust along the autobahn is not really an answer, as Mr Macmillan, and evidently also Mr Dulles, knows. The alternative, and perhaps more serious piece of western planning against a Berlin incident in May seems to be concerned with the possibility of a renewed airlift—not, it seems, to keep the economy of west Berlin going, but simply to supply the garrison, it being assumed that west German civil traffic could continue to flow to and from Berlin under east German control as it does at present. As is obvious, the assumptions and the planning are still hypothetical. It is, however, possible to see what anomalies the western allies may get into in their anxiety to plan some course of action, while respecting each other's taboos.

BUT what is started in Berlin this summer may have to last for many years, not just a few months. It is to be hoped that the three western powers with occupation responsibilities in Berlin will take time between now and May 27th to consider what their position would be, not merely if an effort of this kind broke down, but if it worked. The United States, Britain and France would then have conferred on Bonn a monopoly of future western dealings with the east German regime, while retaining for themselves only the burdens and the risks of maintaining a garrison deep in east German territory. The Russians would have handed over their formal powers in east Germany to the communist regime there, but they would retain their effective power to intervene and their treaty right to keep troops on east German soil; and they, unlike the western powers, would have full relations with both German capitals. The United States, Britain, and France would be committed to maintain forces in Berlin by air, possibly for ever, while the Russians, the east Germans, and the west Germans between them controlled the land between Berlin and the North Sea. The three-power position in Berlin could be made intolerable.

A *de facto* recognition of the east German regime might easily be preferable to this unappetising prospect. But the western governments feel, understandably, that if they are passive and give way on this point, it will not be long before they are under pressure on another. No doubt they are right. Slowly and ponderously, the Russians have made up their minds that the present position of Berlin is to their disadvantage, a survival from a time when the balance of power was more heavily against them than it is now; while to the communist rulers of east Germany, free Berlin has been a humiliation and an irritant from the start. Both will sap and mine at Berlin whenever opportunity offers. In standing its ground, however, as indeed it must, the West has to choose means that will not land it in a worse position than it is in already. It has not done more than grope after such means yet.

HERE is Mr Macmillan's difficulty. He has called his trip to Moscow a "reconnaissance," and indeed he cannot commit the Americans, French and west German governments in advance of their meetings in March and April. The Russians, however, would not be interested in having their position reconnoitred by somebody who could not be usefully reconnoitred himself; they will not reveal their mind, beyond the flinty cranium they have already presented, unless they can get a look into the Prime Minister's, and through it a look into the minds of the western powers. To what extent can Mr Macmillan try out ideas in Moscow on behalf of his colleagues in the western alliance? The dome of General de Gaulle's head is as flinty just now as Mr Khrushchev's own; no encouragement to Mr Macmillan in his venture has come from Paris. Counsels in Bonn have been divided ever since Mr Khrushchev set the Berlin crisis in motion; there has been a marked lack of the accustomed certitude that the Chancellor knows best, and it is just possible that Dr Adenauer himself may be privately aware that the German cause is in sore need of any helpful ideas that Mr Macmillan can produce for it. Washington, finally and most important, is tragically deprived for the moment of a man of its own who can take the initiative.

Very much, in these circumstances, will be left to the Prime Minister's own sense of what he can usefully attempt. He cannot at this stage expect to carry his colleagues of the alliance far along any new path. Certainly he will not wish to tread new paths himself unless he finds in Moscow an attitude that makes innovation hopeful. But without some new departure in German policy, the two sides in Germany are steering towards at worst a violent clash, at best a prolonged and somewhat ridiculous campaign of attrition.

No self-evident alternative course is available ready-made, even if Mr Macmillan decides that the state of the western alliance would permit him to try it if there were. There has, however, been enough discussion in these past few months to make it plain that the only hopeful compromise would be one that combined an immediate arrangement to avoid tension in Berlin and its approaches with a longer-term plan, spread in stages over several years, to make the foreign occupation of Berlin unnecessary in the only possible way, by reuniting Germany. The Russians have still to be persuaded that such a programme could be better for them than the indefinite use of Germany as a theatre of the cold war; but then, so have the western governments.

Farm Policy for Cynics

This year's review of agricultural prices started last week. This article examines how far there is any logical case for any agricultural support in Britain at all. An article next week will discuss how it should be directed.

THE cynical view of agricultural policy is that—beneath a camouflage of strategic, social and economic arguments—Britain is unfortunately stuck with a purely political necessity to sweeten farmers. The only open question—admittedly one capable of keeping the most cynical economists long and usefully occupied—is how to sweeten them with least damage to everyone else.

To reject the cynical view entirely would be starry-eyed indeed. But there are practical disadvantages in resting content with it. Correctly or not, the cynic gets the reputation—as *The Economist* certainly does—of being blindly and cussedly anti-farmer. Moreover it does not necessarily follow that arguments used as camouflage, however speciously, have in fact no substance. What follows is an exercise by cynics, for realists, in camouflage-probing. Is there any real case for saying that agriculture should be supported more forcefully than any other industry? If so, (this will be examined in a second article) how should any such support be given?

PERHAPS the most popular argument for artificially boosting farm production is the strategic one. In two World Wars, starvation nearly beat us: therefore the more home-grown food, the safer. In its extreme form—and it is often stated so—this has always been manifest nonsense. A Britain committed to maximum self-support, and to the necessary dismantling of industry for the benefit of food production, would give an aggressor little more trouble than Denmark gave to Hitler in 1940. At the other extreme, however, a Britain peopled entirely by industrial producers (plus a few National Park wardens), and feeding exclusively on imports, would have been equally vulnerable—at least in the sorts of war history has known hitherto.

It is terribly difficult to say how far this has been changed by the nuclear revolution: by the fact that the fall out from two or three H-bombs over the closely packed fields of Britain might make it unsafe to eat a large part of Britain's home-grown food for years to come. But four hundred Russian submarines are four hundred plausible arguments against dismissing the strategy of siege as totally irrelevant even in a nuclear age. There is at least a case for saying that parts of the strategic argument still stand.

But this emphatically does not mean paying for a wartime volume of production, any more than for a wartime army, in time of peace. It means, in the one case as in the other, ensuring an adequate reserve, capable of being readily expanded in emergency. Seen thus, the question of agricultural support is very largely a technical one. Technical considerations do nothing to support the view that an emergency is best confronted with an intensive agriculture in full swing. The emergency need is for stored and readily available fertility, for farms and farmers as reservists—rather like the territorial army. How to achieve this end? What sorts of land deteriorate with disuse—into bracken and scrub, or sand-dune, or sour marsh? Which actually benefit by under-use, and what kinds of aid favour the maintenance, as a readily usable reserve, of each? What investment in equipment and stock makes the best sense in terms of wartime potential? The genuine strategic argument, in fact, has little in common with the camouflage version. And it has never been soberly worked out.

MUCH the same can be said of the economic argument concerning the terms of trade and the balance of payments. The short-term balance-of-payments argument—which implies that £1,400 million of home food production represents £1,400 million of gross saving in food imports, and thus saves the balance of payments from being in £1,400 million worth of mess—is terribly feeble; its survival even as camouflage is a discredit to the national intelligence. To turn a pound's worth of imported feeding-stuffs and domestic labour and capital into ten shillings worth of milk, eggs or bacon, burdening the export industries to meet the difference and hurting their customers at the same time, may in very special circumstances be a necessary counsel of despair. It cannot possibly be a sound permanent policy.

The long-run terms-of-trade version deserves more attention. The extreme version of this argument, which deduces the prospect of near-famine food prices from the Malthusian arithmetic of world acreage and world numbers, has taken a fearful beating since its heyday just after the war. The terms of trade have obstinately refused to conform to Malthusian logic. Most people would agree that there have been three reasons:

(1) Hunger in Asia or elsewhere may well trouble our conscience and our peace, but if the hungry have no means of raising their bid for food their need cannot in itself swing food prices aaginst us.

(2) For political reasons, governments in every advanced country have kept more farmers on the land than are economically needed, thus artificially boosting the supply (and depressing the price) of food available on world markets.

(3) Better techniques—in the shape of improved fertilisers, pesticides, food strains, agricultural husbandry—have increased potential yields per acre everywhere, and in at least some areas hitherto backward farmers have recently been much more ready to improve their efficiency than the pessimists had expected.

One must expect that the educational revolution among backward farmers (and the invention of remarkable new fertilisers) will go on; indeed it could conceivably go on at a pace which would override even the gloomiest Malthusian calculations of the growth of world population to be expected in this century.

Hope, however, is not certainty. Also, the extreme subsidising of agriculture in the advanced countries now shows some small signs of diminution. Also, the poorer countries can be expected to eat more as they get richer; a major question here will be at what stage Asian countries will turn over to becoming major consumers of livestock products, especially meat (even Japan has not done so yet). Finally, many underdeveloped countries, whether getting richer or not, are bent on industrialisation; and success in this policy is liable (as, for example, in the case of Argentine beef) to affect world production from the side of supply as well as that of demand. All told there is, therefore, a reasonable case for arguing that in twenty or thirty years' time world food prices might be considerably higher relative to industrial prices, than they are now.

But although this prospect, like the chance of war, may be held to justify a "retainer" to the home producers—who, however badly their skill and equipment may be needed later, cannot wait indefinitely for the upswing—it is far from justifying indiscriminate support to high-cost high farming. For one thing, such support does everything to prod into equally high-cost industrialisation even those primary producing countries which have natural advantages as agricultural producers; it may be sensible to support British farms on the assumption that some much less economic American farms may eventually be allowed to die, but it cannot be wise to support them to an extent which causes much more efficient New Zealand farms to be squeezed out of production. For another, if British farmers are forced also to be keen businessmen, with abilities whetted by competition, they will be much more capable of responding to a shift of commercial advantage, if and when it comes, than would economic automatons who had been insulated from every vicissitude except the weather.

A VERY different kind of camouflage is the argument from social and aesthetic values. Among these imponderables, economic calculation finds no sure foothold. Still, one may start from the fairly safe proposition that most citizens, urban as well as rural, value the countryside. How far their attachment is a picture-postcard sentimentality, how far the expression of an Antaeus-like human need for contact (even at one remove) with the earth and its processes, how far a mere straightforward liking for elbow-room and clean air, need not be discussed. But it would be unrealistic to deny its existence merely because it cannot be gratified by purchases across a counter at a price reckoned in the gross national product. From concern with the countryside to solicitude for farmers is regarded by some people as a short and natural step. The farmer's activities have made, shaped and still sustain rural Britain. He is its custodian, worthy of his hire; if the hire is insufficient and the custody fails, it will perish.

This is extremely thin. Apart from the fact that intensively farmed land yields much less freedom and breathing space (and, many people would say, less beauty) than rough pasture, downland or wilderness, support for farming does little to prevent subtopian and industrial encroachment; when any farmer, whose land is handy to a town and suitable for building, finds it profitable to sell out, he does so. Any permanent safeguard must be sought right outside the market, in town and country planning—which, so far from raising the farmer's income, freezes one of his assets.

THE last camouflage-screen is the most nebulous of all; it is the social argument for preserving not the land but the farmer himself, and especially the small farmer. In its crudest form, this is simply the claim to that Right to Stay Put which is invoked at one time or another by practically every occupational group. "It is morally wrong that we should have to move, and if any of us are in fact moving (if there is a 'drift from the land') this proves that we are being badly treated." Except for believers in a system of hereditary castes this outright *immobilisme* condemns itself.

Nevertheless, realism does demand that the farmer be recognised as something of a special case. It genuinely is harder for him to "move"—not only economically out of his occupation but physically out of his home and socially into a radically different environment—than for an industrial worker or manager to change his trade. This recognition does not involve accepting such unverifiable judgments as that a "healthy" society needs a large number of farmers, or that there is a mystical superiority about the farmer's way of life, entitling him to preservation on the same footing as a religious foundation or a national monument. It does demand, in a society having some sense of mutual responsibility, that by one shock-absorbing device or another this especially difficult transition should be made as little disruptive as possible.

The cynic-proof residue of justifiable aid to agriculture thus reduces itself to two main kinds

(a) a retainer, suitable in total and in kind, to the farmer as reservist; and

(b) a measure of relief to the farmer as victim of his particularly intimate commitment to a particular livelihood.

An article next week will examine the present volume and types of aid and consider how economists—if not politicians up against the realities of the electoral bargain—might wish to modify them.

TOWARDS THE NINETEEN-SIXTIES—V

China Stands Up

In the decade since the communists took control China's aspirations to become a world power have grown rapidly towards reality. The fifth article in this series on the international outlook assesses the Chinese advance and the further tensions it is likely to create.

CHINA is a restless, dissatisfied and aspiring power; it is not yet a great and independent one. The tensions and inhibitions that China now causes in international politics belong to the existing struggle between the Soviet Union and the United States, in which Chinese policy cannot pretend to be decisive. China can pull the two world powers into the hostile postures of a major crisis, as it did in August by reopening the bombardment of Quemoy. But it is not strong enough to ensure that these crises can be exploited to the full Chinese advantage or even conducted on the communist side as China itself wishes.

Despite the Quemoy emergency, China does not yet seem to have wormed nuclear weapons out of Mr Khrushchev; Mr Khrushchev prefers to speak of a zone free of nuclear weapons in the eastern Pacific. Nor has Chinese pressure evidently reduced the United States political commitment to General Chiang Kai-shek on Formosa. China can no more act alone in the world than Britain, the power it is already specifically trying to overtake in heavy industrial capacity. Both have weighty claims to allied consultation; both have independent failures to record. But the China of 650 millions is an emergent power, developing at an unparalleled pace. In a decade it may have the strength to prosecute its own policy within the existing international system. In another two, depending on United States and Soviet progress, it may be able to upset the system altogether.

Since the consummation of its communist revolution in 1949, China has fought a United Nations coalition to a standstill in Korea. Its revolutionary pressure has been felt increasingly throughout South East Asia, compelling the creation of a nebulous western-sponsored defence system under the Manila treaty and more purposeful western action locally, principally in hastening independence for Malaya. It has, in two major crises, squared up to the United States aero-naval strength in the Formosa Strait. The Chinese strategists have not convinced Asian opinion that the United States is a paper tiger; yet they have seemed to defy American power and get away with it.

China, even the backward China of the nineteen-fifties, has presented the cold-war world with a more determined and sustained challenge to its immobility than the two great powers' own confrontations over Germany and the Middle East have so far done. But China has not done this entirely by, or for, itself. Its strength still depends on Soviet assistance. Its rulers' differences with the Soviet leadership have been more than comradely tiffs, and with each year that passes the quarrels are likely to deepen into distrust; yet within the present international system their significance is minimal. It did not need Mr Chou En-lai's address to the 21st Soviet party congress to show the west that if Sino-Soviet relations have their nuances they are based on a self-evident solidarity. This has been emphasised this month by a new economic agreement increasing Soviet aid to Chinese industry for the next eight years.

CHINA'S major preoccupation is to hoist itself, in the shortest time, into the seats of the mighty, to possess the heavy industry, the nuclear potential and the military strength of a world power. To do this it requires, simply and urgently, the cold war to continue, the tensions to persist, the crises to drag on, so that the Soviet Union will instinctively be aware of China, instinctively need it and answer its demands on Soviet capital and production. It is conceivable that, pushed to the wall, China would even prefer the disaster of a general nuclear war, which part of its vast population could hope to survive, to the ending of the present east-west rivalry. It would, its leaders reckon, have less to lose from the catastrophe than any other state.

For Peking—as for the present governments in Paris and Bonn—the most dangerous diplomatic development of all would be the start of straight horse-trading between the United States and the Soviet Union, after which Mr Khrushchev could really go in for consumer goods. If there is a long-term plan in Peking it is to delay the unlikely rapprochement between its great ally and enemy until Chinese power is sufficient to stand up to both.

There is still a very long way to go before China can do this. Had it not been for last year's spurt in steel and coal production, concentrated in the last, hectic five months, and the bumper grain harvest, China's bootstrap effort would have seemed to have been a task of generations. The new statistical crop allows, and is certainly meant to inspire, more optimism; perhaps Chinese statistics are still in the state Mr Khrushchev says the Soviet ones were in in 1952. Even so, the exertions have been herculean, and the present planned progress "by leaps and bounds" calls for still more. Steel production is to rise from 11 million tons last year to 18 million this year, within striking distance of Britain's current output of 19.6 million at less than full capacity. Coal production has soared past Britain's to 270 million tons, double the 1957 output, and is to be stepped up to 380 million this year. China's cotton

textile output also overtook Britain's last year. The rate of advance is impressive, even if, for a nation of 650 million, British production is not, in absolute terms, an enviable standard.

But the noise of gongs and firecrackers, with which last year's successes were officially greeted, has been understandably swelled by popular enthusiasm. China has even begun to build its own aircraft and steamships; and its first atomic reactor and cyclotron, installed by Soviet experts, started up in September. These are international status symbols. But the effort has left the economy strained and gasping for breath. There are signs of transport dislocation which threatened the cities with food shortages at the end of the year. Chinese exports have been below standard, badly packed and shipped after contract dates. The coal drive has been followed by strict warnings against neglected maintenance work in the pits. Even the steel triumph, four-fifths of which is attributed to the big enterprises, has ended in admissions that steel-rolling capacity has failed to cope with the rate of smelting.

THE countryside and its 500 million peasants have a basic part to play. Last year's grain harvest of 375 million tons was good enough to allow the regime to claim that China had at last broken out of the iron law under which crop yields would be gobbled up by population increases. The new belief is that "the soil will yield in proportion to man's audacity." This year the grain harvest is to be boosted to 525 million tons. Improved techniques like deep ploughing, formidable use of fertilisers and new seed strains are said to have done the trick. Intensive cultivation under official urgings to "turn the whole land into a garden" is now acclaimed as China's alternative to farm mechanisation. At the same time, the rationalisation of peasant plots and work teams has released manpower for local industries, particularly for the iron and steel drives in the countryside. Although this rural steel output can rarely be a finished product, it is good enough for turning out the farm implements that otherwise would have added to the burdens of the iron and steel industry and the transport system.

Central control over the peasant masses, allowing flexibility in local switches from the land to light industry and back again at harvest, is based on the commune system. Although there are indications that the popular growth of the communes, which were only started experimentally last April, may have caught the regime partially unprepared, the idea serves its purposes admirably. The transfer to the communes of the local credit and commercial bodies in the countryside is meant to "result in the strengthening of planned control and control of the market by the state." The population drift to the towns is being stemmed. Discipline is reinforced by the mass militia movement.

It may not have been by chance that the bombardment of Quemoy began in the month that the formation of communes was at its peak. It is admitted that the communes have needed widespread readjustment and reorganisation this winter; praise for the local blast furnaces is dying away. The regime has insisted on the development of the wages system in the countryside, playing down the food distribution idea; it has spoken reassuringly of the retention of such personal belongings, including savings deposits and remittances sent by relatives overseas, as a middle or poor peasant is ever likely to have had. Above all, the commune has been presented as the means of women's final emancipation from their age-old domestic servitude. For them the "great collective family" with its canteens and creches has its own advantages.

But the party has got itself into an ideological muddle over the communes, which does not yet seem to be fully resolved. There is still much to be learned about the central committee session at Wuhan from November 28th to December 10th last year. The details that have come out are intriguing. Left-wing elements, unnamed, were rebuked in Stalin's words as "dizzy with success." Some had contended that under the commune system the party itself could wither away; some, apparently, wanted to give the militias a political part to play. The commune idea, which had been boosted in September as bringing full communism much closer than the "remote future," was devalued into a necessary stage in building socialism. The party has stopped talking, if not thinking, of heady political theory. It now seems to accept the Russian standpoint that communism will not be possible without a sound industrial base and an abundance of goods.

The responsibility of Chairman Mao Tse-tung and Mr Liu Shao-chi for all this is impossible to assess. So is that of Mr Khrushchev. What emerged from the Soviet party congress—at which Mr Khrushchev criticised those who "hurriedly and rashly carry out what is immature"—is that the Chinese have fallen into line, but that they are to be allowed some deviations in method. These are the opposite of the capitalist deviations of the Jugoslavs; Moscow and Peking are at one in castigating Marshal Tito. Since the shocks of the "blooming and contending" period the Chinese have appeared as the sternest opponents of east European revisionism.

CHINA'S first concern is at home, and its foreign policy, particularly the pressure it exerts against Formosa and in South East Asia, may be expected to reflect its internal strains and difficulties—to which Tibetan nationalism still adds its problems. China believes that Formosa must eventually be pulled into its orbit, as the island has responded to the mainland's attraction in the past. In the meantime, Peking will take advantage of the exposed American position and of western uncertainties whenever it sees fit. Its commercial influence in southern Asia is now strictly limited, but it will grow. It sees the overseas Chinese communities as a future trump card in the politics of Malaya and Siam. Its present quest for world status has led it to claim consideration in discussing Germany's future (China is associated with the Warsaw pact) and it already has trade ties with Middle East countries like Egypt, Iraq and Yemen. Its stake in the cold war may have prompted the recognition of the Algerian government-in-exile, which the Soviet Union has refused to do.

These signs of independence will grow. The choice before the West may be whether it should try, within the strict limits it has for manoeuvre, to reduce China's diplomatic reliance on Moscow by such steps as admitting it to the United Nations, or whether its best course, in the long run, is to attempt some *modus vivendi* with Mr Khrushchev whereby the Soviet interest in restraining the Chinese mammoth is reinforced. The choice is still theoretical and hypothetical. Yet, as China comes to stand on its own feet, the moment of decision draws nearer.

NOTES OF THE WEEK

Cyprus Agreement Signed

THE smiling faces that emerged from Lancaster House late on Thursday afternoon announced that the work that the Greeks and Turks began in Zurich last week had ended in success. Although Cyprus itself—and the silent Colonel Grivas—has still to uphold the terms to which Archbishop Makarios and Dr Kutchuk have agreed, hopes that the dust has at last settled seem to be justified. The participants in the London talks have taken the sensible line that the Zurich compromise could not be upset; if Archbishop Makarios had his doubts at one stage he has professed himself to be happy at the outcome. The courage shown by the Greek government delegates has plainly contributed greatly to the result. British concern to secure continued safe and guaranteed control over this country's bases in Cyprus has been fully recognised.

The detailed terms of the settlement will not be known until Monday, but Sir Hugh Foot—who has special reason for personal satisfaction with this success—now has a directive for putting the island's affairs in order and taking the first steps in what may still prove to be the difficult task of persuading Greek and Turkish Cypriots to live in amity while personal memories of terrorism are still strong. Archbishop Makarios himself has been apparently not so concerned about the position of the British bases as about the rights of all three protecting powers, Greece, Turkey and Britain, to interfere in the island's affairs, and about various provisions designed to protect the rights and position of the Turkish minority. But he and his advisers have realised that peace and stability are what the ordinary Cypriot wants above all else.

Tories Make Peace

THROUGHOUT this week most Tory MPs seem to have been deciding to accept any agreement on Cyprus with slightly disguised relief. Right-wing Tory opinion, which characterises any settlement reached after a period of force as a "scuttle," is something which most Tory backbenchers do not share but of which, since the Suez episode, they have been vaguely afraid; it is often not clear, even to themselves, whether they are afraid of having some Major Grant run after them in their constituencies or whether they are shying away from some more personal fear of showing "softness." The agreement between Greeks and Turks at Zurich had followed closely on Mr Macmillan's decision to go on the electorally popular visit to Moscow, which some backbenchers secretly suspect might also be "rather soft." The first orthodox Conservative back bench reaction was therefore to pay genuine respect to the efforts of the Greek and Turkish prime ministers, but to mutter cautiously for the record that a "firm line" would have to be maintained by Britain. Lobby correspondents took note of these mutterings listened to the louder complaints of the handful of real right-wingers, and wrote (probably wrongly) that a major "Tory revolt" seemed to be brewing.

In fact, most Tories at this time seemed to be seeking for some vague portmanteau phrase about which to make a mild demonstration—and then to be reassured about it. The phrase which was eventually accepted as satisfactory was "sovereignty over the base," a term to which probably not one out of ten Tory members could originally give any clear meaning (although genuine right-wingers have since sought to define and re-define it). On Thursday of last week, in response to a prepared question, Mr Selwyn Lloyd said that this sovereignty would certainly be maintained, and loud rang the Tory cheers. Admittedly, nobody had told the Tories at this time that the negotiations would involve a visit to London by Archbishop Makarios. The archbishop's attitude from the beginning was undoubtedly very hard to bear. Carrying his gold-topped mace, he told the airport crowd on his arrival that he was seeking a settlement under God; this last was blasphemy, for every right-wing Tory knows that the only deity who plays any part in colonial affairs is the one invented by Kipling.

It says a great deal for the present triumph of sense over sensitiveness in the Tory party that no backbencher's speech over the weekend hit out at the Makarios visit. As Thursday's debate in the Commons opened, it was inevitable that some bitter words would be spoken, but it was not clear where any revolting Tories could find a leader. So far, even Lord Salisbury has been turning over quite silently in his political grave.

MISSION TO MOSCOW

Tables and Bears

FIRST reports of the arrangements for the Prime Minister's ten days in Russia gave the impression that less than two days would be available for any serious discussion. The Soviet government seemed more concerned to whisk its visitor round an impressive array of sights and demonstrations than to talk to him. It suggested trips to Stalingrad, Leningrad and Kiev and to institutions in and around Moscow, banquets, parades and theatre galas ; there was even talk of a bear hunt. But the British officials involved in shaping the programme argued politely but firmly that Mr Macmillan was less interested in bagging a bearskin than in getting his feet under a table for talks. After the hard haggling that seems inevitable in all such dealings with the Russians, it now seems that Stalingrad and the bears are both off the menu, and that the provincial tour will occupy at most four days. About four days should be available for formal and informal talks in various guises ; and the Foreign Office team that is accompanying the Prime Minister to Moscow is evidently capable of manning a whole set of specialist sub-committees on topics ranging from disarmament to educational exchanges, if the Russians prove co-operative.

It remains to be seen how far the Soviet government will go towards allowing any real lowering of mental barriers. Personal representations by Mr Selwyn Lloyd were needed to get the Russians to issue, at the last moment, visas for the press correspondents (who seem to number 70 or 80) going from London to Moscow for the visit. The Soviet censorship of outgoing news is reported to be temporarily lifted, but it is hard to say in advance what this will mean in practice, as the Soviet authorities never actually admit that any censorship exists. And one is inclined to doubt whether the Soviet press will give the Prime Minister's statements during his visit the kind of unexpurgated coverage that Mr Mikoyan recently got in the American press. There are hopes, however, that Mr Macmillan will be able to speak to a Soviet television and radio audience. If he does, it will be a pity if he is allowed only a set speech. The cut and thrust of an interview, or a televised press conference, would be more illuminating—and would be vastly appreciated by the Russian public, which has never been allowed anything of the kind.

TRADE WITH RUSSIA

No Mammoths in Sight

ALTHOUGH the Board of Trade will be represented in the party that is accompanying the Prime Minister to Russia, hopes of any considerable increase in the scale of Russo-British trade are not exactly high. During their visits to this country in 1956, Mr Malenkov, Mr Bulganin and Mr Khrushchev successively dangled long shopping lists in front of British noses, and then snatched them away, saying that Britain must first of all lift governmental control over trade with the Soviet block. An analysis of the list showed that a good half of the items allegedly wanted by Russia were not in fact embargoed under the western allies' agreements at that time ; and since then the controls have been greatly eased, but no mammoth orders have come crashing in from Moscow. There is some doubt about how, if they did come in, they would be paid for by the Russians, who have lately been inquiring for credits. In recent years they have held down the total of their direct purchases from Britain to well below the level of their own earnings from direct sales to this country.

The Soviet preference for keeping individual foreign trade accounts balanced as tidily as possible (which in part simply reflects over-rigid departmental bureaucracy) is a damper on hopes of any considerable trade expansion, for Soviet agencies have been finding it hard to offer British customers goods of competitive quality and price. On the British side, a further obstacle is the understandable reluctance of manufacturers to sell small numbers of machines and devices which, bitter experience has taught them, are liable to be shamelessly copied by the Russians and never bought again. Finally, there is Moscow's insistence on bottlenecking all contact through its heavily clogged and often obstructive " chief administrations " ; for a British salesman to get through direct to a Soviet concern which actually has a use for his product is usually as difficult as it is fruitful. Mr Macmillan and his party may bag the odd bear or two during their reconnaissance of trading prospects, but they could hunt deep into Siberia without ever getting a commercial mammoth in their sights.

THE WATERS CASE

Unavoidable Tribunal

DESPITE Mr Reginald Paget's pungently expressed misgivings about the recourse to a tribunal in the Waters case it is hard to disagree with Mr Leslie Hale, another old foe of tribunals, that the Prime Minister had no other choice. The two policemen in Thurso, who are alleged to have beaten up the fifteen-year-old John Waters, have in fact been " charged at the bar of public opinion." It can be a desperately unfair bar, and nobody suggests that they should be prosecuted simply because of a public outcry which is based on incomplete knowledge of the facts ; given this, a tribunal offers the best chance still open to the policemen to clear their names. A select committee of the House of Commons would be a much less desirable court, as some people's experience before the select committee on privileges has shown.

The Prime Minister has very properly agreed that a lawyer other than the Lord Advocate (the Scottish equivalent of the Attorney General) should present the evidence. What is not so certain is whether he has asked the tribunal the right questions. It is to inquire into the allegation that Waters was assaulted and into the action taken by the Caithness police. But in Scotland it is the Procurator Fiscal who, rather like the old grand jury, decides whether to bring a prosecution, not the police. Surely the tribunal should be asked to find out why the Procurator Fiscal decided not to prosecute the policemen and why, when the local MP, Sir David Robertson, raised the matter with the Lord Advocate he confirmed that decision? Admittedly the Prime Minister has a strong point when he argues that a Law Officer ought not normally to be expected to justify in detail the use of his quasi-judicial functions. Everybody must hope that the evidence before the tribunal will show that the Lord Advocate's decision was right. But, now that these allega-



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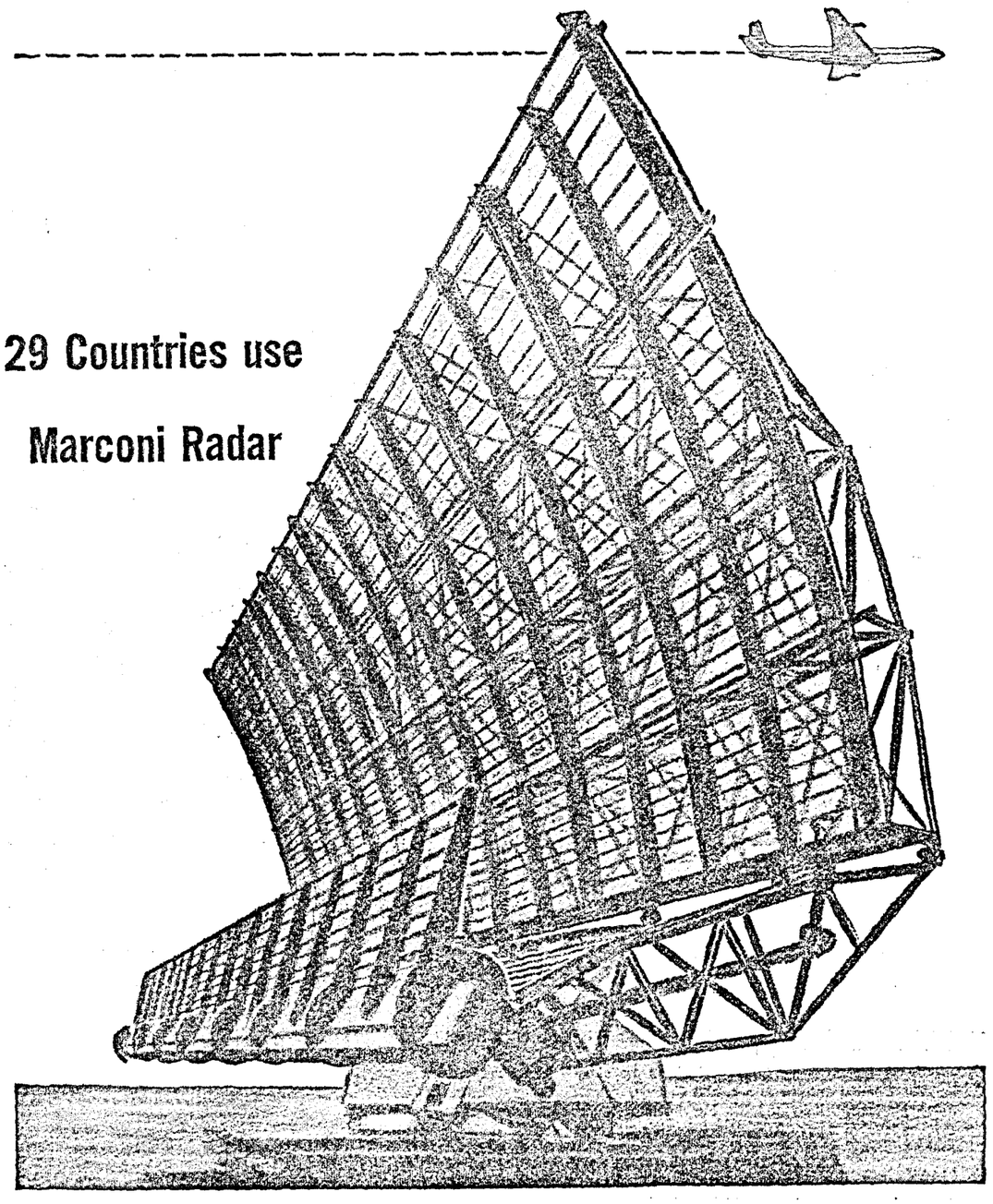
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tions have been sent flying about, by far the most dangerous of them is the suggestion that authority may have covered up for the policemen ; to probe that shadowy allegation is nationally much more important than to inquire whether the local policemen were rough. It is to be hoped that the tribunal will interpret its mandate sufficiently broadly to provide the country and the House with the opportunity to pass informed judgment on the official conduct of the Lord Advocate, not only on that of the Caithness police.

RATING REVALUATION

An Unwise Reprieve

THE Government's decision to postpone from 1961 to 1963 the next valuation of property for rating carries a definite whiff of political cowardice. At present houses are assessed for rates on 1939 rental values, although commercial and industrial properties are already assessed at current (or rather 1956) values. The main purpose of the new valuation would be to rate houses according to current rental values as well. To be ready on time (i.e., by 1961), the business of revaluation would need to be started this year. The Minister has now stated that this year is too soon after the decontrol of several hundred thousand houses under the Rent Act to get a fair picture of current house rents. One trouble about this argument is that it might be extended indefinitely. More than four million working class houses still remain controlled. Although it hates to be reminded of the fact, the Government (if it stays in office) should certainly be hoping to decontrol a further batch of these houses in the next few years. That could provide an occasion or pretext for further delay in rating revaluation. The cynical may also reflect that if valuers can still perform the contortions necessary to refer everything to a 1939 basis, they could surely apply equal ingenuity to the detection of current values.

Before the war, rating valuations were continually being twisted and shelved because of political fears that their results would be unpopular ; these distortions and delays had serious effects on local government finance and efficiency. It happens that the process of valuation was due to begin this year at a time when there is heavy political pressure on the Government to " encourage " houseownership (for a comment on the current campaign to " abolish the Schedule A " tax, see page 713). There is a great deal of muddle about how far rating revaluation would in fact penalise householders. It is true that the new valuations would double or treble the rateable value of most dwellings, but of course it would not lead to a doubling or trebling of the rates which houseowners have to pay ; all that would happen would be a small shift in the burden to them from the shoulders of owners of commercial and industrial properties, which are assessed at current values already. Moreover the effects even of this change could (and should) be substantially offset by withdrawing the 50 per cent and 20 per cent rating rebates which industrialists and shopkeepers at present enjoy. The net effect for householders as a class would probably be a modest rather than a large increase in their share of the rate load.

Is this prospect too frightening for the Government to contemplate ? If so, it ought to revamp the whole basis of local taxation so that it becomes more acceptable and elastic. For this course there is much to be said, and Mr Brooke has some expert suggestions to hand to help him. But there is nothing whatever to be said for announcing a plan for making rating as consistent and rational as its present basis permits, and then running away from it.

NUCLEAR TESTS

Murky Patches

MR ORMSBY-GORE'S statements in the Commons on Wednesday showed how little ground the Russians have yielded since the Geneva talks about halting nuclear tests began nearly four months ago. On the crucial question of the staffing of control posts and investigating missions, Mr Tsarapkin is still insisting that the actual staff must consist of nationals of the country concerned. In other words, " effective international inspection " of any suspicious signs that Russia might be secretly testing nuclear weapons would be left to the Russians themselves. Mr Tsarapkin has now, reluctantly and after weeks of hard going, been kind enough to concede that up to five foreign " observers " might be attached to each monitoring post, provided they do not have any part in its work. This is obviously sheer moonshine. Equally obviously, the Russians are taking care to keep the door ever so slightly ajar.

Mr Ormsby-Gore and his American colleague at Geneva, Mr Wadsworth, have been as patient as they have been persevering. Their present proposal about staffing posts and missions is that each should be manned half by " the other side " (i.e. Americans and British at posts in Russia, and vice versa) and half by nationals of signatory countries other than the three nuclear powers, and that the host nation could attach as many of its own observers as it likes. Thus the participation of, say, Indians and Swedes would guarantee Russia against the highly hypothetical risk of British or American staff raising false alarms—a risk which Mr Tsarapkin has very belatedly discovered, and which is now his sole flimsy excuse for rejecting effective international staffing. The real reason for this rejection is evidently instinctive Russian horror at the idea of submitting to any inspection at all, despite Mr Khrushchev's repeated promises to do so.

This is one shadowy, and self-contradictory, corner of the Soviet mind on which Mr Macmillan's trip to Moscow may shed a little more useful light. Other murky patches in the field of disarmament which call for inquiry and illumination were discussed in *The Economist* of January 3rd. Does Mr Khrushchev stand by his demand for total destruction of stocks of nuclear weapons, or by his admission (repeated as recently as last December, in his interview with the Noel-Bakers) that this is not possible ? And, in the light of the Geneva talks, what sort of " effective international inspection " have the Russians in mind for more general disarmament programmes—or, for that matter, for the new version of the Rapacki plan ?

TUNISIA

Shades of Sakiet

TUNISIA'S new quarrel with France (described in a despatch from Tunis on page 695) has produced a curious offer from President Bourguiba. He said on Tuesday that France could retain its naval base at Bizerta if, in return, it agreed to give the Algerian people their freedom.

M. Bourguiba cannot entertain the idea that his offer will find any takers in Paris. What remains to be seen is whether he seriously means to push his claim to Bizerta and to a frontier rectification in the south as part and parcel of the present crisis. So far he has been sensibly restrained, and M. Debré, too, free from parliamentary pressure, has been coolheaded. But Tunisian assertions of machine-gunning by French planes, and French disquiet at the suicide of one of the French officials held by the Tunisian police on a spying charge, have added to the existing tension. In such an atmosphere it seems unlikely that M. Bourguiba's earlier suggestion of a personal meeting with President de Gaulle can be realised.

Bad relations between Tunis and Paris have been exploited by the Algerian rebels in the past, and Algerian demands caused by the lack of equipment now being felt by the FLN forces in the field—which has already prompted the latest assaults on the Morice line by Algerian rebels from Tunisia—could conceivably push M. Bourguiba into an unpleasant choice between France and the rebels. At the same time, M. Bidault and the right-wing press in Paris seem to have been encouraged—as before the Sakiet bombing last year—to talk loudly once more of teaching the Tunisians a lesson. The turn of events after the momentary relaxation of tension caused by General de Gaulle's agreement to withdraw French troops from Tunisia last June has become increasingly dangerous. These crises are likely to continue as long as the Algerian war drags on.

NIGHT BAKING

A Crust for the Small Baker

MR GOODHART'S private member's bill to amend the 1954 Baking Industry (Hours of Work) Act, 1954, got through its second reading only after a mauling. The trade union MPs turned out in force to fight on an issue which they felt (in Mr Pannell's words) had "something of the mystique associated with the Truck Acts, some of the mystique associated with child labour in the Industrial Revolution." Indeed, some of them are no doubt displeased that so many of their colleagues took their usual Friday holiday from the House, so that only 114 Labour MPs mustered to vote against the bill, while 125 Tories were there to vote for it.

The 1954 Baking Act required a bakery either to operate a shift system that would enable workers to alternate between night and day shifts (which a big firm can easily do) or to decide to become solely a day bakery (in which case bread must be baked either after 5 a.m. on the day of delivery or before 10 p.m. on the previous evening). From this act, hardship arises in two ways: there is the small master baker who cannot do all the night work himself and wants a man to do night work with him, and the small master baker who can manage even under the act most of the year, but not during a rush period (e.g. in the holiday season at a seaside resort). The bill proposes that in such special circumstances small bakers, employing five or fewer workers, could ask the minister to grant exemption from these provisions of the act.

The trade union argument, shorn of rhodomontade, is twofold. First, the 1954 Act provided a four-year stay of execution during which bakers were to make arrangements to meet its provisions (for example by training confectioners to become bakers); their failure to do so, say the unions, is no reason to go back on the act after 14 months' working. The second (and more important) argument is that Section 9 of the 1954 Act did lay down a procedure under which bakers could get exemptions: if a blanket agreement could be reached between the bakery workers union and the master bakers' association, then the union could negotiate with individual employers about possible exemptions, and the minister could approve these. In Scotland a blanket agreement of this sort is in operation, but in England and Wales the union and the small master bakers (as distinct from the big plant bakers) have failed to agree; the union says that this is all the master bakers' fault, and that to pass Mr Goodhart's bill would be to go behind the back of the trade union movement. Their point is somewhat weakened by Mr Goodhart's statistic that only 10 per cent of the operatives in the small bakeries belong to the union anyway, while the association of small master bakers, on its side, is not (thank goodness) "exactly a monolithic pillar of strength." Although the Government itself is plainly not too keen on annoying the trade union movement on this relatively minor matter, Mr Goodhart should persevere with his bill.

CIVIL SERVICE SALARIES

Equating with the Outside World

WHEN the Royal Commission drew up salary scales for the civil service in July, 1955, it proposed that the guiding rule from then on should be fair comparison with remuneration in comparable outside jobs. Not surprisingly this principle, sound enough in theory, has been none too easy to interpret in practice. Since then the bulk of civil servants, up to and including principals in the administrative class, have received three general pay awards which have brought their present salaries 14 to 15 per cent above the 1955 scales. Outside these central settlements, the pay of the top civil servants is reviewed by an advisory committee under the chairmanship of Lord Coleraine; up till last week this committee had effected only relatively small adjustments since 1955, giving at the most to some an extra £200 but nothing at all to those in posts above £3,600 a year. Now this committee recommends, as from February 1st, all-round increases for higher civil servants ranging from £200 to £1,000 a year.

EXAMPLES OF PROPOSED CHANGES IN SCALES

(London rates)

	Current	Proposed
Administrative Class:	£	£
Permanent Secretary to Treasury..	6,500*	7,500*
Permanent Secretary.....	6,000	7,000
Deputy Secretary.....	4,250	5,000
Under Secretary	3,400	3,800
Assistant Secretary	2,200–2,700	2,400–3,000
Other Classes:		
Principal Executive	2,400	2,700
Chief Scientific Officer (and higher posts).....	3,150–5,000	3,500–5,800
Principal Medical Officer	3,000	3,300

* If two posts, as at present. For a single post the current rate is £7,000, proposed rate is £8,000.

Right at the top of the hierarchy the two permanent secretaries to the Treasury will, if the recommendations are accepted, each receive £7,500 a year—the same as a full-time member of one of the major public boards (the chairman of such a board receives £10,000). It is hard to believe that this is flying the flag too high. The total cost of the proposals, together with their effect on comparable grades outside the committee's scope, will be £1,500,000 a year. Admittedly they would raise the 1955 scales by some 14 to 20 per cent, rather more—before tax—than the rise in the rest of the service. But the Coleraine committee considers that a further review will be "unnecessary for some time to come."

The dignified infrequency of adjustments in top pay causes the committee to comment that they should not set the pace for salary increases elsewhere. Since, however, these salaries are among the few, at this level, that are fixed and made public, this advice has not much hope of being followed. At the other end of the civil service ladder, the principle of "equating with outside pay" has recently been put to the test in the clerical grades, after wrangles over the interpretation of the findings of the Civil Service Pay Research Unit. The tribunal awarded increases for the 175,000 staff concerned of up to 17 per cent—at a cost to the Treasury of about £7½ million, instead of the £3 million it originally offered. A male clerical officer can now earn up to £786; the Treasury's offer would have put the ceiling at £750, the staff side's claim at £880.

PERSIA

One for the West

PLAIN pro-western words have become rare in the Middle East. So entangled in the claims and counter-claims of the cold war are most of the peoples of the area that a clear statement of intention comes as a shock, bearing with it refreshing memories of happier days.

On February 16th, the Persian foreign minister, Mr Ali Ashgar Hekmat, announced that his government would sign a bilateral defence agreement with the United States before the Persian New Year, March 21st. This agreement has been in the diplomatic mill since last July when, in London, Mr Dulles all but joined the Baghdad Pact. It was not completed earlier because the Persian government demanded wider guarantees than the Americans were prepared to give—against trouble from unneighbourly neighbours other than Russia, and from internal upheaval.

While the Persians and the Americans were ironing out their differences, the Persians had a go at mending their northern fences. A Soviet deputy foreign minister arrived at Teheran on January 29th to discuss a treaty of non-aggression and co-operation. But the Russians' price for friendship was too high. They demanded Persia's withdrawal from the Baghdad Pact and in return apparently offered little more than a decent burial for the Soviet-Persian treaty of 1921. When the negotiations ended the Russians went away muttering about their rights, under the 1921 treaty, to move troops into Persia if the forces of a hostile third party should enter that country. The Russians prefer to overlook the fact that before the treaty was signed the Persians received a note from the Russian diplomatic representative at Teheran explaining that the articles pertaining to Russian intervention in Persia concerned only cases of danger to Russia from partisans of the Tsarist regime. It is now some 37 years since the workers and peasants of Russia ceased to be in danger from Tsarists hiding in Persia. The 1921 treaty served the purpose for which it was made. There is no connection between that purpose and the one the Russians claim for it now.

Pravda has been roused to predict that the Persian government will come to a bad end—look what happened in Iraq, it says. The familiar charges of a government's acting against the wishes of the governed are being heard once again. The Shah and his government have risked their future on alignment with the West. They will also have to gamble on broadening the basis of their support inside Persia at the expense of the vested interests on which they have hitherto relied. It may be easier to get arms and money from the West than to convince twenty million Persians that the new dawn will appear in that direction.

JAPAN AND KOREA

Who Goes Home?

THE Japanese and South Koreans, although still breathing heavily after last week's slanging match, have thought better of coming to blows over the repatriation of some of the 600,000 Koreans in Japan. Mr Kishi's government is anxious to get rid of a body of undesirable aliens, as it now calls the Koreans who arrived in Japan in imperial days and who, since the war, have found it hard to make a living there. Because many of the Koreans have fallen into indigence and crime, and have failed to take the legal steps that would have given them permanent residence, the idea of sending them home has been taken up with President Rhee in the past, without success. Now an unknown number of them—variously put at between 20,000 and 117,000—are said to be ready to go to North Korea, where the communist government, ready to pick up a trick, has promised them jobs. When it became plain that the Japanese, who all the while have professed humanitarian motives, were in earnest about the return, President Rhee promptly went for them.

On February 12th the South Koreans called off the present talks with the Japanese on establishing diplomatic relations, severed trade relations and declared that they would not release 160 Japanese fishermen now held at Pusan for having violated the extensive fishing limits known as the Rhee line. Although there was talk of South Korean naval vessels being ordered to intercept any Japanese repatriation ships going to North Korea, it has so far remained just talk. The Japanese have tried to pacify President Rhee by asking the International Red Cross to help in screening the Koreans to ensure that they do not apply for repatriation to the North under duress. American diplomacy, alerted and alarmed, is strenuously holding the two sides apart. Although the crisis looks like blowing over safely, things are still breezy in Seoul.

IRAQ

Qasim's New Ministers

GENERAL QASIM'S cabinet reshuffle on February 7th narrowed the basis of the Baghdad revolutionary government by eliminating ministers representing the Baath (socialist) and Istiqlal (conservative) parties. It can be argued, however, that party politics never meant much in Iraq, where the parties have never been well organised and have spent large parts of their lives underground. Their fortunes depended more on the influence of a few individuals than on broad support from a large number of voters. Since the revolution of last July, all parties have been

relegated to the limbo of a national front which they were ordered to join to prepare for the pure democracy promised once the transitional revolutionary period had passed. The reconstruction of the cabinet does not necessarily, therefore, have the significance in Iraq that it might have in a country where political institutions are more established.

Eight new ministers were appointed, four of them army officers who are probably as non-partisan as General Qasim proclaims himself to be. But the four new civilian ministers are men of proved ability who are moderate nationalists and more anti-communist than their predecessors. All of them held important government positions before the revolution.

Hussein Jamil, the new minister of propaganda, once accepted the post of minister of justice under Nuri es-Said against the wishes of his party, the National Democrats. Many people believe that his was the guiding hand of the revolution in its early days, but he soon withdrew from the scene to become ambassador to India. The new foreign minister, Hussein Jawad, was chief of the Iraqi delegation to the United Nations before the revolution. He was recalled by Nuri for having voted for Greece and against Turkey, Iraq's Baghdad Pact partner, on the Cyprus question. Hassan Talabani, a member of the Kurdish aristocracy, is the new minister of communications and public works. He is said to have governed more provinces of Iraq than any other person. Talat Shaibani was director general of the federation of industries under the old regime; he is now minister of development. It is too soon to say that the communists have been routed in Iraq, but the new appointments must give heart to the great majority of Iraqis who are not members of that party.

Baghdad and Cairo radios have, for the moment, stopped saying rude things about each other. The initial reaction from Cairo to the Iraqi offer of a truce was not encouraging but, having got in the last word, the Egyptians have turned their attention to the dangers of federation in south Arabia and to increased Jewish immigration into Israel. President Nasser may discover, after all, that the Iraqis are as Arab as he is, even if they insist on being Arab in their own way.

SCOTTISH TEACHERS

Only Graduates Wanted?

SCOTLAND suffers from a shortage of teachers in the same way as England and Wales; there are 1,850 unfilled vacancies in its state schools at the moment, and the shortfall is expected to be around 3,200 by 1961. A special Scottish committee has just issued its recommendations (Cmnd. 644) on what should be done about it. The committee consisted almost entirely of members of the teaching profession, and it is not surprising therefore that, while it made many sensible recommendations of a minor sort, its major recommendations are quite simply that, to meet the shortage: (*a*) pay should be put up; and (*b*) no teachers of lower academic qualifications should be taken on.

It is not easy to make direct comparisons between Scottish and English conditions. The Scots have a series of basic scales with relatively few special allowances, while in England there is one basic scale with many special allowances; moreover Scotland boasts of its rule that all male teachers in secondary schools (other than technical schools) must be graduates, whereas in England there is no such rule and the proportion varies from 80 per cent in grammar schools to half in other secondary schools. The essence of the Scottish committee's proposals, however, is that, in order to attract all the graduate teachers needed, there should be a general increase in teachers' pay and a sharp increase in differentials. These should be achieved by adding over £100 a year to the graduate scale, by vastly increasing the (few) Scottish special allowances, and, most important of all, by shortening the period in which a teacher reaches the top of the scale from about 17 to 10 years. This latter change would ultimately cost over £2,500,000 in Scotland (and probably £20 million in England).

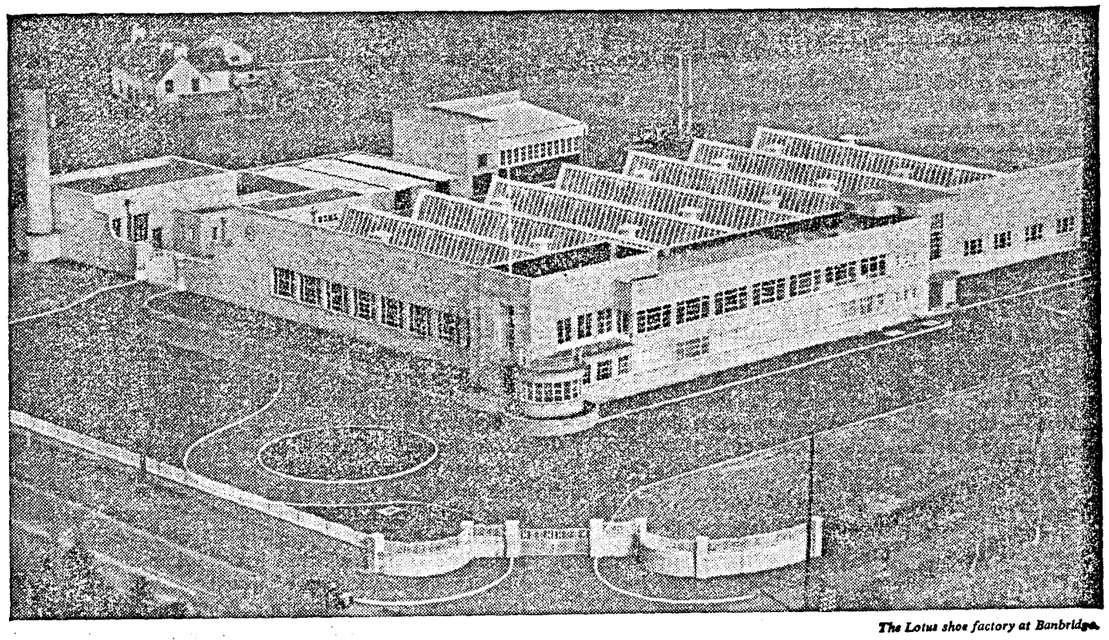
This is not quite all that the National Union of Teachers is demanding in England, but it would begin to approach it; and teacher for teacher the tendency is for Scottish and English pay to approximate. English teachers will therefore be watching closely what the Government does about the Scottish recommendations. On the Scottish committee only one of the local authority representatives ventured to dissent; in a reservation Miss Anderson, from Stirling, bluntly declared that higher pay would not bring in all the graduates needed, and that the right thing to do was to close a temporary gap with non-graduates of suitable character and maturity. To the outsider, the idea of encouraging higher differentials seems to be wise, the refusal to countenance any dilution by non-graduates (where graduates are not available) to be pigheaded, and the general increase proposed in the report to be very expensive; the Scottish Office should think twice before wearing all parts of the report.

CENTRAL AFRICA

Rhodesian Liberals Re-form

THE liberal forces in Southern and Northern Rhodesia have now rallied their scattered forces, and formed a new Central Africa Party which will fight the Northern Rhodesian territorial elections in less than three weeks' time. Sir John Moffat has resigned his seat as chairman of the African Affairs Board in the federal legislature in order to join in this venture with Mr Garfield Todd, who lost both his premiership and his seat in Southern Rhodesia last summer. The new party is dedicated to the propositions that future policy must remove from each race the fear that any single race may dominate the others and that every citizen must have the right to progress politically, economically and socially, according to his abilities without distinction of colour.

The party may, with luck, win four seats; in a divided house this might make it important. Its formation is a significant development for several reasons. It seems to unite all the liberal groups—the Capricornists, the former Toddites, and the Federal liberals. It aims to make an appeal to moderate Africans—both those who have the vote under Northern Rhodesia's incredibly complicated (and controversial) new franchise and those who may be elected or nominated on other tickets. It suggests that its leaders still hope that enough liberalism may survive the growth of extremism among black Rhodesians as well as white to make such a non-racial party possible. Finally, it clearly amounts to a vote by these liberal elements of no confidence in Sir Roy Welensky. When Sir Roy won his great victory in the federal elections last autumn, the liberals (and particularly Mr Todd) decided to hold their hands. They indicated that they were waiting to see if the prime minister, now assured of overwhelming support, would stop bidding



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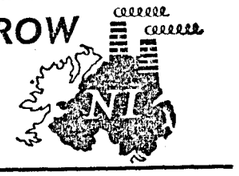
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against his right-wing opposition, the Dominion Party, and return to liberal policies. Evidently they feel that he has not done so.

A grim outlook faces the little band of liberals. Sir Roy has the big white battalions, the power and the press behind him. The African nationalists are reacting by becoming more extremist every day. In Northern Rhodesia the Kaunda party is gaining power in the African Congress and is seeking to break Mr Nkumbula (who wants Africans to vote in their largest possible force in the coming elections, instead of relying mainly on action outside the legislature). In Nyasaland the African Congress is increasingly determined on secession and on a racial "showdown with Welensky." The new party's problem is therefore to get enough support to force Sir Roy and the African Nationalists to listen to its counsels of reason. Since these counsels are the only real hope for the survival of the Federation or the principle of partnership on which it was founded, it must be hoped—though it cannot be expected—that they will succeed better than third parties usually do.

ITALY

Signor Segni's Experiment

MOST Italian governments since the war have been further to the right than the majority of Italians would like. Signor Fanfani's coalition of Christian Democrats and Social Democrats was an exception, but it lasted only seven months, and after a longish interregnum it has only been possible to find a successor by making a definite shift to the right.

Signor Segni, who announced his minority Christian Democrat cabinet last Sunday, does not, it is true, himself belong to the right-wing of his party; indeed, he has been associated with progressive ideas, and in De Gasperi's day played an important part in pushing forward agrarian reform—at the expense, incidentally, of his own Sardinian estates. When Signor Fanfani resigned, the Christian Democrat leaders suggested to the president that Signor Segni should be asked to head a left-centre minority government supported by the Social Democrats and the Republicans. But in the event, Signor Segni finds himself at the head of a right-centre government, dependent for his parliamentary majority on the votes of the Liberals and the Monarchists. (But he does not have to count on those of the neo-fascist MSI—which will, no doubt, nevertheless embarrass him with its support.) His programme, although allegedly based on Signor Fanfani's, has been greeted with approval by the right-wing press. And although—paradoxically—his cabinet is largely a reshuffle of old faces (among them left-wingers like Signor Pastore, Signor Tambroni and Signor Gonella) it contains in Signor Pella a notable accession of right-wing strength; Signor Pella as foreign minister is likely to eschew the Arab flirtations of his predecessor.

Signor Segni has yet to win his vote of confidence in the Chamber. He will probably succeed, if only because the contending politicians know that if this respected, though ageing, figure does not succeed, no one else is likely to, and few would welcome the hazards—and expense—of another election. Last time Signor Segni was made prime minister, in July, 1955, he confounded the Cassandras by staying in office for two years. It is doubtful if he can confound them a second time. The recent political crisis, which it is hardly an exaggeration to call a crisis of the parliamentary regime, has not had any salutary cathartic effect upon the Christian Democrats; the warring factions show no sign of sheathing their weapons for good.

EUROPEAN COAL

Barricades in Belgium

BELGIUM'S miners—many of them Italians—who are out on strike, cutting railway lines into France and barricading roads, are calling attention not only to their own plight but to the difficulties now besetting the Coal and Steel Community as a whole. Coal stocks at the pitheads of western Europe have been mounting for months, while demand has fallen seriously with the end of the boom. The community's high authority, in its latest report, puts the fall in apparent consumption in 1958 at 35 million tons, but since consumers have been deliberately running down their own stocks—built up in 1957—the real fall is closer to 15 million tons. Belgium and west Germany have been particularly badly hit. Beginning this week, when the high authority's earlier palliatives had failed to cope with the situation, the Germans have imposed a duty on coal imports from outside the community. Since the community has been embarrassed for some time by existing contracts, signed while expansion was at its peak, to import American coal, the high authority has been demanding a common import and stocking policy. Although appeals were made to the Americans not to stand on the letter of their contracts, they met with little response, and the German coal duty has made the whole matter more acrimonious than ever.

The Belgian difficulties are even more acute because of local failure to tackle them in the past. Since the transitional compensation payments ended in February last year the high-cost Belgian mines have found it hard to meet competition from the rest of the community. Rationalisation has become a necessity, but the miners have stubbornly resisted the closing of uneconomic pits. There were strikes against shut-downs in the Liège coalfield last June. The Borinage coalfield, in the south, where the present troubles began, has had uneconomic pits in production since before the last war. The stern measures—amounting to a cut of one-sixth in total Belgian production—announced on Wednesday are overdue, but the Belgian miners are inclined to blame the high authority's policy of continuing to encourage output during the last two years, despite the signs of recession, for some of their present difficulties.

EUROPE IN PARLIAMENT

The Commons and the Common Market

THE interesting feature of Mr Maudling's postmortem on the negotiations for a free trade area in the Commons on February 12th was his preoccupation with the idea, advocated in the debate only by the Liberals, that Britain should consider joining the common market. His discussion of it was remarkable both as a demonstration that nobody has yet thought of any other feasible alternative to the free trade area, and as proof again that the arguments against joining the common market, though formidable, are still far from conclusive. Mr Maudling stressed, naturally but unspecifically, the problems posed by the Commonwealth connection; and insisted, with the eager endorsement of Labour spokesmen, that public opinion is not presently prepared for the ultimate political consequences of the common market. The fact is, of course, that whether or not British membership could be achieved compatibly with its special interests and obligations cannot be decided until a genuine attempt to join has been made. This process of trial is the way in which the free trade area project was pursued and found—by the Europeans—wanting.

Mr Maudling's conclusion from his survey of the stricken field was that the idea of a free trade area was still the best—which might well have been true if things in Europe had been different—and that the "compulsion on European statesmen" to find a solution would drive them back to it in the end. It is hard to see his grounds for this hope. It suggests once again that the continental Europeans and their British allies are still living in two different worlds.

The case for joining the common market was put moderately and well by Mr Bonham Carter, and was vigorously supported by one Labour backbencher. The Labour party, understandably in view of its own record in European policy, had little that was constructive to suggest. But Mr Harold Wilson's friendly references to the common market's plans for harmonisation of social laws and for European investment suggest that he at least has realised that M. Monnet's technocrats are the Labour party's natural allies. If this rather elementary thought had struck the party nine or ten years ago, Europe would have been spared many of its present pains.

WAGES IN TELEVISION

Too Kind

THE spectacle of a trade union leader sputtering with indignation because his members are being paid more money, and announcing that "this practice must stop," has an Alice-in-Wonderland charm. Like so many other Wonderland phenomena, however, it turns out when closely examined to have in certain circumstances a logic of its own. Sir Tom O'Brien, MP, secretary of the National Association of Theatre and Kine Employees, is exercised because the commercial television programme contractors, flush with profits and capital gains, have spontaneously given their employees higher wages without so much as a by-your-leave gesture to NATKE. He has said that this is "a dangerous innovation in British industry."

It is not in fact an innovation; in many other industries prosperous employers pay wages consistently above union minimum rates. But one sees Sir Tom's point. If unions are to be taken seriously by their members, if their leaders are to enjoy prestige and command loyalty, they must be able to claim with some colour of verisimilitude that only their constant vigilance and militancy protect the workers from exploitation. The decent course, from the union official's point of view, is that employers should eschew spontaneous wage offers and participate at stated intervals in an agreed *pas de deux* of claim, rejection, counter-offer, rejection, strike threat, and abject surrender. Sir Tom must envy those American union leaders who were, some years ago, able actually to obtain an injunction against an employer who announced a wage increase before they had claimed it, on the ground that he had infringed that provision of the Wagner Act which forbids activities aimed at undermining union authority.

Sir Tom's policy now is to seek a meeting with the commercial television companies to ensure that they will "consolidate" the new rates in a final union agreement; he is concerned that now "you have two scales of pay operating in television, and the process could be a progressive one with a trade union agreement laying down rates of pay which mean nothing at all with the higher rate established by the employer." But is this not precisely the case against consolidation? If each NATKE member is to get a "consolidated" rate for the job, that rate will tend to be lower than the best that could be paid by the commercial companies—since the BBC is in no position to match these; and the beneficiaries of the commercial companies' openhandedness will not be pleased. If the differential established *de facto* between BBC and commercial rates is given official, and presumably permanent, NATKE sanction, then the BBC's employees will be (in Dr Wodehouse's phrase) if not disgruntled, still far from actually gruntled. Sir Tom, in fact, is in a cleft stick. He may not like the implied reflection on his union's importance. But it would seem to be wiser for him to lump it.

The Economist

FEBRUARY 19, 1859

TOWARDS THE WELFARE STATE

One of the most satisfactory symptoms of the age is the growing interest manifested in the condition of the great mass of the industrial population by the classes whom fortune or merit, personal or ancestral, have placed in a higher station, and endowed with leisure to think of something else than the daily provision of daily bread for themselves and their families. Agitators may rant, and narrow men may lament from a narrow point of view, over the selfishness of the rich; but it is a truth of no small importance to those who believe in social progress, that year by year the sympathies of the higher orders for those below them are more and more vividly called forth by the industry which brings to light what was before "out of sight and out of mind"; it has been seen but recently how fast money pours in for charitable purposes, when once the purpose and the necessity are brought to the notice of those who have the money to give; and it is evident from the publications of the day that many thoughtful and earnest minds are busy in the study of all questions that relate to the destinies, the wants, the prospects of the poor—and that the results of their study command wide interest and general attention. This is a happy sign of the times; an omen of cheering augury for the future. True, that many of these students have studied to little purpose, and under no wholesome guidance, and, therefore, produce schemes devised in utter disregard of practicability and common sense; true, also, that many of them indulge in vituperation sufficient to supply their lack of argument. Nevertheless, the subject constantly attracts greater attention, and acquires greater distinctness; higher and broader views of social duty become prevalent; and the prospect of improvement, where improvement is most needed, grows nearer and more promising.

Appointments, Business and Personal notices, and other Classified Advertisements pages 728 and 739

The Anatomy of British Trade Unions

A Special Survey in Two Parts

Last February, "The Economist" published three articles on trade unions and the law. Two articles this week examine the character of the unions and their role in the postwar economy. The structure and internal politics of the unions will be discussed next week.

The Men Who Matter

BRITISH trade unions today are ponderously powerful bodies. Their negotiations on behalf of their ten million members effectively determine the wages and conditions of most workers in industry; they are represented in politics by over one hundred members of parliament; they straddle the country's wage fixing and consultation machinery from the factory floor to the civil servants' office; and they play an integral—if passive—part in the social horizons of the British worker. Recently, they have also, through their wage claims, seemed to do the country a good deal of harm. But the unions themselves, like any social organism, are far more human and far less desiccated than the outward appearance of their wage claims alone would suggest.

The unions no longer contain as much of the humanity and moral fervour as was needed to bring them through their early struggles. To some extent, they are now just a trained (not always a particularly skilfully trained) corps of bargainers, whose say has been increased, but whose spirit has been eroded, by the power and security that full employment brings. But not by any means entirely. For in spite of the television that diffuses its middle-class values in the average working-class home, the union spirit still remains. Its strength varies from dominance in the crafts and in the oldest industries (such as mining, the railways and steel), to casual acceptance in many branches of light engineering, in shops and in the rather self-conscious white-collar unions. These feelings are not often lucidly expressed. But when they are put to the test, by seeing whether the average worker will accept any change in his working methods without his union's sanction and whether any workers will blackleg on a strike (even an obviously unprofitable one), the same resolutely negative answer nearly always emerges. To the adult worker, solidarity with his mates still matters.



For the general ignorance that exists of the unions as a living institution rather than as an economic embarrassment, the unions themselves are much to blame. They still think of themselves as private fraternities, whose dealings with outsiders need to be cloaked in the same secrecy as necessarily surrounds their dealings with employers. Their idea of public relations tends to be to issue polysyllabic obscurantisms when they have a bad case—and much the same polysyllabic obscurantisms when they have a good one. The result is that the public image that the unions have created—or failed to dispel—among all save their most devoted sympathisers is of the poorest. It is compounded of visions of apathy, of communist infiltration, of disputes and of minimal attendance at branch meetings. But some of these rather depressing facts—and especially the apathy—are common to all democratic institutions. They do not contradict the fact that a man will trust his union as much as he trusts anything. Admittedly, this trust does not extend to paying the union very much money. Dues and the salaries of most trade union officials are now kept so low by the votes of union members themselves (much lower in real terms than before the war) as seriously to prejudice both the quality of service that the unions offer and their staying power in disputes.

1. The Character of the Unions

WHAT then are the outstanding characteristics of most of the men who do the real work in running the British unions—the sort of men who eventually fill about three-quarters of the places on the TUC's general council, and perhaps a rather smaller proportion of the most important branch jobs in the meanwhile? The first impression is that they are devoted to keeping their organisations very much alive, but in a way almost exactly opposite to that suggested by the prodigality of their wage demands. Life as this type of keen unionist sees it tends to be a serious business. He has hard work to do for his union and his district—and also, unless he is a full-time official (there are only 3,000 of these), for his employer. Quite often he is concerned with committee work on his town's government and local authority agencies (such as those dealing with national assistance and unemployment), and with local Labour party work as well. The rather solemn—though by no means humourless—frame of mind that this hard work engenders is often reinforced by two other factors. The first is the low church beliefs of many union officials, which

are still reflected in their rule of widely addressing each other as "brother." The second is the almost universal — and distinctly hidebound — belief amongst unionists in the sober traditions of the past. Evolution and not revolution, the philosophy of the early craft leaders, is still the keynote of most of British trade unionism today. There is little liking here for syndicalist ideas, nor for the trade union capitalism of the United States (which leads union leaders there to claim that they should match their opposite numbers in business in the sumptuousness of their living). Instead, the average British union leader is orthodox labour in politics, modest in person, and highly conservative in opinion.

Nothing shows the conservative and non-revolutionary character of this type of union leader more clearly than his attitude towards education. Education is the key to advancement in society as it stands: the unions' almost mystical belief in education is the touchstone of their belief in society as a whole. Almost all unions maintain a thriving education department, and union publications are stuffed with (often poorly organised) information and statistics. Moreover, to judge by the number of leaflets enclosed in union magazines, commercial publishers find in unionists a ready market for encyclopædias, dictionaries and maps. But even in trade union education (and especially at the labour colleges like Ruskin) the old-fashioned socialist morality persists. This morality shows itself in many forms, but in none more clearly than in the traditional union claim that a fair day's work, in whatever job and whatever the value of the goods produced, deserves not less than a fair day's pay.

2. The Doctrine of Fair Wages

THIS concept of a fair price is basic to union thought—and to too much of business thought as well. Its application in practice by the unions is bedevilled by intense and persistent disagreement between craft and general unions about what is a fair demarcation or a fair differential for skill. But in wage bargaining fairness has its own particular logical danger. For when a typical union and employer sit down to discuss a wage claim, they tend to talk at cross-purposes. The union justifies its claim by last year's profits in the industry or by the rise in the cost of living since the last award, both of which are irrelevant to the employer who is planning for the future; and the employer replies by stressing the dangers that any award will have on future prospects which—being largely a matter of general trade conditions and outside the hands of the individual worker—are considered to be irrelevant by the union. The result, in conditions of inflation, has often been a "fair" increase, a more or less half-way increase at arbitration or a similar compromise. In settlement after settlement during recent years, especially in the nationalised industries, wage increases have been determined in this way, instead of on the principle that workers should be attracted out of less productive jobs into more productive ones.

This has been a hell of a way to run a railroad, let alone a great national economy. The major economic problem of this country in the next few years is clearly going to be to escape to a system in which market forces, rather than abstract concepts of fairness, will determine the price of labour, as well as the price of everything else. But the feeling that wages are a matter of social justice rather than mainly a function of customers' demand is now very deeply ingrained. Anybody who supposes that a return to a policy of economic determination of wages can be quickly and easily secured by political intervention—for example by hammering out an agreement between even the most right wing trade union leaders and a Government with which they are in political sympathy—is almost certainly wrong.

3. Restrictive Practices

TO some extent the same is true of the other escape that is so obviously necessary—away from trade unions' instinctive caution when dealing with changes in industrial techniques. All union leaders insist that it is one of their main duties to examine the impact of new methods on their members' livelihood and where possible to resist redundancy (which means, at times of slack working, getting a shorter working week rather than negotiating redundancy agreements, which are only acceptable at times of booming trade). When this examination becomes slow or hostile, restrictive practices emerge. These restrictive practices are, to many businessmen, the most irritating of all aspects of unionism—and rightly so. Their cost in terms of economic progress forgone, as in the docks or the shipyards, is enormous; and the shop-steward bosses, who often impose these restrictions, are a grave industrial problem in themselves. Brakes on production are also rife among the demarcation-conscious—and often declining—craft unions. But it would be a mistake to be too pessimistic on all scores. The problem of restrictive practices is especially acute in the declining industries; many have grown up in an atmosphere in which declining firms have been protecting themselves by market sharing agreements as well, and against those government policy is now having some success. Usually—though not always—when a union in an expanding trade remains completely opposed to new methods or spends years in an inter-union dispute as to who should use them, management is also at fault. Good companies rarely have this trouble. The unions, like anyone else, respond badly to bad handling; and personnel management, being often used just as a shield between the real management and the unions, has hitherto got neither the men nor the respect in Britain that it deserves. Moreover, it is only the cases of restriction that get publicity. The unions also help to raise productivity through bodies ranging from the British Productivity Council (which the TUC helped to set up and to which it contributes £2,500 a year) down to the numerous productivity committees and works groups on the shop floor. It is surprising how often one meets a union official who spends most of his time arguing with his members—or more often with local shop stewards—in favour of management schemes for introducing piecework, streamlining production and the like.

4. The Union Official

THIS, however, immediately raises the question for how how long this type of hard working official is likely to remain in abundant supply and in even half-effective control. One of the major problems here—the rise of a totally different and highly damaging ethic in some sections of the shop-steward movement—will be discussed next week. This is not—despite isolated examples, such as that of the communist ETU—an immediate threat in the top places of British trade unionism. Usually, for reasons that will be discussed later, the top union leaders can in effect designate their own successors, and they naturally choose men of their own kind. But a major problem is how long there will be many men of their own kind available.

The average, old-fashioned union official is not in the job

for the money—he would resign office at once if he were. He has deliberately accepted, as a matter of principle, much less power than is commonly credited to him in the day to day affairs of his union. The unions dislike all aggregations of power and wealth, including those in their own organisation ; and their rule books see to it that officials have as few privileges has possible. One result of this has been that too few able men have recently been seeking union office. Older men prefer to stick to their jobs ; young men, who might in the past have taken a job before they were fifteen and later made a career in the unions and risen to leadership, are now creamed off into the universities, management, and the Tory suburbs. Moreover, the chance that a mass of outsiders (such as working-class intellectuals in the back rooms of the TUC) will ever get into the main stream of union office is remote ; in general, life service on the job is still a must. Thus the next generation of union leaders will have to come through the secondary modern schools and apprenticeship courses, at a time when neither is geared to the needs of the really able child. Prospects for future leadership are thus not bright. It is in the light of this that all the problems set by and for trade unionism need to be considered, beginning with wages policy.

The Wage Drift

THE rise in wages since the war has been persistent but by no means uniform, either between different years, different industries or different groups of workers. Very broadly, three phases can be distinguished *since 1946:*

(1) **In the five years before 1951,** increases were held back by the wage freeze policy of the unions themselves, with the result that the standard of living of those union members who were paid no more than agreed industry rates actually fell during the period. There was, however, a compensating rise in earnings for many workers ; this is considered below.

(2) **Between 1951 and 1955,** wage rates rose steadily and fast ; but they tended to rise fastest of all for pieceworkers and for those whose rates were fixed on the work floor and were thus not subject to the institutional delays of national bargaining or wages council machinery. (Indeed, by about 1954 some advertisements of jobs vacant would boast "not union rates," meaning "higher than average wages paid"). Another change in this period was in the form of nationally negotiated wage advances, which switched from a general basis of equal cash increases to one of equal percentage increases.

(3) **After 1955,** wage increases became more seasonal, grouping themselves closely round the settlement of one or two major claims in such industries as the railways or engineering. And since early 1957, the whole pace of advance has slowed considerably. In 1958, the average increase in rates was close to 4 per cent and the average time between increases was stretched to 14 months ; this compares with an advance of 10.5 per cent in 1951. But since 1955, of course, production has stopped rising too.

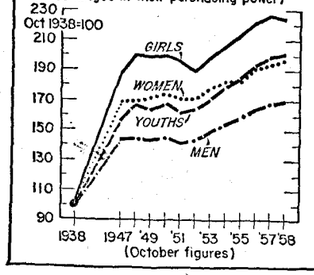
5. *Earnings and Differentials*

During the first two of these periods, and to some extent until 1957, there was a significantly greater rise in earnings than in wage rates. This rise had several causes, of which three can be singled out as most important. The first was the spread of piecework during the war and in the first postwar decade ; in 1938 piecework agreements covered only 33 per cent of manufacturing industry, by 1955 they covered 40 per cent. (This trend has since been slightly reversed.) The second reason for the rise in earnings has been the increase in overtime worked since 1938 ; this has been effected by working hours remaining constant at roughly 46½ (although, once again, with a slight fall since 1957) while the standard working week has been progressively reduced. The third important reason for the rise in earnings has been payments by employers above agreed industry rates. These plus payments are particularly common in engineering (where they have led to considerable friction between the employers associations and individual firms, and even, as in the case of the Standard Motor Company, to the firm temporarily leaving the association), but almost non-existent in building, agriculture, and public employment generally. In 1957, earnings reached a peak of 41 per cent above wage rates ; since then however—and particularly with the spread of short-time working—this margin has declined.

Another trend in wages since the war—although, again, especially in the pre-1955 boom period—has been a narrowing of differentials. This has been true of all types of differentials, between skilled and unskilled, between young and old, between workers in London and those in the provinces and between blackcoated and manual workers. The trend was particularly marked before 1951. The narrowing of differentials was, in part, the logical outcome of changing techniques in industry (which made greater use than before of unskilled and semi-skilled labour) and of the end of the scarcity value of literacy ; craft unions naturally

REAL HOURLY EARNINGS

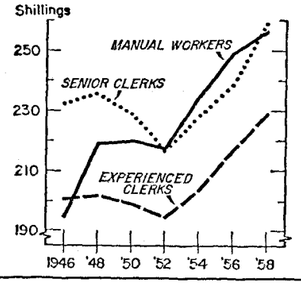
(Changes in their purchasing power)



UNSKILLED AS PERCENTAGE OF SKILLED RATE

	Engineering
1880....	60·0
1914....	58·6
1925....	70·9
1935....	71·9
1940....	77·2
1945....	81·9
1950....	84·7
1955....	85·2
1958....	83·2

OFFICE V FACTORY



Plottings relate to weekly earnings of males in terms of 1958 hours of work and purchasing power.

Sources: Ministry of Labour half-yearly earnings survey of manual workers. The office managements associations biennial survey of clerical salaries.

also lay some blame for it on the growth of general unionism and the decline of craft unionism. But much of the great "levelling process" of the immediate postwar years seems to have been the product of demand inflation. It is noteworthy that after 1951, when demand inflation tapered-off slightly, equal percentage rather than equal cash increases became the common feature of most union claims, so that the closing of differentials was slowed ; and recently, with demand inflation all but gone, some differentials have actually widened. Clerks' wages have risen more than those of manual workers in the last two years, and top workers like senior civil servants are getting increasing sympathy and money. It remains to be seen whether the previous trend towards a narrowing of differentials will be resumed when the economy starts expanding again.

6. *The Causes of Rising Wages*

THESE are the facts of the postwar wage rise ; to explain them adequately is harder than might appear. For there have been three different—but interdependent—causes. The first has been the general overfull state of employment, which has meant that (until recently) demand for labour has outstripped supply. The second has been the rise in manufacturers' prices—partly because of market shortages and rises in import prices, but also because of the effect on prices of wage increases in the previous year. (By the canons of fair wages, these price increases, however induced, have generally been taken as sufficient grounds for yet another wage rise). The third cause has been a greater or lesser degree of trade union pushfulness, within Britain's peculiar institutional, and particularly arbitrational, structure. Each argument has its own supporters ; indeed, it has lately become an academic fashion to try to give statistical weights to each. But, once again, a fairly clear distinction can surely be drawn between experience before 1955 and experience since then. Until 1955 the main impulses behind wage inflation were undoubtedly the excess demand for labour and increases in the retail price index (including increases caused by higher import costs). Since 1955 demand for labour, as for other productive resources, has slackened somewhat, while import prices have fallen ; and institutional factors have played a much bigger part in allowing wages to rise.

It is usual, especially among foreign holders of sterling, to regard the strength of the trade union movement as the most important of these institutional factors. But it does not square very well with the fact that the few major strikes for higher wage rates in this period have almost all been lost. A much better case can be made for saying that the real trouble lies elsewhere : that in the boardrooms of the nationalised industries, in the arbitration courts and in the Minister of Labour's *ad hoc* courts of inquiry the non-economic doctrine of the "fair" wage increase (discussed in the previous article) has been raised to the status of a national principle. One prominent arbitrator has privately but candidly described his system of arbitration as follows :

> Find out the amount that the union is really aiming to get (this is usually a lower figure than its published claim) and the amount that the employer is really resigned to have to pay. Often there is hardly any difference between the figures, and then the arbitrator's task is easy. When there is a difference you usually have to split it, but preferably you should never split it exactly fifty-fifty or you will cause an awkward precedent for next time.

In nationalised industries which are allowed to operate in deficit, and are therefore divorced from some of the ordinary disciplines of the market, employers have no objective means of working out what they "are really resigned to pay"; they have therefore often let their offer drift up to equal what the union bargaining with them "is really aiming to get." This system, of course, does not operate in a vacuum. Arbitrators' attitudes towards claims are liable to change with the general climate of opinion and of economic circumstance ; they, like the employers, were notably severer last year than at any time since the war. But this cursory review of experience before and after 1955 carries some important implications for policy.

7. *Conditions for Price Stability*

THE conditions for breaking the wage spiral in Britain seem to be three. First, because a rise in retail prices always exerts some upward pull on wage rates, it is necessary to win a breathing space in which there is stability in the cost of living. There is at least some hope that such a breathing space has been won now, partly because of last year's lucky fall in import prices and partly because a fortuitous political circumstance may offset the likely tendency for import prices to rise again this year. The trade unions are not at this moment inclined to push hard on their own section of the wage-price spiral, for fear of embarrassing the Labour party by a show of unpopular militancy just before the general election. Transport House now recognises that the main swing of floating opinion back to the Conservatives last year occurred during the London bus strike.

Secondly, grievously though politicians hate the thought, it is almost certainly going to be necessary to accept, as a permanent feature of our economy, a slightly higher level of unemployment than was tolerated in the boom years up to 1955. There are signs that this trend, too, may now be in train. Even if production rises again in the next three quarters of this year, recent experience in America and in our own motor industry suggests that unemployment may fall less than proportionately. Considerable economies in the use of labour have been put into effect in many factories during the recession.

Thirdly—although this is another point to which there is strong political resistance—some changes are going to be needed in the methods of wage arbitration. The abolition of the Industrial Disputes Tribunal is a forward step here, but, if Britain intends really to stop inflation, it is unlikely to be sufficient. An overhaul is also going to be needed of the wage policies of nationalised industries that are in deficit. In years in which other industries are granting wage increases it will probably never be regarded as politically possible (or socially "fair") to insist on a complete wage freeze for them alone. But at the very most, nationalised industries in deficit should never be allowed to do more than follow the pattern set by other industries ; they should never be allowed to set the inflationary pattern at the very beginning of a wage bargaining season.

Those seem to be the preconditions for avoiding wage inflation, while allowing the economy at last to start expanding again. They present some political nettles, but they are not impossible ones to grasp. They certainly do not involve anything so illiberal as a legislative showdown with free trade unions ; it is not in their wage bargaining power that the latter have become "overmighty subjects." Trade union forcefulness *per se* has probably not played a decisive part in post war wage inflation ; their depleted strike funds in any case have not allowed it.

LETTERS

Shareholders and Directors

SIR—The concept of a property owning democracy when applied to the rights of equity shareholders is meaningless. In the large majority of cases they are investors purely and simply, seeking the best return on their capital. They are not interested in the running of a company nor indeed have the moral right to such an interest.

A board of directors should give prior notice to its shareholders of their intention to transfer the control of the company, but only for the same reason that parents make public the forthcoming marriage of their children. Many more vital decisions are of necessity taken from day to day affecting the prosperity and the very existence of the company, on which it is impossible and impracticable to consult shareholders.

The overworn attempt to establish the moral right of equity shareholders to a say in the affairs of the company stems from an unnecessary sense of shame at the vital part that private investment and unearned income plays in the system under which we live. We feel compelled to justify morally, and thus legally, the power that money can buy.

We must once and for all accept the relationship of equity shareholder to company for no more than it is—the same as that of punter to racehorse.—Yours faithfully, D. B. SWIFT
Paula Works, Liverpool

★

SIR—May I emphasize two points: the importance of some "personality" holding sufficient shares to give control if the company is threatened with nationalisation; and the proprietary rights of the corpus of shareholders as opposed to those of "fragmentary" shareholdings?

In the Court of Appeal in 1947, Lord Justice Evershed in the Short Bros. case was giving judgment in the application of para (5) of Regulation 78 (Defence (General) Regulations 1939) and was concerned only with "the value to the shareholder of his individual holding." When the case went to the House of Lords in 1948 Lord Porter said:

> As to the alternative argument that the value of the business as a going concern should first be ascertained, and then that global sum should be divided in due proportion between the different classes of shareholders, no doubt if the regulation had stated that the shareholders were to receive the value of their shares calculated on their value on the sale of their business as a going concern the appellants' claim would be correct.

Lord Uthwatt said:

> If some one shareholder held a number of shares sufficient to carry control of the company, it might well be that the value proper to be attributed to his holding under the regulations was greater than the sum of the values that would be attributed to the shares comprised in that holding, if they were split between the various persons. The reason is that he has something to sell—control—which the others considered separately have not.

There is no doubt that the corpus of shareholders have certain proprietary rights which may have to be tested in the courts. In the meantime is it not incumbent on boards acting in the interests of their companies to assist the organisation of shareholders so that it is possible for them to act in concert?—Yours faithfully, H. A. FAGAN
Liverpool, 3

Potatoes

SIR—In your issue of February 14th you say the Potato Marketing Board ". . . clearly means to play extra safe by restricting supplies. . . . if the board's policy of restriction should lead to a potato shortage later in the year . . . the public revolt against the board could become a major affair indeed."

Potatoes are a guaranteed crop under the Agriculture Acts and the Government, who may have to pay the piper, have stated the tune as follows:—"The present acreage is sufficient in years of normal yield to meet all our requirements of maincrop potatoes. The yield per acre varies so greatly from year to year that an acreage which would supply all our needs in years of low yield would involve excessive Exchequer liability in years of average or high yields." (*Hansard*, August 1, 1958: col. 208.)

When that statement was made last August the area planted by registered producers was 670,000 acres. The board's quota decision for 1959 is 60,000 acres more than this; it will be almost, if not quite, equal to what was planted by registered producers in 1956 when, owing to a high yield, there was a surplus of over a million tons, of which over 300,000 tons could not be used even for stockfeed at a give-away price.—Yours faithfully, ROSCOE HERBERT, General Manager
Potato Marketing Board,
London, S.W.1

The Supply of Teachers

SIR—You conclude that another 100,000 teachers would have to be trained in order to achieve the Labour party's objectives of reducing all classes to a maximum of thirty and of raising the school leaving age by a year. This conclusion ignores the existence of a reservoir of teachers who are already trained—namely, married women who could work part-time but who are not able to take on full time jobs. Many of these women would be glad to teach either in the mornings or in the afternoons, but there is little opportunity for them to do so. Few part-time teaching posts are available except in grammar schools, and even these are mainly for scientists and mathematicians.

No one would deny that the employment of part-time teachers would—as in the case of part-time nurses—present problems of organisation and staff management. But if the use of qualified and experienced married women in a part-time capacity would permit classes to be made smaller, surely the head-teachers would, in the interest of the children, find ways of overcoming the difficulties.—Yours faithfully,
London, W.11 JENNIFER JENKINS

Walter Bagehot

SIR—May I ask, apropos your reviewer's discerning notice on Mr St. John-Stevas's new book on Bagehot, that any readers of *The Economist*, whereof he was the great formative editor, should communicate to you any remembrances or documents concerning him? The forthcoming volume on him*, which many of us warmly await, will help in his overdue appreciation by an age he faintly foresaw. Yet as your reviewer said last week, time and mischance—especially, in the case of *The Economist's* files, enemy action—have dealt shabbily with his literary remains, records and remembrances. When I first had the good fortune to serve on the staff of your paper twenty-six years ago, I remember the death of Mrs Russell Barrington at an advanced age; she was Bagehot's sister-in-law and the last of "the old ladies" who were once the young daughters of James Wilson, founder of *The Economist* and Bagehot's father-in-law and tutor-editor. It would be a service to this great editor's memory, and to posterity, if you, Sir, could assemble from many parts whatever material about him and his work may remain.

May I add that twenty-six years ago the late Mrs St. Loe Strachey—Nassau Senior's grand-daughter who died in her nineties in 1957—told me that she remembered Bagehot calling on her mother about her father's (Mr Simpson's) illness, she being a girl of ten. She said he was by far the most handsome man she had seen, and that in an age innocent of analgesics he had said "Pain is the very worst thing in life!" (How that dates as Victorian today.) She also told me that it was Bagehot who wrote the perceptive obituary in *The Economist* of 1864 on her grandfather entitled "Mr Senior." These trivia may be worth recording.—Yours faithfully, GRAHAM HUTTON
London, W.1

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* "The Spare Chancellor": *The Life of Walter Bagehot.* By Alastair Buchan. This will be published by *Chatto and Windus* in the early autumn.

BOOKS

Banking Partners

Benjamin Strong: *Central Banker*
By Lester V. Chandler.
The Brookings Institution, Washington. London: *Faber.* 495 pages. 43s.

BENJAMIN STRONG, first Governor of the Federal Reserve Bank of New York, is chiefly remembered in this country as the staunch friend and colleague of Montagu Norman. Strong was born in 1872, a year after Norman, and he died in 1928, twenty-one years before Norman. They first met in 1916, so that their association was confined to about a dozen years and, as Norman did not become Governor of the Bank of England until 1920, their active collaboration as heads of the two leading central banks of the world to only eight years. It was in this brief period (during a substantial part of which he was incapacitated by illness) that Strong performed his life work as

> together with Montagu Norman . . . a principal architect of world monetary reconstruction after World War I and a leader in an unprecedented development of international central bank co-operation.

Before the opportunity for international financial co-operation arose, Strong had played a leading part in transforming the Federal Reserve System from the blue print sketched out by the Federal Reserve Act of 1913 into a live and viable working organisation. From the start, says his biographer, Strong dominated the Federal Reserve system. He conceived its position as that of master, not servant, of the banking system. "It had to have power, prestige and dignity; its position should be comparable to that of the Bank of England." If Strong had not had these ideals for the Federal Reserve System, if he had not had the will and power to get them accepted, the New York Reserve Bank would never have been in a position to co-operate effectively with the Bank of England or any other central bank.

Mr Chandler's life of Governor Strong is the counterpart of Henry Clay's life of Governor Norman. Both of them are largely devoted to tracing the part played by their heroes in the intricate web of domestic and international financial events of the times. The events are now of only limited interest. The specialist may still find it worthwhile to compare the accounts given by the two biographers of the evolution of the German reparations problem, the return of sterling to gold in 1925 and the help given by Britain and the United States towards the stabilisation of the franc, the lira, the zloty and the leu. The "general reader" is more likely to dip into Mr Chandler's book with the limited objective of discovering whether it gives a more ample and human account of the now legendary friendship of the central banking Nisus and Euryalus. For the most part, Mr Chandler's account, like Sir Henry Clay's, is from this point of view rather disappointing. Norman and Strong "liked each other immediately." They agreed on many general principles: that central banks should be independent of political control; that they should not deal with foreign governments but only with foreign central banks; and that international co-operation on monetary matters should be entrusted mainly to central banks. They saw eye to eye on most practical issues. And so on.

In the end, nevertheless, we discover that, like other close friends, they could on occasion quarrel. And from Norman's last letter to Strong, quoted by Mr Chandler, we get a glimpse of the strong emotional content of the friendship.

The quarrel—both men were ill at the time—was, of all improbable things, about a proposal to give help to the Roumanian leu. It took place at the last meeting between them, and it stung Strong to remark in a letter to Governor Moreau of the Bank of France that, though he had a deep affection for Norman, the latter had certain personal qualities of which he heartily disapproved.

Norman's last letter, written on learning of Strong's decision to resign and only a month before his death, begins, "Dear old friend, how hard and cruel life is." It remarks that with Strong's resignation "the curtain will be rung down on *our* stage." Then comes this revealing passage:

> But what a stage ours has been over these ten or twelve years! Unique, imaginative, far-sighted. Your early dreams set a goal before a world which was then so distracted as to be blind and credulous. Now that goal has been pretty well reached little by little and your dreams have come true over the years and I have watched the process (as no one else has done) with affection and pride.

Strong died in October, 1928. He died before the financial crash that began a year later, the crash that drove America to national and Britain to international bankruptcy. It is of course visionary to suppose that the continuance of the Norman-Strong partnership could have prevented those events and so, very possibly, the Second World War. Even so, one can surely now agree that their goal of international financial co-operation, which after Strong's death receded so far into the distance, has now again been "pretty well reached" and that the Norman-Strong partnership was not altogether in vain.

God's Lonely Man

The Individual and the Universe: *BBC Reith Lectures 1958*
By A. C. B. Lovell.
Oxford University Press. 111 pages. 10s. 6d.

NOTHING man has achieved has so upset hallowed, traditional, doctrinal and prevalent views of the universe as the curious probings of astronomers. There were just as old, hallowed, doctrinal views of what happened in men's bodies. Yet the probings of the anatomists, or the analyses of the biochemists, did not kick up half the dust. Darwin and Lyell, late in the arena where the scientific and the religious proponents clashed, certainly had a *succès de scandale* for a little over half a century. But by and large, from ancient Greece (and for all we know, Mexico, Egypt and Peru) to the western Renaissance and Enlightenment, the astronomers have been knocking one accepted cosmology, one "cosmoscope," one view of our universe down after another; and, which is saying a lot, their disputes today seem wider and wilder in speculative range than those of the economists. In the period in which the Russians got the sputnik up and got within snook-cocking distance of the moon, it was a happy thought to invite the director of the world's largest radio telescope at Jodrell Bank, the Professor of Radio Astronomy in the University of Manchester, to give the Reith lectures on the BBC. He has made of it an elegant, humble, tentative, yet factual and authoritative job. The resultant book contains passages which the exigencies of broadcasting time had to excise, and the author appends a brief foreword. One only regrets that there is no equally brief bibliography and index, for in this vast sandwich there is an awful lot of meat and very little bread.

Dr Lovell's first lecture, called "Astronomy Breaks Free," is a masterpiece of exposition about comparative magnitudes. If anyone, young or old, spent their half-guinea for this alone, they would have their money's worth and their mind's fill. He shows that our newest probes of the universe—whether farther by radio or nearer by optical telescopes—take us "farther" than ever, but *farther into the past* whence the faint lights of outer space began scores, hundreds, thousands, millions, and even hundreds of millions of years ago. The eye of the present glued to the eyepiece seizes the gleam of a little candle, travelling since long before Magdalenian or Aurignacian man. "Beyond the utmost bound of human thought" (Tennyson), or "As far as thought can reach" (Shaw), or "Mind at the end of its tether" (Wells)—these half-poetic statements reflect more accurately today the problem posed by astronomers. We already know that in so vast, and randomly moving, a universe, we and other stars are rushing "outwards" at prodigious paces. Some stars we once saw have already gone, their brief candle out as far as our eyes can see, though we may yet trace their presence by radio

waves: a quaint conceit today by contrast with the ancients' "music of the spheres."

> We may therefore be near the limit of our scientific knowledge of the universe as regards its extent in time and space and the cosmological implications of the observations now in progress have assumed an unparalleled significance.

What happens, then, to our existing theologies, dogmas and philosophies—socio-political as well as religious, collective as well as individual—when the astronomers (as they may well soon do) provide a literal meta-physics, a system of thought and logic about "things," functions and happenings "known" to exist, but beyond any physical measurement, observation and explanation? What happens when they establish that human measurement of time cannot hold for this meta-physical universe lying so "far" in space-time "behind" our living observers in observatories? What *happens if, soon,* they find out that galaxies, indeed universes, are being created and uncreated all the time; that "the expanding universe" is not infinite; or that it works like an accordion; or that everything is random and sporadic once you get the scale vast enough? What will church and state say then, and to whom? How will it affect the little man?

Professor Lovell thinks that of recent years the agelong cosmological issue "has crystallised into a conflict between these evolutionary and steady-state theories of the origin of the universe." He also thinks that we are on the verge of settling whether our universe started from a single act of creation and has ever since been "expanding down" or "down-and-out" (if you like), or whether it is ever-recreating itself. "Only the materialist can turn aside unmoved by the prospect." Yet "any cosmology must eventually move over into metaphysics *for reasons which are inherent in modern scientific theory*" (reviewer's italics). As that is where modern scientific theory has arrived since the challenges of *Galileo and* Darwin, Bruno and Lyell, the ordinary man—looking up on a clear November night at the just visible nebula in Andromeda, light from which takes two million years to reach him—may well conclude that it is better to travel hopefully than to arrive. It is enough that the butcher and baker and milkman keep to their daily orbits, and that Big Ben is "on time." Life must be lived in the little things, on the small scale, for brief pygmies on one of the smallest stars in an insignificant galaxy. Humility is not always the hallmark of scientists. But it is of Dr Lovell, and his lectures bequeath much of it to his readers.

Response to Disturbance

The Strategy of Economic Development

By Albert O. Hirschman.
Yale University Press. 231 pages. $4.50.

REFLECTING in tranquillity, as a research professor at Yale, on his extended experience of Colombian economic development, Mr Hirschman has written a cogent and wise book on the early stages of economic development.

His thesis is, essentially, this: the transformation of a relatively stagnant *traditional society into* one which has learned how to grow is likely to come about through a series of constructive responses to the pressure and tension that upset its equilibrium. The strategy of economic development, therefore, is to bring about these challenges, selectively, and then to ensure that the responses to them are sufficiently constructive.

Mr Hirschman does not agree either with those who believe that a neatly balanced growth is a possible objective of policy; or with those who contend that brutal dictatorship is the essential condition for overcoming the resistances of a traditional society to self-sustained growth. He starts by examining the insufficiency of two familiar bodies of thought about economic growth.

First, he looks at the doctrine that the prime mover in growth is to be found in a shift of psychological attitude from fatalism to an individual striving for material objectives. With his knowledge of Latin American experience, he suggests that economic growth requires the pursuit of both individual and group objectives; growth can be obstructed as well as helped by the pursuit of individual advantage alone. Thus a first requirement is to bring about a setting which offers incentives for an appropriate mixture of private and communal enterprise, of innovation and consolidation.

Those who argue for balanced growth, centrally planned and devised, misunderstand the living process by which growth proceeds. "Invention is the mother of necessity," he argues; it is the disturbing and unbalancing process of innovation, setting up chains of response, direct and indirect, which is the essence of the transition of the traditional society into regular growth.

This process of unbalanced growth—rooted in the creative disturbances of innovation—is then systematically examined according to the key decisions that have to be made: the apportioning of investment between social overhead capital and directly productive activities; the interdependence of developments within the industrial sector; the extent to which inflation, balance of payments pressure, and population pressure can be either creative or frustrating in their consequences; and the dynamic effects upon growth of interregional and international impulses.

In the end the goal of public policy is balance. But it is a balance achieved by harnessing and leading a living process, creating tension, while keeping this tension within reasonable bounds. With admirable perspective, Mr Hirschman brings his argument back to the mainstream of economic thought by linking this theory of creative disequilibrium to the conventional notion that investment is a response to the "outcropping of profitable opportunities."

There is one major gap in his analysis —as there is in the analysis of other economists who have lately widened their horizons to deal with economic growth. This is the lack of any serious analysis of the role of politics in this transition from traditional status to a state of growth. Leadership is required at every level to transform a traditional into a growing society. That leadership most come, essentially, from a thin and literate elite; and its direction will be substantially determined by the objectives of those who hold political power. Only a glance over the southern half of the globe will show that the modernisation of the economy is not the only possible objective of governments in transitional societies. An effective programme for economic development requires that economists shall absorb not merely the insights of the sociologist, psychologist, and anthropologist, but also the still older insights of the political scientist and diplomatist as well.

Bloknot Agitatora

The Third World War: *Trade and Industry. The New Battleground*

By Harry Welton.
Pall Mall Press. 336 pages. 21s.

THERE is a Russian journal with the title of this review, which even the linguistically unqualified should be able to translate. And here is its English-language counterpart: hard-hitting, passionate (which the Soviet Agitator's Notebook is not), but ill-arranged, one-sided, shy of basic issues.

Thus the book ranges widely over all aspects of communism, and Poland is mentioned twenty-eight times. There is much stress on the Lodz strike and the Poznan riots, but not one word on the changes that came after October, 1956; we are not even told to shrug them off as temporary—for the author they do not exist. Or, again, chapter 7, of twenty-one pages, is devoted to communist intrigue in the Middle East; the Suez affair is not mentioned once. Clearly the author, who is also throughout most *polite to the trade unions and Labour* movement, wants to avoid controversy; but only a very ill-informed reader will retain his confidence after such an omission.

In a short book about almost everything any reviewer can pick out inaccuracies. But here are some very odd statements (our italics):

> "Syria, *now with Soviet approval* joined with Egypt and the Yemen as the United Arab Republic . . ."; "Why did Russia deal so ruthlessly with strikers in East Germany, Hungary *and Poland. . .* ?"
>
> On page 286 the Soviet index of pre-war industrial production is apparently accepted as true;

And such errors are by no means peripheral, but basic to the themes the author has chosen. Moreover the basic theme of all, that communist economic imperialism is now the main threat, is extremely doubtful (for instance the author seems quite unaware of the statistical insignificance of Soviet foreign aid); yet he nowhere tries to prove it.

It is easy to sneer, but the thing could surely have been better done. "To arouse the apathetic, to shame the lazy and to encourage and arm with facts those already engaged in the struggle"—these are worthy aims, but to carry conviction one must be scrupulously accurate, willing to admit one's own faults, and sensitive to changes in the mood and style of one's opponent. Few of the readers for whom this book is intended will know exactly where it offends against these canons, but nearly all will infer from its tone that it does. Popularisation, one is forced to conclude, demands greater genius, greater pains and greater scholarship than any mere original research.

Determined Environmentalist

Journeyman Taylor

By Griffith Taylor. Edited by A. A. MacGregor.
Hale. 352 pages. 25s.

PROFESSOR Griffith Taylor is the most controversial figure that geography has produced in this century, at least in the English-speaking lands. His views on the part taken by the physical environment in determining man's activities would be accepted by few academic geographers today, yet they have been widely diffused by his many books and by the original, idiosyncratic and unforgettable maps and diagrams that are their characteristic feature.

Oddly and appropriately enough, there could scarcely be a better example of environmental control than the development of Professor Taylor's ideas, as outlined in this book. His years of battling to make Australian politicians adjust grandiose land-settlement projects to the stark and simple realities of their arid environment would have made a determinist of almost any geographer. It is no wonder that, assailed by cries of "slanderer, traitor, Jeremiah and Counsel for the Yellow Peril" for daring to point out that Australia had deserts, he emphasised a simple and direct control of nature over man with a vigour embarrassing to his colleagues working in older and more complex societies. Clearly his years in Canada, another country with a pioneer fringe still battling with a difficult environment, gave him no cause to modify his opinions.

But as its title suggests, this book is concerned less with ideas and their development than with journeys. The lengthy accounts of Professor Taylor's travels are unfortunately not much more than bare notes from a diary, spattered with rather technical references to phenomena of geological or geographical interest. Yet the reader is left at the end with respect for a man of courage, who sailed on Scott's last voyage, who never feared to maintain unpopular opinions, and who did not turn aside from the opportunities that life offered him.

Spain, Christian and Muslim

A History of Spain

By Harold Livermore.
Allen and Unwin. 478 pages. 30s.

Andalus: *Spain Under the Muslims*

By Edwyn Hole.
Hale. 189 pages. 18s.

PROFESSOR LIVERMORE, of the University of British Columbia, offers us the whole history of Spain in a volume of 450 pages. He begins with the climatic conditions of the Iberian peninsula more than twenty millennia ago and ends with the assumption by General Franco in 1948 of power to grant titles. The task of selection and compression has been competently performed. The author has the necessary knowledge, and possesses the gift of summing up the characteristics of a period in a few clear and striking phrases. But extreme compression has its drawbacks. When the author writes with regard to General Primo de Rivera's seizure of power in 1923 that "it was generally supposed that the chief object of the coup was to prevent the publication of the report on the disaster of Anual," the reader is given no means of judging whether he is to consider this uncharitable judgment as justified or not. Nor on such a vast canvas can occasional slips be avoided. The Almohads of Morocco drew their strength not from the tribes of the plain but from mountaineers who had to fight for years before they could descend from the Atlas. General Silvestre's ill-fated advance of 1921 was surely directed towards Alhucemas, westwards, not towards the east.

Nor is the statement on the dustjacket that the book is particularly suitable for students really justified. The beginner requires something simpler and more schematic; the advanced student much more detail. The work will be most appreciated by those who already have a general knowledge of Spain and its history and are glad to see how their own fragment of the jigsaw fits into the whole picture. For this purpose the book is excellently adapted, making a general impression of completeness and dependability. If not so "immensely readable" as the publishers suggest, the narrative is agreeable, though not always very easy.

Mr Hole deals only with the little known period during which Spain was as much Muslim as Christian. After a long career in the Levant Consular Service, he profited from five years as honorary Vice-Consul in Malaga to study the writings of a number of scholars, mostly Spanish though some French, dealing with Muslim Spain. Realising the importance and interest of their researches, he set out to make them known to English readers who are not familiar with the language of the originals. His method is to concentrate on the picturesque, presenting it some-

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times in his own language and sometimes in that of earlier narrators. The result is a scrapbook, based on such themes as the People, Administration, Love, Poetry, Fun and Games. The style sometimes descends to the lower levels of journalese—for instance, when, apropos of Arab poetesses, the author remarks that "a few blue-stockings comet across the firmament." Erudition occasionally stumbles as well. On one page it is said that the dynasty of the Ziris in Granada held out till the end, namely till 1492, while three pages later we are informed (correctly) that the last Ziri sultan composed his memoirs in 1090, nearly four hundred years before the end. The Mozarabe rite is not Arabic, but Latin; it is in fact the old Spanish rite of Visigothic Spain, preserved by the Arabised Christians in the south after it had been displaced by the Roman rite in the north. The thanks of readers of English are, all the same, due to Mr Hole for introducing them, in a very lively manner, to an unfamiliar world about which a journey in southern Spain gives nearly all travellers a desire to learn more.

An Unorthodox Textbook

Concepts and Cases in Economic Analysis

By Aaron W. Warner and Victor B. Fuchs.
Harcourt, Brace & Co. 353 pages. $2.75.

THIS is an extremely interesting experiment in economic teaching. It is less a textbook in the usual sense than a teacher's aid or study-group manual. Its method is well indicated by its title. The student is in effect introduced to a bag of conceptual and practical tools—beginning with the notion of functional relationships between variables, such elementary terms as "demand" and "cost," such devices as charts—and immediately given the chance to use each on particular cases (some invented but mostly drawn from news reports or current controversy) chosen for their clear illustration of the point under discussion. This "use" sometimes means finding an answer to a practical problem; more often, it means sorting out a semantic ambiguity, spotting a fallacy, or merely distinguishing the economic from the non-economic elements in the situation presented. Towards the end of the book, when macroeconomics raises its ugly head, the method works less well, the "cases" being mostly themselves theoretical statements and the practical instances being unmanageably complex. But even here the habit of exactly weighing meanings is usefully exercised.

A separate "instructor's key" is provided, giving answers to the several hundred questions in the book. On the whole, the obvious danger of cut-and-dried dogmatism or superficiality attaching to this device has been avoided; though a teacher who invariably rejected as "wrong" any answer differing from that in the "key" would give his students a shockingly erroneous idea of what economics can do. Often the answers are themselves questions, isolated and re-phrased so as to elicit a key point for class discussion.

There is no descriptive, institutional or historic matter; unlike so many writers of American economic textbooks, the authors attribute to their readers the capacity to digest more than one book per course. Surprisingly, they give no suggestions for such concurrent reading. This is the more a pity since their book may well have an extra, and entirely legitimate, attraction for the inexperienced teacher, pulled into economics from some related field, who would need and welcome guidance. The standard of *difficulty* is variable but not severely taxing. What does get taxed is the reader's willingness to use initiative and give close attention. The best of traditional textbooks can be abused by passive assimilation and regurgitation. With "Concepts and Cases" this is impossible, and to have made it so is a real achievement.

Marxism in Russia

Soviet Marxism: *A Critical Analysis*

By Herbert Marcuse.
Routledge and Kegan Paul. 271 pages. 28s.

THIS book is the result of research undertaken at two distinguished American centres for Russian studies, the Russian Institute at Columbia University and the Russian Research Centre at Harvard University. Like all the products of these institutions, this is a thoughtful, scholarly and interesting work. Mr Marcuse has set himself the task of discovering the function which Marxism, as a body of doctrine, occupies in Soviet society including the influence that it exercises on that society's future development. The method employed is that of "*immanent* critique." This means using for the analysis of Marxism its own conceptual instruments.

The method has obvious advantages if it can be made to demonstrate, as Mr Marcuse succeeds in doing, some at least of the inherent contradictions to which, in the best Marxist tradition, Soviet society with its Marxist ideology is subject. But it does not make for easy reading. Anyone, unused to the Marxist terminology which so easily degenerates into jargon, will find this book hard going. It is, however, on the whole an effort worth making even though no very clear-cut conclusions are reached at the end.

The book is divided into two parts. The first and considerably longer one deals with the basic conception of Soviet Marxism as a unified theory of contemporary history and society. The second part deals with Soviet ethical philosophy in order to analyse the reaction of the "human material" to the tenets of Soviet Marxian theory and to the goals set by it which "Soviet man" is supposed to attain.

Briefly, what Mr Marcuse tries to demonstrate in his first part is that the specific forms which Marxism has assumed in the Soviet scheme of things —"Soviet Marxism"—are ultimately determined by the objectives of industrialisation and the conditions under which it is carried out, above all by the basic circumstances of antagonistic competition with the West. Mr Marcuse finds some interesting parallels in the consequences which total industrialisation has called forth in the two systems. He has much to say on the similarity of the resulting patterns of attitude and organisation: the political and cultural centralisation which is promoted by highly rationalised and centralised businesslike management. He believes that in the West this has meant "a corrosion of the humanistic liberal ethics," centred on the idea of the rights of the individual (the old system of values surviving none the less, though in contradiction to prevailing practice). Liberal ethics had no place in the Soviet state; therefore, that state had to create its own system of values concurrently with the process of total industrialisation.

The high degree of similarity between the "featured values" of Soviet ethics and "bourgeois" ethics is further examined in the second part. Mr Marcuse concludes that there are serious contradictions between the moral and ethical system established in Soviet society and the reality of the political system. This, he believes, carries potential dangers for the Soviet rulers, since both technical-economic pressure and ideological pressure work in the same direction—toward the relaxation of repression.

Legal Jungle

The International Law of Art

By Barnett Hollander.
Bowes and Bowes. 363 pages. 63s.

THERE is room for an authoritative book explaining the regulations and summarising the case law of civilised countries in respect of works of art. Mr Hollander's chapter headings suggest that, despite his title (there is no *international* law in art matters), this was what he set out to provide. In particular, such subjects as the copyright in pictorial art, a painter's rights in his work regardless of its ownership, auction sales and warranty, the position of professional experts, fakes and forgeries, "slander of property," and trade practices—all these aspects of the art world abound in dubieties on which a clear, informed legal lens could throw a very welcome light.

Mr Hollander's near-400 pages contain a good deal of instructive browsing for professionals, whose ears twitch agreeably as old scandals and skulduggeries come up for mention. But even they, let alone laymen seeking not entertainment but enlightenment, will be maddened by the repetitions, the inaccuracies, the lacunae and the imprecisions which disfigure this rambling book; and they will be disappointed of any clear-cut summaries of what the law is (even in England) on these various difficult points—though they might think themselves entitled to expect these from an author who describes himself on the title-page as "of the New York Bar" and dates his preface from Lincoln's Inn.

AMERICAN SURVEY

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

Mr Dulles in the Background

WASHINGTON, DC

MR DULLES has been carried off the bridge just as American foreign policy has begun to feel the tide tugging at its moorings. His second attack of cancer comes when there are signs of a rising willingness, both within the Administration and among the Democrats in Congress, to look afresh at the whole German problem. Having concluded last week, when it was hoped that his illness was not serious, that Mr Dulles was virtually irreplaceable, as indeed he is, the Americans are now having to ask whether they will not after all have to replace him. In spite of the brave assertion of his doctors that he has a "fighting chance" of resuming at least part-time duties, and the stiff-lipped refusal of the President to talk about a successor at his press conference on Wednesday, three of the half-dozen most influential newspapers in the country have said this week that Mr Dulles should hand over his duties as Secretary of State and the *New York Times* has suggested that his advice may be more important than his physical presence.

Most doctors agree that, even if the radiation treatment works well, Mr Dulles will be unable to pick up again all the threads of detail which he loves to run through his fingers. Those who want him to resign argue that it will not suit his style simply to exercise a general supervision over major decisions of policy; his strength has always lain in an ability to base his judgment on a mass of details acquired by grinding hard work. There is also a half-spoken suspicion that the judgment of even the granite Mr Dulles cannot be wholly unaffected by the pain, the private distress and the need for constant treatment that go with his condition. In about a month's time someone has to represent the United States at the meeting of the four main western foreign ministers due to be held before the North Atlantic Pact gathering on April 2nd. This meeting will have the delicate task, on the basis of the tidings Mr Macmillan brings back from Moscow, of putting a batting-order on the various possible proposals for reunifying Germany which have just been catalogued by a "working party" of the four nations. It is believed that the State Department would like to delay the meeting as long as possible and to shift it from Paris to Washington; even so, it might still have to refer to Mr Dulles's convalescent room.

If Mr Dulles does uproot himself, the gap he leaves will be a measure of his real and remarkable stature. Dr Adenauer is only one of the crusty old allies of America—Dr Rhee and Marshal Chiang are others—who seem to soften, if at all, solely to his touch. The icy displeasure with which Bonn greeted even Mr Dulles's minor heresy about dealing with the East Germans as "agents" of the Soviet Union bodes ill for any tyro, like Mr Herter or Mr Dillon, the present Under Secretaries, who tries to move away from the conditions laid down by the West in 1955 for the reunification of Germany.

Even more important is Mr Dulles's enormous—and consistent—influence on President Eisenhower, himself ailing and weary. It has been cogently argued by Mr Joseph Alsop that the chief need for Mr Dulles in the next few months might well be to screw up the President's nerve to take a momentous decision; the decision might be either to order the tanks through the road-barrier to Berlin, or to abandon the old formula for reunifying Germany. There is reason to believe that Mr Dulles has sided with the British as a moderating influence on the question of access to Berlin. So far he has over-ruled the chairman of the Joint Chiefs of Staff, General Twining, who has been voicing a far more bellicose readiness to seize upon a blockade as an excuse for a showdown. Even if Mr Dulles gave up the Secretaryship, he would still be available for consultation as an elder statesman. But the President, ever the proper soldier, likes to work through channels; it is impossible to believe that Mr Dulles's authority would be undiminished.

Left to himself, Mr Eisenhower would not necessarily grow more intransigent. There have been a few minor crises, as at Little Rock and when Mr Nixon was mobbed in Venezuela, when he has hotly ordered out the troops; but twice in 1954 he over-rode recommendations which might have led to war with Communist China. Nevertheless, in the vacuum that would follow Mr Dulles's retirement, the voices of others would certainly be heard more loudly. General Twining's is one. Another, probably more pacific, is that of Mr Nixon, whose presidential ambitions make him eager to play a larger role in policy-making and to earn a reputation as a man of peace.

IT is small wonder that the inhabitants of the State Department feel rather like the ark without Noah; not even the hope that Mr Macmillan may now bear back an olive twig from Moscow in his beak removes the feeling that the waters are rising. Last week Senator Mansfield, the Democratic second-in-command in the Senate, broke the ranks of bipartisanship in a speech which said that free all-German elections were an "unrealisable slogan," urged the two halves of Germany to discuss the "harmonising" of their systems, and called for an unspecified amount of disengagement.

Although Senator Johnson, the Democrats' leader, described it as a "great speech," and Senator Clark went so far as to claim that a majority of Senators were ready to consider disengagement, this does not quite amount to the emergence of an opposition policy for Europe. Mr Dean Acheson, the Democratic ex-Secretary of State, would

certainly not agree with it; Mr Paul Nitze, the former State Department officer who is another of the Democrats' leading spokesmen on foreign affairs, has his reservations. But Senator Fulbright, now chairman of the Senate Foreign Relations Committee, has already said that disengagement should be at least discussed with the Russians; in Congress pressure on the Administration is likely to mount.

And the Administration itself is far from single-minded. The uncertainty extends beyond the problem of access to Berlin, in which the reported differences between the British and Americans seem to have cloaked a disagreement among the Americans themselves. Some time ago Mr Dulles called on the State Department to produce all the new ideas on German reunification it could think of, and at least some of these are now contained in the working party's list which the allied foreign ministers will brood upon next month. Some press reports have suggested that the department is looking most favourably on ideas—such as the thinning out of forces in Germany, and a promise to keep western troops out of the east zone altogether—which would simply sweeten the pill of free elections in the hope that the Russians may yet swallow it. But probably the list also includes more radical ideas for an alternative road to reunion if the Russians continue to block free elections. Until the allied ministers meet, it is hardly possible that a decision can be taken on whether or not to embody these in western policy.

It is the more important that the United States should be effectively represented at this meeting. The State Department reasonably says that little more can now be done until Mr Macmillan finds out whether the Russians seriously wish to negotiate about Germany as a whole. But then two great decisions may have to be taken. If the Russians refuse to talk about Germany, and simply press their demands on Berlin, the western ministers will have to decide whether the appearance of East Germans at the checkpoints is really to be met by the threat of force. If the Russians agree to talk about Germany, but not about free elections, the question will be whether (in Senator Mansfield's phrase) there are acceptable ways of starting to "harmonise" the regimes of the two halves of Germany. The ideas circulating in Washington suggest that these would have to include, at least, an independent all-German judiciary and some kind of guarantee of free speech for the East Germans. Long and complex negotiations would then be required. If so, and if Mr Dulles has to retire, his diamond-like mind will be sorely missed.

Aide for Aid

THE appointment of Mr James Riddleberger to head the International Co-operation Administration, the agency which handles the economic side of foreign aid, means that an experienced career diplomat has been conscripted into a post which is well known in Washington for being hard to fill—and hard to keep filled. No one seems able to stand more than two rounds of the annual struggle with the stingy congressional committees which dole out the financial life blood for what the Administration considers to be almost the most vital part of its work abroad. Mr Riddleberger, as a devoted government servant, presumably had no choice but to accept the job, and the Senate Foreign Relations Committee will presumably have no choice but to confirm his appointment, since its new chairman, Mr Fulbright, has recently been insisting on the necessity of nominating only fully-qualified candidates for diplomatic posts.

Most of Mr Riddleberger's career has centred round Germany, but he had some knowledge of economic affairs even before he went to Jugoslavia as Ambassador in 1953; for the last year he has been Ambassador to Greece. Economic assistance plays a large part in America's relations with both countries. Whether or not Mr Riddleberger will be as good at his new job as would have been the man who was supposed to get it is another matter. Ever since it has been known that Mr James Smith was to leave the ICA at the end of January, it has also been known that the State Department, and particularly Mr Dillon, who is in charge of economic matters there, wanted the new head of the ICA to be Mr Henry Labouisse. Mr Labouisse, a foreign service officer with special experience of foreign aid before he transferred to the United Nations, retired last year after directing the Relief and Works Agency for Refugees from Palestine since 1954, a thankless task for which he nevertheless has received many well-earned thanks and which has taught him how to do a great deal with little money and how to deal with trying people.

But unfortunately nearly twenty years ago Mr Labouisse registered as a Democrat and, even more unfortunately, he lives in Connecticut, the home state of Mr Alcorn, the chairman of the Republican party organisation. Since Mr Alcorn's influence over Republican supporters—and over their pockets—depends upon his power to promise them good jobs, he apparently regarded the proposed appointment of Mr Labouisse as a personal affront which he could not allow. President Eisenhower maintains that no one has the right to veto his selections, but in fact he did not select Mr Labouisse—although he did not select a Republican either. Mr Riddleberger's appointment is non-political but, at a time when the Democrats are waving the axe over foreign aid, a political appointment—of a fully qualified Democrat—might have been more helpful.

Music from the Underworld

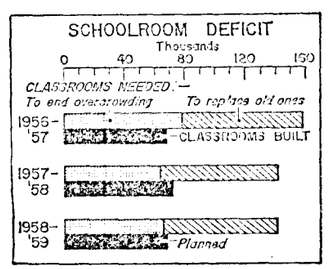
THE juke-box, the big coin-operated gramophone, is standard equipment in most American bars, cafés and restaurants. But it does not usually belong to the proprietor. He leases it from an operator who services the machine and collects the takings. Juke-boxes alone are estimated to bring in $300 million a year; gambling machines and innocent ones, for amusement only, take the total up to about three-quarters of a billion dollars a year. So lucrative a cash transaction has an understandable allure for gangsters who can use it to conceal their revenues from prostitution, dope peddling and gambling. Moreover, ownership of a string of juke-boxes provides regular contact with a host of small businessmen through whom other activities can be run. When the McClellan Committee on Improper Activities in the Labour or Management Field lifted the lid off the juke-box in its hearings last week, it revealed a perfect Social Register of eminent thugs, many of them Italians alleged to be members of the shadowy Mafia.

In this industry labour relations surely are at their most improper. Trade union branches are created by gangsters and their henchmen, witnesses admitted, purely to police the proprietors of "locations"; if businessmen lease their music from a competitor, a picket line usually brings them to heel with its threat of early bankruptcy. If not, strong-arm men are available to settle the matter. Collusion between labour and management is general. The former sales head of one of the big companies manufacturing juke-boxes told the committee that, to sell his wares, he had to deal with gangsters and that violence—distasteful as it might be—was part of the trade. The underworld, however, has its own rough justice. According to the police, the famous mass meeting of well-known gangsters which they broke up at Apalachin, New York, in 1957 was for the purpose of dealing with a colleague who had been sentenced to death for breaking rules in the juke-box industry. This Supreme Court of the underworld reprieved him, on payment of a $10,000 fine.

With such revelations continuing to mount, the public will find it hard to understand—and to forgive—if Congress, for the second year, adjourns without passing a labour reform Bill. Senator Kennedy and Mr Mitchell, the Secretary of Labour, both of them politically ambitious, recognise this and are moving to adjust their differences over the Bill. But between them businessmen and right-wing Republicans, who want to restrict the bargaining power of the trade unions, and the trade unionists, who demand favourable changes in the Taft-Hartley Act as the price of their support, may once more frustrate much-needed reforms when the Bill reaches the House.

Blackboard Problems

LAST week the Administration submitted to Congress its solution of a difficult exercise: how to help communities build the new schools which are needed without unbalancing the Budget in the financial year which begins next July. Although the states and their school districts are spending more than ever on buildings, the tax-supported schools are crammed with 2 million more children than they were meant to hold and another 2 million are taught in obsolete schools. Even if the building boom continues—which is unlikely without federal help—the continued rise in the number of children will frustrate the effort to give them all adequate schools.



The Administration's proposal is, roughly, that it should help really needy school districts, which are already doing all they can, by paying half the annual charges for principal and interest on new school bonds, if the state, in each case, will pay the other half. As it takes time for school plans to be drawn and bonds to be floated, the federal government would not be called upon to pay anything until the fiscal year which begins in July, 1960, although over 25 years the bill would amount to about $2 billion for Washington and $2 billion for the states. It is estimated that this should buy about $3 billion worth of new schools during the next five "emergency" years. There is a somewhat similar plan to help colleges to expand.

This ingenious but over-complicated scheme is far less generous than the proposals the Administration advanced in 1955, in 1956 and 1957, but none of these came to anything. If the poorer states cannot find their share, the plan will be even more modest than it looks and Democrats keen to help the schools have cold-shouldered it. But their big schemes for direct grants to the states lack the support to overcome a presidential veto even if they can be blasted out of the parsimonious House Rules Committee.

The Education Act passed last year in the glare of the sputnik is also suffering from budget cramps. Congress authorised over $183 million for the first year, but the Administration is asking for only $115 million. Some of the programmes—for grants to improve the quality of teaching, counselling and testing—are unavoidably slow to launch. But the loans to needy college students have proved unexpectedly popular; colleges and universities have submitted requests for $62 million for this year, twice the $31 million allowed for in the Budget. The requests would have been even higher if a number of colleges had not refused to take part because students accepting loans must take a loyalty oath—an offensive and useless vestige of McCarthyism.

New Eye on the Weather

FROM A CORRESPONDENT IN COLORADO

WHEN in 1743 Benjamin Franklin deduced that a storm which had visited Philadelphia was the one which hit Boston a day later his observation was of solely scientific interest, since at that time such a storm would arrive far ahead of any warning of its coming. The modern forecaster can outrace the weather by telegraph, telephone and wireless. But to make his forecast he still has to go outdoors, look at the sky and read instruments, before putting the results on the teletype machine. At the central weather bureau hundreds of such messages are assembled into a national map, which is then transmitted by facsimile back to local stations. Working from this and from their own more recent observations, these then prepare local forecasts.

But by the time the average citizen hears them on the wireless or reads them in the evening newspaper, the forecasts reflect weather conditions which may be nearly twenty-four hours old. Thus the forecaster is often caught out by changes which are too fast for a system which remains relatively slow because it still depends on man to link together its electronic equipment. Moreover, this absorbs so much of the attention of the men concerned that they have no time left for the task which only they can perform—to bring their judgment and foresight to bear on the weather problem.

The Air Force therefore proposes, when it has enough money, to set up a completely automatic system to cover the whole country; all the necessary machinery is already available and a preliminary trial linking five to seven stations between Boston and Washington is definitely in the planning stage. Much of the weather research in the United States is now done by the armed services because they find it easier than does the Weather Bureau to get money from Congress; in any case, accurate and immediate weather observations are of increasing importance in modern war.

Under this future automatic system of weather forecasting, hundreds of units exactly alike will keep a continuous local check on such data as temperature, dewpoint and direction and velocity of winds; a human forecaster will, however, still be needed to report on visual conditions, such as cloud-cover. At a given signal, all this information will pour into a central network in a few seconds and will then flow steadily into one or more electronic computers. These will assess in a matter of minutes data which it now takes many hours to collate, and report continuously to the central weather bureau, where the results will be shown on an ever-changing weather map. This map will appear, like a television picture, on large screens at all the hundreds of local stations. A forecaster will only need to glance up to assess the weather of the whole continent, as it was an hour or so ago at most; from this and from his own immediate observations, he will make his local prediction.

Such a system may also help to solve the next problem in the general weather picture, one which today is of as much importance to many industries as it has always been to agriculture: How far ahead can the weather be forecast with enough accuracy to be useful? There are two sharply divided schools of thought on this: one believes that Nature does nothing by chance, that all natural developments flow out of previous ones and that therefore when man becomes clever enough he can deduce what is coming next; the other argues that the whole picture is so complex that "Nature herself doesn't know what the weather is going to do beyond the next few days, so how can we find out?"

The official view on this is a study, made during the last war on long-range forecasting for military purposes, which concluded gloomily that a reasonably accurate forecast for three or four days ahead was about all that could be hoped for, except in those regions where the weather remains the same for months on end. But many experts insist that

Republicans in the Depths

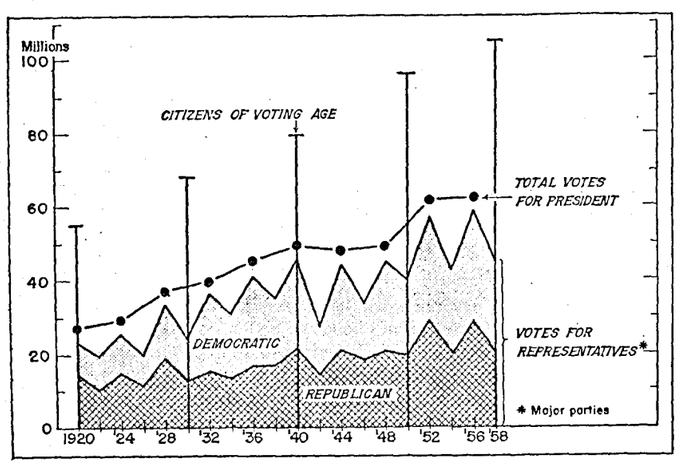
As the final results and assessments of last November's elections have been collated in Washington, it has become clear that the Republicans are in an even worse position than was realised at the time. In Congress they now have 34 Senators to the Democrats' 64 and no hope of winning a majority in 1960; of the 33 seats which will be at stake in that year, there are only 12 that the Republicans have any chance of winning—and they need at least 16. They hold 153 seats in the House of Representatives to the Democrats' 283; 61 of the Republican seats are in the doubtful class—that is, were won by majorities of less than 5 per cent of the total vote—while only 42 Democratic seats are in this group. Moreover, nearly all of these Democratic "doubtfuls" are districts where the Democratic share of the vote has been increasing; in over two-thirds of the Republican "doubtfuls" the trend is in the opposite direction.

Turning to state governments, which are in the long run more important, since it is here that a party builds up its strength for national elections, the picture is even darker. Only 14 of the 49 Governors are Republicans, compared with 19 in 1956, and the party controls only 7 State Legislatures, compared with 17 two years ago. There are 591 Republican State Senators and 1,939 Republican members of lower houses, while the Democrats have 1,166 and 3,721 respectively. Of the 50 largest cities in the United States, only 10 have Republican Mayors.

While the South is still solidly Democratic there is no longer any region of the country on which the Republicans can rely. In the old House of Representatives they held 18 of the 28 New England seats; now they have only 9 and their majority of 400,000 votes in the 1956 congressional elections in this area has been taken over by the Democrats. This party now holds 67 of the 128 seats in the Middle West, compared with only 46 two years ago, and it collected 1,120,000 more votes than did the Republicans in this region last November; in 1956 the Republican majority there was just over 1 million. And in both the Rocky Mountain and Pacific Coast states the Democrats increased their 1956 majorities in 1958.

Nor, according to an analysis conducted by the American Institute of Public Opinion, can the Republicans rely any longer on the support of those groups of voters who have usually been regarded as safely theirs. More than half of the people over 50 years old, of the professional, business and white collar workers and of the farmers, voted Democratic last autumn and in all these cases this represented a shift of 10 per cent or more since 1954, the last non-presidential election year. The only place in which the Democratic share of the vote fell, according to this survey, was among Negroes—but they remain predominantly Democratic nevertheless.

Only twice since 1930 have the Republicans received more than 50 per cent of the total votes cast for the House of Representatives and this year the party's candidates for the House were given the same number of votes, just under 20 million, as in 1950, while the Democratic total, almost exactly equal in that year, has gone up to 25,600,000. It is no wonder that the Republicans are beginning to fear that they may be permanently in a legislative minority. Obviously it will take something of the order of a miracle to win them a congressional victory in 1960; their only chance seems to be a presidential candidate able to pull in even more votes for his followers than did Mr Eisenhower along with his personal 35 million in 1956.



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At the close of business December 31, 1958

ASSETS

Cash and Due from Banks	$ 945,243,955.86
U. S. Government Obligations	585,707,522.95
State, Municipal and Public Securities	394,209,559.69
Other Bonds and Investments	23,193,256.25
Loans	1,524,399,145.44
Banking Premises and Equipment	22,462,328.92
Customers' Liability on Acceptances	80,144,901.16
Accrued Interest and Accounts Receivable	13,548,353.34
Other Assets	4,658,689.71
	$3,593,567,713.32

LIABILITIES

Capital Stock ($10. par)	$ 63,765,900.00	
Surplus	186,234,100.00	
Undivided Profits	46,837,759.58	$ 295,837,759.58
Reserves for Contingencies		9,780,167.76
Reserves for Taxes, Expenses, etc.		17,072,528.49
Dividend Payable January 1, 1959		3,825,954.00
Acceptances Outstanding (Net)		83,015,091.69
Other Liabilities		10,033,657.83
Deposits		3,174,002,553.97
		$3,593,567,713.32

Securities carried at $118,812,952.76 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

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the state of knowledge about the weather has changed almost beyond recognition since this study was made fifteen years ago and that a new assessment is badly needed.

Meanwhile some private forecasters are already making a business of providing general predictions for years ahead and one now offers long-term forecasts which, he claims, are almost as accurate as for twenty-four hours. Some of the largest and most conservative industrial firms in the United States patronise these experts and some, particularly in the oil industry, have set up their own forecasting departments. The implication is that the official Weather Bureau and the more orthodox weathermen are behind the times and as a result the dispute between the two schools has become acrimonious.

In addition to fast electronic weather reports and to reports from those parts of the earth from which none are now received—incidentally, the Russians are said to be very co-operative—some experts have been looking forward with special eagerness to the launching of a satellite "weather eye" which will circle the globe continuously and report on conditions beyond the atmosphere. The Vanguard satellite which went into orbit successfully on Tuesday will provide a first instalment, although the instruments transmitting information from it are expected to function for only a few weeks. The purpose of this experiment is to measure the distribution and movement of cloud cover beneath the satellite's orbit and relate it to the general meteorology of the earth. The different intensities of sunlight reflected from cloud, sea and land masses will be translated into electrical signals which will be transmitted to ground tracking stations.

Such knowledge of cloud cover will be of great assistance to the long-term forecasters. But eventually it is hoped that the satellite eyes will help the weather experts in other, even more important, ways, particularly perhaps by providing information about the precise amount and type of radiation which the sun, the prime factor which determines the weather, is casting on the earth at any given moment.

Cut in Cloth?

THE talks which Mr Kearns, the Assistant Secretary of Commerce for International Affairs, is having with textile exporters in Hongkong is the first official effort to relieve pressure on a particularly sore point, one which is a factor in driving the domestic textile industry to seek a general cut in imports. Textile producers are slowly and uncertainly emerging from a sharp two-year recession and a report of the Senate Commerce Committee, reflecting the views of Senator Pastore, who represents the textile state of Rhode Island, recently recommended the imposition of general quotas. It also asked for the end of agricultural policies which enable foreign producers to buy American cotton at a price 20 per cent lower than the American producers pay and objected to the use of foreign aid funds to establish new textile capacity in the under-developed countries.

The industry has received little encouragement from the Administration so far on wider restriction of imports (the only existing ones are the voluntary quota accepted by Japan and the wool tariff quota). In Hongkong Mr Kearns has been discussing, not a general voluntary reduction in exports to the United States, but diversification of them, and he seems to have been impressed with the argument that this rests with importers in the United States, not with exporters in Hongkong. Moreover, he apparently found no confirmation of the allegations of American manufacturers that the Hongkong label covers a multitude of Chinese Communist exports. At home, the Office of Civil and Defence Mobilisation has disappointed the textile interests by refusing to declare that textile imports in general jeopardise the national security.

If the industry is to secure more protection, it will have to bring pressure to bear on Congress. Such pressure will be all the more vigorous because at last wages and prices in the industry are moving up. Several of the large producers in the South have announced that they are raising minimum wages in their mills from about $1.12 to $1.25 an hour and giving higher-paid workers an additional 10 cents an hour. In part this is an effort to forestall a new drive by the Textile Workers Union in the South, where most of the factory hands are unorganised; the companies want them to remain so. But the industry also recognises that it must pay more if it is not to lose its best workers to other manufacturing industries where the average wage is $2.19 an hour; it is only about $1.40 in the textile mills. The industry feels that it is caught between the devil of foreign competition and the deep blue sea of the high-wage American economy.

Justice for the Indian

FROM A CORRESPONDENT IN OREGON

THE facetious American expression, "Give the country back to the Indians," offers no hint of the difficulties which Congress has encountered in its efforts to emancipate the 2,133 members of the Klamath Tribe in Oregon and to "give" to each of them his share of the value of the million acre Klamath Reservation. As part of a programme to end the system under which Indians have been wards of the government, Congress four years ago approved Public Law 587. This provides for the sale of all communal property in the Klamath Reservation and for distribution of the proceeds among the members of the tribe. But it soon became apparent that emancipation was fraught with more hazards than any Congressman had imagined. The vast reservation, lying north-east of Klamath Lake, the biggest in Oregon, includes some of the richest virgin pine forests in the Cascade Mountains. Its marshes are valuable nesting and feeding grounds for migratory wildfowl. The law specified that enough of these and other properties should be sold by August, 1960, to pay in cash the shares of all the Klamaths who want to withdraw from the tribal organisation and go their ways as independent citizens.

In 1864, when the government and the Klamath Tribe agreed to the establishment of the reservation, neither could have foreseen how valuable this wilderness would become. Just as the Indians of Oklahoma found themselves enriched by oil discovered on reservation land, the Klamath Indians came into the heritage of some four billion board feet of timber. Its value is estimated at about $90 million or more than $45,000 a head. The question was who could be found to pay such a sum? And, if purchasers could be found, what would be the economic effect of the precipitate sale of this timber?

Last year the vexing problem of the Klamaths was put back on Congress's calendar, with a virtually unanimous

demand from Oregonians, including the leaders of the tribe, that the inflexible terms of Public Law 587 should be altered to prevent a "fire-sale" liquidation of timber on the reservation and uncontrolled exploitation of both timber and marsh lands by private interests. Meanwhile, a plebiscite disclosed that 1,649 Klamaths, or 77.3 per cent of the total, would choose to take their shares in cash. In all, this would amount to about $70 million.

In the closing days of the session, Congress finally revised the Klamath Termination Act. In brief, it now authorises the government to spend up to $90 million to meet the claims for cash if private buyers for the Indians' assets cannot be found. Senator Neuberger of Oregon, who guided the Bill through Congress, feels that it achieved its three main aims: to do justice to the Indians themselves; to keep the lumber market in Oregon from being broken wide open by a bargain-basement sale of four billion feet of timber; and to save the Klamath timber, watershed and wild life for future generations.

THE significance of the Act is not limited to the interests of the Klamath Reservation and its 2,133 owners, many of whom live in other states. It provides a standard of justice for other American Indians who are still wards of the government, and it establishes the precedent that conservation of natural resources must be considered when Indian reservations are broken up. All American Indians are not so fortunate as to have a claim on rich timberlands. But all can now expect to receive a fair share of their communal property without any short-sighted forced sale.

A vital provision of the Act concerns restrictions on the harvesting of timber by any private purchaser. The National Lumber Manufacturers' Association and other spokesmen of the lumber industry hoped that the Act would contain no reference to harvesting of timber on a "sustained yield" basis, which would limit cutting to an amount no greater than the regular increment from growth. But the final version provides that any purchaser must agree to manage the forest lands, as far as practicable, with sustained-yield procedures, to furnish a continuous supply of timber.

In the short run, this insistence on conservation of a great resource will prove expensive, for it means that only a few small tracts will be sold to private bidders. It has been estimated that no private lumber company could afford to pay more than about half the appraised price for timber that would have to be harvested on terms of sustained yield. The prospect, consequently, is that in the next few years the Treasury will pay into the hands of Klamath Indians much of the $90 million authorised by the Klamath Termination Act. An average family of five Klamaths will come into possession of nearly a quarter of a million dollars—a far cry from the trinkets for which Manhattan Island was sold to the Dutch in the seventeenth century.

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Oiling Texan Finances

FROM A CORRESPONDENT IN DALLAS

IF the coming replacement of voluntary restrictions on imports of petroleum by mandatory ones succeeds in stemming last year's downward drift in the output and price of crude oil in the United States, as the independent domestic companies believe it will, then the people who live in oil-producing states, and particularly the 9 million in Texas, will have good reason to rejoice. Texas produces far more oil than any other state and some 50 per cent of the state's annual revenue of about $1 billion comes, directly or indirectly, from the petroleum industry. The state tax on oil output alone brings in $150 million or more a year and as a result Texas is one of the few states which has neither a general sales tax nor a state income tax.

But now the State Legislature is being forced to consider imposing such taxes, even though they would be generally unpopular. This is because the last fiscal year ended on August 31st with a deficit of $65 million, almost entirely as the result of the weakness in the petroleum market. Under the state constitution Texas operates on a "pay-as-you-go" basis and a balanced Budget is obligatory. At the beginning of each fiscal year the State Comptroller estimates the revenue that will come in; if the Legislature appropriates more than this, the excess is nullified. But last year the Legislature held appropriations within the estimate and it was an unexpected drop in revenues, mainly from oil, which caused the deficit.

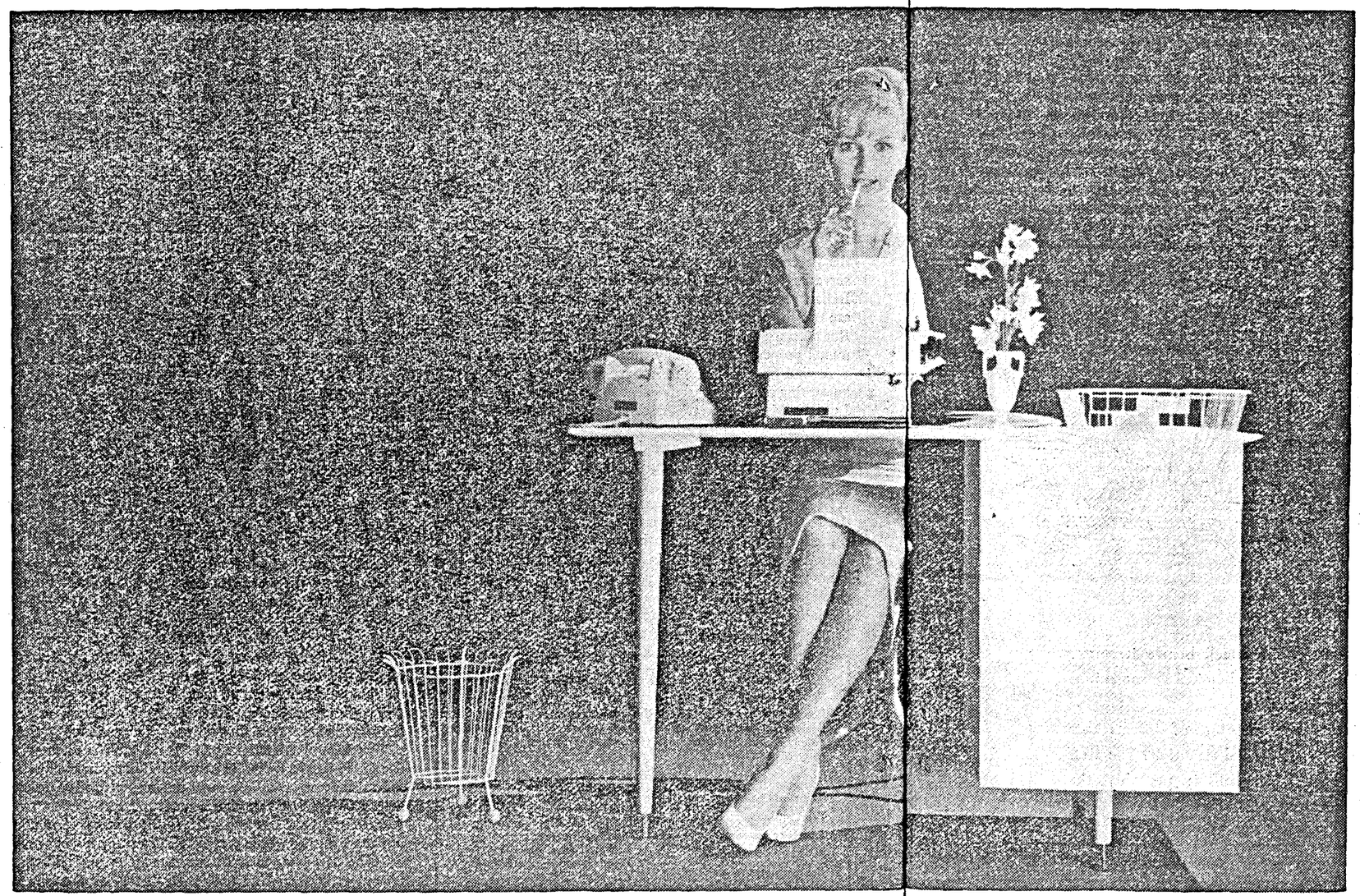
The effects of the slump in the oil industry upon the incomes of local governments in Texas will be even greater. There are in the state 254 counties and more than 3,000 school districts and other forms of subdivisions which levy taxes. Ninety-two per cent of this local revenue, amounting to about $595 million a year, comes from *ad valorem* taxes, mainly on real property. Of the 254 counties, 185 produce oil and the taxable value of the land in them depends largely on this oil production. The industry is now restricted in Texas to the equivalent of eleven days' output a month and many wells have been shut down by independent producers.

The federal government in Washington is also facing a decline in the $2 billion or so which Texans normally pay in federal income taxes. Personal incomes in Texas, estimated at $14 billion last year, have quadrupled in the last twenty years. Part of the increase is the result of inflation, of course, but there has also been a rapid rise in real income; most of this has been earned from the expanding oil industry and related activities. The total net value of all manufactured products in Texas, according to the last federal census, was $1.73 billion, of which about half was contributed by petroleum refining and allied industries. Comparable figures are found in Oklahoma, Louisiana and other oil-producing states. Moreover, oil has done much to give economic stability to these states which used to depend mainly upon farming with its widely fluctuating production and prices.

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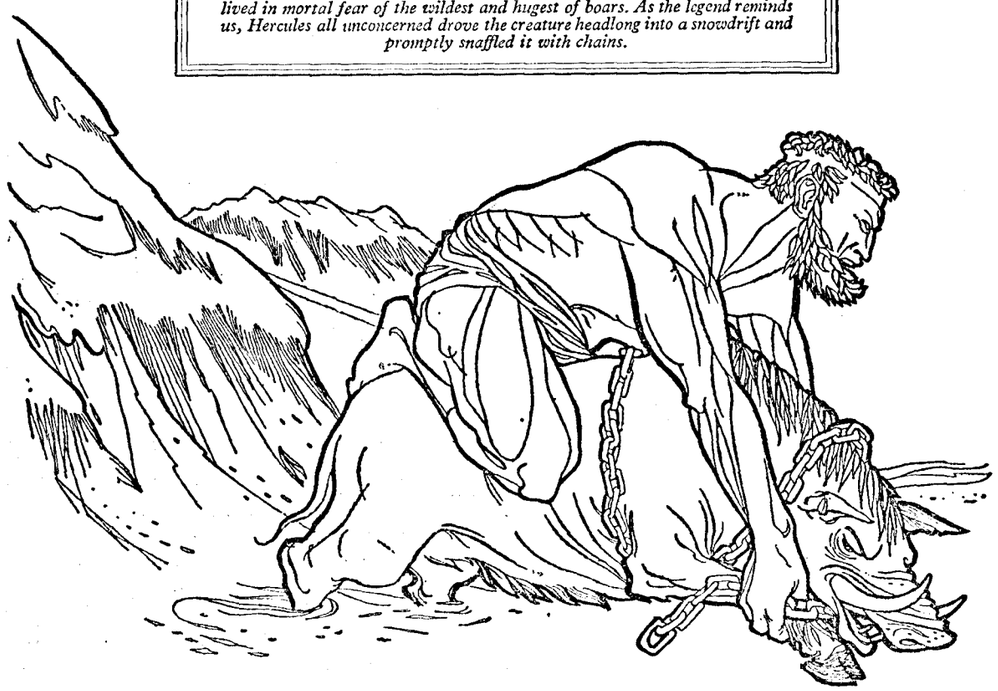
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THE WORLD OVERSEAS

North African Tensions

FROM A TUNISIAN CORRESPONDENT

A FRENCH expert, recently in Tunisia for financial talks, left with this summing-up: "Between France and Tunisia it's a divorce by mutual consent, with wrongs on both sides." The divorce is real enough, and it widens every day. In December the Tunisian President, M. Bourguiba, announced that all land belonging to foreigners would be bought by the Tunisian government in three months' time. This meant that some 3,000 settlers, owning 700,000 hectares of the best farmland and forming the very core of the continuing *présence française*, would have to leave with their families. The settlers' departure, coming after that of the colonial officials and the army, constitutes the uprooting of French influence in Tunisia, carried out as deliberately as its planting, but far more speedily.

Only a few days after this decision, another worsened the split. On December 27th France devalued the franc, but Tunisia and Morocco, dissatisfied at having once again been presented with a *fait accompli*, decided not to follow suit and kept their currencies at the old rate. The monetary difference between closely connected and interdependent economies—two-thirds of Tunisia's trade is with France—has led to disturbances and an exodus of Tunisian capital great enough to compel the swift imposition of controls. A month and a half after the French devaluation Tunisia and, to a lesser extent, Morocco, already have one foot outside the franc zone.

A third crisis which has just begun in Tunis, and which will doubtless have its parallel in Rabat, seems all too likely to give the final blow to what trust remained between France and its former protectorates. The Tunisian police have uncovered a spy network organised by the French embassy itself. Consular officials have been arrested, the French military attaché has been told to leave the country, and ten Frenchmen, employed as technical assistants in the Tunisian Post Office, have been arrested and charged. The post office men had installed a listening system that allowed the French embassy to watch closely over—and record—all conversations that interested it, particularly those of the Algerian FLN and the Tunisian army. What has most shocked the Tunisian authorities is that the French officials, on their own admission, had been selected for this work in Paris. Thus, at a stroke, all French technical aid is called in question and the 2,000 officials that have been requested from France are regarded as spies.

All this comes on top of the bad relations now persisting between Presidents de Gaulle and Bourguiba. Several of M. Bourguiba's appeals have passed hardly remarked in France, and the last message to be handed over by the Tunisian ambassador in Paris, M. Bourguiba's son, was only done so through the mediation of M. Couve de Murville.

If Morocco's relations with France are better, the political situation there is much more serious. The young government of M. Abdallah Ibrahim is fighting desperately on several fronts. M. Ben Barka's revolt against the "old buddhas" of his own party—MM. Allal El-Fassi and Balafrej—broke out prematurely and more for personal than ideological reasons. Inside the Istiqlal, M. Allal El-Fassi has already won the day. But the party, which did not manage to impose its views on the King even when it was united, is going through a time of confusion and personal rivalry and will probably end by splitting like the Egyptian Independence party—as the Neo-Destour will do in the future without M. Bourguiba. The parties are paying for having had no other purpose than to be the instruments of political independence.

But Morocco's most serious problem is in the Riff, where any outside intervention is less important than the Moroccan authorities claim. It is a matter, observers say, of a genuine rebellion against the central power by tribes which are semi-independent and which no one knows how to administer. The news from the Riff has greatly surprised the FLN authorities. The reports—from western journalists—do, in fact, have a nightmarish sound to North African ears. The observers speak of rocket bombardments, troops of prisoners in detention camps, nests of rebels destroyed, and scenes of rallying in which Moroccan officers—in French parachutist uniforms—harangue the poor devils in native robes squatting before them before sending them back to their mountains.

Hands Across the Timor Sea

FROM OUR CORRESPONDENT IN AUSTRALIA

THE joint statement issued at the end of Dr Subandrio's visit to Australia has been received with jubilation in Jakarta and with some dislike here. On the one hand, the Indonesian papers exult over the doctor's success in allegedly changing Australian policy. On the other hand, the powerful Australian returned servicemen's league (remembering what New Guinea cost in Australian lives) is angrily demanding clarification; the *Sydney Morning Herald* proclaims the give-away of a vital Australian interest; and the Australian Labour party, strange bedfellow of a right-wing paper, attacks the communiqué for forgetting the poor Papuans.

Are these assessments valid? What, if anything, has Dr Subandrio gained and Australia given away? The communiqué contains soothing words about extended co-operation under the Colombo Plan (communiquese for more Australian aid) and so forth. But the important clause from the Indonesian point of view is the following:

> There was a full explanation of the considerations which have led each country to a different view over West New

Guinea (West Irian), with Australia recognising Netherlands sovereignty and recognising the principle of self-determination. This difference remains, but the position was clarified by an explanation from Australian ministers that it followed from their position of respect for agreements on rights of sovereignty, that if any agreement were reached between the Netherlands and Indonesia as parties principal, arrived at by peaceful processes and in accordance with internationally accepted principles, Australia would not oppose such an agreement.

The curious wording of the final sentence (by Asian subtlety out of plain English) is worthy of study. Apparently Dr Subandrio set great store by this assurance. But can he really have thought that if Holland and Indonesia had come to an agreement, Australia would or could oppose it? Or was he really thinking how well it would look in Indonesian newspapers that Australia, since his visit, no longer opposed an agreed transfer of sovereignty?

Now what has Australia given away? To recognise Holland's sovereignty, the verbiage struggles to say, is to recognise Holland's right to sign away that sovereignty if it chooses so to do. The Australian Labour party says that this legalistic attitude disregards the welfare of the peoples of New Guinea who would undoubtedly be worse off under Indonesian rule than under Dutch; if the Dutch are handing over to anyone, let it be to the Australians, who should administer all New Guinea on behalf of the United Nations. But Labour's new-style imperialists talk as if the Australian government had said that it would welcome or encourage an agreed transfer of power. It said only that it would not oppose this once agreement were reached.

THAT might seem a fairly safe undertaking in view of the fact that the Dutch show no signs whatever of agreeing to discussions about their sovereignty over New Guinea. A recent report that they would do so has been strongly denied. Most Dutchmen would regard it as wrong to trade 800,000 Papuans for compensation for property confiscated in Indonesia, and no political party other than the communists favours handing them over to the Indonesians, who are not even of the same race—though the white man's burden is at present costing Holland some 80 million guilders a year. The Dutch government may feel cynical about the communiqué, but it does not seem to regard itself as thereby weakened. It can still rely on Australian support if Indonesia should once again try its luck at the United Nations.

So perhaps Australia has conceded nothing after all. What has it gained? First, it is argued in Canberra that it is all to the good if Dr Soekarno's government has its reputation enhanced at home, for there is no one else in sight who seems likely to provide stable government in Indonesia—and Australia's interest is simply that the governments to its near north should be stable and anti-communist. Secondly, Mr Casey and his colleagues are pleased to have got Dr Subandrio's agreement in writing that the New Guinea question is "one to be resolved by peaceful means and that they were in accord that force should not be used by the parties concerned in the settlement of territorial differences." One cannot be starry-eyed about this, especially as the main danger is not of large-scale invasion but of incidents for which the Indonesian government could disclaim responsibility—small landings and guerrilla warfare which could keep the country on the boil as Malaya has been kept. Still, a public renunciation of force is better than nothing.

Finally, Australian-Indonesian relations are the better for Dr Subandrio's visit. He was liked and respected, the discussions were friendly, the entertainment good. There is a definite détente. One must hope that the politicians, by insisting on too precise interpretations and telling too many home truths, do not dispel the rosy glow.

Eastern Approaches

FROM A CORRESPONDENT IN CENTRAL EUROPE

THE Berlin crisis underlines the extent to which the German question continues to dominate political thinking in eastern Europe. In certain respects, Czech and Polish reactions to it do not coincide. But in both Prague and Warsaw some merit is seen in Soviet proposals for a free city and for a loose confederation between the two Germanies.

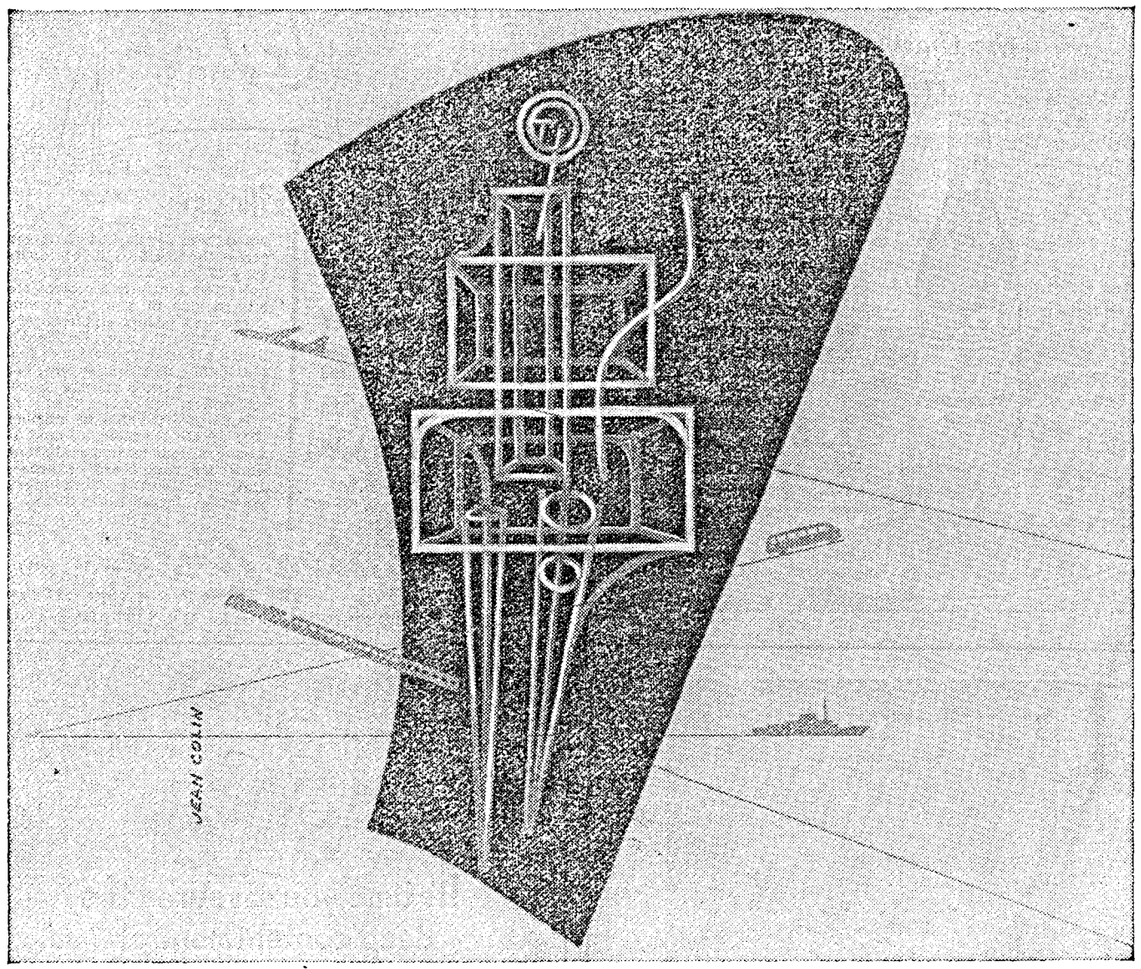
The argument, as one hears it in Prague, is essentially economic. Closely familiar with material conditions in east Germany, the Czechs believe that some solution must be found for the chronic imbalance between the two German states. They suspect that the Soviet Union has neither the will nor the capital to render Herr Ulbricht's regime viable in the face of the economic magnetism of the Federal Republic, and indeed that Russian interests in the long view lie in the contrary direction: Moscow is seeking disengagement from the tawdry morass of its east German commitments in order to develop political and commercial relations with Bonn. Seeing a good many Chinese buyers and delegates, some Czechs take rather seriously the classic vision of German investment and technology allied to Russia's industrial power and the vast China market. But Russia cannot purchase disengagement at the price of free elections and German reunification on western lines. Instead, it is banking on the fact of Dr Adenauer's mortality and on the suspicion that his successors will be weary of the stalemate and anxious to work out their own mode of co-existence with the east. The Czechs feel that the recent Berlin elections give a measure of support to the Russian analysis; they interpret the vote as a denial of the Adenauer policy no less than of communism.

As seen from Prague, the western position is sterile and ultimately self-defeating: sooner or later, post-Adenauer Germany will either negotiate with Moscow (on terms increasingly unfavourable to its Atlantic allies), or it will grow exasperated and provoke a violent situation. The latter could lead to irretrievable disaster. Would it not be preferable, ask the Czechs, to seek a gradual rapprochement between Bonn and east Berlin with a view to normalising relations throughout the whole of the European heartland?

Western objections to this view are recognised in Czechoslovakia, but they are not regarded as conclusive. The Czechs are contemptuous of the argument that western policy is designed not primarily to rearm the Wehrmacht but rather to attach the future of Germany to that of western Europe. They believe that that is putting the tiger before the cage. Citing the grievous errors committed in 1938 and 1945, the Czechs are certain that English and American diplomacy will once again fall into a trap of its own contriving. When the Federal Republic is strong and rearmed, it will go its own imperious way— against the West if need be. Many Czechs are baffled by what they take to be Mr Dulles's blindness to this danger. They discern in the Russian plan for confederation one final attempt to neutralise

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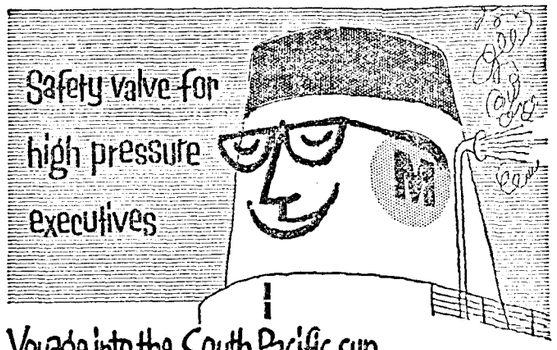
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FLAKE OR RUBBED OUT

Germany's resurgent ambitions and to make both the United States and the Soviet Union guarantors of German good conduct. Mr Dulles's contention that one cannot neutralise so dynamic a race as the Germans rings somewhat hollow in eastern Europe.

THE Polish view is rather more emotional. German irredentism is seen not as a potential threat but as a present danger. It is difficult to exaggerate the role of the Oder-Neisse question in Polish thinking. Though Polish dislike of the east German regime is perfectly obvious, the Poles nevertheless consider the mere existence of the German Democratic Republic to be a partial assurance of their own territorial integrity. But that existence remains precarious so long as the western powers have not come to terms with east Germany, and so long as they allow Dr Adenauer to throw doubt on the permanence of the present frontiers in eastern Europe.

Commentators in Warsaw reject with some bitterness Czech suggestions that Russia may be seeking to liquidate its east German holdings. They point out that it is the geographical vice formed by the Soviet Union and the German Democratic Republic that holds Poland in place. They are, however, inclined to feel that Russia genuinely seeks a lowering of tension in Europe and that it is prepared to make certain immediate strategic withdrawals toward that end. This feeling appears to arise from two sources. Theorising about Sino-Soviet relations is Warsaw's favourite parlour game. A number of Polish experts are convinced that there are severe tensions between Mr Khrushchev and Mr Mao Tse-tung and that these tensions are reflected by conflicts within the Kremlin. It follows on this conjecture that the Soviet Union is anxious to put its position in Europe on a stable basis. Secondly, the Poles have a proprietary interest in the Rapacki plan. They resent any implication that it is a front for Soviet diplomacy. By virtue of arguments, not all of which are very clear, the Poles defend the view that Russian proposals on Germany are a natural extension of the Rapacki idea. Both, they say, would lead to a mutual withdrawal of opposing forces and both would prevent the armament of the new Wehrmacht with nuclear weapons.

To the Poles, whether they are communists or not, the latter is an intolerable prospect. A characteristic Polish poster reproduces two brief texts: a recent statement by Dr Adenauer questioning the permanence of the Oder-Neisse line, and a Reuters' message concerning the delivery of rockets with atomic warheads to the German contingent of Nato. No additional comment is deemed necessary.

The Poles are too clear-sighted not to realise that the present division of Germany is a threat to peace. What they do feel is that western policies aggravate this threat, whereas the various disengagement plans, whatever their imperfections, might yield some positive results. By its very nature, the Polish position on the German problem cannot be wholly consistent. On the one hand, the Poles fear German resurgence and are persuaded, as are the Czechs, that the sorcerer's apprentices in Bonn will soon escape the benevolent control of their American master. On the other hand, Warsaw knows that it cannot look to much independence so long as east Germany retains its present political complexion. This ambiguity is the specific mark of Poland's distress and the Poles admire Mr Gomulka because he seems so acutely responsive to the conflicting demands of his role. They seem to believe that a loose confederation between two partially disarmed Germanies would, in some measure, lessen the sharp contrariety of their own position.

Such speculations in Prague and Warsaw point the larger moral. The German problem dominates the eastern European horizon. The Russians have no more effective ally than Czech and Polish fears of Germany's re-awakening ambitions. Profoundly influenced by the events of the late 1930s, neither the Czechs nor the Poles appear to have much confidence in Anglo-American ability to gauge the German temper. The Poles, moreover, are certain that the West has never cared to apprehend the grossness of their suffering at the hands of the Germans. That suffering is too great to have been forgotten and the anguish of it seems more vivid than that caused by Russian domination. As one Polish scholar put it: "Soviet preponderance is a fact of life, it is the air one breathes. Sometimes the air thickens and one chokes. Sometimes it clears a bit and one breathes easily. But it is ubiquitous and it is foolish to argue about it. The German question, on the contrary, is a cancer in the body politic. One must try and deal with it if one is to have any chance of survival." To the Poles the Russian proposals, whatever their exact motives, do constitute such an attempt.

There may be sound reasons for not agreeing with these views. But a refusal to acknowledge their prevalence in eastern Europe would play directly into Soviet hands. Fear of Germany and of west German rearmament is the cement that holds the satellite edifice together (the military potential of the east German state is generally ridiculed). Any Russian endeavour, even by blackmail, to keep atomic weapons out of Mr Strauss's grasp will find a good deal of support among eastern Europeans. The West has a few friends in Prague and very many in Warsaw; both groups seem to feel that western diplomacy has failed to take eastern European feelings into account.

A Weapon for Uno

THE scare about bacteriological warfare set off by Sir Robert Watson Watt, the radar expert, and Dr Brock Chisholm, the Canadian psychiatrist who was director-general of the World Health Organisation, is calculated to do more harm in the cold war than the weapons themselves would ever do in a hot one. It may be true that 8½ lb of botulinus could wipe out humanity if it queued up for injections. But the practical difficulties of delivering and disseminating these agents of genocide remain as intractable as ever, while the "dirty" H-bomb promises to do everything that they, on paper, could do, but very much more effectively and poisonously. Accordingly, since the arrival of the H-bomb deterrent, chemical and bacteriological warfare departments have become the Cinderellas of most defence ministries, and are kept going—this is certainly true in Britain—as a minimum insurance. Botulinus, and deadlier substances, are made simply in order to try out antidotes. The Americans are said to have a rather more ambitious chemical and bacteriological budget, but even that is trifling compared with what is spent on nuclear research. But the Russians and Chinese have always made good use in Asia of science fiction stories about western plans to deal with Asia's teeming millions by billions of teeming bacteria.

Presumably the whole issue would become more alive

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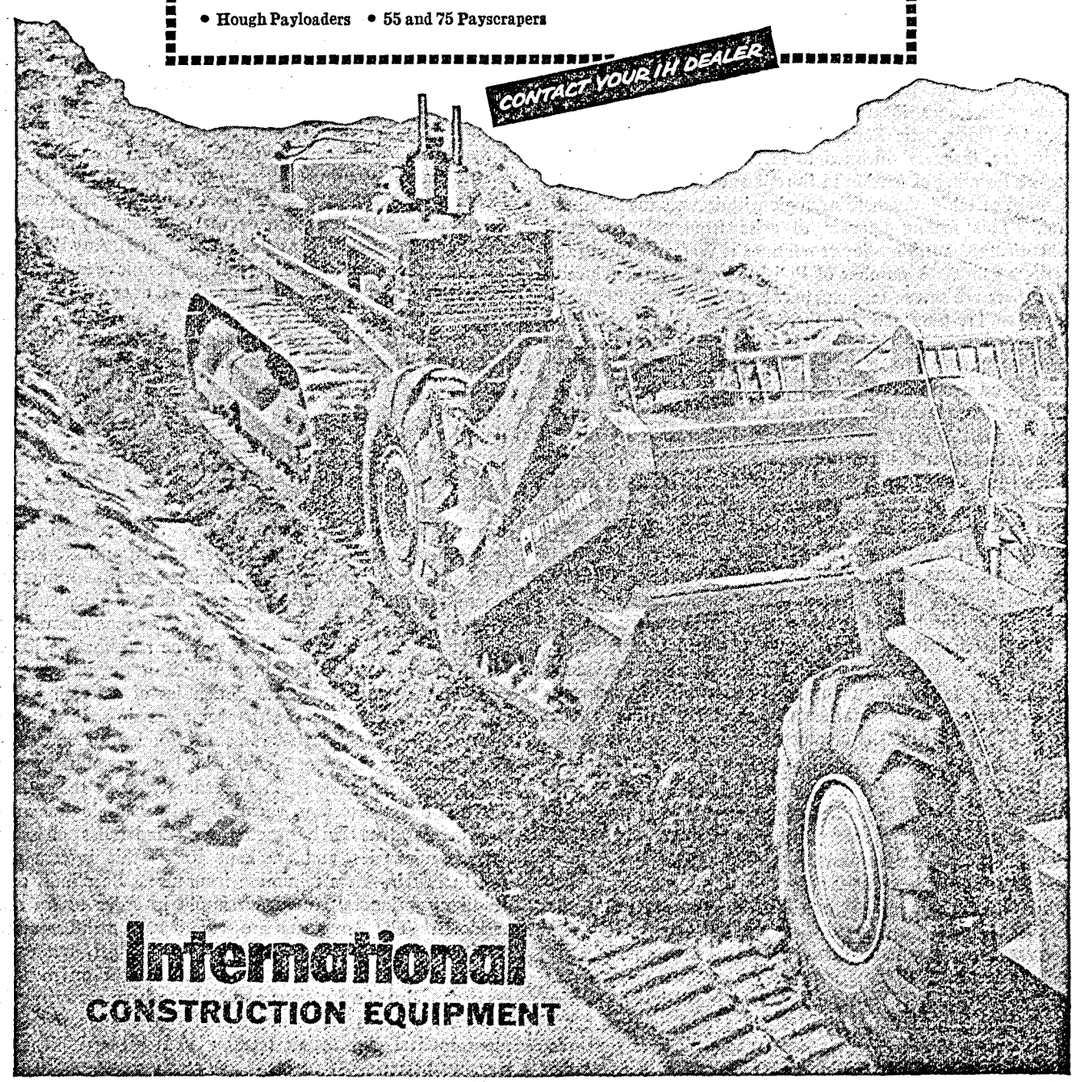
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if control and inspection of atomic weapons were achieved; and it may be noted that the practical difficulties of enforcing chemical and bacteriological disarmament are probably far greater. The disincentive to developing germ and gas warfare in fact is that any nuclear power attacked with such weapons would reply with nuclear weapons, which would be much worse for the attacker. It is true that some tactical theorists have played with the idea of humane nerve gases which would paralyse attacking troops so that they could be disarmed and interned. If the practical difficulties could be overcome this certainly seems the ideal weapon of a UN police force, called in to separate combatants by a Security Council order. But it seems all too probable that aggressor, victim (whichever was which) and UN policemen would all fall into the common coma.

Austria's Pre-election Problems

Not many subjects can disturb the usually placid waters of Austrian politics: the practice of coalition government and the Habsburg problem are two such questions. The controversy over the Habsburgs began in November, when it became known that Archduke Otto von Habsburg, the successor to the defunct throne of Austria- Hungary, had written to Herr Raab, the Chancellor, enquiring about the possibility of return to his native country. He would not be the first member of the former ruling house to return. Shortly after the first world war, Archduke Eugene recognised the Habsburg law of April 3, 1919, and became a loyal, and resident, citizen of the Federal Republic; since then a number of other members of the family have left their places of exile for Austria. Although Archduke Otto showed his willingness to accept the Habsburg law, Herr Raab's reply was cautious: he pointed at the difficulties lying ahead, and at the likely reactions of the neighbouring communist countries in particular. Now, the matter is still pending; the Chancellor's office in the Ballhausplatz is reported to be working, in close co-operation with the Foreign Ministry, on the final text that would prove acceptable to the Austrian Parliament and thus allow Dr Habsburg to return.

In the meantime, the affair has become an object of intense controversy. The arguments in favour of the archduke's return seem to outweigh those against it; in the government, Otto's supporters maintain that his return would strengthen, not weaken, the second republic; in the press, human rights are invoked. However, the opposition cuts across customary political divisions. Austria's relations with the successor states of the Habsburg monarchy, now all governed by communist regimes, are bad, and the men in the Foreign Ministry in Vienna are naturally reluctant to increase their neighbours' suspicions.

Secondly, some Austrians have once again become sensitive to the monarchist threat: this is largely caused by the activities of the most vociferous supporters of Archduke Otto's return. These congregate in a body known as the Monarchist Movement of Austria, which describes itself as being "above political parties" and which derives most of its support from the remaining pillars of the Habsburg nobility, the civil service and the army. It is a movement of the older generation, which feels most strongly about the cause of the present dispute. The more imaginary than real "monarchist threat" is further complicated by another issue. The Monarchist Movement frequently indulges in descriptions, in its periodical, *Die Krone,* of the "glory that was the Empire"; it also supports the idea of a south-east European federation within the framework of a "larger Europe." But the majority of Austrians are quite happy with small, neutral Austria; they are liable to question any development that might involve their country in over-ambitious projects, and now some of them argue that Archduke Otto's return may, in certain political circumstances, do exactly this.

Although such unfounded fears are now widespread in Austria, the government will probably invite the archduke to return all the same. If it does, the extremely complex problems of the Habsburg property would have to be settled. A useful distinction can be made between the "crown property" and the Habsburg family trust fund, instituted by Maria Theresa in 1765. Since the crown property includes the Viennese Imperial castle, the residences in Innsbruck and Salzburg and other historic buildings, it is unlikely to be considered for restitution; some of the trust fund property, however, was returned to the family by Dr Schuschnigg's regime in 1937, and later impounded and administered by the Germans and, after 1945, by the Russians; the lawyers in Vienna may now explore these possibilities.

At the same time, another, and perhaps more important disturbance in Austrian political life is taking place. This is the discussion, which began in January and is still going strong, on the working of the coalition government. The joint rule of the Popular and the Socialist parties, which together represent some 85 per cent of the Austrian electorate, holds the local record for longevity: it has lasted fourteen years, and it is commonly accepted as something inevitable and often beyond criticism. Recalling the years between the two wars, disturbed by civil war and haunted by economic crisis, the Austrians have been willing to pay a high price for political stability. Some dissatisfaction with the coalition has, however, lately become apparent, notably in a vitriolic criticism of the present system of government, which came from Fritz Molden, the influential proprietor of a number of Viennese newspapers. In a leading article in *Die Presse* on January 18th, Herr Molden argued that the coalition was out of date, that it was not the only form of government acceptable under the present constitution, and that Austria deserved something better. He argued that a temporary arrangement, however necessary after the war, has been elevated into a rigid system, which is now wasteful and corrupt.

Some of Herr Molden's criticisms were certainly not without foundation. The coalition has indeed become an ossified structure; there are important differences between the two parties on the financial administration of nationalised industries, which are glossed over for fear discussion of them might disrupt the coalition. The most wasteful practice is that described by the term *Proporz*—the equal representation of the two major parties on the boards of nationalised industries and other state institutions; this ridiculous practice has led to a vast and unnecessary proliferation of personnel.

The possibility of an early general election is being discussed in Vienna; the present discussion indicates the

lines on which the pre-election arguments may well move. If the Habsburg question is not settled first, it may further complicate the election campaign. Although there is plenty of scope for criticism and reform, it is doubtful whether the present political arrangement between the Socialists and the Popular party, a compromise of long standing between democracy and the inheritance from a succession of totalitarian regimes, will be seriously disturbed.

The Six at Work

BY OUR SPECIAL CORRESPONDENT

THE common market of France, Germany, Italy and Benelux began life on January 1st in a slightly more liberal spirit than many people feared. Nine months of doubt about Gaullism and older doubts about France's ability to face competition have been lulled by the new economic policy which enabled France to fulfil its obligations on New Year's Day. Not only in this major matter, but in small ones as well, France has been fulfilling the letter of the treaty. How long its economic fortune will last no one can tell. But the first hurdle is past, and for the moment the community basks in the light of the new Paris-Bonn *entente*.

It is hard to believe that only two years ago the men in the big buildings in Brussels were still battling away in the *chateau* outside the city, quite uncertain that their treaty would be signed at all ; now day by day, despite the vacillations of governments, its effects are felt more deeply in the life of Europe. More and more civil servants from the member countries pass through Brussels, taking away with them something of the new European doctrine. The parliament, the court of justice and the investment banks have been set up. The customs officials of six countries are now imposing lower tariffs on each other's goods than on other people's, using a certificate of origin *à six* (for the common market is no more than a free trade area for the first twelve years). And many agreements between French and German firms mark radical changes in business habits.

The body which executes the treaty day by day is the European commission, now just a year old. Some of its members, who perhaps cherished visions of supra-national powers, regret that another group of men, the permanent delegates from the member countries, is also playing a large part in the community at Brussels, helping to mould policies for the ministers to cast. But in fact the partnership between commission and national delegations is a natural way to form a common view.

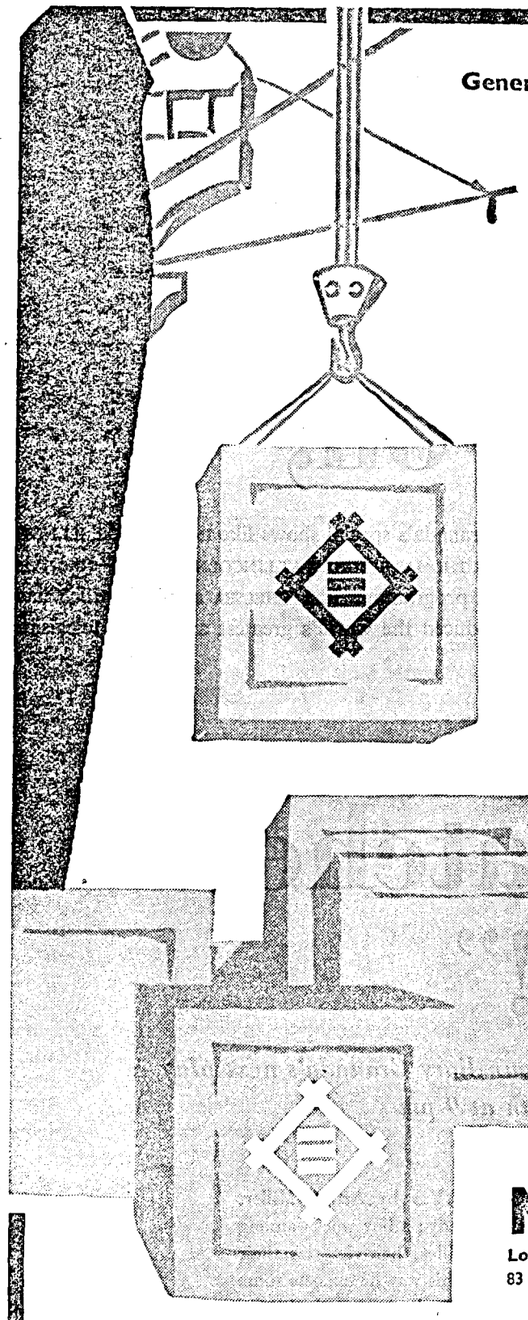
Some critics feel that the commission is something of a Johnny Head-in-Air. Important details sometimes get lower priority than speeches. Instead of getting proposals ready on time to carry out the road transport arrangements in the treaty, the commission has been proposing a policy for air transport—which is not in the treaty at all. There is a certain Carolingian atmosphere abroad in the fine steel and glass building in the Avenue de la Joyeuse Entrée ; political dreams cohabit with a somewhat feudal administrative confusion. But the administrative upsets of the first crowded year have been mainly growing pains. And the political dream of a united Europe is, after all, what brought the whole business about.

It has not been wholly the commission's fault, either, if grand problems of policy have preoccupied it, for the biggest of all its worries has inevitably been the free trade area. Because the Six were so divided, the British scheme has been a great strain on the community ; so the commission has to search for means of reaching an agreement. But it also wants to preserve the community intact ; and that—though nobody said so until late in the day—means trade "discrimination." The commission has also been well aware that the creation of other looser institutions in Paris, doing some of the same jobs as itself, would weaken its own powers. With the Six still blowing from all points of the compass, the commission's chance of setting a helpful new course cannot be rated high.

Depressed by all this, your correspondent impudently asked: "What if Britain should apply to join ?" At first he met incredulity, mistrust, the belief that the insular animal could never change its spots. But once the idea was accepted as a serious proposition, there was a serious response. If Britain really committed itself to Europe, then a great many of these men who have struggled for the European idea would welcome it. Technical problems, such as are raised by the Commonwealth—the outer tariff, agriculture—were discussed in a wholly new and more constructive frame of mind. Of course there are "little Europeans" who want to keep their jobs intact, and some who would prefer to rush for federation in the group of Six rather than test the community on a larger scale. For the "Europeans" British membership would all be rather like winning something in the pools ; there would be problems of adaptation to the new life, but one would not turn it down on that account. The Dutch government, for one, which has always struggled valiantly to get the British in, is now convinced that full membership is the sole solution.

THE men in Brussels make it clear, however, that there can be no half-measures—no Treaty of Rome and water, as in the free trade area. The Treaty of Rome began by removing tariffs and quotas but went on to deal with many of the implications of free trade—the structural changes in industry and trade—as common problems. It proposes to use the instruments of the modern state—investment and unemployment aids, with the rich areas helping the weak—on a European scale. The sense of common purpose not only brought hard bargaining and a new balance of interests, but a mutual trust that members were prepared to help each other ; not merely observing the letter of the treaties but being prepared to change their policies, in any unforeseen economic problems that their venture might create. Many people on the Continent still do not believe that Britain was prepared to do this in the free trade area.

If the institutions of the community stand for all these things, the commission is also a refreshing influence for free trade. Under its guidance, it has been agreed that the rules of competition in the treaty have immediate force of law. In its world-wide approach to freeing trade, which was described on page 470 of *The Economist* of February 7th, the commission has also taken a fresh line. Politically, that approach is perhaps a final blow to the free trade area, and one suspects that it may even have been intended as such. It does, however, also reflect a realisation that the common market has a responsible part to play in improving the world trading climate and has great power to do so. In that way the ideas that are now beginning to activate the Six may prove to have a merit of their own.



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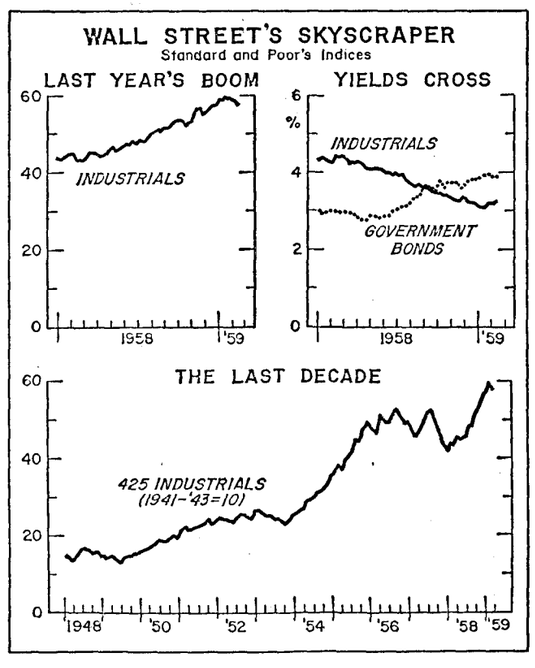
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THE BUSINESS WORLD

How High is High?

ONCE or twice in the last fortnight, Wall Street has seemed a little dizzy. It is hardly surprising that after eleven successive months of rising share prices, the most common expectation in Wall Street is of a modest decline. But there is a rider attached : the decline, if and when it comes, is expected to be followed by a climb to a new peak. Ever since last summer, a decline has been predicted and is now long overdue; but the belief that prices are destined for new heights is more recent. Indeed, when equity prices first began climbing last year, many Wall Street operators were sceptical about the rise. Their doubts were not universal; if they had been, the advance of share prices would certainly have been slowed, if not arrested. Their warnings were really a rationalisation of their concern to avoid full commitments until they were certain that the economic upturn was genuine and not a false dawn. The public appeared confident enough about equities from the early stages of the rise; it was the professionals who needed persuading. What has happened in the past fortnight suggests a market waiting for new stimulus and some anxiety to have business recovery confirmed in terms of first quarter earnings.

Equity prices, as measured by the Dow-Jones industrial average, advanced about 35 per cent last year to a new high some 11 per cent above the peak of the 1956-57 boom. Prices advanced slightly in January, twice threatening to push the average above the 600 mark; it is now ten points lower. Yet in contrast to last year, when the rise in the average above 450 evoked professional concern as well as heavy short selling, there is now a firm conviction that the average will break through 650 this year. There is nothing cavalier in this prophecy. Analysts acknowledge that many issues are fully valued and some are over-valued, so that the market is vulnerable to technical corrections; but largely because of the improving economic outlook, the danger of a collapse is considered much less probable now than when stock prices were 30 per cent lower. Caution has not been banished, but it now emerges in the notion that a rifle rather than a shotgun is needed for selecting stocks, and that a decline will bring new buying opportunities. Both the public and the professionals are now in the same camp.



A few institutional investors are doing some selling, however, and others have curtailed their purchases. These few have not lost faith in equities, although they believe that their future rise will be slower. Some of them explain that they prefer to lighten their portfolios on a rising market, while others are seeking a more

even balance in their holdings by buying tax-exempt bonds with high yields. Last summer, when bond prices were falling drastically, many institutional investors felt that they had no alternative to purchasing equities. Now that yields on tax-exempt securities are well above those on taxed securities, there is a certain amount of shifting to fixed income obligations.

But this shift is not extensive, and it does not reflect more than a slight lowering of bull market fever. After all, faith in equities has been a long time in the making and it is unlikely to be eroded overnight. Last year provided a dramatic demonstration of this confidence, for in the face of falling earnings, investors bid up prices in active competition for shares. Inflationary fears, encouraged by the relaxations of credit, spurred demand. But equities have retained a considerable degree of prestige for another reason. Before the war cyclical declines in corporate earnings were common, but they have become less marked, in degree and duration, since 1945 with the increasing stability of the economy. This is the foundation for the enhanced investment status of corporate equities. The recuperative powers displayed by the American economy in 1958 corroborated this enhanced status and encouraged a further advance of share prices.

By every technical yardstick, prices today are uncomfortably high. Yields on common stocks average just over 3 per cent, compared with 4 per cent on long-term US Treasury bonds; in 1949, equities were yielding over 7 per cent and government bonds less than 3 per cent; and even in 1953, yields were 6 per cent on equities and 3 per cent on governments. Shares are now selling at an average of more than twenty times the depressed earnings recorded in 1958, and about seventeen times estimated 1959 earnings; some of the more popular growth issues — International Business Machines, General Electric, Minnesota Mining and Manufacturing—are priced at over thirty times earnings and offer exiguous yields. It is unusual for equities to yield less than bonds, and extremely rare, except in the depths of an economic decline, for shares to sell at such high multiples of earnings. Yet most analysts do not take this to mean that a fall is inevitable.

On the contrary, Wall Street is citing evidence to support the prospect of still higher prices. A recent study by Dr Geoffrey Moore of the National Bureau of Economic Research shows that the stock market's rebound is always much swifter after a mild and short recession than after a severe and prolonged slump. By this measure, the recovery to date is not exceptional, although the rise was resumed from a relatively higher plane than in any previous recession, and has somewhat further to go. Moreover, there have been periods in the past when equity yields fell below bond yields without being followed by a sharp and immediate break. The abnormal yield relation that now exists between stocks and bonds may continue because it is based not merely on the threat of inflationary pressure but also on a preference for capital gains to current income. Furthermore, if business continues to improve, then corporate earnings are bound to increase, so that shares can sell at higher prices but at a lower multiple of earnings

Earnings reported for the fourth quarter of 1958 were remarkably good, and gave useful support to the present level of prices. But a new advance in prices seems to be dependent on a continued improvement in corporate earnings and dividends. Some analysts, however, believe that investors may safely continue to bid up prices on the argument that the market is finding a new and higher permanent norm of price-earnings ratios. Given the economy's greater resistance to cyclical setbacks, and its bias towards inflationary growth, it is argued that shares should sell at higher "times earnings" multiples, and the process of revising these is now going on.

Market technicians, indeed, are themselves not proof against the influence of bull market psychology, but their new thinking about the foundations of equity values explains why there is little fear as yet that investors are engaging in a total flight from reality, as they did in 1929. Investors are in anything but a sober mood, yet they do not appear wholly reckless—despite the comment of one observer who describes the stock market as being "in orbit," released from the gravitational pull of the bond market. When business activity was slackening last year, a policy of buying equities seemed risky; today, prices cannot be called cheap, but investors who stood on the sidelines then are apparently willing to pay higher prices now. If economic conditions suddenly changed, or if sentiment was disturbed by some external political crisis, then serious trouble might occur. But though Wall Street has no defence against external crisis, it does feel secure against the threat of a business decline. It may well be that investors will grow more cautious as credit tightens or if inventories begin to rise faster than sales, but these are symptoms of boom conditions which have yet to emerge. Any increase in profits is sure to provoke increased wage demands, which may induce a change in sentiment, but wage demands have often been taken as an inflationary, and therefore bullish, sign in the past.

There is much more danger that if a new boom in business develops, which would make many current prices appear cheap, investors will accelerate their equity purchases. This is not a clear and present danger but it is a threat that is inherent in the rapid advance both of the market and of the economy. Many observers would like to see something more than a moderate correction on the ground that it might prevent a runaway boom. In the last eleven months, the market has experienced only occasional retreats, the largest amounting to 4 per cent. Some analysts think that a 10 per cent fall is a possibility, but so far at least new investment demand has been stimulated by price corrections of a much more modest order than this. Managers of institutional funds, who do not like to chase up prices, report that investment demand is far from

exhausted; at best, they expect a pause as investors await new evidence before stepping up their purchases. But because the majority of investors are long term holders, it would take a sizeable shift in their attitude to bring about a large scale decline.

Although a general shift from equities can be considered remote, there is bound to be heightened selectivity in buying individual shares. As the prices of more and more issues go up and stay up, the search for relatively undervalued shares grows more intense. Speculative activity in low priced shares has increased, evidently in the belief that what is cheap is underpriced, and issues that are still below their former highs are natural targets for renewed attention. There may also be periods of relative stability in prices, which will mask active shifting between groups. But as long as the economic climate gives promise of continued improvement, so long is the demand for equities as the favoured medium for participation in prosperity likely to be maintained. The very height of share prices has become one of the major factors in convincing investors that they will go still higher.

Methane Sails to Market

One experimental tanker, offering Britain's gas industry a new primary fuel, could unlock a world market for a petroleum product that up to now has not travelled by sea.

Barring fog delays or accident—and an accident could be peculiarly calamitous—a small converted tanker formerly called the *Normarti* was due to dock at a jetty belonging to the Regent Oil Company at Canvey Island on the Thames Estuary during Friday morning with a cargo the like of which had never before arrived, after a lengthy sea voyage, anywhere else in the world. This vessel of 5,000 tons dw has been renamed *Methane Pioneer*: it is carrying from the Texas Gulf just under a million therms of natural gas, frozen down into about 2,000 tons of liquid at minus 258 degrees fahrenheit, which occupies five heavily insulated tanks fitted inside its hull.

There is nothing very new about liquefying natural gas (which in this case is at least 70 per cent methane, the gas that miners encounter as "fire-damp"): the gas comes down to 1/600th of its gaseous volume, which can make the process a worthwhile form of storage. What is new is to transport it, in liquid form and at this remarkably low temperature, in an insulated tanker. If the series of experimental shipments of which this is the first, organised by a company owned jointly by Britain's Gas Council and an American company, the Constock Methane Corporation, should prove that this kind of ocean transport is a practical proposition economically as well as technically, it will offer more than a new competitive source of gas for this country. It may open a world market for natural gas, which today can move only overland: where it cannot be used locally or piped to other regions, it has to be pumped back down the wells, or burned or blown to waste.

Transport of liquefied gas by water was first proposed in an American patent of 1915. People in the oil industry have talked on and off ever since the war about moving it from the Middle East or Venezuela by ocean tanker. The Gas Council said it was interested several years ago; but not until it encountered Constock, a company owned by the United Stock Yard and Transit Corporation of Chicago and the Continental Oil Company, did it find any experts prepared to take the technical plunge.

Liquefaction of natural gas had lagged in development in the United States, partly through a devastating fire when a tank of liquid gas failed in Cleveland in 1944 but mainly because the booming natural gas industry developed underground storage to handle its peak load problems. The Russians have one liquefication and liquid storage plant (supplied from America, in 1947, on Lend-Lease) operating successfully in Moscow. But the Chicago stockyard company had been using liquefied gas on a small scale since the early fifties; it had also become interested in plans to carry this gas in barges using aluminium alloy tanks insulated with balsa wood inside an outer steel shell (steel, in contact with so cold a liquid, would become too brittle). It joined forces with the oil company in Constock Methane; engineers of the North Thames Gas Board visited them, made tentative economic studies of a scheme to import gas to Britain, and recommended the Gas Council to take a half-share—which meant spending perhaps £750,000—in the experimental tanker.

On this side of the project, the North Thames Gas Board has built two insulated storage tanks at Canvey to store the liquid gas, to be filled from the tanker through pipes with insulated walls six inches thick; this installation has cost something over £400,000. From these tanks the gas will for the moment be vaporised in heat exchangers, then pumped to Romford gas works where it will be "re-formed" into town gas. As imported the methane is too rich, with a calorific value of about 1,000 BThU per cubic foot: town gas here is distributed at 500 BThU per cubic foot. This liquid, moreover, is a source of heat into which a large "tonnage" of cold has been introduced; elaborated plans would provide eventually for some by-product use of this cold, for refrigeration or, say, production of liquid oxygen in the process of turning the liquid back into a gas. There are also plans to use the gas that has to be allowed to boil off the ships' insulated tanks during the voyage as fuel for its motors.

Nobody yet knows what this gas will cost to bring to Britain : nor can one voyage by the *Methane Pioneer* establish a figure. Purchase and conversion of this vessel are said to have cost $4 million ; but its costs are not directly relevant to those of the full-scale natural gas tankers now contemplated, for which 15,000 to 30,000 tons are the sizes usually quoted. In 1956 spokesmen of the North Thames Gas Board spoke of a capital cost per million therms of gas annually, of £20-£25,000 for pre-treatment and liquefaction and of £42,000 for tankers (twice what oil tankers cost). A complete installation from liquefaction to re-forming, using four 15,000-ton tankers regularly to supply London with 10 million therms of Venezuelan gas a day, was then calculated to cost some £40 million, which would compare fairly well with the investment required for conventional carbonising equipment to make the same amount of gas. Since then capital costs may have risen, but for chemical plant and tankers possibly less than for carbonisation plant.

The North Thames Gas Board was then reckoning on total processing and transport costs of perhaps 4d. to 4½d. a therm, plus whatever they had to pay for gas at the wellhead. Casinghead gas produced along with oil has no ascertainable "cost": but when it acquires a market it begins to command a price. In the United States, where some 70 per cent of the gas used now comes from wells that produce gas alone, but where admittedly state regulations hold prices down, the wellhead price of gas is now about 1d.-1½d. a therm (in heat content, only a fifth of the price of crude oil). Continental Oil, one of the Gas Council's partners, is said to have options on a substantial volume of Venezuelan gas at about a quarter of the price ruling in United States gas fields. Inside the gas industry here people are talking about 6d. to 8d. a therm for the town gas delivered into gasholder, compared with say 10d.-1s. for gas carbonised from coal.

THAT hoped-for price would be at the bottom of the range of gas-making costs at which this industry is aiming in its new high pressure coal gasification processes—for plants sited on the coalfields feeding into a high-pressure national grid—though capital costs for the coal processes might turn out cheaper. But it would be only about half of what it costs the North Thames or the Southern Gas Boards today to make gas in carbonisation plant—for raw gas coal, by the time it reaches these regions remote from the mines, itself costs the equivalent of 6d. a therm. Broadly speaking, investment in new carbonising plant offers the Boards no chance of reducing its current average manufacturing cost of gas—some just over 1s. a therm. The choice for the future may lie between importing gas from gasification plants on the Midland coalfields, importing gas, oil—or coal—from abroad, or some combination of these expedients. This choice is far wider than the British gas industry appeared to have a few years ago ; but it is proper to add that the industry's competitive situation now looks to be becoming more parlous than it appeared then too.

The first object of the experimental shipments by *Methane Pioneer* is to establish the technique of ocean transport and to get some reality into those bewitching paper figures of costs. One will have to consider possible variants : would it be more economic, for example, to carry the oil as a part cargo in tanks within a tanker carrying crude than to build all-gas tankers ? The liquid is only at atmospheric pressure, but at normal temperatures it would expand to 600 times the volume: in these days when ships can collide even with the benefit of radar, this might have its dangers, though it is only fair to add that Lloyds has quoted a normal tanker insurance rate for the *Methane Pioneer*. Would the butane and propane fractions of natural gas—present in much smaller proportions in American and Venezuelan gas, but easy to take out with much less costly liquefaction and refrigeration in ships and storage—be cheaper to move by sea ? Some natural gases in the Middle East contain more of the butane/propane fractions than they do of methane/ethane. What chances are there of underground storage here, for example in the Portsdown anticline ? Such storage might well be essential if imported gas were ever to supply more than the all-year-round base load ?

ONLY after these technical and economic studies are complete will the Gas Council and area boards be able to consider what part, if any, liquid natural gas should play in the drastic changes that the gas industry will have to undergo in the next decade or so if it is to survive. Certainly there would, in the initial stages, be chances of fairly long term contracts for natural gas at attractive prices for early venturers into this nascent market. On the other hand, gas will probably always cost more than oil to transport, so that its economics depend on a price differential ; at the moment the cheapest fuel to import is perhaps American and Polish coal.

If ocean transport of gas becomes an economic proposition, there will be other potential suppliers—and other customers on both sides of the Atlantic—in the market. The ultimate supplier, again, is the oil industry, which has seen what it would consider the "natural" growth of oil demand in the United States moderated by the sale of gas at an artificially regulated price. The oil industry in Britain already sells fuel oil in competition with the gas industry, sells it oil to make gas, sells it refinery tail gases, and has recently talked of actually selling it standard town gas. So the factors in the price formation of natural gas, if it now emerges into a world market, will be many and complex. Those factors determining its implications in Britain's total fuel picture may be even more so. But *Methane Pioneer*, whatever the implications of its voyage, deserves at least one cheer as an adventurous but well-worthwhile piece of technical and commercial research. And it is seldom enough that one finds a British nationalised industry involved in any of that.

BUSINESS NOTES

STOCK MARKETS

Stagless Success

THE stock markets have continued generally firm this week ; and the overhanging political uncertainties, to which is now added Mr Dulles's illness, continue to prevent any break out into buoyancy. The gilt-edged market has shown further signs of its underlying strength. The authorities have this week arranged a £10 million issue to Rhodesia. The coupon is 6 per cent, the maturity 1979-81 and the price 99. This gives a gross redemption yield of £6 1s. 8d. per cent. Rhodesia thus borrows more than ¼ per cent cheaper than it did in its issue for a similar amount in January, 1958 ; this 1976-79 stock, allowing for accrued interest, stood about 10s. higher than the new offer. This was successful on Thursday ; it was oversubscribed, though as was to be expected it was not stagged. Applications for up to £100,000 were allotted in full, and larger applicants got 73 per cent.

The £15 million Esso debenture, by contrast, attracted over 53,000 applications (perhaps that is not really the word) for £185 million. The flood of small applications for £100 and £200 were dealt with by ballot, the lucky ones being allowed to subscribe for £100. Dealings started on Wednesday with a premium of £1. A number of other small and medium sized new issues are in prospect, including a rights issue for £1.8 million by British Relay Wireless. It may be assumed that this is one of the releases through the raised barrier of the Capital Issues Committee. The most important result expected of the relaxation is a crop of rights issues by banks. So far only the Midland has made an issue ; at the end of last week Sir Oliver Franks told shareholders that the board of Lloyds is considering the question and may propose an issue in the next two or three months. The bank's shares, and also those of other banks, have risen further in consequence.

FOREIGN CREDITS AND EXCHANGE CONTROL

Bull Points for Sterling

BECAUSE of the strengthening of sterling the Government has decided not to renew the remaining facility of $250 million available under the line of credit of $500 million established with the Export-Import Bank early in 1957. This credit was put at Britain's disposal to finance purchases of oil and other dollar imports at the time of the Suez crisis. One half of the credit was drawn in October, 1957, on the aftermath of the summer crisis of confidence. It is due to be repaid with interest at 4½ per cent between 1960 and 1965.

Two concessions in exchange control have been made for non-residents ; these add their testimony to the strength of the currency, but are really a logical move following the grant of convertibility for sterling currently earned by non-residents. The first is the removal of all restrictions on the transfer of legacies from this country to beneficiaries in Canada and the former American account area. The new freedom applies to any legacies remaining in blocked accounts since 1951 and still in the hands of their original owners. Since 1949 remittances to dollar countries have been restricted to the first £500 of each legacy. The second concession increases the "settling in" allowance for emigrants to the United States and Canada from £2,000 per family to £5,000—the limit that has been applied to all other non-sterling countries. Neither of these concessions should involve any significant exchange strain. Legatees or emigrants whose assets have been in excess of the limits previously prescribed have been able to sell their security sterling to other non-residents in the free markets. The rate for such sterling is now almost at parity with the official rate and no sacrifice has had to be made by those who have taken the whole of their mistermed blocked sterling out of the country.

In the exchange market this week sterling has lived up to these tokens of confidence. It has been firm against US dollars, strengthening to $2.80⅞ while the dollar itself has been gaining ground against most Continental currencies and particularly against guilders and D-marks. There have been violent movements in the Canadian dollar, which has fluctuated in London this week between the extremes of $2.73⅝ and $2.74½. There is a large bear position in Canadian dollars but speculators ran to cover on Tuesday following the announcement of a $200 million Canadian Government bond issue which is to be tax-free to non-residents. It is expected to attract appreciable support from institutional investors in the United States.

NATIONALISED INDUSTRIES

A Clip on the Purse

NO industry as heavily capitalised and expanding as fast as electricity supply can avoid planning its fixed investment several years ahead, particularly in a period when its suppliers are having to learn how to build an entirely new and developing kind of power station for it along with the old. But can Parliament, on the other hand, be expected to commit itself to massive expenditure of public money, without any automatic check, over whatever planning period happens to suit electricity ? This is one facet of the continuing problem of securing accountability of the nationalised industries: it has been met in different ways for different public industries. In surrendering to pressure from its back-bench Tory fuel and power group and limiting the amount and period of borrowing powers allowed the supply industry in the Electricity (Borrowing Powers) Bill now before Parliament, the Government has not laid upon electricity the annual limit with which the coal industry has to live. It has cut the extension of borrowing powers from £900 million to £400 million, which means effectively until about 1961-62 ; borrowing powers for the remaining £500 million, or however much the Government of the day

wishes to grant, will then have to be approved by Parliament.

Mr Maudling and Sir Ian Horobin had a slightly uncomfortable couple of hours in the Commons this week explaining why the Government had changed its mind over this issue, and the Opposition had its legitimate play with their embarrassment: it was perhaps not surprising that the phrase "if I were the Minister" escaped Mr Nabarro's lips during the debate. Nobody could pretend that the device would greatly strengthen accountability to Parliament, or significantly hamper the industry from investing what it intended: as Sir Ian put it with characteristic felicity,

> It will, in fact, get the money, but it will have to come to Parliament to justify it, as I am sure it will be able to, but if it cannot, then Parliament will have a duty to take very necessary steps.

Worse things could happen to a nationalised industry than this. It might, after all, at some time be asked to earn a going industrial rate on its new capital.

WORLD CAPITAL MARKET

Active Lending

ANOTHER string of international loans has been announced in the past week. Public issues are being made by two foreign countries in New York, flanked by loans from the World Bank. Denmark is borrowing a total of $40 million, of which the public part is an issue of $20 million of 5½ per cent bonds redeemable in 1974 at 97½, offered by an investment banking group. Swiss and other Continental investors with dollar funds are expected to show their usual interest. The proceeds are for general purposes of investment. The $20 million from the World Bank are being granted on the same yield basis of 5¾ per cent; this money will provide the foreign exchange costs of expanding the electric power supply.

The dollar loans to Japan are also to finance electric power. One public issue is of $15 million 15-year bonds at 98 carrying a 5½ per cent coupon; a tranche of $3 million is being taken up by a consortium of German banks. A further $15 million is being raised in three, four and five year bonds with coupons of 4½ per cent. The World Bank is adding $10 million, for 25 years, for the Mirobo power project. The bank has also announced a small loan of $3½ million to the central bank of Costa Rica, which will pass on the money to agriculture and light industry. The World Bank is considering making a second loan of this type to the Investment Credit Corporation of Austria, to which it has already lent $10¾ million. The pace of the bank's lending is not letting up. In the second half of 1958 loans reached $431 million, a rate well above the record $711 million in the year to mid-1958.

In a different category, Scandinavian Airlines System has arranged to borrow $49 million from American financial institutions to finance its re-equipment with American-built DC-8 jet airliners. A group of American banks headed by the First National City Bank is putting up $33 million, and the balance is being provided by two insurance companies. The terms of the credit are not yet known.

Finally, the first credits have been granted by the European Fund, which stands ready to give credits up to two years to worthy borrowers, to replace the automatic facilities under the monthly settlements in the European Payments Union. Turkey has been granted a gold credit of $21½ million and Greece $15 million. Turkey's credit replaces the special facility made available by EPU in association with individual European creditors last summer, for a total sum of $100 million; all these facilities are being continued. The credit to Greece, in contrast, replaces simply the unused portion of its basic quota in EPU, and may be considered as a new facility. These credits are repayable in two years; they bear interest at 3½ per cent and carry a service charge of ¼ per cent on the undrawn portion.

More Flexibility for IFC

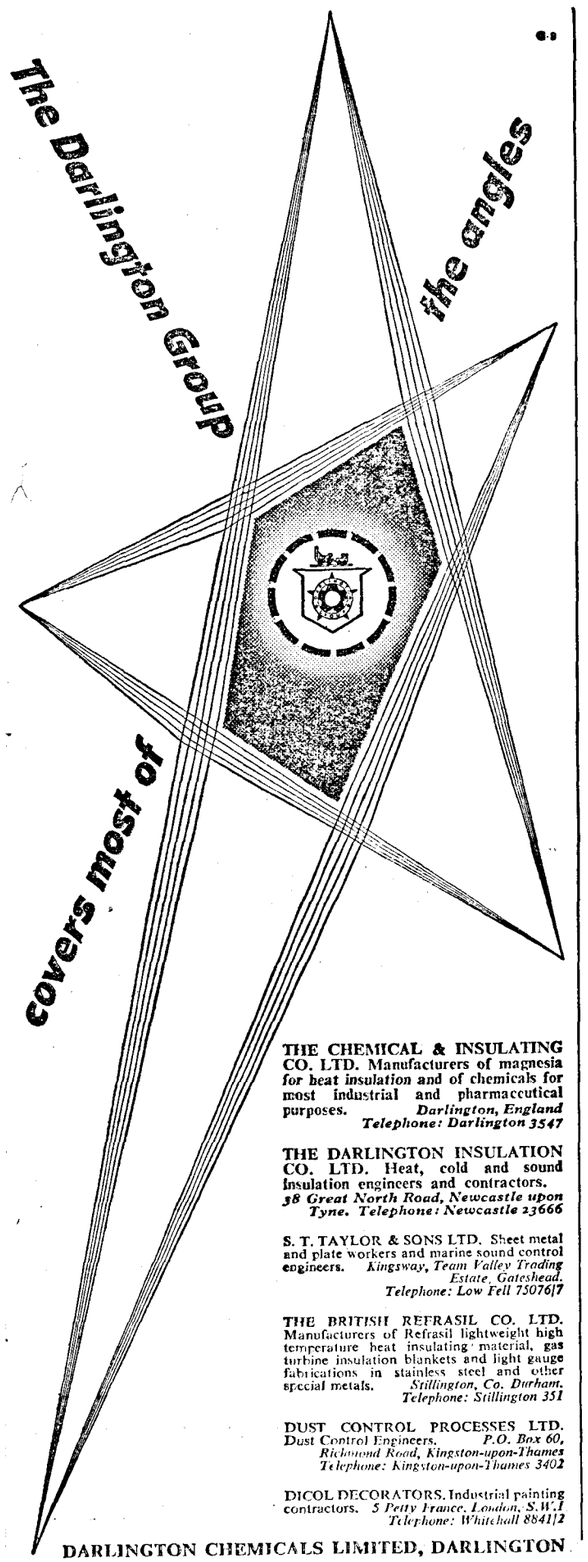
THE International Finance Corporation has announced its first investment in India. It is lending $1½ million to the Republic Forge Company, a new Indian-owned company, for a steel forging plant, which should reduce India's dependence on imported forgings. The loan marks the fruition of long and delicate discussions between IFC and the Indian authorities. The corporation has to take commercial considerations into account, and in the nature of its operations in small and medium scale private manufacturing enterprises it has to make provision for a share in profits once the investment has paid off. The money for the steel forging plant is in dollar notes bearing interest at 7 per cent, maturing between 1966 and 1971 and redeemable at any time. After four years, IFC will receive contingent interest dependent on the amount of the earnings, and it will have an option to subscribe at par for ordinary shares of Republic Forge. IFC is not empowered to invest in equities, but its practice is to seek such options with a view to reselling them to private investors who can take them up.

This statutory limitation on IFC is an anomolous one, and it must have been a hindrance in its operations. Many demands for loan capital cannot be granted because they would create an undesirably heavy burden of fixed charges in relation to the equity. The Commonwealth Development Finance Company of London faces the same problem. So far IFC has committed no more than $13½ million of its total capital funds of $93 million. Another handicap is the provision that all loans must be made and repaid in dollars. Mr John G. Beevor, vice-president of the corporation, who passed through London this week after an exploratory visit to six countries in east and southern Africa, intimated that the corporation is seeking greater flexibility in this matter. External convertibility of European currencies ought to be a help—though it may be recalled that the IMF is arguing the other way, that the right of convertibility into dollars means that countries do not have to worry about obligations to repay in dollars. Mr Beevor also suggested that IFC would be prepared to be more open minded about the size of loans when confronted with a good proposition. In fact the broad upper limit of $2 million has already been exceeded.

CURRENCY HEDGING

From Dollars into Gold

THE shift from dollars into gold continues at a modest pace and is holding the dollar price of the metal well above the parity of $35 an ounce. In the new market in Toronto the buying has been almost solely of United States origin. The gold sold in this market is domestic metal but since Canadian gold has recently been sold in the London market it may be deduced that the volume of buying in



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the Toronto market has been insufficient to absorb current Canadian production. The price being paid for small bars in Toronto has recently been around $35.15. Some long term forward purchases of gold have been arranged in this market on private US account. The rates quoted are based on the cash price plus a generous rate of interest. The turnover in the Toronto market has disappointed some of the hopes that were framed when it was opened, at a time when expectations of an increase in the dollar price of gold appeared to be running high.

Leading bankers throughout the world still distrust the dollar. A number of central banks are switching dollars into gold; recent examples include Japan and Austria. Buying on behalf of central banks has been the main contribution to activity in the London gold market. This steady stream of buying is keeping the sterling price of gold at a dollar equivalent of about $35.06-07 an ounce. The fears that the disappearance of the settlement in the European Payments Union based on parity and not on market rates would deprive the London bullion market of much of the central banking business that has dominated it for some time have so far proved groundless. Because of the relative favour in which gold is held, the turnover remains fairly active. The market has for some days past been deprived of any offers of Russian metal. But Russia is now selling in London rather than Zurich, where it previously sold for dollars, which it then converted into transferable sterling at a discount. The Swiss authorities, who have no liking for dealing with the Soviet block do not regret the switch.

JET FARES

Canutes in Paris

It would be difficult to imagine anything better calculated to discredit the airlines' international rate-fixing machinery than the present meeting of the International Air Transport Association that has been going on in Paris behind closed doors since last Monday. Far from having cooled, the tempers aroused during last autumn's strenuous efforts by one group of airlines to force another group to charge higher than standard fares for their jet services seem to have become, on one side at least, hotter and even less rational than at the earlier meeting held at Cannes.

Airlines with jet aircraft either in or coming into service have since been under great pressure to make some gesture of compromise even though it might mean pricing themselves part of the way out of the market to save the bacon of their non-jet competitors. So they have offered this week to put a token surcharge on their jet tickets ranging from £5 to £6 on a de luxe ticket costing £331 17s. return to £3 on a third class ticket costing £162. This gesture seems to have been a tactical mistake since it immediately compromised the jet operators' refusal to charge higher fares than they found necessary on commercial grounds, and it gained them nothing in return. It was in fact interpreted as a sign of weakness and answered by demands for surcharges amounting to as much as £30, or more than 18 per cent, on the return third class trip by jet—which would make it only a few pounds less expensive than the standard tourist, or second class, fare on the North Atlantic.

Before they met in Paris, the airlines agreed that there was no point in re-opening discussions about fares until private talks had shown that the deadlock could be broken. The deadlock remains. Had the airlines without jets offered to charge cheaper fares on their propellor-driven aircraft, instead of demanding higher fares for the jets of their competitors they might have had some public sympathy.

PROMPTING THE CHANCELLOR

Away with Schedule A?

At this time of year a Chancellor does not lack advice about his budget, but it is remarkable for him to receive widespread representations that he should abolish a whole segment of the income tax. The tax on owner occupied properties under Schedule A has long been part of the scheme of things, and although its relative importance has greatly declined since the war (largely because it is still based on pre-1939 rental values in the majority of cases) its net yield is still of the order of £25 million. The attack is four pronged: that notional income is not a fit subject for taxation; that if it was there are many other forms of property which go scot free; that if all property owners knew and made use of maintenance claims the yield would be reduced to a trickle; and that its administration is cumbersome and expensive. The first argument was considered by the Royal Commission, which was satisfied that it ignored the principle that taxation should be adjusted to the relative capacity to pay of different taxpayers and that there can be taxable income which is not received in cash. Money rents are certainly taxable and the occupation of a house by the owner can be regarded as money's worth because his right could be made to produce a money income if he let the property: his taxable capacity is to that extent greater than that of someone with a like cash income but no right of occupation.

It is true that on logical grounds the enjoyment of other forms of property such as the possession of the contents of the house, or cars, or rare pictures, might equally be deemed to produce a notional income which ought to be taxed. But to tax chattels in this way is clearly an administrative impossibility, and if logic is to be followed it should be recognised that if an owner occupier is to have a tax free roof over his head then a tenant should be allowed to pay his rent out of gross, rather than out of net, income. Then the flood gates would be wide open. There is more point about the loss of revenue that would result if maintenance claims were to be submitted by all who are entitled to them. The fact that only one owner out of ten makes a claim can only be due to ignorance: the average expenditure on repairs, measured in postwar pounds, must greatly exceed the statutory repairs allowance based on the prewar assessment. A typical house with a net Schedule A valuation of £60, worth between £4,000 and £5,000, would have an automatic repairs allowance of £15. The average cost of repairs, redecorations, maintenance and insurance must greatly exceed that sum. Many owners may erroneously believe that they are not liable for Schedule A because their assessment is covered by the mortgage interest they pay; this is to ignore the fact that if a maintenance claim was made the interest would be set free for offset against other income. The arguments based on administrative grounds, too, are strong and the cost of collecting Schedule A tax must be high compared with other schedules. But (*pace* our own plea last week for relief for charitable subscriptions) Mr Amory should beware of frittering away his largesse on minor reliefs. This is the year for a frontal attack on the standard rate and its associated reduced rates.

HIRE PURCHASE AND RETAIL TRADE

The Boom Analysed

THE impact of the removal in October of restrictions on hire purchase transactions is clearly shown by the analysis of hire purchase and other instalment debt published this week by the Board of Trade. Instalment debt for durable goods rose by about £120 million during 1958, to a total of about £604 million at the end of the year; nearly two-thirds of this increase came in the last two months. The rise in debt was roughly the same in both months—£38 million in November and £39 million in December—although hire purchase sales declined slightly in December and the Board of Trade interpreted this as a slackening of the special impetus. Of the total of £604 million, £271 million is owed directly to household goods shops and £333 million directly to finance houses.

The board also publishes an analysis by commodities of hire purchase debt, based on information supplied by several finance houses. This shows that furniture and fittings account for about £166 million of the total owing; hardware, radio and electrical equipment and cycles are the next largest group, at £133 million. Outstanding debt on new cars reached £56 million during 1958; on used cars £131 million. The board estimates that about £500 million is owed by families or other non-business buyers, and the remainder by businesses. The total value of durable goods bought on hire purchase in 1958 (as distinct from the debt owed on them at the end of it) is estimated at £870 million, up from £750 million in 1957.

Total retail sales of all kinds during 1958 are estimated by the Board of Trade to have been five per cent higher than in 1957; the increase in the fourth quarter is put at five per cent. While trade in January showed its usual seasonal decline from the Christmas peak, sales during the month are provisionally estimated to have been six per cent higher than in January, 1958. Only about one-third of the increases in the fourth quarter and in January is attributed to higher prices; higher volume accounts for the remainder. Durable goods shops are doing much better than a year ago, but it is probable that trade in January also received a considerable impetus from the "white sales" and other special price-cutting events which have now become so permanent a feature of retail trade.

ATOMIC ENERGY

Co-operation at Winfrith Heath

THE prolonged negotiations that preceded the signing of an agreement between the Atomic Energy Authority and the OEEC countries to build an experimental power-producing reactor at the AEA's new research centre in Dorset have demonstrated the gulf that separates the British from the Western European approach to nuclear power. This country is interested only in reactors that have a chance of producing electricity at commercial prices, and the AEA's research programme has no place for experiments whose primary object is to advance knowledge of nuclear engineering.

The Western European atomic energy authorities, and especially Euratom, place the greater emphasis on acquiring knowledge and gaining experience across a broad front. This is a sensible attitude when Mark I commercial nuclear power stations of several shapes and sizes can be bought off the shelf from British and American manufacturers, but one that makes it difficult for them to meet the AEA on common ground. When Britain first suggested that the OEEC's atomic energy organisation might take a part in some of the reactor experiments to be carried out at Winfrith Heath, just as it has already taken part in trials of a Norwegian reactor, the design discussed was that of a homogeneous reactor.

Half-way through the negotiations, this design was dropped from the AEA's programme because its commercial prospects looked poor. OEEC was offered in its place a share in the development of the high-temperature gas-cooled reactor to which the future UK atomic energy programme is now firmly committed. This is a smaller, hotter version of the basic Calder Hall reactor, a race-horse rather than a draught horse which it is hoped will retain most of Calder Hall's virtues while eliminating its objectionable features. Experimental reactors of this type would have been built in this country with or without the co-operation of OEEC; the first small "zero energy" version, giving no heat at all, has just been completed at Winfrith Heath. The next stage, to which OEEC and Euratom are now to contribute £5.7 million of the total cost of £13.6 millions, is the construction of a larger, power producing version that will remain UK property after the experiments have been completed.

This type of reactor is not entirely an AEA development; a great deal of work has been done on it by the General Electric Company, which actually built the zero energy reactor at Winfrith Heath. But GEC has withdrawn from the longer-term project because to remain in it would have jeopardised the company's right to patent its developments. This question of commercial patent rights will become increasingly important as industry accumulates knowledge of nuclear engineering—and it is the iceberg that might well rip the bottom out of international co-operation in nuclear power.

TELEVISION TUBES

Room at the Bottom?

A NEW competitive breeze has begun to blow in the replacement market for television tubes. A small Scottish firm, John Brennan Ltd., started producing 17-inch replacement tubes a year ago; these sell for £10 17s. 6d., including purchase tax. The cheapest 17-inch tube from a large manufacturer is made by Mullard; its price was reduced to £17 5s. 4d. from £20 2s. 11d. on February 9th. Even the Mullard reconditioned 17-inch tube, which first became available this month, costs £11 10s., though it is free of purchase tax. At present Brennans are producing only about a thousand tubes a week, but this seems to have been enough to make a significant impression on the market. Their tubes, known as "Truvu," are guaranteed for a year, compared with the normal six months, and are distributed nationally by Bryterlite Ltd.

Brennans have recently been granted a non-exclusive licence by the Radio Corporation of America to its patents and "know-how" on television tube manufacture. Up to now Brennans have imported from America the "electron gun," which is one of the basic components of a television

Perrier

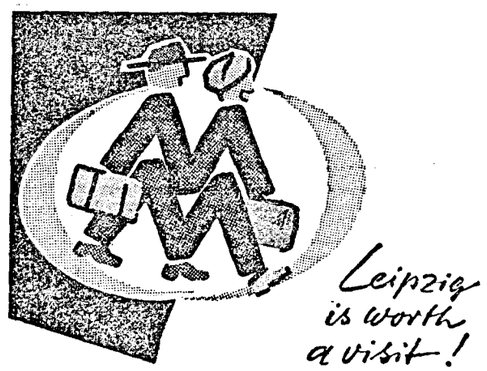
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But 'mornings after'
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Leipzig Fair, in the German Democratic Republic, will be more representative than ever this spring. 10,000 exhibitors from 40 countries are taking part, and visitors from all over the world are coming to see the displays and do business. *What's your Line?* Machine Tools? Glassware? Chemicals? Optical Instruments? Whatever it is, you'll find that Leipzig Fair is worth a visit!

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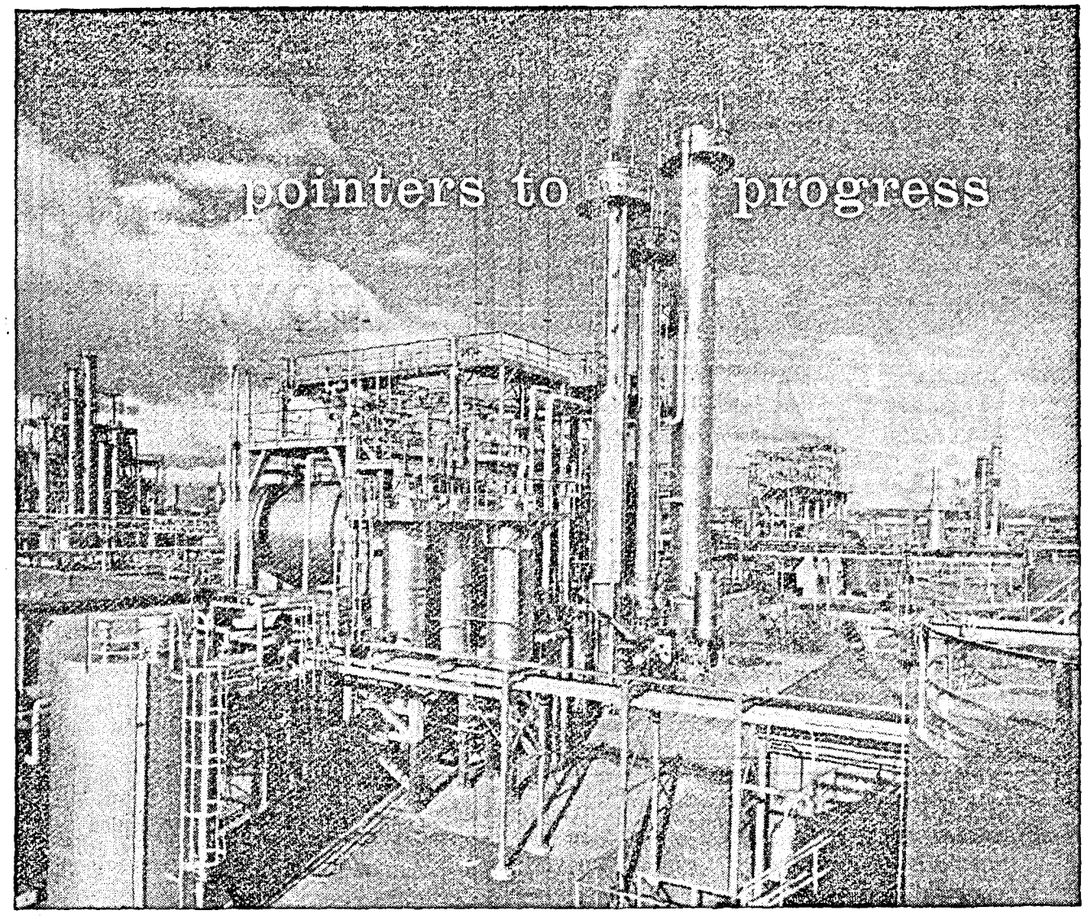
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The last ten years have seen the new industry of petroleum chemicals well and truly established on Scottish soil. This great new enterprise owes its origin and development to the foresight, capital resources, scientific skill and management of two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

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

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

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

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

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

Tetrapropylene Household and industrial synthetic detergents.

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

***Polyethylene** Sheet, film and monofilaments; household, medical and laboratory articles.

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

* PLANTS NOW UNDER CONSTRUCTION AND DUE FOR COMPLETION IN 1959

British Hydrocarbon Chemicals Ltd
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TAR818

tube. The other is the glass tube itself. For the last ten months the glass tubes have been bought from the English company which supplies other television tube makers. Brennan's work has thus been largely confined to assembly; the RCA agreement will enable them to begin manufacture of "electron guns" and to expand the scale of their operations.

It can be crudely estimated from conventional mark-ups that the manufacturer's price to the wholesaler for a seventeen-inch Brennan tube is about £5, while that of a Mullard is £7 13s. The comparable price for an American tube seems to be about £6. The Monopolies Commission reported that Mullard gave their manufacturing cost for a 17-inch tube as £7 10s. 4d. in December, 1954, and their profit as £4 5s. 1d., making the price to the wholesaler £11 15s. 5d., so they have reduced one or both since then. Does this mean that television tubes can be made more cheaply by a small company than a large company, and more cheaply in Scotland than in America? The difficulty of mechanising the assembly of such components and the lower overheads of a small company could affect both comparisons; so far as the second is concerned, girl labour certainly costs less in Scotland than in America.

BUILDING SOCIETIES

Thinking Ahead

LOOKING back over 1958 the building societies can say with relief that it could have been much worse. So much is apparent from the figures just published by the Building Societies Association. These cover about 75 per cent of the total assets of the movement; the really big absentee is the Halifax society. They show that as interest rates came down and as the screws on credit were relaxed, money began to flow at an increasing rate into the building societies' share and deposit accounts. The flow was especially strong in the last quarter. Exactly how strong it is impossible to gauge, for the 1958 figures include an unknown amount for interest credited to investors' accounts, while the 1957 figures do not. But a broad guess would suggest that actual gross receipts in the last quarter were about £90 million and net receipts about £36 million. The flow was big enough to encourage the societies to advance a little more on new mortgages. But they still cannot meet the demand for mortgages in full and most of them have been carefully nursing their liquidity ratios, with the result that at book values the average ratio rose during 1958 from 14.4 per cent to 15.9 per cent.

Looking ahead, the building societies have to think out their policies in terms of the new Housing bill and trustee status. A new era may have dawned for the societies, but they are moving into it cautiously. In particular they are anxious to maintain or to reinforce their reserve ratios. Some of them frown on mergers between societies that dissipate those reserves and almost all of them are unwilling to contemplate a change in their borrowing and lending rates that would cut into their margins. This desire for consolidation is measured by a proposal to be put to the members of the association in June for a compulsory reserve ratio (taking investments at market value) of 2½ per cent. That is the ultimate ratio required for trustee status by the Government, and while the association's proposals give more time to reach the minimum limit than does the Housing bill, it is apparent that membership of the association will eventually depend on fulfilling all the trustee requirements, except that relating to size.

The societies, in fact, have to look to their reserve ratios now and that is one reason why the council of the association has decided yet again against a change in its recommended rates. It is not a further cut in the Bank rate that may bring these rates down so much as what the next budget contains. A reduction in the standard rate of income tax, for instance, would ultimately benefit the societies' margins, while a new issue of national savings certificates at a lower rate of interest would enhance the competitive attractions of the societies' shares and deposits.

(£ millions)

	1957 I	1957 II	1957 III	1957 IV	1958 I	1958 II	1958 III	1958 IV
Shares & Deposits:								
Gross receipts	79·3	72·9	77·1	67·7	80·1	79·1†	86·9†	107·1†
Gross withdrawals.	59·1	50·4	57·3	56·1	64·1	59·7	58·3	51·3
Net receipts	20·2	22·5	19·7	11·6	16·0	19·4	28·6	55·8
Advances	57·3	69·6	73·6	65·8	56·1	62·4	66·3	74·9
Repayments, etc. ..	57·0	63·0	65·4	67·7	59·3	62·8	68·0	76·0
Funds (at end of the quarter):								
Liquid assets	248·8	259·7	257·8	258·4	247·8	258·9	277·4	311·1
Total assets*	1,696·8	1,731·6	1,754·4	1,795·0	1,810·3	1,858·3	1,902·1	1,957·0
Liquidity ratio (per cent)	*14·7*	*15·0*	*14·7*	*14·4*	*13·7*	*13·9*	*14·6*	*15·9*

* This figure represents about 75 per cent of total assets of all building societies. † Includes an unknown but substantial amount for interest for the preceding six months of year not paid out but added to investors accounts. There was no corresponding item in 1957.

RAW SUGAR

Propping up the Price

THE new International Sugar Agreement, which on paper is a more effective prop to the "free" world market than its predecessors, is already in trouble. The ending of the civil war in Cuba brought back the prospect of surplus, and prices of raw sugar have fallen by over half a cent to 3.10 cents a lb fob Cuba. When the Sugar Council met in London at the end of January it estimated the minimum net requirements of the free market this year at 5.4 million metric tons, and set export quotas provisionally at the same level as the basic export tonnages, namely 6.4 million tons, thus leaving an apparent surplus of over 1 million tons. The council justified its decision by pointing to the uncertainty about supplies, to the fact that export quotas will have to be considered again on March 19th, and to the automatic mechanism for cutting quotas when prices fall to a certain level. If the average market price over seventeen consecutive trading days is less than 3.25 cents a lb and is below that figure for twelve days, export quotas are automatically cut by 2½ per cent.

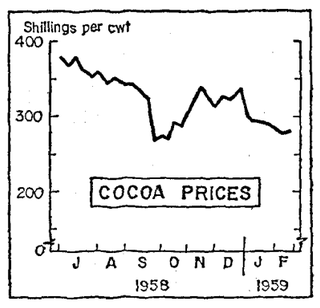
That cut is certain to be announced over the weekend. Raw sugar fell below 3.25 cents a lb on January 28th, and has remained below it ever since. In the last few days the market has been a little steadier, partly, perhaps, in anticipation of a cut in exports, and partly because production in Cuba, the largest producing country, is still suffering from labour troubles. Within one week of the automatic cut in quotas the council must meet to decide what further action should be taken, and if it cannot agree

the quotas must be cut by another 2½ per cent. As long as the average price is not below 3.15 cents a lb for seventeen market days export quotas cannot be reduced by more than 10 per cent of the basic tonnages; if the average is lower the quotas can be cut by the maximum of 20 per cent. Even if it were possible to cut quotas by the maximum the council is unlikely to do so, for it would then have exhausted its defensive powers. Clearly, the sugar scheme still has one weakness: the basic export tonnages are too high.

RAW COCOA

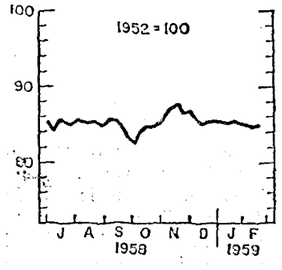
The Prophets Confounded

WORLD production of cocoa this season has confounded the prophets. Nearly all estimates of the crop in Ghana, the largest producing country, have been proved fanciful—and painful to many. On October 23rd the international cocoa study group estimated world production in 1958-59 at 820,000 metric tons; as it could hardly ignore Ghana's own estimate the group put the total crop in Ghana at 235,000 tons, though most experts doubted if it would exceed 200,000 tons. World consumption in 1959 was estimated at 846,000 tons, leaving an apparent deficit of 26,000 tons. While many traders had reservations about the size of the deficit there was general agreement that supplies might be tight. As stocks in consuming countries had already been run down prices were expected to remain high, or rise still further. Between October 23rd and mid-November prompt cocoa rose sharply by about 67s. to 356s. a cwt, and commanded a sizeable premium over forward delivery months.



Then the Brazilian marketing agency began selling cocoa at less than its minimum export price of 44 cents a lb fob (equal to about 370s. a cwt cif Europe), and the market weakened. In January when it became apparent that the Ghana crop was going to be much larger than had been expected, prices dropped more rapidly and the premium for prompt cocoa narrowed. By the time Brazil cut its minimum price to 34 cents a lb (or about 295s. a cwt cif Europe), the market had already fallen below that level. Last week prompt cocoa touched 268s. a cwt, and has since rallied to about 280s. a cwt, owing mainly to speculative covering in New York. The prospect now is for a surplus. The crop in Ghana should reach 235,000 tons, and with further gains in the Nigerian and Brazilian crops the study group now puts world production at 850,000 tons, 75,000 tons more than in 1957-58. World consumption, which has been declining unexpectedly sharply in the face of the high prices of last year, is now put at 826,000 tons in 1959, only slightly higher than last year. So the latest official forecast is a surplus about as large as the deficit that was forecast four months ago.

COMMODITIES FALL BACK



After rising by six per cent between October and November, *The Economist* commodity indicator is now only 2½ per cent above the October trough (its lowest point for nine years).

SECONDHAND JEWELLERY

Taxing the Just and Unjust

NEW jewellery is subject to purchase tax, but secondhand jewellery has hitherto not been taxed. The manufacture and sale of pseudo-secondhand articles has long been an open business in the trade. With purchase tax now at 30 per cent of the wholesale value the illegal gains are still worth while, though not as lush as they were when the tax was 60 per cent (before the last Budget) and 100 per cent (before the 1953 Budget). Detection of evasion is difficult, partly because the tax returns are made after the goods have passed into other hands, and partly because new and modern secondhand articles are often hard to distinguish after treatment by skilled hands.

About a year ago some members of the trade whose business was being injured by the traffic in "secondhand" articles vented their grievances publicly, and questions in Parliament followed. Thus bestirred, the customs authorities started a large-scale investigation. They found—contrary to earlier official statements—that evasion of purchase tax was widespread. As a first step about a dozen traders were told last month that they would henceforth be liable for tax on secondhand goods. Last week, having decided that urgent action against the trade as a whole was needed, the customs announced that trade in secondhand goods generally would be liable to tax as from March 1st. (Exemption has been an administrative concession; there is no exemption under the law.) While the customs presumably are too worldly wise to suppose that everyone will now play the game, defaulters should be less difficult to track down.

The decision may seem to be the only practicable one in the view of the Customs. But it is justice of a distinctly rougher sort which would bear most harshly on reputable dealers. Purchase tax is paid by wholesalers; it is not paid by retailers when they buy from the public and resell the same article to the public. In buying from private people, direct or through auctions or other disposals of private estates, the retailer would therefore be able to outbid any dealer whose trade was made subject to tax. Though the function of dealers would still be needed, retailers would bypass his services whenever possible. Is there no way of removing this discrimination? Dealers in special items are also complaining about the short period of notice. The sale of a piece valued at several hundred pounds may be difficult to negotiate in a fortnight. If their stocks cannot be sold before March 1st, dealers are faced with loss of profit or even actual loss.

WATER

No Shortage

THE two committees set up in 1955 to inquire into the future of Britain's water resources have both come up with a broadly favourable verdict; by 1965, they find, supplies of water generally should still be well ahead of demand. On the one hand, water demand since the war has risen by about 2 per cent a year and this trend should continue until 1965 with a greater increase expected from industrial water users (such as the Central Electricity Generating Board which by then will require 10,000 million gallons of cooling water a day) than from private consumers. Planned increases in supplies, however, were found in all areas to be sufficient to meet these needs, though with only a small margin to spare in East Anglia, Kent, Sussex and parts of the West Country. Moreover, sufficient capital for construction programmes—cuts in which have been at the root of most postwar water problems—is now forthcoming. The position has thus been reached where total water supplies in the future present little problem and where water experts are concentrating increasingly on the rather more intractable problems of sewage disposal, effluents and river flow generally.

In a sense, however, neither of the two reports meets the original criticism of water undertakings that led to the committee first being set up. This criticism arose from the severe water shortages that some areas suffered during the dry summer of 1955, and may indeed suffer again this year if the present winter drought continues. The public had an understandable feeling that, with a climate as generally rainy as the British, these shortages could only be the result of gross administrative inefficiency. The report to some extent bears out these criticisms. Even allowing for differences in demand, in costs and in geography, the variations in the proportion of available water collected, ranging from 2 per cent in Cornwall and 5 per cent in East Anglia to 36 per cent in Essex and 40 per cent in London, are excessive; Durham's difficulties in particular are notorious. Within most broad areas, there will also be a number of small local water undertakings which are much less efficient than the average. The Ministry of Housing can now compulsorily amalgamate these small undertakings if necessary and nine such orders have so far been made. These—though none is fully effective—have already had the welcome result of making recalcitrant local water boards do some joint planning; and this, given the satisfactory general picture should now be the first priority for water policy.

TRUSTEE SAVINGS BANKS

Competition by Cheque?

THE total funds deposited with the trustee savings banks at the end of their financial year on November 20th last was a record £1,313 million; the year was nonetheless something of a disappointment. While small investors have poured their money into the high yielding savings certificates and defence bonds and into premium bonds, deposits in trustee savings banks have actually fallen a little in the fiscal year since April. The trustee banks are alive to the increasing competition, not only from other forms of official savings media but from the commercial banks with their new facilities for small customers. Consent to any change in the business of the trustee savings banks must be obtained from the National Debt Office, through which the banks are answerable to the Treasury. The National Debt Office has to sanction the facilities that these banks offer to their depositors, and it controls the establishment of offices and

French Atom Fuel Lead

IT was almost certainly no co-incidence that the French atomic energy commission decided within a day or so of the UK Atomic Energy Authority holding an open day at its Springfields uranium processing plant, to allow visitors into the newest of the French fuel manufacturing plants, the biggest of its kind in the world. Although this plant has been working since last spring, its existence has been kept a close secret. The fuel it manufactures is in many ways an advance on the uranium metal produced by the Atomic Energy Authority since it is not in metal but in ceramic form, giving it certain important properties not possessed by the metallic fuel.

The Atomic Energy Authority in Britain has consistently wooed the goodwill of foreign countries by representing itself as the only bulk supplier and processor of nuclear fuels outside the United States, and the only one in the world prepared to sell fuel that carries no hidden political strings to it. The recent UK agreement with Euratom provided for the sale of fuel whether or not it was intended for use in reactors bought from Britain. The new French plant now appears as a definite challenge to that claim.

Although building was ordered and its cost met by the nationalised atomic energy commission this new fuel plant (which is just across the road from the research establishment at Saclay outside Paris, which ranks as the French Harwell), has been designed, built and run by the radio manufacturers, *Compagnie Générale de Télégraphie Sans Fil*, which is also responsible for designing France's new gaseous diffusion plant. It was rushed up in less than six months and is loosely described as a pilot plant, although it produces 25 tons of reactor fuel a year. This represents the initial fuel charge for one large experimental reactor; preparations have already been made for a much bigger factory should French scientists decide to standardise for the future on ceramic fuels.

The process of manufacturing small pellets of sintered reactor fuel, looking remarkably like half-inch lengths cut off a black pencil, follow the normal practice of the ceramics industry fairly faithfully. The powdered oxide is sifted, compressed in dies, fired in ovens; dimensional accuracy is carefully controlled because the mildly enriched American-imported oxide being handled at the present time is too valuable to be machined off as waste.

Reactor fuel in this form has two great advantages over metallic uranium; it does not bend and deform under intense radiation or temperatures of less than 2,500 deg. C and secondly, it does not oxidise as easily as metallic uranium, especially not in water. These two properties open up the possibility of reactors running at exceptionally high temperatures without fear of damage to the fuel and reactors in which water can be used in direct contact with the fuel.

These possibilities have already been considered in this country, and the Mark II Calder Hall, the experimental advanced gas cooled reactor being built at Windscale, as well as the Mark III Calder Hall being designed at Winfrith Heath, will use ceramic fuels. But the AEA is nowhere near producing these fuels, even for experimental purposes, in the tonnages in which they are being turned out in France. French metallurgists think they will need two years to test the merits of ceramic fuels, their present scale of production gives them a head start over the Atomic Energy Authority. The rapid progress of French nuclear engineering tends on occasions to be seriously underestimated in this country.

the rate of interest paid. It handles investment of funds in the "ordinary" departments, though the individual banks have limited freedom in investing funds in their special investment departments (and in paying higher rates on deposits in these departments).

The trustee banks are now pressing for permission to allow withdrawal by cheque. At the moment the only facilities for withdrawal are cash over the counter or an arrangement similar to, and as cumbrous as, the warrants obtainable by depositors in the Post Office Savings Bank. This is presumably not the only suggestion that the banks have followed up; their counterparts on the continent offer a service to both depositors and to borrowers that is much more far-reaching. Cheque accounts should prove extremely attractive even if the rate of interest allowed on such deposits is reduced. But this change might have wider implications, perhaps involving the designation of a third class of deposits. Neither of the two present departments has full trustee status.

THE TIN SCHEME

Shortage Amid Plenty

THE tin market is short of tin, producers are being forced to operate far below capacity, and the buffer stock of the International Tin Agreement has too much tin. No quick remedy to this paradoxical disparity is in sight. The manager of the buffer stock holds at least 23,300 tons that was provided, in cash or in kind, by the ordinary contributions of the producing members, and also holds several thousand tons bought with the producers' special fund (the whole of the special fund, and a portion of the ordinary fund, was used up in buying what was in effect Russian metal in the desperate attempt to support the market last year). There are no formal restraints on the disposal of tin from the special stock, and the manager has been letting it trickle out in the last few weeks. This can be inferred from the fact that prices this year have risen by only about £27 to £773 a ton, despite severe curbs on exports and the increasing demand from the United States.

After the special stock is sold the manager can then start to sell from the ordinary stock, as long as the price is above £780 a ton. Export restriction can bring prices up; the question before the tin council this week is whether producers should be allowed to export more tin. There is some scope for increasing exports without having to stop sales from the buffer stock. If exports remained at the existing rate of 20,000 tons a quarter throughout 1959, the free world would need all the tin in the ordinary and special stocks—and supplies would still be short by roughly 10,000 tons. But as the manager must keep some metal in his stock, so that he can sell as well as buy, the theoretical deficit is larger still. At the time that *The Economist* went to press the council's decision had not been announced.

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HEAVY TRACTORS

Vickers' Hard-Bought Experience

THE announcement that the Ministry of Supply has ordered sixty Vickers Vigor tractors for use by the Army is a reminder that Vickers are now established in the heavy tractor market. Their entry into it seven years ago was inauspicious; the tractors, based more on military than civil standards of construction, proved insufficiently durable for civil needs and all had to be bought back. Four years and much money was lost before a revised model was introduced, incorporating the lessons so hardly won by this experience. This is the "Vigor" now ordered for the Army after three years' testing, with which Vickers have been winning their way back into the market. Fitted with a 200 bhp Rolls-Royce diesel engine, it is a heavy caterpillar-tracked vehicle of the type previously built chiefly in America.

These are bought in relatively small numbers; Vickers capacity is 1½ a day, and their production rather less than this. They are used almost exclusively by civil engineering contractors, to push bull dozer blades or pull scrapers on projects that involve shifting large quantities of soil or stones. Such conditions are more often met abroad than at home, where the chief use for these tractors is on opencast coal sites. Even the motorways do not demand many; it is only where the country is less favourable for such construction work that heavy tractors are required in numbers, and this is chiefly abroad. Vickers' civil sales reflect this; at present 92 per cent are for export. Vickers are thus managing to win their way into markets formerly dominated by the longer-established American makers; they have found competition noticeably stiffer since the American recession cut domestic sales.

High initial cost and long life are two characteristics of the heavy tractor. A Vickers tractor with its associated equipment will cost around £12,000, and is likely to have a working life of between ten and twenty years; 5,000 hours operation between major overhauls is the standard that the manufacturers aim at, though under many conditions the track will need replacing sooner. The need for durability under arduous conditions explains the high cost of the tractor; it also explains the initial troubles that Vickers experienced because of their lack of experience in this market. Just as civil aircraft must last longer than military machines, and this involves a different approach to design, so Vickers have learnt that a tractor needs different design methods from the tank it superficially resembles.

MOVING ENERGY

Pipelines for Britain

THERE are nearly 700,000 miles of pipelines in use in the world, four-fifths of the total mileage being in the United States, which moves at least a quarter of its oil and all its natural gas through them. Certain oil and natural gas pipelines exist in Western Europe, and more are projected: Britain has practically none apart from its still fairly localised gas distribution grids. Sir Harold Hartley, speaking to the



All clear on U.S. 17

South from Jacksonville. To Orlando in Orange County: to Kissimmee and Haines City and Winter Haven: through a land of lakes and winter-blooming flowers, of camphor trees and coral flame vines and—citrus. Above all, citrus. Mile after mile in Florida, U.S. Highway 17 is a cutting in a wall of evergreen leaf and wax-white blossom and yellow-gold fruit, where in spring the air is sweet with the fragrance of a world of wedding days, from groves stretching unbroken to the horizon.

Yet thirty years ago U.S. 17 was a forbidden route. Road blocks halted all traffic. Loads were stripped and searched. Ton after ton of fruit—oranges, grapefruits, tangerines, mandarins—was condemned and destroyed. In the groves themselves thousands of trees were uprooted and burnt—victims of infestation by the Mediterranean Fruit Fly (*Ceratitis capitata*) scourge of citrus and other fruit crops throughout the warm world. Only after eighteen months of the most drastic 'scorched earth' policy by a field force of over 6000 men could the all-clear be given. And Florida's citrus growers breathed again.

In 1956 the dreaded fly struck afresh, appearing first in small plantings in Miami and spreading swiftly to 28 counties. The road blocks reappeared; groves were sprayed; thousands of bait traps set; harvested crops fumigated. But this time, eradication came more easily, and with a field force of under 800. For with *dieldrin* granules to supplement bait sprays, control was swifter *and longer lasting*. To-day, Florida, which crops a quarter of all the world's citrus, is entirely clear of 'Medfly'. *Shell dieldrin—powerful, persistent and outstandingly effective even in low concentrations—has many other uses just as impressive as the help it gave in saving the 'golden' crop along U.S. 17.*

dieldrin

dieldrin, endrin, aldrin, D-D and Nemagon are SHELL *pesticides for world-wide use*

For further information apply to your Shell Company.

Issued by The Shell Petroleum Company Limited, London, E.C.3, England

Pipeline Industries Guild last week, advocated the laying of pipelines here on a wider scale: not only for crude oil, refined petroleum products and, on a national scale employing high pressure, for gas, but also for coal, pumped hydraulically as a slurry to steelworks and power stations.

Britain has at present crude pipelines from ocean terminals to Grangemouth and Llandarcy. Mr Christopher Brunner, as well as Sir Harold, has recently suggested that the volume of products to be distributed will possibly soon justify products pipelines though he added that to move fuel oil, the petroleum product for which demand here is rising fastest, a pipeline has to be lagged and heating supplied. A pipeline can move products, according to American estimates, for perhaps a twelfth of the cost of a road tank lorry: on the other hand 65 per cent of its costs are fixed charges, so that high volume and steadiness for its throughput are vital to its economics. Sir Harold quoted as a possibility a products line from Llandarcy to Birmingham, possibly using wayleaves along railway lines: he put the cost at about 1¼d. a ton mile for an annual throughput of 700,000 tons at 80 per cent load factor. In the field of gas distribution, there are one or two high-pressure gas pipelines already in use, as from Shellhaven to Romford: this link will be used not only for refinery gas but for the methane that is being imported liquid in experimental quantities under the scheme described in an article on page 707.

Coal has been transported hydraulically in Ohio now for about a year along a 110-mile pipeline from a mine of Pittsburgh Consolidated to a power station in Cleveland: about 1¼ million tons a year is transported, at present for about $2.55 a ton against $3.30 a ton by rail (this is using the line to less than full capacity, and assuming a 7 per cent net yield on the investment). Sir Harold compared this cost—say, 2d. a ton mile—with Britain's average rate per ton mile for coal—"which I believe is in the neighbourhood of 5d." Experiments in pumping coal as a slurry have indeed already been carried out here—but only, so far, from the pit bottom to the top of the shaft.

SHORTER NOTES

Philip Hill, Higginson and Company is arranging the sale of 2,400,000 5s. ordinary units (out of a total issue of eight million units) at 16s. each in Showerings Limited, the Somerset business which manufactures "Babycham" champagne perry. Gross profits have risen steeply in recent years and exceeded £2 million in the year to October 31st last.

* * *

The Guaranty Trust Company of New York has announced in London that it is willing to accept deposits of Tube Investments "old" and "new" shares against the issue of American depositary receipts in New York, enabling "over the counter" dealings in TI to take place on Wall Street.

* * *

The chairman, Lord Portal, and the deputy chairman, Mr Geoffrey Cunliffe, of British Aluminium have resigned. Sir Ivan Stedeford, the chairman of Tube Investments, replaces Lord Portal and Mr R. S. Reynolds, of Reynolds Metals, has joined the British Aluminium board.

A Business Note titled "Kings Go Forth" in *The Economist* of February 7th stated that British cigarette manufacturers refrain from using the word "filter" in their advertising of tipped cigarettes. Rothmans of Pall Mall, however, advertise their product as "Rothmans King Size Filter" cigarettes, and have promoted the filter extensively in their advertising. Rothmans King Size Filter cigarettes are made in Britain by Rothmans of Pall Mall, which is owned by Rembrandt Tobacco Corporation of South Africa.

* * *

The managers of the First Provincial "Reserves" Unit Trust of Manchester are making a block offer of 500,000 units at 9s. 6d., giving a gross yield of £4 8s. 6d. per cent.

* * *

Philip Hill, Higginson has announced that its offer on behalf of Massey-Ferguson (Holdings) for the ordinary capital of F. Perkins, the Peterborough diesel engine manufacturers, has been accepted by holders of 4,629,557 shares, equivalent to 89 per cent of the total. The offer has been declared unconditional.

* * *

Barclays Bank purchased last year 25 per cent of the equity of United Dominions Trust and not 40 per cent, as stated on page 612 of last week's issue.

* * *

Banks in the Central African Federation have been told by the Finance Minister, Mr Donald Macintyre that they need no longer restrict lending to the limits imposed last year. Restrictions on hire purchase will be lifted shortly.

* * *

Addressing the annual meeting of the National Bank, in Dublin, Lord Pakenham said last week that henceforth the Bank is to follow a policy of expansion in Northern Ireland, consistent with inter-bank understandings.

COMPANY AFFAIRS

Comments on pages 729, 730 and 731 on British-American Tobacco

English Electric	British Oxygen	Linen Thread
Dowty Group	Brit. Relay Wireless	Antofagasta
Hadfields	Borax (Holdings)	Ilford
Metal Industries	Camp Bird	Alfred Herbert

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 732 and 733

LONDON STOCK EXCHANGE

The week's movements reported on page 731

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 734

COMPANY MEETINGS

THE LANCASHIRE STEEL CORPORATION LIMITED

CHANGE OF STATUS TO HOLDING COMPANY

INCREASED PROFITS EMPHASISE GREATER OPERATIONAL EFFICIENCY RESULTING FROM PAST CAPITAL EXPENDITURE

SIR JOHN JAMES ON RENATIONALISATION—SUBJECTING A BASIC INDUSTRY TO "SWINGS AND ROUNDABOUTS" OF POLITICS

The twenty-ninth annual general meeting of The Lancashire Steel Corporation Limited was held on February 12th at the Masonic Hall, Winmarleigh Street, Warrington.

Sir John James, Chairman, who presided, said:

Ladies and Gentlemen, I have great pleasure in presenting to you the Directors' Report and Accounts for the year ended September 27, 1958, and in moving their adoption of reviewing the year's working and the present position and prospects of your Company and the steel industry in general.

CHANGE IN STATUS OF THE LANCASHIRE STEEL CORPORATION LIMITED

Before reviewing the profit for the year I think I should first explain the change, which you will have noted in the Directors' Report, in the Corporation's status to that of a Holding Company only. As from March 31, 1958, all the steel-making activities carried on at the Corporation's Irlam and Warrington Works were transferred to a new Company, Lancashire Steel Manufacturing Company Limited, and the structural and general engineering activities which had been operated as a department of the Corporation were transferred at that date to The Pearson & Knowles Engineering Company Limited.

This change will ensure greater efficiency in the management of the various activities previously carried on by the Corporation. It is expected that this will result in several ways:

(a) It enables the Directors of the Corporation to delegate the day-to-day management of the Corporation's manufacturing activities to full-time executives who have been appointed to the Boards of the respective Companies, thus enabling the Holding Company's Directors to devote more attention to matters of principle arising in all Companies of the Group.

(b) By segregating activities into separate Subsidiary Companies it afforded the chance of appointing full-time executives to the Boards of those Companies and thus gave them a greater sense of responsibility and enhanced status, which is very valuable in dealing with the affairs and customers of the respective Companies.

(c) By interlocking the leading members of the Boards of all Companies in the Group it gives the opportunity of very close co-operation on all matters affecting the interests of two or more Companies, and thus achieves the maximum co-operation between them.

These results have already, in the short time since the change was made, shown their value, and I am hopeful will continue to do so in even greater measure in the difficult times ahead.

In connection with these arrangements, you will be interested to know that the Company formed to take over the steel-making activities, Lancashire Steel Manufacturing Company Limited, was formed with a Fully-paid Capital of £16 million issued to your Corporation in satisfaction of the purchase price of the Assets of the Irlam and Warrington Works, less the Liabilities appropriate thereto. The Fixed Assets were transferred at historical cost less depreciation, and the Current Assets at cost or market value in accordance with our usual methods of valuation.

No writing up or revaluation of any kind took place in the case of the Assets transferred, and £16 million thus represents the value, on the basis I have described, of the Corporation's steel-making activities. Replacement cost at today's prices would, of course, be immeasurably greater, and so would any value based on a fair measure of the profit-earning capacity of the Company.

REVIEW OF PROFITS

I am glad to be able to report a considerable improvement in the manufacturing and trading profit for the 52 weeks ended September 27, 1958, of over £1 million compared with that for the preceding year. The previous year, of course, suffered from two special causes beyond our control, and which I explained fully last year. This year we have not suffered from the disruption of a strike, and as from July, 1957, the margins for our products fixed by the Iron and Steel Board have been on a more satisfactory basis. On the other hand, as you know, the last six months of the year under review was an extremely difficult period as the effect of the Government's anti-inflationary measures and the general fall in world demand made itself felt in this country. The steel industry as one of the most important primary producers suffered particularly from these effects, and this Company was by no means immune therefrom; in fact, during the six months in question the Company was working considerably below its full capacity.

In these circumstances, the recovery in profits to a level only some £90,000 below the previous record profits of the year ended September 29, 1956, must be regarded, in my view, as extremely satisfactory. It undoubtedly emphasises the greater efficiency at which the Group is now operating and which has resulted from our Capital Expenditure over the last ten years.

Income from Trade Investments shows a sharp increase compared with the preceding year, due to the receipt of a Special Dividend from a Company in which we have an interest. This Dividend must be regarded as exceptional, but the cancellation of Distributed Profits Tax will result in freeing profits from Associated Companies, and I think our income from these sources will in consequence be at a higher level than in past years.

I have referred in past years to the appallingly high rate of taxation. This year, of course, taxation shows a sharp increase compared with the previous year as a result of the increased profits. It absorbs no less than £1,750,000 or more than 50 per cent of the Corporation's earnings.

Despite this heavy charge the increased profits have enabled us to place £720,000, as against £400,000 in the previous year, to General Reserve and still slightly increase the balance carried forward.

Out of these profits your Directors have recommended a Final Dividend of 8 per cent, making 12 per cent for the year as for 1957. They have, in addition, declared a Special Interim Dividend of 2 per cent, less Income Tax, for the financial year 1958-59. This Special Interim Dividend will be paid on February 17, 1959, with the recommended Final Dividend for the year under review, but will not be taken into account when consideration is given to payment of further Dividends for 1958-59. This treatment, of course, arises from the recent change in Profits Tax legislation, and in effect means that the Corporation is, at the present time, paying an effective rate of 14 per cent on the Ordinary Shares.

CONSOLIDATED BALANCE SHEET

Once again I am able to report that the Consolidated Balance Sheet shows a very strong financial position, Current Assets exceeding Liabilities by more than £6 million.

This is actually an increase of nearly £500,000 compared with the excess a year ago, and taking into account the fact that during the year Capital Expenditure amounted to more than £2 million must be regarded as extremely satisfactory.

Outstanding contracts for Capital Expenditure at September 27, 1958, amounted to £1,135,000, and I am confident that we shall be able to meet these obligations without difficulty.

FUTURE DEVELOPMENT

It is expected that the new mechanical cooling bed in the Rod and Bar Mill at the Warrington Works will come into operation during the current year. This will enable us to spread our products into Ferro Concrete and other markets in which there appears to be a steady demand. This will undoubtedly

strengthen our position and, I hope, will result in increased use of our capacity.

On the other hand, the prospects for installing a Light Plate Mill, to which I referred last year, are not now so attractive, as the recession in the industry has resulted in light plates being available in excess of current demand. In these circumstances, and as research is being carried on which may considerably reduce the cost of such an installation your Directors think it wise to await future developments before embarking upon this expenditure.

We now have under consideration the installation of an electric furnace at the Irlam Works. Developments in the wire industry continually call for higher qualities of steel, and such a furnace, together with our existing open hearth furnaces, would enable us to meet this demand. I cannot overstate the value which we place upon our connection with the wire industry, not only through our own Subsidiary Companies, Rylands Brothers and Whitecross, but also with the independent Wiredrawers who favour us with a large and growing volume of orders. The installation of this furnace should, I believe, enable us to supply their requirements for almost every quality they use and is a measure of our desire to serve them efficiently and to the best of our ability in every way.

DEVELOPMENTS ABROAD

During the year further progress was made in the reconstruction and expansion of the Rhodesian Iron and Steel Company Limited in which your Company is playing an important part. Rhodesia, however, is at the present time suffering from a severe trade recession; in consequence there has been a sharp fall in the demand for steel products. We are confident, however, that this is only of a temporary nature, and that in a very short time the situation will improve and the Rhodesian Iron and Steel Company play a great part in the economic development of the Federation.

Our own Subsidiary Company in Rhodesia, Lancashire Steel (Rhodesia) (Private) Limited, has also made progress during the year and is now in production, although as yet only at a modest level. It will, in fact, not commence to operate on a large and efficient scale until supplies of wire quality billets are available from the Rhodesian Iron and Steel Company. When they are available our Subsidiary, with its modern machinery, should be able to produce wire and wire products at extremely competitive prices, and we hope, not only supply the Federation's requirements, but also export from that country.

Consideration is being given to the installation of a Wiredrawing Plant in Auckland, New Zealand, where we already have an established plant manufacturing wire products, for which we believe there is a growing demand in that country. The new Wiredrawing Plant would enable us to supply not only our own requirements, but also those of other wire users in New Zealand.

PRESENT POSITION AND PROSPECTS

As I have already indicated, the present position is full of difficulties and our capacity is not being fully employed. The fall in demand has not, however, in the case of our Group been so severe as we had feared.

In this connection it is encouraging to note the growing demand for wire for road making and bridge building, which I have no doubt will expand in view of the accelerated road programme essential to meet the needs of modern transport. This, together with the recent relaxation of credit and other controls by the Government will, I hope, lead to a revival of demand for our products.

NATIONALISATION

On the question of renationalisation which the Socialist Party still threaten to carry out, I must reiterate that I am utterly opposed to the principle of further nationalisation and deplore subjecting such a basic industry as Iron and Steel to the "swings and roundabouts" of politics.

Your Company is endeavouring to let this threat interfere as little as possible with their business. But it is idle to contend that the threat is having no effect on the industry and the Companies concerned therein. For example, it has often been pointed out that the share prices of Steel Companies are unbelievably low compared with other Companies of comparable standing, merely as a result of the threat of renationalisation. Faced as the industry is with a very considerable capital expenditure running into some hundreds of millions of pounds, this has inevitably involved great difficulties in raising the necessary money.

A further disadvantage is the unsettlement caused amongst our staff, who do not know what their fate may be. For example, only the other day we saw a reference to the fact that some of the Union representatives of the Socialist Party Executive are demanding that on renationalisation "the existing Company structure must be scrapped." How can senior Executives, under such a threat, give of their best when they may be moved like pawns from the Companies to which they have given their lives to remote organisations which they have never heard of or envisaged. Again, it is difficult for Steel Companies to engage the best talent amongst the young men, who, in our experience, inquire as to the prospects of nationalisation and usually decline an appointment offered to them, saying specifically that they do not wish to work for a nationalised industry.

I have said before, and repeat again with all the emphasis at my command, that further nationalisation is not only unnecessary but would be a disaster for the industry and for the country. In my opinion, the present organisation of the industry is entirely satisfactory, as it provides for continuous supervision by the Government through the Iron and Steel Board whilst, at the same time, allowing the individual Companies the necessary freedom and elasticity to cope with their own special problems and requirements. I cannot better the views expressed so recently as January 29th by that great and independent newspaper *The Manchester Guardian*—"Labour has failed to provide a single valid reason why the steel industry should be subjected to a fresh political upheaval. . . . Possibly the powers of the Iron and Steel Board still need to be tightened in some directions. In that case Labour should see about it. What is pointless is to embark on another great switch of ownership."

In the meantime, I would emphasise that your Directors are doing everything within their power to protect your interests and to counter the threat of renationalisation.

STAFF

In conclusion I must again pay my own and the Directors' tributes to the efforts of all employees of the Companies in the Group. The fall in trade has made 1958 a most difficult year, but the results I have had the pleasure of reviewing demonstrate the efficient and loyal way in which the problems have been dealt with by all concerned.

The Report and Accounts were adopted.

J. SAMUEL WHITE AND COMPANY

(Shipbuilders and Engineers)

HIGH LEVEL OF PRODUCTION

The sixty-first ordinary general meeting of J. Samuel White and Company Limited was held on February 18th in London, Sir James A. Milne, CBE (Chairman and Managing Director), presiding.

The following is an extract from his circulated address:

On this occasion of the sixty-first Annual General Meeting of the Company I am glad to present such a satisfactory report.

Since the end of the financial year we have received an order from the Ministry of Supply for two wood 63-ft. Pinnaces and orders completed were Aircraft Lighter RN Air 52 and HMS Charity which, when finally handed over to the Pakistan Navy was renamed Shah Jahan.

Although the Shipbuilding and Engineering Departments have employment for the next two to three years, the Boatbuilding Department has only employment for a reducing number of men for upwards of nine months. Our position can be considered good when compared with shipbuilders in the United Kingdom who have building capacity similar to ours. It must not be forgotten, however, that in industries such as this one should look further ahead than two years and, at the moment, inquiries indicating the possibility of receiving an order are not as many as one would like, particularly in connection with merchant ships. I can assure you that every inquiry is given full consideration and actively pursued.

In the Boatbuilding Department the last two Inshore Minesweepers are almost complete and it has not been possible to maintain the labour force we had twelve months ago, so much so, that we have found it more economic to close down part of the Department and use the available space for Shipbuilding purposes. A high proportion of the boatbuilding labour has also been absorbed on shipbuilding. Your Board have under consideration various products to make use of the remaining Boatbuilding premises should no further work be forthcoming.

Somerton Works had a most successful year. The new products and designs developed earlier in the year have found a ready market.

Generally production has been at a high level. Little delay has occurred due to material shortages and we must consider ourselves fortunate that no serious inconvenience has been experienced as in the past due to materials not being available in the right sequence.

After reviewing the activities of the subsidiaries, the statement continued:

Turning to the Consolidated Balance Sheet, our overall liquid position has improved, but with more commercial work on hand we shall need to draw heavily on our cash reserve to finance day-to-day work in progress in the months ahead.

The Trading Surplus of £263,112 compares with £262,915 for last year (which also included £46,903 not relevant to that particular year).

Your Board recommend a final dividend of 15 per cent, which, together with the 5 per cent Interim, make a total dividend for the year of 20 per cent, similar to last year.

The report and accounts were unanimously adopted.

Habib Bank Limited

Established 1941

Head Office: KARACHI (PAKISTAN)

CONDENSED BALANCE SHEET as at 31st DECEMBER, 1958

LIABILITIES	Pak. Rs.	ASSETS	Pak. Rs.
Capital	20,000,000	Cash and Bank Balances	203,124,446
Reserve Funds	20,000,000	Government Securities & Bullion	383,397,053
Deposits	704,816,331	Loans and Advances	174,516,399
Amounts in Transit	30,687,500	Bills lodged for collection	25,660,818
Bills for collection	25,660,818	Customers' Liability on Letters of Credit, etc.	145,728,886
Liability for Letters of Credit, etc.	145,728,886	Other Assets	14,465,933
TOTAL Pak. Rs.	946,893,535	TOTAL Pak. Rs.	946,893,535

82 BRANCHES THROUGHOUT EAST AND WEST PAKISTAN
FOREIGN BRANCH:
BOMBAY (INDIA)

Habib Bank (Overseas) Limited

Head Office KARACHI (PAKISTAN)
BRANCHES: 1. ADEN 2. COLOMBO 3. MOMBASA 4. RANGOON

THE NATIONAL BANK LIMITED

A RECORD YEAR

LORD PAKENHAM'S ADDRESS TO THE SHAREHOLDERS

The one hundred and twenty-fourth Annual General Meeting of the Proprietors was held at 34/35 College Green, Dublin, on February 12, 1959.

The Lord Pakenham, PC, Chairman, began his Speech by referring to the Balance Sheet which reflected the substantial progress made by the Bank in the past year. Current, Deposit and other Accounts had increased by 4.8 per cent, and at £93,658,000 constituted a new record. The number of new accounts opened with the Bank showed a 50 per cent increase on the 1957 figures, and this was regarded as particularly significant. The rise of almost 11 per cent in Advances to customers reflected both easier credit conditions in the United Kingdom, where the Bank introduced the Personal Loans Scheme, and more hopeful signs in Ireland, where the Bank has taken the lead in giving new forms of assistance to farmers.

ENTRY INTO THE HIRE PURCHASE FIELD

The Chairman continued: "By reason of our decision to enter the Hire Purchase field we have acquired substantial holdings in Bowmaker (Ireland) Limited, one of the Republic's foremost Hire Purchase companies, and St. Margaret's Trust Limited in England—a company whose high quality has long been known to us as their Bankers."

FURTHER EXPANSION

The advance in the Bank Premises figure to £609,000 was due to some substantial improvements at existing Offices and to the opening of new Branches at Croydon and Birmingham. Lord Pakenham announced that another new Branch will be opened at Reading shortly and, in a reference to Northern Ireland, he declared, "Our policy there is henceforth a policy of expansion. . . . A Bank should be reluctant to represent itself as a benevolent institution, but we sincerely believe that we can make a much larger contribution than at present to the prosperity of Northern Ireland."

AN INCREASED PROFIT AND DIVIDEND

In turning to the Profit and Loss Account, the Chairman drew attention to the very satisfactory increase in the Profit of some £40,000 to £268,000—a rise of 17½ per cent. "Indeed 1958 was a record year both in the amount of business done and the Profit earned," he added.

An increase in the dividend from 12 per cent to 14 per cent was declared and some £9,000 was added to the balance of the Profit and Loss Account carried forward.

IRELAND AND ENGLAND COMPARED

Lord Pakenham then gave a review of the current position of Agriculture and Industry in the Republic of Ireland and Northern Ireland and went on to compare banking and economic trends in England and Ireland. He welcomed publication of the Irish Government's White Paper, "Programme for Economic Expansion." "The Programme is widely recognised as being completely realistic in its approach to the country's economic problems and in the targets it sets for development within the next five years," he said.

A "NEW BREEZE" IN BANKING

The Chairman continued, "In England a new breeze has swept through Banking with the end of the 'credit squeeze,' the introduction of Personal or Instalment Loans and the entry of Banks into Hire Purchase in a big way. We have kept well abreast of these events."

Lord Pakenham drew attention to the fact that The National Bank is the only Bank having a system of Branches in England, Wales, the Republic of Ireland and Northern Ireland. He added, "We can play a unique part as one of the most effective links, constructive but completely non-political, between Ireland and the United Kingdom."

SPEED OF DECISION

"I am often asked whether we can make any contribution in Britain which the largest Banks could not make equally well or better. I return an increasingly confident answer. Personal service is provided at a high level in all the leading Banks, but it should lie within our power to render a more personal service than larger institutions. We attempt to do this, though whether in fact we usually succeed only our customers can judge. Speed of decision is, however, easier to assess. At a Dinner last year I ventured to indicate 'speedy decisions' to those who put the question 'Why go to The National Bank?' Next morning a gentleman was on the doorstep of one of our Branches saying he had come to test my words with the request for a Loan. He was accommodated within a few minutes."

A SPLENDID STAFF

Lord Pakenham referred to the high enthusiasm of the Staff evident during visits to Branches and at Conferences. He concluded, "We have a splendid Staff and the Directors are deeply grateful to them as we move forward from strength to strength and as our old traditions seem likely to be enhanced in the future."

MILLS & ROCKLEYS LIMITED

(Outdoor Advertising in more than 200 towns throughout the Midlands, South West, East and North East England)

REVALUATION OF PROPERTIES

The thirtieth annual general meeting of Mills & Rockleys Limited, will be held on March 13th in Nottingham.

The following is an extract from the statement by the Chairman, Mr George T. Mills:

The profit, after provision for taxation, is lower at £70,826 compared with the record amount of £90,931 last year. Your Directors propose a transfer of £25,000 to General Reserve and the payment again of a similar dividend to that of recent years of 1s. 3d. per ten shilling ordinary share, leaving a "carry forward" of £42,693 compared with £41,087 a year ago.

As I stated a year ago, a professional valuation was being carried out of all the Freehold and Leasehold properties owned by your Company. They comprise upwards of 650 separate lots. Of these all but seven are freehold. They comprise a very wide range of properties including almost all the main and branch offices used by the Company, its screen printing works, some 100 dwelling houses, a number of petrol filling stations and a wide range of other property. The valuation of these properties represents the Valuer's estimate of the open market value. This valuation shows a very handsome appreciation of £274,336 over the net figures based on valuations made many years ago, less sales and depreciation but with additions at cost. That substantial sum has been added to Capital Reserve. Your Directors have decided that there is now an opportunity to deal with the item of goodwill amounting to £411,585. They have therefore transferred £211,585 from Capital Reserve together with £200,000 from General Reserve in order to eliminate goodwill from the accounts completely.

You may recollect that my last statement envisaged a temporary drop in the volume of sales, due to the impact of commercial television and the credit squeeze. This forecast proved correct and the volume of sales in the four months up to February, 1959, is somewhat lower than in the corresponding period a year ago. However, the improvement in the National financial position is likely in my opinion to lead to a renewed growth in advertising appropriations. Furthermore, users of commercial television are beginning to realise that poster advertising does a vital job in an advertising campaign. The prospects of our sales of space for the summer period beginning April are more favourable than they were a year ago.

The new factory in Coventry for screen printing is now in occupation and is expected will prove an earning asset of real value. The works at Ipswich have materially improved their technique and output. At the same time, cautious steps are being taken to widen the base of the production business at Coventry by developing the manufacture of printed electrical circuits.

JUTE INDUSTRIES LIMITED

A DIFFICULT YEAR

IMMEDIATE FUTURE MORE ENCOURAGING

MR W. G. N. WALKER'S STATEMENT

The thirty-eighth annual general meeting of Jute Industries Limited was held on February 16th, at Meadow Place Buildings, Dundee, Mr W. G. N. Walker (chairman and joint managing director) presiding.

The Secretary (Mr W. A. Jeffray, CA), read the notice convening the meeting and the report of the auditors.

Addressing the meeting, the Chairman said: With your permission I will take the accounts and the report of the directors as read. (Agreed).

A preliminary statement by the Chairman circulated with the Accounts read as follows:

As before, I intend to make an up-to-date statement on general lines at the Annual General Meeting.

In my interim statement this time last year I warned stockholders that profits for the current year might show a further decline. Events have proved this warning to be well-founded, and the trading surplus of the Group, having met all expenses including depreciation, has fallen by £365,156 to £412,976. When I made my forecast last year I anticipated the fall in earnings caused by the aftermath of the Board of Trade's action in July, 1957, and also the setback that the weaving section of our business would sustain as a result of stock losses and difficult trading conditions in the USA market. I had not, however, anticipated the additional handicap that we would have to bear as a result of the recession during May, June, July, 1958, when our production fell to 20 per cent below the level achieved during the same period in 1957. The results were also affected by a falling raw jute market which bottomed within a day or two of September 30th, the end of our financial year.

I am glad to be able to state that the situation has improved markedly since the Summer, and that there has been a general upsurge in business in the home trade and in exports. Raw jute price levels have risen and our spinning and weaving sections are today operating at a high level of activity. As I told you two years ago, we are large suppliers to the floorcovering industries; it is to the increased demands from these industries that our improved activity is mainly due.

Steps have been taken to concentrate production in our cheaper producing units by making the greatest possible use of multiple shift working. Our Belmont Works, which has been used as a machinery store since the war, has been sold and another of our Works now empty is awaiting a possible purchaser. The floor area in the remainder of our establishments is either being fully utilised or is earmarked for productive purposes.

I hesitate to make any forecast as to the level of profits that may be earned over the current financial year, because of uncertainty, firstly, as to the Board of Trade's attitude to the safeguarding of the jute industry, and secondly, as to Pakistan's intentions, in her economic plight, regarding raw jute availability and price levels. Were it not for these imponderables I could not fail to be optimistic.

At the meeting the Chairman said:

I assume you have read my preliminary statement that accompanied the Accounts. It is the last paragraph of that statement that I am sure you would wish me to elaborate upon.

The situation today as far as protection is concerned is the same as it was this time last year. In the interval the Board of Trade has made no further reduction in the mark-up on imported Asian goods, nor has it given any assurances that would clear up the uncertainty as to the future; endeavours continue to be made to explore the possibility of a more stable long-term arrangement.

The European Free Trade Area did not come into being on January 1, 1959, but negotiations are still going on with the Common Market countries in the hope that some compromise arrangement can be reached in the not too distant future. Jute may be of little moment in the wider realm of European affairs, but nevertheless the jute industries in the Common Market countries are taking a close interest in the actions of our Board of Trade. The Continental countries are acutely aware of the long-term dangers that increased imports of Asian goods into the United Kingdom market might cause them.

PAKISTAN AND RAW JUTE

Availability and price of raw jute are, of course, closely related. In recent years small carry-overs of crop from one season to another have tended to increase fluctuations in price and, in addition, have meant much too high prices at times. This state of affairs has done much damage to the industry and Pakistan's artificial restriction of crops has largely been the cause.

The average price of Mill Lightnings and the fluctuations between the top and the bottom of the market during the past three jute years (July-June) have, taking prices at the 1st of each month for shipment during that month, been:

	Average monthly price	High (per ton)	Low
	£	£	£
1955/1956	85	93	80
1956/1957	100	116	84
1957/1958	100	112	95

In July, 1958, the price of Mill Lightnings stood at approximately £101, falling to £85 at the end of September and recovering again to £90 in the third week of October, where it has remained within very small limits. This fall is most welcome in spite of it necessitating a write-down in our stocks at the end of September.

This year's crop is a large one, but the percentage of higher grades—the ones we use—is very much below the average, thus resulting in large quantities of low grades which the Pakistan authorities are finding it difficult to dispose of. It is likely, therefore, that the carry-over into the next crop will be considerable, possibly in the region of 2 million bales, and also that it will be of little use to most overseas markets. With this in view, the Pakistan authorities have announced that they intend to restrict the next crop by prohibiting the cultivation of jute in border areas where the main crops were of low quality. They also have in mind that, by so doing, they will limit smuggling of the fibre into India, increase food crops and thus reduce their food grain imports and generally help them in their balance of payments crisis.

This is an admirable ideal, provided that by so doing they neither reduce the production of high-grade fibre nor, through shortage, raise its price level and so do further damage to their customers overseas. Their "golden fibre" is already losing its gilt, and they should take note of the increasing alternative sources of supply that are becoming available to their customers. Burma and Brazil are producing fibre of above-average quality, and China, Siam and certain other countries are increasing their growings of medium and lower grades. India is also re-entering the export market. With the distinct possibility of Pakistan losing ground, her new government composed of military and official personnel must give very careful consideration to its actions, lest unwittingly it loses its traditional markets for quality fibre in the Western countries of the world.

LONGTOWN WORKS

Negotiations for the disposal of Longtown works are nearing completion. The closure of this Works does not imply any reduction in the output of the products concerned, as arrangements have been made for their manufacture in certain of the Company's other units.

SPECIALISED PRODUCTS

As indicated in my preliminary statement, your Board is concentrating on the expansion of sales to the floorcovering and other consuming industries who use specialised jute products. In the development of these specialised sales, our research and development facilities have been augmented over the past few years and are proving most beneficial.

MANAGEMENT

We have had a difficult year, and much time and thought has had to be devoted to adjusting ourselves to changing circumstances. During this period your Board has received the utmost co-operation from a loyal and hard-working management team. To them and to all employees we offer our most sincere thanks and appreciation. Let us hope that today's improved conditions will be maintained.

LLOYDS BANK LIMITED

ANNUAL GENERAL MEETING

The Annual General Meeting of Lloyds Bank Limited was held on February 13th at the Head Office, 71 Lombard Street, London, E.C.

The Right Honourable Sir Oliver Franks, GCMG, KCB, CBE, the Chairman, presided.

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

The report and accounts were adopted and the other ordinary business was transacted.

Votes of thanks were passed to the Chairman and Directors and to the staff.

UNITED KINGDOM PROVIDENT INSTITUTION

A YEAR OF RECORD BUSINESS

INCREASED INTERIM BONUS

SIR JOHN BENN'S STATEMENT

The one-hundred-and-eighteenth Annual General Meeting of the United Kingdom Provident Institution will be held at its Head Office, 33-36 Gracechurch Street, London, E.C.3, on Wednesday, March 18, 1959. The following statement by the chairman and managing director, Sir John Benn, Bart, is being circulated to policyholders with the notice of the meeting:

It will be seen from our latest Report and Accounts that 1958 proved to be an eventful year for the United Kingdom Provident Institution as well as for the City of London. Further expansion of our life assurance and pensions business coincided with an easing of financial restrictions by the Government. Various steps to extend credit were taken by the banks, and among other developments our Institution was quick to offer a new Credit Policy to provide cover for hire purchase transactions.

For the first time in our history the published value of the funds now exceeds £50 million. New business amounting to £12,859,000 sums assured net was also a record, representing an increase of 9.5 per cent on the figure for 1957 and happily nearly all our branches shared in this improvement. Payments made to members during 1958 amounted to £2,702,000. Sums paid under policies sharing in profits included bonuses of £758,000, which added an average of 54 per cent to the original sum assured, providing further evidence of our Institution's unrivalled bonus record. Interest earned on the funds was at the rate of £6 17s. 1d. per cent gross, or £5 1s. 1d. after deduction of tax The excellent yields from our property investments helped to account for the very satisfactory rates just mentioned. As usual, these rates are calculated on the balance sheet value of the assets, which is considerably less than their market value, and the Institution's "inner reserves" represented by the difference between these values are stronger than ever.

INCREASED INTERIM BONUS

In these circumstances, of which I propose to say more at our annual meeting next month, the directors have accepted the Actuary's recommendation to increase the interim bonus on all with-profit policies which become claims from February 16 to December 31, 1959, from 45s. 0d. to 48s. 0d. per cent per annum compound in the General Section and from 46s. 0d. to 49s. 0d. per cent in the Temperance Section. This is, of course, the Institution's bonus year and the rates to be allotted to all with-profit policies on our books at the end of the year in respect of this Triennium will be declared early in 1960.

THE NATIONAL INSURANCE BILL

The National Insurance Bill, now reaching the Committee stage in the House of Commons, calls for comment in view of its wide repercussions. The urgent need to stem the mounting deficit on the present National Insurance scheme is recognised by all political parties and is of the first importance to a life office, whose business depends so much on sound public finance. To the extent that the new Bill has this essential object, it has our full support. But having said this, I must add that the provisions of the Bill appear to be unnecessarily complicated and that unless these are drastically amended, its implementation will impose an intolerable strain on our pensions staffs, on the personnel officers of business and industry, and on the government departments concerned.

Many people, irrespective of their political affiliations, will regret that the constructive report just published by the Liberal Party Pensions Committee was not issued sooner, as its influence when the Bill was being drawn up might have been considerable.

PAST AND FUTURE

All these comments serve to underline the strength of pension schemes provided by the United Kingdom Provident Institution. Such schemes are eligible for tax relief on the same principle that Parliament has allowed relief on life premiums ever since the first Income Tax Act was introduced in 1799 but they involve no direct subsidies from the Exchequer. Their other merits include a fixed scale of premiums. In the case of a group scheme this may provide for variations to meet a change in the number of employees covered, but the business is based on a firm contract made at the outset and all concerned know exactly where they stand. Hitherto, all pensions contracts have been carried out to the letter by life offices and, provided that Parliament continues to uphold our traditional liberties, I have every confidence that the schemes we are now writing will be fulfilled in every detail in future as they have been in the past.

THE ATLAS STONE COMPANY

CONTINUANCE OF PROGRESSIVE POLICY

The Twenty-Eighth Annual General Meeting of The Atlas Stone Company Limited was held on February 17th in London, Mr Bernard Davis, chairman and managing director, presiding.

The following is an extract from his circulated statement:

Trading profit for the year amounted to £192,175 compared with £116,164. The profit this year, added to the amount of £77,175 brought forward, gives a total of £269,350. After all outgoings, there remains a net available balance of £87,163, out of which your directors recommend a dividend on the Ordinary shares of 15 per cent, less tax.

As a result of the improved financial position your directors recommend the distribution of 146,667 fully paid up 5s. Ordinary shares free to shareholders in the ratio of one new share for every five held as at the close of business on February 17, 1959.

Whilst every effort will be made to maintain and improve upon these results in the future, the possibility of being unable to continue this trend indefinitely should not be entirely disregarded.

The improvement in profit is, to some extent, the harvest reaped from the substantial sums spent in recent years upon capital equipment. With this encouragement we propose to continue our policy of modernising buildings, plant and methods in order to improve efficiency still further and to make the best use of labour and materials.

LIEBIG'S EXTRACT OF MEAT COMPANY

A SUCCESSFUL YEAR'S TRADING

The ninety-fourth annual general meeting of Liebig's Extract of Meat Company Limited, will be held on March 12th in London. The following is an extract from the circulated statement of the chairman, Mr K. R. M. Carlisle:

The accounts reflect a successful year's trading (Group Profit less Losses before Taxation £2,022,101 compared with £1,168,376) and fully confirm the expectation of improved results expressed last year. The improvement has been achieved largely through the restoration of profit margins of the Group's branded products, an increased sales turnover, larger-scale operations in Paraguay and the elimination of losses in certain overseas subsidiaries. On the other hand, the overall results from the African subsidiaries covering the year ended December 31, 1957, were again unsatisfactory.

Your Directors recommend a Final Ordinary Dividend for 1957-58 of 7 per cent, tax free, and have declared a Special Interim Ordinary Dividend of 2 per cent, tax free, for 1958-59.

It will be noted that it is proposed to retain in Subsidiaries the sum of £599,000 and to transfer a further £50,000 to General Reserve of the Parent Company. This is felt to be desirable in view of the present need to improve our liquid resources and to provide for future development.

OXO LIMITED

The Oxo Company had another year of great activity and increased substantially its turnover and its profits. Sales of the Oxo Cube were buoyant. Success in the sales of canned meat products under the Fray Bentos brand was resounding. Record turnover of Fray Bentos and Beefex Corned Beef was achieved and also in Fray Bentos canned meats manufactured in the United Kingdom.

Continent of Europe.—Competition remained keen on the Continent and in some countries there was a tendency for profits to decline further. Vigorous action is being planned to halt and reverse this trend, and the advent of the European Common Market is being borne well in mind in the formulation of such plans, as are the negotiations for some sort of Free Trade Area.

In this movement towards freer trade in Western Europe, the Liebig Group is not unfavourably placed to take advantage of developments, owing to its widely distributed sales and manufacturing companies on the Continent.

After a detailed review of the Group's world-wide activities, the statement concluded: In general, there is no present reason to suppose that the current year will prove less satisfactory than its predecessor. I must, however, remind you that we are engaged in an increasingly competitive business which, because of the wide geographical spread of its operations, is also particularly exposed to climatic, economic and political hazards over which we can have no control.

Reorganisation of your Company throughout the world is steadily continuing and every effort will be made to ensure that the fruits of this long term operation will be gathered in due course. Meanwhile a welcome and commendable trend towards a freer economy is developing in several countries in which we operate, notably Argentina and France, and this should eventually be of assistance to us in our activities.

TEACHER *(DISTILLERS)* LIMITED

CONTINUED DEVELOPMENT AND EXPANSION

The tenth Annual General Meeting of Teacher (Distillers) Limited was held on February 17th in Glasgow.

In the course of his speech to shareholders, Mr R. M. Teacher, the Chairman, said that in the past few years the development required to meet the steady expansion of both production and sales had been financed from earnings. It was now felt that the time had come when the Issued Share Capital should be brought more into line with the Capital employed in the business by the capitalisation of reserves and issued to the Ordinary Shareholders. At the same time, in order to continue needed expansion, and in view of the nature of it, the Board believed the most suitable method would be by the issue of Unsecured Loan Stock.

The Chairman continued: The results of the past year's trading have been satisfactory from the point of view of sales both at home and in most export markets.

Export Markets: Sales to the United States of America continue to increase. In Canada, the changes in legislation as to price discrimination and freedom of restrictions on the methods of distribution and consumption, have helped in the maintenance of this market, against, as in the USA, more competition. New Zealand introduced legislation of a very adverse nature in the restriction of imports of Scotch Whisky to 40 per cent of 1956. This substantial reduction is a severe setback in such a good market. A good deal has been published on the restrictions on imports into France, and I can only express the view that the singling out of Scotch Whisky is complete discrimination against our Industry of a product which cannot be produced anywhere in the world other than Scotland. Conditions in other markets have shown little change, apart from continued expansion where possible.

Your Board are confident that the developments undertaken and to be undertaken will strengthen and permit us to maintain the high quality of HIGHLAND CREAM, the brand of Scotch Whisky which we produce, and will allow your Company to meet the competitive trend that is developing which we will be ready to deal with both at Home and in the Export Trade. Apart from legislative restrictions, the greatest competitor of all in any industry, I do not see any reason which would warrant us going forward other than confidently.

The report and accounts were adopted.

At a subsequent separate class meeting of Preference Shareholders and Extraordinary General Meeting, the Board's proposals to issue £1 million Unsecured Loan Stock, 1979-1984, to increase the authorised share capital from £2 million to £3 million, to make a scrip issue of one new Ordinary share of 10s. for every two Ordinary shares held on January 23rd, to increase the Preference Share interest from 4½ per cent to 4¾ per cent and to alter the Articles of Association for this purpose and in connection with increasing the Board's borrowing powers, were approved.

APPOINTMENTS

UNIVERSITY OF LONDON
INSTITUTE OF COMMONWEALTH STUDIES
RESEARCH FELLOWSHIPS

Applications invited for (i) *Leverhulme Research Fellowship* for research in some aspect of the recent economic history or applied economics of any of the tropical areas of the Commonwealth (other than S. Africa); and (ii) *Institute Research Fellowship* for research on a topic relating to social, economic or political problems or recent history of the Commonwealth (or any part of it). Salary of each will be within the range £900 to £1,500 plus London allowance, family allowances and F.S.S.U., tenable for three years from October 1, 1959. Applications, six copies, not later than April 15, 1959, to the Secretary of the Institute (from whom further particulars may be obtained), 27 Russell Square, London, W.C.1.

UNIVERSITY OF NOTTINGHAM

Applications are invited for the appointments of ASSISTANT LECTURER IN ECONOMICS and ASSISTANT LECTURER IN POLITICS. Salary scale £700 x £50 to £850, with membership of the Universities Superannuation Scheme and children's allowances. Conditions of appointment and form of application, which should be returned by March 14, 1959, from the Registrar.

UNIVERSITY OF EXETER

Applications are invited for the post of Assistant Lecturer or Lecturer in Economic and Social Statistics. Salary scale: Lecturers £900 - £1,650 (with efficiency bar at £1,300). Assistant Lecturers £700 - £850. Further particulars may be obtained from the Secretary of the University.
Closing date for applications, April 11, 1959.

UNILEVER LIMITED require an Economic Statistician for their Economics and Statistics Department at Head Office in London. The work requires the application and development of a statistical approach to management decisions at various levels within the firm. It calls for a familiarity with and a critical appreciation of economics and of mathematical statistics. There is a strong preference for those applicants whose initial interest was in economics. Candidates should be at least 28. The starting salary will be from £1,350 to £1,500 with a maximum of well over £2,000. Applications in writing to Personnel Division (ES/1), Unilever Limited, Unilever House, Blackfriars, London, E.C.4.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN ECONOMIC STATISTICS. Duties to commence on October 1, 1959. The salary scale is as follows:—£700 x £50 to £850 per annum. Membership of the F.S.S.U. and Children's Allowance Scheme.—Applications must be sent not later than March 15, 1959, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

THE DURHAM COLLEGES
In the UNIVERSITY OF DURHAM

Applications are invited for the post of LECTURER IN SOCIAL ADMINISTRATION in the Department of Social Studies from October 1, 1959. The salary scale attaching to the appointment will be £900-£1,650 a year. Applications (three copies), together with the names of three referees, should be sent not later than March 9, 1959, to the Secretary, 38 North Bailey, Durham, from whom further particulars may be obtained.

UNIVERSITY OF BIRMINGHAM
FACULTY OF COMMERCE AND SOCIAL SCIENCE

Applications are invited for the post of TEMPORARY LECTURER or ASSISTANT LECTURER IN ECONOMICS, salary within the range £700 to £1,450 with F.S.S.U. and family allowances.
Applications (three copies), with the names of two referees, should be sent by April 11, 1959, to the Registrar, The University, Birmingham, 15, from whom further particulars can be obtained.

For further appointments and other classified advertisements see page 739

THE UNIVERSITY OF NEW SOUTH WALES
FOUNDATION CHAIR IN BUSINESS ADMINISTRATION

The University of New South Wales invites applications for appointment to the Foundation Chair of Business Administration within the University.
Applicants must be persons of good academic qualifications in an appropriate field of study and, in addition, should be of such standing in the field of management, either in public or private enterprise, as to attract the support of the business community.
The successful applicant will be expected to establish a School of Business Administration, operating primarily at the graduate level within the University, to develop courses of executive leadership and training, to collaborate with the Schools of Economics and Accountancy, and to stimulate research in his chosen field.
The salary of the Foundation Chair will be £A3,758 per annum.
Subject to the consent of the Council of the University, Professors may engage in a limited amount of higher consultative work.
The successful applicant, subject to a satisfactory medical examination, will be eligible to join the State Superannuation Scheme providing a pension of £A1,638 per annum.
Professors are eligible for six months study leave on full salary after three years of service or twelve months after six years of service.
The University reserves the right to fill the Chair by invitation.
First-class ship fare to Sydney of appointee and family will be paid.
Four copies of applications and supporting documents (including the names of three referees) should be forwarded to the Agent General for New South Wales, 56 Strand, London, W.C.2, and a copy forwarded by Air Mail in an envelope marked "University Appointments" to the Bursar, Box 1, Post Office, Kensington, New South Wales, Australia, not later than *March* 31, 1959.

COMPANY AFFAIRS

BRITISH-AMERICAN TOBACCO

SHAREHOLDERS in British-American Tobacco have some reason for feeling a little perplexed. The latest dividend is well up to market expectations, but the profits figures are something of a disappointment—a reversal of the situation a year ago when there was some disappointment with the virtually unchanged dividend when profits had risen substantially. The final ordinary dividend for the year to September 30th last is 7d., tax free, per 10s. unit but a "profits tax" interim dividend for 1958-59 of 2d., tax free, has also been declared. This makes the effective tax free annual rate 1s. 9d. compared with 1s. 7½d. for the previous year. The first interim dividend for 1958-59 is left unchanged at 6d., tax free.

	Years to Sept. 30, 1957	1958
Consolidated Earnings:	£	£
Gross trading profits	*57,285,037*	*55,789,393*
Taxation—		
United Kingdom	7,389,867	6,263,625
Overseas	20,663,819	21,365,488
Minority interests	*2,917,602*	*2,687,258*
Net profits	*26,313,749*	*25,473,022*
Replacement reserve	6,000,000	4,900,000
General reserve	—	750,000
Ordinary dividend	7,622,282	*7,523,291

*Excludes special interim payment

No reason is given in the preliminary statement for the fall of 2.7 per cent in group profits before tax from £57,285,037 to £55,789,393. But there is a possible clue in the statistics of tobacco consumption in the USA; these show that, while sales of cigarettes rose in 1958 by 5 per cent to about 430,000 million, the output of BAT's wholly owned subsidiary, Brown & Williamson, fell from 49,000 million to 48,000 million cigarettes. This decline is surprising, for sales of filter tip cigarettes continued to rise steeply and accounted for 46 per cent of total sales in the USA and it was in this field that Brown & Williamson was a pioneer with its successful "Viceroy" brand. But the decline in profits may also suggest that sales in other overseas markets have not advanced so rapidly this year, as a result of the effect of the fall in commodity prices on purchasing power in primary producing countries. Since this preliminary report the 10s. units, which recently have enjoyed a strong advance, have fallen by 3s. 9d. to 55s. They yield 5.5 per cent, looking forward to the long term growth prospect.

ENGLISH ELECTRIC

WHEN the directors of English Electric announced the ordinary "rights" and debenture issues, raising about £10½ million, they said that profits for 1958 would be no lower than those in 1957, and that the ordinary dividend of 14 per cent would be maintained not only for 1958 but also in 1959 on the capital as increased by the rights issue. The preliminary statement, however, has turned out to be something more than a formal statement of profits earned last year for it unexpectedly includes the announcement of a 50 per cent scrip issue. An ordinary dividend of 14 per cent on the capital as increased by the rights issue is equivalent to 9¾ per cent on the capital as increased by the scrip issue. The fact that the £1 shares have been once marked up by 3s. to 63s., yielding only 4.4 per cent on a 14 per cent dividend, suggests that investors are in a bullish mood and are hoping for something better—perhaps that the board will round off the dividend to, say, 10 per cent.

English Electric will have to service an increased capital again this year but the preliminary profit figures are good enough to encourage some of the more optimistic investors to believe that the future dividend policy may be more liberal. Gross profits before tax were only one per cent higher at £7,017,638 (against £6,961,578) but this was due simply to the rise of over 13 per cent in depreciation (from £2,775,985 to £3,137,609). And as the tax charge fell by nearly 25 per cent (from £3,635,455 to £2,919,414) the group's net profits have advanced strongly from £3,326,123 to £4,098,224. These results once again suggest that the group's sound management record and its wide spread of interests, stretching from heavy electrical equipment to aircraft and consumer durables, have enabled the group to come to terms with the erosion of profit margins rather more successfully than some of its competitors. But the current price is asking a lot of the future.

BRITISH OXYGEN

IN the boom in industrial equities the £1 ordinary shares of British Oxygen have risen from 36s. 3d. last July, when the interim report was issued, to the current price of 54s. 9d. Thus the effective increase in the dividend from 10 per cent to 12 per cent just announced by the directors for the year to September 30th has been largely discounted. On the new dividend the £1 shares now yield 4.4 per cent. In their interim report the directors not only said that profits for the first six months of the financial year were encouraging but also that at the end of the year they would carefully consider the possibility of raising the dividend.

The decision to declare a "profits tax" interim of 2 per cent in addition to the maintained dividend of 10 per cent is amply justified by the 2½ times cover that net profits provide. The group's trading profits, having risen by 18 per cent in 1956-57, advanced by another 23 per cent in 1957-58—from £9,181,548 to a new peak of £11,319,153. Despite an increase of £877,190 to £4,094,653 in depreciation (reflecting past capital spending) and an increase in tax from £3,215,099 to £3,890,438, net profits are still 18 per cent higher at £2,876,208 (against £2,440,245). These figures make cheerful reading, especially when they are set against the background of recession in the steel and heavy engineering industries, which take such a large proportion of British Oxygen's industrial gas. Acting virtually as a single supplier in this country, British Oxygen has been able to maintain its margins of gross profit; indeed its turnover, which rose by 14.7 per cent in 1956-57 and by 15.7 per cent in 1957-58, has been rising less quickly than its trading profits. But this expansion has been made possible by the huge investment programme of recent years and the directors now say specifically that major installations recently completed are paying off in greater efficiency and increased output. The break with the conservative dividend policy is therefore opportune.

LINEN THREAD

BY negotiating the sale of its American business, the directors of Linen Thread dropped the curtain on an unhappy tale of trading in the United States covering half a century. Shareholders will have few regrets. As a result of this sale, they will receive a capital distribution of 10s. for each £1 of stock held. Moreover, although the group suffered a loss in the year to September 30th, they will also receive an unchanged total ordinary dividend of 6 per cent, including a special interim payment of 3 per cent. Shareholders will hardly cavil at the sale for £4¼ million of assets valued in the books at possibly over £6 million, for the sale absolves the company from the necessity of nursing the American business through a further period of losses. But they may well ask to what use the £2½ million not earmarked for distribution will be put. An indication of what the directors may have in mind may be inferred from their statement that the proceeds of the sale reinforce the liquid assets of the group "at an opportune moment, as diversification projects are presently under examination." The group already has a small interest in engineering and it may be willing to follow the example of other textile concerns in extending its interests outside its own industry. At bottom it is up to shareholders in Linen Thread—and for that matter in other textile companies that possess big liquid balances—to decide whether the directors should invest the surplus funds for them or whether they should do the investing for themselves by asking for a bigger capital distribution.

Excluding the losses of the American subsidiary, the group's gross trading profits in 1957-58 are seen to have fallen from £709,672 to £510,079. After depreciation of £263,241 (against £312,107) and tax of £155,730 (against

£279,651 net profits declined from £165,141 to £146,123; to maintain the ordinary distribution at 6 per cent requires £113,850 net. In the present circumstances these are the important figures. The fact that the American subsidiary lost £510,079 following a profit of £216,553) is past history, especially as a substantial part of this loss was incurred in closing-down operations. It is what will happen to the group ex-American Thread that now becomes of prime interest. As substantial reorganisation expenses were incurred by the group's other subsidiaries, there may be some improvement in the current year's profit. At 27s. 10½d. the £1 shares allowing for the distribution of 10s. per share yield 6½ per cent, on a 6 per cent dividend.

DOWTY GROUP

BEFORE the Capital Issues Committee's control over new issues was put into cold storage, the directors of the Dowty Group had obtained its permission for an issue larger than they now deem necessary. The immediate cause of the issue by the Dowty Group was the opportunity to buy from Rolls-Royce and Bristol Aeroplane the whole of the issued share capital of Rotol Limited, whose business is complementary to Dowty's production of aeroplane accessories and with which the group already possessed strong trading links. At March 31, 1958, the Dowty Group held cash assets of £211,000 but had bank overdrafts amounting to £409,000. The sale was therefore conditional on Dowty raising £3½ million with which to buy the share capital and pay back loans from the vendors. At the beginning of this month Rotol had a bank overdraft of £1¼ million and the Dowty directors said they intended to offer 2,400,000 10s. ordinary shares in a one for two rights issue, but they did not then specify the price. They have now said—only a fortnight later—that the issue will be of 1,920,000 shares in the proportion two new shares for every five held. They have still to announce at what price the issue will be made but they have said that the decision to reduce the number of shares offered follows a review of "the financial position of the group and of Rotol Limited, and having regard to the increased liquidity of the group and the fact that the Rotol overdraft has now been appreciably reduced." The issue will be made against the background of an unchanged dividend. A second interim ordinary dividend has been declared in lieu of a final dividend, but as this is at the same rate as the final dividend for 1957-58, the year's payment is left unchanged at 11½ per cent, tax free. The current price of the 10s. units is 45s. 3d. and the yield is 4¾ per cent.

BRITISH RELAY WIRELESS

THE Capital Issues Committee was as heavy handed with "piped" radio and television companies as it was with HP and renting companies. As a result these companies have been among the first to take advantage of the new freedom to approach the capital market directly. Among them British Relay Wireless and Television proposes to raise £1.8 million by a rights issue of ordinary shares in the ratio of two 5s units for five held at 20s each. This issue, like that of Rediffusion, is relatively large. Last May the group acquired Sysbine Limited, a shell company whose sole asset was £1 million in cash, and recently it has made two further small acquisitions. Before these acquisitions the group possessed net assets worth £3¼ million at book values. The holders of the £500,000 7 per cent convertible loan stock issued in connection with the acquisition of Sysbine Limited have the right to apply for the new issue, on which at the current price of 27s 6d for the 5s ordinary units the rights are worth about 2s 1½d.

ANTOFAGASTA

FEW of the world's railways operate on a comfortable margin of profit, but no privately owned corporation could continue to suffer for long the sort of losses that Antofagasta (Chili) and Bolivia Railway has been incurring on its lines in Bolivia. The loss is estimated at £500,000 for 1958 and the railways faced a prospective loss of not less than £750,000 in 1959. In the face of this combination of miseries the directors have taken the only course for stopping the rot: to suspend operations in Bolivia. Despite repeated representations the Bolivian government had not taken the steps necessary to permit the railway to break even in its operations; in particular it has ignored requests by the company for higher tariffs and for relief from certain onerous labour and welfare obligations. In the last resort the company offered to sell the railway to the government. That offer has not been accepted and now the company has withdrawn from Bolivia, accepting the risk that it may lose some of its assets in that country without compensation. The Bolivian government has now taken over the administration of the railways. But for debenture holders and stockholders in "Fags" it may seem more unreasonable to continue operations that promise only losses. The group's rail and subsidiary interests in Chile seem to offer a better prospect. The consolidated ordinary stock in issue amounts to £6,415,344 and after a quarter of a century without remuneration dividends of 4 per cent were paid on this stock (quoted at £13½ per £100 nominal) for 1955 and 1956. Payment on the £2 million cumulative preference stock (quoted at £26 per £100 nominal) was deferred last May and no dividend was declared on the ordinary stock last November in respect of 1957.

HADFIELDS

THE steel and engineering business of Hadfields was denationalised in July, 1955, and in 1956 the directors raised the total ordinary dividend from 7½ per cent to 9 per cent in accordance with their declared policy of adjusting the ordinary dividend as profits rose or fell. Profits contracted in 1957 but the nine per cent dividend was maintained. The interim dividend for 1958 was maintained last June, but was accompanied by a strong warning that the final dividend might have to be reduced, as orders were falling off. The preliminary results for the year to September 27th show that the contraction in business has been so severe that gross profits have slumped from £1,131,734 to £609,005. The final dividend has been cut from 5 per cent to 2 per cent, reducing the total payment to 6 per cent. Net profits from trading fell from £420,187 to £158,329, of which the dividend of 6 per cent absorbs £127,091 net. Hadfields £1 units fell 2s. to 17s. 3d. on this announcement and they now offer a yield of nearly 7 per cent.

BORAX (HOLDINGS)

IN his statement accompanying the full accounts of Borax (Holdings) for the year to September 30th the chairman, Lord Clitheroe, strikes a note of cautious optimism. He looks ahead to a steady improvement rather than a spectacular increase in earnings. On this news the 5s. ordinary shares were marked up by 1s. 7½d. to 18s. 7½d., which brings the yield below 2½ per cent on the dividend of 8¾ per cent. The price of Borax has always been underpinned by the discount that Wall Street applies to the growth of the US subsidiary, US Borax and Chemical, in which the English parent has a 74¼ per cent interest. This was based first on the group's reorganisation in 1956 and the tax savings that were expected to accrue, and secondly, on the starting up of the new plant at Boron. Later the investor's eye was caught by the possible uses of boron in making synthetic diamonds and as an aircraft fuel. But the new plant at Boron ran into difficulties and in 1957-58 gross trading profits slumped from £2,970,780 to £1,624,997.

The maintained ordinary dividend of 8¾ per cent is paid out of the accumulated reserves of the parent company and, at the moment, shareholders cannot expect any immediate payment from US Borax and Chemical to the parent. The teething troubles at Boron are now past history but earnings from the potash side of the business are falling quite sharply. Potash prices have fallen as production has run ahead of demand and very rich beds of potash discovered in Saskatchewan may soon be adding to supplies.

ILFORD

THE fall in Ilford's gross profits from the peak of £1,794,496 to £1,671,152 in the year to October 31st is in line with the cautious comments made by the directors last September when the details of the agreement with ICI, which will eventually result in that company owning 32 per cent of the Ilford equity, were announced. Through this agreement Ilford acquires all ICI's assets and know-how pertaining to colour photography, and while in effect ICI in return for certain royalties will finance further research and development in colour photography the money coming from the deal will enable Ilford to pursue its own programme of development in black and white photography. The importance of this link in the long term is evident, for Ilford will be backed by ICI in the rapidly expanding but competitive world market for colour film. Ilford is strongly established in the market for black and white film and in 1957 exported half Britain's output of sensitised materials. Last year, however, costs continued to rise and though sales were slightly higher profits fell. The fall in the group's net profits from £813,748 to £788,994 slightly reduced the cover on the maintained ordinary dividend of 16 per cent to 2½ times. This will not really worry shareholders, but they presumably would like to know what dividend policy will be pursued now that ICI has come into the picture and has relieved Ilford of its immediate financial problems. At 17s. 1½d. the 5s. units in Ilford yield 4½ per cent.

METAL INDUSTRIES

PURSUING the policy of diversification outlined by Sir Charles Westlake in his statement last July, the directors of Metal Industries are offering shareholders in Avo either 10s. cash for every one 2s. share or one £1 share in MI for every four in Avo, which has 2,500,000 shares in issue. Avo's directors have accepted this bid in principle, but presumably to clinch the deal, Avo holders are now told that the new MI shares to be issued will rank for the 10 per cent final dividend. The MI shares have eased by 1s. to 42s. 6d. and those of Avo by 10½d. to 10s. 6d. Avo shareholders are being offered twice as much as the issue price when the units were marketed in July, 1957. Presumably, MI is interested in the big orders that Avo may garner from nuclear power stations for its instruments and components.

CAMP BIRD

SINCE he became chairman of Camp Bird in 1955, Mr John Dalgleish has assiduously cultivated good relations with the shareholders. Now a group of shareholders is pressing for the formation of a shareholders' committee on grounds that suggest almost complete disapproval of the policies which the directors have implemented. In particular, these shareholders disapprove of the sale of nearly all the company's portfolio of gold shares and of the re-investment of its funds in a diversity of projects. They doubt the value of some of the expenditure on development, especially at the Camp Bird mine in Colorado and on a cold steel forging process. They are worried about the cover on the ordinary dividend and they deplore the Ghana Minerals episode. The directors have answered these criticisms in a circular to shareholders and have disclosed that group profits for the six months to October 31st and the parent company's profits for the nine months to January 31st show some slight improvement over the previous year's figures. An extraordinary general meeting has been convened for March 9th at which an ordinary resolution calling for the establishment of a shareholders' committee will be put to the vote as requested by the critics of the board. But the directors have tabled a special resolution of their own, calling for a Board of Trade investigation into the affairs of the company. For the directors of a company to suggest a Board of Trade inquiry is certainly unusual. The question for shareholders is whether an inquiry of this nature is relevant.

ALFRED HERBERT

THE contraction in machine tool deliveries in 1958 has given Alfred Herbert a severe jolt. Gross trading profit for the year to October 31st tumbled from £3,666,922 to £2,251,984 and net profits from £1,821,311 to £1,417,975. Alfred Herbert made exceptional progress after 1950 but until 1957 it maintained a conservative dividend policy. The directors then raised the ordinary dividend from 7½ per cent to 12 per cent, tax free. This was followed by a one for one scrip issue last April; and last August the directors stated that despite unfavourable trading conditions, they considered that they would be justified in maintaining the distribution at its higher level. Although the fall in profits turns out to be far more severe than most investors had foreseen the dividend has been kept effectively unchanged at 6 per cent, tax free. Orders in the first few months of the current year have not been good enough to allow maximum production. But although the directors expect a further reduction in profits in the current year they do not expect any reduction in the dividend for 1959.

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Gibraltar, Malta	£5 0s.	—
Hongkong	—	£9 15s.
India	£9 0s.	£7 10s.
Indonesia	£9 0s.	—
Iran, Iraq	£7 15s.	—
Israel	£7 15s.	—
Japan	£10 6s.	—
Jordan	£7 15s.	—
Lebanon	£7 15s.	—
Malaya	£9 0s.	—
New Zealand	£10 6s.	—
Nigeria	£9 0s.	£6 10s.
Pakistan	£9 0s.	—
Philippines	£10 6s.	—
Rhodesia (N.&S.)	£9 0s.	—
S. Africa	£9 0s.	£7 10s.
S. America	£9 0s.	—
Sudan	£7 15s	£6 15s
U.S.A.	—	$25 or £9
West Indies	£9 0s.	—

London Stock Exchange

FIRST DEALINGS:	Feb. 11	Feb. 25	Mar. 11
LAST DEALINGS:	Feb. 24	Mar. 10	Mar. 31
ACCOUNT DAY:	Mar. 3	Mar. 17	Apr. 7

GILT edged stocks and corporation loans eased on the announcement of a £10 million loan for Rhodesia and Nyasaland. But prices recovered on Tuesday and Wednesday, the *Financial Times* index of Government securities rising fractionally over the week from 86.96 to 87.05. German bonds were strong and Hungarian 4½ per cent rose by 1¾ to 10½.

Industrials were quiet up to the close of last week but buyers reappeared on Monday and good gains were made particularly in leading stocks favoured by unit trusts and American investors. Over the week *The Economist* indicator rose from 249.9 to 252.4 Dunlop gained 2s. 3d. to 25s. 9d., Glaxo 5s. 6d. to 51s. EMI rose by 1s. 10½d. to 57s. 3d. Electrical shares were particularly strong, Vactric gaining 3s. 6d. to 36s. 9d., Lancashire Dynamo 3s. to 46s. 9d., and Thorn Electrical 2s. 3d. to 32s. De Havilland was helped by the reference to its "Blue Streak" missiles in the White Paper on defence and gained 3s. 3d. to 20s. 7½d. Jaguar rose to a peak of 56s. 6d. following the results. Raleigh rose sharply from 22s. 1½d. to 26s. 9d. Among engineering shares Davy and United rose by 2s. to 94s. but George Cohen fell by 1s. to 10s. 7½d. on the interim statement. Tobacco shares were dull following a further report from the United States on the effects of cigarette smoking, Gallaher weakening by 6d. to 42s. Stores were strong; Woolworth gained 3s. 1½d. to 52s. 1½d. and Gamage 1s. 6d. to 64s. However, Gorringe fell 5s. 7½d. to 48s. 1½d. after the recent rise on rumours of a bid.

Bank shares advanced following expectations of impending rights issues: Midland rose by 2s. 6d. and Lloyds by 4s. to 51s. 3d. But National and Grindlays dropped 3s. to 30s. following the announcement of an unchanged dividend and the omission of a capitalisation. Hire purchase shares were strengthened following the announcement of the sharp rise in the hire purchase debt at the end of 1958, United Dominions Trust gaining 2s. at 132s. 6d. British Wagon advanced by 7s. 6d. to 117s.

Oil shares weakened on the announcement of sharp cuts in Middle East prices by British Petroleum. BP fell by 1s. to 51s. 3d. and Shell by 1s. 6d. to 140s., but Ultramar jumped by 10s. 6d. to 68s. 9d. Among Kaffirs, Orange Free State mines encountered profit-taking after this recent rise but on Wednesday regained earlier losses. Coppers were irregular despite the firmness of the metal but Chartered rose by 4s. to 83s. 6d. while Bancroft gained 1s. 4½d. to 28s. 9d. Rubbers were, in demand, Indonesian issues being unaffected by the Sumatran nationalisation moves.

LONDON AND NEW YORK STOCKS

Prices, 1958/9 High	Prices, 1958/9 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Feb. 11, 1959	Price, Feb. 18, 1959	Net Yield, Feb. 18, 1959 § £ s. d.	Gross Yield, Feb. 18, 1959 £ s. d.
100 3/16	96 1/16	War Loan 3% 1955–59	100 1/8	100 3/32	2 17 9	3 12 10
97 3/4	90 5/8	Funding 2½% 1956–61	97 23/32	97 21/32	2 7 8	3 12 10
93 5/32	93 1/16	Exchequer 2½% 1960	99 3/32	99 1/8	2 0 9	2 18 1
100 5/32	95 3/16	Exchequer 3½% 1960	100 3/32	100 1/8	1 12 10	2 17 7
101 5/16	95 5/16	Conversion 4½% 1962	101 5/16	101 1/32	2 2 9	4 0 11
95 1/32	88 5/8	Exchequer 3½% 1962–63	96 1/32	95 1/32	2 12 11	4 0 3†
101 3/4	99 7/16	Conversion 4½% 1963	101 3/4	101 21/32	2 4 9	4 6 6
92 7/8	83 5/8	Savings Bonds 3% 1955–65	92 11/16*	92 7/8	2 19 11	4 5 7†
85 13/16	77 5/8	Funding 3% 1959–69	85 9/16	85 13/16	3 9 4	4 18 6†
92 15/16	86 3/8	Funding 4% 1960–90	92 5/8	92 15/16	3 9 3 2 13 5	11 12 2‡ 4 9 11†
83 7/16	75	Savings Bonds 3% 1960–70	82 7/16*	82 11/16	3 11 8	4 19 8†
93 5/8	84 1/8	Exchequer 2½% 1963–64	93 7/16	93 1/2	2 17 4	4 0 9†
100 11/32	99 11/16	Conversion 4½% 1964	100 11/32	100 5/16	2 9 8	4 8 8
86	78 5/8	Savings Bonds 2½% 1964–67	85 15/16	85 15/16	3 9 9	4 14 0†
76 7/8	69 5/8	Savings Bonds 3% 1965–75	76 11/16*	76 13/16	3 12 1	5 2 0†
105 5/8	99 1/2	Exchequer 5½% 1966	103 13/16*	103 1/8*	2 12 10	4 18 3
86 5/16	78 5/8	Funding 3% 1966–68	86 3/16	86 5/16	3 8 11	4 16 11†
93 1/8	91 1/8	Victory 4% 1920–76	96 1/2*	96 9/16*	2 14 4	4 9 0‡
89 13/16	81 9/16	Conversion 3½% 1969	89 7/16*	89 11/16*	3 4 4	4 15 11
100 1/4	97 1/4	Conversion 5½% 1974	99 15/16	100 1/8	3 1 1	5 6 7
73 1/16	71 1/8	Treasury 3½% 1977–80	78 15/16	79 1/16	3 8 5	5 3 6†
78 3/8	70 3/8	Treasury 3½% 1979–81	78 7/16*	78 1/16	3 8 11	5 3 10†
103 3/8	98 1/2	Funding 5½% 1982–84	103	103 3/8	3 19 7	5 5 9e
68 1/4	60	Redemption 3% 1986–96	68	68 1/4	3 4 4	4 19 8†
74 1/2	64 3/8	Funding 3½% 1999–2004	73 7/16	73 5/16	3 1 11	4 19 5†
76 3/8	69 7/16	Consols 4% ..after Feb. 1957	75 3/16	75 3/8	3 1 2	5 6 5†
69 7/16	63 1/8	War Loan 3½% ..after 1952	68 1/8	68 5/16	2 19 5	5 3 10†
69 7/8	62 3/8	Conv. 3½% ..after Apr. 1961	68 7/8	68 5/8	2 19 4	5 4 1†
60	54 3/8	Treasury 3% after Apr. 1966	59 7/8	60	2 18 2.	5 1 11†
53 9/16	46 3/4	Consols 2½%	53 1/8	53 1/4	2 14 2	4 14 6†
51 3/16	46 3/8	Treasury 2½% after Apr. 1975	51	51 1/8	2 16 10	4 19 8†
95 5/16	90 1/8	British Electric 4½% 1957–69	95 15/16	96 5/16	3 0 2	4 19 5†
80 1/8	72 1/16	British Electric 3% ..1968–73	79 15/16	80 1/8	3 11 11	5 2 3†
76 13/16	68 5/8	British Electric 3% ..1974–77	75 11/16*	75 3/4*	3 10 11	5 0 11†
89 7/8	82 5/8	British Electric 4¼% 1974–79	89 7/8	89 5/16*	3 4 2	5 2 11†
80 1/4	72 5/16	British Electric 3½% 1976–79	80 1/8	80 1/4	3 7 8	5 2 8†
83 11/16	82 7/16	British Gas 4% 1969–72	89 9/16	89 11/16	3 5 2	5 1 8
87 1/16	79 1/4	British Gas 3½% 1969–71	86 1/2*	86 11/16*	3 6 2	4 18 3
69 1/8	60 7/16	British Gas 3% 1990–95	69 5/16	69 1/8	3 3 11	4 17 7
89 1/8	72 1/16	Brit. Transport 3% ..1968–73	79 15/16	80 1/8	3 11 11	5 2 3†
85 5/8	79 1/4	Brit. Transport 4% ..1972–77	86 1/2	86 5/8	3 5 9	5 3 6†
68 15/16	60 15/16	Brit. Transport 3% ..1978–88	68 1/2	69 3/16	3 3 8	5 1 8†

Prices, 1958/9 High	Prices, 1958/9 Low	FIXED INTEREST STOCKS	Price, Feb. 11, 1959	Price, Feb. 18, 1959	Yield, Feb. 18, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	94 1/2	Australia 4½% 1960–62	102	100*	4 10 0e
106 3/4	97 7/8	Australia 6% 1974–76	106 5/8	106 3/4	5 6 10e
77	73 1/2	Ceylon 4% 1973–75	77	75 1/2*	6 9 8†
102 1/4	94 1/2	Jamaica 6% 1977–82	100	100	6 0 0†
105 7/8	97 5/8	New Zealand 6% 1976–80	104 5/8*	104 3/8*	5 12 0e
101 7/8	91 3/4	Rhodesia and Nyasaland 6% 1976–79	101	100 1/2	5 19 0e
74 5/8	69	Southern Rhodesia 2½% 1965–70	74 1/4	74	5 14 2†
		CORPORATION AND PUBLIC BOARDS			
102	98 1/4	Agricultural Mortgage 5½% 1980–85	102	102 1/2	5 6 0e
105	98 7/8	Birmingham 5¾% 1974–76	103	103	5 9 1e
93	86	Bristol 3% 1958–63	93	93	4 19 0†
97 1/4	91 1/2	Glasgow 4½% 1966–68	97 1/4	97 1/2	5 2 0†
101 1/4	96 1/2	Corporation of London 5¼% .. 1976–79	101 1/4	101	5 3 5e
57 3/4	53	L.C.C. 3% ..... after 1920	57*	56 7/8*	5 6 0†
64	56	Met. Water Board 'B' 3% 1934–2003	62 7/8*	63*	5 2 7†
		FOREIGN BONDS			
103 1/2	83	German 7% 1924 (British Enfaced 5%)	107 1/4	108 1/2	...
187	154	German 5½% 1930 (Enfaced 4½%)	186 1/2	187	...
35	12 3/4	Greek 7% Refugee 1924	34 1/2	33 1/2	Nil
169	160	Japan 5% (Enfaced) 1907	168	168 1/2	...
119 1/2	105 1/2	Japan 6% (Enfaced) 1924	115 1/4	115 1/2	...
53 1/2	48	Uruguay 3½% Bonds (Assented)	58 1/4*	58 1/2*	...

NEW YORK CLOSING PRICES

	Feb. 11 $	Feb. 18 $		Feb. 11 $	Feb. 18 $		Feb. 11 $	Feb. 18 $
Ath. Topeka	28 3/4	28 3/4	Boeing	42 1/4	40 3/8	Inter. Nickel	92	91 7/8
Can. Pacific	30 1/2	30 1/4	Celanese	28	29 3/8	Inter. Paper	118 3/4	119 1/2
Pennsylvania	16 7/8	16 7/8	Chrysler	52 3/4	54 3/8*	Kennecott	105	107 3/8
Union Pacific	37 1/4	37 7/8	Col. Palmolive	91 1/2	93 7/8	Monsanto	41 3/8	43 1/8
Amer. Electric	49 1/2	49 3/8	Crown Zeller	55 7/8	55 3/4	Nat. Distillers	30	31
Am. Tel. & Tel.	233 7/8	238 3/8	Distillers Seag.	343/4	343/8*	Pan-American	26 3/4	23 1/8
Cons. Edison	64 1/4	63 3/8	Douglas	53 1/2	51 1/2	Procter Gamble	74	74 3/4
Int. Tel. & Tel.	58 3/8	64	Du Pont	207	210 1/2	Radio Corpn.	45 3/8	45 5/8
Standard Gas	3 1/2	3 1/2	East. Kodak	142	146 1/2	Sears Roebuck	42 3/4	44
United Corpn.	8 5/8	8 7/8	Ford Motor	53 7/8	53 3/4	Shell Oil	81 1/2	79 1/2
Western Union	33 3/8	34 1/2	Gen. Electric	76 1/2	77 3/4	Socony-Mobil	48	45 3/4
Alcoa	84	81 3/4	General Foods	76 1/2	78	Stand. Oil Ind.	47	47 3/8
Aluminium	29 3/4	29 3/8	General Motors	46 1/4	45 7/8	Stand. Oil N.J.	53 5/8	51 1/4
Amer. Can	48	46 7/8	Goodyear	122	124	20th Cent. Fox	37 5/8	40
Am. Smelting	51	52	Gulf Oil	117 3/4	113 3/4	Union Carbide	122 7/8	124 1/2
Am. Viscose	40 1/2	42 1/8	Heinz	66 1/2	65	U.S. Steel	89 7/8	90 1/2
Anaconda	68 1/8	69 7/8	Int. Bus. Mach.	506	507	West. Electric	74 1/4	76
Bech. Steel	52 7/8	52 7/8	Int. Harvester	41 1/4	42	Woolworth	54 1/2	56 5/8

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, Feb. 11, 1959	Price, Feb. 18, 1959	Yield, Feb. 18, 1959
				STEEL AND ENGINEERING			
31/9	24/11 1/2	5 a	8 b	Colvilles £1	29/10 1/2	29/7 1/2	8·7
30/6	21/7 1/2	4 a	8 b	Dorman Long £1	29/6	30/-	8·0
23/10 1/2	15/5	6 c	3 a	Steel Co. of Wales £1	22/-	22/7 1/2	7·9
32/3	20/-	3 a	8 b	Stewarts & Lloyds £1	25/10 1/2	27/6	8·0
42/10 1/2	22/3	6 a	10 b	John Summers £1	36/-	37/6	8·5
30/3	17/9	4 a	8 1/2 b	United Steel £1	26/-	27/3	9·1
34/3	23/-	6 b	4 a	John Brown £1	33/6*	34/3*	5·8
10/-	6/3	11 b	4 a	Cammell Laird 5/-	9/1 1/2	9/3	8·1
64/-	43/-	13 b	5 a	Swan Hunter £1	57/3	57/3	6·2
35/6	28/6	7 1/2 b	2 1/2 a	Vickers £1	34/-	34/6	5·8
68/-	40/9	6 2/3 b	5 a	Averys £1	64/-*	62/-*	3·7
13 7/8 a	12/9	†17/6 a	†14 b	Coventry Gauge 10/-	17/-	17/3	6·3
42/-	28/3	†2 a	†4 b	Alfred Herbert £1	40/-	39/9	5·2
17/6	9/3	5 a	10 b	Ransome & Marles 5/-	17/4 1/2	17/11 1/2	4·3
43/6	30/4 1/2	9 1/2 b	3 a	Renold Chains £1	42/6	43/3	5·7
42/3	21/9	8 3/4 b	3 1/4 a	Allied Ironfounders £1	37/6	38/6	6·4
48/6	41/10 1/2	6 3/4 b	6 a	Babcock & Wilcox £1	48/6	49/6	5·2
85/9	35/9	4 a	13 1/2 b	British Aluminium £1	75/6p	78/6	4·4
94/-	45/3	15 c	20 c	Davy & United £1	92/-	94/-	4·2
58/6	34/7 1/2	7 1/2 b	4 a	Guest Keen £1	52/7 1/2	52/10 1/2	4·3
73/3	41/-	7 b	5 a	Metal Box £1	70/9	72/6	3·3
55/6	43/9	13 b	3 1/4 a	C. A. Parsons £1	51/3	51/5	2·9
27/9	22/-	15 b	10 a	John Thompson 5/-	23/6	23/6	5·3
85/-	48/6	7 1/2 a	10 b	Tube Investments £1	83/-	82/3	4·2
				BUILDING, etc.			
54/6	31/-	6 b	3 a	Associated Portland £1	52/9	54/-	3·2
22/11 1/2	12/7 1/2	7 1/2 b	5 a	British Plaster Board. 10/-	21/3	21/4 1/2	5·8
69/9	27/11 1/2	8 3/4 c	5 c	Richard Costain £1	63/9	64/3	4·6
10/7 1/2	6/3	5 a	10 b	Cristall Manufacturing. 5/-	9/9	10/7 1/2	7·0
64/3	36/11 1/2	15 3/4 c	6 a	London Brick £1	64/-	64/6	4·6
83/9	52/6	5 a	13 1/2 b	Wall Paper Defd. £1	86/9	87/9	4·1
				CHEMICALS AND PAINT			
22/-	13/4 1/2	16 c	4 a	Albright & Wilson 5/-	20/3	20/3	3·9
20/4 1/2	14/4 1/2	2 11/12 a	5 3/4 b	Borax Defd. 5/-	17/6	18/7 1/2	2·3
7/7 1/2	4/10 1/2	7 1/2 c	12 1/2 b	Brit. Ind. Plastics 2/-	7/5	7/7 1/2	5·2
48/-	28/6 3/4	3 1/2 a	6 3/4 b	Fisons £1	45/4 1/2	48/-‖	4·1
38/-	24/3	5 1/2 b	2 3/4 a	I.C.I. £1	34/10 1/2	36/3	4·4
14/-	8/7 1/2	18 c	6 a	International Paints 4/-	13/7 1/2	13/10 1/2	4·6
16/6	12/6	5 a	8 1/2 b	Monsanto 5/-	15/4 1/2	15/4 1/2	4·3
22/-	15/3	11 3/4 b	5 a	Pinchin Johnson 10/-	19/3	18/9	8·8
				ELECTRICAL AND RADIO			
58/9	47/-	7 1/2 b	7 1/2 a	A.E.I. £1	54/6	55/3	5·4
52/6	39/3	8 1/2 a	4 a	B.I.C.C. £1	48/9	48/3	5·5
43/3	24/7 1/2	16 2/3 a	35 1/2 b	Decca Record 4/-	42/3	43/3	4·6
63/-	21/-	11 1/4 c	11 1/4 c	E.M.I. 10/-	55/4 1/2	57/3	3·8
63/-	44/6	4 a	10 b	English Electric £1	60/-	63/-	4·7
40/6	29/9	6 1/2 b	3 a	General Electric £1	32/6	33/-	5·1
17/-	10/3	12 1/2 c	12 1/2 c	Pye Defd. 5/-	14/7 1/2	16/7 1/2	3·1
97/3	74/6	11 b	6 1/2 a	A. Reyrolle £1	90/5	92/6	3·5
				MOTORS AND AIRCRAFT			
14/2 1/4	6/7 1/2	12 1/2 c	4 a	British Motor 5/-	13/6	13/6	6·0
54/4 1/2	31/9	6 b	3 1/2 a	Ford Motor £1	52/6	53/9	3·7
43/9	39/-	12 1/2 c	12 1/2 c	Leyland Motor £1	44/-*	44/3*	5·5
7/10 1/2	4/11 1/2	8 c	4 a	Rootes Motors 4/-	7/7 1/2	7/6	4·5
10/-	6/7 1/2	8 c	12 c	Standard Motor 5/-	8/3 1/4	9/0 3/4	6·6
26/6	14/4 1/2	11 b	4 1/4 a	Dunlop Rubber 10/-	23/6	25/9	5·1
45/6	28/-	2 1/2 a	5 b	Joseph Lucas £1	45/-	45/3	4·4
26/11 1/2	12/5 1/4	14 b	7 1/2 a	Pressed Steel 5/-	24/6	24/4 1/2	4·5
51/3	32/9	20 c	7 1/2 a	Triplex Holdings 10/-	49/9	51/-	5·2
14/4 1/2	8/7 1/2	6 1/2 b	3 1/2 a	Bristol Aeroplane 10/-	9/6	10/3	4·6
21/4 1/2	14/3	7 1/2 c	7 1/2 c	De Havilland £1	17/4 1/2	20/7 1/2	7·1
48/6	29/3	15 a	†6 1/2 b	Dowty Group 10/-	44/3	45/3	4·4
34/9	24/3	3 a	7 b	Hawker Siddeley £1	33/9	33/4 1/2	5·1
106/3	82/9	15 b	5 a	Rolls-Royce £1	97/6	98/6	4·1
				PAPER AND NEWSPAPERS			
49/-	26/6	8 b	4 1/2 a	Bowater Paper £1	47/9	48/-	5·2
54/-	27/9	9 b	5 a	Albert E. Reed £1	51/9	52/3	5·1
24/9	16/-	5 b	3 a	Spicers £1	22/3	23/-	6·5
25/3	8/9	7 1/2 a	12 b	Daily Mirror 'A' 5/-	25/11 1/2	25/3	3·9
29/-	18/6	5 a	12 1/2 b	Odhams Press 10/-	27/9	27/9	6·7
				TEXTILES			
24/11 1/2	19/6	6 1/4 b	2 1/2 a	J. & P. Coats £1	22/10 1/2	22/9	7·1
21/-	12/10 1/2	5 b	5 a	Fine Spinners £1	19/4 1/2	18/6	10·1
41/4 1/2	29/10 1/2	5 a	12 1/2 b	Lancashire Cotton £1	37/10 1/2	37/6	9·4
38/4 1/2	30/-	12 1/2 c	2 1/2 a	Patons & Baldwins £1	37/9	37/7 1/2	6·6
6/8 1/4	4/3	6 c	4 a	Safts (Saltaire) 5/-	5/3	5/3	5·5
48/4 1/2	33/11 1/2	22 1/2 c	22 1/2 c	Calico Printers £1	37/9	37/-	12·2
34/10 1/2	19/7 1/2	5 b	3 a	Courtaulds £1	32/6	34/7 1/2	4·6
13/7 1/2	8/10 1/2	3 a	10 b	Jute Industries 10/-	12/4 1/2	12/6	10·5
30/5	15/3	7 1/2 c	7 1/2 c	Tootal £1	27/10 1/2	27/7 1/2	5·1
				DRAPERY & STORES			
21/10 1/2	14/9 3/4	14·4c	3 a	Boots Pure Drug 5/-	20/6	20/7 1/2	3·1
30/-	16/9	3 1/4 b	10 a	Debenhams 10/-	29/4 1/2	29/7 1/2	5·1
34/3	17/3	25 b	7 1/2 a	G.U.S. 'A' 5/-	33/9	33/10 1/2	4·1
80/-	55/6	12 1/2 a	5 b	Harrods £1	77/-	76/6	4·1
35/3	20/3	25 b	10 a	House of Fraser 'A' ... 5/-	34/-	34/3	5·2
18/3	10/6	13·6c	7 a	Lewis's Investment ... 4/-	17/3	18/3	2·1
55/9	37/3	22 1/2 b	12 1/2 a	Marks & Spencer 'A' .. 5/-	52/9	53/7 1/2	3·1
39/6	21/-	20 b	12 1/2 a	United Drapery 5/-	37/-	37/3	4·1
53/11 1/2	34/7 1/2	26 2/3 b	13 1/3 a	Woolworth 5/-	49/-	52/11 1/2	3·1

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, Feb. 11, 1959	Price, Feb. 18, 1959	Yield, Feb. 18, 1959
				BANKING			
59/-	31/9	6 a	6 b	Barclays £1	56/3	59/-	4·07
97/6	53/7	9 a	11 b	Lloyds £1	47/3	51/3	3·90
94/3	57/6	9 a	9 b	Midland £1	91/6	94/3	4·24**
97/6	59/3	9 a	11 b	National Provincial £1	93/6	97/6	4·10
60/-	36/-	5 a	7 1/2 b	Westminster 'B' £1	55/9	60/-	4·17
76/6	48/9	7 1/2 a	9 1/2 b	District £1	71/4 1/2	76/-	4·47
21/6	9/8 1/4	6 a	10 b	Martins 5/-	19/10 1/2	21/6	3·72
36/6	21/4 1/2	5 a	7 1/2 b	Com. Bk. of Scot. 'A' 10/-	35/9	36/6	3·42
72/-	46/-	7 a	9 b	Royal Bank of Scotland. £1	69/-*	72/-*	4·44
40/6	27/6	4 a	5 b	Barclays D.C.O. £1	38/9	40/6	4·44
46/6	31/3	7 1/2 b	7 1/2 a	Chartered Bank £1	44/6	45/6	6·59
£28 11/16	£20	$2·10c	$2·25c	Royal Bank of Canada. $10	£28 1/2*	£28 3/16*	2·92
£20 3/4	£14 15/16	$1·60c	$1·65c	Bank of Montreal $10	£19 13/16*	£20*	3·02
25 5/8	9	c	c	Bank of New S. Wales. £20	31 1/4	31 1/4	4·61g
34/3	28/-	4 a	6 b	Bank of Ldn. & S. Amer. £1	33/3*	32/9*	6·11
				FINANCIAL			
30/9	18/-	2 1/2 a	5 b	Alexanders £1	29/9	30/9	4·88
32/6	18/3	9 a	7 b	National Discount 'B' ..£1	44/-	44/-	5·45
40/9	6/4 a	6/4 a	6 b	Union Discount £1	61/-	61/6	4·07
32/9	36 2/3 c	18 1/3 a	9 a	Commercial Union. ... 5/-	41/6	41/9	4·39
102/6	12 1/2 a	15 b	5 b	Employers Liability £1	137/6	142/6	3·86
113/9	117/6	†16·2a	†16·2b	Equity & Law 8/6	188/9	196/3	2·44
60	40 a	40 a	40 a	Legal & General 5/-	198/9	218/9	2·29
90/-	63/9	8 b	8 a	Pearl 5/-	116/6	116/6	5·22
125/-	154/-	†132 1/2 c	†147 1/2 c	Prudential 'A' 4/-	215/-	217/6	4·73
80/-	83/-	8 b	8 a	Royal Exchange £1	80/9	80/9	3·96
64/9	64/6	10 a	17 1/2 b	Bowmaker 5/-	39/7 1/2	39/4 1/2	3·49
87/9	4·1	7 1/2 b	7 1/2 a	Lombard Banking 5/-	25/-	25/-	3·00
	132/6	73/3	16 b	U.D.T. £1	130/6	132/6	3·02
	40/-	19/9	17 1/2 b	B.E.T. 'A' Defd. 5/-	38/9	38/6	3·57
20/3	13/10 1/2	7/11	10 c	Cable & Wireless 5/-	12/6*	12/9*	3·92
7/6	5/3	10 c	10 c	Land Securities 10/-	22/-	21/7 1/2	2·77**
8/7 1/2	5 5/12 c	2 1/2 b	2 a	London & County 10/-	15/11 1/2	15/7 1/2	4·27**
				FOOD, DRINK AND TOBACCO			
20/3	30 c	10 a	10 a	Allied Bakeries 'A' 5/-	49/-	48/-	3·13
17/6	20 c	14 a	14 a	Beecham Group 5/-	25/-	25/4 1/2	3·94
6/5 1/4	7 b	2 1/2 a	2 1/2 a	International Tea 5/-	11/9	11/7 1/2	4·09
40/11 1/2	9 1/6 b	5 a	5 b	J. Lyons 'A' £1	76/6	76/3	3·72
13/7 1/2	5 a	5 b	5 a	Ranks 10/-	20/-	20/-	5·00
7/9	7 1/2 b	2 1/2 a	2 1/2 a	Schweppes 5/-	18/9	19/7 1/2	3·82**
9/4 1/2	4 a	2 a	4 a	Tate & Lyle £1	69/9	69/9	4·73
47/4 1/2	10 b	5 a	10 b	United Dairies £1	69/-	69/-	4·35
31/-	10 a	36 b	8 b	Bass 5/-	45/-	45/-	5·11
15/9	6 3/4 b	4 a	4 a	Distillers 10/-	25/3	25/7 1/2	4·16
11/6	6 a	11 b	6 a	Flowers 5/-	14/9	14/9	5·76
37/-	10 a	18 b	10 a	Guinness 10/-	56/9	57/9	4·85
9/4 1/2	4 a	10 b	5 a	Ind Coope & Allsopp. 5/-	12/7 1/2	12/7 1/2	5·54
56/6	7 1/2 a	13 1/2 b	8 a	Watney Mann Defd. ... £1	79/-	80/3	5·23
75/6	17 b	8 a	8 a	Whitbread 'A' £1	105/-	106/-	4·72
37/7 1/2	†17 1/2 c	†5 a	5 a	Brit. Amer. Tobacco .10/-	58/-	55/-	5·53
20/6	5 a	20 b	12 1/2 b	Gallaher 10/-	42/6	42/-	5·95
37/-	8 1/2 a	12 1/2 b	Imperial Tobacco £1	58/9	56/10 1/2	7·38	

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c) %	%	MISCELLANEOUS	Price, Feb. 11, 1959	Price, Feb. 18, 1959	Yield, Feb. 18, 1959
50/9	15/9	30 c	20 a	Assoc. Brit. Picture ... 5/-	47/-	47/3	...
45/6	28/-	11 c	5 a	British Match £1	44/9*	44/6*	4·94
54/9	28/3	4 a	8 b	British Oxygen £1	51/9	54/9	4·38
10/6	6/9	13 b	4 a	British Ropes 2/6	10/6	9/9	4·36
51/-	21/-	4 1/6 a	7 1/2 b	Glaxo 10/-	45/6	51/-	2·29
61/9	31/3	40 b	10 a	Hoover 'A' 5/-	61/3	61/9	4·05
195/-	133/9	18·17b	6·17a	Hudson's Bay £1	175/-	178/9	2·72
13/4 1/2	5/7 1/2	12 1/2 c	5 c	Rank Organisation ... 5/-	11/7 1/2	13/4 1/2	1·87
17/11 1/2	11/8 1/4	22 1/2 c	22 1/2 c	Sears 'A' 5/-	16/4 1/2	16/9	6·72
63/6	44/-	7 b	6 1/4 a	Thomas Tilling £1	62/3	62/9	4·22
76/4 1/2	52/11 1/2	5 a	10 b	Turner & Newall £1	70/10 1/2	70/11 1/2	4·28
85 1/2	82 1/2	5 a	5 a	Unilever £1	92/3	91/3	3·68
49/3	24/3	7 1/2 b	3 3/4 a	United Glass Bottle £1	48/9	48/9	4·62
36/-	26/-	†10 b	†14 6 a	United Molasses 10/-	34/9	35/2 1/4	7·00
				OIL			
58/6	39/9	†5 b	†21 2 a	British Petroleum £1	52/3	51/3	5·09
87/3	59/11 1/2	†7 1/2 b	†5 a	Burmah Oil £1	77/9	77/3	5·81
£187/8	£137/8	7 1/2 b	7 1/2 a	Royal Dutch ..... 20 fl.	£161/2	£157/8	2·97
165/-	117/6	†13 1/4 b	†5 a	Shell Transport £1	141/6	140/-	4·66
95/6	41/6	...	...	Ultramar 10/-	58/3	68/9	... d
39/6	25/6	13 1/8 b	7 1/2 a	Wakefield C.C. 10/-	36/-	36/3	5·68
				SHIPPING			
46/6	27/7 1/2	13 1/2 b	6 1/2 a	Brit. & Com'wealth. . 10/-	43/9	44/-	4·55
23/9	16/6	10 c	Nil	Cunard £1	18/-	17/10 1/2	...
35/6	27/3	10 1/4 c	10 c	Furness Withy £1	34/6	34/3	5·84
20/6	14/6	10 b	10 a	London & Overseas ... 5/-	19/6	19/-	5·26
38/3	22

EXCHEQUER RETURNS

For the week ended February 14, 1959, there was an "above-line" surplus (after allowing for Sinking Funds) of £162,241,000 compared with a surplus of £142,772,000 in the previous week and a surplus of £107,354,000 in the corresponding period of last year. There was a net expenditure "below-line" of £21,954,000, leaving a total deficit of £218,579,000 compared with £223,721,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to Feb. 15, 1958	April 1, 1958, to Feb. 14, 1959	Week ended Feb. 15, 1958	Week ended Feb. 14, 1959
Ord. Revenue					
Income Tax	2312,500	1719,476	1807,837	127558	119287
Surtax	163,000	116,100	123,700	7,400	9,400
Death Duties	163,500	149,500	160,400	3,100	3,700
Stamps	56,250	57,200	55,000	1,000	2,100
Profits Tax, EPT & EPL	275,000	225,600	251,000	3,400	3,900
Other Inland Rev. Duties	...	350	450	...	100
Total Inland Rev.	2970,250	2268,226	2398,387	142458	138487
Customs	1256,940	1064,145	1115,847	23,025	23,886
Excise	932,310	855,750	839,300	57,070	65,820
Total Customs and Excise	2189,250	1919,895	1955,147	80,095	89,706
Motor Duties	104,000	97,645	103,691	803	923
PO (Net Receipts)	2,000	9,200	5,950	6,550	5,350
Broadcast Licences	34,000	25,500	27,800	...	...
Sundry Loans	30,000	29,854	26,629	13	5
Miscellaneous	110,000	155,377	90,010	722	398
Total	5439,500	4505,697	4607,614	230640	234869
Ord. Expend.					
Debt Interest	695,000	591,262	588,084	59,603	3,678
Payments to N. Ireland Exchequer	73,000	59,015	63,789	...	...
Other Cons. Funds	10,000	8,997	7,904	34	...
Supply Services	4292,859	3471,568	3587,291	62,500	68,400
Total	5070,859	4130,841	4247,068	122136	72,078
Sinking Funds	38,000	30,547	31,216	1,150	550
"Above-line" Surplus or Deficit	+ 344,309	+ 329,330	+ 107354	+ 162241	
"Below-line" Net Expenditure*	568,030	547,909	26,276	21,954	
Total Surplus or Deficit.	— 223,721	— 218,579	+ 81,078	+ 140287	
Net Receipts from:					
Tax Reserve Certificates	−15,022	58,104	−35523	−24187	
Savings Certificates	−12,700	121,500	−2300	2,500	
Defence Bonds	−33,013	91,495	−736	3,530	
Premium Savings Bonds	70,760	60,615	1,440	1,070	
Total	10,025	331,704	−37119	−17087	

* Including a net receipt of the Civil Contingencies Fund of £6 million in 1958 and a net expenditure of £14 million in 1957.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Feb. 15	3,120·0	1,403·1	206·5	1·3	4,730·9
Nov. 15	3,370·0	1,655·2	194·4	...	5,219·6
„ 22	3,390·0	1,661·0	175·6	...	5,226·5
„ 29	3,410·0	1,659·2	173·3	...	5,242·5
Dec. 6	3,420·0	1,688·0	176·8	...	5,284·9
„ 13	3,440·0	1,687·6	190·1	...	5,317·7
„ 20	3,460·0	1,761·9	184·7	...	5,406·6
„ 31	5,351·0		222·2	0·3	5,573·4
1959					
Jan. 3	3,390·0	1,789·8	205·6	...	5,495·4
„ 10	3,450·0	1,734·9	206·0	...	5,390·8
„ 17	3,460·0	1,948·3	236·6	...	5,644·9
„ 24	3,370·0	1,940·8	213·0	3·3	5,527·0
„ 31	3,280·0	1,973·2	223·5	...	5,476·7
Feb. 7	3,250·0	1,891·6	237·9	...	5,379·5
„ 14	3,140·0	1,874·2	252·2	...	5,266·4

Money and Exchanges

THE MONEY MARKET

OFFICIAL disbursements caused a brief surplus of credit at the start of this week. The authorities reversed engines and sold a fairly large amount of bills on Monday and a moderate amount on Tuesday. The clearing banks withdrew funds on Wednesday in the course of making up their monthly statements, and credit became short. The authorities did not intervene and the rate for overnight loans rose once more to 3-3⅛ per cent, the rate ruling at the close of last week. Two or three houses borrowed a very small amount from the Bank of England.

The market left its concerted bid unchanged at £99 5s. for the 91-day bills at last week's tender. It tendered at £99 4s. 11d. for the issue of 92-day bills arising from the incidence of Whit Monday and received full allotment at that rate. The average rate of discount fell about 1½d. to £2 19s. 10.89d. and the syndicate received an average allotment of about 35 per cent, compared with 45 per cent the week before. At this week's tender the offer has been raised by £10 million to £200 million, but maturities next week amount to £260 million.

Last week's rise in the average rate at which the US Treasury sold its three month bills has been reversed: the rate this week fell from 2.810 per cent to 2.726 per cent.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	Discount rates:	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	3 1/8–3 3/16
Discount houses	2–2 1/4	3 months	3 1/8–3 3/16
Money:		4 months	3 1/8–3 3/16
Day-to-Day	2 3/8–3 1/8	6 months	3 1/8–3 1/4
Treasury bills:		Fine trade bills:	
2 months	2 31/32	3 months	4 1/4–5
3 months	3	4 months	4 1/4–5
		6 months	4 1/2–5 1/4

New York

	%		%
Official discount rate: (from 2%, 23/10/59)	2½	Treasury bills: Feb 9	2·810
		„ 16	2·726

BANK OF ENGLAND RETURNS

(£ million)	Feb. 19, 1958	Feb. 11, 1959	Feb. 18, 1959
Issue Department:*			
Notes in circulation	1,959·1	2,006·1	2,001·1
Notes in banking dept.	41·2	44·2	49·2
Govt. debt and securities*	1,996·3	2,046·5	2,046·5
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	13·0	11·9	13·2
Bankers	222·6	233·8	233·0
Others	74·5	68·8	69·3
Total	310·1	314·5	320·5
Securities:			
Government	244·1	252·0	259·1
Discounts and advances	19·5	14·6	8·5
Other	21·0	21·2	21·4
Total	284·6	287·8	289·0
Banking department reserve	43·6	45·1	50·0
" Proportion "	14·0 %	14·3 %	15·6 %

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,050 million January 21, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million) Allotted	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1958	91 *day*		s. d.	%
Feb. 14	220·0[2]	424·7	120 10·56	44
	91 *day* / 63 *day*			
Nov. 14	210·0 / 60·0	403·3	71 0·97	68
„ 21	210·0 / 60·0	408·5	68 4·68	42
„ 28	230·0 / 50·0	418·9	66 1·20	79
Dec. 5	260·0 / 30·0	489·2	64 5·75	40
„ 12	240·0 / 50·0	485·3	62 4·92	67
„ 19	240·0 / 50·0	443·5	63 0·96	73
„ 24	230·0 / 50·0	423·0	63 0·47	60
	91 *day*			
1959				
Jan. 2	260·0	402·8	62 11·35	52
„ 9	260·0	407·4	62 10·22	47
„ 16	220·0[1]	414·0	62 3·42	40
„ 23	220·0[2]	415·1	62 1·96	31
„ 30	220·0	388·0	62 1·68	31
Feb. 6	190·0[3]	385·3	60 0·22	45
„ 13	190·0	339·6	59 10·89	30

* On February 13th tenders for 91 day bills at £99 5s. 0 secured 30 per cent, higher tenders being allotted in fu The offer this week was for £200 million of 91 day bill (1) £240 mn. offered. (2) £230 mn. offered. (3) £210 mi offered.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	February 18	February 12	February 13	February 14	February 16	February 17	February 18
United States $	2·78–2·82	2·80 15/16–81 1/16	2·80 13/16–15/16	2·80 13/16–15/16	2·80 3/4–7/8	2·80 13/16–15/16	2·80 7/8–81
Canadian $	...	2·75 15/16–7/16	2·75 1/2–5/8	2·75 7/16–9/16	2·75 3/16–5/16	2·74 15/16–7/16	2·73 7/8–74
French Fr.	13·6220–14·0265	13·77 1/4–1/2	13·77–77 1/4	13·76 7/8–77 1/8	13·76 3/8–7/8	13·76 3/4–77	13·77–77 1/4
Swiss Fr.	11·94–12·54 7/8	12·11 3/8–5/8	12·10 7/8–11 1/8	12·10 3/4–11	12·10 1/4–11	12·11 3/8–5/8	12·11 1/2–3/4
Belgian Fr.	137·96–142·05	140·37 1/2–421/2	140·35–40	140·32 1/2–37 1/2	140·35–35	140·40–45	140·45–50
Dutch Gld.	10·48–10·80	10·59 3/8–7/8	10·59 1/2–3/4	10·59 3/8–5/8	10·59 1/2–3/4	10·60–60 1/4	10·60 3/8–5/8
W. Ger. D-Mk.	11·59 1/4–11·92 3/4	11·74 1/8–3/8	11·74–74 1/4	11·73 3/4–11·74	11·73 3/4–74	11·74–74 1/4	11·74 1/4–1/2
Portuguese Esc.	79·00 3/4–82·00 1/2	80·15–25	80·15–25	80·15–25	80·10–20	80·10–20	80·10–20
Italian Lire	1725–1775	1744–1744 1/2	1743 1/2–44	1743 1/4–3/4	1742 1/2–43	1742 3/4–43 1/4	1743–43 1/2
Swedish Kr.	14·37 3/4–14·59 1/4	14·52 7/8–53 1/8	14·52 3/4–53	14·52 3/4–53	14·52 3/4–53	14·52 7/8–53 1/8	14·53–53 1/4
Danish Kr.	19·06 1/2–19·62	19·37 3/8–38 1/8	19·37 3/4–38	19·37 3/8–7/8	19·37 3/4–38	19·37 3/4–38	19·38 1/8–3/8
Norwegian Kr.	19·71–20·30 1/2	20·03 5/8–7/8	20·03 3/4–04	20·03 5/8–7/8	20·03 1/2–3/4	20·03 1/8–3/8	20·03 1/4–3/4
One Month Forward Rates							
United States $		1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par
Canadian $		par–1/16c. dis	1/16–1/4c. dis	1/8–1/4c. dis	1/16–1/4c. dis	1/16–1/4c. dis	1/16–1/8c. dis
French Fr.		par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis
Swiss Fr.		1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm
Belgian Fr.		3–8c. dis	3–8c. dis	3–8c. dis	1/8–7/8c. dis	2–7c. dis	2–7c. dis
Dutch Gld.		1 1/8–7/8c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm	1 1/8–7/8c. pm
W. Ger. D-Mk.		5/8–3/8pf. pm	5/8–3/8pf. pm	5/8–3/8pf. pm	5/8–3/8pf. pm	5/8–3/8pf. pm	5/8–3/8pf. pm
Three Months Forward Rates							
United States $		1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm
Canadian $		1/8–1/16c. dis	1/16–3/8c. dis	1/16–3/8c. dis	3/16–3/8c. dis	3/16–3/8c. dis	3/16–3/4c. dis
Swiss Fr.		2 7/8–2 5/8c. pm	2 7/8–2 5/8c. pm	2 7/8–2 5/8c. pm	2 7/8–2 5/8c. pm	2 7/8–2 5/8c. pm	2 7/8–2 5/8c. pm
W. Ger. D-Mk.		1 3/8–1 1/8pf. pm	1 3/8–1 1/8pf. pm	1 3/8–1 1/8pf. pm	1 3/8–1 1/8pf. pm	1 3/8–1 1/8pf. pm	1 3/8–1 1/8pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)	249/7 1/4	249/7 1/4	...	249/8	249/8 1/2	249/8

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

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

BRITISH

Prices and Wages	Feb. 14th	External Trade	Jan. 31st
Manpower and Output	This week	Industrial Profits	Jan. 17th

OVERSEAS

Western Europe Statistics	Feb. 7th	United States	Dec. 20th

	Unit	Mid-year or averages: 1956	1957	1958	1957: Nov.	Dec.	1958: Jan.	1958: Oct.	Nov.	Dec.	1959: Jan.
TOTAL MANPOWER[10]		June figures									
Working population:											
Total	'000s	24,107	24,188	24,070	24,256	24,145	24,117	24,150	24,128	23,991	...
Men	„	16,188	16,225	16,160	16,232	16,214	16,202	16,188	16,163	16,128	...
Women	„	7,919	7,963	7,910	8,024	7,931	7,915	7,962	7,965	7,863	...
Armed Forces	„	761	702	614	656	650	639	598	594	590	...
Civil employment:											
Total	„	23,149	23,245	23,080	23,279	23,128	23,086	23,079	23,045	22,875	...
Manufacturing industries	„	9,269	9,271	9,147	9,358	9,308	9,296	9,132	9,115	9,066	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955:											
Employees in engineering[1]	„	+ 53	+ 48	+ 35	+ 113	+ 106	+ 106	+ 17	+ 15	...	...
„ „ consumer goods industries[2]	„	− 9	+ 2	− 96	+ 6	− 27	− 39	− 87	− 98	...	...
UNEMPLOYMENT		Monthly averages									
By duration:											
All durations—total	„	257·0	312·5	457·4	316·5	335·4	395·5	513·8	536·0	531·7	620·8
Temporary or under 2 weeks—	„	98·2	95·7	141·0	101·9	96·7	126·9	173·2	154·0	141·6	197·2
Over 8 weeks—	„	93·1	129·3	197·7	119·3	129·4	156·5	211·6	237·7	248·3	286·8
By regions [3]:											
Great Britain	„	1·2	1·4	2·1	1·5	1·5	1·8	2·3	2·4	2·4	2·8
London and South Eastern	„	0·8	1·0	1·3	1·0	1·1	1·2	1·4	1·5	1·4	1·7
Eastern	„	1·0	1·3	1·7	1·3	1·5	1·8	1·6	1·7	1·7	2·2
Southern[4]	„	1·0	1·3	1·6	1·4	1·4	1·6	1·8	1·8	1·8	2·0
South Western[4]	„	1·2	1·8	2·2	2·0	2·2	2·3	2·5	2·6	2·6	2·9
Midland	„	1·1	1·3	1·6	1·0	1·0	1·2	1·9	1·9	1·8	2·2
North Midland	„	0·6	1·0	1·6	0·9	1·0	1·3	1·7	1·7	1·8	2·1
East and West Ridings	„	0·8	0·9	1·9	1·0	1·0	1·2	2·5	2·4	2·3	2·7
North Western	„	1·3	1·6	2·7	1·6	1·6	1·9	3·2	3·2	3·3	3·6
Northern	„	1·6	1·7	2·4	1·7	1·8	2·1	2·8	3·1	3·2	3·9
Scotland	„	2·4	2·6	3·8	2·6	2·9	3·4	4·0	4·4	4·4	5·4
Wales	„	2·0	2·6	3·8	2·9	3·0	3·5	4·1	4·1	4·1	4·6
VACANCIES											
Unfilled vacancies notified to Employment Exchanges: Total	'000s	390	276	198	252	236	220	167	159	163	156
INDUSTRIAL PRODUCTION											
Index:											
All industries	(1954=100	106	107	106	115	105	106	110	113	105–106[6]	...
„ „ *seasonally adjusted*	„	...	...	...	*108*	*106*	*105*	*107*	*107*	*106–107[6]*	...
Mining and quarrying	„	99	99	...	105	96	97	99	101	...	...
Construction	„	106	106	...	105[8]	...	102[9]	...	...	...	...
Gas, electricity and water	„	110	112	...	126	131	138	116	127	...	...
Manufacturing, total	„	106	108	...	116	105	105	111	115	...	...
„ „ *seasonally adjusted*	„	...	...	...	*109*	*107*	*106*	*105*	*108*	...	...
Engineering and electrical goods	„	107	111	...	121	109	104	114	...	...	...
Shipbuilding	„	117	108	...	113	114	113	109	...	...	...
Vehicles	„	107	115	...	126	117	120	116	...	...	...
Chemical trades	„	111	115	...	119	111	115	...	...	...	...
Textiles, leather and clothing	„	99	99	...	103	85	94	100	...	...	...
BASIC MATERIALS		M/W averages									
Production of:											
Coal [5] [7]	W	'000 tons	4,269	4,301	4,150	4,610	4,220	4,272	4,331	4,436	4,136	4,340
Pig iron	W	„	253	275	245	282	276	271	242	234	223	229
Steel, ingots and castings	W	„	397	417	369	429	398	407	364	352	314	358
Sulphuric acid	M	„	187·2	194·7	...	191·0	206·8	214·1	198·9	187·5	...	...
Newsprint	W	„	12·36	12·55	...	12·26	11·06	11·97	11·83	12·27	...	...
Electricity [5]	M	mn. kwh	7,263	7,581	8,208	8,812	9,443	10,076	8,565	9,190	10,179	...
MANUFACTURING											
Textile production:											
Cotton yarns, *single*	W	mn. lb.	16·33	16·85	14·77	18·31	15·82	17·23	15·25	15·23	12·74	...
Worsted yarn	M	„	19·38	19·48	17·19	20·11	16·60	19·66	20·48	18·44	18·30	...
Rayon and synthetic fibres	M	„	40·21	41·32	35·18	39·94	35·15	40·85	35·84	37·63	40·19	...
Cotton cloth, woven	W	mn. yds.	31·0	31·4	27·0	34·3	29·4	31·4	27·5	27·2	21·7	...
Wool fabrics, woven	M	mn.sq.yds	33·1	32·8	29·1	33·6	30·1	35·5	33·7	30·0	29·2	...
Engineering production:											
Passenger cars and chassis	W	'000s	13·61	16·56	19·84	20·99	18·18	21·41	19·87	19·83	17·98	19·03
Commercial vehicles and chassis	W	„	5·71	5·54	5·90	6·74	6·18	6·49	5·91	6·00	5·93	6·58
Metal-working machine tools	M	'000 tons	12·90	14·10	...	14·20[8]	...	13·99[9]	...	...	...	...
Internal combustion engines	M	'000 BHP	411	406	...	386	407	414	392	...	...	...
BUILDING ACTIVITY [5]											
Permanent houses completed:											
Total	M	'000s	25·03	25·09	22·81	26·48	23·90	20·58	25·33	23·06	23·25	...
By private builders	M	„	10·35	10·54	10·68	11·23	10·05	9·31	12·36	11·77	11·35	...

(1) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (2) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (3) Number registered as unemployed expressed as a percentage of the estimated number of employees. (4) Dorset (excluding Poole) was transferred from the Southern to the South Western Region on May 12, 1958. (5) Great Britain. (6) Provisional estimate. (7) Excluding all screening losses normally amounting to around 5,000 tons a week. (8) Average for fourth quarter. (9) Average for first quarter. (10) Figures have been revised back to July, 1957 on the basis of mid-1958 count of national insurance cards.

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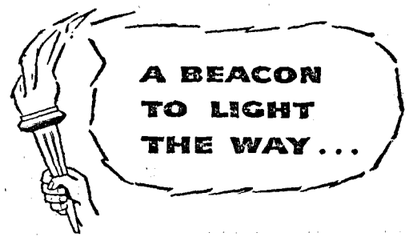
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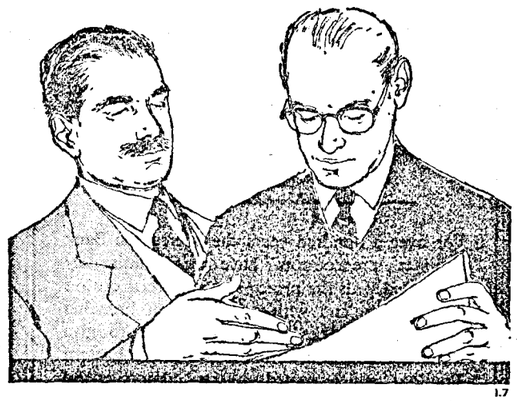
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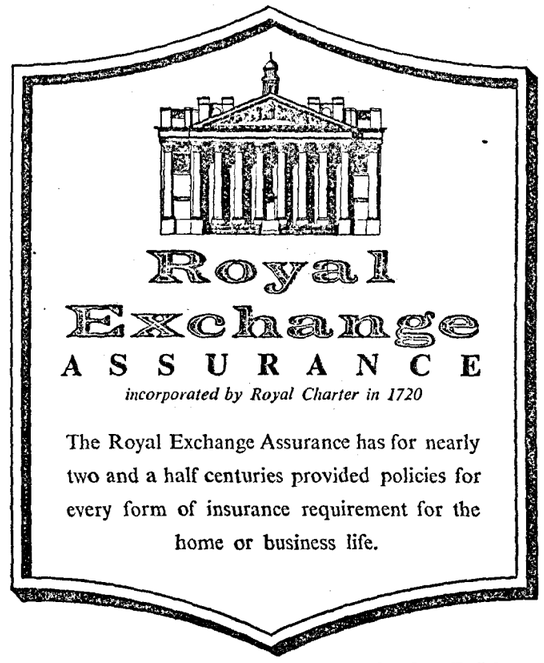
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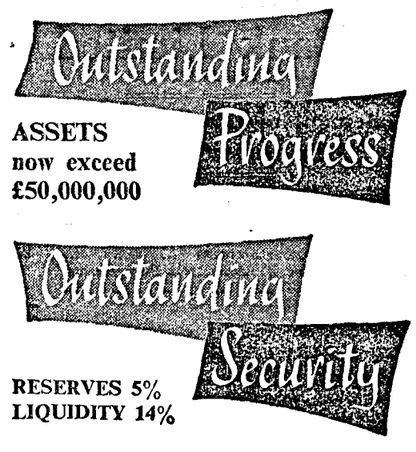
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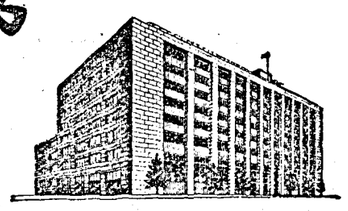
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Current, Deposit and other Accounts	864,169,370
Liabilities for Acceptances, Endorsements, Engagements, etc.	40,593,171
	£928,491,973

ASSETS

Coin, Bank Notes and Balances with the Bank of England	£71,117,636
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit	55,262,421
Money at call and short notice	64,990,000
Bills Discounted	174,383,290
Investments	217,771,410
Advances to customers and Other Accounts	287,364,535
Trade Investments	8,787,974
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For other appointments see page 728

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responsible, within the Statistics department, for research and information on markets for the Company's general chemicals. Background for this new appointment should include Chemistry degree or professional qualification, plus sales or market research experience and aptitude. Commencing salary around £1,000 p.a.

Employee benefits include contributory Pension/Life Assurance Scheme. Applications, which will be acknowledged, should be addressed, in complete confidence, to:

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London, W.C.2.

PRIVATE American organisation in Germany requires expert in public opinion and audience research. Applicant must have at least a master's degree or its equivalent in sociology or social psychology and adequate knowledge of general statistics, sampling methods, research design and processing of questionnaires. Salary in $4,200 to $4,500 range plus housing, transportation, medical insurance and other benefits. Reply in confidence to Box 1131.

INTERNATIONAL OIL MONTHLY, published in London, has a staff vacancy for an editorial assistant, able to interpret, for the layman, significant technical developments in the oil and related industries, and to assess the economic implications. Engineering or science degree, and writing experience, essential. Pension fund. Write Box FE/45, c/o 95 Bishopsgate, London, E.C.2.

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DEPARTMENT OF POLITICAL ECONOMY

Applications are invited for the post of Assistant in Economics in the above Department. Salary Scale £700 x £50 to £850 per annum, with superannuation benefit and family allowance where applicable. Applications will be considered from students who expect to graduate with Honours in Economics at the end of the present academic year. The successful applicant will be expected to take up duty on October 1, 1959.

Further particulars may be obtained from the undersigned, with whom applications, giving the names of two referees, should be lodged not later than March 7, 1959.

CHARLES H. STEWART,
Secretary to the University.

February, 1959.

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Applications are invited for not more than three Postgraduate Research Scholarships tenable at the University of Leeds by graduates of other Universities. These Scholarships, each of the value of £300 a year plus fees, will be tenable from October 1, 1959, for advanced study or research in the Faculties of Arts, Economics and Social Studies, and Law, and will be renewable annually. Maximum tenure three years. Applications (including those of students who will graduate in June, 1959) should be submitted on forms obtainable from The Registrar, The University, Leeds, 2. Closing date May 1, 1959.

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Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close in Australia and London on March 31, 1959.

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Applications are invited for the above Research Fellowships for advanced work in the field of Political Economy and Political Science. The value of the Fellowships will normally be within the range of £900-£1,800 per annum, according to experience and qualifications. Regulations governing the award of the Fellowships may be obtained from the Registrar, The University, Manchester, 13, to whom applications should be sent not later than March 15th, 1959.

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Studentships, value £400 per annum, tenable from October 1, 1959, are offered for research in economic, legal, or social matters relating to the use, tenure or development of land. Applications must reach the Registrary, The Old Schools, Cambridge, not later than March 15, 1959. Further particulars may be obtained from the Secretary, Board of Estate Management, 74 Trumpington Street, Cambridge.

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Notice is hereby given that an Interim Dividend of Fifty Cents (50c) per share, Canadian funds, has been declared by the Directors of Noranda Mines, Limited, payable March 16, 1959, to shareholders of record February 16, 1959.

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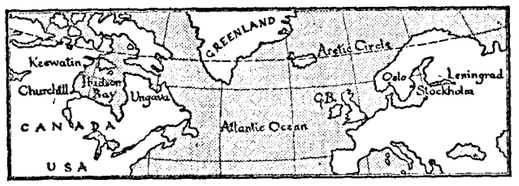
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The Company of Adventurers . . .

RITCHIE CALDER, the science writer, describes how atomic freighters could travel under the icebound seas of the Arctic throughout the year



THE OFFICER'S MESS at Fort Churchill on Hudson Bay is a bus-ride from the cinema. But there is no bus. Instead one walks through centrally heated corridors, built-in streets, buried beneath the snow, which link the living quarters with the cinema, the school, the shops and other civic amenities. In the winter the average temperature outside is 20° below zero FAHR.

This is the Frozen North. Yet this Canadian base and port is no further north than Oslo, Stockholm or Leningrad. Beyond it lie The Barrens, the snow deserts of the wandering Eskimos, before it Hudson Bay, which extends as far south as most of England yet is frozen solid for seven months of the year.

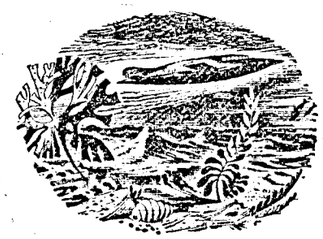
ATOMIC AGE MINERALS

Today, on the Bay at Churchill, stand the great grain silos. The port handles over eleven million bushels of grain every year. Across the Bay is Ungava, a region of great mineral resources, including some of the biggest iron deposits in the world. To the north of Churchill is Keewatin, that region where geologists and prospectors are discovering the minerals of the Atomic Age.

Access to new agricultural and mineral wealth of the mid-west and north of Canada depends on Hudson Bay, yet it is ice-locked for the greater part of the year, with deep water channels navigable only from August till early October.

Hudson Bay owed its discovery to the quest for the North West Passage, and its development to King Charles II's "Company of Adventurers". The successful navigation of that Passage by mid-20th century adventurers, may well provide the means of liberating the Bay from its ice-bondage.

U.S. atomic submarines, the Nautilus and the Skate, have navigated under the Arctic ice and opened the passage from west to east and east to west. Similarly, submarine atomic freighters could travel under the ice of Hudson Bay, throughout the year. Atomic heat could keep Churchill and other harbours open, like seals' breathing holes in the ice, for all-the-year handling of freight and so revolutionise not only the port itself, but the economy of half a continent.



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Our special correspondent comments on the opening moves in the game (page 755).

Common Market in Capital?

An eye-witness account of the freer flow of capital in Europe (page 799).

How to Help Agriculture

(page 757).

The Anatomy of British Trade Unions

The second part of a special guide to the state of the unions (page 773).

Disunion in American Unions (page 782).

The Tired Continent?

Political flaws in postwar Europe are considered in the sixth article in the series "Towards the 1960s" (page 759).

New Prices for Oil

Important changes are occurring in the structure of world oil prices (page 801).

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VOLUME CXC · NUMBER 6027

Oh, the little more, and how much it is...

WHAT IS THIS 'PEAK'? To Londoners going to and from their work, it means the half hours in the morning and evening when the Underground is most congested and the buses, entangled in traffic, move slowly along with full loads of passengers.

Custom apparently dictates that everyone who can shall work from 9 to 5.30. So 145,000 people flood into the Central Area of London by Underground between 8.45 and 9.15 a.m.; 155,000 go out in the evening between 5.15 and 5.45 p.m. No less than 89,000 crowd into the stations in a single quarter of an hour between 5.30 and 5.45 – 5,000 of them into Oxford Circus alone. On the buses, 56,000 people are picked up in thirty minutes between 5.45 and 6.15.

If enough employers and their staffs would move their starting and finishing times *by only a quarter of an hour*, all would benefit immeasurably, because travel would be more comfortable. Excessive congestion would disappear from the stations and the trains; the bus queues would dwindle. Can it be done? London Transport believes it can.

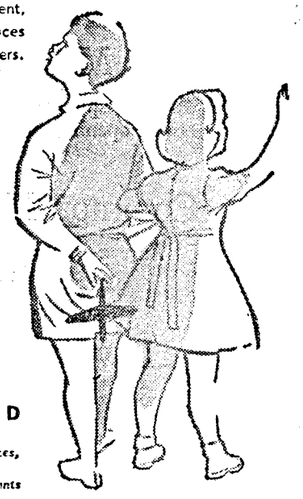
Those who have adopted staggered working hours have never regretted it. The Traffic Development Officer, London Transport, 55 Broadway, S.W.1, will be glad to advise anyone who is thinking of moving out of the peaks, for the problem grows more serious every month. Write to him, please.

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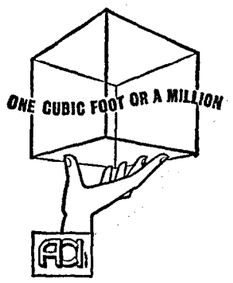
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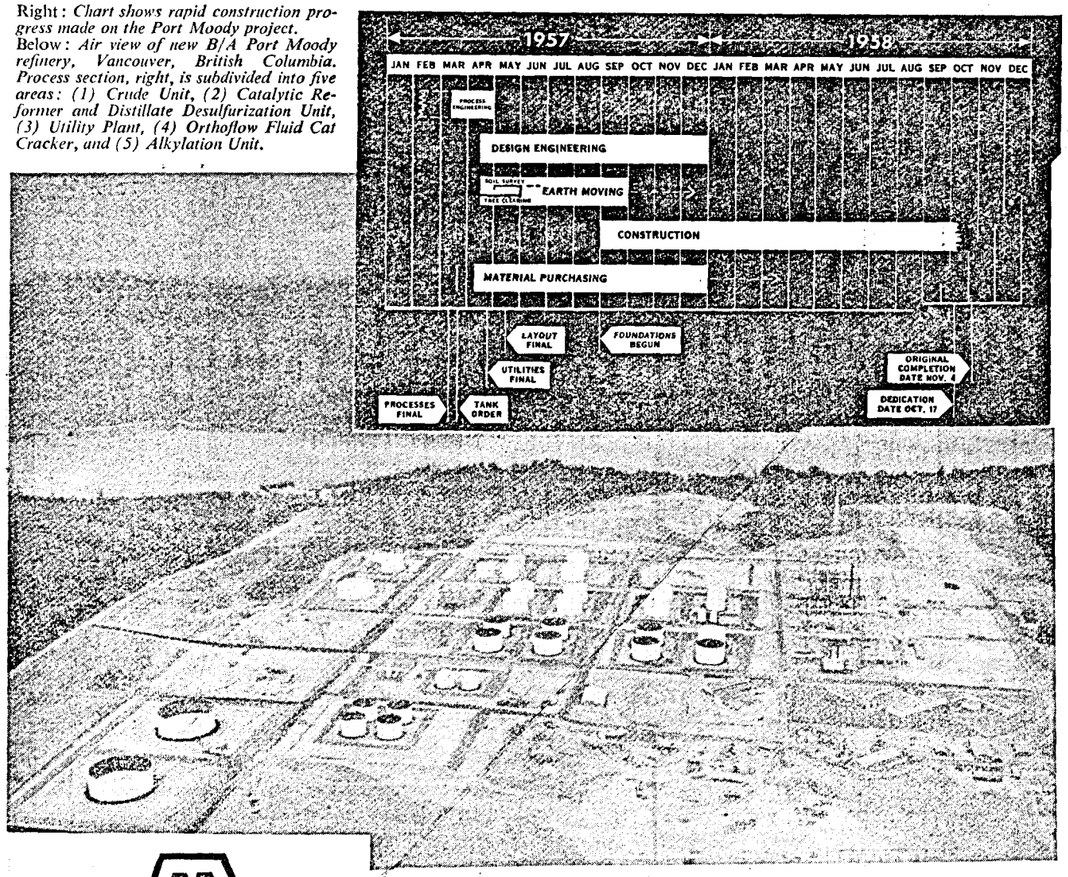
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Right: *Chart shows rapid construction progress made on the Port Moody project.*
Below: *Air view of new B/A Port Moody refinery, Vancouver, British Columbia. Process section, right, is subdivided into five areas: (1) Crude Unit, (2) Catalytic Reformer and Distillate Desulfurization Unit, (3) Utility Plant, (4) Orthoflow Fluid Cat Cracker, and (5) Alkylation Unit.*



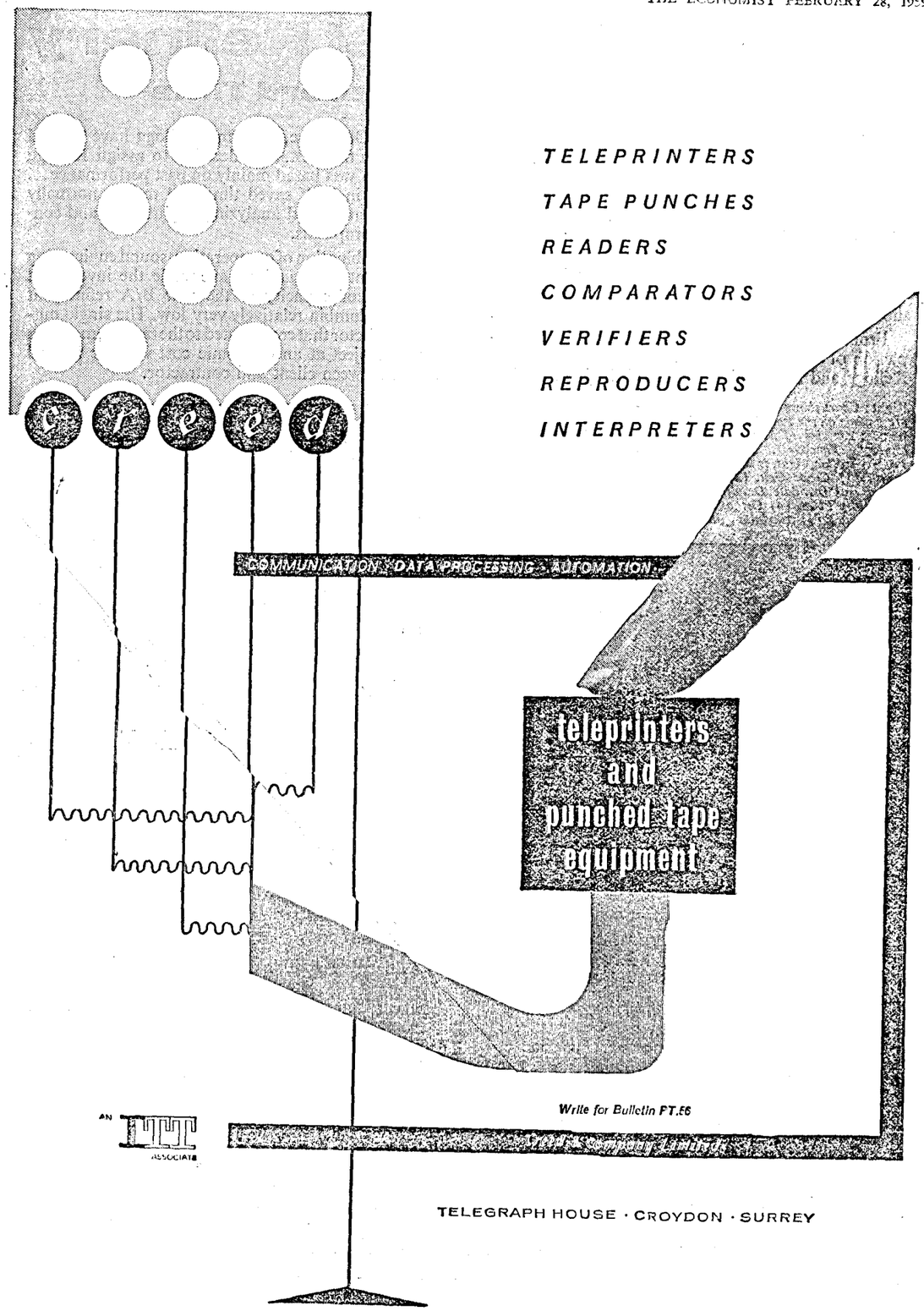
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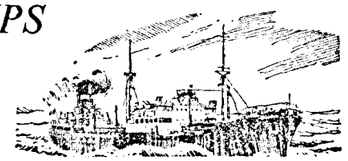
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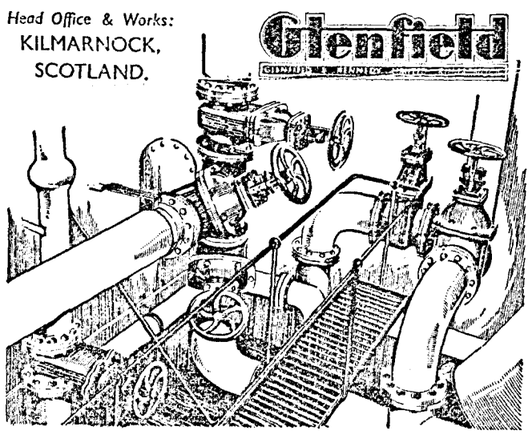


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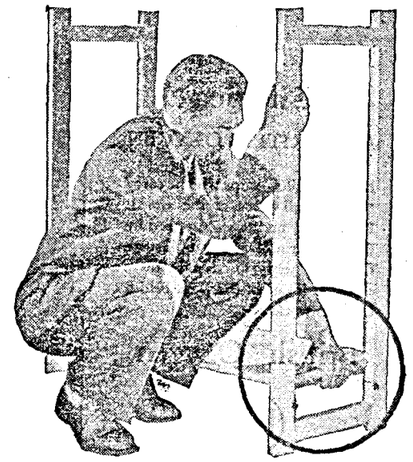
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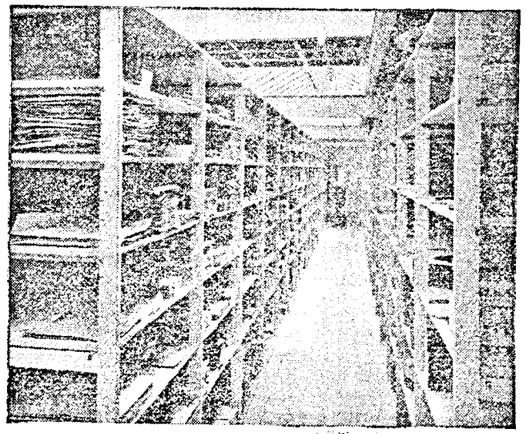
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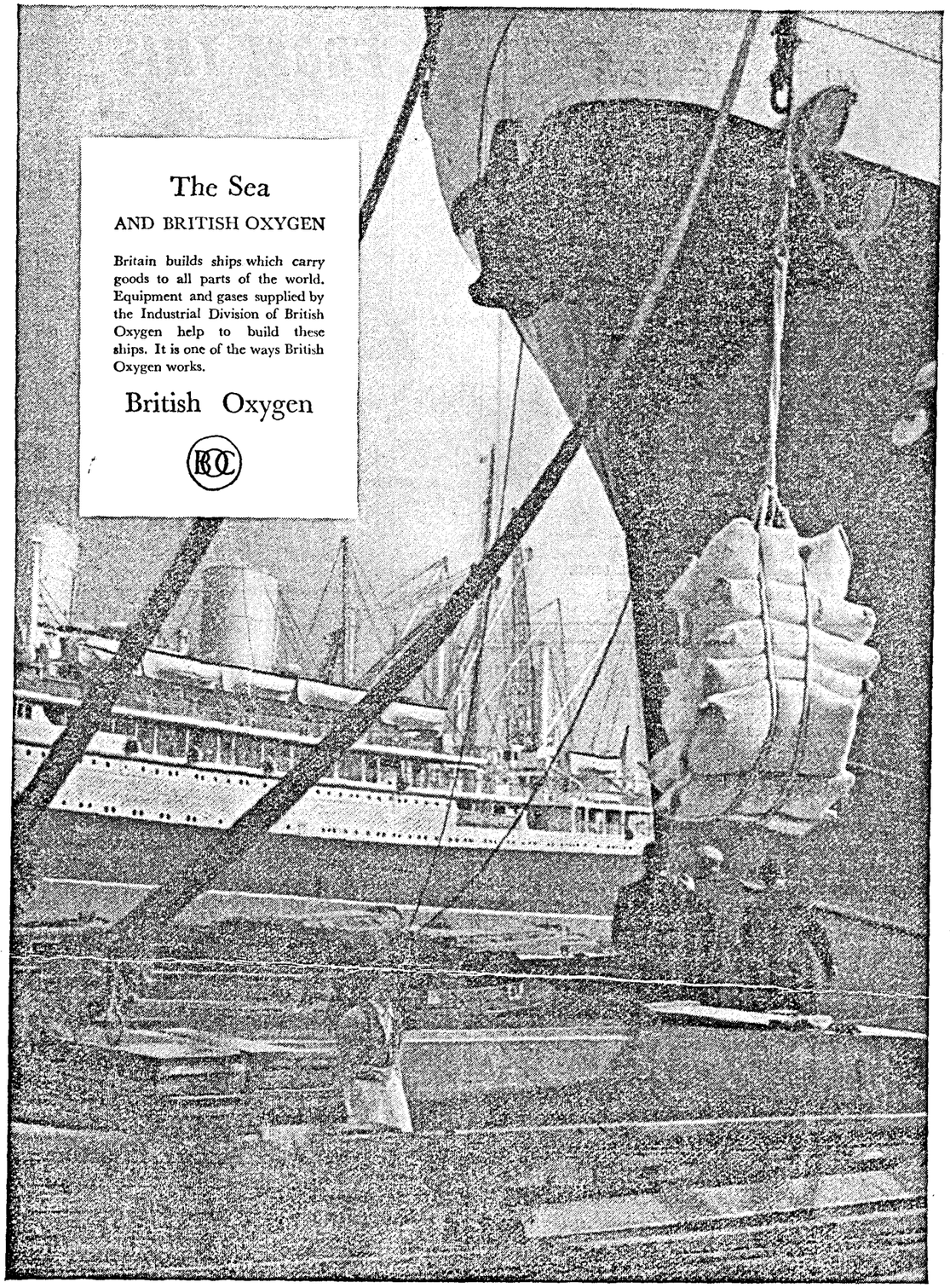
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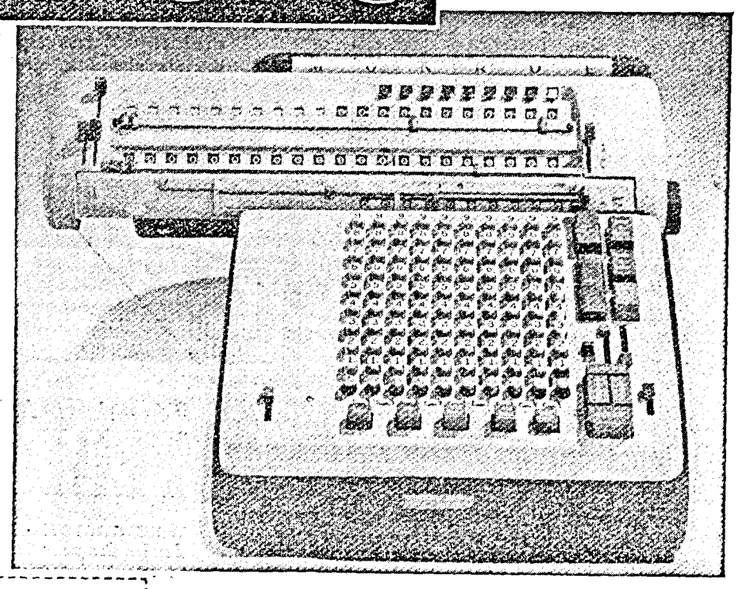
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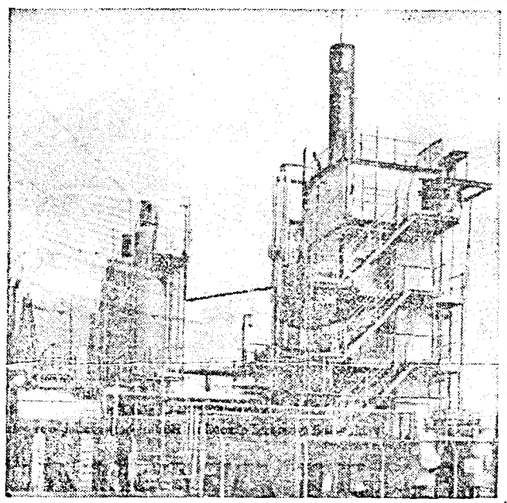
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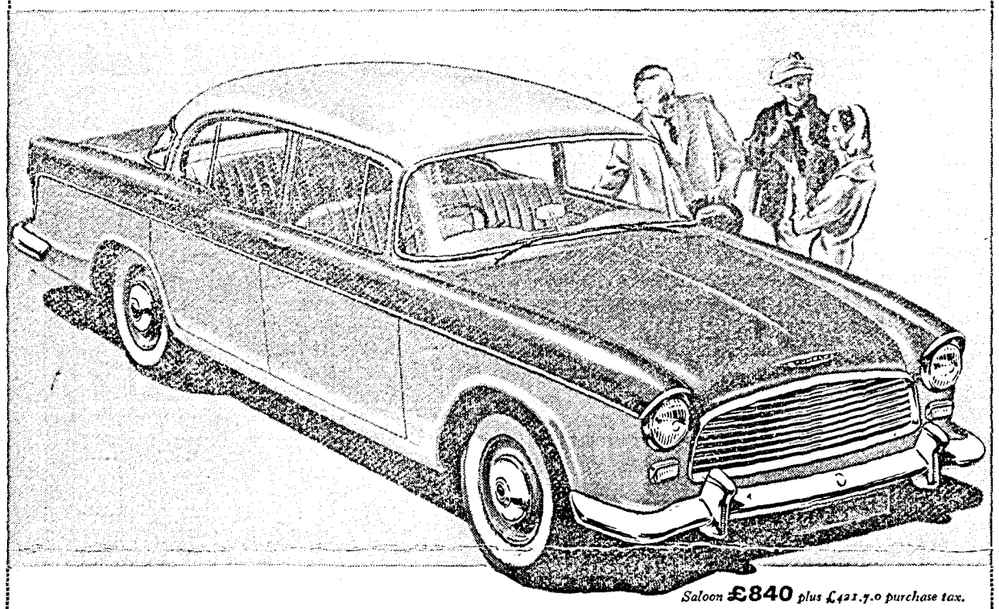
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Cyprus

THE Cyprus agreement removes—it is hoped—a problem that had tragically been allowed to grow far beyond its proper size, turning allies into enemies and drawing Britain into a self-defeating policy of repression. How a classical colonial problem was allowed to get off the rails in this way, in the same decade in which British power was withdrawn relatively smoothly from vast areas of Asia and Africa, has been a puzzle. In the later stages Britain had become a helpless object of a train of events in which Greece and Turkey were making the running. Earlier, however, it was a British failure to see the problem of this Mediterranean island in real terms that set the chain of events moving.

Sir Winston Churchill's famous phrase that he had not become Prime Minister "to preside over the liquidation of the British Empire" has had a curious influence on British imperial policy since the war. It has not prevented his successors, or indeed Sir Winston himself when he returned to office, from presiding over the liquidation of the Empire, any more than Mr Macmillan's stout defence of his predecessor's actions in Egypt has prevented Mr Macmillan from systematically liquidating the Suez policy. It has, however, inhibited successive British governments from recognising, even to themselves, just what it was that they were doing. Having withdrawn from India, they proceeded logically enough to liquidate the positions in Iraq, Jordan, Egypt and the Sudan, which in the days of the Indian Empire had been thought vital. The preoccupation with a network of strategic arrangements in the Middle East remained for a time, however, as dominant in British policy planning as if there had been no withdrawals at all. Cyprus was selected as the permanent British headquarters for the Middle East automatically, by the elimination of the other possible sites; and the sense of insecurity, engendered by reverses elsewhere, produced an obstinate determination to hold on to sovereignty in the island. Only afterwards, when the Cypriots refused to allow this arbitrary choice to determine their political future, was it realised that Cyprus was an acute colonial problem itself. At the same time, the preoccupation with the Middle East diverted attention from the fact that Cyprus, a European island, was also a dormant international problem capable, once it erupted, of causing a deep division in the Atlantic alliance.

It was not until July, 1956, nearly a year after the failure of the tripartite conference between Britain, Greece and Turkey, and four months after the deportation of Archbishop Makarios to the Seychelles, that Sir Anthony Eden, then prime minister, for the first time plainly acknowledged a Cypriot right to self-determination—which to the Greeks meant enosis, and to the Turks came to mean partition. But British defence thinking, combined with the increasingly obvious conflict between Greek and Turkish aspirations, prevented the Government from naming a day, however distant, when the principle would be put into practice; and

this failure both frustrated the military pacification, and hamstrung the attempts of Lord Radcliffe and Sir Hugh Foot to get the island started along the path to self-government. By the time the British Government was ready to admit that sovereignty over the whole island, though a convenience, was not really a necessity, the antagonism between Greece and Turkey seemed to have barred the way to a peaceful transfer of power.

It is the change in the Greek and Turkish attitude over the last two or three months that has loosened at last the log-jam of years. When the futility and danger of their mutual antagonism did strike home, the two countries moved with astonishing energy to find a compromise. The agreements that were contrived in Zurich and later in London (they are summarised on page 767) naturally demand sacrifices from all parties to the dispute—though the basic interests of each are safeguarded. Britain loses a possession which had become an encumbrance. The foothold of its defence forces in the eastern Mediterranean is reduced to the merest toehold; but given British relinquishment of the island, the two base areas over which it is to retain sovereignty and the guaranteed defence facilities which it is to enjoy outside these areas, provide, on paper, a generous provision for this country's defence needs. No theoretical restriction is placed on the use of these defence facilities. In practice their effective use will no doubt need the tacit assent of the future government of Cyprus; but, then, if the island had remained British, Cypriot hostility would have made it worse than useless as a base.

Turkey, and the Turkish Cypriots, have sacrificed partition. But partition, in so far as it ever had any practical meaning, was a means to an end, not an end in itself. For Ankara it was a means of making sure that Cyprus, only forty miles from the Anatolian mainland, would not fall into hostile hands; that end is now to be met by the presence of British, Turkish and Greek forces in Cyprus and by the treaty rights to be given to the three powers to intervene, either separately or collectively, to maintain the *status quo*. For the Turkish Cypriots, partition was a way of making sure that they enjoyed their rights as a minority without interference from, or persecution by, the Greek majority; these rights have now been very fully taken care of in the draft constitution drawn up at Zurich.

GREECE and the Greek Cypriots make, it should be frankly admitted, the greatest contribution to the settlement. Greece has in effect repeated the decision that Venizelos took in 1924, to abandon policies of expansion and seek reconciliation with its neighbours. It loses the possibility of a new possession and the satisfaction of uniting the Greeks in Cyprus with their mother country. But it loses, too, what might have turned out to be not merely a grave responsibility, but a heavy burden. In return, it regains the friendship of Britain and Turkey; it gains the right to maintain troops in Cyprus and its special interest in the island is recognised; above all, it has secured for the Greek Cypriots a future in which they will be able to run their own affairs and, with help from Athens, develop their "Greekness" as they will.

Will this satisfy the Greek Cypriots? Mr Karamanlis said at the end of the Lancaster House conference that the negotiators had tried to ensure that there should be no victor except the people of Cyprus themselves. It may take time for the Greek Cypriots to see it that way. Those who have been genuinely devoted to enosis are bound to be dismayed; and no one takes kindly to having a cherished dream smashed for good. There are also practical objections from the Greek Cypriot point of view. There is the nature of the independence that the island is to get; freedom to remain exactly as they are may be considered something of a travesty. There is, too, the small part the Cypriots themselves have had in determining their future. Their representatives came to London, but only, in effect, to endorse an agreement already drawn up. There is to be no plebiscite.

FINALLY, the machinery of government that has been devised for the island is complex and ponderous with its checks and balances. It gives the Turkish minority a weightier voice and greater powers of interference than their numerical strength would justify; the powers of the Turkish vice-president would seem to be very nearly as great as those of the Greek president. If Cyprus could be considered in isolation, the system of government now proposed for it would be hard to justify; but, given the complicated inheritance of political, racial and strategic problems, the carefully adjusted agreements and treaties hammered out in Zurich and London are probably the best that can be hoped for. Now the bare outline of the constitution agreed at Zurich has to be filled in by the joint commission in Cyprus.

To quote the unexpected authority of Archbishop Makarios himself, "It is the spirit in the hearts of men that counts most." Without a very great deal of goodwill from both Greek and Turkish Cypriots an independent Cyprus has little more future than the dependent, discontented and divided Cyprus has had. And, besides goodwill, the new Cyprus will need provision for its economic viability. Mr Macmillan's announcement that the Government would consider sympathetically a Cypriot request to stay in the Commonwealth (with its economic advantages) is a welcome sign that this fact is recognised here. A prospect of peace, stability and economic revival can overcome the Greek Cypriots' present doubts. Perhaps in time they may even generate more than neutral feelings towards the flag "of neutral colour and design" which, according to the terms of the Zurich agreement, is to be devised for the new Republic. That is a problem for them to solve. For Britain, there can be no going back on the Cyprus settlement.

Moscow Revisited

Our special correspondent in the wake of Mr Macmillan and Mr Selwyn Lloyd describes the puzzling atmosphere of the visit

"A MILD wind from the west will blow over Moscow." That was the official weather forecast of the Central Institute for Prognosis which Muscovites read in their newspapers at the beginning of this week. For a moment at least it seemed that Mao Tse-tung's famous slogan about the east wind prevailing over the west wind was in abeyance. A beaming sun thawed out some of the detergent-white snow, unmarred by any industrial or coal smoke, that covers Moscow in winter. The muffled female figures who chip the ice off the city's broader streets and squares had an unusually easy time. Mr Macmillan, some Muscovites remarked, seemed to have brought a sample of the milder climate of England with him in his Comet. And there were other auspicious symbols. It was announced that one item on the Prime Minister's programme was a visit to a new atomic icebreaker; and his stay in Russia began aptly enough with the nearest thing in Soviet life to his own Edwardian foible—a weekend withdrawal to one of Mr Khrushchev's country estates.

True, Moscow itself seemed meanwhile to be filling up with truckloads of stern faced soldiers, and heavily overcoated officers hurried about with preoccupied faces. But this was the eve of the annual Soviet Army and Navy Day; and, on Monday evening, while the two Prime Ministers dined together at the British Embassy, immediately opposite the walls and onion domes of the Kremlin, much of this soldierly bustle was explained, when 20 salvoes of coloured fireworks rose into the sky with military precision.

By the time they sat down to that night's dinner, the ministers had already spent nearly two full days in both formal and informal talks, and Mr Macmillan was well on his way toward his goal of a conversational rather than a tourist visit. He had politely declined an invitation to go out shooting on Wednesday, saying that he would prefer to spend the day at another country house —the "dacha" which his hosts had allocated for his use during his stay, and which he had not yet had time to see—and following through with an invitation to Mr Khrushchev to come out and lunch there and linger for still another quiet chat.

The west wind, it seemed, was still blowing gently but steadily. The tone of the conversations, in which topics of general international concern such as Germany had taken precedence over bilateral Anglo-Soviet affairs, was cordial but frank. Indeed, Mr Khrushchev went out of his way in his speech at the Embassy dinner to tell Mr Macmillan that "what we like is your frankness." Admittedly, not all of the Soviet leader's colleagues shared this appreciative point of view. Mr Macmillan had urbanely introduced into his set speeches some telling thrusts at his hosts' habit of depicting to their peoples the Britain of Charles Dickens rather than that of the welfare state, and at the contrast between Britain's transfer of sovereignty to its former possessions in Asia and Russia's continued retention of its territories there; and, when he regretted that he and Mr Selwyn Lloyd would not have time to visit Stalingrad, he remarked innocently that the parliamentary system compelled them to be available at home from time to time to be questioned by their colleagues. The Soviet press showed a marked and understandable tendency to bowdlerise these passages.

PRESUMABLY the Prime Minister proved to be even franker and less easily budged than the Soviet leader had expected. Both sides had hitherto maintained a strict, and in the circumstances admirable, discretion about the details of what had passed between them. But on Tuesday Mr Khrushchev, for his part, revealed that he did not feel that he was making any progress. Having packed his guests safely off on an all-day trip to the atomic research centre at Dubna, 90 miles outside Moscow, he summoned to the Kremlin a chosen band of the constituents who will, on Sunday, elect him to a seat in the Supreme Soviet of the Russian Federal Republic, and made a speech which, reprinted in full, filled about half a page in Wednesday's Moscow newspapers. It was rumbustious stuff which drew repeated laughter as well as the normal applause; and it included a forceful reassertion of familiar Soviet theses on international issues.

This speech was immediately interpreted as an attempt to jostle Mr Macmillan into giving ground by making it clear that Mr Khrushchev was freshly and publicly committed to yielding none himself. A less imperturbable politician than the Prime Minister might well be expected either to change his views after this blunt warning or to take umbrage publicly—which would earn Mr Khrushchev a point in the contest to show oneself more willing than the other fellow. However, the Soviet leader may not have taken full account of Mr Macmillan's reputation for unflappability and masterly inaction, or of the likely effect on western and indeed on world opinion of the spectacle of the British Prime Minister being publicly rebuffed in the middle of his attempt to find common ground through personal contact in discreet privacy. But by the time Mr Macmillan and his host return from the provinces, there ought to have been time for reactions to show themselves and for their significance to sink in.

For the 70 British, American and west European journalists who have been allowed to come to Russia

to cover the British visit, Mr Khrushchev's speech and its implication fell like manna from heaven. "For the third day running I have described the snow," was how one of them expressed his feelings about the news value of the talks just before he heard of Mr Khrushchev's electoral activity. The press corps has been corralled on the far side of the Moscow River in a brand new mid-nineteenth-century hotel, strongly reminiscent of Cold Comfort Farm in the whimsical inconvenience of its layout, but fortunately better heated than the home of the Starkadders. The correspondents' hopes rose on Tuesday night when they were able to rub shoulders almost too literally with Messrs Khrushchev, Mikoyan and Gromyko at a jam-packed British Embassy reception. But even then there was for once hardly anything of lapidary value in the Soviet leader's party banter, except perhaps for the intriguing remark that he had not been out east to look at his own "virgin lands" projects in Kazakhstan and Siberia for over two years. And Moscow in general maintained its reputation as a difficult place to get any background or orientation about the events of the day.

Things are, however, considerably better now than they used to be for the visitor who does not have to try to follow the political story blow by blow—if he has enough of a smattering of Russian to get about on his own, use the telephone and make contact with the now numerous Muscovites in different walks of life who speak foreign languages passably and are prepared to go slowly and patiently through a conversation with a foreigner. At last there are adequate street maps of Moscow on sale; and the bookshops are also doing good business with a small classified telephone directory, which does not list individuals but is of considerable help (its only really awkward omission is a list of embassies). With the help of modest aids like these, even the short-term visitor now has a chance of breaking out of the cosy circle of Intourist hotels for top people; and the official shepherds themselves, although not altogether happy at being firmly directed off the well worn tracks, evidently feel less nervous than before about letting the visitor see the seamy side of the neighbourhood, as well as the many impressive features.

IN midwinter it is, of course, not physically easy to get into quick contact with the Muscovite in the street, eager though he often is to talk with visitors. Even for a fully acclimatised and fur-capped Russian it is a bit chilly to linger chatting in the open, and there is as yet little alternative; even including the big hotels, there are still only 78 restaurants, cafés and snack bars in this city of five million people, and most of them are expensive. Shops would be obvious places in which to pursue the Prime Minister's aim of "meeting the people," but they are apt to be packed with impatient customers who leave little elbow room.

Even so, and allowing a full margin of error for first superficial impressions, casual conversation is revealing. In striking contrast to the tone of the press, intelligent and linguistically competent Muscovites give the impression that there is no popular head of steam behind Mr Khrushchev's exercise in brinkmanship over Berlin. It is said that strong feelings about Germany remain at the back of all Russian minds, but most people do not actually show much anxiety about developments in Germany, or even any particular interest in talking about them.

Prominent among the subjects that people do seem to want to talk about, once encouraged by hearing a well-meaning foreigner stumbling ludicrously through their language, is life and living standards in other countries and the tantalising thought of being able to go there and see for themselves. (There is incidentally a surprising amount of indifference about sputniks, although the sputnik is everywhere employed in publicity as a true symbol of Soviet prowess; a new brand of filter-tip cigarettes in western style has appeared bearing the name and portrait of Laika.) The casually encountered Muscovite is filled with innocent pleasure on being told, apparently for the first time, about aspects of life which are now comparable in his country and in ours, and apt to need reassuring with cheering words when he learns about other aspects. He is not at all the braggart that his leaders and representatives make him out to be. Talking to him, one feels that the mild west wind may yet prevail over the cold eastern blasts that have come from Mr Khrushchev this week; but it may take a long time.

The Economist

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PROSPECTS OF PEACE?

The assurance given by the Chancellor of the Exchequer in the House of Commons last night, that arrangements have been made for the simultaneous evacuation of the Papal States by the forces of France and Austria with the consent of the Papal Government—and the promise afforded by the mission of our French Ambassador, Lord Cowley. . . . on a pacific errand to the Court of Vienna—raise the best-founded hopes for the ultimate maintenance of peace in Europe, which we have been permitted for many weeks to entertain. Indeed, grave as the crisis no doubt is . . . we must keep well before our minds that if once the Papal States are honestly evacuated by both France and Austria *without any reserved intention of returning* be the immediate and internal consequences of their withdrawal good or bad, the European crisis is past—since there is no other point that can fairly be drawn into the international discussions, on which a question of peace or war could be supposed to hinge. As Lord Palmerston in his concise review of the state of Europe well observed, this is not a political crisis like that which usually precedes a great international quarrel, when the injured honour, dignity, and interests of one great nation seek to vindicate themselves by reprisals touching the honour and dignity of another great nation. . . . We must remember that neither the French nor the Austrian nation is identified with the Italian policy of its rulers. There is no fatal popular enthusiasm at work like that roused by a national insult. . . . If only the Emperor of France can be satisfied, the people he rules have never been in need of satisfaction. If only the Emperor of Austria thinks that he can retire with honour from the Papal States, the people of Austria are not likely to suggest any difficulty.

How to Help Agriculture

An article last week discussed how far there is a case for supporting agriculture in Britain. This article suggests how the system of giving support should be changed.

THE cost of supporting British agriculture appears (from the latest vote on account) to be falling from around £300 million to perhaps £260 million a year. This is still a very large sum to expend on the 300,000 full-time farmers—between £800 and £1,000 a head a year. Worse, however, is the fact that this money is being spent to keep most of British agriculture ticking over at a very low level of prosperity, while doing relatively little to improve its competitive efficiency or long-term utility.

The Economist has often been accused of seeing only the taxpayers' side of the case. Let it therefore be reiterated here that one of the main complaints against present agricultural policies is that under them most individual farmers are anything but prosperous or economically secure. Today two-thirds of British farmers earn on the average something like a bus-driver's wage, in return for longish hours of labour and for a sizeable input of working capital; and the "average" here disguises enormous variations not only between farms but also on the same farm in different years. Under the 1957 Agricultural Act farmers have in effect accepted that the taxpayer is bound to exact a progressive squeeze in their price guarantees. Although it will come only in limited and predictable doses, such a squeeze is bound to make a tough life tougher. This alone is a stiff prospect in a welfare state.

Admittedly, many of the least efficient farmers would be much better off out of farming, and one of the proper (though often unspoken) objects of the 1957 policy is to push them out. But in practice strong family traditions, a high average age, and a strong attachment to their land and locality render the farmers in question singularly immobile. Moreover, they have a workable alternative in the shape of cutting costs and risks to the bone, farming at a low but leisurely level, and living partly off their capital and land. Many farmers did this in the nineteen-thirties, and some are already doing it today. It is important to repeat that these possibilities do not concern just a few marginal farmers, but some two-thirds of the total number. Thus an unadulterated price squeeze may precipitate not merely a social problem but also an economic and strategic hazard—for a widespread deterioration of the land's capital and equipment is one thing which (as last week's article argued) ought not to be allowed. It is therefore extraordinary that there is not wider general support among all political parties, among intelligent farmers as well as among intelligent laymen, for a complete overhaul of agricultural policy and a studied re-direction of government aid.

The lines long which this reform should proceed are now surely fairly clear. The British system of farm support has one great advantage over the system prevalent in most foreign countries: the burden of it is placed openly on taxpayers by means of subsidy payments, not on consumers by means of protection against imports. But the system also has one great disadvantage: more than 95 per cent of the subsidies concerned are still unselective, and are paid out roughly in proportion to farmers' output. The larger farmers get the lion's share of the price subsidies, the fertiliser subsidies, the production grants, and even the capital improvement grants. This is wasteful (for larger farmers do not need all this assistance) and ineffective (for the smaller man's subsidies just keep him going, but leave no margin for development or improvement). A much higher proportion of aid—say, a third—ought to be selective: that is, it ought to be specifically designed to improve the competitive position of the smaller and less fortunate farmers.

To ladle out selective help admittedly involves all sorts of difficulties. Selective aid conjures up pictures of gross administrative paternalism, of rural suspicions, of favouritism and intrigue; it also raises tricky economic problems of investment and land tenure. That is why the Government has so far—with its new small farmers' scheme, announced last year—put only one toe into the water. Yet there is no alternative to facing the difficulties, except that of giving up all serious ideas of reform. The rest of this article offers some suggestions for a new programme of agricultural assistance; it will begin by discussing the two forms of present aid which ought to be cut, and will then discuss three new forms of aid which it is suggested, ought to be initiated or extended.

FIRST, then, price guarantees should be continued, but they should be scaled down to conform to the notion of a "floor," rather than a "ceiling," price. They should underpin, not overtop, the market. Instead of costing £210 million a year (or 70 per cent of all agricultural aid), as they did in 1957-58, they should not cost more than about £100 million in a normal year. In addition, it is important that different commodities should be protected much more equally. Because general price supports are indiscriminate, and offer most money to the biggest farmers who have the biggest output, an attempt has gradually been made to introduce a social purpose into them by the back door: the most generous supports are accorded to those things that small farmers can produce most easily. The result is that eggs and pigs now run away with two-fifths of the price subsidies. This is completely the wrong way to support small farmers; the aim of price guarantees

should be to encourage home farmers to grow those things that they can produce most economically.

Two of the functions of the price guarantee system are to achieve a reasonable (but not a "frozen") degree of price stability, and to give the home farmer some (but not excessive) protection against the competition of highly specialised—and sometimes also subsidised—overseas producers. The goal of stability does not require a high level of support. On the contrary, excessive subsidisation of particular products, which necessitates major Government switches in price "emphasis," is an enemy of stability, as farmers have been finding out. The goal of protection, on the other hand, inevitably entails a fluctuating level of support because import prices and the terms of trade are continually changing. This cannot be helped, and British taxpayers ought not to be alarmed at the unpredictability and occasional upward swings of the subsidy bill. But the average bill over the last five years has represented a degree of protection far too high to carry permanently.

The second form of unselective aid to agriculture at present consists of those direct subsidies which are made available to *all* farmers; they cost some £75 million a year. These unselective subsidies should be cut, and confined to a few key purposes connected with capital improvement and the maintenance of soil fertility. Examples are drainage and water-supply, fertilisers and grassland improvement. Some of the money saved on the price guarantees and on these unselective direct subsidies could then be diverted to the three selective forms of aid discussed below.

IN the first place, the present small farmers' scheme should be converted into a much larger scheme for the improvement and rehabilitation of sub-economic units. The test of eligibility should continue to be the farm's capacity to become (with assistance) fully economic in time, but "fully economic" should be defined more stringently.

Much larger aid would then be available to each farm which qualifies, but a more careful plan for using this aid would also be required. In some cases a farm's economic position could be improved mainly by changing its pattern of production, but more often the choice lies between intensifying production on the present acreage or enlarging the farm's total area. It is important that these questions should be faced, and economic advice brought to bear on them. The Government's advisory service, which is to administer the present small farmers' plan, is economically unqualified and has always fought shy of giving economic advice. Its qualifications and attitudes need to be changed. The implementation of a new "farm plan" might be helped if it were linked (as it is in many other countries) with the provision of cheap credit, as a partial alternative to grants.

Before going in for intensified production on the same acreage, the farmer and his advisers should take careful account of the probable downward trends in the price of eggs, pigs, and milk on world markets. Unless the farmer can expect to produce them profitably at lower prices than at present, he ought not to increase his dependence on these commodities. Often the best course for an individual farmer is to enlarge and re-organise his holding; but aid should not be given where the effect is seriously to injure adjacent units.

A MORE comprehensive attack on the problems of small size and bad lay-out is therefore essential. This should be the second feature of any new plan for more selective aid to agriculture. One of the major drawbacks of British agriculture is the ownership (often by absentees or non-agriculturists) of small parcels of land. Nationalisation of the land as a means to re-organisation has had its advocates in the past. A better case could in fact be made for it than for many of the other nationalisation projects which the Labour party has thought up since; but it is obviously not a likely starter at present. Instead, the state could lend its support to local co-operative organisations of farmers, formed to buy up land and re-allot farms.

This is the sort of agricultural policy for which both the Labour and Liberal parties should be pressing. Any help to farmers' co-operatives in this country would be a useful offset both to the class-conscious individualism of the ordinary farmer and to the monolithic grip of marketing monopolies.

THESE schemes of aid to both individuals and co-operatives would leave in the cold those farmers who are too small or too poor or too individualistic to participate in them. These people should not just be abandoned by the state, nor ought they to be abruptly dragooned out of farming if, knowing the hazards, they wish to remain. The third plank in a selective plan for agriculture should be designed to help them. The fairest and least offensive form of aid would be a "marginal farm grant," paid as of right to the occupier of any farm which failed to qualify for capital assistance. But it should be given only for a limited period—say ten years, or (in the case of farmers over 40) until their retirement or death. This would give fair notice to these farmers and their heirs of the choices before them.

To summarise, the suggested policy is for a smaller total of support to agriculture, perhaps half in price support and half in direct subsidies. These subsidies would include three selective forms of aid:

(1) An extended "small farmer" scheme, pegged to an individual "farm plan" and economic advice;

(2) Aid to co-operatives for the acquisition of land and rationalisation of farming units; and

(3) Temporary and terminable aid to the bottom strata of farmers.

These three measures between them would do a lot to make a tougher price policy acceptable to farmers, and to prevent such a policy having a deleterious effect upon the farmers' function (discussed last week) as economic and strategic reservist. Is it really impossible for either of the two big political parties to re-orientate its thinking along these lines?

TOWARDS THE NINETEEN-SIXTIES—VI

The Tired Continent?

European economic recovery since the war has been one of the West's few brilliant successes. How does the state of Europe's political system compare with its economic health?

PENNED in a corner, a man may be tempted to gaze out of the window, turning his back on the room he is in. British opinion has never really digested the extent of the failure of the great powers to produce a European political settlement out of the ruins and exertions of the last war, or the dangers which that failure represents for Britain. Nor has it ever quite grasped the further, and avoidable, failure of Britain to seize the opportunity for leadership which the war put in British hands in what remained of free Europe in 1945. Thus the demise of the free trade area project has come in London as a surprise, even a shock—though an imperfectly apprehended one, like the other disagreeable surprises that the postwar history of Europe has brought. The clamour of these facts is drowned in talk of far-flung overseas interests, or forgotten in pursuit of a mirage of a world-wide British system of power that is somehow to survive the dissolution of the Empire.

Mr Archibald MacLeish, in a lecture on *Poetry and Journalism* at Minneapolis last October, complained of the divorce between knowing and feeling in the well-informed western public of today. The present generation was provided with more facts than any previous generation, but

> we seem to be less and less capable of receiving the facts into our imaginations where they may come alive with feeling.

These remarks apply exactly to the British relationship with Continental Europe since the war. At the end of a half-century in which this country has fought two wars to the death to prevent a hostile power getting the upper hand on the Continent, it is hardly necessary to set out to prove that a stable and friendly Europe is a vital British interest. As Mr Maudling told the House of Commons on February 12th, in explaining why Britain did not choose to join the European common market, Britain is part of Europe "by tradition, strategic interest, culture, and everything else." All the same, he added a few minutes later, the sentiment in Britain for European unity and co-operation is "rather a tender plant," which could "wither and die back" if this country suffered another rebuff.

The fact is, however, that a stable and friendly Europe of the dimensions which it was possible for an optimist to conceive of in 1900 is by now inconceivably far out of reach. Each of the two great European wars, though "won" by the western side, left the frontier of western influence in Europe several hundred miles further to the west than it had been before. In consequence, the term "central Europe" has almost disappeared from the European vocabulary. In ordinary language there is now only a "western" and "eastern Europe," and of these two, only what is called western Europe is habitually regarded in the West as European at all. As the boundaries of free Europe have shrunk, western minds have been closed about what Europe geographically and historically consists of. The vision, or the recollection, of the large Europe that existed fifty years ago is left as a monopoly to the (fortunately few) advocates of reconquest. The rest of us have quickly got used to the idea of a very little Europe indeed.

EVEN this rump Europe that remains is regarded in Britain with a political and economic detachment which is hard to reconcile with the completeness of the British strategic involvement on the Continent. Britain continues to keep an army in north-west Germany, with its most advanced outpost in Berlin, as a tangible pledge of readiness to fight a third European war to stop any further nibbling at the West's frontier in central Europe. The promise to keep this army on the Continent for fifty years was made without inquiring whether there was any public support for it, in the autumn of 1954, when the wheels of western diplomacy needed greasing after the breakdown of the European Defence Community project. By the side of that promise, the commitments contained in the Treaty of Rome do not look revolutionary; but they have been declined because "there is no public support."

To accuse the leaders of continental western Europe in the same period of the same equivocation towards unity and co-operation would not be quite fair. What has been surprising about them is that they moved as fast as they did. They have, however, shown a similar ability to shut out unacceptable facts from the imagination—so that the lost parts of Europe are written off or forgotten, while policy confines itself to the organisation, in the tightest possible framework, of the main body of what remains. At first glance this concentration on the possible looks like realism. But, unfortunately, some of the facts that are put aside have too direct a relevance to be disregarded safely. Most obvious of these is the anomalous and isolated position of west Berlin. There are, however, others.

If Europe is to be organised into an eastern and a western economic block, each with its monochrome political and military complexion, how much thought has been given to the position of the neutrals: Finland, Sweden, Switzerland, and Austria? Or how much to

the dilemma of the poorer countries of southern Europe, some of them politically unable to fit into the prevailing categories, but equally unable to afford to be squeezed between two powerful trading systems. Partial technical solutions to some of these problems can probably be found, but they cannot remove the basic dilemma of a divided continent. Perhaps most dangerous of all the undigested facts, in the long run, to the fabricated unity of rump Europe, is the unresolved German question itself : the fact that the German member of the community of the Six is not all Germany, but only two-thirds of the reduced area, and three-quarters of the population, left to Germany at the end of the war. Historically minded champions of Little Europe will argue, just as historically minded communists do in Dresden or Prague, that Germany has been divided so often and for so long in the past that there is no real reason why it should not get used to being divided again. The concept of a single German state was, however, established and consolidated between 1866 and 1945, and it is blind to suppose that the Germans are going to give it up if they can help it.

To point to the parts of Europe that are left out is not to carp at the new European Community ; it is to raise an essential question which needs to be remembered, since in all probability it will, in one form or another, occupy the European statesmen for many years to come. Throughout the work of construction which has brought " Little Europe " to visible shape, it has been a principle of the architects that what they are creating is not merely a western continental block, it is a European union ; they have said again and again, and have anchored the principle in the treaty, that the other European nations can, and sooner or later will, join. There are a few cases where this aim can be actively pursued without pursuing a direct conflict with Russia. Britain, Spain, Portugal and Denmark are such cases ; but they are few. With those exceptions, expansion will mean either the winning over of neutrals or the active erosion of the Soviet system itself.

Most of the Six have good reasons for not wanting to court more active Soviet hostility than they have experienced already. France, in particular, since the return to power of General de Gaulle, sees the Community as a new block led by France and relatively independent of American guidance. The concept of a French-led block not only permits, it probably requires, Germany to remain divided. But if, in order to avoid external conflicts and pursue their own consolidation as an independent block, the Six have to give up any claim to a universal European character—and if they even have to accept as permanent the national division of one of their members—then their own cohesion is going to be subjected to obvious strain.

These are uncertain calculations. All that can be noted with certainty is that the dominant political combination in the free part of Europe today is the understanding between General de Gaulle and Dr Adenauer which is coming to be known as the Paris-Bonn axis ; that General de Gaulle's idea of the future of western Europe diverges markedly from Dr Adenauer's ; and that both men's ideas diverge in important ways from the existing facts of international life.

It is a matter for speculation how far, if at all, these sources of future trouble might have been avoided if the movement for European union had taken a different direction, with a somewhat looser basic concept permitting a larger membership in a system that might have been a shade less directly related to the cold war. Some such result might, just conceivably, have followed if the leadership in European union had come from London instead of, as it did, from the Christian Democratic triumvirate Adenauer-Schuman-De Gasperi. There can be no certainty of it. Ten years ago, Moscow showed a hostility just as implacable to the Organisation for European Economic Co-operation as it shows now to the European Economic Community. The Russians were never able to disrupt OEEC, though they were naturally able to prevent countries under Soviet influence from joining it.

On the face of it, their ability to disrupt the Six is much greater—if and when they choose to play the card of German reunification ; but this is a card they cannot play without exposing their own eastern European system, too, to serious strain. Their present challenge to the western position in Berlin looks like a dangerous gambit, to them as well as to the West : for on the one hand, they cannot expect to win all that they are asking there without war ; but, on the other, an east-west compromise over Berlin, if it does anything more than preserve the status quo, implies a change in the state of Germany and therefore a change of some kind in the eastern and the western European blocks. So far, in all German questions since 1945, the Russians have always preferred continued stalemate to any compromise involving change. But this may not always be so. When Mr Macmillan chooses to visit Moscow in circumstances that obviously oblige him to discuss Berlin with Mr Khrushchev, it is very natural that a rustle of uneasiness should run through the western European capitals ; they are all likely to be affected by what happens in Berlin. Dr Adenauer's visit to General de Gaulle next week has to be seen in this context.

The fragility of Europe's political arrangements stands out all the more sharply against Europe's economic vitality and resilience. M. Jean Monnet, in a recent interview on the position and prospects of the Six, was able to claim that the European Community was the region of the free world that had shown the most rapid rate of economic growth in the past ten years: an increase of 97 per cent in industrial output between 1949 and 1958, compared with 29 per cent in Britain and 39 per cent in the United States. This meant an expansion in the six countries equivalent to that of the previous century and a half put together. No doubt this picture of M. Monnet's is to some extent falsified by the existence in 1948 of a large reservoir of unused

German industrial capacity. However, the pace of German re-expansion, the modernisation of large sectors of the French economy, and the appearance of first-class modern industry on a large scale in north Italy have exceeded any reasonable expectations, and now form the basis for the expansionism which marks the common market's view of the future. M. Monnet anticipated a further doubling of the community's industrial production in the next 15 years.

This spectacle of economic virility in what is supposed to be the tired continent is not confined to the common market ; indeed it is not confined to western Europe ; several of the countries of eastern Europe are now achieving a rapid industrial expansion, whether because of or in spite of the efforts of their communist planners. Europe has reinstated itself as an industrial power-house, an economic pacemaker, and a centre of formation of capital—and, therefore, as an essential element in the calculations of the world's under-developed countries seeking the means of improvement. These facts might be expected to make Europe politically influential, but it is not clear that they will ; partly its division, partly its familiar and fatal disposition to form its schemes without enough regard to the existing facts, may keep Europe for a time yet an object, not a maker, of events.

NOTES OF THE WEEK

Flare-up in Central Africa

The Nyasaland cauldron at last boiled over this week. After watching it seethe for a few days, seeing labour trouble break out at Kariba, and hearing of renewed rioting in the Congo and an outbreak in Somalia, the Southern Rhodesian government suddenly declared a state of emergency in its territory, which has boasted of the quiet and moderation of its African population for fifty years. The proscribing of the African Congress parties, and jailing of their leaders, suggests either that the premier, Sir Edgar Whitehead, has got wind of a new uprush of African violence, or that Southern Rhodesia's nerves are badly shaken.

In Nyasaland, where so far no emergency has been declared, a week of rioting has driven the governor to ask Sir Roy Welensky to send in federal troops. This rioting will be put down to Dr Banda's increasingly perfervid speeches against federation ; but passions have been rising dangerously for a long time, and a contagious excitement is sweeping Africa. When Dr Banda first returned to Nyasaland to lead the Nyasaland Congress six months ago he showed momentary signs of wanting to temporise, but he was swept away by the pace set by the secessionist Congress leadership which received him as a messiah. His own temperament ill-fitted him to keep his feet or his head ; his egotism surprised even Africans at Accra last December.

The riots, and the vigorous reaction to them by Sir Edgar Whitehead and Sir Roy Welensky (who has called up his territorials), confront the Central African Federation with a new situation at a critical moment. A general election in Northern Rhodesia is pending, and Africans are being urged to heed the advice of moderate leaders, go to the polls and work the new constitution ; while the Minister of State for the Colonies, Lord Perth, planned to go out to discuss a new territorial constitution for Nyasaland. The cancellation of this trip, and the action of Sir Roy and Sir Edgar may be seen by Africans as further proof that ultimate power in the Federation lies with the white settlers and in Salisbury, not in London. These events come at a time when Sir Roy has not yet taken an African into his government, and before he has made a single liberal gesture towards the Africans of either Nyasaland or Northern Rhodesia. On the other hand, the white settlers have applauded his prompt action, and the right-wing Dominion party opposition has promised full aid. All this must make Sir Roy look too much like the white *baas* ruthlessly enforcing *baaskap* throughout the Federation ; and the rush of settler support may be as bad for him as adulation is for African leaders like Dr Banda.

These events hardly set the stage for growing racial partnership in the year that is left before the London conference on the Federation's constitution and future. They are as disastrous for Sir Roy as for everyone else, black or white ; and it is unfortunate that the opportunity to discuss means of saving a deteriorating situation with Lord Perth has been deferred. Mr Lennox-Boyd will have to take a hand himself.

Bongo in the Congo

Political tribalism set off the latest spasm of rioting at Brazzaville, the chief town and provisional seat of government of the new Congo Republic, last week. It was at Brazzaville that General de Gaulle twice proclaimed a glowing future for France's African peoples, but by the end of last week's forays the city counted 200 dead, besides bodies committed to the Congo river, hundreds injured, and the leader of Congo's parliamentary opposition, M. Jacques Opangault, arrested for inciting his trusties to sedition, rebellion and pillage. It was an exclusively Congolese grudge fight ; Brazzaville's white community was not involved.

French Congo has two leaders and two capitals. The present prime minister, the Abbé Youlou—whose bishop forbade him to take office—ousted M. Opangault from the premiership last November 28th by one vote in the territorial Assembly at the official capital of Pointe Noire. But this was in enemy country. No sooner was the vote taken than the Abbé and his friends, the Democratic Union for

the Development of African Interests, promptly moved the government to Brazzaville, their own stronghold. M. Opangault and his African Socialist Movement have been boycotting the Assembly's meetings in protest. But Brazzaville has its community of M. Opangault's Mbochi tribe, and it was between the Mbochis and the Balalis, the Abbé's supporters, that last week's feuding came to a head. Now, while Brazzaville's new hospital is filled with the wounded, the Mbochis have been reported making their way back to their tribal country in the north, some of them crossing the river into the Belgian Congo to escape Balali attacks. Doubtless they are waiting for the next round—by which they do not mean the now-promised but still indefinite elections.

The affair could cost the Congo's 700,000 inhabitants dear. The one hope they have of industrial prosperity rests on the development of the Kouilou barrage at an estimated cost of 80 milliard francs. Although there have been hopes that money might be diverted to the Congo from French projects originally intended for Guinea, the new evidence of Congo's restiveness is likely to deter investment.

DEFENCE—FIRST HALF

Filling in the Blanks

MR SANDYS will wind up the debate on the defence white paper after this issue of *The Economist* has gone to press; whether the debate can be judged useful or not will largely depend on how frankly he answers the questions that have been put to him as the result of his opening speech. It was a good speech; it filled in some of the blanks in the white paper; and it showed that Mr Sandys, notwithstanding his own disingenuous assertions to the contrary, is still revising the defence policy he first outlined in 1957. But he still faces questions on his policy's inconsistencies.

First, on the size of the forces' manpower. Mr Sandys has wisely stopped saying that the volunteer Army of 180,000 which he will now recruit is really the 165,000 which he first said was all that Britain needed. He was able triumphantly to confirm that nobody born after September 30, 1939, will need to register for national service; the Army is satisfied that it can fill the gap up to 1962 by relying on men who got deferments earlier. The Labour party saw the political point, and rushed in rather absurdly to try to snitch the credit; no MP, not even Mr Head, dared to make the point that conscription should even now not be abolished, but merely left in suspense, for nobody knows how many men we might need sometime in the future. Mr Sandys is now saying Britain can manage with so small an army because it would never have to fight any save the tiniest of limited wars without allies. But that does not prove that those allies in the remaining eventualities will be happy with such small British conventional forces—on land, sea or air.

Secondly, on the deterrent. The Opposition was right to press Mr Sandys to explain why, if Britain now apparently does not need conventional forces for independent action, it still needs an independent nuclear deterrent. In his references to Thor, Mr Sandys made clear the store he set by Blue Streak because it will be all-British, and thus a replacement of the all-British V-bombers. There may be an argument for such independence, but Mr Sandys did not make it. On the other hand, Mr Grimond failed to carry conviction for the Liberal alternative—the Liberals argue that, while Britain does not need its own strategic nuclear deterrent, it must have its own tactical one. The real motives for investing in Blue Streak are far from being probed. They need to be. So does the rocket's cost. Mr Sandys always used to say that Britain got an independent deterrent cheaply because it had to have V-bombers for the conventional role anyway; now we are to have both rockets and planes. Is Mr Sandys still saying that this is cheap, and that the conventional forces will not suffer thereby? He should be pressed to be much more explicit on these, as on several other, questions of basic priorities.

FAROE ISLANDS

Six-Mile Limit

THE six-and-six formula whereby Britain and Denmark have temporarily settled the Faroese fishing dispute is worth trying elsewhere. The Faroe islanders are to extend their protection limits to 12 miles, but British trawlers, which are recognised as having "historic rights" in Faroese waters, will be able to fish up to a six-mile limit, except in three areas where line fishing alone will be allowed within agreed dates. The settlement will stay in force "pending a solution of the general problem of fishery limits," which may or may not spring from a second conference on the law of the sea next year. If no general agreement is reached, the Faroe settlement can be denounced after three years.

The present compromise is not exactly clear-cut, and the Faroese seem to have gained more than the British trawlermen have been able to save. But the days of simple, universal laws on fishery limits look like being over. It may be better to try for local arrangements which reflect the particular claims of Grimsby's and Aberdeen's historic right against Faroese or Icelandic self-interest, as this agreement has done. The Faroese have been protected from the trawler concentrations which they have feared since the Icelanders declared their 12-mile limit in September. The British middle-distance fleet has at least limited the damage to itself. Although the president of the British Trawlers Federation, Sir Farndale Phillips, says the agreement fills him with misgiving, he has sensibly bitten on the bullet and acknowledged the basic point that both sides "have been able to sit round a table, discuss problems dispassionately, and reach agreement." This is really much better than calling up the Navy.

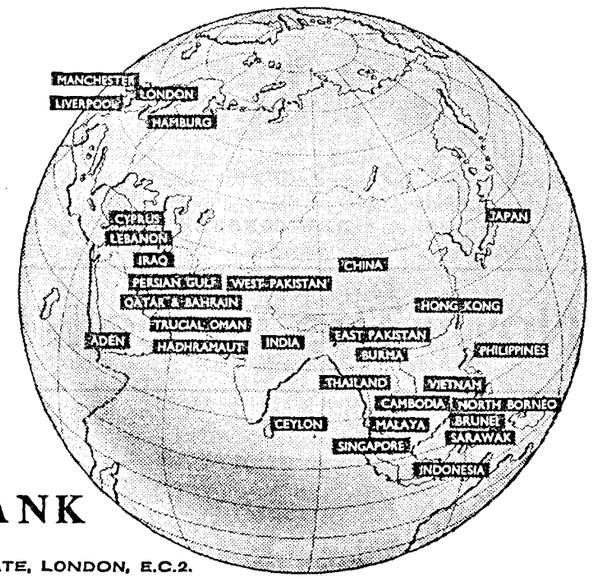
The British terms for the Faroese have probably erred on the side of generosity for the simple reason that the agreement is now meant to leave the Icelanders out on their own. It was originally hoped to get the Faroese settlement in the bag before the Icelandic ultimatum expired in September. Yet if as good an offer had been made to Iceland last summer, the Royal Navy might not have been forced to spend the winter playing the fool off the bleak Icelandic coast. Now the Icelanders say it is not enough.

EUROPEAN COAL

Labour Truce in Belgium

A TRUCE has been reached in the mining dispute in the Borinage. The 100,000 strikers, who came out on strike last week in protest against the closure of uneconomic pits, are returning to work. In return the Belgian govern-

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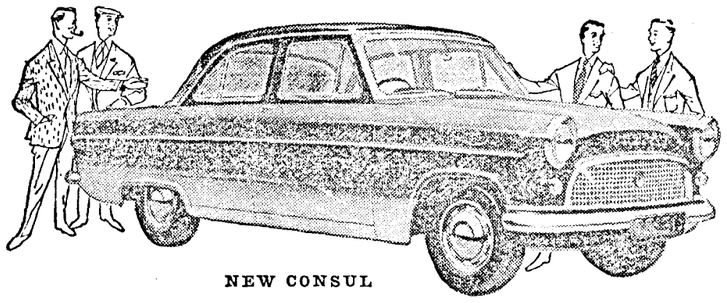
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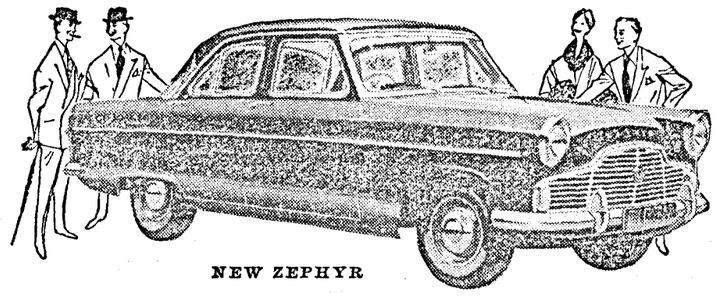
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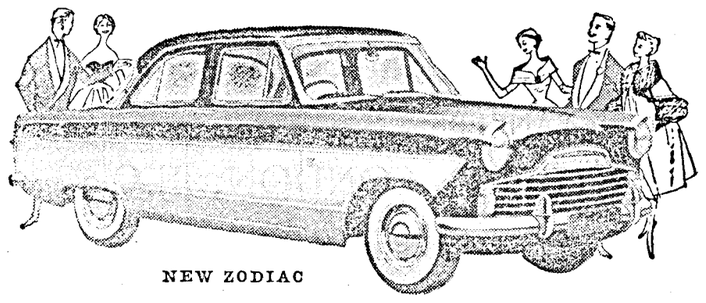
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ment, with aid from the European Coal and Steel Community, is to make greater efforts to find new jobs for the dismissed men and develop new industries in the area.

The High Authority at Luxemburg can feel some satisfaction with this result. The closure of pits, so long overdue, and which recession has precipitated, is to go on. And the Belgian government does seem to have been brought to a realisation that it faces, in the Borinage, not merely a local mining issue, but the broader problem of giving the whole region a new economic *raison d'être*.

The High Authority has suffered one qualified defeat. At Belgium's request it has agreed to consult the other five member governments to discover whether they want a "state of manifest crisis" to be declared, which would permit the imposition of production quotas on mines in the community. That might well be a retrograde step, slowing down the inevitable process of reorganisation in the mines of Europe. Here much will depend on the reaction of the German government. Professor Erhard has hitherto opposed such restrictive measures; but he has had to eat so many words already about coal policy that it would not be surprising if he had to swallow this principle, too. If the reports are true that he is to be kicked upstairs to the west German presidency—as successor to President Heuss—the conduct of German economic policy may well fall into the hands of Herr Etzel. The able minister of finance is a man close to Dr Adenauer's European ideas and, unlike Dr Erhard, little disposed to allow general economic principles to bring him into conflict with Ruhr industrial interests.

TELEVISION

Regulate the Breaks?

When Mr Mayhew introduced his bill on Tuesday to regulate more sternly the amount and timing of advertising on television, he said that the present relative freedom to place advertisements was "a source of great joy and profit to the programme contractors," and a main cause of the "almost indecently high" profits they are making. Anybody who favours this bill should make clear on which of two grounds he is supporting it.

Is Mr Mayhew saying that the gross revenue earned by television is already "indecently high"? That is an opinion held by some culturally-minded people who wish that television had never been invented, and it attracts vociferous support from those newspapers that made a mistake by not taking shares in the programme companies at the outset. But it is an opinion that seems very difficult to sustain by reference to market demand. Here is this medium which could bring to the millions entertainment events that otherwise only the thousands could see; and it is still not getting (or at any rate not spending) sufficient money to televise all the (e.g.) professional sporting events, reasonably modern films and West End theatre productions that the mass audience would undoubtedly like. No doubt the companies could get more of these even now if they bid higher and spent more of their "indecently high" profits on their programmes; but the way to force them to do so is surely by introducing more competition into the air (to some extent this process is already in train), not by imposing rigid parliamentary controls on the money that they can earn. If every other developing industry in the past century had had a parliamentary chopper brought down upon its gross revenue during its first pioneer boom, industrial growth would have been crippled and stunted.

The second ground on which one could support Mr Mayhew's bill is by the argument that advertisements are the wrong way in which to finance television's continuing growth. Once again, this is a view with respectable support from people who believe that advertising pollutes all entertainment and exposition which it finances; and, once again, Mr Mayhew can expect to draw loud cheers from those newspapers that have been losing advertisement revenue to the screen. But some of the possible alternative means of financing television (such as pay-in-the-slot-as-you-view) are not yet technically convenient, and others (such as a hefty increase in licence fees) do not seem to be specifically advocated by Mr Mayhew and his supporters. On the simple "damn-this-profit-making" arguments as he presented them on Tuesday, his bill does not deserve to pass its second reading next week.

STRIKES

Motor Mischief

Some 20,000 men have been put out of work in the past week by three strikes, two of them cases in which local shop stewards wanted to get particular fellow-workers sacked and the other a case in which they wanted to ensure that a clerk was not sacked. The first two cases, both of them the usual sort of closed shop disputes, are a disgrace to the trade union movement. At the Nuffield Metal Products works at Birmingham last week, 2,000 men were brought out at a snap of the finger because a shop steward said that two lavatory attendants, a gardener and two other workers ought to belong to the Transport and General Workers' Union; fortunately the mass of the workers had the sense to go back to work the next day when they had read in the papers what they were supposed to be striking about.

At the Ford works at Dagenham this week the shop stewards had prepared their ground more carefully, and struck on a narrower front. After some false starts in other departments, a row had been brewed between 250 militant men in the car door assembly department of the factory (in which the local convener of shop stewards works) and a workmate who had stopped paying dues to the Amalgamated Engineering Union, allegedly because he did not like the sort of trade unionism he saw about him in the factory. The shop stewards gave a fortnight's notice to the management that they would not work with this man, and the car door men struck when this ultimatum expired on Monday; the whole assembly line was thereby successfully stopped, and 7,000 other workers laid off in consequence.

This Dagenham dispute is only the latest and largest of a small series of wildcat strikes across the motor industry in the last few weeks; it does not require any great detective ability to deduce that some consultative group of shop stewards in the different areas must be organising them. What is more surprising is that the central bodies of the unions have been so slow to react to this challenge to their own authority. Throughout most of the fortnight while the door assemblers' ultimatum was running out, the central authorities of the AEU adopted the extraordinary attitude that they could not organise talks at Dagenham because they had not been informed by the workers (as distinct from

the management and the newspapers) that a dispute existed. Once the strike had started they issued a wordy statement expatiating on the "worthlessness of the non-unionist involved," but added that "having regard to the fact that the . . . dispute . . . has resulted in thousands of trade unionists being suspended without pay, we instruct those in dispute to resume work immediately." The shop stewards' present tactics are familiar; they will try to prevent the men from obeying this instruction for a few more days if possible, and then to go back to work, triumphantly announcing that they have "won" some concession (such as a discussion with the management about the placing of the non-unionist concerned) which they could have had weeks ago anyway.

Steel Muddle

By contrast with the motor stoppages, the serious strike which stopped production at the Steel Company of Wales works at Port Talbot last weekend at least had the virtue that the strikers were trying to save a mate's job rather than trying to victimise him. By contrast with them too, there may have been more muddle than mischief behind the Port Talbot affair. It seems that three weeks ago an allocation clerk in the electrical communications office made the last of an allegedly consistently inefficient series of mistakes, and was told by the indignant engineer in charge of his department to take a week's notice. In fact dismissals at the plant can take place only after a formal hearing at which a union representative can be present; there was a background of past animosity between the unpaid union officials in the works (who were perturbed at the mode of the clerk's dismissal) and the union's paid divisional organiser (who was telling them not to be silly); when, after formal hearings, it became apparent that the company still intended to dismiss the man, the matter had become one of face for various subordinate people on both sides. The local unpaid union leaders started the strike while the divisional organiser was up in London.

The 13,000 workers in the plant obeyed this call, but without great enthusiasm, as many of them are earning over £1,000 a year and carry heavy hire purchase commitments. On Tuesday, after the divisional organiser had returned to Port Talbot, the strike was called off unconditionally, with each side of the union organisation blaming the other for an unnecessary stoppage. The strike does not therefore necessarily imply that there is suddenly a mounting danger of more industrial trouble among the hitherto peaceable steel-workers; indeed the speed at which the strike was settled rather implies the opposite. Even on the most charitable interpretation, however, it was a ridiculously expensive matter of face that launched a stoppage that cost the company and the country some 35,000 tons of steel and the men nearly £100,000 worth of wages.

BALKAN PACT

False Hopes

On August 9, 1954, the Foreign Ministers of Jugoslavia, Greece and Turkey signed a treaty of alliance, political co-operation and mutual assistance—the Balkan Pact. Already during the long preliminary negotiations some of the obstacles to the alliance became obvious: much time was spent on the discussion of the relations between the Balkan pact countries and Nato. In the final text of the treaty, Jugoslavia's commitments, in case Greece or Turkey became involved in a conflict through their obligations to other Nato countries, were limited to mutual consultations. Nevertheless, the conclusion of the Balkan pact was generally interpreted, at the time, as a closer association of Jugoslavia with western defence arrangements. Although the treaty was hopefully forecast to run for "at least twenty years," it has played a negligible role in Balkan politics: a permanent secretariat was founded, and slowly dissolved; the proposed meetings, every two years, of the foreign ministers of the three countries never took place. Now, when the Cyprus deadlock exists no more, when Jugoslavia is firmly outside the communist block and Marshal Tito is expected to visit Greece after the conclusion of his Asian tour, the time seemed propitious for speculations on the revival of the pact. Officials in Belgrade have denied that there is any question of reviving the military side of the pact. A report in the Athens daily *Acropolis* about forthcoming negotiations among the three Balkan pact countries has been described in Belgrade as unfounded. "We view the Balkan pact," said the official spokesman there, "only as an instrument of peaceful co-operation among the three countries in the economic, cultural and political fields." He added that relations between Turkey and Jugoslavia had, during the past few months, deteriorated because of an anti-Jugoslav campaign conducted by a number of Turkish newspapers. Even if Marshal Tito had not made himself well known as an opponent of military blocks, Jugoslavia still has too little in common with either the Turks or the Greeks to make an early, and solid, alliance likely between them.

FOREIGN AFFAIRS DEBATE

Conventional Wisdom

A foreign affairs debate without the Prime Minister (except right at the end), the Foreign Secretary, Mr Bevan, or even Mr Healey, is not likely to be a gala occasion. The few members who turned up last week had even less to say than might have been expected because, for reasons of their own, both sides of the House were playing an especially careful game. The Government was busy dissociating itself from any suggestion that by sending the Prime Minister off to Moscow it was stepping out of line with its allies, while the Opposition, which had chosen the debate, was using it as a demonstration that its members were not out of step with each other.

It is however worth recording that two ideas seem now to have attained the status of "conventional wisdom" in most parts of the House. They are that "free elections" need not be the first stage of German reunification, and that there can be no military disengagement until the Americans are persuaded that withdrawal from Germany does not involve their withdrawal from the whole of Western Europe. Mr Bevan having called the snappish factions of the Labour Party's foreign affairs committee rather smartly to order before he departed with the prevailing flu, all ranks were on their best behaviour during the debate. Mr John Hynd, a leader of the Labour right-wingers' pro-Adenauer group, went out of his way to praise Mr Silverman, who could not forbear to confide in him that he had had it from Herr Ulbricht himself over the weekend that once disengagement

Continued on page 768

*The London Agreement on Cyprus**

The Cyprus settlement signed at Lancaster House on February 19th consists of a number of documents of which the first is the **"Basic Structure of the Republic of Cyprus"** which was signed by the Greek and Turkish prime ministers at Zurich on February 11th. All the 27 points in this document will be incorporated as basic articles in the Constitution of Cyprus. The most important are:

Cyprus is to be Republic with a Greek president and a Turkish vice-president, each elected by universal suffrage by his respective community for five years.

The *Council of Ministers* will consist of seven Greeks and three Turks chosen respectively by the president and vice-president. Decisions are to be by absolute majority.

The *House of Representatives*, elected for five years by universal suffrage of each community separately, 70 per cent by the Greek and 30 per cent by the Turkish electorate. It will exercise authority in all matters except those expressly reserved to the Communal Chambers. Decisions are to be by simple majority.

The Constitutional Law, with the exception of its basic articles, may be modified by a two-thirds majority of the Greek members and a two-thirds majority of the Turkish members. A simple majority of Greek and Turkish members, considered separately, will be needed to modify the electoral law or to adopt any law about the municipalities or any fiscal law.

The president and vice-president, "separately and conjointly," shall have a *final veto* over any decision of the Council of Ministers, or any law passed by the House, dealing with foreign affairs (except the participation of Cyprus in international organisations or alliances to which Greece and Turkey both belong), or concerning defence and security. The defence questions subject to veto are: the composition and size of the armed forces and credits for them; appointments and promotions; imports of warlike stores and explosives; granting of bases and other facilities to allied countries. They shall also have the *right to return* any decision to the Council, or any law to the House, and the decision or law must be reconsidered within fifteen days.

A *Supreme Constitutional Court*, composed of one Greek, one Turk and a neutral appointed jointly by the president and the vice-president, will arbitrate on: (a) conflicts of authority between the House of Representatives and the Communal Chambers; (b) laws and decisions which the president or the vice-president believes to be discriminatory.

Two *Communal Chambers* are to exercise authority in all religious, educational and cultural questions, all questions of personal status and in all purely communal concerns.

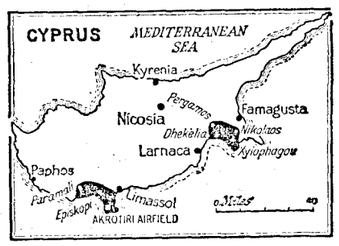
The *Cyprus army* is to be 2,000 strong, 60 per cent Greek and 40 per cent Turkish. The police and gendarmerie are to be 2,000 strong, 70 per cent Greek and 30 per cent Turkish.

The *High Court of Justice* shall consist of two Greeks, one Turk and one neutral who will be the president of the court and will have two votes.

The Turks are to have *separate municipalities* in the five largest towns. In each of these towns there is to be a Greco-Turkish co-ordinating body. The continuance of these separate municipalities is to be examined by the president and vice-president within four years.

It is recognised that the total or partial union of Cyprus with any other state, or its partition are to be excluded.

A Turkish Cypriot is always to be either minister of foreign affairs, or of defence, or of finance.



Treaty of Guarantee between Cyprus on the one hand, and Greece, Turkey and Britain on the other. Cyprus undertakes "not to participate, in whole or in part, in any political or economic union with any state whatsoever" (art. 1). Greece, Turkey and Britain recognise and guarantee the independence, territorial integrity and security of Cyprus and also the basic articles of its constitution. They undertake to prohibit, "as far as lies within their power" all activity designed to promote "directly or indirectly" either the union of Cyprus with any other state, or its partition (art. 2). If concerted action should prove impossible, each of the three powers "reserves the right to take action with the sole aim of re-establishing the state of affairs established by the present treaty" (art. 3).

Under an additional article published separately and to be inserted in this treaty, Cyprus, Greece and Turkey undertake to respect the integrity of the areas remaining under British sovereignty and to guarantee to Britain its special rights in the island.

A Treaty of Alliance between Cyprus, Greece and Turkey provides that Cyprus, Greece and Turkey are to co-operate for their common defence. There will be a tripartite headquarters in Cyprus. The Greek contingent will be 950 officers and men, and the Turkish 650. The headquarters will be commanded in rotation for periods of a year by a Cypriot, a Greek and a Turk nominated by the Greek and Turkish governments and by the president and vice-president of Cyprus. The Greek and Turkish officers will train the Cyprus army.

The British Government, in a **declaration,** accepts the Zurich agreement and declares that with the exception of two named areas (shown black on the map) which will remain under full British sovereignty, Britain will transfer sovereignty over the island to the Republic, subject to various conditions which include: (1) such rights to be guaranteed by Greece, Turkey and Cyprus as are necessary to allow the British military bases to be used effectively as such. Some of these rights are set forth in an annex and include: the continued use of existing small sites containing military and other installations; unrestricted use of road, port and other communication facilities; use of public services and of Nicosia airport. (2) the fundamental human rights of the various communities in Cyprus, and the interests of the members of the public services to be protected. The British Government also agrees to co-operate with Cyprus, Greece and Turkey in the defence of the island.

Three bodies are to be established immediately:

(1) *Joint Commission in Cyprus*, composed of one Greek Cypriot, one Turkish Cypriot, one representative each of Greek and Turkish governments and a legal adviser. It will draw up a draft constitution incorporating the basic structure agreed at Zurich.

(2) *Transitional Committee in Cyprus*, composed of the Governor and leading representatives of the Greek and Turkish communities. It will make plans for adapting and reorganising the governmental machinery.

(3) *Joint Committee in London*, composed of one representative each of the governments of Greece, Turkey and Britain and one representative each of the Greek Cypriots and the Turkish Cypriots. It will prepare final treaties giving effect to the conclusions of the London conference.

The transfer of sovereignty is to be completed by February 19, 1960.

* Cmd. 679. HMSO. 1s.

Continued from page 766

was in force there would be no difficulty about holding free elections in both parts of Germany.

However, Mr Silverman's own gloss on his party's policy was unexceptionable:

> It is said that we need the agreement of America for [disengagement]. Whoever said we did not? It is said that it is doubtful whether the Soviet Union and their friends would accept it. Whoever said it was certain?

Each time he speaks on the subject Mr Gaitskell himself sounds more doubtful about early Russian acceptance of full disengagement—all the emphasis in last week's speech was on possible opening gambits, such as the thinning out of foreign troops on either side of the Elbe. On the other hand Mr Gaitskell seems to have gained confidence from recent speeches by Senators Mansfield and Fulbright that he will eventually win the Americans over to support the sort of approach he wants.

OPPOSITION MOTIONS

Cheap Advice

THE Opposition's division of its third supply day between motions on legal aid and on prison conditions in Kenya forced the House to endure in succession its two worst Front Bench speakers—the Attorney-General answering the first motion and Mr Creech Jones proposing the second. But although it sounded lame out of Sir Reginald Manningham-Buller's mouth, the Government had a fairly strong case on legal aid. Given the Treasury's unwillingness to be winkled out of more than a small extra sum for the scheme, this money is certainly better spent on trying to keep people out of the courts than in encouraging them to go there. To this purpose the Government is bringing Section 7 of the 1949 Act into effect next Monday. Under its provisions people with legal worries can for the price of half a crown (or for nothing, if they are really poor) get some preliminary oral advice, including help over the drafting of one letter, from any solicitor in the scheme. There is also a promise that Section 5, which offers help in financing further paper work after the despatch of this first letter, will shortly follow. So, during the next financial year, will the sections that deal with legal aid in the criminal courts.

At last the Government has got the priorities right. Next-to-free solicitor's advice should have preceded subsidised civil litigation instead of following it so tardily. It would then have been possible to test how many poor persons' cases could have been disposed of out of court in conditions under which solicitors would have had the maximum incentive to avoid recommending litigation. However, that opportunity was missed. The question now arises whether, following the recommendations of the Lord Chancellor's Advisory Committee on Legal Aid which were echoed in Sir Frank Soskice's motion, the income limits for total and partial subsidising of civil actions should be raised to take account of the inflation since the scheme was introduced.

Logically it might be better not to combine the introduction of cheap solicitor's advice with restored incentives to go to court. On the other hand, practical experience has shown that although legal aid is sometimes abused, this has happened much less frequently than had been feared. The amount of public money involved in raising the limits is not large. The Treasury is being generous in other directions. Humanly speaking, there is much to be said for the Opposition's demand. But before the Government is too generous in this direction some consideration must be given to a glaring anomaly of the present scheme that was raised in the debate by Mr Fletcher-Cooke—the inability of a successful (and unaided) defendant to recover even a part of his costs in a case brought against him by a state-assisted litigant.

Fair Play for Mau Mau

ALL the slips, fractured sentences and multiple perorations of Mr Creech Jones's deadbeat style of oratory could not altogether deprive his speech on Tuesday of its cumulative impact. His evidence of arbitrary beatings and other malpractices in Kenya's prisons and detention camps sounded disturbingly circumstantial. Moreover, everything that the opening speech lacked was soon supplied by Mrs Barbara Castle, who for this occasion was as cogent and circumspect as she was forceful. No one fortunately sought to belittle the nature of the Mau Mau emergency, or to deny Mr Julian Amery's argument that without detention there could have been no rehabilitation. The conflict was a basically simple one: between the natural view of an Opposition that a stream of signed complaints by African prisoners, supported by affidavits from two European convicts, a European formerly detained as a vagrant, and a recently retired European prison officer, called for an independent inquiry—and the equally normal reaction of a Government that for morale's sake a colonial administration must be trusted to run its own investigations.

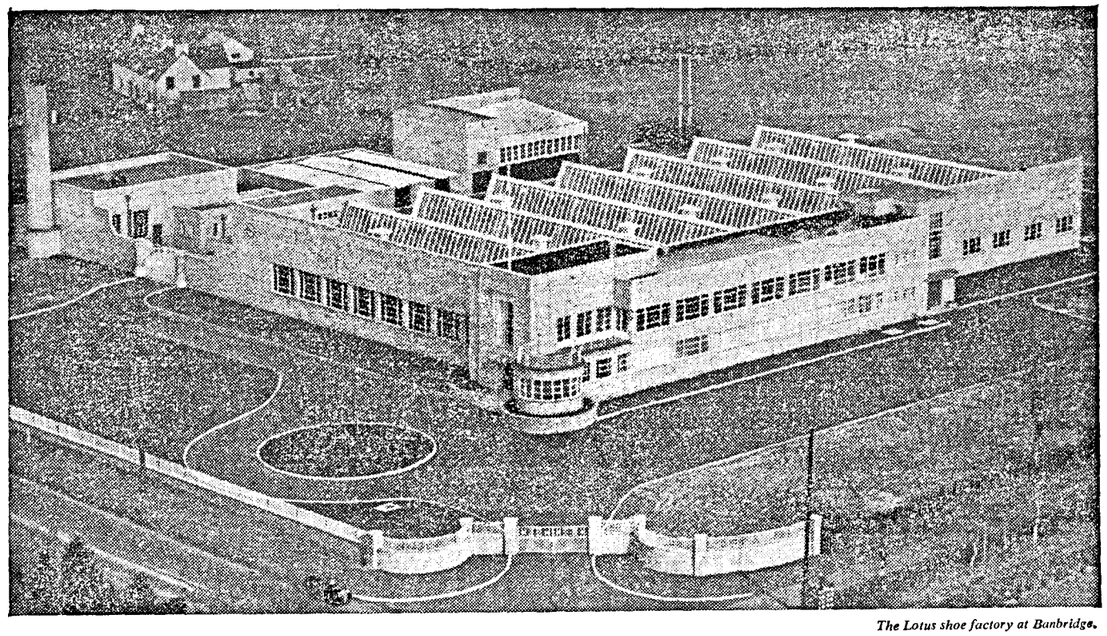
The Government's case is not a negligible one. Working under extraordinarily trying conditions, the colonial authorities have reduced the number of Africans detained without trial from 80,000 at the peak of the rising to 2,400, of whom 800 are considered a "hard core" of irreconcilables and have been held for over four years. The vigorous prosecution of some members of the hastily expanded prison staff—fifty-six were convicted of breaking regulations in 1956 and seventy-three in 1957—can be cited as evidence that the Kenya government has not failed to follow up previous well-founded complaints.

All the same, the one overriding consideration in treating any present-day colonial question must be what last memories of the British way of doing things are to be left behind before the connections with Westminster are severed. The Kenya government's present investigation of the pile of affidavits against its prison staffs is apparently only an internal administrative process. Could there not be a tribunal partly recruited from London but including a representative of the Kenya judiciary?

PUBLIC LIBRARIES

Large or Small?

IT was inevitable that the committee appointed two years ago to investigate the structure of the public library service in England and Wales should find wide variations and even anomalies. The library service has grown up with local government itself, and is just as untidy to look at. There are parish libraries, surviving from the days when parishes were the effective basic units of local government, which spend 2d. per parishioner per year. At the other end of the scale, there are county councils which spend 3s. 1½d. per head of their population. There are equally well-found



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the things they say!

You know, I don't think doctors ought to prescribe commercial drugs at all.



But *all* drugs are made by some commerical firm or other.

Yes, but they aren't all sold under fancy names in fancy packages—at fancy prices.

Surely it's wrong to make a profit out of illness?



But if the pharmaceutical manufacturers didn't make profits, where would they get the £4,000,000 they spend every year on doing research to find other drugs that are very badly needed?

But I thought most of the new drugs had been discovered by doctors working in the big hospitals!

Not at all. Most new drugs and anaesthetics have been discovered and perfected by the pharmaceutical industry—in other words, by the very people who make them.





Give me some examples.

Well, take I.C.I. It was their Pharmaceuticals Division that discovered 'Mysoline', an entirely new treatment for epilepsy; and quite recently they announced a new anaesthetic, 'Fluothane', which has properties that make it quite unique.

It was only at great effort—and cost—that these products were developed, perfected and made available. Many other pharmaceutical manufacturers could point to comparable contributions that *they* have made to the progress of Medicine.

U

ICI

county councils which spend 7½d. per head. The committee ambitiously set itself to provide a yardstick of what might reasonably be spent on the service, believing that this would settle which authorities ought to be entrusted with it.

Needless to say, the small authorities urged on the committee the importance of local ties in such an "intimate" matter as lending books. Equally unsurprisingly, the large authorities felt that the public was entitled to a service which only a rich authority could afford—a large stock of books, advice by highly trained librarians, gramophone records and tape *ad lib*. The professional librarians (a little over a third of those employed, mostly by larger authorities) naturally tended to the larger authorities' view. Meanwhile, the fact stands out that whereas in 1938-39 the capital expenditure of local authorities on libraries and museums was 0.31 per cent of their total capital expenditure, in 1955-56 it was just 0.13 per cent.

The committee's basic recommendation is that the provision of an efficient library service should be treated on all fours with the provision of public health. It thinks that not less than £5,000 a year is needed to run an efficient library, and it regards 2s. per head a year as a fair sort of sum to pay. This implies that the library authority should have a population of 50,000 or more. The committee also proposed that the Ministry of Education should police (mildly) the service.

All this looks logical enough, but also a little too tidy. To fix a stated minimum sum in these days of cost-inflation would be self defeating, and an enthusiasm for libraries which wants to give local authorities fresh powers to make compulsory purchases of land is excessive. Something slightly authoritarian about this report jars with the atmosphere of library work. But it should afford the basis for a reorganisation which could profitably be fitted in with the —it is to be hoped humane—reforms that are pending in local government itself.

UNITED ARAB REPUBLIC

Balancing Act

PRESIDENT NASSER'S speeches in Cairo and Damascus during the celebrations of the first anniversary of the union of Egypt and Syria were marked by cordial references to both Baghdad and Moscow. They came on top of mounting press campaigns which accused the Iraqi government of subservience to communism and the Soviet government of tolerating, if not encouraging, the immigration of Jews into Israel from Rumania.

It would be absurd to suppose that President Nasser was unaware of the press campaigns. The most highly coloured reports had been printed in newspapers under Nasser's own control. The statement was a clear invitation to Moscow to use its influence to curb the Rumanian authorities. Similarly, Nasser's long quotations in his speech from Mr Khrushchev's letter disclaiming any intention of interference in the internal affairs of the UAR were meant to commit Mr Khrushchev publicly as much as to impress the Arabs.

Haggling over the Anglo-Egyptian financial agreement ended on Thursday with an announcement that the document initialled on January 17th would be signed this Saturday. Once again the good offices of Mr Eugene Black have brought the sides together. Much of the goodwill that arose from the initialling of the agreement has been dissipated in arguments over the status of the Smouha estate. London and Cairo can now resume normal relations. It is for this, more than for the substance of the financial settlement, that the two governments should be grateful to the World Bank.

There is every reason to suppose that Nasser was sincere when he said he was not immediately interested in the question of union or federation with Iraq. Union with Syria has brought him a fair share of political and administrative headaches and he is disinclined to seek more such headaches just now. What he certainly does want is a common policy between Baghdad and Cairo, especially in international affairs. To that end he has been angling for some weeks for a personal meeting with General Qasim. One of the difficulties has concerned the meeting place. Qasim does not want Nasser in Baghdad for fear of his effect on the crowds; nor does he want to appear in a junior status by going to Cairo himself. The latest suggestion is that the meeting of the Arab League council on March 2nd should be attended by the prime ministers; this would enable Qasim to meet Nasser without loss of dignity. It is not, however, certain that Qasim wants to meet Nasser at all.

ISRAEL

Ingathering Troubles

THE state of Israel was founded on the principle that its gates would always be open to any Jew who needed or wanted to make his home within them. Israel's capacity to absorb all who come has often been questioned by economists and sociologists but seldom by the Israelis themselves. A way has always been found to reclaim another piece of the desert or to provide work in the towns. Israel's Arab neighbours are, however, upset by the news of increased immigration this year.

Having already been twice defeated by the Israelis, in 1948 and 1956, the Arabs have good reason to fear increases in Israeli manpower, military potential or economic capacity. But what alarms the Arabs most of all is the belief that Israeli territorial expansion will necessarily follow. The Israelis deny that they need any more territory. What they need is money to develop the territory they have. The Jewish communities abroad are expected to pay for over half the cost. Increased purchase taxes and customs duties

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and a compulsory loan in Israel should raise the rest of the amount needed. More than 100,000 immigrants are expected this year, most of them from Rumania, which is allowing Jews to leave the country in large numbers for the first time since 1951.

The remaining Jewish population of Rumania is perhaps 200,000. It looks as if all of them want to go to Israel even if the Rumanian government does not make emigration an enjoyable adventure. Much Jewish-owned property must be abandoned, charges for passports and transportation are exorbitant, and each emigrant can take only 100 pounds of belongings with him—in a box provided by the state. The Arabs are begging their Russian friends to stop Jewish emigration from all of eastern Europe. The Soviet government has already said that there is no question of any Russian Jews going. As a result of Arab complaints, the Rumanian government has hinted that it may reduce the number of exit visas being granted. But it has a domestic reason for encouraging emigration. The professional class in Rumania is becoming crowded by the new generation of doctors, engineers and teachers educated since the war. These products of people's democracy need the jobs which, in Rumania, have been traditionally filled by Jews.

AID TO EX-COLONIES

Over to the Commonwealth?

THE financial implications of the new Colonial Development and Welfare Fund bill are discussed on page 803; briefly, it fills the fund with the money it will need up to 1964, and provides that issues of loans under the bill can continue to 1967. The political question that now needs to be raised is whether the Commonwealth Relations Office should not be made a partner with the Colonial Office in this CD & W business. The currency of this bill, the fifth in the CD & W series since 1940, will cover a period when a considerable number of very underdeveloped colonies are likely to become fully independent—certainly the West Indies, Nigeria, Sierra Leone and Somalia (with a combined population of over 40 million people) not to mention Cyprus and perhaps others as well.

Hitherto the rule has been that grants or loans committed to colonial development before independence can continue to flow to newly independent dominions for the completion of the schemes to which they have been allocated; but tutelage over those schemes, and the possiblity of getting grants for new ones, stops with the change in the country's status. The attitude of the Commonwealth Relations Office is purist. Either, it says to Commonwealth members, you are independent or you are not; if you are, then the CRO will look after you with a better-than-Foreign-Office care for your susceptibilities, and with no hint of colonialist strings or supervision.

This is excellent in its way—but the fact must be faced that some of the territories reaching Commonwealth status during the period when the new bill will operate (and during which another £95 million in grants and perhaps £100 million to £150 million in loans will be spent) will want to have the best of both worlds. They will naïvely expect Commonwealth membership to confer substantial continued assistance. They will be in great need of such assistance; and the continuation of CD & W type schemes in their territories would be politically and economically advantageous. The next stage in expanding the Commonwealth will, in fact, be a new stage. The CRO should realise this, and take a special interest in this bill, with an eye to devising methods whereby it can, as a department, unobtrusively carry on Colonial Office work under a new name at a new address.

APPRENTICES

Tough on Training

A RECENT Fabian pamphlet* has had some hard but sensible things to say about British apprenticeship schemes. As the Carr report pointed out last year, these are now hopelessly out of date. They are still organised as if juvenile labour were cheap and as if craft restrictions were to be encouraged—at a time when the traditional crafts are on the decline and when, at present rates of juvenile pay, the training of apprentices (many of whom later leave the firm that trained them) is an expensive business. Proper methods of training are also rare; all too often, an apprentice gets no regular teaching on the job and no relevant instruction at a technical college. The results of all this, and of the fact that the most able boys go to the grammar schools anyway, are that apprenticeships have often ceased to be an extension of the education process; instead, many have become a widely practised, but fortunately rather ineffective, restrictive practice.

The need for a more efficient system is urgent for two reasons. The first—and immediate—one is that already the bulge in school leavers is beginning to present the nation with an unprecedented chance to raise the levels of skill in British industry. The second reason is that in the longer run, as the structure of industry changes, new skills are demanded (especially in industries like chemicals and engineering). The present system—whereby a traditional apprenticeship lasts five years and starts rigidly at fifteen or sixteen (with no opportunities given for older men to acquire new skills)—contains no flexibility to meet this situation.

The Carr report recommended that these apprenticeship problems should be tackled within the framework of the existing system. The suggestions for change in the Fabian pamphlet are much more radical. Among other changes, it suggests that an apprentice should be indentured not to a firm but to the whole industry, which should pay him out of industry-wide contributions; that training should be done in blocks and not by release for one day a week; and that a test of competence should be set at the end of the course. Only the last suggestion is dubious, since, by formalising the qualification for doing certain jobs, it would remove the "back door" entry into skilled trades which has been so useful since the war. A voluntary examination for a special certificate would be preferable; by raising standards, it might also take some of the cant out of present preaching on apprenticeships.

* Training for Skill. By Gertrude Williams. Fabian Society. 28 pages. 2s.

Appointments, Business and Personal notices, and other Classified Advertisements pages 824 and 835

The Anatomy of British Trade Unions

A Special Survey in Two Parts

These three articles in the second part of this survey discuss the changing structure of the trade union movement and present problems of consultation on the factory floor.

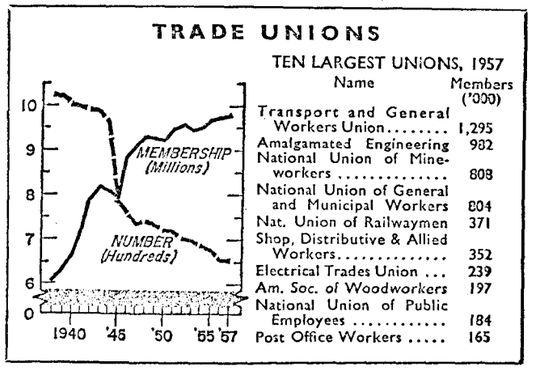
Shapes and Sizes

THE trend of trade union membership in the last twenty years is set out in the chart, and some familiar conclusions about the march towards concentration emerge. The number of unions is still decreasing; the total membership is still slowly increasing; and the average membership per union is thus getting larger. Union membership as a whole is now heavily concentrated at the large end of the union scale. Of the TUC's affiliated membership (which comprises 85 per cent of all trade unionists), half is in the largest six unions and over two-thirds in the largest fifteen.

The traditional way of describing the structure of British unions has been to divide them between craft, industrial and general unions. The craft unions are supposed to be tight guilds of skilled men, while industrial and general unions are mass organisations. As three of the ten biggest British unions are former craft unions, the old names will really no longer do. A better terminology can be borrowed (with acknowledgements to Mr H. A. Turner, of Manchester University, who first thought of the idea) from a military analogy. The clearest distinction in British trade unionism today is between unions which (whatever they call themselves) are trying to advance on a "broad front" and unions which are trying to defend themselves by setting up a "strong point."

The "broad front" strategy has caused many craft unions to spread their membership to semi-skilled and unskilled workers, and caused general unions to leap from trade to trade after their more mobile members. Two significant examples of the broad front strategy are in engineering. These two major unions, both originally for craftsmen, the Amalgamated Engineering Union and the Electrical Trades Union, have become largely industrial unions willing to organise anybody from highly skilled workers to canteen girls. In building, too, both the Amalgamated Society of Woodworkers and the Amalgamated Union of Building Trades Workers, once craft strongholds, have now given in to expansionist ambitions and admitted unskilled workers. On the other hand, none of the so-called industrial unions has succeeded in organising all its industry. Most engine drivers and firemen stand resolutely by their own society instead of the National Union of Railwaymen; and the National Union of Mineworkers still has some overmen and clerical workers outside its organisation. Even the general unions in some way belie their name. The Transport and General Workers Union, organised as it is principally on a trade group basis (dockers, busmen, lorry drivers, etc.), is more like a multiple industrial union than a general one.

The broad front policy, even for former craft unions, has several advantages. Contributions can be pooled, strikes by one section of the union can be financed by the dues paid by another, economies in organisation can be reaped, and more weight can attach to the union's various public pronouncements. By contrast, the "strong point" policy is essentially restrictionist—though sometimes successful precisely for that reason. As happens in printing, all workers within a particular craft can be organised and entry regulated by a strict system of apprenticeship; and then, by using the full strength that high craft contributions and benefits give, bargains can sometimes be struck for much higher wages than the general unions (which finance themselves by contributions drawn from much poorer people) would usually dare to stand out for.



TEN LARGEST UNIONS, 1957

Name	Members ('000)
Transport and General Workers Union	1,295
Amalgamated Engineering	982
National Union of Mineworkers	808
National Union of General and Municipal Workers	804
Nat. Union of Railwaymen	371
Shop, Distributive & Allied Workers	352
Electrical Trades Union	239
Am. Soc. of Woodworkers	197
National Union of Public Employees	184
Post Office Workers	165

It is when unions are trying to follow a "strong point" strategy that demarcation strikes usually occur. If a big union is following a broad front policy, and finds that its recruitment threatens to impinge on a field that a small existing union regards as its preserve, it will not usually press ruthlessly forward; it knows that the TUC in turn will beat away any small union which encroaches on its own field. But if a craft union tries to set up a strong point, and encroaches thereby on the preserves of a smaller and weaker craft union, both sides are apt to plunge violently into battle. This sort of trouble between "strong point" unions (most notable perhaps in shipbuilding) can lead to a depth of bad feeling almost incomprehensible to an outsider, and to interminable inter-union disputes.

If the central authorities at the TUC had serious preten-

sions to liberalism, they should follow a two-point policy about demarcation disputes. They should actively encourage competition for membership in industries where a broad front policy is being followed—on the grounds that, whenever possible, it is a requirement of human freedom that a man should be allowed to choose to which union he would like to belong. The TUC should depart from this principle, and try to hand down judgments allotting people and particular jobs to particular unions, only when the livelihood of others is being threatened by a hold-up of work caused by a bitter dispute between two craft unions which are each following a strong point policy. Unfortunately, however, there is a stereotyped illiberalism about these matters at Congress House.

Official policy on disputes between unions is embodied in resolutions passed at a series of Trades Union Congresses, culminating with those agreed at Bridlington in 1939 ; and the TUC Disputes Committee has been working for over thirty years to give effect to these resolutions. Originally it was laid down that, while no union should be allowed to influence another union's members into changing membership, voluntary transfers should be allowed ; early awards consistently followed this line. But since then, partly because of a desire for a more streamlined union structure and partly from a general dislike of seceding bodies, the awards have been more and more severe on unions accused of any sort of "poaching." This was true throughout the thirties ; and as a result of an award in 1942, in a dispute between the NUGMW and the Tobacco Workers' Union, it has now been established that if a particular union had at any time organised the majority of workers in any grade, no other union should ever be allowed to recruit among that grade. Not a single postwar award of the disputes committee has, in fact, permitted transfers. Since these judgments both reflect and set precedents for the numerous demarcation discussions held between unions in private, it is plain that the right of workers to join the union of their choice is now being progressively limited.

Union officials have a ready answer to this charge of ossification. Further factionalism, they say, could only lead to an increase of inter-union disputes and to irresponsibility in industry. To a certain extent, unfortunately, this is true. But industry is changing fast ; and the heavy-handed tactics of the larger unions since the war towards such small bodies as the National Amalgamated Stevedores and Dockers and the Aeronautical Engineering Association show what dangerous precedents can be set by congress's Canutes.

THE changes in union structure which have taken place in the last thirty years, without any particularly obvious relevance to the TUC's various pronouncements on the need for industrial unionism, are paralleled in a rather different form among the white collar unions. On the one hand, there are the railway clerks, the bank clerks, and various grades of engineers, who are organised into bargaining groups in an ordinary working-class way. They sit on joint national councils and are mostly affiliated to the TUC. At the other end of the scale come the British Medical Association and the National Farmers' Union (unions in most things save unwillingness to affiliate with the TUC) which use their status as professional associations to bring direct pressure on the Government. In between come bodies like the Institution of Professional Civil Servants and the National Union of Teachers, which sit on conventional bargaining bodies and also have national standing. The trend here, however, is towards a type of organisation like that of the doctors, appealing as a professional group direct to employers (or, in nationalised concerns, to the Government). The teachers have recently tried to by-pass the Burnham Committee with their pay claim ; and an interesting idea was put forward last summer by the Engineers' Guild, a body that represents trained technologists as distinct from workers at the bench. It suggested that engineers, too, should withdraw from day-to-day negotiations and form a professional association of their own. In view of the opposition of middle-class people to some of the forms of unionism (as opposed to its benefits), this is an idea to ponder.

Balance of Power

LABOUR problems, more than any other branch of economics, must be seen in terms of particular personalities in particular places at particular times. But there is a tide of events that generally determines which sorts of people are most likely to be where when.

At the moment, as was briefly noted in an article last week, the block vote of top trade unionists within the Labour party is fairly stably right of centre. There are several reasons why it is likely to remain so. One reason is that up to 30 per cent of the membership of the unions (and a rather higher proportion of their members' wives) consistently vote Conservative at general elections. Another reason is that even visionary Labour ideologists tend to deviate towards the centre when they have a practical job to do in public affairs, as distinct from merely a platform to chant slogans from. The burden of responsibility usually helps to make a Labour government more right-wing than a Labour opposition ; and it is a peculiar feature of the Labour movement—a feature of great importance for the whole course of British politics—that the trade union leaders in the movement have a sobering and practical job to do even while the Tories are in office. Moreover, the succession to the top jobs in the union movement is generally fairly securely in the existing leaders' hands. Some of the 3,000 full-time jobs as union organisers are filled by appointment and others by election, but in both cases it is usual for the people already in control eventually to get their own way about who their colleagues shall be.

Most contested elections for office in the unions nowadays tend in the end to be straight fights between a candidate (or sometimes a choice of two candidates) favoured by the existing executive, against a candidate favoured by the communists. In most union elections (though with exceptions that prove the rule) the communists do not poll more than 4 per cent or so of the total vote—not dissimilar to the vote that communist candidates also average in any working class constituency when they stand for Parliament. But there are two complicating factors. One is that in union elections only 8 per cent or so of the whole union membership may bother to vote, so that the communists have a better chance of getting in. The second complicating factor is one which all unions leaders naturally hate to talk about.

Compared with the standards set in most other British institutions, the umpire and the partisan are not always sufficiently distinct beings at union elections. A wide-ranging judicial inquiry would be likely to unearth instances (not always only in communist branches) where votes have been cast in the names of people who have not filled in the proper forms.

Almost certainly, the knowledge that reverberating accusations might be made about methods of vote-counting in other unions has helped to slow action by the TUC in the present ETU row. If similar suspicions were aroused in any shareholders' elections for boards of directors (which are also apathetically contested, in all conscience), the Board of Trade would not be slow to set up a special inquiry. Some day soon a similar power (much wider than now) will have to be vested in the Minister of Labour or the Registrar-General for inquiries into union elections ; it is ridiculous that fear of seeing some dirty linen washed in public should make most members of the TUC so opposed to this. The structure of capitalism is not brought low when occasional crooked directors are thrown open to public obloquy or even sent to prison.

THE problems that occasionally arise about the election of some of the 3,000 full-time trade union officials in Britain are as nothing, however, beside the problems that can be set by the power wielded by some of the 200,000 trade union organisers on the factory floor. There is a battle of myths about the part played by shop stewards in British industry today. Three particular arguments are worth comment. First, it is often said that, when unofficial strikes and other troubles arise, it is all the fault of the central union executives for not having a more authoritative chain of command down from the general secretary to the shop stewards and below. In point of fact, however, the chain of command in many unions which have the worst records is not worse than in most other large British institutions. Perhaps naturally, the main concern of union executives tends to be, not so much to keep down groups of militants, as to prevent them from forming horizontal groups which might rival the union's own vertically organised power. In resisting the growth of authority of such horizontal groups as the National Council of Shop Stewards or the various Trotskyite factions, the union executives have been remarkably (indeed ruthlessly) efficient.

Secondly, it is said, on the union side, that the shop steward—in his capacity as unpaid representative of the union on the factory floor, in charge of recruitment of union members, of collecting dues and of everyday bargaining—can often be the most useful man in the whole structure of industrial relations and joint consultation. So he can be. But there is no point in denying that, with the power of a closed shop policy behind them, particular groups of shop stewards can also become anti-productive forces and focal points of individual tyranny and scandal. A dangerous dividing point has come with the growth of factory lotteries, football pools and fining systems. If things continue as they are going now, a series of American-type scandals is only too likely eventually to break over this section of the trade union movement.

Thirdly, it is sometimes said that bad groups of shop stewards gain power only in the works of inefficient employers who do not know how to handle trade union relations. This last point is sufficient of a half-truth to deserve examination in some detail.

Trouble with shop stewards (or other part-time union representatives in a firm) is most usual in three sorts of industry in this country. First, it is particularly prevalent in industries like the docks, public markets, and some branches of transport, where the goods or services produced are highly perishable. This makes management more than ordinarily afraid of a stoppage and plays into the hands of unofficial strikers ; that is one of the occupational hazards of being an employer in those trades. Secondly, the shop steward movement is strong in engineering, where the great variety of piecework systems, the numerous individual unions in a plant, and the slowness of official reference require constant co-ordination and bargaining by the work floor representatives ; in this industry, however, shop stewards, wisely handled, can be a potent force for co-operation as well as for trouble. Thirdly, trouble is especially likely to arise in relatively new or cyclically volatile industries (c.f. the motor industry, London Airport, some building sites). Industries that have taken on more workers than they need in a boom naturally run into trouble when they try to lay some of them off in a period of enforced economies or of recession.

In all these cases, good management and common sense can help to mitigate the worst problems. Where the stewards' power has grown beyond a certain point, recent experience (e.g. the bell-ringers' strike at Dagenham, the Covent Garden and Smithfield strikes, the London Airport dispute) shows that it is almost always worth while to stand up to a stoppage in order to restore order. Two things which the Government could do to help are briefly suggested on the following page. But can anything more positive and progressive also be done to contain shop stewards by giving them more responsibility: by putting new life into such favourite ideals as strengthening joint consultation and workers' participation in management ? It is to some points about these familiar ideals that the final article below is mainly devoted.

Round the Table

THE various methods of workers' participation in management all have a chequered history. At one extreme, workers' control in any very ambitious sense has died, or is dying, a natural death in most countries. This is true even of communist Jugoslavia, which was once very keen on the idea ; while in Western Germany the device of *Mitbestimmung* (putting trade union officials on a sort of advisory board of directors)—although it may have had the unforeseen anti-inflationary advantage of making some German union leaders rather more conservative-minded than British ones—is coming increasingly under fire.

The second form of workers' participation, in ownership as opposed to control, is through profit sharing. This form of industrial co-partnership is enjoying a small vogue in Britain at the moment, as it has done several times before ; but it has never got very far. In 1955, when the last Ministry of Labour survey was conducted, only 310 private profit-sharing schemes were in operation ; they

covered only 345,000 employees, or 1½ per cent of the civilian labour force. Many early profit-sharing schemes were disbanded during the depression of the thirties, when there were no profits to share; others lapsed through apathy; and 75 out of the 605 discontinued since 1900 were turned into awards of higher wages. Since 1955 the number of workers covered has increased, largely thanks to ICI, which in 1954 introduced a major profit-sharing and share distribution plan covering 75,000 of its permanent employees. But all experience suggests that devices of this sort work mainly as a useful subsidiary force for good industrial relations in firms where relations are pretty good already.

THE third, most enduring, and probably potentially most important, form of co-partnership in industry is through joint consultation. This has had its ups and downs since receiving its initial impetus from the report of the Whitley Committee in 1917. During the slump of the early 1920s most of the works committees and joint industrial councils which had been set up through the Whitley machinery were disbanded—not to be resuscitated until, in the slightly altered form of Joint Production Councils, they were reformed as part of the war effort in 1940. Since the war enthusiasm for these councils has rather waned on both sides of industry. Although well over 1,000 have been kept in being, supposedly to help solve the problems arising out of acute labour shortages, many of the councils are used by management only as an animated bulletin board; others have degenerated in the unions' hands into forums for wage bargaining and nothing more.

The big difficulty in the way of joint consultation has proved to be that, once it gets past the animated bulletin board stage, it is almost bound to involve the delegation of powers over the discipline of the men to the shop stewards. Top management is not always averse to this, particularly if the stewards are ready to co-operate about increasing productivity; but foremen and supervisors on the factory floor naturally hate it, and (except in industries like coal, where local bargaining is carefully integrated into the union procedure) the officials of local union branches often dislike it nearly as much. In Britain the union branch official, in contrast to his American counterpart, nearly always represents workers in a region or a craft, not in a particular firm. He is apt to regard a strong local shop steward movement as his rival.

If shop stewards seem to be in the ascendant in a firm in its district, the union branch will often try to stop any bargaining competition by making a drive to get hold of the firm's consultation machinery. When the branch officials succeed in their intervention, management sees the same faces and subjects turning up at productivity meetings as at general wage bargaining sessions; and its enthusiasm for consultation may soon wane. Nor do the unions always have much use for the extra machinery. Most union officials are already assured by full employment of consultation on wages and conditions adequate for their minimum needs; some of them regard consultation on other matters as merely a nuisance.

Consultation takes place extensively—indeed compulsorily—in the nationalised industries. There are differing opinions about whether it is a success in economic terms, though in some (not all) cases it has led to an ease of works communication which other industries might envy. But perhaps the most revealing experiment in an extreme form of joint consultation was that practised in recent years by one of the major British motor companies.

As the process developed in this company* after the war, the management delegated very wide areas of responsibility indeed to the workmen (in practice to the shop stewards). Wages were paid on a group bonus scheme, and within the groups the workers were given every incentive to streamline their wage structure and look after themselves. The stewards under this system naturally acquired great power, since they became representatives of management as well as of the workers; it was they, for instance, not the foremen, who determined the distribution of the labour force and the extent of overtime.

Initially the scheme was a success. Productivity increased (probably by more than it otherwise would have done), administrative costs were certainly cut, and earnings in the factory rose to be among the highest in the country; indeed, to some extent wages may have risen too rapidly, though the effect of this on costs may have been offset by a higher degree of mechanisation than in other motor firms. But when problems of redundancy had to be tackled, the brave and progressive vision of improved industrial relations largely collapsed. Under the impulse of redundancy, and allegedly also of planned infiltration by the communist party, the shop stewards' movement fell into the hands of a restrictive group; strikes broke out; and now the experiment has been partially discontinued, without any very active opposition from the central bodies of the unions mainly concerned.

It would be defeatism to regard this single story, about many of the details of which there is still dispute, as a proof that joint consultation is bound to be a failure. But it does reinforce the lesson that abuses of the shop steward movement, and in it, are one of the most important barriers to social and industrial advance today, just as good stewards are the key to effective consultation. It reinforces the case for two reforms:

(1) For the sort of legislation advocated by *The Economist* a year ago (February 22, 1958) which would give the ordinary worker a greater opportunity to sue for damages if he is injured by a misuse of power or conspiracy by shop stewards or local union dignitaries.

(2) For using the device of courts of inquiry, not to fix up more wage compromises, but to examine instances where systems of industrial relations within a particular works seem to be operating either particularly badly or (why not?) particularly well. Such inquiries should not be undertaken by "evenly balanced" courts of trade unionists and employers, but by completely neutral investigators.

Even then, any advances to effective industrial partnership could not take place quickly in Britain: present attitudes in industry, though tempered by the rise of a new class of professional managers, are still a reflection of the stratified class structure and lack of mobility in British society as a whole. But the need, especially when mass production methods have already removed so much personal responsibility from the job, is plainly for more positive participation in at least some aspects of industrial democracy by workers on the factory floor—both among small groups (the main concern at present of industrial psychologists) and among large ones. The trend over the next few years could and should be to use this as a more effective tool of labour relations, backed by braver action from the centre to clear some of the difficulties out of its way.

* See "Decision-Making and Productivity." By Seymour Melman. *Blackwell*. 260 pages. 27s. 6d.

LETTERS

The Common Market

SIR—You noted on February 21st that one Liberal and one Labour backbencher advocated Britain's joining the common market. Had I caught Mr Speaker's eye, there would also have been at least one Conservative to point the inevitable logic of this course.—Yours faithfully,
House of Commons MARTIN MADDAN

Farm Policy

SIR—In the article in your issue of February 21st, which considers whether there should be "any agricultural support in Britain at all," you value the present level of home food production at £1,400 million a year, and you go on to say "to turn a pound's worth of imported feeding stuffs, domestic labour and capital into 10s. of milk, eggs or bacon . . . cannot possibly be a sound permanent policy."

Do you contend that the £1,400 million worth of home food production cost £2,800 million worth of "imported feeding stuffs, domestic labour and capital?" If so, it would be interesting to see a breakdown of your figures.

Your article ignores the argument that it is these farm subsidies (which seem to be levelling out at a total of about £300 million a year) which have enabled British farmers to increase prewar production by over 60 per cent, which at your estimate of the value of present production means an increased volume of food worth something over £525 million gross per year.

This increase in agricultural production enabled meat rationing to be relaxed and makes a valuable contribution to our balance of trade.—Yours faithfully,
House of Commons RICHARD GLYN

How Many Missiles?

SIR—A short explanation is required by your reference to my past discussions of the missile gap in the article, "How Many Missiles?" in your issue of February 14th.

I have never "talked of" a ten-to-one ratio of Russian to Western ICBM's, as your correspondent asserted. Last summer, I published what were then the national estimates of Russian missile development and production, prepared by the American government and then in official use. In a parallel column with these official estimates of the Soviet programme I showed the numbers of missiles that would be produced by our own defence programme. The ten-to-one ratio was inherent in the figures.

For various reasons, all highly dubious, the national estimates of Russian missile output have now been revised downwards. At the same time, our own missile programme has been slightly amplified. Mainly because of the revision in the national estimates, but also by using a decidedly peculiar balance sheet, Secretary McElroy is now able to speak of a three-to-one ratio. Senator Symington's four-to-one ratio was his interpretation of the same official figures that Secretary McElroy used.—Yours faithfully,
Washington, DC JOSEPH ALSOP

The Trade Unions

SIR—The author of "The Anatomy of British Trade Unions" states that "in trade union education (and especially at the labour colleges like Ruskin) the old-fashioned socialist morality persists."

As far as one can judge from the rest of the article this seems to consist of fondness for restrictive practices and a sentimental rather than analytical attitude to problems of wage determination. As I have been mainly responsible for teaching economics at Ruskin for the last twenty years, I am not altogether pleased with this implication that the subject is handled in a biased and unscientific manner. While I admit that I have sometimes signed wage awards which gave unions about half what they asked (and also some which gave them all they asked and some which gave them nothing) I really cannot admit to any weakness for restrictive practices. My present association with the Registrar of Restrictive Trading Agreements is one which neither I nor, I hope, he would willingly see disrupted. Moreover, on the last occasion on which I made a public pronouncement upon a restrictive practice I achieved the singular and perhaps unique distinction of earning simultaneous praise from *The Economist* and the *Daily Worker*, neither of them recognised vehicles for the expression of socialist morality although both, it may be, a little old-fashioned.

Even at the risk of seeming almost as brash as he, I suggest that, with regard to Ruskin College, the writer of your article does not know what he is talking about. This seems a more kindly interpretation of his remarks than to insist that he was saying this thing which was not. (But that may only be old-fashioned socialist morality cropping up.)—Yours faithfully, HENRY SMITH
Ruskin College, Oxford.

★

SIR—It is to be hoped that your trade union articles will have the widespread influence they deserve. As you rightly say, the idea that wages are a matter of social justice, rather than a function of customers' demand, is deeply rooted.

As chairman of a trade union administrative branch I have recently tried to turn the tide within my own small sphere of influence by drawing attention to the following table of comparative figures which was published in *Flight* on February 6th:

Route	Number of carriers	Return flights per week	Return seats per week	Average passengers per flight
1. N Atlantic	14	217	13,300	29
2. Europe/ Mid. East.	19	162	9,100	19
3. Mid. East/ India....	12	68	4,000	32
4. India/S E Asia	11	60	3,500	35
5. S E Asia/ Far East..	10	45	2,650	33

It is obvious that customer demand is going to determine the future of the airline corporations. Our ability to face international competition will depend to a large extent upon whether the workers in the industry understand some fairly simple facts about the economic position. Furthermore, unless our trade union negotiators also understand them, and act accordingly, it is difficult to see how we shall match the ruthless competition of the jet age. These aircraft have a passenger capacity of over 100, and they will be operating over most of the world trunk routes by 1960. Unless there is a very sudden upsurge of air travellers the competition for them is bound to be intense.

Perhaps this may serve as an example of how necessary it is to face up to the power of customer demand in a nationalised industry that is particularly vulnerable to international competition. It is to be hoped that the trade union leaders who are members of the National Joint Council for Civil Air Transport will see fit to pay some attention to the future needs of the industry. The easy way out has been annual overall increases for everyone for a number of years past. It will not be the answer in the future, although some may think it heresy to say so.—Yours faithfully,
Beckenham, Kent KENNETH BRYAN

Shareholders and Directors

SIR—Your article on February 14th, leaves the main issue unanswered. The abstract idea of a company having rights and duties distinct from its shareholders is entirely foreign and contradictory to British philosophical and political thought and practice.

In the present case we are in danger of accepting a substitute abstract idea of a public company in place of the real flesh and blood existing entity. You say: "... by so acting in the best interests of the company (or what they honestly believe are those best interests) it does not follow that the directors are necessarily acting in the evident interest of the shareholders." The word "evident" saves this sentence from becoming an acceptance of the abstract idea, for of course the interests of the company must be the interests of the majority shareholders. There can be no legitimate abstract entity of a company. Let those who dissent from this view draw up a model set of articles of association expressly stating where their abstract ideas about rights and duties, peculiar to the company itself, would differ from the

shareholders' rights and duties in that company. We can then see if such articles of association would be acceptable to existing shareholders, or appeal to new investors.

The improvement of communications between shareholders and directors is important, but it is secondary to the need to rebut this idea of a legal abstraction of a company having rights and duties separate and distinct from its shareholders. Perhaps our judges of High Court or law lords of Parliament will have second thoughts on the matter if future cases come before them, for in this *quasi*-legitimisation of abstract entities a very important political principle is involved.—Yours faithfully,

Carshalton ROBERT DAVIDSON

★

SIR—I was intrigued by the racecourse analogy used by your correspondent Mr D. B. Swift in describing the shareholder as standing with his company as a punter does to a horse. Quite fortuitously, I feel, he has got the right sport but the wrong participant. A shareholder buys his share like a man attending the sales at Newmarket. He buys a yearling for its growth prospects and a brood mare for yield.

In the former case, having acquired his asset, he hands it over to a trainer whose function it is to ensure that he, the owner, gets the best possible value for his money. The trainer will keep it thoroughly fit to take part in races, and will enter it only for those in which he feels it has most chance. Subject to the owner's consent, he will even geld it, or send it to stud, or turn it from flat racing to hurdles or steeplechasing.

The company director is the trainer; good ones cost more than bad ones, but produce better results for owners.—Yours faithfully, A. C. CORBETT

Golitzine, Corbett and Chand Ltd.,
W.1

Where Charity Begins

SIR—Your article in your issue of February 14th is indeed right. It would be illogical to maintain the discouragements in the way of individuals contributing to charitable objects, while increasing the encouragement of boards of directors to distribute their shareholders' money to such objects.

It does not seem logical that, in the welfare state, big commercial concerns should become patrons of the arts or of charities, at the expense of shareholders, who have enough of their incomes taken away from them already.—Yours faithfully, ELIOT WARBURTON

William R. Warner & Co. Ltd.,
Eastleigh, Hants.

Graduate Teachers

SIR—In your note last week you give the percentage of graduate teachers in English secondary schools other than grammar as 50 per cent. The percentage of graduate teachers in secondary modern schools in 1956-57 was 19.5 per cent.—Yours faithfully,

Kew, Surrey MURIEL COLLIER

BOOKS

Naught for your Comfort

The Reporter's Trade

By Joseph and Stewart Alsop.
Reynal & Co., New York. 377 pages $5.00.

EVEN in the United States, where the newspaper columnist is accorded the prestige that scarcely a handful justify, it is a rare journalist whose articles covering the last twelve years would bear resurrecting between stiff covers. It is a measure of the Alsop brethren's stature that the montage they have built up out of their taut, breathless, minatory columns can be confidently recommended to anyone with a desire to capture the taste, touch and smell of cold war Washington. Despite their contrasting temperaments—Mr Stewart Alsop, the younger brother, operating equably through his wide circle of friendly contacts, Mr Joseph Alsop, the elder, rejoicing loudly in the number and qualities of his enemies—their partnership was astonishingly harmonious. Now that Mr Stewart Alsop has accepted an editorial post on the *Saturday Evening Post* and Mr Joseph Alsop continues to blast away solo in the several hundred papers that syndicate his column (causing more agitation in foreign capitals as he does so than any other American except Mr Dulles), they have every right to look back with pride on their joint accomplishment.

In the first five chapters of their book, which precede the selections from their work, they explain what it is like to be the Alsops, how they got that way, and their highly exalted view of the journalist's rôle in the American style of democracy. That view allows for very few official secrets indeed. Most outside observers of the United States are astonished at the amount of military and diplomatic detail which is bandied about in the press, particularly the technical journals, and in the proceedings of congressional committees. But the Alsops, asking themselves how it could possibly be that no action resulted from their many years of circumstantial disclosure of the extent to which the Russians were catching up and overtaking western military strength, have concluded that if only they could have discovered twice the number of official secrets with the expenditure of half the effort, they could have aroused an irresistible public outcry for more drastic rearmament. And, being slightly uneasy that their readers may not be prepared to take from any journalists, however talented, the arrogance of a Field Marshal Montgomery, they put forward a special plea for a quasi-constitutional rôle for the American press. Because of the American system of separation of powers, they maintain, an Administration is less amenable to challenge by other politicians than under a parliamentary system. The press must therefore fill the vacuum.

There is something to this, but not so much as the Alsops think. The President is inaccessible to public examination except at press conferences. But a congressional committee can conduct a far more thorough investigation of a departmental head—and his subordinates as well—than is open to MPs in question time or in debate. American politicians claim many privileges of historians in uncovering the way in which decisions are made, and Washington, weighed down by the incredible bulk of the testimony that is perpetually being taken, suffers as much from censorship by saturation as it does from the use of the "top secret" stamp. The Alsops themselves often call attention to the fact that it is some officially endorsed figure that has failed to make its proper impact on public opinion.

While these journalists' industry and skill in digging up and checking fresh and often remarkable facts invite the admiration of their professional colleagues, it is still worth asking whether they are not to some extent victims of the characteristic American belief that, if all the facts can only be uncovered, the right course of action will speak for itself. The impact of the Alsops' columns has at times been diminished as much by a surfeit of indigestible military detail—in order to lend authenticity to their dire warnings—as by too monotonous a recourse to cries of "Woe Woe" (two faults which have been largely excised in this judicious selection). This may have something to do with the brothers' curious insistence on having their brand of journalistic punditry recognised as a branch of manual labour rather than a cerebral activity. The grunts and groans of the brothers Alsop as they charge around the world as well as across the United States, using up shoe-leather (their favourite expression) in their search for facts, echo down the years. It is a wonder, one says, that they have time to think. But think they do, and their incisive, if a shade too apocalyptic, pinpointing of issues and situations that governments would rather shy away from and forget is one of their greatest services to their country and its allies.

Moreover in their demand for total exposure the Alsops are facing head-on one of the central perplexities of modern democracy—that the decisions which ultimately will affect the people most are

those on defence and foreign affairs, which are conventionally least susceptible to public debate. Refreshingly the Alsops take up an extreme position. But, to use their own example, would we really now be better off if, when the United States had an atomic monopoly, the Americans had staged a great public debate on whether to threaten the Russians with preventive war if they rejected the Baruch Plan?

As this book reminds us, the Alsops were ahead of the journalistic field in such diverse matters as the political application of the term "egghead" (invented by a third Alsop brother); the pinpointing of Dienbienphu as the decisive battleground in Indo-China; the revelation that the Truman Administration was deeply divided over whether to make the H-bomb; the prediction that Russia would get an earth satellite up first; and the recognition that Senator Lyndon Johnson would develop into one of the most gifted senatorial leaders of all time.

Scattered through the book is intriguing evidence of the Alsops' mixture of admiration for the British and exasperation with them. They have a low view of the British press—"British serious newspapers are too often pretentious shams, with very little behind their fine, impressive literate facades"; a high view of Foreign Office briefings, which they find franker and more informative than what is dished out by the State Department; a great regard for some British politicians especially for "the singularly powerful and original mind" of Mr Antony Head; and occasional frustration at the failure of British Governments to land the United States in militant action for the defence of British (and, they would hold, in the long run western) interests.

No Bread

The Crowd in the French Revolution

By George Rudé.
Oxford University Press. 267 pages. 35s.

IN a world in which revolutions are so frequent that they are almost losing their front page priority, it is a salutary as well as a highly instructive exercise to be reminded of their mechanics and techniques—of what makes them tick in fact. Do similar causes produce different results among different races? What are the mysterious processes that turn dumb indifference first into sullen discontent, then into smouldering anger and finally into blazing revolt? Are the root causes political or social? And are they deep and simple, or multiple and complex? Finally, who leads whom: do the masses project the leaders, or vice versa?

On all these questions, Mr George Rudé has brought his severely disciplined but highly inquisitive mind to bear—with fascinating results. In a comparatively short book he has unravelled, by means of immensely detailed research into such *minutiæ* as the sectional police records of the Paris Préfecture during the Revolution, a new and intimate picture of the minds and motives of the men and women who stormed the Bastille, fetched the King and Queen back to Paris by force from Versailles, massacred the priests and aristocrats in the prisons, captured the Tuileries Palace and destroyed the Swiss Guards, and finally deserted Robespierre and the Terror on the night of Thermidor.

From his researches we learn what the crowds were really made of, the composition of the Parisian "mob," the very make-up of the *sans-culottes* in violent action. Mr Rudé finds his way clearly and logically through each successive revolt, from that first "July 14," 1789, to Bonaparte's "whiff of grapeshot" on the bloodstained steps of Saint-Roch Church six years later. The conclusions he presents are fundamental.

The French Revolution, like most upheavals before and since, was born, he writes, of hunger and fear—two of the most dangerous forces in human nature. At the head and tail of the working class revolt were the price and quality of bread, their main diet. These fluctuated violently and frequently, and people in the great cities were at times on the point of starvation, or actually did starve. It was then that the new and heady ideas of liberty and equality, spread in the news sheets like Marat's *L'Ami du Peuple* and Hébert's *Père Duchesne* and continually shouted at every street corner by revolutionary orators like Danton, swept the crowds into massive retaliation. At the same time the *bourgeoisie*, fearful of royalist counter-revolution with reimposition of discriminatory taxation, and of their newly won rights to vote and rule, joined forces with the *sans-culottes*. The combination was irresistible.

In an interesting comparison with mob psychology in other countries, Mr Rudé points out that the picture of the *sans-culottes* as bloodthirsty ruffians is overdrawn, and he cites the behaviour of the mob in Britain on various occasions, notably during the Gordon riots. Moreover, he shows how much better organised were the police forces of Paris than those in London; it is clear that when the police wished or were ordered to, in nearly every case they made short work of the workmen of the Faubourg St.-Antoine, as in the famous Réveillon riot of April, 1789. It is Mr Rudé's conviction that the high price of bread, which meant hunger to the masses, played by far the strongest part in the behaviour of the crowds in the Revolution, and that it was the crowds more than the politicians who really made it. If he is right—and he makes a convincing case—then Marie-Antoinette might well have uttered her shattering remark about "no bread, why not give them cake," and she would not have been so wide of the mark as history has painted her.

This is a book for the specialist. But it is also packed with stories about how ordinary men and women acted under the pressure of tremendous events; it thus deserves a wider circulation at a time when there are so many revolutions under our very noses to sniff at.

Russia's Sea Power

The Soviet Navy

Edited by M. G. Saunders.
Weidenfeld and Nicolson. 340 pages. 36s.

"IN a future war the struggle at sea will be of even greater importance than it was in the last war."

This statement, made by Marshal Zhukov, the outstanding Russian military personality of the postwar era, supports the dominant theme of this book: that Russia understands the implications of sea power. The Germans started the last war with 59 submarines; the Russians now have 500. They also have a surface fleet about twice as large as the Royal Navy. These and other facts provide salutary reading for those who tend to consider the Soviet military threat solely in terms of massive land and air armies, rocket missiles and weapons of total destruction. The book spells out the implications of 500 enemy submarines (a figure so frequently mentioned but so unclearly understood).

After a general introduction the history of the Russian navy is analysed with emphasis on the two world wars and the Revolution. After this background has been given, the remaining three-quarters of the book describes in detail the navy as it is today, and discusses the strategical implications. Eighteen contributors from eleven different countries have written articles; Commander Saunders has been skilful both in his choice of authors and the scope of subjects, which includes the Russians as naval opponents and allies and also as neighbours.

The quality of articles is evenly high, although there is a tendency to be dogmatic where reliable information is of necessity sparse. Most contributors stray from their subjects to discuss the broader aspects; but these several personal and frequently divergent opinions are of value, particularly when they try to assess the quality of Russian personnel and to interpret their naval policy.

Russia is often dismissed as a land based animal incapable of waging war at sea; yet, as this book shows, Russia has had maritime aspirations since the time of Peter the Great and has always considered itself a naval power, and the drive to build up a powerful navy has been continuous from Tsarist times to the present day. As long as Russian territorial expansion was confined to the contiguous land mass, its merchant fleet was inadequate in Western eyes. It is significant that a major merchant shipbuilding programme has now been under way for over two years; having re-established itself as a naval power, Russia now finds it necessary to become a maritime one.

The articles discussing the long-term strategical concepts must be the most provocative. The implications are sombre, but highlight the argument common to all contributions: that control of the sea is as vital to the West today as ever in the past; that the Russians fully appreciate this and wish to wrest control from us.

Peacemaking at Paris

The Ordeal of Woodrow Wilson

By Herbert Hoover.
Museum Press. 318 pages. 35s.

"MR HOOVER was the only man who emerged from the ordeal of Paris with an enhanced reputation": thus John Maynard Keynes. However, there are dangers in being fitted for one's halo too early, not least in the tendency it encourages to self-righteousness and complacency. Both these Hooverian characteristics are present in generous degree in this book. The ordeal of Woodrow Wilson is presented also as the ordeal of Herbert Hoover, and the supporting cast is, as readers of the Hoover Memoirs will expect, liberally sprinkled with wily, evil-plotting Old World diplomats and selfless, simple and trustful Americans.

Fortunately, despite this heavy admixture of irritants, Mr Hoover's book also contains a good deal that is of interest to any student of the period. It will not alter our thinking about any of the main features of the Paris peacemaking, but at some points it clarifies and amplifies the existing picture. It has most to say, naturally, about the background of hunger, homelessness and near-anarchy that were Mr Hoover's special concern as Director of the Relief and Reconstruction of Europe. More nearly perhaps than anyone else at Paris, Mr Hoover looked at the deliberations there with the eyes of the millions of war victims whose misery eclipsed, for the time being at least, their national attachments and aspirations. This gives a genuine nobility, even a certain uninflated eloquence, to the protests, printed on pages 245-8, which Mr Hoover addressed to the President when the terms of the Peace Treaty became known to him. It makes the less comprehensible Mr Hoover's leading part in the American decision to withdraw at the first available opportunity from the inter-allied economic councils that might have saved postwar Europe from economic chaos.

On some of the famous Versailles controversies Mr Hoover has some evidence of his own to provide. He amplifies the sad story of the food blockade and its perpetuance by the Big Four from his own impressions as a participant. He acquits House on the intemperate, Wilsonian "conspiracy" charge, though not on the "compromise" allegation. Mr Hoover also draws on the unpublished diary of Vance McCormick, who was the US adviser at Paris on blockade matters and whom Mr Hoover describes as "probably the President's most intimate adviser in Paris aside from Colonel House." Some of the extracts he quotes make interesting reading, but anyone who hopes to learn much that is new from them will be disappointed.

In general the book suffers from being an attempt to combine a synthesis of existing accounts of "What Happened in Paris" with the reminiscences and "revelations" which Mr Hoover himself provides. The result is neither a reliable historical narrative (there are several small errors of fact, quite apart from questions of interpretation) nor a vivid and immediate eye-witness picture. For all that, the historian of the Peace will not be wise entirely to neglect it.

A Historian on Advertising

The Responsibilities of American Advertising: *Private Control and Public Influence, 1920-40*

By Otis Pease.
Yale University Press. London: *Oxford University Press.* 247 pages. 40s.

OF all the techniques for the dispassionate examination of advertising, as distinct from the usual slanging match between attackers and defenders, that of the historian is the most obvious. Yet it has not been much used at a serious academic level because advertising on a significant scale is a recent growth and also because even past developments in this field are likely to arouse present prejudices. Mr Pease comes out rather well from the test of objectivity. He was apparently not encumbered in the first place by any intention to prove a case; he avoids the snares of current controversy by stopping short at 1940; and he is a sufficiently good historian and writer to order his facts neatly and present them readably. British readers have an additional aid to detached judgment in the fact that although the issues outlined in this book are very much alive in this country, the material examined by Mr. Pease is almost entirely American.

The book is about the development of the three main methods of controlling advertising, all of which were already in existence in 1920. Legal regulation, for example through the Pure Food and Drug Act, was not particularly lively. Internal rules, set by the advertisers themselves, were already well advanced and were encountering the usual limitations of those rules when faced with a really determined buccaneer. Consumers' organisations were on a limited scale and had not yet reached the stage of a national movement.

All three developments became fully fledged in the crucial twenty years covered by Mr Pease; the attack on advertising became more explicit and formidable; and the defences of the advertising business were co-ordinated and given a positive and aggressive form. In effect, by 1940 the advertisers were on top although the opposing forces were still in existence. Consumption had acquired a doctrine of its own, partly on the rebound from the great depression. All forms of regulation and control were running up against their natural limits in a democratic society. The psychologists had had their say and no answer had been found to the central question: if literal truth to fact is not the sole criterion for judging advertisements (as it clearly cannot be in view of the complex nature of persuasion and subjective satisfactions) what are the proper standards of judgment and control?

Mr Pease is a historian. This central question was first clearly posed in his period and the answers were not found. He records both facts in such a way as to bring out their full significance, and incidentally demonstrates that advertising could do with a few more professional historians.

OTHER BOOKS

THE CHANGING PATTERN OF DISTRIBUTION. By Nicholas Stacey & Aubrey Wilson.

We have received complaints from the authors of this book about two points of fact in the review that we published on January 24th. They write:

According to your reviewer, our estimate of the number of Co-operative supermarkets in 1957 is "wildly understated." We checked with the Co-operative Union (October, 1957) which had no accurate figures beyond 1955. Failing official information we used the *Financial Times* estimates which we have found authoritative (September 6th and 9th, 1957). Where does your reviewer get his figures? Of course, it all depends on what is meant by supermarkets on this side of the Atlantic. Perhaps your reviewer would declare his definition in terms of space, takings and organisation.

The reviewer quotes a statement on page 42 that not one department store "could be rebuilt today to operate at a profit," and then turns to page 199 where he alludes wittily, but inaccurately, to new department stores "now being built." To omit the rest of the sentence on page 199, which states that the new stores "now being built and equipped require another 3 per cent on mark up to show the same net profit as older stores" is mischievous since the meaning is deliberately distorted.

Our reviewer comments:

On page 186 of their book, Messrs Stacey and Wilson wrote: "By the end of 1957, there were eighty supermarkets in operation, all but one of them branches of multiple concerns"; they do mention the Co-operatives among "the main operators." According to the fifth and sixth editions of the annual "Self Service and Supermarket" Directory, which is the one authoritative and generally recognised source for figures of self-service shops and supermarkets in this country, there were 80 supermarkets, including 25 Co-operative supermarkets, at the end of July, 1957, and (as reported in *The Economist* of August 23, 1958, which also gave the definitions used) a total of 175, including 83 Co-operative supermarkets, at the end of July, 1958. It appears, however, that in the sentence quoted Messrs Stacey and Wilson have used the word "multiple" to include the Co-operative movement; this runs counter to common usage in the retail trade and to their own practice elsewhere in the book.

I reject the charge that the phrase "now being built" is mischievously taken from its context, since the authors have not shown why rebuilt stores should not be able to get an extra 3 per cent on mark up if new stores can.

CASSELL'S ITALIAN DICTIONARY. *(Italian-English and English Italian).* 1079 pages. 30s.

This is an entirely new dictionary compiled by Professor Piero Rebora, Professor of English at Milan University.

ITALIAN FOR ADULTS. By Charles Duff. *English Universities Press.* 376 pages. 16s.

This book sets out to teach Italian to the intelligent adult beginner; it is designed for both self-tuition or class use.

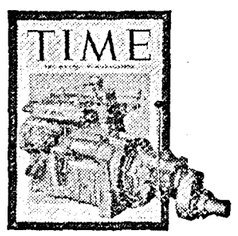


DRIVE for exports

MR. FRANK PERKINS has been very much in the news recently. Founder of F. Perkins Ltd., leading manufacturers of diesel engines, he is a great believer in driving for exports, just as his diesels are driving 423 different types of vehicles in 143 countries around the globe. Wherever power is needed, on land or sea, Perkins' engines are there with applications ranging from small industrial tractors to seven-ton trucks.

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TIME, The Weekly Newsmagazine, New Bond St., London W.1



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AMERICAN SURVEY

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

Disunion in the Unions

WASHINGTON, DC

UNLIKE bones, trade union federations are liable to break twice in the same place. It is clear that the leaders of the American Federation of Labour and Congress of Industrial Organisations (AFL-CIO), who have been meeting in sunny Puerto Rico for the past ten days, are still inhibited by memories of the division which split the union movement from 1935 to 1955. The federation's executive council has made a number of ringing political declarations. Emboldened by the results of last November's elections, it has called on Congress to establish a thirty-five-hour working week for almost half of the entire labour force, and has repeated its demand that the statutory minimum wage be raised by a quarter. It has also announced that the trade unions will not support even Senator Kennedy's labour reform Bill—the mildest of the three now before Congress—unless they get their pound of flesh in the shape of changes in the detested Taft-Hartley Act. But in dealing with the federation's domestic problems, instead of putting its foot down firmly as many people wished, the executive council has trodden as gingerly as if its leg were in splints.

The AFL-CIO's internal troubles centre about the hyphen in its cumbersome name: the precarious link between the craft unions of the old AFL, whose members share a common skill but may be scattered through several different industries, and the industry-wide unions of the younger CIO, which are designed to enroll all the workers in a given industry whatever their particular function. The merger of 1955, a rough-and-ready job which simply slapped the two groups together in the hope that they would grow into one, never really reconciled the conflict of interest between them. This has recently emerged in several ways. One is the demand of the former CIO leaders—notably Mr Walter Reuther, the astringently honest president of the automobile workers—that Mr Maurice Hutcheson, the head of the carpenters who has been indicted on a bribery charge in Indiana and has refused to answer Senators' questions about it, be expelled from the executive council. But Mr Hutcheson's carpenters gave him authority last autumn to lead them out of the federation if he were removed, and other building craft unions have hinted that they might join the procession.

Together with Mr Hoffa's teamsters (or lorry drivers), who were expelled for wholesale corruption a year ago, this might cost the federation a fifth of the members with which it started life in 1955. Moreover, since the building workers keep in close contact with the teamsters, who fetch and carry for them, there was a danger that Mr Hoffa, ever ready to embrace a fallen unionist, might have gathered the new rebels into alliance with him. Mr Meany, the president of the AFL-CIO, has decided that the risk is too great. The offending Mr Hutcheson has been given yet one more chance to present his explanations in person. He will, in any case, have to submit himself for re-election to the council next autumn. But cynical observers have concluded that Mr Meany's zeal for purity is in inverse ratio to the number of members he will lose by pursuing it.

The building workers would hardly have been so ready to quit if they had not had other quarrels with the ex-CIO unions. There has long been bitterness over the proper division of construction jobs between the two groups. A year ago a compromise was agreed under which the craft unions would be entitled to do all new construction work, while the industrial unions would be responsible for repairs to buildings in which they work. But the steel workers, the second biggest industrial union, with whom the building workers conflict most sharply, have never accepted the settlement and there is also a jurisdictional no-man's land between "new" and "repair" jobs in which a number of disputes with other unions have gone unresolved. Last month Mr Reuther's car workers in the Detroit area signed a more specific agreement with the local building unions, providing for regular joint meetings to negotiate about doubtful cases. Mr Meany approves of this, but some leaders of the building unions, suspecting the superior wiles of Mr Reuther's negotiators, fear to extend it lest their rivals filch construction jobs which should be theirs.

Nor has the executive council reached a decision on a counter-complaint of the industrial unions. In the unremitting struggle to win new recruits, the metal trades unions—the other main stronghold, along with the building unions, of the old AFL stalwarts—have adopted the stratagem of uniting as a single group against an industrial union in elections to decide which shall represent the workers in a given plant. The industrial unions can hardly resort to similar tactics, since their spheres of influence are, by definition, more or less mutually exclusive; so they have asked for protection. One of their strongest claims on the federation's sympathy is that the ex-CIO unions, though they have less than half the total membership, provided three-quarters of the money spent by the movement in last November's election.

MEANWHILE, the exiled teamsters continue to flourish like the green bay tree. Mr Hoffa added 135,000 new members to his ranks last year, about the same number as the AFL-CIO lost through the recession. Having postponed his ambition to form a grand alliance of transport workers and to turn the New York police into teamsters, he is currently trying to organise Puerto Rico under the executive council's feet. And the one body which retains any legal hold on the teamsters, the board of monitors appointed by a federal judge last year to reform them, has yet to make its grip felt. Exasperated by the fact that Mr Hoffa has complied with only a few of their less inconvenient recommendations, the monitors have now persuaded the judge to rule that these have the force of court orders. But there are snags. The teamsters are appealing, and it is not certain that the judge was entitled to reinterpret his original order, to which they had consented, in a way to which they do not now consent. Even if the Appeals Court upholds the judge, he has specified that the monitors' orders must be "reasonable." This presumably leaves it open to the teamsters to challenge each one.

Mr Meany's troubles are aggravated by the erosion of the AFL-CIO's membership which is going on beneath him. The recent recession merely speeded a process already set on foot by automation and the changing composition of the labour force. In the last decade, while the total labour force has steadily expanded, the number of production workers has actually declined; these, the core of the trade unions, now account for well under a quarter of all employees outside the farms. The ex-CIO unions have been hardest hit, since their relatively unskilled members are the first to be replaced by machines. The drift of workers into the service industries, where the unions find it difficult to follow, has cost the steel and automobile unions a quarter of their members in the last few years and the booming teamsters may soon be the only union over the million mark. This year, after two years of comparative calm on the labour scene, three million unionists, led by the steel workers, will be bargaining for wage increases. It is arguable that, in pressing its demands for higher wages and fewer hours, the AFL-CIO is simply making automation more attractive to employers and is helping to turn itself into a rich but dwindling *corps d'élite*.

There are still an estimated 26 million workers who could be organised into unions. But half of these are in the white-collar group, for whom unionism is not yet quite respectable, and half of the rest are in the South, where there has always been strong opposition to the unions. Mr Reuther continues to proclaim there is really plenty of room for both the craft and industrial unions to expand, but its peaceful allocation calls for a good deal more leadership than the AFL-CIO has yet been able to provide. As long as this source of disunion remains, the brooding presence of the teamsters, as a rival camp to which the disaffected might rally, is going to disturb Mr Meany's nights.

The Economic Gap

SENATOR KENNEDY, the busiest potential Democratic candidate for the Presidency, made an eloquent and convincing appeal to Congress last week to seize a fleeting opportunity this year: the chance to make economic growth along non-totalitarian lines attractive and possible for the under-developed countries, most particularly for India. Calling the "economic gap" between the stable industrialised countries of the North and the over-populated impoverished nations of the South wider and more dangerous to the West than the much-publicised "missile gap," Senator Kennedy argued that in the Development Loan Fund, the Senate's own brain-child, the United States had the instrument to narrow, if not to close, this gap. The fund, properly financed, can offer the substantial long-term cooperation which would make it worth while for underdeveloped countries to have long-term plans. Two former Ambassadors to India, Senator Cooper and Mr Bowles in the House, are reviving, with Senator Kennedy, a resolution proposing a high level international mission to India to discover what is needed to complete the second five-year plan and to design the third. They feel deeply that India, with 40 per cent of the population of the uncommitted nations, offers the great chance to show that democracy can rival Communist China's "great leap forward."

This approach commands much warm support in the State Department. Mr Dillon, the Under Secretary in charge of economic affairs, told a House committee recently that the Development Loan Fund ran out of money at the end of January and was having to stand idly by while the Soviet Union stepped up its economic activities abroad—a perfect example of the costly and ineffective short-term methods which Senator Kennedy wants to end. The Administration is asking for a supplement of $225 million for the fund this year and for a new authorisation of $700 million for the year beginning in July, but this falls far short both of the $1 billion a year programme for five years which the Senate and the Administration supported in principle (but not in cash) and of the more than $1.7 billion in requests for help which have passed the first screening.

Economic aid has powerful friends in Congress. It also has the staunch support of the President who, only last week, asked Congress to contribute another $1.38 billion to the International Monetary Fund and double America's subscription to the World Bank. But these institutions, like the Export-Import Bank, make only "bankable" loans. The Development Fund, which accepts repayment in soft currencies, may, unfortunately, be badly squeezed this year between the desire of a Republican President to balance the Budget and the desire of a Democratic Congress to increase domestic spending. Even if it is not, Senator Kennedy's Marshall plan for the under-developed will probably have to wait for a more sympathetic tenant in the White House.

Unemployment Keeps Up

WHILE trade unionists' plans for a mass meeting in Washington of jobless workers is an over-dramatisation of the situation for political purposes, nevertheless unemployment is looming in an ever more threatening way over the optimism generated by the economic recovery, itself somewhat stunted recently. Concern is caused not so much by the actual number who were out of work in January, even though the figure was higher than for any January since the beginning of the war, as by the fact that, as a percentage of the labour force, the number of unemployed has stayed practically the same, around 6 per cent, after allowing for seasonal factors, for the last three months.

The increase in unemployment in January was to be expected at this time of year; and the rise of 600,000 between December and January in the number without jobs was only half as much as in the same period a year earlier, in the middle of the recession. But 1.4 million persons, nearly a third of the unemployed, had been out of work for fifteen weeks or more and in January, for the first time since last summer, this figure did not decline. The persistence of long-term joblessness provides a strong argument for continuation of last year's emergency plan for extending the duration of unemployment benefits; this expires at the end of March and the President insists that it must be

allowed to lapse for the sake of balancing the Budget and because he believes that the need for it will soon be over.

The President's stand is unwelcome to members of Congress, whatever their party, who come from those places where most of the unemployment is concentrated. It is found mainly in the north-eastern region, and in the durable goods industries even though these factories have recently been expanding their output. The failure of employment to match this expansion has several explanations, all of which make it seem likely that there will be little substantial rise in the number of jobs available in industry until boom

"Don't Look Now But I Think We're Being Followed"



conditions reappear. For the present manufacturers need use only their most modern equipment, which does not employ so many men as do the older facilities, and they can manage by working their existing employees longer hours instead of going through the process of engaging new ones. But even when there is a boom, many people doubt if it will bring full enough employment to absorb all the annual increase in the labour force. This is one of the main questions to be examined by the inquiry into the problems of ensuring economic growth and maintaining stable prices which is shortly to be opened by the Joint Economic Committee of Congress under Democratic auspices, as a rival to the similar inquiry being conducted by the Republican Vice President, Mr Nixon.

Inadequate Atoms?

THIS month has brought the usual annual meeting between the joint congressional committee and the independent government commission which are responsible together for atomic energy in the United States. Unfortunately the result has been not the ratification of peace, which had been expected to follow the truce established when Mr McCone succeeded the controversial Mr Strauss as chairman of the commission last summer, but a new outbreak of hostilities. The immediate flare-up came through Mr McCone's impatience with the arbitrary and perfunctory way in which the committee, following congressional custom, conducts its business. But the underlying cause of the renewed bitterness is the committee's disappointment with Mr McCone's proposals on the development of nuclear reactors for industrial purposes and its disgust at his claim that remarkable progress has been made during the past five years. The Democrats who are in charge of the committee contend that the commission has "failed miserably" mainly because it has relied on private industry instead of building reactors itself.

The long-range objective of Mr McCone's programme is to make the cost of electricity from nuclear generators competitive with power from other fuels within five years in countries lacking their own coal and oil and within ten years in those parts of the United States where energy costs are high. His conciliatory gesture was to announce that the government would pay half the cost of building prototype reactors; until now it has only contributed to the costs of research and of fuel. But Mr McCone still proposes that these experiments should be the responsibility of private companies; according to the Democrats, these cannot be expected to bear the risk of such uncertain economic propositions. It remains to be seen whether the improved terms now offered by the commission will stimulate private industry's lagging enthusiasm for atomic reactors.

The commission intends to spend $115 million in the coming fiscal year and proposes six new prototype plants. But the Democrats on the committee point out that this is only about a third of the average spent in recent years and that the new projects are not all net gain since a number of earlier ones are to be dropped. This may have been done at the insistence of the economy-minded Budget Bureau rather than at that of the Atomic Energy Commission itself. But in any case Mr McCone's proposals look like being no more than a starting point on which the congressional committee will build its own more ambitious programme.

Reading for the Quality

FROM A SPECIAL CORRESPONDENT

NEARLY two years ago *Colliers* and the *Woman's Home Companion*, magazines which had a circulation of over four million each, were no longer able to attract enough advertising to pay their way and ceased publication. Meanwhile the *New Yorker*, with about one-tenth the circulation of either, and advertising rates far higher in relation to size of its readership, was profitably embarked on its fourth decade of commercial and cultural success. An hour away by air, in Boston, the *Atlantic Monthly* was preparing to celebrate its one hundredth birthday, recently marked in Britain by the publication of an anthology* bulging with great names of contributors from Emerson to Einstein and from Mark Twain to Virginia Woolf. The *Atlantic's* circulation, the centennial issue noted, had doubled since 1944, and was nudging a quarter-million.

* "New England Oracle." Edited by Edward Weeks and Emily Flint. *Collins*. 576 pages. 36s.

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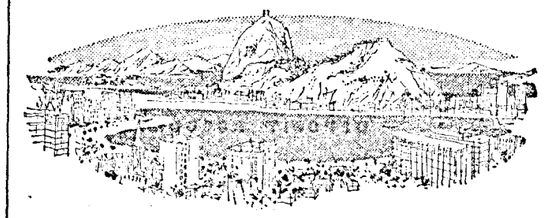
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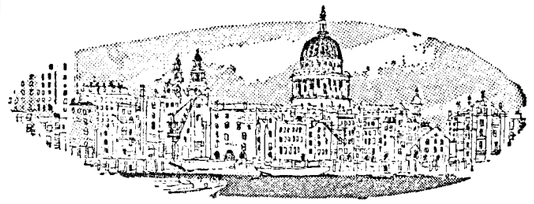
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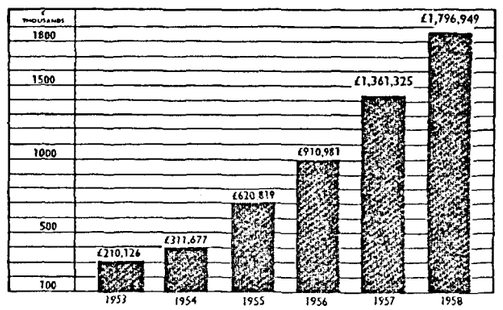
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What accounts for the success of the magazines for upper middlebrows (to borrow a useful sociological adjective from Mr Russell Lynes, managing editor of yet another of the species, the 108-year-old *Harper's*) in a time when the giants for the lowerbrows are hard pressed to stay alive?

The answer can hardly be that these magazines have watered down their content to some lower common denominator of taste and intellect. The *New Yorker*, still very much the child of its late, great, eccentric editor, Harold Ross, remains a determinedly sophisticated mixture of cartoons, fiction, perceptive commentary and reviews of various arts from horse-racing to poetry. The magazine's one homely touch is its seemingly inexhaustible supply of detailed childhood reminiscences, a tribute alike to the merciless powers of total recall possessed by its contributors and to the surprising patience of its readers—or skippers. The aroma of small town American autumn, vintage 1902, emitted by these staples of the editorial side is more than compensated for by the overpowering evocation of glamour in the advertisements, designed to whet the appetites of an epicurean, much-travelled and many-dollared upper class of consumers. The magazine prides itself on having asked no one to subscribe to it since 1929; that over five times as many people buy it now as did then is attributable solely to the quality of the product. There is no credit business, no cut-rate subscription (except for a modest Christmas gift offer), no promotion, just two reminders to subscribers as their term draws to a close, and no "grace period" if the fatal week passes without a cheque having appeared.

For the *New Yorker*, nothing has succeeded like contempt for success, plus complete unwillingness to compromise, whether with writers who do not maintain a meticulous literary standard, with readers weary of reminiscences, or with advertisers seeking to evade the strict controls over content and tastefulness that the magazine enforces. If a *New Yorker* editor is asked how it is that so profitable an enterprise has so little competition, he answers, with Olympian tolerance, that there is only a small pool of first-rate talent in writing and cartooning and that these favoured people already work for the *New Yorker*.

HARPER'S and the *Atlantic* are a rather different breed, the last of the great nineteenth-century literary monthlies. Each has connections with a distinguished book publishing house: *Harper's* with Harper and Brothers, the *Atlantic*, less closely, with Little, Brown and Company. Both have become less literary (although not less literate) in their efforts to keep abreast of the twentieth century; they publish more articles than fiction, more journalism than poetry. Both make explicit efforts to include a variety of viewpoints and a balanced content. Neither magazine has the *New Yorker's* tendency to overshadow its contributors: the relationship is accurately reflected in the trivial fact that the author's name appears only in rather small print at the end of a *New Yorker* piece, never with the title at the outset, but it does appear—the *New Yorker* is not *The Economist*.

Shortly after the last war both *Harper's* and the *Atlantic* faced something of a crisis, with costs of production mounting and circulation and advertising revenue lagging. At that point, finding (to their surprise) that their subscription lists only overlapped by some 10 per cent despite their marked similarity of appeal, the two merged their advertising departments in a single organisation, Harper-Atlantic Sales, Incorporated. More recently the cost problem has been less acute, circulation has been going up, and the growth of institutional advertising (aimed at creating a favourable attitude towards a company rather than selling a specific product) has helped.

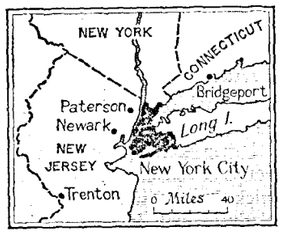
It seems, furthermore, that the coming of television, which has made things harder for the mass circulation magazines by cutting into their advertising revenue, has on the whole been advantageous to the "quality magazine." Those who read them are known to be less completely mesmerised by the new medium; a recent survey of readers of *Harper's* showed that they spent more on musical instruments than on television sets. Advertisers have developed the habit of using television to reach the mass audience, and then seeking out more specialised media for specific groups of consumers. The "quality magazines" have been quick to emphasise their advantage in such a situation—the relatively high income of their subscribers, and the fact that their readers actually read; many contributors have reported a greater response, in the form of correspondence, from an article in *Harper's* than from one published in magazines of twenty times the circulation. Perhaps most interesting is the emphasis upon the positions of leadership in opinion held by these readers. "To inoculate the few who influence the many is the *Atlantic's* perpetual formula," said one of its great editors, Mr Ellery Sedgwick; the words could equally well apply to *Harper's* or the *Reporter*, a fortnightly magazine with a liberal political emphasis which nevertheless braves the shade of George Orwell by issuing a booklet for potential advertisers entitled "Some People are More Equal than Others."

None of these periodicals can fairly be accused of shunning controversy. *Harper's*, particularly, often waxes iconoclastic, attacking such features of the American "establishment" as the farm block, the ex-servicemen's lobby, and the notion that United States Savings Bonds represent a prudent investment in an age of permanent inflation. This may explain the edge in circulation recently enjoyed by the *Atlantic*, which gives an impression of somewhat greater circumspection, running to such things as supplements (backed by Ford Foundation money) on literary and artistic life in, say, Indonesia. It is noteworthy that only the *Reporter*, of the magazines here being considered, presents itself explicitly as a left-of-centre organ. And although its circulation, at 125,000, is more than twice the combined total of those two venerable but ailing vehicles of radicalism, the *Nation* and the *New Republic*, the *Reporter* has not been much of a financial success, and cannot begin to match the 2,170,000 votaries of the American Century who buy Mr Luce's *Time*. The big battalions, as usual in the United States, are to be found very near the middle of the road.

Commuters at a Loss

THE time for study is over, the time for action is here, said Mr Rockefeller, the new Republican Governor of New York, recently. He was referring to the 200,000 or so commuters whom nine railways bring into New York City every morning at a loss from Connecticut, New Jersey, Long Island and Westchester and whom they take back—at a loss—every night. The railways claim that these passengers cost them $20 million a year. Such deficits,

the result of rising costs, of the competition of private cars and of inability to shut down services, are of long standing. What is new is that last year Congress made it easier to abandon unprofitable lines and many railways are threatening to do so unless they are given subsidies, tax reductions and other governmental help. If they did and if buses and cars had to double their present load, the city's congested streets would become a nightmare. Moreover, in a growing metropolitan region of 15 million people, the problem will become more, not less, acute with time.



Unfortunately when Mr Rockefeller, who is expected to give the lead, discussed the emergency with the Mayor of New York City and the Governors of neighbouring New Jersey (which sends 75,000 commuters to New York) and Connecticut (about 13,000) the decisions were all negative. Mr Rockefeller, already deeply embroiled with his taxpayers, turned thumbs down on the proposal for an interstate agency because it would cost too much. This was the remedy put forward last year, after long study, by the Metropolitan Rapid Transit Commission ; the proposal was then defeated in New Jersey though approved by New York. To find short-run solutions each state has now created a new division of railway transport.

Unlike Mr Meyner of New Jersey and Mr Wagner of New York City, both of whom are Democrats, Mr Rockefeller thinks that aid from the federal government should be a last resort. In this he also differs from his own Public Service Commission, which puts a change of heart in Washington at the top of its long list of recommendations, and from some of the railways and mayors of cities which are concerned. So far subsidies have been tried in only two cases: by Massachusetts and Boston to keep the Old Colony Line going, and by Philadelphia. The second is a much more interesting attempt to woo commuters back to the trains by giving them better service and lower fares. Traffic has risen, though not enough to reimburse the railways or the city, but the number of cars entering Philadelphia has fallen satisfactorily and the experiment seems a hopeful step toward a lasting solution.

Splitting Fever

FROM A CORRESPONDENT IN NEW YORK

A RASH of stock splitting (the American equivalent of the British scrip or bonus issue) has broken out in Wall Street, with a growing number of corporations reacting to the rise in equity prices by simply issuing two or three new shares for every one now outstanding. Splitting is a by-product of bull markets ; it usually occurs in waves and the current swell is still far from a crest. In 1958 there were only 63 splits, the lowest for eight years, and most of them took place in the last quarter ; then, in January, 20 new splits of stock were proposed, and this month the fever has mounted.

Corporations contemplating splits believe that the lower price which results for each share broadens the market for their equities. This is not the only motive, however ; the shares of American Telephone and Telegraph Company, which at $200 each were already more widely held than any other issue, were split three-for-one last December partly because the company plans to turn to its shareholders for some of its future financing; and to some other firms splitting looks like an indirect means of broadening the market for their products by increasing the number of people with a personal interest in them. In general any issue selling at over $100 a share is a potential candidate for splitting, but well-managed companies avoid the move unless they are sure that both profits and dividends are going to increase ; this year, in fact, a considerable number of splits has been accompanied by higher dividends. Nevertheless, splitting is contagious and some companies with low-priced shares and questionable prospects are now indulging in splitting merely because it has become fashionable to do so.

While corporations divide their shares in response to a rising market, splitting itself stimulates higher prices and more active trading. An increase in the number of shares which he holds as the result of a split does not in itself bring any increase in a shareholder's equity, or in his income, but the prospect of higher earnings—and larger dividends—generally leads to a bidding up of prices in the shares of companies proposing splits and even of companies where such action is merely thought to be coming. There is a certain amount of such anticipatory buying going on now in some issues and, if no action is taken, disappointment may well be reflected in lower prices. Prolific splitting was one of the factors which stirred up speculation in 1929 and, although today the fever is mild by comparison, some observers think its re-emergence is symptomatic of a speculative, rather than an investment, market.

SHORTER NOTES

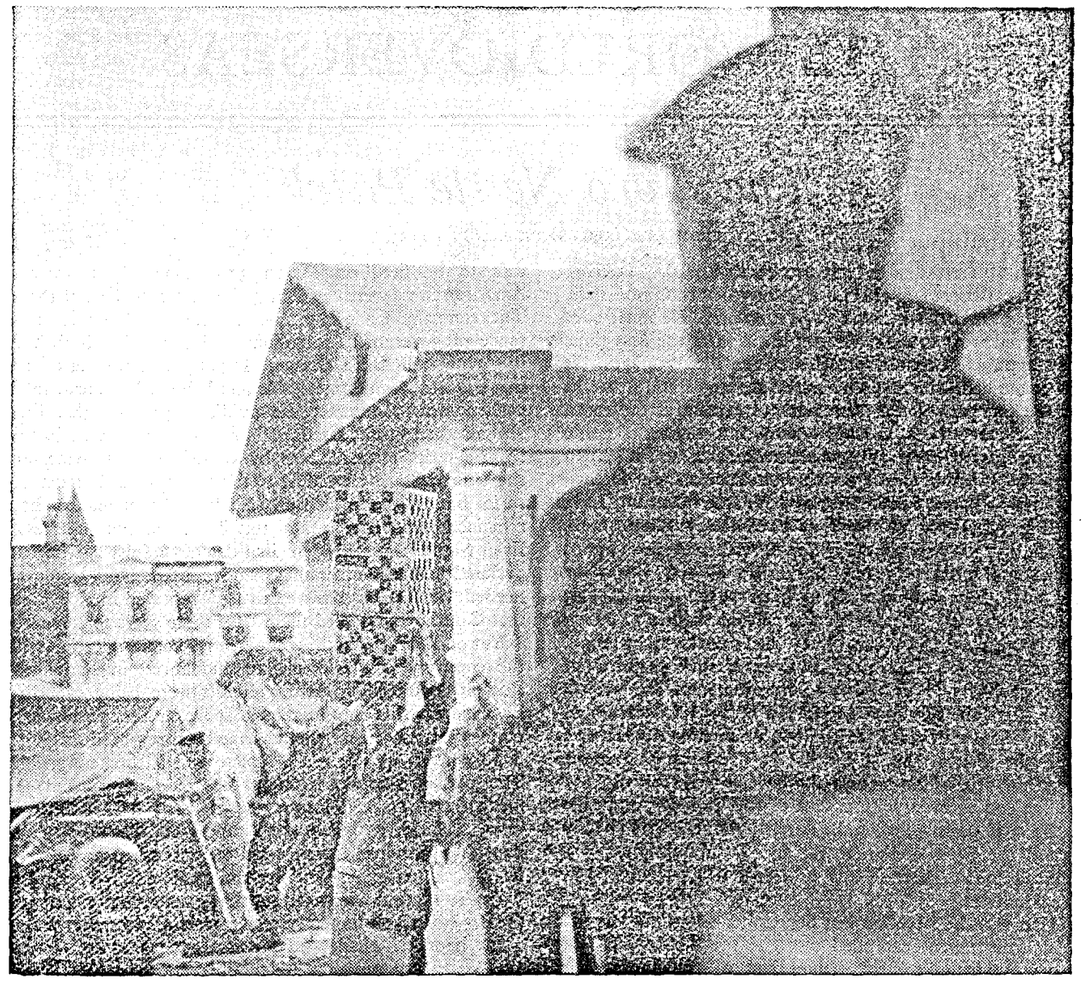
The death of Daniel Reed of New York, at 83 the Republican with the longest service in the House of Representatives, makes Mr Simpson of Pennsylvania the senior Republican on the House Ways and Means Committee. If the Republicans were to regain control of the House, which does not seem very imminent, he would be a chairman after Mr Reed's own heart for, although he is younger and the vigorous chairman of the Republican House Campaign Committee, he is just as conservative on taxes and tariffs as his predecessor, who thought the Eisenhower Administration outrageously liberal.

* * *

Mr Frank Costello, "the prime minister of the underworld," has been deprived of his American citizenship because when he applied for it in 1925 he did not reveal that he was a bootlegger when asked his profession. If his appeal is denied, Mr Costello, who is now serving a five-year term in prison for income tax evasion, will probably be sent back to Italy to join other deportees such as Mr "Lucky" Luciano.

* * *

As part of the post-sputnik strengthening of America's scientific effort, science attachés are once more being appointed to United States Embassies abroad. The new American Science Officer in London was once British ; Dr Osgood comes from Lincolnshire, studied at Cambridge and became an American in 1941.



In 1954 some 100,000 packs of fresh fruit and vegetables were sold in Britain. This year there will be 300,000,000.

Remarkable ? Even more so is the change in buying habits that this fact represents. In Covent Garden, and in the High Street, a revolution is taking place. Everywhere the demand is for the convenient, clean, reliable pack. And greengrocery is only an example. The whole trend of retail selling is towards more, and better, packs. For this revolution the Bowater-Eburite group of companies are well organised. They have the skill and the capacity to profit from the demands of the times.

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The Avro Nettle Patch

FROM OUR CORRESPONDENT IN OTTAWA

MR DIEFENBAKER has grasped his first nettle. Lacking experience in this painful duty of prime ministers, he went at it like a boy on a dare. He must have discovered what every schoolboy learns after the first time. The impulsive-heroic approach has two disadvantages. It leaves the hand tingling with numerous stings and it breaks off the top part of the plant without getting at the roots.

Mr Diefenbaker's painful initiation into the art of nettle picking arose out of the government contracts, inherited from the Liberals, under which Avro Aircraft and Orenda Engines Ltd., the subsidiaries of A.V. Roe (Canada), Ltd., itself a subsidiary of the Hawker Siddeley group, were building 37 pre-production models of the new Avro-designed supersonic interceptor aircraft known as the Arrow or CF 105. The contracts dated from 1952, when the air force anticipated the need for a supersonic fighter to match the bombers the Russians were likely to have by 1958. Through all the vicissitudes common in such projects—of modifications and delays and improvements—the project grew from one test model expected in 1953 to cost about $30 million, with plans for 500-600 production models at a unit cost of less than $2 million, to the 1955 programme of 37 pre-production models at a development cost of $300 million and an eventual unit cost of $2.6 million ; and then to the 1958 position, when the development cost had already passed the $300 million mark, and the requirement was reduced to 100 aircraft, the unit cost being estimated at $12.6 million.

That was the situation last September when the Diefenbaker government cancelled outright the development of a new weapons control system and a special air-to-air missile which had been planned for the new aircraft, thus reducing the unit cost to $9 million. At the same time, Mr Diefenbaker announced the adoption of the American ground-to-air missile called the Bomarc and of the new American ground control system known as SAGE, which provides semi-automatic guidance for missiles or manned aircraft through computers. He explained that with missiles rapidly becoming the major threat, manned aircraft would be "less effective than previously expected." The press and public first accepted this announcement as meaning the end of the Arrow project. Its whole tone supported this view. But it did not say so conclusively. It left the door open for a reprieve by continuing the Arrow programme until March 31, 1959, as a "measure of insurance" and "in order to avoid the effects upon industry of abrupt termination."

What was Avro to do? If the project was indeed already condemned and merely given a final grace term of six months, then why did Mr Diefenbaker invite the company to see how far it could reduce costs by using the alternative American control system and missile? Such an effort would have been impossible if the project was really condemned. Skilled engineers and technicians would not wait to be fired on March 31st, especially as several American firms were eager to grab at least the best of them. The company made the most careful possible reconnaissance of government intentions and persuaded itself that its Arrow still had a chance. It persuaded its work force that the end was not inevitable and launched a considerable campaign to counteract the public impression that final sentence had been passed. It got powerful support in this from a series of statements by air officers in Canada and the United States. Devoted to their aeroplanes like cavalry to its horses, the airmen all said that the manned fighter remained indispensable and missiles could not replace it. Even Mr Pearkes, the Canadian defence minister, who had declared in the summer that manned interceptors would be needed "as far ahead as we can see," repeated in November that Canada would need them "for some years to come."

Yet on February 20th, without prior communication with the company, Mr Diefenbaker announced in Parliament that all contracts for Arrow aircraft were being cancelled by telegram that morning. He spoke as though his September announcement should have been regarded as giving Avro and all its workers complete and adequate warning. The parliamentary opposition, the trade unions and the management of A.V. Roe (Canada), Ltd., took a different view. The Avro management under its Canadian president, Mr Crawford Gordon, has never blushed unseen, nor has it accepted adversity with a smile. No one was surprised when it reacted violently to the government announcement. It fired all its work force, nearly 14,000 men, within a few hours ; it challenged the government on the facts of the Arrow programme ; and it filled the newspapers with its protests. The labour unions talked about a "march on Ottawa."

This week Mr Crawford Gordon started talks with ministers in Ottawa to see if some alternative programme could be devised with government assistance to keep Avro's fully equipped and modern plants in operation, provide employment for at least part of the work force and help to keep scientists and engineers in Canada. A Detroit manufacturer was doing record business with a special office hastily established in Toronto to select 50 of the newly dismissed engineers, and the only prospect for most of the technical staff seemed to be in the United States.

To any country with an extensive aircraft industry the Avro fuss may seem disproportionate. Development projects on which much money and effort have been spent commonly have to be written off without reaching production. But Roe's aircraft empire in Canada was not just one of a number of highly developed aircraft producers. It had always and wisely stressed that it was a Canadian and not just an exiled British enterprise. Many Canadians had come to regard it as a sort of symbol of a new era in Canadian industrial development. A.V. Roe enterprises confirmed the wishful belief of Canadians that their country should be a leader in the air age. The CF 100, the first Avro-designed and built all-weather fighter, now in service in Canada and Europe, was commonly regarded as a national achievement, and already the Arrow or CF 105, which first flew in March, 1958, had been accepted as an equal triumph. To kill it was for many Canadians to kill a patriotic dream. To kill it in favour of an American missile, to be produced in the United States and supplied free to Canada, was adding flagrant insult to grievous injury.

This reaction, admittedly, is of the heart rather than the head. But the fact remains that the whole future of industrial skills and technology in Canada is involved. A.V. Roe's aircraft enterprise may indeed have become too large and too concentrated for a country of Canada's resources in present conditions. But serious people are asking whether there is any better prospect for any other enterprise based on advanced design and development. Mr Pearkes blandly assured a television audience this week that he continually hears complaints about the shortage of scientists and engineers. But scientists and engineers are in demand only where industry is engaged on projects of advanced technology. Who is going to start Canadian plants on such projects? The Canadian government, as part of its new policy of integrating air defence under the joint NORAD command, has just announced that all "technical equipment" will be covered in the two-thirds of the cost of the present plans which the United States will pay. Canada's one-third will be spent on construction, which is bully for the construction industry but leaves all the more advanced manufacturing industries dependent on subcontracts from the United States. Their only hope is in the Canadian government's negotiations with Washington for "production sharing." These are proceeding with much good will but they face formidable political and practical obstacles.

These are some of the nettles which broke off in Mr Diefenbaker's hand as well as stinging it. There are other broken plants, too, suggesting that the new defence policy is a patchwork of service recommendations slung together with little realisation of the profound implications for Canada's industrial future or for its freedom of economic and political decision. Public disquiet about the extinguisher applied to A.V. Roe's aircraft enterprise may draw attention to the course on which Mr Diefenbaker's "pro-Canadian" government has set this country without realising, and certainly without acknowledging, where it may lead.

Mixed Feelings in Cyprus

FROM OUR CORRESPONDENT IN NICOSIA

THE unbroken spell of the miraculous which has settled on Cyprus affairs since the Zurich meeting has left most seasoned observers wilting and the average Cypriot slightly bewildered. The Greek community has stubbornly refused to celebrate the long-awaited settlement. But it is still remarkable what harmony has apparently sprouted between Greek and Turkish Cypriot leaders who only a few weeks ago would hardly be seen in the same room together. Also remarkable is the divergence between right and left wing Greeks.

The statements of Archbishop Makarios and of Dr Kutchuk after the London conference and their utterances since then could hardly have been more constructive and conciliatory. The mood of their immediate lieutenants has been no less reasonable. The leaders of the communities, doubtless chastened by their diplomatic peregrinations, now patently realise the futility of their former extremist policies. But in this their political understanding is more advanced than that of the mass of their followers ; in the coming weeks they will have to lead and mould popular opinion rather than merely be articulate.

Among the Greek nationalists (and this term embraces almost all Greeks who are not leftwingers) the predominant mood has been one of resignation. As soon as the London conference ended, the Ethnarchy laid down the "party line" that the settlement was in the island's true interests and that all Greeks must realistically accept it. On this basis the local Greek press has gradually begun to work up some positive feelings about the agreement, and by this time next week one suspects, especially with the tremendous emotional fillip which the Archbishop's arrival is bound to cause, that the Greeks may even have convinced themselves that after all a full-blooded victory has been achieved. By then, too, the sense of grievance over the municipalities (in some degree mollified by the provision that the separate Turkish councils are to be experimental for four years), the Turkish vice-president's veto powers, and the presence of Turkish troops on Cypriot soil, may have melted away.

IN contrast the mood of the Left has been one of growing restiveness and unofficial hostility. Mr Zhiartides who, it is understood, accepted the Zurich proposals when in London, gave the final agreement only very guarded public endorsement this week, and, perhaps ominously, laid much greater stress on the tribulations which lie ahead. The left wing press, without going so far as to attack Archbishop Makarios for accepting the settlement, has deplored it as a sell-out to the West. On the immediate question this weekend of the Archbishop's return, the Right and Left together are putting on an ostentatious show of national unity ; but the fissure is there and each side knows it.

For the present, however, the world's spotlight is more on the extreme Right—on Grivas and Eoka. All informed sources in Cyprus believe that Grivas will not go it alone in a new concerted campaign of violence and that he will be removed to Athens. But what is much less certain is whether the "tradition" of violence glorified in Eoka can be easily extirpated—in other words, whether the political gangsters, who have intimidated the Cypriots themselves even more than the British, can be induced to stop their devilry. Only a few days ago, even as the London agreement was being announced, an Eoka youth gang smashed the windows of a Nicosia restaurateur who had committed the "offence" of using English lettering. This is worse than the usual problem of juvenile delinquency ; in Cyprus it is almost a political tradition. Eoka's campaign against the British may fold up, but in an island where politics have always been polarised, the apparatus of terrorism may remain at the disposal of the extreme right wing and make it as fascist as the left wing is communist-dominated. It will be a tremendous feat on Archbishop Makarios's part if (as so many Cypriots naively hope) he can bring this private guerrilla warfare, and indeed the whole preposterous commercial boycott, to an end.

Indeed, economic affairs generally will absorb much of

the Archbishop's energies. The island has been for too long in the grip of inflation, the by-product of the emergency, although there has been a big development programme as well as a big defence expenditure. During the political fever of the past four years economic realities have been cavalierly by-passed. Cyprus could doubtless be economically viable—but only on the basis of a much lower standard of living than it at present enjoys. Commercial circles, who did not disguise their disappointment at not being represented on the Archbishop's list of advisers at the London conference, are fully alive to these points and there is little doubt that many of them wish to stay in the sterling area and retain their links with the Commonwealth. The Turks also share these sentiments. But the opinions of the rest of the island's population on these issues are gloriously confused and the result of a plebiscite now on association with the Commonwealth would be a very open question. Indeed at the present moment this issue is arousing more interest outside the island than inside, though it seems fated to become another topic of intense controversy before the year is out.

Cyprus now faces the quickest transition in the long history of British colonial emancipation. In this situation what matters most is not so much the plan on paper as the spirit of the people who work it. The incipient statesmanship which the leaders of the two communities have shown in the past few weeks deserves to be fostered and encouraged in every way by the parent powers.

Germany's Energy Problem

FROM OUR BONN CORRESPONDENT

SINCE the beginning of the year crude oil has been pumped overland from Wilhelmshaven to the big refineries in the Ruhr, and since the end of last week it has been reaching the new pipeline's southern terminal on the Rhine between Cologne and Bonn, some 240 miles from the North Sea. The general approval with which this achievement would normally have been noted is tempered by misgivings about the briskly expanding oil industry's responsibility for the mounting piles of unsold Ruhr coal. More than 14 million tons of hard coal are lying at the pitheads (total production last year was 133 million tons) and some 21,000 miners are without work.

There being no immediate prospect of an increase in the demand for coal, the government has tried its hand at some first aid. Since February 16th it has been levying a duty of 20 marks a ton on coal coming into the Federal Republic from any country that is not a member of the European coal and steel community; and that evangelical anti-cartelist, the Minister of Economics, Dr Erhard, has found himself having to talk a reluctant oil industry into ceasing to queer coal's pitch by agreeing not to reduce fuel oil prices any further before the end of 1960—indeed to accept a price list that virtually increases the price of fuel oil by 20 per cent. No one disputes that these remedies are superficial and must be followed soon by more constructive therapy. In concert with Germany's partners in the European coal and steel community, and through their own national organisations, west German industrial leaders are giving their minds to the part coal can be expected to play in providing fuel supplies during the next decade or two—a period that seems certain to be one of expanding demand for energy; and in which, for that matter, the Ruhr coal industry has been advised by the High Authority to raise production by 40 million tons a year until 1975.

Threatened by the government with a stiffer duty on imported oil unless they agreed to a fuel cartel, the major oil companies accepted price control as the lesser evil. They are discontented mainly for two reasons. One is that the smaller companies are not party to the deal, and naturally intend to make the most of the opportunity now presented to them (" Like pike in a carp pond," as one excited British Petroleum representative has put it). The other arises out of their conviction that oil's spreading conquest of home fires and factory furnaces cannot be halted, and from their impatience at the prospect of any attempt to delay the ambitious schemes based on this spotting of the winner. The Wilhelmshaven-Cologne oil pipeline is not the only project of its kind. Arrangements have been made to extend the Marseilles-Strasbourg pipeline to feed new refineries at Karlsruhe by 1963. And now that the Italian government has given its blessing to the projected oil pipeline from Genoa to Aigle, in western Switzerland, its extension to southern Germany is no longer merely a pipe dream.

IT is the German Mineral Oil Association's aim approximately to double west German refining capacity over a period of five years to 30 million tons. (Last year's throughput was 15.11 million tons.) The case for expansion is based largely on the increasing use of fuel oil. It is estimated that fuel oil consumption (200,000 tons in 1950; 7.6 million tons in 1958) will be running at 12.5 million tons a year by the end of 1960. Present trends certainly support such a prognosis. Steel producers such as Mannesmann and Klöckner have invested large sums in oil-fuelled installations. Some firms are going in for power plant that can operate either on oil or coke, according to the advantages of the moment. They include Volkswagen, and several makers of cement, ceramics, and optical and precision instruments. At least sixty municipalities have lately installed oil-burning plant of one kind or another. Baden-Baden, and some others, have contrived to inject oil on layers of coke in conventional vertical chambers. In addition to satisfying the growing demand for fuel, the oil companies are counting on increasing consumption by the motoring world and by petrochemical industries.

Although the output of west Germany's own comparatively new oilfields rose by roughly 12 per cent in 1958 to a total of 4.44 million tons (almost 200,000 tons more than had been estimated) it covered only a third of current requirements. The bulk of the country's mounting needs has to be met by imports. At present some 80 per cent of imported oil is coming from the Middle East and 20 per cent from the Caribbean region. Practically all of it is being refined in the Ruhr and Hamburg areas.

It was originally advocated that the north-west pipeline should run from Rotterdam, not only on the strength of existing transhipment arrangements and the prospect of readier financing, but also because the choice of Rotterdam instead of Wilhelmshaven would have shortened the sea route by 200 miles and the land route by 20 miles. But political considerations ultimately prevailed. There was a strong desire to put the bombed and dismantled former naval port of Wilhelmshaven on the map again. It had been declared a " distressed area," and its 100,000 inhabitants



Photographed by Loomis Dean



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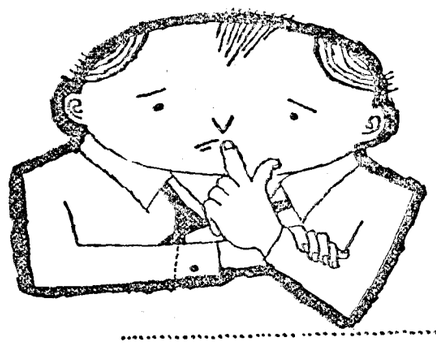
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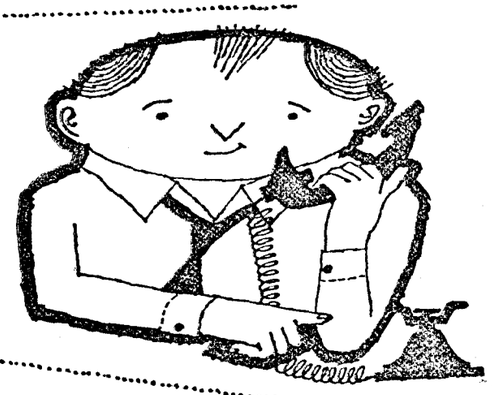


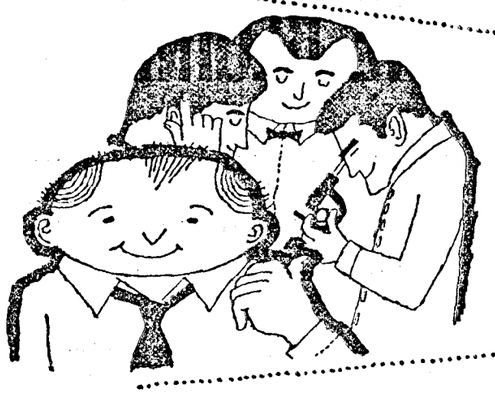
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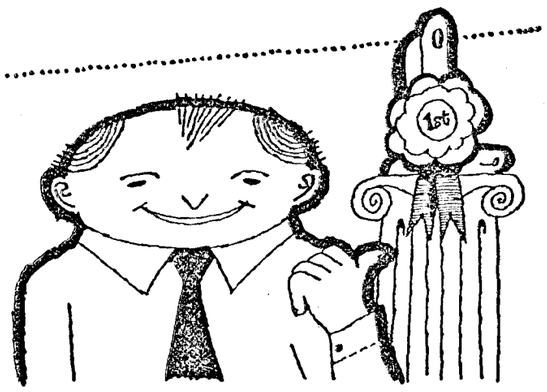


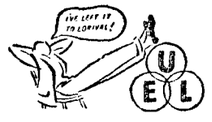
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A company, the Nord-West Ölleitung GmbH, has been formed to run the pipeline and harbour. Some £25 million have been put into the project, principally by Esso (47.2 per cent) and British Petroleum (26.3 per cent). The laying of the pipeline, some 40 miles of which run underground, was carried out with the energy and boldness that mark so much industrial activity in Germany today. The whole work was completed in ten months. From time to time there were advances of over a mile a day. Naturally there were many obstacles that demanded special handling, not least the objections of landowners to the line crossing their property. There were 360 encounters with roads, railways, canals, streams, cables, and the like. Two Ruhr firms *Mannesmann* and *Phœnix-Rheinrohr*, supplied the 65,000 tons of 28-inch diameter pipe required for the undertaking.

Mr Gomulka Calls a Congress

On March 10th the Polish United Workers' Party (PZPR) will begin its third congress; it will be the first to be dominated by Mr Gomulka. When the first congress was staged, in December, 1948, to mark the "merger" between socialists and communists, Mr Gomulka was already in disgrace, though not yet in jail. When the next one took place in 1954, Stalin had been dead a year but Mr Gomulka had not yet returned to power. It was only two years later, in October, 1956, that his colleagues finally agreed that Mr Gomulka's return was the only way to ride the gathering storm. The changeover was full of drama. Mr Khrushchev, at the head of a powerful delegation, tried at the last minute to sabotage Mr Gomulka's return. In the end the Russians yielded and a clash was avoided. It was expected that the triumphant Mr Gomulka would call a party congress at once in order to confirm and consolidate his position. But the meeting kept on being postponed for two more years.

The delay makes it possible to assess the "Polish experiment" more realistically. In that heady autumn of 1956 everything seemed possible. Moscow had bowed to Warsaw; the Catholic, Cardinal Wyszynski, had backed the communist, Mr Gomulka; the communist, in turn, presided over the dismantling of what little collective farming there was. The communist press suddenly spoke with such freedom that it seemed as if all taboos had been lifted. This was "spring in October" and where would it all end?

The crushing of the Hungarian insurrection was the first reminder that the possibilities of change were strictly limited. Mr Gomulka was forced gradually to arrest the movement that was shaking his country and then to call for a partial retreat, thus disappointing some of his warmest supporters. Poland's angry young men, whose revulsion against Stalinism played its part in Mr Gomulka's comeback, were told to keep quiet. The censorship was strengthened and the powers of workers' councils curbed. Finally, Mr Gomulka was drawn, though with a relatively faint voice, into the "anti-revisionist" chorus.

The blame for the evolution of the last two years cannot all be laid on the categorical imperatives of geography. Part of the explanation is to be found inside Poland. Mr Gomulka, himself a victim of Stalinism, was certainly genuine in his desire not to repeat its crimes. But he has never ceased to be a communist. He was not deceived by the massive vote through which his countrymen endorsed his return to power in the general elections held in January, 1957. He knows that the country, with its mass of smallholders and its powerful Church, is predominantly anti-communist, that it accepts him as a lesser evil. His real complaint against the "revisionists" was that their activity would undermine the communist dictatorship and deprive him of his instrument of power.

Naturally, as long as Europe is divided into blocks, Poland must belong to the communist one. Mr Gomulka would have made such a choice on ideological grounds alone, but no choice was offered him. Soviet economic aid and Moscow's backing for Poland's disputed western frontier tighten still further the inevitable alliance. The Poles do, however, hope that relaxation between the blocks will give them more scope for independent action and they see the Rapacki plan as their own contribution to disengagement.

The compromise between Mr Gomulka and Mr Khrushchev is often misunderstood because of the similarity between the current "anti-revisionist" drive, directed against Belgrade, and the anti-Titoist campaign of ten years ago, which cost the Polish leader his freedom. But today, in exchange for a declaration of allegiance to the communist block, the rulers of eastern and central Europe are granted wider scope inside their own countries. Russo-Polish trade is now carried on at fair prices and Poland's economic reforms of the last two years were partly made possible by Soviet economic credits—even though Poland is certainly not faithfully copying the Soviet model. Relations between the party and the Catholic clergy have deteriorated; the Church, however, keeps a more privileged position than anywhere else in the communist world. The fostering of private farming contrasts with the collectivisation drive elsewhere in the block. The principle of priority for heavy industry is not binding. Adamant "revisionists," though they cannot express their views in print, have found refuge in academic jobs and other learned institutions. And for all the censorship, the Polish press still has a much freer ring than have the papers of other communist countries.

Ever since his return to power Mr Gomulka had been opposed by the Stalinists of what is called the Natolin group, who were at first directly prompted by the Soviet embassy in Warsaw. These men considered Mr Gomulka as too soft, as a potential grave-digger of communism. There are indications that their allies in Moscow were led by Mr Molotov and Mr Kaganovich, so that the defeat of the "anti-party group" was also a blow to the Natolin faction. If Mr Gomulka, who stayed on in Moscow after the end of the Soviet party congress earlier this month, was reassured on this score by Mr Khrushchev, he can turn his attention with greater confidence to economic problems.

On his return to power, the Polish leader granted important wage increases all round. This could be achieved without dangerous inflation only by a reduction in investment and through foreign credits (chiefly Soviet, but American as well). Such a solution was by its very nature provisional. The economic plan up to 1965, which is to be endorsed by the congress, provides for a fairly rapid but not over-ambitious expansion of the whole economy. Poland still has to digest its earlier transformation. In this once predominantly rural country, the population is now almost evenly divided between town and country, while the larger

part of the labour force is already employed outside agriculture. To absorb and integrate the uprooted peasants is a heavy task and no new major population shifts are envisaged for the moment. The other consequence of the industrial revolution is Poland's increased dependence on imported raw materials which must be paid for through higher exports, chiefly of capital goods. The development of trade within the Soviet block will provide part of the answer, but the Poles are also looking towards the underdeveloped countries as potential markets for their engineering products. Taking into account both the available resources and the fast rising birth rate, the plan provides for a 25 per cent increase in consumption per head by 1965.

The rest of the congress will be taken up with political questions. A special commission will report on last year's purge which reduced the membership of the party by just over 200,000 to just over a million. The final item on the agenda is the election of the central committee which, in turn, should choose the party presidium. The representation of various trends in the new leadership will be worth watching, though the victory of Mr Gomulka's supporters is a certainty. His worries are of a different nature. Two years ago his hold on power was precarious, but he was backed by popular enthusiasm. Now, he has consolidated his position, but much of the enthusiasm has vanished. Speakers at the regional meetings that are being held in preparation for the congress all complain about the apathy of the members. The chief interest of Mr Gomulka's report will lie in whether he can suggest any other cures, apart from a steady rise in living standards, for this situation.

King Saud's Domestic Economies

FROM OUR MIDDLE EAST CORRESPONDENT

THE effort at economic retrenchment launched by the Saudi Arabian government early last year is beginning to show positive results. Royal expenditure has been reduced, and luxury imports discouraged. Substantial payments have been made by the government to the Saudi Arabian currency board, and much of the internal debt has been liquidated. The publication of the budget for the forthcoming year—a much more realistic document than we have come to expect from Riyadh—suggests that the effort to bring national income and expenditure into a more healthy balance will be continued.

Problems of economic recovery have absorbed nearly all the energies of the Saudi government. Whereas King Saud spent much of 1957 in well publicised state visits, and in offering mediation to all and sundry whenever a dispute broke out within reach, the past twelve months have seen his almost complete withdrawal from international politics. A few statements of general principle on orthodox nationalist lines have been issued in the name of the government; and there was a hint that the Saudi government is preparing once more to raise the question of Buraimi at the United Nations. Otherwise, King Saud's overwhelming preoccupation has been to cultivate his own garden.

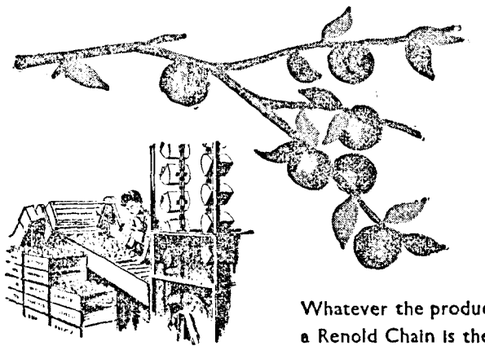
In the circumstances, it was a wise—almost unavoidable—decision. Involvement in Arab politics brought the Saudis little but grief, and bred, with the active encouragement of the West, a false idea of the country's standing. Meanwhile, the value of the riyal was falling steadily. In 1953, when King Saud came to the throne, it was rated a hard currency, standing at 3.75 to the dollar. By 1957, despite a huge increase in oil revenues, it had slid to 6.50, and would certainly have fallen further, as the government itself has admitted, if drastic steps had not been taken.

The first measures were announced in May, 1958; they were designed not merely to put an end to the series of budget deficits, but to create a surplus, estimated at 115 million riyals, to be repaid to the Saudi Arabian currency board. (The board had been raided so often that by August, 1957, its currency cover had sunk to 14 per cent.) In fact, the result exceeded the government's expectations. During the six months ending on December 31st, budgetary economies had enabled the government to repay nearly 200 million riyals. Combined with the board's own operations, the position had improved so far that the currency cover had risen to 51 per cent, and a substantial proportion of the board's indebtedness to local banks had been wiped out. The most obvious pointer to the success of these operations has been the steady rise in the value of the riyal. By the end of last year, it had climbed back to 5¼.

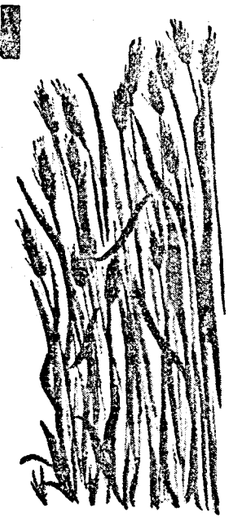
THE main effort in the field of economy has been made in respect of the civil list (upkeep of the royal family), in defence and in a more rigorous control of imports. In the past, the expenditure of the royal family has been shrouded in mystery. The appropriation for the civil list in last year's budget was 94 million riyals, out of a total expenditure of 1,375 million. This figure was wildly unrealistic, as the government has since admitted. In the official statement accompanying this year's estimate, it is claimed that the figure of 252 million—to be spent on the family, the palace secretariat and the royal bodyguard—is "very much less" than actual expenditure in the preceding year. No less remarkable is the fall in defence estimates, which include provision for the tribal levies known as *Mujahidin*. They have dropped about 50 per cent, from 564 million to 284 million. These economies have allowed the authorities to revise in an upward sense the appropriations for education and health, and to maintain virtually unchanged those for agriculture and communications, while keeping the total national budget, now standing balanced at 1,400 million, *below the level of last year. All this in addition to the sums* disbursed to the currency board and to the local banks.

In the field of general economic activity, the government is doing its best to discourage luxury imports. It is actively sponsoring the import only of foodstuffs, medicines, clothing and productive machinery, all of which are classed as essentials. The import of motor-cars was wholly forbidden for the first six months of the new regime, and it is going to be discouraged by various means for at least another six. The unspoken object of such regulation of trade is to encourage the riyal to rise still further. Few informed observers on the spot expect it to reach its former parity with the dollar; but it seems that a rate of 4½, or thereabouts, should be well within reach.

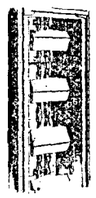
Despite the sad experience of the past—or perhaps, rather, because of the sharp lesson it taught—there is no reason to take a gloomy view of Saudi Arabia's financial future. Oil revenues on a massive and increasing scale are assured; the problem is simply to cut the coat according to the ample cloth that they provide. Whether mere economic recovery will satisfy the angry young Saudi is another question.



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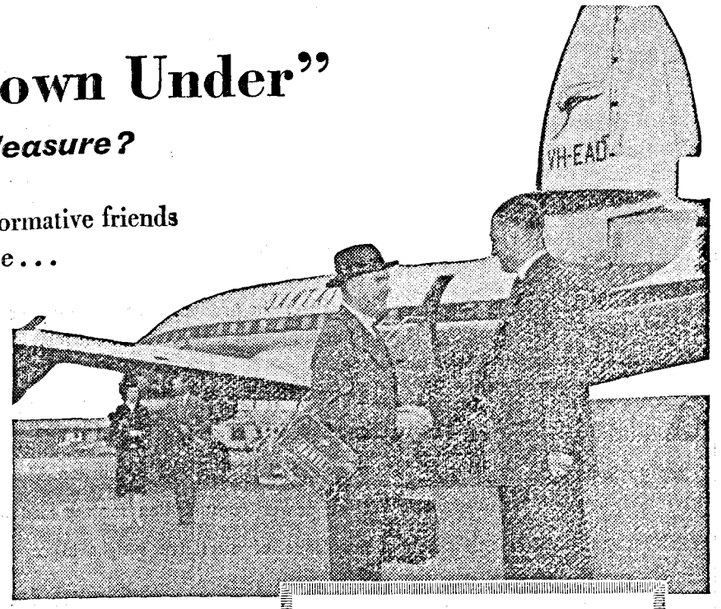
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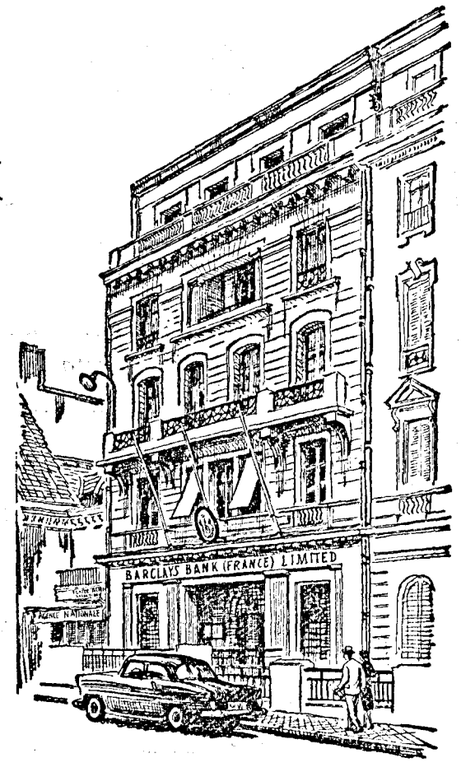
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THE BUSINESS WORLD

Common Market in Capital?

MONEY is moving more freely over Europe's frontiers. In relation to the amounts borrowed and lent domestically, the international flow is still small. Compared with the freedom of merchandise trade and of payment for it, Europe's markets in money and capital remain protected and to a substantial degree isolated by direct regulation and by differing administrative and fiscal practice. But barriers have been reduced in recent weeks; and Continental bankers and industrial finance officers tell the visitor that over the years the links will grow much closer.

A concurrence of influences is responsible for this widening of financial horizons. A dominant one is the common market, which besides its direct provisions for eventual free movement of capital gives an obvious stimulus to an increased flow between countries that are integrating their economies—and making "arrangements" between their industries. At the same time, hesitations about moving money abroad have been met by the grant of external convertibility in Europe, and by devaluation and financial reform in France; Continental bankers have long insisted that currency freedom is an essential concomitant of freedom of trade. The dual freeing, moreover, coincides with favourable developments in the capital markets of Europe's two big creditor countries, Germany and Switzerland. The Germans are just beginning to lend their huge current surplus in long term loans abroad, and the Swiss have recently resumed foreign lending (after suspending it to placate grave domestic unrest as rates on home mortgages topped 4 per cent). Since Swiss bankers now have doubts about formerly esteemed outlets overseas, including southern Africa and the United States, more of their money is available for Europe.

The broadening of capital markets is to some extent a world phenomenon, reflecting both some easing in the intensity of demand for capital in the industrialised countries and the better climate for foreign investment in a number of others. The World Bank has played a leading role, both in the scale of its own lending and in blazing the trail for private money; and the New York market has become much more receptive of foreign issues. But a large part of any foreign issue in New York, often an overwhelming part, is subscribed from Europe. Swiss bankers in particular may be heard to grumble that, if the dollar grows any more suspect, they will put up their own money in their own country.

"WE'RE all in the same boat" is not a *cliché* in Switzerland, and it is telling to hear it applied to Europe's economy at the present stage. Continental bankers generally share the same feeling—and the same concern that none of their number should seriously rock the boat. The great question mark hangs over France. The drastic new year surgery of its finances, more than any other single factor, has transformed the European economic outlook. To many Frenchmen the price seems a high one; and the great debate raging in Paris about the wisdom of checking industrial expansion for the sake of financial *assainissement* strikes a familiar chord. But few question the boldness of the French government's bid. It is a bid for investors—addressed to the gold-hoarding French peasant and middle classes, as well as to the foreign investor. The deflationary fiscal policy and highly competitive exchange rate is being accompanied by structural and fiscal reforms to broaden investment on the Bourse.

First results have been promising. The Bank of France is taking in foreign exchange every day, and the recovery is now much bigger than the pre-devaluation loss in December. But the authorities have hardly yet begun to tap the vast reserves of privately owned gold and foreign assets—estimated by the Rueff committee at the staggering figure of $10 billion in all, but more conservatively at $3-4 billion of gold and perhaps $2½ billion of foreign deposits and foreign securities. This will not return in a hurry; only when confidence is rock fast will Frenchmen disgorge their gold. But the authorities may not be over-optimistic if they hope that the various inflows on capital account will match the forthcoming repayments on recent foreign credits.

With crossed fingers, Europe's bankers and businessmen are hoping that France may now find financial stability. Even a tentative assumption that this may happen is a major change in the European financial scene, after years in which France has been automatically ruled out as an outlet for financial investment. Accordingly, France occupies a prominent place in each of the four main aspects in the widening of Europe's capital and money markets.

FIRST among these aspects is the increased scope for foreign investment on the Bourses. The French authorities are keen to get their stocks quoted on other Continental exchanges, and they themselves are providing reciprocal facilities: last month the first German share was quoted in Paris (and it has proved popular). In Frankfurt, too, rapid strides have been made in this direction, and important Dutch and Italian shares have been introduced there since the new year. Similar moves are in preparation in other countries of the Six.

France has removed restrictions on the disposition of capital funds owned by non-residents. Will Swiss and German investors—who alone in Europe enjoy full freedom to acquire assets abroad—respond? Years of inflation have carried French shares to high prices, for investors hedging against further inflation have been prepared to accept yields as low as 1 or 2 per cent. It can be argued even so that in terms of break-up value French shares are basically cheap ; and that as money tightens in France firms will be forced to raise more from the capital market and therefore to increase their dividends. Some Continental investors feel that French conservatism in dividends is more deeply entrenched ; they prefer German shares with their high yields and the D-mark basis. Others, including Swiss investors, have recently shown some nervousness about German shares, whose steep rise was checked by the cloud over Berlin. But if Europe's stock markets were fully free and integrated (which they are not) the first result might easily be a net flow from the weak to the strong. When French investors recently unloaded some of their large holdings of Congo securities, they took the proceeds to Switzerland.

A second, more predictable, channel of foreign investment is in new issues. The Swiss market is now in full use by foreign borrowers. Since the ban was lifted last summer, issues have been made by American, German, French, Austrian and South African concerns and by the World Bank ; the next issue is by British Petroleum, for 60 million Swiss francs. This will bring the total in six months to over 600 million francs, or some £50 million—well above the total in the best full calendar year since the war. Nor are there any signs yet that the market has overreached itself.

The Swiss National Bank is anxious to encourage capital exports to take excess money out of Switzerland. But it has been forced by political pressure to agree to a ban, while the negotiations for a free trade area remain in their present *impasse*, on any issue to a concern in one of the six countries of the common market. Since Swiss investors are now less enamoured of the prospect in Africa, they will presumably look favourably on approaches from European countries outside the Six. The BP precedent suggests that the British authorities would not hold back similar issues by other major British companies of international range and capacity to carry the exchange risk.

Germany, too, is opening its market to foreign borrowers. But despite the steep decline in interest rates there since 1957, the cost is still high. Austria has twice paid around 6 per cent for its money, and the German authorities will count it a great achievement if they can soon place a World Bank issue at 5 per cent—a full one per cent above the Bank's recent Zurich issue. Among other European countries, Holland has recently been concentrating on repatriating its own shares from American and other foreign portfolios. Italy, a net importer of capital, has recently been running a big current surplus and is prepared to grant some long term foreign credits for specific purposes: an Italian group has offered to finance the construction of an *Autobahn* from Vienna to the Italian frontier.

THE third main channel of cross investment in Europe is through investment trusts. All countries are anxious to broaden the investment habit, which is widely spread only in Switzerland. Investment trusts on the Continent, which often take the form of open ended mutual funds or unit trusts, are in many cases run by the big banks. A number of new trusts have been set up in Germany in the past year or two; they have received an impetus in Holland, and the French authorities are now believed to be preparing the way. At the same time, the international accent has suddenly become prominent. In Switzerland, where the big banking groups have for some time sponsored funds holding North American and South African securities, new trusts have been formed to hold shares of other European countries—including British securities, though bankers stress the handicap imposed by the high taxation on British dividends. In Germany, *Europa I* has been sponsored by the private bankers Hardy & Co. to invest exclusively in securities of the Six, and the Dresdner Bank has launched a new trust to include securities of other common market countries. Most recently, a group of European banks, mainly *banques d'affaires*, is launching *Eurunion* simultaneously in the markets of the Six. This is an early fruit of the co-operation that has recently been arranged between various banking groups in the Six countries. There is a feeling that Britain is being left out in the cold.

Finally—and here Britain figures more prominently—short-term money is flowing much more freely between the major banking centres. Convertibility gave an important fillip ; and the European Monetary Agreement provides a little publicised guarantee against devaluation of balances held by central banks. Today Swiss and German bankers are taking advantage of the higher short term rates ruling in London, and in Paris. French francs are virtually always covered forward against the exchange risk ; some bankers (but by no means all) now leave sterling funds uncovered. The headache of Swiss and German bankers is too few outlets for too much money ; yet it is difficult to attract short-term financing business to these centres, largely because world traders are accustomed to invoicing their goods in sterling, and would be shouldering an exchange risk if they took finance outside London. In practice Swiss and German money plays its role indirectly, working through the London money market. The upshot of these movements, and of the capital flows, is that in January neither the Bundesbank nor the Swiss National Bank gained reserves. Thus private movements of funds are making their own contribution towards a better distribution of world liquidity. They could do more ; but here again everything rests on confidence. How does the world look from the banking parlours of Zurich ? That requires an article to itself.

New Prices for Oil

With the United States partly insulated from the world oil market, the balance of international prices is shifting

SINCE Gulf and Shell came into line this week, all the major petroleum companies posting prices in the Persian Gulf have now followed British Petroleum in cutting crude prices there by 18 cents a barrel right across the board, as against the recent cuts of 15 cents a barrel for similar crudes in Venezuela and the United States. Middle East crudes, after supplies were fully restored following the Suez interruption, never rose as much above pre-Suez levels as did crude prices in the Western hemisphere ; these latest cuts, indeed, bring posted prices for Middle East crudes (for example, $1.67 a barrel for Kuwait crude of 31.0-31.9 API gravity) slightly below those ruling before Suez, whereas comparable crudes in the United States and Venezuela are still well above their prices then.

In one sense, these Middle East cuts do no more than take formal note of the substantial discounts below the previous posted prices at which oil sales have for some time been taking place to independent customers in Europe and the Far East. But they happen also to be the first formal changes in Middle East prices since the United States oil industry, in the autumn of 1957, accepted " voluntary " restrictions upon the volume of oil imports—restrictions which are expected to be made mandatory by the US government, possibly with a further cut in volume, during the next few days.

Those restrictions removed an important influence, for the time being at least, from the traditional structure of world oil prices. This had been the readiness of the United States to mop up all marginal supplies of crude oil on offer at its own market prices. In principle, this would tend to put a floor under Caribbean and Middle East crude prices: so long as producers in these areas could dispose of their next barrel of crude at prices which, allowing for freight and insurance, permitted them to deliver into the United States market at competitive prices, they had no need to take less from any other bidder. In practice, many other factors as well as these marginal sales have also influenced posted prices, as the importance of Eastern hemisphere output and markets in the world pattern increased ; moreover, at any one time a good deal of business is usually being done in oil at discounts below posted prices. Broadly, however, it is possible to rationalise the trends of crude prices in the main producing centres since the war in accordance with this " watershed " principle of pricing —though it depends upon how one values the factor of freight in this equation. Output in the Middle East needed expansion to take full advantage of low production costs ; as producers there were able to extend their competition westward into the United States, accepting a growing disadvantage in transport costs, fob prices of crude in the Middle East became cheaper relatively to prices in the United States and the Caribbean. One may even strain the principle to cover the wider differential set in the prices posted after Suez, on the assumption that Middle East crudes were competing further and further inland from the East Coast of the United States—though the people who actually set the prices would protest that this takes marginal mathematics much too far.

But once the United States ceased to be a ready buyer for marginal supplies of crude from abroad, this logical link between its own market price and world prices was severed. Venezuelan and Middle East supplies have continued to compete, so far freely, for shares of the restricted American imports, but the total volume imported is being determined politically, not by prices in the market. In their new form, these restrictions, indeed, might reduce the total volume of imports ; more important, they may discriminate in favour of Canadian and perhaps Venezuelan suppliers.

This does not mean that the volume of oil imports into the United States will necessarily be stabilised for long. Demand will go on rising there as the economy expands, and no doubt there will be limits to the American consumer's readiness to pay more than he need for his oil in order to stimulate increasingly costly exploration for and secondary recovery of American oil. Recently revised estimates of demand for oil in the United States over the next ten years differ sharply

according to the expert one chooses, but both sides postulate increases in the volume of imports.

But while imports continue to be set by regulation, and not in response to prices, the United States market will be insulated to a considerable extent from the international oil prices upon which until 1957 it had so significant an influence. To a far greater degree than before, competition between Middle East and Venezuelan crudes elsewhere in the world will presumably determine the level of world prices. This shift of emphasis has taken place at a time when world demand for oil is not rising fast enough to absorb all the production for which producers in the Middle East and Venezuela have planned in their expansion programmes; when a number of substantial independents are coming into production in Venezuela and others hope to soon in the Middle East but the American market these producers had in mind is closed to them; and when there is pressure of various kinds from host governments upon concessionaires for larger total revenues.

In these circumstances, the pressure on prices is downward. There is some speculation in the oil business already about whether some Venezuelan prices may be cut further. This will perhaps be affected by the degree of preference, if any, granted to Venezuelan oil in the new American import restrictions. Other factors are differences in quality—certain Venezuelan crudes, in particular, offer a much larger yield of fuel oil than those from the Middle East, though the prices of these heaviest crudes tend to move independently—and the significance of the Caribbean in the international trade in refined products. But sharper competition outside the insulated American market will mean continued pressure on producers' margins—which may be harder to bear in Venezuela than in the Middle East.

There have already been sales of refined products at fairly large discounts in certain western European markets (though in Germany the cartel arrangements have now outlawed this); demand has not been as buoyant as before, and shipments of products have been on offer cheaply from independents in Venezuela and also from Russia, which is now putting some 9-10 million tons of oil a year on to the world market, mainly in the form of products. Refining margins in Europe had therefore been squeezed; the cuts in crude prices were no doubt intended to restore the balance. Integrated companies invoice their crude to their refineries at posted prices, so that for them the cuts will widen refining margins that have recently been under pressure. Taxes on refineries in consuming countries are related to these margins, so that their Governments are reluctant to see posted prices of crude remain long above the price at which business can effectively be done.

The crude cuts, in turn, must reduce operating margins for producers, and their rate of profit per ton of oil. Profit-sharing arrangements with their host governments are in most cases based upon posted prices of crude, rather than on prices actually realised. For the companies, this is an obvious incentive to realism in pricing. For the host governments the change will be judged primarily by its results on total revenues: in the current state of the world market these must mainly depend on a continued expansion of sales of Middle East oil. Last year production in the Middle East rose by a record 37 million tons, and its share of the free world's output to 27 per cent. Admittedly, host governments are taking an increasing interest in the results of transport, refining, and marketing of the oil produced in their countries; still, it is these basic statistics that count.

BUSINESS NOTES

WALL STREET

Over 600

Buying of British industrial equities has been sufficiently strong to keep prices firm and to edge *The Economist* indicator up from 252.4 to 253.5. Some of the buying both of industrial issues and Kaffir shares has been on American account. But though a few American investors have been attracted by the high dividend and earnings yields offered by British securities, the vast majority of them are still putting their trust in their own domestic equities, despite the thinness of their yields and despite the unemployment figures, the stickiness of automobile sales and the reduction in oil prices. Their buying has now carried the Dow Jones industrial average through the psychological barrier of 600; on Tuesday the average touched a new peak of 602.91. The next day the market boiled over a little, bringing the average back to 601.18 but the confidence of investors remains high and may remain so as long as credit is readily available.

The higher that prices rise on Wall Street, the greater must be the chance that a sizeable correction may follow. The fear in the minds of some dealers is that the market could take off in a flight from reality. Recently, there has been a marked increase in speculative activity, with the low priced issues moving up much the faster and dealers in odd lots finding difficulty in obtaining the stock to match buying orders. On the belief that the prospect is for a further rise in prices, punctuated by intermittent corrective falls, some analysts are arguing that a drop of between 5 and 10 per cent in prices would be salutary.

MONEY MARKET

Turn Round in Bill Rate

As each Thursday goes by with Bank rate unchanged at 4 per cent the possibility increases that it might not come down after all. Unless the Bank moves before mid-March it can hardly do so before Easter and the budget; and by late April a reduction may be ruled out by a more buoyant mood in the economy, to say nothing of a possible election. Such reasoning undoubtedly lay behind the *volte face* in the tactics of the discount market at the Treasury bill tender last week, which caused a momentary weakening of gilt-edged. The discount houses cut their syndicated bid by 9d. to £99 4s. 3d., equivalent to an increase in their discount rate of 3s. per cent per annum. As was to be expected, the market suffered a further drop in its allotment; only 27 per cent of applications at the common price were successful. But the outsiders were left with bills for which they had paid too much—the average rate of discount on the whole tender was £3 1s. 10d., compared with £3 3s. at the common price—and the discount houses secured a useful turn on the bills they did get. Outside competition has long been nibbling at both the quota of bills obtained by the market and the margin of bill rate over the cost of its borrowed money. This encroachment is almost inevitable when falling bill rates offer all and sundry the chance of capital profits. It can be checked, and the market can afford to teach the outsiders a lesson, only when the continuation of the fall in rates looks less certain.

COLONIAL LOANS

Rates and Merits

A bill published at the end of last week makes provision for the new Exchequer loans to colonies agreed at the Montreal conference. These loans are to be quite separate from the machinery of the Colonial Development and Welfare Acts, though the bill also provides an additional authorisation of £95 million under those arrangements in the next five years. Such money is made available for specific purposes, nearly always in the form of a grant. Exchequer loans, which may be made up to £100 million in the next five years with a ceiling of £25 million in any one year, are for general purposes; they will be granted only when the British authorities are satisfied that the colony could not raise the money on the market. These facilities are similar to those available to independent countries of the Commonwealth under Section III of the Export Guarantees Act, and the rate of interest is the same. This is ¼ per cent above the rate at which the Exchequer lends to public corporations, which reflects the notional rate at which the Exchequer itself could borrow for a similar term on the market. The loans to the colonies will not be tied, as loans through ECGD must be, to the purchase of United Kingdom products.

FINANCE OF COLONIAL DEVELOPMENT
(£mn.)

Sources of Finance, 1946–57		London Loans since 1952	
Local resources	600	1952	30·9 (postwar peak)
CD & W Acts	137	1953	23·5
London market	187	1954	16·1
World Bank	13½	1955	9·7
		1956	11·3
		1957	15·5
Total	937½	1958	5·0

Colonial borrowers will be required to repay by equal annual instalments of interest and principal, so that the annual service charge will be higher than on a market loan paid off or renewed on maturity. But for colonies, as for independent Commonwealth territories, the anomaly remains that the borrowers whose credit does not at present attract the market get their money more cheaply than the creditworthy. The political concession on the interest rate is clear. But few people doubt that Exchequer facilities had to be given if the colonies were to get their money. The amount forthcoming from the London market has been dropping in recent years; and while fixed interest securities are now more in favour, investors tend to be disturbed rather than encouraged by the approach of self-government.

HAWKER SIDDELEY

Empty Quiver

The Hawker Siddeley group had plenty of warning during the past year that production of the group's Canadian-built Arrow fighter might be severely pruned; it had not expected outright cancellation. The telegram announcing that the Canadian government would not be responsible for work done on Arrow production lines after last Friday's shift went home faced the company with two idle, silent Canadian factories full of partially built aircraft at a time when its hands were full with preparations at home for the debenture issue expected now in a week or so. The company sent home the whole of its 14,000 labour force. It had no other work for them to do, and no prospect of any.

The Arrow can claim to be the biggest, fastest fighter in the world, touching nearly three times the speed of sound even with an engine smaller than the one that it was expected to use when it came into service next year. Designed for long-range Arctic defence, it reached a peak of performance for manned aircraft, rather in the way that the last of the express mail coaches did early in the nineteenth century—only, like them, to fall victim to a cruder, noisier form of transport. The Canadian government is replacing the cancelled Arrows with guided missiles. It looks very much as if it has decided at the same time that Canada cannot afford a large-scale venture into aircraft manufacture.

The Arrow was first ordered, as most military aircraft are ordered today, in small, experimental quantities: the first orders were for six aircraft, and later this total was increased to 37. A normal production order for 100 aircraft was eventually placed. Hawker Siddeley had assumed throughout that only the latter production order was in danger of cancellation; and that the government fully intended to take delivery of the "experimental" batch, of which six are flying, eleven are about to fly and the remainder are spread through the shops in various stages of completion that represent about twelve months' work for the factory. This work would have given Avro Canada a breathing space to find other orders. Its unexpected cancellation has brought both factories to a standstill.

By the time it has paid Hawker Siddeley compensation for cancelling these orders, and met the heavy expenses connected with it, the Canadian government may reckon, as the British Government has often discovered, that it would have been cheaper to take delivery of the aircraft than to cancel them half-way down the production line. But the fact that it may end with a large balance of cash in hand does not make it any easier for the Hawker Siddeley group to find new work at such short notice. Nor is it the best curtain raiser for a new issue at home.

AIR NAVIGATION

Decca Rejected

THE rejection of the British-built Decca system of air navigation by the International Civil Aviation Organisation of the United Nations is disappointing but not unexpected. The Decca system is both too big and too elegant to suit the taste of many airlines who are prepared to leave the difficult and dangerous task of leading aircraft through crowded traffic to radar controllers on the ground, despite radar's limitations as a sound and safe system of controlling air traffic. The Ministry of Transport has worked hard to win support for Decca and it was backed by the pilot's federation. But these efforts did not convince the airlines, even though the meeting in Montreal was concerned with the crowded European-Mediterranean area, where the air routes resemble a map of Clapham Junction. To say that the decision to reject the Decca system and continue with the simpler, less accurate American beacon system of navigation was a purely political one probably misconstrues the motives of the delegates. A truer explanation of their action might lie in the general reluctance of airlines and air traffic control authorities to spend money on navigation aids.

UNILEVER'S PROFITS

Margins Improve

WHEN the directors of the Unilever diarchy announced the 25 per cent scrip issue in November they announced what the 1958 ordinary dividends would be. These dividends, payable on the capital before the scrip issue, are now formally declared: 4s. 2.4d. for Limited (against 3s. 6d.) and 18½ per cent (against 15½ per cent) for NV. The major interest therefore in the preliminary statement is how profit margins fared in the last six months of 1958. By this text, the results make a distinctly satisfactory showing, for the margin of gross profits to sales at 5.7 per cent in these months was higher than at any time in the preceding eighteen months. Again, however, it is the profits of NB which have made the most positive contribution to this result.

COMBINED SALES AND PROFITS

£ million

Six months ended	June 30, 1957	Dec. 31, 1957	June 30, 1958	Dec. 31, 1958
Turnover	846·0	874·0	860·0	868·0
Gross profit	43·7	41·6	43·2	49·4
Net profit	19·4	20·9	20·3	27·0
Gross profit turnover per cent	5·2	4·8	5·0	5·7

Taking the year as a whole, the combined gross profits of Limited and NV have risen from £85.3 million to £92.6 million and net income from £40.3 million to £47.3 million. Within these totals, the gross profits of NV, which largely serves Continental markets, have advanced from £43·5 million to £50.9 million; but those of Limited, which serves the British market and which is intimately linked with the giant's operations in Africa and the United States, have fallen slightly from £41.8 million to £41.7 million. Sales over the whole year show little change at £1,728 million, against £1,720 million, but these figures include inter-group transactions and the directors specifically say that sales to third parties in the last six months of the year rose by 4½ per cent. Thus Unilever has come through a year of recession unperturbed, unperturbable.

JET FARES

A Token Surcharge

THE outcome of the airlines' negotiations about jet fares will really satisfy no one, least of all the passengers. One group of airlines went to the meeting that opened in Paris two weeks ago determined to have imposed on jet flights a surcharge that would be big enough to discourage passengers from travelling in that type of aircraft. They have obtained a surcharge, but one not large enough to achieve the object they had in mind. The meeting compromised by adding £10 14s. to the cost of a £162 return third class fare on the North Atlantic and £14 6s. to the cost of a £280 return first class ticket. Fares to South America by jet are raised by the same proportion. These increases seem hardly large enough to discourage any significant number of passengers from using the jet services when they halve the time spent hard sledding by third class air travel.

The handful of airlines that went to the meeting determined to oppose a surcharge have for their part conceded an important principle against a more or less negligible increase in fares. It has never been suggested by operators of jet aircraft that it was necessary to charge higher than normal fares to make these aircraft pay. The decision to impose a surcharge was arrived at solely to make jets less attractive to passengers that other operators wanted. Jet operators on long range services, such as Pan American and BOAC, will in future make £10 to £14 pure profit per ticket that they would not otherwise have received. An attempt to impose similar surcharges on jet flights inside Europe, which start this spring, was not approved. It now remains to be seen whether governments, and in particular the US Civil Aeronautics Board, will approve the new fares before they come into force in April. The CAB has frequently made a nuisance of itself by refusing to rubber stamp decisions taken by international airlines at meetings of this kind. But it might be a very good thing for sense in air fares if it chose to be awkward on this particular occasion.

THE WHEAT CONFERENCE

Negotiations Go On

AFTER negotiating for four weeks, the international wheat conference in Geneva has decided to continue for another two weeks. The spirit of the negotiations, held to draw up a new wheat agreement to replace the one that expires on July 31st, is reported to be constructive, though the real test is yet to come. There is general, if as yet vague, agreement that the disposal of surplus wheat on concessional terms should be brought within the scheme, and that domestic agricultural policies should be regularly reviewed by the council. It is also agreed that the minimum and maximum prices (currently $1.50 and $2.00 a bushel for No. 1 Northern Manitoba wheat) do not need to be protected by the cumbersome procedure of obliging importers to buy fixed quantities at the minimum price, and exporters to sell fixed quantities at the maximum price. A number of proposals have been canvassed; the one which

now seems to have most support is that importers should undertake to buy from member exporters a fixed percentage of their total imports. This undertaking would apply at all times, not only when prices are at the minimum. This would certainly be effective, provided that the percentage is high.

The British delegation, which believes that prices should fall to the minimum in times of surplus (as now), is said to have suggested that if an importing country considers that exporters are following a rigid price policy, it should have a qualified right to withdraw from the scheme as a sanction of last resort. The future levels of the minimum and maximum prices have not been fully explored; on this and other matters the delegates are only just getting down to brass tacks.

LABELLING

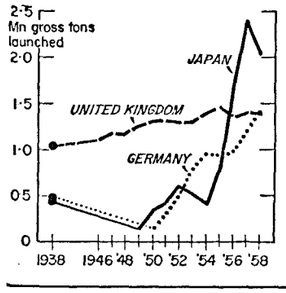
Hard Words about Soft Drinks

THE Government's Food Standards Committee was under no illusions about the reception that its acid report on soft drinks was likely to receive among manufacturers who are now selling £100 million worth of fruit drinks and fizzy concoctions to the public each year. The committee quotes objections made by the trade to each of its suggestions, which are that the percentage of fruit should be put on each bottle, that manufacturers should not continue the wartime practice of using cheap saccharine sweetening when they can now get sugar or other carbohydrates, and that they should not claim energy-giving properties for glucose drinks that do not possess them. One of the two consumer organisations in this country tartly reported not so long ago that a glucose cordial gave hardly any more energy than a cup of sweet tea, without the benefit of those proteins and vitamins contained in milk.

In each case the committee said that it could not accept the industry's objections. Difficulties in analysing fruit content are not insuperable. The fact that the saccharine industry would lose two-thirds of its market if soft drinks had in future to be made of sugar did not unduly disturb the committee. Nor would it accept that glucose drinks could give any more energy than ordinary sweetened fruit squashes. What is surprising is the fact that there should be any objections at all to recommendations that will strike many people as long overdue. The industry knows well that the quality and value of soft drinks fluctuates over a wide spectrum, which would surely suggest that it is in the interest of some manufacturers at least to put the fruit content of their drinks on their labels. Perhaps the general reluctance to do so may be explained by evidence produced by the committee that most consumers think they are getting much more fruit juice in their drinks than they actually do.

The soft drinks industry appears to have enjoyed a special position since wartime control ended, sheltered from the rigours of general legislation designed to protect the public (such as the Food and Drugs or Merchandise Marks Acts) but still kept subject to a number of special departmental orders remaining over from the days of shortage, rationing and allocations. The committee did not suggest that the public was being deliberately exploited by sections of the industry, but it did suggest that consumers could easily be under illusions about the value they were getting. The trade replied that this hardly mattered so long as the public liked the taste of what they bought. But should they not know what they are buying? Equally, is there any ground for stopping them from buying saccharine if they want to?

WORLD SHIPBUILDING LEADERS



In 1957 Japan passed Britain by building more shipping tonnage than any other nation: in 1958, by a small margin, launchings from the German shipyards exceeded those of British yards.

LOCOMOTIVES

Partly from the Same Pocket

THERE are surprising aspects to the Treasury's decision to lend the North British Locomotive Company £1,750,000, announced last Friday. It is an unusual use to make of the Treasury's powers under the Distribution of Industry Acts, and it is unusual for a company to get into financial difficulties as the result of accepting an end to progress payments. This was apparently agreed by the industry in January, 1958, to ease the financial problems of the British Transport Commission. Policies on public investment have changed rather sharply in the last 18 months: still, it is rather odd for the Treasury to be lending a supplier part of the money which that supplier has to find mainly as a result of Government pressure for economy in the capital expenditure of its nationalised customer. The company, however, is borrowing the money on very favourable terms.

As compared with those of other locomotive manufacturers the circumstances of North British are indeed special and parlous. This is one of the two remaining independent locomotive manufacturers; other builders are mainly members of large industrial groups with wider resources to spread the financial load. North British was in a particularly weak financial position, having come to the production of high-powered diesel locomotives rather later than other companies; it therefore had to convert its works to diesel production more hastily than its rivals. The company last made a profit in 1955, when this technical change-over was beginning. Since then it has lost £403,000 in 1956 and £61,000 in 1957; a further heavy loss is forecast for 1958. No other company is in a comparable situation; the only other independent, Birmingham Railway Carriage and Wagon, obtains the Sulzer diesel engines it uses from Vickers-Armstrongs, who make them under licence at Barrow, and buys its electrical equipment from Crompton Parkinson. North British builds its own MAN diesel engines and hydraulic transmissions; it has thus had a heavier capital investment programme to finance.

North British reckons that without progress payments it now requires £1,400,000 of working capital to finance an order for 50 main-line diesels. Its existing borrowings, all on a temporary and unsecured basis, amount to about £2,700,000; it has now arranged to borrow £1,750,000 from the Treasury at 5 per cent, to obtain overdraft facilities

up to £1,500,000 from the Clydesdale & North of Scotland Bank, and to borrow £500,000 from the General Electric Company which is its main supplier of electrical equipment. Presumably this implies some reduction in present borrowings, as it is proposed to increase directors' borrowing limits only from £3 million to £5 million. The GEC loan is also at 5 per cent; GEC will have the right of conversion into ordinary shares at £1 for every £1 stock. These terms could be altered if North British makes a scrip issue, and GEC could participate in any cash issue. The present issued capital of the company is £750,000 in 5 per cent cumulative preference and £1¼ million in ordinary stock: as the new arrangements may affect the interests of the preference shareholders, it is proposed to make a scrip issue to them of one 5 per cent "A" Cumulative Preference share for every £10 they hold of the existing preference stock.

INLAND WATERWAYS

Development, Redevelopment . . .?

THE problems raised by Britain's 2,000 miles of nationalised canals have generally been those of finding means rather than ends: classification of the canals into profitable, unprofitable, or useless has hardly changed since the 1954 report of a survey board of the Transport Commission, which owns most of the waterways. But ways of dealing with each type of canal were recently studied by the Bowes Committee, which was set up in 1956 and reported last July, and the Government's attitude to its recommendations has now been stated in the form of a White Paper*. Broadly, the committee recommended that the 380-odd miles of big-barge canals which, taken together, now make a profit, should receive the bulk of future capital development; that the 935 miles of narrow-boat canals which carry some commercial traffic but which taken together now make a loss should be reinstated and maintained at their present capacity; and that 770 miles which have no commercial value should be abandoned. The committee was divided on how to accomplish these goals and on how best to administer the canals: half of them favoured enlarging the present Waterways Sub-Commission of the Transport Commission, half wanted to set up a new independent corporation.

The white paper generally accepts the committee's views on the profitable "Class A" canals; but the Government have put off the formation of any waterways corporation for at least two years. Future administrative responsibility will continue to rest with the Transport Commission. As to the unprofitable but still usable canals, the Government has again decided on a two-year "experimental" waiting period; it seems likely that some of them will eventually be retained and developed. During the next two years the Transport Commission will have to maintain these "Class B" canals in their present condition; it is felt that to recondition all of them fully would be unjustifiably expensive. The canals that are already derelict pose the largest problem. As many as possible will be "redeveloped" for "alien" uses—water supply, drainage, angling, farming, or pleasure boating—any old thing, in fact, provided that the costs of continued operations can largely be met by the "alien" user. An Inland Waterways Redevelopment Advisory Committee will be set up to promote and consider schemes for using these derelict canals; in general, such schemes will then be initiated by the Transport Commission. Where a proposed redevelopment scheme will serve many interests that cannot together match the total capital cost, the Government is "prepared in principle to make a small *ad hoc* grant toward bridging the gap." Carefully done, this should cost no more than filling the canals in; but though the administrative machinery for "redevelopment" is vaguely described in the white paper, no mention is made of the way in which canals for which no other purpose can be found on such terms will finally be abandoned.

* Cmnd 676.

BUILDING SOCIETIES

How to Merge

THERE may be no equity in a building society, but in the last analysis its reserves belong to its shareholders and that point becomes significant when one society merges with another. Mergers are a matter of present concern to the building society movement, for since trustee status will not be accorded to societies with less than £500,000 of assets, amalgamations—or, in the legal term, transfers of engagements—are likely to become more common. Merger proposals have to be put to a vote of shareholders and because the Chief Registrar of Friendly Societies has discretionary powers on the voting procedure in practice he keeps a watchful eye on them. The possibility that the terms proposed for an amalgamation might be to the disadvantage of either body of members of the two merging societies is to that extent safeguarded, even though the real responsibility rests with the directors. It is their duty to ensure that the merger is to the mutual benefit of their members.

Within the movement, however, views differ on how this principle is best secured. Writing in the *Building Societies Gazette*, Sir Bruce Wycherly, the managing director of the Abbey National, concedes that a "rescue operation" (as in the case of Scottish Amicable) may be justified but he deplores the idea of "take-over" bids (as occurred with Sheerness and Gillingham) and frowns on the dissipation of reserves that may result from the payment of a bonus to shareholders on the transfer of engagements to another society. On the other hand, Sir Ernest Johnson in his presidential address at the annual general meeting of Leek and Moorlands argues that such expenditures as advertising and the opening of new agencies may weaken reserves just as effectively as the payment of a bonus to secure an amalgamation. Leek and Moorland put in a bid for Sheerness and Gillingham. It was unsuccessful and now Sir Ernest says:

> Our proposition was that the members should come in with us on equal terms and that their surplus reserves over and above those of our own ratio should be distributed to them on the transfer.

These words embody an arithmetical formula for making a bid. They emphasise the paramount fact that in contemplating a merger the directors of a society must not think of their own convenience and benefit but of that of the members. Open, competitive bidding between societies may seem distasteful and the payment of a bonus that seriously weakens the reserve strength of the merged societies has to be avoided. But within those bounds it is the duty of the directors to test the reactions of other societies to the idea of a merger and to close with the offer that is most

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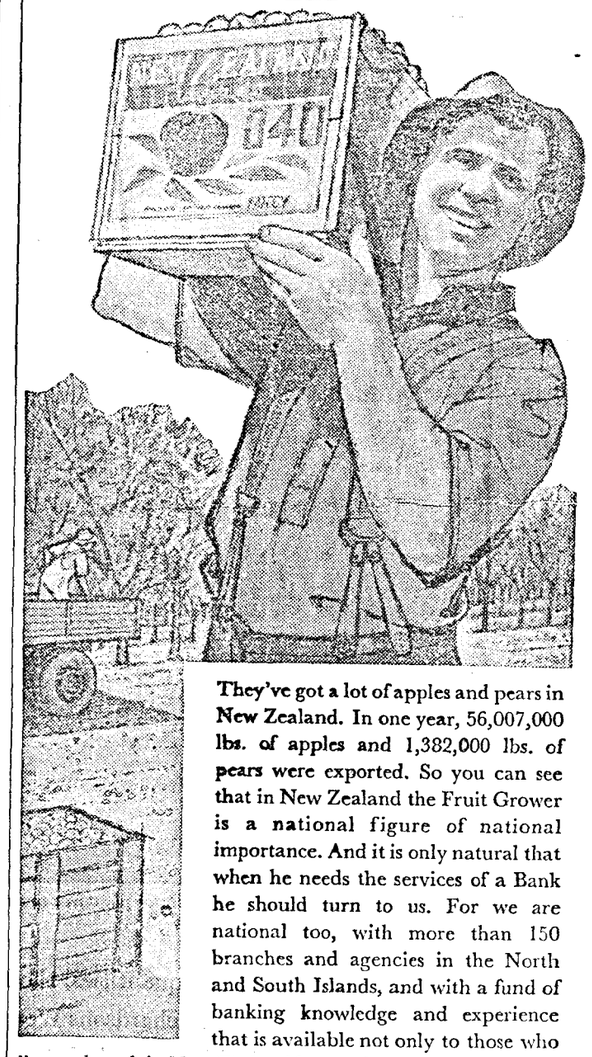
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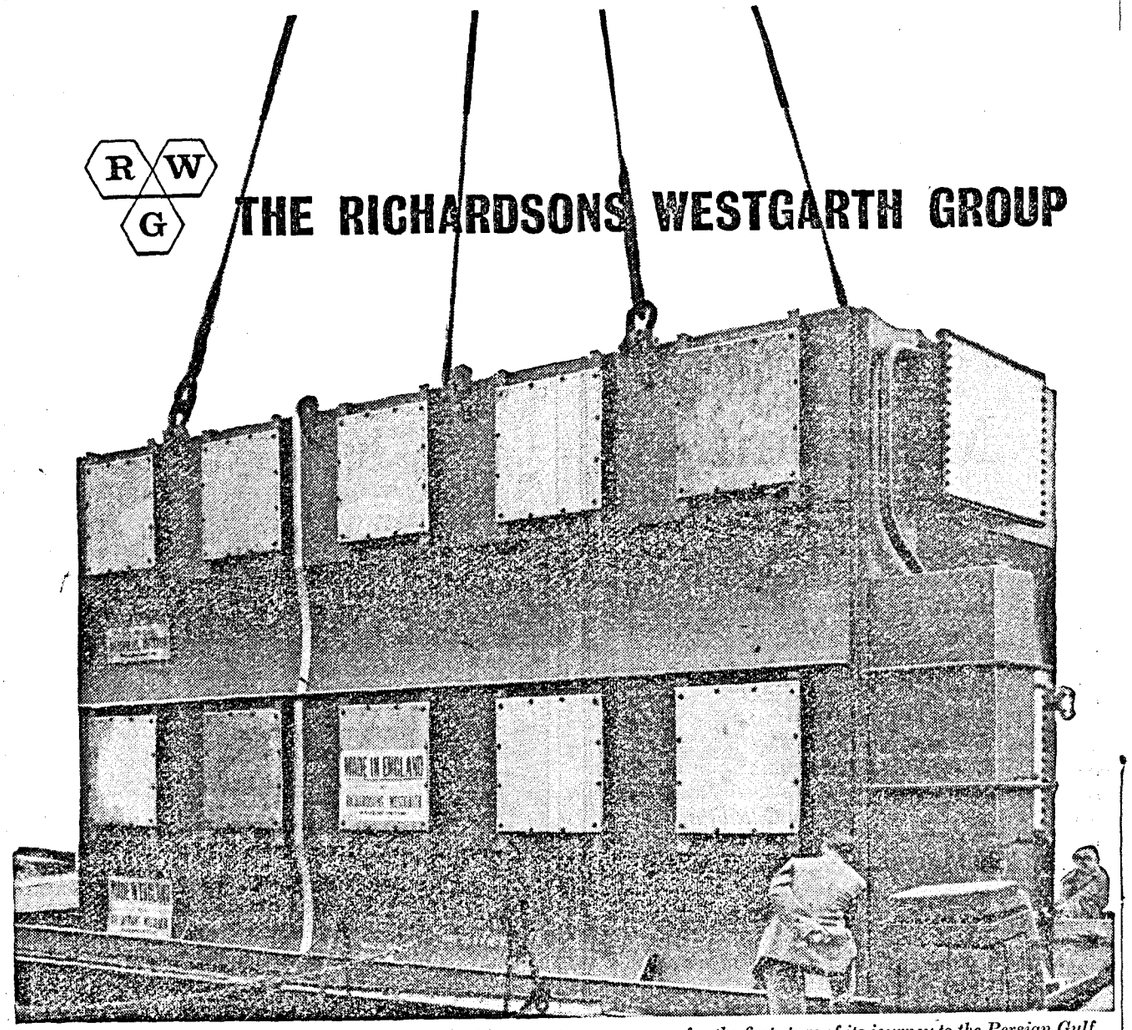
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HP ORGANISATION

A Bill After All?

THE Finance Houses Association, the body that represents the biggest of the companies providing hire purchase finance, has revised its articles of association to widen its range beyond the dozen members that at present qualify for membership. The existing minimum of capital and reserves of £500,000 has been scaled down considerably, though as hitherto the association will not be guided solely by size. The lowering of the barrier could raise membership to as much as thirty. There are many medium sized companies below previous FHA size but larger than most of the members of the Industrial Bankers' Association, the body formed by six companies in 1956, which now numbers fourteen, and shows no signs of disintegration. Then there are the hundreds of really local companies.

The Governor of the Bank of England last autumn publicly advocated "a more comprehensive organisation" in the hire purchase field; and the move by the Finance Houses Association has been prompted largely by the Bank's wishes. In time this should produce a more comprehensive organisation of the larger houses; but the Bank may be hoping for too much if it expects any organisation on voluntary lines to be really comprehensive. Even some of the larger and more experienced companies are reluctant to bend their individuality to common agreements, and tend to be suspicious of official contacts which they fear may be only one remove from official control. The smaller companies live in a world in which the language of Whitehall and Threadneedle Street is barely understood. Realists in finance houses themselves are now saying privately that if the authorities want regulation they will have to impose it.

ECONOMIC POLICIES

The Reluctant Recovery

AMONG economists, it seems, 1959 already threatens to become known as the year of reluctant recovery. The impetus to re-expansion of the world economy must come from the major industrial countries, yet none seems keen to provide it. This is implied in the latest annual review* of the Secretariat of OEEC, and it is said explicitly by Mr Christopher Saunders, director of the National Institute of Economic and Social Research, who has less need to tread warily. While governments are agreed on the need to stimulate an adequate rate of economic growth, the OEEC review states, the situation will have to be watched carefully to see if further steps prove necessary. "Countries in a stronger economic position [Germany is not named] have the major responsibility...."

The review suggests that now that reserves are more comfortable European countries need not look so closely over their shoulders at the United States in preparing reflationary measures.

Mr Saunders, writing in the *Westminster Bank Review*,† first stresses Western Europe's remarkable growth as a dynamic force in the world economy:

> What happens there is now at least as important as what happens in the United States for the course of world trade and prices, for the development of the primary producing areas and for the creation of opportunities for Britain's own exports and overseas investment.

Western Europe is now a larger market than the United States for the primary producing countries, taking 37 per cent of their exports in 1957, whereas the United States took 32 per cent and Britain 24 per cent. Industrial production in Western Europe grew much more rapidly between 1950 and 1955 than in the United States and Britain; and from 1955 to 1957, when output in those countries almost marked time, Western Europe continued to forge ahead, providing the major expansionary force in world trade. Imports into Western Europe grew by about eight per cent a year from 1950 to 1957, twice as fast as the primary producing countries' imports. Over the same period the volume of total British exports rose by 15 per cent, and exports to Europe accounted for two-fifths of that increase.

Mr Saunders concludes that the United States is unlikely to take active steps to increase the speed of its recovery, while the French can hardly afford to encourage expansion this year. Germany appears unwilling to take any serious risks, though, as he says, "it may well appear to a British observer that no other country is so well placed to play the Godot for which we are all waiting." So much hangs on how far the British Government, which also faces certain risks, "is prepared to put more steam behind the gradual and uncertain recovery of British industry and, thereby, of the world economy."

* *Policies for Sound Economic Growth.* † *Western Europe in the World Economy.*

ECONOMIC FORECASTING

The Mathematical Approach

MANY people in Britain have recently begun to engage in economic forecasting and several different kinds of techniques are being used, other than that of simply having a hunch about what is going to happen. One way is to take a survey, among a sample of business firms and consumers, of reactions to a battery of questions about prospects and intentions. Another is to build up, from reasoned conjecture, a complete set of national income aggregates, so that at least the various sets of guesses are consistent one with another. A third method relies on a more mechanical process—the econometric model which represents the actual workings of the economy by a system of mathematical equations. It is into this third and more precise field of forecasting that the Oxford Institute of Statistics has now ventured: its current *Bulletin* describes work carried out on what is claimed to be the first econometric model ever made of the British economy.

The main factor which this model tries to explain is the level of industrial production. Needless to say, it is a complicated system presenting formidable problems of data collection and computation; 72 variables and 30 equations are involved. In order to make predictions, not only have considered assumptions to be made about the expected behaviour of variables which are under direct Government control, but past measurements of a considerable number of factors have to be used. Obviously a good deal depends on the quality of these past measurements. It is somewhat unfortunate that since the Institute made these predictions,

the series for industrial production has been revised so that the latest figures give a less pessimistic look than they did two months ago. Too much, therefore, cannot perhaps be read into its judgment that "production will continue its present decline into the early part of the year and then recover during the latter half." But it is of interest to note that when preparing an annual model for the whole of this year, on the assumption, among other things, of a ten per cent cut in tax rates and a Bank rate of 3½ per cent, the Institute estimated that production would rise back to its 1957 average level but the level of unemployment would still be about 600,000 people "at a mid-year average."

STEEL IN SHEFFIELD

"A Little Tiny Bit Better"

SHEFFIELD has not lightly escaped the consequences of last year's drop of 11½ per cent in steel output and it is easily understandable that steel people there should be sucking thermometers every morning to see if they feel better. The answer is that they do—or think that they do. But they are far from fully recovered from the shock which greeted them on their return from holidays last summer when even their best customers, supplying the booming car trade, cut their orders to the bone. In the United Steel Companies group, which covers an important cross-section of Sheffield steel making, there were signs late in December of a pick-up in orders for special steels (from the Samuel Fox works) from the motor industry's suppliers. Output there, which dropped below 70 per cent of capacity in September and October, has recovered to 90 per cent of a markedly higher nominal capacity.

Both here, and at the Steel, Peech and Tozer works, there is new plant that could do with a lot more work—a highly mechanised bar and rod mill at Samuel Fox and a medium width strip mill at Steel, Peech which is running in on a weekly output of 3,500 tons and ought to be capable of a comfortable 9,000 tons. At this latter plant, long associated with the production of railway materials, there is gloom about the prospects for wagon wheels and springs, because of the paucity of home and export orders. But the general picture is of improvement, if only to 75 per cent operation as yet. And at the big mild steel works at Appleby-Frodingham, improved business in plates and sections has been done in the last month or two.

All fingers are crossed about this recovery. It may be the first flicker of restocking which could lift the miseries of destocking off the steel industry rather earlier than the mid-year date that everybody had in mind. But as yet it lacks real body. It is a good thing that steel dividends are generally so well covered, for it is not to be expected that earnings for the year to next September will be too bright.

THE SMALL INVESTOR

Really Too Dear?

NO stockbroker likes to turn business away. But is the business of the small investor worth his while? The answer suggested by an article written by Mr Philip Montague in the latest issue of the *Stock Exchange Journal* is that it is not. Putting the cost of a transaction to the broker at £3, he says that "any transaction worth less than £300 does not cover all expenses and anything less than £75 puts the stockbroker definitely out of pocket." That statement is open to comment. First, do small broking firms that are not involved in expensive statistical and advisory services have to spend £3 in putting a deal through? Secondly, does the contact made through a small bargain, however costly it may be in the present, never lead to profitable business in the future? Thirdly, is not this argument based on average costs? What the broker must consider is the marginal cost of the transaction. If he does not have to add to his staff or require them to work overtime, any business will help; but if he can cope with the business of small investors only by adding to his resources, it may not indeed be worth the effort and added cost. Lack of enthusiasm for the small man's business is, in fact, the product of an active market.

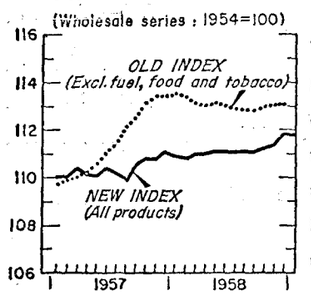
Mr Montague lists a number of steps which would help to bring the small man to Throgmorton Street: more and better information from public companies; a streamlining of the cumbersome and costly system of share transfer; the quotation of inclusive prices; the abolition of stamp duty; greater freedom for brokers to advertise; and the encouragement of investment clubs, with their proclaimed faith in "averaging." This is a comprehensive and good list. But it does not say what the brokers themselves should do to attract the small investor's business. If they do not deliberately woo it, it will not come to them but go instead to the unit trusts—a fact that the bigger brokers may not regret at all.

INDUSTRIAL DIAMONDS

Synthetics' Progress

IT is just four years since the General Electric Company of the United States announced that its scientists had produced the world's first synthetic industrial diamonds. GE began production of synthetic crushing boart just over a year ago; and recent reports in the United States indicate that the company's output in the first year totalled about 750,000 carats—roughly ten per cent of American consumption of crushing boart last year. Mr J. D. Kennedy, head of GE's diamond division, is reported to have told a meeting in San Francisco last week that American industry has "broken the British diamond cartel's stranglehold on the world supply of valuable stones." Since beginning production, GE has reduced its price by roughly half, to about 21s. a carat, compared with the price of 20s. a carat which the Central Selling Agency of the Diamond Corporation has asked for natural boart since August, 1957. General Electric has also claimed that it is able to produce up to 3½ million carats a year; this would be equal to about half

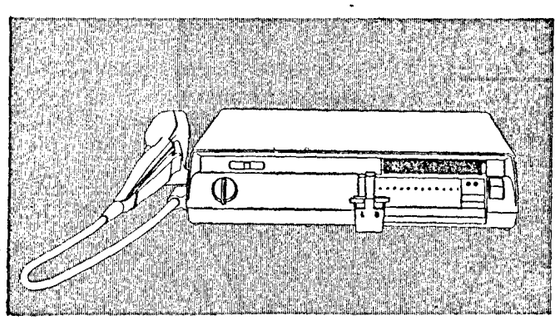
PRICES OF MANUFACTURED GOODS



The Board of Trade's new index of wholesale prices of manufactured goods for the home market shows a slight rise for last year. It has a wider coverage than the old index.

THE ECONOMIST FEBRUARY 28, 1959

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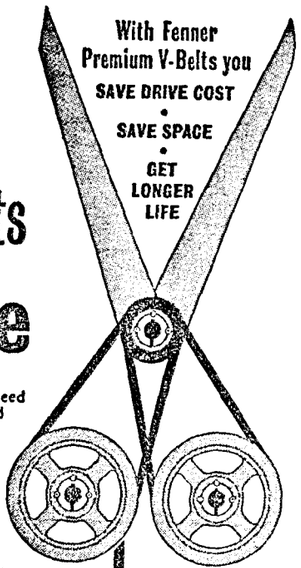
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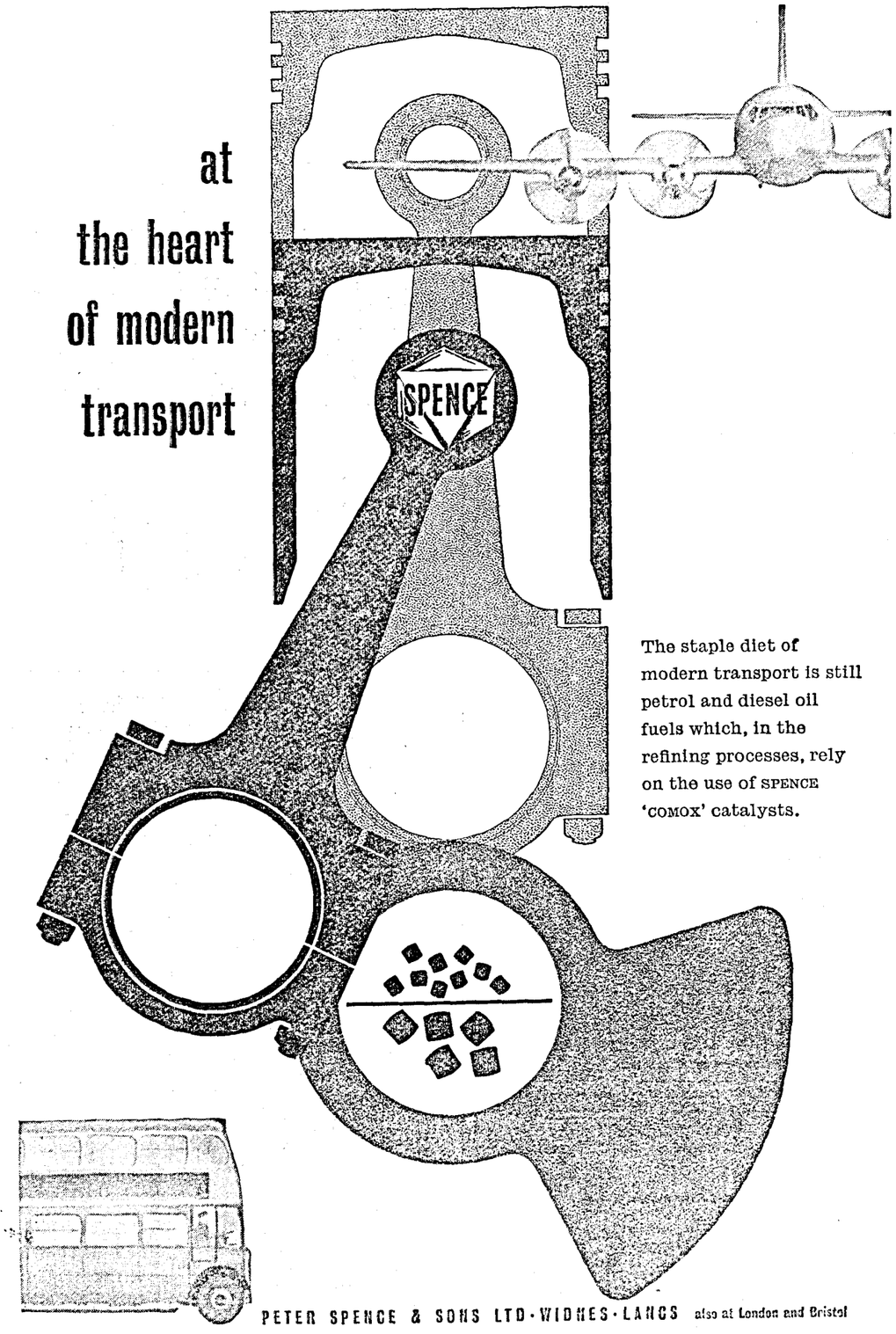
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the present demand for crushing boart in the United States.

Talk of "breaking strangleholds" seems a shade ebullient: GE can only make boart and sales of gem diamonds—which made up three-quarters of De Beers' sales of £65 million last year—remain firmly in the grip of the Diamond Corporation. Furthermore, it is felt that synthetic diamonds large enough to be used in drills or other tools will not be produced for some years. But the development has certainly established a new—and unquestionably a formidable—competitor in crushing boart. While clearly neither De Beers nor General Electric would welcome a price war in diamond abrasives, GE's price is now low enough for many American buyers to find it attractive, especially in view of the occasionally paranoid American concept of "national security." Since GE's boart is made by subjecting graphite to conditions of temperature and pressure identical to those under which real diamonds are created, it seems probable that the properties of both types are about the same; this is, however, not yet certain.

The shortage of crushing boart supplies which marked the years 1950-56 ended with the American recession; De Beers' sales of all industrial stones fell by nearly a third in 1958 compared with 1957. But the revival of industrial activity should leave a reasonable market for both natural and synthetic diamonds. An unknown factor here is future buying by the US Government for stockpiling. It has been rumoured in the United States that stockpile buying from De Beers—which was resumed last year after being stopped in 1957—will cease again at the end of this year now that synthetic stones are available. But General Electric may benefit only indirectly from this, since it may mean that all buying of boart for the doubtless now enormous US stockpile will cease.

EXPORTS TO USA

The Basket Broadens

JANUARY was the fourth successive month in which British exports to the United States set a new record—this time of £27.8 million, £1.3 million above the monthly average for the fourth quarter of 1958. That increase was less than the further rise—partly seasonal—of £2 million to £8.1 million in shipments of cars. But though the motor car industry continues to lead the expansion of British exports to this market a number of other industries have recently provided stronger support.

BRITISH EXPORTS TO THE UNITED STATES
(£ million)

	Jan.–Sept.		Oct.–Dec.		Jan.–Dec.	
	1958	Change on 1957	1958	Change on 1957	1958	Change on 1957
Total	192·8	+ 9·7	79·7	+18·8	272·5	+28·5
Motor cars	44·7	+16·3	18·3	+ 7·1	63·0	+23·4
Aircraft	9·7	+ 5·2	3·2	+ 2·6	12·9	+ 7·8
Bicycles	1·6	+ 0·2	0·8	− 0·1	2·4	+ 0·1
Wool fabrics	8·3	− 2·4	1·1	− 0·1	9·4	− 2·5
Chemicals	5·6	None	2·2	+ 0·4	7·8	+ 0·4
Iron and steel	4·2	+ 0·9	1·9	+ 1·1	6·1	+ 2·0
Non-ferrous metals	11·8	+ 0·7	4·2	+ 0·7	16·0	+ 1·4
Manufactures of metals	4·3	− 0·7	2·0	+ 0·2	6·3	− 0·5
Non-electric machinery	17·6	+ 1·8	7·8	+ 2·5	25·4	+ 4·3
Electric machinery	5·8	− 4·6	2·9	+ 0·7	8·7	− 3·9
Whisky	21·9	+ 2·8	11·0	+ 0·5	32·9	+ 3·3
Pottery	3·7	+ 0·1	1·8	+ 0·5	5·5	+ 0·6

In the first nine months of 1958 British exports to the United States amounted to £193 million, nearly £10 million more than in the same period of 1957. Shipments of textiles, electric machinery and manufactures of metals were all lower than in 1957, while chemicals and pottery showed little change. The big increases were in motor cars, up by £16.3 million, aircraft, up by £5.2 million and whisky, up by £2.8 million. In the last quarter of the year British exports rose much more sharply, to £79.7 million, nearly £19 million more higher than a year ago. This time only half of that increase was attributable to cars and aircraft, which rose by £7 million and £2½ million, respectively. Shipments of non-electric machinery rose by £2½ million and electric machinery rose by £700,000. Pottery and chemicals were each about £500,000 higher, while iron and steel and non-ferrous metals were up by £1.1 million and £700,000 respectively. Shipments of textiles, exceptionally, continued to fall, though the American quota restrictions are held responsible for the drop in wool fabrics. With the American economy now set for a further advance the expansion in British exports should become more broadly based. The full potentialities of this market are far from exploited, and the recent conference of the Dollar Exports Council showed that British exporters are not running out of ideas.

ATOMIC ENERGY

The Japanese Order

"I WOULD not like," said the managing director of the General Electric Company's atomic energy division referring to negotiations now starting in Japan, "to put this in terms of a definite order." While to all outward appearances the Japan Atomic Power Company has decided to accept GEC's tender to build a single-reactor 150 MW nuclear power station on the east coast of Tokyo, and rejected those of GEC's two British competitors, the gap between cup and lip has never been more in evidence. Not long ago the Japanese asked all three bidders to send representatives to Japan to discuss whittling down their tendered prices. GEC has plainly made some price concessions and opened up the way for other perfectly genuine price reductions by preparing to substitute Japanese for British-built components in the power station. A case in point is steel plate for the reactor pressure vessel. Just how far this substitution can be carried will be decided during the talks that will precede the signing of a letter of intent. On this will depend the final cost of the power station, which stands at present at between £30 and £31 million. It is still conceivable that the Japanese, having pressed GEC so far, will ask for concessions that the company is not prepared to grant—in which case the Japan Atomic Power Company has made it known that it will immediately see whether it cannot do better with the company second on its list.

Export orders for nuclear power stations are vital to the British consortia not for the profit they bring, which is non-existent, but to keep design and research teams and expensive construction equipment employed. Since the size of nuclear power stations has risen in Britain to 500-600 MW, the number needed to complete the Generating Board's 6,000 MW programme during the next eight or nine years has shrunk to a bare eight or nine stations to be divided among five consortia, each of which would be prepared to start one new station every six months. Apart from the prestige that goes with an export order, there is advantage

for a company in GEC's position not to attempt to recover overheads such as research from the foreign customer and to charge the bare cost of designing and building his station.

MOTORS

An Unseasonal Dip

PRODUCTION of passenger cars (including taxis) in January totalled 76,121, compared with 89,875 in the previous month and 85,639 in January, 1958. While this represents an increase in the weekly rate of production over the previous month, it is more than ten per cent below the rate of output of a year earlier. This is not, however, the result of a decline in the level of demand upon the industry ; the major manufacturers state that this is being maintained at a high level. But output in January was affected by the switch over to three new models at BMC—the Wolseley, Austin A55 and MG—by preparations for "face-lifts" of other manufacturers, such as the three big Fords and the Vauxhall Victor, and by unofficial strikes during the month which affected the output of both BMC and Standard.

Motor output this month may also suffer on account of unofficial strike action. Although the walkout at Steel Company of Wales's plant was quickly settled, a strike of 150 men began at Ford's Dagenham plant on Monday ; production stopped, and 7,000 workers were laid off. By the time that this issue of *The Economist* went to press no settlement had been announced.

Production of commercial vehicles in January increased slightly compared to the previous month and rose above the level of a year ago ; 26,321 vehicles were produced in January, compared with 29,636 in December, a five-week month, and 25,961 in January, 1958.

PLATINUM

Price Rises Sharply

FOR nearly two years platinum producers in South Africa and Canada, which provide the bulk of world output, have watched Russia undermine their market. Some fall in prices was inevitable. Production was expanded to meet the needs of the oil companies for platinum as a catalyst in refining and it was bound to fall when the industry had enough cat crackers. But the "official" price fixed by the major producers would not have fallen so abruptly—from £34 to £19 10s. an ounce—if Russia had not been such a pressing seller. After forcing down the official price to within £2 of its own price, Russia renewed its offers at a bigger discount, and so weakened the market further. Had such competition come from outside the Soviet block the major producers might have guessed when the rout would stop. But knowing nothing of Russia's output, production costs or domestic consumption, they could only wait. Early this month the chairman of Rustenburg Platinum Mines, the South African group, could see no indication of any hardening in the price. He added, however, that changes in the market tend to be rapid.

Rapid they have been. For some months there have been signs of an improvement in demand, noticeably in the United States and Continental countries. Russian prices had been a little firmer, and for large quantities the major producers had been able to obtain a price closer to their published price. The market was evidently ripe for a turn, and it came two weeks ago. Russia withdrew temporarily from the market, and then offered small quantities at a higher price. Buyers came in, Russia raised its price further, buyers followed and the rise went on. Prices on the free market have now risen by over £9 to about £27 an ounce and the major producers have successively raised their own prices by £5 10s. to £25 an ounce. The sharpness of the recovery, which owes something to speculative buying, casts some doubts on whether it can be held. Consumers must have run down their stocks when prices were falling, and may now be building them up. It remains to be seen whether consumption of platinum is rising too. Production in South Africa is sharply curtailed and supplies ought now to be in closer balance, but Russia remains the joker in the pack. If its stronger selling policy reflects a reduction in its available supplies other producers will breathe more freely.

TIN MARKET

Prices Above £780

EVENTS in the tin market have moved fast. Last Saturday the Tin Council announced that exports from members of the International Tin Agreement would be allowed to rise to 23,000 tons in the second quarter from 20,000 tons in the first quarter. The chairman of the council confirmed that the manager of the buffer stock had been selling from the special stock, which is believed to have amounted originally to about 5,000 tons ; a "very substantial part," he said, had been sold. On the following Monday tin prices weakened, but the market subsequently firmed, closing on Thursday at £782 a ton for cash metal, a gain of £9 on the week. Three months' tin continues to command a premium. Then on Friday the chairman announced that all the tin in the special stock had been sold. So with tin over £780 a ton the manager can at last sell metal in the ordinary stock, which totals 23,350 tons. As demand is buoyant, and supplies from producing countries cannot start to increase for another month, the manager will certainly be able to sell without making much impact on prices.

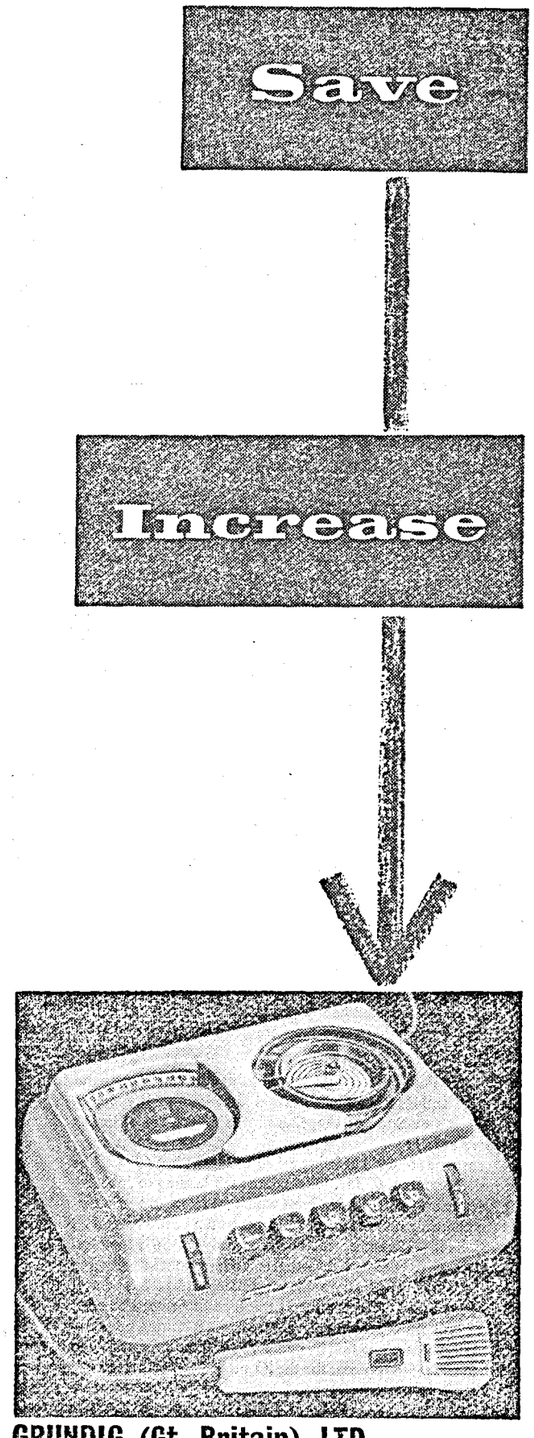
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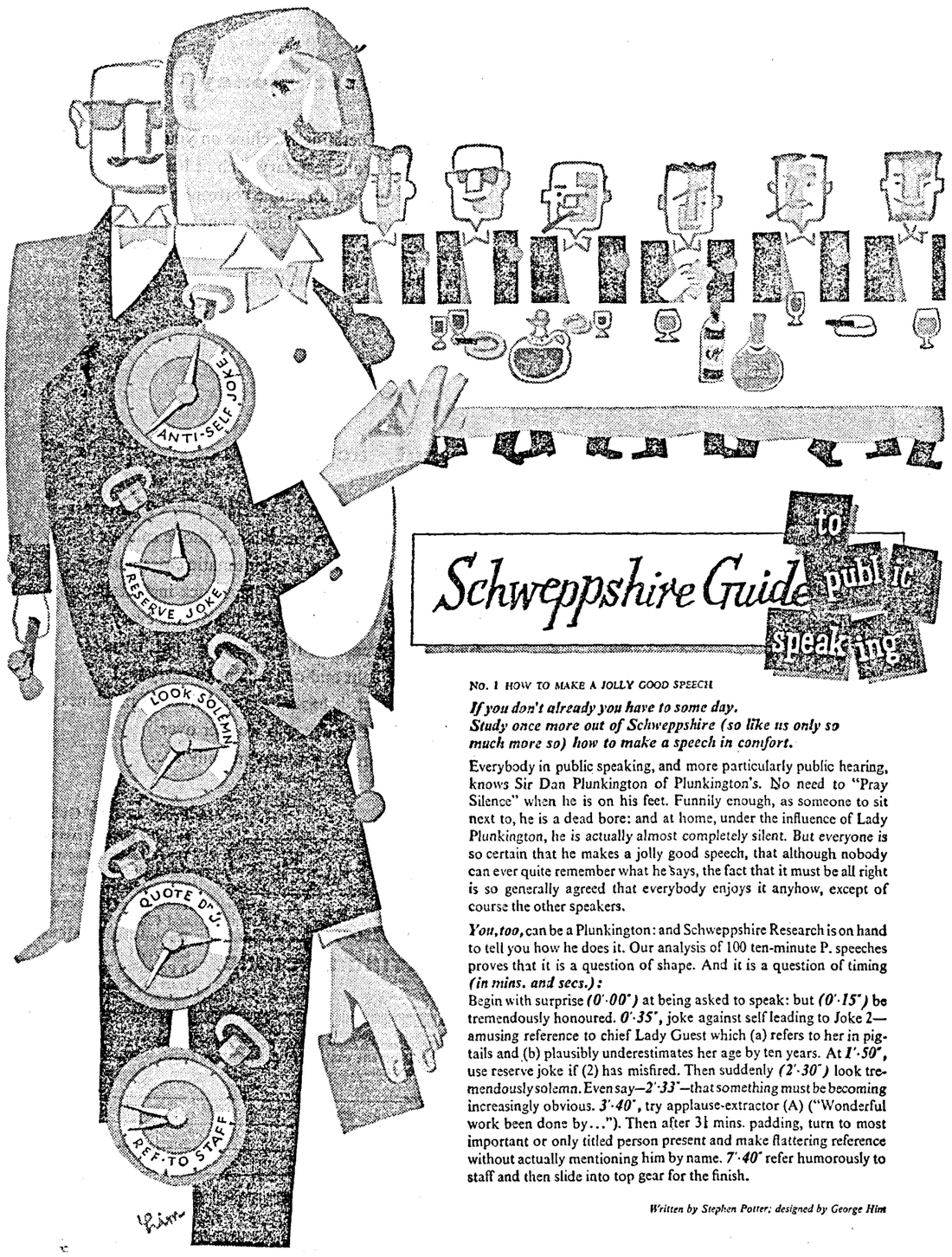
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Schweppshire Guide to public speaking

No. 1 HOW TO MAKE A JOLLY GOOD SPEECH

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Study once more out of Schweppshire (so like us only so much more so) how to make a speech in comfort.

Everybody in public speaking, and more particularly public hearing, knows Sir Dan Plunkington of Plunkington's. No need to "Pray Silence" when he is on his feet. Funnily enough, as someone to sit next to, he is a dead bore: and at home, under the influence of Lady Plunkington, he is actually almost completely silent. But everyone is so certain that he makes a jolly good speech, that although nobody can ever quite remember what he says, the fact that it must be all right is so generally agreed that everybody enjoys it anyhow, except of course the other speakers.

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Begin with surprise *(0'·00")* at being asked to speak: but *(0'·15")* be tremendously honoured. *0'·35"*, joke against self leading to Joke 2—amusing reference to chief Lady Guest which (a) refers to her in pig-tails and (b) plausibly underestimates her age by ten years. At *1'·50"*, use reserve joke if (2) has misfired. Then suddenly *(2'·30")* look tremendously solemn. Even say—*2'·33"*—that something must be becoming increasingly obvious. *3'·40"*, try applause-extractor (A) ("Wonderful work been done by..."). Then after 3½ mins. padding, turn to most important or only titled person present and make flattering reference without actually mentioning him by name. *7'·40"* refer humorously to staff and then slide into top gear for the finish.

Written by Stephen Potter; designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

FOREIGN NOTES

Free Arbitrage

AUTHORISED banks were informed by the Bank of England this week that they are allowed to export Bank of England notes not only against payment from an external account but also as the counterpart of purchases of foreign notes. Previously, dealings in foreign notes were unrestricted but payments for notes purchased here could only be made by crediting the appropriate non-resident sterling account. The freedom to export sterling notes applies also to notes of the rest of the sterling area. The only limitations that remain on the market in foreign notes in London are those that emanate from overseas countries whose own regulations still restrict the use and import of their own notes. The greater freedom given to authorised banks in their dealings in notes is expected to attract to the London market some of the business that has tended to gravitate to freer markets, notably that in Zurich, which takes premier place in dealings in foreign notes and foreign coins. The London market in notes has expanded considerably in recent years following the permission given to British tourists to take the whole £100 of their allowance out of this country in the form of foreign notes. French francs and Spanish pesetas can still be obtained more cheaply in the form of notes than against travellers' cheques at the official rate of exchange.

THE BILL ON LONDON

Rather More Free

THE ban imposed in September, 1957, on "third country" credits granted by London banks to finance trade between countries other than the United Kingdom has been removed. Such credits finance, for example, coffee from Brazil to Germany, rubber from Malaya to the United States, wool from Australia to France. The ban was imposed because of the increase in the use of London credits to speculate against sterling by postponing payments. There is manifestly no danger of any such abuse in the transformed mood of the exchange markets to-day, and therefore no reason why London houses should continue to be deprived of traditional business. Overseas traders have not lost the habit of sterling credits and there has been no important move in any other centre to replace London's facilities.

Somewhat anomalously, the authorities have not lifted the ban on "refinance" credits (nor that on overdrafts to non-residents, also imposed in the 1957 crisis). These are usance credits, usually of three months' duration, opened in order to meet sight drafts payable in London. A typical example would be that of an Australian exporter of wool selling to an American buyer and requiring payment against a sight draft drawn under a London credit. The American buyer, if the rate of interest in London were attractive, or if he wished for speculative reasons to postpone his payment in sterling, would arrange a refinance credit in London. The proceeds of this credit would be used to pay the sight draft drawn by the Australian exporter. The credit would extend by three months the time within which the American buyer had to cover sterling. The line of demarcation between refinance credits and third country credits is blurred. In the illustration given, the credit would now pass muster if the US buyer were to arrange a three months' London credit in favour of his supplier in Australia, but would fall under the ban if the proceeds of the London credit were intended to meet the Australian exporter's sight draft.

SHORTER NOTES

The directors of Borax (Holdings) announce unaudited trading profits (after depreciation) of £689,838 for the three months to December 31st, against £45,575 for the previous comparable period. But overproduction of potash in the USA "continues to cause concern."

* * *

The directors of I. & R. Morley, the hosiery manufacturers, have announced that the group's trading profits in 1958 fell from £593,971 to £292,392. The ordinary dividend maintained at 12 per cent for the fifth successive year is paid by drawing upon the carry-forward.

* * *

Individual statements of the London clearing banks for mid-February show a total rise in advances of £72 million, despite repayments of £9 million by nationalised industries. Liquid assets are falling sharply as the Exchequer repays floating debt from tax receipts, and the banks sold further substantial amounts of gilt-edged in the period, totalling £60 million. Barclays was the biggest seller. Lloyds, the District, Martins, Williams Deacon's and the National have liquidity ratios barely above 30 per cent.

* * *

On Tuesday the Chancellor of the Exchequer told the House of Commons that he might postpone the introduction of purchase tax on secondhand jewellery, while he considered the representations made by MPs and the trade.

* * *

As the price of raw sugar under the International Sugar Agreement had fallen below 3.25 cents a lb, export quotas were reduced on February 21st by 2½ per cent, or 160,000 metric tons. The Sugar Council will shortly announce what further action is to be taken to support the price.

COMPANY AFFAIRS
Comments on pages 825, 826 and 827 on
Lewis's, Harrods, Carreras, Hoover, Monsanto, Consolidated Zinc, Imperial Tobacco, Clarke Chapman, British Home Stores, "Chartered", English Electric, Gillett Brothers, Leyland, Kitchen & Wade, Dalgety, Broken Hill

LONDON AND NEW YORK
Stocks, prices, yields and security indices on pages 828 and 829

LONDON STOCK EXCHANGE
The week's movements reported on page 827

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 830

COMPANY MEETINGS

SUN LIFE ASSURANCE SOCIETY

RECORD FIGURES

MR G. C. RANDOLPH'S STATEMENT

The annual general meeting of the Sun Life Assurance Society will be held at 107 Cheapside, London, E.C.2, on Tuesday, March 24, 1959. Mr C. G. Randolph, Chairman of the Society, has issued a statement to shareholders, which in outline is as follows:

FUNDS, INCOME AND OUTGO

The total funds at the close of the year amounted to over £137 million, having increased during the year by £10,700,000. The life premium income and the consideration for annuities granted reached the record totals of £16,143,000 and £3,920,000 respectively, together passing the twenty million pound mark for the first time.

The gross interest income of the Life Assurance, Annuity and Sinking Fund Accounts amounted to £6,740,000, representing a rate of £5 9s. 11d. per cent, which is 7s. 8d. higher than in the previous year.

Although the claims by death at £3,018,000 exceeded those of the previous year by £320,000, the number of claims was again less than the number expected according to the mortality tables employed in our calculations.

NEW BUSINESS

I am pleased to be able to state that the new life sums assured granted last year amounted to £70,179,000 and exceeded by £9,372,000 the record total reached in 1957. The new life sums assured include an increased amount of with profits assurances; this is no doubt to some extent attributable to the satisfactory rates of bonus declared as a result of our triennial valuation made as at December 31, 1957.

In addition, annuities of £1,858,000 per annum were granted, mostly in connection with staff pension schemes.

I would like to take this opportunity of thanking all our connections for their continued support.

You will be aware that we endeavour to ensure that, wherever possible, persons requiring life assurance protection shall be able to obtain it. To this end our treatment of proposals on the lives of persons who are below average from the life assurance point of view is kept continuously under review so that effect can be given to the advances of medical science and our reputation for liberal underwriting maintained.

PENSION SCHEMES

A substantial proportion of our new business last year was again secured under new and existing pensions schemes. Many new schemes of various types were inaugurated during the year and our "with profits" group pension scheme continues to be popular.

An important development affecting the future of pension schemes business was the publication by the Government last October of the White Paper entitled "Provision for Old Age," followed early this year by the introduction of the National Insurance Bill. It has long been our opinion that the state pension scheme should be limited to the provision of pensions to cover basic needs and I am glad to see that it is stated in the White Paper that the Government is convinced that changes in the field of National Insurance should be so framed as not to prevent the vigorous development of independent provision for old age, whether through occupational schemes or otherwise. It is proposed under the Bill that the present flat-rate pension benefits should be augmented by graduated benefits related to earnings, but it would appear that it will continue to be necessary to provide substantial additional pensions to be secured independently of the state scheme for most employees, especially higher paid staffs.

HOUSE PURCHASE

Owing to the continued heavy demand for mortgages under our house purchase scheme we have reluctantly found it necessary to maintain the quota system, to which I have referred in recent years, in order to limit the total amount to be advanced.

INCREASABLE ASSURANCE

In March of last year we announced the introduction of a new policy entitled the "Increasable Assurance," which we believe to be an important development in life assurance practice, and the encouraging initial reception given to the new policy indicates that it meets a real need. The policy provides life assurance with the option at regular intervals of effecting additional assurance up to specified amounts at the tabular rate of premium irrespective of the life assured's state of health when each option is exercised. It is thus particularly suitable for the man who wishes to ensure that additional cover commensurate with his growing responsibilities will be available when it is required even if in the meantime his health should deteriorate and he should become unassurable or acceptable only at an increased premium. We shall be happy to forward full details on application.

INVESTMENTS

The year 1958 witnessed a marked change in the national economy; not only was it free from the periodic financial crises arising from inflationary pressures with which we have become all too familiar in the postwar years, but there was evidence of a degree of deflation.

The enhanced confidence in Government credit both at home and abroad has been marked by a substantial rise in the prices of fixed interest securities. The appreciation in the prices of medium-term and long-term British Government securities has been approximately 7-10 per cent during the twelve months, but the appreciation in the market prices of ordinary shares has been much greater.

A valuation of our Stock Exchange securities at the end of 1958 showed that the market value considerably exceeded the value at which they stand in the balance sheet, without taking into account the investment reserve fund of £5 million.

NEW CHIEF OFFICE PREMISES

Four years ago I mentioned that the accommodation at our Chief Office premises at 63 Threadneedle Street had long been insufficient for our requirements and that we had acquired a prominent site in Cheapside on which new Chief Office premises were to be erected. It was a notable occasion in the Society's history when in July last the new building was formally opened by the Lord Mayor of London, Sir Denis Truscott.

STAFF

It is my pleasure to congratulate the executive and the staff on the success which has attended their efforts and to thank them, on behalf of the Board, for their loyal co-operation and gratifying achievements.

I also take this opportunity to express the gratitude of the Board to Mr Murrell, who, after completing 43 years' service with the Society and having occupied the position of general manager and actuary for nearly ten years, retired at the end of January 1959. We wish him good health and every happiness in his retirement.

I extend a welcome to Mr Mears, who has been appointed general manager. He has spent all his business career with the Society and he will, I feel sure, at this time of succeeding to its highest office, continue to enjoy the full confidence of the Board and the staff.

SOUTH ESSEX WATERWORKS COMPANY

The annual general meeting of South Essex Waterworks Company was held on February 24th in London, Mr G. Francis Stringer, OBE (the chairman), presiding. The following is an extract from his circulated statement:

The Directors' Report and Statement of Accounts for the year to December 31, 1958, give some indication of the continued expansion of the work undertaken by your Company. There is a total net increase in capital expenditure during the year of £145,730 of which a further sum of £60,662 has been spent on the Hanningfield Works. During the year under review an average of five and three-quarter million gallons per day was supplied from these works, your Company taking approximately three and one-third million gallons per day.

The Revenue and Expenditure Account shows a net increase in revenue of £23,949. Such increase was lower than it would have been owing to a substantial reduction in revenue from building supplies due to credit restriction, also the continued wet weather during the summer months resulted in a fall in demand for water for non-domestic purposes.

From December 26, 1958, the domestic rate for supplies of water was increased from 8 per cent to 9 per cent on net annual value and an addition of 1d. per 1,000 gallons on one graduation of the scale of charges for water supplied by meter for combined domestic and trade purposes. Since 1928 these charges have been less than those authorised by the Company's special Acts.

The report was adopted.

MONTAGUE BURTON LIMITED

SUCCESSFUL TRADING AT LOWER PROFIT MARGINS

INCREASED TURNOVER

MR LIONEL JACOBSON'S STATEMENT

The twenty-ninth ordinary general meeting of Montague Burton Limited was held on February 24th at the registered office of the company.

Mr L. Jacobson (the Chairman) presided.

The secretary (Mr H. V. Evans, ACA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the Chairman circulated with the report and accounts:

You will remember that last year I stated that the Group had decided, in spite of steadily increasing costs, not to increase our retail prices even though such a policy might result in a lower level of profit. It was not an easy year. We traded successfully but at lower profit margins. The increase in turnover was inadequate to absorb the increased costs. In consequence profits are reduced but as forecast last year, sufficient for all purposes. After providing for taxation on profits earned to date, dividends, appropriations amounting to £94,748 for the redemption of debentures and preference shares some £284,000 has been added to revenue reserves. The burden of this "Price Standstill" was spread and proportionately shared by all associated companies and the Group made this considerable contribution as a check to inflation.

NEW BRANCHES

The four Burton Tailoring branches recently opened in the new towns are trading on a satisfactory level. The expansion of the Jackson The Tailor Group and Peter Robinson stores continues. It may interest you to know that amongst the major undertakings this year is the conversion of the Tivoli Theatre in the Strand to a store for Peter Robinson which, when completed, will be one of the most modern in Europe. It is hoped to open in the Autumn of this year. That Company has plans well advanced for similar stores in Birmingham, Bristol and Norwich and the Jackson Company will shortly open new shops in Cardiff, Belfast and Doncaster.

Expenditure in connection with the erection of buildings, fitting out of the stores, refitting existing shops and stores, and replacement of plant is considerable and it can be anticipated in a business of this size it will be a permanent feature of our accounts. We have faced, and are still facing a period of considerable capital expenditure and it may be some time yet before we reap the benefit of these developments.

BUSINESS HEALTHY

Competition shows no sign of decreasing, but the business is healthy and retains the greater proportion of the retail tailoring trade of the country.

The price of wool, our major item of consumption, is still favourable to us. We have been able to do some useful buying at these lower price levels, the benefit of which should be felt in the current year.

Stocks are heavier than at the end of last year, a reflection of the near static conditions which prevailed, and the desire of your directors to assist our suppliers over a difficult period. Stocks are, however, well bought throughout and now no more than consistent with Group requirements.

CREDIT FACILITIES IN TAILORING SECTIONS

The tendency for the man in the street to budget his income has had our careful consideration for some time. Over the past few years there has been a rapid growth in credit trading of one kind or another. When credit facilities are available for a variety of goods there is a tendency for the consumption of those offered on a cash basis to decline, or at best remain stationary. Further, there has been a marked increase in the growth of shops specialising in credit tailoring and in departmental stores offering some form of credit facility in their tailoring sections. Your directors decided, therefore, to introduce a scheme on November 1, 1958, which would provide customers with this additional service at a cost to them of only 5 per cent.

The scheme has been well received by the public and a substantial pool of new goodwill has been made available to the Group. We are, of course, favourably placed to enter this new market on highly competitive terms. The scheme represents no material change in Group policy. Our aim will always be to offer first-class quality clothing at competitive prices. If we feel that some customers need assistance to buy it, then we must seek to provide that assistance.

PROSPECTS FOR CURRENT YEAR

Although last year was difficult, particularly Autumn 1957 and Spring 1958, there was a welcome return to more normal trade later and a marked revival towards the end of 1958. I am, as always, reluctant to forecast what the future holds, but I am confident that we will enjoy our full share of national prosperity.

It is with a sense of very real pride that I advise you that Her Majesty Queen Elizabeth The Second and His Royal Highness The Duke of Edinburgh were graciously pleased to visit the Hudson Road Leeds Works of this Group on Friday, October 17, 1958. This visit was a source of real joy to the 6,000 employees of this particular Works who accorded the Royal Visitors an enthusiastic welcome. It was a memorable occasion for all concerned.

TRIBUTE TO STAFF AND PERSONNEL

I am, as ever, indebted to my colleagues, staff and personnel of the Retail and Manufacturing Divisions for their loyal support over the past year.

The report and accounts were unanimously adopted. The Directors retiring in accordance with the Articles of Association were re-elected to the Board. The Auditors, Messrs Price Waterhouse & Co. and Messrs Volans, Leach & Schofield continue in office.

The Meeting concluded with a vote of thanks to the Chairman.

THE

ROYAL BANK OF SCOTLAND

ST. ANDREW SQUARE, EDINBURGH

and over 230 Branches in Scotland and London

ASSOCIATE BANKS

WILLIAMS DEACON'S BANK LIMITED

with over 220 Offices in England and Wales

GLYN, MILLS & CO.

with 3 Offices in London

THE THREE BANKS GROUP

Consolidated Statement of Accounts as at 31st December, 1958 shows :—

Total Assets	£413,300,852
Current, Deposit and other Accounts	£341,838,679
Capital and Published Reserves	£11,727,486

Each of The Three Banks has its own long tradition of personal service to the public and still preserves its separate entity. Within the Group their resources and experience merge to give strength and to provide the many services required from a modern banking institution.

SPIERS & POND LIMITED

ANOTHER YEAR OF PROGRESS

The seventy-fourth annual general meeting of Spiers & Pond Limited was held on February 25th in London, Mr T. N. Matthews (vice-chairman), presiding.

The following is an extract from the chairman's circulated review:

I am happy to preside for the first time at this Company's Annual General Meeting, and I am happy to be able to put before you Accounts which show another year of progress.

The Trading Profit of the Group amounts to £293,335, as against £247,531 for the previous year.

Expenditure on repairs and renewals amounts to £94,905. Although this is slightly lower than the expenditure during the previous year, considerably more work has been carried out in the hotels of the Group, in particular interior decoration, a great proportion of which has been executed by direct labour with consequent substantial savings in cost.

Further expenditure of a capital nature has been incurred in providing additional amenities at Marsham Court, Bournemouth, and Bailey's Hotel, London, where new cocktail bars have been installed.

The net profit after providing for taxation is £100,993, of which the holding Company's proportion is £99,472.

The dividend for the year on the 6½ per cent Preference Stock has been paid, and your Board recommends a dividend on the Ordinary Stock of 12½ per cent less tax. The sum of £38,597 has been transferred to General Reserve, and a transfer of £3,500 to the Company's Sickness and Benevolent Fund is proposed. The foregoing allocations, if confirmed, will leave a balance of £128,482 to be carried forward.

Current Assets of the Group at £502,280 compare with £402,819 for the previous year, whilst Current Liabilities amount to £228,904 as against £280,631. There is, therefore, an appreciable improvement in the liquid position of the Group.

As far as the current year is concerned, the turnover and profits for the first three months show a satisfactory increase in comparison with the same period last year. Whilst much must depend on the summer season, every possible effort is being made to increase the already extensive banqueting and convention business which we enjoy throughout the year.

In conclusion I should like to pay tribute to my co-Directors, senior executives and all staff for their sustained efforts during the past year, which have contributed so materially to the satisfactory results before you. Through the constant efforts of all concerned your Company continues to enjoy a very high degree of goodwill in the hotel and catering industry.

The report and accounts were adopted and an Ordinary Resolution authorising the Directors to enter into an Agreement for the purchase of all the issued shares in the capital of Chicken Inns (London) Ltd. was unanimously approved.

The hotels operated by the Group are as follows: Bailey's Hotel, Gloucester Road, London, SW7; Grand Hotel, Brighton; Marsham Court, Bournemouth; Queen's Hotel, Eastbourne; Royal Clarence Hotel, Exeter; Grand Hotel, Scarborough; Warnes Hotel, Worthing; Calverley Hotel, Tunbridge Wells; The Bull's Head Hotel, Aylesbury.

THE WEST INDIES SUGAR COMPANY, LIMITED

FACTORS AFFECTING PROFITS

MR PETER RUNGE'S STATEMENT

The twenty-second annual general meeting of The West Indies Sugar Company, Limited will be held on March 18th at Bucklersbury House, London, E.C.

The following is the statement by the chairman, Mr Peter Runge, which has been circulated with the report and accounts:

Since my last statement we have suffered two severe losses on the Board. Mr Albert Palache, a member of the original Board, died in February last year. He had been ill for some months but his death nevertheless came as a great shock to us. Sir Arthur Evans, who had been on the Board since 1939, died suddenly in September. Both these Directors were associated with the Company during its early and difficult days and had seen it grow to its present size and importance. My colleagues and I miss their wisdom and counsel, and feel their loss most deeply.

Mr J. F. P. Tate, a Director of Tate and Lyle and of Caroni, has been invited to join the Board, and we welcome his contribution to our deliberations.

TRADING RESULTS

The Consolidated Trading Profit for the year amounted to £709,699, and the Consolidated Net Profit to £360,739. The comparative figures for 1958 and 1957 are shown below:

	1958 £	1957 £
Consolidated Trading Profit	709,699	1,119,133
Consolidated Net Profit	454,720	821,508
Less: Proportion attributable to outside holdings in Ste. Madeleine Sugar Co. Ltd.	93,981	85,549
	£360,739	£735,959

Our Subsidiary Company in Trinidad had a very good year but the results of the Parent Company were disappointing. The year's figures, compared with previous years, are shown below:

	1958	1957	5 years' average 1953/57
	£	£	£
Trading Profit.....	324,844	838,510	838,099
Net Profit.....	284,307	650,785	443,711
	Tons	Tons	Tons
Sugar Production :—			
Monymusk.....	50,712	59,431	66,076
Frome.....	77,959	83,772	73,013
	128,671	143,203	139,089

DIVIDEND MAINTAINED

Your Directors recommend payment of a Final Ordinary Dividend at the rate of 1s. 1d. per Share, free of tax, which, with the Interim Dividend of 3d. per Share paid on October 31, 1958, makes a total distribution of 1s. 4d. per Share, free of tax, the same rate as last year.

The severe drop in profits is only partly due to world prices having returned to normal in 1958. A much more important factor is concerned with agricultural operations at Monymusk. Four or five years ago there was every indication that Jamaica was over-producing. It fell to Monymusk to reduce its sugar output by planting bananas. But the over-production did not materialise; indeed there was a call for every ton of sugar that could be produced. Within certain limits harvesting of cane can be continued in one year at the expense of the following year. That is what has been happening at Monymusk in order to fill the demand for sugar, and cropping has got further and further out of step with the seasons. This state of affairs was seriously aggravated by the 1957 strike, and it became clear that sooner or later immediate production would have to be sacrificed in order to restore the proper growth cycle. Weather conditions made it advisable to do so last year. Production will be considerably higher in 1959 and will continue to expand in the following years.

SUGAR AGREEMENTS

With some amendments and the likelihood of a larger number of participants, the International Sugar Agreement has been negotiated for a further three years. Under its terms, the sugar exporting territories of the Commonwealth collectively undertake to limit their exports to 2,500,000 tons in 1959 and to 2,575,000 tons in 1960 and 1961. This modest increase is well within the capacity of the industry and considerably less than the expected rise in the requirements of importing Commonwealth countries. We have made a significant sacrifice in the interests of obtaining the signatures of Brazil and Peru to the Agreement and it is hoped that thereby sugar markets will become more stable.

The Commonwealth Sugar Agreement has been extended for a further year to 1966. Thanks to an increase in consumption in the United Kingdom the quantity which is bought at negotiated prices is to be increased by 2½ per cent. Following the review in November, the price is to be increased by approximately 3 per cent. The total rise in price over 5 years has been approximately 10½ per cent.

MARKETS

Our 1958 sugar crop was sold in the following markets:

	Tons	Per cent	fas price £ s. d.
Jamaica.....	22,000	17	29 2 0
Canada.....	28,000	22	33 18 6
UK.....	78,000	61	41 11 0
	128,000	100	

Our trade with Canada is vitally important from many points of view. It is supported by a Preferential Canadian Import duty. We intend to use this Preference to keep our Canadian customers supplied at prices which are out of reach of foreign raw sugar producers; and to keep them supplied with the quality they require, at the right place, at the right time. Unfortunately, as so often happens with sugar, politics are being dragged into the picture. Last year, for the first time, Icelandic cod was imported into Jamaica. The traditional suppliers are Newfoundland and the Maritime Provinces of Canada who are helped by a Preferential Jamaican Import duty. Ill feeling was engendered because the cod was bought by Government bulk purchase and because a statutory price structure was introduced which was said to penalise good quality.

The Canadian interests involved, who have considerable political influence, in order to lend weight to their protests, have launched an attack on the Sugar Preference in the Canadian Press and by Parliamentary lobbying. This is to be regretted. However, a more helpful step has been taken by the Canadian Chamber of Commerce which has organised an extensive tour of the West Indies by a delegation whose members will hold informal talks with leaders of Jamaican Government and industry. Canada is taking an intense interest in the new Federation. It is sincerely to be hoped that both countries will go out of their way to try to understand each other's complex problems.

TWENTY-FIRST ANNIVERSARY

In conclusion I think it is worthy of remark that our Company has this year achieved its 21st birthday, and I am sure that, on its coming-of-age, you would like me to send your greetings and thanks to our General Managers, and our staff and workpeople, for all that they have done in the past to help build this great enterprise. A 21st birthday, however, is not an occasion merely for looking back, and I should at the same time like to express our confidence in the future, in which they and we are partners.

CASTLEFIELD (KLANG) RUBBER ESTATE LIMITED

MR ADDINSELL'S STATEMENT

The fifty-second annual general meeting of Castlefield (Klang) Rubber Estate Limited, was held on February 13th in London, Mr Jack Addinsell, chairman, presiding.

The following are extracts from his circulated statement for the year to June 30, 1958:

Our estates had a good year and harvested a crop of 2,504,500 lb, nearly 8 per cent up on last year's output. Tapping standards were maintained or improved and yields from the old seedling rubber on Bukit Benut estate and from the modern rubber on Castlefield estate more than fulfilled expectations.

Compared with the previous year, rubber prices were well down and our net proceeds were about 3½d. per lb lower on average. Duty and cess, falling with the price of the commodity, accounted for £9,269 less, but costs of production showed little variation. The profit before tax was £75,877, compared with £108,417, and in the circumstances is not unsatisfactory.

DIVIDEND RECOMMENDATION

After providing £10,700 for tax and taking account of the balance brought forward, together with a small amount in respect of disposal of fixed assets, there is £79,643 for appropriation. An interim dividend of 10 per cent, absorbing £5,750 net, was paid last July and a final dividend for the year is not recommended.

From the carry-forward on profit and loss account your directors recommend a dividend for no specified period of 35 per cent, less tax at the standard rate.

During the period reviewed 280 acres of the small remaining area of old seedling rubber on Castlefield estate was replanted with modern material and about 276 acres of new extensions at the Johore estate were successfully established. For the current year the programme is to replant about 55 acres at Castlefield and to plant 178 acres of jungle land at Bukit Benut.

In 1956, when the then issued capital was reduced to £100,000 by the repayment of 1s. per 2s. share, it was desired to reinstate the capital to the original £200,000, but this could not at the time be done without incurring a liability for tax. A change in tax law, however, now permits us to restore the original position.

The report was adopted and at a subsequent extraordinary general meeting resolutions approving the Capitalisation Issue were duly passed.

ALLIED BAKERIES LIMITED

SCRIP ISSUE APPROVED

An Extraordinary general meeting of Allied Bakeries Limited was held on February 19th in London.

Mr W. Garfield Weston, the chairman, presided and, in the course of his speech, said:

Our reserves are again firmly established and if you approve the first two resolutions, a sum of approximately £5,600,000 will be utilised to double our existing issued ordinary capital, again equally divided between voting and non-voting shares. The effect of this issue will be to bring the issued capital of the company more nearly into line with the value of the assets permanently employed in the business.

After this issue, any holder who acquired our ordinary shares prior to the first capitalisation issue in 1954, will have had his holding multiplied eight times and based on the present market price, the value of each 5s. share issued in 1935 at 6s. per share has multiplied approximately thirty-two times.

Our expansion since 1943 has been on an entirely cash basis, financed very largely by our policy of retaining a large proportion of each year's profits in the business. However, the retention of profits has not been sufficient to finance the whole of our expansion, and in 1954 we raised approximately £1¼ million by the issue of Preference Shares, followed in the next year by an issue of £5 million Unsecured Loan Stock.

Since 1955, our development has continued and our total of bank and other borrowings has reached a level which should, we think, be reduced. We are, therefore, now proposing to raise £2,750,000 by an issue of Ordinary Shares at 12s. 6d. per share with a right to existing Ordinary Shareholders to subscribe for them on the basis of 1 voting and 1 non-voting share for each 10 shares held on January 30th, last.

When I spoke to you at the annual general meeting, I told you of our intention that the first interim dividend of 10 per cent would be followed by two further interim dividends of 5 per cent each, which would be payable on the capital as doubled by the scrip issue and further increased by the cash issue which we have announced. There are now only another five weeks to go to the end of our financial year and nothing has happened to alter the forecast which I made in December that our profits would show an increase over those of the previous year.

There being no questions, the resolutions were put to the meeting and on a poll were duly carried. For each resolution votes cast in favour exceeded 2,396,000, and votes against were fewer than 300.

THE POWER-GAS CORPORATION LIMITED

RECORD TRADING PROFIT

The fifty-ninth annual general meeting of The Power-Gas Corporation will be held in London on March 19, 1959, Mr W. R. Brown, DSO (Chairman and Managing Director), presiding. The following is an extract from the Chairman's circulated statement:

Gross Profit shows a satisfactory increase at £1,380,186 compared with £1,052,562 last year. This figure hardly reflects the use of our latest extensions, little of which had come into operation by the end of the financial year. However, the availability of these new assets seems likely to coincide with a slacker period of business just when we had been hoping for a larger volume. I believe, nevertheless, that this country's economy will continue to expand and I see no reason to expect a long-lasting postponement of growth for our business.

It would be wrong to infer that the whole of the increase in profit represented additional profitability of our business. The results of one 12-month period can be deflated by a concurrence of unfinished contracts carried over, or inflated by a number of contracts profitably concluded.

We are recommending payment of a Final Dividend of 10 per cent which would bring the total distribution for the year up to 15 per cent, the same figure as for the preceding year. We have also declared a Special Interim dividend of 5 per cent in respect of the year ending September 30, 1959, payable at the same time as the final dividend for last year. This special dividend we shall not take into account when we come to consider payment of further dividends for the current financial year.

We expect to declare a further interim dividend of 7½ per cent in September, 1959. Our subsequent recommendation of a final dividend will necessarily be governed by the trading results and conditions at that time.

A year ago, our forecast of approaching changes in market conditions was already causing us some degree of apprehension. Certain major projects, in which we could confidently expect to participate, seemed likely to be postponed; this was particularly noticeable in the case of iron and steel works development where political uncertainties, coupled with a fall in demand, were breeding hesitancy.

It was not unexpected that orders booked in the year under review at a figure of £9.25 million amounted to only 73 per cent of the high levels reached in 1956 and 1957. In the accounts much of the profit stems from contracts that were commenced as much as four years ago. There are also other large contracts, that are now approaching a profitable conclusion, the full effect of which will not appear until the 1959 accounts are published, and some will even carry over into 1960.

The Blast Furnace Division garnered all they could in orders from a harvest that was extremely meagre, the Division booked the only major furnace contract that was placed in the United Kingdom during 1958. Three furnace plants and one large sinter plant were completed.

The Gas Plant Division has secured orders in six different countries. The Division is supplying part of the high pressure plant for gasifying coal in Scotland by a process which may prove suitable in other coal field areas.

The Chemical Plant Division has experienced renewed activity, booking orders for most of our specialty plant lines.

LEEK AND MOORLANDS BUILDING SOCIETY

FINANCIAL STRENGTH AND STABILITY FURTHER ENHANCED

The 162nd annual general meeting of Leek and Moorlands Building Society was held on February 23rd at Leek, Staffordshire.

In his printed address, the President, Sir Ernest Johnson, JP, said: It has been my custom each year to give a review of those forces operating within the economic and financial framework of the Nation. I do not propose this year to follow my usual custom but instead to leave to the Chairman of Directors, Mr Gilbert Tatton, the task of reviewing the results for the year and of bringing to your notice the very important Government measure now before the House of Commons, viz House Purchase and Housing Bill. This is a very far seeing and a far reaching measure and will, I feel sure, write a new history in the building society story.

I congratulate the Society on the progress revealed in the Accounts in what was, after all, a most difficult year.

CHAIRMAN'S ADDRESS

In the course of his address, Mr Gilbert Tatton (Chairman of the Board of Directors) said: Shareholders' balances increased during the year by a sum of £2,256,211 to the record figure of £35,560,264. Balances due to Depositors amount to £2,220,733, making a combined total due to Investors of £37,780,997. The intake from Investors, particularly during the last quarter of 1958, was most encouraging.

The Society has reached another milestone in its progress with total assets now exceeding £40 million and reserves of over £2 million. We feel that the figures disclosed in the balance sheet prove that the Leek and Moorlands can justifiably claim both size and stability.

Some few weeks ago the National and Provincial Press gave what seemed to me to be rather a lot of prominence to a very reasonable and proper offer we made in connection with a proposed Transfer of Engagements of a Building Society in the South-East of England.

Commenting on the various ways in which Building Societies grow, Mr Tatton said that one way was for societies to get together and negotiate amalgamations which their respective Members would regard as mutually advantageous. He added: Our proposition was that the members should come in with us on equal terms and that their surplus reserves over and above those of our own ratio should be distributed to them on the Transfer.

The financial stability, unimpaired security and indeed, popularity of the Leek and Moorlands is the answer to those who seek to criticise us on facts which hitherto they seem to have failed to observe.

As and when opportunity presents itself, your Directors will seek to expand the Society's services by what they believe to be the best and cheapest methods in the interest of all those who seek to use them.

Referring to the Government House Purchase measure, Mr Tatton said:

I am satisfied that on all counts your own Society will bear the closest examination and will more than satisfy, I hope, all the requirements to permit it to become a designated Building Society.

The report and accounts were adopted.

Den norske Creditbank

Established 1857

OSLO, NORWAY

20 Branches in the Provinces

BALANCE SHEET, DECEMBER 31st, 1958

ASSETS	Kr.	Kr.
Cash in Hand and at Bank of Norway	124,380,398.49	
Treasury Bills	15,000,000.00	
Norwegian Banks and Savings Banks	68,422,503.74	
Foreign Banks	175,534,883.23	
		383,337,785.46
Securities :—		
Government Bonds	27,322,319.01	
Municipal Bonds	5,081,398.92	
Bonds of Industrial Companies, etc.	12,063,036.02	
Shares	10,853,660.48	
Mortgage Bonds	154,607,321.09	
		209,927,735.52
Commercial and Finance Bills		268,763,909.46
Foreign Bills		6,608,507.80
Advances to Customers and other Accounts		380,734,608.04
Clients' Accounts in Foreign Currencies		4,232,261.38
Commercial Letters of Credit		48,165,263.46
Bank Buildings		6,386,798.89
(Total Assessment Value :— Kr. 8,341,660.00.)		
In Account with our Branch Offices		6,121,552.13
Sundry Assets		282,364,024.63
		1,596,642,446.77

LIABILITIES	Kr.
Current Accounts	392,775,978.65
Deposit Accounts	507,343,827.64
Norwegian Banks and Savings Banks	94,625,963.72
Foreign Banks	58,616,123.31
Cheques in Circulation	21,957,164.31
Commercial Letters of Credit	46,980,889.48
Clients' Accounts in Foreign Currencies	77,258,286.23
Interest for 1959 of Bills discounted	3,790,202.14
Sundry Liabilities	327,250,084.69
Share Capital, fully paid	36,000,000.00
Reserve Fund	18,000,000.00
Extra Reserve Fund	5,000,000.00
Fund for Taxes	6,000,000.00
Balance carried forward to 1959	1,043,926.60
Guarantees, Kr. 478,803,704.13	
	1,596,642,446.77

THE METROPOLITAN RAILWAY COUNTRY ESTATES LIMITED

ANOTHER GOOD YEAR

SIR BERNARD DOCKER ON THE OUTLOOK

The Thirty-ninth Annual General Meeting of the Metropolitan Railway Country Estates Limited will be held on March 5th at Kensal House, 553/579 Harrow Road, London, W.10.

The following are extracts from the Statement by the Chairman, Sir Bernard Docker, KBE, circulated with the Report and Accounts for the year ended October 31, 1958:

We have had another good year. Group Profits before taxation are £77,869, compared with £75,373 in 1957, and after dealing with taxation, which will take £33,798, compared with £42,766 in the previous year, and providing for payment of the same dividend of 15 per cent, the undistributed balance of taxed profits to be carried forward will be £169,094, compared with the £155,210 which we brought forward from the previous year.

CAPITALISATION OF RESERVES

Our authorised and issued capital at £350,000 has remained unaltered since 1929, yet the value of our net assets now exceeds £600,000 represented by our Capital, Reserves and undistributed balance carried forward. We feel therefore that the time has come to ask you to approve the following:

1. That the authorised capital of the Company be increased to £700,000;
2. That £70,000 of the General Reserve (now standing at £90,000) be capitalised and distributed to shareholders on the basis of one fully paid 10s. share for every five such shares now held.

We have no immediate plan for any issue for cash of any part of the increased capital. It is, however, convenient under present conditions, to have a reserve of unissued capital which can be called upon if the need arises. Furthermore, we visualise the profitable use of additional funds in the future and we are seeking an increase in our borrowing powers. We also have under consideration the desirability of securing some additional funds by means of an issue of Preference Shares, and if we so decide, we shall call a further meeting of the shareholders to authorise a further increase in capital to enable us to make such an issue. We believe that the utilisation in due time of further resources obtained by borrowing, supplemented if found feasible by a limited issue of Preference Shares, will prove of considerable benefit to Shareholders.

We have been advised that as our present Articles are not in accord with the best current practice, having been adopted many years before the passing of the Companies Act, 1948, we should take the present opportunity to adopt new Articles.

After referring to the trading results for the year of the parent Company and the subsidiaries and to the dividend of £20,000 from the trade investment in The Whelmar Property Co. Ltd., the prospects for which seemed very favourable, and also referring to the beneficial effect the provisions of the new Planning Bill would have on current negotiations in respect of land to be compulsorily acquired, the Statement continues:

Local and other public authorities acquiring land compulsorily will also benefit, I am quite sure, because now that a proper, if not generous, measure of compensation is assured, they will be met by landowners willing to sell without the long drawn out opposition that has been the general feature of such negotiations since 1947.

FUTURE PROSPECTS

My colleagues and I are optimistic as to the future. While a generally high level of internal prosperity and full, or nearly full, employment is maintained in most parts of the country, there must be a continuing demand for good modern housing. A demand for housing implies a steady demand for land. We specialise in the provision of developable land complete with roads and services and ready for use for building purposes. Building land, however, is getting very scarce and very dear. If the Government desires house building for individual home ownership to expand or even to continue at the present rate, considerable relaxation of planning restrictions will be required and a second look at some of the Green Belt and "White" areas hitherto regarded as inviolate. Plans to this end need consideration now, otherwise the supply of building land will dry up when it may most be needed.

If our trading profits are maintained at the level of earnings in the last three years, the reduced rate of Profits Tax now applicable should enable us to maintain the rate of dividend on the capital as increased by the proposed scrip issue.

KILLINGHALL (RUBBER) DEVELOPMENT SYNDICATE, LIMITED

MR ADDINSELL'S STATEMENT

The forty-ninth annual general meeting of this company was held on February 20th in London, Mr Jack Addinsell, chairman, presiding. The following is an extract from his circulated statement for the year to June 30th, 1958:

Once again our crop for the year at 419,100 lb showed an increase mainly due to satisfactory yields from our 1937-38 rubber, whilst output of areas replanted in 1948, 1949 and 1950 continued to rise steadily. Rubber replanted in 1952 and 1953 with clonal seed amounting to 151 acres was brought into tapping towards the end of the year and should contribute to a substantial increase in crop during the current year, which it is estimated may reach a figure in the region of 500,000 lb.

As a result of the fall in rubber prices net proceeds at £34,948 were £4,306 lower than for 1956-57. This fall amounting to nearly 3¼d. per lb was partially offset by a reduction of just under 1½d. per lb in cost of production and export duty and cess. It is, however, satisfactory that our tin tribute income for the year was £6,171 higher and as a result profit before tax on the year's working was up by £2,911.

The profit for the year, including £17,757 tin tribute, amounted to £35,844. An interim dividend of 20 per cent was paid on July 31, 1958, and your Board recommend a final dividend of 45 per cent. The directors also recommend the payment, out of the carry forward of £6,656, of a dividend for no specified period of 15 per cent.

Yields from our young rubber continue at a satisfactory rate and several fields are now in the four-figure yield category. We can look forward to higher rubber outputs over the next few years.

The report and accounts were adopted.

THE PROPRIETORS OF HAY'S WHARF

SIR RUPERT DE LA BERE'S REVIEW

The fifty-first annual general meeting of The Proprietors of Hay's Wharf Limited was held on February 25th in London, Sir Rupert De la Bere, Bart, KCVO, chairman, presiding.

The following are extracts from his statement circulated with the report and accounts for the year to September 30, 1958:

Last year I said that provided no further heavy increases in costs arise and assuming that there will be no serious recession in the country's overseas trade, the Company should be able to maintain its present distribution of dividend. No one could have foretold at that time the serious dislocation to the trade of the Port of London caused by the unofficial dockworkers' strike which regrettably took place last May, and which lasted nearly six weeks. Under these circumstances the Group did well to increase its net profit, and I am glad to be able to recommend a maintained distribution by way of dividend for the year 1957-58, and to declare a special interim dividend for the year 1958-59.

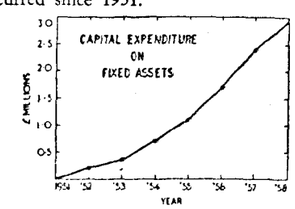
CAPITAL INVESTMENT

It was decided to build on the Company's freehold land a new waterside cold store, incorporating the latest technical improvements in cold storage and the results of many years of practical experience of operation. The work of erection has begun and is being undertaken by our own engineering and building departments.

The additional finance required for this has caused the Company, for the first time for many years, to obtain from the public additional funds for carrying out one of its major capital projects. These funds were procured by the issue of £1 million 6 per cent Debenture Stock 1978-83.

It should be remembered that there will be a development period during which the cost of servicing the Company's Debenture Stock will be a charge upon the profits, without a compensating increase in income. Whilst I have every confidence in the long-term value to the Company of the investment, it is possible that it may be some years before its full benefits can be realised.

The extent of the Company's recent development expenditure is clearly seen from the accompanying graph, which shows the cumulative total of the capital expenditure incurred since 1951.



The main headings under which this capital expenditure was incurred are as follows:

	£
Warehouses	1,104,000
Cranes, plant and machinery ...	745,000
River craft and tugs	384,000
Road vehicles	167,000
Offices, commercial buildings, roadways, land, etc.	523,000
Total	£2,923,000

Further improvements are in hand and our building and engineering departments have a full programme of new capital work, both for the Company and the Company's tenants and other outside firms, which will keep them occupied for the next three years.

During the year, an independent valuation was obtained of the Company's freehold and leasehold properties, disclosing a figure substantially in excess of the total figure shown in the consolidated balance sheet.

SUBSIDIARY COMPANIES

Hay's Wharf Ltd.—The Port Transport Industry was faced with a substantial wages claim last May which was rejected on the grounds that increases in port costs really must be halted. However, after interminable discussions, the Minister of Labour and National Service appointed Lord Cameron to preside over a Court of Inquiry last August, the result of which was a wage award to all dockworkers throughout the country, effective from the 1st September, last.

The increased labour costs could not be wholly borne by the industry for more than a few months, and it became necessary to raise the handling charges in London with effect from January 1, 1959. This has been done by the Port of London Authority and by the Public Wharfingers with the greatest reluctance and it should be noted that no increase was made in rent charges on goods, in spite of the fact that rent rates for goods stored in warehouses are so low as to make replacement of buildings used solely for general warehousing entirely uneconomical.

The trading results, during what was a very difficult year, show an improvement on last year. I must, however, warn that, based on experience so far this year, there will have to be a very considerable increase in business if this improvement is to be maintained: for the Company has had to carry the whole of the pay increase awarded to dock-workers for the four months to January 1, 1959, and the tonnage of goods landed and in warehouse remains low. However, there is reason for confidence that in due course, if not perhaps in the current year, the results of this Company will reflect more closely the increasing investment which has been made.

Lighterage Companies.—There has been much work done during the year on further expansion. The old-established lighterage Company, McDougall and Bonthron, Limited, has been acquired, and has provided a very useful addition to our fleet of craft.

In view of the difficult year, the trading results of the lighterage Companies were not as satisfactory as those of last year, but are by no means discouraging; and, since the beginning of the current financial year, the fleet has been fully engaged, and there are signs that this may continue well into 1959.

Cartage.—The Company's fleet of vehicles was further expanded during the year, and I am glad to say that, in spite of the dock-workers' strike and other difficulties, most of the fleet was kept working to capacity, and a satisfactory increase in revenue was achieved.

Bonded Vaults and Bottling.—All the Companies engaged in this section of the business have shown steady progress during the year. With additional vatting and bottling equipment installed to provide a more extensive and comprehensive service, it can

be expected that increased earnings will accrue in the coming year.

Shipping, Forwarding and Travel.—Earnings of most of the shipping and forwarding Companies have increased during the year. Increasing costs were experienced by all the Companies during the year, but so long as turnover can be increased correspondingly the shipping and forwarding companies should be able to make a useful contribution to the profits of the Group.

The report was adopted.

THE OMNIUM INVESTMENT COMPANY

INCREASED GROSS REVENUE

VALUATION DISCLOSES GRATIFYING APPRECIATION

MR H. C. DRAYTON ON COMPANY'S PROGRESSIVE RECORD

The seventy-second annual general meeting of The Omnium Investment Company Limited was held on February 24th in London.

Mr H. C. Drayton, the chairman, who presided, said:

In the year under review, our gross revenue amounted to £397,700, against £363,600 in the previous year, an increase of £34,100. After deducting our expenses, directors' fees, debenture interest and income tax, we are left with a net amount of £184,000, against £166,200. Your directors are recommending a dividend of 14 per cent, against 13 per cent in the previous year, and there will remain £47,500 to be added to the carry forward.

INVESTMENT VALUATION

The outstanding fact about our balance sheet this year is that our valuation of the investments is £6,924,000, against £5,153,000 for the year ended December 31, 1957, an increase of £1,771,000.

Valuations, as a rule, reflect income to come in the future. That has been my experience over 43 years in the City, but I am not certain that it is so today. We have seen a rising market, whilst industrial profits, as a whole, have been stationary, and in some cases falling; although one must admit dividends from industrial companies have not fallen with their fall in profits.

I do not mean to convey to you that we are not likely to have an increase in revenue in the current year; I think we will. We can still, by judicious change of investments, improve our revenue, but what I do want to try to convey to you is that I do not think that you must take it for granted that the revenue will tend to rise in the same steep manner in which our valuation has risen.

To put the valuation in a form which is understandable, the break-up value of our Deferred stock at December last was 71s. 3d. per unit, but since then we have issued, as you know, as rights to you one share for every ten pounds held, so that roughly 142,000 additional stock units have been issued. Taking this into account, and applying the valuation of last December, the break-up value of the present capital is approximately 66s. for each Deferred unit.

TEN YEARS' PROGRESS

It is interesting to look back over ten years in this company. Just over ten years ago, our Deferred capital was £632,225; today, that Deferred capital is £1,597,200, or just over 1½ times. All of that increased stock has been offered to stockholders as rights year by year at par. In those same ten years, although we have issued that large amount of Deferred stock at par, the dividend has increased from 7 per cent to 14 per cent. Any person who held £100 Deferred stock ten years ago and had taken up all his rights, today would hold £250 of Deferred stock, showing him a cash profit at the present price of £420. In addition, he would have received an average yield in dividend on his cost price of 11 per cent per annum.

Ten years ago the cover for our Debentures was 3 times as regards security and 2½ times as regards interest. Today, it is 5¼ times as regards security and 7½ times as regards interest. The cover for the Preferred has gone up from 3½ times to 8½ times as regards security, and, as regards dividend, from 3½ times to 9½ times, so that you can see that the policy the board has adopted does not only benefit the Deferred stockholders, but it has also made our Debenture interest gilt-edged; it has also almost made our Preferred into a Debenture, at any rate as regards its cover from the security angle and from the interest angle.

THE CURRENT YEAR

As regards the current year, I am not pessimistic about our revenue. I think we shall be able to present to you a reasonable report for the year we are now in. As I have mentioned, I do not look forward to an upward swing in revenue at all commensurate with the upward swing in valuation, but I think, when we meet you next year, you will be satisfied.

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WHEN is a sherry like a shaft of sunshine? When it's El Cid. That's the superb Amontillado that adds brightness to life. El Cid has the authentic Spanish quality. It's light, full-bodied, lovely.

CITY OF LONDON COLLEGE: OLD STUDENTS please note retirement after over 40 years' teaching economics, etc., of Mr L. Aaronson, B.Sc.(Econ.), M.B.E., who taught many of them. A testimonial fund is open in his honour.—Please send contributions to Miss M. Swannie, at City of London College, EC2, payable to L. Aaronson Testimonial Fund.

APPOINTMENTS

FORD MOTOR COMPANY LIMITED wishes to recruit staff around the ages 24-28 with *sufficiently high ability to work in their* central staff on commercial, financial and economic studies covering all aspects of the Company's operations and future plans. Applicants are requested to indicate, in addition to the normal details of academic record and previous experience, the extent to which they have the broad background and analytical approach necessary to appreciate the requirements of senior executives and the full implications of the problems to be tackled. Starting salary and prospects depend entirely on the calibre of the applicant.

Please send full particulars to Training and *Recruitment Department (012A), Ford Motor* Company Limited, Dagenham, Essex, quoting reference CGV.

RESEARCH ASSISTANT required by the Labour Party. Preference will be given to a specialist in economic affairs but consideration will also be given to a suitable candidate with a *general interest and knowledge* of political, social or industrial problems. Honours degree, though not essential, is an advantage. Salary *scale Grade III £665-£725.—Application forms obtainable* from the Secretary, the Labour Party, Transport House, Smith Square, London S.W.1, to be returned by March 14th.

COUNTY COUNCIL OF ESSEX

STATISTICIAN

Applications invited for above appointment on established staff of Health Department—salary not exceeding £1,175.

Candidates must be University graduates who have taken statistics as a subject of degree course. Preference given to those with previous experience in medical and other vital statistics. Superannuation. Medical examination.

Application forms from County Medical Officer of Health, County Hall, Chelmsford, to be returned by March 16, 1959. Canvassing disqualifies.

MARKETING MANAGER

A Marketing Manager is required. This is a new appointment in an old-established food manufacturing company, with headquarters in London. Age limits 35-45 years. The successful candidate, who must be capable of earning immediately a minimum salary of £3,500 per annum, will be responsible to the Managing Director for the development, planning and execution of the Company's marketing operations. He must have experience at a senior level of marketing branded food products. He must also have experience of sales, advertising and the use of market research as he will be responsible for the co-ordination of the activities of these departments. The Company has a contributory pension scheme and the prospects are good.—Applications, which will be treated in strict confidence, giving details of age, qualifications and experience, should be sent to Box 1135.

AMERICAN COMMUNICATION CONCERN in Tripoli, Libya, requires the services of a QUALIFIED ACCOUNTANT. Must have at least 5 years' commercial experience. Salary commensurate with experience plus $4,00 daily cost-of-living allowance.—Air-mail replies to Hycon-Page, P.O. Box 666, Tripoli, Libya, giving full details of personal history, previous employment, and salaries received.

GENERAL MANAGER required by a young but important company in the Punched Card/Accounting Machinery field. This Company produces entirely new type of equipment to provide input tape for punched card machines or computers. The Offices are in London. The position has great scope and should lead in due course to a seat on the Board. Salary would be according to qualifications but not less than £2,000 per annum. Experience of selling and systems is essential.—Box 1136.

WOOLWICH POLYTECHNIC

LONDON, S.E.18

Applications invited for an Assistant Lecturer, to teach Accounting, Economics and allied subjects up to Intermediate Professional standard. Candidates should have an Honours Degree in Economics with Accounting as a special subject and/or a Professional qualification in Accountancy.

Salary scale within £475-£1,075 (plus 5 per cent), commencing salary according to qualifications and experience, with London allowance of £36 to £48 (plus 5 per cent).

Particulars and application form from Clerk to Governors, to be returned by 14th March, 1959.

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF APPLIED ECONOMICS

Applications are invited from economists and statisticians for appointments from October 1, 1959, in connection with the Department's research programme. Each appointment will be for a limited period related to the duration of the specific research project to which the applicant is assigned; the projects vary greatly in character, and call for very different types of qualification. In particular, some projects involve statistical and field research into productive capacity and economies of scale due to technical factors. Applicants should normally have at least a good second class honours degree in economics or statistics, and research experience in either field is desirable for appointments in senior grades. The pensionable stipends of the posts are on scales ranging from £650 to £1,750 a year.—Applications, giving details of academical qualifications, experience, and any special research interests, together with the names of two referees, should be sent before April 4, 1959, to the Director, Department of Applied Economics, 7 West Road, Cambridge.

For other appointments see page 835

THE UNIVERSITY OF NEW SOUTH WALES

SENIOR LECTURER/LECTURER IN ECONOMICS

NEWCASTLE UNIVERSITY COLLEGE

The University invites applications for appointment to the position of Senior Lecturer/Lecturer in Economics at the Newcastle University College.

Salary: *Senior Lecturer*, £A2,208-£A2,558 *per annum*.
Salary: Lecturer, £A1,508-£A2,108 per annum.

Commencing salary according to qualifications and experience.

Applicants for position of Lecturer must possess a degree with honours or equivalent qualifications; for appointment as Senior Lecturer applicants must possess a higher degree or equivalent qualifications.

Subject to satisfactorily passing a medical examination, the successful applicant will be eligible to contribute to the State Superannuation Fund.

Appointee will be eligible for twelve months' study leave on full salary after six years of service.

It is expected that a scheme to assist members in house purchase will shortly be implemented.

The University pays first-class sea passages and reasonable removal expenses for an appointee and his dependent family in taking up duty.

Four copies of applications, including the names of two referees, should be forwarded to the Agent General for N.S.W., 56, Strand, London, W.C.2, and a copy forwarded by air mail in an envelope marked "University Appointment," to the Bursar, Box 1, Post Office, Kensington, New South Wales, Australia, by *March 31, 1959*.

THE ECONOMIST FEBRUARY 28, 1959

COMPANY AFFAIRS

IMPERIAL TOBACCO

FROM the preliminary profits statement of Imperial Tobacco, discussed here on February 14th, shareholders knew that the advance in profits in the year to October 31st was the product of a full year of higher cigarette prices. Imperial Tobacco still accounts for about 70 per cent of cigarette sales in this country, but it lost just a little more ground to its competitors last year. Hence, it is a reasonable deduction that since costs, including leaf tobacco, were still rising and since the group has been spending more on advertising, another forward surge in profits this year is unlikely. Stable profits at their 1957-58 level, however, are not to be despised. They provide satisfactory cover on the 21 per cent ordinary dividend, restored after only one year of 20 per cent.

Year to October 31	1957	1958
Consolid. earnings:	£	£
Trading profit	28,895,116	31,432,827
Income from invests.	5,252,375	5,492,924
Depreciation	2,463,473	2,625,576
Interest charges	4,851,572	4,488,586
Profit before tax	26,806,940	29,785,990
Tax	14,800,029	15,459,707
Net profit	12,004,849	14,324,300
Ordinary dividend	6,911,602	7,257,182
Ordinary dividend (per cent)	*20*	*21*
Retained profits	4,590,629	6,496,093
Cons. balance sheet:		
Net fixed assets	29,935,781	32,780,625
Net current assets	150,738,291	145,512,791
Stocks	157,973,588	152,494,020
Debtors	59,434,250	60,054,778
Bank overdrafts	26,416,513	29,055,596
Loan capital	65,000,000	55,000,000
Reserves	57,119,486	63,647,273
Ordinary capital	60,100,880	60,100,880

£1 ordinary unit at 56s.6d. xd yields 7·4 per cent.

On an income stock such as "Imps" investors cannot expect much growth in dividends. This year net profits will benefit from the change to a flat rate of profits tax, but presumably the directors will continue to put the emphasis on profit retentions to support the replacement of assets and the big research programme. The group, moreover, has the continuing liability of financing stocks (including a large element of duty on tobacco out of bond). In 1957-58, the tobacco crops both in Rhodesia and in the United States were not of the quality required by Imperial Tobacco, which was accordingly unable to purchase a full year's using of many grades of tobacco. As there was a small increase in duty-paid stocks, the fall of £4.7 million to £152.5 million in the book value of stocks does not fully reflect the decline in their physical volume. That decline enabled the company to pay off the £10 million in 3¼ per cent notes (1953-58) without undue strain: only £2½ million more was borrowed from the banks, to which the group was in debt on October 31st to the tune of £29 million. The aim of Imperial Tobacco must be, as far as it can, to build up its stocks again this year, at some increase in short-term debt. But that is a far less serious worry now that interest rates have fallen and credit is easier to obtain.

CARRERAS

WHEN Rembrandt of South Africa through its British subsidiary Rothmans acquired full control of the voting ordinary stock in Carreras, the "B" ordinary shareholders who owned the bulk of the equity but had no votes were left out in the cold. They have since been wondering how they would fare as a big but powerless minority in a new company. They should be encouraged by what the new chairman, Mr A. E. Rupert, who is also the chairman of Rembrandt, had to say at the annual general meeting. He was frank and forthright and offered no easy solutions. Mr Rupert is clearly not willing to leave "B" shareholders out in the cold for good, for he hopes to appoint directors who will be specifically concerned with the general well-being of Carreras and "in particular of the vast body of 'B' shareholders."

Mr Rupert had a formidable list of what he called the "major defects" of Carreras. They include: lack of sales strength; a costly superstructure; outmoded machinery and plant; a new factory at Basildon far too large for modern manufacturing conditions; ancillary services performed within the group that could be done more efficiently outside it; management by committees; and unpredictable export markets. Costs at Carreras were higher in relation to sales than in the Rembrandt/Rothmans group. To remedy these defects, Mr Rupert proposes:—

(1) Selling the old Arcadia works, worth about £2 million more than book value;

(2) Integration of purchasing, manufacture and distribution both in England and Canada within the new group;

(3) New blood in executive management;

(4) A new research station at Cambridge;

(5) Equipping Basildon with modern machinery.

These reforms will be carried through in the belief that the new group Rembrandt/Rothmans/Carreras "has much more power to withstand competition than the three have separately." This should lead to "savings in purchasing, production and distribution" and give "much more bargaining power with the suppliers of machines and materials." The "B" shareholders, still powerless to influence the destiny of the company, have better grounds now for the hope that they may gain more from the merger with Rembrandt than if Carreras had continued to go it alone.

HOOVER

HOOVER earned as much in the second half of 1958 as in the whole of 1957. The removal of hire purchase restrictions is largely responsible for hoisting the group's gross profits from £3,757,312 to £5,847,490 in the year to December 31st. This easily surpasses the previous peak in profits in 1954. Gross profits in the last six months of the year were £3,740,000, against £2,107,000 in the first half of the year. Over the whole year turnover rose by 28 per cent, but profits rose by more than 50 per cent, indicating how an acceleration in demand can reduce overhead costs and improve margins. The total dividend on the ordinary and "A" ordinary shares has been raised from 50 per cent to 60 per cent; the new dividend absorbs £845,250 from net profits of £2,339,980, and compares with ordinary dividend disbursements of £704,375 from net profits of £1,923,976 in 1957. The greater part of the increase in net profits has therefore been retained in reserves. The directors say that the dividend rate has been fixed after taking into consideration "projects still under development" which, in keeping with the group's usual practice, are being financed internally. The 5s. ordinary units held a rise of 2s. 4½d. to 64s. 6d. over the week following the announcement. The yield at this price is 4.7 per cent.

MONSANTO

WHEN the chairman of Monsanto Chemicals, Sir Miles Thomas, disclosed a slight fall in the group's sales and a sharp drop in profits for the first six months of 1958 he added that results in the second half of the year should benefit from new plant coming into production. Sales did improve in this period and profit margins were a little better. Over the full year the sales of the parent company fell by 1.6 per cent from £15,683,272 to £15,426,633, but the group's trading profit rose by 3.4 per cent from £3,094,081 to £3,200,047.

But profit margins will have to widen more than this if equity earnings are to benefit, for the rise in depreciation by nearly a quarter from £862,143 to £1,069,857 and the jump in interest of £200,394 to £388,781 (reflecting a full year's service of the £3 million debenture stock) led to a fall of almost 8 per cent in net profits—from £1,078,557 to £992,415. The ordinary dividend has been left unchanged at 13½ per cent. Sir Miles now says that the starting up of new plant should strengthen Monsanto's ability to reach new or expanded markets in the "increasingly competitive" conditions now ruling—an observation to which point is given by the fall from 41 per cent to 35 per cent in the share of total sales represented by exports.

LEWIS'S AND HARRODS

THE 1958-59 profits of the two big department store groups—Lewis's and Harrods—do not make exciting reading but the pill is sugared for shareholders in Lewis's Investment Trust for they are receiving an effective 16 per cent on the enlarged ordinary capital following the 25 per cent scrip issue (against an equivalent 13 3/5 per cent). The earnings cover of 2¾ times may suggest to some investors that scope for raising the dividend even further is not exhausted and the 4s. units at 17s. 9d. yield only 3½ per cent. This is in contrast with the return of 4½ per cent offered by the £1 ordinary shares of Harrods standing at 78s. 6d. Perhaps this discrepancy reflects in part the market's disappointment with the failure of the Harrods directors to make a scrip issue—let alone raise the dividend—following last year's disclosure of the hidden reserves behind the balance sheet figures of fixed assets. Their decision to hold the ordinary dividend (although it is covered 2¼ times by earnings) at 17½ per cent for the fifth year running will do nothing to alleviate this feeling of disappointment. Presumably both groups are now doing better business, for their profits last year must have been affected by the London bus strike and could have benefited only slightly in the latter months from the Government's measures to stimulate consumption. The gross profits of Lewis's Investment Trust fell by £134,000 to £4,581,383 but its net profits rose slightly from £1,969,217 to £1,974,939. Harrods' gross profits fell even more sharply, dropping by £227,950 to £2,245,166 but its net income remained practically unchanged at £1,076,744. Whatever specific reasons may explain these results, they leave the impression that the department stores are still losing trade to the multiples.

ENGLISH ELECTRIC

ENGLISH ELECTRIC'S recent appeal for new money has taken care of the huge rise in its bank overdrafts that the publication of its full accounts for the year to December 27th has now revealed. The group's overdraft, excluding that of the Canadian subsidiaries, jumped from £8¾ million to £20½ million during the year, but the issue of a £6 million debenture and a rights issue of ordinary shares which brought in about £4½ million since the end of the year has restored the overdraft to more normal dimensions. A large part of the short-term debt was used to finance a rise of £8¾ million to £57½ million in stocks and work in progress.

The rise in trading profits from £10,233,840 to £11,036,124 showed that the group could advance without faltering through difficult as well as favourable years, and the 50 per cent scrip issue and the prospect that the 1959 dividend will be at least equivalent to the 14 per cent paid last year came as a powerful reassurance to the market when investors in heavy electrical engineering shares, following the reduction in the GEC dividend, were beginning to become a little anxious. A further reassurance can be found in English Electric's order book: although the incidence of large orders in 1957, including the Hinkley Point nuclear power plant, caused the value of new orders received during the year to fall from £184 million to £132 million, outstanding orders both at home and in Canada were almost unchanged at £264 million (against £269 million).

From a different angle of vision, however, the picture is slightly less charming. To say that profit margins are being eroded is commonplace, but over the last three years the sales figures which English Electric has disclosed for the first time show that increased turnover has been solely responsible for the advance in profits. Indeed the ratio of net profits to sales and to capital employed, has contracted sharply. The ratio to sales fell from 2.02 to 1.86 per cent over the last three years and as a percentage of net assets from 5.02 to 3.91 per cent. If English Electric is to maintain its high level of profits, it would seem that its order book ought to be expanding.

CLARKE, CHAPMAN

NINETEEN FIFTY SEVEN must seem a long way off to the present shareholders in Clarke, Chapman. The trading profits the company then announced for the financial year, 1956, showed a tremendous jump to a peak of £1,954,645, and the dividend was six times covered at a time when any share with an interest in atomic power was accorded pride of place in the market. The company's £1 shares rose to 180s. and the yield fell to about 3 per cent. That was a vintage year and the two succeeding years show how exceptional it was. In 1957 the trading profit declined to £1,475,999 and the ordinary dividend was left unchanged at 27½ per cent. In 1958 the trading profit declined further to £1,041,208, and allowing for the one-for-one scrip issue the dividend at 13¾ per cent is again left effectively unchanged. The dividend is covered three times by net earnings of £371,775, but this profit is well down on the 1957 figure of £555,641. The units fell 4s. 6d. after the announcement and now stand at 60s. 7½d. and offer a yield of 4.5 per cent. A clear warning was given by Mr J. B. Woodeson in his review last year. Contracts from conventional power stations kept the firm busy in the years of peak profits. Contracts from nuclear power stations present different engineering problems and the switch from one to the other demands far-reaching adjustments. Mr Woodeson also said then that profits would return to "more normal levels" and would continue at this lower rate until the company had "become fully established in the expanding nuclear field."

BRITISH HOME STORES

FOR the year to January 3rd the directors of British Home Stores raised the ordinary dividend from 37½ per cent to

41¾ per cent and they also announced a one for ten scrip issue. The chairman, Mr H. Hindley now tells shareholders that it is hoped to maintain the new rate on the larger capital. In making this statement Mr Hindley specifically refers to the "somewhat conservative dividend policy" hitherto pursued and argues that this policy can be modified now there is greater freedom for financing capital spending. On this new dividend basis, the 1s. units at 9s. 1½d. yield 5.3 per cent.

The slight fall in trading profits last year from £1,686,997 to £1,640,140 shows that profit margins have been reduced for turnover has risen "substantially." No doubt the two new stores at Birmingham and Wigan will add to sales this year but the policy of price cutting that BHS is now following—like its big competitor, Marks and Spencers—may squeeze margins still more.

AUSTRALIAN ISSUES

AUSTRALIA has a big appetite for capital and "rights" issues of ordinary stock by three of the largest Australian companies came hard on the heels of the relaxation of CIC controls in this country.

Broken Hill Proprietary, the iron and steel giant, made a one for five issue of £1 ordinary shares at par in the spring of 1957 and again in 1958. Now comes the hat trick with a further rights issue on the same terms. As the company is domiciled in Australia, it needed CIC consent for the 4,000 shareholders on its London register (with a combined holding of approximately 3½ million shares) to have the right to subscribe for 700,000 £1 ordinary shares out of the total issue of 10 million units. The current price of the £1 units in London is 42s. 9d.

Consolidated Zinc, registered in this country, does not need CIC consent for its one for six rights issue of £1 ordinary shares. The issue price has not yet been fixed but the current market price on the existing units is 60s. 3d.

Dalgety and Company, which combines a huge wool business with a wide range of ancillary merchanting interests, has announced plans for raising £6,200,000. About £2 million will come from a three for eight rights issue of £1 ordinary shares at a price of 24s., against a current price of 36s. Another £2 million will come from the issue of 6 per cent debenture (1979-84) at par. Holders of all classes of capital and existing debenture holders will have the right to subscribe. Finally, an offer of £1,200,000 of secured notes will be made in Australia. These issues will be made against a not very inspiring background. Profits for the year to June 30th are expected to show a substantial fall. But the directors intend to pay a tax free interim dividend of 3 per cent on existing capital and a tax free dividend of 4 per cent on the larger capital; this compares with the equivalent of 7¼ per cent, tax free, paid for 1957-58.

"CHARTERED"

TO qualify as an overseas trade corporation, the British South Africa Company has transferred the greater part of its investments to a subsidiary company; the holdings of the group as a whole are worth at market values about £35 million. The transfer was made at market values or the directors' valuation in the case of unquoted securities. This gave rise to a surplus of £8,528,720 over the original book value. But on this surplus the company has had to pay £676,545 in tax, so that £7,852,175 has been transferred to capital reserve. The new OTC status took effect provisionally from March 21, 1958, and the tax saving in the financial year to September 30th was approximately £750,000. But the directors estimate that in present circumstances the saving each year will be in the region of £600,000. The introduction of a flat rate profits tax has reduced the attractions of OTC status for the company; under the old two-tier régime, the president, Lord Robins, estimated a year ago that the saving would be about £1 million.

Out of total income for the year of £9,126,561, compared with £12,259,530, mineral royalties fell from £8,758,252 to £6,120,829, while investment income declined from £3,412,795 to £2,907,081. The reduction in taxation has been so large that the net income has fallen only from £4,830,496 to £4,363,217. The ordinary dividend has been effectively raised from 30 per cent to 35 per cent by the payment of a special interim for 1958-59. At 85s., Chartered's 15s. units yield 6.2 per cent.

GILLETT BROTHERS

ALTHOUGH the authorities kept the discount market on a tight rein last year, the reduction in Bank rate from 7 per cent to 4 per cent naturally gave the discount houses handsome profits on their portfolios of bills and bonds. Gillett Brothers disclosed a net profit of £203,344 after transfers to reserves for the year to January 31st; this is the highest ever and compares with £85,777 for the previous year. The ordinary dividend has been raised from 11¼ per cent to 12½ per cent, the level that the board had hoped to maintain following a scrip issue in 1955. But the main emphasis has been on building up reserves to meet future contingencies. Bills held at the balance-sheet date were valued at £60¼ million, compared with £58¼ million a year ago, but bond holdings rose by about £3¾ million to £20½ million. The turnover of bonds increased by more than three-fifths over the year, while the turnover of Treasury bills rose by less than one-fifth. Turnover of commercial bills fell 6 per cent, but if interest rates fall further, more business can be expected. Gillett Brothers, as reported previously, has agreed to subscribe £20,000 of a total capital of £100,000 in a new Rhodesian discount house. Two acceptance houses have already opened their doors in Rhodesia and a flow of commercial paper at attractive rates seems certain.

LEYLAND MOTORS

THE focal point of interest in Sir Henry Spurrier's statement with the full report of Leyland Motors is his reference to the rate of new orders. During the financial year to September 30th orders dwindled, accumulated orders were worked off and the output of the group's factories fell below full capacity. The factories are still not working to capacity, but new orders are now at least matching the current level of deliveries. Business contracted almost equally at home and overseas, but one important development abroad is the tendency to extend longer periods of credit to customers.

KITCHEN AND WADE

THE long and bitter struggle for control of Kitchen and Wade ended a week ago, when Asquith Machine Tool announced that it had received acceptances for its revised offer from over 60 per cent of Kitchen and Wade shareholders. The contest had followed the classic pattern; a bid and a revised bid from Asquith were countered by a series of increased dividends and a capital repayment from Kitchen and Wade. The original offer was made to the Kitchen and Wade board in November. Mr Kitchen announced on December 1st that a bid had been rejected, and he advised shareholders against selling. An extra interim dividend of 6¼ per cent was declared on December 2nd, and on the 3rd Asquith announced their offer. Its terms were finely drawn, giving one Asquith share and two shillings in cash, or a total of 25s. 6d., for two Kitchen and Wade shares, worth 23s. on December 1st. Kitchen and Wade followed this bid by a capital repayment of 2s. 6d. a share on December 9th, and a third interim dividend of 6¼ per cent on January 10th. The Kitchen and Wade shares had reached 18s. 6d. by January 13th, and on the 14th Asquith, which had made a 100 per cent scrip issue on January 6th, increased its offer to five Asquith ordinary shares and 5s. in cash for every four ordinary shares in Kitchen and Wade. This offer was worth about 19s. a share, and it is the one which has now been accepted, despite a fourth interim of 8¾ per cent announced by Kitchen and Wade on February 10th; that dividend was conditional on the company retaining its independence.

The shareholders in Kitchen and Wade no doubt considered that the more buoyant profit record of Asquith offered better prospects for the future than did the belated generosity of their board. The attraction that Asquith found in Kitchen and Wade was that the works of the two companies adjoin one another, so that their production can easily be rationalised. The Asquith foundry had recently been mechanised, and its capacity exceeded the needs of their own works; Asquith also wanted to obtain the benefits of larger-scale production. The increasingly competitive conditions in the industry produced by the recession in machine tool orders has doubtless made this of greater importance.

London Stock Exchange

FIRST DEALINGS:	Feb. 11	Feb. 25	Mar. 11
LAST DEALINGS:	Feb. 24	Mar. 10	Mar. 31
ACCOUNT DAY:	Mar. 3	Mar. 17	Apr. 7

GILT-EDGED stocks were dull on Monday following the rise in the Treasury bill rate but by Wednesday's close some of the undated and longer dated stocks were showing small gains and the tap stock Funding 5½ per cent 1982-84 rose by ¼ to 103⅝. In a quiet Dominion loan section, the new Rhodesian and Nyasaland 6 per cent stock opened at ⅛ discount on its issue price of £99 and by Wednesday the discount had widened to ¾. Among foreign bonds, Greek 7 per cent lost 1½ to 32 on profit taking.

Industrials closed firmly, if quietly, on Friday following the overnight rise on Wall Street to a new peak. Over the week to Wednesday's close *The Economist* Indicator advanced by 1.1 to 253.5. Power-Gas, following the full report, gained 1s. 6d. to 44s. and Bowater on dividend hopes rose by 1s. 7½d. to 49s. 7½d. But Glaxo on profit taking lost 1s. to 50s. and Unilever NV 1s. 6d. to 104s. Electricals were strong, Thorn jumping by 4s. to 36s. and Vactric by 5s. 9d. to 42s. 6d. in a market short of stock. The market in store issues was firm, Gamage on dividend hopes rising by 2s. 6d. to 66s. 6d. while H. Samuel jumped by 5s. 3d. to 28s. Among textiles, Courtaulds gained 1s. 3d. to 35s. 10½d. following the better figures for man-made fibre output. In building shares R. Costain gained a further 4s. 9d. to 69s. 9d. Motor shares were active, Ford gaining 1s. 1½d. to touch a "high" of 54s. 10½d. Jaguar on the full report jumped by 6s. to 62s. 6d. while Rover at 19s. 3d. and Standard at 9s. 6¾d. were 1s. 9d. and 6d. higher on vague rumours of a link up. But in aircrafts, Hawker lost 1s. 6d. to 31s. 10½d. on the Canadian Government's decision to end the Avro Arrow project. Television shares were affected by the Labour move to curb advertising, Associated TeleVision "A" falling by 4s. 3d. to 64s. 6d. But HP shares were strong on estimates of future business, UDT gaining 7s. 6d. to a new peak of 140s.

Oils were dull following US and Continental selling, Shell dropping by 1s. to 139s. Other leaders eased but Anglo-Egyptian "B" following moves to speed the signing of an Anglo-Egyptian agreement rose by 6s. 10½d. to 38s. 4½d. Kaffirs after suffering from end-Account profit taking rallied strongly; F. S. Geduld advanced a further 4s. 4½d. to a fresh peak of 153s. 1½d. Other OFS shares moved up in sympathy and finance house shares scored good gains. In diamonds, De Beers on dividend hopes rose by 3s. 4½d. to 134s. 7½d.

Coppers were firm following the reports from "Chartered" and Messina but platinum issues turned dull after their earlier rise on the increase in the price of the metal.

LONDON AND NEW YORK STOCKS

Prices, 1958/9 High	Prices, 1958/9 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price Feb. 18, 1959	Price, Feb. 25, 1959	Net Yield, Feb. 25, 1959 § £ s. d.	Gross Yield, Feb. 25, 1959 £ s. d.
100 1/16	95 1/16	War Loan 3% 1955–59	100 3/32	100 1/16	2 17 5	2 17 10
97 3/4	90 3/8	Funding 2½% 1956–61	97 31/32	97 15/16	2 7 4	3 12 9
99 5/32	93 3/16	Exchequer 3½% 1960	97 7/8	99 1/16	2 2 1	2 19 10
103 3/32	95 3/16	Exchequer 3½% 1960	100 1/4	100 1/16	1 13 6	2 18 9
101 5/16	95 5/16	Conversion 4½% 1962	101 1/4	101 1/4	2 2 8	4 1 1
95 1/32	89 5/8	Exchequer 3% 1962–63	96 1/32	96	2 13 0	4 0 5
101 3/4	99 7/16	Conversion 4½% 1963	101 21/32	101 21/32	2 4 6	4 6 5
92 15/16	83 5/8	Savings Bonds 3% 1955–65	92 7/8	92 15/16	2 18 11	4 5 8
85 13/16	77 5/8	Funding 3% 1959–69	85 13/16	85 13/16	3 9 6	4 18 9
93 1/8	86 3/8	Funding 4% 1960–90	92 15/16	93 1/8	3 9 5 10	11 12 6e
83 7/16	75	Savings Bonds 3% ... 1960–70	82 11/16 *	82 3/4 *	2 13 3	4 9 10 f
93 5/8	84 3/8	Exchequer 2½% 1963–64	93 1/32	93 7/16	3 11 3	4 19 8 f
100 11/32	99 11/16	Conversion 4½% 1964	100 5/16	100 3/16	2 17 10	4 1 4 f
86 *	78 5/8	Savings Bonds 2½% ... 1964–67	85 15/16	85 7/8	2 9 6	4 8 8
76 7/8	69 3/8	Savings Bonds 3% ... 1965–75	76 13/16	76 13/16	3 16 2	4 14 6 f
105 5/8	99 1/2	Exchequer 5½% 1966	103 1/8 *	103 1/8 *	3 12 3	5 2 2 f
86 5/16	78 5/8	Funding 3% 1966–68	85 5/16	86 5/16	2 13 0	4 18 6
98 1/8	91 1/8	Victory 4% 1920–76	96 9/16 *	95 9/16 *	3 9 1	4 17 2 f
89 13/16	81 7/16	Conversion 3½% 1969	82 11/16 *	89 13/16 *	2 14 6	4 9 3‡
100 5/16	97 1/4	Conversion 5½% 1974	100 1/8	100 5/16	3 4 2	4 15 9
79 1/2	71 1/8	Treasury 3½% 1977–80	79 3/16	79 1/2	3 0 10	5 6 5
78 3/8	70 3/8	Treasury 3½% 1979–81	78 1/16	78 3/8	3 8 6	5 3 0 f
103 5/16	98 1/2	Funding 5½% 1982–84	103 3/8	103 5/16	3 5 3	5 3 4 f
68 1/4	60	Redemption 3% 1986–96	63 1/4	67 1/8 *	2 19 5	5 2 7e
74 1/2	64 3/8	Funding 3½% 1999–2004	72 15/16	74 1/8	3 4 8	4 18 2 f
76 5/8	69 5/16	Consols 4% ..after Feb. 1957	75 3/8	75 7/16	3 1 9	4 19 3 f
69 7/16	63 1/8	War Loan 3½% ..after 1952	68 3/16	68 1/4	3 1 1	5 3 5f
68 7/8	62 3/8	Conv. 3½% ..after Apr. 1961	68 5/8	67 1/4 *	2 19 8	5 3 7 f
60	54 5/8	Treasury 3% ..after Apr. 1966	60	60	2 19 5	5 3 3 f
53 9/16	46 3/4	Consols 2½%	53 1/4	53 3/8	2 18 2	5 2 0f
51 3/16	46 3/8	Treasury 2½% after Apr. 1975	51 1/8	50 1/8 *	2 14 1	4 14 4f
96 3/8	90 1/8	British Electric 4½% 1967–69	95 5/16	96 3/8	2 17 3	4 19 4f
80 1/8	72 1/16	British Electric 3% .. 1968–73	80 1/8	78 13/16 *	3 0 2	4 19 6f
76 13/16	68 3/8	British Electric 3½% .. 1974–77	75 3/4 *	75 13/16 *	3 12 11	5 2 0f
89 7/8	82 5/8	British Electric 4½% 1974–79	88 5/16 *	88 3/8 *	3 10 11	5 0 11 f
80 3/8	72 5/16	British Electric 3½% 1976–79	80 1/4 *	80 3/8	3 4 2	5 2 11 f
89 3/4	82 7/16	British Gas 4% 1969–72	89 11/16	89 3/4	3 7 6	5 2 7f
87 1/16	79 1/4	British Gas 3½% 1969–71	86 11/16 *	86 3/4 *	3 5 2	5 1 8f
69 7/16	60 7/16	British Gas 3% 1990–95	69 1/8	69 7/16	3 6 1	4 18 4f
80 1/8	72 1/16	Brit. Transport 3% .. 1958–73	80 1/8	78 13/16 *	3 3 7	4 17 2f
86 3/4	79 1/4	Brit. Transport 4% .. 1972–77	86 5/8	86 3/4	3 12 11	5 2 0f
69 1/8	60 15/16	Brit. Transport 3% .. 1978–88	69 1/8	69 1/8	3 5 7	5 3 6f
					3 8 3	5 1 3f

Prices, 1958/9 High	Prices, 1958/9 Low	FIXED INTEREST STOCKS	Price, Feb. 18, 1959	Price, Feb. 25, 1959	Yield, Feb. 25, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	94 1/2	Australia 4½% 1960–62	100 *	99 3/4 *	4 13 0e
106 3/4	97 7/8	Australia 6% 1974–76	106 3/4	105 1/2	5 7 4e
77	73 1/2	Ceylon 4% 1973–75	75 1/2 *	75 1/2	6 9 8f
102 1/4	94 1/2	Jamaica 6% 1977–82	100	99 3/4	6 0 6f
105 7/8	97 7/8	New Zealand 6% 1976–80	104 3/8 *	104 1/4	5 12 2e
101 7/8	91 3/4	Rhodesia and Nyasaland 6% 1976–79	100 1/2	99 3/4	6 1 5e
74 5/8	69	Southern Rhodesia 2½% 1965–70	74	73 1/2	5 15 11 f
		CORPORATION AND PUBLIC BOARDS			
102	93 1/4	Agricultural Mortgage 5½% 1980–85	102 1/2	102 1/2	5 6 0e
105	98 7/8	Birmingham 5¾% 1974–76	103	103 1/2	5 8 1e
93 1/2	86	Bristol 3% 1958–63	93	93 1/2	4 16 0f
97 1/2	91 1/2	Glasgow 4% 1956–68	97 1/2	97 1/2	5 2 0f
101 1/4	96 1/2	Corporation of London 5¼% 1976–79	101	101	5 3 5e
57 3/4	53	L.C.C. 3% ..... after 1920	56 5/8 *	55 1/2	5 6 2f
64	56	Met. Water Board 'B' 3% 1934–2003	63 *	63 1/4	5 2 11
		FOREIGN BONDS			
103 1/2	83	German 7% 1924 (British Enfaced 5%)	103 1/2	103 1/2	...
187	154	German 5½% 1930 (Enfaced 4½%)	187	187	...
35	12 3/4	Greek 7% Refugee 1924	33 1/2	32	Nil
169	160	Japan 5% (Enfaced) 1907	168 1/2	168 1/2	...
119 1/2	105 1/2	Japan 6% (Enfaced) 1924	115 1/2	116 1/4	...
59	48	Uruguay 3½% Bonds (Assented)	58 1/2 *	59	...

NEW YORK CLOSING PRICES

	Feb. 18 $	Feb. 25 $		Feb. 18 $	Feb. 25 $		Feb. 18 $	Feb. 25 $
Ath. Topeka...	29 3/4	29 1/8	Boeing.....	40 3/8	42 1/2	Inter. Nickel ..	91 1/8	93 1/2
Can. Pacific....	30 1/4	31 1/8	Celanese.....	29 3/8	29 1/4	Inter. Paper ...	119 1/2	120 3/4
Pennsylvania...	16 7/8	17	Chrysler	54 3/8 *	55 7/8	Kennecott.....	107 3/8	115
Union Pacific ..	37 7/8	37 1/2	Col. Palmolive .	99 3/8	101 1/4	Monsanto	43 1/8	44 5/8
Amer. Electric .	49 3/8	49 3/8	Crown Zeller..	55 3/4	56 1/2	Nat. Distillers .	31	32
Am. Tel. & Tel..	239 3/8	240 1/4	Distillers Seag..	34 3/8 *	35 1/4	Pan-American..	28 3/8	27 3/4
Cons. Edison ...	63 3/8	64 7/8	Douglas.....	51 1/2	54 3/4	Procter Gamble	74 3/4	76 3/8
Int. Tel. & Tel..	64	63 1/4	Du Pont	210 1/2	216 1/4	Radio Corpn....	46 5/8	47 7/8
Standard Gas ...	3 1/2	3 1/2	East. Kodak ...	146 1/2	154	Sears Roebuck.	44	44 1/8
United Corpn...	8 7/8	9	Ford Motor ...	53 3/4	55 1/8	Shell Oil	79 1/2	80
Western Union	34 1/2	34 1/8	Gen. Electric ...	77 3/4	79 1/2	Socony-Mobil ...	45 3/4	45 1/2
Alcoa.....	81 3/4	83 7/8	General Foods .	79	79 3/4	Stand. Oil Ind..	47 3/8	47 5/8
Aluminium	29 3/8	28 7/8	General Motors	45 7/8	46 7/8	Stand. Oil N.J..	51 1/4	51
Amer. Can.....	46 7/8	47 3/8	Goodyear	124	129	20th Cent. Fox.	40	38 3/8
Am. Smelting...	52	55	Gulf Oil.....	113 3/4	112 1/2	Union Carbide.	124 1/2	131 1/4
Am. Viscose....	42 1/8	43 1/8	Heinz.....	66	66 3/4	U.S. Steel	90 1/2	93 1/4
Anaconda	69 7/8	72 1/8	Int. Bus. Mach..	507	518	West. Electric .	76	77 3/8
Beth. Steel	52 7/8	53 1/4	Int. Harvester .	42	42	Woolworth ...	56 5/8	55 3/4

Prices, 1958/9 High	Prices, 1958/9 Low	ORDINARY STOCKS	Price, Feb. 18, 1959	Price, Feb. 25, 1959	Yield, Feb. 25, 1959	Last Two Dividends (a) (b) (c)
		STEEL AND ENGINEERING				
24/11 1/2	19/6	Colvilles £1	22/7 1/2	29/11 1/2	8 7	5 a 8 b
30/6	21/7 1/2	Dorman Long £1	33/-	35/4 1/2	7 7	4 a 8 b
23/10 1/2	15/6	Steel Co. of Wales £1	22/7 1/2	23/9 3/4	7 7	4 a 8 b
32/3	20/-	Stewarts & Lloyds £1	27/6	28/3	8 9	6 a 8 b
42/10 1/2	22/3	John Summers £1	37/6	38/6	9 9	6 a 10 b
30/3	17/9	United Steel £1	27/3	27/7 1/2	9 5	4 a 8 1/2 b
34/6	23/-	John Brown £1	34/3*	34/3	8 6	6 b 4 a
10/-	6/9	Cammell Laird 5/-	9/3	9/-	8 6	11 b 4 a
64/-	43/-	Swan Hunter £1	57/3	56/3	5 3	13 b 5 a
36/6	28/6	Vickers £1	34/6	34/11 1/2	5 3	7 1/2 b 2 1/2 a
68/-	40/9	Averys £1	62/-*	62/-	5 3	6 3/4 b 5 a
18/7 1/2	12/9	Coventry Gauge 10/-	17/3	18/-	5 6	†17 1/2 a †4 3/4 b
42/-	29/3	Alfred Herbert £1	39/9	37/6	5 6	†2 a †4 b
17/6	9/3	Ransome & Marles 5/-	17/1 1/2	17/4 1/2	5 4 1/8	5 a 10 b
43/6	30/4 1/2	Renold Chains £1	43/3	43/-	5 5	9 1/2 b 3 a
42/9	21/9	Allied Ironfounders £1	38/6	42/9	5 5	8 3/4 b 3 1/4 a
55/6	41/10 1/2	Babcock & Wilcox £1	49/6	51/6	5 5	6 3/4 b 6 a
85/9	36/9	British Aluminium £1	78/6>	69/-*p	5 5	4 a 13 1/2 b
15 c	20 c	Davy & United £1	94/-	94/-	4 4	15 c 20 c
58/6	34/7 1/2	Guest Keen £1	52/10 1/2	53/3	4 4	7 1/2 b 4 a
76/-	41/-	Metal Box £1	72/6	76/-	3 3	7 b 5 a
55/6	43/9	C. A. Parsons £1	51/6	51/6	2 3	3 3/4 a 3 3/4 a
27/9	22/-	John Thompson..... 5/-	23/6	23/9	5 5	15 b 10 a
85/-	48/6	Tube Investments..... £1	82/3	83/3	4 4	7 1/2 a 10 b
		BUILDING, etc.				
54/9	31/-	Associated Portland £1	54/-	54/9	3 3	6 b 3 a
22/11 1/2	12/7 1/2	British Plaster Board. 10/-	21/4 1/2	21/6	5 5	7 1/2 b 5 a
69/9	27/11 1/2	Richard Costain £1	64/3	69/9	4 4	8 3/4 c 5 a
10/10 1/2	6/3	Crittall Manufacturing. 5/-	10/7 1/2	10/10 1/2	4 6	5 a 10 b
67/3	36/11 1/2	London Brick £1	64/6	66/3	4 4	15 3/8 c 6 a
89/9	52/6	Wall Paper Defd. £1	87/9	89/9	4 4 1/2	5 a 13 1/2 b
		CHEMICALS AND PAINT				
22/-	13/4 1/2	Albright & Wilson..... 5/-	20/3	20/6	3 3 1/2	16 c 4 a
20/4 1/2	14/4 1/2	Borax Defd..... 5/-	18/7 1/2	19/10 1/2	2 2 1/2	2 11 12 d 5 3/8 b
8/-	4/10 1/2	Brit. Ind. Plastics 2/-	7/7 1/2	8/-	4	7 1/2 b 2 1/2 a
48/6	28/5 3/4	Fisons £1	48/-‖	47/9‖	4	3 1/2 a 6 2/3 b
38/-	24/3	I.C.I. £1	36/6	36/3	4	5 1/4 b 2 2/3 a
14/11 1/2	8/7 1/2	International Paints ...4/-	13/10 1/2	14/11 1/2	5	18 c 6 a
16/6	12/6	Monsanto 5/-	15/4 1/2	15/6	4 5	5 a 8 1/2 b
22/-	15/3	Pinchin Johnson 10/-	18/9	19/9	8	11 2/3 b 5 a
		ELECTRICAL AND RADIO				
58/9	47/-	A.E.I..... £1	55/3	55/3	5	7 1/2 b 7 1/2 a
52/6	39/3	B.I.C.C. £1	48/3	47/9	5	9 1/2 b 4 a
43/3	24/7 1/2	Decca Record 4/-	43/3	42/3	4	14 7/12 a 35 1/2 b
63/-	21/-	E.M.I. 10/-	57/3	55/3	3	11 1/4 c 11 1/4 c
63/-	44/6	English Electric..... £1	63/-	64/3*		4 a 10 b
40/6	29/9	General Electric £1	33/-	32/3*		6 1/2 b 3 a
17/-	10/3	Pye Defd. 5/-	16/7 1/2	16/3		12 1/2 c 12 1/2 c
97/3	74/6	A. Reyrolle £1	92/6	94/9		11 b 6 1/2 a
		MOTORS AND AIRCRAFT				
14/2 1/4	6/7 1/2	British Motor 5/-	13/6	13/7 1/2		12 1/2 c 4 a
51/10 1/2	31/9	Ford Motor £1	53/9	54/10 1/2		6 b 3 1/2 a
43/9	39/-	Leyland Motor £1	44/3*	45/-		12 1/2 c 12 1/2 c
7/10 1/2	4/11 1/2	Rootes Motors 4/-	7/6	7/4 1/2		8 c 4 a
10/-	6/7 1/2	Standard Motor 5/-	9/10 3/4	9/6 3/4		8 c 12 c
26/6	14/4 1/2	Dunlop Rubber..... 10/-	25/9	25/7 1/2		11 b 4 1/6 a
45/6	29/-	Joseph Lucas £1	45/3	45/-		2 1/2 a 5 b
26/11 1/2	12/5 1/4	Pressed Steel..... 5/-	24/4 1/2	24/4 1/2		14 b 7 1/2 a
51/3	32/9	Triplex Holdings 10/-	51/-	53/6		20 c 7 1/2 a
14/4 1/2	8/7 1/2	Bristol Aeroplane.... 10/-	10/3	10/4 1/2		6 1/2 b 3 1/2 a
21/4 1/2	14/3	De Havilland £1	20/7 1/2	20/11 1/2		7 1/2 c 7 1/2 c
43/6	23/3	Dowty Group..... 10/-	45/3	44/3*		15 a 16 1/2 b
34/9	24/9	Hawker Siddeley £1	33/4 1/2	31/10 1/2		3 a 7 b
105/3	82/9	Rolls-Royce £1	98/6	101/-		15 b 5 a
		PAPER AND NEWSPAPERS				
49/7 1/2	26/6	Bowater Paper £1	48/-	49/7 1/2		8 b 4 1/2 a
54/-	27/9	Albert E. Reed £1	52/3	53/6		9 b 5 a
24/9	16/-	Spicers £1	23/-	22/6		5 b 3 a
25/3	8/9	Daily Mirror 'A' 5/-	25/3	24/4 1/2		7 1/2 a 12 b
29/-	13/6	Odhams Press 10/-	27/9	28/9		5 a 12 1/2 b
		TEXTILES				
24/11 1/2	19/6	J. & P. Coats £1	22/9	23/3		6 1/4 b 2 1/2 a
21/-	12/10 1/2	Fine Spinners £1	18/6	18/6		5 b 5 a
41/4 1/2	29/10 1/2	Lancashire Cotton £1	37/6	37/6		5 a 12 1/2 b
38/4 1/2	30/-	Patons & Baldwins £1	37/7 1/2	37/7 1/2		12 1/2 c 2 1/2 a
6/8 1/4	4/3	Salts (Saltaire)..... 5/-	5/3	5/5 1/4		6 c 4 a
54/6	38/4 1/2	Woolcombers £1	54/-	52/6		10 b 5 a
19/11 1/2	10/11 1/2	Bradford Dyers..... £1	16/7 1/2	17/3		6 c Nil
48/4 1/2	33/11 1/2	Calico Printers £1	37/6	39/6		22 1/2 c 22 1/2 c
35/10 1/2	19/7 1/2	Courtaulds..... £1	34/7 1/2	35/10 1/2		5 b 3 a
13/7 1/2	8/10 1/2	Jute Industries..... 10/-	12/6	12/3		3 a 10 b
30/6	15/3	Tootal..... £1	27/7 1/2	26/7 1/2		7 1/2 c 7 1/2 c
		DRAPERY & STORES				
21/10 1/2	14/9 3/4	Boots Pure Drug 5/-	20/7 1/2	21/7 1/2 *		14·4c 6 a
30/-	16/9	Debenhams 10/-	29/7 1/2	30/11 1/2		3 3/4 b 10 a
34/3	17/3	G.U.S. 'A' 5/-	33/10 1/2	34/-		25 b 7 1/2 a
80/-	55/6	Harrods £1	76/6	78/6		5 a 12 1/2 b
35/3	20/3	House of Fraser 'A'...5/-	34/3	34/7 1/2		25 b 10 a
18/3	10/6	Lewis's Investment ...4/-	18/3	17/9		6 a 10 b
55/9	37/3	Marks & Spencer 'A'..5/-	53/7 1/2	54/11 1/2		22 1/2 b 12 1/2 a
38/6	21/-	United Drapery 5/-	37/3	37/6		20 b 12 1/2 a
53/11 1/2	34/7 1/2	Woolworth 5/-	52/11 1/2	52/3		25 1/2 b 13 1/3 a

Prices, 1958/9 High	Prices, 1958/9 Low	ORDINARY STOCKS	Price, Feb. 18, 1959	Price, Feb. 25, 1959	Yield, Feb. 25, 1959	Last Two Dividends (a) (b) (c)
		BANKING				
31/9	26/9	Barclays £1	59/-	59/3	4·05	6 a 6 b
27/6	24 3/4 a	Lloyds..... £1	51/3	50/-	4·00	5 2/3 a 5 b
57/6	9 a	Midland £1	94/3	93/9	4·27**	9 a 9 b
59/3	9 a	National Provincial £1	97/6	98/9	4·05	11 b 9 a
36/-	5 a	Westminster 'B'..... £1	60/-	60/6	4·13	7 1/2 b 5 a
47/9	7 1/2 a	District..... £1	76/-	76/6	4·44	9 1/2 b 5 a
9/8 1/4	6 a	Martins..... 5/-	21/6‖	20/-‖	4·00	10 b 6 a
21/4 1/2	5 a	Com. Bk. of Scot. 'A' 10/-	36/6	39/6	3·16	7 1/2 b 5 a
46/-	7 a	Royal Bank of Scotland..£1	72/-*	75/-	4·27	9 b 9 b
27/6	4 a	Barclays D.C.O. £1	40/6	41/-	4·39	5 a 5 b
31/3	7 1/2 b	Chartered Bank £1	45/6	46/-	6·52	7 1/2 a 7 1/2 a
£20	$2·10c	Royal Bank of Canada. $10	£28 3/16 *	£28 1/4	2·91	$2·25c $2·10c
£14 15/16	$1·60c	Bank of Montreal..... $10	£20 *	£20 1/8	2·99	$1·65c $1·60c
25 5/8	9 c	Bank of New S. Wales.£20	31 1/4	31 3/4	4·54g	9 c 9 c
28/-	4 a	Bank of Ldn. & S. Amer. £1	32/9*	32/9	6·11	6 b 4 a
		FINANCIAL				
18/-	2 1/2 a	Alexanders £1	30/9	31/3	4·80	5 b 2 1/2 a
29/6	5 a	National Discount 'B'..£1	44/-	44/-	5·45	7 b 5 a
34/-	6 1/4 a	Union Discount £1	51/3	51/-‖	4·90	6 1/4 b 6 1/4 a
32/9	362 c	Commercial Union..... 5/-	41/9	41/6	4·42	18 1/2 a 18 1/2 a
102/6	121 a	Employers Liability £1	142/6	142/6	3·86	15 b 15 b
117/6	†16·2a	Equity & Law 8/6	196/3	193/9	2·47	†16·2b 16 c
113/9	60 b	Legal & General 5/-	218/9	235/-	2·13	40 a 60 b
86/3	†50 b	Pearl..... 5/-	116/6	116/-	5·25	†20 a 40 a
154/-	†132 1/2 c	Prudential 'A'..... 4/-	217/6	220/-	4·68	†147 1/2 c 60 a
63/9	8 b	Royal Exchange..... £1	80/9	80/9	3·96	8 a 8 a
8/-	5 a	Bowmaker 5/-	19/8 1/4	20/9	3·31	8 3/4 b 5 a
16/10 1/2	7 1/2 b	Lombard Banking..... 5/-	25/-	25/3	2·97	7 1/2 b 7 1/2 a
73/3	16 b	U.D.T. £1	132/6	140/-	2·86	4 a 16 b
19/9	17 1/2 b	B.E.T. 'A' Defd. 5/-	38/6	37/6	3·67	10 a 10 a
7/11	10 c	Cable & Wireless..... 5/-	12/9*	12/10 1/2	3·88	10 c 10 c
7/10 1/2	2 1/2 b	Land Securities..... 10/-	21/7 1/2	21/7 1/2	2·77**	2 1/2 a 2 a
8/7 1/2	5 12 c	London & County 10/-	15/7 1/2	15/9	4·23**	2 1/2 e 2 1/2 e
		FOOD, DRINK AND TOBACCO				
12/3	15 c	Allied Bakeries 'A'.....5/-	21/-	22/9‖	3·30	5 a 5 a
13/4 1/2	20	Beecham Group 5/-	25/4 1/2	25/7 1/2	3·90	14 a 20
6/5 1/4	7 b	International Tea 5/-	11/7 1/2	11/9	4·04	2 1/2 a 7 b
40/11 1/2	9 1/6 b	J. Lyons 'A' £1	76/3	76/3	3·72	5 a 9 1/6 b
13/7 1/2	5 a	Ranks 10/-	20/-	20/-	5·00	5 b 5 a
7/9	7 1/2 b	Schweppes..... 5/-	19/7 1/2	19/4 1/2	3·87**	2 1/2 a 5 a
48/9	12 b	Tate & Lyle £1	69/9	69/6	4·75	4 1/2 a 5 a
47/4 1/2	10 b	United Dairies £1	69/-	68/9*	4·36	5 a 5 a
31/-	10 a	Bass..... 5/-	45/-	45/6	5·05	36 b 10 a
15/9	6 3/4 b	Distillers 10/-	25/7 1/2	26/4 1/2	4·05	4 a 6 3/4 b
11/6	6 a	Flowers 5/-	14/9	15/3	5·57	11 b 6 a
37/-	10 a	Guinness 10/-	57/9	58/9	4·77	18 b 10 a
9/4 1/2	4 a	Ind Coope & Allsopp..5/-	12/7 1/2	12/9	5·49	10 b 4 a
56/6	7 1/2 a	Watney Mann Defd. ...£1	80/3	81/9	5·14	13 1/2 b 7 1/2 a
75/6	17 b	Whitbread 'A' £1	106/-	108/-	4·63	8 a 17 b
37/7 1/2	†17 1/2 c	Brit. Amer. Tobacco .10/-	55/-	53/4 1/2 *	5·70	†5 a †17 1/2 c
20/6	5 a	Gallaher 10/-	42/-	41/9	5·99	20 b 5 a
37/-	8 1/2 a	Imperial Tobacco £1	56/10 1/2	56/6*	7·43	12 1/2 b 8 1/2 a

Prices, 1958/9 High	Prices, 1958/9 Low	MISCELLANEOUS	Price, Feb. 18, 1959	Price, Feb. 25, 1959	Yield, Feb. 25, 1959	Last Two Dividends (a) (b) (c)
		MISCELLANEOUS				
30	20	Assoc. Brit. Picture ...5/-	47/3	45/3	-	30 a 20 a
11	5	British Match £1	44/6*	44/9	4·92	11 a 5 a
4	3	British Oxygen £1	54/9	53/9*	4·47	4 a 3 b
13	4	British Ropes 2/6	9/9	9/7 1/2	4·42	3 b 4 a
10	5	Glaxo 10/-	51/-	50/-	2·33	7 1/2 b 4 1/6 a
63/9	31/3	Hoover 'A' 5/-	61/9	63/9	4·71	10 a 8 b
195/-	133/9	Hudson's Bay £1	178/9	180/-	2·70	18·17b 6·17a
13/10 1/2	5/7 1/2	Rank Organisation 5/-	13/4 1/2	13/10 1/2	1·80	12 1/2 c 5 c
17/11 1/2	11/8 1/4	Sears 'A' 5/-	16/9	16/9 3/4	6·69	22 1/2 c 22 1/2 c
63/6	44/-	Thomas Tilling £1	62/9	63/6	4·17	7 b 6 1/4 a
76/4 1/2	52/11 1/2	Turner & Newall £1	70/11 1/2	71/4 1/2	4·20	5 a 10 b
96/-	56/4 1/2	Unilever..... £1	91/3	90/-	3·73	8 5/8 b 8 5/8 a
49/3	24/3	United Glass Bottle.....£1	48/9	48/9	4·62	7 1/2 b 3 1/8 a
36/-	26/-	United Molasses 10/-	35/2 1/4	35/0 3/4	7·03	†10 b 14 1/4 a
		OIL				
58/6	39/9	British Petroleum.....£1	51/3	51/-	5·22	†21 1/2 a †21 1/2 a
87/3	59/11 1/2	Burmah Oil £1	77/3	76/9	5·85	†7 1/2 b †7 1/2 a
£187 1/8	£137 1/8	Royal Dutch ..... 20 fl.	£157 1/8	£153 1/8	3·07	†7 1/2 a 7 1/2 a
165/-	117/6	Shell Transport..... £1	140/-	139/-	4·69	†133 1/2 b †5 a
95/6	41/6	Ultramar 10/-	68/9	67/6	-	... d
39/6	25/6	Wakefield C.C..... 10/-	36/3	36/6	5·64	13 1/8 b 7 1/2 a
		SHIPPING				
46/6	27/7 1/2	Brit. & Com'wealth. .10/-	44/-	43/6	4·60	13 1/2 b 6 1/2 a
23/9	16/6	Cunard..... £1	17/10 1/2	18/-	-	10 c Nil
105 c	10 c	Furness Withy £1	34/3	34/-	5·88	10 c 10 c
10 b	10 a	London & Overseas ...5/-	19/-	18/6	5·41	10 b 10 a
8 b	3 a	P & O Defd. £1	34/6	34/

Money and Exchanges

EXCHEQUER RETURNS

For the week ended February 21, 1959, there was an "above-line" surplus (after allowing for Sinking Funds) of £21,979,000 compared with a surplus of £162,241,000 in the previous week and a surplus of £32,383,000 in the corresponding period of last year. There was a net receipt "below-line" of £46,275,000, leaving a total deficit of £150,327,000 compared with £196,941,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to Feb. 22, 1958	April 1, 1958, to Feb. 21, 1959	Week ended Feb. 22, 1958	Week ended Feb. 21, 1959
Ord. Revenue					
Income Tax	2312,500	1801,006	1893,763	82,530	85,926
Surtax	163,000	123,600	131,400	7,500	7,700
Death Duties	163,500	152,700	164,000	3,200	3,600
Stamps	56,250	58,200	56,400	1,000	1,400
Profits Tax, EPT & EPL	275,000	230,300	255,200	4,700	4,200
Other Inland Rev. Duties	...	450	450	100	...
Total Inland Rev.	2970,250	2366,256	2501,213	98,030	102826
Customs	1256,940	1086,567	1139,455	22,422	23,608
Excise	932,310	879,420	870,470	23,670	31,170
Total Customs and Excise	2189,250	1965,987	2009,925	46,092	54,778
Motor Duties	104,000	97,645	103,691	...	...
PO (Net Receipts)	2,000	14,650	11,000	5,450	5,050
Broadcast Licences	34,000	25,500	27,800	...	...
Sundry Loans	30,000	29,854	26,668	...	39
Miscellaneous	110,000	155,530	90,152	153	142
Total	5439,500	4655,422	4770,449	149725	162835
Ord. Expend.					
Debt Interest	695,000	602,837	620,802	11,575	32,718
Payments to N. Ireland Exchequer	73,000	59,015	63,789	...	...
Other Cons. Funds	10,000	8,997	7,904	...	...
Supply Services	4292,859	3576,975	3695,161	105407	107870
Total	5070,859	4247,824	4387,656	116982	140588
Sinking Funds	38,000	30,907	31,486	360	270
"Above-line" Surplus or Deficit	+ 376,692	+ 351,307	+ 32,383	+ 21,979	Cr.
Below-line" Net Expenditure*	573,633	501,634	4,580	46,27.	
Total Surplus or Deficit	196,941	150,327	27,803	68,254	
Net Receipts from:					
Tax Reserve Certificates	−36,365	42,925	−21343	−15179	
Savings Certificates	−15,200	123,800	−2500	2,300	
Defence Bonds	−34,084	94,690	−1071	3,205	
Premium Savings Bonds	72,400	61,745	1,640	1,130	
Total	−13,249	323,160	−23174	−8544	

* Including a net receipt of the Civil Contingencies Fund of £1 million in 1958 and a net expenditure of £14 million in 1957.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Feb. 22	3,080·0	1,463·7	183·4	...	4,727·1
Nov. 22	3,390·0	1,661·0	175·6	...	5,226·5
„ 29	3,410·0	1,659·2	173·3	...	5,242·5
Dec. 6	3,420·0	1,688·0	176·8	...	5,284·9
„ 13	3,440·0	1,687·6	190·1	...	5,317·7
„ 20	3,460·0	1,761·9	184·7	...	5,406·6
„ 31	5,351·0		222·2	0·3	5,573·4
1959					
Jan. 3	3,500·0	1,789·8	205·6	...	5,495·4
„ 10	3,450·0	1,734·9	206·0	...	5,390·8
„ 17	3,460·0	1,948·3	236·6	...	5,644·9
„ 24	3,370·0	1,940·8	213·0	3·3	5,527·0
„ 31	3,280·0	1,973·2	223·5	...	5,476·7
Feb. 7	3,250·0	1,891·6	237·9	...	5,379·5
„ 14	3,140·0	1,874·2	252·2	...	5,266·4
„ 21	3,070·0	1,943·7	197·2	...	5,210·9

THE MONEY MARKET

In recent weeks outside bidders have received the lion's share of the Treasury bill allotment and have forced down the average rate of discount to a level that left no running profit on holdings of new bills over the current rates paid for short money. But at last week's tender, as described in a Business note, the discount houses staged a tactical surprise by cutting their concerted bid by 9d. to £99 4s. 3d. They suffered a further fall from 30 per cent to 27 per cent in their allotment of 91-day bills at the concerted bid price. The average rate of discount rose from £2 19s. 10.89d. per cent to £3 1s. 9.89d. per cent. The rate obtained by the market for its small allotment was £3 3s., suggesting that outside tenderers also lowered their bids.

Money turnover contracted and funds were obtained more easily this week, although rates of 3 and 3¼ per cent had to be paid at times and privilege money was taken. The authorities gave a moderate amount of help on Monday, but on Wednesday they intervened as sellers to take up a surplus of funds. The discount houses have been reluctant sellers of bills: May maturities were sold at 2 29/32 per cent before last week's Bank rate decision; after the bill tender, the rate rose to 3 1/16 per cent.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	Discount rates:	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	3 1/4–3 5/16
Discount houses	2–2¼	3 months	3 1/4–3 5/16
Money:		4 months	3 1/4–3 5/16
Day-to-Day	2 3/8–3	6 months	3 1/4–3 3/8
Treasury bills:		Fine trade bills:	
2 months	3 1/8	3 months	4 1/4–5
3 months	3 5/32	4 months	4 1/4–5
		6 months	4 1/2–5 1/4

New York

	%		%
Official discount rate: (from 2%, 23/10/58)	2½	Treasury bills: Feb 16	2·726
		„ 21	2·589

BANK OF ENGLAND RETURNS

(£ million)	Feb. 26, 1958	Feb. 18, 1959	Feb. 19
*Issue Department**:			
Notes in circulation	1,962·1	2,001·1	2,03
Notes in banking dept.	33·2	49·2	4
Govt. debt and securities*	1,996·2	2,046·5	2,01
Other securities	0·8	0·7	0
Gold coin and bullion	0·4	0·4	0
Coin other than gold coin	3·0	2·8	2
Banking Department:			
Deposits:			
Public accounts	11·4	13·2	1
Bankers	224·0	238·0	24
Others	73·0	69·3	7
Total	308·4	320·5	32
Securities:			
Government	237·5	259·1	27
Discounts and advances	27·9	8·5	
Other	20·9	21·4	2
Total	286·3	289·0	30
Banking department reserve	40·6	50·0	4
	%	%	%
"Proportion"	13·1	15·6	1

* Government debt is £11,015,100, capital £14,55
Fiduciary issue reduced by £50 million to £2,050 m
January 21, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million) Allotted	Applied for	Three Months' B Average Rate of Allotment	Allo at Ra
1958	*91 day*		s. d.	
Feb. 21	220·0	411·7	119 5·52	
	91 day	*63 day*		
Nov. 21	210·0	60·0	408·5	68 4·68
„ 28	230·0	50·0	418·9	66 1·20
Dec. 5	260·0	30·0	489·2	64 5·75
„ 12	240·0	50·0	485·3	62 4·92
„ 19	240·0	50·0	443·5	63 0·96
„ 24	230·0	50·0	423·0	63 0·47
1959	*91 day*			
Jan. 2	260·0		402·8	62 11·35
„ 9	260·0		407·4	62 10·22
„ 16	220·0[1]		414·0	62 3·42
„ 23	220·0[2]		415·1	62 1·96
„ 30	220·0		389·0	62 1·68
Feb. 6	190·0[3]		385·3	60 0·22
„ 13	190·0		339·6	59 10·89
„ 20	200·0		347·1	61 9·89

* On February 20th tenders for 91 day bills at £99 4
secured 27 per cent, higher tenders being allotted in
The offer this week was for £220 million of 91 day
(1) £240 mn. offered. (2) £230 mn. offered. (3) £210
offered.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	February 25	February 19	February 20	February 21	February 23	February 24	Februa
United States $	2·78–2·82	2·80 7/8–81	2·81–81 1/8	2·81–81 1/8	2·80 15/16–81 1/16	2·81–81 1/8	2·81–8
Canadian $	...	2·74 3/8–1/4	2·73 13/16–15/16	2·73 13/16–15/16	2·73 7/8–3/4	2·73 7/8–3/4	2·72 15/1
French Fr.	13·6220–14·0265	13·77–77 1/4	13·77 1/4–3/4	13·77 1/4–38	13·77 1/4–3/4	13·77 1/2–3/4	13·77 3/4
Swiss Fr.	11·94–12·54 7/8	12·11 7/8–12 1/8	12·12 1/4–1/2	12·12 3/4–5/8	12·12 1/4–1/2	12·12 1/4–1/2	12·12 7/8
Belgian Fr.	137·96–142·05	140·50–55	140·55–60	140·55–60	140·55–60	140·42 1/2–47 1/2	140·4
Dutch Gld.	10·48–10·80	10·60 3/4–61	10·60 3/4–61	10·60 3/4–61	10·60 3/4–61	10·60 1/2–3/4	10·60 7/8
W. Ger. D-Mk.	11·59 1/4–11·92 3/4	11·74 1/4–1/2	11·74 1/4–1/2	11·74 3/8–5/8	11·74 1/4–1/2	11·74 3/8–3/8	11·74
Portuguese Esc.	79·00 3/4–82·00 1/2	80·15–25	80·15–25	80·15–25	80·15–25	80·10–20	80·10
Italian Lire	1725–1775	1743 1/2–44	1743 1/2–44	1743 1/2–44	1743 1/2–44	1743 1/2–44	1743 1/2
Swedish Kr.	14·37 3/4–14·59 1/4	14·53 1/4–1/2	14·53 3/8–5/8	14·53 3/8–5/8	14·53 1/4–1/2	14·53 3/8–5/8	14·53
Danish Kr.	19·06 1/2–19·62	19·38–38 1/4	19·38 1/8–3/8	19·38 1/8–3/8	19·37 7/8–38 1/8	19·37 3/4–38	19·37
Norwegian Kr.	19·71–20·30 1/2	20·03 1/8–3/8	20·03 3/8–7/8	20·03 3/8–7/8	20·03 7/8–04 1/8	20·04–04 1/4	29·04
One Month Forward Rates							
United States $		3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16
Canadian $		1/16–3/16c. dis	1/16–3/16c. dis	1/16–3/16c. dis	1/16–3/16c. dis	1/16–3/16c. dis	1/16–3/16
French Fr.		par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis	par–2
Swiss Fr.		1–3/4c. pm	1/8–7/8c. pm	1/4–1c. pm	1/4–1c. pm	1/4–1c. pm	1/4–1
Belgian Fr.		par–5c. dis	4–9c. dis	4–9c. dis	4–9c. dis	5–10c. dis	5–10
Dutch Gld.		1/4–1c. pm	1/8–1/8c. pm	1/8–1/8c. pm	1/4–1c. pm	1/8–7/8c. pm	1/4–1
W. Ger. D-Mk.		5/8–3/8pf. pm	5/8–3/8pf. pm	3/8–3/8pf. pm	3/4–1/2pf. pm	3/4–1/2pf. pm	3/4–1/2
Three Months Forward Rates							
United States $		5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/
Canadian $		3/16–1/16c. dis	3/16–5/16c. dis	1/8–1/4c. dis	1/8–1/4c. dis	3/16–5/16c. dis	3/16–5/16
Swiss Fr.		2 7/8–2 5/8c. pm	2 7/8–2 7/8c. pm	3 1/8–2 7/8c. pm	3 1/4–3c. pm	3 1/4–3c. pm	3 1/4–3
W. Ger. D-Mk.		1 3/8–1 1/8pf. pm	1 1/2–1 1/4pf. pm	1 1/2–1 1/4pf. pm	1 3/4–1 1/2pf. pm	1 3/4–1 1/2pf. pm	1 3/4–1 1/2
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/7 3/4	249/7	...	249/6	249/6 3/4	249/

UK External Trade

Imports are valued cif: exports fob
Total trade unless otherwise stated.

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

BRITISH					
Prices and Wages	Feb.	14th	External Trade	This week	
Manpower and Output	Feb.	21st	Industrial Profits	Jan.	17th
OVERSEAS					
Western Europe Statistics	Feb.	7th	United States	Dec.	20th

From January, 1959, some small changes have been made in the coverage of the trade statistics (see *The Economist*, February 14, 1959, page 623). Back figures have been revised where possible; those still on the old basis are shown in *italics*.

	Unit	Monthly averages 1956	Monthly averages 1957	Monthly averages 1958	1957 Nov.	1957 Dec.	1958 Jan.	1958 Oct.	1958 Nov.	1958 Dec.	1959 Jan.
VALUE											
Exports:											
Total	£ million	321·7	336·8	312·5	*319·9*	*313·6*	324·4	325·4	312·4	352·1	328·6
Food, drink and tobacco	„	119·6	123·3	124·4	*114·0*	*117·2*	118·0	135·6	128·1	147·2	137·0
Basic materials	„	91·2	96·7	75·0	*87·8*	*87·1*	87·6	70·2	71·8	78·1	73·8
Fuels	„	34·5	38·8	36·7	*35·9*	*34·4*	37·0	40·8	37·1	43·7	40·3
Manufactures	„	75·2	76·9	75·1	*80·8*	*73·4*	79·8	77·6	73·7	81·2	75·8
Exports of UK produce:											
Total	„	261·5	274·2	264·3	*286·9*	*282·4*	275·4	263·2	287·7	265·6	270·1
Manufactures—Total	„	215·6	227·8	223·0	*233·5*	*233·5*	232·5	220·2	237·8	218·5	228·6
„ Metals	„	36·7	39·7	35·9	*39·7*	*37·8*	38·8	35·0	42·6	39·1	36·5
„ Engineering products	„	104·7	111·8	115·2	*115·7*	*122·2*	118·4	114·0	120·3	111·0	119·7
„ Textiles (2)	„	24·5	25·0	21·2	*24·6*	*23·7*	24·9	19·0	21·4	19·3	20·8
Re-exports	„	11·9	10·8	11·7	*11·0*	*12·2*	12·0	11·6	12·7	9·3	9·3
Balance of trade (exports *less* imports)	„	−48·3	−51·8	−36·5	*−22·0*	*−19·0*	−37·0	−50·5	−11·9	−77·3	−49·2
VOLUME											
Imports:											
Total	1954=100	110	114	114	114[3]	..	113[4]	..	120[3]	..	122
Food, drink and tobacco	„	109	113	119	114[3]	..	116[4]	..	126[3]	..	..
Basic materials	„	102	106	94	103[3]	..	95[4]	..	97[3]	..	..
Fuels	„	115	114	124	111[3]	..	114[4]	..	137[3]	..	..
Manufactures	„	125	130	132	135[3]	..	134[4]	..	136[3]	..	..
Imports:											
Total	„	113	116	111	117[3]	..	113[4]	..	115[3]	..	113
Manufactures	„	115	118	113	117[3]	..	116[4]	..	115[3]	..	..
BY AREA											
Exports:											
Dollar area—Total	£ million	70·9	80·3	65·6	76·6	70·5	67·1	65·8	65·6	82·3	64·8
„ „ USA	„	34·0	40·2	29·3	36·7	31·9	33·6	33·3	33·4	39·3	31·6
„ „ Canada	„	29·0	26·7	25·7	29·0	27·8	22·0	24·4	23·9	32·2	22·3
Non-sterling OEEC countries	„	79·4	80·6	80·3	*84·8*	*77·6*	85·2	*87·2*	*78·4*	*88·9*	76·5
Sterling area	„	124·5	127·0	*119·3*	*112·9*	*118·5*	123·5	*122·6*	*118·1*	*126·0*	132·6
Imports:											
Dollar area—Total	„	45·1	47·7	*48·9*	*51·4*	*49·3*	*41·2*	*51·8*	*55·0*	*52·6*	51·5
„ „ USA	„	21·6	21·5	*24·5*	*22·9*	*21·6*	*20·4*	*28·1*	*28·9*	*29·0*	29·4
„ „ Canada	„	15·2	16·7	*16·1*	*17·3*	*14·3*	*11·1*	*16·8*	*17·5*	*15·9*	13·8
Non-sterling OEEC countries	„	74·8	78·0	*72·9*	*76·5*	*72·4*	*72·4*	*70·7*	*73·9*	*75·4*	78·0
Sterling area	„	119·9	124·5	*123·4*	*133·7*	*135·3*	*140·1*	*123·8*	*132·8*	*116·8*	113·1
Balance of trade (exports *less* imports):											
Dollar area	„	−25·8	−32·6	*−16·7*	*−25·2*	*−21·1*	*−25·9*	*−14·0*	*−10·6*	*−29·7*	−13·3
Non-sterling OEEC countries	„	− 4·6	− 2·6	*− 7·4*	*− 9·2*	*− 5·2*	*−12·8*	*−16·5*	*− 4·5*	*−13·5*	+ 1·5
Sterling area	„	− 4·6	− 2·5	*+ 4·1*	*+20·8*	*+16·9*	*+16·6*	*+ 1·2*	*+14·7*	*− 9·2*	−19·5
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	398·4	377·5	376·8	409·1	419·4	413·1	406·1	279·7	372·7	388·3
Meat	„	72·4	74·2	69·5	64·0	51·7	70·4	56·5	76·4	69·2	76·7
Sugar, unrefined	„	194·3	235·0	220·1	216·6	261·5	210·8	238·2	200·3	235·0	186·8
Raw cotton (1)	„	27·0	30·6	21·5	22·3	25·8	29·3	9·9	15·0	20·1	19·8
Raw wool, sheep's and lambs' (1)	mn. lb.	53·2	51·6	51·2	36·1	53·1	57·4	49·0	63·4	80·6	81·8
Rubber, natural and synthetic (1)	'000 tons	18·2	22·7	17·0	30·3	26·0	32·2	14·5	14·4	17·3	18·8
Softwood	'000 stds.	104·8	19·8	106·4	140·8	102·0	80·1	124·4	132·4	135·4	74·7
Woodpulp	'000 tons	183·3	178·2	175·2	171·8	184·0	189·3	181·8	194·8	194·2	188·2
Crude petroleum	mn. galls.	618	604	732	651	618	673	819	783	871	839
Exports of UK produce:											
Coal, including bunkers	'000 tons	812	666	403	622	554	472	424	413	381	332
Woven piece-goods—cotton (2)	mn. sq. yds.	40	38	32	38	37	40	27	33	28	28
„ „ „ wool (2)	'000 sq. yds.	9,107	9,029	7,889	8,310	8,340	9,577	6,880	7,896	7,641	9,469
Passenger cars and chassis	number	27,848	35,360	40,336	40,840	36,484	45,508	39,230	36,320	36,253	41,848
Commercial vehicles and chassis	„	*10,506*	*10,216*	*9,338*	*11,538*	*11,005*	13,513	*7,953*	*8,685*	*7,088*	10,154
Agricultural tractors	„	7,482	*9,411*	*8,724*	*11,412*	*7,506*	8,321	*7,376*	*7,270*	*6,468*	7,844
Machinery—electrical	£ '000	*5,314*	*5,612*	*5,855*	*6,023*	*5,358*	*5,852*	*5,887*	*6,198*	*6,050*	5,743
„ other	„	*38,657*	*42,211*	*42,880*	*44,093*	*44,563*	*43,695*	*40,668*	*44,764*	*43,409*	46,638
Chemicals, elements and compounds	„	*4,948*	*5,219*	*5,037*	*5,224*	*4,832*	*5,037*	*4,894*	*5,252*	*4,777*	5,325

(1) Retained imports. (2) Owing to changes in classification, 1959 figures are not strictly comparable with those for earlier years. (3) Average for fourth quarter. (4) Average for first quarter.

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Codes Used : Peterson International 3rd. Edition, Private

BALANCE SHEET AS AT DECEMBER 31 1958

ASSETS

Cash in hand and due from Banks	Baht	81,734,635.99
Money at Call	Baht	6,184,500.00
Thai Government Securities	Baht	76,831,349.18
Foreign Government Securities	Baht	6,787,062.39
Other Thai Securities	Baht	4,425,000.00
Bills Receivable	Baht	347,321,222.69
Loans and Advances	Baht	287,362,700.25
Mortgages	Baht	58,954,761.31
Bank's Premises and Equipments	Baht	24,304,518.84
Other Assets	Baht	26,419,914.53
	Baht	920,325,665.18

CAPITAL AND LIABILITIES

Deposits	Baht	579,998,057.06
Balances due to Foreign Correspondents	Baht	44,404,295.14
Drafts and Remittances Payable	Baht	9,641,604.49
Bills Re-Discounted	Baht	153,713,082.04
Other Liabilities	Baht	50,418,626.45
Capital and Reserves :		
Capital	Baht 50,000,000.00	
Reserves	Baht 29,200,000.00	
Undivided profits	Baht 2,950,000.00	
		82,150,000.00
	Baht	920,325,665.18

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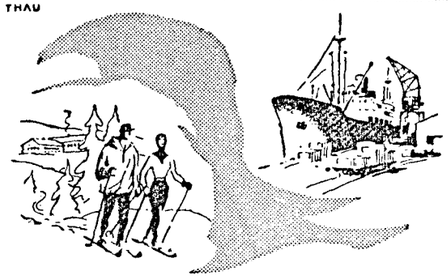
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BIRMINGHAM CHAMBER OF COMMERCE

Applications are invited for the post of Personal Assistant to the Secretary. University degree and/or professional qualifications in law or commerce desirable. Age not over 30. Qualities sought include initiative, tact, breadth of outlook and ability to express ideas clearly and concisely. Appointment offers interesting and varied work, good prospects and contributory pension scheme. Details of education, experience, personal interests and salary required should be sent to the Secretary, Birmingham Chamber of Commerce, 95, New Street, Birmingham, not later than March 14th, marked "Confidential."

ASSISTANT ADMINISTRATION OFFICER

Applications are invited for the above position to assist in the development of administrative control in relation to our Men's Outerwear Trade.
The Headquarters are located at Leeds, and the appointee will be expected to reside in that area. Candidates should preferably have had experience in the clothing industry and membership of the Institute of Cost and Works Accountants is advantageous.
A sound knowledge is essential of Costing, Budgetary Control and the preparation of statistical information for Management. Experience of Punch Card techniques is desirable.
The Society offers a contributory Pension Fund and attractive conditions of employment.
Salary will depend on qualifications and experience, but will be in the region of £1,250 per annum.
Applicants should state details of age, education and experience, and address their replies to The CO-OPERATIVE WHOLESALE SOCIETY Limited, Central Labour Department, 1, BALLOON STREET, MANCHESTER, 4, endorsed "Assistant Administration Officer," to be received not later than 6th March, 1959.

UNIVERSITY COLLEGE, LONDON (Gower Street, W.C.1), requires ASSISTANT LECTURER in POLITICAL ECONOMY. Duties to commence October 1959. Salary range £700-£850 per annum, plus £60 London allowance. Superannuation and family allowances.—Applications, to be received by March 31, 1959, should be sent to the Secretary, from whom further particulars may be obtained.

ACCOUNTANT, NIGERIA. The Tunnel Portland Cement Co. Ltd. as Managing Agents requires a qualified Accountant of some years' experience, age 23/35, as assistant accountant to the Nigerian Cement Co. Ltd., near Enugu Eastern Region, Nigeria. Salary about £1,500 p.a. plus bonus, 18 months' tours, three months' paid leave, free house and medical attention, free return passages self and family, appropriate allowances.—Apply, with full details, to the Staff Manager, The Tunnel Portland Cement Co. Ltd., 105, Piccadilly, W.1.

LEADING BRITISH OIL COMPANY requires an ASSISTANT in its SALES PROMOTION BRANCH Head Office in London. The successful applicant, aged about 26, will be concerned with planning and interpretation of international long- and short-term MARKET RESEARCH. Applicants, possessing a good degree in the Sciences and having had about 3 years' experience in consumer and retailer market and opinion research, preferably with actual practitioners in the field, should write giving full details of age, qualifications and experience and quoting H.4617, to Box 6012, c/o 191, Gresham St., E.C.2.

further appointments and other classified advertisements see page 824

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN ECONOMIC STATISTICS. Duties to commence on October 1, 1959. The salary scale is as follows :—£700 x £50 to £850 per annum. Membership of F.S.S.U. and Children's Allowance Scheme.—Applications must be sent not later than March 15, 1959, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF DURHAM

Applications are invited for the post of Reader in Agricultural Economics tenable in the Newcastle Division of the University. The Reader will also be the Provincial Agricultural Economist and the Head of the Northern Provincial Centre for the Provincial Agricultural Economic Service. The person appointed will be required to take up duty on October 1, 1959. Salary in accordance with the Readers' scale (i.e. £1,750 x £75 to £2,125 x £25 to £2,150 a year) with family allowances and membership of F.S.S.U. Further particulars may be obtained from the undersigned with whom applications (15 copies), containing the names of three referees, should be lodged not later than April 11, 1959. (Applicants from outside the British Isles may send one copy only).—E. M. Bettenson, Registrar, University Office, 46 North Bailey, Durham.

SALES DEVELOPMENT MANAGER

Applications are invited from SCIENCE or ENGINEERING GRADUATES aged 30 to 40 years for a senior executive position of unusual breadth and interest in an old established company with a world-wide selling organisation.

After an initial period of training, the successful applicant will be responsible for leadership and management of the Technical Service Department including planning of long term technical development work, laboratory investigation, supervision of the Training School and the care of day to day problems arising in connection with the application of "Sprayed Limpet" Asbestos in railway rolling stock, ships, buildings and other applications at home and abroad in co-operation with the company's sales representatives and distributors.

Applicants must have a pleasing personality and the ability to discuss technical problems at top level. A knowledge of modern languages is desirable, preferably through residence abroad.

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Write :
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DEPARTMENT OF ADULT EDUCATION AND EXTRA-MURAL STUDIES

Applications are invited for the post of Lecturer or Assistant Lecturer in Industrial Relations in the Department of Adult Education and Extra-Mural Studies. Salary on the scale of £900 x £50—£1,350 (efficiency bar) x £75—£1,650 a year for a Lecturer or within the range £700-£850 a year for an Assistant Lecturer. Candidates should have good academic qualifications in Economics and Industrial Relations, or in Sociology and Industrial Relations. Experience in a responsible post in industry and a special interest in problems of Communication in Industry are desirable additional qualifications. Applications (three copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained) not later than April 11, 1959.

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Further particulars and application forms (to be returned within 10 days of the appearance of this advertisement) from the undersigned.

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UNIVERSITY OF LONDON : A lecture entitled "The Contribution of Economic Theory to Economic Prognostication" will be delivered by Professor R. C. Tress (Bristol) at 5 p.m. on March 5th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. Admission Free. Without Ticket.—James Henderson, Academic Registrar.

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PRODUCTION PLANNING AND CONTROL	3 weeks commencing 13th April
SYSTEMS ANALYSIS	3 weeks commencing 27th April
OPERATIONAL RESEARCH APPRECIATION	1 week commencing 18th May
COMMUNICATIONS AND DISCIPLINE	1 week commencing 1st June
HUMAN AND INDUSTRIAL RELATIONS	2 weeks commencing 8th June
SUPERVISORY MANAGEMENT	2 weeks commencing 13th April
MIDDLE MANAGEMENT DEVELOPMENT	3 weeks commencing 4th May
SENIOR MANAGEMENT	4 weeks commencing 25th May

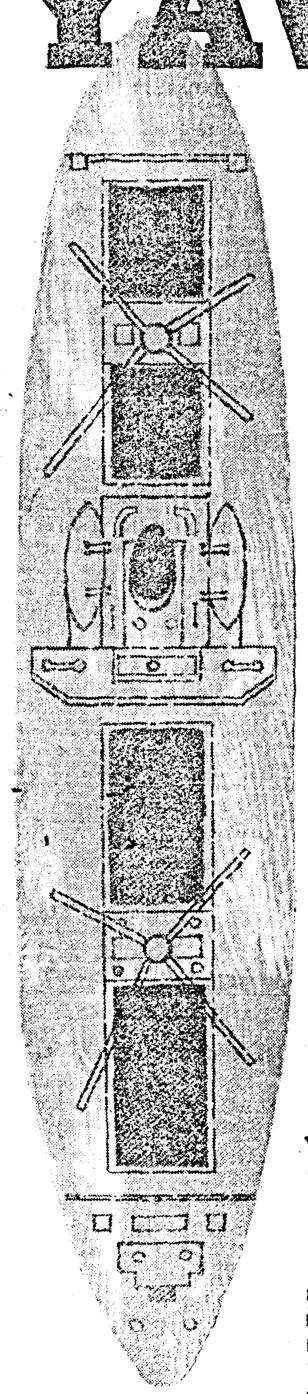
During the term the Department will have the services, as a visiting member of staff, of Dr Jack Stieber, formerly of the Graduate School of Business Administration, Harvard University, and presently Associate Director for Research and Planning, Michigan State University, who will participate fully in instructional and associated activities.

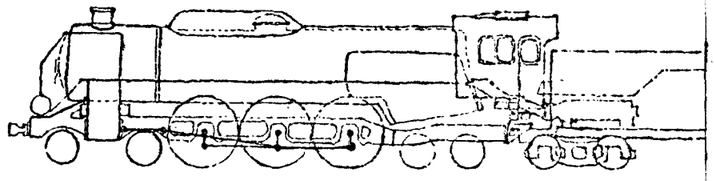
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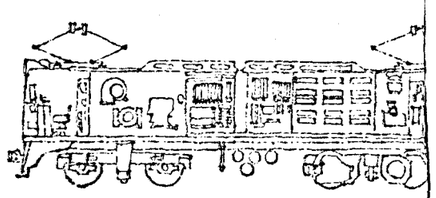
Further details from: Professor C. Macrae, CBE, DPhil Chesters, Bearsden, Glasgow.

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Towards the 1960's

When people talk about the decline of British power, what do they mean? As the world has changed, Britain's place in it has changed; this is nothing to be ashamed of or to fight against (page 847).



SIR ROY WELENSKY

St George in the Kremlin

The position after Mr Macmillan's talks with Mr Khrushchev is considered from Moscow, London and Leipzig (pages 851, 852 and 831).

Bankers of Zurich

A look at the mysterious operators who are supposed to hold the pound and the dollar in the palms of their hands (page 893).

Federation Still?

Disorders in Nyasaland still leave federation under British control as the right policy for Central Africa (page 849).

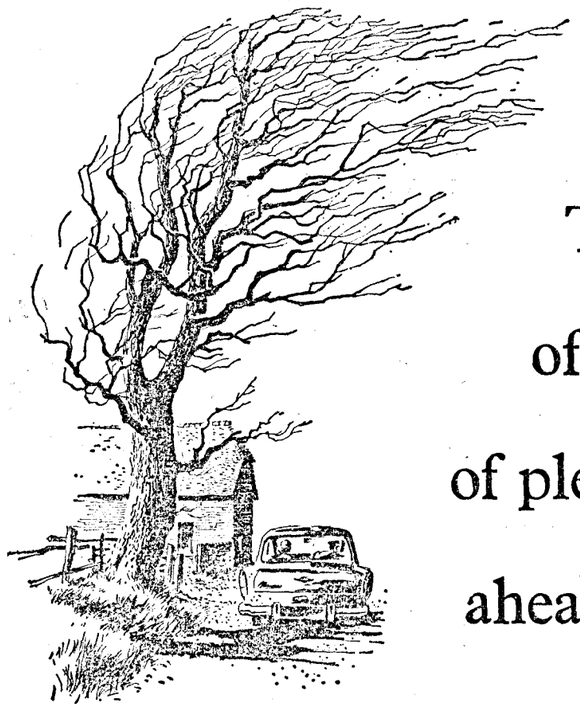
Competition in Plastics

Enough already, and more to come. Can markets be found? (page 895).

Gloom or Boom?

Is the American economic recovery going to level off next summer? (page 871).

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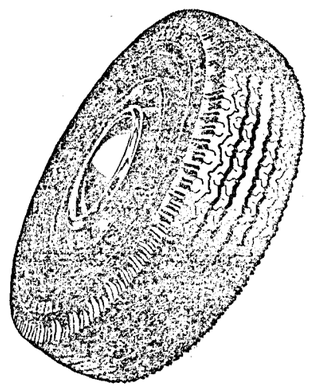
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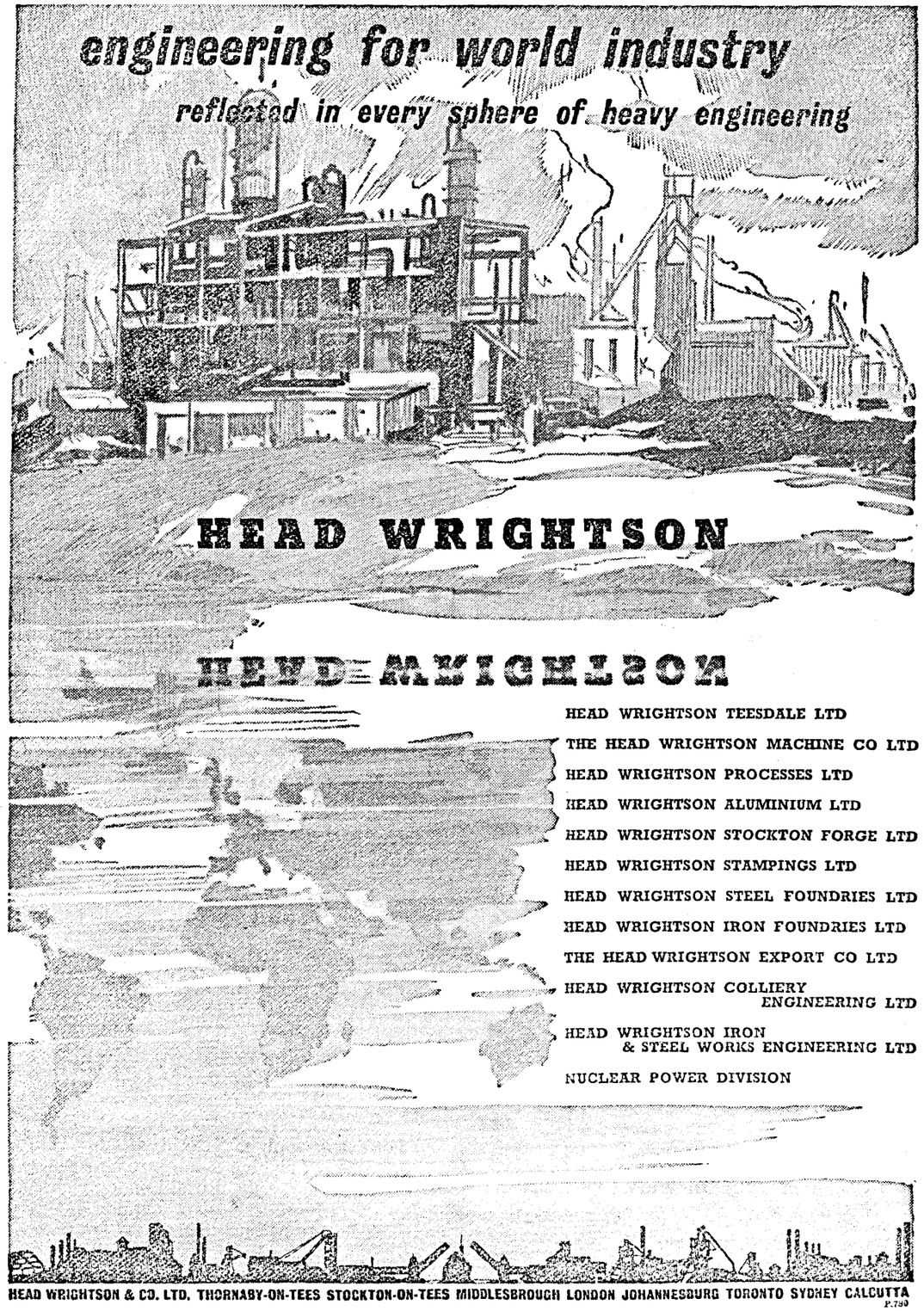
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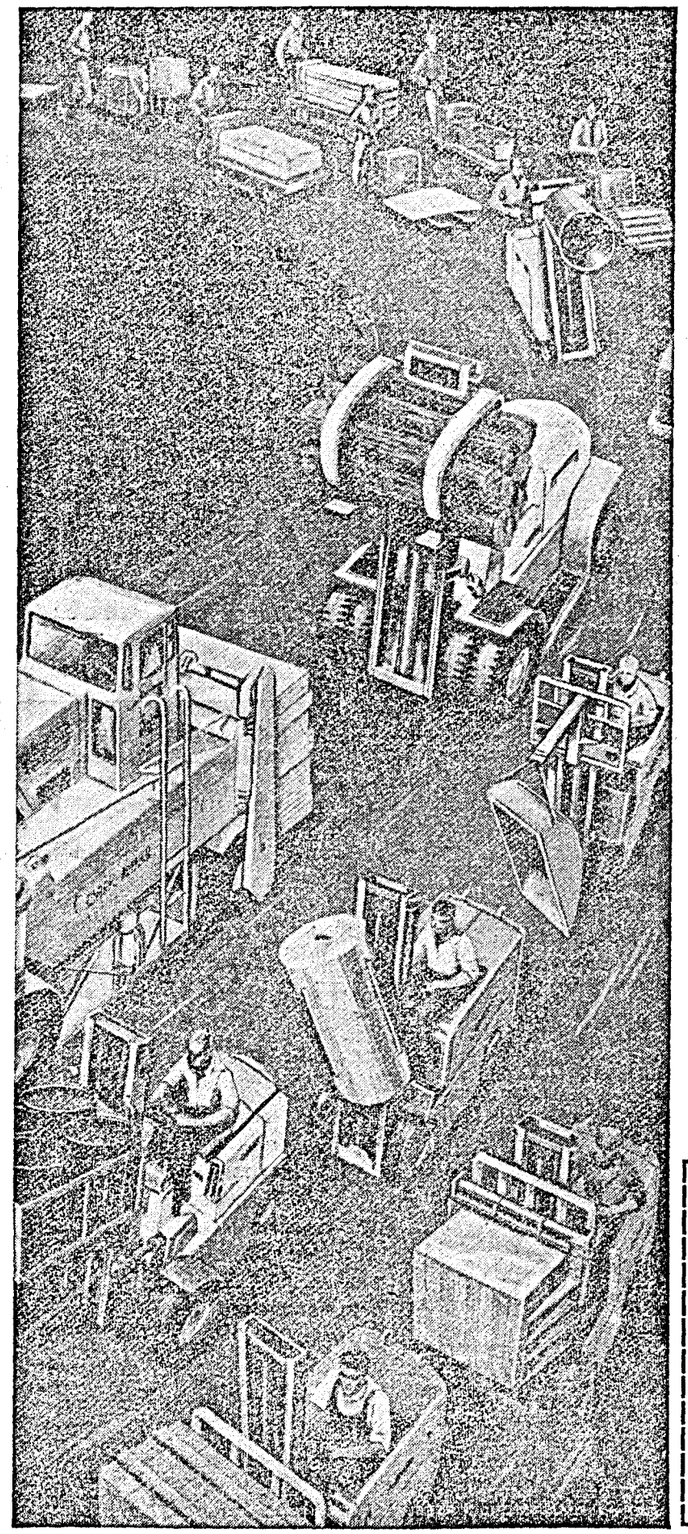
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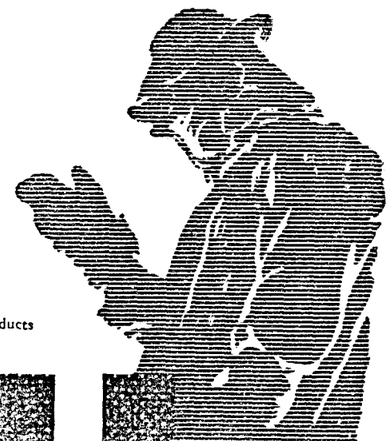
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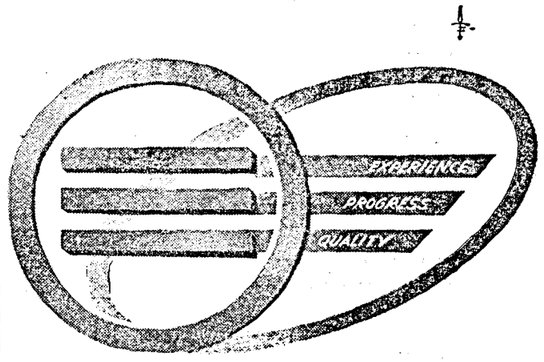
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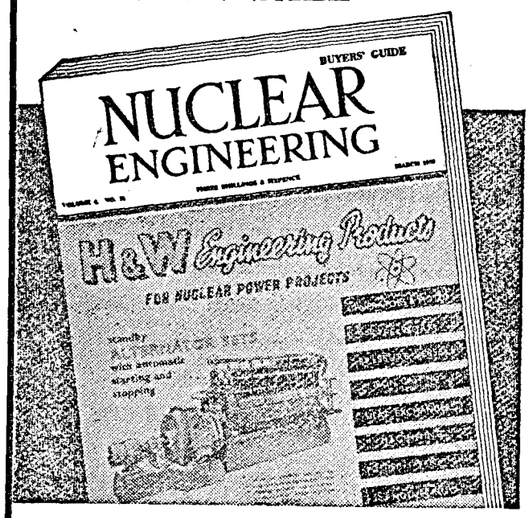
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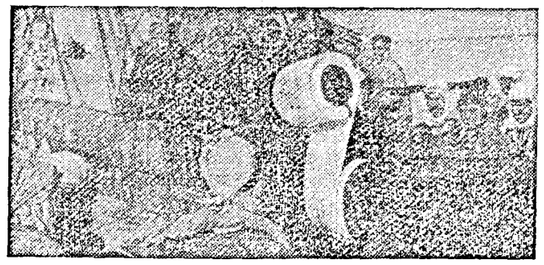
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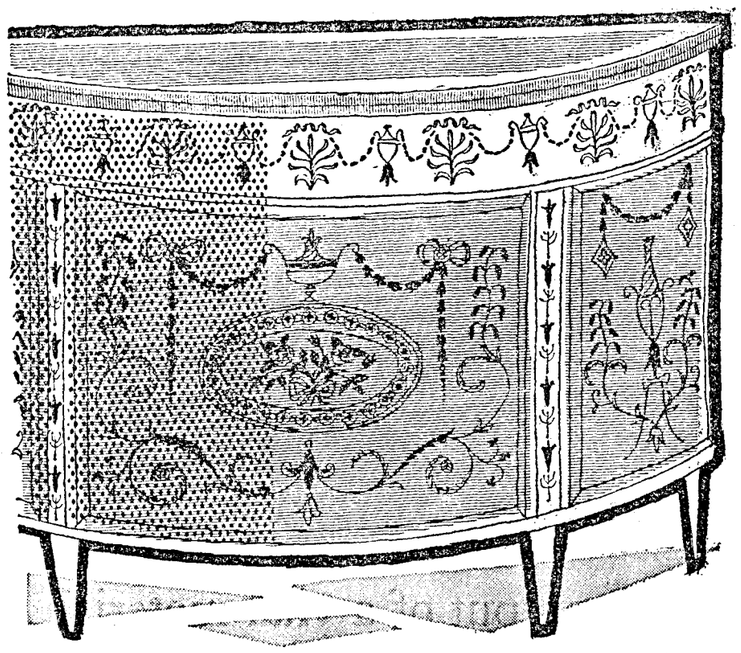
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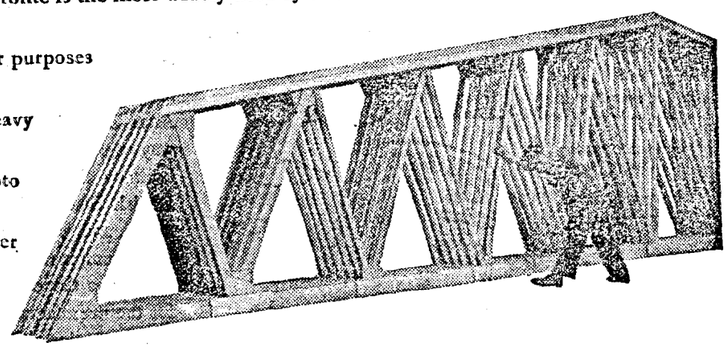
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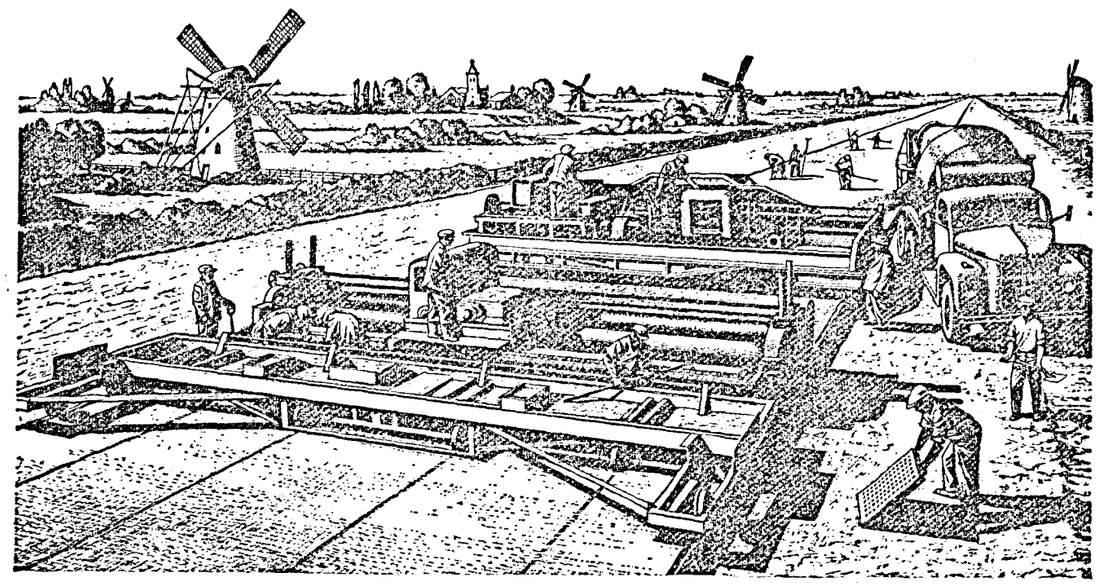
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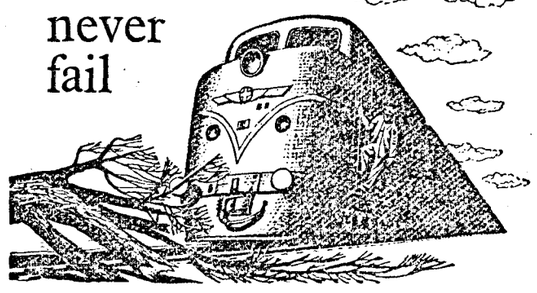
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The Economist

MARCH 7, 1959

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Towards the Nineteen-Sixties

THOSE readers who have persevered with this series of articles to the end may feel entitled to an apology : firstly (and justly) for the length to which the series, by some sinister life force of its own, has grown ; secondly (and wrongly) for the failure to draw categorical conclusions or state a doctrine. If there is a single general statement that emerges from the complex and inconclusive picture that has been drawn, it is the drab generalisation that no single power today is unfettered in its choice of courses of action. Even the greatest powers, the United States and Russia, are severely limited in the choices they can make—by the vulnerability of each to the actions of the other ; by their own built-in limitations ; by their inescapable concern for the solidity of their alliances, and for the figure they cut in the vast uncommitted regions that are neither ally nor enemy. Either in military or in economic terms, no powers of the weight of America or Russia have ever been seen before ; but the men who control these unprecedented accumulations of strength enjoy remarkably little power of movement.

If it is looked at against this background, what is called the decline of British power in the world is not as depressing a phenomenon as it is usually assumed to be. Britain's imperial decline has not resulted from any absolute decline in the strength and energy of this country, but from changes elsewhere that have made the business of dominating others more difficult, as well as more obviously unrewarding, than it used to be. The former subject and client peoples no longer consent to be governed from outside ; the growth of the Soviet Union and the United States has made the great-power competition stiffer than it ever was in the nineteenth century. What has changed is not that Britain has ceased to be strong enough to hold down an actively rebellious Empire by force, or to fight a world war on its own ; Britain never was. The effort required to retain control of distant territories has simply become disproportionate, thankless, and incompatible with the contribution which the needs of the western alliance, and therefore Britain's real vital interest, require from Britain nearer home.

Britain's salvation has been in its readiness to adjust itself to these facts, accepting the necessity of retreat in Asia and Africa, as Labour and Conservative governments alike have done since 1945. But the pace of adjustment is slow, and its reasons are not plainly enough stated and therefore not properly understood. False ideas of what is happening in the world produce an unfounded sense of inadequacy and failure, and lead to false decisions like the decision in 1956 to dam up the stream of Arab nationalism by landing troops in Egypt. If it had not been felt then that the evacuation of the Suez Canal Zone a few months before had been an act of weakness, the reaction to Nasser's seizure of the canal would not have been so violent or so unconsidered. In fact, however, the Suez Canal Zone had long been a military liability and to have insisted unreasonably on retaining it would have been an act of weakness ; there

was no reason to be ashamed of having left, and no sufficient reason to attempt to go back. It was, and is, widely supposed that British power has declined because the British, out of softness or amiability or the folly of socialists, have successively given up the territorial positions on which their national strength rested. But this is wrong.

BRITAIN'S national strength, like the national strength of any other country, is a domestic product, the resultant of its energies, skills and virtues and of the institutions through which these things are co-ordinated. The world-wide chain of bases, depots, dry-docks and cantonments was merely a convenient way of bringing this strength to bear where it might be wanted, for purposes which have now largely ceased to apply, in conditions which are rapidly, very rapidly, ceasing to exist. If Britain after the war had refused to give up India, British strength would not have been increased, but diminished, by the pointless and interminable repressive struggle that would have resulted ; and the refusal would no more have enabled the British to maintain their short-lived military domination of the Middle East than it would have enabled them to retain the Indian Empire itself. In practice this is generally grasped, and acted upon, in a commonsense way in individual situations, though only after they have become seriously troublesome.

When another country gets into such a situation—like France in Syria or Indo-China, or Holland in Indonesia—nobody except the French or the Dutch supposes that France or Holland can strengthen itself by refusing to go. Austria-Hungary fifty years ago was not strengthened, but weakened, by clinging to its subject territories, as was shown when its centre came under pressure and the whole imposing structure tumbled apart. Yet the belief persists that a retreat in one place is a defeat and makes it necessary to compensate by digging in in another. Once established as a mere convenience, bases tend to be regarded as ends in themselves. Behind this is a belief that a world-wide chain of footholds will somehow keep Britain stronger than it is—as is indicated by every defence white paper and by the dogged construction of Naafi clubs and married families' quarters at distant staging-posts that are successively discarded as untenable or useless.

As was argued in the preceding article (February 28th, page 759), Britain's actual behaviour in two world wars suggests that when it comes to a matter of life and death this country fully appreciates that its vital defence interest lies in Europe. Those experiences also show that the security of Europe requires the alliance of the United States, and that the true lifeline of this country (as of Europe) runs not across the Indian Ocean but across the Atlantic. Therefore the American alliance is, and must continue to be, the iron framework of British policy.

Against this it is sometimes pleaded that Middle Eastern oil is also vital. Certainly Middle Eastern oil is commercially and economically very important. At a pinch, however, it can be done without, as the Suez crisis showed in 1956 and 1957 ; the oil can be got from across the Atlantic, with the drawback only that it then has to be paid for wholly, instead of only partly, in dollars. It follows not that Britain should prepare to go to war for Middle East oil, but that it should avoid being completely dependent on one source of oil or one set of routes. If that is done, to keep the sources of the oil under military control is not a necessity but a luxury ; in peacetime it is enough to be able to buy the oil—not because it is indispensable, but because it is profitable.

This is not to suggest that Britain, or Europe, can afford to disinterest itself in the Middle East. What happens to and in the Middle East is plainly of great importance. But it has to be asked whether the methods by which the British interest in the Middle East has been pursued are any longer appropriate, and also whether the priority given to the Middle East in British foreign policy has not perhaps been too high in relation to other priorities. Thus, in Europe, Britain has not yet finished paying for the withdrawals of troops from Germany for Middle Eastern service in 1956. In the fourth article of this series (page 472, February 7th) it was argued that physical containment by such arrangements as the Baghdad Pact is proving ineffective to keep Russian influence out of the Arab countries. There is at present no certainty that Soviet infiltration of the Middle East can be stopped by anybody, if the Russians are set upon it ; but such chance as there is seems to lie in the national self-assertion of the Middle Eastern peoples themselves.

Europeans, who have often in the past blamed Britain for wasting its energies in Middle Eastern adventures, when it ought to have been attending to the problems of Europe and the Atlantic alliance, are not above a little inconsistency themselves ; thus M. François-Poncet, who is experienced enough and wise enough to know better, wrote in *Le Figaro* the other day that Mr Macmillan's expedition to Moscow "arose from a feeling unfavourable to European solidarity." The continental critics of British actions, who are at present more vocal and more severe than at any time since the war, might usefully have noticed that whereas the B and K talks in London in 1956 were largely wasted in a fruitless attempt to secure a free hand for Britain in the Arab world, the main subject of Mr Macmillan's talks in Moscow in 1959 has been, as he said when he got back on Tuesday, "these grave problems of the future of Central Europe."

NO doubt it is inevitable that his critics at home and abroad should be asking two questions. Why, and by what authority, does a British prime minister make the future of Central Europe his business ? What could a British initiative hope to achieve in a matter that concerns the Atlantic alliance as a whole ? The first question can be simply answered by asking who keeps troops in Berlin, and why. The answer to the second is more complicated. Clearly Mr Macmillan had to face embarrassments in Moscow because Mr Khrushchev wants to talk to a man whose decisions can bind the whole Atlantic alliance, and the British Prime Minister is not that man. Certainly the other leading men of the alliance in Europe, Dr Adenauer and General de Gaulle, have been uneasy and suspicious, either about the purpose of the Prime Minister's journey, or about its possible effects ; a false step by him could have made trouble for them, while the greatest good judgment on his part could not have achieved more than has, in fact, been achieved. This amounts to the assurance of some chance to negotiate in tolerable conditions before the Berlin crisis gets finally out of control. It is more than a trifle. To make use of it, however, requires a consensus of the principal allies ; Mr Macmillan's coming visits to Bonn, Paris, and Washington are therefore not a polite formality but an essential part of the whole action. He needs not only their approval for what he has done, but their active assent to the next step.

Through fortuitous circumstances, the British Prime Minister has been the only leading man of the western alliance able and willing to undertake this action at this moment. The purpose of it was not to demonstrate that Britain can do something on its own. Should it succeed, however, it may serve as an illustration of one kind of useful contribution that a country in Britain's position can occasionally make. There will be other occasions when the initiative is best left to others and when Britain's most useful contribution will lie in the effectiveness of the backing it gives to its friends. A country strong and healthy in itself and intelligently led can play a part of which it need not be ashamed, even though it is not powerful enough to set up as world leader.

Federation Still ?

The calamitous events in Nyasaland throw in doubt not the goal of racial partnership in Central Africa but the means of its achievement

ALMOST exactly six years ago, this newspaper, in common with many other liberal organs of opinion, supported the formation of the Federation of Rhodesia and Nyasaland as a calculated risk. It was apparent even then that most articulate African opinion in Nyasaland and much of it in Northern Rhodesia was opposed to the terms of the junction with Southern Rhodesia. But the federal constitution sought to offer genuine safeguards for African interests and to make possible a gradual increase in the African vote and representation. The economic benefits seemed assured —at least to impoverished Nyasaland and near-bankrupt Southern Rhodesia. Above all, federation attracted support through the bleakness of the alternative. That alternative was that Southern Rhodesia would be thrust inexorably into the embrace of South Africa ; and that a battle line would be drawn across the continent for the struggle between black nationalism and white supremacy, without any attempt being made to establish the middle way of "partnership" in the buffer zone between them. On balance it had to be right to give federation its seven-year trial, until the promised constitutional conference of 1960.

The state of the Federation this week, with only a year to go before its working is to be reviewed in London by all five governments involved, is calculated to test sorely the faith of those who gave their blessing at its birth. Nyasaland has been brought by the leaders of the Nyasaland African Congress to a condition of incipient revolt at the very moment when talks on a new constitution were about to begin with Lord Perth. Dr Banda, who had returned home from his surgery in suburban London only six months ago, was threatening another Cyprus. A reluctant governor had first to call in federal troops (and even Tanganyikan police) to back up his own police in restoring law and order ; and then, when (according to Mr Lennox Boyd) he was told that massacres were planned, to declare a state of emergency and arrest the Congress leaders. While contradictory statements fly about, the local security forces (under white settler officers) are acting with Southern Rhodesian toughness. They have already killed 30 rioters. In Southern Rhodesia the government did not wait for any disorders before declaring an emergency, proscribing the Congress party (whose growth it has observed with dismay for many months) and jailing its leaders. It has even pounced upon St Faith's interracial mission farm.

The federal government has called up its reservists as a matter of security under its defence powers ; and it has expelled a British Labour MP under its immigration laws. In Northern Rhodesia, where a general election is only a fortnight ahead, these events come calamitously just when the less and the more extreme sections of the African Congress are debating whether or not African voters should be urged to boycott the new Colonial Office constitution, which gives them some African elected representatives and a say in the election of white members for the first time.

These disasters come after a gradual widening of the breach between the two races in the country over the past six years. The new schools and hospitals have not reconciled Nyasaland Africans to federation ; the small increase in the representation given to them in their constitution in 1956 dissatisfied them, and their suspicions grew when a further change was delayed.

In Southern Rhodesia the granting of a 20 per cent share in the common voting roll to Africans was regarded as a trick ; the Congress discouraged Africans from registering and voting, and thereby deprived the liberal Mr Todd of any voice in the legislature. The restricted franchises given to Africans, and the increase in their representation granted in the federal and Northern Rhodesian constitutions, were also attacked as a deception behind which white supremacy would be extended. African leaders have lost faith in the efficiency of the African Affairs Board since the Colonial Secretary disallowed its submission that these changes in the federal constitution amounted to racial discrimination.

On the white side of the fence, the Southern Rhodesians threw out their ex-missionary prime minister, Mr Todd, last year, and voted so many Dominion party right-wingers into the legislature that Sir Roy Welensky decided he had to lead his whole United Federal party rightwards. Liberals vainly hoped that after Sir Roy's confirmation in power last autumn he would make some gesture to the Africans. Instead, the rush of events has carried him towards "a showdown with Banda," and Dr Banda has been ready to help.

THIS is the reverse of a picture of growing mutual esteem between black and white. It is all the more tragic because, in reality, in six years the Africans have made many new advances. However inadequate the constitutional changes put through by Mr Todd and Sir Roy Welensky may appear to liberals in Britain, Africans have got votes and influence where before they had none or little ; black civil servants work beside white ones in the federal service and there are more black members in the legislatures ; black students sit beside white at the University ; black technicians are being advanced to skilled posts in the Copperbelt. In Southern Rhodesia, where in the past Africans have been resettled and pushed around by the British South African Police and the Native Affairs Department in almost a South African way, a Congress party was formed ; and even the social discrimination at petty shopping-street level has abated.

To those who knew the country and the ingrained attitudes of white farmers and suburbanites in 1953, such progress in liberalism is not inconsiderable. To people on the spot, it is breathtaking. Angry at the belittlement of their own achievements, more and more white settlers like to believe that the advances made would fully meet legitimate African claims at this stage, were it not for the "agitators" whom "the Colonial Office" so reprehensibly permits to undermine the whole edifice. For this reason the settlers cheer the presence of their troops in Nyasaland, call for the end of a dyarchy which they say can never work in Africa, and demand to be entrusted with full power to complete the experiment in their own time and way.

But events have been moving beyond the borders of the Federation far faster than they realise. In 1953 Ghana was still the Gold Coast ; now all Africa north of the Zambesi is in a process of transformation, with Dr Nkrumah going through motions to suggest that he is orchestrating it. This has produced in African leaders everywhere a sense of frantic haste. The fear that Britain might hand over ultimate power to white settler leadership, and thus balk African nationalists of a success that seemed just over the horizon, has become an obsession with the African leaders in the Federation. The thought of being left out of a movement which has reached the Belgian Congo is intolerable. It is far from certain that Dr Banda wanted Lord Perth to come to Nyasaland.

WHAT happens now ? Some Labour members are saying that the events of this week have shattered confidence in partnership ; as a judgment of fact they may be right, but that does not mean that there is any logical alternative to trying to restore it, and still within the Federation. An independent Nyasaland would decline into a rural slum, lacking means to educate its own people to run it. An independent Northern Rhodesia might be viable on its copper—but this presupposes that a totally inexperienced African government would be compatible with an efficient industry, employing thousands of white miners, which must be doubted. Cut off from the copper and wider economic opportunities of the two protectorates, Southern Rhodesia on its own again would wither. The territories have grown together since federation and would bleed economically if torn apart.

The political consequences of breaking up the Federation would be more disastrous still. Southern Rhodesia would then seem certain to become at the least a satellite of South Africa's ; ultimately a mere province. What Lord Malvern feared would happen without federation in 1952 would be still more likely in the mood that would supervene after the breakdown of the federal experiment. Before any members of the British Labour party start to rejoice at the prospect of breaking the Federation, they ought to reflect that against the "liberation" of the five million Africans in the protectorates, they would have to set the loss to an Afrikaner-dominated Southern African state not only of the two million Southern Rhodesian Africans, not only of the majority of Nyasalanders who must find work beyond their homeland, but of the million Africans in the three British High Commission territories as well. Africa would finally split into hard-and-fast white and black blocks at the Zambesi. What would happen then is anybody's guess. One possibility is that the Afrikaners would resume their northward march ; another is that through black nationalism's southward pressure there could eventually be a black *versus* white war, in which the Russians could always outbid even the most left-wing British or American government in their support of black Africa.

The Federation, if in a modified form, has surely got to remain a primary object of British policy in Africa. Paradoxically, one advantage might be reaped from this

week's catastrophes. It seems possible that by 1960 Sir Roy himself may be less keen on the early attainment of independence under white settler control. The white settlers themselves may soon agree in this with the Africans ; British protection is their best safeguard. In this atmosphere it would be easier to loosen the federal shoe where it pinches both the black and the white foot. It should then become possible to make the necessary constitutional adjustments to develop Nyasaland as a black state within the framework of the Federation. Far from pretending that more independence can be granted to the Federation in 1960, it would be better to start discussing some powers that should be restored by the federal government to the territories (non-African agriculture in Nyasaland is a good example).

After this week's disturbances all Rhodesians and Nyasalanders should now accept that the Federation cannot develop to Commonwealth status in the same way as Australia or Ghana. Its problems have no quick solutions. It is fated, if it is to survive at all, to a long period of partnership with Britain. When the dust has died down, these hard truths will have to be faced equally by the Congress leaders in jail and by Sir Roy Welensky in Parliament House. The task of British politicians is to rub these truths home, firmly but tactfully on the precipice edge, with a diplomacy that will arouse the least passions. One task of British electors at the next general election will be to decide whether Mr Lennox Boyd or Mr Callaghan would be more likely to succeed in doing this.

St George in the Kremlin

Our man in Moscow concludes that the Macmillan talks were more than a dialogue of the deaf.

HIGH on the wall behind Mr Macmillan and Mr Khrushchev, as they addressed the gathering at Monday night's reception in the Kremlin, the familiar figure of St George slaying his dragon in bas relief caught the eye. One must not get confused about the symbolism. This was no English emblem, delicately chosen to complete Moscow's welcome to its visitors; the huge white hall of St George, the largest of all the Kremlin's splendid rooms, commemorates the highest military order of knights of Imperial Russia. Nor was the slaying of dragons on the programme that night—a programme which incidentally included the singing of "Tipperary" and the dancing of the gopak, but no vodka—or at any other time during the Prime Minister's visit to the Soviet Union. After encounters such as these it is natural that many people should think in terms of adding up the score and pronouncing one of the participants the victor ; but to assess Mr Macmillan's Russian journey in that way would be misleading and pointless.

A sceptical observer might well dismiss the Anglo-Soviet discussions as what the French call a dialogue of the deaf. Mr Macmillan came, saw, but had no thought of either conquering or being conquered. He prudently took great pains both before and during his visit to avoid arousing expectations that he would bring back anything tangible—even a scrap of paper—and his retreat from Moscow was thus more or less according to plan. Mr Khrushchev, for his part, seemed to be concentrating on one simple maxim: "This man has come to see if I am really in earnest ; very well, I shall show him that I am really in earnest." At an early stage in the talks he rammed home points in the speech he made in Moscow while Mr Macmillan was visiting Dubna ; just before they ended, he did so again in Monday's diplomatic note. The whole thing looked remarkably like an implacable force meeting an unflappable object.

Paradoxically both Prime Ministers represented themselves as defenders of the *status quo*: Mr Khrushchev insisting that the division of Germany must be accepted, and that nobody but a troublemaker could possibly feel reluctant to regularise the position of the two German states ; while Mr Macmillan, with Berlin obviously in mind, repeatedly urged that none of the powers ought to take any unilateral action affecting the rights and interests of others. The British Prime Minister laid special stress on this point at the press conference he gave just before leaving Moscow on Tuesday, in a hot and crowded room full of long-legged men painfully cramped into rows of seats designed for short-legged men. Although wearily urbane to the weary end, he spoke with particular firmness on the general theme of not rocking the boat ; and, when questioned by a correspondent of the Soviet Army newspaper *Red Star* about the possibility of a resort to force to maintain Western rights in Berlin, he declared that agreement on the need to negotiate in any situation of this kind was one of the real advances made during his talks.

IT is not easy to reconcile this claim with the statement in the Soviet note of the previous day about Russia's determination to give full military backing to the east German government "after it obtains full control over the lines of communication between West Berlin and the Federal German Republic." On the surface, it might suggest that this has been one of those unfortunate and sometimes perilous encounters from which each side takes away a different idea of what has in fact been agreed. In reality, however, things are nothing like as confused as that.

For all the appearance of a dialogue of the deaf, both parties have in fact been listening carefully to what

the other had to say. For all their admission of inability to agree on "questions relating to Germany," they entered into the talks with a pretty clear idea of the limits to the possibilities of action there by all concerned, and they undoubtedly emerged from the talks with an even clearer idea. This is admittedly scant consolation; the spectre haunting the Europe of 1959 has certainly not been exorcised. But as far as it is possible to assess the significance of the Moscow talks from Moscow itself on the morrow of their somewhat confused ending, one at least feels able to suggest that Mr Macmillan's visit has had some inhibiting effect on the likelihood of any disastrous miscalculated move in Germany. The tone of public policy statements may have been sternly uncompromising, but the Prime Minister's gesture in coming to Russia at this time has itself not been altogether without effect.

On the effect of his television address to the Moscow public, there are, as might be expected, many conflicting judgments to be found here. But your correspondent's own personal observations suggest that this unprecedented event also left its mark, if only on a strictly limited number of minds. It was certainly a fascinating experience to sit in front of a television set with a little group of Russians watching the familiar face of Mr Macmillan—looking surprisingly like the Soviet head of state, Marshal Voroshilov—and hearing him reel off, in a most un-British manner, a whole catalogue of national convictions, aspirations and achievements, of which the greater part of his audience was wholly unaware (next morning's Moscow newspapers did their best to preserve the innocence of those of their readers who had not seen the programme). It was illuminating to listen first to the spontaneous, and later to the more carefully considered, comments of the viewers. It afforded some striking insight into the strict insulation imposed on Russian minds. The Prime Minister's visit may have been worth making for this one episode alone.

NOTES OF THE WEEK

After the Moscow Visit

MR MACMILLAN'S diplomatic travels are only beginning. He will be in Paris on Monday and Tuesday, and in Bonn on Thursday and Friday. After that, in a fortnight's time, comes the journey to Washington and Ottawa. The western answers to Mr Khrushchev's note of Monday on the steps to the summit will probably be delayed until these journeys are over. Mr Macmillan will have plenty to tell his hosts, and some of them will certainly have something pithy to say to him. After President de Gaulle and Dr Adenauer had talked behind firmly closed doors at Marly on Wednesday they were reported to be agreed that some negotiation with the Russians was desirable. Since both France and west Germany had, in fact, proposed a foreign ministers' conference in the last round of western notes to Moscow on February 16th, this may well be true but it is not new. What needs to be known is whether they will accept the particular form of foreign ministers' conference that Mr Khrushchev has said he will accept; and this will presumably not emerge until the western consultations have gone further.

Whatever Mr Macmillan's memories of Moscow and of the member for Kalinin's election speech during his stay there, he may well face this week's test with more trepidation. There would be no point in his going to Bonn on a reconnaissance; for his travels to have any positive result he must convince Dr Adenauer that the Russian position on Berlin is potentially negotiable. If Mr Dulles, last month, was looking for willing horses to break a Berlin blockade, Mr Macmillan is now looking for something else. This, in fact, is the major development on the western side since the crisis began. One of the western leaders is now publicly committed, by his words in Moscow, to serious and exhaustive negotiation. In return, Mr Khrushchev, although emphasising that he means business, has extended his ultimatum indefinitely by agreeing to a conference of foreign ministers whose work could continue for two or three months. The Moscow communiqué's mention of further study for the question of a zone of limited armaments—nuclear and conventional—in central Europe looks like a possible jumping-off point. Both sides in the Commons have welcomed it. But the indications are that it does not please the partners at Marly.

Parity in Pawns?

MR KHRUSHCHEV, although straining mightily at the idea of a foreign ministers' conference, has consented to swallow it, protesting all the while that it will simply be a meeting of gnats. He may be right. Without Mr Dulles, who alone has carried full political responsibility, the foreign ministers inspire little confidence in their ability, or authority, to reach substantive agreement. The busy Mr Gromyko, as Mr Khrushchev called him, is even more strictly a functionary than Mr Molotov used to be. It is sufficient commentary that the presence of the Polish foreign minister, Mr Rapacki, would now be counted as adding distinction to the convocation of great powers. By contrast, the Czech representative would be unlikely to contribute much that was original.

Yet Mr Khrushchev sets some store by this establishment of parity among pawns. Among his farewell words to Mr Macmillan was the assurance that he would do his utmost to explain the British point of view, as he understood it, to his allies. There seems, in fact, to be no insuperable reason why the West should not agree to a conference of six. Its unwieldiness should be no greater than that of a conference

of four, and the more explaining Mr Khrushchev has to do to his allies the better. The ideal parity is, of course, one-to-one. If the outcome of the present jockeying were that the United States and the Soviet Union got together by themselves at the summit, the discussion might be more realistic and even more purposeful.

Even this, however, has its peculiar problems. The unavowed object of United States tactics has been to avoid saddling President Eisenhower with the strain of a prolonged series of negotiations with Mr Khrushchev. (The dilemma of American representation at either a foreign ministers' or summit conference is further discussed on page 872.) At Geneva, in 1955, the West shut its eyes to the fact that Mr Khrushchev was not of prime ministerial rank; it treated him as the chief Soviet negotiator—although it was Marshal Bulganin who actually appeared in the official photograph of the smiling four. It is not too much to ask of Mr Khrushchev now that he should sit down with a deputy like Mr Herter or an expert like Mr Murphy who would be given full powers to negotiate on behalf of the President of the United States.

Secrets of Marly

DR ADENAUER and General de Gaulle conferred at Marly on Wednesday. *Our Paris Correspondent writes*: Franco-German meetings "at the summit" have become a routine. The German Chancellor, who this time came to Paris, paid a brief courtesy call on the French Prime Minister on Wednesday morning and then proceeded to the hunting lodge of Marly-le-Roy for real talks with the general. The provision of the new French constitution—that "the President negotiates treaties"—must be interpreted as meaning that he effectively runs the country's foreign policy. And he does it with his characteristic predilection for secrecy. News hawks were not allowed around the hunting lodge built by Louis XIV.

The sense of the talks must thus be deduced from other cues. The French press showed little enthusiasm for Mr Macmillan's journey to Moscow. Was not the British Prime Minister stealing laurels that the general's admirers had once expected for him? French papers reported Mr Macmillan's setbacks in Russia with obvious *Schadenfreude*, and minimised what he had achieved in preparing ground for further negotiations.

Dr Adenauer, perturbed by British initiative, Mr Dulles's illness and signs of greater flexibility in American diplomacy, has fallen back on his new European partner to defend a rigid front. As far as can be gathered their "views were very close" both on Berlin and the German question. Who would have thought, only a little while ago, that a Paris-Bonn axis would be the guardian of Atlantic orthodoxy or that Gaullist diplomats would be on the watch for slippery snow on Mr Macmillan's boots when he comes here next Monday?

THE ELECTION

Giving Whom the Lead?

IT was four years ago this week that Sir Anthony Eden returned from a visit to the East (to Siam) and told his colleagues that he had decided that he wanted a May election, at a time when everybody else had been assuming that the earliest likely date was October. The first rumours of Sir Anthony's decision did not reach the public until three weeks later. It is unlikely that history has been repeating itself behind the scenes this week, although a May election still cannot be ruled out as quite impossible. The Prime Minister's Moscow visit has probably notched up a few more electoral points among the unusually large number of "don't knows" (according to some calculations, 29 per cent of the total electorate) who are said to be dominating the current public opinion polls. Some such success was to be expected; to suggest that Mr Macmillan might make a hash of the "political show" part of his visit would have been almost as insulting as to suggest that Sir Laurence Olivier might make a mess of playing Hamlet. Nor will Tory vote-collectors have been displeased by the more messianic tone of the Prime Minister's homecoming speech at London Airport ("Lots of difficulties ahead . . . I hope you will think it right . . . that we in Britain should try to give a lead to find a way through"). As Mr Macmillan flies on across the world in the next few weeks, attention seems likely to concentrate more and more upon him, and an increasing national pride is liable to be built up around his person. In addition, spring weather has come early to Britain and there are some signs that the March employment figures (which will not be published until April) should rise with the temperature.

As had been expected, the Conservatives have arranged the East Harrow by-election for March 19th (although their expectation of a straight Conservative vote there has been disturbed by the appearance of a split-the-vote small shopkeepers' candidate); there is no doubt that some Tories are still awaiting the result of this by-election, and of that in Labour's very marginal seat of South-West Norfolk (March 25th), like greyhounds in the slips. If these by-elections should show a definite swing back to the Conservatives, then party pressure could still be strong to set the game afoot for May. But perhaps some of what might be called the efficient, as distinct from the undignified, parts of the Conservative party and the Government are almost hoping that no clear trend will be apparent, so that the early summer can be devoted without distraction to the foreign negotiations ahead.

CENTRAL AFRICA

The Way Out

QUITE irrespective of its authorship and the debating circumstances in which it was advanced, the Opposition's proposal for a parliamentary commission to go to Nyasaland offers the best escape from further bloodshed. The Government should accept it. The combination of the presence of settler police and the exclusion of a British MP by the federal authorities can leave only the most disastrous impression on the Nyasas of British impotence and federal mastery. The important thing now is not to wrangle over the exact order of Mr Stonehouse's departing, but to send out a high-powered delegation from the British Parliament—to inspect the evidence which led the Governor to conclude that another Mau Mau rising was imminent, to receive the complaints of the Nyasa leaders just as the Watson Commission to the Gold Coast in 1948 received those of Mr Nkrumah and his friends, and to reassure the Nyasas that Britain still has the will and the authority to implement its pledge not to hand them over to a sovereign federation without their consent. A parliamentary com-

mission would not be a blow at Sir Roy Welensky himself; his most urgent need now, although he dare not say this, must be to grasp at anything which could help to avoid white settler excesses on the spot (as the presence of a parliamentary commission would do). And a parliamentary commission, if wisely manned, could have a signally advantageous effect on political attitudes in Britain; the need now is to foster anything which might help to make British policy for central Africa more bipartisan.

Beside these crying needs, the treatment accorded to Mr Stonehouse is a very minor affair. The texts available suggest that his speeches in Rhodesia were more responsible than some parts of his past record had led either Africans or settlers to expect; perhaps rabble rousers on both sides were even rather disappointed thereby. The federal government moved in and expelled him nevertheless, because it wanted to have some sacrifice to throw to its wildly excited constituents at this time; the expulsion order was made only after Mr Stonehouse had gone into the protectorates, where the Governors, had they thought that he was really being a dangerous nuisance, could have removed him under their own powers. There can be differing views on Sir Roy's wisdom in thus stretching the arm of federal power to the limit, but one can only guess from this distance at the pressure working upon him. He cannot have liked expelling Mr Stonehouse; he must have seen that by doing so he was likely to strengthen the opposition at Westminster to giving the Federation constitutional advances in 1960.

It will therefore be a great mistake if the personalities involved—Sir Roy Welensky, Mr Callaghan, Mr Stonehouse and others—are now themselves allowed to become major issues. Mr James Griffiths, who might have been expected to know better, cannot have advanced any worthwhile cause by declaring that "all European leaders in Central Africa" had shown themselves to be "completely untrustworthy." But at least Mr Callaghan made some amends on Wednesday night for earlier gaffes by the studied moderation of his speech and by his offer not to divide the House on the Opposition's motion of censure about Mr Stonehouse if the Government would grant a parliamentary commission. The Government, whose mind seemed to be bent mainly on discrediting Mr Stonehouse, did not show much interest. If an Algeria is to be avoided in Central Africa it should think again, and quickly.

UNITED ARAB REPUBLIC

Better than No Agreement

JERKING and jolting to the end, the Anglo-Egyptian negotiations have finally produced a signed, sealed but not very exhilarating agreement. After so much time and talk, most of its substance had been aired in advance; all the same, the finished product contains two surprises. The first is the remarkably frank way in which the major claims on either side have been stated and waived. It was assumed that the United Arab Republic's claim for war damage and Britain's claim for the expropriation of the Suez Canal base would be tacitly set off against one another; in fact, an exchange of letters makes the waiver explicit and formal. This at least shows a willingness to face the past and bury it, although both governments are now manufacturing soothing emollients for domestic consumption. Cairo gets round the waiver by explaining that the UAR has really made £62½ million out of the seizure of the British base, but that in order not to embarrass the British Government, it is not describing this sum as reparation for the acts of 1956. In Britain, the Government is trying to assuage domestic criticism by belittling what the Egyptians seized: thus it describes as obsolete junk equipment which, not three years ago, was thought valuable enough to be guarded and maintained by an expert corps of engineers.

The other surprise is the extraordinary careless drafting of the English version of the agreement. Although the Foreign Office has had two and a half years to collect information about the British owners of property in Egypt, the lists annexed to the agreement look like mere clumsy transliterations of the details produced by the other side. The result in places is bizarre enough to be worthy of the attention of Mr Paul Jennings. Some of the unfortunate property owners may yet have trouble from this source in establishing their claims. Details of the compensation they can expect are discussed on page 898.

A British mission, with diplomatic immunities and privileges, is in Egypt to implement the agreement. Although the mission's functions are narrowly defined, the Foreign Office seems to expect that a natural course of events will gradually and unobtrusively bring its leader, Mr Colin Crowe, diplomatic status as well. The trouble is that Anglo-Egyptian relations, bedevilled by emotions and complexes, are still less than natural.

BRITAIN AND EUROPE

Purity from Brussels

JADED hearts in London that are still hoping against hope for the resurrection of the free trade area will get no touch of spring from the European Commission's proposals for relations with outsiders. *Pur et dur* is one description of the proposals. The commission offers certain quota negotiations over the next four years to ease the effect of discrimination by the common market. It suggests talks between the Six and other European countries to establish a common policy as a starting point for tariff talks in the General Agreement on Tariffs and Trade. But it makes it pretty clear that there is no room for a second European system of automatic tariff reductions and institutions. The commission has stuck resolutely to its principle that the community comes first.

As the realisation that the free trade area is dead slowly sinks in in London, thoughts are inevitably turning to examine other solutions. One, which seems misguided, is the revived idea of a little free trade area between Britain, Scandinavia, Switzerland and Austria. For a start, the idea raises profound misgivings in certain countries. Denmark is torn between its farmers' wish to join the common market and loyalty to the rest of Scandinavia. The Austrians, and even the unbending Swiss, two-fifths of whose exports go to the Six, have a greater interest in the long run in reaching commercial arrangements with the Six, provided these leave their neutrality intact. Above all, this scheme, which offers only slender and short-term economic advantages, is based on a false political premise. It cannot be the object of British policy to deepen the political division of Europe and postpone the day of political *rapprochement* with the Six. Time, as two years of negotiation have shown, is not on Britain's side. The idea of the little free trade area can only confuse the choice Britain has to make.

MALTA

Docks and Nettles

THE riot of dockyard workers in Malta last week must have been good news to Mr Mintoff, for it showed that in the basic issue between himself and the British Government his shock troops are passionately on his side. Six thousand dockers received with their pay a slip advising them that the Admiralty was discharging them as redundant but that Messrs. Baileys, who are converting the dockyard to civilian purposes, would re-employ them at once on approximately the same terms. Their anger and dismay at being transferred from the cosy security of Admiralty work to the private sector in a commercial economy led them to smash and burn installations, stone an admiral, and generally demonstrate to Messrs. Baileys' representatives on the spot what sort of men they proposed to find jobs for. Apparently, according to a recent remark of Mr Mintoff's, they would not have been quite so rough if, instead of Baileys, it had been Vickers. Both Mr Mintoff and the Maltese dockers still appear to believe that, if they cut up rough enough, they will force the Admiralty to send its ships (if even they don't exist) to Malta for repair, or compel any British firm they choose to come to Malta. It is a very strange outlook.

It is also a very bleak outlook for Admiral Sir Guy Grantham, the new governor who is to follow Sir Robert Laycock. To many people it must have seemed a false step to make an admiral governor of an island which Britain proposes to demilitarise and civilianise as fast as Mr Mintoff will allow. But Sir Guy has been outstanding in his career both as an administrator and as a sailor; many naval officers considered that his abilities entitled him to go even higher in his service; and he knows Malta well. He may be better fitted than would almost any other governor to persuade the Maltese that the Navy can still provide a proportion of the dockers with lucrative work, and that the rest must in their own interests co-operate with such incoming industrialists as the British Government can still attract after Mr Mintoff's threats to make life impossible for them. Moreover Sir Guy looks like having one valuable ally. Last week's riots induced the Roman Catholic archbishop, Mgr. Gonzi, to return in haste from Rome and address—almost for the first time—words of warning and remonstrance in public to his flock. If Malta threatens to be another Cyprus, at least the local church (a powerful influence) this time bids to be upon law and order's side.

DEFENCE—SECOND HALF

Rifles and Rockets

THE second day of last week's defence debate was notable for only two things: the further—partly eye-witness—revelation of the shoddy condition of the British army's equipment and the changing tune of Mr Sandys's arguments for an independent British deterrent. Labour speakers had the best of it when they complained that British troops who are moved from other overseas stations to Germany have to leave their FN rifles behind them and pick up the bolt-action 303 rifles left by the unit they are relieving—and which are, of course, non-standard with the rifles of the other Nato forces. Mr Aubrey Jones was quite properly pulled up again and again for first of all promising to talk about the new equipment coming to service and then becoming dithyrhambic about equipment still on the drawing board or only in a stage where alternative prototypes are being considered. He had a poor hand to play, and Labour's military spokesmen (a more informed bunch than Labour has usually had before) were in no mood to allow him to try to force hidden cards. Mr Sandys had done far better earlier to admit that the Government was vulnerable in the matter, but was trying to save taxpayers' money by using up ex-Korean war stocks.

More remarkable was the way in which Mr Sandys knocked from under himself what used to be his principal argument for an independent British deterrent. There is a grim humour in the changing international fashion in these arguments. Back in 1957 Mr Sandys used to hint that Britain needed a big war deterrent, as well as small war forces, for fear that the Americans might one day leave us in the lurch. This is an argument that is now increasingly used by the French for wanting to mount bombs and rockets of their own. They profess to apprehend that the time might be coming when, because the American homeland can be attacked in weight by Russia, America may not feel so ready to threaten to use its nuclear weapons to defend positions which other countries regard as life or death to them. But Mr Sandys roundly declared last Thursday that Russia's growing power to devastate America would not in one whit diminish America's readiness to threaten to strike back if Europe were touched. His solidest argument for the British Blue Streak rocket now is that the Americans want us to go ahead with it as complementary to their own rocket development. But it emerged from the debate that other countries are contemplating their own Blue Streaks; can America really want *all* its allies to do this? In support of the prestige-ridden urge to have a deterrent of their own, the French are using today the arguments that the British used yesterday; no doubt tomorrow they will be using the arguments that the British are using today; and it is an interesting subject for speculation what arguments the British themselves will be using then.

FRANCE

Second Thoughts

THE first electoral test in France since the gaullist UNR's sweeping success last November has gone appreciably against the right-wing parties forming M. Debré's majority. In addition, the communist vote has more than made up the ground lost in November. Three by-elections to the Assembly, caused by the invalidation of the general election results at Huningue, in Alsace, Romans, in the south, and La Rochelle, on the west coast, do not make up a swing by themselves. But the shift in opinion coincides with earlier cantonal returns suggesting that the communists have even improved on their local showing before last May.

The three by-elections all saw the invalidated members—one MRP and two Independents—triumphantly upheld by their constituents. They also produced the customary drop in turn-out. Within the limitations of the exercise, the electorate seemed to be saying that it disliked the government's austere financial policy; whether it was thinking about Algeria is less certain. As a result, the gaullist UNR lost a number of recruits, who returned to their traditional allegiance, the MRP or the Radicals. The

communists showed up strongly, particularly at La Rochelle, where their share of the poll went up by 14 per cent compared with January, 1956. They plainly profited in the second ballot from the support of Socialist and Radical voters who had ostracised them in November.

These trends can soon be tested against the municipal election results, particularly in Paris and the twelve big towns where proportional representation will be in force. The voters' verdict this Sunday and next may be rather different from what it was before M. Pinay's budget.

GERMANY

Dr Erhard's Narrow Squeak

DR ADENAUER could not have thought of a more gracious way of extinguishing Dr Erhard's political career than putting him up as successor to President Heuss. But Dr Erhard on Tuesday declined this political silken bowstring; it appears that the Minister of Economics is by no means yet a spent force.

A variety of factors occasioned the Chancellor's proposal. The Christian Democrats wanted a presidential candidate who could command the broad popular support outside the party which would bring victory over Professor Carlo Schmid, the popular and respected Social Democratic candidate. Some sectors of industry have long sought to get rid of the liberal minister, who has been so resolute a crusader against cartels and protectionism. Dr Adenauer has never shown much kindness to men who have been talked of as possible successors to himself. After Dr Erhard's defeats on coal policy and the free trade area, the Chancellor evidently felt the moment opportune to transfer him to an honourable position on the shelf. Dr Erhard's reported first utterances on hearing the news suggested that he was resigned to accept the master's verdict. But when he discovered the strength of the party support which he could muster, he plucked up his courage and refused.

The immediate effect is to give a sharp increase in political stature to a man whose influence in the government had waned steadily since the morrow of the elections in 1957, when, having contributed heavily to the Christian Democratic victory, he was given the office of vice-chancellor. His chances of eventually succeeding Dr Adenauer now stand higher than they did before the skirmish. The Chancellor, however, is not a man to take political setbacks of this sort lying down. Life will not get any easier for the minister of economics. Dr Erhard has once more shown that he can command party and popular backing, but Dr Adenauer remains the most accomplished tactician, as well as the undisputed master of party affairs and cabinet policies, in the Christian Democratic regime.

BOURNEMOUTH PRIMARY

Half True Blues

THE results of Lord Hailsham's private election down among the Tories of Bournemouth East and Christchurch confirmed both Mr Nigel Nicolson's claim that the Association's executive was not fully representative of its rank and file and the executive's assertion that the Association could never live happily with Mr Nicolson. The valid votes in the postal ballot split almost half and half between those with no confidence in Mr Nicolson and those with no confidence in Major Grant—the member lost by only 91 votes out of over 7,000.

Mr Nicolson is probably right in attributing his defeat mainly to the deep emotion still felt at the seaside about Suez, the justified belief that his opponents would not give up the controversy if he won, and the pull of party loyalty. On the other side, Mr Nicolson no doubt gained some votes from Tories who disliked him personally but who were distressed by the black eye their executive's erratic behaviour was giving the party throughout the country.

Because the executive does not want a by-election at this stage Mr Nicolson has agreed to serve out his term. Throughout the controversy he has, as Lord Hailsham handsomely acknowledged, behaved with exemplary forbearance towards his extraordinary constituents. But it may be doubted whether, in his final generous defence of them from the reproach of being "nothing more than a set of antediluvian blimps," he did his party a kindness by adding that "they are no more unrepresentative of Conservatism than the Conservatives of Sheffield, Truro or Stow-in-the-Wold."

The most interesting question for the long run, of course, is whether this "primary" is a healthy precedent. Some commentators have argued that it threatens to turn MPs into delegates. It does not. No one is suggesting a referendum on a single controversial decision taken or to be taken by a MP. A postal ballot merely ensures that where there is controversy, a more representative body of party members participates in the choice of a candidate for the following election than would otherwise be the case. Critics of this development are in effect saying that in a safe seat a member should never have to answer to anyone for the way in which over a period he has exercised his judgment, or if to someone then to a small clique.

There is already one other obvious candidate for a "Hailsham primary"—Belfast North, where the member, Mr Montgomery Hyde, who has made himself unpopular by supporting the Wolfenden recommentations on homosexuality and showing interest in un-Irish issues, was first backed for re-adoption by a small majority of the local Ulster Unionist executive and then repudiated in his absence by a meeting of the association. But of course the postal ballot, welcome innovation though it is, is only a patchwork solution to the problem of the (perfectly legitimate) divisions that spring up within a local party. The real democratic answer is to have the alternative vote in the election itself. Then any Tory, even Mr Randolph Churchill, could run for Bournemouth East safe in the knowledge that vote-splitting would not let the Liberal or Socialist in—and the whole electorate of the constituency would decide which face of Toryism it should show in Westminster.

WAGES

Longer Term Agreements?

A CERTAIN amount of interest has been aroused by an article in (of all places) the Institute of Directors' journal written by Mr Robert Willis, this year's chairman of the Trades Union Congress. Mr Willis argues that, to avoid the annual wage struggle in British industry, other trade unions should follow the practice of his own printers' trade union in negotiating longer-term settlements. They should agree that, after getting a wage increase in one year, they will not put in another wage claim for perhaps two

The Company of Adventurers . . .

RITCHIE CALDER, the science writer, describes how atomic freighters could travel under the icebound seas of the Arctic throughout the year



THE OFFICER'S MESS at Fort Churchill on Hudson Bay is a bus-ride from the cinema. But there is no bus. Instead one walks through centrally heated corridors, built-in streets, buried beneath the snow, which link the living quarters with the cinema, the school, the shops and other civic amenities. In the winter the average temperature outside is 20° below zero FAHR.

This is the Frozen North. Yet this Canadian base and port is no further north than Oslo, Stockholm or Leningrad. Beyond it lie The Barrens, the snow deserts of the wandering Eskimos, before it Hudson Bay, which extends as far south as most of England yet is frozen solid for seven months of the year.

ATOMIC AGE MINERALS

Today, on the Bay at Churchill, stand the great grain silos. The port handles over eleven million bushels of grain every year. Across the Bay is Ungava, a region of great mineral resources, including some of the biggest iron deposits in the world. To the north of Churchill is Keewatin, that region where geologists and prospectors are discovering the minerals of the Atomic Age.

Access to new agricultural and mineral wealth of the mid-west and north of Canada depends on Hudson Bay, yet it is ice-locked for the greater part of the year, with deep water channels navigable only from August till early October.

Hudson Bay owed its discovery to the quest for the North West Passage, and its development to King Charles II's "Company of Adventurers". The successful navigation of that Passage by mid-20th century adventurers, may well provide the means of liberating the Bay from its ice-bondage.

U.S. atomic submarines, the Nautilus and the Skate, have navigated under the Arctic ice and opened the passage from west to east and east to west. Similarly, submarine atomic freighters could travel under the ice of Hudson Bay, throughout the year. Atomic heat could keep Churchill and other harbours open, like seals' breathing holes in the ice, for all-the-year handling of freight and so revolutionise not only the port itself, but the economy of half a continent.



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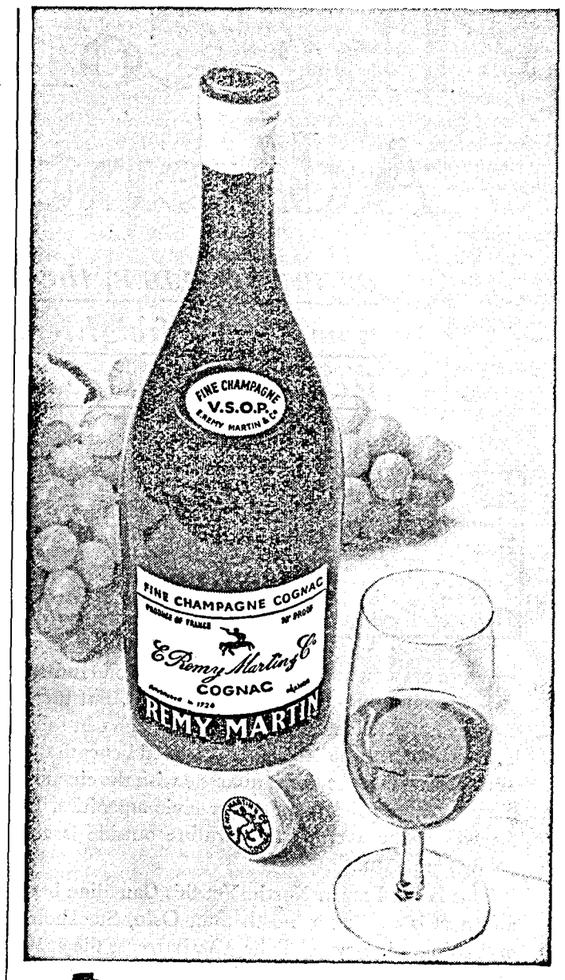
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PRIDE OF COGNAC

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or three years, although with some cushion inserted into their agreements in the shape of automatic cost-of-living adjustments. There is, inevitably, a great deal of special pleading in Mr Willis's article. His own London Typographical Society is just coming to the end of a three-year contract, and Mr Willis is keen to point out that "stabilisation of wages . . . cannot be secured on the basis of niggardly increases" (a sentence which, on the face of it, rings rather odd). Nevertheless, it could be particularly valuable if discussion of this sort of scheme were set rolling just now.

At the moment most trade unions are not pressing forward with new wage demands; in part this is because their leaders do not want to make organised labour unpopular just before a parliamentary general election, in part it is no doubt a result of the dampening effect of unemployment. It is Mr Willis's bad luck that his own printers' contract is coming to an end at a period when employers cannot afford the "sufficiently substantial" initial increase which he thinks his system demands. The situation in which settlements for a period of years might be useful, however, would be one in which productivity (and with it profits) was expanding quite rapidly, but in which employers were frightened to grant the wage increases which might be immediately affordable, for fear that they might set a standard for increases in later years when further rises in productivity looked like being much smaller. Just conceivably, a number of British industries could be in precisely this situation by the beginning of next year. It is reasonable to suppose that there might be a substantial initial spurt in productivity when re-expansion starts, as the slack in industry is taken up; but that the rate of advance might slow down later when resources have become more fully employed. The device of a sizeable wage increase followed by a promised period of freeze might be a useful horse to trot on to several courses in 1960.

EAST GERMANY

Agriculture under the Lens

EAST GERMAN top people and their foreign guests gathered at Leipzig in late February for the sixth conference of the "chairmen and activists of agricultural co-operatives." Herr Ulbricht, who spoke second, discussed past achievements and plans on the agricultural front. He described 1958 as a very successful year, during which 3,121 new producer co-operatives were established, and small units were merged into bigger ones. Whereas at the end of 1957, 33 per cent of arable land in east Germany was farmed by co-operatives and state farms, a year later the proportion rose to 46 per cent. Although Herr Ulbricht and his friends have a harder task than Mr Khrushchev, their proposals for east German agriculture resemble those of the Soviet seven-year plan; the drive for more and larger collectives will be intensified; more agricultural machinery will be provided; there will be new rules for the conduct of producers' co-operatives.

Herr Ulbricht's long and shapeless report contained some impressive figures. But the east German leaders are well aware of the fact that the decisive struggle for collectivisation lies ahead. So far, they have been making it attractive for the peasants to join the clubs; there were real material gains (the farmers received wages plus rewards in kind), and the bonds were not too tight. New members could, for instance, retain their own cattle. The land they brought into the pool did not automatically pass into collective ownership upon their death. The new laws, now in draft and certain to be passed soon, do away with such alleviations. Heirs will not be able to claim the land made over to the co-operative by their parents; cattle and other property will pass, irrevocably, into collective possession. During this second stage of agricultural reform, it looks as though the farmers will be driven instead of led. Once the collectives have passed the half-way mark in the amount of arable land they control, the elimination of the private farmers will probably gather speed. The socialisation of agriculture on the Soviet pattern has proved a far more difficult task in eastern Europe than the nationalisation of industry. In east Germany, 90 per cent of all the means of industrial production were nationalised directly after the war; but the state's conquest of agriculture still has a long way to go.

LAOS

When is a Pact Fulfilled?

A TANGLE of problems has landed softly in the lap of Mr Selwyn Lloyd in his occasional capacity as "co-chairman" of the Geneva conference of 1954. Mr Lloyd inherited this function from Sir Anthony Eden, via Mr Macmillan—his two predecessors at the Foreign Office. As "co-chairmen" the British and Russian foreign ministers assumed a continuing responsibility for the observance of the Geneva agreements, which ended the Indo-China war.

The present trouble started with a statement by the Laotian prime minister, Mr Phoui Sananikone, that Laos considered the portions of the agreements relating to itself to have been fully implemented. He added that Laos could not accept the communist interpretation that, so long as the reunification of neighbouring Vietnam had not taken place, the agreements would continue to bind Laos.

Mr Sananikone's statement was the logical sequel to the disbandment last year of the truce commission for Laos, at the request of his predecessor. But it was immediately, and inevitably, denounced in the communist press of north Vietnam, which has a clear interest in maintaining the Geneva machinery intact; for if the Geneva agreements continue to be whittled down, north Vietnam's chances of

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ever gaining control over the south, already greatly reduced, will be further impaired. An unfortunate comment from Washington, to the effect that the United States was now free to establish a military mission in Laos, has given ammunition to the bigger communist guns. The Chinese communist foreign minister, Mr Chen Yi, has treated this as evidence of an American plan "to turn Laos into an American military base." He has asked the co-chairmen to stop this alleged American scheme.

Mr Profumo, Minister of State, told the Commons this week that he did not believe the Laotians had repudiated the Geneva agreements. The truth, however, may not be so simple. The Laotian government has acted with great energy in preventing communist infiltration; it clearly does not want north Vietnam to have any say in its affairs, even indirectly through the Geneva machinery. Before Mr Lloyd replies to the Chinese note, he will need answers to some awkward questions, such as: How long must a sovereign state be bound by agreements affecting several other states when the portions affecting its own territory have been substantially fulfilled?

LUNGWORM INFECTION

Breakthrough for Helminthologists

THANKS to a newly developed British vaccine, cattle can now be immunised against the disease known as "husk," or lungworm infection. This news is of much wider interest than even the serious figures of annual loss from this disease—in deaths, loss of condition, and cost of treatment—would suggest. For the vaccine in question is the product of an entirely new technique; it constitutes a major breakthrough on an obstinately resistant front, that of helminthology. Hitherto it has not been possible to apply to parasitic worms the principle that has served in combating so many bacterial and virus diseases: that of stimulating, by a sub-clinical dose of the infective agent, the formation of protective antibodies giving immunity against subsequent invasions.

This is what has been achieved by the research workers of the veterinary department of Glasgow University and of Allen & Hanburys Ltd., who are now producing the vaccine commercially. Larvae of the lungworm—which infest an estimated 90 per cent of British pastures and, when swallowed by grazing cattle, make their way from the digestive tract to the lungs, where they mature, breed, and cause bronchial pneumonia—are subjected to irradiation by X-ray. This reduces the vitality of the larvae to a nicely calculated level, allowing them, when swallowed in an appropriate dose, to survive just long enough to stimulate an adequate immunising reaction, but not to reach the lungs and produce clinical symptoms. Whether the immunity so conferred will prove lifelong, whether the break in the lungworm's life cycle will eventually clear the infested pastures entirely, are questions on which the expert spokesmen will not commit themselves without reserve. But they are willing to forecast a diminution in lungworm disease comparable to that in diphtheria among human beings.

Still more cautiously, they refuse to speculate about the prospects of applying similar methods to other kinds of helminth infestation. Research is going on, but there is no specific news about its nature. Obviously each parasite must present a separate set of technical difficulties. Social difficulties even more forbidding stand in the way of any transfer from the veterinary to the medical field—especially in those tropical and sub-tropical lands where success would have the most transforming effect on the health, happiness and productive efficiency of a parasite-riddled population. It would be premature to expect such a revolutionary forward surge in the conquest of disease, in man and beast, as was set off by the discovery of the antibiotics. But the breakthrough is a genuine one even if, initially, on a narrow front; and in the perspective of time it seems certain to stimulate, both technically and psychologically, efforts leading to a much wider advance.

ITALY AND AUSTRIA

South Tyrolean Storm

THAT persistently stormy tea-cup, the South Tyrol, is again causing trouble. Last week the Austrian ambassador to Italy was recalled to Vienna for consultations and in Italian cities there were anti-Austrian student riots. In Rome, Signor Segni, the new prime minister, has declared that Austria cannot be allowed to interfere in an internal Italian affair. In Vienna, Dr Figl, the foreign minister, announced this week that Austria would take the matter to the World Court if direct talks, for

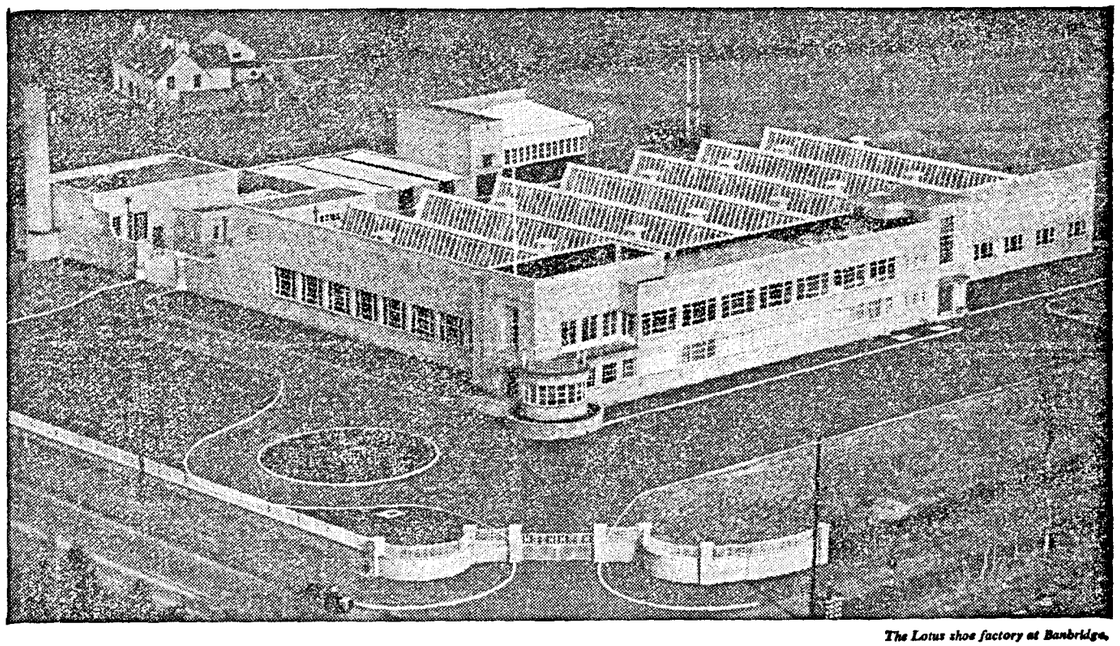
The Economist

MARCH 5, 1859

THE VIRTUES OF MALE NOVELISTS

ADAM BEDE. By GEORGE ELIOT. 3 Vols. *Blackwood and Sons.*

Novel-writing has of late years devolved so largely upon women, that it is quite rare to meet with a well-matured and carefully executed novel by a man of genius. We may add that it is as pleasant as it is rare. In novels written by women, the exaltation and predominance of one class of feelings, and the slight and inadequate treatment of all that lies beyond their immediate influence, make even the best of them seem disproportionate and unreal. The life which they represent is a kind of *Saturnalia* of love and the domestic affections, the practical business part of it being either slurred over or ludicrously misapprehended. Novels written by men are nearly always more in keeping with the actual world, have a wider outlook, and embrace a greater variety of interests. Even if they are dull, there is generally some positive, impersonal sort of knowledge to be gained from them; when they are original and clever and artistically constructed, they are more delightful as well as more profitable than the best novels by women. "Adam Bede" is one of the best of this best class of novels. It has the great merit in these days of rapid writing, of being carefully and deliberately composed. . . . In his choice of subject, too, the author has shown the confidence of genius in the resources of his art. It has no obvious attractions, or ready sources of interest belonging to it. The humble loves of a village carpenter, at that most unromantic period—the beginning of the present century—would have seemed to an inferior artist about the most unpromising groundwork for a novel that could well be imagined, yet Mr Eliot has managed to extract from that rugged soil the materials of a story far surpassing the more ambitious works of better known men in depth and purity of colour. . . . After a course of the feverish, self-critical, posted-up-to-the-latest-dates novels of the present day, reading "Adam Bede" is like paying a visit from town to the open hill sides, pure air, and broad sunshine of the country which it describes. We trust it may be no longer than is necessary for the conscientious attainment of the high standard reached in this book before we shall meet Mr Eliot again.



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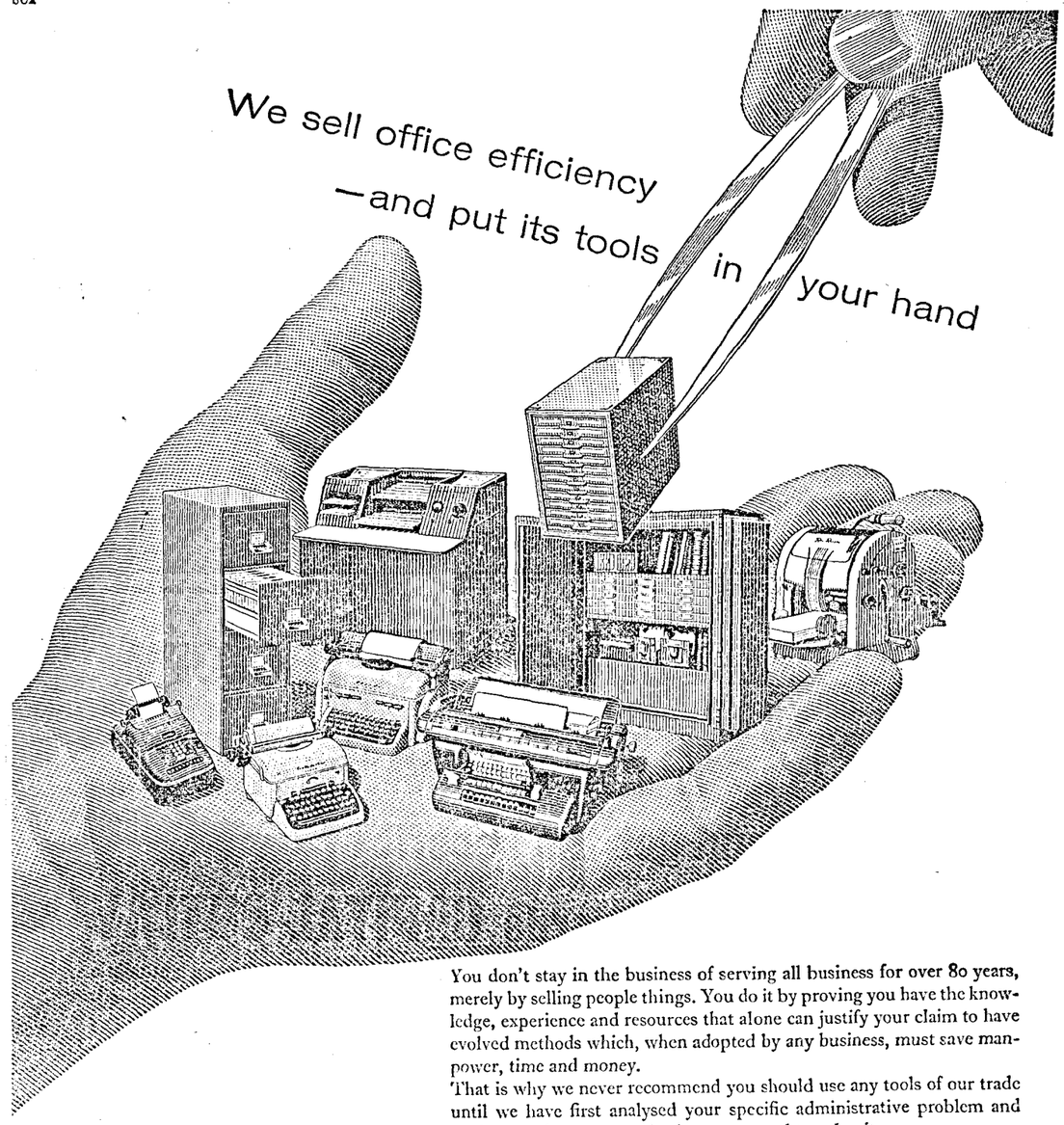
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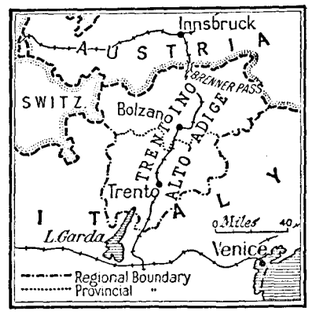
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which it was ready, came to nothing. There have been political repercussions too. At the beginning of February the *Volkspartei*, which represents the German-speaking population of the Trentino-Alto Adige region of Italy, withdrew from the regional junta where it had been in coalition with the Italian Christian Democrats; the three deputies and two senators whom the *Volkspartei* send to the Italian Parliament have also withdrawn their support from the Christian Democrats.



This particular spot of bother was touched off by some new housing regulations issued by the Fanfani government, establishing a measure of control over local authorities' housing schemes. They apply in fact to the whole of Italy; but the German majority in the Alto Adige felt that their provincial powers were being undermined and that the new regulations would be used—as, they maintain, other housing regulations have been used in the past—to discriminate against them. Their grievances over this and various other issues is made worse by their feeling that they have been diddled over the implementation of the De Gasperi-Gruber agreement of 1946. They believe—it seems, mistakenly—that under that agreement the German-speaking majority of the Alto Adige should have been given full local autonomy; instead they have been joined with the predominantly Italian province of Trentino in a larger region which, though it is autonomous, has an Italian majority. The Germans are thus particularly concerned lest the powers of the provincial council at Bolzano, on which they have a majority, should be whittled away any further.

Signor Segni's cabinet has decided to take the dispute with the Bolzano provincial council over housing powers to the Constitutional Court. But it is unlikely that legal verdicts, whatever they are, will bring permanent peace and quiet to the South Tyrol. Nor, although housing is admittedly an internal Italian affair, will it do to treat the matter in a narrowly nationalistic way and deny that the Austrian government, a signatory of the 1946 agreement, is concerned in the future of the South Tyrol as a whole. The Italian and Austrian leaders might do well to copy the example set at Zurich by Mr Karamanlis and Mr Menderes.

Appointments, Business and Personal notices, and other Classified Advertisements pages 930 and 931

BOOKS

Putsch by Proxy?

Les 13 Complots du 13 Mai

By Merry and Serge Bromberger.
Artheine Fayard. 443 pages. 1,200 francs.

SUCCESS can turn black into white and vice versa. The heroes of the various plots described by the Bromberger brothers could almost all have been indicted for high treason by the public prosecutor of the Fourth Republic. Most of them are now eminent dignitaries of the Fifth. Among those involved in plots to change the regime, or among their protectors, are the present prime minister of France and his deputy; the leader of the National Assembly; the chief of general staff and the commander-in-chief in Algeria; the military advisers of the prime minister and of the President. The list could be continued. It covers the whole galaxy of the new regime with the notable exception of the main beneficiary of the *coup d'état*. According to these authors, General de Gaulle was kept informed but did not direct the *coup* that brought him back to power.

The Bromberger brothers are journalists well known for their revelations of the Suez "secrets." This time they have interviewed most of the protagonists in the events of last May that brought about the change of regime in France. The longest and most interesting part of the book deals with happenings in Algeria. Indeed, after M. Mollet's abdication before tomato-throwing settlers in February, 1956, the seat of French power was progressively shifting from Paris to Algiers. The authors have an intimate knowledge of the officers, colonialist politicians, thugs and shady operators who move among the political fauna of Algiers at war. The "plotters," who could work unhindered thanks to governmental complicities in Paris, can be roughly divided into two groups: the "activists," who wanted to bring the regime down merely to perpetuate the war and ensure that Algeria remains French; and the "gaullists," who wanted to channel such an Algerian explosion so as to bring the general back to power. (This line of division is valid for the military as well as the civilians, and provides an interesting key to subsequent reshuffles.)

The seizure of the governmental buildings in Algiers on May 13th was the work of the "activists." The army as well as the "gaullists" jumped on the wagon subsequently. The purpose of the operation was to prevent the formation of the Pflimlin government in Paris, which was suspected of favouring a negotiated peace. On the 14th the gamble had failed. The Pflimlin government had been formed; it could cut off money and supplies for an Algiers in open rebellion. Commanding officers, worried about their future, were beginning to think of a way back to favour. But on the 15th, in the morning, General Salan shouted "Long live de Gaulle" and, in the afternoon, the voice from Colombey echoed: "I am ready to assume the powers of the Republic." The rest, up to the general's investiture on June 1st, reads like the story of a government bent on suicide.

People who have watched this slow death at close quarters are still divided on certain issues. Was the threat to invade France real or simply bluff? It was certainly partly bluff. "Intoxication," the spreading of all sorts of rumours, was part of a plan designed to frighten the government, parliament and country. But this book claims that a real plan of invasion did exist as well. "Operation Resurrection," as it was called, sounds phoney however. The civilian troops of the *putsch* seem farcically small (at one stage the shock element is described as consisting of 1,500 Indo-China veterans, including 300 Hungarians). Only some 4,000 paratroopers and the tanks stationed at Rambouillet could apparently be mustered for the job. Paris was in fact to be

taken over by its own police. One cannot say whether such small forces could have brought down the republic; when the woman consents, rape is impossible. President Coty had asked General de Gaulle for his terms on May 5th. M. Mollet was in touch with the general's advisers almost from the beginning. M. Pflimlin, towards the end, was only trying to save face.

The other question is connected with the part played by the general. The authors clearly want to put him beyond suspicion. Having described how he was kept informed by his friends of their plans, they insist that General de Gaulle did not commit himself: "He is France and he will see what is offered to France, if anything is offered at all." One thing, however, is striking. If General de Gaulle had planned a *coup*, he could not have devised a better formula for success. His intervention on the 15th kept Algiers going. The threat of paratroopers softened a hostile chamber and a shivering government. Had the paratroopers struck, it might have been civil war. With the paratroopers kept on a lead, legal pretences could be maintained and the doors to the Elysée opened from inside. The general appeared as France's saviour from paratroopers, civil war and all other evils.

Historians may need more distance. But this journalistic account will be of use to them, for the protagonists have apparently spoken quite freely. One can reproach the authors, however, for having been too faithful reporters; they tend to take the versions told them too much at their face value. This sensational story is certainly not the last word on the events of last May. But it tells a lot and it reads like a thriller.

A Modern City State

Government Administration in New Zealand

By R. J. Polaschek.
Oxford University Press for New Zealand Institute of Public Administration. 324 pages. 35s.

NEW ZEALAND has, on the face of it, the simplest government in the world. A unitary state, it has practically no written constitution, and only one House of Parliament. Yet its two and a half million people have forty-one departments, and almost a thousand local authorities, government sponsored companies and public corporations, to attend to their needs. In this book, which is heavy going some of the time (as books on administration so often are), but which is highly entertaining in parts, Mr Polaschek explains why.

New Zealanders, he points out, "are not theoretically minded." If they want something done, they ask the government to do it. The government obliges by creating a department to do it for them. It may be a department or a public corporation, according to the kind of government and the conditions of the time; and it may later be turned into a public corporation or a section of a department if it began as a department, or department if it began as a public corporation. There does not seem to be any rule. Even when the cry of Economy is raised, and the government runs for cover, it hardly ever thinks of reorganising the service so as to combine the departments and sections that have something in common. It does not seem to mind a minister carrying ten portfolios. (This was the redoubtable Mr Nash, who is now Prime Minister; with such experience he could sack his whole Cabinet and commune with himself.) It may move the pieces about the board, but it plays the same game in the end. Although Mr Polaschek thinks things could be better, he wisely assumes that they will not be. "There are no absolutes in government, particularly where agricultural and industrial groups are concerned," he says; and since agricultural and industrial groups seem to be all that New Zealand governments have to worry about, they will continue to proliferate government agencies to show that they are doing something, if not the thing they promised to do.

Many shafts of light are thrown on New Zealand life. Women number one-fifth of the clerks in the public service, but there is not one of them in the top 1,000 positions. There are eight permanent Cabinet committees, including the Committee on Hotels and Licensing. As recently as 1914 a Chief Justice described the Public Service Act as the most republican statute in any British colony, seeming to go even beyond republicanism, because appointments were to be made by the Public Service Commissioner and not the Governor. Of 37 permanent heads in 1955, 18 had qualified as accountants. A Minister has never been known to resign because of his subordinates' misdeeds, but Ministers have been known to criticise their subordinates in public.

In general, it seems to be a mistake to classify New Zealand as a modern state. Its government has more in common with that of a great city like Glasgow or Birmingham. It is parochial and homely, administration rather than government. When something happens to remind it of the responsibilities of a sovereign state, such as a depression or a war, there is tremendous scurrying and a great shake-up; but in between these times it reverts to its quietude.

Force and Guile

Dragon and Sickle

By Guy Wint.
Pall Mall Press. 109 pages. 10s. 6d.

MR WINT, who has observed politics at close quarters in both China and India, is concerned in this admirably concise little book with two main themes: how the communists came to power in China and how they are trying to come to power in India. In his view the success of Mao Tse-tung in China was due to his ability to free himself from orthodox Marxist dogma and the precedents of the Russian Revolution in a persistent quest of victory through civil war. Mr Wint shows with effective quotations how Mao substituted a guerilla peasant insurrection for the revolutionary action of the industrial proletariat as the means for the attainment of power by a communist party. But he seems to exaggerate somewhat the contrast between the conspiratorial nature of Russian Bolshevism and the mass movement led by the communists in China; the Bolsheviks were only able to seize and hold power in 1917-20 because of the degree of mass support they were able to organise, and the Chinese communists for their part remained throughout so conspiratorial in their policy-making that they were able to deceive whole classes of the population about their real intentions.

For the most recent period Mr Wint thinks that "the lessons of the Chinese revolution are already partly outdated"; he points out that the method of insurrection that was so successful in China was a failure elsewhere in Asia in the years from 1948 onwards—in India, Burma, Malaya, Indonesia and the Philippines; only in Vietnam was there a partial victory and then only with large-scale Chinese assistance. Since Stalin's death there has been a turn of Soviet policy away from encouragement of communist revolts to what Mr Wint calls "drastically over-bidding the West as friend and patron of Asian nationalism." It is open to question, however, whether this is more than just another phase in the zig-zagging course of international communism and whether, in spite of the example of Kerala, the new "parliamentarianism" of the Indian communists is to be taken seriously. There is scope within the framework of Marxist-Leninist doctrine for an immense variety of tactics for obtaining power, but the resort to force must figure somewhere in the scheme, and there is no reason to suppose that any communist party has in fact abandoned it.

Worldwide Economics

Introduction to the World Economy

By A. J. Brown.
Allen and Unwin. 212 pages. 18s.

THE blurb of this book recommends it to "readers whose interest in economics has been awakened by economic geography, economic history, or the survey of current world affairs." Fair enough. Given such an interest, given such an approach to that interest, and given a fairly high degree of perseverance, "Introduction to the World Economy" can be warmly commended as a sensible, well-constructed and thoroughly competent work. It goes a long way towards introducing realism into that generally nonsensical business, the comparison of international standards of living. It draws usefully (and with due acknowledgment) on Mr Colin Clark and Professor W. A. Lewis for light on the nature and causes of economic growth. It treats especially well those questions of local specialisation and comparative advantage which are such a stumbling block to the uninitiated. It

sets the subsistence economy, the planned economy, and the more or less free market economy in an understandable relationship to one another. It is sound, if not original, on income flows and prices—though the treatment of these last might well seem less than clear to a reader entirely lacking, as its readers are presumed to lack, any prior notion of value theory. It is written with a modest respect for the uncertain and the unknowable. Perhaps it treats money and credit rather sketchily; perhaps, too, it leaves sociological factors rather too much in the background. These are matters of judgment.

Having said so much, one remains slightly puzzled about who is going to read this book. For the "general reader" in the usual sense it is too long, too untopical and, if truth must be told, too stodgily a textbook to be attractive. Yet considered as a textbook it is neither sufficiently comprehensive nor sufficiently provided with an analytic skeleton to meet the needs of a student seeking an introduction to economics. Here and there, no doubt, it will just fill the bill. International civil servants; members of the Foreign, Colonial, and Commonwealth Relations services; some teachers; some publicists; all these who particularly need, as the background rather than the substance of their special expertise, some knowledge of what makes the world economy tick; these could hardly do better. But do they add up to a market? Not only for Professor Brown's sake, one may hope so. If they did, it would be possible to feel rather happier about the future rationality of economic affairs.

The Conquest of Canada

The Plains of Abraham

By Brian Connell.
Hodder and Stoughton. 288 pages. 21s.

THIS year marks the bicentenary of the Year of Victories—Minden, Quebec, Quiberon Bay. Mr Connell's book is only concerned with Quebec and what went on before and after it on the American continent. The fact that the other victories are not even mentioned indicates a faulty perspective in what is otherwise a fluent and colourful story, full of Indian war whoops and red coats on the run. It is all very well to follow Francis Parkman with a popular account of the fighting on the American frontier; but what happened there can only be appreciated in relation to what was happening in Europe, above all in the Bay of Biscay, where the blockading fleets prevented the despatch of those forces which Montcalm so desperately needed. It was the beauty of Pitt's strategy to see the war on a world scale from India to Canada, so that the operations in one area were related to the general pattern elsewhere. In spite of its virtues as a narrative, this book fails to make that clear. Nor do minor inaccuracies inspire confidence in the historical validity of the whole: Holmes's flagship was not a frigate; Cook was not a captain; Wolfe could not have given Jervis a miniature the night before the battle because the latter's ship was ten miles away, nor was he by any means "delighted" to accept the plans proposed by his brigadiers.

Quebec was not just a soldier's battle. What is rightly called "the ten minutes that changed America" was the climax of the most successful combined operation in British history. Perhaps the despatches which make that clear are not quoted here because Townshend and Murray are presented as the villains of the piece, on account of their insubordinate conduct towards an idealised Wolfe. Murray at least deserves more justice, since his heroic defence of the city is almost on a par with the victory by which it was won. The whole campaign cannot be understood unless the conquest of Canada is seen as the inevitable result of the mastery of the St Lawrence valley, which was won by the united forces of the army and the navy. If for no other reason, that happy combination deserves to be recalled in order to give the lie to the notion, which seems to be gaining ground, that the Americans discovered the secrets of amphibious operations during the last war.

Fresh Eyes on China

Red Carpet to China

By Michael Croft.
Longmans. 286 pages. 21s.

IT is refreshing to find a "non-political" book that gives so clear an insight into a system of such political complexity as China's. Mr Croft is refreshing both because his approach is itself fresh, and because of his percipience and literary talent. The only political judgments the author allows himself are in the prefatory note, in which he is almost certainly premature by a few years in describing communist China as "a world power of the first magnitude." But in all that he sees or records he is intelligent and entertaining.

Mr Croft went to China as a member of an international youth delegation, doubtless qualifying as founder of the National Youth Theatre rather than for any lack of years. His travelling companions included a remarkably undogmatic Russian, a Ceylonese with a roving eye and two Egyptians. By chance, the "delegates" were travelling about China in October and November 1956, and the simultaneous bursting of news in Egypt and Hungary subjected them to almost intolerable strains. Mr Croft, who did not approve of the Anglo-French expedition, found his only defence as "British delegate" consisted in insisting at all times that the Russians should get their full share of available opprobrium. At least once, this impartiality involved him in physical danger.

As one would expect of the author of "Spare the Rod," Mr Croft had many questions to put to Chinese teachers and professors. Although his visit took place during the short-lived "hundred flowers" experiment, he soon found that all discussion, however "free," had a preordained end. As with other visitors to communist China, he found it difficult to make a fair balance between loss of liberty and rising material standards. The message, therefore, is not new, but Mr Croft almost succeeds in persuading us that it is.

Study of Play

Mass Leisure

Edited by Eric Larrabee and Rolf Meyersohn.
The Free Press, Glencoe, Illinois. 439 pages. $6.00.

THIS collection of articles or chapters from books, written mostly over the past thirty-five years, ranges from a severely factual examination of the length of the working week to Bertrand Russell's philosophical defence of idleness. Brought together in this fashion, not written originally with any connecting theme in mind, and sometimes with only an exiguous relation to the problem of leisure, the pieces do not appear to be clustering round any central thesis. The editors tell us, however, that the volume is an attempt to counter the impression that the study of play is inherently lacking in significance. Certainly most of the items selected from recent American books or journals tend to be informed by a moral purpose. But only David Riesman's contribution discusses the relation of leisure to its background, that is, work and the society in which the work is performed.

He argues that, with few exceptions,

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Americans now work short hours, have money to spend and plenty of time in which to spend it. But "the word 'to soldier' means 'to loaf' and conscription gives training in soldiering to a large proportion of the work-force. For a time, men will go on producing because they have got the habit, but the habit is not contagious." "Men will scarcely . . . greatly extend themselves to earn more money which they are increasingly bored with spending," Mr Riesman continues.

> Hence, the evidence of disintegration and incompetence that is all around us . . . notably in the service trades, whose gross inefficiency we only conceal from ourselves. . . . It is extraordinary how little we have anticipated the problems of the bountiful future, other than to fall back on remedies which did not work in the less bountiful past, such as individualism, thrift, hard work, and enterprise on the one side, or harmony, togetherness, and friendliness on the other.

The analysis is acute—and depressing, although the editors say that the book is meant to be a cheerful one. And Mr Riesman's assertion that for "millions of Americans . . . the trip to the end of the consumer rainbow retains its magic . . ." is made only in the context that by "pressing for satiation at ever more opulent levels . . . we jeopardise this achievement in a world . . . in which there are many more desires . . . for things other than abundance."

However one feels about this particular contribution, the researcher will find the book valuable as a starting point for exploring any aspect of leisure, from its economics—a $30,000 million market—to the history of fashions and fads. There is an all-embracing bibliography.

Erhardism

Prosperity Through Competition

By Ludwig Erhard.
Thames and Hudson. 263 pages. 25s.

THE credit titles on the paper cover of the English translation of Dr Erhard's book are suggestive: "The economics of the German miracle—by its creator Ludwig Erhard." Written in German in time for the west German elections in 1957, the book is an unashamed piece of publicity. In a sense it is none the worse for this. If there is any special single gift which distinguishes the west German Minister of Economics from his colleagues in other countries it is his skill in publicity, his ability to enlist German consumers in defence of their interests by discussing economic issues in everyday language—bringing to them something of a common touch. In "Prosperity through Competition" Dr Erhard expounds his economic philosophy and tries to show how his liberal policies, fostering competition and enterprise, have made possible west Germany's economic recovery and helped it towards a more flexible and open social order.

Mixtures of argument and fact can be misleading. Dr Erhard's picture of the causes of Germany's spectacular economic recovery is not a balanced one. He does mention the great economic facts that have lain behind it: the huge increase in population, the Korean war boom, the potentialities of a great industrial economy crippled but not killed by war. But in a book designed to show off the role of certain principles of policy all this is given a secondary place. There are plenty of economic pundits, too, who will find Dr Erhard's economic philosophy somewhat naïve. The west German economy today, like other advanced industrial economies, is governed only partly by competition; other principles that accord less well with Dr Erhard's liberalism play a part.

Dr Erhard's book, however, does provide an opportunity to discover where he stands on many important issues. Two of his points are of particular interest; he is profoundly convinced that a high standard of living—high consumption—can be achieved only through rapid economic growth generated by high investment; rapid economic growth, in turn, can be achieved only if inflation is stamped out first. In his exposition three principles—competition, stern deflation and high investment—have inspired the German "miracle." British readers will smile sadly on reading of his conviction that a free trade area is a vital complement to the European Economic Community of which west Germany is a member.

Father and Son

The American Henry James

By Quentin Anderson.
Calder. 369 pages. 25s.

THE philosophical views of the elder Henry James were of a Swedenborgian cast, and are commonly supposed to have been of a cloudiness justifying his children's lighthearted description of them simply as "Father's ideas." There is no direct evidence that the younger Henry James ever revised this estimate. When, in 1885, he received from his brother William a copy of "The Literary Remains of the Late Henry James"—which William must have edited largely as a matter of piety—he responded with a letter giving his opinion that the whole system was "intensely original and personal" and regretting that he could not himself much enter into it. And since the younger Henry was eminently one who, in Mr T. S. Eliot's words, "preyed not upon ideas, but upon living beings," there is little ground for any expectation that it should be otherwise.

Mr Anderson, however, in a book that must be praised for a carefully achieved command of its materials, has come to quite a different conclusion. He finds the influence of the father's speculative thought widespread in the son's major fiction, and he judges his discovery to be very important. "If Dante," he writes,

> had been read by three generations of devoted and intelligent persons before it was learned that he had been influenced by Aquinas and Ptolemaic astronomy, his work would have been distorted in a manner analogous to the distortion in the current view of Henry James.

Many readers of James will find this hard to take. The "current view" of the Master is certainly one that allows not merely for a moralist in the artist but, also, in Mr Anderson's phrase, for "a moralist of a particular sort, who emerged from a particular scene." That James as a thinker is "an exquisitely ordered version of the most general manifestations of the culture of his origin" has for long surely admitted of no dispute. But if Mr Anderson is in fact making no large discovery here, he does excellently fill out this part of the picture, and so justifies the title he has chosen for his book. His more specific thesis, in which the elder James is presented as a detached and distinct influence, is less persuasive. That "the younger Henry James's psychological stock in trade" consisted of his father's system for the analysis of character is a claim that would be hard to substantiate. And anyone who reads on page 289 the note on James's choice of the name Fanny Assingham in "The Golden Bowl" may be inclined to doubt the adequacy of Mr Anderson's judgment and taste to some of the tasks of interpretation that he has set himself.

OTHER BOOKS

THE SKILLS OF THE ECONOMIST. By Kenneth E. Boulding. *Hamish Hamilton.* 193 pages. 16s.
The American edition of this book, published by *Howard Allen, Inc.*, was reviewed in *The Economist* of August 9, 1958.

STRUGGLE FOR EUROPE. By Chester Wilmot. *Collins.* 832 pages. 5s.
This book, which was reviewed in *The Economist* of February 2, 1952, has now been published as the first of a new series of paperbacks called "Fontana Monarchs."

A SERBIAN VILLAGE. By Joel Martin Halpern. *Columbia University Press.* London: *Oxford University Press.* 325 pages. 48s.
An account by an American social anthropologist of a year spent in a Serbian village examining in great detail the process of social and cultural change. It is the first community study in English on Jugoslavia.

THE INDUSTRIAL REVOLUTION, 1750-1850. By H. L. Beales. *Cass and Company.* 104 pages. 10s. 6d.
This book was first published in 1928 by *Longmans.* It is now published with a new introductory essay and bibliography and has been revised and enlarged.

FAO REPORT OF THE NINTH SESSION OF THE CONFERENCE, 1957. *H.M. Stationery Office.* 337 pages. 16s. 3d.

INFLATION AND COMPANY FINANCE. By Russell Matthews and John McB. Grant. *The Law Book Company of Australasia.* London: *Sweet and Maxwell.* 179 pages. 42s.

A COMPREHENSIVE BIBLIOGRAPHY ON OPERATIONS RESEARCH THROUGH 1956 AND SUPPLEMENT FOR 1957. Compiled by Operations Research Group Case Institute of Technology. *Wiley and Sons, Inc.* London: *Chapman and Hall.* 188 pages. 52s.

THE LEGAL ASPECTS OF INDUSTRY AND COMMERCE. By W. F. Frank. *Harrap.* 256 pages. 12s. 6d.

LETTERS

Disarmament Doors

SIR—On my recent return from the Middle East my attention has belatedly been drawn to the article in your issue of January 3rd, and I should like to make the following observations regarding Mr Khrushchev's remarks to me and my father concerning the abolition of nuclear stocks.

Since 1945 and until today, the Soviet Government's formal position has always been that all nuclear weapons including stocks should be abolished as part of a disarmament agreement. Through 1957, the Russians said repeatedly that stopping new production (the so-called "cut-off") was of no real interest to them because existing stocks are so great that it is pointless to add to them, and that therefore, when western governments describe the "cut-off" as an important disarmament measure, this was humbug.

When Mr Khrushchev told my father and me that he was not concerned about existing stocks and that he would not trust the Americans to abolish theirs, these remarks appeared to us to be designed principally to impress us with the military strength of the Soviet Union and the large numbers of nuclear weapons which it has in stock.

But when Mr Khrushchev began discussing the real dangers of the situation in which twelve or fifteen nations might all be making and stock-piling their own nuclear weapons within ten years from now, and to the possibility that some new Hitler might appear on the international scene, he entered into a serious discussion of practical measures for abolishing stocks and for ensuring that a potential aggressor should not use a secret stock to dominate or blackmail other states.

My father reminded Mr Khrushchev that the Soviet Government had, in March 1957 and again later, proposed the total abolition of all missiles of all ranges which could carry a nuclear bomb. He explained that he had examined this proposition in detail in his recent book, "The Arms Race," and had urged that to it should be added the total abolition of military aircraft capable of carrying bombs. He urged that there would be no particular difficulty in ensuring this since missiles and aircraft cannot be manufactured and tested, nor troops trained in their use, in secret. In reply, Mr Khrushchev said very categorically: "That would be acceptable; that is real and concrete."—Your faithfully,

FRANCIS NOEL-BAKER
House of Commons

Somaliland

SIR—We read with interest the article in your issue of February 14th. The fifteen-year-old plan to create a Greater Somalia out of the region of the Horn of Africa at the expense of Ethiopia has always been a cause for disagreement between the interested parties and the Ethiopians. For its part, Ethiopia is on record as prompting the Somali desire for self-determination and independence.

Ethiopians have reason to believe that western powers are behind the idea of creating a Greater Somalia. This, we think, is encouraging the extreme Somalis with their grandiose territorial ambitions to try to carve off Ethiopian territory. It is a fact borne out by history that Ethiopia will defy any ambition of such a nature.—Yours faithfully,

KEBBEDE ABBEBE
Imperial Ethiopian Embassy, SW7

Trade Unions

SIR—You say in your issue of February 28th: "One reason is that up to 30 per cent of the membership of the unions (and a rather higher proportion of their members' wives) consistently vote Conservative at general elections." I am at a loss to understand how you arrived at this percentage. However, accepting it as a reasonable estimate or approximation, I am of the opinion that those who do vote Conservative are mainly the older members and their wives who were sons and daughters of staunch Conservatives and Liberals of forty to fifty years ago; or, as one may say, before Labour as a party was seriously considered by the electorate. The vote among the older school is governed to a great extent by family "spirit." The next twenty years will, in my view, make a considerable dent in this section of Conservative support. To explain this viewpoint, I recall witnessing, about six years ago, thousands of Clydeside apprentices on strike marching in Glasgow and shouting "We want a pound, we want a pound" (increase) and comparing conditions in my own apprenticeship days of nearly fifty years ago. In those early days apprentice engineers and draughtsmen in their first year got 4s. for a 54-hour week.

I cannot avoid the thought that Conservatives in trade unions are mainly of the old school. Indeed, the implications for the Conservative "old school" vote extend beyond trade union members.—Yours faithfully,

Glasgow, S2 H. FERGUSON

★

SIR—Your articles have been read with interest by our members who are readers of your journal, and I have been asked to make one brief comment on the second of the two articles, which refers to the fact that "bank clerks sit on joint national councils."

I must point out that the National Union of Bank Employees, which is the national, independent trade union for bank staffs, affiliated to the TUC, is denied national negotiating machinery of a joint council character, although it has 50,000 members. Efforts have been made to establish national negotiating machinery in England and Wales over the years, but the employers have seized excuses to avoid this.—Yours faithfully,

T. G. EDWARDS
National Union of Bank Employees, SW1

★

SIR—May I fill a blind spot in the eyes of the writer of your survey of British trade unions? His list of the ten largest unions in 1957 should have included the National and Local Government Officers' Association which, with 243,000 members in 1957 and 252,000 today, is entitled to seventh place. It is also, probably, the most rapidly growing of the bigger unions, having increased in membership by over 100,000 since 1947.—Yours faithfully,

W. C. ANDERSON
National and Local Government Officers' Association, NW1

Wages in Television

SIR—Your note, in your issue of February 21st, rightly suggests that BBC employees will not welcome action which implies acceptance that the same work can be paid at a lower rate in the BBC than elsewhere. The value of your note is that it draws attention to a problem too often ignored: that the BBC has to compete with contractors able to increase their staffing budget at will while the corporation's ability to do so is limited. The gloves are off on both sides, but one party has its hands tied behind its back.

From the employees' point of view, the outcome is not nearly so clear-cut as the contrast in source of income would suggest: any comparison between BBC and commercial rates must take account of certain conditions of employment where BBC staff have the advantage, and of the fact that in certain sectors, e.g. clerical and secretarial, BBC rates and conditions are incontestably superior. The fact remains, however, that thanks to their financial structure the BBC's competitors can at any time at all points give their staff better terms—so long as the level and source of the BBC's income are unchanged.

Wherever they work, television staff are doing basically the same jobs for the entertainment and enlightenment of the viewer. This Government (or the next?) will soon have to decide who is to be responsible for the third television programme. If it decides that there is a continuing need for public service television, either on its present or any other basis, it should not expect to get it on the cheap. It must enable public service television genuinely to compete with its commercial rivals and its staff should not have to work on terms which accept that the reward of labour in one sector of the industry can be inferior.

As the union which negotiates terms and conditions of employment for all categories and grades in the BBC and in the Independent Television Authority, this association believes that, meanwhile, all the unions concerned should be making a united effort to solve the problem by working out a pay policy

that does justice between the different sections of staff within each side of the industry and also between staff in independent television and in the BBC. We should be agreeing on common standards for the whole industry, combining what is best in agreements negotiated for the different sections.

Incidentally, however Sir Tom O'Brien gets out of what you describe as his "cleft stick," it will not, as you suggest, commit BBC staff as a whole. This is because the number of BBC staff for whom, outside the area of joint representation, this association exclusively negotiates, is well over 14,000, compared with about 550 represented jointly with the National Association of Theatre and Kine Employees.—Yours faithfully,

G. T. RHYS

Association of Broadcasting Staff, W9

Qasim's New Ministers

SIR—Being acquainted with the circumstances under which Mr Hussain Jamil joined the Iraqi Cabinet for the first time, may I correct an error in your reference to him on February 21st? Mr Jamil accepted the post of minister of justice in Mr Ali Jawdat Al-Ayubi's cabinet and not "under Nuri es-Said." Al-Ayubi's cabinet was formed on December 10, 1949, and resigned on February 1, 1950, when Nuri es-Said's party and the Regent himself refused to support it in its foreign policy and particularly on the *rapprochement* with Egypt.—Yours faithfully,

New Delhi ADNAN RAOUF

Japan and Korea

SIR—Referring to your note in your issue of February 21st, may I comment that you make some points which are contradicted by the facts concerning the question of the Korean residents in Japan?

In the first place, it is quite untrue that there are many Koreans in Japan who have failed to take the legal steps that would have given them permanent residence. Since the 600,000 Korean residents now in Japan wish to settle in that country, they cannot evade such a requirement originating from the local law. Naturalisation is, however, a different matter.

In the second place, I think it rather natural that the past negotiations between Korea and Japan on the question of the Korean residents in Japan ended without success. Japan has ignored the fact that these Koreans are entitled to fair treatment as aliens, and has always attempted to find measures to drive them out of its territory. No government, if it is conscious of the obligation to protect its own nationals abroad, would easily agree to proposals that are designed to discriminate against its own people—against sound international practice among civilised countries today.

In my opinion, Japan is using the principle of free choice of residence, historically established to allow refugees to settle themselves in the free parts of the world, to justify its inhumane scheme of mass deportation of innocent Koreans whom it once needed so much during the Pacific War. One may well wonder why the Kremlin, through the Soviet Red Cross, is now pressing Japan to take quick action in this matter.—Yours faithfully,

Y. T. KIM

Korean Embassy, SW1

Scottish Teachers

SIR—The Knox Committee's 21 members included six laymen, two directors of education, two training college principals and four representatives of higher education as well as seven day-school teachers, so that it was far from consisting "almost entirely of members of the teaching profession," as stated in your comment of February 21st. Secondly, not all male teachers in secondary schools must be graduates, though all male teachers of academic subjects in both primary and secondary schools are normally required to hold a degree. The Chapter VI subjects (technical, commercial, domestic subjects, art, music) are taught mostly by teachers who hold appropriate diplomas.

Thirdly, you are in error in stating that the cost of the proposal to reduce the incremental period from seventeen to ten years would ultimately be over £2.5 million. The committee estimates the cost of *all* its salary proposals for honours and ordinary graduates at about £1.9 million in the first year, and ultimately £2.5 million per annum.

Finally, in a comment in the same issue on higher salaries for senior civil servants, you appear to approve the principle that their salaries should be equated to salaries in comparable professions. But in your comment on the Knox report, there is no reference to the applicability of this principle to the salaries of highly qualified teachers, of whom over 4,000 in Scotland have the same initial qualifications as civil servants in the administrative grade—an honours degree in Arts or Science.—Yours faithfully, ROBERT BRITTON

Educational Institute of Scotland, Edinburgh.

Legal Aid

SIR—While opinions may differ on priorities under the Legal Aid Act of 1949, you do not present a fair picture of the workings of the scheme at present in force.

The assisted plaintiff outside the divorce division litigates not because he prefers this to negotiations, as you seem to imply, but because his opponent will not concede the justice of his claim until he is forced to do so by the issue of proceedings. In the year of the last report on legal aid, out of 2,924 cases in the Chancery and Queen's Bench Divisions of the High Court in which the assisted person was successful, almost half the cases were settled before the date of hearing. In county courts, of 648 successful assisted persons, over 40 per cent settled likewise.

Over 80 per cent of actions by assisted plaintiffs are won or settled. This is some evidence that the legal aid scheme had not led to irresponsibility on the part of litigants or lawyers. While a solicitor's letter may sometime lead to the satisfactory solution of a dispute, solicitor's correspondence without the ultimate sanction of legal proceedings will not always achieve results.

The part of the scheme dealing with litigation has in seven years enabled 121,338 people to go to court. Wages have risen during these years, but the upper limit of the scheme and allowances for dependants have remained the same. The result has been lamentable. Year by year more people have been excluded from the scheme, although their real earnings have not risen. Last year 15 per cent of persons offered legal aid had to refuse it because they could not afford the high rate of contribution demanded of them.

The Lord Chancellor's Advisory Committee, on which lawyers are a minority, recommended in April, 1958, that the "disposable income" limit be raised from £420 a year to £600 a year and that allowances for dependants come into line with the National Assistance (Determination of Needs) Regulations, 1957. This extension was estimated to cost about £175,000 a year.

Few will grudge the under-privileged free or subsidised interviews with a solicitor. However, if the Government really cannot afford another £175,000 a year, the claims of hundreds of civil litigants who have been virtually excluded from access to the courts by inflation might well be considered more urgent than the proposed extension of legal aid *inter alia* to accused persons with previous criminal convictions, who are already in receipt of legal aid under the Poor Prisoners Defence Act.—Yours faithfully,

J. SOFER

Temple, EC4

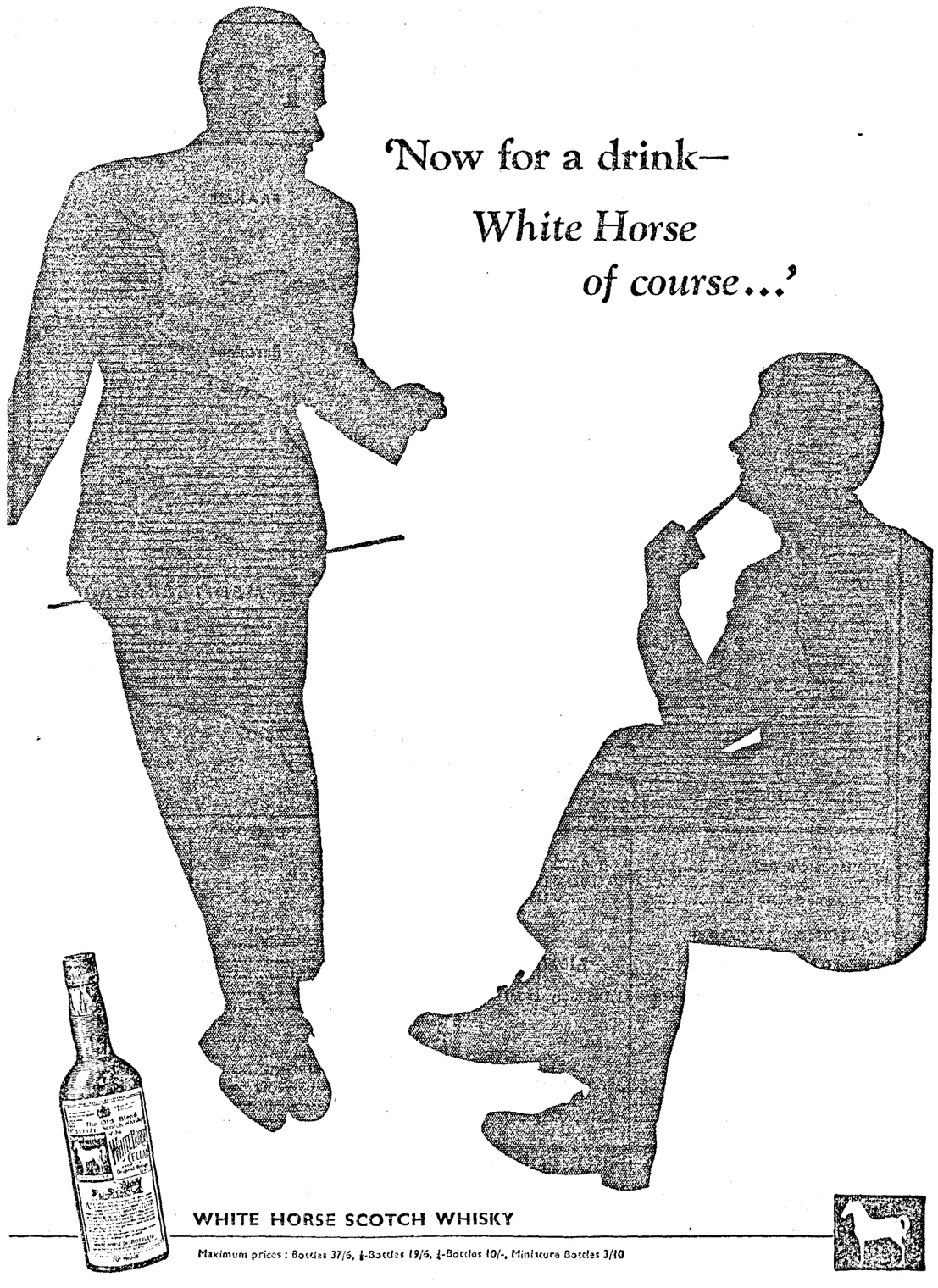
The Supply of Teachers

SIR—Mrs Jenkins is rather optimistic about the use that could be made of married women as part-time teachers. I am the mother of two young children and teach three afternoons a week. I find that this time is all too short for me to get down to solid and constructive work and that I tend to overlap with the morning teacher. From the point of view of the children (and I speak with reference to the infant school child) this constant changing of teachers is most unsatisfactory.

However, the part-time teacher could be of great value in coaching the backward pupils. At my last school I had about eight children for the whole morning, and could give more time and individual attention to them than the ordinary teacher with a class of forty or more. The results were most satisfactory and the class teacher was also able to take the remainder of the class on to more advanced work.

As far as I know, such a plan is not usual in schools and I feel that local authorities could employ more married women as part-time teachers to advantage in this way.—Yours faithfully,

Tunbridge Wells RUTH WEBSTER



(ADVERTISER'S ANNOUNCEMENT)

Facts about Spain



Area (square miles)	196,700
Population	29,600,000 (1958)
Density per square mile	150 (1958)
NATIONAL INCOME	
Total (U.S. $ million)	7,109 (1957)
Per head (U.S. $)	240 (1957)
Money circulation (U.S. $ million)	1,145 (July, 1958)
EMPLOYMENT	
Working Population (economically active)	10,793,000 (1950)
Male	9,084,000 (1950)
Female	1,709,000 (1950)

DOMESTIC DATA	
Number of homes	6,843,000 (1958)
Homes wired for electricity	5,132,625 (1958)
Cars in use :	296,937 (1958)
Personal	170,937 (1958)
Business	126,000 (1958)
Telephones	1,415,000 (Aug. 1958)
Radios	2,000,000 (1958)
Television Sets	12,000 (1958)
Refrigerators (electric)	120,000 (1958)
Electric cookers and ovens	2,650,000 (1958)
Washing machines (electric)	200,000 (1958)
Vacuum cleaners	500,000 (1958)
Sewing machines	3,200,000 (1958)

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Gloom or Boom?

WASHINGTON, DC

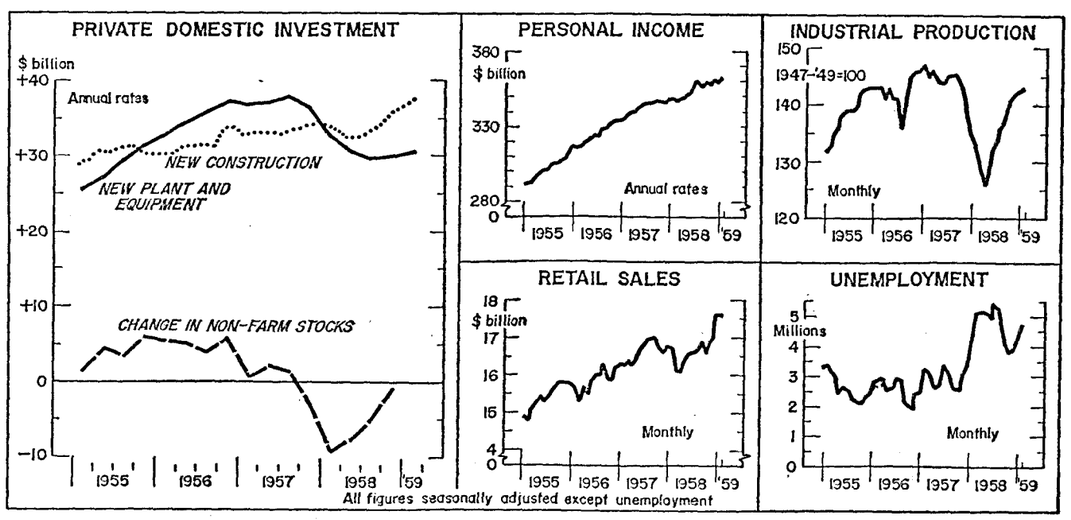
THE year 1959 may be different from others in many respects, but in one it is the same: it has produced the customary winter wave of caution—almost pessimism—about the economic outlook. Perhaps it is the effect of the weather, for this seems to happen every year; associated with it must be the well-known depressive effect of looking six months ahead. The farther into the future that a forecaster looks, the harder it is for him to find anything in the gross national product that will push the economy upward. He sees the exhaustion of current influences, such as the present swing from the liquidation of stocks to the accumulation of them, and sees nothing to take their place. Thus he begins to predict that the upward movement in the economy will "level off" in the last half of the year just as, in a year of slump, he would argue that, even if a change should come, the economy would "bump along the bottom" for a long time before turning up.

This general school of thought has not had very good results in the past but at the moment its devotees are being heeded once again, in part because of the persistence of a distressingly high level of unemployment. It need only be demonstrated that the annual rate of the gross national product in the fourth quarter of the year will be of the order of $475 billion instead of above $480 billion—the basis of the Administration's calculations—to "prove" that there will be heavy unemployment throughout the year and thus to conclude that something must be done about it.

Although some government economists share this winter gloom it has not infected the men in charge of the government's policy. They, too, are upset by the level of unemployment but, almost without exception, they are confident that the economy will be rising strongly throughout the year and that unemployment will become progressively less severe. The facts of the immediate situation—as distinct from the search for upward pressures six months from now—are mostly on their side.

Personal incomes have been going up briskly, in spite of the unemployment figures, because those working are working longer hours at higher pay. The Federal Reserve Board's index of industrial production is still rising, though at one point a month instead of the earlier two or three. It is still too soon finally to judge the public's reaction to the 1959 automobile models, but both sales and output have been running decisively ahead of last year. The steel industry, where orders are admittedly bolstered by fear of a summer strike, is about to have a record week. Electric power output, railway freight loadings, paperboard production, all move slowly but inexorably upward. And, of course, the stock market, after about six weeks of sluggishness, has just put on another burst of exuberance and reached new high ground.

In short, the typical momentum of a recovery seems still to be working in classic fashion. At the tail end of the chain of upward pressures the consumer, with his expanded income, has been buying briskly. Retail sales in January maintained the record pace of December and this should work its way back to business stocks and then to production. Apart from fears, less now than they were a few months ago, that the present level of long-term interest rates may



discourage starts on new housing later in the year, the main justifications of the cautious school are investment by business and spending by the federal government. The former has still shown no sign of a decisive upward movement (though advance figures on appropriations for capital spending by large firms indicate a definite, though modest, improvement later in the year) and the latter will cease to provide any additional push after the early summer. The optimists, however, are not put off. They are reasonably certain that spending on new plant and equipment will move up more rapidly than recent surveys have indicated, arguing that it always does at this stage of the cycle.

Looking at all of the evidence, and with one eye always fixed firmly on history, Mr Saulnier, the chairman of the President's Council of Economic Advisers, has publicly predicted that unemployment by the end of the year should be "not much above 3,000,000," or about 4 per cent of the labour force, compared with 4,700,000 and 6 per cent in January ; he adds that there should be further improvement in 1960. There is no doubt that he is honestly optimistic about the outlook. Since he holds these views and since the Treasury and the Federal Reserve Board still see inflation lurking under every bed, there is no prospect that the government will do anything to stimulate the economy. Nor is it likely that Congress, no matter how exuberant the Democrats may be, will be able to force such measures on the Administration. The things that Congress is doing or considering will have their main effects in later years.

THERE is a distinct possibility that the Administration will be vindicated on every count: the pace of recovery could well continue to be brisk ; unemployment could decline at a rate satisfactory to all but the most liberal of liberals ; and prices, stable for nine months, may stay that way, particularly in view of the farm outlook and the lack of pressure on resources generally. What is more, with a labour force growing somewhat faster than in the recent past and with a good chance that productivity will improve more in this period of rising activity than it did in the last one, even the doubts about the adequacy of the country's economic growth may fade away. More than one economist in Washington believes that the strange falling-off in growth in 1956 and 1957 was an aberration rather than a trend. If the economy achieves and then maintains anything like full employment, the gross national product in real terms may be in for a great burst upward.

Admittedly, everything could work out the other way. If it does, the President and the Republican party generally are going to have to reckon with a very serious problem of real human suffering. The 1957-58 recession and its aftermath have exposed some fairly glaring gaps in the American welfare state. Unemployment compensation is inadequate in many states and in all too many localities there are not even decent programmes of public assistance for the able-bodied needy of working age. In places where the programmes are adequate, there has often been, and often still is, a severe financial pinch on state or local governments. The State of Michigan had to beg large business corporations to pay their taxes in advance in order that it might meet its bills.

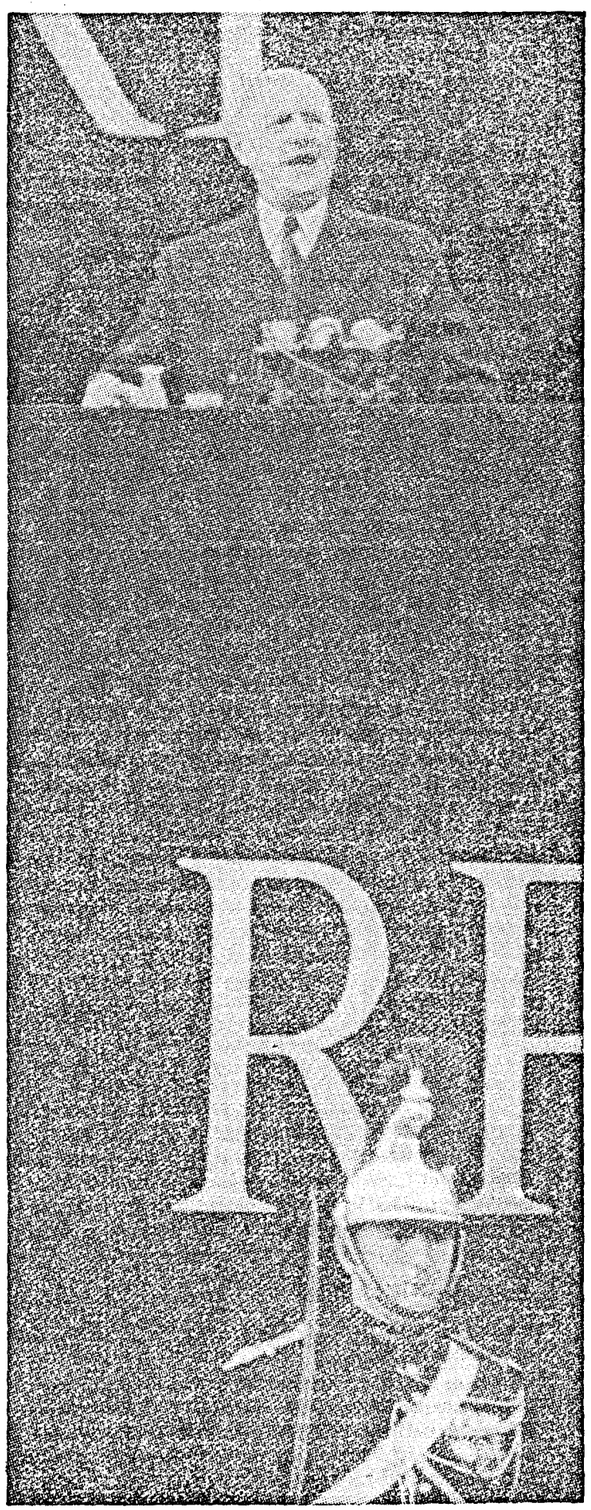
Unemployment is, of course, the heart of the matter. The very growth of the labour force and the impressive increase in productivity which provide the opportunity for a period of rapid expansion also raise the spectre of continuing unemployment. If the forces in the private economy which press for recovery continue strong, all will be well in the best of all possible worlds, and the winter pessimists will once again have been proved wrong. But if these forces falter, and if the general public should ever come to associate the Republicans with hardship in the "affluent society," then the party may find that it has done as badly politically out of the prosperity of the nineteen-fifties as it did out of the depression of the nineteen-thirties.

Uncertain Washington

PRESIDENT Eisenhower seemed nearly as unhappy this week about the Russian willingness to negotiate over Germany as he did last week when the Russians appeared to have no intention whatever of negotiating. It is ironic that the prospects for the meeting of foreign ministers which the United States has always tried to arrange should become bright just when the United States is without a foreign minister to attend it. It is not surprising in the circumstances that Mr Eisenhower is doubtful about the value of Mr Macmillan's visit to Moscow, especially as commentators are citing it as evidence that the United States has lost its leadership in world affairs since the Secretary of State's illness. More specific evidence that this is indeed the case has been provided by the President's uncertain answers to questions on the Berlin situation at his recent press conferences.

Fortunately as it becomes clearer than ever that Mr Dulles is irreplaceable, it also begins to look as if he may be back at work—not that he has ceased to work even while in hospital—by the time Mr Macmillan visits Washington in mid-March or at least by the time of the North Atlantic Treaty meeting in early April. Although the President, the newspaper reporters and perhaps Mr Dulles himself are more optimistic than many doctors, he is said to be standing the trying radiation treatment for his cancer unusually well. Once it is over, which it will be soon, Mr Dulles is to decide for himself if he should resign. But whether or not he is still officially Secretary of State, his influence with the President is so great and his knowledge is so unique that his will be the hand guiding American foreign policy, on the German question at least, as long as he is able. And his determination is such that he will be able longer than most men would be.

Meanwhile Senators and others are getting worried that the Russians may think that the United States does not mean business on the Berlin situation because it is not getting down to the business of planning for the deadline of May 27th, when the East Germans are to take over from the Russians there. In Congress there has been a flurry of discussion designed to show the Russians that the United States is determined to stand firm in Berlin, to arouse Americans to the danger there—and to show them that the Democrats in Congress are filling the gaps left by the Republican Administration's hesitations. But the final responsibility is, and must be, the President's. He may eventually ask Congress, as he has done on similar occasions, to confirm his authority to use armed force if necessary to defend allied rights in Berlin. But this would involve a confusing debate which might suggest—entirely erroneously—that the country is not united on the basic issue.



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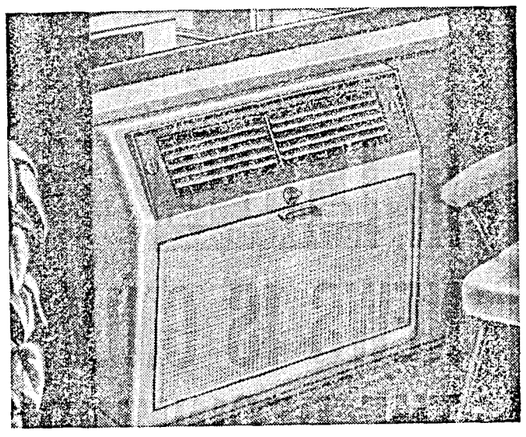
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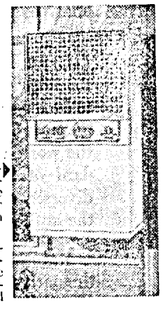


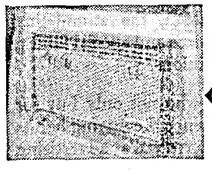
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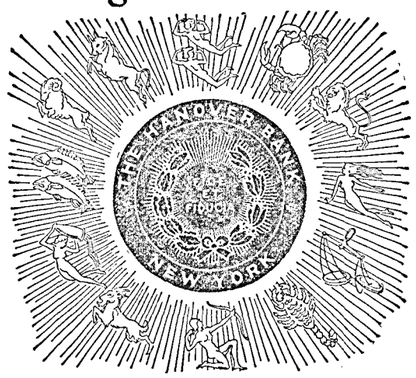
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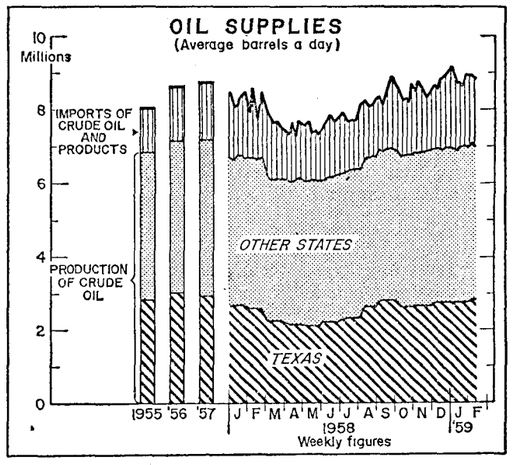
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Oil and Security

NOTHING is absolutely certain about the new scheme for restricting imports of oil, to be announced next week, but it is practically certain that it will provide for mandatory controls on imports of crude oil and of most refined products, to replace the present voluntary quotas which apply only to crude oil and to some semi-refined products. These quotas have been increasingly ineffective, with total imports running higher than ever before by the end of 1958, because some importing firms have refused to co-operate and because others have been making up for the reductions imposed on them by bringing in more refined petroleum. Thus, while domestic demand for oil has been going up, domestic output has not and prices have been driven down by the competition from cheaper foreign oil. Now it



appears, although this has not been officially announced, that the Office of Civil and Defence Mobilisation has reaffirmed its ruling that the safety of the country in time of war is threatened by the present level of imports of crude oil. Petroleum products also are said to be included in this ruling for the first time and the OCDM has apparently recommended that all quotas should be made mandatory. It is not yet clear whether the ruling is now broad enough to cover imports of residual oil, an important industrial fuel on the east coast of the United States, but in any case no reduction is likely to be required at present in these imports.

In anticipation of the ruling a scheme has been prepared which, it is reported, would cut total imports of oil to an average of just over 1 million barrels a day. The quotas of the big companies under the voluntary scheme would be reduced by 20 per cent and there would be quotas fixed according to a sliding scale for the smaller companies whose growing interest in imported oil did so much to upset the voluntary scheme. Some people believe that the legality of the mandatory controls may be successfully challenged in the courts, on the ground that the allocations are unfair. This is one of the reasons why the Administration has hesitated to impose a mandatory system; Senator O'Mahoney of Wyoming has now introduced a Bill which would put it on a sound legal footing. Another reason, the one which is now said to be delaying the final announcement of the details, is its inflationary aspect; an official attempt to push up oil prices is not very suitable at a time when the Administration claims that inflation is the most fundamental threat to the national security.

Democracy for Democrats

LAST week the Democrats fixed their next presidential nominating convention for July 11, 1960, in Los Angeles, braving the smog, the heavy cost of getting there for many delegates, and the bad timing for television broadcasts to the populous East where the clocks are three hours ahead. The Republicans will not follow the Democrats' example. Los Angeles is the home ground of one of their prospective candidates, Mr Nixon, and it is barred, in the interests of fair play, just as is New York, which is Nelson Rockefeller territory. Philadelphia or Chicago is more likely. The Democrats' vote for Los Angeles is a victory for Mr Ziffren, the ambitious committeeman from California, who believes that the party's future is bright in the fast-growing West, and for Mr Butler, the party's liberal—and controversial—national chairman. The bitter-end opposition of the political bosses of big cities in the East was based on more than a desire to win for Chicago or Philadelphia the custom of the delegates, although this is valuable enough to warrant bids from the competing cities runnning up to $700,000. California likes Mr Stevenson, and other candidates, such as Senator Kennedy and Senator Johnson, do not relish the idea of Los Angeles' big new sports arena being packed with supporters of their rivals.

Most of the party's host of presidential and vice-presidential candidates were present to celebrate Jefferson-Jackson Day in Washington last Saturday, and to hear the Speaker of the House, the venerable and respected "Mr Sam" Rayburn, call for the party to avoid a north-south split. So far the two Texans who lead the Democratic majorities in Congress, Mr Rayburn and Senator Johnson, have held both sides together with immense skill. The host of liberals sent to Washington by the voters last November resent the compromises this entails on issues dear to their constituents in the big cities, but their protests have not shaken the leaders' authority.

It will hardly come tumbling down because Mr Proxmire, who sits for Wisconsin in McCarthy's old seat, has courageously brought the grumbles against Senator Johnson's one-man rule out into the open and demanded a say for every Democrat in deciding the party's policy and legislative plans. Many liberals privately dislike Senator Johnson's southern compromises and agree that the urban East is cruelly under-represented in the party's policy and steering committees and in the powerful chairmanships of committees. But few care to challenge Mr Johnson openly or even to defend Senator Proxmire from accusations of rank ingratitude to a leader who went to great lengths to procure his re-election. In Congress Senator Johnson's authority is not likely to wane until there is a strong Democratic President—who might conceivably be Senator Johnson himself. The majority leader's decision to describe himself as a Westerner, not a Southerner, hints of presidential ambitions, whatever Mr Johnson may say. It is usually taken for granted that the Democrats will never nominate a Southerner.

Migrant Harvest

FROM A CORRESPONDENT IN CALIFORNIA

To the ever-growing number of city-dwellers, the farm is more and more removed from real life. Most Americans speeding along the highways are no longer familiar with the life lived on the farms they pass so quickly. They see farm workers only as stooping figures in the fields or as poorly dressed and unkempt migrant families crowded into ramshackle buses, dilapidated lorries and cars with flaking paint. In Congress, where farm problems are almost always discussed in the context of "subsidies" or "surpluses," little attention has been paid to the low wages, long hours and poor working conditions of American farm workers, whose numbers vary from 250,000 to more than a million and a half, depending upon the season.

Farm labourers are not covered by federal regulations on wages and hours or by state compensation or unemployment insurance laws and their right to organise in their own defence is not protected. Migratory workers, who follow the harvests—of fruit, vegetables, sugar beet, wheat and cotton—from Florida to New England and from Texas to the State of Washington, are even worse off. In 1957 their average earnings for the year were $859 ($745 from farm employment) and even in prosperous California melon pickers are paid as little as 50 cents an hour, while in some parts of the South the wage is 30 cents an hour.

At a recent hearing held in Washington, DC, by a newly established group of prominent citizens, to investigate the conditions of farm labour, Mr Mitchell, the Secretary of Labour, said that the migratory worker would

> never be able to successfully resist exploitation until federal legislation guarantees him a decent minimum wage. . . . [until] he has fairly continuous employment. . . and receives the equal protection of all federal and state laws.

Although it is extremely unlikely that Congress will take any action at this session, there are signs that the public is beginning to demand that wages and working conditions of farm labourers should be improved. Their cause has been taken up by religious groups, especially by the Quakers and Roman Catholics, and by social welfare organisations; the Department of Labour is increasingly concerned; and the American Federation of Labour and Congress of Industrial Organisations is once more talking about a serious attempt to build up agricultural trade unions. Many states have reacted by establishing commissions to investigate charges that farm workers, especially but not exclusively the 380,000 American migrants, are ill-treated and badly paid.

The problem of farm labour in America is extremely complicated and not susceptible to a simple solution. There are many contributory causes. The shift from a rural to an overwhelmingly urban population has reduced the working force available on the farms; so has the change from the attitude that farm work is a worthwhile life-time occupation to the view that agricultural jobs are only temporary stations on the way to the factory. There has been a decline in the number of farms and an increase in the size of those that remain, but mechanisation on a large scale has not altered the need of farmers, during harvests, for a large number of workers for only short periods of time.

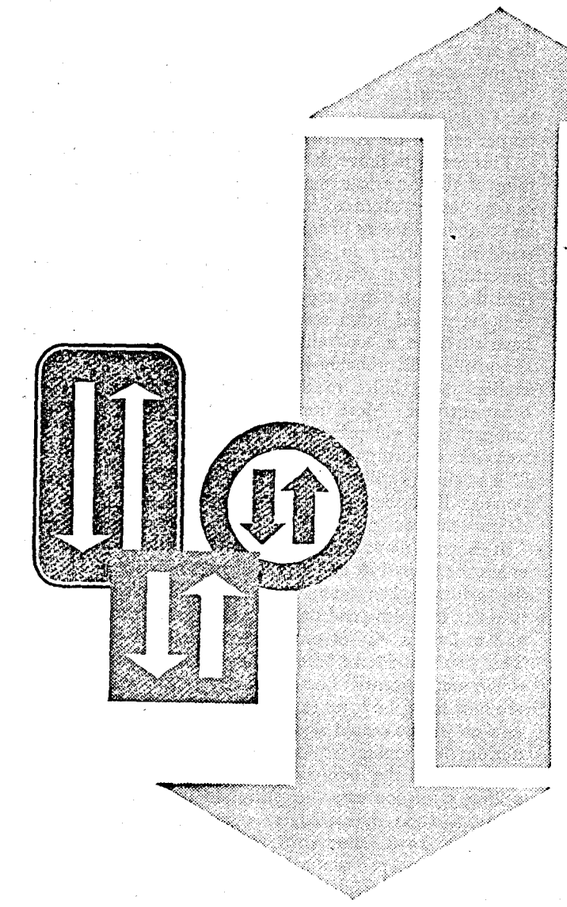
Some harvesting can be done mechanically, but most crops still require back-breaking "stoop" labour. Moreover, as long as wages are low, picking cotton by hand is cheaper and more efficient than using a mechanical cotton picker. Specialty crops, chiefly fruit and vegetables, which require much seasonal labour, are particularly dependent upon public taste, which can prove fickle, and on skill and luck in marketing. Finally, many farm workers are members of minority groups who already suffer from social discrimination. To all these problems another was added after the last war when the government, to alleviate the shortage of farm labour, embarked on a programme of bringing large numbers of Mexicans, known as braceros, across the border as temporary immigrants.

Since the war the braceros have been used more and more. Nearly 500,000 of them worked on farms during 1958 under conditions established by a treaty with Mexico. Before a farmer or an association of farmers may employ the braceros, there must be a certified shortage of American workers in the area. But it is often charged that low wages are deliberately offered to the American workers so as to create a shortage, thus providing the necessary excuse for the hiring of the braceros. Up to now, the Labour Department's attempts to regulate the wages, working and living conditions of the braceros have met with a good deal of resistance from farm groups. Nevertheless, the department has succeeded in establishing in theory minimum wages for the Mexicans, if not for a smaller number of other foreign workers brought in, under the ægis of the Immigration Service, from the British West Indies, Japan, the Bahamas and other countries.

Native Americans in the migrant labour force lack even this degree of federal supervision and protection. Farm groups representing the larger growers have traditionally and successfully resisted any form of federal or state regulation affecting wages, hours or working conditions. So far, the farm workers themselves have not been able to organise trade unions to improve their lot. The interstate transportation of migrant workers by labour contractors has only recently been placed under the Interstate Commerce Commission, while the camps and shelters, often tents and unheated shacks, in which the migrants live are still supervised by the states only in the most desultory way. Migrant farm workers and their children benefit very little from the health and education services and social security provisions open to the more permanent residents of any community.

The conditions of the farm labourers who stay put but who, like the migrants, work for many different employers during a year also compare unfavourably with those of the industrial workers. The average farm wage of 88 cents an hour is well below the dollar an hour of even the lowest paid industrial worker and few farm workers earn anything like a full year's pay. This is why the children of farm workers are often forced to work alongside their parents in the field. But even if their earnings were not needed, there are rarely any facilities for taking care of the children while the parents are working.

Problems like these are attracting more public attention than at any time since the days of "The Grapes of Wrath," John Steinbeck's novel about the uprooted Okies. There is some awareness among farm groups, that they will have to soften their opposition to protecting farm workers as well as industrial ones against exploitation. But the process will be a long and difficult one, since the farm lobby is strong in Congress and is even stronger in the legislatures of the agricultural states.



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States' Rights to Tax

MUCH of the present resentment against the Supreme Court is based on the fear that it is undermining the rights of the states, particularly in the fields of Negro education and of civil liberties and in criminal trials. This was one element in the recent vote of the American Bar Association calling on Congress to nullify a number of the Court's more controversial decisions. Last week, however, the Court confirmed states' rights in a matter close to the hearts of states hungrily searching for new revenues—the right to tax. It ruled, in a 6 to 3 decision, that a state may tax a proportion of the net income of out-of-state corporations—the part deemed to be earned in the state—even if the income arises wholly in the course of interstate commerce. And in another decision, upheld by a 6 to 2 majority, the Court ruled that state property taxes may be levied on imports of raw materials if they are stored in the state for immediate use ; at that point they are held to have lost the character of imports and hence their immunity from state taxation.

The Constitution provides that no state may tax imports or exports and reserves to Congress the right to regulate interstate commerce. The majority argued, however, that the two decisions did not involve any fresh departure from these basic principles ; this was hotly disputed in both cases by Justice Frankfurter. On taxing the interstate income of out-of-state corporations, Justice Clark, for the majority, pointed out that the principle had been upheld in cases going back to 1918, although its application had been restricted. Now there is no longer any doubt that Georgia, for example, can tax a "foreign" corporation which has income from sales in Georgia even if it has no plant there and even if it maintains no sales office in the state. The alternative, Justice Clark wrote, would be to exempt certain corporations from paying their fair share for the benefits conferred by states in which they do business.

The majority recognised the risk that the decision may lead to confusion and double taxation. Of the 49 states, 24 tax the income of out-of-state corporations, but they do not all use the same formula to apportion it among the various states and so far efforts to write a uniform code have failed. Until they succeed, it will be up to the taxpayers to convince the courts if they feel that the formulas are unfair. In fact, the burden of corporate taxes is not expected to become intolerably heavy as a result of the decision, at least not right away. Businessmen are much more afraid that the real burden, as Justice Frankfurter predicted, will prove to be the multiplicity of records which they will have to keep to satisfy several—perhaps before long 51 in extreme cases—different tax authorities.

Big Three's Small Lines

SMALL cars were big news again last month after the *New York Times* reported that this autumn the Ford Company would offer a small model, similar to the British Zephyr, at under $2,000. This story was promptly denied, but it is now common knowledge that all the Big Three—the General Motors and Chrysler Corporations and Ford—have lines of small cars under development ready for the time when demand justifies their production. Moreover, it is generally taken for granted that the time will be next autumn, when the new model year opens. That the age of the "compact" car had come was confirmed by the success of the new Studebaker Lark, following on that of American Motors' Rambler. It is predicted that these small makes plus foreign imports will capture nearly 20 per cent of the American market this year.

This seems to prove that there has been a change in the taste of the American motorist which the big companies can no longer afford to ignore. The demand is now for an economical means of transport rather than for a "higher standard of living in cars." The conventional, roomy, powerful car will always have a market, but even in this field the new trend is expected to end the competition for ever bigger and better models, which has meant that they have all come to look alike. Next autumn's restyling of the giants will probably bring smaller dimensions, lighter bodies, more miles to the gallon and less extravagant ornamentation. More important, the entirely new lines of compact cars will present the engineers and stylists with welcome opportunities to make completely fresh starts. The small cars will not be as small or as cheap as the most popular European makes ; they will be not copies but definite new designs by Americans for Americans.

It is only natural that the Big Three have refused to announce their shift away from bigness officially. To publish a future change might interfere with sales of present models ; it is also good policy to keep competitors guessing and to have a way of escape should current trends alter. This year's cars have been coming off the production lines slowly until recently, because of strikes, but dealers' stocks are now being built up to satisfactory levels. Output from now on will be geared closely to sales which should be high during the coming weeks of spring demand. They will have to be if the industry is to achieve its modest goal of selling 5,500,000 cars this year. In the first two months about 830,000 were sold, 18 per cent above the similar period of 1958. But 1958 was a very bad year and an increase of 30 per cent will be needed during the rest of 1959 if the automobile industry is to play its part in keeping the economic recovery going.

Wild West on Television

FROM A CORRESPONDENT IN COLORADO

FOR years hundreds of remote communities have owed their television fare to "booster" stations that are built on high places and that relay and amplify the original broadcast signal. Such stations, which are not usually run for profit, have been most useful in the West, for television signals cannot penetrate a mountain range. Without them the people of remote valleys could not watch the heroes of "Westerns" galloping across their screens. There are now more than 400 such boosters in the 13 western states alone, none of which has ever been licensed. They are put up either by communities or by enterprising businessmen who have television sets to sell.

The Federal Communications Commission has long objected to them on the ground that their rebroadcast signals, flooding on the original wavelength far beyond their service areas, can, and do, interfere with signals on that wavelength from licensed stations. Last December the commission finally ordered that all such boosters cease operating by April 1, 1959, saying that they might be allowed to reopen on the empty ultra-high frequency spectrum instead of on the crowded very-high frequency one which they have been using. This would involve rebuilding of the boosters and alterations to all the home sets they serve, costing in all, it is estimated, about $6 million and affecting over 600,000 people.

The FCC has blundered into a hornets' nest. Two years ago when it first threatened the boosters, the Governor of Colorado commissioned their operators as members of his "communications staff" (a legally non-existent entity) in order to throw the state's protecting arm about them. Recently when Mr Doerfer, the chairman of the FCC, visited Denver to discuss the matter with representatives of the 13 western states, their chief spokesman, Governor McNichols of Colorado, said it would "take the militia" to close down the boosters.

Given such determined opposition, the FCC seems to have decided that it would be wise to retreat. The date by which the boosters must shut down has been postponed until June 30th, and the commission has ordered its staff to prepare regulations which would permit these relays to continue if it can be shown that they do not interfere with other broadcasts. In the meantime Senators and Representatives from the western states have introduced Bills which would create a Bureau of Community Television Service in the FCC ; it would supervise the continued operation of the booster stations. If both of these approaches fail, the commission faces lengthy legal action, going as far as the Supreme Court, before it can enforce its order to close down the boosters. It seems likely, therefore, that no western viewers will be deprived, for a long time to come, of the sight of Wyatt Earp riding into the sunset on the standard television frequencies.

United States and United Nations

FROM A SPECIAL CORRESPONDENT

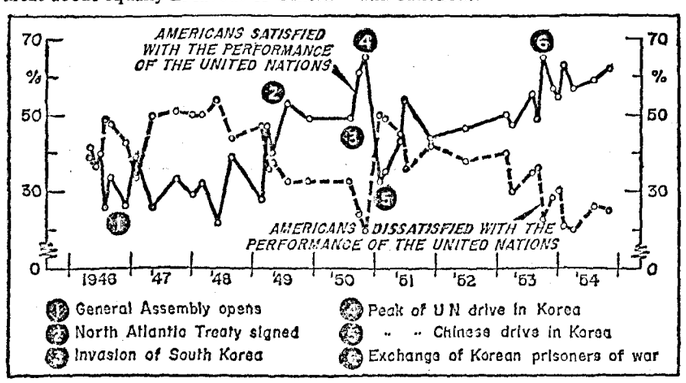
IT is often said that if the public opinion poll had been invented twenty years earlier, the Senate would have ratified the Treaty of Versailles and brought the United States into the League. We fortunate children of light who live under the new dispensation of Gallup and Hurry have no excuse for guesswork. A large body of pollsters' statistics exists to tell us what the biggest democracy thinks about the world organisation of which it is the principal begetter and supporter. In "The United States and the United Nations"* Mr Scott and Mr Withey, working under the auspices of the Survey Research Centre at the University of Michigan, have brought together such of these statistics as are available for the years 1945-55. Their book is part of a series which the Carnegie foundation is sponsoring on member states and their attitudes towards the United Nations and is to be followed by two more devoted to an analysis of the actual policies which the United States has pursued in relation to the United Nations.

Not surprisingly, Messrs Scott and Withey's findings contain no surprises. They do not always even provide straightforward answers to the obvious questions, owing to the failure of pollsters to ask consistently enough of the questions that students and historians would wish to put. All the same, some useful facts emerge.

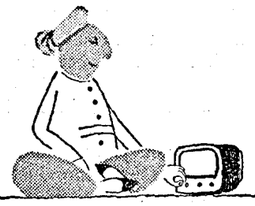
First, it is established beyond doubt that an overwhelming majority of Americans have been "for" the United Nations ever since it was established, with about 80 per cent positively in favour of it and only about 10 per cent positively against. Approval of its functioning, however, rose and fell in a predictable style according to the brightening and darkening of the international sky, with Korea providing sensational alternations of satisfaction and concern. During most of the period about a third of the population displayed vestiges of prewar isolationist attitudes, such as hostility to foreign aid or a desire to rely on national strength alone, but of this third only a third again seems to wish to contract out of the United Nations and its obligations. Interestingly, though there was a strong and increasing sentiment against seating the Peking government in the United Nations (80 per cent in 1954), the proportion favouring a withdrawal by the United States from the organisation if this occurred never rose above 25 per cent.

The surveys drive another nail into the hoary superstition that the Middle West is still the geographical seat of isolationism. Polls taken between 1942 and 1945 "found respondents in all areas about equally in favour of United States participation." Since then, they reveal that "there are no appreciable differences between eastern and midwestern attitudes towards the United Nations." Nor is there much, in normal times, between the rank and file of the parties, though Korea, understandably, soured more Republicans than Democrats. The authors seem justified in their conclusion that "almost any proposed US action in the United Nations would find almost equal proportions of supporters—or equal proportions of opponents—among adherents of both parties."

Of course there is ignorance. Just as in the war years almost a half of the population was unaware that the United States had never joined the League, so three years after the war "one American out of four admitted that he had never heard of the [UN] Organisation or could not even vaguely define its purpose." But as the authors point out, this is just an aspect of the general public ignorance about public affairs, and no one should be surprised that the United Nations is not "central enough to most people's day-to-day thinking to require them to have a well-developed picture of its structure and functions."



*By W. A. Scott and S. B. Withey. Manhattan Publishing Company, New York. 314 pages. $3.00.



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THE WORLD OVERSEAS

Mr Khrushchev's German Platform

FROM OUR SPECIAL CORRESPONDENT

Leipzig, Wednesday.

LEIPZIG, at the time of the spring fair, has made as fine and dandy a setting as any available for Mr Khrushchev's latest act of showmanship. Here in 1959 his loudly brandished confidence in the future of the communist German state of Soviet making seems wholly justified. The city was never lovely. "Leipzig, I presume, is not the seat of the graces," sneered Chesterfield two centuries ago. By no means. But since the war it has emerged from utter bleakness to become increasingly the credible window of many people's hopes of better living through communist planning and co-operative co-existence with the western world.

The streets are still depressingly dingy (is it really beyond the scope of the planners to put on a bit of paint ?) and the chores of day to day living are still burdened by unnecessary discomforts and annoyances. Yet behind their dilapidated fronts the shops are much better stocked than three years ago. So are the shabby ill-lit public eating places. Men, women and children are much better turned out and look healthier. The machinery on show at the fair, which used to seem so tantalisingly remote from the grim realities of the Leipziger's daily round, can no longer be reproached with having only an other-worldly significance. The Democratic Republic as a whole has become indisputably viable and the Leipzig fair is much more than a promise of pie in the sky.

Doubtless some such reflections as these were among those that passed through Mr Khrushchev's mind as he looked over the Wilhelm Leuschner Platz on Wednesday, sniffing the all-pervading odour of chemicals carried on the wind from the neighbouring Leuna works. He rubbed it in that the Leipzig fair at which all (not quite all) the countries of Europe are represented testified to the growing authority and expanding economy of the German Democratic Republic. Consequently, as he had just been reminding Mr Macmillan in Moscow, the Soviet government was resolved to acknowledge the "realities of the situation" by negotiating a peace treaty, if not with the two existing German states, then with the one German state that was ready to respond obligingly to the demand for the perpetual suppression of German militarism.

Mr Khrushchev has since been closeted with Herr Ulbricht and other Soviet and east German leaders, who on their own admission have been preparing the ground for one or other of the treaties envisaged. They are all talking and acting quite consistently as they have done all along. They do not want Germany to be reunited except on their own terms. They believe the progress registered annually at Leipzig to be one convincing sign that everything is going their way. They are prepared to wait for the consummation of their policy. Confidence condenses out of the air.

In the circumstances, much of the western argument about the future of Germany, and the western endeavour to persuade the Russians to modify their ideas on the subject, have an utterly academic ring. The Russians obviously have not the slightest intention of changing their ideas about Germany, and in the government of the German Democratic Republic they have a reliable instrument for consolidating and strengthening, if not extending, what has been achieved politically and economically within the republic's frontiers since 1945. In the coming negotiations, whatever shape they take, there are going to be no concessions worth a fig to the Federal Republic and the western allies.

The saddening and disturbing feature of the ever-hardening partition of Germany is the studied misrepresentation in the Democratic Republic of conditions in the Federal Republic and of the motives of its leaders. In place of a genuine wish for understanding there is a widespread desire to believe only evil of the west Germans. Admittedly the west Germans lay themselves open to misunderstanding. Dr Adenauer is himself much to blame for having set the example of appointing to positions of trust men whose reputation is not blameless and for whom there could be perfectly adequate substitutes. How easy it was for Herr Ulbricht to call the Leipzig audience's attention to the anti-semitic pamphleteers and memoir-writing generals of the Federal Republic. And whose flight of fancy was it to set up on the Frankfurt-Leipzig autobahn, as a last message to motorists leaving federal territory, signposts proclaiming the exact number of kilometres to Königsberg and Danzig ?

It is from these isolated symptoms, which are discovered and condemned by the majority of the west Germans themselves, that the east German press malevolently draws its grotesque caricature of a west Germany rearing to drop atomic bombs on eastern Europe. The self-righteousness and venomous distortions of east German propaganda are phenomena scarcely worthy of a state claiming to have rid itself of all Nazi states of mind, and clamouring for international recognition.

Israel Makes Room

FROM OUR SPECIAL CORRESPONDENT LATELY IN ISRAEL

ARAB protest against the immigration of Rumanian Jews into Israel has come rather late in the day. The Rumanian government began handing out exit visas in August, 1958, and in the six months since then some 20,000 immigrants have arrived in Israel. The Israelis were given no warning and their legation in Bucharest has always been kept in the dark ; Jewish Agency officials in Vienna, who are responsible for the transport of most of the newcomers, know the numbers they have to deal with only when they

count the immigrants coming off the train. At first, the Israeli government, afraid to break a spell it could neither understand nor control, kept as quiet as possible about what was going on. But as the numbers grew, the need for caution had to be weighed against the need for money ; it was impossible to raise the additional revenue for the new immigration without publicising the urgency of the cause.

So caution was dropped ; Israeli ministers went off on money-raising tours and foreign newspapers were urged to make known the weight of the new burden. The Arab reaction suggests that the Israelis may have changed course too boldly ; but the Arabs may merely have felt the need for a safe rallying call for Arab unity. The old accusation that Israel must seek more territory to absorb the new immigration is, for the time being at least, far wide of the mark. Israel needs money, time and organisation to develop the land it already has ; but it has no time at all and is behind-hand with its planning.

ONLY the Rumanians know how clean the sweep of their Jews will be. Altogether there are thought to be some 270,000, of whom more than half have at some time registered for permission to emigrate to Israel. So far only those who applied some years ago are getting exit visas, but the Jews who have already arrived in Israel give the impression that most of those who are left are now anxious to get out as quickly as possible. The Israeli government is quoting the round figure of 100,000 immigrants this year (most of them Rumanians), but this can only be guesswork. In February the numbers dropped a bit but only because of transport problems. Most of the Rumanians come first to Vienna and the Austrian authorities were finding the traffic too heavy. Alternative routes are being talked about ; but for the time being the Jewish Agency is struggling to keep the channel through Austria clear.

Two or three plane-loads of immigrants are now being flown daily from Vienna to Tel Aviv. The Jewish Agency much prefers to bring the newcomers by train to Naples and thence by ship to Haifa so that during the sea voyage there is a chance of finding out who they are, what they do and where they can most usefully go. When they come by air, all this has to be done much more arbitrarily in a few hours at Lydda airport. But there may now be some 20,000 Jews who are waiting with exit visas, and it is considered vital, whatever the confusion, to get them out of Rumania as quickly as possible.

First things first. Afterwards come two great question marks : who pays for it all and what is to be done with the new arrivals ? The first question is the simpler, or, put another way, it is even more difficult for the Israelis to conjure jobs out of the air than money. It costs about £700 to bring an immigrant to Israel, put a roof over his head and look after him for the first few months ; much more money is needed to provide him with permanent employment. The draft 1959-60 budget allowed for only 40,000 immigrants, and the finance minister, Mr Eshkol, is now trying to get an additional £37 million. He hopes to raise about half of this overseas (including drought relief from the United States) and £15 million is being extracted from the local population by indirect taxes and a compulsory loan—a horrid decision for a minister in election year. The heavily-taxed Israelis accept the new burdens philosophically, although, to Mr Ben-Gurion's chagrin, they were unresponsive to his earlier attempt to raise money voluntarily.

Even when the money is available there remains the problem of fitting the newcomer in. During its first years of independence Israel survived far more overwhelming waves of immigration ; between 1948 and 1951, some 650,000 newcomers were absorbed into a country that was far less developed and prepared than it is now. The present wave is choking the state for three solid reasons : the type of people now coming in are particularly hard to absorb ; standards have risen since the early days and, most important of all, the state badly needs a lull for agricultural and industrial readjustment. But Israel is not master of its pauses.

Two or three years ago the country was short of people with professions or skilled trades. But the Rumanian exodus, with its high proportion of professional people, has come too closely on the heels of the Polish immigration in 1957, and there are no longer any vacancies for the doctors, accountants and electrical engineers, or for the cobblers, clerks and tailors, who are pouring in. The doctors' situation looks rather grim. If the Rumanians let a lot of their Jewish doctors go, there may be a thousand or more physicians applying for jobs that do not exist. An emergency plan may send some of these doctors on half-pay to small, remote villages, in the hope that they or their wives will make up the rest of the money by keeping hens or growing vegetables. In the early days of zionism, before the founding of the state, many doctors and other professionals abandoned their careers to till the land in Palestine ; in modern times such sacrifice is sure to be less voluntary and far less enthusiastic.

Even if a newcomer agrees to abandon his trade or profession, he may not be able to find a satisfying alternative. In theory, he is now sent direct to a house in the area where he is expected to settle, and so skips the horrible stage of transit camps. All over the country houses are being built at blinding speed ; still, they cannot keep up with the flow. Some of the newcomers will have to live in prefabricated asbestos huts ; others may have to spend at least their first few months in wooden shacks.

AN immigrant who has no relations in Israel to help him, has to be sent where there is a roof for his family. Unlike the Poles, many of whom either had a little money or else some saleable belongings, the Rumanians cannot keep themselves while they look around on their own. Most of them were turned out of Rumania at very short notice, allowed to bring only 150 lb, or less, of personal belongings, and unable to smuggle any money—even if they dared—because of the heavy costs involved in their departure. They have therefore to go wherever the Jewish Agency can find accommodation.

The Rumanians are not chicken-spirited. Many rejoicing in their new security, are eager to make a fresh life for themselves and their families wherever the state can find room and use for them. There is room ; the need is for economic development to give the newcomers work. The pressure of immigration is turning economic planning upside down and workers are being established in development towns long before the industries that it is hoped will eventually employ them. The shortage of jobs is critical. Instead of unemployment pay, every new immigrant is guaranteed 12 days work a month (or 20 days if he has a large family) but this emergency labour—destoning the land, building roads, or planting trees—is disheartening and inadequate. The new houses are fine but the immigrants waiting for jobs complain " we can't eat the walls."

Mr Desai's First Budget

FROM OUR CORRESPONDENT IN INDIA

MR MORARJI DESAI has had no luck with the timing of his first budget. The 1957 monsoon was the poorest since planning began ; 1958 therefore was a bad year. Agricultural production was down by 8 per cent ; wheat, the worst hit, was down by 18 per cent. The growth in industrial production slowed down almost to a stop ; textile production actually receded, though the newer industries, like machinery and glass and chemicals, continued to advance. The national income was slightly lower than in the previous year, for the first time since the riots which followed partition. Inevitably, prices rose ; the working class cost of living index went up by 5 per cent over the year, the wholesale price index has gone up by 15 per cent in the three years since the second plan began. Inevitably, the costs of everything that the government undertakes have risen, too. The budget itself contains £5 million to help the states raise the pay of their junior employees and £1.5 million to increase the pitifully low pensions of the defence services ; and there will doubtless be more to come when the pay commission reports in the middle of the year.

The bad monsoon, moreover, coincided with a foreign exchange crisis. Imports for development have not suffered, and have indeed continued to rise. Private industry is still importing as many capital goods as in 1955-56, and nearly as many as in 1956-57 ; the government's capital goods imports have quadrupled in the last three years. But all other imports have been slashed to the marrow ; consumer goods are now coming in at half the rate of three years ago, and even steel has been cut, with the most damaging results to building and small engineering. The effect of this change in the composition of imports has been twofold. First, half India's imports now come in on government account, against only a quarter as late as three years ago. Secondly, customs revenue, which is very dependent on consumer goods with their high rate of duty, has suffered severely ; and the suffering has been made worse by the simultaneous need to reduce or abolish export duties in order to earn more foreign exchange by exporting more. Revenue in 1958-59 was £30 million below estimate, and most of the drop was in customs duties ; in the budget itself the export duty on tea has been reduced, at a cost of nearly £750,000 per year.

MR DESAI, therefore, faced a revenue deficit of £60 million for 1959-60 ; this although he had successfully introduced a major cut in the defence estimates of £27 million, or over one-eighth, as against the figure Mr Nehru sanctioned last year when he was finance minister. After the heavy doses of new taxation that the Indian economy has had to accept almost every year since the first plan began, Mr Desai felt it was not possible to fill the gap all at once, although he hinted at more to come later in the year, presumably when the effects of the good 1958 monsoon have had time to show themselves.

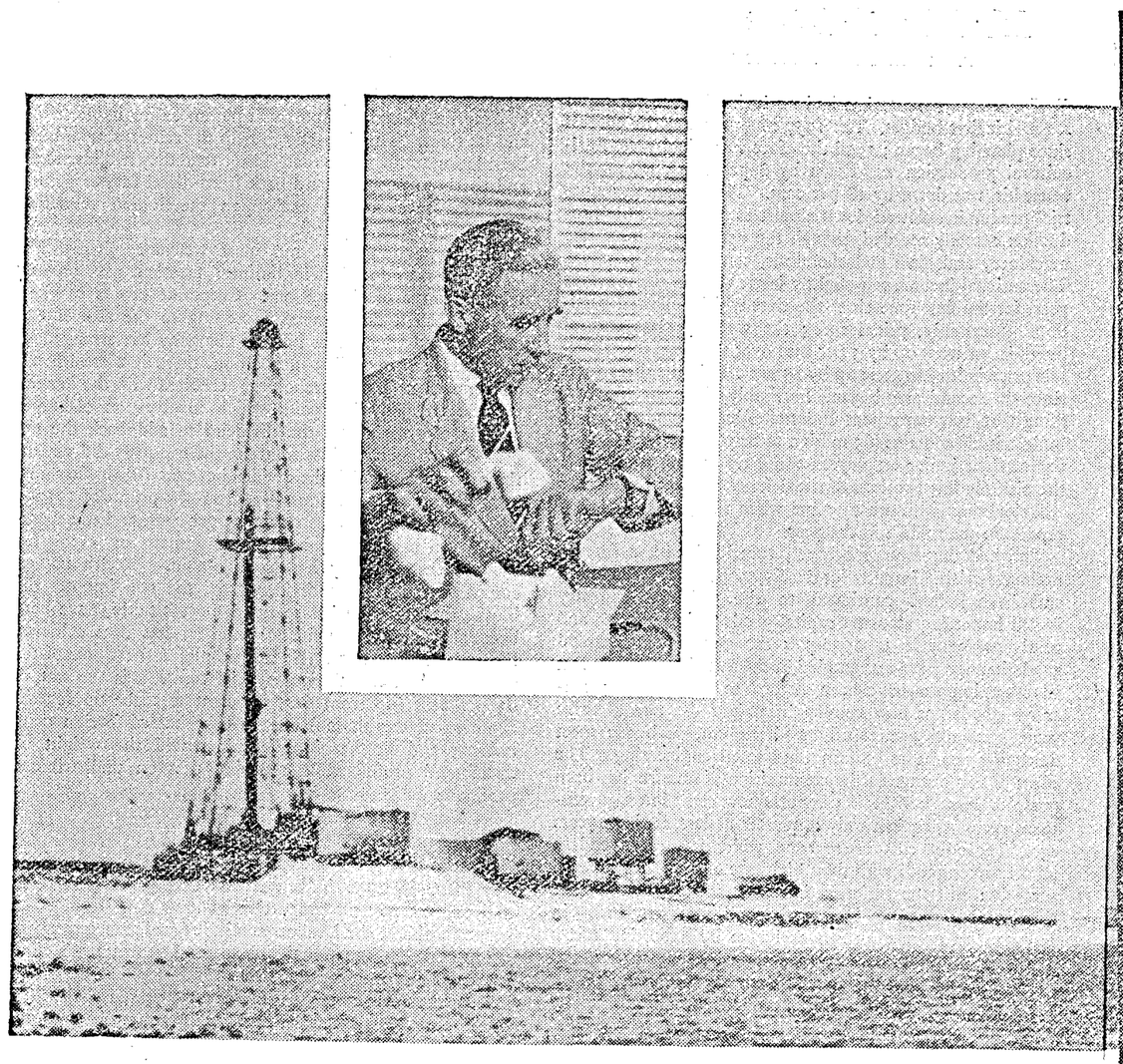
He has confined himself to an extra £18.5 million ; but within this sum, which is, of course, much bigger in the Indian context of poverty and a narrow tax base than it seems to western eyes, Mr Desai has succeeded in getting something out of everybody. The rich will pay another half per cent on their wealth tax, and the two most obvious loopholes in the expenditure tax have been firmly patched ; gold and jewellery will no longer be exempt, and the expenditure of wives and minor children will be aggregated with that of the assessee even where their incomes are separate. The middle classes will pay more for their rayon and their cigarettes. Everybody will pay more for cottage sugar and cooking fat. Road transport will pay more for its diesel oil and its tyres. This is partly to help the railways, who have been losing traffic to the roads faster than they had intended, and partly to push demand back from diesel fuel to petrol, and thus save foreign exchange ; the Indian refineries produce a surplus of petrol.

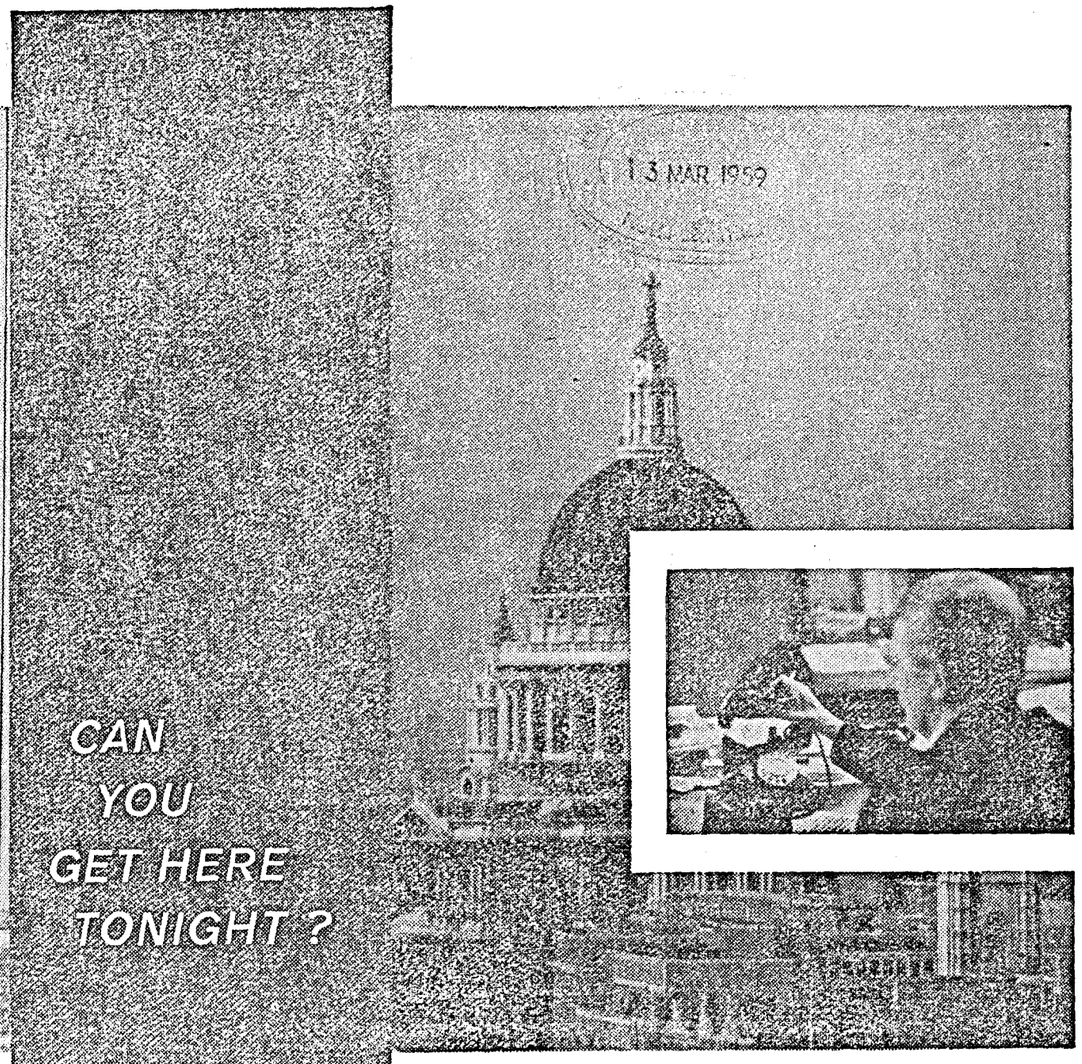
The most important, and most welcome, change Mr Desai has introduced is in business taxation. At present this is a maze of elaborations. Corporate profits can pay taxes at half a dozen rates, according to the size of the dividend and whether or not the company has arranged to pay dividends in India ; in addition, there is a wealth tax on companies. The shareholder is credited with the income tax the company has paid, which involves an elaborate process of grossing up the dividend to add back the tax paid, and of deciding just what tax the company did pay on the profits from which the dividend came. All this has now been swept away. In future—as from the profits of 1959—the company will pay a straight 45 per cent, and the shareholder will pay tax on his dividend without any credit for the tax the company has already paid. Wealth tax on companies and excess dividend tax, the two imposts the business community has resented most bitterly, have both been abolished. The finance minister has thus achieved two objectives at once. He has simplified the whole of the company taxation ; the one special case left is the rate of 63 per cent (up from 61.5 per cent to make up for the abolition of wealth tax) on the branches of foreign companies ; and he has in effect increased the weight on distributed profits while reducing that on undistributed profits.

BEHIND this grim budgetary effort lies the story of the Plan. In 1950 India was investing 5 per cent of its national income ; the proportion has now doubled to 10-11 per cent, almost the level economists regard as necessary for the real take-off into growth. The central government's effort is particularly impressive. Private industry, having got its investment up to about £140 million a year, is held there by import restrictions, difficulties over steel, and the unresponsiveness of the capital market. Capital formation from the central government's resources, on the other hand, has gone up eight-fold since 1950-51, to nearly £600 million. Total expenditure on the plan, capital and revenue, central and state, has gone up by three-quarters (to £725 million for 1959-60) in the three years since the Plan began. To pay for all this, starting from a budget in deficit, is not easy. Some items are covered by the revenue budgets of the centre and the states ; but most have to be met from borrowing, or external finance, or the creation of money. The biggest single source is foreign aid and loans which are to provide £250 million next year. This will come from half the world—Canada and Czechoslovakia, Russia and Rumania, England and the United States, West Germany and Japan ; but most is either American or from the World Bank. Almost as large a source is borrowing, from which Mr Desai hopes to get nearly £240 million.

Continued on page 837

THE ECONOMIST MARCH 7, 1959







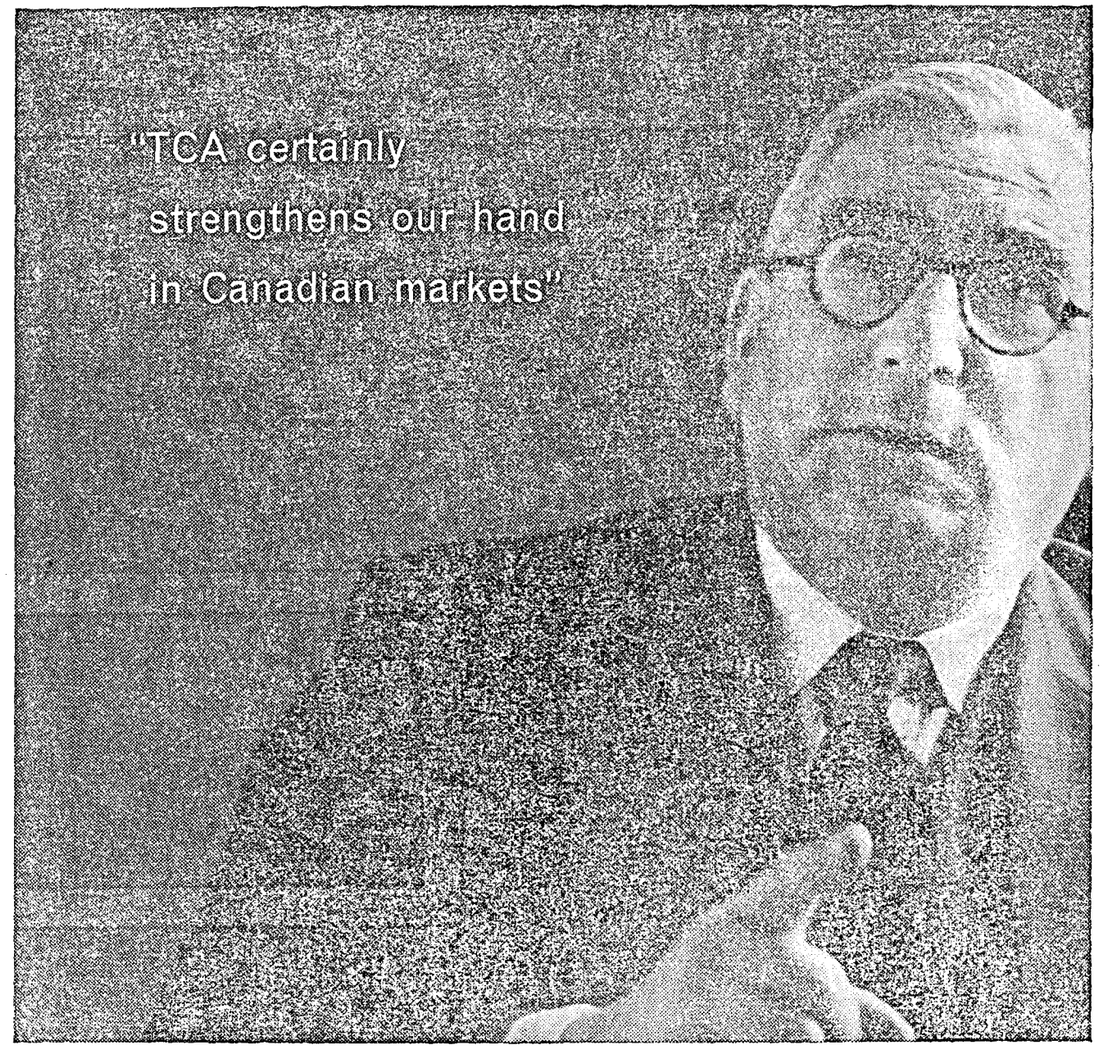


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Small savings, though always below estimate, have been going up every year, and the banks are so flush with deposits, because imports have been cut and because of the way American aid works, that their willingness to hold government securities is now very much greater than it was eighteen months ago.

Finally comes deficit finance, the issue of treasury bills to the central bank, which will provide £184 million, almost the same as in the year just ended. This year, the country was protected from the inflationary effect of this deficit financing by the running down of the sterling balances and the increase in the banks' time deposits ; money supply to the public rose only by £56 million. But the sterling balances have now been held at roughly the same level for six months, and time deposits are unlikely to increase quite so rapidly next year. Protection from inflation will have to come in 1959-60 from increased production. Fortunately, the crops are good. Rice, at 30 million tons, is a record, one-fifth above last year ; wheat promises to be equally bumper ; and when agriculture flourishes, industry is not likely to lag behind, especially as a considerable part of India's new steel capacity is due to come into production this year.

Mr Desai has done a workmanlike job. The second five-year plan, like the first, was nearly swept away in mid-stream, but now looks like reaching the opposite bank in safety. A good deal of the credit must go to the finance minister's clarity, determination, and commonsense.

France's Fourth Estate

FROM OUR PARIS CORRESPONDENT

THE treatment of the press is often a good guide to the political freedom prevailing in a country. Frequent seizures of newspapers during the last two years of the Fourth Republic were a source of concern to those who cared about French democracy. After the collapse of the Fourth Republic last May, anyone who read the French newspapers was bound to be struck by their conformism and laudatory style. With a few notable exceptions, the press seemed to have altered its function from that of enlightened criticism to being the government's advocate, if not its panegyrist. In a country with a long tradition of free speech and acid comment it was a puzzle to know whether newspaper owners and editors decided to behave in this way by political choice, by a feeling for the country's mood or by fear of legal reprisals.

The law which will have the greatest direct impact on the contents of French papers, particularly of the popular dailies, has come into force only this week. The judicial reform, intended to bring up to date and make more efficient the legal code inherited from Napoleon, contains two important changes affecting the press. The first tries to improve the secrecy that nominally surrounds the preliminary investigation of a case: heavier penalties are introduced for policemen or journalists who break the rules. The other change is an attempt to create a dogma of judicial infallibility. Article 226 of the new code provides penalties of up to six months in jail and two million francs in fines for anyone whose criticism of a judicial decision can be interpreted as "a slur on the authority of the judiciary."

Englishmen used often to be perplexed by the freedom with which French papers dealt with matters still *sub judice*, and were sometimes shocked by what seemed to them trial by the press. It must, however, be remembered that in a country where procedure is slower and the judiciary less independent, these appeals to public opinion occasionally prevented abuses. The advocates of the new system claim that the French press will no longer be filled with unsavoury reports on scandals like the present *Ballets Roses* affair. The critics point out that if the rule of infallibility had applied in earlier days, Dreyfus would have died on Devil's Island and Voltaire would not have been allowed to plead for the protestant Calas. Maitre Maurice Garçon, the eminent lawyer who quoted these two examples, at the same time gave a warning that the text of the new law, as it stands, can easily be used to cover up abuses, particularly in the political field.

The impact of the new law remains to be seen. For some time now, in any case, the Algerian war has made the life of an independent French journalist awkward. The Ministry of Defence recently reminded newspapermen that they must take their news about the fighting from official sources, and that while inaccurate reports about troop movements can do damage, accurate but premature reports are even more harmful. The worse problem for editors, however, is that their writings can be interpreted as "undermining the morale of the troops" and, therefore, seized. It is true that seizures of newspapers have not been very frequent in recent weeks and that Parisian non-communist papers can be regularly bought in Algeria. Yet it is difficult to determine whether this is not partly the result of editorial self-censorship.

THE third, and potentially the biggest, threat to press freedom springs from the change in the functions of the President of the Republic. Article 26 of the press law of 1881 provides penalties of up to one year in prison and 30 million francs in fines for offences against the president. The list of offences is long. The law is not new, but it did not matter much as long as the president was a figurehead. Now that he has become the effective head of the executive, an extensive interpretation of this clause could make criticism extremely difficult. One of the boldest of Paris editors told your correspondent that if his paper is prevented from criticising the judiciary, the army, and the president, it will have to limit its comments to the latest women's fashions. There is no doubt that the new law-makers have an authoritarian bent and, except in economic matters, they are instinctively on the side of Leviathan.

Even without the new law, the government had a sufficient apparatus of control to keep the press quiet—more than sufficient, since the press had been censoring itself since July. This docility however showed signs of erosion after the financial shocks of Christmas. The new year brought a changed atmosphere. Parisian *chansonniers* suddenly began to bring out their barbed shafts. Popular papers began timidly to criticise, if not the general then his ministers. It has even been suggested that the Gaullist reign, like that of Louis-Philippe, will turn into a cartoonist's paradise. The authorities usually resort to defence mechanisms only when they feel in danger ; they try to muzzle the fourth estate when the third is in motion. The number of seizures, fines or trials of newspapers (or their absence) in the forthcoming months should show what use the government intends to make of the legal weapons at its disposal.

New Lease for a General

As many people suspected when General Ne Win took over in Burma last October, the job of cleaning up the country by April 30th proved beyond even his capacity. The elections that were promised by that date will not now be held before next year, if then. For form's sake, General Ne Win resigned the premiership three weeks ago; now, at his request, the constitution has been revised to enable him to be re-elected as prime minister. This also has duly been done, against the votes of the communist-controlled National United Front, which stands to lose most from postponed elections and prospective stability.

For better or for worse the army's position now seems unassailable. The old ruling party, the Anti-Fascist People's Freedom League (AFPFL) is still split into factions with face-saving labels. U Ba Swe's "stable" AFPFL was the more enthusiastic in supporting Ne Win's bid for a further lease of official life. U Nu's "clean" AFPFL tagged along reluctantly, presumably through unwillingness to be seen voting with the communists. The ex-prime minister's appeal to U Ba Swe for the reunification of the two groups, made in a speech at the end of the year, has gone ignored. The "clean" AFPFL's general secretary, Thakin Kyaw Dun, was arrested in January. These developments leave U Nu in a poor position to take the initiative.

Hungarian Peasants Under Fire

BY A CORRESPONDENT

IMMOBILISME is to end in Hungary. The Party has, after all the fears and heart-searchings, decided that progress on the one and only road to socialism is to be resumed this spring. While the Soviet Union is catching up with America and the Chinese comrades are doing their big leap, Hungary will attempt a little leap so as to catch up with, of all places, Bulgaria.

In other words, a series of decisions has been taken to push on with the collectivisation of agriculture. On being put in power, the Kadar government repeatedly renounced the use of force to drive the peasants into collectives. It acknowledged that forcible collectivisation had been the most serious "shortcoming" of the Rakosi regime, and promised strict adherence to the "principle of voluntariness." But with a mere 15 per cent of the country's agricultural area collectivised, it had to hang its head in shame before the achievements of the Czech and Bulgarian comrades. Then "principle of voluntariness" was not getting any results. The lower party cadres regarded it as merely silly, or as a tacit licence to do nothing in the countryside. They were still supposed to employ peaceful persuasion. But as a county party committee member put it: "Our peasants never deny that the future belongs to the collectives. But why should they give up private farming unless they absolutely have to?"

Now they are told in no uncertain terms that they absolutely have to. Threats of force are still (albeit thinly) veiled, and consist mainly of a condemnation of the "exaggerated stress on the principle of voluntariness," but there are, particularly at the county level, hints of more to come if veiled threats do not suffice. This year only modest progress is envisaged, with the big leap coming in 1960. Time is needed to organise the national task force of 500 staunch party workers, the county task forces (each 20 to 40 strong) and the village collectivisation committees who will be responsible for making the peasants see reason. Also, it will take time (to put it mildly) to find the machinery and building materials for the new collectives. It should also take time to arrange for the Soviet Union to underwrite the ensuing fall in agricultural output and the all-too-predictable balance-of-payments trouble.

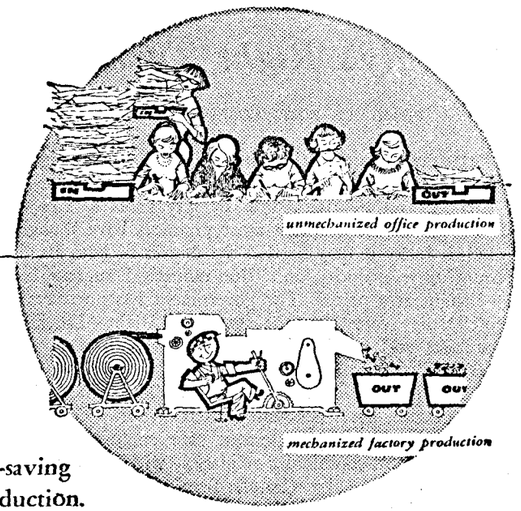
The resumption of collectivisation is received as an unmitigated disaster in Hungary. Once again, the party leadership has disappointed those who thought that its reason might prove stronger than its religion. The voice of reason (which seemed to have one or two mouthpieces even within the Political Committee, for the eventual decision was a strongly contested one) spoke in favour of leaving the peasants well alone. Collectivisation between 1949 and 1953 alienated not only the peasants themselves, but all the urban intelligentsia who had roots in the countryside; but for it, Imre Nagy could not have become the rallying point of the opposition. After the 1956 explosion, all the Kadar regime needed to do was to assure the peasants of security of tenure, and they would have provided a solid rock of political stability. It was the workers, who had nothing to lose, who revolted and struck; the peasants quietly dangled their feet from the fence. If they are transformed into workers too, rural Hungary will become politically just as explosive as urban Hungary already is; having no business of their own to mind, the former peasants will start minding the country's business, and will have to be kept at bay by the protective Soviet military presence.

However, the voice of religion also referred to that presence; it drew the opposite conclusion, and it prevailed. Great-power agreement on Germany and a Soviet military withdrawal from much of eastern Europe could not be ruled out; if Hungary were not collectivised to something like the Czech or Bulgarian degree by that time, it never would be. The land-owning peasantry was the breeding ground of capitalism; if it were not liquidated, a "bourgeois restoration" would remain on the cards.

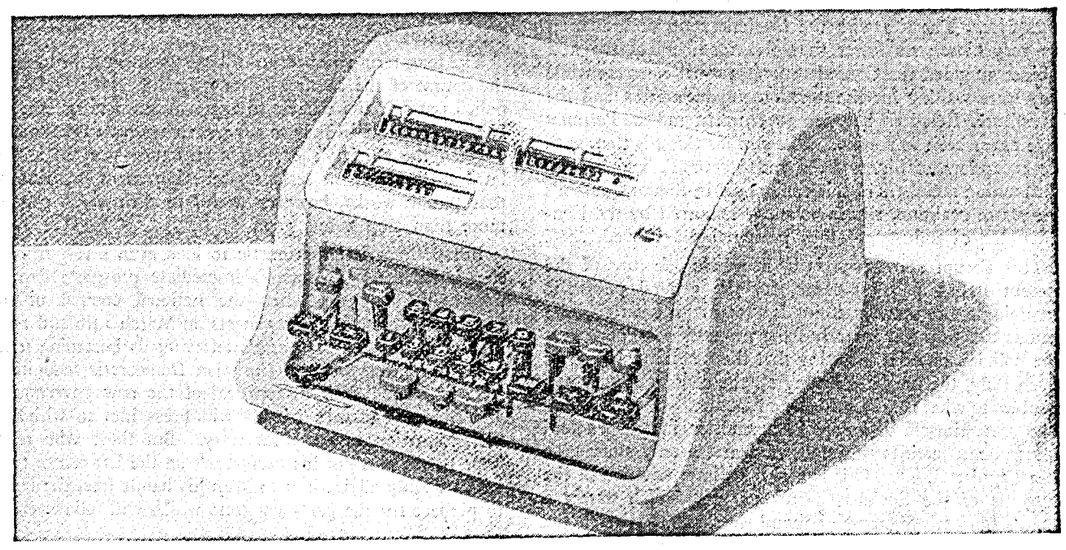
As a piece of supreme irony, it fell to Lajos Feher to explain and propagate the decision to the public at large. A known adherent of Imre Nagy who just managed to mount the Soviet bandwagon in time to become a member of the Political Committee when willing candidates for such posts were rather scarce, his main claim to fame is a study showing the disastrous effects of collectivisation on farm output. Despite the fact that collectives have had first claim to the meagre fertiliser supplies and tractor stations, the net value added was substantially lower in collectivised than in private farming. This is concealed by slightly higher gross crop yields in the collectives. Mr Feher, however, now prefers to ignore this distinction between gross and net product, and it is perhaps hoped that the Soviet government, whose task it will be to bail out the Hungarian economy or else let living conditions deteriorate, will not blame him and his colleagues for their contempt for such niceties. It does, however, certainly not want the Hungarian communists to get themselves again in such a mess that Russian tanks must rescue them; and the risk of some such mess has certainly been increased by the decision to collectivise. It is unexpected indeed to recognise the gambler in the drawn features of Mr Kadar.

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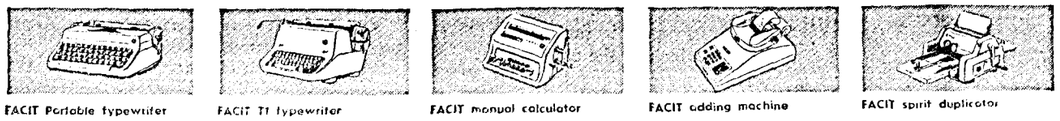


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Italy's Right Turn

FROM OUR ROME CORRESPONDENT

WITH the support of the four right-wing parties Signor Segni's government won its vote of confidence in the Chamber on February 27th by 333 votes to 248—a wide margin in Italy, where most premiers have thought themselves lucky if they needed the fingers of both hands to count their majority on. But numerical success has been bought at a price. The government has not merely accepted the votes of the extreme Right—Liberals, Monarchists and neo-Fascists—as Signor Zoli, who also headed a Christian Democrat minority government, was eventually forced to do in June, 1957. This time it has courted, in some cases negotiated, their favour. To please them its foreign policy statements are confined to the expression of anti-communist solidarity, with a nationalist line for the Alto Adige (South Tyrol) thrown in. Its economic policy is calculated to allay any fiscal apprehensions and to satisfy the aversion of the Liberals to state enterprise. The ties with the Confederation of Industries are very close; no fewer than five members of the new cabinet attended the Confederation's annual congress while they were waiting for the government declaration and the investiture. Relations between government and the *Patronat* have never been so cordial. The curious thing is that, with the exceptions of Signor Pella and Signor Taviani, all the outstanding members of this cabinet sat in Signor Fanfani's left-centre coalition, whose policies—abhorred by the Confederation of Industries—they presumably approved.

This abrupt about-turn is a disquieting feature of the present Italian political scene, for the general public is becoming aware that something is wrong with a party whose leaders can pass indifferently from progressive to conservative policies, one day asserting that the recession will never reach Italy, the next attributing all the country's economic troubles to what is called the "conjuncture." Signor Segni, who was himself deputy prime minister in the Fanfani government, justifies this right turn as the only alternative to a Popular Front. This is a curious interpretation of the outcome of the Socialist party congress, which barely a month ago gave Signor Nenni and the "autonomists" (the group that opposed the Communist alliance) a free hand. It is evidently to allay their fears of socialism, increased by Signor Nenni's victory and the Social Democrat party's split, that the Italian conservatives now conjure up the bogey of a Popular Front.

One feature of the Segni experiment looks like being this fomentation of an atmosphere of anti-communist excitement in home affairs and foreign relations alike. The most will be made of the international tension over Berlin. At present the conservative press and the Italian radio and television are stressing the "Macmillan fiasco," with pitying comment on Britain's naïve effort at appeasement. There are dark hints at an Anglo-Soviet trade pact whose real aim is to throttle the common market.

It is easy to see how the difficulties that are piling up for the Italian economy in the opening phase of the common market will be attributed to such foreign manœuvres. The new foreign minister, Signor Pella, is personally in favour of widening the European Community to include the other OEEC countries. He has authorised your correspondent to say that in his view the efforts to form a free trade area should be continued in order to prevent Europe and Nato itself from splitting. Such an extension, he says, should not hurt, but rather should strengthen, the common market. But whatever may be the government's views, its monarchist and neo-fascist supporters (and probably many Liberals) certainly do not favour a widening of the common market, the inward-looking philosophy of which satisfies the autarkic and corporative mentality of Italy's nationalist conservatives. One monarchist leader, Signor Roberto Cantalupo (a former fascist ambassador), this week described the free trade area as a British imperialist plot.

Signor Segni told Parliament the other day that in Italy foreign and domestic policies are intimately linked. A choice in one field implied a similar choice in the other. He himself has chosen the militant anti-communist line in both spheres. The government's domestic policies will inevitably tend to attribute labour unrest—in fact the product of rising unemployment—to communist agitation. Already, in the few weeks which have passed since the government took office, the array of police in Rome, as doubtless in other cities, has become increasingly noticeable. Somebody, at the Home Office or at the Prefecture, expects trouble.

The long-term prospects of this government depend upon the course of the country's economic difficulties, which its policies appear more likely to aggravate than to relieve. It is not reasonable in Italy to suggest that private investments —given the country's economic structure—can be stimulated to the point of seriously relieving unemployment, or that public works, however useful in themselves, can do more than stop a few gaps.

But perhaps it is optimistic to look even a few months ahead, for the government's immediate prospects depend upon what happens when the national council of the Christian Democratic party meets on March 14th and 15th. The discontent in the party's left wing is becoming more articulate. Many of the Christian Democratic federations have expressed their disapproval of the new government, and Signor Fanfani's friends will press him to withdraw his resignation as party secretary. But those who really hope to see him put his party back on the left-centre track will probably advise him to keep his hands free, the better to prepare for the party congress which will follow.

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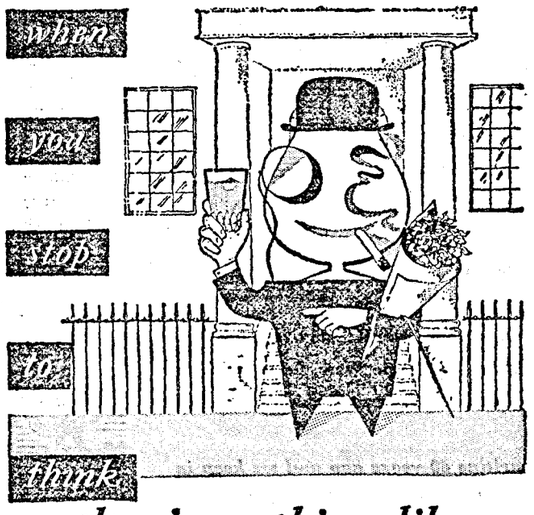
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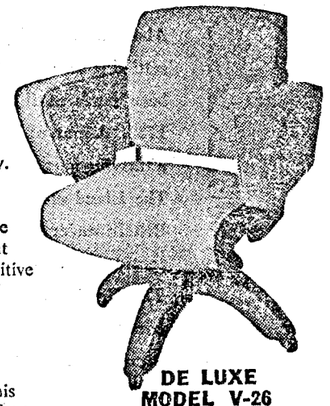
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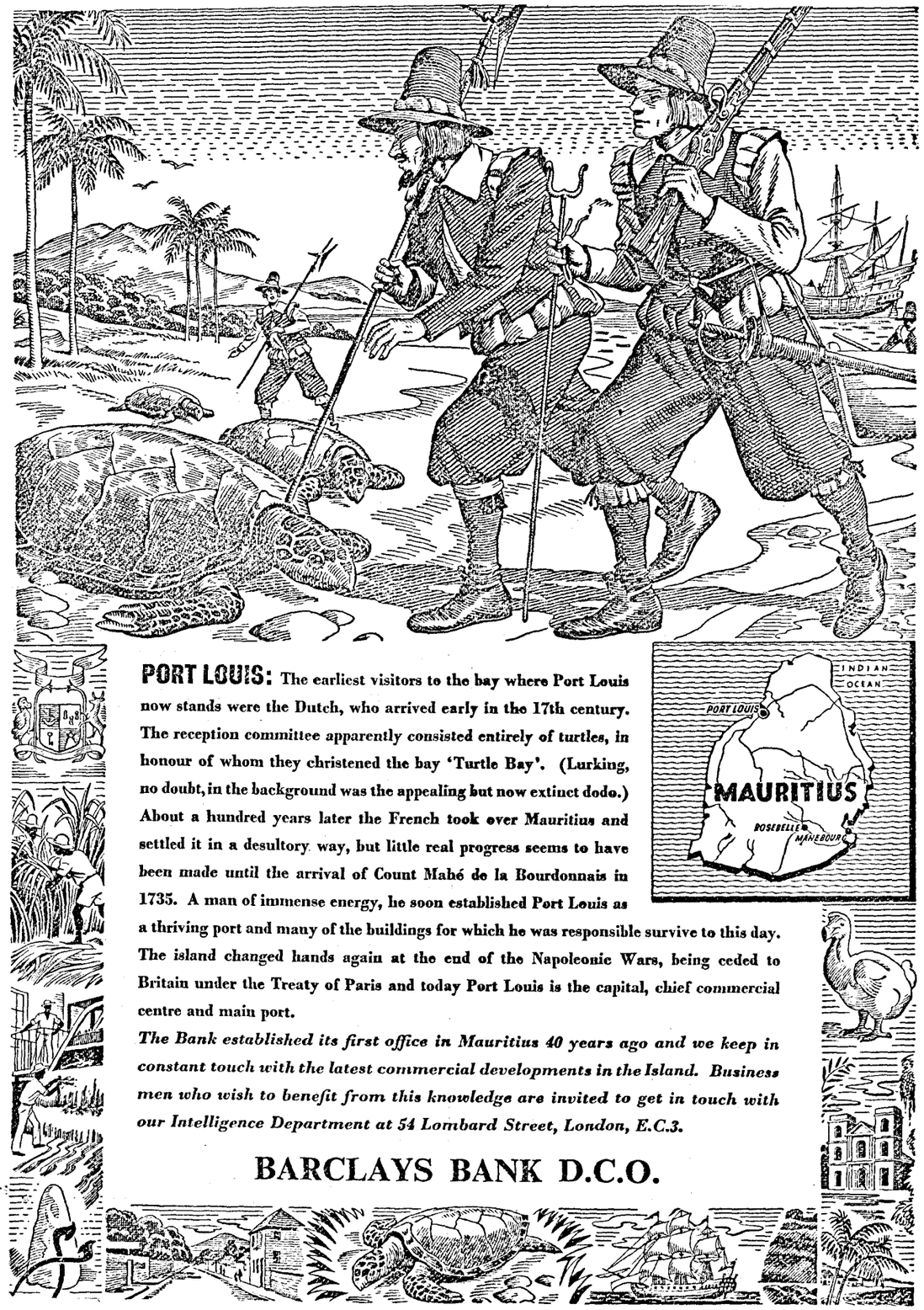


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THE BUSINESS WORLD

Bankers of Zurich

ZURICH has not always been Switzerland's leading financial centre, and even today its pre-eminence in its own country cannot be compared to that of London in Britain. Switzerland has no fewer than 518 separate banking institutions; of these 87 are in the city of Zurich. Nor has Zurich a monopoly of international business. Basle, Geneva and to a less extent Lausanne all have a cluster of private banks, not always small, often of ancient lineage, sometimes without a nameplate on the door—but usually doing a wide international business, and having a shrewd idea of how to spot an *agent provocateur* from France.

But it is Zurich, with most of the large banks and most of the business in gold and foreign exchange, that has become identified in popular minds as the operating centre of the international bankers. In recent years, "Zurich" has become something of a dirty word. Politicians and commentators of many shades have found it convenient to evoke its machinations as the arbiter of other countries' policies. The popular impression has become distorted in its picture of the manner and the motives of the men of Zurich, and of their function and real powers. It is not mistaken in feeling that what they think and do is very important.

When exchange markets all over Europe were freed at the end of December by the move to external convertibility, wiseacres were heard to ask whether Swiss bankers would now be out of a job. The Zurich exchange market had grown very rapidly since the war, ousting Paris as premier centre of the Continent and at times doing more sterling-dollar business than London. Zurich was conducting predominantly arbitrage business, which it attracted because direct dealings were forbidden in the domestic or traditional centres. When restrictions were lifted, it was to be expected that such business would return to its normal channels. Zurich bankers have lost substantially in this way—mainly to London, but also to Frankfurt, Paris and other centres. Zurich has also lost much trade in gold, which the Russians formerly sold there to get sterling at a discount. The Swiss shed few tears over this, as they dislike dealing with communist countries; but they are philosophical also about the weightier impact on their exchange business. They dislike the squeeze on their dealing margins; commissions of all kinds account for up to a quarter of the earnings of Swiss banks, and foreign exchange business is expected to contribute its part. In London and New York exchange business is regarded more as a service for customers, and Zurich dealers contend that banks in these centres will even deal at a loss. But Zurich bankers welcome the wider market, which gives them a much bigger range of dealings, and also some new business to help offset the losses.

Zurich has been glad to accept a smaller exchange business in the general good. Arbitrage was only a by-product, if a profitable one, of its main business. Switzerland is the true world bank, without the capitals, and its accounts serve a number of different purposes. There is the truly hot money, the mobile funds ready to move from centre to centre as interest rates, or political hopes and fears, dictate; for these funds Switzerland is the world's waiting room, where the doors never close. At the opposite extreme are foreign funds accumulated and kept idle in savings accounts, attracted to Switzerland by the stability of its currency and of much else, and not infrequently by the sanctity of Swiss bank accounts from tax inspectors. Other foreign funds managed, or simply held, by Swiss bankers are actively invested, all over the world.

There are no official figures of foreign funds in Switzerland; but some good estimates have recently been made by Dr Franz Aschinger. He puts total foreign deposits at 5-6 billion Swiss francs, or around $1¼ billion. That would be around a sixth of Switzerland's total deposits. About one half is held in accounts denominated in dollars and very large amounts of foreign securities and gold are held in trust for foreign owners at Swiss banks. Excluding these "dollar" accounts, total foreign-owned assets in Swiss

francs, including Swiss securities and property, are put at Swiss frs 9-10 billion, over $2 billion. These are twice covered by Swiss assets abroad. United States sources show Swiss bank deposits of some $800 million and dollar securities of around $2 billion; but at least half these funds are thought to be held on account of non-Swiss clients. Switzerland's own holdings of foreign deposits and financial securities are estimated at the equivalent of Swiss frs 12-13 billion; direct investments and property bring total Swiss assets abroad to Swiss frs 17-18 billion, or around $4 billion.

THE Swiss bank, therefore—unlike the London bank—is not endangered by any withdrawal of foreign funds. But withdrawals would involve a diminution of business, especially for the private banks in Basle and Geneva that have been taking in French money. Frenchmen may account for half the foreign funds in Switzerland; and a lasting recovery in France would undoubtedly have important consequences for Swiss banking. Few Swiss bankers expect that any such recovery of French confidence can come quickly; but the big bankers all hope that it will come, irrespective of the effect on Swiss banking business.

The fact is that, probably unconsciously, Swiss bankers have an underlying confidence that in the modern world their services will stay in demand. It would need an extraordinary outbreak of peace and stability in the world to rob Switzerland of its superiority in these important matters; while it would need counter-revolutions of unimaginable dimensions throughout the world to restore taxes and the general climate for capitalists to parity with the world's oldest republic. The foreign man of means paying a visit to his Swiss banker on the way to St Moritz may have raised his eyebrows this year at the reduction in the Swiss working week to 46 hours; but he will have noted, too, that the other burning domestic political questions are still whether women should vote and whether the canton of Basel *Stadt* should merge with Basel *Land*. Nor need he have been concerned about the recent arrest of Swiss bank officials *en route* for customers in Spain. The most significant moral of this story is the distress it has caused among Swiss bankers that bank officers should have carried the code to numbered accounts, thus threatening the bank secrecy which in Switzerland is upheld and required by statute law.

There is, in short, almost every reason in the book to keep a sizeable nest egg in Switzerland; and whenever things get hot for those with money in their own countries, or in the world outside Switzerland, the reasons become compelling. That is why there is scarcely a disturbance in the world outside whose ripple does not extend to the placid waters of Lake Zurich. Every move by Arabs to manage their own affairs adds to the liquidity of the Swiss money market. When the Congolese stoned police in January the Swiss National Bank had to take $15 million off the market in two days.

What to do with the money of the world's frightened, or simply cautious, capitalists is quite a problem for a country of this size. Domestic outlets are limited, especially as the Swiss themselves are great savers. Many firms actively discourage foreign buying of their shares—after the British Aluminium affair, the Swiss aluminium company declined to accept any new registrations by foreigners. There is virtually no market for short-term money in Switzerland. As a result Swiss bankers place a substantial part of their funds abroad. Their great prudence itself encourages them to match external liabilities with external assets. But it forces the bankers of Zurich into taking the closest view of foreign events. What is that view now?

Hitherto, perhaps one half of their foreign assets have been held by the Swiss banks in the United States. The New York money market has been the main outlet for liquid funds, and the Swiss banks have placed much of their own and their customers' money on Wall Street. South Africa, the Belgian Congo and Belgium itself have also been popular since the war. Today Zurich is having second thoughts all round. The potential political danger in Africa is felt more strongly; the Congo looks as if it may be a burden rather than a boon to Belgium, and Belgium itself looks over-priced. But above all, the guns have turned on the US dollar. The chief executive of one of the big Zurich banks has wagered the chairman of the Federal Reserve Board a case of champagne that America will devalue the dollar in three years; he will be glad to lose his bet, but does not think he will.

ON what basis do Swiss bankers reach their decisions? How good is their information? The banks maintain extensive intelligence departments, whose researches extend deep into stock market analysis. Unquestionably, however, hunch and feel play a big part, and these are inevitably coloured to some extent by what Swiss bankers feel to be sound and right. Thus the main worry about America now is the size of the budget and the power of the unions; the biggest dislike about Britain is its high taxes and the possibility of a Labour government—from which Swiss bankers fear not so much financial weakness as an unsympathetic climate for business. (In this, the bankers of Zurich may not differ so much from the business men of Britain.) But it is wrong to suppose that Zurich always acts purely on instinct. The troubles in Central Africa have caused no commotion. Again, despite irritations about the attitude of the Six, Swiss bankers are turning increasingly to Europe.

Four thousand million dollars' worth of money abroad, some of it hot, must be a major element in world finance, and it may often seem to be a decisive one. Hot money has been much abused; yet money that is mobile between centres can play a very useful part in world payments, as it has done since 1957. It is also true that in modern times the flow dictated on primary economic grounds may be upset by particular

national policies, from taxes to self-government. If governments wish to keep their policies independent of the opinion of foreign capitalists about them, they have an easy remedy: they should not take their money, or taking it, they should hold it in special reserve. It is unreasonable to blame the lenders for watching their own interests; it is still more unprofitable to shoot at the banker they have retained to act or keep watch for them. If Zurich did not exist, many people would certainly have done their best to invent it.

Competition in Thermoplastics

Britain's plastics manufacturers are greatly increasing their capacity over the next few years. How will they fare against foreign competition?

MANUFACTURE of plastics has been one of Britain's fastest-growing industries since the war; production of all types of plastics topped 400,000 tons last year, compared with 150,000 tons in 1950. The most spectacular growth has been in thermoplastics, with a more than fourfold increase in ten years—about 240,000 tons (including imports) were sold in Britain last year. Today the growth of demand is slowing down. After fantastic increases in earlier years, consumption of all plastics last year was only eight per cent higher than in 1957, and home sales plus exports rose by only six per cent. Internationally, the boom years of the industry's infancy are probably over. Overproduction and idle capacity appeared in the United States last year, owing partly to recession; stocks of plastics, particularly of polyethylene and polyvinyl chloride, have risen and for some months there have been reports of idle capacity in several other countries, including Britain. Yet capacity to produce thermoplastics is still growing throughout the world as fast as ever.

Against this background four British manufacturers appealed to the Board of Trade last December for protection under the key industry duties for four thermoplastic materials. The Board was able to reject this demand only after a special tribunal had put itself through a semantic hoop and proved to its own satisfaction and to no one else's that these plastics were not synthetic organic chemicals and so did not qualify for protection. The import duty thus remained at ten per cent *ad valorem*, and was not raised to 33⅓ per cent. But an important question raised then is worth repeating now: if Britain's plastics manufacturers must seek tariff protection in order to meet foreign competition, ought they to be investing in so much new plant?

Admittedly, the plastics industries of Britain's chief competitors have grown up largely behind high tariff walls; the United States, Germany, Italy, France and Japan all have higher tariffs on thermoplastics than Britain has. Furthermore, some of these countries could have been dumping in Britain; this is always difficult to prove and the British manufacturers cannot be blamed for seeking the easy way to protection via the Key Industry route last year. But the KID tribunal's play upon words has blocked that route. How will British manufacturers fare without higher protection?

The question poses itself most sharply in the case of three of the four materials concerned in the KID hearings: polyethylene, polystyrene, and polyvinyl chloride. At present about 65,000 tons of normal polyethylene are made in Britain, chiefly by Imperial Chemical Industries. Within a few months ICI will increase its capacity to 90,000 tons a year, and new plants to make low-density polyethylene are being erected by Monsanto, Shell Chemicals, and Union Carbide. In addition, Shell Chemicals will make high-density polyethylene by the Ziegler process and polypropylene; and British Hydrocarbon Chemicals—a subsidiary of British Petroleum and the Distillers Company—will begin production of high-density polyethylene by the Phillips process. By 1961, with these new plants, British capacity in "polyolefin" plastics will be over 150,000 tons a year.

The present output of polystyrene is about 28,000 tons a year, divided between Shell, Distillers and Monsanto; this will be increased by almost half by 1961. Polyvinyl chloride, or pvc, is made by ICI and Distillers, and total capacity is now about 90,000 tons a year, although present output is somewhat less. New capacity has to be added in fairly large chunks in the plastics industry in order to achieve reasonable economies of scale—for polyethylene this means about 10,000 tons capacity at a cost of perhaps £4-5 million. But demand naturally rises more gradually; no new plant can be expected to be fully employed at once. Against the new plant now planned in Britain and the inevitable increases in production by improvement of existing plant must be set the undoubted intensification of foreign competition and the questionable course of future demand.

Foreign competition is most serious in pvc. Raw material costs are important in plastics, and several countries can apparently get materials more cheaply for pvc than Britain can. Japan, whose exports to this country more than doubled in the last half of 1958, commands cheap supplies both of hydro-electric power and of chlorine. Japan could make over 200,000 tons of pvc; such an export potential is bound to provide stiff competition to a higher-cost producer. Italy also probably makes cheaper pvc than Britain, using its cheap natural gas. The United States has similar advantages, plus those of a larger industry.

Britain is competitively better placed in polystyrene. For one thing, manufacture of this plastic is essentially a batch process: additions to capacity are consequently small and more easy to match with sales promotion. It

has been argued that British manufacturers cannot cut their prices (and hence need a higher tariff in order to compete) because they provide a sizeable amount of after-sales technical service. This is probably true at present only in the case of polystyrene, which is usually blended and coloured by the manufacturer rather than the fabricator, and which consequently needs close technical guidance from its maker. British polystyrene producers can therefore probably compete with little difficulty in their home market despite slightly higher labour costs. For many other plastics such technical service is less important, particularly when their main uses have become fully established. And if fabricators prefer cheapness to technical service at extra cost, cannot British manufacturers meet them ?

By the time that Shell Chemicals' plant at Carrington reaches its full capacity of 45-50,000 tons a year, the industry will be well on its way to a polyolefin capacity of 200,000 tons a year. Competition from America has become steadily greater in polyethylene—as in pvc—since controls on dollar imports were removed last year. American manufacturers can now produce nearly 500,000 tons of polyethylene, both high- and low-density types ; they have had considerable idle capacity and have been cutting prices for over a year ; and convertibility may make the export market appear worth more effort than they may have devoted to it in recent years. Germany is also a serious competitor in both high- and low-density polyethylene, as is Italy in polypropylene ; both now have the benefit of the Common Market. World output of polyethylene may exceed 1 million tons within a very few years.

These plastics are among the petroleum chemicals that companies make from gases produced either as joint products of the process of petroleum refining or by special cracking of oil fractions: the factors governing their costs are somewhat remote from the public eye. So, indeed, are the financial conditions of the companies or divisions that make them, nearly all of which are sections of big groups doing other things, and publish no separate accounts. British firms would appear to be on a fairly equal footing with each other in costs. Though there may be some slight difference in the cost of feedstocks, most British plant is of about the same age and economic scale. But Shell appears to have stolen a march on other British companies by being the first to make high-density polyethylene and polypropylene on a large scale here. The Ziegler process that Shell will use has taken some time to bring to a commercial scale in this country. But it has the advantage of using much lower temperatures and pressures than the method first discovered by ICI ; the product is tougher and more resistant to heat than the conventional material and also less permeable. Polypropylene, which is now being made by Montecatini in Italy and Hercules Powder in the United States, and with which ICI is known to have been experimenting, has properties as promising as those of high-density polyethylene. In addition, it now has the advantage that propylene is at present much cheaper than ethylene in Britain.

Britain's power to compete, therefore, may vary between companies as well as between products. What, then, is the outlook for demand ? The biggest fields for expansion in thermoplastics seem to be packaging—with the advantage for the manufacturer that the finished product is immediately and cheerfully destroyed—and the building industry. American experience has shown that the novelty which brought such enormous demand for plastics a few years ago may have almost worn off. The market for consumer goods, even in the most affluent and gadget-prone—not to say junk-prone—countries is certainly not a limitless one.

Over one-third of the polyethylene and over one-sixth of the polystyrene now made go into packaging, either as film or in solid containers ; there are great possibilities for expansion in this field. The use of plastic film in packaging may easily double in the next three or four years—though the present tendency is to make the film thinner, so that the amount of plastic so used will not increase at the same rate. Prepackaging of foods in plastic is in its infancy in Britain, and is bound to spread as self-service retailing increases. Solid and semi-solid containers are increasingly being made of plastic, particularly in cases where the cost of packaging is not important.

High-density polyethylene may eventually be used in milk bottles (since it can stand high enough temperatures to be sterilised) ; polypropylene is believed to have wide potential applications both in packaging and in fibres. In addition, blending of high- and low-density types may be possible. But these new polyolefins illustrate a potential problem. As well as competing—at a cost disadvantage in some cases—with such things as tinplate and glass, new plastics will also compete with each other and may replace existing plastics, exaggerating the total problem of capacity rather than solving it. American assessments are that the uses of high- and low-density polyethylene will ultimately overlap by about 15 per cent ; like many of the industry's estimates, this may be too optimistic.

The use of plastics in the building industry may also offer the chance of great expansion : this will depend at least in part on the speed with which various technical problems are solved. For instance, high density polyethylene has been tried in pipe ; but this material is not yet satisfactory for carrying hot water. Plastic-coated metals and fibreboards, plastic panelling, and the expanded materials are bound to be used more widely. Finally, export markets for plastic—particularly in the underdeveloped countries within the Commonwealth and the sterling area where plastics fabrication is likely to increase and where there is no local manufacturing industry—should certainly grow.

But though demand will continue to rise, capacity is rising even faster. Within two years' time, Britain's capacity to make thermoplastics may exceed demand here by as much as 100,000 tons. A similar situation will be felt throughout Europe, and in the United States. For the firms in the British industry, overcapacity is bound to mean much more bitter competition.

BUSINESS NOTES

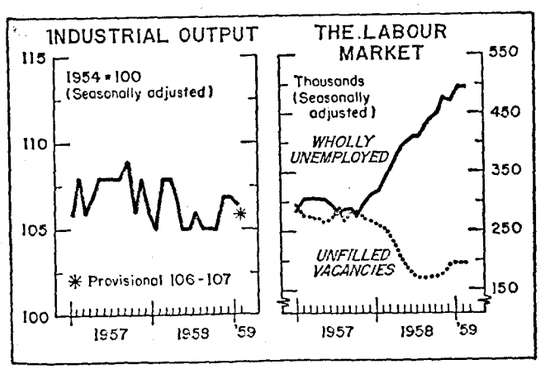
THE ECONOMY

Level Again

INDUSTRIAL output in January may have been as high as in November and December, allowing for seasonal fluctuations, and the number of people unemployed in mid-February was effectively the same as in mid-January. Whether or not one puts it down to an impulse of freer hire-purchase that seems, from the February records of contracts made, largely to have spent itself, industrial activity seems from these latest signs to have levelled off again at a rate about 2 per cent above the low level of last summer.

Since even motor output fell in January, owing to strikes and model changes, it would not have been surprising to see a fall in output indicated for January: there are certainly plenty of other industries producing less than before. In fact the index is expected to be 106-107, against figures of 107 for both November and December ; these are seasonally adjusted figures, and for the latest month are none too certain. There is not much sense in straining to refine interpretation of figures that have varied no more than two points upward or downward since output first attained that level of 107 in autumn, 1955. As a statistician concerned with these matters commented last autumn : "I am constantly being asked whether I can discern any trend in the index, as if it's difficult. It's as plain as ever—dead horizontal."

Between January and February the number of people wholly unemployed fell by 1,000 to 549,000, and the number temporarily stopped dropped by 11,000. The change in numbers wholly unemployed is insignificant, as one ordinarily expects at this time of year ; and the Ministry of Labour reckons that better weather for builders and farmers would completely account for the fall in the number

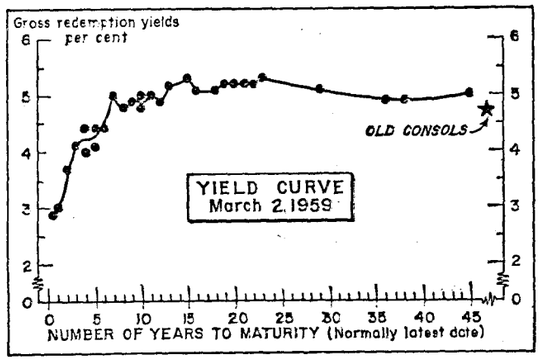


temporarily unemployed between January and February. Nor, allowing for the season, did the number of vacant jobs on offer alter. *Communiqué* from all fronts : "Situation unchanged."

GILT-EDGED

Khrushchev's Market

UNCERTAINTY still hovers as a dampening influence over the stock markets, and in the past week international political influences have assumed particular importance. Unfavourable signs from Moscow depressed both gilt-edged and industrials at the end of last week. Gilt-edged were also hit by the disturbances in Central Africa—which naturally had a sharper impact on Rhodesian government stocks and on Rhodesian mining shares—and by the further rise in the Treasury bill rate last Friday to over 3¼ per cent, compared with under 3 per cent a fortnight before.



The discount market, and the outside tenderers, now seem to have written off the likelihood of an early reduction in Bank rate. News that the banks had made further substantial sales of gilt-edged in the four weeks to mid-February, and the indication that bank liquidity might require further sales, added another bear influence. But by the middle of this week, when Mr Macmillan's Russian tour closed on a happier note, gilt-edged were recovering. The vacillations of the market in line with the temperature of East-West relations at the moment reflects the decisive major uncertainty, troubling every financial centre in Europe, of the significance of Mr Khrushchev's deadline for Berlin.

The shape of the yield curve has shown little significant change for many months ; though if expectations of a further reduction in Bank rate were to disappear altogether, yields at the short end will presumably rise. The curve still shows the slight but obstinate "hump" in medium-dated securities.

These are the maturities too long for the banks and too short for the life funds. Arbitrage operations by dealers and by private investors attracted by the relatively high element of tax-free redemption profit prevents yields from getting too far out of line. But so far there has been little sign that the banks are going longer ; ten years is still usually the limit, and ventures into the Conversion 1974s are isolated. The banks' eyes remain fastened on advances, and their memories on their recent gilt-edged losses.

STERLING

Modest Gold Gain

STERLING has been firm this week, rising to $2.81⅛ against the US dollar and showing notable gains on the D-mark and Swiss franc. A notable feature of the European exchange markets has been the weakening of the Swiss franc against the dollar, which is attributed not to last week's reduction in the Swiss Bank rate from 2½ to 2 per cent—Bank rate has no effective importance in the Swiss market—but rather to purchases of foreign shares by Switzerland's newly formed European unit trusts. Dealers in sterling have evidently not shared the pessimistic interpretation in some press comment of the latest figures of the reserves.

The reserves rose by £16 million, or $45 million, in February, and stood at $3,156 million at the end of the month. There was again no settlement through the multilateral clearing under the unfavourable terms of the European Monetary Agreement. The rise in the reserves is much smaller than the true increase in January, adjusting for the lag in settlements with the old European Payments Union. But the January increase was swollen not only by receipts from Reynolds Metals' purchases of British Aluminium stock, but also by a big backwash of money that had been temporarily lost in December, in anticipation of the exchange realignment. The February increase is only a little below the average true monthly increase in December and January together. At this season, the reserves should be doing better, and the gain was smaller than in previous years. Omens in the market are still good, and there has been little sign of significant withdrawals of funds, in response either to election fears or to the Rhodesian troubles. The gold figures of coming months will be closely scrutinised, with allowance for the $200 million to be repaid to the International Monetary Fund before the end of April, as a first instalment of the Suez drawing of $561 million.

Sterling Balances Rise

A MORE arresting revelation is that in the last quarter of 1958 the sterling balances of other countries rose by £80 million (though sterling held by the World Bank and other non-territorial organisations fell by £13 million); so that in the year 1958 as a whole Britain did not continue to repay sterling liabilities to other countries. These increased by a net £76 million in the year. The balances of other sterling countries fell rather more than that, but balances of the non-sterling countries rose by £158 million, of which £42 million was in the last three months. At £728 million on December 31, these balances were the highest since 1955; and they certainly increased in the new year following the establishment of external convertibility.

The change in the last quarter of 1958 was that the balances of the overseas sterling countries rose—by £38 million—for the first time since mid-1957. The last quarter has not in the past been notably favourable seasonally to the overseas countries. One important prop must have been from external capital. India in particular checked the drain on its reserves by taking large loans from international creditors, including Britain. If the overseas countries have managed to check their drawings on the sterling bank, pressure on the central reserves will be relieved. The relief that comes from the accumulation of balances by bankers and merchants in non-sterling countries is also useful—though no one ever knows how long this cushion will remain, and the authorities are doubtless prepared to meet withdrawals when the time comes.

THE STERLING BALANCES
(£ million)

End of periods	Overseas sterling area	Non-sterling countries	*Of which* Dollar area	*Of which* OEEC countries	All countries
1957 :—					
March.....	2,917	568	50	199	3,485
June	2,925	569	50	205	3,494
September.	2,790	583*	30	276*	3,373
December .	2,700	570	35	260	3,270
1958 :—					
March.....	2,629	613	42	279	3,242
June	2,624	647	44	306	3,271
September.	2,580	686	39	350	3,266
December .	2,618	728	48	372	3,346

* Rise reflects German central bank's 1957 deposit of £68 mn.; its deposit for purchases of arms is reflected in the figures for the second half of 1958.

AGREEMENT WITH EGYPT

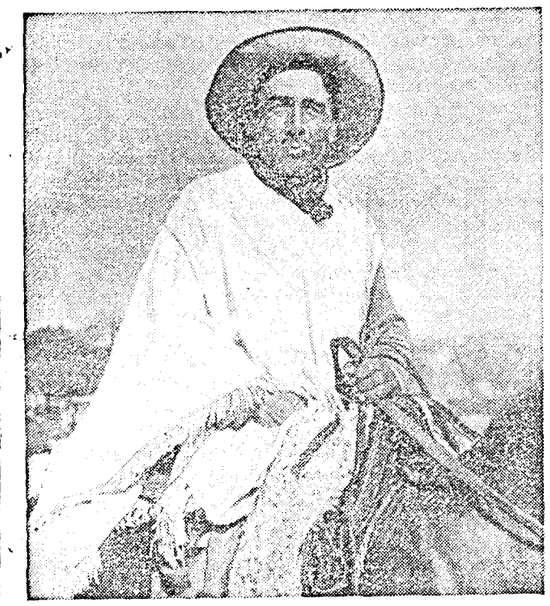
Trade Back to Normal

FOR the first time for nearly three years trade between Britain and Egypt can be conducted in a normal way. The financial and commercial agreement* frees Egypt's sterling balances, all of which were blocked in mid-1956 after Egypt seized the Suez Canal. The old restrictions on the No. 2 account have not been re-imposed by the Bank of England. Deducting the £27½ million earmarked for compensation, Egypt's sterling balances are now down to £41½ million. Another debit will be the sums that former residents will be allowed to transfer from their Egyptian funds, or from the sale of property. As permission is to be granted immediately for such transfers up to £E5,000, and may be granted for more, the total sum could run into several million pounds. Egypt also has the small special current account opened to receive canal dues and sterling payments from third countries. Releases from the sterling balances, which have to finance imports from Britain and other countries as well, are to be strictly controlled. A report from Cairo states that the maximum allocation for "ordinary" imports is to be £6 million; presumably this refers to annual imports of consumer goods. The rest is to used to pay for capital goods for the development programme.

In the face of the obstacle placed in their way, British exports to Egypt were remarkably high last year. After falling from £22.7 million in 1956 to £2.3 million in 1957, exports last year rose to £12.8 million, covering a wide range of goods. While a large part of these exports were presumably paid for through the special account, some have probably been financed by exchange deals through third countries, or paid for in dollars.

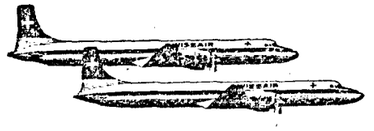
Nor have Egypt's sales to Britain been completely extinguished; here, too, means of payment have been found. Imports from Egypt fell from £7.3 million in 1956 to only £690,000 in 1957, and then rose to £2 million last year. Britain has not been buying cotton, but in both 1957 and 1958 imports of onions, another Egyptian staple, exceeded £500,000. It is difficult to be optimistic about

*Cmnd. 639.



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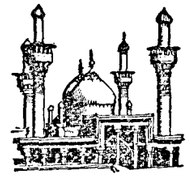
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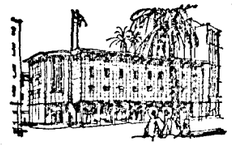
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GRANADA TV

British purchases of cotton. Egyptians are apt to accuse Lancashire of letting politics influence its buying; Lancashire replies that it simply buys in the cheapest market. The Sudan, not Egypt, is the cheapest source of long-staple cotton now. Prices have fallen so far that certain Sudan grades have not only lost their traditional premium but cost slightly less than a broadly comparable American cotton. Once spinners have learned to make do with different types of cotton they are reluctant to change back again; moreover, technical changes have diminished demand for the long-staples. Egypt, in turn, has obtained new markets in Communist countries, which now take about 60 per cent of its total exports. But, like the Sudan, it has a big crop this season, and has every reason to try to expand its sales.

Whose Responsibility?

THE £27½ million to be paid by Egypt in compensation has to cover all claims for property sold or nationalised and also compensation for damage to sequestrated property which Egypt is to return. The value of this was estimated by the Chancellor in the Commons debate at well over £100 million and probably £130 million; this figure includes the oil companies seized by the Egyptians, which are being returned under a separate agreement. An annex provides that British owners will be liable to pay sequestration charges to the Egyptian Sequestrator in return for his "protection," up to a total of £E2½ million.

But the hardest cases are likely to arise among owners of "Egyptianised" property. The Chancellor revealed that total claims reached £45 million for business properties, and a few more million for land. Who should square the difference between this and what Egypt is to pay? The Government refused to accept the commitment; and it bluntly points out that business men are apt to take a rosy view of their lost assets when making claims.

People who invest in countries where political risks are high count that risk in their calculations, and often demand and get high current returns to justify it. If the Government were to underwrite their capital for them they would have it both ways, and might fail to take the proper precautions. That is the objection to proposals being mooted in some countries for Government insurance—this of course on payment of premiums—of capital assets abroad.

The present case is not so straightforward. It is arguable that what has befallen British property owners must be laid at the door, not of the Egyptian government, but of HMG. But that line of retreat from the general principle, obviously, is ruled out for the Government on political grounds. Consequently, when the Foreign Compensation Commission has at length totted up individual claims, interested parties may hear how much they will be paid out in the pound. For the present, neither the big concerns such as Barclays DCO nor the many small owners have any clear idea of what they will receive, and when.

CREDIT TREND

Advances and Gilt-edged

THE banks are still increasing their advances and selling investments to pay for them; and although the authorities have been helping the gilt-edged market to absorb the sales, their repayments of floating debt in this season of tax inflows have been big enough to squeeze liquidity ratios at a number of banks very near the conventional minimum of 30 per cent. Since the season of Exchequer repayment of floating debt is not yet over, the banks may have to sell more gilt-edged. The changes in disposition of bank assets since the lifting of the credit squeeze are

LONDON CLEARING BANKS

	(£ million) February 18, 1959	Change on July, Month	Change on July, 1958	Change on Year
Deposits	6,631·7	−303·8	− 38·8	+231·3
"Net" Deposits	6,340·2* (6,243·8†)	−274·6	− 27·4	+219·7
Liquid Assets	2,140·9	−280·4	−116·1	−112·6
Cash	533·0	− 37·8	− 10·2	+ 18·1
Call Money	470·3	− 3·0	+ 55·4	+ 55·9
Treasury Bills	1,005·1	−234·9	−194·7	−202·1
Other Bills	132·5	− 4·7	+ 33·4	+ 15·5
Investments and Advances	4,212·7			
Investments	1,961·5	− 59·4	−231·4	−122·4
Advances**	2,251·2	+ 81·3	+334·7	+455·2

* Excluding items in course of collection. † Excluding all transit items.
** Excluding transit items, except for changes on July and on year.

now very considerable. In the seven months since July, advances have risen by £335 million, while investment portfolios have been reduced by £231 million (in part as a result of running off the January maturity). In the latest four weeks to February 18, sales of gilt-edged were £59½ million; advances rose by £81 million. This marks a quickening of the earlier pace, but may reflect no more than the seasonal influence of borrowing to help meet the tax bill.

BUILDING SOCIETIES

The First Reduction

THE Leicester Permanent, a member of the Building Societies Association but not on the council, is the first to break with the association's recommended rate for mortgage lending. It has given notice that from July 1st its rates on old mortgages, of which the highest is 6½ per cent, will be reduced by one-half of one per cent, subject to a minimum of 5½ per cent, and that from March 1st the rate on new mortgages is 5½ per cent. But the Leicester Permanent's borrowing rates—3 per cent on deposits, 3½ per cent on shares and 3¾ per cent on fixed term shares, all net—are left unchanged and still conform to the association's recommendations on share interest.

The society justifies the reductions in mortgage rates on a number of grounds: the trend in long-term interest rates is sufficiently well-established to justify a "limited reappraisal" of mortgage rates; the inflow of new funds is rising; and it is the society's policy to give borrowers the benefit of lower rates at the earliest opportunity. This reduction entails a voluntary cut in margins, however, that could be undertaken only by a strong society. Leicester is that: it enters its investments in its books at market value; its true reserve ratio remained unchanged last year at 5.9 per cent; its margin available for reserve appropriation improved from 4s. 3d. to 5s. 3d. per cent; and its liquidity ratio rose from 12.2 to 14.2 per cent. The Leicester's reserve ratio must be looked upon with envy by those societies that have been pursuing expansion. Leicester has by no means stood still, but it has always kept a careful watch on expenses.

Societies with reserve ratios less strong and keeping their eye on the requirements for trustee status would not gladly accept such a cut in their margins ; they are waiting for the moment when lending and borrowing rates can be brought down together.

If the Budget produces a reduction in the standard rate of tax (and hence in the building societies' composite rate) margins for building up reserves will be improved. If, as well, the next few months see the long-delayed reduction in the association's recommended rates, Leicester will have operated on a reduced margin for a limited quantity of money only. It is well placed to take that risk and is so placed itself that it can give almost immediate effect to any change in rates recommended by the association. In the meantime it will have earned goodwill of its borrowers, which will be of advantage if mortgage lending becomes freer and more competitive.

The Halifax Giant

BECAUSE of its size, strength and prestige, the Halifax is much of a law unto itself in the building society movement. It is not a member of the association and from December 1st it has been charging less for mortgages and paying less on its shares than the association's recommended rates with its mortgage rate at 5½ per cent and its share interest rate at 3¼ per cent net. Its reserve ratio is less strong than that of the Leicester and it brought down its rates in such a way as to preserve its reserve margin. But for two months of its financial year it was offering less than its competitors on shares. That did not, as its figures for the full year reveal, lead to massive withdrawals. Investors remained loyal. But the Halifax did not gain its full share of the big influx of new funds of recent months into the building societies' coffers.

Years to January 31st	1953 (£ '000)	1959 (£ '000)
Receipts from investors	85,375	89,041
Withdrawals by investors	50,258	60,339
Net investment	35,117	28,702
Mortgage advances	66,676	66,702
Mortgage repayments	44,058	49,460
Liquid assets	61,529	71,932
Total assets	344,012	389,865
Reserves	13,012	14,261
Liquidity ratio	17·9%	18·2%
Reserve ratio	3·8%	3·7%

That was to be expected and in a few months' time if rates throughout the movement come down, as possibly they may, the managers of the Halifax will no doubt be able to say that their independent line of action has done the society no harm. Indeed, it may create goodwill. And, more broadly it may do the other societies good to have their elbows jostled by this self-reliant competitor. Its power to compete is formidable: in the year to January 31st, its total assets went up from £344 million to nearly £390 million and by a fairly stern system of rationing its mortgage advances were kept down to £66.7 million. Its net receipts from investors were down on the year from £35 million to £29 million, but as mortgage repayments were slightly up and as gilt-edged prices had improved its liquidity ratio rose from 17.9 to 18.2 per cent. The true ratio is even higher than this, for on January 31st the market value of its quoted investments was £2.7 million higher than their book value. But the Halifax's operations last year had a cost: its reserve ratio fell slightly to just under 3.7 per cent.

INDUSTRIAL LOCATION

Swansea—and Why Not?

THE new factory being built for the Pressed Steel Company at Crymlyn Burrows, near Swansea, will be the largest factory yet financed by the Government in a development area. It will be built by McAlpine's at a cost of about £2 million ; work is expected to begin almost immediately, and completion is scheduled for next spring, at which time it will be leased to Pressed Steel by Wales and Monmouthshire Industrial Estates, on behalf of the Board of Trade. Although the company will receive neither the rent rebate not the partial rent "holiday" which the Government announced last month that it will give to some companies in development areas, Pressed Steel has stated that some financial consideration was received from the Government, and the Board of Trade have repeated that all factories within development areas are let at rentals lower than would be needed to cover the cost of new building.

The new factory will house the company's "Prestcold" refrigerator division. All production of refrigerators—which is now located at Oxford and at Theale, near Reading—will be transferred to South Wales, and eventually doubled there. Subsequently, other domestic appliances may also be made at Crymlyn Burrows ; employment is expected to reach 2,000 within 18 months after occupation of the new plant, and 4,000 after about five years. Production of car bodies can then be increased at Oxford and at Theale ; the company also makes car bodies—but not refrigerators—at its plant at Swindon.

The choice of South Wales for the new plant appears to be a fortunate one, both for the Government and for Pressed Steel. It will be close to supplies of flat steel and in an area where adequate supplies of labour should be available for some time to come—an especially important consideration for a manufacturer of consumer goods whose production may expand appreciably within the next few years. Transport costs are probably insignificant for so expensive a finished article as a refrigerator, and the company should benefit from concentrating on car bodies at its other plants, where—especially at Oxford—further expansion might otherwise be difficult. On the other side, Pressed Steel will have furthered the Government's policy for dealing with black spots of unemployment ; if it has been lucky enough to get some sort of concessionary rental for doing this, so much the better.

COMMONWEALTH DEVELOPMENT

More Money for CDFC

THE Commonwealth Development Finance Company, set up in 1953, is seeking more capital in order to play a more active role in its task of providing money for Commonwealth development, especially in association with private enterprise. Total commitments shown in the last balance sheet were no more than £14½ million ; and it is clear that shortage of permanent finance has been the limiting factor. The capital consists of 8,250,000 "A" shares of £1 subscribed by 91 industrial, commercial and financial companies ; but this is only 2s. paid. The Bank of England has subscribed 6,750,000 "B" shares of £1, now 10s. paid. Thus the total paid up capital is £4.2 million ; the company's bank advances on March 31, 1958, were £5½ million.

It is now proposed that both classes of capital should be increased. Lord Godber, chairman of CDFC, this week invited subscriptions from a number of additional large industrial and commercial companies. At the same time, the Bank of England is prepared to take up further "B" shares, while remaining a minority shareholder. The company also intends, when market conditions are propitious, to raise loan capital at long term. The announcement refers to the increase in the demand for development capital in the Commonwealth highlighted at the Montreal conference last September. But nothing is said about the plan mooted at Montreal for participation in the capital of CDFC by other Commonwealth central banks. Plainly there has been no rush to subscribe. Money has to come from Britain.

DRIVE-IN BANKS

Through the Looking Glass

TWO English clearing banks have taken the plunge and built into new branches facilities for the reception of customers who cannot or would prefer not to leave their motor cars. The Westminster Bank was first with a drive-in bank in the suburbs of Liverpool, and last Monday the Minister of Transport opened a new branch of Martins at Charles Street in the heart of Leicester. Basically, all that is needed is a carriageway that allows the motorist to manœuvre himself off the high road and alongside the bank, and a sliding drawer to take his cheque and return his cash. Martins' new drive-in branch consists of much more refined paraphernalia. In this case the motorist leaves the road and enters a tunnel resembling the entrance to many hotel garages in the centre of cities. The entrance is guarded by a power-operated shutter door. The incoming motorist passes a photo-electric cell and an audible signal warns the cashier of his approach. He will then be greeted by a smiling lady cashier from behind her bullet-proof window. Speech is transmitted by microphone and loudspeaker, and an electrically operated steel drawer, part of an elaborate desk imported from America, moves out to receive customer's tokens. The motorist then circles the bank and re-enters the thoroughfare. The Westminster's apparatus is simpler and has been largely devised by its own staff.

The cost of a drive-in window is high, but not prohibitively so. Many bankers dispute its usefulness on the grounds either that the money could be spent to better effect on the provision of other facilities, or that the type of transaction that can be handled is severely limited. Barclays and the Midland, among others, have considered this facility, and have rejected it. Few would claim that the drive-in bank can contribute more than a mite towards the solution of the parking problem or that security is very much enhanced. But a bank that is prepared to spend considerable sums on the comfort and aesthetic content of its branches should not stand its ground if customers after all display a preference to remain outside the bank. If the new branches attract customers, then competition will ensure that they will spread, as they have in America and to a limited extent on the Continent. Consumers are often prepared to pay for apparently frivolous comforts.

Planet XI

THE American rocket that travelled to and past the moon this week to become the sun's eleventh planet brings the Americans more or less level with the Russians in the new art of moonmanship. It is assumed that, like the Americans, the Russians had had four previous tries before they succeeded in reaching the moon on the fifth attempt. It is suspected, on rather less reliable evidence, that the Russian rocket fired early in January deviated slightly from its planned track, which should have led to a direct hit on the moon. The American Pioneer IV is also fractionally off course. According to the ploys of the game, the Russians score on two counts: their rocket was 240 times as heavy and it was launched eight weeks sooner than the American. Science, however, will not remember a gap as small as this, only the value of the information sent back by these trail blazers in outer space.

Scientific Possibilities : Moonmanship apart, the value of the probes depends on how much they can learn, in the limited time their batteries remain alive, about conditions immediately above the atmosphere, near the moon and in the waste of cosmic space lying between earth, moon and sun. This is not as empty as it would seem and the probes should take readings over a fair range of space from the launching pad to the point where the package of instruments go into interminable orbit round the sun.

The two most pressing questions to which scientists want an answer are (a) what causes and keeps going the two totally unexpected and possibly very important belts of radiation round the earth discovered by earlier rockets and (b) whether the moon has a magnetic field. If it has, conventional ideas about the origins of the moon and whether it has a cold dead core, or a hot molten one, will have to be revised. Unfortunately Pioneer IV is too far off course to be of much help here, and if the Soviet Planet X discovered anything of note, the Russians have not said so.

Practical Importance : Interest in outer space is no longer limited to academic geophysics. The US Air Force plans to send manned aircraft to heights of 100 miles this summer, well outside the "normal" limits of the atmosphere. Once men begin to fly at this altitude it becomes imperative to get accurate reading of conditions through which the aircraft fly, which are considerably more directly influenced by conditions in outer space. High altitude rockets can take more useful readings here than satellites since they take measurements over a greater distance whereas satellites make readings on a single orbit over a considerable sequence of time.

But now that these massive military rockets have become beaten into what still looks a lethal type of ploughshare it is pertinent to ask whether they have to be built on a scale capable of travelling all the way to the moon. The moon is 250,000 miles away, while many of the most important phenomenon, such as the radiation belts, lie well within 100,000 miles of the earth. What scientists most require are not tantalising snippets of information transmitted erratically as the rocket hurtles into space, but a controlled series of readings from a large number of small rockets rather than one big one. Much useful data could be learned from fitting some of them with hydrogen or high explosive warheads to be exploded at great distances from the earth. The scientific uses of a controlled explosion above the atmosphere have not received the attention they deserve, probably because it is the kind of ploy that would lose marks in moonmanship and spacemanship.

COINAGE

Silver and the Franc

THE silver market, which had been fairly firm since mid-December, has become exceptionally strong following the announcement of a new coinage plan by the French Government. Against the modern trend of replacing expensive silver coin by copper and nickel, France intends to give the new "heavy franc" the metallic solidity of an impressive new silver coin. This is expected to be either 0.835 or 0.70 fine. The principal new coins will be of 2, 5 and possibly 10 "heavy" francs (each equal to 100 of the present francs). Doubtless it is hoped that precious metal will help to restore domestic confidence in the new franc; but this psychological gimmick must be more expensive than knocking off the two noughts. The minting programme will absorb between 20 million and 30 million ounces of silver. The French Government has already purchased considerable quantities—and the bulk has come from Russia. But some of the buying has been through the London market, and it has been the principal influence in lifting the price of silver from 76⅜d. an ounce a month ago to 79⅜d. this week.

Newly mined silver reaching the London market, mainly from Australia and Burma, normally covers essential industrial demand. When coinage orders come on the market as they have done on a minor scale from Austria, and more recently and more vigorously from France, the limitations of available supplies are immediately revealed. The impact of such demand is to some extent cushioned by occasional sales of demonetised coin. The Bank of England is still prepared at times to accommodate the market, but in very modest amounts. The dearth of supplies revealed by the coinage demand from France may have to be remedied by sales of silver by the US Treasury. Silver in New York has now risen to over 91 cents, the figure at which the US Treasury is empowered, though not compelled, to sell silver from its surplus stocks. The London and New York quotations have been leap-frogging and the London price touched this week is the highest since 1957. Whether it will go higher still must depend on the readiness of the US Treasury to sell.

COMMERCIAL TELEVISION

Welcoming A Newcomer

ONCE nuclear power equities caught the investor's fancy. More recently the equity stocks of the commercial television contractors have been doing so. The two booms have had a very different flavour. Speculation on nuclear power could be attached to the stocks of well established electrical companies whose equities already enjoyed a broad market; to get into commercial television meant scrambling for a limited number of shares in a narrow market and in some cases through the back door of the stock exchange. The nuclear power boom was intended for the long pull. The commercial television boom is based on the present fact of enormously expanded profits and dividends. That is why a direct stake in commercial television—or even an indirect stake through the shareholding companies whose equities are quoted—costs so much. But except in the special case of the Granada Group (whose profits because of its agreement with Associated Rediffusion have not yet rocketed) the yields offered by TV shares are not risibly thin. That is as it should be, for the initial impetus which turned losses into fat profits in a few months is spent and earnings and dividends cannot now be expected to go on expanding at their old rate. The coming year's earnings may even receive a check if the Independent Television Authority orders contractors to cut their peak advertising; this it may very well do since the tendency to concentrate advertisements on the most popular viewing times (provided the average over the day as a whole did not exceed six minutes an hour) has begun to attract considerable parliamentary attention.

A welcome was given to TWW, the contractors for Wales and the West of England, when dealings began in its 5s. non-voting shares under rule 162 (2), which provides for specific bargains to be made with the Council's permission in unquoted stocks, on the assurance that the company will seek a fully fledged quotation this summer. Dealings were expected to begin at 35s. but the opening price on Wednesday was 39s. corresponding to a yield basis of about 7½ per cent, on a 58½ per cent dividend, which is the equivalent rate on the new capital to the payments made last year. In that calendar year, the company turned a loss of £70,509 into a gross profit of £873,105.

ENERGY POLICY

Freer Imports of Fuel

IN the last of three lectures to the London School of Economics upon "The Political Economy of Energy," Dr Georg Tugendhat this week propounded an energy policy that he thought might be fitting for this country in the era of convertibility: one based upon buying all our fuel in the cheapest market, wherever in the world that might be. Practically, this would mean importing coal as freely as we now import oil and propose to import electricity and possibly natural gas. Since the war only the National Coal Board has occasionally been authorised to import coal, at times when the landed price has been far higher than prices here. Customers such as the Associated Portland Cement Company can buy a cargo of Russian fuel oil, but would not at present get a licence to buy a cargo of Polish coal if they wanted to; the Gas Council can import 2,000 tons of Texas methane, but could not buy one ton of Pennsylvania carbonisation coal.

Dr Tugendhat was not too clear about what the results of such a change in policy might be. On the one hand, he instanced the possibility of landing American coal in Europe at $11-12 a ton today; this is well below the cost of freight alone two years ago. He believed that American coal-owners were prepared to buy their own ships and guarantee 15-20 year contracts at fixed cif prices (fixed to reflect today's unremunerative level of Atlantic freights?). On the other hand, he said that all our foreign competitors protect home-produced fuels in one way or another and that "we should afford the same advantages to our fuel industries, provided always that price levels to the consumer do not exceed those in force elsewhere." He thought it would not be impossible to produce about 100 million tons of coal from the East Midlands and North-Eastern divisions of the National Coal Board at "internationally competitive" cost; but went on elsewhere ambiguously to suggest that the level of British coal output which could be maintained at competitive costs "would be much higher than anyone of us is prepared to forecast today."



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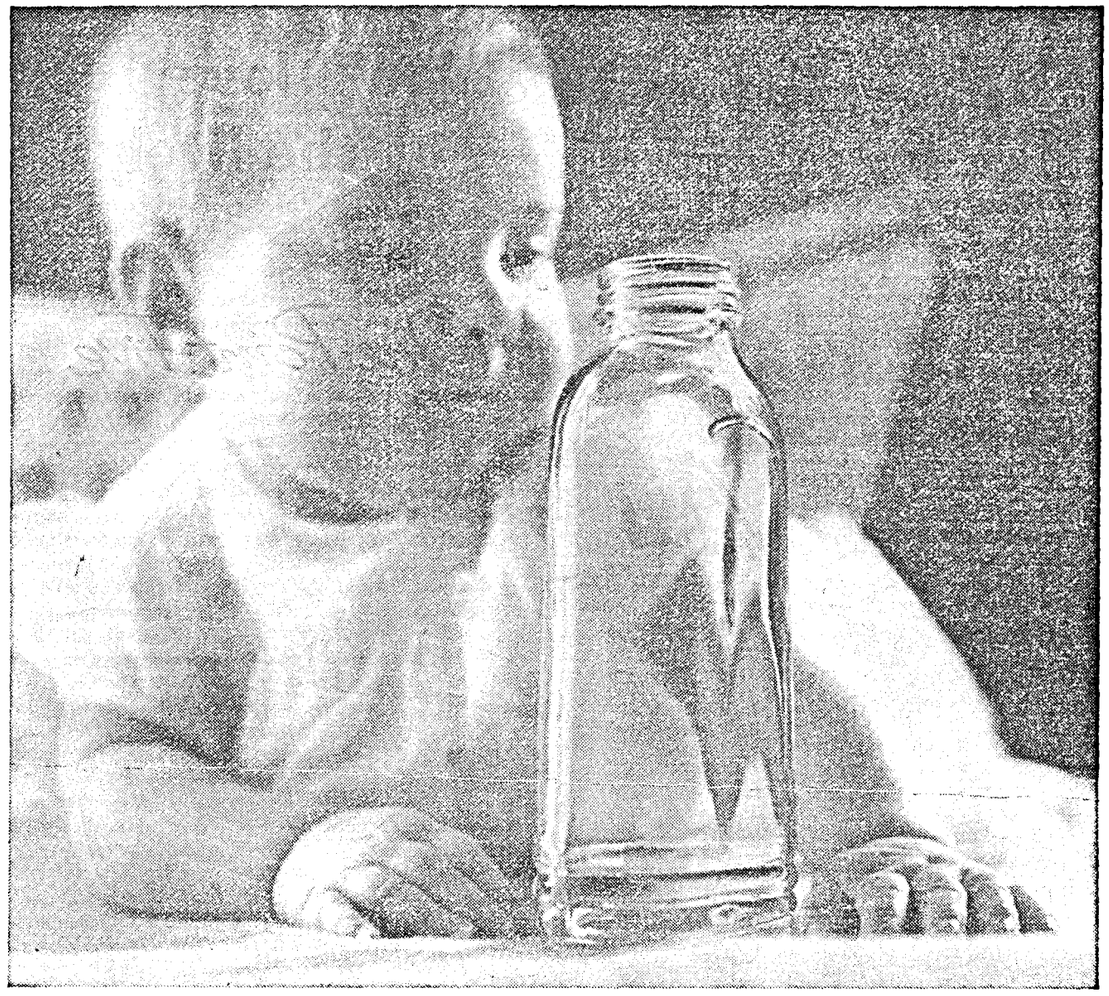
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It is clear that British coal cannot long command a price higher than imported coal can be landed for—though Dr Tugendhat might bear in mind that until eighteen months ago bringing it into line with world prices would have meant putting it up substantially. It is not, in effect, wholly insulated from world competition on price at present. The prices of American coal and natural gas, plus freights, already set a ceiling to fuel oil prices here, which are low enough to take an increasing share of markets where oil competes with British coal. But in the shape of coal, imported fuel could certainly compete in the Coal Board's remaining markets as well. Reactions to this quite powerful thesis of Dr Tugendhat's will be partly political. But economically they will depend also upon one's assumptions about long-term trends in cost, which are less easy to speculate about than, say, those in the period of surplus capacity that now besets fuel industries everywhere in the world. As he says "there is plenty of fossil fuel in the free world." But not everybody would agree that "we can state with equal certainty that the cost of exploration, production, processing and transportation could be reduced greatly below the present levels."

COPPER

Strikes and the Market

STRIKES and fears of strikes continue to pull copper prices higher. The American custom smelters, more sensitive to market pressure than the integrated producers, have raised their prices by another half cent to 32 cents a lb (£256 a ton), which is two cents above the producers' price. Copper is short in the United States. Consumers have been ordering extra supplies in case American miners go on strike in the summer before a new wage contract is settled, and now strikes have occurred at an Arizona smelter and a Chilean mine. There is no shortage in Europe, but the London market has been influenced by American events, and still more by the troubles in Africa, which could spread to the Rhodesian copperbelt. Cash metal closed in London on Thursday at £246 a ton, a rise of £5 on the week. It is not profitable to send copper from London to New York over the tariff of nearly £13 a ton, but if the margin between the two markets widened by another few pounds more, African and Chilean copper could flow direct to the United States; freight costs to the USA and Europe are almost the same.

LABELLING

All that Glisters . . .

HARD on the heels of the committee which declared that the public should know how much orange makes a squash comes another report recommending that it should also know how much gilt is on the lily. When the tendency is to seek protection of the unsuspecting and frequently gullible consumer by clear, descriptive labels, it becomes important to see that all industries keep in step. The report of the departmental committee on hallmarking of precious metals found that strict though the hallmarking regulations may seem, they have become encrusted, since they were first introduced in 1238, with a wealth of detail that makes them wellnigh incomprehensible to the uninitiated. The committee picked its way through gold braid and silver wire, the ingenuities of the fake antique dealer, and innumerable exemptions to hallmarking hallowed by history but not by anything else. It has now recommended complete revision of the 30 or more statutes still in force, their extension to platinum for which there is no legal standard in this country although there is in Europe, the inclusion of gem jewellery as well as ornaments made from precious metal only, and the amalgamation of several assay offices.

Having completed this spring-cleaning operation, the committee then tackled a more difficult issue, the protection of the public from a range of loose descriptions such as "gold filled," "rolled gold," "nickel silver" and a host of others which get attached to articles with little, if any, gold or silver in them. It now suggests that terms such as these should be given a legal definition, the Herculean task of seeing that they are correctly applied being left to the assay offices. It is no more difficult to test the gold or silver content of, say, a bracelet, than it is to test the fibre content of a piece of cloth. But the shifty jeweller selling "solid" gold is playing for higher stakes than the textile manufacturer who adds a little more rayon to his "wool" cloth. The pursuit of every sub-standard trinket is not going to be easy; that is no reason why it should not be attempted or at least threatened.

RAW SUGAR

Guessing the Surplus

RAW sugar on the "free" world market is still about 3.10 cents a lb, fob Cuba; so far the drastic action taken by the International Sugar Council late last week has not brought about a rise, though it may have prevented a further fall. As the prevailing price under the sugar agreement was below 3.15 cents a lb export quotas could have been cut by the maximum of 20 per cent of the basic export tonnages. The council could not quite bring itself to do that, but it has made almost as big a cut and in a way that gives it more flexibility for future action than would otherwise have been the case. The minimum requirements of the free market in 1959 are now put at 5,580,000 metric tons, somewhat higher than the council's previous estimate. Supplies available from non-member exporters are put at no more than 325,000 tons, which is well below certain private estimates. If that figure is fulfilled, exports from member countries would be 5¼ million tons, compared with the basic export tonnages of 6.4 million.

Export quotas had already suffered an automatic cut of 2½ per cent of the basic tonnages, and have now been cut by another 5 per cent, or by 480,000 tons in all. In addition, the council has decided that all exporters should hold back a quantity equal to 10 per cent of the basic tonnages, or 640,000 tons, "so long as market conditions warrant." In effect the supply available from members is reduced to 5,280,000 tons, thus balancing demand on paper. So early in the year no estimate of supply and demand can be better than an informed guess. Many private traders think that the council is under-estimating the true surplus; the council thinks that they are exaggerating it. Time will show who is right.

DISTRIBUTION

The Organised Grocer

A "VOLUNTARY group" of grocers, the Wavy Line Grocers' Association, announced this week that it had enrolled 1,400 members since it was launched on a full scale last September. Other associations of this type have also

increased their membership rapidly in the past year. The Spar organisation, which is strongly entrenched on the Continent, had only 72 full members at the end of 1957, its first year of operation, and now has over 1,000; the Alliance of Individual Grocers, which was the first one to be formed in Britain five years ago, has risen from 340 members in 1957 to 700 now. There are no reliable figures for the total number of retailers in these associations, but it is clear that they have been rising at a progressively increasing rate since resale price maintenance began to be broken down last year. These associations, originally formed to enable the independent grocer to match the large-scale buying of the multiple, have become more valuable as a defensive measure since the multiples and supermarkets began price competition in branded goods, from which the independents had previously felt themselves immune.

Two kinds of voluntary association now exist in Britain. In a "group," one wholesaler supplies all the retailers with all the goods they buy, apart from any specialities he may not stock. In a "voluntary chain," several wholesalers get together with retailers to form a probably more widespread association, in which each wholesaler has a monopoly of one area, but co-operates with the others in matters such as advertising. Both give very much the same benefits; the most important of these are the retailer's freedom from concern about his buying, the wholesaler's ability to limit his deliveries for each district to one large "drop" instead of many small ones, and the benefits of common advertising. The retailers are free to concentrate their time and working capital on selling, while their combined purchasing power is great enough to obtain price concessions from manufacturers on goods that will be sold as "special offers." Most manufacturers are now reconciled to seeing their goods sold at cut prices, and indeed glad of the extra volume of sales this may bring. Even so, though the manufacturer increases his sales, he is accepting a less dominant role in the distributive process. If the chains and groups follow the multiples and the co-operatives in asking for their own brand labels on products, as Spar does on the Continent and hopes to do here later this year, he may find himself one seat farther back.

SECONDHAND JEWELLERY

Purchase Tax Postponed

THE Chancellor of the Exchequer, in a written answer, told the House of Commons last week that the introduction of purchase tax on secondhand jewellery would be postponed to May 1st to give the trade time to adjust its business to the new conditions. The tax, which hitherto has been payable only on new jewellery at a rate of 30 per cent of the wholesale value, was to have taken effect on March 1st. Mr Amory said that he was considering the representations made by all sections of the trade and by the London auctioneers (who consider that taxation of secondhand jewellery would disrupt the market and seriously impair London's standing as the leading international art market). At present he could see no practicable alternative to the tax, "in view of the evidence of widespread malpractice disclosed by the investigations of the Customs and Excise." This week a number of men in London and the provinces were charged with a conspiracy to defraud the revenue of purchase tax "by subtle means and devices," in particular by pretending that certain new jewellery was secondhand.

TANKERS

A Packet of Sausages

THE flexible "sausage" barge for liquid cargoes that was invented by Professor W. R. Hawthorne in 1956 and is being developed by Dracone Developments, Ltd., has now come one step nearer practical use. Last week a prototype barge carried a cargo of paraffin for Esso from Fawley to Newport, Isle of Wight, which is claimed to be the first commercial voyage by a flexible vessel. Several prototypes, with a capacity of 10,000 gallons or about 40 tons, have been on trial on Southampton Water for the last six months. A batch of similar barges is to be built for sale at a price of £3,300, compared with a price of about £3,000 to £3,500 for a conventional barge of this size; and two are being sent out to West Africa for tests on the rivers there by Shell Tankers Ltd. and a shipping company. A larger sausage, to hold 350 tons of liquid, is now under construction and it is hoped that this will prove a step towards much larger versions.

These kinds of barges were originally intended for cheap ocean carriage of oil, but the emphasis is now shifting towards the carriage of liquids on inland waterways or in coastal waters, for which the smaller barges that are likely to be available in the more immediate future will be suitable. They have especial attractions in the more remote regions, to which the costs of transporting a normal barge may exceed its cost of construction. The flexible barge is much cheaper to transport, because it can be carried in a collapsed state, so that its price to the user will be lower than that of a conventional barge. One new use in which there is now considerable interest is as a substitute for storage tanks. Where temporary facilities for keeping liquids are needed, and where water is available, it should prove cheaper to use a floating flexible container than to build steel tanks.

The barge is made by P. B. Cow Ltd. for Dracone from woven nylon cloth three-sixteenth of an inch thick, coated with synthetic rubber. The price per ton is expected to fall with increases in size and the scale of production, but if it proved possible to use a cheaper material such as polyvinyl chloride, which Herr Doerpinghaus, the German inventor of a similar barge, is believed to be employing, much larger reductions in cost could be made. For so long as the costs remain comparable with those of normal barges the use of sausages seems likely to be limited to places distant from shipyards, or for uses where its collapsible nature is an advantage.

MONOPOLY

Commission in the Background

THE activities of the Monopolies Commission during 1958 are reviewed, at no great length and less depth, in the annual report on the Monopolies and Restrictive Practices Acts of 1948 and 1953, published by the Board of Trade this week. The only job that the commission completed last year was a report on whether (and to what extent) its recommendations of some years ago concerning trade in imported timber had been carried out: its report that they had not is still being considered by the Government, with



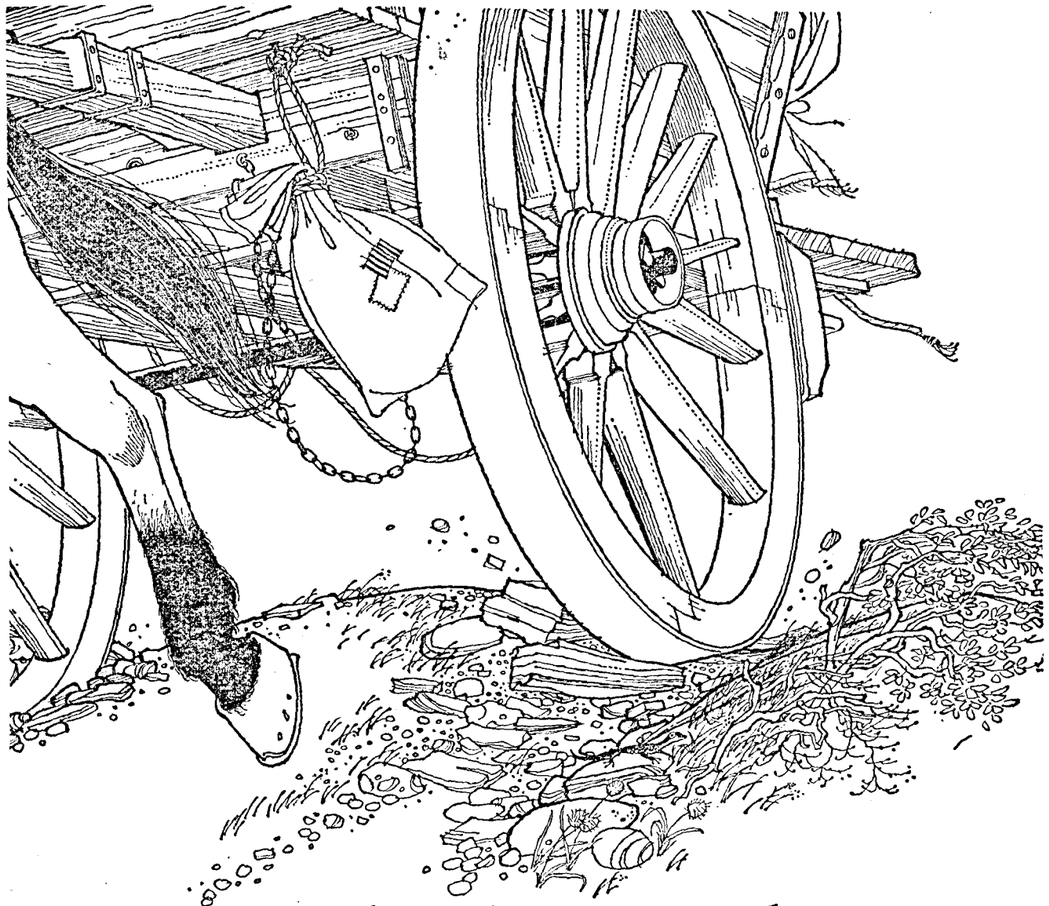
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Shell Bitumen, a product of petroleum, is a tough ally in these projects. A road is only as good as its base, and conventional bases are often inadequate for modern traffic. But new bitumen-bound base courses take the extra strain comfortably and are being used more and more, particularly in Europe, to increase the strength of roads while decreasing the cost of making them. Thanks to bitumen, durable and non-skid surfaces are making roads safer. And, thanks to bitumen's versatility, road engineers can make use of cheaper and locally available materials. The world's biggest supplier of bitumen for roads is Shell.

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the Timber Trade Federation. The commission is working on four cases at present, dealing with chemical fertilisers, cigarettes and manufactured tobacco, tobacco manufacturing and packaging machinery, and "electrical equipment for mechanically-propelled land vehicles." A report on the chemical fertilisers case will probably appear some time this summer. The annual report notes several subjects which have been recommended to the Board of Trade for submission to the commission; among these are aluminium ingots, electric shavers, gramophone records, shotgun cartridges, the distribution of petrol and lubricating oil for motor vehicles, and sole agencies and exclusive arrangements generally But the board did not refer any subjects to the commission last year.

As if in courteous deference to one of the commission's infrequent public appearances, the Restrictive Practices Court has had a quiet week. Hearings have been completed on the Blanket Manufacturers' Agreement, although a decision is not expected to be announced immediately. Last week the court asked for a fuller and clearer statement concerning the motor vehicle distribution scheme.

GERMAN MONEY MARKET

Discount Houses in Fashion

MEMBERS of the London discount houses awaiting with trepidation the report of the Radcliffe Committee on whether or not they are obsolete must be noting with relief the crop of new discount markets springing up abroad. Following the moves in Commonwealth countries, including South Africa, Rhodesia and Australia (where the Commonwealth Bank has now announced that it will act as lender of last resort to four dealer companies) a discount company has been formed in Germany.

Germany has had no discount market since the war. The move to set one up now is designed for a limited purpose. Privatdiskont AG will not handle government paper—there is virtually none of it in Germany—and it is not designed to encourage the use of trade bills for internal financing. The Bundesbank remembers with awe the experience of the Reichsbank before the war: it found itself left with nine-tenths of the paper in the market. Nor does the central bank want to encourage export finance; its eyes are commendably fixed on the need to ease the burden of Germany's external surplus. Only two categories of bills are eligible for discount at the new institution, those financing imports and those financing international transit trade. Bills must carry an indication that they are financing one of these two types of transaction.

The Privatdiskont AG has been formed by 38 banks, including the big banks, private banks and savings banks. In contrast with discount houses in other centres, the company will not itself provide finance, but will act merely as an intermediary, taking discount business from the big banks or private banks and passing it on to the savings banks and other institutions seeking an outlet for short term funds. Bills that pass through the company will be eligible for re-discount at the Bundesbank. So far business has been very small—it will take time to train new staff in forgotten ways and the credit is not cheap. To a basic charge of 2½ per cent must be added the banks' acceptance commission of 1½ per cent, and tax equivalent to 0.6 per cent. The total of over 4½ per cent is more than has to be paid in New York—though not very different from London.

AUTOMATIC SELLING

Slot Sales Surge

AN International Automatic Vending Exhibition that was held in London this week is a sign of how fast selling through the slot has recently been developnig. Four years ago, when the industry was beginning to start operations again after the end of sweet rationing, there were only an estimated 4,000-5,000 slot machine "columns" in use. (The number of columns, each serving a single slot, were the measure normally employed for chocolate and cigarette machines, rather than the number of individual machines.) The industry was then prepared to guess that there would be some 40,000 columns in use by 1960. But growth has so far exceeded expectations that current estimates now range from 50,000 to 120,000, or even 250,000, complete machines in use. The only official estimate of the value of sales from them relate to those not owned by retailers; it is of £2.3 million for 1957, a figure regarded by the trade as far below their total sales. Machines selling chewing gum are the most numerous; one estimate suggests that there may be up to 150,000 now installed, and that cigarette machines come next, with 40,000-50,000.

These machines are of the type familiar for many years, but the most interesting recent development is the introduction of the more elaborate machines selling food or drinks. These machines have been much more extensively developed in America and on the Continent than in England; development consists mainly of catching up with the foreigner, and most vending machines are being built under licence from foreign manufacturers. A number of large companies have recently begun making these machines, including Hawker Siddeley, Elliott Automation, and Camp Bird. About 10,000 are believed to be in use, installed outside shops, to give round the clock sales, on railway stations, in hotels, factories or offices, and in garages. Vending machines are popular in factories because they enable workers to buy refreshments without leaving their work, which is convenient for them and is believed to improve productivity by reducing time spent in drinking cups of tea. Indeed, the more single-minded managements prefer to have cold drinks sold in bottles from machines, rather than tea or coffee in cups, because drinking the one is assumed to be stimulating, while the other is supposed to induce a feeling of relaxation.

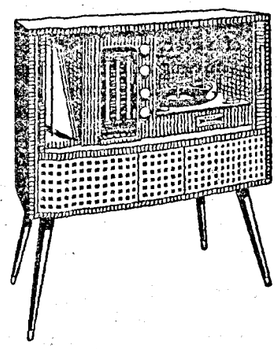
COMPANY AFFAIRS
Comments on pages 921, 922 and 923 on

P. & O.	Consolidated Zinc
A E I	Relay Exchanges
Rugby Portland Cement	B A T
A. W. Gamage	Triplex
British Wagon	Dowty
Anglo Auto Finance	Ilford
British Oxygen	Linen Thread

LONDON AND NEW YORK
Stocks, prices, yields and security indices on pages 924 and 925

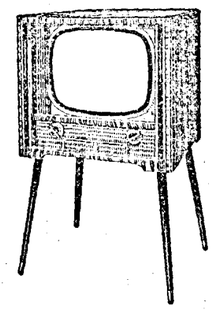
LONDON STOCK EXCHANGE
The week's movements reported on page 923

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 926



SRG 300 Stereogram





DM/1c Television and V.H.F. Receiver

ANOTHER RECORD

Mr. E. R. Lewis on a Vital and Adventurous Business

The 29th annual general meeting of The Decca Record Company Limited was held on February 26th in London.

Mr. E. R. Lewis (the chairman) presided and, in the course of his speech, said: In the Consolidated Profit and Loss Account the balance from Trading Account, which amounts to £2,952,539, shows an increase over that of the previous year of £563,171. Maintenance and Depreciation amount to £937,890, an increase of £149,898, but interest charges were lower by £49,491 at £121,772. The balance of profit for the year at £1,861,685 shows an increase of £459,171 over the previous year.

After charging taxation and tax equalisation, including £50,000 credit from the previous year, of £930,701, the net profit amounts to £930,984, an increase of 60 per cent. The balance carried forward shows an increase of £406,457. I feel sure that you will regard these results as highly satisfactory, and justifying the forecast I made at the last meeting.

Consolidated turnover for the year to March 31st, 1958, at £20,950,000 was £3,900,000 greater than that of the previous year having increased by twenty times since 1946.

We are recommending a Final Dividend on the Ordinary and "A" Ordinary shares of 1s. 5d., less tax, making a total for the year of 2s. 0d., less tax, an increase of 3d. per share over that of the previous year.

Exports reached the record total of £5,320,000 including £1,350,000 to the USA and Canada.

Review of Operations

Production and sale of records were greater than in any previous period, the company maintaining its share in total industry production though the rate of increase slowed down towards the end of the financial year. Improved results were shown by our Canadian and American subsidiaries and large sums were received by means of royalty payments for records pressed in many overseas territories.

Our Radio and Television Division also had an excellent year, sales being greatly in excess of those of any previous period.

The Decca Navigator made further progress during the year, which was a record one for new hirings. The Swedish chain was brought into commission by the Royal Swedish Navy, the Canadian and New York chains were erected and a number of special survey projects were carried out in various parts of the world. The long range "Dectra" system was established over the Atlantic and a large number of evaluation flights were made by the Ministry of Supply, BOAC, Pan American and Swissair. On the Radar side we had a good year, the turnover being larger than in any previous period.

All the company's facilities were stretched to the utmost to cope with development and production in the various activities in which we specialise.

The Current Year

The rate of increase in the record industry has, as you will have gathered from the press, slowed down and has at times dipped below the overall figure attained in the previous year, with the result that the total industry sales for the nine months to December, 1958 were somewhat lower than for the preceding similar period. Fortunately we managed to keep our own sales slightly ahead of those of the previous year and so of course have had a small increase in our share of the total industry.

Our American and Canadian subsidiaries have forged ahead strongly this year despite the general trade recession and a considerable improvement in results is expected. The reception of our stereophonic record, both in this country and in the USA and Canada has been most encouraging and in the latter countries stereo records are already making a material contribution towards our profits. Our high precision stereophonic pick-up, manufactured by our subsidiary company, Reid & Sigrist, has met an enthusiastic reception amongst specialists on both sides of the Atlantic and is considered to be the finest pick-up on the market.

I have referred on more than one occasion to the heavy burden of purchase tax which is levied on records at the highest existing rate. A joint committee has been formed by the leading recording companies with a view to bringing to the notice of Members of Parliament and the Chancellor of the Exchequer the contribution made by the industry to the cultural life of the country, to our prestige abroad and to the export trade. Our case is undoubtedly receiving most sympathetic consideration in many quarters and we feel that if any reductions in purchase tax are to be made, we have an exceedingly strong case for the maximum consideration. Naturally we hope that this heavy, and we believe

quite unjustified burden on our comparatively small but very vital industry, will be abolished.

Our radio and television department has made further progress since March. Television sales, which were restricted in the first few months, went strongly ahead in the autumn.

The Navigator

In the Navigator business the last 11 months have been a period of exceptional achievement.

Hiring contracts and sales of Navigator receivers now total over 5,500 having almost doubled over the last four years. These figures are proof enough of the value of the system to marine and air users and we have built up a rental income of quite substantial proportions.

In Nigeria a chain of Decca Navigator stations has been brought into service and the Dutch Government has purchased and is using a Decca Chain for their Delta Plan operations.

There have been three separate contracts in the Persian Gulf with the Arabian American Oil Company, the Consortium and the Japanese exploitation group.

The New York chain has been brought into operation and is being used by New York airways in an experimentation programme conducted by the United States Federal Aviation Agency. Unfortunately, and much to our surprise, the American Coast Guard has banned the use of the chain by shipping. As a result, amongst many others, the great Atlantic liners of Britain, France, Sweden and Holland and even the American liners SS United States and SS America are unable to use the valuable facility provided, despite the fact that they are all equipped with our receivers.

The trial period for the Canadian chains came to an end on September 30th last. We have received a letter of intent from the Canadian Department of Transport as a result of which we can anticipate their final agreement to the purchase of the Canadian Decca chains within the next few months.

You will have gathered from the newspapers, radio and from television of the debates just concluded at the meeting of the International Civil Aviation Organisation (I.C.A.O.) in Montreal to decide whether the American VOR—DMET system or the British Decca Navigator System should be adopted as the standard equipment for short range air navigation.

Although unfortunately the vote has gone against us, I wish to state that we shall continue to do our best to maintain and improve on our position as a leading company in the important field of air navigational aid development.

The Spanish Government has ordered a Decca chain which is being manufactured in Spain under licence. It will give valuable coverage along the Spanish North-West Coast and overland to Madrid.

Radar

Our Radar business continues to progress and we recently announced an entirely new series of seven marine radars which cover the requirements of all classes of shipping. Already orders have been received for five hundred units, and of particular interest has been the wide adoption of true motion radar, of which we are the pioneers, and which should make a material contribution to safety at sea. To date over 8,000 Decca marine radars have been sold and hired, representing nearly 50 per cent of radar-fitted ships. Our new harbour radar is now in commission at the ports of Southampton and Liverpool and we are in the process of installing similar equipment in the ports of London and Hamburg.

Our new Decca Civil Air Radar meets requirements for the control of jets. Orders have been received from the Swedish Civil Aviation Board for installation at the new Stockholm airport and for the airport at Gothenburg. Doppler, a new air navigation aid, has been developed for use on its own or in conjunction with the Decca Navigator system.

We have developed an extensive world business in Meteorological radar. Decca windfinding radar has been specified for use in many installations throughout the world from Antarctica to the Equator.

Essential security forbids giving details of the extensive scale of Decca work in the field of military radar. In co-operation with Compagnie Française Thomson-Houston joint systems have been developed and are in production.

Confidence in Continued Progress

I hope that I have said enough for you to appreciate something of our very vital and adventurous business.

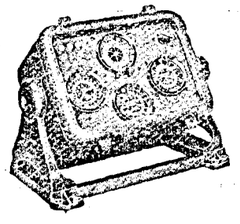
I am confident that with our physical resources, the ability, resourcefulness and enterprise of our executives and personnel, and our know-how and experience we can look forward to the future with that same confidence that has enabled us to reach a position in the industrial world undreamed of fifteen years ago.

Results for the current year should again be very satisfactory and we can look forward to continued progress in the varied fields in which we are engaged.

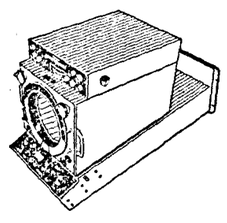
The report was adopted and at a subsequent extraordinary general meeting a resolution increasing the nominal amount of each Ordinary Share and "A" Ordinary Share in the capital of the Company from 4s. to 10s. and the creation of a further 1 million shares of 10s. each was approved.



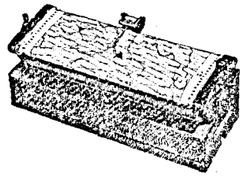
HF 200 Height Finding Radar



Marine Decometer



D7 Series Radar Display



Flight Log

DECCA

DECCA HOUSE, ALBERT EMBANKMENT, LONDON, S.E.11.

COMPANY MEETINGS

RALLI BROTHERS LIMITED

AN OVERALL IMPROVEMENT

MR JACK VLASTO'S REVIEW OF OPERATIONS

The annual general meeting of Ralli Brothers Limited will be held on March 24th in London.

The following is an extract from the statement by the President, Mr Jack Vlasto, which has been circulated with the report and accounts for the year ended August 31, 1958:

Although the consolidated trading profit is only slightly higher than for 1956/57, the overall picture for the year is better. Our merchanting earnings showed a welcome recovery which offset the reduction, which was expected, in the profits of our subsidiaries, while the news regarding associated companies is brighter.

Our merchanting earnings would, indeed, have been appreciably better than they were but for the slump in Atlantic freight rates to which I referred a year ago. A number of previous bookings at high rates had still to be worked off during the first months of our financial year and our poor results in grain are largely attributable to these.

We did not do well in cotton either. The difficulty there arose from a continually sagging price level which, coupled with the particular trade problems facing our cotton spinner buyers, made them so shy that it was often impossible to liquidate a holding before the market slipped away and the loss became quite hurtful.

In all articles, however, we maintained our share of the business and, with a number producing satisfactory results, we covered the bulk of our total working expenses for the year of about £1,100,000, which includes depreciation of fixed assets of £74,205. Our turnover was about £53 million.

THE ACCOUNTS

It will be seen that extraordinary items, in the shape of the major part of our Indian excess profits tax post-war refund and further realisations from our Japanese blocked yen account, have improved the total results. I would add, on the other hand, that we were, unfortunately, involved in the difficulties of the Amato group in South Africa and have made a provision of £35,000 against outstandings for jute supplied.

Although the profit unappropriated in our accounts is down by £33,478, and our capital reserves by £26,903, the group total of capital and revenue reserves is up by £40,928, whereas the previous year they were reduced by £38,090. As I have indicated, this reflects a better picture than a year ago, but results must improve much further before we can regard them with satisfaction.

SUBTRACTIONS AND ADDITIONS

In West Pakistan, the final phase of the planned withdrawal of our up-country organisation was completed. Apart from our cotton ginnery at Nawabshah, which we continue to work, our reduced activities are now confined to the Karachi area.

In Uganda, we recently sold our large Kampala office building at slightly above cost. We now rent space on the ground floor.

In the United Kingdom, we have closed our hides department. For some years our hides business had given poor results.

The main addition to operations is our new venture in the credit mail order business in the United Kingdom, about which I have already advised you. At the last minute we were persuaded, in view of possible trade mark complications, to drop the name Minerva House and our new subsidiary is Bollin House Limited.

SUBSIDIARY COMPANIES

Our subsidiary companies contributed £396,861 to the consolidated trading profit shown in the accounts. The largest single contributor was The Maritime Shipping & Trading Company with an amount of £274,682 in respect of its year ended March 31, 1958. Their current year has benefited from the last few voyages, contracted long previously, at high rates and may show some profit. For many months, however, their six tramp vessels, other than the "Mapledore" which is laid up, have all been working at around present low freight rates, which do little more than cover actual cash running expenses. Unfortunately there is no sign whatsoever of any betterment in the outlook.

Over many years, The Maritime have made a major contribution to our earnings and I can only express the hope that their absence in this role will be shorter than I fear.

In Tanganyika, Ralli Estates were able to offset the effect of lower selling prices for sisal by reduced costs of production. This year sisal production is running ahead of last year and may exceed 6,000 tons. Costs will be up, owing to the wage increase, but, if the improved price level for sisal can be maintained, results should be better. A third factory unit is being installed near the centre of the property to serve the Bamba area, a part of which has been opened up and developed. These 1,500 acres carrying flourishing young sisal, which were virgin forest when I saw them three years ago, look most promising.

Our Dindira Tea Estate will this year reach 900 acres of planted tea, though only about half will be mature. The crop is now running at fully 300,000 lbs per annum. It may double within three years and should certainly do so within four. The new factory is working well, though the hydro-electric scheme has not yet fulfilled expectations. The incidence of depreciation, on this developing estate, is proving onerous and, until revenue is considerably higher, the accounts will show losses. Last year's was £20,323.

Labour relations at Dindira and at Ralli Estates have hitherto been excellent but both estates were affected by the strike wave which recently occurred in Tanganyika.

Berg River Textiles achieved another satisfactory year. Towards the end, however, the trade recession in cotton goods in South Africa brought a drop in sales and a contraction in manufacturing margins. Production is still at full capacity, but results for the current year will obviously be less favourable.

ASSOCIATED COMPANIES

On a short visit to Rallis India in Bombay and Calcutta, I was happy to find them quietly confident and optimistic. The reshaping of their establishment to the pattern of their reduced merchanting scope being now well behind them, they have, more recently, devoted an increasing proportion of their efforts and resources to industry.

In association with the well-known British manufacturers, a factory is being set up at Mulund, near Bombay, to produce a wide range of Wolf electric tools. This step is the sequel to the distribution and then also the assembly of these tools in India by Rallis India. A company has been registered under the name Ralliwolf Private Limited.

A second subsidiary, Ralli-Hoyland Private Limited, will manufacture umbrella ribs in the Calcutta district. This also is in association with the British manufacturers whose product Rallis India have, for years, distributed in their home market.

Rallis India have themselves designed and manufactured a high-class pedestal and standard electric fan. Sales are making a promising start.

Time will be required before the foregoing developments get into their stride. Other projects are under consideration.

More immediate in effect is the purchase of an established pharmaceutical enterprise. This brings under Rallis India's wing the manufacture and distribution of the TCF liver extracts and other nutritional products made in the TCF factory at Andheri, near Bombay.

The accounts of Rallis India disclose that the deficit brought forward from the previous year was reduced from Rs.4.4 to Rs.3.25 million.

In East Pakistan, I was glad to observe a marked improvement in labour discipline at The Crescent Jute Mill. Their accounts, to September 30, 1957, show a loss carried forward of nearly Rs.2 million and this will be increased when those to end September, 1958, are published. The mill is now working at a small profit but it will be a long hard pull to prosperity and one which will largely depend on whether labour works and behaves or not. A reversion to the state of indiscipline ruling a year ago, or even prior to Martial Law, could prove disastrous. Even now, there is ample scope for further improvement as production, at some 50 tons of jute manufactures per day, is still 20 per cent less than it should be.

THE OUTLOOK

On the merchanting side, our current year is running rather better than its predecessor at this time. On the other hand, the profits of our subsidiary companies will be considerably lower than last year. There will again be similar, though smaller, extraordinary items to bring to the credit of our profit and loss account. I hope we will achieve sufficient improvement in merchanting to offset the reduced profits from subsidiaries. To do so will require continued progress and no setbacks.

A new factor, however, comes into reckoning in the shape of the Bollin House development. The first catalogue is out and the essential office and warehouse organisation established, all exactly to time schedule. The task now in hand is that of finding agents and customers and building up the business. All this has already involved substantial expense and higher expenses, which include the bulk of the first advertising campaign, will be incurred during the remainder of our financial year, while earning possibilities, during that period, are relatively insignificant. As I indicated to you originally, it will be at least a year from now, taking us to the six months' life of the catalogue to be issued in February, 1960, before we can hope, all going well, to start covering expenses. In the meantime, I expect that development expenditure, to end August, will be about £90,000. This is quite an item, though all that really matters is that the expenditure should prove fruitful and the business successful. Those who are directing the affairs of Bollin House are satisfied with progress and optimistic of the outcome.

PERSONNEL

We have a large staff, composed of many races of many creeds, and working in many parts of the world. One thing which all have in common is a complete loyalty and devotion to the company they serve. Our thanks are again due to all in our organisation for another year of hard work and strenuous endeavour.

H. M. HOBSON LIMITED

The twenty-third annual general meeting of H. M. Hobson Limited was held on February 27th in London.

Mr T. Simpson, FRAeS (chairman and managing director), presided and, in the course of his speech, said:

Your Board are pleased to report a further satisfactory year's result. The Group Profit before taxation amounted to £782,136 compared with £747,548 last year. Taxation absorbs £402,968 so that the Consolidated Net Profit is £379,168 compared with £373,623. Your Directors recommend a dividend of 7½ per cent (less tax) and have declared a special Interim Dividend of 5 per cent, less tax, for the year ending September 30, 1959.

The present satisfactory state of affairs has only been attained by the conservative policy adopted by the Company whereby we have retained much of the surplus earnings each year in the business, making ourselves continuously more effective to meet the competition which is now arising.

As a result of decrease in Service demands, it is obvious the total amount of aircraft business in the country is going to be much lower for some time ahead. However, we have a healthy order book and deliveries to the aircraft industry still form a substantial part of the output and, we believe, will continue to do so for some time.

We have obtained a long term contract with the Atomic Energy Authority which assures continuity of work for our organisation and this, with other projects which we are undertaking in the Atomic Energy field, will mean a considerable amount of work for our factories.

The report was adopted.

THE PATALING RUBBER ESTATES

MR H. B. E. HAKE'S STATEMENT

The annual general meeting of The Pataling Rubber Estates, Limited, will be held on March 23rd in London.

The following is an extract from the statement by the chairman, Mr H. B. E. Hake, circulated with the report and accounts:

You will know of our grievous loss in the death on July 11, 1958, of Sir Eric Miller. Sir Eric was the first secretary of the old Pataling Rubber Estates Syndicate when that company was formed in 1902. Throughout these 56 years he gave the company devoted service and guidance. In 1953 he brought about the merger with the Anglo-Malay and Bikam companies, which increased our issued capital to its present figure of nearly £750,000, making us one of the leading companies in the industry. We deeply regret his going but we remember the example he set and his great contribution not only to Pataling but to our industry as a whole.

ACCOUNTS

The rubber crop harvested on the company's estates for the year, including 164,500 lb. from Kuala Kubu estate acquired on July 1 last, was 12,135,515 lb. (10,852,059 lb.). In addition 4,400 lb. (308,000 lb.) were bought in latex form.

The profit before taxation in comparison with the previous year declined by some £86,000, but with taxation taking some £59,000 less, the net profit at £317,783 is only £27,000 down. The shareholders' proportion of the year's profits has been restricted to the 10 per cent interim dividend paid in October last but we are, however, recommending payment of a 25 per cent dividend from the balance on Profit and Loss Account.

ACQUISITIONS

Kuala Kubu estate was bought as from July 1st last. It comprises 950 acres, some two-thirds of it pedigree rubber, and adjoins our Batang Kali estate, with which it is jointly managed.

On January 15th this year we made an offer to the directors of The Strathisla (Perak) Rubber Estates Limited to purchase, at a price of 6s. per 2s. stock unit, the £73,000 of that company's issued capital of £80,000 not already held by us. Excluding that company's net liquid assets and trade investments, the offer was equivalent to a price of £80 per acre for its 2,196 acres of rubber. Including acceptances of our offer to date our holding in Strathisla is now 92.4 per cent of the issued capital. The property, half of which is pedigree rubber, has a fine modern factory equipped to manufacture all grades of rubber. Situated only a short distance from our Chumor estate, both can be worked together economically.

REPLANTING

Our rejuvenation programme was further advanced by the successful replanting of 1,111 acres. New extensions of 69 acres were also planted. Some 250 acres of new rubber came into production. About 8,500 acres of old rubber, or 34 per cent of our rubber acreage, remain to be replanted and we propose to push forward with this. We also propose to develop our jungle reserve at North Labis: a new extension there is planned for this year. Some 7,300 acres, or 29 per cent of our rubber, are in various stages of immaturity and will prove a source of great strength in our earning power as they come into production.

ESTATES

At all our estates the usual good standard of field upkeep has been maintained and the extensive immature areas continue to develop satisfactorily. There has been a vast improvement in the Emergency situation: the Malayan Government has dealt with the Communist menace with admirable firmness and seems determined that there shall be no complacency until the job is finished.

A new agreement on wages, which has been the subject of prolonged negotiations between the Employers' Association and the National Union of Plantation Workers, has at last been signed, though it will not come into force before June 1st. The new structure guarantees a basic wage at varying price levels, with an incentive in additional pay for greater effort. It is, I think, a satisfactory agreement for all concerned.

FUTURE PROSPECTS

For the current year the crop, including Strathisla's from date of acquisition, is estimated at around 14¼ million pounds, and in 1964/5 we may expect it to pass the 20 million mark. Subject therefore to a fair and appropriate level of wages our cost of production should be improving all the time with these expanding harvests. The growth of this concern, from a crop of under 4,000 lb. in 1904, through two major slumps, two world wars, and ten years of banditry to its present size and strength, constitutes a record of achievement which I am confident will guarantee a rewarding future. The continuous support of the Board by shareholders over all these years, especially their acceptance of the Board's policy of ploughing back profits for purposes of prudent development, is a factor which I should also like to record in this context.

RUBBER OUTLOOK

Although world consumption of natural and synthetic rubber during 1958 about equalled 1957, there was a substantial reduction in USA absorption. The business recession in that country seriously curtailed car and truck production, but the contraction in new tyre equipment was offset by increased tyre replacements. There has been a welcome recovery, and the outlook is quite promising. Significant also have been the larger imports of natural rubber by the rest of the world, particularly Russia and China: the plans for economic development in both these countries must inevitably mean an expansion in motor transport and consequently an increasing demand for rubber.

The growth in latex consumption is indicative of the many new products where rubber is playing such an important part. It would be unwise, however, to overlook the increase in the use of synthetic not only in the USA, but in other countries where plants are now coming into production. Admittedly without these supplies the world's requirements of rubber could not be met but in the long term it will not be in the best interests of the plantation industry if too wide a price differential compared with synthetic continues for too long a period. On the whole, the outlook, as I see it, seems to be as sound as we could wish it.

MERCANTILE BANK LIMITED

DIFFICULT TRADING CONDITIONS

PROPOSED MERGER WITH THE HONGKONG AND SHANGHAI BANKING CORPORATION

SIR KENNETH W. MEALING'S STATEMENT

The sixty-sixth annual general meeting of Mercantile Bank Limited will be held on March 24th in London.

The following is an extract from the statement by the chairman, Sir Kenneth W. Mealing:

The effect of the business recession which commenced in the USA in 1957 spread to most areas of the free world in 1958. Foreign exchange shortages, and restrictions on imports and exports in some territories where the Bank operates have continued to affect business and make trading conditions difficult. The Balance Sheet total is down by some £5 million to £71 million. Deposits are down by £5 million, whilst on the Assets side Cash is lower by approximately £3,800,000. Bills Receivable by £1,700,000 and Loans and Advances by £1,400,000. Investments are higher by £2,400,000.

The net profit for the year 1958 is lower at £324,267, and interim dividends have been paid amounting in total to 12½ per cent. It has been announced already that no further dividend will be paid for the year ended December 31, 1958. From the balance available the usual allocations have been made to Officers' Pension Fund whilst the sum of £100,000 has been transferred to the Reserve Fund which now stands at £2,200,000, leaving the balance carried forward at £231,407 against £231,452 brought forward from the previous year.

In November, 1958, your Board was approached by The Hongkong & Shanghai Banking Corporation, who were already holders of a substantial percentage of the Bank's equity capital, with the proposal that negotiations should take place with a view to a share-exchange offer being made by The Hongkong Bank to the shareholders of the Mercantile Bank. Your Board agreed to negotiate and a notice was immediately issued on November 28, 1958, informing shareholders to this effect. On December 24th a further notice was issued to shareholders informing them that agreement had been reached and the terms thereof. The formal offer, carrying the Board's recommendation in respect of the offer to exchange one new Hongkong Bank HK$125 (London Register) share for 20 Mercantile Bank £1 Ordinary shares, was posted to shareholders on January 23, 1959.

It is intended that the change in control shall not affect the management, staff, relationship with constituents, or business progress of the Bank. The Head Office and Board will continue in London as hitherto, and the Board believe that an association or merger of ownership such as this will strengthen the resources and provide opportunity for the progress of both Banks which should in the future prove beneficial to their constituents throughout the world.

The principal world events of 1958 were the end of the 4th and birth of the 5th French Republic under the guidance of General de Gaulle, now President of France, and the passing of Pakistan, Iraq and Burma from quasi democratic to military forms of government. In the Lebanon and Jordan the USA and UK gave urgently requested military assistance, and the cold war for the minds of men continued unabated. Mr Khrushchev appeared to reach his own summit, but little progress was made in the matter of disarmament, without which there is unlikely to be any real relaxation of tension or of the cold war.

In the United Kingdom, the steps taken by the Government in September, 1957, and subsequently, resulted in a progressive improvement in gold and dollar reserves, in the value of sterling and in the checking of the inflationary trend. In the USA although the feared recession did not reach great proportions, there was a definite flattening out of the prosperity curve and an increase in unemployment. This recession was not confined to the USA but reacted to a greater or lesser degree on most other countries including the UK where there was some increase in unemployment.

INDIA

1958 was a difficult year for India. The financial burden of the second five-year Plan, although pruned to some extent, resulted in severe contraction of external assets and threatened a serious financial crisis which was only averted by the assistance of India's main creditors and the provision of new loans arranged at meetings organised by the World Bank in August in Washington and in New Delhi in October. Assistance in various forms has thus been provided by the USA, Canada, UK, Japan, West Germany and the USSR. This assistance undoubtedly saved the situation during 1958 and will enable the "hard core" of the Plan to go on during 1959, but there will still be a substantial time-gap before the benefits hoped for from this vast investment can be reaped. In the meantime India's imports are restricted to or below the minimum of essentials and her exports have declined. Taxation is extremely severe and Ministers periodically promise more socialism which is hardly calculated to stimulate investment or initiative in private enterprise. Deficit financing, high taxation and shortage of consumer goods through the necessary import restrictions, coupled with food shortage due to crop failures have naturally resulted in continuing inflation. This in turn has resulted in growing discontent—particularly in Bengal—among the younger, middle and labouring classes, and growing infiltration of communism among both industrial and plantation labour. The pressure of population, now estimated to increase by 2 per cent annually (over 6 million a year) and the need to import and pay for between 2 and 3 million tons of food annually presents a sombre picture. Nevertheless, the reclamation and irrigation of large areas of land as the new projects come to fruition, the greater emphasis on food production now being undertaken by the Government, and a fruitful harvest, may brighten the picture during the coming year.

PAKISTAN

On October 7, 1958, President Iskander Mirza declared Martial Law, and, by Proclamation abrogated the Constitution, thus dissolving Parliament and the Government of Mr Firoz Khan Noon. Three weeks later the President resigned and left Pakistan and General Mohamed Ayub Khan assumed the Presidency.

Political life in Pakistan had, for some time, been falling into disrepute.

As a result Parliamentary democracy had fallen into such disrepute that the new regime was hailed in many quarters with relief.

It is understood that President Mohamed Ayub Khan's Government intend to maintain firmly its alignments with SEATO, the Baghdad Pact and with the Commonwealth. In the fullness of time it seems probable that there will evolve a new and less vulnerable constitution suited to the particular genius of the people of Pakistan and that the economic and financial situation of the country will show rapid improvement under the firm and patriotic guidance it now has.

CEYLON

In Ceylon all the events of the past year have been over-shadowed by the widespread and destructive communal riots, the worst in the history of modern Ceylon, which occurred during the last week of May and had to be put down by military force. A state of emergency was declared by the Governnor-General on May 27th and still continues though in a modified form.

During April and May a strike of workers in the tea industry almost stopped the export of Ceylon's most valuable earner of foreign exchange. The tea crop for 1958 is estimated at 410 million lb, a record. The Port of Colombo was nationalised during the year and, not unnaturally, met with considerable difficulty in the first months under new administration. Some 60 million lb of tea were shipped from Trincomalee and the opening up of this old naval base may prove a useful alternative to Colombo.

Ceylon is a potentially wealthy country with a relatively small population and with good, firm and far-sighted Government should be a happy and prosperous island. It is to be hoped it will never see a repetition of May, 1958.

BURMA

In April, 1958 the Anti-Fascist People's Freedom League of which the Prime Minister, U Nu, was the Leader, split into two factions. Political instability increased from that time and in October U Nu retired from the Premiership of Burma, which, except for a short break in 1956/7 he had held for ten years. He was succeeded by General Ne Win.

Political uncertainty naturally resulted in business uncertainty. The volume of bank credit declined and deposits increased. Exports decreased and imports increased, with a resulting drain on the country's foreign exchange resources. Altogether 1958 was a bad year for the private sector for which the further diversion of business to Government trading organisations is to some extent responsible.

FEDERATION OF MALAYA

Despite adverse trading conditions Malaya has emerged from its first year of Independence basically sound, politically and economically, and with spirit undaunted. Regarding the prospects for 1959, the outlook for rubber is more favourable and there

are also signs that the Tin Industry will enjoy better trading conditions, than in 1958.

SINGAPORE

It is expected that the General Election under the new Constitution will take place in April or early May and may be preceded by a Bill to make voting compulsory.

The outcome of the forthcoming General Election will be awaited with considerable interest. Upon it may largely depend the outlook for the island in the coming years.

THAILAND

Thailand's potential resources bearing in mind existing plans for the improvement of communications, irrigation and power supply, largely financed with American aid, give every reason to hope that her economic progress will make further strides forward in the coming year.

HONGKONG

Hongkong has an estimated population of 3 million, an increase of 1½ million since 1947. The problem of feeding, clothing, housing and finding employment for such a rapidly expanding population is not easy. Government have appointed a Committee to consider the advisability of forming an Industrial Bank for the purpose of financing new industries. The report of this Committee will be awaited with interest.

Hongkong has enjoyed freedom from political problems.

MAURITIUS

As a result of the Report of the Eve Commission Mauritius will be divided into 40 single-member Constituencies and General Elections will be held in the spring of 1959. The Ministerial system introduced in 1957 appears to be working satisfactorily. There were practically no labour disputes of any importance throughout the period.

Given reasonably good weather conditions in 1959 the outlook for Mauritius should be favourable.

JAPAN

During 1958 the remedial measures taken in 1957 to which I referred last year, became effective and overcame the recession in Japan's economy. As a result the reserves of foreign exchange recorded a very substantial improvement. This was almost entirely effected by reduction of imports, and the decline in import prices.

It would seem that Japan is reaching or has reached the crossroads in that the period of feverish activity of postwar reconstruction and expansion has ended, while competition in overseas markets is becoming more severe. On the other hand, there is a tremendous potential for hard work in the country and provided imports can be held at a level consistent with a planned expansion of the economy, and adverse balances of payments averted, the country should continue to prosper.

The recession in trade, political and financial difficulties in many countries, increasing pressure of population, higher taxation controls on credit, on imports and exports and increasing costs of maintenance all tended to affect the business of banking in the areas served by the Bank. Nevertheless, under the Chief Managership of Mr C. R. Wardle, with Mr C. F. Pow as Deputy and the loyal and efficient work of our Staff in London and at our offices throughout the East, the Bank continued to provide valuable assistance to the trade of the many countries we serve.

BTR INDUSTRIES

DIVERSIFICATION PROGRAMME

The thirty-fifth annual general meeting of BTR Industries Limited will be held on March 25th in London.

In the course of his circulated statement the Chairman, Sir Graham Hayman, said that the major cause of the contraction disclosed by the Accounts was the exceptional fall in the profitability of certain of the principal products upon which the earning power of the Group had, in the past, been based.

He continued: Excluding belting, and despite the lower selling prices, we have been able to maintain the total sales turnover of the remainder of the products manufactured by the Group. We had to face the fact, however, that at the present time in some of the Industrial Products sections, of the British Rubber Manufacturing Industry, there is an undue proportion of excess productive capacity, and this adverse influence on both turnover and earnings is likely to continue until there is a real improvement in industrial activity throughout the country.

The foregoing emphasises the necessity for diversifying our interests and broadening the base of our Group's operations, a policy which has been actively and continuously pursued by your Directors.

The trading profit at £1,003,052 compares with £1,441,135 the previous year, and there is a net profit of £348,120 against £564,144. Your Directors recommend the same distribution as last year, namely a total of 15 per cent.

The most significant factor which accounts for our reduced profit is the contraction of demand for Conveyor Belting. The competition for this reduced volume has become so acute and the selling prices so low that, whilst the volume is still important, the profit from the business has reached an inadequate level.

Group export sales enjoyed a further increase during the year. This progress has been made in the face of heightened competition, which has been world-wide. We have recently executed substantial contracts for Conveyor Belting for the USSR and Poland, and have reasonable expectations of further business from these sources.

NEW ACQUISITIONS

As stated in the Directors' Report, the Company has acquired the whole of the capital of Microcell Ltd., and of its Associated Companies, Glass Yarns and Deeside Fabrics Ltd. and Arrtite Resins Ltd.

The Microcell Group has a highly trained Executive Management and operating personnel, and very substantial forward contracts and orders are in hand. While the rapidly expanding activities of this Group have to a substantial degree been based on Government contracts, there is a steadily increasing development of commercial activities in those fields which appear to offer opportunities for profitable growth. Your Directors consider this acquisition will show an immediate and satisfactory return on the investment, and the extensive development programme now in hand is expected to provide an increasing rate of earnings in the future.

Glass fibres have provided the basis of the activities of the Microcell Group. The principal Company of the Group—Microcell Ltd.—has three main divisions, Aircraft Engineering, Plastics and Electronics and, as already stated, while a substantial proportion of the business is under Government contract, there is an expanding volume of business in many commercial fields, at home and abroad.

Glass Yarns and Deeside Fabrics Ltd. is playing a leading part in the production of glass fibre yarns and mats which, combined with synthetic resins produced by Arrtite Resins Ltd., are finding growing application in the Automobile, Aircraft, Shipping and Engineering Industries.

With regard to future prospects, it is impossible to anticipate with any certainty a marked improvement in earnings in the current year. The reorganisation of the Group's activities, combined with the drive into new fields, offer the most promising means of recovery. Whilst the short-term prospect is indeed difficult, the Company's resources should enable it to meet the challenge of the present testing conditions.

THE BRITISH VACUUM CLEANER AND ENGINEERING COMPANY

The fifty-fifth ordinary general meeting of The British Vacuum Cleaner and Engineering Company Limited was held on February 27th at Leatherhead.

Mr O. D. Angell (the chairman) presided and, in the course of his speech, said that he was able to report a more prosperous year. The consolidated trading profit was £127,639 and the proposed dividend showed earnings cover of over two-and-a-half times after allowing for non-recurring liabilities of £51,010.

The Balance Sheet position was strong and given the anticipated further improvement in their earning ability the Board would seek to place the finances of the Company on a more permanent basis. The timing of such action must obviously be carefully chosen.

In the course of a detailed review of the Company's activities the Chairman said that their new lower priced range of cleaners had found an immediate response from the Trade and the Company created a record both in the manufacture and the sales of domestic cleaners. The Company had again had a record year in its sales of Teasmades.

They were maintaining their position in the BVC Industrial vacuum cleaner division and there was a very healthy outlook in the export field.

Referring to the many and varied problems of pneumatic conveying the chairman said that new models to meet changing conditions were under way, particularly relating to the United Kingdom Atomic Energy Authority.

The Magenta Time Company division continued to expand its operations in the sales of Time Recorders, Clock Systems, and Public Address equipment.

In the BVC Electronics division they had increased their range of small specialised motors and their high standards were recognised in the sphere of electronics.

After drawing to the attention of those in Authority the serious repercussions caused to Industry by the uncertainties created each year regarding Purchase Tax pending the presentation of the Budget proposals, the chairman concluded:

I have had the privilege and pleasure of being your Chairman during changes which I think will prove to be the "bridge head" for a great new era in the history of your Company.

The report was adopted.

ABBEY NATIONAL BUILDING SOCIETY

SIR HAROLD BELLMAN'S REVIEW

The Annual Meeting of the Abbey National Building Society was held on February 27th at the Wigmore Hall, London, W.1.

Sir Harold Bellman, DL, JP, LLD, Chairman of the Society, in moving the adoption of the report and accounts, said:

The year now under review will be remembered for the fact that in a long span of sound and steady progress the Society's assets exceeded £300 million for the first time.

Despite, for the greater part of the time, an unfavourable national economic background, sound and steady progress was the keynote of our activities last year.

New savings received from shareholders and depositors amounted to £57 million. Withdrawals from share and deposit accounts totalled £32 million. Throughout 1958 the rate of interest on the Society's shares was *maintained* at 3½ per cent per annum with income tax paid by the Society and equal to £6 1s. 9d. to those subject to tax at the standard rate

Towards the end of the year the Society introduced *Build-Up* Shares which qualify under specified conditions for an additional one-half per cent interest above the ordinary share rate. This scheme is designed to encourage the small saver who may wish to put aside regular sums at monthly intervals.

Turning to the mortgage side, new advances to assist home ownership were appreciably higher at £41 million, compared with £38 million in the previous year.

The low ratio of management expenses, measured against total assets, again shows to good advantage, being only 10s. 1d. per cent and affording evidence of economical administration.

I have already made reference to our financial background in 1958. Perhaps I may develop this matter a little further. In my references to these matters I shall be concerned almost exclusively with the events and circumstances of 1958. I make this important qualification, since I do not wish it to be understood that the same facts and considerations will necessarily apply throughout 1959. If 1959 should mark the real turning point in general interest rates, we shall take all measures necessary and practicable to bring the Society into line with any such development, but in the meantime I wish to outline the kind of factors which have to be taken into account in reaching a decision on these matters. When 1958 opened Bank Rate stood at 7 per cent. It began its descent on March 20th, reaching 4 per cent on November 20th. This signified a remarkable recovery from the crisis conditions of September, 1957, and marked a general strengthening of the country's economic position. With these reductions in Bank Rate, however, there has been much comment in the press on the question of the future of the building societies' mortgage rate. I think it may be helpful to restate the facts in order to help to establish the proper perspective.

First of all, it appears there are still those who do not understand the gap between the 3½ per cent paid to the shareholders and the 6 per cent rate paid by the borrower. Let me state that when the Society pays 3½ per cent free of liability to income tax it does so at a cost, including the tax liability it discharges, of approximately 5¼ per cent. Management expenses absorb ½ per cent, leaving only ¼ per cent surplus for the necessary allocation to reserves.

Next the mortgage rate, applicable to owner-occupied houses, charged by the great majority of building societies is 6 per cent. The decision to raise the rate to this level was taken in late 1956, when Bank Rate was 5½ per cent. We have, however, been at pains to explain that *there is no direct connection* between Bank Rate and building society mortgage rates. It seems desirable to underline this point once more. When I mention Bank Rate at all in this context, it is merely as a pointer to general economic conditions. A high Bank Rate signalises a disturbed economy with general interest rates also at a high level; a very low Bank Rate generally has the converse significance.

Bank Rate was reduced from 5½ per cent to 5 per cent on February 7, 1957, and it was made known on behalf of the authorities that this did not indicate a general change of policy. The building societies continued to keep the subject of interest rates under close review, but before conditions made any change possible, the economic crisis of the late summer and autumn of 1957 was upon us and Bank Rate was hoisted to 7 per cent. Some financial theorists strongly advised building societies to increase their mortgage rate above 6 per cent in order that they could pay their investors more than 3½ per cent. The societies hesitated to take this step, although they were not without reasons for doing so, primarily out of consideration for their borrowers. In the event, we held the mortgage rate pegged at 6 per cent and the share rate at 3½ per cent but admittedly there were times when we were hard pressed.

Let me again emphasise that the mortgage interest rate is not a matter which societies determine at will in some secret conclave. The main factor governing this issue is the rate which has to be paid to the investors in the Society. This, in turn, is determined by the bargaining of the market place.

Thus the building societies must be in a position to offer a competitive rate of interest if they are to retain the funds of their investors, apart from the question of attracting additional money. In the light of the facts which I have cited, the 3½ per cent income tax paid, offered to shareholders by the majority of societies is a fair and economic return. It is clear, then, that the building societies normally cannot, of their own volition, determine the mortgage rate of interest.

An important announcement has been made the effect of which will be to strengthen the appeal of building societies to the discriminating investor. Under the Government's House Purchase and Housing Bill, provision is made for building societies which satisfy prescribed standards and which are approved by the Registrar, to be given Trustee status in respect of their deposit accounts. The standards are such that any well conducted building society over a certain size should be able to satisfy them and as a result the granting of Trustee status on these lines may well serve as a hall-mark for the guidance of the investing public.

The announcement in 1958 that a Knighthood was conferred upon the Chairman of our Finance Committee, Mr William Cash, in recognition of his many years of distinguished public service, brought great pleasure to his colleagues and friends

Sir Bruce Wycherley, MC, FCIS, in the absence through indisposition of Mr Stanley C. Ramsey, FRIBA, Deputy Chairman, seconded the motion for the adoption of the report and reading from Mr Ramsey's speech said:

The Abbey National mortgage service seeks to cater for as many needs as possible. It is also marked by flexibility, which means that it is capable of responding to varied requirements. I mention these points because an impression has developed during the recent period of monetary stringency that the building societies had, to some extent, failed in providing mortgage facilities. If there was any failure it was in the fact that building societies had not always an amount of money to lend equal to the abnormal demand. But it should be recognised that the building societies were by no means alone in this situation. In fact, most other lenders on mortgage had either stopped lending altogether or had drastically curtailed their usual facilities. Their short-fall in relation to normal demands for mortgages was comparatively small; it was their short-fall in relation to a wholly abnormal demand which attracted attention.

The Abbey National, for its part, aimed throughout at making advances available on a basis which was fair to as many people as possible. This will be evident from the great emphasis which we have put on advances to owner-occupiers and the very moderate figure of the average amount advanced. All this tends to confirm that our working creed and everyday practice are not things apart.

Sir Bruce Wycherley, MC, FCIS, Managing Director of the Society, said:

One of the results of the relaxations which marked the end of the "Credit Squeeze" was the swift expansion of personal credit, notably in hire purchase and banking fields. A fundamental belief of the building society movement has always been that the provision of house mortgages is the basic form of personal credit, on the simple reasoning that a man must needs have somewhere to live. The events of the past few months surely go to justify our belief. More people than ever wish to own their own homes, and more people than ever are turning to the building societies with that aim in mind.

It is important, then, that the building societies should be able to meet the demands that are likely to be made upon them. Their state of health deserves some examination in the light of present-day conditions. It is true first to say that the mutuality which is the heart of their being remains unimpaired. Because of their dependence upon their own members they are buffered, though never insulated, from the effects of financial events.

It should not be thought that the Government's proposals embodied in the House Purchase and Housing Bill, to which Sir Harold has referred, require us to abandon our mutual character. The funds we are to be allocated from the Exchequer will undoubtedly be welcome, but they are so restricted, in application and in relative amount, that they cannot be more than ancillary to the funds we must attract ourselves.

It is, of course, in the matter of raising funds from which to lend that we are brought face to face with the acute competition that exists. We are aware that in this sophisticated age we must go out and, in a celebrated phrase, "meet the people."

We are renowned for our contribution to home-ownership, yet the continued success of that contribution depends materially upon maintaining a like renown for the partner in our mutual endeavour, the partner of investment and savings.

ILFORD LIMITED

(Manufacturers of Photographic Materials)

TURNOVER MAINTAINED—LOWER PROFIT MARGINS

BENEFITS FROM ARRANGEMENTS WITH ICI

INTRODUCTION OF NEW COLOUR PRODUCTS ENVISAGED

THE HONOURABLE JAMES P. PHILIPPS ON THE YEAR'S EVENTS

The Annual General Meeting of Ilford Limited will be held on March 25th at Winchester House, Old Broad Street, London, E.C.2.

The following is the statement by the Chairman, The Honourable James P. Philipps, copies of which have been circulated for the convenience of shareholders with the report and accounts for the year ended October 31, 1958:

Ladies and Gentlemen, Before proceeding with my annual statement on the affairs of the Company I wish to refer to the recent appointment of Mr R. A. Withers, ACA, as a Director of the Company. In view of the planned expansion of the Company's business Mr Withers has, as already announced, been elected Deputy-Chairman of the Board and, subject to his re-election as a Director, at the Annual General Meeting, appointed Joint Managing Director, this latter appointment to have effect from April 1, 1959. Mr Withers has for a number of years been a senior partner in a leading firm of Industrial Consultants and has been particularly identified with the control of its overseas activities. The Board is confident that his outstanding experience will be of great value to the Company in its future progress.

The Company's turnover during the year under review was slightly above that of the previous year in spite of a very bad summer at home and the effects of the fall in world prices of some primary commodities on our export trade. Our profit margins, however, unfortunately continued to shrink. One encouraging aspect was the ready sale for the Ilford Sportsman camera at its price of only £11 18s. 5d., including purchase tax. We have also recently introduced a cheaper model known as the Sporti which sells for only £3 19s. 9d., including purchase tax. These should in due course create additional demand for Ilford film both in black and white and in colour.

TAX EQUALISATION RESERVE

You will observe from the Accounts that a Taxation Equalisation Reserve has been created and included with the other Revenue Reserves. This Reserve has been built up in the main by a transfer of £295,500 from Contingencies Reserve and has been increased by a transfer of £95,500 from this year's Profit and Loss Account. There are two reasons for creating this Reserve; first, to provide for the liability in respect of Income Tax which has been deferred by the application of Initial Allowances on capital expenditure; secondly, where the level of capital expenditure has varied substantially as between one year and another, to show a fairer comparison of the Aggregate Net Profits, bearing in mind that depreciation charged in the Accounts is designed to write capital expenditure off at a more or less even rate over the effective working life of the assets thereby acquired. Since the end of the war capital expenditure has been increasing especially during the last few years. Much of it has been spent on facilities for research work where capital allowances give tax relief in respect of the entire expenditure over five years, three-fifths of it being allowed in the first year. To the extent that Initial and Annual Allowances exceed or fall short of the charge for depreciation, it is intended that an appropriate transfer will in future be made each year to or from Taxation Equalisation Reserve. The Profit and Loss Account will then reflect the total Income Tax liability which the Company will ultimately be called upon to pay on the profit for the year, and which will be less influenced by fluctuations in capital expenditure.

PENSION ARRANGEMENTS

Ilford Limited was in the forefront of those companies which between the two world wars introduced Group Life Assurance and Pension Schemes for their employees. Changes in circumstances and in the value of money since that date have necessitated amendment of these Schemes and certain improvements have been introduced with effect from December 31, 1958. In view, however, of the Government's proposals for a national graduated pension scheme your Directors have decided to postpone fixing the final form of the Company's pension arrangements until after these proposals have become law. On the other hand, it is clear that any revision of the National Pension Scheme will not provide worthwhile retirement benefits for older employees and your Company will have to continue to provide supplementary pensions at least for these employees. In order to equalise this additional expense so far as possible over the years, your Directors have decided to establish now a Supplementary Pensions Reserve and have transferred to this Reserve from the profits for the year under review the sum of £100,000.

Additions of £250,000 and £140,000 have been made to the General and Contingencies Reserves respectively and it is recommended that the Final Ordinary dividend be maintained at 11 per cent leaving £174,201 to be carried forward.

CLOSE CO-OPERATION WITH ICI

The outstanding event of the year was undoubtedly the arrangements made for co-operation with Imperial Chemical Industries Limited, of which I gave you a full explanation in my letter of September, 23, 1958, when convening the Extraordinary General Meeting held on October 23, 1958, to approve those proposals. I can now add that, since Mr Leslie Williams and Dr John Avery joined our Board, the advantages of these arrangements have become even more evident, as close co-operation is also being attained in a number of fields where it was not previously foreseen.

The building of our new factory at Basildon is proceeding in spite of delays due to the exceptionally bad weather experienced ever since the beginning of last summer, and we hope by the end of the year to be able to transfer our colour processing station and several other departments to the new premises which provide space for the expansion anticipated during the next few years. Meanwhile, our laboratories are working at high pressure to take full advantage of the information and assistance now available from ICI. It is hoped that we shall soon be able to introduce new colour products and so extend the range of colour films available to our customers.

EXPORT MARKETS

Two years ago I said in my address to members that we had come to the conclusion that, if Britain entered the European Common Market, it could benefit your Company substantially but that, if Britain remained outside while Germany and Belgium were members, we should almost inevitably lose much of our important European Market. As you are aware, Britain is not a member of the Common Market and, failing agreement on a Free Trade Area, exports of photographic goods to the Common Market countries (Holland, Belgium, Luxemburg, France, W. Germany and Italy) may ultimately become impracticable, though we do not anticipate these exports will be affected seriously in the initial period.

We already have selling companies of our own in Holland, Denmark and France and have decided to form another in Western Germany. It may well, however, later become necessary to manufacture in one of the Common Market countries.

Other overseas selling companies are established in India, Australia and the USA. An Australian factory has been built outside Melbourne and this has commenced operations on a limited scale. The American Company, Ilford Inc., has made excellent progress, though it still made a loss in the year under review.

THE FUTURE

It is very difficult at present to foresee the trend of world trade over the next few years, but at least it seems probable that expansion in our sales of colour film will be rapid, though naturally some part of this may be at the expense of our former black and white trade. We are preparing to meet the inevitable increase in competition in export markets on which we are dependent for a large part of our sales.

In conclusion, I feel sure you would wish me to thank on your behalf all our staff and employees, both at home and overseas, for the part they have played in achieving the results shown in the Accounts for the year, which was difficult both from the point of view of a poor summer at home and competitive conditions abroad.

We regret that owing to a misprint last week the Leek and Moorlands Building Society's annual meeting was reported by us as being the 162nd instead of the 102nd.

THE INVESTMENT, LOAN AND AGENCY LIMITED

SIR NUTCOMBE HUME'S STATEMENT

The forty-ninth Annual General Meeting of The Investment, Loan and Agency Limited, will be held on March 23rd in London. The following is an extract from the statement by the Chairman, Sir Nutcombe Hume, KBE, MC:

In my statement last year I informed you that it was the board's intention to publish annual accounts in future without having to wait several months for accounts of the subsidiaries. Board of Trade approval has been received to the presentation of accounts in this form and in future we should be able to report our results within two months of our year end.

Our profits for 1958 were swollen by the inclusion of £14,890 dividends from Indonesia; an amount which must be regarded as very unlikely to be repeated. Omitting this revenue altogether your directors are able to report an increase, both gross and net, in the income from investments and, because of this, they feel able to recommend a final dividend of 7 per cent on the capital enlarged by the recent issue from reserves of one share for 10. With the interim dividend which was increased from 4 per cent to 5 per cent the total for the year is thus 1 per cent greater and it is hoped that the rate of 12 per cent will be at least maintained in future years.

In March, 1958, we made a new issue for cash which brought in £225,000 and the use of this money has contributed to last year's increase of profits; but it was by no means fully invested throughout the year and even at December 31st you will see from the balance-sheet that your Company held £219,554 in cash and short-term deposits. This, however, included £158,000 arising from the sale of our holding of 118,000 £1 shares in Nandi Tea Estates Limited. Whilst we hope to be able to deploy these cash resources in general investments of good quality during the present year, we feel quite sure we would be unwise to do so except when favourable opportunities present. So many funds of different kinds are pressing on the market for "Blue Chips" that we feel we ought to do better by going more slowly and waiting to take advantage of new issues and other opportunities which occur from time to time; and moreover we feel we can afford to do so.

It will be seen from the balance-sheet that at December 31st the total value of investments was approaching £2½ million. This is an appreciation of 99.29 per cent over net book value, and compares with 53.89 per cent at the end of the previous year.

The two estates in East Java are maintained in normally satisfactory order and thus far, the loss of Dutch staff has not seriously affected efficiency.

Good rubber crops were produced last year at reasonably low rupiah cost, but the coffee crop was a comparative failure owing to poor weather at blossom time. For 1959 the rubber crops should be about the same as in 1958, and coffee crop prospects are more promising.

GENERAL

As the war period recedes and trading becomes more "normal" world competition gets keener, and profits become much harder to make. The choice of good investments is more than ever dependent upon backing good management which can find profitable employment for the great quantity of new plant which has been installed during the past few years. It is now generally accepted that this can only, and certainly can best, be done if the enormous populations in the under-developed countries can be helped to raise their standard of living and, with it, their power to purchase goods manufactured in the industrialised countries. It was encouraging to see that at the meetings last autumn both at Montreal and New Delhi this necessity was recognised. One feels that if only the threat of war could be removed and expenditure now allocated to armaments diverted to peaceful development, the other difficulties in the international field would be solved quite quickly; and then the suggestion that the standard of living could be doubled in 25 years should be attainable. I am convinced that this target can be reached with good will and good management in both politics and business; but unfortunately both are in terribly short supply.

MITCHELL COTTS GROUP LIMITED

MR H. C. DRAYTON ON PROSPECTS

The thirty-ninth ordinary general meeting of Mitchell Cotts Group Limited was held on February 27th in London.

Mr H. C. Drayton (the Chairman) presided and, in the course of his speech, said that the Consolidated Profit amounted to *£1,343,000 and after deductions there was a* profit for the year of £873,000. To that sum had to be added £12,000 Adjustments from previous years and £156,000 Profits on sales of fixed assets. The Directors had declared two interim dividend payments totalling 25 per cent which enabled £272,000 to be added to the carry forward making that £2,651,000.

Mr Drayton added: Our consolidated profit is quite materially down as compared with 1956/57. There are three main reasons for this fall, the most important of which was the collapse of earning power from our shipping subsidiary in the last four months of the year. The second was the revolution in Iraq which brought business to a standstill, and thirdly the restriction of imports into the Sudan

After reviewing the Group's world-wide interests, the Chairman continued: As I mentioned last year, we hoped that the CIC would give the Company permission to issue more capital, and I did point out what the consequences of not doing so would be—a possible decrease in our exports owing to more highly competitive conditions existing and the necessity to give increased credit. To our surprise, the CIC did not give us permission to issue more capital, and our exports have dropped from £8,350,000 to £7,050,000. There is no need for me to say anything more about the demise of the CIC, at any rate as regards raising new money in this country. "To mourn a mischief that is past and gone, is the next way to draw a mischief on."

CURRENT YEAR

Referring to the current year, Mr Drayton said: On the shipping side we must expect a further drop in profits. In the Sudan the full effect of the import licences will fall with severity on this year's figures, and I do not think for the year ending June next we can look forward to any more from South Africa. On the other hand, East Africa, after a difficult period, looks like doing better than last year, and I also have hopes that the London produce side will show better results. Iraq, although it is now looking up, will not, I am afraid, be able to contribute much to this year's profit, but I am optimistic, and I think if all goes well there we can look forward to better times in the next year. Whilst I am confident that Canada with the new contracts it has got in bridge-building is going to show a profit, again I do not think it will be able to contribute anything in the year ending June 1959. So that on the whole I am not optimistic about the present year's figures.

However, this is a trading company, and in the past the Directors have been extremely conservative in the distribution of dividends, and have taken the view that our business is one which must be taken over a long period. My own view is that in a company of this sort it is necessary to take a five-year view of results and average out the profits over such a period.

The report and accounts were adopted.

GHANA MAIN REEF

MR C. J. BURNS'S STATEMENT

The twenty-fifth annual general meeting of Ghana Main Reef Limited, was held on February 27th at the Chartered Insurance Institute, London, EC.

Mr C. J. Burns, Chairman, presided.

The following is an extract from his Statement circulated with the Report and Accounts for the year ended June 30, 1958.

As shown in the Report and Accounts, the profit for the year under review amounted to £71,612, which, added to the balance brought forward, £61,362, plus certain taxation provisions not now required, £111,175, made an available total of £144,149.

The year under review can be regarded as a most successful one and the profit earned satisfactory and in line with the forecasts made in March, 1958. This profit level was maintained in spite of a 6 per cent wage increase awarded in February, 1958. For this reason it is now possible for the Company to benefit from the legislation creating Overseas Trade Corporations, and the necessary steps are being taken to qualify as from April 6, 1959. This decision has enabled your Board to anticipate the future status of the Company in its taxation charges and pass on the resultant benefits to Members.

It has been decided to recommend the payment of a Final Dividend of 2½ per cent, less Income Tax, for the year ended June 30, 1958, making a total of 7½ per cent, less Income Tax for that year. In addition, your Board have declared for the remaining pre-OTC period an Interim Dividend of 7½ per cent, less Income Tax, and a Bonus of 2½ per cent, less Income Tax.

GHANA GOVERNMENT'S ASSISTANCE

During the year under review your Company received £12,607 by way of a grant from the Ghana Government, part of the £200,000 set aside by Government to cover the years 1957, 1958. This grant ceased in May, 1958, and since that date a review of the gold mining industry in Ghana was made by Dr G. C. Monture, OBE, DSc, Administrator of the Canadian Emergency Gold Mining Assistance Act, at the request of the Ghana Government. Dr Monture's Report is currently being studied and his recommendations, and possible Government reaction thereon, are awaited with interest. However, your Company has utilised the assistance already given to it (some £26,496 during the financial years 1957, 1958) to great advantage, so that profits for the first six months of the current year, without the help of Government assistance, are at a higher level than those for the corresponding period of the year under review.

This has been accomplished in spite of rising costs and an unrealistic fixed price for gold out of all proportion to economic conditions. The report and accounts were adopted.

COMPANY AFFAIRS

P & O

IF the directors of P & O were taking the long view last year when they raised the ordinary dividend from 8 to 11 per cent, they are still taking that view now. When they took that decision the full impact of the fall in freight rates had not hit profits. It was then clear that profits would suffer in 1958 and the directors said that the increase in the dividend carried "no implication as to the level of dividend that can be maintained in years to come." Profits were sharply down in 1958, as had been expected, but the P & O directors are leaving the ordinary dividend unchanged at 11 per cent, even though the final dividend of the important subsidiary, British India Steam Navigation, has been passed (effectively reducing its full year's payment from 10 to 4 per cent, following a fall in its gross income before tax from £5,011,851 to £1,181,207 and in net profits from £3,243,694 to £384,918).

Before all charges P & O's trading profits fell from £30.1 million to £22.8 million. Its gross income before tax fell by 42 per cent, from £17,640,269 to £10,183,978, and its net income by 39 per cent, from £8,658,930 to £5,265,236. The 11 per cent ordinary dividend absorbs £1,742,860, but the earnings cover has fallen from about five times to about three times. The directors say that this decline is due to a sharp reduction in the earnings of cargo tramps and cargo liners and they add that the fall would have been even larger had not the passenger liners, whose earnings were severely affected in 1957 by the Suez crisis, done "substantially better." The directors end their comments on the preliminary profits on a distinct note of foreboding: "the present results do not reflect the full force of the current depression in shipping which will be still more apparent in the figures to be produced in twelve months' time." The question that must now be in shareholders' minds is whether the directors will then be ready to leave the ordinary dividend unchanged once more. The £1 deferred shares at 34s. 6d. yield 6.4 per cent.

ASSOCIATED ELECTRICAL

AFTER the acquisitions made by Associated Electrical Industries last year the advance in its 1958 profits needs to be examined with care. The preliminary figures show a large recovery in trading profits in the last six months of the year; at £8,870,000 they compare very favourably with the £6,990,000 earned in the first six months and also with £6,760,000 and £6,940,000 in the two halves of 1957. This suggests that AEI has made real progress for the first time since the severe decline in profits in 1956.

But any excessive jubilation needs to be curbed, for net profits for the whole of 1958 have risen only to £4,778,485, against £4,504,075 for 1957.. Gross trading profits amounted to £15,860,448, against £13,699,528, but the depreciation provision rose by £1,080,340 to £4,791,392 and tax by £483,840 to £5,968,241 and £322,330 of net profits was earned by the new subsidiaries prior to their acquisition by AEI. Since £571,380 was written back from an unwanted tax reserve in 1957, compared with £142,458 in 1958, the net balance attributable to AEI for 1958 is, in fact, virtually unchanged at £4,995,805, against £4,979,693 in 1957. And it should be noted that the acquisition of Associated Insulation Products last May and W. T. Henley's Telegraph Works last November considerably enlarged the equity capital. The ordinary dividend has been left unchanged at 15 per cent for the year, but this rate of dividend absorbs £3,186,217, against £2,901,407, and since the end of the financial year the ordinary capital has been again increased, following the acquisition of London Electric Wire. At 55s. 9d. the £1 ordinary stock yields 5.4 per cent.

RUGBY PORTLAND CEMENT

WITH construction seemingly on the wane, it looked a year ago as if 1957 would be the temporary high water mark for the profits of Rugby Portland Cement. In his statement with the full accounts last April, the chairman, Sir Halford Reddish, reported that none of the company's works in the United Kingdom was producing to capacity and that he would be surprised if profits in 1958 reached the record figure for the previous year. But when in May shareholders arrived at the annual general meeting, they were told that most of the company's works were again back to full production, and that output from the plants in Australia and Trinidad was above that achieved in the corresponding months of the previous year.

Now the preliminary statement for 1958 shows that Rugby Portland Cement has capped its previous profit peak for yet another year; that the dividends paid on the ordinary 5s. units and the highly geared "A" 1s. units have been raised; and that a rights issue is to be made.

One million 5s. Ordinary shares will be issued to ordinary shareholders in the proportion of one to six at 21s. 6d. each and the rights of holders of the 1s. shares to participate in net profits will be adjusted accordingly. With the existing shares at 32s., the rights are worth 1s. 6d. and on the assumption that the current dividend will be maintained on the enlarged capital the new shares are being offered on a yield of 5.8 per cent. The background to this issue is a reassuring one. Last year trading profits advanced from £1,448,409 to £1,552,275. Depreciation and obsolescence rose from £342,024 to £380,892, but the tax charge was cut by £50,000, to £320,000, leaving net profits £114,998 higher at £851,383. The ordinary dividend has been raised by one-ninth, from 22½ per cent to 25 per cent, giving a yield of 3.9 per cent on the 5s. units at 32s. The dividend on the million 1s. units, half of which were issued on behalf of workers at par in 1954, jumps by one-fifth, from 125 per cent to 150 per cent. These units stand at 37s. and yield 4.1 per cent. Even so, total distributions on the company's equity capital absorb only £258,750, leaving £569,921 to swell reserves.

A. W. GAMAGE

THE results of A. W. Gamage for the year to January 31st provide a welcome contrast to those reported last week by Lewis's and Harrods. Gross profits have risen by 13 per cent, from £342,842 to £388,430, and net profits by 25 per cent, from £151,038 to £189,800. The ordinary dividend proper is again left unchanged at 25 per cent, but the bonus is stepped up for the second year running by 5 per cent. The bonus is now 15 per cent, so that in effect the payment on the 10s. ordinary units has been raised from 35 to 40 per cent. A. W. Gamage, like other smaller department stores, has been the subject of take-over rumours and the chairman, Mr Eric M. Gamage, has declared that the directors will discourage anything in the nature of a bid.

The prospects depend in part on the redevelopment of the City of London, which may give this Holborn store an element of growth that some of its competitors do not possess. Gamage may also stand to gain more than some other groups from the expansion of credit trading, for it runs a big mail order and instalment credit business. At 66s. 6d. the 10s. ordinary units yield 6 per cent.

BRITISH WAGON

THE banks have no reason to regret their investment in hire purchase finance, for the latest reports of the houses in this business make good reading. Gross profits of British Wagon for 1958, for instance, have jumped from £369,114 to £553,835 and, after tax, its net profits have advanced from £180,083 to £261,118. The ordinary dividend has been raised from 20 per cent to 22½ per cent, so that at the current price of 131s. 6d. the £1 fully paid shares yield

3¼ per cent. The Royal Bank of Scotland and its two associated English clearing banks, Williams Deacon's and Glynn Mills, acquired approximately 40 per cent of the company's equity at a price of 92s. 6d. for every £1 of paid up capital. The final dividend of 17½ per cent has been paid on the new capital, which now consists of £850,000 in fully paid £1 shares and £425,000 in £20 shares, £5 paid. The directors propose to double this by capitalising £1,275,000 from reserves. Holders of the £1 shares will receive a one-for-one scrip issue, while the £20 shares will be written up to £10 paid. The partly-paid shares will then be subdivided into £2 shares, £1 paid.

A small HP finance house **Anglo Auto Finance**, a subsidiary of Gwent and West of England Enterprises, is to seek a stock exchange quotation. Anglo Auto Finance now has an issued capital of £250,000 and assets in excess of £1 million. The group, which is not linked with any of the banks, seems to be prospering. Its managing director is Mr Julian Hodge and he guarantees depositors a rate of 6 per cent till the end of 1959, and hopes to pay this rate indefinitely.

BRITISH OXYGEN

THE decision by the directors of British Oxygen to raise the ordinary dividend effectively from 10 per cent to 12 per cent for the year to September 30th was a small break with their conservatism of recent years and it was made in a year of record sales and profits. British Oxygen's gross profits rose by 21 per cent, from £5,964,085 to £7,224,500, despite substantially higher depreciation and interest charges, on a turnover that was 15.7 per cent higher. The full accounts now show that these profits expressed as a ratio to capital employed improved from 14 to 15 per cent. But the chairman, Mr J. S. Hutchison, warns shareholders that although favourable results are expected for the current financial year (owing, it seems, to continued expansion of sales overseas) the recession in heavy industry and general engineering in this country is affecting British Oxygen's sales of industrial gas which are now running below the previous year's levels.

British Oxygen remains a big spender on capital account. Mr Hutchison says that the current three years' development programme will cost about £24 million—the group will finance this from internal resources, and it will not make an issue for cash of shares or loan capital. The additional capacity being installed is linked with the development plans of the steel, chemical and other industries which British Oxygen serves. The yield of 4½ per cent offered by the £1 ordinary shares at 52s. takes the long view.

CONSOLIDATED ZINC

THE terms of Consolidated Zinc's rights issue and its preliminary profit statement for 1958 have been announced simultaneously. The group will raise almost £3½ million by the issue of 1,455,100 ordinary £1 shares in the proportion of one for six at 48s. per share. Currently, these units stand at 63s. 3d., giving a value of 2s. 3d. per share on the rights. The dividend for 1958, as was expected, has been reduced. A final payment is recommended of 2s., making a total dividend of 3s., compared with 3s. 9d. for 1957 and 4s. 6d. for 1956. Last year, the group's net profit fell from £1,770,000 to about £1,560,000. The new money will be used to erect two smelting plants, one at Swansea and the other at Cockle Creek in New South Wales. At the current price the yield on the existing ordinary shares is 4.7 per cent and the new shares yield 6¼ per cent on the issue price, but the directors of Consolidated Zinc say that on the assumption that as economic recovery gathers way the demand for lead and zinc will improve earnings this year will be "in line" with those of 1958.

RELAY EXCHANGES

RELAY EXCHANGES, in the radio relay and television and radio renting business, had already whetted the appetite of shareholders by disclosing last November that turnover in the first ten months of 1958 had exceeded expectations. The jump of 53 per cent in trading profits for the year from £1,503,670 to £2,304,637 will not disappoint them now. In terms of net profits, the advance is no less spectacular—a jump of 62 per cent, from £236,288 to £381,894. This contrasts with earlier years when equity earnings were pegged down by what the chairman has called "a very conservative policy" to provide for renewal of plant and equipment.

Such conservative financing is not uncommon in renting companies. Nor is the desire to expand. Expansion has generated a thirst for new money and "rights" issues of ordinary shares were made by Relay Exchanges in 1955 and again in September, 1958. But Relay Exchanges, like the other renting companies, was frustrated by CIC controls and it has been quick, with these controls out of the way, to come to the market. Its present intention is to raise £1¾ million by making another "rights" issue, of one for four at 20s. per share, putting a value on the rights of 2s. In addition the directors have under consideration the placing of a third series of loan stock.

Relay Exchanges' profit record should by itself ensure success for the issue, for trading profits are now about two and a half times what they were when the 5s. ordinary shares were first quoted on Throgmorton Street in 1955. But it is also being made against the background of an effective increase in the ordinary dividend, from the equivalent of 20 per cent, allowing for last September's 100 per cent scrip issue, to 22½ per cent (including a special profits tax interim of 2½ per cent). Presumably a dividend of at least 22½ per cent will be paid on the new capital this year. On that assumption, the existing shares at 30s. 3d. yield 3.7 per cent and the new shares 5.6 per cent on the issue price.

BRITISH-AMERICAN TOBACCO

AMONG the short list of tobacco equities for the British investor, British-American Tobacco is an established favourite. It has size-net assets at September 30th were over £236 million—a wide geographical spread, and, far more important, a potentially expanding market. The group is firmly entrenched in the United States, but a large part of its interests are in the primary producing countries, new and old, where potential growth is immense. But last year's results were disappointing; gross trading profits virtually unchanged at £62,631,000 compared with £62,617,000

Years to Sept. 30,	1957 £	1953 £
Cons. balance sheet:		
Net fixed assets	55,177,054	57,993,066
Trade investments	7,903,141	7,791,073
Stocks	200,635,036	199,154,696
Debtors	35,809,072	33,282,973
Liquid assets	38,950,201	54,870,524
Bank loans	2,073,235	1,982,282
Net current assets	*208,447,299*	*217,512,470*
Notes and loans	17,049,143	15,556,077
Minority interests	24,374,908	25,176,710
Reserves	165,248,136	178,191,748
Preference capital	10,500,000	10,500,000
Ordinary capital	47,515,522	47,515,522

£1 ordinary unit at 53s. 4½d. yields 5·7 per cent.

in 1956-57. It was to be expected that the group might mark time last year, but even marking time has its advantages. There was a great accretion of strength in the group's finances during the year; cash and easily realisable assets held by all members of the group have risen from £39 million to £55 million. The group has a very small overdraft and finances its huge stocks from internal resources. Stocks actually declined in value by £1½ million to £199 million over the year, but the directors reveal that the volume of leaf stocks held by the group rose, though purchases of American leaf tobacco were lower.

TRIPLEX

IN their first interim report since last year's reorganisation the directors of Triplex present somewhat disappointing results. The fall in profits cannot be wholly attributed to the sale of Quickfit and Quartz last June and it occurred in a period when the motor industry was enjoying a boom. Over the six months to December 31st production in the Triplex safety glass factories failed to match available capacity, for though the demand for curved laminated glass rose the demand for curved toughened plate fell—a fact that the directors explain by referring to changes in the models produced by the motor industry. This factor was particularly potent in the last quarter of 1958 and the decision to leave prices unchanged in the face of increases in the price of plate glass and in labour costs led to a sharp drop in the trading surplus, from £660,230 to £582,504. Although there were "signs of an upward trend" towards the end of the year the directors disclose that the 1958-59 results will fall short of the record level achieved in 1957-58. On this report the 10s. ordinary shares fell 9d. to 53s. 6d., to yield 5 per cent.

DOWTY GROUP

A PRICE of 36s. 6d. for the 1,920,000 10s. shares now being issued by the Dowty Group to pay for its acquisition of Rotol puts a value of 1s. 7d. per share on the rights. The new shares are offered on a yield basis of 5.5 per cent gross, for the directors say that the ruling 11½ per cent tax free dividend will be maintained on the larger capital. That dividend is certainly justified, for Dowty's projected profit is £2 million for the current year to March 31st and Rotol's £735,000. The group will raise about £3,425,000, which will virtually meet in full the cost of £3.5 million for the acquisition. Rotol's net tangible assets, less future tax of £322,710, are £2,917,100 but Dowty shareholders will be less concerned with book values than with Rotol's prospects in a contracting aircraft industry. On this point the chairman, Sir George Dowty, explains that while Dowty's aircraft division—which is only one sector of the group's diversified business—is primarily concerned with military aircraft, two-thirds of Rotol's output is in equipment for civil aircraft. For the group as a whole, he does not expect the volume of aircraft work to decline substantially over the next two years. Rotol is already engaged in the development and manufacture of products outside the aircraft field and has received orders for diesel engine turbo chargers and aircraft equipment has become steadily less important in Dowty's own activities.

ILFORD

ONLY five months have passed since the directors of Ilford announced the details of the planned association with ICI in colour photography, but already the chairman of Ilford, Mr James P. Philipps makes an encouraging progress report. In his statement with the full accounts, he says that the advantages of this link have grown more evident as the months have passed and co-operation has been extended into a number of new fields that had not been foreseen. Ilford's laboratories, aided by a flow of information and assistance from ICI, are now working at high pressure; and Ilford hopes soon to be able to widen the range of colour film it sells. ICI has already subscribed £320,000 to Ilford, paying up 1s. on 6,400,000 5s. ordinary shares. This addition to Ilford's liquid resources, with £2,269,259 in cash or near-liquid form, with further subscriptions from ICI to come means that it will be able in the next four years to pursue its own development of black and white photography. The association with ICI, which will eventually own 32 per cent of the equity, gives Ilford greater strength to combat the increasingly competitive conditions in export markets and to correct the erosion of profit margins, which was responsible for the fall from £813,748 to £788,994 in net profits in the year to October 31st. But the market prospects for film cannot be described as bullish. Mr Philipps looks forward to rapidly expanding sales of colour film in the next few years, but this may be partly at the expense of black and white film. Moreover, Ilford is threatened in its export trade to the member countries of the European Common Market; to meet Belgian and German competition in this market it has set up local selling companies and may eventually have to set up a manufacturing organisation there. The yield of 4½ per cent offered by the 5s. ordinary units at 17s. 1½d. puts a generous price on the hope that Ilford's association with ICI will help it to solve new and difficult marketing problems.

LINEN THREAD

THE new chairman of Linen Thread, Mr W. Luke, naturally devotes much of his statement to shareholders to the future of the group, now shorn of its American subsidiary. Demand for the company's traditional products is slowly declining. The directors' policy is to offset the decline in profits from the existing linen interests by income from investment in the growth industries of the present day. "Our business," Mr W. Luke says, "will gradually veer away from textiles." He also makes it clear that the company intends to use what remains of the money received from the sale of its American subsidiary after the capital distribution of 10s. per share, which absorbs £1,650,000, to carry through this policy of diversification. The capital distribution virtually exhausts the reserve available for tax free distribution. The capital profit on the deal was about £1½ million and Mr Luke explains that "any further distribution would appear to involve either an exceptional taxable dividend to ordinary stockholders or a reduction of capital on the terms of which different classes of stockholders would have conflicting interests."

After considering many projects, Linen Thread has chosen two "very promising enterprises in the United Kingdom" which it is negotiating to purchase for more than £2 million. But, unfortunately, having thus roused shareholders' interest, Mr Luke does not indicate in what industries the new investment is to be made. Shareholders will expect to know, as soon as it is possible to tell them without disturbing the course of negotiations, where the money is to be invested. Eventually, diversification will mean that non-textile interests will be responsible for a large proportion of Linen Thread's income. Immediately, however, the group's profits still hinge on the success of the home textile division and of the widely thrown net of subsidiaries, several of which are not earning a satisfactory rate of profit. In the year to September 30th last, excluding the figures of the American subsidiary, the group's gross profits fell from £397,565 to £246,838 and net profits contracted to £146,123. The 6 per cent ordinary dividend and preference dividends would absorb £183,425 in a full year. The £1 ordinary shares, with the 10s. capital payment still to come, currently stand at 29s. 10½d. xd.

London Stock Exchange

FIRST DEALINGS:	Feb. 25	Mar. 11	Apr. 1
LAST DEALINGS:	Mar. 10	Mar. 31	Apr. 14
ACCOUNT DAY:	Mar. 17	Apr. 7	Apr. 21

NO change in the Bank Rate, the sharp rise in the Treasury bill rate and the unsettled international situation led to widespread falls in gilt-edged prices. These were only partly regained in the rally on Wednesday. The *Financial Times* Index of Government Securities fell by 0.66 to 86.38 over the week to Wednesday's close. Among undated stocks, War Loan 3½ per cent lost ½ to 67½ despite a rally of ¼ on Wednesday. In Dominion loans, the discount on the new Rhodesian and Nyasaland 6 per cent 1978-81 widened from ½ to 2¼. In foreign bonds, German bonds fell over the week, with Dawes losing 2 points to 166. Greek 7 per cent gained one point to 33 on debt settlement hopes.

Selling led to widespread falls in industrial equities but Wall Street's climb to fresh peaks and the strength of the reserves helped the market to regain some of the ground lost earlier. *The Economist* Indicator fell by 1.5 to 252.0 over the week to Wednesday's close. Among electricals "Emmies" (which has attracted American buyers) lost 7½d. to 54s. 7½d. but Philips rose by 1s. 9d. to 101s. But heavy electrical equipment shares strengthened on the results from AEI, London Electric Wire gaining 1s. 6d. to 72s. and Reyrolle 6d. to 95s. 3d. In a firm motor section Rolls-Royce jumped by 3s. 3d. to 104s. 3d and Jaguar rose a further 1s. 3d. to 63s. 9d. In aircraft, Hawker fell by 1s. 4½d. to 30s. 6d. Food shares were firm, Liebig's rising by 5s. 3d. to 78s. 3d. and United Dairies by 1s. 3d. to 70s. 6d. xd. Banks were quiet apart from Lloyds which rose by 2s. 6d. to 52s. 6d. following the news of the "rights" issue after Easter, but HP shares were weak, UDT dropping by 3s. to 137s. and Mercantile Credit by 2s. to 25s. 3d.

Oils were initially firm as American and Continental selling dried up, but Tuesday's gains following the climb on Wall Street were partly lost the following day on profit taking. Nonetheless, Shell, which was particularly weak at first on Paris selling, closed 1s. higher at 140s. and BP were the same amount better at 52s. But Ultramar lost 3d. over the week to 67s. 3d. and Burmah lost 9d. to 76s.

Kaffirs fell and Tuesday's recovery petered out as the Nyasaland situation worsened. Hence the *Financial Times* gold share index lost 3.8 to 86.9. FS Geduld fell by 1s. 3d. to 151s. 10½d. despite the good monthly returns and among other OFS shares St Helena lost 3s. 9d. at 55s. 1½d. and Harmony 1s. 9d. at 42s. Finance Houses were also weaker, Anglo-American losing 7s. 6d. to 173s. 9d., General Mining 6s. 3d. to 125s., and Central Mining 4s. 3d. to 72s. 6d. In diamonds, De Beers dropped by 3s. 9d. to 130s. 7½d. on selling from Paris.

LONDON AND NEW

Prices, 1958/9 High	Prices, 1958/9 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Feb. 25, 1959	Price, March 4, 1959	Net Yield, March 4, 1959 § £ s. d.	Gross Yield, March 4 1959 £ s. d.
100 3/16	96 15/16	War Loan 3% 1955–59	100 1/16	100	2 8 3	2 19 10
97 3/4	93 3/8	Funding 2 1/2% 1956–61	97 11/16	97 19/32	2 12 4	3 2 11
99 3/32	93 7/16	Exchequer 2 1/2% 1960	99 1/16	99 5/16	2 10 10	3 1 11
103 3/32	95 7/16	Exchequer 3% 1960	100 1/16	99 15/16	2 15 7	3 1 3
101 5/16	95 5/16	Conversion 4 1/2% 1962	101 1/4	101 5/32	2 3 0	4 0 6
96 1/32	89 5/8	Exchequer 3 1/2% 1962–63	96	96	2 13 0	4 0 6
101 1/32	99 7/16	Conversion 4 1/2% 1963	101 13/32	101 7/16	2 5 4	4 7 6
92 15/16	83 5/8	Savings Bonds 3 1/2% 1955–65	92 5/16	92 7/16	3 0 5	4 7 4
85 13/16	77 5/8	Funding 3% 1959–69	85 13/16	85 3/16	3 11 3	5 0 9
93 1/8	86 3/8	Funding 4% 1960–90	93 1/8	92 7/8	9 14 0	12 1 8
83 7/16	75	Savings Bonds 3% 1960–70	82 3/4*	82 1/16	2 13 6	4 10 3
93 5/8	84 3/8	Exchequer 2 1/2% 1963–64	93 7/16	93 1/4	3 13 1	5 1 8
100 31/32	99 11/16	Conversion 4 1/2% 1964	100 5/16	100 3/16	2 19 10	4 2 6
101 3/32	86	Savings Bonds 2 1/2% 1964–67	85 7/8	85 3/4	2 9 11	4 9 2
76 7/8	69 5/8	Savings Bonds 3% 1965–75	76 13/16	76 1/4	3 12 3	4 16 10
105 3/8	99 1/2	Exchequer 5 1/2% 1956	103 1/4*	103 1/8*	3 13 5	5 3 7
86 1/16	73 5/8	Funding 3% 1966–68	86 1/16	85 5/8	3 11 2	4 18 10
98 1/8	91 1/8	Victory 4% 1920–76	96 7/16*	96 7/16	2 14 11	4 9 10
89 13/16	81 3/16	Conversion 3 1/2% 1959	89 13/16*	89 3/16	3 5 11	4 17 8
100 5/16	97 1/4	Conversion 5 1/2% 1974	100 5/16	100 1/8	3 1 3	5 7 0
79 1/32	71 1/8	Treasury 3 1/2% 1977–80	79 1/2	79 1/16	3 8 9	5 4 4
78 3/32	70 3/8	Treasury 3 1/2% 1979–81	78 3/8	77 15/16	3 9 3	5 4 11
103 3/16	98 1/2	Funding 5 1/2% 1982–84	103 1/16	103 1/8	3 9 0	5 6 5e
68 1/4	60	Redemption 3% 1986–96	67 1/8*	66 3/4*	3 5 3	4 18 11
74 1/2	64 3/8	Funding 3 1/2% 1999–2004	74 1/8	73 5/8	3 2 3	5 0 11
76 3/8	69 11/16	Consols 4% ..after Feb. 1957	75 7/16	74 7/8	3 1 7	5 7 4f
69 7/16	63 1/8	War Loan 3 1/2% ..after 1952	68 1/4	67 5/8	3 0 5	5 4 11f
68 3/8	62 3/8	Conv. 3 1/2% ..after Apr. 1961	67 1/4*	66 7/16*	3 0 5	5 5 0f
60	54 5/8	Treasury 3% ..after Apr. 1966	60	58 1/8*	2 19 3	5 2 9f
53 9/16	46 1/4	Consols 2 1/2%	53 3/8	52 1/8*	2 15 0	5 0 8f
51 3/16	46 3/8	Treasury 2 1/2% after Apr. 1975	50 1/8*	49 1/2*	2 18 0	5 0 8f
96 7/8	90 1/8	British Electric 4 1/2% 1957–69	96 3/8	95 3/4	3 1 9	5 1 4f
80 1/8	72 11/16	British Electric 3% ..1968–73	78 13/16*	78 5/16*	3 14 1	5 3 2f
76 13/16	68 5/8	British Electric 3% ..1974–77	75 11/16*	75 1/16*	3 12 0	5 3 6f
83 7/8	62 3/8	British Electric 4 1/2% 1974–79	83 3/8*	83 1/8*	3 4 7	5 3 6f
80 3/8	72 5/16	British Electric 3 1/2% 1976–79	80 3/8	79 7/8	3 8 5	5 3 8f
89 3/4	82 7/16	British Gas 4% 1969–72	89 1/2	89 3/8	3 6 1	5 2 9f
87 1/16	79 1/4	British Gas 3 1/2% 1959–71	86 3/4*	86 3/16*	3 7 5	4 19 10f
69 1/16	60 7/16	British Gas 3% 1990–95	69 7/16	68 7/8	3 4 4	4 18 2f
80 1/8	72 1/16	Brit. Transport 3% ..1968–73	78 13/16*	78 5/16*	3 14 1	5 3 4f
86 3/4	79 1/16	Brit. Transport 4% ..1972–77	86 3/4	86 7/16	3 6 2	5 4 2f
69 1/8	60 5/16	Brit. Transport 3% ..1978–88	69 1/8	68 5/8	3 9 0	5 2 3f

Prices, 1958/9 High	Prices, 1958/9 Low	FIXED INTEREST STOCKS	Price, Feb. 25, 1959	Price, Mar. 4, 1959	Yield, Mar. 4, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	94 1/2	Australia 4 1/2% 1960–62	99 3/8*	99 3/8*	4 13 0e
106 3/4	97 7/8	Australia 6% 1974–76	105 1/2	106 3/4	5 6 7e
77	73 1/2	Ceylon 4% 1973–75	75 1/2	75 1/2	6 9 8f
102 1/4	94 1/2	Jamaica 6% 1977–82	99 3/4	99 3/4	6 0 6f
105 7/8	97 7/8	New Zealand 6% 1976–80	104 1/4	104 1/2	5 11 0
101 7/8	91 3/4	Rhodesia and Nyasaland 6% 1976–79	99 3/4	98 3/4	6 2 4f
74 7/8	69	Southern Rhodesia 2 1/2% 1965–70	73 1/2	71 3/4*	6 4 0f
		CORPORATION AND PUBLIC BOARDS			
102	98 1/4	Agricultural Mortgage 5 1/2% 1980–85	102 1/2	102 1/2	5 6 0e
105	93 7/8	Birmingham 5 3/4% 1974–76	103 1/2	103	5 9 1e
94	86	Bristol 3% 1958–63	93 1/2	94	4 13 0f
97 1/2	91 1/2	Glasgow 4 3/4% 1966–68	97 1/2	97	5 3 5f
101 1/4	96 1/2	Corporation of London 5 1/4% 1976–79	101	101	5 3 5e
57 3/4	53	L.C.C. 3% ..... after 1920	56 1/2	56 1/4	5 6 8
64	56	Met. Water Board 'B' 3% 1934–2003	63 1/4	63	5 2 6
		FOREIGN BONDS			
108 1/2	83	German 7% 1924 (British Enfaced 5%)	108 1/2	107 1/2	...
187	154	German 5 1/2% 1930 (Enfaced 4 1/2%)	187	185 1/2	...
35	12 3/4	Greek 7% Refugee 1924	32	33	Nil
169	160	Japan 5% (Enfaced) 1907	168 1/2	168 3/4	...
119 1/2	105 1/2	Japan 6% (Enfaced) 1924	116 1/2	117 1/4	...
59	48	Uruguay 3 1/2% Bonds (Assented)	59	58 1/2	...

NEW YORK CLOSING PRICES

	Feb. 25 $	Mar. 4 $		Feb. 25 $	Mar. 4 $		Feb. 25 $	Mar. 4 $
Ath. Topeka	29 1/8	28 7/8	Boeing	42 1/2	42 1/4	Inter. Nickel	93 1/2	94 3/4
Can. Pacific	31 1/8	32 1/2	Celanese	29 1/4	30 1/8*	Inter. Paper	120 3/4	124 1/4
Pennsylvania	17	16 5/8	Chrysler	55 7/8	56 1/8	Kennecott	115	114 7/8
Union Pacific	37 1/2	37 1/8*	Col. Palmolive	101 1/4	104 1/2	Monsanto	44 5/8	46 1/8
Amer. Electric	49 3/8	50 1/4	Crown Zeller.	56 1/2	55 3/8	Nat. Distillers	32	34
Am. Tel. & Tel.	240 1/4	246 1/8	Distillers Seag.	35 1/4	35 1/8	Pan-American	27 3/4	27 1/2
Cons. Edison	64 7/8	66 3/8	Douglas	54 1/4	56 1/8	Procter Gamble	76 3/8	80
Int. Tel. & Tel.	63 1/4	65 3/8	Du Pont	216 1/4	223	Radio Corpn.	47 3/8	52
Standard Gas	31 1/2	31 1/2	East. Kodak	154	152 1/4*	Sears Roebuck	44 1/8	44 1/4
United Corpn.	9	9 1/8	Ford Motor	55 1/4	57 5/8	Shell Oil	80	83 3/4*
Western Union	34 1/8	36 1/2	Gen. Electric	79 1/2	79 3/4	Socony-Mobil	45 1/2	46 3/8
Alcoa	83 7/8	82 1/4	General Foods	79 3/4	82 1/2	Stand. Oil Ind.	47 5/8	49
Aluminium	28 7/8	29 5/8	General Motors	46 7/8	46 7/8	Stand. Oil N.J.	51	53 3/4
Amer. Can	47 3/8	48 1/4	Goodyear	129	128 1/4	20th Cent. Fox	33 3/8	30 1/4
Am. Smelting	55	54 1/2	Gulf Oil	112 1/2	119 1/4	Union Carbide	131 1/4	132 1/4
Am. Viscose	42 1/8	42 1/2	Heinz	65 3/4	71	U.S. Steel	93 1/4	93 3/4
Anaconda	72 1/8	72 1/4	Inc. Bus. Mach.	518	524	West. Electric	77 7/8	79 1/8
Beth. Steel	53 1/4	53	Int. Harvester	42	42 7/8	Woolworth	55 1/4	54 3/4

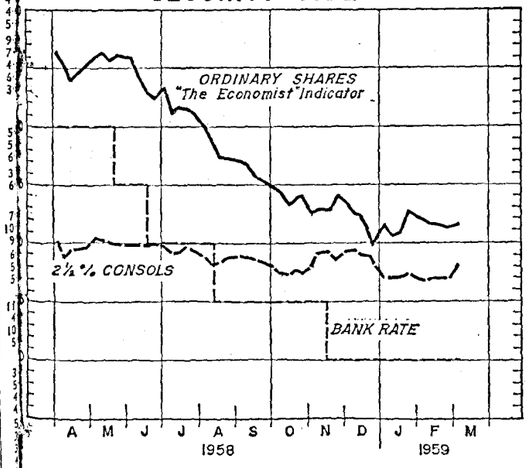
* Ex dividend. † Tax free. ‡ Assumed average life 9 years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (i) To latest date. (p) Unassented stock.

YORK STOCKS

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Feb. 25, 1959	Price, Mar. 4, 1959	Yield, Mar. 4, 1959
		%	%	**BANKING**			
49	31/9	6 a	6 b	Barclays £1	59/3	58/9	4·09
29/6	27/6	4 1/2 a	5 2/3 b	Lloyds £1	50/-	52/6	3·81
57/6	57/6	9 a	9 b	Midland £1	93/9	94/3	4·24**
59/3	59/3	9 a	11 b	National Provincial £1	98/9	100/-	4·00
36/-	36/-	5 a	7 1/2 b	Westminster 'B' £1	60/6	61/-	4·10
47/9	47/9	7 1/2 a	9 1/2 b	District £1	76/6	76/6	4·44
9 5/16	9/8 1/4	6 a	10 b	Martins 5/-	20/-‖	19/9‖	4·05
24/6	21/4 1/2	5 a	7 1/2 b	Com. Bk. of Scot. 'A' 10/-	39/6	39/-	3·21
8 7/16	7/8	7 a	9 b	Royal Bank of Scotland £1	75/-	74/6	4·30
6 1/16	4	5 a	5 b	Barclays D.C.O. £1	41/-	41/3	4·36
6 2/16	31/3	7 1/2 a	7 1/2 b	Chartered Bank £1	46/-	46/3	6·49
3 7/16	£20	$2·10c	$2·25c	Royal Bank of Canada $10	£28 1/4	£29	2·84
5 5/16	£14 15/16	$1·60c	$1·65c	Bank of Montreal $10	£20 1/8	£20 1/4	2·98
5 5/16	25/8	9 c	9 c	Bank of New S. Wales £20	31/4	31/4	4·54g
4 3/16	28/-	4 a	6 b	Bank of Ldn. & S. Amer. £1	32/9	32/6	6·15
5 9/16				**FINANCIAL**			
5 1/16	18/-	2 1/2 a	5 b	Alexanders £1	31/3	31/6	4·76
4 2/16	29/6	5 a	7 b	National Discount 'B' ..£1	44/-	43/9	5·49
4 2/16	34/-	6 1/4 a	6 1/4 b	Union Discount £1	51/-‖	50/6‖	4·95
3 13/16	32/9	3 6 3 c	1 8 1 a	Commercial Union 5/-	41/6	41/3	4·44
2 9 3	102/6	12 1/2 a	15 b	Employers Liability £1	142/6	146/3	3·76
4 2 9	117/6	†16·32d	†16·25b	Equity & Law 8/6	193/9	197/6	2·43
4 2 9	113/9	60 b	40 a	Legal & General 5/-	235/-	250/-	2·00
	86/3	†50 b	†20 a	Pearl 5/-	116/-	117/-	5·20
3 19 6	154/-	†132 1/2 c	†147 1/2 c	Prudential 'A' 4/-	220/-	232/6	4·43
3 19 6	63/9	8 b	8 a	Royal Exchange £1	80/9	81/3	3·94
4 6 8	8/-	5 a	8 3/4 b	Bowmaker 5/-	20/9	19/10 1/2	3·46
6 3 10	16/10 1/2	7 1/2 b	7 1/2 a	Lombard Banking 5/-	25/3	24/9	3·03
6 3 10	73/3	16 b	4 a	U.D.T. £1	140/-	137/-	2·92
4 11 6	19/9	17 1/2 b	10 a	B.E.T. 'A' Defd. 5/-	37/6	35/9	3·85
10 1/2	7/11	10 c	10 a	Cable & Wireless 5/-	12/10 1/2	12/10 1/2	3·88
2 7 10	7/10 1/2	2 1/2 b	2 a	Land Securities 10/-	21/7 1/2	20/10 1/2	2·87**
5 3 6	8/7 1/2	$5 12c	2 1/2 d	London & County 10/-	15/9	16/4 1/2	4·07**
3 19 6				**FOOD, DRINK AND TOBACCO**			
4 2 9	12/3	15 c	5 a	Allied Bakeries 'A' 5/-	22/9‖	25/6‖	2·94
5 4 6	13/4 1/2	20 c	14 a	Beecham Group 5/-	25/7 1/2	25/4 1/2	3·94
4 3 9	6/5 1/4	7 b	2 1/2 a	International Tea 5/-	11/9	11/9	4·04
8 3 6	40/11 1/2	9 1/4 b	5 a	J. Lyons 'A' £1	76/3	75/10 1/2	3·73
-	13/7 1/2	5 a	5 b	Ranks 10/-	20/-	19/10 1/2	5·03
6 3 10	7/9	7 1/2 b	2 1/2 a	Schweppes 5/-	19/4 1/2	18/10 1/2	3·97**
5 3 6	48/9	12 b	4 1/2 a	Tate & Lyle £1	69/6	70/3	4·70
5 3 6	47/4 1/2	10 b	5 a	United Dairies £1	68/9*	70/6*	4·26
4 3 6	31/-	10 a	36 b	Bass 5/-	45/6	45/6	5·05
3 19 6	15/9	6 2/3 b	4 a	Distillers 10/-	26/4 1/2	25/7 1/2	4·16
5 3 6	11/6	6 a	11 b	Flowers 5/-	15/3	15/3	5·57
5 3 6	37/-	10 a	18 b	Guinness 10/-	58/9	58/6	4·79
4 3 9	9/4 1/2	4 a	10 b	Ind Coope & Allsopp .. 5/-	12/9	12/7 1/2	5·54
3 19 6	56/6	7 1/2 a	13 1/2 b	Watney Mann Defd. £1	81/9	81/6	5·15
	75/6	17 b	8 a	Whitbread 'A' £1	108/-	108/-	4·63
5 3 6	37/7 1/2	†17 1/2 c	†5 a	Brit. Amer. Tobacco .10/-	53/4 1/2*	53/4 1/2*	8·70
10 1/2	20/6	5 a	20 b	Gallaher 10/-	41/9	42/10 1/2	5·83
	37/-	8 1/2 a	12 1/2 b	Imperial Tobacco £1	56/6*	57/6*	7·30
5 3 6	58/9	47/-	7 1/2 a	7 1/2 b	A.E.I. £1	55/3	55/9
5 3 6	52/6	39/3	8 1/2 b	4 a	B.I.C.C. £1	47/9	47/9
4 3 6	43/3	24/7 1/2	5 3/4 a	14 1/8 b	Decca Record 10/-	42/3	40/6
4 3 6	63/-	21/-	11 1/4 a	11 c	E.M.I. 10/-	55/3	54/7 1/2
4 3 6	65/3	44/6	4 a	10 b	English Electric £1	64/3*	65/11 1/2
4 3 6	40/6	29/9	6 1/2 b	3 a	General Electric £1	32/3*	32/3*
3 19 6	17/-	10/3	12 1/2 c	12 1/2 c	Pye Defd. 'A' 5/-	16/3	15/11 1/2
	97/3	74/6	11 b	6 1/2 a	A. Reyrolle £1	94/9	95/3
5 3 6					**MOTORS AND AIRCRAFT**		
4 3 6	14/2 1/4	6/7 1/2	12 1/2 c	4 a	British Motor 5/-	13/7 1/2	13/11 1/4
5 3 6	55/3	31/9	6 b	3 1/2 a	Ford Motor £1	54/10 1/2	54/9
4 3 6	48/9	39/-	12 1/2 c	12 1/2 c	Leyland Motor £1	45/-	44/9
	7/10 1/2	4/11 1/2	8 c	4 a	Rootes Motors 4/-	7/4 1/2	7/3
	10/-	6/7 1/2	8 c	12 c	Standard Motors 5/-	9/5 3/4	9/4 1/2
6 3 6	26/6	14/4 1/2	11 b	4 1/6 a	Dunlop Rubber 10/-	25/7 1/2	25/3
4 3 6	45/6	28/-	21 1/2 a	5 b	Joseph Lucas £1	45/-	45/-
5 3 6	26/11 1/2	12/5 1/4	14 b	7 1/2 a	Pressad Steel 5/-	24/4 1/2	24/4 1/2
5 3 6	54/4 1/2	32/9	20 b	7 1/2 a	Triplex Holdings 10/-	53/6	53/6
9 3 6	14/4 1/2	8/7 1/2	6 1/2 b	3 1/2 a	Bristol Aeroplane 10/-	10/4 1/2	10/4 1/2
7 3 6	21/4 1/2	14/3	7 1/2 c	7 1/2 c	De Havilland £1	20/11 1/2	19/7 1/2
6 3 6	41/3	29/3	15 a	16 1/2 b	Dowty Group 10/-	42/-*	40/9
3 3 6	34/9	24/9	3 a	7 b	Hawker Siddeley £1	31/10 1/2	30/5
	106/3	82/9	15 b	5 a	Rolls-Royce £1	101/-	104/3
5 3 6					**PAPER AND NEWSPAPERS**		
5 5 6	49/7 1/2	26/6	8 b	4 1/2 a	Bowater Paper £1	49/7 1/2	49/3
6 3 6	54/3	27/9	9 b	5 a	Albert E. Reed £1	53/6	54/3
3 3 6	24/9	16/-	5 b	3 a	Spicers £1	22/6	23/3
6 3 6	25/3	8/9	7 1/2 a	12 b	Daily Mirror 'A' 5/-	24/4 1/2	24/7 1/2
	29/-	13/6	5 a	12 1/2 b	Odhams Press 10/-	28/9	28/3
7 10 6	24/11 1/2	19/6	6 1/4 b	2 1/2 a	**TEXTILES**		
9 5 6	21/-	12/10 1/2	5 b	5 a	J. & P. Coats £1	23/3	23/-
6 3 6	41/4 1/2	29/10 1/2	5 a	12 1/2 b	Fine Spinners £1	18/6	18/7 1/2
5 5 6	38/4 1/2	30/-	12 1/2 c	2 1/2 a	Lancashire Cotton £1	37/6	37/7 1/2
3 3 6	6/3 1/4	4/3	6 c	4 a	Patons & Baldwins £1	37/7 1/2	37/7 1/2
6 3 6	54/6	38/7 1/2	10 a	5 a	Salts (Saltaire) 5/-	5/5 1/4	5/6
	19/11 1/2	10/11 1/2	6 c	Nil	Woolcombers £1	52/6	53/11 1/2
11 3 6	48/4 1/2	33/11 1/2	22 1/2 c	22 1/2 c	Bradford Dyers £1	17/3	17/-
10 3 6	35/10 1/2	19/7 1/2	5 b	3 a	Calico Printers £1	39/6	40/3
9 3 6	13/7 1/2	8/10 1/2	3 a	10 b	Courtaulds £1	35/10 1/2	34/9
5 3 6	30/6	15/3	7 1/2 c	7 1/2 c	Jute Industries 10/-	12/3	12/11 1/2
3 3 6					Tootal £1	26/7 1/2	26/4 1/2
5 3 6	22/11 1/2	14/9 3/4	14·4c	6 a	**DRAPERY & STORES**		
5 3 6	30/3	16/9	3 3/4 b	10 a	Boots Pure Drug 5/-	21/7 1/2*	21/3*
5 3 6	34/3	17/3	25 b	7 1/2 a	Debenhams 10/-	33/11 1/2	29/6
5 3 6	80/-	55/6	5 a	12 1/2 b	G.U.S. 'A' 5/-	34/-	33/7 1/2
5 3 6	35/3	20/3	25 b	10 a	Harrods £1	18/6	18/-
5 3 6	18/3	10/6	6 a	10 b	House of Fraser 'A' 5/-	34/7 1/2	34/-
5 3 6	55/9	37/3	22 1/2 b	12 1/2 a	Lewis's Investment 5/-	17/9	17/3
5 3 6	38/6	21/-	20 b	12 1/2 a	Marks & Spencer 'A' 5/-	54/11 1/2	54/3
5 3 6	53/11 1/2	34/7 1/2	26 3/4 b	13 1/2 a	Woolworth 5/-	52/3	50/7 1/2

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Feb. 25, 1959	Price, Mar. 4, 1959	Yield, Mar. 4, 1959
		%	%	**MISCELLANEOUS**			
50/9	45/6	30 c	20 a	Assoc. Brit. Picture ... 5/-	45/3	44/3	...
50/9	28/-	11 a	5 a	British Match £1	44/9	44/4 1/2	4·96
54/9	28/3	4 a	8 b	British Oxygen £1	53/9*	53/9*	4·47
13 b	4 a	13 b	4 a	British Ropes 2/6	10/6	6/9	1·42
51/3	21/-	4 1/6 a	7 1/2 b	Glaxo 10/-	50/-	49/9	2·35
63/9	31/3	10 a	50 b	Hoover 'A' 5/-	63/9	61/-	4·92
195/-	133/9	18·17b	6·17a	Hudson's Bay £1	180/-	177/6	2·74
17 1/2	11 1/8	12 1/2 c	22 1/2 c	Sears 'A' 5/-	16/9 3/4	16/7 1/2	6·77
63/6	44/-	7 b	6 1/4 a	Thomas Tilling £1	63/6	62/6	4·24
76/4 1/2	52/11 1/2	5 a	10 b	Turner & Newall £1	71/4 1/2	71/7 1/2	4·19
96/-	56/4 1/2	8 1/2 b	8 1/2 a	Unilever £1	90/-	90/6	3·71
49/3	24/3	7 1/2 b	3 3/4 a	United Glass £1	48/9	47/9	4·70
†10 b	†4 1/4 a	36/-	26/-	United Molasses 10/-	35/0 3/4	34/9	7·09
				OIL			
58/6	39/9	†5 b	†2 1/2 a	British Petroleum £1	51/-	52/-	5·01
87/3	59/11 1/2	†7 1/2 b	†5 a	Burmah Oil £1	76/9	76/-	5·91
£187 6	£137 6	17 1/2 b	7 1/2 a	Royal Dutch ..... 20 fl.	£153 6	£157 6	2·97
165/-	117/6	†133 4 b	†5 a	Shell Transport £1	139/-	140/-	4·66
95/6	41/6	...	...	Ultramar 10/-	67/6	67/3	... d
13 6 b	7 1/2 a	9 c	3 a	Wakefield C.C. 10/-	36/6	36/9	5·61
				SHIPPING			
32/9	16 3/4 a	4 a	4 a	Brit. & Com'wealth. .10/-	43/6	43/-	4·65
102/6	12 1/2 a	15 b	5 b	Cunard £1	18/-	18/11 1/2	...
117/6	†16·32d	†16·25b	8/6	Furness With. £1	34/-	33/-	6·06
113/9	60 b	40 a	2	Legal & General 5/-	235/-	250/-	2·00
86/3	†50 b	†20 a	8 b	P & O Defd. £1	34/9	34/6	6·38
154/-	†132 1/2 c	†147 1/2 c	5 a	Reardon Smith 10/-	16/3	15/6	1·61
63/9	8 b	8 a	9 c	Royal Mail £1	24/9	24/9	7·27
				MINES			
182/6	115/-	60 b	20 a	Anglo-American 10/-	181/3	173/9	4·60
131 1/2	73/9	10 a	15 b	General Mining £1	131/3	125/-	4·00
80 b	40 a	100 b	40 a	Union Corporation ...2/6	54/3	50/9	3·91
34/3	23/10 1/2	50 a	50 b	Daggafontein 5/-	28/9	28/6	17·54
153/9	76/3	40 a	60 b	Free State Geduld 5/-	153/11 1/2	151/10 1/2	3·29
35 b	15 a	35 a	4 a	Hartebeestfontein 10/-	67/6	66/-	10·61
69/7 1/2	46/6	50 a	50 b	President Brand 5/-	67/4 1/2	64/-	7·81
141/3	84/4 1/2	60 a	80 b	Western Holdings 5/-	140/7 1/2	131/3	5·33
67/3	41/6	12 1/2 b	5 a	Consolidated Zinc £1	60/9	63/6	5·51
134/4 1/2	80/7 1/2	120 b	80 a	De Beers Defd. Reg. .. 5/-	134/4 1/2	130/7 1/2	7·66
$169	$132 3/4	$3·75c	$3·75c	International Nickel n.p.v.	$164 1/4*	$165 1/4*	4·05
8/7 1/2	6/4 1/2	5 a	15 b	London Tin 4/-	8/6*	8/4 1/2*	9·55
86/3	50/7 1/2	10 a	30 b	Rhod. Anglo-Amer. ..10/-	81/3	78/9	5·08h
19/9	12/10 1/2	7 1/2 a	6 1/4 b	Rhod. Selection Tst. .5/-	18/-	16/9	2·18h
67/-	42/6	15 a	17 1/2 b	Rio Tinto Reg. 10/-	55/7 1/2	53/9	4·84
12/10 1/2	7/10 1/2	60 c	20 a	Tronoh 5/-	12/7 1/2	12/10 1/2	...
				TEA AND RUBBER			
26/3	19/6	†2 1/2 a	†10 b	Cons. Tea & Lands £1	24/-	23/9	18·32
27/9	20/-	†5 b	†3 a	Jokai (Assam)	23/-*	23/-*	12·10
22/3	16/6	10 b	4 a	Nuwara Eliya £1	17/-	16/9	16·72
1/13 1/4	1/1 1/2	16 b	4 a	Grand Central 2/-	1/6	1/5 1/4	27·83
8/-	2/4 1/2	25 b	5 a	London Asiatic 2/-	4/6	4/5 1/4	13·52
10 1/4 d	5 1/4 d	6 c	8 c	United Serdang 2/-	9 1/4 d	9 1/4 d	20·76
70/9	46/-	37 1/2 b	12 1/2 a	United Sua Betong £1	70/9	71/-	14·08
61/3	43/9	5 b	12 1/2 b	Harrisons & Cros. Defd. £1	55/-	55/-	6·36

SECURITY YIELDS



Yields based on assumed dividends:—Babcock & Wilcox, 13%. British Motor, 17 1/2%. Richard Costain, 15%. Debenham, 15%. E.M.I., 20%. Land Securities, 6%. London & County, 62 3/4%. Joseph Lucas, 10%. Midland, 20%. Schweppes, 15%. Steel Co. of Wales, 9%. Triplex, 27

Money and Exchanges

EXCHEQUER RETURNS

For the week ended February 23, 1959, there was an "above-line" surplus (after allowing for Sinking Funds) of £38,524,000 compared with a surplus of £21,979,000 in the previous week and a surplus of £1,688,000 in the corresponding period of last year. There was a net expenditure "below-line" of £28,969,000, leaving a total deficit of £140,772,000 compared with £201,729,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to Mar. 1 1958	April 1, 1958, to Feb. 28 1959	Week ended Mar. 1 1958	Week ended Feb. 28 1959
Ord. Revenue					
Income Tax	2312,500	1893,642	1981,299	92,636	87,536
Surtax	163,000	132,200	140,300	8,600	8,900
Death Duties	163,500	156,100	169,000	3,400	5,000
Stamps	56,250	59,300	58,900	1,100	2,500
Profits Tax, EPT & EPL	275,000	234,000	258,500	3,700	3,300
Other Inland Rev. Duties	...	450	450	...	...
Total Inland Rev.	2970,250	2475,692	2608,449	109436	107236
Customs	1256,940	1109,927	1163,413	23,360	23,958
Excise	932,310	900,885	890,240	21,465	19,770
Total Customs and Excise	2189,250	2010,812	2053,653	44,825	43,728
Motor Duties	104,000	97,810	103,691	165 Dr.	... Dr.
PO (Net Receipts)	2,000	9,700	1,500	4,950	9,500
Broadcast Licences	34,000	28,400	30,800	2,900	3,000
Sundry Loans	30,000	29,941	26,668	87	...
Miscellaneous	110,000	158,733	90,308	3,203	156
Total	5439,500	4811,088	4915,069	155666	144620
Ord. Expend.					
Debt Interest	695,000	630,842	624,615	28,005	3,813
Payments to N. Ireland Exchequer	73,000	63,064	68,155	4,049	4,366
Other Cons. Funds	10,000	9,026	7,930	29	26
Supply Services	4292,859	3694,740	3792,802	(17764	97,641
Total	5070,859	4397,672	4493,502	149848	105846
Sinking Funds	38,000	35,056	31,736	4,149	250
"Above-line" Surplus or Deficit	+ 378,360	+ 389,831	+ 1,688	+ 38,524	
"Below-line" Net Expenditure*	580,089	530,603	6,456	28,969	
Total Surplus or Deficit	— 201,729	140,772	— 4,768	+ 9,555	
Net Receipts from:					
Tax Reserve Certificates	—38,933	41,829	—2568	—1096	
Savings Certificates	—16,600	124,700	—1400	900	
Defence Bonds	—35,157	97,374	—1073	2,684	
Premium Savings Bonds	73,560	63,745	1,160	2,000	
Total	—17,130	327,648	—3881	4,483	

* Including net expenditures of the Civil Contingencies Fund of £4 million in 1958 and £14 million in 1957.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5
Nov. 29	3,410·0	1,659·2	173·3	...	5,242·5
Dec. 6	3,420·0	1,688·0	176·8	...	5,234·9
" 13	3,440·0	1,687·6	190·1	...	5,317·7
" 20	3,460·0	1,761·9	184·7	...	5,406·6
" 31	5,351·0		222·2	0·3	5,573·4
1959					
Jan. 3	3,500·0	1,789·8	205·6	...	5,495·4
" 10	3,450·0	1,734·9	206·0	...	5,390·8
" 17	3,460·0	1,943·3	236·6	...	5,644·9
" 24	3,370·0	1,940·8	213·0	3·3	5,527·0
" 31	3,280·0	1,973·2	223·5	...	5,476·7
Feb. 7	3,250·0	1,891·6	237·9	...	5,379·5
" 14	3,140·0	1,874·2	252·2	...	5,266·4
" 21	3,070·0	1,943·7	197·2	...	5,210·9
" 28	3,010·0	1,990·0	197·3	...	5,197·3

THE MONEY MARKET

After surprising outside tenderers by cutting their concerted bid by 9d. at the previous Treasury bill tender, the discount houses reduced their bid by a further 9d. to £99 3s. 6d. at last week's tender. This time the outside applicants, who obtained an unexpectedly large share of the bills offered in the previous week at rates unfavourable to later dealing rates in the market, reduced the size of their applications. Total applications at the tender fell by £29 million to £318 million, although the quantity of bills offered rose by £20 million to £220 million. The market's allotment rate therefore rose from 27 to 51 per cent of its requirements; the average discount on the whole allotment was £3 5s. 6.22d. per cent.

The discount rate on Treasury bills in the United States also rose sharply; the average rate for 91-day bills rose from 2.589 per cent to 2.816 per cent.

The authorities gave a fairly large amount of assistance to the market on Thursday before the week-end, but two or three houses had to borrow from the Bank. Further help was required over the week-end and one or two houses were "in" the Bank on Monday. Subsequently a small surplus of funds emerged, and the rates paid for short loans eased correspondingly.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	**Discount rates:**	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	3 3/8–3 7/16
Discount houses	2–2¼	3 months	3 3/8–3 7/16
Money:		4 months	3 3/8–3 7/16
Day-to-Day	2–3	6 months	3 3/8–3 1/2
Treasury bills:		Fine trade bills:	
2 months	3 3/32	3 months	4¼–5
3 months	3 5/16	4 months	4¼–5
		6 months	4½–5¼

New York

	%		%
Official discount rate: (from 2%, 23/10/58)	2½	**Treasury bills:** Feb 21	2·589
		Mar 2	2·816

BANK OF ENGLAND RETURNS

(£ million)	Mar. 5, 1958	Feb. 25, 1959	Mar. 19
*Issue Department**:			
Notes in circulation	1,973·8	2,005·1	2,01
Notes in banking dept.	26·6	44·3	3
Govt. debt and securities*	1,996·3	2,046·5	2,04
Other securities	0·7	0·7	0
Gold coin and bullion	0·4	0·4	0
Coin other than gold coin	3·0	2·8	2
Banking Department:			
Deposits:			
Public accounts	11·8	13·2	1
Bankers	233·0	243·9	23
Others	73·6	70·2	6
Total	318·4	327·3	32
Securities:			
Government	273·8	273·7	26
Discounts and advances	12·5	6·0	2
Other	21·6	21·0	2
Total	307·9	300·7	30
Banking department reserve	29·0	45·1	3
"Proportion"	% 9·0	% 13·7	% 1

* Government debt is £11,015,100, capital £14,55 Fiduciary issue reduced by £50 million to £2,050 m January 21, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million) Allotted	Applied for	Three Months' Bi Average Rate of Allotment	Al at
1958			s. d.	
Feb. 28	91 day 240·0	391·9	120 3·28	
	91 day / 63 day			
Nov. 28	230·0 / 50·0	418·9	66 1·20	
Dec. 5	260·0 / 30·0	489·2	64 5·75	
" 12	240·0 / 50·0	485·3	62 4·92	
" 19	240·0 / 50·0	443·5	63 0·96	
" 24	230·0 / 50·0	423·0	63 0·47	
1959	91 day			
Jan. 2	260·0	402·8	62 11·35	
" 9	260·0	407·4	62 10·22	
" 16	220·0[1]	414·0	62 3·42	
" 23	220·0[2]	415·1	62 1·96	
" 30	220·0	388·0	62 1·68	
Feb. 6	190·0[3]	385·3	60 0·22	
" 13	190·0	339·6	59 10·89	
" 20	200·0	347·1	61 9·89	
" 27	220·0	317·9	65 6·22	

* On February 27th tenders for 91 day bills at £99 secured 51 per cent, higher tenders being allotted The offer this week was for £230 million of 91 da (1) £240 mn. offered. (2) £230 mn. offered. (3) £2 offered.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: March 4	Market Rates: Spot: February 26	February 27	February 28	March 2	March 3	Mar
United States $	2·78–2·82	2·81–81 1/8	2·81–81 1/8	2·80 5/16–81 1/16	2·81–81 1/8	2·81 1/16–3/16	2·81
Canadian $	...	2·72 15/16–73 1/16	2·73 3/8–1/2	2·73 1/16–1 1/16	2·73 7/16–5/16	2·73 3/8–1/2	2·72 15/
French Fr.	13·6220–14·0265	13·77 7/8–78 1/8	13·77 7/8–78 1/8	13·77 3/4–78	13·78 1/8–3/8	13·78 1/2–3/8	13·78
Swiss Fr.	11·94–12·54 7/8	12·14–14 1/4	12·13 3/8–7/8	12·13 1/8–3/4	12·14 1/8–3/8	12·14 3/8–15/16	12·14
Belgian Fr.	137·96–142·05	140·45–50	140·40–45	140·37 1/2–42 1/2	140·42 1/2–47 1/2	140·45–50	140·47
Dutch Gld.	10·48–10·80	10·61–61 1/4	10·61–61 1/4	10·60 3/16–61	10·61–61 1/4	10·61 1/8–3/8	10·60
W. Ger. D-Mk.	11·59 1/4–11·92 3/4	11·74 1/2–3/4	11·74 3/8–5/8	11·74 3/16–5/8	11·74 3/16–75	11·75 1/4–1/2	11·75
Portuguese Esc.	79·00 3/4–82·00 1/2	80·15–25	80·15–25	80·15–25	80·20–30	80·20–30	80·2
Italian Lire	1725–1775	1744–44 1/2	1743 3/4–44 1/4	1743 3/4–44 1/4	1743 3/4–44 1/4	1744 1/4–3/4	1744
Swedish Kr.	14·37 3/4–14·59 1/4	14·53 1/4–54	14·53 1/4–54	14·53 3/4–54	14·54–54 1/4	14·54 1/8–3/8	14·5
Danish Kr.	19·06 1/2–19·62	19·37 1/2–3/4	19·37 5/8–7/8	19·37 1/2–3/4	19·37 1/2–3/4	19·37 1/2–3/4	19·3
Norwegian Kr.	19·71–20·30 1/2	20·04 1/2–3/4	20·04 1/4–1/2	20·04 1/2–3/4	20·04 3/8–5/8	20·03 7/8–04 1/8	20·04
One Month Forward Rates							
United States $		3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	3/16–1
Canadian $		1/8–1/4c. dis	1/8–1/4c. dis	1/8–1/4c. dis	1/8–5/16c. dis	1/8–1/4c. dis	1/16–3
French Fr.		par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis	par–2
Swiss Fr.		1 1/2–1 1/4c. pm	1 3/8–1 1/8c. pm	1 3/8–1 1/8c. pm	1 1/2–1 1/4c. pm	1 1/2–1 1/4c. pm	1 3/8–1
Belgian Fr.		7–12c. dis	8–13c. dis	8–13c. dis	9–14c. dis	5–10c. dis	6–11
Dutch Gld.		1 3/8–1 1/8c. pm	1 3/8–1 1/8c. pm	1 3/8–1 1/8c. pm	1 1/4–1c. pm	1–3/4c. pm	1–3/4
W. Ger. D-Mk.		3/4–1 2pf. pm	3/4–1 2pf. pm	3/4–1 2pf. pm	7/8–5/8pf. pm	1–3/4pf. pm	7/8–5/8
Three Months Forward Rates							
United States $		5/16–3/16c. pm	3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4
Canadian $		1/4–3/8c. dis	5/16–1/4c. dis	5/16–1/4c. dis	5/16–1/4c. dis	1/4–7/16c. dis	5/16–3
Swiss Fr.		3 1/2–3 1/4c. pm	3 5/8–3 3/8c. pm	3 5/8–3 3/8c. pm	3 7/8–3 5/8c. pm	3 7/8–3 5/8c. pm	3 3/4–3
W. Ger. D-Mk.		1 3/4–1 1/2pf. pm	1 7/8–1 5/8pf. pm	1 7/8–1 5/8pf. pm	1 7/8–1 5/8pf. pm	2 1/8–1 7/8pf. pm	1 7/8–1
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/6 1/2	249/6	...	249/6 1/2	249/5 3/4	249

The United States

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

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

BRITISH			
Prices and Wages	Feb. 14th	External Trade	Feb. 28th
Manpower and Output	Feb. 21st	Industrial Profits	Jan. 17th
OVERSEAS			
Western Europe	Feb. 7th	United States	This week

PRICES AND WAGES

	Wholesale prices: All commodities	Wholesale prices: Farm products	Consumer prices: All items	Consumer prices: Food	Consumer prices: Clothing	Consumer prices: Housing	External prices: Import	External prices: Export	External prices: Terms of trade	Stock prices Composite index	Average weekly earnings in manufacturing: At current prices	Average weekly earnings in manufacturing: At 1958 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	49·62
1957	117·6	90·9	120·2	115·4	106·9	125·6	124	111	112	331·4	82·39	84·68
1958	119·2	94·9	123·5	120·3	107·0	127·7	...	...	...	340·9	83·71	83·71
1958, October	119·0	92·3	123·7	119·7	107·3	127·9	117	109	107	376·4	85·17	85·00
November	119·2	92·1	123·9	119·4	107·7	128·0	...	109	...	387·8	86·58	86·32
December	119·2	90·6	123·7	118·7	107·5	128·2	...	...	...	392·8	88·26	88·08
1959, anuary	119·5	91·5	123·8	119·0	106·8	128·2	...	...	...	409·9	87·38	...

PRODUCTION AND MANPOWER

	Gross national product[7] Seasonally adjusted annual rate	Total industrial production	Manufacturing production: Durable goods: Total	Durable goods: Metals	Durable goods: Vehicles etc.	Non-durable goods: Total	Non-durable goods: Textiles, clothing	Non-durable goods: Chemicals and petroleum products	Building[8] New construction; seasonally adjusted annual rates	Civilian employment[1]: Total labour force	Civilian employment[1]: Total employment	Civilian employment[1]: Unemployed as per cent of labour force; seasonally adjusted
	$ billion	1947–49=100; seasonally adjusted							$ billion	thousands		
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1957	440·3	143	160	131	213	130	105	172	48·1	67,946	65,011	4·3
1958	437·7	134	142	104	187	130	103	170	49·0	68,647	63,966	6·8
1958, October	455·0	138	146	122	183	134	111	175	51·3	69,111	65,306	7·1
November		141	151	123	202	135	110	177	52·5	68,485	64,653	5·9
December		142	152	122	204	135	109	180	53·7	68,081	63,973	6·1
1959, January	...	143	154	125	206	137	110	181	54·3	67,430	62,706	6·0

TRADE

	Personal consumption[7] Annual rates	All business[2]: Sales	All business[2]: Stocks	Total retail[2]: Sales	Total retail[2]: Stocks	Imports for US consumption: Total	Imports for US consumption: Crude materials	Imports for US consumption: Semi-manuf'res.	Exports of US merchandise: Total	Exports of US merchandise: Finished goods	Volume of trade: Imports	Volume of trade: Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1957	284·4	56·3	90·7	16·7	24·5	1,079	266	243	1,723	982	147	149
1958	290·6	54·0	85·2	16·7	24·0	1,066	...	...	1,475	...	...	...
1958, August	291·5[7]	54·4	85·4	16·9	23·9	964	222	198	1,382	837	138	122
September		54·8	85·0	16·6	23·7	1,072	239	237	1,351	810	154	119
October		55·6	84·9	16·9	23·5	1,153	245	241	1,584	944	166	139
November	295·9	56·1	85·0	17·0	23·6	1,085	...	...	1,582	976	...	139
December		57·4	85·2	17·6	24·0	1,229	...	...	1,494	...	...	...

PURCHASING POWER AND FINANCE

	Personal income[4]: Total	Personal income[4]: Labour income	Personal income[4]: Farm income	Consumer credit: Total	Consumer credit: Instalment	Banking statistics[3]: Investments	Banking statistics[3]: Loans	Budget expenditure[4]: Total	Budget expenditure[4]: Surplus or deficit	Bond yields: 3-month Treasury bills	Bond yields: Taxable Govt. bonds[5]	Bond yields: Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of month		$ billion; end of month		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1957	347·9	247·1	11·6	44·70	34·17	76·2	93·9	69·4	+ 1·6	3·267	3·47	3·69
1958	354·4	246·2	14·2	45·07	33·87	86·6	98·0	71·9	— 2·8	1·839	3·43	3·79
1958, September	358·7	248·6	14·3	43·14	33·08	85·3	94·2	6·6	+ 0·6	2·484	3·75	4·09
October	358·2	248·2	14·1	43·16	33·05	86·5	94·9	7·1	— 4·4	2·793	3·76	4·11
November	360·7	251·3	13·6	43·46	33·13	87·6	96·0	6·2	— 1·3	2·756	3·70	4·09
December	359·9	252·6	13·5	45·07	33·87	86·6	98·0	7·1	— 0·9	2·814	3·60	4·08
1959, January	362·3	253·9	13·3	...	...	87·6	97·6	6·8	— 2·2	2·837	3·91	4·12

(1) 1939 figures calculated on the basis of a smaller sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. All commercial banks. (3) Annual figures are total for the fiscal year ended June 30th. (4) Bonds due or callable from 10 to 20 years. (5) Revised from 1957 onwards. (7) Figure for third quarter. (8) Revised series beginning January, 1957.



Butter on both sides!

Bread-and-butter is such an accepted part of our lives that we might be excused for taking it for granted. Only when it has some extra quality does it penetrate our consciousness. When, for instance, we discover a piece which has *butter on both sides.*

It is often such seemingly trivial extras which give life its stimulus. Like taking out the usual bread-and-butter Life or Endowment policy with Legal & General and finding that, because it is "with profits", a generous annual addition comes along.

LEGAL & GENERAL

ASSURANCE SOCIETY LIMITED

CHIEF ADMINISTRATION: 188 Fleet Street, London, E.C.4. Telephone: CHAncery 4444

UNILEVER LIMITED AND UNILEVER N.V.

The Boards of Unilever Limited and Unilever N.V. announce the provisional results for the year ended 31st December, 1958. Although the results are subject to completion of the consolidated accounts and audit, the Boards are satisfied that any difference between the provisional and final figures will be relatively unimportant.

The total value of turnover for LIMITED and N.V. was:
1958 ... ... £1,728 million 1957 ... ... £1,720 million
Deductions are shown in brackets (All figures are shown in £ millions)

1957				1958		
N.V.	LIMITED	COMBINED		COMBINED	LIMITED	N.V.
43·5 (24·1)	41·8 (21·0)	85·3 (45·1)	Profit before taxation Taxation on profit ..	92·6 (46·1)	41·7 (21·0)	50·9 (25·1)
19·4	20·8	40·2	Profit for the year after taxation.....	46·5	20·7	25·8
1·1	1·1	2·2	Exceptional items (including taxation adjustments previous years).....	3·0	0·7	2·3
(1·3)	(0·8)	(2·1)	Amounts attributable to outside shareholders' interests in subsidiaries.....	(2·2)	(0·8)	(1·4)
19·2	21·1	40·3	CONSOLIDATED NET PROFIT	47·3	20·6	26·7
8·0	10·6	—	Net Profit of Parent Companies.....	—	11·1	17·2

The N.V. figures have been converted to sterling, as for 1957 at the official parity of Fl. 10·64=£1.

The Boards, assuming the existing rate of exchange between the £ sterling and the guilder, intend to resolve on 13th March, 1959, to recommend to the Annual General Meetings to be held on 24th April, 1959, final dividends for 1958 on the Ordinary capitals ranking for dividend in respect of that year, payable in May, 1959, at the following rates:—

1. In the case of Unilever Limited a dividend of 2/1·2d. actual per £1 of stock before deducting income tax (1957—2/3·6d.), making 4/2·4d. per £1 of stock for the year ended 31st December, 1958 (1957—3/6d.).
2. In the case of Unilever N.V. a dividend of 91% actual (1957—101%) being the equivalent of the Unilever Limited dividend calculated in accordance with the *Equalisation Agreement* between the two companies, making 191% for the year ended 31st December, 1958 (1957—154%).

The total dividends for the year include the special interim dividends which, as was explained in the announcement on 14th November, 1958, were paid in connection with the scrip issues made last December. The rates of the final dividends stated above are as forecast in that announcement.

In accordance with the terms of issue the final dividends for 1958 are not payable on the above scrip issues.

It is intended to send the Report and Accounts for 1958 to stockholders on 2nd April, 1959.

26th February, 1959.

HENRY ANSBACHER

AND COMPANY

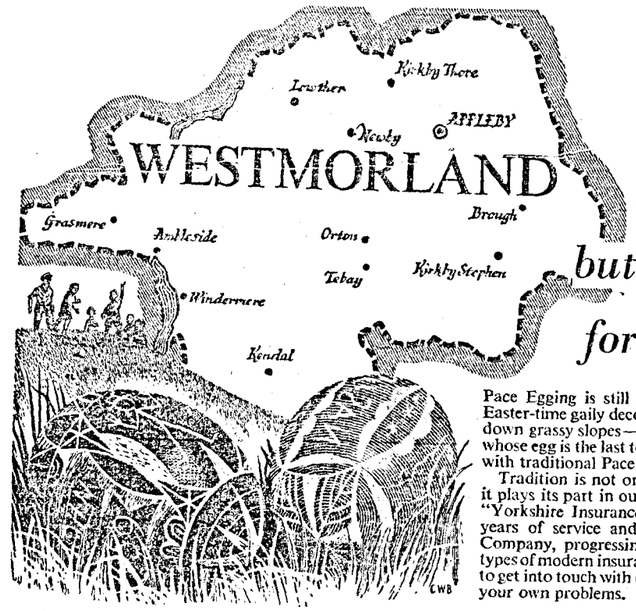
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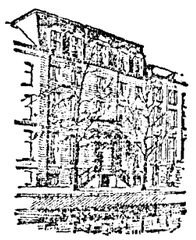
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APPOINTMENTS

Vacant 9/- a line; Required 6/- a line.

SENIOR

ACCOUNTANT

A vacancy exists for a Senior Accountant in a large company in the North of England, which manufactures a wide range of products. Applications are invited from Chartered Accountants, aged between 30 and 45, who have had a number of years' industrial experience, including the management and control of large numbers of staff. The successful applicant will be responsible to the Chief Accountant for the control of about 100 staff. The Company is well-known for its progressive policy and range of staff benefits.

THE STARTING SALARY WILL DEPEND ON AGE AND EXPERIENCE BUT WILL BE OVER £2,000, and there are good prospects of advancement for the right man.

Applicants, who possess the above qualifications, should write, giving brief particulars of their age, qualifications, experience and present salary (quoting reference B.2) to Box 1139

LANCASHIRE AND MERSEYSIDE INDUSTRIAL DEVELOPMENT ASSOCIATION

Applications invited from suitably qualified persons for appointment as DEPUTY DIRECTOR OF THE ASSOCIATION. Salary £1,400 p.a. Post superannuable. Further particulars and form of application obtainable from Joint Honorary Secretaries of Association, Town Hall, Manchester. Applications returnable by the 23rd March, 1959.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for a post of LECTURER in ACCOUNTANCY (with special reference to Costing and Management Accounting) to begin duties on October 1, 1959. Initial salary according to qualifications and experience on the scale £900 x £50—£1,350 x £75—£1,650, with F.S.S.U. provision and family allowance. A grant towards removal expenses will be made. Further particulars should be obtained from the Registrar to whom applications (4 copies) should be sent by April 18, 1959.

CENTRAL ELECTRICITY GENERATING BOARD

PLANNING DEPARTMENT

SENIOR ASSISTANT ENGINEERS are required in the STATION PLANNING SECTION at Headquarters, London, S.E.1.

The Section is concerned with the planning of new generating capacity throughout England and Wales, the investigation and selection of sites for conventional and nuclear power stations, and negotiations for statutory and other consents for both classes of station.

Candidates should have a sound engineering or scientific background, and must possess an Honours degree or the requisite qualifications for corporate membership of a senior Engineering Institution.

An aptitude for forward thinking, experience of economic studies, or experience of one or more of the problems arising in the siting of power stations, e.g. geology and ground exploration; thermal and hydraulic aspects of the use of large volumes of river or sea water for cooling purposes; questions of town and country planning; would be an advantage.

Salaries within scales £1,590—£1,940 or £1,475—£1,835 per annum, according to duties and responsibilities.

Application form obtainable from the Personnel Officer, 24/30, Holborn, London, E.C.1, should be completed and returned by March 23. Please mark envelopes "Confidental Ref. E./69."

AUSTRALIA

UNIVERSITY OF SYDNEY

STAFF TUTOR

Applications are invited for the position of Staff Tutor in the Department of Tutorial Classes. Candidates should be graduates in Arts or *Economics* with honours in Psychology, Anthropology, Education, Political Science or Economic History and should have had some previous experience of adult education work. Experience in methods and planning of social surveys or in adult education work with trade unions would be an advantage.

Salary will be within the range £A1,500-£90-£2,100 per annum, plus cost of living adjustment and will be subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful applicant.

Under the Staff Members' Housing Scheme in cases approved by the University and its Bankers, married men may be assisted by loans to purchase a house.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in Australia and London, is *April* 18, 1959.

KIMBERLY-CLARK LIMITED require a young Economist/Statistician, preferably with experience of consumer market research to head small Statistical Section. *In addition to the control of the section's work the duties will cover examination of market research data and guidance to sales management on market trends and potentialities.*

This is an expanding company associated with the Reed Paper Group and the post offers a good starting salary commensurate with ability and experience. There is a non-contributory pension scheme in operation and working conditions and prospects are above average.

Please apply in writing, to the Personnel Officer, *Kimberly-Clark Limited, Larkfield, Nr. Maidstone, Kent.*

DIVISIONAL SALES MANAGER

MIDLANDS DIVISION

If you have a lively mind and are unafraid of hard work and you possess a proven record of sales ability and field Management, including the handling of a specialised sales force you are invited to apply for this very responsible post which has arisen within the Ful-O-Pep Animal Feed Sales Force. The successful applicant will have a sound agricultural background, be used to *dealing with the trade at Director level, and will come from the 30/42 age group.* Expansion is proceeding rapidly, and the future can offer enormous opportunities. A current driving licence is essential. Please write stating age and full details of education and career to date to: The Personnel Manager (DSM 15), Quaker Oats Limited, Bridge Road, Southall, Middlesex.

MARKET RESEARCH

Woman Field Supervisor

PETFOODS LIMITED, *the manufacturers of* KIT-E-KAT, LASSIE, CHAPPIE, PAL-MEET and TRILL *invite applications for a* woman field Supervisor.

The duties will involve training and supervising interviewers who are based in towns in an area from Liverpool to Leicester. Applicants must, in addition, be completely mobile and be prepared to travel throughout Great Britain.

The successful applicant will have a good educational background and be thoroughly versed in the field application of market research survey techniques of all kinds. This implies that she will be a first-class interviewer herself and have had supervisory experience.

The gross remuneration will be in the range of £700 to £1,000 p.a. A Company maintained car is provided plus normal business expenses. The Company also provides a very generous—non-contributory—sickness, life assurance and pension scheme.

Applicants should write giving details of age, background and experience, endorsing the letter "Market Research Supervisor" to the Personnel Officer, Petfoods Ltd., Melton Mowbray, Leics.

MIDDLESEX COUNTY COUNCIL

EDUCATION COMMITTEE

BRUNEL COLLEGE OF TECHNOLOGY

WOODLANDS AVENUE, ACTON, W.3.

RESEARCH WORKER in the SOCIAL SCIENCES

Candidates must be university graduates in one of the social sciences and have some experience in the conduct of social research. Preference will be given to candidates who are familiar with technology and problems of technological education. The appointment is for three years. The successful candidate will work under professional direction as a member of a small newly formed research team set up with a grant from the Nuffield Foundation.

Salary in accordance with the Burnham (Technical) Report, i.e., for Assistants Grade B £650 x £25—£1,025 plus London allowance and other additions for previous experience as appropriate. This salary is now subject to 5 per cent increase.

Application forms and further particulars (foolscap S.A.E.) from the Principal.

C. E. GURR, M.Sc., Ph.D.,
Clerk to the Governing Body.

UNIVERSITY OF DURHAM

Applications are invited for the post of Reader in Agricultural Economics tenable in the Newcastle Division of this University. The Reader will also be the Provincial Agricultural Economist and the Head of the Northern Provincial Centre for the Provincial Agricultural Economic Service. The person appointed will be required to take up duty on October 1, 1959. Salary in accordance with the Readers' scale (i.e. £1,750 x £75 to £2,125 x £25 to £2,150 a year) with family allowances and membership of F.S.S.U. Further particulars may be obtained from the undersigned with whom applications (15 copies), containing the names of three referees, should be lodged not later than April 11, 1959. (Applicants from outside the British Isles may send one copy only).—E. M. Bettenson, Registrar, University Office, 46 North Bailey, Durham.

THE MILK MARKETING BOARD invite applications for assistants in the newly constituted Statistics and Surveys Department of its Production Division. This department is concerned with the study of factors governing milk production, feeding practices, cattle population trends, etc.

Applicants should have an agricultural science or economics degree. Students expecting to graduate in 1959 will be considered. The commencing salary will be £650/£750 per annum according to qualifications and experience and there are excellent prospects for the future. The appointments are permanent and pensionable after a probationary period.

Applications to Chief Personnel Officer, Milk Marketing Board, Thames Ditton, Surrey.

THE INSTITUTE OF BANKERS have a vacancy for a male administrative assistant. Applicants should have a degree of a United Kingdom University—or appropriate professional qualification—and experience of banking or kindred matters; they must be vitally interested in education and experienced in public speaking. Age should be around 30. The post is progressive and pensionable with commencing emoluments of £1,250 or more according to experience.—Apply, in writing, by April 1, 1959, to the Secretary, The Institute of Bankers, 10 Lombard Street, London, E.C.3.

THE UNIVERSITY OF LEEDS

DEPARTMENT OF SOCIAL STUDIES

Applications are invited from suitably qualified graduates for appointment as temporary Assistant Lecturer in Politics in the Department of Social Studies at a salary within the range £700-£850 a year according to age, qualifications and experience. The appointment will be for one year in the first instance with a possible extension for one further year. Preference will be given to candidates with a special interest in the sociological study of political institutions.—Applications (three copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained), not later than April 15, 1959.

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Pakistan	£9 0s.	—
Philippines	£10 6s.	—
Rhodesia (N. and S.)	£9 0s.	—
South Africa	£9 0s.	£7 10s.
South America	£9 0s.	—
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Required Grade A teacher of Shorthand and Typing Salary: Man, £498 15s. x £26 5s.—£945 p.a.

Woman, £451 10s. x £21 and one final increment of £10 10s.—£756 plus equal pay increment.

Teacher training an advantage.

Applicants should hold appropriate qualifications and have had good trade/office experience.

Forms of application and further particulars may be obtained by forwarding a stamped addressed foolscap envelope to the Director of Education, County Hall, Newcastle-upon-Tyne, 1, to whom completed forms should be returned by not later than fourteen days after the date of the advertisement.

MARKET RESEARCH

Surveys Technical Assistant

(Woman)

PETFOODS LIMITED (*the manufacturers of* KIT-E-KAT, LASSIE, CHAPPIE, PAL-MEET and TRILL) invite applications for a *woman* technical assistant in connection with market research surveys.

The duties involved in this position provide a valuable training for an executive career in market research. More specifically, they involve participation, under the direction of the Research Officer, in the construction of questionnaires, sampling procedures, the analysis of consumer research operations including the coding and tabulating of surveys and in the application of appropriate statistical techniques.

The minimum requirements for this post are a good educational background with a leaning towards mathematics (about G.C.E. "A" level or higher), some basic statistical knowledge together with a willingness to enhance her knowledge in this direction, a pleasant personality and in the age *range* of 21-30 years.

The gross remuneration will be in the range of £650 to £900 p.a. The Company also provides a very generous—non-contributory—sickness, life assurance and pension scheme.

Applicants should write giving details of age, background and experience, endorsing the letter "S.C. Market Research," to the Personnel Officer, Petfoods Limited, Melton Mowbray, Leicestershire.

ESSEX EDUCATION COMMITTEE

NORTH-EAST ESSEX TECHNICAL COLLEGE

SHEEPEN ROAD, COLCHESTER.

COMMERCE DEPARTMENT

A LECTURER in ECONOMICS and related subjects is required from September 1, 1959. Applicants should possess a good honours degree and be capable of teaching to finals standard.

Salary: £1,200 x £30 to £1,350 (men) and £960 x £24 to £1,080 plus equal pay increments (women) with 5 per cent. special addition.

Details and forms (stamped addressed foolscap enclosed) from the Clerk to the Governors, Divisional Education Office, Park Road, Colchester.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for the following posts; duties to commence October 1, 1959:—

A LECTURER IN APPLIED ECONOMICS.
A RESEARCH/TEACHING FELLOW IN APPLIED ECONOMICS.

Candidates should have a special interest in Industrial economics. Salary scales: Lecturer—£900 x £50—£1,350 x £75—£1,650; Teaching Fellow in the range £750-£1,000, with F.S.S.U. provision and family allowance. Initial salary for either post according to qualifications and experience. Grants towards removal expenses will be made. Further particulars should be obtained from the Registrar to whom applications (4 copies) should be sent by April 4, 1959.

Enquirers should name the post in which they are interested.

UNIVERSITY OF BIRMINGHAM

FACULTY OF COMMERCE AND SOCIAL SCIENCE

DEPARTMENT OF ACCOUNTING AND ADMINISTRATION

Applications are invited for the post of LECTURER in ACCOUNTING, to begin duties on October 1, 1959, or as soon after that date as possible.

Applicants must have a recognised professional qualification in Accounting, and should preferably be graduates.

The salary scale for lecturers is £900 x £50 to £1,350 x £75 to £1,650. The initial salary of the successful candidate will be fixed according to his qualifications and experience, within the range £900-£1,350. The appointment will be reviewed at the end of the first year.

Applications (three copies), with the names of three referees, should be sent on or before April 11, 1959, to the Registrar, The University, Birmingham 15, from whom further particulars can be obtained.

UNIVERSITY OF MALAYA

Applications are invited for:

CHAIR OF PUBLIC ADMINISTRATION

Salary between £2,268 and £2,548 p.a., at fixed point determined by qualifications and experience. Allowances: *expatriation* £378 p.a., cost of living £210-£560 p.a. Passages for appointee, wife and children under 12 years. Part-furnished quarters at reasonable rent. Provident Fund Scheme.

Detailed applications (8 copies), naming 3 referees, by April 15, 1959, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

FORD MOTOR COMPANY LIMITED have a vacancy for an Economist aged 24-30 with a sound knowledge of statistics and market analysis. A degree in economics is essential and appropriate commercial experience will be an advantage. The position is progressive and pensionable. Please write to Training and Recruitment Department G12A, Ford Motor Company Limited, Dagenham, Essex giving details of age, qualifications, experience and quoting reference FLC.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for a post of LECTURER or ASSISTANT LECTURER in ECONOMICS to begin duties on October 1, 1959. Candidates should be interested in Economic Theory. Salary scales: Lecturer—£900 x £50—£1,350 x £75—£1,650; Assistant Lecturer—£700 x £50—£850, with F.S.S.U. provision and family allowance. Further particulars may be obtained from the Registrar to whom applications (4 copies) including the names and addresses of three referees, should be sent by April 8, 1959.

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has vacancy for

STATISTICAL ASSISTANT

in the

OFFICE OF THE TRAFFIC AUDITOR

An assistant is required for the general review and interpretation of traffic statistics, for investigating and reporting upon particular aspects and for developing and adapting the service of traffic statistics to meet existing and new needs of management.

Applicants must have a keen interest in transport economics and a sound knowledge of the principles and techniques of statistical analysis, together with practical experience in applied statistics. They should possess initiative and administrative ability and be able to write good reports.

Possession of a University Degree in Statistics or Economics or the Diploma of the Incorporated Statisticians Association would be an advantage.

Salary scale:— £814 per annum to £979 per annum.

Medical examination: Free travel: Contributory superannuation scheme.

Applications within 14 days to Staff & Welfare Officer (F/EV 724/2) London Transport, 55 Broadway, S.W.1.

THE UNIVERSITY OF LEEDS

DEPARTMENT OF ECONOMICS AND COMMERCE

Applications are invited for two posts in the Department of Economics and Commerce. The first is a Lectureship or Assistant Lectureship in industrial economics. Candidates for this post should have specialist knowledge of either management subjects, industrial relations or industrial organisation. The second is an Assistant Lectureship for which candidates should have a particular interest in economic theory and some acquaintance with statistical method as used in economics. Salary on the scale £900 x £50—£1,350 (effectively bar) x £75—£1,650 a year for a Lecturer, or within the range £700-£850 a year for an Assistant Lecturer.—Applications (three copies) stating date of birth, qualifications and experience and the names of three referees, should reach the Registrar, the University, Leeds, 2 (from whom further particulars may be obtained) not later than April 25, 1959.

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited from suitably qualified candidates for Tutorships in the following subjects:

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PHILOSOPHY

Salary on the scale £575 to £625 per annum according to qualifications and experience.

Further particulars can be obtained from the Registrar, University College, Singleton Park, Swansea, by whom applications (six copies) must be received not later than *Saturday*, April 4, 1959.

UNIVERSITY OF ST. ANDREWS

COURSE IN MANAGEMENT STUDIES

The University will hold its second Residential School in Management Studies in St. Andrews from August 29 to September 19, 1959.

The Course is intended for executives, regardless of their particular spheres of operation, who have attained or are being prepared for senior positions within their organisations. It will have as its central theme Industrial Relations treated broadly and with due regard to the economic and social factors. The inclusive fee is seventy guineas and the closing date for enrolment is March 31, 1959.

Copies of the Brochure and Application Forms may be obtained from:—

THE SECRETARY,
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RECENTLY widowed lady with well appointed flat near Westminster has furnished accommodation to let-off. *Available accommodation consists of bed-sitting room single bedroom, own bathroom etc.* Also use of kitchen and fridge.

6 guineas per week is asked, but as the suitability of the applicant is a consideration, this might be subject to negotiation. Please express your interest to Box 1138.

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THE Purchasing Officers Association maintains an Appointments Register, and employers requiring the services of purchasing staff are invited to communicate with the Association at Wardrobe Court, 146a Queen Victoria Street, London, E.C.4 (City 3841).

THE CORPORATION OF SECRETARIES. *Company Secretaryship to-day calls for specialised skills and Boards of Directors have become increasingly aware of the advantages to be derived from appointing* INCORPORATED SECRETARIES. The syllabus of the qualifying examinations is obtainable from The Secretary, Devonshire House, 13 Devonshire Street, London, W.1.

THE CHARTERED INSTITUTE OF SECRETARIES

Employers requiring the services of Chartered Secretaries to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute (Dept. E), 14 New Bridge Street, London, E.C.4.

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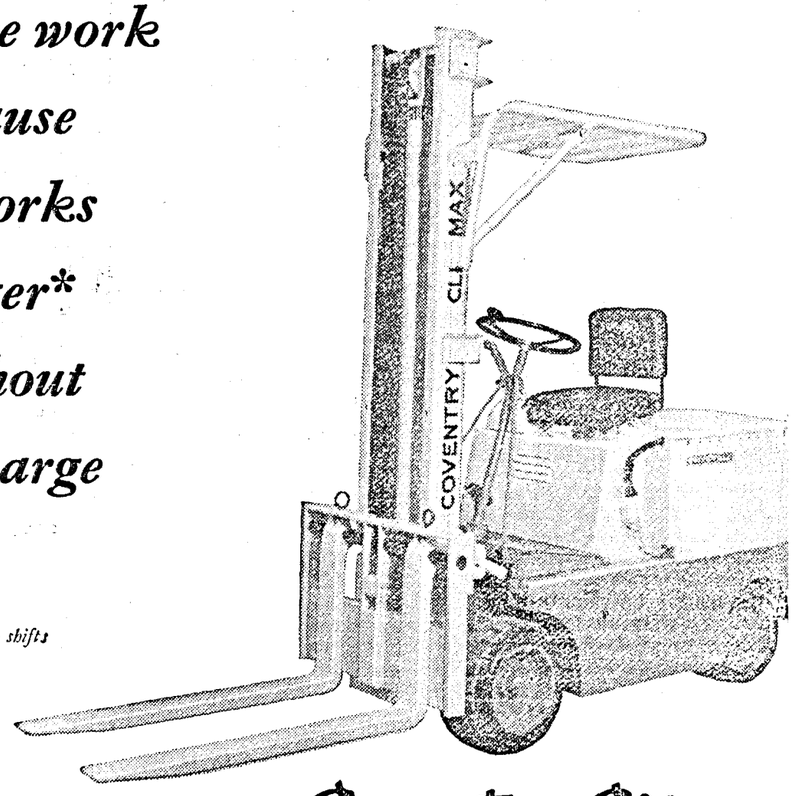
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The Economist

MARCH 14, 1959 ONE SHILLING AND SIXPENCE FOUNDED 1843

UNDER SECRETARY TO GOVERNMENT
19 MAR 1959
PUBLIC DEPARTMENT

SOME of the strain in the alliance arises from the fact that outside Britain Mr Macmillan is little known

Mr Macmillan

Safe harlequin; courageous man of caution; scholarly unintellectual; eclectic pragmatist (page 941).

Who Leads the West?

The Prime Minister is trying to lead the West into serious talks with the Russians, but he is not claiming the role of leader (page 943).

Are Interest Rates Too High?

Economic policy and gilt-edged investment are involved in the answer (page 989).

The Muscovites

[illegible] million people live in Moscow, besides Mr Khrushchev: what are they like? (page 944).

African Analysis

Notes on Nyasaland, Southern Rhodesia, Kenya, Ghana and Congo (page 947).

Retailing on the Move

House-to-house selling is old, but it is rapidly expanding (page 991).

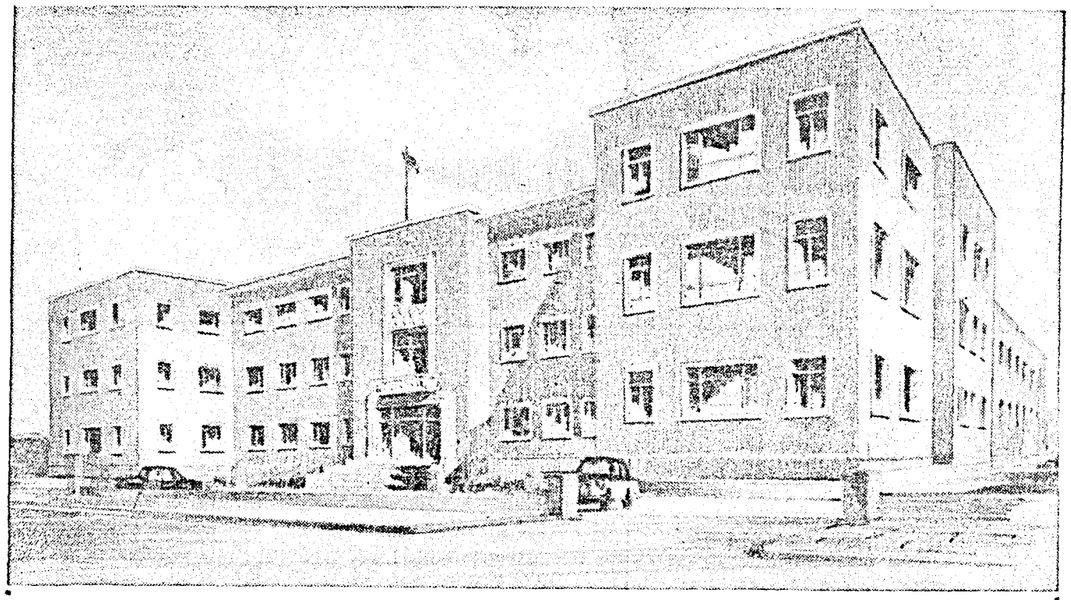
Revolt at Mosul

Our Middle East correspondent reports on the course, causes and implications of the events in Iraq (page 979).

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VOLUME CXC · NUMBER 6029



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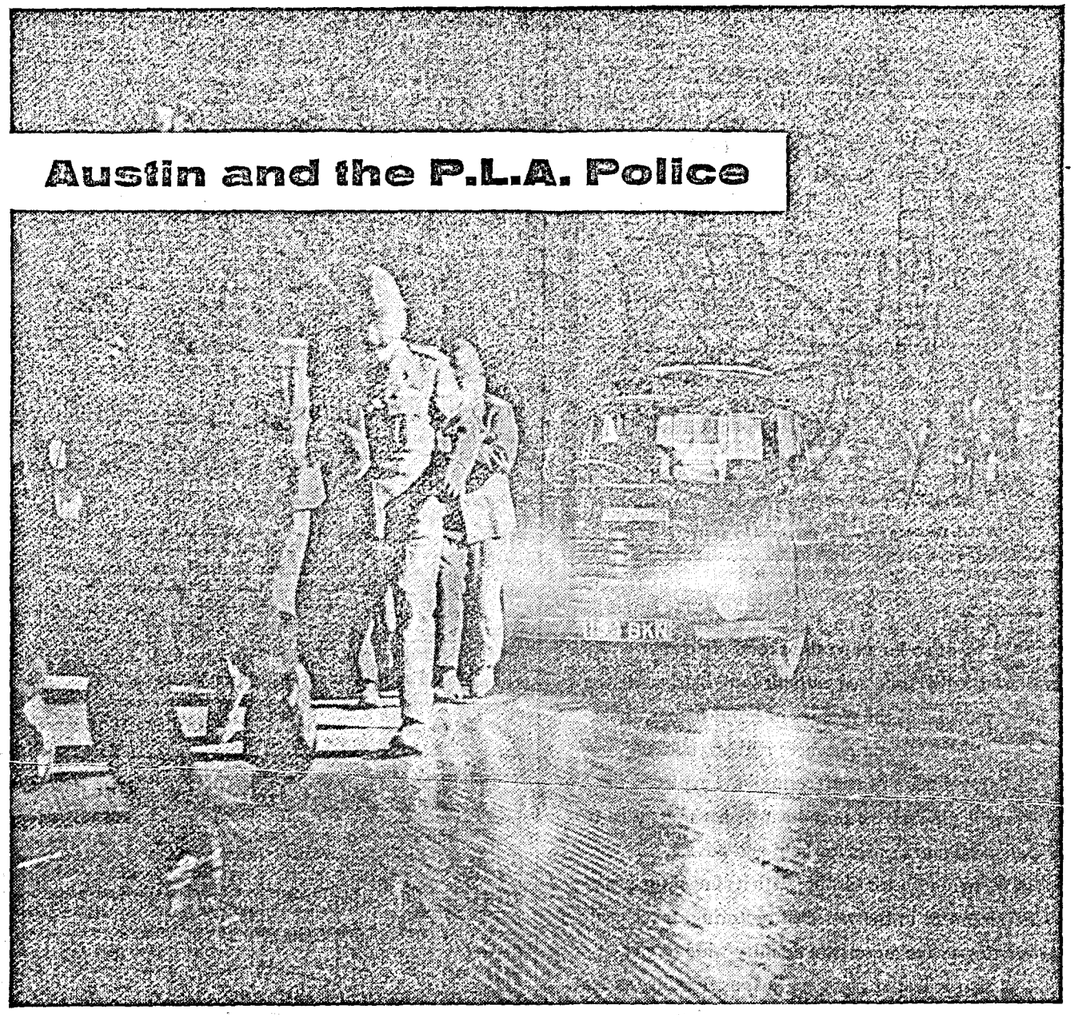


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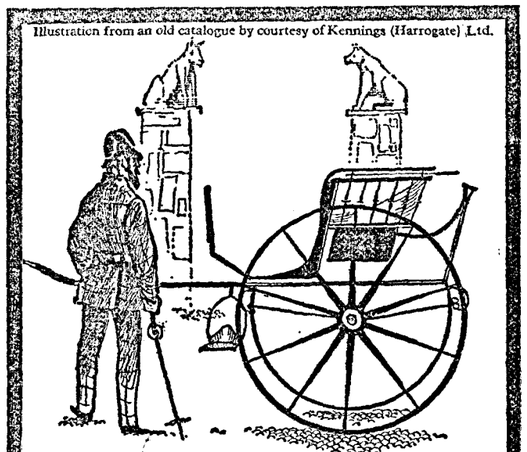


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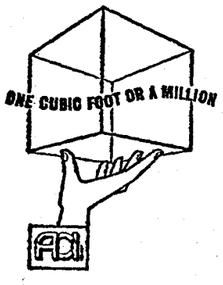
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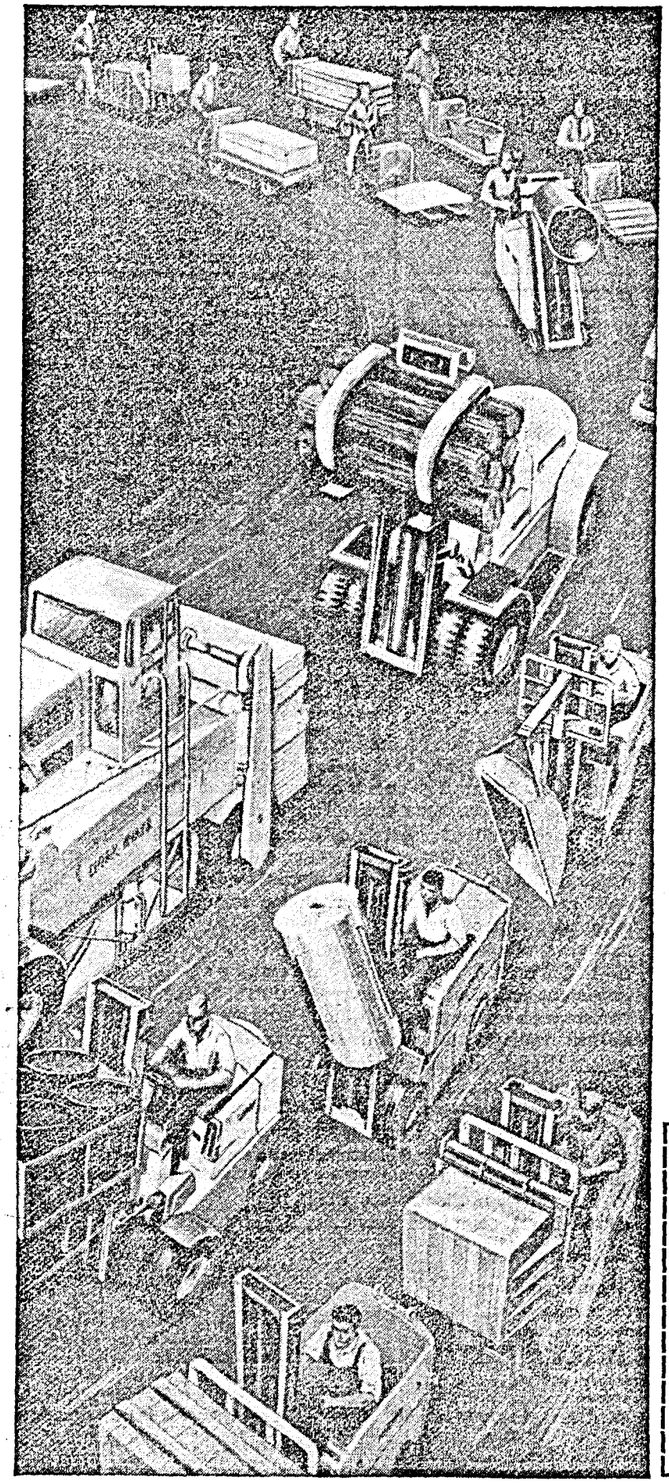
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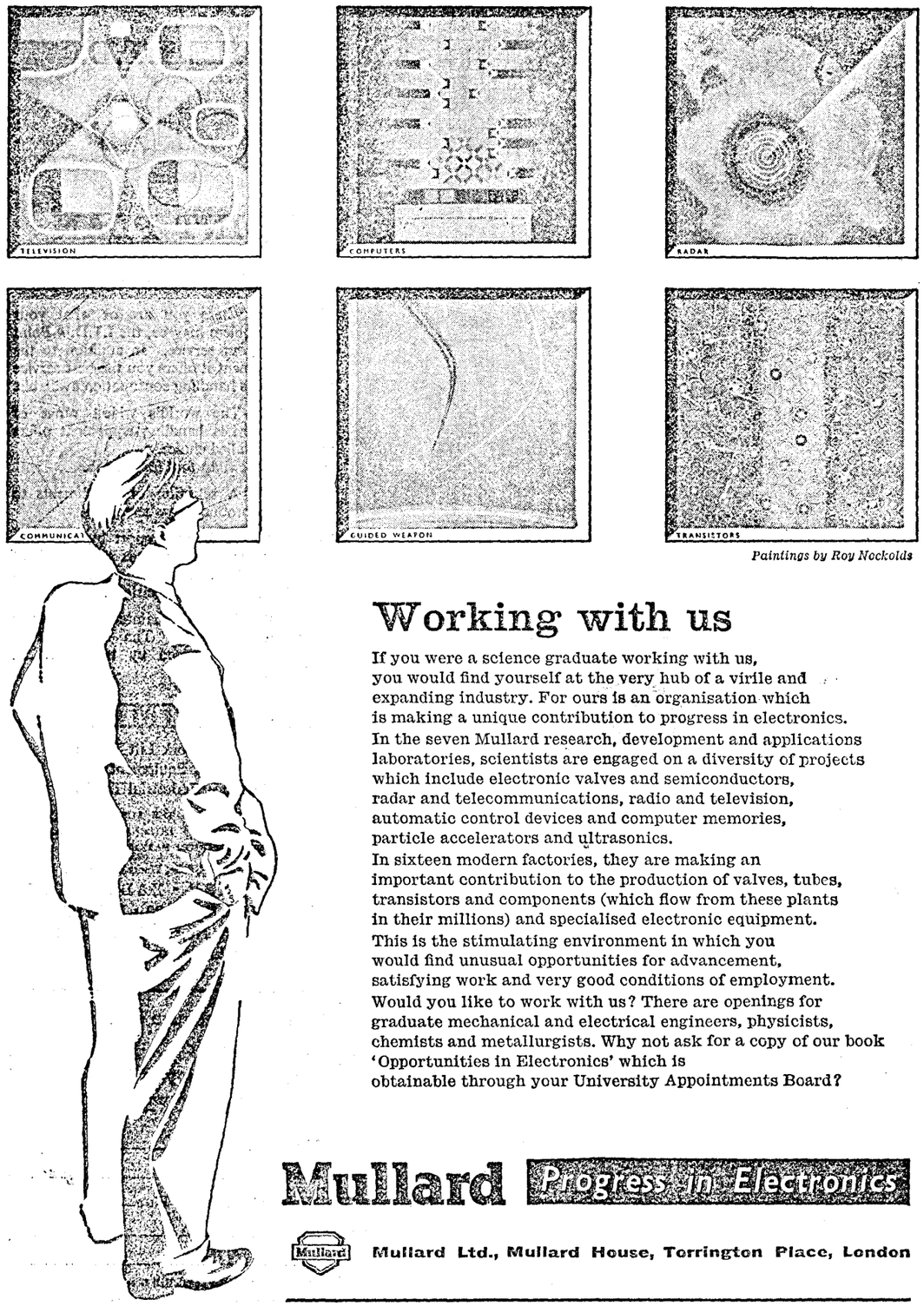
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The Economist

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Mr Macmillan

BRITISH politics are now more heavily overlaid by a single personality than at any time since Sir Winston Churchill's heroic wartime days. The present Prime Minister is adulated by a far wider section of the Conservative party than that which usually indulges in leader-worship; and Labour spokesmen find it much more tactful to attack his party than himself.

When Mr Macmillan became Prime Minister, it was not easy to foresee that he would have this success; and now that he is travelling around the world, trying to "give a lead" to other free countries, one hears the same instinctive disparagement of him on the international plane as one used to hear in England two years ago. Foreigners, as the next article in this issue of *The Economist* emphasises, do not find it easy to trust him as the brilliant broker; they suspect that there may be something a little phoney (because vote-catching) under the fur hat. Here in Britain most professional political observers have been through Doubting Castle about Mr Macmillan before; and it may be worth while as an act of reassurance abroad, at the risk also of seeming a little impertinent at home, to say some frank things to the outside world about British experience of him.

Throughout his career it has usually been the cleverer people who have underestimated Mr Macmillan. They have said, with some evidence to support them, that he is not an outstandingly original or imaginative man; since the war he has generally become converted to effective new ideas a little behind the pioneers, although also a little in advance of the mass of his party. This was certainly true of his administrative career immediately after the Conservatives came back to power in 1951. His first departmental office in 1951 was as Minister of Housing and Local Government, when, in enthusiastically discharging the political commitment into which his party had entered, his part was to spend too much of the country's substance in building more new houses than the economy could at that time afford; as a departmental legislator he left behind him only a too timid new Rent Act which did not work, a Town and Country Planning Act which Mr Brooke has since had substantially to amend, and he kept carefully away from all ideas of local government reform.

His next office was the Ministry of Defence, where perhaps he did not have sufficient time to make a real mark on an obviously mismanaged departmental policy; the fact remains that, while there, he did not make even a perceptible dent upon it. From there he went to the Foreign Office where for eight months he had the reputation of being Sir Anthony Eden's very secondary fellow-traveller, a mouthpiece for rash meteorological forecasts that there was not going to be no war; the wisest thing he did at the Foreign Office was when, after realising that Sir Anthony regarded it as a mere repository for his own ideas, he insisted vehemently on leaving it. Finally, at the Treasury both his private and public utterances were something of a disappointment to informed

economists who had got used to British Chancellors showing such clear minds (if muddled emotions) as Messrs Butler, Gaitskell and Cripps. His management of the national finances was neither distinctive nor distinguished.

When Mr Macmillan took up his present high office, on the wave of the peculiar emotions after the Suez episode which gave him his chance, the auguries therefore did not seem good for forceful leadership of this country. But two things should have given his critics much more pause before belittling him. One was that, in his departmental days, Mr Macmillan always attracted much greater support from those who were intimately associated with him than from those who could judge merely on the record of his speeches and policies (or lack of them). The other point was that, although as a departmental minister he never appeared to be a procreator of forceful reforms, he also never allowed himself to become a known opponent of them; it is significant that during his prime ministership he has encouraged other men to carry forward new ideas most speedily in the very departments which he himself previously tenanted. Although Mr Macmillan is not a swift mover into wise action, he has the knack of becoming converted to it just before the timider forces around him begin to think it may be "safe." This reputation for prudence in his sense of timing is a great domestic asset in a political leader; it has to be seen whether he can now acquire it internationally.

THE second major role of a prime minister, next to that of co-ordinator of ideas, is as the leading character actor in the great daily political play. In this it is now generally accepted at home (though not yet abroad) that Mr Macmillan is a past master. It was not always so. The dividing line in politics between the successful character actor and the flop is whether or not his opponents regard it as safe to try to bully and ridicule him. In Mr Macmillan's departmental days Labour MPs at Westminster often found it profitable to show their restlessness under his over-elaborate parliamentary wit; and in those days many even among Conservative MPs would say, that they "found it a little difficult to bear Macmillan's cloth cap." A great change has happened between then and now, when he has only to put on an old cardigan for it to be eulogised as an Edwardian waistcoat.

In part this change may be the result merely of his accession to power; Sir Winston Churchill has spoken, admiringly, of the effects of "royal jelly" on Mr Attlee. But this cannot be the whole explanation. Shortly after Sir Anthony Eden became prime minister, the cartoonists were poking profitable fun at his alleged fussiness and dithering; with Mr Macmillan they poke fun only at other people's delusions of his supermanship. Within nine months of Sir Anthony's succession a Sunday newspaper was running the rumour that he might resign; this would have been an inconceivable sort of rumour to run about Mr Macmillan. When Sir Anthony finally did retire, the cruel story told around the clubs to distinguish the rather similar looks of the two men was that "Eden is the sheep trying to look like a man, and Macmillan is the man trying to look like a sheep." This story was viciously unfair to Sir Anthony, who was in many respects a braver and more positive leader of the Conservative party than Mr Macmillan; Sir Anthony had a vision, at home as well as abroad, of where he wanted the Tories to go, and in recent months he would certainly have spoken out more daringly than has his successor to stem the drift towards illiberalism in Bournemouth and other backwoods of the party. But the fact that few people yet think of criticising Mr Macmillan personally for this is a sign that, in the eyes of the public, this successful extravert has something which his predecessor did not have, and has it in the right place for leadership.

THE third question about the Prime Minister concerns his motivation in politics: what is it that makes him tick in public life? There is no disguising the fact that many Americans and other allies believe that what is making him tick so loudly at the moment is the approach of the elections; they think that his peace journeys are designed purely as before-the-poll attractions. This is vastly unfair, as Mr Khrushchev could ruefully testify; his deliberately rude speech on the third day of the Moscow visit was the direct result of his visitor's toughness from the start. After the speech Mr Macmillan showed no inclination to come and lick his hand in appeasement; nobody who knew the Prime Minister could have suspected that he would do so. For Mr Macmillan has a special sort of firmness, which arises largely from his own special sorts of caution and ambition. It is true that he has not often, in his maturer administrative years, been quick to stick his neck out into politically embarrassing policies here at home; but equally he has never been known to run away from an awkward course once it has been set, if he feels it to be right. The psychological source of both his initial caution and his subsequent firmness is that he wants above all things to be respected; the difference between him and more liberal Tories, who would rush more quickly into contentious policies and then might retreat more quickly before political awkwardnesses, is that those other Tories want above all things to be loved.

It is therefore as wrong for Britain's allies to regard Mr Macmillan as a soft politician in search of domestic votes as it is for some Tories at home to regard him as beyond criticism or reproach. It is possible that the approach of the election may have affected Mr Macmillan's usually exquisite sense of timing in his peace journeying, but the journeying itself is taking place simply because he believes that it is internationally as well as nationally the right thing to do. Any of his hosts in Washington, or in points north or east of it, who discount his sincerity will certainly be underestimating this safe harlequin, this courageous man of caution, this scholarly unintellectual, this eclectic pragmatist of a prime minister.

Who Leads the West?

Mr Macmillan's arguments for Western readiness to talk to the Russians do not mean a bid for leadership

THE disarray of the western alliance has become painfully evident as the Berlin crisis has developed. Not all of it is due to Mr Khrushchev's sleight of hand, but if this was one trick that he meant to make last November he can contentedly pick it up now. The West's own bad luck and bad judgment have had a good deal to do with setting it at odds with itself, so much at odds that Mr Macmillan's energies now seem to be directed as much to reassuring his allies about Britain's firmness in the face of Soviet pressure as to persuading them of the merits of flexibility in the approaching East-West talks. The West's descent into this private diplomatic Hades has been a disconcerting, and quite possibly calamitous, progress.

The initial western reaction to the Berlin crisis was to stiffen as if by instinct into immobility—although, in fact, this does not seem to have been Mr Dulles's own wish. Before Mr Khrushchev actually spoke of handing over to the east Germans by May 27th, Mr Dulles had rehearsed the possibility of dealing with them as the agents of the Soviet Union. This piece of finesse was dropped when Mr Khrushchev's terms were officially judged, in Washington as well as in Bonn, to be nothing less than an ultimatum. But Mr Dulles tried again. On January 13th he raised the heretical speculation that the formula of free, all-German elections might be "not the only method" of unifying Germany. His purpose appeared to be the limited one of trying to induce some realistic understanding of the times into western thought on Berlin. At that stage it was he, and not the shade of Neville Chamberlain in Downing Street, who was roundly accused of selling the pass to the Russians. Mr Dulles did not insist, at least in public, on this flexible approach when he visited Europe last month; and, as it happened, his willingness or ability to adopt such tactics in actual negotiation with Mr Khrushchev became academic after his operation.

The effect of Mr Dulles's removal from the scene was to reveal the limitations of authority, and even of diplomatic experience, in Washington. Mr Macmillan has been charged with having deliberately exploited this incapacity at the top of the State Department. American pique, Gallic pride and west German fears formed ranks in an awkward squad that has carped at both the temerity and the naivety of Mr Macmillan's initiative. When the Prime Minister got his double snub from Mr Khrushchev in the middle of the visit, it was greeted with unconcealed satisfaction by these critics as an inevitable rebuff. Had Mr Macmillan returned with empty hands, the best he could have expected from certain sections of the western press was a heavy-handed patronage as the awful warning to other unbroken colts who thought of bolting from the corral. When Mr Macmillan did, in fact, return with the Moscow communiqué—even although it specifically admitted disagreement about "the juridical and political aspects of the problems involved"—this was found to be even more horrific.

M. François-Poncet in Paris, Senator Butler in Washington, and others have seen Mr Macmillan's attempt to set serious negotiations on foot with the Russians in terms of Munich and 1938. These views are apparently shared by President de Gaulle and Dr Adenauer, who, in close convocation at Marly last week, seem to have agreed on united opposition to even the suggestion of any military thinning-out in central Europe. (Our Paris correspondent reports on the uncordial state in which Mr Macmillan's visit has left the Anglo-French *entente* on page 983). At the same time, Mr Macmillan's ideas for breaking the Geneva deadlock on nuclear tests have had an even chillier reception. President Eisenhower said last week that the study given to these proposals so far did not "reassure us that they are completely practical." General de Gaulle has never wavered from his contention that he cannot accept the suspension of nuclear tests at the Geneva talks—where France (which still has to test its own bomb) is not represented—unless the destruction of existing stocks of weapons is also carried out.

The European suspicions of British policy carry overtones of resentment at the special position that Britain has claimed for itself within Nato; and the breakdown of the free trade area talks—again on British claims of interests and responsibilities outside Europe—has not improved the atmosphere. Although Mr Macmillan was entirely circumspect about not claiming too much for his Moscow mission, his one departure from this, when he spoke at London airport of Britain trying "to give a lead," has been seized upon with disapproving relish. Nor has *The Times*' suggestion that President Eisenhower is in decline, Dr Adenauer old and unhappy, and President de Gaulle preoccupied with other problems done much to smooth the Prime Minister's path to such touchy personalities. Before Mr Macmillan goes to Washington and puts his Moscow efforts to the final test of allied approval, it seems desirable to place the British initiative in its proper perspective.

MR MACMILLAN did not use Mr Dulles's illness to take over the formulation of western policy. In fact, he discussed his visit to Moscow with Mr Dulles in London before he announced it in the Commons, before the Secretary of State went into hospital, and before the recurrence of cancer was discovered. What happened was that Mr Dulles's illness added a new importance to the Prime Minister's mission. At no time did Mr Macmillan give the impression that he

was empowered, or disposed, to negotiate with Mr Khrushchev on behalf of the West. But what his talks in Moscow revealed—as Mr Khrushchev's own words in east Germany have since confirmed—is that the Soviet Union seems prepared to enter into some serious negotiations with the West before carrying out its threat to hand over to the east Germans in Berlin. In the face of this attitude, implying a limited (perhaps, indeed, very limited) opportunity to take some of the heat out of the Berlin crisis before the border posts are changed, the prime necessity of western policy has been at least to show an equal readiness to talk. This seems to be all that Mr Macmillan is trying to persuade the allies to do; and the British argument seems already to have been toned down out of regard for allied susceptibilities on the thinning-out of troops in central Europe.

Pique of any kind must be harmful to the workings of the alliance, and Mr Macmillan will certainly not arrive in Washington, where the western decision must ultimately lie, expecting to be snubbed there. His ideas on a possible approach to the Berlin problem cannot be judged unorthodox beside those to which American opinion has been introduced by Senator Mansfield and Mr Stevenson. What American reports have called an "honest difference of opinion" can be respected. But the Prime Minister's job must be to make the facts clear, as he sees them. From what Mr Khrushchev has been saying it must be concluded that the Soviet Union is acting from strength in Berlin and that it means business there. Mr Khrushchev has agreed to a foreign ministers' conference, but it is plain that he sees no purpose for it except to arrange for a meeting at the summit. The geographical weakness of the western position in Berlin suggests that at this juncture the West has a direct interest in agreeing to talk, and to talk to the one man who determines Soviet policy: Mr Khrushchev himself.

There is a world of difference between being soft and appeasing in actual negotiations with Mr Khrushchev on Germany, and being deft in trying to get serious negotiations on foot at all. What is the choice? President Eisenhower himself said on Wednesday that Berlin could neither be defended by ground troops nor liberated by a nuclear war. The unity of western opinion that could alone justify daring Mr Khrushchev to a nuclear showdown over Berlin—which remains the ultimate sanction—would be better secured by testing Mr Khrushchev's proposals for two or three months than by turning them down out of hand as "wisecracks." This is the heart of the matter. Mr Macmillan is not asking for surrender, but for recognition of the West's true interest and the best ways to serve and defend it. Who leads whom to the summit on the western side does not matter at all, provided it is done with open eyes.

The Muscovites

Back from Moscow, our special correspondent transcribes his notes.

THE big man at the next table introduced himself as a train driver on the Metro. He and his friend spoke nothing but Russian, but they showed an intense, if naive, curiosity about the outside world. Both had quite well paid jobs (the restaurant where we sat talking, Moscow fashion, until it closed, was pretty expensive) and seemed contented young products of Soviet society; one assumed that they accepted without question their masters' daily diatribes against the wicked West. Yet when I gently expressed the hope that they did not believe all they were told about western militarism and aggressiveness, the Metro driver grinned broadly, clapped a huge paw on my shoulder and cried: "That stuff—it's all just propaganda!"

Other unexpected experiences awaited a British visitor in Moscow at the time of Mr Macmillan's journey. In a few brief days, one met a remarkable number of Russians who had read "Dr Zhivago" by various ingenious means, and learnt something of the high repute that Boris Pasternak enjoys even among members of the official "apparatus" that has condemned him; an evening's talk with some "official" writers ended with the impassioned recitation of poems from "Zhivago" and other volumes of Pasternak. In privacy, one saw some examples of the "secret" painting and sculpture, matching western work in vigour, in profundity, and in gaiety too, which young Russians are producing behind the backs of their appointed mentors. On a less furtive level, on a recent Saturday afternoon the only well attended room in the Pushkin gallery on Volkhonka Street was the one where some of the Gauguins, Matisses, Van Goghs and early Picassos of the Shchukin collection are now again on show.

Only five or six miles out from Red Square—say, as far as from Trafalgar Square to Acton or Golders Green—on a road chosen at random, one was already passing through a white and lifeless landscape, past an occasional horse drawing a crude sledge, past sagging huts and little wooden village stores, past churches looming above huddles of one-storey buildings. Back in Sverdlov Square and Gorky Street, with crowds in their Sunday best for once strolling at a leisurely pace in the sunshine and stopping to buy the first mimosa of spring, there was for a moment the atmosphere of a central European town, for all the lack of attractive shops and cafés, of fresh paint and lively colour. But Moscow's fantasy is all its own. In places off Intourist's well-worn track, skull-capped Turkis let their shashlik go cold while they watched, with narrow-eyed intensity, a rouged pseudo-Parisienne chanteuse singing "Arrivederci Roma" and even "Volare" (the swift arrival of the latter tune suggests that Russia is indeed drawing abreast of America). Late after midnight in the February snow, two or three young Muscovites gazed silently at the melancholy statue of Gogol which has been removed from Arbat Square to a less prominent site and replaced by a more cheerfully "positive" monument. At the Lenin stadium a vast audience applauded an ice-show turn in which the chorus girls, scantily disguised as circus horses, wiggled their tails and rumps in provocatively "western" style. At the Lenin library an armed policeman checked each reader's papers at the turnstile.

The personal cult of "our Nikita Sergeyevich," while nowhere near Stalinist dimensions, seems to have grown to a disquieting extent. There is no more talk of collective leadership. The leader's photograph, his torrents of speeches, and the court circulars recording his official activities, dominate the press. Even in literary and artistic journals, he is reverently saluted and cited, and the art shops display and sell his lifesize portrait in colour, so idealised as to astonish anyone who has met him at close quarters: this distinguished patrician, impeccably dressed with a subtle suggestion of tallness, the wart removed, no trace even of the engaging Terry-Thomas gap in his teeth—can this really be "our Nikita Sergeyevich"?

A VISITOR who is grudgingly granted only a brief stay in Moscow, refused permission to travel even to "open" places like Leningrad, and forced to live in a rich and rare Intourist hotel, cannot hope to probe far into the life of the city. Intourist's guides are friendly if bewildered people, but their efforts to be really helpful run counter to the main aim of the organisation, which is evidently to give any intelligent visitor the worst possible impression. (When Mr Khrushchev has a spare moment, he could do much for his country's reputation if he liquidated Mr Kirienko's whole bureaucratic empire, and set up a travel agency instead—an agency which helped people to travel instead of hindering, which booked them at the kind of hotels they want instead of at the hotels it wants them in, which could give an inquirer, say, the telephone number of the Indian embassy without having to unlock a safe). Under Intourist's present rules, one asks a guide to direct the car straight eastwards through central Moscow and is at once taken off to the familiar south-west, where the capital's most impressive new showpieces are clustered around the approach from the singularly unimpressive airport. Once bitten, next time one takes a bus or taxi, wondering fretfully what exactly Intourist thinks it is trying to hide.

There is really no hiding the poor sodden drunks around the sordid little liquor-booths—and if this problem did not exist, what would be the point of the present very sensible restrictions on purchases of vodka? There is no hiding the overcrowded tenements, wynds and shanty towns (some of them ridiculously screened by new high palisades) that extend right into the heart of Moscow—and if they did not exist, the big current rehousing drive would simply not make sense. By western standards the "new Moscow" out at Cheremushki will still be overcrowded, with a high proportion of flatlets with only one bed-sitting room; but these will be a great improvement on their occupants' former homes, where several families commonly have to share one inefficient kitchen, even when, as the group of aerials on the low roof proclaims, each has its own TV set. If the Soviet authorities would let visitors get an honest view of Russia's poverty and problems instead of making futile and irritating attempts to deny their existence, they would generate far more foreign sympathy and understanding. Meanwhile, however, if it remains the aim to show that Soviet society has abolished, say, prostitution, Intourist had better let foreign visitors stay at more modest hotels than those frequented by the colonels, industrial tycoons and other well-heeled provincial gentlemen up in town without their wives. Even a foreigner with only a limited grasp of colloquial Russian eventually gets the drift of the inviting phone calls made to his hotel bedroom around or after midnight.

The prevalence of colonels, in restaurants and official cars, on the Metro and on the pavements of the "West End," seems natural in the military atmosphere of

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SOCIALIST EXPERIMENTS

SIR—*The Economist* was not more lucky in the outline it gave of my views in the literary criticism on Mr Sargant's book, than in the statement that I was concerned in establishing the *Ateliers Nationaux*. Never did I propose that "the Government should enter the market on behalf of Socialism, paying higher wages and selling cheaper goods than individual capitalists can do." Observing, as I have written over and over again, that Society was making, every day, through its representatives, trials of all sorts of destructive engines, while nothing was tried to ascertain what mode of social relations was most likely to be conducive to the happiness of the different members of the community; and fully convinced that a question so vital to the welfare of a nation was worthy of calling forth the exertions of real statesmen, I proposed, at the Luxembourg, an industrial plan bearing an obvious analogy with the educational practice of England, that is, based onthe principle of advancing public money in aid of associations, such as those created in this country for the purpose of erecting and conducting schools, under certain stipulations, and subject to a certain control. According to my plan . . . the grant to a determined number of associations of workmen would have been merely a *loan* secured by mortgage on the establishments to which it was advanced, and not at all a "*charitable donation*". . . . In fact, the scheme was, that the State—by which I mean the nation acting as a whole—should make, with all due caution, a step towards the foundation of co-operative associations, by enabling the workmen to combine their efforts with a view to a *joint benefit*, so as to become gradually self-supporting. Is there anything there which is not just, nay strictly *Christian*? . . . If using the produce of a general taxation for helping the poor into working out their welfare be plundering the capitalists, what must we think of using the produce of a taxation raised partly on the poor, for maintaining a system of institutions in the advantages of which the poor so little participate? . . . It is because you aim at general good, that you advocate the principle of unlimited competition: well, I have *nothing* else in view, when I advocate the co-operative principle. . . . I am, Sir, your most obedient servant,

LOUIS BLANC.

Moscow, where the fighting services have their own sports and shopping centres, their theatre and other institutions, where heroic helmeted figures frown in the "Kitchener Needs *You*" manner from so many posters, magazine covers, and window displays. But, as in the traditional Hindu code, soldiers are not the highest caste in this stratified society. The real Brahmins do not risk defilement by venturing even into the "first-class de luxe" hotels and restaurants (except, on occasion, the new Sovietskaya); unless invited to a Kremlin reception, one glimpses them only when a big chauffeur-driven car cuts brusquely through the scurrying, shopping-laden pedestrians.

Their children, however, are not always so aloof; some of them may be seen whooping it up quite democratically with the rest of Moscow's gilded youth at the Pekin or the Praga. These young people leave a rather favourable impression. They may get noisy in a high-spirited way, but the boorish "stilyag" fashion seems to be yielding to a fair imitation of Mr Gregory Peck's clean-cut young "Man in a Grey Flannel Suit," with a correspondingly polite squiring of young ladies whose dance dresses would often get by in Petersfield or Paignton.

Of the many other castes and cross-sections, the most boring comprises the tired hacks who can do nothing but intone the current "line"; in private, even their own professional colleagues term them "old gramophones." Some of them, however, are redeemed by innocence, like the suburban party functionary who, on the day of the local elections, proudly showed me his charmingly decorated (and quite undisturbed) polling booths, while behind us the electorate prudently demonstrated its loyalty by voting for the solitary candidate in public. (Election day was improved for me by a series of dialogues with voters on these lines: "Have you voted yet?"—"Yes." "Is your candidate a good one?"—"Yes," or "I hope he is." "What's his name?"—"Er . . . ." In at least two of Moscow's fifteen raions, the chaps at the local Agitpunkts seem to have been lying down on the job.)

ONE interesting social group represents the survivors from political prison camps released under recent amnesties. They have naturally developed a pretty extensive and effective old-boy network. They recall, with irony, that most of them had to wait for release up to two years longer than those sentenced for collaborating with the Nazis; with gusto, that some camp commanders, whose long service in Kolyma or Vorkuta has left them unqualified for any other kind of responsible post, are now reduced to working for a living. It would be a mistake to suppose that all these survivors detest the whole system under which they have suffered such harsh injustice. They are Russians—better Russians than the men who framed them; and in talk with a foreigner, they will speak up honourably for their country's achievements.

Another interesting group, small but growing, comprises youngish people in middling walks of life who are getting a modest taste of the foreign contacts that are still mainly reserved for their betters. As these people return from various journeys abroad with boxfuls of western books and a new taste for uninhibited discussion, contact slowly filters down, making those who have not yet had their chance still more impatient.

This impatience can be fully comprehended only by those who have themselves breathed the thin Tibetan air of mentally insulated Moscow, where one finds Russians who are pitifully grateful for even the *Daily Worker* or *Neues Deutschland* as supplements to their own button-lipped press, where the meagre permitted ration of the magazine *Amerika* is snapped up the moment it appears on the bookstalls and thereafter changes hands briskly at three times the published price. It is heartwarming, in casual conversation with a Muscovite, to see his nervousness at having any unauthorised contact with a foreigner yielding to his absorbing curiosity.

It would be misleading to give the impression that the whole population of Moscow feels such a strong curiosity. There are other ways of reacting against drab regimentation. In the bookshops, even the special political bookshops, where piles of new editions of doctrinal works specially issued for the recent party congress still lay about unsold a month after it had ended, the only brisk trade seemed to be in brightly coloured bunny-books for children. Swept into one of Moscow's biggest general stores on a shoving tide of ever-questing shoppers, one found an array of placards announcing "Gifts for Women's Day, March 8th: Special Perfume and Cosmetic Week."

For most Muscovites, cosmetics seem more appealing even than the cosmos, a topic which official publicity has hammered away at, ever since the first sputnik, to well past the point of general boredom. For the more independent minds, however, it appears to be the human unknown beyond the curtain of silence that holds most fascination. It would be rash to claim, after a short and circumscribed visit, that one had any clear idea of what intelligent Muscovites are now thinking. But one does return with a faint suspicion that Mr Khrushchev himself does not really know either.

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Events in Africa

In the past week there have been important developments in five territories in Africa; the comment on these is placed together to signpost the turbulent crosscurrents in African affairs.

Cooling Nyasaland Down

THE Government has now decided against the immediate despatch of a parliamentary commission to Nyasaland, preferring to restore Nyasaland to the itinerary of Lord Perth's tour; but Lord Perth is now to report on events, not negotiate a new territorial constitution. This decision was probably inevitable because of the unfortunate way in which the sound Labour suggestion for a commission was made, and Mr Lennox-Boyd's equally unfortunate reaction; but it is good news that the Government has by no means ruled such a commission out later.

Mr Lennox-Boyd should earnestly ponder its real advantages. Even those British newspapers which most sensationally played up the allegation of a plot to massacre the whites in Nyasaland are now uneasily asking that outside inquiries should be made. What most needs to be emphasised, however, is not the investigatory functions of a parliamentary commission, but its potential usefulness in making political attitudes at Westminster more bipartisan and in averting the danger of excesses on the spot. The arrival of MPs of all parties would act as an immediate restraint, if restraint is needed, upon the police and the Southern Rhodesian troops; at the same time it would be the most convincing demonstration possible to Africans that Britain has not abdicated its role in the protectorate to the white settlers from Salisbury. And this is an essential preliminary if Lord Perth is now to get anywhere at all with such constitutional blueprints as he may have in his brief-case. The blueprints he was carrying to Nyasaland before this trouble started presumably themselves envisaged an African political advance.

Sir Roy Welensky might find it politic to oppose a parliamentary commission in public, while being rather glad of it in private. He may appropriately be reminded that the Kenya settlers had little fault to find with the white paper which was produced by the parliamentary commission that visited Kenya in 1954 to look into the conduct of the Mau Mau campaign. Only those who have made false statements have anything to fear for their repute from such a report. Unfortunately, Sir Roy has hardly strengthened the credibility of the account of developments in Nyasaland so far put out from Nyasaland, Salisbury and London by discovering that the whole thing (whatever it was) was hatched at the Accra conference between the Nyasaland delegates (who included Dr Banda) and the Russian delegation, with the unfriendly connivance of the Ghana government.

Almost certainly, some African leaders in Nyasaland were making preparations for strikes, which in African conditions often degenerate into riots. The skill with which the Nyasans have been sabotaging communications points to some organisation, as well as, of course, to general fury at the incarceration of the Congress leadership. Some wild and bloody things are very likely to have been said by individual Africans. But it will probably be very difficult to make stick any specific charges that a massacre was really likely, or to make all the emergency measures taken seem in retrospect to have been very wise. The plain fact is that most of the African casualties have been sustained since the declaration of emergency and the detentions (now totalling 400), while no white has been killed; and the job of restoring real tranquillity is likely to be a considerable one. British MPs should certainly see it being done.

Questions for Southern Rhodesia

A BRITISH parliamentary commission, of course, will have no right to discuss events in Southern Rhodesia, which is a self-governing colony. But events there stand in need of some investigation, and it is a world's pity that somebody like Mr Todd is not in the Southern Rhodesian house to ask some questions rather quickly. It was Sir Edgar Whitehead's hurried declaration of an emergency in Southern Rhodesia on February 26th which preceded all other action in the Federation. The suspicion persists that Sir Edgar and Sir Roy Welensky may then have pressed Sir Robert Armitage to follow suit in Nyasaland, for fear that Sir Edgar might be left out on a limb. Mr Lennox-Boyd has denied that there was any such pressure. But why did Sir Edgar declare his emergency in Southern Rhodesia? No officials in the territory have been suggesting that mass trouble was brewing. There had been a rumour of a general strike which proved false; and it was said that a strike would be called if the three month sentence on the Secretary General of the Southern Rhodesian Congress was upheld. But that is about all, apart from allegations, now being sedulously put out, that the Congress in Southern Rhodesia has been resorting to intimidation. This is usual, but hardly a sound reason for an emergency.

Sir Edgar Whitehead first said that the emergency was declared because the Congress in Southern Rhodesia was backing that in Nyasaland; and then that it was because of "general tension in the Federation," although, until Thursday's arrests, the general election campaign in Northern Rhodesia was still proceeding in an outwardly calm atmosphere. Then Sir Edgar contradicted all his explanations by saying that he had been planning the mass arrests for three weeks—long before Nyasaland boiled over. All this has aroused apprehensions that Sir Edgar was only waiting for the flimsiest excuse to jail the African Congress politicians—as well as Mr Clutton-Brock of St Faith's Mission.

Under present law, Sir Edgar would have either to release the detainees or prefer specific charges against them before the end of this month; if he stood by this law, liberal criticism of him would be muted. But now he has introduced a bill, palpably South African in its political inspiration, to make membership of any African National Congress (and presumably any party demanding more power for Africans) into a crime; and an African, when accused, is to be presumed guilty until he can prove his innocence. This may enable Sir Edgar to keep recalcitrant African leaders in prison by a well-worn "cat and mouse" procedure. Meanwhile the present emergency gags the press, though it is one of the ironies of the Federation (which must annoy Sir Edgar, but which Africans should ponder) that news can be telegraphed from Lusaka in Northern Rhodesia which might get pressmen into jail in Salisbury. The most notable absentee at the secret high-level conference held at Blantyre attended by Sir Edgar, Sir

Roy, Sir Robert Armitage and the British High Commissioner was the governor of Northern Rhodesia, Sir Arthur Benson. Sir Edgar has, in fact, a good deal to explain—to the bar of world opinion if not to his own parliament.

Kenya on the Tightrope

IN the shadow of more startling events in the Federation, the Kenya government has also suddenly put thirty African politicians in jail and banned two newspapers. But this should not be seen as another example of Kenya's aping of Southern Rhodesian policies. For one thing, the Kenya government has not thrown out Mr Stonehouse, but has let him look at prisons as he desired. This was wise, especially as he visited them with other journalists. In the second place, the Kenya government has banned an extremist white paper (*Independent*) as well as an even worse organ of black racialism (*Uhuru*). Whether it was wise to put the editor of *Uhuru,* Mr Agar, in prison along with thirty other black political undesirables is another matter. It is advisable to keep the number of "prison graduates" to a minimum in colonial political evolution. Mr Mboya could be politically embarrassed by seeing his followers receive the crown of martyrdom but being denied it himself. The danger is that he might now feel obliged to court it.

It is therefore timely that Mr Michael Blundell, the Minister of Agriculture, should have made a statesmanlike bid to break the deadlock in Kenya this week, and to divert everybody's attention to more constructive channels. He has forthrightly called for a round-table constitutional conference; this is virtually what Mr Mboya and the other African elected members (as well as the Asians and a few liberal Europeans like Mr Vasey, the Minister of Finance) have been demanding. If Mr Blundell gets enough backing from the other Kenya white politicians, this should permit the governor and Mr Lennox-Boyd to reverse their former stand and announce that "a new situation" has been created. Even so, it would be unwise to expect Mr Mboya, who has a suspicious nature, to accept his own suggestion at Mr Blundell's hands; moreover, such a conference would require careful preparation in order to prove fruitful. But to offer it is to test the sincerity of all parties in Kenya. It is to be hoped that enough liberalism and common sense survive to make possible a fresh and methodical approach to a compromise in Kenya.

Ghana's Guided Democracy

IN Ghana, which is accused of plotting against the security of multi-racial territories in colonial Africa, two members of parliament and an army major are being tried for plotting against the security of Dr Nkrumah. This trial has had its *opéra bouffe* moments, but its background is not particularly funny. Neither the announcement of a firm date for the Queen's visit (to which all Ghanaians look forward with unalloyed pleasure) nor the jollities occasioned by the second anniversary of independence should be allowed to obscure the constitutional transformation which is rapidly taking place in the country. This takes the form of steady advance to what Dr Nkrumah's supporters call centralisation, and his enemies call dictatorship. The regional assemblies, which the Convention People's Party always said they would destroy, have been duly abolished. Party politics have been further narrowed by the new law which penalises the Opposition by laying down that any members of parliament who boycott meetings should be deprived of their seats (which will probably then be won by CPP adherents). No less important is a new rule which alters the procedure for civil servants' promotion. Formerly only promotions to permanent secretary were made after consultation with the prime minister; now this consultation must be carried out for promotions to the much more numerous posts of director in departments and government corporations, so that the prime minister can ensure that only men he thinks he can trust shall advance in any minister's department. Most serious of all are the new rules for appointments to the bench. The judicial service commission is to be dissolved. The prime minister is to advise the Governor-General on appointments of puisne judges, and is to be concerned with the Chief Justice in the appointment of appeal judges and magistrates.

Very little, if anything, is left of the safeguards for minorities entrenched by Mr Lennox-Boyd in the Ghana constitution; this may have something to do with the Asantehene's decision to attend the anniversary celebrations in Accra this year. But visiting business men and foreign officials are impressed by the fact that, by whatever means, Dr Nkrumah is master in his own house and Ghana is an island of stability in Africa's ferment. Accordingly the publication of the second development plan this week is quite well timed; and, indeed, in detail it seems to be a sensible piece of economic planning, which tries to take some account of the physical capabilities of Ghana. Of its proposed expenditure of £350 million in five years, £100 million is for hydro-electric development and £125 million is the core-plan, regarded as urgent. The plan appeals to private investors, friendly governments and the world bank; and probably Dr Nkrumah's Ghana is as likely to attract foreign money as any part of Africa just now—but not necessarily for reasons that liberals will approve.

Congo Cataract

THE Congo Republic created within the new French Community now faces the disintegration into tribal fiefs that Dr Nkrumah has resisted in Ghana. Its government says that it will hold a referendum in the northern part of the country in an attempt to clarify the political situation after the tribal rioting in Brazzaville last month. The principal northern tribe, the Mbochis, who came off badly in the Brazzaville fracas, are adherents of the opposition party in the Congo assembly, the African Socialist Movement. The party's leader, M. Jacques Opangault, is still in prison, charged with responsibility for the rioting. In their belligerent mood, the Mbochis are now to be asked if they prefer to remain within the Congo Republic or to set up an independent state of their own.

The Mbochis are not thought to be in any condition to set up a republic of their own; if they do vote for secession they are likely to apply to join the Central African Republic (formerly Oubangi-Chari) across their northern border. The prime minister of the Central African Republic, M. Boganda, is an advocate of the United States of Latin Africa—by which he means the four states of French Equatorial Africa, Cameroon, the Belgian Congo and Angola. How he would welcome the Mbochis remains to be seen. They could scarcely hope to win any economic benefit from the change. Congo's apparent recognition of a right to home rule for any dissatisfied areas is an ominous development: that way tribalism, not merely balkanisation, lies for central Africa.

NOTES OF THE WEEK

FRANCE

The Gaullist Recession

THE first round of France's municipal elections last Sunday confirmed that plenty of Frenchmen are having second thoughts about Gaullism. The results from Paris and the dozen other cities of over 120,000 inhabitants where proportional representation was in force showed the communist vote markedly on the rise; nearly three months of *sévérité* have put the party back where it was before the Gaullist tide wrested away nearly a million and a half communist votes last November. In Paris itself the communist share of the poll soared from November's 19.9 per cent to 29.1 per cent—an increase even on the last communist municipal vote in 1953. At Le Havre, the one large town where a communist mayor stood at bay against a determined Gaullist offensive, the party picked up 10,000 votes compared with November; but control of the council depends on the two socialist members' decision on which side to support.

M. Soustelle's UNR held on stoutly in Paris, where it got 21 per cent of the poll (22.2 last November) and in Bordeaux, another of Gaullism's customary strongholds. But even in Paris the party has not touched the high mark the Gaullist Rally did in 1947. At Lyons M. Soustelle himself, hoping to capture the mayoral chair that M. Herriot occupied for so long, was decisively turned back by the local Radical champion, M. Pradel. Although the socialists did well at Lille and Marseilles, M. Mollet has been left in danger in the second ballot at Arras. The socialists seem to have profited locally by alliances with Left and Right; the party can now expect to hang on to most of its *mairies,* a gratifying position that may scotch recent murmurings of revolt against M. Mollet's leadership. The new *Union des Forces Démocratiques,* although scarcely a mass movement, elected M. Claude Bourdet in Paris, and M. Mendès-France's friends were returned at Louviers.

The full picture will not be clear until after the second ballot in the smaller towns this week-end, but the UNR is not hiding its concern at the check. Coalitions against the Communists may arrest the left-wing tide. The new municipal representatives will shortly go to the polls themselves to elect the Senate—a body that will have more influence, perhaps much more influence, in the Fifth Republic than in the Fourth. The Communists can hope to be better represented there than in the assembly. As for the assembly itself, it already seems to be out of step with the present change in public opinion.

Stifling the News

THE democratic professions of M. Debré's government are put in doubt when it treats the press as it has treated the French weekly newspaper *L'Express* this week. *L'Express* was seized in Paris on Wednesday night—an experience it frequently undergoes in Algiers—because, it was officially claimed, it printed a "scandalous interview" which "indecently praised" the Algerian rebel army. In fact, the article was a straightforward piece of reporting in which a rebel officer, Commandant Si Azzedine, described negotiations he had had on a local cease-fire with General Massu and the French authorities in Algiers. Neither *L'Express* nor its correspondent, M. Jean Daniel, offered any comment except to point out discrepancies between Si Azzedine's story and official French statements.

The touchiness of the authorities is no doubt understandable. Si Azzedine, after being captured last November, had several meetings with General Massu in which he spoke of his own anti-Communist views and of divisions between the rebels in Algeria and those in exile. The French had high hopes that he would arrange a local cease-fire, as he had promised, and prepared for a considerable publicity success. But Si Azzedine disappeared in January and has now turned up in Tunis, eager to fight for what he believes to be his country. It is all very embarrassing for M. Debré, but stifling the news could prove even worse in the world's eyes.

IRAQ

Qasim Survives

EVER since the death of Nuri es-Said there has been considerable doubt whether Iraq has found its new master. General Qasim led the revolution but has since been obliged to juggle with the forces that helped him to succeed; it has never been clear how far he was juggling with them or they with him. Basing himself on the army and his popular appeal, he has been trying to retain the support of both the Communists and the anti-Communist pan-Arab nationalists. But the army was itself divided—particularly since the breach between General Qasim and Colonel Aref—and the rising at Mosul on Sunday (further discussed on page 979) shows beyond doubt the army's uneasiness over the alliance between communism and nationalism.

The revolt was essentially an attempt to discard the Communists and keep Iraq from diverging from the main stream of Arab nationalism—as marked out by President Nasser. Trouble had been brewing in the north for some time. The death sentence on Colonel Aref, the cabinet shuffle and the economic agreement with the Soviet Union confirmed latent fears about the way Baghdad was running things, and when a noisy communist-led horde arrived at Mosul for a "peace day" celebration, the spark was fired. Colonel Shawaf's coup has been checked before it had time to develop into full-scale civil war, and for the moment the worst has been avoided—for the oil companies as well as for the Iraqis. The unhappy result of the revolt is that it may force the Iraqis to take sides for either Communism or Nasserism, instead of steering their own course in between.

The danger is that General Qasim may now swerve towards the Communists. Before the rising his independent footing had already become dangerously narrow. Relations between Iraq and the United Arab Republic have been

brought to breaking point by the expulsion of all the members of the UAR embassy in Baghdad but the chargé d'affaires, and General Qasim's spokesmen are freely accusing President Nasser of inspiring the revolt. Initial UAR reaction to the revolt was cautious, partly from a natural reluctance to take a line until the course of events was clearer; but now insult is being answered by insult in a vituperative slanging match.

General Qasim's best hope lies in the fact that it is in nobody's interest to rock his boat from the outside. President Nasser, however much he may distrust General Qasim, (and he has dropped all his earlier euphemisms about international communism) has no wish to become responsible for the government of Iraq in its present state. Any Russian temptation to interfere is held in check by the thought that the Soviet Union cannot strengthen its position in the one Arab capital, beyond a certain point, without risking its influence in the other. The Russians, too, are playing a balancing game.

GERMANY

Mr Khrushchev's Variations

WHILE Mr Macmillan has been exploring the icy wastes of Paris and Bonn Mr Khrushchev has been playing variations on his Berlin theme. He continues to combine stubborn pressure on the substance of the issue with a demonstrative willingness to talk. He said at Leipzig on March 5th that Russia would not carry out its threat to hand over control in Berlin on May 27th to the east Germans, if the West had shown willingness to negotiate and a conference was still going on. On Monday he put forward a new variation on his Berlin plan to a mass meeting in east Berlin. He was not opposed to American, British, and French troops staying on in the western half of the city as part of an international garrison "to guarantee its status as a free city and prevent interference in its internal affairs," but in that case the garrison would have to include Soviet troops; it might include neutrals as well.

Behind this new suggestion there is, apparently, a fairly detailed plan; its outlines are discussed by our special correspondent on page 980. Obviously it contains snags for the West, but equally obviously the West will have to find out more about it. At the same meeting Mr Khrushchev flatly rejected the suggestion that has been made (though not officially) in the West that the proposal for a free city be applied, not just to west Berlin, but to all Berlin. The local Russian objectives clearly remain unchanged—to end the four-power occupation regime and with it the western allies' special position in west Berlin, to absorb east Berlin into the German Democratic Republic, to secure recognition for the east German regime and to give it control of communications with the city.

While they remain unchanged, they are, together, unacceptable to the West. But Mr Khrushchev's willingness to talk is also important. On the narrow issue of Berlin, where his position is so threatening, it does not seem particularly helpful. The western powers cannot do as he wishes. What they want to know, or should want to know, is whether the Russians are prepared to move on broader issues which would put the Berlin issue in a different light. On Monday Herr Ollenhauer, the leader of the west German Social Democrats, had a talk with Mr Khrushchev at the latter's invitation. It is the first time the Russians have made such a gesture to the west German Socialists. But on the substance of the wide issues of German unity and European security which the two discussed, Herr Ollenhauer evidently got cold comfort.

TELEVISION AND THE ELECTION

Viewers' Political Rights

NEGOTIATIONS between the three political parties, the BBC and the ITA about the coverage of the election by radio and television are nearing completion and a statement of some sort is believed to be imminent. It is very important that such a statement should be explicit enough to permit a full public airing of the question in advance of the dissolution. The public must not be confronted with agreed ground rules for the electoral debate as a *fait accompli* at the same time as the debate itself is about to begin.

All indications are that the main impact of the coming election on the voter's consciousness will be made through the television screens. Although the army of protest which will turn out for rallies on nuclear disarmament or Nyasaland continues to defy the trend, all the experience of party political meetings is that audiences are not to be lured away from the telly (except, of course, when they think that television cameras will be there and they want to appear on the screen themselves). This situation should be exploited to ensure that this time the British people will be the best-informed voters who have ever trooped to the polls.

This will never be accomplished if the task is left exclusively to the parties. It looks as if, in addition to the parties' own private political telecasts (which in striving to be less dreary than usual may suffer from over-slickness), there will be some degree of ordinary news coverage of the election in the field on both television channels. This will be a most welcome contrast to previous campaigns, in which the BBC's technique was to stop all political programmes (except the party politicals), prevent comedians making political jokes and wait for the election to go away. But it is vital that the choice of constituencies and issues to be covered in the corporations' own programmes should be left in the unfettered hands of the BBC and the ITA.

Why Cosset Politicians?

ELECTIONS are for the benefit of the public, and are decided by those who at this stage "don't know"; they are not a private party for partisans. Television networks, like the press, should be a countervailing force to party politicians' restrictive practices. This is why legitimate suspicions are aroused by any suggestion of secret covenants secretly arrived at between the two television authorities and the big parties' professional organisations. Admittedly there may have to be a few ground rules, openly acknowledged well in advance. But the "South Ealing formula," which has been used in some by-elections, should not be one of them.

Under it any one of the candidates can veto television coverage of the campaign in a constituency; candidates deliver brief speeches of equal length to an invited bipartisan or tri-partisan audience (equal portions of which have been recruited by each party); and questions, submitted in advance, can be rejected by any of the participants.

One of this formula's manifold weaknesses has just been exposed in the Harrow East by-election, where the Conservative candidate has kept the cameras off limits because it is not in his interest that people should know about the third, *poujadist*, candidate, who threatens to walk off with some of his votes.

But in addition it is quite wrong to represent the country as consisting of two or three teams of knock-down drag-out partisans. Where in this formula is there the space for the reasonable questions of reasonable men, who may watch the screen or go to meetings for the old-fashioned purpose of finding out what the parties say before deciding how to vote?

A third element in the television election, in addition to the formal presentation of the parties' merits by themselves and the news coverage of their strivings in the constituencies, should be various forms of prying into personalities and issues under conditions that are not in the least controlled by the parties. There could be television debates (what would a debate between Mr Aneurin Bevan and Mr Selwyn Lloyd on foreign policy not do to clarify the choice of the doubtful viewer?); feature programmes on minor candidates; interviewing of party spokesmen by experts, and so on. The BBC should put each of the three channels of sound broadcasting to appropriate use—the thought of having their policies dissected on the Third Programme might have some small salutary influence at headquarters (and in a close election even the egghead vote counts).

Perhaps the public will shortly be reassured on all these grounds. In that case it will have done no harm to have asked.

LABOUR PARTY

Mr Mikardo's Table Talk

AT a lunch at Leipzig last week, Mr Mikardo, the Labour MP for Reading, got into conversation with Mr Khrushchev. Mr Mikardo recalled the famous row between Mr Khrushchev and Mr George Brown at the Labour party's dinner to the Soviet leaders in London in 1956, and Mr Khrushchev said that "it was Brown who made the difficulties." According to the British journalists present, Mr Mikardo sycophantically replied:

> The position of the Labour party has fallen ever since that day. And that day was also the end of Brown's political career.

This statement was, of course, intensely irritating and factually untrue. It was irritating because it must have confirmed the Labour leaders' worst and most infuriated suspicions about the sort of things that are habitually said by those of their left wing MPs who most often attend east European embassy cocktail parties. It was untrue because a month after the Khrushchev dinner in 1956 the Tonbridge by-election in fact showed the first big swing against the Tories in the country; *post hoc* (though not *propter hoc*) it was support for the Conservatives that declined for about two years, while support for Labour slightly increased. Moreover, if a Labour government comes to power at the next election Mr Brown will certainly get a cabinet post, while Mr Mikardo almost equally certainly will not.

Nevertheless, the really interesting thing about this incident will be to observe Labour's method of handling it, compared with what would have happened during the Bevanite split in the last Parliament. Four years ago a posse of trade union leaders (Mr Brown is a trade union MP) would have hurried round to Transport House and demanded that Mr Mikardo be disciplined. Mr Morgan Phillips would have said one thing, and some of his subordinates at Transport House would have waited to hear what he said before themselves saying the opposite. There would have been secret meetings of the Labour executive, leaked by both sides to the press, and a great grinding of axes and knives. So far, a similar comedy of passions has not been set afoot this time; it looks as if the undoubted fury aroused by Mr Mikardo's reported remarks will not be allowed to override the common-sense attitude of treating his table talk with indifference. Mr Gaitskell's chosen tactic seems to be to prevent the Khrushchev-toadying left in his party from organising into blocks, but to let individual sillies spout.

CYPRUS

Grivas Accepts

UNCERTAINTY over Eoka's attitude towards the London agreements on Cyprus has played a major part in moderating the Cypriots' enthusiasm for the settlement. Last Monday, however, over a fortnight after the agreements were signed, Grivas broke his silence; impressed no doubt by the Cypriots' obvious reluctance to forgo the chance of peace and stability, he said that he was "obliged to order the stoppage of the struggle" and he exhorted the Cypriots to close their ranks and unite round the Ethnarch, "the symbol of unity and power." He added that although this was not the solution to which they had aspired, he preferred to accept it, and to retire from politics either in Cyprus or in Greece, since the alternative was a national division in which they would lose everything. With frank reluctance, Grivas has thus done the right thing.

Sir Hugh Foot and the British authorities, for their part, have been introducing the measures needed to bring the island back to normal—and presumably they can now press on with greater confidence. The release of the detainees has been proceeding steadily ever since the agreement was signed. Under the terms of an amnesty announced on February 27th, some 250 political prisoners are being gradually released. Last Sunday the Governor announced that of the 72 political prisoners convicted of more serious offences, 23 would be sent to Greece and the rest released; the cases of those Eoka men still at large who are wanted for various reasons by the authorities are now under consideration. Last week, the Governor took a calculated risk by deciding to disarm the Cyprus police immediately. This week, with the archbishop in effect providing liaison between the authorities and Grivas, detailed arrangements have been worked out, and are being put into effect, for the collection of Eoka arms and ammunition.

Thus the way is being cleared for Sir Hugh Foot and the Greek and Turkish representatives to lay the foundations of the island's independence. Some friendly preliminaries have already been completed; and however equivocal the archbishop's role in the past, nothing that he has said or done since his triumphant return suggests that he is not genuinely anxious to make a success of the compromise settlement. Formidable stumbling blocks lie ahead; but the goodwill and good sense that all concerned are showing encourages the hope that they may be overcome.

EUROPE

Steel after Devaluation

WHILE the Paris-Bonn entente continues to present a cheerful political face to the world, Franco-German relations within the coal and steel community, the parent venture of the Six, are under some strain. Ever since the devaluation of the franc at the turn of the year German steelmakers have been complaining that cheap French steel has been undercutting them on the home market. The devaluation has evidently worked too well for their liking. They have been demanding imposition of an export tax by France to redress the balance.

The French, who have so often had difficulties in keeping up their end, naturally dislike imposing such a tax the moment they have attained a competitive position. Dr Erhard, the west German minister of economics, is anxious to sustain the downward pressure on German steel prices which the French competition is bringing. So far, in any case, the French price advantage has not brought spectacular inroads into the German market. The high authority of the community at Luxemburg dislikes the idea of a tax which would infringe the principle of the common market.

None the less, under German pressure, it has felt compelled to make some proposals for French action. It has suggested a 4 per cent tax on French steel exports, which would be gradually reduced to nothing over a period of eight months. The German steelmakers would like more; they may still be obliged to keep their prices below last year's. But the tax remains a disagreeable pill for the French to swallow.

Two morals can be drawn. The first is that the real test of a common market system comes in time of recession. It is a moral which is only too obvious in coal. The second is that a devaluation, bearable between nations protected by tariffs and quotas, is a great deal more uncomfortable where a common market already exists. So far the coal and steel community has survived both tests; in steel this is due as much to the friendly relations between the industries in the community as to formal obligations. For the future, much depends on whether recovery comes quickly.

OLD AGE

The Right to Work On

LAST Friday's debate on the employment of older workers showed a welcome shift of parliamentary attention from the old as social service beneficiaries to the old as active and self-supporting producers. It is a shift which ought to be encouraged in every possible way. Two generations ago, Britain had one person of the present pensionable age for every ten workers; today there are two; by the mid-1980s there will be three; and the economic burden will, with higher pension rates, grow ever more steeply. At present the encouragement to elderly workers to work on beyond the minimum retirement age for a higher pension is far too small; in its impact on the ratio of producers to non-producers, this encouragement is probably cancelled out by the "earnings rule," which penalises all but the most insignificant part-time earnings. And in the field of private occupational pension schemes retirement now casts an increasingly long shadow before. It is notoriously difficult for the older man, even well short of retiring age, to find in case of need an employer who will fit him into the existing private structure.

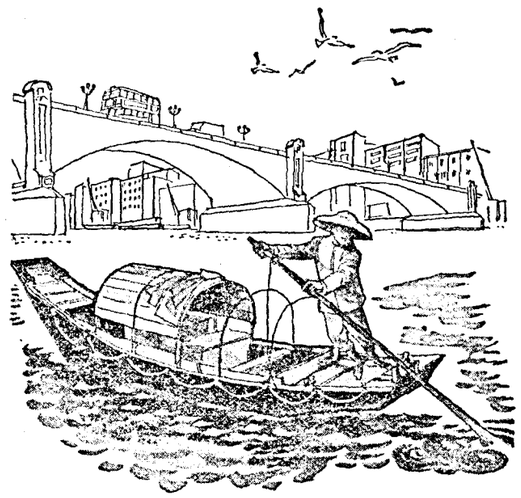
The Pension Bill's provision for transferability of occupational pension rights will do something to mitigate this latter difficulty. But a drastic change of general attitudes is more necessary than any particular legal reform. It should be recognised that just as a man is likelier today than fifty years ago to be still alive at eighty, so he is likelier at sixty-five to be fit and anxious to go on earning. Also, both human and economic considerations demand that instead of the clean break now regarded as normal—full time and overtime this week, the beginning of lifelong idleness the next—there should be more possibility of step-by-step retirement to less exacting or part-time work. There is no real reason why such a retreat down the ladder of "seniority" should be thought humiliating or odd.

Finally, ideas about the treatment of older workers in cases of redundancy need radical reshaping. Far too many trade unions and employers have agreed during the recent recession that the right man to lay off first is the older man, for whom loss of his job probably means an enforced, premature and wasteful retirement; instead, a humane redundancy policy should steer dismissals first to the younger man, who can make a fresh start in an expanding firm, occupation or area. It would take much ingenuity to devise incentives to encourage employers in such a policy. Should Britain start thinking about a national severance pay scheme, as a supplement to unemployment benefit, which would give the highest severance pay to those with the longest service? If, on the analogy of the Pensions Bill, employers were allowed to contract out of a national severance pay scheme only if they made equally good private arrangements, they might begin to find it more expensive to sack older workers. Or might one even start discussing whether employers' contributions to the national insurance fund itself should vary inversely with the age of the worker? It is time, at any rate, for people to start throwing out such ideas. The seven ages of man no longer fit the old-time scheme; and the sooner the need is recognised for a psychological transformation the better.

DEFENCE

Pullthrough

THE debates on the estimates should have left the service ministries with a chastened awareness of their shortcomings in such gritty matters as signals equipment; but it cannot be said that they have thrown any more light on the gaps in defence policy which were shown up in the defence debate. Debates on estimates are usually more notable for ingenious suggestions than for the unfolding of grand themes, and it is perhaps these that should be recorded. Two or three important points were argued which will have to be raised again soon. One was the growing danger that while under voluntary recruiting Britain may get enough men for small all-regular forces, it may not get enough officers. The inadequate entry into Sandhurst is causing perturbation, and the naval officers who always thought the reorganisation of Dartmouth was wrong because it would discourage the intake of the "hereditary" naval officer element are saying "we told you so." It is obvious that the services need, for modern officer material,



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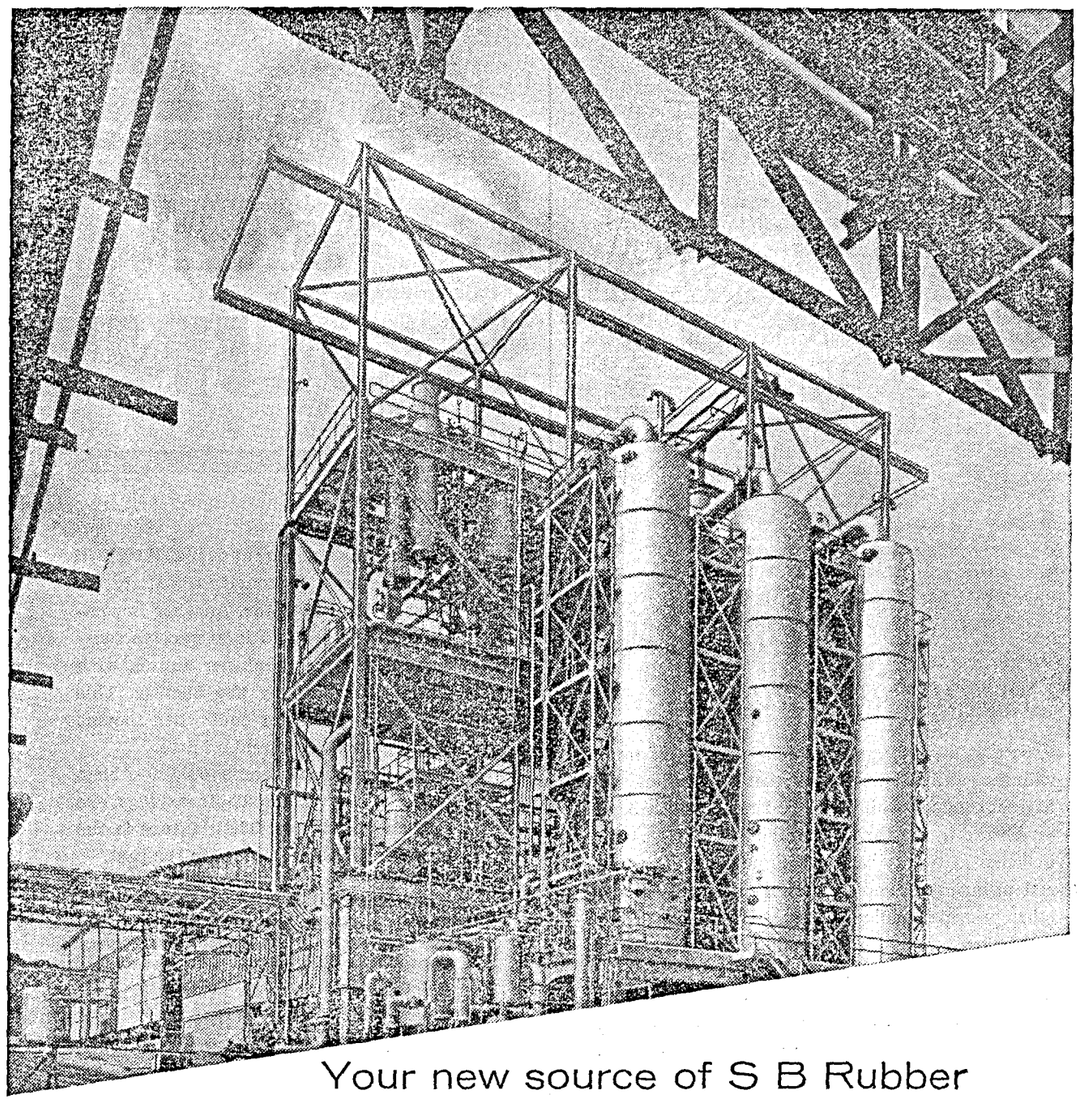
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the gene for leadership combined with two or more A level passes in GCE ; and as industry, the civil service and the professions want exactly this combination also, some competitive bidding is inevitable. The first need is to give potential officers a clearer picture of their likely future careers both in and out of the service. Mr Sandys should also note how many MPs who study defence still think that 200,000, not 180,000, is the right size for an all-regular army.

The debate on the navy estimates brought forth a notably well-argued case from Mr Paget for a navy devoted much less to anti-submarine warfare, and much more to the job of moving the army to the theatres of limited wars and backing it up there from carriers. At present this aspect of the navy's cold and small war role falls, like transport command, between the stools in all the services ; it is pre-eminently Mr Sandys's job to stop this disastrous process in the Navy, as he has tried to stop it in the Royal Air Force. The airlift for troops and equipment is at last increasing ; but so are the air barriers over Africa and Asia, while the number of British bases and staging points is diminishing. The natural insurance seems to be a navy that is also capable of landing 10,000 to 15,000 men equipped for battle on any given shore. MPs have also begun to think more about means of economising army manpower in police work ; Mr Goodhart coined a nice phrase that we now need a "mob-deterrent," presumably of a chemical nature, to prevent riots without killing so many rioters in situations such as that in Nyasaland. This is a point worth chasing, even though other suggestions for the use of African troops to save British manpower all over the world seem rather extraordinary suggestions to raise just now.

CHINA AND JAPAN

A Rough Wooing

PEKING has once again decided to tackle the problem of its relations with Japan, but the way it has gone about it is hardly friendly to the present Japanese government. Leaders of the Japanese communist party arrived in Peking on February 23rd ; nine days later, the inevitable joint declaration expressed concern at the "current situation in Japan, and especially at the fact that American imperialism, working hand in glove with Japanese reactionaries, is plotting to revise the US-Japanese security treaty."

The declaration suggested that a peace pact and non-aggression treaty should be concluded between China and Japan ; echoing Mr Khrushchev's proposal for a peace zone in the Far East, the Japanese communists demanded "the establishment of a zone free of nuclear weapons in Asia." It was further proposed that diplomatic relations and close economic and cultural exchanges should be established between China and Japan. The responsibility for the absence of such ties, according to the declaration, "lies entirely with the reactionary ruling clique in Japan." On the day this declaration was published, another Japanese delegation left for China—this time a socialist mission, which is now being treated to similar proposals in Peking. In view of these developments, the newly formed cabinet council on foreign affairs in Tokyo declared that Japan should proceed cautiously in the matter of improving relations with communist China.

Since Mr Khrushchev first put up his idea of a "zone of peace" in the Far East, a Chinese campaign of this kind has been expected in Tokyo. Although the Japanese press has speculated on the possibility of ambassadorial talks between the two countries, and although even Mr Fujiyama, the foreign minister, seems to be of the opinion that now is the time for his government to negotiate, it seems extremely unlikely that an official meeting will take place. The present Chinese campaign looks as if it is primarily intended to bring about a change of government in Japan. The Chinese communists take it for granted that a left-wing Japanese Prime-Minister would come to Peking to negotiate ; their problem is to get him installed in Tokyo.

INDONESIA

The Turn of the Wheel

THE constitutional wheel has turned full circle in Indonesia, where the assembly is to be asked to approve a return to the 1945 constitution which ushered in the Indonesian Republic. In 1949 the Dutch helped the Indonesians draft a second constitution for the short-lived Republic of the United States of Indonesia ; when the Indonesians misguidedly dropped the federal structure, a third constitution—that of August 15, 1950—marked the advent of a unitary state. The 1955 general elections produced the present constituent assembly which has been labouring, under various handicaps, to draft a more permanent document.

One of the handicaps was—and still is—the rebellion of colonels and economists which has deprived the constituent assembly of at least a portion of its mandate. Another handicap has been President Sukarno's "concept" of guided democracy. In its original form, the concept called for an all-party cabinet supervised by a national council representing all groups and strata in the community. The anti-communist parties, particularly the liberal Moslem Masjumi, strongly opposed the inclusion of the communists in the government and in fact they never have been included.

Now President Sukarno is offering a new concept to replace the old one. In a recent speech proposing a return to the 1945 constitution, he said it provided all the elements of guided democracy: a parliament, a high advisory council and a body drawn from members of parliament and representatives of regions and social groups. The communists (PKI) have given the proposal a guarded welcome ; it is clear, however, that it is a blow to their hopes of coming to power at the next general elections. If the 1945 constitution is readopted, more than 50 per cent of the membership of parliament will be "functional," that is, nominated by various groups including the army. Communist influence is therefore almost bound to be reduced.

Although Dr Sukarno did not dwell on this point, the 1945 constitution also provides for presidential rule ; the President will therefore be the chief executive as well as the head of state. There are to be presidential as well as parliamentary elections, but no date has been fixed for either. As considerable areas of Sumatra and Celebes are still under rebel control, the new design for the Indonesian state may not become a reality for some time. President Sukarno intends, however, to give his proposals the force of law before leaving on a tour of Latin America next month. But the persistent reports of his ill-health cast a doubt on his availability as a candidate for another term as president when the time comes.

NATIONAL UNION OF TEACHERS

What Teachers Want

THE annual conference of the National Union of Teachers will take place in a fortnight's time while the negotiations for more pay are proceeding in the Burnham committee; it is not therefore surprising that the agenda for the conference should contain motions demanding the full impossibilities of the £600-£1,200 basic scale plus larger increments, a 10-year incremental period, and more special allowances. Most of the remaining motions add up to total incomprehension of the educational equation. Some are merely defensive—against any reduction in the length of teacher training or any lowering of entry qualifications. Others call positively for the reduction of all classes to a maximum of 30 pupils, a final examination at teachers' training colleges of degree standard, a sabbatical year for all teachers, a lower school entry age and a higher school leaving age; and one motion, perhaps more calculating but also more breathtaking, proposes to add that children should be given part-time education rather than be left to the mercies of unqualified staff or be taught in oversize classes. If the motions were intended to reflect the maturity of the professional outlook of teachers, the agenda would be a sad document; but of course the militants get their motions in, but do not necessarily have them carried. Some of the motions have been entered against other union members. Though the agenda carries motions urging absolute parity between all branches in the profession, and other such nonsense which probably emanates from women at the primary school teaching end of the profession, the grammar school teachers have their motion too, and there is evident restiveness about the way in which the union conducts its pay claims.

Nobody would expect an agenda to reflect a considered professional approach to the problems of education, in a period when difficult choices must be made between size of classes, length of training and provision of training facilities. In fact, it is bound to suggest a belief in the idea that highly-qualified teachers can be plucked in unlimited quantity from gooseberry bushes. But is it too much to ask that after a year in which the limitations in educational resources, and the alternatives which these impose, have been exhaustively analysed, the final resolutions of the conference shall suggest just such a considered professional view? Or do members of the teachers' union think that it is mainly the size of the pay packet which qualifies people for professional status?

MISUSE OF PRIVATE BILLS

Coup D'Eau at Pocklington

A FRESH instance has occurred in Yorkshire of a bad and growing habit by large municipal corporations and nationalised industries of short-circuiting local public inquiries by means of a private act of Parliament. The Sheffield Corporation, which wants more water, has decided to take it from the River Derwent. This will involve the dumping of a large amount of sludge. Between them the corporation and the waterways section of the British Transport Commission have hit on the idea that the ten-mile canal at Pocklington, which is in poor repair and has long ago seen its last barge, would be an excellent ditch for that purpose. The commission has consequently arranged for an extra clause, allowing it to transfer the canal to Sheffield Corporation, to be inserted at the last minute into its own catchall private bill, which is already before the House of Commons. The corporation would then be relieved of any statutory obligation to keep the canal open. The exact terms of the new clause were published only last week, and any local objectors have only until April 8th to register their opposition at Westminster.

The first that anyone heard of this proposal locally was towards the end of January, when the owners of riparian rights on the canal received two successive letters from the Transport Commission, which in its usual heavy-handed way told them that they had better sign away their rights within seven or at most fourteen days and settle for what small compensation they could get unless they wanted to face the immense expense of opposing the bill.

This "stand and deliver" approach has quite naturally caused great local resentment, especially among (a) anglers, who describe the Pocklington canal as providing the best coarse fishing in Yorkshire; (b) the members of the Wilberfoss and Thornton Level Drainage Board, which was not officially consulted although the canal is an important part of its drainage system; and (c) waterway enthusiasts, who had supposed from a reading of the recent Bowes Report that they would soon have an opportunity to put their case for restoring Pocklington canal to its former glory. There have been protest meetings; a local resident has published an "Ode to Pocklington Canal"; the representative of the Inland Waterways Association has declared that "Pocklington canal has a great future in the new waterway age now booming on the continent, Russia and the United States"; and a reader of the *Yorkshire Evening Press* has suggested that the sludge should be shipped in barges to Sheffield where it should be dumped in front of the town hall.

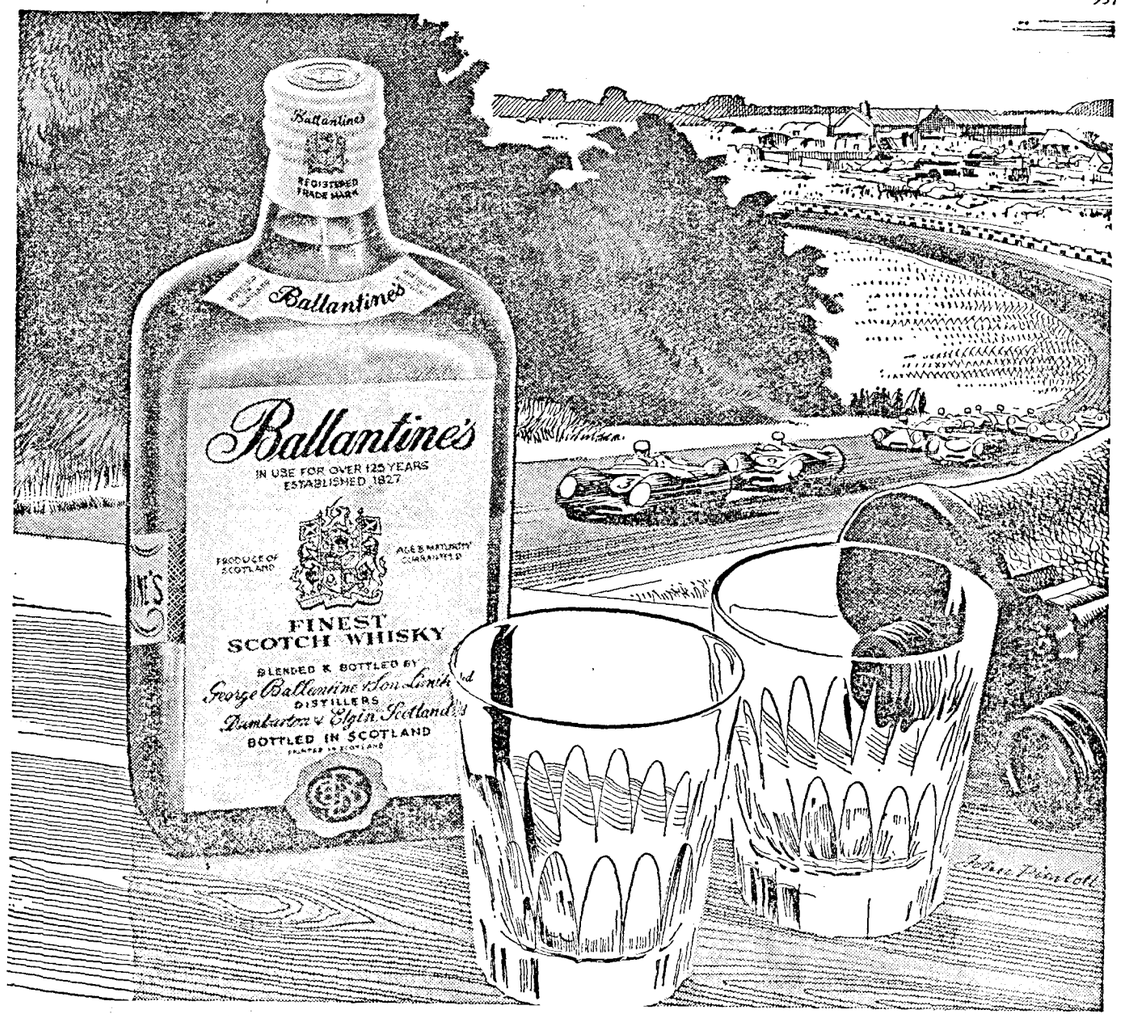
Quite possibly, the economic case for disposing of the sludge in the canal is overwhelmingly good. Much more obviously, however, the device of using a bill to avoid a meticulous public inquiry into the matter is overwhelmingly bad. The Transport Commission has created a wholly artificial atmosphere of great urgency. It is quite wrong to foreclose by shock tactics and furtive legislation an issue in which so many conflicting interests are involved.

MIDDLE EAST

Propping Up the Northern Tier

BY the signing of bilateral agreements with Persia, Pakistan and Turkey on March 5th, the United States has shored up the anti-Russian front shaken by the collapse of the Hashemite regime in Iraq. The conclusion of separate agreements is constitutionally simpler for Washington than becoming a full member of the Baghdad pact; adherence to the pact would require Senate approval, whereas the President is already empowered by the Eisenhower doctrine to pledge American assistance to Middle East states which fear communist aggression.

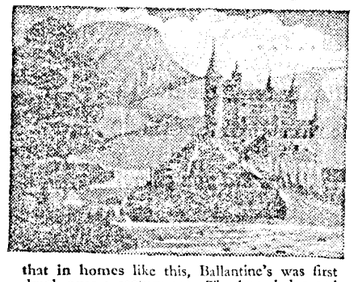
Of the three countries, Persia is geographically the most vulnerable, and diplomatically it was the least protected. Turkey was already linked to the United States by the North Atlantic treaty, which obliges all its members to go to the assistance of any one of them that is directly attacked. Pakistan had the weaker guarantee of the 1954 Manila



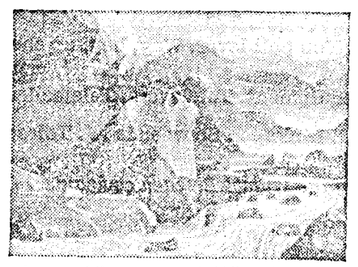
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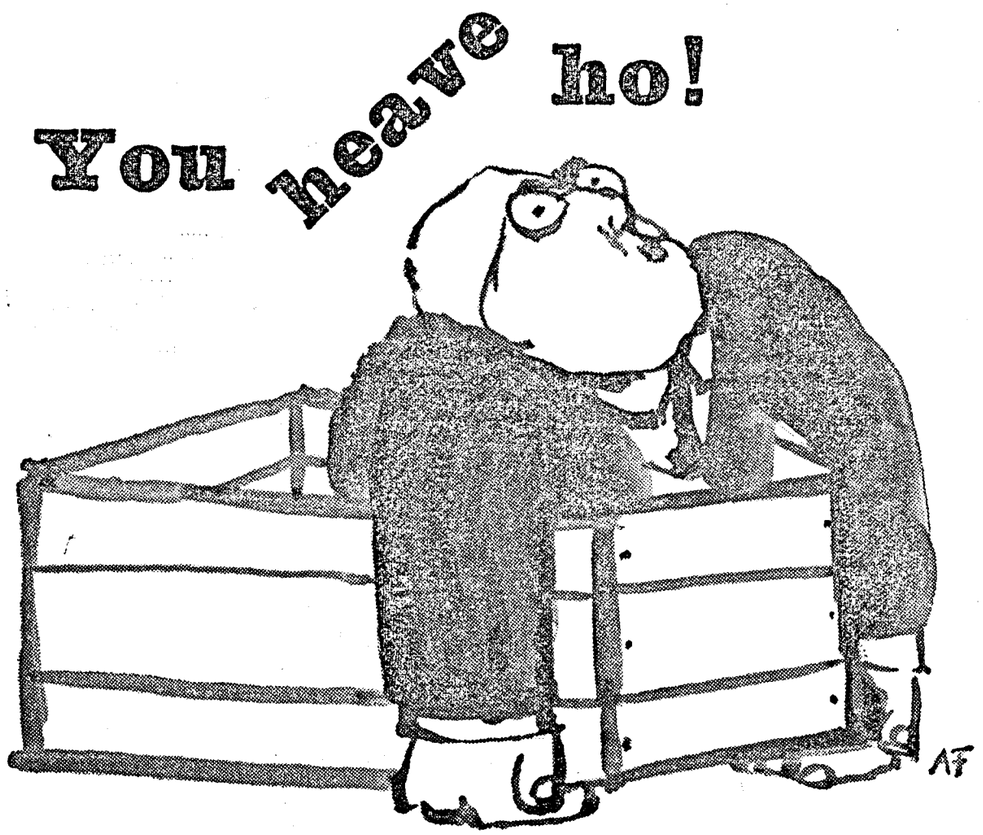
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Q: *What do with drunken sailor?*

Simple! Scuppers. Hose-pipe on him. Long boat till sober. Never fails.

Q: *What do with sand, gravel, rock, rubbish, ready-mixed concrete, aggregate, ballast, tarmac, clinkers, coal, cobblestones, beach boulders, etc. etc.? How carry? How unload? No answer? . . . Come, now.*

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Telehoist tipping telequipment. Telelevers. Teleloaders. Highly telefficient. Sturdily teletechnical. Links . . . Scow ends . . . Telescopic rams (think of that!) . . .

Telehoist Limited one of the Wilmot Breeden companies? Correct. How did you guess?

WILMOT BREEDEN are at Birmingham:
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treaty (Seato), under which each of the signatories rather vaguely pledges itself to "act to meet the common danger (of armed attack against any of the Seato territories) in accordance with its constitutional processes."

Mr Dulles began negotiating the new agreements immediately after the Iraqi revolution last July. The signing has been delayed because the Shah was hoping to get from the Americans more than they were willing to give. Mindful of what happened to King Feisal, he was angling for some kind of guarantee against trouble at home and against neighbours who, though unfriendly, are not communists. The Americans, on the other hand, were offering a straight defence pact against communist attack only. The result is pretty ambiguous. The agreement promises:

> In the case of aggression against [Pakistan, Persia or Turkey] the government of the United States . . . will take such appropriate action, including use of armed force, as may be mutually agreed and as envisaged in the Joint Resolution to promote peace and security in the Middle East [Eisenhower doctrine].

The Pakistanis were the first to point out that this formula does not specify that the enemy must be communist; the Indians have noticed this too. The State Department has countered by pointing out that the new agreement is specifically based on the Eisenhower doctrine, which promises help only against "armed aggression from any nation controlled by international communism."

AUSTRIA

Cracks in the Coalition

AUSTRIA has been ruled for the past fourteen years by a coalition of the People's party and the Socialists, a system which has for some time displayed a marked tendency to ossify; it is now under severe strain. The Agrarians had presented Herr Raab, the Chancellor, with a sharp memorandum recommending early general elections. After a meeting on March 5th, the People's party made the same demand; the Socialists, a day later, agreed, though reluctantly. The date has provisionally been fixed for May 24th. Indeed, the Socialists have good reasons to prefer elections at a later date: if the present parliament is dissolved in time for the Austrians to go to the polls in the spring, it will prevent the passage of several laws in which they have a vested interest. The right-wing parties, on the other hand, argue that the international situation requires Austria to have a government that can look ahead and take decisions.

The date of the general elections is by no means the only point of difference between the two partners in the coalition. During the past two months no progress has been made on several controversial matters—the reform of the building programme, the revision of income tax, the new agricultural law, the overdue reform of the broadcasting organisation and the airlines, and the plan to float public shares in nationalised industries. At the same time, the present coalition regime, which has been described by the term *Demokratur* (a mixture of *Demokratie* and *Diktatur*), came under heavy fire from the Austrian independent press. The Austrians will certainly find it difficult to give up the idea of coalition between the Socialists and the People's party. Since the Socialists are, so far, more reluctant than their partners to scrap it, its survival will depend on the attitude of the People's party leaders, and on the tone they adopt in the forthcoming election campaign.

BBC AND CANDIDATES

A Question of Integrity

IT was a pity that Dr Horace King was unable to obtain a better time than the fag end of a Friday afternoon in which to deploy his telling arguments against restricting the political rights of the BBC's staff. "The House" which he was addressing consisted, for the occasion, of the Assistant Postmaster-General, a government whip and a lone Labour backbencher. Yet the happiest solution of the controversy would be a proper understanding by all MPs that their own ranks should be open to recruitment from the widest range of occupations. The BBC would then have little reason to fear that its reputation for impartiality would be impugned if an active politician were occasionally kept on in a key position.

The uneasiness of the Assistant Postmaster-General, Mr Thompson, was exposed by a reply whose unctuousness requires quotation for belief. Rules, such as the BBC's:

> are drawn up . . . so that the system by which we all live in a highly organised, closely integrated society, can work as smoothly and conveniently as possible to the greatest advantage of the greatest number. . . . By his actions this person [Mr Christopher Rowland, who was dismissed as a talks producer by the BBC after becoming the prospective Labour candidate for Eastleigh] has demonstrated that there are some people who are willing to help operate rules which are framed to add to the sum total of freedom of all other people. By so doing, I feel that he has rendered some measure of public service. . . .

Of course it is a nuisance and may even be an embarrassment for the BBC to have one or two of its talks producers making partisan speeches in their spare time. The question is whether as a good and conscientious employer (which, within its own self-imposed limits, everyone acknowledges the BBC to be) it should not set an example to other employers, who might likewise fear embarrassment from the private political activities of their staff, by accepting some inconvenience for the greater public good.

Mr Rowland's dismissal seemed rather an extreme interpretation of the BBC's own rules because, although he handled some political programmes for overseas audiences, he was not engaged in anything so sensitive as arranging political broadcasts deliberately aimed at the voters at home. A good case could be made for steering an active politician away from a handful of highly-charged assignments. This should not be difficult since past experience suggests that only a very few of the corporation's servants seek political honours. Where other programmes (either for home or overseas audiences) are concerned, the question is surely one, as Dr King underlined, of the confidence the BBC can be expected to place in the integrity of its staff. There are numerous examples in British life of men who manage to be partisan in one capacity and impartial in another. Has the BBC forgotten that the head of the judiciary is a political member of the Cabinet?

Appointments, Business and Personal notices, and other Classified Advertisements pages 1022 and 1031

BOOKS

The Nineteenth Century

The Age of Improvement

By Asa Briggs.
Longmans. 547 pages. 35s.

TWENTY-FIVE years after its inception, the Oxford History of England is approaching completion. So, at least, irate subscribers were assured when their patience gave way recently. Now the third volume has appeared in the new Longmans series of ten, which seems promising; but then Oxford's initial rate of striking was also high. No doubt Professor Medlicott, editor of the Longmans History, is, like all general editors, an optimist: he may need to be, for more than one reason. "There seems," he says, "to be room for a rewriting of the history of England which will hold the attention of the general reader while it appeals at the same time to the student." He does not explain why he thinks so, and the arguments are far from obvious. Certainly the two series must compete with each other and invite comparison.

Useful as it is to have an up-to-date account, the earlier part of Professor Briggs's book, from 1784 to 1815, is surprisingly tentative, often very general and occasionally trite. After Waterloo, he is back on his own ground and the difference is apparent. No one is better able to emphasise the economic and social basis of nineteenth-century politics, to demonstrate that London was not England, and to indicate the diverse richness of mid-Victorian ideas and attitudes. Here, as usual, Mr Briggs displays a robust common sense only lightly touched by fashionable nostalgia, a capacity to bring out fresh aspects of old problems, and an adroit use of evidence, especially from literary sources. For anyone familiar with his period, and the qualification is essential, two-thirds of this volume is full of good things: a long, discursive essay, conversational in tone, suggesting as many profitable questions as it answers. The crotchety scholar may have his complaints, but its appeal to the student is certain.

Whether the attention of the general reader will be held is another matter, and here comparison is inevitable. Too often Mr Briggs's lengthy, packed paragraphs read like the transcript of a lecture, with the liveliness of the spoken word submerged. In addition, his general design is confusing. There is no need to be bound down by strict chronology, but in this kind of work the sequence should be clear. The Younger Pitt has been dealt with in much detail fifty pages before the reasons for the crisis over Catholic Emancipation in 1800-01 are reached; the repeal of the corn laws is separated both from discussion of the issues involved and the agitation of the Anti-Corn Law League. Indeed, with the notable exception of the first and second Reform Acts, the examination of political questions is usually scattered and their significance in danger of being diminished. This seems a high price to pay for a redressing of the old lack of balance by lavish description of administrative development and the evolution of society. The age of improvement was also the age of reform.

What is lacking is the neat coverage of Sir Llewellyn Woodward's volume in the Oxford History, as well as its elegant clarity. The "Age of Reform" has always been open to criticism, and it is now more than twenty years old. But the general reader will still need to read Woodward before he can appreciate Briggs, and from the latter there are things of importance he will never learn. For example, quite apart from their intrinsic interest, perhaps irrelevant here, Ireland and India played a major part in English politics between 1784 and 1867. This is largely omitted, with consequent distortion. In his introduction Professor Briggs offers a somewhat self-conscious defence. Yet he himself points to the enormous bulk of "official paper devoted to Ireland"; and he quotes approvingly that well-known parliamentary aside—"we are all of us Members for India."

This is an important book—yet disappointing. Much of the material for an outstanding reassessment of an age has been assembled; many of the topics raised are brilliantly handled. But cohesion and comprehension are missing. Certainly there are plenty of good lectures and stimulating essays embedded in the "Age of Improvement." And, just as Gibbon learnt something of his trade in the militia, one can detect here the bustling head of a university department, sympathetic to the reforming administrators; the historian of business, warming to the men of Manchester and Birmingham in their heyday; and the president of the Workers' Educational Association, benevolently surveying, like his radical ancestors, the Mechanics' Institutes and the self-improvement of the earnest artisan, most deserving of the poor. Even if there had been nothing more, this volume would offer a fascinating reflection of the man of business at work as historian.

Background to Violence

European Politics in Southern Rhodesia

By Colin Leys.

Oxford University Press. 334 pages. 42s.

MR LEYS'S account of the political background in Southern Rhodesia could not have been published at a more appropriate moment, when the political conflict between the settlers and the Africans has reached a point at which the African Nationalist Congress has just been proscribed. The main theme of the first part of the book is the determination of all the political parties to maintain European domination, and the fear of African economic competition; against this background one sees the interplay of other fears, particularly that of Afrikaner nationalism. It is a carefully documented and exact account of the social, economic and political development of the country from the days of its first occupation seventy years ago, amply supported by statistical tables and footnotes. Mr Leys traces the story from the days of Cecil Rhodes and the Matabele War to the eve of Federation, describing with great clarity the intricate changes in the political scene and the fluctuations of the political parties.

In the second half of the book Mr Leys deals in detail with the electoral law and party system, devoting much of his attention to the report of the Tredgold Commission on the Franchise in 1957, and the subsequent Electoral Amendment Act. This report was an honest attempt to find an acceptable solution to the conflict between two divergent points of view. On the one hand the commission acknowledged universal suffrage as the ultimate goal, and contrived a franchise which would for the first time grant the right to vote to a substantial and increasing number of Africans; on the other hand it proposed so to limit the influence of the new electorate that white settlers need have no fear for years to come of African political domination. At the same time it rejected unhesitatingly any form of communal rolls or racial distinction. Mr Leys, who is an uncompromising advocate of universal suffrage, can see little good in the commission's report, and analyses it like a barrister cross-examining a hostile witness.

The proposals were, however, too liberal for the politicians of Southern Rhodesia, and they were rejected. Instead another system was devised. The Electoral Amendment Act, which was passed later in 1957, provides for an ordinary qualification that gives the vote to most of the Europeans and some 1,500 Africans, and also a "special" qualification which might enfranchise in the first instance another 8,000 Africans. There is, however, a limitation in this, which Mr Leys describes thus—"once the number of voters qualifying on the special qualifications reached one-sixth of the total electorate in the colony, the "special" qualification would be abolished; subsequently all would have to possess the ordinary qualifications." This statement is misleading and does less than justice to an undeniably illiberal Act. Section 11 (3) in fact provides that when the number so qualified reaches one-sixth of the whole electorate no more names shall be added to the "special" list, though those already on

it shall retain their rights. This is very different from what Mr Leys implies.

The case against the racial policy of the Southern Rhodesian Government is undeniably strong. The consequences of such an attitude are now being seen in the Nyasaland disturbances. One may well agree with Mr Leys's dislike of that policy; but at the same time the book would be of greater value if it gave a fairer picture, and recognised that there is a case to be heard on the other side too, and that that case should be justly stated. Apart from this, the book is a most valuable record of the events in Southern Rhodesia that lie behind the violence of recent weeks.

Obscene Publication?

Getting Married

Edited by Winifred de Kok.
British Medical Association. 160 pages. 1s.

DISTRIBUTION of this booklet, issued by *Family Doctor*, the British Medical Association's journal for the layman, has been stopped by the chairman of the association's council after the great majority of the copies printed had been sent out. The wisdom of this action, taken as a result of protests from members of the association, will doubtless be questioned by other members; it will certainly result in far wider publicity for the booklet than it would otherwise have got.

Will this publicity be justified? Does the booklet deserve to be read as widely as it now probably will be? Most of the articles are concerned with the housekeeping side of marriage—in its widest aspect; with choosing furniture, budgeting, shopping, entertaining, cooking, and so on. A few of them are concerned with the sexual aspect of marriage, and there is nothing in them to offend anyone—except those who think that this aspect should never be discussed in print at all. The two that seem to have disturbed the British Medical Association's members are one by Dr Pilkington on "Marrying with a Baby on the Way" and one by Dr Eustace Chesser on "Is Chastity Outmoded?"

Dr Pilkington writes clearly and straightforwardly about a very real problem: should two people be forced into marriage because the woman is pregnant? He shows that the issue need not be so stark as it sounds; that a marriage entered into in these circumstances can have a solid basis and can be successful, given mutual affection, honesty and respect—and no recriminations. Dr Chesser also writes on a topic that is certainly a live one. Taken out of their context, some of his remarks on premarital sexual intercourse may seem to be wholeheartedly in favour of it. Read as a whole the article gives a quite different impression; the chief criticism to be made is that Dr Chesser's style is so confused that it will be difficult for his readers to know just what he is getting at. But he, like Dr Pilkington, Dr de Kok and the other contributors, emphasises the importance of personal integrity and of mutual tolerance and mutual respect in human relationships. One can object to the pamphlet on other grounds—on its lapses into facetiousness, for instance—but this emphasis is surely one to commend it. The council of the British Medical Association should think twice before it confirms the ban.

Class under the Microscope

The Psychology of Social Class

By Maurice Halbwachs.
Heinemann. 153 pages. 16s.

THIS lucid translation of a prewar work by one of France's most eminent sociologists, who died in Buchenwald concentration camp, will be welcome to British readers who may be overwhelmed by the near-Teutonic ponderousness of some contemporary American sociology. For this small volume is in the best Gallic tradition, with scholarship of a high quality, thought clearly and elegantly expressed and no word wasted. Not the least of Professor Halbwachs's merits is that his hypotheses of over twenty years ago should be largely valid today. His starting point, the conditioning of man by society, is focused on a study of politics in terms of the group-influences to which the individual is subjected. Yet the author does not ignore the individual, for he observes, felicitously, that

> the political furnace is one that attracts some people strongly: they bask in its warmth, are foremost in stoking it and even occasionally fall in and are devoured by the flames.

The analysis that follows is impressive in its sweep. The peasants, the bourgeoisie, the modern working class, all come in turn beneath his discerning microscope, and though his material is more meagre than today's, Professor Halbwachs's findings, including his sophisticated differentiations between manual and white-collar workers, are confirmed by contemporary sociology. There is also an intuitive understanding of the ethos of trade unionism in modern communities, and an awareness of the sociological forces that today have a bearing on "cost-inflation".

Professor Halbwachs does not emphasise the class factor in politics to the point of naiveté. He is well aware of other factors, such as nationalism, that submerge it, and of the often atypical nature of leaders whom a class throws up. His underlying moral is a more abiding one: that in a complex modern civilisation, happiness often cannot be achieved by individual effort alone, and that society must also provide opportunities for a developing collective life.

Yorkshire Worsteds

Black Dyke Mills

By Eric M. Sigsworth.
Liverpool University Press. 385 pages. 35s.

THE records of several English wool textile concerns founded over a century ago would probably illustrate every economic theory and contain more significant history than any list of kings and battles. This story of Black Dyke Mills should not have ceased with 1891, when the firm was made into a limited company. That change by no means ended its great career.

The firm's story is placed after an outline of the worsted industry in the nineteenth century—an outline, however, that is broken by faulty trade and Government records as serious as those in the mill's sequence of books. Mr Sigsworth must have longed for a Wool Industry Bureau of Statistics through the Victorian age and a permanent Pepys in Foster's office. John Foster was woolcomber, spinner, weaver, colliery owner, clay merchant, brickmaker, farmer and shopkeeper, and he and his sons branched out into landed estates and railway promotion in this country and trade with France, Germany, Poland, Turkey, America and Australia. They alternately fought and collaborated with competitors, most of whom are now out of business. Yorkshire's exports of yarn and fabrics were promoted by German merchants who settled in Bradford, and German and Polish mills grew by acquiring Bradford machines and Bradford operatives to work them. Mr Sigsworth's account of the alpaca and mohair industry, from Foster's records, has probably never been equalled, and will be new to most Bradford traders.

There are a few strange omissions. Much space is given to Lister combing, but none to Noble, which had virtually ousted it before the 'nineties. Wool weights are given in packs, but the weight of the pack is not stated, nor whether weights or prices refer to raw or clean-scoured material. Yarn counts are defined in hanks per lb, but the length of the hank is not given. Spinning and twisting spindles are not differentiated. There is hardly a detail of fabric construction, weight per yard, machinery speeds or production costs. The Black Dyke Brass Band, famous to thousands who never heard of Foster's fabrics, is hardly mentioned.

But the book will interest the general reader, the woolman with some pride in the West Riding's history and the economist; it is also just the sort of quarry that makes life easy for the "place-and-period" novelist.

The Round of East Africa

Rhodesia and East Africa

Edited by F. S. Joelson.
East Africa and Rhodesia. 432 pages. 25s.

THIS comprehensive compilation, undertaken by the editor of the weekly that specialises on East African and Rhodesian affairs, is most timely. Change has been rapid in these territories in the past five years, but it is not slowing down. By including in his symposium not only the usual political subjects—the white highlands, the native franchise, Mau Mau, and so forth—but also economic factors, education, wild life and tourism, Mr Joelson, as impresario, gives the survey perspective

and interest. Not least useful are chapters on territories often forgotten in this geographical context—Zanzibar, Seychelles and, most importantly, Somaliland. The Royal Commission on East Africa comes in only for incidental mention.

The large number of eminent authorities assembled to handle the subject inevitably causes it to lose a certain coherence; moreover, it is a "safe" selection of authors. The Colonial Secretary manages to be quite naughty in his own way, and there is punch in the contributions by Colonel Grogan, Lord Milverton and Bishop Beecher; but the necklace of gubernatorial surveys that embraces the book fails to glitter much. Mr Garfield Todd is unaccountably dull, Lord Malvern puckish only in patches, and, of course, one looks in vain for a real blast on an African trumpet—by, say, Mr Mboya or Mr Nyerere. Perhaps they were asked and refused. People who organise books about colonies, however, ought to think about possible prime ministers of tomorrow: a successful nap ensures that the book will live, whatever they say, or do not say.

Scientist's Testament

The Computer and the Brain

By John von Neumann.

Yale University Press. 100 pages. 24s.

THIS book is the last testament of a dying man who was one of the greatest scientists of our time. Early in 1955, John von Neumann was invited by Yale University to present the Silliman lectures for 1956. By January of that year he was confined to a wheelchair; by March the hope that he would ever read his lectures was abandoned. He died in February, 1957.

This little book, which can be read in an evening, contains the material he managed to prepare. It is entirely introductory, and includes nothing new; his scientific papers published elsewhere reveal much more of his work on this topic. But here is a master hand, writing simply and clearly about some very deep questions.

Although he was one of the inventors of computing machines, von Neumann does not plunge into the details of their design. The first half of his book deals with how computers behave: the principles by which they handle and store information. He differentiates between analogue and digital methods, and explains the importance of the speed with which stored information is accessible to the machine. The second part discusses the brain in the same way. There is no physiology here, but an explanation of how a single nerve cell is thought to behave, and of the many distinct ways in which a brain is able to remember. This permits a clearly drawn and calculated comparison between computers and brains. Artificial componentry, for example, is a great deal faster than the natural mechanism of the brain—ten to a hundred thousand times faster. The brain, on the other hand, is much more compact. A computer large enough to compare in function with the brain would be between a hundred and a thousand million times as big.

But his most important comparison lies in the idea of memory and the call made upon it. It is here that we see best both how inaccurate is the epithet "electronic brain" for existing computers, and also how possible it is to conceive of more advanced machines that would come nearer to earning that title.

Because he was dying, von Neumann produced an introductory book for general consumption. For the specialist, the last eight pages foreshadow what the book might have become and what science may well have lost.

Hands from the Plough

The Industrial Efficiency of Rural Labour

By C. D. Harbury.

University of Wales Press, Cardiff. 233 pages. 35s.

THE Government's renewed efforts to cajole firms into the development areas make Mr Harbury's book topical. Business men faced with the problem of deciding whether or not to set up a branch plant or a new main works in what they inevitably regard as a remote and benighted area can be forgiven for snatching at any tangible evidence about what their costs are likely to be if they do. As regards rent, rates, transport and services one can make a reasonable guess. As regards the cost and efficiency of labour the business man can do little more than rely on the relatively few studies by research economists, to which Mr Harbury now makes a welcome addition.

Mr Harbury's study is not exhaustive, though it covers 400 operatives in 25 firms. Nor is it free from bias. The workers whose efficiency it proved possible to compare were mostly unskilled, and, in addition, it must be presumed that those firms which refused to take part in the study were on the whole the less rather than the more efficient. The book is mainly concerned with comparing labour efficiency between rural Wales and industrial England. Too few development area plants were studied for any reliable conclusions to emerge about labour efficiency there.

One has to admire the perseverance and energy that Mr Harbury and his assistant have put into the task of finding comparable firms and processes in rural and industrial areas, as well as their thorough and logical analysis of the considerable amount of statistical data which they have accumulated. Nor should they be blamed because their conclusions are largely negative, for that is almost inevitable with a study like this.

The main finding is that, once trained, there is no evidence to suggest that labour is either more or less efficient in a rural than in an industrial area; in half of the studies, rural efficiency was certainly not lower. The main attractions of rural labour are its "amenability," coupled with good labour relations. The authors suggest that this may have been partly because trade unionism also appeared to be weaker in the rural plants.

As so often happens, this study brings out the importance of management in achieving high labour efficiency. Given good management, rural labour can acquit itself well—the only proviso being that, in the short run at least, highly skilled labour may have to be brought in from industrial areas. This is just one more piece of support for the view that anything we can do to improve standards of management in British industry is likely to pay considerable dividends.

Little Round Top

The Twentieth Maine: *A Volunteer Regiment in the Civil War*

By John J. Pullen.

Eyre and Spottiswoode. 338 pages. 30s.

The Civil War in the United States

By W. Birkbeck Wood and James Edmonds. *Methuen.* 328 pages. 30s.

EVERY regiment in every army has its *one moment of nerve-racking glory.* That moment came to the 20th Maine, a volunteer regiment, on the second day of Gettysburg: it held the Federal flank at Little Round Top. Its ranks made their tiny contribution to history and were then forgotten, until Mr Pullen had the idea of recapturing the atmosphere of the Civil War by writing the history of the regiment. The military history of the Civil War is now in danger of being over-written, for the controversies about the few facts still in dispute are becoming as stale as the retelling of the many facts that are not. Re-interpretation is all very well, but when it becomes either an excuse for a full-blown prose (in which untrustworthy sources are accepted at their face value) or a squabble about minor details it rapidly loses its value. Mr Pullen, however, has kept a sense of proportion.

Occasionally he lapses into bathos, as when he describes Lee and Jackson as those "fine officers," but more often he sticks closely to his task of recreating the life of one regiment. By using diaries and letters written at the time and the memoirs written afterwards, he is able to see and to describe how the war appeared to the volunteer in the Federal Army. To him, like other soldiers, it was bloody and brutish, a job to be done. To some men it was an *opportunity, and from the 20th Maine* appeared Joshua Chamberlain, a college professor who became one of the few *efficient non-regular generals employed* by the North. He and the 20th Maine were there at Appomattox, to salute the Army of Northern Virginia as it laid down its arms. Mr Pullen recalls this episode movingly but without misty-eyed sentimentality. This is one of the few of the many books recently written in the United States about the Civil War to be republished in this country. It is one of the few worth republishing,

because by focusing on the part it illuminates the whole.

Another publisher has chosen to reissue one of the standard books written about the Civil War in this country. This book, written by Mr W. Birkbeck Wood and Brigadier General Sir James Edmonds, provided an excellent and thoughtful single volume study of the war when it was first published in 1905. It was drastically revised and brought into line with more modern findings and criticism in 1937. Then the narration of the earlier battles and campaigns was condensed into a single introductory chapter, and the authors concentrated upon a detailed analysis of Grant's and Sherman's campaigns in 1864 and 1865. It thus made a suitable textbook for a staff college examination. For a close study of those campaigns it is indispensable, though rather dry. It is in that identical form that the book has been reissued: even the inadequate maps it then contained are retained. The book jacket is new.

People as Human Beings

Managerial Psychology

By H. J. Leavitt.

University of Chicago Press. London agents: *Cambridge University Press.* 335 pages. 37s. 6d.

PEOPLE *are* human. Mr Leavitt sets out to explain what this oft-repeated slogan really means, and why traditional organisational theory is inadequate because it skips over the complexities of human behaviour. He has produced a useful and sensible book for management students who have time to read, and a sufficiently thought-provoking one which practising managers should at least skim.

Industry is increasingly faced with a conflict between the kind of behaviour needed for success in a changing business environment and that which people tend to display in large organisations. Modern business demands multiple decisions that must often be of an objective long-term character. But the pressure of authority and the struggle for promotion encourage short-term subjective action. Mr Leavitt discusses some of the ways in which organisations may try to reduce this conflict. One of the most helpful, he suggests, is changing the climate within the organisational structure without significantly changing the structure. The atmosphere can be changed if people feel more secure in their jobs and more independently in control of their own destinies. They will then give more of their time to solving problems rather than to their personal position and prestige. Too many people in industry tend to trade on fear, not realising what a diversion of effort this can involve. Security does not mean no sacking, but rather that people are kept in the picture, are given an opportunity to learn, to participate in making decisions and are able to have confidence in the competence of their superiors.

Mr Leavitt rejects as psychological nonsense the current attempts to meet the problem of overlapping authority by

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The Story of the Neue Zürcher Zeitung

ELIZABETH WISKEMANN

The Neue Zürcher Zeitung, founded in 1780, radical in opinion throughout the nineteenth century and becoming essentially conservative in the twentieth, is now the most influential among the serious newspapers of Europe. *Professor* Wiskemann *tells its story with* detachment and insight.

Illustrated 18s net (19 March)

increasingly lengthy and rigorous job descriptions. He favours greater decentralisation, which is one of the most common methods used at present to try to overcome some of the pressures of authority. However, he makes the interesting suggestion that decentralisation is only a phase that will cease to be of value as programming lowers the level of middle management jobs. He predicts indeed that within ten years middle managers may be as tied to routine as the hourly worker. He suggests, rather optimistically, that this may reduce many of our present human relations problems at the level of middle management, but he makes no attempt to discuss the problems—human relations that such a change would obviously create.

Intellectual Gap

History and Philosophy of Science: *An Introduction*

By L. W. H. Hull.

Longmans. 340 pages. 25s.

MR HULL is trying, as he says in his preface, to "bridge the gap between the humanities and science," and he goes on, very rightly, to point out the comparative newness of this regrettable chasm. Naturally, he has had to confine his inquiries considerably, for he has written, in one volume, a "historical introduction" to a large topic. But, to this reviewer, at least, it seems that the author has been rash as well as brave in choosing astronomy and mathematics as his major scientific examples. In a work with the excellent aim of making the reader aware of the influence of scientific thinking on thought in general, it seems odd to find little on Marx or Darwin, and nothing on Freud.

After all, Marx and Freud, though we may disagree with them, were the first to make use of inductive, fact-finding methods in two new fields, and both have profoundly influenced both action and thought. Astronomy and mathematics are indeed important, and their beginnings are of interest; but we want to go on, and may feel disappointed at being so constantly brought back to Mesopotamia and Alexandria and to ideas no longer current when more immediate influences have been crowded out. One can admire the author's austere courage in taking the difficult way, but regret may remain.

However, when he can bear to tear himself from early equations, or mediaeval conjectures about orbits, Mr Hull can be fresh and contemporary. For instance, in writing of the way in which Voltaire and Madame du Châtelet extended mathematical awareness when they expounded Newton, he also illustrates his point about how "the gap" has widened:

> We should be surprised today to find an able controversial defence of Relativity written by (e.g.) Mr Evelyn Waugh. Yet the parallel would be fairly close. Relativity has been about as long established now as Universal Gravitation was when Voltaire wrote: and there is surely a literary kinship between "Candide" and "Decline and Fall," in each of which the misfortunes of an innocent make material for satire on a false world.

Mr Hull can also write well on the ways of scientific thought: "Scientific discoveries do not usually arise from the analysis of a great mass of facts," but from a few very striking facts, and he goes on to suggest, neatly and clearly, the next steps; the forming of a hypothesis (which he defines as "a shrewd imaginative guess"), and then the testing of the logical consequences of a tentative generalisation. He is perhaps less happy in his remarks on how scientists often use analogy. "Analogy," he says, "is generally invalid as an argument, but frequently invaluable as a source of inspiration." He seems to assume that the scientist is looking for, and "ought" to try to find, absolute parallels, whereas surely what he needs and seeks is not an "absolute" but an analogy which is valid in a particular context.

LETTERS

Federation Still?

SIR—Your leading article on March 7th is no doubt right to warn those who take up a liberal attitude towards the problems of the Central African Federation that its dissolution would have serious political consequences for Africans as well as for Europeans, particularly in Southern Rhodesia. It is the more unfortunate, therefore, that your treatment of the possible economic consequences of disintegration appears to rest on a confusion about the "viability" of the three constituent territories.

You say, to begin with, that federation in 1953 brought "economic benefits—at least to impoverished Nyasaland and near-bankrupt Southern Rhodesia." The inference is that Northern Rhodesia was the prosperous partner. Further on in your article, however, you state that "An independent Northern Rhodesia *might be viable* on its copper" (my italics), while "An independent Nyasaland would decline into a rural slum" and "Southern Rhodesia on its own again would wither, cut off from the copper and wider economic opportunities of the two protectorates." Statements of this kind are simply asking to be misrepresented. To the Marxists they will be further evidence (not that Marxists ever felt constrained by a lack of data) in support of their fallacious notions about imperialist capital depending on "wider economic opportunities in protectorates." To those who are not well versed in the concepts of "external and internal economies" there will be an evident contradiction between the inference that Nyasaland and Southern Rhodesia derived economic benefit from federation with the prosperous Northern Rhodesia and the statement that an independent Northern Rhodesia *might* be viable. If the Federation is viable, whatever this word is to mean, it is largely because Northern Rhodesia's economy has been in a very healthy state, so they will argue.

Finally, to those who are prepared to concede some benefit, direct or indirect, to each of the three territories, merely from the savings that can follow from political mergers, there must remain many doubts whether you have posed the only practicable alternative to complete disintegration. The argument, politically, revolves around Nyasaland's membership—no one has seriously suggested dividing the two Rhodesias again. The view has been expressed, elsewhere, that Nyasaland might, if its independence meant an economic decline, be associated with Tanganyika. Be this as it may, it would be a service if you could present a more detailed account showing, as far as possible, to what extent Nyasaland has benefited economically from Federation. This would help to clarify the economic position of Nyasaland, and enable some of the political arguments you advance to be seen in better perspective.—Yours faithfully,

IAN G. STEWART
Department of Political Economy, University of Edinburgh

BBC and Politics

SIR—Educationists, like others who put store by their belief in the integrity of the BBC, would not have failed to have been arrested by the corporation's statement, in correspondence in *The Economist* of February 14th, that in its view there is "a valid distinction between the editorial responsibility for a programme borne by a producer who is a permanent member of the corporation's staff and the role of an interviewer or commentator contracted for a particular programme." It would be interesting to know how "editorial responsibility" is defined in relation to those controversial, documentary types of programme that can be equally influential with youths and with adults, and whether it is extended to writers also.

"The Hungry Years," broadcast on February 10th, according to the *Radio Times*, was "a documentary feature on the great depression of the 1930s," written by Mr Constantine Fitzgibbon, and edited and produced by Mr Robert Pocock who, in an article in the same issue, stated inaccurately that "a national government was formed with Baldwin as Prime Minister." Mr Ramsay Macdonald, of course, was the national leader.

On behalf of the corporation, presumably, Mr Fitzgibbon, in a continuing correspondence in *The Times*, has replied to political criticism of "The Hungry Years," referring to it as "my programme," to what "I was attempting to do," and to what "I was not trying to compile." Would one be correct in assuming that Mr Fitzgibbon is a member of the corporation's permanent staff? If he were not a member, may one ask how his statements could be squared with the "distinction" which the corporation, responding to your own pertinent editorial note on an important issue, has assured readers of *The Economist* is a valid one. Were the "distinction" to give the corporation nominal editorial control, the real control being with a writer, or other part-time worker, who would feel able to answer critics in the language of an editor, would it not be a curious one indeed?—Yours faithfully,

JOHN C. CROWDER
House of Commons

Faroe Islands

SIR—In a commentary in your issue dated February 28th on the proposed agreement over Faroese fishery limits, you end by stating "Yet if as good an offer had been made to Iceland last summer, the Royal Navy might not have been forced to spend the winter playing the fool off the bleak Icelandic coast."

May I refer you to Her Majesty's Government's memorandum on "The Problem of the Fisheries Around Iceland" of November last in which it was said (page 17) that the Icelandic government was offered last summer—

> An exclusive fishing limit of 6 miles pending the outcome of a Second World Conference on the Law of the Sea, coupled with provision whereby more extensive areas at certain parts of the coast would be reserved for the forms of fishing practised by the smaller Icelandic fishermen.

This was exactly the same kind of arrangement as that which it is now proposed to make at the Faroes.

Incorrect statements such as that made by you can only bring undeserved discredit on us and do a shameful disservice to those officers and men of the Royal Navy who have been on duty off the inhospitable Icelandic coast during the stormy winter months.—Yours faithfully,

FARNDALE PHILLIPS
British Trawlers' Federation, Grimsby

Soft Drinks

SIR—As proprietors of Lucozade, the leading glucose drink in this country, we ask you to correct the misleading impression created by your reference to glucose drinks in *The Economist* of February 28th.

You summarise the Food Standards Committee's views as being, *inter alia*, that manufacturers "should not claim energy-giving properties for glucose drinks that do not possess them." This statement is not only an incorrect paraphrase of the relevant passage in the Food Standards Committee Report, it is in itself misleading, as inferring that glucose drinks have no such properties. In fact, the energy value of Lucozade is 21 calories per fluid ounce, and this provides a significant amount of food energy in its most easily assimilated form. Because liquid glucose is only one-quarter as sweet as sugar, high concentrations of carbohydrate can readily be accepted in the form of glucose beverages.

You go on to quote a statement by a consumer organisation that "a glucose cordial gave hardly any more energy than a cup of sweet tea." This comparison is quite wrong. A reasonable amount of sugar in a 6-oz cup of sweet tea is two heaped teaspoonfuls, which on British Standards' measurements, would provide 36 calories. Six oz of Lucozade provides 126 calories—three and a half times as much. Those who drink tea with seven spoonfuls of sugar per cup can accept your statement; for those whose tastes are normal it is completely erroneous.—Yours faithfully,

Beecham Group Ltd J. O. RINTOUL
Brentford *Vice-Chairman*

The relevant passage from the report referred to is as follows:

> "Glucose beverages are at present widely advertised as a source of energy with the inference that they provide energy in a special form that is quickly and readily available to the body. But the amount of energy likely to be obtained in this way is only a small fraction of the normal total daily energy requirement and is not significantly greater than can be obtained just as easily from other soft drinks containing sugar. If account is taken of the amounts likely to be consumed in a normal diet, no soft drink at present on the market can in our view be regarded as a sufficient source of carbohydrate to justify special claims relating to energy value."

Port Talbot Strike

SIR—It is a little odd that you should be bothered (in your issue of February 28th) by the loss of 35,000 tons of steel as a result of a strike at Port Talbot, when we are losing more than a hundred times that amount per year because the steel firms—not the unions—have decided for some time to work well below capacity. Could it be that any stick will do with which to beat this particular dog?—Yours faithfully,

KENNETH GLYNN
Society of Technical Civil Servants, SW8

Trade Union Education

SIR—In your two articles on the trade unions you state that "almost all unions maintain a thriving education department." In fact most unions are too small or do not have the resources to run one.

The bulk of union education work is done by the National Council of Labour Colleges, which runs educational schemes for over 100 trade unions, and by the Workers' Educational Trade Union Committee, which runs schemes for over 40.—Your faithfully,

J. P. M. MILLAR
National Council of Labour Colleges, Tillicoultry, Scotland

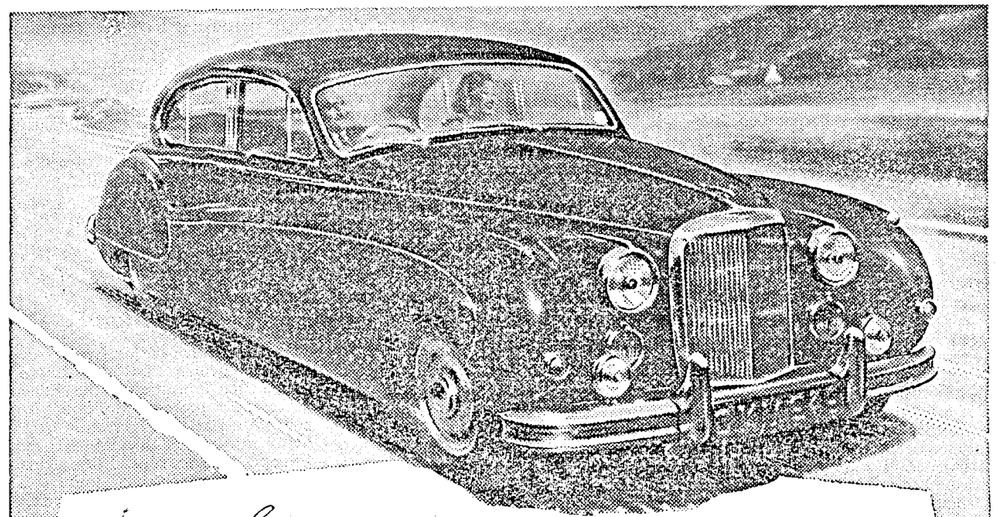
Somaliland

SIR—On the eve of Mr Lennox-Boyd's policy statement on the future of Somaliland Protectorate, the Ethiopian government protested to both Britain and America for creating discord between two African countries, Ethiopia and Somaliland, by giving the Somalis a chance to unite. This, whether out of malice or panic, Mr Abbebe of the Ethiopian Embassy repeated in your issue of March 17th; in fact he had protested to another paper already for reporting the Colonial Secretary's statement. "He hit me and cried, outran me and complained" is an Arabic verse which fits him well. But is he complaining about the fact that Britain is setting its empire free and therefore betraying Ethiopia and repudiating the terms of the Berlin Conference and the "Scramble for Africa" ideology of the last century? This I do not dispute while Ethiopia, in institution and outlook, is a century behind the world. The western powers, and Britain especially, have been upholding the Ethiopian Empire from decay—natural or unnatural—through good and bad times, a fact which Mr Abbebe's history does not relate.

Did he forget the Long Exile into which Britain smuggled Haile Selassie and his throne? Eritrea, the Haud and the Reserved Area as recently as 1954? Or don't they keep a record of their Imperial diplomatic transactions?

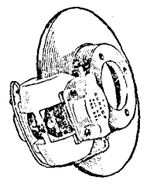
He fallaciously alleges that our rightful claims for the Ogaden (a Somali tribe) on the Haud and the Reserved Area are being instigated by Britain and America. On the contrary, we think that Britain, by handing those territories over to Ethiopia, and America, by arming Ethiopians with weapons they cannot use rightly or properly, are appeasing Ethiopia. But it would be advisable for Ethiopia to abandon graciously the sinking ship of imperialism which its more powerful and more skilful mates (Britain and France) have gone half-way to do. Could anyone tell me what is more rightful than that a small nation like ours, which had been fragmented into five bits, should seek unity peaceably? Despite our sparse population and poor economy our indestructible individuality as a nation survives.—Yours faithfully,

SAID MOLID ALI
Dublin



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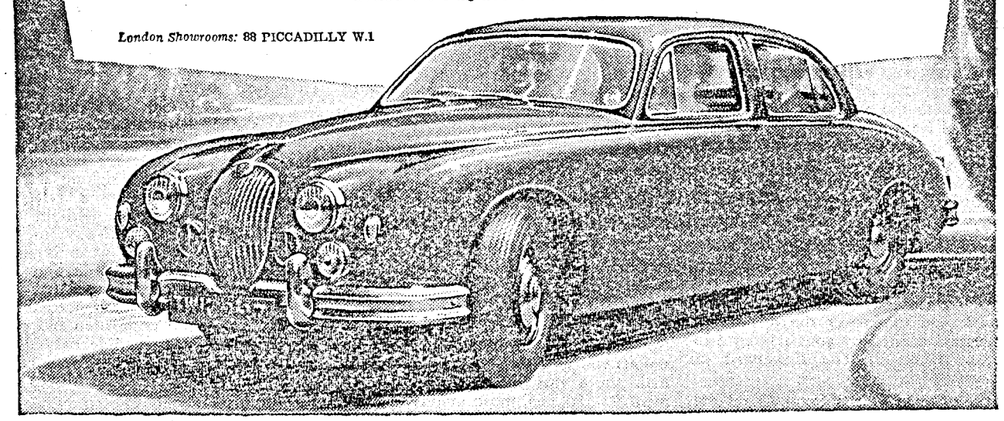
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AMERICAN SURVEY

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Fall-out Falls in

WASHINGTON, DC

THE words "eleventh hour" have been heard in Washington in the last couple of weeks not, as might be expected, in connection with Berlin—most Americans remain trustfully Micawberish about that problem—but in connection with the negotiations at Geneva for stopping tests of nuclear weapons. Those who want these talks to succeed have realised that they have reached a deadlock at the stage which is ideal for those who would be happy to see them fail. If the Americans and the British want to point an accusing finger as they walk out of the conference room, now is the best time, when the Russians are at their most mulish about giving the control organisation any effective powers to police tests. Mr Dulles, whose absence from the State Department makes liberals' hearts grow daily fonder of him, is no longer there to whisper "persevere" in one of the President's ears as the Defence Department and the Atomic Energy Commission say "desist" into the other. It was he who over-ruled the original reluctance of these agencies to enter into the atomic negotiations at all.

As the rumours that the Administration is moving towards breaking off the talks revived this week, those who want to forestall such a decision have been rather desperately searching for new ideas to keep the negotiations going, spurred by recent suggestions that portions, at least, of the earth's surface are getting a heavier dusting of dangerous strontium 90 from fall-out from tests than can be comfortably ignored. Samples of wheat gathered in Minnesota in the last two years have almost all contained more than half of what is usually regarded as the maximum safe amount of strontium 90 and samples from places as far apart as Germany and Chile have exceeded the permissible level. Now the Atomic Energy Commission itself has disclosed that in several American cities the strontium content of milk, which along with its products is the vehicle for three-quarters of the strontium that gets into human bones, has recently been many times above what was assumed to be the national average only eighteen months ago; in North Dakota milk has contained up to a third of the maximum acceptable dose.

It is true that, as Dr Libby of the AEC has pointed out, one meal of an excessively strontium-laden food is no cause for alarm; the maximum permitted levels are those which, if consumed regularly over a long period of years, would result in a risky concentration of strontium in a man's bones. It is also likely that the strontium which has produced the worst of these statistics is that which has fallen directly upon wheat ears or cows' fodder—and has thus had a "one-shot" contaminating effect—rather than that which has settled in the topsoil and may poison successive crops. Nevertheless, the scientists who have been critical of the AEC's complacency feel that the new data have strengthened their argument.

For one thing, since the present system of sampling for strontium content is, to put it mildly, a patchy affair, it is possible that some even more poisonous local concentrations have gone unobserved. Secondly, there are reasons for taking a closer look at the figure which is normally cited as the "maximum permissible concentration." At present the custom is to fix this, by what is admittedly pure rule of thumb, at one-tenth of the level permitted for industrial workers exposed to hazards from radiation. A substantial number of American scientists think the permissible concentration ought to be cut by, say, a half. With two such areas of doubt, it is not surprising that some observers fear the onset of that "combination of unusual circumstances" in which, according to a report published by the AEC, "it is possible that fairly large numbers of people in some localities may accumulate strontium 90 in their bones . . . above the permissible limit for large populations." A group of scientists is now drafting a proposal to put the Public Health Service in charge of a revised—and closely monitored—code of radiation safety.

SOME of those who have talked to the Russians at Geneva believe that it may yet be possible to coax them into signing a treaty to halt all atomic tests. One of the ideas being circulated in Washington is to offer to increase the number of neutral representatives on the control commission in the hope that the Russians will withdraw their demand for a veto; another is to set an annual "ration" of on-site inspections so as to lull Soviet fears that roving control teams might indulge in indiscriminate prying. This approach assumes that the technical problems raised by the American underground tests last autumn are not as great as the Administration has suggested.

These tests, by revealing that underground nuclear explosions produced smaller seismic disturbances than expected, made the sceptics fear that only the bigger bangs—from 15 to 20 kilotons upwards—could be distinguished from earthquakes without recourse to extensive on-site inspection. But new evidence presented to Senator Humphrey's disarmament subcommittee last month suggests that the problem is not insoluble. By measuring surface waves, for instance, and burying seismographs in holes to reduce the "background noise," it may become easier to distinguish between man-made and natural concussions. If the number of suspicious events calling for on-site inspection is reduced enough, the Russians may be persuaded, some think, to put up with patrols in principle.

Quite possibly, however, they may never accept mobile control teams. It is generally assumed in Washington that

the suggestion which Mr Macmillan put to Mr Khrushchev in Moscow involved the "threshold" concept; this, by legalising underground tests below a certain size, dodges the worst of the problem of on-site inspection. As Mr Eisenhower has said, there are technical snags in this too. It is difficult for the tester to forecast exactly what the yield of his explosion will be, so that he may violate the "threshold" by accident. The size of the signal recorded on the seismographs also varies according to the kind of rock in which the explosion takes place. The more radical suggestion made last week by young Senator Church of Idaho avoids all these complexities. He would simply confine the ban on tests to explosions in the earth's atmosphere, which could be adequately monitored from fixed observation posts.

The Russians may reply that, for a treaty limited purely to tests in the atmosphere, a "gentleman's agreement" supervised from outside their borders will be enough. If they do not, this proposal has an attractive simplicity. It would stop the contamination of the air. It would provide the rudiments of an international control system, even if on-site inspection would not be called for. Since underground tests (which have no fall-out of radiation) would continue to be free for all, the Atomic Energy Commission would be able to go on with its experiments with "clean" bombs and explosions for peaceful purposes, such as obtaining petroleum from oil shale. The Defence Department would be less happy, since it is more interested in measuring the effect of explosions and in fitting a bigger bang into strategic warheads, both of which seem to require tests above ground. But, if the President decides that the world cannot afford to see the last glimmer of negotiation at Geneva snuffed out, some of the generals—both American and Russian—will have to be disappointed. If it is impossible to agree on full inspection, Senator Church's intelligent idea deserves the State Department's study.

Three Per Cent Question

WHEN the long-expected rise in the discount rate, the interest charged on loans to member banks by the Federal Reserve Banks, came last week it was a great surprise, since only the day before a Governor of the Federal Reserve Board had made a speech which was interpreted as meaning that no further tightening of money was likely while unemployment remained at its present high level. Since these views were known to be shared in the New York Bank, which almost makes a habit of being less ready to restrict credit than is the Board in Washington, it was an added surprise when that Bank led the move to raise the discount rate from 2½ to 3 per cent. It seems clear that on this occasion Washington was setting the pace and insisting that monetary policy should be guided by long-term fears instead of by current ones—or rather one since, apart from the unemployment figures, the usual economic indicators are all fairly, and some very, satisfactory.

Officials of the Federal Reserve Board agree with those at the Treasury that the common belief that inflation is inevitable must be exploded if the stock market is to be controlled, if order is to be restored to the government bond market and if international confidence in the United States is not to be undermined. More specifically they are said to be concerned at the sharp increase in speculative activity on Wall Street, at the rising trend of industrial prices—it is the decline in farm and food prices which has kept the wholesale price index steady—and at the danger that towards the end of the year corporations will again be borrowing heavily to finance renewed expansion.

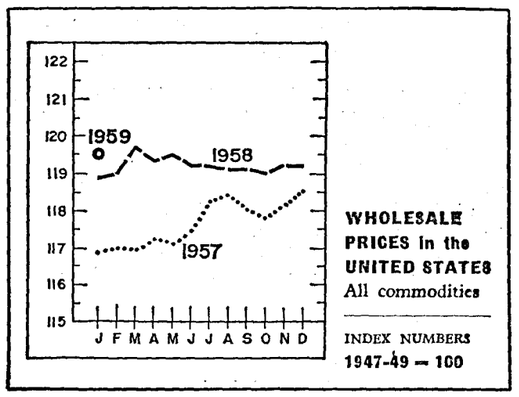
To forestall these inflationary pressures the Federal Reserve Board therefore defied the Democratic economic experts. The challenge was at once taken up—by some businessmen as well—with the Board being accused of heartlessly ignoring the immediate plight of 4,750,000 people who are out of work for the sake of tilting at an imaginary inflation. In this week's report from Congress's Joint Economic Committee, the Democratic majority advocated a less restrictive monetary and credit policy in 1959 as its main remedy for unemployment. Far from heeding these recommendations the Federal Reserve seems more likely to follow up its increases in the price of money by actually limiting the supply.

Technically the rise in the discount rate was merely a long overdue adjustment to bring it into line with the interest being paid by the Treasury for its short-term borrowing; this has been above the discount rate ever since last summer, even though the rate had already risen twice, in August and October; commercial banks have thus been encouraged to borrow from the Federal Reserve Banks for investment in Treasury bills. The rise was also timed to avoid disturbing the market when the government was engaged in borrowing operations; the Treasury was in the market in February and will be needing another $3 or $4 billion in ten days' time.

Strength to Hold Berlin

SENATOR JOHNSON opened new defence hearings on Wednesday to discover whether America's conventional and atomic forces are adequate for the approaching crisis over Berlin. There is not a quiver of disagreement in either party about the President's determination to insist on maintaining American rights and responsibilities in Berlin. What deeply perturbs members of Congress is whether he has all the forces he needs. This was the one concern, it seems, of the heads of the military and foreign relations committees when they went to the White House at the President's invitation last week.

Many Senators think that this is no time to proceed with cuts in the number of servicemen, either because it looks



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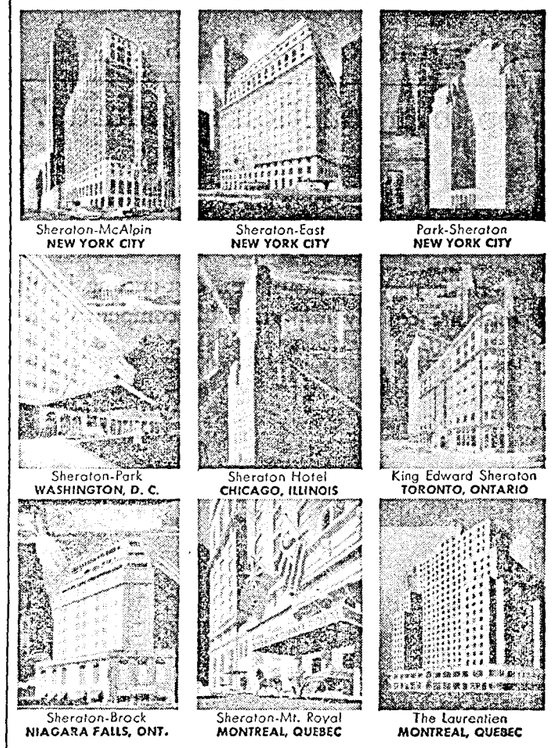
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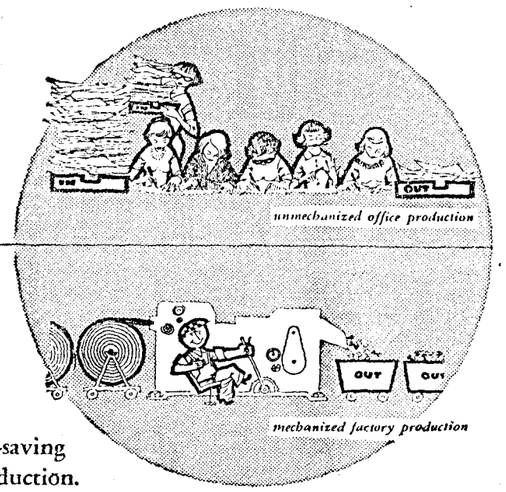
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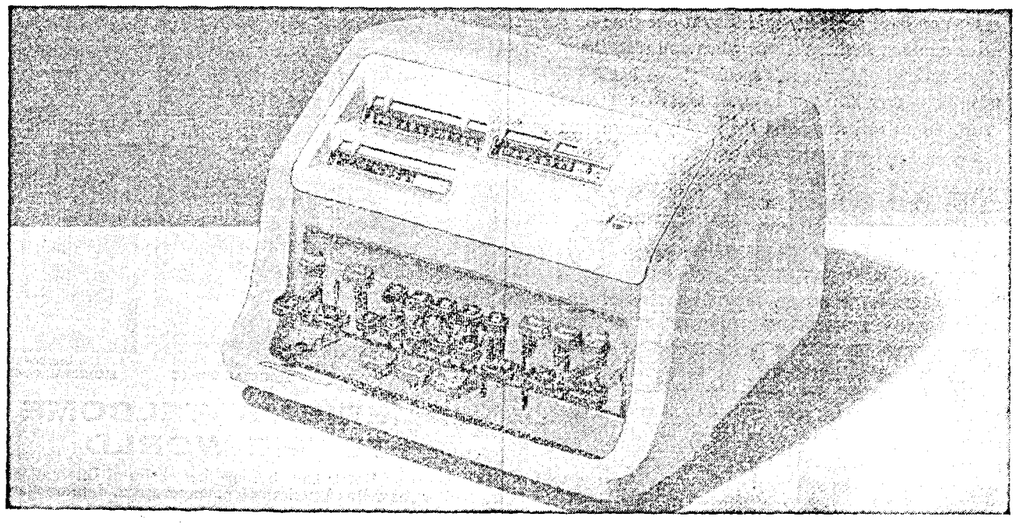
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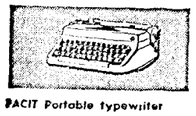
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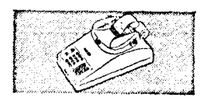
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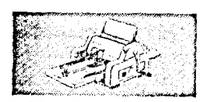
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like weakness, or because they fear that the West may be forced, through inadequacy on the ground, to choose between surrender or waging atomic war. Others favour some military gesture, such as calling up reserve divisions or sending more troops to Europe, to impress the Russians with America's determination not to abandon Berlin. Mr Acheson, the Democratic ex-Secretary of State, has been proposing more strength for the North Atlantic Alliance, as well as a "crash programme" for missiles. So far all Congress has been able to do is to extend conscription for four more years.

The President took the war into the camp of his Democratic critics with great vigour at Wednesday's press conference. What was the use, he asked, of keeping men unnecessarily in the services or sending more troops to Europe when there was no intention of fighting a big ground war that would put the West at a fatal disadvantage? Mr Eisenhower refused to dwell on the alternative of a nuclear war except to say that it was not an impossibility, if the Russians made the first move toward hostilities. Nettled by the constant charge that he is more interested in a balanced Budget than in the balance of military power, he insisted that, even if there were a surplus, he would spend any extra money on foreign aid or education, rather than on defence—though he also asked why advocates of more defence spending did not propose more taxes.

Now that Mr Eisenhower is the sole spokesman on foreign policy, he is speaking with a new briskness and confidence; he has wisely discouraged any provocative emergency step which might make negotiations with the Russians more difficult. With the Democrats he has not been so prudent. The Administration may have a strong case. But to hint that the demand for larger forces is either self-seeking or hysterical, and to threaten that, if Congress insists on them, the troops will be kept twiddling their thumbs is not calculated to soothe the irritations or lessen the anxieties of men in both parties.

All Aboard for Hawaii

NEW states have usually come in pairs and Alaska and Hawaii, that strangely assorted couple of sun and ice, are to be no exception. The islands in the Pacific have had to wait a long time. There have been twenty-two sets of hearings in all; the House has voted a statehood Bill three times only to see it ignored by the Senate or, as in 1954, tied to a Bill to admit Alaska which the House at that time was not ready to accept. Yet both parties have been committed to "immediate statehood" for Hawaii since 1952.

The long delaying action by Southerners in the Senate arose primarily because the admission of Hawaii, whose population is three-quarters non-Caucasian (though almost all native-born) would strengthen the supporters of the rights of racial minorities and dilute the power of the South. To placate the Southerners, Hawaii, whose population of 540,000 entitles it to two Representatives as well as two Senators, is going to have to wait for the second Representative until after the 1960 census. The South, now apparently resigned to the inevitable, takes some comfort from the fact that in recent elections Hawaii has at least taken a Democratic turn. The other chief objection, that the islands are in thrall to communist labour leaders, such as Mr Jack Hall of the dockers' union, remains, but even the chairman of the House Un-American Activities Committee feels that communist influence is diminishing. Finally, the complaint that Hawaii does not adjoin the United States has lost any weight it had since the admission of Alaska in January.

The Senate, which in the past has dragged its heels, is now narrowly ahead in the race to make Hawaii the fiftieth state. The Interior Committee voted unanimously for S50, the symbolically numbered Bill which had 55 sponsors, more than enough to pass it, and an overwhelming vote of approval by the whole Senate is imminent. The friends of the new state are excitedly calculating that, if the House acts before the Easter recess, Hawaii will have time to hold its elections and be proclaimed a state before this session is over. The chief obstacle has been removed now that the Rules Committee, that citadel of last-ditch opposition, has surrendered its power to delay a vote. The newest state, with its mixture of white, Japanese, Korean, Chinese and Polynesian strains, will provide a unique proof of America's belief in racial equality.

Oil's Bad Example

ALTHOUGH it does not affect Britain directly this week's imposition of mandatory quotas on imports of oil into the United States was justifiably cited by Sir David Eccles in his condemnation before the American Chamber of Commerce in London; it is another example of the way in which protectionism is getting around the Reciprocal Trade Agreements Act by disguising itself in the alleged needs of the national security. The quotas are being imposed on the basis of the original finding nearly two years ago that the availability of adequate reserves of petroleum, ready for speedy exploitation in time of war, depended on an active domestic industry and that the health of this industry was being threatened by increased imports. Voluntary restrictions on imports did not prove effective; in addition, according to the President, the present surplus of oil has disrupted world markets and would have spread to the United States if production had not been cut back there, to the detriment of the domestic industry.

Starting immediately for crude and semi-refined oil, and on April 1st for refined products, all imports will be under licence. The quotas, to be reviewed constantly, are based on percentages of domestic demand, so that foreign producers may share the benefits of the growth in American consumption. The regulations are more stringent for the states east of the Rocky Mountains, where there is excess oil capacity, than for the west coast, which is partly dependent on imports. In the east total imports of all types of oil are limited to 9 per cent of estimated demand; within this limit imports of semi-refined oils requiring further processing are not to exceed 10 per cent of imports of crude and semi-refined oils combined and imports of refined products, including the heavy residual oil which is much used by industry on the east coast, are not to exceed the amount brought in in 1957. The same arrangements apply to imports to the west coast, except that there the maximum for all types is to be fixed at an amount equal to total demand in the area when local output is taken into consideration.

It is estimated that as a result imports of crude oil will be cut to 750,000 barrels a day from 883,000 in the east and

to 195,000 from 220,000 in the west. Residual fuel oil, at about 475,000 barrels a day, will be only slightly reduced. But other finished products will be down sharply, to about 60,000 barrels a day; these were not covered by the voluntary quotas and so imports have been rising steeply, with the average for 1958 being 148,000 barrels a day. These refined oils come mainly from Venezuela and the Dutch West Indies; altogether about 45 per cent of American imports come from Venezuela and 9 per cent from Canada, which will be bitterly disappointed that no exception is apparently to be made for its oil. The real flood of complaints will begin when the quotas are allocated among the various importing companies and by them among their sources of supply. Only then will it be possible to judge the full effect of the new restrictions.

Difficult Neighbour Policy

LATIN Americans should be flattered that the new Ambassador to Brazil is to be Mrs Luce, a Republican who, with her husband, the owner of *Time* magazine, has considerable political influence and who has also proved her ability as Ambassador to Rome. It is a pity, of course, that *Time* should have chosen the week of her appointment to offend Brazil's neighbour, Bolivia. Fortunately the anti-American riots which this set off were treated with good sense in Washington (except by Senator Bridges, whose immediate reaction was to call for the Marines); and the Bolivian government itself realised that it could not afford a quarrel with the United States. Hard-hit by the fall in the price of tin and in its output, bankrupt Bolivia cannot do without the $23 million or so a year which the United States has been providing to stabilise its economic situation and keep the moderates in power.



Much nearer home, in the Caribbean, the United States is finding it hard to embrace the prickly Cuban premier, Senor Castro, with all the warmth that Dr Milton Eisenhower recommended for democratic regimes. However great the crimes of the fallen Batista dictatorship, Americans do not care for the way the rebel leader has demanded that judges should bring in verdicts of guilty on individuals. The State Department's sense of protocol has been offended because Senor Castro accepted an invitation to speak at a meeting in April of the American Society of Newspaper Editors without first informing Washington. The Cuban Telephone Company, which is American controlled, has been deprived of rate increases granted to it by President Batista and will be run, temporarily at least, by a Cuban administrator.

What is more serious is the risk that the triumphant democrats of Cuba and the nearby Trujillo dictatorship, one of the few still remaining in Latin America, may soon be at each other's throats. The backdoor to General Trujillo's Dominican Republic, where ex-President Batista and other exiled dictators have been made welcome, is Haiti, the impoverished and backward Negro republic which occupies the other half of the island of Hispaniola. Cuba has given not only asylum but also the use of its radio facilities to enemies of President Duvalier of Haiti; a landing there of some of the 120,000 Haitians in Cuba is not impossible. Neither is a decision by General Trujillo to strike first. Many Latin Americans consider President Duvalier himself to be a dictator. But the United States has no desire to see Haiti made an ideological battleground and its people further impoverished. It has ostentatiously given the Duvalier government an emergency grant of $6 million and has sent a military mission to Haiti; it still has not lifted the embargo on arms to Cuba. The new Ambassador, Mr Bonsal, who is popular with the Cubans because of his record of opposition to dictators, will have to try to persuade them to keep their revolution at home.

Television Boxed In

THE 1958-59 television season is well into its second half and with only one new show in the Top Ten, "last year's show is better than ever" seems increasingly justified as an epitaph. Television has been under constant attack, ever since sponsors became reluctant to buy time last autumn, as a "six-day idiot box" from which serious programmes emerge only on Sundays. The climax has been the announcement that Mr Edward Murrow of the Columbia Broadcasting System will take a sabbatical year; he is a distinguished broadcaster known at home and abroad for his constructive approach to television journalism. He has long criticised the general standards of American television and some people doubt whether he will ever return full-time to CBS.

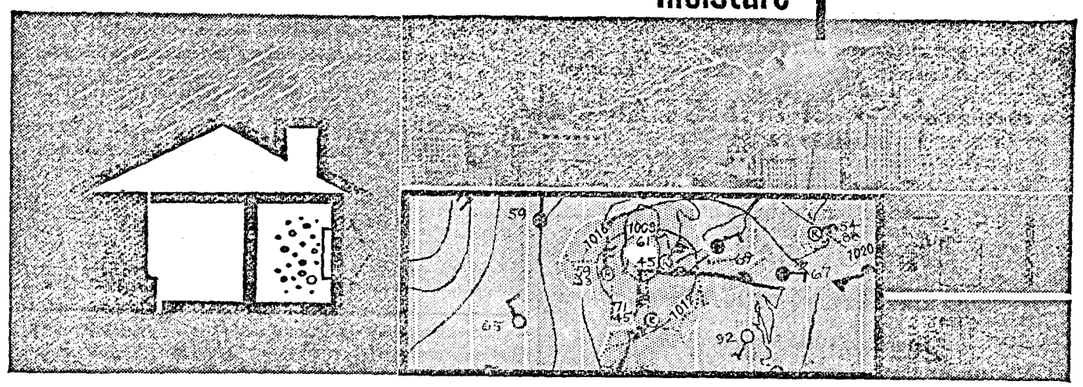
Television is now operating in a buyers' market and the sponsor or his advertising agency, interested in audience figures rather than in the quality of programming, is dictating policy. The result is an overdose of Westerns and violent action features which have proved their appeal with the public, and a tendency not to experiment outside the "bland norm." Also the increased use of film, which accounts for over one half of each network's prime evening time, has led to an upsurge of companies churning out packaged features in which success is judged by how little time is spent on production. These features are then sold direct to the sponsor, who buys only time from the network.

The networks, as well as the critics, are unhappy. Although total advertising revenue is increasing, costs are rising even more, and sponsors hesitate to commit themselves for long periods of time. In an industry accustomed to increasingly high returns, profits last year were down 17 per cent. The expansion of the American Broadcasting Company still, in terms of receipts, less than half the size of the giants—CBS and the National Broadcasting Company—is continuing and it is felt that there is not enough advertising money around to split three ways and keep profits up to former levels. It is small wonder that the growing financial success of independent television in Britain is regarded with some envy.

But at least there is increasing awareness among network executives that perhaps some critics are right in claiming that the standard of programmes must be raised if a regular,

Continued on page 976

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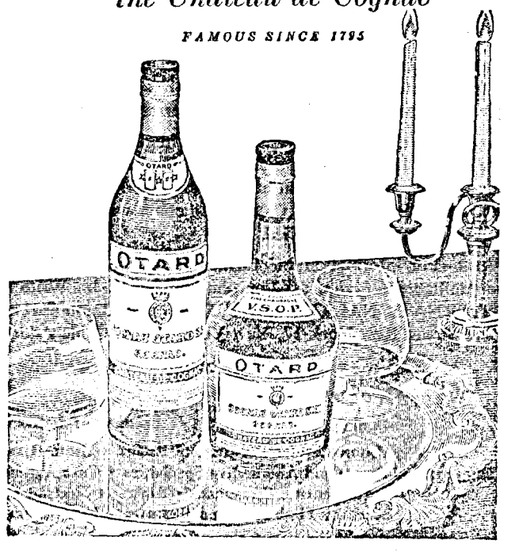
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A Congressman's Day

WASHINGTON, DC

8.15 a.m. An orange, early-March sun is still only a hand's width over the Capitol dome as Congressman X, a Democratic member of the House of Representatives from a border state between the Middle West and the South, holds his morning staff meeting in the office building across the street from the Capitol where both houses of Congress meet. Mr X has two rent-free rooms in this building, a structure in the post-office-classical manner, and keeps a staff of four—a political aide, a public relations assistant and two secretaries—for whose salaries he gets an allowance of $30,000 a year; a proposal is now under consideration which would add another $14,000. Unlike one in seven of his colleagues, he has no relations on his payroll. Recently, after it had been found that an Iowa Democrat was paying his student son nearly $12,000 a year for helping in the office, a news agency published a list of 65 Representatives who had people of the same surname on their staff; although two Smiths and a Brown have indignantly denied any kinship, a few of the others have embarrassedly talked of cutting their wives' and children's salaries.

9 a.m. The post is dealt with. On the average, Representative X gets about 35 letters a day. Up to a half are requests of various kinds—to help someone to get a pension, to intercede with the Commerce Department on behalf of a local businessman, to persuade the Air Force to bring a husband home from England. Another third express opinions. At the moment a good many of these are concerned with inflation, and internal evidence suggests that several are inspired by business organisations supporting the President's campaign for a balanced Budget. Not one mentions the Berlin crisis. All that are sane and signed are handed to the appropriate staff member and will be answered. The Congressman also gets a telephone call from the Democratic whip for his region asking if he plans to support an impending Bill. Apart from a mimeographed list of legislation due to be considered by the House each week, occasional telephone calls from the whips are the only way in which the majority of members are approached by the party leaders. As in the Senate, the Democratic caucus, a meeting of all the members, is now called only once a year and is a pure formality.

IN COMMITTEE

10 a.m. Part of Mr X's committee, on Education and Labour, meets to hear evidence on the labour reform Bills before Congress. Since the "palace revolution" which took place two years ago against the chairman—Mr Graham Barden, an immovably conservative Democrat from the South—the education and labour group has been one of the more democratic and productive committees in a system which is not notable for either virtue. Mr Barden remains chairman, but the liberal members have insisted on regular fortnightly meetings and have farmed out a good deal of work to sub-committees whose chairmen are much more eager to get legislation written than he is.

It is in the importance it gives to committees that Congress probably differs most from the House of Commons. They summon government officials and outside experts to give evidence; they hammer together "committee bills" from perhaps half a dozen proposals submitted by various Representatives on a single subject, and then guide them through the House. Since the seniority rule has given the chairmanship of 14 of the 20 House committees to Southerners or border-state members, and since most of these are far more conservative than their fellow-Democrats, the power of chairmen to call meetings only when they feel like it can effectively stifle legislation. One House committee has only just held its first meeting in the current session, now two months old.

THE HOUSE ASSEMBLES

12 noon. As usual, the first hour is spent in "letting off steam." Members cluster round the Speaker's dais, and either orate briefly on subjects close to their hearts or else hand up statements to be inserted in the *Congressional Record*, a large part of which consists of these unspoken pearls. Some Representatives use this device to insert prize-winning high-school essays and eulogies of local worthies. Since Congressman X's district is absolutely safe—consisting half of southern hill farms and half of small mining towns, both of which vote Democratic for quite different reasons—he scorns such frivolities. At present he is inserting a series of articles about the plight of families of out-of-work miners who, having exhausted their unemployment benefits, are now living largely off a meagre and poorly balanced supply of food distributed free by the federal government.

Representative X also uses this visit to the floor of the House to introduce a private Bill "for the relief of" a Hungarian living in his district whom he has agreed to get naturalised by this short-cut method. He then takes a constituent to lunch in the House cafeteria; although his district lies several hundred miles from Washington, forty or fifty such visitors pass through his office each week.

2.30 p.m. The Education and Labour committee continues its hearings. It has been given permission to meet while the House, now sitting as the Committee of the Whole, debates one of the few Bills that have yet cleared the committee stage. The division bell rings twice, sending the members trooping along the underground passage between the House office building and the Capitol. Congressman X votes against a couple of Republican amendments but does not speak; his speeches on the floor are limited to about ten a year, mostly on Bills his committee has dealt with.

4 p.m. Back to his office, where a number of telephone calls has accumulated. Representatives get a yearly telephone allowance of 50 hours of free long-distance calls and a telegraph allowance of 20,000 words. Mr X makes arrangements to address a meeting in his district the following weekend and to give one of his regular local wireless talks. It is here that the otherwise generous allowances he receives are inadequate. He gets only one free round trip a year to his constituency; in practice he finds it necesssary to go there six or eight times.

AFTER HOURS

5 p.m. By now the House has adjourned. At this stage in the session it is meeting on only about four days a week for two or three hours at a time; by the summer, when Bills have piled up and members want to get home, it will be sitting late into the evening. Mr X himself adjourns to the Speaker's office in the Capitol for a chat about the day's affairs over a drink of bourbon whisky. He is one of the select band of a dozen or so congenial souls who receive these invitations from Mr Rayburn. Not many Democrats are on such cosy terms with the Speaker, whose immense powers go with an old-fashioned preference for running things through his NCOs, the senior committee chairmen. Other Representatives have to be content with their chance to buttonhole him on the floor or make a more formal visit to his ever-busy office in working hours.

6.45 p.m. After a last visit to his office, Mr X leaves for home as the sun goes down behind the Washington Monument. One of his colleagues who recently equipped himself with a pedometer found that in the course of a ten-hour day, covering and re-covering the ground between his office, his committee room and the House floor, he had walked twelve miles. Congressman X still faces cocktail parties or dinners on four or five nights a week. To comfort himself, he can reflect on what a British MP would feel about his salary: in addition to all his allowances, he gets $22,500 a year.

Continued from page 972

responsible audience is to be held. Colour television will also be an attraction, if only as a short-term novelty, and wider use of videotape should cut costs and bring back some of the spontaneity of the now moribund live show. A recent report in *Variety* suggests that, having written off the balance of this year, the prime concern of sponsors is already with the 1959-60 season beginning in October. Concrete evidence of this is the sensational $25 million contract signed last week by Mr Perry Como, the well-known singer and compere, for sixty-six shows over two and a half years.

Motels Come Full Circle

FROM A CORRESPONDENT ON THE ROAD

IT used to be that a hotel was within the town limits, was a single structure several stories high, and offered rooms ranging from comfortable to luxurious, at uncomfortable prices, while a motel (a portmanteau word for motor-hotel) was on a main road or bypass near a town, consisted of a number of separate units spread out horizontally, and provided basic accommodation at low cost. But in the past few years, this traditional distinction between the two has become blurred. Now motels look like hotels, and hotels have moved to the outskirts of towns so, when a motorist is attracted into a driveway by a neon sign, he may not know which he has chosen—even when he leaves next morning.

Ten years ago, he would have been in no doubt and twenty years ago he would probably not have been caught dead in a motel. Of the 13,000 or so motels built before the last war the majority were no more than wayside shacks with hard beds, primitive furniture, a single naked electric bulb, small oil stove, and cold running water. Those who stayed there and paid $2 to $3 a night for two persons usually could not afford hotel rates; a typical name was "Uncle Tom's Cabins." Since the war, with the increases in incomes, leisure and car ownership in the United States, both the quantity and quality of roadside accommodation has improved vastly. According to various estimates, by last summer there were about 58,000 motels in the country representing a total investment of about $5,000 million and receiving close to 1.5 million guests, who spent as much as $1,750 million each year.

The wayside cabins began by evolving into motor courts with more sleeping units (between 11 and 40 as a rule) and better ones. Typically, there is a basic spring bed, carpet on the floor, desk and bedside table with lamp, central heating, a shower cabinet and hot running water. Motorists are invited to patronise "Eldorado Motor Court" or "Lake-view Motor Lodge" and charged $4 to $5 nightly for two persons. Usually a court is owned by an individual or a married couple, who have invested somewhere between $10,000 and $75,000 in its construction.

Motor courts, for the most part, confine themselves to providing adequately comfortable overnight sleeping and bathing facilities for transient guests, travelling on either business or pleasure. But, in recent years, some enterprising motel operators have begun to compete for regular hotel business, on the assumption that many hotel patrons are increasingly bothered by traffic congestion and parking problems in town centres, and would be glad to spend the night on the outskirts if they could count on accommodation and service comparable to that of a hotel. The outcome has been to expand the motel back to the motor hotel or high-way hotel, many built on two floors or even more, with wall-to-wall carpeting, bath as well as shower, large cup-boards, radiant heat, a dressing table, air conditioning and free television in all rooms. There is usually a restaurant, or at least a coffee shop, either run by the proprietor or rented to an outside operator, and perhaps a cocktail bar. A swimming pool has become almost a "must" and, mind-ful of family patronage, most motels now being built include a children's playground and wading pool and many offer a baby sitting service and accommodation for pets.

A variant of the motor or highway hotel is the resort motel, found especially in the holiday regions, such as Florida, California and Arizona, and designed to attract guests for a longer stay than overnight. They are in colourful surroundings, in the country or by the sea, with elaborate gardens. There are beach chairs and umbrellas by the swimming pool, games such as pingpong and shuffle-board, a picnic area, barbecue pit, piped-in music. A few of the more luxurious, such as the Western Hills Hotel, at Fort Worth, Texas, even have golf courses.

THE highway hotel, whether resort type or otherwise, is likely to bear such a name as "Mayfair Motor Hotel," "The Hi-way Inn" or (in the Southwest) "El Rancho." The charge may be as high as $15 to $20 a night for two persons at the height of the season. There may be 100 or 200 rooms and as much as $100,000, $500,000 or even $1 million may be invested in one. Few individuals or married couples have that kind of money, so they are owned by an investment syndicate or a company which runs a group of them. Recently, hotel corporations, the Hilton, Sheraton and Knott chains, have begun to build highway hotels. They could ignore the competition of cabins and motor courts, but not that of the new, luxurious motor hotels.

In entering the field they have carried the evolution of motel back into hotel yet a stage further. Hotel-operated motels, such as the Sheraton Syracuse Inn, just off the New York Thruway, and the Knott-owned Thomas Jefferson Inn, at Charlottesville, Virginia, have added garages (one of the original selling points of motels was that the traveller could park outside his bedroom), room and valet service, dining rooms, decorated cocktail lounges, ballrooms. An hotel earns a good deal during the year from conventions, and so these companies have planned their highway hotels accordingly, with meeting rooms and display areas.

Such a place is as expensive as a luxury hotel; it may be as much as $25 to $30 for two persons, though the average is lower. A motel-hotel, therefore, is no longer a cheap place to stay. But there is another side to this coin. The increase in the number of motels, and the competition between them, has resulted in a general raising of standards. Call it a motel or a hotel, at the present time it is possible for a couple to stay the night just off the main road in the vicinity of any town of any size at all in the United States, in complete comfort, not to say modest luxury, for from $7 to $10 a night. The improvement in facilities has been markedly greater than the increase in charges since the days of the early cabins and courts.

Common sense

In every big building or civil engineering project there are three main parties: the owner, his consultants, and the contractors. Traditionally, the contractors come into the picture only after design and specification have been settled. But with the size and complexity of modern construction, much can be gained if collaboration starts earlier. The contractor, who is to carry out the scheme, is familiar with the latest construction techniques and materials. He knows, from practical experience the possibilities (and limitations) of mechanical plant and equipment.

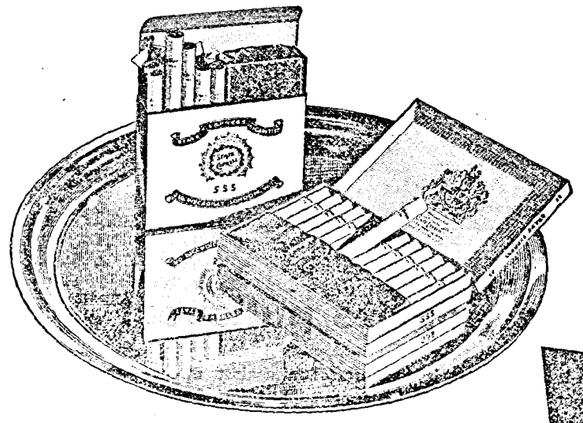
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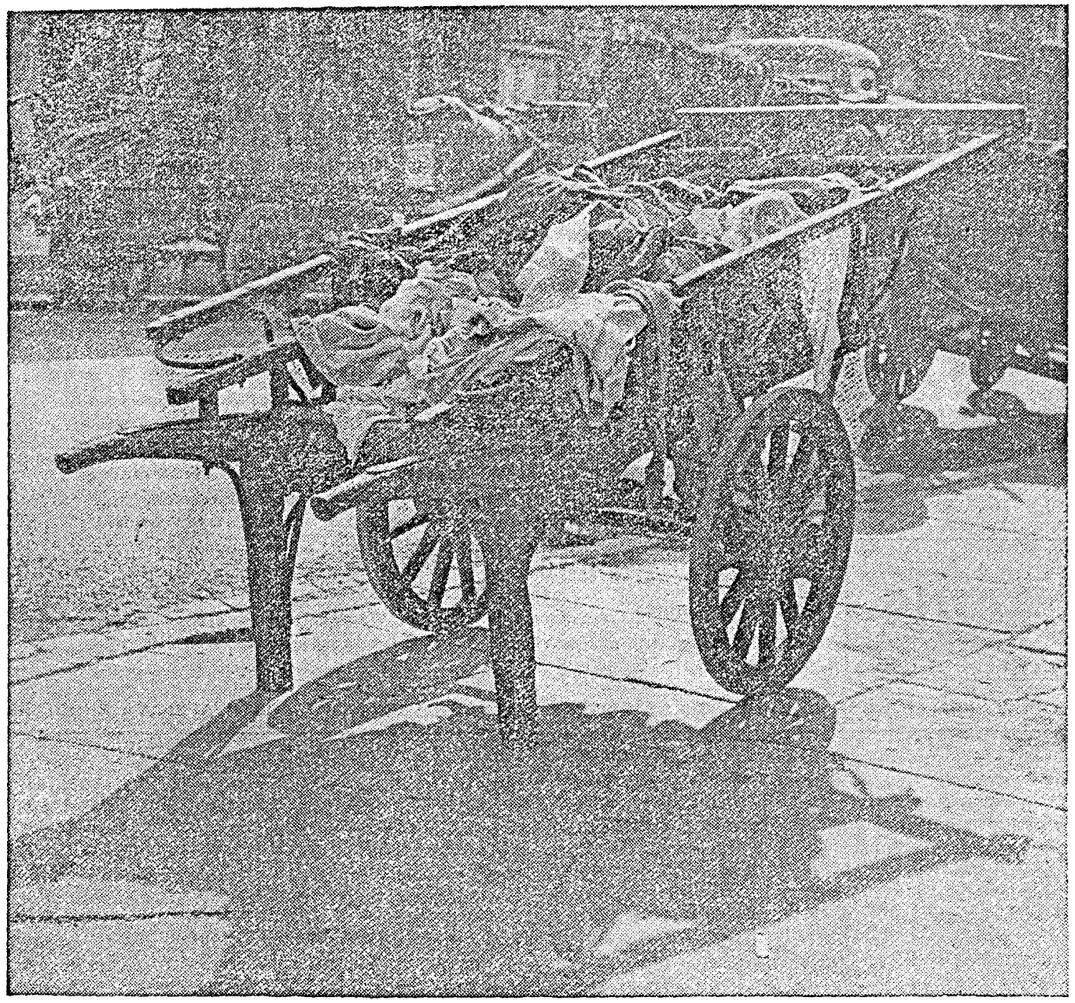
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THE WORLD OVERSEAS

Revolt at Mosul

FROM OUR MIDDLE EAST CORRESPONDENT

It was said in this correspondence four weeks ago (February 14th, page 605) that the last Iraqi government reshuffle was putting the loyalty of the army to its severest test. This test came sooner than might have been expected with the revolt of the Fifth Brigade at Mosul. The coup was launched while the prime minister, General Qasim, was addressing the first conference of the Iraqi league for the defence of women's rights—a gathering liberally sprinkled with militant ladies from eastern Europe. It certainly gave him his biggest shock yet, for it called in question the attitude of the army towards himself and to President Nasser.

The government shuffle in February, which got rid of the remaining Nasserists in the cabinet, left General Qasim with a dangerously narrow basis of authority resting on National Democrats, Communists and independents. His smouldering quarrel with President Nasser led him progressively to break his links with the strong forces of orthodox Arab nationalism inside Iraq which, throughout the long struggle against the regime of Nuri es-Said, had looked towards Cairo for leadership and inspiration. To fill the gap General Qasim leant increasingly heavily on left-wing National Democrats and Communists. A notable feature of the Iraqi press in recent weeks has been the attempt of the National Democrats to outdo the Communists in violence of expression.

The immediate cause of the revolt was a monster rally of "peace" partisans held at Mosul. It was sponsored by the Communists, but also attended by National Democrats and people whipped up from anywhere. It is officially claimed that 250,000 people were massed in Mosul for this rally, although anything approaching such a figure must have severely strained Iraqi transport resources. During the gathering, clashes occurred between Communists and Arab nationalists and several people were killed. These incidents and the speeches proved too much for the local brigade commander, Colonel Abdul Wahab Shawaf, who two days later raised the standard of revolt.

Colonel Shawaf's eight points justifying his attempted coup show clearly his anti-Communist, pro-Nasser position. In summary, they condemn, first, despotism and the cult of personality; second, the persecution of free officers and others—a reference to the trial and sentence of Colonel Abdul Salam Aref and his supporters; third, the subjection of the country to the Communists (they were not named as such, but it is clearly indicated). At the same time, in a bid for the support of the Kurds and peasantry, he stressed his allegiance to the constitution promulgated after the July revolution, which guaranteed the Kurds full rights, and his approval of the land reform bill. The burden of his accusation against the prime minister was that he had deviated from the principles of July and betrayed the revolution.

In the event, Colonel Shawaf won little support from his fellow unit commanders. Brigadier Nazim Tabakjali, commanding the second division in and around Kirkuk, whom Shawaf claimed to have consulted before launching his coup, held aloof and telegraphed a message of loyalty to General Qasim. Troops in the Baghdad area and in the south rallied to the government along with the air force, which is deeply penetrated by Communist elements. Whether the failure to support Colonel Shawaf is due to a genuine lack of sympathy with his aims or to faulty organisation remains to be seen. What seems certain is that the Nasserists in Iraq cannot afford to make many more mistakes without bringing serious discredit on themselves.

Colonel Shawaf's revolt will certainly deepen the rift between General Qasim and his supporters on the one hand and the pan-Arab nationalists on the other—a rift already dramatised by the expulsion from Baghdad of nine diplomats belonging to the United Arab Republic. The Communists are calling for a renewed purge of a civil service that is already sadly depleted by the loss of men who gained their experience under the Hashemite regime. It is certain that the army, too, is due for another careful combing. The revolt has shown that the officers still have minds of their own, just as General Qasim himself had during the years of cautious plotting against the Hashemites. But another army purge—which will certainly bite deep—poses formidable problems. The Fifth Division is in process of formation; General Qasim has promised the formation of a sixth. But where will he find his officers?

The revolt seems to have enjoyed some civilian support in the Mosul area, while Kurdish enemies of the Barzanis (a Kurdish family whose leader returned from exile in Prague last year) took the opportunity of paying off old scores. But the importance of such support is always difficult to assess. The Arabs in general are suckers for demonstrations and, with all sides claiming a monopoly of nationalism, it is usually easier and always safer to follow the man with the gun. This argument, of course, cuts both ways. In Baghdad monster demonstrations, staged in favour of General Qasim, shouted death to the traitors. But Baghdad is a big town where it is possible to call a quarter of a million people on to the street and still enjoy only minority support when it comes to the point.

Now that he seems to have finally parted brass rags with the Arab nationalists and President Nasser, General Qasim is in a dangerously exposed position. To the north and east are Turkey and Persia, both watching him with deep suspicion. To the north-west there is unfriendly Syria—the Damascus press reports of Colonel Shawaf's revolt left no doubt where President Nasser's sympathies lay. To the west and south are Jordan and Saudi Arabia, neither of which has much use for regicides, and neither of which would wish or dare to support Qasim against

Nasser. With a substantial proportion of his own people doubtful or lukewarm, it seems that General Qasim has precious little room left for manœuvre. He is likely to fall into an increasing dependence on his Communist allies, who, for all their own isolation in a hostile Middle East, at least have a world power behind them and a hard unyielding toughness of their own.

In conclusion, one should spare a thought for the political prisoners lying under sentence of death in Baghdad jails. Whenever the tension heightens in Iraq, the Communists and their allies redouble their demands for the execution of the sentences. During Colonel Shawaf's revolt, the powerful voice of Colonel Mahdawi, the president of the people's court, was added to this clamour in the shape of a personal appeal to General Qasim to approve the sentences passed by the court. The condemned men include Colonel Aref as well as outstanding men of the old regime. General Qasim may well consider Colonel Aref to be the greatest immediate danger to his government; but he can hardly approve his execution while holding his hand over such men as Fadel Jamali and General Daghestani. His decision over the prisoners will doubtless be governed by his assessment of his personal position in relation to the Communists.

Mr Khrushchev Soliloquises

FROM OUR SPECIAL CORRESPONDENT LATELY IN LEIPZIG

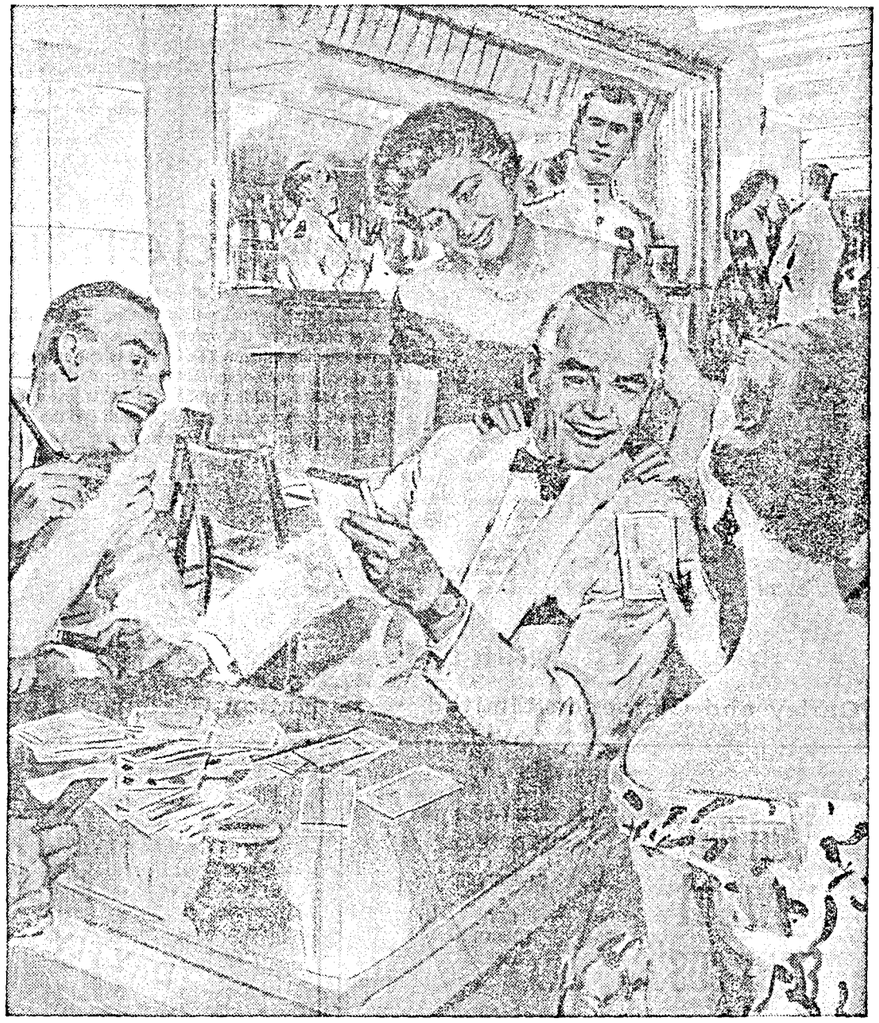
MR KHRUSHCHEV'S protracted ministrations in the Democratic Republic have given a massive boost to the morale, and perhaps even to the status, of the east German regime. Can it be that he wanted to compensate his hosts for some eating of words about Berlin? There are signs that this may be so. But Mr Khrushchev's improvisations were so many, and so unpredictable, that they greatly disconcerted the officials who had counted on being able to invite visitors to this or that function and to explain coherently the policies of the aspiring east German state. The western journalists whose ear Mr. Khrushchev obviously wanted to catch, were left almost wholly to gatecrash and piece together what they could from eavesdropping and pooling afterwards the scraps. He has chiefly himself to thank should he find he has been misquoted or misunderstood.

A fair deduction from the hurly-burly would be that there is at least one important issue on which Mr Khrushchev would like the West to continue to be kept guessing and himself at liberty to improvise. This is the manner of the prosecution of his policy, in the face of allied opposition, for turning west Berlin into a Free City. It is probable that he has not made up his mind, and that in his talks in east Berlin this week he has been reviewing the various courses open and their possible consequences. It is also probable that as far as Berlin is concerned improvisation will continue to be the order of the day—that the intention is to squeeze the allies out of west Berlin during the next year or two by recourse to one device after another, improvised to meet whatever opportunity presents itself.

In such a programme, the introduction of Russian troops into west Berlin could obviously play a part. According to a statement by the Soviet Embassy in Berlin to the *Frankfurter Allgemeine Zeitung* Mr Khrushchev's latest proposal for a Berlin settlement might be expanded roughly as follows. The three western powers would maintain "military missions" in west Berlin. So would all the other powers whose representatives in Berlin were accredited to the old Control Council, including Russia, Poland, Czechoslovakia, Denmark and Norway. The three western powers would be asked to make symbolic reductions in their garrisons; and all the missions concerned would be given "United Nations status." The whole of Berlin would become legally part of the east German Democratic Republic; but in view of the peculiar circumstances the Democratic Republic would undertake not to exercise sovereignty in western Berlin. The Berlin occupation statute would be abolished, so that the western powers would no longer have any say in Berlin affairs. An agreement or treaty defining these arrangements would be signed by the four big powers, the Democratic Republic and the west Berlin Senate. A second agreement would define the western powers' right of access to Berlin. This agreement would require the signatures of the three western powers, the (west) German Federal Republic and the (east) German Democratic Republic. According to the Soviet Embassy spokesman, the Democratic Republic is being advised to improve its own measures to stop the flow of political refugees to Berlin rather than to expect to be given an opportunity to exercise some sort of inspection of the passenger lists of western aircraft leaving Berlin.

THE objectives of Russia's medium and long term policies for Germany as a whole were not left obscured by Mr Khrushchev's unconventional and sometimes conflicting flow of wise saws and modern instances. He stated them most clearly at an "all-German" workers' rally at Leipzig. The Soviet Union, Mr Khrushchev said once again, would never be a party to unifying Germany so long as it meant the disintegration of the Democratic Republic. German workers ought to be at one in this matter; and he asked the west German workers present—it was claimed there were 1,100—whether they were not embarrassed to hear capitalists so often commending their trade union and socialist leaders. The true home of all German workers was the Democratic Republic. It would be satisfying, Mr Khrushchev reflected, to see the authority of the east German premier, Herr Grotewohl (a former Social Democrat), extended to the whole of Germany. As for Herr Ulbricht, the east German communist chief, he was not the impossible person that he was so often made out to be. He was, in fact, Mr Khrushchev's good friend, for the excellent reason that he possessed a character which capitalists did not like. The generally detested Ulbricht, it seems, is there to stay. But it would have been too much to expect Mr Khrushchev to consider "the facts of the situation" quite as frankly and thoroughly as his manner seemed to claim. He conveniently disregarded both the anti-communist vote recorded by the west Berliners on December 7th after the Soviet proposals for Berlin had been made known, and the unceasing flight of workers from the part of Germany run by the men he was commending as good for the whole.

Immediate aims in Berlin and long-term aims in Germany apart, Mr Khrushchev made it clear that for the time being Soviet policy will be to continue to press for a German confederation, defined and cemented by a peace treaty. In concert with the clumsy and unscrupulous east German propaganda apparatus, Mr Khrushchev was at pains to use the Leipzig Fair to sell the idea of a confederation to west



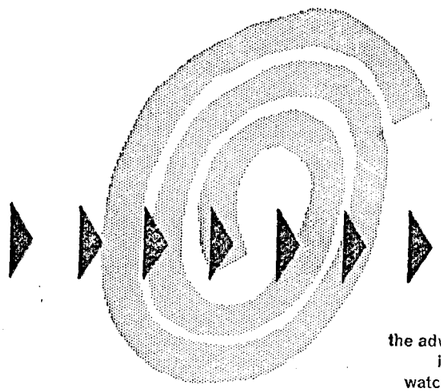
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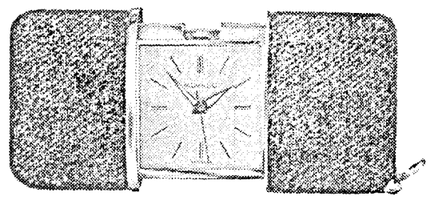
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German exhibitors and visitors. There were honeyed words and fair promises for the big west German industrialists (who had honoured Ulbricht by their disapprobation and are still generally depicted as arch-instigators of war and oppression). Travellers from west Germany were greeted at the formidably policed frontier by signs telling of the sweet reasonableness of a confederation ; and as they showed their passports and changed their money (painfully at one west mark for one east) they were invited to carry away a miscellany of pamphlets elaborating the theme. A group of leading east German publicists (including the editor-in-chief of *Neues Deutschland*), who regularly distort and omit on a nightmarish scale, had the nerve to come out with a special appeal to visiting west German journalists to straighten their crooked seeing and work like decent chaps for the admirable goal of a confederation of the two German states.

Confederation or no confederation, peace treaty or no peace treaty, the two German states seem unhappily destined to have to live in a state of cold war for many years to come ; for both regimes, and their respective major patrons, are insisting on conditions for a settlement for which neither is prepared to pay the price stipulated by the other.

Good Manners in the Sudan

WITHOUT much flurry or anyone getting hurt, three Sudanese generals last week marched a few of their troops to Khartoum, ousted half the members of the Supreme Military Council (the sovereign body since the equally peaceful coup in November) and installed themselves instead. On March 4th, the president, General Abboud, dissolved the junta ; a day later he reformed it without the five junior members but including the three corps commanders. At the weekend, General Abdul Wahab, the very able minister of the interior whose heavy hand was apparently one of the main causes of fuss, was quietly dropped from both the cabinet and the council. In the meantime the two sectarian leaders, Sayed Abdur-Rahman el Mahdi and Sayed Aly el-Mirghani, had joined voice to appeal for national unity. They have considerable say over the behaviour of the army (most of the officers come from villages in the north), particularly when they say the same thing.

Cairo press has applauded the change and attributed it to the " fervent Arab nationalism " of the rebellious generals. This seems wishful thinking. General Abdul Wahab, as a supporter of the anti-Egyptian Umma party, was no friend of President Nasser's, but this was not why he was unpopular. There is no evidence that the dissident officers had any quarrel with the junta's foreign or domestic policy—the clash seems to have been on a much more personal level. The corps commanders, jealous at the way in which relatively junior officers had leap-frogged over them into the supreme council, decided to take matters into their own hands by forcing the president to make room.

General Abboud's weakness is that he has not the physical resources to discipline his unruly generals and colonels. Presumably only some of his officers were satisfied by the results of the march to Khartoum ; General Abdul Wahab, too, may not take his dismissal meekly. While the clashes will probably go on being well-mannered, there seems at the moment no prospect of the junta being either willing or strong enough to return the country to civilian government.

Not So Cordial

FROM OUR PARIS CORRESPONDENT

PARIS was probably not the easiest stage in Mr Macmillan's post-Russian journey. Yet, on the face of it, the Franco-British talks ended on Tuesday in an official mood as bright as the Paris weather. Mr Macmillan and Mr Selwyn Lloyd had spent most of the two days with their French counterparts: M. Debré, the new premier, and M. Couve de Murville, the foreign minister. They also had one meeting, continued through lunch, with the President. Bidding his guests farewell at the airport, M. Debré said that such frank and friendly talks between the two countries would take place frequently.

The conversations centred on Berlin and the various aspects of the German problem. The French gave an account of their talks with Dr Adenauer last week. The British gave a long report on their Russian journey and their conversations with the Soviet leaders. They took great pains to dismiss the idea, inspired by the Moscow statement, of a British conversion to Mr Kennan's ideas. What the British Government has in mind, they insisted, is not " disengagement " but a thinning-out process on the lines of the Eden plan, the controlled limitation of armaments in an agreed area. The area should not be limited to one country (to avoid discrimination against Germany), nor should the limitation apply to only one kind of arms.

The two sides agreed on the contents of the reply to be made to the latest Russian note as well as on the time and place for the suggested conference of foreign ministers (it is reported that the date will be mid-May and the place, once again, Geneva). This is as much as could be gathered from official sources, which on both sides were outwardly satisfied. So far, so good. The strains in the *entente* only appear when the talks are placed in their context.

MR MACMILLAN'S journey to Moscow aroused no enthusiasm in Paris. And no amount of pledges of Atlantic loyalty will alter the fact that it was he, and not the President of the French Republic, who went. Subsequent suggestions in the British press that Mr Macmillan had thus taken on the leadership of western policy were greeted by the French press with an anger that one would have been inclined to attribute to an inferiority complex if there had not been comparable manifestations in Washington. The misgivings have not yet vanished. Mr Khrushchev's concessions are ascribed here to western firmness, not to any British efforts at conciliation. The idea of partial disarmament in a limited area has been received coldly. And the French seem to show less inclination than their guests to examine Mr Khrushchev's latest suggestion of a possible maintenance of token forces in Berlin.

The voice of Paris now has a touch of a German accent, and the prime minister's visit takes on a somewhat diminished appearance when compared with Dr Adenauer's visit to Paris last week. The chancellor had less time with M. Debré than Mr Macmillan did, but he spent the best part of a day in long talks with the general at Marly. Mr Macmillan had only an hour and a quarter's direct talks with General de Gaulle at the Elysée. This is not merely a question of protocol. It also suggests with whom the real head of the French executive is now on most intimate terms.

A story now going round Paris may be apocryphal, but it is symptomatic. Asked whether he intends to move his residence to the castle of Vincennes, General de Gaulle is reported to have answered jokingly: "Why should I hurry? In a few years it will be moved to Aix-la-Chapelle (Aachen)." The conception behind this is of a European confederation dominated by France and Germany. As the elderly chancellor finally leaves the stage, the slightly younger general would become the undisputed leader of the coalition and would inherit the throne of Charlemagne.

This Carolingian dream is bound to come up against obstacles in real life. Germany is unlikely to accept the role of junior partner; nor is it inclined to back the general's claims for a privileged place in the Atlantic alliance. At the same time, France's commitment to give faithful support to Dr Adenauer's policy on the reunification of Germany precludes any French flirtation with Moscow, which was once potentially the biggest Gaullist bargaining card within the Atlantic alliance. General de Gaulle's many, and in part contradictory, ambitions may thus not be fulfilled, but his road to "greatness" seems to lead through partnership with western Germany and a continental alliance.

Parisian wits claim that France has changed creditors at the same time as regimes and that an old slogan—"Germany will pay"—is now being revived. Political ties often follow economic interests and Britain's exclusion from the common market may have an impact on its political relations with continental Europe. The *Entente Cordiale* was cemented by French fear of Germany. France's new nationalist regime is still groping for a foreign policy, and its movements are hindered by the Algerian war. But there seems to be no favoured place for Britain in the general's current continental (or Euroafrican) vision.

Two Months of Sévérité

FROM OUR PARIS CORRESPONDENT

Two months is a brief period in which to assess the impact of a new economic policy. But since the financial new deal, launched by the French government at Christmas, was based on a series of calculated risks, it is worth while estimating how they have worked out up to now.

The financial experts' first hope was that the rise in prices and wages would be kept within prescribed limits. Fear of recession is making their calculations come true. The cost of living index in January rose by less than 3 per cent and in February by 1 per cent. True, not all the increased costs resulting from devaluation or cuts in subsidies have as yet been passed on to the consumers. (The wholesale price index rose by 4.6 per cent in January.) But there are clear signs that retail prices are not being increased by more than the actual rise in costs, if that. For once Frenchmen are not reacting to devaluation by defence mechanisms developed through years of inflation.

The wage front is also stable, except for civil servants, workers in nationalised industries and those earning the minimum wage who have been granted the promised 4 per cent rise. Fear of unemployment acts as a check. The official figure of unsatisfied demands for jobs is still only 164,000, but the drastic reduction of working hours in several sectors does not create a climate favourable to successful labour action. Mass dismissals may lead to sporadic outbursts, as they have at Lille, but the trade unions do not yet seem in a position to fight effectively to preserve the real wages of the workers. The government's premise—that the price level should not rise by more than 5-7 per cent, while the bulk of wages remains frozen—may well be fulfilled.

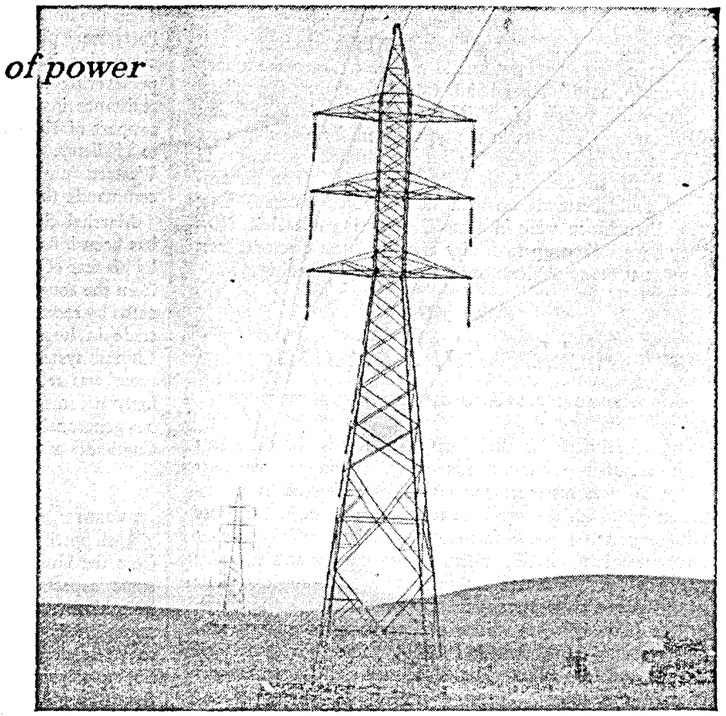
The experts also hoped that the prospect of a "heavy," steady franc would attract foreign funds to Paris and also induce Frenchmen to call their money back from abroad or to bring their hoarded gold into the light of day. M. Pinay claimed last week that since Christmas $600 million has been recovered by the French exchange stabilisation fund. Over $300 million of this is accounted for by speculative funds which had moved out before devaluation; the bulk of the rest apparently came from Switzerland and Belgium (probably French-controlled money) as well as Germany. French shares on the Paris *bourse* showed very marked progress in the first weeks of the year, but have climbed down a little since then. Foreign interest in French investments certainly helps the balance of payments. The trend, however, will have to be reinforced and last much longer to offer a guarantee of security (particularly since foreign funds can now move out at call) or to have an impact on French investment.

THE dream of gold coming out in tons from the proverbial French stockings has not come true. Gold is still selling on the "parallel" market at a high premium. To increase the supply, it has been suggested that death duties between husband and wife or those imposed on direct descendants ought to be abolished. Gold is often hoarded to dodge the tax collector, but the government still hesitates because abolition would be greeted as a "gift for the wealthy." Altogether, it is still too early to assess the drive to attract capital, which has been given a fairly auspicious start. The hope of a miracle which would change the financial situation overnight has on the other hand proved an illusion.

The balance of payments is ultimately dependent on trade. The foreign trade deficit of 29.4 billion francs in January is not, on its own, a worry. After a couple of months in rough balance, exports once again covered only four-fifths of the import bill. This setback, however, can be explained by seasonal fluctuations and the immediate effects of devaluation. In February the deficit was reduced to 10 billion francs. More alarming are recent studies of the structure of French trade, showing the relatively small proportion of finished industrial goods on the export side and, particularly, the very unfavourable balance in capital goods. The French steel industry has shown that there are branches in which France is very competitive. But is French engineering in a position to take advantage of the new price comparisons? A recovery led by the export industries would be the ideal solution for the government.

Looking at the whole situation it would seem that the government is most perturbed by the reason for its own success. The extent to which it has managed to keep wages and prices in check has been a sign that the recession was having its effect and now the recession, in turn, has become the government's worry. It is being recalled that last time, too, France was hit by the crisis later than its European partners. The government is trying to stimulate production through state investment. The nationalised industries have been urged to speed up their plans. Bank

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rate, recently reduced by 0.25 per cent, will soon be brought down to 4 or even 3.75 per cent. Some credit restrictions have been relaxed. Yet all this will have little impact if private industry does not intend to invest. To make money too cheap, on the other hand, would go against the official deflationary policy of *vérité* and *sévérité* launched last Christmas. Optimists in the government believe that after six months of this balancing act the French economy will find itself on the safe side of the crisis. The government could certainly do with such a quick success. Last year Frenchmen were in a mood expecting miracles. Now they have woken up to reality and the latest electoral tests show that many of them did not like the awakening.

A Marshal's Health

FROM OUR CORRESPONDENT LATELY IN SIAM

THE health of Marshal Sarit Thanarat is the dominant factor in Siamese affairs today. Nobody knows how successful was his recent operation for a chronic liver condition, although the preoccupation of the Bangkok censors with any newspaper references to anxiety or hope about his health is admirably calculated to spread and magnify the very rumours which authority wishes to suppress. For after his earlier treatment in the United States the tough soldier (still only 51) gained a fresh lease of energy, zeal and resolution, physical and moral, which has astonished friends and foes alike. The West may well hope that this is no fitful lease.

Before and since introducing his new interim constitution last month, Marshal Sarit has been carrying out a shining crusade for domestic reform and political reconstruction, and a hard-driving all-out campaign against communist subversion. He has hit back at Chinese interference with Siamese exports by banning all Chinese imports. He has, at long last, ordered the suppression of the opium traffic—to the consternation, it is whispered, of several of his supporters. (A bewildered police officer, in charge of an illicit cargo of ten tons of opium, was recently picked up as he floated serenely down the Mekong and, despite his outraged protests, thrown into one of his own establishments.)

Marshal Sarit is rounding up communist suspects with no *habeas corpus* nonsense. He is even tackling corruption in public life and attempting to discourage gambling. Like an oriental La Guardia, he leaps into his luxurious limousine to chase the Bangkok fire-brigade to the scenes of the city's numerous and disastrous fires and there supervises, on the spot, the detection, trial and punishment of suspected firebugs. (By Siamese tradition, the physical presence of a ruler is believed to help allay any serious fire, but Sarit has sworn to stamp out the old and honourable Bangkok commercial custom of meeting deficits from fire insurance.)

"SARIT has got religion," his discomfited enemies jeer. A more plausible explanation is that, brooding in English convalescence after his medical treatment in the United States, he resolved to establish and dedicate himself as an heroic figure of reform and progress in what he believes may be his last term of power as Siam's strong-arm ruler. There are many Buddhist precedents for this ambition. So much has been rotten in the state of Siam for so long that there was, it must be conceded, general scepticism when the initial reforms by the marshal's new Revolutionary Party were promulgated. And certainly only the surface of corruption has so far been scraped. But the marshal is persevering and has successfully overridden the massive resistance inside his own following. He can count on the support of King Phumipol, and none seems strong enough to challenge him. "Sarit still commands the tanks," one Western diplomat repeated the cliché—"and whoever commands the tanks rules Siam."

Marshal Sarit's normal and expedient anti-communism has been inflamed by Cambodian recognition of Peking and by his fear of subsequent Chinese infiltration and subversion from the south. He has also been moved to warm soldierly oaths by recent Chinese manœuvres designed to spoil Siam's trade in hogs and water-buffaloes with Hongkong. The Chinese systematically undercut Siamese prices whenever an order was received from Hongkong, whose buyers accordingly became wary of Siamese commitments. Now China has generously passed on this small but profitable sideline to Cambodia as an indulgent reward.

ARRESTS of suspected communist agents have been stepped up inside Siam since Marshal Sarit's return from the United States. A western liberal would wince at some aspects of the official technique; but communist intimidation and terrorism in outlying villages has been undoubtedly—if roughly—curtailed, and there is apt, alas, to be scant scope for the realistic expression of western liberal principles in either the jungles or the counsels of South East Asia.

The question that haunts western diplomats in Bangkok is who will succeed Marshal Sarit, should ill-health compel him to retire suddenly before his reforms have been established. Like all dictators, he is reluctant to proclaim an heir apparent. Without doubt, his current reforms have been accompanied by action to break up and disperse rival factions in both the army and the police and to render harmless the dispossessed interests now suffering under his moralistic decrees. But who would carry on if he were unable to do so?

There is a nasty suspicion that it might be Marshal Sarit's powerful and enigmatic director of civil affairs, General Prapart; and he is not a man who has been vouchsafed a vision of a burning Buddhist memorial in the skies. Even more horrendous is the prospect of a return of the former minister of the interior, General of Police Phao Sriyanond, master of organised corruption and intrigue, who was expelled to Europe when Marshal Sarit deposed Marshal Pibul Songgram in September, 1957. Pibul himself, it is stressed, has no hope of a comeback; the King, who is popular, has privately indicated that he would never tolerate another Pibul regime. There is accordingly a passionate and even slightly hysterical sincerity in the *basso profondo* toasts of western diplomats in Bangkok as they drink the health of Marshal Sarit.

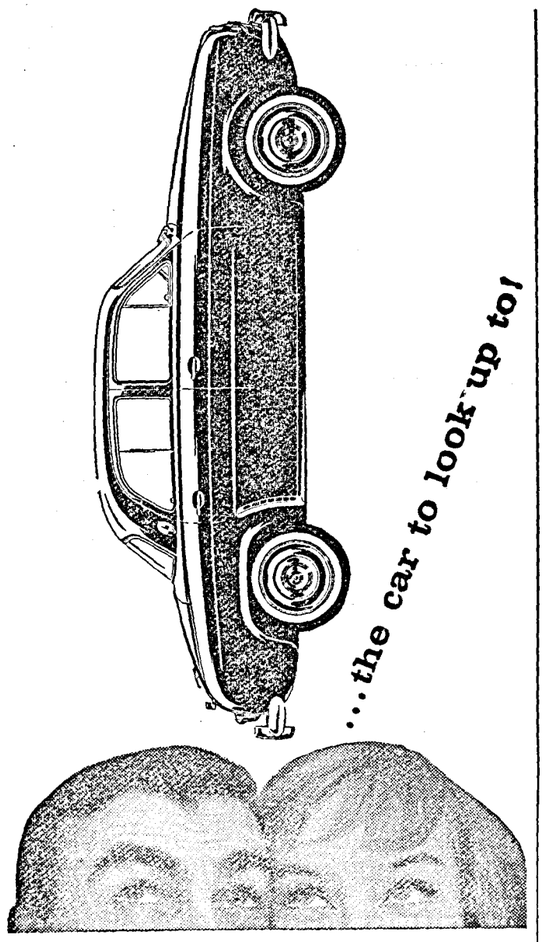
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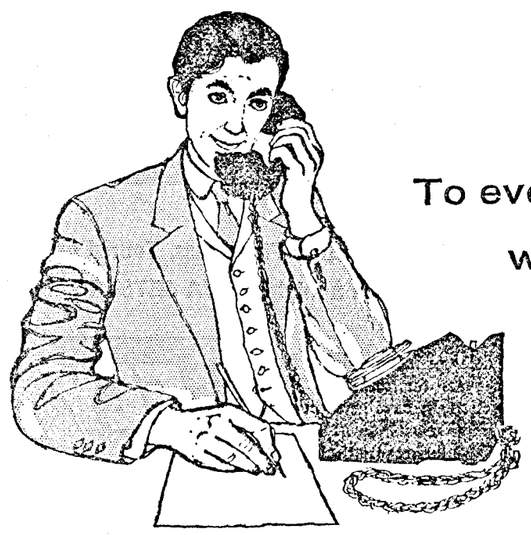
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THE BUSINESS WORLD

Are Interest Rates Too High?

A COUPLE of months or so after Bank rate was hoisted to its crisis point of 7 per cent in September, 1957, short money rates started to fall. In the last few weeks that fall has been sharply checked. In mid-February, the Treasury bill rate dipped below 3 per cent for the first time in four years. It is now nearly 3 5/16 per cent. Although the immediate cause of this rise was a technical one, behind it lies the waning of hopes that Bank rate, reduced to 4 per cent last November, would be further reduced. Any remaining hope has now been all but extinguished by the rise in New York. The US Treasury bill rate rose at the end of February and was followed by increases, from 2½ to 3 per cent, in the official rediscount rates of the New York and several other Federal Reserve Banks; this week the bill rate has risen still further, from 2.816 to 3.062 per cent, its highest since end-1957. So the City is coming to think that any further reduction of Bank rate is likely to wait until after a Budget which the prophets expect to be full of reflationary stimulus; if that fails, then it will be time to use Bank rate—but not before.

This change of prospect for short-term rates explains part of the recent setback in gilt-edged, though political uncertainties and further selling by the banks have played their part too. But the limiting factor in the medium and long-term market is not set by Bank rate policy. Disappointment in the money market in the last few weeks has been trivial by comparison with the disappointment of the gilt-edged market for twelve months or more. Next week will mark the anniversary of the first reduction of Bank rate from the 7 per cent crisis rate; Bank rate has come down in a year to 4 per cent, and the bill rate from just over 6 per cent to 3 5/16 per cent, but there has been only a small easing of the yields on medium and long-term gilt-edged.

The long-term gilt-edged rate had risen steeply well before the emergency measures of 1957; indeed, the demoralisation of the gilt-edged market that summer was a prime factor in persuading the Government to take stern measures. By the eve of 7 per cent Bank rate, Consols were already yielding 5¼ per cent, against 4½ per cent early in the year. The impact of 7 per cent was therefore less violent than it otherwise would have been. The yield on Consols shot up momentarily to over 5½ per cent, settled for a while a little lower, and then, by the eve of the first Bank rate reduction, had regained its pre-crisis point.

AFTER this initial recovery, progress has been extremely slow. In these past twelve months the yield on Consols has fallen, on balance, by little more than ¼ per cent; it is now 4 13/16 per cent. Despite the improvement in the basic health of the British economy and of sterling, the Consols yield today is scarcely back to its level of early May, 1957, when demoralisation started. In nearly two years, the yield has never dropped perceptibly below 4.7 per cent. There has been no such sustained period of high rates since the years immediately following World War I. Indeed, if one excludes the period 1955-59, there have been only two years since 1931 when the average return on Consols topped 4 per cent; and in no single year since 1921 has it been as high as in 1958.

The yield on Consols is the most convenient measure of long-period movements, but it rather understates the extent of the market's reaction. At the peak towards the end of 1954 a representative long-dated stock, 3 per cent Transport 1978-88, showed a redemption yield fully ⅛ per cent below the flat yield on Consols; today there is a difference of nearly ⅜ per cent in the opposite direction, for Transport stock yields 5 5/32 per cent. On the two longest stocks that are currently on tap to the market *via* the Government broker—5¼ per cent Conversion 1974 and 5½ per cent Funding, 1882-84—yields of almost 5⅜ per cent can still be obtained.

There is one school of thought, possibly a grow-

ing school, that regards it as paradoxical that such high gilt-edged yields should be maintained at a time when the economy has surplus capacity which the Government is deliberately trying to absorb by applying stimuli to raise output. So far, an easing of medium and long-term rates of interest has played no perceptible part in this process of stimulation. Since the credit squeeze was ended early in July—when policy started to swing into deliberate reflation—long rates have declined by no more than ⅛ per cent. Why, the monetary expansionists ask, not enlist the traditional reflationary instrument of cheap capital—especially since it might aid investment rather than consumption ?

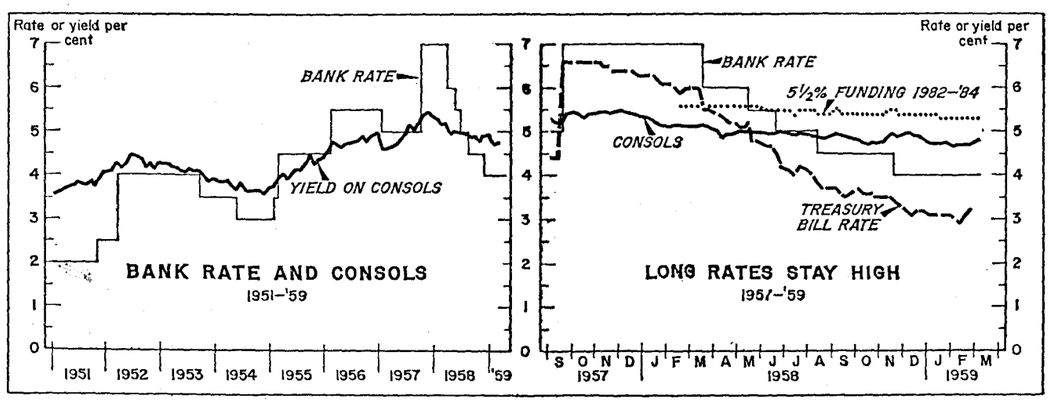
THIS line of argument implies that the monetary authorities are responsible for the present unusually high level of rates. There is something in this. Official policy has tended to keep rates up first by funding—that is by financing the requirements of the public sector so far as possible by sales of securities that do not rank as liquid assets at the banks ; funding has not been abandoned even though reflation has started. The attractive rates on national savings securities have been pulling in a large flow of funds, and the "departments" plainly never lose an opportunity for selling stock to the market. Every recurrence of demand for long-term gilt-edged stocks has been readily matched by sales from official holdings.

Moreover, the success of the authorities in selling securities to the public, coupled with the fact that, before the squeeze ended, the banks themselves became anxious to exchange any surplus liquid assets for high-yielding gilt-edged securities, forced down bank liquidity ratios to a point that gave them little latitude for expansion. Accordingly, the banks have had to finance a large proportion of the exceptionally large addition to their advances by selling investments. Since last September the portfolios of the clearing banks have been reduced by no less than £241 million, of which probably £180 million have been sold through the market. Clearly, sales of this magnitude within a short period would have inflicted major damage to the market unless the authorities had been prepared to give substantial aid. But despite official help, selling from bank portfolios has inevitably acted as a drag upon the market.

Evidently, if the authorities had not been so concerned to sustain their grip on bank liquidity by funding, the easing of medium and long term rates would have gone perceptibly further in these past twelve months or so. To admit this, however, is very far from accepting the contention that in the absence of the official brake there would have been a dramatic decline in rates. On the contrary, there is evidence that market psychology would in itself have imposed a braking action fairly quickly—because investors are still highly sensitive, perhaps hypersensitive, to any tendency that might conceivably be construed as a threat of renewed inflation. The sharp break in the market last autumn was partly brought about by fears that the pace of reflationary action in the preceding couple of months—modest though it had been—was "inflationary."

In the circumstances, that was an irrational fear ; but it still lurks only a little below the surface in investors' thinking. This fear is a curb on any policy of credit expansion which aims at driving down medium and long-term rates substantially. Unless and until public confidence in the ability of governments to avoid a recurrence of inflation becomes much stronger than it is now (so that investors become much more ready to hold long-dated fixed interest securities), it is certain that any deliberate drive for lower rates would take a large amount of credit to produce a relatively small effect. And if the credit expansion went far it would be liable to defeat its purpose by causing holders of gilt-edged (not to mention holders of sterling) to take fright.

If there were no other effective instruments to hand for reflating the economy, or if those instruments had been put to work and found insufficient, then, admittedly, it would be right to enlist the aid of credit expansion of this kind. Then, indeed, the public's fear of future inflation would almost certainly be less obsessive, so that the immediate disadvantages would look less disturbing. There would still be, however, the ultimate disadvantages, flowing from the fact that the



economy would be flush with credit at the very moment when action had to be taken to stem credit—so that the scope for monetary restraint would be impaired at the very moment when its efficacy was most important. It is hard to see what advantage could be gained from forcing rates down now that would justify saddling the economy with this future disadvantage. The other reflationary methods will in themselves involve some credit expansion if they are not to cause an actual rise in interest rates. At present it would seem wise not to press credit creation significantly further than is needed for that limited purpose.

Retailing on the Move

One way of increasing productivity in which even small shopkeepers are prepared to invest is the mobile shop

WHILST the self service revolution and the march of the multiples have focused public attention to retailing on to the larger units, there have been substantial though less spectacular developments in a type of retailing that is essentially "one-man." Mobile shops have more than doubled in number since the war, and are still taking extra trade on to the roads at the rate of perhaps fifteen a week. They account for 2½-3 per cent of the nation's retail food trade ; their high productivity and the strength of their position in country districts and new housing estates will probably ensure their continued growth.

The idea of mobile shops is as old as distribution itself. Most of the goods passing through the channels of distribution are destined for households and there is no necessary reason why the last link, between a fixed retail depot and the home, need be provided by the housewife herself. The itinerant vendor has always been with us. The salesman going from pitch to pitch or door to door is conceptually more closely related to the mobile shop than the van delivering goods that have been selected previously and will be paid for later. But in some cases it is the cost of delivery, superimposed on the cost of collecting and filling orders that has led to the introduction of mobile shops.

It is not surprising that problems of definition bedevil the statistics. The 1950 census of distribution list separately the travelling shops only of co-operative societies. Others are included with hawkers and pedlars under "house-to-house selling." Roundsmen delivering milk and bread are excluded, though some of them do a trade in orange juice, flour confectionery and other articles. Should one include also the 4,500-5,000 vehicles that sell 15 per cent or more of Britain's ice cream ? The most comprehensive surveys of mobile shops in Britain were made in 1946 and 1955 by the Co-operative Union. Between 1946 and 1955 the co-operative mobile stores increased in number from about 2,250 to more than 3,900: of the later total 1,750 were grocers, 1,360 butchers and more than 700 sold other kinds of food.

In 1955 the Scottish and Northern regions had most mobile shops in relation to fixed shops (28 per cent and 32 per cent respectively) and the South and West had fewest (7 per cent and 4 per cent). The greatest proportionate increase since 1946 was shown by the South-West (which had in Devon the only footwear mobile shop and in Somerset three out of the four ladies' hairdressing ones—the fourth being in Oxford). The Co-ops ran 41 drapery mobile shops, 6 furnishing, 6 selling radio and TV, two men's wear, one corn and seed and one fried fish and chips. Numbers will now be approaching 6,000 and are going on rising at an annual rate of some 550 vehicles—probably three times the corresponding figure for all other operators combined. Co-operative annual trade by mobiles will now be around £70 million per annum ; one can only guess at the rest but it should bring the total over the £100 million mark, carried by possibly 10,000 vehicles.

THE main stimulus to this growth has undoubtedly been the dearth of fixed shops on new housing estates. In many cases families have been in occupation there for years before the shops provided for in the plans were built and operating. Even without this lag, rehousing has meant a thinning out of population and a lower ratio of shops to houses, both of which benefit the mobile shop. But other factors have been at work, such as clever design which provided inside service (and avoided purchase tax), the provision of washbasins,

MOBILE SHOP RESULTS
(Co-operative only : 1950 Census)*

	Number	Average Weekly Sales	Average Number Employed	Weekly Sales per Person	Average Sales per person for all shops in nearest turnover group or groups and same trade
Grocers	457	205	2·1	97	52–58
Grocers with other goods...	60	191	1·7	115	...
Butchers	284	101	1·5	68	34–43
Greengrocers ...	241	88	1·6	55	33
Other foods	37	125	3·5	36	...
Non-foods	83	89	1·8	50	...
TOTAL.....	1,162	144	1·9	77	

fluorescent lighting and cold storage containers, and the development of the battery-electric vehicle which makes for easier stopping-and-starting and is more economical over low mileages.

Moreover, the "productivity" of mobile shops is

high as the table, based on the 1950 census, shows. (The totals differ from the Co-operative surveys probably because they include only mobile shops operating as "independent branch establishments.") Co-operative censuses have shown that, compared with static shops in the same trade, of the same turnover, mobile shops averaged sales that were two-thirds to three-quarters as high again per person employed. Many operators would claim much more than a driver-salesman can sell, with one pair of hands, three or four times as much as the average assistant in a fixed shop.

This high productivity of the modern mobile shop was first discovered by Gottlieb Duttweiler of Switzerland in the 1920s, and mobile shops—now over 100 of them—still account for 7 per cent of the retail turnover of his vast *Migros* organisation despite its great postwar development of supermarkets. The *Migros* type of vehicle, with no protection from the weather and next to no display, is unsuitable for this country, but the Duttweiler insistence on strict adherence to a timetable is still the secret of success. Customers must be able to rely on the shop being available at the time when they expect it (once or twice a week). With this proviso, and within broad limits, they will shop when the retailer chooses, so that retailing's biggest problem, the alternation of rush hours and slack periods, can be replaced by a steady flow of work.

This is the principal reason for the high efficiency in selling of the mobile shop. Others are that the physical arrangement is such that almost everything is within reach, that there is a higher average sale per customer, that the functions of preparation and of service tend to be separated, and that in a one-man show the owner or manager has, or can be given, every incentive to work hard and long. One multiple pays its driver-managers £12 10s. plus 6d. in the £ on all sales over £200 per week.

Other costs are of the order of £10 per week for a 2-ton petrol vehicle doing 20 miles a day. First cost of a fully equipped mobile shop is about £1,700 and it would be wise to allow £300 a year for depreciation and repairs, £125 for petrol and oil, and £100 for garaging and sundry expenses. This is 5 per cent of sales at £200 per week, 3.3 per cent at £300, 2½ per cent at £400. A butcher's sales will be nearer £150, but he can manage with a smaller vehicle. How do these compare with fixed shops? A general dealer in a back street, with living accommodation in the same building and not requiring the full-time attention of an adult male, certainly has a far lower break-even point; but there will be no question of its sales exceeding £250 per week. A grocery multiple branch may nowadays break even only at £250, and its net profit after that will certainly rise less steeply than that of the mobile shop, because of the need to add extra staff. Sales in fixed shops are less predictable; expensive promotional efforts may be needed to reach capacity, and the alternative of working well below capacity will be preferable, whereas the mobile shop can usually reach whatever capacity the energy and methods of its operator set.

The mobile shop has its own disadvantages, of course, though most of the technical ones—heating, refrigeration, and washing facilities—have now been overcome, and in case of breakdown a "standby" vehicle can be hired from the manufacturers when needed. It is an embarrassment to supply a mobile shop, since it is undesirable that goods should simply be dropped at its garage in the absence of the operator. Stocks in the vehicle itself, even of the packaged groceries, have to be replenished daily and unless this is done by the operator from his own garage store it means assembly and clerical work at a central depot.

For these reasons few multiples operate large fleets of mobiles. One exception is Baylis of Reading, which bases its fleet on a special depot; another is Thrift Stores of Leeds where the mobile shops are attached to branches, the manager receiving a bonus on their sales to ensure his support. In general they are used in ones and twos to break into newly developing areas where for one reason or another a fixed shop is not available or not suitable. A greater demand comes from independent shopkeepers, often for a son emerging from National Service.

In such a case, there is no question of checking stocks or fixing prices, and the gross profit can reach £50 a week, which leaves enough to write off the cost of the vehicle very quickly. This represents a form of expansion and capital expenditure amongst a class of retailer not noted for either, and financing it is easy with quick profits and a down payment of only 20 per cent.

Because mobile shops are neither fish, fowl nor good red herring, they have stirred up several arguments about what the law is or should be. They may blow their musical horns only when on the move; they are subject to hygiene regulations, and to C-licence restrictions on hours of work, but not to shop closing hours as determined by the local authority. There have been complaints that they are a danger to young children playing in the estates, and a proposal that they should pay a registration fee corresponding to the rates that they would pay if they were fixed shops in similar localities. They are not, like new fixed shops, subject to planning permission, nor, like public service vehicles to the licensing of their route; any attempt to regulate their numbers and routes would pose some knotty problems.

What of their future? Local authorities may catch up with the provision of shops on new estates but experience shows that even the full planned provision need not prevent the mobiles operating profitably. The new car owners will in most cases not use them much for "convenience" shopping. Mobiles do not need to compete with supermarkets; their role it seems, is to replace the small shop in bringing goods near the home. In this role they can bring more, nearer, more cheaply. For years to come there will be housewives, tied to the home by distance, children, or laziness, who will welcome them.

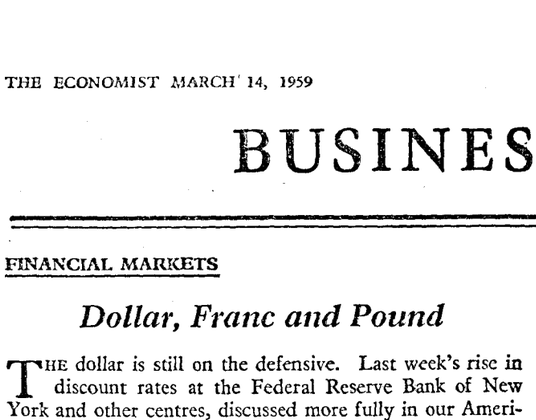
BUSINESS NOTES

FINANCIAL MARKETS

Dollar, Franc and Pound

The dollar is still on the defensive. Last week's rise in discount rates at the Federal Reserve Bank of New York and other centres, discussed more fully in our American survey, has not led to any weakening of sterling or other European currencies against the dollar. Exchange is still flowing into France, and the Bank of France has announced that it has no further need of the swap facilities made available by the Bank of England and Continental central banks; the special credit facilities granted by the Bank for International Settlements and a group of American banks are still intact.

The move by the American monetary authorities had been too largely discounted to have impressed foreign opinion, which is still waiting for some (unspecified) decisive action to "stop the rot" in American public finances. But the rise in American money rates—the three months' Treasury bill rate reached 3.062 per cent this week, only ¼ per cent below the London rate and significantly above short money rates in Frankfurt, Amsterdam and some other Continental



centres—may exert its own pull on American and European funds that have moved into Europe. It is a long time since rates in New York have stood above important Continental centres. Swiss bankers, faced with a plethora of liquid funds, have recently been buying US Treasury bills.

Sterling this week faced in addition the trouble and confusion in Iraq, and rumours that the election might after all be in May. Its continued firmness against these several influences is a reflection of the strength of underlying confidence. Gilt-edged securities have fared rather worse. Bank selling has not stopped, and the market has to adjust itself to the new Bank rate prospect. After Thursday's "no change" it became clear that there could be no question of a reduction until after the Budget. Equities have been fairly bright. Even oil shares were little scarred by Iraq, and the market as a whole is successfully absorbing the flow of new issues released by the removal of the CIC control. The latest batch is covered in our notes on Company Affairs.

Australia has announced its expected issue to deal with the maturity in June of £20,675,000 of 3½ per cent 1954-59 stock. Holders are offered conversion into an issue of £10 million 5½ per cent stock 1973, and £10 million of 5½ per cent 1976-79, both at 99. Cash offers will be accepted if conversion applications leave something over. These terms—the gross redemption yields are around £5 12s. per cent—are almost the same as for Australia's issue of £15 million of new money last October.

STEEL

Cutting Down Stocks

By the end of last year stocks of steel in consumers' hands were lower, in terms of the rate of consumption, than at any time since mid-1956; and they will have been falling further since. Even so, the 3,526,000 tons of finished steel in those stocks represented about 14.7 weeks' consumption, which was higher than in most postwar years; right across the whole range of steel usage, that tonnage hardly yet means short commons. With steel production output running 25 per cent below capacity, customers know that they can get delivery of most products relatively quickly. There is still no very significant improvement in the rate of ordering, though there are more signs than a month or two ago that certain customers at least have stopped running down their stocks. Production in February was at the rate of 349,000 ingot tons a week, slightly lower than in January because of the strike at the Steel Company of Wales and through mechanical difficulties elsewhere; it was about 18½ per cent lower than in February, 1958.

At an annual rate, that would represent just over 18 million ingot tons, against a steel-producing capacity this year of some 24½ million tons. This state of surplus, as the British Iron and Steel Federation recently pointed out, "cannot leave the industry's long-term development unaffected," in that it must mean reviews of companies' plans. The immediate effect of recession, however, has been to leave plant manufacturers freer to get on with schemes already in hand; the Iron and Steel Board reports this week that last year the industry managed to spend £105 million on modernisation and development, against £95 million in 1957. Second thoughts or not, the manufacturers expect to spend at least as much this year.

The board's comment some months ago that from schemes already in hand it could see capacity for about 27 million ingot tons of steel by 1962 has been interpreted to mean that it was revising its long-term plans downward. This week it said that while about 500,000 tons of capacity in obsolete works had been closed earlier than it had originally expected,

> the prospect now is that the production capacity for crude steel will approach 28 million tons by 1962. If there is the demand, production in excess of that capacity should be possible.

That does not take account of any significant production by 1962 from the two new projects for strip mills at Ravenscraig and Newport.

The Newport Mill

SOME details of the Newport project, which is looked on in the steel industry as by far the more important of these two new strip mills, were announced by Lord Mills this week. This entirely new integrated plant, which is to be built by Richard Thomas and Baldwins, the last major company still nationalised, is to have an initial crude steel capacity of a million ingot tons, from which "not less than 600,000 tons of strip mill products" will be rolled on a semi-continuous strip mill; it is to be sited at an excellent deepwater anchorage. The ingot capacity of the new steel works will be lower than that in the strip mill project submitted by the company to the Iron and Steel Board in March last year, after the board had turned down its original proposal for a steelworks there which would have been laid out for an eventual strip mill, but in the first place would have included only a billet mill. The new scheme, which has now been approved by the board, however, retains one major feature of the original proposal: it will have a margin of crude steel capacity to supply extra slabs to RTB's existing continuous strip mill at Ebbw Vale, releasing the slabs now sent there from the company's Redbourn works at Scunthorpe. That steel, produced from home ore, will now be made into billets at a new continuous billet mill to be installed at Redbourn.

The Newport plant is estimated to cost £100 million: RTB is to borrow £60 million of this direct from the Government under an agreement roughly similar to that under which £50 million is being lent to Colvilles to build the other new strip mill at its Ravenscraig works. The company will finance the rest, plus development at Ebbw Vale and Redbourn, from its own resources and its normal borrowing from the Iron and Steel Holdings and Realisation Agency, which is at present its sole shareholder. The nationalised company will draw the £60 million in ten tranches over five years, at interest rates set by the Treasury having regard to the cost of long-term Government borrowing at the time (the same formula as applied to Colville's). The first tranche is to be drawn in October this year, and the loan is to be repaid by 1971. The heads of agreement agreed in principle include provision for the possible return of the company to private ownership during this period.

The Newport plant is expected to come into operation in 1963, to achieve "significant output" by 1964, and to come into full production by 1965 or 1966. It is designed to be capable of conversion to a fully-continuous mill—and presumably for very considerable expansion from its initial capacity.

STANDARD-MASSEY-FERGUSON-ROVER

Trembling on the Brink?

As this issue of *The Economist* goes to press, no announcement has been made concerning either of the two business deals involving the Standard Motor Company on which discussions have been taking place in recent weeks: namely, the sale of Standard's tractor division to Massey-Ferguson, and a merger between Standard and Rover. The scene of the negotiations may have been shifted this week to Geneva, where officials of Rover and Standard are attending the Motor Show. Agreement between Massey-Ferguson and Standard has been rumoured to be near for some time; Massey-Ferguson announced in January that it did not intend to renew its contract for tractor production with Standard, which does not formally expire until 1965, and stated at that time that it was negotiating to buy Standard's tractor division. Last week Rover and Standard issued a joint announcement that preliminary talks between the two companies were taking place, with the objective of "assessing whether the two companies can help one another."

Presumably the two sets of negotiations depend upon each other to a high degree; a final agreement involving all three companies may be announced simultaneously. Roughly one-half of Standard's present annual output of about 150,000 units is represented by tractors. Sale of so large a part of the company's assets (and earnings) would make some rapid increase in car and commercial vehicles essential, and a merger with another manufacturer is one obvious way to do this. On the other hand Standard and Rover could merge even if the former kept its tractor division: such a merger was discussed a few years ago, but the idea was dropped. Between them the two companies now have an estimated annual output of about 100,000 cars, plus about 50,000 Land Rovers, a year.

A price of £12-£13 million has been suggested for Massey-Ferguson's purchase of Standard's tractor works at Banner Lane; against this about 24 per cent of Standard's equity is held by Massey-Ferguson and would presumably figure in the deal. It has been suggested that these shares might be taken over by Rover, for which Standard could then make an offer. Massey-Ferguson could purchase the tractor division with its own shares; but a cash deal seems more likely in view of Standard's current shortage of cash. A Standard-Rover combination would initially have an output approaching that of Vauxhall and Rootes; but would probably need to expand its facilities if it hoped to compete in markets with BMC and Ford.

FORD MOTOR

Better than Expected

THERE was talk of a scrip issue and the £1 ordinary shares of Ford Motor were firm before the preliminary statement. There is no scrip issue but the shares justifiably gained another 1s. 7½d. to 57s. 1½d. on the "special non-recurring" interim dividend for 1959—clearly a profits tax interim—of 3 per cent. This implies an

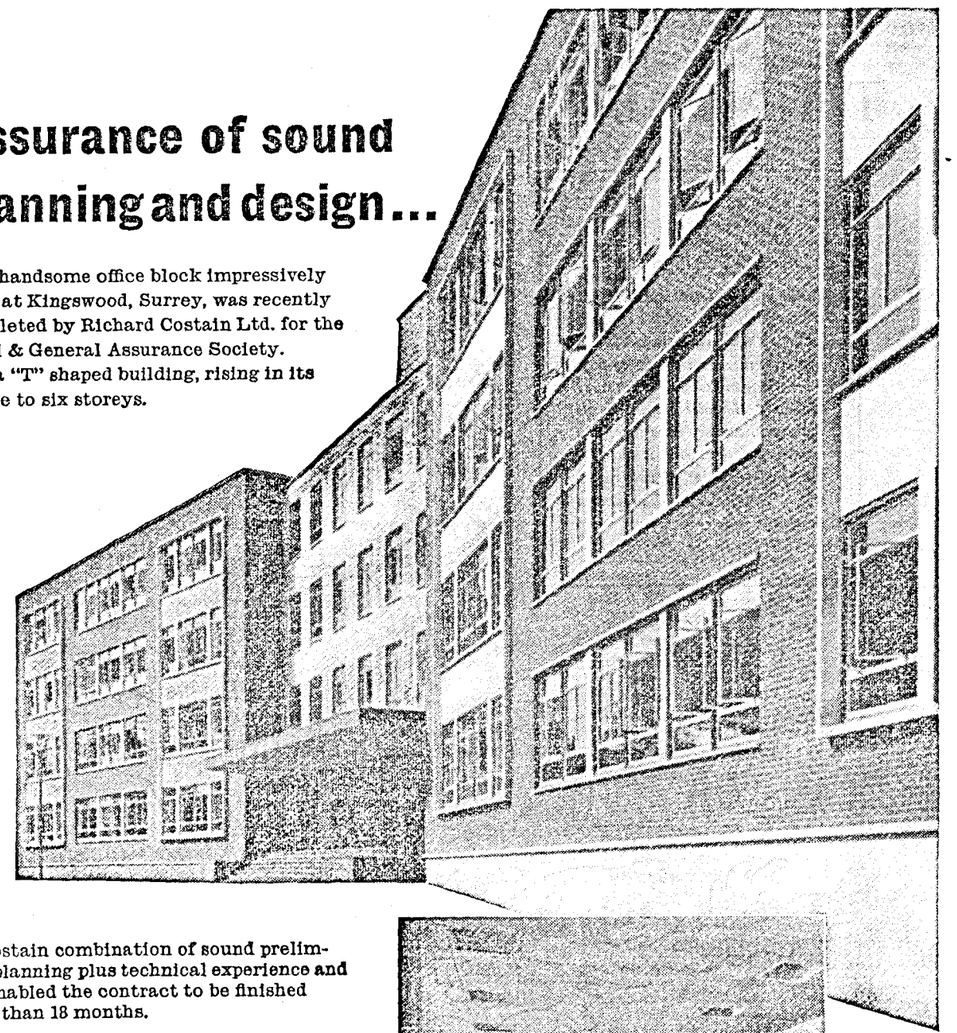
SALES AND EARNINGS

(£'000s)

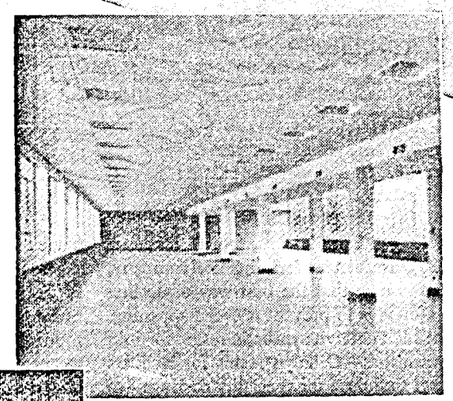
Six months ended	June 30, 1957	Dec. 31, 1957	June 30, 1958	Dec. 31, 1958
Sales	79,900	86,000	110,200	96,400
Trading profit	8,685	10,720	14,139	12,175
Back pension contributions	...	1,362	1,508	115
Gross profit	8,685	9,358	12,631	12,061
Vehicles sold	166,234	172,187	228,773	192,799
Trading profit per vehicle	£53½	£62¼	£61¾	£63
Trading profit/Sales	10·9%	12·5%	12·9%	12·6%

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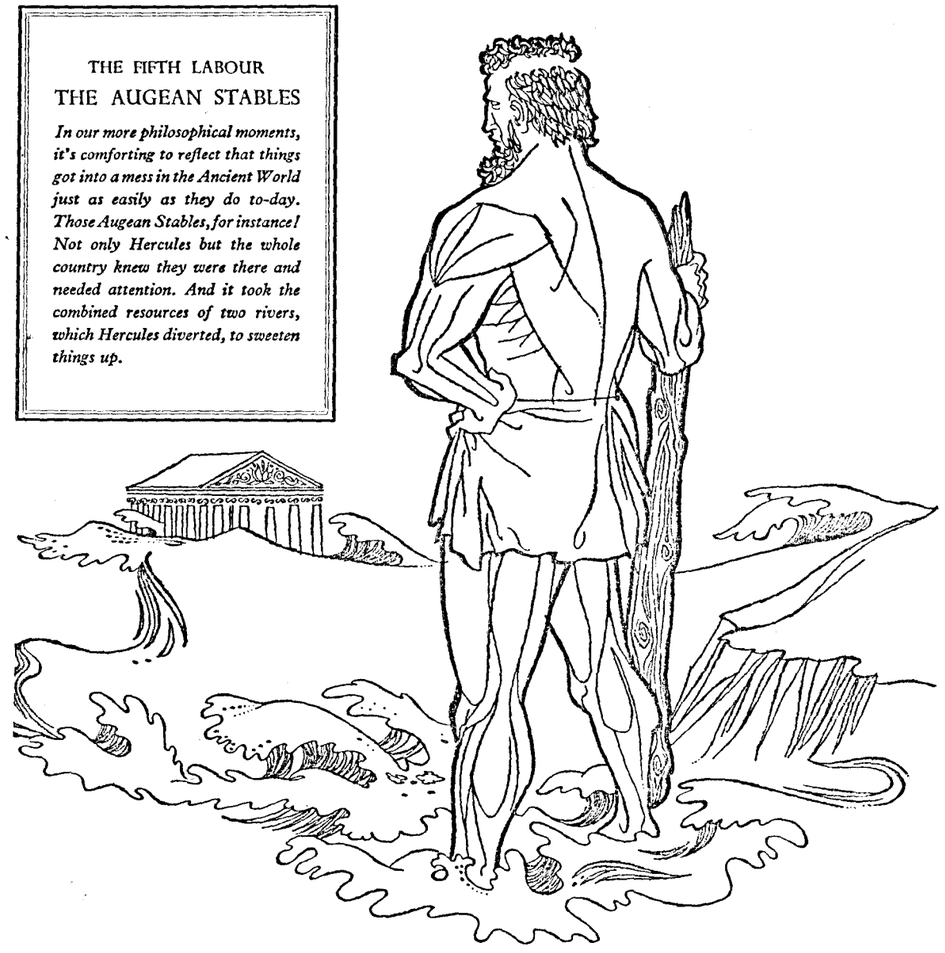
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THE LABOURS OF HERCULES

THE FIFTH LABOUR

THE AUGEAN STABLES

In our more philosophical moments, it's comforting to reflect that things got into a mess in the Ancient World just as easily as they do to-day. Those Augean Stables, for instance! Not only Hercules but the whole country knew they were there and needed attention. And it took the combined resources of two rivers, which Hercules diverted, to sweeten things up.



Hercules can learn lessons, too. In his more mature guise, as a modern chemical company, he knows now that the best way of dealing with a mess is to prevent it ever happening. Hence his Pentalyn synthetic resins for inks and varnishes—Cellolyn resins for lacquers—Ethyl Cellulose for speciality coatings—to name three of his present weapons at random. These help to stop production messes before they start, if only because of the standard of quality and consistency they reflect. Do you too dislike the prospect of messes? If so, and the weapons of industrial chemistry are indicated, check on this aspect of the Hercules story.



HERCULES POWDER COMPANY LIMITED

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effective rise in the ordinary dividend from 9 to 12 per cent, against the market's best expectations of 11 per cent, and the shares now yield 4.2 per cent.

The dividend is backed, naturally enough after a boom year in the motor industry, by impressive profits. Last year Ford Motor's sales jumped from 338,421 to 421,572 vehicles, and in value from £165.9 million to £206.6 million. Trading income, before charging back-pension contributions, advanced from £19.4 million to £26.3 million. But the real significance in the figures is that the fall in profits in the second half of the year was not so significant as the directors apprehended in the interim report at the beginning of October. A seasonal influence can be discerned in the drop in the number of vehicles sold, but profit per vehicle (which affords a rough guide though it takes no account of business in spares) and the ratio of trading profits to turnover have both remained remarkably constant in the last eighteen months. There was a slight drop in profit margins in the second half of the year which must be largely attributable to the slightly lower rate of production over that period.

COMMON MARKET IN CARS

Line-up at Geneva

GENEVA'S *Salon d'Auto, 1959,* which opened this week, is a curtain raiser for motor competition inside the Common Market—though held outside the frontiers of the Six and with outsiders, particularly the British motor industry, there in some force. Of the Common Market's manufacturers only the Italian Fiat company has launched a really new model, the Fiat 1800. This is a six-cylinder model, with alternative capacities of 1,795 or 2,054 cc: it has been designed to fill the lack of modern medium-sized Italian cars. It is a saloon built on much the same straight-lined pattern as the Austin A.55 (Farina seems to have had about the same amount of influence on both designs). Whether it will replace Fiat's existing 1400 and 1900 models has not been announced. Its domestic price of some £850 ensures, at present tariff rates, the exclusion of possible foreign competitors. Both the Italians and the French are pursuing a most aggressive sales policy in Germany, and are making much more rapid headway in Germany than in either of the other markets. Fiat sells a car for under £250 in Germany and sold some 20,000 cars during the last 6 months, while licences for German cars in Italy have been limited to less than 2,000.

The Italian-styled A.40, A.55, Wolseley 1500, MG Magnette Mark III, in all of which Farina has played a part, and the Standard Vignale, designed by Michelotti are showing at Geneva for the first time, reflecting the British desire to enter the Continental market. Competitors have marked with surprise the changing look of British cars. But nobody is worried while the British competition remains outside their new trading enclave. British salesmen are trying to make the best of the circumstances: Rootes are building up a streamlined sales organisation in the centre of Europe based in Geneva and have more agents and salesmen on the road than ever before. First impressions in Geneva suggest that the scene is well set for a European competitive market in motor cars, with competition at its fiercest in the Common Market. British manufacturers made good use of the period of germination of the Free Trade Area. They cannot be blamed that it was stillborn.

OVERSEAS TRADE

The Gap Narrows

IN February imports usually fall more sharply than British exports, thus narrowing the trade gap. Last month's trade followed that pattern. Imports fell by £36 million to £292.4 million cif, while exports dropped by £19 million to £250.9 million fob. With re-exports £1 million higher at £10.4 million, the apparent visible deficit fell by £18 million to £31.1 million. The buoyancy shown by imports and exports in the fourth quarter has faded, at least for the time being. In the fourth quarter imports were 1½ per cent higher in value than a year ago, and were expected to increase further as Britain pulled out of its recession. They have not done so: taking January and February together imports were still only 1½ per cent higher than a year ago. Exports in the fourth quarter were only 1½ per cent smaller than a year ago, but in January and February the average was three per cent smaller than a year ago.

UNITED KINGDOM TRADE
(£ million—monthly average or calendar months)

		Imports cif	Exports fob	Re-exports fob	Apparent deficit	Exports to N.America
Year 1958		312·5	264·3	11·7	36·5	38·3
1958	1st quarter	309·4	271·0	13·2	25·2	34·5
	2nd "	300·0	255·8	11·1	33·1	39·1
	3rd "	312·5	258·6	11·4	42·5	37·1
	4th "	328·2	271·8	11·2	45·2	42·6
1959	January ...	328·6	270·1	9·3	49·1	41·3
	February*.	292·4	250·9	10·4	31·1	36·8

* Provisional.

Shipments to North America fell by £4½ million to £36.8 million last month, though the average for the two months was still one-fifth higher than in the same period of 1958. Shipments to the United States in February dropped by £3.3 million to £24.5 million while shipments to Canada were £1.1 million lower at £12.3 million.

THE SMALL INVESTOR

A Choice of Risks

SIR EDWARD WILSHAW'S championship of the merits of investment trusts is well supported by the practical steps he has taken to make Cable and Wireless popular among small investors as well as big. His contribution to the debate on how best to serve needs of the small investor, in his statement to Cable and Wireless stockholders, is certainly provocative in the distinctions that it draws between investment trusts and unit trusts.

His warning that an investor in a unit trust puts his capital at risk is opportune. A general and prolonged fall in industrial equities would shake the confidence of many new investors in unit trusts and, thrift plans or no thrift plans, it would be much more difficult to appeal to them again. Then Sir Edward carries the argument on to more debatable ground, with the suggestion that the ordinary shares of a well-managed investment trust are a better repository for small savings than a unit trust. He advances two reasons. First, the value of investment trust stocks is

not determined by the day-to-day fluctuations in the value of the underlying securities. Secondly, whereas a unit trust distributes all its income, the typical investment trust puts part of it to reserve. Sir Edward does not, incidentally, mention a third and palpable attraction: the effect of gearing on investment trust equities.

Day-to-day changes in the market value of an investment trust equity may be smaller and slower than those of a trust unit. But that is the result of a narrow market as much as of intrinsic merits ; investment trust equities can slump just as quickly as the general run of ordinary shares—and on occasions more quickly. The reserves set up by investment trusts provide a backing for growth and some insurance that dividends can be preserved in bad years. But, turning Sir Edward's argument on its head, there are some holders of investment trust ordinaries who might prefer more generous dividends which would bring the value of their holdings closer to break-up values, and carry the risk of greater fluctuation in market values and dividends. There is, in fact, room for both investment trusts and unit trusts. Sir Edward's plea for the merits of investment trusts is timely. His further argument that the number of unit trusts should be controlled is not so easy to accept.

GOLD AND SILVER

Sophisticated Hoarding

SAMUEL MONTAGU AND CO, whose annual bullion review always sheds some new and intriguing light on the precious metals, this year draws a distinction between "hoarding" and "investment" in gold. The review estimates that in 1958 private hoarding demand fell away to a mere 4 million ounces, compared with 7½ million in 1957, but that "investment" in gold rose sharply from about 1½ million in 1957 to around 8 million ounces. What is the line of demarcation between primitive hoarding and sophisticated investment? Both usually involve speculation about the price of gold, but it is possible to distinguish between French and Indian peasants hedging against the instability of their own currency, and international investors hedging against a rise in the world price of gold. This new demand has been canalised mainly through Switzerland, Toronto and London ; London is at a disadvantage since the authorities still ban forward dealings in gold. Samuel Montagu does not rule out the possibility that America might be forced to raise the gold price.

The supplies of newly mined gold out of which this private monetary demand for gold has to be satisfied are increasing steadily. Total world production excluding the USSR is put at 30,200,000 ounces for last year, an increase of 800,000 ounces on the total for 1957 and 2 million on that for 1956. Soviet production is estimated by Samuel Montagu at about the same figure as that of South Africa, namely a little over 17½ million ounces ; Soviet gold sales in 1958 are put at about 6 million ounces.

The review's comments on silver are notable for the silver saga of Saudi Arabia. This is the only country that has so far failed to make any arrangement with the United States for the repayment of Lend-Lease silver obtained during the war. Far from repaying silver (it borrowed 21 million ounces in the war) Saudi Arabia has in recent years been absorbing it on a substantial scale as a result of an expensive programme of minting and circulating silver ryals. These coins have been made 11/12ths fine and for some time past their silver content has exceeded the exchange value of the paper ryal. Greshan's Law has duly come into play and almost as fast as the new coins have come in the silver has gone out again, some of it melted in the Lebanon, but more recently shipped in the form of coin through Aden to the world's markets, including London. It is estimated that at least 12 million ounces of silver have been extracted in this manner, to the considerable profit of the dealers concerned but with diminishing prospect of the United States ever recouping the Lend-Lease silver still owing by Saudi Arabia.

INTERNATIONAL INVESTMENT

A Banker Speaks Out

ONCE again, Sir George Bolton strikes an individual note to stockholders of the Bank of London and South America. Last year, he argued that the world might be moving from the scarcity economics of postwar years "into a position of abundance, smaller profit margins and fierce trade competition." He sees no reason to modify that view. But this year he turns to the increasing economic power of Europe in relation to the United States, and argues the need for Britain to join in common European financial ventures.

Europe's capital market is assuming increasing importance when America's is beset by fears of inflation. He hopes that the steps, "belated but important" (and these are significant words from Sir George, who was in charge of exchange policy at the Bank of England for many years and is still on the Bank Court) to convertibility last December open the way towards full freedom for European financial institutions to "combine their resources and expertise to finance industrialisation in Latin America and the Commonwealth." Exchange control is still an obstacle to participation by the Bank of London and South America in the financing consortiums now being arranged on the Continent. But the bank has made a new drive for expansion in Europe and North America, and the loss of deposits caused by transfer of the bank's Caribbean branches to the new Bank of London and Montreal has been more than made good. The bank's foreign exchange business has doubled in the past year.

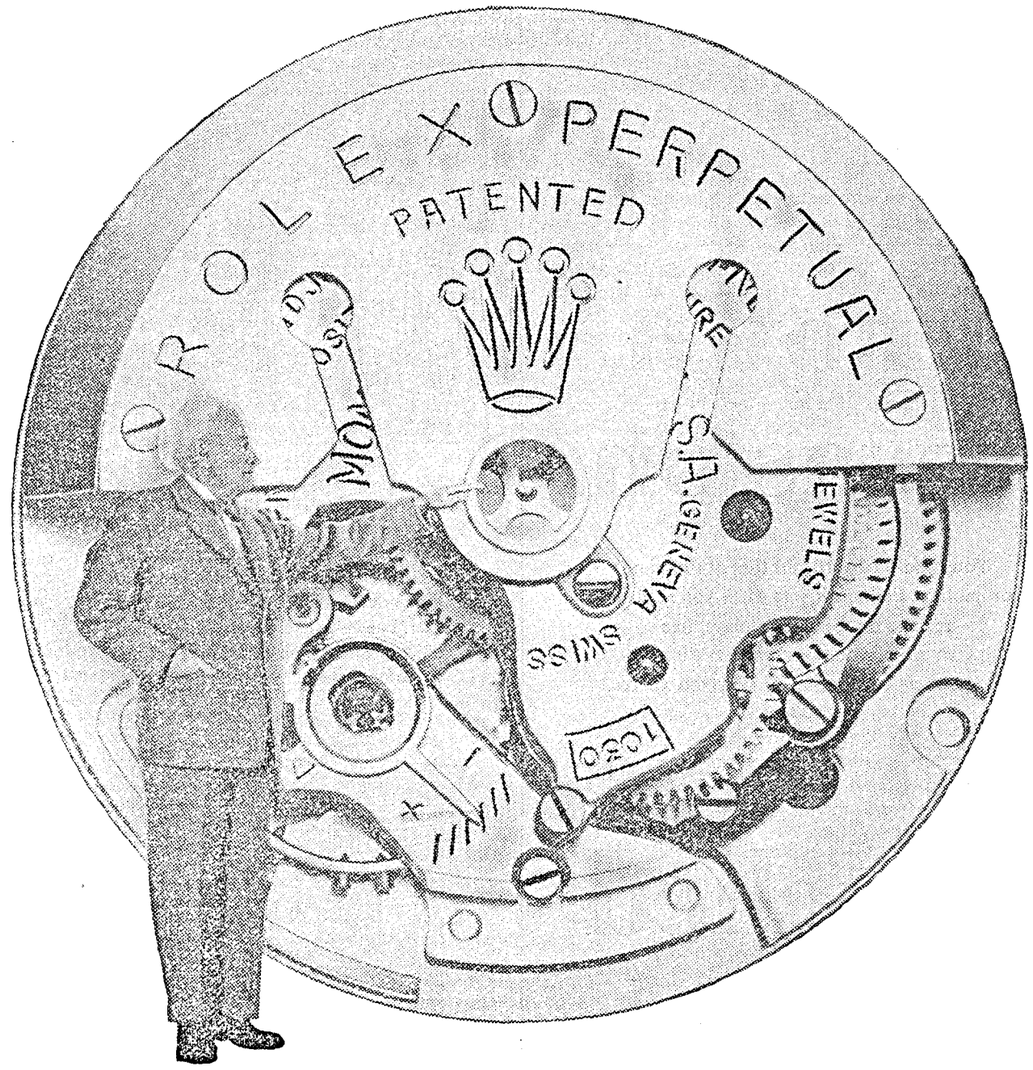
Sir George believes that financial and trading interests in the West must revise their ideas of where they can make

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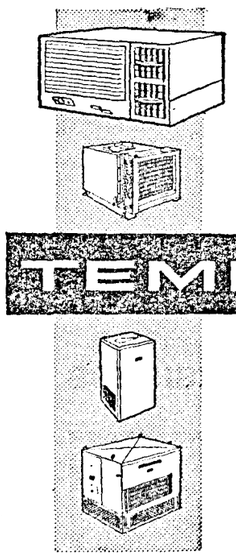
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money. Africa he almost rules out, on wide political grounds; nor does he see a sympathetic climate for western business in the Middle East or Asia. That leaves, apart from Australasia, Europe and the Americas—the areas in which the Bank of London and South America operates. Instability of currencies and of governments of Latin America does not worry the Bank of London, and Sir George see no reason why it should worry businessmen. These countries now allow free remittance of profits, and that is all that matters. Certainly Germany is going ahead; Mercedes is putting up plants worth £50 million in Brazil. Against those British businessmen who recall unfavourable experiences a few years ago, Sir George maintains that the attitude of South American governments to foreign investors has since changed radically.

Eurunion in Britain

THE rapid march of events in Continental financial centres has provoked thought in the City about its own part in the European capital market. Obstacles to full and active participation are still considerable, and British investors have not in the past shown great interest in Continental securities. Difficulties of institutional practice and legal requirements act as a further brake, which has been particularly restrictive on participation in the European unit trusts that have recently been created.

These difficulties have been highlighted in the case of Eurunion, the common market trust launched by a Continental banking syndicate and sold in all financial centres of the six common market countries. N. M. Rothschild are acting as London agents. But the provisions of the Prevention of Fraud (Investments) Act, impede the marketing of these units. Eurunion cannot be brought within the Board of Trade regulations on unit trusts for several reasons: its trustees are foreign; and its loading charge is 16 per cent over 20 years, against the maximum allowed by the Board of Trade of 13½ per cent. Rothschilds have felt able to pass on details of the offer to banks and brokers only, leaving them to contact institutional and other investors. The yield of 2 per cent is another deterrent to British investors. Subscriptions in this country are so far small; but the interest shown suggests that Continental securities may in future become more important in the London market.

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BRITISH ALUMINIUM

The £88,000 Postscript

A POSTSCRIPT to the British Aluminium dispute proposes that compensation for loss of office should be voted to Lord Portal, the former chairman of BA, in the sum of £30,000 and to Mr Geoffrey Cunliffe, the former managing director, in the sum of £58,000. Both gentlemen resigned from the BA board last month after Tube Investments and Reynolds Metal had secured control of the company following a battle of much bitterness. Average emoluments of the twelve directors of British Aluminium in 1957 were about £9,000. The *ex gratia* payments now proposed will presumably be free of tax.

Compensation to directors for loss of office has been attracting a lot of attention recently. The anomalous nature of such a payment was recognised by the Royal Commission on Taxation. It argued that it was comparable with a payment in lieu of salary, which "should certainly be regarded as taxable"; the Royal Commission therefore recommended that compensation payments should in future be treated as taxable income. Thus far, they have not been. However large the *ex gratia* payment is, the Inland Revenue cannot intervene. What it can do is tax any part of the compensation that is a payment for past services, and any compensation that arises from a contract. These payments are due for approval on April 1st, that is before the Budget in which the Chancellor, if he has a mind to do so, could belatedly implement the Royal Commission's recommendation.

AIRCRAFT ORDERS

Rotodyne on a See-Saw

PROSPECTS for Fairey Aviation's Rotodyne, a first-generation cross between an aircraft and a helicopter, go up and down with see-saw regularity. No orders have been placed for commercial versions of the prototype now flying, which can seat up to 48 passengers, but there has been a good deal of interest in the proposed version of the same machine powered by larger engines, a pair of Rolls-Royce Tynes in place of the existing Napier Elands. The change seemed sensible, and the Treasury was willing to allow the Ministry of Supply to pay half the development cost if the company bore the rest, up to a combined maximum of £8-£10 million. There were several potential customers—British European Airways, the American helicopter operator, New York Airways, and the Canadian Okanagan Helicopters, with the virtual certainty that if these ordered the Rotodyne, the Belgian airline Sabena would do the same.

Yet almost as soon as this decision had been taken, it became plain that at least one of these potential customers, British European Airways, had transferred its interest elsewhere. BEA stated flatly that the only Rotodyne it was prepared to consider buying was one that not only had Tyne engines, but also had a bigger fuselage capable of seating 65 passengers. This was not mere fickleness on BEA's part. Such an enlarged Rotodyne promises to be able to carry passengers for half the cost of the present version and to be the first helicopter (if it can be called such) capable of paying its way. But the change in requirements has been enough to suggest doubts to the Treasury whether BEA intends to buy the machine at all. There is not likely now to be government aid for further development of the Rotodyne unless BEA actually gives the company a letter of intent showing willingness to buy the 20 Rotodynes that it has frequently said it would like to have.

New York Airways has been negotiating for a renewal of its licence to operate helicopter services and has had to show what provision was being made for new machines. The

letter of intent received by Fairey from the American company is for five machines with an option on a further 15. This is a long way from a firm order even though it includes a down payment, but it would be sufficient, combined with a BEA order for another 20, plus two for the Canadian company, to justify Fairey in tooling up to produce Rotodynes. Everything depends on whether Lord Douglas is prepared to commit BEA during the next few weeks to spending £10 million on 20 machines that could make or break his airline. Fairey has made it plain that it will be able to keep its design teams together for only another few weeks at most.

AIR NAVIGATION

The Next Move

THE next move in the now deeply embittered dispute over competing British and American systems of air navigation will not take place for some time. The meeting held in Montreal at the beginning of the month by the International Civil Aviation Organisation, at which the British proposal to use the Decca system as the standard navigation aid in Western Europe was resoundingly defeated, was a purely technical one, with no authority to do more than circulate its recommendations to ICAO's 73 member states for their comment. It is not likely that those comments will lead the committee to alter its views in favour of the American VORDME system of navigation, which UK air navigation experts consider inadequate for safe traffic control in crowded areas. But the last word rests not with the technical committees but with the ICAO council on which 21 states are represented and from which the report needs to get a two-thirds majority before the American system is approved as the international standard navigation aid for the next decade.

Four of the member states on the council have already voted against the VOR system on the technical committee. It might be more practicable for UK delegates to organise sufficient opposition to get the report rejected in this relatively compact meeting, which consists of countries with highly developed air transport systems than it was at the bigger meeting held in Montreal. But even if it could thus prevent acceptance of the American system, this would contribute nothing towards easing the near-chaos with which air traffic over Europe is threatened. Any decision on future methods of air navigation, even a bad one, would be better than the present uncertainty.

RAW WOOL

Consumption Revives

THE modest recovery in wool prices this year now seems to be firmly based on a revival of world consumption. In the third quarter of 1958 the rate of consumption of new wool in ten leading countries was slightly higher than in the previous quarter, though still nine per cent lower than in the third quarter of 1957. Figures now published by the Commonwealth Economic Committee show that in the fourth quarter, the rate of consumption was again a little higher than in the previous quarter; of the six largest countries covered, only France showed no rise. And for the first time since the recession began, consumption was actually higher—by 1½ per cent—than in the same quarter a year ago. For the whole of 1958 consumption in the ten countries fell by 11 per cent compared with 1957.

The recession hit wool growers hard. In the first seven months (July to January) of this season Australia, the largest producer, sold the same quantity as in the corresponding period of last season, but its receipts dropped sharply by 31 per cent to £117½ million. New Zealand, which produces mainly crossbred wool, sold 7½ per cent more wool than in the same period of last season, and its receipts dropped by 21 per cent to £28.9 million. Crossbreds did not fall as sharply as merino wools, thanks mainly to the New Zealand support scheme. A further recovery in prices this season can be expected, though it can hardly wipe out the earlier decline. Wool's troubles, it now seems clear, were caused mainly by a reduction in trade and manufacturing stocks, not by any fall in purchases by the public.

DATAC

Auction in Subsidies

ON the same day that Mr Douglas Jay published a pamphlet proposing the scheduling of a number of new development areas and the building of factories by the Government in advance of arranging tenants for them in certain "development places," the Government announced that it was adding five places (in Lancashire, Scotland, and County Durham) to its list of areas qualifying for special financial assistance to industry under last year's Act. The towns where Mr Jay wants "advance factories" built and those where the Government is adding to its list include a high proportion of marginal constituencies; this is not the only similarity between what Mr Jay would like the Government to do and what it says it is trying to. His proposals, made after visiting a number of the places in the kingdom where unemployment is particularly high, also include:

> resumption throughout the development areas of factory building by the industrial estate companies with finance from the Board of Trade, and lifting of the ban on "schemes not able to be completed by October 31st this year";
>
> grants to local authorities in the newly listed places as well as in the actual development areas to improve basic services and tidy up derelict areas;
>
> larger rent concessions in offering industrialists Government-financed factories in these areas; and
>
> more effective use of the "machinery for ensuring that unemployment areas get reasonable preference in Government contracts, and in work placed by publicly owned industries."

Within the context of this policy of making work seek the worker, which both political parties accept, some of Mr Jay's detailed complaints about slackness in the policy for development areas and muddle in the application of the much more limited financial assistance available to the areas listed under last year's Act appear reasonable. But he has to strain fairly hard to make the broad policy he has in mind look very different from the one that he is attacking. How, for example, does one use industrial development certificates "more toughly" to steer companies wanting to build new factories away from congested areas that are already short of labour; instead of saying "No," should the Board of Trade say "No, damn you"?

Nor does Mr Jay address himself squarely to the industrial

weaknesses that may be created by this whole policy, carried too far. He says:

> Repeated experience since the war has shown that the great majority of industrial expansions (*sic*) can be economically placed in one or another or many locations, particularly in the light engineering and textile trades.

There is something in this; but would he apply it, for example, to the steel developments of which political considerations have settled the location during the last few months? The location of industry may often not matter much. Even so, Britain now has to compete with a Common Market in which, over the next few years, Continental industries should at least have the chance to gain advantages from more specialisation and better location. Both parties propose to do so by bigger and better State subsidies for the mislocation of new British industry.

NUCLEAR SUBMARINES

Making a Start

PLANS for a small British fleet of nuclear submarines have been shelved for the best part of three years while Britain and the United States have been trying to reach agreement over the terms on which American know-how would be made available to this country. Just why the negotiations have taken so long is not clear. A final agreement between the two manufacturers involved, Rolls-Royce in this country and Westinghouse in America, was completed only this month. Under it, a complete American-built reactor together with its fuel and propulsion machinery will be supplied for the hull of the Navy's first nuclear submarine, the Dreadnought. This is according to plan since the Ministry of Defence has a marked preference for British, as against American, underwater detection machinery: this ruled out buying a complete submarine from the United States.

By this agreement, Rolls-Royce engineers will be trained by Westinghouse in the design of the pressurised water reactors used for submarines, a type not developed in this country. With this training, Rolls-Royce will then build an anglicised version of the American reactor under licence from Westinghouse, on a site already prepared at Dounreay; when this has been proved, it will be able to start routine production of submarine reactors as and when the Navy wants them. The company will thus become the only organisation in Britain with direct experience of pressurised water reactors. The financial arrangements governing the exchange of information with Westinghouse have not been revealed.

Britain in the New Wheat Scheme

AGREEMENT has been reached in Geneva for a new international wheat scheme to start on August 1st and run for three years. All exporting countries are expected to join with the major exception of Russia. Among importers the big change is that Britain, the largest importing country, intends to join after an absence of six years. The new scheme is broader than the expiring one, and the means of protecting the interests of exporters and importers are more effective and simpler in conception, though in certain circumstances less simple in execution. In the old scheme, neither side has been under any obligation to buy or sell while wheat prices kept within the agreed margins. Only at the maximum price could exporters be obliged to sell a fixed quantity and only at the minimum price were importers obliged to buy the same fixed quantities.

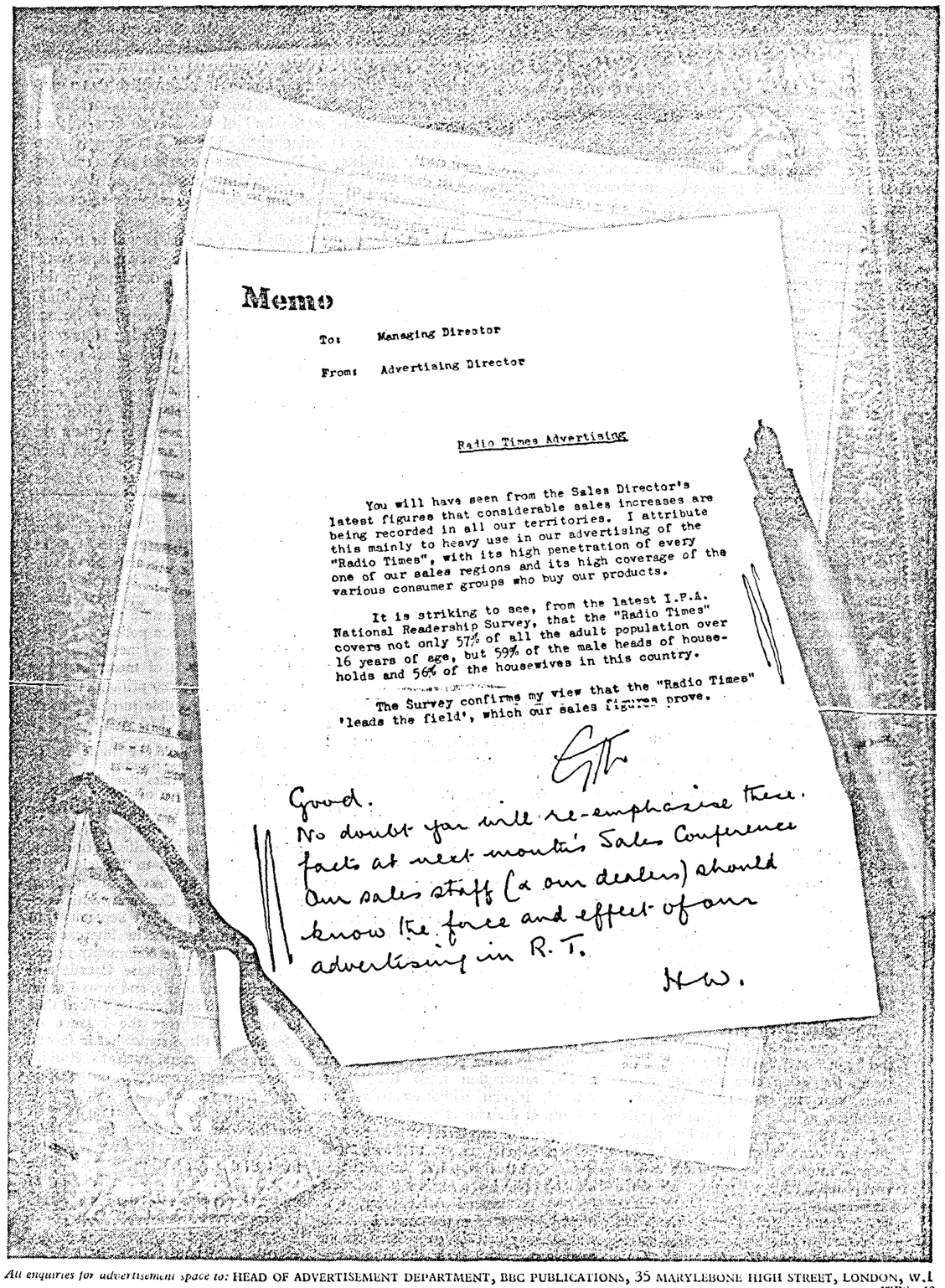
The guaranteed percentages: The new scheme rejects fixed quantities and the "put" and "call" for them. Instead, importing countries undertake each year to buy from exporting members, as long as the market price is below the maximum, not less than a given percentage of their total commercial imports; the exporters collectively undertake to supply *all* their commercial requirements. When prices are declared to be at the maximum the exporters' obligation broadly continues, but the importers' obligation lapses. If one or more exporting countries are declared to be at the maximum price while others are not, importers obtain a partial release from their obligations.

Under the new agreement Britain has offered to buy not less than 80 per cent (roughly 4 million tons) of its total imports from exporting members; as Britain normally buys almost all its wheat from them the risk that the Government might have to compel the trade to fulfil this guarantee is remote. Some importers have guaranteed more than 80 per cent, some less. Japan guarantees only 50 per cent, possibly to indicate its dissatisfaction with the failure to lower the minimum price. This is to be kept at 150 Canadian cents a bushel for the standard grade, No. 1 Northern Manitoba wheat, ex-Fort William, though the maximum has been cut from 200 to 190 cents a bushel. If a member considers that its interests are being prejudiced, for example by price policies, and cannot obtain satisfaction from the wheat council, it can withdraw from the scheme at the end of the crop year.

Disposal of surpluses: Wheat bought on concessional terms, such as India's large purchases from the United States under public law 480, is not included in the guaranteed percentages, but must be reported to the council. Such transactions can be considered at its regular meetings, or at the annual review that the council must make of national production policies, stocks, prices and trade, the disposal of surpluses and methods of increasing consumption. As now, members retain full liberty to determine their internal agricultural and price policies. In disposing of surpluses, members must inform the council of measures taken to comply with three principles:

1. Wherever possible surpluses should be disposed of by efforts to increase consumption;
2. Disposal should be made in an orderly manner; and
3. Concessional sales should not harm normal patterns of production and international commercial trade.

"Confrontation" the test: The new scheme thus meets British criticisms, and Britain returns to the club. It thereby lives up to its undertaking, reaffirmed at the Commonwealth conference in Montreal last September, to consider on their merits international schemes to stabilise commodity prices. The decision will please Canada and Australia particularly, and costs Britain nothing. Indeed it can be argued that in the new scheme the balance of advantage is tilted somewhat in favour of large importers, such as Britain, whose import needs do not change much from year to year. But the important thing is that the new agreement provides an oportunity for tackling internationally the problems of wheat through the forum of the council. The test will come in the annual review of national policies—the famous OEEC policy of "confrontation." Until then, judgment on the crux of the new scheme must be deferred.



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WPS—42

CAR HIRE

Drive It and Leave It

In the past, motorists wishing to hire a car for travelling in Britain have had their plans controlled, to some extent, by the need for returning the car to the city in which it was hired: one-way journeys have probably thus been uneconomic. Now J. Davy Car Hire has announced a new plan, known as the Carline system, whereby it will be possible to hire a car in one major city, drive it to another, and leave it without having to pay the cost of its return to base. Under this system, which J. Davy will begin operating *on April 1st, rates between cities will* be based on the mileage given in the Automobile Association's handbook, and a flat rate including the cost of petrol and insurance will be charged for this distance; if the AA mileage is exceeded a small additional charge per mile will be made. The plan will be operated between thirteen cities—over what the company calls "144 standard routes"—at first, and the company hope to have covered every major town in Britain by the end of this year.

Cost of this method of travel compares very favourably with travel by rail if fairly long journeys are made, and if several people share the same car: whereas four people hiring an A-35 to drive from London to Southampton would pay 2s. 3d. apiece more than second class rail fare between the two cities, six people sharing the cramped delights of a Ford Consul from London to Liverpool would save 8s. apiece on the comparable rail fare. The most likely use of the new system appears to be travelling to ports; although *it may also appeal to businessmen* and holiday travellers who wish to reach their destination in a leisurely fashion but have no particular need for a car once they arrive. A similar scheme has been in operation in the United States, where the much greater distances travelled would appear to make it more feasible; but American firms hiring cars on this basis customarily make a moderate fixed charge—still less than the two-way rental charge—for returning the car, whereas J. Davy will not.

Surprisingly, neither recession nor the removal of restrictions on hire-purchase appear to have affected car hire firms' business this winter, and mild weather has undoubtedly helped it; several of the large London firms report that rentals are running at higher levels than a year ago. Indeed, easier hire-purchase terms may indirectly have helped to boost rental business. Experience in the United States and elsewhere indicates that car hiring increases in popularity as car ownership rises.

COARSE GRAINS

Bargains in Barley

Cheap offers of Canadian barley to the British market have dried up and prices have risen. In the last two weeks barley for May delivery on the London futures market has risen by about 15s. to £21 5s. a ton. The cheap offers were a legacy from the autumn. The European harvests were late and poor in quality, and demand for imported barley rose sharply. Britain's needs are met mainly by Canada—because the duty normally keeps out foreign barley—and large quantities were bought for shipment from Vancouver. Gradually it became clear that more barley was on its way here than the market could comfortably absorb, and in recent weeks "distress" sales have been made at up to £2 a ton below the cost of replacement. But not everyone has been willing to sell at low prices; some holders have stored their barley in Liverpool and Hull, hoping for higher prices later. They may get them—if the St Lawrence river should reopen late and the growth of pasture in Europe is delayed

Barley still commands a premium of up to £2 a ton over maize, although makers of feedingstuffs have been switching to the cheaper grain. No. 2 yellow American maize for April shipment is quoted at about £20 10s. a ton cif, whereas a year ago it was a little dearer than barley. Maize remains relatively cheap because the United States, with a record crop on its hands, is a keen seller, while Argentina also has more to sell this year. Maize is expected to become cheaper still; it is offered for November shipment from the United States at about £19 10s. a ton.

THE DOMICILE BILL

Home Sweet Home

The latest Domicile Bill, which has passed the House of Lords but has not yet got a second reading in the Commons, represents according to the viewpoint of the observer either a triumph of common sense over doctrinaire tidiness, or a defeat of principle by expediency.

In the United Kingdom the determination of the domicile of an individual has hitherto depended on rules established by common law and case law—the domicile of origin prevails until it is displaced by a domicile of choice and the burden of proof lies on whoever asserts that a change has taken place, residence in itself being of little importance. The Private International Law Committee considered these rules and recommended that they should be revised to bring British practice into line with that of other countries. To implement these recommendations a Bill was introduced into the House of Lords last year which provided, *inter alia,* that a person's domicile should be in the country where he has his home and intends to live permanently, and which set up a statutory presumption that a person who has a home in a country would be presumed to intend to live permanently in that country.

This presumption spread alarm and despondency among foreign businessmen residing and working in this country for overseas firms. Such individuals have been outside the general rule that earnings shall be taxed in the country in which the work is done; they are liable on only so much of their earnings as they purport to remit to the United Kingdom. The Court of Appeal's decision in *Thomson v. Moyse* this week shows that foreign earnings can be enjoyed untaxed by side-stepping the technicality of remittance—though it would be surprising, if the House of Lords upholds the decision, if this loophole were not plugged in a future Finance Act.

But the 1958 bill was withdrawn and its successor has been shorn of earlier objections. It goes no further than providing that a person acquires a domicile in a country by residing there with the settled intention of making it his permanent home. The onus of proof rests, as at present, with the person alleging that a change of domicile has taken place. The Bill would thus leave matters very much where they have been for a century or more: the recommendations of the International Private Law Committee go back to the pigeon hole and British tax practice remains out of step

with the rest of the world. Many members of the House of Lords, including the Lord Chancellor, felt that the earlier bill was the better one and dropped the clauses to which objection had been taken with reluctance. Foreign businessmen are welcome in this country and it may be right that they should enjoy tax advantages to which the native cannot aspire—but they play havoc with tax reform.

COMPUTERS

Preaching to the Unconverted

An electronic computer has much in common with a good farm dog, in the sense that its performance is governed to a large extent by the skill of its handler. With the growing tendency to use computers as a tool for management, as well as a means of mechanising tiresome routine clerical operations, company executives and sometimes directors have to be taught how to work hand in glove with a computer, how to get it at the press of a button to round up widely scattered information, select and sort through it, herd it into appropriate categories and finally present from a staggering mass of statistics only those facts that are strictly relevant to the day's decisions.

Computer manufacturers are therefore faced with a difficult exercise in tact, the re-education of senior executives to whom it is hoped to sell an installation that can cost almost anything that the customer is prepared to pay up to say £1½ million. The International Computers and Tabulators company, formed out of a recent merger of Hollerith and Powers-Samas, has tried the experiment of explanatory one-day courses for directors; and since its London centre opened 18 months ago, 200 have taken these short courses and another 150 have stayed on for 4-days instruction. These courses are quite different from the serious training given to those who will actually be responsible for putting work on to the computer. How much of the information actually sinks in is difficult to say. While computers have been accepted by engineers as an invaluable aid to quick calculation, those concerned with administration show a proper scepticism about the help they can give to management. This explains why so much computer time is frittered away doing nothing more important than calculating wage packets. In a few industries, of which coal is one, the wage structure may be complex enough to justify this, but in the majority of cases manufacturers are resigned to regarding the use of as subtle a machine as a computer to work out the number of notes and half-crowns and half-pennies in a wage packet merely as a means to an end. The end in this case is the process of education inside the company so that the computer can be used to take decisions of greater importance.

SHORTER NOTES

The Montecatini Company, Italy's largest manufacturer of petroleum chemicals, has announced that it will build a new plant at Brindisi which will produce up to 700,000 tons of petrochemicals and plastics a year. The new plant, which will be the largest in Italy and one of the largest in Europe, will be completed in about three years' time; its output will include polypropylene, polyethylene, and polymers for the manufacture of synthetic fabrics, aldehydes, alcohols, and organic solvents.

In a note in *The Economist* of February 28th on the new financial arrangements for the North British Locomotive Company it was stated that the only remaining independent locomotive manufacturers were North British and the Birmingham Railway Carriage and Wagon Company. This statement is true only of those companies making main-line locomotives for the British Railways re-equipment programme. There are a number of other independent companies making locomotives, mostly for shunting or industrial use, though Beyer Peacock and Company Ltd and the Hunslet Engine Company Ltd continue to build main-line steam locomotives independently of other companies.

* * *

The directors of Ultra Electric Ltd., the operating subsidiary of Ultra Electric (Holdings), announce that they have completed negotiations for the acquisition of all the issued capital of Pilot Radio Ltd. for cash.

* * *

The directors of Rhodesian Anglo American are paying an interim ordinary dividend of 1s. 3d. net per 10s. unit for the year to June 30th, against 1s. net in 1957-58, when it was followed by a final of 3s. net. Rhokana is raising its interim ordinary dividend from 5s. net per £1 unit to 7s. 6d. net. In 1957-58 its final was 20s.

* * *

Saxone, Lilley & Skinner, the footwear group, has secured a £2 million loan at 6 per cent from an insurance company. This loan is secured by a mortgage on certain of the group's properties and it is repayable at the company's option between 1979 and 1999.

* * *

De Beers' deferred ordinary dividend has been left unchanged at 10s. per 5s. share for the eighth year in succession. Net profits of the parent company fell from £10,303,500 to £9,654,255 last year. The deferred units fell 1s. 10½d. to 128s. 9d. on the eve of the announcement and have since declined to 123s. 9d.

COMPANY AFFAIRS

Comments on pages 1023 and 1026 on

Hudson's Bay
News of the World
Hoover
Morphy-Richards
British Ropes
Chartered Bank
Mercantile Bank
Pye
John Brown
Bentalls
National and Grindlays Bank
Army and Navy Stores

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 1024 and 1025

LONDON STOCK EXCHANGE

The week's movements reported on page 1026

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1027

COMPANY MEETINGS

THE CHARTERED BANK

FURTHER EXPANSION OF BUSINESS

AID FOR NEWLY INDEPENDENT NATIONS

COMMON MARKET PROBLEMS

MR V. A. GRANTHAM'S REVIEW OF ACTIVITIES

The one hundred and fifth annual general meeting of The Chartered Bank will be held on April 1st at 38 Bishopsgate, London, E.C.2.

The following is an extract from the statement by the Chairman, Mr V. A. Grantham, which has been circulated with the report and accounts for the year 1958:

THE BANK'S BALANCE SHEET

The accounts indicate a further expansion of the Bank's business. The total of our own balance sheet at £243,118,186 is some £11,500,000 up on last year's figure which was itself a record.

Current and Other Accounts show a slight reduction of £2,032,672, which is more than offset by a substantial increase in Fixed Deposits of £15,994,119. Our acceptances are lower by £2,778,353.

On the assets side Cash in Hand, at Call and at Bankers, Government and Other Securities and Bills of Exchange show increases of £1,324,674, £10,402,781 and £5,848,798 respectively and evidence a strong degree of liquidity. The ratio of cash and call money to our demand and time liabilities, excluding the notes in circulation against which security has been lodged, is slightly lower at 22.1 per cent against 22.9 per cent last year. Advances to Customers and other Accounts show a contraction of £3,975,323.

The increase in the net figure for Bank Premises and Furniture is due to our continued expansion and the modernisation of our properties in the East.

The Consolidated Balance Sheet includes the figures of all our wholly owned subsidiaries and the total at £285,430,502 is £13,532,487 higher than last year.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The continued upward trend of working costs, especially salaries and wages, in conjunction with a lowering of interest rates during the period under review has resulted in a decrease in our net profits from £1,000,890 in 1957 to £993,590.

In October last the issued capital of the Bank was increased to £5 million by the capitalisation of £600,000 out of the Reserve Fund and £400,000 was restored to the Reserve Fund by a transfer from Reserves for Contingencies Account.

The Bank paid an interim dividend of 7¼ per cent less income tax in September last on £4,400,000 capital, absorbing £189,750, and it is now proposed that out of the balance available a final dividend of 7¼ per cent be paid on the increased capital of £5 million, costing £215,625.

We have allocated £250,000 to Bank Premises and Furniture and £125,000 and £20,000 respectively to the Pension Fund and Widows' and Orphans' Fund. We have transferred £150,000 to Reserves for Contingencies and the balance carried forward is £481,673.

INTRODUCTION

During the months of October and November last year I travelled in India, Pakistan and Ceylon and it was helpful to me, as your Chairman, to be afforded the opportunity of seeing the Bank at work in one of the most important spheres of its oversea activities. On my way home I was able also to visit our branches in Aden. It was evident to me that the business transacted at the branches I visited is sound and profitable and that it is conducted efficiently and economically. I was impressed, too, by the ability and loyalty manifested by the staff of every grade. At places where the branch organisations of The Chartered Bank and The Eastern Bank Limited overlap effective measures of co-ordination have already been brought into operation and the staffs of the two institutions are working happily side by side.

When I was in India I was glad also to have the opportunity of meeting and having discussions with the Chairman and the General Manager of our affiliate, Allahabad Bank Limited.

THE COURT OF DIRECTORS

There have been no changes in the composition of the Court of Directors during the period to which the present report relates. In April last Mr A. P. Cameron and Mr N. S. Golder retired from the Board of The Eastern Bank Limited and at the end of the year Mr W. G. Pullen took Mr Morford's place as a Director of that institution.

THE GENERAL MANAGEMENT

On December 31st Mr H. F. Morford retired after serving the Bank for forty-three years, four of them as Chief General Manager. The stockholders will, I am sure, wish to be associated with the Court of Directors in acknowledging, with gratitude, the highly distinguished services he rendered. We congratulate him on the important appointments he has since received which will continue to keep him busy in the City.

The Court have appointed Mr W. G. Pullen as Chief General Manager, confident that he brings to the highest executive office all the qualities of leadership and professional competence that the position demands.

Mr G. A. Leiper has been promoted from Assistant General Manager to Joint General Manager and Mr A. T. Hobbs, who has served the Bank with distinction in a succession of executive posts in the East, has been appointed an Assistant General Manager.

THE IRANO BRITISH BANK

Our acquisition of the share capital of the Eastern Bank gave us a direct interest in the Middle East and our assessment of the political and economic situation there convinced us that our representation would be incomplete without an interest in Iran. We were pleased, therefore, to have an opportunity of joining with influential Persians in promoting a joint banking venture in their country. The authorised capital of the Irano British Bank is Rials 200 million, of which Rials 100 million have been subscribed and paid up. We have subscribed 8,000 shares of Rials 10,000 each and the Eastern Bank 1,800 shares of a similar denomination, which gives us 49 per cent of the capital of a bank which has now been registered and granted a banking licence in the above name.

This Bank will have as its General Manager an officer seconded from our Eastern covenanted staff and it will open for business in Tehran on March 10, 1959, and later in Khorramshahr. It is pleasing to note that the return of British banking interests has been generally welcomed and we hope that this new joint venture bank, by bringing experience and knowledge to the handling of imports and exports, will assist the country in its trade expansion programme.

REPRESENTATION IN BIRMINGHAM

We have felt for some time past that the revolution which has taken place in the United Kingdom export trade since the end of the war necessitated our establishing closer contact with the new exporting industries in the Midlands. It has been decided, therefore, to appoint a representative of the Bank and its subsidiaries and associates to reside in Birmingham and to set up there an organisation which will facilitate more extensive participation in the financing of exports of Midland manufactures to the Asian markets in which we, The Eastern Bank Limited and The Irano British Bank are established. Mr A. M. R. Currie, until recently our Manager in Indonesia, has been appointed to the post and he will take up his duties during the month of April. It is not proposed, at present, to open a branch of the bank in Birmingham; the new office will be equipped to impart economic and credit information and to serve as a link between the export trade of the Midlands and Head Office.

OVERSEA SURVEY

Two recent events, the extension of sterling convertibility and the inauguration of the European Economic Community or Common Market, are of considerable significance to us in our business as an international bank.

For the first time since before the second world war sterling earned from commercial transactions by residents outside the sterling area is convertible, without restriction, into gold, US dollars, or any other currency. Other European countries have taken parallel steps in dismantling the formidable array of exchange control regulations established in wartime. That it has proved possible in the case of sterling is a tribute to the efficiency of the stringent measures which were necessary as recently as September, 1957, in order to restore confidence in sterling as an international currency and the medium of 40 per cent of the world's visible trade and a large proportion of its invisible transactions.

The increased scope of convertibility, by inducing confidence, should encourage the wider use of sterling by countries which are outside the sterling area such as Japan and the Philippines, in our own sphere of operations, and there should be a greater readiness for those countries to accumulate and hold sterling. The Philippines, for example, are amending their monetary laws to allow currency reserves to be so held.

I have, on previous occasions, stated that it is still insufficiently appreciated that the City of London's oversea earnings in respect of its banking, merchanting and other services comprise a substantial proportion of the United Kingdom's invisible income. Without that invisible income the country would be unable to afford the trade deficit which it habitually runs. Moreover, the City's oversea earnings involve very little expenditure of foreign exchange.

COMMON MARKET PROBLEMS

The second event which calls for comment is not so promising for the Chartered Bank and its associates, which engage primarily in the financing of oversea trade. I refer, of course, to the impasse which has been reached in the negotiations for the setting up of a wider free trade area to supplement the newly established Common Market and it is by no means clear that the European Economic Community (EEC) will not detrimentally affect the trade position of a number of Asian countries in which we operate. In theory, the increased scale of industrial operations possible in a unified market of some 170 million people should lead to an increase of trade with the outside world, but many of the Asian countries fear that the establishment of EEC may mean the creation of a new system of tariff preferences within Europe which will have the opposite effect.

In general, it is possible that these fears are exaggerated, for the agricultural exports of the South-East Asian countries differ generally from those of the French and Belgian African territories which receive preferential treatment, and for manufacturing countries like India and Hongkong imperial preference is still the most important factor in their trade. Nevertheless, it would be a very retrogressive step if South-East Asian countries had to resort to bilateral agreements with the Common Market, and it is to be hoped that for the sake of Asia as well as the United Kingdom a formula will be found to extend the present EEC to the envisaged free trade area.

CYPRUS

Our newly acquired business in Cyprus was put to a severe test during the year and progress was made notwithstanding the effect of the terrorist activities of Eoka, a series of curfews and strikes, communal animosity and a boycott of British goods. This satisfactory outcome is in no small measure due to the efforts of our staff, whose personal safety has from time to time been in some jeopardy, and they are to be commended for the efficient manner in which at all times they carried out their duties.

LEBANON

It is estimated that the total volume of Lebanon's oversea trade fell by as much as thirty per cent over the year, with the result that merchants had difficulty in disposing of stocks and the banks had to allow extended credit. By the end of the year local conditions had improved, but some time will be needed for a full recovery.

IRAQ

Iraq is still in a state of transition, and trade patterns may well change to conform to the foreign policy of the new government. In the meantime the banks generally have so far experienced little interruption in their ordinary routine. Since the revolution all imports have been subject to licence, the object being to restrict "luxury" expenditure; but as markets generally were overstocked during the first half of the year and licences were freely given for essential goods, current business was not greatly affected.

Oil revenue was buoyant, with a further increase in prospect during 1959.

PERSIAN GULF

Bahrain.—Bahrain had another quiet and prosperous year and imports were maintained at about the 1957 level.

Doha.—There is little to report from Doha, except that development continues and merchant business shows further improvement.

Sharjah.—After a slack period in the early months, there was some improvement in business, but unfortunately this was not maintained.

HADHRAMAUT

The Eastern Bank has had a branch at Mukalla since 1955. Merchant business shows some improvement, while the volume of goods imported direct rather than through Aden is increasing.

ADEN

Owing to shortage of foreign exchange in neighbouring territories and to the disturbed political situation in the hinterland Aden's entrepot trade has been on a reduced scale. There has been difficulty in finding export markets for locally grown cotton and the output of refined oil has been lower. These factors have inevitably depressed local business activity, although fortunately more shipping has been using the port and its bunkering facilities.

INDIA

At one stage during the past year there seemed a grave danger that the import programme sanctioned soon after the inception of the plan in April, 1956, had not only outstripped India's ability to finance it, but also the extent of the foreign aid that was likely to be forthcoming. Fortunately, following the Finance Minister's foreign tour last September, he was able to secure sufficient credits to meet India's shortage of foreign exchange until next March, and possibly to March, 1961. Moreover, it is generally understood that arrangements are in hand for the provision of enough foreign assistance to complete the essential features of the plan, which suggests that the worst of the crisis may be over. Unfortunately, the extent to which the government has resorted to deferred payments has left a burden, to be shouldered in the years to come, which will leave little margin for additional foreign exchange expenditure during the third five-year plan, even allowing for possible savings on exchange which are likely to accrue when the new steel works and heavy industries, set up under the present plan, commence operations.

It seems to me that India has to accomplish two things in order to safeguard its future; firstly, and this applies equally to Pakistan, it has to improve its relations with its neighbour to an extent that the proportion of military and other service expenditure in its budget is so drastically reduced that a lowering of taxation is possible. Secondly, that the gold in the hands of the people be made available to the government. This is a psychological problem depending on confidence, but it might be possible to introduce a form of bearer loans against gold, or even free imports, and allow an economic rate to be found and confidence restored in that way. Success in this could go a long way towards solving India's foreign exchange problem.

The widespread publicity given to India's difficulties during the past year or more should not be allowed to obscure the extensive progress that has been achieved in carrying out the country's development programme. The task of improving the living standards of a population of some 400 million, which is increasing by about five million each year, is obviously immense and it is greatly to the credit of the Indian government that it has chosen to implement its five-year plans by democratic means.

PAKISTAN

The new regime has acted with energy to effect an improvement in the country's circumstances. Although at first there was some confusion in business circles because of the many regulations fixing prices and limiting profits and dividends, the authorities have shown a commendable spirit of compromise and a general soundness of judgment in the introduction of new measures.

It is pleasing to see that national effort is to be concentrated on the agricultural sector of the economy, on which the country's prosperity will depend for many years to come and when Pakistan can again feed its population and stop the large imports of foodgrains which have entailed such heavy outlay of foreign exchange in the last few years, then a great step forward will have been taken towards restoring equilibrium to the national economy. It is fair to say that Pakistan enters 1959 in circumstances more hopeful than for some years past.

CEYLON

The major and disquieting feature which has dominated trade and industry in Ceylon during the past year has been the widespread and increasing state of unrest.

Fortunately, and because of the country's inherent agricultural wealth, the total volume of all exports was maintained at much the same level last year as in 1957. The volume of imports on the other hand decreased, partly because strikes in the port of Colombo made it difficult to land cargoes. Because of this the external balances, which had shown a marked fall in 1957, were well maintained.

Nevertheless, one cannot look with any great optimism to the future until the government comes to grips with the unlawful elements in the island and puts labour on a realistic basis satisfactory to the government and private industry as employers and to the solid mass of decent, hard-working employees.

BURMA

The outstanding event in Burma last year was the appointment in October of General Ne Win as Prime Minister in succession to U Nu.

Considering the good work being accomplished in many directions it is disappointing that the administration seems still strongly wedded to State trading and barter, notwithstanding the unfortunate experiences of the past years, and it would be a pity if the opportunity were not taken now to allow that freedom of private enterprise and trading which might make a vital difference to the balance of payments and hence the standard of living.

The beneficial effects on the administration of a continuance of the recent stable government, together with the country's steadily increasing agricultural wealth, ensures that Burma enters the new year under more favourable auspices than for several years past.

SINGAPORE

The first elections under the new constitution, on which agreement with the British government was reached last year, are now due to be held in May of this year. In recent months there has appeared a growing awareness of the serious responsibilities to be shouldered by those entrusted with the government of the territory as a result of the elections. Now and in the future there is no guarantee that the living standards of Singapore's population, which at present are relatively high for South East Asia, can be maintained let alone improved if the goods and services available in Singapore are not fully competitive internationally. It is a matter for cautious optimism that the paramount importance of the free port to the life of Singapore is gradually being accepted by all political parties.

FEDERATION OF MALAYA

The most important event in Malaya, and one which is of special significance to the Bank, has been the establishment of the Central Bank of Malaya (Bank Negara Tanah Melayu), which commenced business on January 26, 1959. The new bank is in a position to exert considerable influence, not only on the banking system of the Federation, but also on the territory's economy as a whole. It is in keeping with the practical attitude which has been shown by the authorities in the Federation in setting up their Central Bank that, although the relevant legislation includes provisions under which the new institution can take over from the Board of Commissioners of Currency, Malaya and British Borneo, the issue of the Federation's currency, for the time being it has been decided to allow the existing arrangements to continue. So far there are no arrangements between the two governments concerned for any extension of the activities of the Central Bank of Malaya to Singapore. It must, therefore, be a matter for satisfaction that the continuance on the same parity basis, of the existing currency arrangements, to put it at the very least, postpones the fragmentation of the unified currency area comprising the Federation, Singapore and the British territories in Borneo, in which first the Straits dollar and subsequently the Malayan dollar have provided a stable and effective medium of exchange.

Last September the World Bank made a loan to the Federation in connection with the Cameron Highlands hydro-electric scheme and this Bank participated therein.

NORTH BORNEO

The consistent rise in oversea trade turnover in recent years and the favourable trade balance achieved show that North Borneo is capable of standing on its own feet and it is clear, too, that the sums invested in developing the Colony's economic potentialities are producing encouraging results.

Arrangements are proceeding to extend our branch system in North Borneo to Tawau, where we hope to open an office within the next few months.

BRUNEI

In May our two new branches at Brunei Town and Kuala Belait commenced business. His Highness the Sultan of Brunei honoured us by performing the opening ceremony at our office in Brunei Town. Our business in Brunei has expanded steadily during the year.

SARAWAK

Lower commodity prices, in particular for rubber, in international markets during the past year have had their effect on Sarawak's oversea trade, the total value of which after disregarding the oil transit trade, shows a reduction in comparison with 1957.

Although lower revenue and a reduction in surplus balances are necessarily limiting the financial resources which the government can allocate to development schemes, encouraging progress has been made during the past year in improving airfields and road communications and also the port facilities at Kuching.

INDONESIA

The past year has been one of great difficulty for the Republic. The rebellion and its aftermath have inevitably had the effect of reducing exports, but somewhat surprisingly provisional figures for the first ten months of the year show that Indonesia not only had a trading surplus but that the surplus itself was substantially higher than for the same period of 1957. Although there is still much leeway to be made up some progress has been made in restoring the country's trade position.

For the time being there remains a serious shortage of foreign exchange and because of this it is unlikely that the import of other than strictly essential goods will be permitted for some time to come.

In view of the restrictive policy being followed by the authorities in regard to profit remittances and with the difference between the internal and external value of the rupiah I see little prospect for the time being of any worthwhile reward being received for the extensive services which we offer and the business which we conduct in Indonesia.

THAILAND

It is probable that economic factors, no less than political, played their part in causing Field Marshal Sarit to effect an unexpected *coup d'état* last October. Reduced export earnings had caused a deterioration in Thailand's balance of trade and the resultant reduction in the country's holding of foreign exchange together with a sharp rise in the cost of living brought about a situation in which it was evidently thought necessary to effect a change of government.

Although the country had a rather unsatisfactory trading year in 1958, the prospects for the export of rice, rubber and tin for the coming year are probably better and, assuming that the new powers vested in the government departments do not stifle enterprise, Thailand can rely on its traders to find markets abroad notwithstanding the more competitive conditions foreshadowed.

VIETNAM

Politically the country still takes a very strong anti-communist line, which may be not entirely unconnected with its complete dependence on American aid, which finances more than three-quarters of its imports. Although direct aid is given in road construction, military equipment and technical assistance, imports consist largely of consumer goods which probably accounts for the air of prosperity in Saigon itself but effectively conceals the fact that the country is making very little progress towards self support.

A more friendly view is being taken towards foreign investment, particularly British, and in general although the future of the country cannot be said to hold a great deal of promise at the moment, it is clear that our bank can still play an important and helpful role in the economy.

CAMBODIA

Cambodia will finally benefit from the major development schemes that are being financed by foreign aid, but in spite of further aid which paid for substantial imports of consumer goods the country, in contrast to the previous year, had an unfavourable trading balance. No doubt this has influenced the government in encouraging foreign investment for, with the possibility of the amount given in aid being considerably reduced in the next few years, a determined effort will have to be made to increase the ratio of exports to imports.

THE PHILIPPINES

Good rice and grain crops in the Philippines and improved export earnings from coconut products, sugar and minerals should have helped the Republic to restore the extremely serious position created by the adverse trade balance of Pesos 400 million in 1957, but although it is estimated that the deficit in 1958 will be reduced to Pesos 100 million, a further fall in the external reserves to US$125 million in a comparatively favourable trade year was most disappointing.

The President has recently again affirmed the government's opposition to devaluation and its firm intention to maintain the present exchange value of the peso and has called for the support of all sections of the community to assist in stabilising the economic and fiscal situation. The controversial barter trade law is being repealed and a stabilisation programme consisting largely of disinflationary measures has been approved by the Monetary Board. The main necessity, however, is that of a balanced budget, for there can be little doubt that the excessive resort to deficit financing has been the major inflationary factor and thus the prime cause of the continued deterioration in the Republic's economy.

HONG KONG

Hong Kong's trade has been on a reduced scale during the past year, mainly because of a sharp reduction in imports. In many respects this was a reflection of the world-wide recession in business which was a feature of 1958 and in the circumstances local industry has had a fairly satisfactory year.

The colony is becoming increasingly dependent for its prosperity on imperial preference, and the dangers of such dependence are illustrated by the case of the Hong Kong textile industry, which has now under pressure given an undertaking to limit textile shipments to the United Kingdom. If they are to survive, the Colony's new industries need access to an expanding range of international markets. The limitation which has now to be imposed on the exports of one of its principal industries is therefore a serious setback and one which has caused much anxiety locally, particularly as textiles are only among the first

of a steadily expanding range of Hong Kong products which can be expected to compete in the British and other international markets in the future.

Our new building is also nearing completion and it is hoped that it will be officially opened in August, 1959.

CHINA

China's efforts to industrialise rapidly have received extensive publicity in recent months and substantial increases in industrial production have been made. In the agricultural sector bumper harvests may lead to China's emergence as a major rice exporter, while if, as is claimed, the size of the cotton crop is double that of the previous year, China may be becoming one of the world's leading cotton growing countries. The transportation of steel and foodstuffs has, however, imposed a strain on the internal system of communications and in recent weeks this has evidenced itself in an unusual delay in fulfilling export contracts.

JAPAN

During the past year the Japanese economy has successfully adjusted itself to what at the outset were generally expected to be extremely difficult conditions.

Although over the whole of 1958 there was a reduction in the country's total exports, it was relatively small. Imports were considerably reduced in volume without adverse repercussions on industry by running down stocks of imported raw materials which had accumulated during 1957 when excessive imports had imposed a serious strain on the country's balance of payments. With imports lower in volume and cheaper in price and exports little reduced, Japan, again aided by a bumper rice crop, achieved a substantial payments surplus for the year and greatly strengthened its foreign exchange reserves.

NEW YORK

Now that American industry is replenishing its stocks and again beginning to increase production, trans-Pacific trade should improve. The business of our New York agency is likely to benefit accordingly.

HAMBURG

Germany is keenly interested in developing trade with Asia and our Hamburg agency is well situated to share in the expansion of banking business that is likely to accrue from an increased German demand for raw materials now that the EEC is in being.

CONCLUSION

The oversea territories in which we operate are receiving increasing publicity and it is generally recognised that the developing of the natural resources of the South East Asian countries and the raising of the standard of living there is of vital importance to future peace and progress in the world. This challenge is being accepted by the Western Powers in a most understanding and generous manner and the extent to which aid and credit is given to the newly independent nations of the area is staggering.

Very few of the countries concerned would survive economically were it not for the tremendous infusion of assistance they receive and one can only hope that wise counsel and incorruptibility within these countries and a tolerant direction from the donors will help attain the objective of self-supporting economies with ever increasing exports. This objective cannot be reconciled with a western fear of Asian competition and attempts to avoid that competition and, in this connection, perhaps too little significance has been given to the attitude of the United Kingdom government in acquiescing in limitations on the textile shipments from Hongkong to the United Kingdom.

AN IMPORTANT PRINCIPLE

This particular issue raises a principle of major importance in matters of international trade. The communiqué issued last October at the conclusion of the Commonwealth Trade and Economic Conference at Montreal "recognised how important it is that obstacles should not be placed in the way of the export of manufactured goods of the under-developed members of the Commonwealth and agreed that Commonwealth governments will give full weight to this consideration whenever decisions are necessary concerning the terms of access of such goods to their markets." The distinguished economists who compiled for Gatt the Haberler report on "Trends in International Trade," which was published the same month, consider that "it may be a natural and economic development that relatively poor countries with high population densities, like India and Hongkong, should export cheap labour-intensive manufactures." They therefore suggest that "it is of great importance that the highly developed countries should refrain from protecting their domestic industries from such imports."

It seems regrettable, therefore, that many in this country who in theory are in favour of raising Asian living standards have not felt it inconsistent also to argue in favour of imposing such restrictions on the grounds that goods produced by what they term cheap labour compete unfairly with those manufactured at higher cost in the United Kingdom. This sort of reasoning strikes at the very root of international trade and if it were to gain wide acceptance, might well be invoked, to take an important example, to justify the virtual exclusion of British manufactures from the United States market. It cannot be too strongly emphasised that what is by standards in this country, relatively cheap labour, need not be exploited labour and that in the case of Hongkong the government has taken already active steps to improve working conditions.

In this context it is perhaps ironical that in a recent announcement the United Kingdom government pledged itself to support Hongkong fully in resisting the attempts of American manufacturers to force Hongkong into voluntarily restricting its textile exports to the United States.

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

CABLE & WIRELESS (HOLDING)

Merits of Investment Trusts



The thirtieth annual general meeting of Cable & Wireless (Holding) Limited was held on March 6th in London.

Sir Edward Wilshaw, KCMG, DL, JP, LL.D, FCIS (the Governor) in the course of his speech commented on another record year and reviewed the ten years of steady progress since the company became an investment trust company.

He said that the investments now held were worth over £28 million, an increase of £12 million, and added:

In 1950, £100 of stock could be purchased for about £96, yielding a gross income of £6. Since then a further investment of £35 in order to take up the "rights" issues would provide a stockowner with stock now worth £392 instead of £96 and a gross income of £15 14s. instead of £6. Those who put their money in ten years ago have trebled their capital and more than doubled their income.

Referring to 1958, Sir Edward said that gross income was up by £137,772. They were again paying a 10 per cent dividend but on a larger capital, transferring £250,000 to General Reserve and carrying forward £459,000, more than a full year's dividend.

THE SMALL INVESTOR

I have endeavoured to play my part in encouraging the small investor, by splitting the shares of our group of Trust Companies into five shilling units.

I think I ought, without disparaging the basic merits, to put on record my own feelings about Unit Trusts. Whilst they are admirable methods of investment, I do not think it is being made sufficiently clear to the small investor that by buying an interest in a Unit Trust or for that matter, in an Investment Trust, he is risking his money. It may increase or it may decrease. I would prefer it to be made more clearly known that he is putting up "risk capital" by investing indirectly in equity shares, for it must be clear to anyone who buys the ordinary shares of any company that they may go up or may go down.

A Unit Trust is so constituted that the value of its units must fluctuate with the prosperity of industry as a whole and you cannot say, particularly at this moment when prices are high, that there is no possibility of them dropping and of a consequent fall in the value of Unit Trust units. Caution should also be exercised in the establishment of Investment Clubs.

To my mind, a properly managed Investment Trust is an even better medium for the small investor. If a shareholder invests 13s. in a 5s. share of this Company his investment is covered by a stake in about 850 companies. The market value of the shares is not dependent on a day-to-day valuation of its investments, and furthermore it is the general practice for an Investment Trust to put something away out of its profits and thereby create a reserve against a possible rainy day.

I am greatly heartened in my efforts to attract the small investor by the warm letters recently received from stockowners expressing thanks for the success of their Company and the benefits which they have enjoyed as a result.

Looking ahead, I have every confidence in the future prosperity of this Company, and apart from any unforeseen circumstances beyond our control, am confident we shall be able to continue paying a 10 per cent dividend; our policy is to plough back any additional profits. The report was adopted.

NATIONAL AND GRINDLAYS BANK

FEATURES OF THE YEAR'S WORKING

A SOUND BUSINESS

MR J. K. MICHIE'S SURVEY OF FAR EAST & AFRICA

The annual general meeting of the National and Grindlays Bank Limited, will be held on April 7th in London.

The following is the statement of the chairman, Mr J. K. Michie, circulated with the report and accounts:

Having become the National Overseas and Grindlays Bank Limited on January 1, 1958, we were able to shorten the name to National and Grindlays Bank Limited on January 1st last. The first accounts of the integrated banks are therefore presented under the new title which I am glad to say is a more popular and a simpler one.

At the last Annual General Meeting I reported verbally the sad and severe loss we had sustained in the sudden death of the then Deputy Chairman, Mr A. N. Stuart, CBE, whose wide knowledge and experience, which he put so freely at the service of the bank, we greatly miss. We also mourn his loss as a friend. When illness struck him he was in fact engaged on bank business and was staying with our Manager in Dar-es-Salaam. Mr Stuart had been a member of the Board for eighteen years and Deputy Chairman for over eleven years. As many of you will know, his father was a member of the Board and was also Deputy Chairman for a number of years.

In succession to Mr Stuart, Mr E. J. Mackenzie Hay was elected Deputy Chairman. He has been a member of the Board since April, 1948, and has all the qualifications for the position.

At the conclusion of our last Annual General Meeting we lost the services of Mr W. H. Miles and to fill this vacancy we were fortunate in having Mr Ronald Mann join the Board in April, 1958. His wide connections with and experience of business in Ceylon and East Africa will be known to many of you and will be valuable to the bank. His appointment falls to be confirmed at the Annual General Meeting.

With the amalgamation of the two banks the calls on the time of the Chairman and the Deputy Chairman naturally increased and it was decided that the best method of meeting this need was to appoint a second Deputy Chairman in the person of Sir Toby Low who both by training and by family tradition is eminently fitted to undertake this wider role.

FACTORS AFFECTING PROFIT

The total of our balance sheet at £151,491,479 shows a reduction of £10,613,741 on the amalgamated figure for the year 1957. Our net profit is also lower by £55,783 at £371,707, arrived at, as usual, after providing for taxation, for bad and doubtful debts and for other necessary reservations. Two interim dividends of 7½ per cent have been declared, the total distribution, therefore, being unchanged at 15 per cent.

The reasons for the smaller profit figure are several. One which will be non-recurring is the inescapable expenditure in connection with the amalgamation which though limited by all possible means was still considerable. Then, as will emerge from my remarks on our individual territories, apart from the ever-increasing competition which is a feature of banking in the East and in East and Central Africa—in some cases from growing indigenous banks and in others from new entrants in the field, or from both—in none of our territories were conditions more favourable for bankers and in most they were more difficult than in recent times.

On the other side of the slate British Government securities staged a considerable rise during the year and our inner reserves have benefited in consequence. Incidentally, it has been and still is the policy of the bank to meet out of current income depreciation in the values of what can be termed "local" securities held by branches but we do not "write up" such securities should they appreciate but leave the reserve untouched until realisation or maturity.

INDIA

At this time last year India was facing a critical balance of payments situation which I am glad to say has been at least temporarily resolved partly by her own exertions and by the aid obtained from the World Bank and various Governments, including our own. There are still hurdles ahead but I think there is justification for believing they too will be cleared and that when many of the larger capital projects now being financed come into operation the present difficulties in this respect will lessen.

Nevertheless, food production must continue to be the fundamental problem of countries like India which have both a low average standard of living and a rapidly growing population, and one cannot help being a little doubtful if agriculture gets its fair share of attention vis-a-vis industrialisation.

Because of the international recession in textiles India's exports of finished goods have fallen to 70 per cent of the 1957 figure. Jute, too, has had a depressing year with continuously falling prices. Tea exports on the other hand have risen appreciably and the trade benefited in some degree from the difficulties which developed in Ceylon.

LENDING RATES

Last year I commented on the paradox that in India money was simultaneously scarce and cheap. Now it is not quite as scarce—but despite the relative financial situations of the two countries lending rates remain much on the same level in India as in this country and of course they never reached the heights in India which they did here when our Bank rate was at 7 per cent.

The balance of payments position resulted in a distinct reduction of the amount of overseas business flowing through normal banking channels in 1958 and in consequence the exchange side of banking was and still is adversely affected. Indeed this movement has been accentuated by the methods of purchase followed by the Government of India as an increasing part of such business is being channelled through the State Bank of India which in other circumstances would be spread over commercial banks in general. The growth of indigenous banking has always appeared to us to be both desirable and inevitable and our hope—until recently justified by events—has been that though our share of banking would be smaller in percentage it would not necessarily be so in volume.

PAKISTAN

As a means of rectifying the political and economic ills which had beset Pakistan for some time, a proclamation was issued by President Mirza on October 7th abrogating the constitution and placing the country under Martial Law with the Commander-in-Chief, General Mohammed Ayub Khan, as chief Martial Law Administrator. Two weeks later General Mohammed Ayub Khan succeeded General Mirza as President.

Very strict measures of currency and other controls have been instituted and the Government claims that already the balance of payments position has improved materially. The Government also proposes to introduce very far-reaching changes in the ownership of land which it is hoped will lead to higher yields of agricultural produce which since Pakistan became a separate country have undoubtedly been disappointing, particularly in food grains.

Swingeing increases in import duties mainly on what are regarded as luxuries have recently been announced, some of which will particularly affect European residents.

In January the State Bank of Pakistan raised its rate from 3 per cent to 4 per cent, a level which cannot be regarded as too high.

In common with India, the cotton and jute trades of Pakistan have had a difficult time although recently the jute milling industry which earlier was running into difficulties has enjoyed much better trading conditions. A rising threat to this industry in both countries is the rapidly increasing production of jute in China.

The Pakistan tea crop was recently estimated to be about 15 per cent larger than in 1957 and exports reflect this increase.

CEYLON

The difficulties in regard to port labour which I reported a year ago had a very adverse effect on the economy of the country last year and this was accentuated by the most unfortunate racial riots which broke out in May and which continued for several weeks. Tea and rubber shipments were seriously delayed and markets lost to other producers and in the first nine months of the year Ceylon's external reserves dropped by Rs.56 millions to Rs.883,300,000. Credit conditions naturally have been tight and Banks had to finance stocks of tea, rubber, etc., for much longer periods than usual.

It is to be hoped that the recent racial animosities will soon be forgotten and that a country so blessed by nature will this year

find firm ground both politically and financially.

BURMA

On somewhat parallel lines with Pakistan the Control of Government passed into the hands of the Commander-in-Chief, General Ne Win, late in October of last year when he took over from the Prime Minister U Nu and formed a new cabinet. Administration was tightened up in many directions. On February 13th, however, General Ne Win tendered his resignation to the President but at the time of writing a successor has not been appointed or a new cabinet formed.

A year ago it was expected there would not be much more than 1,200,000 tons of rice and rice products available for export in 1958 but an additional 200,000 tons was found and exports reached 1,400,000 tons, nearly all of which was disposed of on a Government to Government basis.

The surplus available for export this year is estimated at 2 million tons which would be the highest figure achieved since the war and indicates a reviving interest in production by the cultivators in answer to the better terms they are being offered. About 800,000 tons should be available for disposal through ordinary trading channels and altogether the financial prospects of the country are considerably brighter. Fortunately the Government has also put a stop to capital expenditure on projects which promise no immediate advantage to the economy of the country.

At December 31st last foreign exchange reserves showed a rise of over K 10 Crores since the end of 1957. The difficulties I mentioned last year over remittances of profits, etc., and in respect of overdrafts to foreign controlled companies I regret continue.

EAST AFRICA

New branches have been opened at Nandi Hills (sub-branch to Eldoret, Kenya), Shinyanga (subbranch to Mwanza, Tanganyika) and Korogwe (sub-branch to Tanga, Tanganyika).

KENYA

The Government of Kenya and other public bodies have so far still been unable to float any public loans in London—although a loan of £2,750,000 was raised locally in December—but I understand prospects for entering the London market later in the year are more favourable.

Monetary conditions have been tight throughout the year and this state of affairs has been aggravated by the declining prices made for coffee, one of Kenya's staple exports. Tea production continues to expand and a year ago the acreage had reached 30,000 against the licensed maximum of 70,000 acres —a target it will take many years to achieve at present costs.

UGANDA

In the event both the main cash crops of the Protectorate did distinctly better than was feared, 351,000 bales of cotton being produced against an estimate of 310,000 bales while coffee did even better with a yield of 62,000 tons against an estimated 45,000 tons.

In the coming season a record cotton crop of 435,000 bales is expected while the coffee yield is estimated at 65,000 tons. These figures should ensure a sound economy.

TANGANYIKA

After a distinguished Governorship lasting ten years Sir Edward Twining, GCMG, MBE (as he then was), was succeeded by Sir Richard Turnbull, KCMG, in July last year. Sir Edward has since been awarded a life peerage and his knowledge of East Africa and its problems should be of great value to the House of Lords.

Sisal prices are a little better than they were a year ago but are not highly remunerative and some estate owners have been, and are, diversifying by developing tea growing which is a wise policy of spreading the risk.

The cotton crop in the Lake province reached a record yield of 151,000 bales last year, but this year it is expected to be smaller. Coffee areas have suffered as elsewhere from the falling market.

ADEN

Political factors affect the volume of trade passing through Aden and these have not been very stable over the past year.

A federation of six states has just been agreed to which should help to restore confidence in this area but what is also wanted is a firm understanding between HM Government and the Yemen, for it is through Aden that a larger part of the trade of that country passes. Activity in the port continues at a high level.

SOMALILAND PROTECTORATE

Rainfall was good last season with beneficial effects on the export of livestock. The harbour facilities at Berbera are being considerably improved.

ZANZIBAR

The inevitable reaction from a record crop of cloves duly happened and the estimated yield for the 1958-59 crop is 5,000 tons as against the 21,500 tons produced in 1957-58 much of which has still to be digested.

Ceylon's troubles over shipments of coconut and copra gave Zanzibar an opportunity of entering the Europe market for those commodities of which she took good advantage.

FEDERATION OF RHODESIA AND NYASALAND

1958 was not an easy year for banking in the Federation for it was one of economic adjustment which included the restriction of imports and a continuance of the restriction on lending imposed upon banks. However, proceeds of the tobacco crop realised practically the same figure as the previous year, while as I write copper is being sold at around £236 per ton as against just over £160 a year ago.

Recently a local loan of £6½ million was raised and a loan of £10 million has just been subscribed in London.

In consequence of the easier conditions the Central Bank has lifted its restrictions governing lending by commercial banks and relaxed certain restrictions on hire purchase transactions. The Central Bank discount rate is unchanged at 4½ per cent.

During the year Belmont Sub-Branch (to Bulawayo) and New Highfield Sub-Branch (to Salisbury) were opened.

LIABILITY FOR UNCALLED CAPITAL

At present this is 7s. 6d. per £1 share and the fact that there is such a liability undoubtedly narrows the market for your shares and we know has exercised the minds of some of our shareholders.

The question of arranging for the elimination of this disability and the method to be used has been engaging the attention of the Board and it is their intention to place proposals before you in the near future. However, the Board also consider it right to let you know that unless a higher level of income eventuates than they now foresee they would not consider it prudent to recommend any increase in the amount paid out in dividends.

GENERAL

Since I last addressed you a metamorphosis has happened in the financial affairs and standing of this country and of the pound sterling bringing with it two outstanding results—the gold and dollar reserves at the end of December had moved up to £1,096 million which compares with £660 million to which they fell in September, 1957, and the Bank of England rate has fallen to 4 per cent from 7 per cent current a year ago.

That these manifestations of improved economic health spell security is neither the belief of the Chancellor of the Exchequer nor of any unbiased person but at the lowest assessment they mean that we have ridden the storm more successfully than was hoped or feared and that given no major setbacks in world trade or world politics we are on the road to better things. What these may be must await, amongst other things, the Budget.

As to our own immediate future we have a sound business and a good and loyal staff to whom we are again beholden. Although as I have told you we have difficulties to contend with, some of which are new and unpalatable, I am sure that we shall as in the past surmount or adjust ourselves to them.

R. B. PULLIN & CO. LIMITED

FURTHER SUCCESS

The twenty-second annual general meeting of R. B. Pullin & Company Limited, was held on March 12th in London, Mr R. B. Pullin, OBE, chairman, presiding.

The following is an extract from his circulated statement:

In presenting the accounts for the twelve months ended September 30, 1958, I do so on an optimistic note. Generally, the affairs of your Group are prospering and there are signs that, as far as we are concerned, the anticipated recession in trade has passed. Trading profit has increased from £230,116 to £273,748.

In the Parent Company, the order book has been maintained at a very satisfactory level and the plant is fully occupied. Indeed, the productive labour employed at Phœnix Works on the Great West Road is higher than it has been at any time since the war. We are still largely dependent upon a substantial volume of Government work, but our efforts to increase the purely commercial side of our business are meeting with success. Certainly we have not hesitated to spend large sums on research and development, sums which have affected current profits and are likely to continue so to do for some time to come.

Although in all companies in your Group it is becoming increasingly difficult to secure adequate profit margins, we feel that the strength of the organisation is such that we are able to look forward to another successful year of trading.

The report and accounts were adopted.

TIMOR OIL LIMITED

INTENSIFIED FIELD AND GEOLOGICAL WORK

AGREEMENT WITH AMERICAN OIL EXPLORATION COMPANY

MR K. A. CAMERON ON THE OUTLOOK

The Second Annual General Meeting of Timor Oil Limited was held recently in Sydney, Mr K. A. Cameron (the Chairman) presiding.

The following is an extract from the Report of the Directors:

The net liquid position shows a surplus of £186,080 at June 30, 1958, and the fixed asset position shows that the Company owns adequate and substantial drilling and other technical equipment, transport and field establishments.

FIELD OPERATIONS

Drilling of Aliambata No. 1 well was suspended at a depth of 4,165 feet and the hole was plugged. The well penetrated an unexpected and considerable thickness of fractured limestone with occasional shale bands. A showing of oil was logged at 80-90 feet and again at 185 feet, and gas was reported repeatedly between 640 and 1,000 feet. Neither of these occurrences was considered of immediate commercial importance. The well gave valuable geological information. Very difficult drilling conditions were encountered in the last several hundred feet with caving ground, loss of circulation, and heavy flows of water. The increasing cost of continuing the hole to an uncertain objective was considered not warranted at that stage, and the decision was made to suspend drilling to concentrate activities on field geological work.

The field and geological work was intensified during the year and the area studied was extended to embrace a regional reconnaissance survey of the major portion of the concession area. Detail work was carried out from four centres—Aliambata, Viqueuque, Same and Suai. The regional geology continues to present a rather complex picture, but as a result of work done during the year, four areas are now emphasised for further detailed study and in three of them, favourable structures are indicated although not yet conclusively delineated. It is expected that current field mapping, together with diamond core drilling and gravimetric surveys in selected locations will enable these structures to be defined and additional well sites selected in the second half of the current financial year. It is believed that, although the demands of additional fieldwork have inevitably reduced the funds available for well drilling, the result in the long run will be satisfactory in that clear warranty will be obtained for the further work and drilling necessary to test the structures.

PROSPECTING CONCESSION

By notice in the Government Gazette of November 20, 1957, issued in Lisbon, the term of the exclusive prospecting concession was extended for two years to October 9, 1959. Steps already have been taken to obtain a further extension of the concession, and there is no reason to believe it will not be granted. However, in the remote event that it is not, the concession can be safeguarded by demarcation of areas and obtaining leases over them. The tenure position is thus protected.

FUTURE PROSPECTS

Since the close of the financial year, the Directors have announced the negotiation with American interests for future drilling of structures now being defined.

A recent report from Dr Schneeberger, the Company's Consulting Geologist, who visited the field in September, is to the following effect:

"Notwithstanding the complicated structure as it obtains in the mountainous central part of the Island, the foothills and coastal plains of the south coast offer structural conditions which are favourable for the entrapment of liquid and gaseous hydrocarbons. The presence of petroleum is evident through numerous seepages, of which the ones at Suai are the most interesting.

"The Upper Tertiary (Miocene) age of the oil-bearing beds of Matai (Suai area) has been reconfirmed by the present survey. This is a feature which undoubtedly adds to the attractiveness of the general prospect, because it links Timor with the oil producing islands of Western Indonesia, i.e., Sumatra, Java and Borneo.

"Summarising our opinion on the petroleum prospects of Portuguese Timor, we can say that the presence of seepages of high quality oil and the indication of the presence of suitable anticlinal folds to trap the oil, are prerequisites for a successful drilling campaign. Provided the detail mapping will prove the anticlinal structures to be effective traps for oil, there remains only the systematic testing with the drill in order to prove or disprove the presence of commercial quantities of oil."

CHAIRMAN'S ADDRESS

In his address to Stockholders the Chairman said: The accounts present a clear picture of expenditure during the financial year and show the financial position of the Company as at June 30, 1958. At the present time the Company has in hand approximately £100,000, and operating expenditure currently is running at the rate of about £12,000 per month.

As set out in the Directors' Report, all fieldwork now is concentrated on the detailed exploration of three areas in which three and possibly four interesting structures are indicated. The work comprises surface mapping, shallow core drilling, and a gravimetric survey.

The original plan was to carry out a comprehensive programme of exploration and testing so that an overall geological picture could be developed as quickly as possible. The objective was, with relatively small capital, to test the prospect in Timor to the stage where the merits of the venture were so enhanced as to justify the expenditure of further capital.

We have developed the prospect now to the stage where the unanimous view of the Board, supported by the advice of our specialists, is that the prospect fully warrants additional expenditure.

The confidence which we hold in the venture has been confirmed—and in a most realistic manner—by the completion of an agreement with an overseas oil exploration company.

I am sure you have all been delighted and encouraged by the recent favourable results achieved in Papua, and will join me in congratulating all concerned on their perseverance in the face of indifferent early results. Our venture in Timor is young and, so far, has cost relatively little. The prospect is a good one, and now, our interests have widened, and our chances of success have correspondingly improved. We are entitled to, and should maintain, our confidence.

AGREEMENT WITH TRADEWINDS EXPLORATION INC.

I am pleased to be able to announce the details of this agreement which has just been completed. At the outset, I want to say that your Directors feel this is good news, inasmuch as the association with experienced American oil operators cannot but be to the advantage of our Company.

The agreement between the two Companies provides (amongst other things) that:

1. There will be an immediate interchange of 250,000 fully paid stock units between the two Companies. On each block of stock there will be a qualified prohibition on trading. (Current market price of Tradewinds' stock is approximately 62 cents per unit.)
2. Until March 31, 1959, Tradewinds Exploration Inc. has the right to elect to drill in Timor, 15,000 feet of well hole, in two or more locations at no cost to Timor Oil Limited. This will earn for Tradewinds a 50 per cent interest in the benefits of the concession area.
3. The drilling operation is to commence within 90 days of election, and the full 15,000 feet must be completed by Tradewinds before they earn their interest. Thereafter, they must contribute on a pound for pound basis towards all future drilling and other field operation costs.
4. In consideration for the right to drill, Tradewinds will, upon election to drill, allot to Timor Oil Limited, free of cost, an additional 150,000 fully paid stock units in Tradewinds.
5. Upon Tradewinds electing to drill, both companies have the right to require the interchange of a further 250,000 fully paid-stock units between the two Companies and the same qualified prohibition on trading will apply.
6. Tradewinds may use Timor Oil's Brewster rig if they so desire, free of cost to Tradewinds, and will purchase any of Timor Oil's stocks of consumable drilling materials, which they can beneficially use.
7. Oil produced will be marketed in Australia as far as economic conditions permit, and all operations then will be conducted by both Companies under a Joint Operating Agreement.

In every respect Timor Oil will retain its own fixed assets and identity.

Dr George Reed Downs, an eminent overseas Geologist, is now in Timor directing geological work on the target areas at Suai, Ossulari, Viqueque and Aliambata. The geologists are being assisted in their mapping by the information flowing from two diamond core drills which already have completed some 6,000 feet of drilling in shallow holes, and by the results of gravimetric surveys. It is interesting to note that in several of the holes in the Suai area, oil and gas showings were evident.

The immediate objective is to define the apparent structures and to indicate at least three drilling sites.

Mr James A. McRae and Mr Wayne Granger, Vice-President and Chief Geologist of Tradewinds, together with your Company's Consulting Geologist, Dr W. F. Schneeberger, recently visited the field in Timor and they were impressed by the following aspects:

1. The fact that the immediate target areas are all near the coast and so easily accessible.
2. The exceptionally high grade and volatile qualities of the oil from seeps.
3. The number of active seeps so widely spaced throughout the concession.
4. The scope and possibilities of country still to be more closely investigated within the concession.

With an exclusive licence covering 6,851 square miles in Timor where prospects are encouraging; with the expectation that 15,000 feet of well hole will be drilled free of cost to your Company; and with an immediate and substantial interest in Tradewinds' concessions overseas, your Directors feel that Stockholders are quite justified in viewing the future with optimism.

UNIVERSAL ASBESTOS MANUFACTURING

LARGER TURNOVER

The twenty-second annual general meeting of this company will be held on April 2nd at 8 Upper Grosvenor Street, London, W.

The following is an extract from the statement by the chairman, Mr F. W. R. Douglas, circulated with the report and accounts for the period September 30, 1957, to September 28, 1958:

The financial results for the year, which have already been published, show Trading Profits at £335,237 compared with £201,358 for the previous year, and thus very nearly equal our record figures achieved in 1956. I report this with all the greater pleasure because these satisfactory results were achieved in a year from which not a great deal was to be expected. You may recall that, in my statement to you at this time last year, I warned that the credit squeeze and the official discouragement of spending was bound to affect the building industry. At the same time I was able to say that, for the first few months of the then current year, improved trading conditions had been experienced, and that it was therefore to be hoped that we might be able to give a good account of ourselves. The final figures have, of course, more than come up to our expectations, and I hope that you will regard them, in the circumstances, as being highly creditable.

The turnover of the Group for the year showed considerable improvement in all sections. Deliveries to the home trade exceeded those of the previous year, but regrettably our export tonnage was considerably reduced.

I have, on previous occasions, mentioned the success we have had in the discovery of new outlets for asbestos cement, particularly in the production of those forms which are now required under the Thermal Insulation (Industrial Buildings) Act of 1957.

PROFIT AND DIVIDEND

The Trading Profit of the Group, after making full provision for depreciation and all other trading expenses, amounts to £335,237, compared with £201,358 for the previous year, and the Group Net Profit, after making full provision for taxation, is £151,933 as compared with £84,309. Your Board has decided to transfer the sum of £70,000 to General Reserve and is recommending a final dividend on the Ordinary shares of 7½d. per share which, added to the interim dividend already paid of 4½d. per share, makes a total distribution to Ordinary shareholders in respect of the year 1957-58 at the rate of 1s. per share, compared with 10½d. per share last year.

It is pleasing to be able to report that current business conditions still remain favourable. From the start of our financial year, orders have been received in such volume that, despite our increased capacity, production in many cases remains far behind demand. The end of the credit squeeze has encouraged greater stocking of our materials, while the continued demand for our sandwich constructions increases the total overall demand for asbestos cement.

With such increased business, the profits, as compared with last year, have risen in a most encouraging way and I think it would not be at all imprudent to look forward to some further improvement in our final results for the year.

ABRIDGED PROSPECTUS

Consent of Her Majesty's Treasury has been obtained to this issue in compliance with the Order made under Section 1 of the Borrowing (Control and Guarantees) Act, 1946.

GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA

ISSUE OF £10,000,000 5½ PER CENT REGISTERED STOCK, 1973,

at the rate of £99 per cent.

Interest payable 1st June and 1st December,

AND

ISSUE OF £10,000,000 5½ PER CENT REGISTERED STOCK, 1976-1979,

at the rate of £99 per cent.

Interest payable 1st June and 1st December.

The Government of the Commonwealth of Australia will comply with the requirements of the Colonial Stock Act, 1900, in order that Trustees may *invest in the Stocks*, subject to the provisions set forth in the Trustee Act, 1925.

OFFER OF CONVERSION TO HOLDERS OF

£20,675,100 COMMONWEALTH OF AUSTRALIA 3½% REGISTERED STOCK, 1954-1959,

maturing 1st June, 1959.

This offer of conversion is limited to a maximum of £10,000,000 in each of the above mentioned Stocks. The list for each Stock will be closed when conversion applications for that Stock reach a total of £10,000,000. In any case, the lists for both Stocks will be closed not later than 3 p.m. on 16th March, 1959. The balance of £675,100 will be paid off out of Sinking Fund moneys which have been accumulated for this purpose.

Commonwealth Bank of Australia is authorised by the Government of the Commonwealth of Australia to offer to holders of Commonwealth of Australia 3½ per cent. Registered Stock, 1954-1959, conversion of their holdings, in whole or in part, into an equal nominal amount of either Government of the Commonwealth of Australia 5½ per cent. Registered Stock, 1973, or Government of the Commonwealth of Australia 5½ per cent. Registered Stock, 1976-1979, *or partly into one and partly into the other on the terms set forth in the full prospectus.*

The Principal of both new Loans will be repaid in London at par. The 5½ per cent. Registered Stock, 1973, will be repaid on 1st June, 1973. The 5½ per cent. Registered Stock, 1976-1979, will be repaid on 1st June, 1979, but the Government of the Commonwealth of Australia reserves the right to redeem this Stock at par in whole or in part at any time on or after 1st June, 1976, on giving three months' notice by public advertisement.

Holders whose applications are accepted for conversion into 5½ per cent. Registered Stock, 1973, will receive on 1st June, 1959, a cash payment of £1 per cent., representing the difference between the issue price of the new Stock and the redemption at par of the old Loan. They will also receive the usual six months' interest payable at that date.

Holders whose applications are accepted for conversion into 5½ per cent. Registered Stock, 1976-1979, will receive on 1st June, 1959, a cash payment of £1 per cent., representing the difference between the issue price of the new Stock and the redemption at par of the old Loan. They will also receive the usual six months' interest payable at that date.

Six months' interest on both the new Stocks will be paid on 1st December, 1959.

Applications for conversion must be lodged on the appropriate forms accompanied by the relative Stock Certificates, at the COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8/10, Old Jewry, London, E.C.2. These forms have been posted to the Stockholders or, in the case of joint accounts, to the Stockholder first named in such accounts.

Any Commonwealth of Australia 3½ per cent. Registered Stock, 1954-1959, not converted will be paid off at par on 1st June, 1959, together with six months' interest then due.

The Stocks now offered will be registered and transferable in any amount by deed, at the COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8/10, Old Jewry, London, E.C.2. Stamp duty on all transfers will be paid by the Government of the Commonwealth of Australia.

Commonwealth of Australia Stocks issued and payable in London and the interest thereon, the property of persons not residing in or ordinarily resident in Australia, are not, and will not be, subject to any taxes, duties or levies in Australia.

All Commonwealth Loans, all Loans issued by the several States and now taken over by the Commonwealth and all Loans guaranteed by the Commonwealth, carry a Sinking Fund in accordance with the provisions of the National Debt Sinking Fund Act, 1923-1950, and the Financial Agreement Acts.

The revenues of the Commonwealth of Australia alone are liable in respect of this Stock and the Dividends thereon, and the Consolidated Fund of the United Kingdom and the Commissioners of Her Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Stock or of the Dividends thereon, or for any matter relating thereto.—40 and 41 Vict., cap. 59, sec. 19.

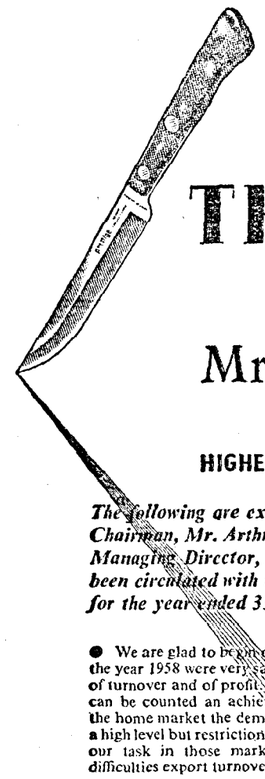
A commission of 5s. per £100 Stock will be paid to Bankers and Stockbrokers on allotments made as a result of conversion acceptances bearing their stamp.

Full Prospectuses, with Statistical Statement relating to the Commonwealth of Australia, may be obtained from the Commonwealth Bank of Australia, Stock Department, 8/10, Old Jewry, London, E.C.2; from Messrs. R. Nivison & Co., 25, Austin Friars, London, E.C.2; and at the Offices of the Government of the Commonwealth of Australia, Australia House, Strand, London, W.C.2.

COMMONWEALTH BANK OF AUSTRALIA,
8/10, OLD JEWRY, LONDON, E.C.2.

6th March, 1959.

The Lists for Conversions will be closed not later than 3 p.m. on Monday, 16th March, 1959.



THE PRESTIGE GROUP LIMITED

Mr. Arthur Keating reports on another successful year

HIGHER TURNOVER AND PROFITS: INCREASED DIVIDEND AND 150% BONUS ISSUE

The following are extracts from the Statement by the Chairman, Mr. Arthur Keating, and the Managing Director, Mr. T. O. Rauworth, which has been circulated with the Report and Accounts for the year ended 31st December, 1958.

● We are glad to begin our report by telling you that the results for the year 1958 were very satisfactory for your Company in terms both of turnover and of profit. The substantial advance over recent years can be counted an achievement, in unsettled world conditions. In the home market the demand for our type of consumer goods was at a high level but restrictions in export markets have continued to make our task in those markets a hard one, although despite these difficulties export turnover increased in 1958.

● *The net profit before taxation amounted to £805,233 compared with £601,668 in 1957. Provision of £445,214 has been made for* taxation on these earnings, leaving the profit for the year after taxation at £360,019. To this figure should be added £75,000 previously set aside for taxation but not now required, leaving the available net profit of the Group for the year at £435,019 compared with £284,668 in 1957.

● The balance on Profit and Loss Account brought forward from 1957 amounted to £1,257,362. A sum of £10,601 has been set aside for the redemption of Preference Shares in 1959. Dividends paid and recommended for payment will require £162,664 leaving a balance of £1,519,116 to be carried forward. The amount of the profit for the year retained in the business will be £261,754.

● Your Directors recommend the payment of a final dividend of 40% on the Ordinary Shares, making a total dividend of 50% for the year, compared with a total of 45% in the previous year.

● The Consolidated Balance Sheet at 31st December, 1958 continued to show a strong financial position. Fixed assets at cost, less depreciation, amounted to £1,605,932, a decrease of £98,800 on the previous year. Current assets totalled £3,039,662 of which £1,295,739 was represented by cash and short term investments. Working capital amounted to £2,031,480 at 31st December, 1958 compared with £1,341,945 at the previous year end.

● The principal feature of 1958 operations was the drive to obtain high but economic production to meet the increased sales achieved in the home market. That this was for the most part realised has been a source of satisfaction to your Company and to its customers. Turnover in the home market was 21% higher than in 1957. The pressure is being kept up in our world export markets and if restrictions should ease in certain major territories there is little doubt that export sales will once more regain the high proportion of total sales which they enjoyed before 1956. Export turnover was 10% higher than in 1957.

● The year 1959 has opened satisfactorily and it is hoped that, subject to there being no adverse trends in home or export markets, the steady advance of your Company will continue. While we do not anticipate an increase in turnover and profit commensurate with that achieved in the past year, we can give the assurance that the drive for increased sales and for more economic production will be carried forward with the same vigour and enthusiasm which has always characterised our business. Your Directors will, at the same time, be watching for an opportunity of utilising your Company's liquid funds to the best advantage for expansion purposes.

The Annual General Meeting will be held on 2nd April, 1959. An Extraordinary General Meeting will be held immediately afterwards to approve the following proposals:

● To increase the authorised ordinary share capital of the Company from £750,000 to £2,000,000.

● To capitalise £780,000 of retained profits and reserves, and to issue fully paid Ordinary Shares to existing holders in the proportion of three new shares for every two shares held on 23rd March, 1959.

THREE YEAR RECORD

	1956	1957	1958
	£	£	£
Sales	3,391,119	4,207,947	4,588,379
Group Profit Before Taxation	456,650	601,668	805,233
Available Group Net Profit after Taxation	221,955	284,668	435,019
Net Dividends	148,200	148,058	162,664
Other Appropriations	9,510	24,392	10,601
Group Profit Retained	64,245	112,218	261,754
	221,955	284,668	435,019
Total Net Assets	2,594,557	2,791,341	3,146,597
Issued Preference Shares of £1 each			£452,590
Issued Ordinary Shares of 5s. each			£520,000
	1956	1957	1958
Ordinary Dividends	45%	45%	50%

IF YOU ARE INTERESTED IN OBTAINING A COPY OF THE REPORT AND ACCOUNTS CONTAINING THE FULL STATEMENT, PLEASE WRITE TO THE SECRETARY, THE PRESTIGE GROUP LIMITED, PRESTIGE HOUSE, 14-18, HOLBORN, LONDON, E.C.1.

Prestige Stay-bright

FACTORIES AT BURNLEY MAKING CUTLERY, KITCHEN TOOLS, MOPS, GADGETS, BATHROOM FITTINGS; AT DERBY, COOKING UTENSILS, PRESSURE COOKERS, ALUMINIUM BAKEWARE, KETTLES, TEA SETS AND AT BLACKBURN, METAL FURNITURE, COMMERCIAL BAKING PANS AND ALUMINIUM FOIL CONTAINERS.

SAXONE, LILLEY & SKINNER (HOLDINGS)

A GRATIFYING ACHIEVEMENT

BENEFITS FROM INTEGRATION POLICY

MR THOS. LILLEY ON A YEAR OF CONSOLIDATION

The annual general meeting of Saxone, Lilley & Skinner (Holdings) Limited will be held on April 2nd at King's Cross, London.

The following is the statement by the Chairman, Mr Thos. Lilley, which has been circulated with the report and accounts:

Before reviewing the Group's activities for the past year I must first make reference to changes in the Board. Mr Edward Hill, Chairman of Benefit Footwear Limited for many years, died suddenly last August. The loss of his friendship and wide commercial experience will be deeply felt by the Directors of that Company and, indeed, by all of us within the Group. Mr J. S. Abbott has been invited to succeed Mr Hill as Chairman of Benefit Footwear and Mr R. T. Eggleton, Managing Director of the Company, has accepted an invitation to join the Parent Company's Board. I have also much pleasure in asking stockholders to confirm the appointments of Mr W. S. Abbott and Mr M. O. Skinner as Directors of the Parent Company. The addition of one further Director from each of the Group's main operating subsidiaries will, we are sure, be of benefit to the present members of the Board and widen its representative nature.

DIVIDEND MAINTAINED ON INCREASED PROFITS

The accounts now before you show a Group profit, before tax, of £1,249,575, an increase of £121,343 over 1957. After tax, the improvement in net profits is £149,663. Stockholders will note that the charge for Profits Tax is substantially less this year. This is due to the effect of the new rate of Profits Tax which was introduced in the last budget and was effective for nine months of the year covered by the accounts.

We have provided £176,395 in the profit and loss account to meet the loss on realisation of investments in South Africa and Australia, to which I shall refer later. We propose to transfer £50,000 to General Reserve bringing that reserve up to £1 million, and to make a further addition of £30,000 to the provision for renewals of shop fronts, fixtures and fittings. I have mentioned before the importance to us of maintaining these assets at a high standard.

Your Directors recommend a final dividend on the ordinary stock of 15 per cent making 22½ per cent for the year which is the same as for 1957. These appropriations leave a balance of £181,678 to carry forward as compared with £188,621 last year.

Taking the Group results as a whole it is gratifying to be able to report the increase in net profits, as 1958 was not an easy year for our industry. The credit restrictions which were in force during the first half of the year exercised a general restraint on spending by the public and the relaxations which followed gave more immediate benefit to industries whose products are sold under hire purchase contract than to cash traders like ourselves. Nevertheless I am pleased to say that the integration within the Group, particularly on the manufacturing side, which has been going on steadily since the amalgamation of the Saxone and Lilley & Skinner companies in 1957, has enabled us to make valuable economies in administration and production.

SALE OF INVESTMENTS ABROAD

Last year I said that we had met with disappointing results in our South African and Australian companies. This was especially true of South Africa where our manufacturing subsidiary in Port Elizabeth has been particularly affected by conditions of over production now prevailing in that country. It is not easy for a manufacturing unit without retail outlets to survive the recurrent recessions and changes in demand which have been typical of the South African market for women's fashion shoes. When, therefore, early in 1958, the Industrial Development Corporation of South Africa invited our subsidiary, Port Elizabeth Shoes Limited, and two other well known manufacturing concerns to combine their resources into one larger and stronger organisation, better able to meet South African trading conditions, we thought it wise to accept the offer and accordingly we sold our investment in South Africa to the Corporation.

In Australia we have had to solve a rather different problem. There is undoubtedly a demand for the high quality men's footwear of Saxone grade which are made in the Melbourne factory but the market is a specialised one and must be closely and constantly studied if it is to be exploited to the full. That is not a task which can be undertaken at long range and we have for some time been aware of the need for a much stronger local control than we have had hitherto and which can make the best use of the resources of the Australian factory. It has been very difficult to find the calibre of the executive we require in Australia and we were able to adopt the alternative plan of merging our interests with those of another company. We have accordingly sold the majority of our shares in Saxone Shoe Company Australia Proprietary Limited to General Shoe Corporation Proprietary Limited of Melbourne, a progressive company whose interests in the manufacture and marketing of women's fitting shoes under the Foot Rest brand are complementary to our own in men's shoes. We have every confidence in the ability of the Directors of General Shoe Corporation (which has no connection with the American company of that name) to provide the Australian company with the administration and sales management which it needs and, through the substantial investment which we have retained in the company, we look forward to working in partnership with our new friends in Australia to the mutual advantage of both companies.

The sale of our manufacturing interests in South Africa and the disposal of the major part of our shareholding in the Australian company will release funds which we feel we can use to better advantage. Another important change in the company's policy announced last autumn which will have the same effect was the decision to close Lilley & Skinner (Wholesale) Ltd. This company was the largest and one of the oldest established businesses in the industry with a long history of goodwill and service behind it. I would like to take this opportunity of thanking our many friends for their support of the wholesale company during its life and for their understanding attitude when the decision to close it down was made known.

FORMATION OF NEW SALES COMPANY

We have formed a new company named Lilley & Skinner (Sales) Ltd to market at home and abroad a proportion of the products of the Group's Kilmarnock and Leicester factories. This company, which is under the management of Mr John Skinner, has made a most promising start in the present year. In addition to the well-known Lily shoes for women and Jumping Jacks for children, the Company will market an entirely new range of women's fashion shoes branded Festif Vanities and made in our Leicester factories. These shoes are internationally styled and reflect the newest trends in modern design at a moderate price. They will definitely appeal to the fashion-conscious young woman. Festif Vanities have met with a ready acceptance by the leading independent retailers and department stores, as well as in the Group's own branches.

So far as the future is concerned it is too soon yet to say whether the steps which have been taken by the government to encourage industrial expansion and restore full employment will have much effect on trade in the present year but, if they lead to an increase in spending on consumer goods, your Company is well prepared to participate in the improved trading conditions.

1958 has been mainly a year of consolidation. I have referred to certain of the main features but two other important developments deserve mention. I referred last year to our plans for building a new warehouse at Leeds. Work on that warehouse is well advanced and we hope to be established in our new premises there by August of this year. We believe that great advantages will flow from the modern methods of mechanical handling and storage of goods which are being adopted, not only in a faster distribution of supplies to branches but also in savings in administrative and transport costs.

The second development of note has taken place in London. In September we completed the work of modernising our Lilley & Skinner store in Oxford Street. The shop front has been completely re-designed in line with our latest architectural developments. This replanning has incorporated large full vision windows for the maximum display of the store's outstanding merchandise. The interior of the store itself has been remodelled to provide spacious lobbies and expansive departments for men, women and children, which ensure greater selling efficiency and the highest degree of comfort for our customers. It is gratifying to report that these extensive alterations have brought many new customers to the store and resulted in an immediate increase in sales. I submit we are fully justified in our claim that this well-known branch of the Company is indeed the finest as well as the largest shoe store in the world.

ARRANGEMENTS FOR ADDITIONAL FINANCE

For the past few years your Company has had to depend for a large part of the year on temporary borrowings in order to carry the heavy stocks required in readiness for the seasonal trade which provides a large part of its revenue. Your Directors have given much thought to the adjustment of this position by funding the overdrafts and temporary loans and at the same time meeting the cost of the new warehouse at Leeds. I am glad to say that arrangements have now been successfully completed to raise additional loan capital of £2 million which covers our estimated requirements in the foreseeable future. The money will be advanced by an insurance company and will be secured by a mortgage on certain of the Group's properties. The loan, which will carry interest at 6 per cent, will be repayable in the option of the Company at any time between 1979 and 1999.

During the present year the process of consolidation will continue. A scheme for acquiring the Preference Shares of Benefit Footwear Ltd held independently of the Group, in exchange for the Preference Shares in the Parent Company has been approved by the shareholders of Benefit Footwear. That company will therefore become a direct and wholly owned subsidiary of Saxone, Lilley & Skinner and certain advantages in administration and in the simplification of the capital structure of the Group will follow. Further integration of the buying, manufacturing and repairing divisions of the Group is planned and the programme of modernisation and expansion of the retail shops, which I mentioned last year, will continue.

I would like to express our thanks to the executive, staff and employees of all the Companies in the Group who by their loyal support and co-operation have contributed to the success we have achieved in the past year.

BORAX (HOLDINGS) LIMITED

LORD CLITHEROE'S CAREFUL OPTIMISM

The sixty-first Annual General Meeting of Borax (Holdings) Limited was held on March 11th in London.

THE ACCOUNTS

The accounts presented to the meeting showed a trading surplus, before depreciation, of £3,161,095 in the year to September 30, 1958, compared with £3,971,140 in the previous year. Profits after taxation attributable to the stockholders of Borax (Holdings) Limited amounted to £573,976 against £1,203,237 in 1957. Dividends on the Deferred Ordinary stock totalled 5½d., less tax, per 5s. unit of stock, equal to 8¾ per cent less tax; these were the same as in the previous year and absorbed £452,813.

In the course of his circulated review of the year ended September 30, 1958, the Chairman, Lord Clitheroe, said:

It has not been an easy or satisfactory year due to difficulties encountered in the United States of America. Results achieved so far during the current year, however, confirm, as expected, that some of the problems have been overcome.

Sales outside the United States of America were within 1 per cent of the previous record by tonnage, and exceeded the previous record in value. This was very satisfactory in a year when world trade generally was suffering from a recession; it illustrates that your business is securely founded on a widespread world demand for our products for a great variety of industrial and agricultural purposes.

The low profits returned by United States Borax & Chemical Corporation resulted in a reduction of cash available to that member of our Group. It therefore became desirable to advance money to that Corporation, and this was done by our American holding company, Consolidated Borax, Inc. At September 30th the amount outstanding was $3,730,000; none of this advance will be called for repayment during the present financial year. In order further to strengthen its cash resources, United States Borax & Chemical Corporation has discontinued the declaration of regular quarterly dividends for the time being. Mr F. A. Lesser (Deputy Chairman and Managing Director of Borax (Holdings) Limited), Chairman of the American company, and Mr J. M. Gerstley, its President, had said:

"Operation of the new open pit mine at Boron has been up to expectations. The problems which arose during the year were related to the new plants. The completion of successive units originally scheduled for the middle of 1957 was delayed by various difficulties encountered by the contractors, and the last unit did not become operative until January, 1958.

"Various problems not infrequently associated with the start-up of plants of this magnitude had to be overcome before the new plants attained their intended productive capacity. Many additional problems have been solved, but much remains to be done before anticipated cost levels are reached."

OUTLOOK FOR THE FUTURE

It continues to be the opinion of your Board and Managements that your Company's business will grow over the years and that the outlook is not unfavourable. The old, tried and well-established uses of boron products are maintaining their share of our sales, and new uses and products are being developed.

A note of caution must be sounded about potash. There is over-production within the industry and the resultant competition has forced prices down. A new source of competition is arising in Canada, where very large and very rich beds of potash have been discovered, albeit over 3,000 feet below the surface, a depth which, of course, presents, certain serious mining problems.

The United States Borax & Chemical Corporation has conducted certain exploration in the Canadian potash fields and has certain permit holdings on Crown Lands in the Province of Saskatchewan. An extensive study of economics of Canadian production in comparison with that in New Mexico is at present taking place.

I would close on a note of careful optimism. I do not forecast a spectacular increase in profits, but I look to a steady improvement over the years, though from time to time there may well be setbacks such as we had last year.

At the meeting Lord Clitheroe referred to the Consolidated Profit Statement for the three months ended December 31, 1958, which was circulated to stockholders on February 23, 1959. He said that the group profits after tax for the December, 1958, quarter amounted to £475,390 compared with £25,532 in the December 1957, quarter.

In the December quarter of 1957 the American operating company had shown a loss as a result of difficulties experienced when the new plant at Boron was put into operation, and the considerable improvement in the profits for the December, 1958, quarter showed that many of the difficulties at Boron were now being overcome.

The report and accounts were adopted.

CO-OPERATIVE PERMANENT BUILDING SOCIETY

The Seventy-fifth Annual General Meeting of the Co-operative Permanent Building Society was held on March 7th in London.

Mr C. J. Dunham FRICS (Deputy Chairman) deputised for Mr H. L. Store (President) who was absent through indisposition, and read the President's address.

The year 1958 began for building societies with a diminished flow of money, and a demand for mortgages from owner-occupiers so strong that it defied high interest rates, the credit squeeze and fears of a recession. The year ended with the flow of money considerably improved and with the demand for mortgages undiminished. The inflow of money from investors was at an all-time "high," although withdrawals were also higher than in previous years. The net intake of money at £12,500,000 was extremely satisfactory. I am pleased to report that mortgage lending also constituted an all-time record.

During the year the society effected a merger with the Scottish Amicable Building Society.

Revenue during the year amounted to over £10 million, and after paying interest to shareholders and depositors, income tax, and profits tax, the balance available for appropriation was £467,000. To this has been added the reserves of the Scottish Amicable, which, together with the balance brought forward and other items, have made possible a transfer to general reserve of £1 million. Our total reserves now amount to £5,600,000, and in addition there is a balance carried forward of £112,000. Our cash and investment holdings at the end of the year amounted to £32,300,000, of which £6,900,000 was immediately available in cash and Treasury Bills.

At the end of 1957 there was a difference between the book value and the market value of our quoted investments of some £2 million. Notwithstanding the addition of the gilt-edged holdings of the Scottish Amicable, that difference had by last December 31st been reduced to £1,650,000. All securities held are dated stocks, and if held to maturity will show a surplus of over £3 million.

Although the Bank rate has come down from 7 per cent to 4 per cent, there has been no reduction in building society interest rates. We are asked why we have not reduced rates. There are very good reasons. In the first place building societies' rates have never moved automatically with variations up or down in the Bank rate. In the second place, building societies should only reduce rates when they feel that at the reduced rates payable to investors they will be able to obtain sufficient money. Thirdly, it is as important to borrowers that building societies should meet the demand for mortgages as it is that they should keep their rates low.

The various forms of competition for savings indicate why building societies have to recognise that conditions are very different from a few years ago. Investment in a building society remains attractive and popular. The security offered and the freedom from fluctuation of capital, combined with the ability to withdraw money readily, continue to attract savings. These advantages, however, must be combined with rates of interest which the investor regards as fair. Although we consider the time has not yet arrived for a general readjustment of rates, I can assure borrowers that every consideration will be given to their case in the coming months.

We look forward to the future with confidence.

STATE BANK OF INDIA

RECORD TOTAL OF DEPOSITS—SHRI. P. C. BHATTACHARYYA'S SPEECH

The fourth annual general meeting of the State Bank of India was held on February 27th at Bombay, Shri. P. C. Bhattacharyya, the chairman, presiding.

The Bank recorded during the year 1958 a sizeable expansion in its business. Considerable progress was achieved under the Developmental activities of the Bank.

The following are the salient features of the Bank's Annual Report for the year 1958 and the Chairman's Speech delivered at the meeting:

DEPOSITS AND ADVANCES

The Bank's total deposits rose from Rs. 344.3 crores on December 27, 1957, to a record level of Rs.454.0 crores on December 26, 1958, when they formed 28.8 per cent of the total deposits of all scheduled banks in India. By far the most important factor that accounted for this large growth in the Bank's deposits was the receipt of counterpart funds under US PL480. The increase of Rs.109.7 crores in its deposits helped the Bank to augment its investment portfolio which rose by Rs.98.4 crores to Rs.268.8 crores over the year.

The Bank's advances in India, which stood at Rs.164.6 crores at the end of 1957 reached a busy-season peak of Rs.204.1 crores in March, 1958, and subsequently declined, due to slack season influences, to Rs.158.5 crores at the end of October. They stood at Rs.166.1 crores at the close of the year. Over the year ended October, 1958, advances to industry increased from 64.3 per cent to 71.7 per cent, while advances to commerce declined from 18.5 per cent to 12.2 per cent. The Bank's credit as a proportion of all scheduled bank credit remained practically unchanged at 19.2 per cent over the year. The Bank did not need any assistance from the Reserve Bank of India during the major part of the year.

FOREIGN EXCHANGE BUSINESS

The Bank succeeded in maintaining during the year the increase in its foreign currency turnover recorded in the previous year, despite the fall in exports and the restrictions on imports, which reduced the total foreign currency transactions of banks in India. A substantial increase was recorded in the business transacted by the Bank under the deferred payments scheme. The Rupee Travellers Cheques scheme inaugurated by the Bank in January, 1958, has been well received in India as well as abroad. Sales of Travellers Cheques up to the end of November, 1958, amounted to about Rs.60 lakhs, of which over Rs.10 lakhs were sold by the Bank's foreign offices and other selling agencies abroad.

RURAL CREDIT

The Bank recorded further progress in implementing its policy of meeting the financial needs of co-operative institutions. The credit limits granted by the Bank to marketing co-operatives stood at Rs.52.3 lakhs on December 20, 1958. As on September 30, 1958, seven co-operative sugar factories availed themselves of the credit facilities from the Bank, aggregating Rs.2.5 crores. In addition, the Bank established letters of credit for Rs.3.2 crores on behalf of fifteen co-operative sugar factories covering import of machinery and gave the requisite deferred payments guarantees for Rs.4.0 crores on behalf of thirteen factories in respect of such imports.

The Bank has also taken the lead in evolving an appropriate procedure for granting advances against warehouse receipts and on December 20, 1958, it had in all 140 such accounts totalling Rs.14.9 lakhs. The remittance facilities granted by the Bank to co-operative banks and societies during the year ended June 30, 1958, amounted to over Rs.84.3 crores. The credit limits granted to co-operative banks increased further from Rs.10.0 crores to Rs.14.0 crores on November 30, 1958. Total holdings of debentures of co-operative central land mortgage banks as well as advances to co-operative banks against such debentures registered further expansion to Rs.62.3 lakhs and Rs.32 lakhs respectively as on November 30, 1958.

FINANCE FOR SMALL-SCALE INDUSTRIES

An important step taken in the year was to extend to all the branches the Bank's Pilot Scheme, initiated in 1956, for the provision of co-ordinated finance to small-scale industries. On recommendations of the Evaluation Report, some modifications have been made in the lending procedure as well as terms and conditions. The lending rate has been fixed as an all-inclusive rate not exceeding 6 per cent; medium term advances will be granted to selected constituents for purposes of modernisation, expansion, etc.; and the list of commodities against which advances may be granted by the Bank has been enlarged.

The total credit limits sanctioned by the Bank to small-scale industries increased during the year from about Rs.80.3 lakhs to about Rs.2.4 crores, the number of accounts increasing from 189 to 696. Agreements have been signed with two State Financial Corporations, under which the Bank acts as their agents in their dealings with small-scale industrialists.

BRANCH EXPANSION

The pace of the Bank's Branch Expansion Programme increased further during 1958 when 105 new branches were opened, as compared to 91 opened during 1957. The total number of new branches opened since the Bank's establishment in July, 1955, till the end of December, 1958, was 262, compared to the target of 400 branches in five years. Out of these 262 new branches, 167 branches were opened at towns with a population below 25,000 and 78 branches at places with a population between 25,000 and 50,000.

The Bank has also been operating offices at important airports, which remain open for business on all days including Sundays and public holidays. Some of them work round the clock to serve air passengers.

ADMINISTRATIVE SET-UP AND SPECIALISED TRAINING

With a view to controlling and guiding the five branches in Pakistan effectively, an office of Manager for Pakistan Branches was established at Karachi on May 1, 1958, which works directly under the Central Office. Under a special training programme for the Bank's supervising staff, nine officials were deputed during the year for training in UK, USA, Germany and some other countries.

PROFITS AND THEIR APPROPRIATION

The Bank earned a net profit of Rs.1.90 crores for the year 1958, as against Rs.1.87 crores for the previous year. Earnings from interest and discount have increased from Rs.8.25 crores in 1957 to Rs.12.21 crores in 1958, while those from commission, exchange and brokerage were more or less the same at about Rs.3.54 crores. Interest paid on deposits, borrowings, etc., increased from Rs.3.40 crores to Rs.6.25 crores.

The dividend to shareholders is maintained at the rate of Rs.16/- per share. Rs. 37.5 lakhs have been transferred to the reserve fund as compared to Rs. 25 lakhs last year and Rs.36 lakhs are absorbed as bonus to staff as compared to Rs.32 lakhs in 1957. The Staff Welfare Fund has been credited with Rs.5 lakhs and another amount of Rs.15 lakhs has been transferred to the Staff Co-operative Housing Fund, as compared to Rs.10 lakhs each in 1957.

STATE BANK OF INDIA

(Condensed) BALANCE SHEET AS ON 31st DECEMBER, 1958

CAPITAL AND LIABILITIES	Rs.	PROPERTY AND ASSETS	Rs.
1. Capital—Issued, Subscribed and Paid Up	5,62,50,000	1. Cash in Hand and due from other banks	55,47,10,490
2. Reserve Fund and Other Reserves	8,43,50,000	2. Money at Call	2,10,66,667
3. Deposits	477,85,84,356	3. Investments	284,55,39,287
4. Borrowings	20,85,25,000	4. Advances	172,06,19,519
5. Bills Payable	6,03,67,778	5. Bills Receivable	2,50,43,191
6. Bills for Collection	2,50,43,191	6. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations	1,18,58,960
7. Other Liabilities	71,85,941	7. Premises and Furniture	2,17,96,433
8. Acceptances, Endorsements	1,18,58,960	8. Other Assets	3,76,04,833
9. Profit and Loss	55,73,154		
Total	Rs.523,82,39,380	Total	Rs.523,82,39,380

(Condensed) PROFIT AND LOSS ACCOUNT FOR THE YEAR 1958

EXPENDITURE	Rs.	INCOME	Rs.
1. Interest Paid	6,24,59,623	1. Interest and Discount	12,21,11,007
2. Salaries and Allowances, etc.	6,06,25,866	2. Commission, Exchange and Brokerage	3,53,49,780
3. Other Expenditure	1,56,97,760	3. Rents	3,36,645
4. Balance of Profit	1,90,14,183		
Total	Rs.15,77,97,432	Total	Rs.15,77,97,432

Chairman: P. C. Bhattacharyya
Managing Directors: B. P. Patel and S. P. Puri

HOOVER LIMITED

AN OUTSTANDING RESULT

The Annual General Meeting of Hoover Limited will be held on April 1st at the company's offices at Perivale, Mr H. W. Hoover is to preside.

The following are extracts from the "Annual Review":

The consolidated profit for the Group at £5,847,490 shows an increase of 56 per cent on 1957, with turnover of the British companies up by no less than 28 per cent. This outstanding result achieved last year marked a milestone in the history of the Company, with turnover far exceeding any previous year and profits surpassing the previous peak of 1954 by no less than £1,265,529.

Following the reduction of purchase tax in April, a number of steps were taken by the Government to revive economic activity throughout the country and to stimulate consumer demand. These culminated with the complete removal of hire purchase restrictions in October, a factor which has been primarily responsible for the sharp rise in our earnings during the latter part of the year.

Although sales were stimulated by reductions in purchase tax and the removal of hire purchase restrictions, even further impetus was added by the introduction to the home market of an entirely new Cleaner in October and a new Spin Dryer in November.

The swiftness with which the community responded to the decontrol of hire purchase illustrates, very clearly, their eagerness to obtain labour saving appliances, which had been damped down by the high deposits imposed by Government order.

NEW CLEANER

This past year has seen the introduction of the Model 1334 Cleaner, of an entirely new design, which has been well received by the trade and the public. This Cleaner incorporates a number of entirely new features, is styled in contemporary colours and, we believe, is the best all round cleaner, in its price range, in the world today. It embodies the unique beating and sweeping principles upon which our success in this field has been built and which has kept us far ahead of our competitors in spite of their attempts to adapt these principles of cleaning to their products.

We are planning its introduction overseas during the early part of 1959, and are confident that the excellent reception accorded to it at home will be repeated abroad.

NEW SPIN DRYER

In November we launched a new Spin Dryer on the British market. It has been designed as a companion to our hand wringer type of Washing Machine, or for use as an independent unit and with the special design features we have incorporated, which place it in advance of any other make, we believe sales are likely to be of a high order.

These two new developments are evidence of our belief in the necessity of bold forward planning of products, irrespective of varying market conditions and it is, perhaps, indicative of this belief that the decision to invest the large capital sums involved was taken at a time when sales were at a low ebb and the outlook was gloomy, with a high rate of purchase tax and stringent credit restrictions in operation.

THE HOME MARKET

During the first quarter of the year, the hire purchase restrictions, requiring a deposit of 50 per cent of the purchase price, and purchase tax of 60 per cent had imposed a severe curb on business and the outlook was not promising.

With the reduction in purchase tax from 60 per cent to 30 per cent in April, a much needed impetus was given to the market, and the subsequent reduction and eventual elimination of hire purchase restrictions, created conditions which taxed our production facilities to the limit.

The ready approval which marked the introduction of the Hoovermatic last year, and the subsequent increase in its popularity, coupled with the introduction of our new upright Cleaner, Model 1334, and the enthusiastic reception accorded to it, added their weight to the general upsurge in demand, with the result that our turnover at home increased by 38 per cent.

THE EXPORT MARKET

This has been a particularly difficult year. The recession in the United States, the fall of commodity prices in the primary producing countries, and the disturbed political situation in the Middle and Far East, militated against the development of our trade, although the position is now slowly improving. In spite of this, our total export business was maintained at a level close to that of the previous year.

The consolidated net profit before taxation of £5,847,490 was arrived at after deducting £1,229,624 for depreciation against £1,096,008 last year.

Your Board recommends an increase of 10 per cent in the final dividend to 50 per cent less tax on each Ordinary and "A" Ordinary share, making a total of 60 per cent for the year.

This recommendation was arrived at after a very careful assessment of the future capital required to develop our overall business, which will involve heavy expenditure on new projects, on new buildings and plant, and also considerable investment overseas to further the development of our trade in many important markets.

PROSPECTS FOR 1959

The prospects for the current year are difficult to assess with any degree of certainty, because so much hinges on the future course of Government action. The measures taken by the Government to stimulate consumer demand have met with some success, but this demand cannot be expected to continue at the high levels reached in the last quarter of 1958.

In Exports, with the current revival of the American market and the recovery of other markets, which may occur towards the end of the year, we can see some possibility of an improvement in later months.

On balance we look forward to a good year in 1959 although, as we have not failed to point out, competition is becoming increasingly severe in all our markets, and the necessity to utilise a greater proportion of our revenue in merchandising activities in order to maintain our leadership at home, and to increase our business overseas may well reduce our available margins.

LEICESTER PERMANENT BUILDING SOCIETY

ASSETS EXCEED £50 MILLION

The Annual General Meeting of the Leicester Permanent Building Society was held on March 5th in Leicester.

Mr A. D. Carmichael, CBE (the Chairman), presided and, in the course of his speech, said:

Last spring and summer, with high interest rates and a continuing credit squeeze, was a very unfavourable period for Building Societies. Yet it was the best year in our long history.

The total assets of the Society now exceed £50 million, and show an increase on the previous year of £6,565,478.

Mortgage advances reached the record figure of £8,705,223, representing 6,252 individual loans.

The Society's liquid position improved. The total liquid funds at the end of the year were £7,227,419, or £1,805,261 more than in 1957.

After making provision for depreciation of Government Securities, reserves and unappropriated profit amounted to £3,005,296 compared with £2,607,576 in 1957, and are equivalent to nearly 6 per cent of the total assets.

At the beginning of last year, to make more funds available for potential house purchasers we introduced Fixed Term Investments at a slightly higher rate of interest. The investors undertook to leave their money with us for a period of three years, and in return the Society guaranteed the rate of interest for the same period.

This new form of investment proved most popular and provided £3,200,000 of new money.

TRUSTEE STATUS FOR DEPOSITS

The Government Housing Bill now before Parliament incorporates two important matters which affect Building Societies; the granting of Trustee Status for deposits, and Government loans to Building Societies for the specific purpose of financing the purchase of older houses.

The proposal that Trustee Status should be granted for deposits in Building Societies subject to conditions and regulations regarding liquidity and reserve ratios is welcomed.

In assessing liquidity and reserves a realistic attitude has been adopted and quoted stocks are to be taken at their cost or market value, whichever is the lower. This is a course we have been advocating for some years and have always followed in presenting our Accounts.

The Bill includes a condition that free reserves should be equivalent to not less than 2½ per cent of total assets. It should be emphasised, however, that the Government proposals are concerned with the security provided for Depositors, not Shareholders, and the adoption of this ratio carries no implication that 2½ per cent is adequate for all contingencies. Accounts published by Building Societies show an average Reserve Ratio of about 4½ per cent and there is no suggestion that this is in any way too high for normal requirements.

In principle, the intention of the Government to make loans available for the financing of the purchase of older houses must commend itself to us, but in operating this scheme it will not be in the interests of borrowers for Building Societies to relax

their present prudent standards of lending.

NEW LENDING RATE

The rate charged on new mortgage applications from owner-occupiers was reduced to 5½ per cent as from March 2nd. Existing borrowers have also been considered, and unless conditions change, rates will be reduced by ½ per cent, subject to a minimum of 5½ per cent from July 1st.

The Report and Accounts were adopted.

BLACK-CLAWSON INTERNATIONAL LIMITED

(Manufacturer of Pulp and Paper Making Machinery)

A YEAR OF CONSOLIDATION

The annual general meeting of Black-Clawson International Limited was held on March 5th in London.

The following is the statement by the chairman, Mr Karl F. Landegger:

The financial results show a net profit before taxation of £264,379, a total obtained after charging depreciation of £85,795 and Debenture Stock interest of £36,000. After adding the balance brought forward from the previous Accounts of £148,907 the sum of £413,286 has been appropriated:

(a) as to £132,865 provision for taxation, and

(b) as to £36,000 dividend (net) on Ordinary Shares leaving a balance to carry forward to next year of £244,421.

The net profit of £264,379 compares with a figure of £243,126 for the preceding year when the Debenture interest was some £14,000. During the year under review the excess of current assets over current liabilities has increased by approximately £93,000, and at September 30th last the total net assets of the Company amounted to £894,420.

The past year was a period of consolidation for the Company following our acquisition in 1957 of the foundries and machine works at Newport, Monmouthshire. We are now employing over 800 men in the manufacture of the whole range of pulp and paper making machinery produced by the Black-Clawson Group of Companies.

During the year the works were fully employed and at September 30th last the Order Book exceeded £3,600,000. In addition to our line of pulp and paper making machinery we also produced steel castings amounting to some £300,000 in sales. We are experiencing, however, along with other companies in this trade, a heavy increase in competition.

It is a pleasure to report that Black-Clawson paper machine made at our Newport works are giving excellent performances in the United Kingdom and overseas. About 50 per cent of our pulp and paper mill machinery is exported, and we shall continue our policy of developing exports to new and existing markets.

HIGH QUALITY PRODUCTS

During the past year there was produced at the Newport works a complete vacuum pick-up magazine paper machine which we believe is the first paper machine to be imported into Germany since before the first World war. A further magazine paper machine has been delivered to one of the leading companies in England. We also produced 35 of the cylinders for the world's largest paper machine—a 342 inch newsprint machine now operating at Great Lakes Paper Company, Fort William, Ontario, Canada. This achievement is a credit to the skill of our workmen and the high quality products of which the Newport Works is capable.

The results of the wide research and development programme of the Black-Clawson Company of America will continue to be available to us.

The business built up by the Company together with the experience and knowledge of the Group available to it gives us confidence that we will be able to compete successfully from the smallest pump to complete pulp and paper mill installations.

The Consolidated Accounts of the Black-Clawson Company of America for the year ended September 30, 1958, showed sales of US$46,098,658.

The report was adopted.

FALCON MINES

The forty-ninth annual general meeting of Falcon Mines, Limited, will be held on March 31st, at Bulawayo, Southern Rhodesia.

The following is an extract from the Statement of the Chairman, Mr F. L. Wigley, dated February 17, 1959, circulated with the Report and Accounts for the year ended September 30, 1958:

The net profit for the year was £136,653. The sum of £60,000 has been appropriated for expenditure on fixed assets and mine stores. After providing an amount of £560 for Northern Rhodesia Territorial Surcharge Tax in respect of the M'tuga Tribute and for dividends Nos. 9 and 10 totalling 10½d. per share (17½ per cent), which absorbed £79,433, there remained a balance unappropriated of £12,601 compared with £15,941 brought forward from last year.

DALNY MINE

At the Dalny Mine, the new reduction plant units were brought into operation in October, 1957, and the rate of tonnage milled was raised gradually to about 20,000 tons per month. Your Board is satisfied with the results obtained from the treatment of the additional tonnage, having regard to the mechanical and metallurgical difficulties which followed the starting-up of the new plant.

Working costs have been reduced during the first four months of the current financial year following the improvement in operating conditions but it will not be possible to maintain this reduction if a recently proposed increase in the electricity tariff is assented to by the Electricity Council. The new tariff would have the effect of increasing working costs by about eightpence per ton milled as from February 1, 1959.

The estimated ore reserve at September 30, 1958, was 572,600 tons valued at 4.42 dwts over a width of 97 inches, an increase of 36,300 tons and 0.1 dwts per ton in value as compared with the previous year. The year's development results were satisfactory, the percentage payability and average value of the footage sampled being well maintained. The crosscut north from the 7th level, Dalny Section, reached the Pixy Reef area in September, 1958, at a point some 1,000 feet west of No. 2 borehole. This borehole, as mentioned in the Chairman's Review for 1956, intersected an ore-body assaying 33 dwts per ton over a true width of 92 inches at a vertical depth of 425 feet. The crosscut intersection was made in disturbed ground and the area is now being explored by development and diamond drilling. To assist this exploration, a shaft has been sited and sinking from the surface has commenced.

TEMPERANCE PERMANENT BUILDING SOCIETY

SIR CYRIL BLACK'S REVIEW OF 1958

The 105th Annual Meeting of the Temperance Permanent Building Society was held on Friday, March 6th, at the Caxton Hall, London.

Sir Cyril Black, JP, DL, MP, FRICS, Chairman of the Society, in the course of his speech, said: The sharply fluctuating conditions prevailing in the financial economy of the nation during 1958 had a marked effect on the operations of Building Societies. In the early months the 7 per cent bank rate was still in operation and some forms of investment more closely related to bank rate than are Building Society shares and deposits proved to be strong competitors in the monetary field. With the gradual reductions in bank rate this competition lessened, and the comparative attractiveness of the terms and facilities which we have continued to offer to investors resulted in a steady increase in the inflow of new money in the closing months of the year.

FORTY MILLION

It has given us particular pleasure to record the fact that our Assets have now for the first time passed the £40 million mark. I would like to take this opportunity of emphasising the point that this position has been achieved without any departure from the policy which we have consistently adopted of putting strength before size and of attaching the greatest importance to the maintenance of adequate reserves and liquid funds. Our reserves still represent approximately 6 per cent of share and deposit capital and we are proud of the fact that for several years we have been able to maintain our reserves at that level.

The amount standing to the credit of shareholders and depositors at the end of the year amounted to £37,400,630, an increase of a little over £1½ million. The amount advanced on mortgage was just under £3,700,000, and the mortgage asset reached just over £32,150,000. Of this sum over 94 per cent related to balances not exceeding £3,000. From this it will be realised that the great bulk of our mortgage securities, which are well spread throughout the country, consists of the smaller and medium sized properties for which there is a ready demand and which are not subject to excessive fluctuations in value.

LIQUID ASSETS

It is gratifying to note that the market value of our British Government securities has improved very substantially and at the end of 1958 was nearly £100,000 higher than in 1957. They all have fixed dates of redemption at par so that on redemption we shall receive a sum in excess of the book value. Our total liquid funds at December 31st amounted to £7½ million representing about 18½ per cent of total Assets. This percentage is an increase on last year and has ensured a good start to the mortgage programme for 1959.

INTEREST RATES

There has been a good deal of discussion in recent months on the question of interest rates, and suggestions have been put forward, often based on an inadequate knowledge of the facts, that Building Societies are keeping up the rates to lenders unnecessarily and that a reduction is overdue. It needs to be stated that it is not the policy of Building Societies to maintain interest rates at a higher level than is justified by conditions in the money market. Building Societies do not profit by higher interest rates, but they have to maintain a margin between the rates at which they lend and the rates which they pay to their investing members in order to cover Taxation, Management Expenses, and the essential provisions to Reserves.

Given a continuation of existing conditions, I view the prospects for 1959 as bright and encouraging. Providing the Country does not run into any financial setbacks it appears clear that we are going to have more money available for making loans for house purchase, and we are, as at all times, anxious to play the fullest part possible in helping to solve the housing problem, and in particular in enabling families to purchase their own homes; this we are convinced is the method of solving the problem which is likely to bring the most abiding satisfaction to the families concerned, and the greatest benefits to the Nation as a whole.

The Report and Statement of Accounts were adopted.

BRITISH INDUSTRIAL PLASTICS LIMITED

RECORD TRADING RESULTS

The annual general meeting of British Industrial Plastics Limited was held on March 12th in London.

The following is an extract from the circulated statement of the Chairman, Mr E. R. Crammond:

The Net Profit of the Group, before taxation, for the year to September 30, 1958, was £698,614, compared with £667,440 in the previous year. This is now the record in the Group's trading profits since its inception and I feel sure you will consider this result very satisfactory.

All the Subsidiary Companies, with the exception of BIP Reinforced Products Ltd., showed a profit. The latter Company only commenced full-scale operations during the period under review and so could hardly be expected to show a profit but in the Accounts provision has been made in full for the losses incurred. This year BIP Reinforced Products Limited is establishing its position—its Filon sheeting has been well received by the building trade and it should make a modest profit in the year to September 30, 1959.

CAPITAL EXPENDITURE

During the year the total capital expenditure of the Group amounted to over £490,000. We have pursued our policy of modernisation at our chemical factories in order to meet the highly competitive conditions of our times. There is in course of erection at Oldbury a new plant for the manufacture of formaldehyde which is one of the main raw materials used in the production of amino plastic moulding powders and resins and, in our Engineering factories, we are continuing our policy of progressive replacement of plant and machinery by the most modern and advanced types available. Certain of the machinery produced by BIP Engineering Ltd. is being successfully modified to meet the specialised requirements of industries other than Plastics.

In September, 1958, your Company raised approximately £500,000 by the issue of 2,250,000 2s. Ordinary Shares at the price of 4s. 6d. per share. Just over 90 per cent of these shares was offered to existing Ordinary Shareholders in the ratio of one new share for each six shares held and the offer met with a very satisfactory response.

NEW VENTURES

South Africa: Since the end of the Company's financial year a site has been purchased near Durban, South Africa, and a factory will shortly be erected there for British Industrial Plastics SA (Pty.) Ltd., a wholly owned Subsidiary. It is intended at the outset to manufacture resin for the South African paint trade and, in due course, expansion in other directions can be expected.

Holland: We now have under active consideration the formation of a new Company jointly with a prominent Dutch concern, Algemene Kunstzijde Unie NV. Negotiations for such a project are in an advanced stage and it is proposed that we should have a substantial holding, but not a controlling one, in the new Dutch Company which it is intended should erect a factory in Holland for the manufacture of urea formaldehyde and melamine formaldehyde moulding powders and resins to supply the needs of the European Economic Community.

Germany: It has been decided to establish a small wholly owned Subsidiary Company in Western Germany for the assembly, sale and servicing of the products manufactured by BIP Engineering Ltd. and BIP Tools Ltd.

FUTURE OUTLOOK

As you will see from the foregoing our business continues to expand. We are, as you know, engaged in the thermosetting side of the industry, but in due course we propose to extend our activities into other fields within the industry.

As to the immediate future, sales for the period since the beginning of the new financial year to date have held up satisfactorily. We may have to expect smaller margins of profits as time goes on and competition increases, but we hope to combat this situation by increased sales.

The report and accounts were adopted and the final dividend of 12½ per cent on the increased capital making, with the interim dividend of 7½ per cent paid in September last, a total of 20 per cent for the year was approved.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

MR C. G. M. PEARSON'S REVIEW OF A RECORD QUINQUENNIUM

In moving the adoption of the Report and Accounts at the 121st Annual General Meeting held in Edinburgh on March 10, 1959, the Chairman, Mr C. G. M. Pearson, CA, referred first to the record New Business figures. Net new sums assured under ordinary policies of over £10 million and under Group policies of over £5 million, exceeded by a substantial margin anything previously achieved. Although Life Offices generally showed improved new business returns, the high percentage increase in the figures of the Scottish Provident was particularly gratifying and afforded signal proof of increasing prosperity and of a growing appreciation by the public. Both the premium income, £4,600,000, and the net interest income, £2,250,000, had increased by over 50 per cent during the quinquennium just ended and the total Funds now amounted to over £48 million.

Investment conditions said Mr Pearson, had been generally favourable to institutional funds and the market value of the Stock Exchange securities considerably exceeded the price at which they stand in the Balance Sheet and there was therefore a very substantial margin available for future contingencies. The interest yields, £6 5s. 4d. per cent gross or £4 19s. 6d. per cent after deduction of income tax were the highest in the history of the office; although new investments were still available on favourable terms it was unlikely that dear money rates would continue indefinitely and there were already signs that profit margins in industry were shrinking.

QUINQUENNIAL INVESTIGATION

In considering the results of the quinquennial investigation as at December 31, 1958, Mr Pearson drew attention to the surplus of almost £3¼ million, which was not only the largest in the long history of the Scottish Provident but was almost double what had been available only five years before. All the rates of bonus now declared were very greatly in excess of those of five years ago. Policies which had been effected at very low rates of premium under the office's 'Distinctive System' and now entitled to share, received compound bonuses for the period 1954-58 at 40s. per cent per annum (Old Series) and 35s. per cent per annum (New Series). As the number of Old Series policies was now small they were being given in addition a special "equalising bonus" to enable the same rate of bonus to be allotted at future investigations to both Old and New Series policies.

The administrative convenience would be great and the Directors were satisfied that everyone had been fairly treated. Endowment assurances with profits would receive bonus at the rate of 50s. per cent per annum compound. The Chairman was confident that members would feel highly gratified with the excellent results of the Investigation.

STATE PENSION SCHEMES

Mr Pearson felt sure that the proposed new State pension scheme would not halt the setting up of private insured schemes but thought it abundantly clear that this State scheme, involving the integration of private schemes with it, was bound to give rise to difficult and complex problems. It was important that the Scottish Provident should continue, as in the past, to offer the kind of pension scheme which employers wanted. Today the call was largely for pension schemes with profits and during the year the Directors had taken appropriate steps to enable our representatives to offer contracts in this form.

Mr Pearson concluded his remarks by expressing the thanks of the Directors to Officials and staff at Head Office and Branches and to Agents throughout the country. The continued progress of the office reflected great credit on all of them.

The Report and Accounts were adopted.

ORIENT STEAM NAVIGATION COMPANY LIMITED

SIR AUSTIN I. ANDERSON'S REVIEW

The Fifty-Ninth Annual General Meeting of the Orient Steam Navigation Company Limited will be held on April 16th in London.

The Chairman, Sir Austin Anderson, said in his annual review that the operating profit for the year ending September, 1958, after providing for depreciation was £795,051. Results of the voyages via Suez between United Kingdom and Australia showed a considerable improvement upon those in 1957 which were disastrously affected by the Suez crisis. Traffic had not, however, picked up to its pre-Suez level, partly on account of lower prices for Australian exports and partly as a result of disturbed conditions in Ceylon. New traffic had been encouraged by very cheap off-season fares. Sir Austin stressed, however, that while the Company's future success depended on its ability to keep fares as low as was economically practicable, there was no point in following what seemed to be the policy of some of the airlines—namely to expand traffic by quoting fares inadequate to cover the cost of carrying it.

Suez results for the current year were likely to be worse than for 1958. This was partly due to Australia getting lower prices for her exports and partly to the entry of the Dutch Mail Lines into the Australian trade after the loss of their Indonesian traffic. The homeward passenger trade from Australia was already severely over-tonnaged by the ships chartered outward for migrants by various Government organisations. Shipowners believed in the freedom of the seas and were prepared to face competition of this kind. They could not, however, refrain from commenting that, when Dutch airlines, in a similar predicament to the Dutch shipowners, tried to find alternative traffic from Malaya, the British Government were quick to step in to protect the British and Australian airlines by methods which, in shipping parlance, would be described as flag discrimination.

On the Pacific service, operated jointly with P. & O. under the title of Orient and Pacific Lines, there was an increase of 7½ per cent in the average number of passengers embarking in North America for each sailing and over half this traffic was booked in North America. The aim was to do everything possible to expand such traffic, and a formidable programme of North American advertising had been arranged to introduce the new O. & P. service between North America and the Far East.

The Company had to look ahead to the days when its three postwar ships, "Orcades," "Oronsay," and "Orsova" would be running in conjunction with "Oriana," which is now building. As well as providing the cheapest form of overseas transport in the lowest grades of accommodation, ships had to satisfy the needs of those who preferred the comfort and restful atmosphere of a mobile hotel to the undeniable strain of hurtling from one place and climate to another, at a speed approaching that of sound. A ship's design, therefore, had to keep pace with that of a modern holiday hotel. Thus, the three post-war ships were being completely air-conditioned and more private baths and showers were being provided in First Class. In Tourist Class the standard of the cheaper cabins was being generally raised. These improvements involved withdrawing the three ships in turn from service for about three months and the whole operation was expected to cost over £2 million.

Sir Austin said the 37,000 tons tanker, being built by Vickers Armstrongs would be called "Garonne" and was expected to be completed for service in December, 1959. Owing to the increase in building prices and the setback in tanker rates, it had been decided not to build the second tanker, as originally planned.

BUSINESS AND PERSONAL

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EUROPEAN Market Data for economic and product analyses, forecasts, surveys.—15 Golden Square, W.1.

STUDIO with gallery—suitable for lecture room or rehearsal room—daily 9 a.m. to 5 p.m. Terms on application. View by appointment.—Tel: WEL 1706, Y.W.C.A., 108 Baker Street, London, W.1.

TWO delightful club rooms available Thursday, Friday, and Sunday evenings. No dancing Sunday. Terms on application. View by appointment.—Tel.: WEL 1706, Y.W.C.A., 108 Baker Street, London, W.1.

RECENTLY widowed lady with well appointed flat near Westminster has furnished accommodation to let-off. Available accommodation consists of bed-sitting room, *single bedroom, own bathroom, etc.* Also use of kitchen and fridge.

Six guineas per week is asked, but as the suitability of the applicant is a *consideration, this might be subject to* negotiation.—Please express your interest to Box 1139.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—Notice to Shareholders.—The Seventy-eighth Annual *General* Meeting of the Shareholders of this Company, for the election of Directors to take the places of the retiring Directors, and for the transaction of business generally, will be held on Wednesday, the sixth day of May next, at the principal office of the Company, at Montreal, at twelve o'clock noon (daylight saving time, if operative). The Ordinary Stock *Transfer* Books will be closed in Montreal, Toronto, New York and London, at 3.30 p.m. on Tuesday, the fourteenth day of April, 1959. The Preference Stock Books will be closed in London at the same time. All books will be reopened on Thursday, the seventh day of May, 1959.—By order of the Board, T. F. Turner, Secretary. Montreal, March 9, 1959.

APPOINTMENTS REQUIRED

VANCOUVER, B.C. Chartered Accountant (Edinburgh), with mercantile background, is visiting the United Kingdom shortly and would be interested to discuss any *business proposition, preferably on a part-time basis,* connected with British Columbia.—Box 1141.

COMMONWEALTH citizen, graduate economics, plus some technical knowledge, domicile Germany, at *present* Assistant to Management leading heavy engineering concern, seeks change and wishes to contact British concern desirous expansion/consolidation in common market. Excellent contacts *European industrial/financial/* trade circles. References in U.K. available. Fluent German.—Contact Box 1142.

U.S.A. Specialist in Anglo-American trade development and export-import market investigations, age 42, now and for past 12 years resident U.S.A., seeks new appointment in U.S.A. Commerce graduate British and American universities with broad knowledge and experience international trade.—Box 1126.

B. COM., 40, bilingual in Russian and Polish, with some knowledge of Ukranian, German, French and *Chinese, after 10 years with the Foreign Office, seeks* position with prospect in Business, Research or Academic field. Willing to travel.—Box 1140.

APPOINTMENTS

INDUSTRIAL ECONOMICS AND PLANNING

The United Kingdom Atomic Energy Authority, Industrial Group requires a well qualified economist in the *Technical Policy Branch at Risley, Warrington, Lancashire.* The branch is responsible for the forward co-ordination of the Group's commitments which include production of fissile materials for defence purposes and of fuel elements for civil reactors, together with the development of civil reactor systems whose success will require many years of well directed effort.

The successful candidate will be responsible to the Manager Economics and Programmes, for the development and application of methods of deriving forward costs for use in the formulation of policy decisions and for investigation of a wide range of problems involved in determining the deployment of resources.

Wide experience in the use of economic techniques as an aid to industrial management is essential. A degree in economics is desirable.

Salary between £1,795 and £2,040.

Contributory superannuation. Staff housing scheme.

Send postcard for application form to Recruitment Officer, at above address. Please quote reference 2991/J.20.

Closing date: March 30, 1959.

UNIVERSITY OF BIRMINGHAM

WILMOT BREEDEN RESEARCH FELLOWSHIP, 1959

Applications are invited for a Research Fellowship to be held in association with the University of Birmingham. The value of the Fellowship, which is for a two-year term, is £1,000 p.a.

A candidate for the Fellowship should normally have had two or three years' research or industrial experience. He must be acceptable to the University and would be expected to have an Honours degree of a University in the British Commonwealth, a Diploma in Technology or an equivalent qualification.

The Wilmot Breeden Fellow will *engage in* an enterprise of such a character as to require the facilities both of the University and the Company, and his time will be divided between the two. The activities with which the Company is especially concerned include Mechanisms, Electro-Chemistry, Metal Finishing, Metallurgy, Metal *Formation, Hydraulics, Electronics.*

Full details may be obtained on application to the Secretary, Wilmot Breeden Limited, Amington Road, Birmingham, 25. Final applications must be received by the Secretary before May 1, 1959.

GOVERNMENT OF THE FEDERATION OF RHODESIA AND NYASALAND

VACANCIES: STATISTICIANS: CENTRAL AFRICAN STATISTICAL OFFICE: MINISTRY OF ECONOMIC AFFAIRS

Applications are invited from suitably qualified persons or persons expecting to qualify in June/July, 1959, for appointment as STATISTICIANS in the Central African Statistical Office. Preference will be given to applicants who possess a University Degree with first or second class honours (or equivalent qualification) in Statistics, Economics or Mathematics. Applications from persons who have passed approved Statistical Society examinations will be considered.

Commencing salary, in the scales £700-£1,650 p.a. for men and £630-£1,330 p.a. for women, will depend upon qualifications, approved previous experience and/or approved National Service. Highest commencing salary £1,250 p.a. men and £940 p.a. women.

Application forms and further details from the Secretary (R), Rhodesia House, 429 Strand, London, W.C.2. Closing date March 31st.

UNIVERSITY OF EXETER

Applications are invited for the post of Assistant Lecturer or Lecturer in Economic and Social Statistics.

Salary scale:

Lecturers £900 — £1,650 (with efficiency bar at £1,300).

Assistant Lecturers £700 — £850.

Further particulars may be obtained from the Secretary of the University.

Closing date for applications, April 11, 1959.

For other appointments

see page 1031

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited from suitably qualified candidates for Tutorships in the following subjects:

ECONOMICS.
PHILOSOPHY.

Salary on the scale £575 to £625 per annum according to qualifications and experience.

Further particulars can be obtained from the Registrar, University College, Singleton Park, Swansea, by whom applications (six copies) must be received not later than Saturday, April 4, 1959.

UNIVERSITY OF NOTTINGHAM

Applications are invited for the appointment of ASSISTANT LECTURER IN INDUSTRIAL ECONOMICS, duties to include teaching of statistical method. Business experience desirable, but not essential. Salary scale £700 x £50 to £850, with membership of the teaching universities Superannuation Scheme and children's allowances. Conditions *of appointment and form of application, which should be* returned by Saturday, April 18, 1959, from the Registrar.

AUSTRALIA
UNIVERSITY OF SYDNEY

LECTURESHIP/SENIOR LECTURESHIP IN ECONOMICS

Applications are invited for the above position.

The salary for a Senior Lecturer is within the range £A2,200—£A2,800 per annum; for a Lecturer *within the range* £A1,500 — £A2,100 *per annum.* In each case cost of living adjustment will be allowed. The salary is subject to deductions under the State Superannuation Act. The salary of the successful applicant will be fixed according to the qualifications and experience of the successful applicant.

Under the Staff Members' Housing Scheme in cases approved by the University and its Bankers, married men may be assisted by loans to purchase a house.

Further particulars and information as to the method of *application may be obtained from the Secretary,* Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close in Australia and London, on April 20, 1959.

COMPANY AFFAIRS

HUDSON'S BAY

FOR the second successive year the Hudson's Bay Company has surprised investors with record profits and dividends. After raising the ordinary trading dividend from 15 per cent to 20 per cent a year ago, it is now paying 24 per cent for the year to January 31, 1959. In addition, the tax free payment from the surplus arising from land sales is doubled to 5 per cent, and there is also a special distribution "on this occasion only" of 2 per cent from the land account. Last year £672,000 was transferred from capital reserve to land account, raising it to nearly £1.8 million, so that this source of income to shareholders is by no means exhausted. The 2 per cent windfall is best ignored, but even so the £1 ordinary are clearly on a dividend basis of 32.7 per cent gross, against 24.3 per cent a year ago. On that assumption the ordinary shares yield 3.4 per cent at 192s. 6d., to which they jumped from 172s. 9d. after the dividend was announced.

"Bays" have long been popular with British investors (who own roughly three-quarters of the equity). They have been popular with speculators attracted by the potentialities of Hudson's Bay Oil and Gas, in which the group has a minority interest. Hudson's Bay has yet to receive a dividend from this source. But the latest profit figures suggest that it is doing remarkably well from its established interests in fur trading, wholesaling and retailing. Despite the recession in North America, gross profits in 1958-59 jumped by 13 per cent, from £4,329,000 to £4,896,000, and net profits from £2,312,000 to £2,637,000. In part, this increase probably reflects the money that the group has been spending on modernising its stores and in building new ones.

NEWS OF THE WORLD

A STOCK EXCHANGE quotation for a flourishing business benefits both vendors and potential investors. The public offer of one-tenth of the equity of the *News of the World* seems to leave the balance of advantage well in favour of the vendors, for this must surely be the minimum amount that can reasonably be made available for sale when applying for quotation of all the issued capital. The capital of the *News of the World*, as reconstituted recently, consists of £1,600,000 in 5s. voting Ordinary shares and £800,000 in new non-voting 5s. ordinary shares. These latter are tied to the voting shares by offering the public 320,000 composite units, each consisting of two ordinary shares and one non-voting share at 43s. for the three. Hambros Bank has underwritten the offer for a commission of 1s. 0½d. per composite unit. The vendors seem to be reluctant sellers and certainly reluctant to relinquish any great measure of control; all holders of importance have contributed their tithe to the pool now made available to the public. It may therefore be assumed that the market in the voting stock will not be swelled by a trickle of sales by these firm-holders, for the non voting shares provide a means of selling for cash without losing control. After the offer the Carr and Jackson family groups will each hold just over 1,800,000 of the voting shares, which gives them together 57½ per cent of the votes.

Three-quarters of the record gross profit of £1,517,370 for the year to June 30th last was earned by the group's Sunday newspaper. Other interests include the *Greyhound Express*, the Worcestershire firm of Berrow's Newspapers Limited, Walton Heath golf course and a stake in TWW, the television contractor for South Wales and the West of England. The group holds about one-quarter of the small amount of voting capital and about one-sixth of the non-voting capital of TWW. Profits for the whole group in the six months to December 31st compare "not unfavourably" with earnings in 1957. For the calendar year 1959 profits are expected to be a little lower than in 1958, but a dividend of 20 per cent is forecast. At the issue price of 43s. for three 5s. units the yield will be almost 7 per cent.

HOOVER AND MORPHY-RICHARDS

SALES of domestic appliances by Hoover immediately after the lifting of HP restrictions have to be regarded as exceptional and some slackening in turnover must now be expected. Moreover, difficulties in Hoover's export markets seem likely to persist for a time. Nevertheless, the directors of Hoover expect a "good year." It should certainly stand comparison with 1958, which opened with Hoover operating under the shadow of high purchase tax rates as well as HP restrictions. Nor does it seem that any temporary recession of demand will deter the directors from carrying out their development plans. For instance, although a substantial loss was sustained by the French subsidiary while record profits were being earned elsewhere, Hoover is planning large developments in France during the next five years—presumably to ensure a foothold in the common market. At home, factory space in South Wales which seemed adequate in 1957 is now apparently insufficient and a big increase in factory space is actively under consideration. The call that these developments may make on resources probably explains why the directors have limited the increase in the ordinary dividends from 50 to 60 per cent, despite the rise in trading profits from £4,943,000 to £7,182,000 and in net profits from £1,924,000 to £2,340,000.

Morphy-Richards' interim report for the six months to December 31st also reflects boom conditions: in that period turnover exceeded £5 million and was 25 per cent above the 1957 level. The interim ordinary dividend for the year to June 30th has been raised from 8 to 10 per cent, payable on a capital of £845,028, since practically all the £500,000 loan stock issued in 1956 has now been converted into ordinary shares. At 59s. 3d.xd Hoover 5s. ordinary units yield 5 per cent, while Morphy-Richards' 4s. units yield 4.2 per cent at 22s., assuming a total dividend of 22 per cent.

EASTERN BANKS

AMALGAMATION among the eastern exchange banks has aimed at securing a wider spread of political risks and at economies from the fusion of overlapping branches. These moves were overshadowed by recession last year. Disclosed profits declined and balance sheets made up at December 31st show a general fall in advances and a tendency for total deposits to contract.

The Chartered Bank absorbed the Eastern Bank in 1957, acquiring a widespread interest in the Middle East, and the group recently subscribed 49 per cent of the capital of a new bank in Iran. Total deposits of this group increased by £16 million, thanks wholly to a rise in fixed deposits. Advances fell by £6.1 million to £106 million and acceptances declined by £2.8 million to £7.6 million. Net profits are shown at £993,590, compared with £1,000,890; but the ordinary dividend is maintained at 15 per cent, giving a yield of 6.6 per cent at the current price of 45s. 3d.xd for the £1 units.

National and Grindlays Bank was formed as a fully merged institution at the beginning of last year. Total deposits have declined by £10.7 million to £141.8 million. Advances dropped by £14.6 million to £70.3 million. Disclosed profits were £371,707, against £427,490 in 1957, and the dividend is unchanged at 15 per cent, giving a yield of 6.7 per cent at the current price of 28s. for the £1 units, 12s. 6d. paid.

Last month the Hongkong and Shanghai Banking Corporation announced that its bid for the **Mercantile Bank** had been successful. Mercantile's deposits fell by £4.5 million to £63.8 million in 1958 and total assets contracted by £5.3 million to £71 million. As at the other banks, liabilities for acceptances declined sharply, from £1,200,000 to £350,000.

Company Affairs *continued on p. 1026* **London and New York Stocks** *on next two pages.*

LONDON AND NEW YORK STOCKS

Prices, 1958/9 High	Prices, 1958/9 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, March 4, 1959	Price, March 11, 1959	Net Yield, March 11, 1959 £ s. d.	Gross Yield, March 11, 1959 £ s. d.
100 3/16	96 1/16	War Loan 3%.....1955-59	100	100	1 18 5	3 0 01
97 3/4	90 3/8	Funding 2 1/2%.....1956-61	97 19/32	97 1/16	2 13 10	3 14 6
99 3/32	93 1/16	Exchequer 2%.....1960	98 15/16	98 7/8	2 6 3	3 4 9
103 3/32	95 1/16	Exchequer 3%.....1960	99 15/16	99 7/8	1 16 4	3 2 7
101 1/16	95 1/16	Conversion 4 1/2%.....1962	101 5/32	101 5/32	2 2 8	4 1 8
94 1/32	88 5/8	Exchequer 3%.....1962-63	96	95 29/32	2 13 5	4 1 2
101 3/32	99 7/16	Conversion 4 3/4%.....1963	101 7/16	101 13/32	2 5 3	4 7 8
92 15/16	83 5/8	Savings Bonds 3%.....1955-65	92 9/16	92 3/8	3 1 3	4 8 4
85 13/16	77 3/8	Funding 3%.....1959-69	85 3/16	83 11/16*	3 13 1	5 1 0
93 1/8	86 3/8	Funding 4%.....1960-90	92 7/8	92 7/8	2 13 7	4 10 4
83 7/16	.75	Savings Bonds 3%...1960-70	82 1/16	81 3/4	3 13 11	5 2 8
93 3/8	84 3/8	Exchequer 2 1/2%...1963-64	93 1/4	93	3 0 2	4 4 0
100 31/32	99 11/16	Conversion 4 1/2%.....1964	100 3/16	100 3/16	2 9 9	4 9 2
86	78 5/8	Savings Bonds 2 1/2%..1964-67	85 1/4	85 1/8	3 12 10	4 17 6
76 7/8	69 5/8	Savings Bonds 3%...1965-75	76 1/4	75 7/8	3 14 2	5 4 6
105 5/8	99 1/2	Exchequer 5 1/2%.....1966	103 1/8*	103*	2 13 9	4 19 7
86 5/16	78 5/8	Funding 3%.....1966-68	85 5/8	85 3/16	3 12 6	5 0 11
93 1/8	91 1/8	Victory 4%.....1920-76	96 7/16	96 3/8	2 15 3	4 10 3
89 13/16	81 9/16	Conversion 3 1/2%.....1969	89 3/16	88 11/16	3 1 7	4 19 4
100 5/16	97 1/4	Conversion 5 1/4%.....1974	100 1/8	100	3 1 7	5 7 5
79 1/2	71 1/8	Treasury 3 1/2%.....1977-80	79 1/16	79 1/4	3 9 4	5 4 8
73 3/8	70 3/8	Treasury 3 1/2%.....1979-81	77 15/16	77 5/8	3 9 10	5 5 0
103 7/16	98 1/2	Funding 5 1/2%.....1982-84	103 1/8	103	3 0 3	5 6 9
69 1/4	60	Redemption 3%.....1986-96	66 3/4*	66 3/8*	3 5 9	4 19 7
74 1/2	64 3/8	Funding 3 1/2%.....1999-2004	73 5/8	73 1/8	3 2 10	5 0 11
76 5/8	69 1/16	Consols 4%...after Feb. 1957	74 7/8	74 5/16	3 2 1	5 8 3
69 3/16	63 1/8	War Loan 3 1/2%...after 1952	67 3/8	67 1/8	3 0 6	5 5 10
63 7/8	62 3/8	Conv. 3 1/2%..after Apr. 1961	66 7/16*	66*	3 0 11	5 5 9
60	54 5/8	Treasury 3%..after Apr. 1966	58 1/16*	57 1/2*	2 19 11	5 4 0
53 9/16	46 3/4	Consols 2 1/2%.....	52 1/8*	51 5/8*	2 15 7	4 16 7
51 1/16	46 3/8	Treasury 2 1/2% after Apr. 1975	49 1/2*	49 1/4*	2 18 3	5 1 3

Prices, 1958/9 High	Prices, 1958/9 Low	FIXED INTEREST STOCKS	Price, Mar. 4, 1959	Price, Mar. 11, 1959	Yield, Mar. 11, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	94 1/2	Australia 4 1/2%.....1960-62	99 3/4*	99 3/4	4 12 0
106 7/8	97 7/8	Australia 6%.....1974-76	106 3/4	106 7/8	5 6 6
77	73 1/2	Ceylon 4%.....1973-75	75 1/2	75 1/2	6 9 8
102 1/4	94 1/2	Jamaica 6%.....1977-82	99 3/4	99 1/2	6 0 11
106 7/8	97 7/8	New Zealand 6%.....1976-80	104 1/2	104 5/8	5 11 5
101 7/8	91 3/4	Rhodesia and Nyasaland 6%.....1976-79	98 3/4	97 1/2	6 4 10
74 5/8	69	Southern Rhodesia 2 1/2%.....1965-70	71 3/4*	71 1/4*	6 2 4
		CORPORATION AND PUBLIC BOARDS			
102 1/2	98 1/4	Agricultural Mortgage 5 1/2%.....1980-85	102 1/2	102 1/2	5 6 0
105	98 7/8	Birmingham 5 3/4%.....1974-76	103	103	5 9 1
94	86	Bristol 3%.....1958-63	94	94	4 13 0
97 1/2	91 1/2	Glasgow 4 3/4%.....1966-68	97	96 3/4	5 3 10
101 1/4	96 1/2	Corporation of London 5 1/4%.....1976-79	101	101	5 3 5
57 3/4	53	L.C.C. 3%.....after 1920	56 1/4	55 1/2	5 8 1
64	56	Met. Water Board 'B' 3%.....1934-2003	63	62 1/2	5 3 4
		FOREIGN BONDS			
108 1/2	83	German 7% 1924 (British Enfaced 5%)....	107 1/2	107 1/2	...
187	154	German 5 1/2% 1930 (Enfaced 4 1/2%)....	185 1/2	186 1/2	...
35	12 3/4	Greek 7% Refugee.....1924	33	32 3/4	Nil
169	160	Japan 5% (Enfaced).....1907	168 3/4	169	...
119 1/2	105 1/2	Japan 6% (Enfaced).....1924	117 1/4	118	...
59	48	Uruguay 3 1/2% Bonds (Assented).....	58 1/2	58 1/2	...

NEW YORK CLOSING PRICES

	Mar. 4 $	Mar. 11 $		Mar. 4 $	Mar. 11 $		Mar. 4 $	Mar. 11 $
Ath. Topeka...	28 7/8	29 3/4	Boeing.....	42 1/4	40 1/8	Inter. Nickel ..	94 3/4	97 1/2
Can. Pacific....	32 1/2	31 1/4	Celanese.....	30 1/8*	30 7/8	Inter. Paper ...	124 1/4	122 1/2
Pennsylvania....	16 5/8	16 1/2	Chrysler.....	56 1/8	56 7/8	Kennecott.....	114 7/8	115 3/4
Union Pacific...	37 1/8	37 1/2	Col. Palmolive..	104 1/2	98 3/8	Monsanto.....	46 1/8	46 3/8
Amer. Electric .	50 1/4	50 7/8	Crown Zeller..	56 3/8	58	Nat. Distillers ..	34	33 3/8
Am. Tel. & Tel..	246 1/8	240 7/8	Distillers Seag..	35 1/8	34	Pan-American..	27 1/2	27 3/8
Cons. Edison ...	66 3/8	66 1/8	Douglas.....	56 1/8	54 3/4	Procter Gamble	80	80 3/8
Int. Tel. & Tel..	65 3/8	38 3/8	Du Pont	223	230 1/2	Radio Corpn....	52	54*
Standard Gas ..	3 1/2	3 3/8	East. Kodak ...	152 1/4*	153	Sears Roebuck .	44 1/4	43 3/4
United Corpn..	9 1/8	9 1/4	Ford Motor	57 3/8	54 3/4	Shell Oil	83 3/4*	87 3/4
Western Union	36 1/2	38	Gen. Electric ..	79 3/4	79 7/8	Socony-Mobil ..	46 3/8	45 3/8
Alcoa.....	82 1/4	83 1/8	General Foods ..	82 1/2	82 1/4	Stand. Oil Ind..	49	49 1/8
Aluminium.....	29 3/8	29 3/4	General Motors	46 7/8	46	Stand. Oil N.J..	53 1/4	52 1/8
Amer. Can.....	48 1/4	49 3/8	Goodyear	123 1/4	128	20th Cent. Fox.	30 1/4	37 3/8
Am. Smelting...	54 1/2	54	Gulf Oil.....	119 1/4	117	Union Carbide.	132 1/8	128 1/4
Am. Viscose	42 1/2	45 7/8	Heinz.....	71	69	U.S. Steel	93 3/4	94 1/8
Anaconda	72 1/4	73 3/8	Int. Bus. Mach..	524	526	West. Electric .	79 1/2	79 7/8
Beth. Steel	53	52	Int. Harvester .	42 7/8	43 1/8	Woolworth ...	54 1/4	55 7/8

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Mar. 4, 1959	Price, Mar. 11, 1959	Yield Mar. 1959
		%	%	**STEEL AND ENGINEERING**			
31/9	24/11 1/2	5 a	8 b	Colvilles.....£1	28/10 1/2	28/6	9·4
30/6	21/7 1/2	4 a	8 b	Dorman Long.....£1	29/10 1/2	29/10 1/2	8·0
23/10 1/2	15/6	6 c	3 a	Steel Co. of Wales.....£1	23/7 1/2	23/5 1/4	7·6
32/3	20/-	3 a	8 b	Stewarts & Lloyds.....£1	27/7 1/2	26/10 1/2	8·1
42/10 1/2	22/3	6 a	10 b	John Summers.....£1	38/4 1/2	38/11 1/2	8·3
30/3	17/9	4 a	8 1/2 b	United Steel £1	27/9	27/11 1/2	9·1
33/10 1/2	23/-	6 b	4 a	John Brown.....£1	33/0 3/4	31/6 1/2	6·3
11 b	4 a	4 a	4 a	Cammell Laird 5/-	8/7 1/2	8/6	8·8
64/-	48/-	13 b	5 a	Swan Hunter.....£1	56/-	53/4 1/2	6·3
36/6	28/6	7 1/2 b	2 1/2 a	Vickers.....£1	32/3	31/4 1/2	6·2
68/-	40/9	6 3/4 b	5 a	Averys.....£1	62/-	60/9	3·8
18 7/8 a	14 3/8 b	4 a	4 a	Coventry Gauge.....10/-	18/6	18/3	5·4
42/-	28/3	12 a	14 b	Alfred Herbert.....£1	37/6	37/6	5·0
17/6	9/3	10 b	5 a	Ransome & Marles....5/-	17/4 1/2	17/3	4·3
43/6	30/4 1/2	9 1/2 b	3 a	Renold Chains.....£1	42/10 1/2	43/3	5·1
43/6	21/9	8 3/4 b	3 3/4 a	Allied Ironfounders £1	43/6	42/-	5·3
55/6	41/10 1/2	6 3/4 b	6 a	Babcock & Wilcox.....£1	50/10 1/2	50/-	5·3
85/9	36/9	4 a	13 1/2 b	British Aluminium £1	70/-*p	70/-p	5·1
96/-	45/3	15 c	20 c	Davy & United £1	95/-	95/6	4·1
58/6	34/7 1/2	7 1/2 a	4 a	Guest Keen.....£1	52/6	52/6	4·3
76/-	41/-	7 b	5 a	Metal Box £1	75/6	75/9	3·1
76/-	43/9	3 3/4 b	3 3/4 a	C. A. Parsons £1	50/9	50/6	2·9
27/9	23/-	15 b	10 a	John Thompson.....5/-	22/-	24/6	5·1
86/-	48/6	7 1/2 a	10 b	Tube Investments.....£1	81/6	79/9	4·2
				BUILDING, etc.			
54/9	31/-	6 b	3 a	Associated Portland....£1	54/9	53/6	3·3
22/11 2	12/7 1/2	7 1/2 b	5 a	British Plaster Board.10/-	21/6	21/-	5·1
70/9	27/11 2	8 3/4 c	5 c	Richard Costain £1	68/3	69/9	4·2
11/11 1/2	6/3	5 a	10 b	Crittall Manufacturing.5/-	11/11 1/2	11/11 1/2	4·3
68/6	36/11 1/2	15 8 c	6 a	London Brick £1	68/6*	67/3	4·9
89/9	52/6	5 a	13 1 3 b	Wall Paper Defd.....£1	88/9	87/3	4·2
				CHEMICALS AND PAINT			
16 c	4 a	4 a	4 a	Albright & Wilson....5/-	20/6	21/-	3·8
2 11 12 d	5 5/6 b	2 a	2 a	Borax Defd.....	20/7 1/2	19/10 1/2	5·2
7 1/2 c	12 1 2 b	8/-	8/-	Brit. Ind. Plastics 2/-	8/-	8/-	4·8
3 1/3 a	6 3 b	2 a	2 a	Fisons.....£1	48/6	46/3	4·9
5 1 3 b	22 3 a	4/-	4/-	I.C.I.....£1	36/-	34/9	4·0
18 c	6 a	14/3	14/3	International Paints ...4/-	14/3	14/3	5·6
16/6	12/6	5 a	8 1/2 b	Monsanto.....5/-	15/4 1/2	15/3*	4·0
22/-	15/3	11 2 3 b	5 a	Pinchin Johnson 10/-	20/-	19/3	8·8
				ELECTRICAL AND RADIO			
58/9	47/-	7 1/2 a	7 1/2 b	A.E.I.....£1	55/9	55/-*	5·6
52/6	39/3	8 1/2 b	4 a	B.I.C.C. £1	47/9	48/-	5·5
43/3	24/7 1/2	5 6 a	14 1/6 b	Decca Record 10/-	40/6	40/4 1/2	4·9
63/-	21/-	11 4 c	11 4 c	E.M.I. 10/-	54/7 1/2	54/9	3·8
65/6	44/6	4 a	10 b	English Electric.....£1	65/11 2	65/6	4·0
40/6	29/9	6 1 2 b	3 a	General Electric £1	32/3*	31/-	6·1
17/-	10/3	12 1 2 c	12 1 2 c	Pye Defd.....5/-	15/11 2	15/-	6·6
97/3	74/6	11 b	6 1 2 a	A. Reyrolle £1	95/3	95/-	3·8
				MOTORS AND AIRCRAFT			
14/2 1/4	6/7 1/2	12 1 2 c	4 a	British Motor 5/-	13/11 1/4	14/2 1/4	6·2
55/6	31/9	3 1 2 a	8 1 3 b	Ford Motor £1	54/9	55/6	4·2
48/9	39/-	12 1 2 c	12 1 2 c	Leyland Motor £1	44/9	45/6	5·4
7/10 1/2	4/11 2	8 a	4 a	Rootes Motors 4/-	7/3	7/3	4·8
10/-	6/7 1/2	8 c	12 c	Standard Motors.....5/-	9/4 1/2	9/11 2	6·3
26/6	14/4 1/2	11 b	4 1 6 a	Dunlop Rubber.....10/-	25/3	25/11 2	6·3
45/6	28/-	2 1 2 a	5 b	Joseph Lucas £1	45/-	45/6	4·3
26/11 2	12/5 1/4	14 b	7 1 2 a	Pressed Steel.....5/-	24/4 1/2	24/10 1/2	4·3
54/4 1/2	32/9	20 c	7 1 2 a	Triplex Holdings 10/-	53/6	54/3	5·0
14/4 1/2	8/7 1/2	6 1 2 b	3 1 2 a	Bristol Aeroplane....10/-	10/4 1/2	10/11 2	9·0
21/4 1/2	14/3	7 1 2 c	7 1 2 c	De Havilland.....£1	19/7 1/2	19/6	7·4
42/3	29/3	15 a	16 1 2 b	Dowty Group.....10/-	40/9	41/7 1/2 ¶	4·4
34/9	24/9	3 a	7 b	Hawker Siddeley £1	30/6	29/-	6·5
106/3	82/9	15 b	5 a	Rolls-Royce.....£1	104/3	101/9	3·4
				PAPER AND NEWSPAPERS			
49/7 1/2	26/6	8 b	4 1 2 a	Bowater Paper £1	49/3	48/3	5·1
54/9	27/9	9 b	5 a	Albert E. Reed £1	54/3	54/6	5·5
24/9	16/-	5 b	3 a	Spicers.....£1	23/3	23/3	6·3
25/3	8/9	7 1 2 a	12 b	Daily Mirror 'A'.....5/-	24/7 1/2	24/10 1/2	3·9
29/-	18/6	5 a	12 1 2 b	Odhams Press 10/-	28/3	28/6	6·4
				TEXTILES			
24/11 2	19/6	6 1 4 b	2 1 2 a	J. & P. Coats £1	23/-	23/3	7·5
21/-	12/10 1/2	5 b	5 a	Fine Spinners £1	18/7 1/2	18/6	10·1
41/4 1/2	29/10 1/2	5 a	12 1 2 b	Lancashire Cotton £1	37/7 1/2	38/11 2	9·1
38/4 1/2	30/-	12 1 2 c	2 1 2 a	Patons & Baldwins £1	37/7 1/2	37/7 1/2	6·1
6/8 1/4	4/3	6 c	4 a	Salts (Saltaire).....5/-	5/6	5/6	5·1
54/6	38/4 1/2	10 b	5 a	Woolcombers.....£1	53/11 2	52/3*	5·1
19/11 2	10/11 2	6 c	Nil	Bradford Dyers.....£1	17/-	15/11 2	11·1
48/4 1/2	33/11 2	22 1 2 c	22 1 2 c	Calico Printers £1	40/3	40/-	11·1
35/10 1/2	19/7 1/2	5 b	3 a	Courtaulds.....£1	34/9	34/9	4·8
13/7 1/2	8/10 1/2	3 a	10 b	Jute Industries.....10/-	12/11 2	11/10 1/2	10·1
30/6	15/3	7 1 2 c	7 1 2 c	Tootal.....£1	26/4 1/2	27/10 1/2	5·5
				DRAPERY & STORES			
22/11 2	14/9 3/4	14 4 c	6 a	Boots Pure Drug 5/-	21/3*	21/3	3·1
30/3	16/9	3 1 3 b	10 a	Debenhams 10/-	29/6	29/3	5·1
34/3	17/3	25 b	7 1 2 a	G.U.S. 'A' 5/-	33/7 1/2	33/10 1/2	4·0
89/-	55/6	5 a	12 1 2 b	Harrods £1	77/3	77/6	4·1
53 1/4	52 1/8	10 a	10 a	House of Fraser 'A'...5/-	34/-	33/9	5·5
30 1/4	27 3/8	20 b	10 a	Lewis's Investment ...4/-	17/3	17/-	3·1
93 3/4	93 1/8	22 1 2 b	12 1 2 a	Marks & Spencer 'A'..5/-	54/3	54/10 1/2	3·1
79 1/2	79 1/8	12 1 2 a	12 1 2 a	United Drapery 5/-	36/6	36/6	4·1
54 1/4	55 7/8	26 2 3 b	13 1 3 a	Woolworth 5/-	50/7 1/2	50/6	3·1

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Mar. 4, 1959	Price, Mar. 11, 1959	Yield, Mar. 11, 1959
		%	%	**BANKING**			
59/9	31/9	6 a	6 b	Barclays £1	58/9	58/3	4·12
52/6	27/6	4 1 3 a	5 2 3 b	Lloyds.....£1	52/6	52/9	3·79
67/6	42/9	6 3 4 a	6 3 4 b	Midland £1	67/4 1/2	64/-‡‡	4·69**
100/3	59/3	9 a	11 b	National Provincial £1	100/-	99/9	4·01
62/-	36/-	5 a	7 1 2 b	Westminster 'B'.....£1	61/-	60/9	4·12
77/6	47/9	7 1 2 a	9 1 2 b	District.....£1	76/6	77/6	4·39
21/6	9/8 1/4	6 a	10 b	Martins.....5/-	19/9‖	19/-‖	4·21
39/6	21/4 1/2	5 a	7 1 2 b	Com. Bk. of Scot. 'A' 10/-*	39/-	37/10 1/2	3·30
75/6	46/-	7 a	9 b	Royal Bank of Scotland..£1	74/6	72/3	4·43
41/9	27/6	4 a	5 b	Barclays D.C.O. £1	41/3	40/-	4·50
46/6	31/3	7 1 2 a	7 1 2 b	Chartered Bank £1	46/3	45/3*	6·63
£29	£20	$2·10c	$2·25c	Royal Bank of Canada..$10	£29	£28 7/8	2·86
£20 3/4	£14 15/16	$1·60c	$1·65c	Bank of Montreal.....$10	£20 1/4	£20 25/32	2·89
52	25 5/8	9 c	9 c	Bank of New S. Wales.£20	31 1/4	32	4·50g
34/3	28/-	4 a	6 b	Bank of Ldn. & S. Amer. £1	32/6	32/6	6·15
				FINANCIAL			
31/6	18/-	2 1 2 a	5 b	Alexanders £1	31/6	31/-	4·84
49/-	29/6	5 a	7 b	National Discount 'B'...£1	43/9	42/9	5·61
52/6	34/-	6 1 4 a	6 1 4 b	Union Discount £1	50/6‖	49/3	5·08
44/6	32/9	36 3 c	18 1 3 a	Commercial Union....5/-	41/3	43/6	4·21
146/3	102/6	12 1 2 a	15 b	Employers Liability £1	146/3	143/9	3·03
200/-	117/6	†16·2a	†16·2b	Equity & Law 8/6	197/6	197/6	2·43
257/6	113/9	60 b	40 a	Legal & General 5/-	250/-	257/6	1·94
120/-	66/3	†50 b	†20 a	Pearl.....5/-	117/-	118/-	5·16
229/6	154/-	†132 1/2 c	†147 1/2 c	Prudential 'A'.....4/-	232/6	237/6	4·33
83/-	63/9	8 b	8 a	Royal Exchange.....£1	81/3	80/9	3·96
21/6	8/-	5 a	8 1 4 b	Bowmaker 5/-	19/10 1/2	19/10 1/2	3·46
25/3	16/10 1/2	7 1 2 b	7 1 2 a	Lombard Banking.....5/-	24/9	25/-	3·00
142/6	73/3	16 b	4 a	U.D.T. £1	137/-	137/-	2·92
40/-	19/9	17 1 2 b	10 a	B.E.T. 'A' Defd. 5/-	35/9	35/6	3·87
13/10 1/2	7/11	10 c	10 c	Cable & Wireless.....5/-	12/10 1/2	13/11 2	3·81
23/3	7/10 1/2	2 1 2 b	2 a	Land Securities 10/-	20/10 1/2	20/15 1/2	2·87**
16/9	8/7 1/2	5 1 2 c	2 1 2 a	London & County 10/-	16/4 1/2	16/6	4·04**
				FOOD, DRINK AND TOBACCO			
26/-	12/3	15 c	5 a	Allied Bakeries 'A'....5/-	25/6‖	24/-	3·13
21/6	13/4 1/2	20 c	14 a	Beecham Group 5/-	25/4 1/2	29/9	3·36
12/-	6/5 1/4	7 b	2 1 2 a	International Tea 5/-	11/9	11/7 1/2	4·09
64/-	40/11 2	9 1 4 b	5 a	J. Lyons 'A' £1	75/10 1/2	76/-	3·73
20/-	13/7 1/2	5 a	5 b	Ranks 10/-	19/10 1/2	19/7 1/2	5·10
28/-	7/9	7 1 2 b	2 1 2 a	Schweppes 5/-	18/10 1/2	19/3	3·90**
47/9	30/6	7·5b	2·8a	Tate & Lyle £1	43/10 1/2	43/10 1/2 ‖	4·70
70/6	47/4 1/2	10 b	5 a	United Dairies £1	70/6*	69/6	4·32
47/-	31/-	10 a	36 b	Bass.....5/-	45/6	45/6	5·05
27/7 1/2	15/9	6 2 3 b	4 a	Distillers 10/-	25/7 1/2	25/-	4·27
15/3	11/6	6 a	11 b	Flowers 5/-	15/3	15/3	5·57
59/3	37/-	10 a	18 b	Guinness 10/-	58/6	59/3	4·73
13/9	9/4 1/2	4 a	10 b	Ind Coope & Allsopp..5/-	12/7 1/2	12/7 1/2	5·54
81/9	56/6	7 1 2 a	13 1 2 b	Watney Mann Defd. £1	81/6	81/-	5·19
111/-	75/6	17 b	8 a	Whitbread 'A' £1	108/-	107/6	4·65
69/-	37/7 1/2	†17 1/2 c	15 a	Brit. Amer. Tobacco .10/-	53/4 1/2*	53/3	5·71
42/10 1/2	20/6	5 a	20 b	Gallaher 10/-	42/10 1/2	42/7 1/2	5·87
59/9	37/-	6 1 2 a	12 1 2 b	Imperial Tobacco £1	57/6*	57/4 1/2	7·32

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Mar. 4, 1959	Price, Mar. 11, 1959	Yield, Mar. 11, 1959
		%	%	**MISCELLANEOUS**			
50/9	15/9	30 c	20 a	Assoc. Brit. Picture 5/-	44/3	45/6	...
45/6	28/-	11 c	5 a	British Match £1	44/4 1/2	43/10 1/2	5·01
54/9	28/3	4 a	8 b	British Oxygen £1	52/9*	54/6	4·40
10/6	6/9	13 b	4 a	British Ropes 2/6	9/7 1/2	9/3	4·59
51/3	21/-	4 1 4 a	7 1 2 b	Glaxo 10/-	49/9	49/6	2·36
63/9	31/3	10 a	50 b	Hoover 'A' 5/-	61/-	58/3*	5·15
197/6	133/9	6·17a	26·53b	Hudson's Bay £1	177/6	192/6	3·40
17/11 1/2	11/8 1/4	22 1 2 c	22 1 2 c	Sears 'A' 5/-	16/7 1/2	16/8 1/4	6·74
63/6	44/-	7 b	6 1 4 a	Thomas Tilling £1	62/6	62/6	4·24
76/4 1/2	52/11 2	5 a	10 b	Turner & Newall £1	71/7 1/2	71/10 1/2	4·17
96/-	56/4 1/2	8 2 3 b	8 2 3 a	Unilever.....£1	90/6	88/4 1/2	3·60
49/3	24/3	7 1 2 b	3 3 4 a	United Glass £1	47/9	47/9	4·70
36/-	26/-	†10 b	†4 1 6 a	United Molasses 10/-	34/9	34/4 1/2	7·17
				OIL			
58/6	39/9	†5 b	†2 1 2 a	British Petroleum.....£1	52/-	51/3	5·09
87/3	59/11 2	†7 1 2 b	†5 a	Burmah Oil £1	76/-	76/6	5·67
£18 7/8	£13 7/8	17 1 2 b	7 1 2 a	Royal Dutch .....20 fl.	£15 7/8	£15 5/8	3·01
165/-	117/6	†13 3 4 b	†5 a	Shell Transport.....£1	140/-	138/9	4·70
95/6	41/6	...	...	Ultramar 10/-	67/3	66/6	.... d
39/6	25/6	13 1 2 b	7 1 2 a	Wakefield C.C.C.....10/-	36/9	36/9	5·61
				SHIPPING			
46/6	27/7 1/2	13 1 2 b	6 1 2 a	Brit. & Com'wealth. .10/-	43/-	42/-	4·76
23/9	16/6	10 c	Nil	Cunard.....£1	18/11 1/2	17/6	...
35/6	27/3	10 3 4 c	10 c	Furness Withy £1	33/-	31/6	6·35
20/6	14/6	10 b	10 a	London & Overseas....5/-	18/3	18/-	5·56
38/3	22/-	3 a	8 b	P & O Defd. £1	34/6	34/-*	6·47
17/9	12/-	5 c	2 1 2 c	Reardon Smith 10/-	15/6	14/6*	1·72
25/6	19/3	7 1 2 c	9 c	Royal Mail £1	24/9	24/3	7·42
				MINES			
182/6	115/-	60 b	20 a	Anglo-American 10/-	173/9	170/7 1/2	4·69
131/10 1/2	73/9	10 a	15 b	General Mining.....£1	125/-	123/9	4·04
80 a	40 a	80 a	40 a	Union Corporation 2/6	50/9	51/9	5·69
54/9	36/7 1/2	80 b	40 a	Daggafontein 5/-	28/6	27/3	18·35
34/3	23/10 1/2	50 a	50 b	Free State Geduld 5/-	151/10 1/2	158/11 1/2	4·11
158/11 1/2	76/3	60 b	70 a	Hartebeestfontein 10/-	66/-	66/-	10·61
69/9	56/-	35 b	35 a	President Brand 5/-	64/-	63/11 2	7·92
141/3	84/4 1/2	80 b	70 a	Western Holdings 5/-	131/3	133/11 2	5·63
64/6	41/6	12 1 2 b	5 a	Consolidated Zinc £1

BRITISH ROPES & R. HOOD HAGGIE

IF shareholders agree, and there seems to be no reason why they should not, two leading companies manufacturing wire ropes, fibre ropes and cordage will merge, for the directors of both companies—British Ropes and R. Hood Haggie—have agreed on the terms for an amalgamation. The directors say that by combining their respective resources —in particular in research—the two companies will be better placed to meet the more competitive conditions now ruling in export markets. Both companies are listed as parties to an agreement on steel wire and fibre ropes that is on the register of restrictive trade practices.

British Ropes certainly seems willing to pay a high price for the benefits of amalgamation with Hood Haggie, for the bid of £5 in cash for every £1 ordinary share in Hood Haggie contrasts with a market price of only 64s. before the merger terms were announced. The Hood Haggie directors (who own about 15 per cent of the ordinary capital) are recommending acceptance. At £5 the Hood Haggie shares on the maintained dividend of 17½ per cent offer a yield of only 3½ per cent and an earnings yield of 11.8 per cent. This puts a high value on a concern whose profits have shown little sign of expanding—indeed they fell in 1958 to their lowest level since 1954. But on September 30th, Hood Haggie held no less than £975,000 in liquid form and this presumably is one reason for the high bid price.

PYE

LAST month Pye made a cash bid for the capital of Lindley Thompson Transformer and Service Company, of 2s. 6d. per share for the 4.6 million 1s. ordinary shares (requiring £575,000) and 16s. for the 100,000 6 per cent cumulative redeemable preference shares of £1 (involving a further £80,000). Presumably the owners of Lindley Thompson wanted cash and an offer based on a share exchange could have given rise to difficulties in the market. But Pye cannot have much cash in its coffers even after the injection of £2½ million from its debenture issue. A rights issue for a moderate sum would hardly have been feasible and Pye finally decided to place up to 1,068,960 5s. ordinary shares at 13s. each to Guinness Mahon and Company, subject to a commission of 6d. per share. The intention is to place the shares with other investors at 12s. 9d. each. The market price of the existing shares has remained steady at 14s. 9d.

JOHN BROWN

JOHN BROWN is to raise about £1.9 million by a one for seven rights issue of 1,311,658 ordinary shares of £1 each at 30s. per share; this puts a value on the rights of only a few pence, for the existing shares stand at 32s. 6d. The directors intend to maintain the 10 per cent ordinary dividend on the new capital and thus the new shares are offered on a yield of 6⅔ per cent. The cover on this dividend is likely to be no more than adequate, for earnings in 1957-58 amounted to 23½ per cent on the old capital; the directors expect that gross profits for the year to March 31st "will be not more than 10 per cent below" the previous year's figure of £3,336,382, but that net profits will be practically unchanged from last year's £1,391,960. The directors say that no major development schemes are envisaged at the moment but that the new money coming from this not especially exciting offer is needed to finance a higher volume of stocks and work in progress, and export credits.

ARMY & NAVY STORES AND BENTALLS

THE sharp contrast in the 1958-59 results of Bentalls of Kingston and Army and Navy Stores of Victoria cannot simply be explained by last year's bus strike. The Army and Navy Stores must have lost more trade during this strike than Bentalls. But these results have also to be viewed against the background of the development of suburban shopping on the American model at the expense of metropolitan stores like the Army and Navy. Both groups have been ploughing back profits to finance development, but Bentalls has been spending its money not only on the main store at Kingston but also on new ones at Ealing and Worthing. In the year to January 31st, its gross profits after depreciation went up by over 5 per cent, from £490,702 to £516,996 and its net profits were £22,822 higher at £221,966. The ordinary dividend has been raised from 7d. to 8d. per unit, or from 29 1/6 per cent to 33⅓ per cent. A year ago the chairman, Mr Gerald Bentall, hinted that the purse strings would be loosened once new projects had come to fruition and it had become easier to raise new money on the capital market. Investors were clearly expecting some increase in the payment, for after it was announced the 2s. units gained only 3d. to 15s. 4½d. Clearly, too, they expect still more in the future, for at this price the units yield only 4.4 per cent.

In contrast, the 10s. ordinary shares of Army and Navy yield 6 per cent at 18s. 6d. They fell 9d. after the preliminary statement had revealed a decline in gross profits from £273,497 to £267,787. Net profits were £22,010 higher at £143,770, but this was simply the product of the change in the basis of profits tax. The directors have passed this on by raising the ordinary dividend from 10½d. to 1s. 1½d. per unit, or from 8¾ per cent to 11¼ per cent. But they have not repeated the tax-free capital distribution paid for the previous five years. Such distributions must always be regarded as precarious but, in effect, as this distribution was 1¼ per cent, tax free, in 1957-58, the ordinary shareholders this year have gained only one third of one per cent in dividend.

London Stock Exchange

FIRST DEALINGS:	Feb. 25	Mar. 11	Apr. 1
LAST DEALINGS:	Mar. 10	Mar. 31	Apr. 14
ACCOUNT DAY:	Mar. 17	Apr. 7	Apr. 21

GILT-EDGED prices fell over the week to Wednesday's close as another rise in US interest rates led to further selling. Losses were heaviest among the irredeemable and long dated stocks, War Loan 3½ per cent falling by ½ to 67⅛ and Transport 3 per cent (1978-88) by the same amount to 68¼. However, there was some buying of high coupon shorter dated issues, and Conversion 4½ per cent 1964 went up by 1/8 to 100½. African loans weakened still further on the Nyasaland troubles, the discount on the Federation of Rhodesia, and Nyasaland 6 per cent loan (1978-81) widening from 2½ to 3½ by Wednesday's close.

Leading industrials fell until Monday's close, in line with the trend on Wall Street and the uncertain political outlook. Following the start of the three week Easter account on Wednesday and Wall Street's firmer tone many small gains occurred, but investment demand was still lacking *The Economist* Indicator fell by 1.1 to 250.9 over the week. Beecham Group jumped 4s. 4½d. to 29s. 9d. following the new penicillin discoveries. British Oxygen hardened by 9d. to 54s. 6d. But these were isolated exceptions. Unilever Ltd., lost 2s. 1½d. to 88s. 4½d. and the NV units 9d. to 104s. 9d. Electricals were strong, Philips Lamp rising by 1s. on Wednesday, to close 6d. higher over the week at 101s. 6d., and Thorn were the same amount better at 34s. Birmingham Sound Reproducers were once more in demand, gaining 3s. 6d. to 36s. 6d. Standard eased by 3d. to 8s. 1½d. and Rover gaining 2s. 3d. to 22s. following the announcement of the exploratory talks being conducted by the two companies. Jaguar continued to gain more ground, closing 2s. 6d. higher at 66s. 3d. Fairey Aviation rose by 2s. 2½d. to 19s. 9d. following the announcement of the new orders for the Rotodyne.

Liebig's jumped from 81s. 3d. to 89s. 4½d. on Thursday following the announcement of the rights issue, scrip issue and prospective increase in dividend.

Oils were little affected by the revolt in Iraq and, following Wall Street's lead, they improved with the rest of the market, but over the week to Wednesday's close BP, despite the success of its Swiss loan, lost 9d. to 51s. 3d., and Shell was 1s. 3d. lower at 138s. 9d. Ultramar closed 4s. 9d. down at 62s. 6d.

Kaffirs rallied strongly on Tuesday when selling from the Continent dried up and buying from London and the Cape started up again. FS Geduld led the rise in the OFS shares, jumping 6s. 3d. to 158s. 1½d. Finance House issues shared in the recovery but failed to regain fully the ground lost earlier.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended March 7, 1959, there was an "above-line" surplus (after allowing for Sinking Funds) of £46,583,000 compared with a surplus of £38,524,000 in the previous week and a surplus of £58,944,000 in the corresponding period of last year. There was a net expenditure "below-line" of £19,634,000, leaving a total deficit of £113,823,000 compared with £162,309,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to Mar. 8, 1958	April 1, 1958, to Mar. 7, 1959	Week ended Mar. 8, 1958	Week ended Mar. 7, 1959
Ord. Revenue					
Income Tax	2312,500	1985,447	2081,423	91,805	100124
Surtax	163,000	139,600	148,100	7,400	7,600
Death Duties	163,500	159,500	173,200	3,400	4,200
Stamps	56,250	60,200	60,100	900	1,200
Profits Tax, EPT & EFL	275,000	241,000	262,100	7,000	3,600
Other Inland Rev. Duties	...	450	450	...	...
Total Inland Rev.	2970,250	2586,197	2725,373	110505	116924
Customs	1256,940	1133,560	1186,049	23,633	22,636
Excise	932,310	917,225	905,605	16,340	15,365
Total Customs and Excise	2189,250	2050,785	2091,654	39,973	38,001
Motor Duties	104,000	98,826	105,020	1,016	1,329
PO (Net Receipts)	2,000	13,600	5,100	3,900	3,600
Broadcast Licences	34,000	28,400	30,600	...	...
Sundry Loans	30,000	29,955	26,666	14	16
Miscellaneous	110,000	159,048	90,500	315	192
Total	5439,500	4966,811	5075,133	155723	160064
Ord. Expend.					
Debt Interest	695,000	642,732	656,284	11,850	31,669
Payments to N. Ireland Exchequer	73,000	66,727	72,102	3,663	3,947
Other Cons. Funds	10,000	9,026	7,946	...	16
Supply Services	4292,859	3774,040	3866,202	79,300	73,400
Total	5070,859	4492,525	4602,534	94,853	109032
Sinking Funds	38,000	36,982	36,185	1,926	4,449
"Above-line" Surplus or Deficit	+ 437,304	+ 436,414	+ 58,944	+ 46,583	
"Below-line" Net Expenditure*	599,613	550,237	19,524	19,634	
Total Surplus or Deficit	162,309	113,823	+ 39,420	+ 26,949	
Net Receipts from:					
Tax Reserve Certificates	−46,298	44,221	−7365	2,392	
Savings Certificates	−18,700	126,600	−2100	1,900	
Defence Bonds	−36,051	99,685	−894	2,311	
Premium Savings Bonds	76,800	64,455	3,240	710	
Total	−24,249	334,961	−7119	7,313	

* Including net expenditures of the Civil Contingencies Fund £9 million in 1958/59 and £14 million in 1957/58.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Mar. 8	3,050·0	1,487·6	219·7	...	4,757·3
Dec. 6	3,420·0	1,688·0	176·8	...	5,284·9
" 13	3,440·0	1,687·6	190·1	...	5,317·7
" 20	3,460·0	1,761·9	184·7	...	5,406·6
" 31	5,351·0		222·2	0·3	5,573·4
1959					
Jan. 3	3,500·0	1,789·8	205·6	...	5,495·4
" 10	3,450·0	1,734·9	206·0	...	5,390·8
" 17	3,460·0	1,948·3	236·6	...	5,644·9
" 24	3,370·0	1,940·8	213·0	3·3	5,527·0
" 31	3,280·0	1,973·2	223·5	...	5,476·7
Feb. 7	3,250·0	1,891·6	237·9	...	5,379·5
" 14	3,140·0	1,874·2	252·2	...	5,266·4
" 21	3,070·0	1,943·7	197·2	...	5,210·9
" 28	3,010·0	1,990·0	197·3	...	5,197·3
Mar. 7	2,950·0	1,999·9	213·7	...	5,163·6

THE MONEY MARKET

MONEY rates in London have become adjusted to the change in expectations about Bank rate. At last Friday's tender the syndicate kept its basic bid at £99 3s. 6d. per cent; but outside tenderers, probably taken by surprise by the second sharp drop in the syndicate's bid in the previous week, lowered their bids. Although total applications recovered from £318 million to £370 million, the syndicate secured 57 per cent of its applications at the minimum rate compared with 51 per cent in the previous week. The average rate of discount rose from £3 5s. 6.22d. to £3 6s. 0.14d. per cent—virtually the same as the basic rate of the syndicate. In New York the Federal Reserve Bank raised its discount rate from 2½ per cent to 3 per cent, and at the subsequent Treasury bill tender the average rate of allotment for 91-day bills rose from 2.816 per cent to 3.062 per cent.

A small amount of special help was given by the Bank of England at the weekend; overnight money commanded 3½ per cent at the beginning of the day. The clearing banks secured ample cash this week and the authorities intervened to absorb surplus funds on Tuesday and Wednesday. The rate paid for overnight loans quickly slipped down to the clearing banks' minimum rate of 2⅜ per cent.

MONEY RATES: London

	%		%
Bank rate (from 4½% 20/11/58)	4	Discount rates:	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	3⅜–3⅞
Discount houses	2–2¼	3 months	3⅜–3⅞
Money:		4 months	3⅜–3⅞
Day-to-Day	2–3	6 months	3⅜–3½
Treasury bills:		Fine trade bills:	
2 months	3⅝	3 months	4¼–5
3 months	3⅝	4 months	4¼–5
		6 months	4½–5⅛

New York

	%		%
Official discount rate: (from 2½%, 5/3/59)	3	Treasury bills: March 2	2·816
		" 9	3·062

BANK OF ENGLAND RETURNS

(£ million)	Mar. 12, 1958	Mar. 4, 1959	Mar. 11, 1959
*Issue Department**:			
Notes in circulation	1,979·6	2,018·8	2,027·3
Notes in banking dept.	20·7	31·6	23·0
Govt. debt and securities*	1,996·3	2,046·5	2,046·5
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	14·1	13·5	11·5
Bankers	215·2	239·5	237·2
Others	73·8	69·9	62·8
Total	305·1	321·9	311·4
Securities:			
Government	250·9	263·4	269·8
Discounts and advances	25·9	22·1	13·7
Other	21·6	22·5	22·6
Total	296·4	308·0	306·0
Banking department reserve	23·1	32·4	23·8
" Proportion "	% 7·6	% 10·0	% 7·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,050 million January 21, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million): Allotted	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1958	91 day		s. d.	%
Mar. 7	240·0	388·6	120 5·10	47
	91 day / 63 day			
Dec. 5	260·0 / 30·0	489·2	64 5·75	40
" 12	240·0 / 50·0	485·3	62 4·92	67
" 19	240·0 / 50·0	443·5	63 0·96	73
" 24	230·0 / 50·0	423·0	63 0·47	60
1959	91 day			
Jan. 2	260·0	402·8	62 11·35	52
" 9	260·0	407·4	62 10·22	47
" 16	220·01	414·0	62 3·42	40
" 23	220·02	415·1	62 1·96	31
" 30	220·0	388·0	62 1·68	31
Feb. 6	190·03	385·3	60 0·22	45
" 13	190·0	339·6	59 10·69	30
" 20	200·0	347·1	61 9·89	27
" 27	220·0	317·9	65 6·22	51
Mar. 6	230·0	370·4	66 0·14	57

* On March 6th tenders for 91 day bills at £99 3s. 6d. secured 57 per cent, higher tenders being allotted in full. The offer this week was for £230 million of 91 day bills. (1) £240 million offered. (2) £230 million offered. (3) £210 million offered.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: March 11	Market Rates: Spot: March 5	March 6	March 7	March 9	March 10	March 11
United States $	2·78–2·82	2·81⅛–81¼	2·81 1/16–3/16	2·81 1/16–3/16	2·81⅛–81¼	2·81 1/16–3/16	2·81 1/16–3/16
Canadian $	...	2·72 11/16–12/16	2·72 5/16–73 1/16	2·72⅞–73	2·72¾–72⅞	2·72⅞–72½	2·72 11/16–13/16
French Fr.	13·6220–14·0265	13·78¼–78½	13·78⅛–3⅜	13·78⅛–78¼	13·78¼–78½	13·78¼–78½	13·78¼–78½
Swiss Fr.	11·94–12·54⅞	12·15⅛–3⅜	12·15⅛–3⅜	12·15⅜–5⅛	12·16–16¼	12·16–16¼	12·16¼–16½
Belgian Fr.	137·96–142·05	140·47½–52½	140·47½–52½	140·52½–57½	140·57½–62½	140·57½–62½	140·60–65
Dutch Gld.	10·48–10·80	10·61⅛–⅜	10·61–61¼	10·61⅛–⅜	10·61¼–61½	10·61¼–61⅝	10·61¼–61½
W. Ger. D-Mk.	11·59¼–11·92¾	11·75½–¾	11·75½–¾	11·75⅝–76⅛	11·75⅞–76⅛	11·76⅛–76⅜	11·76¼–76½
Portuguese Esc.	79·00¾–82·00½	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1744½–1745	1744¼–¾	1744¼–¾	1744½–45	1744½–45	1744½–45
Swedish Kr.	14·37¾–14·59¼	14·54½–54¾	14·54½–¾	14·54½–¾	14·54½–55	14·54½–55	14·54¾–55
Danish Kr.	19·06½–19·62	19·37¾–38	19·37⅝–38⅛	19·37⅞–38⅛	19·38⅛–38⅜	19·38⅛–38½	19·38¼–38½
Norwegian Kr.	19·71–20·30½	20·04–04¼	20·03⅝–7⅝	20·03⅝–7⅝	20·04–04¼	20·04–04¼	20·04⅛–04⅜
One Month Forward Rates							
United States $		3/16–1/8c. pm	1/8c. pm–par	1/8c. pm–par	3/16–1/8c. pm	3/16–1/8c. pm	3/16–1/8c. pm
Canadian $		1/16–3/8c. dis	1/16–par dis	1/16–1/8c. dis	1/16–3/16c. dis	1/16–3/16c. dis	1/16–3/16c. dis
French Fr.		par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis	par–2c. dis
Swiss Fr.		1⅜–1⅝c. pm	1⅜–1⅝c. pm	1¼–1c. pm	1½–1¼c. pm	1⅜–1⅝c. pm	1⅜–1⅝c. pm
Belgian Fr.		6–11c. dis	7–12c. dis	7–12c. dis	6–11c. dis	3–8c. dis	3–8c. dis
Dutch Gld.		1⅛–7⅛c. pm	1⅛–7⅛c. pm	1⅛–7⅛c. pm	1⅛–7⅛c. pm	1⅛–7⅛c. pm	1–3⅛c. pm
W. Ger. D-Mk.		7⅛–6pf. pm	7⅛–6pf. pm	7⅛–6pf. pm	¾–1¼pf. pm	¾–1¼pf. pm	¾–1¼pf. pm
Three Months Forward Rates							
United States $		3⅛–1⅜c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	3/16–1/8c. pm
Canadian $		3/16–3/8c. dis	3/16–3/8c. dis	1/8–3/8c. dis	1/8–3/8c. dis	1/4–3/8c. dis	1/4–3/8c. dis
Swiss Fr.		33/4–3 1/2c. pm	33/4–3 1/2c. pm	33/4–3 1/2c. pm	37/8–3 5/8c. pm	4–3 3/4c. pm	33/4–3 1/2c. dis
W. Ger. D-Mk.		17/8–1 5/8pf. pm	17/8–1 5/8pf. pm	17/8–1 5/8pf. pm	1 3/4–1 1/2pf. pm	1 3/4–1 1/2pf. pm	1 3/4–1 1/2pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)	249/5¼	249/5½	...	249/5	249/4¾	249/4½	

Prices and Wages

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

BRITISH

Prices and Wages	This week	External Trade	Feb. 28
Manpower and Output....	Feb. 21st	Industrial Profits.....	Jan. 17

OVERSEAS

Western Europe.....	Feb. 7th	United States	Mar. 7

	Unit	1956	1957	1958	1958			1959 (1)			
		mid-June			Feb. 25	Mar. 4	Mar. 11	Feb. 17	Feb. 24	Mar. 3	Mar. 10
WORLD PRICES											
Commodity Price Indicator:											
All items	1952=100	91	94	85	84	84	84	85	86	86	86
Food	,,	90·8	98·8	94·8	94·5	93·3	94·0	85·3	85·3	85·4	85·1
Fibres	,,	81·5	95·9	80·1	79·5	78·4	78·7	74·2	74·1	74·2	74·6
Metals	,,	95·6	79·7	70·8	67·0	67·2	67·5	76·6	77·1	78·5	73·6
Other items	,,	96·1	99·2	93·0	94·4	93·8	94·4	112·9	113·6	114·4	114·5
		Monthly averages			1957		1958	1958			1959
BRITISH WHOLESALE PRICES (2)		1956	1957	1958	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
Materials used in:											
All manufacturing industries	1954=100	106·7	107·4	100·8	101·7	101·2	100·0	100·7	101·5	101·3	101·8
Mechanical engineering	,,	116·5	121·9	123·5	124·3	124·2	123·8	124·2	124·9	123·8	124·1
Electrical machinery	,,	114·3	114·9	114·5	115·5	115·0	114·6	115·5	116·1	115·1	115·5
Building and civil engineering	,,	109·5	113·7	114·2	115·3	115·0	114·9	113·9	114·1	114·0	113·3
House building	,,	109·4	112·3	111·9	113·4	113·0	112·9	111·4	111·6	111·5	110·6
Products of:											
All manufacturing industries	,,	107·0	110·4	111·2	110·8	111·1	110·9	111·3	111·5	111·8	111·7
Chemicals and allied trades	,,	103·1	106·5	105·6	106·4	106·6	106·5	105·2	105·8	105·9	106·0
Iron and steel	,,	112·8	125·2	129·9	130·7	130·7	130·9	129·5	129·6	129·7	129·6
Textile industry	,,	97·5	100·9	97·9	100·7	100·3	99·9	96·6	96·3	96·0	95·6
Food manufacturing	,,	105·8	107·1	104·9	102·7	103·3	102·6	105·6	106·5	107·5	107·4
Commodities:											
Cotton, raw	,,	95·1	90·7	77·2	84·2	83·6	82·5	75·1	72·9	70·7	69·4
Wool, raw	,,	90·6	101·1	72·4	88·6	81·9	81·4	64·6	64·7	64·1	63·6
Rubber, No. 1 RSS, one month future	,,	143·4	131·6	118·2	115·6	123·5	117·3	126·7	130·0	122·0	125·7
Softwood, imported	,,	109·5	109·7	102·1	108·9	108·3	107·9	98·1	96·8	96·5	95·6
Copper, ex-warehouse	,,	132·4	88·3	79·4	75·6	73·0	68·9	95·1	97·8	83·9	92·5
UK RETAIL PRICES	Jan. 17,										
All items(4)	1956=100	102·0	105·8	109·0	107·7	108·2	108·1	109·4	109·8	110·2	110·4
Food	,,	102·2	104·9	107·1	104·8	106·0	105·4	108·1	108·4	109·2	109·8
All items	1938=100(5)	254	263	271	268	269	269	272	273	274	275
Food	,,	269	276	282	276	279	277	284	285	287	289
Housing	,,	145	155	172	163	165	166	175	175	176	177
Clothing	,,	263	267	269	269	269	269	268	268	268	267
Fuel and light	,,	251	268	281	286	287	287	275	289	289	289
Household durable goods	,,	308	308	307	309	309	309	305	305	305	305
Drink	,,	264	272	276	276	276	276	276	276	276	276
Tobacco	,,	411	421	428	428	428	428	428	428	428	428
Purchasing power of £ (based on all consumer spending)	1938=100	37	36	35	36	36	36	35	35	35	35
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	105	107	99	103	101	100	98	99	99	99
Food, drink and tobacco	,,	101	101	97	96	96	95	98	100	100	100
Basic materials	,,	106	110	96	107	104	102	92	91	90	91
Fuels	,,	110	128	112	116	116	116	110	111	110	111
Manufactured goods	,,	110	104	101	102	101	100	102	104	104	102
Export prices:											
All items	,,	106	111	110	111	111	110	109	109	110	110(9)
All manufactures	,,	106	109	111	111	111	111	111	111	111	111
Metals	,,	112	115	118	117	117	118	118	117	117	116
Engineering products	,,	107	112	115	114	115	114	116	116	117	117
Textiles (excluding clothing)	,,	99	101	101	102	102	102	98	97	98	99
Terms of trade:											
Ratio of import to export prices	,,	99	96	90	93	91	91	90	91	90	91
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	157·0	112·7	67·1	82·3	71·6	64·9	70·4	76·4	74·6	70·3
UK WAGES											
Weekly wage rates:	Jan. 31,										
All workers(3)	1956=100	104·7	110·0	113·9	112·0	112·2	112·3	115·9	116·1	116·2	116·2
Men	,,	104·8	110·0	113·8	111·9	112·1	112·2	115·9	116·0	116·1	116·1
Women	,,	104·2	109·7	114·0	111·8	112·1	112·3	115·7	115·8	116·0	116·0
Juveniles(6)	,,	105·5	111·3	115·8	113·4	113·7	113·9	117·7	118·0	118·1	118·2
All workers	Sept., 1939=100	272	286	296	291	292	292	301	302	302	302
Weekly earnings:(4)											
All workers	s. d.	200 8	212 5	216 9	...	...	214 2?	216 9	...	...	...
Men	,,	237 11	251 7	256 3	...	...	253 2?	256 3	...	...	...
Women	,,	123 2	129 6	133 11	...	...	131 3?	133 11	...	...	...
	Oct.,										
All workers	1938=100	377	399	407	...	...	402?	407	...	...	...
Men	,,	345	365	371	...	...	367?	371	...	...	...
Women	,,	379	398	412	...	...	404?	412	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey. (5) Revised figures for February 10th were: food, 83·1; fibres, 74·8. (6) In general males under 21 and females under 18 years of age. (7) Figures relate to April survey. (8) Certain changes have been made in the classification and coverage of the Board of Trade's index numbers in this section. (9) Feb, 1959: 102·2. (10) Feb, 1959: 111·7.

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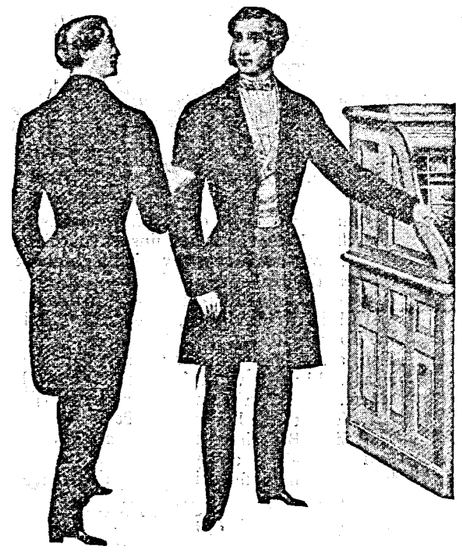
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Pfizer Ltd., Manufacturing Chemists of Folkestone, Kent, invite applications from Veterinary Surgeons for the new position of Assistant in their Veterinary Advisory Department.

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Re-advertisement

Applications are invited for the newly-created post of LECTURER in Industrial Administration. Candidates should possess an honours degree, or an equivalent professional qualification. Experience in industry in a responsible position is essential.

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The full particulars and application form may be obtained from The Clerk and Treasurer, Dundee Institute of Art and Technology, 40 Bell Street, Dundee, to whom the completed form should be returned not later than two weeks after the appearance of this advertisement.

FINANCIAL CONTROLLER

required for a large engineering company in the East Midlands area. Candidates must be chartered accountants, aged 35 to 45. Other qualifications would include (a) five to ten years' industrial experience, preferably in the engineering industry, with practical experience of budgetary control and other aspects of management accounting, and (b) three to five years' responsibility for financial and accounting management at top level. Commencing salary about £3,500 according to qualifications and experience; excellent prospects. Write, with full particulars, including salaries earned, to Price Waterhouse & Co., 3 Frederick's Place, Old Jewry, London, E.C.2.

For further appointments and other classified advertisements see page 1022

EAST AFRICA HIGH COMMISSION

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Candidates should possess or obtain this summer a good Honours degree preferably in Economics with Statistics as a *main* subject. The latter is *not essential* provided that Statistics has been included in the degree course and the candidate has a good knowledge of statistical methods and the handling of statistical data. Experience desirable of work in a government or commercial statistical organisation or post graduate research in economic analyses or statistical surveys. Age limit 40. Appointment may be pensionable or on contract terms. Inclusive salary scale £919 — £1,863, point of entry determined by experience. Gratuity of 13½ per cent of salary if appointment is on contract. Income tax at local rates. Free passages on first appointment and on leave for officer and family. Liberal home leave on full salary. Government quarters, when available, at moderate rental.—Application forms and further particulars from Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1; reference BCD 59/88/02.

UNIVERSITY OF CAMBRIDGE SCHOOL OF AGRICULTURE

Mathematical graduates required to work in Agricultural Research Council Statistics Group; previous statistical experience not essential. Appointments will be in Assistant Experimental Officer grade, starting salary from £429 p.a. at age 21 to £670 p.a. at age 26 or over. Application, in writing, stating age and qualifications and giving names of two persons to whom reference may be made, should be sent to the Secretary, School of Agriculture, Downing Street, Cambridge, not later than April 11, 1959.

ORGANISATION & METHODS DEPARTMENT

SENIOR EXECUTIVE APPOINTMENT

The CO-OPERATIVE WHOLESALE SOCIETY LIMITED propose to establish at their HEAD-QUARTERS in Manchester an ORGANISATION & METHODS DEPARTMENT to provide an advisory service in relation, initially, to their administrative, accounting and statistical procedures. The Department will be responsible for Electronic developments.

The Officer to be appointed will be responsible for the inception of the Department and the training of supporting personnel.

This is a senior executive appointment and calls for a man of high calibre with extensive experience in Organisation and Methods work.

Applications, giving full details of age, experience, education and qualifications, etc., which will be treated in strict confidence, are invited from persons with the necessary training and experience for this important appointment and should be addressed to the Secretary and Executive Officer, C.W.S. Limited, 1 Balloon Street, Manchester, 4, quoting Ref. CLD/OM.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for (1) a post as Research Officer and (2) a post as Research Assistant in the field of advertising and promotional activity. Candidates for the post of Research Officer should have a degree in Economics, Modern History or Sociology, with some knowledge of statistics. Experience of the advertising business would be an advantage, but is not essential. The salary would be in the range £650-£1,500 per annum, plus £60 London Allowance, according to qualifications and experience. Candidates for the post of Research Assistant should have a degree, preferably in Economics or Economic History. Salary scale £450 x £25 — £525 per annum.

Applications, with the names of three referees, should be sent by April 15, 1959, to The Research Fellow in Advertising and Promotional Activity, The London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.

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have a vacancy for a young Economist, age 22-25, with a sound knowledge of statistics. Some commercial experience will be an advantage.—Please apply to the Statistical Department, The Mond Nickel Co. Ltd., Thames House, Millbank, S.W.1, *giving age, qualifications and experience.* Mark envelope Confidential.

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Further particulars and application forms are obtainable from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1, or from the Registrar, University of Queensland, Brisbane, Queensland, Australia.

Applications close, in Australia and London, on April 30, 1959.

EDUCATION AND COURSES

9/- a line.

TRAINING FOR PERSONNEL OFFICERS

A short full-time course which will contribute to the preparation of senior staff for personnel work in industrial concerns, will be conducted by the Department of Industrial Administration and commence on Monday, April 13, 1959. The duration of the course will be six weeks. The emphasis throughout will be upon the practice of personnel work including interview and selection procedures for the range of industrial occupations, administration of personnel services and the conduct of industrial relations. The tuition fee for this course is fifty-eight guineas.—Application forms and further details from the Registrar, College of Technology, Costa Green, Birmingham.

UNIVERSITY OF CAMBRIDGE DEPARTMENT OF ENGINEERING

POSTGRADUATE COURSE IN STRUCTURES AND MATERIALS

The 1959-60 Postgraduate Course in Theory of Structures and Strength of Materials will be held in the Department of Engineering, Cambridge University, beginning on October 6, 1959 and finishing in June, 1960.

The latest advances made in the understanding of the behaviour of metallic structures under static, repeated or fatigue loading will be the principal subject of the course, with particular emphasis on welding as a method of fabrication. No attempt will be made to teach conventional methods of design, but present-day practice and possible future developments will form the subject of critical study.

The object of the course is not to train research workers, but to help engineers to apply the latest advances in knowledge. The course will include lectures, colloquia and laboratory work, and each student will be encouraged to make a detailed study of some problem of particular interest to him.

The course is open to university graduates with industrial experience, and to others with suitable equivalent qualifications and of sufficient experience to obtain full benefit from a post-graduate course.

Further details and forms of application for admission may be obtained from the Secretary, Cambridge University Engineering Laboratory, Trumpington Street, Cambridge. The completed forms of application should be returned to the Secretary not later than May 31, 1959.

UNIVERSITY OF CAMBRIDGE DEPARTMENT OF ENGINEERING

POSTGRADUATE COURSE IN CONTROL ENGINEERING

The 1959-60 Postgraduate Course in Control Engineering will begin on October 6, 1959, and will last approximately nine months. This is the fifth course of a series which has been established in order to meet the need of industry for men trained to a high standard in the theoretical principles and practical application of automatic control and to afford opportunity for study of advanced techniques and modern development in the general field of Control Engineering.

The number of students will be limited and applications must reach the Secretary of the Department not later than July 1, 1959. Candidates should hold a degree in Engineering or a suitable alternative qualification and have had some practical training and experience. They will be required to attend for interview in Cambridge on or before August 15, 1959.

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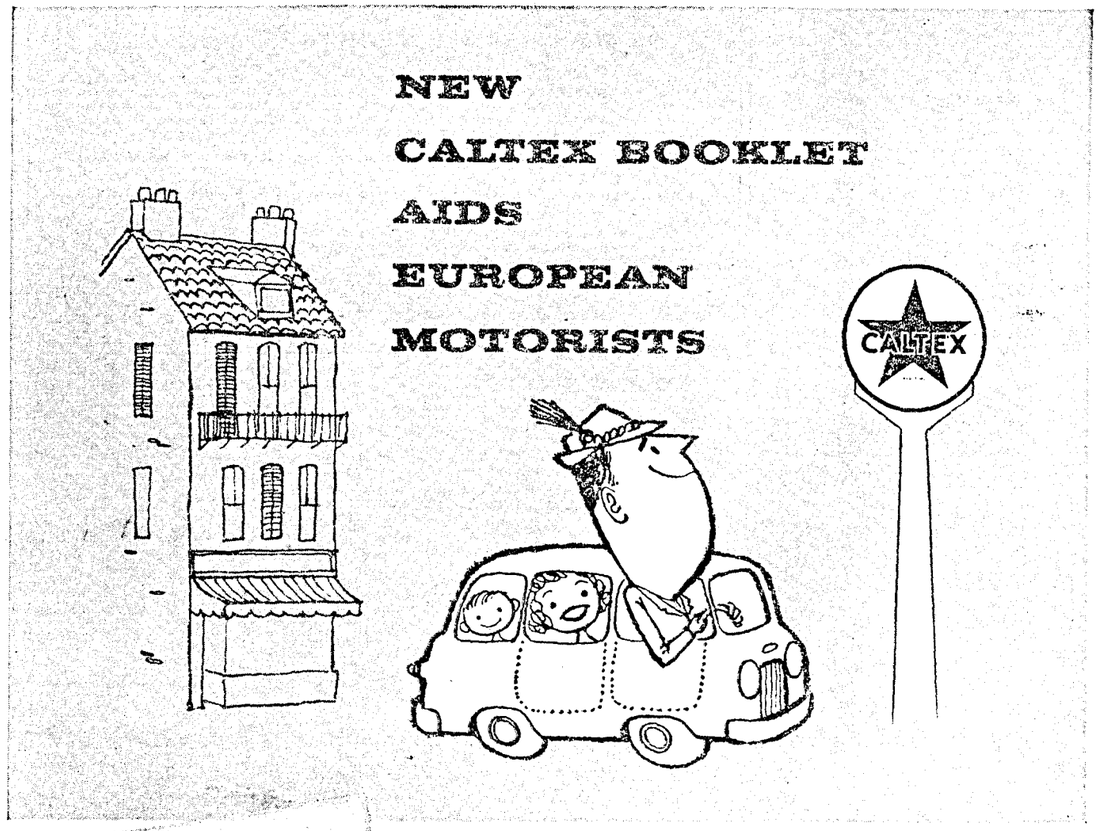
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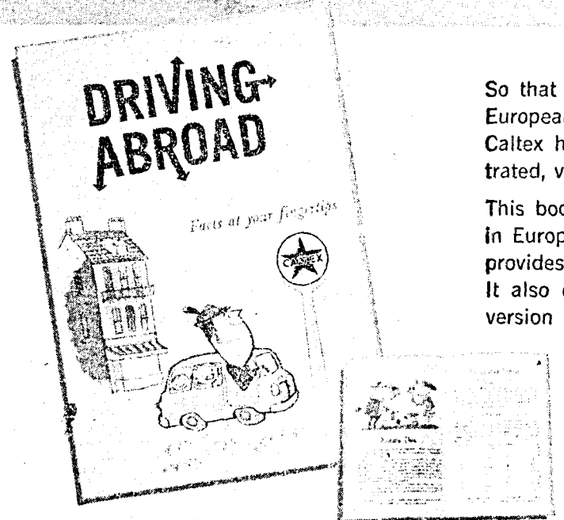
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UNDER SECRETARY TO GOVERNOR
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PUBLIC DEPARTMENT

Africa to Scale

White Rhodesians need the reminder that British policy in Central Africa is shaped more by the pressure of world facts than by local power politics (pages 1045 and 1074).

Veni, Vidi, Semi-Vici

Mr Macmillan arrives in Washington to find part of his mission already accomplished (page 1064).

How Many Copies?

There has been a revolution in copying techniques in offices large and small (page 1087).

Dollars for European Equities

Wall Street investors are looking for higher yields and faster growth than they can obtain at home (page 1085).

A Tidier House

Must Parliament be paralysed by its omnipotence? (page 1046).

Khrushchev's Arab Ledger

The clash between Baghdad and Cairo is forcing Moscow to weigh its interests in the Arab world (page 1048).

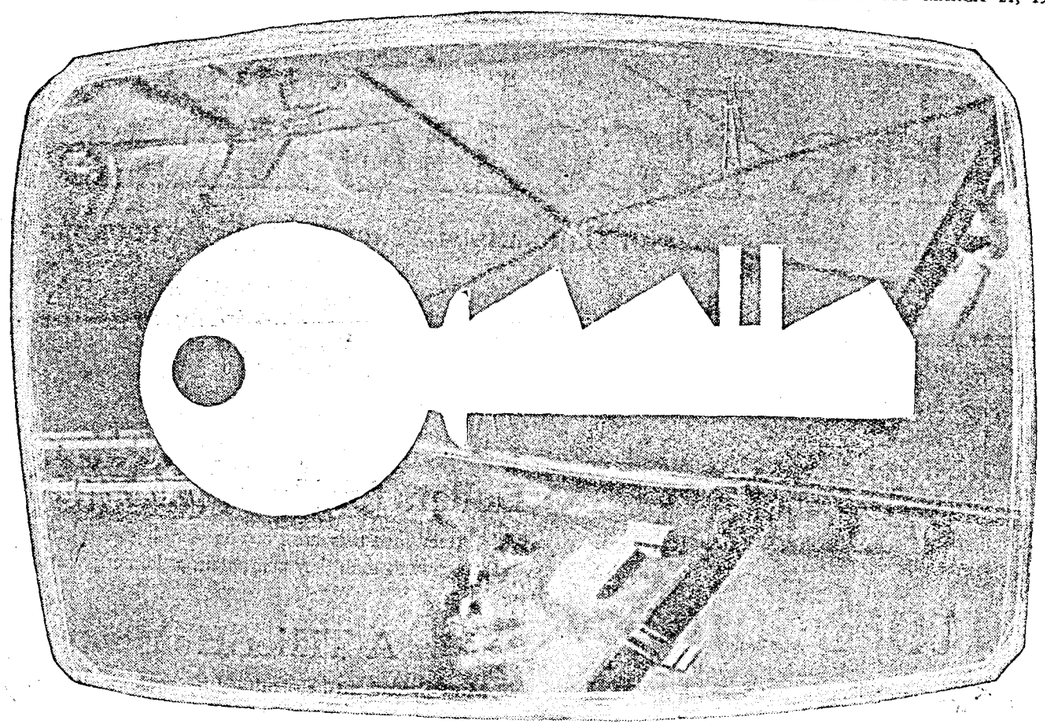
SPRING BOOKS

Some 30 new books are reviewed in this survey which also contains an account of developments in the book-publishing world (after page 1082).

Annual Postal Subscription by ordinary mail £4.10s.; overseas £5; by air see page 1063

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

VOLUME CXC · NUMBER 6030



The rapid post-war development of Thorn Electrical Industries Limited owes much to the company's decision to move certain of its manufacturing activities in the lighting, radio and electric cooker fields, to Spennymoor in County Durham.

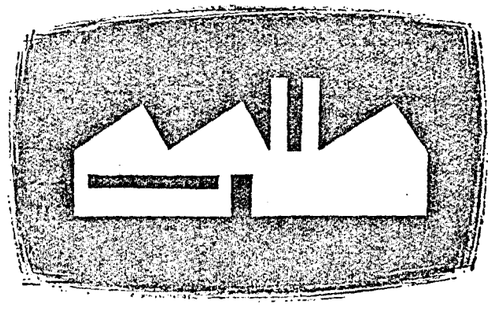
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Like other industries which have taken this step, Thorn have not regretted the move. Today, after only seven years, they occupy some 400,000 sq. ft. of factory and office space and employ 2,700 people on the manufacture of radio and radiogram receivers, fluorescent lighting fittings and control gear, and domestic electric cookers. Local people, who know little of light electrical engineering, have surprised and pleased the company by their ability to learn a wide range of skills.

Development laboratories set up at Spennymoor are engaged on the design of new products and local people are taking over many of the jobs in these laboratories. The company's apprentice scheme for local youths is intended to train young men to take over as designers and executives in the organisation. Willing co-operation from local authorities, trade unions and other organisations have enabled Thorn Electrical Industries Limited to establish themselves as a progressive and highly productive manufacturing unit. Their decision to move to County Durham proved a key to industrial success.

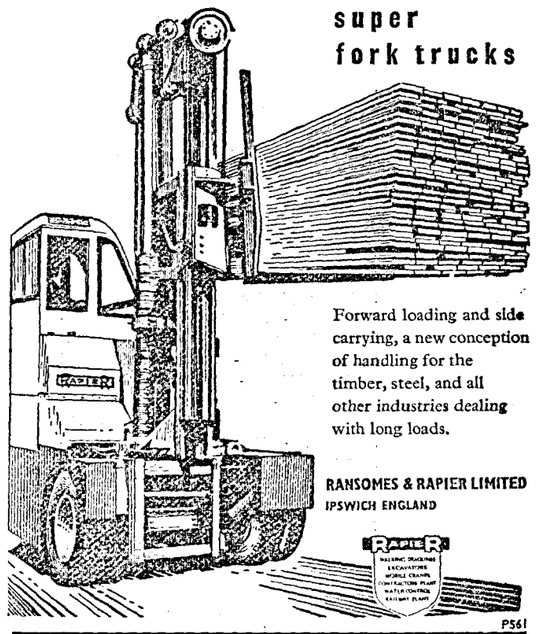
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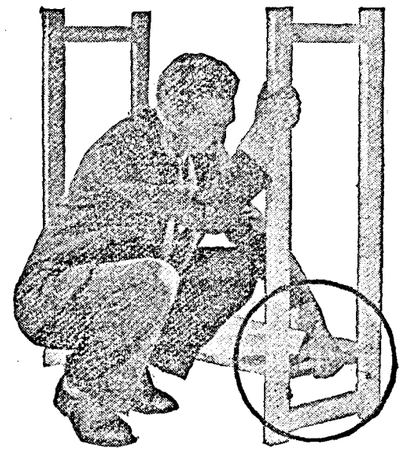
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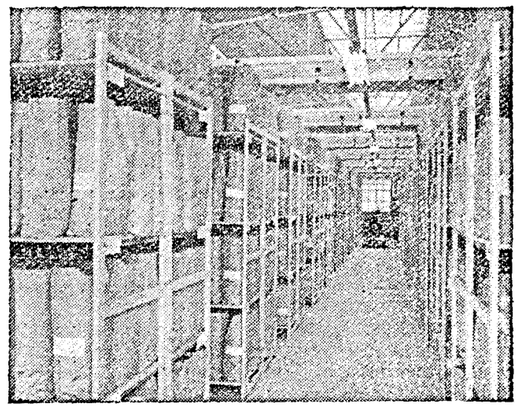
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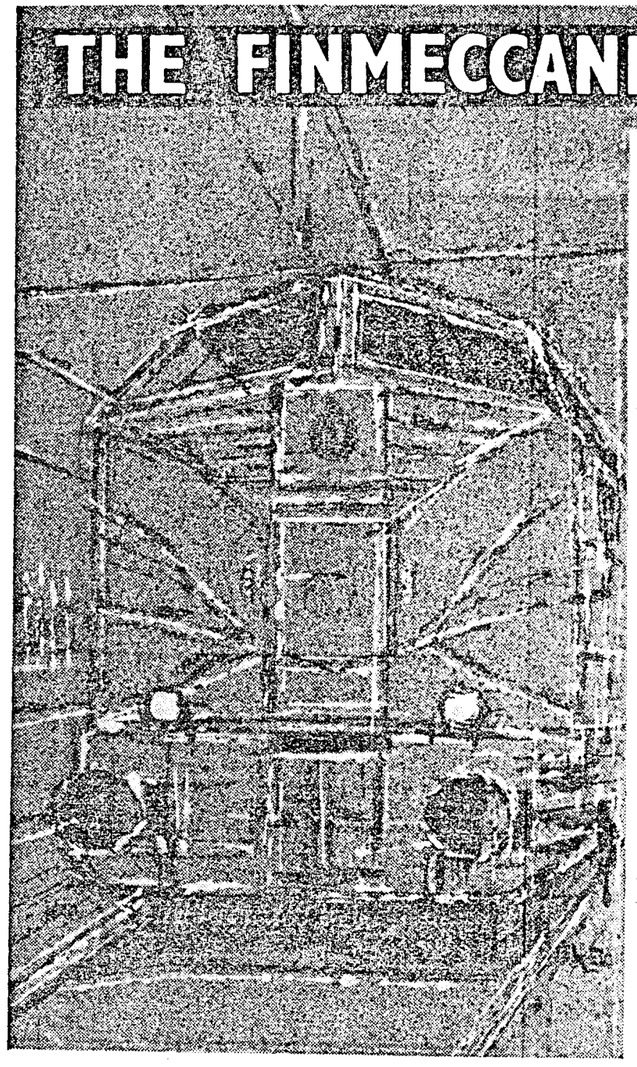
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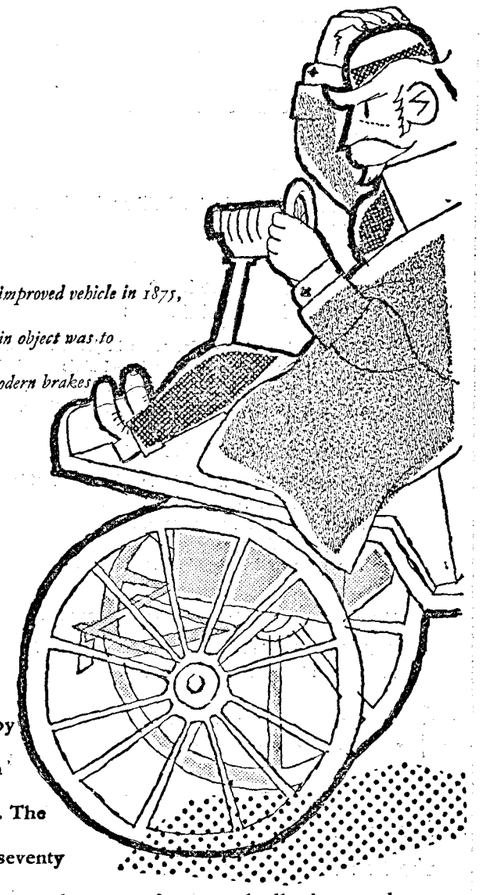
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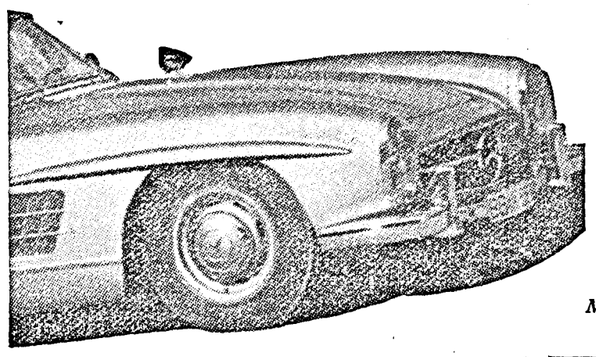
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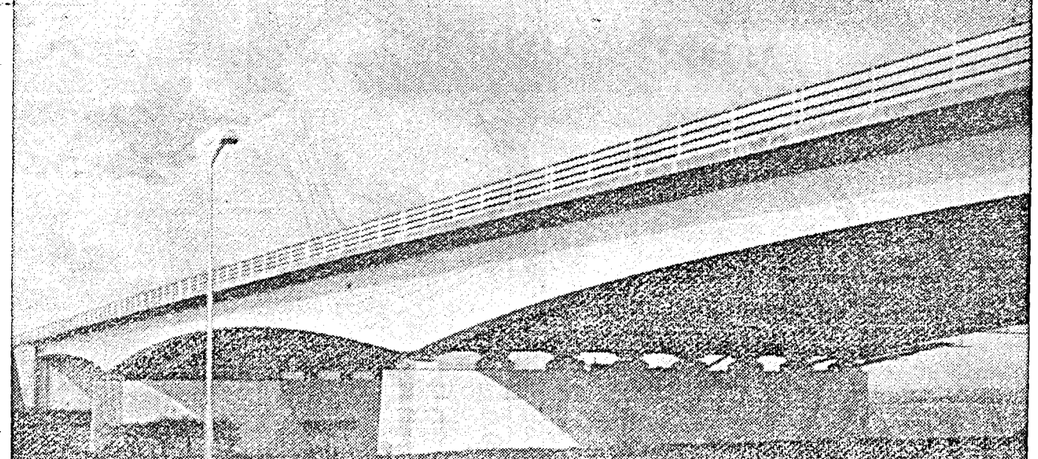
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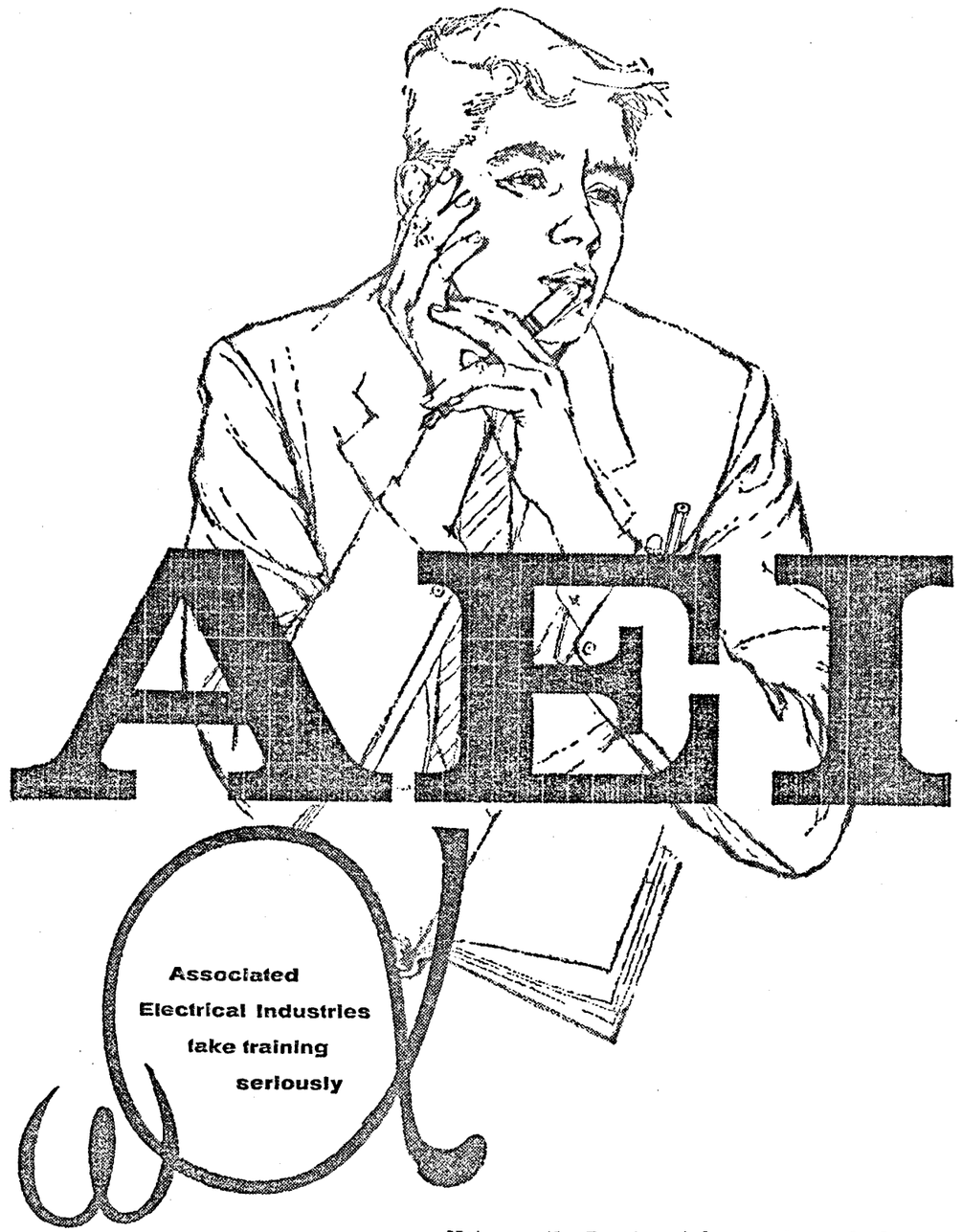
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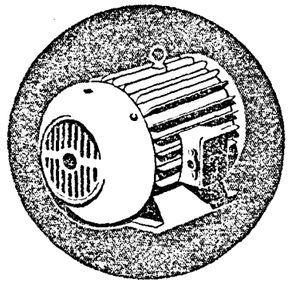
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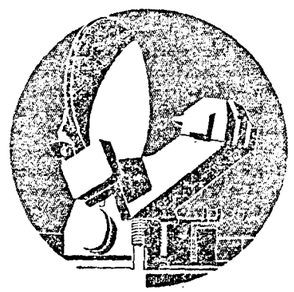


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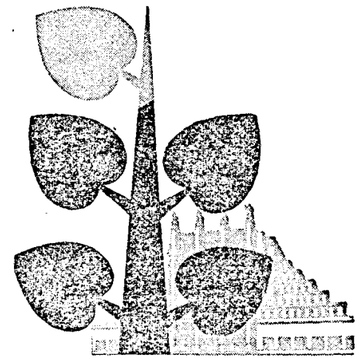
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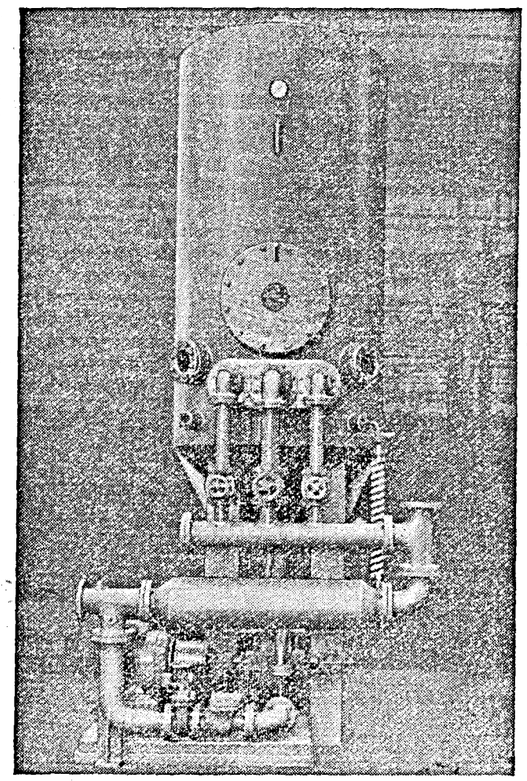
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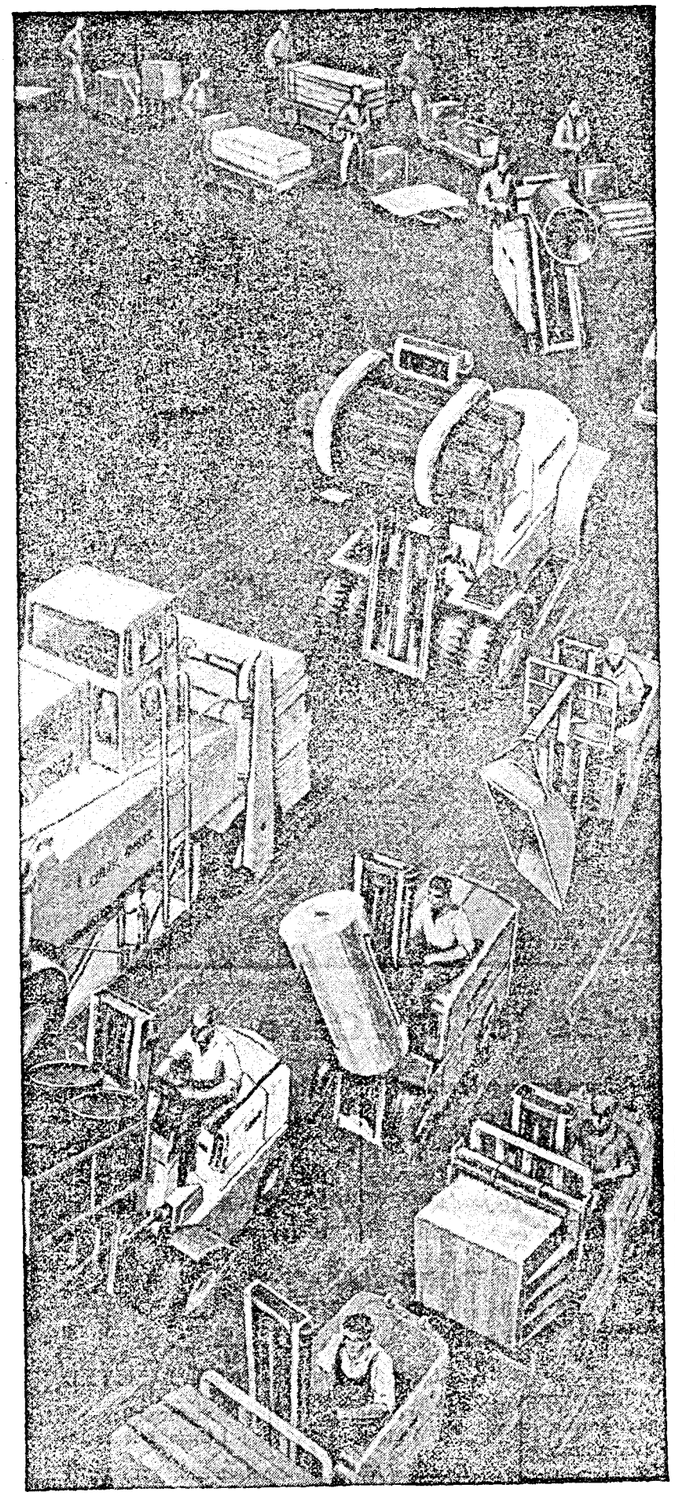
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The Economist

MARCH 21, 1959

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Africa to Scale

A MONTH has passed since the storm first broke over the Central African Federation. All three federal territories are now deeply involved. Scattered riot and sabotage have spread, the troops have been deployed, and the emergency regulations put into effect; the leaders and active organisers of the Congress movements in Nyasaland and Southern Rhodesia and of the Zambia faction in Northern Rhodesia have been penned in detention camps and jails. Reports of violent incidents continue to come in. There is no lull; but the tempo has slowed down, and there is more opportunity now for sober reflection.

This opportunity should not be lost. In the rush of recent events, it has been natural for attention to be fixed upon each particular aspect of the crisis as it evolved. Allegations, denials, and counter-allegations about specific local incidents; arguments about the rights and responsibilities of British members of parliament in general and about the treatment of Mr Stonehouse in particular; controversy over the division of authority within the federal system, and between Whitehall and Salisbury; wide-ranging but as yet unsubstantiated statements about impending massacre and Soviet inspiration—these have successively filled the headlines, the correspondence columns and the public's mind. Inevitably so: the riot and sabotage, the violence and the massive repression, the utter breakdown of confidence between black and white, the threat to all ideas of racial partnership—these, with the urgent problems they present of both public safety and political liberty, are the immediate, inescapable local facts; and the picture drawn by our Salisbury correspondent on page 1074 is gloomy indeed. But it is precisely because of the gravity of what is going on there and now that the chance should be seized to stand back for a moment to view the whole unhappy predicament of the Federation in its wider perspective.

The Federation is African; and the course of the great mainstream of political evolution in Africa can be charted by the steady flow of events in other parts of that continent. Northern Nigeria, which alone contains twice as many people as the whole Central African Federation, has just attained full internal self-government, and this is one of the last paving stones along the road to the sovereign independence that Nigeria as a whole will achieve next year. The neighbouring Cameroons, under the terms of last week's decisions in the United Nations Assembly, will pass out of tutelage in 1960. So will Somalia; and British Somaliland, raw though its new political institutions may be, has now been assured that if it chooses union with Somalia its choice will be respected. The new republics of the French Community in Africa are at grips with the first stresses and strains that their changed status involves, but there is no question of turning back their clocks, however discordant the chimes. In the Belgian Congo and in Tanganyika, the immediate neighbours of Rhodesia and Nyasaland, striking differences in past policies, in economic resources and in other circumstances have not prevented a broadly similar

trend from emerging: a trend towards ultimate rule by Africans.

It is a trend which the world outside Africa recognises and approves. Asian goodwill and respect for Britain is now largely determined by British readiness to recognise African aspirations and by British skill in smoothing the path for African advancement. In both Europe and North America there is widespread congratulation and relief whenever one more stage in the tricky process of "disimperialism" is successfully negotiated. And it is a trend which the Federation itself was founded to pursue, by stages, in its own different fashion; different because the goal here was a developing and real partnership in rule between white Africans and black. But the test here too, inevitably, was the pace of the advance of the black majority. It is this that has now been thrown fundamentally into question.

One cannot expect even well-informed opinion in every country to grasp all the complex realities of the current problems of a dozen or more different territories in Africa. The Federation is not Ghana or Nigeria, the Cameroons, or Somalia. But it is still the general trend towards African emancipation that matters in the eyes of the world, as in the intention of the Federation when it was constituted. What is dismaying to Britain's friends all over the world, and to Britons, too, is the sight of mass arrests of political leaders and their active followers, and the sound of repeated firing upon unarmed demonstrators who "refuse to disperse." it is not enough—indeed it will seem hardly relevant—to retort, truthfully or not, that, immediately, the blacks started it. The local responsibility for seeing that partnership could go peacefully forward was reposed in the ruling white minority; and the responsibility if the Federation becomes another Cyprus or, worse, another Algeria will be Britain's own.

The object lesson of France in Algeria lies bleakly before our eyes. There, too, there are white Africans, a great community of them; and there, too, and disastrously, no fair partnership with the large local majority has been begun. In Algeria the French have lost not only blood and treasure, but also the sympathy of many old friends and potential friends alike. Britain's network of relationships across the face of the globe is even more extensive than France's, and more vulnerable. As the centre of a Commonwealth of sovereign nations in every continent; as a great trading nation; and as the friend and ally of many nations to whom colonialism is suspect and racial domination even more repugnant, Britain stands to lose a great deal—materially as well as morally—if the world sees it brought to the forcible suppression in one part of Africa of nationalist aspirations of the same kind that it has helped forward in so many other places. And the Federation stands to lose its reason for existing.

The facts of the Federation's present plight are too intractable, and passions on both sides are too high, for it to be resolved simply by moralising. Both blacks and whites are bloody-minded now. But the moral question, for Britain and the world, is itself a question of fact. Is the Federation, which was created to raise up the blacks with the trust and aid of the whites, now doomed to fail—whatever the reason? Surely, not, we must say: the enterprise in partnership promised too much to fail so soon and so easily. But the question must be put plainly to the Rhodesians: Can you make partnership work? Do you believe in it—and do you see that in the (not so very) long run the only alternative to partnership is not white domination but black?

Above all, now, it must be made unmistakably clear to the Southern Rhodesian and Federal politicians and their supporters that, while Britain will gladly and energetically play its full part in any agreed programme for restoring peaceful co-existence between them and the more restive of their African neighbours, it cannot, in the last resort, help to sustain or even tacitly support a policy of continuing repression, under whatever guise. This is not because of the "spinelessness" with which the sturdy Rhodesian likes to charge the British as a whole. It springs from a simple calculation of the balance of British interests—as well as British self-respect—in the world.

A Tidier House

A select committee of MPs has recommended sensible improvements in Parliament's procedures, but has not raised searching enough questions about the job Parliament ought to be doing

PARLIAMENT'S main function is to criticise, which should mean making life more awkward for administrators. The inefficiency of Parliament is therefore a great prop to complacency and inefficiency in administration. The principal criticism to be made of the Select Committee on Procedure, whose report has just been issued (although the minutes of evidence are not to be available until after Easter) is that, while most of its proposals are sensible in detail and may provide some occupational therapy for the frustrated backbencher, it avoids or skates over some of the more fundamental problems.

The unspoken reason for this conservatism, which is shared to some degree even by the more enterprising minority members of the committee, is the paralysing effect of the omnipotence of Parliament. Its sovereignty is felt to be a great deterrent which must never be used, lest the heavens (or the upper echelons of the civil

service) fall. The backbencher must be given enough to do to prevent him jumping off the terrace into the Thames in despair, but apparently ought not to have the facilities to ensure that his criticisms are really well grounded.

The most efficient parts of the select committee's report are therefore those that are designed to clear away a number of untidinesses of procedure which cumulatively lower the House's effectiveness and prestige. About question time, for instance, the committee's suggestions are eminently sound: the number of questions which can be asked by any one member on any day should be reduced from three to two (in practice a third question is nearly always a repetition, in another form, of one of the other two); the House should support the Speaker in curbing supplementaries and getting a move on with the agenda (sometimes, nowadays, fewer than forty questions are reached out of a total of more than a hundred on the order paper); and Prime Minister's questions should be allotted a definite quarter of an hour period twice a week instead of, as at present, being dealt with only if Question Number 45 happens to be reached before the question hour ends at 3.30. It is anomalous that so highly capricious a system should have lasted so long, for it is of the very essence of parliamentary responsibility that the head of the Government should regularly be amenable to interrogation. This should be the Opposition backbencher's most glorious opportunity of making news, since the Leader of the Opposition, by tradition, does not initiate questions, except those that are asked at the end of the regular question hour by private notice.

ANOTHER set of desirable reforms is designed to give acceptable relief to the Speaker on the surprising number of occasions when he may now be obliged to make spot decisions with inadequate notice in highly controversial circumstances. For example, it is proposed that an issue of privilege should not have to be raised at the first available opportunity, but should retain its freshness for a further twenty-four hours.

A much more important rule of procedure, which probably causes more time and temper to be wasted on points of order than any other, is Standing Order No. 9, which obliges the Speaker to rule whether a member has made his case for moving the adjournment of the House "for the purpose of discussing a definite matter of urgent public importance." This is in effect the one means whereby the Government's timetable can be upset by a determined group of Opposition backbenchers (the Opposition Front Bench has other devices if it wishes to force a debate). It is therefore significant that the select committee unanimously agrees that the Speaker should be allowed time to consider his ruling—since the debate, no matter how urgent, does not take place until 7 p.m.; that, while he should still rule on whether the matter is "definite" and "urgent," it should be left to forty members of the House rising in their places to rule that it is of "public importance"; and that the restrictive rulings of past Speakers should be disregarded as precedents. This should lead to more of the snap debates being held.

Backbenchers should also be encouraged by proposals designed to give more of them an innings in the ordinary debates. Privy Councillors should indeed be deprived of their absolute priority in catching the Speaker's eye; and the idea of an hour that could be set aside, at the Speaker's discretion, for speeches limited for five minutes and immune from interruptions, sounds a sensible experiment.

Finally, in order to make more room for more general debates, especially on subjects about which royal commissions have reported, the committee has recommended that the detailed examination of bills should, as a more regular rule than at present, be banished "upstairs" into standing committees. Two criticisms could be levelled here. First, some people will say that the House is at its best when it is concerned with detailed examination of legislation, and at its worst in some of its more wide-ranging (but scantily attended) "general discussions." Probably the new rule about banishing bills to standing committees should not be too slavishly implemented; the fact remains that the House would profit from having more time for the sort of general debate in which, in another place, their lordships "move for papers." Secondly, and perhaps more pointedly, the committee, having decided that it wants to save time, does not give the House clear enough guidance on the details of how to go about it.

The main time-saving proposal is supposed to be by referring part or all of the Finance Bill to a standing committee. But the select committee confines itself to listing a number of different ways in which this could be done, without deciding between them. Since apparently one standing committee could not handle the whole bill in the time, the best method surely would be to divide the bill between two or more committees. Moreover, in view of the emphasis which the report lays throughout on channelling more work to the standing committees, it is a pity that the report is at its weakest in discussing their procedure. Such committees cannot, and at present do not, give every part of a bill adequate examination unless a timetable is established from the outset. But an ingenious proposal by Mr Blackburn for a business committee to draw up such timetables was rejected by seven votes to three.

GRANTED that most of the select committee's ideas would be helpful, why can it be given only two cheers for effort instead of three for important accomplishment? Part of the answer lies in the proposals which the committee's majority turned down. It is a huge pity that it rejected by seven votes to six a proposed paragraph drafted by Mr Leslie Hale, which pinpointed the main reason why MPs are at a hopeless disadvantage when trying to take on the bureaucratic machine on behalf of the public. They lack even the most simple amenities. Mr Hale was even too modest

in listing what is needed. An MP should have at least an office, a secretary, and the services of a greatly expanded research library. Fewer tears need perhaps be shed over the proposal for two-hour morning debates, without votes or whips, during which junior ministers should reply to points raised mainly by backbenchers. This looks more like backbench therapy than a measure to increase parliamentary efficiency. But if there is some genuine demand for such debates, there would be no conceivable harm in trying them as an experiment.

A MUCH more important principle was involved in Mr Hale's unsuccessful proposal for a first experiment with the device of a specialist committee—for the colonies. It is indicative of the conservatism, even of the minority members, that some of them would probably not have voted for the proposal at all if the suggestion of morning debates had not previously been turned down. Moreover, Mr Hale's plan itself was only for a debating committee, which should include a junior minister among its members. But would anyone really be much the wiser if once or twice a week a bipartisan group of colonial enthusiasts batted their ideas to and fro with Mr Julian Amery? To improve their knowledge of colonial affairs—and so refine the pertinence of their criticism—members of the committee should be able to examine witnesses (including some officials partly off the record) and should certainly travel widely in the colonial territories. Any such innovation—even in Mr Hale's mild form—is, however, to be ruled out, on the (surely exaggerated) apprehension that it would "ultimately be aimed at controlling rather than criticising" the policy of a Government department.

One final shortcoming of the select committee is its failure to deal at all adequately with the question of how and by what means Parliament should check the estimates. This really comes to the heart of the House's duty to keep the administration up to the mark, while also not impeding it. The present detailed presentation of estimates is a farce, and for the Treasury it must be an expensive one. The form in which the figures are set out is dictated by traditions of Parliamentary accountability which have fallen into disuse. Supply days are used for general debates, chosen by the Opposition. The select committee on estimates does a spot check, whose usefulness in checking extravagance is greatly overvalued in the present report. A really radical committee investigating Parliament's procedure would surely have recommended that Parliament forgo its right to have the estimates presented to it under the present multifarious subheads which nobody really reads, in a form and under a time schedule which are themselves potent sources of extravagance. It would then have examined ways in which the less exhaustive expenditure estimates which should be presented to the House could be more exhaustively scrutinised.

The select committee's work should enable members to spend their time a bit more sensibly. But without fundamental reforms governments will still get away with more than they should.

Khrushchev's Arab Ledger

President Nasser's apparent foolhardiness in cocking a snook at communism may be based on his realisation that the Soviet Union, no less than the West, would be embarrassed if compelled to take sides openly between Iraq and Egypt.

THE row between Iraq and the United Arab Republic is pushing both sides uncomfortably far into the open. True, in the past, Arab slanging matches have been known to rumble away into nothing long after reaching a point that seemed to onlookers to be one of no return. But this last week, spades have so candidly been called spades that it may prove equally difficult for General Qasim to resume his balancing act between communists and Arab nationalists and for President Nasser to go back to his opportune dichotomy between Arab communist parties and international communism.

The revolt at Mosul which inspired the brawl has been buried under thousands of words of grief and anger. In some half-dozen virulent speeches in as many days, President Nasser in Damascus has attacked communism as no less a danger to Arab nationalism than imperialism or Zionism; accused General Qasim of being under the domination of the subservient and atheistic agents of "foreign powers"; and thrown in some heavy, if inaccurate, hints about Egypt's historic mission to liberate Iraq from the foreign influence of "Tartars." Baghdad, in retaliation, has called President Nasser the agent of imperialism, reaction and American capitalism (for good measure it blames the Mosul revolt on the Baghdad pact as well as on the United Arab Republic). President Nasser has denounced a communist plot to create a "fertile crescent" comprising Iraq, Syria and Jordan; Colonel Mahdawi, Iraq's notorious public prosecutor, has demanded Syria's liberation from the bondage of union with Egypt. Both sides, understandably running out of original abuse, have dragged in uncharitable comparisons with Nuri es-Said.

It is not yet entirely clear how Mr Khrushchev will take all this. The Soviet leader, still a newcomer to the role of international philanthropist, is not as accustomed as the western powers to having his helping hand bitten. From 1955, when the first Czech arms were sold to Egypt, until the end of 1958, the Russians did well in the Middle East by floating with the tide. Their target was to dislodge western influence; all they had to do was to provide a little money and munitions, identify themselves with nationalist aims, and leave the rest to Arab chauvinism and western blunders. Since there was no question of Egypt's suppressed communist party coming to the top, they dissociated themselves from it and so won bouquets for their non-interference. President Nasser, congratulating himself for being able to manage the Russians, accepted their money and intensified his campaign against communist activities in Egypt and, particularly, in Syria.

The turn of events in post-revolutionary Iraq may have encouraged Mr Khrushchev to set his sights higher. He can hardly be expected to turn down the chance—if he gets it—of exerting direct influence through the Iraq communist party in a country so strategically placed and so important to western interests. But he has now to draw up a difficult balance sheet. Will he, by investing too heavily in Iraq, run the risk of alienating the rest of the Arab world? In other words, will he find himself repeating the western mistake of trying to exert influence through ill-chosen friends?

THE first sign of a show-down came in December, when President Nasser, speaking at Port Said, bracketed the Syrian communists with imperialists and Zionists as joint enemies to the Arab cause. Although there was then none of today's frank speaking, he clearly implied that he was looking beyond Syria to Iraq. For the first time Russia showed its annoyance; at its 21st party congress, Mr Khrushchev condemned anti-communist measures in Arab countries and suggested that President Nasser was going too far. The UAR returned the ball smartly into the Soviet court by suggesting that Mr Khrushchev should please keep his nose out of other people's affairs. Last Monday Mr Khrushchev pointed out that he considers events near the Russian frontier to be his affair, and told President Nasser, in effect, to leave Iraq alone. Speaking at a Kremlin party held to celebrate a 550 million rouble credit to Iraq, he warned the President "in a friendly way" that an anti-communist policy would get him nowhere: "attempts made under the cover of the nationalist flag to ignore the interests of the population, of the working people, are doomed to failure."

But having said this, he gave public notice that Soviet relations with the UAR would remain unchanged. One western mistake that he apparently is not going to repeat is the brusque withdrawal of promised aid. The Soviet Union is committed to build the first stage of the Aswan high dam; if it backs out now, it makes nonsense of all its promises to keep its aid free of strings. President Nasser might well emerge as unscathed from a second setback over the dam as he did from the first; the Soviet Union, on the other hand, might find its reputation newly discredited throughout Asia and Africa.

Mr Khrushchev could, of course, try to call President Nasser to order less publicly; an obvious form of persuasion would be to go slow over the supply of spare parts for Egypt's Migs, tanks and small arms. This would effectively discomfit Egypt's military regime. But unless an open clash between the Arabs forces him to take sides, Mr Khrushchev's reassurance probably means what it says; for as long as President Nasser remains the principal leader of Arab nationalism, Moscow cannot afford to dispense with his good will.

SOVIET policy may prove flexible enough to work one way in Baghdad and another in Cairo. The axiom "he who is not for us is against us" applies to heretics in the Communist camp, such as Marshal Tito, but so far there has always been a different set of standards for the "uncommitted." Lately Mr Khrushchev has been showing less patience with neutralism; Mr Nehru, as well as President Nasser, has come under Soviet fire. But a tougher attitude means less than a change in course. Russia's Middle East policy has paid good dividends, and it would be unlikely to risk losing all by prematurely cracking a doctrinal whip. Instead, it may have to stomach the fact that President Nasser's positive neutrality will not always be as positively friendly as it has been for the past three years. The President gives as good as he gets: his reply to the latest Kremlin warning is both unequivocal and unabashed:

> We hope that this friendship [with the Soviet Union] will continue and prosper, but we cannot accept support for the communist minority in our country against the unanimity of the Arab people and their determination to pursue a national and patriotic independent policy based on non-alignment and positive neutrality.

This is not to suggest that President Nasser will now swerve towards the West—even if the West would have him. Baghdad's main line of attack now is that he is identifying himself with western interests and, for all his resilience, it would be suicidal for him to substantiate this charge. The conclusion of the Anglo-Egyptian financial wrangle (the squabble that continued in Westminster this week no longer involved Cairo) and the comforting presence of World Bank officials in Cairo give him ballast, but nothing more.

For once the Soviet Union and the West have parallel interests in a Middle East situation: both are anxious to avoid an open clash between Arabs. But if any lesson at all can be drawn from the confusion of the last two weeks, it may be this: Arab nationalism does not need western instigation or western bases to take a stand against the spread of communism in the Middle East.

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Levant and Couchant

An account of the sad, splendid law suit of William of Effingham

THE parish of Effingham in Surrey, a few miles from Leatherhead on one side and Dorking on the other, lies on the fringe of London's outer suburbia. It is part of a wealthy district, whose inhabitants are for the most part valued commuters of British Railways. The majority of them draw their livelihood not from the soil, but from the Stock Exchange, Lloyd's and the Baltic, or from some other profitable employment in the City. Some of them, no doubt, have farms ; but many of them farm with one eye on their surtax returns and the other on the prestige of a connection with the agricultural interest. It is not, at first sight, a district likely to beget a law suit turning on mediaeval rights of pasture and on the abstruse niceties of Anglo-Norman land tenure.

But Effingham has done it. It has recently produced a case that might have come straight from the reign of Elizabeth I. It has watched the case through two courts ; and has received from a Lord Justice a word of appreciation for giving him "a refreshing expedition through what is becoming a rather obscure branch of the law."

The plaintiff was a Mr Estler, who has a smallholding of five and a-half acres. To help him in his work he had a horse called William, and in the summer months it was his custom to graze William on the local common. William (now aged 19) sounds rather a nice horse, but the Lord of the Manor objected to him, challenged William's right to graze, and several times had him impounded, thereby not only interfering with his life's work but also keeping him away from the Guildford pageant, where he was booked to make an appearance in person. Mr Estler disputed the Lord of the Manor's right to impound William. The Lord of the Manor resisted and put in a counter plea that poor William was *damage feasant*, claiming £30 on that head. Mr Estler lost in the county court, but, being a man of spirit, he went to the Court of Appeal. There, after a splendid fight, he lost his case again—and lost it on the old familiar law of levancy and couchancy.


The Economist

MARCH 19, 1859

THE ITALIAN IMBROGLIO

When you have two exasperated Potentates face to face, ready for war, and inflamed by mutual and long-fostered animosities, one of whom scarcely can, and the other of whom scarcely wishes, to back out ; when you have two hostile armies lying within a few miles of each other, one of which contains thousands of sanguine patriots and youthful aspirants from various provinces, all eager for the strife, full of bright hopes, and maddened by intolerable wrongs ; when in every state of the Peninsula human combustibles of the most explosive character are lying in masses, surrounded not by smouldering sparks, but by blazing torches ; and when a fire lighted in any one spot must become a universal conflagration,—who can hope that the question of peace and war is likely to be left to the calm decision of Cabinets and Statesmen who protocol and correspond in their arm-chairs ? A shot fired in haste or in mistake ; the vehemence of some impetuous subalterns ; a resented wrong or insult which in quieter times would have been endured in silence ;—these are the things which in all likelihood will inaugurate the struggle, the final issue of which God only can foresee. But in this struggle we assuredly have no need and no right to intermix. We may deprecate it—for war is always an evil, even when it leads to good and is righteous in its origin ;—and few wars can be much worse for humanity or much more costly and mischievous to Europe than the present state of armed expectation, or the condition for some years past of unhappy Italy.

READERS of *The Economist* will not need to be reminded that in English law the rights of common of pasture are four in number ; but to refresh their memory the varieties may be named. They are:

1. Common of Pasture *appendant*.
2. Common of Pasture in gross.
3. Common of Pasture *pur cause de vicinage*.
4. Common of Pasture *appurtenant*.

Mr Estler's advisers naturally had to decide, first of all, on which of these four legs they were going to stand. Two of the legs were obviously useless. Appendant, if it had been put forward, would have been laughed out of court. The right in gross was a washout, too. Pur cause de vicinage might perhaps be useful in an emergency. But the weight of the argument must undoubtedly rest on appurtenance. Anyone can see that. It has many advantages in law and, apart from anything else, it has always been popular with the judges, who realise that appurtenance (like William feeding on the common) is "unfettered in its character."

But if appurtenance was to be the winning card counsel must deal very carefully with levancy and couchancy. To an uncultured mind levant and couchant sound rather like a French version of bed and breakfast ; but that is not their true meaning. They denote, in fact, a means of deciding the number of beasts that a man may graze on a particular common. It has been settled since 1799 that there must be a limit to the number, and levancy and couchancy are the agents that decide it.

How do they fix the limit ? What do levancy and couchancy do ? Well, first they ascertain how many acres of the claimant's land have the right of pasture appurtenant to them. Then they make inquiries about what happens in the winter, finding out how many beasts the claimant can feed during the winter months on the produce of his land. If he can keep seven beasts fed in the winter, then he can turn seven out to graze in the summer. If three, then he can turn out three, and so forth.

Now to feed one horse in the winter takes a ton of hay ; and to produce a ton of hay you need about three acres of land. So a smallholder with three acres of the right sort has the right to graze one horse throughout the summer. That looked good for Mr Estler with his five and a half acres. They should surely give him everything he wanted for William with a good margin to spare.

But things did not work out like that—and for a very subtle reason connected with levancy and couchancy, which are not so simple as they sound. When it comes to the common of pasture appurtenant, levancy and couchancy will only take note of land that was copyhold until 1926. Anything that was freehold before that year means nothing to them. They do not recognise it. And unhappily only two of Mr Estler's five and a half acres were ever copyhold. The others have been freehold all the time. So levancy and couchancy made their calculation of his rights on two acres only. And two acres would give him a right to two-thirds of a horse. To graze two-thirds of a horse on a common being physiologically impossible, Mr Estler lost both his case and his horse. Moreover he must pay £20 for the damage William did.

Involved in this litigation have been one county court judge and three judges in the appeal court, at least three learned counsel, a firm of solicitors at Guildford, and two particularly eminent firms in London. The costs have been estimated to be £1,000. The case lasted for three days in the Court of Appeal, and, while it must, of course, enhance our respect for the majestic simplicity of the English law, it may also make us wonder what it is that drives ordinary folk to go to law on such terms as these. Of the principal figures in the case the most intelligent, it may be thought, was William.

NOTES OF THE WEEK

MR MACMILLAN

The Last Lap

MR MACMILLAN has crossed the Atlantic with higher hopes than seemed possible a week ago. The slow evolution of western policy has reached the point at which a summit conference now seems to be accepted as inevitable, even by those who still plainly believe it to be undesirable. Exactly how far the West is prepared to go to revoke its earlier precondition—that a foreign ministers' conference must report progress before the heads of government agree to leap to the summit—will become apparent with the publication of the reply to the Soviet Note of March 2nd. President Eisenhower seemed to desert this charge in substance, if not in form, in his broadcast on Monday (which is discussed more fully in a despatch from Washington on page 1064). All along, it has been a hopeful sign from the British point of view that the delivery of the western Note should be delayed until after Mr Macmillan had been able to present his arguments for flexibility as widely as possible within the alliance. The West is not likely to give too much away in its reply ; what matters more is the general atmosphere that surrounds its presentation. (Mr Khrushchev, for his part, in the press conference that he was giving on Thursday afternoon as *The Economist* went to press, seemed preoccupied with the contest to show more willing than the other fellow.)

But if the West has made up its mind on the summit, it has still to reach agreement on the positions—particularly the fall-back positions—that it will take up there. Now that Mr Macmillan has reassured the French and the Germans about what he means by a military thinning-out in central Europe, the relevant phrases of the Moscow communiqué probably look less interesting than they did to Mr Khrushchev. But this is still by far the best jumping-off ground for a discussion. President Eisenhower's assurance that he is "willing to listen to new ideas and . . . prepared to present others" will be important both at Camp David this weekend and at any east-west meetings this summer.

Mr Macmillan's stopover in Ottawa has been the easiest stage of his travels. Mr Diefenbaker, although tragically deprived of his external affairs minister, Mr Sidney Smith, has readily upheld the British preference for serious and sustained talks with the Russians on Germany—on which he has some ideas of his own. If the summit is ever thrown open to lesser chamois, Canada has better claims than most to an invitation.

GERMANY

Two Visitors

AFTER the polite inconsequence of Mr Macmillan's Paris visit, his trip to Bonn brought a rather more substantial *rapprochement* of views. To Germans, Mr Khrushchev's threatening posture over Berlin is far from being an academic exercise. Memories of the 1948-49 Soviet blockade of the city, and a pretty clear appreciation of the weakness of the western position there today, combine to explain the rather nervous sense of crisis which lay behind the wave of mistrust of Mr Macmillan's Moscow visit. To Mr Macmillan, on the other hand, Dr Adenauer's trip to Paris was hardly a help. The Prime Minister's Bonn journey seems to have restored a good deal of mutual confidence. Bonn seems prepared to accept the path of negotiation that Mr Macmillan is trying to follow ; on the British side, a cautious interpretation of the reference, in the Moscow communiqué, to a central European zone of restricted armament, has set some German fears at rest.

It is not only in the West that differences of emphasis between allies are evident from time to time. Mr Khrushchev's speeches in east Germany and his proposal for a separate peace treaty with its government no doubt pleased Herr Ulbricht. But there are a good many indications that at the end of his visit Mr Khrushchev reined in his ally in

private. The east German press, which had been merrily canvassing the prospect of an imminent separate treaty, changed its tune this week and returned to the theme of a treaty for all Germany. Herr Ulbricht can be pretty confident that Mr Khrushchev will try to get recognition for the east German Democratic Republic and a settlement on the basis of the *status quo*; but he cannot be sure, as long as the broader German question remains on the table.

On Tuesday, however, Herr Erler and Professor Schmid, two members of the executive of the west German Social Democratic party, who have been visiting Mr Khrushchev in Moscow, reported that he had told them: "Nobody really wants the reunification of Germany at this moment—nobody at all!" At one point he did toy with the notion of gradual disengagement in parallel with steps to German unity, but he rubbed in the Soviet argument that these must be negotiated between the two German states.

BY-ELECTIONS

Bogey for Harrow

THE result of the Harrow East by-election, which was taking place on Thursday, may be a decisive factor in influencing Mr Macmillan towards or against a May general election. In 1955 Mr Ian Harvey won just under 54.4 per cent of the vote at Harrow, against just over 45.6 per cent won by Labour—a majority of 8.7 per cent, which means that Labour would need a swing of just under 4.4 per cent to win the seat. In recent by-elections up and down the country the average swing to Labour seems to have been around 3 per cent, which is very slightly higher than the swing that Labour would require nationally in a general election in order to attain parity with the Conservatives in the House of Commons. Where non-party candidates have intervened in recent by-elections (as a small shopkeepers' candidate has intervened at Harrow), even the oddest right wing independents have been winning up to 10 per cent of the total vote; most of it has come from the Conservatives compared with 1955, but it seems generally to have included the 3 per cent or so of former Conservative voters who in recent straight fights have swung over to Labour. On this reckoning, the small shopkeeper's intervention would deprive the Tories of the seat only if he has won more than 8.7 per cent of the total poll.

In last year's local elections Harrow showed a slightly above-average swing away from the Conservatives. Moreover, the special factors attached to Mr Harvey's resignation might normally be expected to induce some Tories to stay away from the polls this time (although Mr Harvey's conviction has never threatened to be as major a political factor as many Conservatives gloomily assumed at the time, when they said that it might lose them the whole general election). Against this, the small shopkeepers' Mr Lynch is such a very odd independent that it has seemed difficult to envisage how more than a few hundred people could really persuade themselves to vote for him.

If Labour has won East Harrow, either through sufficient Tory desertions to Mr Lynch, or through a direct increase in its own share of the poll, then Labour should be regarded as the favourite to win an early general election. If the Conservatives have won Harrow by a majority of anywhere between a few hundreds and about 1,200, this will suggest that public opinion remains just about where it has been all winter, with desperately level pegging in the national race between the two big parties. If the Conservatives have won with a majority of anything over 2,500, then that could be regarded as a sign that the Conservatives have made a recovery in these last few weeks, at any rate in the fully employed South of England. Even before Mr Macleod announced lower national unemployment figures on Wednesday, many experienced judges of political trends (and some of the public opinion pollsters) were suggesting this week that such a regional recovery seemed to be in train.

Belfast and Norfolk

BELFAST EAST was also polling on Thursday, but its result is unlikely to be nationally significant. Because the Northern Ireland Labour Party has been becoming increasingly "respectable" on the partition issue, one had expected a sizeable swing towards Labour here; now that the releases of IRA militants from the Curragh have inflamed loyalist passions, the leftist swing might or might not be stopped. But the way that Ulster passions go, under the influence of these special circumstances, will be no clear guide to the trend of opinion in the rest of the United Kingdom.

The next big test after Harrow will therefore be the by-election at South West Norfolk, which takes place next Wednesday. Labour won this seat in 1955 by 193 votes, or 0.6 per cent of the total poll; a success of this sort is not so much a majority as an accident. Norfolk was the only area of the country to show a distinct swing to Labour in 1955 compared with 1951. This could mean that there is less scope for a leftward swing there now; it is possible that the main army of potential floaters to Labour had already floated Labourwards by 1955. In normal circumstances, the party that won a straight fight in South West Norfolk now might be regarded as the favourites to win an early general election.

But three local developments have complicated the picture. First, the by-election is not going to be a straight fight. A right wing nationalist has intervened; although his anti-American views might conceivably win some support from the extreme left, he seems much more likely to siphon off more votes from the Conservatives (with whom he has previously had political affiliations). Secondly, the Conservative candidate is a Mrs Kellett, and there is some statistical justification for the view that rural constituencies have a prejudice against voting for a woman. Thirdly, the details of this year's agricultural price review were published on Thursday; and in the week after any price review (even one as beneficent as Mr Hare's) all farmers tend to grumble against any government. If Mrs Kellett carries South West Norfolk next Wednesday, and if this follows upon a Conservative majority of anything over 2,500 at Harrow, then Conservative pressure for a May general election is likely to become very strong.

Victory Through No Issues?

Our special correspondent who has been in East Harrow writes:

RIGHT up to the eve of poll Commander Courtney, the Conservative candidate, was bouncing from meeting to meeting in his blue jeep proclaiming to all who would listen his joy at discovering that there were no major issues in Harrow. No housewife had cried out about prices, the ugly word which the commander had evidently once thought was the ulcer that might destroy him. There is no unemployment in this characterless constituency, most of whose male inhabitants travel daily to work in London. The commander's election literature displays the curious combination of super-patriotism and enthusiasm for closer economic relations with Russia that are becoming the mark of the Tory right wing. "As a small cog in the wheel of British sea-power," this bluff sailor had seen, under the socialists, "disastrous surrender at Abadan and the handing over of our best jet aircraft engines to Soviet Russia." But the Conservative candidate also turns out to be a Russian-speaking expert on Soviet trade unions and other Soviet domestic affairs, a professional consultant on East-West trade, and, to judge from a photograph which he proudly publishes, a personal friend of the Polish prime minister.

His Labour rival, Mr Merlyn Rees, a local schoolmaster, spends much of his energies explaining what the Labour party's education policy does not mean. Specifically, one gathers, it does not mean comprehensive schools at Harrow—and Mr Rees, who informs the voters that he once wrote a thesis on "The Economic and Social Development of Extra-Metropolitan Middlesex in the Nineteenth Century," has tentative and moderate-sounding views about replacing the eleven-plus exam. For the rest he talks, soundly but vaguely, about helping underdeveloped countries and working for peace through disengagement. At one meeting he had to try to reassure a worried supporter who had misgivings about Labour's municipalisation plan if this was going to turn her into the tenant of a Tory council.

If Harrow is setting any pattern for the general election, it suggests that the Tories are planning to fight largely on the contrasting personalities of the rival front benches. Commander Courtney harped on the personal feuds in which some shadow Labour ministers have embroiled themselves with men with whom they would have to deal when in office—Mr Bevan with Mr Dulles and Mr Callaghan with Sir Roy Welensky. It also shows that the Labour party's publication of its policy documents has given Tory candidates something to aim at. Even though some of Commander Courtney's shots were wild, they did have the effect of forcing his opponent into a defensive posture.

Little was seen or heard of the third entry in the race, the shopkeepers' Mr Lynch. There is much to be said for a candidate of protest; but a candidate of protest without a voice is an absurdity.

NYASALAND

The Wrong Commission?

SIR ROY WELENSKY has now declared that the only thing that is delaying the publication of a white paper on the "plot against the Europeans" in Nyasaland is the possible preparation of proceedings against African leaders. He cannot prematurely publish what could be part of the evidence in cases that may soon be *sub judice*. Here at home Mr Butler said much the same thing to a Sheffield audience this week: "Our next course will be to acquaint the British people with all the facts. . . . We shall then take up the suggestion for some form of adequate inquiry into the situation." There are strong rumours that the British Government intends to make this inquiry a judicial rather than a parliamentary one. It looks sadly as if the Colonial Office thinks that it has got sufficient proof of something nasty in Nyasaland to convince a judge, and that it wants to use this to justify itself before the country against the Labour Opposition.

This may look very tempting in terms of electoral strategy, but it would be a mistake in terms of statesmanship. There are three things that a wise British Government should now want, and each of them would be more likely to be furthered by sending an all-party group of MPs to Nyasaland than by sending a judge. First, here at home, the Government needs to work out a bipartisan policy with Labour—not, on this issue, to widen the rift with it. If some Africans have been plotting terrible things in Nyasaland, then Labour MPs who studied the facts in a commission on the spot would learn usefully to temper their present extreme assumption that all black Nyasan politicians are necessarily blameless and all white settlers necessarily wicked. If a judge is sent out to issue a report explaining this, some Labour MPs are quite capable of making emotional noises about not believing even the most carefully-documented judicial findings; Labour policy towards the Federation would then become a matter, not of bi-partisanship, but of face.

Secondly, about the white Southern Rhodesians. They would hate to see British politicians invading Nyasaland at this moment. That does not matter; the need now is to convince black Nyasalanders that they are dealing with Britain, not only with Sir Roy. An all-party commission of MPs could help to reassure them of this. Thirdly, about Nyasaland's future constitution. An all-party commission of MPs could help in framing this, and also pave a way towards reopening negotiations with some Nyasan leaders—negotiations which will have to be started, and sooner rather than later, plot or no plot. Under each head of policy, the prime need now is to make preparations to face the future; the prime need is not, on either side, to look back in judgment on the immediate embittered past.

FARM PRICES

Avoiding Conflict

FARMERS have done fairly, though not outrageously, well in this year's price settlement. The Government has increased the total value of its guarantees (including the cost of the small farmer scheme) by £3 million; this compares with an estimated increase in farmers' costs of at most £11 million. This cut of £8 million or less in what farmers call their "just recoupment" is a modest one in the light of the Government's declared policy of progressively reducing price guarantees. The maximum cut that would have been permitted under the 1957 Act was some £30 million. Last year something approaching the maximum cut was in fact imposed, in the teeth of indignant opposition from the National Farmers' Union; this year the Government has stayed its hand and has reached an agreed settlement with the union.

This result is not due solely to electoral considerations. The Government has more respectable reasons for being generous, in particular the fact that agricultural subsidies in the current year will cost some £50 million less than was originally estimated, owing to the rise in market prices. The much-subsidised pig has become obligingly less prolific, and the decline in both pig-breeding and milk production

has provided the union with a respectable case against any further cut in pig and milk prices. This has left eggs as the one commodity where over-production is undeniable, and price cuts have been fairly bravely applied to them. They have also been applied to wool, wheat, and rye, but all other price guarantees remain unchanged. The calf subsidy has been increased to encourage a further switch from milk to beef. Altogether a modest £3 million has been lopped off the general price and production guarantees, but the addition of the cost of the small farmers' scheme makes total Government liabilities £3 million higher.

Last year's cries of gloom and doom from the farmers make strange reading now. The past year's decline in farm incomes seems, in fact, to have been wholly attributable to the weather. Apart from this factor, the stiff price cuts administered last spring would have been assimilated through greater efficiency without any diminution in total farm income. Had this not been an election year, the Government would surely have seized the opportunity of repeating the dose and thus making the breach in the agricultural subsidies really effective. Even as politics are, it might have been rather tougher, for the union was under the awkward harrow that it could not really squabble publicly over the price review for a third time in four years and still retain its privileged negotiating position, especially as it now knows that its complaints last year were exaggerated. Both parties in fact needed to agree, and neither was prepared to try anything new. The resulting pedestrian compromise, while not too economically offensive, represents a year's setback in placing agricultural policy on a sounder footing.

ITALY

Signor Pella in London

To cut a more considerable figure on the international scene is nowadays a principal object of Italian governments. The last prime minister, Signor Fanfani, who was his own foreign minister, thought to do this by adopting a more independent attitude towards his Atlantic allies and by trying to acquire influence and an economic stake in the Middle East. His successor, Signor Segni, and the new foreign minister, Signor Pella, appear to be trying to gain the same end by bringing Italy back to strict adherence to the Atlantic pact, while at the same time seeking a weightier voice in the counsels of the alliance. Their designs seem to be favoured by events. The diplomatic pother created by Mr Macmillan's visit to Moscow, Mr Khrushchev's pronouncements, and the closer prospect of negotiations with the Russians, has enabled them to play an active part in the comings and goings. This week Signor Pella has been in London at the invitation of the British Government; together with Signor Segni he has also been visiting Paris and Bonn; and early next month he plans to go to Washington for the spring session of the North Atlantic Council.

Italy's desire to be represented at any talks with the Russians, which Signor Pella is believed to have brought forward in London, is unlikely to be gratified, at any rate not at the level of complete parity with the Big Four. But apart from this Signor Pella has reason to be satisfied with his visit, since he was fully and completely briefed on Mr Macmillan's Russian journey and was, in effect, taken into the inner councils of the Atlantic alliance. The experience must have been reassuring as well as gratifying for Signor Pella, since the Italians, like the French and the Germans, have been nourishing certain suspicions about Mr Macmillan's intentions. Signor Pella, for his part, was reassuring and helpful about the problems of European economic collaboration; but whether he can carry his cabinet or its parliamentary supporters with him is another matter.

Indeed, the internal weakness of the Segni government is an obstacle to most of its aspirations abroad. Although Signor Segni and Signor Pella are labelled reactionaries by their political opponents, they seem anxious to support a western policy of "flexible firmness" towards the Russians. But differences over foreign policy still contribute to the divisions of the Christian Democrats, whose national council, although eventually agreeing on a new party secretary in succession to Signor Fanfani, has this week been giving a fresh display of party disunity.

NATO

The General Disengages

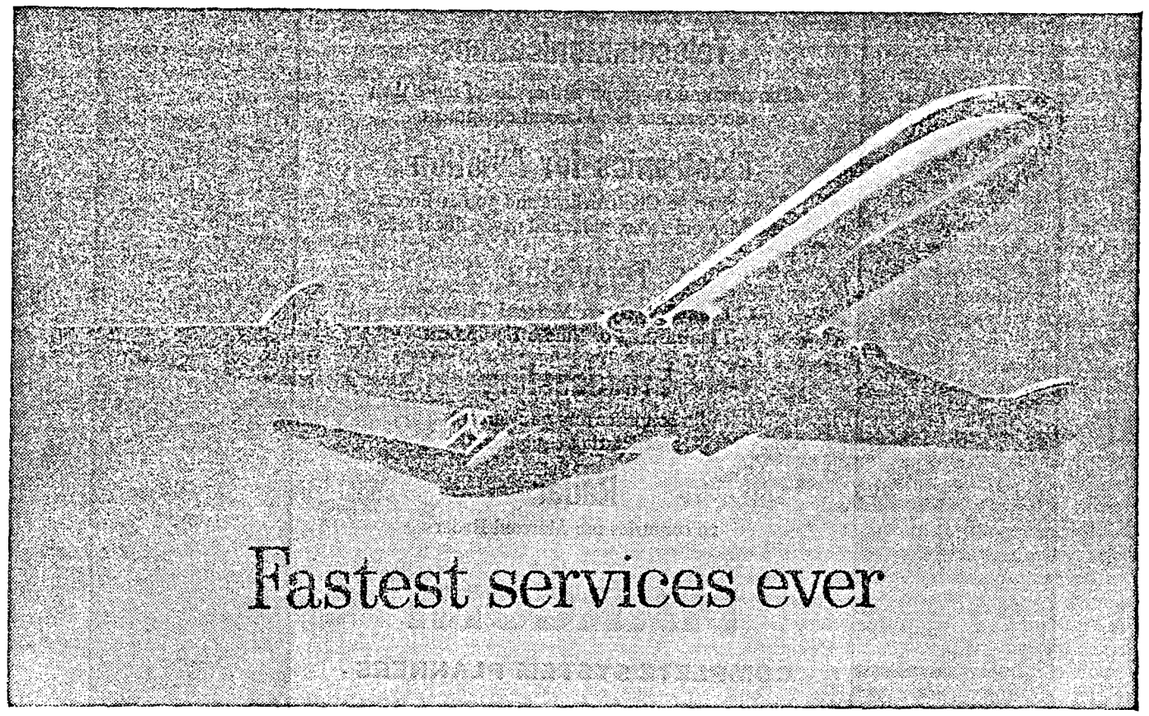
General de Gaulle's decision not to put his Mediterranean fleet under Nato's command in time of war is part and parcel of his outlook on the Atlantic alliance itself. He said on Wednesday that France's responsibilities outside Europe required the step, but it is difficult to see what more the fleet could do to pacify Algeria. Earlier explanations at less exalted levels in Paris seem even less valid. It is no use arguing that other Nato members have disregarded Shape's wishes lately. If France wants recognition as a great power its apologists ought not to shelter behind the Danish and Belgian conscription laws. The claim to a larger share of the Mediterranean commands now that France is stationing a bigger fleet there makes slightly more sense. But where does that leave the French general commanding Allied Forces Central Europe, whose French divisions have gone to Algeria? The American Sixth Fleet and the British V-bombers are not inside Nato, it is true, but their function, armed as they are with the nuclear deterrent, is appreciably different from that of the French navy.

Ever since General de Gaulle returned to power he has been putting Nato into what he thinks should be its place. He has turned down missile bases because they would not be under French control. He has shown no desire to put the French air defences under an integrated Nato command. He has pressed forward with the costly development of France's own atomic bomb. So far, the military results have not been entirely happy for him. The Americans have refused to make the missiles a bargaining point in Paris, and have moved on to Rome. The effect of the general's naval gesture will very likely be to give the Americans the excuse they have been looking for to avoid letting France share the secrets of atomic submarine construction.

Inside Nato itself anxiety is now increasing that the final stage of General de Gaulle's disengagement may be to return the French ground forces now nominally allotted to Shape to national control. While the bulk of the French army is tied down in Algeria the threat remains more than a little academic. But the general may use it—and his right to seek a revision of the North Atlantic treaty after its tenth anniversary next month—to reassert his claim to a bigger say in Nato's inner direction. Whether Nato is to be an integrated military unity or revert to a loose national coalition is now very much at issue.

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JUGOSLAVIA

Defiant "Revisionists"

MARSHAL TITO'S three months' journeying through Asia and Africa provoked a bitter and sustained chorus of disapproval from other communist countries, indicating a very real fear of his ability to increase his own influence and prestige among the uncommitted countries at the expense, principally, of the Sino-Soviet block. On his return to Jugoslavia two weeks ago, President Tito at once announced that he would no longer ignore the block's campaign. In particular, he pitched into "a certain Enver Hoxha" who had just publicly accused Jugoslavia of plotting with Greece to dismember Albania; he threatened to hale Albania before the United Nations on a warmongering charge.

Marshal Tito can be trusted to give as good as he gets in any slanging match with Tirana or Sofia. And he would not be likely to take it all too tragically were it not that, as he himself has pointed out, the offensive verbal onslaughts against him could be stopped at once by orders from above. The probable reason why these orders are not given was described by Mr Gomulka in his report to the Polish party congress last week. He said that "revisionism" is the gravest danger to the communist movement because it undermines its "solidarity, cohesion and unity." And since the Jugoslavs insist that they are communists (and not social democrats) the "revisionist" party programme that they adopted last year represents an undermining of Marxist ideology, and is consequently not their own internal affair but a blow delivered at the entire international communist movement. Mr Gomulka told the Jugoslavs that they could not remain "outsiders" indefinitely; either they will intensify their revisionist tendencies and become social democrats, or they will reject revisionism and return to the communist fold.

This reasoned attack on the Jugoslavs may be part of the price which Mr Gomulka has to pay to Russia in return for being allowed a comparatively free hand inside his own country. To Marshal Tito it must look very like an attempt to split the Jugoslav communist party. Even if there is little danger of such a split, at least in the marshal's lifetime, he will no doubt consider that Mr Gomulka's strictures require a more careful rebuttal than most of his enemies' attacks.

STEEL NATIONALISATION

The Voice of the Trimmer

THE debate on steel nationalisation has now reached the stage where the voices of both the trimmer and the cuckoo are heard in the land. The voice of the trimmers was shown in a long and carefully-documented article by Mr D. N. Chester and five collaborators in last week's issue of *The Spectator*. They recommend that the denationalised nine-tenths of the industry should be left in private hands, but that the remaining one-tenth (consisting of one large company and thirteen smaller ones), whose equity capital is still owned by the government's realisation agency, should continue as a permanently publicly-owned sector of the industry. This recommendation has the debating advantage that it may be what is going to happen under a Tory government anyway, because the agency's remaining equities do not look like being easy to sell. But it is not at all clear why anybody should want it. Mr Chester seems to argue that, if and when the government thinks that more steel producing capacity should be created than the private companies deem to be necessary, the government should create this capacity directly within that portion of the industry which has been left in its hands. That means, in and under the control of those companies which private investors did not want to buy. This hardly seems a formula for ensuring that such development should take place in the right places.

It is a great pity that the muddle about ownership is being allowed to confuse the real current problems of public policy in the steel industry. Up to a short time ago there was a good case for saying that the "dual control" system contained in the Conservatives' 1953 denationalisation act looked like the best formula that anybody had yet thought up for steel. Under this the Iron and Steel Board has certain powers to control (and to advise the government to encourage) adequate development in both the private and public sectors of the industry. Unfortunately, the recent and completely uneconomic decision to yield to Scottish political pressure, by siting the new (and largely publicly financed) Colville's strip mill at Ravenscraig, has shown that when it comes to a political pinch the present Conservative government simply by-passes this elaborate dual structure. The system that the Conservatives are in fact operating therefore has many of the evils of the old nationalised system; for the Labour party has hastened to say that a nationalised industry, too, would have yielded to the Scots about Ravenscraig. The conclusion for liberal critics should be that there is a need to refurbish the system of dual control in some way that will make this sort of political weakness less likely in future. The conclusion for cynics could be that there is little to choose between renationalisation and the present system, and a pox on both the big political houses. Fortunately for the Tories, however, Labour is busy publishing pamphlets which will bring down a special call of pox on itself.

A Gift to the Tories

LABOUR'S national executive this week capped a long series of publicity howlers on the steel issue by adopting, as an official party statement, a slightly edited version of a pamphlet on "Steel and the Nation" which had been privately prepared by Mr Hilary Marquand, MP. The pledges contained in it are meant to confirm the "moderate socialists'" policy of full nationalisation with the least possible disturbance—"fair compensation," by implication no break-up of the individual steel companies, lots more research, safeguarding of workers' existing pension rights, and so forth. Unfortunately the arguments in the pamphlet, from its very first words (about industries which are "owned by the people") to its very last words ("planning for the whole nation, not for the few"), are the most irritating possible jumble of mismanaged soporifics, free gifts for Tory sarcasm, and surprisingly neurotic little outbursts of anti-capitalist hate.

At present, Mr Marquand reveals, private enterprise steel companies "can do as they like so long as they provide profits for the banks and insurance companies with whom ultimate power resides." (He adds, with loaded irrelevance, that "the chairman of the Steel Company of Wales is a joint vice-chairman of Lloyds Bank"). Under a Labour

government, this bankers' ramp will be replaced by a system in which "physical and financial planning will go hand in hand, so that output of and demand for steel will correspond" (eh?), and in which the workers in the iron and steel industry ("the nation is proud of them") will "work more willingly than ever when they can be sure that they are working wholly for the nation." These are not unrepresentative quotations; there are eighteen pages of exactly the same stuff. What is it that is so defiling in British party politics that it can induce a former professor of industrial relations (as Mr Marquand is) to write this sort of pamphlet, and that can get it the official imprimatur of a party led by so reputable an economist as Mr Gaitskell? And why does Labour do it? Uneducated floating voters will not read this turgid document, and educated ones are bound to have their worst suspicions of Labour confirmed.

SINGAPORE

Election Eve

THE Legislative Assembly of Singapore has reached its final session before the elections under the new constitution of the autonomous city-state take place, and electioneering is already in full swing. It promises to be a campaign of unexampled bitterness. The main contenders are the Singapore People's Alliance, led by the present premier, Mr Lim Yew-hock, and the People's Action Party, standing well to the left of it, led by Mr Lee Kuan-yew—and this party controls the city council. In the last few days Mr Lim's minister of education, Mr Chew Swee-kee, has resigned both office and seat after allegations that he had been paid a large sum of American money for party uses; but though this means that Mr Lee inflicted heavy injury on Mr Lim, who lost not only a minister but also another member of his party who crossed the floor, the upshot has done personal harm to Mr Lee as well. For in the heat of the debate Mr Lim accused Mr Lee of supporting, when in London, the one proviso in the new constitution which the Singapore delegation then collectively condemned: the banning of known subversive persons from standing as candidates at the elections. Mr Lee has steadily cleansed his party in recent months from the taint of extremism, but it was always a delicate process, in which he did not dare to go too far; and this accusation will obviously embroil him with his own extreme wing.

Thus, while the fortunes of the People's Action Party are tending to rise, Mr Lee himself is under a cloud; and this might mean greater power for other PAP leaders who have far less realistic views about the possibilities of Singapore's "entrepot economy," its soaring population and its need for reunion with the Malayan mainland. The PAP mayor of Singapore is typical of these alternative leaders. They would offer little prospect of a smooth operation of the mixed council, under a Malayan chairman, which is to hold a watching brief over the security of the British naval base.

CANADA

Loggers in Arms

THE Canadian prime minister, Mr Diefenbaker, may well wonder who is going to up and hit him next. Already beset by angry prairie farmers, even angrier aircraft workers, and forty hereditary chiefs of the Six Nations Indians on a modernised warpath in their Ontario reserve, he is now trading punches with most of the province of Newfoundland. To make matters worse, he found on Monday that he didn't even have the head of the Mounties on his side.

Newfoundland's loggers, who belong to the International Woodworkers of America, have been on strike after a claim for higher pay and shorter hours was rejected last autumn. With newsprint surpluses in North America and pulp and paper mills working at only partial capacity, the big Newfoundland companies have contended that the loggers' claims are unrealistic. Into this explosive situation stepped the premier of Newfoundland, Mr Joseph Smallwood, with a fiery personal campaign against the IWA and the International Brotherhood of Teamsters. Mr Smallwood declares roundly that he means to drive "these two gangster, criminal outfits" out of the province. He has taken away the IWA's certificate and has set up a rival loggers' union. Although most of the men have stayed loyal to the IWA, the rest of the province has taken the prime minister's side. Police have been brushing with the strikers and, at the same time, trying to keep the local population from getting at the IWA. Mr Smallwood has called on Ottawa to send more Mounties and a royal commission in quick time.

But Mr Diefenbaker has remained sternly unimpressed by these appeals. For one thing, Mr Smallwood seems to have gone too far in trying to force the loggers to renounce the union of their choice. For another, Canadian labour is likely to make political trouble for the Conservatives if Mr Diefenbaker does not stand firm. But there is a legal point. Ottawa is legally bound to send police reinforcements to provinces if requested by the provincial government. When Mr Diefenbaker's refusal to do so was made known the head of the Royal Canadian Mounted Police promptly resigned in protest. Mr Diefenbaker may have welcomed Mr Macmillan and the chance to talk foreign affairs—even on Berlin—this week simply as a respite.

TRADE UNIONS

Trouble Brewing

IN spite of the TUC's desire for industrial peace and quiet until after the general election, several cauldrons are now bubbling awkwardly in the trade union world. The most publicised is on the railways, where the National Union of Railwaymen—though not as yet the two other railway unions—has just decided to submit a substantial wage claim. On economic grounds, such a claim is quite unjustified; it might also appear to be unnecessary, since the Guillebaud committee, which is now investigating the relationship between pay on the railways and in comparable outside jobs, is expected to come up in the autumn with figures to justify a wage increase. The union's demand is probably meant to be merely an anticipation of this report, though its timing was largely determined by intensive rank and file pressure for a more militant leadership; if and when any award is made on the basis of the report, the NUR leaders would naturally like their members to think that it was because they themselves were making noises to demand it. But the report, a complex document, will take time to produce, and although the level-headed Mr Greene does not really seem to be running any great risks of inviting trouble before the election he may find himself, later in the year, left out on a bargaining limb.

Another unpalatable—and potentially much more important—development for Congress was the election last week of Mr Paynter, the South Wales communist, to succeed Mr Horner as general secretary of the National Union of Mineworkers. After a long election, during which three other non-communist candidates were eliminated, he beat Mr Ford by 250,000 votes to 197,000. This result, on a reasonably high poll, ran completely against the general trend of recent union elections, in which communists have been slowly but surely ousted from office. There was, however, an obvious reason for Mr Paynter's success, quite apart from his forceful personality; he had spent much of his life in the pits while Mr Ford, who started as a clerk, had not. Mr Horner, the miners' former general secretary, was also a communist, but a very unorthodox one; Mr Paynter is orthodox Moscow-line. There is no point in underestimating the dangers arising from his election, even although he will have a staunchly anti-communist executive around him. For the future course of industrial relations in the mines, the accession of Mr Paynter could be a very serious development indeed.

The other sore spot for the union leadership at the moment is in the Midland motor firms. There, and especially at the various branches of the British Motor Corporation, the well-co-ordinated series of unofficial stoppages that have been taking place for some months continues unchecked. The latest strike of 32 electricians at the Morris Commercial factory against the employment of a non-unionist, has the additional complication on the union side that the communist Electrical Trades Union has stoked the fires by recognising it as official. Sixteen hundred members of other unions are idle as a result.

TANGANYIKA

Mr Nyerere's Kingdom Come?

THE Governor of Tanganyika, Sir Richard Turnbull, has now responded to Mr Julius Nyerere's demands for a majority of elected Africans in the Legislative Council, a majority of African ministers, and universal franchise in the trustee territory. Mr Nyerere made these demands for the complete supersession of the Twining constitution after his party, the Tanganyika African National Union, had won the majority of seats, Asian and even European as well as African, in the elections last month. Sir Richard's offer, made at the opening of the new Legislative Council, is to take three elected Africans into the new (twelve-man) council of ministers and to set up a committee to examine further constitutional change immediately. He implied that upon its recommendations he would be ready to accept further steps to self-government. The committee will be empowered to recommend further African representation in the legislature, the appointment of nominated members, and changes in the franchise short of making it universal. Clearly this offer envisages a very rapid jump towards giving Mr Nyerere and his party effective control over Tanganyika, within a year or two at most.

But will Mr Nyerere accept it? He could certainly do so on the justification of Dr Nkrumah's maxim (carved on the plinth of his statue in Accra), "Seek ye first the political kingdom." If he accepts Sir Richard's terms, which are plainly designed to avoid a clash between the government and TANU, he must know that he will very soon be dictating the pace of Tanganyika's march to self-rule. He is reputed to be a moderate, and he may well wish to take the peaceable path, in which so few boulders are strewn. But his followers are in an excited mood, eager for great gestures, and ready to make trouble; already they are dangerously near to flouting law and order despite their leader's pleas for calm. They may feel that a little rioting can only help matters, on the excuse that it is now established practice, and indeed essential to the dignity of a nationalist movement. It will be a very great pity indeed if Mr Nyerere feels that he has to outbid Sir Richard with demands for power on a plate. But he stands between the spectacle of Somalia and of Nyasaland, a very awkward geographical position for any African leader just now.

COMMERCIAL EDUCATION

Wanted—Business Schools

THE report of the Advisory Committee on Further Education in Commerce, published this week, should have the Minister of Education's urgent attention. It has long been clear that British commercial education, even of the most elementary kind, is falling behind the needs of the times; just how far behind can now be seen by comparing Britain's 35,000 students doing evening courses and other part-time study with the committee's devastating account of what is being done on the continent (see paragraph 25 of its report). If this does not frighten British businessmen and politicians into action, nothing will.

The plain fact is that the great majority of young people going into business from school do not do any further study at all—though a great many of them will be promoted in time to responsible positions which they will hold with a formal education of at best GCE ordinary level. Very few take an Ordinary National certificate in commerce (which gives them some accounting, economics, economic geography, English, law and statistics, etc.), and there is little provision for day release to take such courses. Teaching of foreign languages in Britain is even more rudimentary; on the continent, the commercial schools teach two or even three languages to their pupils.

But while many British employers are ready, when answering questionnaires, to ask for qualifications in commercial education, they do supinely little about helping it forward, either in their own firms or in collaboration with local technical colleges. It will be for the Ministry to ginger them up, as the committee failed to probe the employers' minds when producing the report. The committee asks for a massive effort to extend existing commercial apprenticeship schemes; for a great expansion of day release for commercial studies at intermediate level and the provision of teachers and colleges to provide them; for comparably greater provision for advanced studies, leading to degrees or other awards; and for frank acceptance of the needs of specialised training in such techniques as distribution, sales management and marketing.

This report provides yet one more answer to those university dons who fear an "undue" expansion of universities and lowering of their standards. A lot of the commercial training for which the report calls should be provided through an expansion of university facilities: by pass degrees in commerce, as well as by national certificates and diplomas from local technical and commercial colleges. Variety should be the keynote—but it should run right up to, and unsnobbishly merge with, university degree work.

SOVIET UNION

Reshuffling the Uzbeks

MR KHRUSHCHEV seems to have recurring trouble with the leadership of the Soviet republics of Central Asia. The Uzbek rulers are the latest to have come under fire. Last weekend both the prime minister and the party boss of the republic were dismissed from their posts and also removed from the party's political bureau. They were accused of "serious shortcomings and mistakes" in both ideological and economic work.

Mr Kamalov, who now loses his job as the party's first secretary, was only appointed to that post in 1957. As recently as February he was still the official Uzbek spokesman at the party congress in Moscow. At that time, Mr Khrushchev praised the Uzbeks for their progress in cotton cultivation and had no words of blame for their economic performance. The reason for Mr Kamalov's disgrace is probably political, and the name of his successor gives a clue to the changing line. Mr Rashidov, who takes over, has been up to now the chief assistant of Mr Mukhitdinov, Moscow's specialist in dealings with the Arab world.

The Uzbek purge was preceded by the removal of an old-established boss, Mr Babayev, from the leadership of the party in the Turkmen republic. It is quite possible that the Soviet attempt to evolve a more flexible policy for these outlying nationalities is meeting the opposition of local leaders who are not in favour of experiments. The attempt is certainly not an easy one, since nationalist feeling is not to be allowed to exceed prescribed limits, but the risks are worth while from Moscow's new angle. As Mr Mukhitdinov put it before the Moscow congress: "The successful solution of the national question in our country is of great international significance, especially for the people of Asia and Africa." More reshuffles can be expected in Russia's Moslem world.

COAL MERCHANTS

Nationalise the Coal Lorries?

NOT for the first time, the Co-operative and trade union wings of the Labour movement are radically disagreeing on the merits of a nationalisation proposal. The National Union of Mineworkers has recently been demanding—admittedly without much hope—the nationalisation of coal distribution; the Co-ops, which have a large coal trade of their own, have greeted the proposal with copious protest. The *Co-operative Review*, as angrily as any Tory in the backwoods, roundly declares that the National Coal Board's use of its "virtually monopoly powers" has priced it out of the market—the inference being that similar powers over coal distribution would produce similar effects—and asks what twelve million Co-operators would say to the prospect of giving up their dividend on Co-op coal deliveries at the mineworkers' union's request.

This is surely a story with a moral. Labour has said that it will stand ready to nationalise every industry which "is failing the nation." It happens that a case could be made out for saying that the trade of coal distribution is doing so. Nearly twenty years of rationing and control have left it with few of the virtues of a competitive structure. No other basic household necessity is at present supplied with so primitive and erratic an inefficiency. Every cold snap brings the kind of chaos and local famine which, for other commodities, could be expected only in case of earthquake, flood, civil strife or blitz. Every wet spell imposes on the customer—and especially on the buyer of smokeless fuel with its high absorptive capacity—a forced purchase of large quantities of highly incombustible rainwater at about a shilling a gallon. Dark stories circulate about the cost, to desperate householders, of private bonuses to delivery men. It is possible that some housewives do not mind this. Perhaps, the human mind being what it is, some customers really would rather pay for their heating by way of shilling-a-gallon dirty water and periodic *douceurs* (let alone supplementary electric fires and paraffin stoves in each winter's emergency) than by way of the higher prices which the trade might well have to charge for dry honest fuel regularly delivered, like the mails or the milk, come hell or high water. But there has been little sign of coal merchants competing eagerly to find out whether some would not.

It is probable—to be fair to the coal merchants—that the present sad state of affairs is largely the consequence of the fact that price control and rationing were kept on for too long; supporters of free enterprise will argue that the recent decontrol should bring efficiency back to the industry more quickly than nationalisation would. But the Co-ops, as part of the Labour movement, are not supposed to believe unvaryingly in such dogma. This is a case in which they must feel acutely uncomfortable carrying their hearts and their pocket books on different sides.

INSTITUTE OF STRATEGIC STUDIES

Extremes of War

THE debutant issue of *Survival*,* the first of the bi-monthly reprints of important military articles to be issued by the Institute of Strategic Studies, ventilates two of the knottiest military problems today. The first is whether an overwhelming surprise attack, an atomic "Pearl Harbour," is possible in an age of missiles (or at what point in it). The second is how an insurrectionary or revolutionary war can be successfully fought by a Western colonial power. Neither Mr Wohlstetter on the delicacy of the balance of terror, nor M. Paret on the principles of dealing with modern nationalists in revolt, are entirely convincing; and since their studies originally appeared they have been subject to much discussion. But such systematic studies of modern strategic problems have received less attention than they should in Britain. Had they received more, it is doubtful if Mr Sandys's 1957 white paper would still be the basic document in discussions of British defence policy; indeed, it might have been differently written. A new school of British strategic thinking is much to be wished, and *Survival* (aptly named) promises to provide the needed forum for its dialectic.

* Obtainable from the Institute of Strategic Studies, 18 Adam Street, London, W.C.2, 42s. a year.

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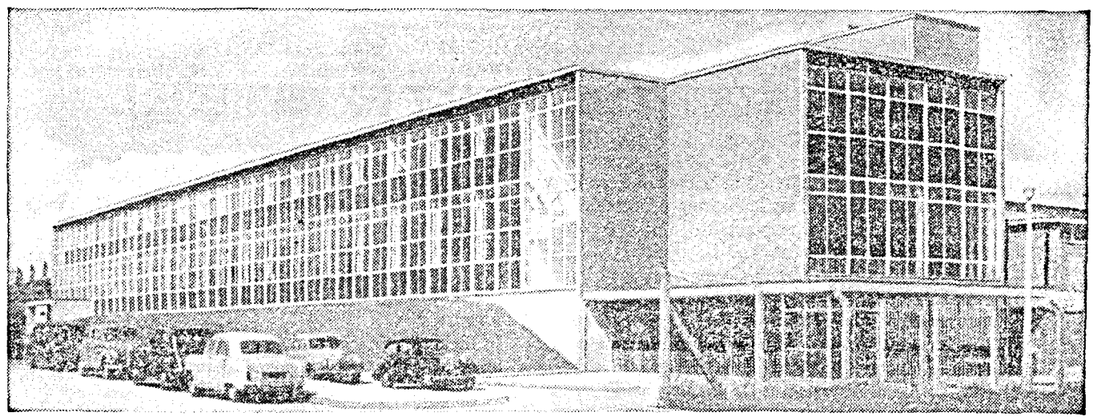
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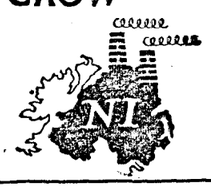
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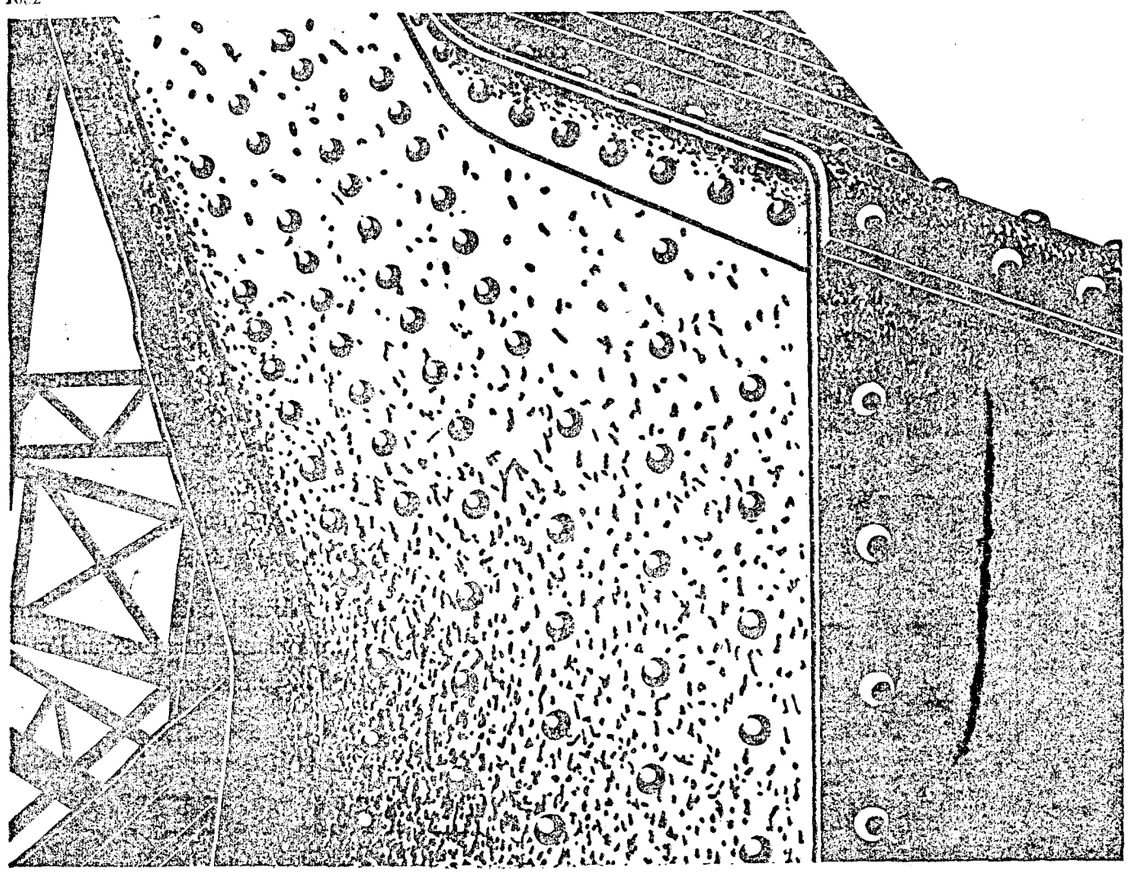


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LETTERS

Trade Unions

SIR—Some of the members of my union branch have read with great interest and satisfaction your very fair assessment of the place of trade unions in present day society.

We hope that some attention will be given in future articles to the place of the trade union officer as the "poor man's lawyer." One of our members recently appeared before the commissioner of national insurance, and chose to conduct his own case. The chief insurance officer put forward the view (which the commissioner rather appeared to accept) that the appellant must have a weak case because he was not supported by a trade union. We were a little startled by this very strong advocacy of the "closed shop" from a government officer. We regret the increasing tendency of both the Ministry of Labour and the Ministry of National Insurance to regard trade unions as the only people with whom they should negotiate. We believe in trade unionism by conviction rather than by compulsion.

We live in an age of administrative tribunals, some of which can exercise great power over a man's life. We do not want to develop a special profession of "appearers before tribunals."

I often have queries to raise with the Ministry of Labour and the Ministry of National Insurance, and I have tried, verbally and in writing, approaching them as "myself," and approaching them as the secretary of a trade union branch. I regretfully say that the last-named approach has invariably brought a more satisfactory response. In some cases, approaching a government department as a private person, I have merely been told, somewhat tersely, to "consult my union." The possibility that I might be exercising my freedom not to belong to one is not considered in official circles.—Yours faithfully, R. C. HORWOOD
Transport & General Workers Union, Olney, Bucks

Soft Drinks

SIR—In your issue of February 28th, under the heading of "Hard Words about Soft Drinks," you commented on the Food Standards Committee report on soft drinks.

The general tone of the report may well obscure for others, as it apparently has for you, the constructive approach by the industry to the question of control. The difference of view between the industry and the committee is one of degree, as has been noted in other reviews of the report.

May I make briefly the following points :—

1. The industry is in no way enjoying a special position "sheltered from the rigours of general legislation designed to protect the public," as you suggest; it is subject to both general legislation and specific standards legislation.

2. The industry has been consistently in favour of compositional standards for soft drinks. To its regret, the Food Standards Committee report proposes to abolish them in the section of the industry having the largest sales.

3. The industry has been consistently in favour of a limit on saccharin, but objects to a complete ban on the use of this harmless ingredient, which is technologically of great assistance.

I hope that the remarks above may help to put the matter into perspective for all concerned.—Yours faithfully,

F. J. LAWTON
Director and General Secretary
Food Manufacturers' Federation Incorporated

Wages in Airlines

SIR—Kenneth Bryan, who contributed a letter in *The Economist* of February 28th commenting on your trade union articles, may have perhaps given the impression that his views are broadly shared by the administrative staffs' trade union branches in the State Airways Corporations. This is not the case. Nor do we believe they are shared by managements of the two corporations either.

Airlines operate in a highly competitive market, but it is a market in which prices are fixed by international regulations and therefore there is no question of higher salaries and wages being passed on to the customer in terms of higher prices. Increased labour charges obviously do affect cost levels and accordingly profitability, but they are irrelevant to the share of the market which is won by the undertaking. Airline operation is an extremely complex problem and at this stage of the art commercial policies are largely empirical in the short run. Determining factors much more significant than labour costs are political considerations, aircraft availability and operating techniques and engineering requirements. In other words, given the bilateral agreements and, one way or another, some extra capacity ton miles, the airline will immediately look for greater aircraft utilisation.

In the long run it is quite clear that no airline can hope to survive if it is not prepared to pay competitive rates to its employees. Accepting the intensive competition, the level of expansion and the newness of the industry it is apparent that the quality of airline personnel is of tremendous importance. Happily in the state corporations there are large numbers of dedicated men and women but if they are to be retained and reinforced then their remuneration must keep pace with that in other industries.

Mr Bryan is chairman of an administ*rative branch and his strictures on trade* union negotiators are hardly justified, for this category of staff has barely maintained its position during the last seven years *vis-a-vis* either comparable jobs in industry generally or to the cost of living. The only cases where individuals have actually reached higher standards is where jobs have been revalued and increased responsibilities have been agreed by corporation managements to merit higher remuneration.—Yours faithfully,

Southall D. HOLLINGS

Berlin

SIR—In your issue of February 21, 1959, you say in connection with the consent of the three Western occupying powers to the establishment of the Bundesrepublik and the expected consent of Russia to the Deutsche Demokratische Republik's exercising sovereignty in Eastern Berlin:

> A basis of logic can be found for this distinction. But the Russians, as conquerors, *can* assert as much right to transfer sovereignty in a government in east Berlin as the western powers, as conquerors, *can* claim to transfer sovereignty to a government in Bonn. . . . (italics mine.)

No doubt, the Russians *do* assert as much right. But *can* they do it in accordance with traditional standards of international law and consistently with the expressly specified objectives of the United Nations Charter?

The western powers transferred sovereignty on the basis of free elections *and other guarantees of a modern democratic regime.* There may be neopositivistic authors of international law who recognise the Russian action as the "right" of the conqueror. What disturbed me in your statement was the analogy: "can assert *as much* right. . . ."

I agree with the substance of your courageous and clear statements. Exception is made to that analogy only.—Yours faithfully, JOHN D. SWIFT
Bellefonte, Pennsylvania

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AMERICAN SURVEY

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Veni, Vidi, Semi-Vici

WASHINGTON, DC

LIKE Caesar in another land, Mr Macmillan will find that America is divided into three parts. Public opinion is still either silently frightened or silently resolute, but in any case silent, about the Berlin crisis. The correspondence columns of the newspapers are almost empty of comment, and so are the post-bags of Congressmen. In Congress itself, although Senators Mansfield and Fulbright have brought a few new ideas briefly to the surface, most members seem to have turned back to older and frostier ways of thinking. A number of recent speeches, particularly some by newly elected Senators, suggest that it is not Americans and Russians who face each other across the Elbe so much as ghostly abstractions of good and evil. This is exactly the moralist approach to world problems for which Mr Dulles has been assailed so often by his critics. But in the State Department itself, Mr Dulles's home territory, this frosted approach now seems to be out of fashion. There, at any rate, the proposals for negotiation from a firm but flexible stance which the Prime Minister is reported to be bringing with him are likely to get a relatively sympathetic hearing.

If Mr Macmillan's first objective was to induce Mr Eisenhower to go to the summit, he has conquered before he even came and saw him. It is only a fortnight since the President was grumbling at his press conference about the dangers of the summit, but in the interval the State Department seems to have made up its mind that he should go. This does not depend on whether or not the earlier foreign ministers' talks make any progress; even if they do not, the reasoning runs, it will be necessary to go to the summit as a last resort to prevent war. The argument which has delayed the sending of the latest allied note to Moscow is largely a matter of wording. The Americans do not want, after proposing a foreign ministers' meeting in May, to go on to mention the summit in a way which might tempt the Russians to suggest skipping the first step. But in his broadcast to the country on Monday night the President attached only the vaguest qualification to his willingness to talk to Mr Khrushchev.

On the proposals which the West should put forward when the two sides meet, Mr Macmillan is also likely to find the Americans more open-minded than would have been possible a few months ago. The "new ideas" which the President mentioned on Monday have been bubbling to the surface of the State Department ever since the middle of the winter, when Mr Dulles invited the department to reconsider the whole German problem. It is clear that the Americans have now moved decisively away from the belief that it is any use pressing for free elections as an early stage in the process of reuniting Germany. But if Germany is not to be reunited in one fell swoop, the only alternative to the *status quo* would seem to be some form of confederation, however temporary it is hoped that it will be.

From the trickle of information which seeps out around even the most tightly sealed doors in Washington, it appears that the State Department is willing to consider a "package" offer to the Russians involving both this and a thinning-out of forces along the Elbe (rather than a wholehearted disengagement, which is still an improper word in Washington). The various possible components of such a package are now being discussed by a four-nation working party in Paris, and no final decision can be taken before the foreign ministers of the North Atlantic Treaty countries assemble in Washington at the beginning of next month. It may be Mr Macmillan's chief task this weekend to encourage the President to overcome French and German qualms about such a plan.

BUT there is also the question of what happens if it turns out to be impossible, as it well may, to reach agreement on Germany as a whole. It is here that differences between the British and Americans seem most likely to develop. If the Russians insist on handing over control of the Berlin supply routes to the East Germans, the State Department now admits that it would be quite possible to supply the allied garrison by air; the technical difficulties of an airlift apply only to the much larger problem of getting food and fuel to the civilian population. It would be far more difficult for the East Germans to challenge an airlift than a road convoy, which could be halted by a single blown bridge. But there is a marked reluctance in Washington even to talk about an airlift.

There is even more reluctance to deal with East German officials at the check-points on the land routes. The argument in both cases is the same: that either step would amount to a moral defeat, and would weaken the West's legal claim that it has a conqueror's right of access to Berlin by road and rail as well as by air. But the British are said to reply that the West can hardly threaten to go to war, which by the President's testimony last week might well be a nuclear one, over a point of law, as distinct from the actual closing of its supply routes. Rather than this, it is suggested in Washington, it might be better to turn to the United Nations for some kind of guarantee of West Berlin, including perhaps the replacement of part of the allied garrison by a UN force.

There is also disagreement among the Americans themselves on what kind of war, if war comes, it will be. Unlike Mr Eisenhower, who implies that it would be nuclear or nothing, the chiefs of staff of the armed services think that it might be limited to conventional action so long as the Russians used only their allies' troops. To encourage them

to keep their own forces out, there might be a case for at least starting the fight along the Autobahn without the Americans (which means, in effect, with British and West German troops). But Mr Dean Acheson, the former Democratic Secretary of State who has called for reinforcements to be sent to Europe, thinks that even if the two great powers became embroiled they might shrink from using atomic weapons. He seems to envisage a limited war leading to a limited defeat for the West: a bloody nose that might set the North Atlantic Treaty Organisation to improving its defences as thoroughly as it promised in 1949.

For the immediate future, the service commanders agree with the President—against Mr Acheson and a good many other Democrats—that there is no need for large-scale reinforcements or mobilisation. The most they appear to have asked for in their testimony before Senator Johnson's preparedness sub-committee last week was the "filling-out" of the five American divisions in Germany and the calling-up of some reservists. At present the communist and non-communist armies in Germany are fairly evenly balanced. The Nato forces can deal with any action in which the Russians themselves do not take part; and for every couple of extra chessmen the Americans push on to the European board the Russians can reply with twenty. Mr Acheson argues that to send reinforcements to Europe might encourage the Russians to compromise; but it might also increase the chances of their own troops being involved in any fighting that broke out.

In the longer run, however—if there is a longer run—the crisis may have some radical effects on American policy. Two influential Republicans, Senator Saltonstall and Senator Bridges, have already joined quietly in the chorus of Democrats who say that next year's defence Budget is too small and who attack the President for insisting on cuts in the army. And it may go beyond this. It is beginning to dawn upon Washington that the present Nato forces are neither flesh, fowl, nor good red herring. They are too small to deter the Russians without the threat of resorting to a nuclear war. Yet the present commitment to a German contingent and to keeping five American divisions in Germany puts foreign policy-makers into a straitjacket. Two lines of escape from this dilemma are beginning to be examined. If the West survives the Berlin crisis, there is likely to be a renewed demand for the creation of an army in Europe big enough to provide an effective non-nuclear deterrent. Alternatively, the advocates of disengagement may find that this year's events have given new strength to their arguments.

Foreign Aid Without Friends

THE crisis over Berlin has a small silver lining. It ensured a respectful hearing on Monday for Mr Herter, the Acting Secretary of State, when he opened the testimony on the foreign aid programme for the next financial year before the House Foreign Affairs Committee. Without Berlin—and perhaps even with it—foreign aid might fall fatally between two stools. The President's Message, asking for $3.9 billion in new authorisations (about what he asked last year, but $650 million more than he got), contains no new ideas and does not request enough money to please members of Congress who want to give the under-developed countries a big, continuing push toward a higher standard of living. It is even cheese-paring where military assistance is concerned; the President conceded that the $1.6 billion he asked is only enough to prevent serious deterioration in collective defence. In all, the programme will cost less than one per cent of the expected gross national product this year; of this, economic aid represents about a third.

Yet the $3.9 billion total seems to many critics too much to spend abroad when, to balance the Budget, spending on defence is held down and new public works at home, which would absorb unemployment and please the voters, are threatened with a presidential veto. Many Democrats, provoked by being called "big spenders," are threatening to balance the President's Budget for him at the expense of foreign aid. In the House, where economic aid is unpopular, an appropriations subcommittee confirmed the pessimists' worst fears last week by cutting, from $225 million to $100 million, the supplemental appropriation needed for this year by the Development Loan Fund, the one really promising new instrument for stimulating growth in under-developed countries such as India.

The trouble in the Senate is quite another matter. Influential Senators on the Foreign Relations Committee are frosty because they discern the "same old bias" toward military assistance. Senator Fulbright, the chairman, pointed out angrily that the President had not even asked for the loan fund to be put on the long-term basis which is needed if it is to undertake successful development programmes. Senators feel particularly aggrieved because they drew the President's attention last year to the distortion of the economies of under-developed countries in Asia through too much military and too little economic aid. It was tactless of the Draper committee, which the President appointed to look into this complaint, to make its first recommendation one to give the North Atlantic Treaty countries $400 million more in money for weapons. Its final report will emphasise the need for at least $1 billion a year in loans for economic development, compared with the $700 million the President is asking for 1956-1960, and may be more to the Senate's liking.

Working at Unemployment

WITH the February figures confirming that unemployment remains obstinately out of step with the pace of the general recovery, and with the approach of March 31st, when last year's emergency scheme for supplementing unemployment compensation by payments from the federal government is due to end, both political parties have apparently decided that they dare not allow it to do so. If it does end, some 405,000 people who have been out of work for long periods would suddenly stop receiving benefits, while there is a growing awareness that unemployment figures are not just tables of statistics, but a reflection of human misery and often despair. Increasing attention is being paid to the plight of the ageing worker, unable to use skills acquired over a long period of years, and of the recent entrant into the labour market, who is the first to be laid off under seniority rules prevailing in most factories.

To ensure quick action the Democrats have stopped trying to extend the emergency scheme for a whole year, while President Eisenhower has announced that his insistence on a balanced Budget does not necessarily mean that he will

reject a shorter extension. It is expected that he will accept a Bill along the lines of that approved by the House of Representatives this week. This provides for the federal supplements to state unemployment benefits to taper off gradually over a period of three months. This means that those who have begun to receive aid on March 31st will continue to receive it until their rights expire—a maximum period of thirteen weeks. The total cost of the extension is put at $78 million; this will not unbalance the coming Budget, since all benefits will be paid before June 30th.

At the same time the Senate Banking Committee was approving a Bill to help areas where there is chronic long-term unemployment. This would provide loans and grants to encourage industry to move to such areas. The Administration sympathises with the intention, but is only prepared to spend $50 million or so, while the Democratic Bill, as it stands at present, provides nearly $400 million. A similar Bill was vetoed by the President last year.

The third part of the current attempt to alleviate unemployment is an effort to set higher and uniform levels for regular state unemployment benefits. Here again the Administration is sympathetic, but will do no more than urge the states to improve their individual insurance systems, while the Democrats want to establish some sort of federal standards. There was a danger that, if the emergency scheme had been extended for a year, attention might have been distracted from the need for this much more important basic measure; this explains the lack of enthusiasm of labour leaders and many other normally liberal people for the original Democratic proposals. But the immediate remedy for the current lag in employment, according to trade unionists, is to spread the work by establishing a 35-hour week and a 7-hour day.

Rockefeller's Winning Ways

PROGRESSIVE Republicans, who hope that the party's presidential candidate in 1960 will be Mr Rockefeller, the new Governor of New York, are rejoicing because he has emerged triumphant from his first exacting test. Enough members of the Republican majority in the State Legislature have been charmed, convinced or bulldozed to secure the passage of the Governor's bold and unpopular Budget. This involved raising taxes to maintain the services performed by the state without going further into debt. It was a close thing, with only one vote to spare in the Senate and two in the Assembly. But a fortnight ago, faced with united Democratic opposition and a revolt in his own party, a damaging defeat seemed possible at the very outset of Mr Rockefeller's political career. He was publicly booed only a few months after his great victory at the polls.

The Governor's original Budget proposed the spending of $2,041 million, an increase of $240 million over last year's total, and tax increases of $277 million, of which the income tax was to provide $150 million. The Governor has had to make concessions. Spending is to be reduced by $40 million, almost all of which has been used to ease the sharpest pinch, that on the allowances of married couples. But by giving a little ground here, the main aim of the Budget—to make people pay-as-they-go for more of the services they rightly require of the state—has been preserved. This is a triumph of political skill which no one was sure Mr Rockefeller possessed until he flung himself, with zest and good temper, into the job of persuading the legislators that taxes must go up and that it would be better to raise them now rather than in later years when there are important elections. It was left to others to point out how short-sighted it would be of Republicans to embarrass a man who might become the party's presidential candidate.

Mr Rockefeller also has some say over how another $2 billion Budget—that for New York City—is to be balanced. The state must approve new sources of revenue; Mr Wagner, the Democratic Mayor, says he needs another $151 million. The Governor and the Republican leaders in the Legislature have turned down the scheme for a tax on off track betting which Mr Wagner hoped would solve all his problems. They have also rejected taxes on the transfer of shares and on bank cheques which seemed certain to drive business out of the city and the state instead of encouraging new economic growth, which is one of Mr Rockefeller's main aims.

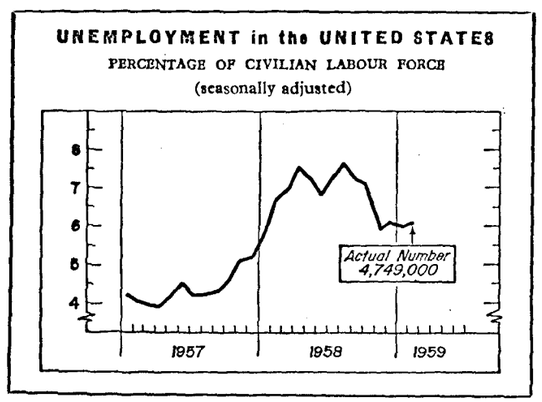
Railways in Clover

FROM A CORRESPONDENT IN LOS ANGELES

THE traveller who crosses America by train these days is struck by a contrast when he makes the inevitable change at Chicago. The train that brought him from the East is drab-looking, the equipment run down, the service indifferent. But the one that carries him westward is brightly painted, comfortably equipped and attractively decorated, and the service is efficient and courteous.

The earnings of a few of the big railways in the East and in the West help to explain the difference. In the past few years, the profits of the big eastern systems have been declining, and in the first six months of 1958 even such giants as the New York Central Railroad and the Pennsylvania Railroad incurred huge deficits although, with additional subsidies for mail and relief under the Transportation Act of 1958, they managed to report small earnings for the year as a whole. To try to bridge the gap between income and expenses, these systems have cut down on repair and maintenance, reduced their labour forces, abandoned services, and otherwise pinched pennies.

The western railways, on the other hand, have continued to report sizeable profits, and some of them, including the Southern Pacific Company and the Atchison, Topeka and Santa Fe Railway (two of the biggest west of Chicago), have earned even more in the recession year of 1958 than



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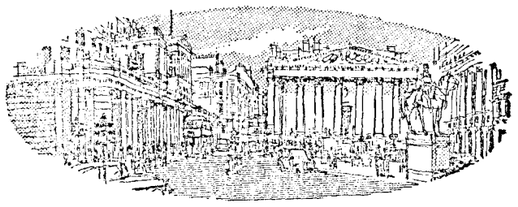
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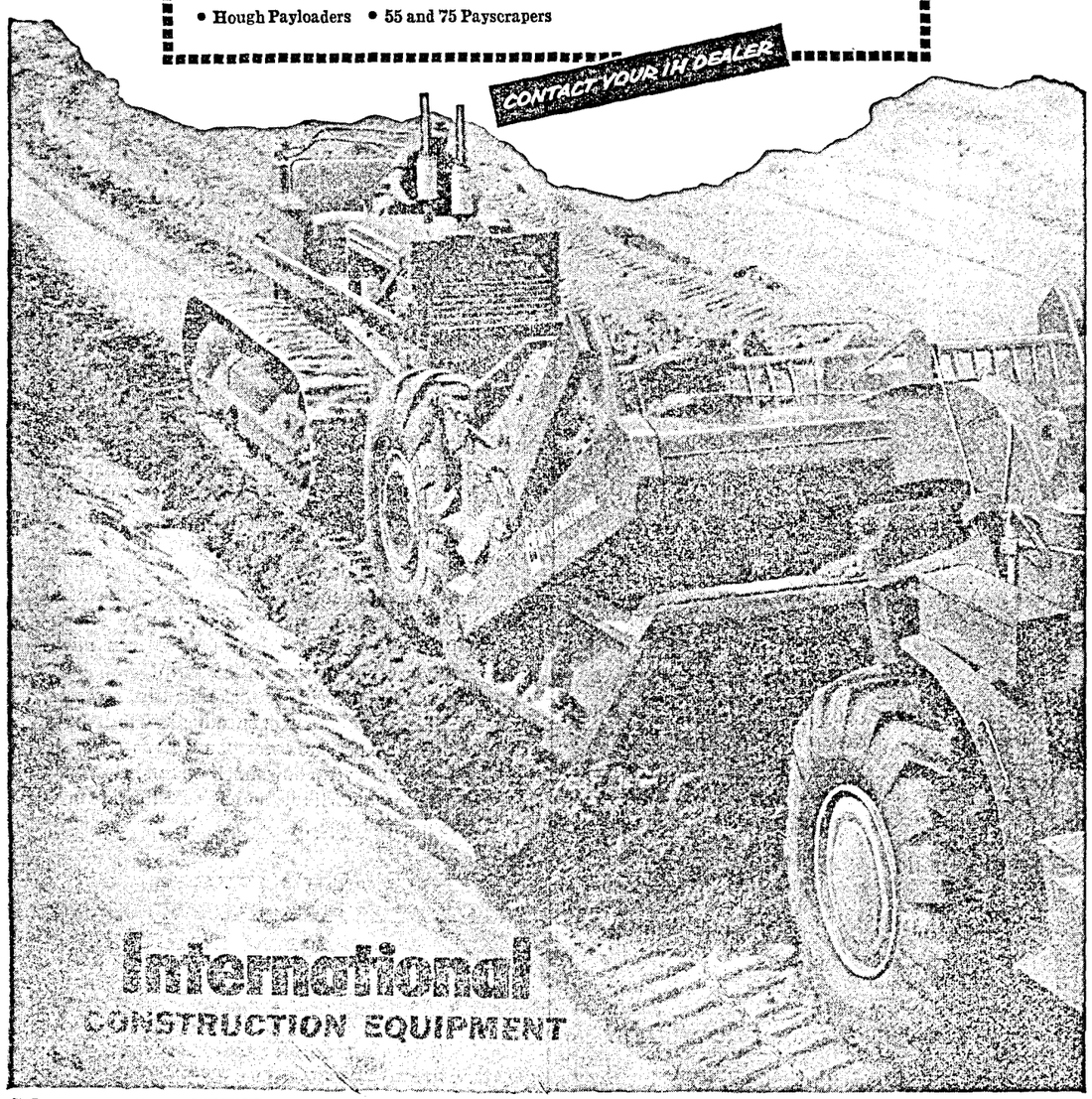
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they did in 1957. The other big western system, the Union Pacific Railroad, did suffer a minute falling off in net income last year—but was still very much in the black. Other smaller railways, such as the Northern Pacific, the Western Pacific, the St Louis & San Francisco, also earned more in 1958 than in 1957.

The happier experience of the western systems is the result of advantages that must make railway executives in the East highly envious. Railways in the West carry relatively few passengers, who are notoriously unprofitable; revenues from this source account for about 6 per cent of the Southern Pacific's total, and around 8 per cent for the Santa Fe, compared with about 20 per cent each for the New York Central and the Pennsylvania. Moreover, the western railways are not burdened with the huge losses sustained by the big lines in the Northeast from carrying commuters in and out of major cities, such as New York, Philadelphia, and Boston.

RAILWAY PROFITS

	1958	1957	1956	1955
		($ millions)		
Eastern Systems:				
New York Central	4·0	8·4	39·1	52·2
Pennsylvania	3·5	19·0	41·5	41·1
New Haven	—4·3	—2·3	0·2	4·2
Western Systems:				
Union Pacific	77·8	78·2	78·5	79·2
Southern Pacific	47·1	46·6	45·4	51·6
Santa Fe	67·2	61·9	70·2	77·5
From Non-railway Sources				
Western Systems:				
Union Pacific	54·3	61·3	61·5	61·5
Southern Pacific	23·9	22·4	24·0	18·8
Santa Fe	13·9	14·3	14·0	13·7

They have also escaped the sharp competition from the *air lines which have deprived the eastern railways of much* of the first-class passenger business on the short hauls between big cities. The passenger business on western lines is heavily concentrated in crack trains, for which premium rates are charged, and which can compete with air travel because of their scenic routes. The railways have enhanced this appeal by the addition of so-called vista-dome cars to their prestige trains, such as the Santa Fe *Super Chief* and the Union Pacific *City of Los Angeles,* which run between Chicago and the west coast.

The western lines are also better off as haulers of goods. In the East, again because of the short distances, competition is strong both from motor and water transport. In the West, because of the long hauls, the terrain of desert and mountain, and the climatic extremes of both winter and summer, the railways are in a much stronger position. In recent years, moreover, they have pioneered in the introduction of so-called "piggyback" service, involving the transfer of motor trailers to railway wagons and back to the road.

Traditionally the western railways have carried the products of farm, mine and forest, on which freight rates have been low. They benefit from the growing population and industrialisation of the West, because an increasing share of their traffic consists of the more lucrative manufactured goods, such as cars, petroleum products, chemicals, tinned and packaged foods. In 1957, one-third of the tonnage but 50 per cent of the revenues of the Southern Pacific came from such goods.

The long distances in the West, the remoteness of many communities, and the lack of capital are also responsible for the operation by the railways of many ancillary services, including those involving competitive forms of transport. The Southern Pacific, for example, runs store-to-door delivery services, and road transport facilities co-ordinated with its railway operations. It owns office buildings, warehouses, land management companies, and a street market in Los Angeles.

The Santa Fe also runs a road haulage company and bus services, and owns office blocks, warehouses, land management companies, and the Los Angeles Union Stockyards. The Union Pacific owns bus lines and hotels, including the winter ski resort of Sun Valley, Idaho. The Northern Pacific, which connects the northern Middle West with Washington, Oregon and northern California, operates lorries, buses and a telephone company. The Southern Pacific and the Union Pacific between them control the Pacific Fruit Express Company, which supplies refrigerated railway wagons for the transport of perishable commodities. All these are sources of revenue not generally available to railways in the East.

As if this were not enough, in recent years the western railways have begun to derive increasing earnings from the development of natural resources on the land which the government gave them to encourage the opening of the West. There has always been some income of this kind. For example, the Union Pacific owns the Union Pacific Coal Company, one of the largest producers west of the Mississippi River, and the Northern Pacific gets profits from timberlands. But the big difference has been made by the discovery of oil.

The Union Pacific, for instance, owns a substantial amount of oil-bearing land next to its goods yards at the Los Angeles and Long Beach harbours, and also in the Rangeley Field, in Colorado. In 1957, the company made a net profit of some $29.1 million from oil and gas; in 1958, the recession in the oil industry presumably contributed to the drop in the company's income from non-railway sources.

The Santa Fe also has an oil and gas affiliate, Chanslor-Western Oil Development Company, which in the past decade has contributed over $6 million a year in dividends to the parent firm. Just in the past few years, the Northern Pacific has joined the "oil railroads," as a result of the discoveries in the Williston Basin of North Dakota and Montana.

The Southern Pacific earns, so far, only a relatively small income from oil royalties and direct production; it came to $3.6 million in 1957. In 1955 the railway launched an 8-year programme of exploration on its extensive holdings of land in the hope of increasing its oil revenues. But three years ago the Southern Pacific made history by becoming the first American railway to enter the business of providing oil pipelines. Facilities have been built along the Southern Pacific's rights of way from El Paso, Texas, and Los Angeles, to Arizona and eastern California and from San Francisco to Reno, Nevada, and adjoining communities. Valuable additional income comes from these operations.

Such developments have sharply increased the non-operating income of the western systems, and have helped to stabilise their total earnings. The income of the Union Pacific which is not derived from railway operations has doubled since 1945. For the Southern Pacific it has nearly trebled. Since, in addition, it is still possible to operate a railway profitably in the West, it is not surprising that the transcontinental passenger fares better west of Chicago, and that railway presidents differ about the seriousness of the industry's maladies and their cure depending upon whether they come from the flourishing West or the care-worn East.

Generating Protection

THE delays in announcing decisions on this year's wool tariff quota and on the plea of the electrical industry for restrictions on imports of heavy equipment may, of course, only be to save the President embarrassment while Mr Macmillan is in Washington. But they suggest that the implications of the decisions are being considered carefully at the White House. It is hoped that the outcome may be some alleviation of the present wool quota's discrimination against Britain and for electrical equipment the substitution of a case by case approach, which in effect prevails at present, for a general ruling against imports. In some ways, however, the latter might be preferred by the British industry; it would then at least know for certain that it was useless to compete.

Meanwhile the American industry is using the delay to attack from every angle, while the case for foreign imports has been put best by the Tennessee Valley Authority, well accustomed to answering criticism, although this is usually of its alleged extravagance. On this occasion it was defending itself for having ordered a huge steam turbo-generator from C. A. Parsons and Company of England. The delivered price will be $12 million compared with nearly $18 million bid by two American firms, a differential which far exceeds both the advantages legally allowed to American suppliers and the cost of higher wage rates in the United States. The TVA invited foreign bids for this project because it was disturbed at the sharp rise in the prices of American generators—over 50 per cent since 1951 compared with an average rise in wholesale prices of 5 per cent. It is this, of course, coupled with the stepped-up efforts of the exporters, which explains why foreign electrical manufacturers have been increasingly successful in breaking into the American market. And their success explains why American manufacturers have been protesting with increasing heat, even though imports, whether of electrical products in general or of heavy equipment, are still infinitesimal compared with either total American output or American exports of such goods.

The plea for restrictions on imports is based on the threat to the national security of being dependent on foreign suppliers; if this plea, almost impossible to justify, is accepted, a flood of similar demands is likely, especially since the new compulsory quotas on oil imports are also officially excused on the same grounds. With unemployment causing so much concern it is certainly difficult for the Administration to resist such demands. But the need to resist and to set a good example to other countries is underlined by the concern being caused by the deficit in the American balance of payments and the fall in American exports. One remedy for this is obviously to press for relaxations of restrictions against American imports, such as Britain has already conceded, now that the world is no longer suffering from an acute shortage of dollars.

Pacific Comet

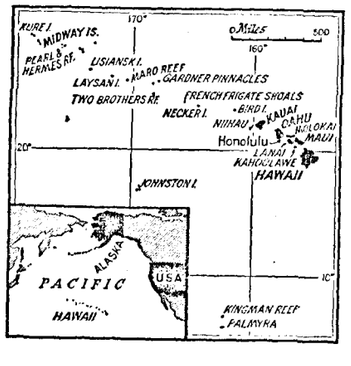
THE fiftieth, and probably the last, star to appear on the American flag is arriving with the speed of the comet which the new state of Hawaii resembles. In the end it took only two days—after forty years of effort—for Congress to approve statehood for the eight inhabited islands, 2,000 miles from the mainland, and the tail of volcanic reefs and atolls which stretches another 1,500 miles across the Pacific ocean. The Midways and one or two other outlying islets, such as Palmyra and Kingman Reef, are not included in the new state.

The President has already signed the Bill, but from now on things will move more slowly: the people of Hawaii must themselves agree to accept statehood—a foregone conclusion—and must approve the boundaries and other provisions in the Act; they must also select candidates for the various new elective offices in a primary election and then vote for two United States Senators, one Representative and a Governor; finally the President must proclaim that Hawaii has officially become a state. All this cannot be accomplished before the end of June, and in fact is not likely to be completed until the late summer. This may comfort the flag makers a little, for they will be able to sell for use on one Fourth of July at least some of the 49-star flags on which they have been working since Alaska was admitted last winter.

When the Hawaiian members of Congress arrive in Washington there will be 100 Senators permanently and 437 Representatives until after the redistribution following the 1960 Census. The western influence in Congress will again be enhanced as it was when the Alaskan members arrived. There is a possibility that one of the new members may be of Asian descent; this would strengthen the international impact of the granting of full equality to Hawaiians, 75 per cent of whom are non-white, a demonstration that the United States is genuinely opposed to racial discrimination.

The main benefit which the Hawaiians themselves are obtaining from statehood is the right to run their own affairs. It is one for which they are fully equipped—well educated, politically-minded, with good newspapers and three television stations, and self-supporting at a high level of living. Unlike under-developed Alaska, Hawaii's new status is imposing neither new demands on the federal government nor new tax burdens on the island's own inhabitants. There are about 600,000 Hawaiians, enough for the available land but not too many, with an annual income of $1,821 a head, higher than in 26 other states.

Sugar production is the island's main source of income, with the pineapple industry a close second. But the tourist trade, based on the perfect tropical climate, the beautiful scenery and vegetation, and the lovely beaches, is coming up fast and seems certain to be stimulated by the speed and cheapness of travel in the jet age. Hawaii's prosperity is also helped by the fact that the islands are at the hub of trans-Pacific communications of all kinds. Industry, particularly in the service trades, is developing in the islands. One thing they lack which Alaska has—mineral wealth—and in one thing they resemble Alaska; the federal government's huge defence installations are an essential element in the economy.



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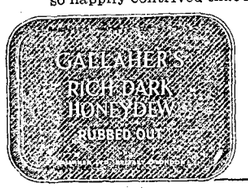


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Museum on Show

FROM A CORRESPONDENT IN BALTIMORE

THOUGH it has wealth and tradition, Baltimore is not renowned for its support of the arts. Its symphony orchestra suffers from recurrent financial crises, its voters have rejected proposals for enlarging its treasury of ancient and medieval art, the Walters Gallery, and a well-known playwright recently called it the worst show town east of the Mississippi. But the thirty-year-old Baltimore Museum of Art flourishes on a small budget and is becoming a powerful force in the community, mainly because it has made art *chic* and museum membership a distinction. Mrs Breeskin, who has directed it for seventeen years, believes that an art gallery must create its audience and carry it along through educational and missionary work.

In the past decade the museum has acquired three new wings and more than $5 million worth of pictures and art objects from benefactors, and has supplemented its income and its paid staff by encouraging people to belong to it and to do voluntary work. Its chief emphasis is on recent and contemporary movements, which has given it the support of the younger and more progressive Baltimoreans, though its collections cover most periods and cater to other tastes. Financially the museum is in a far weaker position than museums in other American cities of comparable size. The municipality gives it $220,000 a year, which pays for salaries and maintenance. From other sources it receives $107,000 ; $44,000 of this comes in the form of dues from 4,200 members , who pay from $1,000 a year for corporate members to $5 a year for associates. Benefits vary according to the type of membership, but generally include free copies of publications, cheap tickets to museum events, invitations to the museum's annual ball and to the twice-monthly members' evenings, the use of a members' room supplied with art periodicals, the right to call on the staff for professional advice, and so on. Members also attend, for a small fee, the "museum mornings," a series of weekly lectures with an attendance of about 275.

The museum puts on an average of one exhibition a week ; this imposes a heavy burden on the staff of four curators, one of whom is also the director, and one of whom is occupied by the educational programme. Most of the remaining 48 employees are guards, caretakers and secretaries, though Mrs Breeskin attributes the smooth handling of the many exhibitions to the work of a designer and a small but efficient staff, who lay out the displays. Part-time teachers are engaged for the self-sustaining art classes.

Perhaps the most forceful volunteer help comes from the Women's Committee, whose 32 members find their position anything but a sinecure, and who are chosen without regard to Baltimore's rather rigid social structure. The committee organises the annual ball, held in the museum itself, which is the city's liveliest social function and brings in new members. The women also run the dramatic evenings, generally of ballet, held in the museum's pleasant little theatre, and the profitable gallery where modern pictures are available for rent or for sale at prices which younger collectors can afford. The committee is also responsible for the programmes for young people ; a hundred or so meet twice a month and for a nominal subscription of $1 a year enjoy lectures, demonstrations and refreshments, while becoming interested enough (the committee hopes) to be potential future members. Another activity which began at the museum and has now spread out into the schools is the Young Musicians' Series, privately organised and financed to bring children first-class chamber music.

On another level, the museum is grateful to a committee of artists representing most local groups, which takes upon itself the invidious task of choosing the pictures for the annual regional art exhibition, and of picking out three local artists who are given one-man shows each year. Other committees concern themselves with the museum's finances and its architecture, and most of the many corporate members were enlisted by a group of male volunteers.

The museum reaches out into the community in other ways. It offers special memberships for art teachers, and shows their pupils' work from time to time. It collaborates with the art department of Johns Hopkins University, which it adjoins. It gives houseroom to a potters' guild and other craft groups, and cheerfully welcomes displays of commercial art, modern furniture, first-class photography or spring daffodils. At Christmas it is taken over by the garden clubs for a show of wreaths and decorations, with suitable music ; in summer its pretty rose garden may ring with Beethoven quartets or ultra-modern jazz. This catholic approach to art, serious and selective but neither grim nor academic, has its critics among conservative Baltimoreans but, whatever their feelings about their museum, they have quite fallen out of the habit of ignoring it.

Strategic Bargain

FROM A CORRESPONDENT IN COLORADO

FOR over seven years, from 1951, soon after the Korean outbreak, until mid-1958, the federal government in effect "grubstaked" owners of promising deposits of strategic minerals. Development loans under the Defence Minerals Exploration Act were designed to encourage the exploitation of such deposits in order to increase supplies of minerals which were needed for military purposes. Loans were to be repaid without interest, in the form of royalties of 1.5 to 5 per cent on the value of minerals sold. The Attorney General, Mr Rogers, has now reported that this was one of the best investments ever made by the United States. New deposits of ore proved under the programme are worth an estimated $494 million ; the owners have already taken out $51 million worth of these ores, and the government has already been repaid $2,500,000 out of the $21 million it actually advanced. Mr Rogers has said that most of the rest will be repaid, too ; and that in any event "the deposits (found) represent a vast stockpile in the ground available in case of defence or civilian needs."

About two-thirds of the money went to develop deposits of copper, lead, zinc, tungsten, and uranium. There were nearly 4,000 applications, of which 1,169 were actually approved although about half were later cancelled without actual mining having taken place. Most of the developed mines are in the West. The government spent about $8 million in administration and inspecting properties on which a loan was asked so the total cost approaches $30 million—still a bargain, says Mr Rogers. The 85th Congress passed a successor Act in August, 1958. This provides for similar loans, but they must be repaid with interest, are limited to $250,000 for any one mining development, and the owner must have been unable to enlist private capital as well.

THE WORLD OVERSEAS

Central Africa's Troubles

FROM OUR CORRESPONDENT IN SOUTHERN RHODESIA

Wednesday

AMID the gloom overhanging Central Africa two glimmers of hope shone this week. First was the fact that as almost the last act in his term as governor of Northern Rhodesia, Sir Arthur Benson, without having declared a state of emergency, was steering Northern Rhodesia up to polling day on March 20th in the first general election in Central Africa where the African vote is playing a significant part. And the second was the remarkable response which Salisbury Africans in their thousands gave Mr Garfield Todd when the former Southern Rhodesian premier tore the Southern Rhodesian government's Unlawful Organisations Bill to shreds—but went on to paint a bright picture of the Federation's potential future.

Nevertheless, gloom lay heavily on all three territories. In Nyasaland the toll of deaths declined, curfews were relaxed slightly and the Zulu-descended Chief Angoni advised the tribesmen to co-operate with the government. But no government, British or Rhodesian, gave any sign of an imaginative and positive statement about the protectorate's future calculated to dissuade Africans from entering a prolonged state of sullenness towards authority which could do more lasting harm than brief violence. The minister of state for the colonies, Lord Perth, moved through Nyasaland and Northern Rhodesia almost, it seemed, in carpet slippers; after the noisy progress of his parliamentary predecessor, Mr Stonehouse, on his fact finding mission, Lord Perth was determined to give any dogs that remained sleeping the chance to lie. Advocates of the plan for a British parliamentary commission to tour Nyasaland have lost ground here; local journals have attacked the scheme because they suspect British members of parliament of the base motive of suggesting the trip merely to gather more ammunition for election speeches. And while the officials delay in announcing the new Nyasaland constitution, Mr Wellington Chirwa, the last Nyasaland African of any stature left undetained, has affirmed that the terms he would accept are identical with those of Dr Banda: an overwhelming African majority in the legislative council and consequent secession from the Federation. So the hopes of those who thought they could put Dr Banda out of their minds and negotiate more happily with Mr Chirwa appear to be smashed.

In Northern Rhodesia, one step ahead in having a new constitution, doubt persisted until this week whether it would be allowed to work. Would the 7,617 Africans who had registered as voters after the imaginative sales campaign by the government go in the end to the polls? Looking on this 25 per cent of the electorate as the most important part in terms of significant constitutional advance, Sir Arthur Benson gave them cottonwool treatment; as soon as the extremists of the break-away Zambia African National Congress showed signs of physically carrying out their threats to stop African voters from polling, he arrested the Zambia leaders under normal powers. He has not copied the treatment given to the 750 Congress leaders arrested in Nyasaland and Southern Rhodesia; the Zambia detainees have merely been moved to areas away from their homes with orders to report to the police once a week. But a bigger threat to the working of the governor's constitution has been made by the United Federal party, with Sir Roy Welensky's full backing (and backing is hardly the word since the Federal prime minister has been well to the fore in this manœuvre). His party's objective is to win sixteen of the twenty seats contested so that it could dominate the thirty-strong legislative council which now contains only six official members. If they win only fourteen elected seats, their announced intention is to force the governor to accept their choices for two nominated seats, under the threat that otherwise they will use their large holding to make the constitution unworkable. This manœuvre is the culminating move in a long war between Sir Roy Welensky and the Colonial Office. If Sir Roy wins, the British Government will lose some of its powers in Northern Rhodesia before the tables are even set out for the 1960 constitutional talks.

Sir Roy Welensky himself, conducting a typically fighting campaign and striking out at Ghana, Mr Todd and the "poison gas" of Mr Fenner Brockway, looked to his hoped-for sixteen-member majority and added ominously in a speech at Lusaka that "it would be a very brave governor who would overrule them. He would soon be looking for another job." Growing pressure among United Federal party spokesmen for federalising the police force—a move which would be anathema to the African population—points to a major clash between the British and the Federal governments, and it is a clash which Sir Roy's provocative words and his party's attitude to the Northern Rhodesian constitution can only hasten.

But perhaps it is in Southern Rhodesia that the gloom lies most thickly. The Unlawful Organisations Bill which seeks to outlaw permanently the four African Congresses in central Africa has come under a mighty fusillade from the most dignified sentries of liberty: the Anglican archbishop has called it an "echo of the Hitler regime"; the Salisbury bar has attacked it on nine legal grounds as "an encroachment upon the right of free association"; and Mr Garfield Todd has said it will bring Southern Rhodesia into contempt with other Commonwealth members. Nevertheless, while they have extracted some changes, members of parliament seem determined to press through a bill which empowers police to search without warrant and arrest without evidence; a bill, moreover, whose validity is not to be tested in a court of law and which empowers magistrates to pass five-year prison sentences. Another bill to discipline Africans in the reserves is in prospect. Sir Edgar Whitehead declared in justification that existing public order and native affairs legislation was inadequate to deal with congress agitation and that "had we waited another three months, trying to enforce old laws and taking no action beyond those laws, we would have had civil disobedience, probably ending in riot here." Legal critics suggest that any inadequacy lay in the skill of the prosecutors, not in the laws.

Another detention bill introduced this week, which Sir Edgar has indicated he may use to keep 250 Congress detainees imprisoned for up to five years without trial, will obscure vital questions which could only come out in a court trial of the Congress leaders: how far advanced was Congress (to quote the fearsome preamble to the Unlawful Organisations Bill) in its "malicious and wicked campaign for usurping the functions of government"? And was a declaration of emergency in consequence necessary and justified?

Preoccupied with all this repressive legislation, Southern Rhodesian members of parliament have had little time to suggest positive measures to heal the deep racial wounds inflicted by the present troubles. They have made passing reference to new industrial conciliation and apprentices bills which will help to advance the Africans through multi-racial unions and better technical training; but they have shown no realisation that all races, jolted out of complacency or apathy, were fleetingly in a mood to accept new ideas.

THIS is the probable explanation of Mr Todd's remarkable triumph on Monday. He had seen what can almost be called the hunger of the Africans of Southern Rhodesia for urgent and constructive thought and the sudden acceptance of this among many ordinary Europeans. While Sir Roy Welensky was speaking without much more than his usual urgency about the need to remove social "pinpricks," Mr Todd called for a "massive and immediate" ending of the colour bar in the government sphere. While three government members failed to get a hearing from the hostile crowd in a Salisbury African township, 6,000 Africans came a dozen miles to hear Mr Todd speak and applauded him continually.

What he said to them was hardly new by objective analysis. He confessed that he had not done enough when he was premier; he said he loved the country and trusted its Africans and that it had such a rich potential that no European need ever fear African economic competition. Rolling up his sleeves and leaving the microphones far behind him, he said that the country must plan advances in days, not months. He gave out confidence by almost echoing Franklin Roosevelt's words: "There's nothing to fear but fear itself." He inspired trust, paradoxically, because he confessed to selfish motives, that he wanted to save all the possibilities of Rhodesia and he saw that this could only be done by implementing partnership without delay.

Franklin Roosevelt was already president when he spoke of the spectre of fear. Mr Todd is the leader of a party without parliamentary representation. Whether his United Rhodesia party can next month be given greatly renewed life in Southern Rhodesia by being absorbed into the new Central Africa party; whether Sir John Moffat, the Northern Rhodesian leader of the Central Africa party, can get elected to the legislative council and gather about him a large enough voting block to influence territorial politics; whether they, together, can inspire Sir Roy Welensky and Sir Edgar Whitehead with some of their urgency for drastic reform; these are three questions upon which the future of the Federation may now chiefly depend.

France Swings Back

FROM OUR PARIS CORRESPONDENT

LOCAL elections usually arouse only local interest. The French municipal elections, held over the last two Sundays, were an exception to this rule. They provided the first nation-wide test of public opinion since that strange autumn of last year when Frenchmen overwhelmingly endorsed General de Gaulle's return to power and supplied him with a neo-gaullist Assembly. The test is not only the first; it is also the last for a very long time to come.

The spell is over. The results can now be interpreted in purely rational terms. This time Frenchmen did not go to the polls under the shadow of civil war. And the stronger their former hopes, the bigger their disappointment now. Six months after the referendum, four months after the general election, many people seem to have discovered that the new regime has no magic panaceas; the Algerian war goes on and it now has to be paid for, as the budget last Christmas caused them painfully to realise. The outcome was easily predictable: the neo-Gaullist UNR, which last year benefited from the desire for a change, has suffered a setback; the Communists have staged a spectacular recovery. The tide has begun to turn.

Comparisons between votes are difficult. Municipal elections are held throughout the country. Under the previous electoral law the majority system with two ballots (the winning list getting all the seats on the council) applied only in villages and towns of less than 9,000 inhabitants. Largely in order to get rid of communist councillors, the majority system has now been extended to all the towns with a population of up to 120,000 people. Naturally, the smaller the place the greater is the influence on the result of parish pump politics and the personality of the mayor. But in bigger towns, and particularly in the thirteen largest cities where proportional representation did apply, the vote had a more general political character. Detailed comparisons are thus ruled out by the change in the voting system and the confusion of labels and coalitions in the second round. Yet the general trend can be discerned.

THE UNR is the main victim of the changing mood. Its setback is uneven; it is less pronounced in Paris than in the provinces. The fact that the party is a new one without strong local traditions cannot explain the phenomenon. When the Gaullist Rally was created, it scored a tremendous success in the municipal elections of 1947 and became, for a while, the biggest party in France. Last year the gaullist wave was of similar proportions. Now the come-down is particularly striking for the men who played an active part in the change of regime last May. M. Soustelle has had to give up his hope of succeeding M. Herriot as mayor in Lyons. M. Neuwirth and Colonel "Leatherneck" Thomazo, both of Algerian fame, were deserted by the bulk of their electors in Saint Etienne and Bayonne respectively.

Older parties, like the conservative Independents or even the MRP, reaped some advantage from the gaullist losses. The Socialists fared well in some of their strongholds, like Lille and Marseilles. Elsewhere they have in many cases profited from second round coalitions. It has even been suggested that the Socialist party has inherited the Radicals' chameleon-like skill in contracting alliances on both left and right (with only two councillors out of 37, the Socialists

have managed to wrest from the Communists the post of mayor of Le Havre). But, on balance, the Socialist party is rather on the losing side. It is the Communists who have come out best in this poll.

The non-communist opposition was too weak and wavering to capture the mood of discontent; the Communists may rightly claim that they are the strongest anti-gaullist party. They will now have fewer local councillors in the country as a whole. Where proportional representation has been abandoned, they have often been driven out of the council by a "national" coalition. But in some places they have managed to get the majority vote and all the seats. What is more important, they have recovered their old voting strength. The red belt of Paris is redder than ever. In most places the Communists obtained as many votes as in 1953 (the date of the last municipal election) and in some even more. Last year's partial eclipse is over. On this showing, at any rate, one Frenchman in four would again vote communist at a general election.

M. Thorez can draw yet another comforting conclusion: the Communists are coming out of isolation. Popular discontent and the electoral system have, in some instances, pushed the Socialists into their arms. There were about fifty "popular front" alliances between Communists, Socialists, small left-wing groups and, occasionally, Radicals. In most cases, the coalition polled roughly as many votes in the second ballot as its component parts had done in the first. Even in the northern towns of Tourcoing and Douai, which were the exception to this rule, the loss was not very heavy. Many popular front alliances failed because they provoked the defence mechanism of the Right and drove many conservative abstainers to the polls. The significant fact remains that, despite the warnings of M. Mollet (himself elected mayor of Arras by Catholic votes), the bulk of socialist voters did not hesitate to mix their ballots with the Communists wherever a common list was presented. Nine months of gaullist rule have achieved more than years of communist efforts.

THE immediate political impact of the changed mood will be small. The constitution makers of last year insured against swings of the pendulum. The president has wide powers. There may be no fresh popular vote for years; the creation of "substitutes" for deputies drastically reduces the scope for by-elections. The new local councillors will be called next month to elect the Senate. The extension of majority voting will prevent the new Senate from being too tilted to the left. It may be less "gaullist" than the Assembly, but it will not be a real counterpoise. And in any case parliament has now much less importance.

One paradoxical result of the municipal elections will be to strengthen still further the general's control over the neo-gaullist deputies of the lower chamber. The UNR must now be even more frightened of a dissolution which would force it to face the verdict of the people. On the other hand, the ruling circles cannot remain unaffected by such unmistakable signs of the changing political temperature (a recent opinion poll shows that only 55 per cent of the people still have confidence in the government). There may be pressure on the general to introduce some more popular measures. But the tests will no longer be electoral or parliamentary. It will be necessary to watch the factories and trade unions carefully to see whether the Fifth Republic is not slowly heading for a clash with a popular front.

Cyprus Settles Down

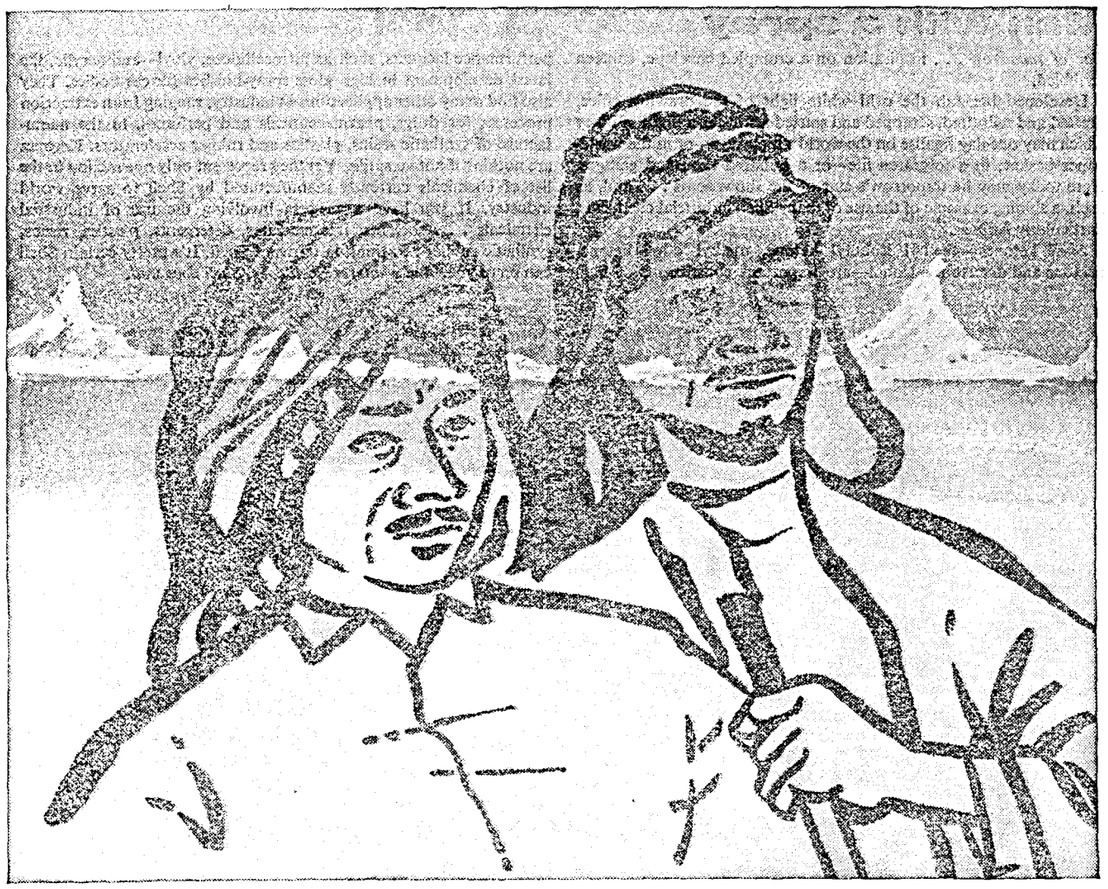
FROM OUR CORRESPONDENT IN NICOSIA

IF anyone had any lingering doubts whether Eoka was a popular and patriotic movement these must surely have been dispelled after the public acclamation, indeed the near-apotheosis, of Colonel Grivas, even amongst moderate Greeks who secretly deplored the savage excesses of Eoka. Amid the constant invocation of the glories of 1821 during recent days there has been an extraordinary self-deception and a remarkable capacity to call black white which suggests that some Cypriots could yet be most malleable material for trained communist propagandists.

And the trouble about 1821 and all that is that so many Cypriot nationalists seem still to live and think ideologically in terms of that era. Thus, for example, Grivas himself has announced that the Cyprus Communist party "is isolated. Youth have turned their back on it and many old members have abandoned it." This utterance almost coincided with the disclosure by one of the island's leading Communists that the underground membership of Akel (the Communist party) had reached nearly 7,000—the highest since 1946. (The figure may not be exact but there is no reason to believe it has been deliberately falsified.) Undercover membership appreciably increased at those times when the leftwing was the special victim of Eoka savagery. Ironically, perhaps, no one has done more to produce a situation which will breed communism than the right-wing Grivas.

BUT now that he has vanished from the scene the dust is beginning to settle, and Cypriots are facing the task of carrying out in ten months, in collaboration with the British administration, constitutional changes which in other colonies have taken years or even decades. They do so with a deep inner uneasiness that the often blame-worthy British will soon no longer be there to blame. Yet on the credit side there is much to be grateful for. Already the emergency is virtually at an end; Eoka has been practically disbanded and most of its arms surrendered; Grivas has left the island without disturbance, proclaiming his allegiance to Archbishop Makarios; the archbishop himself has matured in statesmanship and his supremacy over the pro-enosis faction is complete; a transitional committee has already got into its stride, meeting twice a week; and before the month is out a council of ministers will meet. It is an impressive record of political and administrative achievement for which the Governor himself, and also Archbishop Makarios and Dr Kutchuk, deserve much credit. But at the same time there is a slightly honeymoonish flavour about it all and only a fool would disregard the dangers which lie ahead. There are still three latent sources of conflict: Greeks and Turks might get at loggerheads again, the Right and the Left could clash, and the Greek nationalists might fall out amongst themselves.

On balance, the Greeks are probably ahead of the Turks in their thinking about the new situation, but then the line that "we can get on with the Turks if only the British won't interfere" has always been a facile Greek argument. Meanwhile the Turks are doggedly sticking to the concept of separation in all things, and though partition as a constitutional formula has been renounced, the idea of partition is an unconscionable time dying. Thus the Turks are still bent on a policy of economic apartheid bolstered by aid



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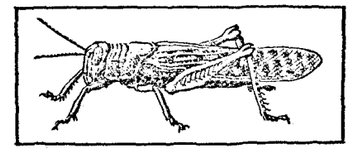
From time immemorial, the desert locust (*Schistocerca gregaria* FORSK.) has scourged, year by year, a vast sweep of Africa and Asia. Through bitter centuries, men of many tongues have watched helplessly and without hope as the greenness was stripped from the earth.

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from Ankara; while a local trade boycott of Greek merchants is still tightly in force. Further disturbing signs of *Turkish separatism* may appear in the work of the committee which is to work out the new constitution in detail. The London agreement is vague or incomplete in many respects, and this plainly may lead to at best hard bargaining and at worst acrimonious controversy. It is a reasonable assumption that the Turks will be extremely legalistic in claiming their minority rights.

The direct danger from the Left is still not an immediate one, but in the long term the Right-Left conflict will be the biggest issue in the island. For the present, the left wing is still content to support Archbishop Makarios in the interests of unity—and the archbishop for his part is obviously not prepared to cross swords with them. Whatever he may think about them privately he has almost gone out of his way not to ruffle their susceptibilities. The first issue between them may arise in the coming week over the appointment of ministers to the new ministerial council. Will, for example, Archbishop Makarios select Mr Zhiartides as minister of labour, as many non-communists have advocated? A lot might depend on this decision.

A more serious possibility, however, is that the Greek right wing may spilt into factions, now that the bogey of British rule is almost removed. Already there are all the ominous signs of lobbying for office and manœuvring for position. By the end of March, when the names of the first ministers are announced, Archbishop Makarios will have made quite a lot of enemies. These incipient right-wing rivalries could play beautifully into the hands of the Communists. "We are not ambitious just now about portfolios, but we shall watch the right wing squabble amongst themselves over the fruits of office—and then step in," was the frank confession of one leading member of the communist hierarchy in the island.

On all sides today, from the Governor to Grivas, there are insistent calls to maintain the spirit of the "Zurich miracle." If the same spirit of good will is maintained Cyprus can yet have a golden future; if not, it is hard to see how the new republic can avoid serious trouble.

The German Presidency

FROM OUR BONN CORRESPONDENT

WHEN the postwar occupation of Germany began, most people assumed that it would take some time for an adequate number of political leaders to emerge in Germany. The political and racial emigration of the thirties, and the prodigious losses of the war—some 5,750,000 dead and over two million missing—were convincing enough explanations. At the same time it was conjectured that many potential leaders were still trying to find their political bearings in the post-Nazi world, and that some, with fewer scruples, were simply waiting to identify the band waggon.

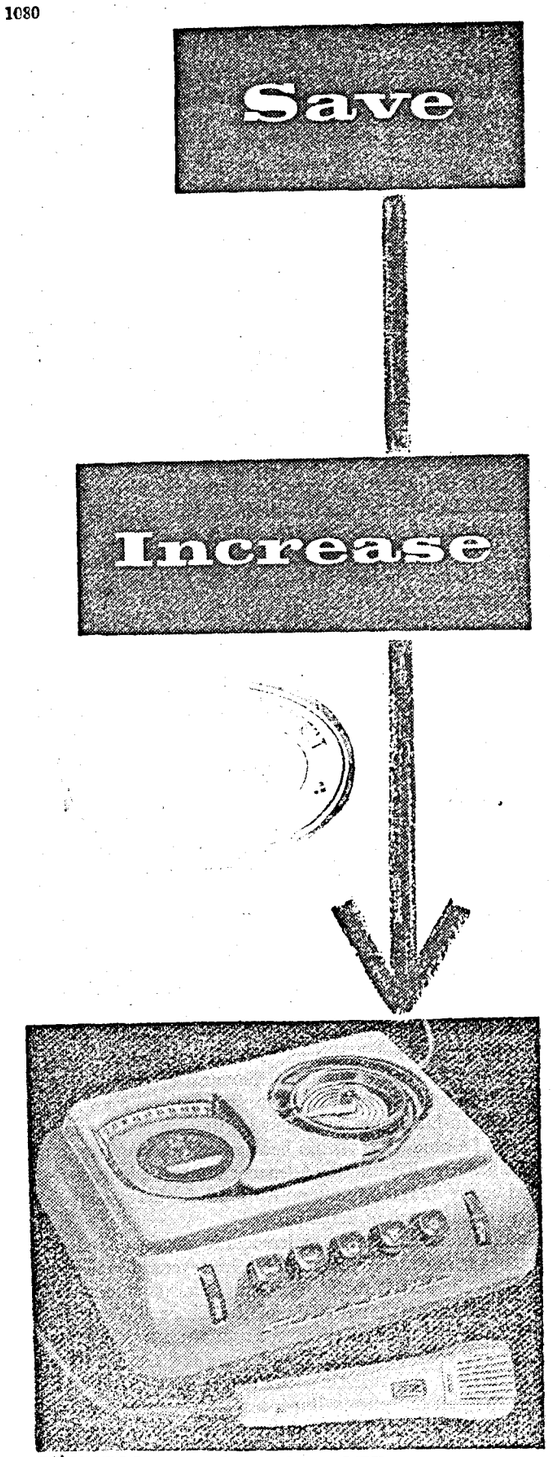
Occupation has since evolved into alliance. The Federal and the Democratic republics have come into being. Yet for ten years or more the German political establishments have been manned largely by the same persons, and few promising newcomers have caught the public eye. Herr Ulbricht, it used to be put about until quite recently, would retire from the eastern scene as soon as Dr Adenauer made a like move in the west. But such a simultaneous *exeunt* no longer seems likely. Nor, for that matter, is there any immediate prospect of even one of these untiring protagonists vanishing into the wings.

Undoubtedly, it is in western Germany that the dearth of leaders of quality is the more acutely felt. In the authoritarian east German state, enough of the kind of functionaries required to keep things running are either at hand or being systematically schooled. In democratic western Germany, where civic standards are set higher, the pool of reserve leaders, which ought by now to be numerously and variously stocked, is very poorly populated. And this at a moment when the Federal Republic, obviously about to undergo a *period of intensifying strain,* is especially in need of men of fresh vision and new ideas.

Just how short western Germany is of leaders of undisputed stature is to be seen in the fumblings after a successor to Professor Theodor Heuss, the first president of the Federal Republic. By general consent, President Heuss has set an exemplary precedent. His second five-year term of office ends in September. He and most of the persons who have a say in the matter have rejected a proposal, which at one time Dr Adenauer supported, that the constitution should be so amended that the president might be elected for a third term. As Professor Heuss himself has pointed out, tampering with the constitution to meet the needs of the moment is not the way to promote the healthy growth of democracy.

WHILE Dr Adenauer, in his characteristically complacent, almost contemptuous, manner went on to reckon that he could present as a presidential candidate the *worthy but unimpressive leader of his party in the Bundestag,* Dr Heinrich Krone, the Social Democrats proclaimed their intention of putting up a really first-class and popular man, Professor Carlo Schmid. The Christian Democrats did not hide their consternation. Dr Adenauer promptly dropped Dr Krone, and tried to push the redoubtable Dr Erhard into the breach. But, backed by a large part of industry and much of the Christian Democratic Union, who want him to continue his good work as minister of economics and be at hand to succeed the Chancellor when the time comes, Dr Erhard declined the proffered honour. So has Herr Kai-Uwe von Hassel, the young chief minister of Schleswig-Holstein, who has not yet made much of a name for himself elsewhere in the country. So has Dr Eugen Gerstenmaier, the president of the Bundestag. In face of these setbacks, and some others, the Christian Democrats have now set up a special committee to find a candidate. It has been asked to report as soon as possible after Easter. Dr Adenauer wants the issue to be settled before he leaves Bonn on April 9th for his customary spring holiday south of the Alps.

To all who would like to see democratic practices developing stronger roots in Germany, there are several disquieting aspects of the search for a president. First and foremost is the disclosure it has brought of the Chancellor's determination to present himself in 1961, at the age of 85, for another five years of office. As all but a few Germans are ready to admit, Dr Adenauer has served his country well during the past ten years. But it has long been urged that he should be preparing to hand over to somebody else, not only in order to introduce some new thinking into the quest for solutions to the German problem, but also to lessen the administrative dislocation that might well follow his long and egocentric innings.



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Another highly discouraging feature of the search is the extent it has revealed of party and confessional intolerance. Since suitable candidates are so scarce, it would have been heartening if the Christian Democrats had had the grace not only to recognise, as most of them do, that Professor Carlo Schmid would make an excellent president, but also to let him stand unopposed. How impressive at home and abroad such unanimity would have been at this moment, and how timely a stay to socialist prestige. But no: a Christian Democrat must be found at all costs, and he must be chosen in accordance with the rules of confessional arithmetic, which unalterably ordain that a Catholic chancellor shall be matched by a Protestant president, or vice versa. It is an unedifying spectacle.

Birthday in Bourguibaland

FROM A CORRESPONDENT LATELY IN TUNIS

INDEPENDENT Tunisia was three years old on March 20th. At the " Victory Congress " of the Neo-Destour party, held a fortnight ago at Sousse to celebrate its twenty-fifth anniversary, President Habib Bourguiba made a three and a half hour progress report to the nation and was given a mandate to carry on as unchallenged leader of Tunisia. The measure of his present confidence is that he felt strong enough to speak bluntly to both France and Egypt and, more obscurely but not less firmly, to the Algerian National Liberation Front (FLN). The accepted London idea of Mr Bourguiba as the prisoner of these conflicting forces needs looking at afresh in the light of the Sousse congress. He emerges not only as the most securely established head of state in the Arab world, but also as a nimble statesman who is managing to play a hand of considerable strength from positions of weakness.

He appears to have convinced most of the powers with diplomatic missions in Tunis, including Britain and the United States, of his value as a potential point of stability in a chaotic Arab world. This he has done by his readiness to stand up to President Nasser, work for a Franco-Algerian settlement, and deter the FLN from becoming over-dependent on Cairo or the Soviet block or from attempting to extend the war to the whole of the Maghreb. The Sousse congress must have removed any doubts in the outside world about his popular backing in his own country and the genuineness of his contempt for the threats of Cairo Radio. His audience of local Neo-Destour delegates were helpless with merriment when he mimicked the Voice of the Arabs accusing him, Bourguiba, of being an imperialist tool and declaring that he had no support among the people. His power of ridicule is devastating, for instance, when he mimes the Arab League politicians cringing under President Nasser's crude efforts to boss the entire Arab world, or when he revels in Nasser's present difficulties in Iraq. Only Charlie Chaplin at his greatest could match him for sheer technique in this *genre*.

The Sousse speech came at a tricky moment in Tunisian relations with France and the FLN. The discovery of the phone-tapping network in the dovecote of the French Embassy and the recent case of hot pursuit by a French aircraft across the border were not, as might be imagined, the chief causes of embarrassment. President Bourguiba, as he explained in the long recital of his struggle, uses such incidents to wrest further advantages from the French. With the FLN operating from Tunisian territory, incidents are common enough for him to ignore or exploit them as he chooses, timing his demonstrations to achieve maximum effect. Sakiet, one almost felt, had been a cheap price to pay for the withdrawal of French troops.

The real embarrassment on this occasion was the miscarriage of some renewed attempt to set discussions going between Paris and the FLN. Persistent rumour had it that the Algerian " government " was going to transfer its headquarters from Cairo to Tunis during the Sousse congress, and that this would coincide with soundings for negotiations, with President Bourguiba in the role of middleman. The Algerians, in the event, stayed in Cairo. President de Gaulle was ostentatiously otherwise engaged in friendly exchanges with the King of Morocco. As a result, Mr Bourguiba was broodingly pessimistic about the Algerian war and publicly voiced doubts whether General de Gaulle is still master of his Algerian policies.

This pessimism was doubtless genuine, but almost certainly merely tactical. Mr Bourguiba, who, by his own confession, has erected empiricism into a system, is quite resilient enough to seize any new chance to mediate in Algeria if it looks like paying a dividend. Meanwhile he is reinsuring against a long war by increasing his own army from around 12,000 to 20,000 men—which is clearly meant, but not proclaimed, to be a deterrent to the FLN. Little-publicised incidents between Algerians and Tunisians also occur. When necessary, Mr Bourguiba takes firm action, to make it clear that, however much his sympathies are with the Algerians, he intends to remain master in his own house.

On the home front, the " Victory Congress " tightened up the already remarkably efficient party machine. President Bourguiba defends this step on the ground that, given the size of Tunisia and the state of continuing emergency which faces it internationally, only a very disciplined and united country can hope to defend its independence. His critics retort that he is so completely in control that he could easily afford a loyal opposition and a freer press. Their other reproach is that Mr Bourguiba fails to grapple seriously with economic and budgetary problems. It is true that he glossed over these majestically in his speech to the party, probably in the belief that aid and trade are the logical reward for his courageously pro-western policy, and that, in a country the size of Tunisia, a little aid goes a long way.

What President Bourguiba seems to be doing, with

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prudent calculation, is to replace Tunisia's dependence on France, economically and politically, by a wider partnership with selected countries of the free world. "Trust Bourguiba; he knows best" may not sound a very democratic domestic programme to sensitive western ears. But to the average Tunisian, in his third year of independence, it still probably sounds good enough to be jogging along with.

Russian Diplomats Return to Canberra

FROM OUR CORRESPONDENT IN AUSTRALIA

Moscow radio says that Australia made the first move to persuade the Russians to send back their diplomatic mission to Canberra. Perhaps that statement is intended to restore some of the face lost in 1954 when Vladimir Petrov sought asylum (and £A5,000) by defecting from his embassy, and when his wife was saved by an Australian air hostess and some Darwin police from two Russian plug-uglies who were escorting her to Moscow. Canberra, on the other hand, is under the impression that Mr Firubin, the Soviet deputy foreign minister, made the first pass in the recent exchanges. He came as a delegate to the meeting of the United Nations Economic Commission for Asia and the Far East—which a need for hundreds of hotel beds of uniform standard had driven to Broadbeach, Queensland. But he found it necessary first to fly to Canberra, a thousand miles out of his way, to say hello to the prime minister. In any case, this was not the first time the subject had been mentioned. Australian and Russian representatives have met at international conferences before; and in 1956, when a large Russian contingent came to the Olympic Games in Melbourne, discussions became quite serious. But the Hungarian revolt put an end to that rapprochement.

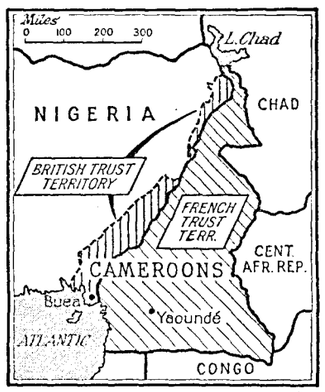
The important question is not who made the first move, but who stands to gain more from the return of missions. Though Australia treated the Russian withdrawal with bland unconcern, it would seem to have a small something to gain from the new agreement. The first possibility is an increase in trade. This was not discussed by Mr Casey and Mr Firubin, but they did agree that expert talks should be held later this year. It would be rash, however, to expect much to come of these. For one thing, though the presence of Russian buyers at Australian wool sales may give a slight boost to prices, the Russians have presumably been getting all the wool they needed through intermediaries. The other reservation is that Australian trade is sewn up in trade agreements and import licensing, and it is difficult to see where the Russians would get the reciprocity that they would expect if they were to buy more from Australia.

A second possible advantage to Australia from a resumption of full diplomatic relations is the opportunity for direct talks about Antarctica. The Russians established a base in Australian Antarctic territory during the International Geophysical Year, all in the interests of science of course. Now they show no intention of going and see no reason to do so, since they do not recognise Australia's claim to the territory and, what is more, know that the United States does not recognise it either. Whether the reopening of the Canberra embassy will make any difference to this attitude seems doubtful. But even if the immediate advantages appear small, the return of the diplomatic missions is to be welcomed—at least if the conditions of their return (which are a closely guarded secret) will prevent them from indulging in more espionage than is customary.

Disposing of the Cameroons

FROM A CORRESPONDENT AT THE UNITED NATIONS

The extent and verbosity of the United Nations debate on the future of the Cameroons raise questions that were far from being answered when it ended. The basic problem was the old and seemingly simple one of what would happen to the caretakers' daughters when the caretakers should cease taking care. Of the various regions put under Uno trusteeship agreements, the Cameroons (the French sector, and the two British sectors, north and south) are the first to be declared ready for independence; whatever arrangements are made for the actual process of freeing them will, of course, have extra value as precedents and should therefore be examined with extra care. They were, although perhaps not always for that reason.



Since the respective caretakers had already agreed that the regions were ready for independence, in theory all should have been sweetness and rejoicing. In fact, the swarming acrimony shook spirits, rattled loudspeakers, extended into night sessions. Rivalry swirled between and about the three groups; big-power pressure, helpful suggestions on the part of small powers, oratory from Panama, did little but darken waters that were already muddy. When the first faint gleams of possible agreement showed against a torn horizon the Commission on the Status of Women arrived, by dire coincidence, for its regular Uno meeting. Hearing that plebiscites by male suffrage only were being contemplated, they flung outraged demands for woman suffrage into a debate already suffering from an embarrassment of conflicting choices which must somehow be reconciled to the satisfaction of eighty-two nations. The spectacle of the unfortunate British delegate having to explain toward the end of a fourteen-hour session, just how pained he was at not being able to agree with the lady delegate from Liberia, was somehow a symbol of the whole tangle in which wards, trustees and spectators found themselves.

The French wanted their sector to be freed by January, 1960, and left then to govern itself; on the other hand, the local premier wanted the French and British portions to be merged and the combination admitted to Uno as a new member, while another group, with Afro-Asian support, clamoured for new elections before independence. The British, for their part, suggested that the northern sector, becoming free in October, 1960, should then merge with

Continued on page 1083

Continued from page 1082

Nigeria, while the more contentious south should hold a plebiscite to determine what future connections the majority of its people really wanted. At first, the north was apparently willing to go along with this, but one southern group wanted a merger with the French Cameroons, while a Nigerian leader wanted only the north to be merged with Nigeria.

Meanwhile, twenty-five petitioners had appeared to present their own variants of these positions, or to speak in the names of groups that felt themselves not otherwise represented, some because they had been banned as troublemakers, some because they had been in jail when the visiting mission came their way. Fifty-one identical postcards, dignified by the Secretariat as "petitions," arrived from East Germany and Czechoslovakia supporting "the youth and the people of Kamerun in their fight for immediate reunification and national independence for the Kamerun." The Soviet Union, alone in disapproving the report of the Trusteeship Council, found these turbid waters a fine place for fishing.

After days of argument and reams of speeches, the decisions reached by exhausted delegates to the trusteeship committee represented compromises that sounded very like the official recommendations with which the sessions began. The final decision to approve (by 56 votes to 9 with 16 abstentions) the freeing of the French Cameroons on January 1, 1960, followed a split in the Afro-Arab group and represented a victory for the official French position. To it was added an hospitable paragraph endorsing the admission of the territory to Uno once it became free. The British had harder luck. By a vote of 57 to 0, with 24 abstentions, the committee called for a plebiscite in both sections of the British Cameroons, in the north in mid-November of this year, in the south between December 1 and April 30, 1960.

The net effect of the session was disquieting. Certainly it is, as one weary official said, better for these younger countries to come and talk out their woes than to stay at home and riot over them. But the whole procedure is unconscionably clumsy. There is little chance of improving it, and even less chance of putting through a closure rule than there is, for example, in the United States Senate. But the Senate at least has power, while the Assembly must depend on persuasion. In the process, it may some day talk itself, not into peace, but to death.

Sudan Seeks its Place

FROM A CORRESPONDENT IN KHARTOUM

A somewhat cynical interpretation of the recent government crisis in the Sudan (described on page 938 of *The Economist* last week) suggests that the crisis was due to the ambition of senior officers previously excluded from the sovereign Supreme Military Council. It is certainly true that events were precipitated by the unauthorised presence in Khartoum of certain companies of soldiers from regiments belonging to the eastern and northern commands, which were later officially though improbably stated to have been there for "recreation" during a normal period of reposting. Yet it would be wrong to attribute solely to personal motives a crisis that was at least partly a question of national policy and was a logical development of the process inaugurated by the major coup of November 17th last year. The latter ended the uneasy, two years old, coalition between the Umma and the People's Democratic parties, presided over by Sayed Abdullah Khalil, whose position had become untenable because of his unqualified support of the western powers.

It was the apparent continuance of this policy under the inspiration of General Abdul Wahab, who was believed to be in close contact with Abdullah Khalil, which led to the general's downfall. The two men have fallen victim to the same sort of influences which brought about the eclipse of Camille Chamoun in the Lebanon, although in other respects the two states are very different. And just as Chamoun became too much a sectarian leader, so Khalil's policy became too identified with the Ansar, the unorthodox religious group led by Sayed Abdur-Rahman el Mahdi; although in November the Ansar regarded the former prime minister's complicity in the military coup as something of a betrayal. The recent change, however, does not imply that the Sudan is about to abandon its old friends or throw itself into the arms of Egypt. Egyptian intentions are regarded with a deep and widespread mistrust; and any attempt to bring about a close union with Egypt would probably produce a violent reaction from the Ansar.

Though official statements were in a sense correct in saying that the crisis arose among senior officers over purely internal affairs, it is clear that the politically minded classes had an influence on the course of events in a country which is still only in process of becoming a nation and in which tribal and sectarian loyalties tend to prevail over national feeling. In the wider context of the Arab east, the crisis was just one more landmark in the adjustment to the growing emancipation of the area from outside influences. In the case of the Sudan, it will take time for its citizens to decide exactly what their position is between the sometimes conflicting claims of the Arab world and of Africa.

General Abdul Wahab seems to have accepted his relegation to the retired list with good grace. Official recognition of his "patriotic attitude and self-abnegation" was countered by a statement from the general himself to the effect that he was "exceedingly happy and prayed God to help his colleagues in the exercise of the powers which they had now assumed." General Abboud's position, as president of the Supreme Council and prime minister, does not seem to have been seriously prejudiced. His action avoided the use of force; and this senior officer, perhaps a dozen years older than his colleagues, seems content with the position of an arbitrator. Among the newcomers, Brigadier Abdul Rahim Shannan is perhaps the one most likely to produce new initiatives. He has the reputation of being rather more sympathetic to Arab nationalism than was General Abdul Wahab and of being more tolerant of the views of others.

Hitherto the military regime has seemed to have brought about a change of office-holders rather than any basic change of policy. Certainly many Sudanese feel grateful to it for making sure that the course of Sudanese policy was decided within the country and not in the interest of any outside power, western or Arab, at a moment when the parliamentary regime was demonstrating its ineffectiveness. Certainly, too, it is appreciated that policy decisions have been taken with greater promptitude and determination than they were before November 17th. But now that the regime's claim to have established political stability has been called in question, it will require all its skill to convince the public of the long-term merits of a military regime.

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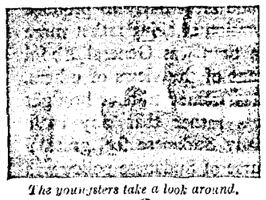




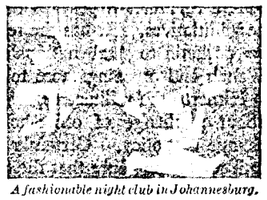
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THE BUSINESS WORLD

Dollars for European Equities

BY OUR WALL STREET CORRESPONDENT

THE American investor is not internationally minded: so far there has been no dearth of domestic outlets to induce him to be. Apart from large American holdings in international oil companies and in Canadian securities—and in Wall Street Canada is hardly a foreign country—investment in foreign shares is closely circumscribed, and confined to the bluest of blue chips. Recently, however, interest in European equities has grown, along with a more favourable reception for foreign bonds. The more sophisticated American investors have drawn some pointed contrasts between the check in the growth of the American economy and the rapid strides made in Europe—and between the diminishing yields on common stocks on Wall Street and the relatively generous yields in London, Holland and Germany. The European common market has highlighted and augmented hopes for Europe's economic future; and it helps to soothe Americans' political fears about foreign entanglements for their money. American investors over-extended themselves in foreign securities in the 'twenties, and they have been slow to put themselves at the mercy of foreign governments again. Yet in the new realities of nuclear politics American and European interests are tied much more closely together ; while a Europe that is moving towards economic and political unity is less likely to slide into most of the aberrations from which American investors have suffered in the past.

This line of thought is clearly behind the recent formation of Eurofund, a closed-end investment trust that plans to put $50 million into the shares of companies based in the common market area. There are already three smaller funds specialising in foreign securities, and still another, the Sterling Fund with a portfolio in British securities, is in process of formation. This lead may be followed by the established open-ended mutual fund groups, which pride themselves on the wide range of their special funds and are always attracted by new sales avenues. Another sign of interest is the trip to Britain and the common market nations proposed next month by members of the influential society of New York security analysts.

INTEREST in foreign securities has been largely confined, in the past, to a relatively small group of individuals and institutions, mainly brokerage firms who have direct acquaintance with European markets. Most of the buying has been done by these brokers, on their own account or for their largest customers, and they have skimmed off much of the cream of profit for themselves. They have not yet made much attempt to interest the small investor in European securities. But this sophisticated group has broadened considerably in the last year, and has gained recruits from, for example, industrialists who have been impressed with what they have seen abroad. The mutual funds, again, have been responsible for a large share of the recent increase in foreign share purchases. In the last quarter of 1958, for example, the biggest single investment made by 25 leading funds was in the shares of Philips Lamp, the Dutch electronics firm.

The small investor has not been weaned away from his domestic holdings, and it is doubtful whether a switch of any real size—except through the medium of mutual funds—is yet in the making. That thundering herd of brokers, Merrill Lynch, Pierce, Fenner & Smith, reports no echo of the professional interest in foreign stocks in its 15,500 daily transactions ; nor do the other big houses. Brokers who are themselves impressed with the virtues of undervalued foreign shares are finding their clients singularly resistant—more so than they would be to the shares of an unknown American company. But this does not mean that the average American

investor is completely immune to the romantic, if remote, appeal of foreign expansion, for there is a growing demand for the shares of those American firms with large subsidiary operations abroad—a demand formerly confined to the shares of the international oil companies.

American purchases of European equities today amount to no more than a few hundred million dollars a year—a drop in the ocean of the American capital market. Portfolio investment has played a minor part in American capital exports since the war compared to the direct investments abroad made by United States corporations. Many of the mutual funds are subject to legal restrictions that prohibit or limit their purchases of foreign issues; and investment in British or German shares faces a major tax disadvantage. While an individual, through the double taxation agreement, can set against his US taxation the 42½ per cent income tax deducted at source by the Inland Revenue, or the more moderate 25 per cent withheld in Germany, the mutual fund, which pays virtually no taxes on its own account, cannot. Nor, unless a fund has more than half of its portfolio in foreign securities, can it pass a tax credit along to its shareholders. The tax-free charitable and pension funds are faced with the same handicap. This is a major deterrent to participation by the really big funds.

UNLESS he is his own expert or has his own sources of information, the individual American investor has great difficulty in following the daily fluctuations of foreign shares or in securing any background material on individual foreign companies. The mechanics of investing abroad are unusually cumbersome and slow compared with the ease of buying or selling domestic securities in the United States, and they are costly in terms of such incidentals as commissions and cables. Nor can the American investor trade on margin in these stocks.

Some European companies are making special efforts to woo the American investor with, in a few instances, perceptible results. Dutch firms have done a particularly good job of promotion, aided by the fact that their government imposes no withholding tax. Some German firms have been redesigning their balance sheets to conform more closely to American practices. But most reports, judged on American standards, do not appear to address themselves to the average shareholder. Even professional Wall Street analysts, perhaps bedazzled by the wealth of detail provided by American corporations, complain that European company accounts are confusing rather than informative.

Obstacles to investment abroad do not apply to those foreign companies listed on the New York exchanges, which have the status of being American by adoption. Shares of the Royal Dutch-Shell group, British Petroleum, Electrical and Musical Industries and Royal Dutch Airlines are responsible for the bulk of American investment in foreign equities; in 1958, Royal Dutch Petroleum was the fourth most active issue on the New York Stock Exchange, Shell Transport and Trading took twelfth place, and EMI just scraped into the list of the fifty most active stocks of the year. Similarly, names such as Unilever, Imperial Chemical Industries and British-American Tobacco fluctuate in popularity but enjoy the familiarity of long association.

Outside the established group of equities, Americans tend to invest in companies whose names are brought forcibly to their notice. This recognition may result from the popularity of an imported product; European car manufacturers have attracted a certain amount of American capital. KLM is also benefiting from direct familiarity, and is now following Royal Dutch Petroleum's example and raising money through a new dollar equity issue in the United States. More often the American investor gains interest and confidence in a European company by virtue of its domestic involvements; the Bowater Paper Company popularised its shares by the decision to operate a plant in Tennessee, and Tube Investments has recently been attracting attention through its association with Reynolds Metal. In line with domestic investment fashions any equity with an electronics flavour enjoys support. But in general, publicity is at least as important as an impressive earnings record in attracting money.

The banks now operate depositary receipts for 120 European firms, but effective interest continues to concentrate on a much smaller group. The American investor, always nervous in the foreign field, likes the reassuring companionship of his compatriots. Institutional buyers share this trait, as their concerted addiction to the shares of Philips Lamp indicates. The tendency to move with the crowd inevitably produces violent changes in fashion in particular foreign stocks. The American professionals who deal in European securities switch their holdings quite radically, and that is why they are an important influence in the European stock markets despite the relatively small total stake.

AMERICAN buying of foreign securities is still small in volume. It may be encouraged as the weight of money flowing through the institutions seeks a higher return than can be obtained on Wall Street. Certainly professional investors feel encouraged by the growth of mutual funds in Europe, by the broadening base for European equities, and by the tendency for European capital markets themselves to bridge national frontiers. If American participation is to show any big increase it will probably manifest itself through the mutual funds —and particularly through those designed specially for the purpose. They alone possess sufficient resources for the extensive security research necessary to reassure the American investor. The propensity of the mutuals to buy foreign securities for their more general portfolios should not be exaggerated. With funds of $14 billion, even a small fraction in foreign equities represents a considerable sum. But Europe's progress is not the only determinant; if a recession hit the domestic stock market, foreign equities would inevitably lose glamour.

How Many Copies?

New methods are providing economical answers to a question every office considers every day

ONE of the main operations in any commercial office is document copying and printing: for few other productive operations have there been so many new methods offered in recent years. Britain was later than the USA and most of Europe in this development, and many of the machines originated abroad. But since about 1950 seven new or improved processes have come into use here, and by now a significant change in office methods has begun to be obvious. So many machines are available that it is essential to settle what kind of copying the machine will mainly be used for before trying to discover which type is worth buying.

It can be estimated, on the basis of a study of the cost of typing made last year by Production Engineering Ltd., that it takes a typist 20 minutes to copy and check an average foolscap page; that she costs in wages and welfare payments an average of £9 13s. for a 37-hour working week, and that it costs about 2s. 3d. for her to produce a single page. Six is the maximum number of carbon copies that she can make on a normal typewriter, and these will cost about 5d. each. If she uses an electric typewriter, she will be able to make 20 copies, which will cost about 1¼d. each. The cost of typing a copy varies widely with the complexity of the document to be copied; but the cost of copying a page photographically is constant, depending on its size: and a photographic copy does not need to be checked.

The cost of making a copy varies widely between the different types of photocopying machine. It can be from 1d. to 8½d. for a foolscap sheet; the time to make six copies varies from one to six minutes, and for twenty from 2½ to 20. For more than 20 to 25 copies it will prove cheaper to use some kind of duplicator than even the cheapest type of photocopyer; a stencil or "master" can be typed for about 3s. to 3s. 6d., and a master for an offset lithography machine, which can be prepared from any existing document without retyping in a photocopying machine at a cost of about 2s. to 3s. 6d. The cost of subsequent copies is basically paper, ink and the operator's wages. With an output of 40 to 150 copies a minute from a modern duplicator these charges are small.

HOW COPYING PROCESSES COMPARE IN COST

(Based on a foolscap original with a fair amount* of detail and taking material and labour costs only)

(Key: A best, B next, etc.)

Processes	Number of copies required						Capital cost of equipment £'s
	1	2	5	10	25	80–100	
Reflex	E	G	E	...	...	...	39–117
Transfer type	F	F	G	...	...	...	39–186
Thermofax	C	E	F	...	...	...	145–245
Xerography	B	B	B	...	...	...	1,000
Verifax	G	D	D	D	G	I	70–170
Dyeline (if transparent original)	A	A	A	A	E	F	73–1,900
Dyeline (if autopositive has to be made)	D	C	C	C	F	G	112–1,185
Paper litho plates made by Xerography	...	...	...	B	A	A	1,440–2,500
Photoscope and stencil	...	...	...	I	I	E	485–620
Typed paper litho plate	...	...	...	E	B	B	500–1,560
Typed spirit master	...	...	...	F	C	D	100–2,000
Typed stencil	...	...	...	G	D	C	100–2,235

*20 minutes typing and checking. *Source: Unilever, Limited.*

The table, from a Unilever Organisation and Methods Bulletin published last year, shows how the relative "prime" costs of the various photocopying processes varies with the numbers produced. The cheapest are those which use the cheapest types of paper and chemicals; where expensive photographic or other specially treated paper is used the cost per copy rises, though there may be other advantages in the process. Capital charges are not very significant except with xerography. Some of the seven photocopying processes that have come into use since the war are adaptations of earlier systems or systems already used outside the general office: others are completely new.

The oldest photocopying process in general use is the **Reflex** process; but the modern version is immensely simpler than the one first used some 30 years ago, which required conventional development and fixing of the photographic paper copy, and bulky apparatus. Modern desk-top units such as the "Polyprint," made by E. N. Mason, cost from £39 upwards: they can make two to four copies a minute, costing 5½d. for the first copy and 2¾d. for each subsequent print.

Dyeline, or **Diazo** processes have been used for many years in drawing offices, but have been introduced in small fast-copying machines only since the war. They employ the principle that ultra-violet light projected through a translucent master will bleach away a yellow "diazo" coating on paper underneath, except where print or lines on the master shield it; the special paper print can then be developed to make the print black or various colours. This type of machine gives the lowest costs of any photocopying process; it can produce 200 to 1,500 prints an hour at a cost of about a penny a print. It needs a translucent master, and preparation of this can put up its costs; but many kinds of typing paper will do already, and some offices are having everything typed on suitable papers.

Most though not all dyeline machines are more suitable for general office use than for small desk-top copiers; so is **xerography.** This process employs a metal plate with a "photoconductive" coating that can be electrically charged in the dark to take an electrostatic image from exposure to an optical image. When the plate is coated with powder particles, the electrostatic image forms a powder image that can be transferred to paper and fixed. Xerography is a dry process, which can print on to any type of paper. The machines, made under licence in this country by Rank-Xerox, cost about £1,000 for an ordinary office machine. An office machine costs about 9d. to expose a plate, and then only ½d. to ¾d. for each

subsequent copy up to six, which gives six at 2d. each. But with the high capital cost of xerography the machine needs using to capacity.

Between the general office machine and the desk copier come medium-sized machines using the **direct positive** process, which differs from the reflex process in that copies are made direct on to positive paper without any photographic negative. These copies (which can be used as masters for dyeline processes) take about 1½ minutes to make and cost about 4d.; the machines cost from about £80 upwards.

Of the small desk-top machines, those employing the **photo-transfer** process are the most widely used. The paper used is the key invention. The photographic image is transferred from the negative to the positive without exposure, when the two are passed through a chemical solution and squeezed together by rollers. These machines cost from £40 to £185, and make a good copy in 20-30 seconds costing about 8½d. So far only two copies can be made from a negative; but negative papers from which up to ten prints could be made are soon to be produced. Aluminium sheets can also now be processed in these transfer machines to produce masters for offset-lithographic duplicating machines.

Kodak's **"Verifax"** machine, using a variant of the transfer process, is the only one made in Britain; it employs a rubber matrix instead of a paper negative, and offers six or seven copies from this one matrix. It costs about 11d. to make the first copy, but the other five cost less than a penny each. The Verifax costs £70 to £170; it can produce a paper master for offset lithography so that fewer copies can be run than from a metal sheet.

The **Thermofax** machines made by the Minnesota Mining and Manufacturing Company share the desk-top market with the transfer machines; they use infra-red light, which is reflected from white paper but absorbed by the black type or lines, producing a corresponding image in specially-coated copying paper held behind the original. It takes about four seconds to make a copy, costing about 7d. for a foolscap sheet. This is a dry process, and possibly the simplest of all to operate; but it is limited to copying documents printed with graphite or carbon-based inks and will not reproduce light colours, while the transfer machines will copy anything. Thermofax machines cost £145-£245.

DUPLICATING machines have not changed technically nearly as much as have photocopyers. The chief developments have been in the preparation of masters for duplicating, and the xerographic and photocopying machines are responsible for the most recent changes in this direction. The increasing tendency to use the small offset lithography machine may gain further stimulus from this development. In comparing different duplicators, the chief difference is the higher capital cost of the offset machine as compared with stencil or spirit machines. The former cost £440 to £2,000, and the two latter £30 to £175, or up to £2,000 for some special spirit duplicators. The offset process has lower running costs, and gives higher quality results: there is a growing tendency for companies to do their own printing on an offset machine, instead of sending it out.

The development of photocopyers has already brought many possibilities for improving office efficiency, particularly where the documents to be reproduced are complex. But this is still a field of innovation. It is believed that a simplified xerographic machine will appear in a few years, reducing cost and complexity. Electrostatic duplicating methods also are being developed in the United States: this seems likely to be the field in which most progress will come.

BUSINESS NOTES

THE ECONOMY

Unemployment Turns Too

AS a prophet, able to forecast precisely how high unemployment figures would go this winter and when they would turn, and as a politician, able to bring out new facts at exactly the right time to deflate a Labour attack based on old ones, Mr Macleod was entitled to his double triumph this week. On March 9th, he was able to tell the Commons the number of people out of work was 550,000, against 608,000 in early February. There had been a significant decrease in unemployment in every region of Great Britain and even in Northern Ireland, and in almost all major industrial groups (except shipbuilding and ship-repairing). The national percentage of unemployment had come down from 2.8 to 2.5.

The reduction is concentrated in the number wholly unemployed, which came down by 48,000. Judgment of how much of this was seasonal depends upon the factors of seasonal correction that particular statisticians prefer; independent estimates would suggest that a fall of about 20,000 should be expected between February and March. (The number of vacancies, which rose by 25,000, showed little more than a seasonal change.) Mr Macleod's remarks about "three times greater than the seasonal decrease could possibly be" would thus appear to be largely bravura; but this might well be forgiven any politician flourishing such shaky statistical refinements. The reduction is substantial, and clearly much more than seasonal.

The Minister's impressive infighting with the figures this winter has discomfited the Opposition more than once; it has incidentally reflected a good deal on the time that his department ordinarily takes to put out these unemployment figures. The figures he gave on Wednesday, ten days after the actual count, would not ordinarily be published until "the early part of next month," according to the Ministry. The eventual statement will be much more detailed, but

what was released this week drew upon most of the major detailed tables that are published. It was, again, labelled "provisional"; but does that matter? These early counts of unemployment that Mr Macleod has been producing in the last few months offer one official statistic that is far more up-to-date, for example, than the earliest indications of the level of industrial production in times like these, they are worth the extra effort required. One can understand Mr Macleod's temptation to produce them at just the times required to dish Mr Douglas Jay; but there is a case for publishing the early figures as early as possible, even if that easy exercise should pall.

THROGMORTON STREET

An Air of Exuberance

FOR a pre-budget account, the market in industrial equities has been surprisingly exuberant. That the budget will be expansionist is expected by every investor; but that assumption was being made and discounted in market prices in the boom at the end of last year. Now the market has broadened, helped no doubt by the turnover in new issues, and over the week to Wednesday's close *The Economist* indicator went up from 250.9 to 253.7, within hailing distance of the peak of 255.6 touched on the last day of 1958. On Thursday, prompted by the sharp fall in unemployment, all sectors of the market went ahead and steel shares were particularly strong. There have been a few temporary setbacks, but the market has been able to shrug off the political and economic uncertainties with comparative ease. A stream of good dividends has contributed to the strength of the market, but the speculative element has become increasingly apparent. That is most obvious in the property share market, but it is also apparent elsewhere, in the quickness of prices to respond to rumours of take-overs and in the queues that have been formed to deal in shares newly placed or introduced to the market.

It is typical of the present mood that an offer for sale of 450,000 ordinary shares of 4s. each by Corsets Silhouette at 12s. 6d. per share was oversubscribed 33 times and had to go to ballot. At the same time the cash-cum-conversion offer by the Australian Government failed to secure a full subscription list. About 47 per cent of the £10 million of the 5½ per cent stock 1973 was left with the underwriters and about 72 per cent of the £10 million of 5½ per cent stock 1976-79. Both stocks were issued at 99 and in both dealings began at a small discount. Because of the conversion element in this issue, the offer had to remain open for a longer period than is normal, and in that period gilt-edged prices weakened. Presumably, with Dominion and Colonial loans rather out of favour, the next gilt-edged issue will be a Corporation one. But that is not the only new issue that the market will have to absorb. The lifting of CIC controls has brought forward a rush of rights issues and placings. And now there are two big issues—from Hawker Siddeley and Lloyds Bank—on the threshold of the market. The pressure of this weight of new issues may eventually curb the market's exuberance.

Hawker's Unusual Issue

THE terms of the £15 million issue of Hawker Siddeley of a convertible debenture have now been announced. They are unusual ones. The debenture is redeemable between 1979 and 1984 and is thus in the 20 to 25 year bracket that attracts the life and pension funds, but with a coupon of 5¾ per cent it is being issued at par. The yield is just about in line with current rates on first class industrial debentures, but while the issue at par offers a high running yield, attractive to tax-free funds, it offers no element of tax-free capital profit on redemption to taxed funds. The stock is convertible into £1 ordinary shares in each of the five years 1960 to 1964 on the basis of £34 nominal of ordinary shares for every £50 of stock. That effectively puts a conversion price on the ordinary shares of about 29s. 5d. These rights differ from those offered in the past by other convertible debentures in two respects. First the conversion price is not above the present market price of 29s. 6d. and secondly the conversion price does not run up as the years pass.

The unorthodoxy of the issue reflects the exceptional nature of Hawker Siddeley's funding problem. On the one hand, the institutions nowadays do not particularly care for that hybrid, the convertible debenture, but, on the other hand, they must recognise that an immediate dilution of Hawker Siddeley's equity is out of the question while the process of digestion, absorption and re-organisation of the new Canadian interests is being completed. The group needs time to fit itself to a radically different pattern of operations and investors need time to see how it will fare in whatever new shape it finally takes. The convertible debenture, funding much of the group's bank debts of £23 million in this country, provides that time. The issue has clearly been tailored to suit the institutions' requirements. There is a high rate on the debenture if events go awry and a low and attractive conversion price into the equity if they go well. It is the low conversion price into the equity that is the major attraction to taxed funds, for if Canadian earnings become an increasingly important portion of the group's profits the tax rate payable by Hawker Siddeley on its profits could fall below the British standard rate. The investor can, in fact, hedge his risks and the terms of the issue have been so pitched as to tempt him to do so.

Big Money for Lloyds

THE rights issue by Lloyds Bank, foreshadowed some weeks ago, is surprisingly big. Existing shareholders are being offered 6,961,901 new shares—one for every four now held—at a price of 37s. 6d. each. The market price before the announcement was 51s.; the value of the rights at 2s. 9d. was modest, and the shares dipped to 48s. 9d. (at which price the rights are worth 2s. 3d.). The size of the issue, £13 million, was also a depressing influence. When the Midland Bank last month blazed the trail it asked for only £4 million—and the rights on that issue were worth 5s. 9d. Lloyds' capital funds, moreover, had already been raised very substantially through transfers from inner reserves; its ratio of capital and published reserves to deposits at end-1958 was 3.6 per cent, higher than at any other bank, including the Midland after its capital issue. The proposed addition to Lloyds' capital will bring its total capital funds to £59½ million, well above that at any other bank, and the ratio to 4.6 per cent. This is coming within sight of the ratio of around 6 per cent common among the big banks just before the war, which the inflation of deposits reduced by more than half. Few people in Britain have found any reason for concern; but the decline in the capital base has attracted attention abroad. If the banks do use their new freedom from CIC to try and

get back to the former ratio—and there is no reason why they necessarily should—the new issue market will be faced with substantial demands. The question now is whether other banks—the National Provincial has specifically foreshadowed an issue, and others are expected to follow—will choose the modest course of the Midland or the ambitious one of Lloyds. One special influence for Lloyds has undoubtedly been its heavy commitment in hire purchase trade investments, which makes its total of fixed assets the highest of any bank. The amount of the rights issue happens to be exactly the same as the bank's stake in hire purchase houses, but that appears to be a coincidence.

THE BUDGET

The Green Light?

IF Mr Heathcoat Amory wishes to reinforce the Keynesian (and as his opponents will say the electoral) arguments for budget reliefs by turning to the traditional criterion of the Exchequer accounts, it seems pretty certain that the out-turn for 1958-59 will rise to the occasion. Important movements in the accounts can occur in the last fortnight of the fiscal year; but at March 14th the out-turn looked close to target, and on the right side of it. Ordinary expenditure was about £100 million above the total twelve months before, whereas the original estimates envisaged a rise of £155 million. Ordinary revenue, which has been flowing strongly in the new year, is up by £122 million, compared with an estimated rise of £96 million. Thus the above line surplus, at £477 million, is £23 million better than at the corresponding date a year ago—whereas the budget envisaged a drop in the surplus from £423 to £364 million. Net expenditure, below line, at £573 million on March 14th, shows a drop on the year of £32 million, broadly in line with the reduction expected in the full year.

WALL STREET

Tightening Credit

AT the end of last week, prices of common stock on Wall Street climbed to a fresh peak. The Dow Jones average rose to 614.69. That was immediately followed by what the American security analysts like to call a "technical correction," and by the close on Wednesday the Dow Jones average was back to 610.87. There is a trace of uneasiness in Wall Street and the movement in the average conceals quite wide swings in low priced and speculative stocks. The Federal Reserve Board is now trying to curb excessive speculation by tightening up on its margin requirements. The basic margin remains unchanged, at 90 per cent in cash for a stock purchase, but the new regulations are designed to curb the use of credit made available to investors when the basic margin requirement was lower. In the short run, these new regulations may not have any really significant effect but they should in the end bring about a contraction in credit available to Wall Street. In particular, the regulations hit at those who borrow from the banks and then re-lend the money at high rates to speculators. The Federal Reserve Board recognises that its proposals may freeze the market in the popular speculative stocks and that might give rise to violent price swings in a thin market.

Ford Makes Another Offer

FOR the second time, the Ford Foundation is offering common shares in Ford Motor to the investing public. Its first offer was of 10,200,000 shares in 1956 and it now proposes to offer another 2 million at the current market price. On the basis of the present price of $57 the issue would bring in about $114 million to the coffers of the Ford Foundation, which is seeking to diversify its own portfolio. The Foundation sees in present market conditions a good opportunity to secure a fair price and the offer should increase the number of Ford shareholders. That number has fallen markedly since the first offer and the poor market performance put up by the shares in 1957. The response to the latest offer is not likely to be anything like as overwhelming as that which greeted the first marketing. Then the sponsors of the issue simply had to take orders. This time they will really have to sell the shares. But their prospects of doing so seem to be good. In the last few days the price of the existing shares have been rising; a syndicate is reported to be buying them in the market so as to ensure a "good climate" for the new issue.

FINANCE HOUSES

Truce on Terms

FREE competition in provision of hire purchase finance has not lasted long. When hire purchase companies and stores broke loose from statutory control last October they carried to extraordinary lengths their competition over the amount that customers did not have to put down and the period over which they could spread their payments. Many of the extreme facilities that have been publicised, from one per cent down to five years to pay, turned out to be difficult for anybody actually to obtain; but the biggest finance house, United Dominions Trust, set the pace with 10 per cent down and three years to pay, and others followed. Many did so unwillingly. In the motor trade, dealers' margins tend to be somewhat over ten per cent; so any finance house having to repossess a vehicle would have difficulty in getting its money back even on the day after the contract was signed.

This week the bigger finance houses reached a limited truce. Terms on new cars are still wholly at the discretion of individual houses; but the fifteen members of the Finance Houses Association and their subsidiaries—two new members have joined recently, and others are expected soon—have agreed that on used cars, light vans and motor cycles the following will be asked:

On vehicles up to three years old, at least 20 per cent down and not more than 3 years to pay.

On vehicles more than three years old, at least 25 per cent down and not more than 30 months to pay.

The Finance Houses Association, it is understood, is registering the agreement with the Registrar of Restrictive Practices. Finance houses do not enjoy the special dispensation of the banks as providing "services" which the Act does not cover (for example, the banks' agreement on deposit rates). Finance houses are formally dealers in goods, owning a vehicle during the period of hire and selling it for a nominal sum to the hirer at the end of the contract.

The Association would obviously hope to justify its agreement before the court without too much difficulty. Hire purchase terms stretching beyond a certain point make little sense; in general, the hirer should have a stake in the product at least equal to its fall in value on immediate resale, and repayments should be adequate to cover subsequent depreciation. But it is a great pity that the individual houses could not fix responsible terms of their own accord. Regimentation and imposed uniformity is no less objectionable in this field than in others. Nor will the members of the Finance Houses Association have a clear run. The small and medium-sized houses outside have recently had some difficulty in competing. Will they now be still further tempted to compete by offering easier payments than the big houses do?

THE PRESS

More Magazine Mergers

ODHAMS' offer for the entire capital of Hulton Press, of which the financial details are discussed in a Company Note on page 1120, continues the process of concentration in the periodical press of which the Daily Mirror group's purchase of Amalgamated Press in December had been the latest major development. Odhams is indeed said to have considered bidding against the Mirror for Amalgamated at that time. Its approach to Hulton, which still owns a number of quite flourishing periodicals, is a logical move to prepare for the competition that the new owners of the Amalgamated Press will certainly be hoping to intensify—though perhaps not very quickly. Odhams this week also appointed as its vice-chairman Sir Christopher Chancellor, general manager of Reuters and one of the outstanding executives in the newspaper industry.

Both Hulton Press and Odhams itself, in the last few years, have suffered from the shrinking shrinkage of demand for some of their general interest magazines; *Picture Post* and *Illustrated*, pictorial magazines which were particularly vulnerable to television systems that do their job better, have sunk without trace. *Illustrated* picked up but little circulation from the closing of *Picture Post*; nor did *John Bull*, with which it in its turn was "merged" last year, appear to gain any circulation from the *Illustrated* readers who might have been hoped to transfer. Odhams, however, retains some faith in the process of merging all that remains of magazines on their deathbeds. This week it was reported to be negotiating to buy the title of *Everybody's*, the Amalgamated Press general weekly magazine which the new owners had already decided to close down; it apparently intends to merge this title, too, with *John Bull*. This paper, the last of the popular general magazines, was selling just under a million copies during the last half of last year, and is said to have gone up somewhat since; if any of *Everybody's* 400,000 readers are prepared to transfer, they will obviously be welcome.

With the Hulton group, Odhams would acquire the *Farmer's Weekly*, a solidly-established trade magazine; *Housewife*, which with a circulation of only 212,000 would not rank as a leading woman's magazine, the general monthly *Lilliput*, and four lively children's papers, *Eagle*, *Girl*, *Swift* and *Robin*. Its own woman's magazines, *Woman* and *Woman's Realm*, are far stronger; here it competes most directly with Newnes, the other major magazine group, and with Amalgamated Press, which at the time it was taken over by the Mirror appeared markedly the weakest of the three.

AIR FARES

Room for Price Cutting?

WHEN the government's Air Transport Advisory Council meets on April 3rd it will have before it some of the most embarrassing applications for air fares that it can have received since it was reconstituted seven years ago. Three independent airlines, Eagle, Hunting and Airwork, are applying for permission to make fare cuts on long distance routes that would undermine the entire fare structure of the British Overseas Airways Corporation. Since the flights are confined to British territory—Nairobi, Hongkong, Singapore, Malta, and Jamaica are some of the routes—there is no need to obtain the authorisation of the International Air Transport Association for any changes in fares. Sole responsibility for accepting or rejecting the applications lies with the ATAC—and Mr Watkinson.

The airlines are proposing fares that are about half or less of those now charged by BOAC. Hunting and Airwork, operating in partnership, are suggesting a return fare to Hongkong of £245, compared with BOAC's new rate of £415 16s. which takes effect from April. The proposed fare to Aden is £107 return against £217 16s. by BOAC, and the fare that Eagle wants to charge to Malta is £19 return against £52 12s. by British European Airways.

The independent airlines can produce figures that purport to show that with aircraft like Britannias and Douglas DC 6s, they will break even on these fares if they can fill from 40 to 60 per cent of the seats offered on each aircraft, the proportion depending on the route. And these are quite reasonable load factors on which to calculate: the average load factor achieved over the world's major airlines comes out at between 62 and 63 per cent of the seats offered.

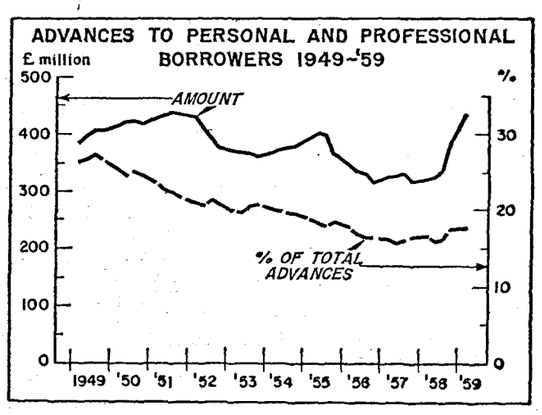
The independents suggest that they can make such low fares pay by cutting standards of seating and eliminating catering. But in actual fact the seating proposed is barely half an inch less than the ordinary third-class standard (34 inches of leg room) now in use on the North Atlantic, and airlines have repeatedly maintained that food costs so tiny a sum per head that it can be disregarded. Perhaps the main reason for dressing up these applications in deliberately unattractive colours lies in the Government's immensely confusing directive to the ATAC, which says that independent airlines may operate cut-price flights provided that they set a new low in travelling conditions, but not otherwise.

But even disregarding the political issues raised by independent airlines trying to scratch a living *vis-à-vis* the state air corporations, the fact that these companies can seriously apply for fare cuts of 50 per cent will suggest to many people that BOAC has been soaking travellers on these Far and Middle East routes to recoup some of the losses it makes on other services. The steps taken by the government to protect the corporation from competition from the Dutch airline KLM at Singapore give a fair indication of its anxiety to shelter BOAC and bode ill for the new fare applications. It will not stop people asking why, in territory where fares are entirely under its own control, BOAC is charging twice as much as the accountants of other airlines, with shareholders to consider, argue they would find remunerative. The answer may lie in the independent airlines' pressing anxiety to find work for expensive new aircraft like Britannias, which cost £1¼ million, but even this does not wholly explain a discrepancy as large as 56 per cent.

BANK ADVANCES

Upsurge Analysed

SINCE the credit squeeze was lifted last summer the rise in bank advances has been much bigger than most people thought likely at the time. The "clean" and detailed figures published this week show that in the six months to February this rise reached £375 million, or 18 per cent. This unprecedented upsurge, reflecting in large part the release of pent-up demand, has not added to a fully equivalent degree to demand in the economy; the public has put more into liquid assets, including gilt-edged securities which the banks have sold heavily. But the stimulus through these months of recession has been welcome, and the authorities do not yet feel that it has gone too far. The expansion in the three months from November was £245 million (easily the largest ever in a single quarter), compared with £129 million in the preceding three months. The true pace has not necessarily quickened, for advances are seasonally high in the early months of the year, as individuals pay surtax and shops restock with spring lines.



Personal borrowers accounted for an important but far from a major part of the expansion. Advances of the "personal and professional" group in the six months rose by £100 million—fully 30 per cent—and at nearly £437 million had all but made good the encroachment suffered in successive periods of credit restriction. Even after the remarkable rebound since last summer, the personal and professional borrower still plays a much smaller role in total advances than he did ten years ago.

Of the latest quarterly increase, this group took £53½ million. Big increases were also shown by the financial categories, notably the hire-purchase companies. Their advances have more than doubled since mid-August, to a peak of £59 million, and during this period they have also received substantial permanent finance from the banks; but the finance houses' business, too, shows a rise of 50 per cent since August. The increase in hire purchase credit is also reflected in the rise of £34 million during the quarter in advances to retail trade. This leaves an increase of around £100 million in advances to industry and other trade. The heavy industries, including steel, engineering, shipping and shipbuilding, were especially prominent.

BUILDING SOCIETIES

Waiting for the Budget

IT has been apparent for some months that whether or not the Building Societies Association will recommend a reduction in rates depends upon the budget. Now the council of the association has formally postponed any decision on rates until April 10th, three days after the budget. That is a sensible if obvious course. There are still plenty of new mortgage borrowers willing to pay 6 per cent and money is still flowing very handsomely into share accounts paying 3½ per cent, net. That is the basic argument for no change in rates put forward by those societies that are anxious to build up their reserves so as to be sure of trustee status. But there are other societies that are almost embarrassed by the present inflow, and they can meet the demand for new mortgages and still put a sizeable proportion of new funds into gilt-edged stocks. These societies sense too the possibility that within a year or two they will have to compete for mortgage business and those of them that have a big reserve ratio would be happy to see the rates reduced soon.

The size of its reserve ratio, in fact, largely dictates an individual society's reaction at the present time to a change in rates. And it is upon reserve margins that the budget can have a decisive effect. Whatever happens, the mortgage rate can hardly be brought down by anything less than one half of one per cent, to 5½ per cent. What, then should the rate be on shares? When rates come down, margins available for reserve appropriation are automatically improved, and any reduction in the standard rate of tax would improve them still more. A cut of 6d. in that rate might bring the composite rate paid by building societies down by as much as 3d. to 5s. 4d. in the £, and a change in personal allowances could reduce it still further.

On that assumption, there might be a case for a rate on shares of 3½ per cent, net, against a mortgage rate of 5½ per cent. But that would mean a slender reserve margin for those societies that have expanded quickly and have heavy management expenses; these societies might be happier with 5¼ per cent mortgages and 3 per cent, net, on shares. At that level, however, the competing attractions on national savings would become even more obvious, and no one can estimate how much of the new money the societies have recently received is "hot." What rates the association may eventually recommend may turn therefore not only on changes in personal tax but also on whether or not a new series of national savings certificates at a lower rate of interest than the current issue is introduced.

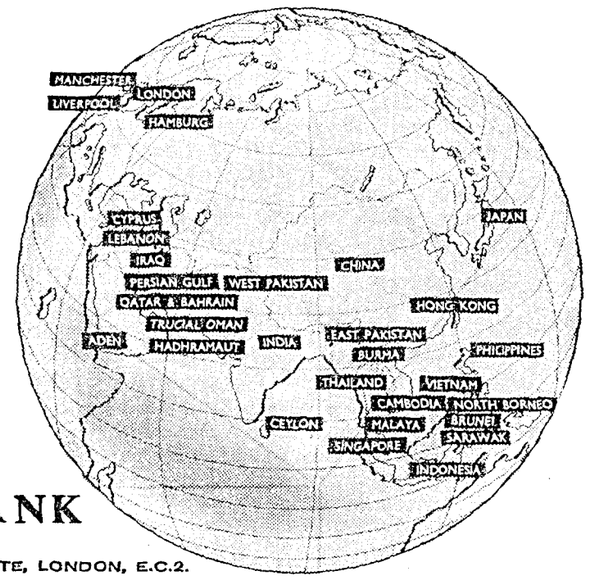
SYNTHETIC FIBRES

The "Terylene" Decision

ALTHOUGH Courtaulds and the Calico Printers Association have still a margin of several days within which to appeal against the decision to give CPA a five-year extension of its "terylene" patents, there have been no signs that either side will in fact do so. The decision of the Assistant Comptroller of the Patent Office, Mr H. S. Gilham, struck a neat compromise between the views of the two sides—CPA's claim that conditions during the war and postwar years held back the development of the new fibre, and

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Electrical Aids in Industry — *Data Sheet* **No. 4**

Resistance Heating

In this form of heating, the heat is produced by passing an electric current through a high resistance conductor which is termed the "heating element."

The heat is transferred from the heating element to the work by convection, radiation or conduction or by a combination of any, or all, of these. When it is a question of radiation or convection, the element can be a bare wire or strip of suitable material, provided it is adequately supported on electrical insulation capable of withstanding the temperature.



When there is to be contact between the work and the element, heat being transferred to the work by conduction, the wire or strip must be surrounded by suitable insulating material and enclosed in a protective sheath.

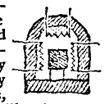


In the majority of cases, the wire or strip forming the heating element is made of a nickel-chromium alloy which has a high electrical resistance and can be safely used in air at temperatures of up to 1050°C., or in a suitable atmosphere, of up to 1150°C. Other element materials are available for use at higher temperatures.

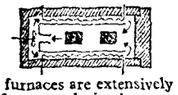
Electric resistance heating may profitably be put to many diverse uses; two of these are described briefly below, others will be listed in a subsequent data sheet.

Furnace Heating

Electric resistance furnaces can be divided into two main categories, batch type and continuous. In most cases, the heating elements are of nickel-chromium alloy, for furnace temperatures up to around 1050°C., but higher temperatures, up to nearly 3000°C., can be obtained by using other metals or alloys, or in some cases non-metallic elements. A protective atmosphere is desirable to prolong the life of some of these higher-temperature elements. For all temperatures electric resistance furnaces can be constructed so that the heating process takes place in a controlled atmosphere if this is dictated by the composition or heat requirements of the work charge. In some furnaces, fans are used to circulate the air or special atmosphere over the charge, thereby giving increased heating rates and a uniform temperature over the whole charge.



Automatic temperature control and programme control of the heating process are readily effected.

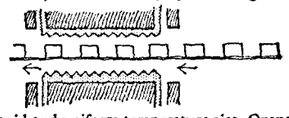


Electric furnaces are extensively used in industry, for example in the general heat treatment of metals, in the glass and ceramics industries, for grazing and sintering, and for many other applications requiring temperatures above 500°C.

Oven Heating

There are two basic forms of heat transfer used in electric resistance ovens; convection and radiation. The latter is dealt with in a separate data sheet under the heading "Infra-Red Heating".

Convection ovens may again be of the batch or continuous type. In either case, the charge is heated mainly by the movement of hot air, which is sometimes assisted, as in furnaces, by fans to give a



rapid and uniform temperature rise. Ovens are normally designed for temperatures of up to about 500°C., and the heating elements are invariably of nickel-chromium or nickel-chromium-iron alloy.

Ventilation, when required, can be provided and regulated entirely to suit the heating process. Temperatures and times are readily controlled. A vacuum can be maintained in suitably designed ovens to assist in the extraction of moisture and solvent.



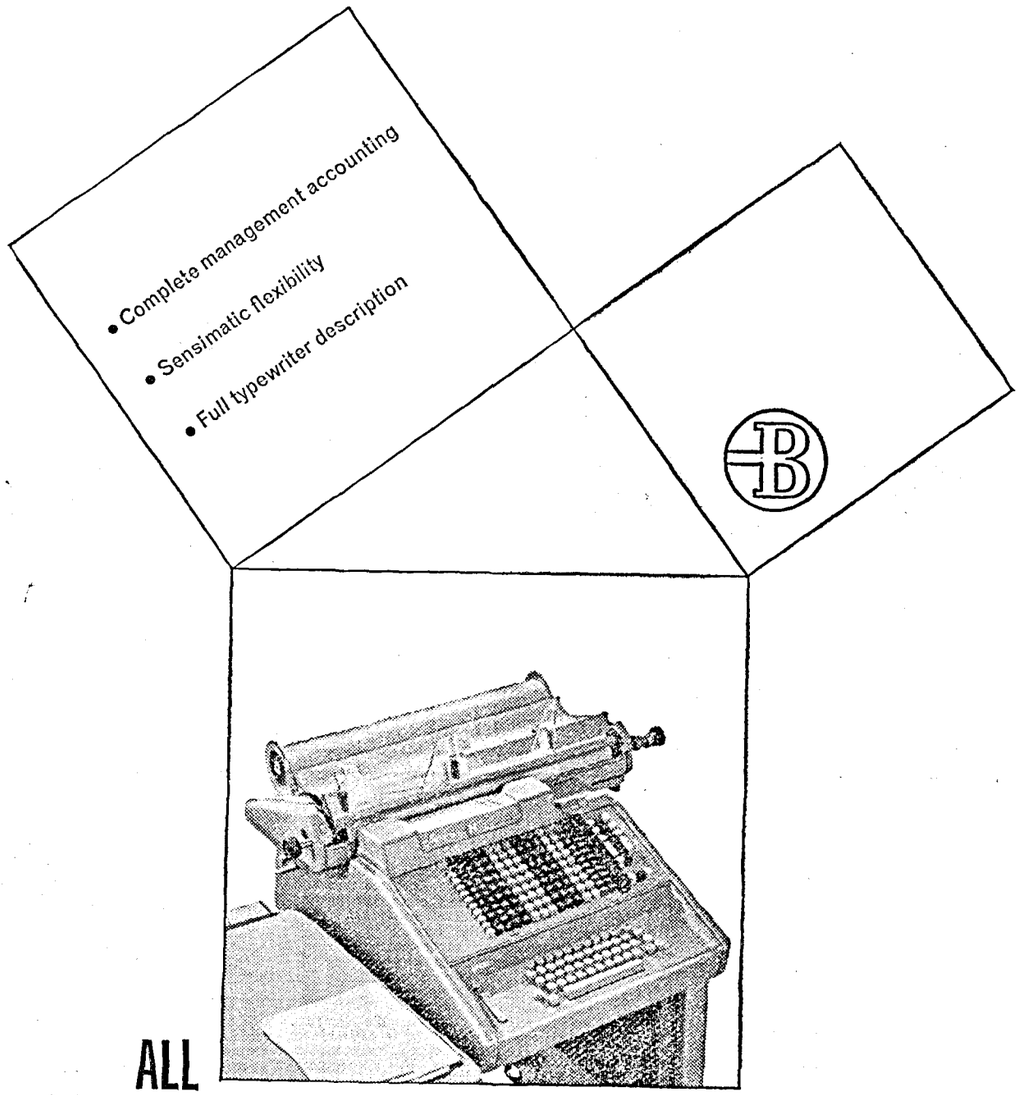
Convection ovens are extensively used for drying, baking and stoving operations, and for a host of other processes requiring a low or medium temperature.

For further information, get in touch with your Electricity Board or write direct to the Electrical Development Association, 2 Savoy Hill, W.C.2.

Excellent reference books on electricity and productivity (8/6 each or 9/- post free) are available — "Resistance Heating" is an example; "Induction and Dielectric Heating" is another.

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BURROUGHS TYPING SENSIMATIC

Courtaulds' contention that they did not. The five-year extension he has granted seems to meet CPA's case that wartime conditions (the patent was registered in 1941) made speedy development impossible. The fact that he did not grant the full eight years for which CPA applied accepts in part Courtaulds' view that much of the delay which resulted in the fibre taking more than 13 years to reach the market was due not to shortages but to the sheer technical difficulty that Imperial Chemical Industries, CPA's licensee, found in getting "terylene" into production. The decision is an important one for ordinary shareholders in CPA because "terylene" royalties have become an increasingly important source of income and dividends. After the announcement of the extension was made the CPA's £1 ordinary units were marked up 4s. 6d. to 44s. 6d.

British Celanese, now owned by Courtaulds, has patents on two alternative ways of making a "terylene"-like polymer—the material that is eventually spun into yarn. As matters stand, it probably could not spin this polymer into yarn without infringing the basic CPA patents. Neither Celanese nor Courtaulds have any plans for entering the "terylene" market for high-cost, high-performance synthetic fibres as opposed to low-cost ones like rayon. But the family of synthetic fibres is expanding so fast, that the main reason behind Courtaulds' objection to extending the existing "terylene" patent for as long as 8 years was the urge to retain some room for manœuvre in and outside the laboratory. ICI's "terylene" output should reach 30 million lb a year within a matter of months, and there are plans to increase this to 50 million some years from now when new plant extensions are completed. But the company also plans to start "terylene" production in America at the rate of 40 million lb a year in partnership with the Celanese Corporation of America as soon as the American patents, sold outright by CPA to du Pont, expire in 1961.

Nylon in the Slipstream

EVEN the previously invulnerable nylon industry was caught in the slipstream of the textile depression that blew through Lancashire last year: the profits of British Nylon Spinners to December 31st dropped from £4,699,233 to £2,970,054. This still represents a high rate of earnings on capital employed, one that the chairmen of many textile businesses would be extremely happy to earn. The other big manufacturer of synthetic fibres, Courtaulds, was earning far less for most of the period covered by the BNS accounts.

The fall in earnings was only in part due to the state of the market. BNS has been accustomed to a steadily rising demand each year; all that happened to its sales last year was that the anticipated increase did not take place and stocks mounted—from £4.5 million to £8.6 million. A marked trading recovery in the past few weeks is running these down again to more manageable proportions, but a more ominous pointer for the future is the fact that a good part of the drop in trading profit was due to a rise in raw material prices. All British Nylon Spinners' raw material comes in the form of nylon polymer, small white chips of plastic, from the Imperial Chemical Industries' plant at Wilton.

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COTTON TEXTILES

Business Still Sluggish

BUSINESS in cotton textiles is still sluggish in both the home and overseas markets. When the Restrictive Practices Court finally declared the minimum price scheme for cotton yarn void, producers of cotton textiles confidently looked forward to a substantial revival in orders. Buyers of finished goods, it was argued, had run down their stocks, and when yarn margins settled down they would come into the market. Margins have settled down, but there has been no appreciable improvement in business. New orders are believed to be still running below the current rate of consumption, and producers are puzzled by the evident ability of distributors to reduce their stocks even further. In cotton textiles, as in other goods, it seems that traders are learning to live on smaller stocks than they believed possible.

Reasons for not buying are never scarce. One is the general belief that prices of raw cotton will continue to fall. Early in February, a few days after the yarn spinners' scheme was withdrawn, the American government announced an increase in the rate of subsidy on exports of raw cotton in the season beginning August 1st; and it has repeatedly stressed that the subsidy will be increased again if it is necessary to meet foreign competition. That explains why American cotton for delivery on the Liverpool futures market in December-January is quoted at only about 19d. a lb, which is about 4¼d. a lb below the theoretical cost of this cotton when the new subsidy takes effect. Spinners could make use of these forward discounts by basing forward sales of yarn on them—if only they could find buyers. Another reason given for the lack of business is that more mills are going to close, and buyers expect the unsold stocks of these mills to be offered at bargain prices. Both reasons would have less force if spinners and weavers generally were not carrying ample stocks. If buyers feel that they can obtain reasonably quick delivery, why should they run the risk of buying ahead?

SUPERSONIC AIRLINER

Prickly Nettle

NOW that the consortium of aircraft designers and government scientists set up two years ago has completed its study of the feasibility of building a supersonic airliner and has presented this to the Minister of Supply,

the report is likely to remain in his pending tray—at least until after the General Election. This is not the kind of project on which any government is going to take a snap decision. It raises issues almost as big, and a deal less clear-cut, than those surrounding the decision to build the Blue Streak rocket. Estimates that a large civil airliner flying at between two and three times the speed of sound could be developed in this country for £100 million appear somewhat optimistic; a more realistic figure might be £200 million, while preliminary estimates in the United States indicate that the cost there could exceed £350 million.

The report is said to be a favourable one, concluding, as similar American studies have done, that it is technically possible to put such an airliner on the drawing board using the knowledge and the materials now available, and to have it in service in about ten to twelve years' time. The Minister has now to decide whether the economic advantages of high speed justify the inevitably high cost of such a machine and if so, whether there is a case for arranging to produce supersonic civil aircraft in Britain. The economics of airline operations at such speed are still controversial: the arguments in favour rest on rather more than passengers' alleged preference for crossing the Atlantic in two to three hours rather than six to ten. It can be argued that the extra work done by the faster machine will more than compensate for its high construction cost and its avid appetite for fuel, so that it may in fact show a net saving over slower machines. Its advocates believe, however, that very high speeds, in the 1,500 to 2,000 mile an hour range, would be needed to show these savings: because of the time wasted in climbing to and coming down from supersonic cruising altitudes these advantages would also be confined to very long flights. Should this be the case, there will never be many of these machines required in service at one time. They would be in some ways analogous to the great Transatlantic liners, in carrying capacity and in numbers required:

Pakistan's Financial Reform

A special correspondent writes:

LATE last year the newly installed military government of General Ayub Khan invited two German financial experts to survey the whole field of Pakistan's ailing finances. The experts were Dr Wilhelm Vocke, the widely respected former president of the German central bank, and Herr Rolf Lüke, of the Berliner Handelsgesellschaft. Both men are unrepentant advocates of economic liberalism; and their report makes few concessions to expediency. The Pakistani government has already accepted and implemented a number of their recommendations, including some of those for reform of the foreign exchange system. It remains to be seen whether the radical pill is swallowed in full—and how it works in this eastern economy.

The central recommendation of the German experts is that the budget should be balanced. The first suggestion—already accepted—is to give the finance minister a veto against proposals for expenditure made in the Cabinet where funds are not available. Moreover, further recourse to short-term borrowing at the State Bank has been stopped; the experts suggested that it should be legally forbidden as long as the budget was unbalanced.

To achieve fiscal equilibrium, they say, the emphasis should be shifted from administrative and physical controls to a dynamic monetary and fiscal policy. The present administrative system, by lack of experience, efficiency and discipline, does not seem to them capable of running a system of physical controls. In the new approach, demand should be restricted in four main ways: (i) maximum economy in Government expenditure; (ii) higher taxation, mainly through new taxes in the agricultural sector—industry and trade should if anything have their very high tax burden reduced, to encourage production; (iii) promotion of savings; (iv) if necessary, credit controls. Price controls on both agricultural and industrial products should be abolished, and replaced by price incentives.

The reform most urgently needed has been in foreign exchanges, since a drain on the central reserves continued to the point at which they were inadequate to cover both outstanding commitments and immediate requirements. In order to establish equilibrium in the foreign exchange budget, the German experts suggest that all foreign exchange dealings should be centralised at the State Bank of Pakistan. Authorised foreign exchange dealers would thus daily have to sell all their intake of foreign exchange to the State Bank, and would be allocated foreign exchange by the State Bank according to a specified scheme.

UNDER this scheme, ten per cent of foreign exchange earnings are to be added to the central reserve of the State Bank; twenty per cent credited to an account available for general licences for imports issued under the export promotion scheme; and the balance of foreign exchange earnings divided between an account for Government imports and an account for private imports in the ratio of 40:30. Special import licences are to be issued only from this account, and according to official priorities. A bonus of 20-40 per cent of export proceeds should be given in the form of transferable general licences, available to bearer, valid for four months. Profits on exports should be exempted from all restrictions and export controls and export licences should be removed.

By putting the emphasis on an expansion of trade the German experts hope that a liberal export incentive scheme will induce exporters to make an all out effort. The most important object, however, is to provide a fool-proof system under which no commitments can be made without the resources being first assured for them.

When the government put the programme into effect in mid-January it exempted raw materials from the bonus scheme and did not publish its own programme for imports under the special licence scheme. Furthermore, controls on prices and profits were not abolished, with the result that importers were not much inclined to pay for general licences, because they were not allowed to include the price in their landing costs. The Government was reluctant to use the whole of the incoming foreign exchange in the new scheme because of outstanding commitments. The German experts had envisaged a complete fresh start, leaving the old commitments to be covered out of existing foreign exchange reserves, notwithstanding their further diminution. Pakistan's industry is running on an average of 30 per cent of its capacity, owing to lack of raw materials and spare parts. Further austerity might lead to stagnation.

The German experts do not claim that Pakistan could solve all its economic problems itself. Foreign aid is required and should be given, provided that Pakistan's own efforts represent an essential contribution. The experts came home with the impression that the new government is willing and able to provide such a contribution.

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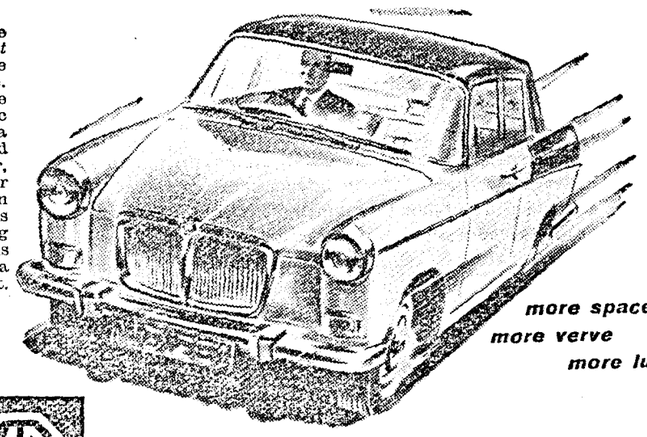
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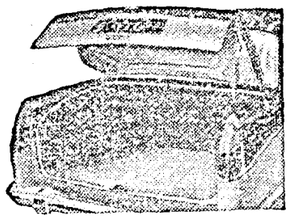
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It was created primarily to symbolize the spirit of teamwork that pervades all levels of the Taylor Woodrow organization, the enthusiasm and drive that so often completes contracts well ahead of meticulously planned and therefore very tight schedules. But it also symbolizes a new dynamic in building—that of bringing Taylor Woodrow into full collaboration with your consultants right from the start. This we call Tayplanning, which brings to your new project a degree of efficiency and speed obtainable in no other way.

TAYPLANNING saves time—a great deal of time. Design problems—which today are often construction problems too—can be studied by Taylor Woodrow specialists in the light of their world-wide experience of new and advanced construction techniques. The whole project is streamlined into a single, perfectly co-ordinated master-plan—to meet the standards all building owners require—highest quality construction, economy of design and execution and completion in the shortest possible time.

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government money, incidentally, went to help build the Queens, though the supersonic liners might require hundreds of times as much.

The question that the British government has to decide is whether the prospective market for such aircraft would be large enough to justify two production lines, one in this country and one in America. If a commercial market is justified at all, the American industry will certainly not allow it to become a British monopoly. Although it would be a serious disappointment to the British aircraft industry, it might be decided that this was the point at which to draw the line, and that taxpayers' money should not be used to finance such a venture, any more than it should be used to build intercontinental ballistic missiles of 5,000 mile range, or supersonic bombers of the same capability.

STOCK EXCHANGE JOBBERS

Putting Through

WHERE the market is narrow, as it can be for example in rubber and tea shares, the jobbing system may not work either smoothly or perfectly. The brokers in these shares then find it convenient to "marry" the buying and selling orders. The normal practice has been for such a deal to be "put through" a jobber at a very small turn for him. The growth of institutional investment had led to an increase in this method of dealings, which some jobbers find irksome. The stock exchange council, holding to its faith in the jobbing system and anxious to make the market as free and broad as possible, has now proposed a change in the rules governing these "put through" deals.

The proposed amendment adds up to little more than the codification of customary practice. The essential change is that the broker must consult the jobber about the put through price before attempting to marry the business outside the market; under the old rules, it was possible for the broker to marry the business before going to the jobber. The jobber now has the prior right to make a price for any portion of the broker's business but that right is subject to the important proviso that it cannot be exercised in such a way as to prevent the execution of the order on behalf of the client. That means, in effect, that where the client requires the buying or selling order to be executed as a single transaction in a block of shares, the jobber cannot insist on his right to execute part of the business. It is difficult to believe that the new rules will broaden the jobber's business to any great extent, but the new procedure will at least give him some foreknowledge of what is going on.

STEEL

Looking Ahead

BROADCASTING of one of its propaganda films on BBC television last week advertised to the public at large that the British steel industry is once again in the market for scrap; the market has indeed been reserved to it once again, in that the Board of Trade did not renew the licensing arrangements to export scrap steel when these came to an end at the beginning of March. Freedom to export iron and steel scrap thus lasted from September to March; during this period, the only one since the war in which merchants were allowed to sell overseas, about 400,000-500,000 tons was in fact sold abroad. The British Iron and Steel Federation has now arranged for central stocking of about 250,000 tons of shipbreaking scrap a year, and individual steelworks are to maintain their own stocks at least at present levels, which would mean buying at the rate they consume. The steel industry has itself been the economy's heaviest sufferer from the ability of its customers to run down their stocks; this is a reminder that for certain of its raw materials it has tended to do the same thing itself.

Last year the industry used just over a million tons of scrap, about 11 per cent less than the year before; since much of what it charges into its steel furnaces arises within its own works, the reduction must have borne much more heavily upon its purchases. This year it has given the scrap trade some degree of assurance about its forward buying policy. Many of the merchants who prefer the settled pattern of a confined home trade at an agreed home price do not object to renewal of the ban on exporting.

Attention to Practice

IN the Commons this week, Mr Maudling was asked about the inquiry made by the Iron and Steel Board into restrictive trade practices within the steel industry, and its discussions on the subject with the British Iron and Steel Federation. He replied that the board had reported upon this inquiry in its last annual report; it was continuing to discuss the matter with the federation, and would be mentioning these exchanges in its next annual report.

In that 1957 report, the board said it had inquired into agreements by which the maximum prices that it set as fair for steel products produced in Britain tended in fact to become minimum prices as well. It recorded its satisfaction with a form of words whereby the constituent conferences of the federation merely recommended that these official prices should be the prices charged with no sanctions whatever. This verbal formula, which to the Board seemed compatible with its duty to ensure that steel is supplied "under competitive conditions," has since been the subject of further attention inside the industry—and outside. Further refinements of phrasing and practice, to remove any remaining implication that the conferences in any way collectively fix the prices, have been discussed inside the industry. Neither the formula nor the facts of practice seem likely in any case to worry the Iron and Steel Board, which is not imbued with any strong belief that price competition is a good thing for a steel industry. But steelmakers have had reason to notice in the last few months that there are other authorities, besides the board, concerned with competitive conditions in British industries—and that these incidentally could be a little more inclined to act as the ghost of Adam Smith.

LINTANG INVESTMENTS

An Exceptional Case

THE opening of dealings in Lintang Investments drew the biggest crowd of dealers for very many years. Originally, of the issued capital of 6,300,000 shares of 5s. each, 1,575,000 shares were placed privately, some of them through the market, at 11s. 9d. each. The vendor was a reluctant seller and, presumably, got the best price he could from those who seemed likely to remain firm holders. But the number of shares available to the market was limited

and the issue, because of the almost magical quality of the names of Dolphin Square and Mr Maxwell Joseph, caught the investing public's fancy. The issue had received a lot of publicity and it was in a market, property shares, where speculative values and low yields are commonplace. Dealings began at 16s. and closed at 22s., which put a market valuation of about £6.5 million on a company with net assets, at book values, of about £3.2 million. That was a higher price than anyone seemed to have imagined it would be. Fortunately, the market was orderly and no scrum of brokers milled round the jobbers' stands. But that was so only because in response to bids from the dealers the vendors released more shares at prices then ruling in the market. Some of the investors with whom the shares had been placed also sold part of their holdings for a very quick profit and so too did some of the minority shareholders in Lintang (which was formerly the "shell" company, Bukit Lintang Rubber Estates).

The Lintang dealings have to be looked upon as the exceptional case, where investors got the bit between their teeth. It does not in itself add up to an indictment of the present system of bringing new issues to the market. The stock exchange council has already said it prefers placings, of which Lintang was one, to introductions, and offers for sale to either. But the offer for sale is expensive and is not attractive to the vendor who is willing to release only a small proportion of his holdings. And what would have happened if it had been used for the Lintang issue? Probably a ballot and hectic dealings when the market opened. Would that have been more equitable than the queue?

COFFEE

Latin America Buys Time

After falling for most of the past two years prices of Brazilian coffee, and the "mild" coffee grown in other Latin-American countries, have recently become steadier. Collective restriction of exports from these countries, which account for three-quarters of world production, is now holding prices up, instead of merely braking the fall. On the New York futures market the discount on the distant delivery months has narrowed, and mild coffee for September delivery, at 42½ cents a lb, has gained over 2 cents this month, while Brazilian coffee has risen by 1½ cents to 34 cents a lb. Prices of African robusta coffee have been buoyant. These coffees have enjoyed a growing demand, mainly for use in "instant" coffee, and prices have recently risen owing mainly to an apparent squeeze in marketings from Uganda. On the London futures market robusta coffee for three months' delivery is now quoted at about 233s. a cwt, 46s. more than at the beginning of this year. But robustas may be facing stiffer competition. The premium commanded by mild and Brazilian coffee has narrowed so much that these grades seem relatively cheap; and though robustas have won a rather special place in the trade, there is scope for substitution.

Latin-American coffee prices can probably be held at about the present level for some time. Stocks in most European countries and the United States are low; stocks in the United States at end-January totalled about 1,650,000 bags (of 132 lb), over a million bags smaller than in January last year. Consumption in the United States, which drinks nearly half the world's coffee, is rising, largely because retail prices are at the lowest level for almost ten years. But it is difficult to believe that prices can be maintained for very long. To hold supplies off the market solves nothing; it merely buys time. This season world production is estimated at a record 59 million bags, 5½ million more than last season. Assuming that consumption in the producing countries rises by about 250,000 bags to 8¾ million, and net exports rise by about 750,000 bags to 38½ million, the carry-over would still be 37 million bags, half as large again as the previous carry-over, and equal to roughly one year's exports. With new coffee plantings coming into bearing world production will continue to increase (though harvests could suffer from bad weather from time to time). Latin-American countries are so dependent on coffee that they must try to avert a collapse in prices. But their efforts so far have ignored the problem of curbing production.

FACTORIES

Flat or Not?

How far can factory design contribute to efficiency in production processes—as well as economy in initial cost? A new study by the Building Research Station, the first of a series looking at this general question, has just been published: the station has selected the relative operating costs of single and multi-storey factories for its first subject, at the suggestion of the Midland Regional Board for Industry.

The most outstanding general change in factory design over the last forty years has been the replacement of multi-storey by single-storey buildings, and this report asks whether the move may not have gone too far. Some 80-90 per cent of factories built in Britain since the war have been single storey. But about half the factory labour in Britain is still employed in industries that according to this report could use multi-storey factories, despite new factors such as flow-line production, modern handling equipment, electric power and the greater mobility of labour which have made the single-storey structure more attractive. Factories have been built outside towns, where the price per square foot of the site is relatively lower; previously they were built in town centres to be accessible to their workers. But the rising cost of land is again making the multi-storey design relatively more attractive, and there are further economies in building costs to count in. These increase with the size of the factory. In a factory of 50,000 square feet a single-storey design will have a wall and roof area of 70,000 square feet—if it is 200 feet by 250 feet in plan. A two-storey factory of 125 feet by 200 feet will have a site area of 55,000 square feet, some 20 per cent less. On a factory of 500,000 square feet the saving for a two-storey building will be some 40 per cent.

The factor that has most strongly influenced industry against the multi-storey factory has been the greater adaptability of the single-storey design to changes in requirements. There is less need to allow for the changes in production techniques that may come in the future; but foresight in this respect is important to the efficient design and use of both types of factory. But properly designed the multi-storey factory can have as long an economic life as its single-storey counterpart.

SYNTHETIC RUBBER

Polyisoprene in Production

A new and potentially strong competitor for natural rubber has appeared in the United States. Shell Chemical Corporation has announced that it will shortly begin commercial production of polyisoprene, from which the United States Rubber Company will manufacture heavy truck tyres and other items formerly made solely of natural rubber. Although several companies have experimented with this form of synthetic in recent years, it has not been produced commercially before, and its price has been higher than that of natural rubber. Shell now announces that it has developed a production process which will enable it to offer the synthetic material for 30 cents a pound, roughly the same price as the comparable grades of natural rubber. Shell's output is expected to reach 15-20,000 tons a year in the near future; and Firestone have also announced that they will build a plant capable of making up to 30,000 tons a year of polyisoprene and another synthetic.

Although the use of synthetic rubber has greatly increased in recent years, natural rubber has held its own for many uses, owing to its superior physical properties. The commonest synthetic, GR-S or styrene-butadiene rubber (of which about 75,000 tons a year is now being made in Britain by International Synthetic Rubber) is superior to the natural product for passenger car tyres, but is not suitable for uses, such as large truck tyres, where large loads must be carried. Polyisoprene, on the other hand, is claimed to have exactly the same properties as natural rubber, and hence can compete with it in these uses, where synthetics have hitherto been unusable.

In the United States—where the ratio of passenger cars to trucks is higher than in Britain—synthetic rubber constitutes about two-thirds of all rubber consumption; it accounts for about one-fourth of a much smaller total consumption here. There are no plans at present to produce polyisoprene in Britain; isoprene is a much more expensive petroleum derivative than butadiene and styrene, and polyisoprene cannot be made at plants making GR-S. Its appearance in commercial quantities may, however, eventually have a considerable effect on the price of natural rubber.

LOCOMOTIVES

Capacity for Diesels

Home demand for diesel locomotives has risen sharply in the last few years with the British Railways re-equipment programme, but a fall in export sales which has coincided with it has made expansion of existing manufacturers' capacity unnecessary. But at least one new manufacturer has entered the field since the war; Birmingham Railway Carriage and Wagon, formerly a rolling stock manufacturer, now builds diesel-electrics. Capital investment has gone more into the conversion of works from steam to diesel production than their expansion. When the Transport Commission placed an order for 69 diesels in January it was explained that this further order was being given because the industry had stated that it had spare capacity and could therefore give delivery of 49 of these engines during 1959. Another 226 more engines were ordered in February and some of these, too, are to be delivered during 1959. Clearly the industry is not overloaded by this British re-equipment programme.

Of the 881 engines ordered 120 have now been delivered, and 294 of the remainder are being built in British Railways' workshops. There may be only about 400 to come from private companies on present orders; and the last of these are due for delivery before December, 1961. The peak rate of delivery from private companies is unlikely to exceed 275 at its peak this year, and will soon fall below this.

With five companies contributing to the programme it also seems unlikely that any single company will be overburdened with work. Of the different companies, English Electric received orders for 174 locomotives, North British for 164, Birmingham Railway Carriage and Wagon for 112, Brush for 80, Metropolitan-Vickers for 20, British Thomson-Houston for 37, and the British Railways' workshops for 294. The problem that will eventually face this industry is what to do with its existing and long-established production capacity when the railway re-equipment programme slows down to a replacement rate, than how to expand its capacity to meet present home requirements. Unless export demand revives—and makers hope it will do as they demonstrate their ability to build diesels in quantities, and perhaps if they manage to lower their production costs with their larger scale of production—surplus capacity seems bound to appear.

SHORTER NOTES

Raw sugar on the "free" world market continues to sag. The Cuban spot price fell this week to 3.03 cents a lb; it was 3.09 cents at the beginning of the month.

* * *

A protective committee has been formed in London to co-operate with similar bodies already formed in New York and Zurich to safeguard the rights and interests of preference shareholders in the Deutsche Golddiskontbank, which is in the process of being wound up.

* * *

Treasury consent is now needed for all issues of redeemable shares capitalising profits or reserves. Bonus issues of this type, which are usually designed to avoid tax by converting income to capital, have hitherto been subject to control only where they exceed £50,000.

COMPANY AFFAIRS

Comments on pages 1120, 1121 and 1124 on

P & O	Hulton Press	Peachey Property
Liebig's	Swan Hunter	Savoy Hotel
Gorringe	A. W. Gamage	Bradford Dyers
Great Portland Estates		United States Steel
International Nickel		Du Pont de Nemours
	John Lewis Partnership	

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 1122 and 1123

LONDON STOCK EXCHANGE

The week's movements reported on page 1124

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1125

BOD 300 OOD 17591.

letter of intent received by Fairey from the American company is for five machines with an option on a further 15. This is a long way from a firm order even though it includes a down payment, but it would be sufficient, combined with a BEA order for another 20, plus two for the Canadian company, to justify Fairey in tooling up to produce Rotodynes. Everything depends on whether Lord Douglas is prepared to commit BEA during the next few weeks to spending £10 million on 20 machines that could make or break his airline. Fairey has made it plain that it will be able to keep its design teams together for only another few weeks at most.

AIR NAVIGATION

The Next Move

THE next move in the now deeply embittered dispute over competing British and American systems of air navigation will not take place for some time. The meeting held in Montreal at the beginning of the month by the International Civil Aviation Organisation, at which the British proposal to use the Decca system as the standard navigation aid in Western Europe was resoundingly defeated, was a purely technical one, with no authority to do more than circulate its recommendations to ICAO's 73 member states for their comment. It is not likely that those comments will lead the committee to alter its views in favour of the American VORDME system of navigation, which UK air navigation experts consider inadequate for safe traffic control in crowded areas. But the last word rests not with the technical committees but with the ICAO council on which 21 states are represented and from which the report needs to get a two-thirds majority before the American system is approved as the international standard navigation aid for the next decade.

Four of the member states on the council have already voted against the VOR system on the technical committee. It might be more practicable for UK delegates to organise sufficient opposition to get the report rejected in this relatively compact meeting, which consists of countries with highly developed air transport systems than it was at the bigger meeting held in Montreal. But even if it could thus prevent acceptance of the American system, this would contribute nothing towards easing the near-chaos with which air traffic over Europe is threatened. Any decision on future methods of air navigation, even a bad one, would be better than the present uncertainty.

RAW WOOL

Consumption Revives

THE modest recovery in wool prices this year now seems to be firmly based on a revival of world consumption. In the third quarter of 1958 the rate of consumption of new wool in ten leading countries was slightly higher than in the previous quarter, though still nine per cent lower than in the third quarter of 1957. Figures now published by the Commonwealth Economic Committee show that in the fourth quarter, the rate of consumption was again a little higher than in the previous quarter; of the six largest countries covered, only France showed no rise. And for the first time since the recession began, consumption was actually higher—by 1½ per cent—than in the same quarter a year ago. For the whole of 1958 consumption in the ten countries fell by 11 per cent compared with 1957.

The recession hit wool growers hard. In the first seven months (July to January) of this season Australia, the largest producer, sold the same quantity as in the corresponding period of last season, but its receipts dropped sharply by 31 per cent to £117½ million. New Zealand, which produces mainly crossbred wool, sold 7½ per cent more wool than in the same period of last season, and its receipts dropped by 21 per cent to £28.9 million. Crossbreds did not fall as sharply as merino wools, thanks mainly to the New Zealand support scheme. A further recovery in prices this season can be expected, though it can hardly wipe out the earlier decline. Wool's troubles, it now seems clear, were caused mainly by a reduction in trade and manufacturing stocks, not by any fall in purchases by the public.

DATAC

Auction in Subsidies

ON the same day that Mr Douglas Jay published a pamphlet proposing the scheduling of a number of new development areas and the building of factories by the Government in advance of arranging tenants for them in certain "development places," the Government announced that it was adding five places (in Lancashire, Scotland, and County Durham) to its list of areas qualifying for special financial assistance to industry under last year's Act. The towns where Mr Jay wants "advance factories" built and those where the Government is adding to its list include a high proportion of marginal constituencies; this is not the only similarity between what Mr Jay would like the Government to do and what it says it is trying to. His proposals, made after visiting a number of the places in the kingdom where unemployment is particularly high, also include:

> resumption throughout the development areas of factory building by the industrial estate companies with finance from the Board of Trade, and lifting of the ban on "schemes not able to be completed by October 31st this year";
> grants to local authorities in the newly listed places as well as in the actual development areas to improve basic services and tidy up derelict areas;
> larger rent concessions in offering industrialists Government-financed factories in these areas; and
> more effective use of the "machinery for ensuring that unemployment areas get reasonable preference in Government contracts, and in work placed by publicly owned industries."

Within the context of this policy of making work seek the worker, which both political parties accept, some of Mr Jay's detailed complaints about slackness in the policy for development areas and muddle in the application of the much more limited financial assistance available to the areas listed under last year's Act appear reasonable. But he has to strain fairly hard to make the broad policy he has in mind look very different from the one that he is attacking. How, for example, does one use industrial development certificates "more toughly" to steer companies wanting to build new factories away from congested areas that are already short of labour; instead of saying "No," should the Board of Trade say "No, damn you"?

Nor does Mr Jay address himself squarely to the industrial

weaknesses that may be created by this whole policy, carried too far. He says:

> Repeated experience since the war has shown that the great majority of industrial expansions (*sic*) can be economically placed in one or another or many locations, particularly in the light engineering and textile trades.

There is something in this; but would he apply it, for example, to the steel developments of which political considerations have settled the location during the last few months? The location of industry may often not matter much. Even so, Britain now has to compete with a Common Market in which, over the next few years, Continental industries should at least have the chance to gain advantages from more specialisation and better location. Both parties propose to do so by bigger and better State subsidies for the mislocation of new British industry.

NUCLEAR SUBMARINES

Making a Start

PLANS for a small British fleet of nuclear submarines have been shelved for the best part of three years while Britain and the United States have been trying to reach agreement over the terms on which American know-how would be made available to this country. Just why the negotiations have taken so long is not clear. A final agreement between the two manufacturers involved, Rolls-Royce in this country and Westinghouse in America, was completed only this month. Under it, a complete American-built reactor together with its fuel and propulsion machinery will be supplied for the hull of the Navy's first nuclear submarine, the Dreadnought. This is according to plan since the Ministry of Defence has a marked preference for British, as against American, underwater detection machinery: this ruled out buying a complete submarine from the United States.

By this agreement, Rolls-Royce engineers will be trained by Westinghouse in the design of the pressurised water reactors used for submarines, a type not developed in this country. With this training, Rolls-Royce will then build an anglicised version of the American reactor under licence from Westinghouse, on a site already prepared at Dounreay; when this has been proved, it will be able to start routine production of submarine reactors as and when the Navy wants them. The company will thus become the only organisation in Britain with direct experience of pressurised water reactors. The financial arrangements governing the exchange of information with Westinghouse have not been revealed.

Britain in the New Wheat Scheme

AGREEMENT has been reached in Geneva for a new international wheat scheme to start on August 1st and run for three years. All exporting countries are expected to join with the major exception of Russia. Among importers the big change is that Britain, the largest importing country, intends to join after an absence of six years. The new scheme is broader than the expiring one, and the means of protecting the interests of exporters and importers are more effective and simpler in conception, though in certain circumstances less simple in execution. In the old scheme, neither side has been under any obligation to buy or sell while wheat prices kept within the agreed margins. Only at the maximum price could exporters be obliged to sell a fixed quantity and only at the minimum price were importers obliged to buy the same fixed quantities.

The guaranteed percentages: The new scheme rejects fixed quantities and the "put" and "call" for them. Instead, importing countries undertake each year to buy from exporting members, as long as the market price is below the maximum, not less than a given percentage of their total commercial imports; the exporters collectively undertake to supply *all* their commercial requirements. When prices are declared to be at the maximum the exporters' obligation broadly continues, but the importers' obligation lapses. If one or more exporting countries are declared to be at the maximum price while others are not, importers obtain a partial release from their obligations.

Under the new agreement Britain has offered to buy not less than 80 per cent (roughly 4 million tons) of its total imports from exporting members; as Britain normally buys almost all its wheat from them the risk that the Government might have to compel the trade to fulfil this guarantee is remote. Some importers have guaranteed more than 80 per cent, some less. Japan guarantees only 50 per cent, possibly to indicate its dissatisfaction with the failure to lower the minimum price. This is to be kept at 150 Canadian cents a bushel for the standard grade, No. 1 Northern Manitoba wheat, ex-Fort William, though the maximum has been cut from 200 to 190 cents a bushel. If a member considers that its interests are being prejudiced, for example by price policies, and cannot obtain satisfaction from the wheat council, it can withdraw from the scheme at the end of the crop year.

Disposal of surpluses: Wheat bought on concessional terms, such as India's large purchases from the United States under public law 480, is not included in the guaranteed percentages, but must be reported to the council. Such transactions can be considered at its regular meetings, or at the annual review that the council must make of national production policies, stocks, prices and trade, the disposal of surpluses and methods of increasing consumption. As now, members retain full liberty to determine their internal agricultural and price policies. In disposing of surpluses, members must inform the council of measures taken to comply with three principles:

1. Wherever possible surpluses should be disposed of by efforts to increase consumption;
2. Disposal should be made in an orderly manner; and
3. Concessional sales should not harm normal patterns of production and international commercial trade.

"Confrontation" the test: The new scheme thus meets British criticisms, and Britain returns to the club. It thereby lives up to its undertaking, reaffirmed at the Commonwealth conference in Montreal last September, to consider on their merits international schemes to stabilise commodity prices. The decision will please Canada and Australia particularly, and costs Britain nothing. Indeed it can be argued that in the new scheme the balance of advantage is tilted somewhat in favour of large importers, such as Britain, whose import needs do not change much from year to year. But the important thing is that the new agreement provides an oportunity for tackling internationally the problems of wheat through the forum of the council. The test will come in the annual review of national policies—the famous OEEC policy of "confrontation." Until then, judgment on the crux of the new scheme must be deferred.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in Hong Kong with limited liability.)

REPORT OF THE DIRECTORS PRESENTED TO THE MEMBERS AT THE ORDINARY YEARLY GENERAL MEETING HELD AT THE HEAD OFFICE, HONG KONG, ON FRIDAY 13th MARCH, 1959.

The Directors have pleasure in submitting the Balance Sheet at 31st December, 1958, together with the Profit and Loss Account for the year ended at that date.

	Hong Kong Dollars
The Profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which provision for diminution in value of assets has been made, amounts to	$23,466,050
To this must be added the undistributed profit brought forward from the previous year	2,062,463
	$25,528,513
An Interim Dividend of £1 2s. 6d. per share on 400,000 shares was paid on 11th August, 1958, amounting to £450,000 at 1/2 - 13/16.	7,291,139
leaving a balance available for distribution of	$18,237,374
This balance the Directors recommend be appropriated as follows:—	
Amount to be written off Bank Premises	$4,000,000
A Final Dividend of £1 17s. 6d. per share on 400,000 shares, £750,000 at 1/2 - 13/16	12,151,899
	16,151,899
leaving a balance to be carried forward to next year of	$ 2,085,475

The above appropriations have been incorporated in the Accounts.

DIRECTORS.—During the year, Mr C. Baker, MC, ED, resigned his seat and Mr S. J. Cooke joined the Board.

Mr B. T. Flanagan The Hon H. D. M. Barton MBE, and Mr R. J. Sheppard retire by rotation, but, being eligible, offer themselves for re-election.

AUDITORS.—The Accounts have been audited by Messrs Peat, Marwick, Mitchell & Co. and Messrs Lowe, Bingham & Matthews, who are eligible for re-appointment.

By Order of the Board,

Hong Kong, 27th February, 1959. MICHAEL W. TURNER, Chairman.

BALANCE SHEET AT 31st DECEMBER, 1958

	Hong Kong Dollars	Sterling Equivalent
SHARE CAPITAL:		
Authorised and Issued—		
400,000 Shares of HK$125 each, fully paid	$50,000,000	£3,125,000
RESERVE FUND	128,000,000	8,000,000
PROFIT AND LOSS ACCOUNT	2,085,475	130,342
	$180,085,475	£11,255,342
HONG KONG CURRENCY NOTES IN CIRCULATION:		
Authorised Note Issue $30,000,000		
Excess Note Issue 677,742,000	707,742,000	44,233,875
CURRENT, DEPOSIT AND OTHER ACCOUNTS, including Reserves and Provisions for Contingencies and Taxation	$2,726,272,937	
AMOUNTS DUE TO SUBSIDIARY COMPANIES	403,031	
ACCEPTANCES ON BEHALF OF CUSTOMERS	16,455,003	
PROPOSED FINAL DIVIDEND in respect of the year ended 31st December, 1958	12,151,899	
	2,755,287,865	172,205,492
	$3,643,115,340	£227,694,709

NOTES:—

1. Contingent Credits, Guarantees and Engagements amount to HK$39,975,868 (HK$438,185,440 in addition to which there are commitments in respect of outstanding Forward Exchange Contracts.
2. Foreign Currency Balances have been converted into Hong Kong Dollars at approximately the rates ruling at 31st December, 1958. The sterling equivalents of the figures shown in the above Balance Sheet have been converted at the rate of HK$1=1/3.
3. Investments having a market value of HK$32,559,904 are deposited with The Crown Agents to cover the liability in respect of the Authorised Note Issue.
4. At 31st December, 1958, the Bank had offered to purchase the 2,580,681 issued shares of the Mercantile Bank Limited not already owned by them, on the basis of one new Bank share for every 20 Mercantile Bank Limited shares or for 44s. per share in cash.

MICHAEL W. TURNER, Chief Manager.
P. F. HUTTON, Chief Accountant.

	Hong Kong Dollars	Sterling Equivalent
CASH IN HAND AND BALANCES WITH OTHER BANKS	$274,571,048	£17,160,691
MONEY AT CALL AND SHORT NOTICE	264,903,923	16,556,808
BRITISH AND OTHER GOVERNMENT TREASURY BILLS	431,811,809	26,988,238
TRADE BILLS DISCOUNTED	437,281,274	27,330,080
HONG KONG GOVERNMENT CERTIFICATES OF INDEBTEDNESS issued in respect of funds deposited as security for the Excess Note Issue	677,883,047	42,367,690
INVESTMENTS, at under market values:		
British, Colonial and Other Government Securities:		
Quoted in Great Britain $229,500,000		
Quoted outside Great Britain 130,650,000		
Other Investments:		
Quoted in Great Britain 35,020,235		
Quoted outside Great Britain 13,764,037	408,934,272	25,558,392
ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS, less Provision for Bad and Doubtful Debts	1,096,013,621	68,500,851
AMOUNTS DUE BY SUBSIDIARY COMPANIES	2,872,392	179,524
LIABILITIES OF CUSTOMERS FOR ACCEPTANCES, per contra	16,455,003	1,028,438
	$3,610,731,394	£225,670,712
FIXED ASSETS:		
Investments in Subsidiary Companies, at cost $12,837,159		
Investment in Associated Company, at cost 2,003,499		
Bank Premises at cost, less amounts written off 17,543,283	32,383,946	2,023,997
	$3,643,115,340	£227,694,709

B. T. FLANAGAN
H. D. M. BARTON } Directors.
R. J. SHEPPARD

REPORT OF THE AUDITORS TO THE MEMBERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION

We have examined the above Balance Sheet with the books of the Corporation kept in Hong Kong, with the audited Accounts of the London Office and with the Returns received from the other Offices. We have obtained all the information and explanations we have required for the purposes of our examination. The above Balance Sheet gives the information required by the United Kingdom Companies Act, 1948, in the manner prescribed for a Banking Company and on that basis, in our opinion, is a full and fair Balance Sheet properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs at 31st December, 1958, according to the best of our information and the explanations given to us and as shown by the books kept in Hong Kong and the Returns received from the other Offices.

Hong Kong, 27th February, 1959.

PEAT, MARWICK, MITCHELL & CO. } *Chartered Accountants,*
LOWE, BINGHAM & MATTHEWS } *Auditors.*

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1958

	Hong Kong Dollars		Hong Kong Dollars
Amount to be written off Bank Premises		Balance brought forward from 31st December, 1957	$2,062,463
	$4,000,000	*Less:* Amount transferred to Reserve Fund	—
Interim Dividend of £1 2s. 6d. per share on 400,000 shares paid 11th August, 1958, £450,000 at 1/2-13/16	$7,291,139		$2,062,463
Proposed Final Dividend of £1 17s. 6d. per share on 400,000 shares, £750,000 at 1/2-13/16	12,151,899	Profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which provision for diminution in value of assets has been made	23,466,050
	19,443,038		
Balance carried forward to next year	2,085,475		
	$25,528,513		$25,528,513

Special Administrative Expenses, including Chief Manager's emoluments, Directors' Fees and London Committee Fees amounted to HK$1,099,536 (HK$972,221).

continued overleaf

THE HONGKONG AND SHANGHAI BANKING CORPORATION—*continued*

STATEMENT IN CONNECTION WITH SUBSIDIARY COMPANIES

1. The Investments in Subsidiary Companies appearing in the annexed Balance Sheet represent 14,975 Shares of the Capital Stock of The Hongkong and Shanghai Banking Corporation of California and the whole of the Issued Share capital of three Trustee Companies and four Nominee Companies. The Balance Sheet of The Hongkong and Shanghai Banking Corporation of California at 31st December, 1958, is annexed. The Accounts of the three Trustee Companies and the four Nominee Companies have not been submitted as the Directors are of the opinion that such Accounts would be of no real value to the members of the Bank.
2. No part of the profits earned by the Subsidiary Companies has been dealt with in the Accounts of the Bank. The net aggregate amounts of the Subsidiaries' profits, after deducting the Subsidiaries' losses, so far as they concern the Bank, are as follows:—

	Hong Kong Dollars
(i) For the year ended 31st December, 1958	$162,232
(ii) For previous financial years	472,309
	$634,541

THE HONGKONG AND SHANGHAI BANKING CORPORATION OF CALIFORNIA

(Incorporated in the State of California with limited liability.)

BALANCE SHEET AT 31st DECEMBER, 1958

CAPITAL AND SURPLUS:			CASH ON HAND AND BALANCES WITH OTHER BANKS	US$3,353,907
Capital Stock, par value $100 per share, authorised and issued, 15,000 shares		US$1,500,000	BILLS AND ACCEPTANCES RECEIVABLE:	
Surplus, paid in by stockholders		375,000	US Government Treasury Bills	US$3,725,174
Undivided Profits as at 31st December, 1957	US$16,341		Trade Bills and Acceptances	1,618,337
Profit for the year 1958	26,748			5,343,511
		43,089	ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS	6,865,069
		US$1,918,089	UNITED STATES GOVERNMENT SECURITIES (of which $1,160,000 par value pledged as security for deposit of public funds), at approximate market value	1,169,216
DEPOSITS:			LIABILITIES OF CUSTOMERS FOR LETTERS OF CREDIT AND ACCEPTANCES, *per contra*	1,674,108
Demand, commercial and due to Banks	7,036,335			
Time and savings	6,278,254			
Public funds	708,320			
	14,022,909			
The Hongkong and Shanghai Banking Corporation	639,069			
		14,661,978		
ACCRUED TAXES AND SUNDRY PAYABLES		151,636		
LETTERS OF CREDIT AND ACCEPTANCES ON BEHALF OF CUSTOMERS		1,674,108		
		US$18,405,811		US$18,405,811

MICHAEL W. TURNER, Chairman of the Board. S. J. H. FOX, President.
R. M. ROCHE, Treasurer.

ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION OF CALIFORNIA

We have examined the Balance Sheet of The Hongkong and Shanghai Banking Corporation of California as of December 31, 1958. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Our confirmation of the principal assets and liabilities was made as of November 28, 1958, with subsequent review and selective verifications as of December 31, 1958.

In our opinion, the accompanying Balance Sheet presents fairly the financial position of The Hongkong and Shanghai Banking Corporation of California at December 31, 1958, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

San Francisco, California. PEAT, MARWICK, MITCHELL & CO., *Certified Public Accountants.*
February 5, 1959.

Continued from page 1103

and not only did the entrepot trade fall off but the movement of population tended to be virtually a one way traffic. Under such circumstances some other kind of economic activity had to be developed to take the place of the dwindling entrepot trade with China and to give employment to the growing number of immigrants. This took the form of the establishment of light industries, many of which have been most successful, and of these the cotton spinning industry is the largest and has made the greatest impact on world markets. If conditions to-day are looked at from this historical background I think that on the whole the record is one of which we may be justifiably proud. That does not mean that everything is perfect or that labour conditions in all cases are what they should be, but steps have already been taken to improve these, and I do think it is fair to ask that criticism of Hong Kong should be tinged with a sense of realism and appreciation of what is possible under the circumstances as they exist. The reports of the members of the Parliamentary delegation, which we were very pleased to see here in the autumn, were an example which might well be followed by others.

The rising volume of exports of cotton textiles to the United Kingdom and the growing pressure from the Lancashire cotton industry for the fixing of a ceiling have been the main causes of the publicity which Hong Kong has recently received. Negotiations in the past failed to make much headway, but in September a delegation from the United Kingdom Cotton Board visited the Colony and had discussions with a special committee set up to negotiate on behalf of the local industry. This time it was found possible to reach agreement and a ceiling of one hundred and fifteen million square yards per annum of exports of cotton piece goods to the United Kingdom for retention there was laid down for a period of three years; and the Hong Kong government agreed to set up the necessary administrative machinery, to ensure that the limit was adhered to. It was hardly to be expected that this compromise would be received with enthusiasm by either side but I hope that it will give a little breathing space, which will enable this question to be considered in the future rather more objectively than has been the case in the past. I should like to pay tribute to the tact and patience displayed by the members of the Hong Kong negotiating committee, which had considerable difficulties to overcome locally in reconciling the different points of view of the various interests involved. It is satisfactory that the Minister of State at the Board of Trade recently stated in the House of Commons that it was not their intention to sponsor similar arrangements in respect of other exports from Hong Kong.

With conditions not so favourable in neighbouring territories it is not surprising that general economic activity in the Colony showed some signs of slackening off, but the general level still remains satisfactory. Building continues on a considerable scale and it is estimated that fifty per cent of all domestic accommodation in the urban area is now of postwar construction. The need to provide low priced housing remains as urgent as ever and, in spite of all that has been done, the government consider that the number of squatters now remaining is at least as great as the number which have been settled. The complaints that have been received from various countries with regard to competition from Hong Kong products have focused emphasis on the need for diversification of local industry. There is, I think, a certain justification in this criticism but it is perhaps not surprising that private capital should tend to concentrate on the production of the well tried and easily saleable article.

HONG KONG'S TRADE

Hong Kong's trade in 1958 showed a decrease in value of about seven per cent compared with the previous year mainly due to a fall in imports as exports remained at about the same level. Total trade amounted to HK$7,600 million with imports at HK$4,600 million and exports at HK$3,000 million. China continued to be the Colony's largest supplier and imports from this country increased by about one quarter with most other areas showing reductions, in particular Japan and the United Kingdom. Exports to Japan and Indonesia showed a drop but this was made up by higher purchases by the United States and the United Kingdom. The balance of trade with the last mentioned countries, however, still remains unfavourable to Hong Kong.

Exports of Hong Kong products showed a rise of about five per cent over last year's figure. The United Kingdom continued to be the best customer with the United States in second place, and the increases to these countries more than covered the drop in exports to Asian territories particularly Indonesia. Nearly five hundred new factories were registered during the year, a rise of about one third compared to 1957.

Business on the Stock Exchange showed a slight increase over last year but the volume is still not very large and there is no sign of a return to the more active conditions of some years ago.

Land values tended to decline during the year and it looks as if the demand, which

has been so strong in recent years, is now less active.

For the first time for some years the total bank clearings showed a decrease over the previous year's figure and were at about the same level as in 1956.

FINANCES OF HONG KONG

The financial position of the Colony continues to show the steady improvement which has been such a feature of recent years. For the current year a surplus of at least HK$40 million is now expected, as not only was revenue buoyant, but once again expenditure on non-recurrent public works was considerably lower than was expected. In fact this is the twelfth consecutive year in which there has been a surplus and revenue is now double what it was seven years ago, although there has been no major change in taxation. Since the war all expenditure, recurrent and capital, has been financed out of revenue, apart from a public loan of HK$50 million floated in 1948 and a loan from the United Kingdom towards the cost of the new airport.

For the financial year 1959-60 revenue is expected to remain at about the same level but the estimated expenditure shows a substantial increase, which will produce a deficit of nearly HK$90 million. The Financial Secretary considers it more likely this year that the money voted will in fact be spent, but, even if this should turn out to be the case, it is perhaps not surprising that apart from a few minor adjustments there is no increase in taxation.

CHINA

China has been engaged during the past year on what is described as "the great leap forward" and figures issued by the official agencies show a tremendous increase in industrial and agricultural production. Much statistical information is now published at frequent intervals which shows that in practically every field of production targets have been surpassed, while reports from various parts of the country describe the numerous projects such as reservoirs, irrigation work and railroad construction which have been completed or are under way. Rural society, already transformed by the merging of small units into co-operative farms, experienced an even more radical change by the organisation of the people's communes. Built on the basic rural administrative area, comprising about 30,000 people, the establishment of the commune results in the whole activity of a district, agricultural, industrial, cultural and military, being under central control, while communal nurseries and dining rooms enable the women to work as hard as the men. This movement, which was started in Honan province in April, spread rapidly throughout the country and was given added impetus by the military activity in the Formosan Straits. It is reported that by the end of the year "more than 99 per cent of China's peasant households" have joined. Complementary to this policy was the development of rural industry. Small production units, many of the cottage type, were set up in all districts, and in villages and towns rapidly constructed blast furnaces turned out pig iron as a first step in the drive for more steel. Output of coal is reported to have increased by over 50 per cent, much of it mined by hand, and numerous public works are being completed at a surprising speed by manual labour with few mechanical aids.

The above are a few of the main features relating to China's development which have been continually stressed in their own periodicals and until December there was no hint that there would be any turning back. In fact communes were to be introduced at any early date in the cities, and this was to be the final stage in the transformation from Socialism to Communism when wages and private ownership would disappear. A resolution of the Central Committee of the Communist party published towards the end of the year, however, made it clear that the pace could not be forced and that they "should not be in a hurry to set up people's communes on a large scale in the cities." The resolution went on to warn against "any premature attempt to negate the principle of 'to each according to his work' and replace it with the principle of 'to each according to his needs'." In conclusion the various committees were urged to make use of the winter months "to carry out an overall and thorough inspection." Reports of increased rationing of foodstuffs and the difficulty of the export corporations in fulfilling their contracts abroad are further evidence of strain, but production targets published for 1959 make no allowance for this and are about a third higher than 1958.

Even if one is not prepared to accept all their claims at their face value, and it is only necessary to study the Chinese press to find mention of inaccurate statistical reports from the countryside, there is no doubt that there has been considerable progress in practically every field and industrial production has shown a marked increase. These achievements have only been possible due to a high degree of central direction of effort, which has laid particular emphasis on speed, but the transport system in the country has been severely strained and distribution has inevitably suffered. What will probably be more surprising to shareholders, who are acquainted with China, is that labour has been found to be insufficient and the establishment of the communes was no doubt aimed at increasing the supply, particularly of female labour. It is clear, however, that the attempt to introduce this radical change in the countryside, to increase crops by deep ploughing, to operate small blast furnaces in the villages and to improve rural irrigation—all at the same time—has proved more than the economy can bear. In spite of this setback it cannot be denied that what has already been achieved is a challenge to other countries in Asia. How fast it will be possible to continue the process without serious dislocation is not so easy to predict.

The recently signed trade agreement with Soviet Russia which will provide for the construction over the next few years of seventy-eight large enterprises covering metal, chemical, coal and oil installations makes it clear that there is to be no turning back on the road to greater industrialisation. British trade with China during the first eleven months of the year showed considerable improvement with exports more than double the previous year's figure and imports up by one third. An interesting development has been the entry of China into the shipping market where, taking advantage of the low prices ruling during the year—partly by charter and partly by purchase—a considerable volume of tonnage has been acquired.

JAPAN

Few countries are more directly concerned than Japan with the emergence of China as an industrial power, as the Chinese mainland is Japan's most natural source for industrial raw materials and the competition from Chinese manufactured goods in South East Asian markets is a threat to her export trade which seems likely to grow in intensity. Private discussions took place in the early part of the year, with the object of concluding a trade agreement between the two countries, and at one time it looked as if these would be successful. When it became clear, however, that diplomatic representation would not be granted to a Chinese trade delegation in Japan negotiations were broken off and direct trade between the two countries virtually ceased. This was a considerable blow to Japan's economy, particularly in the Osaka area, at a time when purchasing power in some of her markets in South East Asia was falling off. It has recently been announced that there is a possibility of negotiations being resumed but there is likely to be some hard bargaining before agreement is reached.

The elections in May resulted in the return of the Liberal-Democratic Party with Mr Kishi in particular considerably strengthening his position. He was thus able to form a new Cabinet in which it was claimed that factional differences were considerably reduced, with only the Foreign Minister remaining from his previous team. The course of the new administration seemed to be set to fair until in October the Police Duties Law Revision Bill was introduced which was greeted with a considerable degree of opposition. There is no doubt that since the war the police have been severely handicapped in their efforts to deal with demonstrators, as at present they are prohibited from taking preventive action. The new Bill would have greatly increased their powers and permitted them to act both in private premises and public places if there was a clear and present danger of public disorder. These proposals were strongly opposed by both the Socialist Party and a great part of the public as well and the Prime Minister in November finally bowed before the storm and agreed to shelve the Bill. Although it would be unwise to attach too great significance to these developments there is no doubt that public opinion made its influence felt as never before and was the deciding factor in the course which events took. Three members of the Cabinet have since resigned, and although Mr Kishi was recently re-elected president of the party for a further term, the strength of the opposition has weakened his position and it is clear that the factional strife, which has for so long prevented the taking of decisive action on controversial matters, will continue to be as active as ever.

In November the engagement of the Crown Prince was announced and the marriage is expected to take place in April. Traditionally the wife of the heir to the throne has been selected from one of the half dozen families closely associated with the throne and the Crown Prince's choice of a commoner is another sign of the slowly changing pattern in this basically conservative country.

The economic measures taken in 1957 to curb the boom, which was threatening the balance of payments, were successful in their immediate objective and the foreign exchange reserves at the end of the year were US$861 million, a rise of US$337 million during the year in spite of a repayment of US$125 million to the International Monetary Fund. Industrial production however declined and, although the drop in the value of commodities benefited Japan's terms of trade, the main cause of the improvement in the balance of payments was a reduction in imports particularly of industrial raw materials. Imports in fact fell by about one third while exports maintained the same level as in 1957 and were unable to show the steady growth of previous years. Statistics relating to unemployment in Japan are somewhat unreliable, as in a great many cases workers become underemployed rather than being put out of work altogether, but the increase in unemployment must I think have been quite considerable. On the whole the deflationary policy would seem to have been successful and has resulted in a more healthy balance between supply and demand. Advances by the Bank of Japan to the banking system for example have registered a sharp drop.

From October onwards there have been various signs that business is picking up. Wholesale prices, the production index and exports all started to rise while letters of credit opened during the last quarter for imports showed an increase of 20 per cent over the third quarter. The outlook for iron and steel and shipbuilding is much brighter but the textile and fertiliser industries still remain somewhat depressed. Whether this general improvement will be maintained remains to be seen but the upward trend in demand from Europe and the United States should begin to make its influence felt; while China in recent months has been less active in her sales in south east Asian markets, a factor which should benefit Japan even if it may be only temporary. The rice crop turned out to be the second largest in Japan's history and would probably have been better still but for the bad weather during the harvest.

On the whole the economy enters 1959 in a fairly strong position to take advantage of any improvement in world economic activity. The problem of developing new and active export markets however remains as pressing as ever.

PHILIPPINES

The present administration, after a year in office, has not succeeded in solving the foreign exchange problem which is itself merely a symptom of a much graver economic condition. It is true that restriction on imports has halted the rapid fall in the reserves, which was such a danger in 1957, but as long as deficit finance continues any significant improvement is unlikely. In view of the administration's disinclination or inability to adopt the necessary austerity measures which alone will halt the increasing inflation, it is perhaps not surprising that applications for aid from international agencies receive lukewarm receptions, and that the visit to the United States of the President of the Republic and the Governor of the Central Bank achieved only a limited success.

The budget for 1960 is expected to be balanced at the record figure of Ps.1,280 million, with one fifth of the revenue being raised from additional taxation including a 25 per cent premium on the sale of foreign exchange. The President has made it clear that in his view "the need for fiscal and economic stabilisation is urgent" and has once again urged Congress to repeal "the no dollar import law." Similar exhortations have been made at this time of year before without any noticeable effect and Congress has been more inclined to approve expenditure than to pass the measures for raising the necessary revenue. There is perhaps more reason for hope this year as a mission from the International Monetary Fund has arrived in the Philippines to study the position on the spot. Meanwhile the rediscount rate has been raised from 4½ per cent to 6½ per cent per annum and the reserve which banks are required to hold against their demand liabilities has been increased.

Relations with the United States are going through a difficult stage and the respective ambassadors have been recalled for consultations. The American bases in the Philippines are the main cause of friction and this subject has been under discussion for some years. President Eisenhower recently described the differences as "psychological" and it would be surprising if some settlement were not reached fairly shortly. From January 1, 1959, both countries doubled the percentage of the standard duty which will be charged on imports from each other in accordance with the gradually increasing scale arranged in 1955.

VIETNAM

The political situation in Vietnam shows little outward change but security conditions continue to improve, due to a large extent to the development of more refugee settlement schemes, supported by Government grants, in the outlying regions. American assistance is an important support, but progress in providing for the day when this is no longer forthcoming is very slow as industrial development schemes take a long time to mature.

Although the total of imports for the first eleven months of the year was reduced by twenty per cent, compared with the previous year, the surplus over exports continues to be very large. Exports also fell by about one-third in value, with the two main products, rubber and rice, both running below the previous year's figures. Importers continue to have difficulties in disposing of their stocks as the market remains sluggish, due to local purchasing power being so low and it is estimated that there will be a further reduction of about fifteen per cent in imports during 1959. The current rice crop is expected to produce a considerable exportable surplus which, if it can be sold, should show a better balance between imports and exports at the end of the year. The internal price, however, is too high and it may be necessary to grant some form of subsidy if overseas markets are to be found.

The budget for 1959 is expected to be in balance at about eight per cent higher than 1958. Increased expenditure will mainly be used for development projects connected with agriculture and the setting up of light industries, such as sugar refining and paper mills, where the raw materials are available locally. In his budget address to the National Assembly, President Ngo Dinh Diem described his government's policy in the agricultural field as aimed at extending the area under cultivation and increasing production. The agreement recently signed with the French government, for the purchase of rice lands belonging to persons under French jurisdiction, will enable these rice lands to be distributed under the agrarian reform programme, while the improved system of agricultural credit and the programme for improving communications should also benefit the rural population.

CAMBODIA

The internal political situation continues very much as before and the elections to the National Assembly resulted in an overwhelming victory for the Popular socialist Party. In July Cambodia recognised Communist China, but the policy of strict neutrality has not been in any way changed. A border dispute with Thailand unfortunately resulted in diplomatic relations being broken off for a time between the two countries, but, thanks to the mediation of a special representative of the United Nations, a settlement appears to be in sight.

Trade for the first nine months of the year resulted in a considerable adverse balance due to a rise of about one third in imports compared with 1957. Although all categories of goods show some increase, imports of machinery, motor vehicles and textiles accounted for the major part. The foreign exchange balances are however still at a very satisfactory level.

THAILAND

The government, composed of members of the National Socialist Party, which was formed after the elections in December, 1957, never seemed to be particularly secure in the saddle and by September, 1958, the dissension within their ranks and the worsening economic situation made it likely that some change would be made. This took a somewhat unexpected form as Field Marshal Sarit Thanarat, returning suddenly from England, assumed absolute power on October 20th and suspended the constitution of 1932. At the beginning of this year an interim constitution was promulgated and a constituent assembly was appointed, composed of nominated members, to prepare a fresh constitution. Field Marshal Sarit Thanarat meanwhile headed a new Cabinet and stated that improvement of the nation's administrative machinery would be one of the main tasks of his government. It is perhaps unwise to seek too close a parallel in the establishment of this military regime with similar changes that have occurred elsewhere, as politics in Thailand have always to a large extent been dependent on personalities rather than on parties; nevertheless the suspension of the 1932 constitution will postpone for an indefinite period the formation of an assembly entirely elected by the people.

Economic conditions were severely affected by the drop in export earnings which caused an increase in the adverse balance of trade. Exports of rice and tin were reduced by 400,000 tons and 5,000 tons respectively and, while shipments of rubber were higher than last year, earnings were less. Timber benefited for a time from the freight war between shipping lines to European destinations and exports were better than was expected, although they fell off at the end of the year as the market in Europe is reported to be overstocked. The new rice crop is expected to be about average, but indications so far in 1959 seem to show that the price is not competitive in world markets. It is hardly surprising, in view of what I have mentioned above, that importers are being cautious about entering into new commitments.

An Economic Advisory Committee, set up immediately after the coup d'état, made a determined effort to reduce the cost of living and then turned its attention to the promotion of industry and encouragement of foreign investment. The budget, the introduction of which has once again been postponed, will no doubt eventually be conditioned to a large extent by the recommendations of this committee.

FEDERATION OF MALAYA

The first full year of independence has been extremely encouraging and the government have tackled realistically the problems which faced them both at home and overseas. The Alliance still continues to retain the confidence of the majority of the people and their prospects for the elections, which will be held later in the year, seem at the moment to be good. Considerable progress has been made in the battle against the terrorists, in particular in Johore and Perak, where until quite recently they were very active—a culmination of years of effort by men and women of many nationalities. The lessening of the military danger does not give any grounds for complacency however, as the threat of internal subversion has if anything increased, but the government seem to be fully conscious of the necessity to guard against this danger and have taken a number of steps to this end. In foreign policy an independent attitude has been adopted, the only commitment being the mutual defence treaty with the United Kingdom. On the other hand there seems general agreement that as long as the Emergency remains in force a neutral policy is not possible and accordingly there is no form of diplomatic relationship with the

communist countries. The Federation has played an active part in the United Nations and other international organisations and, at the meeting of the International Bank in New Delhi, was asked to provide an executive director for the coming year.

It is unfortunate that this new country has had to face so soon a decline in revenue due to the lower price of rubber and the reduction under the International Tin Agreement of the export of tin. A deficit of M$90 million is expected for 1958 and it is estimated that this will be followed by a slightly higher deficit in 1959. Basically the financial position of the Federation is sound as, although the revenue account will become overdrawn by the end of this year, there are substantial credit balances in other accounts more than sufficient to cover. Nevertheless the continuing deficit on revenue account is a matter for concern and a progressive reduction, in the words of the Minister of Finance, "would appear to be the major task of 1960." In view of the country's present financial position the development estimates for the coming year are around M$150 million only, or at about the same figure as in 1958, but in view of the long term loan of M$100 million, which has since been arranged with the Government of Brunei, it may be possible to accelerate the pace. A loan of US$10 million has been obtained from the US Development Loan Fund to develop port facilities in the north Klang Straits and a larger loan of US$35 million from the International Bank for the Cameron Highlands hydro-electric scheme. In this latter loan we have agreed to a small participation in some of the earlier maturities.

Legislation was passed toward the end of the year for the regulation of banking and the establishment of the Central Bank of Malaya, which opened for business on January 26, 1959. Mr W. H. Wilcock, who has been banking adviser to the government, was appointed the first Governor. The Central Bank has been granted the usual powers required by such an institution and in addition there is a clause which leaves the way open for the accession of other territories. Included in these powers is the right to issue currency, although it is not intended to do so at this stage, and the Currency Board will continue to be responsible for the note issue as in the past. This I think is a wise move as it will give a breathing space and may prevent the irrevocable severance of the currency arrangements between the Federation and Singapore, which would I am sure not be in the best interests of either territory.

With the object of offering inducements to new industries, the Pioneer Industries Ordinance, providing for tax concessions to be granted in such cases, was introduced and it is hoped that this measure will provide an attraction to potential investors. It is the policy of the government to encourage the investment of foreign capital, and on the whole they are doing their best to create a suitable climate, but it was unfortunate that the many claims on the reduced revenue necessitated an increase in company tax from 30 per cent to 40 per cent.

While there is no doubt of the necessity to set up local industries it seems evident that the needs of the growing population will require the development of some of the many tracts of virgin land which are still largely unexploited. A certain amount is being done in this direction but the pace is still too slow. The conflicting claims of agriculture, forestry and mining, and the problem of reconciling with a national policy the jealously guarded rights of the States to control their own land, are some of the difficulties that will require to be overcome, but the importance of agricultural development to the whole future of the country makes it essential that some solution should be found.

Taking everything into account the present position of the Federation is a happy one and the future prospects are good. A great deal of the credit for this state of affairs is due to Tengku Abdul Rahman, whose resignation from the post of Prime Minister was announced last month. His withdrawal from an active part in the government will be a loss to his country but there are indications that this decision may not be permanent.

TIN AND RUBBER

The reduction in industrial activity in both the United States and Europe resulted in the price of tin remaining weak and a large part of the restricted exports was absorbed by the Buffer Stock and subsequently by the special fund set up largely by producers' contributions. The position was aggravated by large stocks which came on the market from Russian sources and at the end of August the United Kingdom announced a quota on imports from Russia, a lead which other countries followed. Unfortunately this action seemed to have been taken too late and in the middle of September the Buffer Stock Manager was forced to withdraw support from the market which caused a sharp drop although the price quickly recovered. While there is no doubt that the heavy sales on Russian account were the main cause of the failure of this latest effort at stabilising the price of tin, the decision of the International Tin Council to raise the floor price in March, 1957, has been criticised.

Since the beginning of the year the tendency has been firmer due to greater demand. The agreement reached with Russia to limit exports to 13,500 tons for 1959 naturally assisted this upward movement but even the increase of 3,000 tons in the export quotas for the second quarter of this year only caused a temporary reaction. At the end of last month the price reached the level at which tin in the Buffer Stock may be sold and, with the statistical position greatly improved, the Buffer Stock Manager should be able to exercise considerable influence on the market.

During the first half of the year the price of rubber was steady at an average of 76½ cents but in July it started to rise mainly on Russian buying. Demand fluctuated during the following months but Russia came in again as a buyer in the last quarter which caused prices for a time to rise to over 90 cents with an average of 83¾ cents for the second half of the year. Pan-Malayan production increased by 4 per cent compared with 1957 and December was a record month which shows that the replanting programmes since the war are now beginning to yield results. The volume of exports was slightly higher than last year.

SINGAPORE

The constitution for the State of Singapore was published at the end of the year and elections for the fifty-one member Legislative Assembly are expected to be held in May, with the constitution coming into force on the Monday after the election day. The new State will have full internal self-government but defence and external affairs will remain the responsibility of the United Kingdom.

On the whole this constitution, which has been arrived at after a considerable period of negotiation, should meet the needs of the people of Singapore, while at the same time granting the United Kingdom Government the safeguards which are required The sense

of urgency, which a few years ago permeated all discussions on Singapore's future, was less in evidence last year while there are signs that all parties have retreated somewhat from the extreme positions they once held and are showing a greater sense of responsibility. This is a most significant development which, if it should continue, will do more than anything else to allay any feelings of apprehension as to the future which a constitutional change is bound to raise.

The main contenders at the elections seem likely to be the new party formed by the present Chief Minister, Mr Lim Yew Hock —the Singapore People's Alliance—and the People's Action Party. The aims of the former have considerable support amongst a certain section of the community but strenuous efforts will have to be made in the short time still available to build up a much stronger organisation than at present exists. The People's Action Party on the other hand have already shown, by their success in the City Council elections, the degree of efficiency which their party machine has achieved. Whichever should be successful, two important objectives would seem to be worthy of a high degree of priority—the first to maintain overseas confidence in Singapore to avoid any damage to the entrepot trade, and the second to move forward with the ultimate aim of forging closer links with the Federation of Malaya. There are already signs that the necessity for Singapore and the Federation marching in step is becoming more generally appreciated in both territories and I hope that nothing will be done to prevent this feeling from gaining strength.

Economic conditions were not as good as in previous years due to smaller shipments of tin, a less favourable price for rubber and a falling off in the transit trade with Indonesia. The improvement in the price of rubber was however beginning to have its effect at the turn of the year and I think it is true to say that, on the whole, Singapore weathered a difficult year very well. Labour relations, it is encouraging to note, show a great improvement.

The budget for 1959 is expected to be in balance due to an increase in company tax similar to the Federation and a rise both in income tax, on a graduated scale, and in the duty on cigarettes. With the object of leaving the incoming government a free hand, development expenditure has on the whole been restricted to the completion of existing commitments. These are considered to be within "the limit of what can be financed with safety and certainty in 1959" and more ambitious plans will depend to a great extent on loans. The Financial Secretary however pointed out that the prospect of raising loans at the present time can hardly be considered bright due not only to a lack locally of available resources, but also to the disinclination of investors to commit themselves until the future political outlook is clearer. The needs of this mainly young population, on the other hand, require continuing expenditure on such things as housing, education and hospitals which emphasises the importance of political stability with a satisfactory climate to encourage investors both local and foreign.

In the closing sessions of the present Legislative Assembly several measures received approval which were intended to give encouragement to local industry. These comprised the setting up of a People's Investment Corporation which, with locally raised capital—subscriptions limited to M$500 per person—would participate in the manufacture of cigarettes and matches; legislation to control manufacturers and to encourage pioneer industries; and an amendment to the Customs Ordinance to enable tariffs to

be imposed on certain imported goods to give protection to local industries. Free trade has been for so long such an integral feature of Singapore's whole economic development that the criticism which greeted the introduction of this last measure was hardly surprising and the Government were obliged to accept a number of amendments. It is quite understandable that there should be growing concern about the danger of unemployment, which is probably the most serious threat to Singapore's future, and that there should be the wish to take some positive action to encourage the setting up of local industries. It is however questionable whether protection, with the inevitable increase in the cost of living which will follow, is in the best interests of the people as a whole and this point was made by a number of speakers in the debate. Unless export markets are developed by the new industries at a fairly early stage the duties will require to be continued almost indefinitely, as the market in Singapore itself would seem to be too small to enable costs in most cases to be competitive with similar goods manufactured elsewhere.

Pan-Malayan total external trade showed a drop of nearly 9 per cent with the adverse balance increasing by over a third compared with last year to M$368 million. Exports showed a drop of 10 per cent in value while imports fell by 7 per cent. Trade for the year was in fact the lowest since 1954.

NORTH BORNEO

North Borneo has had on the whole a very satisfactory year and, in spite of lower commodity prices, has found it possible to balance the budget without higher taxation, while the value of foreign trade has increased by about 7 per cent. Agricultural development seems likely for many years to come to be the mainstay of any economic progress and the government are making every effort to encourage a greater variety of crops. Progress continues in the growing of hemp, and very favourable reports have been received on the possibility of large scale production of cocoa, while plans for the establishment of oil palm plantations are progressing well. The abandonment of the oil drilling project at Hankin Shoal has been a setback, but hopes of finding oil off the coast elsewhere have not by any means been abandoned. Rubber replanting continues to be vigorously encouraged and, with the help of the Colonial Development Corporation, an area in the Keningau Plain will be developed, with the planting of one thousand acres of rubber and the setting up of a central rubber factory. The timber industry has also done well and last year provided the most valuable single export.

The shortage of labour has been commented on frequently in these reports and was in fact one of the main causes in the past for the slow pace of development. For this reason I was interested to see that the Governor in his budget address was able to state "that today there is no shortage whatsoever of labour for our current needs." This is apparently due to the influx of unsponsored Indonesian immigrants and the improvement in the labour situation, coupled with the greater number of technically trained personnel coming forward, should enable progress to be made at a quicker rate than has been possible in the past.

BRUNEI

Negotiations on the proposed constitution have continued during the year and it seems likely that a deputation will be going to London shortly to discuss outstanding problems. New immigration laws came into force which restricted the automatic right of entry and residence to members of the State's indigenous races. Persons who did not qualify, but had lived in the State for the previous seven years, were eligible to apply for permanent residence permits.

Revenue is expected to be slightly less in the coming year due mainly to reduced production of oil and lower prices, but the State were still very fortunately placed. The main expenditure under public works is on the very necessary programme for further road development.

One of the main events of local interest was the opening of the magnificent new mosque in the capital which has taken about five years to complete. This ceremony was performed by the Sultan, in September, in the presence of leading representatives from neighbouring territories.

SARAWAK

Our office in Kuching was opened in April and has got off to a good start in spite of the fact that trade decreased during the year by about 12 per cent. The Governor in his budget address stated that the policy for 1959 was one of "consolidation rather than expansion" and that the rate of expenditure could not continue at the same level as previously. It was decided to impose a cess of two cents a pound on rubber exports to raise revenue for the rubber replanting scheme, to meet the increased cost of planting material due to the tax imposed on the export by the Federation of Malaya. On the whole the year has not been an easy one but the Government have made every effort to improve the lot of the people with the resources available.

INDONESIA

The Government were successful in withstanding the military threat from the rebel forces in Sumatra and North Celebes and in regaining possession of the major towns, but it is questionable whether their writ runs very large in the neighbouring countryside. The rebel leaders still remain at large and it has been found necessary for the military to continue to participate, to a considerable extent, in the running of the civil administration and of the commercial enterprises taken over from the Dutch; while the State of Emergency has been extended until December 1959 and at the end of last month it was announced that the country would return to rule by Presidential decree. More success has been achieved in the control of the barter trade between Sumatra and Singapore although copra from the Celebes still continues to be exchanged for consumer goods. Certain steps have also been taken, which should go some way to meet the complaints of the outer islands that they do not receive their fair share of the foreign exchange cake.

It is hardly surprising that with the political situation remaining so disturbed economic conditions have been far from happy. The loss of the Dutch-owned coastal shipping, much of which was specially constructed for this trade, will take some time to replace and, until it is found possible to maintain a greater degree of law and order, produce from the estates will not be able to reach the ports. The budget for the coming year estimates a deficit of Rp.8,000 million, advances to the Government by Bank Indonesia have risen in twelve months from Rp.15,000 million to nearly Rp.25,000 million and the note issue has increased by Rp.5,600 million. Foreign exchange reserves remain at about the same level as a year ago, but this has of course resulted in the percentage of cover for the note issue being reduced. It has therefore been found necessary to amend two statutes of Bank Indonesia, one which laid down a minimum foreign exchange cover to be maintained against the note issue and the other which limited the level of advances to the Government. Restrictions on private imports continue to be very severe and the future outlook for foreign business generally and the activities of our bank in particular hardly look very promising. As was advised to you by my predecessor last year our Surabaja office was closed and we are taking steps to reduce the staff of our Djakarta office to a minimum.

INDIA

The dissolution of the civil administration by the military in Pakistan has naturally been a matter of lively interest to India and the general trend in this direction in this part of the world is being carefully watched, not without a certain amount of apprehension. All has not been plain sailing for the central government internally during the past year; relations with the state government in Kerala remain difficult, quarrels between ministers and party leaders in the Punjab have been frequent, demonstrations have been organised by the extreme Hindu right-wing in Calcutta and Delhi while the pressure for the division of Bombay State remains very active. The realisation that Mr Nehru, who threatened to resign during the year, may wish to lay down office sooner than was once expected has naturally raised speculation about his successor and seems to have resulted in factions developing within the cabinet. Notwithstanding the various troubles with which the country has had to contend, and the continuing challenge by communism, India has good claims to be considered to be the most stable democracy in Asia and the future of parliamentary institutions in this part of the world seems likely to depend on how they develop within her borders.

The drawing down of the foreign exchange reserves, which was such an important feature of the Indian economy in 1957, continued during 1958 although at a somewhat slower pace as the balance of trade was more favourable than during the previous year. This was due to severe import licensing, which not only reduced the level of imports of consumer goods but of raw materials as well. Industrial production as a result showed a slight falling off in comparison with the steady annual rise which has been so consistent for the past few years.

In August a meeting of the countries most directly concerned was held in Washington under the aegis of the International Bank and arrangements were made to provide credit to cover India's foreign exchange commitments until March, 1959. A further meeting will be held shortly at which the more difficult problem of finding the money to carry out the last two years of the second five year plan will be discussed. It seems likely that some arrangement will be arrived at which will enable the plan to be completed, if not in such an ambitious form as was once hoped, at least with the main essentials basically unaltered. This will only have been achieved at a considerable cost as not only have the sterling balances been run down to almost below safety level but a large foreign debt has been incurred which will be a burden to service much less to repay.

Development however is a continuing process which cannot be halted in mid-stream and the rising population is already resulting in an increase in unemployment, which shows how necessary it is for there to be no turning back. Consideration is already being given to the third five year plan and there are indications that many favour a more ambitious edition of the second, with con-

centration on the construction of further large scale industrial enterprises. This would be a further step along the path at which India wishes to tread but I wonder whether the inflationary pressure will not prove to be too great unless self-sufficiency in food grains has been achieved. It is true that the present harvest is a good one but planning cannot depend on the vagaries of the monsoon, nor can the country continue indefinitely on the present austerity level of imports. Would it not be better, as a first step, to concentrate on a well planned programme of agricultural development in conjunction with an active campaign to improve existing farm methods? This would give the necessary base without which rapid industrialisation can hardly hope to succeed, namely, steadily rising agricultural production. Unfortunately the recent decisions at the Congress Party conference at Nagpur are not encouraging, nor is the proposal to impose an immediate ceiling on land holdings, with the surplus being run by peasant co-operatives, likely to result in any short term improvement in food production which is the most immediate problem.

BURMA

The dissensions within the Anti-Fascist People's Freedom League, which had been simmering beneath the surface for some time, finally erupted in April when the party was split into two factions. The Prime Minister, U Nu, who led one of these factions, was able to reorganise his Cabinet in June but the loss of the support of his former deputies seriously weakened his position in the country. In an effort to regain his former authority he proclaimed a general amnesty, with the object of bringing to an end the activities of the insurgents, but this task, which the united party found beyond their powers, proved even more intractable after the split. In September he handed over the premiership to the supreme commander of the army, General Ne Win, who formed a caretaker government which was intended to remain in office until April when fresh elections would be held. These seem likely to be postponed and the constitution has recently been amended to permit General Ne Win to continue as Prime Minister, notwithstanding the fact that he is not a member of parliament.

This basically military government has in a short time brought about a considerable improvement in conditions throughout the country. Prices have been reduced as a result of active steps being taken against hoarders, a drive has been instituted to clean up Rangoon city and many industrial projects, which seemed likely to be a strain on the economy, have been abandoned. Trade has however suffered and the volume financed by the Commercial banks in November compared with the same month in 1957 was only about one-third.

The import restrictions which were introduced with the object of halting the drop in the foreign exchange reserves were extremely successful and almost the whole of the loss sustained in 1957 has been recovered. The rice crop is expected to be good and there are estimates of an exportable surplus of two million tons in 1959, although marketing may not be so easy with large surpluses elsewhere. The future economic outlook must depend to a large extent on political conditions but, if the present difficulties should be resolved, an improvement in trade should result even if progress at first may be slow.

CEYLON

The civil strife and communal rioting, which occurred in May, left a scar which will take a long time to heal and it has not yet been found possible to repeal the State of Emergency. The passing of the bill to provide for "the reasonable use of Tamil" is a step towards a solution of the language question but this measure suffers from the usual defects of any compromise. Labour relations have been most unhappy and the long line of waiting ships, which has been such a familiar sight on the Colombo skyline for most of the year, is practical evidence of the conditions in the port. At the turn of the year the banks were involved in a strike which had some rather unpleasant features but, as a settlement of the matters under dispute has now been reached, I do not propose to make any further comment on our particular experience. There is however little doubt that even a country, as richly endowed by nature as Ceylon is, cannot afford an indefinite continuance of the racial and labour troubles which have been such a feature of 1958.

The budget for the coming year showed a deficit of nearly Rps.500 million and to meet part of this gap an increase in direct taxation was proposed, with the introduction of a completely new range of taxes on gifts, wealth and expenditure. These proposals met with an unfavourable reception from the commercial community but so far the finance bill incorporating them has not been published and it is thus difficult for tax payers to estimate their liability.

Preliminary figures show that trade was almost in balance last year, with imports somewhat below the previous year's level. The tea crop was a record but conditions in the port of Colombo held up shipments and at one time there was a danger that plucking and manufacture would cease. Arrangements made to utilise the ports of Galle and Trincomalee averted this stoppage, which would have been a disaster to the island's economy, and nearly one-third of the year's exports were shipped through these ports. The price obtained for high grown teas showed a slightly higher average than in 1957 but sellers of other grades had to accept less favourable terms.

CONCLUSION

As usual I have tried to give shareholders a brief review of the main events in the eastern territories in which we are interested. Economically the year has not been too favourable for these countries but on the whole they have managed to bear with the burden of low commodity prices without any serious dislocation. The future outlook seems brighter but much will depend on the speed with which industrial production rises in the west, particularly in Europe, and the strength of the competition from China which the rice producing countries may have to face.

A great deal of progress has been made since the war in promoting development in countries where the standard of living is low and the work in this field seems likely to grow. There are however two matters which I should like to mention as it seems likely that they will become increasingly important in the future.

The first is the necessity for the less developed countries to attract foreign private investment. Since the war a large part of the capital these countries have received has come from governmental sources and international agencies, which have to a large extent taken the place of the private investor. This is a development with which I should not wish to quarrel and in many cases the large amounts required could not have come from any other source. There still remains none the less a role for private capital to play, particularly in the supporting industries without which any broad basis of industrialisation is impossible. Not only that, but private has one advantage over institutional capital in that there is less likelihood of the repatriation of the original investment and, provided the venture is successful, a portion of the profits will be ploughed back each year for future development. It would seem therefore that countries which are short of capital should, in their own interests, make every effort to see that a suitable climate exists which will encourage foreign private investment. This I am afraid is not always the case and, making due allowance for the fear of foreign exploitation, I am sure that the present policy of some countries is most unwise.

The second concerns the necessity for countries which are setting up new industries to be able to find markets in which they can sell their manufactured goods. These will be to a large extent in countries where the purchasing power is high and probably in competition with existing home industries. It is here that the more highly developed countries can help, but from our experience in Hong Kong the outlook is not too promising. I do not under-estimate the political difficulties, as it is obvious that pressure will continue to be applied on governments to give protection to their own industries. Nevertheless I am sure that, if it is the policy of the western nations to encourage development in countries less fortunately placed, then it will be necessary for them to go further and to open up their markets to some of the products which this development will cause. Aid has been given on a most generous scale in recent years and has achieved much. It remains to be seen whether the same enlightened attitude will be adopted over the more difficult problem of trade.

THE STERLING TRUST

The forty-second annual general meeting of The Sterling Trust Limited was held on March 17th in London, Mr M. F. Berry (the chairman) presiding.

The following is an extract from his circulated statement:

One important feature of the year has been the increase in the issued capital of the company. In July, 328,125 ordinary shares of £1 each were offered to the ordinary stockholders at 35s. a share, in the proportion of one new ordinary share for every £4 nominal amount of ordinary stock held.

With this increase in capital not yet fully effective, the results show a modest increase in gross income from £488,518 to £495,447. The prospect is, of course, that the fresh money will earn more during 1959 than it has earned during 1958, so that our revenue should, for that reason, show some increase next year.

The valuation of the investment funds of the company has shown a substantial increase during the year, the appreciation at December 31, 1958, being 85½ per cent against a figure a year earlier of 51½ per cent. This increase is satisfactory but it must be remembered that the value of the ordinary stock of the company rests ultimately on its income, rather than on the capital value of the underlying securities and the trend of income is not necessarily related to this rather spectacular increase in capital values.

We have increased the proportion of our investments in the USA and Canada from 27.3 per cent to 29.3 per cent, and of our funds in the USA, a high proportion is in public utility and bank stocks.

The report was adopted and a final dividend of 9 per cent on the capital as increased was approved.

PHILIPS' INCANDESCENT LAMP WORKS HOLDING COMPANY
EINDHOVEN

The Annual Report and Accounts of the above-named company and of the Operating Company, Philips' Incandescent Lamp Works, will shortly be available in their English translation. The Holding Company owns fl.536,734,000 Ordinary shares of the Company out of a total of fl.537,038,000 and fl.143,604,000 Preference shares out of the fl.144,000,000 in issue. Below are given the Balance Sheet and Profit and Loss Account of the Operating Company as at 31st December, 1958.

BALANCE SHEET AS AT 31st DECEMBER, 1958

ASSETS			LIABILITIES		
Property, plant and equipment:			**Share capital and reserves:**		
Replacement value	724,343,000		Ordinary share capital	537,038,000	
Depreciation	345,972,000	378,371,000	6% cum. part. pref. share capital	144,000,000	
Intangible assets		—	Share premium account	118,245,000	
Investments in and amounts due from Associated Companies		1,460,669,000	Retained profit	621,978,000	
Sundry non-current assets		7,184,000		1,421,261,000	
Stocks:			Revaluation	330,753,000	1,752,014,000
Factory stocks	174,333,000		**Sundry provisions:**		
Commercial stocks	77,135,000	251,468,000	Long-term provisions	44,488,000	
Debtors:			Short-term provisions	37,290,000	81,778,000
Trade and other debtors	125,959,000		**Long-term Liabilities:**		
Prepaid expenses	11,844,000	137,803,000	3½% 25-year debentures (unsecured)	52,500,000	
Liquid Assets:			3½% 20-year dollar debentures (unsecured)	19,000,000	
Marketable securities	4,565,000		4% 25-year dollar debentures (unsecured)	76,000,000	
Cash at bank and in hand	317,787,000	322,352,000	5% 15-year Convertible debentures	102,286,000	
			Other long-term liabilities	218,679,000	468,465,000
			Current Liabilities:		
			Bank overdrafts	10,681,000	
			Creditors, includ. provision for taxation	112,697,000	
			Accrued expenses	29,926,000	153,304,000
			Profit available for distribution		102,286,000
(All amounts in guilders)		2,557,847,000			2,557,847,000

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1958

Profit, including profits made by Subsidiaries, after foreign taxation and before deduction of the following items		382,559,000
Depreciation of property, plant and equipment	42,418,000	
Interest paid	20,580,000	62,998,000
Profit before taxation		319,561,000
Provision for Netherlands tax on profits		90,200,000
Net profit for the year		229,361,000
Profit available for distribution:		
Shareholders' dividends at the rate of 7·6 per cent. per annum on the Cumulative Participating Preference Shares and 14 per cent. on the Ordinary Shares		86,129,320
Board of Directors and Board of Management		7,619,814
Personnel interests		8,536,285
		102,285,419

The development of the Philips Group as a whole over recent years is shown in a table published in the Annual Report, from which the following figures have been extracted.

	1958	1957	1956	1955	1954
	In millions of guilders				
Sales	3,595	3,177	2,686	2,280	1,936
Increase on the preceding year	13%	18%	18%	18%	21%
Trading profit	357	442	337	292	268
As percentage of sales	15·5%	13·9%	12·5%	12·8%	13·8%
Net profit	244	187	158	148	119
Increase on the preceding year	30%	18%	7%	24%	35%
Retained profit	142	92	64	77	71
As percentage of net profit	58%	49%	40%	52%	60%
Dividend on Ordinary Shares	14%	14%	14%	14%	14%
Dividend on Preference Shares	7·6%	7·6%	7·6%	7·6%	7·6%
Net worth	1,922	1,665	1,535	1,426	1,029
Long term liabilities	951	896	631	473	377
Current liabilities	1,305	1,105	1,005	803	687
Current assets	2,748	2,354	2,079	1,862	1,439
Ratio of current assets to current liabilities	2·1	2·1	2·1	2·3	2·1
Additions to property, plant and equipment	259	275	293	239	144
Depreciation of property, plant and equipment	140	118	100	82	74
Number of employees	174,000	160,000	152,000	143,000	123,000

Copies of the above Accounts will be obtainable from the Company's British Fiscal Agents,

PHILIP HILL, HIGGINSON & CO. LIMITED

55, MOORGATE, LONDON, E.C.2.

THE WHITEHEAD IRON AND STEEL COMPANY

VERY SATISFACTORY RESULTS IN A DIFFICULT YEAR

RENATIONALISATION—BASIC INDUSTRY USED AS A POLITICAL PAWN

EXPORT TRADE THREATENED BY CUMBERSOME BUREAUCRATIC CONTROL

MR G. H. LATHAM ON AN IMPRESSIVE RECORD OF ACHIEVEMENTS

The fifty-second annual general meeting of The Whitehead Iron and Steel Company Limited will be held on March 23rd at the Westgate Hotel, Newport, Mon.

The following is the circulated statement of the Chairman and Managing Director, Mr G. H. Latham, LLD, JP:

The Accounts have been presented on the basis adopted for the past few years and, I think, set out clearly the balance sheet position and trading results.

The Group manufacturing and trading profit of £1,125,321 represents an increase of 11.6 per cent over the corresponding figure for the previous year. After deducting debenture interest and crediting investment income, bank interest and the increase in the market value of securities, the net income before taxation amounts to £1,204,721, which is 20 per cent more than the corresponding figure for the year 1956-57.

The profit after charging taxation, but before making any allocation to fixed assets replacement reserve is £587,503 as compared with £476,633 for the previous year, an increase of £110,870 or 23 per cent. I consider that in all the circumstances this is a very satisfactory result and a welcome improvement over the previous year.

The only other item which I think calls for any comment is the fall in the Group stock and work-in-progress figures—from £1,926,151 in 1957 to £1,636,794 in 1958. This is due to the fact that under present trading conditions it is no longer necessary to carry such large stocks of raw materials.

The reduced amount invested in stocks of materials, together with the investment of temporarily surplus funds, accounts for the increase in the value of investments from £1,059,687 in 1957 to £1,731,150 in 1958.

As I still think that the information showing how each £1 of our income was spent is of value and interest, I am repeating it for the current year.

I think the shareholders will be interested in the following figures giving details of the turnover, the profit and the tax paid over the past five years:

Year	Turnover	Profit before tax	Tax	Profit after tax
	£ '000	£ '000	£ '000	£ '000
1954	10,016	931	482	449
1955	11,346	1,216	631	585
1956	12,237	1,266	645	621
1957	12,493	1,004	527	477
1958	14,265	1,205	617	588

TRADING POSITION

I am pleased to be able to say that, despite the recession experienced by certain sections of the Steel Industry, the output of our Hot Rolling Mills has been maintained during 1958. The output figures for the past five years are:

Year	Tons
1954	229,000
1955	246,000
1956	250,000
1957	251,000
1958	255,000

ANALYSIS OF GROUP TRADING RESULTS FOR THE YEAR ENDED 27th SEPTEMBER, 1958

	To nearest £ '000	% of total income
Purchase of raw materials...	12,571	78·01
Wages and salaries	1,190	7·39
Works and administration expenses	944	5·86
Depreciation	152	·94
Taxation	617	3·83
Debenture interest	51	·32
Distributed to shareholders (net)	180	1·12
Retained in business.....	408	2·53
	16,113	100·00

ANALYSIS PER £1 OF INCOME

	s.	d.
Purchase of raw materials.....	15	7·2
Wages and salaries	1	5·7
Works and administration expenses..	1	2·0
Depreciation		2·3
Taxation.....		9·2
Debenture interest		·8
Distributed to shareholders (net)....		2·7
Retained in business,.....		6·1
	20	0·0

You will, no doubt, remember that in my previous Statement I referred to the fall in demand for the products of our Cold Rolling Department. The recession did not ease throughout the year 1958, but I am pleased to say during the last month or two there have been distinct signs of improvement in demand and I have every reason to hope the Department will, from now onwards, be operating on a more satisfactory level of output.

The demand for the bricks and wire produced by our subsidiary company, Whitehead Hill and Company, Limited, has been at a reduced level during 1958. Compared with the previous year the brick output has fallen by 15 per cent and the wire output by 7 per cent. The competition for orders for bricks continues to be keen and business is being taken at prices which would show no advantage to our Company, especially as it is unnecessary to push the output of the brickworks on an uneconomic basis.

The output of our subsidiary company, Godins "The Rollers of Steel Sections," Limited, has been maintained at a satisfactory level during 1958, but as a result of the very competitive conditions in the market for cold formed sections there has been some reduction in the profit.

I would summarise the position by saying that 1957-58 has been a difficult year, and whilst the demand for certain of our products has been satisfactory there has been a reduction in the demand for others. The overall position for the year has been good and despite the reduced demand for certain of our products, I think you will agree the profit has been maintained at a satisfactory level.

FUTURE PROSPECTS

At the present time there are no signs of a general improvement in trading conditions and I am sure you would not expect me to make any wild prophecies as to when demand will increase; but there seems to be no reasonable doubt that in the longer term expansion in the demand for our products will be resumed. Fortunately, the variety of our products has helped us to weather the storm quite well during the year 1958, and I am equally confident that the efficiency of our plant and the excellent support we receive from our employees will ensure that until trading conditions are more favourable we shall be able to obtain a fair share of business.

Obviously, any improvement in the demand for our goods depends on an improvement in the country's economy generally. As you know, the Government has already adopted measures to relax credit restrictions, such as hire purchase, and the effect of this action should materially help demand. Let us hope the Government will take steps to encourage capital investment and in this connection the reintroduction of investment allowances would, I am sure, be a very valuable advance in the right direction.

DIVIDEND POLICY

When the preliminary announcement of our results was made on December 13, 1958, some indication was given about our future dividend policy and, perhaps, I should take this opportunity of making a few additional observations in this connection.

It has always been the policy of the Company to retain a substantial proportion of the profits in the business and, as a consequence, we have been in a position to finance capital developments from our own resources. In 1954 our financial position was very sound; the accumulated reserves amounted to £4,094,000 and the issued ordinary share capital was £783,835. As a result of denationalisation in 1955, which necessitated the reorganisation of the capital structure, the reserve position became less satisfactory, the accumulated reserves amounting to £2,410,000 and the issued ordinary share capital to £1,250,000. It was, therefore, considered desirable to adopt a conservative dividend policy and retain in the business a relatively high proportion of the profits earned. As a consequence of this policy the strong reserve position of the Company has, to a large extent, now been re-established.

It is still our intention to continue to retain in the business an adequate proportion of our profits to enable us to finance as far as possible any future capital developments out of our own resources. On the other hand, I am of the opinion that the time has arrived when we are able to adopt a more generous dividend policy and, as you are aware, we have already indicated in our announcement early in December, 1958, that the Board recommend to the shareholders that the final dividend be increased to 15 per cent for the year 1957-58 as compared with 10 per cent for the previous year.

RENATIONALISATION

As our Annual Meeting is later than that of most Companies, you will have read the

comments of my colleagues on this subject. These statements convey very clearly the unanimous objections to — indeed abhorrence of—the declared intention of the Labour Party to renationalise the Steel Industry.

I am sure you would wish me to express publicly my views on the issue and to inform you with complete candour what effect any such measures—if put into operation—would have on the future of your Company.

It is very odd—indeed a calamity—that a basic industry such as ours should be used as a political pawn. This must be so because we are told by responsible people that the proposal for the renationalisation of steel is NOT because we are inefficient—indeed, we are given credit for maximum efficiency, technique and salesmanship. We are supervised by the Iron and Steel Board, who by its constitution and record has given and is still giving consumers all the protection they need. I should have thought any responsible body which was contemplating such a radical change would have satisfied themselves that the change would

(a) Improve efficiency,
(b) Increase productive capacity,
(c) Improve quality,
(d) Assist in the expansion of our export trade which is so vital to the economy of the country.

I venture to suggest our export business has been built up by personal contacts, ability to make quick decisions and a real interest to find out what the overseas buyer wants—and to give it to him at a price which shows a competitive advantage. How could this country keep its exports in steel if it were handicapped by cumbersome bureaucratic control, and judging by other state-controlled industries, higher prices?

I think the Steel Industry can claim:

(i) The industry has an impressive record in production, productivity, exports, research, labour relations and development.

(ii) These achievements are the result of careful forward planning, constant research, introduction of new techniques and a comprehensive training system.

(iii) There is a great team spirit within the Industry, tempered by competition and an awareness of steel's vital importance to the whole economy.

(iv) The industry accepts the need for public supervision embodied in the far-reaching powers of the Iron and steel Board (prices, development, raw materials, research), but not for public ownership.

(v) Those within the Industry are proud of their companies and their aims and achievements. They fear the frustration of increased bureaucracy, loss of flexibility, loss of local responsibility, and inability to take decisions on the spot, which result from nationalisation.

(vi) The present system combines the safeguards of public accountability with the initiative, vision and competitive spirit of private enterprise. It is up to the nationalisers to prove that under nationalisation the economy, the works in the Industry, the consumers or the citizens generally, will benefit. This they have failed to do.

Let the politicians think again before it is too late.

HART & LEVY LIMITED

A CENTURY OF PROGRESS

The sixty-second annual general meeting of Hart & Levy Limited was held on March 19th at Leicester, Sir Tresham Lever, Baronet, chairman, presiding.

The following are extracts from his circulated statement for the year ended October 31, 1958:

Exactly a century ago this year Israel Hart and Joseph Levy formed the partnership that subsequently became the limited liability company of Hart and Levy Limited. We therefore celebrate in 1959 one hundred years of successful trading, with the business still controlled by the direct descendants of the founders.

It naturally gives me especial pleasure to be able to announce in this notable year what I am sure all must regard as a very satisfactory result. The trading profit has only fallen by approximately 7 per cent, and the net profit by less than £9,000.

Your directors propose the payment of a final Ordinary dividend of 12 per cent, making 20 per cent for the year.

In these uncertain times it is difficult, and indeed, it would be imprudent, for me to say very much as to the future. I can only tell you that our trade during the first three months of our present financial year has been promising, showing an increased trading result over the corresponding period of last year. I am quite confident that we shall secure our fair share of whatever business is available and it is reasonable to forecast that I shall be able to present a satisfactory result in twelve months' time.

The report and accounts were adopted.

This notice is under no circumstances to be construed as an offering of these securities for sale or as a solicitation of offers to buy any of these securities, but appears solely for purposes of information.

NEW ISSUE

$18,500,000

KLM Royal Dutch Airlines

(Koninklijke Luchtvaart Maatschappij N. V.)
(A Netherlands Company)

4¾% Convertible Subordinated Debentures Due 1979
(Payable in United States dollars)

Dated March 15, 1959 Due March 15, 1979

United States Underwriters, represented by the undersigned, have agreed to purchase these Debentures from KLM Royal Dutch Airlines, and have agreed to sell a portion of these Debentures to certain European securities dealers.

Smith, Barney & Co.
New York, N.Y.

The First Boston Corporation
New York, N.Y.

March 11, 1959.

BRITANNIC ASSURANCE COMPANY LIMITED

RECORD NEW BUSINESS FIGURES

INCREASED BONUSES TO POLICYHOLDERS

MR FREDERICK A. POWELL'S STATEMENT

The ninety-third annual general meeting of the Britannic Assurance Company Limited will be held on April 3, 1959. The following statement by the chairman, Mr Frederick A. Powell, FCA, has been circulated with the accounts:

There was a big fall in the market values of stock exchange securities in 1957 and we felt it wise in that year to write large sums off book values and to increase the investment reserve funds very substantially. That market values are not the best test of intrinsic values is shown by the considerable recovery in prices which occurred even within a year. We are now able to certify that without taking into account our investment reserve funds, our assets are fully equal in the aggregate to book values. Nevertheless, in view of the magnitude of the movements in stock exchange prices which have occurred in recent years, we still think it wise to transfer each year a sum to investment reserves, and this year we have utilised £375,000 of our surplus in that way, bringing the investment reserve funds in the life branches to £9,125,000.

GENERAL PROGRESS

We again made satisfactory progress in all branches in 1958 and record new business figures were written in both life branches. The company's total income increased by £1,153,000 and amounted to £19,620,000. Premium income in the life branches at £13,889,000 showed an increase of £575,000. Total net interest income increased by no less than £520,000 to £4,890,000. Claim payments were £1,093,000 lower at £7,427,000, due to a reduction in payments under maturing endowment assurances. Policies in force in the life branches assured with bonuses £243,176,000, and there were also in force immediate and deferred annuities securing £418,000 per annum. The total funds held for the security of policyholders amounted to £112,587,000, an increase of £6,575,000.

ORDINARY BRANCH

In the Ordinary Branch there was a record increase in new business in 1958, the new sums assured under life policies being £10,155,000, compared with £7,884,000 in 1957. New annual premiums for life assurance and deferred annuities amounted to £517,000 compared with £466,000 in 1957. Single premiums and annuity consideration amounted to £125,000, which was the same as the previous year.

Premium income at £4,515,000 was £170,000 more than a year ago. Net interest at £1,548,000 increased by £140,000, and the net rate earned on the fund increased from £3 16s. 10d. per cent to £4 3s. 1d. per cent. After two abnormally heavy years for maturing endowment assurances, total claims fell from £3,528,000 to a more normal total of £2,452,000. The fund increased during the year by £2,327,000 to £39,088,000.

The actuarial valuation of the life and annuity contracts was made at the same rates of interest and by the same mortality tables as in 1957, the life contracts being valued by the net premium method at 2½ per cent interest. The surplus disclosed, inclusive of £450,071 brought forward from 1957, amounted to £1,962,407. Out of this surplus £125,000 has been transferred to investment reserve fund and £1,220,985 allocated to policyholders. A reversionary bonus of 44s. per £100 sum assured under with-profits policies has been declared, compared with 42s. declared for 1957 and 40s. for 1956. A first declaration of 35s. per cent on the amount of the annuity has been made on with-profits approved retirement annuities in respect of each full year's premium paid up to December 31, 1958.

INDUSTRIAL BRANCH

Substantial progress was again made in this branch. Premium income increased by £404,000 to £9,374,000 and funds by £3,816,000 to £62,960,000. Sums assured under new policies increased by £928,000 to the record figure of £15,652,000. The net rate of interest earned on the fund increased by 7s. 9d. to £5 10s. 11d. per cent. The expense rate again increased, and at 28 per cent was .5 per cent higher than the rate for 1957. Death claims were up by £38,000 to £1,765,000 but were within the amount expected by the table of mortality used in the valuation. Maturity claims at £3,208,000 were down by £57,000.

Endowment assurances continue to form the bulk of the new business and during 1958 new premiums under such contracts were 91 per cent of the total new premiums. They are an excellent form of saving, both from the policyholders' and the national point of view, and the regular call of the agent at the home of the policyholder does much to ensure that premium payments are maintained. During 1958, on the whole of our Industrial Branch business, no less than 19s. 9d. in the £ of all premiums falling due was collected.

The actuarial valuation was again made on a net premium basis at 2½ per cent by the same mortality table as a year ago. Inclusive of £1,481,538 brought forward from 1957, the surplus disclosed was £4,171,245. Out of this surplus £250,000 has been transferred to investment reserve fund and £1,720,000 allocated to policyholders. On Britannic policies a reversionary bonus of 30s. per £100 sum assured under premium-paying policies on which at least one year's premiums had been paid by December 31, 1958, has been declared and total reversionary bonuses payable on claims before the next declaration will now run from 1½ per cent of the sum assured after payment of one year's premiums up to 39½ per cent after payment of premiums for 39 years or more. On British Legal policies a reversionary bonus of 20s. per £100 sum assured has been declared, and total reversionary bonuses payable on claims before the next declaration will be at the rate of 31 per cent, being 1 per cent for each year's premiums paid since the transfer of the business to the Britannic in 1927.

INVESTMENTS

During 1958 there were signs of a slowing up of industrial and commercial activity in this country, and a realisation on the part of the government that the complex apparatus of official restriction and control which had been used in the fight against inflation was no longer appropriate for use in present circumstances. The credit squeeze was therefore abolished and replaced by measures designed to stimulate the national economy whilst maintaining a high standard of financial soundness.

These measures have had a beneficial effect, although their sufficiency has not yet been fully tested. World confidence in this country has been restored, the pound sterling has recovered strength and there are indications that a reasonable degree of internal price stability is being achieved.

The relaxation of the credit squeeze was accompanied by a progressive lowering of the bank rate which was reduced in stages from the crisis level of 7 per cent to 4 per cent, and there has in consequence been a considerable rise in the value of securities. Conditions for the investment of long-term money at satisfactory rates of interest have, however, remained reasonably good.

The main changes in our assets, as shown in the balance sheet, consist of increases of £2,225,000 in mortgages, £1,723,000 in British Government and British Government guaranteed securities, and £1,599,000 in debenture stocks. Ordinary stocks show an increase of only £441,000, but this modest rise does not reflect our investment policy which still favours this type of security. We actually invested some £1,800,000 in this class, but we received no less than £1,360,000 for our ordinary shareholdings in hire purchase finance houses which were taken over by banks.

HOUSE PURCHASE SCHEME

During 1958 there was a continuing demand for house purchase facilities and we made 2,329 advances to owner-occupiers. The amount advanced to these borrowers was £3,529,000. We have been operating our scheme of mortgages coupled with life assurance for over 50 years, during which time £40 million has been advanced to our policyholders, of which £22 million remains outstanding. During the whole of this period we have never raised the rate of interest on existing loans, as we have felt that one of the great advantages of our scheme is that the borrower has known precisely from the beginning of the transaction what the limit of his annual liability would be. Our experience as a lender to the home-owner has always been satisfactory and default and foreclosure are relatively rare occurrences.

FIRE AND ACCIDENT BRANCH

It is pleasing to report that for the first time the premium income exceeded £1 million, the increase of £103,000 in the year taking the total to £1,098,000. It is not so pleasing however, to report a reduction in our profits in this branch from £43,129 to £27,976. A worsening claims experience in all types of business during 1958 was responsible for this, but by far the largest contributor was the motor-car and motor-cycle section, despite the higher premium rates which operated throughout the year.

Again I wish to record our appreciation of the help and co-operation we receive from the British General Insurance Company with whom the whole of our general insurance business is reinsured, and to thank them for the attention which they so readily give to the day-to-day administration of Britannic business.

STAFF

The progress of a "Home Service" life assurance company whose reputation is built upon the service its staff gives at the homes of its policyholders, is largely in the hands of its outside staff. In our own company this home service is given by a field force of approximately 3,100 which includes 2,300 agents attached to 325 district offices throughout the United Kingdom. In addition, there are some 450 district office clerks and a staff of nearly 500 at the chief office in Birmingham. It is the team work of all these people which is mainly responsible for the very satisfactory report I have been able to lay before you. I know you will endorse the thanks which the directors have expressed in their report. Our relations with all sections of the staff continue to be firmly based on goodwill and mutual understanding, and I am confident that the transfer of £275,000 to the staff pension fund which we are proposing to make, will have your full support.

THE CARDINAL INVESTMENT TRUST LIMITED

INCREASED REVENUE

The fifty-second Annual General Meeting of The Cardinal Investment Trust Limited, was held on March 12th in London, Mr R. G. Mills (the chairman) presiding.

The following is his Review which was circulated with the Report and Accounts for the year ended December 31, 1958:

There are two items in the audited Accounts to which I should draw the attention of Members. The first relates to the Balance Sheet and reflects an increase of £150,000 in the issue of 4 per cent Debenture Stock, particulars of which are given in the Directors' Report. Secondly, there is an amount of £1,500 brought to the credit of the Appropriation Account which arises from over-provision for Profits Tax made in the previous year.

Gross revenue for the year was £139,222 against £132,215 and net revenue was £65,763 against £59,664. Deducting Preferred dividends and the interim dividend and the final payment now recommended on the Deferred capital and taking into account the Profits Tax credit to which I have just referred, the amount retained is £16,139 against £14,401 last year.

This increase in revenue enables the Board to recommend to you a final dividend of 11 per cent which, added to the interim payment of 5 per cent, makes a total of 16 per cent, being an increase of 2 per cent over that paid for the previous year.

An analysis of our investments is set out in a more detailed and I think improved form on page 12 of the Accounts and on pages 13 and 14 there is an innovation, namely, a 10-year record showing the growth of the company together with a capital history covering the same period. I feel that Members will agree with me that these figures are very satisfactory.

With regard to the outlook for the coming year, I adhere to my customary caution, particularly as we will be confronted within a measurable space of time with a General Election. In the absence of unforeseen circumstances I expect that our revenue for the current year will show a moderate increase.

The report and accounts were adopted.

THE MESSINA (TRANSVAAL) DEVELOPMENT COMPANY LIMITED

(Incorporated in the Union of South Africa)

OPTIMISM ENGENDERED BY STEADY PROGRESS TOWARDS HIGHER PRICE LEVELS

BETTER RESULTS ANTICIPATED FOR CURRENT YEAR

COMMANDER H. F. P. GRENFELL ON IMPORTANT DEVELOPMENTS

The ninth annual general meeting of stockholders of The Messina (Transvaal) Development Company Limited, was held on March 18th in Johannesburg, Commander H. F. P. Grenfell, DSC, RN (Retired), presided.

In the course of his address to the Meeting, the Chairman said:

This time last year the price of copper was still under £180 per ton and the immediate future looked uncertain. However, although not apparent at the time, the turning point had been reached and the recession in the United States, which had been the major cause of the collapse in prices during 1957, was already coming to an end. This, together with the effect of the cuts in production made earlier by several of the large producers, which only really began to become effective from March, 1958, onwards, brought about a gradual improvement in price, and by the end of our financial year it had risen to £212.

Since then the market has been influenced by a number of factors which have caused severe fluctuations at times, some beneficial, some adverse. Among the more important of these factors were the decision by the Western European countries to remove the restrictions on trading in unwrought copper and other non-ferrous metals with countries behind the Iron Curtain; labour unrest resulting in prolonged strikes in Northern Rhodesia and Canada—and more recently—stoppages at plants in the USA and Chile; stock releases by the British Government; and finally racial disturbances in Central Africa; broadly speaking, however, the picture is one of steady progress towards higher levels.

The current quotation on the London Metal Exchange is approximately £257 15s. per ton, and our position is a good deal happier now than it was twelve months ago. Economic recovery seems to be well under way in the United States, there are definite signs of increasing trade between the Western and Eastern European Blocs, and world stocks are relatively low. Taking all these, and other factors, into consideration I cannot feel other than optimistic about the future and I have little doubt that our results for the current year will be considerably better than those now presented to you.

MESSINA

The most important feature of Messina's operating results last year was a decrease in working costs, which fell 3s. 8d. to 32s. 10d. per long ton of ore produced, equivalent to £120 per long ton of recoverable copper. On a short tonnage basis the corresponding figures are 29s. 4d. and £107.

Another pleasing feature was a further increase in ore reserves, which now stand at just over five and a half million tons.

UMKONDO

At Umkondo there has also been an appreciable increase in ore reserves due to the disclosure, by development on the upper levels, of a larger tonnage of ore than was previously believed to exist.

As a result of these disclosures, production will be stepped up, the drop in grade experienced last year due to mining a higher proportion of lower grade quartzites will be counteracted, and the profitable life of the mine will be extended.

MANGULA

At Mangula, a total of 10,700 short tons of concentrates were produced during the year at an overall cost, including realisation charges, of £88 10s. per ton. The fact that with only half its milling capacity in commission the Company was able to show a small profit, despite the low level of copper prices which prevailed throughout the year, was in my opinion a very fine achievement.

The second mill unit has now been installed, and as soon as tests have been completed the Mine will work up to its planned production of 3,000 tons of ore per day. The achievement of full production should result in a considerable decrease in working costs, and I do not expect these to exceed 22s. per short ton of ore produced once the operations have settled down on a routine basis.

NEW SMELTING PLANT IN S. RHODESIA

An important matter, directly affecting the fortunes of Mangula, is our decision to build a smelting and refining plant in Southern Rhodesia. A new Company—The Messina Rhodesia Smelting and Refining Co. Ltd.—is to be formed with an initial capital of £750,000, of which £600,000 will be subscribed by ourselves and the balance of £150,000 by Mangula. Situated on rail at Alaska, 45 miles from Mangula, the plant will treat concentrates from this and any other mines we may bring into production in the territory, and will also operate on a custom basis. Construction has already begun and the plant should be operating within the next 18 months.

The erection of this new smelter will bring many advantages to Mangula. It will enable that Company to sell its output in the form of fire refined copper instead of concentrates, freight and other charges will be substantially reduced, and by arrangement with the Government of Southern Rhodesia Mangula will be exempt from the payment of royalty. Under an agreement with the new Company, Mangula will also be assured throughout its life of smelting and refining capacity for its output.

ALASKA

I now turn to Alaska, which is a copper prospect situated within about 4 miles of the proposed site for the smelter. The deposit consists of a number of sulphide and oxide ore bodies, which are estimated to contain approximately 5 million tons of ore of an average grade of 1.8 per cent copper. Our investigations are now complete and we have decided to bring the property into production on an initial scale of 500 long tons of ore per day. On this basis the life of the mine will be 28 years. The average annual output will amount to approximately 2,600 long tons of copper in the form of concentrates which will be sent for treatment to the new smelter.

In view of their proximity it will be possible to arrange a number of services and buildings, such as offices, stores, recreation club, etc. on a common basis for the Alaska Mine and the smelting company, and a substantial saving in capital expenditure will result. Taking this into account we estimate that it will not cost more than £500,000 to put Alaska into production, and your Directors propose that this sum shall be provided from the Company's resources. The mine will be brought into production at approximately the same time as the smelter comes into operation—i.e. within the next 18 months. As in the case of Umkondo, I have no doubt that Alaska will prove to be a profitable undertaking and that it will make a valuable contribution to the revenues of your Company.

The Directors' Report and Balance Sheet and Accounts for the year ended September 30, 1958, were adopted.

The retiring Director, Mr D. E. Cox, was re-elected and the remuneration of the Auditors for the past year's audit was fixed.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

A VERY PROGRESSIVE YEAR

MR J. N. SHAW ON EXTENSIONS TO NATIONAL INSURANCE SCHEME

The One Hundred and Twenty-Eighth Annual General Meeting was held on March 12th in Edinburgh, Mr J. N. Shaw, MC, CA, Chairman of the Board of Directors, presided. In the course of his remarks, Mr Shaw said:

RECORD INCREASE IN NEW BUSINESS

"A year ago we had before us the results of the quinquennial investigation covering the period from 1953 to 1957 inclusive, and my predecessor in Office, drew attention to the steady and substantial expansion in business which had taken place during these five years. I am happy to say that this trend has continued and that we have had a very progressive year in 1958. Net new premiums for the year amounted to £854,342. This total is considerably in excess of the corresponding figure of £511,810 for 1957 and with this increase we have naturally had a substantial rise in the benefits secured by these premiums both in the case of life assurances and annuities. As regards new life assurances there has once again been a gratifying increase in the number of new policies issued, while the net sums assured have risen from a total of £6,652,871 in 1957 to a new record of £8,381,416. This latter figure consists of £6,156,633 under policies on individual lives and of £2,224,783 under policies on groups of lives in connection with staff schemes. Not only are these figures also records but the increase of nearly £1,730,000 over the 1957 total is the highest in any one year in the history of the Society. The total annuities issued during the year amounted to £462,668 per annum net against a total of £428,888 per annum in 1957.

A particularly welcome feature is the substantial proportion of our new business that comes each year from existing members and their connections showing that those who have entrusted their savings to the Scottish Equitable are satisfied clients who return to us when they require further life assurance and recommend the Society to others.

HIGH INTEREST YIELD

Interest income for 1958 is again substantially greater than for the previous year due to three main causes—increased funds, increases in ordinary share dividends and a full year of higher interest rates compared with a few months only in 1957. At the Annual Meeting last year we showed a rise in the Society's gross rate of interest from £6 1s. 5d. per cent to £6 5s. 1d. per cent—I am very pleased to be able to report a further advance in 1958 to £6 6s. 4d. per cent. On the other side of the Account unusually large sums fell due for payment in respect of endowment assurances reaching maturity, but full reserves are, of course, carried to meet these maturities. Claims by death also show an increase over the 1957 total but to determine whether the results are satisfactory we must bring into consideration the ages at death and the duration of the policies. In fact the year's Mortality experience has been very good and is actually more favourable than that for 1957 despite the slightly larger disbursements. Commission shows an increase but this is only to be expected in view of the substantial progress shown by our new business figures. Expenses are also higher but are not out of line with the increased size and scope of our operations and our plans for the future. The bonus-earning power of a Life Office depends mainly on three factors, the maintenance of a high earned rate of interest, favourable mortality experience and a reasonable level of expense. The strength of the Society in this respect was shown convincingly in the record bonus declaration as at December 31, 1957, and from the details I have just given you it is obvious that this favourable position is continuing.

STRENGTH OF ASSETS

The principal changes in the Balance Sheet are, in round figures, increases of £120,000 in loans to our associate the Standard Property Investment Company Limited, £330,000 in British Government Securities, £180,000 in Debentures and £550,000 in Ordinary Stocks and Shares. A year ago we were faced with the heavy fall in prices which had occurred in Stock Exchange Securities following on the crisis of September, 1957, and the increase in the Bank rate to 7 per cent. We were able to report that despite the severe depreciation then ruling there was still a comfortable margin between the market values and the balance sheet values of our Stock Exchange Securities. As a result of the improvement which has occurred during the year this margin has increased greatly and is now very substantial indeed.

NATIONAL PENSIONS

In recent years great interest has been taken in the question of a possible extension of state pensions. Some two years ago the Labour Party issued a booklet giving details of a very comprehensive scheme which they intended to introduce in the event of their coming to power. This scheme is not only most ambitious—in fact one might say too ambitious—but would be very costly and would necessarily involve greatly increased contributions and additional taxation. It would also seriously restrict the future development of life assurance and pension schemes and consequently affect most adversely the great and growing contribution which planned saving of this nature has made to the welfare of the country. While I agree wholeheartedly that one of the primary obligations of the Government is to provide a basic minimum standard of living for the elderly, I also believe most strongly that this is as far as the Government should go. Any additional provision over and above this minimum is a matter for private arrangement and should be free from any State interference. Life Offices have had many years of experience in this type of business and their schemes can be framed to meet precisely the varying needs of employers and employees in a way which can never be possible under a State scheme which in order to be practicable must of necessity be on a more or less uniform basis. The Government have now introduced their proposals for extending the National Insurance Scheme by way of graded contributions and benefits and details are given in a White Paper published in October, 1958. I am very glad to see that these proposals are much more realistic than those of the Labour Party. Taking into account modern conditions, the level of pension benefits can, I think, reasonably be regarded as being within the conception of provision for basic needs. With little material alteration these proposals have been incorporated in the National Insurance Bill which has recently been debated in Parliament. The additional benefits proposed in the Bill are modest and relate only to future contributory service so that as in the past a private pension over and above the National Pension is, in many cases, essential if true independence and a reasonable standard of life are to be attained in retirement. Moreover the Government have stated that they are determined to encourage private schemes and that there is no reason why an employer contemplating a new private scheme should hesitate to go ahead. The Society's schemes are fully flexible and can readily be adjusted to suit changing circumstances. The Bill makes clear the general intentions of the Government although many details have still to be settled but with the information which I have at present my advice to the many employers who already have schemes insured with the Society is to maintain their schemes and to regard the benefits as supplements to the National Scheme benefits. To those employers who have not yet established schemes I commend the Society's attractive terms and I say 'Go ahead now.' The Society has informed men ready and willing to discuss these problems and to render all possible assistance and I invite employers to give their immediate attention to the matter."

The Report and Accounts were adopted unanimously.

HEAD OFFICE: 28 ST. ANDREW SQUARE, EDINBURGH, 2.
LONDON OFFICE: 13/14 Cornhill, EC3

MTD (MANGULA) LIMITED

(Incorporated in Southern Rhodesia)

FIRST YEAR OF PRODUCTIVE OPERATIONS

BRIGHTER OUTLOOK FOR COPPER PRICES

COMMANDER H. F. P. GRENFELL ON PROMISING BEGINNING

The twelfth Annual General Meeting of stockholders of MTD (Mangula) Limited was held on March 11th in Salisbury, Southern Rhodesia. Commander H. F. P. Grenfell, DSC, RN (Retired) (the Chairman), presided and, in the course of his speech, said:

Ladies and Gentlemen, On September 17, 1957, the first Aerofall Mill unit was brought into operation, almost exactly two years after the construction programme was begun under the direction of The Messina (Transvaal) Development Company Limited, and from October onwards regular sales of concentrates have been made to refineries overseas.

VERY SATISFACTORY RESULTS

The accounts now presented to you reflect, therefore, the first year's productive operations by your Company, and when one takes into account the teething troubles which are inevitable during the first year of a mine's operations; the fact that only one unit of the Mill was in commission; and the low level of copper prices; the resultant profit of £3,740 may, I think, be considered very satisfactory. The average price for the twelve months covered by the accounts was approximately £186 per ton.

However, since then there has been a welcome recovery, and with the end of the recession in the United States and the removal of trade restrictions on unwrought copper and other non-ferrous metals between Western European countries and those behind the Iron Curtain, prospects are considerably brighter than they were this time last year.

The copper market has always been sensitive to outside influences, and fluctuations in prices either way are bound to occur from time to time, but broadly speaking the picture, as I see it, is one of steady progress towards higher levels.

THE YEAR'S OPERATIONS

During the year the mill handled approximately 495,000 short tons of ore, and operating costs amounted to 27s. 8d. per ton of ore treated. A total of 10,700 short tons of concentrates averaging nearly 52 per cent copper was produced, the equivalent cost figure being £64 per short ton. Realisation charges amounted to £24 10s. per ton, and the overall cost was therefore £88 10s. per short ton of concentrates. Taking all factors into consideration these costs are very creditable for the first year of production.

The second Aerofall Mill unit has now been installed, extensions have been made to the Flotation Plant, and as soon as the initial testing period is over output from the mine will be increased to its planned production of 3,000 short tons of ore per day.

On this scale of production, working costs will also be substantially reduced and I do not expect them to exceed 22s. per short ton of ore once the mine has settled down on a routine production basis. As the output will have been at the lower rate for the first half of the financial year, however, the full benefits of increased production will obviously not be experienced until next year, although even this year there should be a substantial improvement.

ORE RESERVES

There was an increase in ore reserves of about 1¼ million tons after allowing for the year's production. This can be considered satisfactory because, for reasons of economy, underground development in the Molly Section was greatly reduced.

For the same reasons field work and exploration elsewhere on the property were also kept to a minimum, but now that the future looks more promising, underground development will be increased, and as funds permit we shall continue our search for additional ore deposits within our Exclusive Prospecting Area.

We have already obtained promising indications by geochemical surveys in several parts of the property, and on one of them—in the Norah area—a small prospect shaft has been sunk and some development carried out underground. At a depth of 150 feet we have exposed two parallel ore bodies of which one, about 30 feet wide, averages 1.86 per cent copper over a strike length of 600 feet. Development is still incomplete, but we have good reasons for hoping that we may discover further ore bodies of a similar nature over at least another 2,000 feet to the north. The Norah area, as you may remember, is situated about 4½ miles south of the Molly Section, along the new road to Zawi, and if we are successful in finding new ore bodies there transport to the Mill will be quite a simple matter. However, we have by no means arrived at that stage yet, and at the moment I would prefer to describe Norah as a promising prospect.

PARTICIPATION IN NEW COMPANY

There is one other very important matter with which I must deal before concluding my speech. You will have seen from a recent announcement in the Press that our parent Company, The Messina (Transvaal) Development Company Limited, is to proceed immediately with the erection of a Smelting and Refining Plant adjacent to the railway at Alaska, and only 45 miles by road from Mangula.

A new Company—The Messina Rhodesia Smelting and Refining Co. Ltd.—is to be formed with an initial capital of £750,000, of which a participation of £150,000 has been offered to your Company. In view of the undoubted advantages—to which I will refer in a moment—which will accrue to your Company, your Board have had no hesitation in accepting this offer and in agreeing to enter into a long term contract for the treatment of the whole of the output from the mine.

The chief benefits will be as follows. First, your Company will always be assured of smelting and refining capacity for its output; second, it will be able to market a more saleable product in the form of fire-refined ingots; third, there will be a substantial saving in freight and other charges as compared with present arrangements; fourth, by agreement between the Government of Southern Rhodesia and the parent company, your Company will be exempt from the payment of royalty; and finally, by accepting a participation in the capital of the Smelting and Refining Company, your Company will share pro rata in its profits.

This brings me to the end of my review—and I can best sum it up by saying that your Company has made a promising beginning under difficult conditions, and that I have no doubt that it has before it a successful future.

The report and accounts were adopted.

BRITISH HOME STORES

INCREASED TURNOVER

The Thirty-first Annual General Meeting of British Home Stores Limited was held on March 18th in London.

The Right Honourable The Earl of Lisburne, JP, presided in the absence of the Chairman, Mr Harold Hindley, through indisposition.

The following is an extract from the Chairman's circulated statement for the 52 weeks to January 3, 1959:

Profits before tax were £1,512,965 as compared with £1,574,177 for 1957, and after taxation was £718,465 slightly ahead of the previous year. In recommending a final divided on the Ordinary Stock of 3½d. per unit, making a total for the year of 5d. per unit against 4½d. last year, your Directors have had in mind the somewhat conservative dividend policy adopted over the past years. Further, it is proposed to issue one new Ordinary Stock unit for each ten units held by capitalisation of Reserves.

TRADING

We reduced the selling price of many of our ranges during the year and we shall continue this process in the months ahead. Purchase tax reductions are greatly welcome but such changes always involve losses on stocks held at the time and as a result we suffered considerably in the year under review. The Government's financial measures in September, 1958, had a definite effect upon the level of turnover during the latter part of the year and our sales experience was considerably better than earlier in the year. Although turnover was substantially ahead of any previous year costs of operation tended to increase.

During the last few years we have increased substantially the volume of our food business and again the turnover of our Cafeterias was very satisfactory. We continue to give good meals at very reasonable prices cooked and served in modern conditions. The fact that we serve over 300,000 customers every week is an indication of the popularity which our Cafeterias and Tea Bars enjoy.

DEVELOPMENT

Last May we opened our store at New Street, Birmingham. This is the largest and most important store to date in our Chain. In October we opened the new store in Middlesbrough. This, like Birmingham, is located in an excellent central position and comprises a total area of 29,000 sq. ft. In both cases we have been very pleased with the results and feel that these stores will contribute well to our trading results in the future. During the year we extended the Wood Green store and completed the first phase of an extension at Wigan, while increasing selling space to a minor extent in several other stores.

At Crewe, where we have not previously been represented, we open a new store on March 12th. Later in the year our new unit

at Lord Street, Liverpool, will be completed. We are glad to report that arrangements have now been finalised for the erection of a new and important store in Bristol to replace the store which was destroyed by enemy action. We hope that building works will be completed by the end of 1960. With the erection of this store we shall have replaced all the losses which we suffered during the war.

We are proceeding upon major extensions at Slough, Bedford, Nottingham, Tunbridge Wells and Gravesend and in the near future some other extensions to existing properties will commence. With the end of the credit squeeze we are now able to accelerate our development programme.

It is difficult to forecast the pattern of events for the next year. We shall continue to use our best endeavours to offer the public really attractive ranges of merchandise of good value with a view to achieving results which you will consider to be satisfactory.

The report was adopted and the capitalisation of reserves approved.

EASTBOURNE MUTUAL BUILDING SOCIETY

ASSETS EXCEED £7 MILLION

The eighty-second annual general meeting of the Eastbourne Mutual Building Society was held on March 18th at Eastbourne.

Mr Laurence A. Caffyn, chairman, in the course of his speech, said:

During the first half of the year the country was labouring under a high Bank rate and the credit squeeze. During the second half the credit squeeze was considerably relaxed and the Bank rate was reduced. In spite of the withdrawals occasioned by the temporary period of higher interest rates early in the year, the assets of the society have increased by the substantial sum of £80,000, and now amount to practically £7,300,000.

The total amount of reserves and carry forward at the end of the year amounted to £372,000 or 5.1 per cent of the total assets of the society. It must be obvious that a society with reserves of this order offers a high degree of security to investors.

There is one aspect of the society's operations which is being neglected by the public at the present time. The total amount standing to the credit of all Deposit Accounts as at the end of the year was only £445,000. Each £1 deposited with the society is covered by assets valued in the Balance Sheet at the sum of £12 18s. 7d. There can be very few investments in this country carrying such a rate of interest as 3 per cent with income tax being paid by the society, making an equivalent of £5 4s. 4d., which offer such security. I would strongly recommend this investment.

The net surplus which is available for transfer to reserve this year is the highest ever shown by the society.

The report and accounts were adopted.

BANCA NAZIONALE DEL LAVORO

ROME, ITALY

CONDENSED STATEMENT OF CONDITION AS AT 31st DECEMBER, 1958

LIABILITIES	31st December, 1958 Lire	31st December, 1957 Lire
Capital	1,150,000,000	1,150,000,000
Ordinary reserve	11,660,000,000	9,540,000,000
	12,810,000,000	10,690,000,000
Staff retirement fund	19,944,886,302	17,460,909,242
Deposit and Current Accounts	823,526,492,169	734,651,506,356
Cheques in circulation	25,519,707,076	23,001,879,008
Bills for collection	35,758,212,759	39,348,140,011
Guarantees, Acceptances and irrevocable or confirmed Credits for a/c of customers	117,873,595,495	92,951,583,020
Sundry accounts	71,865,453,515	62,708,685,747
Unearned discount and other unearned income	4,139,564,173	3,637,209,684
Net profit	1,074,509,345	1,026,150,946
	1,112,512,420,834	985,476,064,014
Depositors of securities	329,647,444,460	306,336,786,085
Accounts guaranteeing special accounts	—	9,352,562
Bank's securities guaranteeing Staff Retirement Fund	20,286,203,900	17,889,170,447
	1,462,446,069,194	1,309,711,373,108

ASSETS	31st December, 1958 Lire	31st December, 1957 Lire
Cash, Balances with Banks and Money at Call	255,042,264,647	220,314,400,635
Investments—Govt. and Govt.-guaranteed Securities and Treasury Bills	186,952,902,593	103,617,777,601
Other securities	18,704,606,766	12,180,588,650
Contango, Advances on Securities and Loans	309,973,759,435	325,069,406,251
Bills receivable	219,094,845,776	226,472,065,809
Sundry accounts	4,870,446,119	4,870,242,045
Participations in Annexed Sections	1	1
Sundry participations	1	1
Premises, Furniture and Equipment	1	1
Customers' liability for Guarantees, Acceptances and irrevocable or confirmed Credits	117,873,595,495	92,951,583,020
	1,112,512,420,834	985,476,064,014
Securities deposited by third parties	329,647,444,460	306,336,786,085
Special guaranteed accounts	—	9,352,562
Staff Retirement Fund—Securities deposited by the Bank as guarantee	20,286,203,900	17,889,170,447
	1,462,446,069,194	1,309,711,373,108

PROGRESS OF BANCA NAZIONALE DEL LAVORO DURING 1958

DEPOSITS rose from Lit.734,652 million to Lit.823,526 million (£gs.470,586,300).
PROFIT rose from Lit.1,026 million to Lit.1,075 million (£gs.614,300).
RESERVES rose from Lit.9,540 million to Lit.11,660 million and, after approval of the Balance Sheet, to Lit.13,000 million (£gs.7,428,600).
STAFF RETIREMENT FUND rose from Lit.17,461 million to Lit.19,945 million (£gs.11,397,100).
PREMISES, ETC., figure at a value of one Lira after Lit.804 million (£gs.459,400) had been written off during 1958. The real estate gave a rent of Lit.846 million (£gs.483,400). An amount of Lit.508 million (£gs.290,300) spent during the last year for the installation, reconstruction and organisation of the Bank's premises and Branch Offices, was also written off.
PARTICIPATIONS in the Autonomous Sections and Sundry Participations stand in the Balance Sheet at a value of one Lira after Lit.14 million (£gs.8,000) had been written off during 1958. Dividends therefrom amounted to Lit.117 million (£gs.65,900).
TAXES paid in 1958 amounted to Lit.3,431 million (£gs.1,960,600).
RECOVERIES in 1958 amounted to Lit.692 million (£gs.395,400).
THE TOTAL OF THE BALANCE SHEET, exclusive of the "Contra Accounts," rose from Lit.985,476 million to Lit.1,112,512 million (£gs.635,721,100).

AUTONOMOUS SECTIONS

BANCA NAZIONALE DEL LAVORO also operates in various specific fields of activity through the intermediary of its following Autonomous Sections, the annual accounts of which are shown separately:

— Section for Mortgage Credit
— Section for Hotel and Tourist Credit
— Section for Motion Picture Credit
— Section for Credit to Co-operatives
— Section for Credit to Medium-sized and Small Industries

The importance of these Sections and of their intervention in their respective spheres of activity during 1958 will appear from the following:
TOTAL CAPITAL FUNDS of the Sections rose from Lit.5,537 million to Lit.6,387 million (£gs.3,649,700).
TOTAL RESERVES of the Sections rose from Lit.2,596 million to Lit.3,797 million (£gs.2,169,700) after approval of the Balance Sheets as at 31st December, 1958.
ADVANCES AND LOANS (including half-yearly payments due) which on 31st December, 1957, amounted to Lit.104,556 million, reached a total of Lit.118,046 million (£gs.67,454,900) at the close of 1958.
PROFIT of the Sections rose from Lit.780 million to Lit.905 million (£gs.517,100).
THE TOTAL OF THE BALANCE SHEETS OF THE SECTIONS, exclusive of the "Contra Accounts," rose from Lit.112,184 million to Lit.132,030 million (£gs.75,445,700).

COMBINED CAPITAL AND RESERVES OF BANCA NAZIONALE DEL LAVORO AND ITS AUTONOMOUS SECTIONS, AFTER THE APPROVAL OF THE BALANCE SHEETS AS PER 31st DECEMBER, 1958, AMOUNT TO Lit.30,074,615,611 (£gs.17,185,495).

Christiania Bank og Kreditkasse

Established 1848

Norway's oldest Commercial Bank

Head Office: **Stortorvet 7 — Oslo** — *Telegrams:* **KREDITKASSEN**

Balance Sheet as at 31st December, 1958

Assets.		
Cash on Hand, and Due from Bank of Norway	Kr.	101 861 750.82
Due from Norwegian Banks	„	98 168 484.75
Due from Foreign Banks	„	87 682 821.97
Investments	„	129 876 313.55
Mortgages	„	72 622 013.11
Bills discounted	„	171 942 146.93
Advances to Customers and Other Accounts	„	545 911 724.93
Foreign Exchange Debtors	„	1 090 799.00
Commercial Credits	„	19 154 325.68
Bank Premises, etc.	„	4 929 060.26
Other Assets	„	94 376 093.91
	Kr.	1 327 615 534.91

Liabilities.		
Demand Deposits	Kr.	308 206 057.64
Deposits at Notice or Fixed Term	„	508 284 988.76
Due to Norwegian Banks	„	155 550 420.61
Due to Foreign Banks	„	37 840 388.36
Acceptances on Account of Customers	„	4 514 963.21
Cheques in Circulation, etc.	„	9 435 974.50
Foreign Exchange Creditors	„	20 446 142.00
Commercial Credits	„	15 345 834.47
Other Liabilities	„	216 113 960.85
Capital fully paid Kr. 24 500 000.00		
Reserve Fund Kr. 16 000 000.00		
Reserve for Taxes Kr. 4 400 000.00		
Reserve for Contingencies Kr. 3 000 000.00		
Balance carried forward to 1959 Kr. 3 976 804.51	„	51 876 804.51
	Kr.	1 327 615 534.91

Guarantees Kr. 382 602 139.85, of which Kr. 12 523 800.00 for The Guarantee Reserve Fund of the Norwegian Commercial Banks, secured by deposits with the Bank of Norway.

THE SCOTTISH MUTUAL ASSURANCE SOCIETY

The seventy-sixth annual general meeting of The Scottish Mutual Assurance Society was held on March 18th in Glasgow.

Mr T. R. Patterson, CBE, DL, JP (the chairman) presided, and in the course of his speech said that the figures for New Business were again a record. Premiums in the Life Fund exceeded £2 million for the first time and gross interest earned now exceeded £1 million. The gross rate of interest earned on the Funds had increased by 1s. 8d. to £6 5s. per cent and the net rate by 4s. 5d. to £5 10s. 9d. per cent. These were the highest in the Society's history, and it might well be that they were peak rates.

Referring to the Triennium, the chairman said that the Directors had made a careful review of all the Assets of the Society and there was a considerable appreciation over the values as stated in the Balance Sheet. Throughout the triennium the mortality experienced by the Society had been more favourable than that assumed in the valuation, while the average net rate of interest earned on the Funds had been £5 5s. 6d. per cent against the rates of 2½ per cent, 3 per cent, and 3½ per cent used in the valuation. The Directors had declared a bonus of 50s. per cent per annum at a cost of £712,730, leaving £233,702 to be carried forward. This was a very high rate of bonus and they had every reason to be proud of it.

In conclusion Mr Patterson said the Funds of the Society were invested in sound securities earning a good rate of interest, there were substantial hidden reserves, and the mortality experienced by the Society was favourable.

The report was adopted.

LEYLAND MOTORS LIMITED

POLICY OF DIVERSIFICATION JUSTIFIED

The fortieth annual general meeting of Leyland Motors Limited was held on March 18th at Leyland, Lancashire.

The following is an extract from the circulated Statement of Sir Henry Spurrier (Chairman and Managing Director):

We have, without doubt, experienced during the past financial year the most difficult conditions of trading we have had to contend with since the end of the War. The reasons, I believe, are well known to you, and it would serve no useful purpose for me to table a list of the depressions which descended upon us during that period in unfailing regularity. The depression has been halted, but prosperity in our industry is by no means restored. By the commencement of the year the substantial backlog of orders referred to in my last Statement had been eaten into and dwindled to less than half in number. Towards the end of the year business began to improve but very slowly and today, whilst we are not working to full capacity, new orders are at last matching deliveries.

Fortunately, the Company's policy of diversification, pursued during the past few years, and put into being, has stood us in good stead, and enabled the Group to maintain its turnover at almost last year's record figure, and to show us a profit that, although only slightly lower, has of necessity absorbed two wage awards with no compensating increase in the selling prices of our products.

Commenting on the Company's contract for 2,800 Hispano-Suiza tracked vehicles, the Chairman said that the first prototype, completed nearly twelve months ago, showed that there were certain design weaknesses which needed attention. The necessary redesign and development work had now been completed and vehicles had been delivered to Germany for approval.

HOME AND ABROAD

He continued: By and large, I would estimate that we have felt the falling off in business almost equally at home as in our overseas markets. The causes, however, are by no means similar in character. At home, the situation has been brought about very largely through legislative measures as opposed to any natural trend.

After referring to the very sudden and drastic anti-inflationary measures which the Government found necessary to apply, and the anomalous imposition of purchase tax of 30 per cent on commercial vehicles, the Chairman continued: The declaration by the Labour Party of their policy to re-nationalise long distance road haulage, and severely to restrict movement of the "C" licence holders has brought all-round nervousness amongst operators. We at Leyland are worried still further by the nationalisation proposals for iron and steel. It seems inconceivable that any party, for political ends only, should wish to interfere with the workings of what is probably today one of Great Britain's most efficient industries. If these plans are carried through the ultimate effect will, in my view, be to increase the cost of these vital commodities to the user.

Until matters such as these are resolved one way or another, I can see little improvement for us in the home market; in fact the situation could easily deteriorate still further.

Commenting on the Company's business overseas, the Chairman said that they could look forward to a steady trade, particularly within the Commonwealth. They had also been able to make good progress in other countries by a policy of assistance in establishing local assembly or manufacturing plants, and making arrangements for selling and servicing.

He continued: This is a policy that I feel is a right one for us to pursue and develop. The whole of our future in overseas markets will depend on just how far we will be able to expand in this direction.

The unforeseen can and does happen from time to time, and when it does it usually upsets our plans and calculations. Striking an average, however, I have great confidence in the Leyland Group to progress and prosper. We are large and strong enough to undertake a steady programme of expansion. We are not so large, however, as to be unwieldy and impersonal. We are a family, and I believe a happy one.

The trading profit for the Group is £5,937,646 and is very similar to the results of the previous year, when you will remember a record was achieved.

The report and accounts were adopted and a dividend of 2s. 6d. per Stock unit, less tax, was approved.

COMPANY AFFAIRS

P & O

THE slump in shipping, the worst since the early thirties, will probably persist until at least the end of 1960. In the full accounts of P & O the directors make no bones about the severity of this slump. The full force of the depression is not reflected in the 1958 accounts, in which net profits are shown to have tumbled from £8¼ million to £5¼ million, and the directors are expecting lower profits this year. They say bluntly: "the fall in rates took place at a time when the volume of world tonnage was increasing, and it is clear that for the present volume of world trade there is a surplus of tonnage in existence which must be aggravated by the formidable amount of new tonnage building for early delivery." More specifically they say of tramp freights: "at these rates very few ships can trade at a profit, after allowing for depreciation; many are making a cash loss with no allowance for depreciation; and the owners of some five million tons throughout the world have decided that it is preferable to lay the ships up rather than trade them at a loss. There are at present no signs of a revival in rates and it would be unrealistic to assume that conditions are likely to change quickly."

Years to Sept. 30,	1957 £	1958 £
Consolid. Earnings:		
Trading profit	30,118,873	22,845,208
Income from invests.	1,659,331	1,629,544
Depreciation	10,742,892	11,227,730
Survey provisions	1,901,773	1,964,643
Interest charges	709,270	710,096
Profit before tax	17,640,269	10,183,978
Tax	7,224,064	3,544,033
Minority shareholders	1,757,275	1,374,709
Net profit	8,756,999	5,272,262
Deferred dividend	1,742,860	1,742,860
Deferred dividend (per cent)	11	11
Retained profits	6,926,739	3,442,002
Cons. balance sheet:		
Net fixed assets	155,674,812	166,040,407
Stocks	7,704,479	8,327,721
Debtors	18,554,537	18,041,805
Cash etc.	12,797,729	12,734,688
Quoted invests.	46,921,325	42,231,327
Net current assets	45,910,054	42,531,930
Minority interests	23,385,488	24,319,218
Reserves	104,898,209	106,822,672
Deferred capital	27,555,108	27,555,108

£1 deferred unit at 32s. 6d.xd yields 6¾ per cent.

P & O itself has a large number of vessels now building, and it has not trimmed this programme at all significantly. It has cancelled an order for one cargo vessel and postponed the building of seven others, and it has re-phased its tanker building programme. Two orders have been cancelled, bringing the programme down to 16 tankers. But these are of larger average size and the total deadweight tonnage remains unchanged at 500,000 tons, as was first envisaged in 1955 when the group booked berths for the building of 25 tankers. The cost of the programme, too, remains unchanged at over £40 million. P & O put in its orders for tankers at the top of the boom and it is paying a high price for new tonnage. Nevertheless, nearly all the tankers have been chartered forward "at satisfactory rates" and the two in operation this year will work at a profit.

Many of the directors of P & O have seen a shipping slump before and they seem to be facing up to the depressing prospect with equanimity, going ahead with their plans to compete on some of the Pacific liner routes with American shipping lines. But can shareholders, whose deferred units yield 6¾ per cent on the maintained dividend of 11 per cent, remain unperturbed at the certain prospect of lower earnings this year? They have one consolation: the dividend was not cut last year and it was covered about three times by earnings.

HULTON PRESS

AT the time of the bid by the Daily Mirror for Amalgamated Press it was rumoured that Odhams Press was on the point of making a counter offer. Now Odhams has made a bid on a share exchange basis, which if accepted in full would be worth the equivalent of about £1,800,000, for the £1 million of ordinary capital of the Hulton Press. As the Amalgamated Press bid and others have demonstrated, a vote has to be paid for and the terms of the proposed deal put a big premium on the possession of a vote. Odhams are offering one of its 10s. ordinary shares for every five of the Hulton 2s. 6d. voting ordinary shares and for every seven of its 2s. 6d. non-voting ordinary shares. On the basis of market prices on the eve of the bid, that put a price of about 5s. 9d. on the voting shares and 4s. 2d. on the non-voting ones. That reflects the differential that already existed in the price of these shares in the market, where the voting units were quoted at 4s. and the non-voting units at 2s. 6¾d. The premium does not arise out of the directors' holding, for the directors of the Hulton Press hold about 59 per cent of "each of the two classes of shares" and as the non-voting shares were created through the capitalisation of reserves the minority shareholders have no reason to complain of unfair treatment. Helbert, Wagg, the financial advisers to Hulton Press, say that the offer is fair to both sides. Certainly, given the differential already established in market dealings, the offer seems equitable enough, but this bid, like so many others, emphasises what an awkward brute the non-voting ordinary share can be. As the directors of Hulton Press propose to accept the bid, the opportunity for any counter-offer seems to be ruled out.

Odhams seems to be willing to pay a high price for a magazine group that has not been faring especially well in recent years. Its bid for a group with net assets worth about £1,400,000 puts a value on goodwill of about £400,000. But as the Odhams dividend is well covered by earnings, the company will have no difficulty in servicing the enlarged capital that results from this high price. That fact and the spread of magazine interests possessed by Odhams should make the offer attractive to minority shareholders in Hulton Press.

SWAN, HUNTER

THE shipyards and marine engineering works of Swan, Hunter & Wigham Richardson began 1958 with a substantial volume of work on hand and a substantial backlog of uncompleted orders. The low level of freight rates must have reduced the flow of new orders substantially, but the preliminary profit figures for 1958 show that the group's gross profits before all charges slipped only slightly, from £3,594,321 to £3,528,338. A sharp rise occurred in depreciation, which jumped from £539,564 to £641,395, and the first contribution of £127,396 to the works insurance funds was made. But these higher charges were partly offset by a fall from £1,458,761 to £1,356,134 in taxation, and net profits declined by only £86,674 to £1,406,989. A major step in the liberalisation of the company's conservative dividend policy was taken last year when the ordinary dividend was raised from 14 per cent to 18 per cent, despite the lack of buoyancy in profits. The directors have taken a further step in the same direction this year; the dividend has been raised to a total of 20 per cent for 1958, absorbing £436,069 net. A 100 per cent scrip issue is also proposed, and the directors give the usual warning that no dividend increase is necessarily implied by the proposal. On the preliminary statement the £1 ordinary units gained 4s. 6d. to 62s. and yield 6½ per cent.

LIEBIG'S

JUST over a month ago Liebig's £1 ordinary stock stood at 59s. But since then a big recovery in profits for the year to August 31st last and an increase in the ordinary dividend have been announced, and that set the price of the stock on its upward path. The full accounts helped to keep the price moving up and now at the annual general meeting the chairman, Mr K. R. M. Carlisle, has rounded off a bountiful month by proposing a scrip issue, a rights issue on bonus terms and a slight increase in the dividend for 1959. To that news the market price responded with a further rise of 14s. 3d. to 96s. 3d. before easing to 90s. 9d.

The scrip issue will double the ordinary capital from £2 million to £4 million. The rights issue is to be made

at par in the proportion of one for four shares as existed before the scrip issue and it will raise £500,000. The money is needed to reduce the group's reliance on bank overdrafts and acceptances to finance the growth in stocks. The rights issue is a modest one; the group's net indebtedness at August 31st was over £2 million, but the pressure on liquidity is seasonal. The increase in the prospective distribution for 1959 stems from the decision to declare future dividends as a gross percentage and to break with the custom of paying dividends free of tax. Last year's total tax-free dividend of 13 per cent is equivalent to 11.3 per cent gross on the increased capital, but this year's dividends will be rounded up to 12 per cent, with an interim payment of 8 per cent on the original capital and 8 per cent on the capital as increased by the one-for-one scrip issue. At the ex all price of 42s. 7½d. the old shares yield 5.6 per cent.

PROPERTY COMPANIES

AN offer of seven new shares at 20s. per share for every eighteen ordinary shares held in **Peachey Property** gives the public, avid for such equities, the opportunity to subscribe just under £560,000 out of a total of £1,400,000 of new money. Mr C. W. Hutley and Mr G. F. Farrow, the joint managing directors, hold the remaining three-fifths of the equity. The equity held by minority shareholders in A. Peachey and Company was effectively extinguished last summer when they accepted cash or a debenture in Bell London Provincial Properties, in which the joint managing directors had previously acquired a holding of four-fifths of the equity on their own account. They held just over half of the equity of A. Peachey and Company and therefore in this deal probably took cash for their holdings. Since then they must have also dribbled out in small lots some of the equity of the product of the merger between A. Peachey and Bell London, which was renamed the Peachey Property Corporation. The ordinary shares in this company were split into 2s. units, and there are now 1,500 outside shareholders owning in small lots about forty per cent of the equity. Property owners have the advantage of being able to predict future income with considerable accuracy and the directors of Peachey Property now forecast that for the year ending in June, 1960, the total dividend will be 70 per cent. Last year they said that aggregate gross profits would reach £565,000 in 1958-59, and they now say that investment income alone exceeds a rate of £425,000 per annum. After the rights issue announcement the 2s. ordinary shares fell 3s. 6d. to 27s.

About 400,000 10s. ordinary shares in **Great Portland Estates**, another property company, are being made available to the market at 15s. The total placing is of 1,953,000 shares out of an issued capital of 7,750,000 ordinary 10s. units, and after the placing the directors and their associates will still control about 70 per cent of the equity. A final dividend of 2½ per cent will be paid in June for the year to March 31st, and it is expected that the total dividend in 1959-60 will be 5¼ per cent. That puts the prospective yield on the issued shares at 3.8 per cent.

SAVOY HOTEL

AT December 31st last, the assets of the Savoy Hotel group included £3,647,000 of freehold property, £388,000 in leasehold property and £1,136,000 in cash assets. Over the year the group's gross trading profits advanced from £803,202 to the highest level yet of £839,212 and its net profits went up from £190,415 to £224,403. The distribution on the ordinary capital, which since 1955 has included a small amount of highly geared voting stock, has been raised from 17 to 19 per cent and in addition there is to be a tax free distribution of 1 per cent from capital sources. The syndicate, which acquired Mr Harold Samuel's shares after the long take-over struggle in 1953, has now finally sold almost all the shares it then acquired at a modest profit. The 10s. "A" ordinary stock units now yield 5.5 per cent at the current price of 34s. 3d.

INTERNATIONAL NICKEL

THE annual report of this company, the giant of the nickel world, breathes an optimism undampened by the trials of last year. In 1958, for the first time for nearly ten years, the company worked at less than capacity. Demand for nickel declined, particularly in the United States; the average price of copper was lower than in the previous year, and prices and deliveries of platinum and palladium fell sharply. Late in September the company's operations in Ontario were shut down by a strike that lasted for three months. For the whole year deliveries of nickel dropped from 290 million lb to 206 million lb; deliveries of copper from 281 million lb to 211 million lb, and deliveries of platinum metals from 339,400 ounces to 145,400 ounces. As net earnings plunged from $86.1 million to $39.7 million and net earnings per common share came down from $5.90 to $2.71 the common dividend was cut from $3.75 to $2.60 per share.

Nickel remains in surplus but production capacity is still being increased. The company is going ahead with its Manitoba project, which is due to come into full-scale production at an annual rate of 75 million lb in 1961. In that year International Nickel expects that free world capacity will be roughly 650 million lb a year, more than 50 per cent higher than consumption in the peak year, 1957. "This," says the company, "represents a challenge which we as a major producer must meet." The "major emphasis" now is on developing markets. Since nickel became plentiful the trend toward substitution has been reversed. In addition to broadening existing uses the company is developing new ones, such as nickel-containing steel equipment for the storage and transportation of liquid oxygen and other gases at sub-zero temperatures. Its research laboratories are developing a super high-strength nickel-containing steel for use in aeroplane landing gear and missiles, and a new high-nickel alloy for use as nozzle guide vanes in jet engines. But market development takes time. Of more immediate concern to shareholders is that there are now indications of a revival in demand for nickel, and that prices of copper and platinum have risen.

UNITED STATES STEEL

A YEAR ago American steel consumers vied with each other in the speed with which they could reduce their stocks of steel products. If they are now tumbling over each other to order fresh supplies before a steelworkers' strike overtakes them, they changed their minds too late to prevent 1958 from being a very bad one for the producers. United States Steel Corporation produced in 1958 its smallest output of steel ingots and castings in any year since 1946. Nevertheless, in European eyes it was a contraction to a gigantic figure of 23.8 million net tons—which translated into the British standard of long tons was still greater than the whole of British output. But this compares with 33.7 million tons in 1957 and a record output of 35.8 million tons in 1953. Production in 1958 was running at just under 60 per cent of rated capacity. Capacity was re-rated at 41.9 million tons at the beginning of this year, after US Steel had spent a gross sum of $448 million on additions and replacements to plant in 1958. US Steel, on this new rating, is now credited with 28.4 per cent of the total capacity of the United States industry. In 1958 the group's gross investment fell below the $515 million spent in 1957, but authorisations for further expenditure made during the year rose from $405 million to $513 million. Deliveries of steel products fell from 23.4 million tons to 17 million tons over the year, but by the last quarter they had recovered to a rate of about 19 million tons a year, and profits were then as good as in the corresponding quarter of 1957. As deliveries in that quarter were still running below the corresponding level in 1957, this recovery in profits can be attributed to the price increases made by US Steel last August. Although depreciation charges were cut by $71 million to $205 million (reflecting the accelerated rate of depreciation allowed in earlier years by the government on investment for defence purposes), US Steel's net income dropped from $419 million to $302 million. Earnings per share contracted from $7.33 to $5.13, but the total dividend for the year on the common stock was held at $3.00. At the current price in London of 167½ mock dollars the yield is 3.2 per cent.

Company Affairs *continued on p. 1124*
London and New York Stocks *on next two pages.*

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LONDON AND NEW YORK STOCKS

Prices, 1958/9 High	Prices, 1958/9 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, March 11, 1959	Price, March 18, 1959	Net Yield, March 18, 1959 § £ s. d.	Gross Yield, March 18, 1959 £ s. d.
100 3/16	96 1/16	War Loan 3% 1955–59	100	100 1/32	1 16 7	2 18 10
97 3/4	90 5/8	Funding 2 1/2% 1956–61	97 9/16	97 3/16	2 13 10	3 14 8
99 5/32	93 1/16	Exchequer 2½ 1960	98⅞	98 27/32	2 7 1	3 5 11
100 5/32	95 1/16	Exchequer 3% 1960	99⅞	99 13/16	1 17 2	3 4 0
101 5/16	95 5/16	Conversion 4½% 1962	101 5/32	101 7/32	2 1 11	4 1 1
96 1/32	89 5/8	Exchequer 3% 1962–63	95 29/32	95 13/16	2 13 10	4 1 9
101 3/4	99 7/16	Conversion 4¾% 1963	101 13/32	101 9/16	2 4 3	4 6 10
92 15/16	83 5/8	Savings Bonds 3% 1955–65	92⅞	92 1/4	3 1 11	4 9 11
85 13/16	77 9/16	Funding 3% 1959–69	83 11/16 *	83⅝ *	3 13 5	5 1 5
93 1/8	86 3/8	Funding 4% 1960–90	92⅞	93	2 13 6	4 10 3
83 7/16	75	Savings Bonds 3% 1960–70	81¾	81⅝	3 14 5	5 3 3
93 5/8	84 3/8	Exchequer 2½% 1963–64	93	92 15/16	3 0 8	4 4 7
100 11/32	99 11/16	Conversion 4½% 1964	100 3/16	100 11/32	2 8 11	4 8 6
86	78 5/8	Savings Bonds 2½% 1964–67	85⅛	85⅛	3 13 0	4 17 9
76 7/8	69 5/8	Savings Bonds 3% 1965–75	75⅞	75 5/16	3 14 2	5 4 7
105 5/8	99 1/2	Exchequer 5½% 1966	103*	103 1/16	2 13 8	4 19 8
86 5/16	78 5/8	Funding 3% 1966–68	85 3/16	85⅛	3 12 10	5 1 41
98 1/8	91 1/8	Victory 4% 1920–76	96⅞	95⅜	2 15 4	4 10 6‡
89 13/16	81 9/16	Conversion 3½% 1969	88 11/16	88 11/16	3 7 5	4 19 6
100 5/16	97 1/4	Conversion 5¼% 1974	100	100 1/4	3 1 3	5 7 2
79 1/2	71 1/8	Treasury 3½% 1977–80	78¾	78 15/16	3 9 1	5 4 61
78⅜	70 3/8	Treasury 3½% 1979–81	77⅝	77 13/16	3 9 7	5 4 10
103 9/16	98 1/2	Funding 5½% 1982–84	103	103 1/8	3 0 2	5 6 9e
68 1/4	60	Redemption 3% 1986–96	66⅜*	66⅜*	3 5 9	4 19 81
74 1/2	64 3/8	Funding 3½% 1999–2004	73⅛	73 3/16	3 2 10	5 0 111
76 5/8	69 9/16	Consols 4% ..after Feb. 1957	74 9/16	74⅜	3 2 1	5 0 8f
69 9/16	63 1/8	War Loan 3½% ..after 1952	67⅛	67 1/4	3 0 5	5 5 9f
69⅞	62 3/8	Conv. 3½% ..after Apr. 1961	66*	66 5/16 *	3 0 9	5 5 7f
60	54 5/8	Treasury 3% ..after Apr. 1966	57 1/2 *	57⅝ *	2 19 10	5 5 11f
53 9/16	46 3/4	Consols 2½%	51⅛*	51 1/2 *	2 15 9	4 16 11f
51 3/16	46 3/8	Treasury 2½% after Apr. 1975	49¼*	49 5/16 *	2 18 3	5 1 3f
96 3/8	90 1/8	British Electric 4½% 1967–69	95⅜	95 5/8	3 2 3	5 2 11
80 1/8	72 1/16	British Electric 3½% ..1968–73	78¼*	78¼ *	3 14 6	5 3 10
76 13/16	68 5/8	British Electric 3% ..1974–77	75⅛*	75⅛ *	3 12 5	5 3 9
89⅞	82 5/8	British Electric 4½% 1974–79	87⅝*	88 1/16 *	3 4 10	5 3 11
80 3/8	72 5/16	British Electric 3½% 1976–79	79⅛	79 1/16	3 9 0	5 4 6f
89 3/4	82 7/16	British Gas 4% 1963–72	89¼	89 5/16	3 6 5	5 3 3f
87 1/16	79 1/4	British Gas 3½% 1969–71	85 13/16	85⅜	3 8 7	5 3 3f
69 7/16	60 7/16	British Gas 3% 1990–95	68⅜	68 7/16	3 4 11	4 19 11
80 1/8	72 1/16	Brit. Transport 3% ..1963–73	78¼*	78¼ *	3 14 6	5 3 10
86 3/4	79 1/4	Brit. Transport 4% ..1972–77	86¼	86 5/16	3 6 7	5 4 9
69 1/8	60 15/16	Brit. Transport 3% ..1978–88	68⅛	68 1/16	3 9 11	5 3 5

Prices, 1958/9 High	Prices, 1958/9 Low	FIXED INTEREST STOCKS	Price, Mar. 11, 1959	Price, Mar. 18, 1959	Yield, Mar. 18, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	94 1/2	Australia 4½% 1960–62	99¾	99¾	4 12 0f
106 7/8	97 7/8	Australia 6% 1974–76	106⅞	103¾*	5 12 7e
77	73 1/2	Ceylon 4% 1973–75	75½	75½	6 9 8f
102 1/4	94 1/2	Jamaica 6% 1977–82	99½	99½	6 0 11f
106 7/8	97 7/8	New Zealand 6% 1976–80	104⅝	104¼	5 12 2e
101 7/8	91 3/4	Rhodesia and Nyasaland 6% 1976–79	97½	95½	6 8 10f
74 5/8	69	Southern Rhodesia 2½% 1965–70	71¼*	69½*	6 6 11f
		CORPORATION AND PUBLIC BOARDS			
102 1/2	98 1/4	Agricultural Mortgage 5½% 1980–85	102½	102½	5 6 0e
105	98 7/8	Birmingham 5¾% 1974–76	103	103	5 9 1e
94	86	Bristol 3% 1958–63	94	94	4 13 0f
97 1/2	91 1/2	Glasgow 4¾% 1966–68	96¾	97	5 3 3f
101 1/4	96 1/2	Corporation of London 5¼% 1976–79	101	100⅜	5 3 10e
57 3/4	53	L.C.C. 3% ....after 1920	55½	55½	5 8 1f
64	56	Met. Water Board 'B' 3% 1934–2003	62½	62¾	5 2 11f
		FOREIGN BONDS			
109	83	German 7% 1924 (British Enfaced 5%)	107½	109	...
187	154	German 5½% 1930 (Enfaced 4½%)	186½	187	...
35	12 3/4	Greek 7% Refugee 1924	32¾	32½	Nil
169	160	Japan 5% (Enfaced) 1907	169	161¾*	...
119½	105½	Japan 6% (Enfaced) 1924	118	118½	...
59	48	Uruguay 3½% Bonds (Assented)	58½	58½	...

NEW YORK CLOSING PRICES

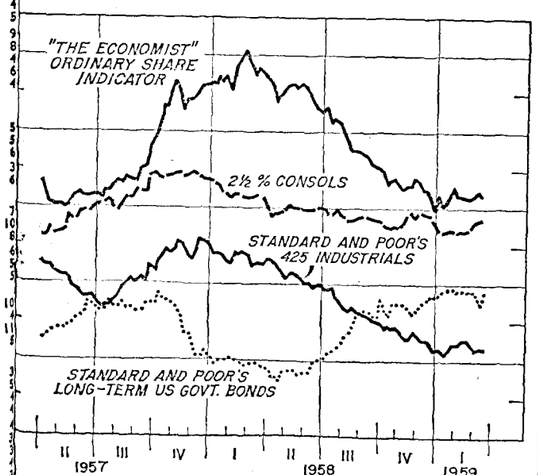
	Mar. 11 $	Mar. 18 $		Mar. 11 $	Mar. 18 $		Mar. 11 $	Mar. 18 $
Ath. Topeka	29¾	29¾	Boeing	40⅛	41¾	Inter. Nickel	97½	96⅛
Can. Pacific	31¼	31⅜	Celanese	30⅞	30⅛	Inter. Paper	122½	118⅛
Pennsylvania	16½	16½	Chrysler	59⅞	60⅝	Kennecott	115¾	114¾
Union Pacific	37½	36½	Col. Palmolive	99⅜	100½	Monsanto	46⅜	46¾
Amer. Electric	50⅞	53⅞	Crown Zeller	58	57	Nat. Distillers	33⅜	33½
Am. Tel. & Tel.	240⅞	242⅛	Distillers Seag.	34	33½	Pan-American	27⅜	29⅞
Cons. Edison	66⅜	65⅛	Douglas	54¾	56½	Procter Gamble	80⅜	82¾
Int. Tel. & Tel.	38⅜	41⅝	Du Pont	230½	227¾	Radio Corpn.	54*	58⅜
Standard Gas	3⅜	3⅜	East. Kodak	153	154¾	Sears Roebuck	43¾	43⅜
United Corpn.	9¼	9¼	Ford Motor	54¾	57	Shell Oil	87¾	84
Western Union	38	37½	Gen. Electric	79⅞	80⅝	Socony-Mobil	45⅜	44⅞
Alcoa	83⅛	81⅞	General Foods	82¼	79¾	Stand. Oil Ind.	49⅛	48
Aluminium	29¾	30⅛	General Motors	46	45⅞	Stand. Oil N.J.	52⅛	51¼
Amer. Can	49⅜	49	Goodyear	128	129½	20th Cent. Fox	37⅝	39¼
Am. Smelting	54	53¼	Gulf Oil	117	114½	Union Carbide	128¾	131
Am. Viscose	45⅞	45½	Heinz	69	69½	U.S. Steel	94⅜	93¾
Anaconda	73⅜	73⅜	Int. Bus. Mach.	526	533	West. Electric	79⅞	79⅜
Beth. Steel	52	53	Int. Harvester	43⅛	42½	Woolworth	55⅞	54¾

* Ex dividend. † Tax free. ‡ Assumed average life 9 years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Ex all. *(a) Interim dividend. (b) Final dividend.* (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (t) To latest date. (p) Unassented stock.

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Mar. 11, 1959	Price, Mar. 18, 1959	Yield, Mar. 18, 1959
				STEEL AND ENGINEERING			
31/9	24/11½	% 5 a	% 8 b	Colvilles £1	28/6	28/4½	9·1
30/6	21/7½	4 a	8 b	Dorman Long £1	29/10½	29/10½	8·3
23/10½	15/6	6 c	3 a	Steel Co. of Wales £1	23/5¼	23/7½	7·9
32/3	20/-	3 a	8 b	Stewarts & Lloyds £1	26/10½	27/3	8·3
42/10½	22/3	6 a	10 b	John Summers £1	38/11½	38/10½	8·2
30/3	17/9	4 a	8½ b	United Steel £1	27/11½	27/3	8·6
33/10½	23/-	6 b	4 a	John Brown £1	31/6¾	32/-‖	6·3
10/-	6/9	11 b	4 a	Cammell Laird 5/-	8/6	8/6	8·8
64/-	48/-	5 a	15 b	Swan Hunter £1	53/4½	62/-	6·6
36/6	28/6	7½ b	2½ a	Vickers £1	31/4½	31/10½	6·7
68/-	40/9	6⅔ b	5 a	Averys £1	60/9	61/6	3·9
18/7½	12/9	†17 a	†4⅔ b	Coventry Gauge 10/-	18/3	18/3	5·9
42/-	28/3	†2 a	†4 b	Alfred Herbert £1	37/6	37/3	5·4
17/6	9/3	10 b	5 a	Ransome & Marles 5/-	17/3	17/3	4·3
43/9	30/4½	9½ b	3 a	Renold Chains £1	43/3	43/9	5·1
43/6	21/9	8¾ b	3¾ a	Allied Ironfounders £1	42/-	41/6	6·1
55/6	41/10½	6¾ b	6 a	Babcock & Wilcox £1	50/-	50/3	5·1
85/9	36/9	4 a	13½ b	British Aluminium £1	70/-p	68/-p	5·1
96/-	45/3	15 c	20 c	Davy & United £1	95/6	93/6	4·2
58/6	34/7½	7½ b	4 a	Guest Keen £1	52/6	52/9	4·7
77/6	41/-	7 b	5 a	Metal Box £1	75/9	77/6	3·1
55/6	43/9	8¾ b	3¾ a	C. A. Parsons £1	50/6	51/-	2·8
27/9	23/-	15 b	10 a	John Thompson 5/-	24/6	24/7½	5·3
86/-	48/6	7½ a	10 b	Tube Investments £1	79/9	82/3	4·3
				BUILDING, etc.			
58/3	31/-	6 b	3 a	Associated Portland £1	53/6	57/5	3·1
22/10½	12/7½	7½ b	5 a	British Plaster Board .10/-	21/-	22/9	5·1
71/3	27/11½	8¾ c	5 c	Richard Costain £1	63/9	71/3	5·6
11/6	6/3	5 a	10 b	Crittall Manufacturing .5/-	11/4½	11/6	6·1
68/6	36/11½	15⅝ a	6 a	London Brick £1	67/3	68/-	4·1
89/9	52/6	5 a	13½ b	Wall Paper Defd. £1	87/3	87/3	4·1
				CHEMICALS AND PAINT			
22/-	13/4½	16 c	4 a	Albright & Wilson 5/-	21/-	21/9	10½
20/7½	14/4½	2½ 12d	5⅝ b	Borax Defd. 5/-	19/10½	19/9	2·1
8/-	4/10½	7½ c	12½ b	Brit. Ind. Plastics 2/-	8/-	8/-	5·1
48/6	28/6 3/4	3½ a	6⅔ b	Fisons £1	46/3	47/-	4·1
38/-	24/3	5⅔ b	2⅔ a	I.C.I. £1	34/9	34/10½	4·1
18 c	8/7½	6 a	6 a	International Paints ...4/-	14/3	15/3	5·1
12/6	12/6	5 a	8½ b	Monsanto 5/-	10½*	15/3*	4·6
22/-	15/3	13⅓ b	5 a	Pinchin Johnson 10/-	19/3	19/6	8
				ELECTRICAL AND RADIO			
58/9	47/-	7½ a	7⅓ b	A.E.I. £1	55/-*	55/-*	5
52/6	39/3	8½ b	4 a	B.I.C.C. £1	43/-	43/9	5·1
43/3	24/7½	5⅝ a	14⅓ b	Decca Record 10/-	40/4½	40/3	3·7
63/-	21/-	11¼ c	5 a	E.M.I. 10/-	54/9	60/6	5·1
65/6	44/6	4 a	10 a	English Electric £1	65/6	65/5	4·1
40/6	29/9	6¼ b	3 a	General Electric £1	31/-	31/3	4·1
17/-	10/3	12½ c	12½ c	Pye Defd. 5/-	15/-	16/-	3·1
97/3	74/6	11 b	6½ a	A. Reyrolle £1	95/-	94/6	3·1
				MOTORS AND AIRCRAFT			
15/11½	6/7½	12½ c	4 a	British Motor 5/-	14/2¼	14/11¼	6·7
58/-	31/9	3½ a	8½ b	Ford Motor £1	55/6	55/6	4·1
49/-	39/-	12½ c	12½ c	Leyland Motor £1	45/6	43/-	5·6
7/10½	4/1½	8 c	4 a	Rootes Motors 4/-	7/3	7/6	5·3
10/-	6/7½	8 c	12 c	Standard Motors 5/-	9/1½	9/2¼	5·4
26/6	14/4½	11 b	4¼ a	Dunlop Rubber 10/-	25/1½	25/-	4·4
47/3	28/-	2½ a	5 b	Joseph Lucas £1	45/6	47/3	4·3
26/1½	12/5¼	14 b	7½ a	Pressed Steel 5/-	24/10½	25/9	4·8
54/6	32/9	20 c	7½ a	Triplex Holdings 10/-	54/3	54/6	3·7
14/4½	8/7½	6½ b	3½ a	Bristol Aeroplane 10/-	10/1½	10/4½	4·8
21/4½	14/3	7½ c	7½ c	De Havilland £1	19/6	18/9	5·3
42/3	29/3	†5 a	†6½ b	Dowty Group 10/-	41/1½¶	41/-¶	4·9
34/9	24/9	3 a	7 b	Hawker Siddeley £1	29/-	29/7½	4·8
106/3	82/9	15 b	5 a	Rolls-Royce £1	101/9	103/-	4·9
				PAPER AND NEWSPAPERS			
49/7½	26/6	8 b	4½ a	Bowater Paper £1	48/3	48/9	5·1
54/9	27/9	9 b	5 a	Albert E. Reed £1	54/6	53/3	4·7
24/9	16/-	5 b	3 a	Spicers £1	23/3	24/9	5·4
25/3	8/9	7½ a	12 b	Daily Mirror 'A' 5/-	24/10½	25/-	3·1
29/3	18/6	5 a	12½ b	Odhams Press 10/-	28/6	28/6	4·4
				TEXTILES			
24/11½	19/6	6¼ b	2½ a	J. & P. Coats £1	23/3	23/9	4·3
21/-	12/10½	5 b	5 a	Fine Spinners £1	18/6	19/-	5·3
41/4½	29/10½	5 a	12½ b	Lancashire Cotton £1	38/1½	40/1½	4·4
38/4½	30/-	12½ c	2½ a	Patons & Baldwins £1	37/7½	37/1½	5·1
6/8¼	4/3	6 c	4 a	Salts (Saltaire) 5/-	5/6	5/6	4·3
55/6	38/4½	10 b	5 a	Woolcombers £1	52/3*	53/6*	4·7
19/11½	10/11½	Nil c	3 a	Bradford Dyers £1	15/11½	15/10½	3·8
48/4½	33/11½	22½ c	22½ c	Calico Printers £1	40/-	42/-	5·3
35/10½	19/7½	5 b	3 a	Courtaulds £1	34/9	34/3	4·1
13/7½	8/10½	3 a	10 b	Jute Industries 10/-	11/10½	11/9	4·3
30/6	15/3	7½ c	7½ c	Tootal £1	27/10½	27/10½	5·4
				DRAPERY & STORES			
22/11½	14/9¾	14·4c	6 a	Boots Pure Drug 5/-	21/3	21/9	4·3
30/3	16/9	3¾ b	10 a	Debenhams 10/-	29/3	30/-	5·1
34/9	17/3	25 b	7½ a	G.U.S. 'A' 5/-	33/10½	34/9	4·1
84/6	55/6	5 a	12½ b	Harrods £1	77/6	82/9	4·1
37/-	20/3	25 b	10 a	House of Fraser 'A' ...5/-	33/9	36/3	4·1
18/3	10/6	6 a	10 b	Lewis's Investment ...4/-	17/-	17/-	4·7
57/3	37/3	22½ b	12½ a	Marks & Spencer 'A' ..5/-	54/10½	57/3	4·1
38/10½	21/-	20 b	12½ a	United Drapery 5/-	36/6	38/3	4·1
53/11½	34/7½	26⅔ b	13½ a	Woolworth 5/-	50/6	52/3	4·1

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Mar. 11, 1959	Price, Mar. 18, 1959	Yield, Mar. 18, 1959
				BANKING			
50/9	15/9	% 30 c	% 20 a	Barclays £1	58/3	58/9	4·09
45/6	28/-	11 c	5 a	Lloyds £1	52/9	48/9	4·10
11 c	5 a	4 a	8 b	Midland £1	64/-‡‡	64/3‡‡	4·67**
10/6	6/9	13 b	4 a	National Provincial £1	99/9	99/6	4·02
53/3	21/-	4¼ a	7½ b	Westminster 'B' £1	60/9	62/3	4·02
63/9	31/3	10 a	50 b	District £1	77/6	79/6	4·28
197/6	133/9	6·17d	26·53b	Hudson's Bay £1	192/6	188/9	3·46
14/3	5/7½	12½ c	5 c	Rank Organisation 5/-	14/-	12/10½	1·94
17/11½	11/8¼	22½ c	22½ c	Sears 'A' 5/-	16/8¼	17/1½	6·57
63/6	44/-	7 b	6¼ a	Thomas Tilling £1	62/6	62/9	4·22
76/4½	52/1½	5 a	10 b	Turner & Newall £1	71/10½	71/4½	4·20
96/-	56/4½	8¾ b	8¾ a	Unilever £1	88/4½	89/6	3·76
49/3	24/3	7½ b	3½ a	United Glass £1	47/9	49/3	4·57
36/-	26/-	†10 b	†4¼ a	United Molasses 10/-	34/4½	34/3	7·19
				OIL			
58/6	39/9	†5 b	†2½ a	British Petroleum £1	51/3	49/-	5·33
87/3	59/11½	†7½ b	†5 a	Burmah Oil £1	76/6	75/6	5·95
£18⅞	£13⅞	17½ b	7½ a	Royal Dutch ....20 fl.	£15⅝	£15⅝	3·25
165/-	117/6	†13¾ b	†5 a	Shell Transport £1	138/9	138/-	4·73
95/6	41/6	...	...	Ultramar 10/-	46/6	69/9	...d
39/6	25/6	13⅛ b	7½ a	Wakefield C.C. 10/-	36/9	38/-	5·42
				SHIPPING			
46/6	27/7½	13½ b	6½ a	Brit. & Com'wealth. .10/-	42/-	41/-	4·88
23/9	16/6	10 c	Nil	Cunard £1	17/6	17/6	...
35/6	27/3	10¾ c	10 c	Furness Withy £1	31/6	31/-	6·45
20/6	14/6	10 b	10 a	London & Overseas 5/-	18/-	16/6	6·06
38/3	22/-	3 a	8 b	P & O Defd. £1	34/-*	32/6*	6·77
20/6	12/-	5 c	2½ c	Reardon Smith 10/-	14/6*	14/6*	1·72
25/6	19/3	7½ c	9 c	Royal Mail £1	24/3	24/-	7·50
				MINES			
182/6	115/-	60 b	20 a	Anglo-American 10/-	170/7½	170/-	4·71
131/10½	73/9	10 a	15 b	General Mining £1	123/9	125/-	4·00
80 b	40 a	10 a	40 a	Union Corporation ...2/6	51/9	52/-	5·77
34/3	23/10½	50 a	50 b	Daggafontein 5/-	22/3	27/6	18·18
163/11½	76/3	60 b	70 a	Free State Geduld 5/-	158/11½	163/11½	3·98
69/9	56/-	35 b	35 a	Hartebeestfontein .10/-	66/-	66/3	10·57
69/7½	46/6	50 b	50 a	President Brand 5/-	63/11½	63/11½	7·92
141/3	84/4½	80 b	70 a	Western Holdings 5/-	133/11½	137/6	5·45
64/6	41/6	12½ b	5 a	Consolidated Zinc £1	59/9½	61/6½	4·88**
134/4½	80/7½	80 a	120 b	De Beers Defd. Reg. ..5/-	123/9	127/6	7·84
$172¾	$132¾	$3·75c	$2·60c	International Nickel n.p.v.	$172¾	$172¾	2·68
8/7½	6/4½	5 a	15 b	London Tin 4/-	8/4½	8/7½	9·28
30 b	15 b	7½ a	3 a	Rhod. Anglo-Amer. ..10/-	79/4½	79/4½	5·35
12½d	6¼ b	4 a	6¼ b	Rhod. Selection Tst. ..5/-	16/6	16/7½	2·19
62/4½	45/7½	†15 c	26 c	Rio Tinto Reg. 10/-	53/11½	51/3	5·07
9/9	6/10½	11 2d	4⅛ b	Roan Antelope 5/-	9/11½	9/6	2·74
67/-	42/6	15 a	17½ b	Tanganyika Cons. 10/-	48/6	49/-	6·63
12/10½	7/10½	60 c	20 a	Tronoh 5/-	12/10½	12/10½	...
				TEA AND RUBBER			
26/3	19/6	†2½ a	†10 b	Cons. Tea & Lands £1	23/9	25/4½	17·14
27/9	20/-	†5 b	†3 a	Jokai (Assam) £1	23/-	23/-	12·10
22/3	16/6	10 b	4 a	Nuwara Eliya £1	16/3	16/-	17·50
1/1 13/4	1/11½	16 b	4 a	Grand Central 2/-	1/6	1/6	26·67
5/-	2/4½	25 b	5 a	London Asiatic 2/-	4/6 3/4	4/9 3/4	12·47
10 1/4d	5¼d	8 c	8 c	United Serdang 2/-	9¼d	9¼d	20·76
75/6	46/-	37½ b	12½ a	United Sua Betong £1	71/9	75/6	13·25
61/3	43/9	5 b	12½ b	Harrisons & Cros. Defd. £1	54/4½	54/4½	6·44

LONDON AND NEW YORK YIELDS



Yields based on assumed dividends :—Babcock & Wilcox, 13%. British Motor, 17½%. Consolidated Zinc, 15%. Richard Costain, 15%. Debenham, 15%. E.M.I., 20%. and Securities, 6%. London & County, 62⅓%. Joseph Lucas, 10%. Midland, 15%. Schweppes, 15%. Steel Co. of Wales, 9%. Triplex, 27½%.

STOCK EXCHANGE INDICATORS

LONDON
The Economist Indicator

1959	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
Feb. 18	252·4	5·13				
,, 25	253·5	5·11				
Mar. 4	252·0	5·15				
,, 11	250·9	5·20	255·6 (Dec. 31)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
,, 18	253·7	5·16				

* 1953 = 100.

Financial Times Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
Mar. 11	216·4	5·37	93·32	4·84	15,069	High	High
,, 12	217·3	5·35	93·32	4·85	14,319	225·5	207·6
,, 13	219·3	5·30	93·35	4·84	15,031	(Dec. 31)	(July 9)
,, 16	220·3	5·28	93·35	4·85	19,579	Low	Low
,, 17	220·3	5·28	93·37	4·85	16,575	154·4	159·0
,, 18	221·1	5·26	93·39	4·85	14,833	(Feb. 25)	(Nov. 5)

† July 1, 1935 = 100. ‡ 1928 = 100.

NEW YORK
Standard and Poor's Indices (1941–3 = 10)

1959	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Feb. 18	57·97	3·25	35·43	4·58	43·77	3·84	89·80	3·91
,, 25	58·83	3·20	35·48	4·58	44·08	3·83	89·80	3·91
Mar. 4	60·06	3·13	35·67	4·55	44·83	3·80	90·10	3·88
,, 11	60·02	3·15	35·82	4·53	45·06	3·73	89·60	3·73
,, 18	60·03	3·15	35·76	4·54	45·35	3·71	89·80	3·91

425 Industrials :—1958/59: High, 60·36 (Mar. 13, 1959); Low, 48·20 (Jan. 10, 1958).

DU PONT DE NEMOURS

RECESSION and recovery in America have been faithfully reproduced in the sales figures of E. I. Du Pont de Nemours, the chemical combine. Sales began the year 17 per cent below the 1957 level, but recovered progressively to run towards the end of the year 8 per cent higher than in the corresponding months of 1957. Over the whole year, total sales declined 7 per cent from $1,965 million to $1,829 million. Chemical companies with their high rate of technical innovation are able to keep down their prices more successfully than most other industries: in 1958 Du Pont's prices were cut by one per cent while the costs of production continued to spiral upward. Its net income fell from $281 million to $225 million. Dividends on Du Pont's holding of 63 million shares in General Motors remained unchanged at $116 million, so that its total income fell less sharply—from $397 million to $341 million, or from $8.48 to $7.25 per share. The distribution for the year was cut by 50 cents to $6.00 per share. The shares offer a yield of 2¾ per cent at the price of $405¼ (London terms). Under anti-trust legislation, Du Pont must somehow divest itself of control of 22½ per cent of the equity of General Motors. Due to the present state of tax legislation, a distribution of this stock *pro rata* to its own shareholders would be taxable in the same way as common dividend distributions. The company wants to retain the stock, and has propounded an ingenius solution to the dilemma, by suggesting that it should retain the General Motors stock on its own books while transferring the voting rights attached to the stock to shareholders.

DEPARTMENT STORE PROFITS

RESULTS published by department stores so far this year have been disappointing. They strengthen the impression that this method of retailing is still losing ground to the multiples. The gross profits of **Frederick Gorringe** of Victoria fell for the second year running, this time from £58,044 to £54,021. But a fall in tax left net profits virtually unchanged at £25,139 and the directors were able to maintain the ordinary dividend at 10 per cent, to which they reduced it from 12½ per cent in 1957-58. The £1 ordinary shares rose by 6d. to 48s. on the publication of these results. At this price they yield only 4 per cent on dividend and less than 7 per cent on earnings. That seems to suggest that in the market hopes of a take-over bid are not dead.

The return of 5.7 per cent that the 10s. ordinary shares of **A. W. Gamage** now offer at a price of 70s. 3d., having risen from 66s. 3d. since the preliminary figures were issued, derives more firmly from the trading results than does the price on the Gorringe units. The jump of over 25 per cent in net profits from £151,038 to £189,800 that this Holborn store achieved was due not simply to the new profits tax but also to the redevelopment of the City, especially of the Holborn Circus area. Moreover, earnings in 1958 scarcely reflected the impact of the freeing of HP from controls last October and the new influx of HP business will be reflected in the current year's profits. The speed with which Gamage's HP business has grown in relation to its cash trading is suggested by the comparison between an advance of only £16,612 to £408,702 in ordinary debtors and a jump of £54,901 to £195,879 in HP debts. The ordinary distribution has been raised from 35 per cent to 40 per cent, of which no less than 15 per cent is declared as a bonus.

A different tale is told by the directors of the **John Lewis Partnership** for the 53 weeks to end-January. Trading profits fell from £1,416,000 to £1,313,000, although turnover rose by nearly £2½ million to £32,325,000. Hence, as a percentage of sales, profit margins dropped from 4.8 to 4 per cent, but this represents an improvement on the first six months of trading when margins were down to just under 3 per cent. The directors attribute the decline in margins to the cost of rebuilding the John Lewis Store in Oxford Street and to their own decision to credit much of the HP profit directly to reserves.

BRADFORD DYERS

AFTER the passing of the interim ordinary dividend last July the preliminary figures of Bradford Dyers for 1958 should occasion little surprise. The directors then said that trade in cotton and rayon piece dyeing had fallen sharply and that immediate prospects were unpromising. In fact the drop in the trading profits of the parent and its British subsidiaries by nearly 50 per cent from £722,708 to £380,978 was largely responsible for the fall from £875,687 to £549,669 in the trading profits of the group as a whole. The group's investment income fell by only £11,790 to £149,550, while the profits of overseas subsidiaries actually rose by £15,712 to £168,691. The omission of an ordinary dividend for 1958, following a cut from 10 per cent to 6 per cent in 1957, was hardly avoidable, as net profits all but disappeared. But the directors have declared a "profits tax" interim of 3 per cent for 1959, justifying their decision by referring to the carry forward of £265,348 and the group's financial strength.

The directors also say that they will "consider" a tax free distribution from "part" of the capital profit it expects to receive when its Egyptian claims arising from the sale of its majority holding in Beida Dyers SAE are finally settled. It is with this prospect in mind that the current price of 15s. 10½d. for the £1 ordinary shares must be viewed. The preliminary statement already suggests that BDA may want to hold some of the money coming from Egypt back in order to pursue a policy of diversification much more vigorously.

London Stock Exchange

FIRST DEALINGS:	Mar. 11	Apr. 1	Apr. 15
LAST DEALINGS:	Mar. 31	Apr. 14	Apr. 28
ACCOUNT DAY:	Apr. 7	Apr. 21	May. 5

GILT edged stocks remained dull until Wednesday when investment buying led to widespread small gains, and finally on Wednesday's close the *Financial Times* Index of Government Securities was back to 85.88. Over the week, 3½ per cent War Loan rose by ⅛ to 67⅝. Among medium dated issues Conversion 5½ per cent 1974 gained ⅜ to 100⅛. Dominion loans were dull following the poor response to the two new 5½ per cent Australian issues, the 1973 loan opening at ⅛ discount and the 1976-79 stock at ½ discount. The discount on the new Rhodesia 6 per cent 1978-81 (£35 paid) widened further, under the shadow of the Nyasaland disturbances, from 3½ to 4½.

In contrast, leading industrial equities scored numerous gains following the opening of the budget account. On Monday 19,597 bargains were marked, just short of the record of 19,831 attained in mid-January. The rise was sustained by Tuesday's rally on Wall Street and the announcement late on Wednesday of lower unemployment figures. *The Economist* Indicator rose by 2.8 points to 253.7 over the week to Wednesday's close. Selected building and roadmaking issues were firmer following the announcement of the Government's new road plans, Associated Cement jumping by 4s. 6d. to 57s. 6d. Among active motor shares Rover rose by 1s. 7½d. to 23s. 6d. and Leyland by 2s. 6d. to 48s. Among electrical issues "Emmies" went ahead by 5s. 9d. to 60s. 6d. on American buying, but Decca lost 3d. to 40s. 3d. Among textile shares, Calico Printers rose by 2s. to 42s. following the five year extension to its "terylene" patents. Linen Thread jumped by 4s. to 23s. 10½d. in a narrow market. Leading store shares were strong, Curry's rising by 2s. 9d. to 24s. 3d. in front of the results.

Property shares were very active, with the Lintang shares, placed at 11s. 9d., opening on Friday at 16s. and closing on Wednesday at 20s. 7½d. Insurance shares remained steady but Legal and General fell by ⅜ to 11¾ after the dividend announcement.

Oils were firm at first on news that Venezuela was considering bigger tax allowances on reinvested profits. But interest waned after a setback on Wall Street. Ultramar touched 69s. 3d. on Friday before closing 2s. 9d. down on the week at 63s. 9d. Shell lost 9d. to 138s. and BP 2s. 6d. to 49s.

Kaffirs turned dull, but recovered later under the lead of FS Geduld which rose to a fresh peak of 163s. 1½d. St. Helena rose by 1s. 7½d. to 56s. 7½d. on the news of its increased dividend. Rubber shares were unusually active, with many new peaks being attained; Bukit Rajah rose by 6s. 3d. to 40s. 6d. and US Betong rose by 4s. 3d. to 75s. 6d.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended March 14, 1959, there was an "above-line" surplus (after allowing for Sinking Funds) of £40,756,000 compared with a surplus of £46,583,000 in the previous week and a surplus of £16,842,000 in the corresponding period of last year. There was a net expenditure "below-line" of £22,327,000, leaving a total deficit of £95,394,000 compared with £150,446,000 in 1957-58.

£'000	Estimate, 1958–59	April 1, 1957, to Mar. 15, 1958	April 1, 1958, to Mar. 14, 1959	Week ended Mar. 15, 1958	Week ended Mar. 14, 1959
Ord. Revenue					
Income Tax	2312,500	2040,243	2142,727	54,796	61,304
Surtax	163,000	145,800	155,100	6,200	7,000
Death Duties	163,500	163,500	178,000	4,000	4,800
Stamps	56,250	61,600	62,000	1,400	1,900
Profits Tax, EPT & EPL	275,000	244,500	265,200	3,500	3,100
Other Inland Rev. Duties	...	450	450	...	...
Total Inland Rev.	2970,250	2656,093	2803,477	69,896	78,104
Customs	1256,940	1157,492	1211,220	23,932	25,171
Excise	932,310	924,665	910,745	7,440	5,140
Total Customs and Excise	2189,250	2082,157	2121,965	31,372	30,311
Motor Duties	104,000	99,447	105,789	621	769
Oil (Net Receipts)	2,000	16,700	8,600	3,100	3,500
Broadcast Licences	34,000	28,400	30,800	...	...
Sundry Loans	30,000	32,089	26,686	2,134	...
Miscellaneous	110,000	159,157	98,627	109	8,127
Total	5439,500	5074,043	5195,944	107232	120811
Ord. Expend.					
Debt Interest	695,000	658,051	661,079	15,319	4,795
Payments to N. Ireland Exchequer	73,000	66,727	72,102	...	...
Other Cons. Funds	10,000	9,026	8,106	...	160
Supply Services	4292,859	3848,739	3940,302	74,700	74,100
Total	5070,859	4582,544	4681,589	90,020	79,055
Sinking Funds	38,000	37,352	37,185	370	1,000
"Above-line" Surplus or Deficit	+ 454,147	+ 477,170	+ 16,842	+ 40,756	
Below-line" Net Expenditure*	604,593	572,564	4,980	22,327	
Total Surplus or Deficit	150,446	95,394	+ 11,862	+ 18,429	
Net Receipts from:					
Tax Reserve Certificates	—50,157	41,668	—3859	—2553	
Savings Certificates	—19,900	129,900	—1200	3,300	
Defence Bonds	—37,303	103,152	—1252	3,467	
Premium Savings Bonds	78,209	65,305	1,459	850	
Total	—29,151	340,025	—4902	5,064	

* Including net expenditures of the Civil Contingencies Fund (£19 million in 1958/59 and £14 million in 1957/58.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Mar. 15	3,060·0	1,529·9	225·6	...	4,815·5
Dec. 13	3,440·0	1,687·6	150·1	...	5,317·7
" 20	3,460·0	1,761·9	184·7	...	5,406·6
" 31	5,351·0		222·2	0·3	5,573·4
1959					
Jan. 3	3,500·0	1,789·8	205·6	...	5,495·4
" 10	3,450·0	1,734·9	206·0	...	5,390·8
" 17	3,460·0	1,948·3	236·6	...	5,644·9
" 24	3,370·0	1,940·8	213·0	3·3	5,527·0
" 31	3,280·0	1,973·2	223·5	...	5,476·7
Feb. 7	3,250·0	1,891·6	237·9	...	5,379·5
" 14	3,140·0	1,874·2	252·2	...	5,266·4
" 21	3,070·0	1,943·7	197·2	...	5,210·9
" 28	3,010·0	1,990·0	197·3	...	5,197·3
Mar. 7	2,950·0	1,599·9	213·7	...	5,163·6
" 14	2,920·0	1,593·9	225·1	...	5,143·1

THE MONEY MARKET

OUTSIDE tenderers put in more competitive bids at last week's Treasury bill offer, while the discount houses made their concerted bid at £99 3s. 6d. for the third week in succession. The market therefore received a reduced allotment of 43 per cent at that price compared with 57 per cent in the previous week. The average rate of discount declined very slightly from £3 6s. 0.14d. per cent to £3 5s. 11.05d. per cent.

Credit was short on Thursday of last week and rates of 3-3⅛ per cent had to be conceded. The authorities gave a moderate amount of help which did not prevent one or two houses borrowing a marginal amount from the Bank. A shortage of funds persisted over the weekend but the amount of assistance that the market required to balance its books diminished progressively. On Monday government disbursements added to the funds available to the market, the cost of short loans fell to the banks' minimum lending rate, and some funds were unlent. On Tuesday the authorities intervened to take up a small surplus, but easy credit conditions persisted on Wednesday.

At the latest tender for United States' Treasury bills, the average rate of allotment for 91-day bills fell back sharply from 3.062 per cent to 2.763 per cent.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	Discount rates:	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	3⅛–3 1/16
Discount houses	2–2¼	3 months	3⅛–3 1/16
Money:		4 months	3⅛–3 1/16
Day-to-Day	1½–3	6 months	3⅛–3½
Treasury bills:		Fine trade bills:	
2 months	3 5/32	3 months	4¼–5
3 months	3 5/16	4 months	4¼–5
		6 months	4½–5¼

New York

	%		%
Official discount rate: (from 2½%, 5/3/59)	3	Treasury bills: March 9	3·062
		" 16	2·763

BANK OF ENGLAND RETURNS

(£ million)	Mar. 19, 1958	Mar. 11, 1959	Mar. 18, 1959
*Issue Department**:			
Notes in circulation	1,982·6	2,027·3	2,033·2
Notes in banking dept.	17·8	23·0	17·1
Govt. debt and securities*	1,996·2	2,046·5	2,046·5
Other securities	0·8	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin.	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	15·2	11·5	14·8
Bankers	222·8	237·2	246·4
Others	74·5	62·8	64·0
Total	312·5	311·4	325·3
Securities:			
Government	263·6	269·8	296·3
Discounts and advances	25·8	13·7	7·3
Other	21·4	22·6	22·2
Total	310·8	306·0	325·8
Banking department reserve.	20·2	23·8	17·9
"Proportion"	% 6·4	% 7·6	% 5·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,050 million January 21, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million): Allotted	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1958	91 day		s. d.	%
Mar. 14	250·0	370·3	120 6·59	61
	91 day / 63 day			
Dec. 12	240·0 / 50·0	485·3	62 4·92	67
" 19	240·0 / 50·0	443·5	63 0·96	73
" 24	230·0 / 50·0	423·0	63 0·47	60
1959	91 day			
Jan. 2	260·0	402·8	62 11·35	52
" 9	260·0	407·4	62 10·22	47
" 16	220·01	414·0	62 3·42	40
" 23	220·02	415·1	62 1·96	31
" 30	220·0	388·0	62 1·68	31
Feb. 6	150·03	385·3	60 0·22	45
" 13	150·0	339·6	59 10·89	30
" 20	200·0	347·1	61 9·89	27
" 27	220·0	317·9	65 6·22	51
Mar. 6	230·0	370·4	66 0·14	57
" 13	230·0	374·1	65 11·05	43

* On March 13th tenders for 91 day bills at £99 3s. 6d. secured 43 per cent, higher tenders being allotted in full. The offer this week was for £250 million of 91 day bills. (1) £240 million offered. (2) £230 million offered. (3) £210 million offered.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	March 18	March 12	March 13	March 14	March 16	March 17	March 18
United States $	2·78–2·82	2·81 5/8–81 1/4	2·81 3/16–5/16	2·81 3/16–5/16	2·81 1/4–81 3/8	2·81 1/4–81 3/8	2·81 5/16–7/16
Canadian $	...	2·73–73 1/8	2·72 13/16–15/16	2·72 11/16–13/16	2·72 11/16–13/16	2·72 11/16–13/16	2·72 3/4–72 7/8
French Fr.	13·6220–14·0265	13·70 1/4–78 1/2	13·78 1/2–78 3/4	13·78 1/2–78 3/4	13·78 3/4–79	13·79–79 1/4	13·79–79 1/4
Swiss Fr.	11·94–12·54 7/8	12·16 1/4–16 1/2	12·16 1/2–16 3/4	12·16 3/8–5/8	12·15 3/4–16	12·15 7/8–16 1/8	12·16–16 1/4
Belgian Fr.	137·96– 142·05	140·60– 65	140·62 1/2– 67 1/2	140·62 1/2– 67 1/2	140·65– 70	140·65– 70	140·65– 70
Dutch Gld.	10·48–10·80	10·61 1/2–61 3/4	10·61 1/2–61 3/4	10·61 3/8–5/8	10·61 5/8–7/8	10·61 5/8–7/8	10·61 3/4–62
W. Ger. D-Mk.	11·59 1/4–11·92 1/4	11·76 3/4–77	11·76 7/8–77 1/8	11·76 5/8–7/8	11·75 7/8–76 1/8	11·76 1/8–3/8	11·76–76 1/4
Portuguese Esc.	79·03 1/2–82·00 1/2	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	1744 1/2–45	1745–45 1/2	1745–45 1/2	1745 1/2–46	1745 1/2–46	1745 1/2–46
Swedish Kr.	14·37 3/4–14·59 1/4	14·54 3/4–55	14·54 3/4–55	14·54 3/4–55	14·54 7/8–55 1/8	14·55–55 1/4	14·55–55 1/4
Danish Kr.	19·06 1/2–19·62	19·38 1/8–3/8	19·37 3/4–38	19·37 3/4–38	19·37 1/2–37 3/4	19·37 3/8–37 5/8	19·37 1/2–3/4
Norwegian Kr.	19·71–20·30 1/2	20·04 1/8–3/8	20·04 1/8–3/8	20·04 1/8–3/8	20·04–04 1/4	20·04 1/8–3/8	20·04–04 1/4
One Month Forward Rates							
United States $		3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm
Canadian $		1/16–3/16c. dis	1/16–3/16c. dis	1/16–3/16c. dis	1/16–3/16c. dis	1/8–1/4c. dis	1/8–1/4c. dis
French Fr.		par–2c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis
Swiss Fr.		1/8–1/16c. pm	1/4–1c. pm	1/4–1c. pm	1/16–7/16c. pm	1–1 3/4c. pm	1/8–7/16c. pm
Belgian Fr.		2–7c. dis	2–7c. dis	2–7c. dis	2–7c. dis	2–5c. dis	2–5c. dis
Dutch Gld.		1/16–5/16c. pm	7/16–5/16c. pm	7/16–5/16c. pm	3/4–1 1/2c. pm	3/4–1 1/2c. pm	1/16–7/16c. pm
W. Ger. D-Mk.		3/4–1 1/2pf. pm	3/4–1 1/2pf. pm	3/4–1 1/2pf. pm	7/16–5/8pf. pm	7/16–5/8pf. pm	1–1 3/4pf. pm
Three Months Forward Rates							
United States $		5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm
Canadian $		1/4–3/8c. dis	5/16–7/16c. dis	5/16–7/16c. dis	5/16–7/16c. dis	3/8–1/2c. dis	3/8–1/2c. dis
Swiss Fr.		3 3/4–3 1/2c. pm	3 1/2–3 1/4c. pm	3 1/2–3 1/4c. pm	3 1/16–2 7/8c. pm	3–2 3/4c. pm	3–2 3/4c. pm
W. Ger. D-Mk.		1 3/4–1 1/2pf. pm	1 3/4–1 1/2pf. pm	1 3/4–1 1/2pf. pm	1 7/8–1 5/8pf. pm	1 7/8–1 5/8pf. pm	1 7/8–1 5/8pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/43 1/4	249/41 1/4	...	249/23 1/4	249/2	249/2

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

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

BRITISH

Prices and Wages	Mar. 14th	External Trade	Feb.
Manpower and Output....	This week	Industrial Profits.....	Jan.

OVERSEAS

Western Europe	Feb. 7th	United States	Mar.

	Unit	Mid-year or averages			1957	1958		1958		1959	
		1956	1957	1958	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb
TOTAL MANPOWER		June figures									
Working population :											
Total	'000s	24,107	24,188	24,070	24,145	24,117	34,080	24,126	23,987	23,965	...
Men	"	16,188	16,225	16,160	16,214	16,202	16,187	16,161	16,124	16,124	...
Women	"	7,919	7,963	7,910	7,931	7,915	7,893	7,965	7,863	7,841	...
Armed Forces	"	761	702	614	650	639	632	594	590	585	...
Civil employment :											
Total	"	23,149	23,245	23,080	23,128	23,086	23,048	23,043	22,871	22,820	...
Manufacturing industries	"	9,269	9,271	9,147	9,308	9,296	9,271	9,115	9,066	9,063	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955 :											
Employees in engineering(1)	"	+ 53	+ 48	+ 52	+ 111	+ 113	+ 103	+ 32	+ 23	...	...
" " consumer goods industries(2)	"	− 9	+ 2	− 99	− 30	− 42	− 55	− 99	− 130	...	...
UNEMPLOYMENT		Monthly averages									
By duration :											
All durations—total	"	257·0	312·5	457·4	335·4	395·5	424·5	536·0	531·7	620·8	603
Temporary or under 2 weeks	"	98·2	95·7	141·0	96·7	126·9	123·1	154·0	141·6	197·2	154
Over 8 weeks	"	93·1	129·3	197·7	129·4	156·5	171·9	237·7	248·3	286·8	301
By regions (3) :											
Great Britain	"	1·2	1·4	2·1	1·5	1·8	1·9	2·4	2·4	2·8	2
London and South Eastern	"	0·8	1·0	1·3	1·1	1·2	1·3	1·5	1·4	1·7	1
Eastern	"	1·0	1·3	1·7	1·5	1·8	2·0	1·7	1·7	2·2	2
Southern(4)	"	1·0	1·3	1·6	1·4	1·6	1·7	1·8	1·8	2·0	2
South Western(4)	"	1·2	1·8	2·2	2·2	2·3	2·3	2·6	2·6	2·9	2
Midland	"	1·1	1·3	1·6	1·0	1·2	1·3	1·9	1·8	2·2	2
North Midland	"	0·6	1·0	1·6	1·0	1·3	1·4	1·7	1·8	2·1	2
East and West Ridings	"	0·8	0·9	1·9	1·0	1·2	1·4	2·4	2·3	2·7	2
North Western	"	1·3	1·6	2·7	1·6	1·9	2·1	3·2	3·3	3·6	3
Northern	"	1·6	1·7	2·4	1·8	2·1	2·2	3·1	3·2	3·9	3
Scotland	"	2·4	2·6	3·8	2·9	3·4	3·6	4·4	4·4	5·4	5
Wales	"	2·0	2·6	3·8	3·0	3·5	3·8	4·1	4·1	4·6	4
VACANCIES											
Unfilled vacancies notified to Employment Exchanges : Total	'000s	390	276	198	236	220	209	159	163	156	1
INDUSTRIAL PRODUCTION											
Index :											
All industries	(1954=100	106	107	106	105	106	112	114	106	106–107(6)	...
" " *seasonally adjusted*	"	...	...	...	*106*	*105*	*108*	*107*	*107*	*106–107(6)*	...
Mining and quarrying	"	99	99	94	96	97	104	101	95	...	...
Construction	"	106	106	105	105(6)	...	102(9)	108(6)	...	...	...
Gas, electricity and water	"	110	112	117	131	138	134	128	136	...	...
Manufacturing, total	"	106	108	107	105	105	113	115	105	...	...
" " *seasonally adjusted*	"	...	...	...	*107*	*106*	*109*	*108*	*107*	...	...
Engineering and electrical goods	"	107	111	...	109	104	116	124	...	...	...
Shipbuilding	"	117	108	...	114	113	112	109	...	...	...
Vehicles	"	107	115	...	117	120	129	117	...	...	...
Chemical trades	"	111	115	...	111	115	119	122	...	...	...
Textiles, leather and clothing	"	99	99	...	85	94	102	100	...	...	...
BASIC MATERIALS		M/W averages									
Production of :											
Coal (5) (7)	W	'000 tons	4,269	4,301	4,150	4,220	4,272	4,579	4,436	4,137	4,340	4,3
Pig iron	W	"	253	275	245	276	271	273	234	223	229	2
Steel, ingots and castings	W	"	397	417	369	398	407	428	352	314	358	3
Sulphuric acid	M	"	187·2	194·7	186·8	206·8	214·1	189·8	187·5	203·1	...	...
Newsprint	W	"	12·36	12·55	11·81	11·06	11·97	12·01	12·27	10·53	...	...
Electricity (5)	M	mn. kwh	7,263	7,581	8,209	9,443	10,076	8,276	9,190	10,186	11,079	...
MANUFACTURING												
Textile production :												
Cotton yarns, single	W	mn. lb.	16·33	16·85	14·77	15·82	17·23	17·38	15·23	12·74	14·38	...
Worsted yarn	M	"	19·38	19·48	17·18	16·60	19·66	17·23	18·44	18·26	19·00	...
Rayon and synthetic fibres	M	"	40·21	41·32	35·18	35·15	40·85	35·72	37·63	40·20	46·11	...
Cotton cloth, woven	W	mn. yds.	31·0	31·4	27·0	29·4	31·4	32·1	27·2	21·7	25·2	...
Wool fabrics, woven	M	mn.sq.yds	33·1	32·8	29·1	30·1	35·5	30·9	30·0	29·1	31·4	...
Engineering production :												
Passenger cars and chassis	W	'000s	13·61	16·56	19·84	18·18	21·41	20·87	19·83	17·98	19·03	...
Commercial vehicles and chassis	W	"	5·71	5·54	5·90	6·18	6·49	6·87	6·00	5·93	6·58	...
Metal-working machine tools	M	'000 tons	12·90	14·10	...	14·20(8)	...	13·99(9)	...	...	...	...
Internal combustion engines	M	'000 BHP	411	406	...	407	414	396	339	...	...	...
BUILDING ACTIVITY (5)												
Permanent houses completed :												
Total	M	'000s	25·03	25·09	22·81	23·90	20·58	20·09	23·06	23·25	18·29	...
By private builders	M	"	10·35	10·54	10·68	10·05	9·31	8·79	11·77	11·35	9·33	...

(1) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (2) Textiles, leather goods, clothing, fo drink and tobacco, manufactures of wood and cork, paper and printing. (3) Number registered as unemployed expressed as a percentage of the estima number of employees. (4) Dorset (excluding Poole) was transferred from the Southern to the South Western Region on May 12, 1958. (5) Great Brita (6) Provisional estimate. (7) Excluding all screening losses normally amounting to around 5,000 tons a week. (8) Average for fourth quarter. (9) Avera for first quarter. (10) March figures: total unemployed, 550,000 (Great Britain, 2·5%; Scotland 4·8%); unfilled vacancies, 179,000.

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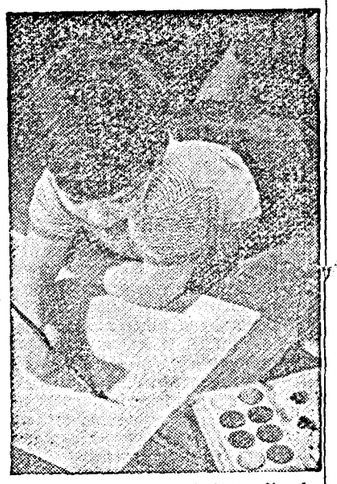


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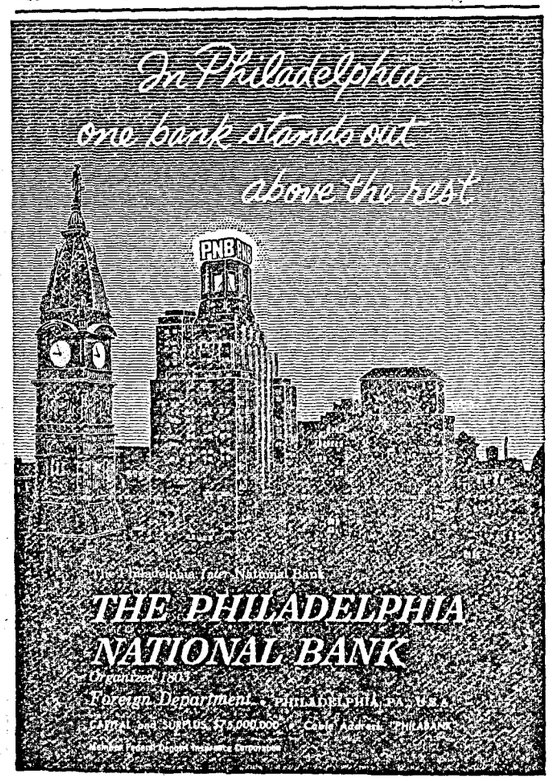
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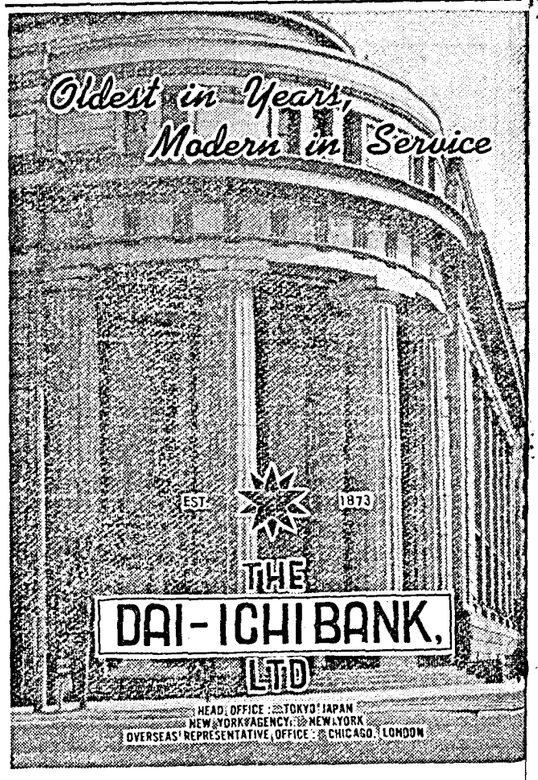
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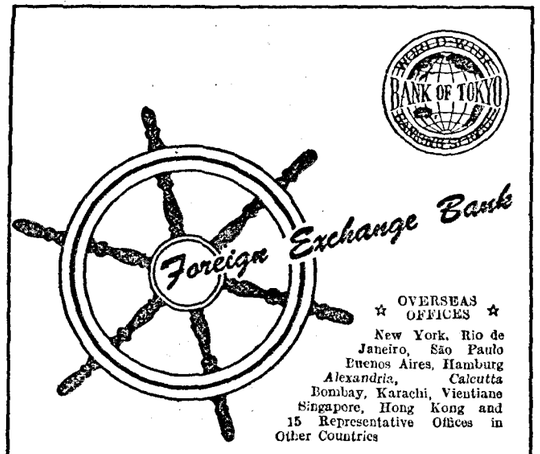




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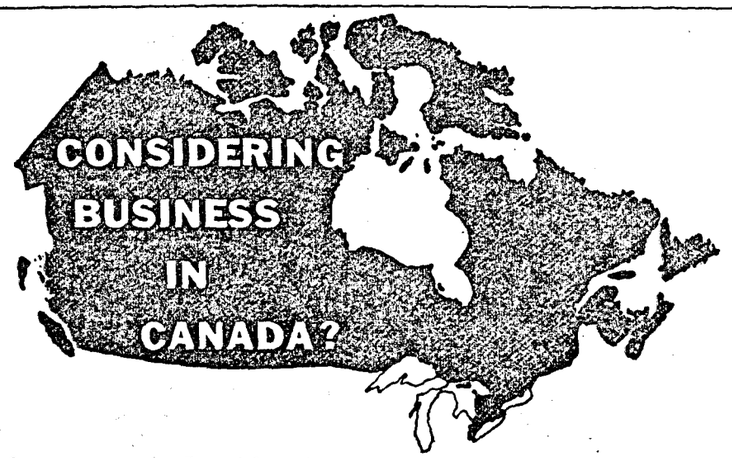
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A STAFF TUTOR is required, with qualifications in ECONOMICS and an interest in problems of Trade-Union Education and Industrial Relations, to take up duties from September 1, 1959. Salary Scale: Staff Tutor (Probationary), £700 x £50 — £850; Staff Tutor, £900 x £50 — £1,350 x £75 — £1,650, with F.S.S.U. provision and family allowances. Initial salary according to qualifications and experience.—Applications (10 copies) by April 11, 1959, to the Registrar, from whom further particulars may be obtained.

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(Principal: C. A. HART, C.M.G., T.D., D.Sc., Ph.D., M.I.C.E., M.I.Mech.E., F.R.I.C.S., A.M.I.Struct.E.)

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(i) Should be Chartered or Certified Accountants, recently qualified, preferably able to lecture in Financial and Management Accounting, and British Income Tax; should have had professional or industrial experience. Degree an advantage.

(ii) Should be Chartered Secretaries, qualified since 1948 with General Secretarial Practice in Final Examination; should state in what subjects prepared to lecture. Experience with Secretary of large joint stock enterprise desirable, relevant degree and teaching experience advantageous.

(iii) Should be graduates in Economics preferably with relevant business experience. Teaching experience desirable.

B. GOVERNMENT and ADMINISTRATION courses.

There is a two years' post-G.C.E. (A) Course leading to College Diploma, examinations to be moderated by University of Exeter; a one-year "In-Service" Course for Nigerian Local Government officers. Candidates should have appropriate degree or diploma, good Local Government experience and, if possible, relevant administrative or teaching experience—overseas for preference.

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Applications (6 copies), giving age, qualifications, experience and names of three referees, should be sent to the Council for Overseas Colleges, 12 Lincoln's Inn Fields, London, W.C.2, by April 10, 1959.

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Applications in strict confidence to Box 1143.

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(Principal: D. E. Mumford, M.A.)

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Salary scale: £1,837 10s. x £52 10s.—£1,995.

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G. D. EDWARDS,
Shire Hall, Chief Education Officer.
Cambridge.

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Applications are invited for the above Fellowship, tenable for one year with a possible extension to two years. The Fellowship is of a value within the range £1,100-£1,400 per annum, together with approved expenses involved in the research. Regulations governing the award of the Fellowship and application forms may be obtained from the Registrar, The University, Manchester, 13, to whom all applications should be sent not later than April 27, 1959.

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for the post of Senior Research Officer in the Social Science Department. The appointment will be for three years from a date to be arranged but not later than October 1, 1959. Subject to satisfactory qualifications and experience, the salary will be £1,500 x £75 to £1,650 per annum. The appointment is in connection with an inquiry into family life and kinship in the Swansea area and will have special reference to the position of old people.

Further particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, by whom applications (six copies) must be received by Saturday, April 4, 1959.

THE UNIVERSITY OF SHEFFIELD

DEPARTMENT OF EXTRAMURAL STUDIES

A SENIOR TUTOR is required, with qualifications in ECONOMICS and an interest in problems of Trade-Union Education, to take up duties from September 1, 1959. The post will include, in addition to some teaching duties, responsibility for the supervision and development of trade-union and similar classes. Salary £1,650, with F.S.S.U. provision and family allowances.—Applications (10 copies) by April 11, 1959, to the Registrar, from whom further particulars may be obtained.

CENTRAL OFFICE OF INFORMATION, SOCIAL SURVEY, invites applications for the following posts: (1) Two Senior Research Officers required to conduct sample surveys covering wide range of Social and Economic problems. Selected candidates will carry full responsibility for surveys and will be free to devise fresh methods of approach to problems but will have at their disposal highly skilled technical sections covering sampling, interviewing, coding and tabulation. Applicants must have a University Degree in one of the Social Sciences or Statistics or full-time experience in a research organisation; must be able to show evidence of previous work done. Posts are graded Senior Information Officer (unestablished). (Ref. PE.461.) Salary £1,395 to £1,660 (Men); £1,345 to £1,600 (women).

(2) Two Research Officers required to conduct, and assist in conduct of sample surveys covering wide range of Social and Economic problems. Selected candidates will be free to devise fresh methods of approach to problems and will work with highly skilled technical sections covering sampling, interviewing, coding and tabulation. Preference will be given to applicants with a University Degree in one of the Social Sciences or Statistics but consideration will be given to applicants with a diploma or full-time experience in a research organisation. Posts are graded Information Officer (unestablished). (Ref. PE.462.) Salary £1,150 to £1,330 (men); £1,102 to £1,280 (women).

(3) Assistant Research Officer to assist with sample surveys covering wide range of Social and Economic problems. Qualifications are a University Degree or Diploma or experience of survey work. Some knowledge of statistical methods an advantage. Post is graded Assistant Information Officer (unestablished). (Ref. PE.463.) Salary according to experience and qualifications, rising to maximum of £1,085 (men); £1,038 (women).

Write to Ministry of Labour and National Service, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4, quoting relevant PE number and give age and full details of qualifications and experience. Only those applicants selected for interview will be advised.

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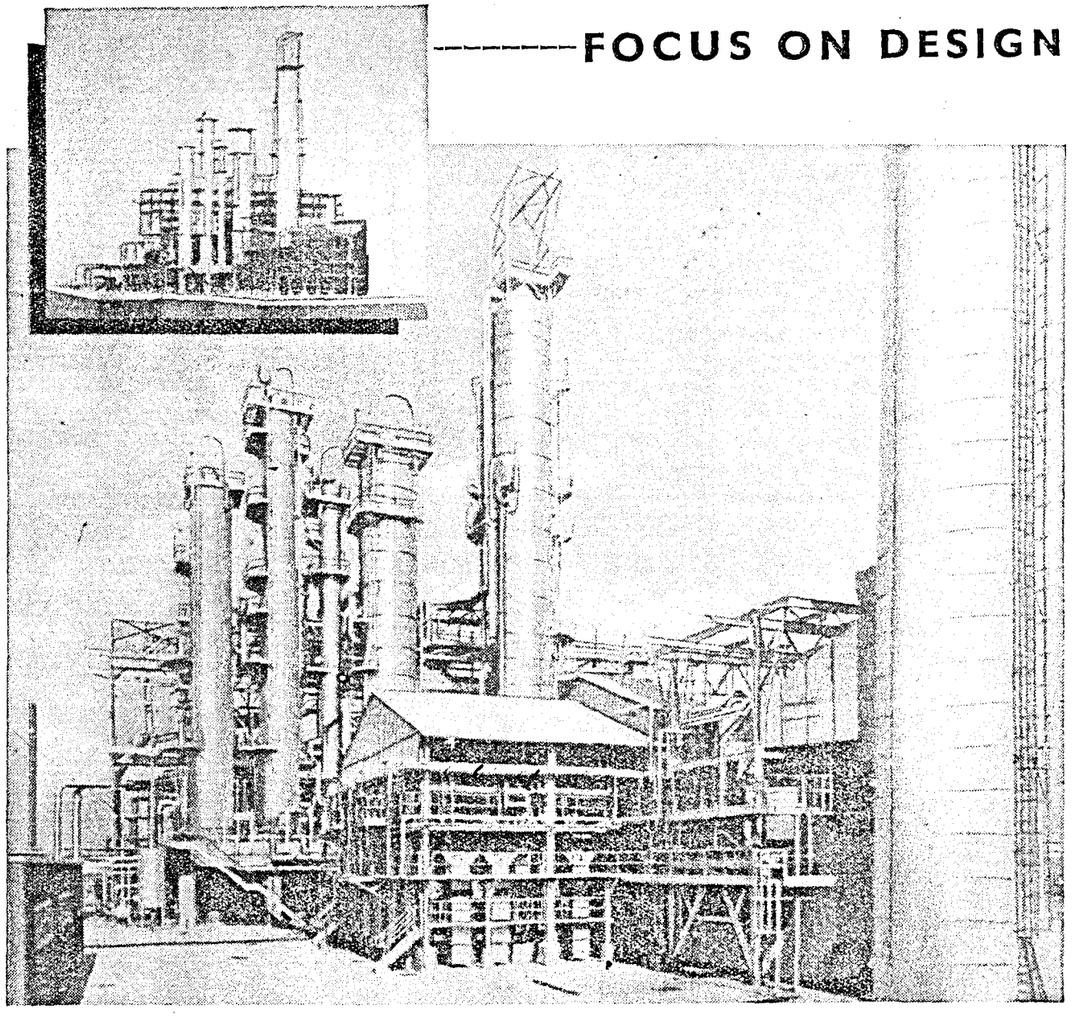
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UNDER SECRETARY TO ... 3 - APR 1959 PUBLIC ...

Mr Khrushchev's Vanishing Act

Mr Macmillan has finished his travels and the character of the Berlin crisis has changed (page 1145). What differences with the Americans remain after his visit?

Washington Holds Out

(page 1171).

Central Africa

While the "plot" thickens in the Federation (page 1150) our Rhodesian correspondent sees gleams of hope in last week's election results (page 1183).

Middle Class Salaries

Which white collar workers are really underpaid? (page 1148).

The Financial Smiths

The descendants of Thomas Smith of Nottingham (1631-1699) form one of the best-known families in the City of London (page 1193).

An Early Election?

(page 1147).

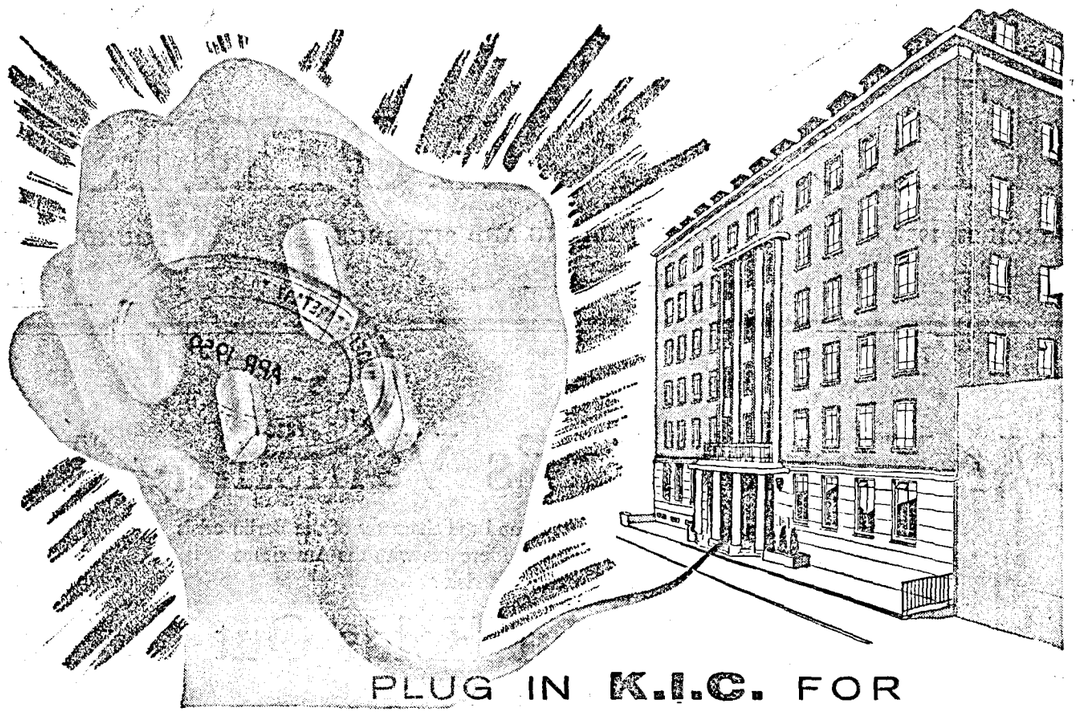
Labour and the Pound

(page 1191).

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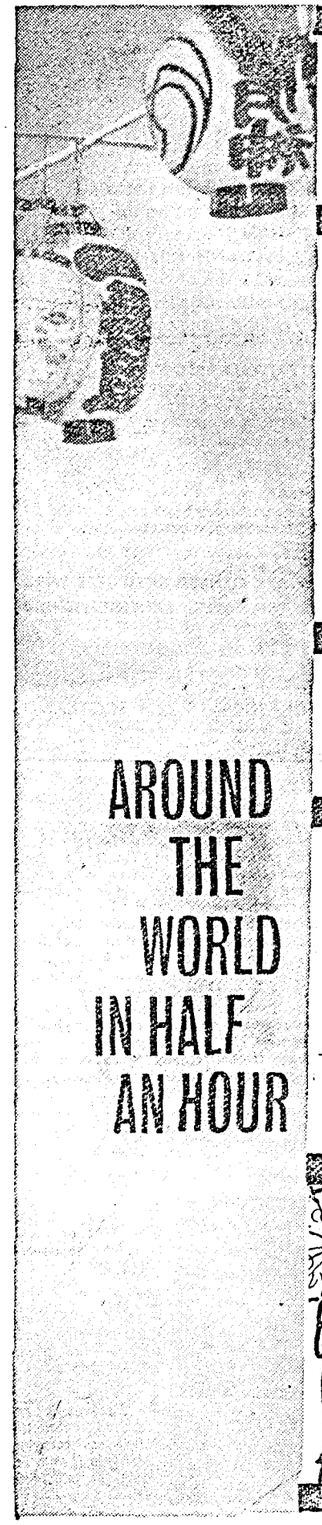
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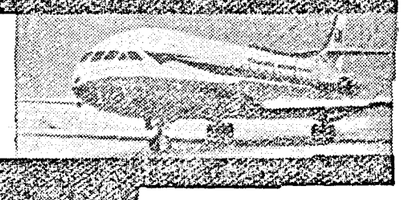
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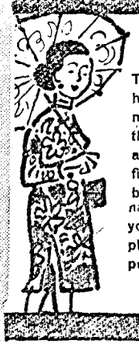


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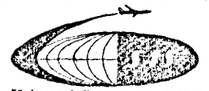
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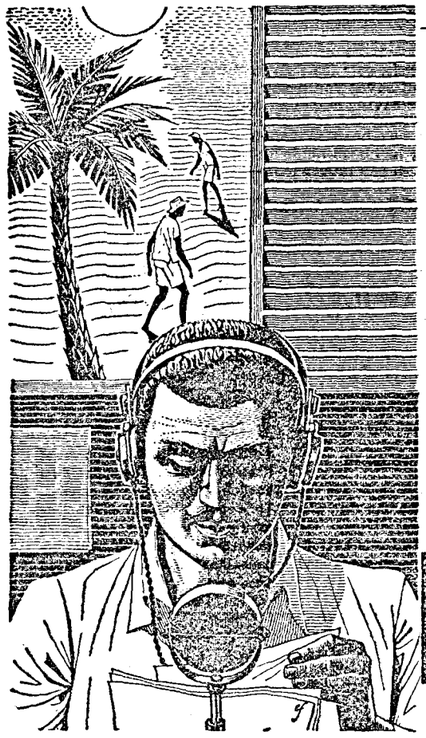
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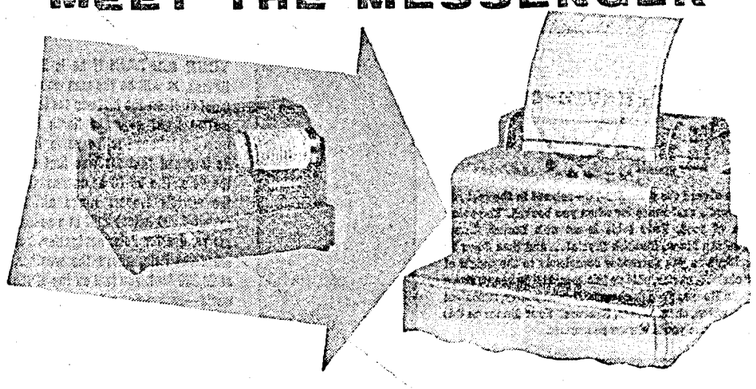
* *International Gold Medallists, Brussels Exhibition, 1958*

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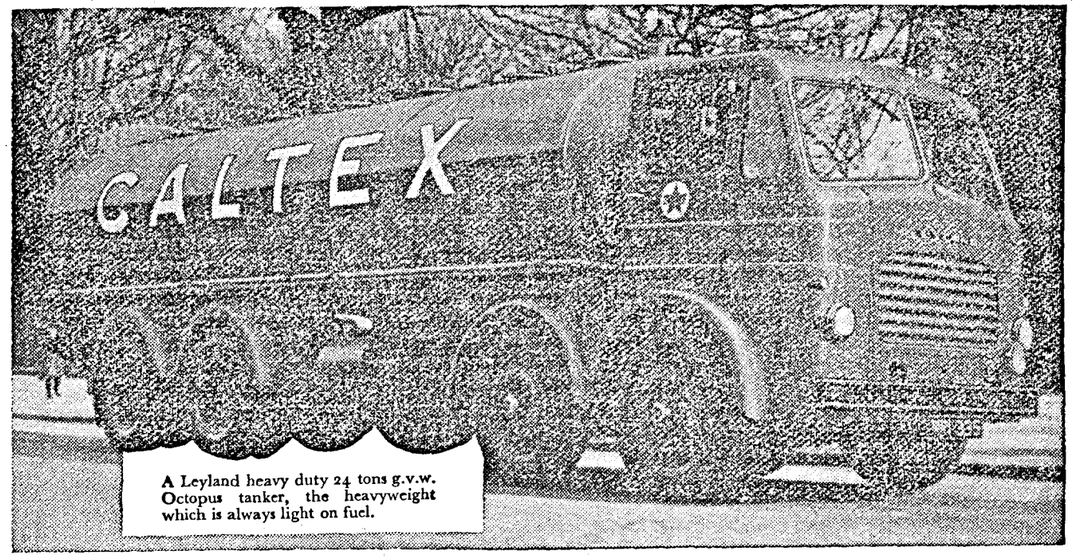
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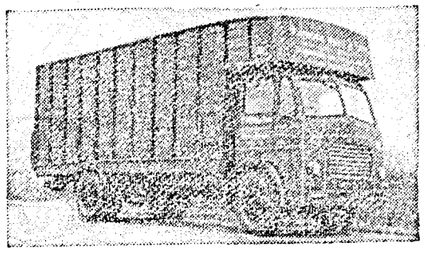
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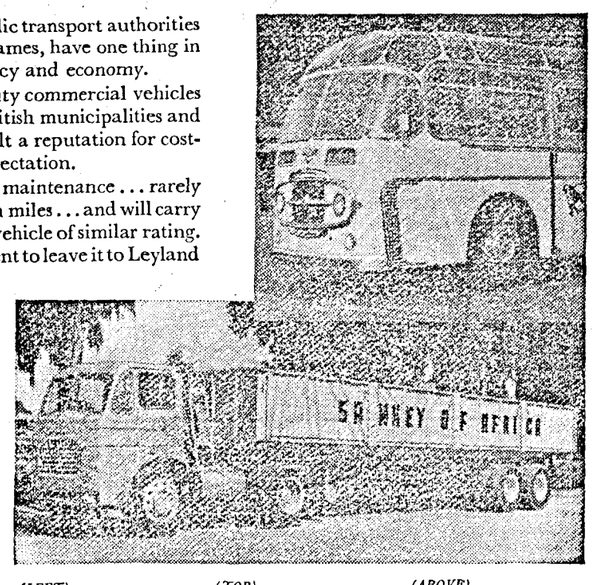
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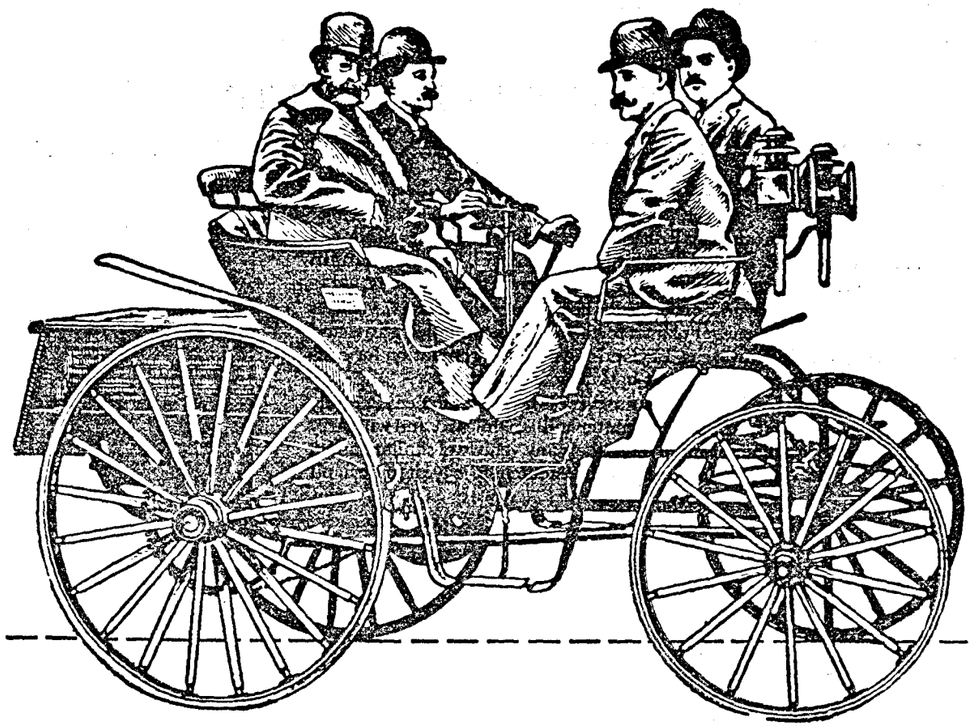
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THE ECONOMIST MARCH 28, 1959

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"Mind you, a lot of what's on isn't that good," says Mr. Golightly. "Take these science programmes. The atom and that. Damn newfangled nonsense!"

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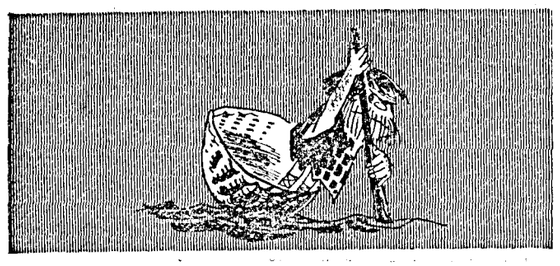
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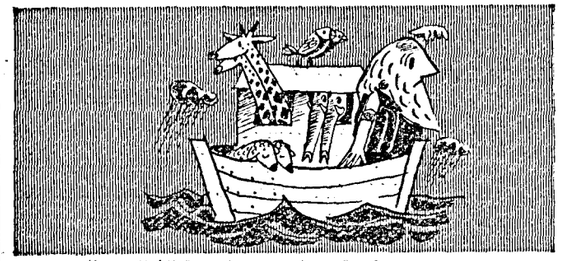


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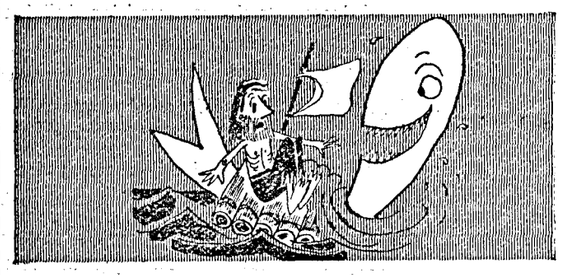
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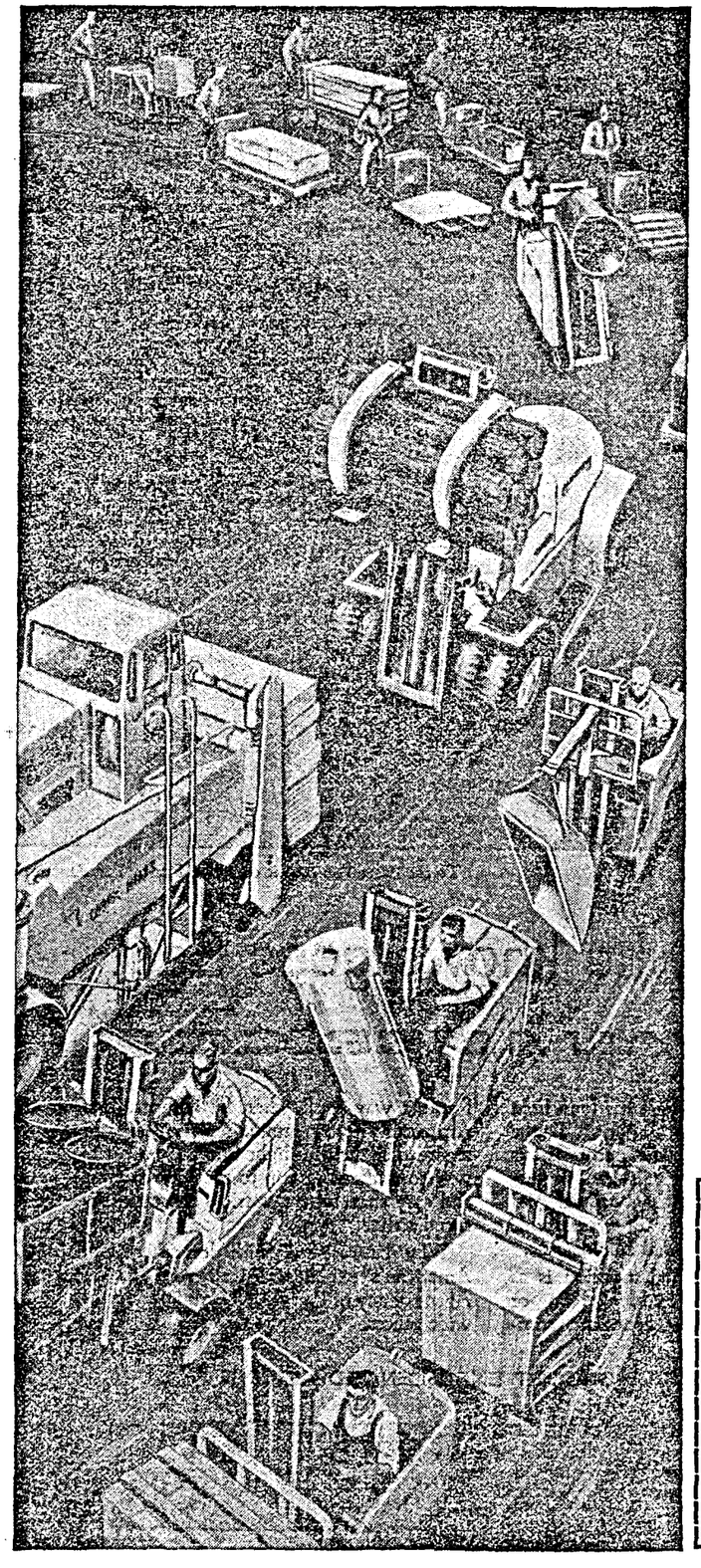
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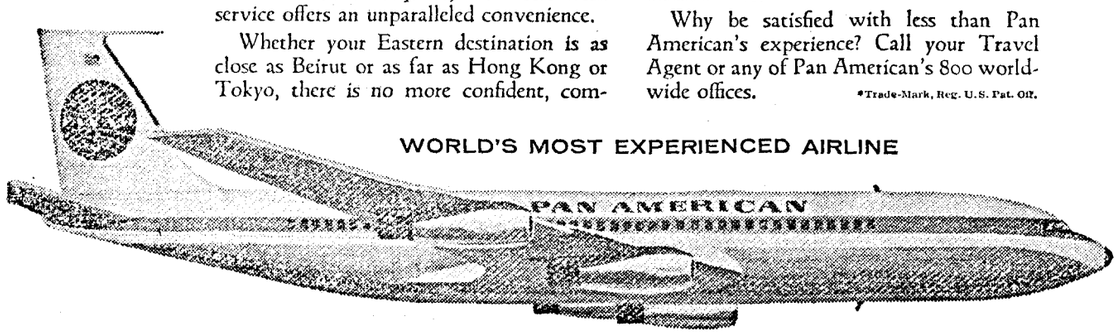
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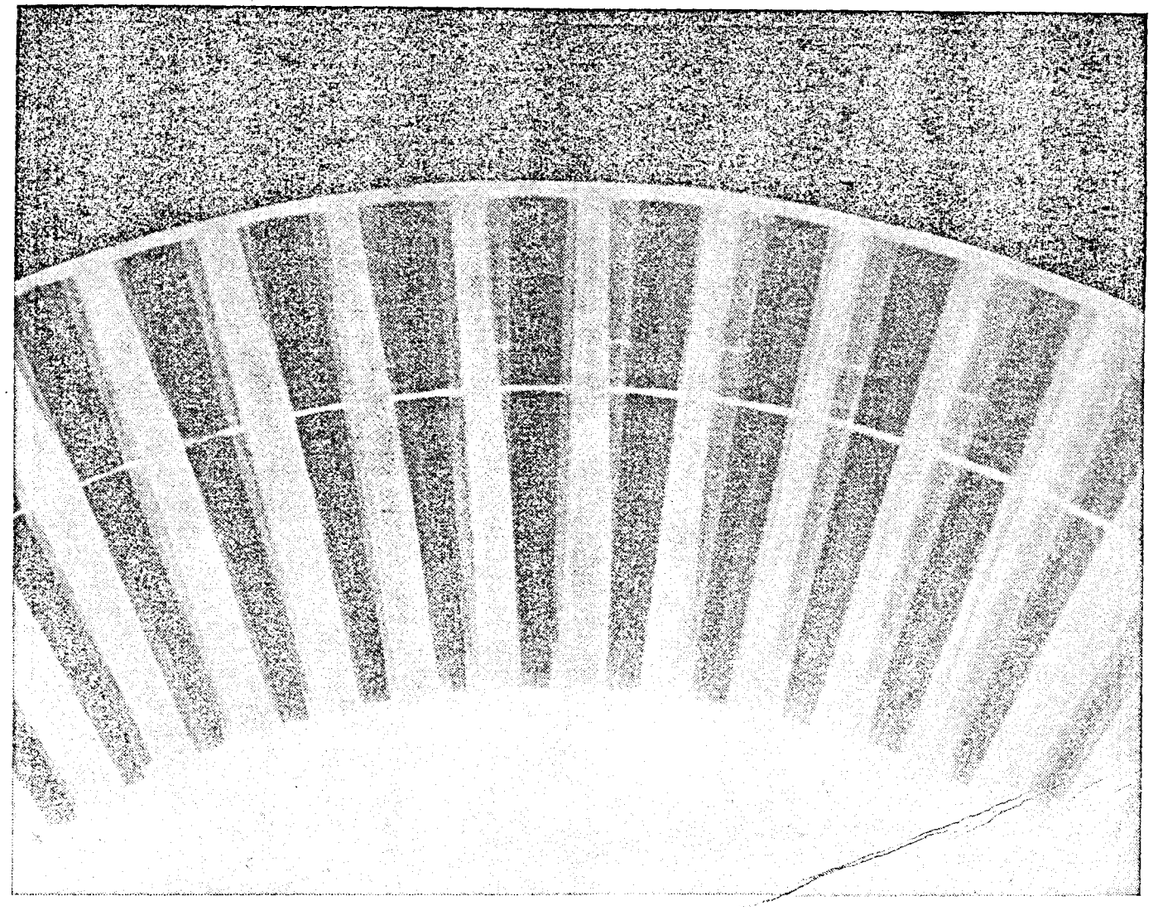
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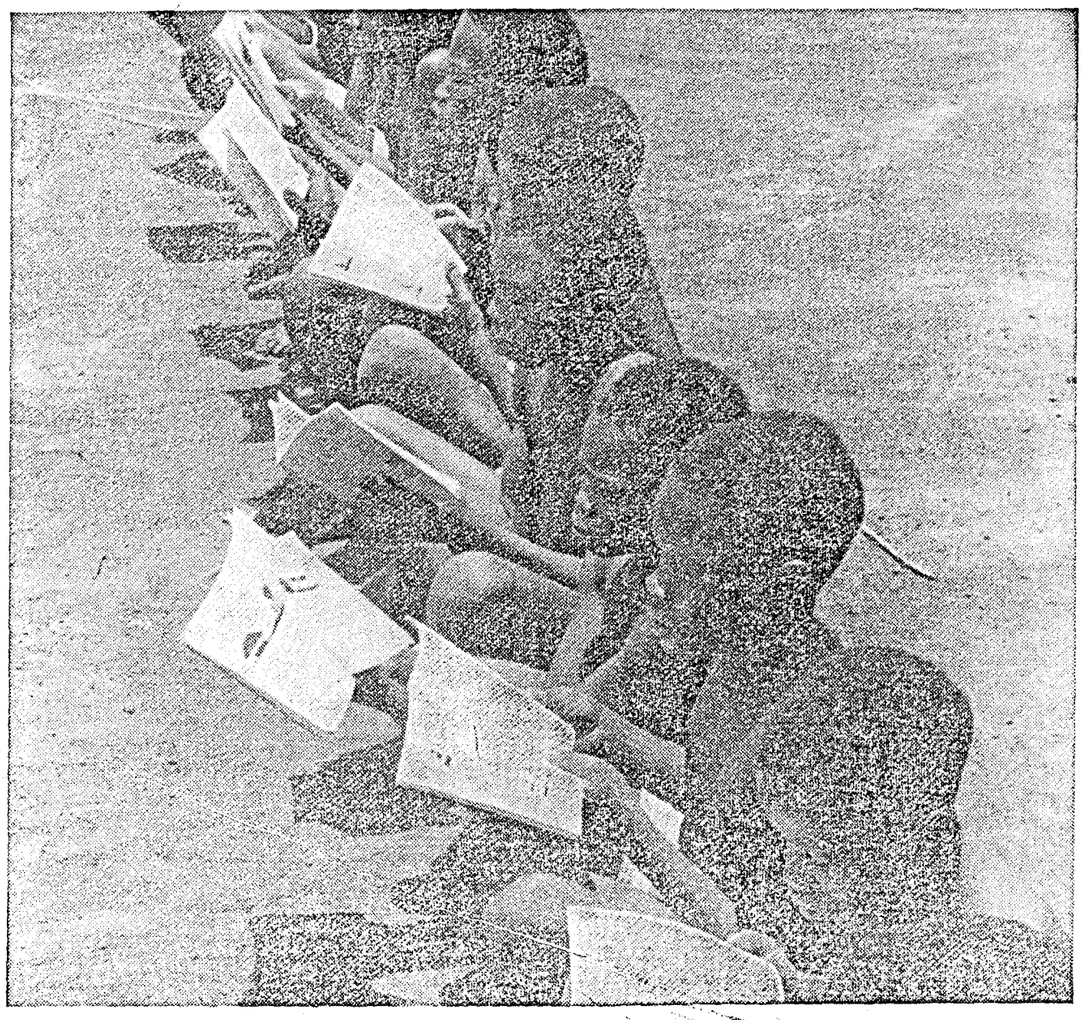
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The Economist

MARCH 28, 1959

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Mr Khrushchev's Vanishing Act

WITH no major mishap, though not without setbacks and snubs from opponents and allies alike, Mr Macmillan has completed the programme of reconnaissance and consultation that he opened by flying to Moscow five weeks ago. Perhaps the resentment that his initiative aroused in some breasts in Paris, Bonn, and Washington can now be buried. He is not the leader of the West, and does not claim to be, but he has shown himself the West's good servant. Western leadership must necessarily now return to Washington, where it belongs, and it faces a situation which presents possibilities of manœuvre that were not apparent five weeks ago.

Just how much of the change Mr Macmillan can claim credit for is a difficult as well as an invidious question. That there is change is not to be denied, and the British Prime Minister's exertions have had something to do with it. Who would have thought, five weeks ago, to hear Mr Khrushchev concede that the Americans, French and British "have lawful rights for the deployment of troops in Berlin as occupiers"? With this remark at a specially called press conference on March 19th Mr Khrushchev blew away the contention of his own government in its Note of November 27th that the four-power occupation agreements of 1944 and 1945 had become "null and void."

One phase of the Berlin crisis is ending, another is opening. It is worth while at this stage to list briefly the modifications that the past month has seen in what looked like a rigid Soviet attitude. Mr Khrushchev no longer refuses to negotiate at any altitude below the summit; he accepts, albeit reluctantly, a foreign ministers' meeting first. (President Eisenhower has made the opposite concession by agreeing that a summit meeting shall follow the foreign ministers' meeting if "developments" justify it.) Secondly, Mr Khrushchev has removed from his six-months' time-limit the smell of an ultimatum; May 27th, he now says, was only an approximate date; assuming that the West does not actually refuse to negotiate (which can be ruled out), there will be no unilateral Soviet action then.

Thirdly, the idea of a separate peace between the communist countries and east Germany has been either tacitly dropped or at the least severely modified; this is to be gathered from the changed tone of east German pronouncements on the subject since Mr Khrushchev's last talks with Herr Ulbricht in Berlin. Fourthly, there is no longer any talk (of the kind Mr Khrushchev allowed himself at Tula in February) of communist interference with western military traffic to Berlin, on legalistic or other grounds. East German spokesmen now say that, while it will certainly be desirable that the western powers should get the arrangements for their lines of communication with Berlin down on paper in agreements with the east German government, such agreements need not necessarily involve recognition of the German Democratic Republic; they have plenty of agreements with governments—Bonn, for instance—that do not recognise them.

Finally comes Mr Khrushchev's staggering admission of the validity of the western rights of occupation in Berlin—rights, he agreed, which flowed from the capitulation of Germany. Life must lately have been hard for the Communist jurists who have been working nights to dress the Khrushchev policy in presentable garments of international law. It must have been especially hard for the political theorists of east Germany, some of whom believe in the state which they serve—and who may not find it easy to think of their country's rights as things of straw to be stuck up or blown down at the whim of a volatile man in Moscow.

How sudden the change has been is shown by the March number of the east Berlin foreign affairs journal, *Deutsche Aussenpolitik*. This devotes 25 pages to an essay, well-documented and historically interesting, seeking to prove that the protocols of the European Advisory Commission of September 12 and November 14, 1944, were designed to serve specific inter-allied purposes for a limited time; and that, the purposes having been scrapped and the time dragged out, the western occupation of part of Berlin is now without legal basis. On this east German argument supreme power in the whole of Berlin should long since have reverted to the Soviet commander-in-chief, and from him to the east German government. Mr Khrushchev in February would have assented to this proposition; Mr Khrushchev in March has torn it up.

WHILE Soviet policy for Berlin has been going through this startling evolution, what has been happening to western policy? Underlying all western discussion of the Berlin crisis has been the assumption that the Russians and the east Germans were planning either a new blockade of Berlin or at least a blocking of the approach routes to western military traffic. In the first case (it has been assumed), the communist action would outrage world opinion by its brutality towards the civil population of west Berlin; in the second, it would constitute a forcible interference with western military lines of communication; and either action could properly be answered—after an interval for recourse to the United Nations—by the threat of war.

This does not seem now to be what is going to happen. In reality, it was always unlikely that the east German communists would actually blockade Berlin, and improbable that they or the Russians were thinking of offering the West a clear *casus belli;* much more likely was a demand for compliance with formalities which it would have embarrassed the western governments to have to fulfil, but which it would have been patently foolish to go to war about. What doubt there was has now been removed; the case is not going to arise in a form in which martial resolution will meet it. Either Mr Eisenhower's statement that a land war in Europe was not feasible, or General Taylor's assertion that it was, may have hastened the communist decision to avoid unnecessary and unprofitable risks.

The Moscow communiqué of March 3rd, at the end of Mr Macmillan's talks with Mr Khrushchev, contained a suggestion of what many people have assumed to mean a first step in a disengagement of the western and eastern forces in central Europe:

> Further study could usefully be made of the possibilities of increasing security by some method of limitation of forces and weapons, both conventional and nuclear, in an agreed area of Europe, coupled with an appropriate system of inspection.

Here is the luggage that Mr Macmillan had to declare to the suspicious Customs of Paris, Bonn, and Washington, getting, in each place, no more than a severely limited clearance. Our Washington correspondent reports on page 1171 the cold reception it met with there. From the disturbance that it has stirred up, one would almost suppose it to be new, instead of the standby of foreign ministers' conferences and disarmament talks since 1954. Mr George Kennan is to blame, no doubt, for offering the west a political strategy and labelling it "disengagement," on the principle that in a region where the West is politically strong it can afford to withdraw its military outposts, provided that it gets an equivalent military withdrawal from the other side. General Norstad declared on March 20th that disengagement—"a withdrawal of forces leaving a military vacuum"—would be disastrous to western security. (Who, fifteen years ago, would have used the word "vacuum" to describe an area occupied by the German army?) This is accepted by all the western governments concerned; the Foreign Office, it appears, is "against" disengagement. In Bonn, Mr Macmillan agreed with Dr Adenauer that the limitation of armaments must not be confined to one country, nor must it "discriminate" against any nation or against any type of weapon; and even then, it would have to be accompanied by political concessions from the communist side. (The east Germans, by contrast, give theoretical support to any form of disengagement that has no political conditions attached to it.)

Washington, too, makes political changes in central Europe a condition of the zone of limited armaments. But Mr Macmillan's talks with Mr Eisenhower have also brought out a further western condition: not only is the regional limitation of forces and weapons not going to be a disengagement, it is not even going to be a thinning out, but no more than a "freeze" of forces at, or conceivably even above, the present level. It has to be remembered that German rearmament is still gathering way, and any device for relaxing tension in central Europe would necessarily concern itself with the level at which German rearmament was to be stopped. Still, by the time he has got it home, Mr Macmillan's diplomatic luggage is pretty light.

WHAT now remains before the foreign ministers meet is for the western governments to assess correctly where they stand in the struggle for Berlin which has not ended, but is only beginning. Mr Khrushchev's present ostentatious retreat from any position in which the future of Berlin could conceivably be settled by offering him the choice of peace or war does not mean that the West has won. On the contrary. The West has to worry about what happens to Berlin if, as begins to seem certain, a war for Berlin now is avoided. A leaf may perhaps be taken from the notebook of the tenth annual Anglo-German Conference whose discussions, held at Königswinter from March 12th to 15th, revolved mainly round Berlin and the German question, and were followed by further talks with Burgomaster Brandt and his colleagues in Berlin. Partly because of the immediacy of the Berlin question, but partly also because Dr Adenauer's single-minded pursuit of the Paris-Bonn axis is putting the Anglo-German relationship to a searching test, the Königswinter discussions were more concentrated and more real this year than for many years past.

If a single element has to be picked out from the consensus, it is that the western position in Berlin cannot be held, in the long run, in immobility or in isolation. Berlin is a city, not a fortress. If it remains an island the communists can squeeze out its life by slow and unobtrusive stages over many years; or events can pass it by and leave it an anachronism and a white elephant. All the participants at Königswinter were agreed that west Berlin must not be given up; most were agreed that it would be lost sooner or later if the West failed to discover and pursue a policy aimed actively at an all-German settlement.

It will be a pity if the West is deceived about this either by its own rightful resolution to hold on to what it has, or by the valorous demeanour of the west Berliners themselves. Certainly the west Berliners are steadfast people who know where they want to stand, but as humdrum working people they are also aware that a city, to live, has to have a function. The function of their city is to be the capital of Germany; it has no other, commensurate with its size or with the tension in which it lives. As a provincial town without even a province to administer, it will sooner or later go into a decline.

A policy designed to hold Berlin *for long* for the West must therefore include an intention to restore the city to its place as all-German capital. Plainly this is not going to happen overnight, but only at the end of a long chain of events—which, however, it requires a conscious effort of policy to set in motion. Mr Macmillan's suggestion for a zone of limited armaments in central Europe could be a possible start. It may by now have been so severely trimmed in one western capital after another that the Russians will not look at it. Perhaps, even now, it is not acceptable to the western governments either; that would seem to be the implication of what our Washington correspondent reports. If so, it is time for the Americans to fetch out one or other of the plans from the famous drawer in the State Department. A summer of conferences is, as it seems, to be the price for calling off this year's Berlin crisis; it would be a pity to buy nothing more with it than a few more months of rest and quiet.

An Early Election?

Mr Macmillan will presumably be deciding this weekend whether to call a general election in May. Some factors for him to weigh

THE polling at Harrow East last week suggests that it is still quite uncertain who would win any immediate general election. Compared with 1955, the Conservatives' share of the vote at Harrow fell by 1.6 per cent, of which 0.6 per cent swung to Labour and the other one per cent went to the independent small shopkeepers' candidate. This was a rather lower rate of loss than the Tories have suffered in most other recent by-elections. If opinion in the whole of the rest of the country turned out to have moved since 1955 in exactly the same way as it appears to have moved in this fully employed dormitory suburb of London, then the Government's present majority of just under 60 in the House of Commons would fall by perhaps 20 or 30-odd in an immediate general election. But Mr Macmillan would still get back to power.

Obviously, however, it must be expected that opinion in some of the more industrialised areas of Britain will have swung more firmly against the Tories than it has done in Harrow. Admittedly, the political effect of special factors like high regional unemployment very often proves to be smaller, in this remarkably homogeneous country, than the politicians themselves at first assume; those who talk of much greater discontent with the Tories in the north of Britain than in the south should be reminded that in last year's local elections the difference showed itself to be rather the other way round (the Tories then seemed to have lost more ground since 1955 in London dormitory constituencies, including Harrow, than almost anywhere else). But it is still logical to assume that the strength of local disillusionment with the Government will at present tend to vary somewhat with the length of local dole queues. In heavily unemployed East Belfast last week, in a by-election on the same day as that at Harrow, the Government's share of the vote fell by 4.7 per cent; the whole of this was gathered in by the Northern Ireland Labour party candidate, who also benefited from

the 7.3 per cent share of the vote which the Sinn Fein candidate had won in 1955.

There were other "special factors" in Ulster, beside the fact that it has the longest unemployment queues in the kingdom; since 1955 the Northern Ireland Labour party has gained more of the Protestant vote because it has become more locally "respectable" on the subject of partition. In Lancashire, Scotland and other areas of above-average unemployment most people would guess today that the average Labour pick-up of votes from the Tories would probably be somewhere between the 0.6 per cent gathered in at Harrow and the 4.7 per cent gathered at Belfast. But the key statistic to remember is that Labour would require an average pick-up of only just over 2 per cent of the vote in marginal constituencies across the country in order to reach parity with the Conservatives in the House of Commons.

THE only forecast which Conservative Central Office can reasonably give to Mr Macmillan at the moment is therefore that an early general election would look like being a very close-run thing. That forecast will not be significantly altered even if the Tories have won South-West Norfolk (still less if that by-election has thrown up that most beguiling but not altogether unlikely result, a Labour majority that is smaller than the number of votes siphoned off by the intervening right-wing independent). For the farmers of Norfolk might well be expected to show a regional swing rather different from either the suburbanites of Harrow or the still untested marginal constituencies of the north.

If this is the psephological advice that is given to Mr Macmillan by his party officials this weekend, what should his decision about the date of the general election be? On grounds of the domestic national interest, an election that seemed most likely to bring back either a Conservative or Labour government with only a very narrow majority would be the worst possible thing for the country. That provides one argument for delay. On grounds of party strategy there is no obvious reason why the Prime Minister should prefer an early election to an election next autumn or even next February (he would be able to defer his decision which later date to choose). Nobody can accurately foretell which way the pendulum of public opinion will swing next; but, if re-expansion of the economy is now getting under way, the odds probably seem slightly against its swinging progressively towards Labour. That provides a second argument for delay.

On grounds of foreign policy-making, different considerations could conceivably—but not necessarily—apply. If Mr Macmillan believes that this summer's summit meeting is likely to be a climacteric historical occasion, from which will flow decisions that should determine the whole course of international politics for years to come, then obviously it would be better for the British representative at it to be a man recently confirmed in office by his people rather than a man still teetering on an election's brink. But if he believes that a summit meeting in 1959 will be merely the first round in a patient negotiating process, designed to move the Russians towards saying "yes" eventually about things to which they are initially much more likely to say "no," then there is no reason why the international situation should affect his decision about the election's timing either way. This second reading of the prospect for the summit seems to be more in line with the things that he is reported to have been saying to President Eisenhower this week. On balance, the best advice that an outsider can give to the Prime Minister may therefore be that it would seem slightly wiser not to press the button for a general election within the next three months.

Middle Class Salaries

The current teachers' pay claim makes it of interest to compare the salaries of non-graduate teachers with salaries in some comparable professions

SINCE the war a growing number of middle class professions have adopted, at least for bargaining over pay, the organisation and some of the methods of trade unionism. This has raised a familiar problem. When one large trade union or group of trade unions secures a wage increase in the industrial field, the pressure upon other unions to ask for something similar becomes almost irresistible; the size of one increase sets a precedent for the next. Something of the same sort is now in train in middle class professions as well.

The civil service staff associations have successfully claimed for some time that the only fair way of fixing their salaries is to assess what people get in business for jobs of similar responsibility. More recently, the National Union of Teachers has employed, though in slightly veiled language, a double argument: first, that something more like the prewar differentials between teachers' pay and working-class pay ought to be restored; and, secondly, that teachers ought to have pay comparable with other professions "doing work of like importance." Organisations representing professional people now doing work which carries pay either just above or just below the teaching scale are naturally watching the outcome of the NUT's claim with close interest, determined that they should not be left behind.

The judgment of a Daniel (and the hide of a rhinoceros) are required by anybody who comments on particular differentials within the professions. In the first place, it is a delicate matter to decide who is comparable with whom. The teachers themselves do not explain whether they think that their proper professional comparison is with lawyers and doctors, or with the civil service, or with, say, staff nurses or other medical auxiliaries, or local government employees. Secondly, it is difficult to decide which salary scales or grades to pick out as representative of any profession. It is fairly easy broadly to compare busmen's earnings with steelworkers', and even shipbuilders' with printers', despite the diversity of skilled rates. Skilled and unskilled worker reach their maximum early in life. But the whole point of a professional scale is that it increases over a long period to its maximum, to correspond with the principles of experience and responsibility.

In addition, there may be supplements for special posts (as in teaching) or provisions to move to a higher scale (as in the executive civil service from one grade to another). Contributory and non-contributory pensions make another difference. Moreover, while the hours worked by manual workers are known, and are fairly comparable, this is not true of the professions, where there is rarely provision for overtime, and where the teachers' 13-week holidays contrast with the three weeks which, for example, hospital almoners get. (General practitioners get no *paid* holidays at all.)

In spite of these formidable bars to making comparisons, it seems worthwhile to attempt them. Successive pay claims by the teachers (or by any other profession) will cause them to be made anyway, though with much dispute about the value of this or that condition. The rough comparisons offered here will not satisfy any one of the professions mentioned, each of which will undoubtedly feel that they (*a*) tend to suggest that its members' average is higher than it really is, and (*b*) fail to show how much harder-worked its members are than all the others. But the rules of comparison we have adopted for our tables are fairly clear-cut.

We have concentrated on the salaries of non-graduate professional people; it will be noted that the entry qualifications into some of these professions are nevertheless in their own way formidable. We have not listed the salaries of the minority of people who rise to the very top of their professions, like headmasters of secondary schools or chief general managers of joint-stock banks. We have distinguished the professions mainly staffed by women (in Table I) from those mainly staffed by men (in Table II). We have listed non-graduate teachers first in each table, because the most topical arguments about comparisons in pay are concerned with them.

Table I shows the salaries now current in the mainly female professions. Comment on these figures could be extensive, but only one remark will be made here. Recent awards to nurses and medical auxiliaries have

TABLE I.—PROFESSIONAL WOMEN'S SALARIES

Profession	Basic Scale: Starting Salary	Basic Scale: Eventual Salary and rate of increments	Salary if Promoted	Age of Entry	Qualifications
Non-Graduate Teachers	£435	£891 by 17 annual increments	*Additions* of £79–£367 to basic scale(1)	20	2-year training
Staff Nurse/ Ward Sister	£496	£800 by 13 increments, but not regularly(2)	Matron's salary £840–£1,520 (in training hospital) (3)	21	3-year training as student nurse
Psychiatric Social Worker	£610	£845 by 7 increments of £25 and 2 of £30	Senior PSW's salary(4) £730–£960 (at age 39 at earliest)	27(5)	2 years social science diploma and training experience and extra year of training
Hospital Almoner	£525	£765 by 11 annual increments (6)	Head Almoner's (grades 2 to 4) salary(7) £655–£950	22	3 years training at university and hospital

(1) This must be added to basic scale and takes account of the promotional range from graded post I to departmental head (D), but makes no mention of possibility of promotion to head teacher which carries a further increment of £125 to £330. Twenty-six per cent of all women primary-school teachers are above basic, including 40 per cent of all women teachers aged 40 and over.

(2) Promotion to ward-sister is not guaranteed and minimum age is 25.

(3) Only a limited number of posts available. Salary according to number of beds.

(4) This scale is normally reached late in life; only limited numbers of such posts are available.

(5) The average age of entry to this profession is much higher than 27, as maturity of character is essential.

(6) This assumes promotion to scale of Head Almoner, Grade I, will be automatic in present shortage.

(7) Three scales, promotion on merit and as posts fall vacant; about 10 per cent reach these top scales.

TABLE II.—PROFESSIONAL MEN'S SALARIES

Profession	Basic Scale: Starting Salary	Basic Scale: Eventual Salary and rate of increments	Salary if Promoted	Age of Entry	Qualifications
Non-Graduate Teachers	£499	£945 by 17 annual increments	*Additions* of £79–£370 to basic scale(1)	20	2-year training
Civil Service Executive Grade	£390/ £510	£1,290 by 23 increments (2)	Senior Executive Officer's Salary(3) £1,360–£1,610	18/21(4)	GCE with 2 A level passes (or university, 2nd class honours)
Local Governmt. Admin. Profess. and Tech. Div.	£575	£725 by 5 increments	Senior posts at £725–£1,325 according to grade attained(5)	Varies	Varies according to to district and grade
Bank Clerk(6)	£260	£800 by 15 increments	Branch Manager's salary £1,350 minimum at approx. 40	16	Usually 3 or 4 GCE passes at O level
Probation Officer	£610	£910 by 12 increments	Senior Probation Officer's salary(7) £915–£1,035	23 (min.)	—

(1) See note (1) in Table I. Forty-nine per cent of all male teachers have supplementary allowances, including 60 per cent of men aged 40 and over, and 78 per cent of men aged 50 and over. The average salary of the head of a primary school is £1,200 and most men can expect to get it.

(2) Assumes that promotion to Higher Executive Officer will be automatic.

(3) This scale may be attained at age 45 by about half of the men.

(4) Entry by promotion from clerical grade is important, but people from this entry generally do not rise higher than about £800 p.a. owing to later age of entering the scales.

(5) This is a very rough approximation of the position; it is impossible to say what proportions reach these higher scales.

(6) Approximate only, as banks' conditions vary.

(7) About 1 in 10 reach this scale, and a very few reach higher scale—up to £1,300.

brought their salaries fairly well into line with the rewards of teaching for women ; but taking into account the arduousness and responsibility of the work, qualifications, age of entry, and conditions, clearly women teachers come out of the comparison very well even now. On April 1, 1961, women teachers are to reach full parity with men teachers ; they will then be doing, age for age, distinctly better than the other professional women listed in the table.

Table II shows current salaries in some mainly male professions. These figures suggest that the expectations of male teachers are now slightly behind executive grade civil servants with not dissimilar qualifications ; teachers who become deputy headmasters of secondary modern schools (at £1,400 a year) do nearly, but not quite, as well as senior executive officers. Bank staff who get branch managerships (as at least one in three expect to do now) do fully as well as male teachers. Local government officials, in general, do not. Most probation officers (who may have to deal with the teachers' products) are well behind male teachers, especially in the later stages of their careers. The picture here, however, is a much more varied one than it is with the women ; it would be wrong to generalise that, on present scales, non-graduate men teachers are better treated than most of the other men in our table with broadly comparable trainings and responsibilities.

It is not proposed to make detailed judgments on such rough and necessarily compressed figures. They could be extended to other professions not obviously lower or higher in status than teaching. The discussion could be widened by commenting on graduates' pay as well ; in general, graduate allowances for teachers are at present too low. If present salary scales of, for example, Government scientific officers or officers in the armed services are taken as a yardstick, all the men in Table II can complain that they have lagged behind.

But our figures do show that if the teachers' claims for a basic salary scale of £600-£1,200 (an increase of about 25 per cent) are granted, together with the other concessions they are demanding, women teachers will be far ahead of almost all professional women, other than graduates (for example, general practitioners). The men teachers will also then be better off than the other professions listed here, if not so decisively ; the pay of non-graduate teachers will then compare well with graduates in some other professions.

On good trade union principles, however, most of the professions listed here would then be entitled to claim that the differential between them and the teachers should be narrowed again. They—and other professions like them—would have a case for a general rise. (And probably the higher-paid professions would react by also demanding increases to restore their own differentials.) The present claims of the teachers would cost quite £60 million a year to ratepayers and taxpayers. Though teaching is a numerous profession, the other professional employees of the state and local authorities are even more numerous in aggregate.

This is not an argument for resisting increases in teachers' (even non-graduate teachers') pay ; but it is an argument against an increase in teachers' pay alone, unless teachers can establish a claim to special treatment. If the teachers get more, they will in fact have established a claim for what amounts practically to an all-round increase in the pay of the professional classes, as compared with the trade unionists below them and the business executives at present above.

NOTES OF THE WEEK

CENTRAL AFRICA

Setting Nyasaland on Fire

SIR ROBERT ARMITAGE'S blow-by-blow account (Cmnd 707) of the spread of lawlessness and violence by the Nyasaland African Congress party after the return of Dr Banda last summer confirms that he had defensible reasons for declaring a state of emergency. His despatch sets out his allegations of a culminating "R-day plot" by Congress to murder Europeans and Asians, sabotage communications, and assault authority within 10 to 21 days of Dr Banda's arrest. Sir Robert further suggests that Dr Banda meant to court arrest, did not want to negotiate with Lord Perth, and was privy to the "R-day" plan though he did not attend the conspiratorial meeting at which it was worked out. The source of Sir Robert's information must be police informers, and, presumably in order to protect their identities, no detailed evidence that a court would accept is offered. Nevertheless, in such deteriorating conditions, the fairest interim judgment must be that the governor cannot be blamed for acting on the reports of Africans in his security branch (though it is standard practice to divide these by about ten). The Devlin commission will now examine the whole of this aspect of the affair.

Sir Robert's despatch, however, makes no mention of the ramifications of the plot which Sir Edgar Whitehead alleges to have justified the Southern Rhodesian state of emergency and the repressive pieces of legislation which he has been introducing—one of which, his Detention Bill, he is having to modify after strong protests (from lawyers and liberals in Southern Rhodesia, just as much as from liberals in this country). Sir Roy Welensky and Sir Edgar Whitehead declared that there were to be diversionary uprisings in Northern and Southern Rhodesia, and have hinted that this

elaborate Federation-wide plot was hatched by some Russian master-mind at the Accra conference. These gaps in the white paper may be filled in later. But there is at least one difficulty about them.

To have carried through a successful bloody revolution in the Federation would have required very great skill, intelligence and co-ordination on the part of the plotters. The whole Nyasaland plot, as described in Cmnd. 707, seems to fall into one of two quite different categories. Either, first, it suggests a childish, if fanatic, inability to see realities or anticipate the inevitable reaction of the authorities. If the "R-day" plan in Nyasaland had been *initially* successful and the governor killed, what was supposed to follow: the proclamation of an independent republic, with no interference from anybody else ? Or, secondly, some people may plausibly suspect that the African leaders never really intended R-day to dawn ; they may merely have wanted the report of it to scare the authorities in central Africa into doing various excitedly repressive things, which would shock liberal opinion in Britain and increase support in this country for breaking up the Federation. If this is the right reading, the authorities in the Federation and both political parties at Westminster, *in their different ways*, have until this week seemed to be doing exactly what Dr Banda wanted. But now, and at last, one hopeful piece of news has come from Westminster.

Putting the Fire Out Again

THE one really hopeful piece of news about Central Africa this week has been the Colonial Secretary's intimation that he recognises that "Parliament would like to be associated" with any machinery that is set up for the coming review of the Federation's constitution in 1960. It seems possible that the British Government is thinking in terms of the early establishment of a body like the Simon Commission which considered proposals for a constitution for India thirty years ago, a body on which both Labour and Conservative MPs would be extensively and authoritatively represented. Some remarks by Mr Gaitskell on Tuesday suggested that he had been told some such idea was in the air, but that, so far, Sir Roy Welensky had not yet assented to the proposal.

He should be urged to assent to it promptly. Perhaps Sir Roy, at his great distance from Westminster, has not yet fully realised the dangerous straits into which party passions about his Federation have been drifting in Britain. Until this hint of a Simon-type commission was loosed behind the scenes, the British Government's decision to proceed to a probe in Nyasaland by way of a white paper and a judicial (instead of a parliamentary) commission was having the foreseeable and worst possible results. Many Labour and even Liberal MPs had decided to say that they did not believe Sir Robert Armitage's despatch in Cmnd 707 even before they had read it. If the four-man investigating commission under Mr Justice Devlin were to be the only body to look into the affairs of the Federation, some Labour MPs would be quite capable of impugning the accuracy of even its report. Attitudes in Westminster towards the Federation's crisis are in grave danger of becoming a matter of party political face.

The only way towards a policy of cooler bipartisanship is to send out MPs of both parties to the spot, in a Simon-type commission which will look towards the future instead of to the recent angry past. Many Southern Rhodesians bitterly oppose any such "interference" by British MPs. But in their own house they have been upholding the superior wisdom and competence of parliament as against the lawyers to handle their internal situation. A fair debating point can be made by quoting the unconscious wisdom of one Rhodesian member (Mr Pittman) in supporting his government's detention measure last week :

> Parliament is at least in as good a position as any other body to find out facts . . . it is in a better position than any other body to determine the political aspects of the inquiry.

If so, that goes for British as well as Southern Rhodesian MPs. A solution in central Africa can only be a political one, and is therefore best handed over largely to politicians.

NUCLEAR TESTS

Ticking Over

THE Geneva talks on the suspension of nuclear tests, which have been adjourned until April 13th, are being allowed to tick over until the foreign ministers—or directives from the summit itself—decide whether or not the machinery should be revved up again. The last brief that Mr Tsarapkin got from Moscow allowed him to agree to three more articles for the draft treaty ; but this did no more than let Mr Wadsworth and Mr Ormsby-Gore get away for Easter with a minimum of progress to report. The first four articles—principally concerned with setting up an international control commission—were agreed in December. Russia has now accepted two further American proposals. One stipulates that the agreement should remain in force indefinitely, but that any signatory may withdraw if it finds that it is being violated. The other requires the control commission to examine the system's workings after two years in the light of scientific progress in detecting explosions ; any changes would, however, be reserved to the treaty signatories themselves. The third new article accepted by the Russians is a British proposal to register the treaty with the United Nations.

This is as far as the talks have got after 18 weeks and 72 meetings ; it seems little enough after the Soviet Union's apparent acceptance of the report by the conference of technical experts last August. But the talks have at least elucidated the Soviet position on the three main issues. The Russians want a veto on all decisions of substance in the control commission. They want inspection of suspected explosion sites to be by *ad hoc* teams composed of nationals from the country being inspected, accompanied by foreign "observers." And they want all personnel at control posts to be nationals of the host country, with a few foreign "controllers" to observe, but not to interfere in, the operations.

The West has now to decide whether this type of "self-inspection" is better than nothing at all—in the hope that Soviet suspicions can be quietened by experience, so that an effective system can eventually be built up. Mr Macmillan is believed to be pushing the idea that the extent of a nuclear ban should depend on the initial control machinery's own adequacy. This would probably exclude tests held underground and in outer space—a position that comes close to that adopted by the American military advocates of continued testing last summer. It looks a modest step in all conscience, but Mr Khrushchev's present attitude does not allow higher hopes.

THE SUMMIT

Dacha Diplomacy

WHERE will the world's political Everest turn out to be, when the "summit" is finally scaled? Reports from Gettysburg tend to confirm the belief that, wherever the great men meet, it will be in some sylvan retreat, not unlike Camp David itself (formerly known as Shangri-La). The white elephantine palace by the lake at Geneva may be good enough for the foreign ministers whom Mr Khrushchev holds in such contempt, but not for top people. Geneva would, in their view, provide far too much room at the top—room for troops of advisers, battalions of reporters, brigades of photographers. (Geneva might also painfully remind Mr Khrushchev that at the 1955 summit talks there he ranked below Marshal Bulganin, whom he has since unmasked as a "double-dealing traitor.")

"The higher the fewer" is now the slogan; before talking it all over, the first essential is to get away from it all. Mr Macmillan has long been addicted to holding consultations during country-house weekends; Mr Eisenhower's predilection for Gettysburg and the golf course is backed by medical advice; Mr Khrushchev's country seat at Semyonovskoye and palace by the Black Sea are better known than his town residence; General de Gaulle and Dr Adenauer have enjoyed a whole series of rendezvous in the tranquillity of Colombey-les-deux-Eglises, Bad Kreuznach, and Marly. It is all very elegant in a quiet Edwardian way; hotel-keepers in Europe's more obscure spas must be hoping for a revival of the old combination of taking the waters and diplomacy; there has even been a hint dropped about Gleneagles. The only casualties are weekends: Mr Macmillan has just lost two, one closeted with Mr Khrushchev at the Semyonovskoye dacha, one with Mr Eisenhower in Maryland, but it hardly seems to bother him. The Prime Minister's apparent readiness to contemplate an infinity of quiet weekends at the highest level suggests that he will be quite at home in the new age of dacha diplomacy.

SOVIET UNION

Visitor to Britain

RECONNAISSANCE is internationally fashionable this spring. Among the various expeditions that have been sounding out moods in the capitals of East and West, last week's Soviet delegation to Britain held an important place. It included the editors of *Pravda* and *Kommunist*, and was headed by no less a person than Mr Mikhail Suslov. This thin, bespectacled intellectual, for all his donnish appearance, is one of the leading members of the party's presidium. He has long been a member of the secretariat, and has the reputation of a theoretician with a strong bias toward stalinist orthodoxy. He seems particularly concerned with other communist parties, and is always present at important inter-party negotiations.

This time, for a change, Mr Suslov was asked to get in touch with "social-democrats." The pretext for his visit was an invitation from the Anglo-Russian Parliamentary Committee, which is run by left-wing members of the Labour party; the main purpose was to talk with the leaders of the party. Despite Mr Khrushchev's jocular predilection for the Tories, Moscow seems to have grasped the fact that, whether or not the Labour leaders with whom Mr Suslov has been talking are destined to head the next British government, Labour is not without influence on official policy even while it is in opposition.

Moscow's search for allies has now become more sophisticated. The Soviet press has begun to draw a distinction between "reactionary social-democrats" like MM. Spaak and Mollet and "labour leaders" like Mr Bevan. Mr Bevan, who was violently criticised by Soviet commentators at the time of his H-bomb speech last year, is now very much in Russian favour. A recent issue of *Kommunist* reproduced an article of his from *Tribune* and interspersed it with friendly comments such as "wise people, and among them Mr Bevan. . . ." Russia may only have a single party, but the men in the Kremlin have realised that to deal with Britain it is not quite enough to lay out the red carpet for Mr Macmillan.

Changing Planners

THE Gosplan has changed heads. Last week Mr A. N. Kosygin was appointed as the new chairman of the Soviet central planning authority. His predecessor, Mr Kuzmin, had not stayed long in his job. He was the surprise choice for this key post less than two years ago, at the time when Mr Khrushchev was decentralising the management of the economy and reshaping the planning system. Formerly a rather secondary figure in the party hierarchy, he was thus put in charge of Russia's much-publicised first seven-year plan.

One possible explanation for his replacement might be a certain discontent both with the shape of the plan and with its fulfilment. During the recent party congress, several speakers hinted that the planners might have been over-cautious in their estimates. Another possibility is that Mr Kuzmin, as a newcomer to high office, could not impose his views on the heads of the regional economic councils. The decentralisation of management carried with it some risk of encouraging local tendencies towards autarchy and, to counter this, a more formidable personality may be required as boss of the Gosplan. Members of the party presidium may also have urged that the planning chief ought to be one of themselves, so that he could answer relevant questions at their frequent meetings.

Mr Kosygin seems well fitted for the post. He has a long party career behind him and has been prominent in industrial management for some twenty years. In recent years, as a deputy prime minister, he was responsible for light industry. He is also a candidate member of the party presidium. It remains to be seen whether the change of planners involves changes in the plan itself, and whether Mr Kosygin's past connection with light industry is an indication of their nature.

ALGERIA

Answering the Call

M. DEBRÉ'S luck seems to be in at last. He left for Algeria last weekend, intending to repeat General de Gaulle's appeal to the rebels to accept local cease-fires—"the peace of the brave"—in his speech at Constantine on Monday night. The marked lack of enthusiasm for this offer when it was first made last October suggested that repetition might be a politically hazardous enterprise; and M. Debré was painfully conscious of General Massu's disillusioning experience with the Algerian leader, Si Azzedine, earlier this month. But, fortunately for him, a rebel detachment was already on the way from Tunisia to give itself up. This band had apparently been at odds with the rebel leadership in Tunisia; there are suggestions that its leader, Ali Hambli, was among those involved in the plot against the rebel government's war minister, Krim Belkacem. Ali Hambli now says that he had always thought General de Gaulle's proposals had a real interest. While he seems to have taken some time to answer the call, it is an undeniable French success that he should have brought 150 men with him and beaten off determined rebel attempts to stop him. It remains to be seen whether his example will encourage further defections.

Ali Hambli's appearance will have been all the more welcome to M. Debré because both the Algerian command and the settlers' organisations have become increasingly restless over the need for more troops. The new emphasis is likely to be on a strategy of greater manœuvre by local commands, although settler opinion is opposed to any reduction of troops on guard duties in farms and small towns. Meanwhile, an optimistic economic report by the delegate-general in Algiers, M. Delouvrier, has improved the political atmosphere. He expects the iron and steel works at Bône to be built in four years (although financing has yet to be arranged); and the price of natural gas to be made available for Algerian consumption from Hassi R'mel is to be one of the cheapest in the world. Perhaps encouraged by this, 48 new enterprises are being set up in Algeria at present.

HOUSE OF COMMONS

End of Term Report

IN the interval between Christmas and Easter the House of Commons has amply displayed one of the two usual signs of approaching dissolution—thin attendance and apathy towards current business—but scarcely any of the other—an excess of the fractious froth of partisanship. The parliamentary reputations, which have been most noticeably continued on the upgrade have been those of Mr Iain Macleod, whose triumph in the unemployment debate adds one more claim for early advancement; Mr Gaitskell, whose grip on the party leadership is now obviously strong enough to withstand an electoral setback; and Mr Grimond, whose instinct for the jugular has repeatedly enabled him to exploit his peculiar position to marked effect. The Prime Minister continued to turn his tricks with a grandiloquent aplomb. But, in view of what was generally known in London at the time, one can only hope that when documents and memoirs are available a future Sir Lewis Namier will analyse without pity his remarkable statement in answer to the debate on the Anglo-Egyptian financial agreement, that Sir Anthony Eden had "the consistent and loyal support of all his colleagues in the Cabinet" from the beginning to the end of the Suez venture.

This replay of the rancours of Suez produced one of the year's best and most indicative debates. The Labour party at last seems to be coming out of the state of traumatic shock induced by the discovery that many of its rank-and-file supporters were not with it in its bold and angry stand against the attack on Egypt. Mr Gaitskell's speech was as incisive as, but more effective than, some of those that he delivered at the time. The Prime Minister's reply looks like a foretaste of the tattier tactics that will be used by the less inhibited Tories in the election. These will evidently be directed to depicting the Opposition as a soft, unpatriotic party, giving comfort to the country's ill-wishers abroad and in the colonies and saddled with leaders who lack the nerve to take risky actions in time. However he might subsequently act in Downing Street, Mr Gaitskell has been controlling his own party with a great deal of assurance. The efforts of Messrs Silverman, Mikardo and Zilliacus to carve out a public role for themselves in defining disengagement to mean immediate unilateral concessions have been allowed to dwindle away without fuss. This has been matched on the Tory side by the containment of the former Suez rebels over Cyprus. Both parties go forward unitedly towards the barricades, but neither gives the impression that it knows it is going to win.

TV AND THE ELECTION

The Parties' Picture

THE announcement about arrangements for televising the election is pretty obscure. There are to be more "party politicals," which are sales pitches completely controlled by the parties, but they are to be shorter. It is now common ground that the day of the straight half-hour speech into the camera is over; the coming contest should see some intriguing if sometimes nauseating experiments in slicked-up advocacy. But the main trouble is that the parties have now been handed so many political shows during the short campaigning season that the broadcasting organisations are saying that this is very nearly all the politics which the public will bear without actually switching off. The commercial companies have a special problem because party political programmes mean abandoned revenue; they are therefore particularly susceptible to the feelings of the advertisers about the most popular way of filling the remainder of the time.

Nevertheless, the probably excessive amount of time which has been given to the parties should not be allowed to rule out the discussion and analysis of issues under conditions that are not controlled by them. Apparently all that the parties themselves have claimed is a right of veto on those of their own members who are invited to take part in these outside programmes—both Tories and Socialists suspect the weakness of the BBC and ITA for the Boothbys and the Foots. Is this the only restriction they have asked for, and what, if anything, have the broadcasting organisations demanded the right to do off their own bat? The public has a right to be told more about the understandings that have been reached. In the meantime, the BBC and the ITA should be prodded into making the kind of plans for illuminating the election, independently of the parties, that will establish their rights once for all.

All concerned should be congratulated on the agreement that television can treat election developments as news, though it is astonishing that anybody should ever have opposed it. It is good news that there are to be regional surveys of fights in constituencies in which minorities can take part, provided they are supplying an agreed quota of candidates within the region. (Absurdly the quota is supposed to be a secret, in case minorities rush to plonk down their exact number of deposits in order to buy time on the air; actually it is understood to be twenty per cent.) But all this is still

much too furtive. There ought to be some public body before whom aggrieved interests can object if they feel they are not given a proper outlet on the screen.

PROTECTING CONSUMERS

A Committee to Illuminate

THE Government's decision to set up a committee to "consider the whole question of consumer protection" is in part an electoral manœuvre. Labour was going to make quite a big thing in the coming campaign out of its promise in its recent sixpenny glossy that a Labour government would "insist that reasonable standards are laid down for a wide range of goods, and that goods are properly labelled." As Labour's projected patchwork of special legislation would have been much less appropriate than the general inquiry that is now to be set afoot, the Tories are not only pinching the Opposition's clothes, but are also proposing to wear them more efficiently.

The inquiry should be welcomed, and its ambit should not be too restrictively confined. It will presumably include the whole field of weights and measures. Here the Hodgson Report of 1951 offers a none too happy precedent, demonstrating—as in the notorious question "what is the weight of a pre-packed mixed grill?"—just how awkward it can be to apply the apparently straightforward rule that foodstuffs must be sold by weight. It should include the matter of labelling—again straightforward enough if penalising positive misdescription is the only aim, but extremely tricky if full information is wanted. It should include advertising. Here the cause of consumer protection merges, at all events on the Labour side, into something which the charitable might qualify as an ethical and aesthetic crusade, and the uncharitable could tolerably describe as sheer vindictive bloody-mindedness. (Dislike of TV advertising, in particular, habitually leads Mr Francis Noel-Baker into sweeping denunciations of every product so advertised—which means, in practice, every product launched on the market since ITV was initiated).

The subject matter before the committee should also include the question of standards, whether centred on the single "good pass" of the British Standards Institution kitemark, or embodied in the more specific advice tendered by the Consumers' Association; and this in turn should raise the legal question of "slander of goods." It should include the terms of hire purchase agreements; the content of guarantees; the procedure of retailers, wholesalers and manufacturers in cases of complaints; and, by no means least important, the efficacy of those toothless watchdogs, the consumer councils of the nationalised industries.

What it should not include—and here one could wish for more clarity on the left—is "consumer protection" of the kind that would circumscribe instead of illuminating consumers' freedom of choice. It is no business of Parliament to forbid the competitive sale of junk, sham glamour, or even totally un-nutritious soft drinks. With reservations, admittedly extremely important, concerning actively dangerous or deleterious products, the only necessity is that the consumer shall know just what he is getting for his money. Any Conservatives who may feel unenthusiastic, in a cause so largely supported by the anti-business left, should remind themselves that the whole case for private enterprise rests on its superior power to satisfy—not to delude or to diddle—its customers.

TIBET

Clash of Arms

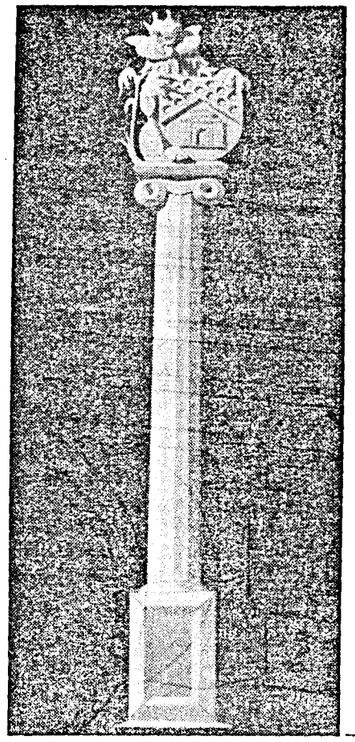
LAST week, the Indian foreign ministry confirmed the rumours that fighting was going on between Tibetan nationalists and the Chinese garrison in Lhasa. Neither the extent of the struggle nor its duration are easy to assess, for Tibet is now even more hermetically sealed than usual. It appears that the rebel Khamba forces, who control parts of southern and eastern Tibet, began their advance towards Lhasa late in February, and were joined and supported both by the local population and by the small Tibetan army. At the same time, the originally peaceful demonstrations in the capital, set off by popular uncertainty about the fate of the Dalai Lama, turned into clashes with the Chinese garrison. On the day of the official announcement in Delhi, Lhasa radio went off the air. Chinese troops were reported to have been digging trenches near the Indian frontier. The Tibetans are looking towards India for support: two members of the Khamba war council have crossed the frontier, hoping to enlist the help not only of their compatriots in India, but also of the Delhi government; and in Lhasa a crowd of women has demonstrated in front of the Indian consulate and appealed for intervention. Only ten days ago, Mr Nehru had dismissed the reports of unrest in Tibet as "grossly exaggerated," maintaining that it was "more a clash of wills at present than of arms." India now views the situation differently; but in spite of its close interest in Tibet, it is still very reluctant to do anything that would invite Peking's displeasure. Mr Nehru announced on Monday that he had "no intention of interfering in the internal matters of China."

The agreement signed in 1951, which promised internal autonomy to Tibet, has meant nothing to the Chinese communists. Although, two years ago, they had to make certain concessions to "local conditions," there were signs recently that they would again try to force the pace. The party conference in Sinkiang on the problems of local nationalism, which ended on March 6th, criticised "national minorities" whose subversive activities are "aimed at sowing dissension among nationalities and wrecking the laws of the state and the party." In a New Year pep-talk, Tan Kuan-san, the deputy secretary of the Chinese communist party committee in Tibet, condemned the practice of "rightist conservatism and tendency towards individualism within the party," and recommended an all-round tightening of discipline as a means of getting the Tibetans to imitate in 1959 the much publicised Chinese achievements during the past year. The Tibetans have evidently reacted sharply to this renewal of Peking's pressure. They seem doomed to share the fate that overtook the Hungarians in 1956; but the news of their rising and of its repression will now echo loudly round Asia, and will scarcely improve Peking's reputation among neighbouring peoples—including the people of India.

THE ARABS AND ISRAEL

In the Name of Arabism

WHILE General Qasim has now made the formal gesture of withdrawing from the Baghdad Pact (which Iraq left, for all practical purposes, last July), President

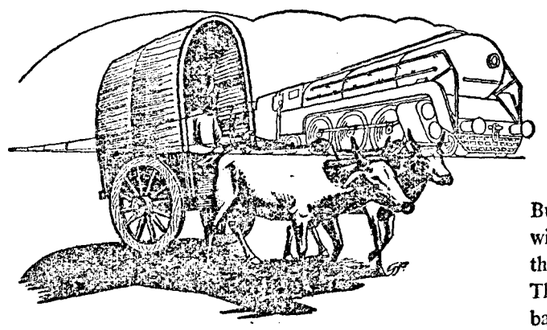


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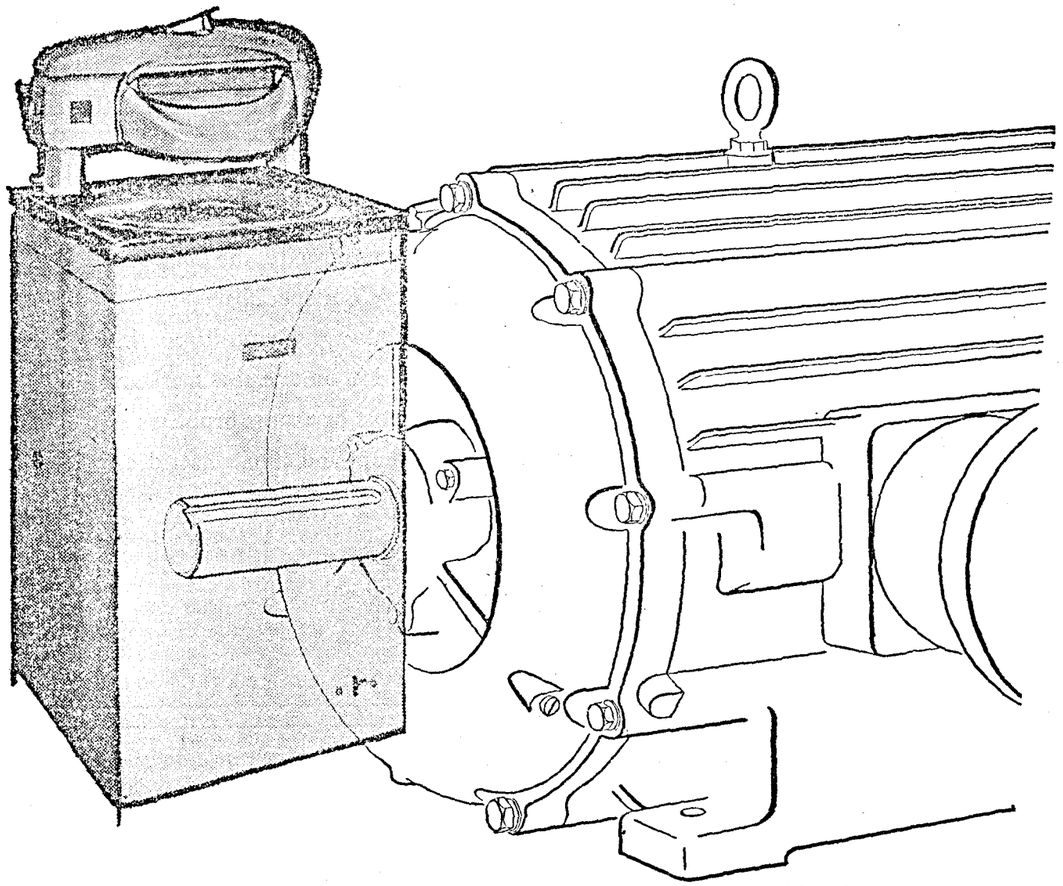
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BALL ROLLER AND NEEDLE BEARINGS FOR PRACTICALLY EVERYTHING

Nasser has resorted to a more stereotyped way for an Arab to show that he is a better nationalist than his neighbour—action against Israel. He has accused General Qasim of failing in his anti-Israeli duties, and has demonstrated his own Arabism by stopping two ships passing through the Suez canal and compelling them to unload their Israeli cargo.

Israeli vessels have always been barred from the canal, but since the Sinai campaign other ships trading between Haifa and the East have been allowed through with only minor discomforts—for instance, they may be refused fresh water or put at the end of the queue. On February 26th, however, the Egyptians confiscated the potash and cement on a Liberian ship bound from Haifa to Ceylon, and a fortnight later they seized the cargo of a west German ship carrying cement to Malaya, Hongkong and the Philippines. Israel suffers no direct loss, since the cargoes had already been bought, but this sort of hazard will, of course, seriously damage its trading prospects with the East—and it sets great store by its budding friendships with a number of Asian and African states. As a first step, Israel has protested to the Security Council ; Egypt, in reply, argues that it can do what it likes since the two states are technically at war. This familiar wrangle has been chewed over time and again in New York to no effect. The lesson that the Sinai campaign succeeded, albeit only temporarily, where the United Nations has failed will not be lost on the Israelis.

The charge against General Qasim is that he failed to respond when, four months ago, President Nasser asked for Iraq's help against Israel's "aggression" on the Syrian border. In November and early December Israel protested to the Security Council about shelling incidents on its Syrian frontier. At the time it seemed improbable that the United Arab Republic wanted to risk a showdown, and the Israelis, in private, attributed the incidents to Syrian hotheadedness rather than to direction from Cairo. But now President Nasser, to drive home his forensic point, is speaking in terms of a decisive chance lost through General Qasim's un-Arab chicken-heartedness.

The Israelis, for their part, stick to the belief that President Nasser is the West's most dangerous enemy. Dismissing as naive the theory that there is a choice between Nasserism and communism, they argue that President Nasser himself is still the channel through which communism is entering the Middle East. Although this is out of key with the western assessment of the present situation, they are unlikely to change their minds while Cairo keeps on prodding.

Red Herring from Brussels?

THE executive commission of the European Economic Community has now completed its first significant political task, a report on the six-nation community's relations with outsiders—the first attempt to fill the vacuum left by the collapse of the free trade area. But the Hallstein report got no bouquets from the ministers of the Six when they considered it last week.

The report begins by analysing why the free trade area plan broke down. A number of standard community objections to the scheme are listed; and the report points out that the new community is inevitably rather defensive in its resistance to other schemes that might weaken it. It agrees that there is something in the complaint that opposition to the free trade area was slow in making itself felt. It makes no mention of the fact that some French industrialists and politicians do not want Britain in on any terms. It notes the divergence of objectives among the free trade area's sponsors, some of whom wanted a step towards worldwide free trade, others further integration in Europe. The two aims were incompatible, the commission believes. If a free trade area had been loosely organised, tariffs round it would have certainly tended to fall to the level of the lowest; and some continental countries did not want this. But if existing tariffs were to remain effective, complex institutional machinery would have had to be created that might have strangled more trade than it freed.

The commission's *post-mortem* is interesting enough, but it has not drawn many constructive conclusions. Instead of concentrating on Europe, the report talks at length about the wider world. The commission has indeed discovered some facts which may be of interest to antiquarians—that Haiti and Salvador, Argentina and Peru, all send a larger proportion of their exports to the community than Britain does. One wonders for a moment if it is going to suggest they should join. But no such revolutionary suggestion is made. The commission makes a number of limited proposals for a world-wide approach to the problems the birth of the community has precipitated. The community, Britain and the United States should get together to concert policies for reviving the slack economy of the west; the European countries should agree on a joint and positive reaction to the American proposal for worldwide tariff talks in the General Agreement on Tariffs and Trade; and a number of proposals are made to help the undeveloped countries.

In Europe, on the other hand, though the commission gives three cheers for OEEC and three moans for the division of the western part of the continent, it has nothing more positive to suggest than an agreement to enlarge all quotas progressively by 20 per cent during each of the next four years, and to negotiate for other special arrangements if action by the six-nation common market hurts outsiders. That favourite British proposal, the "complaints procedure," has boomeranged. The report virtually admits that the commission does not know what to do about the division of Europe. While the community is in its infancy, it has some interest in ensuring that not much is done at all. And it knows that one member country, France, fully shares that view.

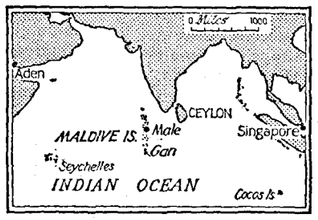
It is tempting to regard the world-wide approach as a red herring, designed to divert attention from the real issues in Europe; no doubt it was partly intended as such. But the proposals on the world-wide plane might be diverted back to a very useful purpose if placed in a different political context—the context of British membership of the community on the lines that have been considered in *The Economist*. The suggestions of the commission for helping the undeveloped countries—commodity agreements, and reductions by European countries in their revenue duties on commodities like cocoa and coffee—could form a vital part of the big deal with the Commonwealth and the rest of the world which would be necessary if Britain sought to join the community. And the proposal for tariff talks in Gatt would have to be taken up as a matter of urgency if America were to be brought to accept the proposal, and if the revision of Gatt which would follow inevitably were to take place in the right climate. The basic issue behind the free trade area clash—whether Europe should pursue liberal or protectionist policies towards the outside world—cannot easily be resolved; but it is important that the commission has now committed itself on the liberal side.

MALDIVES

No Agreement on Gan

RED herring must be a rewarding catch in Maldivian waters. The original dispute over the ratifying of the agreement between the British and Maldivian governments over the air base is becoming obscured by all sorts of other issues. Some of the southern atolls near Gan and Hittadu, on which the RAF is building its airstrip and radio station, have revolted against the authority of the capital, Malé, hundreds of miles further north. The Maldivian government alleged that this was the work of Major Stevens, a retired official who has conveniently been combining his ornithological interests with acting as the RAF's local liaison officer. The British Government is quite clear that the real reason is unwise taxation, and vexatious regulations about coconut trees, imposed by Malé. Then came the report that Maldivians were starving (and that eighty had died) on Suvadive atoll; whereupon the British decided to provision them as a humanitarian gesture, while Malé called this unnecessary foreign interference.

Behind all this lies the difficulty that, while the base is already being constructed, the agreement, although initialled, is not formally ratified. The Maldivian government now wants Britain to declare it formally sovereign and independent, but to continue *de facto* as the protecting power. The British government insists that any change in the present protection agreement (renewed in 1953 and 1957 and going back to 1887) must be renegotiated between both sides; but it is quite willing both to concede the Maldives freedom to negotiate with other governments on trade and cultural matters, and to contribute to the islands' economic development. Clearly London fears that if the Maldives were declared independent unilaterally, it would be possible then for Malé to claim that all previous agreements were null and void: and that might be the end of the RAF's rights on Gan. There seems to be a real fear that the Maldivian foreign minister, who for eighteen months has been conducting talks in Colombo, is receiving a good deal of outside advice on how to ease the British out of their legal rights in the islands. This will probably not be successful—but the RAF watches these events with anxiety, for it pins all its hopes for maintaining a Commonwealth network of Indian Ocean staging points on Gan, which now promises to replace Suez as the Clapham Junction of Empire.



MENTAL HEALTH BILL

Progress in Committee

THE standing committee on the Mental Health Bill is now streaking through its clauses with commendable speed; between February 10th and March 24th it had disposed of over half of them, including the most controversial of them all—those concerned with the compulsory treatment of persons suffering from mental disorder and the subsection defining a psychopath.

This progress does not mean that the committee's examination has been perfunctory. On the contrary, a few small but useful amendments have been accepted and some doubtful points discussed at length. The Minister, in resisting an amendment that local health authorities should be required to submit plans for the provision of community care within two years after the Bill receives the royal assent, announced his intention to give directions to local authorities under the National Health Service Act, which empowers them to provide for the care and after-care of the mentally disordered. Another important point dealt with was whether there should be some compulsion on hospitals to accept compelled patients in their area, as there is at present with regard to the certified. The Minister replied that it would be wiser to arrange for admission by administrative arrangements rather than by a legal obligation—which would restore the designation of certain hospitals (and consequently the stigma on them that the Bill tries to remove). It is still likely, however, in spite of the Minister's reassurance, that a class of unwanted patients will arise, who will be hawked around unsuccessfully.

A third point, on which Mr Walker-Smith gave some useful clarification, concerned the definition of a responsible medical officer, who, among other things, is to have power to discharge a compelled patient. He is to be the senior doctor in charge of the case, not, as at present, the medical superintendent. This is a further, and welcome, step in bringing mental hospitals into line with general hospitals; but it may also put the whole question of their administration into the melting pot.

Heifers in China Shops

IT is, however, clause 4, subsection 4, that has so far aroused the most interesting and prolonged debate in committee. Attempts were made, and resisted, to remove psychopaths altogether from the definition and classification of mental disorder; other attempts, also resisted, were made to narrow the definition by substituting the words "dangerously irresponsible" for "seriously irre-

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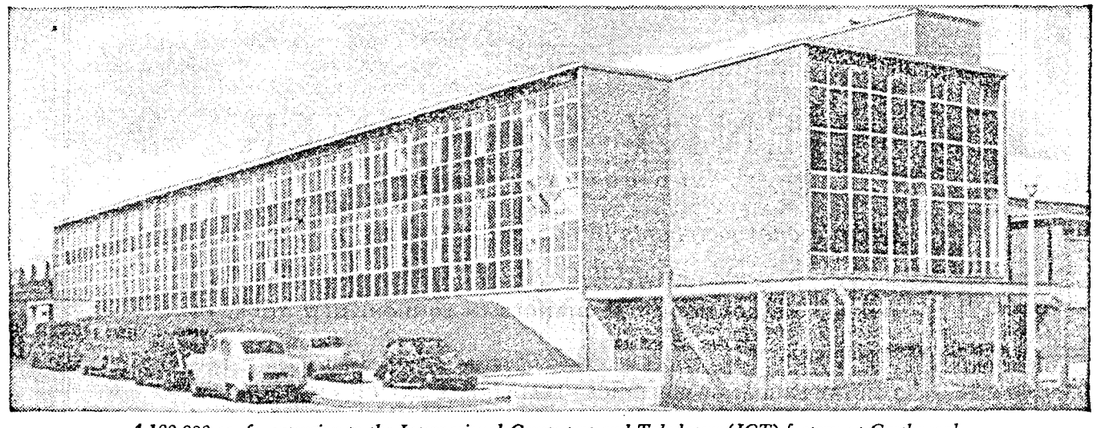
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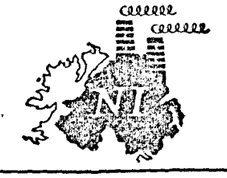
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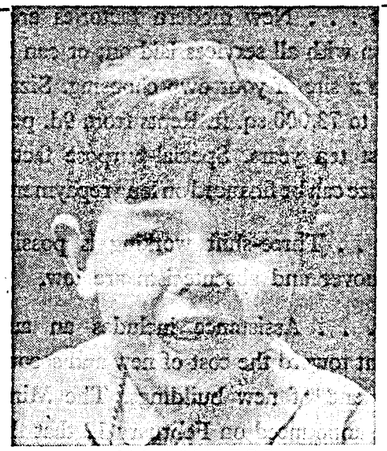


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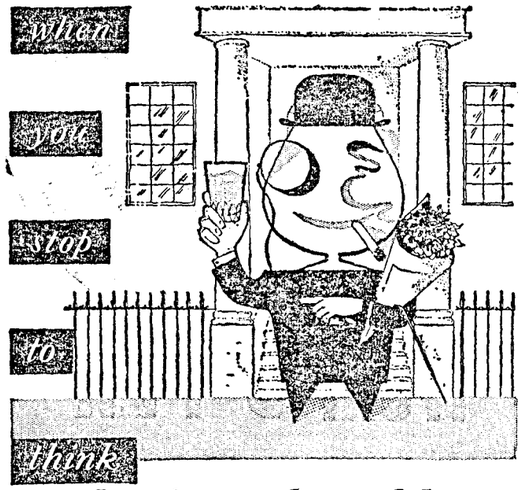
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sponsible" conduct. A point of high principle was at stake. Should persons be compulsorily segregated from society because society finds them an intolerable nuisance, even though they have committed no crime? The girl described by Mr Hastings, who hurt no one but quietly [*sic*] broke china when no one was looking—subsequently referred to by the Minister as a psychopathic heifer in a china shop—is a test case. As another member pointed out, the argument was between those on the committee who would compulsorily detain the china breakers and those who would not.

By a majority of 20 the committee decided in favour of compulsion. But it is a pity that it did not seek clarification on the future of psychopaths, over the age of 21, who make frequent suicidal gestures. Unless such gestures are to be accepted as indicative of mental illness, these people would appear to be excluded from compulsory treatment, though they are, superficially at least, most in need of being protected from themselves.

BELGIAN CONGO

Reform and Its Timetable

THE Belgian government has now brought M. Joseph Kasavubu and two of the other African leaders of the nationalist Abako movement to Belgium. Evidently the idea is that they will become more reasonable and co-operative by studying Belgium's political institutions than by contemplating the walls of their prison. It is stated (though it is not entirely certain) that they are not in Belgium as negotiators, but strictly as state tourists. It is certainly possible that they will not receive as much publicity in Brussels as their counterparts from a British territory might get in London, even though the Belgian government is under heavy fire in parliament over its Congo policy. The situation in the Congo, where it is admitted that disturbances continue daily in the western areas, is evidently viewed as such a serious national crisis that feelers are being put out for a governmental coalition with the socialist party.

The proscribing of the Abako party has not brought about the improvement in feeling that was hoped for, though only the Bakongo tribal area is much affected. Evidently the announcement of the Belgian government's plans "to set up a Congolese democracy capable of exercising sovereign prerogatives and of deciding on its ultimate independence" has not so far won the confidence of the people. There seem to be two difficulties. The first is that there are no obvious African leaders to co-operate in the plan, though possibly M. Kasavubu is to be groomed in Belgium. The second is that there is no timetable and all the details remain studiously vague. All that is known is that urban and rural councils will soon be elected, who will then select from among themselves provincial councillors and—later on—a "general" or central council, which will "progressively assume powers of deliberation." There will be an executive "designed to convert the country gradually to ministerial rule."

Perhaps of most immediate impact will be the decision to drop all that remains of the colour bar, official and unofficial, and to ensure equality before the law for both races. Even these vague plans have made the white settlers restive; and events in British central Africa may increase their opposition. But a political structure without politicians (white or black) is a void; and the result may be the emergence of African leaders of a far more rough-and-ready sort than these refined arrangements seem to expect.

HOLLAND

Opening the Dance

DUTCH political parties measure electoral victories in terms not of tens or hundreds of seats but of single ones. The electorate is stable in its inclinations but the complex pattern of coalitions and alliances, shot through with confessional as well as political differences, can change colour like a kaleidoscope through a swing in a few seats. By British standards the Liberal party's gain of six seats in the latest elections was hardly spectacular. By Dutch standards it was. The Liberals, with 19 seats, are now the third largest party. The Catholics, with 49, as before, are now the largest party, for the Socialists slipped back from 50 to 48; and the Protestant parties have lost votes badly.

A long process of political manœuvre—almost like some formal dance—now traditionally takes place as various combinations are tried in an effort to form a government. This time the process may take months (unless an "extra-parliamentary" cabinet is formed as a stopgap) for the electoral shifts have increased the already serious difficulties of finding a balanced solution. One potential grouping—of all the Christian parties—has been ruled out by the losses of the Protestants. But a Catholic-Protestant-Socialist grouping, a smaller Catholic-Socialist alliance or a Liberal-Christian one are all possible.

The Economist

MARCH 26, 1859

CONFERENCE OVER ITALY?

Since we addressed our readers on the Italian Question, a new element has been introduced into the discussion. Russia has proposed a Congress, and France and Austria, as well as England and Prussia, have assented to the suggestion. The change which has thus come over the position of affairs is generally received as affording strong hopes of a pacific solution, or at least as indicating a sincere desire on the part of both the chief parties to the dispute for such an issue. The funds have risen in consequence both in London and Paris, and merchants and politicians begin to breathe more freely, and to speak as if danger were over. We should be sorry to say one word to discourage the attempt of the European Powers to avert the evils of a Peninsular war, which would be sure to be desperate, and which might become general; but at the same time we are anxious to warn the public against hopes which, though not unfounded, are at least premature and over-sanguine, and to protest against any possible secret action on the part of the Government which might make us parties either to a quarrel in which we have no concern, or to a compromise which would do us no credit and bring to Europe no permanent security. Whether the Congress is to do any good, or merely to postpone for a few weeks or months the impending conflict,—whether it is really designed by France and Austria as a means of settling their differences, or only as a contrivance for putting each other in the wrong,—will appear as soon as the public is informed of the *basis of the proposed negotiations*. Everything will depend upon this. . . . We can feel little doubt that the announcement of the Congress—if coupled with the condition, made by Austria and conceded by France, that the real *fons et origo mali* is to be withheld from all discussion—will be the signal for an Italian insurrection.

In policy the most awkward difference of principle concerns New Guinea. The Socialists are committed to give up this last remnant of the Dutch empire, though they are very much divided about who to give it to. The Catholics, on the other hand, are committed to hang on. Since the hiatus in government might last for months, Holland's allies are fortunate that in other aspects of its foreign policy it follows a steady course.

GILBERT AND SULLIVAN

No Prettier Property

"TAKE a pretty paradox, Dress it like a chocolate box. . . ." So sang the hero of "Perseverance" (by Silbert and Gullivan), that delectable plum of one of the most delectable revues of the 1930s. The recipe, tunefully elaborated ("one patter song and don't forget Your unaccompanied octette") ended in full chorus with the triumph of the "highly popular operetta" than which "there is no prettier property" for composers, librettists, and of course—though "Perseverance" did not make this point—their heirs and assigns.

It is not, however, concern for the well-being of Gilbert and Sullivan's heirs which accounts for the willingness of half-a-million people to sign the petition, presented to Parliament this week, in favour of the perpetual extension of their copyright. The heritage in question is national; and what is supposed to threaten it is not loss but possible defilement. Once the copyright for Gilbert's words has lapsed, which it is due to do in two years' time, anything is possible. Look at poor Shakespeare, with *Kiss Me, Kate*, and *West Side Story*, let alone *All for Love*, let alone all the producers' gimmicks, the cuts, the heresies of particular actors, and the films. There is apparently a large embattled army of D'Oyly Carte devotees whom any similar treatment of Gilbert's words would affect to frothing-point, like unkindness to animals or disrespect to the Royal Family.

Why this should be so is a sociological rather than an aesthetic question. Why should it be possible to mobilise such fervour, not even for the preservation of this particular national heritage—there will be nothing in the lapse of copyright to prevent a rigorous adherence to the Savoyard ritual by any performers who so choose—but against any irreverence towards it? Indifference towards aesthetic heritages is written large across the contemporary English landscape and townscape. Why this particular exception? What is the unique quality of those pretty paradoxes, those elephantine jokes, that stereotyped slapstick, that characteristic blend of the coy and the callous—even when redeemed by music which it would be unfair to blame because custom has rather more than staled its rather less than infinite variety? How, in fact, did Gilbert and Sullivan qualify for permanent membership of the Establishment—or at least the sub-Establishment? A probably very dull book could be written on the subject. Meanwhile those who have signed the worshippers' petition should be gently told that Parliament cannot be so presumptuous as to ban for ever any jazzed-up version of *The Mikado*, just as they themselves cannot be forced by anybody to listen to it.

Appointments, Business and Personal notices, and other Classified Advertisements pages 1221 and 1227

LETTERS

Control of Government Expenditure

SIR—In your leader commenting on the Report of the Select Committee on Procedure you rightly point out that Parliamentary scrutiny of estimates has fallen into disuse because the House now prefers to use supply days for debating generalities. But instead of suggesting a remedy you seem to favour further weakening of Parliament's scrutiny.

Since the end of the nineteenth century—apart from a brief period after the first world war—the Committee of Supply lost interest in the detailed examination of estimates, which are now passed uncriticised as a matter of routine year after year. What you suggest is that this deplorable practice should now be confirmed by depriving Parliament of the means of resuming a critical examination of the estimates even if it should ever want to do so. You would like the Government to conceal from Parliament and from the public the details of its expenditure proposals. This may save printing costs, but the economy would be offset many thousands of times over by the increase of spending that would result from such a weakening of Parliamentary accountability.

Even as things are, the Treasury's control over the spending departments is ineffective in the absence of adequate Parliamentary scrutiny. The Chancellor of the Exchequer of the day is not in a position to argue in the Cabinet that a proposed increase of the estimates might encounter resistance in the Committee of Supply. If in accordance with your proposal the Government should now cease to publish the details of the estimates this would further reduce the Treasury's power to keep down expenditure. The grand totals of the main heads of expenditure could then conceal a multitude of sins of extravagance.

Admittedly neither Parliament nor the public makes much use of the details published. But surely the answer is that they ought to make more use of them and not that they should be deprived of the information. I am sure you would not think of advising a firm whose auditors have drifted into the habit of signing on the dotted line without even looking at the accounts that it should therefore cease to publish detailed accounts.

During most of the nineteenth century there was strong public pressure for retrenchment. Consequently the Committee of Supply was doing its best to check waste. From time to time it actually amended the estimates in face of resistance by the Chancellor of the Exchequer, who ended by accepting the cuts in all instances but one. Having recently read through all relevant debates in hundreds of volumes of *Hansard*, I am firmly convinced that this practice was very effective in keeping down expenditure, taxation and the public debt.

A revival of the old practice would go a long way towards checking, or at any rate moderating, the non-stop rise of public spending. Perpetuation of the existing practice by concealing from Parliament the details of the estimates would, I am sure, produce the opposite effect.—Yours faithfully,

PAUL EINZIG

Clifford's Inn, EC4

Pocklington Canal

SIR—The comments in your issue of March 14th upon the proposal to abandon the Pocklington Canal lay very proper stress upon the social undesirability of the furtive and rushed procedure which the British Transport Commission has seen fit to adopt. But we should like equally to emphasise that there is no question of "the economic case for disposing of the sludge in the canal" being "overwhelmingly good." On the contrary, this association has put forward no fewer than four sites where the sludge could be dumped for many years to come, which are now derelict, and which could be acquired from willing vendors for a tiny fraction of the sum that it would be necessary to pay in compensation for the closure and extinction of the canal. Moreover, there is little question that it would cost no more to restore the canal so that modest revenues could be derived from it, than to abandon it.

The whole scheme is as unjustifiable in its strategy as in its tactics. But in both it is unfortunately typical of British Waterways, especially in the north eastern area.—Yours faithfully,

ROBERT AICKMAN
Vice-President
The Inland Waterways Association Ltd., London, WC1

Levant and Couchant

SIR—Your strictures on the Estler case last week were rightly severe. What is particularly sad about the case is that, although Mr Estler's claim to possess common rights was rejected, the larger question of whether Effingham Common is really common land at all is still unresolved. Nor will it be conclusively established one way or the other until the claims of each individual commoner, or alleged commoner, are properly tested. The prospect of a number of similar cases, whatever their outcome, is rather appalling.

The Effingham case, therefore, emphasises how important it is that the excellent proposal, advanced by the Royal Commission on Common Land in its report last year, for the systematic registration of common land and of the rights subsisting over it, should be implemented by Parliament at the very earliest opportunity. For Effingham Common is only one of scores of similar lands which are called commons, or have long been thought of as commons, and where the same uncertainties, the same barren arguments and the same costly and often inconclusive disputes, have already arisen or are soon liable to arise. Registration will have its own problems, but is a really worth while objective.

What happens to common lands, when they are finally established as such in the course of a systematic registration, is another matter: but the Royal Commission's recommendations offer a sound and constructive solution, and deserve an early trial. If Parliament shelves this admirable report, it will have only itself to blame for repetitions of the kind of law suit which your article described.—Yours faithfully,

A. O. B. HARRIS
Commons, Open Spaces and Footpaths Preservation Society, London, EC4

Size in Publishing

SIR—The writer of your article "Bigness in Publishing" of March 21, seems to be impressed by the factor of size in publishing and to be wholly unaware of the factor of quality or individuality. His paragraph on groups in publishing—Associated Book Publishers, the Heinemann group, the Hutchinson group, the Collins extension, the Reinhardt merger, and the MacGibbon & Kee purchases—is so compressed as to be worthless. These groups or associations differ so radically from each other, their histories are so unlike, and their working methods so completely dissimilar that to deal with them in 200-300 words is absurd and unfair.

As chairman of Secker & Warburg, one of the Heinemann group, I have an interest to declare, and this interest is to establish the truth, at least about the group to which I am privileged to belong. The words used by your writer, "Heinemann . . . have absorbed more completely such firms as Hart-Davis, Peter Davis (mis-spelt) and Secker & Warburg, while retaining their imprints," are laughably off the mark.

In a brief and hurried letter, it is not possible even to outline the relationship between a parent firm and an associated company in the Heinemann group, a task which I propose to undertake in the second volume of my autobiography, which will be published next year. But it is perhaps permissible to point out that my firm, and others in the Heinemann group, exercise complete and absolute control over the selection of books for their list, the production of these books, and their sales and promotion. These three key activities are what differentiate a publishing house from a mere imprint. We also control the hiring and firing of our own personnel.

The emergence of groups in publishing can have a bad as well as a good side. What matters is whether the group is run on lines akin to imperialist exploitation or in terms of commonwealth relationships. The Heinemann group is run on the latter lines.—Yours faithfully,

F. J. WARBURG
Martin Secker & Warburg Ltd. London, WC1

Public Libraries

SIR—It is misleading to say that the Roberts Committee "thinks that not less than £5,000 a year is needed to run an efficient library." The committee recommends that "the minimum annual expenditure on the purchase of books (excluding the cost of binding) expected from a non-county borough or urban district council as an independent library authority should be, at 1958 prices, either £5,000 or 2s. per head, whichever is the greater!—Yours faithfully,

London, W1 M. L. HENRY

The Common Market

SIR—In a Note in your issue of February 21st on the recent debate in the House of Commons on the free trade area, you mention that with one or two exceptions there seemed to be little understanding of the reasons why Britain should join the common market. It has been argued that solutions on the lines of the old free trade area are in the long run the only ones acceptable, but this shows a fundamental misunderstanding of the reasons for the failure of the British Government's proposals. The only hope now is to adopt the policy of joining the common market.

One of the main reasons for the breakdown of the negotiations was that the structure and principles of the proposed free trade area differed essentially from those of the European Economic Community, in particular with regard to the common tariff, agriculture, the harmonisation of social charges and the coordination of economic policy. Clearly, if the "Six" were to accept the free trade area, its principles and structure would inevitably replace those of the European Economic Community as in a wider grouping the rules of the area as a whole would be dominant. The "Six" as a whole are unwilling to accept any arrangement that would undermine the principles of the European Economic Community.

Only by accepting the principles and structure of the European Economic Community can we obtain the agreement of the "Six" and gain access to the European market. We should have to negotiate special arrangements to take into account our position in the Commonwealth, and we may be obliged to make concessions; but the long term interests of the Commonwealth countries are in obtaining a wider market for their raw materials and in the supply of capital for their economic development. The European Community with Britain as a member could meet both of these needs, but if Britain were excluded from the European market the Commonwealth would undoubtedly suffer.

Our acceptance of the common tariff of the "Six," it is sometimes argued, would mean imposing tariffs on Commonwealth produce and instead of giving imperial preference we would be agreeing to an anti-imperial preference. This might be true for a small number of products, but for many the United Kingdom and common market tariffs are zero (e.g., rubber, wool, cotton, jute, copper, nickel, tin and a number of metallic ores and scrap). In 1956 these commodities accounted for £356 million out of a total of £529 million of the United Kingdom's imports of raw materials from the Commonwealth. Apart from food, drink and tobacco, there are only about a dozen products imported in substantial quantities on which there are significant differences in the tariffs between the United Kingdom and the common market. Could not these be the subject of negotiations?—Yours faithfully,

E. G. THOMPSON
Goodmayes, Essex

BOOKS

The Red and the Black

The Catholic Church in the Modern World

By E. E. Y. Hales.
Eyre and Spottiswoode. 332 pages. 30s.

THOSE of us who still try to guide our course by the fading stars of the Enlightenment, who still cling to the hope that reason applied to human affairs may in the end prove as efficacious as in its application to the management of the world of things, must often reflect nowadays that the horizon is blocked by the war of two great organisations. Both of them deny our fundamental assumptions, and both of them are in consequence at once fascinated and repelled by the likeness to themselves that they find in the enemy's camp. Some people may indeed envy the certitude of those who have given their consciences to the keeping of the Kremlin or the Vatican, as the case may be. In the 1930s liberals were more likely to envy the communists: the enemies were black rather than red. Today, with fuller knowledge of the brutality and crudity of Soviet totalitarianism, one may (whatever one's religious beliefs or lack of them) find the College of Cardinals preferable to the Central Committee. But when one reads Mr Hales's informed and persuasive account of the vicissitudes of his church since the attacks made upon it by Revolutionary France, one is bound to ask whether (from the liberal point of view) the pendulum has not swung too far. Is it not possibly the case (to turn the well-known jibe the other way round) that what gives the Church the sympathy it now enjoys outside its own ranks is precisely the fact that the Pope has no divisions; that, unlike Mr Khrushchev or Mao Tse-tung, he cannot generally speaking enforce his dogma or silence his opponents?

Of course this is unfair both to the Church and to so able an advocate as Mr Hales; whether or not we accept his explanations for those things in the Church's recent history that have most adversely affected liberal opinion, they are put forward with modesty and caution. We are miles away from the uncouth barbarity of modern Marxist apologetics. For one thing, Mr Hales is prepared to believe that in temporal matters the rulers of the Church may have erred: for instance, the extent to which the Papacy recovered its territorial position after the Napoleonic wars meant that the standpoint of the Papacy was affected almost throughout the nineteenth century by what were often narrowly Italian and even Piedmontese issues. Or, again, he is for the most part prepared to treat his proper theme without distorting the secular history of the period within which it is set—though he cherishes the illusion common among Roman Catholic historians that the Austrian Empire was deliberately broken up by "vindictive" peacemakers at Paris. He is not indeed impeccable on detail. If the Orleanists failed to achieve a restoration after 1870 it was not because their candidate was a child—the Comte de Paris was born in 1838; to accept the Pope's peace proposals of August 1917 could not have kept America out of the war—it was already in it. But this does not matter.

What does matter is that Mr Hales is bound in the end to come down in favour of the standpoint that what matters most for the Church is to obtain the maximum opportunity for increasing the scope of its authority. For this end it can sacrifice no possible auxiliary, not even in some circumstances the use of compulsion. Many of Mr Hales's most interesting passages deal with the history of Roman Catholicism in the United States. But while he admits that the faith has flourished (at least numerically speaking) under a regime of separation of Church and State, and complete religious toleration, this does not mean for him that the Church can accept such a solution as valid for countries where it might hope for a more favoured position. In the end toleration is relative and not absolute; and is this so different from the communists' claim of full democratic freedom in countries where they are a minority and the right ruthlessly to suppress all opposition where they are in power? This does not mean that Mr Hales would wish to relight the fires of Smithfield; but it does mean that those who worried over the Ecclesiastical Titles Bill were not quite so ridiculous as he makes out.

For there is a real problem of Church and State—and on the side of the Church as much as on the side of the State; Mr Hales might for instance have dwelt profitably on the recent experiences of the Australian Labour party. It is not true that all the aggression has been on the side of the secular State, unless one happens to accept the Roman Catholic view of what the relations of Church and State should be. And regimes that seem prepared to go along with the Church may present their own disadvantages. (It is astonishing to find that the bibliography omits so masterly a work as D. A. Binchy's "Church and State in Fascist Italy.") Whatever the record of individual Roman Catholics, the Church's record of opposition to fascism and nazism on points where its own interests were not directly affected is not quite so clear as Mr Hales makes out. The Church, he might reply, has its own mission and must judge for itself how best to serve it; but that again is also true of international communism.

Young Man in a Hurry

Lord Randolph Churchill

By Robert Rhodes James.
Weidenfeld and Nicolson. 374 pages. 36s.

IS it likely that seventy years from now students of political history will still be busily debating whether Mr Thorneycroft, when he flounced out of the Chancellorship of the Exchequer a year ago, "forgot Heathcoat Amory"? What was it about Lord Randolph Churchill that has made his fatal resignation, whether he "forgot Goschen" or not, so famous a riddle for so long? It is not simply because he was his son's father—though that is clearly one reason for the renewed interest today. It is not because his withdrawal, even if unintended, from Lord Salisbury's Cabinet in 1887 really changed political history. After the first sharp popular shock, the wounds to the Conservative party leadership healed over as quickly and as easily as did the smaller hurts done to the same perpetually adaptable party by Mr Thorneycroft's departure in 1958 (not long this time after the retreat in dudgeon of the latest Salisbury himself).

Lord Randolph's tragedy, in fact, was personal not political. This is plain enough from Mr James's new and excellently told biography. The pillars stayed erect—and what a pillar Lord Salisbury was—but there was a sense then, which has survived until now, that this was a Samson-to-be who had brought himself down politically in the bid to assert first place, not yet in the Government, but in the shaping of party policy and organisation. Lord Randolph, his friends and admirers and even his enemies (in both parties) had believed, was bound to come out on top.

Like his Liberal opposite number and frequent behind-the-scenes coadjutor, the first of the Chamberlains, Lord Randolph glimpsed the political importance of the new electorate enfranchised in the sixties and eighties—and the obsolescence of both old Tories and old Whigs. His oratory, on backbench, frontbench or on the constituency platform, was—Churchillian. With Chamberlain again as mentor, he grasped as his son never did the decisive role in the new politics of party management. Yet for all the flavour and zeal of his "Tory democracy," it stayed a slogan and never became a prescription or the banner of a following; and it was precisely in the field of party management that he deliberately courted and suffered his final defeat at the hands of the Cecils.

Mr James does not like the Cecils, and is perhaps less than fair to both Lord Salisbury (who patiently suffered much from Lord Randolph) and Balfour —or to that worthy parliamentarian Stafford Northcote (who literally fell dead at Lord Salisbury's feet in the aftermath of Lord Randolph's political suicide). Nor, for all his scholarly use of new material, does his story or his verdict differ substantially from the slighter portrait of Lord Randolph which, far more than the panegyric on Sir Winston, was the high point of Mr A. L. Rowse's picaresque opus on the Churchills, published not long ago by Macmillans. But he is never more than fair to his hero; and the Churchillian qualities, which were alike the reasons for Lord Randolph's rise to fame and the highest promise and the causes of his sickening downfall, emerge eloquently enough from his terse, well-ordered tale.

The restless self-confidence, the assertiveness and the pugnacity, the quick, disconcerting, cross-bench and pragmatic improvisations, the brilliant unpredictability and the impatience—above all the impatience with fools and fuddy-duddies: these were the stuff of Lord Randolph's failure as, mellowed with time, they have been in his son the stuff of greatness. Lord Randolph called Mr Gladstone, whom he admired and harried equally much, an old man in a hurry; he was himself a young man in a hurry. That is really why he fell at his first big hurdle.

Is it, then, just because he has lived so much longer, unfelled by the disease that struck Lord Randolph down and carried him off before he was fifty, that Sir Winston has gone so much farther than his father? This is the sort of question that can never be answered. Sir Winston did not become Chancellor of the Exchequer until he was fifty; he had rushed at, and fallen at, several hurdles before then, and had other tumbles later before his great chance when he was nearly sixty-six. Lord Randolph was Chancellor of the Exchequer—and Leader of the House—at thirty-six, and dead at forty-six.

Certainly Lord Randolph had the other Churchillian characteristics, too: magnanimity after the fray, good humour with high temper, an open-minded and unbreakably honest independence, and the lively personal magnetism in discourse and friendship that made him and his lovely and remarkable wife still centres of social life in London even while the sulky face of "Tum-tum" and the Marlborough House set was turned away. Perhaps only the mellowing of time was denied him; perhaps the staying-power was not there. Whatever the truth, time and Sir Winston have brought their revenges.

Amassing Books

The English Library Before 1700

Edited by Francis Wormald and C. E. Wright.
The Athlone Press. 257 pages. 35s.

THIS book is based on lectures given under the auspices of the School of Librarianship and Archives of University College, London. The choice of authors is admirable and the quality of the essays high. The book lays no claim to continuity: it is presented as a "group of related individual studies"; but they are well spaced out over the period.

For the general reader, the gem of the book is an essay by Professor Knowles on the part played by monastic libraries in preserving the classics, a small masterpiece of compression and clarity; it is closely rivalled by Dr Talbot's fascinating study on the universities and the mediæval library, which gives (particularly to readers of this journal) more than its title promises, since it covers in small space such topics as the effect of the rise of the universities on the demand and supply of cheap manuscript books, the elaborate attempts at price-control and the interesting overlap between elementary mass production and do-it-yourself techniques. A few of the essays are of rather specialised interest; but there are others to delight every reader, such as Mr Wright's study of the dispersal of libraries at the Reformation, and essays on the development of libraries at Cambridge (mainly from the librarian's point of view) and Oxford (from the architect's).

The book is well produced and illustrated.

The Civilising Influence

The Use of Imagination: *Educational Thought and the Literary Mind*

By William Walsh.
Chatto and Windus. 252 pages. 25s.

THE organisation and methods of education are perpetual matters of debate, in both amateur and informed circles; selection at eleven-plus, comprehensive schools, institutes of technology, shortage of science teachers, redbrick universities—scarcely a day passes without these or similar topics getting a public airing. About the ultimate aims of education, however, much less is said —or thought; and about the qualities of mind and heart that should characterise a truly good teacher, one rarely comes across anything that rises above the level of platitude.

Mr Walsh, who is Professor of Education in the University of Leeds, has a conception of education that is at once idealistic and practical. Teaching, he insists, is a matter of human contacts, and language is its indispensable instrument. Unless the teacher himself is an imaginative, discerning and articulate human being, the acquisition of information and skill will profit him and his pupils little. Professor Walsh claims that literature is the supremely civilising influence; it enlarges our conception of human nature, and actually influences and modifies our development as persons. There would be nothing very new or exciting about this if he then went on to prescribe an orthodox course of Great Books; but instead he examines a series of writers, from Coleridge to Lawrence and Yeats, for whom the cultivation and discipline of the creative imagination are prerequisites for living a fully human life.

Sometimes, as in his studies of Keats and Hopkins, Mr Walsh exercises his abilities in straightforward literary criticism. In his chapter on the writer and the child, he suggests how insight into the emotional and mental processes of children may be quickened by books; Mark Twain, Henry James, Lawrence and De La Mare are the authors he touches on here. More directly relevant to the training of teachers is the chapter on the education of a cultivated élite; here he looks at the way in which Coleridge, Arnold and Dr Leavis have tackled this problem. Not all the essays are closely connected, but the method is consistent—the scrutiny of texts—and they do all reinforce one another, constituting an eloquent argument in favour of an education that nurtures the whole of the human spirit.

The scope of the book would have been more accurately defined if the title and sub-title had been in reverse order. "Educational Thought and the Literary Mind" gives a precise indication of the theme that holds all the essays together, whereas "The Use of Imagination" is too vast in its implications. Professor Walsh does not touch upon the life-enhancing powers of music and the visual arts, though there are many grown people whose imaginations are nourished as effectively by contact with these as by reading; children, also, express their fantasies in song and dance and picture-making quite as spontaneously as they do in words. But even if the title is over-ambitious, the book is both stimulating and heartening. Too many educationists occupy themselves with the paraphernalia of their life-work; Mr Walsh does not. Instead, he asks the essential question: how can education help us to better our quality as human beings? Persuasively, he suggests an answer.

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Ferment in Baghdad

Revolution in Iraq

By Caractacus.
Gollancz. 207 pages. 16s.

Iraq

By George L. Harris.
Survey of World Cultures Series. Human Relations Area Files Press. New Haven, Conn. 360 pages. $7.00.

THE Iraqi revolution of 1958 took place in a single morning; there was no opposition, and the *ancien régime* was replaced by would-be liberals. The first book explains why. Its author—the latest recruit to Mr Gollancz's cohort of anonymous Romans—is much more detached and less angry than the familiar red-and-yellow dustcover suggests. Ten years of mixing with the kind of educated Iraqi that former British ambassadors never met enable him to give a lively and accurate picture of what they thought. Everyone who was not in senior government employment reckoned that Nuri was an oppressor, that he tolerated crooks as ministers, that—far worse—he was Britain's lackey, and that therefore Britain tolerated oppression and crookery. Into this cauldron of public feeling Caractacus tosses the other main ingredients: a longing for "the pride of standing on their own feet," a desire for Arab unity in independence, and a craving for neutrality. If his word is accepted for these hard facts, much of what is happening in the Arab world is explained: widespread admiration for Gamal Abdul Nasser, Iraqi hatred for the Baghdad Pact, Arab admiration not (as might be expected of Moslems) for Pakistan, but for India. If Brigadier Qassim leans too far towards Russia, the book may serve to explain a movement against him better organised and less impulsive than that which went off half-cock in Mosul earlier this month.

The book is much better at analysis of what the Iraqis think than at assessing British reactions to their revolution, or at prescribing British policy. Apart from one cursory reference to "an impressive [British] effort to act with perfect neutrality" towards the revolution, the author writes as *if all Britons and Americans* wish ill towards the revolution. In fact, both British and American behaviour towards the Qassim government has been almost exactly as he prescribes. What his diatribes are really getting at is British complacency and inaction over the absolutism, and disregard for public feeling, which characterise certain rulers in the Persian Gulf. The good case to be made against this is not the one he makes, and this is a pity, for he will irritate where a subtler critic could have arrested attention.

But his book is lively, and comes from the heart, and gives the feel of ferment and anxiety in present-day Baghdad. The same cannot be said of Mr Harris's copious and painstaking handbook, which, for all its claim to be a portrait of "a society as it functions," is absolutely featureless. For instance, a "Health Week" is mentioned but not described, so that a comment that "their pride in the measures they learned has encouraged government advisers to suggest more of these projects" is just so much cottonwool. What measures and what projects? The rest of the page is blank, as if waiting for the practical details that would bring the book to life and impart to a series in which it is the third volume some usefulness in the Middle East. There, prejudice against Volume 3 will start at the preface, which gets the name of the head of the state wrong in its first sentence.

Sykewar

A Psychological Warfare Casebook

By William E. Daugherty and Morris Janowitz.
John Hopkins University Press. London: *Oxford University Press.* 880 pages. £5 net.

A SPECIAL branch of Parkinson's Law seems to ensure that the effectiveness of what one contributor in this volume cheerfully calls "sykewar" and others "psywar" is in inverse proportion to the number of warriors. There is no wartime activity in which the quality of the individual in direct contact with the target counts for so much. Nevertheless, current propagandists, though more likely to be born than made, should learn from past experience, and this symposium has much to teach them. It is not exactly what the blurb declares, a "readable how-to," though some of the articles are lively and informative. It does, however, as the compilers claim, illustrate "important aspects and principles of psychological warfare usage." Articles and case histories are contributed by seventy-three experts in this formidable collection. Some are from the type of expert known as a man who tells you something you know already in such a way that you no longer understand it. That is the fault of filling "psywar" ranks with psychologists who introduced Central European expressions such as "culture-pattern" and "personality-structure" (for "character").

Two contributions are of particular interest. One is a reprint of a lecture by R. H. S. Crossman—to whom his American colleagues pay deserved tribute—in which he plainly underlines the need for accuracy and condemns incitement to revolts that can only lead to death or imprisonment. This simple lesson is hard to learn, as is shown by the account of the activities of RIAS (the American radio station in West Berlin) during the East German rising of June 1953. RIAS, it is claimed, was responsible for spreading the revolt, and this is undoubtedly true. It is, however, hard to justify after the event. On the whole, "operational" subversive propaganda should not be used in peacetime, but solely as a preliminary to invasion in time of war.

Another outstanding bit of good advice in this volume is quoted from the findings of the President's Committee on International Information Activities in 1953. This called for the abolition of a so-called Psychological Strategy Board and said that:

> except for propaganda, there are no psychological warfare instruments distinct from traditional instruments of policy. The important task is to build awareness throughout the entire Government of the impact of day-to-day governmental activities and to co-ordinate and time such actions so as to derive from them the maximum advantages. . . . The primary and overriding purposes of the information program should be to submit evidence to the peoples of other nations that their own aspirations for freedom, progress and peace are supported and advanced by the objectives and policy of the United States. In carrying out this purpose, American broadcasts and printed material should concentrate on objective, factual news reporting.

The temptation to make "sykewar" direct policy, instead of the other way round, will remain, however, as long as the other side plays the game that way. The world has only recently seen a dazzling example of this policy in the Communist Chinese order to shell Quemoy on the stop-and-go principle, at the same time telling the inhabitants how pleasant their lives would be without the Americans. Nothing is too deceitful for war, said the relevant Chinese communiqué, but disclaimed that this move was deceit. It was, however, political warfare fought with the methods of torturers. Small wonder that "objective, factual news reporting" sometimes seems dull by contrast.

Dedicated to Flying

Heavenly Adventurer: *Sefton Brancker and the Dawn of British Aviation*

By Basil Collier.
Secker and Warburg. 242 pages. 25s.

THIS book recalls, with an amazing vividness, one of the most picturesque figures of the days, just after the first world war, when a few people were struggling to convert the aeroplane from a war machine into a vehicle of commercial transport.

In 1917, the Government established the Civil Aerial Transport Committee, whose chairman was Lord Northcliffe, to make plans for a postwar expansion of aviation on a commercial scale. This reviewer remembers "Branks"—as his friends called him—coming into the offices in St James's Square to discuss the agenda for the first meeting of the committee, in the deliberations and recommendations of which he played an outstanding part. At that time, with the rank of major-general, his official position was Master-General of Personnel on the Air Council. As Mr Collier so clearly shows, Sefton Brancker was a dedicated man. All his energy, and all his rare powers of organisation and negotiation, were devoted day in and day out to the cause of aviation, which he saw as a potentially almost illimitable world force. The enthusiasm of others seemed a feeble flame compared with the burning zeal of "the little man with the eye-glass," as Sir Sefton was often called as he dashed here and there to conferences, official meetings and pioneer flying-grounds. That familiar eyeglass of his seemed, sometimes, to flash and gleam as though reflecting in some way its owner's phenomenal vitality.

Brancker was completely tireless. After a day of gruelling work, he would throw himself with unabated zest into the night life of London. Yet at nine o'clock precisely each morning—trim, immaculate, and with eyeglass firmly in place—he would be found presiding briskly over a meeting of a sub-committee.

When Mr Holt Thomas, chairman of the Aircraft Manufacturing Company, decided to form a subsidiary company, Aircraft Transport and Travel, to operate in 1919 a first daily commercial air service between London and Paris, Sir Sefton relinquished his official work to become managing director of this pioneer airline. Here again he soon gave proof of his powers as an astute and far-seeing organiser. Subsequently he had the honour of being appointed the first official Director of Civil Aviation. It was he, more than anyone else, who steered commercial flying through those early teething troubles which Mr Collier outlines so clearly.

It was thus one of flying's greatest tragedies that he should have perished in the R.101, the lamentable story of which Mr Collier tells absorbingly in the final stages of his book.

A Noble House

The Lords of Cobham Hall

By Esmé Wingfield-Stratford.
Cassell. 437 pages. 50s.

FOUR tributaries feed Dr Wingfield-Stratford's family history: the de Cobham, Brooke, Darnley, and Bligh. Rambling nostalgically, growling menacingly, or chattering colloquially, they voice his prejudices and affections. Travellers down them are helped by three genealogies, a plan of Cobham Hall's growth, and some revealing portraits. Crowds throng the banks—and there are some memorable personalities among them.

John de Cobham, third Baron, Constable of Rochester, Admiral, ecclesiastical and military architect, and centenarian, is justly called "the Founder." He died in 1407 without male heir; but his daughter's marriage brought in de la Pole money; and her daughter's to Sir Thomas Brooke produced a son for whom the barony was revived. His descendants steered a prosperous course through the York and Lancaster wars and the treacherous currents of Tudor policy. Between 1558 and 1596 William Lord Cobham transformed his medieval manor into an Elizabethan mansion at prodigious cost, which included the transport of stone from Caen. But his son, less adept in calculating risks, meddled in conspiracy, nearly lost his head, and did lose his estates.

King James gave them to one of the Darnley Stuarts, Ludovic, Duke of Lennox and of Richmond. The Darnleys added heroism to the story: three died fighting for Charles I; and another rescued Frances, "la Belle Stuart," from Charles II's amorous designs by a runaway marriage. He erected an expensive Palladian centre between the pepper-boxed Elizabethan wings—but he died childless; and Cobham, disposable by will, passed from his sister to his niece; and then to his great-niece Theodosia Hyde, married in 1713 to John Bligh, an Irish MP.

Bligh's matrimonial venture was as shrewd as his merchant ancestor's investment in Cromwell's Irish enterprise: Theodosia's estate was impoverished; but financed by his Irish rents it gave him a position and influence appreciated by Walpole, and he was created Earl of Darnley in 1723—an odd Hanoverian compliment to her Stuart descent. The third earl's marriage to Mary Stoyte, daughter of a Dublin banker, was equally profitable: it paid for his son's additions to the hall and its contents—including pictures carefully selected in the Netherlands during the French invasion of 1792. The third and fourth earls occupy more than half this book: their letters reveal a singularly happy relationship, and fascinating glimpses of the life of an eighteenth century Etonian in the days when his valet was as important as his housemaster or his tutor.

After 1830 only three Bligh's are likely to arouse interest: the Victorian earl whose frigid grandeur so alarmed the author—and most other people as well; Ivo who captained an England XI; and Esmé the artist. The book ends at his death, with the words "Esto Perpetua." Their apprehensive sadness is already justified.

Second War Commander

Full Cycle: *The Biography of Admiral Sir Bertram Home Ramsay, KCB, KBE, MVO*

By W. S. Chalmers.
Hodder and Stoughton. 288 pages. 30s.

ALTHOUGH senior commanders of the last war have not hesitated to criticise each other in their memoirs, to one of their brotherhood they have universally accorded nothing but praise. As this welcome and ably executed biography shows, Sir Bertram Ramsay fully deserved their confidence.

The success of the operations he was responsible for is on the record. Through his letters and diary we can now appreciate his great strategic insight and his remarkable grasp of the operations of war by land, sea and air. As a junior officer he had never hesitated to express his opinions irrespective of their likely popularity with his seniors; as a senior officer he equally never hesitated to insist on his view when he knew he was right, a policy that led him at times into conflict with, among others, those redoubtable getters of their own way, Cunningham and Montgomery. That Admiral Ramsay so often prevailed and yet retained their respect and admiration is a measure of how right he was.

His service during the second world war covered most of the major amphibious warfare experiences of the British forces—Dunkirk, North Africa, Sicily and Normandy, but it is more than just a record of amphibious operations; it is, as Admiral Chalmers brings out, a vindication—if one were needed—of the policy of the use of sea power to prosecute a maritime strategy.

The Dunkirk evacuation forced Britain to exchange the continental strategy with which it had started the war for a maritime one—only for the lesson to be forgotten after the Normandy landings, though Admiral Ramsay tried to persuade the Allied Commanders to continue to use their command of the sea to support and extend the left flank. Had his advice been accepted the Scheldt could have been opened sooner and the war might have ended earlier, but Generals Eisenhower and Montgomery, engrossed in their argument on the relative merits of the broad and narrow front advance, did not listen.

The Black Berets

The Tanks: *The History of the Royal Tank Regiment*

By B. H. Liddell Hart.
Cassell. Two Volumes. 462 pages and 552 pages. 70s. the set.

THE Royal Tank Regiment, or the Royal Tank Corps as it was, has found a worthy historian in Captain Liddell Hart. As one of the prophets of armoured warfare and as one of the few to make military sense out of the military nonsense of the 1914-18 war, Captain Liddell Hart was the obvious and right choice. Although, as often in his books, his own personality obtrudes, he has done a brilliant job, showing other regimental historians that what happened to Captain Jones that day can be woven into a serious piece of historical analysis. To adopt one of the titles of his earlier books, he has written of the British Way in Armoured Warfare.

It was the oil-stained rather despised mechanics in the black berets who worked out the theory of armoured warfare and of the *blitzkrieg* before the war, only to have, through no fault of their own, their ideas and their tactics used against them by the German Army. It was upon their training methods and their doctrine that the counter-blows were prepared and the Royal Tank Regiment, as part—perhaps the essential part—of the Royal Armoured Corps, was in on the final victory. But throughout the war the regiment was but part of a much bigger whole, and that is perhaps why the second volume of this history is less fascinating than the first. This volume contains some noteworthy chapters, especially on the fighting in the Western Desert. But it is not altogether clear on what was wrong with British and American tank design, and there is a tendency—an understandable one in view of the author's predilections—of playing up the role of tanks as independent striking forces at the expense of their role as infantry support weapons. Tanks were not merely the

first, nor merely the second. They were both.

The tanks as a support for the infantry was an easy enough idea for the orthodox to accept. Their worth in that role, after all, had been proved at Cambrai. But to see beyond the mud of the trenches to the roads and fields behind and to recognise the tanks as weapons in their own right required the proclamation of a brave, new heresy. In describing how this was done and how men like Fuller, Martel, Hobart and the author himself fought against the odds of tradition and conservatism, the first volume of this history is a biased and utterly convincing account.

OTHER BOOKS

Memoirs

NOT IN THE LIMELIGHT. By Ronald Wingate. *Hutchinson.* 232 pages. 25s.

THAT REMINDS ME. By Lord Russell of Liverpool. *Cassell.* 293 pages. 25s.

Anthologies, Reprints, Paperbacks

PROTEST. Edited by Gene Feldman and Max Gartenberg. *Souvenir Press.* 375 pages. 25s.

The first two parts of this book consist of selections from the writings of "the beat generation" in America and of "the angry young men" in England. The third part consists of reviews and other critical commentaries of the two movements by persons not identified with either.

AN ANTHROPOLOGIST AT WORK: *The writings of Ruth Benedict.* By Margaret Mead. *Secker and Warburg.* 604 pages. 42s.

A collection of the writings of Ruth Benedict, including her letters and journals, amplified and annotated by Margaret Mead, her literary executor and biographer.

A PHILOSOPHICAL ENQUIRY INTO THE ORIGIN OF OUR IDEAS OF THE SUBLIME AND BEAUTIFUL. By Edmund Burke. Edited and with introduction and notes by J. T. Bolton. *Routledge and Kegan Paul.* 197 pages. 32s.

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AN ESSAY CONCERNING HUMAN UNDERSTANDING. By John Locke, abridged and edited by Raymond Wilburn. *Dent* (Everyman's Library). 380 pages. 8s. 6d.

RELATIVITY FOR THE LAYMAN. By James A. Coleman. *Penguin Books.* 120 pages. 3s. 6d.

CHILDREN AND THE LAW. By F. T. Giles. *Penguin Books.* A specially written Pelican Book. 156 pages. 3s. 6d.

POTTERY THROUGH THE AGES. By George Savage. *Penguin Books.* A specially written Pelican Book. 229 pages. 7s. 6d.

DANGEROUS ESTATE. By Francis Williams. *Arrow Books.* 238 pages. 3s. 6d.

An account of the structure and organisation of the British press.

THE FRENCH REVOLUTION. By A. Goodwin. *Arrow Books.* 173 pages. 2s. 6d.

JANE WELSH CARLYLE LETTERS. Edited by Trudy Bliss. *Arrow Books.* 327 pages. 3s. 6d.

THE STORY OF MEDICINE. By Kenneth Walker. *Arrow Books.* 296 pages. 5s.

Economics

ECONOMIC ARITHMETIC. By Robin Marris. *Macmillan.* 349 pages. 28s.

Designed primarily to give economic students an introduction to the integration of economic theory with statistical practice, this book will be found of practical assistance to many users of economic statistics. Mr Marris describes first of all the kind of statistics required to formulate a general picture of the British economic system, as illustrated by diagrams of the circulating flow of goods and money, although he departs from completeness in his illustration by omitting stock changes. The problems of measuring the various factors and collecting the raw data are described and an outline given of the main sources of British economic statistics, with a more detailed discussion of national income accounting. (But why is there no reference to the official publication *Economic Trends*, which first carries the quarterly estimates of national income ?)

After describing some of the ways of dealing with figures—graphs, interpretation of time-series, regression analysis and correlation—the final chapters of this book are concerned with index numbers and their properties and, in particular, with their application in the measurement of changes in the real national product. Although it is widely recognised that such changes are not capable of precise measurement, the implications behind the ambiguities are by no means so readily appreciated. With the aid of an algebraical appendix, Mr Marris gives a lucid demonstration of the imperfections in each of the types of index number technically described as base-weighted and current-weighted. This discussion can be recommended to those perplexed consumers of statistics faced with an index-number which, on one basis, shows a rise over a certain period, and yet, on another basis, shows a fall. But it cannot satisfactorily resolve the dilemma: it can only suggest a compromise solution.

THORSTEIN VEBLEN: *A Critical Reappraisal.* Edited by Douglas F. Dowd. *Cornell University Press.* London: *Oxford University Press.* 317 pages. 40s.

This collection of seventeen essays (plus a bibliography) commemorates the centenary of Veblen's birth, and grew from a series of lectures organised by the Department of Economics at Cornell University, where Veblen began his professional career. It covers every aspect of his many-sided life-work and makes a valiant effort to assert its significance for the present day. With few exceptions—one may gratefully note Professor Sweezy on "American Capitalism," Mr Goodrich on "The Case of the New Countries," and the editor, Mr Dowd, on "Technology and Social Change"—the contributors are fabulously unreadable.

THE KEYNESIAN THEORY OF ECONOMIC DEVELOPMENT. By Kenneth K. Kurihara. *Allen and Unwin.* 218 pages. 21s.

This book constitutes one more step in the application of Keynesian analysis to those dynamic, long-run processes of economic evolution which Keynes himself treated only incidentally and never incorporated into the subject-matter of the "General Theory." Professor Kurihara is a specialist in this field, and his book, which relies heavily on mathematical exposition, is exclusively addressed to specialists. Much of its matter, indeed, consists of an attempt to co-ordinate the theoretical constructions of Harrod, Hicks, Domar, Nurkse, and Joan Robinson. His purpose, however, is practical—to provide a firm backbone of principle for the policies of development; and between the equations he shows himself aware that sociological circumstances alter cases.

Text and Reference

BRITAIN: *An Official Handbook.* 1959 Edition. Prepared by the Central Office of Information. *Her Majesty's Stationery Office.* 347 pages. 21s.

Keeping up the high standard of previous editions, and at an unchanged price, this useful reference book covers events up to September, 1958.

THE CONNOISSEUR YEAR BOOK 1959. Edited by L. G. G. Ramsey. *National Magazine Co.* 140 pages. 25s.

This annual publication contains twenty-four articles on subjects as widely ranged as church towers and bookbinding; as usual it is finely illustrated.

BIOGRAPHIC DIRECTORY OF THE USSR. By Wladimir Merzalow. *Scarecrow Press,* New York. London agent: *Bailey Brothers and Swinfen.* 797 pages. 144s.

In the absence of an official Russian Who's Who, the members of the Institute for the Study of USSR (an American-supported organisation in Munich of mainly recent refugees from the Soviet Union) have compiled this biographical guide. Although there are a number of striking omissions, it contains more than 2,000 entries; these give factual and reliable information. Since it is the only work of its kind, it is an important contribution to the study of the Soviet Union.

THE STATESMAN'S YEAR BOOK 1958. Edited by S. H. Steinberg. *Macmillan.* 1661 pages. 45s.

FBI REGISTER OF BRITISH MANUFACTURERS, 1959. 31st Edition. *Kelly's Directories: Iliffe and Sons.* 1140 pages. 42s.

HOSPITALS YEAR BOOK, 1959. Edited by J. F. Milne. *Institute of Hospital Administrators.* 1128 pages. 57s. 6d.

THE BRITISH SYSTEM OF TAXATION. Central Office of Information. *HM Stationery Office.* 54 pages. 3s. 6d.

HANDBOOK OF TANGANYIKA. Edited by J. P. Moffett. *Government Printer, Dar-es-Salaam.* 714 pages. 40s.

Correction.—We regret that the name of Messrs Purnell & Co., the printers, was inadvertently printed in the spring book supplement last week as Pannell.

From The Times of March 6th.

Messrs. Keith Cardale, Groves and company were concerned in these transactions.

to review the whole administration, organization, and policy of the Ulster Transport Authority, was passed.

CANADA'S TRADE DOORS "WIDE OPEN"

An outspoken reply to criticisms of the apparent unwillingness of Canada to buy adequate quantities of British goods was given in London yesterday by Mr. George Drew, Q.C., the High Commissioner for Canada.

A month ago, Sir David Eccles, President of the Board of Trade, told members of the Canadian Chamber of Commerce in Great Britain: "It goes very hard with a very great number of people in the United Kingdom to see anything so much made in this country as Canada is willing to buy."

Addressing the same organization yesterday, Mr. Drew said: "What will stem us [illegible] Canadian market [illegible] exports so [illegible] yet [illegible] exporters of [illegible] countries who are busy looking for outlets instead of markets.

[illegible] only [illegible] imports we can be expected to [illegible] exports. That will be measured by their effort to sell."

[illegible] away [illegible] Trade [illegible] to understand the concern [illegible] views expressed in some quarters [illegible] British trade with Canada. It would [illegible] unfortunate to call the impression [illegible] removed [illegible] ment to [illegible] Canada's [illegible] exports to [illegible] had increased [illegible] Kingdom exports to Canada had increased by 42% per cent.

He had been disturbed by recent Press reports which seemed to convey the impression that while exports to the United States were booming, those to Canada were declining. In 1958 the United States imported from Britain at the rate of $4.54 a head. At the same time Canada imported at the rate of $30.66 a head—seven times as much as the United States.

The important thing was the balance of payments between Canada and Britain. It was true that Britain's deficit balance in merchandise trade for 1958 was $254m., but on the other side of the ledger were the so-called invisible items such as insurance payments, shipping revenues, tourist expenditures and so on.

"MUST BE SOLD"

In 1958 Britain had a favourable balance in the invisible payments of more than $100m., so that the net British current account deficit for 1958 was about $154m., much less than it was in 1954, 1955, and 1956.

Canada long ago took the necessary Government action to make increased sales possible. "We have no quotas, specific restrictions on particular articles, nor any limitations on our financial operations of any kind," he went on. "A Canadian purchaser is completely free to sit down with a representative of a British firm and make a contract for the purchase of British products. That is a situation which we hope will soon return here.

"The friendly Canadian market is wide open, but the day of the seller's market is gone. Neither Canadians nor others will go abroad to beg for the right to buy. British goods must be sold, and they can be sold in greatly increased quantities—by methods which built up the position of Britain as the trading and financial centre of the world."

sending and offic asked "c from takin to leave the co it was too late."

Because of st fillers, 14,000 ton at the pit this year.

SCHOOL STRI WAR

FROM OUR C RI

Mr. Hugh Davie Rhondda joint bran Union of General a stated to-day that pickets established showed the strike o was practically co persons employed Council at the sch that if they did not they would be deep their employment a to fill their posts.

The strike comm manual workers en Borough Council w February 26, and th met this afternoon Davies said they out key men who valley's water sup

AUSTRALIA MISSION

An attempt to incre in Australia will be from the state of Vic London on June 1. by Mr. H. E. Bolte, and after discussions visit Edinburgh, Birm Manchester, and Covent

AIR ATTACHÉ

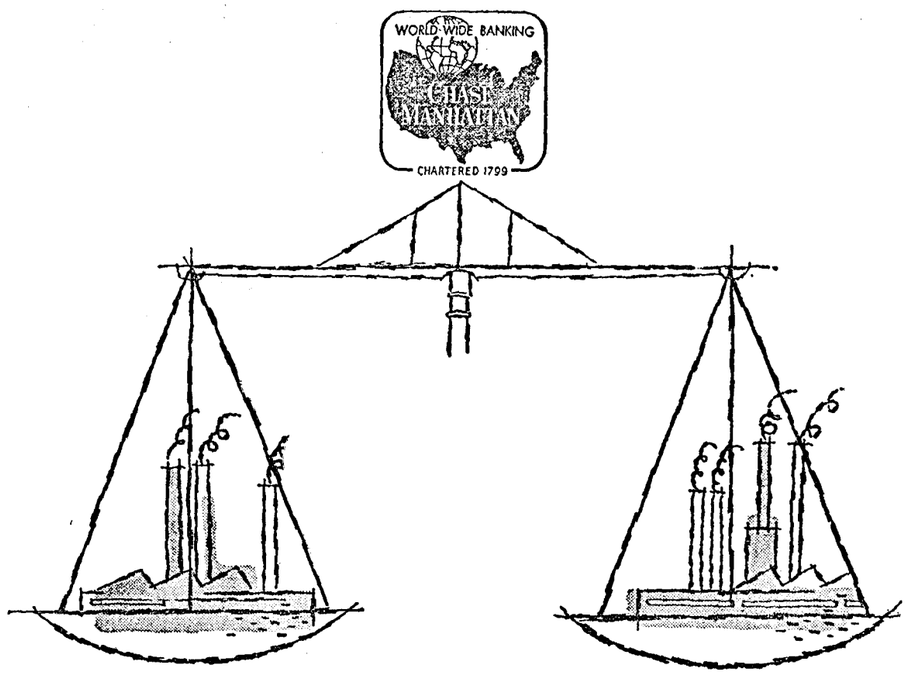
Air Commodore J. been serving with the Policy Staff (Air) at the for the past two years, Attaché at Bonn fro

Canadians, as Mr. Drew says, are more than ready to buy British. Are you ready to *sell to Canadians?* TCA, Canada's own international airline, can certainly help you explore the rich potential of these friendly new markets. Fly overnight, any night, and arrive relaxed and refreshed in the business heart of Canada the very next morning. Only TCA serves the whole 3,600-mile span of Canada. Only TCA offers you *same-airline* travel to and beyond Montreal and Toronto.

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AMERICAN SURVEY

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

Washington Holds Out

GETTYSBURG, PA

THE bare and barn-like hall in this battle-haunted little town, where a hundred and twenty journalists gathered, like frustrated bees in a dusty bee-hive, to report on Mr Macmillan's talks with President Eisenhower last weekend, was entered through the foyer of a cinema showing the film *Rally Round the Flag, Boys.* Separated by twenty-five miles and the cheerfully incommunicative Mr James Hagerty and Mr Peter Hope from the subject they were covering, the journalists had little choice but to obey. It is known exactly how long the great men conversed in each session, what sort of seats they sat on and what the preacher preached to them about at church on Sunday (it was perseverance). The choice by an Anglican Premier and a Presbyterian President of a Lutheran form of service suggests a nice sense of compromise. Beyond this no one can honestly offer more than a reasoned hypothesis about what went on at Camp David.

Plainly the meeting was less productive than some people had hoped. The only clearcut outcome is that there is virtually certain to be a summit conference this summer. But that became obvious ten days ago, when the President said that he sought no more than "justification" for going to the summit, a word which neatly covers either success or failure at the earlier foreign ministers' talks. On the much more interesting subject of what to propose to the Russians, the two leaders apparently did no more than exchange ideas. In particular, the British—though their spokesmen gallantly deny it—can hardly be overjoyed that the Americans merely promised to study Mr Macmillan's idea of "freezing" military forces in central Europe.

What lies behind the Americans' qualms is fairly clear. In the first place, although they accept the general principle of a policed limitation of arms, they suspect that this particular freeze might prevent the issuing of tactical atomic weapons—even without their warheads—to new German divisions. The British visitors were obviously impressed while they were in Moscow by the Russians' fears that, once the Germans got the weapons, they would sooner or later get the business end of them as well.

In the second place, the British and the Americans have not yet agreed on the price to be exacted from the Russians for this limitation of troops. Even within the British delegation, opinions were divided on whether it would be best to concentrate on inducing Mr Khrushchev to accept a suspension of nuclear tests—by persuading him to allow an annual "ration" of on-site inspections by control teams—or to return to the old and weary problem of relations between East and West Germany.

If the latter were chosen, the Americans would be considerably more reluctant than the British to shelve, even by implication, the idea of reunifying the two halves. The mysterious "draft plan" which has been haunting despatches from Washington in the past fortnight is the skeleton peace treaty which the Americans want to put before the Russians at the coming conferences; it would propose a gradual process of reunification, starting with some loose confederate link but going on eventually to all-German elections, accompanied by a military security pact which would be widened at each step. Neither side at Camp David had high hopes that the Russians would swallow the plan whole. But the British are apparently more willing than the Americans to settle for agreement on the earlier stages—which would amount to a rough-and ready form of confederation—if the Russians reject the later ones.

There also seem to be differences about Berlin itself. It is generally believed in Washington that the British would accept some fairly substantial modifications of the western position in the city, short of total withdrawal, in return for a guarantee of free access. These might include a reduction in the size of the allied garrison, introduction of a "United Nations presence" and the voluntary winding-up of the West's propaganda base in the city. The British are also quite willing to grant the East Germans the right to stamp the documents of supply convoys. But President Eisenhower has committed himself not to give an inch; and by most American measuring rods, certainly those of Congress at the moment, these ideas come to more than that.

Thus Mr Macmillan, although he seems to have won the argument about going to the summit, has not yet succeeded in getting the West to agree on what it should do when it arrives there. Halfway through the talks at Camp David, the British spokesman said that he expected the "broad principles" of the western position to be settled by the time the foreign ministers of the North Atlantic Treaty countries assemble on April 2nd. This now looks highly optimistic. Since it would be equally optimistic to expect the four-nation working party in Paris—the chief centre for allied consultation remaining after that—to resolve these difficulties by itself, it is thought inevitable in Washington that there will be some more high-level flying to and fro in the next few weeks.

Argus Eyed

ARGUS, the many-eyed, is commemorated in the explosion, last August and September (just before the temporary ban on nuclear tests began), of three low-yield atomic bombs at a height of 300 miles, outside the earth's atmosphere. The purpose was to test a theory about the trapping of high energy particles in the earth's magnetic field, and to find the best height at which to intercept a ballistic missile—which explains the sponsorship of the Department of Defence. To

some Americans, Argus was "the greatest scientific experiment ever conducted." Whatever the truth of this contention—and so far too little is known to judge—its secret was certainly one of the best kept. Apparently undetected (though not wholly unsuspected) by the Russians, it was known to hundreds of Americans. Yet it was left to the *New York Times*, which had been told about the project before it was carried out, to let the cat out of the bag last week. The fact that the experiment had taken place could not, in any case, have been kept secret much longer. The data recorded by the satellite Explorer IV, sent up to keep an eye on Argus, must be made public because it is part of the programme of the International Geophysical Year.

Although the Department of Defence was driven to call a press conference, its experts on weapons, supervised by Mr Quarles, the Deputy Secretary of Defence, offered the exasperated journalists only a sketchy scientific brief instead of answers to exciting questions such as whether similar explosions would enable an attacker to disorganise communications and wreck anti-missile defence, or a defender to neutralise ballistic warheads in mid-air. Mr Quarles's statement that the findings would cause no change in the radar-dependent Nike-Zeus anti-missile programme suggests, however, that the blackout of radio communications was not severe or widespread—if it took place at all.

For six months, behind the scenes, a great dispute has raged between the military and the scientists over whether information about Argus should be made public. Recently, some officials at the Department of Defence are said to have come round to favour publication. This may represent a move to torpedo finally the Geneva talks on the suspension of atomic tests, on the ground that no method of inspection could close the gaping loophole disclosed by Argus. Certainly it introduces a new and unwelcome complication. But one of the crumbs dropped by Mr Quarles was the statement that detection of explosions outside the earth's atmosphere is not nearly as difficult as that of underground explosions. And the need to bring about a suspension of tests was strongly underlined when Senator Anderson, the chairman of Congress's Joint Committee on Atomic Energy, released letters showing that the Department of Defence believes that radioactive fall-out of strontium 90 is proceeding far faster than had been thought—and that it is greatest on the United States.

Short-term Solutions

THE Treasury kept its long-term flag flying this week by offering investors $500 million of 10-year 4 per cent bonds among the securities it issued to raise $4 billion in new money. But this was no more than a gallant gesture. The bulk of the money is to be raised by short-term securities—$1.5 billion by a 4-year 4 per cent note offered, like the bond, at par, and $2 billion by 289-day bills. These are the first instalment of a new device. Eventually $8 billion of the one-year debt should consist of bills which will be sold on an auction basis and rolled over on four known dates each year with, it is hoped, as little strain on the market as is caused by the present 3-month and 6-month bills. The Treasury, realising that it must depend on short-term securities for virtually all of the $26 billion of refinancing which lies ahead this year, is making the best of a disagreeable necessity. Other short-term maturities are also being grouped tidily together.

The omens for this particular financing were fair. The rise in the discount rate, which earlier overhung the market, was out of the way; the 4 per cent bond was part of an earlier issue which has been selling at a premium; and the new cycle of bills should get off to a flying start because the recovery of profits has given many corporations bulging bank balances which they like to employ profitably. The question is whether such corporations will not find other uses for their money later in the year as economic expansion continues, and whether the banks will not once more become the mainstay of the short-term government market. As for the long-term market, few investors want to hold on to government securities when they can earn higher returns on mortgages, many of which the government helpfully guarantees, or on the tax-exempt obligations of states and cities; compared with a return of 4 per cent on Treasury issues, these now offer the equivalent of 7 per cent or more to taxpayers in the 50 per cent bracket.

No early solution to this dilemma is in sight, but a joint inquiry by the Treasury and the Federal Reserve Board is under way to discover what changes, if any, are needed to improve the functioning of the market in government bonds. It collapsed spectacularly last summer under a weight of speculative excesses and consideration will be given to means of discouraging speculation and the violent swings it produces. Although buyers of shares must pay 90 per cent in cash, buyers of government bonds need put down little or no money. But reform in this direction would not necessarily give today's thin market the breadth and resilience that are needed.

Inflation's New Culprit

WASHINGTON, DC

"OLIGOPOLISTIC COMPETITION," which has long harassed economists and politicians, is now being blamed for the most recent period of inflation in the United States. This is something new in the spectrum of economic analysis. Studies of oligopolistic industries, those made up of, or dominated by, a few large firms, have always centred on the behaviour of prices, but only in a narrow sense. Not until very recently has anyone thought to accuse these industries of being the cause of a general increase in prices. That the thought has arisen now is almost entirely due to the work of a persistent, unorthodox economist, Mr Gardiner Means. A quarter of a century ago he invented the term "administered prices" to characterise price behaviour in oligopolistic situations. At that time he was concerned mainly with price rigidity in the face of fluctuating demand. But lately, annoyed at the neglect of his concept since the war, he caught the ear of Senator Kefauver of Tennessee, a famous tilter against monopoly, at a time when inflation was a subject of great public concern and seemingly had certain non-classical attributes.

Mr Means testified before a subcommittee headed by Senator Kefauver twice—once in 1957 and once again in January this year—and, perhaps because of the unusual confidence with which he treated complex problems, each time his evidence attracted considerable public attention. At his most recent appearance Mr Means came with a set of charts, of which two are reproduced. These show that the general increase in prices, which arose out of the last world war, was led by prices in the highly competitive industries, as would be expected in a monetary inflation, while the

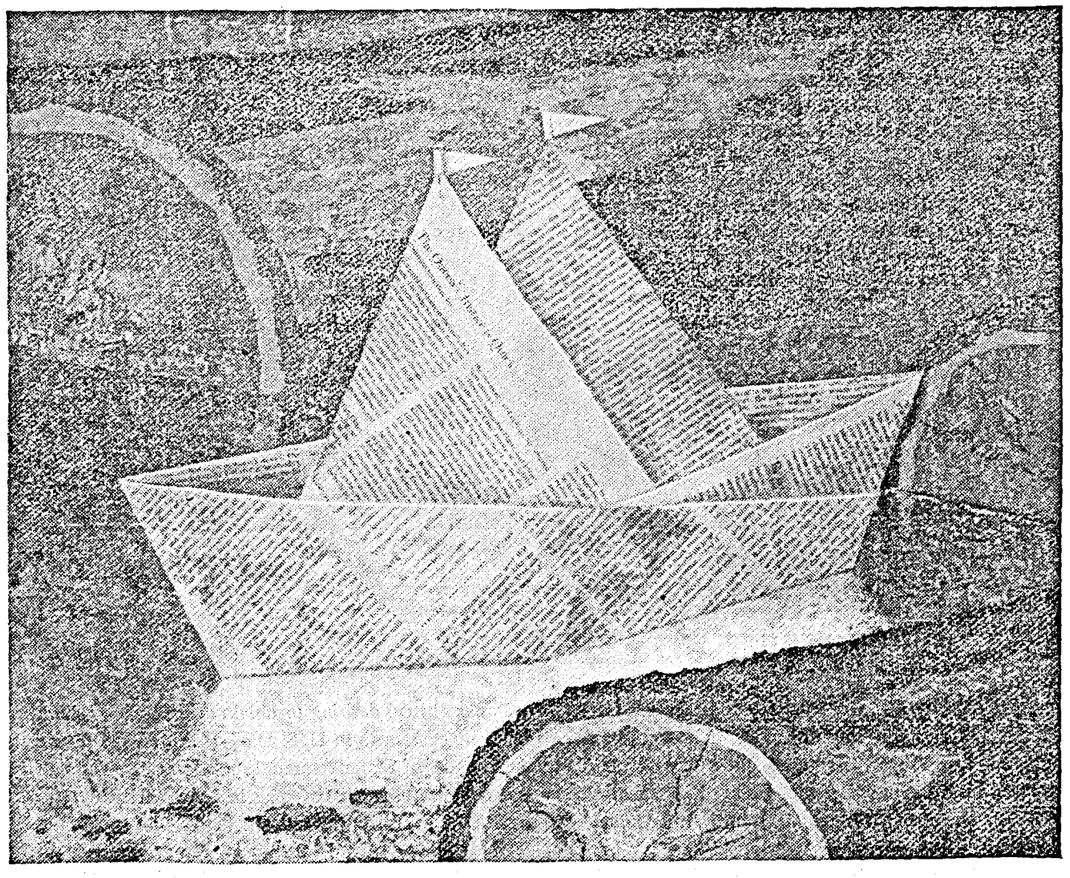
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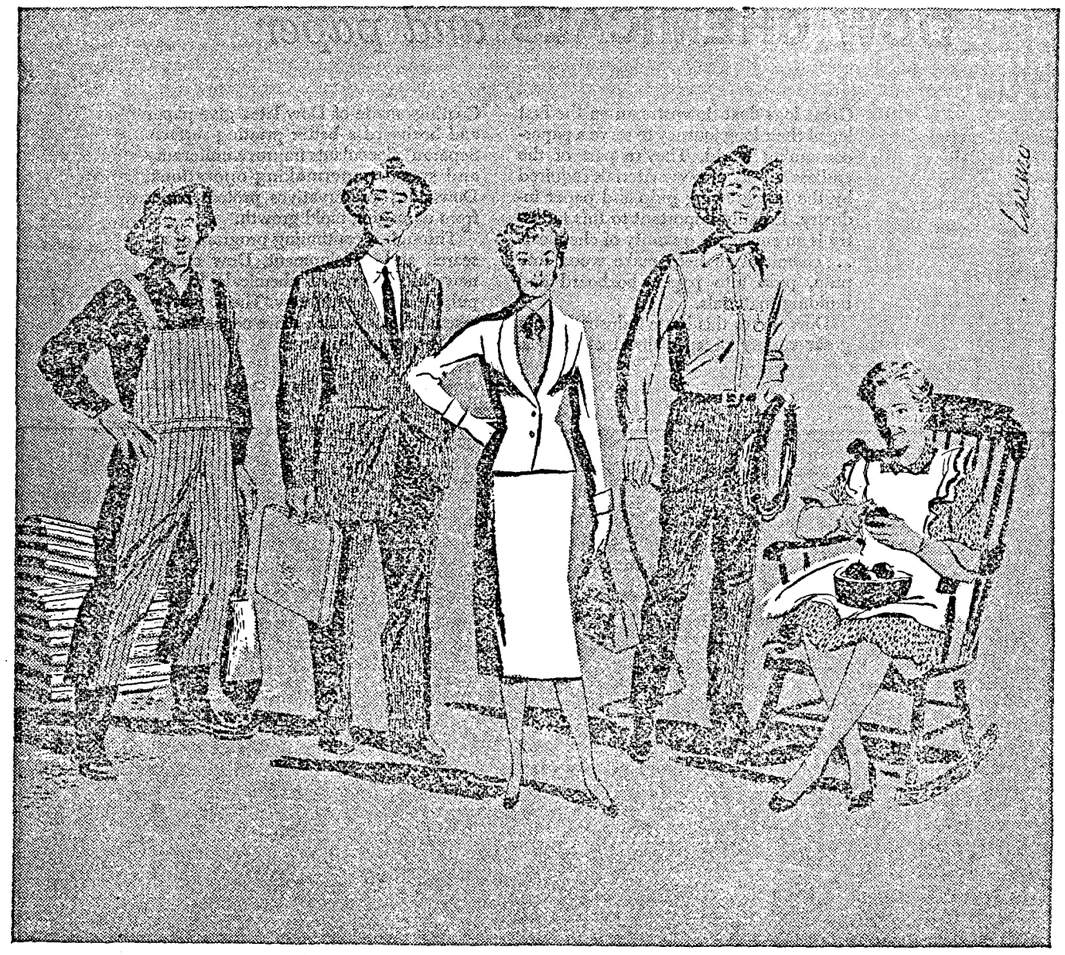
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increases between 1953 and 1957 came about entirely from prices in the oligopolistic industries—the pattern of an administrative inflation. These charts were so telling that they virtually compelled comment even by those who had never taken the problem of administered prices very seriously.

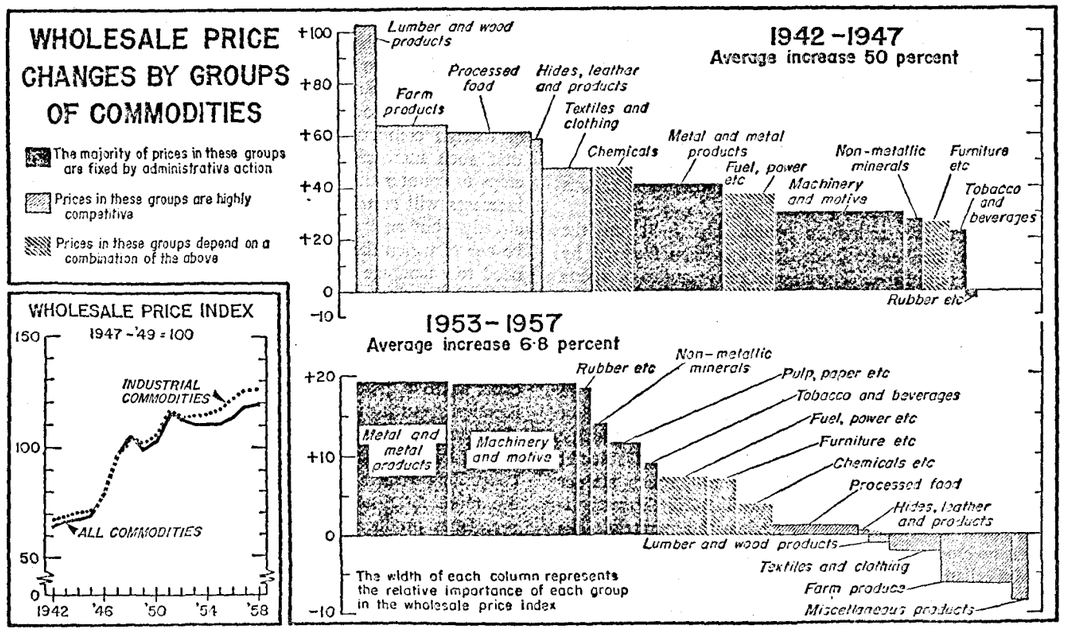
No doubt to the surprise of Mr Means and Senator Kefauver, comment came even from the Federal Reserve Board, by nature the stronghold of scepticism about newfangled theories of inflation. In public statements Mr Ralph Young and Mr Woodlief Thomas, two of the members of the top triumvirate of the central bank's staff (the third is Mr Winfield Riefler), have fully accepted the term administered prices, have not sought to challenge Mr Means's figures, and have expressed great concern about the economic difficulties raised by industry's pricing power. Neither has gone so far as to accept the idea that the inflation of 1955 to 1958 was an administrative inflation, as claimed by Mr Means, but their anxiety about the problem in its narrower sense has given new heart to those, like Senator Kefauver, who believe something ought to be done about it. Mr Saulnier, the chairman of the President's Council of Economic Advisers, has also admitted that the pricing policies of the steel and automobile industries hurt the country's economy during the period in question, while Professor Galbraith of Harvard, naturally ready to go much farther, has accepted the Means analysis and its consequences fully, and has concluded that the only way out is a system of price control limited to oligopolistic situations.

Last summer when the steel industry raised its prices while operating at only 60 per cent of capacity, Mr Means seemed thoroughly vindicated. The monetary authorities complained, first in private and then in public. In an exhaustive, and exhausting, set of hearings last year—without help from Mr Means on that occasion—Senator Kefauver sought to show that, at least in the case of the biggest steel and car firms, price increases were far greater than could be accounted for by the rise in direct labour costs. It became clear that the leading firms in oligopolistic industries, with what Professor Galbraith called "unliquidated monopoly gains," could raise their prices at almost any time; the fact that they often chose to do so when wages had gone up seemed simply to be a matter of good public relations.

But has it been proved that the recent rise in prices in the United States was an administrative inflation which could not have been controlled by monetary and fiscal means? Perhaps the greatest weakness in Mr Means's case is the performance of corporate profits. While there is some evidence that many of the larger firms have widened their profit margins and increased their profits, the general course of corporate profits has been steady or declining. Administered pricing is presumably inflationary only if it causes a general rise in prices for the sake of profits and, over the American economy as a whole, that has not happened.

Mr Means is also attacked on the ground that his charts represent coincidence rather than cause and effect. That is, it so happened that 1955 to 1957 was a period of boom in which demand was heaviest in those sectors which are oligopolistic. Thus, it is said, the rise in prices can be explained in great part in terms of classical demand. But this does not apply to the increases that took place in 1958 during the recession; Mr Means has added new figures in recent days showing that administered prices moved up in 1958, though less than during the boom, while the more competitive prices were in general the only ones that fell.

Finally, there are doubts about the pervasiveness of the effects of oligopoly. It is fairly clear that retail prices, as distinct from wholesale prices, are not massively affected by an increase in the price of steel or electric generators. Economists are divided over whether the degree of concentration in the American economy is any greater in the present decade than it was earlier in this century: if it is



not, then administered prices could scarcely be a major new force for inflation that did not exist before.

But what undoubtedly is new is the monopoly power of organised labour, for the industries characterised by oligopolistic competition are also for the most part those which now have large and well-organised trade unions. The fact that the steel industry seems often to have raised its prices at times of wage increases more than was justified by the rise in direct labour costs does not change the fact that the initiating push on the cost side came from the trade union. This is generally accepted, even by Senator Kefauver. The most important consequence of the resurrection of the concept of administered prices could be—although it will not come soon—a Galbraith-type of price control: but it seems clear that, given the present state of thought on the subject, controls on wages would also be part of the machinery.

Labour Bill Marks Time

Two months ago one piece of legislation which seemed sure to get through this Congress in record time was the Labour Bill, but now it will not reach the Senate floor until after Easter; then a hard fight is inevitable there, while the House is not planning to finish committee work on it before the beginning of May. It looks as if Governor Rockefeller will again get ahead of President Eisenhower; he has sent the New York Legislature a Bill providing safeguards for trade union funds and curbs on union officers which is not only expected to pass quickly but which is better liked by labour leaders than are any of the Bills to achieve the same purposes now before Congress.

The only one of these which is acceptable to labour is the Kennedy-Ervin Bill. This is partly because it provides only for criminal penalties for union officers who break its regulations against corruption in trade unions, while the Administration's Bill, sponsored by Senator Goldwater, provides for administrative penalties on the union itself as well. But the main attraction of the Kennedy Bill is its "sweeteners" in the form of amendments, made to the order of the labour leaders, to the basic Taft-Hartley Act regulating trade union activities. The Administration, however, insists that, if the Act is to be amended at all, the changes must also include some to which the unions object violently.

The recent procrastination which has held up the legislation in the Senate committee has been fostered by supporters of both Bills. The Republicans want to postpone final votes until the appearance of a report from Senator McClellan's investigating committee on abuses in trade unions, since it is believed that this evidence will improve the chances of the Administration's stronger labour reform Bill. The Democrats, on the other hand, want time to mobilise support for their Bill, which they fear may be lost to a coalition of Republicans and conservative Democrats. Much turns on Senator McClellan, a southern Democrat himself, who has introduced his own Bill, much sterner than either of the others but with no Taft-Hartley amendments; he thinks these should be dealt with separately. His Bill has no chance of passage, but the Republicans hope that Mr McClellan may desert his party on this issue and vote for the Administration's Bill.

In the end it seems possible that Senator Kennedy's Bill will pass without any Taft-Hartley amendments and that the trade unions will have to make the best of what will then be to them a bad job. Meanwhile the Department of Justice is trying to fill the gap by methods which may eventually prove more effective than any Bill. It is prosecuting trade union racketeers all across the country for "restraining trade" under the Sherman Anti-Trust Act. And Mr Dave Beck, of the teamsters' union, who started it all, has been convicted for violating the income tax laws.

Quotas Begin to Bite

Last week the international oil companies felt the teeth of the new compulsory quotas for imported petroleum. Officially, at least until the arrangements are reviewed at the end of June, no company is to have its quota reduced by more than 20 per cent from its voluntary one; but that applied only to crude petroleum while the mandatory quota includes unfinished products, so that a firm which has been importing large quantities of the latter suffers severely. The Socony-Mobil and Tidewater companies are both cut by 40 per cent; the Texas, Gulf, Standard Oil of Indiana, Sinclair and Atlantic companies will all be importing about 30 per cent less than they have been. One firm, the Shell company, not a very large importer, receives an increase of 27 per cent. The quotas will reduce total imports of crude and unfinished oil to 936,770 barrels a day from 1,113,500 under the voluntary programme. They are based on the total amount of oil which each company used in its refineries in 1958, without regard to its sources of supply, and every refiner is entitled to a quota whether or not he has ever used imported oil.

It is generally expected that one or more of the worst-bitten companies will seek a court test of the legality of the allocations; this might lead to an injunction against the quotas while the case is being heard. But if the new regulations give the oil industry a chance to interfere with the government, they also give the government yet another chance to interfere with the industry, in a most unwelcome way. For they carry a surprise warning that, if prices of crude oil or its products go up as the result of the lessening of foreign competition, and if the government considers that such increases are unreasonable, then it will take steps to counter them by relaxing the quotas. Some price increases will certainly be allowed—there have been some already—but an "unreasonable" increase will presumably be one of which the inflationary repercussions outweigh the need to encourage domestic oil production for the sake of national security—the official excuse for the quotas.

The rejoicing of the independent domestic companies at their new protection has been dashed, but not doused, by this threat of price control, put into the proclamation in order to make the new policy run less counter to the Administration's much-publicised fight against inflation. It may also have been hoped that the possibility of price controls might stifle some of the inevitable protests from oil-consuming states, in New England and elsewhere, which are more interested in cheap fuel than in the profits of petroleum producers in the Gulf states. But, led by the Republican Senator Aiken of Vermont, Senators from Rhode Island, Florida and Oregon, joined by spokesmen of the international oil companies, are already attacking the new programme from every angle.

Equality on the Air

Section 315 of the Federal Communications Act requires that any wireless or television station which permits a candidate for public office to use its facilities must afford equal opportunities to all other candidates for that office if requested. If this were in fact ever requested to the full extent possible, the section would long ago have proved its impracticability in a country where at the quadrennial presidential elections twelve or more parties offer candidates for President and Vice President, all but a few of whom represent small fractions of the community, such as prohibitionists, and where in the innumerable other political contests there is always a sprinkling of "crackpot" candidates. But it was left to a perennial seeker after office, running in the Chicago mayoral election early this month, to convince the President that section 315 really is ridiculous and that the legislation should be changed, in one respect at any rate.

Mr Lar "America First" Daly was trying to be nominated for Mayor. One of his opponents was the incumbent and was naturally televised in the course of his official duties; he also appeared with a third candidate on the screen when both filed their nomination papers. All of this was merely in the course of ordinary news broadcasts but, when Mr Daly appealed to the Federal Communications Commission it held that under the law he must be allotted equal time. This regulation has never before been applied to news programmes. In the last presidential campaign one of the big networks devoted some 20 per cent of its total news coverage to the candidates of the two major parties; it would obviously have been impossible to give equal time to those of the other ten parties and to deal with other current developments as well.

If Congress takes steps to remedy this situation, it may also rectify another recently discovered defect in section 315. The regulation states specifically that a wireless station may not censor the remarks of any political candidate exercising his right to equal time on the air. In North Dakota another perennial candidate, Mr Townley, the founder of the Non-partisan League, a farmers' protest organisation that swept the prairies between 1915 and 1925, alleged, in 1956 and again last year, in air time granted to him under section 315, that the senatorial candidates of the major parties in the state were controlled by the "communist-dominated" Farmers' Union, an organisation admittedly somewhat to the left of the Republican party but one which has fought communism hard.

The North Dakota branch of the union filed suit for heavy damages against the two broadcasting companies which carried Mr Townley's remarks. In one case the State Supreme Court has held that Congress could not have meant to make broadcasters liable for remarks which it compels them to carry without censorship. This decision has been appealed to the Supreme Court of the United States. Meanwhile, the second company settled out of court by paying the Farmers' Union $10,000 and by acknowledging that Mr Townley's remarks had indeed clearly been defamatory. But as a result of all this the stations involved, and some others as well, refused to allow any of the candidates for the Senate to appear on their facilities during the last month of the 1958 campaign in North Dakota.

Capital Improvements

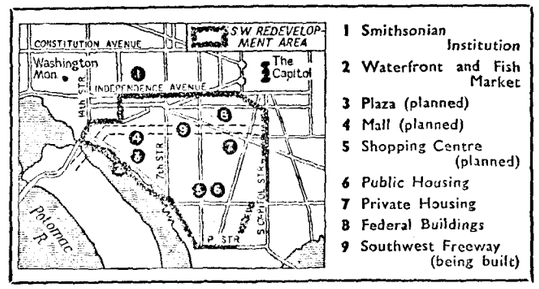
FROM A CORRESPONDENT IN WASHINGTON, DC

Between the Capitol and the Potomac River, in the south-western part of Washington, some of the city's worst slums have existed, until very recently, right under the nose of Congress. Now the curious who venture into the 550 acres bounded by Independence Avenue, South Capitol Street, Fourteenth Street and the Potomac River find a square mile in which all the dwellings have been levelled to the ground or are vacant and awaiting demolition. Only yesterday 20,000 people lived here, overcrowded into two-storey slums and alley tenements with open privies, relying on outside pumps for their water. Rats lived here, too, and rumours persist that they made a concerted departure the day before the order to vacate took effect.

It is five years since Mr Zeckendorf, a private developer, first presented the capital with his bold plan for reclaiming this neglected quarter, but at last the progress being achieved is breath-taking. The local government has acquired more than 80 per cent of the privately owned land and has razed half of the 5,000 buildings on it. The Redevelopment Land Agency has already completed 456 units of a large public housing project. About a quarter of the former residents are expected to be eligible for its one- or two-bedroom flats or its terrace houses for larger families, which have three, four or five bedrooms. Rents vary according to the income of the tenant and the size of his family. Those consisting of only one or two people are admitted if their income is under $3,200 (about £1,140) a year and may stay unless it exceeds $4,000; families with seven or more members are accepted if their income does not exceed $4,100. The monthly rate for each room is about $17.

The beginning of an extensive housing estate for the middle and upper-middle classes is also visible. With government financing, a well-known private firm has built and will open next month the first of eight towers, each containing over 400 flats. One—kitchen, living room, bedroom—will cost about $155 a month. There will also be modern terrace housing, the biggest such development in the country, and two- and three-bedroomed detached houses, to tempt back into the centre of the city some of the comfortably-off families who have been moving to the suburbs. As usual, the lower middle-class people, who cannot afford private rents and are not eligible for public housing, are likely to be left out in the cold. In the end the population in the area will be almost as large as it was before, but its composition will be different. There is to be a new shopping centre for these houses and flats.

At the Potomac end of the area, a replanned waterfront running all the way from the Fourteenth Street Bridge to



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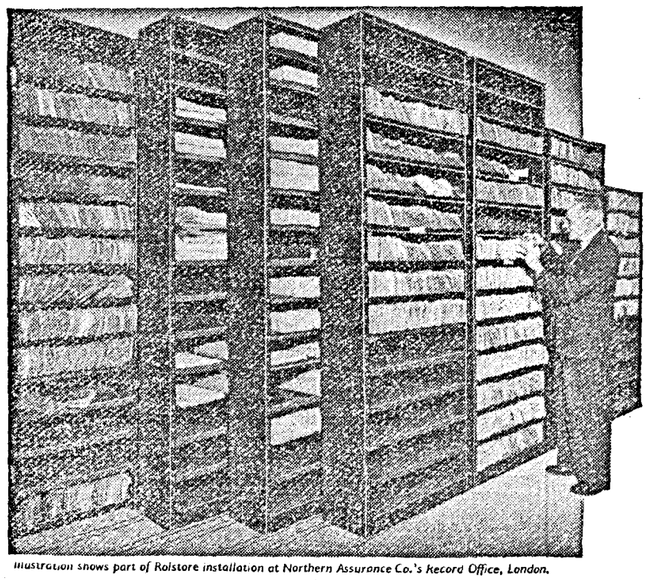


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Seventh Street will provide an expanded marina for small boats and offer riverside attractions reminiscent of Fisherman's Wharf in San Francisco and the Tivoli Park in Copenhagen. The L'Enfant Plaza, covering 25 acres along the forthcoming Tenth Street Mall, is to have a 1,000-room hotel and end overlooking the river; a restaurant will be built there to take advantage of the view. Another redevelopment scheme, for Northwest Washington, is still on paper, but is in an advanced stage of planning. It will rehabilitate existing buildings in a run-down 900-acre area that is roughly co-terminous with the city's Second (and wickedest) Precinct.

At the same time great efforts are being made to break the stranglehold of inadequate transport on one of the fastest-growing metropolitan regions in the country. These also affect housing; a question often heard at cocktail parties is, "Have you heard yet whether the road is coming through your house?" A new eight-lane road, the Southwest Freeway, should be finished by 1961. Two new bridges are scheduled, one near Fourteenth Street and another crossing the Potomac by way of Theodore Roosevelt Island. Outside the city the bull-dozers are already at work, clearing the way for the Circumferential Highway, which is to encircle the city and be connected with a transcontinental highway. Steel flyovers will leap areas where forward buying of land for public use was put off too long.

Cultural developments are also blossoming. A large carillon was recently dedicated in the Capitol grounds in memory of Senator Taft and a great excavation along Constitution Avenue promises the Smithsonian Institution additional space, which its curators grieve to say is already committed to the last inch. In Foggy Bottom, near the State Department's building, $700,000 is being spent for the last acre of a ten-acre tract for a National Cultural Centre. The President has appointed a rather pedestrian committee of fifteen private citizens to serve with a like number of officials as its Board of Trustees, with the initial task of raising about $20 million for a concert hall seating 4,000 and a theatre for a projected repertory company—and to provide the patrons of these creative arts with room to park 1,000 cars.

Linen in Public

NEW YORK

THE housewife bored with caring for her menfolk's shirts will soon be able to escape by contracting for a regular flow of freshly washed and suitably sized garments; moreover, the supplier will also take over all her problems of wear, tear and replacement. While the squeamish may hesitate to draw their clothing from a common, even if sterilised, pool, the prospects for a shirt-rental service are promising enough for one of the largest linen suppliers in the country to be about to launch out into this relatively untried field. For a service of five shirts a week, the customer will pay $1.85 (about 13s. 6d.).

By supplying all types of linen at a cost which is little more than the standard laundering charge, linen suppliers have persuaded more and more large commercial and institutional users—as well as private individuals—that it is cheaper to hire than to own. The best customers are the hotels, motels, restaurants and bars which absorb an unending flow of clean towels, sheets and pillow-cases—as well as uniforms for their employees. Office and factory washrooms have in the past been major users of rented towels—and many suppliers have provided soap and other toiletries as well—but the paper towel is now a formidable and unwelcome rival. More recently an important new field has opened up with hospitals showing signs of abandoning their own laundering activities in favour of a rental service. For commercial users such service was first introduced in the late eighteen-eighties but it is only in the last decade that hired sheets, pillow-cases and towels have appeared in private houses: in the New York area today, there are about 100,000 of these domestic clients.

The industry has expanded rapidly, both on the commercial and home front, and last year its customers paid more than half a billion dollars for their rented linen. While there are thousands of these suppliers, the business is effectively dominated by a small group of very large companies which, by swallowing up the smaller firms in their path, have established wide territorial empires. Lately, however, they have been having some of their own dirty linen washed in public. Last summer their monopolistic habits in the New York region came under the anti-trust spotlight and, as a result, two linen supply associations and eight companies were fined a total of $355,000, and four individual leaders were convicted of unacceptable business practices. The offence was not primarily bigness as such, but the industry's predilection for fixing prices, for allocating markets and customers, and for effectively prohibiting new entrants. Other large firms are now nervous that their own ramifications may incur similar penalties. To complete the industry's present discomfort, its name has cropped up in the course of the congressional investigations into racketeering in the service trades.

SHORTER NOTES

During the next year the president of the United States Chamber of Commerce in Washington will be Mr Erwin Canham, the liberal editor of the *Christian Science Monitor*. This is the first time that this group of businessmen has chosen a newspaperman as their head. Mr Canham, who writes a weekly column on international affairs for his paper, appears on a weekly television programme and advises the government on information policy, is a highly articulate advocate of a free market and opposes too much power for either big labour or big business.

* * *

The National Steel Corporation whose chairman is President Eisenhower's mentor and former Secretary of the Treasury, Mr Humphrey, is to a build a new steel mill in Indiana, on Lake Michigan. It is to be part of a $300 million programme of expansion in the rich steel market of the Middle West which will make National, the fifth largest firm in the industry, almost as big as the Jones and Laughlin Steel Corporation, the number four. The project should stimulate development of a deep water port when the St Lawrence Seaway is complete; unfortunately it also frustrates hopes that the dunes along the lake might be turned into a national park.

* * *

In California an American of Chinese ancestry has for the first time been appointed a judge; Mr Wong, who sits on the municipal bench in Los Angeles, was born in California 38 years ago and educated in the state.



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ICI

THE WORLD OVERSEAS

Moderates Gain Ground in Northern Rhodesia

FROM OUR CORRESPONDENT IN SALISBURY

ALTHOUGH Sir Roy Welensky's United Federal party may have won a resounding victory in the battle on its right wing against the Dominion party in last week's Northern Rhodesian elections, it has undoubtedly lost what was its more important battle on the left wing. For though African voters made up just over a quarter of the 30,234 electorate, not more (and probably considerably less) than 400 of these 7,617 African voters cast their vote for a United Federal party candidate ; and although, in the complicated structure of twelve ordinary, six special, two European reserved and two African reserved seats, the UFP won thirteen of the fourteen seats in which the European vote is the predominating factor, it failed to win any of the seats in which African and Indian voters played any large part.

Two important results stem from this. The UFP has failed in its main election bid to win sixteen seats, which would have given it a clear majority in the thirty-strong legislative council (six official and two nominated members make up the number) and would have allowed it to a great extent to take over the government of the territory from the Colonial Office. And the fact that the UFP has been clearly shown to be a European party rejected by other races—it put up four African candidates, two of whom were elected but only by the weight of Europeans voting the "party ticket"—must give the British Government (and one hopes the Federal Government also) some occasion for soul-searching.

The rejection of the UFP by the Africans went to extraordinary lengths. It produced the spectacle of Africans voting in their hundreds for Dominion party candidates who were hardly likely, if elected, to put African interests first. Voters were following the directive of Mr Titus Makupo, the secretary general of the African National Congress, who told them to vote in such a way as to hurt the UFP. As a result, two Dominion party mineworkers (at Mufulira and Kitwe West) got 277 and 224 African votes while their opponents got only 18 and 31. The Dominion party responded by endorsing the candidature of Mr Lawrence Katilungu, the president of the African mineworkers union—greatly to his embarrassment, for though standing as an independent his views are those of the liberal Central Africa party. The fact that neither he nor the two Dominion party mineworkers were in the end elected should not obscure the importance of the feelings behind these moves.

The poor showing of the Dominion party was not surprising. It was mainly relying on the appeal of its "central African alliance" scheme, which is a plan to contract the Federation's boundaries to a dominion composed of Southern Rhodesia, the copperbelt and the central line of rail strip joining them, and to turn the troublesome "black" areas of Northern Rhodesia and all Nyasaland loose as grant-aided protectorates. At a time when Rhodesian troops and police were embattled in Nyasaland, this was considered defeatist rather than reasonable talk. For the rest, Sir Roy Welensky grabbed what thunderbolts the Dominion party might have taken, and hurled them like an indiscriminate Zeus at every target from Dr Nkrumah and Mr Todd to the next (as yet unchosen) governor of Northern Rhodesia. The result was that the Dominion party won only one seat and the solitary victor, Dr Gert Smith, scrambled in by five votes only because Africans marched to his rescue under their anti-UFP banner.

While Sir Roy Welensky and Mr John Roberts, his territorial leader, were winning this fight on their right wing, over to the left Sir John Moffat and his Central Africa party liberals were gaining unexpected ground. They campaigned for security from fear for all races and states rights for Northern Rhodesia while the UFP was suggesting an explosive plan to federalise the police force. The first augury of liberal gains came when Mr Norman Hunt, who got only 64 votes in the November federal elections, increased his poll tenfold with Indian and African support and came close to storming the UFP stronghold of Ndola. Then a teacher, Mr Alfred Gondwe, beat both Congress and UFP opposition handsomely to win a special rural seat for the Central Africa party ; a day later, Sir John's own victory—which had been very doubtful because of the heavy devaluation of special votes in his constituency—was announced with a three to two margin suggesting that he was supported by some tobacco farmers as well as by Africans, Indians, and missionaries ; by Tuesday the party had gained a third seat. (In two more special constituencies, elections are still to be held because candidates had not come forward.)

Although Mr Roberts is likely to press his threat to make the constitution unworkable (by not taking part in the government and by opposing all legislation with his thirteen votes) unless the Governor accepts his nominees for six executive council and the last two legislative council seats, Sir Arthur Benson cannot yield to such pressure after these results (if he had ever thought of yielding before). Behind the UFP argument that they cannot continue to share "collective responsibility" in the government with the members of other parties lies the realisation that this is the last (and only) chance for a white settler party to take over the running of the country. Two choices now face them: either to change their policies radically in order to win African support, or to see their influence dwindle in succeeding elections as African voting power grows.

The Central Africa party, under the joint leadership of Mr Garfield Todd in Southern Rhodesia and Sir John Moffat in the north, has begun its life with gusto. Sir John (a member of the most famous Rhodesian family, which has produced chief justices, missionaries and district commissioners in every generation) should be able to gather a voting block of nine or more, in the new legislative coun-

cil. This will require all his statesmanship, for the block would have to include the independent-minded Congress president, Mr Harry Nkumbula (incidentally, though the Northern Rhodesian Congress is legally represented in the Northern Rhodesian house, it is now illegal for anyone in—or visiting—Southern Rhodesia to belong to it). But if Sir John can weld this block together the future in Northern Rhodesia may lie not with Sir Roy Welensky's white settlers, nor with the 44 Zambia Congress extremists now "rusticated," but with the moderates of all races who support Sir John.

Mr Gomulka Consolidates

WARSAW'S highest skyscraper, the elaborate Palace of Culture, described by the local wits as a pastry-cook's nightmare, has now returned to normal. On Thursday of last week, the third congress of the United Workers' (Communist) party ended its proceedings after nine days of lengthy speeches and debates. It gave a striking demonstration of the extent to which Mr Gomulka has consolidated his position and strengthened his hold over the party machine in the two and a half years since his dramatic comeback. Three new members have now been added to the party's political bureau, and all three (General Spychalski, Mr Loga-Sowinski and Mr Kliszko) are close collaborators of Mr Gomulka's, and were fellow sufferers with him. The central committee was also renewed. Several prominent Stalinists of the so-called Natolin group (like Mr Mazur) were kicked out as well as a few "revisionists." Mr Gomulka, however, felt strong enough to keep on a few repentant members of the two opposing factions.

Mr Gomulka is now in full control. As if to emphasise his leadership and erase the painful memory of his disgrace, the congress took the unprecedented step of declaring null and void the decisions of previous congresses which "on the basis of false and mistaken premises stated that inside the party there existed a right-wing deviation." This was the charge under which Mr Gomulka had been removed from the post of first secretary in 1948 and later imprisoned. Thus, at the very time when Mr Gomulka was asserting the supremacy of a resurrected party, the congress implicitly admitted that the party is not infallible.

The view that the Polish leader has also consolidated his position within the communist block by an unwritten agreement with Mr Khrushchev was confirmed by the speeches made during the congress. In his report, Mr Gomulka naturally spoke at length of the Oder-Neisse line, the west German designs against it and Poland's wholehearted support for the Soviet peace proposals. He took pains to emphasise the leading part played by the Soviet Union in the communist block. In a special passage on Jugoslavia he argued that there is no room for "outsiders" and expressed the hope that the Jugoslavs will come back to the communist fold. As to Poland, he left no doubt about its place. The price that Mr Khrushchev is apparently willing to pay for this allegiance is relative "non-interference" in Poland's internal affairs. Mr Gomulka summed up this bargain in a quotation from Lenin: the basic principles of communism must be applied in such a way as to fit the national peculiarities of each country.

How much has Poland been able to preserve these peculiarities, which not so long ago made it into a very exceptional place in the communist world? The congress provided an opportunity to check the party line on some of these issues. Mr Gomulka repeated his pledge that everyone is perfectly entitled freely to exercise his religious beliefs. At the same time, he warned the Catholic Church not to interfere with non-believers and, above all, not to get involved in the political life of the country as the mouthpiece of the opposition. This warning shows that the honeymoon between church and party, which followed the change of regime in October, 1956, is over, but the two sides may still get on together fairly peacefully through mutual toleration.

Poland's other characteristic feature, the slow pace of collectivisation, is to remain. Mr Gomulka paid lip-service to the system of collective farming. So did Mr Ochab, his predecessor as party secretary and now minister of agriculture. But both spoke of it as a desirable distant aim. Eighty-five per cent of the land still belongs to individual farmers, while the 2.2 million horses are the chief means of traction in the countryside. A more plentiful supply of machinery, persuasion and example—these are the means prescribed to achieve the long-term objective. In the meantime, the task is to get higher yields and a 30 per cent increase in output over the next seven years. Peasants still account for nearly half the country's population and the government clearly wants to avoid a rural upheaval. Unless it is driven to action by resistance in the countryside, it seems determined to proceed with collectivisation at a snail's pace.

THE most striking aspect of the Polish October was the astonishing amount of freedom enjoyed by the population and, particularly, by the very articulate intelligentsia. But, after about a year of almost uncensored expression, the printed word gradually came under stricter control. Mr Gomulka has now confirmed this trend and given his reasons for it. His attack was mainly directed against "revisionist" writers who took advantage of the party's disarray to publish works "blackening socialism and praising its enemies." The result was a gloomy literature "proclaiming despair and man's hopelessness in the face of evil." Mr Gomulka resented the accusation that writers are now required to idealise existing conditions, but he made it plain that they must have a positive attitude towards the regime.

Whether these words are the forerunner of a further tightening is not certain. But Mr Gomulka's inability to have a dialogue with intellectuals is obvious. There is a divorce between himself and the young intellectuals who had cheered his return to power. And, for all his prestige, Mr Gomulka cannot induce them to toe the party line. Is he not a living proof that the party can be wrong? Sooner or later, the party will have to attract the young intellectuals and revive their enthusiasm; otherwise it will be paralysed by apathy and fall victim to the "bureaucratic sins" which are now deplored as an error of the past.

For the time being, the new regime is mainly concerned with ensuring a steady economic improvement and a reinforcement of social discipline. Only after a period of consolidation is the party likely to revive the October dreams of workers' control and greater democracy. Mr Gomulka sits firmly at the helm. Once again he has the party under full control. But the future course of the Polish experiment is still intimately linked with developments beyond its eastern frontier and with the general international situation.

Dr Verwoerd's "New Vision"

FROM OUR CORRESPONDENT IN SOUTH AFRICA

SOUTH AFRICA has been watching the development and handling of the crisis in the Federation of Rhodesia and Nyasaland with concern and sympathy (for the white settlers). The government itself has maintained a stony diplomatic silence, but there has been a good deal of "I told you so-ing" among the less inhibited echelons of the Nationalists who tend to ascribe all the Federation's ills to its failure to apply apartheid. The United Party opposition, too, has maintained an uneasy silence, although here the tendency has been to suggest that Dr Verwoerd's Bantustans must some day demand independence as the Nyasaland Africans are doing now, and that the only way to avoid this is to integrate the African territories economically and politically instead of trying to develop them as separate entities. Only from the African National Congress and Liberals has there been forthright criticism of the Federation's handling of the emergency.

For the Nationalist government the crisis came just as it was beginning to give a verbal refurbishing to its own apartheid policy. It is concerned about the happenings in the Belgian Congo, aware of the need to bring its own policy into closer alignment, even if only visually, with developments in other parts of Africa, and acutely conscious of growing world antipathy to apartheid and a heightened sense of disillusionment within its own intellectual ranks. The prime minister reacted with a "new vision" speech made early in the present parliamentary session. In this he held out the prospect of African areas in which there would be a growing measure of self-government and the gradual disappearance of "discrimination and oppression."

The plan, tabled in Parliament on Tuesday, envisages the appointment of white ambassadors to these areas, which in turn will send tribal representatives to their own people living in the so-called white areas. By a system of Bantu authorities the African areas are to be given local councils with limited authority always subject to the control and discipline of the central government and under the influence of chiefs. The members of these councils or authorities will be liable to dismissal by the Minister without explanation. In addition a Bantu Development Corporation with an initial capital of £500,000 is being set up to help with the economic development of the African areas; two years ago the Tomlinson Commission recommended the expenditure of about £10 million a year over ten or twelve years on such a corporation.

Nationalist spokesmen have been saying openly that these gestures were intended primarily to satisfy world opinion and to convince Africans that apartheid will be their salvation. The prime minister himself has been at pains to convince his opponents that his scheme of Bantu Authorities in the reserves is very similar to Basutoland's self-government plans. His critics, however, reply that whereas in Basutoland the national council will be largely elected by the people and given authority in all spheres except those specifically reserved for the British Government, in the Union reserves the authorities being set up will be the creatures of the Minister; they are to be nominated bodies with no real powers except at the lowliest level, and they cannot hope ever to be anything more than advisory councils. Moreover, in Basutoland the powers are being given after the fullest consultation and with the agreement of the people, while in the Union it is a purely unilateral arrangement announced by the government on a take it or else basis.

Dr Verwoerd argues that since the development of Africans in the Union cannot be halted, there is only one way in which to prevent the loss of political control by the white man and that is to give the Africans rights in their own areas, and for the whites then to live in friendship with them. But white and non-white, he says, will never sit in one Parliament or one government. If the Basutos have no representation at Westminster why should the reserve Africans want representation in Cape Town? The Union itself will become something like the Commonwealth "where the various constituent members are not represented in the mother parliament."

The extensive use that Dr Verwoerd, the arch-republican and non-admirer of the Commonwealth, makes of British imagery is thought to be a measure of his embarrassment and of his anxiety to prove to his critics that he is not really the ogre he has been made out to be. That apart, however, the fatal weakness of his scheme is that he makes no provision whatsoever for the most important sector of the Union's African population, those who do not live in the reserves. These people not only constitute the Union's labour force but are the most advanced economically and educationally and therefore have real claims to a political voice, for which the demand is becoming increasingly insistent. Even on the basis of the Tomlinson calculations they will always outnumber the whites, and no plan which fails to provide for their political needs can be taken seriously.

NEVERTHELESS it is regarded as very significant that the Nationalist government should feel compelled to make these—for it—extravagant gestures in the direction of "self-government" for the African people. They are felt to be partly an admission of the failure of apartheid to produce anything positive for the Africans, but also a striking manifestation of the tremendous impact of events in Africa on Nationalist thinking. The tragedy for South Africa is that just when the impracticability and political dishonesty of apartheid stand revealed, no realistic alternative is being put to the people. The United Party, although highly critical of Nationalism's "solution," stands lamely by the so-called settlement of 1936, which gave the African people token communal representation in both Houses of Parliament and the Cape Provincial Council in exchange for common roll rights in the Cape. This representation is about to be abolished, and although the United Party will fight this, it has little positive to advance as an alternative. The small Liberal Party puts its faith in a universal franchise, denying that this might well produce a tyranny as bad as any.

Outside the party political sphere, however, more and more thought is being given to a constitutional arrangement which, while giving all races a political voice, will contain adequate checks and balances to prevent domination by one race or group. The South African Institute of Race Relations has already made a few suggestions. The events in central and west Africa have added urgency to the task, for as Mrs Margaret Ballinger, MP, told Dr Verwoerd the other day, South Africa is "the one multi-racial country in Africa where a happy accommodation can still be made with the African population." But this will not remain true indefinitely.

Canada's Defence Perplexities

FROM OUR CORRESPONDENT IN OTTAWA

CANADA'S new policy on North American defence carries such sweeping implications that few people have yet grasped their scope. The official statements by Mr Diefenbaker and Mr Pearkes, the defence minister, were so bland that either they must have been artfully designed to conceal their significance, or else they meant that the ministers did not realise the implications of what they said. The large impact of new defence plans on Canadian industry has long been recognised by the service chiefs. But they have stuck to their professional role, and left it to their civilian masters to puzzle out the long-term consequences. Officials, in the Department of Defence Production and other places, have accepted the logic of the advice of the chiefs of staff on immediate needs. But many people, in and out of official positions, are deeply concerned that Mr Diefenbaker and his ministers have not insisted on a more thorough analysis of their recent decisions.

This concern arises, in the last resort, from fear that Mr Diefenbaker, in a characteristic fit of absence of mind, may have surrendered control over the most vital of Canadian policies. Defence decisions are directly involved. The pattern of Canada's industrial future is at stake at only one remove. And only two removes away is the question whether Canadian foreign policy and Canadian diplomacy must also be paralysed.

The cancellation of the Arrow contract with the A. V. Roe companies has been justified primarily, and reasonably, on the ground that before the Arrow could be in service the manned bombers, which it was designed to meet, will no longer be a primary threat to North America. By 1962—or more probably 1963—when the SAGE-Bomarc system (using ground-to-air defensive missiles under semi-automatic control) might be installed, the main threat will come from intercontinental ballistic missiles. No air-breathing weapon will be in the front line of attack. Therefore the present elaborate system of defence against manned bombers and air-breathing missiles will become as obsolete as a suit of armour. This applies not only to the existing warning chains and networks of search radar, ground control and interceptors, but equally to the planned radar extensions, the semi-automatic ground environment and the Bomarc missiles which the United States is already installing and which it is planned to extend to Canada. If Russia uses manned bombers at all by 1962 they will be no more than a supplement to the *main*, significant assault by salvoes of missiles.

The Conservative government, like its Liberal predecessor, keeps repeating that the defence of Canada is inseparable from the defence of the United States, and that Canada must co-operate in the integrated defence of North America. It takes no account, in any official statement so far, of the transformation that has come over the whole defence scene since it came to office. The official doctrine still proclaimed at Shape as the basis of all Nato policy finds no echo in Ottawa's statements. At Shape the highest authorities declare that so long as the West retains its retaliatory power—in the American Strategic Air Command and in Britain's nuclear bombers—there will be no deliberate attack from Russia. The constant repetition of the slogan of "integrated North American defence" merely feeds the nostalgic dream that the object of air defence is to protect cities and industrial areas and civilian populations from attack. The government here seems to believe that the Canadian public expects to be protected against nuclear attacks in the same sort of way that London was defended in the last war. Its statements seem designed to perpetuate such an illusion, though the public is probably far more realistic and sensible than Mr Diefenbaker dare admit.

If it is once admitted that the defence authorities have no more ambitious aim at present than to ensure the survival of the deterrent or retaliatory force, then Canada's part in the elaborate SAGE-Bomarc scheme immediately appears in better proportion. Even if any effective defence of Canadian cities were now possible, it is doubtful if it is necessary. And if it were both possible and necessary, this SAGE plan would not provide it. The United States Air Force insists on having a buffer zone of 400 to 500 miles, covered by radar ground controls, in which its interceptors and missiles can try to attack the attackers before they reach their vital targets in the United States. If they are right, it follows that the defence of the Montreal-Ottawa-Toronto area (which is the only region that Canada makes any pretence of defending) would require a buffer zone extending another 400-500 miles further north. The airmen are, indeed, dreaming about shifting the chain of air bases and radars further north; but the idea comes from the American Air Force planning for future weapons, like the F108 interceptor, which it hopes it can operate without ground controls.

Two-thirds of the cost of all the SAGE-Bomarc installations in Canada is to be paid by the United States and a third by Canada. Washington cannot say that it is getting a bad bargain. The question that bothers informed Canadians is whether Canada should pay even a third of the cost of a system which even the Defence Department expects to be almost as obsolete as the Arrow by the time it is finished, which at the best will provide little or no protection for Canadian territory, and which is designed to meet a form of attack which Canadians see little or no reason to fear.

DOUBTS about the reasonableness of the government's proposition are intensified, not lulled, when Mr Diefenbaker and Mr Pearkes give cheerful assurances that Canada retains the power of independent decision. They declare with bland innocence that, of course, Canada must concur in American decisions about installing SAGE and Bomarc in Canada. Yet all the military experts agree that the SAGE computer with all its attendant gadgets is far more complex and expensive than Canadian conditions require (even granted some Canadian use for it). When doubts are expressed about the value of the Bomarc, the Canadian services can only reply that the Americans tell them it is all right, and that in any case integrated defence requires uniform weapons.

The Royal Canadian Air Force is now in process of replacing the few score of American Air Force officers in control of the "distant early warning" line which fringes the northern shore of the continent. The move is designed to obliterate the bogey of yesterday, which was the familiar revulsion against having American troops based on native soil, even when they were defending it. In the case of the DEWline it has a somewhat better basis because Canada may have to rely on the doctrine of "effective occupation" to maintain its territorial claim to all the Arctic territories.

But in the case of the new SAGE-Bomarc installations much further south people are beginning to ask why Americans should not man them, since it is the United States which insists on having them, the United States which determines their nature and the United States which pays two-thirds of their cost and gets nearly all the benefit—if there is any. The alternative, as some Canadians are beginning to see it, is that Canada not only must "concur" (as the defence minister puts it) in any project the United States may want to carry out on Canadian soil, but must also feel bound to carry part of the cost. A precedent has now been set, and if it is followed further Canada's real freedom of decision is reduced to vanishing point.

This readiness to "concur" with American defence policy in the name of integration inevitably raises questions about what freedom of action remains in Canadian diplomacy. This especially and seriously worries many people—in Canada and abroad—who believe that in recent years Mr Lester Pearson made a real contribution to peaceful prospects precisely because he was able to speak and negotiate from a position friendly both to the United States and to Britain, but unquestionably detached from both. On the optimistic assumption that the Conservatives can maintain the detached position in which they certainly believe, is it enough to be just without being seen to be just? The assumption is probably unreal. Although almost every week brings fresh evidence of the Diefenbaker government's ability to straddle two irreconcilable positions, eventually even its ability to do the splits like a chorus girl must fail before the attempt to accept American policy in defence without accepting it in diplomacy. And, if it could be done, no one would believe it. The uncommitted world, whose confidence was Mr Pearson's proudest wreath, would soon begin to regard Canada as the old lady regarded the giraffe—with stunned disbelief.

The Canadian acceptance of the SAGE-Bomarc project, with its two-to-one cost-sharing formula, involves also a more direct abandonment of Canadian interests to the mercy of the United States. The two-to-one formula is not new: it was used when the earliest radar defence (the Pinetree network, now to be integrated with SAGE), was established. The United States was then responsible for financing and manning two-thirds of the stations. Canada financed, manned and supplied the equipment for the other third. Today's two-to-one split is quite different. Now the American two-thirds represents all the technical equipment. Canada's third is all to be spent on construction. Consequently all defence business for Canadian plants, in any advanced technological field such as aircraft and electronics, must come—if it comes at all—from American sub-contracts. For a government pledged to promote more advanced manufacturing in Canada the implications of this are serious.

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Italy's Contending Christian Democrats

FROM OUR OWN CORRESPONDENT

SIGNOR FANFANI'S political fortunes reached their lowest ebb early last week when the Christian Democrat party's National Council refused to reject his resignation as party secretary. Only 37 members out of 112 voted for the former leader whose "friends" once dominated the council. His own faction, the left-centre *Iniziativa Democratica* divided, about two thirds of it siding against him. Signor Fanfani, who disdainfully refused either to attend the proceedings or to avoid a discussion by confirming his resignation, had the bitter satisfaction of seeing his former friends obliged by the open ballot procedure to confess their desertion.

Previously the council had passed a vote of confidence in Signor Segni's right-centre government. The unexpectedly heavy vote against Signor Fanfani showed that most councillors looked on the issue as a straight fight between Fanfani and Segni. The council rejected a proposal to put the secretaryship into commission between representatives of the party's five recognised factions, and elected Signor Aldo Moro, a former minister of education in the Fanfani government, as secretary. Signor Moro is classed as a member of *Iniziativa Democratica* but after Monday night's vote it is doubtful whether this faction can still be said to exist.

This protracted and highly dramatic session of the party council leaves two questions unresolved. Have we seen the last of Signor Fanfani and his left-centre programme? And how is the Christian Democrat party likely to fare with the electorate under the leadership of a right-centre direction? Signor Zoli, the party's elderly and popular president, pleaded with the councillors for honour's sake not to turn their backs upon the man who had rendered immense service to the party, giving it a modern organisation and bringing it twelve million votes in the last election. His warning that the party is verging on a state of anarchy was echoed by another veteran leader, Signor Gonella, who declared that the Christian Democrats are racked by a deep spiritual crisis.

The party is virtually divided into two camps, the left and the right. The centre has disappeared. The choice before Signor Fanfani is either to retire from politics or to come back, not as potential leader of a united party, but as leader of a newly organised Catholic Left. This is the position which is offered to him by the remnants of his own group and the scattered forces of the Christian Democrat left, composed of a few trade unionists and a staunch but not very numerous group known as "The Base." With reason these groups claim to have their roots in the Catholic electorate and there is no doubt that Signor Fanfani could, if he wished, build up a strong and united Christian Demo-

crat left wing. Sooner or later such a position would oblige him to come to terms with the Socialists and there, of course, lies the rub.

At all events it is unlikely that Signor Fanfani will take up the challenge before the party congress, unless this is deferred to October. His best plan at present is to wait and see whether outside events tend to second his purpose. For instance, it would be much easier for him to regain his ascendency over the party if there should be a summit conference and the conference itself should bring about a measure of détente.

The Lourdes Centenary

FROM A CORRESPONDENT IN THE PYRENEES

THE Pyrenees abound in healing springs and accounts of miraculous happenings involving adolescent shepherds and shepherdesses. Around the grotto at Lourdes and the ecstasy there, a hundred and one years ago, of the pious shepherdess Bernadette have sprung Christendom's greatest pilgrimage, an industry with an annual turnover of more than £15 million, and an ugly quarrel between leading dignitaries of the Catholic Church in France.

The centenary-year celebrations, just ended, drew to Lourdes (normal population 15,800) five million pilgrims and tourists, transported in 1,050 special trains, 30,000 coaches, 4,000 aircraft and more than a million private cars. Four million were French ; 90,000 came from Britain and 65,000 from Ireland—though these figures are only approximate since few Lourdes hoteliers keep scrupulous records or require their clients to fill in the usual *fiche*. For the same reason, and to the local tax-collector's despair, only the visitors' minimum expenditure can be assessed: they are estimated to have spent at least £17 million on food and shelter in the town's 600 hotels and *pensions* and £12 million on the aids to worship and souvenirs sold by more than 550 shops. They mailed four million letters and fourteen million postcards and contributed 50 million dollars' worth of foreign exchange to the French treasury.

The commercial possibilities of the centenary year attracted capital from many parts of the world, including the Near East. Modest hotels changed hands at £1,000 per room. Key money of around £50,000 was paid for the lease of a small shop near the main approach to the shrine. Shop-windows were stacked with tinkling musical Virgins, luminous Virgins and hollow Virgins whose crowns and haloes unscrewed to allow them to be filled with brandy or eau de Cologne. There were knives and corkscrews with Virgins on them and lilliputian Christs whose blood-red hearts lit up at the press of a switch. Soap, eau de Cologne and sweets were advertised as being made of " miraculous water from the grotto " and one sweet manufacturer issued a warning against unscrupulous rivals who did not use genuine grotto water.

Unfairly, but inevitably, thousands of curious non-Catholic tourists judge Catholicism by what they see at Lourdes, and Protestant evangelists in the Pyrenees like to quote Matthew XXI, 12-13 (the expulsion of the merchants from the temple) ; but no one has denounced the hucksters of Lourdes more vehemently than the town's own Catholic bishop, Mgr Théas:

> What lusts and appetites for gain this centenary has aroused ! There are profiteers everywhere ! . . . But must one not denounce also, and above all, their clientele ? If there were no buyers there would be no sellers. Pilgrims with a true religious sense would be discriminating in their choice of souvenirs.

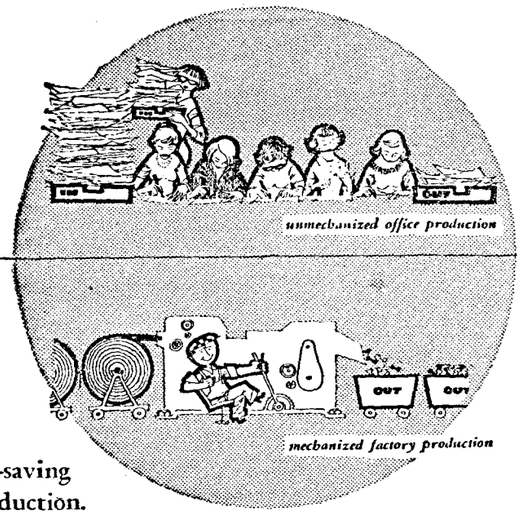
The younger generation of Catholic intellectuals in south-west France, including some priests, stress that " one may be a Catholic without according any exceptional significance to Lourdes." Their contempt for such initiatives as that of the government of distant Monaco, which issued a set of thirteen stamps to mark the centenary, is withering. They denounce the commercial Catholic press for claiming that between 6,000 and 9,000 miraculous cures have been effected at Lourdes since 1858 (the ecclesiastical authorities put the total at 54), thus swelling the heart-rending flow of sick, crippled and blind pilgrims (34,000 in 1954, 55,000 in 1958) who brave the high death and accident rates inevitable on any such a journey, in quest of divine favours.

A RESTRAINED form of what Mgr Théas regards as commercialism got a foothold within his own sanctuary during the centenary year. In order to cope with the centenary crowds, the bishop embarked on the construction of a vast sunken basilica to hold 20,000 worshippers. But beneath the site chosen was the huge natural reservoir which supplies the spring in Bernadette's grotto, and fresh springs gushed up with every grab of a mechanical shovel. The basilica cost twice as much to build as originally estimated (final cost: £2 million) and the bishop was advised by the Vatican to seek the aid of the Opus Coenaculi, a rich secular order financed largely by Canadian funds and closely connected with Cardinal Tisserand, a powerful critic of Mgr Théas's at times embarrassing outspokenness. The cardinal is himself criticised by Pyrenean Catholics for his " authoritarianism," and when it became known that Mgr Théas had been obliged to cede to the Opus Coenaculi, as the price of its aid, control of all the Lourdes shrine's finances and fund-raising for a period of ten years, there was a storm of protest. The priests of the region appealed to the Vatican which appointed a coadjutor, Mgr Maury, with a mission of conciliation. But while Mgr Théas continued to denounce—more pointedly than ever—" the spirit of lucre," and to stress " Our Lady's desire that the water of the grotto be available freely and without restriction to all," the local representatives of the Opus Coenaculi obliged visitors to purchase what amounted to an entry permit (price 6s. for French citizens, 12s. for foreigners) and littered the sanctuary with collection boxes and stands selling " official souvenirs." " The Opus Coenaculi," wrote a Catholic publicist close to Mgr Théas, " is behaving like a conqueror in occupied territory."

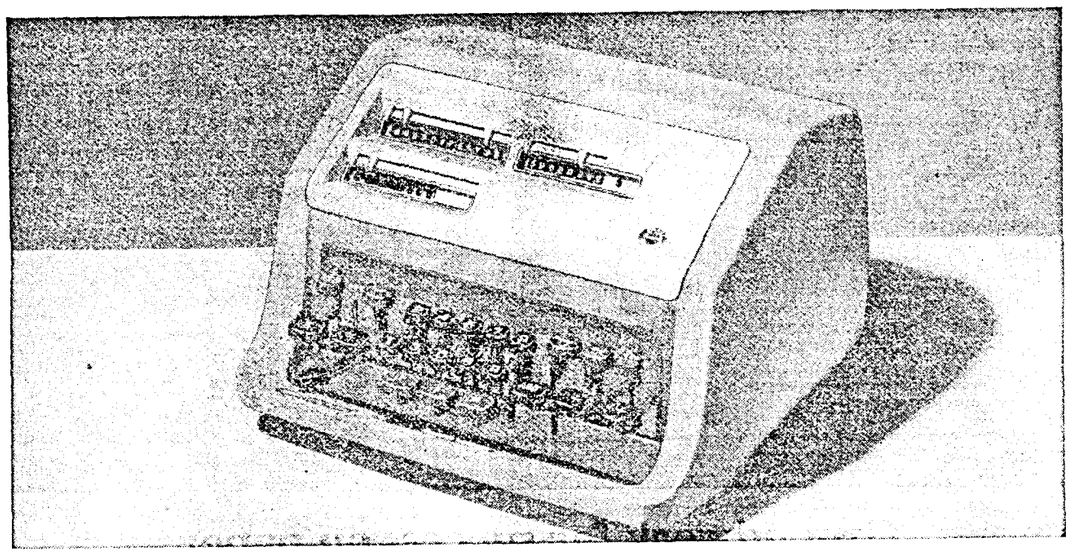
Some Lourdes churchmen believe that these tactics enabled the order to recover in one year the whole of the money advanced to Mgr Théas. They quote its representatives' announcement of their intention—with the blessing of Cardinal Tisserand—to devote future revenue from the grotto to a new information service and publishing enterprise. As the centenary year ended, Mgr Théas was angrily denouncing this empire-building and instructing Pyrenean Catholics to boycott the information service ; and the cause of the quarrel, the new basilica, a grim grey concrete hangar 200 yards long by 80 wide, stood empty and all but forgotten, deserted by pilgrims and tourists alike in favour of the older, more colourful basilicas and churches elsewhere in the town.

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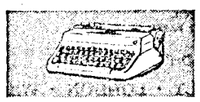


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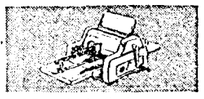
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THE BUSINESS WORLD

Labour and the Pound

STERLING has recently withstood a number of adverse influences. But the world's confidence in the pound is not absolute. In particular, it is qualified by the possibility that a Labour government might be returned at the next election. Swiss bankers say simply "The Conservatives must win." British business men and the City are not usually so blunt, but they share the sentiment. Politics entangle all major financial and business matters, nationally and internationally. That is a misfortune for political democracy, and equally for business and the economy. But it is no use kicking against the fact. People with money have never yet effectively been stopped from moving it in response to their fears. The point is rather how far these fears are founded on calculation rather than instinct.

Two broad questions are involved here. One is what impact the probability or actual arrival of a Labour government would have immediately on the pound ; the second is what impact a Labour government would make on financial confidence through the years. Some strain on sterling must in any case be expected as soon as the election is announced—which could be within a few days and must be within the next year. The considerable bull position in sterling that has been built up during the past year would itself expose the pound to pressure. The psychological pressure will redouble if the public opinion polls point Labour's way. It would presumably reach a climax on a Labour victory—even a victory of the least unnerving kind with a small but stable majority, say in the 30-50 range. Would pressure on the pound in such circumstances be supportable ?

Experience in the summer of 1957 shows that psychological strains can develop quickly and extensively in complete disregard of the fact that the current balance of payments is strong. But at this moment there are certain reassuring factors that should help to contain pressure, even if they do not prevent it. It could be said of the sterling crises of 1955, 1956 and 1957 that they all more or less burst from the blue. But there is nothing adventitious in the fact that a general election has to be held some time in the next fourteen months, and the authorities have had plenty of notice to provide for it. Secondly, the reserves have been considerably reinforced since 1957, to the end-February level of $3,156 million. Last week Britain repaid $200 million to the International Monetary Fund as a first instalment on the Suez drawing of $561 million, and later this year as much or a little more will be needed for the gold portion of the increased IMF quotas of this and other sterling countries. Allowing for these special drafts—which in any case reinforce Britain's second-line reserves—the managers of sterling exchange should still have around $1,000 million of ready money in hand before the reserves reached the danger point at which crisis action has been found unavoidable in the past.

Is this enough ? Foreign funds that have come to London in the past year or so are obviously sensitive. They might be guessed at around £150 million ($420 million), which is roughly the amount by which non-sterling countries have increased their sterling balances since the low point of 1957. Some of this money has not been covered forward against the exchange risk, and this would be the first to go. But an even bigger strain than the flight of hot money could come from the action of ordinary traders, including British traders, in accelerating their foreign payments and delaying their transfers into sterling—the notorious leads and lags in international payments. If all the hot money went and the leads and lags swung to the extreme bear position, the reserves might be in danger of falling below the "psychological minimum" of $1,800 million or so. But last December Britain renewed its stand-by facility of $739 million with IMF ; a sudden election strain would obviously justify its use.

The continued firmness of sterling, through the current election talk, is itself modestly encouraging—though this is not a complete test, since most people still expect a Tory victory. But one helpful influence now,

which could be very important at election time, is the unattractive look of sterling's main competitors as repositories of international funds. The dollar is under a cloud, and political fears about Berlin have taken some of the glamour off the mark. All this is very different from 1957. "Ex-election," so to say, the current influences are not unfavourable.

The decisive factor is still likely to be the attitude of the Labour leaders. If it is politically extremist, weak or vacillating, so much the worse. The signs are that, at least on the morrow of victory, Labour policy would be none of these things. Mr Harold Wilson, the shadow Chancellor, has given private assurances in a number of places that the party would be prepared to take all measures to fight off a speculative attack; and in these measures he does not exclude Bank rate. Mr Wilson would make a helpful contribution to sterling, and would ease the problems he hopes to face, if those reassurances were put publicly on record. If a strong stand is taken, there seems a good chance that, given the underlying strength of sterling, a Labour Chancellor would be able to hold the line.

How long he could do so depends on the second major question—the effect of Labour on sterling and the British economy through its period of office. Will Labour be soft and inflationary, over-addicted to controls rather than to fiscal and monetary medicines? And will it be nasty to capitalists, through discriminatory taxes on dividends and the like? These are really two distinct questions, with different consequences for the economy and the financial markets.

Just as Tory prime ministers are prone to be polite to trade union leaders, so every government of the left is under a certain pressure to be more orthodox than the establishment. In the history of postwar budgets, at least, that seems to be the experience. There was never a Labour precedent to the pre-election budget of 1955. When Sir Stafford Cripps fixed budget day in 1949 two days before the London County Council elections the Tories howled accusations of sharp practice; when Sir Stafford had done his worst the screams (and the election losses) came from his own party. In 1951 the Labour leaders failed to act against the crisis that blew up in the summer; but Mr Gaitskell's 1951 budget was perhaps the toughest peacetime budget ever. The Labour Government of 1945-51 had a fairly harsh budgetary record; though its negative monetary policy tended to undermine this.

Most things that have happened since 1951 probably encourage the tendency for Labour to be conservative in the balance of its financial policy (though not necessarily in particular measures). There is greater awareness in Britain of the severe limitations on freedom of manœuvre at home that are imposed by conditions in the world outside, and, above all, by confidence in sterling. There is much wider acceptance of the use of interest rates as a regulator. Labour has still to be tested on its political ability to resist pleas from all and sundry for lower interest rates, but the extremes of Daltonism are not likely to be attempted again. The report of the Radcliffe Committee, due this year, is bound to be an important influence on governments in the next few years. There is more realism, too, about controls. Labour's master pamphlet confines itself to specifying two: controls on industrial building, and flatly, "exchange control." That takes no one very far, as exchange control has never been abandoned though it has been much modified. Labour can certainly be expected to keep a very close eye on the efficacy of controls on export of capital. But Mr Gaitskell has said, if grudgingly, that "we should have to do our best" to work convertibility; and even if, as foreign holders of sterling fear, Labour instincts in a crisis will push them towards controls, it would still remain to be seen whether they would refuse to listen when the technicians point out the difficulties of any partial retreat from freedom. The biggest trap a Labour Chancellor could fall into would be to appeal to patriotism and threaten controls. But Labour is not entirely insensitive to City taunts of incompetence and irresponsibility; and a Labour Government that ran into and ran away from a bad sterling crisis early in its term would be much damaged politically—probably much more so than would a Tory government. Ambitious Labour leaders whose main article of faith is that they could run the country better than the Tories may be expected to fight quite hard for financial stability.

This is not to argue that, economically, there is no difference between the parties. Of course the Tories are basically more sympathetic to business enterprise. They find room, too, for a certain element of business unenterprise, but broadly they believe in the system as it is now run. At any rate, they do not face Labour's dilemma of trying to encourage enterprise and investment among private firms by taking a swing at the rewards of investment and enterprise. This may mean that returns on investment and on equity shares will be depressed under a Labour Government. Nationalisation poses the same threat, especially if it is to take the form of part-buying of profitable businesses. But Labour's threat of nationalisation and its attitude towards business is also held by foreign opinion to justify fears about sterling and gilt-edged, and that is not so logical. The crux here surely is whether Labour will be more ready than the Tories to let inflation get on the rampage again.

Past experience does not warrant the assumption that Labour will necessarily pump more money into the economy through the budget (though it is admittedly very hard to see how it could avoid doing so if it did try to implement all its promises). But the balance of the budget itself is not everything. Labour likes to put things into the hands of the state rather than leaving them to private initiative; and if government expenditure and taxation both rise, this discourages private savings. The Labour pensions plan is a case in point: its formal fiscal effect on paper looks deflationary rather than inflationary, but no one expects this to be its net effect. Labour may also be softer to special interests, including borrowers of money; and it remains to be seen whether it can again succeed in restraining the unions from pressing their wage claims. Perhaps, too, the Tories are prepared to allow more slack in the economy than Labour would, and thus to put the economic brake on wages. But the fact is that they brought themselves to do this, for a short time, only after a desperate exchange crisis. And, it might be that Labour, if it were cautious about inflation, would have more difficulty than the Tories in wiping out black spots of unemployment: industrialists might be even more reluctant, during such an administration, to set up new industries in declining areas.

To sum up: because of Labour's distrust of business, involving traditional pressure from the rank and file for anti-business gestures, and because of the reciprocal distrust by business of Labour, a Labour administration would normally start with a built-in disadvantage in keeping the British economy straight and prosperous. The key question is whether a Labour Cabinet will take sufficiently strong measures to offset its basic deficiencies in business and foreign eyes. If it does not, many business men and most owners of equities will presently find themselves doing very well out of the inevitable inflation. If financial policy is sufficiently firm, political measures against profits may hold up expansion and discourage businessmen, but the net result of that would not necessarily be a constant drag on the pound. Gilt-edged would fall in the short term, but recover later as interest rates were brought down and confidence recovered. It would be surprising to see high bull positions maintained in sterling; the arrival of a Labour government would no doubt lower the absolute "level" of confidence in sterling, but there is no reason why sterling should in such circumstances be continuously under pressure. There are fair chances that the circumstances may be such.

This thesis, it may be said, puts the prospect in its most favourable light. That is true; but it does no more. It is a prediction, not of what will happen—no such prediction is possible—but of what might not happen. *The Economist* is not saying that everything will necessarily be all right; it is simply saying that the approach or the arrival of Labour to power need not bring the certainty of disaster.

The Financial Smiths

Every year in summer one of the grey, white and gilt regency style rooms in Fishmongers' Hall is booked for the annual lunch of an unusual society. This is the Smith Family Club, an informal body founded by the late Mr Owen Hugh Smith, President of Hay's Wharf and a director of many City companies, and now carried on by Sir Arthur Francis Smith who is usually the host. The subscription is only ten shillings a year; but the qualification for membership is ability to prove patrilineal descent from Thomas Smith of Nottingham, who was born in 1631 and who founded his bank there just three hundred and one years ago. Other clubs may have been founded to serve the interests of a great family, though they must be rare in these individualistic times; but the importance of this particular Smith family is, of course, its unsurpassed record, and continued stake, in the City. If all of Thomas Smith's descendants who hold City appointments manage to attend this year's lunch there will be some seventeen of them. Between them they hold eighty-seven directorships in seventy-five companies, including six chairmanships and three managing directorships; and two partnerships in stockbroking firms to boot. Some of these directorships are in industrial firms, but the preponderance of City interests among them fully justifies the description of the family as the "Financial Smiths."

The family is not, of course, exclusively a business dynasty, though its prosperity was founded on banking. One reason for the Smith luncheons is to give the younger generation (now the tenth from Thomas Smith) an opportunity, when in its last year at the university, to discuss their careers with older members of the family. The young men can usually get advice on all the services, armed, home and diplomatic, from well-placed representatives of them who are also members of the Smith family (one, Lord Carrington, is United Kingdom High Commissioner to Australia). But besides admirals, generals and ambassadors, the family has provided the country with squires and farmers (mainly in Hertfordshire), and it likes to remember that it has done some service at Court. It has representatives in the professions, and even one socialist economist. With time it has ramified into several branches, and (like the Whigs in Disraeli's days) is now all cousins. The main, and largely financial, branch are the Abel Smiths, descended from the son and grandson of Thomas Smith who took that name; but from the cadet line spring the Hugh Smiths (which included the Bicester title) and Martin Smiths, and more distantly, the Smith-Dorriens, Smith-Bosanquets and other kin. They are woven at every point into the fabric of what the young gloomily term "the Establishment."

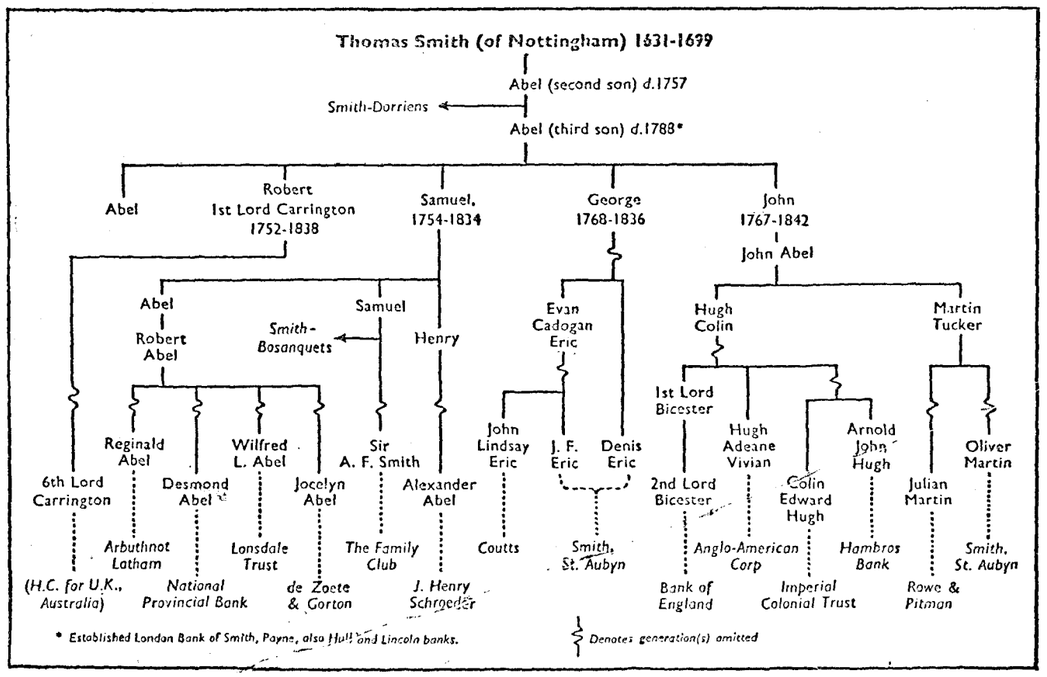
It is above all on financial matters that the younger generation can get it from the horse's mouth in converse with their elders. Lord Bicester is a director of the Bank of England and managing director of Morgan Grenfell; but he is also a director of Vickers, Associated Electrical Industries, and Shell Transport. Mr Desmond Abel Smith is chairman of Cox and Kings and of Bryan, Donkin and Company; and he is besides in oil (as a

director of British Petroleum), as well as in finance (as a director of the National Provincial Bank and the Equitable Life Insurance Company), and is a director (formerly chairman) of Borax Holdings. Mr John Hugh Smith divides the City (he is a director of Hambros Bank) with metals (he is chairman of the British Metal Corporation and a director of a group of companies with parallel interests). The Hon. Vivian Hugh Smith's interests are mainly mining and South African (he is, *inter alia*, a director of Anglo-American and Consolidated Diamond Mines); Mr John Lindsay Eric Smith, on the other hand, divides the City (he is a director of Coutts and Company) with Australia and the Middle East (he is a director of the Australian Agricultural Company and of the Ottoman Bank). Mr Reginald Abel Smith is similarly senior partner of Arbuthnot Latham and a director of the Australian Pastoral Company; (Mr Desmond Abel Smith, incidentally, is a director of Dalgetys). Mr Alexander Abel Smith is managing director of J. Henry Schroeder, another powerful merchant bank. Mr W. L. Abel Smith is a director of the Lonsdale Investment Trust, Mr Colin Hugh Smith, chairman of London and New York Investment Corporation, and Mr Julian Martin Smith a director of Ashdown Investment Trust—to take a mere sample of the Smiths' interests in the boards of investment, finance or mortgage firms. On the Stock Exchange, Mr Jocelyn Abel Smith and Mr Julian Martin Smith are partners, respectively, in De Zoete and Gorton, and Rowe and Pitman.

This is an enviable family success story. Yet many members of the family—at least from the Abel Smith branch—cast a regretful glance back at the days when the Smiths were a family of bankers. A tricentennial volume published last year by the National Provincial Bank* tells the story both of how they rose to be the most powerful group of private banks operating in London and the provinces, and how, failing to unite in the age of joint stock banking empires, they lost their identity in that of the Union and National Provincial Bank at the turn of the century. It can hardly be described as a story of clogs to clogs in ten generations. But the special genius of the Abel Smiths lay in their family solidarity. This permitted them, in the days before joint stock, to build up what was virtually a single banking service in London, Nottingham, Derby, Hull and Lincoln; though Smith, Payne and Smith, in London, was in no sense either head office or headquarters. In the eighteenth century the eastern counties were among the greatest centres of wealth; and from service to their citizens and to the industrialists of the early industrial revolution the Abel Smiths rose to hobnobbing with and then to marrying the nobility.

Pitt made Robert Smith a peer (admittedly an Irish peer) and "took the pen from behind his ear"; but though the family lost some members to total gentility, and even their names, others found it possible to combine being bankers, country gentlemen, and members of parliament without difficulty. They made their mark both in banking and in politics. The current genera-

* *Smiths the Bankers* 1658-1958. By J. A. S. L. Leighton-Boyce, National Provincial Bank, Limited.



tion are inclined to agree with their collective biographer that, especially in the City, they grew too conservative in the last quarter of the century; failed to make alliances in the new industrial areas; and finally failed to bring in the new capital that expansion required while it was still possible to combine a public issue with family control. They can comfort themselves that in the fullness of time they would have probably lost Smiths' Bank anyway, unless it remained very small. Their real strength is what it always was—as a family with an inherited strain of financial acumen allied to a strong sense of kinship. They sold the Smiths' banks for £1,156,543 13s. 1d. in 1898; today, the combined capital of the public companies that they help to direct totals close on £1,500 millions.

This is in a traditional pattern of business leadership. So far as is possible, the rising generation is bred in the tradition. The family's founder's prayer that Providence should prosper the family so long as it conducted its affairs "with Fidelity, with Industry and with Honour—and no longer" is impressed on young Smiths in turn, with particular reference to the responsibility devolving on the individual from the rule that no Smith cheque would ever, under any circumstances, be returned R.D. The young, traditionally, are educated at Eton and Cambridge; but though Eton continues to be *de rigueur*, every Smith paterfamilias now faces the fact that future descendants of Thomas Smith of Nottingham may be forced to accept their higher education from provincial universities (none has yet gone to Nottingham). They still tend to concentrate on classics and economics, the banker's sure foundations; but now that they are beginning to go into industry directly—one younger Smith is a Fison's executive, and another an apprentice at Head, Wrightson—it looks as though the technological era is beginning for the Financial Smiths. It is perhaps a sign that they feel the primacy of the City is no longer absolute.

BUSINESS NOTES

THE ECONOMY

Before the Survey

By the time that the Treasury makes its last proof corrections in the Economic Survey that will be published next week along with the other pre-budget white papers, it will presumably have had an indication of how industrial output fared in February. That advantage is simply an accident of timing; there is also some unpublished data still reserved to Whitehall, notably information upon the state of orderbooks in a fairly wide range of industries. But its own virtuous progress during the past two years in making more current statistics available faster has correspondingly reduced the amount of new, unpublished information that can appear in the annual Survey nowadays; moreover, there are more independent surveyors around, notably the Federation of British Industries and the National Institute of Economic and Social Research. The FBI is doing a different kind of economic survey, the National Institute one very much like the Treasury's if a little more sophisticated; both, however, are essentially forward-looking, which since the 'forties the official Economic Survey has been less and less inclined to be. Whether its changed "statistical climate" and its extra competition will have any effect upon the form of the Survey, or its authors' readiness to chance their official arms, will be seen next week.

Indications of output in February, following upon the early count of March unemployment, may at least give the official economists some inkling whether production is still roughly level after its rise in the late autumn, or whether there are further signs of re-expansion. These signs may be crucial less for the Survey than for the final expert advice on the budget. The broad question remains whether the reflationary measures taken last summer and autumn, particularly the freeing of hire purchase, which clearly had a marked effect upon consumption, may now have largely spent themselves; and how much further encouragement to re-expansion is needed and can be afforded now.

The National Institute, whose second *Economic Review* happens to have been published this week just ahead of the official analysis, reckons it likely that further measures—say 6d. off the income tax, a slight reduction in purchase tax, and some further slight incentive to investment—will be introduced. It expects about £200 million in tax relief; and concludes, on balance, that such a stimulus would be inadequate to bring about any "substantial expansion." Anything stronger, it admits, must mean some risks for the balance of payments; but "only if Britain and other industrial countries pursue expansion and face the risk of some deterioration in their foreign payments can world trade be expected to revive."

Imports and Expansion

Another article in the same review, however, throws doubt on the usual assumption that the tendency for imports to rise faster than national output is closely linked to economic expansion. The institute is not suggesting that the tendency does not exist: all it says is that it may be largely independent of how the internal economy is faring. An impressive array of statistics and their analysis suggest that—with the exception of emergency imports of coal and steel in 1955 and 1956—most of the disproportionate rise in imports since 1954 has resulted from a substitution of imported for home-produced goods that has gone on steadily at the rate of some £40-£50 million a year, independent of changes in output.

The table shows for what kinds of imports demand has gone up much more than would have been expected. In

1958, imports, valued at 1954 prices, cost £251 million more than they would have done had they remained in the same proportion to national output as in 1954, after making due allowance also for changes in stockbuilding and re-exports. Extra food imports alone accounted for nearly £100 million of this "excess" bill. Food imports have been rising faster than food consumption, partly because of a switch in taste

IMPORTS AND NATIONAL OUTPUT
£ million at 1954 prices

	1954	1955	1956	1957	1958
Actual imports	3,374	3,766	3,736	3,872	3,862
Imports proportional to growth of national output since 1954	...	3,502	3,512	3,565	3,553
"Excess"	...	+264	+224	+306	+309
Due to differences in stock-building and re-exports since 1954	...	+ 43	+ 6	+138	+ 58
Remaining "excess"	...	+221	+218	+168	+251
Of which :—					
Food, drink and tobacco		+ 28	+ 36	+ 48	+ 99
Agricultural materials		+ 2	− 4	− 8	+ 13
Industrial materials		+ 92	+64	+ 24	− 93
Fuel		+ 51	+ 50	+ 7	+ 76
Finished manufactures		+ 29	+ 51	+ 73	+ 87

to foods that are mainly imported and partly because a larger proportion of supplies of some foods, such as beef and bacon, have been bought from abroad. Fuel imports have been rising, not because of an excessive rise in fuel consumption, but because of the progressive switch from coal to oil. The 1955-1956 peak in the import content of industrial materials was entirely due to abnormal steel imports in those years; the underlying trend of imports of other industrial materials has been below that of output. And it is finished manufactures that have been the fastest growing sector in the import bill since 1954 with, contrary to the experience of earlier years, British imports of finished manufactures from Europe rising more than British exports there.

The factors behind this trend are not discussed beyond the contention that it has come about "not because the British economy was expanding faster but presumably because it was becoming less competitive." It is, however, also fair to note that this may well be a return towards a prewar level of dependence upon imports rather than a new independent increase. Imports of food, for example, as a proportion of consumption, have been growing since 1954: but they are still far below the 40 per cent reliance on imports in 1938. The review, however, is concerned mainly with the relevance of these growing imports to policy now. Given adequate coal and steel supplies, it concludes that "there seems no reason to fear that a rise in national output will by itself lead to any disproportionate rise in imports . . . in our judgment the disproportion may well be less if national output expands than if it fails to rise." This is a heartening piece of evidence for expansionists. But it does not, of course, remove the balance of payments problem, expansion or not: it merely shifts the emphasis of the problem.

RESTRICTIVE PRACTICES

The Letter of the Law

A JUDGMENT delivered this week by the Restrictive Practices Court, concerning the agreement of the Blanket Manufacturers' Association, is the most revealing example so far of how tightly the Court is interpreting the letter of the law as it is expressed in the Restrictive Practices Act. The Court held that the removal of a restriction in the agreement which provided for a "minimum substance" (i.e., minimum quality) in blankets would deny specific and substantial benefits to the public; but it held that all of the other restrictions in the agreement, with one exception, were contrary to the public interest as it is defined in the Act. The exception was a clause concerning sanctity of contract, on which the Court said it had no jurisdiction to rule; the minimum-price clause in the agreement, essentially a stop-loss feature, was ruled against, although the Court admitted that no detriment to the public resulted from it.

The significant thing about the Court's judgment is that none of the restrictions in the agreement was held to have been detrimental to the public. They were declared contrary to the public interest because they did not provide the "specific and substantial benefits" which the Act requires. Mr Justice Upjohn, who read the Court's decision, warned that the blanket manufacturers' case did not necessarily afford a guide to other cases where different circumstances existed. This has always been so; but this latest decision appears to indicate that restrictions whose effect on the public is neither good nor bad, but merely restrictive, have little chance of getting past the Court.

This is being argued by some commentators to be getting very far away from the real purpose of the Act, which is to suppress agreements that operate against the public interest; and it may be held to be an unwarranted intrusion into the affairs of ordinary businessmen. But individual businessmen are free to act in any way they please under the Act, provided they do not agree with each other to do so. The harmless restrictions in the blanket manufacturers' agreement were of a more rigid nature than the genuinely optional recommendations for standard conditions of contracts which were contained in the Constructional Steelwork Association's agreement, and which were removed from the register as being of no economic significance. If they brought the public no substantial benefit, it is difficult to see why they should have continued to operate.

How Much Competition?

TWO warnings of the dangers of excessive competition have come last week from Britain's manufacturers of electrical equipment. One—the more broadly phrased—was delivered last week by Sir George H. Nelson, Chairman of English Electric, in his annual address to the company's shareholders. Speaking of the intensification of competition in export markets in the past few years, Sir George noted the need to increase efficiency in design and manufacture in order to decrease costs; he then went on to argue that

> competition for its own sake or pushed to extremes can cease to be beneficial to this country and in fact can become positively detrimental. Indeed, a position could be reached where the standards of all countries of the world who produce the highly technical products in which we are interested would be adversely affected by artificially debased prices.

He added that competition which forced prices so low that research and development, education and training, and modernisation of plant were sacrificed, while benefiting the industry's customers in the short term, would be "disastrous" in the long run.

The British Electrical and Allied Manufacturers' Association, in its latest report, was more specific. Reviewing the activities of the Restrictive Practices Court, the BEAMA Report came to the conclusion that a plea that abandonment

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of a restrictive trading agreement would cause serious and persistent local unemployment (which was a part of the Yarn Spinners Association's case) is unlikely in future to find favour with the Court. The BEAMA then added that either the Restrictive Practices Act in its present form is too rigid and needs alteration, or the Government should give industry some assurance that, where hardship will arise as a result of abrogating restrictive agreements, steps will be considered to soften the long term effects of the judgment, particularly in the case of capital goods industries.

No heavy electrical engineering industry in the world is ever over-enthusiastic about the prospect of unlimited competition, particularly in its home market. That the British manufacturers should in the same breath offer exhortations to compete more fiercely abroad may seem a paradox. But similar views are widely held by the electrical engineering industries of other countries, notably Germany and the United States (where English Electric recently met them head-on at Greer's Ferry).

ATOMIC ENERGY AUTHORITY

Musical Chairs

It seems doubtful whether Sir Alexander Fleck, in his report eighteen months ago, did in fact find the best formula for running an organisation such as the Atomic Energy Authority. The changes in administration that took place on his advice after he had conducted a far-reaching inquiry into the AEA at the time of the Windscale fire are now being put smartly into reverse. Up to that time, the AEA was divided into three divisions dealing with research, weapons, and production. The three men who ran those divisions had seats on the AEA's board. They split their time between policy meetings in London and the day-to-day running of the establishments under their control—and Sir Alexander Fleck was not the only person to think that they spent too much time on the latter.

The executive functions were therefore after his report hived off to deputies and seats on the board were converted into full-time jobs with no executive responsibilities. This arrangement has lasted barely a year. Meanwhile the AEA has lost the two key men who had created and guided the atomic energy project from its outset in 1946: Sir Christopher Hinton left first, Sir John Cockcroft is soon going. The AEA's first chairman, Lord Plowden is retiring in a matter of months, and its commercial director, Mr Strath, is going back to the Ministry of Supply. Either because the AEA now finds itself seriously short of top executives, or because it is not in the nature of a good scientist to be content with the remote preoccupations of long-term planning (never a strong point of the AEA), the Authority is going back to the old pattern that it preferred in the past. Whatever board member is responsible for any branch of the AEA's work will once again be responsible also for running those plants connected with it. The only change is that there are now four separate branches. Sir Christopher Hinton's old empire at Risley is being split into a production division concerned with turning out nuclear materials like uranium and plutonium, and an engineering division responsible for the design and development of new reactors.

The rate at which the AEA has grown can be judged from the size of its wages bill, which is due to rise, according to the current Civil Estimates, from £26 million this year to more than £32 million for 1959-60. No big new projects are being started in the coming year and AEA's spending on construction is actually falling off, from £45 million to £37 million. But this research, development, and weapon manufacturing organisation has still much more of the character of a vast laboratory than a big manufacturing company and for that reason responsibility for running the separate plants may not be quite the day-to-day routine job that it appears. It is possible that the AEA was not yet ripe for the form of organisation suggested by the Fleck reports; it is also proving more than usually difficult to find men to fill the jobs so created.

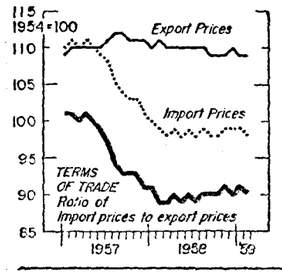
EXCHANGE RELAXATION

An Extra Risk?

The Bank of England last week made two relaxations in exchange control. Both widen the London market; and neither involves any perceptible increase in sterling's vulnerability to bear attack. Hitherto, residents of the sterling area have been permitted to buy or sell foreign currencies forward only to match a transaction in merchandise trade or to cover freight charges. Now they are also permitted to cover, for a maximum of six months, payments or receipts other than for merchandise trade, including interest and dividends, royalties, and capital investment.

The market in forward exchange is thus widened; and in a speculative crisis, more sterling would doubtless be sold forward. But even then, on balance, the net result might not be additional strain, as has been suggested. When forward facilities were not available for people expecting to make payments abroad in the near future they did their own forward deal: they advanced the payment whenever they could (this is the "lead" half of the leads and lags), and thus exerted a strain on sterling in the spot market and on the reserves. Now that such transactions may be covered in the forward market there will be less incentive to advance the payment. The purchase of dollars forward will normally be matched by the dealing bank covering itself with a purchase of dollars spot; but this is not invariably the case, and the effect of more forward selling of sterling and fewer "leads" in spot payments might yield a small net saving to the reserves during the crisis. On the other hand, it is true, there are some payments for invisibles, such as dividends due at fixed dates, that cannot be advanced, but can now be covered forward; these would involve a new strain. But many such payments are by non-residents, who have had full freedom in using the forward exchange market.

IMPORT PRICES FALL



Import prices fell by one per cent in February. With export prices unchanged, there was a favourable movement in the terms of trade.

Imported food became cheaper; there were also marginal declines in prices of basic materials and fuels.

Payments for "invisibles" from Britain are smaller than receipts. People receiving foreign currency have no way of speculating against sterling with it in the forward exchange market (the way they speculate is to delay their payments—this is the "lag"). The cover the market provides them is against depreciation of foreign currencies. Since the move to convertibility, European currencies can fluctuate within a total swing of 3 per cent at their existing parities.

Forward Gold Market

DEALINGS on the London gold market were hitherto only for settlement within two days. Operations for longer periods could be and were undertaken by authorised bullion dealers, but in each instance the consent of the Bank of England had to be obtained. In recent months, as world speculators distrusting the dollar have sought a flurry in gold, the market in London has chafed at this restriction, which places it at a disadvantage to foreign centres. The Bank of England has now given way, but with some diffidence. It is anxious that the emergence of an active forward market in gold in this country should not be interpreted as encouragement to speculation against other currencies.

Secondly, forward dealings in gold are at present exclusively one way—all purchases and no sales—and they thereby draw gold from the Bank of England during the currency of the forward purchases, A forward purchase of gold from a London dealer—which has to be against dollars or other foreign currencies—would normally be covered by the dealer buying gold for cash and holding it until the metal had to be delivered to the buyer. As the seller of the last resort, the Bank of England operating for the Exchange Equalisation Account would thus be exchanging gold for dollars and would be financing what might be a speculative operation against the dollar.

The authorities have therefore arranged that forward dealings in gold will not be in a formal market. No forward price will be given at the daily fixing. Dealers will simply quote prices in response to demand. But the main deterrent to speculative use of this market must be the cost of dealing. The forward price of gold will have to cover the spot price plus the cost of financing the gold until the date of delivery; this cost is set by the loss of interest on the money locked up.

BRITISH EXPORTS

Revival Slows Down

A FEW months ago there were some signs of a halt to the fall in the primary producing countries' imports. Exports from Britain to these countries as a whole had stopped falling; the decline in the total imports of the overseas sterling area slowed down in the third quarter, and in the fourth quarter, according to the information then available to the Board of Trade, the trend appeared to "improve considerably." But was this a real, or a temporary, improvement?

The latest evidence is not encouraging. In the first two months of this year British exports, at £260½ million a month, were three per cent smaller than a year ago, whereas in the fourth quarter of 1958 they were only 1½ per cent smaller than a year ago. The detailed trade returns now show that this deterioration was wholly attributable to a renewed fall in shipments to the overseas sterling area (which draws about one third of its total imports from Britain). Taking January and February together, total exports (including re-exports) to the overseas sterling area were £110.3 million a month, 15 per cent lower than a year ago. Shipments to Australia, Britain's second largest market, fell by 16 per cent to £34½ million and shipments to New Zealand, at £14¼ million, dropped by almost one half. Exports to South Africa, the Rhodesian Federation and Malaya fell by one-fifth, and exports to India fell by 13 per cent to £23.3 million.

Fortunately the sharp contraction in exports to those markets, and also to Latin-America, has been partly offset by bigger shipments to non-sterling countries, which at £160 million a month (including re-exports) were six per cent higher than in January and February last year. The growth in exports to North America has accelerated, the total of £41 million a month being one-fifth higher than a year ago; exports to the United States alone rose by 24 per cent. The revival in exports to Western Europe has continued, exports in the first two months, at £75.3 million a month, being three per cent higher than a year ago, reflecting gains among countries within and outside the common market. Exports to Russia, Poland, China, Japan and some Middle East countries were also up (though total exports to Russia were down because of the steep decline in re-exports of rubber). With governments in Britain and other countries now bent on re-expansion the primary producing countries' exports should be higher this year than last year in quantity and in value. *The Economist* indicator of commodity prices is now 4½ per cent above the October trough, thanks partly to the rise in raw wool, the largest single export of the overseas sterling area. But it will take time before any recovery in producers' earnings is reflected in their imports of manufactures.

World Market for Chemicals

THE prospects of Europe, the Commonwealth and other sterling area countries, as future markets for British chemicals were given a careful weighing in an address by Mr S. P. Chambers, a deputy chairman of ICI, in a speech before the Plastics Institute early this month. Mr Chambers painted, on the whole, a fairly gloomy picture; indeed, others besides the plastics industry—for whom he held out considerable hope—and those most enthusiastic about Commonwealth trade may wonder if it was not somewhat too gloomy. He held that Western Europe, where consumption of chemicals has nearly doubled in value in recent years, was the most promising market area for British chemicals; but that the growth of Continental competition and the advent of the common market may mean that Britain will increasingly lose ground there. North America may be fenced off by its protectionists; this would leave the Commonwealth and other sterling area countries, where the bulk of British exports now go.

These countries, Mr Chambers argued, are unreliable markets, and will continue to be, owing to periodic balance-of-payments difficulties in the primary-producing countries, and the development of local chemical industries. In any case, their intake of chemicals has grown less rapidly in recent years than that of Europe. Furthermore, he argued, these countries are highly susceptible to export drives by communist countries, particularly Russia and China. He recognised, however, that Russia and China may themselves import more chemicals in the future. Two bright spots for

Britain are plastics and pharmaceuticals, which constitute a larger share of British trade than of other countries'; these are also the most rapidly expanding sections of the chemical industry and of world trade in chemicals.

Mr Chambers concluded that Britain must aim at a substantial expansion of exports to countries behind the Iron Courtain, and to the miscellaneous markets outside Europe, North America, and the sterling area. Certainly both these areas are promising for all British exporting industries, including chemicals. Chemical needs in the underdeveloped countries within the sterling area are likely to increase rapidly as industrialisation proceeds. The questions for industrial exporters are, however: how soon and how far will the requisite process of industrialisation include chemical developments to cover these nations' emerging demands?

HAWKER'S DEBENTURE

Hybrid and the Hurdles

SUB-UNDERWRITING of Hawker Siddeley's £15 million convertible debenture issue has been completed at the going rate of 1¼ per cent Philip Hill Higginson receive a gross underwriting commission of 2¼ per cent, including sub-underwriting, over-riding commission at the customary ½ per cent, brokerage at ¼ per cent and their own legal expenses. This commission is more than the 2 per cent charged on recent first-class debenture issues. But expenses in this issue may have been unusually high; the terms could not have been easy to settle and the legal definition of the security for the debenture could not have been easy to draft. It is secured by a floating charge on the assets of the parent company (which include the shareholding at book value in A. V. Roe Canada) and its British subsidiaries. The net assets of Hawker Siddeley's British interests cover the new stock and the 4 per cent debenture already in issue about three times. The interest on them is covered about 5½ times by the profits of the British group, and the directors do not expect that profits in the year to July 31st will differ materially from the £5¾ million earned in 1957-58. The trust deed has been drawn up so as not to impede the Canadian subsidiaries from borrowing from the banks or raising new money by new local issues. The debenture is to fund part of the Hawker group's bank debts in this country—the major element here is the £10 million owed by the Brush Group—and it is not intended to use the money "to provide funds for further investment in the Canadian business."

Nevertheless, the progress of Hawker's ventures into Canadian industry, especially its investment in DOSCO, will have a direct bearing on the exercise of the conversion rights. Presumably the ordinary shareholders of Hawker Siddeley to whom the £15 million 5¾ per cent debenture is offered at par will not subscribe for it with any idea of holding it until 1984. Their interest will be in the prospects of conversion into ordinary shares between 1960 and 1964 at 29s. 5d. per share, which is where the shares now stand. If the group does well in the next five years, there will be a flood of conversions capable of adding £10,200,000 to the present ordinary capital of £25,961,400. Conversion at a low price is the key to the whole issue, and it must act as a drag on the ordinary shares throughout the period in which Hawker's new interests are expected to blossom. This is not necessarily a bar to a modest premium on the

AIR FREIGHT

Competitive Rates

A SURVEY carried out by Short Brothers & Harland to sound out the market for a big specialised air freighter has produced a thought-provoking definition of what most manufacturers regard as a competitive rate for sending goods by air. It is no more than would have to be paid for sending them by sea. This, according to the overwhelming majority of the 137 companies that attempted to answer this particular section of Short's questionnaire, is the only inducement that would encourage them to send large quantities of goods air freight.

The truth of this answer is to some extent confirmed by air freight figures. Freight, carried mainly as a make-weight to passengers, has been increasing at about 14 per cent a year and will probably continue to do so. But Shorts are on sound ground in assuming that this growth is largely explained by expanding air traffic and stable air freight rates and should not be interpreted as a growing interest on the part of industry in having their goods carried by air. The bulk of goods now sent by air are samples, urgently needed spare parts, or goods that have fallen behind their delivery schedule. None of these is particularly sensitive to cuts—or for that matter increases—in freight rates. The light engineering industries are quite good customers. But in industry as a whole the airlines' argument that air freighting saves in packing, size of stocks, insurance and pilfering has fallen on deaf ears.

These conclusions are important not only to aircraft manufacturers such as Shorts, embarking on the risky venture of building a pure freight aircraft, but to the airlines themselves and not least to British European Airways, which has in the Vanguard a passenger aircraft with the biggest freight hold yet put into service. Shorts found that there is plenty of idle freight capacity available on the airlines now and that remarkably few companies complained about the limits on the size of package that airlines could accept.

The fact that the company could conclude that under these unpromising conditions there was still a market for a big freighter, and put it at 46 aircraft for this country or 1,110 for the world as a whole, is a remarkable tribute to the ebullience of the aircraft industry and the confidence of the company in its own design, based on the Britannic freighter ordered for Transport Command. Shorts calculated that although less than 10 per cent of shippers now use air freight regularly, traffic could be increased five-fold by halving present freight rates, as the Britannic might. These freight rates, like passenger rates, are incidentally controlled by IATA and subject to a good deal of controversy.

It would, however, be short-range traffic only. The halving of air freight rates to 18d. per ton mile would make air freight competitive with sea transport up to distances of 1,000 miles, but not with long-distance sea rates for cargo. The fact that Shorts believe the greatest scope for development thus lies in short- not long-haul freight cuts across the conventional view that air transport shows its greatest savings over long distances. It also throws doubts on the long-range express jet freight services now being planned by several airlines.

new debentures in early dealings if all goes well ; but it is a big load for the existing shares to carry, and some shareholders, at any rate, may not see sufficient benefit in these prospects.

PULP AND PAPER

A Break in Prices

FOR two years the prices of most grades of pulp and paper have been held remarkably steady in face of the growing world surplus of manufacturing capacity. Newsprint prices were reduced by up to £2 a ton on January 1st, and prices of some waxed wrapping papers have also fallen ; in other products selling pressure has usually taken the form of bigger rebates. Now that front of stability has been breached. The big integrated pulp and paper makers in Scandinavia moved first by cutting prices of paper ; this week British manufacturers cut their own prices correspondingly ; and Scandinavian prices of pulp—which normally are the first to change—have been forced down.

The British mills have cut prices of all grades of kraft paper by £5 10s. a ton except kraft liner, the heavy paper used for making corrugated fibre board, which has not been changed. Unglazed kraft paper in reels, in one to five ton lots, is now £91 7s. 6d. a ton. All sulphite papers, used for making paper bags and wrapping paper, have been cut by £3 10s. a ton, bringing the machine glazed product, in reels and in one to three ton lots, to £96 5s. a ton. Scandinavian sellers of pulp are now negotiating new contracts with British users ; they are offering a reduction of £3 to £41 a ton cif for kraft pulp, and a reduction of £2 for other chemical pulps, making bleached sulphite pulp £54 10s. a ton cif.

Will Scandinavian mechanical pulp, the basis of newsprint, remain unchanged at £28 10s. a ton cif ? Not all the big British consumers covered their requirements for the first six months of this year. If a buyer succeeded in obtaining a lower price for shipments in the second quarter others would get the benefit of a reduction, and prices of newsprint would presumably have to be cut again.

CHEMICAL IMPORTS

Imperial Preference ?

THE Board of Trade have announced that they are considering an application for the imposition of an anti-dumping duty on imports from Canada of " pentaerythritol containing not more than 20 per cent by weight of di-pentaerythritol." This is a chemical based on methanol-acetaldehyde which is widely used in the manufacture of synthetic resins for high-quality decorative paints ; by far the largest manufacturer of this material in Britain is the Nobel Division of Imperial Chemical Industries.

The price of this chemical in the United Kingdom has fallen from around 2s 6½d. to about 2s. 2½d. a pound, since the easing of controls on imports from the dollar area last year. The present Canadian domestic price is reported to be around 2s. 2½d. a pound. It is also made on the Continent, notably by Badisch Anilin in Germany and in Sweden ; but all imports except those from the Commonwealth, on which there is no duty, are subject at present to Key Industry Duty of 33⅓ per cent *ad valorem*. This is the first example of an appeal for protection under this Act against any import from North America.

COMMERCIAL TELEVISION

Advertising in Search of A Policy

SINCE it recently came under intensive criticism, the Independent Television Authority has held several meetings to discuss its future policy towards advertising. About a year ago the ITA decided as an experiment to allow programme contractors a certain latitude in the amount of advertising that they sold in any one hour, provided that the average for the day as a whole worked out at six minutes to every hour's transmission. This was done in part to meet the demand for peak-hour advertising, which is much greater than that for the cheaper, off-peak hours. The experiment was in any case due for review at about this time. It is beginning to look as if political pressure will make the ITA bring it to an end.

Questions about the content of the advertisements shown are not likely to be settled so easily. The law governing advertising claims, the Merchandise Marks Act, was completely revised in 1953 and is exceedingly strict. It would repay careful reading by those advertising agents who allow their clients to make specific claims that their products are X times bigger, lighter, heavier, more efficient, more nutritious, less harmful, than some standard product. Under the Act they could well be asked to justify these claims in court. The number of experts on the Merchandise Marks Act is, however, small and probably limited to the staff of the only two organisations that make it their business to bring prosecutions under the Act, the Board of Trade and the Retail Trading Standards Association. As a result, there is controversy about whether the ITA is allowing its contractors to show advertisements that sail too close to the wind for the public good. The ITA has recently taken the first timid step towards putting its house in order by refusing to take certain forms of toothpaste advertisement. But it needed an inordinate amount of pushing and prodding to move this far.

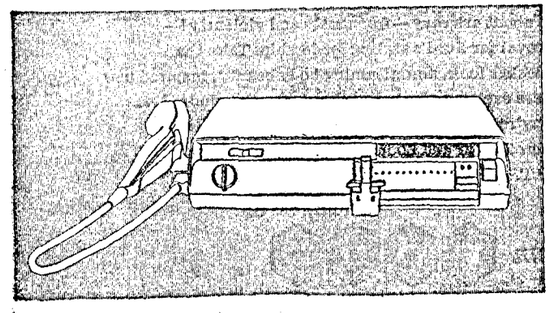
NATURAL RUBBER

A Boomlet in Shares

FOR many months the outlook for natural rubber has seemed as safe as it is ever likely to be. Consumption and production should be in close balance this year, as in 1958. The short-term risk is not a political one, nor is it competition from synthetic rubber. As Sir John Hay pointed out this week in his statement as chairman of Linggi Plantations, supplies of natural rubber were fully absorbed last year though the price was higher than that of synthetic rubber and American producers of synthetic had capacity to spare. The main risk is that buying by Russia, China and other Communist countries, which rose sharply last year to a level not far short of American consumption of natural rubber, may fall off. But some risks have to accepted, and investors have gradually awakened to the highly attractive yields that rubber shares offer.

Since the closing months of 1958 a trickle of buying has raised share prices, and this in turn has served to bring

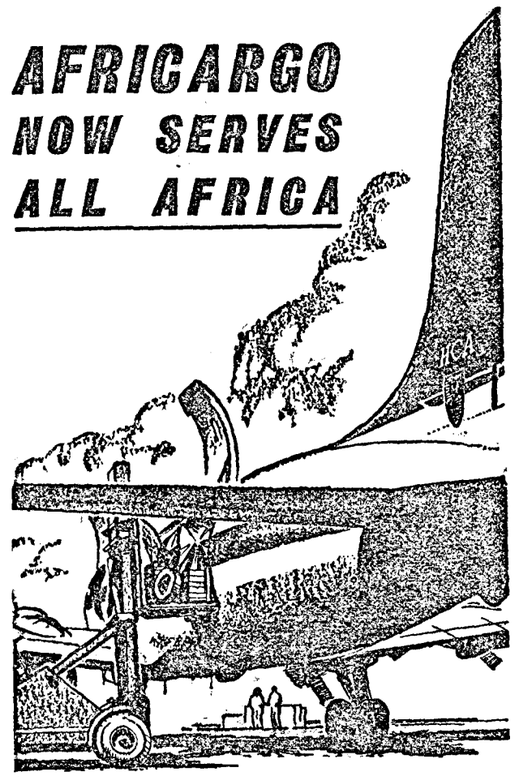
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DICTAPHONE CO. LTD., 17-19 STRATFORD PLACE, LONDON W.1. HYDe Park 8461
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AFRICARGO NOW SERVES ALL AFRICA



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West Africa and Johannesburg—as well as East and Central Africa—are now linked with the U.K. by the Africargo airfreight service. This Hunting-Clan express service is now operated with modern pressurised Douglas DC-6C 'Liftmasters' cruising at over 300 m.p.h. and with vastly increased cargo space. The all-cargo flights are supplemented by freight capacity on the scheduled Safari Viscount services. With Africargo, you get specialist care and handling as well. Cargoes are accompanied by trained flight attendants, you get firm bookings, and many other advantages an all-cargo service offers.

Consult your forwarding agent or write to :

HUNTING-CLAN
AFRICARGO SERVICE
LONDON AIRPORT

Hounslow, Middlesex. Telephone: SKYport 4111



Avant Garde?

Distinctly; and if opinions about art vary—frequently and violently!—there's a firm body of approval for Ford's styling leadership. Take the new Consul—the lower, sleeker look, new gleaming body beauty, inspired new facia and trim styles—these exciting advances are universally admired... and even more so since they're presented *without any increase in price!* See the new Consul, and new Zephyr and Zodiac, at your Ford Dealer's now. Price £545 plus £273.17.0 P.T. = £818.17.0

new Consul from FORD

AND UNIQUE WORLD-WIDE FORD SERVICE, TOO!

FORD MOTOR COMPANY LIMITED · DAGENHAM—BRITAIN'S BIGGEST EXPORTERS OF CARS, TRUCKS AND TRACTORS

other investors in. Recently, helped by a further rise in the price of the commodity—now about 27d. a lb—share prices in London rose sharply and buyers were still further encouraged. The bigger well-managed companies were favoured particularly by some institutional investors who

	Price Mar. 21, 1958	Price Dec. 31, 1958	Price Feb. 27, 1959	Price Mar. 23, 1959	Yield on assumed dividend %
Jugra Land and Carey....	6/–	7/4½	8/6	11/–	9·09
Linggi Plantations	2/10¾	4/4¾	3/10½xd	4/9	12·21
London Asiatic.....	2/9	3/9¼	4/4½	4/9	12·63
Malacca	23/9	27/–	31/3	36/6	12·33
United Sua Betong	49/6	64/–	71/–	77/9	12·86
Rubber (spot, d. per lb)...	23	24⅝	25⅜	26⅝	

are now looking more kindly at a market that they have long been content to leave to the small investor. On Monday of this week the number of bargains marked rose to 1,313, over twice as many as on the previous Monday. But buyers and sellers were in better balance and the upsurge in prices seemed temporarily to have run its course.

UNION OF BANK EMPLOYEES

A Crumb from the Midland

THE banks have gone far in the past year to meet complaints that their methods are out-dated; they are still a little behind in their staff relations. The National Union of Bank Employees, which claims 50,000 members, is recognised by only two clearing banks, the National Bank, of which Lord Pakenham is chairman, and Barclays—which also recognises a staff association, and consults both bodies about salaries and conditions, but has no formal arbitration agreement with either. At all the other banks, NUBE is without recognition, even where it has more members than the internal staff association.

This union has consequently thrown its main effort behind the fight towards securing recognition (and belittling the staff associations); and when Lord Monckton became chairman of the Midland Bank in 1957 it lost little time in approaching him. According to the union—the Midland Bank makes no comment—Lord Monckton has now informed it that the bank has no objection to receiving "periodical representations" from the union; but that it has decided, after lengthy deliberation, not to disturb its relationship with the staff association. Formal machinery of negotiation exists at the Midland, and the bank does not want to get itself involved in a double set of negotiations. The union is to take the matter up further with Lord Monckton; it is pleased to have got its foot in the door at all. The other banks must be watching carefully; if the Midland swung towards recognition of the union others might find it difficult to hold out. Certainly most bank officials would be pleased to see an end to all the bickering.

LIFE ASSURANCE

Bigger Bonuses

LAST year buoyant interest income swelled the surpluses of the life offices with the result that many of the bonuses paid by these offices on their participating ordinary policies have again been raised. After this latest round of increases, however, it may be that those offices already paying high bonuses will be more anxious to consolidate them than to push them much higher; the Standard Life, for instance, has after its triennial valuation left its compound bonus unchanged at the high rate of 42s. per cent per

Used Cars at Easter

As the table shows, prices of secondhand cars have not risen seasonally this year as much as they did a year ago. This has probably been caused in part by greater expectations that purchase tax on cars will be reduced in the coming Budget. If this car-buyer's hope comes true, the reduction in the prices of new cars will naturally be reflected to a large degree in the prices of all used cars; but it is possible that used car prices will not fall proportionately, since there still appears to be considerable unsatisfied demand for cars.

The weeks just before Easter are normally among the most active times in the secondhand car market, although this year's early Easter has upset the normal pattern to some degree. From April onwards prices decline slowly, reaching their low point at about the time of the Motor Show, and remaining at generally low levels—depending on the weather—until early in the year, when they begin to rise slowly again. Completely new models bring a drop in the secondhand prices of the same make; but neither the introduction of an essentially different car—such as the Ford Consul Mark II in place of the Consul Mark I in 1956—nor certainly minor facelifting, such as has recently been applied to Ford's Mark II larger cars, makes much difference.

The table, based on figures supplied by Wm. Glass, Ltd., shows the average price that would have been obtained for a year-old car during the past eighteen months, expressed as a percentage of its original cost, including purchase tax. The prices are those ruling at the end of the quarter, except for the last column, which relates to this month.

	1957	1958				1959	List Price
	Dec.	Mar.	June	Sept.	Dec.	Mar.	£
Austin A 35	...	89·9	86·5	80·7	81·5	87·4	601
" A 55	...	90·5	87·0	81·8	81·8	90·0	856
Ford Popular	77·7	85·6	82·2	76·6	77·7	83·3	444
" Prefect	82·5	89·7	86·5	80·1	81·7	85·9	658
" Consul II.....	82·2	91·0	87·3	80·6	81·2	91·0	819
" Zephyr II.....	73·8	...	83·5	74·8	75·3	83·5	916
Hillman Minx.....	85·0	89·9	86·8	80·5	80·5	88·7	795
Morris Minor 1000	80·0	89·3	87·2	81·4	81·4	87·9	694
" Oxford III	73·6	88·7	86·4	79·1	80·2	89·3	885
Standard Vanguard	76·7	87·2	82·8	74·4	73·9	77·9	1,014
" 8	76·9	85·5	82·1	76·9	77·8	80·5	646
Vauxhall Victor	...	...	83·8	80·7	79·9	85·8	781
" Velox.....	71·8	85·5	82·1	72·9	73·5	85·6	1,075

annum. The biggest office of all, the Prudential, has increased its ordinary branch bonus on policies issued in the United Kingdom from 44s. per cent of the sum assured to 48s. per cent and its bonus on industrial policies from 33s. to 34s. per cent. The special bonus declared by the "Pru" on policies issued before 1954 has been stepped up in the ordinary branch by 2s. to 12s. per cent and in the industrial branch by 3s. to 10s. per cent. The "Pru" has also declared higher bonuses on individual retirement annuity policies, but bonuses on group pension contracts have been left unchanged.

ORDINARY LIFE BONUSES

Annual Valuations: Office	Reversionary Bonus (per cent) Old rate	New rate	Interim Bonuses: Office	Reversionary Bonus (per cent) Old rate	New rate
Britannic	42/- S	44/- S	Beacon	42/- S	45/- S
Co-operative...	40/- S	42/- S	Comm. Union .	45/-C	50/-C
Prudential	44/- Sa	48/- Sa	North British..	42/-C	45/-C
Prov. Assoc. ...	40/- S	50/- S	Phoenix.....	43/- S	45/- S
Refuge	38/- S	40/- S	Royal Exchange	50/- S	55/- S
Weslyn. & Gen.	36/- S	40/- S	U K Provident.	45/-Cb	48/-Cb

S=Simple bonus. C=Compound bonus.
a U K business. *b* General policies.

Although there has been another fall in the proportion of the surplus allocated to shareholders in the "Pru," this time from 7.2 to 6.8 per cent, the tax-free dividend on the "A" shares (largely paid out of life and annuity profits) has been raised from 147½ to 162½ per cent. The tax free distribution on the "B" shares (paid wholly out of non-life profits) has been increased from 93¾ to 108⅓ per cent. The dividend on the "A" shares pleased the stock market. In contrast, there had been some initial disappointment with the Legal and General dividend, which was left unchanged at 100 per cent. Some investors had hoped that Legal and General would break with the custom of changing the dividend only at the end of the valuation period. But the disappointment soon wore off, for it was quickly realised that Legal and General will make its triennial valuation at the end of this year and then, presumably, shareholders will get their reward.

JUTE

The Tied Sale

PRICES of raw jute and jute goods have risen this month. The higher grades of Pakistan jute needed by foreign consumers have become difficult to obtain, and mills in Dundee, the Continent, and Eastern European countries have been buying. Firsts, for example, are now quoted in Pakistan at about £95 a ton cif for April-May shipment, £5 higher than at the beginning of the month. Prices of the lower grades are also firmer, though still on the official minima fixed by the Pakistan government. Because better grades are short and other grades are plentiful, sellers in Pakistan have adopted the technique of the "tied" sale; if a buyer will take a high proportion of lower grades he can buy firsts for about £92 a ton. Higher prices of the better grades have been reflected in an increase in some qualities of jute yarn in Dundee.

Indian jute goods have risen for different reasons. Domestic demand has improved, particularly for sacking; the mills have made a slight cut in production; and speculators have taken the opportunity to push the Calcutta market higher. The standard grade of sacking is now quoted at about 144s. 6d. per 100 bags fob Calcutta, a rise of 7s. 6d. this month; hessian cloth has risen less sharply, a 10-ounce 40-inch cloth gaining 1s. 6d. to 59s. 6d. per 100 yards fob. As it happens stocks of hessian are low while stocks of heavy sacking, though they have fallen somewhat, are still high. But in this market prices are apt to move in the unexpected way.

SHORTER NOTES

Lord Kennet of the Dene, on reaching his eightieth birthday, has retired from the chairmanship of the Union Discount Company and other City companies, and also from the chairmanship of the CIC, which he has held since the inception of the committee in 1939. He is succeeded at the CIC by Sir Thomas Frazer, who is 75. The functions of the committee were reduced in February to scrutiny of applications to borrow by overseas residents.

* * *

The Ministry of Transport's inquiry into the crash of a British European Airways Viscount a year ago at Prestwick, published this week, has produced one of the first fully substantiated cases in which a pilot misread his altimeter to the extent of believing he was at an altitude of 14,500 feet when he was in fact only 4,500 feet off the ground. Consequently he flew the aircraft into the ground three miles from the threshold of the runway. The difficulty of reading the standard altimeter has often been suspected as the cause of apparently inexplicable errors by experienced pilots: the Ministry of Transport ordered a new, less confusing design to be used shortly after the report of the investigation was received by the Minister in mid-January.

* * *

The World Bank, it is reported, will shortly make an issue of Dm 200 million (£17 million) on the German market. The coupon will be 5 per cent and the maturity up to 15 years.

* * *

The 10s. shares of Great Portland Estates which were placed at 15s. were initially quoted at 18s. 10½d. on Monday. In an active turnover, the price rose quickly to 21s. 6d., but closed at 18s. 7½d. on Tuesday evening.

COMPANY AFFAIRS

Comments on pages 1222 and 1223 on

AEI — N.V. Philips
Alliance Trust — Associated Fisheries
James Pascall — Harrods
Bradford Dyers

LONDON AND NEW YORK

Stocks, prices, yields and security indices on page 1223

LONDON STOCK EXCHANGE

The week's movements reported on page 1223

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1224

COMPANY MEETINGS

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

ANNUAL GENERAL MEETING

LORD SINCLAIR OF CLEEVE'S REVIEW

The Fifty-seventh Annual General Meeting of The Imperial Tobacco Company (of Great Britain and Ireland) Limited, was held at the Recreation Hall of the WD & HO Wills Branch of the Company, Regent Road, East Street, Bedminster, Bristol, on Tuesday, March 24, 1959.

The Lord Sinclair of Cleeve, KCB, KBE (Chairman of the Company), who presided, said:

The Directors' Report records certain changes that have taken place in the Board and refers to an impending change in the Chairmanship. I will deal with the former now and the other later.

Sir Wilfrid Anson retired from active work with the Company last October, after thirty-nine years of devoted and distinguished service. He was appointed Deputy Chairman in 1948, having previously been the Leaf Manager and the Secretary. He was elected to the Board in 1941. His services to the Company and, I believe, to the whole industry have been outstanding. He and I have worked closely together for a long time and I know better than most how unsparing have been his efforts for the Company and how much the Company owes to him. I am sure you will be glad to know the Board will continue to have the benefit of his judgment and great knowledge of our business.

Of the two new Directors whose appointment to the Board is referred to, Mr Fieldsend is in charge of our Central Research Department, and Mr Simpson is the Company's Chief Engineer. I have no doubt that with their specialised knowledge and experience they will prove very valuable additions to the Board.

THE YEAR'S RESULTS

The Explanatory Statement comments on the principal features in the Accounts now before you and, therefore, you will not expect me to deal with each item in detail. The improvement in the consolidated profit for the Group, after tax, is fully up to our expectations a year ago, although there was a slight decrease in sales of the Parent Company. The contribution of the Subsidiary Companies to the profits of the Group is virtually the same as it was last year. And I might here remind you that while supplying the Parent Company with most of its considerable requirements of paper, board and packaging materials, the principal Subsidiaries have a large outside trade; and in their respective fields the reputations of St. Anne's Board Mill Company Limited, Ashton Containers Limited, Robert Fletcher & Son Limited and Mardon, Son & Hall, Limited, stand high.

The items which account for almost the whole of the improvement in the financial results are, the better trading profit of the Parent Company, which has been struck after allowing for a lower charge for bank and other interest, and the larger income from trade investments.

The Parent Company's trading profit shows an increase of £2.9 million over last year's figure and about £1¼ million over each of the two previous years. For 1957, however, the figure was lower than it had been for some time because we delayed as long as possible the alteration in prices necessitated by rising costs. The improvement this year is chiefly due to the fact that we had the benefit from the small increase in prices in September, 1957, for a full year as compared with only a few weeks in the previous year. The improvement would have been greater but for the slight fall in sales and rising costs.

This fall in our sales has to be looked at in the context of a fractional increase in total consumption, and we certainly do not regard with complacency the fact that we have not fully maintained our share of the trade. On the contrary we are continuing to do everything possible to ensure that our products are as well made, as well packed and as well marketed as they can be. In terms of quality and value for money in relation to competing brands I believe they stand as high as ever. Inevitably in this trade of ours there are, over the years, varying trends of fashion or public fancy, and there always are some sections of the public who like a change for the sake of change, or who want at least to try something new. This Company with its large share of the trade must be particularly exposed to such influences. Our policy is, firstly, to continue, by research, control of quality, and utmost efficiency in manufacture, to maintain, and wherever possible improve, the quality and value of our products; secondly, to provide, by the introduction from time to time of our own new brands, ample availability of choice to those who are looking for something new and something different; and lastly, to advertise and sell our goods well. The booklet on research and the control of quality, which was sent out with the Accounts, describes and illustrates some of the work we are doing under the first heading, and it also lists examples of our products which in the aggregate may be said to provide for every taste. Through the various advertising media—press, television, posters and in the shops—the public are made aware of the new brands we have put on the market and are frequently and effectively reminded of the merits of our old established brands. Old friends are generally good friends, and in our long established brands, among which Player's Medium and Wills's Woodbine are outstanding in their respective classes, we have brands of cigarettes that can well stand comparison with anything old or new on the market. Sales of Tipped cigarettes are increasing, though in the aggregate they are only about 10 per cent of the total cigarette trade; and in this comparatively new field I am glad to say that Player's Bachelor and Wills's Bristol seem to stand highest in public favour, and we have some other very promising brands among recent introductions at various size and price levels. I mention these facts simply to illustrate how we are maintaining the high standard of our already well-known brands and by new introductions catering for changing tastes.

During the year under review some costs have continued to rise. The chief of these is that of our raw material, leaf tobacco. Tobacco is not one of the commodities of which the world prices have fallen in recent years. On the contrary, the prices of the types of leaf required for our trade have continued obstinately and steadily in an upward direction. We have three main sources of supply, USA, Rhodesia and Canada. Each in this last year had its difficulties and disappointments. In the United States there was some over-enthusiasm on the part of many growers for a newly developed variety of seed which, under the conditions in which it was grown last year, produced a predominance of tobacco that was not suitable for our needs. In Rhodesia late rains caused serious damage to a crop that up to the eleventh hour had given promise of being the largest and best crop ever grown in that country. In Canada the 1957 crop was hit by bad weather, while the 1958 crop, which is now being sold, has not yielded as much good quality tobacco as we have come to expect of Canadian crops. All this must sound disappointing, but it would be wrong to infer that such tobacco as we did buy was, on the whole, below average quality. In fact the great bulk of our purchases was up to our standard, but we did not succeed in buying in total as much as eleven months' using, and what we bought was, grade for grade, dearer than our purchases in the previous year.

The item of Stock in Trade is an important figure in our Balance Sheet, and I think I should amplify the comment in the Explanatory Statement. The principal components of this figure are, firstly, unmanufactured tobacco in bond or in transit from the country of origin; secondly, tobacco cleared from bond and in course of manufacture; and thirdly, manufactured stock. The second and third are duty paid stock; the first is not. It so happened—and this is to some extent fortuitous and not planned—that the quantity and value of the second and third taken together was greater this year than last. For this reason, and because, as I previously indicated, the additions to our stock from last year's purchases cost more per pound than in the previous year, the decrease in value of our stock as shown in the Balance Sheet does not fully reflect the decrease in the quantity of tobacco in bond and in transit.

As you will observe from the Profit and Loss Account, Trade Investments produced nearly 20 per cent of our total income before tax. The predominant investment in our portfolio and, of course, the predominant source of income under this heading is our holding in the British-American Tobacco Company which represents *inter alia* our share of the export trade in our brands. We have never thought it wise to give details of the Company's investments, and in taking that

line we are governed solely by the consideration of what we conceive to be in the interests of the Company as a whole. But in view of some statements that have appeared in certain quarters recently I think I ought to make it clear that whether we had or had not an outside investment, or investments, in the tobacco trade in this country would have no influence whatever on our own manufacturing and selling policy, since our objective is, and must continue to be, first and foremost to sell the brands of our own Branches and so maintain the goodwill of the Imperial Tobacco Company.

Although the amount which we have to keep locked up in Duty is very considerable and at October 31st was little different from that of the previous year—some £85 million—there was an appreciably lower charge for bank and other interest. This was due in the first place to our inability to buy during the year as much tobacco as we should have liked, and in the second place to the cumulative effect of our policy of building up the Company's financial resources by annual transfers to reserve. These two factors also explain why it was possible to repay the £10 million 3¼ per cent Notes which matured on October 1st last without replacing them by an issue on terms which in the circumstances of the time would have meant committing ourselves to a high rate of interest for a long period of years.

The estimated liability for UK taxation is up by £865,000 for the Parent Company and by £659,000 for the Group. We were one of the Companies which were very heavily penalised by Profits Tax in the old form which discriminated between distributed and undistributed profits, and had it not been for the change to the flat rate basis in the last Finance Act the increase in our total tax liability in respect of last year's profits would have been appreciably greater than it was. We have not, of course, in these accounts had a full year's benefit from the flat rate, so that there is still some comparative advantage to come in this regard in the current year.

RESERVES AND DIVIDEND

As you will have seen from the Explanatory Statement, the decrease in the book value of the Company's assets was more than accounted for by the temporary decrease in leaf stocks to which I have already referred. Both the Parent Company and its Subsidiaries have spent considerable sums on new buildings and, more particularly, on new plant, and this will continue in the current year.

I have already referred to the large amount of working capital we need to finance the Duty at its fantastically high rate of £3 1s. 2d. per lb which is incidentally equivalent to a purchase tax of about 400 per cent.

To meet existing and prospective competition, to continue our extensive research programme, and to restore the level of our leaf stocks as opportunity arises—all these will require further finance.

It is against that background that we have thought it right to transfer to Reserves £5½ million from the profits of the Parent Company and £1 million from the profits of the Subsidiaries, making £6½ million to the Reserves of the Group. You will observe that the transfer to General Reserve in the Parent Company is the same as it was last year, namely £3½ million, and this year we have transferred a further £2 million to Contingencies Reserve. These transfers having been made, it was possible to recommend that the rate of Ordinary Dividend be restored to the level paid in respect of 1956 and slightly to add to the balance on Profit and Loss Account.

GIFT TO STAFF AND WORKPEOPLE

As you know, it has been the practice for a long time to make a Gift to Employees in recognition of their efforts to promote the Company's interest during the year. The Gift is paid for loyal and willing service to the Company and is a tangible recognition of the good relations which undoubtedly exist among all ranks in the Company's employ. We believe that it is greatly appreciated and that it materially contributes to these good relations. This year the rate of the Gift will be 12 per cent of earnings in the year ended October 31, 1958, which is one half per cent more than last year.

CENTRAL AFRICAN FEDERATION

I referred last year to the fact that 1957 marked the Jubilee of the Company's organisation in Central Africa, and I went on to say something of the way in which our interests there have expanded since we started operations in Nyasaland in 1907. We now employ some 170 Europeans and over 5,000 Africans in our leaf handling plants and forestry estates in Southern Rhodesia and Nyasaland. Our capital investment there—including the housing and other amenities we have provided for our African employees—is a very considerable one. This Company has, in a sense, been a part of Central Africa for a long time; we have closely observed, and I believe contributed in some measure to, its development since the early years of this century; and we have a very real concern for its welfare.

For all these reasons you would, I think, wish me to say a brief word about the present disturbed situation in the Federation, particularly in Nyasaland. But first I should tell you of the latest messages from our local management about our own people and property in Limbe and district. The news, I am glad to say, is entirely reassuring in that regard and those in charge are to be congratulated. Although there has been a good deal of disturbance in that area, neither injury to Europeans or Africans nor damage to property has occurred so far in any of the Company's factories or estates. Our African labour has been completely loyal, and relations between them and the European staff are as good as ever. The leaf buying and handling season has just started in Rhodesia, and will soon be starting in Nyasaland. I hope that as the dust of the present disorders settles our operations will be able to proceed smoothly, and, if they do, I think there are reasonable prospects this year of better quality tobacco from both territories.

On the broader issue, I said a year ago that in the light of our long experience in Central Africa we have faith in the Federation and its future. Despite the events of the past few weeks we still have that faith. The Federation provides the framework within which, given understanding and goodwill, three territories capable of much benefit to each other can come together and in course of time evolve a true inter-racial partnership.

As a Company we cannot become involved in the purely political aspects of the issues at stake. Nevertheless, by continuing to further the development and well-being of our African employees in every way we can, we may perhaps make a not insignificant contribution to the attainment of the ideals of true partnership within the Federation.

TAXATION

In reviewing the Company's financial position on such occasions as this, I have frequently thought it well to refer to problems of taxation which seemed to be currently of particular relevance or importance. This Company is, after all, a considerable unit in the country's industrial economy, and like many others its prosperity is very much bound up with the soundness of the national economy and the effects of current taxation. And here may I say how greatly the Government are to be congratulated upon the success of the measures taken over the last two years to improve and strengthen the standing of the pound sterling in the eyes of the world. Secondly only to security and peace with honour, the stability of the pound must surely be the greatest responsibility of any UK government. On that depends our economic strength, our ability to maintain our export trade, and, among many other things but not least important, the best long-term insurance against unemployment.

For this Company and for this industry the supreme taxation problem is, of course, still the excessively high rate of tobacco duty and the paramount need, in the long-term interest of the industry, and of the very large contribution it makes to the national revenue, to reduce the rate of duty—if necessary by stages but on some plan which in course of time will make possible an appreciable reduction in price. This plea has been a constant theme running through all my references to taxation, but I have on occasion touched on some more general problems. There are two such points to which I would like to refer today. The first has obviously some bearing upon the rate of tobacco duty, but only incidentally; the other, although apparently of no great significance to company finance, is yet of some general importance.

There is, I think, a prima facie case for a review of the structure of that part of our tax system which is levied on purchases of goods rather than on incomes. These indirect taxes account in the aggregate for nearly half of the national revenue. Between one class of goods and another, however, the rate of tax may vary enormously, and the structure has been put together haphazardly. There has been, at times, a tendency to impose the heaviest burdens on goods which were regarded as luxuries rather than necessities. At other times—perhaps particularly in times of war or national emergency—the factor of ease of collection was given great weight. At other times again the consideration was, frankly, expediency—the need to raise more money in the way which, at that time, would be least unpopular. Even although what one generation regards as luxuries the next may look upon as conventional necessities, the relative disparities in tax rates created by temporary conditions such as I have described tend to become crystallised into permanent features of the system, and, so far as I know, there has not been any study of the economic significance and soundness of the structure of indirect taxation as it is today, nor an examination of its fairness as between one section of the community and another. There are certainly many inconsistencies (of which tobacco is one example) which result in people of particular tastes being penalised out of all reason by comparison with others. Perhaps in these days we tend to put too high a premium on planning or attempt to plan too precisely; but there is little planning of any kind in the present structure of our indirect tax system, and a review such as I suggest might well disclose ways in which it could be brought into better balance with advantage to the community at large.

The other point to which I would refer is the case for treating gifts to approved charities up to, say, five or ten per cent of the individual's taxable income as allowable deductions from that income. This, of course,

is not designed to leave more money in the pockets of the individual because the relief applies only to the extent that he gives it away for the benefit of a worthy object; and it is something which other countries have found it expedient and wise to do. The level of personal taxation in this country is so high that charities and other good causes are becoming far too dependent on finance from public companies. Where the "cause" is one which directly benefits the company, it is, of course, entirely appropriate that help from company funds should be given. Where the benefit is indirect (and there is considerable variance of degree of "indirectness") it is not so easy and I would be surprised if the amount of time occupied by boards or committees of directors conscientiously considering on the criterion of some indirect benefit whether a particular case can conceivably qualify for help and if it does, how much can justifiably be given, would not amount to something very considerable. It is, of course, true that an individual by entering into a seven-year covenant can ensure that the charity concerned recovers the Income Tax deducted, but a seven-year covenant is often more difficult for the individual than for the company, and not always easy for the company. If the Chancellor could see his way to introduce a relief of this kind, it might cost the revenue relatively little and besides easing the difficulties in which companies are placed when dealing with appeals, it would be greatly appreciated by those individuals who long to do more than they now can for really good causes.

PROSPECTS FOR THE CURRENT YEAR

I cannot say that even with all that we are doing to maintain and increase our sales our figures to date suggest that by the end of the year we will have shown an increase. There is no doubt that fogs and "flu" have affected consumption in the last two months and it is extremely difficult to forecast what the final result in terms of sales will be. Total consumption—if it continues to be held down, as it is to-day, by the excessive burden of Duty—is not likely, I think, to show any material increase. Competition remains extremely keen. Even if we are able to replenish our leaf stocks in the coming year at relatively favourable prices—and I am afraid that is a large assumption—the average cost of our leaf usings must be up this year, and many other costs and items of expenditure are likely to be higher. On the other hand, there may be some increase in our investment income; and, as I have already indicated, we should have the advantage of a full year's benefit from the flat rate of Profits Tax. *Taking all these factors into account*, the most I can say is that, while some reduction in trading profit seems probable, I would be disappointed if the results a year hence were not such as to enable us to maintain the rate of Ordinary Dividend after making appropriate transfers to Reserves.

In conclusion I will refer—and, if you will allow me, refer in a very personal vein—to the paragraphs in the Directors' Report which touch on my own resignation from the position of Chairman and the appointment of Mr Roger Clarke to succeed me. I believe that it is good for the Company—I am not presuming to enunciate a general principle applicable to all large companies whatever the circumstances, but rather stating a conviction applicable to this Company in this day and age—that a man should not continue as a whole time active Chairman after 65, and that he should be able to hand over the reins to a successor in whom he has complete confidence and who is of such an age that he may reasonably expect to hold office for a number of years. My colleagues and I have planned on that basis for some time. Too frequent changes at the top are not desirable; yet if men at the top stay on too long it can be a discouragement to others and tend to slow up promotions all down the line. Therefore, although I am reasonably active and, perhaps, not appreciably less able than I have been to discharge the duties of Chairman, I have no doubt that it is right and in the best interests of the Company that I should now hand over to Mr Clarke; and I am happy to think that as President I shall be able to keep in touch with the Company's affairs and with major policy questions. Mr Clarke's family have been connected with the tobacco industry for a very long time. He himself has a thorough knowledge of all sides of our business. He has worked in the factory; he has been an Assistant Factory Manager; a Sales Manager; a Branch Manager; a Director, and since 1949 a member of our Executive Committee. He is ten years younger than I am and he has the character and ability to make him an admirable leader. I have no doubt whatever that the Company will be very fortunate to have him as Chairman; that he can count on receiving the loyal support of everyone in the Company in the full measure in which it has been accorded to me; and that the Stockholders can rest assured that under his leadership nothing will be left undone to maintain and enhance the soundness and prosperity of the Company.

BEAUMONT PROPERTY TRUST LIMITED

The twenty-fifth annual general meeting of The Beaumont Property Trust Limited, was held on March 19th in London, Sir Cyril Black, JP, DL, MP, FRICS, FAI, chairman, presiding.

The following are the main features from his circulated statement for the year ended September 30, 1958:

The accounts will, I confidently believe, be regarded as very satisfactory and a fitting climax to a quarter of a century's work in building up the fortunes of this group of companies.

Another Scrip Issue.—In the light of our very large reserves after the revaluation of the properties of the investment companies the directors are recommending a further one for two Ordinary share bonus issue.

New Rent Agreements.—There has been substantial improvement in our revenue position partly due to our policy of reducing holdings in flat properties and re-investing in business premises, and partly to the effects of the Rent Act 1957. Practically the whole of the tenants concerned have entered into new agreements.

Dividend and Bonus.—About a year ago the Board expressed its intention of recommending a total distribution of 8 per cent, less tax, on the Ordinary shares. This has been realised and they further recommend a bonus of 2 per cent. In respect of the current year, it should be possible to recommend a total of 8 per cent, less tax, on the Ordinary Capital as again increased.

Since the end of the year the Issued Ordinary Capital has been increased by £25,000 arising from the acquisition of a further group of companies owning excellently situated shops. 25,000 Ordinary shares of £1 each were issued at 40s. per share.

The report and accounts were adopted.

At a subsequent Extraordinary General Meeting a resolution was passed approving the capitalisation of £612,500 of reserves for the purpose of distributing one new fully paid Ordinary share for every two existing Ordinary shares held.

LINGGI PLANTATIONS, LIMITED

SIR JOHN HAY'S STATEMENT

PROMISING OUTLOOK FOR NATURAL RUBBER

THE RISKS OF STABILISATION SCHEMES

The Sixty-third Annual General Meeting of Linggi Plantations, Limited, will be held on Wednesday, April 1st, at 19 Fenchurch Street, London, E.C.3.

The following is an extract from the Statement by the Chairman, Sir John Hay, which has been circulated to stockholders:

RUBBER OUTLOOK

Last year, demand for natural rubber actually exceeded supply, although only by a narrow margin. The relationship of supply to demand in the synthetic realm was reversed, but again only to an insignificant degree and in total all rubbers were approximately in balance. USA took 485,000 tons of natural rubber which was 35.7 per cent of total consumption. It would seem that notwithstanding the higher price for natural, substitution cannot be carried much further. The most interesting development was the increase in demand from USSR and Eastern Europe which rose from 166,000 to 280,000 tons. China also increased her purchases from 115,000 to 150,000. The requirements of these territories reached 430,000 tons. That purchases from these countries should approximate to the USA's represents a startling change in the general pattern of demand.

On the not unreasonable assumption that demand from these Eastern territories will be maintained there is general agreement that in 1959 supply and demand for natural rubber should be in balance and if one may be so rash as to venture beyond that period, the conclusion would be that a similar state will exist in 1960. With no interference with the normal operations of trade, the rubber outlook might well be described as set fair.

PRICE RELATIONSHIP OF NATURAL TO SYNTHETIC

The price relationship between natural and synthetic rubber is a subject of speculative opinion and the belief is expressed in some quarters that the price should be fixed according to some theory or abstract concept. The true relationship can only be determined by market factors operating under conditions of free trade and uninhibited production. In conditions of a more than ample supply of synthetic rubber providing an unfettered choice to all consumers, natural rubber has successfully withstood this severe practical test with profit and credit, a welcome proof of its intrinsic qualities and worth. Moreover, the moderate limits within which prices have moved demonstrate how well founded is the belief, long entertained by some of us, that synthetic rubber would exercise a stabilising influence on the price of the natural product. Any interference with this desirable state of affairs would indeed be misguided.

STABILISATION

The Montreal Conference held in September last gave some encouragement to price stabilisation schemes. Resort to such devices by countries dependent on primary commodities, the prices of which have fallen heavily, is naturally regarded with sympathy

although the risks inherent in all such schemes are not freely recognised or admitted. Happily, there is no need for any such supports for rubber. But where the need is not always evident the attraction of what is termed "stabilisation" sometimes persists. This may be due to a belief that the buffer stock device for stabilisation, with all its paraphernalia, is a piece of modernity which no progressive State should be without. Historically, this is quite inaccurate. The first recorded instance of the buffer stock is contained in the Book of Genesis and the events so recorded happened nearly four thousand years ago. The scheme was an undoubted success, but can hardly be cited as a precedent to be followed in modern times. Its basis was an infallible statistical forecast. Modern long-term forecasts are, alas, very fallible. Its management was committed to a young man of thirty years, wise and discreet, who was given power under Pharaoh over all the land. Our bureaucrats who are called upon to grapple with the complex economic problems of the present must regard with envy a Joseph divinely inspired and unchallengeably empowered.

PROGRESS AND COMPETITION

Since I last addressed stockholders I have visited the United States of America and Malaya. In the former country I was received with great friendliness. I am a regular visitor to Malaya and I am fortunate in having many friends there. In the United States I was privileged to visit the research stations of the large rubber manufacturers. I could not but be impressed by the scope and intensity of their researches and the extent of their technological advances and achievements. Progress is not, however, confined to one side. The natural rubber producer is alive to the benefits of research which is conducted on a quite considerable scale in Malaya and with some notable success. The outstanding development is in the field of genetics, and replanting with high-yielding stock is being carried out on a large scale in Malaya. Since, in natural rubber, we are dealing with a tree that takes seven years to mature, progress cannot be so dramatic as in synthetics, the product of a manufacturing process. But even so, much has already been achieved and as larger replanted areas become tappable the cost of producing natural rubber will decline and it will be a more formidable competitor to synthetic than hitherto. The economics of rubber production are not always clearly understood. Those who venture their capital in synthetic production should appreciate that there is inherent in natural rubber production a considerable adaptability and in the event of a price war the synthetic manufacturer may well be the greater sufferer. That, however, is an event unlikely to occur. The two products are now complementary to one another, a condition which seems likely to continue.

CLARKE, CHAPMAN & COMPANY LIMITED

COMPETITIVE TRADING

EFFECT OF LONG-TERM CONTRACTS

The sixty-sixth annual general meeting of Clarke, Chapman & Company Limited was held on March 20th at Gateshead.

The Chairman (Mr J. B. Woodeson), after reviewing the Accounts, said: Although the results for 1958 show a fall in earnings they reflect a further step in the return to more normal trading conditions. The peak results that came about in the previous years were due to long-term boiler contracts occasioned by the postwar programme of the Central Electricity Authority in their urgent demand for power. I have indicated in previous speeches that recent years have been abnormal and should not be used as standards by which to measure the trading results of your Company.

Taking into account current trading conditions, the period under review has, in my opinion, resulted in a satisfactory profit.

MARINE DEPARTMENTS

The year 1958 has been a busy one in the departments producing ships' deck machinery. As previously forecast, there has been a further move away from steam to electric drive with consequent repercussions in the works. Due to a fall in freights there has been increased caution in the placing of new tonnage and we have been fortunate in having an order book for marine auxiliaries which has suffered few cancellations.

The marine orders to be executed in 1959 will ensure that the works are nearly at full capacity. This state of affairs continues into early 1960. The prospects from then on, however, will be governed by the wider factors of world trading and confidence.

The very extensive order book of recent years is not really a normal condition. Although I consider the present state of affairs satisfactory, trading conditions are much more competitive. This means that efficient production is more than ever important, and during the later years we have been preparing ourselves to meet these conditions.

Without in any way limiting our traditional care in meeting the special requirements of individual customers it has become necessary to rationalise our design and manufacture. This increases our manufacturing efficiency and has enabled us to absorb a great deal of recent cost advances.

I have mentioned in previous reports the work that we have put into the design and development of AC deck machinery, we are now reaping the benefit of this, as the number of vessels which require AC auxiliaries has increased considerably.

There are great hopes that our latest design of AC cargo winch will more than maintain our lead in this class of work, both at home and abroad.

Throughout its history your Company has always engaged itself on work of an experimental nature in connection with its marine products. With the new Research and Development Department nearing completion this work is receiving even greater attention than in the past and I know this will ensure our pre-eminence in this particular line of business.

One of our experimental projects is the development of the turbine-driven windlass. This has been carried out in conjunction with the P & O Research Division, and whereas the application may be limited I feel its consequences could be of great importance.

As mentioned previously, the long-term prospects for marine business depend very largely on the wider factors of world trading and confidence. I am certain, however, that in the future your Company will get its full share of the orders that become available.

STEAM-RAISING DEPARTMENT

In common with other manufacturers of water-tube boiler plant we are passing through a difficult phase. Demand for power station plant occasioned by the giant postwar programme of the Central Electricity Authority created unusual conditions in the industry. Existing manufacturers were asked to increase their capacity and other manufacturers were encouraged to enter the field. The efficiency and availability of power producing plant has increased and modern designs have resulted in the units being larger. This has been followed by fewer contracts being placed. It is against this background that we have been pressing forward with our development work for boiler plant associated with nuclear energy. We are making every effort to take full advantage of the anticipated requirements, both in this country and abroad, for the steam raising application associated with this method of power generation.

NUCLEAR FIELD

In connection with this I am glad to be able to report that, as members of The Nuclear Power Plant Co. Ltd., an order has been obtained, and we are manufacturing a large section of the heat exchanger plant for Latina in Italy. As was reported in the Press, this was the first export order obtained by any country for a complete Nuclear Power Station, and great credit is due to the enterprise of The Nuclear Power Plant Co. Ltd.

Our initial experiences in the nuclear field are encouraging. I feel it is too early, however to be over-optimistic. Much new ground has still to be covered, and until we have seen our first Station fully commissioned we must be cautious.

The expenditure in recent years on new Plant and Buildings has placed us in a sound position to enter this new sphere and make the best use of every opportunity which presents itself.

It is necessary to reorganise our labour resources in the face of changing conditions and it is hoped that the goodwill which has existed in the past years will ensure full co-operation from everybody in this difficult transitional period.

It will be some time before we can be sure of our trading returns in this field; but over the long term we should be fully repaid for our interest in this direction.

RESEARCH AND DEVELOPMENT

This year we will obtain the full benefit of the research workshop completed in 1958. A physics laboratory approaches completion and we hope in a short time to provide proper facilities for all our research activities. We have built up a competent staff to handle our research and development work and already the Company is getting much assistance from this very important department.

I should like to thank the officials, staff and workpeople for their contribution to the satisfactory results attained in 1958.

In conclusion I wish to emphasise what I have already said regarding the return to more normal trading conditions. The peak figures associated with recent years may not be repeated for some time; nevertheless I consider the trading future of the Company healthy and the long-term prospects sound.

The report was adopted.

ENGLISH CHINA CLAYS LIMITED

INCREASE IN GROUP PROFITS

FURTHER YEAR OF PROGRESS ANTICIPATED

SIR JOHN KEAY'S SURVEY OF ACTIVITIES

The fortieth annual general meeting of English China Clays Limited, was held on March 19th at the Hyde Park Hotel, Knightsbridge, London, S.W., Sir John Keay, ACA, chairman and managing director, presiding.

The secretary (Mr S. Rowley, FCIS, FCWA) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts:

The profits of the Group for the year to September 30, 1958, after providing £1,292,639 for taxation, amount to £1,245,543, an increase of £160,107 when compared with last year. £20,000 has been written off in respect of Stamp Duty on the increased Authorised Capital, the Tax Equalisation Reserve has increased by £68,000 and £500,000 is transferred to General Reserve, which now stands at £3 million. Your directors have pleasure in recommending a Final Dividend of 5¼ per cent tax free, which, with the Interim payment of 2 per cent, makes a total Ordinary Dividend of 7¼ per cent tax free. The balance on Profit and Loss Account carried forward is £653,309, an increase of £220,963 compared with the balance at September 30, 1957.

The Consolidated Balance Sheet at September 30, 1958, shows that the Issued Capital and Reserves stand at £10,889,553, of which £9,611,867 represents expenditure on Capital and Fixed Assets. The balance of £1,277,686 equals the surplus of Current Assets over Current and Deferred Liabilities—an increase of £104,918 over the corresponding figure last year.

REVIEW OF SALES

Sales of China Clay show a small decrease over the year when compared with last year's record sales but the proportion of the best speciality grades continues to rise—particularly in the export markets. The successful production of these specially processed grades has contributed in no small measure to maintaining the reputation of English China Clays as the whitest and most reliable China Clays produced anywhere in the world. Competition from clays produced in other countries remains keen but the quality of our products is often the deciding factor in our favour.

Our export sales have shown a slight decrease in volume, due mainly to the short recession in the USA. The increased proportion of best grade sales, however, has more than offset the lower overall tonnage exported and our foreign currency earnings are slightly higher than last year. Difficulties associated with currency fluctuations, tariffs, import controls and similar trading restrictions continue to be experienced in the export market, and we have now to contend with the possible adverse effects of the establishment of the European Common Market. It is too early to forecast what the actual effect may be but the position is not being overlooked. There is no doubt that the China Clay trade would benefit from the establishment of a European Free Trade Area and it is hoped that some solution to the present difficulties will be found.

In the home market which has suffered from the effects of the credit squeeze, we have maintained our share of sales and the tonnage delivered to our customers was approximately the same as in the previous year.

PRODUCTION

The modernisation of pit equipment and the application of new techniques to the production and refining side of the China Clay Division of the business has continued throughout the year. The full benefit that we expect to derive from this work cannot be obtained immediately, but I am sure that the shareholders will see and appreciate that the heavy capital expenditure on work of this nature over the last ten years, as reflected in the financial results, has been well justified. During the year under review three new mechanical drying plants have been completed and further installations are now in hand. There have also been significant advances in the establishment of electronically controlled process plants—a very interesting development which facilitates the production of clays to standard specifications. In almost all the industries in which China Clay is used great advances have been made in production techniques, which in turn are dependant upon the regular quality of raw material. The aim of your Company is to contribute its share to the progress of technical and scientific development in industry by providing accurately controlled products.

MOLOCHITE

The addition to our Molochite plant referred to in my Statement last year was completed in August and came into production last September. This calciner, which is of the most advanced design, has increased our capacity for the production of Molochite by approximately 80 per cent and will enable us to take full advantage of the market potential not only at home but overseas.

BUILDING

The activities of the Building and Concrete Divisions of the Group have been depressed throughout the year by reason of the rise in the Bank Rate in September, 1957. During this period, however, they have shown their ability to compete in the keen market conditions prevailing. The position is now improving as a result of the financial measures recently announced by the Government and the volume of available building work is increasing. We have been concerned chiefly in the field of Local Authority housing and have made what we believe to be valuable contributions to the design and execution of town re-development schemes.

We anticipate an increased volume of work in school, factory, agricultural and private enterprise building. The demand for our Reformite stone has been well maintained and some fine examples of its use in both public and private buildings are to be seen over a growing area of England and Wales.

QUARRIES

The Quarries Division of the Group, reinforced during the last nine months by the "Devon" acquisitions reported last year, has also suffered from the effect of Treasury restrictions during the past year. The road building programme was severely curtailed and allocations for normal maintenance were below anticipated levels. Production in our Roadstone Quarries was accordingly well below capacity. The recession in industry was reflected in a lower demand for limestone and dolomite for blast furnaces and cement manufacture. The wet Spring and Autumn had its effect on deliveries of agricultural lime, but the demand for this product remains.

Whilst the year has not come up to expectations as far as trading results are concerned, the slowdown has given us an opportunity to reorganise our production facilities, and we are now well placed to take advantage of any increased demand as it arises. The easing of control on credit and the increase of expenditure on roads should show a marked improvement in the financial results of this Division and the returns for the current year indicate a very satisfactory trend.

TRANSPORT

The Transport Division of the Group has again made a noteworthy contribution towards the Group profit. It must be said, however, that until the main trunk road system throughout the country has been considerably improved the desirable level of efficiency of transport fleets cannot be attained.

RETIREMENTS

Mr Hart Nicholls, who has been associated with the China Clay industry for fifty-eight years, and has been an executive Director of this Company for thirty-two years, retires at the conclusion of this meeting under the provisions of the Companies Act, having reached the age limit imposed by the Company's Articles of Association. Mr Nicholls' long and loyal service to the Company is well known and has been of inestimable value and benefit to the Group, particularly with regard to our operations in China Clay, and it is with sincere regret that we have to record the end of his active association with the Company. I am sure that you will wish to join in wishing him a long and happy retirement.

Mr Samuel Rowley, who has been Secretary of the Company since 1944, retires on March 31, 1959, after forty-seven years' service to the China Clay Industry, twenty-seven years of which were as Secretary of English Clays Lovering Pochin & Company Limited. We all have cause to be grateful to him for the outstanding service he has rendered to the Company, both as Secretary and as a Director of a number of Group subsidiary companies, and wish him every happiness for a long and well-earned retirement.

CONCLUSION

It has not been an easy year but I am confident that every aspect of the Group's activities is in good heart and alert to take advantage of any further improvement in world trading conditions. We have a full programme of capital development scheduled

for the current year and look forward to a further year of progress.

There is one final thing that I am sure you will wish me to do and that is to convey to the workpeople, staff and executives, both at home and abroad, our appreciation of their loyalty to the Company and their efforts on its behalf.

The report and accounts were unanimously adopted; the proposed dividend was approved; Mr L. W. Berry, OBE, was re-elected a director; the remuneration of the auditors, Messrs Allan, Charlesworth & Company and Messrs Bourner, Bullock & Company, was fixed and the proceedings terminated with a vote of thanks to the chairman and directors.

BIRMINGHAM CITIZENS' PERMANENT BUILDING SOCIETY

STEADY PROGRESS

The seventieth Annual General Meeting of the Society was held at the Imperial Hotel, Birmingham on March 11, 1959. The Chairman, Mr W. H. Madin, presided, and in moving the adoption of the Report and Accounts said:

The year under review is one which again records excellent progress despite adverse conditions. The total amount invested with the Society from Members and Depositors during 1958 was £1,023,116, and after allowing for the withdrawals there is a balance of £5,539,722 due to Share Members, an increase of £284,262 and £985,303 due to Depositors. Interest at the rate of 3½ per cent, tax paid by the Society, has again been paid to the Shareholders, equivalent to £6 1s. 9d. per cent, where tax is paid at the rate of 8s. 6d. in the pound.

Advances during the year amounted to £1,327,886. The balance now due on properties in Mortgage to the Society was £6,264,994, an increase of £310,581 compared with December 31, 1957. Applications to finance new houses and from sitting tenants, formed a substantial part of the mortgage advances. Investments in Government Securities and cash at bank amounted to £618,297 compared with £587,766 at December 31, 1957, an increase of £30,531.

The Revenue and Appropriation Account shows that after providing for Management Expenses, Interest on Deposits, Income Tax, Profits Tax, Interest to Shareholders, and other expenditure, the balance carried down for Appropriation is: £32,100.

Add:	
Balance brought forward from last year	£19,738
Making a total of	£51,838

This amount has been appropriated as follows:

Transfer to General Reserve ...	£30,000
Transfer to Mortgage Losses Reserve	£372
Balance carried forward	£21,466
	£51,838

Reserve Fund. The Reserves, including the unappropriated balance carried forward, now amount to £311,466, an increase of £31,727. The Assets now amount to £6,891,992, an increase of £332,714.

The Report and Accounts were adopted and the retiring Directors, Messrs. H. L. Butler, J. B. Chatterley and E. S. F. Sutton were re-elected.

HARRODS LIMITED

TRADING PROBLEMS SUCCESSFULLY SURMOUNTED

SIR RICHARD BURBIDGE ON INCIDENCE OF PURCHASE TAX

The sixty-ninth annual general meeting of Harrods Limited will be held on April 20th at the Company's Premises, Brompton Road, London, S.W.1.

The following is an extract from the circulated statement of the Chairman and Managing Director, Sir Richard Burbidge, Bart, CBE:

In my statement last year I said that the outlook for 1958 could not be viewed with too much optimism chiefly because of the Government efforts to restrict home consumption, but the adverse effect of the credit squeeze on our trading was in fact more severe than I expected. This was evidenced by the rapid increase in sales during the latter part of the year as compared with the first part, the improvement commencing immediately with the easing of the restrictions and reaching its peak during the Christmas and Sale periods.

During the first six months, trade in London was also badly hit by the bus strike, which you will remember lasted for seven weeks, while a further adverse influence was the bad Fashion Season—people did not like the new fashion trends and would not accept them. The result was that the sales and profits of the Group for the first half-year were considerably less than last year, but the great improvement during the latter half of the year enabled us to recoup most of this loss so that the Gross Profit on Trading was practically the same as last year.

Differing local conditions of course affected the various stores. Harrods in Knightsbridge, responsible as you know for more than half of our Group profits, was not affected by the bus strike to the same extent as the other London Stores, and with a wider range of merchandise was able to counteract the poor Fashion Season. Trading in the last quarter was very good indeed, and, in the end, Sales for the year and Gross Profit on these Sales reached record figures. There is no doubt that Knightsbridge is becoming an even greater shopping centre on account of the building developments that are taking place in the neighbourhood. Also the shopping public are realising that in addition to the large variety of choice goods, Harrods also carry a very large range of worthwhile popular priced merchandise.

D. H. Evans in Oxford Street and Dickins and Jones in Regent Street both suffered very severely during the bus strike and while the former store did very well to get within striking distance of last year's figures, the latter store was not so successful, chiefly due to the fact that they were passing through a period of reorganisation.

There is no doubt that trading conditions in the North were not so good as those in the South; the rate of unemployment was higher, there was more short time and less overtime being worked which in particular affected the steel industry in Sheffield and our store there. Kendal Milne & Co. at Manchester showed an improvement in profit and Walsh's of Sheffield were very close to last year. Henderson's in Liverpool were severely handicapped by building operations and were not quite able to reach last year's figures.

PURCHASE TAX

I have referred to the effect that the Government's credit restriction had on our Trading results. This is a policy which was obviously necessary and against which nobody could raise any objections, but there is another aspect of their policy which is not quite so acceptable—I refer to the incidence of Purchase Tax. This, as you well know, was originally a War Tax, but whether it is the best means of raising taxation in peace time is open to argument. It certainly affects the Cost of Living and I am sure everybody would like to see this Index reduced, but I am concerned more with the adverse effect of this Tax on your companies, particularly now that the trend is to reduce the various rates of tax. Every time this happens we have to stand a very considerable loss, because, in order to be competitive, goods in stock, priced at a higher rate of tax than that borne on similar goods that can be purchased at the new tax, must be reduced in price. In the past we have charged this loss against profit, but this year the loss amounting to £66,000 for the Group has been charged against Contingencies Reserves. Apart from the actual loss incurred at the time of a reduction, trade is badly affected in the weeks immediately before Budget Day by the hope of possible reductions.

THE ACCOUNTS

The Gross Profit on Trading was £14,427 less than last year, while there was a decrease in Interest and Rents Receivable of £29,994 so that the final Gross Profit of £9,361,268 was £44,421 less than last year. Profit before taxation is £2,245,166 against £2,473,116, a decrease of £227,950, but taxation based on these profits is £231,129 less than last year and taking credit for £41,027 previously provided and no longer required, the profit after taxation is £1,117,771, an increase of £44,206 which in all the circumstances I hope you will consider satisfactory.

The Amount Retained for Reserves by Subsidiary Companies is £32,248 less than last year so that the amount of profit to be dealt with by Harrods Limited is £1,067,698 or £76,454 more than last year. After transferring £200,000 to General Reserve, £222,346 to Buildings Reserve and £50,000 to Contingencies Reserve, and after allowing for the dividend on the Preference Stock and the Interim Dividend on the Ordinary Stock, it is proposed to pay a Final Dividend of 12½ per cent on the Ordinary Stock, making a total dividend of 17½ per cent, the same as last year. The balance of profit unappropriated is £20,352 and the total Profit carried forward is now £478,318.

STAFF

Stockholders will, I am sure, wish to join with the Board in expressing our sincere thanks to the Managers, Buyers and Staff of the Group for their loyal and able efforts in a year which has not been without its problems. We already have a high standard in our selling staff today and we aim even higher for the trading of tomorrow.

PROSPECTS

Contrary to last year, 1959 would seem to be opening optimistically; the artificial restrictions in spending have been removed and I expect improvement in trade and net profit for the first six months. The second half-year depends mostly on political considerations but these apart I feel that we may expect better results to show this time next year.

ASQUITH MACHINE TOOL CORPORATION

INCREASED TRADING PROFIT

The thirty-eighth annual general meeting of Asquith Machine Tool Corporation Limited was held on March 23rd, at Halifax, Mr Robert W. Asquith, MIPE (the chairman), presiding.

The following are extracts from his circulated Statement for the year ended September 30, 1958:

The trading profit for the Group before taxation has increased from £699,569 to £815,105. The net profit, after providing for taxation, attributable to the shareholders of the Corporation is £369,017, compared with £321,460 for the preceding year. Your directors feel that this increased profit justifies them in recommending a final dividend of 20 per cent, making 30 per cent for the year on the ordinary shares of the company, leaving a balance of £185,304 to add to the revenue reserves and sums carried forward in the accounts of the Holding Company and its Subsidiaries. They now total £1,239,494. The share premium account which now stands at £1,356,123 is proposed to be utilised to the extent of £1,005,000, by making a distribution of bonus shares on the basis of one new ordinary share for each existing ordinary share.

FACTORS CONTRIBUTING TO SATISFACTORY RESULTS

The results for the year can be considered satisfactory, although there are two aspects which should be borne in mind.

Part of this increased profit is due to increased production facilities which have enabled the Group to reduce the backlog of orders which were outstanding at the end of the last financial year. Our delivery dates are now very much more normal, and indeed, for the standard quick turnover machines we are in a position to deliver certain types from stock.

Secondly, the major part of the benefits from the Durgapur contract, to which I made reference in my statement last year, are reflected in this year's results.

I feel I should stress these two aspects of the year's trading, which have contributed to the satisfactory profit figure we are able to show.

Trading conditions became increasingly difficult during the year, and whilst I continue to be optimistic for the future, I do not think this report would give a true picture of the position if I were not to indicate that such satisfactory results are not to be expected for the current year, although I believe subject to the usual proviso that we shall have no difficulty in maintaining the same dividend as paid for 1957/58.

SUBSIDIARY COMPANIES

I am pleased to report that all your subsidiary companies operated at a profit.

William Asquith Limited: This company again maintained a high volume of business and its turnover exceeded that of the previous year. The prospects for the newly designed heavy machines and Transfer Lines for the Automobile Industry remain good.

This company particularly is feeling production indigestion caused by too many special and heavy machines, and until the extensions—currently in progress—are completed lack of floor space for this type of production will remain a problem.

Drummond Brothers Limited: This company, as I indicated in my report last year, started with a backlog of orders considerably less than at the end of the previous financial year; nevertheless, the company had a satisfactory year, and the prospects for the future would seem to be good, bearing in mind the majority of their products go to the Automobile trade, which as is generally known is experiencing a particularly busy period.

The benefits from obtaining the licence for the French "Pilot" Copying Lathe are beginning to be felt, and there is no question but that this new machine will play an important part in the Group's range of products.

George Swift & Sons Limited and Swift-Summerskill Limited: George Swift & Sons Limited in particular continue to make a satisfactory contribution to the Group's results, and the additional facilities referred to in my last report should be available by the Spring of this year.

Towards the end of the current financial year the facilities now being provided by the extension of the Highroad Well Works of William Asquith Limited will become available for the manufacture of a considerable proportion of the Swift-Summerskill output, which had previously been subcontracted.

Modern Foundries Limited: This company had a satisfactory year, and should begin to feel the benefit of the installation of the Hydro-Blast Plant, which I mentioned in my last report, during the course of the current financial year.

Rotadop Limited: This company continues to operate at a profit.

Drummond-Asquith (Sales) Limited: As I mentioned last year, the more difficult orders are to obtain, the more your manufacturing subsidiaries depend on the efficiency of this organisation. I feel very confident that this company will continue to play the part for which it has been established.

Associated Machine Tool Corporation (USA): I am pleased to say that this subsidiary, in spite of difficulties due to the American recession, continued to operate at a small profit.

DIFFICULT TRADING CONDITIONS

Whilst I do not wish to indicate that we are pessimistic as to the future prospects of your company, I feel that a report of this nature should give shareholders an indication of the difficulties we have to face.

The Machine Tool Industry suffered a recession during 1958. During the year your company in common with the Industry generally began to feel the effects of the decline in machine tool orders, especially for certain of their standard machines, but, I am pleased to say, that at the time of writing this statement there are indications of an improvement in demand for standard lines. Orders received by your company during the first quarter of the current financial year are greater than in any single quarter of last year, but many of these orders are for machines of special or heavy kinds, and as the orders for standard quick turnover machines have not kept pace, an unbalanced manufacturing programme has arisen. We are dealing with this manufacturing problem, but such steps must, of necessity, take time. We are actively pursuing our policy of broadening our programme and I am confident that this policy will, in due course, be very beneficial for the Group.

EFFECT OF GOVERNMENT'S ANTI-INFLATION POLICY

I think it is fair comment to express the view that the Government's anti-inflation policy is in some part responsible for the reduction in new business in standard lines. There have been certain steps taken to ease the full force of these measures, and it is possible that the slight improvement to which I have referred is a result of them. I feel certain that if the Government could see its way to reinstate the Investment Allowances, this, more than any other single step, would encourage the buyers of capital equipment to hasten the purchase of new machinery and plant.

Another problem which has contributed to the difficulties of the Industry during the year has been the Ministry of Supply's policy of disposals of machine tools from Arsenals which they are closing down, and of machines accumulated at the time of the Korean crisis which have since been kept in store.

The appearance of these machines on the market for disposal at prices which, in the majority of cases, bear no true relation to their current cost, has complicated an already difficult problem. As the position is at the moment, this is going to be an even more serious problem during the current financial year, and the Industry has pointed out at the highest level the serious repercussions which might result if this policy is continued.

NATIONALISATION

You might expect me to say a few words on nationalisation.

As you are aware, the British machine tool industry has for some years lain under the shadow of nationalisation, which has brought in its train a whole string of criticisms, often contradictory and nearly always ill-informed. If this threat, dangerous not only to the industry but to manufacture as a whole, seems now to have receded a little, then we must in large measure thank the industry's own resolve to tell the public about itself.

For example, machine tool firms—including your own—have thrown their doors open to every type of visitor; the industry's trade association has published a considered statement concerning the production and supply of machine tools in this country, and this included statistics which utterly refute earlier charges of lagging in expansion. Recent supplements on machine tools in two national newspapers have illustrated the workings of an industry so complex that the suggestion of nationalising it must appear ludicrous except to the narrow minded doctrinaire. Certainly the last year has evinced the growing vitality in all spheres including export promotion, research and development and in the training of top-level designers. In all these aspects of a vigorous industry, your own company has at all times played a leading role.

Recently your company has made an offer for the shareholdings of Kitchen & Wade Limited.

CHAIRMAN'S ADDITIONAL REMARKS

At the meeting the Chairman said:

At the time your company issued its Annual Accounts, the result of the offer to acquire the issued Share Capital of Kitchen & Wade Limited was not known and in my

Review I promised to make a statement at this Meeting.

As you will have seen in the press, by the final closing date (March 4, 1959) we had received acceptances covering more than 90 per cent of the shares of Kitchen & Wade Limited. We propose in due course to acquire compulsorily, pursuant to the provisions of the Companies Act, 1948, the balance of the shares, but in the meantime we have advised non-acceptors that acceptances will continue to be taken.

Apart from acceptances which are still in the pipeline, up to last Saturday acceptances had been received and your company's shares had been allotted and cash payments made in respect of 93½ per cent of Kitchen & Wade shares.

Last Friday Mr Kitchen (the Chairman), Mr Walker (the Managing Director) and Mr Gaukroger resigned as Directors of Kitchen & Wade Limited, as from April 5th next. In these circumstances I am writing to Mr Kitchen asking that two persons nominated by your company be appointed Directors of Kitchen & Wade Limited, forthwith and the names I have put forward are Mr G. W. Wright, MIPE (the Asquith Group's Technical Director), and Mr J. Blakiston, MIMechE (a Director of one of your company's subsidiary companies and a Consultant Engineer with an international reputation).

It is proposed that Mr J. D. H. Horobin (the Asquith Group's Financial Director) and myself will join the Board of Kitchen & Wade Limited, on our return from an important business trip abroad to which we are already committed and which I consider will, if successful, be of great benefit to the Group: at that time further consideration will be given to the final composition of the Kitchen & Wade Limited Board.

The report and accounts were adopted.

JAMES PASCALL LIMITED

IMPROVED RESULTS

The sixty-second annual general meeting of James Pascall Limited, was held on March 25th in London.

Mr R. Ellman Brown, FCA (the Chairman), who presided, in the course of his speech, said:

The profit for the year ended December 31, 1958, shows an increase on the profit for the previous year. The net profit, subject to taxation, is £345,282, which represents an increase over 1957 of £43,186.

During the first half of 1957 we used dear sugar and I drew attention to this in my last Report. 1958 has been helped by purchases of cheaper sugar; so to an extent the increased profits are due to successful buying, which is not likely to be repeated during 1959 owing to the existing price structure in the sugar market.

Competition within the industry continues on an increasingly drastic scale, with heavy investment by the larger chocolate and confectionery manufacturers in television and other forms of advertising for the purpose of promoting one or more lines into what are known in the trade as "leader" lines. This form of promotion is very costly and the reward mainly looked for in the future, and it is necessarily hard for a Company of our size to compete extensively in such media. Your Company continues to spend as much as it can properly afford on its advertising campaigns.

In my Report for 1957 I said that sales for the first few weeks of 1958 were running above the 1957 level. This was not maintained. The tonnage sales for 1958 show a small decrease on 1957, but spread over a number of lines.

OVERSEAS DEVELOPMENTS

Our export trade continues to be sound. Our dollar sales are up on the year, and we are hopeful that the current year will show further expansion. During the year we entered into an agreement whereby our goods will be manufactured under royalty in Portugal.

The profit on trading amounted to £482,658, compared with £429,676 for the year 1957.

The estimated amount to be reserved for taxation is £190,000, and after various appropriations and adjustments, the amount added to the carry forward on Profit and Loss Account is £23,452. The surplus of current assets over current liabilities is £618,119, compared wth £528,783 last year.

A revaluation of Freehold Land and Buildings and Plant and Machinery finished during the year showed an excess of approximately £500,000 over the Balance Sheet figures. It is not proposed to alter any book values for the present.

Your Directors propose that the dividend on the Ordinary Shares shall be maintained at 55 per cent.

As I said last year, this Report is issued so early in the year that it is difficult and dangerous to prophesy future trends, so I will say no more than this. We cannot hope for increased profits unless the developments planned for 1959 are successful in promoting increased sales, and we shall suffer to an extent by having to use sugar which will cost us more in 1959 than it did in 1958. On the other hand, we have a first class team of technicians who are constantly experimenting in new methods for more economical production and the evolution of new lines, always bearing in mind the Company's reputation as a producer of quality confectionery.

The report was adopted.

GENERAL REFRACTORIES LIMITED

"WE LOOK FORWARD TO THE CHALLENGE OF NEW METHODS FROM MANY OF OUR MARKETS . . ."

Sir Ronald W. Matthews in his Chairman's Statement circulated to Shareholders with the Report and Accounts for the year ended 31st December, 1958. The following are extracts from the same statement:—

TURNOVER

The past year has in many ways been one of the most difficult experienced by your Company in the post-war era. Orders received fell sharply as we entered the second-half of the year, particularly from the iron and steel industry.

The turnover of the Group which had at one time promised to equal 1957 figures ended the year 12% lower than in 1957.

In all the circumstances, the results produced are not unsatisfactory.

EXPORTS

Despite the overall reduction, despatches to overseas markets actually increased by 6½%.

When world trade recovers there will be new and increasing markets to be won, and we have accordingly continued the intensification of activities overseas.

The Far East was widely covered for the first time in the Company's history, and arrangements made in certain countries for more direct representation than had existed previously.

FINANCE

As a result of the rights issue made in June, 1958, the Company's liquid position was materially improved. Given reasonable trading conditions, we are well placed to meet the requirements of any development plans of the consuming industries in the immediate future.

The Group Trading Profit amounted to £888,413 and the Net Profit was £303,471. The Directors recommend a Dividend of 20% in accordance with the statement made in June, 1958, relating to the rights issue.

THE FUTURE

We have seen the first steps taken by the six Common Market countries to reduce tariffs and enlarge quotas between themselves. Your Company's Belgian Subsidiary becomes favourably placed to develop further its direct sales of refractory materials in Europe.

The British steel industry intends to press on with its development projects, though these have, inevitably, been modified as a result of recent events.

Your Company should keep in a position to meet substantial additional demands and the occasion of the Annual General Meeting is being taken to increase the authorised share capital and to augment the borrowing powers of the Company.

GENEFAX HOUSE, SHEFFIELD 10

THE ENGLISH ELECTRIC GROUP

STABLE COSTS THE KEY TO SUCCESS IN EXPANDING MARKETS

SIR GEORGE NELSON REVIEWS THE ACTIVITIES OF A WORLD-WIDE ORGANISATION

The annual general meetings of The English Electric Company and its major subsidiaries in the United Kingdom were held on March 19th in London.

Sir George H. Nelson, Bart, (the Chairman), in the course of his addresses, said:

Since the last meeting, Mr Nelson, your Managing Director, has been elected Deputy Chairman of each of our principal subsidiaries in this country. I have the greatest pleasure in welcoming him back from his tour of India, Pakistan and Ceylon from which he returned only two days ago. He is much impressed with the possibilities there and feels strongly that we should collaborate as closely as possible with the development of these countries. Mr Nelson had the honour of being received by the Indian Prime Minister, Pandit Nehru.

Mr Nelson also visited the Middle East as Industrial Leader and Vice-Chairman of the Board of Trade Advisory Council on Middle East Trade and was most warmly received by rulers and leaders in many countries and is impressed with the possibilities of trade development in those areas.

THE ENGLISH ELECTRIC COMPANY

The balance on trading account is up by £800,000 to £11,036,000.

The profit of the Group after taxation and after deducting amounts attributable to minority interests has increased by £66,000 to £3,017,000. Having been able to maintain our earnings, the Board again recommend a final dividend on the Ordinary Stock of 10 per cent less tax making 14 per cent for the year.

These improved results are wholly due to the very modest profits we are able to earn on the increase in our turnover. For 1958 turnover for the Group including the overseas subsidiaries was £162 million compared with £148 million in 1957. This increase of £14 million has only brought an additional trading profit of approximately £800,000. In illustration of the small margins we earn, I will give you the following breakdown of every £100 we received for our 1958 turnover.

	£	£
Materials, including bought and finished articles		48.84
Wages and salaries		32.31
Depreciation, maintenance, power, heat, light, rent, rates, insurance, etc.		13.32
Interest on debentures, bank overdraft and bills.		1.23
		95.70
Taxation	1.77	
Retained in the business	1.60	
Net dividend on Preference and Ordinary Stocks	.93	4.30
		100.00

THE EXPORT POSITION

I have referred in previous years to the difficulties which exist due to intense competition from the exporting nations of the world. We in the English Electric Company have endeavoured to play our part by expanding our interests and by diversifying our products, and we have become a world wide organisation with our own manufacturing resources in the overseas field and with our own companies or agencies in most countries of the free world.

NEED FOR INCREASED EFFICIENCY

Our future success depends largely upon the extent to which we can stabilise and if possible reduce our costs. There are many important overseas manufacturers and suppliers of capital equipment of the types which we manufacture who are very active in world markets, and their number is growing as one country after another establishes an electrical engineering industry. At the same time, during the past few years the severe fall in world commodity prices, while it has brought a welcome improvement for the time being in the terms of trade and therefore the balance of payments of the United Kingdom has reduced the ability of many of our customers who have low exchange resources and inadequate finance for development to buy capital equipment here. The result has been that competition has become even more severe.

These conditions challenge us to decrease costs without losing our reputation for high quality and provide a constant spur for everybody in the organisation to increase efficiency in design and manufacture.

I feel it only right, however, to warn you that competition for its own sake or pushed to extremes can cease to be beneficial to this country and in fact can become positively detrimental.

Commenting on the prospects for overseas trade, Sir George said: I see no reason to be pessimistic about either the immediate future or more particularly the long run, provided we encourage the provision of appropriate finance. Over the years there is the possibility of great expansion in world trade and in capital development, and if we maintain our competitive power our Company will be able to secure its full share of the continually growing volume of work which will be on offer.

MARCONI'S WIRELESS TELEGRAPH CO.

The Company has had another successful year. Turnover was again at a high level although it showed a slight reduction compared with the previous year.

Progress has been well maintained in every branch of our activities. In particular our exports have reached a record level.

Ever since its formation more than sixty years ago, your Company has applied itself energetically to the discoveries of new techniques and improvements in existing radio communication practice and this research effort represents a national asset of the highest importance.

Highlights in the year's commercial achievements included in the aeronautical field the entry into service of BOAC's Comet 4 jet airliners, which have a radio system consisting almost entirely of Marconi equipment. This system is also specified for the Comet 4's ordered by both Aerolineas Argentinas and East African Airways.

There was a continued demand for our military doppler equipment.

During the past ten years the Company has completed nearly 70 major defence radar installations and has supplied radar equipment, both military and civil, to nearly 30 different countries.

Demand for sound broadcasting equipment continues at a satisfactory level.

The value of orders for television equipment received by our Broadcasting Division during the year was the highest in its history. Communications Division has had a most successful year, particularly in the sale of VHF and microwave multichannel radio link equipment.

Marconi Instruments have also had another satisfactory year despite difficult trading conditions throughout the world.

MARCONI INTERNATIONAL MARINE COMMUNICATION COMPANY

Throughout 1958 the shipping industry has been going through a period of recession and the profit of £521,194 after all charges, but before taxation, is lower by £101,698.

Prominent among new developments is a single side band radiotelephone and telegraph transmitter of exceptional quality.

We were also proud to be associated with the finest new ship of 1958, the Union Castle Line's passenger liner "Pendennis Castle," for which our latest radar, with track indicator, was supplied together with other equipment.

The English Electric Valve Company had a record volume of orders outstanding at the end of last year and the trading results were again highly satisfactory.

D. NAPIER & SON

The results of the Napier Company last year were not unsatisfactory, the profit and output of the Company being little different from that of 1957.

Orders for Eland engines have been obtained from Canada, and it is hoped to develop this business in America and elsewhere in the world. Napier engines are also used to power four different types of helicopter.

The Napier Deltic diesel engine has proved successful in a number of applications, notably as the power unit in diesel electric locomotives.

VULCAN FOUNDRY GROUP

The more favourable results which I forecast a year ago have materialised during 1958. The Group trading results show a profit of £125,780, after charging depreciation of £118,780, compared with a loss of £286,497 in the previous year.

In 1957 we delivered the first diesel-electric locomotive against the British Railways Modernisation Programme, well ahead of our competitors, and we are naturally proud of the confidence which the British Transport Commission have shown in English Electric by giving us orders for a number of types of diesel-electric locomotives.

Orders received from at home and abroad ensure that the works of the Vulcan Group will be kept fully occupied during the current year.

JAGUAR CARS LIMITED

RECORD SALES AT HOME AND ABROAD

SIR WILLIAM LYONS' STATEMENT

The Twenty-Fifth Annual General Meeting of Jaguar Cars Limited was held on March 18th at the registered office, Browns Lane, Coventry.

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

The Company has once again achieved record sales, and a record net profit of £624,337 after charging taxation of £863,644. The Directors recommend that a Dividend of 17½ per cent less Tax be paid on the Ordinary and "A" Ordinary Shares, and in addition, a special Interim Dividend of 12½ per cent less Tax in respect of the year to July 31, 1959, to be paid at the same time and on the same warrant.

The year's Accounts are adversely affected to a substantial degree by the alteration in the basis of assessment of Profits Tax to a flat rate of 10 per cent as and from April, 1958. This will be minimised to some extent by the payment of a Special Interim Dividend out of the current year's Accounts. The incidence of Profits Tax will be even more severe in the next Accounts for the year to July 31, 1959.

A substantial part of our undistributed profits has been utilised to finance capital expenditure and provide additional working capital with a result that the actual capital employed in the business is out of proportion to the Issued Capital. It is considered desirable, therefore, to capitalise part of these Reserves, and it will be proposed at an Extraordinary General Meeting following the Annual General Meeting to increase the Ordinary Share Capital to a figure large enough to allow an issue of two "A" Ordinary Shares for each Ordinary and "A" Ordinary Share held.

The year marked not only the highest output the Company has achieved, but also the greatest demand for our cars from all markets of the World, which we have ever received.

The recovery from the fire was, of course, completed in the previous year, but nevertheless many plans for expanded capacity, deferred because of the fire, were carried out, and output of cars continued to increase throughout the year, during which we enjoyed a flow of production unbroken by delays inseparable from the introduction of new models.

We are indeed fortunate in having established a range of cars which have a special appeal, all over the World, to those who wish to own a car which provides quality and performance of an outstanding kind. It is particularly gratifying that the demand in the European markets, where we face the greatest competition, has increased considerably.

Whilst the profit must be regarded as satisfactory, it is by no means greater than is required to meet the large expenditure which we have to face for tooling new models, and keeping up to date with plant and new equipment, all of which are vital to our future, in fact our plans call for profits at an even higher rate during the next three years if we are to meet the programme.

I continue to regard with concern our rising costs, for although we have so far absorbed them by increased production, indeed in this year we have been fortunate enough to have more than done so, we cannot view the future optimistically if we are to be forced continuously to increase our output to maintain our selling prices and the competitive position we hold in the world's markets.

It would be a great relief if our industry could find some stability in costs and be able to turn its thoughts to reducing selling prices. If this could be done, it would reflect a more secure outlook for the future. I have no doubt competitors in other countries have this objective well to the fore.

We continue to suffer a disadvantage against our foreign competitors in the burden of Taxation which our Industry has to carry. Our competitive ability is controlled by volume, and volume is, to a large extent, dictated by potential demand. Our Home Market demand is restricted by Purchase Tax. Car manufacturers in other countries do not have this restriction on their Home Market, so they can plan for a greater volume than is possible in this country. Freedom from Purchase Tax would undoubtedly raise our horizon in planning for the future.

EXPORTS

Our American market, which absorbs about half our World exports, has made further valuable progress in consolidating the Sales and Service organisation throughout all the States, and the new market in Mexico, where assembly was commenced last year, has shown great promise in spite of the Import restrictions imposed.

All exports have continued to make progress during the year, which confirms the hopes that were expressed in our last report. In fact, in 1958 our total exports showed an increase of 47 per cent. Of all cars produced 54 per cent were exported, whilst our American and Canadian subsidiary Companies reached a record breaking total of 22 million dollars.

The wisdom of having established a subsidiary Company in Canada has been proved by the increased business which we have achieved in that market and we have every reason to expect even better results in the future following this intensification of effort there.

In many overseas markets importations are controlled by quotas, but in all these markets we have succeeded in fulfilling our obligations to our distributors and in some cases have been granted additional import permits, which we have also been able to honour.

In Europe progress during 1958 has exceeded our expectations showing an all-round increase of 42.3 per cent over 1957. It remains to be seen what will be the effect of the European Common Market on our sales during 1959 but there is no indication of any recession at the moment and as our full quotas have been given us by those countries where they are in operation, we are confident that our position will be at least maintained and most probably improved in the foreseeable future.

Our cars have been well received in all overseas markets and there is no sign of any fall in the demand, except perhaps in the case of New Zealand where the Authorities have found it necessary, for economic reasons, to curtail rather than increase the importation of cars.

An aggressive sales policy, backed by constantly intensified after-sales service, will be maintained and we see no reason why we may not look forward to the future with confidence.

RACING AND COMPETITIONS

Although our decision, made in 1956, to withdraw from official participation in racing and other competitive events has been maintained, this has by no means resulted in the disappearance of the name of Jaguar from the lists of winners in track and road events.

Evidence of the confidence in the reliability of our Jaguar engine is provided by the fact that the Lister Engineering Company continue to use our engines for their highly successful Lister-Jaguar racing cars. These cars won no less than six important national and international races in Europe last year and seven events in America where Jaguar driver Walter Hansgen won the Sports Car Club of America Championship for the second year in succession.

Of the many successes gained by private owners, the most recent was the winning of the Nominated Team prize in the Monte Carlo Rally by three privately owned and entered 3.4 litre Jaguars, thus demonstrating the complete reliability of this very popular model.

In another field of sport, Mr Norman Buckley set up a new one-hour water speed record for 800 kilogramme boats with his Jaguar engined *Miss Windermere III* which attained the speed of 89.08 mph.

In any recapitulation of recent events in the field of motoring sport, it is inevitable that thoughts must turn to the tragic death of the first British Champion Racing Driver of the World, Mike Hawthorn. As Jaguar's No. 1 driver when the Company was officially engaged in racing, he drove our cars to many successes and was a loyal and valued friend to this Company in all that he undertook on its behalf. His loss is mourned by us all.

TRIBUTE TO STAFF

I would particularly like to express appreciation to all Staff and Workpeople for their achievement in obtaining the highest production in the Company's history. There is nothing more they could do to maintain the Company's progressive policy and their own future security than to ensure always the highest production of which the Company is capable.

The retiring Directors, Mr A. Whittaker and Mr E. F. Huckvale, were re-elected.

The report and accounts were adopted.

At a subsequent Extraordinary General Meeting the two resolutions referred to, increasing the capital of the Company to £1,460,000 by the creation of 2,840,000 "A" Ordinary Shares of 5s. each, and capitalising the sum of £720,000 by the issue of two "A" Ordinary Shares for each Ordinary or "A" Ordinary Share now held, were carried.

LEWIS'S INVESTMENT TRUST

JUSTIFICATION FOR EFFECTIVE INCREASE IN DIVIDEND

POLICY OF STORE MODERNISATION CONTINUED

MR REX COHEN ON ANNUAL PURCHASE TAX UNCERTAINTIES

The Thirtieth Annual General Meeting of Lewis's Investment Trust Limited will be held on April 21st at Liverpool.

The following is an extract from the statement by Mr Rex A. L. Cohen, OBE, the chairman, which has been circulated with the report and accounts:

Trading conditions in the different areas in which we trade have been far from uniform, and on the whole, by no means easy. The early months were as usual disturbed by purchase tax uncertainties; in the summer Selfridges were severely affected by the London Transport strike; and later in the year we were afflicted in the provinces by fog and other adverse weather conditions during our peak trading period. The figures also reflect the first full year's trading in Bristol. This ended with a small loss, although a satisfactory profit was earned in the second half of the year. In spite of all these unfavourable factors, the trading profit shown in the consolidated profit and loss account of £4,971,693 was not materially different from that of last year. On the other hand, we were not able on this occasion to enjoy to the same extent the interest content in miscellaneous revenue which we have earned in recent years. During that period we have been steadily building up liquid resources to pay for the construction of our Bristol store as well as major building developments at Selfridges. With the remunerative interest rates then prevailing, those liquid resources were able to make a satisfactory contribution to our net profit. During the past year, however, that money has gradually been applied for the purpose for which it was accumulated and with the fall that has occurred in short-term interest rates any balance remaining could not be invested on quite such profitable terms.

As against this, however, we have enjoyed certain taxation advantages.

The net result of these various conflicting factors is that we end the financial year with a consolidated net profit after tax of £2,241,494 or £3,448 above last year. In view of these results, and having regard to the broad completion of our immediate building programme for which we have been conserving resources in recent years, the board felt justified in recommending to you an effective increase in the dividend payable to Ordinary stockholders. You will remember that at the end of the first half year, and before the capitalisation of reserves on November 27, 1958, the rate of interim dividend on the Ordinary stock was raised from 5 per cent to 7½ per cent. On the Ordinary capital as subsequently increased we now recommend a final dividend at the rate of 10 per cent actual as against 12 per cent on the lower capital last year. This will involve an increase in the net final dividend paid of £16,434 as compared with last year. These increases in dividend payments to Ordinary stockholders total £98,601 on the year and are, in our view, well within the resources of the Group; and if you accept our recommendations we will carry into the new year in the consolidated balance sheet reserves and surplus amounting to £6,838,660, which is not only in excess of that available at this time last year before the capitalisation issue was made, but is within striking distance of the higher issued Ordinary capital of the Trust of £7,144,973. That concludes my explanation of the accounts, which continue to reflect a position of great financial strength.

LEWIS'S

This is the main trading subsidiary covering our stores in Liverpool, Manchester, Birmingham, Leicester, and Bristol. In spite of the Bristol result already referred to, this ended with a consolidated net profit after tax of £1,349,295 against £1,336,149 last year. All the Deferred Ordinary shares are held by the Trust, and on them a dividend at the rate of 28 per cent actual has been paid for the year as against 25 per cent last year. There are two important developments to report about our trading operations. The first is that after more than 100 years of cash trading we have now extended our activities to include deferred terms. This extension has been restricted to certain selected merchandise, such as furniture. Secondly, the provision of £500,000 which we have set aside in Lewis's balance sheet for store modernisation.

This by no means represents the measure of our total outlay for this purpose. In the first instance the bulk of this expenditure will be concentrated on our Manchester store, where an investment of some £1,500,000 is contemplated over the next five years. Although plans are in an advanced state of preparation, they were not sufficiently finalised to publish on the face of the balance sheet a figure of capital commitments in this regard. As at present advised, however, a capital expenditure of the order of £800,000 is envisaged on this project over the period mentioned. This is, of course, over and above the Trust's Group commitments of £982,000 referred to in the balance sheet, but the ample liquid resources which we have available should more than suffice to meet this outlay.

This policy of store modernisation will also be extended to Birmingham, although at present not on the same scale as at Manchester. In Liverpool the long protracted building operations for the repair of war damage, which commenced in 1946, are at last nearing completion, and we are beginning to reap the benefits of what is, in effect, an entirely new and modern store.

Our results in Leicester have also been particularly encouraging. This store will also share in our modernisation programme and we hope to reap further benefits from that expenditure.

The Bristol store has developed most satisfactorily and it is already difficult to believe that it first opened for trading on September 26, 1957. We feel that the inevitable teething troubles have now been successfully overcome, and we look forward with much confidence to the future earning capacity of a store which by common consent represents an outstanding addition to the architecture of Bristol.

OTHER SUBSIDIARIES

Our Leeds store having marked time for a year or two, has now resumed its advance, and produced a satisfactory increase in net profit. A process of modernization for bringing fixtures and equipment up to the best modern standards has already been launched, and I hope that in due course this expenditure will yield a rich return.

On the other hand, our experience in Glasgow and Hanley has not been so happy, and in Scotland, in particular, the prevailing and—I hope—temporary wave of unemployment may be the explanation of the difficult trading conditions we have encountered. Here again, however, and on the theory that it is during a time of recession that plans for future development should be prepared and carried into effect, various modernisation projects have been put in hand.

SELFRIDGES

Net profits from trading proper showed an increase, but as in the case of the rest of the Group, this was more than wiped out by a drop in miscellaneous revenue and for the same reasons, *i.e.*, spare funds which had previously been earning remunerative rates of interest, were gradually absorbed by payments for constructional work. On the other hand, the same sort of taxation advantages were enjoyed and the net profit after tax of £574,757 showed a slight increase over last year. The building programme is far from complete, and the process of modernisation has still some way to go, so that in the coming year there may be some temporary strain on liquid resources in the Selfridge Group. However, the experience of the past half year convinces us that the capital expenditure already incurred and committed will produce a satisfactory return.

What may well prove to be a landmark in retail trading in central London is the opening in the middle of March of the Lex-Selfridge garage at the rear of the store. We have every confidence that this will not only be a profitable investment in itself but is bound to prove a boon both to customers and to public in providing parking accommodation in the centre of London, thereby relieving the acute problem of traffic congestion in that area.

PRICES AND PURCHASE TAX

Like most retailers we welcomed the reductions in purchase tax, to which effect was given in the last Budget, but like the rest of our competitors, we also deplored the substantial stock losses which those reductions inflicted on the retail trade as a whole. For years now, successive Governments have turned a deaf and insensitive ear to every representation made to them by the organised retail trade, both on the effects and on the timing of these tax reductions. It is in any case quite iniquitous that these serious stock losses should continue to fall on one section alone of the trading community, but the timing of these announcements affects the whole of that community. Year after year both public and trade are disturbed in February and March by the possibility of tax variations in the Budget, and only in one year has the Government of the day, in deference to retail representations, announced these variations at or about the end of the calendar year, so that the quite unnecessary interference with the normal flow of trade could

be avoided. Once again, this year the public are persuaded that tax reductions will occur but again the Chancellor of the Exchequer has ignored all appeals to remove uncertainty by making an announcement of his intentions in January.

In spite of these easily avoidable disadvantages, we welcome purchase tax reductions, because of the effect they have on prices. We keep our selling prices under constant review and we estimate that these have fallen on average during the year by some 2½ per cent.

STAFF

I am glad to be able to report that our relations with our staff continue to be cordial and I hope you will authorise me to thank them on your behalf for the contribution they have made to the results we have been considering today.

GRAYS BUILDING SOCIETY ESTABLISHED 1880

The Annual General Meeting of the Grays Building Society was held at Grays on March 23rd.

Mr Frost, the Chairman, stated that during the year the assets had increased by £63,608 to a total of £2,643,627. The balance due to Shareholders as at December 31, 1958, was £2,405,380, showing an increase on the year of approximately £86,000. The amount paid by the Society by way of Income Tax and Profits Tax for the year was £38,424, which, the Chairman stated, was a very large sum for a Society of the size of Grays. Advances during the year amounted to £215,138. The reserves had increased to £96,585.

At the end of the year under review the Society had cash at Bank £87,931 and British Government Securities £160,374. The Chairman stated that the Grays Society was one of the very few Societies that was able to state that the Market Value of its securities was greater than the book value shown in the Balance Sheet. The total of Liquid Assets were £248,805.

Mr Frost went on to state that during the year the Shareholders had received interest 4 per cent on Ordinary Shares, 4¼ per cent on Fixed Term and Depositors 3½ per cent, 3¼ per cent Fixed Term. The Fixed Term Shares and Deposits were proving a very satisfactory form of Investment. The period for the Fixed Term on Investments and Deposits was for two years only, on all accounts of £100 and upwards.

The Report and Accounts were adopted.

REVERTEX LIMITED

(Manufacturers and Sellers of Concentrated Rubber Latex and Synthetic Resin Emulsion)

PROFITS MAINTAINED

MR T. HARCOURT POWELL'S STATEMENT

The thirty-fifth annual general meeting of Revertex Limited was held on March 24th at 51/55 Strand, London, W.C, Mr T. Harcourt Powell (chairman of the company) presiding. The notice convening the meeting was taken as read.

The Secretary (Mr H. Wiltshire) read the report of the auditors.

The following is the statement by the chairman circulated with the report and accounts for the year ended September 30, 1958:

I am glad to say that in spite of the recession in trade throughout the world the profits of your Company are approximately the same as for the previous year. Had it not been for a delay in sailing, the proceeds of a large shipment would have increased the profits by some thousands of pounds. The profit on this shipment, will of course, come in the current year and I may say that the first quarter's trading is quite satisfactory.

It will no doubt interest you to know that our sales are well spread throughout the world. Over 50 per cent of our products are now sold abroad to customers in forty-two countries.

DIRECTORATE

Mr H. E. Netherclift joined the Board in March last and you will be asked to confirm this appointment later on in this meeting. Mr Netherclift has been connected with your Company for many years through our friends and financial advisers, Helbert Wagg & Co. Ltd., and his special knowledge will be extremely valuable.

SOUTH AFRICA

You will notice that our new subsidiary, Revertex (South Africa) (Proprietary) Ltd., is included in the accounts for the first time. This Company, about which you were informed last year, began production in July and since then has been in full operation. I am pleased to say that from the outset it has turned out excellent Emultex and our trade in Africa is growing as a result. Great credit is due to all those who took part in planning, erecting and organising the factory; especially those of our technical staff. The plant was brought into production with practically no teething troubles.

PRODUCTS AND PROCESSES

Revertex (Concentrated rubber latex): Since our last report we have been reorganising our factory in the Far East and have brought our plant up to date. Much technical progress has also been made and sales continue to be satisfactory.

Emultex (Polyvinyl acetate emulsion): We continue to maintain our position in this field.

Alcotex (Polyvinyl alcohol): We are making steady progress with this material and our plant is now capable of producing any quantity likely to be required for some time to come.

Processes: We have concentrated great efforts in developing processes and compounds to be used with our own materials. Much progress has been made during the year and the outlook is encouraging. We recently expanded our compounding plant at Harlow to take care of demand and we may have to make more additions in order to cope with further needs.

ACCOUNTS

For the year under review the profit, before tax, amounted to £397,373 as compared with £406,975 for the previous year. This slight falling off is due to the fact that the charge for depreciation this year amounts to £85,729 or £13,376 more than the amount charged last year. This is principally because the new Alcotex plant was installed during the previous year and bore depreciation for only a part of the year, whereas in this year's accounts it bears the full year's charge. The net profit, after making full provision for taxation, was £178,373 as compared with £190,975.

CAPITAL AND DIVIDENDS

The Directors recommend the payment of a final dividend of 17½ per cent, less tax, making with the interim dividend of 12½ per cent, less tax, paid last November, a total of 30 per cent, less tax, for the year. The total dividend of 30 per cent, less tax, will absorb the sum of £78,272 and the unappropriated profits will be increased by £100,101 to £689,412.

The Directors feel that the time is opportune to take a further step to bring the issued capital of the Company more into line with the capital employed in the business. It will therefore be proposed at this meeting that £226,875 of the unappropriated profits of £689,412 be capitalised in the form of 907,500 Ordinary Shares of 5s. each, and allotted to existing Ordinary Shareholders in the proportion of one new share for every two shares held.

To enable this to be done it is necessary to increase the Authorised Capital, and it will be proposed that the Authorised Capital be increased from £500,000 to £1 million. After the present capitalisation issue, there will remain £319,375 of Ordinary Capital, in the form of 1,277,500 Ordinary Shares of 5s. each, available for issue.

STAFF

I am quite confident that our Company is luckier than most in our staff: Many of them were appointed to positions of considerable responsibility twenty and more years ago, at ages which were young by any standards, and they are still with us today. Their keenness and enthusiasm are as great as ever. As in any Company, it is to them that our thanks are mainly due for the progress we have made over the years.

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

The retiring directors, Mr H. K. Marsh, Mr H. E. Netherclift and Mr A. F. Baillie, were re-elected and the directors were authorised to fix the remuneration of the auditors, Messrs Deloitte, Plender, Griffiths & Company.

Resolutions were also passed increasing the capital of the company from £500,000 to £1 million by the creation of 2 million Ordinary shares of 5s. each and capitalising £226,875 of the unappropriated profits and its allotment to existing Ordinary shareholders in the form of Ordinary shares in the proportion of one new share for every two shares held.

THE BRITISH OXYGEN COMPANY LIMITED

GROUP TURNOVER INCREASED OVER WIDE RANGE OF PRODUCTS

BENEFITS FROM GREATER EFFICIENCY

MR J. S. HUTCHISON ON OVERSEAS SALES EXPANSION

The seventy-third annual general meeting of The British Oxygen Company Limited was held on March 25th at Grosvenor House, Park Lane, London, W.1, Mr J. S. Hutchison (the Chairman) presiding.

The following is an extract from his circulated statement:

The consolidated profit of £7,224,500 is after depreciation of £4,094,653 and compares with £5,964,085 in the preceding year, when depreciation was £3,217,463.

Group turnover rose by 15.7 per cent spread over a wide range of products manufactured in the United Kingdom and overseas. The benefits were felt of greater efficiency and increased output from major installations completed in recent periods and the profit reflects a moderate but welcome improvement in the rate earned on invested capital.

Taxation takes £3,890,438 against £3,215,099 and the nett profit available for allocation or distribution is £2,876,208 against £2,440,245. Subsidiary companies retained £754,846 (£497,238) and £750,000 (£750,000) has been allocated to general reserve. The final ordinary stock dividend of 6 per cent recommended requires £588,127 and leaves £320,713 added to the balance carried forward to make a total of £1,381,450.

The Directors have also declared a special interim ordinary dividend of 2 per cent in respect of the year ending September 30, 1959, which will call for £196,042.

Our group capital expenditure programme for the three financial years 1958-61 at present totals £24 million. This we expect to be able to finance from depreciation, and reserves and other resources, without needing to issue further share or loan capital.

UNITED KINGDOM GASES DIVISION

As expected, sales of industrial gases proved less buoyant than for a number of years and their growth was at a reduced rate towards the end of the year. Nitrogen, however, has come into greatly extended use and argon has kept up its good progress. Sales of medical oxygen, nitrous oxide and other anæsthetic gases continue steadily.

In the first quarter of our current financial year industrial gas sales have been rather below those of the corresponding period a year ago and there is as yet no indication of a resumption of the upward trend experienced for so many years.

Demand for industrial user equipment has been slightly reduced in the UK market and export sales have been affected by import restrictions in a number of countries. Production of this equipment involves the manufacture and assembly of thousands of parts with complex programming and recording. A Leo II electronic computer recently ordered will be used in this connection when it is installed next year and for analytical and calculation work throughout the group.

British Oxygen Aro Equipment Limited continued mainly on development work. Production is expected to commence later this year, but the situation is still governed by changes in defence requirements and by the present uncertainties in the aircraft industry generally.

ENGINEERING DIVISION

Work on hand at Edmonton includes air separation plants and tonnage oxygen and nitrogen plants for British Oxygen Gases Limited, for the steel and chemical industries and for Government requirements.

British Oxygen Wimpey Limited continues to be actively engaged on the Government rocket research project at Spadeadam, where progress is good despite adverse weather conditions at a very exposed site.

Sparklets Limited achieved higher sales and profits mainly from the success of the new Hostmaster syphon, particularly in export markets. Sales have had a setback in the current year, but the planned extension of the Hostmaster range should stimulate demand. Activity in the diecasting section remains at a moderate level.

Woodside Die Sinking Company Limited increased its turnover substantially, although profits have still to reap the benefit of recent expansion. An excellent reception was accorded on the introduction recently of a range of jig and tool units in standard sizes and designs which are being stocked for general supply to industry.

ELECTRIC WELDING DIVISION

Quasi-Arc showed improved sales and profits last year, although import restrictions and keener competition overseas reduced exports.

Good progress was made in the sale of Ferromax, Mirrospeed and other new electrodes and with our patented Fusarc/CO$_2$ process. Development of these and other lines continues.

The automatic welding section had a busy year with higher turnover and profits. A number of novel installations were completed including the longest welding boom in the world for use in the construction of an atomic energy power station. In the shipbuilding field success has attended the introduction of a self-propelled double fillet welding machine complementary to the already firmly established gantry welding machine.

Although there was a reduction in orders for major automatic welding installations in the early months of the current financial year, recent inquiries show a distinct revival of interest. It will be some time, however, before the work reaches the production shops because of the design element in such special projects.

CHEMICALS DIVISION

British Oxygen Chemicals Limited once again substantially increased its sales and this, with increased efficiencies in the manufacture of melamine and polyvinyl acetate, resulted in appreciably higher profits. Sales are now being affected by some recession in the plastics industry and there are indications of increased competition in world markets for our products. We do not expect sales and profits next year to reach last year's levels and the tempo of future advance may be restrained.

Odda Smelteverk A/S benefiting in Norway from additional supplies of hydro-electric power, produced and sold greater quantities of carbide, cyanamide and dicyandiamide. The determination of certain countries to become self-sufficient in carbide manufacture and to supply adjacent territories affects the outlook for established manufacturers such as Odda and we cannot expect that last year's rate of growth will continue.

Carbide Industries Limited, at Londonderry, is working according to plan on the building of works for the manufacture of carbide from which acetylene will be supplied in due course to the adjacent Du Pont neoprene factory.

OVERSEAS INTERESTS

In the course of his review of the group's overseas interests, the Chairman said: In Australia sales and profits both advanced in the past year and experience this year continues to be favourable. In India sales continued to grow, although somewhat less vigorously, and profits were commensurate. Trading conditions in South Africa have been steady and a modest extension of sales gave some improvement in profit which should continue in the current year.

In New Zealand, East Africa, Ceylon and Burma progress was appreciable, but less favourable trading conditions brought some reduction in profit in Rhodesia, Malaya and Hongkong. In the very competitive market in Canada, although progress was restricted by the recent recession in trade, we have an improving position.

Pakistan Oxygen Limited had a good year despite the economic and political upsets which have so dominated the scene. Trading is affected just now by the recent drastic change in conditions and so far we do not have a balanced view of prospects.

PROSPECTS

Under-activity just now in many spheres of heavy industry and general engineering reacts on our industrial gas business in the United Kingdom and we still have increased costs to overcome. Every effort will be required to improve on last year's results and this applies also to the other divisions in the United Kingdom which have some leeway in the early part of the year to make up.

On the other hand, sales and profits overseas are on the up-grade. This trend should continue with the industrial expansion in most countries despite currency and import difficulties, and trading should improve further with any increase in prices of raw materials or produce which are basic to their economy.

I expect that this expansion overseas coupled with a gradual improvement at home will yield results bearing a favourable comparison with last year's profits.

The report and accounts were adopted.

THE BRITISH SOUTH AFRICA COMPANY

BENEFITS FROM QUALIFICATION AS OTC

STRENGTHENING OF GROUP'S POSITION FROM DIVERSIFICATION POLICY

LORD ROBINS ON GROUP'S STRENGTHENED POSITION

The sixty-first annual meeting of The British South Africa Company was held on March 19th, in London.

Colonel The Lord Robins, KBE, DSO (the President) presided and, in the course of his speech, said:

Last year I sounded a note of warning that, if the market value of copper and other base metals—especially copper—upon which our royalties are calculated remained at their then levels, our revenue for the year now under review must necessarily fall below that of 1957. *But I qualified that* by saying that this adverse situation might be alleviated considerably by the measures which the Directors had taken on March 21, 1958, to secure provisional recognition of The British South Africa Company as an " Overseas Trade Corporation " under the Finance Act, 1957.

I am now pleased to be able to report that those measures have had very satisfactory results. The taxation charge reflects a saving of tax on the profits of the year to September 30, 1958, of the order of £750,000. Although the Company only functioned as an Overseas Trade Corporation for just over six months of the year, the tax saving is greater than what it may be expected to be in a full year in future by reason of a change in the method of assessment to Income Tax, the cessation of liability to Profits Tax and the effects of Double Taxation relief.

Although the Company's exempt trading income, which is derived primarily from its mineral revenues, is no longer subject to Profits Tax, the Group's investment income will continue to be subject to that tax. Nevertheless, the tax saving is still substantial and so long as the Company continues to qualify as an Overseas Trade Corporation, and on the basis of the levels of revenue and expenditure for 1958 and current rates of taxes in the United Kingdom and Overseas, the overall estimated annual tax saving will not be less than £600,000.

THE YEAR'S RESULTS

The Consolidated Profit and Loss Account shows that the Group's net revenues from royalties, dividends and interest have dropped by some £2,947,000 when compared with the previous year. Against this, however, the total taxation charge has been reduced by £2,480,000 so that our net profit, after taxation of £4,363,000, is only £467,000 less than the corresponding figure for 1957.

Out of this profit of £4,363,000 the Directors propose to transfer £1,500,000 to General Reserve and will today recommend for approval the payment of a Final Dividend of 3s. 3d. per unit of stock or per share, which together with the Interim Dividend of 1s. 3d. already paid will make a total of 4s. 6d. for the year.

The Directors have also decided to declare a Special Interim Dividend of 9d. per stock unit or share for the year ending September 30, 1959, to be paid with the recommended Final Dividend for the year 1958. This Special Interim Dividend will not be taken into account in considering the payment of further dividends out of the results for the year ending September 30, 1959.

SOURCES OF INCOME

The Group's income comes from three sources, its mineral royalties, its real estates and its investments. As time goes on and the year 1986 approaches, when the mineral rights and revenues in Northern Rhodesia will be taken over by the Government without compensation, the investments held by the subsidiaries, and the investment policy generally will become of prime importance.

The Group's interest in mining, both in Rhodesia and elsewhere, still forms a major part of the whole portfolio—the mining sections amounting to more than 60 per cent of the total book value. Thus, the development of mineral resources and the business of mining investment may be broadly said to be the principal activity of The British South Africa Company Group. In addition, however, to the mining investments, we have in recent years achieved a considerable measure of diversification in the Group's holdings and this process is continuing.

At the date of the Balance Sheet quoted investments of the Group at £22,834,081 showed an appreciation of £5,492,424. An approximate valuation of the quoted investments at March 12, 1959, amounted to £29,975,000, showing an appreciation over book value of £9,190,000. In addition there was an estimated undisclosed appreciation on certain of the unquoted holdings at that date of £3,387,000. The book value of unquoted investments has increased by about £1,800,000 since September 30, 1958.

I feel confident that Members will endorse the policy which the Board has adopted and which will place the Company in an extremely strong position from now onwards.

FEDERATION'S PROSPECTS

The year under review has been in many ways an anxious one, both here and in Africa. During its first five months, the average price of copper was between £179 and £180 per ton. One of the great new Copper Mines —Bancroft—then suspended its production for technical reasons ; and our new financial year began with a strike in progress on the Copperbelt which lasted for 53 days and cost the Company in loss of royalty alone some £800,000.

However, since then the price of copper has improved and looks like becoming more stable ; in a few days Bancroft will have resumed production, expansion at Nchanga and Mufulira is in progress and in general the economic and industrial scene in the Federation is brighter than before.

The year 1960 will be an important one for the Federation, not only because of the Constitutional discussions but because it will see the commissioning of the great Kariba Hydro-Electric Scheme. We are proud that The British South Africa Company has contributed materially to this great project.

The report was adopted and the dividend recommendation approved.

INTERNATIONAL COMBUSTION (HOLDINGS) LIMITED

Annual Report and Accounts of the I.C.L. Group for 1957-1958

INTERNATIONAL COMBUSTION LIMITED

Complete Steam Generating Plant for Power Stations, for Industry and for Nuclear Power Application in Great Britain.

INTERNATIONAL COMBUSTION PRODUCTS LIMITED

Mechanical Stokers, Pulverising Mills, Feeders and Burners for all Steam Raising Equipment. Material Handling Equipment, Vibrating, Screening and Filtering Equipment etc., for sale in Great Britain.

INTERNATIONAL COMBUSTION (EXPORT) LIMITED

All products of the Group for sale abroad.

RILEY (IC) PRODUCTS LIMITED

Mechanical Stokers and Oil Firing Equipment for small installations, Syntron Vibratory and Feeding Equipment.

THE CLAYTON EQUIPMENT COMPANY LIMITED

Locomotives and Vertical Kiln Plants.

PRINCIPAL FEATURES :

1956-57 £		*1957-58* £
1,274,715	Net Profit for Year after Taxation	1,371,472
5,175	Preference Dividend	5,175
413,665	Ordinary Dividend (25 per cent.) In addition a Special Interim dividend of 5 per cent. in respect of the year 1958-59 has been declared.	413,665
855,905	Net Profit retained in the Group for Development, Expansion and Contingencies	952,632
1,274,745		1,371,472
5,231,332	Net Current Assets before providing for advanced taxation	5,872,603
1,102,376	Fixed Assets (*less* depreciation)	1,450,579
464,354	Investments (*less* Provision)	615,024
6,798,112	Total Capital Employed	7,838,206

EXTRACTS FROM THE REVIEW OF THE CHAIRMAN, SIR JAMES REID YOUNG

The Group Profit is £3,039,547 compared with £2,801,231 for the previous year.

Orders on hand showed a substantial increase over the previous year and the output from all the Works in the Group showed a reasonable increase.

Subsidiary and Associated Companies both home and overseas have, in the main, showed satisfactory working results.

There is at present no reason to suppose that the results of the current year's working will differ materially from those for the year 1957/58, but beyond this it would be unwise to predict.

THE SCOTTISH LIFE ASSURANCE COMPANY LIMITED

NINTH SUCCESSIVE RECORD YEAR

Mr C. R. Munro, CA, Chairman of the Board of Directors, presided at the Annual General Meeting of The Scottish Life Assurance Company Limited, held at Edinburgh on March 24th.

In moving the adoption of the Report and Accounts for 1958 the Chairman said:

The Company maintained its progress during 1958 and for the ninth successive year—indeed, for the eleventh time since the war—I can report that the new life business is a record for the Company with net new sums assured of over £11¼ millions. It is interesting to note that in 1953 the net new sums assured amounted to a little over £5 millions so that we have more than doubled our new sums assured in the last five years.

A further milestone in the Company's history was passed in 1958 when our premium income, which was just over £1 million in 1950, exceeded £3 millions for the first time. In 1955 it was over £2 millions for the first time. Thus, while it took us five years, from 1950-1955, to increase our premium income from £1 million to £2 millions, it has only taken us three years to increase it from £2 millions to £3 millions. This alone gives some idea of our rapid expansion in the last eight years.

The gross rate of interest has once again increased—to £5 19s. 8d. per cent compared with £5 18s. 2d. per cent last year. The corresponding rates after deduction of income tax are £5 4s. 11d. per cent and £5 1s. 3d. per cent.

The net interest revenue has exceeded £1 million for the first time, having more than doubled itself in six years.

Claims by death were somewhat higher in amount than in the previous two years of the quinquennium, but the ratio of actual claims to expected claims is still light.

At the end of 1957 the Bank rate, at 7 per cent, was at the highest level since 1921 and conditions of recession were apparent both in USA and this country. Even under these conditions, we commenced 1958 with our investments worth considerably more than their balance sheet figure. During the year market values have risen and the appreciation of our investments over their book value has consequently increased substantially.

While the main change in our stock exchange investments occurs in ordinary shares, in which we have continued to invest both in this country and in USA and Canada, a substantial addition has been made to our portfolio of debentures at favourable rates of interest. We have also continued our activity in mortgages—mainly confined, as before, to loans on security of house property for owner-occupation in this country.

It is not possible at this stage to estimate what will be the immediate effect of the National Insurance Bill 1959—assuming it is enacted largely in its present form—on our existing and prospective pensions business, but our Pensions Department is very well-equipped to give advice to employers on the many difficult technical problems which arise in this field.

We have recently improved substantially our terms for contracts providing a lump sum benefit and have at the same time introduced a comprehensive widows' annuity contract to be issued in conjunction with our normal group life assurance and pension contracts. These group life assurance and widows' annuity contracts are of considerable value in augmenting the provision made for widows and children under the State scheme.

The Directors recommend that the final dividend for 1958 should be 7s. per share, making the total for 1958 14s. per share against 12s. for 1957.

The report and accounts were adopted.

APPOINTMENTS

BRITISH COLUMBIA RESEARCH COUNCIL
AT UNIVERSITY OF BRITISH COLUMBIA, VANCOUVER, 8, CANADA.
requires
(a) Market Research Officer
(b) Operational Research Officer
Applications are invited from recent graduates, preferably in economics or engineering, who have had at least two years' experience in the above fields. Applicants will be interviewed in London, April 13-24, and should send details of training and experience with their application. One copy should be sent to Dr. G. M. Shrum, c/o British Columbia House, No. 1 Regent Street, London, S.W.1, and the other to Vancouver.

CHIEF ARCHITECTS: DIRECTORS OF WORKS, *WAR OFFICE. Two pensionable posts* for men at Chessington, Surrey, in (1) the Development Group, and (2) Works (Abroad). Qualifications: candidates must be Registered Architects and hold professional qualifications in architecture. Additionally, for (1) they must have experience of development work and client-architect briefing in a large organisation, and of development of building types to meet special requirements together with current knowledge of the various institutions concerned with the development of building standards, techniques, and research. They should be familiar with up-to-date *cost control and* cost analysis methods; for (2) they must have experience in the organisation of a large building programme involving the co-ordination of the *several specialist services involved. Duties:* (1) To take charge of the Development Group, which is part of an expanding organisation responsible for the design and *supervision of the Army's new building work at home* and overseas. The Group undertakes original research and development work on functional and structural problems, reviews designs of a wide variety of buildings used by the Army, and examines new building techniques and materials. (2) To direct overseas building work with support of administrative and technical services and of a development group, to enable him to organise the staff on the basis of a real programme of work with priorities and targets, both concerning cost, building time, and value for money. The type of building requirement will vary from time to time and will include housing, hospitals, barracks, amenities, industrial buildings, storage and other specialist buildings. Salary (London) £3,000. Write Civil Service Commission, *17 North Audley Street, London*, W.1, for application form, quoting S4962/59. Closing date April 14, 1959.

BRITISH TRANSPORT COMMISSION *requires* Assistant in Traffic Adviser's Department at London Headquarters to undertake long- and short-term appraisals of the effect of changes in industrial trends and to formulate estimates of traffic potential and demand. *Good* knowledge of the sources of information necessary to provide an intelligence service. Experience in responsible post in transport or industry and qualifications of *high order in field of economics and statistics essential. University degree or other appropriate qualification an* advantage. Salary range £1,815-£2,260 p.a. *Superannuation scheme.* Certain free travel facilities. Medical examination.—Write, giving age, qualifications and experience, to Principal *Establishment and Staff Officer, British Transport Commission*, 222 Marylebone Road, London, N.W.1, within 14 days. S.A.E. for acknowledgment.

THE UNIVERSITY OF BIRMINGHAM
The University will offer a number of Scholarships, value £270-£340, to graduates and to those expected to graduate this summer who wish to read for higher degrees in the Faculty of Commerce and Social Science. There will be opportunities for advanced study and training in research in all the main departments of the Faculty and also in subjects common to more than one department.
Further particulars may be obtained from the Registrar, The University, Birmingham, 15, to whom applications should be sent before June 13, 1959.

CONSUMERS' ASSOCIATION, publishers of " Which? " require project officer, male, to organise tests of consumer goods. Qualifications: intelligence, initiative, commonsense, and some technical and scientific experience. Salary according to experience. Apply: Director, 333 High Holborn, London, W.C.1.

SENIOR LECTURER
Oil Company requires Senior Lecturer in *Chemical Engineering* for the Abadan Institute of Technology in SOUTH IRAN. Age 35-50. Degree in Chemical Engineering; at least three years' teaching experience in Chemical Engineering.
Salary not less than £3,000 per annum for well qualified candidate. Two-year tours of duty followed by 72 days home leave on full pay. First-class air passages paid by the Company for employees and eligible family. Accommodation, married or bachelor, provided by Company at *reasonable rental.*—Write, with brief details, for further information to Box TE.405, c/o 191 Gresham House, E.C.2.

NUFFIELD COLLEGE STUDENTSHIPS
Applications are invited from graduates (men and women) who wish to undertake research in any branch of economics or politics (including political theory, government and public administration, and international relations); statistics; sociology; constitutional, public and international law; recent social, economic and political history. The College is also interested in the application of these disciplines to the problems of colonial and under-developed societies. The College administers grants to further the study of European politics and government and of trade union policy and industrial relations.
Further particulars and the necessary forms are obtainable from the Warden. Applications should reach him by May 11, 1959.

NUFFIELD COLLEGE, OXFORD
RESEARCH FELLOWSHIPS
Applications are invited from men or women graduates who wish to undertake research in Economics; Statistics; Politics; Sociology; Economic, Social or Political History; Industrial Relations; African Studies; Public Administration; Business Management; International and Public Law or other branches of the Social Studies. Two or three Research Fellowships may be awarded. The stipend will be according to age and appointments will be for two or three years, renewable. *Further particulars may be* obtained from the Warden.—Applications should reach him not later than May 11, 1959.

NUFFIELD COLLEGE
GWILYM GIBBON RESEARCH FELLOWSHIP
Applications are invited from men or women who wish to conduct research in the field of government and administration. Preference will be given to candidates with experience in the public service. The Fellowship will be for one year in the first instance. Further particulars and application forms can be obtained from the Warden.—Applications should reach him by May 11, 1959.

THE UNIVERSITY OF BIRMINGHAM
FACULTY OF COMMERCE AND SOCIAL SCIENCE
EDWARD WILSHAW POSTGRADUATE EXHIBITION
One Exhibition, of the order of £200, but the amount to be determined in each case by the applicant's merits and circumstances, will be offered each year from a fund founded by Sir Edward Wilshaw, K.C.M.G., D.L., LL.D., F.C.I.S., J.P. The Exhibition is open to graduates of this and other Universities who wish to prepare themselves for careers in business administration and management and who propose to read for the Graduate's Commerce Diploma in business administration. Applications (two copies) including the names of two referees, should be sent by June 13, 1959, to the Registrar, *The University, Birmingham*, 15.

ASSISTANT statistician required for Circulation Department of Tothill Press Ltd. Work is varied but mainly concerned with interpretation of readership surveys. Experience not essential but must be able to interpret statistics and report coherently. Statistical work is expanding and offers good prospects to a young graduate —early twenties preferred—male or female.—Apply Cohen, Tothill Press Ltd., 33 Tothill Street, London, S.W.1. (WHitehall 9233.)

For further appointments and other classified advertisements see page 1227

MARKET RESEARCH. We are looking for a male executive (graduate) with approximately two to three years' experience in market-research. He should be thoroughly versed in the statistical procedures employed in this field.
The man selected will be capable of initiating, planning and reporting on research surveys (mainly on consumer products). The salary will be between £1,000-£1,200 per annum according to experience.
Reply to The Manager, The Research Unit Ltd., 197 Knightsbridge, S.W.7.

CONFEDERATION LIFE ASSOCIATION has opportunities for young qualified Actuaries, or would consider those when they reach qualification, at its Head Office in Toronto. Generous salary scales and fringe benefits including substantial group insurance and a breakdown sickness benefit. Opportunities arise through business developments.—Details from Chief Actuary, 18 Park Lane, London, W.1.

A CHANCE IN A MILLION for a lady of good *education (at least G.C.E.)* to get in on the ground floor of an expanding staff agency in the City. Age 25/35. Must be a good mixer and possess an easy conversational manner at all levels. Salary £520 per annum plus commission £2-£4 per week.—Write for application form to Box 1145.

UNIVERSITY OF BRISTOL
Applications are invited for the following posts in the Department of Economics, tenable from August 1, 1959.
(a) Lecturer (Grade II) in Economics with special interest *in Mathematical Economics.* Salary scale £900 x £50—£1,300; £1,350 x £75—£1,650.
(b) Research Assistant in Economics. Salary £600—£700.
Fuller particulars of these appointments may be obtained from the Registrar, The University, Bristol 8, to whom applications should be sent by April 25th.

FOREIGN OFFICE RESEARCH DEPARTMENT: RESEARCH ASSISTANTS. Ten posts (1 in Grade I, 2 in Grade II, 7 in Grade IID for men or women at least 28 (Grades I or II) or 23 (Grade IID) on April 1, 1959, for research on historical background and current developments *in foreign countries.* Qualifications: normally at least 2nd class honours degree. For some posts, sound reading knowledge of Arabic, Chinese, Japanese, or a *Slavonic language essential. Knowledge* of other languages and peoples desirable. London salary scales (men): Grade I, £1,780-£2,000; Grade II, £1,350-£1,660; Grade IID, £610 (23) to £675 (25 or over) rising to £1,085. —Write Civil Service Commission, Burlington Gardens, London, W.1, for application form, quoting 4958/59. Closing date April 30, 1959.

THE UNIVERSITY OF HULL
Applications are invited for an Assistant Lectureship in Politics and Government, tenable from October 1, 1959. Salary scale £700 x £50—£850 per annum, with F.S.S.U. and children's allowances.—Further particulars may be obtained from the undersigned to whom applications (five copies) should be sent not later than May 1, 1959.
W. D. CRAIG, Registrar.

THE UNIVERSITY OF HULL
Applications are invited for an Assistant Lectureship in Economics, tenable from October 1, 1959. Salary scale £700 x £50—£850 per annum, with F.S.S.U. and children's allowances.—Further particulars may be obtained from the undersigned to whom applications (five copies) should be sent not later than May 1, 1959.
W. D. CRAIG, Registrar.

COMPANY AFFAIRS

ASSOCIATED ELECTRICAL INDUSTRIES

SHAREHOLDERS should be careful in their interpretation of the full accounts for 1958 of Associated Electrical Industries, just as they had to be careful in assessing the profit trends revealed in the preliminary statement, for the acquisition of Associated Insulation Products and W. T. Henley's Telegraph Works makes an exact comparison between the 1957 and 1958 accounts virtually impossible. It is not clear from the figures as they are presented in these accounts how the group really fared, either on profit margins or on orders. One difficulty is that the figures for sales and orders for 1958 include in part those of the new subsidiaries and the 1957 figures do not.

While gross trading profits have risen from £13.3 million to £16.0 million, net profits, after excluding pre-acquisition profits, have risen by only £274,410 to £4,778,485. Including the figures for the new subsidiaries, sales in 1958 are shown at £181½ million (against £150 million), new orders received at £168 million (against £177 million), and orders at hand at the end of the year at £182 million (against £180 million). Quite what contribution the new subsidiaries made to these figures is not stated but it seems clear that turnover in AEI's works was outstripping the inflow of new orders. It seems certain that excluding the experience of the new subsidiaries the order book has been contracting, and that AEI's profit margins, like those of other heavy electrical engineering groups, have been contracting as well.

Last year, the issue of a 6 per cent debenture brought in about £25 million, and this injection of new money is reflected in the improvement in liquidity: cash and money assets have risen from £2 million to £10½ million and bank overdrafts have fallen from £6.3 million to £2.8 million.

N. V. PHILIPS

SINCE 1949 the trading profits of N.V. Philips of Eindhoven have risen by more than eight times, from 67 million guilders to 557 million guilders, and its fixed assets by nearly four times, from 358 million guilders to 1,430 million guilders. Growth of this order usually generates a thirst for new capital. Eventually, this giant electronics and electrical engineering concern may wish to come to the market. It should, like other international giants, find it easy to do so, for its shares are widely dealt in on stock exchanges other than Amsterdam. Last year, for instance, they were introduced for the first time to West German investors. An application for a Wall Street quotation is not expected immediately but there have been big dealings in the shares in the over-the-counter market and American shareholders already own about 15 per cent of the equity, equalling the proportion held in France. By contrast, British investors own only 9 per cent and with 8 per cent owned in other countries, about 53 per cent is still in Dutch hands.

Philips is in no immediate need for new money for last year its liquid resources rose from 309,767,000 million guilders to 496,026,000 million guilders, reflecting a decline in the rate of installation of new capacity, the receipt of share premiums arising from the conversion of debentures, and of loans raised privately on the Netherlands market. But Philips' financial strength also stems from the upward trend of earnings, and trading profits in 1958 rose by 26 per cent, from 442 million guilders to 557 million guilders, although sales advanced by only 13 per cent, from 3,177 million guilders to 3,595 million guilders. Shareholders are to receive in addition to the customary 14 per cent ordinary dividend, a 5 per cent scrip issue. The FL 10 shares now stand at 101s. 6d. to yield just over 2½ per cent on the dividend and about 7½ per cent on earnings.

ALLIANCE TRUST

IN the last two years the declared aim of the directors of Alliance Trust has been to shift the emphasis to investment in "stable and conservative trades." This is reflected in the greater proportion of investments now held in banking, insurance, food, drink and tobacco shares and in United States public utility issues. The percentage of funds in these categories has gone from 33.5 per cent in January, 1957, to 51.1 per cent in January this year. Even so, the value of the investments of the Alliance Trust rose last year by 31 per cent to £38,346,000; this is in line with the rise in equity indices both here and in New York.

Almost half of the trust's funds are in the dollar area, and the increase from £1,765,000 to £1,800,000 in gross income for the year to January 31, 1959, is satisfactory. As with so many investment trusts this year, profits tax is much lower and Alliance's net revenue has risen by £85,241 to £961,424. The dividend is being raised from 25 to 28 per cent, and this payment absorbs about 75 per cent of net income. Funds which have till recently been held in cash and USA Government Bonds have now been reinvested and the chairman, Mr Alan L. Brown, expects the gross revenue in the current year to show a "further moderate rise."

An interesting innovation announced by Mr Brown is the directors' intention to give with future interim dividends an estimate of the rate of earnings expected for the year together with an unaudited valuation of investments. At 142s. xd., the current price of the £1 stock units is close to their break up value of 144s. 6d.—one indication of the market's high opinion of them.

ASSOCIATED FISHERIES

TRAWLING can at times be both hazardous and unrewarding and this has been the case since the autumn of 1956 when landings first began to decline due to spells of bad weather and a dispersion of the shoals of fish. Poor returns from their fishing fleets give the larger groups an added incentive to take a hand in the distributive side of the industry and Associated Fisheries, possessor of the largest trawler fleet in the country, has a turnover through its distributing network far in excess of the value of its landings. Last April Associated Fisheries feared that without an improvement in the productivity of the fishing fleet its financial results for the year to September 30th would be well below those of 1957. Landings later in the year did not improve but profits did; in fact they recovered to about the level of the year to September, 1956. Fuel costs were much lower but individual voyages have been longer, so that profits from distribution probably account for most of the increase in trading profits, from £961,086 to £1,173,550. The group handles more imported fish than landings from its own vessels, and it has recently reorganised its frozen foods business into one company.

Depreciation rose from £466,856 to £522,538 and special write-offs amounted to £107,225, against £77,219, but net profits recovered by £90,031 to £239,123, and the ordinary dividend has been increased by the payment of a special dividend of 3 per cent on top of the maintained 12 per cent total for the year. A 15 per cent dividend absorbs £112,125 and is covered nearly twice by earnings. At 8s. 9d. the 5s. units yield 8.6 per cent.

JAMES PASCALL

IN contrast to the marathon takeover struggle for *Thomas and Evans* last summer, the Beecham Group's bid for *James Pascall*, the south London confectioners, seems unlikely to meet much, if any, opposition. Beecham has made a bid for the entire share capital of Pascall on attractive terms and in cash. There is in issue 4,456,675 1s. ordinary shares for which Beecham offers 10s. per share. Already holders of 2,494,761 of these shares (of which the Renshaw and Pascall families have substantial holdings) have indicated that they will accept the offer, and the bid is strongly recommended by the directors. The two other classes of capital carry voting rights, but these are small in relation to the ordinary capital and, in fact, the bid has been provisionally accepted by holders of more than half the total votes. Holders of the 5 per cent 18s. preferred ordinary shares of which 249,900 are in issue, are offered 15s. per share, and 18s. per share is offered for each 5 per cent preference share of which 149,560 are in issue. The total bid amounts to about £2½ million for net assets of £1,372,000 at written down book values.

The directors of Pascall stated recently that increased profits in 1959 depended upon successful sales promotion. The Beecham Group, which already has confectionery interests, should be able to help here with its vast experience of advertising.

HARRODS

IN his statement with the full accounts of Harrods for the year to January 31st, Sir Richard Burbidge, the chairman, tells shareholders that the directors are carefully considering what arrangements should be made to supplement internal resources to cover the cost of the £3½ million contract placed with Taylor Woodrow last year for the construction of a new store, shops and offices in Birmingham. Although the work is being spread over three or four years, this disclosure is not a surprising one for liquid resources of £1,811,470 cover less than half its capital commitments of £3,901,185.

Sir Richard's assessment of prospects provides a suitable background for a new issue. He says that the current year opened "optimistically" and that higher levels of trade and net profits are expected in the first six months—and probably for the full year as well. Harrods' experience in the second half of 1958 lends support to this view, for following the fall in trade in the first half of the year, earnings recovered so sharply in the second that trading profits of £9,267,754 for the full twelve months were down by only £14,427. In this recovery, Sir Richard draws particular attention to the part played by Harrods of Knightsbridge, which earns more than half of the group's profits. The £1 shares have risen by 2s. 9d. to 81s. 3d. since the preliminary figures were issued and now yield only 4.3 per cent.

BRADFORD DYERS

NO doubt shareholders in Bradford Dyers will be cheered by the belief of Mr James Ewing, the chairman, that the fall in the domestic demand for woollens has at last ended and by his forecast of improved results from the wool sector in the current year. But they will be cheered even more by his disclosure that the claim for the repayment of the £1,126,021 in bank deposits sequestrated by Egypt should be settled within a few months—*subject, apparently*, to a "sequestration fee" of 10 per cent. But what will happen to BDA's claim for £2 million arising from the "Egyptianisation" of BDA's investment in Beida Dyers SAE is less clear. Under the recent Anglo-Egyptian agreement, any settlement of this claim cannot be expected in less than twelve months, and Mr Ewing argues that the total sum provided under the agreement for claims of this type is inadequate to meet all these claims in full. All Mr Ewing says of the future use of these moneys is to repeat the earlier statement that the directors will "consider" distributing "part" of the cash received when the Egyptian claims are settled as a tax free payment.

London Stock Exchange

FIRST DEALINGS:	Mar. 11	Apr. 1	Apr. 15
LAST DEALINGS:	Mar. 31	Apr. 14	Apr. 28
ACCOUNT DAY:	Apr. 7	Apr. 21	May. 5

GILT-EDGED stocks closed steady on Tuesday evening but interest was slackening before the Easter holiday and the Budget. Industrials were firm at first and on Monday a record number of bargains was marked at 20,028, but dealings in property shares alone contributed 1,521 of these. By Tuesday's close the market had turned dull following the overnight setback on Wall Street. *The Economist* Indicator fell by 1.3 to 252.4 on Tuesday evening. Glaxo fell by 1s. 3d. to 51s. 6d. and British Oxygen by 7½d. to 55s. 4½d. In Electricals, Elliott-Automation lost 1s. 3d. to 19s. on Tuesday, but by that time the stock had made a net gain of 2s. 6d. since last Wednesday. Steel shares remained strong following the by-election results, Colvilles rising by 2s. 6d. to 30s. 10½d. and Lancashire Steel by 2s. to 33s. 4½d. Motor shares were irregular on the February output figures, although BMC gained 9½d. to 14s. 10½d. Paper shares were weak, reflecting the Scandinavian and UK cuts in the price of kraft paper, A. E. Reed falling by 2s. 9d. to 50s. 6d., and Bowater by 1s. 10½d. to 46s. 10½d. Some selling of bank equities occurred on Tuesday after the National Provincial announced that its rights issue will be made at the end of April. Oils were *initially firm but later turned dull in* line with Wall Street. Kaffirs were *generally easier* but Loraine gained 10½d. to 33s. 3d. in front of its quarterly report.

STOCK EXCHANGE PRICES AND INDICES

BRITISH FUNDS	Price, March 24	Gross Red. Yield %
War Loan 3% 1955–59	100[1/32]	2·94
Exchequer 2½% 1960	98[13/16]	3·36
Exchequer 3% 1960	99[13/16]	3·20
Conversion 4¼% 1963	101[9/16]	4·34
Savings Bonds 3% 1955–65	92¼	4·47
Savings Bonds 3½% 1960–70	81⅝	5·17
Conversion 4½% 1964	100⅜	4·42
Exchequer 5½% 1966	103	5·01
Conversion 3½% 1969	86⅝	4·99
Conversion 5½% 1974	100¼	5·37
Treasury 3½% 1977–80	78⅞	5·24
Treasury 3½% 1979–81	77¾	5·25
Funding 3½% 1999–2004	73[1/16]	5·05
Consols 4% after February 1957	74⅜	5·42
War Loan 3½% after 1952	67¼	5·29
Treasury 3% after April 1966	57⅝*	5·18
Consols 2½%	51[9/16]*	4·84
Treasury 2½% after April 1975	49⅜*	5·06

* Ex dividend.

Financial Times Indices

	Ordinary Index†	Ordinary Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked
March 19...	221·5	5·27	93·49	4·85	14,435
" 20...	221·1	5·27	93·61	4·83	15,783
" 23...	220·6	5·29	93·66	4·83	20,025
" 24...	219·6	5·31	93·54	4·85	15,875

† July 1, 1935=100. ‡ 1928=100.

The Economist Indicator

		Yield %
March 18.....	253·7	5·16
" 24.....	252·4	5·17

1953=100.

ORDINARY STOCKS	Price, March 24	Yield %
A.E.I. £1	55/3	5·43
Associated Portland Cement £1	56/9	3·17
Babcock & Wilcox £1	50/-	5·20
Beecham Group 5/-	29/6	3·39
Boots Pure Drug 5/-	21/10½	3·29
Bowater Paper £1	47/3	5·29
B.A.T. 10/-	52/10½	5·76
British Motor 5/-	14/10½	5·88
British Oxygen £1	55/4½	4·33
British Petroleum £1	51/-	5·12
Courtaulds £1	33/6	4·78
Distillers 10/-	25/3	4·23
Dunlop Rubber 10/-	24/10½	6·10
E.M.I. 10/-	58/-	3·45
Ford Motor £1	54/6	4·40
General Electric £1	31/9	5·98
G.U.S. 'A' 5/-	34/9	4·68
Guest Keen £1	52/9	4·36
Hawker Siddeley £1	29/-	6·90
I.C.I. £1	34/9	4·60
Imperial Tobacco £1	56/10½	7·38
Lancashire Cotton £1	40/7½	8·62
Lloyds Bank £1	47/-	4·26
Marks & Spencer 'A' 5/-	57/9	3·03
Midland Bank £1	64/9	4·63
Pearl Assurance 5/-	119/3	5·10
Prudential 'A' 4/-	235/-	4·92
P. & O. £1	31/6	6·98
Rolls-Royce £1	98/9	4·05
Shell Transport £1	138/9	4·70
Stewarts & Lloyds £1	28/10½	7·62
Tube Investments £1	82/-	4·27
United Dominions Trust £1	139/9	2·86
Unilever £1	88/3	3·81
Vickers £1	31/9	6·30
Woolworth 5/-	51/9	3·86

EXCHEQUER RETURNS

For the week ended March 21, 1959, there was an "above-line" deficit (after allowing for Sinking Funds) of £41,502,000 compared with a surplus of £40,756,000 in the previous week and a deficit of £1,705,000 in the corresponding period of last year. There was a net receipt "below-line" of £10,030,000, leaving a total deficit of £126,866,000 compared with £187,207,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to Mar. 22, 1958	April 1, 1958, to Mar. 21, 1959	Week ended Mar. 22, 1958	Week ended Mar. 21, 1959
Ord. Revenue					
Income Tax	2312,500	2120,112	2213,502	79,869	70,775
Surtax	163,000	151,600	161,100	5,800	6,000
Death Duties	163,500	166,800	183,000	3,300	5,000
Stamps	56,250	62,500	62,700	900	700
Profits Tax, EPT & EPL	275,000	250,800	268,300	6,300	3,100
Other Inland Rev. Duties	...	450	450	...	...
Total Inland Rev.	2970,250	2752,262	2889,052	96,169	85,575
Customs	1256,940	1180,964	1236,215	23,472	24,995
Excise	932,310	929,400	915,410	4,735	4,665
Total Customs and Excise	2189,250	2110,364	2151,625	28,207	29,660
Motor Duties	104,000	99,447	105,789	...	...
PO (Net Receipts)	2,000	18,400	10,300	1,700	1,700
Broadcast Licences	34,000	28,400	30,800	...	...
Sundry Loans	30,000	32,089	27,167	...	481
Miscellaneous	110,000	160,651	103,802	1,494	5,175
Total	5439,500	5201,613	5318,535	127570	122591
Ord. Expend.					
Debt Interest	695,000	662,688	672,108	4,637	11,029
Payments to N. Ireland Exchequer	73,000	66,727	672,102	...	...
Other Cons. Funds	10,000	9,511	8,106	485	...
Supply Services	4292,859	3972,853	4092,511	124113	152209
Total	5070,859	4711,779	4844,827	129235	163238
Sinking Funds	38,000	37,392	38,050	40	865
"Above-line" Surplus or Deficit	+ 452,442	+ 435,668	— 1,705	— 41,502	
"Below-line" Net Expenditure*	639,649	562,534	35,056	Cr. 10,030	
Total Surplus or Deficit	187,207	126,866	36,761	31,472	
Net Receipts from:					
Tax Reserve Certificates	—36,058	40,976	14,099	—692	
Savings Certificates	—20,000	131,400	—100	1,500	
Defence Bonds	—38,463	106,335	—1160	3,183	
Premium Savings Bonds	79,099	65,695	890	390	
Total	—15,422	344,406	13,729	4,381	

* Including net expenditures of the Civil Contingencies Fund of £19 million in 1958/59 and £24 million in 1957/58.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Mar. 22	3,080·0	1,510·3	248·8	...	4,839·1
Dec. 20	3,460·0	1,761·9	184·7	...	5,406·6
„ 31	5,351·0		222·2	0·3	5,573·4
1959					
Jan. 3	3,500·0	1,789·8	205·6	...	5,495·4
„ 10	3,450·0	1,724·9	206·0	...	5,390·8
„ 17	3,460·0	1,948·3	236·6	...	5,644·9
„ 24	3,370·0	1,940·8	213·0	3·3	5,527·0
„ 31	3,280·0	1,973·2	223·5	...	5,476·7
Feb. 7	3,250·0	1,891·6	237·9	...	5,379·5
„ 14	3,140·0	1,874·2	252·2	...	5,266·4
„ 21	3,070·0	1,943·7	197·2	...	5,210·9
„ 28	3,010·0	1,990·0	197·3	...	5,197·3
Mar. 7	2,950·0	1,999·9	213·7	...	5,163·6
„ 14	2,920·0	1,993·9	225·1	...	5,143·1
„ 21	2,910·0	2,030·3	252·7	...	5,193·0

Money and Exchanges

THE MONEY MARKET

THE offer of Treasury bills rose by £20 million to £250 million at last week's tender, while total applications fell by £13.7 million to £360 million. Thus the discount market, making its concerted bid at £99 3s. 6d. for the fourth successive week, raised its allotment from 43 to 55 per cent. Outside applicants appear to have raised their bids in some cases, and the average rate of discount fell from £3 5s. 11.05d. per cent to £3 5s. 8.95d. per cent.

Withdrawals of funds from the market were light, and fresh money was readily available over the week-end. The demand for bills was brisk, "hot" bills changing hands at $3\frac{7}{32}$ per cent. A rate of 3 per cent was paid for overnight money early in the day, although $3\frac{1}{8}$ per cent was conceded on Friday while credit was patchy. Late balances were available at the banks' minimum rate of $2\frac{1}{2}$ per cent. and funds from outside institutions commanded only 2 per cent.

On Monday calling increased and a very small amount of assistance from the authorities was required to help the discount houses to balance their books. On Tuesday funds were harder to obtain and the authorities again gave a little help. The general rate for overnight loans rose to 3 per cent, and help from the authorities was passed on at $3\frac{1}{8}$ per cent.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	**Discount rates:**	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	$3\frac{9}{16}$–$3\frac{7}{16}$
Discount houses	2–2¼	3 months	$3\frac{9}{16}$–$3\frac{7}{16}$
Money:		4 months	$3\frac{9}{16}$–$3\frac{7}{16}$
Day-to-Day	$2\frac{9}{16}$–$3\frac{1}{8}$	6 months	$3\frac{9}{16}$–$3\frac{1}{2}$
Treasury bills:		Fine trade bills:	
2 months	$3\frac{9}{32}$	3 months	$4\frac{1}{4}$–5
3 months	$3\frac{5}{16}$	4 months	$4\frac{1}{4}$–5
		6 months	$4\frac{1}{2}$–$5\frac{1}{4}$

New York

	%		%
Official discount rate: (from 2½%, 5/3/59)	3	**Treasury bills:** March 16	2·763
		" 23	2·766

BANK OF ENGLAND RETURNS

(£ million)	Mar. 26, 1958	Mar. 18, 1959	Mar. 25, 1959
*Issue Department**:			
Notes in circulation	1,982·6	2,027·3	2,033·2
Notes in banking dept.	17·8	23·0	17·1
Govt. debt and securities*	1,996·2	2,046·5	2,046·5
Other securities	0·8	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	15·2	11·5	14·8
Bankers	222·8	237·2	246·4
Others	74·5	62·8	64·0
Total	312·5	311·4	325·3
Securities:			
Government	263·6	269·8	296·3
Discounts and advances	25·8	13·7	7·3
Other	21·4	22·6	22·2
Total	310·8	306·0	325·8
Banking department reserve	20·2	23·8	17·9
"Proportion"	% 6·4	% 7·6	% 5½

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,050 million January 21, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million): Allotted	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1958 Mar. 21	91 *day* 260·0	399·2	s. d. 111 1·52	% 52
	91 *day* 63 *day*			
Dec. 19	240·0 50·0	443·5	63 0·96	73
„ 24	230·0 50·0	423·0	63 0·47	69
1959	91 *day*			
Jan. 2	260·0	402·8	62 11·35	52
„ 9	260·0	407·4	62 10·22	47
„ 16	220·01	414·0	62 3·42	40
„ 23	220·02	415·1	62 1·96	31
„ 30	220·0	388·0	62 1·68	31
Feb. 6	190·03	385·3	60 0·22	45
„ 13	190·0	339·6	59 10·89	30
„ 20	200·0	347·1	61 9·89	27
„ 27	220·0	317·9	65 6·22	51
Mar. 6	230·0	370·4	66 0·14	57
„ 13	230·0	374·1	65 11·05	43
„ 20	250·0	360·4	65 8·95	55

* On March 20th tenders for 91 day bills at £99 3s. 6d. secured 55 per cent, higher tenders being allotted in full. The offer this week was for £260 million of 91 day bills. (1) £240 million offered. (2) £230 million offered. (3) £210 million offered.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot				
	March 24	March 19	March 20	March 21	March 23	March 24
United States $	2·78–2·82	$2·81\frac{15}{16}$–7_{16}	$2·81\frac{3}{8}$–$\frac{1}{2}$	$2·81\frac{3}{8}$–$\frac{1}{2}$	$2·81\frac{3}{8}$–$\frac{1}{2}$	$2·81\frac{3}{8}$–$\frac{1}{2}$
Canadian $	...	2·72⅝–¾	$2·72\frac{9}{16}$/$\frac{11}{16}$	2·72½–⅝	$2·72\frac{1}{2}$–$\frac{9}{16}$	$2·72\frac{1}{8}$–¼
French Fr.	13·6220–14·0265	$13·79\frac{1}{8}$–$\frac{3}{8}$	$13·79\frac{3}{8}$–$\frac{5}{8}$	$13·79\frac{3}{8}$–$\frac{5}{8}$	$13·79\frac{3}{8}$–$\frac{5}{8}$	$13·79\frac{3}{8}$–$\frac{5}{8}$
Swiss Fr.	11·94–12·54⅞	$12·16$–$16\frac{1}{4}$	$12·15\frac{7}{8}$–$16\frac{1}{8}$	$12·15\frac{7}{8}$–$16\frac{1}{8}$	12·15¾–16	$12·15\frac{1}{2}$–¾
Belgian Fr.	137·96–142·05	140·65–70	140·65–70	140·65–70	140·65–70	$140·62\frac{1}{2}$–$67\frac{1}{2}$
Dutch Gld.	10·48–10·80	$10·62\frac{1}{8}$–$\frac{3}{8}$	$10·62\frac{1}{8}$–$\frac{3}{8}$	10·62–62¼	$10·62\frac{1}{8}$–$\frac{3}{8}$	$10·62\frac{1}{8}$–$\frac{3}{8}$
W. Ger. D-Mk.	$11·59\frac{1}{4}$–$11·92\frac{3}{4}$	$11·76$–$76\frac{1}{4}$	$11·76$–$76\frac{1}{4}$	$11·76$–$76\frac{1}{4}$	11·76–76¼	$11·75\frac{3}{8}$–$\frac{7}{8}$
Portuguese Esc.	$79·00\frac{3}{4}$–$82·00\frac{1}{2}$	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725–1775	$1745\frac{1}{2}$–46	1746–$46\frac{1}{2}$	1746–$46\frac{1}{2}$	1746–46½	1746–$46\frac{1}{2}$
Swedish Kr.	$14·37\frac{1}{2}$–$14·59\frac{1}{4}$	$14·55\frac{1}{8}$–$\frac{3}{8}$	$14·55\frac{1}{8}$–$\frac{3}{8}$	$14·55\frac{1}{8}$–$\frac{3}{8}$	$14·55\frac{1}{8}$–¾	$14·55\frac{1}{8}$–$\frac{3}{8}$
Danish Kr.	$19·06\frac{1}{2}$–19·62	$19·36\frac{1}{2}$–$\frac{5}{8}$	$19·36\frac{1}{2}$–$\frac{5}{8}$	$19·36\frac{1}{2}$–$\frac{3}{8}$	19·35⅞–$36\frac{1}{8}$	$19·35\frac{3}{8}$–$\frac{7}{8}$
Norwegian Kr.	19·71–20·30½	20·04–$04\frac{1}{4}$	20·04–$04\frac{1}{4}$	20·04–$04\frac{1}{4}$	20·03¾–04	$20·03\frac{5}{8}$–$\frac{7}{8}$
One Month Forward Rates						
United States $		$\frac{3}{16}$–$\frac{1}{16}$c. pm	$\frac{3}{16}$–$\frac{1}{16}$c. pm	$\frac{3}{16}$–$\frac{1}{16}$c. pm	$\frac{3}{16}$–$\frac{1}{16}$c. pm	$\frac{3}{16}$–$\frac{1}{16}$c. pm
Canadian $		$\frac{1}{8}$–¼c. dis	$\frac{1}{8}$–¼c. dis	$\frac{1}{8}$–¼c. dis	$\frac{1}{8}$–¼c. dis	$\frac{1}{8}$–¼c. dis
French Fr.		par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis
Swiss Fr.		$1\frac{1}{8}$–$\frac{7}{8}$c. pm	1–¾c. pm	1–¾c. pm	1–¾c. pm	1–¾ pm
Belgian Fr.		2–5c. dis	2–5c. dis	2–5c. dis	par–4c. dis	2c. pm–2c. dis
Dutch Gld.		$1\frac{1}{8}$–$\frac{7}{8}$c. pm	$1\frac{1}{8}$–$\frac{7}{8}$c. pm	$1\frac{1}{8}$–$\frac{7}{8}$c. pm	$1\frac{1}{8}$–$\frac{7}{8}$c. pm	$1\frac{1}{8}$–$\frac{7}{8}$c. pm
W. Ger. D-Mk.		1–¾pf. pm	$\frac{7}{8}$–$\frac{5}{8}$pf. pm	$\frac{7}{8}$–$\frac{5}{8}$pf. pm	$\frac{7}{8}$–$\frac{5}{8}$pf. pm	$\frac{7}{8}$–$\frac{5}{8}$pf. pm
Three Months Forward Rates						
United States $		$\frac{3}{8}$–¼c. pm	$\frac{3}{8}$–¼c. pm	$\frac{3}{8}$–¼c. pm	$\frac{3}{8}$–¼c. pm	$\frac{7}{16}$–$\frac{5}{16}$c. pm
Canadian $		$\frac{3}{8}$–½c. dis	$\frac{3}{8}$–½c. dis	$\frac{3}{8}$–½c. dis	$\frac{3}{8}$–½c. dis	$\frac{3}{8}$–½c. dis
Swiss Fr.		$3\frac{1}{8}$–$2\frac{7}{8}$c. pm	3–$2\frac{3}{4}$c. pm	3–$2\frac{3}{4}$c. pm	$2\frac{7}{8}$–$2\frac{5}{8}$c. pm	$2\frac{3}{4}$–$2\frac{1}{2}$c. pm
W. Ger. D-Mk.		$2\frac{1}{8}$–$1\frac{7}{8}$pf. pm	$2\frac{1}{8}$–$1\frac{7}{8}$pf. pm	$2\frac{1}{8}$–$1\frac{7}{8}$pf. pm	2–$1\frac{3}{4}$pf. pm	$2\frac{1}{2}$–2pf. pm
Gold Price at Fixing						
Price (s. d. per fine oz.)		249/2	249/1½	...	249/2	249/2¼

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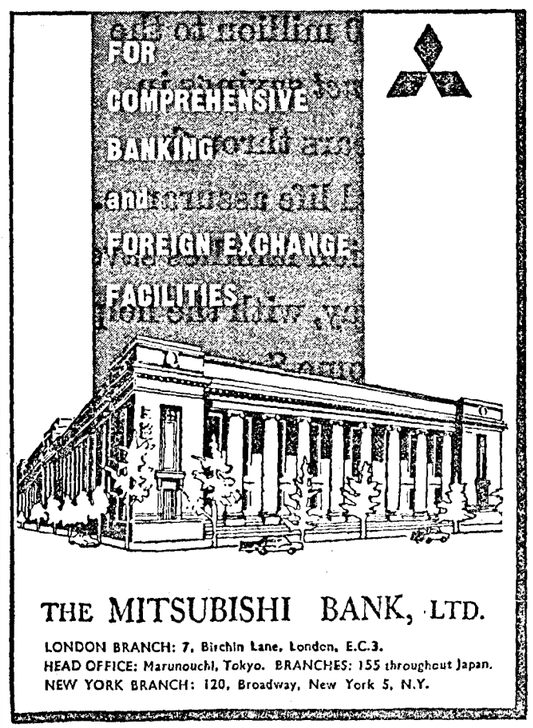
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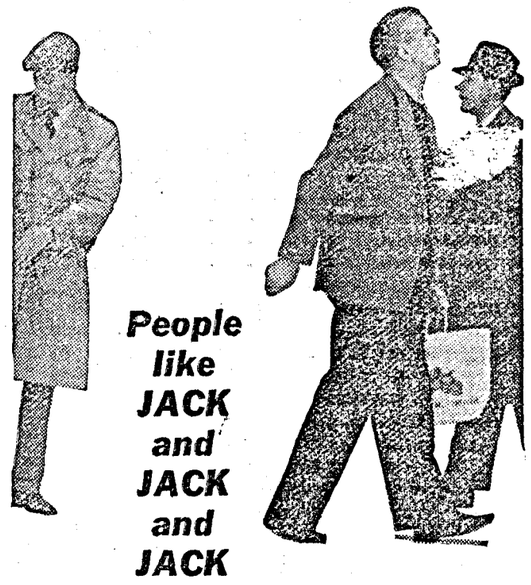
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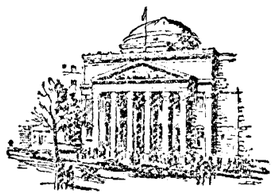
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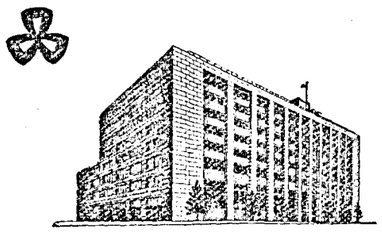
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Applications, giving full particulars of the candidate's qualifications, the names of at least two referees, and the date on which he would be able to take up the appointment, should reach the undersigned not later than April 30, 1959.

JOHN F. JACKSON,
Secretary.

30 Grainger Street, Newcastle upon Tyne, 1.

ECONOMISTS

THE BRITISH AND COMMONWEALTH SHIPPING CO. LTD. *invites applications from* ECONOMISTS with a sound knowledge of statistical method and preferably some experience in the application of economic analysis to industrial problems for the position of senior assistant in the Research Department. Applicants should have a good honours degree in Economics or Statistics and preferably at least two years' research experience *in a University, industry* or Government.

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Applications in strict confidence to Box 1143.

PROFESSIONAL ACCOUNTANTS.—At least 14 pensionable posts in Government Departments for *men* and women at least 25 on May 1, 1959. Qualifications: suitable *professional experience and corporate membership* of I.C.A., S.I.A.A., or A.C.C.A. Salary (London, men) £835 (at 25) to £1,170 (34 or over); rising to £1,165. Promotion prospects, *Five-day week generally.*—Write Civil Service Commission, Burlington Gardens, London, W.1, for application form, quoting 57/59. Closing date April 30, 1959.

THE UNIVERSITY OF HULL

Applications are invited for an Assistant Lectureship in Sociology in the Department of Social Studies, tenable from October 1, 1959. Salary scale—Assistant Lecturer £700 to £850, Lecturer £930 to £1,650 per annum; with F.S.S.U. and children's allowances. Further particulars may be obtained from the undersigned to whom applications (five copies) *should* be sent *not later than April 30th.*

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Registrar.

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(a *Research and Industry Section.* he applicant should have an honours degree in either geography, economics or geology, and have had experience in research in any of these subjects with a Local Authority, a Government Department or a Research Institution. The work will be concerned with mirral and economic problems connected with the survey for and the implementation of the Development Plan

(b) *nplementation of Development Plan*

Te duties of the post will be primarily in connection with central area redevelopment and other schemes connected with the implementation of the development plan.e.g. *reclamation of derelict land.*

(c) *Sathern Area Planning Office, Sedgley*

The duties of this post will be in connection with Development Plan and development control.

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Applications giving details of age, education, qualifications, present nd previous appointments, experience, and the names of tvo persons to whom reference may be made, *should* be sen to D. W. Riley, County Planning and Development Officer, 41a Eastgate Street, Stafford, not later than April 17, 1959.

Relationship to any member or senior officer of the County Council must be disclosed. Canvassing will disqualify.

T. H. EVANS,
March, 1959. Clerk of the County Council.

P. D. LEAKE RESEARCH FELLOWSHIPS

Applications are invited from qualified members of the accountancy profession for appointment to a P. D. Leake Research Fellowship financed by the P. D. Leake Trust. The term of the Fellowship will be for the year commencing October 1, 1959, and it may be held in the University of Birmingham, the University of London, or the University of Oxford, the location of the appointment being determined by the three universities concerned, in consultation, after consideration of candidates' preference and research interest.

The object of the Fellowship is to provide university *facilities for an experienced accountant to carry out* research in subjects with which the accountancy profession is directly concerned and within the charitable object of the P. D. Leake Trust, *namely* "to benefit and advance the Sciences of accounting and of political economy, including the subject of public finance and taxation." Only accountants who are members of United Kingdom accountancy bodies which are recognised for the purpose of United Kingdom company law are eligible.

The emolument of the Fellowship will be £2,000 out of which the Fellow will be required to meet any consequential expenses of his appointment.

Further particulars may be obtained from the Registrar, University of Oxford, vith whom applications must be *lodged by April 30, 1959.*

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF APPLIED ECONOMICS

Applications are invited from economists and statisticians for *appointments from October 1, 1959.* In connection with the Department's research programme. Each appointment will be for a limitec period related to the duration of the *specific research project* to which the applicant is assigned; the projects vary greatly in character, and call for very different types of qualification. In particular, some projects involve statistical and field research into productive capacity and economies of scale due to technical factors. Applicants should normally have at least a good second-class honours degree in economics or statistics, and research experience in either field is desirable for appointments in senior grades. The pensionable stipends of the posts are on scales ringing from £650 to £1,750 a year. Applications, giving details of academical qualifications, experience, and any special research interests, together with the names of two referees, should be sent before April 10, 1959, to the Director, Department of *Applied Economics,* 7 West Road, *Cambridge.*

UNIVERSITY COLLEGE OF GHANA

Applications are invited for (A) Assistant Lectureship or (B) Lectureship In Agricultural Organisation and Economy. Postgraduate research experience in Agricultural Economics essential. Salary scales: (A) £900 p.a., (B) £1,000 x £50—£1,350 x £75—£1,500; £1,850 p.a. Entry point according to qualifications and experience. F.S.S.U. Outfit and family allowances. Passages for appointee and family on appointment, annual leave and normal termination. Part-furnished accommodation at a charge not exceeding 7.5 per cent of *salary.*

Detailed applications (6 copies), naming three referees, by May 15, 1959, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

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A vacancy occurs in the Economic Director's Department for a *young barrister, solicitor,* or graduate in law to assist in dealing with a broad range of partly-legal problems touching the interests of industry. Experience of *professional practice is not essential.* The post is superannuable and commencing salary will accord with qualifications. There are good prospects of advancement. —Applications, with full particulars of qualifications, should reach the Secretary, F.B.I., 21 Tothill Street, London, S.W.1, on or before April 25th.

For other appointments see page 1221

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for the post of Senior Research Officer in the Social Science Department. The appointment will be for three years from a date to be arranged but not later than October 1, 1959. Subject to satisfactory qualifications and experience, the salary will be £1,500 x £75 to £1,650 per annum. The appointment is in connection with an inquiry into family life and kinship in the Swansea area and will have special reference to the position of old people.

Further particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, by whom applications (six copies) must be received by Saturday, April 4, 1959.

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YORKSHIRE BULLETIN OF ECONOMIC AND SOCIAL RESEARCH: OCCASIONAL PAPER No. 2—"*Some Effects of Shift Work on Social and Domestic Life,*" Hilda G. Brown, B.Sc.(Econ.), University of Sheffield, 54 pp. Obtainable from The Secretary, Department of *Economics and Commerce, The University, Hull, price* 10s.

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CHARLES H. STEWART,
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RITCHIE CALDER, the science writer describes how atomic power may help man's muscle-emancipation . . .

A TYPICAL SCENE in tropical countries is that of the bullock-team raising water from a well. To the chanting of the drivers, the bullocks trudge backwards and forwards, under the relentless sun, lowering the buckets into the well, hoisting the water and tipping it into the water-courses to irrigate the thirsty soil, from which both men and beasts get their food. Those peasants are poor, despairingly poor, yet they use the most expensive power in the world—muscle-power. Bullocks have to be bought, tended and fed, yet even with the meagre food and pitiful earnings of the men who drive them, the energy equivalent which they produce costs twenty times as much per unit as the energy output at Calder Hall atomic energy station.



MUSCLE POWER INEFFICIENT

A great many people in the world are poor because of necessity, they use calories in their most expensive form and energy in the most uneconomical way. Although we may glorify muscle-effort—and, indeed, laud it in the performances of athletes—it is deplorably inefficient. The advance from the steam-engine to atomic power, from the pulley-belt to automation, has represented the emancipation of man from muscle-slavery.

The paradox of power is that those who are power-deficient are power-extravagant. When we go around the house switching off lights to keep the electricity bill down, we might think of the Indian villager burning cow-dung to cook his food for his muscle-power. Because he burns that dung, instead of using it as manure, his soil is undernourished, his crops are undernourished, and he is undernourished.

This is the Misery-Go-Round of poverty; because the peasant is poor he is undernourished; because he is undernourished he under-produces; because he under-produces he is poor; and because, in 'muscle-power' countries, poverty prevails, their natural resources are underdeveloped. Such countries see in nuclear energy a break-through to industrial prosperity. The problem of how to find the money to pay for it and to train the people to handle it, is the answerable challenge of our times.



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Mr Dulles: the End of an Epoch

(page 205).

Europe and the British

Resentment at Britain in Europe is not confined to Dr Adenauer but is the prevailing political fashion in high places on the Continent (page 206).

Oil Congress in Cairo

Whether or not any "Arab oil policy" emerges from Cairo, the oil industry is facing new nationalist attitudes —and claims. Are the Arabs in their turn prepared to face the economic facts of world oil? (pages 251 and 247).

The New Feudalists

Have the county councils too much power to prevent more people from living within their boundaries? (page 209).

Speculation—Thirty Years After

On Wall Street action is being taken against speculation which, it is thought, might lead to another 1929 (page 229).

Godot in the Building Societies

The building societies have temporised on interest rates but they have reasons for doing so (page 254).

France's African Family

(page 210).

Industry's Balance Sheet

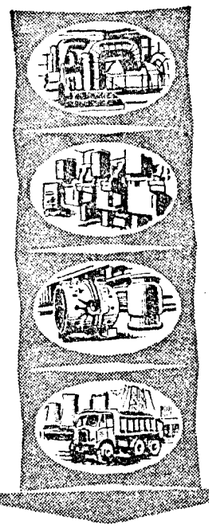
(page 261, 282 and 283).

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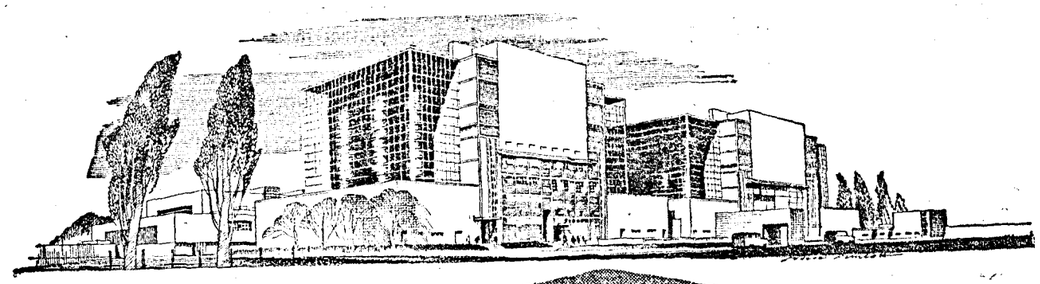


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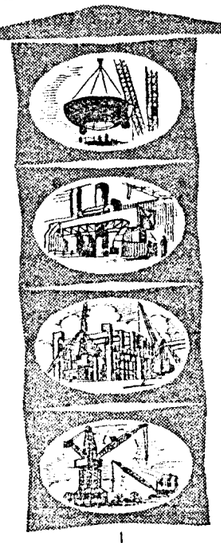
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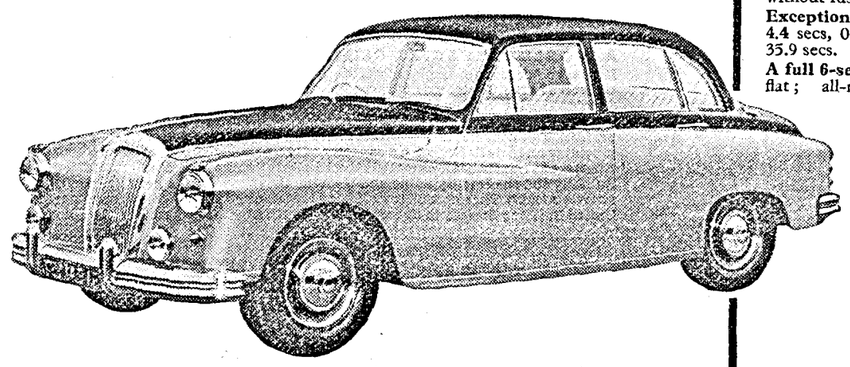
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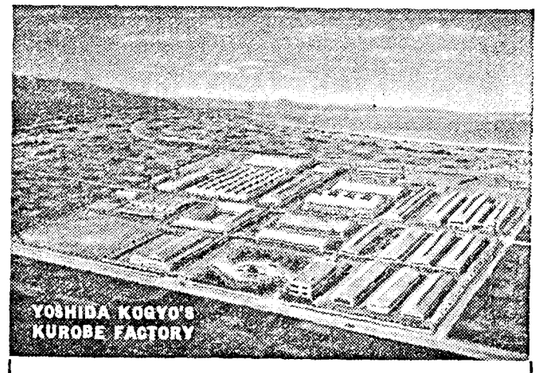
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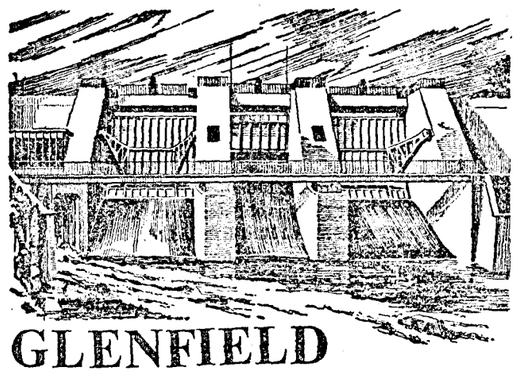
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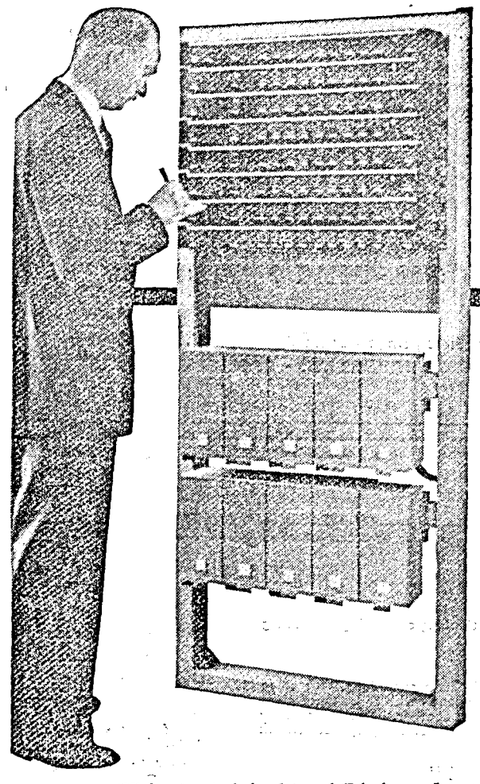
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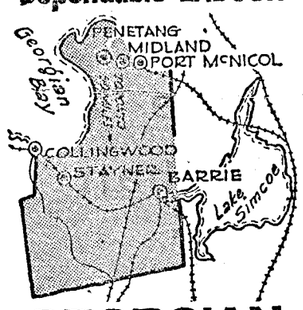

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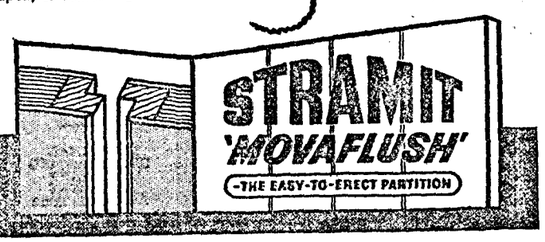
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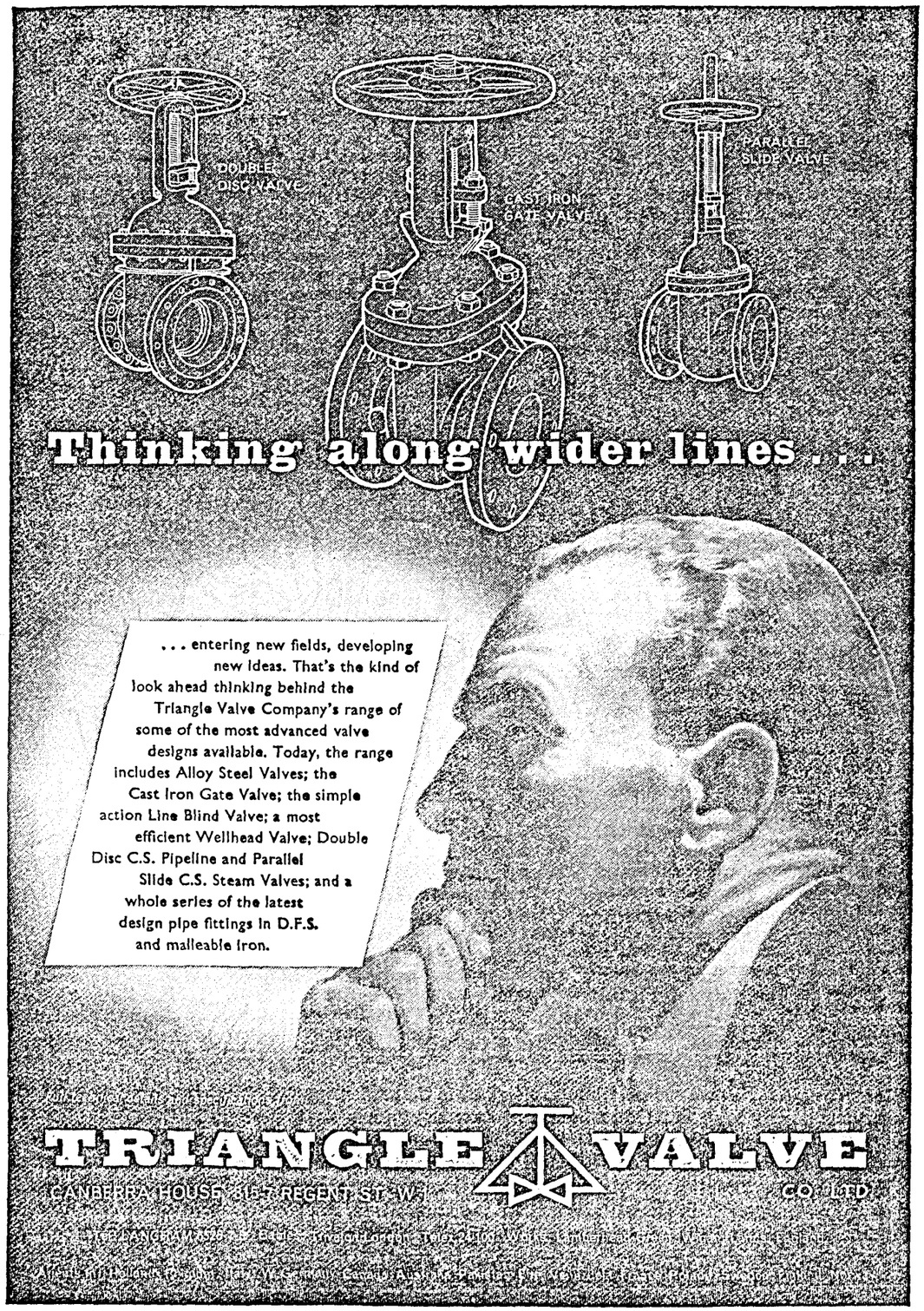
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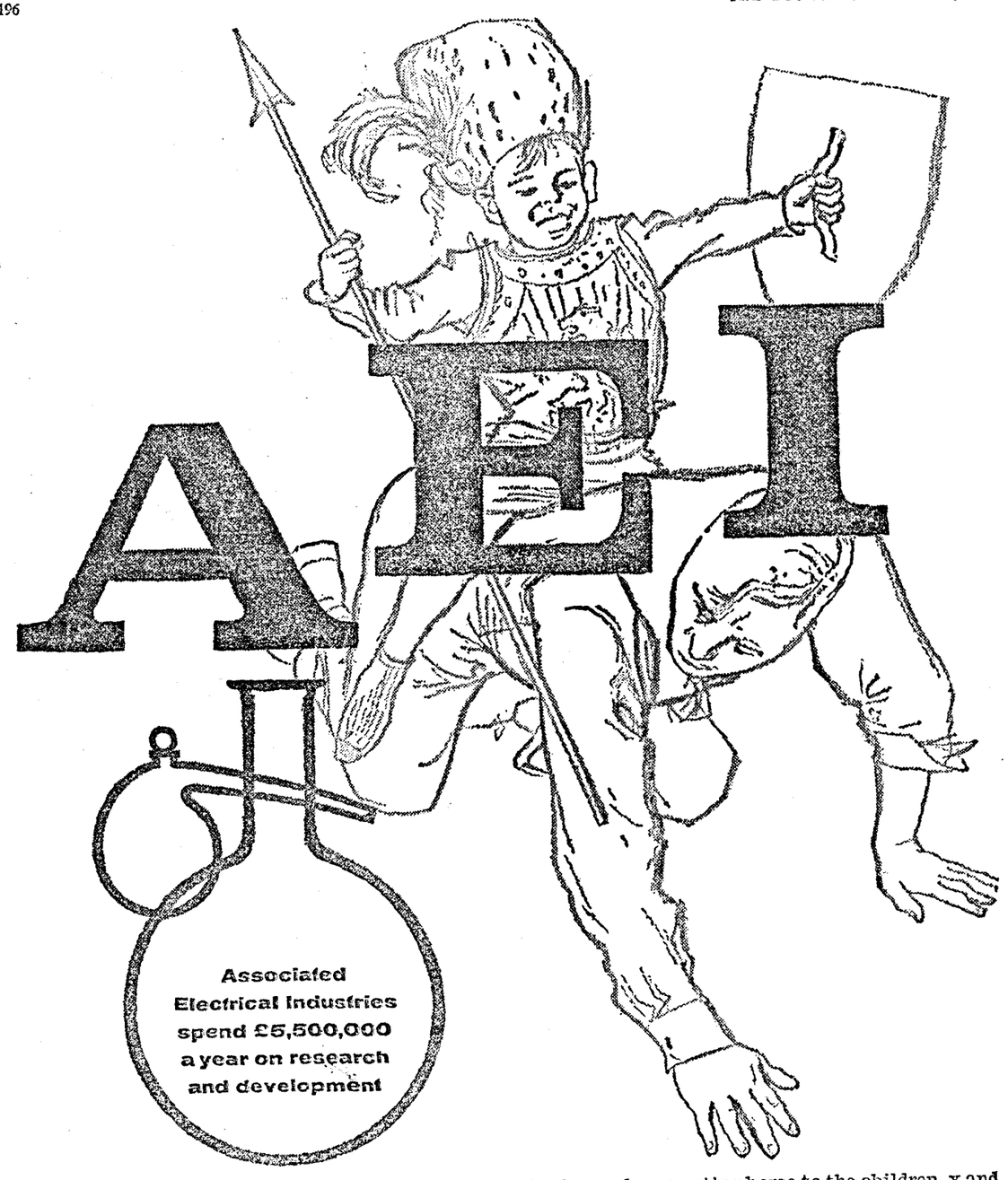
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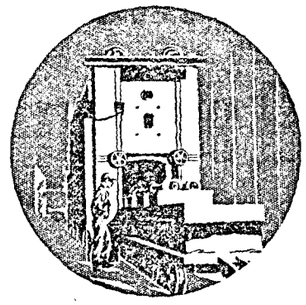






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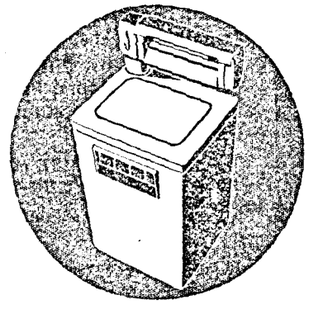


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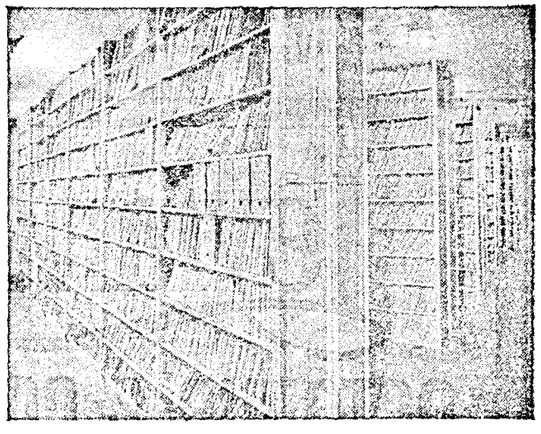
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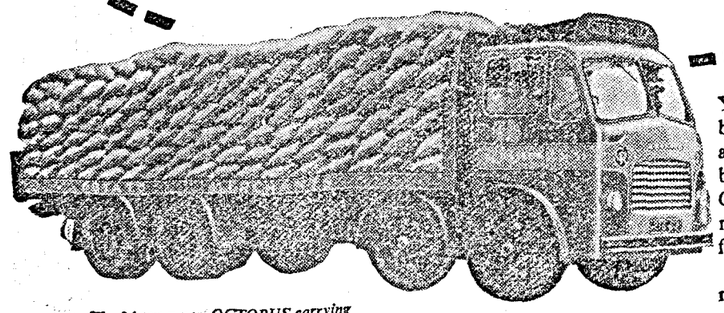
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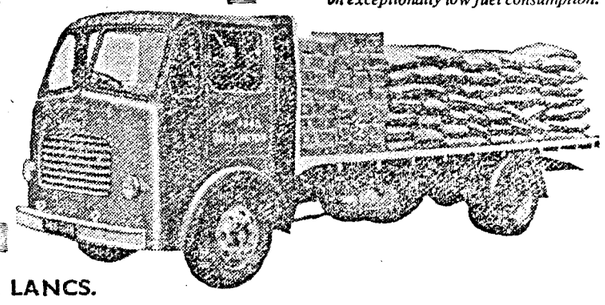
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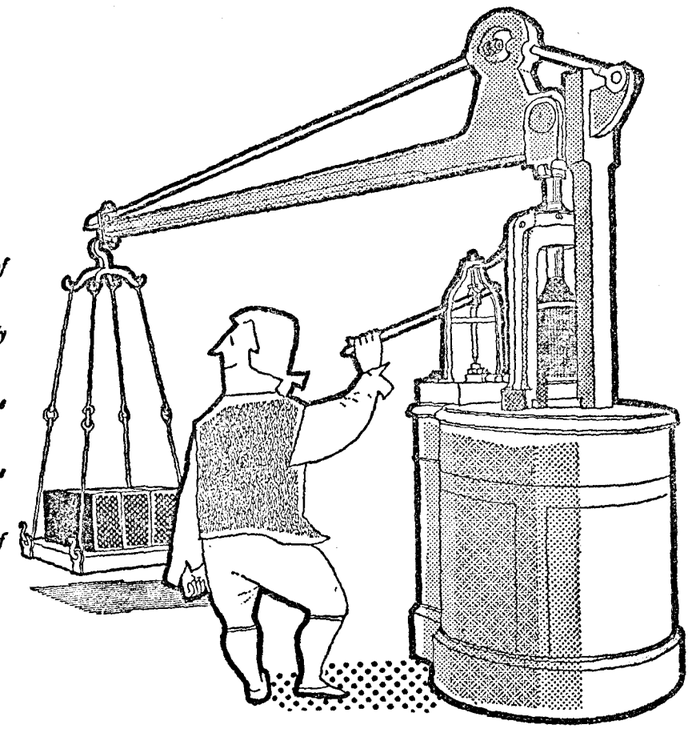


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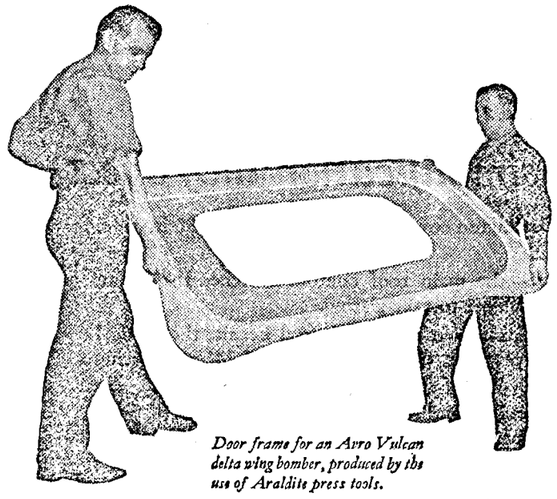
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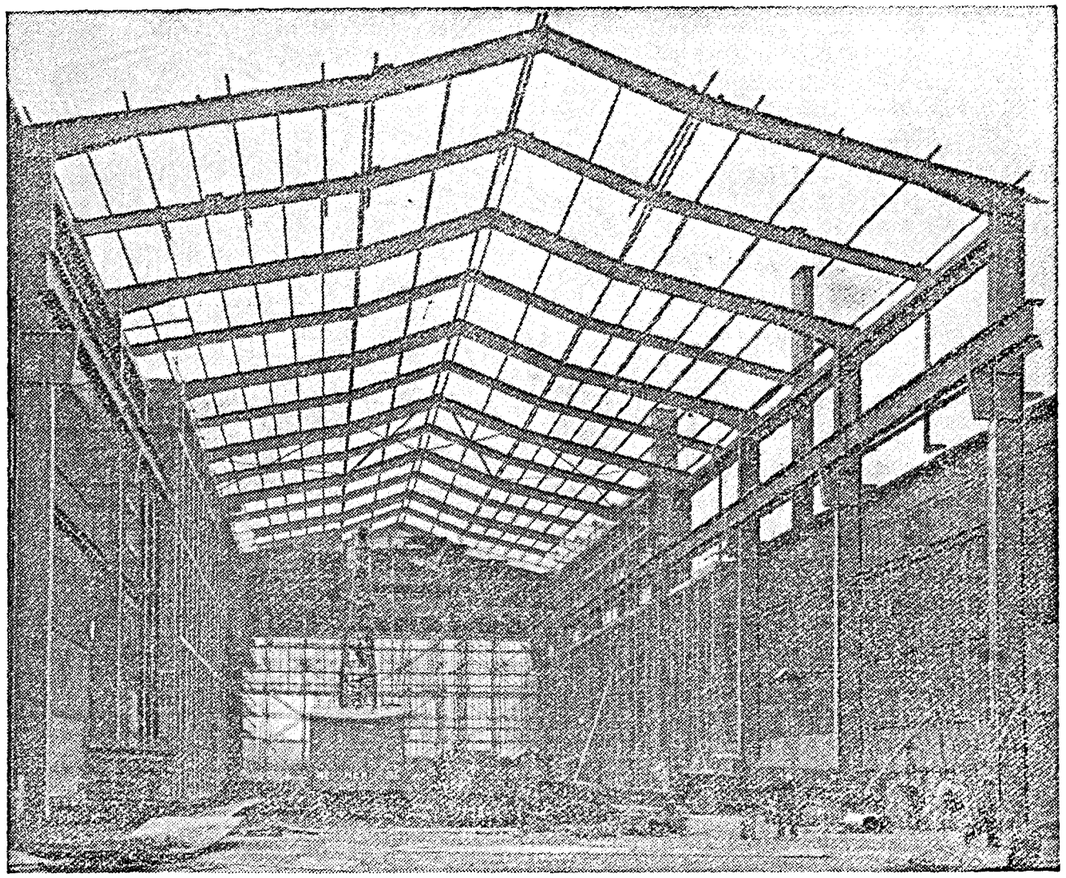
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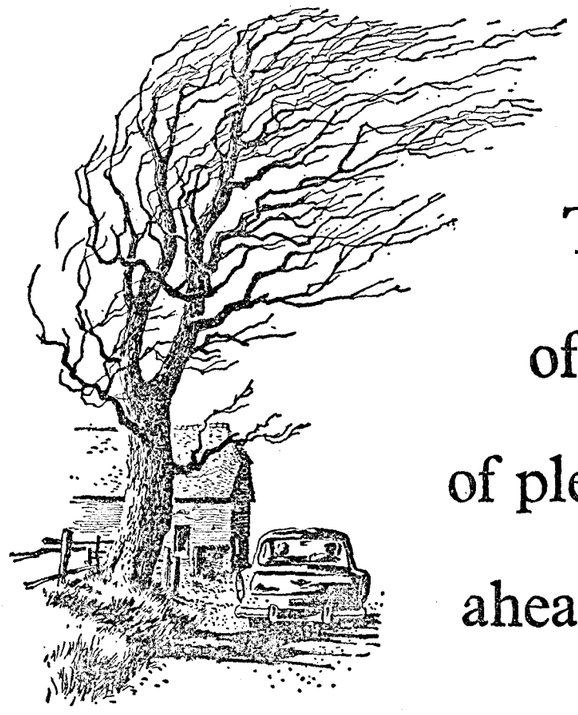
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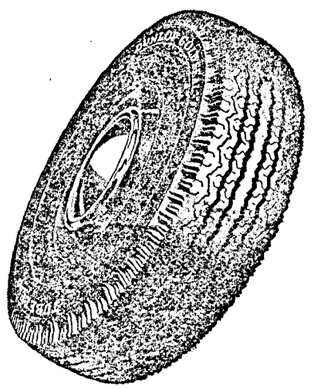
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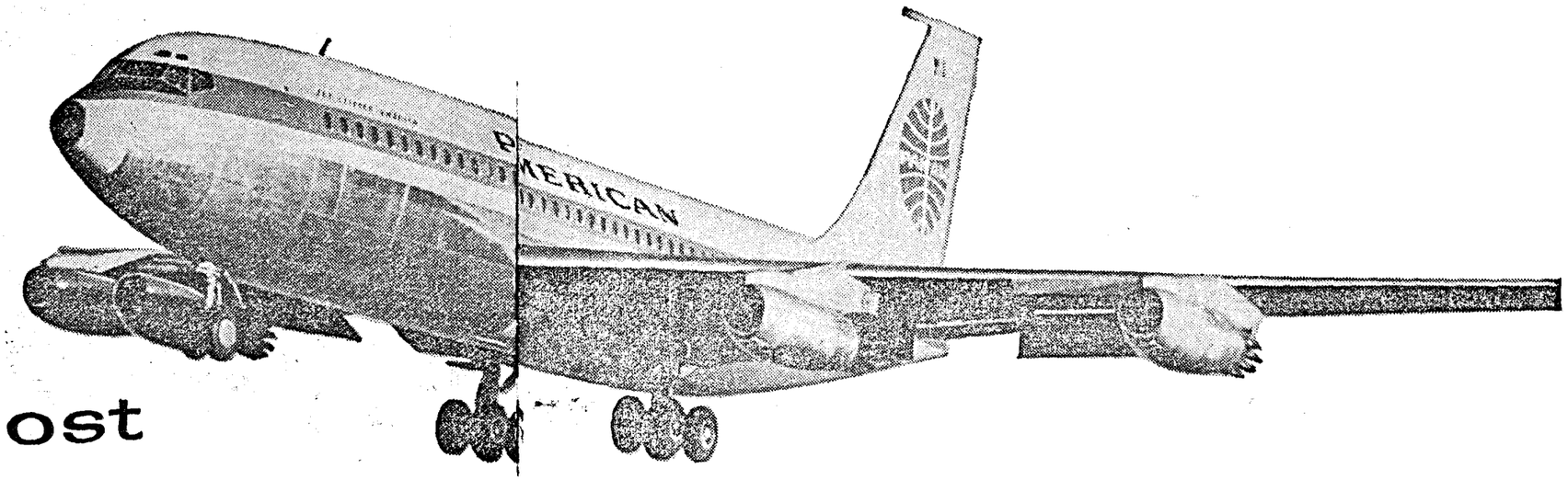


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THE ECONOMIST APRIL 18, 1959

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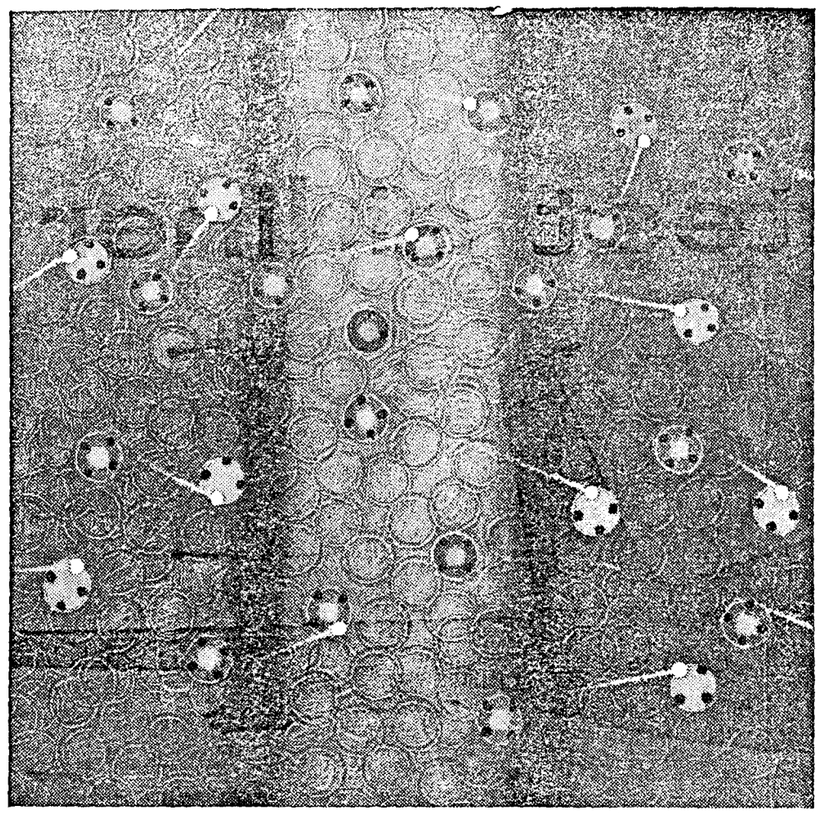
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End of the Dulles Epoch

WHETHER John Foster Dulles is a great man can be left to history. That he is a brave man and a devoted servant of his country can be said now by everybody, even by those who have criticised him most sincerely. Certainly he has the quality that every great American has had, the quality of character; and to this he has added the humdrum virtues that matter as much now in democratic public life as they did in Sir Robert Peel's day, tenacity, conscientiousness, and sheer hard work in his job. Certainly, too, of all the Eisenhower Administration he will be remembered in history as the one big man.

Controversial from the outset as men of his size always are, Mr Dulles has come to personify in the eyes of the world the arduous and unaccustomed role of his country, at once the Atlas and the whipping boy of a grand alliance. Constitutionally, it is the President who determines American foreign policy; but no Secretary of State in modern times, not even General Marshall or Mr Acheson, has had so single a voice in its preparation and execution. This personal responsibility has depended first and chiefly upon the unqualified confidence, fortified by deep personal affection, which Mr Dulles has inspired in President Eisenhower on account of his tenacious grasp of the most intricate problems, the exceptional range of his diplomatic knowledge and the deep moral foundations of his judgment. It has stemmed also from his method, consciously contrived from studying what he considered to be the mistakes of his predecessor, of concentrating all the strands of the diplomatic process in his own hands. Only half a dozen close advisers, if that many, were privy to his inmost thoughts; his belief in personal contact with the foreign leaders with whom he was negotiating involved him in his phenominal stint of air travel—which he always found more restful than the hated office life of Washington.

In his public relations with the world outside America, it is true, Mr Dulles never entirely recovered from the initial ambiguity of his political situation. In effect (and this fact is important in the maturity of the United States as a world power) he was bent on carrying forward the basic policy of his Democratic predecessors—the policy of "containing" communist Russia—after his own party had made that policy the target of an exceedingly bitter campaign, a campaign to which in its last stages he had lent his name and reputation. He thus felt obliged to represent his changes of direction as being more radical than in fact they ever were. Like Sir Stafford Cripps his physical appearance and Christian vocabulary helped to convey a superficial impression of austerity amounting almost to fanaticism. Himself, too, a lawyer, trained to take a brief and make the most of it, he has pursued the foreign policy of the United States, and the interests of the West as he saw them, with the same subtle application. More than most men Mr Dulles has incurred the charge, in this unflagging quest, of inflexibility. Yet it can fairly be said that, before the final blow disabled him, he had come to see more clearly than

most other western statesmen the need to interpret afresh the means to the ends for which he broke his health.

Many close observers of the Washington scene have considered that, in his own domestic politics, Mr Dulles appeased the right wing of the Republican party more than was necessary. Posterity may well conclude that they were right ; but it must take into account the fact that Mr Dulles had lived through the period both of American isolationism and of the last two years of Mr Acheson's secretaryship, when American foreign policy was almost paralysed by the violence of the domestic revulsion against it. Believing passionately that the United States must sustain over an indefinite period its active role in Europe, and wherever else communism might threaten man's free choice, Mr Dulles has attached supreme importance to ensuring the support of Congress and the American public for American policies in the world. By his speeches, his weekly press conferences and his frequent appearances before congressional committees, which sometimes grilled him in public for hours on end, he laboured in a way that sometimes risked foreign misunderstanding to teach the American people to comprehend and accept its awesome responsibilities. The West, whatever doubts it may have had about particular policies, must always be grateful for the purpose Mr Dulles set himself.

Like most foreign secretaries of all countries at all times, Mr Dulles has been regularly reproached for lacking a guiding policy at all and drifting with events. Like some of his greatest predecessors—notably Bismarck—he has sometimes yielded to the temptation to anticipate the historian by cramming events into a conceptual pattern that gave them the appearance of flowing from his own decisions. Yet who can doubt that when the story of the last six years comes to be written a singular share of the credit for the sustained resolution of the West's awkward squads of independent states in the face of the remorseless variety of the Soviet challenge will belong to Mr Dulles's determination and intelligence ?

Mr Dulles shared the practical assumptions of the policies he inherited. They included the necessity to hang on without a major diplomatic settlement until the effective containment of Soviet expansion had produced some major changes in the Marxist reckoning of foreign relations. The tragic implication has been that he who was so well equipped to negotiate a settlement on behalf of the West has had to end his service without achieving even the opportunity to try.

Europe and the British

Feeling against Britain in Europe is something old, but its present recrudescence is taking a new form and calls for a new remedy

When Dr Adenauer's outburst on the German radio on April 8th complaining of British criticism was briefly discussed at question-time in the Commons on Tuesday, members were less concerned to express their indignation than to reassure the Germans that the British do not really bear them ill will. This does the House credit ; more to the point, however, would be an attempt to find out why it is, and how it has happened, that anti-British feelings should be so much in fashion in high places on the Continent—not only in Bonn, but still more in Paris, and only a little less in Rome. Is hostility to Britain becoming a condition of political respectability in western Europe ? Things appear to be going that way, and the repeated general assurances by British statesmen of their own good will towards the Continental allies have no effect in arresting the adverse flow.

Dr Adenauer's outburst took the form of an attack on the British for attacking him. It is easy enough to rebut his specific charge by pointing out the obvious: that there is no wirepulling and no anti-German conspiracy in Britain. His real complaint against the British, however, found no place in the broadcast ; it is that the British refuse to realise that their influence in Europe is on the decline. This was the theme that had leaked out from party caucus meetings and private talks at which the Chancellor had been airing his feelings during March, and the British press " attacks " in recent weeks have consisted mainly of reporting this and (let us admit) answering back. Painful as it is, the charge is true : that is, it is true that British influence in Europe is declining, and true that the British have not begun to adjust either their policies or their attitudes to that fact. Why it should irritate Dr Adenauer so much now is another question ; but if we look back over the story of Anglo-German relations since 1890 or so we can remember—without making, or intending, any personal comparisons that might give offence—that this has been the recurring German complaint against Britain at intervals these seventy years.

The difference now—and it is a very important difference, which Germany's habitual detractors in some popular papers overlook—is that the representative Germans of today do not suppose that Germany is going to displace Britain from its position of influence by Germany's own national weight ; to them it is the new unity of Continental western Europe that renders Britain a marginal, even a negligible, factor in European politics.

Thus the old, discredited nationalist irritation with Britain has acquired, in its present reincarnation, new depth and a fresh sense of righteousness. The new anti-British attitude in Germany reproaches the British with nationalism ; with the selfish pursuit of world-wide importance in disregard of their obligations to the alliance in Europe ; with their evident belief in their own uniqueness, and their studied aloofness from the movement for European unity. It was in the first months of 1957, just after the Suez crisis, and when Mr Selwyn Lloyd was promoting his now forgotten Grand Design for European institutions, that this attitude first came out into the open. Sterling was at that time still weak, and the British Government was pressing the Germans for support costs for the maintenance of the Rhine Army. Now that the support costs issue is closed, the British are still attacked for wanting something for nothing—this time for seeking a free trade area, which the men close to Dr Adenauer (not Professor Erhard and the economic liberals) dismiss as at best a device to insure against the economic consequences of staying out of the common market.

Until very lately, all the German complaints against Britain except the last could be, and were, applied *a fortiori* to France as well. But a change, marked by the Bad Kreuznach meeting between General de Gaulle and Dr Adenauer, the rejection of the free trade area project and the entry into force of the treaties of Rome, has come over relations between west Germany and France. The seeds of this change were to be seen earlier ; the surprise has been in the singleness of mind with which the German Chancellor and the French President have carried it out, the way in which they have set aside all the differences of purpose and concept between themselves to concentrate on the few (mostly negative) ideas on which they agree, and the speed at which the resultant working alliance has crystallised into a united front against British influence in Europe.

General de Gaulle, as the principal architect of this new united front, has brought off a miracle in harnessing two basically inconsistent sets of grievances against Britain, even within his own country. He himself gives only a severely limited adherence to the concept of a European union of the Six ; but the French partisans of European union are content for the present with the concrete gain of putting the Rome treaties into force without a hitch. Most of them did see the free trade area project as a British diversionary manœuvre and are glad to see it strangled. Some have little faith, some none, in Britain's desire for European union. In general they appear content that, as things have fallen out, Britain should now wait outside until the community has established itself. The present close partnership with west Germany suits them well ; indeed, it is essential if their European aspirations are to find fulfilment.

Such men know that they must look far ahead, beyond the day of General de Gaulle, for the Europe in which national pride will have been submerged. For the present, national pride is still there, feeding a wholly different set of grievances against Britain. Thus, side by side with the reproach of aloofness from the Continent, the French reproach Britain with its failure to support them in their own somewhat grandiose ideas of France's place in the world outside Europe ; disloyalty in North Africa ; the undermining of France's now demolished position in the Middle East ; and a habit of claiming a special relationship with the United States which leaves France out of the great-power club and works against France's interests.

Emergency repairs, such as may have been attempted in London on Monday and Tuesday in the talks with M. Debré and M. Couve de Murville, cannot really be expected to remove emotional discords of this kind. If the problem were to find solutions to differences, it would be simpler ; but the concrete differences are small compared with the disharmony of mood between London and the Paris of the Fifth Republic.

This being so, it is easy to see how General de Gaulle could combine with Dr Adenauer to resist and frustrate Mr Macmillan's personal effort to demarcate a terrain for negotiation in the east-west conflict about Berlin. In Paris, the fault in Mr Macmillan's attempt is not what he has tried to do, but the fact that he tried to do it. This feeling is certainly shared in Bonn ; Dr Adenauer, however, would probably have opposed any attempt, from any quarter, at an accommodation with the Russians as being a threat to his own policy—and, to be fair, to the interests of Germany and the West, as he sees them. In particular, the idea of limiting eastern and western forces in central Europe must appear to him as a trick to stop German rearmament—and therefore as a British act of treachery. As it has happened, the asperity of his opposition has increased the discontent at Bonn with his rigid leadership and may have contributed to his party's wish that he should move to the presidential office. This he has had to accept ; but he has made it plain that he will still oppose any move towards a change in east-west relations so long as he has the strength. The next chancellor may be a man with whom Britain could re-establish good relations, or he may not. In the best case—to speak plainly, even if it is Professor Erhard—the Anglo-German discord will not disappear of itself ; the British will have to find ways of removing it. They will not succeed if they continue to appear to be seeking to divide the Germans from their western neighbours.

This the British people and its leading men have to try to understand. Successive powers have striven to exclude British influence from the affairs of Europe. They failed because each attempt, being linked with an attempt to set up a hegemony of one nation, created resistance which Britain was able to mobilise and use. This same striving to organise a European system is today taking a different form—perhaps, as some say, because many wars have cured the western European

nations of their ancient animosities; more probably, because Soviet power overshadows all else.

In this new setting the old impulse to pull the British off their perch ought to be outmoded, too. But it is not dead; it survives, along with the ancient suspicion that Britain seeks to hold its position by creating divisions in Europe which it then exploits. These feelings can co-exist with many excellent personal relationships and much admiration for those curious institutions of which the British are proud. If not disarmed, they may lead Europe down a false path. But they are deep-seated feelings, which no simple device—much less mere friendly assurances—can remove. Somehow the British have the task of convincing the Europeans that Britain is no longer interested in dividing Europe. In the fourteen years since the war they have dismally failed to do this: perhaps because they were uncertain what they did want to do, or perhaps merely from unawareness of the problem they faced. If they can clear their minds on these questions now, when the current in Europe is against them, they will be better placed to make use of the opportunity when—as happens from time to time—events take a more favourable turn.

The New Feudalists

County councils should not be allowed to stop more working class people from living outside the big cities as incomes rise

JUST over a century ago the main political battle in England was between the thrusting industrial forces of the big towns and the crusted old Tory country landlords. Today country landlordism is regarded by most people as not only dead but decaying, its final going symbolised by the dissolution of the large private estates and the conversion of their great houses into schools and asylums or (more persistently) into flats and half-a-crown showpieces, with my lord living uncomfortably in a converted wing. But the attitudes for which the old landlords stood are carried on by bodies which are at once more powerful and more secure from emotional political attack. The erstwhile Tory feudal interest has left its heirs in the unlikely, often bipartisan but very real shape of the modern county councils. It is high time that the whole country paid some attention to the problems involved in this.

Consider the county of Sweetshire. The whole of its county area is now in a real sense the charge and responsibility of the Sweetshire county planning committee. Thumbing over its estate, and using the jargon of its profession, the county planning committee has decided that "new development" should be strictly limited and controlled; it wants to keep Sweetshire "unspoiled." There are a few straggling suburbs where a little "in-filling" will be permitted, and a drab railway junction which might profit from "town development." Otherwise Sweetshire thinks of itself as pretty well "full-up." Space is reserved for council housing estates to meet local needs, and there are a few expensive building plots that are to be competed for by the wealthiest of the commuters who are fleeing from the cities. It has a large area of "good agricultural land" (not to be touched), an "area of outstanding scenic beauty" (carefully protected), and a jealously defended "green belt" which adjoins nearby Bigtown. There are many pleasant villages and three old towns (including Sweetchester, cathedral city and county seat) which the committee is determined should stay much as they are, apart from a little local building of "appropriate character."

This is a pleasant prospect for the farmers, retired people, and contented commuters who sit on the county council. Some local businessmen are less satisfied; a century and a quarter ago they would have agitated for their point of view through the new radicals, but now they are damned if they are going to ally themselves with Labour (whose local stalwarts probably support the Tory county council on this issue anyway). In the neighbouring county borough of Bigtown, by contrast, the attitude of both the big political parties is exactly what these few Sweetshire businessmen want.

BIGTOWN has many overcrowded citizens, a large area of slums to clear, and it is full-up (literally) to the city limits. The city would like to build a "garden suburb" just beyond those limits. This has been indignantly opposed by Sweetshire county council as an infringement of its green belt scheme; Sweetshire says that it is very important to stop the city of Bigtown from sprawling indefinitely. Sweetshire suggests that Bigtown should "build upwards"—in other words, cram its houseless citizens into one-tenth the space (and at twice the cost) which would be acceptable anywhere in Sweetshire.

When Bigtown says that this proposal is both unacceptable and inadequate, Sweetshire county council next considers the possibility of an "overspill" agreement with Bigtown. All areas of "good agricultural land" (i.e., acres which farmers would probably like to sell to private developers, but which their neighbours don't want them to), and all places of distinctive "charm" (locally defined) are ruled out. But an offer is made about Goodstown. Being precariously dependent on railway employment, Goodstown is keen enough to get a modest shot in the arm from wealthy Bigtown. Provided the scheme does not burden the county financially (or threaten to make Goodstown big enough to seek the independence of county borough status) Sweetshire county council is also in favour. But Bigtown declares that the Goodstown scheme is costly and a great deal short of its requirements.

Conflicts of this kind between Bigtown and Sweetshire have become matters of everyday reporting, especially where two councils are at loggerheads about some large public housing scheme. Where Sweetshire is merely impeding private building, there is not so much publicity. But there should be. For whether local authorities or private builders are going to be the main providers of housing, this problem is going to grow. Increasing numbers of citizens will be wanting to move from the Bigtowns to the Sweetshires in the years ahead, as rising incomes bring a demand for more spacious living conditions than can be enjoyed in Bigtown's Victorian streets.

This process has been going on for a long time. Half a century ago, for instance, the county of London had 1¼ million more people than it has today. Now the area of evacuation has spread and the whole built-up area of Greater London (like that of the other great cities) is today shedding population. This is not a process that can be stopped by cramming working families into vast blocks of flats within the old city boundaries. Even if enough space (and sufficiently large subsidies) were available for the purpose, popular tastes would eventually defeat the planners' purpose and turn the vaster blocks into highly expensive white elephants. More and more of the better-off members of the new urban working-class must be expected to want to enjoy the amenities of country living, as they become able to afford to follow the stockbrokers who have been commuting by expensive daily railway journeys from the Sweetshires for these last thirty years. Decentralisation is also being stimulated by the rising ownership of cars and by the parallel migration of factories from congested central sites to more open locations. A new factor is the large flock of retired people who are contemplating a prolonged old age in the countryside or on the relatively smiling south coast. The ending of some subsidised squatters' rights under the Rent Act has increased this outflow.

THE Sweetshires of England are reluctant to face up to the prospect of these mass migrations. Undeniably they bring problems. Much modern development, either by private builders or councils, is regrettably unattractive and destructive of local charm and "character." This makes it natural for local people to object, and often none more forcibly than those former city dwellers who have already gravitated to some select retreat and do not want to be followed. Such human bias is natural enough. The danger is that it can now charge the batteries of a powerful machine of administrative control.

Planning control may also, sometimes unconsciously, lend itself to a new sort of social bias. While a little "good-class development" (which helps the rates) may be acceptable in Sweetshire, humbler folk whose pockets and tastes run to semi-detached houses or bungalows, or who must depend on council-subsidised "overspill" housing schemes, find the county a good deal less hospitable. (Those outlandish enough to like caravans will, of course, get no welcome at all.) The carefully defended green belt around Bigtown can come to look a little like a political frontier, separating new kinds of haves and have-nots.

That these dangers are real ones can be seen from many of the counties' development plans. Excluding parts of Greater London, the nine administrative counties of Kent, Surrey, Sussex, Hampshire, Berkshire, Buckinghamshire, Hertfordshire, and Essex have a present population of about five million. It seems very probable that more than another two million people will want to move into these particular counties over the next twenty years. But instead of planning to meet this considerable (though perfectly manageable) influx, the county councils are starting to display house full notices for all but small driblets of newcomers. Hertfordshire has even declared that it will have an "overspill" of its own in the fairly near future, calculated on the assumption that most of its domain ought to remain rural and agricultural.

Privately, the counties may admit that a greater amount of development is unavoidable; but they hope to check its speed by making ever more restrictive official plans. Many people think that planning should be used in this way. They argue that the drawbacks of urban spread are so great, and the threats to agriculture and the countryside are so powerful, that a strong rearguard action is necessary and commendable.

THERE can be two views about this. But even if one is temperamentally inclined to side with the Sweetshires against the Bigtowns in their aesthetic aims, common sense surely suggests that they are at present being allowed to fight their rearguard action with the bluntest and worst possible weapons. If it is true that land (at least in some areas) ought to be rationed, it would be much fairer to deter people by fiscal means from using too much of it, instead of relying on blunt administrative prohibitions which bar some people from living there altogether. For example, building plots of more than a certain size (say, one-eighth of an acre) might be surcharged for rating on an ascending scale; anybody who enclosed too many of the green fields of Sweetshire into his own private garden would then have to pay more to the community for them.

Such a device would not be popular, but it would provide greater opportunities for mobility. It would bring home the fact that in modern Britain space, quiet and privacy should be regarded as scarce commodities. It would be much fairer than the present system—under which commuter A who has managed to acquire two

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acres in some Sweetshire village enjoys the protection of his surroundings which planning affords (and registers a substantial capital gain thereby), while commuter B can find no site to build on in the neighbourhood. It would also be more effective in the long-term (for existing planning controls work only for a time in each area, and then suddenly cave in) and much more liberal. Modern radicals should not accept without question the present rules of the new feudalism, a century after their forefathers won the final battle with the old.

France's African Family

The French version of the Commonwealth is now going through its first test.

THE French Community is something new and hopeful in Africa, and in France itself. Exactly how hopeful depends on the way its governing machinery is allowed, or encouraged, to work. The community is still coming into being; its executive council of prime ministers has only had two meetings; its high court has never heard a case; its senate has still to be elected. The new African states are having to come to terms with themselves as much as with France. The partnership that replaces the colonial structure of the French Union is still all things to all men. But the hope is there, and in Africa now it is hope that matters most of all.

The importance which French policy attaches to the evolution of the community was evident in the choice of African affairs as a major topic in M. Debré's talks in London this week. It is not clear how much was said to the point. Future relationships in west Africa must eventually bring the former French and British colonies into close co-operation—although independent ideas like those of Dr Nkrumah and M. Sekou Touré, instigators of the Ghana-Guinea association last year, are anathema in Paris. British suggestions about the part that such existing enclaves as Gambia and Sierra Leone could play in a broader west African establishment are still vague. It seems sensible to await Nigeria's achievement of statehood before encouraging any bright Anglo-French ideas on how black Africa can best settle its affairs.

For France, the community is perhaps General de Gaulle's most striking political success since he returned to power. As if by an act of the general will, the referendum last September 28th removed the possibility of an "Indo-Chinese" war in black Africa from the power of any future French government. The President has been true to himself and to the promise of his Brazzaville declaration of 1944. He has joined France and its African possessions in a free and equal constitutional relationship. To demonstrate this equality he has lost no time in introducing the community's executive council to the Berlin crisis. The statement issued after the council's first working session at the beginning of March made it clear that when President de Gaulle speaks for France on Berlin he speaks for a dozen autonomous African republics besides.

Is this, then, the dream of the *patrie* of a hundred million Frenchmen come to a surprising reality? Is it the practical application of one suggested political formula for Algeria: independence with interdependence? Many Frenchmen, against the odds, dare to think so. Or is it—and this seems more likely—merely another, more genteel form of evolution for African nationalism, one that buys France a last decade as the principal Eurafrican power, paying heavily in development capital for those twelve African votes on Berlin? Even if it were, even if five years from now black Africa's sole interest in the Gaullist constitution is to invoke Article 86 permitting ultimate independence, it would still be worth while. At its best, the community could be all that its first President envisages for it; at its worst, it is a way for black Africa to emerge from French tutelage infinitely preferable to the chilling break of terrorism and war.

The community (like the Commonwealth, it should not properly be given the national prefix) has many mansions, some inevitably better appointed than others. France itself, Algeria, the Sahara, and the four overseas departments of Martinique, Guadeloupe, Guiana and Reunion inhabit one. Five overseas territories that have chosen to retain their dependent status make up another. They are French Somalia, the Comores, New Caledonia, Polynesia and Saint-Pierre-and-Miquelon. New Caledonia is the restless one among them. The third family is African: the eleven republics in west and equatorial Africa that have chosen autonomy within the community. They are Mauritanie, Senegal, Soudan, Volta, the Ivory Coast, Dahomey, Niger, Chad, the Central African Republic, Congo and Gabon. With them, although not quite of them, is Madagascar. These twelve states have accepted the community's jurisdiction in foreign policy and defence, in a common economic and financial policy, and in the supervision of justice and higher education. Their prime ministers attend, with M. Debré and French cabinet ministers, the executive council of the community in Paris. Their delegates will sit beside French parliamentarians in the community's senate. Their diplomats will work with Frenchmen, particularly in Africa itself. The community has one currency (the franc), one official language (French), one flag (the Tricolour), and one national anthem (the Marseillaise).

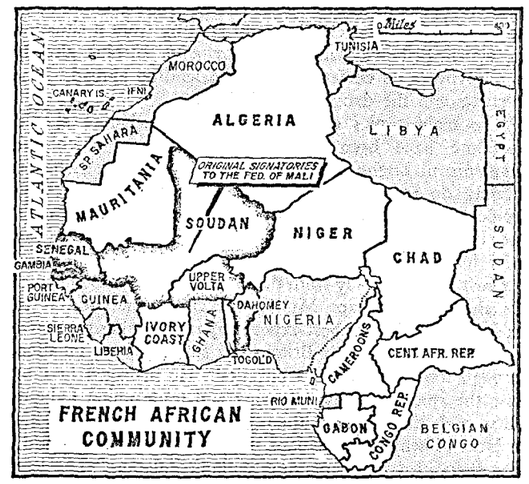
A fourth mansion is still empty. Article 88 of the constitution allows the community to conclude agreements with states wishing to join it "to develop their civilisation." If the Algerian question were settled, two likely occupants might be Morocco and Tunisia, both of which have taken up the idea of a non-political link with France. President de Gaulle and King Mohammed V of Morocco may have something to say about this at their expected meeting next month.

AS it enters into formal existence this month, the community proper is overshadowed by one ominous doubt. Its African members have been divided, from the beginning, on the type of African state system they want to bring about. M. Houphouet-Boigny, the Ivory Coast leader who has President de Gaulle's ear, and who sits in the French cabinet in Paris, is the champion of separate African states with no other political allegiance, or alignment, except to the community itself. Against him are the federalists, like MM. Léopold Senghor and Modibo Keita, who, with a better understanding of Dakar's place as the administrative capital of French West Africa, are reluctant to let the region slide toward balkanisation. Already there has been an open confrontation of strength over the Federation of Mali, arranged between four west African states in January but now reduced to its enthusiastic heartland: Senegal and the Soudan.

The quarrel over Mali is wide-ranging. It is, like so much of African politics, highly personal. The two major parties in the African states, M. Houphouet-Boigny's *Rassemblement Démocratique Africain* (RDA) and M. Senghor's *Parti du Regroupement Africain* (PRA), have their policies settled for them by their local leaders. It is an economic quarrel: the Ivory Coast, the most prosperous of the west African states, is unwilling to tie itself to poor relations on the fringes of the Sahara. Some of those poor relations, like Niger, think they will do better dealing direct with Paris anyway. Because of his, and the Ivory Coast's, privileged position, M. Houphouet-Boigny has been able to bring economic pressure to bear on two of the Mali signatories, Dahomey and Volta, which have now drawn back. The quarrel is also ethnic: the Islamic state of Mauritanie has rejected federation because it fears submergence in a black African society. It is even a religious quarrel as well: the Christians of Volta opposed joining Mali—particularly after Dahomey's defection—because the federation would have a preponderantly Moslem population.

M. HOUPHOUET-BOIGNY has taken the first trick in west Africa. In the four equatorial states, among which Congo and Chad have shown alarming political instability, the most the federalists have achieved is agreement on a common customs union. The ambitious design of a United States of Latin Africa may have perished with the premier of the Central African Republic, M. Boganda, who was killed in a plane crash on March 30th. Yet the federalist leaders have not given up. At a conference at Dakar at the end of March they agreed to found a new African Federalist party to propagate the cause against the local factions of the RDA and PRA. Senegal and the Soudan are pressing ahead with Mali—M. Keita, as head of the federal government, formed his cabinet on April 5th—and have told General de Gaulle that they will join the community as one unit.

The federalists are convinced that France's hand has been against them in all Mali's vicissitudes, although they still profess confidence in President de Gaulle. Mali has certainly been seen in France as a stepping stone to west African statehood outside the community. As first conceived, its population of ten millions would have given it a larger say in community affairs than many of its neighbours. Even now, the development of its institutions could ultimately end in its secession. Any suggestion of federalist complicity with Guinea is taken hardly in Paris. Although President de Gaulle no longer ostracises Guinea, he prefers to think of it as an awful warning to all other dissidents. Pious hands are now uplifted at news of Czech arms arriving at Conakry and of commercial agreements just signed with the Soviet Union and east Germany. But if Guinea survives, as it promises to do, its example may be followed elsewhere.



The best interests of west Africa seem likely to be served by encouraging regional groupings that will provide some economic and political cohesion against the forces of tribalism. The equatorial African units, as Congo's experience has shown, may not be viable in the face of tribal disorder and separatism. Although the founders of Mali may have erred in attempting too much in joining so many disparate states, their instinct to hold the French federal structure together in west Africa may be proved right in the long run. The issue is whether Paris will encourage them to build properly now, or whether the tactic of divide and rule really governs Gaullist policy. If trust in French intentions is once shaken, the good that France has it in its power to do in Africa south of the Sahara will once more be in jeopardy.

NOTES OF THE WEEK

BUDGET DEBATE

In Political Blinkers

THE principal features of the budget debate were that neither side came to grips with the main issue that really needs to be debated, and that Labour has decided to play the most blatant sort of Eatonswill politics with the topic of old-age pensions. Few economists are suggesting that Mr Amory's reliefs, amounting to just under 2 per cent of the national income, are likely to impose too great a strain upon Britain's under-utilised domestic resources. But no politician should be allowed to forget that every odd-numbered year since the war, except 1953, has seen some autumn strain on sterling, even when there has been no obvious over-demand at home. 1959, an odd-numbered year, is now scheduled to be a period of industrial re-stocking, taking place under the shadow of an approaching general election, and starting from a situation in which Britain's balance of payments surplus already barely covers its current rate of net lending abroad. The portents and the dangers are obvious.

The main topics of debate before the House should therefore have been the short-term policy which the Government ought to follow if some signs of strains on sterling do reappear this summer (the wisest suggestion would be the promptest possible increase in interest rates), and the long term policy that is needed to make the way safer for re-expansion without currency crises or inflation.

Most MPs ran away from these topics as from the plague. On the right, perhaps Mr Thorneycroft came nearest to one of them, with the best exposé any member has yet dared to make of the ills that Britain has suffered from inflation through too pliant wage arbitration. He managed first to raise the spirits of some left-wing and trade union Labour MPs, and then render them almost apoplectic, by his analysis of why the Russians, almost alone in the world, have succeeded in "expanding *without inflation.*" The key to their success, he said, is controls (murmurs of Labour approval) on wages (Labour consternation). "They have kept their money wages well *within* an increase in production." On the left, Mr Roy Jenkins made the best attack on Mr Amory, with a reasoned analysis of why it might have been safer to start re-expanding last year instead of this.

Otherwise the contributions from both sides, and especially from both front benches, were disappointing. The Labour front bench's considered recipe for the budget seemed to be that it would have preferred:

(a) *a restoration* of subsidies for council houses (and apparently also for bread and milk);
(b) higher government expenditure all *round*;
(c) no purchase tax cuts for "luxuries" but more reliefs for particularly raucous pressure groups (which Mr Wilson calls those industries that are "having a harder time"); and
(d) no income tax cuts for companies (the assumption here being that tax reliefs that will go largely into savings are interchangeable with reliefs that would encourage more spending).

Mr Wilson has not increased his attractions as an alternative chancellor by the compilation of this list.

For All Pensioners Too?

THE centrepiece of Labour's assault on the budget, however, is its demand that all old age pensions should be increased immediately by ten shillings a week. It really is necessary to look at the figures of this, the more so because attempts are being made to swamp all reasoning discussion by calling every appeal to the statistics "cruel and callous." At present there are 5.3 million pensioners, so that an increase of ten shillings a week for each of them would cost some £140 million a year; if all other national insurance benefits (e.g. for the sick, unemployed *and widows*) were raised at the same time, the total cost would be over £200 million a year. The former sum would necessitate an immediate average increase of about 2s. 2d. a week in the stamp paid for all the 24.7 million present contributors to the scheme, the latter sum would necessitate an increase of 3s. 1d. in the weekly stamp. The additional amount needed to be laid on the stamp would increase considerably in later years because the ratio of pensioners to working *contributors is now rising.*

There is a good economic case for increasing some national insurance benefits: for example, it would help to increase industrial mobility if payments to the unemployed, especially during the first month when they are looking for a job, were substantially raised. There is also always a good humanitarian case for raising the minimum weekly income of the poorest section of the community; if economic re-expansion succeeds, many people will feel that national assistance payments made to the neediest pensioners should be increased later in the year—and if this increase were accompanied by a change *in the whole* nomenclature of national assistance, designed to emphasise that all those who can show need can claim supplemental benefits as a right and not as a charity, so much the better. But any decision to spread benefits across the whole army of pensioners would automatically mean giving smaller increases to the most needy; now that the national insurance scheme has been in operation for ten years, be it remembered, every managing director as well as every labourer can become an old age pensioner on reaching retirement age.

If the Government is steamrollered into granting a flat rate increase for all these pensioners right across the board, this will be the third successive general election which has been immediately preceded by such a step. As the pensioners got their last increase at the beginning of 1958, and as the real value of the pension has recently increased slightly more than in step with the real income of the rest of the community, everybody knows that there would not be so furious a campaign for another flat rate increase if this were not an election year. Does the country really want to establish a firm tradition of automatic pre-election log-rolling in the social services, in an atmosphere where the main concern of politicians will never be to maximise the real incomes of those in most need but always to maximise the number of electors who will get some more money? This tussle between those who want to be discriminate and those who are merely fishing for votes should be the main consideration to weigh when a debate is held on Labour's censure motion. One of the most interesting points to watch will be the vote of the Liberal party; this is a prime test of whether it wants to portray itself as an independent party that seeks the support of reasoning electors, or as a me-too party that is mainly concerned to climb on to every popular bandwagon which rumbles along.

GERMANY

Bowls before Battle

JUST as the great events in Bonn last week were related to Dr Adenauer's failure to push Dr Erhard into the presidency, so the struggle for the succession to the chancellorship can be regarded, in part, as a further bout in the duel between the two men. As our Bonn correspondent reports on page 242, Dr Erhard has already begun to give his speeches a new political colour, making it plain that he is out for the crown. The chancellor, on the other hand, evidently sees Herr Etzel, the present finance minister, as the man to carry on his policies. Herr Etzel not only is close to the Ruhr industrial interests. After five years as vice-president of the European Coal and Steel Community, he is steeped in the chancellor's European policy.

The chancellor, who showed last week that he is not averse from springing a surprise on the world, has not yet shown his hand. While Dr Erhard has put to sea and is firing his pre-election salvoes, Dr Adenauer, on holiday in sunny Cadenabbia, is, like Sir Francis Drake, enjoying a quiet game of bowls. Dr Adenauer, however, is not neglecting to make plans. Both the candidates are to visit him—separately—in his retreat. He has already received some key party men, none of them on Dr Erhard's side.

Dr Adenauer is naturally anxious to ensure that the new chancellor is not chosen until he himself is president. The Bundestag has the ultimate power of choice, but the president could exert a powerful influence, especially if the Christian Democrats were divided. *It was with this in mind* that the chancellor agreed to step upstairs. Last week, however, President Heuss is believed to have upset the calculation by suggesting that Dr Adenauer would have to resign his present office once he became president-elect (in July or August). That would enable President Heuss himself to appoint the new chancellor, before his own term of office ends on September 12th. Only last month, however, a new law regulating the details of the presidential election was passed by the Bundestag. Under it, as Dr Adenauer's supporters point out, the new president would not take office until September 13th and Dr Adenauer could remain chancellor until then.

CHINA

Peking's Parliament

THIS has not been an ideal week for opening a parliamentary session in Peking. But China's National People's Congress, whose function is similar to that of Russia's Supreme Soviet, does not expect to be told more than is good for it. The big news for the delegates will be who succeeds Mao Tse-tung as chairman of the republic. The choice was made at the party central committee meeting at Shanghai on April 2nd-5th, but no word of it has passed beyond the top hierarchy. The expectation is that if a military personality like Marshal Chu Teh takes on the job, Chairman Mao's authority will not be unduly diminished. The communiqué after the Shanghai meeting remarked that the session was held "under the guidance of Chairman Mao Tse-tung," who "made an important speech on the question of the methods of work at the meeting." He is also reported to have addressed party leaders in Peking on the international, domestic and Tibetan situations on Wednesday. This is believed to be his first visit to the capital since November.

The other business on the congress's plate concerns a report on governmental activities, followed by approval of this year's economic plan and budget. The central committee has professed its belief that the economic draft plan can be overfulfilled, although some of its earlier expectations may have been tempered by "sober consideration" of the "objective possibilities of the material and technical conditions in our country." There are signs that, instead of local blast furnaces, the emphasis this time is being put on simplified coke ovens and small synthetic oil refineries in the countryside. A vote of continued confidence in the people's communes is expected, although these (as an article on page 248 indicates) are now being overhauled.

Tibet was not on the original agenda of the congress, but even Chinese parliamentarians may expect to be told something. Peking has now admitted that the Tibet rising followed disturbances in Sikang, once part of Tibet but now incorporated in the Chinese province of Szechwan. If, as some sources in Delhi believe, the Chinese have still not given up hope of an eventual reconciliation with the Dalai Lama, the congress is likely to hear more of the distinction which Chinese official statements draw between him and the "reactionaries" who brought him to India.

GALLOWAY BY-ELECTION

Liberal Buffet to the Tories

THE Liberals did very well indeed to win 25½ per cent of the total vote at Galloway. The result there confirms that in these remoter areas of the country many people now feel that their rather distinctive interests are likely to be better served by voting to put a distinctive sort of MP into parliament, rather than by voting simply to help keep out of power whichever of the two big parties they most dislike. There are at least four constituencies at present held by the Conservatives (Inverness, North Cornwall, North Devon, Denbigh) where this feeling of remoteness is combined with a fairly strong recent Liberal tradition, and which the Liberals should therefore probably be regarded as favourites to win in any early general election; there are perhaps half a dozen others which the Liberals must have at least a chance of winning. This renewed excitement in the Liberal ranks seems likely to keep in the field most of the more than 200 candidates whom the Liberals say they have already adopted for the next election. It may even add to their number.

This is almost bound to harm the Conservatives—not, perhaps, as dramatically as some commentators have been

saying, but their race with Labour looks so close that every little blow hurts. Even at Galloway the victorious Conservative candidate (50¼ per cent of the vote) had more reason to feel damaged by the Liberals than had the unfortunate Labour candidate who was relegated to third place (24 per cent) in the poll. Compared with 1955, just over 2,400 of the Liberals' 6,721 votes at Galloway appeared to come from people *who did not* bother to vote last time, but just under 2,700 can be counted as coming from people who voted Conservative then and just over 1,600 from people who voted Labour then. Perhaps a better comparison is with the 1951 general election, which was the last occasion when there was a three-cornered contest at Galloway. Compared with 1951, the Liberals' share of the vote last week went up by 13½ per cent, of which just over 11 per cent came from the Tories and just under 2½ per cent from Labour. And in that 1951 general election, be it remembered, the Conservatives won a majority of only 26 seats over Labour in the House of Commons. In Galloway, at any rate, there seems to have been a greater movement of opinion against them since then than there has been against Labour. The main implication of this by-election is, therefore, that Labour should probably still be regarded as very slight favourites to win any early general election.

CENTRAL AFRICA

On Going It Alone

SIR ROY WELENSKY'S personal statement in the Federal parliament this week did not greatly clarify what he meant when he told a BBC television interviewer recently that "in certain circumstances we would be prepared to go it alone." He probably did not intend to. The truth is, as all reports from Salisbury suggest, that Sir Roy is dominated at the moment by a great personal bitterness with the British Labour party. There wells up within him all the anger of a working class trade unionist towards other Labour leaders whom he feels have stabbed him in the back. His main concern in every message to this country is to serve notice to Labour that the Federation will not surrender the powers given to it under the act which constituted it in 1953. If a Labour government repealed that act, or amended it without federal agreement in such a way as to cut down the federal powers then granted (and which constitutional precedents suggest were irrevocably granted), it might find itself facing a refusal to obey. Sir Roy implies that that could end with an independent Federation outside the Commonwealth, although in the same breath he has assured loyal white Rhodesians that allegiance to the Queen would be maintained. Whether the Gilbertian anomaly of a kingdom outside the Commonwealth is possible is dubious, but also not overwhelmingly important. For nobody can be in any doubt that the real last act of the tragedy would be that the Federation, in whole or in part, would end up inside the Union of South Africa (which might or might not be in the Commonwealth).

This would be the worst possible ending for everybody—for British Conservatives, British Labour, black Africans throughout southern Africa, and for Sir Roy himself. How to avoid *it*? The British Government's chosen contribution at the moment is to move slowly on the scheme to convene a constitutional commission or committee to prepare for the 1960 talks with Sir Roy; it plans to wait until feelings have simmered down and until the Labour members on that constitutional body (there have got to be some) are *persona grata* in Salisbury once more. Whether the present Devlin commission of inquiry will help feelings to simmer down (or make them boil up again) is a moot point. The understandable controversy about how evidence should be taken before it confirms again that the decision to send a semi-judicial commission opened up risks of more friction, and offered only slender hopes of doing good; the one great and saving mercy is that so sensible a person as Mr Justice Devlin is leading it.

Here at home Labour MPs would do well not to concentrate on simply slogging balls into Sir Roy's court, as they seemed to be wanting to do at question-time last week. Nobody in Britain doubts that Sir Roy, more perhaps than anyone else, will have to make concessions in 1960; he has got calmly to realise that his Federation can, in reality, only be preserved if it is adjusted in such a way as to make it more tolerable to the Africans who live in it and who outnumber the whites by twenty to one. But Labour, in its turn, has got to understand that the best way to bring Sir Roy to that state of calmness will not be to hold over his head a quite inoperable threat of total legal liquidation.

MIDDLE EAST

Un-Arab Activities

THE tameness of the Arab League's resolution last week shows how little Arab support President Nasser can count on in his duel with Iraq. The resolution condemned foreign interference in conventional terms, but did no more than appeal to the absent Iraqis to "come into harmony with the Arab states." At a moment when the United Arab Republic is being rude, not only to Iraq, but to both the western and the Soviet Goliaths, the rest of the Arab world, showing perhaps more prudence than valour, is keeping at a safe distance. President Nasser is out on a bit of a limb, but in this uncomfortable situation he can take comfort from the thought that there is still no other pan-Arab leader in sight.

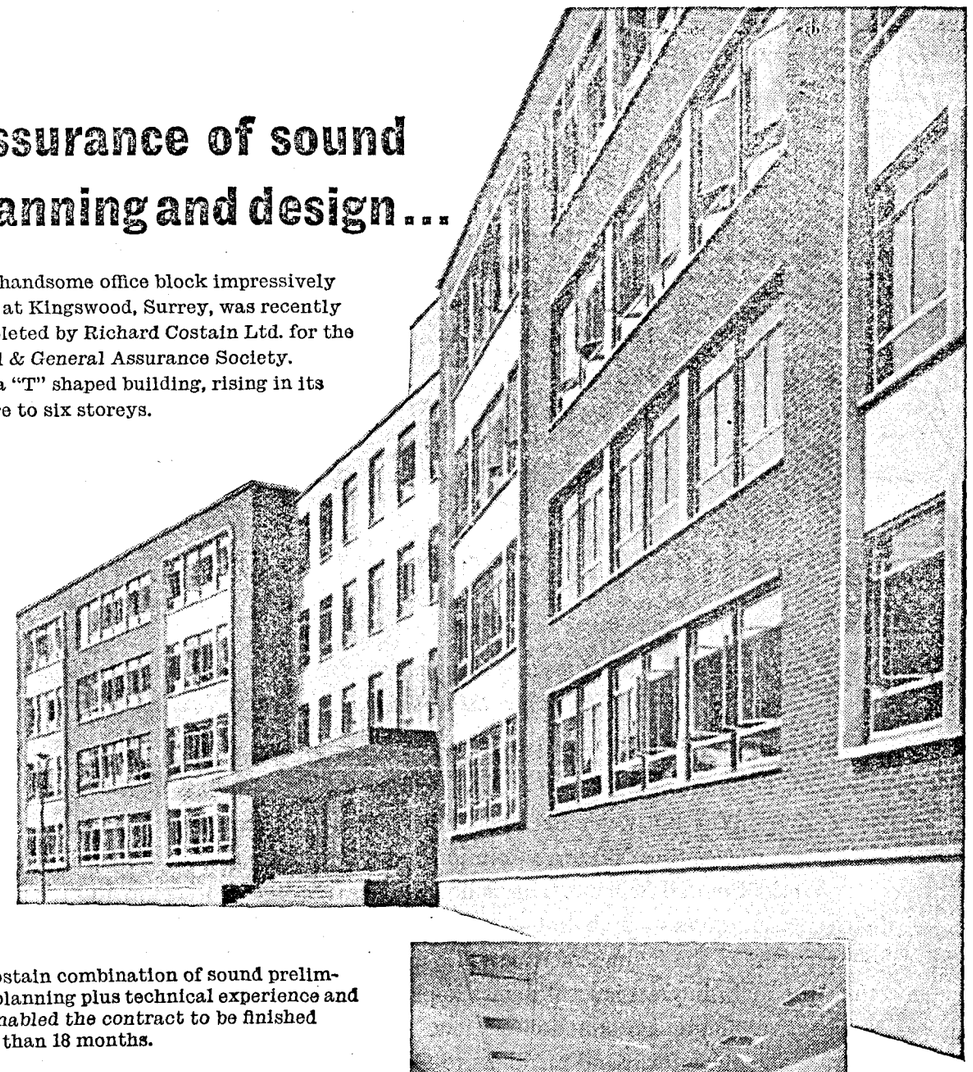
The Soviet Union, in public at least, sticks to the line that President Nasser is a hot-headed young man who is making a mistake. It is less reserved about some of his champions, notably Sayed Mustapha Amin, who, with his twin brother, edits the Cairo daily *El Akhbar*. The Amin brothers were outspokenly anti-communist even in the halcyon days; they are now calling upon Arab nationalists to prepare for the decisive battle against communism.

Iraq has become for the United Arab Republic the focus of all un-Arab forces, an unholy alliance of communism, imperialism and zionism. It is not enough for Baghdad to be holding a giant "peace" rally; it must also be accused of having invited a delegation from the Israeli Communist party. This is the second conference of "peace partisans"; the first, held at Mosul a month ago, triggered Colonel Shawwaf's abortive revolt. While the junketing goes on in Baghdad, the British ambassador, Sir Humphrey Trevelyan, has taken the chance of slipping back to London for talks at the Foreign Office; he may have something to say about Cairo's claim that it has "irrefutable evidence that Iraq is sunk up to the ears in the well of British influence."

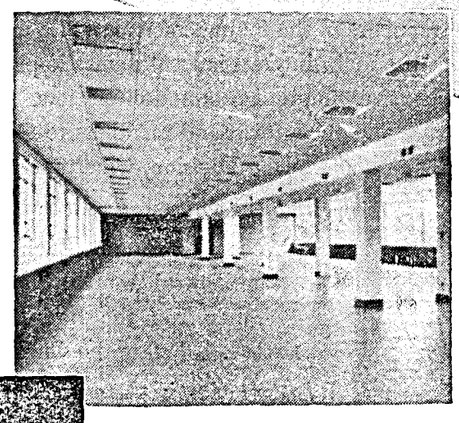
Every sign from Iraq still points left. The four National Democrats, who took over when the Baath and Istiqlal parties were eliminated from the government in February,

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appear still to be in the cabinet (although Hussein Jamil, the minister of propaganda, is taking an unconscionably long time packing his bags in Delhi), but their influence can be measured by the fact that the National Democrat organ *Ahali* has now joined forces with the communists in demanding a purge of the administration. The return of several hundred Kurdish families who escaped from Iraq to Russia during the unsuccessful Kurdish revolts between 1943 and 1946 may not be the foreign army of occupation that Cairo claims it is; still, it is unlikely to add to peace and quiet.

BELGIAN CONGO

Nationalism Spreads

WHILE M. Kasavubu, the leader of the proscribed Abako party in the Belgian Congo, studies political institutions in Belgium with some of his colleagues, new leaders and new nationalist parties are arising in the Congo itself. This has disconcerted some Belgian observers, who, not having studied form in British and French Africa, innocently supposed that after the riots, deportations, banning of political parties, and declarations that the Congo would move without undue precipitation towards independence, a peaceful breathing-space would follow. On the contrary, the announcement that independence was the goal has led to the feverish formation of more political parties, of which two, the Congolese National Movement (MNC) and the Congolese Unity Party (PUC), now lead the field.

Of the two, Belgian officials prefer the PUC, which has declared itself a non-violent independence movement, and, while denouncing the reactionary statements of some of the white settlers, has called on Africans of all ethnic groups as well as European residents to join it. The party claims—probably boldly—more than 200,000 adherents; and its general secretaries, MM. Kalonga and Iyeki, have held the first press conference ever called by Congo Africans.

The MNC is led by M. Patrice Lumumba, who was elected Congolese representative on the steering committee set up in Accra after the conference of African nationalist parties in December. Though the MNC is allied to the right-wing Catholic Congolese Union in Elizabethville (the mining centre) it is modelled deliberately on British African parties. It is demanding independence by January, 1961; it scouts the possibility of a "Belgian-Congolese community" or union, and it has called for the intensive training of African understudies for all senior administrative posts. M. Lumumba has attacked the Belgians for procrastination, warning them that the Léopoldville riots were an expression of country-wide Congolese resentment, and not merely the work of Abako, the party of the Bakongo people only. He claims that many former Abako organisers are now working for him.

There is thus a considerable incentive to the Belgians to try to come to terms with M. Kasavubu, and send him back to Léopoldville as the moderate leader-elect of the Congo (or of one state in a Congo Federation). But so far M. Kasavubu has stuck to his theoretical studies. The real issue now is whether tribal parties (like Abako) are going to solidify, or whether a man like M. Lumumba can emerge as a non-tribal leader on the Nkrumah model.

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SEATO

The Price of Alignment?

MR SANDYS, the Minister of Defence, returned this week from Wellington, where he had attended the annual meeting of the south-east Asia treaty council. Mr Selwyn Lloyd, a faithful attender of earlier Seato councils, was occupied with the more urgent preparations for next month's rendezvous with Mr Gromyko at Geneva. So were his French and American colleagues, whose countries likewise sent second strings to New Zealand. But if the Big Three fielded, in effect, a second team, the lesser five—Pakistan, Siam, the Philippines, Australia and New Zealand—sent their star forward line, and the meeting was far from dull.

The public sessions tended to sound like a confrontation between the three Asian members and their richer allies. With varying degrees of subtlety, the Asians put the case for greater economic benefits in recompense for the sacrifices of membership. The donor nations countered with the argument that the Colombo Plan and the United Nations economic commission for Asia and the Far East were the best agencies for the distribution of economic aid in the treaty area. (The United States, nevertheless, offered £143,000 to fight cholera.)

The secretary-general, Nai Pote Sarasin, rightly pointed out in his annual report that the latest communist advances have been achieved by economic and subversive means. Information about subversion, and measures to counter it, can be and are being co-ordinated. But it does not follow that Seato ought to be turned into an agency handling free gift parcels to its three Asian members; communism has made greater inroads in countries like Indonesia and Burma, which are outside the pact, than in the Asian member countries. Yet the lengthy final communiqué from Wellington read more like the report of a philanthropic and cultural society than of a defensive military alliance.

The more powerful members may have to consider whether this is the kind of price they want to pay to keep their Asian friends in line. Enlightened self-interest ought to be enough. But the Americans who heard last week's speeches may have doubted it. And some may have recalled that one of the speakers, Nai Thanat Khoman, the new Siamese foreign minister, said at his first press conference a few weeks ago: "We should be neither pro-west nor pro-east." These words may have a disturbing sound to other members of an anti-communist organisation.

EDUCATION

Technical and Clerical

MR GEOFFREY LLOYD is determined to keep the programme of the Ministry of Education in the news. In what ought to be an age of educational reform, it is proper to sound the bugles for each advance. A welcome should therefore be given to the announcement that, two years before the conclusion of the existing five-year plan for the expansion of technical education up to 1961, a building programme up to 1964 is to be approved. It will enable local authorities and technical colleges to plan ahead on the assurance that they will continue to get an aggregate of some £15 million a year to spend. This, admittedly, is no more than they are spending now; it does not imply any speeding up of the plan to double Britain's output of technologists by 1970, which is the accepted objective. But it is encouraging to know that the Colleges of Advanced Technology will now be able to plan for the provision of sufficient facilities and teachers to enable them to give their students a grounding in the humanities and to aspire to become true universities built around applied science. This raising of the quality and prestige of the trained technologist is very necessary if the "dip. tech." is to have anything like the same standing in the eyes of the world as the university degree. (The time may indeed come when the difference in nomenclature, born partly in donnish snobbery, will have to be removed.)

While these technological triumphs are being trumpeted, nearer home the minister is treading gingerly round a clerical hornets' nest. He has stirred up all the trouble that he had feared by his promise to help the Churches to bring their voluntary schools up to the level required by his policy for improving secondary education. The Free Churches have recently lobbied backbenchers of both parties against any provision which would permit the Roman Catholics to build more *new* schools from public money, though they accept the fairness of raising the improvement grant from 50 per cent to 75 per cent for all Church schools. The Roman Catholics are standing out for a "package deal" in which the state would help them to build more schools. Each political party is anxiously calculating the relative cost of offending the Roman Catholic and the Non-conformist vote. The Government, it is plain, has no intention of making a unilateral decision; it has been holding discussions with Labour to try to form a bipartisan front against one or other group of churches, but it is not yet decided against which. Meanwhile the clerics are gradually getting up steam, and dusting off their copies of Fox's *Book of Martyrs*.

COUNTRY-TOWN INDUSTRIES

Employment off the Land

AT a time when agricultural policy is belatedly growing more rational, which means tougher towards the "non-viable" farm, it is especially important that more should be known about the means of livelihood other than farming available to country-dwellers. Rural depopulation cannot be considered by anyone to be a good thing in itself; the collapse of a living community is always a loss to be set against whatever gain results from the changes which have brought it about. There is thus a particular appositeness about the publication of a report on the country-town industries of south-west England* (covering Cornwall, Devon, most of Somerset and an adjoining strip of Dorset). The inquiry on which it is based was financed by public money under the Development Fund and carried out by members of the Agricultural Economic Research Institute at Oxford, whose terms of reference were "to inquire into the present position and probable future development of small industries in country towns in their relation to agriculture and to the welfare of the rural community."

The west of England has some particular disadvantage for industrialists. The most severe is its remoteness, not only absolute, but in the sense of not being on the way to anywhere. Many of its towns are too cramped in narrow valleys or estuaries to expand industrially. And the common seasonality of the tourist trade, horticulture and fishing makes these occupations awkward neighbours for year-round industrial enterprise. Many of the problems of west country industry are, however, those of any predominantly rural area where towns are small. They are, broadly speaking, those of scale and balance. One specialised large firm in a small country town is unlikely to provide, for that town and its rural hinterland, employment openings proportionate to the different types of labour locally available—of men, women, young people, the skilled and the unskilled. Several specialised large firms, providing between them the desirable balance, add up to a different sort of town altogether. Small specialised firms, and medium-sized multi-product firms, are far more satisfactory. But these can only succeed, given their generally higher unit costs, by dint of seeking out and adapting themselves to special, highly specific markets to which mass production is unsuitable. How much room—how much more room—is there in the economy for such firms? The evidence from the west country is, on the whole, encouraging. But it does not justify complacency. Much depends, the report makes clear, on an enlightened training policy and on co-operation between farmers and industrialists in local affairs. This is a report which several ministers in Whitehall should study.

* Report on Country Town Industries of South West England. By Trevor Thomas and Katherine S. Woods. 42 pages. Obtainable on request from the Development Commission, 3, Dean's Yard, London, S.W.1.

The Economist

APRIL 16, 1859

THE APPEAL TO THE COUNTRY

Lord Derby has set the country a difficult if not an impossible task,—to send back to the House of Commons a powerful and united party, bound together by no intelligible party tie. . . . Left to themselves, different constituencies are of course apt to choose the men who most nearly represent their own vague and floating views. But if they do this, they are certainly not likely to respond successfully to the exhortation to secure a strong and united party organisation. It is the office of a statesman who desires to remodel parties to give them some new principle of combination,—to utter some watchword which may unite the constituencies in a common impulse, and elicit from them some spontaneous unity of action in testing the views of their representatives. To tell constituencies that a Parliament of close organisation is required of them, without giving them a single hint as to the nature of the party-tie an assent to which they should require from their representatives . . . is to impose on them an impossible task. . . . We quite agree with Mr Disraeli and his friends that the complete absence of any clear lines of principle determining the party combinations in the House of Commons is a very great evil. But we are sure that only time, and the gradual evolution of new political issues, can remedy that evil. The spasmodic effort to bid parties strengthen themselves only ends in greater weakness. Men cannot command close political sympathies at will. 'I will have my party-trumpets give forth no uncertain sound,' says the Premier; but uncertain sounds come from the country as before. This is a time of disorganised political individualism. Lord Derby's rebuke may be deserved, but it will be in vain. Until some genuine struggle between conflicting principles ensue, no appeals to the country will bring what the country has not got to give,—unity of political conviction in large bodies of men. Lord Derby has dissolved the rope of sand in the hope of getting a tie of closer fibre. He will only get a rope of looser sand than before.

TRADE WITH RUSSIA

Credit for the Seven-Year Plan?

THE British trade mission to Moscow, which is to follow up Mr Macmillan's visit, may not have an easy task, for the economic circumstances that govern Anglo-Soviet trade have not changed enough to justify the political ballyhoo with which the mission may be surrounded. Russia, with its expanding planned economy, has virtually limitless import demands and its leaders are in a position to quote enormous figures for prospective orders. Russia's actual purchases, however, both before and after the easing of the western strategic embargo, have been limited by its export earnings, and these show no signs of spectacular growth. Grain exports have been limited by home needs. Other primary products, especially oil, in which the Russians place high hopes, have poor prospects when western markets are so weak.

The one major new element that might bring a significant growth in trade is the Russian request for credits. That may be a good sign politically as well as economically. The traditional Russian habit of paying cash, though very welcome to western exporters, was also one facet of a siege mentality. Orders for western goods tended to be of an emergency or sporadic nature, marginal to autarkic plans. The new interest in medium-term credit arrangements to finance complete plants may perhaps reflect a rather greater willingness to fit western orders into plans over a period of time. It is hardly surprising, however, that talk of credit from Britain to Russia has caused some disquiet in other western countries. There are plenty of undeveloped countries outside the Soviet world that would also be delighted to increase their imports of capital goods if they could do it on tick. The grant of normal medium-term commercial credits to Russia does not seem unreasonable. But when the demands of the undeveloped countries are so pressing, there seems no call to give a high priority to extensive finance for Russia's seven-year plan.

EASTERN EUROPE

Private Farmers in Retreat

MR GOMULKA'S steady refusal to dragoon the Polish peasants into collective farms is in increasingly glaring contrast to the drives that are going on elsewhere in eastern Europe to extend and consolidate the collective farms. In Hungary an energetic campaign over the last few months has brought at least 40 per cent of the arable land into the "socialist sector"; before the October rising in 1956, the comparable figure was less than 20 per cent, and after the rising most of the collectives were disbanded. There are signs that even the regime itself, faced with increasing disorganisation and peasant resistance, fears that the pace may have been too fast. Mr Kadar has denied that there is forced collectivisation in Hungary, but he admitted in the next breath that there had been coercion in some districts; he went on to make soothing noises to the peasants, while maintaining that a socialised agriculture remained the goal. Some slowing down in the present breakneck pace of collectivisation in Hungary seems likely.

In Rumania, about 60 per cent of the arable land is now "socialised." Towards the end of March the Rumanian government made it illegal for peasants to hire labourers or to rent out land, and decreed that all land that a peasant and his family could not farm themselves should be expropriated and transferred to a collective or state farm. This move is evidently designed both as a crippling blow at the kulaks and as a device to increase the area of collectivised land without further antagonising the majority of peasants. There have been reports of violent peasant resistance to collectivisation in eastern Rumania; these are not yet confirmed, but there were peasant disturbances in the same part of Rumania early last year.

Czechoslovakia now has more than 77 per cent of the land "socialised," and the process is expected to be virtually complete (as it already is in Bulgaria) by next year. The Czech rulers are now planning to do away with compulsory deliveries at low prices; this will not relieve the peasants of their obligation to supply the state, but it should encourage increased production and discourage the collective farmers' tendency to concentrate on the more profitable cultivation of their private plots at the expense of the collective land. Increased output is, indeed, the first priority

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throughout the block, where in Hungary, Rumania and Bulgaria crop production actually declined last year. But the direction in which the communist regimes are moving seems to be dictated more by political than by economic motives.

INTERNATIONAL LABOUR ORGANISATION

Communist Employers

THE International Labour Organisation, like so many other international institutions, has recently been split down the middle by disagreement between delegates from the communist countries and elsewhere. The split, which has caused constant acrimony ever since Russia and the eastern European countries rejoined the ILO in 1954, centres upon the status of the communist employers on the various sub-committees through which the organisation's work is really done. The western employers (backed by the American and Chiang Kai-shek governments) have refused for two reasons to allow the communists to vote on these committees. They say, fairly enough, that the communist employers are only agents of their governments and not fit to put the employers' viewpoint in committee; secondly, and still more important, they resent the fact that the communist employers and governments always vote together on the workers' side. This completely upsets the delicate balance of voting power that is fundamental to the ILO's constitution.

The conflict, which came to a head last year when the communists threatened to walk out unless they were given full rights, set the ILO's permanent staff a knotty problem. They had to devise a procedure which reconciled the ILO's tenet that "equality of treatment must be accorded to all conference members" with a voting system which, where necessary, masked the communist employers' pro-worker vote. The result is an ingenious, if not wholly satisfactory, compromise. Under the new scheme, which will be put before the conference in June, a maximum of two communist delegates who want to sit and vote on any committee, but who are excluded by their group (e.g., by other employers), will be able to appeal for instatement to an outside board; but, against that, it will be possible for a two-thirds majority of the employers' group to decide how their group's total voting power should be cast. This block vote system (which has suitable safeguards built into it) would go some way towards nullifying the effect of the committee's new communist members.

The British Employers Confederation has now issued a bulletin heavily criticising these proposals; but there are signs that if the conference approves them (as is very likely) the employers will quickly accept the verdict. Little is to be gained by further wrangling, which in any case only provides more grist for the communists' propaganda mills. Agreement would also leave the ILO more time to concentrate on what many people regard as its most important current task: that of providing technical assistance to help raise labour standards in the under-developed countries.

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SHIFT WORK

One Man's Meat

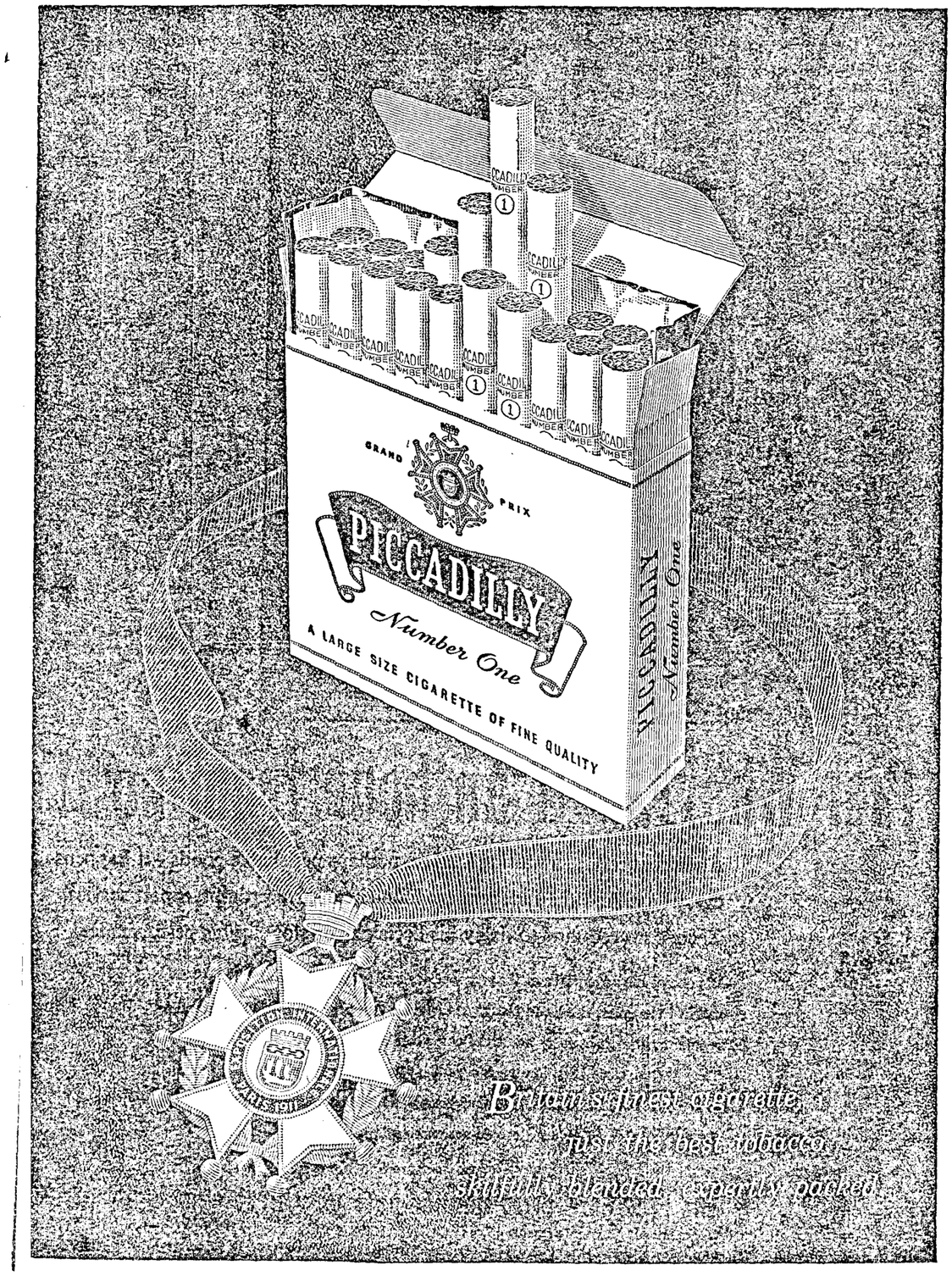
BRITISH industry, by and large, fights shyer of shift work than industry in most countries abroad. It thus misses many advantages—in economy of equipment, more rapid amortisation, and consequently lower overheads—which could mean lower unit costs and higher earnings. The main reason for this conservatism is the workers' unwillingness to depart from the normal pattern of work and leisure—an unwillingness accounted for partly by inadequate pay differentials, but more by a general fear that shift work will dislocate and impoverish domestic and social life.

How well-founded is this fear? A recent paper published by the Yorkshire Bulletin of Economic and Social Research * sets out the results of a small-scale but intensive enquiry carried out by interview with a number of employees of firms working on various shift systems. The enquiry was too limited for statistical significance; but its main lesson is the unsurprising one that shift work can be anything from an impossible nuisance to a positive blessing—according to the skill and sympathy with which it is organised and to the personal circumstances, temperaments and tastes of the individuals concerned.

Very few liked night work, but the dislike varied enormously according to the respondent's highly personal ability or inability to sleep by day and digest unconventionally-timed meals. Workers of both sexes and all ages who were engaged on the more habitual double-day shift—6 am-2 pm, 2 pm-10 pm—often actually preferred it to normal day work. The balance of advantage and disadvantage, however, varied widely. Many young bachelors disliked having their evenings obliterated on one shift and curtailed, by the prospect of early rising, on the other; the married, on the other hand, were apt to appreciate the daylight leisure which allowed them to garden, potter, see more of their children, and possibly earn something from odd jobs. Working wives similarly found shopping and housewifery easier; but difficulties over children could be either less or forbiddingly greater than with normal day work according to a whole range of ungeneralisable family circumstances. In every sort of family grouping, and with every type of shift, much depended on the works' welfare arrangements, but more on individual psychology—especially on the amount of co-operation between man and wife.

The practical moral can be summed up in one word: flexibility. Given imaginative organisation, shift work can offer positive gain to the right people; others cannot comfortably adapt their lives to it however excellent the organisation may be. To ban shift work means wasting not only productive power but social and domestic advantages; to apply it universally would be a tyrannous imposition. The ideal course is to make room, preferably

* Yorkshire Bulletin of Economic and Social Research. Obtainable from Department of Economics and Commerce, The University, Hull). 54 pages. 10s.





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FIRST WORLD WAR

Germany and the Bolsheviks

THE last files of the German Foreign Ministry documents, captured by the Allies in 1945 and flown to Britain during the Berlin blockade, have been moved to Bonn. A number of "revelations" from them made news during the publication of the official volumes on German foreign policy; but not all the work done on these papers was official—a number of historians were let loose among the four hundred tons of documents and miles of microfilm. Of the controversies occasioned by their publications, one has not yet been concluded; it concerns the relations between the German imperial government and the Russian revolutionaries—the Bolsheviks in particular—during the first world war.

The publications of the German Foreign Ministry papers bearing on this question, and showing that Imperial Germany's leaders gave substantial help, financial and otherwise, to the cause of revolution in Russia, were followed by controversy in the British and American press; the Russian historians had nothing to contribute. Nevertheless, an unexpected, and indirect, contribution appeared in Moscow at the end of last year. This is a revised compilation (the first edition appeared in 1929) of the proceedings of the Bolshevik central committee, covering the period between August, 1917, and February, 1918—just after the abortive Bolshevik rising in July, and shortly before the conclusion of the Brest-Litovsk peace between Germany and Russia. On page 250 of this volume there appears a note to the effect that those parts of the protocols, dealing with the "controversial affair" of Hanecki and Kozlovski, which were dealt with by eight sessions in all of the central committee, have not been printed. Both these men have often been mentioned in connection with the German subsidies to Lenin's party. Hanecki was a good friend of Lenin; he was also employed by "Parvus" (Alexander Helphand), the main adviser of the German Foreign Ministry on Russian revolutionary matters. The omission of the records dealing with his affairs from this publication is significant; it is even more curious that its editors decided to draw attention to such omission in a special note. These records might establish the facts once and for all.

LETTERS

America's Inflation

SIR—I have read with interest the article "Inflation's New Culprit" in the March 28th issue of *The Economist*, which questions the validity of some of the current reasoning concerning oligopolistic and administered prices.

I was struck with an entirely different line of thought as to the economic soundness of Mr Means *et al.* No recognition is given to the comparative effects of administered prices by the Office of Price Administration during the period 1942-1947. To a large extent the variation of prices and the adjustment during 1953-1957 are a reflection of tight OPA controls on one segment of the economy, and loose OPA controls in another segment. A study of the price trends through the entire period will show that the very industries most criticised (such as metal and metal products, machinery and motive, etc.) have moved up less than the average change for all products.—Yours faithfully,

JOHN W. BOATWRIGHT

Paris

Liquid Gas

SIR—In your issue of February 21st you published an article entitled "Methane sails to Market." It has occurred to me that it may be of interest to your readers to learn of a proposal for the exploitation of natural gas on a European scale, which has been put forward by the Consultative Assembly of the Council of Europe.

This proposal is based on work by a sub-committee of the assembly's economic committee. The chairman of the sub-committee was M. Maurice Lemaire, a former director-general of the French Railways, minister in several former French governments and presently chairman of the production and trade committee of the French National Assembly.

On the basis of a report by M. Lemaire presented in the name of the economic committee, the assembly adopted in October 1958 a recommendation on the exploitation of the natural gas resources of the Northern Sahara. The main idea behind this proposal is that for the time being the enormous gas reserves in the Northern Sahara cannot be fully utilised in North Africa alone, while the funds necessary for the exploitation of these resources are so large that the co-operation of all interested governments will be necessary if rapid headway is to be made.

The matter is, of course, one which is in the first place solely within the responsibility of the French government, but a study of the technical aspects of the proposals is now being made in the Organisation for European Economic Co-operation, and the committee of ministers of the Council of Europe will decide, in the light of the OEEC's report and of whatever views the French government may put forward, what further action is called for.

As regards the profitability of the operations proposed in the economic committee's report, figures given there indicate the cost price of the gas on delivery in London as 98 centimes (one fifth of a penny) per US therm if transport is provided by methane tankers, or, if feeder pipe-lines are used, as little as 72 centimes (.1469d.) per therm.—Yours faithfully,

DUNSTAN CURTIS

Council of Europe, Strasbourg

Faster Traffic

SIR—The Minister of Transport said in the House recently that he would welcome suggestions from any source as to how to prevent the road bottle-necks into and out of big cities from frittering away the advantages obtained by the great new highways beginning to appear in the countryside.

It seems to me that a substantial contribution to the solution of the problem could be made by the reorganisation of city outlets on a triple carriageway basis: two of these always being used by the heavier flow of traffic. For example, there would be two carriageways available for the in-coming morning traffic, and one for traffic travelling in the opposite direction, and vice versa at the evening rush hour. Statistics from a traffic census should readily supply the time when the in-coming tide begins to recede and the change over needs to be made.

I suggest that this triple tracked traffic system be tried. The same principle, of course, applies to more than three tracks. If it had been used on some of the recent improvements to the exits from London, it would have provided the same facilities at considerably less expense.—Yours faithfully,

D. G. B. DUFF

Brockworth, Gloucestershire

BOOKS

Faces of Liberalism

The Liberal Future

By Joseph Grimond.
By The One Nation Group of MPs.

The Responsible Society

By The One Nation Groups of MPs.
Conservative Political Centre. 63 pages. 2s. 6d.

New Orbits

By the Joint Political Committee of the National League of Young Liberals and the Union of Liberal Students.
70 pages. 2s. 6d.

THE liberal future, as discerned by the leader of the Liberal party, bears at many points a distinct family resemblance to the responsible society foreshadowed by the liberal wing of the Tory party. This is emphatically not, as some Tories would gleefully claim, a conclusive argument against the value of having an independent Liberal party. Any unprejudiced observer of the House of Commons would surely agree that with his refreshing style of challenging established ideas Mr Grimond makes more public impact as the captain of his own band of freebooters than he could possibly do as one more signature on the pamphlets of the progressive Tories who claim to be boring from within.

It may be, of course, that Mr Iain Macleod is to become the next leader of a Tory Government, with the One Nation Group supplying his Ministers and the Bow Group his Under-Secretaries. In that event those liberals who decided that the Liberal party was not an effective vehicle of reform and that they would take over the Tory party instead, leaving it conservative in nothing but its name, will feel they were right. But one can beg leave to doubt whether things will work out quite like that. For one thing there are inevitably large legitimate conservative interests in society and a great many people who have a reverent and cautious turn of mind. They will always be found primarily in the Conservative party, and any liberal element within it, however strategically placed in the hierarchy, must accommodate itself to them to a degree that will frequently blunt the sharp cutting edge of its social analysis. Mr Grimond's *franc-tireurs* can in fact help their brothers-under-the-skin by constant public needling; a few extra hell-raisers on his benches in the House might do wonders in spurring action towards a responsible society.

Both Liberal liberals and Tory liberals are anti-uglies and want far more attention paid to town planning and the design of public buildings. Both want to give the worker more status, have his wages negotiated at a more local level, guarantee him redundancy pay and protect his democratic rights within his union. Both try to find ways of tackling the problem of old durable rented housing without modern amenities that will avoid municipalisation. Both want to rearrange the burden of the social services, so that as the country gets richer there will be less subsidising of people who can partially look after themselves. Both are very seriously bothered about excessive materialism in the affluent society of mass culture and make rather tentative suggestions for preparing people to face their leisure.

The appearance of Mr Grimond's book and the One Nation pamphlet should be some reassurance to those who have been recently depressed about the quality of our active politicians. One doubt which they both leave with the sympathetic reader is whether many of the new questions which they ask are really answerable at all in terms of political action, at least by parties which are temperamentally opposed to overmuch interference with the individual by the state.

Mr Grimond's book has a much wider scope than "The Responsible Society," which is exclusively concerned with social policies. In less than two hundred pages the Liberal leader takes on economics, foreign policy, and constitutional reform as well. It is a courageous encounter—undertaken in the midst of an extremely busy political life—and Mr Grimond emerges from it with a good many trophies and only honourable wounds. He has a brilliant but sometimes perilous gift for aphorism. Some of them in this book make a great deal of sense, a few make no sense at all, and many are difficult to assign to one category or the other without much more amplification. The economics needs looking at again. If it is true that the government should not concern itself with the inflationary implications of wage levels (p. 62) and should rely on credit policy exclusively to iron out the trade cycle (p. 63) what is the use of complaining on p. 93 that reliance by the Tory and Labour governments on the credit squeeze has had the inevitable effect of discriminating in favour of big corporations that can finance themselves internally? It really does not sufficiently square this circle to advocate co-ownership, lower taxes and the rearrangement of the nationalised industries. There is no evidence that low tax economies are necessarily more stable and the significance of a policy of making nationalised industries "the responsibility of those who are more or less directly concerned with them" is elusive. Mr Grimond also seems to think erroneously (perhaps because he is generalising from the eccentric example of Glasgow) that house building is normally more heavily subsidised on the fringes of cities than at the centre.

Nevertheless the important fact that emerges about Mr Grimond from this book is that his is an eager, restless, questing mind that is forever asking important, embarrassing questions and wrestling for radically worthwhile solutions. In their own attractive glossy, "New Orbits," the Young Liberals have marshalled their answers to the common charge that Liberals have no policies of their own but are merely the undistributed middle of British politics.

Technique and Meaning

The Art of French Fiction

By Martin Turnell.
Hamish Hamilton. 388 pages. 30s.

"THE critic's first duty"—so Michael Roberts wrote in his "Critique of Poetry"—"is neither to condemn nor to praise, but to elucidate technique and meaning." Mr Turnell, in this series of essays, might almost have taken this saying as his motto; with the rider that having accomplished his "first duty" the critic faces at least optionally the further task of assessment and appraisal. It is by his emphasis on technique that Mr Turnell distinguishes himself from most critics of a literature not their own; for he deals not only with those questions of mass and emphasis, of tempo and choice of standpoint, that are independent of the strictly linguistic element, but also with the minutiae of language, from sentence construction to the use of tenses and moods and the choice between abstract and concrete nouns.

It must hastily and emphatically be added that this is not a dry grammatical dissection for linguistic specialists only; no reader with a spark of interest in what C. E. Montague called "the writer's trade" could fail to be fascinated by it. For one thing, these considerations of craft are given a psychological and social setting; a particular way of handling words, a particular vocabulary, emerge as the products—not inevitably, since Mr Turnell is no crude determinist, but comprehensibly—of a certain *Zeitgeist*, a certain experience of life and a certain temperament. That hackneyed old generalisation that "style is the man" has rarely been more illuminatingly illustrated and justified. For another thing, "technique" and "meaning" are closely related; stylistic analysis is balanced and accompanied by the wider interpretation of each writer's personal vision, by an account of his subject matter and by penetrating biographical sketches.

The seven novelists dealt with, at varying lengths, are Prévost, Stendhal, Zola, Maupassant, Gide, Mauriac and Proust. Close on two-thirds of the book is devoted to Zola, Gide and Mauriac; the others are considered either comparatively sketchily (Maupassant is an intermediate case) or in relation to a single early work. Of the three main essays, that on Zola is likely—despite Mr Turnell's detection of a "modest but unmistakable" recent revival in his reputation—to appeal more to a historical than to a strictly literary interest; it is a superb guide-book, appreciative, discriminating, comprehensive, to a country that few nowadays wish to visit. Gide and Mauriac are another matter. In the original or in translation, their works are part of the contemporary landscape. Like other writers, they yield an enjoyment greater or less, an experience deeper or shallower, according to the reader's capacity to tune himself to their special wave-length—a capacity which even for the bilingual is always likely to be diminished by the absence of a shared national tradition. Mr Turnell does almost everything that can be done to put text and reader *en rapport*.

"Almost"—one must thus qualify his brilliant success, because one element is lacking; that of the ideal critic's wholehearted sympathy, transcending approval or disapproval, for his subjects. That Gide was a deplorable destroyer of himself and of others, that Mauriac was poisoned by his spiritual inheritance from Pascal, should surely at this level of interpretation prompt a sense of "the pity of it" rather than censoriousness. That this lack should be felt at all is, however, itself a tribute to Mr Turnell's power. In a lesser critic it would be—like its opposite, a total indifference to absolute standards—taken for granted and unnoticed.

New Farmers in Japan

Land Reform in Japan

By R. P. Dore.
Oxford University Press for the Royal Institute of International Affairs. 524 pages. 55s.

OF all the major groups in Japan's society, the tenant farmers derived least benefit from the economic and social progress of the country in modern times. Their standard of life remained very low by comparison with that of the city-dwellers; they were oppressed by debt; and their social position bore many traces of the "feudal" past. When the Occupation authorities, by what turned out to be an act of confiscation, decided to transform the tenants into owner-occupiers, they embarked upon certainly the most sweeping and probably the most enduring of all the reforms undertaken in the period from 1945 to 1951. While this measure left some of the most perplexing problems unsolved, notably the problem of rural over-population, it brought about a fundamental alteration in the distribution of agricultural income and in the economic status of the farmer. Furthermore, it prepared the way for a profound change in the social and political outlook of what had previously been regarded as the most conservative class in Japan.

Mr Dore has now exhaustively examined the land reform and its economic, social and political consequences. His book, based not only on printed sources in the Japanese language but also on first-hand experience of living in Japanese villages, is both authoritative and comprehensive. Although the outline of the story is not always as firm, nor the analysis of economic effects as taut, as could be wished, there is in compensation a wealth of detailed information and a sympathetic understanding that will surely make this book the standard work in English on the subject.

In his early chapters Mr Dore describes the development of Japanese agriculture in the modern era, the prewar tenancy system and the various types of landlord. He shows that the agricultural organisation had long been out of tune with the rest of society, and he discusses with insight the part that peasant discontents played in the rise to power of the military cliques during the nineteen-thirties and in the "totalitarian" solutions proposed for the country's economic troubles. A conviction that it was an important part was one of the chief reasons for the Occupation policy. The author's account of the effects of the reform on the organisation of agriculture, and on the income, social status and political outlook of the farmers, is illustrated with many examples, or case-studies, which, if at times they interrupt the development of the general theme, add considerably to the vividness of the narrative. He asks the crucial question: will the reform survive intact? So far, the prospects appear favourable. But should agriculture become depressed, the defence of the new system will urgently require the introduction of improved facilities for farmer-credit and the determined maintenance of legal restrictions on the transference of land-ownership.

One of the most interesting chapters deals with the social organisation of the village as it has been influenced by the withering-away of privilege. The democratisation of rural life, though it has altered the pattern of power, has not necessarily conferred greater independence on the farmer; indeed, it may well have "increased the constraint on individual choice exercised by the hamlet community" and "the pressure on the individual to conform."

The Social Encyclopaedist

Staatslexikon

Sixth Edition. *Vol I: Abbe to Beyerle. Vol II; Beziehungslehre to Erbrecht.*
Freiburg: *Verlag Herder.* 1231 pages. DM 76 each volume.

"ALL big discoveries and inventions in the fields of technology and natural science make necessary a jurisprudential ordering of the facts of life which they create." True—indeed, on reflection, self-evident; but who, if not the compilers of a German encyclopædia, and a special kind of encyclopædia at that, would think of saying it? The statement occurs in the article *Atomenergie* in the new edition of Herder's *Staatslexikon*, now in course of publication.



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Another characteristic of scientific discovery is that it tends to flood encyclopædias, edition by edition, pushing the arts, the social sciences, and the whole picture of humanity into ever more confined corners. Herder's *Staatslexikon* is by its basic conception better equipped than most to resist this trend, since it sets out to cover not the whole field of human knowledge, but the branches that concern the relations of people among themselves: law, economics, sociology, politics. This limited but still gargantuan task is tackled from a specifically Christian point of view—of earlier editions, one would have said without hesitation a specifically Roman Catholic point of view, but the sixth edition for the first time makes use of a substantial number of Protestant contributors.

The six editions represent a publishing activity of seventy years, and the origins of the work go back to the foundation of the Görres Society (still the sponsoring organisation) in 1876, the centenary of the birth of the polemist of the Catholic Rhineland in Napoleonic times, J. J. von Görres. Like the work of Görres himself, the society's work has been in part responsible for the persistence through such vicissitudes of a specifically Rhenish Catholic German view of the nature of society and the purpose of politics. Dissolved by the Gestapo in 1941, the society reconstituted itself in 1948; in certain ways it has come into its own with the creation of the west German Federal Republic, a republic which corresponds fairly closely to one of the various models of German states which Görres himself played with at different times. The eight volumes of the sixth edition of the *Staatslexikon* are obviously going to be something of a monument to that fact. They will inevitably, too, be a standard working tool for a large group of the lawyers, civil servants, politicians and administrators who flourish in Federal Germany. It is 27 years since the fifth edition, which Hitler's rise to power quickly rendered useless to such people for practical purposes.

To return to atomic energy, one of the new subjects that have forced themselves in those twenty-seven years on the attention of encyclopædists, whether interested in the natural sciences *per se* or not. Atomic energy has had and is having effects on law, economics and politics. Herder gives 22 thorough columns to the subject, starting with Rutherford's atomic model, finishing with the organisation of Euratom, and contrasting, on the way, the concepts underlying Anglo-American and German legislation. Various attempts at an international regulation of atomic energy are noted, but there is a curious near-omission: the atomic bomb. Although the existence of nuclear weapons is mentioned in passing once or twice, they are nowhere in this longish essay given specific consideration—either for their forcing effect on nuclear science, or for their impact on world affairs.

This may be accidental. Occupational hazards do, however, arise for the *Staatslexikon* from the fact that it is a product of a country advanced, indeed, in social, economic and political studies but prone to cataclysmic political changes, as Germany's history since J. J. Görres has shown at frequent intervals; and at almost any given moment the encyclopædists have been grappling with the problem of presenting to their readers a new order, which has soon proved impermanent. As they themselves say, the present west German federal republic, though a fully-grown state in practice, is in principle merely a provisional arrangement; and this thought is not far absent from the reader's mind in most of the 86 columns in the second volume on words beginning with *Bundes-* (federal) or, indeed, much of the 206 columns under *Deutschland*. When they take sides they can hardly avoid taking the side not only of the German Federal Republic, but of the particular regime that prevails there under Dr Adenauer's paternal guidance. It is remarkable how often they manage to avoid taking sides; but there are times when this is achieved at the expense of coming to grips with the subject.

Adventure in OIL

BY HENRY LONGHURST

*

Foreword by the Rt. Hon. Sir Winston Churchill, K.G.

This is the thrilling story of the men who began and built up the British Petroleum Company, now one of the greatest commercial enterprises in the World. It originated with the dramatic events of the night of the 26th of May 1908, which were to change the course of Middle East history and the shape of the oil industry. Alive today are men who marked out with scraps of calico the route for the first pipeline in the Middle East or sailed in a boat over the water-logged island of Abadan, where later they built the biggest refinery in the world with a community the size of Brighton or Salt Lake City. Their successors in the last half-century have spread their business over all five continents and sail the seas in a tanker fleet rivalling in tonnage that of the Company's first really big customer, the Admiralty, in 1914, when its First Lord was Mr. Winston Churchill.

Illustrated with 50 pp. of photographs. Map end-papers in four colours. Price 21/-.

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Prolegomena to Science

The Logic of Scientific Discovery

By K. R. Popper.
Hutchinson. 480 pages. 50s.

THERE are certain contributions to the philosophy of science that may be called classical. Among these the contribution made by Karl Popper deserves to be rated extremely highly. He has continually insisted that the progress of science depends upon the making of bold conjectures. Science is not a body of firmly established fact but a body of hypotheses or theories. Explanation of a phenomenon may be provided by reference to those theories together with the initial conditions. But perhaps Professor Popper's most important idea is that the satisfactoriness of a theory—what he calls its degree of corroboration—is determined by its success in surviving falsification. Only if a theory survives the most stringent tests can it be said to be corroborated or confirmed to a high degree. This property—capability of being tested—Professor Popper makes the criterion of whether statement is scientific, as opposed to metaphysical. The opposing thesis—that science should and does stick close to the observed facts—Professor Popper calls "inductivism," and much of his writings constitute a crusade against it.

Like most important ideas, these ideas are essentially simple, and, perhaps for that reason, easily open to misinterpretation. They were originally published in 1934 in a book entitled "Logic der Forschung." The book has remained untranslated until now, and it has, in any event, not been easily accessible. This, in part at least, explains the slight aura that has tended to surround Professor Popper's views and also the misinterpretations to which they have been subject. The book has now been translated by the author with a great number of additions in the shape of extra footnotes and appendices, giving, for the most part, changes of opinion. Nor is this all; a further volume is promised, giving in detail his present views. The policy of making additions to the original text is questionable, since the result is vastly increased untidiness. It might have been better to print the translation of the text as it was originally published, leaving both commentary and changes of opinion to a second volume. Even so, the second volume will be awaited with impatience.

"The Logic of Scientific Discovery" makes interesting but also somewhat irritating reading. Professor Popper's important ideas were presented in the context of positivism—a movement to which he did not belong, but which was nevertheless very much his concern. This preoccupation with positivism and the consequent polemic give the book a slightly old-fashioned look. And despite the clarity of the writing some of the central ideas may be lost for that reason. Instead of contenting himself, for example, with the important point that the method vital for the progress of science is to put forward bold hypotheses for subsequent testing, Professor Popper also insists in an exaggerated way that "there is no such thing as induction." This can only produce an air of paradox, seeing that we use inductive inferences every day of our lives.

A large section of the original work and many of the new appendices are devoted to a discussion of probability—a field that raises problems for the falsifiability criterion. Professor Popper's technical ability here is amazing. His construction of a formal system of probability, which is capable of interpretation in different ways, is a very considerable achievement But it is doubtful whether his adherence to the "frequency theory"—which says that the probability of an event is equivalent to the relative frequency of occurrences of that event—will satisfy many philosophical critics of that theory. Although assessments of probability may depend as often as not on estimates of relative frequency derived from statistics, it is scarcely satisfactory to maintain that "probability" means the same as "relative frequency." The second volume will provide further thoughts on this subject

That the book is important there is no doubt. Although it is a pity that it has been necessary to wait twenty-five years for it to appear in English, it remains a classic in the philosophy of science.

Philosophy and Society

Positivist Thought in France during the Second Empire. 1852-1870

By D. G. Charlton.
Oxford University Press. 251 pages. 35s.

THE Provost of King's has recently reminded us in his Hobhouse Memorial Lecture of "the curious strength of positivism in English political thought." By this he implies a persisting commitment to a belief in politics dominated by the increasingly rational and harmonious choices of individuals, and to a political science that neglects sociology. Dr Charlton's erudite work will serve to remind us that at least in its Comtian origins positivism and sociology go hand in hand.

Dr Charlton's view of positivism is, however, restricted in this work to its strictly philosophical aspect—positivism as a theory of knowledge—and his main purpose is to dispel the idea that it was a unified creed dominating the thought of the period with which he is concerned. Comte, as he shows, was inconsistent in that he was more interested in altering society than in learning about it: "Comte is a reformer before he is a scientist, and it is small wonder that, sharing the preoccupations of his age, he should have ended as an archbishop." Of the thinkers of the Second Empire itself, only Emile Littré and Claude Bernard qualify as *vrais amis du positivisme*. Renan and Taine, like Comte, end up with something very different from positivism: "scientism." The book concludes with a study of the effect of positivist thought upon two literary figures of the Parnassian school, Louise Ackermann and Sully Prudhomme.

For the specialist, Dr Charlton's detailed examination of the effect of German philosophy on the French thinkers of the age will no doubt contain much of interest; for the student of the French intellectual scene, the insistence on the purely philosophical aspects of the outlook of such men as Renan and Taine may seem an unwelcome limitation. But at least Dr Charlton is aware that, as would not be true of positivists of a later school, it was the big perennial questions that occupied the minds of the thinkers of the mid-nineteenth century:

> all these thinkers, whatever their intellectual persuasion, regard philosophy as deeply relevant to the world in which men live and act.

Sleeping Beauty

The High Court of Chivalry

By G. D. Squibb.
Oxford University Press. 327 pages. 42s.

FIVE years ago the curious were electrified by the reappearance of the Earl Marshal's Court, after two centuries of dormancy, to decide a case between the Manchester Corporation and a cinema company. The more curious, reading the reports, were fascinated by the unfamiliar procedure and vocabulary of the civil law. Mr Squibb, in this very interesting book, gives us the history of the court. It started in the middle ages as the equivalent on land of the Court of Admiralty and, as a result, it adopted the civil law, which was internationally accepted. Under the Tudors it ceased to function, but the Stuarts twice revived it to deal with heraldic matters and some other questions relating to honour. The court did not flourish for long, and after the 1730s it did not sit. When, in the nineteenth century, the remaining civil law tribunals were abolished, it was thought to be dead and so escaped notice; but the kiss of the City Fathers of Manchester revived it.

This learned treatise makes use, for the first time, of such records of the court as have survived in the College of Arms. It owes its origin to Dr Wagner's admirable campaign to bring the archives of the College into the open, and it was he who persuaded Mr Squibb to undertake this task. The book is primarily for the specialist, but there is much in it to delight the amateur. One plum is the demonstration that in the seventeenth century, when it really mattered whether one was a gentleman or not and one went to law about it, the definition was as vague and pragmatic as it is today. Indeed, the concept hardly seems to have changed.

Fifty Years On

Adventure in Oil: *The Story of British Petroleum*

By Henry Longhurst.
Sidgwick and Jackson. 286 pages. 21s.

THIS book worthily celebrates British Petroleum's fiftieth birthday last Tuesday. The story is of men (and some remarkable women too) who from that strike at the very last minute in May, 1908, went on to create the biggest external asset that Britain has ever had. All this is within a lifetime; indeed the pioneers in the Fields in Persia and builders of original pipelines look little older now than most of this week's birthday hosts and guests. Mr Longhurst's fascination has been with the people who made BP possible, and if he glides rather smoothly here and there over some of the rockier parts of BP's history, that is understandable in a book of this kind. To have brought together so interestingly and comprehensively all the range of BP's work and to have conveyed such a sense of its *persona* is an achievement. This half century march—from Masjid-i-Sulaiman by way of the Rockies to Nigeria—has been a march of people. The pioneering of Reynolds, Jameson, Young "the little doctor," and the many others who toiled with them, has been brought in these fifty years to fruition in an enterprise that prospects, drills, produces, ships, refines and sells oil in every part of the western world. It is an absorbing story (too few people in this country knew about it in 1951 when BP had to get out of Persia), and Mr Longhurst has told it well.

OTHER BOOKS

THE ATOM RUSH. By Harald Steinert. *Thames and Hudson.* 183 pages, 18s.

This is a lightweight account, translated from the German, of the search for, and development of, deposits of minerals needed for the atomic energy industry. One or two scarce "non-atomic" minerals, such as titanium and wolfram, are thrown in for good measure. Since this is one of the most poorly documented aspects of atomic energy, almost any contribution is welcome, but it seems incredible that a book on this subject should be published without a single map. Someone should also warn Herr Steinert before it is too late that if he tries to use beryllium in a nuclear reactor in the way he describes, he is due for an unpleasant shock.

THE POPULATION AHEAD. Edited by Roy G. Francis. *Minnesota University Press.* London: *Oxford University Press.* 160 pages. 30s.

This symposium on the world's demographic prospects consists of the papers contributed to a conference held in 1957 at the University of Minnesota, together with excerpts from the discussion—its merit is to bring into focus the expertise provided by a number of different disciplines, sociology, economics, statistics, geography, anthropology, zoology, genetics; this in pursuit of a deliberate policy of "desegregation of ideas." Its corresponding disadvantage is that each paper is rather sketchy. There is nothing here to equal in thoroughness the proceedings of, say, the successive International Conferences on Planned Parenthood. And it is a pity that the editor, who contributes a deft but rather bonhomous introduction, should not have preferred to provide a final summing-up, an assessment of the experts' total impact and of their mutual correction—or perhaps have enrolled someone else for this admittedly very difficult job. These criticisms apart, "The Population Ahead" can be recommended as a pioneer bridge-building exercise in a field of studies where any single approach—biological, social or economic—is almost certain to yield misleading results.



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AMERICAN SURVEY

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

Speculation— Thirty Years After

NEW YORK

THIS month Wall Street has embarked on a concerted drive against excessive speculation. The New York Stock Exchange is supplementing its traditional advertising theme—"own your share in American business"—with a special appeal stressing the virtues of sound investment and, not to be outdone, the American Stock Exchange is pointing out the perils of investing in unseasoned issues. Brokerage houses have joined the chorus, advising their clients to "investigate, then invest" and cautioning them against buying shares on tips and rumours. Moreover, the Securities and Exchange Commission, which is charged with protecting the shareholder, took full advantage of its independent capacity to issue a surprisingly strong statement which not only warned the public against speculating but also went on to declare flatly that manipulative activity was on the rise in the country's stock markets.

While it is difficult, if not impossible, to establish just how much actual manipulation is taking place, there is no doubt that there has been a big increase in speculation over the past few months, to a level that is causing concern to the entire financial community. Before its public appeal, the NYSE had asked the managing partners of all its member firms to re-examine their policies and recommended them to supervise their selling operations more carefully. The decision to carry on a public campaign against speculation was not taken lightly. It was opposed by some members of the exchange on the ground that, if the appeal is successful, it will rob the market of the liquidity and stability which speculation normally provides. But a majority of the members is convinced that there is little danger of reducing speculative activity to the vanishing point; on the contrary the fear is that, unless the fever now gripping the public is brought under control, the entire market will be threatened with collapse. While there is as yet no mass flight from reality such as Wall Street experienced in 1929, yet the violent movements in the prices of some speculative favourites are considered to be sufficiently reminiscent to warrant action.

Stock prices, as recorded by such measures as the Dow Jones industrial index, have been moving much more slowly and sedately lately than they did during last year's hectic advance. But these yardsticks fail to reflect the very rapid swings in a wide variety of equities, particularly low-priced issues and those having some connection, no matter how tenuous, with developments in electronic, missile, or other technological fields. One index measuring a representative group of low-priced shares—issues selling for $5 or less—has gone up by 98 per cent in the past year, compared with a rise of 35 per cent in the Dow Jones index; and since the beginning of the year the low-priced stocks have climbed just over 20 per cent, while the Dow Jones index has had a modest increase of 5 per cent. The rise in prices has been matched by expanded trading in low-priced shares, which accounted for almost 35 per cent of total volume on the NYSE last week, compared to 8 per cent a year ago.

Low-priced shares were never in very strong demand during the 1953-57 bull market, nor was there then anything approaching the current interest in shares of companies involved in technological developments. Some of these issues may well justify the high prices that eager purchasers are willing to pay, but the investing public has been buying indiscriminately, apparently expecting that every company owning an electronic device will turn out to be another International Business Machines Corporation. The speculative appeal of electronics is also reflected in over-the-counter trading and in the new issues market; there many recent offerings have been snapped up despite the fact that, in conformity with SEC requirements, they are candidly labelled as risky and, in many cases, represent nothing but patents or a laboratory process which the promoters hope to exploit.

THE warnings against speculation appear to have had little effect on investors. Trading volume declined in some of the most active stocks, bringing a drop in prices, but it proved a very limited reaction that did not extend either to low-priced issues or, fortunately, to investment grade shares. Brokers are doubtful whether the speculative fever can be materially reduced by an advertising campaign; at the same time, they disapprove of the attempt of the Federal Reserve Board (the central bank) to contract the amount of credit in the stock market by tightening up on margin requirements—the regulations fixing the amount of cash which a purchaser must put up when buying shares. The brokers' own remedy is to try to steer clients into buying better grade issues while imposing stricter regulations of their own on questionable equities and accounts.

A number of firms have already insisted on more stringent rules, even though they run the risk of thus alienating customers. One brokerage house published a list of equities on which it is requiring higher margins explaining that

> we view with great concern the fantastically wide fluctuations in certain stocks listed on the American Stock Exchange. In many cases, current prices are 300 per cent or more above the 1958-9 lows, and daily price changes have often amounted to 25 per cent or more of some stocks' market prices.

But working against this commendable approach is the army of stock salesmen, whose livelihood comes from commissions based on the buy and sell orders which they can produce. Salesmen are pouring into Wall Street at a rate of over 3,000 a month and their competitive desire to make good may lead them to ignore the current counsels of restraint.

Wall Street may be accused of promoting specula-

tion, but without a receptive and susceptible public its efforts would have been unavailing. It took a long time for the public to regain its confidence in equities, and many factors contributed to this—the continued expansion of personal incomes, the increased stability of the economy, the sales campaigns of mutual funds and stockbrokers. The recent upsurge in speculative activity seems to date from the boom, and subsequent collapse, of the government bond market in the summer of 1958, when speculators bought huge amounts of Treasury securities on little or no margin, and piled up large profits in the space of a few months; others, including many amateurs, overstayed the boom, and were badly burned. Both groups are now buying equities, trying either to add to their winnings or to recoup their losses.

The public's enthusiasm for speculation has been an open invitation to promoters and manipulators. It is significant that the SEC's charge that there is "evidence of increasing manipulative activity" was not denied on Wall Street, where the usual attitude towards the SEC is that it engages in fishing expeditions. Some brokers feel that tips and rumours are being inspired, to incite public demand for certain issues, by operators who own a pool of these shares and unload them as prices rise. It is also suspected that a number of new issues, which are heavily over-subscribed and promptly go to a handsome premium, are being manipulated.

Such activity, which was winked at in the nineteen-twenties, is now illegal; this makes it difficult to detect and even more difficult to prove. The SEC has charged a number of individual operators with fleecing the public, the most notorious being Mr Alexander Guterma who, it alleges, used securities in bankrupt companies he headed as collateral for loans from money lenders, who then sold the shares to unsuspecting investors. This particular form of manipulation may be peculiar to Mr Guterma, but the SEC thinks that other manipulators are also using money lenders, domestic and foreign, who are prepared to advance funds, with no questions asked, provided they receive adequate collateral. With the Federal Reserve insisting that the banks and brokers must require cash margins of 90 per cent, the money lenders are practically indispensable to market operators.

Both the SEC and Wall Street seem to agree that the amount of manipulation going on today is very minor when compared with the nineteen-twenties, and the financial community hopes, somewhat wishfully, that it will fade away if speculation does not run riot. Certainly, manipulation cannot flourish unless the public is in a gambling mood. Thus there is logic in the belief that excessive speculation is the root of all evil, and it is a sign of progress that Wall Street recognises that it, as well as the public, will be the loser if faith in equities is shaken.

Republicans Get Ready

THIS was a nostalgic week for the Republican party; ending with the tragic resignation of its great statesman, Mr Dulles, the week began with the dedication of a bell tower in memory of the epitome of all Republicans, Senator Taft. Whether the new bells will toll for his party next year will depend to some extent on what is done by the presidential nominating convention which was fixed last week for Chicago, to begin on July 25, 1960, a hundred years after the Republicans nominated Abraham Lincoln in the same city—a good precedent for the politicians, perhaps, but hardly for the peace and prosperity on which they hope to win the 1960 election.

Their chances of winning it, or at least of holding the Presidency, have improved recently, not only because both peace and prosperity look like reaching a peak in 1960 but also because the many rival Democratic candidates are already wearing themselves out competing against each other, while the Republicans' two outstanding young potential Presidents are both resolutely refusing to demean themselves by admitting that there is a contest at all. Chicago was chosen for the convention partly because it is uncommitted territory as far as these two men are concerned, half way between Vice President Nixon's California and Governor Rockefeller's New York, partly because, being central, it is comparatively cheap for the delegates to get there, but mainly because the city's offer of financial help, $532,000 altogether towards the convention expenses, was better than any other.

The Republican National Committee also chose a new chairman last week, to organise the convention, to prepare for the campaign and to replace Mr Meade Alcorn, who has resigned not because his efforts were so unsuccessful in last autumn's election but for unavoidable personal reasons. His successor is Senator Thruston Morton of Kentucky, youngish, well-liked, energetic, balanced, with experience in both Houses of Congress and in the State Department, slightly right of centre but always an Eisenhower supporter. He should be able to hold together the two wings of the party if anyone can. He is an old friend of Mr Nixon's, put in, many people believe, though the party chairman is supposed to be neutral, to ensure that Mr Nixon will be the presidential nominee in 1960. On the other hand the conservative Republicans are sufficiently suspicious of Mr Morton to reassure the liberals who favour Mr Rockefeller. These conservatives tried to oppose Senator Morton's nomination on the grounds that the chairmanship should be a full-time job, even though it is unpaid. Mr Morton would hardly be allowed to resign from the Senate, even if he wanted to, since he would almost certainly be replaced by a Democrat. But in any case the opposition to him collapsed as soon as President Eisenhower's pronounced preference for him was known.

Michigan Goes Begging

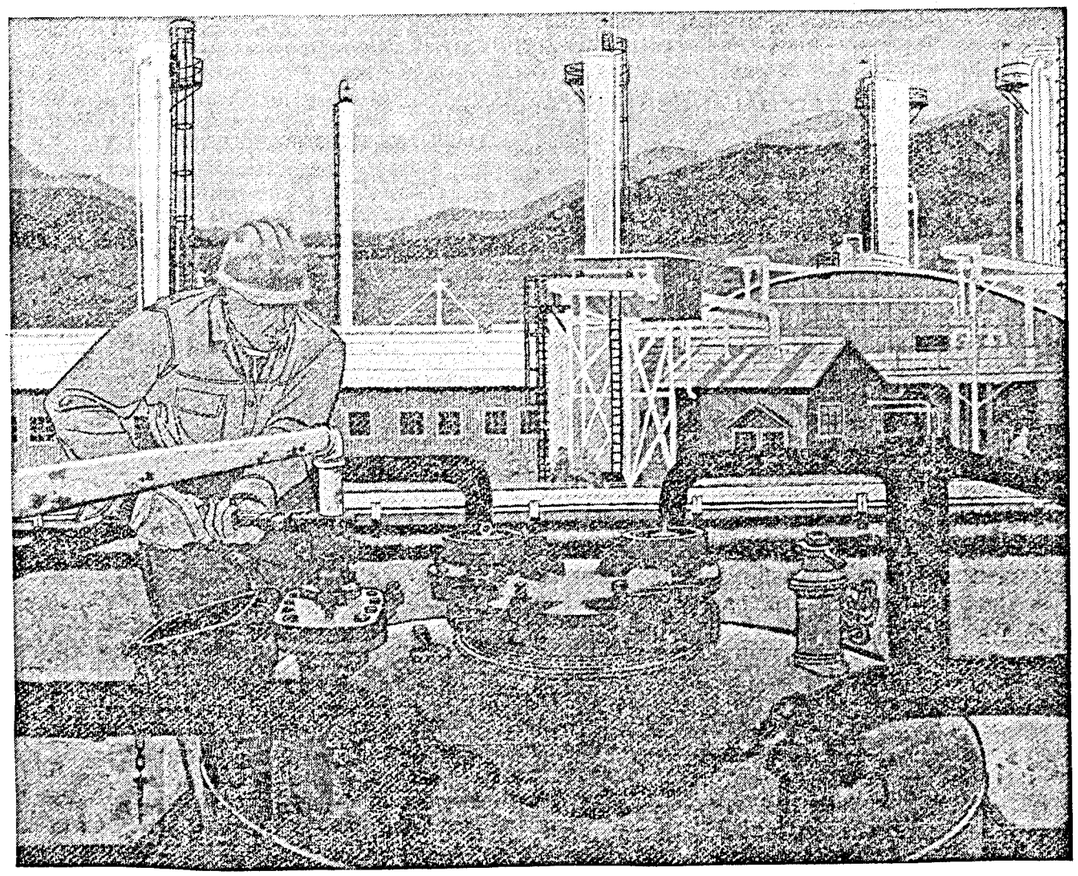
A MINOR reason for the Republicans' optimism at their meeting in Washington last week was the bouquet of flowers that has blossomed in Michigan's spring election—*three Republican victories, the first in any statewide election* in Michigan since 1955, and a satisfactory rise in the number of Republican votes cast in various other contests. Admittedly all that was won were three seats on the governing bodies of the state universities, posts which it hardly seems suitable to fill by general election at all, certainly not by one on party lines. But both Governor Williams, the Democrat who has run the state for the unprecedentedly long term of ten years, and the Republicans who seem to be in equally permanent control of the State Legislature, used these elections to bring home to Michigan's citizens the fact that the state is virtually bankrupt and to condemn each other for this plight. The Democrats accuse the Repub-

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TEXACO REPORTS FOR 1958

HIGHLIGHTS

FINANCIAL	1958	1957
Gross income	$2,475,629,730	$2,449,162,410
Net income	$ 310,167,805	$ 332,303,644
Per share outstanding at end of each year	$5.31	$5.94
Number of shares outstanding—end of year	58,388,074	55,937,434
Cash dividends	$ 134,769,229	$ 128,906,925*
Per share	$2.35	$2.35*
Total assets	$3,111,526,969	$2,789,094,629
Equity in total assets of nonsubsidiary companies and subsidiaries not consolidated	890,000,000	901,000,000
Total	$4,001,526,969	$3,690,094,629
Capital and exploratory expenditures	$ 514,534,733	$ 481,708,331

*In addition, a 2% stock dividend was paid in 1957.

**OPERATING • Barrels per day	1958	1957
Gross crude oil produced:		
Western Hemisphere	647,477	617,519
Eastern Hemisphere	453,249	435,536
Total world-wide	1,100,726	1,053,055
Refinery crude oil runs:		
Western Hemisphere	849,533	794,607
Eastern Hemisphere	275,147	268,990
Total world-wide	1,124,680	1,063,597
Petroleum product sales:		
Western Hemisphere	839,806	735,098
Eastern Hemisphere	325,860	320,510
Total world-wide	1,165,666	1,055,608

**These statistics include 100% of the operations of subsidiary companies and the Company's equity interest in the operations of companies owned 50% or less.

CONSOLIDATED BALANCE SHEET—DECEMBER 31

ASSETS	1958	1957†
Current Assets:		
Cash and securities	$ 393,931,287	$ 289,866,336
Accounts and notes receivable	321,250,407	279,599,475
Inventories	314,283,555	374,628,488
Total	$1,029,465,249	$ 944,094,299
Investments and Advances	171,252,856	180,648,163
Properties, Plant, and Equipment:		
Gross	3,708,388,309	3,189,622,656
Less — Depreciation, depletion, and amortization	1,873,935,133	1,599,537,399
Net	$1,834,453,176	$1,590,085,257
Deferred Charges	76,355,688	74,266,910
	$3,111,526,969	$2,789,094,629

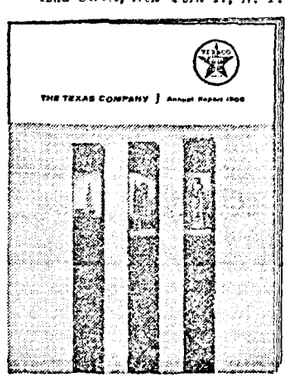
LIABILITIES AND STOCKHOLDERS' EQUITY	1958	1957†
Current Liabilities	$ 401,991,085	$ 348,372,466
Long-Term Debt	348,090,313	306,739,743
Reserves for Employes' Plans	39,606,196	57,122,978
Minority Interest	38,097,378	37,471,373
Stockholders' Equity:		
Par value of capital stock issued—shares $25 each	1,500,391,625	1,408,887,650
Capital surplus	—	38,675,350
Retained earnings	827,782,548	605,806,125
	$2,328,174,173	$2,053,369,125
Less—Capital stock held in treasury	44,432,176	13,981,056
Total	$2,283,741,997	$2,039,388,069
	$3,111,526,969	$2,789,094,629

†Reclassified for comparative purposes

CONSOLIDATED INCOME STATEMENT

	1958	1957
Gross Income:		
Sales and services	$2,327,938,837	$2,344,176,856
Dividends, interest, and other income	147,690,893	104,985,554
	$2,475,629,730	$2,449,162,410
Deductions:		
Costs, operating, selling, and general expenses	1,766,602,778	1,684,072,902
Taxes (other than income)	74,909,704	69,845,026
Dry hole costs	34,185,442	45,428,145
Depreciation, depletion, and amortization	233,044,710	216,176,860
Interest charges	12,066,997	12,512,084
Provision for income taxes	41,300,000	83,900,000
Minority interest	3,352,294	4,923,689
	$2,165,461,925	$2,116,858,766
Net Income	$ 310,167,805	$ 332,303,644

Copies of the Annual Report are available upon request to the Secretary, The Texas Company, 135 East 42nd Street, New York 17, N. Y.



TEXACO
...CONSTANT PROGRESS
IN OIL'S FIRST CENTURY

licans of refusing to pass new taxes and of obstructing the Governor, while the Republicans blame him for over-expanding the state's welfare services under pressure from his main supporter, the automobile workers' trade union. Since this situation is roughly paralleled in the federal government, at least as far as the Republican attitude is concerned, that party has naturally been heartened by its good showing in Michigan.

In fact, of course, the state's difficulties are only an extreme form of those which most other states, especially the heavily industrialised ones, are facing: rising costs and growing populations have meant a steady increase in regular expenditures, accentuated this year by the recession, which has also brought a decline in revenues. In Michigan, particularly hard-hit by the falling-off in automobile output, city welfare funds in Detroit and elsewhere are being exhausted and the state has had to take over responsibility for many of these programmes, while the 3 per cent sales tax, the state's main source of revenue, has been bringing in less than was forecast. As a result Michigan, which ended its last fiscal year with a deficit of $21 million, expects one of $110 million next July.

Meanwhile, the Governor has already weathered one crisis this year only by begging the automobile companies to pay $30 million of taxes in advance, by forcing the universities to finance themselves by borrowing up to the limit of their capacities and by various other expedients to reduce the state's expenses. Now he is trying to get permission from the Legislature to borrow $50 million from the ex-servicemen's trust fund, in order to pay this month's state wages. He has long realised, and at last the Legislature is also prepared to admit, that additional taxation is the only solution. But the Governor refuses to accept the increased sales tax, a levy on even the poorest automobile worker, which the Republicans offer. He is holding out for a tax on profits and a graduated income tax which would fall most heavily on the better-off—the automobile manufacturers, for example.

Conflicts in Court

FROM A SPECIAL CORRESPONDENT

MR JUSTICE FRANKFURTER remarked once that great constitutional cases seldom involve a single principle. They reach the Supreme Court of the United States, he claimed, just because they present conflicting principles between which the court must choose. No recent cases have demonstrated this truth more tellingly than the court's two decisions last month permitting consecutive state and federal prosecutions of the same defendant for the same criminal act. The principal case concerned Mr Alfonse Bartkus, who was accused of assisting in the robbery of a bank in Illinois. Because the bank was insured by the Federal Deposit Insurance Corporation, it was a federal as well as a state crime. Mr Bartkus was tried in a federal court and acquitted by the jury. Federal officials then helped the State of Illinois to prosecute him, seeking out new evidence and preparing witnesses for the state's use. In the state trial Mr Bartkus was convicted. The second case decided by the Supreme Court went in the opposite order—a state conviction, then a federal trial, conviction and longer sentence for the same defendants.

To the layman it clearly came as a shock that the Constitution could possibly permit such double prosecutions. After all, the Fifth Amendment provides that the federal government shall not put any man "twice . . . in jeopardy of life or limb." And the Fourteenth Amendment forbids state governments to "deprive any person of life, liberty or property without due process of law." Editorial writers and columnists, among them some who have criticised the Supreme Court recently on occasions when it has ruled against assertions of power by governments and in favour of individual rights, expressed at least uneasiness at the court's decisions. The layman's reaction seemed to bear out the comment of Mr Justice Black in his dissenting opinion about the "fear and abhorrence of governmental power to try people twice for the same conduct." He said "few principles have been more deeply rooted in the traditions and conscience of our people." The difficulty, of course, was that abhorrence of double prosecutions was not the only principle at issue. It had to contend with the powerful theory, on which the American system is based, that state and federal governments co-exist, each sovereign in its own sphere of affairs.

MR JUSTICE FRANKFURTER, writing for the majority in the Bartkus case, found this principle of federalism the more compelling. In a federal system, he suggested, one sovereignty cannot be prevented from protecting its interests because of another government's possible incompetence or even corruption in the handling of a case. He noted also that the Constitution gave the federal government only limited powers. To let the exertion of those powers operate as a bar in every case "would be a shocking and untoward deprivation of the historic right and obligation of the states to maintain peace and order," he said. Mr Bartkus's conviction was affirmed by 5 to 4. Chief Justice Warren and Mr Justice Douglas joined Mr Black's dissent, arguing that successive prosecutions were barred by the Constitution whether or not different governments were involved.

The division between Mr Frankfurter and Mr Black is a familiar one in the Supreme Court's history during the last decade and more. They have been, and remain, the leaders of deeply opposed schools of judicial thought. Mr Frankfurter's guiding star is respect for the two political branches of government and a reluctance to deprive it of powers by sweeping interpretations of a necessarily indefinite Constitution. Mr Black's central concern is with individuals, not governments. "Looked at from the standpoint of the individual who is being prosecuted," he said in the Bartkus case, the majority's notion of "two sovereignties" is "too subtle for me to grasp." Differences are inevitable on the Supreme Court, but differences so long and so vigorously maintained, and felt so deeply as these evidently are, may poison the process of decision. Justice Frankfurter's opinion in the double jeopardy cases seemed sometimes to view federalism as an end in itself, not as a means to a better life for individuals. Justice Black was surely engaging in unnecessary exaggeration when he feared that officials would use consecutive prosecutions "to make scapegoats of helpless political, religious or racial minorities and those who differ, who do not conform and resist tyranny."

An extraordinary footnote was added to the cases by the United States Attorney General, Mr William Rogers. He issued an order to all federal enforcement officers instructing them to avoid double prosecutions except for "compelling

reasons," and then only after obtaining his approval. For those who agree with Mr Justice Black, the Attorney General's order could be interpreted as showing official reluctance to use a power because of deep-rooted feelings against it. But for Mr Justice Frankfurter and his adherents the order shows that wise restraint by a court may encourage wise and principled exercise of power by those who have the responsibility to govern.

Tax Cuts Never?

THE tax cuts announced by the British Chancellor of the Exchequer arouse a wistful envy in American hearts. It is true that both President Eisenhower and his Director of the Budget have held out hopes that, if government spending can be kept down in fiscal 1960, the financial year which begins next July, some relief might be in sight. But there is no real possibility that Congress will fulfil the condition and, indeed, it seems much more probable that spending will continue to increase every year. So may tax receipts, but a Harvard economist, in a recent study for the Committee on Economic Development, as organisation of progressive businessmen, argues that revenues from the present tax structure are unlikely to exceed outlays by enough for a general cut in taxes until 1964.

The committee itself, in a statement strongly supporting Mr Eisenhower's demand for a balanced Budget in the coming financial year, says that, if more money is needed for defence or for foreign aid, it should be met by raising taxation. This is exactly what the President has told the Democratic majority in Congress it ought to do, if it votes to spend more money than is provided for in the 1960 Budget. But only two liberal Democrats—Senator Neuberger and Senator Clark—responded to this plea for fiscal responsibility. Instead, Congress has already more than wiped out the President's theoretical surplus of $70 million by refusing even to consider the relatively minor increases in taxes on which it rests.

The loss of a few hundred millions here and there may not matter if, as it now appears, the Administration was too pessimistic about the rate at which corporate profits are recovering. Last January the budget experts put them at $47 billion in 1959, but it now looks as though they would be a good deal higher—certainly $50 billion and perhaps more. This would bring in an unbargained-for $1.5 billion or so in revenue. However, such optimistic calculations, which would permit the Budget to be balanced even though spending exceeded the President's $77 billion, do not appeal to Congress's Joint Committee on Internal Revenue Taxation, which is usually extremely accurate in its forecasts of receipts and expenditures. It insisted recently that the President's January estimates were too hopeful on both sides of the ledger: spending might be as much as $3 billion higher and receipts probably would be $1.2 billion less, partly because lower revenues from taxes on personal income would offset a rise in corporate tax revenues, and partly because Congress would turn down Mr Eisenhower's tax proposals. The Administration itself, when it looks beyond next year to fiscal 1961, sees little that is cheering to the taxpayer; revenues are likely to grow by $3 billion, but "built-in" increases in non-defence spending will absorb about two-thirds of this, quite apart from any new spending proposals from either the President or Congress.

Life at Uncle Sam's Expense

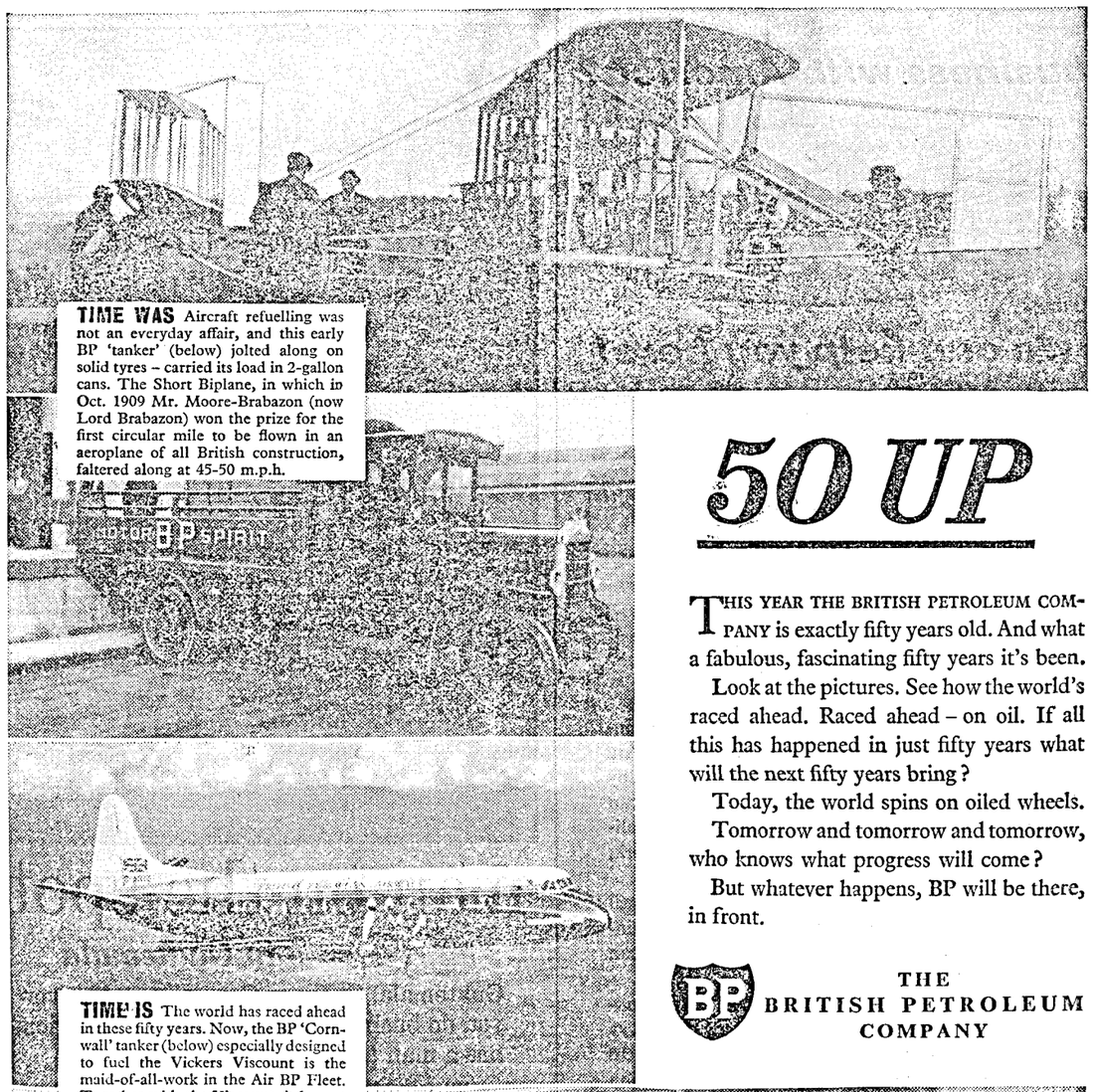
FROM A CORRESPONDENT IN NEW YORK

THE maximum tax that an American could be charged by the federal government on his income this year would be 87 per cent, but few are so rich and so ingenuous as to be caught in that top bracket. The minimum he could pay depends less on the actual income he receives than on his deftness in charging items off against the expense account allowed him by his employer (who then deducts it from the cost of doing business) or in seeking his own loopholes in the tax laws and ordering his life so as to take advantage of them. Many people do both. Living on an expense account is a recognised technique, loopholes in the law are many; and at the moment they are being explored in detail, since this is the season when some sixty million Americans are filling out a federal tax form. Does the taxpayer own his house? Then he should sell it, and buy another for the selling price; there will in this case be no capital gains tax on any profit he makes, and he may acquire a better house. Or it might be cheaper to invest in a co-operative apartment; that part of his monthly payments which represents interest and taxes can be deducted from taxable income. Or should he become a farmer? He can then deduct business costs and have fun damming fish ponds or planting acres of trees, both of which come under the head of soil conservation. Does he drive a car? Licence fees are deductible, so is any damage suffered in an accident. How about giving a party? If he is careful to invite clients or customers they become a business expense.

Trade union dues and initiation fees to a society, the rental of a safe deposit box or the fee of a financial adviser, a bad debt, an expert's charge for preparing the income tax return can all be subtracted. Is the tax-payer blind? It may be a misfortune, but it gives him a $600 deduction. Is he divorced? Why not? It might be cheaper than paying his wife's housekeeping bills, especially if he is frequently out of town on tax-deductible business trips. He gets no tax allowance on their joint household expenses, but if they lived apart he could deduct the alimony he would be paying her. These examples do not concern the majority, whose taxes are paid by their employers under the withholding process or who fill in a standard, simplified form, but the economic minority, the relatively prosperous ones who earn $10,000 a year or more and who must itemise their tax deductions.

WITH variations, the same group prospers under the expense account. Worldly wise and tax conscious, these people work for firms which authorise them to travel and to entertain in the firm's name. The man who dines only at the best restaurants, and takes his clients to see only the most popular plays might, were he paying the full bill himself, persuade his wife to cook supper and then take his guests around the corner to the cinema. But the privilege of writing these gestures off, either on the company's expense account or from his own taxable income, makes a different man of him. He becomes a free spender, bigger than life-size, and head waiters bow, while the bill is ultimately delivered to Uncle Sam.

The effect is felt by more than the individual taxpayer. Critics charge that the interaction of expense account habits and income tax rules distorts the price system and



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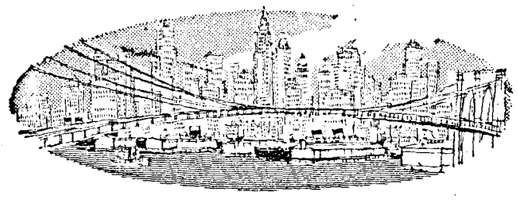
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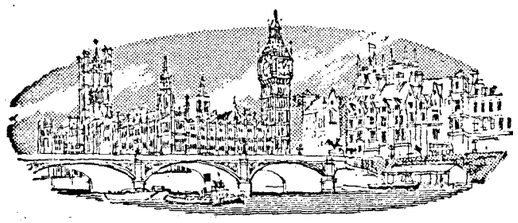
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weakens the moral fibre of the country. The evidence offered includes such trends as the climbing prices of beefsteaks and theatre tickets, the sea-going convention, and the recently disclosed business interest in ladies whose telephone numbers can be bought.

Beefsteaks have been a sore point ever since the last war, when an economist discovered that New York lacked this popular food because all the beefsteaks were being eaten in Chicago by business men attending conventions on expense accounts. For years it has been a byword in the theatrical world that the most popular New York plays are sold out weeks in advance because corporations in Detroit and Pittsburgh buy up blocks of seats and issue them to officers making business trips to New York, or to salesmen needing to entertain important customers there. The annual convention is of course no novelty. For years these holiday jaunts, masked as educational meetings and therefore properly chargeable to the costs of doing business, have helped to support big resort hotels with convenient golf courses. This year, however, the Furness Bermuda Line reports that 26 per cent of its cruise booking in 1959, as compared with 18 per cent in 1958, will be convention business. The growing popularity of holding conventions at sea is said to be due to the fact that more members attend educational meetings on board ship just because there are no golf courses attached. Here, too, of course, the final bill is paid by the government in the form of tax money which it does not collect.

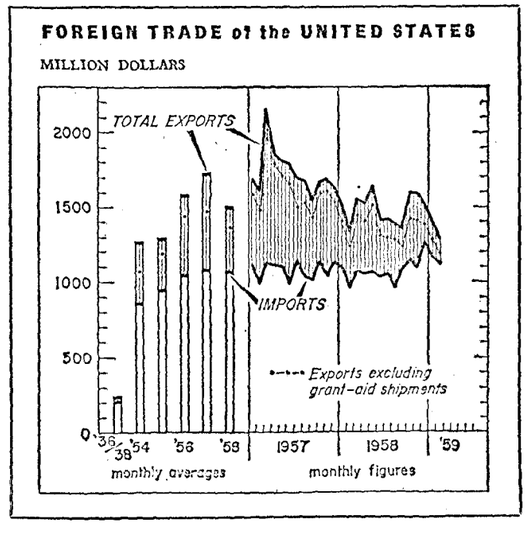
Very few eyebrows have been raised at these practices; they are, of course, entirely legal. Two further extensions have, however, nudged the public conscience. The Ohio State University School of Journalism recently questioned six hundred presidents of big industrial, insurance, commercial and banking firms on their tax-deductible Christmas giving; under promise of anonymity nearly a quarter of them responded and, with considerable acrimony, some of them described the custom bluntly as "blackmail" which they could neither approve nor escape. In their world, such gifts ranged from trinkets to Cadillacs, and on to the "loan of a yacht, liquored, fuelled and girled." How commonly the last delicate item is provided in this expense account and tax deductible economy as a part of business entertaining emerged not long ago from an hour-long television programme of the kind called "documentary," which led to indignant denials from the National Association of Manufacturers who claimed that it was hitting below the belt to accuse them of fostering prostitution. Thus far there is no evidence of a concerted move to end even the most flamboyant of these practices; indeed, no reliable study exists to tell the whole story or to clear the reputation of the business firms which keep free of purple fringes.

Dream Comes True

DR FIDEL CASTRO, invited to Washington in the first flush of enthusiasm for his victory in Cuba, arrives this week with bloodstained hands held out for economic aid which his record so far shows little to justify. Luckily for his embarrassed hosts, he is coming only unofficially. Luckily for him he is coming at a time when the new American policy of demonstrating inter-American solidarity economically as well as politically and militarily has just been confirmed by the initialling of the charter of the Inter-American Development Bank. This is a Latin American dream, regularly spurned as unrealistic by the United States until Vice President Nixon's unfortunate experiences last year made the Administration realise that it might be a good thing to make a dream come true.

The new institution is supposed to promote the investment of public and private capital for development purposes and to encourage economic growth and the better utilisation of resources. The difficulty of how to help countries which are not good credit risks is circumvented by the establishment of two complementary agencies: one, with a capital of $850 million, to make loans in hard currencies, mainly dollars, on regular commercial terms; the other, with $150 million, to make loans on easy terms for projects that are desirable but not self-liquidating, to be repaid in soft currencies. The agreement must be ratified by the end of the year and the contributions are to be in instalments, with $450 million of the amount for hard loans remaining callable as backing for ordinary bond issues. The United States is to contribute $150 million of the paid-up part, $200 million of the callable sum and $100 million of the special fund for soft loans; the rest will come from the twenty Latin American republics. Borrowers will be free to spend the money in any country they choose. But how much some of the most hopeful backers of the new institution will get from it is doubtful; those who have already borrowed heavily from other international agencies may find themselves overburdened with debt.

That some stimulus for capital for Latin America is needed, however, is clear from last year's balance of payments figures. While the outflow of US government long-term capital to the area in 1958 was $468 million, compared with $300 million in 1957, private direct investment fell to $411 million from $1,104 million in the previous year. With Vice President Nixon himself coming out this week in favour of the much-talked-of special tax plan to encourage private investment abroad, there is a prospect of overcoming the Treasury's opposition to this proposal, long advocated by both the State and Commerce Departments. It would permit companies to set up special foreign business corporations which would only pay American taxes on their profits when these were returned as dividends to the parent company in the United States. With Administration backing, this proposal has a chance of getting through Congress.

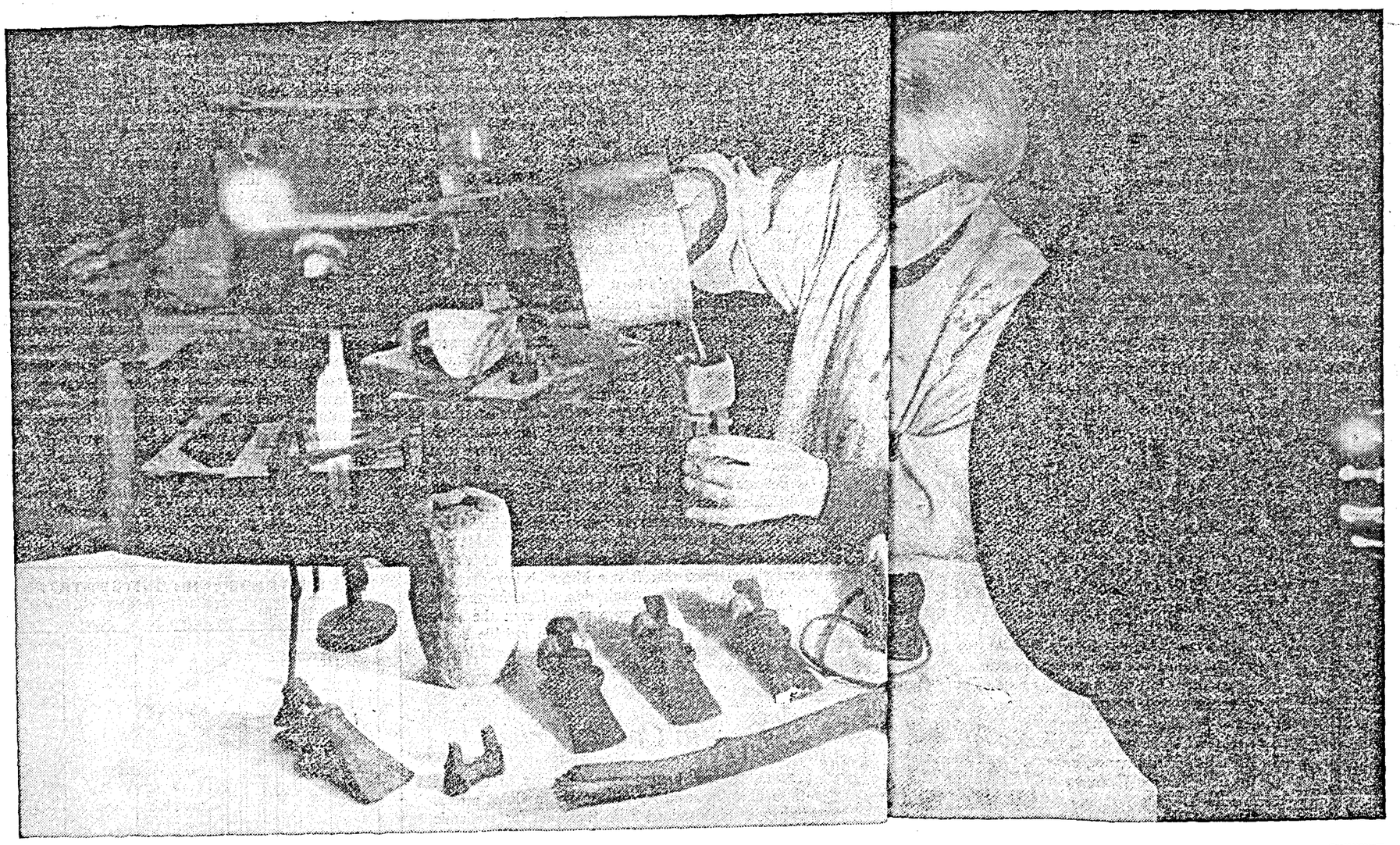


THE ECONOMIST APRIL 18, 1959

Monsanto Reg.

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The use of investment casting allows designers greater freedom in their choice of metals. For any alloy that can be melted can be shaped by investment casting—frequently without expensive machining. The system also cuts costs in other ways: in the accurate production of large numbers of small parts; in the formation of complex shapes; in short runs and prototype work. There is no wastage of metal, and components consisting of several parts can be cast in one piece.

The mould material used in investment casting faithfully reproduces every detail of the original pattern. To do this, it must fulfil exacting requirements—all of which are met by a binder or bonding agent. The most efficient bonding agent by far is ethyl silicate, sold by Monsanto under the trade name of Silester O. This chemical has the added advantage of giving great strength to the mould.

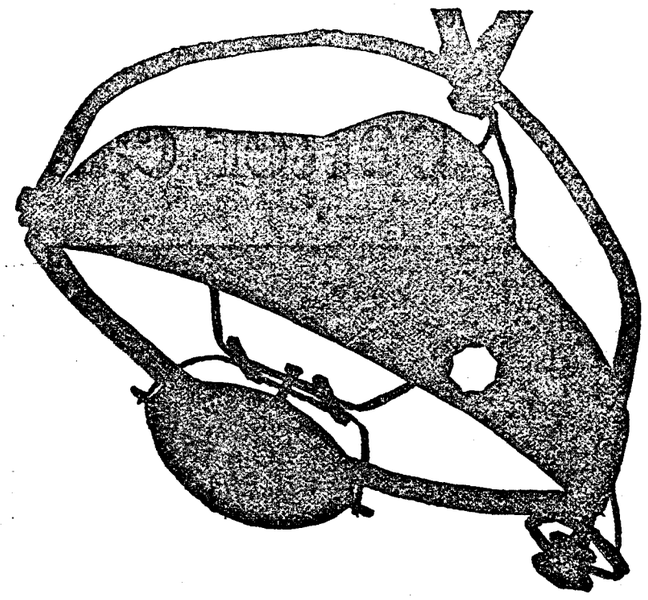
Investment casting reduces production costs. And Silester O plays a vital part in this economy. It's another way Monsanto brings a better future closer.

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THE WORLD OVERSEAS

Persians Salvage Their Dreams

FROM OUR SPECIAL CORRESPONDENT LATELY IN TEHERAN

For better or worse, the Persians have thrown in their lot with the West. In the parliament early last month the only opposition to the newly signed economic and military agreement with the United States came from a wealthy, land-owning deputy who said the Americans were ruining Persia. They were, he lamented, encouraging the government to increase taxes, undermining the authority of the tribal leaders, upsetting the established social pattern all over the country, and, what was worse, they were not giving Persia enough money. When the parliament voted on the agreement, only half its members had found time to attend the special session ; all but five deputies rose to indicate approval of it. There were no cheers. The Teheran government regards the term "indirect aggression" as a guarantee of the *status quo* in Persia. The Persians' own translation of the agreement attempts to make this point more clearly than does the original English. Thus the United States has spread its protecting wings over Persia as it is today. In doing so it may have effectively removed any chances it would have had of retaining the friendship of Persians if there should be an internal upheaval.

The Persian government, ever sensitive to any kind of criticism, has still not recovered from the embarrassment of the Russian negotiations in February. These discussions were initiated by the Shah without the knowledge of his western allies and they were broken off by the Russians when the bargaining got too tough. By the time the Russians stalked out in a huff, word of the negotiations had been revealed to the rest of the world and to the Persians themselves. The government's only defence of its action was to warn Teheran newspapers and politicians that they should not say anything to antagonise the Soviet Union or give the Russians grist for their propaganda mill. The fear of Soviet ambitions is genuine and deep but many Persians feel that their government sometimes uses this fear to prevent the from criticising its actions. While the newspapers were being polite about the Russians in deference to the government's wishes, the government plastered the town, including the high wall around the vast Russian embassy compound in downtown Teheran, with anti-Russian posters.

The institution of monarchy is not an unpopular one amongst the Persians. They regard the Baghdad butchery of last July as further proof of the barbarous ways of the Iraqis who, after all, murdered Imam Ali, the son-in-law of the Prophet in the year 661. The Shah is complete master of Persia today. His position is, however, dangerously and narrowly based on the support of a few hundred land-owning families. A recent law forbids members of the royal family to engage in business or contracts for the state. So far as it goes, the law is a good one but it does not go far enough and apparently the in-laws of the royal family are free to carry on as before. The Shah firmly holds control over the army. This may make his position more secure; but it hardly augurs well for the national security, or encourages his allies to provide him with the weapons he wants, that the high command of the army is composed of quarrelling generals picked for their jobs with the one idea that if they cannot get along with each other they will not be able to band together to stage a *coup d'état*.

There are Persians who say they are hoping for a revolution. But the apparent failure of the Iraqi revolution to solve any of Iraq's problems has made even the most desperate Persians realise that, as in Iraq, a revolution in Teheran would be useless to them and that only the Soviet Union would gain anything from it. There is no sign of revived Tudeh party activity or communist propaganda in the country. The Shah's closest advisers tell him that there are no communists in Persia. Nuri es-Said thought all his communists were dead or in gaol.

Desperately anxious to be modern, the Persians show themselves uncertain or confused about what modernity means. The Teheran municipality seems to believe modernisation to consist of the building of large ornate fountains and squares. The sad thing about the fountains is that, while the bronze sea-horses spew forth streams of purified water, around them the women of the neighbourhood may be doing the family washing in the filthy open drains. The city fathers of Teheran need not fear that their metropolis will be thought backward by foreigners. True, some people claim that a whole country is being destroyed to build Teheran. But houses and buildings are going up everywhere, land values are soaring, and the traffic in the broad avenues is more congested than in any western city.

The show-window of progress and modernisation in Persia is the Plan Organisation, established in 1956 to succeed the former one which had withered away with the country's oil revenues soon after nationalisation in 1951. Until a few weeks ago it was headed by Mr A. H. Ebtehaj, a former head of the national bank, who made the mistake of seeming to become more powerful than all the rest of the government put together. There is little doubt that Mr Ebtehaj would have been able to change the face of Persia if he had been allowed to carry out his kind of planning for fifteen or twenty years, and if he had received, from Persia's oil revenues, as much money as was necessary to do the job. But Persia cannot wait fifteen or twenty years to reap the harvests promised by orderly planning, and there is never enough money to do everything. The future benefits of economic planning and construction did not favourably impress the heads of other government departments who had to contend with the political realities of the present. Not unreasonably did the minister of roads think that roads were the responsibility of his department. The minister of defence thought that topographical surveys were his busi-

ness. The minister of agriculture wanted to control loans for agricultural machinery. But the Plan Organisation was doing all these things. In the end, a position was reached in which either Mr Ebtehaj or the prime minister, Dr Eqbal, had to go. The palace and influential Persians were not ready for what seemed the only other way out, that of making Mr Ebtehaj prime minister. The thought of his riding rough-shod through the over-staffed and inefficient government offices, crossing swords with one vested interest after another, and being cheered on by those whose toes he did not step on was enough to make the Shah decide that the country was not in such desperate straits that he had to produce a strong man. For the time being only the Shah is to be the strong man in a country full of very weak ones.

The Plan Organisation is slowly recovering from the shock of losing its head. The ministers have been promised that they will be allowed to carry out some of the operations that normally fall within their responsibilities, but the prime minister insists that the organisation built up by Mr Ebtehaj with such care and skill will not be destroyed. Meanwhile, in the neat offices of the Plan Organisation, the bright young men of Persia, educated in the West, and impatient of the age-old bumbling and corruption that have become accepted features of government operations, hope to salvage their dreams even if Mr Ebtehaj is not there to fight their battles.

Favourite for Chancellor

FROM OUR BONN CORRESPONDENT

IT is not only Humbert Wolfe's city financier who this April is looking

> . . . importantly about him
> while all the spring goes on without him.

According to credible reports the holidaying Chancellor is much more deeply engrossed in the paragraphs of the Basic Law of the Federal Republic of Germany pertaining to the president's powers than in the natural beauties of Lake Como ; and many a Bonn deputy can hardly see the cherry blossom by the Rhine for the smoke of pipe dreams.

Herr Erhard is noticeably assuming the air of chancellor-designate. It is said he has threatened not to serve as economics minister under another chancellor. After all, he is, and has been for nearly two years, the present chancellor's deputy. In the several public speeches which he has delivered since April 7th (when Dr Adenauer was prevailed upon to stand for President) he seems to have made a point of demonstrating that his interests are by no means confined to economics. At the Christian Democratic Union's economic conference at Hanover last week he dwelt fondly on the close inter-relation of a modern state's economic and foreign policies. At a Rhineland-Palatinate election rally at Mainz he gave resounding assurances of federal Germany's unfaltering loyalty to the western alliance. To the Foreign Press Association in Bonn this week he spoke cautiously but suggestively of possible developments in the technical organisation of society that would require new attempts to reach international understanding.

There is not the slightest doubt that at the moment Herr Erhard is the public's favourite for the chancellorship. He has served in the cabinet for ten years. His audacious policies, tempered by earthy common sense, have borne prize-winning fruit. He has taken the trouble to explain them to the layman in comprehensible terms, from time to time chartering whole newspaper columns to do so. He has a personality that strikes the mind's eye. He exudes decency and confidence. He has kept closely to his electioneering promises, and he has fought for his principles against sizeable opposition from whatever quarter, whether it has been the chancellor himself, the cartel-minded industrialists, or the trade unions.

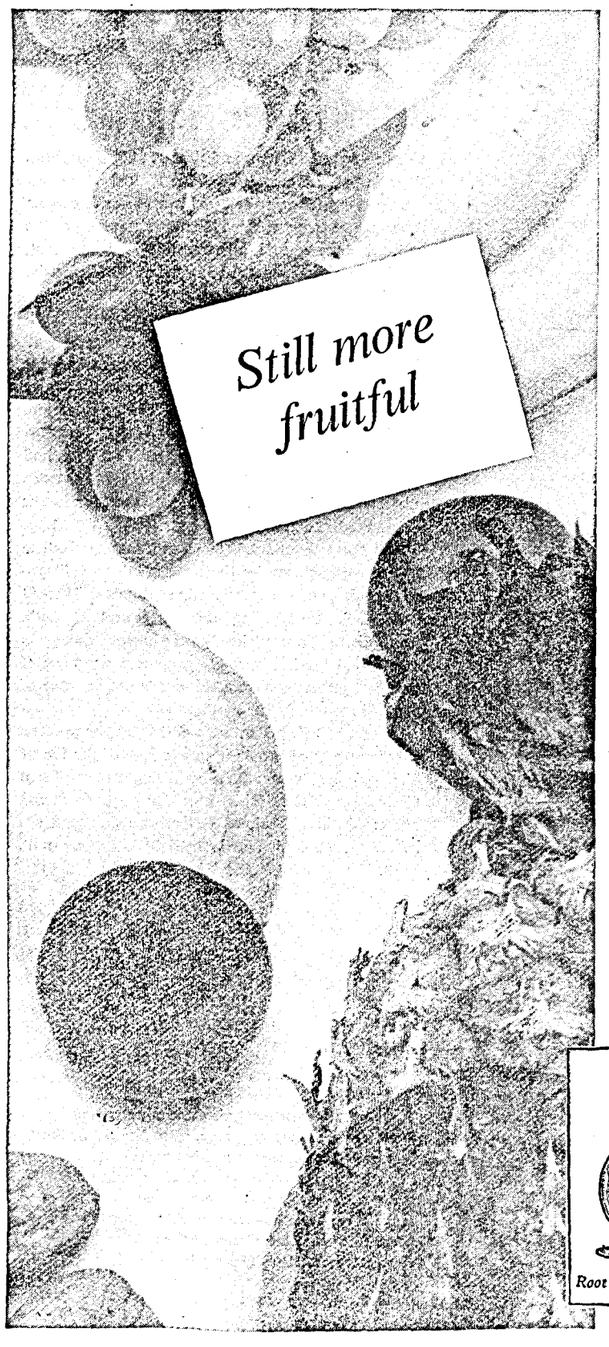
These admirable qualities may not commend Herr Erhard to an ambitious president looking for an amenable chancellor. If Dr Adenauer is as reluctant to let go the reins of power as he is widely assumed to be, he will have to marshal Herr Erhard's opponents quickly and set about establishing another candidate. According to the generally accepted interpretation of the federal basic law, Dr Adenauer, after being elected president in July, would continue to act as chancellor until he took over from Dr Heuss. So he has until September to mobilise opinion against Dr Erhard, if he wishes to. Strong objections to Herr Erhard are to be found chiefly among those who fear the competition inherent in his liberal " free market economy," both at home and in the European free trade area which he would still like to see. They have lately been voiced with considerable vehemence by Herr Carl Neumann, president of the textile manufacturers' federation.

There are some Christian Democrats who object that Dr Erhard lacks administrative experience and is not sufficiently versed in the niceties of party affairs. But, in addition to strong public and party support, Herr Erhard will also have the backing of many who see in his sturdy independence the assurance of a corrective, if it should be needed, to presidential trespassing. It would not be altogether easy now for Dr Adenauer and the anti-Erhard group in industry to persuade the Bundestag to vote Herr Etzel, the finance minister, into the chancellorship in preference to Herr Erhard. Capable as he is, Herr Etzel is comparatively little known outside parliament, and it is questionable whether he will make a national leader who could win the 1961 elections.

Yet in appraising possible candidates it should not be taken for granted that the next chancellor is going to be as irremovable a piece of the political scene as Dr Adenauer has been. It will no longer be considered sacrilegious to press for another. A change in western Germany's political or economic circumstances might well bring new men to the fore—if not Social Democrats, then at least Christian Democrats less deeply committed to the traditional party line. There is talk in Bonn of possibilities of coalition, both big and little, now that the opposition's Great Insufferable is departing and that intensifying Soviet pressure on Germany calls for greater unity. But the Christian Democrats do not require a coalition to keep themselves in power until 1961, and it is unlikely that decisions will be made until the new chancellor is there and the demands of the hour are more clearly known. The Christian Democrats are planning to hold an extraordinary party conference in October to elect a new chairman and generally sort themselves out.

The Gagged Press

MUCH the best way to gag the press is to run it yourself. There is then no need to use such methods as censorship, seizure, suspension, withholding of newsprint, imprisonment of editors, wrecking of the presses by gangs of thugs or discrimination in giving out official news—methods which sound bad to people who can read about



Peaches from trees sun-kissed in another continent. Grapes from vineyards half a world away. Oranges new taken from crates labelled in a land where December is summertime. Fruit from the four corners of the world . . . a display once impossible, taken for granted today, part of everyday life. Yet, a triumph over odds.

Over treacherous weather. Over disease. Over unending attack by insect pests. And, with ever-mounting success, over the most insidious and widespread enemy of all: the vast, voracious, unseen host of *nematodes*—root-infesting eelworms of microscopic size, present wherever the soil is cultivated. Every species of plant is believed to be attacked by one or more species of nematode, and damage can be immense. Citrus, grapes, bananas, peaches, pineapples, strawberries. Cotton and sugarcane, tea, tomatoes, tobacco . . . the sum total every year of destruction to important crops by nematodes is beyond computation. But now at last there is promise of complete success. By soil fumigation with advanced chemicals such as Nemagon, developed by Shell.

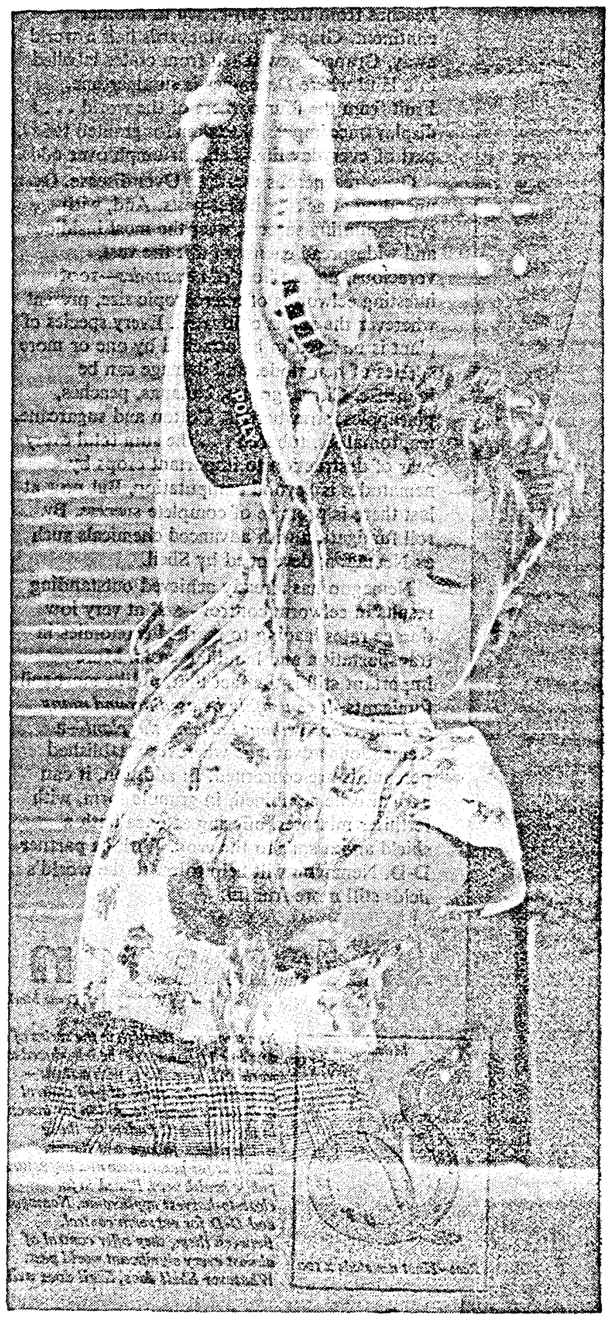
Nemagon has already achieved outstanding results in eelworm control—and at very low dosage rates leading to marked economies in transportation and handling costs. More important still is the fact that, unlike most soil fumigants, *it can safely be used around many growing crops without harming the plant*—a tremendous advantage wherever established perennials are concerned. In addition, it can now also be combined, in granule form, with fertiliser mixtures, offering at once both a shield and a spur to the crop. With its partner D-D, Nemagon will help to make the world's fields still more fruitful.

Nemagon
Trade Mark

Nemagon was the fifth in the series of new Shell pesticides to be introduced to world markets. Now, with a sixth—Phosdrin—the circle of pest control is virtually complete. Aldrin for insects in the soil itself. Endrin for those which attack foliage and flower. Dieldrin for persistence and important public health uses. Phosdrin for close-to-harvest application, Nemagon and D-D for eelworm control. Between them, they offer control of almost every significant world pest. Whatever Shell does, Shell does well.

you can be sure of SHELL chemicals

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All ship shapes

Ships come in all shapes and sizes . . . big ships, little ships, in-between ships.

Ships for a fellow to sail on his own—or to carry a thousand passengers; ships for the seven seas—or the bath-tub ocean. And all, even the very smallest, provide excellent examples of the use of Shell industrial chemicals.

Solvents, detergents, additives for fuels and lubricants, corrosion inhibitors, plastics and resins—all these Shell chemicals find important uses in ships and shipbuilding. *Epikote* resins, for example, give an unequalled combination of flexibility, adhesion, toughness and chemical resistance to high performance paints. Paints for the top-mast and the hull bottom, paints for the tanker and the tug—for extra protection against weather and corrosion, for longer life and reduced maintenance costs.

And not only afloat. Ashore too, many industries find important uses for these remarkable *Shell* synthetic resins, and many articles in the home will benefit from their outstanding durability and strength. Domestic appliances with *Epikote*-based finishes will still delight the houseproud eye after many years of use. *Epikote* resins have a shining future in front of them—in many ways.

Other Shell chemicals are well in the picture. The washing-up bowl provides an example of the use of *Carlona* polyethylene; the sun-blinds and floor-tiles of *Carina* polyvinyl chloride. Even the photograph was processed with the help of *Shell* ethanolamines. If *you* have a process calling for industrial chemicals, call on Shell. *Whatever Shell does, Shell does well.*

Epikote *Trade mark*

Epoxy Resins

The Good Ship Polly is made of polystyrene. The *Carinex* polystyrene range, manufactured by Shell, is one of the most comprehensive available, and the three main groups of basic polymers, toughened grades and styrene acrylonitrile copolymers cover the widest range of applications—from model ships to refrigerator parts. Ask your Shell Company for full details. Shell chemicals serve virtually every industry.

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them in other papers. Instead, all is harmony and peace, with the newspapers dutifully carrying out the role so aptly defined by Herr Herrnstadt, the former editor of East Berlin's *Neues Deutschland*:

> They are a political institution which assumes the form of a newspaper for reasons of convenience.

Generalissimo Trujillo, the ruler of the Dominican Republic, Mr Khrushchev, and Mao Tse-tung have all reached, by this route, the point where they can and do claim that their press is free and uncensored. The Dominican government, the Trujillo family and its friends own all the newspapers in the republic. The communist parties, wherever they rule, control the entire press by more complex but equally effective means, and pursue the same ends: the prostitution of the press, "for reasons of convenience," into a means of buttressing the rulers' power.

"The Press in Authoritarian Countries," a report just published from Zurich by the International Press Institute (and obtainable in this country from Bailey Bros. and Swinfen, West Central Street, London, W.C.1), surveys both these total forms of press control and the almost total forms applied in Spain, Portugal, the United Arab Republic, Formosa, South Vietnam, Paraguay and Bolivia, as well as those lately used in Argentina, Colombia and Venezuela—three countries where press freedom has been reborn. This report is complementary to the Institute's "Government Pressures on the Press," which studied the various kinds of pressure used in states that in general accepted the principle of freedom. The new report is not all-embracing—it does not, for instance, cover the latest developments in Iraq or Pakistan—but it is by far the best thing of its kind yet available.

It is also grimly entertaining. It records how, during a recent period of intense restriction, the Nicaraguan *Prensa Libre* "replaced all items cut out by the censors by photographs of Ava Gardner." It quotes Mr Dedijer's remarks, of the Prague *Rude Pravo,* that "even the typographical arrangement of its articles seeks to be a complete imitation of *Pravda.*" When Major Salah Salem, as first minister of national guidance in revolutionary Egypt, appointed young officers as censors, one of them ordered a newspaper: "Do not include anything about cotton. I don't know a thing about it and I prefer to avoid errors"—and was faithfully obeyed; this in a country which lives by cotton.

The Nasser government's actions have included the suppression of independent papers, the taking over of some by state organs, the repeated purging of the journalists' union, the launching of three new dailies edited by ex-officers, and the swamping of the formerly independent Damascus and Aleppo newspapers, over a third of which have disappeared. In South Vietnam, censorship has been replaced by new legislation which involves heavy penalties for publishing any "anti-national" news or comment; 25 papers have been suppressed—though in 1958 several new ones appeared, including one edited by a distinguished dissenter, Tran Van Do; two papers were attacked in 1957 by pro-government mobs, and *Thoi Luan,* which not only survived this treatment but actually became more critical, was shut down a few months later; distribution was handed over in 1955 to a monopoly headed by the chief of police; and the official news agency also has a monopoly, as papers are not allowed to subscribe directly to any foreign agency. (This last point, it is noted, applies also to the otherwise free press of India.)

In Portugal, thirty years of controls of many kinds have not quite reduced the press to complete subservience. Five independent dailies, notably *Republica,* still have to be closely watched. Some relaxation of censorship took place in the last two election campaigns—and the more critical papers have increased their circulations despite official attempts to disrupt distribution. In Spain, despite similar restraints and pressures, the Institute finds that

> the breath of freedom continues to permeate editorial offices . . . journalists, many of whom favour the regime, are . . . anxious to secure a much greater freedom. . . . Attempts to defy the censorship have become more and more frequent and audacious.

In Formosa there are still a few papers "in more or less open opposition"—although a new press law was passed last June, despite violent protest.

The major part of the report is given to the more familiar story of the communist states' misuse of the press. Its special interest lies in the different forms and durations of the recent temporary "thaws" in these states. The east German "thaw" came first—as a result of the revolt of June, 1953, but amounted to little more than the reporting of accidents, the admission that even readers' letters had previously been falsified, and a lighter touch with the dogma. In Poland things had gone much further long before 1955 was out. The Czech "thaw" came, and went, in early 1956; so did Russia's, as far as it was perceptible. China's "thaw" lasted right up to June, 1957, when, as it apparently neared a climax, iron control was suddenly reimposed. In each case reaction has followed, even in Poland. But the Institute finds that everywhere, even in Russia, a spirit of revolt survives—not only among journalists, but among the public, which has joyfully hailed the reappearance of a free and dependable press whenever and wherever tyranny has been brought down.

Press Versus Parliament in Canberra

FROM OUR CORRESPONDENT IN AUSTRALIA

MR MENZIES was in fine fighting form last Tuesday when he introduced legislation to increase parliamentary salaries, providing a climax to a row that has blazed ever since a three-man independent committee recommended these increases last month. Several reactions characteristic of the Australian public then emerged: resistance to authority, contempt for politicians, and resentment against anyone who gets ahead—unless he be someone of obvious merit such as a jockey, swimmer or tennis star. Two leading newspapers, the *Sydney Morning Herald* and the Melbourne *Herald,* chose to ride on this tide of ill-feeling and at the same time to whip it up still more. The *Sydney Morning Herald,* indeed, has thought of nothing else for weeks, bolstering its obsessive leaders with readers' arguments such as that Shakespeare, Milton and Emerson were paid less than Australian MPs and that Gandhi was not paid at all. Meanwhile Labour MPs, sensitive to remarks about priority for pensioners and for restoring the quarterly adjustments of the basic wage, were reluctant to advocate the coveted rises and anxious to earn good marks by an opposition that happily could not be effective.

At the
Brussels International Exhibition
The Darlington Group
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took nine awards in the fields of

Thermal and Acoustic Insulation
(*Diploma of Honour*)

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Shipbuilding
(*Bronze Medal*)

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Inorganic Chemicals
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Pharmaceutical Chemicals
(*Bronze Medal*)

The Chemical & Insulating Co. Ltd.

Electric Power Applications
(*Diploma of Honour*)

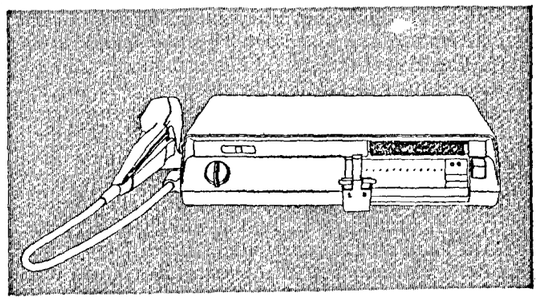
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Mr Menzies set out to spoil that little game and to show his Labour opponents who their allies were. He rubbed it well in that in the view of the critical newspapers, MPs were not worth a penny more ; he implied that these newspapers were trying to usurp parliament's right to decide ; and that they were owned and managed by bloated plutocrats anyway. Dr Evatt could not but agree and contented himself with moving (like a true Australian leveller) that increases for ministers should be scaled down. Mr Menzies, by nonchalantly dropping the least important and least defensible of the benefits proposed by the Richardson Committee, had left the opposition little to attack.

The proposals as they stand would raise an MP's salary from £A2,350 to £A2,750 and his electorate allowance from £A600 to £A800 for a city electorate and from £A800 to £A1,050 for a country electorate with larger proportionate increases for ministers. These figures may seem large by British standards even when one fifth is deducted to convert them to pounds sterling ; and, moreover, a free secretary is thrown in. But in Britain it is possible, indeed desirable, that members should have interests and resources unconnected with their parliamentary duties. Australia's distances make this impossible ; and although parliament may sit for as few as sixty days a year, the job of an MP is fairly arduous and unattractive. It has certainly failed so far to attract enough men of ability and the government is right to try to remove a possible deterrent. Newspaper critics would answer that money alone will not attract better MPs—and this is true: prestige also is involved, the image of the MP in the public mind. But there are two answers to that. First, prestige in Australia is not unconnected with money and, second, the image in the public mind will certainly not acquire glamour from press campaigns such as those of the last month.

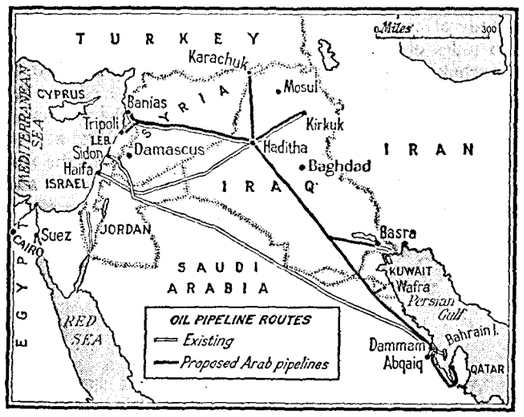
A Pipeline on Paper

FROM OUR SPECIAL CORRESPONDENT IN THE MIDDLE EAST

THE first Arab Oil Congress opened in Cairo on Thursday under the auspices of the Arab League. It remains to be seen whether the congress will be as non-political as its sponsors hope ; now that the Iraqis, who were expected to provide any fireworks, have refused to attend, all may go smoothly.

Foremost among the projects to be discussed is the proposal for an Arab oil pipelines company. The secretariat of the Arab League sent a circular on February 14th to all member states, plus Kuwait and Qatar, asking them to appoint representatives to a meeting on February 28th, in Cairo, to consider the Arab pipeline project. When only Kuwait answered at all, regretting that its representative was otherwise engaged on that day, the chairman of the Arab League Petroleum Bureau, Muhammad Salman, notified the other Arab states that the meeting was postponed. On the appointed day, however, without prior notice, representatives from the United Arab Republic, Saudi Arabia, Iraq and Lebanon turned up at Salman's office and the meeting was held as planned.

Shaikh Abdullah Tariki, director general of petroleum affairs in the Saudi government, declined to serve as chairman, but it was clear that his was the driving force behind the whole affair. The Saudi delegate offered a paper on the economic advantages of pipelines over other means of transportation for Middle East oil. By 1967, he said, the Middle East would have to produce 11.5 million barrels of oil a day and, by 1975, 16.8 million barrels a day. He added that the Trans-Arabian Pipe Line, completed in 1950



at a cost of $173 million ($161,686 a mile), had made a profit of $329 million in seven years. Since the TAPline was built, construction costs had increased by 40 per cent but, he said, all but $84,000 of the cost of TAPline had been borrowed from banks and repaid in four years. Profits from pipelines were, he added, immense, quick and certain. He proposed that the Arab countries should build an Arab-owned pipeline, with a capacity of not less than a million barrels a day, to supplement the company-owned lines.

The petroleum administration of the United Arab Republic was then asked to draw up a plan for an Arab pipeline from Qatar to the Mediterranean. Several days later it presented its proposal. This suggested that an Arab Pipe Lines Company should be established, with headquarters in Baghdad, for the transport of oil and with the intention, eventually, of buying the existing company-owned lines. The capital stock of £E5 million, in 50,000 shares of £E100 each, would be divided among Iraq, Saudi Arabia and Kuwait (20 per cent each) and the transit countries (10 per cent each), the remainder to be allocated later. The capital would be redeemed in 20 annual instalments of £E9,430,000. The annual maintenance costs would be £E 3,350,000 and the annual cost of operations £E24,250,000. According to the UAR petroleum economists, the pipeline should show an annual profit of £E28.3 million ($58.3 million). The proposed system of pipelines is illustrated in the accompanying map. The total cost of construction is estimated at £E127.8 million, plus £E60 million for the terminal in either Syria or Lebanon.

The oil companies may not be in complete agreement with the figures offered by the Arab petroleum experts but individual oilmen say that, as a practical proposition, the Arab oil pipeline makes sense. What the Arabs have not considered adequately, however, are the legal and political aspects of the undertaking. First the money must be raised to build the line. Who will pay for it? Among the Arab countries, only Kuwait could afford to do so ; but the ruler's astute financial advisers would have to be convinced that it was the best possible investment for Kuwaiti funds, not just a political gimmick. Actual construction would probably be the least difficult stage. There are any number of companies with the skill and experience needed for such pro-

jects. Then come the questions which country, or company, is to use what percentage of the line's capacity and how the tariff will be determined.

The Arabs know that such a gathering system for Arab oil is technically possible. Their plan, however, shows signs already of catering to political expediency. They include 200 miles of pipeline from the improved Syrian field at Karachuk, and they hold out the carrot of a terminal at Tripoli for the Lebanese. They probably underestimate the ability of the Suez Canal Authority to keep the increasing tanker traffic moving through the canal. But, at the moment, it is the growing isolation of Iraq from the rest of the Arab world that may frighten away the investors and leave the Arab Pipe Line Company just a dream on paper.

Overhauling China's Communes

ALTHOUGH the programme, launched last summer, to organise China's population in "people's communes" was swiftly completed—by the end of the year, 26,000 communes covering 99 per cent of all peasant households had been established—the system is still being overhauled. There are even signs that some of the fundamental questions concerning these institutions have not yet been settled. Teams of production experts are now touring the countryside ; new scales of rewards are under consideration ; some officials and party workers are being demoted while others, grouped in "production cadres," are dispatched to do their thirty or more days of manual labour either in the communes or in industry. A plenary session of the party central committee, held in Shanghai early this month, decided that the work of overhauling the communes had been "well and fruitfully done" over the past three months but indicated that the process was by no means completed.

The Chinese propagandists have also toned down the martial aspect of the communes : no more pictures of their members at work, with rifles stacked beside them, appear in the press. Equally significantly, the communes have withdrawn to the countryside. This confinement was decreed by a meeting of the Chinese party's central committee in December. Since the Soviet agreement to lend 5,000 million roubles to Chinese industry—signed by Mr Khrushchev and Mr Chou En-lai on February 7th—no more references have been made to the city and town communes, with which the Chinese had experimented. By word and deed alike, the Chinese authorities are now indicating that the commune system has been found workable, though wasteful, in agriculture but quite unsuitable for the running of already established heavy industries, and for the further development of China's industrial potential.

The Peking daily *Jenmin Jih Pao*, in a leading article on March 25th, referred to people's communes in several places as "peasants' communes." Although it did talk of the communes as operating a wide range of productive enterprises, not confined to agriculture, the article emphasised the fulfilment of "greater, better and more comprehensive forward leaps in agricultural production." It announced that now that the building of the communes had been concluded,

> our agricultural production force has grown to unprecedented proportions Many tasks which could not be carried out properly by agricultural co-operatives can now be fulfilled by the people's communes.

The article pointed out that because of the size of the new units, all errors of judgment and calculation were writ large ; it exhorted both the planners and the peasants to avoid waste and extravagance, of which it gave examples.

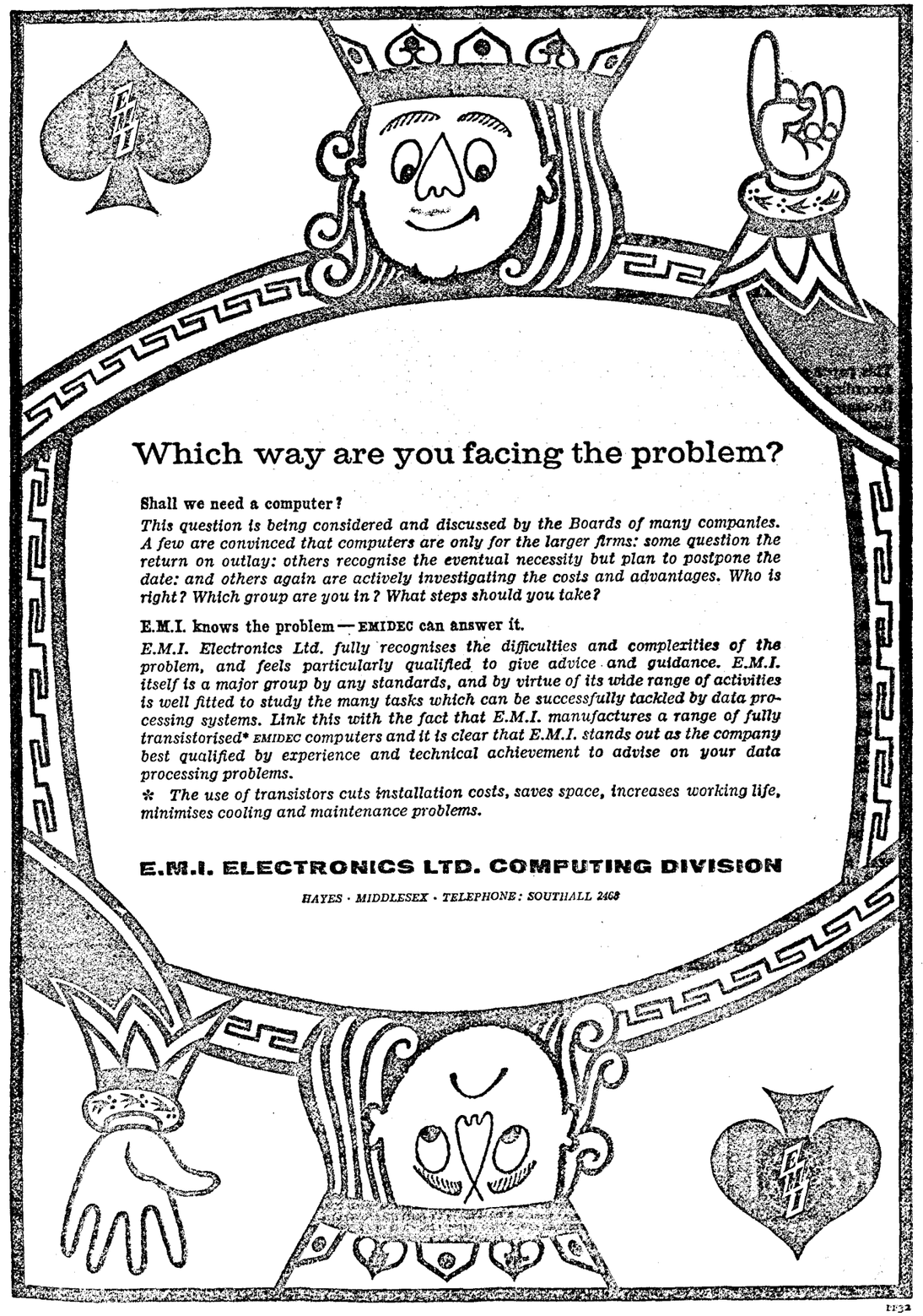
Perhaps the greatest cause of waste accompanying the organisation of the communes—particularly wasteful in terms of mental energy expended by party ideologues—was the original ambition "to give to everyone according to his needs." Since this principle becomes operative, according to Marxist utopiology, only in a fully communist society, it was consistent with the leap toward full communism that the Chinese planned last summer. (This ambition was indirectly, but sharply, condemned by Mr Khrushchev at his party congress in January.) Now, according to an editorial in *Hung Chi* on March 15th, "for a considerable period to come, people's communes will continue to be socialist in nature and not communist," and therefore rewards will have to be calculated in terms of work done.

> According to this method, people's communes issue wages to production brigades according to the wage scale already set up. The brigades then assess the work of each commune member, credit him with a number of work points and pay him according to his work each month.

The rediscovery of this principle is expected to facilitate the control of production, the rational distribution of work, and systems of accounting and budgeting ; at the same time, it will eliminate the "mistake of egalitarianism."

QUESTIONS of the proportion of productive to non-productive forces within the communes, and the temporary employment of non-productive people in manual work, have also been given much attention. The Liaoning party committee decided that, of the total manpower available in the commune, 1 per cent for administrative and between 5 and 10 per cent for servicing personnel was enough ; officials in municipal and provincial administration should perform manual labour for at least 30 days every year, those at county level for not less than 60 days, and administrators in the communes for 120 days. Finally, frequent criticism appeared of the communes' industrial efforts. As late as October, the New China News Agency triumphantly described how molten steel flowed from furnaces in such unlikely places as barbers' shops, laundries, and photographic studios ; but a month later *Jenmin Jih Pao* devoted a series of articles to the poor quality of backyard pig iron. The paper argued that the communes' efforts should not divert raw materials from the steel combines which manufactured all the high-quality steel for China's basic industries and 80 per cent of its total iron and steel output.

The initial outburst of official enthusiasm for the communes last summer has been replaced by a duller, more workaday attitude to them. In making them more efficient, the Chinese leaders hope to use the profit that may result for investment in heavy industry ; but this industry will be organised independently of the communes. Agriculture will again be used, in the Marxist-Leninist tradition, to subsidise industrial development. But although the peasants are driven hard, Mao Tse-tung seems, so far, to have avoided the worst of Stalin's excesses. The rulers in Peking are now developing two kinds of communism concurrently: the new type, based on the peasant population and operating in agriculture, and a more traditional communism, run on the Soviet pattern and with Russian help. Both seem to have their powerful protagonists among China's leaders.



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THE BUSINESS WORLD

Oil Congress in Cairo

NOBODY in the West—and hardly anybody, perhaps, in the Middle East—yet knows how seriously to take the Arab League oil congress that opened on Thursday in Cairo. Iraq and Bahrain are not represented there ; Iran (not an Arab country) is represented only by observers ; on the other hand, Venezuela, "host government" to the world's other largest oil exporters, has sent observers, too. The Arab League countries which are attending include more of the "have-not" oil transit countries than of the oil producing "haves." The prime movers in (finally) getting the congress organised have been the Arab "oil experts," who themselves might be said to be a different set of "have-nots." President Nasser's interest in the congress, by now, is said to be lukewarm ; and there are no signs that any formally concerted "Arab policy on oil" will immediately emerge from it. Nevertheless, this is the first time that the international oil industry's most important host governments have got together ; and the implication, whether immediate or eventual, is that they are getting together to ask for more.

More, over the last decade at least, is what they have become used to getting ; it is also what they might not, as certainly, get for the next few years on the present showing of the oil business. Governments in the Middle East and Venezuela had an income of perhaps $2,200 million from oil last year, which compares with about a tenth of that in 1946. During the decade to 1958 output in the Middle East grew almost fourfold, to 215 million tons, and in Venezuela had nearly doubled to 140 million tons. But demand is no longer rising as strongly as it was. There is a margin of surplus capacity at all stages of the oil business, and protectionist attitudes in the United States are now finding some echoes in Europe. Russian oil and American coal are now cheap fuels in the world market—and there to stay. Export prices are being cut, with little prospect that the volume of exports from Venezuela or the Middle East will rise sufficiently to guarantee these governments a continued increase in their revenue from oil. The Venezuelans have come to Cairo, it appears, to propose restriction of exports to check an incipient price war. They would like some voluntary "prorationing" scheme among producers. This is a colder-blooded business proposition than many which may be heard at Cairo, but politically, for the moment, simply inconceivable.

Also present in Cairo, in a somewhat ambiguous stance, are the oil companies: those operating in the countries represented (the Iraq Petroleum Company, on tenterhooks, in the end decided not to uncrate its exhibit) and most of their parent companies among the "majors" of the West. They were asked to offer technical papers and exhibits, which they have arranged in impressive profusion. They have also laid on, of necessity, their "diplomats": high-powered spokesmen prepared to operate in the *couloirs* to win friends and influence critics, to meet whatever arguments and demands may be levelled at their industry on and off the floor of the congress. For despite all scepticism about the calibre and backing of this congress, and any optimism about the sweet reasonableness of its nationalist spokesmen, the oil companies can prudently assume only that new claims upon them, now or later, will flow from it.

BROADLY, the nature of those claims is already clear. They will be for fuller Arab participation in the development of Arab oil. This demand for participation is managerial and technical as well as financial ; it is not simply the desire for an adjustment of profit-sharing formulae to give the governments a bigger rake-off. That desire is already manifest: in Venezuela, in the new basis of taxation that has raised the host's share of profits (already in many cases over 50 per cent) to about 60 per cent, and in the Middle East, in the ostensible financial effect of the terms under which some new concessions have recently been granted. But the Arab nations—or at least some of the Arab nationalists—aspire to more: to share in the management of production and movement of oil in the Middle East (for example, in their plan for an Arab oil pipe line company to develop new lines and eventually to buy out existing ones, referred to on page 247). Their ambitions, moreover, reach out to

overseas transportation (Saudi and Kuwaiti tankers already exist) and to claims upon the "vast refining and marketing profits" which, they argue, the companies earn upon what they make out of Arab oil.

These newer and farthest-reaching ambitions are being supported by some commercial arithmetic about these profits at later stages that the "Arab technocrats" (of whom more below) have put up as a cockshy, hoping to provoke the companies, in refutation, to get the sums right for them. This is a time-honoured and legitimate technique; it was used, for example, with some success 18 months ago in Britain, when outside critics provoked the Treasury into providing estimates of the invisible earnings of the City of London which until then it had solemnly maintained could not be calculated.

Briefly, this Arab figuring begins from the point that the profit on production of Middle East oil, at the 1958 fob prices of roughly $1.80 to $2.05 a barrel, was of the order of $1.60, of which the host governments, sharing fifty-fifty, got 80 cents. But on tankers and pipelines, the Arab technocrats continue, about 20 cents a barrel of further profit was made; on refining another dollar a barrel; and on the marketing of refined products "an assumed figure of $2 net profit a barrel." And of this further profit—on their figuring $3.20 a barrel—the Arab governments got nothing. *Ergo*, they feel entitled to half of this too—another $1.60 a barrel, which "would triple the Arabian oil income without upsetting the principle of equitable sharing with the foreign concessionaire."

No sources have ever been quoted for these cockshy figures, nor is there any firm pretence that they are accurate. Their purpose, evidently, is to require the oil companies to put up or shut up. To explain the financial and commercial pattern of their operations in this degree of detail, as the Arabs well know, would be inconvenient for the companies—which conduct world-wide operations interlocked in a most complex fashion, and pay taxes to many other governments as well as their oil-rich hosts. This kind of knockdown argument is all right if it works. So far, most of the major oil companies have not seen fit to answer the Arab arithmetic in its own terms, publicly; they may or may not be prepared to do so privately in Cairo.

No outside observer, obviously, is in a position to substitute the actual figures for these Arab cockshies. But it is possible, from the outside, to draw broad conclusions about the rough order of magnitude of "profits after production." And it should be said at once that these conclusions suggest the Arab guesses, in sum, are wildly wrong. There is not much doubt that their initial figures of profits on production are broadly acceptable; the figures of output and revenue for the host governments are in the public domain, confirming their half share at about 80 cents a barrel. The figures of profits on the operation of pipelines and tankers, on averaged freight rates, do not look exaggerated. But the refining "profit" they allege even after recent cuts in crude prices, is probably far larger than gross refining margins which have to cover all operating costs and capital charges in Europe. And the guess at "marketing profits" is fantastic (understandable only, indeed, on the assumption that the Arab calculations have counted into these "profits" some of the sales taxes and duties charged in European countries.

Various independent calculations regarding these "later profits" are being made upon the basis of published accounts of oil companies to answer these Arab figures. It has been shown in a study by the First National City Bank of New York, published this week, that for the seven biggest international companies the final net profit on all operations in the Eastern hemisphere in 1957 came to some 80 cents a barrel; this compares with the Middle East government's share of 80 cents or more on production, which does not argue that there is any great profit in the later operations. The Royal-Dutch Shell group in 1957 and 1958 realised no more net profit per barrel on total sales than would theoretically be thrown up on production in the Middle East. But for Shell and the other majors Middle East crude is but one among many others, mostly higher in cost; so to set average final profits against Middle East production profits does not conclusively demonstrate what later profits may be made upon oil from this particular source.

One major company, however, selects itself as most nearly approaching a "typical operation on Middle East oil, from well to market": British Petroleum. Even in 1957, when it began the year buying crude elsewhere to supplement what it could bring round the Cape, BP got 90 per cent of the oil it sold from the Middle East; in a more normal year such as last year, the percentage was probably about 97 per cent. In 1957, at its normal rate of tax and royalty revenue to host countries of about £2 5s. a ton, it might theoretically have paid about £110 million to its hosts. In fact, it paid £94 million, the difference reflecting large bulk sales of crude at discount prices under long-term contracts to Jersey and Socony, upon which the royalty payments are presumably shared by the major customer. Its own net income, after paying £10 million in taxes to other governments and setting aside £43 million for depreciation, was £55 million. BP's gross take after tax, basically on producing, transporting, refining and marketing Middle East oil, thus some £98 million, was of the same order as the revenues obtained by the governments of the countries from which that oil came. And BP retained £39 million of its net profits to help provide for its capital expenditure, upon exploration, production and the transport, refining and marketing operations that are required to give Arab oil a market, of no less than £100 million.

For BP, 1957 was a bad year; dislocation of supplies from the Middle East forced it to buy in more oil from elsewhere, reducing its profits (relative to those of companies less dependent on this source of crude). But for 1958, a more normal year, the pattern does not appear significantly to have altered. On 60 million tons of oil, practically all from the Middle East, again allowing for bulk sales at a discount under long-term contracts, it probably paid the host governments about £120 million; its net profit after taxes elsewhere and depreciation amounted to £63 million. A pound a ton on oil sales is effectively about 40 cents a barrel, against the governments' 80 cents. "Toss it any way you like," as an Arab technocrat might say, BP was making no gross profit on what happened to the oil after it left the Gulf; net, on the later stages of oil operations taken together with current costs of exploration elsewhere, it was showing a loss that about halved its share of the theoretical refining profit. From that net income, it will presumably go on ploughing back 70 per cent or more.

Even BP, certainly, is not a theoretical "ideal Middle East oil company"; it refines in its own and associated refineries much less oil than it produces, selling a substantial amount to independent refiners as well as to the other majors under its long-term contracts and buys in some other oil. Experience in 1958, moreover, reflects a market in which a good deal of crude oil was being sold at substantial discounts. The governments' share of profits is almost always calculated at the official posted prices, but BP and all other companies producing in the Middle East were selling for markedly less than that, and getting an accordingly shrunken "fifty per cent" of actual profits. But BP is the real Middle East company living within the real world oil market into which the Arab technocrats would like to enter. These are the facts of life in the oil business.

The more realism that can be injected into this Arab figuring, the better. It would not dispose of Arab aspirations. But if the oil companies have then to consider the Arab claims, sooner or later, for fuller nationalist participation in oil development, then the Arabs likewise have to consider what that fuller participation would have to involve. This is not the issue of principle that it may appear in heated nationalist senti-

Arab Oil Objectives

WITHOUT "a handful of Arab oil technocrats," among whom Abdullah Tariki, the Saudi director-general of petroleum affairs, is the best known, the Arab oil conference would never have opened in Cairo this week. These men are highly intelligent and technically competent; they are nationally—and personally—ambitious. In the shifting politics of the Arab nations, they occupy an exposed, and somewhat isolated position. But this may well increase their desire to achieve some dramatic advantages for Arab nationalism out of the status quo *of Middle East oil.*

The views—and claims—of these technocrats were summarised, long in advance of the conference, in a document known as "the Haliq paper." Omar Kamil Haliq was a Saudi Arabian delegate to the United Nations. His document is not "official"; nor are its arguments, passionate, over-simplified but by no means naïve. But its main points are worth picking out:

1. Western oil concessionaries manipulate their "very privileged" position in the Arab countries "in a way which leaves the host nations as virtual economic vassals to an alliance between alien business giants and native vested interests."

2. "It becomes imperative to secure serious Arab participation (substantially gradual if you wish) in their integrated oil industry and trade, not only in the receipt of cash royalties on the produced crude oil, but in the business of refining, transporting, marketing and industrialisation of oil and its products."

3. "... the calculated objective of the Arab oil economists is not so much to secure more cash income to the already contented patricians, but to finance a purposeful scheme by means of which a large portion of the existing and contemplated oil revenues can be utilised in viable basic industries that bring about a more substantial productive development."

4. Comparing the present status—and stance—of the oil companies in the Middle East to that of the Suez Canal Company before nationalisation, the document argues that the companies give relatively little direct employment. The small middle-class of native contractors and sub-contractors that they have developed is dismissed as "miniature feudal aristocrats"; all real decisions are taken by "absentee landlords," and the companies give the impression of supporting "those forces in the Arab East which do not conform to . . . genuine Arab objectives."

5. The document to some extent distinguishes American from British companies in its criticisms. The Americans, "can well afford to conduct their business free from the provocatively cramping colonial influence in those areas": yet too often they support the British "politico-economic" stake in Arabian oil—"one of those agonising hangovers of a vanishing imperial status fighting a hopeless rearguard action."

6. Any "international authority to safeguard Middle East oil supplies" would be politically objectionable in Arab lands and economically disruptive: oil, as the major Arab economic asset, must be "fully utilised through normal business transactions." But United Nations participation with the Arab League, in an Arab development authority to mobilise local resources, might be acceptable.

7. Practically (in Haliq's eyes), the Arab technocrats should implement their doctrine that "Arab oil must be run from its point of origin" by declaring the pipelines "public utilities"; by participating in tanker operations; by developing local refining and petrochemicals industries: by joining in marketing operations: and by getting more Arab executives on to the boards of the operating companies.

These arguments and demands centre upon a desire for fuller recognition and participation in this industry of international abundance that the Arabs see on their doorsteps, remunerative to them but also remote. This desire to be "on the inside" is no doubt personal as well as nationalist. It is supported by an economic assertion, considered above, that there are further rich financial pickings in the parts of the oil industry where host nations do not participate. But it is not simply an economic ambition; to dispose of the economics would not dispose of the ambition.

ment; it would become straight commercial bargaining about a business in which both parties are vitally interested. The only principle that it would be fair (and unpopular) to evoke is that once you have sold something to somebody, you have no right to any share in the profits that he gets on what he makes out of it—though it is understandable that your estimate of that eventual profit should condition the price you ask of him. The Arabs have no "right" to participation in the subsequent transport, manufacturing, and marketing operations applied to the crude oil they sell the companies. If they like to invest their money in such operations rather than in social and economic development inside their own countries, they are perfectly entitled to do so (and one does not imagine, somehow, that even in a world tanker slump Saudi and Kuwaiti vessels would be among those laid up earliest). Further participation in oil is a legitimate aspiration; but it would mean supplying a commensurate share of the huge capital requirements of this industry, as against enjoying the fruits of the most profitable part of it without supplying any capital at all.

Some of the economic ambitions of the Arab countries and their "technocrats" are as illusory as some of their figures, as bitterly wrong-headed as some of their prejudices. They are also entirely understandable ("not without cause, but without reason"). The oil industry, in a generation, has jerked their ambitions—and their chances in life—forward by centuries. It is natural that they should be thinking, within their larger Arab political hopes, of sharing the control as well as the rewards of oil development, and of hastening the industrialisation that this might bring to their countries. Pipeline projects and the purchase of tankers are enterprises that the oil companies should be prepared to encourage and help with advice, where there are chances of commercial viability. The balance of economic considerations—and of political instability—is shifting against more refining in producing areas (though a quarter of Middle East oil is even now refined locally), and petrochemical developments, for the most part, appear even more dependent upon proximity to developed markets. No enterprise into which the Arabs might enter in their territories, or in ordinary international trade—providing the capital as well as the managers—should be ruled out, at least by anything but the hard facts of commerce. But participation in terms of capital—as the countries may find out in some of their new deals with fresh concessionaires—would be a more exacting role, and not necessarily a more rewarding one.

Godot in the Building Societies

For two and a half years the rates recommended by the Building Societies Association—6 per cent on mortgages and 3½ per cent net on shares—have remained unchanged. They were unmoved when Bank rate went up to 7 per cent, and when it was lowered in five successive stages to 4 per cent. Here, indeed, is some sort of consistency. They will not be altered for at least another three months, but Mr Alexander Meikle, the chairman of the association, thinks the odds are that the rates will then come down.

The association will then recommend "appropriate reductions" in mortgage and investment rates if in the meantime the inflow of funds to the societies had continued at a "satisfactory level." "Appropriate" can be taken to mean 5½ per cent on mortgages and 3¼ per cent net on shares, unless the rates on national savings come down. A "satisfactory level" presumably implies that the net inflow of funds to the societies would match the level it reached in the first quarter of this year—about £30 million of new money a month.

This decision by the council of the association bears all the marks of a compromise. But there were good reasons for one. Three days before, the budget had reduced the standard rate of income tax and so there will be a cut in the composite rate paid by societies on behalf of their members—perhaps by 4d. to 5s. 3d. in the £. But there was no reduction in the interest rates paid on national savings media, which are the building societies' biggest competitor for the public's savings. Reductions to 3 per cent net on shares and to 5½ per cent or 5¼ per cent on mortgages were out. The larger societies who have their eyes on trustee status under the new Government regulations hoped to adjust the rates in this way to leave a wider margin to strengthen their reserves. The Chancellor's evident wish to ensure the level of national savings has upset their calculation.

The other possibility is a combination of 3¼ per cent net on shares and 5½ per cent on mortgages. Such a reduction, given the new tax levels, would leave about the same margin for reserves as the present rates of interest and the former levels of tax. The opposition to immediate cuts in the rates seems to have come mainly from the small and medium sized societies; they depend more directly on local support and funds have not been flowing into them so quickly as into the big societies; and they were apprehensive about the effect of lower rates on their receipts and withdrawals when their mortgage lending would be rising in the summer season.

Like all compromises, the "wait and see" line can be criticised. Building societies, after all, have a good base for expansion this year. Last year, as the table shows, they lent slightly more on mortgages than in 1957, because they received higher repayments. Their liquidity ratios had been improved and there was the promise of Government funds for house purchase (put by the Chancellor at £25 million in the current fiscal year) and the prospect of trustee status for the deposits of most of the bigger societies. The background, then, might have been thought to justify a firm decision.

But there were arguments the other way. Money is flowing in freely at 3½ per cent net, and the demand for mortgages at 6 per cent is strong and not wholly satisfied. Nearly half of outstanding mortgages are at 6 per cent and to reduce them by one half of one per cent does not represent much of a saving to the borrower, allowing for tax relief. The societies, too, have administrative reasons for keeping changes in rates as few as possible. Yet the council could not quite accept the logic of the situation and risk censure by leaving the rates alone. That would have ignored the principle of mutuality that sways the thinking of many members of the movement. Even more important, it would have been no reply at all to the psychological impact of the reductions that the Halifax (free to do what it likes because it is not in the association and is the biggest society of all) made last December to 3¼ per cent on shares and 5½ per cent on mortgages. So the council temporised, fearful of "doing a Halifax" because of the possible impact on receipts and withdrawals and hinting illogically that it may be safe to bring rates down in three months' time but not now. Does this do better than postpone the day of reckoning? The council's four arguments—the undiminished attractions of national savings; the improbability of cheaper long term money; the recent decline in investment receipts; and the heavy weight of mortgage business in the summer season—all these may be good arguments for not lowering the rates.

What advantages flow from this postponing of the decision? First, if any reduction were made in rates in July it would be immediately effective for new mortgages but most societies would not extend it to old mortgages until three months later. Six months' grace should enable the societies to get through an active lending period without stringency and to get more into reserves. Secondly, nods and winks about share interest enable the societies to test the market. There are fears that some of the recent money has been "hot"; if so, hints may send it away without scaring ordinary investors. If share money still comes in at a reasonable rate and withdrawals are moderate under the threat of a reduction to 3¼ per cent net on shares, then the actual reduction should be made with comparative safety. If not, then the council, though with some loss of face, can still recommend no change. Such a test of the reactions of lenders after two and a half years of 3½ per cent net is not unreasonable.

The deferment of the decision has an important, though incidental, effect, for it will test the strength of the association. Without a firm lead from the council, some societies may be tempted to break away from the recommended rates or to jump the gun, as the Leicester Permanent and the Newcastle upon Tyne Permanent have done. But the association is strengthened by the house purchase bill which ties the Government loans to the association's recommended rate on mortgages. Potential rebels, no matter how big, will not want to miss the hallmark of trustee status. If shareholders and depositors remain loyal, the independence of the movement will again be strengthened. Then, in all probability, rates will come down. But it may be only to usher in another period of inflexible rates, for a reduction to 3¼ per cent net on shares and 5½ per cent on mortgages will make a further reduction to 3 per cent net and 5¼ per cent more difficult and more unlikely.

THE MOVEMENT'S GROWTH

(£ millions)

	1956	1957	1958
Mortgage Assets	1,882	2,026	2,175
Investments (book value)	277	304	350
Cash	59	59	70
Other	16	19	20
Total	**2,234**	**2,408**	**2,615**
Shares	1,913	2,079	2,265
Deposits	194	189	200
Reserves	102	108	115
Others	25	32	35
Advanced on Mortgage	339	371	375
Mortgages repaid	302	335	360
Shares subscribed	393	391	435
Shares withdrawn	259	285	330

Source: 1956 and 1957 Chief Registrar's report; 1958 estimates.

PROGRESS OF BIG SOCIETIES

Society	Total Assets		Liquid Assets at Market Value			Reserve Ratios				Operating Expenses per £100 of Mortgages		Margins for Reserves per £100 of Total Assets‡	
				Per cent of total assets		At book values		At market values					
	1957 (£'000s)	1958 (£'000s)	1957 (£'000s)	%	1958 (£'000s)	%	%	%	%	1957 s. d.	1958 s. d.	1957 s. d.	1958 s. d.
Halifax	344,012	389,865	61,700	17·9	74,630	19·0	3·8†	3·7	3·8	14 4	13 10	4 5	6 4
Abbey National	278,204	304,513	38,510	13·9	46,843	15·4	3·8	3·8	3·2	3·5	13 0	12 9	4 3	4 10
Co-operative Permanent	162,621	204,523	21,594	13·4	30,718	15·1	2·9	2·8	1·7	2·0	17 9	16 9	2 10	4 3
Woolwich Equitable	133,591	138,406	18,576	14·2	16,756	12·3	4·1	4·3	1·9	3·0	13 11	14 9	3 8	6 5
Leeds Permanent	110,709	116,127	17,749	16·1	18,695	16·1	5·1	5·2	5·0	5·2	11 4	13 5	5 10	6 11
Provincial	71,030	76,217	11,061	15·7	14,159	18·6	6·5	6·4	5·9	6·2	14 4	14 0	8 0	8 3
Alliance	62,937	69,151	9,714	15·6	12,407	18·1	2·2	2·7	1·0	2·0	19 4	18 4	4 8	6 9
Burnley	51,429	55,052	7,627	14·9	9,287	16·9	4·2	4·2	3·6	4·1	13 1	13 4	6 0	6 2
Leicester Permanent	44,392	50,957	5,422	12·2	7,227	14·2	5·9†	5·9†	5·9	5·9	13 11	14 1	4 3	4 2
Leek & Morlands	37,900	40,274	5,692	15·1	6,239	15·6	5·0	5·1	4·1	4·5	12 4	13 3	12 0	9 2
Temperance Permanent	38,580	40,193	5,664	14·8	7,272	18·2	5·5	5·5	4·6	4·9	17 10	17 7	3 0	4 5
Bradford Equitable	32,812	36,168	4,709	14·3	6,125	16·9	4·6	4·5	4·6	4·5	14 3	16 0	6 0	6 8
Northampton Town & Country	31,798	34,861	3,773	12·0	4,981	14·4	4·3	4·3	3·2	3·5	12 10	14 4	6 8	6 4
Huddersfield	32,220	33,934	5,822	18·2	6,486	19·2	5·0	5·0	4·3	4·6	15 3	15 9	5 5	5 3
Cheltenham & Gloucester	30,275	31,604	3,785	12·6	4,929	15·7	5·9	6·1	5·0	5·6	13 6	14 2	6 6	7 10
Westbourne Park	26,467	28,317	3,054	12·6	4,433	15·7	7·1	6·9	6·4	6·4	12 11	13 11	5 3	4 9
Hastings & Thanet	24,247	28,006	2,407	10·0	3,696	13·2	4·8	4·6	4·1	4·3	15 11	16 11	6 2	5 11
Bingley	25,574	26,621	3,027	11·9	3,609	13·6	5·2	5·5	4·8	5·2	12 6	13 9	10 4	9 3
Bradford Permanent	21,075	22,189	2,304	11·1	3,234	14·6	5·2	4·8	4·0	4·3	12 11	13 4	8 2	6 0
Bristol & West	20,202	22,312	3,228	16·1	4,689	21·0	4·6	4·5	3·8	4·3	15 6	18 3	3 8	5 0

† After writing down investments. ‡ Excluding profit on sale of investments and before deducting amount written off investments.
Accounts to December 31st except: Halifax (January 31st); Woolwich and Leeds (September 30th).

BUSINESS NOTES

IN THE MARKETS

LCC's Hard Bargain

SUB-UNDERWRITING of new issues, Lord Kindersley admitted at the Parker tribunal, is a sort of club. This week the Labour leaders of the London County Council can be thankful to its members. On Thursday the LCC came to the market for £25 million, the largest issue ever made by a local authority in Britain. The coupon is 5 per cent, which is the lowest new gilt-edged coupon, other than on short bonds, since May, 1957. Even at a price of 95½ for the 1980-83 maturity, the terms are hardly attractive. The flat yield of £5 4s. 9d. is about 2s. 3d. below that on 5½ per cent Funding 1982-84; in gross redemption yield, the LCC issue at £5 6s. 8d. to latest date has a margin of less than 1s. per cent in its favour; though the big discount offers taxpayers at the standard rate 3s. 3d. more than the Funding stock in net redemption yield.

On these terms no one in the City expected the LCC issue to be taken up by the public—which is difficult enough in any case for an issue of this size. In the event, about 94 per cent was left with the underwriters. The brokers, Mullens and Company, take an overriding commission of ¼ per cent; the sub-underwriters get 1 per cent of the amount they have underwritten, plus in effect ¼ per cent on any stock they have to take up themselves. Thus the City houses that are sub-underwriters get the stock for 94¼, which gives them a gross redemption yield of £5 8s. 7d. per cent. They will be able to break even if the discount does not exceed one point and no doubt they will be glad to do so. On Thursday it was being guessed that dealings on the following day would open at a discount of around 1¼ per cent.

Why did the Bank of England and the City accept these borrower's terms? The answer lies in a blend of politics and ordinary commercial goodwill. The LCC was very conscious of the stiff price it had paid for its money in February, 1958, and of the success the stags made of its 6 per cent issue. It had made enquiries about the possibilities of borrowing on the Continent; it was deterred not by the Bank of England but by the exchange risk it would have had to shoulder. So the City agreed to terms that ensured that not a single stag should embarrass the finance officers of County Hall. It is a gesture that could only be made by a club, but one that members could not be induced to accept too often.

Investors Take their Profits

THE LCC issue, not surprisingly, cast a cloud over the gilt-edged market. Few people were prepared to read the terms as an indication of a general lowering of yields. More attention was paid to the size of the issue—a reminder of the heavy demands that may be expected this year from both local authorities and the Government itself. Accordingly, gilt-edged have been dull, though sales have not been large and the mark-down in prices has been modest. The Treasury bill rate at the tender on Friday last week actually fell sharply, by 2s. per cent to £3 4s. per cent, but the move by the discount houses was a tactical one and had no effect in the gilt-edged market.

Equities encountered a sharp bout of profit-taking before the weekend by investors who had counted on the budget reliefs. This appeared to have come to an end by the beginning of this week, though from Wednesday to Wednesday *The Economist* indicator still showed a fall of 4.2 from its peak of 262.7. The new £15 million Hawker convertible debenture, oversubscribed seven times, touched a premium of 5 on Monday, though this later fell to 3½. The allotment, on the basis of applicants' holdings of ordinary shares, was favourable to small shareholders, and the institutions have bought from the stags.

STEEL

Demand Improves Slightly

STEEL output in the first quarter of this year was 15 per cent down on a year before, but March production figures did at least show a slight improvement upon those for February: 362,700 tons a week against 347,400 tons a week in the month before. This reflects some improvement in the inflow of new orders, and the fact that a larger proportion of these orders are for immediate delivery. There

PRODUCTION OF STEEL AND PIG IRON, 1958-59
(Weekly averages)

	Steel '000 tons	Steel Change from a year before %	Pig Iron '000 tons	Pig Iron Change from a year before %
1958 :—				
1st quarter ..	421·1	— 1·0	270·5	+ 1·5
2nd " ..	398·4	—10·0	250·4	—10·2
3rd " ..	327·0	—16·0	236·4	—16·8
4th " ..	342·2	—19·1	232·9	—17·2
1959 :—				
1st quarter ..	356·2	—15·4	223·7	—17·3

are indications that those steel consumers who began running down their stocks earliest in the cycle are at any rate running them down no further, and may be doing a little re-stocking. The steelmakers themselves have undertaken so far as possible to avoid running down their own stocks of scrap any further, and scrap from shipbreaking is being stocked by the industry's central organisation. As a result, deliveries of home-bought scrap have now increased by about 10,000 tons a week—which may console merchants for the ending of their short-lived freedom to export scrap.

THE PRESS

A Bid for Newnes

SINCE the Daily Mirror-Sunday Pictorial group made its bid for Amalgamated Press, there have been rumours of a bid for George Newnes, whose £1 ordinary shares have climbed this year from 76s. to 107s. The bid has now been made and from the expected quarter—the *News of the World*, which a month ago secured a Stock Exchange quotation for its ordinary shares. Against the current price of 107s., holders of the 1,762,500 ordinary shares in George Newnes are offered 110s. in cash. The directors of George Newnes have said that they are considering it. If the bid were accepted in full, the *News of the World* would have to hand over about £9,700,000 in cash for a business that is bigger than its own. It is not clear how the bid would be financed, for the *News of the World* has no such sum in cash and the Carr and Jackson families that still control the company are manifestly reluctant to have their equity interests diluted much further.

The bid resembles the *Daily Mirror* offer for the Amalgamated Press more closely than the recent bid of Odhams for the Hulton Press, for through it a massive circulation newspaper would be taking a wide-ranging magazine group under its wing. Among its host of popular and trade magazines, George Newnes controls *Woman's Own, Woman's Day, Homes and Gardens, Country Life, Tit-Bits, Amateur Gardening, The Smallholder, Men Only, The Motor* and *The Aeroplane*. It is thus a major competitor of the Amalgamated Press and Odhams. The bid provides another instance of the concentration of the periodical press in answer to the popularity of television and it is evidently a countermove to the recent strengthening of these rival magazine groups.

INSURANCE DIVIDENDS

A Handsome Issue

SIX months or so ago, the interest of stock brokers and investors in insurance shares revived. The market has remained strong, for anticipatory hopes of bigger profits and dividends have proved justified. Prices faltered momentarily when Legal and General announced an unchanged dividend of 100 per cent but this week investors were quick to take the point made by the chairman, Lord Harcourt, that one reason for the dividend decision is that at the end of this year the company will make its first triennial valuation. Two other dividends have also cheered their hopes: Guardian Assurance has raised its payment from 45 per cent to 52½ per cent and, in conjunction with a rights issue, the directors of Royal Exchange have foreshadowed an even bigger increase.

Royal Exchange Assurance has raised its dividend from 16 to 18 per cent and this is to be followed by a handsome rights issue which will bring in about £5,700,000 of new money. This issue is of two new £1 shares at 30s. each for every £3 of capital stock now held. In the autumn the directors expect to declare an interim dividend of 8 per cent on the present capital and to follow it with a final of 8 per cent on the enlarged capital. The potential gain in income arising from this issue was immediately reflected in the marking up of the £1 shares by 13s. 9d. to 95s.

AIRCRAFT INDUSTRY

Douglas on Douglas

THE American aircraft manufacturer, Donald Douglas, gave a transatlantic view of the trials of the aircraft industry to a meeting of the Royal Aeronautical Society on April 8th. These deserve to be studied by any intending competitor of Mr Douglas and his colleagues. As in Britain, the American aircraft industry has contracted from its peak peacetime employment of 878,000 in 1957 and 128,000 men have left the industry since then, a fact that may seem surprising in view of the size of the American defence programme. The average cost of the 1,610 aircraft that will be built for the American services between this summer and next is now working out at £1.5 million apiece and one manufacturer recently spent more than £200,000 making an unsuccessful bid for a contract.

Of most relevance to the British industry were the comments made by Mr Douglas on changing production techniques. The aerodynamicist, once the linchpin of the industry, has dwindled in importance until he is merely one among several different specialists, including physicists, metallurgists, chemists and electronics engineers, each one of whom is essential to the success of a project. As the industry becomes more scientific and less purely mechanical, so its manufacturing methods also change. Mr Douglas spoke wistfully of the advantages that would follow the replacement of steel by beryllium in aircraft construction, reducing the need for such high accuracy in missile guidance systems, reducing the weight of a 2,000 mph fighter by as much as 7 tons and increasing its range by 16 per cent. The fact that beryllium happens not to exist in tonnage quantities, costs the equivalent of more than £4 an ounce, is lethally toxic and ruins the cutting edge of machine tools was dismissed as "just one of the hundreds of problems faced by the industry today." The impression was conveyed that Mr Douglas expects, indeed intends, to build beryllium aeroplanes just as soon as he can and that he has the same attitude towards machining techniques that are in some cases still laboratory curiosities but hold out the prospect of reducing the inordinate amount of machining time required to build high-performance aircraft.

This intense effort, conducted along a broader front than any British company could contemplate, is needed just to keep pace with the normal evolution of aircraft design; it does not allow for any radical break-through such as that which followed the development of the jet engine. British manufacturers may comfort themselves with the thought that radical break-throughs of this kind do not usually originate in the American industry in spite of its huge research effort. But if they cannot match the American effort in scale, they can learn a great deal from its patient thoroughness, a virtue less common in British aircraft factories than it should be.

OVERSEAS TRADE

A Bigger Deficit

IN March imports recovered more sharply than exports from the seasonally low level of the previous month, and the apparent trade deficit rose by £8½ million to £39 million. Imports rose by nearly £31 million to £322½ million cif and were £5 million higher than a year ago. Taking the first quarter as a whole imports were 1½ per cent higher in value than a year ago and probably about 2 per cent higher in volume. British exports in March rose by nearly £20 million to £271 million fob, but were £4 million lower than a year ago. In the first quarter exports were 2½ per cent lower in value than a year ago and probably showed a similar fall in volume. With the seasonal help of furskins, total re-exports increased by £2.4 million to £12.8 million; the average for the first quarter, however, was £2.4 million less than a year

ago owing to the fall in shipments of natural rubber to Russia.

The increase in the apparent trade deficit brought the average deficit in the first quarter to £39½ million, nearly £14 million higher than a year ago. It is unlikely that Britain can this year repeat its 1958 surplus, on a true payments basis, on visible trade alone. The extra demand

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

	Imports cif	Exports fob	Re-exports fob	Apparent deficit	Exports to North America
Year 1958	312·5	264·3	11·7	36·5	38·3
1958 :					
1st qtr.	309·4	271·0	13·2	25·2	34·5
2nd „	300·0	255·8	11·1	33·1	39·1
3rd „	312·5	258·6	11·4	42·5	37·1
4th „	328·2	271·8	11·2	45·2	42·6
1959 :					
1st qtr.*	314·1	263·8	10·8	39·5	39·8
Jan. . . .	328·6	270·1	9·3	49·1	41·3
Feb. . .	291·8	251·1	10·4	30·4	37·3
Mar.* .	322·5	270·8	12·8	39·0	40·7

* Provisional.

injected into the economy by the budget is officially expected to bring an increase in imports of roughly £60 to £70 million, and import prices are more likely to rise than fall. And for some time, at least, exports are expected to lag behind the growth in imports.

Encouraging Exports

WHAT positive and proper action can the Government take to encourage exports? And what facilities are now offered to British exporters by the Government of which more use could be made? These two questions formed, in essence, the basis for a working party set up last year by the Federation of British Industries to survey the export facilities available to British firms, and to report on any gaps in export policies, such as in education and training facilities, export trade promotion, market investigation, and public relations. The ten-member working party, headed by Sir Cecil Weir, has published its report; it has not considered direct financial measures, such as credit and insurance, but has covered the broad range of special facilities available to British exporters, and made several recommendations about the directions in which those facilities could profitably be increased.

Not surprisingly, the working party's report says little that is startling or revolutionary: it recommends that industry should release more of its sales-staff for daytime lecturing (in salesmanship); that British exporters should make fuller use of official sources of information and advice, at home and abroad; that British firms should make fuller use of market research facilities; that employers should increase the inducements for their salesmen to learn foreign languages; and that greater care should be given by industry to translations.

Two broad conclusions emerge from the study: first that increased facilities for information and assistance to exporters can and should be provided; and second, industry should make far more use of the underpublicised existing services than it does now. The working party found that official statistics and other information about foreign markets already extensively supplied by the Board of Trade could well be supplemented by a guide to available statistical data, such as is published now in Germany. The report summarises the facilities now available to businessmen for market investigation, advertising, and education and training, many of which are not now used to their fullest advantage. It repeats the FBI's often-expressed preference for specialised international trade fairs and all-British fairs rather than international prestige events. It also calls for the provision of a British exhibition site, larger than Olympia or Earl's Court, in which specialised trade fairs could be held.

CABLES

Combining to Compete

THE proposed merger between Enfield Rolling Mills and Enfield Cables is the latest of many recent amalgamations in the cable industry. In this case the child is taking over the parent business. Enfield Cables and other cable interests founded Rolling Mills after the first world war, and it became an independent company soon afterwards. It has now made a bid for the whole share capital of Cables, which has had a poor profit record over the past six years. The directors of the two companies state that the re-grouping that has taken place in the industry makes the creation of stronger units in the interests of both companies; the appearance of Associated Electrical Industries as one of the largest units in the industry, by adding W. T. Henley's Telegraph Works and the London Electric Wire Co. and Smiths to their original cablemaking subsidiary, Siemens Edison Swan, has been the chief feature of this re-grouping. Perhaps a more significant factor in encouraging the weaker companies to amalgamate is the impending end of two of the four main price-fixing agreements of the Cable Manufacturers' Association on April 30th, those covering chiefly domestic electric wire and mains cables.

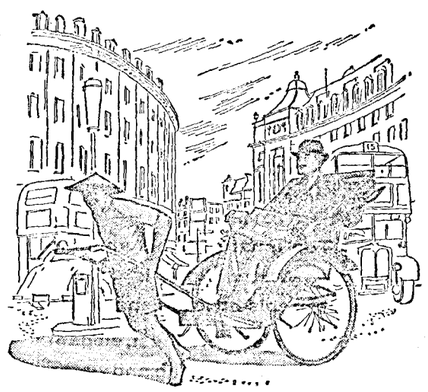
These agreements are being abandoned voluntarily by the industry, before they have been referred to the Restrictive Practices Court. Crompton Parkinson left the CMA several years ago, and with the smaller non-members it has been gaining an increasing share of the market by undercutting the prices set by the CMA. British Insulated Callender's Cables and AEI, as the two largest firms in the industry and members of the CMA, are no doubt anxious to be able to compete freely. The industry fears that the ending of the price agreements may mean sharp price competition, and it has been suggested that the remaining small companies may be forced to amalgamate. Hit by the cuts in the capital investment programme of the nationalised industries, this industry should now benefit from its expansion and the Chancellor's encouragement of capital investment in private industry. So the novelty of price competition should come to an industry enjoying a more normal state of prosperity, though perhaps not a boom.

RAW WOOL

Sharp Rise in Prices

WOOL is the largest single export of Australia and New Zealand, and these are two of Britain's largest markets. The further recovery of wool prices is therefore good news. In the middle of January, most grades of wool

Continued on page 262



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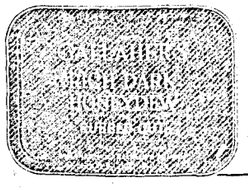


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DONCASTER RHODES & ROSSLYN
GLASGOW CARSWELL, 25 RENFIELD STREET
LEEDS RUFUS SANDERSON
NOTTINGHAM RHODES & ROSSLYN
PRESTON LINGARDS

Industry's Earnings

THE 421 companies whose accounts were analysed last quarter ended their accounting years in many cases at September 30th or December 31st. Their earnings and financial condition, given in the usual tables on pages 282 and 283, reflect the typical experience of much of British industry last year: new capacity installed in earlier years was not fully employed. For all the companies combined, trading profits rose by about 2 per cent, by £10 million to £541 million. By far the biggest increase occurred in the "motors, cycles and aircraft" group where profits were as much as 23½ per cent higher, but the motor industry was the exceptional case, recovering from recession when other sectors of industry were declining. The rest of British industry did nothing better than to mark time—as earlier profit analyses over the last year had already shown.

New capacity costs more in depreciation and in loan interest and it has brought an increase in the gross value of fixed assets by £272 million to £2,415 million. Under expansionary conditions, this increase would have been accompanied by an increase in working capital, but neither stocks nor debtors have shown any significant rise. And the rate of equity return, expressing net ordinary earnings as a proportion of net assets attributable to the ordinary captial, has declined from 10.2 per cent to 9.4 per cent. But net ordinary earnings remained practically unchanged in amount, at £194 million, and although net ordinary dividends appear to have fallen by £2 million to £70 million, they would show a slight increase if the special dividend paid in 1956-57 by Steel Company of Wales on denationalisation is excluded from the reckoning. The gross rate of return on ordinary capital is only slightly down from 15.8 to 15.6 per cent. In addition to the dividends reflected in these statistics shareholders have also received in many cases special "profits tax" interims payable out of the current year's earnings.

Among the groups to achieve advances in profits those closely in touch with consumers did well—except for clothing and footwear which reported a decline of 7½ per cent in profits. But elsewhere in these trades profits were up: breweries by 4½ per cent; food by 20¼ per cent; shops and stores by 4¼ per cent; and tobacco by 3 per cent. In these industries, too, the rate of return on net assets improved. These results are not surprising, given the further increase in consumer expenditure last year. Nor is the advance in profits and in the rate of return on employed capital in the "motors, cycles and aircraft" group; the rate of return in this group improved from 12.5 to 12.8 per cent.

Other groups less closely in touch with consumers achieved higher profits. Thus, the profits of the engineering group rose by one per cent, of the chemical group by 9 per cent, of the electrical manufacturing group by 12¼ per cent and of the miscellaneous manufacturing group by 5 per cent. But all these industries showed some decline in the rate of return on net assets: in engineering it fell from 11.0 to 10.2 per cent; in chemicals from 8.1 to 6.8 per cent; in electrical manufacturing from 6.4 to 4.3 per cent; and in miscellaneous manufacturing from 10.1 to 9.2 per cent. Having invested heavily in new capacity in earlier years, in 1958 they had to make provision for higher depreciation and capital charges when it was not being fully utilised.

Where profits have fallen, the rate of return on net assets is more sharply affected. The group with the biggest statistical weight in this quarter's analysis is iron and steel, which shows a fall of one per cent in trading profits and a much bigger relative decline in the rate of return, from 12.3 to 11.0 per cent. Shipping profits fell by as much as 24¼ per cent and there the rate of return came down from 6.5 to 3.5 per cent. The other big declines occurred in the textile industries: in cotton, profits fell by 36¾ per cent; in wool by 29¾ per cent; and in other textiles by 30 per cent.

These varying rates of return cannot be compared between one industry and another, but they ought to be representative as indicators of trends. On that basis they suggest that the equity stocks in many British industries are more highly geared than they were thought to be only a year or two back. The dip in production of some sectors of industry has had a sharp effect on earnings, and even those industries where recession has meant nothing more than a check to expansion have felt some reaction in earnings. When production revives and these industries bring their capacity more fully into employment, net equity earnings must gain and some could gain quite sharply. This is an argument that should favour capital goods shares in the longer run.

PROFITS, PROVISIONS AND DEPRECIATION
(£'000)

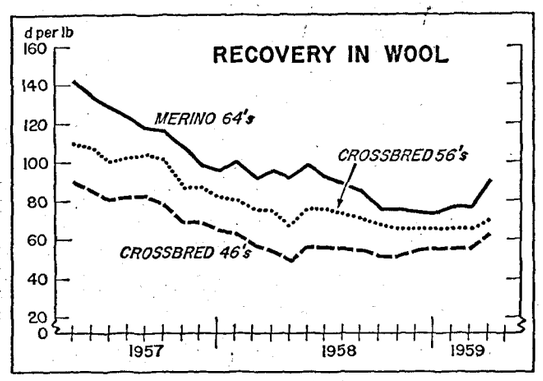
	Reports Published January to March, 1959		Reports Published April, 1958 to March, 1959	
	421 Companies		2,326 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	530,907	541,300	2,235,452	2,284,627
Income from investments	20,817	23,328	89,968	102,387
Other current income	119	167	2,919	2,968
Non-recurring credits	10,271	12,285	53,280	56,356
Total Income	562,114	577,080	2,381,619	2,446,338
Depreciation	95,465	108,295	402,710	453,356
Income tax	167,181	171,179	754,426	747,579
Profits tax	41,188	37,386	173,778	172,568
Directors' emoluments	11,780	12,167	58,939	60,917
Administrative charges	7,706	5,205	20,272	19,954
Contingencies, provisions, etc.	9,409	6,053	46,944	51,582
Pensions	7,986	11,511	34,301	36,896
Minority interests	8,059	6,763	28,867	29,720
Loan interest	13,126	18,551	48,891	63,234
Preference dividends	5,970	5,991	31,983	32,624
Profits retained by subsidiaries	45,441	31,339	190,600	166,027
Ordinary dividends	72,090	70,207	279,253	288,797
Reserves (parent company)	67,506	64,424	263,962	267,111
Brought in (parent company)	101,799	111,006	422,832	469,525
Carried forward (parent company)	111,006	139,015	469,525	525,498

ANALYSIS OF BALANCE SHEETS
Published January-March, 1959 (£'000)

Capital, Liabilities and Reserves	421 Companies Previous Year	421 Companies Latest Year	Assets	421 Companies Previous Year	421 Companies Latest Year
Capital (Parent Companies):			**Fixed Assets:**		
Debenture	341,157	394,972	Land, property and plant	2,142,726	2,415,047
Preference	179,722	180,211	Less depreciation	652,840	741,003
Ordinary	760,307	784,344			
	1,281,186	1,359,527		1,489,886	1,674,044
Reserves and Surplus:					
Capital reserves	359,980	408,784			
Revenue res. and carry forward	790,200	870,264	**Trade Investments**	68,102	70,136
Total Capital Reserves and Surplus	2,431,366	2,638,575	**Intangible Assets**	40,836	42,264
Outside Interests in subsidiaries	97,350	100,050			
Current Liabilities and Provisions:			**Current Assets:**		
Bank overdrafts and loans	150,049	152,312	Stocks	1,120,600	1,120,403
Creditors	480,910	475,048	Debtors	597,669	610,549
Other current liabilities	275,776	288,869	Gilt-edged securities	86,828	88,751
Future taxation	218,109	232,939	Other marketable investments	26,553	24,544
Other provisions	47,266	48,672	Cash	270,412	305,434
	1,172,110	1,197,840		2,102,002	2,150,081
	3,700,826	3,936,465		3,700,826	3,936,465

(*Continued from page 258*)

were at their lowest level for over seven years; since then prices of merinos have risen as much as 25 per cent and crossbreds—which had been held up by the New Zealand reserve price scheme—have risen 15 per cent. So prices now are back to the levels ruling before the season started in July. More than half of the advance has occurred since sales were resumed after the Easter holidays. By then buyers had confidence in the recovery and were covering their future requirements and also increasing their stocks. Demand rose sharply, and prices followed suit. The advance is now slowing down, but prices seem in little danger of a relapse. There are no signs of any halt to the recovery in wool consumption, and only two-and-a-half months of the selling season to go.



The latest sales returns from Australia and New Zealand do not reflect the full improvement in prices. In the first seven months (July to February) of the season Australia sold 919 million lb of wool, 28 million lb more than in the same period of last season, but its total receipts dropped by £56 million to £144 million. New Zealand's sales rose by 20 million lb to 258 million, and receipts dropped by £8 million to £37 million. Both countries are now more confident about their exchange reserves. Higher prices for wool helped to give Australia a surplus on visible trade of over £6 million in March, and the deficit in the first nine months of the financial year was nearly wiped out. And New Zealand has decided to increase import quotas for private goods by some £18 million this year. The increase covers mainly materials and producer goods, but some consumer goods as well, and is expected to bring total "private" imports to about £210 million in 1959.

INTERNATIONAL MONETARY FUND

Mr Jacobsson's Warning

THE increases in quotas in the International Monetary Fund that are now being ratified by member countries are larger than was originally foreshadowed. Seventeen countries, including besides Germany, Japan and Canada a number of Latin American countries, are being granted increases in quotas bigger than the standard increase of 50 per cent. This was announced last week by Mr Per Jacobsson, managing director of the Fund, in a careful survey of recent financial and economic trends to the Economic and Social Council of the United Nations at Mexico City. Mr Jacobsson said that the Fund's resources of all currencies will be enlarged by $5.8 billion; a straight 50 per cent increase all round would have produced $4.6 billion. The Fund's holdings of gold, US dollars and the five other currencies that have been drawn in recent years will be increased by 75 per cent. Even so, the increase will not do much more than restore in real terms the resources granted to the Fund at its inception in 1944.

But the lines of credit available at the IMF are not the only sources of additional international liquidity; and Mr Jacobsson places great importance on the recent modest revival of banking credits. He regards market sources as a natural and desirable replacement of the official facilities made available through the European Payments Union. The Fund, like the World Bank, has recently given more of its assistance in conjunction with other agencies, including private banks. The climate for such ventures has undoubtedly been improved by the lessening of inflation throughout the world. The recession in industry has intensified the problems of primary producers; but Mr Jacobsson attributes the weakness of many commodity prices largely to deep-seated structural changes in production, and warns the producers that they should not expect world industrial recovery to pull them out of their difficulties.

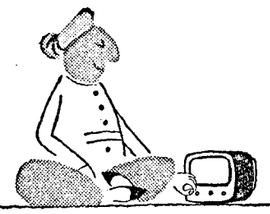
The solution is a diversification of their production and exports; and in financing them, these countries must avoid recourse to inflation, which, Mr Jacobsson says, will make them less attractive not only to private capital but also to public and international agencies, in using their not unlimited funds. In the context of fixed interest loans and credits he is undoubtedly right. But Sir George Bolton is fond of pointing out that in Latin America, financial instability may be as small a deterrent as political instability to the investor putting his money into real assets. His only concern is to be permitted to remit his profits.

USED CARS

Prices after the Budget

THE reduction in new car prices in line with the reduction in purchase tax from 60 to 50 per cent has had a less than proportionate effect on the prices of secondhand cars. Retail prices of new cars were reduced, following the Budget, by about five per cent—roughly £35 on a £655 Morris Minor, and £45 on a £820 Ford Consul. The immediate effect on used car prices has been that a car one year old, in good condition, has dropped by about four per cent in price; two or three year old models have fallen by only about two and a half per cent, and older models have remained substantially at their pre-Budget prices. There are two main reasons for this: first, while seasonal fluctuations have been less marked in the motor trade this year than in previous years (aided by the unseasonal fillip last winter when the hire-purchase restrictions were lifted), a great many buyers appear to have been holding back until after the Budget, and this sudden release of demand has tended to keep prices firm. Second, there is still a sizeable unsatisfied demand for new cars in Britain, and supplies have been affected by the strikes which have plagued the motor industry in recent months; this is reflected in both the length of dealers' waiting lists for new cars and in high prices for late models of used cars.

This situation may be expected to correct itself in coming months, as the present high level of demand tapers off and supplies of new cars become greater. Eventually, the prices of used cars should fully reflect the cut in purchase tax,



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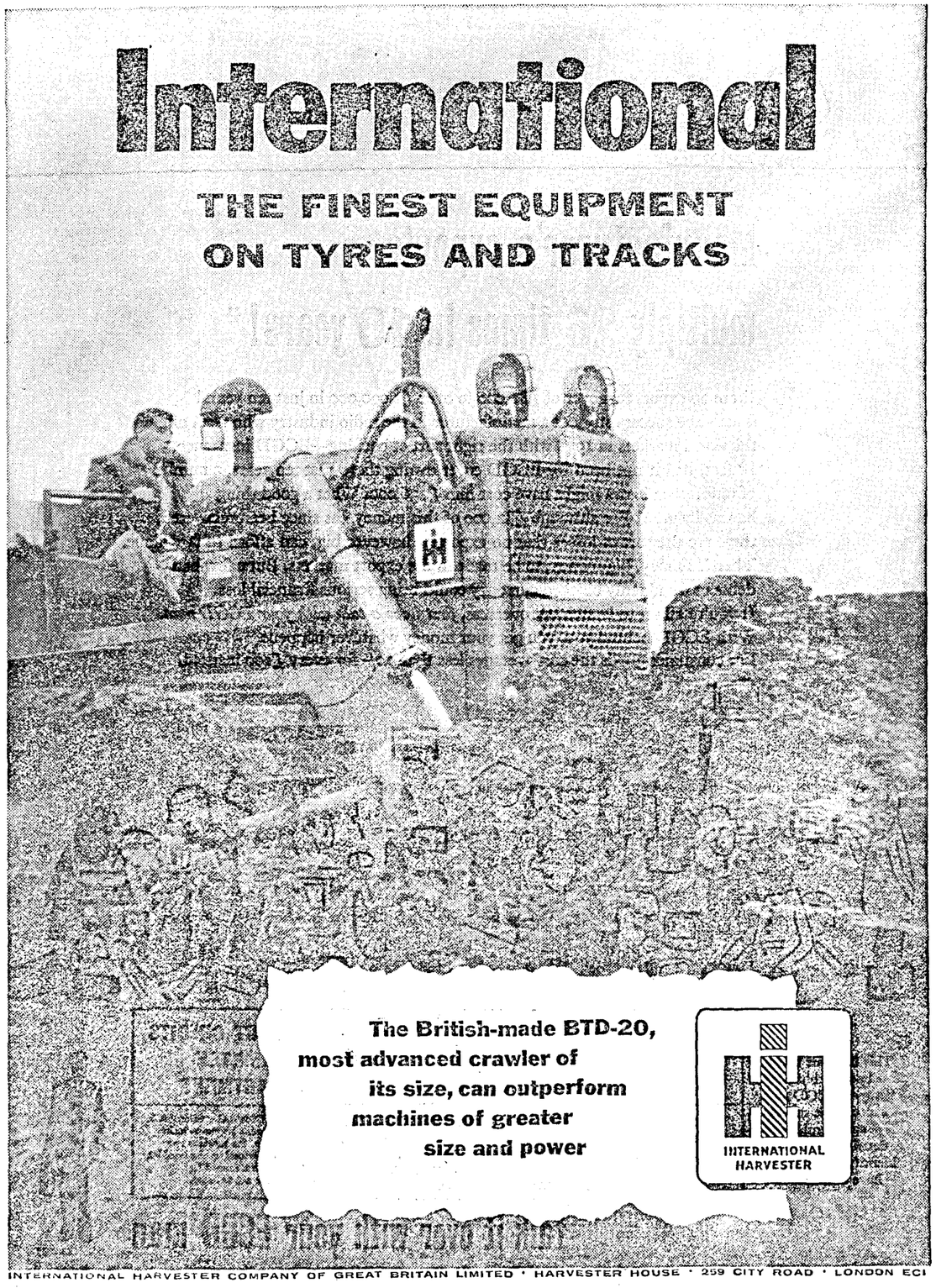
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re-establishing a more or less normal relation between new and secondhand prices. But this may not take place for some time to come. Owing to the high prices obtainable for secondhand cars, trade-in values have remained consistently high ; but they may well fall more rapidly than secondhand prices if waiting lists for new cars stay long. This stimulation of demand (costing about £25 million this year) in a market where supplies are already short may thus bring the greatest benefits, at least in the short run, to motor dealers.

NATURAL RUBBER

A Buoyant Market

NATURAL rubber prices are at their highest level for over two years. In London the top grade of sheet rubber on the spot is now about 27½d. a lb, having risen by 3d. a lb. since the beginning of the year. Production is seasonally low and demand has increased. Last year a fall in consumption in the free world, especially in the United States, was offset by bigger purchases by the Communist countries, especially Russia and China. This year consumption in the United States is rising, and Russia is also buying more. A part of the increase in American demand anticipates—as in steel and copper—the possibility of a strike in the manufacturing plants when the labour contracts expire in the summer. But this does not affect American consumption of natural rubber over the whole year, which is expected to rise by at least 50,000 tons, or 10 per cent. Consumption in the rest of the free world should be at least as large as last year, and if there is no sharp decline in the current rate of purchases from Russia and other Communist countries, demand for natural rubber could exceed two million tons. Production amounted to about 1,950,000 tons last year, and higher prices should bring out more rubber. But supply and demand may well be finely balanced.

The big premium that natural rubber now commands over synthetic cannot harm its prospects this year, for the immediate scope for further substitution of synthetic is small. But the bigger the premium the greater the incentive to accelerate expansion of synthetic rubber facilities, particularly for the manufacture of polyisoprene, the "synthetic natural" rubber. For the next few years, indeed, there is likely to be too little natural rubber, rather than too much. Is it not time for the British Government, in full consultation with Malaya, to start preparing a programme for the orderly disposal of its strategic stock ? Having disposed of its strategic stock of copper and certain other materials the government cannot claim that rubber is a special case—strategically, at least. The disposal problem cannot be shelved indefinitely, and it is not in Malaya's real interest that it should continue to be ignored. It would also seem wise to consult with the United States, whose own strategic stock of natural rubber is known to exceed its needs.

LEAD AND ZINC

More Help for American Mines?

WEAKNESS in lead and zince prices persists. Prompt lead in London has dropped by over £4 10s. to about £68 a ton this year, and the surplus is reflected in the premium of £1 a ton for forward metal. Zinc has fared a little better. Zinc became dearer than its sister metal towards the end of 1958, and it still is. Forward zinc has dropped by £2 this year to about £71 10s. a ton, but the premium on prompt metal has almost disappeared. Weakness in London has been accentuated by the import quotas imposed by the United States last October, when imports of both metals were restricted to 80 per cent of the 1953-57 average. The metal kept out of the United States is now sold through London, the residual world market. But London's loss has not been America's gain. Stocks in the United States remain high, and the American price of lead has dropped by 2 cents to 11 cents a lb this year, and is now barely above the 1958 trough ; zinc has fallen by half a cent to 11 cents a lb, which is one cent above the 1958 trough. As the quotas do not apply to manufactures of lead and zinc, foreign producers have been shipping more manufactures to the United States.

Though world consumption of both metals should increase this year it is not likely to match production. American bartering of agricultural commodities for lead and zinc can hardly mop up the whole surplus, so any appreciable improvement in prices depends on further cuts in output. Restriction of output among mines outside the United States will be discussed again by the next United Nations conference on lead and zinc, which opens in New York on April 28th. With lead now at its lowest price for many years, opposition to an international restrictive scheme may have diminished. But as the fall in prices has been less severe than some countries expected, their enthusiasm for a scheme may have faded too.

In the United States, where producers feel that they have already done their share in cutting output, there is growing pressure for more effective action against imports. A bill has been prepared which seeks to restrict imports to the amount necessary to bring domestic prices up to 15½ cents a lb for lead and 13½ cents a lb for zinc, a level that American producers commonly regard as "reasonable." The major American producers, however, do not like protection by quotas ; most would prefer higher tariffs instead. The Administration, which brought severe criticism on itself from foreign countries for imposing quotas, might be happy to drop them in favour of higher tariffs. It is understood that the Reciprocal Trade Agreements Act, as amended last year, permits the existing tariffs of 1.06 cents a lb on lead and of 0.7 cents a lb on zinc to be raised by several cents. Foreign producers in principle regard tariffs as the lesser of two evils, but the new legislation apparently opens the door to much larger increases than they had been prepared for.

DEXION BUILDINGS

Houses in a Hurry

THE need for rapid, efficient, low-cost building is often of great importance in underdeveloped countries, where it may be hampered by the lack both of capital and—particularly—of a skilled labour force. These difficulties may be at least partly overcome by a new building system recently developed by two British companies, Dexion Ltd., and Cheecol Processes, Ltd. Known as Chee-Dex, the system combines the "slotted angle" iron framework already marketed on a worldwide scale by Dexion with aerated concrete wall panels developed by

Cheecol Processes. The makers claim that a small Chee-Dex house can be built in a week by two unskilled workers under a skilled supervisor ; the framework can be erected in three days, and the wall panels can be produced on the site. The system is designed for use in Africa, the Middle and Far East and Latin America ; designs are available for houses, hospital installations, schools and light industrial buildings, and it is believed that in the majority of cases these buildings will be cheaper to build than their brick equivalents.

In practice, Dexion slotted angle framework is simply cut to length and bolted together on the site to form a light-weight framework of uprights and roof trusses ; the concrete wall panels are fixed to the frame by clips that bolt to cast-in sockets, and either a flat or pitched roof, of any convenient material, is then added. The walls may be painted, or faced in aggregate, and internal walls can be finished to any desired standard. In Jamaica it has been found that this type of construction reduced the cost of a simple two-bedroomed house by 25 per cent ; similar results have been obtained by the companies with petrol stations in Rhodesia.

While Dexion has been used in a wide variety of similar building installations in the past, this is the first time the company has marketed a "package" building system in co-operation with another company. First developed in 1947 by Demetrius Comino, an Australian engineer of Greek extraction then living in London, Dexion consists of sheet iron punched with slots and holes, bent lengthwise to a right angle. Supplied in several sizes, it is simply bolted together, much like a giant "Meccano" set. It is used in a wide variety of industrial and constructional applications, and is now made under licence in fourteen countries outside Britain ; the latest factory to make it will open shortly in New Zealand.

STOCK EXCHANGE

Bearer Shares Again

ANOTHER sign has been given this week that the attitude of the authorities to bearer shares is becoming a little more flexible. Last autumn, they agreed that the firms participating in Aims of Industry should be allowed to sell shares to workers in bearer form, provided no stock exchange quotation was sought, thus lessening the risk of sales to non-residents. Early this year, the ban was lifted on repatriation of bearer shares held by foreign investors—which immediately narrowed the premium of bearer over registered stock to the equivalent of the stamp duty, and encouraged an increase in arbitrage between London and Paris in ordinary shares such as "Shell" bearer. Now the Bank of England has given permission to Liebig's in its forthcoming one-for-one bonus issue to offer bearer shares to holders of existing bearer shares (which make up about one-third of the company's total ordinary capital of £2 million ; an unknown portion is held abroad). It will be intriguing to see how many bearer holders take their new shares in bearer form—they have the option of taking registered stock. While stamp duty is not levied on transactions in existing bearer shares, it is levied at triple the basic rate, i.e., at £6 per cent, on new shares ; and the company charges 2s. 6d. for each share warrant (of £5, £20 or £50) to cover the cost of printing this negotiable instrument.

Counting Britain's Architects

STATISTICAL information about some British professions has necessarily been made available by law or circumstance: this is true of doctors, for example, owing to national health legislation. In many other professions, however, a traditional British reserve—not to say secrecy—still operates to keep this information hidden from the general public, and sometimes from the members as well. Until recently, architects fell into the second category; now, however, the Royal Institute of British Architects has published some of the results of a survey for 1957-58 which lifts this cloak of anonymity, and gives a picture of the structure of the profession—as well as showing how important architects are to building construction in Britain.

At least half of the country's architects are still in private practice. In 1958, there were about 3,000 private architectural practices in Britain, employing some 9,000 architects and 5,500 unqualified assistants ; these firms were responsible for the design and supervision of at least one-third of the new building work done in Britain in the previous three years. The small firm still predominates in architecture: in 1957-58, three-fourths of all practices in Britain had five or fewer architectural staff. Forty per cent had one principal and no architectural assistants ; twenty per cent consisted of one man working entirely on his own, with no architectural assistance—qualified or unqualified—whatever. These small firms accounted for 39 per cent of the volume of building work certified by an architect in 1955-57. Firms with eleven or more architectural staff, on the other hand, accounted for almost as much of the nation's building work during that time, although they represented only ten per cent of the number of firms in the profession.

There are few really big private firms of architects in Britain ; only about 40 firms—mainly concentrated in the London area—employed 25 or more staff. By contrast, there are nearly 80 firms in America employing more than 50 qualified architects or assistants—one firm has a staff of over 1,000. The proportion of architects working entirely on their own, however, is about the same in both countries (in Canada, by contrast, only three per cent work on their own). The average practice in Britain probably contains about the same number of architects as its American counterpart—about 5—but gets along with less than half the number of draughtsmen, specification writers, administrators, and other hangers-on.

Work certified by private architects rose in value in 1957 to over £400 million, out of a total of £1,230 million worth of new building. This does not include buildings—particularly private housing—designed by architects but supervised by the builder. About 77 per cent of all commercial building is certified by an architect ; but only 34 per cent of all industrial buildings and about 17 per cent of all housing, are. Of all new building done for private owners during 1955-57, 44 per cent was certified by an architect ; but this was true of only about one-fifth of new work done for public authorities.

The Institute is expanding the survey in an attempt to find out the volume of work being done by the architects' departments of public authorities and industrial firms—in other words, the half of Britain's architects not in private practice, and not covered in the present survey. It is believed that when this group's work is considered, architects will be found to be handling between 60 and 70 per cent of all new building work in Britain—a considerably higher proportion than has previously been assumed to be the case.

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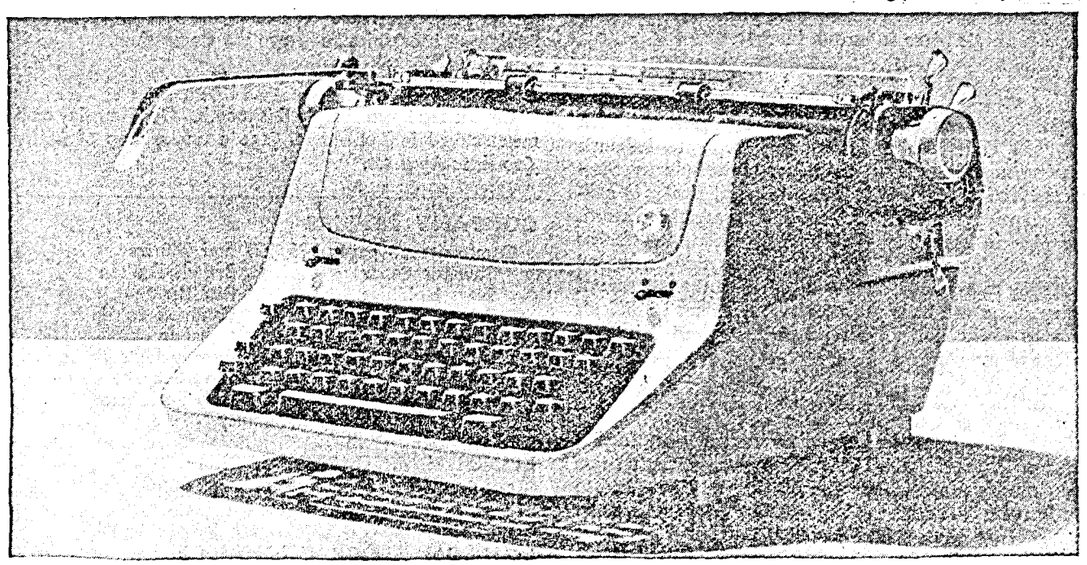


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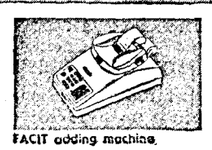
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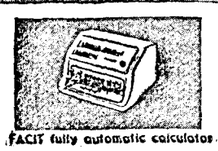




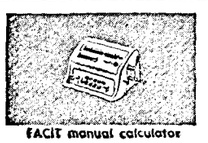
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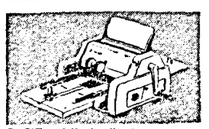
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FACIT fully automatic calculator



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FACIT spirit duplicator

PLASTICS

A New Material

A NEW reinforced plastic material called "Resnit" has been introduced by Leicester, Lovell and Co. Intended for uses where the quantities involved are too large for economical hand production, it consists of a knitted cotton fabric in which a heat-setting phenolic resin is incorporated, and can be shaped on a press basically similar to that used for forming sheet metal. The makers claim that the fabric used in Resnit is cheaper and easier to shape than the glass fibre cloths normally used, and that it will be some 30 per cent cheaper than glass fibre/polyester laminates for quantities large enough to justify the tooling costs—say 5,000 to 10,000 pieces a year. It is not so strong as glass fibre reinforced materials, but it could be made with glass fibre instead of cotton where strength is more important than cost. It is expected to find useful applications in general engineering, and where moderately large numbers of a light and corrosion-resistant product are needed. Tooling costs are lower than for sheet steel, and the cost of finished parts made of Resnit may be competitive with steel pressings.

SHORTER NOTES

ICI have announced that they will begin commercial production of polypropylene, which they will sell under the brand name "Propathene" beginning June 1st. The company's pilot plant at Wilton will be enlarged, and a new plant will be built there to bring capacity to around 10,000 tons a year. Polypropylene is a high-density polyolefin plastic having superior properties in many respects to conventional polyethylene, and a wide range of potential new uses; it is also produced under licence in Britain by Shell Chemical Company, who have announced plans to have a full-scale plant on stream in 1961.

* * *

Steel: Fact and Fiction, produced by the British Iron and Steel Federation this week as a reply to Labour's pamphlet supporting re-nationalisation of the industry, *Steel and the Nation—Labour's Plan*, has little difficulty in nailing down with pretty hard facts most of the arguments worth answering in that wildly tendentious document. It has considerably more difficulty in finding anything new and interesting to say about the issue. Vital as the outcome of this argument will be to the steelmakers, it must be difficult for even them not to become rather bored with the content of it.

* * *

Applications by United Kingdom residents for foreign exchange for education or maintenance abroad may now be dealt with by authorised banks; hitherto they have had to be referred to the Bank of England. An allowance may be granted of £700 for one full year at school and of £1,250 at university; up to £50 a month, for not more than six months, may be approved for education "en famille"; and an annual allowance of up to £150 in North America and £75 elsewhere may be given for children going abroad for not less than one scholastic year under reciprocal "au pair" arrangements.

Two further big foreign loans are expected shortly in Switzerland. The Danish Government is to raise 50 million Swiss francs, and the International Standard Electric Corporation of New York 60 million francs. This brings total foreign loans in Switzerland since the autumn above 500 million francs. It has been reported from Luxemburg that the High Authority of the European Coal and Steel Community expects to raise a loan in Germany this year of 150-200 million marks.

* * *

In an interim statement to shareholders, the chairman of A. C. Cossor, the Marquess of Exeter, announces that the company is to pay the dividend on the six per cent £1 preference shares for the year to March 31st, thus making good the previous arrears for the six months to September 30th 1958, but that the question of paying an ordinary dividend must await the preparation of the full accounts. The sale of the radio and television subsidiary has placed the company on a profitable basis; activities are being concentrated on the electronic engineering field. The precise figures of the sale of the radio and television subsidiary to Philips Electrical Ltd. cannot yet be ascertained; these will no doubt be published when the results of the further reorganisation now proceeding are announced.

* * *

Crude oil production in the Consortium Agreement area of Iran reached a record level of 39.8 million tons in 1958, according to the Iranian Oil Operating Companies' annual review of operation, published this week. This compares with 34.8 million tons in 1957; payments to Iran totalled £88.2 million in 1958, against £76.4 million in 1957. The two operating companies, the Iranian Oil Exploration and Producing Company and Iranian Oil Refining Company, operate in the Agreement area in southern Iran on behalf of the National Iranian Oil Company and the seventeen foreign oil companies known as the Consortium.

* * *

Copper has fallen sharply this month. On Thursday cash metal closed in London at £230 a ton, a drop of nearly £20 since April 1st.

COMPANY AFFAIRS

Comments on pages 276, 277 and 280 on

Bowater Paper	British Timken
Sears Holdings	Rio Tinto
Pressed Steel	Cammell Laird
Swan Hunter	Gallaher
Unicorn Unit Trust	Crosby Unit Trust
Odhams	Land Securities
General Motors	Esso Petroleum

Trade Indemnity

LONDON AND NEW YORK

Stocks, prices, yields and security indices on page 278

LONDON STOCK EXCHANGE

The week's movements reported on page 280

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 281

COMPANY MEETINGS

SCOTTISH WIDOWS' FUND & LIFE ASSURANCE SOCIETY

HIGHEST EVER NEW BUSINESS

RECORD COMPOUND BONUSES

MR F. H. N. WALKER ON SOCIETY'S IMPRESSIVE GROWTH

The one hundred and forty-fifth Stated Annual Meeting of the Society was held in the Society's Head Office, Edinburgh, on Tuesday, April 14, 1959.

In the absence through illness of Mr F. H. N. Walker (Chairman of the Ordinary Court of Directors), Mr Alastair C. Blair, CVO, WS, presided.

In moving the adoption of the report and accounts, which were taken as read, Mr Blair submitted Mr Walker's remarks as follows:

New life assurance business in 1958 exceeded £35 million, the largest ever reported for a single year and over £9 million more than in 1957—an increase exceeding one-third. New annuities were arranged for about £5¼ million per annum—nearly 25 per cent greater than in the previous year—and almost all relating to group and other pension schemes.

These are indeed impressive figures which show a marked advance even on the record results we were able to report for the previous year. It is therefore not surprising that the Revenue Account shows a premium income about £900,000 higher than in 1957 and more than 60 per cent in excess of the figure of five years earlier.

Income from investments is higher, not only in absolute terms owing to growth of our assets but also as a rate of earnings on our funds—£6 4s. 10d. per cent as against £6 3s. 3d. per cent last year. It should be remembered that these rates would have been about 6s. higher had it not been for the transfer—to which I shall have occasion to refer later—of £5 million from inner reserves to the funds in 1955 to provide a special additional intermediate bonus till the end of the quinquennium and a special vested bonus now.

QUINQUENNIAL VALUATION

I come now to the quinquennial valuation and distribution of surplus. Our total assurance funds, including the Capital Redemption Fund, were just over £115 million—about £12 million greater than a year earlier and as much as £49 million in excess of the figure of five years ago, an increase of 74 per cent during the quinquennium. This is another measure of the growth of the Society and of the net savings we are attracting to life assurance with such benefit to the policyholders and to the community.

The liabilities under our large assurance and annuity business have been valued on the stringent bases set out in the report and a special contingencies reserve of £1,600,000 has been made. Deducting the value of the liabilities and the contingencies reserve from the Life Assurance and Annuity Funds, a surplus is disclosed of over £13,800,000 including £692,000 brought in from the previous quinquennium.

Out of this surplus the Directors have declared a compound reversionary bonus, i.e., a bonus calculated on the sum assured and existing vested bonus at December 31, 1958, and payable in the same event, at the rate of 50s. per cent per annum—the highest rate of compound bonus ever allotted by the Society—on all ordinary with-profits policies in force on January 1, 1959.

SPECIAL REVERSIONARY BONUS

In addition there is a special reversionary bonus to with-profits policies which were in existence at December 31, 1955, on a with-profits basis and were still in force on January 1, 1959, on that basis. This special bonus is at the rate of 30s. per cent compound for each year's premium due on the participating scale on or before December 31, 1955, with a maximum of £7 10s. per cent. It will be remembered that at the end of 1955 the Directors considered it only fair that the holders of with-profits policies then existing should receive some benefit from the capital profits arising from our holdings of ordinary shares in addition to such higher bonuses as might be allotted to all with-profits policyholders in future on account of the increased income resulting from these holdings. They would have declared a special vested bonus then had the time been appropriate. This, however, would have involved a full valuation of assets and liabilities and, as only two years had elapsed since the previous valuation and distribution of surplus they decided instead to intimate their intention of declaring at the end of the quinquennium a special vested bonus on the lines I have indicated and to allow on claims and surrenders arising in the meantime under policies affected a special intermediate bonus at the same rates. Now that the quinquennium has ended they have carried out their intention. The sum of £5 million was transferred from reserves in 1955 to meet the estimated cost of the special bonus, and you will be interested to know that this sum has proved to be almost exactly the amount required to provide the special vested bonus and the special intermediate bonus in the meantime. The exceptionally large surplus of over £13,800,000, which I have mentioned, includes the balance of that sum of £5 million which remained at December 31st last after providing for the special intermediate bonus in the meantime.

The combined effect of the ordinary and special bonuses now declared is that the compound bonus for the quinquennium on ordinary with-profits policies ranged from a minimum of 50s. per cent per annum to as much as 80s. per cent per annum for ordinary with-profits policies entitled to the full special bonus.

That so many of our with-profits policyholders—those who have held with-profits policies for eight years or more—will receive an addition of 20 per cent to sums assured and previously existing vested bonus is an outstanding result even on present-day standards.

GROUP PENSION SCHEMES

Our with-profits group pension policyholders also share in the Society's success, and we are pleased to be able to declare a bonus at the rate of 12s. 6d. per cent as set out in the Report of the Directors. This bonus is at a higher rate than we expected to declare when we launched our with-profits scheme in 1954 and augurs well for the future.

With-profits group pension schemes now form a large and important part of our business, and we are confident that employers who have entrusted their pension arrangements to the Society should have every reason to feel that their decision was a wise one.

You will naturally ask yourselves what the future is likely to hold. Well, the contingent intermediate bonus has been fixed for the time being at the rate of 50s. per cent per annum compound—the highest rate of ordinary compound intermediate bonus ever allowed by the Society—and, whatever may be the changing economic and financial conditions of the future, the Directors feel confident that the Society will continue to give outstanding value for money to its members and maintain its leading position as a with-profits life assurance office.

The Directors' report and the accounts as audited were adopted unanimously.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

MOST SUCCESSFUL YEAR

The 118th Annual General Meeting was held on April 7, 1959, at Birmingham. Mr A. H. Sayer, MC, JP, the Society's Chairman, said: I am pleased to be able to point out that the Society's declared bonuses have increased in successive years from 32s. per £100 sum assured to 36s. and now 40s. Similarly in the Industrial (Home Service) Assurance Department, where premiums are collected at the homes of policyholders, allocations for their benefit have been increased in successive years from £110,000 to £160,000 and now to £180,000, so that Home Service policy holders may reasonably expect, in the years to come, larger additions to the contractual sums payable on death or maturity. A with-profits insurance policy responds to the effects of inflation to the advantage of the policyholder with a flexibility with which it is not always credited.

The year's operations during 1958 were favourable. The Assets increased by over £1,300,000, which was invested to yield favourable rates of interest. The gross rate of interest earned on the total funds was £5 0s. 6d., notwithstanding that the rate of interest charged on over 6,000 House Purchase Loans has not been increased above the original rates of 4 per cent and 4½ per cent. The total income at over £6 million showed an increase of over £250,000.

The Valuation Surpluses totalled £1,052,000 compared with £973,000 at the actuarial valuation a year ago, and it has proved possible to increase the Bonus on Ordinary Department Policies.

New business was buoyant during the year with increases in all Departments. Indeed from nearly all points of view the year 1958 was one of the best ever experienced in the long history of the Society.

THE BRADFORD DYERS' ASSOCIATION LIMITED

NEED FOR REORGANISATION

MR JAMES EWING ON THE POSITION

The sixty-first Annual General Meeting of The Bradford Dyers' Association Limited was held on April 14th at the Midland Hotel, Bradford.

Mr James Ewing (Chairman), who presided, in the course of his speech said:

The Company reached its 60th anniversary in December last, and I regret that in submitting our 61st Annual Report we are not in a position to lay before you much better figures. We have had two difficult years, and I have already given you reasons for the adverse results in my statement which accompanied the Accounts.

In 1958 output of cotton and man-made fibre cloths was at its lowest level since 1947. Imports were substantially bigger than in most years during the past decade and exports much less, and the balance for home consumption was not reduced to a degree likely to cause a shortage sufficient in itself to bring about a revival in demand.

GOVERNMENT ASSISTANCE

In the statement accompanying the Audited Accounts I made reference to the existence of redundant capacity in all Sections. The Prime Minister at the Cotton Board Conference in Harrogate last October indicated that if the industry would produce plans for reorganisation the Government would be willing to assist. If this means—which I believe it does—that the Government is prepared to assist financially in removing excess capacity, I hope all Sections of the industry will respond immediately and grasp this opportunity of reorganising the industry.

It is the responsibility of the industry sectionally to produce plans which will meet their differing needs. At the same time it is equally important that the Government should reconsider its policy in relation to the domestic textile industry. In my view we now have the opportunity to re-shape our industry, but if we fail to do so we can only expect a continuation of the slow and wasteful erosion that has been going on for so long.

POSITION IN USA

The problems facing the USA textile industry are not unlike those of the United Kingdom. Measured from the base period of 1947-49, industrial production in the United States has gone up by 45 per cent, whereas during the same period the production of domestic textile mill products declined by 2 per cent. There was a modest decline in the production of cotton fabrics, a relatively large decrease in the production of fabrics made from rayon and acetate fibres, and a very substantial decline in the output of woollen and worsted goods. The only fabrics to show an increase are those made from the newer man-made fibres. A report has just been published by a special sub-committee of the US Senate Committee on Interstate and Foreign Commerce (Report No. 42 dated February 4, 1959). The report urges that "it would not be wise national policy to allow conditions in the domestic textile industry to continue to deteriorate . . . there can be no disagreement that it is imperative to national security for this Nation to maintain sufficient capacity to satisfy its military and civilian needs in the event of a national emergency."

This is a pertinent factor, which I consider our own Government should weigh very carefully. There is a well-established precedent for the maintenance of a live and efficient textile industry in the United Kingdom for purposes of national security. In the case of the Dyestuffs Industry, after the first world war, when this country produced less than 20 per cent of its dyestuff requirements, an Act was placed on the Statute Book—the Dyestuffs (Import Regulation) Act—and under the shelter of this Act a virile and progressive dyestuffs industry was established in the United Kingdom. This enabled the British makers to produce the whole of the country's requirements in the more exacting period of the second world war and to obtain a commanding position in overseas markets. That Act was placed on the Statute Book because of National Security.

BEIDA DYERS SAE, EGYPT

There is little I can add to the statement which accompanied the Directors' Report. The mechanics for settlement of the claims will doubtless be proceeding in the normal way, but we have not yet been put in touch with the accredited body for dealing with the detailed settlements. We cannot see that there should be any delay in effecting settlement of our sequestrated assets, which comprise balances in the National Bank of Egypt and Bank Misr, Cairo, aggregating £E1,099,560. A settlement of our Egyptian property claim, embracing our holdings in Beida Dyers SAE, should be facilitated inasmuch as our main claim comprises our holding of 54,240 shares which are quoted on the Egyptian Stock Exchange. This claim will be met out of the amount of £27,500,000 which the Government of the United Arab Republic has agreed to provide in full settlement of all claims for Egyptianised property. We should have welcomed an opportunity to continue to hold this investment, because of our long term know-how agreement with the Company, but in arriving at the settlement we were not consulted.

Our claim has been based on the Stock Exchange value at the date when the shares were sequestrated and later Egyptianised, and so far as we can ascertain the Stock Exchange value of the shares has increased since that date. The total amount provided for the settlement of such claims strikes us as being far short of what will be required. We were, therefore, glad to learn that the Government, as expressed by the Prime Minister during the recent debate in the House, does not exclude the possibility of a further contribution from public funds to ensure a fair settlement. We wish to add that we have full confidence in the Foreign Office negotiators who are looking after our interests in this unfortunate and unprecedented affair.

DIVERSIFICATION OF ACTIVITIES

Because of restricted scope for investment in textiles owing to the continued shrinking in volume during the past decade, your Company had surplus funds available and, in keeping with this general trend, after careful analysis it invested in several smaller companies, of which I have furnished full details in my previous addresses. The amounts invested in Bradford Dyeing Association (USA), Dominion Dyeing & Printing Company (Canada), Davies Coop & Company Limited (Australia), and Beida Dyers SAE (Egypt) aggregate £2,073,064, whereas our investments in Companies in the United Kingdom, most of which are in fields outside textiles, amount to £612,447 apart from sums on loan amounting to £630,650.

It is not our intention to spread our activities in fields that are too diversified unless we can acquire the skill in management to make such enterprises show an adequate return on the amounts invested. We give this information because we understand that some of the big investment companies are somewhat sceptical of companies diversifying in fields outside their own particular experience. In any broadening of our base of operations your Board has full regard to the Company's financial position, not only in making the original purchase, but in foreseeing likely demands for development.

The Report and Accounts were adopted.

TWINING CROSFIELD & CO.

CAPITAL AND SCRIP ISSUE PROPOSALS APPROVED

The Forty-second Annual General Meeting of Twining Crosfield & Co. Limited was held on April 16th, Mr H. W. Backhouse, chairman and managing director, presiding.

The following is an extract from his circulated statement: Our good results are due to a considerable extent to the fact that the Tea Markets have on the whole been favourable to Distributors during 1958.

The Coffee Market has been easier for most grades throughout 1958 and the reduction in the cost has been passed on to the consumer whenever possible.

The Group Profit for the year amounted to £138,860 which compares with £106,999 for 1957. We propose an increase in the Ordinary Dividend from 18 per cent for the year to 21 per cent.

We are proposing the issue of bonus shares in order to bring the issued capital of the Company more into line with the capital actually employed.

We are also proposing an increase in the authorised capital to £700,000. There is no intention at present of issuing this increased amount but we have found in the past that it is useful to have unissued capital for the purpose of acquiring other businesses as opportunities arise.

Although there is nothing that appears imminent, we can visualise circumstances in which it would be desirable to introduce more permanent capital into the business. This could take the form of a "rights" issue to existing shareholders.

Competition is as strong as ever. The current year has begun well and we are better equipped than we were a year ago to cope with the changing pattern of the trade.

The report and accounts were adopted.

At a subsequent extraordinary general meeting resolutions were passed sub-dividing the 10s. Ordinary Shares into shares of 5s. each, and increasing the capital to £700,000. The proposed issue to shareholders of one new 5s. Ordinary Share for every two 5s. Ordinary Shares held was also approved.

NATIONAL PROVIDENT INSTITUTION

RECORD NEW BUSINESS

The Annual Meeting of the National Provident Institution for Mutual Life Assurance will be held on April 21st in London. The following are extracts from the address which will be submitted by the chairman, Mr L. E. D. Bevan:

One hundred years ago 95 per cent of our new business was represented by whole life assurance, and the vast development of life assurance over the intervening years, and particularly during the present century, has resulted from the increasing popularity of the endowment assurance. This type of policy is an ideal way of saving for many purposes—for covering the repayment of a house purchase loan, for children's education, for investment, and so on. Another development is in the use of endowment assurance for the specific purpose of making provision for retirement by the inclusion of an option to take the proceeds of the policy in the form of an annuity, and many pension schemes have been arranged on this basis—combining life cover during the working years with a suitable pension on retirement.

A good many employers have preferred to base their pension arrangements on deferred annuities instead of endowment assurances, but until recently the Institution only offered these contracts on a non-participating basis. Since 1956, however, we have been prepared to issue deferred annuities on a with-profit basis for the self-employed and others who are not in pensionable employment, and we have received a substantial number of proposals from those of them who wish to take advantage of the tax concessions now available. The rate of bonus declared on these policies at our last valuation—the first after this class was introduced—has undoubtedly established the Institution as an office which must be considered by all interested in this provision.

WITH-PROFIT PENSION SCHEMES

That brings me to an important new development in the classes of policy we are able to offer to the public. In 1956, you will remember, the income tax law was altered so that premiums paid to life offices for pensions, under schemes approved by the revenue under the Income Tax Act, 1952, section 379, could be accumulated at interest without deduction of tax. Since then we have been applying our efforts towards the preparation of a new type of policy which would make available, not only the advantages flowing from the Finance Act, 1956, but also the benefit of participation in the profits of the Institution. I am very glad to tell you now that we have recently been able to introduce a policy which has all these advantages. Bonuses will be allotted to these contracts in the form of a reduction in the premiums which would otherwise be payable during the currency of the contract. Our scheme has also been designed so that it will be simple and flexible to operate: I am sure those virtues will be most valuable when we come face to face with the new State graduated pensions. We believe we have produced a policy which is the most up-to-date in all respects, and I commend it to any employer who has not yet made satisfactory provision for the retirement of his staff.

Moreover in a mutual office like the Institution such contracts are very attractive, since the holders of with-profit contracts are entitled to the whole of the profits available for distribution according to their respective rights. There are no shareholders to claim any share in those profits, and the record of this Institution for excellent bonuses is well known. Our pensions department is ready at all times to give the benefit of our experience and knowledge in arranging a scheme to suit individual requirements.

INTEREST YIELD

Our investment policy has continued to yield satisfactory results. During 1958 we took advantage of the favourable terms on which British Government and fixed interest stocks generally could be bought to put the greater part of our new money into such investments, our equity portfolio remaining at about 30 per cent of the total.

Our funds are at present increasing at a rate of about 10 per cent per annum; while for several years the average return which we have been able to obtain on new investments has been less than the high rate of interest earned on the existing fund. Nevertheless, up to 1957, the overall yield continued to rise due to increasing income from the existing investments, particularly the Ordinary share portfolio. The overall yield could not be expected to continue to rise indefinitely and in 1958 there was a small reduction, although the current level of nearly 7 per cent is still very satisfactory. The strength of our financial position remains very great and at the end of 1958 the market value of our assets as a whole was substantially in excess of the figure at which they stand in the balance-sheet.

INTERIM BONUS RATES

The rates of bonus declared at the distribution of profits at the end of 1957 resulted in general satisfaction among our members, and we received many congratulations. I explained a year ago that we were then able to include in our declaration a special rate of bonus as a result of the success which had attended our investment policy, and added a warning that we must not assume that the rate of interest earned would continue at so high a level.

GROWTH OF BUSINESS

Life assurance represents saving, and saving is a counter to inflation. The new annual premiums of £360,000 on our business last year are a valuable contribution to the nation's savings, and our total annual premiums of over £3,200,000 from old and new business, apart from sums received by way of single premiums, show further growth.

The growth of our business continues steadily, and I am glad to say that a pronounced increase in the amount of personal policies taken out by individual members forms the mainstay of this growth. Five years ago I reported that our funds had just passed the £20 million mark. Now we have comfortably passed the £30 million milestone. Nearly every year brings a fresh record in the amount of new business and the growing total of business naturally affects all branches of our work.

BENTALLS LIMITED

AND SUBSIDIARY COMPANIES

KINGSTON-UPON-THAMES

EALING BROADWAY, W.5. WORTHING, SUSSEX.

CAPITAL: ISSUED AND FULLY PAID:

5½% Preference Stock	£102,450
5,000,000 Ordinary Stock Units of 2s. each	£500,000

YEAR TO JANUARY 31st	1954 £	1955 £	1956 £	1957 £	1958 £	1959 £
Group Trading Profits	419,834	484,301	531,353	562,867	626,003	665,075
Net Profit after Tax...	139,287	174,247	204,852	192,379	206,695	228,321
Addition to Reserves...	25,000*	95,200	100,000	80,000	100,000	120,000
Gross Dividend per Ordinary Stock Unit	2s.	6d.†	6½d.	7d.	7d.	8d.
Net Dividend on Ordinary Stock ...	55,000	71,875	77,865	83,854	83,854	95,833
Unappropriated Profit Carried Forward ...	294,561	298,509	319,131	322,961	332,562	341,810
Price of Ordinary Stock Units... ...	37/6d.	12/6d.	10/7½d.	11/3d.	11/6d.	17s.

* In 1953-1954, £50,000 was written off Goodwill.

† In 1954-1955, reserves were capitalised and four Ordinary Stock Units were issued for every one.

BANCA COMMERCIALE ITALIANA

HEAD OFFICE — MILAN

London Representative Office: 21, Birchin Lane, E.C.3

BALANCE SHEET AS AT DECEMBER 31, 1958

LIABILITIES			ASSETS		
Capital Stock	L.	2,450,000,000	Cash on Hand	L.	30,346,252,412
Reserves	„	4,000,000,000	At Central Bank	„	79,980,188,474
Undivided Profits	„	921,655	Government Securities and Securities guaranteed by the State	„	208,470,022,580
Net Profits, 1958	„	1,120,163,618	Bonds and Shares	„	2,501,281,390
	L.	7,571,085,273	Participations in Affiliated Foreign Banks	„	154,646,925
Deposits	„	853,602,995,556	Participation in Banca di Credito Finanziario	„	1,083,250,000
Cheques outstanding	„	24,173,027,333	Advances and Current Accounts	„	392,196,051,540
Liability on Acceptances	„	7,422,881,111	Bills Discounted	„	197,935,692,803
Liability on Confirmed Credits	„	25,789,995,302	Contango Loans	„	6,039,618,534
Liability on Guarantees	„	78,926,778,093	Customers' Liability for Acceptances	„	7,422,881,111
Bills for Collection	„	23,448,738,971	Customers' Liability for Confirmed Credits	„	25,789,995,302
Unearned Discount	„	1,850,583,122	Customers' Liability for Guarantees	„	78,926,778,093
Profits Brought Forward	„	82,367,604	Bank Buildings and Other Real Estate	„	160,337,000
			Furniture and Fixtures	„	1
	L.	1,022,868,452,365		L.	1,031,006,996,165
Other Liabilities	„	8,138,543,800			
Depositors of Securities	„	485,493,102,531	Securities on Deposit	„	485,493,102,531
	L.	1,516,500,098,696		L.	1,516,500,098,696

CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY

INTERMEDIATE BONUS INCREASED TO 55s. 0d.%

The One Hundred and Thirty-fifth Annual General Meeting of the Clerical, Medical and General Life Assurance Society was held on April 15th at the Society's Chief Office, 15, St James's Square, London, S.W.1.

Sir John Hathorn Hall, GCMG, DSO, OBE, MC, the chairman, presided and, in moving the adoption of the report and accounts, said:

The business of life assurance was transacted, during 1958, against a background of increasingly keen competition and of changing financial conditions which served to illustrate the strength and resilience of our organisation for, once again, the Society successfully showed its ability to maintain the steady progress that we have now come to expect. To our policyholders the most satisfactory evidence of the Society's success will, no doubt, be the increase in the rate of Intermediate Bonus payable on claims and maturities, and to this I shall refer in more detail later.

NEW BUSINESS

The new sums assured in 1958, after deduction of reassurances, amounted to a record figure of £11,018,000, representing an increase of some 9 per cent over the comparable figure for the previous year. In addition, new deferred annuities for a total of £490,000 were underwritten by means of our Pension Contracts. This compares with the previous year's rather larger figure of £564,000, and I shall have something to say later regarding the influence on this class of business of public doubt as to the Government's precise intentions regarding state pensions.

CLAIMS

The claims by death at £682,000 showed an increase of £157,000 over the previous year, but remained well within the provision made for them in our reserves. The continued growth in the sums we have at risk must naturally lead to an increase in the claims by death, although this increase is subject to yearly fluctuations.

INVESTMENTS

The recovery in market values of securities during 1958 increased, very substantially, the margin of value of our assets over the figures at which they appear in the balance sheet. To the extent to which this recovery was due to a fall in the general level of interest rates, the terms for new investment became less favourable; but we were able in the course of the year to make substantial long-term investments while the higher rates were still ruling. Our considerable holdings of equities are proving particularly profitable, and have made an important contribution to the year's interest income. The gross yield on our Life Assurance Fund for 1958 was £6 6s. 4d. per cent, and the corresponding net yield £4 12s. 7d. per cent.

INCREASED RATE OF INTERMEDIATE BONUS

Our next full actuarial investigation and bonus distribution are not due until early in 1961, but the continuance of high interest earnings justifies, in the opinion of the Board, an immediate increase in the rate of Intermediate Bonus, payable on claims and maturities under with-profit policies, in respect of premiums due and paid since December 31, 1955.

Accordingly, in respect of claims and maturities arising from such policies on and after to-day we are increasing the rates of Intermediate Bonus by one-tenth. For policies in the current series, this means that the new rate will be 55s. 0d. per cent of the sum assured for each annual premium in respect of which it is paid.

PROGRESS OF FUNDS

The combined Life Assurance and Annuity Funds increased by nearly £2½ million to £32,431,000. This increase of just over 8 per cent presents, perhaps, the best measure of the Society's progress, and of the extent to which we have contributed to the application of savings to investment.

STATE PENSIONS

It would not have been surprising if uncertainty over changes in State Pensions had held up the institution of new staff pension schemes, in spite of the Government's expressed view that private schemes are a national asset and that their expansion is to be encouraged. Natural anxiety on this subject was probably in large measure responsible for the slightly reduced total of new business secured under this head. I am however happy to say that, in addition to the business that actually passed through our books in 1958, the Society had at the end of the year a substantial volume of pension business impending.

Employers who have schemes in force or who contemplate the institution of new schemes, will naturally look to us for advice on the difficult problems presented by the new legislation and particularly on the question of whether or not to "contract out." We are very willing to advise to the best of our ability on the highly complex questions involved, and to indicate the precise points upon which a decision will have to be taken and the factors which, in our opinion, should influence that decision.

The report and accounts were adopted.

VOSPER LIMITED

(Shipbuilders and Engineers)

MR OWEN R. GUARD'S REVIEW

The twenty-second annual general meeting of Vosper Limited will be held on April 22nd at Portsmouth.

In the course of his circulated statement, the chairman, Mr Owen R. Guard, dealing with the financial results said that they had earned a net profit of £93,878 during the 16 months under review compared with £64,181 for the 12 months ended August 31, 1957. The final dividend of 12½ per cent made a total distribution of 20 per cent for the extended period which was at a rate equivalent to the 15 per cent paid for the previous 12 months.

Referring to the very remarkable performance results from the initial running of the BRAVE class of Fast Patrol Boat, an entirely new class of small Warship for which they were awarded a contract for the design and construction of two such craft by the Admiralty, Mr Guard said that on the second day of trial running 51 knots was exceeded over the measured mile, which as far as they were aware, was the highest speed ever recorded for craft of that type and size. They had very great hopes that the good work touched upon would yield orders from abroad from where there was considerable interest.

Since his last statement to them they had completed what was acknowledged by the Shell Company to be a very successful and outstanding design of high-speed craft for passenger carrying in their oil fields in Maracaibo. From this work they looked forward to the possibility of further orders.

Their order book for the Vosper Roll Damping Fin Development showed a very considerable growth in the popularity of that equipment and the indications were that that growth was still taking place.

In their Research and Development Section, in which was incorporated the Electronics Department, they had received interesting work from various Atomic Energy Authorities.

The chairman pointed out that in their main line of business, which was the construction of small craft generally, they were not as fully occupied as was desirable. It was their constant endeavour to find new markets, but in common with a large number of other firms, they were finding it difficult to maintain the volume of orders to which they had been accustomed in recent years.

Mr Guard concluded: We expect this situation to be restored when the full merits of the BRAVE class of Fast Patrol Boat and other similar types come to be appreciated.

LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED

TOTAL PREMIUM INCOME INCREASED BY MORE THAN £5,500,000

VISCOUNT HARCOURT ON NEW TRIENNIAL VALUATIONS

The One hundred and twenty-second Annual General Meeting of Legal and General Assurance Society Limited will be held on May 6th at Aldwych House, Aldwych, London.

The following is an extract from the circulated statement by the Right Honourable Viscount Harcourt, KCMG, OBE, DL, the chairman:

REPORT AND ACCOUNTS FOR 1958

In submitting to you the report and accounts there is one important matter, already announced, which calls for special mention. In the past, a full valuation of the assets and liabilities of the Society, including an actuarial investigation of the life assurance and annuity fund, has been carried out once every five years. With the growth of the Society's business, however, it is thought that a shorter period between valuations is desirable, and it has accordingly been decided that a valuation shall be made every three years instead of every five years. The first of such triennial valuations will be made as at December 31, 1959.

LIFE ASSURANCE AND ANNUITY FUND

Record new life and annuity business figures were again achieved by the Society in 1958. The total new life sums assured amounted to £183,889,659 after deduction of the amounts re-assured with other offices. If this figure is compared with the corresponding total for 1957 of £143,868,799 it will be seen that there was an increase last year of 28 per cent.

The premium income in respect of all life and annuity business on the books of the Society amounted during 1958 to £44,656,270, including £2,232,144 as consideration for immediate annuities. The total premium income for all classes of business written by the Society amounted to £51,200,195, compared with a figure of £45,657,466 in 1957. I should like to draw your special attention to the last two figures which I have quoted, from which you will see that there has been an increase of £5,542,729 in the total premium income of the Society.

MORTALITY

Each year we investigate the mortality experience of both the life assurance and annuity sections of our business and we have done so as usual for the past year. Once again the experience has been very satisfactory in the case of life assurance and it has also been favourable in respect of annuities.

RATE OF INTEREST

The life assurance and annuity fund, excluding the amount invested in the purchase of reversionary interests, earned in 1958 a gross rate of interest of £5 3s. 11d. per cent compared with £5 2s. 9d. per cent in 1957. After deduction of tax, the net rate of interest for 1958 was £4 10s. 4d. per cent compared with £4 9s. 11d. per cent in the previous year.

EXPENSES OF MANAGEMENT

The world-wide expenses of management of the life assurance and annuity business, including commission, amounted in 1958 to 11.77 per cent of the premiums received, excluding from the latter figure, however, the considerations paid for immediate annuity contracts. This is an increase on the corresponding figure of 11.38 per cent in 1957 but is still very moderate.

FIRE INSURANCE ACCOUNT

The net premium income increased by £202,793 to £2,748,766.

After provision for unexpired liabilities there was an underwriting surplus of £199,667 which has been transferred to profit and loss account. There is retained in the account an amount of £465,150 which is additional to normal reserves. The total fire fund at the end of 1958 was £1,564,657.

ACCIDENT INSURANCE ACCOUNT

The net premium income increased by £319,613 to £2,487,321.

After provision for unexpired liabilities there was an underwriting surplus of £120,908 which has been transferred to the profit and loss account. There is retained in the account an amount of £268,758 which is additional to normal reserves. The total accident fund at the end of 1958 was £1,849,731.

MARINE ACCOUNT

The marine account has not entirely escaped the difficulties with which this class of business has been beset in recent years. The underwriting year, 1955, now closed, has resulted in a negligible loss, as was anticipated when reporting at the end of last year.

The uncertain conditions in marine insurance have led our underwriting agents to pursue a conservative policy of acceptance which has naturally led to a restriction of premium income, which amounts this year to £813,631 compared with £939,930 in 1957.

This conservative policy, coupled with light early claims in the four-year settlement period which commenced with 1958, has increased the ratio which the fund bears to premium income from 127 per cent to 148 per cent. The amount of the fund, however, has remained almost unaltered at £1,205,004 after provision for taxation.

ASSETS

The total assets of the Society increased during the year by £36,762,000 and now amount to the sum of £355,768,000.

So far as the life department balance-sheet is concerned, it will be seen that the assets are represented as to £152,294,000 by Stock Exchange investments, as to £90,809,000 by freehold and leasehold properties including rent charges and ground rents, and as to £71,466,000 by mortgages and other loans.

PROFIT AND LOSS ACCOUNT

It will be seen from the profit and loss account that, to the balance of £1,564,762 brought forward from the previous year, there has been added £375,809 in interest and dividends as well as £320,575 in transfers from the fire and accident insurance accounts.

Finally, I am sure that, at the end of a review of such a successful and eventful year for the Society, every shareholder and policyholder will wish to be associated with me in expressing our thanks and gratitude to the management and staff of the Society throughout the world for the magnificent work which they have done.

GRESHAM LIFE ASSURANCE SOCIETY LIMITED

RECORD INCOME

The One Hundred and Tenth Annual General Meeting of the Gresham Life Assurance Society Limited was held on April 9th at 188 Fleet Street, London, E.C.

The Right Honourable Viscount Harcourt, KCMG, OBE, DL, the chairman, said in the course of his speech:

DIRECTORS

Certain changes in the composition of the board of directors since our meeting a year ago are mentioned in the report, and I must take advantage of this meeting, the first at which I address you as your chairman (to which office my colleagues did me the honour of electing me as from July 1st last), to pay tribute to my predecessor, the Honourable W. B. L. Barrington. Mr Barrington became chairman in 1934, and your Society has had the benefit of his guiding hand for close on a quarter of a century. The strength of the Society's position today is due in large measure to Mr Barrington's great experience and his close personal interest in all matters concerning its progress and its welfare. At the same time he has built up for himself an enormous fund of respect and affection on the part of all who have had the privilege of serving under him. We are indeed fortunate that Mr Barrington has agreed to continue as a member of the board, notwithstanding his relinquishment of the chairmanship.

We welcomed the appointment during the year of two new directors, Mr P. R. Cahill, OBE, and Mr Gordon Richardson. I am sure you will join me in wishing Mr Cahill well in the discharge of his added responsibilities as managing director in succession to Mr G. W. Bridge, FCII, who retired from that position on September 30th last and, I am glad to say, was thereupon elected deputy chairman.

INCOME

The Society's premium income in 1958, net of reassurances, amounted to £3,881,781; the total income from all sources, including consideration for annuities, for the first time in our history exceeded £5,000,000. After deducting income tax a net rate of interest of £4 15s. 5d. per cent was realised in respect of the life assurance and annuity fund, an increase of 7s. 9d. per cent compared with 1957, and I know you will, with me, welcome this improvement.

As a result of the year's operations the life assurance and annuity fund increased by nearly two and a quarter million pounds during the year to £24,626,858, an increase which I consider to be most satisfactory.

NEW BUSINESS

In the United Kingdom, the new sums assured of £8,591,626, after deducting reassurances, represented a small increase over the previous record figures attained in 1956.

Our foreign branches, particularly in France and the Near East, have had to operate under difficult conditions throughout the year and it is not surprising to find a diminution in the volume of new business abroad. It seems right that we should acknowledge these difficulties, and at the same time express our confidence in the ability of our representatives overseas to meet and overcome them.

MANAGEMENT AND STAFF

The encouraging picture presented by the accounts owes a great deal to the work of the manager and secretary, Mr W. H. Chapman, and I am very glad to be able to express our thanks to him, to his colleagues at head office, and to the staff throughout the Society's organisation.

The report and accounts were adopted unanimously and the other formal business having been transacted the proceedings terminated with a vote of thanks to the chairman.

NATION LIFE AND GENERAL ASSURANCE COMPANY

The thirty-fourth annual ordinary general meeting of Nation Life and General Assurance Company Limited was held on April 10th at Teddington, Mr H. Cox (the chairman) presiding.

The following is an extract from his circulated statement:

The Income of the Company has increased by £14,000, which is an increase above our average. The Life Funds have increased by £65,000, and our Industrial Life Fund now exceeds £1 million.

Our Subsidiary Company, TAMAS, has expanded its Sales by 55 per cent during 1958. A maiden Dividend is being declared on the TAMAS Shares.

The Company's Income for 1958 totalled over £350,000, and the Premium Income from our two Life Branches amounted to £293,423, showing an increase of nearly £11,000 for the year.

The Interest Income, which shows an increase of some £3,000, amounts to over £55,300 for the year.

There has been an increase in New Business production. In the Industrial and Ordinary Branches, the number of policies and New Sums Assured show increases over last year.

The Company has extended the Ordinary Life Branch during the year, and now issues all types of Life Assurance Policies in addition to Retirement Annuity policies.

The Directors have recommended a final Dividend of 6d. per 5s. Stock Unit, free of tax, making a total Dividend of 9d. per 5s. Stock Unit, free of tax, for the year ending December 31, 1958, as compared with 8d. per 5s. Stock Unit for 1957. The Directors further recommend that the payment of an Interim Dividend of 3d. per 5s. Stock Unit, free of tax, be made for the year ended December 31, 1959.

The report was adopted.

BROWN BROTHERS LIMITED

ANOTHER YEAR OF PROGRESS AND EXPANSION

The sixty-second Annual General Meeting of Brown Brothers Limited was held at the Great Eastern Hotel, Liverpool Street, EC2, on Wednesday, April 15, 1959.

Sir Richard Yeabsley, CBE, JP, FCA, the Chairman, presided. The following is an extract from his circulated statement:

I am pleased to report for the fifth consecutive year that the sales of the Company and its Subsidiaries have exceeded those of the previous year.

The trading profit of the group for the year 1958 amounts to £1,136,397 (£1,103,359 for the previous year).

The net profit of the group, after charging taxation, is £397,791 (£379,672).

Of this group net profit £64,504 has been retained in the Subsidiary companies, leaving a net profit for the year of £333,287 (£309,374) to be dealt with in the Profit and Loss Appropriation account of the Parent Company.

It is recommended that £150,000 (same) should be transferred to General Reserve.

The Directors propose a final payment of 11½ per cent, less tax, on the Issued Ordinary Capital, which with the interim distribution of 3½ per cent, less tax, already made, makes a total of 15 per cent, less tax, for the year (12½ per cent, less tax, in respect of the year 1957).

TRADING CONDITIONS

The increase in the number of cars and commercial vehicles on our roads must inevitably bring an increasing replacement market. We have developed within our Motor Departments at our Branches throughout the country specialised sections dealing with motor accessories, replacement components, paint and refinishing processes, tyres, garage equipment and tools. Specially trained personnel are in charge of these departments and technical representatives are available.

In the cycle section there has been a small decrease in sales during the year, but results are considered satisfactory in view of the general recession in the Cycle trade. Sales of complete bicycles are still running at a relatively low level. Specialised stocks of motor cycle and motorised bicycle components are available and continued progress has been made in this field.

In the early months of the year radio and television sales showed a considerable decline when compared with the very high rates of sales achieved in earlier years as new television stations were opened. The relaxation of Hire Purchase controls, however, gave a much needed tonic to this Industry and our sales in the last few months of the year were running at a very high level. Our Electrical departments have continued to make remarkable progress, demand having been stimulated not only by the relaxation of Hire Purchase controls but also the reduction in Purchase Tax on electrical domestic appliances.

Another satisfactory year's trading can be reported from our manufacturing subsidiary, Brown Brothers (Aircraft) Limited.

As will be seen from the Directors' Report, your Directors have elected Mr J. T. Masterton, our Managing Director, as Deputy Chairman.

The report was adopted.

THE MONOTYPE CORPORATION LIMITED

VERY SATISFACTORY RESULTS

The fifty-first annual general meeting of The Monotype Corporation Limited was held on April 14th in London.

Brigadier Sir George Harvie-Watt, Bart, TD, QC, MP (the chairman), presided and, in the course of his speech, said:

I am glad to report that the Trading Profit is the highest for seven years. This is due partly to increased sales in our export markets, and partly to the strenuous efforts which have been made in all sections of the business to improve efficiency.

During the latter part of the year there was a slight falling off in orders. The net result was a slightly lower balance of orders in hand than at the end of the previous year. Since the end of the financial year, however, orders have shown an improvement.

The Group Trading Balance amounted to £590,510 compared with £452,907 in the preceding year. The net profit, subject to taxation was £486,350 compared with £338,623, an improvement of 43 per cent. All companies in the Group contributed to this result. Taxation takes £270,785 of this sum, leaving a balance of £215,565, an increase of £93,021 on the previous year.

The disposable balance amounts to £305,376. In view of the improved results for the year, your Board feel justified in declaring a final dividend of 4 per cent on the increased capital of £2 million, making a total dividend for the year of 8 per cent, compared with 9 per cent on the capital of £1,500,000 for last year.

Our financial position is satisfactory, Net Current Assets, after taking into consideration Minority Interests and Future Taxation, amount to £1,738,739. In common with other companies, we are conscious all the time of the heavy liability for future taxation which has to be met out of our liquid resources. These, however, have improved during the year and amount to £542,329, an increase of £146,529 on the previous year.

Turnover has increased in the export markets, particularly in Australia. Our Australian subsidiary, in which we are associated with Seligson and Clare Limited, is to be congratulated on the excellent results achieved in the second full year of our working arrangement. Turnover has been almost doubled. Our turnover in India, which is severely restricted by Import Licensing, has somewhat improved.

In the Middle East improving prospects suffered a temporary setback as a result of the revolution which took place in Iraq. Machines were supplied, however, to Kuwait, Jordan and Syria. In Nepal and Cambodia, "Monotype" machines were installed for the first time.

As regards the Home market, taking into account the restrictions on credit which were only lifted in the autumn of 1958, and the falling volume of printing, business done during the year was reasonably satisfactory. Results so far this year are encouraging.

In the Continental market we have consolidated our position, particularly in Germany, both West and East, and other Eastern European countries. For the first six months of the current year, our turnover is running at a slightly higher level than that of the same period last year. We regard this as satisfactory, and given more stable conditions we have every confidence in our ability to increase our share of world markets.

The report and accounts were adopted.

CALEDONIAN INSURANCE COMPANY

The one hundred and fifty-fourth Annual General Meeting of the Caledonian Insurance Company will be held in Edinburgh on May 12, 1959.

The following is an extract from the Statement by the Chairman, Mr W. H. McGregor, FCIS:

LIFE DEPARTMENT

I am pleased again to report record New Business figures. After deducting reassurances the new Sums Assured, including Group Life business, amounted to £6,888,819. Annuities, including Pension Annuities for £532,787 per annum were issued. The Assurance premium income increased to £1,258,022 and the Annuity premium income, including single premiums, increased to £840,125.

The interest income increased by about £67,000 to £898,615, the rate of interest earned on the Funds for the year being £5 18s. 11d. per cent. After deduction of tax the rate was £4 12s. 10d. per cent.

Claims paid amounted to £934,248 and surrender values, of which an appreciable proportion was in respect of withdrawal benefits under Pension Schemes, amounted to £236,644.

The Life Assurance and Annuity Fund increased during the year by £1,288,792 and now stands at £16,111,969. The market value of our Stock Exchange Securities substantially exceeds the value at which they appear in the Balance Sheet.

FIRE DEPARTMENT

The premium income for 1958 was £2,350,753, which was £23,830 higher than the figure for the previous year.

In the Home Department our good underwriting experience continued, but abnormal circumstances in certain countries affected our Overseas results. In Canada whereas there was a general improvement we still had an adverse underwriting experience. In Cuba, following the political upheaval, we sustained heavy riot losses which seriously affected our hitherto profitable results. Apart from the results in Canada and Cuba, however, our results in territories overseas were satisfactory.

We have been able to transfer a sum of £149,284 to the Profit and Loss Account.

ACCIDENT DEPARTMENT

The premium income for 1958 was £5,183,439, a small increase of £50,488 over the record figure of £5,132,951 for 1957.

At home the major problem was Motor Insurance which, notwithstanding increased premium rates, continues to prove unprofitable. Overseas we had an adverse experience in Cuba, but I am pleased to say that we have been able to make a transfer to the Profit and Loss Account of the sum of £36,836.

MARINE DEPARTMENT

The sum of £70,000 has been transferred from the Account to the Profit and Loss Account. The Fund at £976,560 represents 163 per cent of the Premium Income.

TOTAL PREMIUM INCOME

The total Premium Income for all Departments was £10,180,294 compared with £9,811,808 for 1957.

PROFIT AND LOSS AND APPROPRIATION ACCOUNTS

The amount of interest, dividends and rents (less tax) on Shareholders' Funds was £227,398.

The balance for the year transferred to the Appropriation Account was £251,614 after providing for taxation.

The Directors' recommendations for dealing with the surplus are stated in the Report, and, if approved, the balance carried forward will be £629,199.

APPOINTMENTS

THE UNIVERSITY OF LEEDS

DEPARTMENT OF MATHEMATICS

Applications are invited for appointment as Lecturer or Assistant Lecturer in Statistics at a salary on the scale £900 x £50-£1,350 (efficiency bar) x £75-£1,650 a year for a Lecturer or within the range £700-£850 a year for an Assistant Lecturer, according to age, qualifications and experience. Applications (four copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained) not later than May 2, 1959.

UNIVERSITY COLLEGE OF GHANA

Applications are invited for 2 posts of (A) Resident Tutorship or (B) Assistant Resident Tutorship in the Institute of Extra-Mural Studies. Candidates must have qualification in Economics, Politics, Public Administration, Modern History, International Affairs or Industrial Relations and Trade Union Studies. Secondment will be considered and there are opportunities for research. Salary scales: (A) £1,000 x £50—£1,350 x £75—£1,800; £1,850 p.a., (B) £900 p.a. F.S.S.U. Outfit and family allowances. Passages for appointee and family on appointment, annual leave and normal termination. Part-furnished accommodation at a charge not exceeding 7.5 per cent of salary. Detailed applications (6 copies) naming 3 referees by May 30, 1959, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

UNIVERSITY OF TASMANIA

AUSTRALIA

PROFESSOR OF APPLIED ECONOMICS WITH SPECIAL REFERENCE TO ACCOUNTING

The University of Tasmania has established a Chair of Applied Economics, with special reference to Accounting. Applications are invited for appointment to this Chair. Preference will be given to candidates who have training and experience in accounting and are interested in those fields of study in applied economics and business management in which an understanding of accounting is necessary or desirable.

The salary will be £A3,500 per annum.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on June 30, 1959.

UNIVERSITY OF BRISTOL

Applications are invited for the following posts in the Department of Economics tenable from August 1, 1959.

(a) Lecturer (Grade II) in Economics with special interest in Mathematical Economics. Salary scale £900 x £50—£1,300 : £1,350 x £75—£1,650.

(b) Research Assistant in Economics. Salary £600-£700. Fuller particulars of these appointments may be obtained from the Registrar, The University, Bristol, 8, to whom applications should be sent by April 25th.

AUSTRALIAN NATIONAL UNIVERSITY

CANBERRA

RESEARCH SCHOLARSHIPS

Applications are invited from post-graduate students with capacity for research for scholarships in Anthropology and Sociology including Oceanic Linguistics, Demography, Economics, including Economic History and Economic Statistics, Geography, Modern History (particularly in the fields of Australia and the British Commonwealth). Far Eastern History (China and Japan)*, Pacific History, International Relations, Law, Political Science, including Public Administration, Philosophy, Political and Social Philosophy and Statistics including Mathematical Statistics.

*A substantial knowledge of the relevant language is a pre-requisite.

The scholarships are tenable for an initial period of two years and may be extended for a third year. Scholars are expected to enrol for a Ph.D. degree.

The present value of a scholarship is £A833 per annum. Married scholars with dependent children may be granted an additional allowance of £A225 per annum in respect of the first child and a further £A75 per annum for each other child.

A grant will be made towards a scholar's fares to and from Canberra at the commencement and expiration of his scholarship.

Application forms and further information may be obtained from the undersigned*, to whom applications should be submitted, or from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1. The University regularly considers applications in June and November, but special consideration may be given to applications at other times. Scholarships may be taken up at any time after award including vacation periods.

*R. A. HOHNEN, Registrar,

Box 4, G.P.O., Canberra, A.C.T.

For further appointments and other classified advertisements see pages 286 and 287

COMPANY AFFAIRS

BOWATER PAPER

IN the face of a recession in newsprint and paper, the Bowater Paper Corporation has done well—some observers of its expansion programme (which has been financed largely by prior charge capital) would say remarkably well. The explanation seems to be that the cuts in newsprint production were made at the older mills at Corner Brook (reflected in the drop in the trading profits of Newfoundland Pulp and Paper from $7,353,000 to $6,512,000) rather than at the newer ones in Tennessee; and that some capacity in this country has been switched from newsprint to other types of paper where profit margins are higher; and that any cuts in production have been taken at older plants so that the newer ones should not be underemployed. In the preliminary statement the directors draw attention to "an appreciable easing in the demand for newsprint," which reduced production both in North America and in this country. But they add that production and sales of other kinds of paper in this country were higher and they mention "a further substantial increase in the volume of sales" of packaging papers by Bowater-Eburite. These sales were made at lower margins of profits, but nevertheless the trading surplus of Bowater-Eburite advanced last year from £1,416,000 to £1,631,000.

For the group as a whole the trading surplus last year rose from £17,152,000 to £18,145,000. Over the last four half-yearly periods, the gross trading surplus has run thus: £8,303,000; £8,849,000; £8,795,000; £9,350,000. No one can cavil at this trend, for it suggests that the group was not slow in adjusting its operations to changing market conditions. The net surplus, shown before deducting loan interest, has risen from £5,316,000 to £5,825,000 over the year. After loan interest the net surplus has risen from £4,846,000 to £5,093,000.

The ordinary dividend is left unchanged at 2s. 6d. per £1 stock, or 12½ per cent. On that dividend the stock at 47s. 9d. yields 5.2 per cent. The directors' comment on their dividend decision is interesting. They view the latest results with "some satisfaction" but they "have come to the conclusion that having regard to the uncertain trading conditions that still persist in relation to some of the industries in which the Organisation is engaged, the moment has not yet arrived when they should recommend any increase in the rate of the dividend." The reference to trading conditions is bearish, but the conclusion about the dividend is bullish—at least for the longer run.

BRITISH TIMKEN

THE minority ordinary shareholders in British Timken should jump at the offer by the Timken Roller Bearing Company of the United States, which controls just over 53 per cent of the British Timken equity, to acquire their shares. Timken Roller Bearing is offering 83s. 9d. per share in cash (ex the ordinary dividend of 10 per cent) for the 2,337,500 shares of £1 in British Timken, compared with a market price of 70s. 6d. Indeed, the bid is on a dividend yield basis of only 2.4 per cent. If the offer goes through, Timken Roller Bearing intends to redeem all the 1,000,000 of 4 per cent preference shares of £1 each in British Timken at 22s. 6d. each. In all, the deal could bring in about $30,500,000 to the exchange reserves. The directors of Timken Roller Bearing, headed by the president, Mr William E. Umstattd, would have preferred to exchange Timken Roller shares for British Timken shares. But the Bank of England indicated that it would not give permission for such an exchange.

Why is Timken Roller Bearing willing to pay such a high price for the minority shares in a company which it already controls and in which it intends to preserve the existing British management and staff? Competition in the roller bearing industry is growing more acute; the German, Swedish and Italian industries are already formidable and the Japanese industry may become so. Complete control of British Timken will give Timken Roller Bearing a freer hand to compete effectively with these concerns. There will be a complete interchange of ideas, technical knowledge, research and development between the British and American companies and there will be a consolidation and coordination of sizes and processes. Moreover, a vigorous sales campaign will be mounted. In planning the selling and pricing policies of British Timken with regard, for instance, to the Common Market, Timken Roller as 100 per cent owner would not have to be concerned with the reactions of another board of directors or of minority shareholders.

SEARS HOLDINGS

SEARS HOLDINGS, the empire built and controlled by Mr Charles Clore, has not in the last two or three years been very active in making takeover bids. A period of consolidation has occurred in which money has been spent on modernising and developing the assets that Mr Clore and his associates acquired. Last year there were no great gains in income stemming from new acquisitions but there was a further improvement in trading profits, by 7 per cent, from £7,669,328 to £8,239,428. Despite a rise in depreciation from £996,039 to £1,115,133, net profits showed a far greater advance—jumping 28 per cent, from £2,378,096 to £3,045,809.

Part of this rise is attributable to a fall in the charge for taxation, which declined by £233,050 to £3,574,232. The company has taken full advantage of the technique of paying a special profits tax interim dividend out of the succeeding accounting year's profits. The dividend for 1958 of 7½ per cent on the ordinary and non-voting "A" ordinary shares compares with a dividend of 22½ per cent for 1957. But to this a special interim dividend of 17½ per cent is added, effectively raising the total payment by 2½ per cent to 25 per cent. On this dividend, covered about 2½ times by earnings, the 5s. "A" rose to 19s. 1½d. to yield 6¾ per cent. But the directors have also announced a 25 per cent scrip issue, without giving any indication of what the dividend will be on this enlarged capital. During the consolidation phase there were periodic rumours that Mr Clore was interested in making new acquisitions for the Sears group in North America. The increased dividend and the scrip issue must set investors wondering whether Mr Clore is set towards expansion again.

RIO TINTO

INVESTORS had already discounted the fall from £3,900,000 to £3,156,000 in the gross profits of Rio Tinto in 1958, for they knew that dividends from the investments in the Rhodesian copper producers, which contribute a large part of Rio Tinto's total earnings, had been reduced. They also knew that profits from Kern Oil and from uranium production in Canada could not be expected to offset the fall in income from copper.

Nevertheless, the decision to cut the ordinary dividend effectively from 26 per cent to 20 per cent (which includes a "profits tax" interim of 5 per cent), comes as something of a surprise, especially as a sharp fall in tax has left the group's net profits £253,000 higher at just over £2 million.

Are the directors taking a cautious view of prospects, even though some recovery is to be expected this year in Rio Tinto's dividend income from copper? Most of Rio Tinto's Canadian uranium mines were in production by the beginning of 1958, and the Mary Kathleen mine in Australia came into production in the later months of the year. Investors will note that Rio Tinto of Canada earned a profit of £722,000 (against £379,000) last year. But these sums cannot be distributed as a dividend to the parent company until the big prior charges that have financed the development of the uranium mines have been paid off.

Rio Tinto's 10s. ordinary shares recovered most of their immediate loss of 1s. 3d. on the dividend announcement. They now stand at 51s., to yield only 3.9 per cent. This yield puts a big discount on the future in which only a few years have to elapse before uranium is sold, admittedly from mines where the capital cost has been written off, in a free and competitive market.

PRESSED STEEL

AS the biggest independent manufacturer of steel bodies for motor vehicles in this country and as a supplier of a comprehensive range of refrigerating equipment, Pressed Steel was bound to please its shareholders with its 1958 preliminary figures. Last year the motor industry forged ahead and consumer durables began to prosper again after the purchase tax cuts in the spring and the freeing of hire purchase from controls in the autumn. Even so the company has done well, for gross profits have risen by 24 per cent, from £3,508,051 to £4,360,377, and net profits by 32 per cent, from £1,527,121 to £2,017,598. These advances justify the directors' decision to raise the ordinary dividend again by 5 per cent to 25 per cent, and the earnings cover of 2½ times on this increased dividend shows that the directors can afford to be liberal. The 5s. ordinary shares at 26s. 3d. yield 4.7 per cent.

CAMMELL LAIRD & SWAN, HUNTER

MANY of the large shipbuilders still have a comfortable order book, but new orders are few and far between. Indeed, Mr J. C. Mather, the chairman of Cammell Laird, referred to the paucity of new orders a year ago. Mr E. J. Hunter, the chairman of Swan, Hunter and Wigham Richardson, in his latest statement with the full accounts is more specific:

> Work on hand will keep the shipyards and engine works of the group employed at a reasonably high level for the next two years but with freight rates depressed the demand for new ships has practically disappeared and any resurgence of demand on a significant scale cannot be expected until there are indications of an improvement in this direction and such an improvement seems unlikely while the large volume of tonnage now laid up is available for service.

Swan, Hunter suffered a fall of £369,892 to £2,311,557 in trading profits last year but the ordinary dividend was raised from 18 to 20 per cent. Cammell Laird's trading profits fell more abruptly, from £1,839,448 to £1,388,464. Depreciation and interest doubled from £236,247 to £471,998, but taxation was reduced by £407,436 to £704,208 so that net profits fell from £1,091,795 to £843,201. Effectively, the ordinary dividend has been left unchanged. After paying an interim of 4 per cent, as in previous years, the final dividend of 11 per cent has been divided between a 3 per cent final for 1958 and an 8 per cent profits tax interim for the current year. Earnings cover a total dividend of 15 per cent dividend about 1¾ times. The 5s. ordinary units were steady at 8s. 6d.xd. after the results, and yield 8.8 per cent. Swan, Hunter's £1 shares stand at 61s. 9d.xd. to yield 6.5 per cent.

BICC

LAST November, the directors of British Insulated Callender's Cables were not expecting earnings in 1958 to differ materially from those for 1957 when the group earned a trading profit of £7,832,872. The preliminary statement now reveals a rise of 13 per cent in trading profits to £8,808,610 and of 24 per cent in net profits from £2,670,051 to £3,292,969. Profits have not fully recovered to the 1956 level, when they benefited from the high price of copper, but the directors have raised the ordinary dividend from 12½ to 13½ per cent, covered, as the 1957 payment was, about 2½ times by earnings. No doubt the steadier price for copper has played its part in this result. But BICC should also by now be reaping the benefits of its re-equipment programme. Certainly the improvement in profit margins is striking, for the jump of nearly £1 million in trading profits is associated with a slight fall of £1 million to £110 million in the value of the group's sales. Gross profits as a percentage of turnover rose from 7.5 per cent in the six months to June 30th last to 8.5 per cent in the six months to December 31st, and over the year as a whole they went up from 7 per cent in 1957 to 8 per cent in 1958.

If the price of copper remains stable, shareholders can reasonably expect even better results in 1959 as BICC's markets in the primary producing countries expand again. The yield of 5½ per cent on the £1 ordinary shares at 50s. reflects this prospect as well as the fact that this year BICC will take into its accounts a full year's earnings from Telegraph Construction and Maintenance Company which it acquired last December.

UNIT TRUSTS

SINCE its first offer of one million units at 10s. each, **Crosby Unit Trust** has sold nearly 4 million units to more than 9,000 investors. It has now made a block offer of a further one million units at 11s. per unit or the current selling price whichever is the lower. Interest often slackens in a new trust after its send-off and the managers of many rapidly expanding trusts have advertised extensively to keep in the public eye. A block offer is not favoured by some management groups, but this method has proved very successful in attracting an immediate response and is not likely to be abandoned by the more thrustful of the unit trusts.

Crosby Unit Trust has already purchased the securities underlying the million units offered, and the yield on these securities is 3⅜ per cent at the offer price, which is among the lowest offered on any trust unit. Crosby has introduced a savings scheme on thrift plan lines and a scheme for re-investing the half-yearly dividends in new units.

Unicorn Trust has made its fifth block offer since the trust was launched in 1957, of 1¼ million units at 14s. 2d. or the current selling price if lower to yield about 4 per cent. Unicorn's trust deed provides that when the selling price varies more than 2½ per cent from the block offer price the offer will be terminated, although the managers might accept further applications and meet any further difference in price out of the management charges. This method is an attempt to ensure that new unitholders come in on almost an equal footing with existing ones. But the difference in price which the managers are prepared to meet must obviously be limited.

GALLAHER

WHEN they made a one-for-four rights issue in January the directors of Gallaher forecast gross profits of £7,500,000 and net profits of "not less than" £3,300,000 for 1958. In fact, last year the group's trading profits went ahead by 18 per cent, from £6,562,896 to £7,754,578, and net profits by as much as 35 per cent, from £2,887,179 to £3,910,292. The ordinary dividend has been raised, as the directors promised at the time of the rights issue, from 20 per cent to 25 per cent and is covered well over twice by earnings. Since January the 10s. units have risen from 42s. 3d. to 45s. 1½d. At that price they yield 5½ per cent, which is below the return offered by the general run of tobacco shares. Gallaher raised £8¾ million through the rights issue to finance the continued expansion of the business and the directors should have no difficulty in keeping to their promise that a dividend of 25 per cent will be paid on the enlarged capital.

ODHAMS

ODHAMS has now made its formal offer to Hulton Press of one 10s. Ordinary share for every five 2s. 6d. ordinary shares and for every seven "A" non-voting ordinary shares in the Hulton Press. Success is assured, for the directors of Hulton, who own 59 per cent of the equity, have already accepted the offer. The formal offer discloses the detailed conditions of the deal. Odhams is granting to Sir Edward and Lady Hulton separate options to buy from Hultons "at a fair value" the issued capital of E. Hulton and Company, and Hulton Educational Publications, besides the copyright, goodwill, records, and equipment pertaining to several technical publications. These include *Production Equipment Digest, Garage and Transport Equipment*, and *Shipbuilding Equipment*. In addition, Odhams has undertaken not to use the name *Picture Post* or claim any proprietary right to it. For their part, Sir Edward and Lady Hulton have agreed to sell the Odhams shares due to them "as soon as practicable," and that they will not sell more than 100,000 of them to any single investor. Finally, the Hulton directors have promised to resign if called upon to do so and without any compensation for loss of office.

It is also disclosed that trading by Odhams in the first three months of this year was "at least as good" as in the same period last year and that the ordinary dividend will be left unchanged at 17½ per cent.

Company Affairs *continued on p. 280*
London and New York Stocks *on next two pages.*

LONDON AND NEW YORK STOCKS

Prices, 1959 High	Prices, 1959 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 8, 1959	Price, April 15, 1959	Net Yield, April 15, 1959 £ s. d.	Gross Yield, April 15, 1959 £ s. d.
100 3/16	100	War Loan 3½ 1955–59	100 15/16	100 1/16	1 13 10	2 17 3
97 3/4	95 15/16	Funding 2½ 1956–61	97 19/32	97 17/32	2 16 2	3 15 11
99 3/16	98 1/32	Exchequer 2½ 1960	99 27/32	99 25/32	2 10 3	3 9 1
100 3/16	99 1/8	Exchequer 3½ 1960	99 3/4	99 23/32	1 19 11	3 6 5
101 11/32	100 25/32	Conversion 4½ % 1952	101 1/16	101 1/16	2 5 3	4 2 0
96 3/32	94 7/16	Exchequer 3½ % 1962–63	95 15/16	95 7/8	2 15 10	4 1 9
101 3/4	101 3/32	Conversion 4½ % 1963	101 7/32	101 1/32	2 7 3	4 6 10
92 15/16	91 3/16	Savings Bonds 3% 1955–55	92 3/16	91 7/8	3 6 6	4 11 9
85 13/16	83 1/4	Funding 3% 1959–69	83 7/8*	83 1/2	3 16 10	5 2 8
93 1/16	93 1/8	Funding 4% 1960–90	91 7/16*	91 1/8*	11 13 2 / 2 17 7	13 5 1 / 4 10 5
83 7/16	83 7/8	Savings Bonds 3½ % ... 1960–70	81 13/16	81 7/16	3 13 0	5 4 7
93 5/8	91 3/8	Exchequer 2½ % 1961–64	92 5/16*	92 1/4*	3 3 5	4 3 4
100 7/16	99 15/16	Conversion 4½ % 1964	100 7/16	100 1/32	2 14 1	4 8 4
86 1/16	83 15/16	Savings Bonds 2½ % 1964–67	84 3/8*	84 1/16*	3 16 6	4 17 9
75 13/16	75 1/16	Savings Bonds 3% ... 1965–75	76 7/16	75 1/4	3 16 8	5 4 6
105 11/16	102 5/8	Exchequer 5½ % 1966	103 7/16	103 1/8	2 18 3	5 0 10
85 3/8	83 1/4	Funding 3% 1965–69	85 3/8	85	3 16 5	5 2 8
98 1/8	96 1/4	Victory 4% 1920–76	95 3/8	96 5/16	2 19 2	4 11 8
89 13/16	87 5/8	Conversion 3½ % 1969	83 7/8	83 1/2	3 11 4	5 1 0
101 3/16	98 5/8	Conversion 5½ % 1974	101 1/16	100 15/16	3 4 2	5 6 1
79 3/4	76 7/8	Treasury 3½ % 1977–80	79 3/4	77 3/8	3 11 10	5 4 3
73 7/8	73 15/16	Treasury 3½ % 1979–81	73 3/8	73 1/4	3 12 4	5 4 7
104 1/8	101 1/8	Funding 5½ % 1982–84	104 1/16	104 1/16	3 3 5	5 5 11
68 1/4	65 7/8	Redemption 3½ 1936–96	67	66 1/2	3 8 9	4 19 10
74 1/16	71 1/4	Funding 3½ % 1999–2004	73 11/16	73 1/16	3 6 2	5 1 2
75 1/2	73 1/16	Consols 4% after Feb. 1957	75 3/8	73 1/4	3 5 7	5 7 6
68 1/16	65 1/8	War Loan 3½ % after 1952	68 1/2	67 13/16	3 4 0	5 5 3
68 11/16	65 7/8	Conv. 3½ % after Apr. 1961	67	66 5/8	3 4 5	5 5 4
60	57 1/2	Treasury 3½ % after Apr. 1966	59 1/2	58 1/8	3 4 3	5 5 3
53 5/8	51 3/8	Consols 2½ %	52	51 11/16	2 19 4	4 16 11
51 1/8	49 1/8	Treasury 2½ % after Apr. 1975	49 3/4	49 7/16	3 2 0	5 1 4
96 7/16	94	British Electric 4½ % 1957–69	96 1/4	95 15/16	3 5 7	5 2 3
80 1/8	77 1/4	British Electric 3% .. 1968–73	78 1/8	78 3/8	3 17 3	5 4 3
76 13/16	74 1/8	British Electric 3% .. 1974–77	75 9/16	75 3/16	3 15 4	5 3 3
90 1/16	87 3/8	British Electric 4½ % 1974–79	88 7/8	88 7/16	3 7 10	5 3 8
80 3/8	77 5/16	British Electric 3½ % 1976–79	79*	78 3/8*	3 12 3	5 3 7
89 3/4	87 1/8	British Gas 4% 1969–72	89 3/4	89 1/2	3 9 9	5 3 7
87 3/8	84 3/4	British Gas 3½ % ... 1969–71	86 1/4	85 13/16	3 11 7	5 1 7
69 7/16	66 5/8	British Gas 3% 1990–95	67 7/8*	67 11/16*	3 7 11	4 18 4
80 1/8	77 1/4	Brit. Transport 3% .. 1968–73	78 3/4	78 3/8	3 17 3	5 4 3
86 15/16	84	Brit. Transport 4% .. 1972–77	86 15/16	86 5/8	3 9 9	5 4 10
69 3/16	66 1/4	Brit. Transport 3% .. 1978–88	69 5/8	68 1/4	3 12 10	5 3 7

Prices, 1959 High	Prices, 1959 Low	FIXED INTEREST STOCKS	Price, Apr. 8, 1959	Price, Apr. 15, 1959	Yield, April 15, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	99 5/8	Australia 4½ % 1960–62	100	100 3/16	4 8 0e
107	103 3/4	Australia 6% 1974–76	105	105	5 10 1e
77	74 1/2	Ceylon 4½ % 1973–75	75 1/2	75 1/2	6 9 9
102 3/8	99 1/2	Jamaica 6% 1977–82	100 1/2	100 1/2	5 19 1e
106 7/8	104 1/4	New Zealand 6% 1975–80	105 1/4	105 3/8	5 10 2e
101 7/8	95 1/2	Rhodesia and Nyasaland 6% 1976–79	98	97 3/4	6 4 2
74 1/4	69 1/2	Southern Rhodesia 2½ % 1965–70	70 3/4	71	6 1 8
		CORPORATION AND PUBLIC BOARDS			
103 3/8	103 7/16	Agricultural Mortgage 5½ % 1933–85	103 1/4	103	5 5 3e
104	102 3/4	Birmingham 5¾ % 1974–76	104	104	5 4 7e
94 1/2	92 1/8	Bristol 3%	94 1/2	94 1/2	4 10 3
93 1/2	95 1/2	Glasgow 4¾ % 1956–68	93 1/4	93	5 0 7
101 1/4	99 1/2	Corporation of London 5½ % 1976–79	101 1/4	101	5 3 4e
57	55 1/4	L.C.C. 3% ..... after 1920	56	55 3/4	5 7 7
64	62 1/4	Met. Water Board 'B' 3% 1934–2003	63 3/4	63 1/4	5 2 11
		FOREIGN BONDS			
110	101 1/4	German 7% 1924 (British Enfaced 5%)	109	107 1/2	...
189	177	German 5½ % 1930 (Enfaced 5½ %)	187 1/2	189	...
35 1/4	23 1/4	Greek 7% Refugee 1924	31 1/2	29 3/4	Nil
159	151 1/2	Japan 5% (Enfaced) 1907	161 3/4	161 1/2	...
143 3/4	114 1/2	Japan 6% (Enfaced) 1924	118 3/4	118 3/4	...
59	55	Uruguay 3½ % Bonds (Assented)	58	59 1/4	...

NEW YORK CLOSING PRICES

	Apr. 8 $	Apr. 15 $		Apr. 8 $	Apr. 15 $		Apr. 8 $	Apr. 15 $
Ath. Topeka	29 7/8	30 1/8	Boeing	40 7/8	40 1/8	Inter. Nickel	92 1/2	91 1/4
Can. Pacific	30 7/8	30 7/8	Celanese	32 1/2	32 1/4	Inter. Paper	119 1/4	119 3/8
Pennsylvania	17	16 7/8	Chrysler	63 1/2	63 3/8	Kennecott	117 7/8	113 3/4
Union Pacific	34 5/8	35 1/4	Col. Palmolive	101 1/2	101 1/4	Monsanto	46 1/4	46
Amer. Electric	51 1/4	51 3/4	Crown Zeller	55	56 1/4	Nat. Distillers	31 5/8	33 1/8
Am. Tel. & Tel.	247 3/8	250	Distillers Seag.	33	35 1/8	Pan-American	33 1/8	33 1/4
Cons. Edison	64 1/4	63 1/8	Douglas	55	52 1/4	Procter Gamble	84 1/2	83 1/4
Int. Tel. & Tel.	33 3/8	39 3/4	Du Pont	223 1/4	230	Radio Corpn.	54 1/4	59
Standard Gas	3 1/8	3 1/8	East. Kodak	155 3/4	76	Sears Roebuck	43 1/2	44
United Corpn.	9	9 1/8	Ford Motor	61	62 7/8	Shell Oil	85 1/8	85 3/8
Western Union	37 3/8	38 1/4	Gen. Electric	83	81 1/2	Socony-Mobil	46 3/4	46 1/2
Alcoa	83 1/4	88 3/4	General Foods	78 1/2	79 1/4	Stand. Oil Ind.	49 7/8	50 5/8
Aluminium	29 1/4	29 1/8	General Motors	46 3/4	46 1/2	Stand. Oil N.J.	51 1/2	52
Amer. Can	43 5/8	44 3/8	Goodyear	133	135 1/2	20th Cent. Fox	41 1/2	42 1/4
Am. Smelting	49 1/4	50 1/2	Gulf Oil	113	115 1/4	Union Carbide	129 1/4	135 3/4
Am. Viscose	44 1/2	45 3/8	Heinz	69	69 1/2	U.S. Steel	89 1/4	90 3/8
Anaconda	67 1/8	68	Int. Bus. Mach.	550	593 1/2	West. Electric	73 3/8	80
Beth. Steel	50 3/4	52	Int. Harvester	43 1/2	44	Woolworth	56 3/4	55 5/8

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Apr. 8, 1959	Price, Apr. 15, 1959	Yield, Apr. 15, 1959
		%	%	**STEEL AND ENGINEERING**			
32/7 1/2	28/11 1/2	5 a	8 b	Colvilles £1	32/3	30/7 1/2	8·6
32/9	26/6	4 a	8 b	Dorman Long £1	32/9	30/9	7·6
25/9	20/9	6 c	3 a	Steel Co. of Wales £1	25/6	24/4 1/2	7·3
31/3	25/–	3 a	8 b	Stewarts & Lloyds £1	31/3	27/6	7·4
42/3	35/11 1/2	6 a	10 b	John Summers £1	42/3	41/4 1/2	7·3
32/–	24/9	4 a	8 b	United Steel £1	31/5	31/4 1/2	7·2
34/6	30/8 1/4	6 b	4 a	John Brown £1	33/3	34/6	5·6
10/–	8/3	4 a	11 b	Cammell Laird 5/–	9/4 1/2	8/6*	8·6
63/6	53/4 1/2	5 a	15 b	Swan Hunter £1	63/6	61/9*	6·6
36/6	31/–	7 1/2 b	2 1/2 a	Vickers £1	33/3	33/–	6·0
68/–	60/6	6 2/3 b	5 a	Averys £1	61/3	61/9	3·7
19/6	16/–	11 a	14 3/8 b	Coventry Gauge 10/–	19/9	19/6	5·2
42/–	36/6	12 a	14 b	Alfred Herbert £1	39/3	40/6	4·8
18/3	16/9	10 b	5 a	Ransome & Marles 5/–	17/3	18/3	4·1
45/–	39/9	9 1/2 b	3 a	Ranold Chains £1	44/6	45/–	5·5
43/6	37/–	8 3/4 b	3 1/4 a	Allied Ironfounders £1	41/6	37/9	6·2
54/–	45/3	6 3/4 b	6 a	Babcock & Wilcox £1	54/–	51/9	5·0
64/6	44/6	4 a	13 1/2 b	British Aluminium £1	62/–p	65/6p	5·3
97/–	85/3	15 c	20 c	Davy & United £1	97/–	95/6	4·1
58/3	51/3	7 1/2 b	4 a	Guest Keen £1	56/–	56/11 1/2	4·1
79/6	67/–	7 b	5 a	Metal Box £1	79/3	78/–	3·0
55/–	47/9	3 1/4 b	3 3/4 a	C. A. Parsons £1	52/–	52/–	2·5
25/9	25/3	15 b	10 a	John Thompson 5/–	25/9	25/3	4·1
84/9	83/6	7 1/2 a	10 b	Tube Investments £1	83/9	83/6	4·1
				BUILDING, etc.			
59/–	59/9	6 b	3 a	Associated Portland £1	59/–	59/9	3·0
23/9	23/7 1/2	7 1/2 b	5 a	British Plaster Board. 10/–	23/7 1/2	23/9	5·2
74/3	74/9	8 3/4 c	5 c	Richard Costain £1	74/3	74/9	4·0
12/–	9/7 1/2	5 a	10 b	Crittall Manufacturing. 5/–	11/10 1/2	12/–	4·1
68/9	61/3	15 3/8 c	6 a	London Brick £1	69/6	68/9	4·5
91/9	79/9	13 1/3 b	5 a	Wall Paper Defd. £1	90/9	91/9	4·0
				CHEMICALS AND PAINT			
22/6	20/–	4 a	13 b	Albright & Wilson 5/–	22/6	22/4 1/2	3·8
22/–	15/3	2 11 1/2 a	5 5/6 b	Borax Defd. 5/–	20/11 1/2	22/3	1·9
7/7 1/2	6/10 1/2	7 1/2 c	12 1/2 b	Brit. Ind. Plastics 2/–	7/7 1/2	7/7 1/2	5·2
49/9	43/10 1/2	3 1/3 a	6 3/3 b	Fisons £1	49/9	48/9	4·1
35/–*	33/10 1/2	2 3/3 a	5 3/3 b	I.C.I. £1	35/–*	34/4 1/2	4·6
14/3	13/11 1/2	18 c	6 b	International Paints 4/–	14/3	14/11 1/2	5·1
15/9	15/–	5 a	8 1/2 b	Monsanto 5/–	15/9	15/10 1/2	4·2
19/6	19/–	11 3 b	5 a	Pinchin Johnson 10/–	19/6	19/–	8·7
				ELECTRICAL AND RADIO			
61/–	54/–	7 1/2 a	7 1/2 b	A.E.I. £1	59/–	61/–	4·8
54/–	46/3	4 a	9 1/2 b	B.I.C.C. £1	50/3	52/9	5·1
43/3	38/–	5 5/6 a	14 1/6 b	Decca Record 10/–	41/9	40/6	4·9
60/9	50/10 1/2	11 1/4 c	5 a	E.M.I. 10/–	58/–	56/9	3·3
66/–	57/–	4 a	10 b	English Electric £1	66/–	64/9	4·3
40/–	30/–	6 1/2 b	3 a	General Electric £1	35/6	34/–	5·5
16/9	14/11 1/2	12 1/2 c	12 1/2 c	Pye Defd. 5/–	14/10 1/2	14/6	4·3
97/3	87/–	6 4/2 a	11 b	A. Reyrolle £1	95/6	92/9*	3·0
				MOTORS AND AIRCRAFT			
16/2 1/4	13/–	12 1/2 c	4 a	British Motor 5/–	16/2 1/4	16/2 1/4	6·5
58/–	50/3	3 1/2 a	8 1/2 b	Ford Motor £1	57/9*	57/11 1/2	4·7
52/3	44/–	12 1/2 c	12 1/2 c	Leyland Motor £1	51/9	52/3	4·8
10/–	7/3	3 c	4 a	Rootes Motors 4/–	10/–	9/6 3/4	3·3
10/–	8/6	8 c	12 c	Standard Motor 5/–	9/5 1/4	9/3 3/4	6·5
26/6	22/10 1/2	11 b	4 1/6 a	Dunlop Rubber 10/–	25/7 1/2	26/6	5·7
47/6	44/3	5 b	2 1/2 a	Joseph Lucas £1	46/6*	45/–	4·3
27/–	23/7 1/2	7 1/2 a	17 1/2 b	Pressed Steel 5/–	26/11 1/4	26/2 1/4	4·9
55/9	48/11 1/2	20 c	7 1/2 a	Triplex Holdings 10/–	55/3	55/9	9·8
11/7 1/2	9/4 1/2	6 1/2 b	3 1/2 a	Bristol Aeroplane 10/–	10/3	10/11 1/2	–
20/9	16/–	7 1/2 c	Nil	De Havilland £1	17/6	16/4 1/2	4·3
45/0 3/4	40/5 1/4	5 a	6 1/2 b	Dowty Group 10/–	42/6	41/6*	7·4
34/–	27/3	3 a	7 b	Hawker Siddeley £1	28/7 1/2	27/3	4·9
105/3	96/6	15 b	5 a	Rolls-Royce £1	100/–	96/3	5·0
				PAPER AND NEWSPAPERS			
49/7 1/2	44/6	4 1/2 a	8 b	Bowater Paper £1	47/3	47/9	5·1
54/9	47/3	9 b	5 a	Albert E. Reed £1	50/–	47/9	5·1
27/6	22/–	5 b	3 a	Spicers £1	24/6	26/3	6·0
25/3	21/–	7 1/2 a	12 b	Daily Mirror 'A' 5/–	24/7 1/2	24/11 1/2	4·0
29/6	26/3	5 a	12 1/2 b	Odhams Press 10/–	29/–	28/6	6·0
				TEXTILES			
24/9	22/–	6 1/4 b	2 1/2 a	J. & P. Coats £1	23/10 1/2	23/9	7·0
23/9	18/3	5 b	5 a	Fine Spinners £1	20/3	23/–	8·0
42/10 1/2	35/4 1/2	5 a	12 1/2 b	Lancashire Cotton £1	42/6	40/–	6·2
39/10 1/2	35/4 1/2	12 1/2 c	2 1/2 a	Patons & Baldwins £1	36/10 1/2	39/10 1/2	6·4
5/9	4/3	6 c	4 a	Salts (Saltaire) 5/–	5/5 1/4	5/6	5·5
56/6	50/–	10 b	5 a	Woolcombers £1	55/3	56/6	5·0
19/11 1/2	14/7 1/2	Nil c	3 a	Bradford Dyers £1	16/10 1/2	17/–*	11·2
44/6	37/–	22 1/2 c	22 1/2 c	Calico Printers £1	41/3	40/–	11·2
35/10 1/2	31/7 1/2	5 b	3 a	Courtaulds £1	33/4 1/2	31/7 1/2	11·2
12/10 1/2	10/–	3 a	10 b	Jute Industries 10/–	11/9	11/7 1/2	5·1
29/9	24/6	7 1/2 c	7 1/2 c	Tootal £1	28/10 1/2	29/9	5·1
				DRAPERY & STORES			
22/9	19/7 1/2	14·4c	6 a	Boots Pure Drug 5/–	22/9	22/11 1/2	3·1
33/9	27/9	10 b	5 a	Debenhams 10/–	31/9*	31/11 1/2	4·0
37/–	31/6	25 b	7 1/2 a	G.U.S. 'A' 5/–	36/6	36/–	4·1
83/3	74/6	5 a	12 1/2 b	Harrods £1	81/3*	79/–	3·1
37/–	33/3	25 b	10 a	House of Fraser 'A' ... 5/–	36/–	36/–	6·9
18/3	16/3	6 a	10 b	Lewis's Investment ... 4/–	17/7 1/2	17/3*	5·2
59/–	49/9	22 1/2 b	12 1/2 a	Marks & Spencer 'A' .. 5/–	57/3	58/7 1/2	4·3
39/4 1/2	33/10 1/2	20 b	12 1/2 a	United Drapery 5/–	38/9	39/–	4·9
53/11 1/2	47/3	25 3/3 b	13 1/3 a	Woolworth 5/–	52/11 1/2	50/6	5·2

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Apr. 8, 1959	Price, Apr. 15, 1959	Yield, Apr. 15, 1959
		%	%	**BANKING**			
64/–	54/–	6 a	6 b	Barclays £1	64/–	64/9	3·7
45/–¶	40/3	4 1/3 a	5 2/3 b	Lloyds £1	45/–¶	44/3	4·5
68/9	60/11 1/2	6 3/4 a	6 3/4 b	Midland £1	68/9	67/9	4·4
104/–	88/–	9 a	11 b	National Provincial £1	104/–	104/–	4·6
63/9	52/9	5 a	7 1/2 b	Westminster 'B' £1	63/9	64/6	3·8
81/–	68/9	7 1/2 a	9 1/2 b	District £1	81/–	82/–	4·1
20/6	17/–	6 a	10 b	Martins 5/–	20/6	21/9	3·6
40/9	31/7 1/2	5 a	7 1/2 b	Com. Bk. of Scot. 'A' 10/–	40/9	42/6	2·9
74/3	67/6	7 a	9 b	Royal Bank of Scotland. £1	74/3	76/6	4·1
37/9	33/–	4 a	5 b	Barclays D.C.O. £1	41/6	40/9	4·4
47/6	43/9	7 1/2 a	7 1/2 b	Chartered Bank £1	47/6	47/9	6·2
$2·10c	£27 5/8	$2·10c	$2·25c	Royal Bank of Canada. $10	£29 1/2	£29 7/16	2·8
$1·60c	£19 1/4	$1·60c	$1·65c	Bank of Montreal $10	£23 1/4	£23 1/4	2·7
30 1/2		9 c	9 c	Bank of New S. Wales. £20	32 3/4	33 1/2	4·3
32/3		4 a	6 b	Bank of Ldn. & S. Amer. £1	36/3	37/–	5·4
				FINANCIAL			
28/4 1/2		2 1/2 a	5 b	Alexanders £1	30/3	30/6	4·9
42/6		5 a	7 b	National Discount 'B' . £1	48/–	48/3	4·9
49/–		6 1/4 a	6 b	Union Discount £1	52/3	52/–	4·8
40/9		36 3/3 c	18 1/3 a	Commercial Union 5/–	43/3	44/–	4·1
127/6		12 1/2 a	15 b	Employers Liability £1	130/–	132/6	4·1
160/–		†32·35c	†41·17c	Equity & Law 8/6	165/–	160/–	3·5
192/6		40 a	60 b	Legal & General 5/–	230/–	235/–	2·1
114/6		†20	†50	Pearl 5/–	117/3	114/6	5·0
210/–		†147 1/2 c	†162 1/2 c	Prudential 'A' 4/–	227/6	225/–	4·7
78/6		8 a	10 b	Royal Exchange £1	79/3	95/–	3·7
16/2 1/4		5 a	8 3/4 b	Bowmaker 5/–	23/7 1/2	23/–	2·9
21/3		7 1/2 a	8 1/2 b	Lombard Banking 5/–	27/7 1/2	26/10 1/2	2·9
16 b		16 b	4 a	U.D.T. £1	142/3	141/3	2·8
34/9		17 1/2 b	10 a	B.E.T. 'A' Defd. 5/–	36/9	37/6	3·6
12/6		10 c	10 c	Cable & Wireless 5/–	13/11 1/4	13/11 1/4	3·5
19/6		2 1/2 b	2 a	Land Securities 10/–	21/7 1/2	21/6	2·7
14/7 1/2		5 5/12 c	2 1/12 a	London & County ... 10/–	16/10 1/2	16/4 1/2	4·0
				FOOD, DRINK AND TOBACCO			
22/6		15 c	10 a	Allied Bakeries 'A' 5/–	29/9	28/9*	2·6
23/4 1/2		20 c	14 a	Beecham Group 5/–	32/9	31/10 1/2	3·1
10/6		7 b	2 1/2 a	International Tea 5/–	11/9	11/3 3/4	4·2
74/9		9 1/6 b	5 a	J. Lyons 'A' £1	79/4 1/2	81/–	3·5
18/10 1/2		5 a	5 b	Ranks 10/–	20/–	19/4 1/2	5·1
18/11 1/2		7 1/2 b	2 1/2 a	Schweppes 5/–	19/6	19/–	3·9
42/–		7·5b	2·8a	Tate & Lyle £1	46/3	45/6	4·5
10/10 1/2		...	...	Unigate 5/–	12/–	11/9	4·2
43/9		10 a	36 b	Bass 5/–	46/3	45/–	5·1
23/10 1/2		6 3/4 b	4 a	Distillers 10/–	25/9	25/3	4·2
14/7 1/2		6 a	11 b	Flowers 5/–	16/3	15/6 3/4	5·4
54/–		10 a	18 b	Guinness 10/–	62/–	59/9	4·6
12/7 1/2		4 a	10 b	Ind Coope & Allsopp .. 5/–	14/–	13/4 1/2	5·2
77/6		7 1/2 a	13 1/2 b	Watney Mann Defd. £1	87/–	87/9	4·7
100/–		17 b	8 a	Whitbread 'A' £1	111/–	109/–	4·5
52/4 1/2		†17 1/2 c	†5 a	Brit. Amer. Tobacco . 10/–	54/–	52/9	5·4
36/6		5 a	20 b	Gallaher 10/–	45/11 1/2	45/11 1/2	5·5
54/3		8 1/2 a	12 1/2 b	Imperial Tobacco £1	56/6	56/3	7·4

Prices, 1958/9 High	Prices, 1958/9 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Apr. 8, 1959	Price, Apr. 15, 1959	Yield, Apr. 15, 1959
				MISCELLANEOUS			
50/9	42/9	30 c	20 a	Assoc. Brit. Picture ... 5/–	44/3	43/3	—
44/9	43/–	11 c	5 a	British Match £1	44/7 1/2	44/11 1/2	4·9
56/–	49/6	4 a	8 b	British Oxygen £1	55/9	54/9	4·3
10/6	9/–	4 a	14 b	British Ropes 2/6	9/4 1/2	9/3*	4·7
53/3	35/9	7 1/2 b	5 1/2 a	Glaxo 10/–	50/6	48/3*	2·6
63/9	56/4 1/2	10 a	50 b	Hoover 'A' 5/–	62/11 1/2	60/–	5·0
218/9	172/6	6·04a	26·14b	Hudson's Bay £1	210/–*	218/9	2·9
14/3	10/–	12 1/2 c	5 c	Rank Organisation 5/–	12/9	12/–	2·0
19/11 1/2	16/3	22 1/2 c	25 c	Sears 'A' 5/–	18/2 1/4	19/11 1/2	6·5
68/6	62/–	6 1/4 a	7 b	Thomas Tilling £1	65/3	68/6*	3·8
76/4 1/2	69/7 1/2	5 a	10 b	Turner & Newall £1	72/10 1/2	71/7 1/2	4·1
103/6	86/7 1/2	82 5 b	82 5 a	Unilever £1	101/6	99/–*	3·3
49/9	47/3	7 1/2 b	3 3/4 a	United Glass £1	49/9	49/–	4·5
35/6	33/–	†10 b	†4 1/6 a	United Molasses 10/–	34/–	33/–	7·0
				OIL			
57/–	49/6	†12 1/2 a	†6 1/4 b	British Petroleum £1	55/9	51/3*	5·5
83/–	75/6	†7 1/12 b	†5 a	Burmah Oil £1	82/9	81/9	5·1
	£17 3/4		£15 1/4	Royal Dutch ..... 20 fl.		£17 1/8	2·9
152/6	136/6	†5 a	†13 3/4 b	Shell Transport £1	141/3	138/6*	4·4
71/–	54/9	—	—	Ultramar 10/–	69/3	68/3	—
38/–	35/6	13 1/8 b	7 1/2 a	Wakefield C.C. 10/–	37/3	37/–	5·5
				SHIPPING			
46/6	39/3	13 1/2 b	6 1/2 a	Brit. & Com'wealth. .10/–	41/9	40/9	4·9
20/–	17/3	10 c	Nil	Cunard £1	18/–	17/3	—
35/6	29/6	10 4 c	10 c	Furness Withy £1	31/3	30/6	6·5
20/6	16/–	10 b	10 a	London & Overseas ... 5/–	17/3	16/9	5·9
38/3	31/6	3 a	8 b	P & O Defd. £1	33/3	32/3	6·8
17/6	13/6

LAND SECURITIES

WHEN Land Securities Investment Trust made a public offer of £3½ million of a 6 per cent debenture stock at 95½ a year ago, shareholders and holders of the existing 4¼ per cent debenture stock were given preferential treatment in the allotment. Land Securities, whose policy has been described by its chairman, Mr Harold Samuel, as "continued expansion," has now announced the creation of an even more attractive debenture—£6 million of a 6½ per cent stock with conversion rights. But all of this debenture will be taken up by Legal and General Assurance. The stock will rank behind existing mortgages on the group's properties and its terms are extraordinarily complicated. The rate of interest can be brought down to 6 per cent in certain unspecified circumstances; repayment of one quarter of the stock, less any portion converted, can be made at a rate of 1 per cent per annum, rising to 1½ per cent in the 20 years preceding the redemption of the remaining stock in 1979-84; but no very onerous restriction on the raising of further capital has been instituted.

The option granted to Legal and General gives it the right to convert up to £1 million of the new stock into 10s. ordinary shares at 22s. 6d. each, of which 2s. 6d. will be payable in cash. The option can be exercised from 1961 to 1964. Institutional investors are well aware of the earnings potential of property companies and some of them have taken an equity interest in those companies that are expanding quickly. It is also clear from this placing that they can obtain good terms on any fixed interest capital they subscribe.

GENERAL MOTORS

SALES of cars and commercial vehicles in the United States fell heavily last year, and the vehicle manufacturers struggled hard to maintain their relative share of the market and to cushion the impact of falling sales on net earnings. General Motors achieved some success on both counts. Its domestic output fell 22 per cent, but that compares with a fall of 29 per cent for the American motor industry as a whole. The value of sales fell 13 per cent and net earnings per common share fell by 25 per cent, from $2.99 to $2.22 per share. Nevertheless, the dividend on the common stock was left unchanged at $2 per share.

An important contribution was made by the overseas subsidiaries of General Motors, for Holden in Australia, Opel in Germany and Vauxhall in Britain all increased their output substantially. The group's plants overseas increased their total production from 466,866 to 597,623 units and its Canadian plants also pushed up their output a little. Thus, taking world wide production by General Motors' plants as a whole, total output of cars and commercial vehicles fell by only 15 per cent.

Demand began to pick up in the United States towards the end of the year, but then strikes held back production. General Motors entered 1959 with a complete range of new cars for the American market. It has an indirect interest through its subsidiaries in importing cars to the United States, but it is prepared to exploit the American market for small cars itself if that market promises, in the directors' words, to be "permanent and profitable."

ESSO PETROLEUM

SALES of oil and refined products by Esso Petroleum rose by more than 30 per cent in volume to a new record level last year, but lower selling prices and keener competition narrowed profit margins. Esso's sales and other operating revenue rose in value by 5¼ per cent, from £246,016,806 to £259,389,648, but its gross profits fell by 21 per cent from £15,498,335 to £12,237,437. The group's net profits fell by as much as 37 per cent, from £11,630,790 to £7,329,886. But this reflects a change in accounting for taxation, for last year a tax equalisation reserve was set up.

The directors justify the non-payment of a final ordinary dividend on the equity (which is wholly owned by Standard Oil of New Jersey) by pointing to the need to conserve funds for the development programme, even though nearly £15 million has recently been raised through a debenture issue. Following a total expenditure of £32,225,000 in 1958 on the Fawley refinery, on the new one at Milford Haven, and on tankers and marketing, Esso plans to spend another £35,599,000 this year—of which £27,027,000 relates to Ocean Tankers. The directors seem to be taking an optimistic view of the long term demand for oil. In the short term, they expect that sales will rise this year and barring a sharp decline in prices, that earnings will be favourable, as they believe that the fall in the price of crude oil should lead to "a more normal return" on Esso's large investments in refining.

Years to Dec. 31	1957	1958
	£	£
Sales and etc.	246,016,806	259,389,648
Charges	230,650,950	247,399,584
Gross profit	*15,498,335*	*12,237,437*
Tax	3,867,545	4,907,551
Net profit	*11,630,790*	*7,329,886*
Debenture stock redemption	1,000,000	1,300,000
General reserve	7,278,900	5,685,711
Dividend	3,162,500	1,725,000
Net fixed assets	83,068,009	109,545,798
Trade investments	1,216,863	3,047,170
Stocks	32,330,285	33,088,111
Debtors	35,363,320	36,559,539
Cash, etc.	2,636,277	3,647,582
Net current assets	34,877,676	22,977,920
Reserves	27,117,912	21,187,564
Issued capital	60,000,000	75,000,000

TRADE INDEMNITY

WHILE Trade Indemnity hopes that there will be substantial recoveries from claims paid last year, it is expected that they will be much smaller than the 85 per cent stated in a note in last week's issue. The turnover of transactions underwritten last year was just over £1,000 million; premiums received for the first year of the 1958 account were just under £1 million.

London Stock Exchange

FIRST DEALINGS:	Apr. 1	Apr. 15	Apr. 29
LAST DEALINGS:	Apr. 14	Apr. 28	May 19
ACCOUNT DAY:	Apr. 21	May 5	May 26

GILT edged stocks were a little dull after the announcement of the LCC's £25 million issue. Among the irredeemables, 3½ per cent War Loan lost ½ to 67⅛ and among the longer dated issues 3 per cent Transport 1978-88 weakened by 1/8 to 68¼ in the week to Wednesday's close. Corporation and dominion loans were in line with Government Funds, and the 6 per cent Rhodesia 1978-81 (£35 paid) lost ¾ to 31¾.

Profit taking continued in leading industrials following last Thursday's sharp falls and 18,966 bargains were marked on Monday—compared with the record 20,451 recorded on the previous Monday. But following the start of a new account on Wednesday prices again went ahead although closing below the best at the close. Over the week *The Economist* Indicator fell by 4.2 to 258.5. However, several sectors scored good gains. Among electricals, Johnson and Philips rose by 1s. 3d. to 26s. 3d., AEI 2s. to 61s., and Elliott-Automation 2s. 9¾d. to 23s. Machine tool shares continued their earlier advance, and Asquith gained 2s. to 17s., and Alfred Herbert 1s. 3d. to 40s. 6d. Selected building shares were strong, Associated Cement gaining 9d. to 59s. 9d. and Wallpaper Deferred 1s. to 91s. 9d. Stores in general remained firm. Marks and Spencer "A" gained 1s. 4½d. to 58s. 7½d. GUS at 41s. 1½d. were unchanged following the rumoured plan to rationalise its preference capital.

Commercial vehicles shares failed to hold their earlier gains; ACV lost 1s. 9d. to 45s. 3d., and Leyland 6d. to 51s. 3d. In an otherwise quiet motor section Jaguar voting ordinary shares shot up from 47s. 6d. to 63s. 1½d. after touching 64s. 1½d. But the outstanding feature of the market was the rise in Australian pastorals following the advance in wool values. Dalgety gained 4s. 7½d. to 38s. 3d. and Australian Mercantile 4s. to 32s. Woollen textiles also improved, Patons and Baldwins gaining 3s. to 39s. 10½d. Elsewhere in the textile sector, Tootals rose by 10½d. to 29s. 9d. and Fine Spinners by 2s. 9d. to 23s.

Oils hardened following the start of the new account but turnover remained small. BP fell by 2s. to 53s. 9d. following the results, and closed at 51s. 3d. on Wednesday. Royal Dutch Shell rose to 16⅜ on American buying but closed on Wednesday at 15⅞.

Kaffirs were quiet pending the quarterly reports, but following the confirmation of rich values, FS Geduld went ahead to close 8s. 1½d. higher at 18s. 10½d., and Western Holdings rose by 9s. 4½d. to 150s. 7½d. Coppers were dull following the setback in the metal price.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended April 11, 1959, there was an "above-line" deficit (after allowing for Sinking Funds) of £14,339,000 compared with a surplus of £19,793,000 in the previous 4 days and a deficit of £5,469,000 in the corresponding period of last year. There was a net expenditure "below-line" of £12,059,000 leaving a total deficit of £28,030,000 compared with £24,436,000 in 1958-59.

£'000	Estimate, 1959-60	April 1, 1958, to April 12, 1958	April 1, 1959, to April 11, 1959	Week ended April 12, 1958	Week ended April 11, 1959
Ord. Revenue					
Income Tax	2147,000	60,032	73,771	20,882	27,654
Surtax	171,000	7,100	7,200	2,500	3,000
Death Duties	195,000	4,900	7,000	2,200	3,900
Stamps	68,000	1,900	2,500	1,500	1,100
Profits Tax, EPT & EPL	274,000	7,700	8,500	4,400	4,900
Other Inland Rev. Duties	1,000	...	...	...	...
Total Inland Rev.	2856,000	101,632	98,971	31,482	40,554
Customs	1285,500	40,659	42,901	21,532	25,611
Excise	864,500	14,375	12,965	4,167	3,830
Total Customs and Excise	2150,000	55,034	55,866	25,692	29,441
Motor Duties	104,000	5,008	5,022	1,837	2,076
Sundry Loans (Net Receipts)	...	...	...	...	...
Broadcast Licences	35,000	...	...	...	...
Sundry Loans	30,000	45	43	45	43
Miscellaneous	150,000	5,806	5,591	400	210
Total	5325,000	167,525	165,493	59,456	72,324
Ord. Expend.					
Debt Interest	600,000	34,164	31,028	7,455	7,527
Payments to N. Ireland Exchequer	79,000	2,479	2,631	...	2,631
Other Cons. Funds	10,000	...	397	...	112
Supply Services	4494,996	110,050	125,490	57,200	75,900
Total	5183,996	146,693	159,546	64,655	86,170
Sinking Funds	39,000	455	493	270	493
"Above-line" Surplus or Deficit		+ 20,377	+ 5,454	— 5,469	— 14,339
"Below-line" Net Expenditure*		44,813	33,484	18,043	12,059
Total Surplus or Deficit		24,436	28,030	23,512	26,398
Net Receipts from:					
Tax Reserve Certificates		3,603	9,521	—1368	294
Savings Certificates		—1,400	5,000	—1100	4,000
Defence Bonds		— 2,222	4,525	—1139	2,282
Premium Savings Bonds		2,490	2,100	920	680
Total		2,471	21,146	—2687	7,256

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Apr. 12	3,120·0	1,492·7	259·4	...	4,872·1
1959					
Jan. 10	3,450·0	1,734·9	206·0	...	5,390·8
" 17	3,460·0	1,948·3	236·6	...	5,644·9
" 24	3,370·0	1,940·8	213·0	3·3	5,527·0
" 31	3,260·0	1,973·2	223·5	...	5,476·7
Feb. 7	3,250·0	1,891·6	237·9	...	5,379·5
" 14	3,140·0	1,874·2	252·2	...	5,266·4
" 21	3,070·0	1,943·7	197·2	...	5,210·9
" 28	3,010·0	1,990·0	197·3	...	5,197·3
Mar. 7	2,950·0	1,999·9	213·7	...	5,163·6
" 14	2,920·0	1,993·9	225·1	...	5,143·1
" 21	2,910·0	2,030·3	252·7	...	5,193·0
" 31	4,898·1		336·5	4·3	5,238·9
Apr. 4	2,950·0	1,966·3	291·6	...	5,227·8
" 11	2,940·0	2,015·7	280·8	...	5,236·5

THE MONEY MARKET

AFTER making its concerted bid at £99 3s. 6d. for six successive weeks, the discount market raised its bid sharply at the tender after the budget. The market correctly anticipated a rise in outside applications; total applications increased from £381 million to £434 million, but by increasing its basic bid by 6d. to £99 4s. the market nonetheless raised its allotted proportion at the minimum price from 50 to 65 per cent. The average rate of discount fell by ⅛ per cent to £3 4s. 0.89d. per cent.

Credit has continued to be tight in the market. Although the discount houses avoided borrowing on penal terms, a very small amount of assistance had to be provided by the authorities on two occasions. The rate for fresh loans remained above 3½ per cent and touched 3¾ per cent.

A moderate amount of business was done in Treasury bills at 3½ per cent for July maturities, and at one stage banks seemed keen to buy bills rather than lend to the market. Business increased on Wednesday, when money was in more plentiful supply owing to Government disbursements of about £22 million.

At the latest tender of United States Treasury bills the average rate of allotment for 91-day bills rose from 2.948 per cent to 3.075 per cent.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	**Discount rates:** Bank bills:	
Deposit rates (max.):		60 days	3 5/16–3 3/8
Banks	2	3 months	3 5/16–3 3/8
Discount houses	2–2¼	4 months	3 5/16–3 3/8
Money:		6 months	3 5/16–3 7/16
Day-to-Day	2–3⅛	Fine trade bills:	
Treasury bills:		3 months	4 1/4–5
2 months	3 3/16	4 months	4 1/4–5
3 months	3 7/32	6 months	4 1/2–5 7/8

New York

	%		%
Official discount rate: (from 2½%, 5/3/59)	3	**Treasury bills:** April 13	3·075
		" 6	2·943

BANK OF ENGLAND RETURNS

(£ million)	April 16, 1958	April 8, 1959	April 15, 1959
Issue Department:			
Notes in circulation	2,016·5	2,068·5	2,054·7
Notes in banking dept.	33·8	31·9	45·6
Govt. debt and securities*	2,046·3	2,096·5	2,096·5
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	9·7	10·4	11·3
Bankers	238·1	225·5	243·7
Others	75·1	63·4	63·0
Total	322·9	299·3	318·0
Securities:			
Government	262·8	242·4	241·8
Discounts and advances	22·4	21·4	26·9
Other	19·3	20·6	20·7
Total	304·5	284·4	289·4
Banking department reserve	36·2	32·7	46·4
" Proportion "	% 11·2	% 10·9	% 14·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,100 million March 25, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1958	91 day			s. d.	%
April 11	260·0	422·0	260·0	106 6·19	59
1959					
Jan. 9	260·0	407·4	260·0	62 10·22	47
" 16	240·0	414·0	220·0	62 3·42	40
" 23	230·0	415·1	220·0	62 1·96	31
" 30	220·0	388·0	220·0	62 1·68	31
Feb. 6	210·0	385·3	190·0	60 0·22	45
" 13	190·0	339·6	190·0	59 10·89	30
" 20	200·0	347·1	200·0	61 9·89	27
" 27	220·0	317·9	220·0	65 6·22	51
Mar. 6	230·0	370·4	230·0	66 0·14	57
" 13	230·0	374·1	230·0	65 11·05	43
" 20	250·0	360·4	250·0	65 8·95	55
" 26	260·0	378·8	260·0	66 6·10	58
April 3	250·0	381·0	250·0	65 11·42	50
" 10	260·0	433·9	260·0	64 0·89	65

* On April 10th tenders for 91 day bills at £99 4s. 0d. secured 65 per cent, higher tenders being allotted in full. The "er this week was for £250 million of 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	April 15	April 9	April 10	April 11	April 13	April 14	April 15
United States $	2·78–2·82	2·81 9/16–11/16	2·81 5/8–3/4	2·81 5/8–3/4	2·81 11/16–13/16	2·81 11/16–13/16	2·81 11/16 13/16
Canadian $	...	2·71 1/2–5/8	2·71 7/16–9/16	2·71 7/16–9/16	2·71 1/2–5/8	2·71 9/16–11/16	2·71 9/16 11/16
French Fr.	13·6220–14·0265	13·80 1/2–3/4	13·80 1/4–81	13·80 3/4–81	13·81 3/8–81 1/4	13·81 3/8–7/8	13·81 1/8 3/8
Swiss Fr.	11·94–12·54 7/8	12·16 3/8–5/8	12·16 5/8–7/8	12·16 3/4–17	12·18 1/4–1/2	12·18 1/8–3/8	12·18 18 1/4
Belgian Fr.	137·96–142·05	140·55–60	140·55–60	140·55–60	140·55–60	140·57 1/2–62 1/2	140·50–55
Dutch Gld.	10·48–10·80	10·62 3/8–5/8	10·62 1/4–1/2	10·62 3/8–5/8	10·62 3/8–5/8	10·62 3/8–5/8	10·62 3/8 5/8
W. Ger. D-Mk.	11·59 1/4–11·92 3/4	11·77 3/8–5/8	11·77 1/8–5/8	11·77 1/2–3/4	11·77 3/4–78	11·78–78 1/4	11·78 1/8 3/8
Portuguese Esc.	79·00 3/4–82·00 1/2	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25	80·15 25
Italian Lire	1725–1775	1747 1/4–3/4	1747 1/2–48	1747 1/2–48	1747 3/4–48 1/4	1748–48 1/2	1746 1/4–3/4
Swedish Kr.	14·37 1/4–14·59 1/4	14·56 1/2–3/4	14·56 1/2–3/4	14·56 1/2–7/8	14·56 5/8–7/8	14·56 7/8–57 1/8	14·57–57 1/2
Danish Kr.	19·06 1/2–19·62	19·37 1/2–3/4	19·37 3/4–38	19·37 1/4–1/2	19·32 1/2–1/2	19·38 3/8–7/8	19·35 1/2–5/8
Norwegian Kr.	19·71–20·30 1/2	20·02 5/8–7/8	20·02 5/8–7/8	20·02 5/8–7/8	20·02 7/8–03 1/8	20·03–03 1/4	20·03 1/4–1/2
One Month Forward Rates							
United States $		1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	5/16–3/16c. pm	5/16–3/16c. pm	1/4–1/8c. pm
Canadian $		1/8–1/4c. dis	3/16–5/16c. dis	3/16–5/16c. dis	3/16–5/16c. dis	3/16–5/16c. pm	3/16–5/16c. dis
French Fr.		par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis
Swiss Fr.		1 3/8–1 1/8c. pm	1 1/4–1c. pm	1 1/4–1c. pm	1 3/8–1 1/8c. pm	1 3/8–1 1/8c. pm	1 3/8–1 1/8c. pm
Belgian Fr.		8–3c. pm	8–3c. pm	8–3c. pm	8–3c. pm	8–3c. pm	8–3c. pm
Dutch Gld.		1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm
W. Ger. D-Mk.		1 3/8–1 1/8pf. pm	1 3/8–1 1/8pf. pm	1 3/8–1 1/8pf. pm	1 1/2–1 1/4pf. pm	1 3/8–1 1/8pf. pm	1 3/8–1 1/8pf. pm
Three Months Forward Rates							
United States $		1 3/2–3/8c. pm	9/16–7/16c. pm	9/16–7/16c. pm	5/8–1/2c. pm	5/8–1/2c. pm	9/16–7/16c. pm
Canadian $		3/8–1/2c. dis	1/2–5/8c. dis	1/2–5/8c. dis	7/16–9/16c. dis	7/16–9/16c. dis	7/16–9/16c. dis
Swiss Fr.		3 1/4–3c. pm	3 1/4–3c. pm	3 1/4–3c. pm	3 3/8–3 1/8c. pm	3 3/8–3 1/8c. pm	3 3/8–3 1/8c. pm
W. Ger. D-Mk.		3 1/4–3pf. pm	3 1/4–3pf. pm	3 1/4–3pf. pm	3 1/2–3 1/4pf. pm	3 5/8–3 3/8pf. pm	3 5/8–3 3/8pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/2 1/4	249/1 3/4	...	249/1 1/2	249/0 3/4	249/1

Industrial Profits and Assets

The tables below continue the analysis of company balance sheets and profit and loss accounts which was introduced in *The Economist* of January 22, 1949; the figures are discussed on an earlier page in this issue.

Comparative analysis of 421 profit and loss accounts published January-March, 1959 (£'000s)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(16)		(24)		(24)		(10)		(4)		(20)		(51)		(21)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	8,482	8,869	8,863	8,205	19,605	23,640	36,454	38,032	94,076	96,776	7,526	6,739	22,034	22,206	131,371	130,053
Income from investments	344	359	149	125	408	402	876	769	8,698	8,582	76	78	511	632	2,323	3,259
Other current income	10	...	...	1	...	...	...	1	...	...	...	...	90	114	...	31
Non-recurring credits	193	115	164	161	1,546	437	438	660	... 41	... 26	... 71	... 234	725	765	2,429	4,831
Total Income	9,029	9,343	9,177	8,491	21,559	24,479	37,769	39,462	102,815	105,384	7,673	7,051	23,360	23,717	136,123	138,174
Depreciation	946	924	1,314	1,355	4,816	5,299	2,358	2,628	7,400	8,116	1,558	1,653	3,348	3,783	25,788	28,958
Income tax	3,067	3,226	2,990	2,672	6,268	7,494	14,570	15,042	35,515	37,338	2,358	1,943	7,739	7,583	37,339	36,839
Profits tax	829	800	875	717	1,678	1,735	3,828	3,627	8,232	6,686	582	461	1,819	1,758	7,835	7,964
Directors' emoluments	292	319	622	632	585	671	723	754	778	833	524	483	1,210	1,296	1,130	1,153
Administrative charges	37	24	57	57	398	282	16	15	2,480	2,147	104	79	192	175	3,349	1,398
Contingencies, provisions, etc.	123	96	64	225	279	262	409	126	2,019	153	32	24	337	329	2,132	312
Pensions	30	27	99	56	37	28	63	108	1,128	3,805	20	15	159	119	2,096	2,782
Minority interests	40	39	22	22	830	586	279	277	3,041	2,766	59	44	47	42	633	316
Loan interest	635	644	295	306	222	216	199	191	3,154	3,093	135	198	269	308	4,145	7,871
Preference dividends	206	210	264	260	411	393	470	470	864	864	98	99	188	185	1,134	1,181
Profits retained by subsidiaries	529	598	523	325	2,213	3,000	1,358	1,166	18,637	16,685	584	726	1,355	1,509	5,819	4,474
Ordinary dividends	1,038	1,113	1,115	1,141	2,510	2,735	9,301	9,468	14,866	15,112	838	845	2,646	2,736	13,535	11,234
Reserves (parent company)	1,115	1,682	580	696	1,118	1,693	3,090	3,011	5,916	6,650	654	566	3,706	3,058	32,307	31,107
Brought in (parent company)	1,993	2,135	1,852	2,207	2,854	3,048	5,449	6,554	4,266	3,051	1,209	1,336	4,750	5,096	27,030	25,411
Carried forward (parent company)	2,135	1,776	2,207	2,234	3,048	3,133	6,554	9,133	3,051	4,187	1,336	1,250	5,096	5,932	25,411	27,996

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(1)		(12)		(12)		(24)		(17)		(61)		(2)		(12)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	361	378	20,267	22,072	30,686	34,448	40,059	49,501	9,051	8,712	35,338	37,067	30,681	23,151	6,382	4,040
Income from investments	11	4	362	450	616	1,327	1,385	1,820	420	551	1,141	1,126	1,718	1,689	428	607
Other current income	...	...	...	...	2	1	...	...	2	2	2	2	...	...	...	...
Non-recurring credits	29	12	85	121	924	340	528	1,180	283	346	1,263	1,118	98	37	145	484
Total Income	401	394	20,714	22,643	32,228	36,116	41,972	52,501	9,756	9,611	37,744	39,313	32,497	24,877	6,955	5,131
Depreciation	60	71	5,582	7,277	7,865	9,437	7,570	9,260	1,666	1,645	7,577	8,931	10,996	11,486	599	720
Income tax	121	113	5,167	5,436	8,625	9,087	11,938	16,670	3,161	2,992	11,081	11,655	6,193	3,203	2,268	1,512
Profits tax	41	35	1,260	1,128	3,296	2,631	2,269	3,599	968	809	2,825	2,689	1,121	377	749	478
Directors' emoluments	38	26	500	514	400	418	879	965	526	522	1,377	1,401	133	140	305	305
Administrative charges	1	1	52	103	186	142	236	212	28	40	193	191	45	43	17	11
Contingencies, provisions, etc.	...	...	304	372	55	733	503	128	8	7	228	215	2,177	2,254	1	3
Pensions	10	26	527	611	15	15	2,405	2,893	25	29	454	610	463	50	...	...
Minority interests	...	...	1,053	1,033	Dr. 24	Dr. 69	11	11	47	46	176	186	1,757	1,375	44	50
Loan interest	...	...	929	1,352	836	1,681	218	335	55	120	552	642	709	710	65	63
Preference dividends	5	5	201	201	285	288	231	228	223	223	435	421	103	103	85	85
Profits retained by subsidiaries	...	...	1,486	728	1,655	2,571	2,461	Dr.5,376	222	340	1,215	1,222	6,219	3,042	298	Dr. 51
Ordinary dividends	64	64	2,263	2,279	5,390	5,769	3,706	3,650	1,343	1,305	5,304	5,310	1,791	1,743	1,181	1,102
Reserves (parent company)	50	50	1,332	1,108	3,025	2,995	2,353	2,430	1,346	1,431	4,613	3,314	775	400	1,392	893
Brought in (parent company)	87	98	4,432	4,490	3,254	3,873	19,094	26,286	1,623	1,761	14,257	15,966	384	399	2,137	2,088
Carried forward (parent company)	98	101	4,490	4,991	3,873	4,291	26,286	43,782	1,761	1,863	15,966	18,492	399	345	2,088	2,059

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(4)		(16)		(11)		(3)		(30)		(4)		(42)		421 Companies	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	2,173	1,645	7,459	5,245	4,058	2,843	1,965	1,826	2,057	1,697	644	611	11,315	13,544	530,907	541,300
Income from investments	33	41	238	332	264	236	155	193	297	321	29	26	335	399	20,817	23,328
Other current income	...	...	...	...	...	...	...	...	11	16	...	...	...	...	119	167
Non-recurring credits	8	16	157	291	197	186	202	...	520	361	2	62	223	502	10,271	12,285
Total Income	2,214	1,702	7,854	5,858	4,519	3,265	2,322	2,019	2,885	2,395	675	699	11,873	14,445	562,114	577,080
Depreciation	392	395	1,240	1,293	1,142	1,180	180	204	173	178	91	60	2,804	3,452	95,465	108,295
Income tax	712	583	2,405	1,630	1,052	636	636	704	543	612	271	309	3,162	3,901	167,181	171,179
Profits tax	187	125	803	466	412	204	169	52	248	68	60	11	1,102	966	41,168	37,386
Directors' emoluments	151	140	567	539	337	312	82	84	64	61	16	16	541	581	11,789	12,167
Administrative charges	4	5	45	31	6	3	26	26	79	76	9	10	140	129	7,706	5,205
Contingencies, provisions, etc.	...	...	12	13	20	43	162	161	260	264	2	...	290	333	9,409	6,053
Pensions	25	24	50	35	70	70	200	100	3	...	9	16	98	92	7,986	11,511
Minority interests	1	1	8	7	6	2	...	...	...	...	...	...	29	29	8,059	6,763
Loan interest	10	10	110	126	40	41	...	...	17	12	...	...	532	632	13,126	18,551
Preference dividends	33	33	197	197	196	196	2	2	7	12	11	11	321	325	5,970	5,991
Profits retained by subsidiaries	19	Dr. 11	396	Dr. 72	203	19	...	1	...	...	Dr. 2	...	248	443	45,441	31,339
Ordinary dividends	257	211	1,153	944	548	387	484	486	971	605	135	153	1,529	1,715	72,090	70,207
Reserves (parent company)	357	269	947	598	390	253	349	150	431	325	72	101	1,005	1,654	67,506	64,424
Brought in (parent company)	332	396	2,279	2,199	981	1,077	413	439	299	365	87	87	2,702	2,594	101,799	111,006
Carried forward (parent company)	396	313	2,199	2,270	1,077	996	439	533	355	457	87	90	2,594	2,787	111,006	139,018

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

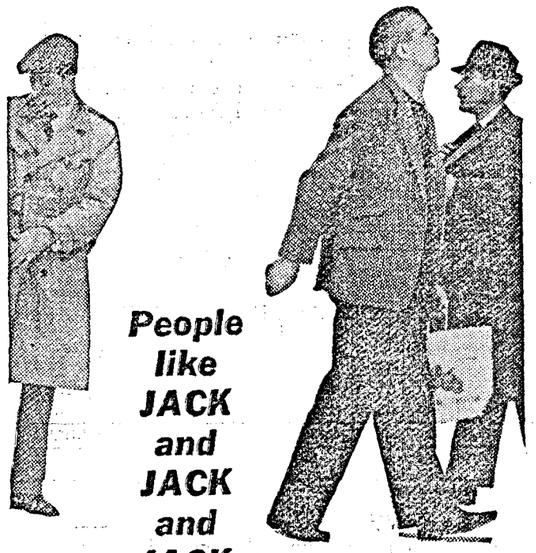
Comparative analysis of 421 balance sheets published January-March, 1959 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(16)		(24)		(24)		(10)		(4)		(20)		(51)		(21)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	58,174	61,246	38,270	41,211	101,564	111,410	102,207	113,238	145,143	156,740	25,140	27,454	57,159	64,721	664,550	761,248
Trade investments	859	804	260	514	2,894	3,326	790	83	24,766	24,430	153	74	1,483	1,616	11,121	12,108
Stocks	10,077	10,427	22,476	22,855	37,967	40,287	29,763	30,721	374,202	366,665	10,116	10,688	54,215	56,800	166,570	182,888
Debtors	5,940	6,126	4,507	4,292	23,132	24,112	8,418	8,924	100,169	97,986	12,024	12,066	29,010	31,093	125,603	112,274
Net balances due to parent company	...	...	...	...	39	3	81	456	...	...	13	2	114	117	400	1,395
Gilt-edged	1,350	874	644	474	312	323	4,151	4,399	927	927	31	31	1,432	1,432	4,660	7,175
Cash	3,974	4,054	5,691	4,582	11,132	9,512	36,169	34,994	40,062	55,882	1,722	2,395	15,177	15,003	31,697	34,106
Other marketable investments	784	806	189	220	863	872	200	188	4,664	4,477	1,006	931	959	977	915	901
Intangible assets	1,417	1,493	1,835	1,870	12,487	14,590	4,031	4,027	10,551	10,570	1,121	1,123	1,581	1,745	1,377	1,425
Total Assets	82,575	85,740	74,072	76,018	190,390	204,435	185,810	197,030	700,484	717,678	51,326	54,764	161,130	173,504	1,036,893	1,113,520
Bank overdrafts and loans	671	491	1,300	1,474	8,587	12,355	326	512	35,612	37,614	2,130	1,669	4,946	6,125	39,468	27,118
Reserve for future income tax	3,055	3,224	3,721	3,366	8,078	8,623	14,264	14,843	17,409	18,029	2,313	2,033	8,106	7,892	73,381	78,382
Depreciation	7,277	8,065	9,763	10,788	29,262	32,942	15,917	18,086	55,060	59,849	9,327	10,594	23,225	26,185	172,319	196,218
Capital reserves	3,069	3,375	6,317	6,546	20,889	21,957	11,183	11,266	61,652	66,704	2,375	3,041	9,015	8,083	79,652	98,961
Other provisions	507	423	112	115	2,608	2,547	1,337	1,799	6,907	7,781	36	34	450	543	21,216	21,579
Creditors	6,514	6,592	7,773	7,521	21,888	21,784	16,743	17,321	67,911	67,842	7,202	7,053	26,160	28,298	98,310	80,712
Other current liabilities	5,629	5,900	4,780	4,562	11,570	12,080	24,160	24,657	39,608	38,859	3,668	3,607	12,669	11,754	59,452	62,564
Revenue res. and carried forward	19,303	20,454	11,085	11,846	26,429	30,607	31,466	36,878	168,059	183,429	8,631	9,475	32,653	35,792	148,417	166,882
Net balances due to subsidiaries	...	...	...	...	...	13	...	13	...	...	...	61	...	...	2,294	2,298
Minority interests	1,258	1,259	561	555	9,696	9,870	6,365	6,334	25,926	26,724	281	280	735	700	5,254	3,717
Loan capital	15,443	15,326	7,556	7,503	4,436	4,331	4,367	4,179	82,049	70,556	2,483	3,554	5,475	6,437	121,130	159,239
Preference capital	7,741	7,738	7,441	7,396	12,552	12,564	12,469	12,463	24,708	24,708	2,783	2,783	6,118	6,111	33,872	33,872
Ordinary capital	12,108	12,893	13,663	13,946	34,395	34,775	47,200	48,679	115,583	115,583	10,097	10,641	31,497	35,584	181,928	181,978
Total Liabilities	82,575	85,740	74,072	76,018	190,390	204,435	185,810	197,030	700,484	717,678	51,326	54,764	161,130	173,504	1,036,893	1,113,520
Year's Free Scrip Issues	—	784	2,994	249	8,503	—	11,295	1,479	11,879	—	97	294	563	3,589	20,000	50

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(1)		(12)		(12)		(24)		(17)		(61)		(2)		(12)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	1,221	1,308	114,677	130,561	128,579	158,629	125,707	146,138	38,285	42,780	129,582	148,491	248,714	267,284	27,327	28,118
Trade investments	...	...	1,294	1,513	6,690	8,429	1,138	2,038	624	645	5,256	4,768	2,355	1,920	522	444
Stocks	1,196	1,012	24,166	24,064	128,902	151,700	76,209	76,287	13,173	12,629	62,205	62,956	7,715	8,338	20,837	18,354
Debtors	317	523	17,680	19,728	97,348	106,561	34,481	34,485	11,818	12,023	48,980	50,876	18,772	18,311	7,236	7,448
Net balances due to parent company	...	...	47	...	827	...	10	10	...	...	290	313	...	...	...	...
Gilt-edged	328	6	2,168	1,741	87	47	15,930	19,189	701	645	927	816	44,275	40,711	540	591
Cash	178	362	9,563	7,378	5,950	14,902	33,489	41,024	7,823	7,635	23,011	26,996	13,345	13,161	11,281	12,145
Other marketable investments	...	...	470	495	20	20	151	122	3,541	3,461	3,466	2,942	4,568	3,362	2,949	2,980
Intangible assets	...	...	20	23	1,416	1,214	212	178	1,827	1,848	1,750	1,066	...	...	171	171
Total Assets	3,240	3,211	170,085	185,503	369,819	441,502	287,327	319,471	77,792	81,666	275,467	299,224	339,744	353,087	70,863	70,251
Bank overdrafts and loans	...	...	1,581	1,371	19,799	28,699	3,382	3,492	1,337	1,510	10,507	11,977	2,121	3,280	761	464
Reserve for future income tax	120	116	6,261	7,624	10,893	11,769	12,535	17 029	3,829	3,278	13,777	14,450	29,776	33,998	1,981	1,271
Depreciation	689	744	30,941	37,384	50,447	62,258	44,758	52,648	14,496	15,148	43,077	50,459	90,909	99,110	10,515	10,953
Capital reserves	218	215	7,004	7,864	48,421	57,558	9,655	9,962	3,616	4,434	16,904	17,219	63,309	65,819	4,056	4,618
Other provisions	...	...	136	139	3,291	4,285	577	551	304	346	1,615	1,681	4,105	4,047	1,642	267
Creditors	556	509	12,264	13,637	66,198	74,271	63,659	62,234	5,051	5,376	34,151	36,320	20,924	19,266	3,213	3,179
Other current liabilities	423	332	8,694	9,138	12,918	13,191	23,238	28,794	4,826	4,083	18,388	18,597	13,674	12,814	3,692	3,817
Revenue res. and carried forward	534	595	21,775	23,377	61,174	66,968	56,317	70,438	20,839	22,628	61,735	67,587	44,135	43,474	23,984	24,886
Net balances due to subsidiaries	...	...	277	...	...	24	350	434	60	60	283	300	...	...	...	...
Minority interests	...	...	(3,332	14,988	4,963	5,420	323	324	1,167	1,178	3,027	3,161	23,385	24,319	363	384
Loan capital	...	...	25,632	27,032	23,867	44,473	5,676	5,627	1,399	2,524	10,316	10,952	15,140	15,784	1,910	1,866
Preference capital	140	140	7,229	7,227	9,280	9,468	7,232	7,232	6,438	6,438	12,986	13,215	3,597	3,597	2,684	2,684
Ordinary capital	560	560	34,959	35,722	58,568	63,118	59,625	60,706	14,430	14,663	48,701	53,306	28,669	28,669	15,862	15,862
Total Liabilities	3,240	3,211	170,085	185,503	369,819	441,502	287,327	319,471	77,792	81,666	275,467	299,224	339,744	353,087	70,863	70,251
Year's Free Scrip Issues	—	—	7,500	533	1,045	—	10	900	191	233	629	2,314	557	—	—	—

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(4)		(16)		(11)		(3)		(30)		(4)		(42)		421 Companies	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	6,501	6,872	25,149	28,400	23,465	25,073	6,920	7,450	10,250	10,787	2,281	2,752	61,861	73,136	2,142,726	2,415,047
Trade investments	19	43	1,542	1,634	1,558	1,519	315	390	787	1,056	144	36	3,532	2,741	68,102	70,136
Stocks	4,503	3,642	25,523	19,606	9,981	8,912	1,098	1,284	1,041	959	865	1,061	7,800	8,068	1,120,600	1,120,403
Debtors	2,417	2,247	9,083	9,084	6,963	6,575	852	779	616	469	147	197	30,091	42,466	595,604	608,645
Net balances due to parent company	...	...	...	...	...	...	...	8	...	...	...	...	184	...	2,005	2,304
Gilt-edged	119	119	2,140	2,277	1,478	1,041	1,608	3,146	1,909	1,724	110	116	1,001	947	86,828	88,751
Cash	1,444	1,595	2,689	3,699	3,059	2,781	3,460	1,800	2,218	1,723	746	492	6,332	9,211	270,412	305,434
Other marketable investments	...	...	113	65	10	10	...	...	321	223	31	35	1,333	1,457	26,553	24,544
Intangible assets	207	207	95	94	299	210	...	11	188	195	...	...	251	234	40,836	42,204
Total Assets	15,210	14,731	66,334	65,059	46,813	46,121	14,253	14,868	17,330	17,136	4,324	4,689	112,385	138,260	4,353,666	4,677,468
Bank overdrafts and loans	1,052	544	4,413	1,690	633	354	...	...	20	52	50	127	11,353	11,394	150,049	152,312
Reserve for future income tax	715	590	2,316	1,528	1,180	737	754	769	143	58	209	233	3,293	4,187	218,109	232,939
Depreciation	3,202	3,516	9,089	9,875	8,963	9,932	4,508	5,037	1,384	1,523	535	495	16,577	19,194	652,840	741,003
Capital reserves	69	83	1,207	3,224	3,826	3,770	113	113	2,575	2,748	247	613	4,588	10,611	359,980	408,784
Other provisions	...	...	384	326	170	149	216	326	455	375	87	91	1,111	1,268	47,266	48,672
Creditors	1,209	971	5,062	5,096	4,558	3,853	357	396	1,246	1,110	249	256	9,692	11,451	480,910	475,048
Other current liabilities	634	558	4,361	3,272	2,054	1,670	914	886	1,359	1,098	799	633	14,726	22,471	272,436	285,737
Revenue res. and carried forward	4,012	4,170	18,038	17,601	9,193	9,259	5,326	5,670	2,580	2,561	844	937	13,671	14,750	750,200	870,264
Net balances due to subsidiaries	...	...	...	...	...	...	...	...	...	...	...	...	2	3	3,340	3,132
Minority interests	12	14	235	233	100	150	...	6	...	...	...	...	367	434	97,350	100,050
Loan capital	250	250	2,489	2,474	1,016	1,122	...	...	229	131	...	...	10,294	11,612	341,157	394,972
Preference capital	1,130	1,130	5,246	5,246	6,332	6,332	61	61	346	303	306	306	9,031	9,197	179,722	180,211
Ordinary capital	2,505	2,905	13,494	14,494	8,788	8,793	1,604	1,604	6,993	7,177	998	998	17,680	21,688	760,307	784,344
Total Liabilities	15,210	14,731	66,334	65,059	46,813	46,121	14,253	14,868	17,330	17,136	4,324	4,689	112,385	138,260	4,353,666	4,677,468
Year's Free Scrip Issues	—	—	112	—	—	—	—	—	337	—	—	—	549	537	66,661	10,967

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.



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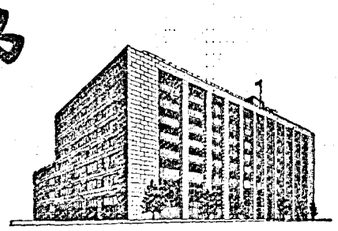


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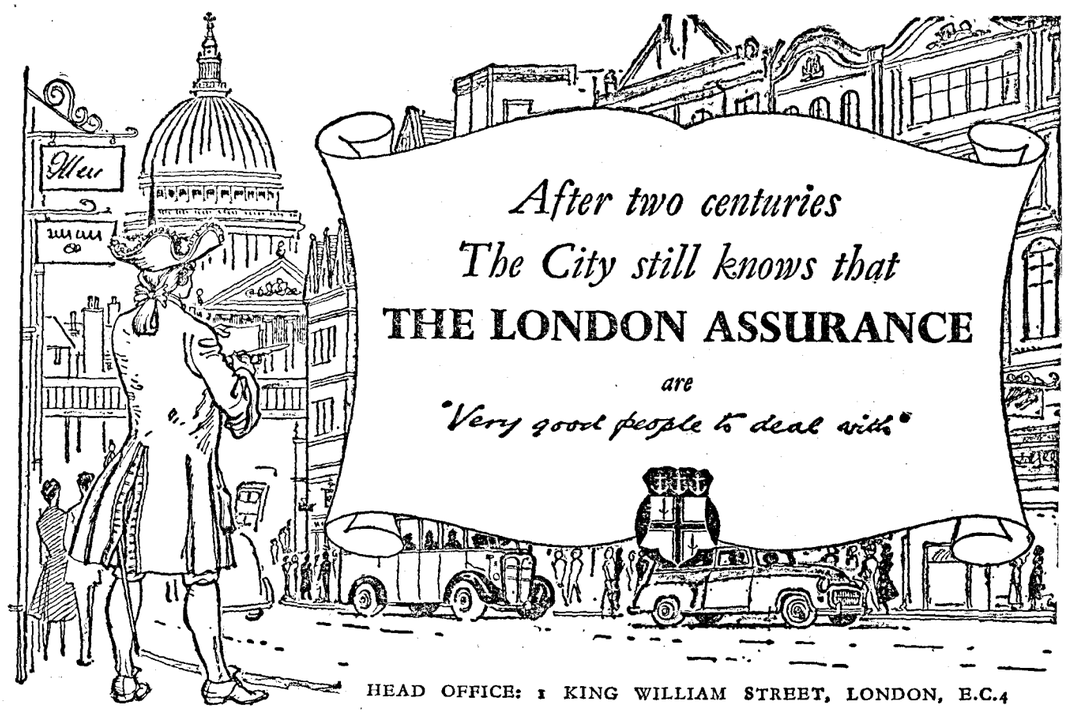


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Vacant 9/- a line; Required 6/- a line.

Applications are invited for a position as

SENIOR ACCOUNT EXECUTIVE

This is a responsible post for a seasoned and capable advertising man (probably in his mid-thirties). He will have had some years of successful agency experience as an account executive handling advertising directed to the housewife. Thorough insight into the marketing and promotional aspects of campaign planning will be an important advantage.

This is *definitely not* a post for which a less experienced man could be considered. Qualifications and experience *must* be suited to the responsible nature of the job and to the good salary we expect to pay the man we want. Please write in confidence to

The Managing Director,

LINTAS LIMITED,
Hesketh House,
Portman Square, W.1.

TRAIN AS TECHNICAL TEACHERS

Applications are invited from men and women for TRAINING as

FULL-TIME TEACHERS OF GENERAL, COMMERCIAL AND PROFESSIONAL SUBJECTS AND/OR OFFICE ARTS.

(Shorthand, Typewriting, Secretarial work)
in
TECHNICAL COLLEGES AND SCHOOLS.

The next course of training will begin in September 1959 and end in June 1960.

Applicants should normally

(1) be between about 25 and about 45 years of age,
(2) have good commercial experience,
(3) possess one of the following:—
Professional qualification or degree.
Hither National Certificate in Commerce,
Advanced Certificates in English, Shorthand and Typewriting.

SUBSTANTIAL GRANTS AVAILABLE FREE OF INCOME TAX AND NORMALLY FREE TUITION, BOARD AND LODGING.

Write for details and an application form to one of the colleges:

The Director (S/2/11), Bolton Training College, Manchester Road, Bolton.	The Principal (S/2/11), Garnett College, 83 New Kent Road, London, S.E.1.

The Director (S/2/11),
Huddersfield Training College,
Holly Bank Road,
Lindley, Huddersfield. (769)

GRADUATE (preferably, but not necessarily in Economics or Statistics) wanted as General Research Assistant in Economics Department; work involves collection and processing of statistics and helping to run a trade journal. Commencing salary £550-£600.—Please write to the Secretary, International Wool Secretariat, Dorland House, 18-20, Regent Street, London, S.W.1, and mark envelope "Confidential EC."

LONDON COUNTY COUNCIL

BALHAM AND TOOTING COLLEGE OF COMMERCE
TOOTING BROADWAY, S.W.17

Required, September, 1959, three tutors grade "B": graduate or professional qualifications; also teaching and/or commercial experience.

No. 1: Management studies especially organisation and method, work study, or production control.
No. 2: Accounting and related studies.
No. 3: Geography—with other subjects an advantage.

College provides full-time, part-time day, evening and short courses for professional and business students; work expanding.

Burnham (F.E.) salary scale within the range £720 6s. x £26 5s. to £1,336 13s.

Point of entry and maximum according to age, qualifications and experience.

Application forms from Secretary at College to be returned by May 15, 1959. (668)

EXPORT MANAGER

PATONS & BALDWINS LIMITED, manufacturers of Beehive Knitting Wools, and of woollen, worsted and synthetic yarns for further manufacture, require at head office in DARLINGTON, Co. Durham, a manager for the Export Department.

Previous experience of textile industry desirable but not essential. Applicants must have knowledge and experience of Continental, Commonwealth and World markets and be thoroughly familiar with all aspects of export trade and procedure. Knowledge of languages will be an advantage and post involves periodical visits to overseas markets.

Salary, which will be fully commensurate with the responsibility and seniority of the post, will be negotiated having regard to calibre and experience of applicants.

Applications, which will be received in confidence, should be made in writing giving full details of career, experience, present position and of salary expected to:—

The Secretary,
PATONS & BALDWINS LIMITED,
P.O. Box 22, DARLINGTON, Co. Durham.

ADMINISTRATIVE CLASS, HOME CIVIL SERVICE. *About 6 posts for graduates (men or women) at least 24 and under 26 on 1.8.59 (extension for Forces service).* First Class Honours normally required, but candidates with Second Class Honours may also be considered. Selection by tests and interviews in July. *Starting salary* (London) £655 (plus increments for National Service). Promotion prospects to Principal (Minimum £1,500) within seven years and thereafter to the highest posts in the Service. Write Civil Service Commission, Burlington Gardens, London, W.1. for application form, quoting 531/59. Closing date *May 14, 1959.*

ANTHROPOLOGIST FOR U.S. UNIVERSITY. Must be interested in theoretical problems and have knowledge of Far or Near East. Terms of appointment variable with candidate's experience. Send brief outline of experience and possible references to:
Professor Alvin W. Gouldner,
1204 W. Oregon Street,
Urbana, Illinois, U.S.A.

DUTCH/ENGLISH TRANSLATIONS.—Spare time work is offered in translating Dutch accountancy texts into English. In addition to fluency in the two languages, a thorough knowledge and understanding of Dutch and English accounting terminology is essential for the acceptable execution of this task. *The work is not continuous* but applicants must be prepared to carry out translations of varying volume at intermittent times and with reasonable speed. Personal contacts necessitate applicant to be domiciled within easy reach of Central London.—Please apply, in writing, to the Employment Officer, PHILIPS ELECTRICAL INDUSTRIES LIMITED, Century House, Shaftesbury Avenue, W.C.2, quoting ref: 168.

RESEARCH OFFICER required to assist study group on project on "Public Relations of Public Authorities." Duration two years. Research experience important; interest in public affairs desirable. Salary in range of £750-£900 according to qualifications.—Royal Institute of Public Administration, 76a New Cavendish Street, London, W.1.

DEPUTY SALES RESEARCH MANAGER
and
MARKET RESEARCH MANAGER

Applications are invited from suitably qualified men for the following positions in the Sales Research Department of a Company engaged in the manufacture of consumer durables in North London.

DEPUTY SALES RESEARCH MANAGER

The person appointed will assist the Manager in planning and controlling the work of the department and will have a special responsibility for economic forecasting and sales budgeting. The position calls for a man with the following assets:

(a) 1st or 2nd class honours degree in economics, with either economics as special subject and subsidiary statistics, or vice versa.
(b) At least 3 years' experience in industry or commerce, preferably in the sphere of business economics or statistics.
(c) A quick analytical brain and sound judgment, with the ability to apply his technical know-how to practical business problems.
(d) Age 28-35.

This post is not "backroom" but offers scope for contributing to the determination of Company sales and marketing policy, with corresponding scope for advancement for a man prepared to identify himself closely with the Company's future progress.

A starting salary, according to age and experience, in the region of £1,250 per annum is envisaged.

Write Box D.S.421, Austin Knight Ltd., 212a Shaftesbury Avenue, London, WC2

MARKET RESEARCH MANAGER

To take charge of this side of the department's activities. The man appointed will be expected to initiate and plan, as well as carry out, research projects, which will include both retailer and consumer surveys, product testing and some desk research. He will maintain liaison with research agencies and will control the work of the research staff (including interviewers). He should preferably satisfy the following requirements:—

(a) Degree in economics, preferably with statistics.
(b) At least two years' experience in market research (with field research as a main function). This must include definite experience in initiating and planning field surveys, including questionnaire compilation and sample selection. Experience of internal analysis or report production only will not suffice.
(c) Good grounding in statistical techniques applicable to field research.
(d) Ability to relate the planning and results of market research to practical Company problems.
(e) Age preferably 26-30.

Starting salary according to age and experience and will be in the region of £1,000 per annum.

Write Box M.R.423, Austin Knight Ltd., 212a Shaftesbury Avenue, London, WC2

The Company operates superannuation and life assurance schemes.

THE POLYTECHNIC
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SCHOOL OF COMMERCE

Applications are invited for a full-time appointment as Grade E teacher to teach English as main subject and French to students taking secretarial, commercial, professional and G.C.E. advanced level courses. Ability to teach also some German or Spanish would be an additional recommendation. Duties to commence on September 1st next.

The salary scale for a graduate rises to £1,155 per annum, plus London allowance of £37 16s. or £50 8s. Additional allowances are payable for a good honours degree and training where appropriate. The commencing salary will depend upon qualifications and experience and may include up to twelve increments in respect of industrial experience. The post is subject to *superannuation and some* concession in this respect may be made for previous industrial employment.

Application forms, to be returned within two weeks of the publication of this advertisement, may be obtained by sending a stamped addressed foolscap envelope to the undersigned.

J. E. RICHARDSON,
Director of Education.

OPERATIONAL RESEARCH, AIR MINISTRY.—Senior Scientific and Scientific Officers required in Scientific Adviser's Department. Qualifications: 1st or 2nd Cl. Hons. Degree in maths., statistics or physical science such as Physics, Engineering. Hons. Degree in natural or social science if candidate possesses at least mathematical knowledge at G.C.E. Advanced Level. Appointments offer great scope and interest to versatile scientists capable of working well with Service officers and of adopting methods suited to Service environment. Work is mainly Operational Research in variety of subjects of concern to R.A.F. including tactics, technical development and logistics and offers S.S.O. and S.O. Grades valuable *experience in principles* of Operational Research. Salaries London S.S.O. £1,233 to £1,460. S.O. £655 to £1,150. Outside London slightly lower. Salaries for women being raised by stages to men's rates.—Forms *from* M.L.N.S. Technical and Scientific Register (K), 26 King Street, London, S.W.1 (quoting A.163/9A/PC).

GRADUATE ASSISTANT

COURTAULDS LIMITED require a man or woman GRADUATE ASSISTANT in their London office. The work will be concerned with import tariffs and other questions *affecting international trade in man-made fibres* and related products. Candidates should be able to marshall facts and figures and to present complicated data concisely and clearly. Only candidates with a good Honours degree will be considered.

Candidates should write for a detailed form of application to the Director of Personnel, Courtaulds Limited, 16, St. Martin's-le-Grand, London, E.C.1, quoting reference number E.92.

THE ECONOMIST wants a young man (not over 30) for its investment and companies section, who has experience of company accounts and the Stock Exchange. Previous experience in financial journalism is highly desirable, though not absolutely necessary. The important qualities are a good analytical mind and clear writing.—Apply to the Deputy Editor.

MANAGER wanted for University Bookshop (Nigeria) Ltd., leading educational and mail order book business in Nigeria. Managerial experience (preferably in textbook and cultural field and office management), drive, initiative, and above all hard work essential to deal with large, rapidly expanding turnover. Salary according to *experience.* Generous allowances, including overseas leave. Applications in triplicate by April 27th to G. J. B. Allport (Chairman), University College, Ibadan, 40 Gordon Square, W.C.1. Tel.: EUSton 8948, from whom further particulars may be obtained.

For other appointments see page 275

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for a Lectureship or an Assistant Lectureship in Economics. Salary scale for Lectureship £900 x £50-£1,350; then, subject to review, £1,425 x £75-£1,650; plus £60 London Allowance; for Assistant Lectureship £700 x £50-£850; plus £60 London Allowance; with superannuation benefits and family allowances in both cases. In assessing the starting salary due consideration will be given to age and experience. Candidates are invited to indicate their special interests in the field of Economics.

Applications, with the names of three referees, should be received not later than May 15, 1959 by the Secretary, London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom further particulars may be obtained.

THE UNIVERSITY OF MANCHESTER

RESEARCH FELLOWSHIP IN ECONOMIC STATISTICS

Applications are invited for the above Fellowship tenable for one year with a possible extension to two years. The Fellowship is of a value within the range £1,100-£1,400 per annum, together with approved expenses involved in the research. Regulations governing the award of the *Fellowship* and application forms may be obtained from the Registrar, The University, Manchester, 13, to whom all applications should be sent not later than April 27, 1959.

THE MANCHESTER COLLEGE OF SCIENCE AND TECHNOLOGY

(FACULTY OF TECHNOLOGY IN THE UNIVERSITY OF MANCHESTER)

APPOINTMENT OF BURSAR

Applications are invited for the post of Bursar of the College. The Bursar is the executive officer responsible to the Principal for all financial matters including the preparation of estimates and participation in negotiations with the University Grants Committee, for the development and maintenance of the estate and the buildings of the College and for legal matters arising therefrom. *Candidates must, therefore,* have a wide experience in these fields, must possess suitable qualifications and managerial capacity of a high order.

The salary will be in the range £1,800 to £2,300. The appointment will be subject to the Federated Superannuation System for Universities and family allowances will be payable.

Application forms and further particulars may be obtained from The Registrar, The Manchester College of Science and Technology, Manchester, 1, to whom applications must be forwarded by Monday, May 25, 1959.

AIC

Executive Selection Service *is advising on the following appointment*

OPERATIONAL RESEARCH LEADER

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As this is a confidential service, the names of applicants will not be disclosed without their agreement. A brief statement of qualifications and experience should be sent to Mr. R. A. Manthei, marked OR(LC) 1 at Associated Industrial Consultants Limited

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Secretary to the University.

April, 1959.

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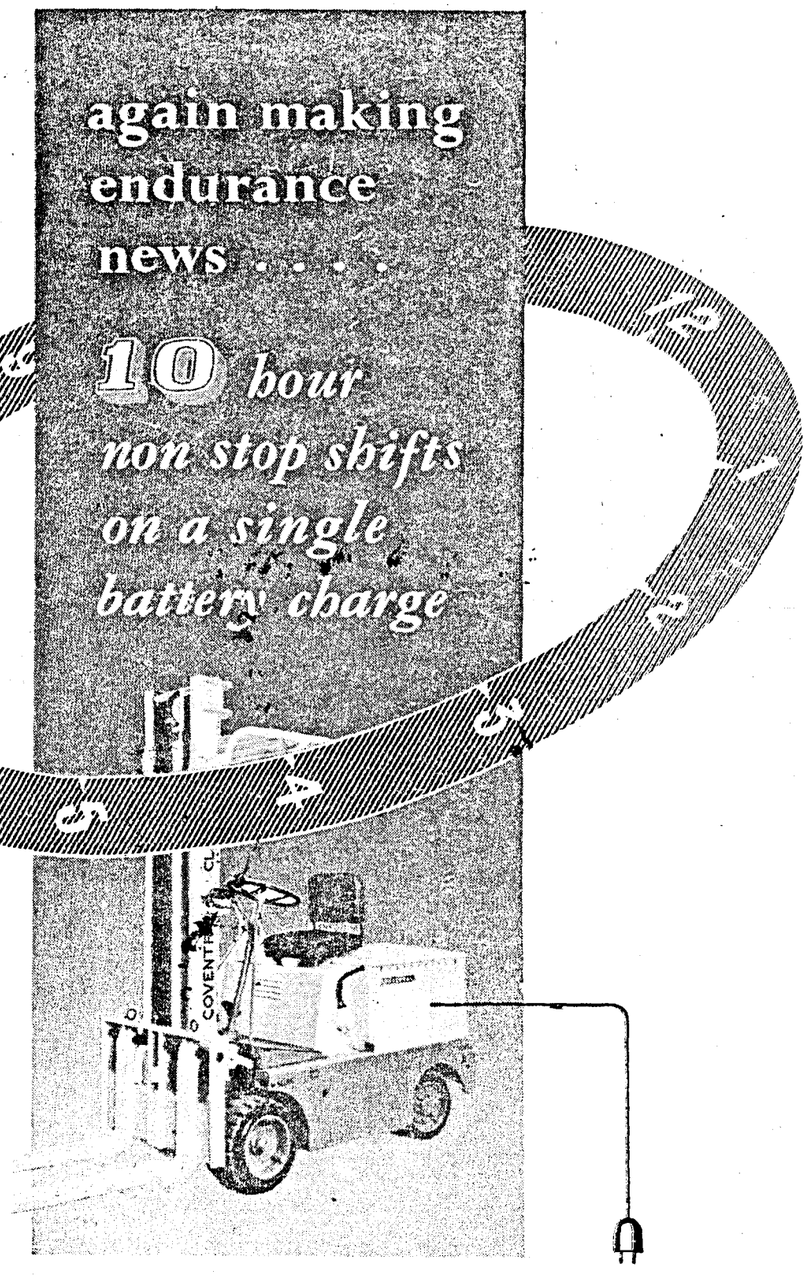
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The prospects for gilt-edged and equities (page 353)

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THE ECONOMIST · 22 RYDER STREET · ST. JAMES'S · LONDON · S.W.1
VOLUME CXCI · NUMBER 6035

A fifty-seven million pound contribution toward trade within the Commonwealth

IMPORTANCE OF THE MARGARINE INDUSTRY IN MAINTAINING A HIGH LEVEL OF TRADE BETWEEN GREAT BRITAIN AND OTHER COMMONWEALTH COUNTRIES

In the three years to 1958 Britain imported Groundnuts, Palm Kernels, Soya Beans, Cotton-Seed and their oils, Palm Oil, Copra and Coconut Oil from Nigeria, Ceylon, New Guinea, Papua, Malaya and the British Pacific Islands to the average value of fifty-seven million pounds a year.

BRITISH EXPORTS — A £130M MARKET. These imports paid for two-fifths of British exports – excluding re-exports – to these Commonwealth countries which, during that period, averaged £132,000,000 a year.
This figure is a substantial one. It represents not only an important contribution to the standard of living in these Commonwealth countries, but also a significant percentage of our own industrial output for export.

MARGARINE INDUSTRY A MAJOR USER. One of the largest single uses for Groundnuts, Palm Kernels, Soya Beans, Cotton-Seed and their oils, Palm Oil, Copra and Coconut Oil is, of course, the manufacture of margarine.

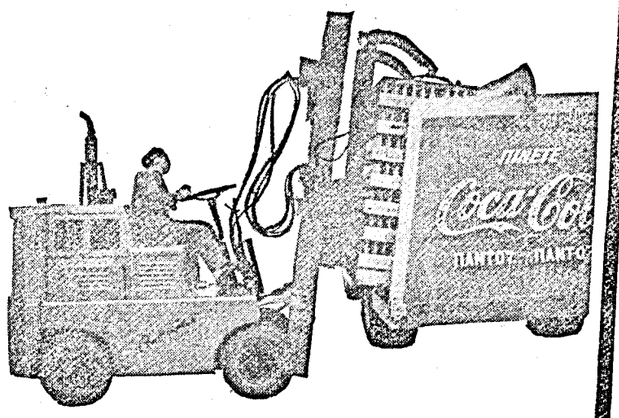
It is clear that quite apart from providing a useful addition to the nutritional larder of this country, the margarine industry plays a vital part in the maintenance of a high level of trade within the Commonwealth.

(All figures quoted are from Board of Trade "Trade and Navigation Accounts" of the year concerned)

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2 MAY 1959 PUBLIC BUILDINGS

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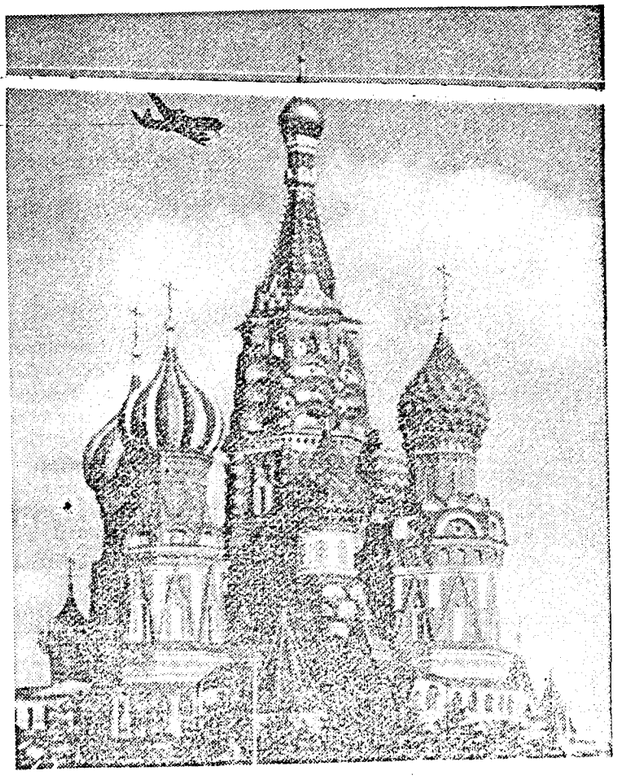
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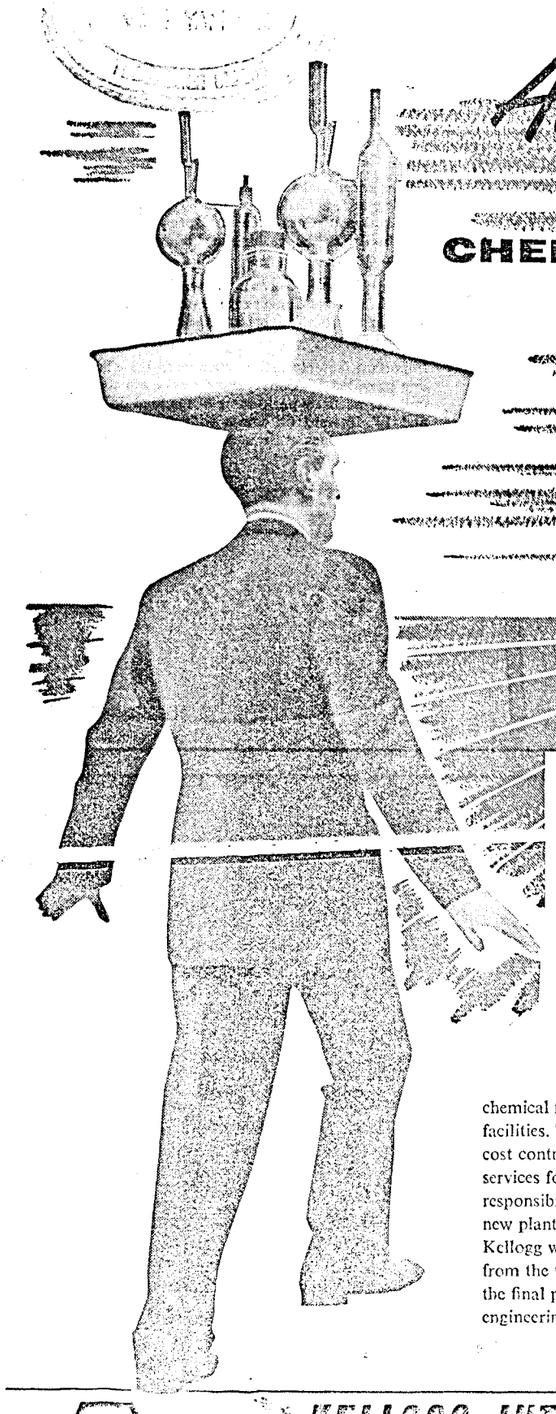
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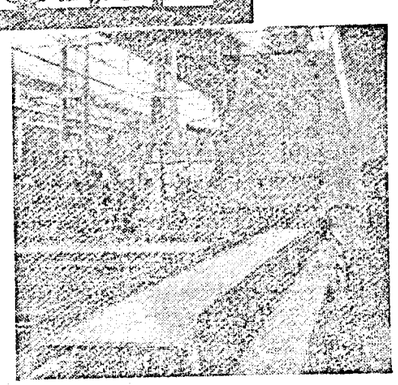
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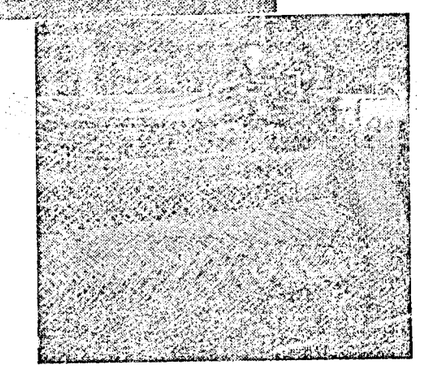
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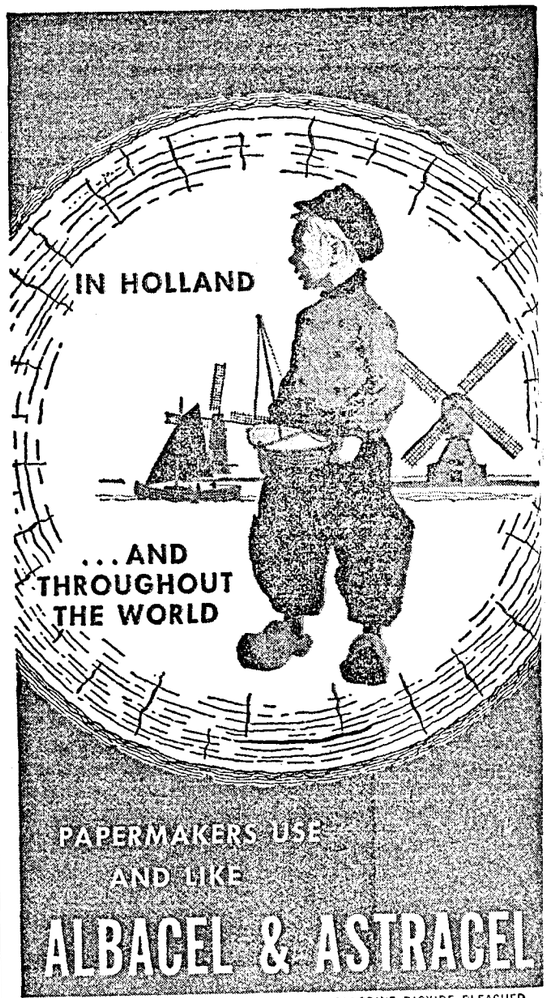
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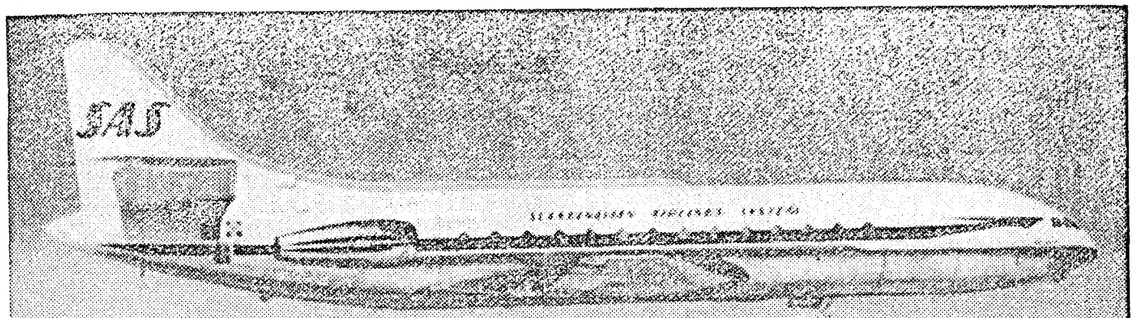
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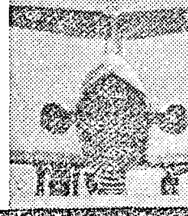


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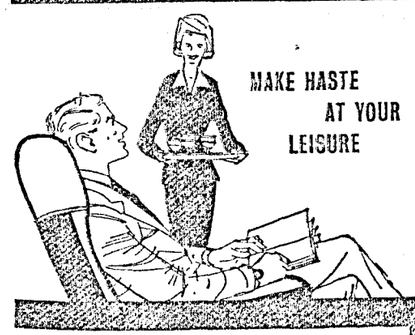
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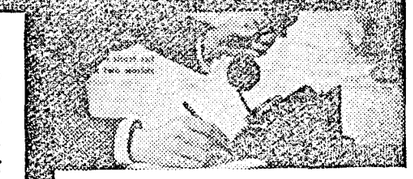
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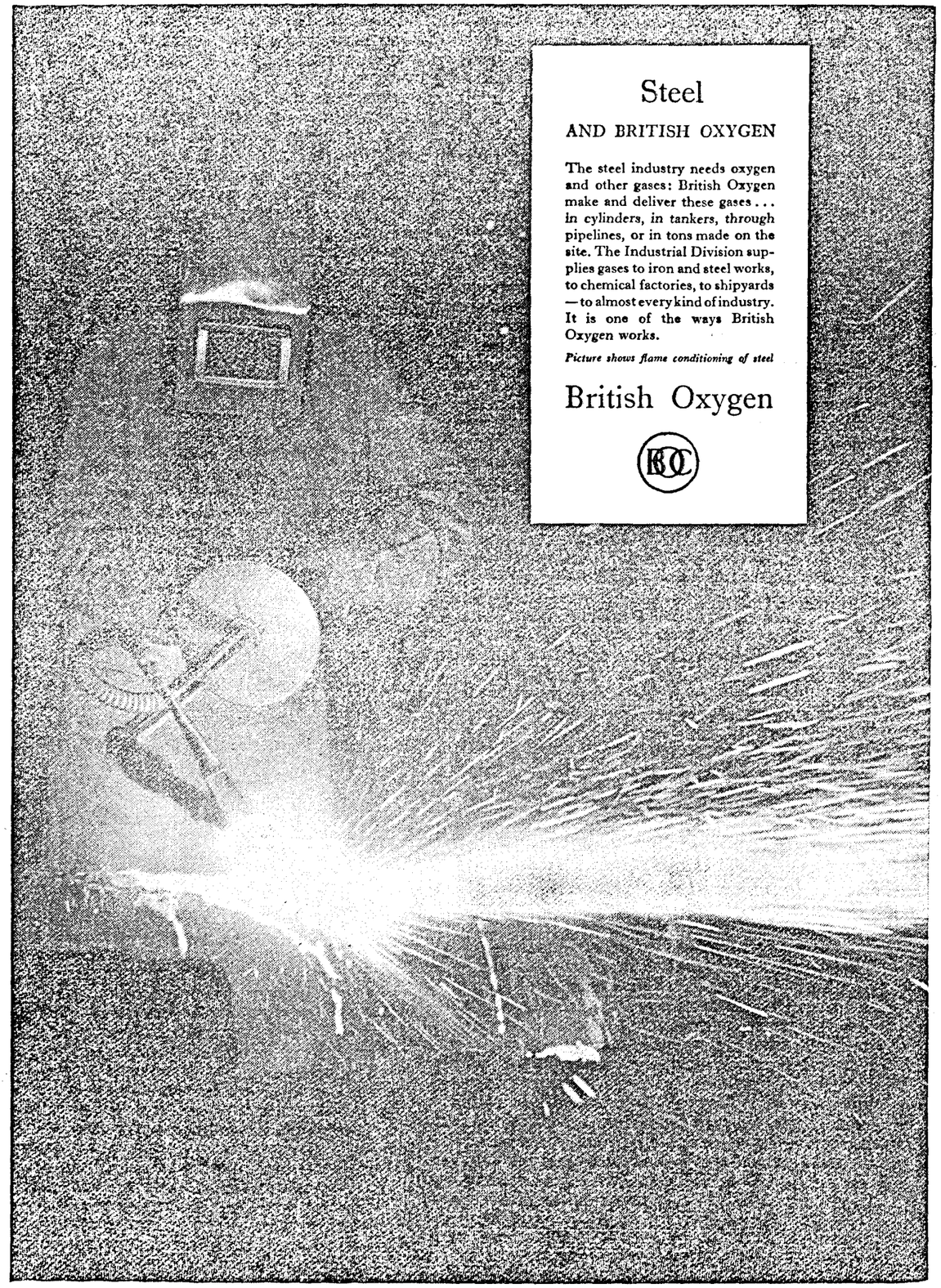
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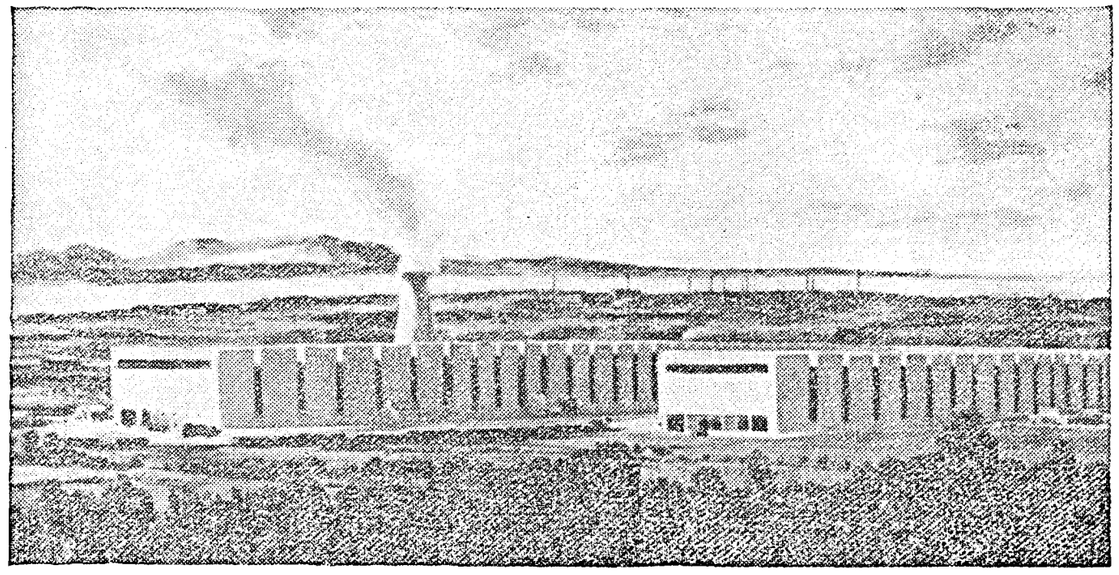
Wales today is a land of opportunity. For years prosperity has depended on the fortunes of too few industries. That is why the Development Corporation for Wales has been set up by the established companies to create a stronger, more balanced economy. It will do this by attracting new industries, by expanding existing ones and by seeing that the natural resources of Wales and the skill of her people are fully employed. It has an office at 15 Park Place, Cardiff. Telephone 21200.

City of Steel's especial concern

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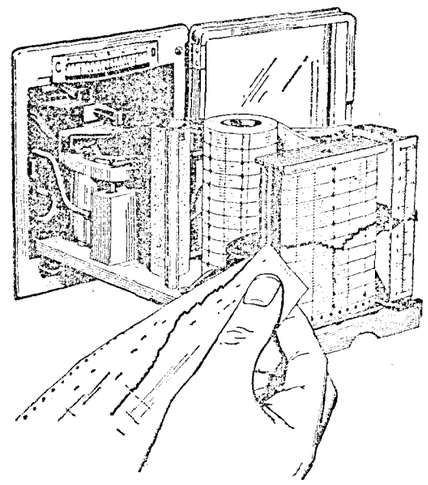
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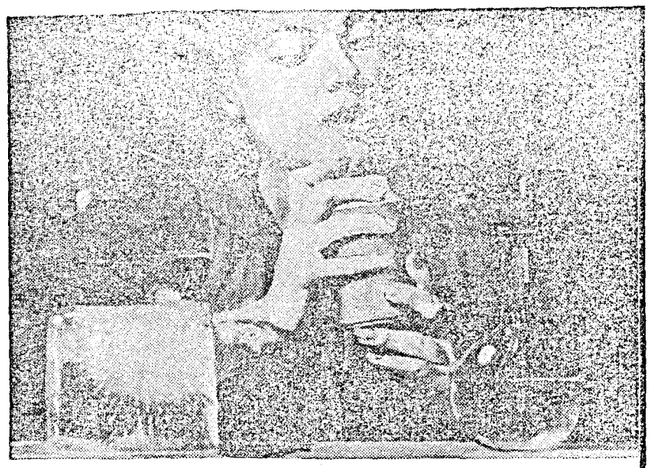
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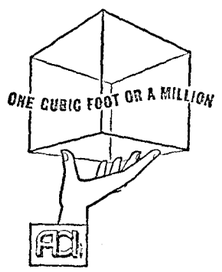
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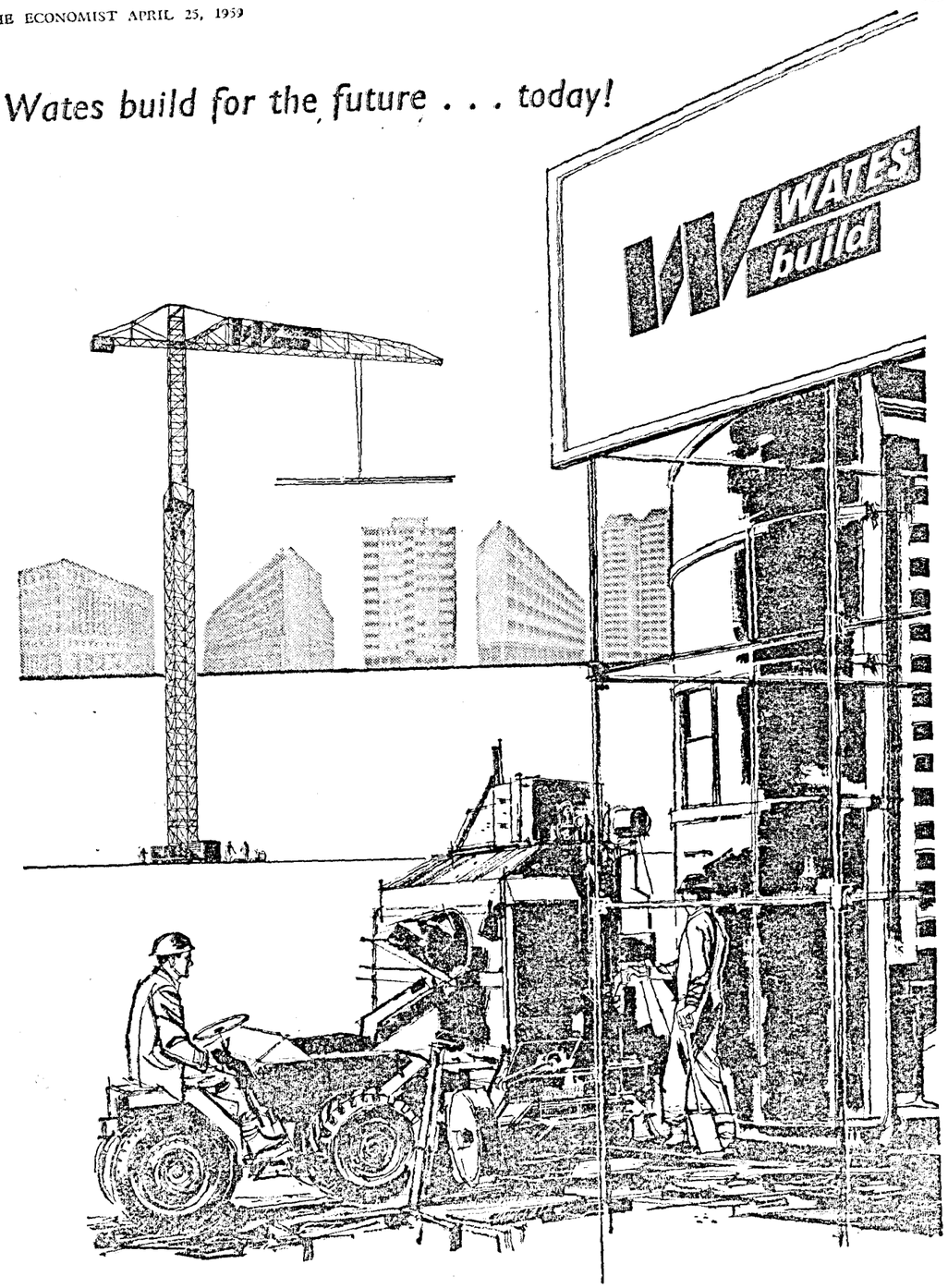
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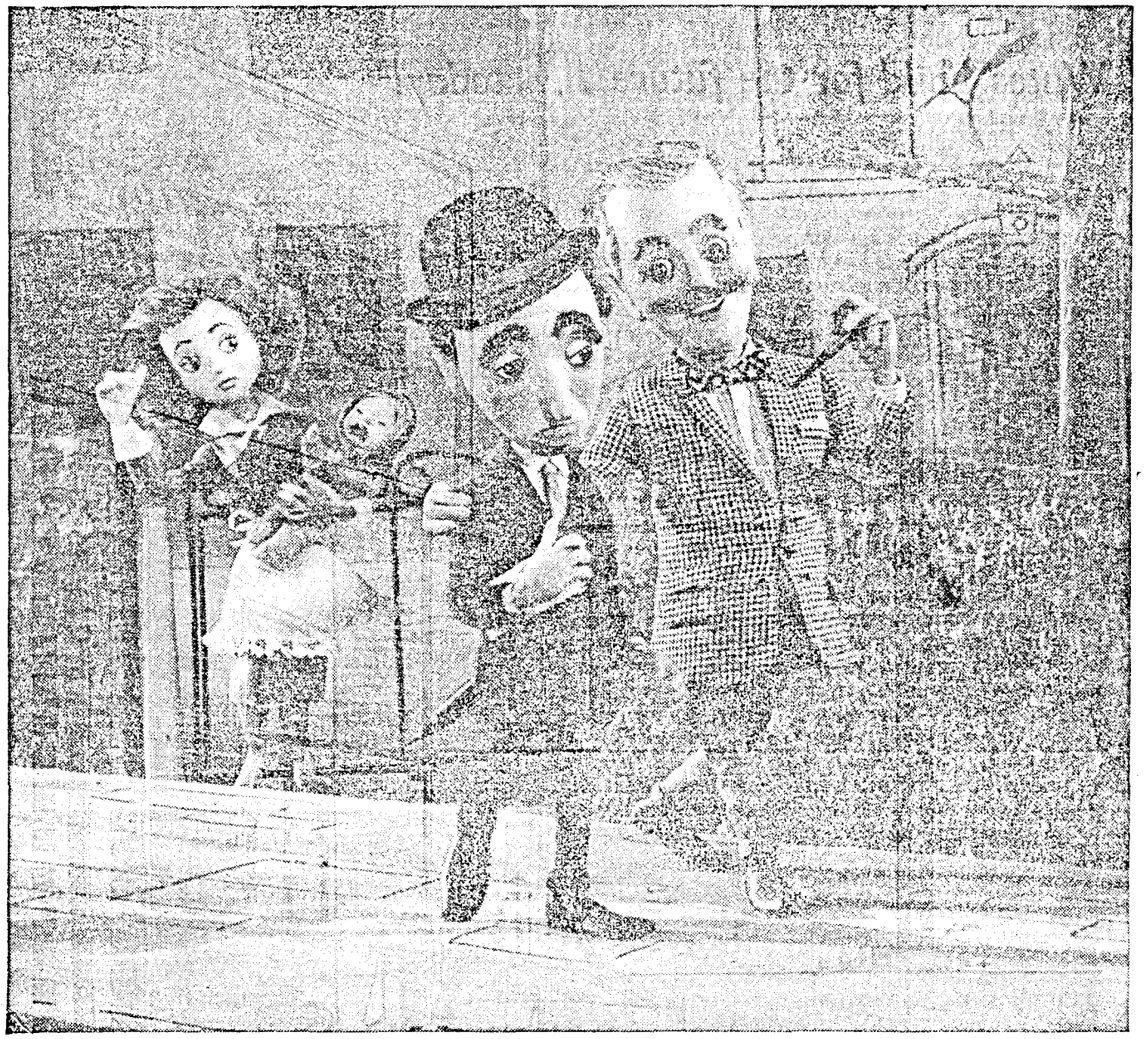
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The Safety Net

ONE of the potentially useful consequences of the Prime Minister's decision to defer the election is that the Conservatives should now have at least the whole of this summer in which to work out their manifesto. In 1955 they went to the country on a manifesto which was a fairly eloquent expression of sweet nothings; they could do this because they felt pretty certain that they were going to win. In 1959 they are unlikely to feel any such certainty, so they may feel under some compulsion to be more specific.

This could be either a great misfortune or a great opportunity. It will be a great misfortune if it induces the Tories to become (as Labour now seems bent on becoming) ever more specific in proffering patchwork promises to particular pressure groups. But it will be a great opportunity if the Conservatives use these next few months, as they used their years in Opposition from 1945 to 1951, to think out a coherent philosophy for the next stage of advance. Nowhere is a new philosophy more obviously needed than in the social services. This may therefore be the time for outsiders to offer some suggestions. The prospectus recommended below is a left wing prospectus. It is a bit strange that it should have to be proffered to a Conservative party; but given the present state of the other two parties there does not seem to be a cat-in-hell's chance that either of them would take it up.

The first objective in social policy during the next Parliament should be to spend less on current account in the indiscriminate social services, but more on discriminate relief of real need and much more on capital account across most of the field of government investment expenditure. The obvious specific method of relieving real need is through national assistance payments; every shilling a week increase in these rates costs only £4 million a year, while every shilling a week increase in old age pensions and other national insurance benefits costs nearly £20 million a year. If British governments would stop these latter indiscriminate increases, and concentrate on increasing national assistance payments, a great new vista of social reform could be opened up; it should then become economically possible to look forward to doubling the real weekly spending money of the poorest section of the community within the next ten years. Succour the needy is the proper social service slogan. One difficulty of such an advance might be that some people of working age might then find it more profitable to give up work; perhaps therefore there is a case for making some of the future increases in national assistance apply only to the elderly (for separate proposals about the unemployed, see below). The other problem which is so much talked about—that of getting proud poor people to apply for national assistance, under its needs test—is not really insurmountable; those who are worried about it should clamour first for a national campaign of poster advertising, designed to bring in the just claimants to get their rights.

Towards the two obviously indiscriminate social services—old age

pensions, which are now paid to Field Marshal Montgomery as well as to Joe Bloggs, and housing subsidies, which are paid to anybody who gets on to a council list —the proper progressive attitude should be a desire to ease the government out of these fields altogether. Obviously, that cannot be done completely. Existing contractual obligations to people who have paid pensions contributions will outlast this century. But at least the present pensions rates should not be put up for everybody indiscriminately again ; and if the government's present Pensions Bill can induce more firms to contract their workers out into private superannuation schemes, so very much the better. In housing, the Tories, having rightly abolished the general subsidy for new council houses, should not go any further along their new road of subsidising people who buy their own houses instead ; the government's only concern here should be with a mounting programme of slum clearance.

In the national health service, the Tories should not be afraid of charging more to the public on current account, either by higher weekly contributions or by specific charges. The really urgent need here is to build more new hospitals. In the " bad old days " of private philanthropy Britain led the world in the modernity of its hospitals ; in the " progressive days " of public control since the war it has built only two new hospitals, and its standards of comfort for in-patients are falling far down the international list. New hospitals should be put beside new schools as the top priorities for public capital expenditure, with roads only a little way behind ; more should also be spent on those electorally unromantic capital appurtenances, better prisons and more modern sewage.

So much for the non-industrial social services. In industry, a principal need for the next government will be to get out of the habit of always protecting dying industries and towns, especially by the method—ridiculous in an inflationary age—of keeping up the prices of their products either by permitting restrictive agreements or by banning cheaper imports from abroad. A quick clean resort to the surgeon's knife—with generous temporary subventions, by way of anaesthetic, to individuals who suffer during the period of operation —is vastly better than encouraging decaying industries to spend an unconscionable time a-dying. The Government's planned surgical operation and anæsthetic for the cotton industry, which was announced on Thursday, will deserve to be carefully scrutinised, either as a model or as an awful example of how not to do it. It is quite possible that during the next Parliament similar schemes will need to be devised for some other at present unsuspecting industries as well.

In the employment field, Britain is likely during the next five years to have to tolerate a higher ratio of transiently unemployed than it has averaged until recently, both because national unemployment ratios down to one per cent have proved impossible for a dynamic economy to sustain without also incurring inflation, and because the policy of trying to move work across the country to unemployed workers is plainly not succeeding. The Tories are now stuck with their policy of giving subventions to any firms which will migrate to scheduled areas ; the best way for them to get unstuck would be gradually and deliberately to proceed to schedule the whole country (so that the scheduled areas policy would eventually become merely a general investment subsidy). But as schemes for moving work to unemployed workers are failing, there is a strong case for doing more to help unemployed workers to move to find work.

The Tories should consider very seriously whether a sensible proposal for their manifesto would not be to raise unemployment benefit substantially during the first month after any man has been laid off work (perhaps the period should be extended to longer than a month when the total of unemployed exceeds the number of unfilled vacancies by more than a certain amount—i.e., at times when job-hunting is harder and when general policy can also afford to be more reflationary). Alternatively, there might be a great deal to be said for making unemployment contributions and benefits proportional to each man's previous income, as is being done with pensions, and letting employers contract out of this additional part of the national insurance scheme if they enter into generous redundancy agreements with their men.

This would be a controversial programme. It would arouse a storm of protest from people who think that the only sensible system of electioneering is to hint that one will scatter taxpayers' money as widely as possible among any groups where some people are having a hard time, and then call oneself humanitarian because some people who have a good case for assistance will gain along with the rest. Unfortunately last Monday's debate on old age pensions, following upon the Jay report on unemployment areas and Mr Wilson's post-budget speech, has made it only too likely that it is in that traditional Eatanswill way that Labour intends to fight the election. To their discredit, the Liberals last Monday tagged along with Labour on this line.

Realistic Tories ought to resist any temptation to compete in this auction—partly because they would probably be outbid anyway, but mainly because they must know that their next period of office, if it were won on a platform of expensive and indiscriminate jobbery of this kind, would be destructive of everything that has made their renaissance as a thinking party since 1945 at least reasonably worthwhile. Moreover a social policy of this sort would make it possible for the Conservatives to proceed with logic to what should be the second part of their manifesto. With some suggestions for this second and more exciting section, which could stop looking downwards towards the safety net for the unlucky and could start looking upwards towards the stars, a subsequent article in *The Economist* will be concerned.

In or Out?

Sooner than expected, the European common market is facing the British with the question of their future in Europe

When the House of Commons discussed the European common market on February 12th Mr Maudling stated two difficulties that stood in the way of any British attempt to join it: the unwillingness of the British public to take the political plunge, and the commonwealth tie. On the face of it, the commonwealth problem is in fact capable of a variety of solutions ; one possible approach was discussed on page 17 of *The Economist* on April 4th. Mr Maudling's stress on the political plunge touched the heart of the matter.

If the failure of the free trade area negotiations had any one single cause, it was the lack of a sense of common political purpose among the negotiators. The intentions behind the British plan were in part constructive. Indeed, some of its sponsors saw in it an opportunity to fulfil a long-cherished aim, giving Britain its proper place in the movement towards unity in Europe. But the immediate purpose of the project was more defensive: not a desire to break up the common market, as has been freely alleged, but rather a wish, which was natural enough, to mitigate the disagreeable consequences that the common market might have for British political and exporting interests. With its different institutional structure, inspired by a different purpose, yet performing some of the same tasks, the free trade area would have been likely to exert a weakening influence on the common market ; and it was not surprising that people on the Continent, looking at the scheme in the light of their traditional views of British policy, saw it as yet another device to keep them divided and prevent European unity from going too far. Mr Maudling was right to emphasise that Britain would have to join the community whole-heartedly, or not at all. What would joining, in fact, involve ?

The institutions of the Rome treaty, too, were designed to serve an economic purpose first. Free movement of labour, capital and services, the arrangements for financing development in the backward areas, and for exerting a pressure on governments in favour of common policies, were seen as an economic complement to the creation of a single European economy through the removal of trade barriers. In themselves, these economic measures need present no insuperable obstacles to Britain. Similar arrangements would have been necessary in a free trade area, or would have followed logically later on. The one major piece of domestic legislation required would be equal pay for women. To bring this in quickly would cause difficulties in Britain, but no greater than in, say, Germany.

Economic unions tend to put a premium on deflationary policies ; for they at once remove many instruments of national economic policy from the hands of the governments, and subject the foreign payments of the members to new strains. This indeed is one of the objections voiced on both sides of British politics to the common market, though it would have applied to the free trade area with at least equal force. But the creators of the common market see their new institutions as a counterpoise to that pressure—as a source of pressure, instead, for expansive economic policies. That is not an objective that need cause alarm in Britain.

But the institutions of the community were designed not only for these direct economic ends but also for more ambitious purposes as well. A step with such profound political implications as the common market could not have been originated except by men who believed in political integration. As Mr Maudling pointed out in the debate, it would be both disingenuous and self-defeating for Britain to seek membership without sharing that objective. At present, he felt, public opinion did not.

This political issue is so vital that it is important to be precise about what is involved. Some of the community's creators do undoubtedly hope, one day, to see a tightly knit European federation. But federation is not a possibility in the life of the present French regime, and the Treaty of Rome leaves the more ambitious objectives to the future. Adherence to the common market would not imply that Britain must commit itself to federation, even though it might be on the cards one day. What membership would imply today would be a serious intention to work for common European policies on a variety of matters. That is going a good deal further than the old principle of the Organisation of European Economic Co-operation—retaining separate national policies but endeavouring, with only limited success, to reconcile them from time to time. Key British civil servants and politicians would have to participate at the European headquarters, as members of the commission and the other bodies, in the formulation of policy before separate national policies took shape. The British political parties would have to get used to seeking to exert influence on policy at Brussels and Strasbourg as well as Westminster.

In the political field, there are, of course, many matters, domestic and international, in which the national policy-forming function would remain unaffected ; and others where even the European framework is too narrow. West Germany does not share French policy in Algeria. Western Europe's policy

towards Russia must march in step with America's. If the somewhat spurious and defensive solidarity that has been engendered among the Six by the exclusion of Britain could be removed by British membership, the appearance of a close-knit block that the community has taken on would fade. Still, a look at the economic field alone makes it obvious that the new kinds of collaboration that would be involved—in the fashioning of budgets, the gradual devising of a common energy policy, and a common policy towards the undeveloped countries—imply a far-reaching if only gradual change in political organisation.

IT is not surprising that there should be reluctance in Britain to take part in so far-reaching a political process. Yet it is the political character of the union that presents the strongest argument now for Britain to be in it. With a speed that must have astonished even expectant Marxist observers the, as yet, relatively slight difference of economic interest between the Six and the rest of western Europe has been reflected in political division. Ever since the war Britain, like the other European states, has had an interest in seeking greater influence and economic strength by closer association and co-operation with its European neighbours. The creation of the community has painfully rubbed home the limits within which the British acting independently can exert influence in Europe. Today every British political initiative in Europe automatically encounters resistance merely because it comes from Britain. And it is becoming increasingly clear that there is no way of getting an equal say in the formation of policy, on economic as well as political matters, except by undertaking the same commitments as the Six do. Thus, if the British do not join in the rationalising of air transport arrangements, or in common agricultural policies, then *ipso facto*, they cannot have a say in these things, and will repeatedly find the Six taking action that may damage British interests.

The room for manœuvre for British policy is indeed small. Across the Channel a new, potentially powerful political grouping has appeared. In the days when western Europe was the centre of world power Britain would have tried to gather a rival grouping and break up the continental group. Today such a policy is politically unthinkable, for the new *rapprochement* between Germany and France is, in itself, in the British interest. Yet it hurts to be left out. It is difficult to see what course is open except to try and get in.

WOULD British opinion accept this far-reaching step? Two years ago the answer would have probably been No. It was not only the obvious new common predicament of living in the shadow of Russia that brought the Six so far, but a certain emotional disillusion with the idea of the nation, the result of war, defeat and occupation. No such reorientation was imposed by events on the British—or, for that matter, on the Swiss or the Swedes. What is remarkable is the extent to which the free trade area project, and the problem posed for Britain by the creation of the common market, seem already to have educated British opinion to look towards Europe, so that today it can contemplate a further step.

Plainly there is no unanimous view in Britain about what to do next—even in the narrow circle of people who have followed the problem closely. The greatest readiness for a further political move forward can be found in industry, where interests are evidently affected, plans have been knocked awry and the common market has been studied and understood by a broadening circle of men. Opinion in the trade unions has not moved as fast as it has in management. The trade unions accepted the idea of a free trade area because they saw that the common market on its own might endanger British exports and the jobs of their members. Yet for a long time the British union leaders continued to hanker publicly after the continuance of national full employment policies even in a free trade area. It is only gradually that some of them have perceived that in an economic union of this kind full employment may have to be preserved by common—as distinct from national—expansive policies, and that an institutional set-up of the common market type can help towards the objective. Among the political parties, opinions are also divided and various, with the Labour party on balance rather more cautious than the Conservatives, as in the past. But as the Commons debate showed, the hesitations of British opinion seem to be the product less of insular reluctance than of sheer bewilderment. There is a great deal of uncertainty, but if a lead were given there might by now be more support than opposition.

COULD such a lead be given with confidence? The question whether a new British overture to the Six would have a fair chance of success remains, perhaps, crucial. Many of those who have been involved in the frustrating free trade area negotiations have come to feel that the French would simply obstruct any British initiative, whatever its nature. Painful experience may have obscured for them the fact that technical negotiations can be coloured, and differences of economic interest aggravated, by the differences of political attitude that underlie them. To many people on the Continent concerned with the common market, a serious British commitment to political integration still seems no more likely than a visit from the man in the moon; special interests and small-minded political conceptions have been able to shelter behind that barrier of scepticism. A British proposal to join the communities, if it were part of an unqualified policy of collaborating with Europe, would by contrast be very difficult to turn down. Then at last, quite plainly, the negative political and economic interests on the Continent that have sought to keep Britain out would stand opposed to the broader interest of the unity of Europe. French opinion, particularly, might be profoundly affected.

No assessment of the common market problem can disregard the political evolution that is taking place in west Germany. It would be unwise to count too much in London on the hope that Dr Erhard may succeed Dr Adenauer as chancellor and relieve Britain of its choice. For one thing, the succession is by no means a settled thing. Then, even if Dr Erhard does succeed, he will be deeply concerned to retain the backing not only of Dr Adenauer himself, but of the powerful group in his party that has pinned its hopes on the community of Six. No German chancellor, in any case, can force the French to swallow a pill which they find so unappetising as the free trade area. Nor can he afford, whoever he is, to abandon the close French connection which Dr Adenauer has so painfully forged. It would, therefore, do no service to anyone if Britain were once more to seek to bring pressure on France through the Germans in favour of a scheme the French dislike. In short, the European common market has come to stay. Where the ending of the Adenauer era might have helpful effects is in bringing to the fore men who are in principle interested in enlarging the European community and in making it look outward. That might possibly help to smooth the way for British membership; but first, the British have their own decision to make.

Beacon on the Himalayas

With a direct appeal to Asian nationalist sentiment, the Dalai Lama has brought India face to face with the hard truth about China

WHEN the Dalai Lama reached Tezpur, the biggest cat yet was let out of the communist bag in Asia. His statement there ought to put paid to any idea that the Chinese had deliberately allowed him to escape, calculating that he would be less of an embarrassment to them in exile. That theory, which has found credence only among over-subtle minds, recalls the legendary diplomat who, when a Russian plenipotentiary died during a long-ago conference, muttered thoughtfully: "I wonder what his *motive* was"; it reflects the almost superstitious awe with which free men too often contemplate totalitarian "supermen"—as if their blunders were not written large in history. It is clear that the Dalai Lama will be a much graver embarrassment to Peking now that he is in free India and can speak freely than he could possibly have been in isolated and Chinese-garrisoned Lhasa. And it is no consolation to Peking that he will also be something of an embarrassment to his Indian hosts.

He has now stated publicly and, to use his own word, "categorically," that he escaped to India "of his own free will, and not under duress." That in itself is awkward enough for the Chinese. Worse still is the way his statement begins with an uncompromising assertion of Tibet's separate national personality. He declares that the Tibetans have always sought independence; that even when China has "imposed" suzerainty, Tibet has in the past kept control of its internal affairs; that the Chinese conceded full autonomy in the agreement made, "under pressure," in 1951; and that, despite that agreement,

> after the occupation of Tibet by the Chinese armies, the Tibetan government did not enjoy any measure of autonomy. . . . In practice, decisions in all important matters were taken by the Chinese authorities.

The Tezpur declaration could profoundly affect Asian attitudes towards China's communist regime. Quite apart from the evidence it gives of Peking's breaches of faith, and of its attempts to conceal them, there is the fundamental point that the acknowledged leader of the Tibetan people has made a straightforward appeal to the feeling for national independence which is the most powerful force in free Asia today.

He could not have chosen a more effective approach. To have emphasised the communists' drive against religious authority would have lost him the sympathy of the many young Asians who share in some degree the Marxist identification of clerical establishments with reaction. To have dwelt on the sacrilegious way the Chinese have treated his own person would have restricted his appeal to Buddhists (among whom the Hinayana Buddhists, who prevail in South East Asia, do not fully share the Lamaist Tibetans' reverence), and at second remove to devout Hindus (Mr Nehru, said on April 5th that: "The Buddha is the greatest Indian that ever lived, and we in India are still under the umbrella of this feeling for the Buddha"). But to strike the chords of nationalism is to evoke a general response throughout Asia. And the Dalai Lama—who is a young man, and more attuned than might be thought to the trend of the modern world—also lays stress on the mass nature of the people's resistance in Lhasa, and their loyal help in his escape.

His presence in India is bound to reinforce the new suspicions there about the true nature and intentions of the Peking regime. Mr Chou En-lai is admittedly going out of his way just now to pay compliments to Mr Nehru, and he said on Saturday that there was no reason why Sino-Indian friendship should be affected "on account of a handful of Tibetan rebels." But Indians cannot very well take lying down the Chinese nonsense—reiterated in Peking even after the Dalai Lama had issued his Tezpur declaration—about "abduction"; to do so would be to confess that the Indian government is both the accomplice of his alleged captors and, there-

fore, a party to the charges against China which, Peking persists in saying, his captors have uttered against his wish.

If the Tibetans continue to resist, India will reluctantly have to make up its mind on several painful issues. Can it conceivably seal the frontier and urge the rebels to surrender and be satisfied with the economic blessings and political reforms which Peking now proposes to offer them ? That is very doubtful. Morocco and Tunisia, two much weaker states, have resisted demands that they should break with the Algerian rebels —whose "government" in fact operates openly on Tunisian soil, and is recognised by its Arab neighbours. India is most unlikely to recognise the rebel "government" in Tibet ; it does not recognise the Algerian one. But it is evidently going to treat the Dalai Lama even more respectfully than it recently treated Mr Ferhat Abbas. "We accepted Chinese overlordship of Tibet, and we stand by it," Mr Nehru said in Madras on April 14th ; but the Tibetans were not Chinese, and "I cannot imagine any feasible or practical or happy solution without the autonomy of the Tibetan people." And he reiterated that the first thing his government had to bear in mind was the security of India itself.

The red glare on the Himalayas has indeed roused India to a more watchful wakefulness ; even the coincidence of the alarming affair of the shooting down of a Canberra bomber near Rawalpindi has not turned Indian eyes back to their customary exclusive concern with Pakistan. But it would be a mistake to suppose that official Delhi has only just noticed the heavily armed and ruthless neighbour on the other side of the mountains. The security of the Himalayan frontiers strongly influenced, for example, the reshaping of administrative boundaries that was embarked upon shortly after the 1954 agreement with China about Tibet—the agreement in which the famous *panch shila*, the five principles of friendship and non-interference, first appeared.

Public opinion in general, however, has until now been much more complacent than departmental Delhi. That has been only partly due to Mr Nehru's past practice of excluding China from his otherwise general strictures, in the hope of keeping the line to Peking open. The prime minister has hardly ever been criticised in the Indian press or parliament for this policy, which corresponded to a very general Indian belief that the Chinese communists, as fellow Asians, were really brothers in the Bandung countries' struggle for freedom.

Now that the fugitive Dalai Lama has brought a new enlightenment to Sarnath, much is changed. In Burma, Ceylon, Indonesia and Japan newspapers inclined to left and right alike have drawn comparisons between Tibet and Hungary. Cairo radio has joined in the shocked chorus ; and President Nasser himself has denounced communist imperialism at length in an interview given to the Bombay *Blitz*, a journal with a strongly left-wing reputation. The general Indian reaction was voiced by Mr Jaiprakash Narayan, the widely respected former leader of the Socialist party:

> Tibet may be a theocratic state, and backward economically and socially. But no nation has the right to impose progress, whatever that means, on another nation. Every nation, small or big, has the right to choose its own way of life, and the least we can do is to stand unwaveringly by this right.

Few Indians will go as far as the writer in the *Indian Express* who has suggested that "mere neutrality between the power blocks will no longer serve as a protective shield for the nations of south-east Asia" and that India may now need to reach "understandings of a limited scope" with America. No question arises of India throwing itself into the arms of the West. But Indians are going to be more understanding, in future, about westerners' preoccupation with defence. And unless China can find something better than a jackboot policy for Tibet, the distinguished exile in Mussoorie will continue to remind his hosts of the deep gulf that divides their concept of small nations' rights to independence from that of Peking. The beacon on the Himalayas sheds a revealing light on China's attempts, tirelessly maintained ever since the Bandung conference just four years ago, to pose as the champion of all "national liberation struggles."

The Economist

APRIL 23, 1859

SPURIOUS LIBERALISM

No doubt it would be a good thing if the national representatives could be elected, not by any distinct class-interests at all, but by those members of society in whom all the deeper antagonisms of class-interest had been eradicated or worn away. But scarcely even will the most democratic organ maintain that the household franchise, or the £6 franchise, would give us such a class. Indeed, such a class does not exist, though there may be a large number of isolated individuals in the nation who successfully resist selfish motives even on political questions vitally affecting their own interest. As a nation we have long ago exhausted the hope that any single class, intrusted with absolute legislative power, would exercise it impartially for the whole nation. The aristocrats did not do so. The middle classes do not do so. The working classes will not do so. Such a spectacle as that of Mr Bright at Manchester, denouncing the aristocracy and challenging their "order" to a struggle with his "own", ought alone to be enough to warn us that no class can safely be trusted with the power to tyrannise over another. The experiment of throwing the whole electoral power into the hands of any one class has been tried and failed. The temptation to abuse such power is too great for the virtue of any class. We ought to have learned by this time, from our own history, and from the history of democratic America, that the best security for just legislation is to prevent the possibility of any one class overriding all the others. The conscience of society, as well as the conscience of individuals, is depraved by absolute power. We, at least, can never cease to protest against that spurious Liberalism which measures the rights of representation by mere numbers, instead of seeking to reproduce in the Legislature some reflection of every distinct social energy which is essential to the political welfare of the nation.

NOTES OF THE WEEK

ELECTION

No Spring Meeting

It is good news that the election is unlikely to be held in the early future, even although Mr Macmillan appears to have intimated to Tory MPs that he took the decision for what were surely the wrong reasons. The strongest national argument against an early election was that it would have seemed dangerously likely to return either major party to power with only an anxiously small majority ; nothing would be more disastrous for Britain than to be saddled for an uncertain period to come with a nearly deadlocked House of Commons and Government.

There seems less substance in the argument that it is essential that Mr Macmillan himself should take part in this summer's international negotiations. Recent developments in America mean that the western side of the stage is being set very awkwardly for these negotiations—like preparing to play Hamlet with only the ghost. But the British people is going to have to be given its opportunity to add to the confusion, if it wishes to, by swapping Mr Gaitskell for Mr Macmillan at some stage in the negotiations anyway. The whole of the world's diplomatic problems are not going to be solved before May, 1960. It hardly seems to be an advantage that Britain's initial representative at these talks should be a man with some incentive to be in an electoral hurry for quick results.

But if an election now had returned a nearly deadlocked House, election considerations would have weighed as heavily in a new Parliament as in the present one ; an early dissolution is never wise when the indicators point towards stalemate. Some people believe that Mr Macmillan never had any real intention of going to the country this May ; quite possibly his personal inclinations have always been against an early election, but in recent weeks there has been no absolute certainty that he would not change them. For some time government policy has been drawn up on, so to speak, two sheets of paper—one labelled "if it is May" and the other "if it is later." Even the new Finance Bill—despite some snap judgments to the contrary —is in a form in which it could still be rushed quickly through the House. That is why, if Mr Macmillan has now definitely made up his mind, he should at once announce the fact publicly ; the leaked reports of his speech at the private lunch with Tory MPs this week were not a good vehicle with which to dispel the last lingering doubts, because everybody recalls a previous occasion when he made jocular remarks at such a meeting which were immediately misinterpreted.

Parliament itself can make good use of the full term of the current session. For example, the Government should be urged to provide some of its own time to facilitate the passage of Mr Goodhart's liberalising Night Baking Bill, which this week has fallen foul of Conservative carelessness and a cunning Labour resort to the quorum rule in standing committee ; and there ought to be no excuse for the law officers to use steamrolling tactics against Mr Jenkins's Obscene Publications Bill (see page 317).

FOREIGN MINISTERS

Lowest Common Denominator

On Wednesday in Paris the American, British, French and west German foreign ministers will have before them not only the findings of their own official study group on Germany, and the Nato council's comments thereon, but, almost certainly, a new statement of Soviet policy—issuing from the meeting in Warsaw on Monday of Mr Gromyko and the other communist foreign ministers, including Mr Chou En-lai. They will have to be braced for surprises. Mr Khrushchev has changed his tune on Germany so often since November that almost anything seems possible—though not quite anything, for the Warsaw meeting is billed to discuss the removal of allied occupation troops from Berlin.

What can be safely predicted is that Warsaw will yield an outwardly united position. Behind it, there may be some interesting divergences ; Warsaw radio this week told the Poles that things might go better now than in 1955, when "two stubborn, angry old men"—Mr Molotov and Mr Dulles—proved mutually uncompromising over Germany. But the Soviet block will certainly present a monolithic front, in contrast to the irregular order of battle in which the western governments are now advancing to meet it.

True, the four-power official group in London is reported to have reached agreement on several points of substance—in addition to the fundamental point, which has never been in question, of maintaining the freedom of west Berlin. But the agreed points now cited amount to the dropping, from the project for a central European zone of mutual military inspection, of all idea of setting an immediate limit to arms in that zone (though a limit might be set at a later stage): and the tying of the inspected zone project directly to German reunification. This represents a lowest common denominator. The next few days will show whether the Nato council and the ministers in Paris can still build any sort of agreed superstructure on to it. One hopes that, if their differences should turn to hasty recriminations as the diplomatic deadlines close in on them, they will be restored to a sober sense of proportion by this week's most revealing news item: the public opinion poll that showed that three Britons in every ten had never heard that there was a dispute over Berlin.

NUCLEAR TESTS

In the Atmosphere

When the Geneva talks on halting nuclear tests, which began last October, got going again a fortnight ago after a break for Easter, the American and British delegates

made a new move to break the familiar deadlock. They suggested that, if Russia could not modify its rejection of a control system effective enough to pin down clandestine tests of all kinds, a start might at least be made with a ban on all tests elsewhere than underground and outside the earth's atmosphere—that is, at heights of more than 50 kilometres (about 31 miles). Tests above ground and within the atmosphere would be relatively easy to detect, and a simplified control system for this limited purpose could be devised without the need for automatic investigation of every earth tremor to see if it was a natural phenomenon or a subterranean weapon test.

On the face of it, this project would not merely help to break the deadlock; it could make it possible to get an inspection system into being so that practical experience of this tricky work would begin to accumulate; and it would take care of the fall-out menace, for it is of course explosions in the atmosphere that build up radio-activity. It would also set aside for more leisurely treatment the difficulties posed by the discovery, after the October tests in Nevada, that underground explosions are less easy to detect than had been assumed during last summer's discussions.

This week, after a perhaps inadvertent Soviet leak, it was revealed that the new western proposals had been accompanied by personal messages from Mr Eisenhower and Mr Macmillan to Mr Khrushchev, underlining the point that the new proposals were not a retreat from the goal of a total test ban, but an attempt to get started toward that goal. Officially, there has been no Soviet reaction yet. Semi-officially, Tass and Mr Tsarapkin have both given the proposals a pretty cold shoulder. But an early response from a higher Soviet level is to be expected—perhaps at the Warsaw meeting of the eastern foreign ministers on Monday.

ISRAEL AND THE ARABS

Competition in a Cold War

PERSISTENTLY accused by the United Arab Republic of being in collusion with the Jews, the Iraqi government was bound sooner or later to make some anti-Israeli gesture. It has chosen to revive an old Arab grievance by announcing a ban on the import of Imperial Chemical Industries' products. The Arab League's boycott committee has often complained of the activities of ICI in Israel, which include a share in the state's expanding fertiliser industry. Undeterred by Arab protests, the company has rightly continued to do business with all willing customers regardless of politics. But other firms are not so bold and Arab demonstrations of this kind increase Israel's difficulties in attracting foreign capital.

This episode comes at roughly the same time as other rebuffs to Israel. When Arab states fall out with one another, accusations of zionism tend to fill the air and to produce countervailing shows of anti-Israel resoluteness. Last month the Egyptians confiscated the Israeli cargoes of two ships passing through the Suez canal, thus jeopardising Israel's hopes of trade with Asia and the Far East. Whether this is an isolated gesture or a sustained policy is uncertain, since no ship has since attempted to pass through the canal with Israeli goods on board.

The most serious of Israel's recent setbacks has mixed causes. In its efforts to raise money to sustain the flow of Rumanian refugees, Israel gave such publicity to the new immigration that Cairo eventually reacted and in February made representations in Bucharest. (On the other hand, it is possible that President Nasser was thinking less of Israel's publicity than of stiffening his attitude to Moscow.) Whatever the reasons, under Arab pressure the Rumanian government has now put rigorous—if possibly temporary—limits on the migration. This decision has inflicted very great hardship on the Rumanian Jews who were on the verge of departure; it has also put the Israelis in no temper to disregard pinpricks.

ANGLO-EGYPTIAN AGREEMENT

First Swallow

AFTER a rather dispiriting delay, the Egyptian government on Tuesday signed the release of the four affiliated companies of the Royal Dutch-Shell group that operate in Egypt; they are expected to be handed over within a month. Shell sensibly jumped the gun by coming to a private agreement with the Egyptians in December, although the implementation of this depended on the general financial agreement that was not signed until February 28th. Thus the company was especially well placed in the long queue of 4,500 claimants to property sequestrated in Egypt.

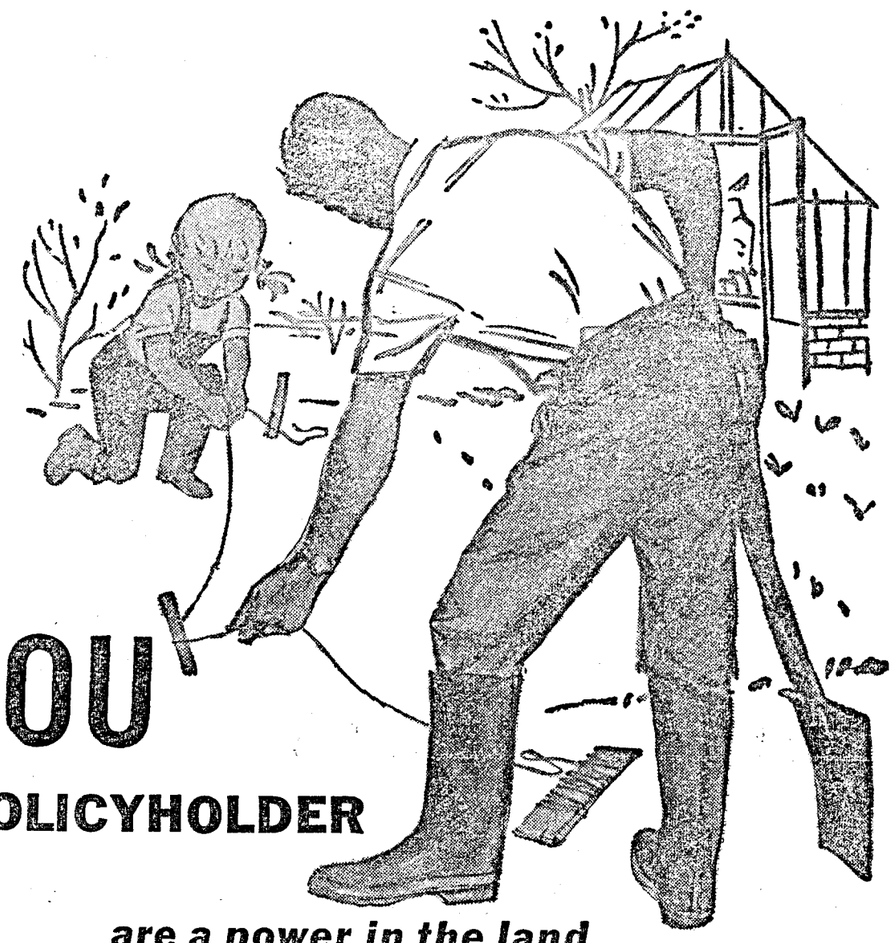
Although the Foreign Office representative, Mr Colin Crowe, is still officially unrecognised in Cairo, this does not necessarily mean that nothing is being done about the rest of the sequestrated property. Claims have to be made direct to Cairo, and Egyptian sources report that the sequestrator-general has so far received 277 applications, of which 55 are from firms and the remainder from private individuals. Since the terms allow for three months' grace between receiving the application and releasing the property, it is too early to suggest that the Egyptians are not carrying out this part of the agreement.

Mr Crowe's job is to help the claimants, but until his position is officially recognised by the United Arab Republic he does not have automatic access to any ministries and cannot formally take up a case. When he secures recognition (as he should under the terms of the agreement), he is expected to have a mission of about 20 to help him; until then he is on his own. Egyptian reluctance to allow a British mission into Cairo is partly an understandable determination to demonstrate that anti-communism has not swung Egypt into the western camp; less reasonably, there is pretty clearly an ineradicable suspicion in President Nasser's mind about the wirepulling (to take a word from another context) that a British mission might get up to.

WATERS CASE REPORT

Trifles that Matter

IT is all very well for critics to claim that the Sorn Report on the John Waters case confirms that tribunals of inquiry are clumsy sledgehammers. But the inescapable fact is that Lord Justice Sorn and his colleagues found that the young policeman did cuff the cheeky lad when he should not have done; and they also established that under Scottish law nothing could have been done about it, given the circumstances, through a regular court. The onus is therefore on the critics to show how else than by a tribunal the danger of



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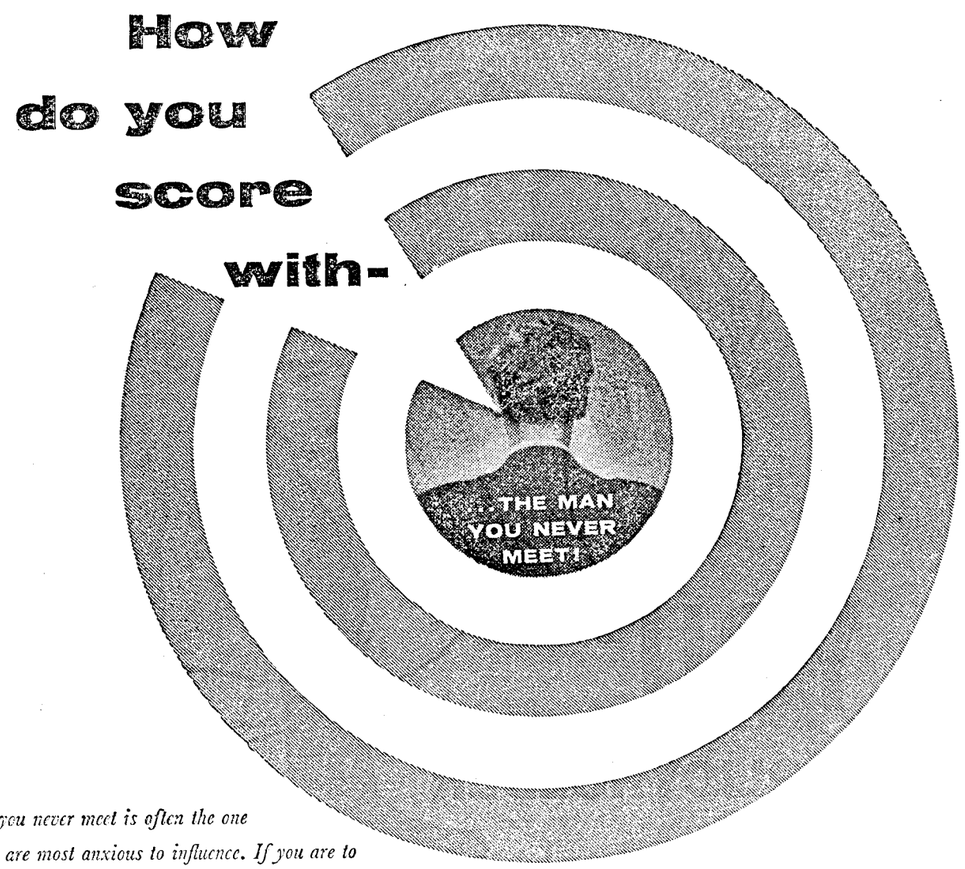
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loss of public confidence in the police could have been averted. The very extent to which Sir David Robertson's account of the incident to the House of Commons went beyond the boy's own version before the tribunal shows how easily such doubts, once they contain any kernel of truth, become magnified. Every police force in the land will note the tribunal's findings (and the recent conviction of a constable in Birmingham in connection with a similar incident) and draw the necessary conclusions. This is not a bad return for the £8,000 spent on the inquiry.

The tribunal has been able to present reassuring findings about the conduct of the Caithness police (and, by implication, that of the Lord Advocate) after the Waters family had complained of the injury done to their son. Because Scottish law differs from English law in this respect, as in so many others, there would not have been sufficient corroboration or evidence of identification of the assailant to have made possible a successful prosecution of the two policemen for assault. Some people will say that that provides a case for the Scots taking a fresh look at their law; but, in existing circumstances, the Procurator Fiscal and the Lord Advocate were clearly right not to institute proceedings. Their decision was based on an inspector's report which, so far from being a cover up, is described by the tribunal as a model of its kind; it included substantially all the material on which Sir David Robertson had relied.

The most worrying question is whether the Waters family would have had as much opportunity of airing their case if the member for Caithness had been a more complacent supporter of the Government than Sir David. It is said that the Secretary of State for Scotland could not have taken a look at the complaint, because his intervention might have prejudiced his position as the appellate authority in matters affecting police discipline. Does this perhaps strengthen the case for adopting the Scandinavian practice of establishing an *Ombudsman*—a "grievance man"—who, independently of the departments, can take up citizens' complaints against the conduct of the authorities?

OBSCENITY BILL

Writing on the Wall?

It seems possible that Mr Jenkins's bill on obscene publications is about to fall victim to a mean parliamentary trick. Unsubtle rumours of a circumstantial kind have been busily flying to the effect that this Friday all manner of amendments will suddenly spring up out of nowhere to the Landlord and Tenant (Functions and Fittings) Bill, which has priority over the Jenkins bill during this week's private members' time. If as the result of such a filibuster the Jenkins bill comes on so late that it is talked out, its supporters will be delivered hand and foot to their sardonically courteous enemy, the Solicitor-General, who would then be able to avenge himself for being consistently out-argued and outvoted in the Standing Committee. Government time would probably be offered, if only because the bill's sponsors, as a gesture of appeasement, agreed to incorporate stiffer penalties and greater police powers against genuine pornography. This, however, would be subject to the condition that the bill be made "uncontroversial" by incorporating the amendments which the Solicitor-General put forward in Standing Committee, and which that committee rejected.

It is difficult to understand why the Government should make all this fuss, unless it just is that it is constitutionally incapable of shaking itself free from the conservatism of some members of the legal profession, or of admitting that private members may be right. The most important issue is whether there is to be any explicit provision for the admission of expert witnesses when an author, publisher or bookseller charged with publishing obscenities avails himself of the new defence that publication is "for the public good" because it "furthers the interests of science, literature, art or learning or of other objects of general concern." The Solicitor-General's objection to this was that in his opinion the courts would admit expert opinion anyway, but that it would violate good practice for Parliament to direct a judge on how to do his own business. But why run the risk that the courts may not interpret an inexplicit Act as nullifying the "Well of Loneliness" case, in which thirty-nine expert witnesses were all excluded?

The second dispute is over a provision to avoid ludicrous prosecutions by requiring that the Director of Public Prosecutions should have to sanction the launching of every obscenity case. The law officers, having first of all resisted this on the ground that it would cause the director much extra work and then having discovered this was not so, are now taking: (*a*) the high ground that it is a great civil liberty for a citizen to be able to prosecute anyone responsible for what he thinks is a dirty book; and (*b*) the low ground that the director might be forced by public opinion to launch more prosecutions than at present if he cannot fob off irate puritans by telling them that they are at liberty to go to law at their own expense. This last argument sounds fanciful in logic and discreditable if true. But the danger is that Mr Jenkins may have to drop this part of his bill in order to get something from the Government on expert witnesses.

UNEMPLOYMENT FIGURES

Unwarranted Delay

There is an unnecessary delay in the publication of one piece of vital economic information, and this is an appropriate time to make a fuss about it. This month the count of unemployment was taken on April 13th. By now the Minister of Labour must know the main results. Yet, if he reverts to the normal procedure of his department, these figures will not be released until around or after May 7th, when they can be given in the fullest detail and—the chief reason for the delay—when they can be accompanied by the employment statistics. This hold-up is all the sillier because the employment figures do not even relate to the same date (they are for the end of the previous month), and in any case—as they are based on a sample count—are of a shaky character liable to later revision which may alter their whole import. By contrast the unemployment figures, which are the direct tally of registrations at the employment exchanges, are reasonably hard and fast figures from the very beginning.

Last month Mr Macleod released the unemployment figures nine days after the count was taken, during the course of a debate in the House of Commons on an Opposition vote of censure. There is no debate on unemployment this month, which may disappoint Mr Macleod (if the figures are again good) or be a relief to him (if they are now bad). But these figures should not be political straws in the wind; they should appear as a routine statement from the Ministry

of Labour. At a time when other departments, notably the Board of Trade, are making strides in the publication of quicker estimates, it is ridiculous that there should be any delay in the one official key statistic that is capable of being more up to date than any other.

CENTRAL AMERICA

Our Girl in Panama

To the world, Dame Margot Fonteyn is a dancer; but in Panama it is more to the point that she is the wife of a public figure who is at odds with the regime. Dr Roberto Arias and his wife sailed out into the Gulf of Panama on April 14th in a fishing launch, the *Nola*; a week later, when the *Nola* returned to Balboa without Dr Arias but with his wife, warrants were out for the arrest of both of them. Dame Margot was apparently tricked into leaving the Canal Zone (which is governed by the United States) and spent a couple of nights in jail before being released on condition that she left the country.

Dr Arias is a member of one of Panama's wealthiest and most influential families. He was ambassador in London from 1955 to 1958, when he resigned at the same time as one of his brothers lost the office of Foreign Secretary. Their father, an ex-president, is a newspaper owner who has been courting trouble by his criticism of the present government under President de la Guardia.

The Panamanian government has been especially sensitive to criticism since Señor Fidel Castro's victorious rebellion in Cuba turned Havana into a centre of subversive movements; although the main targets are the dictatorships in the Dominican Republic, Haiti and Nicaragua, there is also a band of Panamanian hopefuls, who appear to include some of Dr Arias's relations. Such is the atmosphere in Central America that stories of imminent rebel expeditions to Panama and of sunken launches packed with arms are not so implausible that they cannot easily be used, and at need invented, in order to justify the rough usage of opponents.

While he was still ambassador, Dr Arias complained that his president was being too soft with the United States over the Panama canal. This is the common coin of Panamanian politics (something like old age pensions in Britain) that every ambitious politician uses more or less frequently. It is also an increasingly live issue. There is the long-standing dispute over the interpretation of the original 1903 treaty which, in American eyes, conceded full sovereignty over the canal and five miles each side of it, but to Panamanians granted something less. Then there is irritation over Washington's dilatory implementation of some provisions of the supplementary agreement of 1955. And, on top of all this, there is the pervading Panamanian feeling that the Republic ought to be getting more than it does out of its principal asset. Such conflicts with their neighbours large and small condition the lives of Central American statesmen —and their wives.

SOVIET UNION

Birthday Greetings

Russians are great believers in anniversaries. Evidently Nikita Sergeyevich Khrushchev, resting in the Crimea, had quite a post-bag on his sixty-fifth birthday; Sunday's *Pravda* devoted two-thirds of its front page, the whole of the second and half of the third to the messages of greeting. The telegrams were published in order of precedence, beginning with the Soviet party presidium (a group of signatures from which the name of Mr Pervukhin, ambassador in Berlin, was significantly absent) followed by greetings from China, Poland, and other countries of the Soviet block as well as communist parties *in partibus infidelium*. A brief message from Marshal Tito was included among the 28 published texts.

Soviet custom approves the celebration of landmarks in the lives of prominent men with medals and publicity. Mr Khrushchev was thus honoured for his sixtieth birthday, and Mr Malenkov for his fiftieth. But the present pomp is exceptional. The message from the party presidium describes Mr Khrushchev as their "elder comrade." It pays tribute to "his seething energy, rich political experience, wisdom and bold initiative. . . ." What is more important, it credits him with having prompted all important steps in home affairs and foreign policy alike.

References to Mr Khrushchev as "a faithful disciple of Lenin" or to his speeches as "models of creative enrichment of Marxist-Leninist theory" may raise an eyebrow. The whole parade smacks of that cult of personality which, not so long ago, was being piously rejected. But before jumping to conclusions it is worth remembering just how extreme was the cult that surrounded Stalin till his death. Each of his birthdays was the occasion for litanies and hymns echoing throughout a prostrated country. After his seventieth birthday, Soviet papers went on for weeks publishing panegyrics, in prose and verse, to the glory of the leader of genius, the father of the people, the living demigod. Mr Khrushchev clearly overshadows the "collective leadership." But he has not appropriated Stalin's Byzantine cult, or not yet. Lenin's birthday was celebrated on Wednesday with more ceremony than Mr Khrushchev's; and Lenin is dead.

TARIFF ON FLOWERS

The Fault of the Dutch

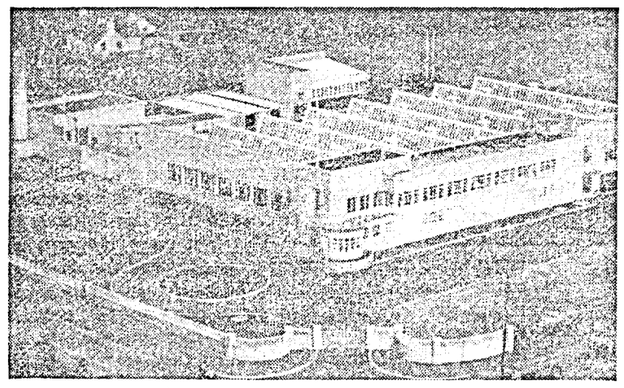
The increase in the import duty on cut flowers is a minor piece of economic illiberalism. No consumer's standard of living will be dislocated by it The Government can fairly argue that it merely restores a level of protection which inflation had whittled down from that originally intended. In a world so familiar with quotas, licences and embargoes, moreover, a mere straightforward tariff can almost figure as a shining example of commercial good neighbourliness. This, however, is about all that can be said for it.

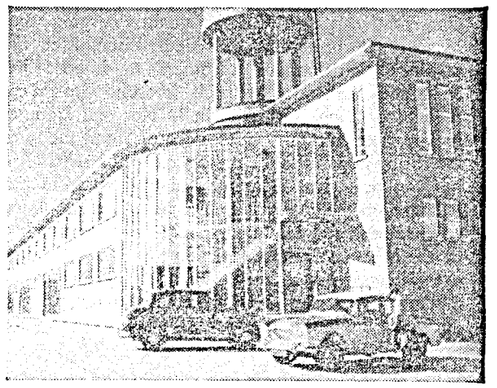
It is depressing to recognise, paraded on this admittedly minor occasion, all the old familiar fallacies. The main justification offered for the increase is that imports from the Netherlands are growing: inference, the proper response to an export drive is to block it as fast as possible. Behind the increase in imports there is cited a "rocketing" increase in Dutch production: inference, the prosperity of any neighbour's industry is a threat to be promptly countered. In matters of commerce the fault of the Dutch is (nowadays) charging too little and selling too much. Moreover in last week's debate every MP who spoke supported the Government's action, except those who wished that it had gone further. "It would be a tragedy," said one Government supporter, "if we were to allow the various

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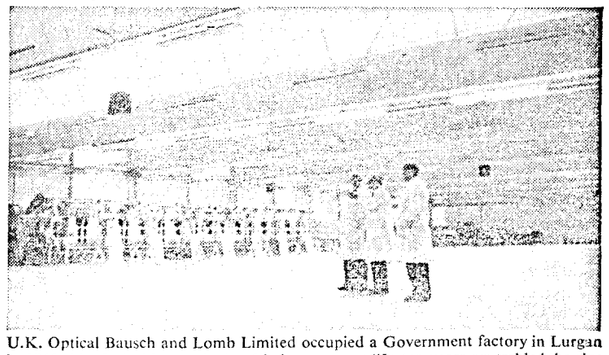
. . . legislation in Northern Ireland makes it possible for financial assistance to be tailor-made to speed the establishment of worth-while projects, particularly those that employ men. Financial aid can include substantial capital grants toward the cost of new and second-hand plant and machinery; grants for the removal of plant and the training of work-people and loans.

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Left. Lotus Limited moved into this 33,000 sq. ft. Government factory at Banbridge in 1951. It has since been doubled in size.

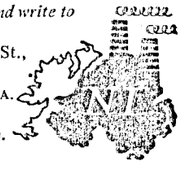
Above. This factory, now leased to Light Alloy Construction Limited, is typical of the standard factories built without a tenant in view by the Ministry of Commerce. Advance standard factories are built in various sizes: 2, 5, 18, 30, 50 and 70 thousand square feet. **All have room for at least 100% expansion.**



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political factors, especially European politics, to weigh too heavily when considering these matters," while another urged that tariff proposals should be considered "without too great a regard for what some countries may feel if their wishes are not adhered to." Tariffs, moreover, are not enough ; the cunning foreigner may either so lower his costs as to make a profit even across the tariff barrier, or, with otherwise unsaleable goods on his hands, may prefer a smaller to a greater loss. What the home grower really needs, said one Tory MP, is "a Government ready to operate, at any time, a direct embargo when it is seen that too much is coming in "—and if for practical reasons they cannot have it, they should be devising supplementary blocking tactics of their own.

A few weeks ago the same House of Commons, the same Conservative party, was indignantly urging the Prime Minister to protest to President Eisenhower about his administration's undue readiness to impose just such embargoes, demanded by special interests who are convinced that "too much is coming in." Not one argument used in the horticultural duties debate, from the menace of increasing imports to the unimportance of political goodwill, but can be swivelled round and trained, from across the Atlantic, on the enterprising British exporter. A few pence on anemones and carnations may not matter much one way or the other. The principle that our friends become our enemies, as soon as they succeed in selling us anything, matters a great deal. It is certainly not a principle conducive to the building of a "Britain Strong and Free."

PASSPORT

Out for a Pound

A DEAL of bitter criticism has been directed against the Foreign Office's decision to double its charge for renewing passports. The critics should think out carefully what they are complaining about. It would be an excellent thing if passports could be abolished altogether ; unfortunately, whatever changes were made in Britain's own illiberal laws about them, the laws of most foreign countries would still oblige British travellers abroad to carry the beastly things.

The old charge of ten shillings for a five year renewal of a passport had remained unchanged since the early 1930s, since when most other prices have trebled. This ten shillings clearly did not (indeed even the new charge of £1 still does not) cover the real total costs involved—i.e., not only the clerical cost of renewing the passports but also the cost of that part of Britain's overseas consular and diplomatic establishment which would not be required but for the need to stand ready to help British travellers abroad. Admittedly, many other services provided by the Government are not specifically charged for in this way ; probably they ought to be. Again, a case could be made for laying less of the real cost of these services on travellers, and more on the general taxpayer, if travellers as a class could be shown to be very significantly poorer than taxpayers as a class—in the same way, for example, as recipients of national assistance are significantly poorer than the average of the rest of the community. But any such contention would obviously be untrue. The welcome fact that a greater number of relatively impecunious students nowadays travel abroad may justify the Foreign Office's present forbearance ; it still has not increased the charge to the same real level as before the war. But to argue against any adjustment at all in the payment for this service is surely to argue the case for subsidising foreign travel to illogical extremes.

SMALL COLONIES

What is Viability?

MEMBERS of Parliament were in a genially bipartisan mood when they discussed the thirty or forty "smaller colonial territories" last week. It was agreed that a line had to be drawn somewhere between those that could become fully independent countries within the Commonwealth (or outside it), and those that can hope only for some degree of autonomy under British protection. But nobody knew where the line between the "viable" and "non-viable" colonies actually lies. It is supposed that Sierra Leone is marginal. But, on certain conditions, "viability" could surely go a lot lower than Sierra Leone in terms of size and resources. The conditions are, of course, that the locals should, for the sake of independence, be ready to vow themselves to poverty—and even to deepening poverty—depending on how sparse their resources may be, and how much they propose to pay their delegates to the United Nations. The liberal, it may be suggested, ought to be ready to recognise the right of a few far-flung communities to independence if they are resolutely ready to live the simple life in order to possess it ; in practice there are always complications for small countries trying to live on their own. Even when they compromise by accepting protection on a basis of autonomy (like the Maldives), there is always a tendency for the protecting power to feel that it must intervene to save them from starvation, earthquakes or a total absence of university education.

The choice, therefore, really depends on the economic expectations of the people of any given small territory. If these are at all considerable (as they usually are) they can only be met either by tacking the territory on to a larger unit (not necessarily, of course, a British unit) federally or integrally, or else by its remaining in a dependent status on Britain. The right thing to do is to face the local people, when the time comes, with the facts and let them choose—even if they choose to listen to some Mr Mintoff. They must realise that they are in much the same position as a remote parish, which enjoys electricity, water and national health at a far greater cost than the rates and taxes it pays ; it runs its local affairs but is otherwise part of (and a deficiency part of) a larger community. And when it strikes oil, it should in theory pay back what it has had before it says "now we can afford our own flag and *corps diplomatique*."

EUROPE

Two Assemblies

THE tenth birthday of the Council of Europe seems an occasion for melancholy as well as celebration. The council of sixteen has been the seed-bed of many new ideas and an invaluable meeting place for European politicians ; but its discussions have appeared more and more academic in recent years, as it has been left behind by the political efforts of the Six. One crumb of encouragement, however, has just been provided to those who cherish a broader conception by the election of a Labour MP, Mr John Edwards, to be President of the Assembly. The choice is a personal tribute to some years of patient work.

The contrast, however, between the activities of the assembly of the sixteen and the animated discussion in the assembly of the Six in the same place a week earlier is only too apparent. This week's discussions were interesting but without significant political effect. Last week's had an urgent political bearing on a major question of policy in the economies of the Six countries. The High Authority of the European Coal and Steel Community was seeking political backing from the Assembly for the coal policy which it is urging on the six governments. It won a qualified support from the assembly which should help it when it next meets the Ministers in May.

The proposals from Luxemburg are far-reaching. Last year some 257 million tons of coal were taken by consumers in the community. With production at 247 million tons and imports at 31 million, stocks at the pithead rose by some 17 million tons. Both the German and Belgian governments have begun to meet this situation by restricting imports on a national basis. But this breaks away from the conception of a single market with a common policy towards the outside world, and also places the whole burden of the crisis on imports, which it is in the long-term interest of the community to maintain. The High Authority therefore wants instead a community-wide policy of restrictions both on imports and on production. Governments have been resisting this idea partly from a general desire not to surrender their freedom of action, partly for more specific reasons. The issues involved in this significant political test are examined further by our special correspondent in Luxemburg on page 346.

ITALY

Dilemma for Catholics

THE belief that the new Pope might introduce a greater flexibility into the Church's relations with the Italian Left has been somewhat upset by the latest decree from the Holy Office. This forbids Catholics to vote for candidates and parties who, although they may not themselves deny Catholic principles, are allied with Communists or "assist them by their course of conduct." The ruling is in effect an elucidation and amplification of the decree issued in July, 1949, which forbade Catholics to vote for Communists. But its own wording is open to so many differing practical interpretations that there has already been a great deal of argument about it in Italy.

The new ruling will have its first practical application in Sicily, where a group of dissident Christian Democrats led by the chief minister, Signor Milazzo, leads a coalition ranging from the Communists to the neo-fascists, with the main body of the Christian Democrats in opposition. Signor Milazzo proposes to fight the regional elections early in June at the head of this motley array, and does not appear to have been deterred by the Holy Office's ruling. The neo-fascists are trying to square their circle by both approving the papal pronouncement and continuing to support Signor Milazzo. The Communists, as might be expected, are fulminating against the ruling. They maintain that the moral of the Sicilian affair, valid for the whole of Italy, is that economic and social progress is impossible without communist help.

Many people in Italy, including Christian Democrats, who would not agree with the Communists, would like to see an Italian government somewhat further to the left than Italian governments usually are. Popular fronts are dangerous because the Communists manipulate them to take power. This particular danger has receded in Italy since those Nenni Socialists who oppose an alliance with the Communists won the day at the party congress in February—although the two parties may still combine over specific issues, as they are now doing over missile bases. But if the moderate non-communist Left in Italy were to act literally on the Vatican's ruling in all its actions everywhere, it would have to watch the Communists stealing its own progressive thunder. People who believe that Italy should have a left-of-centre alternative to Communism will regret that the Pope should have made it more difficult for devout Catholics to help forward its development.

PAKISTAN

Do-it-Yourself Dailies

"MUCH the best way to gag the press is to run it yourself." These opening words of an article in *The Economist* last week (page 242) seem to have been already in the mind of General Ayub Khan, Pakistan's military president. The new ordinance he has issued empowers the government not merely to shut down any paper regarded as endangering "defence, external affairs, or security," but actually to appoint new editors and managers so that the paper shall continue to appear—with its editorial policy directed by the government. The president lost no time in demonstrating that this was no mere warning gesture. The moment the ordinance was out, an official administrator was appointed to take over the Lahore company which publishes the *Pakistan Times*, the Urdu daily *Imroz* and the weekly *Lailo Nahar*. The editors have been replaced, and the *Pakistan Times*, in its first leading article under the new order, has disavowed its previous policies ; it adds, interestingly, that "independence" will be a keynote of its new policy, and that "freedom of thought and expression is dear to us. . . ."

The government appears to be acting on the findings of the commission which it set up, after the military coup last

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October, to investigate the common belief that certain Pakistan newspapers, and specifically this group, had for some years been receiving material support in various ingenious forms from the communist powers. The commission's report has now been submitted, but has yet to be published. If and when charges are brought against Mr Mian Iftikharuddin, the chairman of the group, whose home was searched last Saturday, more details may come to light. But meanwhile the affair has a deeply disquieting look to all who are concerned with the independence of journalism. The best way to deal with a paper that pretends to be independent but is in fact discreetly subsidised from abroad is, surely, to expose its deception—in the columns of other papers that really are independent. But how to deal with a paper that is nominally independent but in reality an official gramophone? The only real sanction—and an effective one—is in the hands of the readers, who can, if they choose, stop buying it. Perhaps they will.

CHINA

Aiming High

THE People's Congress opened in Peking last Saturday; Mr Chou En-lai, the prime minister, was in the chair and reviewed the government's past achievements and future plans. His oration was later described as a "book of history and poetry summing up the success of China's great leap forward." It was punctuated by the usual ambulatory images, such as "learning to walk on two feet" and leaping along a variety of roads.

The Chinese, Mr Chou En-lai said, had learned a lot during the first five-year plan, which laid the foundations for last year's rapid advance on the economic front. Compared with 1952, the total value of agricultural and industrial output was 68 per cent higher in 1957; capital investment in this period exceeded the planned figure by 15.3 per cent. In 1952, only 58,000 engineers and technicians were employed in China's industry; five years later, their number was increased to 175,000. At the same time, the number of industrial workers rose by nearly four million. There followed the inevitable comparison with Britain, which in 1880 produced roughly the same amount of steel—just over a million tons—as China in 1952. In 1935, Britain produced ten million tons; by 1958, China's output of steel had increased to over 11 million. "It took us only six years to achieve in steel production what took Britain more than fifty years," Mr Chou En-lai commented, and he went on to paint a similar picture of coal output. It is the intention to raise steel output to 18 million tons, and coal output by 110 million tons to 380 million tons, in 1959.

Mr Chou En-lai's report was certainly ambitious; but at the same time, it struck a sobering note. Inflated ideological claims have disappeared from Peking speech-making; the Premier concentrated on concrete economic problems. Electric power, transport, fertilisers, agricultural machinery and "important materials" were among Chou En-lai's specific complaints; more ominously, he said that socialist economy had not made much headway in "certain minority areas." Though the Chinese have found out that industry and agriculture can be developed at the same time, heavy industry will receive preferential treatment; unlike the agricultural communes, it will be more centralised. Although Mr Chou En-lai could describe the achievements of his country as "phenomenal," he added: "for a country with a population of over 600 million, the industrial and agricultural levels we have now reached are still very low."

INDUSTRIAL LOCATION

Pull of the South

A RECENT study* has pointed out that three of the twelve regions of Great Britain—the London and South-Eastern, the Southern, and the Eastern—accounted for half the expansion in the number of insured persons between 1949 and 1957. The Eastern and Southern regions in particular had far faster rates of growth than anywhere else, and it is significant that most of these regions lie within the general influence of the capital. A double movement of population is going on. The London and (to a lesser extent) the Birmingham conurbations are continuing to attract new growth, but the economy of these areas is also expanding outwards into towns up to about 75 miles away from them. These towns share the big cities' economic advantages of industrial linkage and access to the largest consumer markets; those near London also share the unrivalled cultural, sporting, and social attractions of South-East England, its reputation of having a superior climate (to those knowing no better), and the newer gain of easy contact with government departments.

Two lessons for government policy seem to emerge. One is that inducements to industrialists to go (or to stay) North, which are at present associated with the development area programme, would be much more likely to succeed if the apparently strong reasons behind these trends in internal migration were more closely studied. The development area programme would be improved were less emphasis laid on the political aim of mopping up unemployment wherever it occurs, and more attention paid to siting developments in places where the best working and living conditions can be provided.

The second lesson is that advantage should be taken of the willingness of employers to move out to towns within an hour's or so journey of London. To do this the Government should plan some effective sequel to the new towns programme, whose end is now in sight. Despite the considerable volume of industrial dispersal, employment in London itself (much of it in offices) is still growing steadily, while population is almost static; in consequence, increasing numbers are commuting long distances to work. To retain a balance of development in the region, and to minimise congestion at its heart, more firms (offices as well as factories) should surely be encouraged to move to places beyond the new towns and in the outer parts of the enlarged London region. The expansion of such places is also generally less costly than building a greater number of houses or flats in the capital itself. Town development schemes of this kind hinge at present on the laborious and conscientious, but frequently unpopular, efforts of the London County Council. Would it not be much better to set up an independent agency, with the job of attracting firms to suitable towns and with the power to give technical assistance in their development? To adapt the concept of the new town development corporation to this new task would seem both practicable and desirable.

*In a paper read by Professor J. Sykes to the Town Planning Institute.

LETTERS

Arab Oil Objectives

SIR—The Arab does not dispute your concluding remarks last week on the oil congress in Cairo:

> But participation in terms of capital—as the countries may find out in some of their new deals with fresh concessionaires—would be a more exacting role, and not necessarily a more rewarding one.

This was implicit in the so-called "Haliq paper," which was extensively referred to in your article. But how could it be feasible, with the present politico-economic structure and behaviour of the oil producing states, who (with the exception of the tiny principalities of the Gulf) are beset with grave economic ills, to furnish "a commensurate share of the huge capital requirements of the industry"? While the Arab economist is fully cognisant of the advantages of "enjoying the fruits of the most profitable part of the industry [the crude oil revenue] without supplying any capital at all," he is equally (and sadly) aware of the disturbing fact that such enjoyment has presently no economic merits in terms of basic national and regional development, without which the Middle East will always be a hotbed of trouble. To quote the "Haliq paper":

> . . . The calculated objective of the Arab oil economist is not so much to secure more cash to the already contented patrician, but to finance a purposeful scheme by means of which a large portion of the existing and contemplated oil revenues can be utilised in viable basic industries that bring about a more substantial productive development.

This is not a matter of Levantine mercantilism, but of a pressing *political* economy, within the context of which no Arab problem could be discussed.

The limitations imposed on the concessionaire's ability to effect a direct participation in such a desirable course of action are understandable. Not only his contractual obligations and his commercial policies restrict his involvement in sound national and regional development schemes; his very status as an alien business giant is enough to dramatise Arab suspicion. And suspicion is not peculiar to the Arab. Permit me as the author of the paper to pick out some of your own. The "commercial arithmetic" and "cockshy figures" supporting the document were not meant "to provoke the companies, in refutation, to get the sums right for them" or "to require [them] to put up or shut up." The figures were meant merely to indicate the assumptive and speculative nature of the Arab economist's search for facts. *The Economist* itself confessed that "no outside observer is in a position to substitute the actual figures." One in fairness should accept the solemn contention of the least subjective of the industry's spokesmen that the real scope of profits in the integrated oil trade could not be accurately calculated. Even your effort to cite British Petroleum as a demonstrative example was, I am afraid, rather ambitious.

Speaking of "ambition," which was a recurrent needling of the Arab "technocrats" in your article, it was not quite fair to state that "the desire [of the Arab oil technocrat] to be 'on the inside' is no doubt personal. . . ." There are few Arabs, very few indeed, who, like the writer, while holding no elective office, or seeking no political rewards in the fluid loyalties of the latter-day Arab experimental politics, have attempted over the past decade to familiarise themselves, at close range, with the oil industry's problems, commercial, bureaucratic and what-have-you. The term "technocrat" was used in the paper to denote that tiny minority of the much needed specimen of an Arab, who, while deeply conscious of the crucial eminence of oil in the inter-Arab and international relations in the area, subscribes to no political demagogy. If he chooses to speak his mind, his position becomes precarious and uncomfortable. The hazards of expressing a "non-official" or a personal opinion, regardless of its technicality, under the present political institutions, are sometimes calamitous. My paper, for example, met with patrician displeasure, with the resultant unsporting, unscrupulous, and unpleasant "correctives"! As for the politicians, they considered it too mild and compromising, born out of my long personal association with the industry abroad. Then there are those in the industry who believe that such thoughts as the paper projects instigate trouble among the happy potentates or the excitable masses. The only ambition a "technocrat" has, in my part of the world, is to be able to hold his own and feed his family. How true is your description of those who speak with a native heart and a western terminology:

> In the shifting politics of the Arab nations, they occupy an exposed and somewhat isolated position.

The only way justly to describe the Arab "technocrat's" ambition is to classify him as a "middleman of ideas" (irrespective of their shortcomings) in the confused and perplexing Arab state of mind. He stands in hazard between the two dominant native forces—demagogy and autocracy, provoking though misunderstood by both. At present only the industry can profitably read his mind. An Arab "technocrat" is a somewhat polished raw material of the shape of things to come, or that should be made to come, in the galaxy of contemporary Arab life and thought. The industry can well afford to dispel what suspicions it might entertain of his efforts. He is neither a dilettante nor a doctrinaire—he should be made useful on both sides of the fence.—Yours faithfully,

OMAR HALIQ

Geneva

Kenya Politics

SIR—The remark in your issue of April 11th that my decision to accompany an all-race delegation to England has been "publicly disclaimed by [his] constituents" is in the circumstances a wicked distortion of the truth. Two small associations composed mainly of people who opposed my election (just as though Labour voters had passed a vote of no confidence in their Conservative member) passed a vote of censure—the third, Kikambala, had been dissolved some months previously and the few people who assembled had no *locus standi* (see the *Mombasa Times* of April 10).

The big majority of my constituents had no comment to make except a few who wished me good luck. The Coast constituency which I have represented for twenty-one years is noted for its good race relations and moderation and this makes your paragraph all the more unfortunate.—Yours faithfully,

S. V. COOKE

Parliament Buildings, Nairobi

SIR—Your special correspondent, in your issue of April 11th, writes that "The communal roll system is the curse of Kenya politics (for it is one cause of the racialism which Mr Blundell himself specifically terms a curse); and this move away from communal rolls is welcome," he must be ignorant of the fact that the British Government is now patting itself on the back for having achieved in Cyprus a governmental symposium based on exact arithmetically calculated communal lines. Whereas Greeks and Turks have been mingling with one another in the very cradle of civilisation for a few thousand years, in my lifetime in East Africa Kenya was a land of undiluted savagery even if today a remarkable and likeable young African, son of a naked fisherman, is under the ægis of a widow of a president of the United States asking for "undiluted democracy today."

Kenya despite its economic advance is still substantially a motley medley of folk ranging from retired colonial governors; banking, insurance, *mercantile* tycoons; peripatetic boffins; Masai, whose standard diet is milk laced with blood tapped from the neck of their oxen; Kikuyu, who in moments of tribal hysteria pep themselves with spoonfuls of baby's brains; to Somalis and the northern cattle people who regard the Bantu tribes as sub-human.

To reduce the consequent discordant arpeggio of political chatter to harmony is obviously some problem. When therefore you describe a caveat as to the immediate applicability of the principle of the common roll to Kenya conditions (*vide* your comment on page 113) as a "silly reservation," I, with the privilege attaching to having derived mental nourishment from your paper for fifty years, in all deference would pray "Mr Editor, be your age"!—Yours faithfully,

EWART S. GROGAN

Muthaiga Country Club, Nairobi

BOOKS

Economics in Action

Principles of Economic Policy

By Kenneth E. Boulding.
Staples Press. 440 pages. 30s.

IT takes a good deal more than an economist's specific expertise to write a book on the principles of economic policy ; a fact of which many economists are only dimly aware. It takes knowledge of the world, as it is and has been ; it takes an intuitive insight, supplementing all sociological observations, into human nature ; it takes a living as distinct from a merely schematic set of ethical standards ; it takes a sense of limits, which is almost the same thing as common sense. It takes, in fact, a good many of the qualities of the Philosopher-King.

Professor Boulding would not claim to be a Philosopher-King ; but his book deserves to be one of the best thumbed manuals in such a monarch's library—or at least in that of a studious heir bent on qualifying himself adequately for the succession. His first six chapters investigate what may be described as the preconceptions of policy : the objectives of progress, freedom, justice and stability and their interrelations. They are remarkably effective exercises in the disentangling of aspects and meanings, the gentle prising apart of contradictions, the isolation of those areas where, in the last resort, temperament and the political tug-of-war must be the only arbiters. To reduce those areas, to extend that of objective agreement, is the proper role of reason ; and Professor Boulding's success is the greater because he recognises its practical limitations.

The rest of the book surveys in more down-to-earth detail the particular fields of policy: fiscal, monetary, commercial, agricultural, and so forth. Its level is fairly elementary, but like any really good elementary work it is sustained, iceberg-fashion, by a great deal of expertise below the waterline. This is the kind of easy reading which is the fruit of hard writing and hard thinking. It is rare for a warning to be omitted when simplification unavoidably means oversimplification. In this respect the later chapters—on the economics of war and peace and the relation between communism and development—are less satisfactory than the others ; it is probably no accident that in these same chapters one is rather less conscious of a submerged nine-tenths of iceberg.

With the last chapter of all, Professor Boulding reverts to the wider theme, already treated in his "The Skills of the Economist," of human values as the economist sees them ; and repeats his warning that the prudential ethic, the economist's ethic whether directly related to £ s. d. or not, is incomplete. It has no room for the saint, the poet and the hero, whose ethic leads them "to give and not count the cost, to labour and ask no reward," and without whom mankind, even in a prudentially achieved Utopia, would be hopelessly subhuman. Not least among the economist's duties, however, is to steer heroism away from fields where prudence is more appropriate ; and to point out, too, the difference between the heroic and the merely unheroically, muddle-headedly imprudent. There is a place in human affairs for desiccated calculating machines ; but not for calculating machines, whether desiccated or oozing with the milk of human kindness, which do their sums wrong.

Brittain on the Budget

The British Budgetary System

By Herbert Brittain.
Allen and Unwin. 305 pages. 25s.

FRIENDS of the Treasury have long known that Sir Herbert Brittain is the greatest living expert on the technique of British governmental finance. Over the years he has studied, and worked on, every aspect of the subject. No one is better qualified to write a handbook on the subject, and all students of such matters must be grateful to him. Rather surprisingly, no such book exists at present. "The System of National Finance" by Lord Kennet and Mr Norman Young, admirable as it is, was never so detailed and is now out of date.

Sir Herbert's book is confined into narrow limits. He defines them in his preface : "This account is primarily descriptive and expository and it is written by an ex-administrator . . . I have normally confined my comments to what I conceive to be the justification for existing practice." His comments, therefore, are hardly stimulating ; and he scarcely criticises at all. It is the nearest thing that one can find, outside a publication by the Stationery Office, to an official statement. This is not a criticism ; by keeping to this narrow path Sir Herbert gives a clear and unmixed picture of how the machine works and what it is officially intended to do.

Within these limits, it is extraordinarily thorough and complete, and its accuracy cannot be faulted. It covers the whole financial and parliamentary machinery of the budget and the estimates, the mechanism of the national debt and the financing of Britain's exchange reserves. It deals rather briefly with the control of expenditure by the Treasury.

There are three respects in which the book might be improved when it is next revised. First, there is too much detail about particular Acts. Irish Land Purchase was not long dead when Kennet and Young wrote, but it is not mentioned in their index. It appears three times in Brittain, plus a mention in an appendix. Second, Sir Herbert has deliberately kept his book short on figures ; it would be clearer if he inserted more tables. Third, the book is not always easy to read without documents beside one. It would help if examples were given of such documents as the weekly Exchequer return.

These are details, and do not detract from the excellence of the book. It supplies a real need, and one may hope that Brittain on the Budget will go through as many editions as Byles on Bills.

"... Forthright Craftsman's Hand ..."

Somerset Maugham : *A Candid Portrait*

By Karl G. Pfeiffer. *Gollancz.* 214 pages. 18s.

MR SOMERSET MAUGHAM, CH, strongly objects to having his biography written and has done everything possible to discourage aspiring biographers, even to the length of requesting correspondents to burn his letters. So Dr Pfeiffer explains, with a mildness remarkable in one who eighteen years ago was personally told by Mr Maugham that he should be the authorised biographer. This "candid portrait" is a matter of personal recollections (extending with intermittent intimacy over half a lifetime), plus common knowledge, plus the autobiographical elements in Mr Maugham's novels. It is lively, shrewd if cautious in its literary judgments, sometimes penetrating, sometimes reflecting (probably to Mr Maugham's satisfaction) an entire bafflement ; it contains some excellent anecdotes (one of which, concerning H. G. Wells and an unnamed lady met in embarrassing circumstances, would have delighted Saint-Simon) ; and it leaves, along with an impression of genuine sympathy, a faintly nasty taste in the mouth.

The fact that this is very much the flavour of Mr Maugham's own writings encourages the surmise that the candour is genuine and not a euphemism for malice. On balance, indeed, sympathy predominates ; Dr Pfeiffer's evidence suggests that anyone who did, so to speak, a "Cakes and Ale" on Mr Maugham would have to aim at a rather wry tragi-comedy, not a satire. The crux of such a story would undoubtedly be, as it is not in "Cakes and Ale," the relationship of the writer's personality to his craft. Is Mr Maugham's work undervalued because there is so much of it, because it has made so much money for him, because it is so uneven, because the tide of literary fashion is against the entertaining story-teller—all inadequate reasons ? Or is there a deeper flaw and lack ; an atrophy of the wisdom, passion and innocence found at the core of all great writing, a substitution of mere knowingness ?

The knowing, of course, know among other things just how silly a man may look whose reach obviously exceeds his grasp, whether in matters of art or in matters of conduct ; they refrain, accordingly, from reaching too far ; and they do not look silly. But what turns curiosity and a zestful appreciation of human idiosyncrasies into knowingness, what gives the distaste for possibly looking silly its crippling pre-eminence? Perhaps the Browning who wrote "Andrea del Sarto"—though the limitations of Andrea's "low-pulsed, forthright craftsman's hand" had nothing to do with knowingness and a fear of looking foolish—might have supplied the explanation. Dr Pfeiffer does not ; and Mr Maugham assuredly never will.

Fact and Tract

Syria : *A Short History*

By Philip K. Hitti.
Macmillan. 271 pages. 21s.

The Catholic Church in the Middle East

By Raymond Etteldorf.
Macmillan Company of New York.
184 pages. $3.75 and 46s.

SYRIA, in the pre-1914 sense that embraces Lebanon and Palestine, has for millennia been the world's major meeting place between civilisations—Greek and Persian, Hellenistic and Ommayad, Ommayad and Seljuk, Crusader and Saracen and, in our own times, nineteenth century European liberal with early Arab nationalist. For those who do not need Professor Hitti's full history, this abridgement by Dr Harry Hazard of Princeton serves well. The knowledge that it imparts is indispensable to any westerner working in the area; without it, he cannot start to understand the outlook of the Syrian with whom he has to deal today. It is brief and accurate, though its chapter on independent Syria underrates that country's sturdiness as an economic unit.

Accuracy is not a quality of Monsignor Etteldorf's book, which is rather a tract for Roman Catholic missionary endeavour among the schismatic Christians of the Levant than what it claims to be: an "informal introduction" to "little known aspects" of the area. Writing, presumably, for the Middle West, he exclaims that "Iran is definitely not an Arab country" and that deserts are not necessarily flat. But these truisms are punctuated with statements that are often misleading and at times plain wrong; the Roman Catholic missionaries in the Middle East are among the best informed of local foreigners, and some will blush to see what he has made of his notes on their formation. Some of these are so ill-digested that the end product is a reminder of a sweeping little book that used to grace Victorian schoolrooms and was called "Near Home, or Europe Discovered." The price is far beyond the book's worth and those who wish to study the nature and vigour of the Christian communities in the Middle East had much better do so in Colonel Pierre Rondot's excellent *Les Chrétiens d'Orient,* published by Peyronnet in 1955.

The Hero of Quebec

Wolfe at Quebec.

By Christopher Hibbert.
Longmans. 192 pages. 21s.

PUBLISHERS seem to be warming the bell for the celebration of the bicentenary of the death of General Wolfe, which does not fall until September 13th. This is the second book on the subject to appear within a month. It is better planned and better produced than its predecessor. Narrower in scope, since it is limited to the story of the Quebec campaign, it strikes a more authentic note because Mr Hibbert has studied his military, if not his naval, sources carefully. It cannot fail to be a colourful story, though hardly (as its author fondly hopes) an unfamiliar one ; nor does the portrait of Wolfe differ materially from what we already know. "Touchy, imperious, moody, vain and heroically brave" is a just summary of that temperamental genius, even if one would prefer to see the word "vain" replaced by something less pejorative, such as "ambitious."

The General is always in the foreground of the picture, which results in a certain lack of perspective about the campaign in relation to the war elsewhere. The battle itself is overdramatised in the idiom of another war. Wolfe appears to be scaling a mountain with his "second wave of troops" as he drags himself up "ledge by ledge" over what was really only a difficult path, and there are far too many "exploding shells" for an age that preferred solid shot to carcases. The most original, though unverified, suggestion in the book is that the landing was effected with unexpected ease because of treachery on the part of the defenders. In war, as in love, fortune favours the brave: it in no way detracts from Wolfe's honour that accidental circumstances favoured the surprise attack by means of which he crowned a somewhat fumbling campaign with sudden victory and the immortality of a hero's death.

Poor Little Rich Girl

Daughter of France

By V. Sackville-West.
Michael Joseph. 392 pages. 25s.

"MADEMOISELLE, the Grande Mademoiselle, daughter of the late Monsieur, Mademoiselle, granddaughter of Henri IV, Mlle d'Eu, Mlle de Dombes, Mlle de Montpensier, Mlle d'Orléans, Mademoiselle, first cousin of the King, Mademoiselle, destined to the throne . . ." thus Mme de Sévigné played her carillon upon the titles and expectations of Miss Sackville-West's subject. Born in 1627, the daughter of Gaston d'Orléans and the richest heiress in France, eligible for a spectacular marriage, the Grande Mademoiselle remained a spinster, her life a mixture of public amusement and private pathos. Plain, gauche, hoydenish, impulsive and narrow-minded, she played a brief but colourful part in the Fronde, was considered as a bride for Louis XIV, Charles II of England and Alfonso VI of Portugal, before falling in love at the age of forty-three with a dapper, arrogant courtier, the Comte de Lauzun. For Lauzun the proposed marriage meant ten years of captivity ; for the Grande Mademoiselle ten years of frustration. Finally she parted with some of her richest lands in exchange for Lauzun's freedom, only to be disillusioned by his coldness and his cupidity.

Miss Sackville-West tells the story vivaciously and with considerable sympathy for "dear Mademoiselle." She draws largely on Mademoiselle's memoirs, but these are disappointing material. Miss Sackville-West herself says of them that "her endless weaving and unweaving of petty situations lack the tang which alone can redeem so empty a monotony." Mademoiselle, the spectator of France's greatest century, was indeed unappreciative of anything but petty court intrigue. Miss Sackville-West disarmingly remarks of her own biography that "this was never intended to be a scholarly work." Mademoiselle, we are told, had "a very sharp sense of business," but Miss Sackville-West justifies her avoidance of the tiresome details by saying that "as I can never understand my own finances in 1959, I don't see why I should be expected to understand Mademoiselle's in 1660." There are a few slips. The war between France and Spain did not end in 1648, but in 1659, and to describe the little town of Richelieu as the "wood-ash coloured village in Poitou" is unfair to a splendid example of seventeenth-century town-planning.

Hungarian Patriot

The Undefeated.

By George Paloczi-Horvath.
Secker and Warburg. 288 pages. 25s.

SO many books have been written about the experiences of those who have suffered in totalitarian gaols that it is difficult not to develop a resistance to reading any more. In the case of this book at least, this inclination should be resisted. The author is remarkably unemotional about his five years as Rakosi's prisoner and admirably reticent about his sufferings; moreover his story as a whole is an illuminating commentary on the development of Hungary from the first world war until the October rising of 1956.

Mr Paloczi-Horvath comes from the Hungarian Calvinist nobility, but through the circumstances of his upbringing he took an unusually detached view of the society into which he was born. His discovery, at the age of fifteen, of the callous way in which his uncle's estate servants were treated was the first of the influences that gradually pushed him farther and farther to the left until on his return to Hungary after the last

war, he eventually joined the Communist party. Before that, during the ten years before the outbreak of war in 1939, he worked in a variety of capacities on the famous liberal Budapest newspaper *Pesti Naplo*. He became the paper's principal foreign correspondent and later its foreign editor and watched at close quarters the victorious progress of fascism throughout Europe. At home he was an active member of the "Western-democratic camp" which tried to oppose the advance of fascism inside Hungary. In November, 1939, the Horthy regime forced his newspaper to close down. In April, 1941, he escaped from Hungary and spent the rest of the war working for the British in the SOE Branch.

If you manage to survive, there are, it seems, few better ways of investigating the murkier recesses of a communist regime than through the international communist prison grapevine. If, like Mr Paloczi-Horvath, you were in a communist prison from 1949 to 1954, you learnt a great deal about how the great show trials of that period were rigged—with the Russian General Bielkin and his bevy of MVD experts travelling round from capital to capital in order personally to supervise the show. You also gathered such esoteric pieces of information as the actual names of the two Security Police thugs who perpetrated the "suicide" of Jan Masaryk.

Mr Paloczi-Horvath was a sincere and convinced communist when he went into gaol, and, in spite of all he learnt and underwent, he did not shed his communist beliefs easily. It was not until he came to share a cell with a number of workers who firmly held that, whatever the mistakes and excesses, the communist system remained the "rottenest of all the conceivable rotten systems" that he finally lost his faith. By the time he was released he believed that communism without terrorism "is the most impossible of all impossible propositions." This conviction remains with Mr Paloczi-Horvath, who, after taking part in the October rising, escaped to the West with his wife and child when the Russian tanks rolled back into Budapest and now describes himself as a "stateless person without fanatical convictions" who has "come to suspect that fanaticism is the original sin."

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Japan Goes West

The Origin of Modern Capitalism and Eastern Asia

By Norman Jacobs
Hongkong University Press. London: *Oxford University Press.* 243 pages. 28s. 6d

DR NORMAN JACOBS, who worked at allied headquarters during the post-war occupation of Japan, and now holds a post at the American University, Washington, DC, has written this book to develop a thesis of Professor K. A. Wittfogel: that the economic and social development of Japan, even before the period of "westernisation," had closer analogies with Western Europe than with other parts of Asia. He draws a series of contrasts between Japan and China with regard to the relations of a central bureaucracy with independent centres of power, the autonomy of merchant associations, freedom of the market and monetisation of the economy. He concludes that the preponderance of the scholar-gentry and imperial officialdom in China and the regulation of Chinese society on Confucian principles were more obstructive to the growth of capitalist enterprise than the feudal fragmentation that prevailed in Japan, and that in the early nineteenth century Japan was already well ahead of China in the development of capitalism. In particular, he argues that "true banking" had by then emerged in Osaka, but nowhere in China.

Dr Jacobs supports his argument with a wealth of detail and makes a strong case for his main contention. Unfortunately the value of his study is marred by an extremely cumbrous schematic mode of presentation—which is apparently designed to give it an impressively scientific sociological look—and by some selection of facts which, as given, are very misleading. It is, for example, rather perverse to claim that the Tokugawa ban on overseas trade—the self-seclusion of Japan from the seventeenth to the nineteenth centuries—was a "failure" because there was a certain amount of smuggling between Kyushu and the mainland; the volume of this was not sufficient to afford a basis of comparison with the overseas commerce of the European maritime nations during the same period. It is likewise a false analogy with Europe if emphasis is laid on the temporary independence of certain Japanese towns in the sixteenth century without showing how far the Tokugawa rule based on the Kanto was an effective reaction against these tendencies. The constant bracketing together of Western Europe and Japan in contrast to China obscures the fact that neither self-governing cities nor large-scale overseas trade were successfully established in Japan; Japanese official policies in the seventeenth and eighteenth centuries remained fundamentally inspired by a Chinese outlook on economic matters. Nevertheless, a combination of circumstances did promote a remarkable development of finance in the city of Osaka, and this factor was of decisive importance both in the political revolution in Japan in the 1860s and in the subsequent industrialisation of the country on Western lines.

No Policy for Raw Materials

Raw Materials: *A Study of American Policy*

By Percy W. Bidwell.
Council on Foreign Relations. London: *Oxford University Press.* 403 pages. 48s.

THE late Harold Ickes, when Secretary of the Interior, told a Congressional committee in 1942 that the United States had no oil policy. The author of this study finds that statement still true today—and not only of oil, but of industrial materials in general. The American government has a policy for the stockpiling of strategic materials, though procurement has been vastly overdone, partly because it has at times been subordinated to political ends. But one searches in vain for a general policy that recognises the increasing dependence of the United States on foreign supplies and the often very high dependence of foreign countries on the American market; and which relates these facts to economic goals at home and to American policy abroad. Instead American action tends to move in fits and starts, seeming at times to be contrived to produce the maximum cost at home and the maximum offence abroad. After examining government action towards a number of commodities (lead, zinc and copper, nickel, materials for the iron and steel industry, wool, rubber and oil), Mr Bidwell concludes:

> Congress and the President often failed to adapt measures affecting supplies of raw materials to the changed economic conditions which had made the country increasingly dependent on foreign sources. They failed, also, to bring raw materials policies into agreement with the changed position of the United States in world affairs and with the new objectives of American foreign policy.

(Incidentally, for one conscious of the need to preserve American goodwill among under-developed countries, it is strange that Mr Bidwell should dismiss their suggestions for international commodity schemes in a single sentence.)

The author attributes these failures "neither to ignorance nor to stupidity, but rather to certain characteristic defects of the democratic process . . .", particularly the dead weight of tradition, and the pressure brought by special and local interests. An extreme example of the latter is the bloc of sixteen senators from eight western states, whose influence on mining policy is out of all proportion to the population they represent, as foreign producers of lead and zinc know to their cost.

The clash of interests, and the contradictions within official policy, are well illustrated in oil. The independent domestic oil producers are at loggerheads with the American international companies over imports. Domestic oil production is encouraged by liberal federal tax concessions, but state agencies restrict production, under the guise of conservation, in order to bolster prices; the federal government supports that policy but accepts no responsibility for it. Again, Washington has actively encouraged American investment in foreign oilfields, and helped the companies to obtain concessions. Yet in the sacred name of national security Washington has also restricted imports of oil, at first by "persuasion" and now by formal quotas.

Mr Bidwell is a liberal; he knows that America's economic interests would be best served by sweeping away all restrictions on imports; this would not, he thinks, greatly harm domestic producers nor greatly benefit foreign suppliers. He also knows that politics rules this out. But he does not quite accept the logic of his own analysis of American needs in the atomic age: this is surely that, with an adequate stockpile of most materials, national security can no longer be used to justify preservation of domestic primary producing industries by artificial means. If such industries are held to deserve protection on these grounds, he favours direct subsidies to high-cost producers rather than tariffs or import quotas. His study of policy, in general and toward individual commodities, is most useful; it is hardly his fault if he is no more successful than others in suggesting how reforms can be pushed through against "the characteristic defects of the democratic process."

Irish Commons

Representative Government in Ireland: *Dail Eireann, 1919-22*

By J. L. McCracken.
Oxford University Press. 229 pages. 30s.

MODERN Irish historians have deserved well of their country. They inherited a notoriously tangled subject in which the myths had almost strangled the facts. They have gradually cut back a great part of the lush growth of legend and let in the light. Dr McCracken's achievement is especially notable because it concerns a period in which passions were aroused that have not yet been worn out. The civil war of 1922 can still sway votes in Irish politics. That indeed is largely because nothing much has happened in Ireland since then—which is of course an advantage from some points of view.

The theme of this book is the evolution of the elective house of the Irish legislature, its composition and procedure, its institutions and the constitutional arrangements which it has developed. The survey is prefaced by an admirably dispassionate account of events in Ireland in the twenty years during which the application of Home Rule became impossible and the emergence of a fully self-governing Irish state, though limited in area, became inevitable. This is an account of the institutions which the Irish adopted in the period of struggle against British government between 1916 and 1921, in their civil war in the two succeeding years and in the long period of rather torpid existence since them.

The reader will be impressed, to borrow a remark of Professor Mansergh's, by the extent to which the Irish have neglected their own Burke in favour of Rousseau. Symbols and conventions have been discarded in favour of a written constitution. The first constitution, in 1922, experimented unsuccessfully with the referendum, the initiative and the appointment of non-party ministers. Mr de Valera's constitution, in 1937, retained only the referendum; and the electorate will try it out in next June on the issue of whether proportional representation should be retained. But the sovereignty of parliament is restricted by a written constitution and the courts have intervened to declare legislation to be against the constitution.

This is certainly not in accordance with British practice. It might not have been adopted if self-government had come in the shape of Home Rule and had been initially developed by the members of the Nationalist party who had served at Westminster. On the other hand, the cabinet system and the supremacy of the government have taken firm root. Since 1922 there have been thirteen general elections but only five changes of government, and only three prime ministers. Moreover, the tendency (in spite of proportional representation) has been towards the party system, and towards the two main parties. But Dr McCracken shows clearly that the line of party division is vertical, not horizontal; it resembles American rather than British practice. Most Irishmen are probably well content that it should be so.

One is impressed by the degree to which these institutions have worked successfully and maintained the rule of law. They have been strained only where they have been faced with older and intractable problems such as the activities of the IRA. They have given good service to a generation. But, as this useful book points out, it is a generation that is ageing. Over one-third of the members elected to the Dail in 1921 were aged under thirty-five; the proportion in 1948 was less than one-tenth. A period of change in Irish politics is imminent; but this study gives grounds for hope that the spirit of parliamentary government will be preserved.

OTHER BOOKS

EVERYDAY ECONOMICS. By Edward Sladen. *Pitman.* 231 pages. 10s.

This is an extraordinarily uneven book. Had Mr Sladen stuck to his last, which is strictly institutional, he could have produced something really useful. On "how the City works," on the mechanism of public finance, on the organisation of business, on the statutory framework within which economic affairs are conducted, "Everyday Economics" is decidedly good; but on economic theory, even at the most elementary level, it is quite appallingly bad—bad enough to warrant an unequivocal warning, to students and to schools, against using it. It is hard to imagine any examiner whatever passing a candidate who, asked to state the arguments for protection, led off with "Foreign trade is not reciprocal, but is a struggle between nations in which the weaker go to the wall," or who, answering a question on causes of deflation, listed exclusively "unrestricted competition, increased efficiency of production, and free trade between nations." Borderline topics between the theoretical and the descriptive, such as the wage structure or the size of firms, are treated with staggering crudity. There is no mention anywhere of full employment policy, national or international; for Mr Sladen's readers, Keynes might never have been born. Even on the institutional side there are gaps; Gatt is mentioned, but not the International Monetary Fund, the World Bank, the Organisation for European Economic Co-operation or the European Payments Union. Finally, it is not improper to remark that not all of Mr Sladen's copious quotations are identified as such—as the present reviewer has the best of reasons for knowing.

A SURVEY OF SOCIAL CONDITIONS IN ENGLAND AND WALES. By A. M. Carr-Saunders, D. Caradog Jones and C. A. Moser. *Oxford University Press.* 302 pages. 25s.

THE CHANGING SOCIAL STRUCTURE OF ENGLAND AND WALES 1871-1951. By David C. Marsh. *Routledge and Kegan Paul.* 266 pages. 28s.

Both books are descriptive studies of social statistical data. Some aspects are naturally covered in each—population, occupations, social classes, education, and distribution of wealth. The first book, however, takes a broader sweep of social factors, including consumer spending, nutrition and leisure-time occupations. The second gives a more historical treatment of the main features.

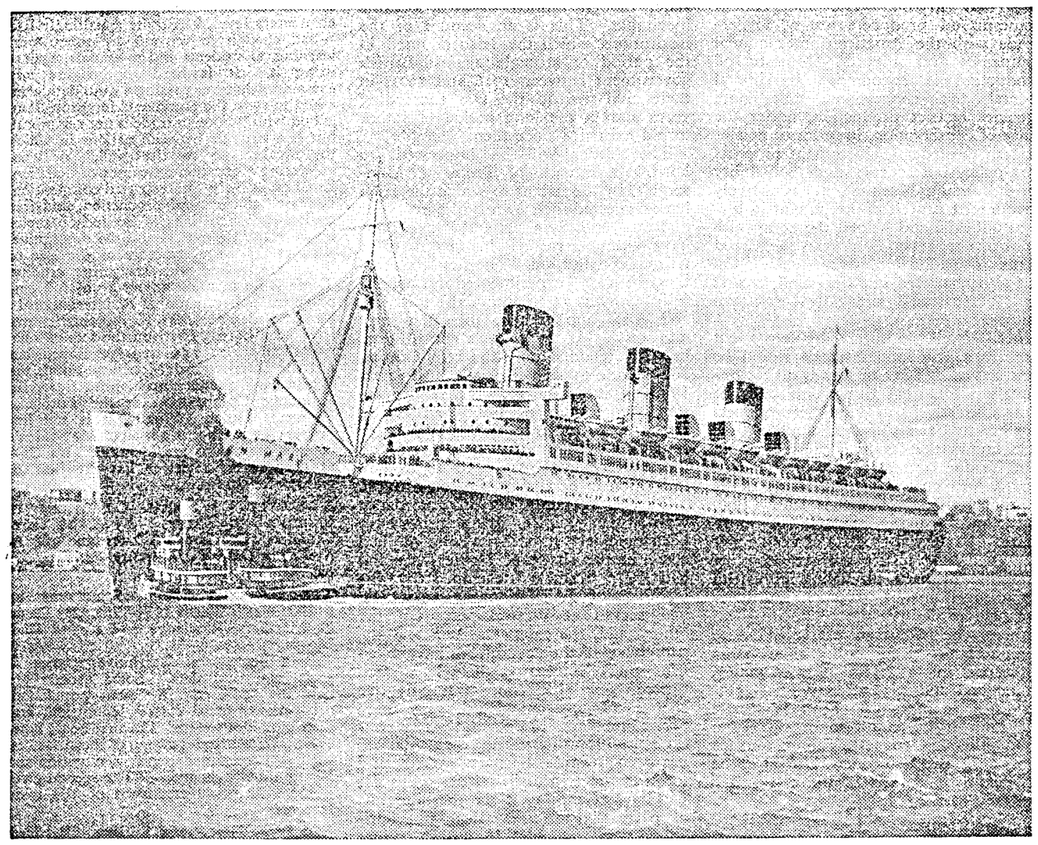
FLORENCE. By Sylvia Sprigge. *Batsford.* 43 pages and 24 illustrations. 27s. 6d.

This is a delightful book, whose superb colour photographs and elegant text will bring back happy memories to the many lovers of Florence in this country. Mrs Sprigge gives first a brief history and then comments on many of the city's most notable works of art, including the Baptistery, the Palazzo Vecchio, the Bargello and San Lorenzo. It is unfortunate, however, that the commentaries on two of the photographs were transposed during printing.

DEBT SERVICING CAPACITY AND POSTWAR GROWTH IN INTERNATIONAL INDEBTEDNESS. By D. Avramovic, assisted by R. Gulhati. *The Johns Hopkins Press.* London: *Oxford University Press.* 240 pages. 40s.

This is a fairly heavily statistical analysis, by a member of the economic staff of the World Bank, of international movements of capital between the end of the war and 1955, and of the capacity of recipient countries to service the debt. There is much useful material, though the attempt to be comprehensive within a modest space makes the work more of a record for the specialist than analysis of interest to the general reader.

Correction: We regret that owing to a printing error, "The Liberal Future," by Joseph Grimond, which was reviewed on page 224 of *The Economist* last week, was said to have been published by The One Nation Group of MPs. The publishers are *Faber and Faber*, and the price of the book, which has 198 pages, is 12s. 6d.



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AMERICAN SURVEY

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Mist over the St Lawrence

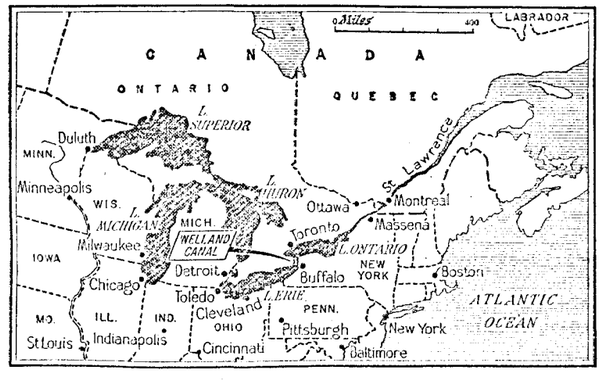
CLEVELAND, OHIO

THE St Lawrence Seaway, which President Roosevelt once called the "master project of the North Atlantic continent," is at last due to open to shipping this weekend. Unseasonably icy weather, fighting a rearguard action on behalf of the commercial interests in the eastern United States which have long feared the seaway's competition, has kept a lengthening queue of ships cooling their rudders outside Montreal since mid-April. Now, however, forty years of political controversy and nearly five years of actual construction—which has cost Canada $340 million and the United States $131 million, not counting the even larger sum spent on a joint hydro-electric scheme near Massena—are about to bear fruit. The enthusiasts who have predicted that the seaway will turn the Great Lakes into the world's "eighth sea" and their shoreline into the "fourth coast" of the United States will soon see whether the facts realise their hopes.

It is noticeable that the hopes have grown more modest as the seaway has neared completion. The deepening of the channel in the St Lawrence River from 14 feet to 27 feet, so that more capacious ships with deeper draughts can come up the river, will certainly bring a substantial increase in traffic in and out of the Great Lakes. But some of the earlier ideas about both the size and the composition of this increase will have to be revised. The table on the next page shows how wide a range there has been in the estimates of the tonnage which the seaway will carry when it is in full operation in about ten years' time. The fairest guess seems to be that about 50 million tons of cargo will eventually move along it each year. The one-way locks on the St Lawrence proper and on the Welland Canal between Lake Erie and Lake Ontario impose a physical limitation at about this level. Since it would more than double the cost of the project to insert two-way locks on these stretches, the limitation is likely to last for some time.

But there are uncertainties about even this amount. For one thing, the full benefit of the new depth will not be felt by some of the most important ports, such as Chicago and Detroit, until the channels which connect the lakes west of Lake Erie have been deepened to match. This task falls to the United States government and, at the present rate of progress, it will be 1962 before most of it is completed. Even then, the eight-month season to which the seaway is confined by ice will make many shippers hesitate before shifting their business away from the east coast ports. Nor has Washington yet announced how much it is willing to spend in federal subsidies in order to encourage American shipping lines to use the St Lawrence for foreign trade. Half a dozen American companies are interested in this overseas business, which has hitherto been carried entirely by foreign ships, provided they can get operating subsidies to cover the difference between their costs and those of their competitors; but so far only one, the Grace Lines, has been granted such a subsidy.

What many importers and exporters find even more perplexing is the difficulty of making an accurate comparison between transport costs through the St Lawrence and through the ports on the east coast. The tolls to be paid on the seaway, which will enable it to cover its costs by the year 2008, were announced only last month. At roughly half a dollar a ton for bulk commodities, and a dollar for general cargo, they strike most observers as modest enough, but some shippers of bulk commodities are complaining that the differential is too small. It is still impossible to tell whether the railway companies, which, with the east coast ports, were the bitterest opponents of the project, are now going to fight the seaway or co-operate with it. Last month they suggested a cut in the relatively expensive rates they charge on grain to the east coast, but they have not yet made any move on the vast range of other goods which they carry on east-west routes in competition with the seaway. Nor is it clear whether, as an alternative, they will attach themselves to the seaway's pull by easing their rates on the north-south routes between the Great Lakes ports and the industrial hinterland. The shipping companies, for their part, have shown little zest for anticipating the economies of larger-scale operations, which the seaway will presumably bring to them, by reducing their own charges. But, if the seaway does nothing else, it opens up the vast middle western economic no-man's land away from the lake shores to the benefits of competition between the two forms of transport.



In these circumstances it seems likely that the first clearcut result of the seaway will be a negative one. It will at least prevent the steel industry of the Middle West, whose native supplies of iron ore in Minnesota are rapidly dwindling, from migrating towards the east coast. If iron from the alternative sources which are being developed in

Labrador, Venezuela and elsewhere overseas had to be hauled on the costly rail route from eastern ports, the industry would inevitably have gravitated in that direction. It was when the steel manufacturers decided to support the seaway that Congress finally turned in its favour, and they seem likely to be responsible for about two-fifths of its total traffic in the shape of ore moving inwards, largely from the expanding Labrador mines. Indeed, if the ore trade on the seaway rises above the present estimate of 20 million tons a year, there may be serious bottlenecks at the canal locks; in this case those cargoes for which time is as important as the money saved on the sea route might return to their old love, the railways.

Substantial gains are also expected for two other bulk commodities that move down the seaway, grain and coal. The ships which bring in the ore will not want to return empty, and it is thought that the big sea-going cargo vessels will "bottom up" with grain, at least in the early years until they can find enough general merchandise to fill their holds. Estimates of the amount of grain which the United States might export through the seaway still vary from 30 million to over 200 million bushels a year, but most of the shipping contracts that have been signed so far this year are for Canadian grain. Moreover, since the coal trade consists largely of exports to eastern Canada, it is hard to resist the conclusion, reached by some of the best academic observers, that the chief impact of the seaway will be on United States-Canadian commerce.

ST LAWRENCE SEAWAY TRAFFIC
('000 short tons)

	Actual 1955	Expected 1959	When in full operation* Minimum	Maximum
Ore	1,789	7,138	20,000	37,700
Grain	3,719	8,362	6,500	12,100
Coal and Coke	1,409	2,569	4,000	6,000
Petroleum and Products	1,483	1,590	1,100	20,000
General Cargo	2,002	4,435	5,700	11,000
Other	243	506	...	...
Total	11,445	25,000	37,300	86,800

* Estimated

Of the general cargo—the cream of the trade—which will eventually pass through the St Lawrence, the best guess now is that 5 or 6 million tons will go to and come from places outside the American continent. Roughly a quarter of this, on past performance, will be Canadian. The portion left to the United States will still represent eight or ten times as much as the current volume of overseas trade to and from the Great Lakes. It is this which has made New York and Baltimore, Boston and New Orleans speak gloomily of the amount of business which they fear will be filched from them. But it is unlikely that the dollar value of the overseas trade moving through the St Lawrence, even including bulk commodities, will exceed a tenth of the present United States total.

Even these figures are subject to the uncertainties which still befog the outlook for the seaway. They hardly support the dream of a massive shift of the American economy to the Great Lakes, and the growth of a vast new megalopolis along their shores. In any case it is expected that the next ten years will witness a general expansion in both the economy and the foreign trade of the United States. Probably the principal effect of the seaway will be to direct most of this new growth towards the Middle West, rather than to bring a decline to rival ports and railways.

(A second article on the St Lawrence Seaway will follow.)

Mr Herter Takes Over

THE unusual speed and the enthusiastic unanimity with which the Senate approved the nomination of Mr Christian Herter as the new Secretary of State has, it may be hoped, repaired the damage done to his prestige by the President's fumbling hesitation in appointing him. The welcome which Mr Herter received from Senators of both parties underlined one of his main assets, particularly valuable since he must present the policy of a Republican Administration to a Democratic Congress: he is an experienced, intelligent and successful politician, with long service in Congress and in state government, known and admired in both houses as a liberal internationalist.

By the time Mr Dulles finally resigned it was unthinkable that anyone should succeed him except Mr Herter, his deputy for the last two years and a man with a lifetime of training for the job. As long as Mr Dulles was able to conduct his personal diplomacy Mr Herter kept discreetly in the background; but the last few weeks of allied discussions in Washington, when Mr Dulles was tied to his hospital room, have given his deputy opportunities both to learn the details of past negotiations and future plans, and to make himself known to other western statesmen. It is understood that they were most impressed by his ability. Another change in the State Department, when the meetings in Paris and Geneva were so near, would have been almost as disastrous as Mr Dulles's illness.

The real reason why Mr Herter's appointment was delayed was to enable the doctors to confirm, as they have now done, that his very noticeable arthritis would not hamper him in his work. It may mean that he will travel less than Mr Dulles; but that would probably happen anyway since he is accustomed to making full use of his official advisers. Moreover, Mr Herter will have less authority to make decisions on his own than did his predecessor, who was given almost unprecedented independence by Mr Eisenhower. The President, who is constitutionally responsible for the conduct of America's foreign relations, has been exercising that responsibility since Mr Dulles's illness and will continue to do so, at least until he has established a closer relationship with Mr Herter. It is doubtful if anyone can ever replace Mr Dulles in Mr Eisenhower's confidence; but, having chosen Mr Herter, the President will certainly support him loyally.

The new Secretary of State will not bring any basic change in America's policy but he seems more ready than was Mr Dulles, at least until recently, to adapt that policy to changing conditions. It remains to be seen, however, whether the new boy at the international conference tables will be able to persuade such hard-bitten intransigents as Dr Adenauer and General de Gaulle to follow his example. But those who know Mr Herter say that beneath his charm and courtesy is a steely toughness once his mind is made up.

Woolly about Woollens

THIS week's announcement about the 1959 tariff quota on imports of woollen and worsted fabrics into the United States had long been expected. The quota is based on 5 per cent of average American output in previous years



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and last year was the worst the American industry had ever known; it was therefore practically automatic that the amount of wool textiles that may be imported before the duty goes up from 20 or 25 per cent *ad valorem* to the almost prohibitive level of 45 per cent should be reduced by 700,000 pounds this year, to 13.5 million pounds. Under the President's proclamation 350,000 pounds of exceptionally high-grade fabrics, after the basic quota comes in, will be liable to a duty of only 30 per cent. This was evidently intended to soften the blow of the general reduction but in fact, as far as British manufacturers were concerned, it only added insult to injury. The concession affected too small a quantity to be of any real help and in any case, high as is the quality of Britain's textile exports to the United States, it is not that high; the main benefit will probably be felt by French luxury fabrics.

It is, however, because British textiles are carefully styled to meet seasonal demands that the impact of the quota system falls mainly on British manufacturers—a poor reward for the successful efforts which they have made to adapt their output to American demand. The high rate of duty becomes payable as soon as the year's quota is exhausted, usually about midsummer and certainly before British fabrics specially ordered for autumn delivery can be ready. Other foreign textile manufacturers, particularly the Japanese, can rush their mass-produced products into the United States in the early months of the year. These, not the British goods, are the products which compete with the American textiles supposedly protected by the quota system. While the British share of textile imports into the United States has fallen from 63.5 per cent in 1955 to 38.1 per cent in 1958, the Japanese share has risen from 9.3 to 31.8 per cent; total imports of textiles have also increased from 14.3 million pounds in 1955 to 16.4 million in 1958.

The British remedy was that the quotas should be allocated on a country-by-country basis; American manufacturers have no objection to this proposal but it has been rejected officially, apparently because its legality is doubtful and because it would discriminate against Japan and Italy (as the present system does against Britain). So now the best chance of improving the situation seems to be to replace the unsatisfactory quota provisions by a higher tariff on all imported textiles, which would at least enable foreign manufacturers to know definitely how they stood. Meanwhile next year's quota may profit from the improvement in the American textile business this year, particularly noticeable in the wool mills as compared with those using cotton and synthetic fibres. It is in fact competition from these fibres, rather than from foreign textiles, which accounts for the depression in the American wool industry.

Recovery's Quickening Rate

THE index of industrial production shook off the last vestiges of recession last month by breaking into new high ground; it rose two points, to 147 per cent of the 1947-49 level, compared with the previous record of 146 in December, 1956, and a pre-recession figure of 145 in August, 1957. The recession low was 126. The index has also been revised to show a two point increase in February, so that the rate of gain in the last two months is twice what it was in the preceding two. There is no longer any basis for the fear that the pace of recovery is slowing down, even though some of the impetus comes from purchases of steel which would not be made until the third quarter if it were not for the risk of a strike in July. What is particularly welcome is the widespread recovery in the production of durable goods, the sector in which output and employment have been slowest to turn up. Here the index is only 3 per cent below the previous high in 1956.

The figures for industrial production capped a whole flock of cheerful statistics in March. Personal income rose by $3 billion to a new record annual rate, seasonally adjusted, of $368.5 billion, the largest increase in any month of the recovery except for one affected by special government payments; the number of new houses put in hand continued high; and the annual survey conducted by the McGraw-Hill Department of Economics suggests that the government may have underestimated the increase in the plans of business firms to invest in new facilities and equipment. This would be a natural consequence of the bigger profits now being made. An unusually high proportion of such investment, however, will go on replacement and modernisation, rather than on expansion, a reflection of the fact that, although some observers are beginning to talk about a new boom rather than recovery, it has not gone far enough to absorb excess capacity, which persists even in industries that are doing better than they did before the recession. Two uncertainties still cloud the horizon: the possibility that if there is a steel strike it might go on for more than four or five weeks and begin to affect output, employment and wages; and the fear that all the talk of Detroit's new small cars may spoil the relatively cheerful outlook for this year's big models by convincing buyers that they ought to wait and see what the manufacturers have up their sleeves.

Mountains of Poverty

FROM A SPECIAL CORRESPONDENT

IN eastern Kentucky, where violence has just broken out at the strike-bound coal mines, and throughout the Appalachian South economic distress persists in the midst of an affluent society. From Harlan County (the Bloody Harlan of the labour troubles a generation ago), where one mine after another has closed down without any prospect of reopening, to the rural slums of Leslie County, where the average family income last year was $400, there are no signs of recovery in the mountains. Here population is pressing on inadequate natural and industrial resources, and overflowing into the Ohio Valley, where it forms a pool of unskilled labour which industry simply cannot absorb fast enough. The backwardness and isolation of these unfortunate Americans is cruelly immortalised in the subhuman "hill-billies" of Dogpatch, the mythical village that is the home of L'il Abner in one of the most popular syndicated comic strips.

The Appalachian South, which is a slim parallelogram of some 80,000 square miles occupying parts of nine states (the shaded area on the map) contains from six to eight million people, depending on how the boundaries are defined. Almost three-quarters of the population is rural, compared with 34 per cent for the country as a whole, and the median family income is close to $2,000 a year, or less than half the national average. Income is increasing, but more slowly

than elsewhere, so that the region is being left further and further behind. Most farming is of a subsistence type, since the terrain is too mountainous, the soil is too poor, and the individual holdings are too small to permit competitive commercial operations. There is still some lumbering, but the resources of timber are being depleted ; there are rich seams of coal, but the industry is declining because modern machinery has not been adapted to the characteristic local coal formations. The mining areas are particularly hard hit, since miners are traditionally unwilling to shift to other kinds of employment, or to eke out their earnings with subsistence farming. There is very little manufacturing, and what there is often employs only girls and women.

That the mountain woman should often be the breadwinner of the family illustrates the social disorganisation that accompanies economic distress. Until the last war the mountaineer eked out a precarious existence in a backward but remarkably stable society. Now that jobs, particularly for male workers, have become increasingly scarce, some men have simply left the labour market. Frustration seems to paralyse initiative. Many families in the region are living almost entirely on the rations supplied by the Federal Surplus Food Distribution Programme ; some 600,000 Kentuckians, 20 per cent of the state's population, have established their eligibility for this form of relief, which is available only to those totally unemployed, although it furnishes only about a third of the minimum needed for proper nutrition. The breaking up of families is encouraged because government help is available for dependent children when there is no able-bodied male in the household. The common attitude is summed up by the woman who asked, as she stood on the porch of her unpainted shack and surveyed her barren acres: "What would you do if you lived here ? "



For the most ambitious and energetic, the answer has been to leave home and try their fortunes in the city. Net migration during the last decade is estimated at a million people, enough to offset the natural increase even in a region that has one of the highest birth-rates in the country. In some areas, like Letcher County, Kentucky, the net loss of population has been more than 25 per cent in the last seven years. These migrants, however, find a cold welcome in Cincinnati, Columbus, Detroit and South Bend. They huddle together in rooming or boarding-houses where they can share their ignorance of city ways and insist that their exile is only temporary even though it may have lasted for ten years. Almost all of them are unskilled or semi-skilled; they are hired in busy seasons and let go in slack times, and automation is a growing threat to their employment at any time.

There is apparently some evidence that the children of the earliest wave of migrants have been assimilated into urban industrial society. But as the flow of migration increases, the problems of absorption are complicated, and the loss of human values becomes significant. Children of migrants are poorly equipped for city schools, both because the mountain schools are inadequate and because they find no support for their studies at home. The mountaineer's child can eventually escape the stigma of his background, as the Negro cannot, but in the process he gives up his birthright in an ancient and valuable strain of American culture.

The people who continue to live in the region cannot, however, exist on their traditions. The most promising of the public and private efforts to help them seems to be that of the Council of the Southern Mountains. The council takes a realistic attitude towards the prospects for economic development. It recognises that there is only a limited number of potential industrial sites in the region because of the difficult terrain and the inadequacy of road and rail communications. (A state-sponsored survey found only eleven such sites in eastern Kentucky.) However, as long as there are people living in the region the council insists that they must be assisted to make the most of their economic resources. "A low-productive field," observed a member of its Economic Development Committee, "is better than a washed-out gully." The staff member assigned to deal with the problem is not expected to attract industry to the Appalachians, but rather to work with local leaders in drawing up plans to develop the resources of each community.

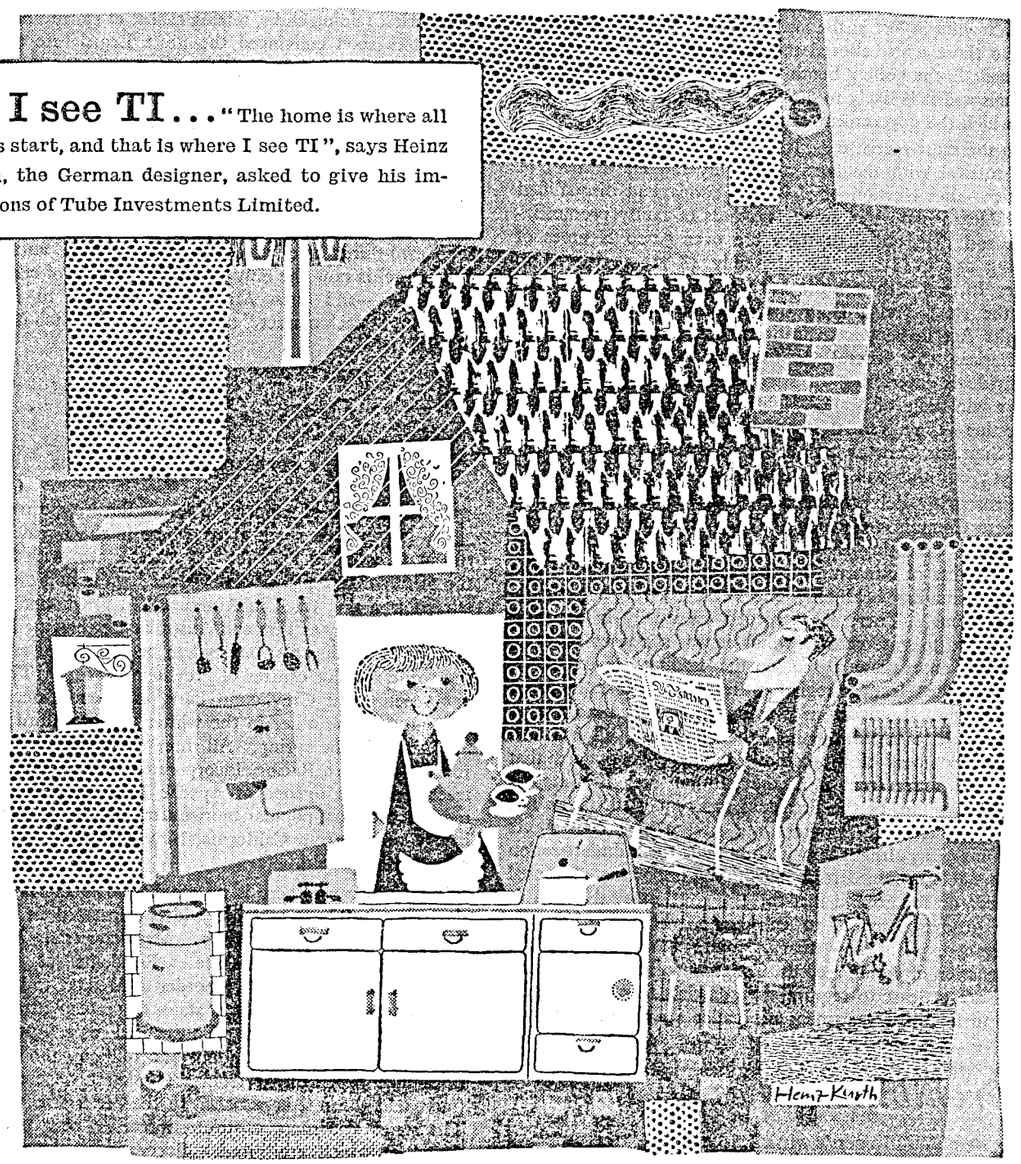
The greatest need, both for those who stay behind and for those who leave to become industrial workers in cities outside the region, is more education. The three or four years of schooling, which is all many mountain children now receive, leaves them nearly illiterate ; one quarter of the mountain population cannot read or write. School officials in the mountain counties say that their greatest problem is the early age at which many children leave school. Sometimes the cause is economic—10,000 children were reported to have stayed away from school in Kentucky this winter for lack of shoes—but the principal reason is the parents' apathy or actual hostility to education beyond the primary classes. This must be overcome if the problem is to be solved.

The region has no lack of educational institutions which are alert to its needs. They range from Berea College, which has preserved a no-tuition-charge, work-and-study policy since before the Civil War (when it was a station on the underground railway) to Clear Creek Baptist School ; this serves the untrained "called preachers" from mountain settlements, who come with their wives and children often to learn the three R's, as well as to study the Bible and church history, while they support themselves by working in the school's church-furniture factory. Some of these institutions, working through the Council of the Southern Mountains, are beginning to develop a simplified reading programme which is intended to bring into the homes of the mountain people leaflets about health and conservation—and about life in the cities—which they can read and understand. The supporters of the programme argue that until the parents discover the uses of literacy, ignorance will perpetuate itself.

Rights Set Back

HOPES that the Civil Rights Act, passed nearly two years ago, would bring a speedy increase in the number of Negroes able to vote in the South have been disappointed. So far the Department of Justice has brought only two suits under its new power to seek court injunctions against persons interfering with the voting rights of others, and

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both have been lost in the lower courts. This is disheartening to those who believed that more rapid progress could be made in the polling booth than in the more controversial schools and it is likely to discourage complaints by Negroes on which the government can act.

In the most recent case, last week, a federal judge chose not to deal with the facts alleged by the Department of Justice—that election officials in Georgia had disqualified four Negro graduates on the grounds of faulty pronunciation and that, although there are over 5,000 Negroes of voting age in Terrell County, only 48 are registered to vote. Instead, although the suit was directed against agents of the state, Judge Hoyt declared the central provision of the Act to be unconstitutional because, in his view, it authorises the federal government to proceed against individuals interfering in state elections and this would be a violation of states' rights. Since a constitutional question is involved, the appeal is being carried direct to the Supreme Court, which is not expected to uphold Judge Hoyt; but this will take time.

Frustrating delays have also been the lot of the Civil Rights Commission which the Act created to investigate violations of voting rights and to report on the status of other rights of minorities, in housing and education. The commission has held only one hearing on voting rights, in Alabama. There it succeeded eventually in securing the access to state records which it was supposed to have, but the court case based on its findings broke down because the election registrars resigned before it could be brought. Louisiana is proving an equally hard nut to crack. Discouraged by their thankless task, all but one of the members of the commission have announced that they will retire from it in the autumn even if Congress extends its life, as the President has requested. It is not at all certain that Congress will pass a new civil rights Bill this year, although in its proposals the Administration deliberately refrained from demanding important additional powers, on the ground that these might destroy the South's new grudging moves to co-operate where education is concerned. But now that Alabama has authorised the destruction of voting records, Congress will be under strong pressure at least to require state officials to preserve them and to let the Department of Justice see them.

Prohibition Dies of Thirst

ONE of Will Rogers's witticisms was that "the people of Oklahoma will vote dry as long as they can stagger to the polls." They did so six times—the state has been constitutionally "dry" ever since it was admitted to the Union in 1907—but early this month, deprived of the steady flow of bootleg gin and whiskey to which they had been accustomed, sobered Oklahomans voted, by 385,000 to 305,000, to repeal Prohibition. The new Governor, Mr Edmondson, who took office in January, realised that only by enforcing the law could he rally enough voters to get rid of it. Up to now, although in theory Oklahoma bowed to the demands of its strong "Bible Belt" and the churches' United Dry Association, in practice spirits have often been cheaper than in other states where they are taxed; and consumers could count on an eager round-the-clock delivery service from bootleggers, whose sales were estimated at anything up to $100 million a year.

A few weeks of searching cars as they crossed the state boundaries, raiding clubs, seizing caches of spirits and fining ditributors soon convinced the State Legislature and the voters that the comfortable old ways were gone—for better or worse. Under the new dispensation, which comes into effect this summer, it will be legal to sell spirits by the bottle in privately-owned shops but, in deference to the still strong dry sentiment in the state, they will not be allowed to advertise or to operate outside restricted hours and there will be no cocktail lounges. The state, however, will have a much-needed new source of tax revenue, of which it will keep two-thirds and give the rest to local authorities. Mississippi is now the only remaining bastion of state-wide Prohibition—and even Mississippi manages to levy an ingenious "black market" tax on the spirits which it refuses to make legal.

Dogs' Bad Name

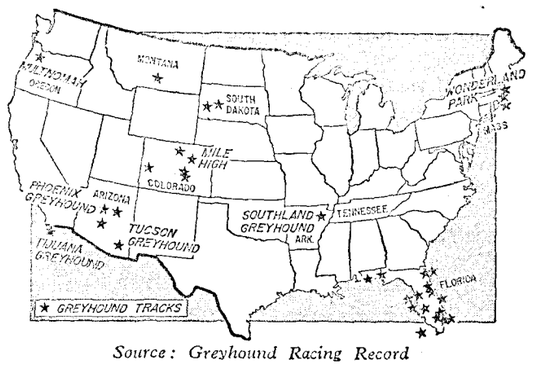
FROM A CORRESPONDENT IN ARIZONA

IN the autumn of 1960, the Phœnix Futurity, a race open to greyhounds whelped anywhere in the world, will be run at Greyhound Park for a $50,000 stake, with $20,000 the prize for first place. This is the largest sum ever to be offered at a dog track in America, and greyhound owners from as far away as Eire and Australia are showing interest. Arizona is making a strong bid to be recognised as one of the world's major centres of greyhound racing. There are two meetings at Greyhound Park, in Phœnix, one in the autumn and the other in the winter, while a third is held at Tucson in the spring. All three are under the management of Western Racing, Incorporated, and an independent track has been opened at Apache Junction. Dog racing today is the most popular tourist attraction in the state, and brings people from California, New Mexico, Nevada, and even further afield.

This is because there is no greyhound racing in most of the states. The tracks are widely separated in Arizona, Arkansas, Colorado, Florida, Massachusetts, Montana, Oregon and South Dakota. Residents of southern California can go across the border to Mexico, to bet at the Tijuana track. In these eight states dog racing attracted last year about 10 million fans who wagered some $500 million, of which the states took about $20 million; the state and track take a percentage from the amount wagered at any track, and the rest is returned to the punters as winnings. The states also exercise strict supervision over tracks and the dogs which are raced. Every racing greyhound is registered at birth with the National Coursing Association, its four paw prints are recorded, and it wears an identity disc. Dogs are taken away from their owners several hours before a race, and are inspected on the track by a state veterinary officer.

In spite of these precautions greyhound racing is still banned in forty states. It was universally outlawed in the nineteen-twenties, when it came under the control of gangsters. The first state to revive the sport was Florida, in 1932, and since then it has become a major attraction for winter holiday-makers. There are now 16 tracks in Florida. In 1957-58 their season was affected by bad weather, but in 1956-57 some 3.5 million fans wagered a total of about $135 million. The state took about $9 million of this, putting about $5.4 million into the old age pension fund, and using the rest for schools, roads and other public works.

Dog racing has also been approved for a good many years in Massachusetts and Oregon. The most successful track in the country is Wonderland Park on the outskirts of Boston, where the annual attendance is about 1.5 million and the bets add up to around $40 million a year. The Multnomah Kennel Club in Portland, Oregon, has been operating since 1933, and attracts bigger crowds every year. Arizona has adopted dog racing only since the early nineteen-forties, but it has become an important local sport. Colorado has come to the fore in the past few years. The state now has



Source: Greyhound Racing Record

five tracks, the others having been established following the success of the first, the Mile High Kennel Club, of Denver.

Those who are working to have greyhound racing made legal where it is still prohibited point out that where it is allowed the states supervise the tracks and share in the profits—no mean consideration for harassed state governments. They also argue that the charge of 25 cents for general admission ($1 is charged for entry into the club section), and the $2 betting unit provide popular low-cost entertainment for people of limited means. For example, when Memphis, Tennessee, refused a licence for a track, one was built across the Mississippi River, at West Memphis, Arkansas, and is well patronised by the residents of Memphis.

But persuading a state to legalise dog racing is hard work. According to the backers of the sport, resistance comes chiefly from operators of horse racing tracks and the clergy, sometimes in concert. It will be a long time before the majority of Americans will have a chance to "go to the dogs" every evening as the people of London and Manchester do. Even in big cities such as New York and Chicago there are no dog tracks, though every other kind of sport flourishes in them and there are blueprints in existence for a mammoth track at the Polo Grounds, in New York City, left vacant by the removal of the New York Giants baseball club to San Francisco.

Taxes on Taxis?

NEW YORK

FOILED by the state in its plan to legalise and tax off-track betting, and in its alternative attempt to place a tax on bank cheques, the city of New York has turned—in its somewhat frantic search for new sources of revenue—to the taxicabs. Its proposal for a flat surcharge of 10 cents on all journeys, long or short, has received the necessary assent of the state. If approved after public hearings the taxi tax would bring in $20 million a year, according to the city's optimistic estimates. To the casual eye, the streets of New York appear crowded with big colourful taxis, but in fact today's total of 11,778, which is fixed by law, is little more than a third of the number a generation ago. This limitation gives taxi licences—like seats on the New York Stock Exchange—a rapidly appreciating market value; a licence which changed hands at about $3,500 at the end of the war now fetches $18,000.

New York taxis claim to charge the lowest fares in any American city. There has been but one increase in rates, in 1952, in the last 25 years. This is due largely to the unusually high density of potential customers. The earnings of taxi-drivers fluctuate with the climate and with the generosity of their clients. Drivers operating company cars receive 44 per cent of the daily takings as well as tips. According to their own testimony their combined take home pay averages about $85 a week. The 5,000 or so owner-operators retain all the fares but their overhead costs are heavy; a taxi may clock up as much as 60,000 miles a year and has a life expectancy of only eighteen months. Certainly the taxi-driver gives little apparent thought to husbanding this capital investment. To offset the frustrations of a city closely criss-crossed with traffic lights and other obstacles to progress, he has perfected the art of maximum acceleration and braking to a point which, together with the prevalence of potholes in the streets of New York, makes a journey up Fifth Avenue often feel like a rough Atlantic crossing.

Taxi owners and drivers are mobilising both themselves and public opinion against the proposed tax. They argue, with some reason, that it is an unfair imposition on a single industry; that it will rob them of many of their short-ride passengers, against whom it discriminates; that it will therefore cut the volume of business on which their relatively low fares rest; and that the $20 million will in practice be financed to a large extent by smaller tips. But their prospects of frustrating the city's designs are not bright.

SHORTER NOTES

Only now, three months after Dr Dale Alford was seated temporarily in the House of Representatives, has a committee been appointed to inquire into charges that he was elected by fraud. A strong segregationist, he defeated Representative Brooks Hays, a respected southern moderate, last November by a write-in campaign. A federal grand jury is already investigating whether this violated the election laws.

* * *

The President has appointed Professor Henry Wallich, a banking expert from Yale University, to his three-member Council of Economic Advisers. Mr Wallich has been on loan to the Treasury since last year.

* * *

Recently *The Economist* stated that Mr Erwin Canham was the first newspaperman to become head of the United States Chamber of Commerce. A correspondent now informs us that in 1914 and 1915 the chamber was headed by Mr John Fahey, who was publisher of a number of well-known newspapers, mainly in New England.

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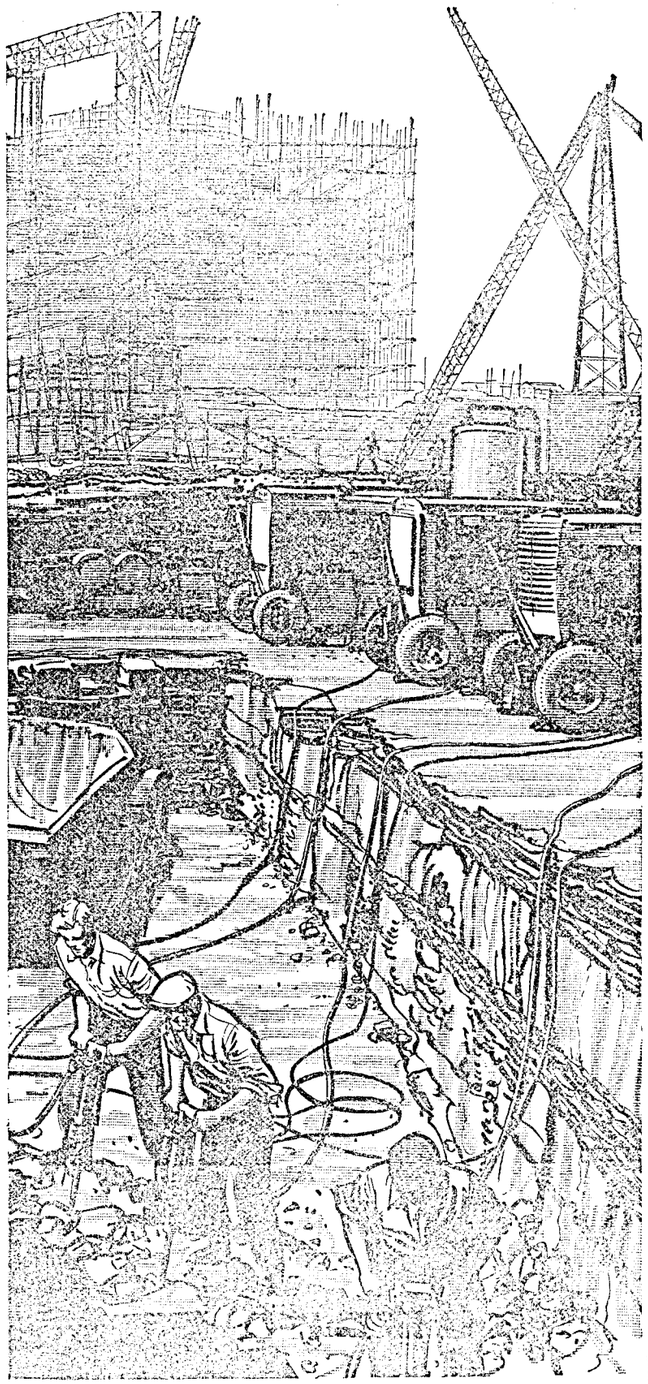


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THE WORLD OVERSEAS

The Deadlock of Arabism

FROM OUR MIDDLE EAST CORRESPONDENT

THE struggle between President Nasser and General Qasim has set back in two directions the movement for that Arab unity to which both say they aspire. Directly, it has raised the quarrel between Cairo and Baghdad to a pitch seldom reached in the "worst" days of Nuri es-Said and the Baghdad Pact. Indirectly, it has driven the other Arab states into their own particular (and sometimes peculiar) forms of neutrality. The Arab League meeting in Beirut to try and patch up the quarrel showed that the uncommitted states were determined to remain uncommitted, but that they could not agree among themselves on a common policy to preserve their detachment. Thus the Lebanese delegate voted for the League resolution on April 7th—which advocated a policy of non-alignment, deplored all foreign influence, and appealed to the Iraqi government "to come into harmony with the Arab states by strictly observing the resolution"—because it was in line with traditional Arab policies of neutrality; the Sudanese delegate abstained because it was not.

The sad truth is that the Arab League resolution has already been pigeon-holed in the department of utter confusion. Doubtless the sub-committee appointed to recommend ways and means of implementing the resolution is hard at work in Cairo. But neither the resolution nor the existence of the sub-committee has had the slightest effect in softening the asperities of the situation. Propaganda from Cairo and Damascus is as strident as ever in accusing Qasim of submitting to communism, and in introducing wherever possible the British, the Americans and the Jews as collusive elements in a strange pot-pourri of evil. Cairo concentrates on the passage through the Suez Canal of Russian arms shipments and "Soviet Kurdish volunteers" bound for Basra; Dasmascus on lurid accounts of heavy fighting between nationalist and communist elements in Iraq. General Qasim, for his part, makes regular appeals for moderation and turning the other cheek; he is as regularly ignored by the communist-controlled press and radio of Iraq, which repay President Nasser in his own coin.

At the moment, it looks as if President Nasser, in his drive to bring down General Qasim, has reached a dead end. The aftermath of the Mosul revolt shows clearly that Colonel Shawaf, the rebel leader, enjoyed considerable support in the Iraqi army. Since his death, two divisional commanders, several brigadiers and more colonels have been arrested, put under house surveillance, or had their property impounded pending "judicial" investigation. But the failure of the revolt gave the communists yet another opening in their drive towards power. Intensified purges of the army and the government apparatus created more vacancies for communist nominees. The moral of this seems clear: the harder Nasser rails at Qasim, the more Qasim leans on the communists for support.

Undeterred by the disturbances that followed the rally of the peace partisans in Mosul, General Qasim sanctioned another, even bigger, rally in the capital itself. It was a field-day (or days) for the communists. But the most important communist gain in recent weeks was the formation of the first Federation of Peasant Unions in Iraq. For many months General Qasim resisted the drive towards peasant organisation, hoping first to put the land reform bill into orderly execution. The fact that he has now bowed to communist demands in this matter shows how far the events in Mosul have driven him towards the left. The resolutions adopted by the peasant federation at its first meeting—which included the hanging of traitors "old and new," the formation of popular resistance units among the peasantry, the representation of the peasantry on the land reform agencies, and the "arming of the people"—point clearly to communist inspiration.

The deadlock in which the disputants now find themselves has created an uneasy feeling that something must crack soon. Some foresee a crack in Iraq, developing from differences between the National Democrats, who supply most of the government, and the communists. In the days immediately following the July revolution, both these tendencies favoured an early return to party activity. But the communists, more flexible and better disciplined, sensed Qasim's reluctance to experiment in that direction, and turned instead to the formation of industrial, professional and "front" associations—now extended to embrace the land. These organisations are an adequate substitute for party activity. The communists cannot call a communist party congress; but they can call a meeting of the Partisans of Peace, of the Lawyers' Association or of the Students' Union, complete with chairmen, secretaries, debates and resolutions—all manipulated by a communist faction operating "unofficially."

Alarm at the success with which the communists have evaded the ban on party activity is seen behind growing National Democrat calls for removal of the ban. At the moment, the National Democrats control little beyond a few newspapers, parts of the bureaucracy, and the government—whose voice (muffled by the dominance of the prime minister) is rarely heard. If they were to clash with the communists on the issue of resuming party activity, there is little doubt what the outcome would be. The National Democrat ministers would follow their Baathist predecessors into limbo, leaving General Qasim with only two choices: a military dictatorship (if enough officers are left to run it), or a new government, communist in fact if not in name. The only serious doubt is that Iraq might founder in the process; for whereas much of the turmoil now prevailing is communist-directed, much of it also is sheer anarchy. The communists have a firm hand on Qasim; but how far do they really control the city mobs and the peasantry?

It is always just possible that the crack, if there is one,

may come not in Iraq but in the United Arab Republic. The thought has been fathered partly by President Nasser's own allegation that General Qasim is aiming at a Red Fertile Crescent embracing Iraq, Syria and Jordan. The concept of the Fertile Crescent is an old one, and as long as the Hashemites ruled in Iraq it had some substance—if never too much. The royal houses of Iraq and Jordan were intimately related, and they could lay a shadowy claim, through King Faisal I, to a throne in Damascus. Now that the Hashemite dream has been dissolved in blood, the Fertile Crescent has vanished with it. General Qasim's only hopes of detaching Syria from the UAR must rest on one or other of two assumptions: that the communists in Syria are very much stronger than any nationalist would admit ; or that there was a serious slump in President Nasser's prestige. Of this, *despite grumbling in Syria, there is no sign.*

If the crack comes neither in Iraq nor Syria, then, it is argued, President Nasser must soon change his tactics. He has long since laid claim to leadership, if not control, of the Arab world. Having suffered a series of defeats in Iraq—without much present prospect of reversing them—he must make up for them elsewhere. This argument suggests a new packet of fireworks involving the uncommitted states.

On May 8th, Lebanon will celebrate , or rather mourn, the anniversary of last year's outbreak of civil disturbances. The attitude of the Lebanese to current Arab conflicts is determined largely by memories of that grim period. The majority of Muslims, together with the many Christians who fear communism above all things, take President Nasser's side in the dispute ; sympathy for General Qasim is limited to communists and to die-hard Chamounists, who, having been discomfited by Nasser's friends, want Nasser's discomfiture at any cost. The Nasserist current is the stronger one. But there is enough opposition to it to justify the Lebanese government's refusal to take sides between Cairo and Baghdad. President Nasser himself is said to have acquiesced in Lebanese neutrality when he met President Chehab last March on the Syrian-Lebanese border.

The four-man Lebanese government headed by Rashid Karami, which was formed after the civil conflict last autumn, has done much to conciliate Nasser. It withdrew from the United Nations the complaint laid against the UAR by the former regime, negotiated the withdrawal of the American Sixth Fleet, repudiated the Eisenhower Doctrine, and in many other ways showed its readiness to follow Nasser's lead. In return, it has pressed for a modification of the autarkic policies followed by the Syrian authorities, which are prejudicing the Lebanese economy and threaten to prejudice it further in the future. Its representations in Damascus have met with little response, and President Nasser so far has been either unable or unwilling to exert his authority to meet Lebanese wishes in this matter.

As long as this situation continues, the Lebanese government can have little incentive to change its policy of neutrality in the Cairo-Baghdad quarrel. Indeed, if it did so without something substantial to show in exchange, it might well run into serious internal difficulties. On Nasser's side, there seems little he can do without jeopardising the sympathy and basic support he already receives. In short, the scope for action in Lebanon seems severely limited.

The same, for different reasons, is true of Jordan. The present regime there has bitter memories of Nasserist pressure in the past, still bitterer ones of the Baghdad bloodbath on July 14th. In the dispute between Cairo and Baghdad, the Jordan government demonstrated its neutrality by refusing even to attend the Arab League meeting in Beirut. Samir Rifai, the prime minister, gave a technical reason for that refusal: namely, that the Arab League secretariat had sprung the meeting on the Arab world overnight without adequate preparation. But the truer reason was the political one advanced by King Hussein when he declared flatly that the meeting would serve no useful purpose. The event proved him quite right.

Any movement by President Nasser against the regime in Jordan is blocked by two difficulties that look, for the moment, insuperable. The first is Israel. Whatever the Israelis may say, the Arabs are convinced that they are awaiting only a pretext to invade the west bank. Disturbances in Jordan would give them that pretext. The only safe way for Nasser to gain a firmer foothold in Jordan would be by orderly change ; and that could only come through the initiative of the Amman government.

The second difficulty is the heavy unbalance of the Jordanian budget. The King and his prime minister have recently held economic talks with the West, and both profess themselves highly pleased with the prospects. The figures for aid in the coming year have not been released pending approval by Congress and the House of Commons ; but they can hardly be less than last year, and may well be higher. Where could President Nasser find anything of the order of £20 million ? The conclusion must be that, in the economic as well as in the military field, the initiative lies with the Amman government, which, on the road towards better relations with Cairo, would have to take western funds along with it.

The prospects of Nasserist action in Saudi Arabia, the Persian Gulf or the Sudan seem even more remote ; and the above analysis leads to the thought that Nasser's method of attacking Arab governments while appealing to Arab peoples has brought him up against a series of brick walls. It is not all his fault ; he has been handicapped by the mistakes of his friends, notably in Jordan and Iraq. But the fact is there. Can President Nasser abandon his drive for revolution tomorrow, and invite the " sister Arab states " to peaceful co-existence—and competition ? If so, he might in time achieve the undisputed leadership that so nearly eludes him now. It would mean an abrupt break with past policies, and the adjustment might well take time. Meanwhile, the Arab world presents a sad spectacle of disunity verging on despair.

The Press in Germany

FROM OUR BONN CORRESPONDENT

THE approaching involuntary retirement of the fifty-seven-year-old editor-in-chief of the German Press Agency is attracting a good deal of public attention in Germany. Dr Fritz Sänger is a member of the Social Democratic party. The German Press Agency's supervisory board, which recently decided to dispense with his services after May 31st, is composed of three Social Democrats and seventeen supporters of anti-socialist parties.

Dr Sänger has been in his present job continuously since the German Press Agency crystallised ten years ago out of the German agencies operating in the three western zones of occupation. Intrigues with the object of getting rid of him have been afoot since 1952. Those who have now had their way maintain it is time for a change. They may be right. But the manner of his going has revived suspicions



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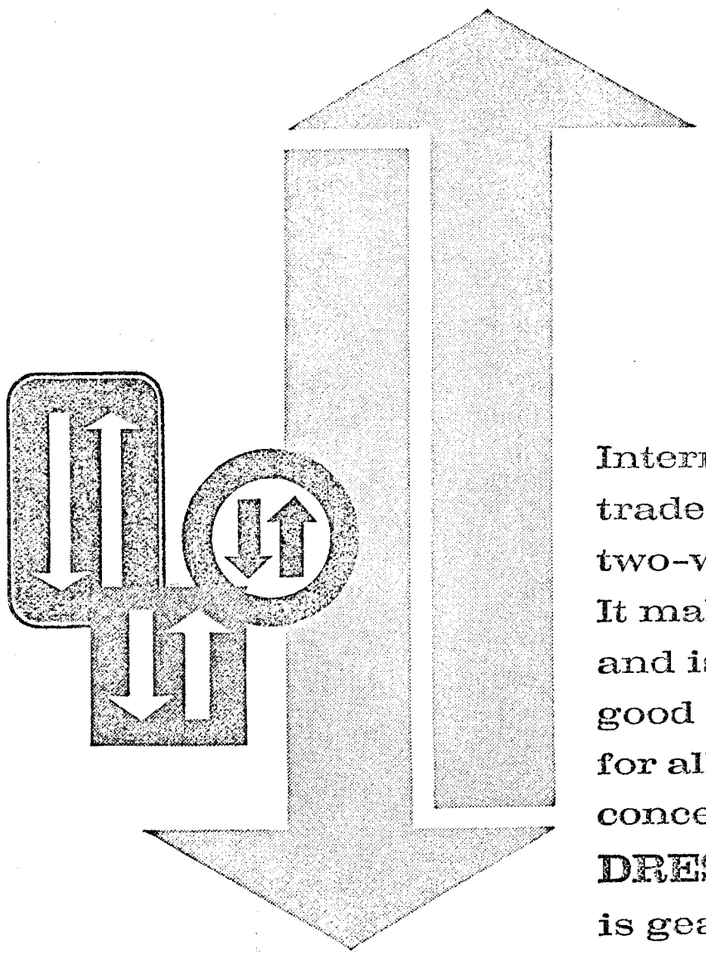
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that Dr Sänger's critics may be activated more by political than by business motives. The Social Democrats are alleging bluntly that the Christian Democrats want a kindred spirit to be in charge of the German Press Agency well before the 1961 federal elections. On April 9th the Federation of German Journalists passed a resolution deploring the obscurity surrounding Dr Sänger's dismissal and remarking that, until it was dispelled, there were grounds for fearing that the independence of the German Press Agency might be threatened by political and industrial interests. The independent daily *Die Welt*, acknowledging that Dr Sänger has performed his duties with irreproachable impartiality, has reminded its readers of the not-so-far-off days when the official German news agency, *Deutsches Nachrichtenbüro*, was "no more than a mouthpiece of the National Socialist government."

WHATEVER the rights or the wrongs of Dr Sänger's leaving, the reaction of the German press and public has been on the whole encouraging. For there is little doubt that efforts, witting or unwitting, on the part of industry and the state to bridle reporters and editors are increasing. Since it is so much more covert, it is industry's thrust that at the moment is the more insidious. The government's heavy-handed attempts to restrain sensational journalism by precipitate recourse to the existing laws, and by introducing a new one that could be used also to stifle awkward criticism, are being energetically exposed and resisted. It has already been compelled to scrap the first draft of a too sweeping libel law, and if the newly-established press council (not unlike its British counterpart) has its way, the second draft is destined for the waste-paper basket, too. Defenders of the freedom of the press have found a surprising sympathiser in the chief prosecutor of the federal supreme court. Dr Güde recently told a gathering of journalists that conscientious editors who sometimes unavoidably ran the risk of prosecution in the course of performing their duty to the public ought to have the assurance that there were judges capable of appreciating ethical as well as strictly legal issues.

The story of industry's encroachments on press liberties is largely the old and simple one of the power of the man who pays the piper. As in other countries, newspaper production costs have increased formidably in Germany since the war. Today roughly 42 per cent of these costs are covered by sales and 58 per cent by advertisers. Before the war the ratio was 65 to 35. Since most of the go-ahead newspapers require new plant and reckon that they must instal it within a year or so, managements are constantly urging editors to bear in mind the advantages of placating the chief sources of revenue. This consideration is largely at the back of the intense competition now to be noted in the industrial, commercial, and financial reporting of several leading newspapers. For some three months the *Frankfurter Allgemeine Zeitung* (circulation 200,000) has been publishing a daily economics supplement called *Blick durch die Wirtschaft*. In reply *Die Welt* (circulation 220,000) is expanding its economic coverage, the thrice-weekly *Handelsblatt* is publishing a stock market supplement on intervening days, and the similarly thrice-weekly *Deutsche Zeitung und Wirtschaftszeitung* is about to appear in full daily. It need not automatically follow that because industry is providing more of the staple diet and more of the money, the newspapers are tailoring their policies to suit industry's wishes. But industry in Germany has traditionally played a definite part in German politics, usually well on the right and sometimes with disastrous consequences. People are prone to assume that it is playing such a part again, and in some instances they may be right.

Yet considering its past vicissitudes and present handicaps, the profession of journalism in western Germany maintains remarkably high standards and is properly watchful of its freedom. Twice within a single generation the German press has been reorganised and restaffed under the pressures of political revolution. Powerful and prosperous newspapers have vanished. The individual casualty list runs into thousands. Some 60 per cent of the 10,000 journalists working today have entered the craft since 1945. The 630 daily newspapers published in western Germany alone have between them a circulation of 16.3 million copies daily—some five million more than were sold throughout the whole of Germany in 1932. In addition there are more than 5,000 periodicals ranging from the popular illustrated weeklies to the journals of the learned societies.

The fecundity of the German press is another of its perils. The 630 dailies are produced by as many as 580 separate publishing houses, many of them very small and more interested in keeping their heads above water than in making the most of their opportunity to produce a good independent newspaper. In consequence of this dispersal of effort, few newspapers have the resources to engage and deploy the most suitable talent. Not more than 150 German journalists are working abroad as foreign correspondents. Of the 10,000 accredited journalists at work in the Federal Republic only about half are wholly employed by one newspaper. On the average they earn DM 800 a month (£68). The other half are free-lance journalists, or "stringers," whose average monthly income runs from DM 500 (£42) to DM 600 (£51). The underpaid journalist naturally tries to make a little money on the side, and is dangerously exposed to temptations of venality.

The inadequate and unrepresentative federal capital is justly blamed for many of the shortcomings in west German public life. But Bonn is only partly responsible for the defects of the contemporary German press. Because of ubiquity of production, there never has been a German newspaper capital in the sense that London is. By 1933 Berlin had become near to being one. But with the Berlin press nowadays out of the running, the big west German papers, each securely dominating its own provincial terrain, lack even more than before the stimulus of competition. Most of the German journalists stationed in Bonn—their position is roughly equivalent to that of the lobby and diplomatic correspondents of the British press—admit, some of them regretfully, that for want of competitors and a critical public their "misses" are seldom noted in Frankfurt, Hamburg, or Munich.

Bonn's peculiar act of subversion is to foster uniformity of news and views. As accommodation is scarce, the majority of journalists are compelled to set up their headquarters within one or another of three adjacent lines of temporary buildings little better than huts. Unavoidably they see too much of each other and influence each other's output. They are a sitting target for a stupefying barrage of hand-outs from government departments, political parties, industrial organisations, cranks, and foreign embassies militant. Three times weekly they troop into the Parliament building across the road to hear what spokesmen from the various ministries have to say on this or that issue of the day. To make matters worse, even the Bonn Press Club is officially subsidised and used day after day for official entertaining. The degree of individualism that survives is astonishing and encouraging.

European Coal Crisis

FROM OUR SPECIAL CORRESPONDENT IN LUXEMBURG

FOLLOWING the qualified approval that the High Authority of the European Coal and Steel Community won from the European Assembly at Strasbourg last week for its plan to restrict coal imports and production, the German government this week suggested a "private" meeting of the economic ministers of the member governments, with the president and vice-presidents of the High Authority, before the formal meeting of the Council of Ministers on May 4th. This was the council meeting to which the authority was asked to present its detailed plans to deal with a "state of manifest crisis." The plan was then supported by the three Benelux countries, broadly accepted by Italy, on the understanding that production inside the ECSC would be cut as well as imports from outside, and opposed in principle by Germany; France was entirely non-committal. In Strasbourg, after one day of debate on a resolution that suggested that the Christian Democrats were lining up with the "Liberals" and against the Socialists, a substitute resolution, supporting what the high authority proposed to do but not specifying what article of the ECSC treaty it should act under, was finally passed with Christian Democrat and Socialist support. M. Jeanneney, who had represented France on the Council of Ministers, spoke at Strasbourg: his speech underlined the gravity of the long-term structural problems facing the coal industries of the community, but did not make much clearer what France's attitude was towards the high authority's "European" solution.

These proposals were outlined in detail, though not fully published, in Luxemburg this week. The authority considers that a state of manifest crisis exists in the coal industries. Under Article 58 of the ECSC treaty, it is in such circumstances obliged to make proposals (which, however, need the consent of the Council) to alleviate the crisis conditions. It is now proposing

- *limitation of coal imports,* in the year from April 1, 1959, to the 1954 level, plus 25 per cent;
- *restriction of coal production,* in general, to the average of coal production and sales for each enterprise in the community in 1958. Collieries that produce more would have to pay a steeply progressive levy on "excess" production—$1 a ton on the first one per cent extra, $2 a ton on the second one per cent, and so on. This levy would obviously choke off much extra production even for the lowest-cost mines. Control at the "reference level" would represent 237 million tons of output, against 247 million tons last year;
- *virtual freezing of stocks:* collieries would be allowed to add up to one per cent of their 1958 production to stocks, but for "quota" purposes this would count in the total of sales. Mines with stocks below 7½ per cent of their 1958 sales-and-production average would be allowed to put 3 per cent of this "reference" tonnage into stocks. Selling of coal from existing stocks would count against the production "quota";
- *compensation,* reckoned at 20 per cent of basic earnings, for workers put on short-time as a result of this control of production. This special compensation would start after the first two days and cease after the ninth day.

The proposals, if adopted would cover the period to April next year, but would be reviewed at the end of this year.

This is not a rigid quota system. Broadly, it means that each producer can mine as much coal as he can sell; but it limits the extent to which efficient producers can gain at the expense of the less efficient. Even with these restrictions Belgium's highest-cost mines would need a continued subsidy from the Belgian government if they were to go on producing. Italy, main beneficiary of the low landed price of American coal, would suffer: but it has recently concluded an agreement to buy nearly a million tons of coking coal from the Ruhr, presumably at the knockdown prices that ECSC producers are allowed to concede to meet immediate competition from outside. Freights from Hampton Roads to Genoa now cost hardly any more than from Hamburg to Genoa, so the Ruhr producers are having to bid against the fob price of US coking coal, $4-5 a ton. Italy, moreover, can readily turn to imports over which the ECSC has no authority: oil, of which it is recently said to have been getting some marginal imports at fantastically low prices, of the order of $6 a ton landed in Rome. No coal—from anywhere—could compete with such prices.

OBJECTIONS to this plan, voiced mainly by representatives of producers' countries, were mainly on the ground that it represented *dirigisme.* To the Germans this is an especially dirty word, signifying what anybody else does to control coal imports and production: what Germany does, such as the prohibitive import duty beyond certain duty-free quotas, the setting up of cartel arrangements between oil and coal companies, and the *Notgemeinschaft* procedure for re-negotiating the long-term import contracts into which Germany had ventured so far, counts needless to say as economic liberalism. Producers in general may feel uneasy about arrangements to restrict production that could become a good deal more than temporary. Many speakers at Strasbourg showed they understood that the problems of coal production in ECSC (as in Britain) are structural rather than temporary, though recession or the levelling off in growth has uncovered and exacerbated them. Whether resumed economic expansion would necessarily banish the manifest crisis by April next year, even if the high authority's measures are adopted, is none too certain, though the measures ought to prevent any deepening of it. Would the supra-national control be required for only one year?

From the point of view of the high authority, this decision represents a test for the whole idea of a "European solution." It has often been criticised—and was again by implication in the report of the Assembly's market commission at Strasbourg last week—for not working actively enough towards such a solution in coal during its palmy early years of the seller's market. Now, at least, it feels determined to act—though M. Finet did emphasise that it is concerned to achieve a policy for the coal problem, rather than to establish a principle about the use of particular articles in the ECSC treaty. What it is insisting on is one common policy and not a series of national policies; and the adaptation of internal resources to needs, and not merely restrictions on imports. Whether some compromise can be arranged in Paris this week—or at the Council of Ministers in a fortnight's time—depends mainly upon the eventual attitude that France reveals: in the present political situation of western Europe, the Germans will not be anxious to come out on the other side of any "European" argument.

Trade Unionism in Russia

SOME 1,300 delegates who, on March 23rd, gathered in the Kremlin for the twelfth congress of trade unions could boast that they represented almost the whole of the Soviet urban labour force. There are now nearly 53 million trade unionists in the Soviet Union out of a total number of 55 million employees. The unions are mighty in numbers. But are they acquiring an importance in Soviet society that corresponds more closely to their numerical strength or are they remaining, as in Stalin's time, merely an auxiliary branch of the administration? Neither the debates of the congress nor the lengthy report of Mr V. V. Grishin, chairman of the All-Union Council of trade unions, provided a clear answer to these questions.

Questions about the changing role of the unions in a changing society began to be asked last May after the introduction of two measures aimed at instilling some life into the practically moribund local union organisations. Through these reforms the powers of the factory or shop committees—the lowest branches of trade unions—in the management of their enterprises were greatly increased, at least nominally. The committees are now supposed to have more say not only in the production plan and its fulfilment, but also in the running of the firm and the computation of wages. Officially, their agreement is needed for the introduction of overtime, the sacking of an employee, the distribution of bonuses, or the allocation of housing accommodation.

The reforms are in keeping with the economic decentralisation introduced by Mr Khrushchev. As long as direct control from Moscow was the rule, local initiative was relatively unimportant. But the complexity of a highly diversified modern economy, which drove the government to divide the country into economic areas with their own regional councils, compelled it at the same time to make greater efforts to harness local initiative. The granting of increased powers to union branches was thus dictated not by abstract considerations of democracy but by the search for greater efficiency in a less centralised framework. Naturally, too much importance should not be attached to paper changes alone. Factory committees existed as relics of the revolution, even under Stalin; but their function, like that of the whole trade union movement, was turned inside out.

After the revolution the membership of the unions was only just over a million; now it is nearly 53 million. But numbers are not all. In Stalin's time, the unions were used as mere tools in the drive for higher production. When the time came to restore the country's economy after the ravages of war and civil war, the managers had to be given increased power as well as responsibility. The military principle of unified command was applied to the management of industry, and in the period of rapid industrialisation, when millions of raw peasants flocked into the towns, it was applied with military discipline. In principle, the party and trade union representatives in the factory could act as a check on the manager. In practice, they could not.

With production and wage levels dictated strictly from above by the planners, managements and trade unions worked together to apply the disciplines and the incentives needed to extract increased output from a raw labour force. The margins were so narrow that the system left no scope for collective bargaining. Thus, on one hand, the unions were the allies of management, advertising labour "norms" and promoting "emulation" among workers. On the other they acted as welfare societies, watching over safety regulations, distributing the funds of social insurance and, during the period of the great migrations, recruiting rural labour and helping in its assimilation.

The peculiar functions of the unions are the outcome of political decisions and not of any structural atrophy. The unions are organised vertically by trade and, since 1948, they have also horizontal links through town, regional and provincial councils. The ladder runs from the shop and factory committee up to the All-Union Council. In theory, "all trade union bodies from bottom to top are elected by the members . . . and are accountable to them." In practice, as in the party, the chain of command runs only downward. Thus, to obtain a measure of greater democracy, what is required is not a change in the statutes but a change in their application, causing the elected members to represent the views of their electors and to defend them at all levels: in the factories, in the regional economic councils and, at the very top, in the central planning board.

The idea that such a revolutionary change might happen suddenly can be ruled out. But steps in this direction are not unlikely because of changes which have taken place since Stalin's day. In the last few years real wages have gone up substantially. Technological change and the growth of the national income have given the planners more room for manoeuvre. The government has been able to reduce the hours of labour; and a 35-hour working week is the official aim for the late nineteen-sixties.

BUT the biggest change has probably been in the human element. Gone are the days of unlettered peasants come to town. For some time now, all the new recruits to the labour force have first completed seven years at school; many workers of urban origin have been at school for ten years or even more. The spreading of education, and consequently of skill, has compelled the authorities to level off the highly differentiated scale of wage-norms, because the proportion of workers reaching the higher brackets was so large as to make the system too costly. Sporadic efforts to resurrect Stakhanovism have not been successful. Above all, the social and educational gap between workers and management has narrowed considerably. Conditions may have seemed ripe for a partial revival of traditional trade union activity.

A social transformation on this scale will not take place smoothly or at one go. Though wage differentials have somewhat decreased, the slogan of equality of pay—the once famous *uravnilovka*—remains heretical, and piece rates are still the rule. And yet mechanical advance and the introduction of automation give strength to the inarticulate pressure for weekly wages not based on piece rates.

In a one-party dictatorship, and when the state is the universal owner, the trade unions cannot perform the classical trade union function of representing their members' interests against the owners' interests. Communists will argue that this dilemma will disappear together with the "withering away of the state." In the meantime, the unions have to strike a balance in their dual allegiance. Their twelfth congress has confirmed that the trade union bosses have no intention of giving in easily to any pressures for greater equality or democracy. At the same time, they continue to deplore the workers' failure to take a sufficient interest in the production conferences of the factories or the



In 1958 three British publishers alone printed 22,000,000 paper-backed books. In 1948 they produced less than 10,000,000. Despite counter-attractions the appeal of paper-backs continues to grow at an astonishing rate. And not only here. In the U.S.A. paper-backs have been described as 'probably the real growth industry of the past ten years'. Print on paper continues to be the world's principal medium for instruction, for the exchange of ideas, for entertainment. The flourishing paper-back industry symbolises the trend towards more reading – particularly more serious reading. For Bowaters, makers of many different kinds of printing papers, such trends show the way ahead.

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union activities of their branch ; and there are signs that the search for labour co-operation is gradually inducing them to concede to labour a slightly greater say in union affairs. Planners, with wider margins to play with, may allow trade unions a limited bargaining power. The unions may be given some real say in management, the elaboration of plans and the distribution of resources. The process will not go through without friction, but it is worth watching for its significance for the future of Soviet society.

Frondizi Seeks New Friends

FROM A CORRESPONDENT

THE clue to the present situation in Argentina is the government's decision to industrialise the country as rapidly as possible, regardless of the social cost. In order to do this, Sr Frondizi has turned his back on the trade unions and Peronistas who elected him president and sought new alliances. He knew he could not rely on trade union support for a policy of austerity for the wage-earner and incentives for industrialists, and he also knew that there would be nationalist opposition to his plan for bringing in large quantities of foreign capital. He therefore turned to others: the armed forces, the Church, the landowners and the business community.

The armed forces have been given salary increases, an aircraft carrier, and a privileged position as a pressure group to be consulted before any important decision is taken. The Church has been mollified by the law ending the State monopoly over higher education and allowing the opening of the first Catholic universities. The landowners and industrialists have been pleased by the stern policy towards trade unions and by the general freeing of prices to provide greater incentives for investment. The government is acting in close consultation with the large business groups through their unofficial representative, Sr Rogelio Frigerio, who holds no official post but is the president's most important and influential economic adviser.

The same reasons that inspired the president's choice of allies within the country have prompted his change of course in foreign policy. He has decided to go all out for friendship with the United States since he is convinced that it is the only country that can effectively assist Argentina at present. If foreign capital is to be imported in large enough amounts to make a difference, it will have to come from the United States and whatever stands in the way of this will have to disappear.

So far the president has the support of the armed forces, but within the army there is concern lest his enthusiasm for foreign capital should end by putting too much of the national resources in the hands of foreign companies. The army is as nationalist as ever and although it approves the government's policy in principle—largely for the strategic advantages of having national resources of steel and fuel—among the officers there is an increasingly powerful movement called the *Dragon Verde*, which opposes any further concessions to foreign investors.

Intrigues and pressure groups in the army and the Church are the more important because the political parties are ineffectual. The parties have almost no internal discipline, not much weight in public affairs, and certainly no power to shake the government. Although Sr Frondizi campaigned as the candidate of the Intransigent Radical Party, once in power he asserted his complete independence of this organisation. Any measures that might encounter opposition he puts into effect by decree. No part of the new economic policy, not even the granting of contracts to foreign oil companies, has been sent through Congress. The president and his cabinet have only met twice since they took office on May 1st last year.

With his cabinet relegated to a secondary position, it is all the more important that the president's personal advisers should be good. But he has not been altogether lucky in his choices. For instance, the commission of rationalisation and austerity which was supposed to eliminate redundancy, investigate corruption, and cut down needless expense, was headed—unofficially—by Sr Ulises Pologna, the president's own representative on the commission. Sr Pologna worked energetically for a few months and earned the nickname of Mr Austerity until he himself was accused of being deeply involved in a real estate fraud ; he had to resign under fire.

SR FRONDIZI has promised that he will have much to show within two years as a result of his austerity programme. The general opinion is that parts, but parts only, of his economic plan will be fulfilled. Few doubt that Argentina will produce enough oil to satisfy its domestic needs, but the premise that the mere opening of the door to capital imports will be enough to industrialise a predominantly agricultural nation like Argentina is viewed with concern.

Sr Frondizi has introduced one element of planning into his programme. During his American trip he talked with Dr Lilienthal, once of the Tennessee Valley Authority, and arranged for him to supervise the development of a similar scheme around the huge hydro-electric plant of El Chocon, in northern Patagonia. But most of the capital coming into Argentina is directed either into the mineral industries or into the manufacture of consumer goods. According to the joking comment of ministry of finance officials, Argentina will either become a second Venezuela or end up with half a dozen factories producing Cadillac spares while cart-wheels have to be imported from Paraguay.

Sr Frondizi's policies are now meeting serious trade union opposition. During his electoral campaign, the president promised the trade unions that he would stop government interference in their internal affairs. The Aramburu regime had tried to stifle trade union opposition by replacing the old Peronista leadership with officials selected under government supervision. Once in power, Sr Frondizi tried to carry interference still further. The trade unions, squeezed between a record-breaking rise in the cost of living and the government's austerity over wage claims, opposed the attempt to bring them under more direct State control. A railway strike was put down by army and police ; over three hundred strikers were arrested and are still being held on various charges. Another partial stoppage called for April 3rd ended in violent street fighting between strikers and police. Evidently worried about the uneasiness that such blatant industrial unrest might cause among potential investors, Sr Frondizi accused the Soviet Embassy in Buenos Aires of "organising and participating in" the riots. He went on to declare a number of embassy officials *personæ non gratæ*. This he hoped, would show the United States that Argentina was truly in the western camp. Your correspondent saw enough of Buenos Aires during the riots to be

sure that the rioters did not need help or inspiration from any foreign embassy—and, further, that they enjoyed popular sympathy.

The president's strength in the coming struggle is based on the support that he hopes to receive from the armed forces against the trade unions. He knows that the discontented mass is powerless against him for lack of leadership, of organisation and—most important—of a clear alternative to his rule. The return of General Perón is out of the question ; his supporters are utterly divided among themselves. If, for one reason or another, the nationalist groups in the armed forces were to decide that Sr Frondizi was going too far in letting in American influence, and were to join forces with the trade unions, it would not take them long to bring the government down.

Industrial Ghana?

BY A CORRESPONDENT LATELY IN ACCRA

IT would be interesting to know how far Ghana's second development plan, which has recently been issued, embodies the ideas of Professor Arthur Lewis, until early this year Dr Nkrumah's adviser on economic policy. It seems an ambitious plan for an economist to approve, though its priorities seem right. It is to run to 1964 and proposes an expenditure of £342 million against available resources of £90 million. The planners admit that " the task set is a formidable one, and the financial picture will not be clear for some time."

Wisely, they distinguish between immediate projects, which will only cost £124 million, and the remainder which clearly require foreign aid. The immediate projects sensibly concentrate on productive works. These include much increased expenditure on improved cocoa farming ; but they also include large investments in other crops, like pineapples, plantains, groundnuts and palm oil, to lessen Ghana's dependence on cocoa. Rubber and tobacco are being planted on a small scale and there is talk of cotton. In the northern territories poor grasses and lack of water inhibit the growth of a healthy cattle industry which could reduce Ghana's dependence on imported meat and milk ; Ghana's bill for imported food is growing with rising living standards. But former attempts to diversify the economy have foundered on the difficulty of weaning the cocoa farmers from the easy life of cocoa-growing with migrant labour.

Still more controversially, the plan aims at establishing at least 600 factories turning out more than 100 products, including textiles, worked steel, chemical and building materials and assembling motor cars. This industrialisation, backed by a plan for hydro-electric development costing £100 million, is known to be close to Dr Nkrumah's heart. It also has some bearing on his political ambitions ; for he feels that a purely cocoa state cannot sustain the leadership in Africa to which Ghana aspires. For this reason, if for no other, he is ready to forget his marxism and offer inducements to investors. There will be no nationalisation ; capital is sure of a fair return—the only condition is a progressive " Africanisation " of the staffs of enterprises established with foreign aid.

The foreign entrepreneur in Ghana, satisfied on this point, may ask about industrial relations. He is now faced with a very different type of trade union organisation from British days. Trade unions grew up in Ghana on the British model, and if they were less efficient and more graft-ridden than any British unions, they were sometimes more troublesome. They have now been strictly subordinated to the government in the Industrial Relations Act, which, passed during the Accra conference, attracted little attention from the world's press. But the British Trade Union Congress, which in the past had advised Ghana unionists on organisation, was severely pained. Sir Vincent Tewson wrote to Dr Nkrumah before the act was passed, to protest that " such legislation would be in conflict with our basic operation as a movement free and independent of government, irrespective of party."

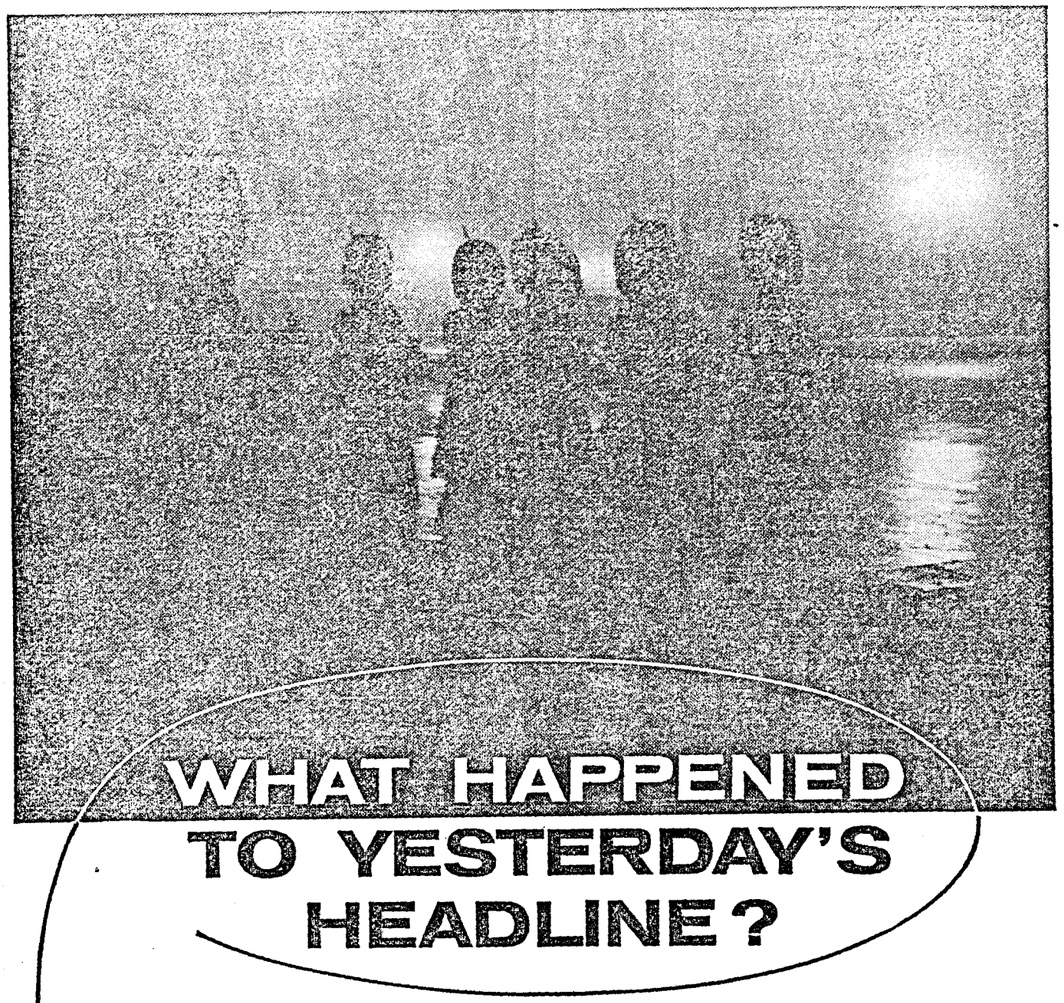
But Mr Tettegah, the general secretary of the new Ghana TUC, has gone his own way, wholeheartedly backing the Ghana government, and subordinating the unions to the requirements of the Act. This establishes the Ghana TUC as " the representative of the trade union movement in Ghana " and gives it powers to organise the other unions ; but the government must approve its rules, audit its accounts, and may freeze its funds if it " has taken any action not conducive to the public good." Unions are only recognised when they have organised 40 per cent of the workers concerned, and unions for government employees and teachers are forbidden. The right to strike is circumscribed.

One object of the act was to tidy up existing confusion and create proper machinery for industrial relations. The multiplicity of small unions, organised on a " house " basis, undeniably led to abuses. Mr Tettegah, indeed, wanted to reduce them to 16 in number ; 24 are now listed. In his book, " A New Chapter for Ghana Labour," he asks, " Will the Labour movement accept the challenge and release our minds from the slavery to the British way of doing things . . . to develop our own African personality and the African way of organising workers ? " He said that he learned more about trade unionism from ten days in Israel than he would have done from ten years in a British university.

His aim now is to " build a gigantic labour organisation co-ordinated and centralised with a general staff," which will clearly put political support for the government before its functions with regard to wage bargaining. A few of the long-established unions in Ghana, such as the locomotive men and the United Africa Company's house union, are resisting this scheme, no doubt because of ingrained slavery to traditional British ideas.

The incoming industrialist must make up his own mind about this set-up. It looks as if he can expect union restraint—so long as he is in favour with the government. His concern is less to consider the course of industrial relations in Ghana than to calculate how well he will get on with a government that will brook no political, industrial or trade union rivals in political appeal—in short, with the African political personality.

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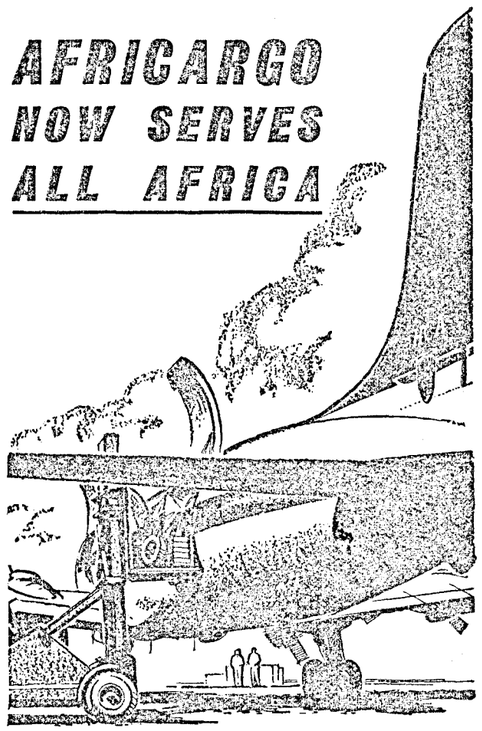
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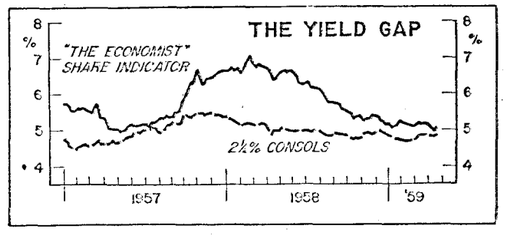
THE BUSINESS WORLD

Reflation Discounted?

THE British economy is about to receive a record injection of budget reliefs—£366 million in the current year. There will be more money to spend on industry's products and more money to invest in industry's shares. Yet in Throgmorton Street buyers are still chary, even though an early election now looks less likely. Ordinary shares edged to a peak on the morning after Budget day, but the day after they had one of the sharpest falls since Bank rate was raised to 7 per cent in 1957. Buyers with an eye to selling after a good budget were quick to take profits and though the market improved later, prices are no higher than on budget eve. Is this profit-taking of real significance ? Has the big rise in equity prices in the past twelve months already discounted industrial recovery or are prices now poised for a new lift ?

The central doubt is not whether the degree of reflation that the Government has decided on will give industry a boost, but whether it can do so without involving financial troubles ; this doubt is intensified by thoughts of a coming election and the possibility of a Labour government, a prospect that would hold other and different threats to investors. Inflation helps equities in the long run ; but that has not proved a completely dependable maxim in the short run. The long run drift to equities continues—the latest converts include the Women's Institutes and the first London borough council—but investors have learned that a rise in ordinary shares that is accompanied, and perhaps prompted, by doubts about stability of the currency can undergo a severe reaction when the authorities are forced to take counter-inflationary measures.

Investors today keep a careful eye on the "yield gap"—the margin between dividend yields on ordinary shares and long term rates of interest set by the yield on irredeemable Consols. In 1951, in 1955, and in 1957 inflation or fears of inflation narrowed the yield gap almost to extinction ; in each case, official measures taken or anticipated by the market, restored the traditional margin. During 1958 the gap was again reduced quite sharply. This, however, was a result not of a slide in gilt-edged prices, which were themselves rising, but of the steeper rise in equity prices, which more than offset increased dividends. Yet the market remembered its historical lesson ; after gilt-edged began to show their first weakening since 1957, under pressure of bank selling, equity prices, too, stopped rising, and this year the yield gap has remained steady, though low.



What is in store for gilt-edged in this year of reflation and perhaps, a general election ? Externally, there must be a reduction in last year's bumper current surplus, and some increased capital commitments. But capital is flowing inwards, too, and foreign confidence remains firm. The election will provide a major test ; it was argued here four weeks ago that the authorities ought to be able to hold the line. Domestically, there seems little reason to fear a quickening of price inflation in the months ahead ; wage demands do not look too threatening and expanding production should absorb them. On the other side, pressure will be exerted on the gilt-edged market by demands for new money. This year, despite the continued surplus in the ordinary budget, the Government has to borrow for capital outlays below-line no less than £721 million, against £182 million last year.

The Bank of England will not be keen to see too much of this overall deficit financed by Treasury bills ; it would hardly like to lose control of bank liquidity (and perhaps be forced to invoke special deposits) in this period of credit expansion. The Chancellor has intimated that there will be "some increase" in floating debt held in the market. Since advances are still rising, in line with general economic policy, this may simply lessen the banks' need to unload gilt-edged (they sold another £44 million in the latest

month), and liquidity ratios will not necessarily get out of hand. National savings are not expected to do so well as last year's £300 million, but another substantial contribution is hoped for. Sales of government stock in the market will certainly have to be considerable. But funding sales need not necessarily be larger than in 1958; they then had to finance the large external surplus (expected to decline this year) and yet they were still sufficient to cut down the floating debt. Thus the gilt-edged market need not be unduly frightened by the dramatic rise in the overall deficit. Financial opinion overseas, too—which has shown some signs of un-Keynesian alarm about the size of the deficit—might be reassured if the authorities explained that no inflationary financing need be involved.

More money is also likely to be needed by local authorities, which have been encouraged to advance their capital projects into the current year. Last week's record issue of £25 million for the London County Council was a portent, and not a happy one for the market, with 94 per cent left with the underwriters. But given proper handling, the weight of new money ought to be manageable so long as retail prices at home and sterling abroad remain satisfactory. If they do, gilt-edged need not necessarily suffer from reflation. Gilt-edged have shown little response to the monetary relaxations; for what past experience is worth, current returns are generous in relation to 4 per cent Bank rate.

On the assumptions that sterling and gilt-edged do provide a stable base, and that there is no change of government—both big assumptions at this stage—one can be reasonably optimistic about equities. It is true that the rise in *The Economist* indicator, of 60 per cent, from its low point fifteen months ago shows how generously the expected industrial recovery has already been discounted. It is also true that the impact of the recession on the profits of industry has not been unduly severe. Above all, the equity indices today are only a little above the peak levels of mid-1955, when industrial production was about the same as now. Vast investment programmes have been completed since then, and industry should be able to earn good money on them.

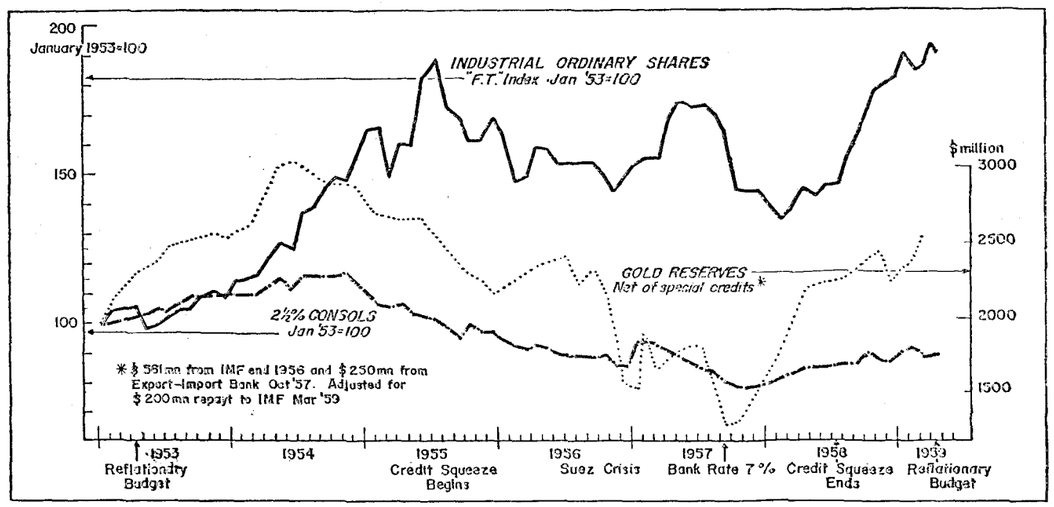
In general, therefore, equity prices do not appear to have discounted all the expansion that we have not yet had. The rise of the past year looks almost restrained in comparison with Wall Street. In the United States, too, industrial production has risen little since 1955; but Standard and Poor's index of Wall Street industrials shows a rise of 25 per cent above its plateau of 1955-57. Yields on the leading stocks—not the speculative favourites—average just over 3 per cent. That is well below the yield on US government bonds and compares with blue chip yields averaging 5 per cent in Britain. It might be argued that because America is much less dependent on external trade and has much greater capacity to absorb any weakening of external confidence about its currency, it is the better able to carry inflation. But Wall Street cannot advance for ever on that reasoning.

The increasing interest that American investors are showing in European securities is motivated primarily by strict calculations of comparative yield. Once the election is come and gone, and if the Tories win, overseas buying of British equities is likely to increase considerably, from the Continent as well as America. Steel shares will be obvious favourites.

While the election shadow remains, with its tormenting range of possible eventualities from controls and capital gains tax to dividend limitation and inflation, large scale net buying, domestic or foreign, can hardly be expected in the stock markets. But selective buying is active. Which sections of the market are likely to gain most from reflation? Obvious favourites are producers of capital goods, which have been hit hardest by recession and the long pause in expansion. Their shares, correspondingly, have lagged behind the recent rise; and for the most part, unlike shares of producers of consumer goods, they stand below their peaks of a few years ago. Many concerns are making better use of their working capital and with their improved liquidity could expand their business appreciably without the need to seek new finance from the market. The spurt in capital issues in the first quarter of this year was in large part attributable to businesses that had previously been deemed ineligible by the Capital Issues Committee—including the banks, which have still to complete their round of rights issues, for sizeable amounts.

Otherwise the equity market may not be over pressed, especially if sales and profit margins revive quickly. The best prospect is probably for firms supplying the needs of the increased capital programmes of the public sector—such as building, heavy electrical manufacturing, and industries concerned with road making. But in a year when private investment is not likely to be better than steady on balance, by no means all the capital goods industries can look forward to a quick revival. The course of exports may be a critical factor, both in the business of individual firms and in governing the extent to which re-expansion can be afforded by the nation. *It is not exactly a clear prospect before the investor*; but then, it never was.

NEW TAKE OFF FOR EQUITIES?



Court Report

The Restrictive Practices Court sat for the first time exactly a year ago. What has it accomplished?

THE Restrictive Trade Practices Act of 1956 made mandatory the registration of collective agreements relating, *inter alia*, to prices, conditions of supply, and processes of manufacture, and the subsequent defence of them before the court against the presumption of being contrary to the public interest. When the Act was passed some people hailed it as the death-knell of restrictionism in British business; others noted more sceptically that the scope of the Monopolies Commission had been curtailed and individual price maintenance had been made legal, at the same time.

There is room, too, for different opinions about the accomplishments of the court in this first year. Measured by the number of restrictive trading agreements that have formally gone out of existence the court seems to have had considerable effect. But the effect of the court's judgments in the market place is perhaps another thing: cynics might wonder whether the one tangible result is the promise of a Government-sponsored rationalisation scheme for Lancashire. The question remains: How far have the court, the registrar and the Act gone towards eliminating uncompetitive practices from the conduct of British business?

In this first year, the court has issued final orders on twelve agreements. Only four of those cases have in fact been argued before it: they concerned agreements of the Chemists' Federation, the Cotton Yarn Spinners' Association, the Constructional Steelwork Association, and the Blanket Manufacturers' Association. In each, the court's decision has been that the agreement in question was contrary to the public interest, and hence must be abandoned. The other eight agreements, which it formally ordered to be scrapped, were actually abandoned or modified by their makers—dead, if not wholly buried, when the *coup de grace* was administered. But two of the four cases which reached the court intact were certainly complex in nature, involving many documents, much testimony and considerable pleading; there was no precedent for these hearings, and the procedure followed was unlike that of any other British court. It is remarkable that the court got through them with such despatch.

These few decisions, however, have had a significant effect on other cases on the register, and in this wider context, the court's first year has had impressive results. About 2,200 agreements are now on the register; and this is probably about as many as will ever be on. Of this total, 205 have either been abandoned or revised so as to remove any registerable restrictions in them, and another 150 are known to be on their way out. Thus, roughly one-sixth have already gone by the board or will soon have done so. But the ultimate test of the efficacy of the Act is the degree to which greater freedom to compete becomes a reality to both businessmen and consumers, this freedom has not been greatly increased by the court's judgments to date. Stripped of its price-fixing clauses, the structural steelwork agreement was found to be of no economic significance, removed from the register, and hence carries on. The blanket manufacturers' agreement, while restrictive and wholly unnecessary, was found by the court to do the public no great harm. The yarn spinners' price ring is broken, and the tax burden of the Government's reorganisation scheme may or may not weigh less heavily on the public than did the cost of the industry's self-protection. And a number of manufacturing chemists are now behaving independently as they had behaved before collectively and there is little indication here that the court's decision has made any difference to the public.

Within the narrow framework set up by the Act, the court has undoubtedly been as effective as most observers could reasonably expect. Parliament decided to set up a court and a registrar with no discretionary power (and not to set up a discretionary authority, as exists in the United States and West Germany). Their decision has both good and bad points. A court is free from the political pressures to which a minister is so often subjected. But its terms of reference must necessarily be narrower, and its decisions less responsive to changing economic circumstances.

The court, then, not only had to evolve a satisfactory

procedure; it also had to make decisions in a field which lacked any substantial body of precedent in British law. In both respects the results have been impressive. Within the wording of any act, there is usually room for judicial decision, and that is certainly true of this Act. The court might have taken the view that the blanket manufacturers' "harmless" but rigid restrictions might be allowed to stand, or that local unemployment in Lancashire could be held to be contrary to the public interest. But it has taken a stricter interpretation of the statute as its guide. The conduct of these unprecedented cases has been carried out by Mr Justice Devlin and his colleagues with great skill and efficiency, and the first decisions of the court must have a crucial importance for the practical effects of the Act.

THE Restrictive Trade Practices Act made collective price maintenance illegal, but at the same time it strengthened individual price maintenance, making it enforceable through the courts. It also cut the Monopolies Commission down to a much smaller size, changing it from a body whose findings were ignored in practice to a body whose restricted powers have yet to be put to any test. It is difficult to tell whether the exchange of individual for group agreements has benefited the price-fixers on balance; certainly a number of group agreements have been replaced by individual arrangements having the same effect. An outstanding example of this "no change" is the replacement of the Motor Traders' Association's agreement by a limited version (due to be considered by the court) and a set of bilateral agreements between manufacturers and agents that are beyond the reach of the registrar. On the other hand, the past year and a half has seen the decline of resale price maintenance in a number of areas, particularly in food retailing. The Act has had nothing to do with this: supermarkets have been the chief agents. Price maintenance may have become no more widespread, since the passage of the Act; and in some places it may well have become much less important.

Many of the agreements on the register are interrelated—some directly, like the 200 agreements in building or the 150 in co-operative trading, and others because they concern the same type of goods, as did the yarn spinners' and doublers' agreements, or the agreements on black bolts and bright bolts. An adverse finding by the court in one of these cases will mean the almost automatic abandonment of the others. Moreover, it is common for agreements in quite different fields to make use of similar arguments, or to contain similar clauses. The degree to which parties to such agreements become discouraged by an adverse judgment in another field is difficult to assess. The registrar now has about 170 cases in various stages of preparation; about half of the agreements remaining on the register are fairly obviously connected with one of these 170 cases, and thus will stand or fall accordingly.

Of the 1,800 remaining agreements, then, more than half will certainly be affected directly or indirectly by cases now in progress; many of the remainder may prefer to abandon their agreements rather than pay the not inconsiderable costs of defending them. Another 150-200 agreements are of no substantial economic significance, and it may be assumed that they will be removed from the register on this ground under section 12 of the Act. This could leave a "hard core" of, say, 300-400 agreements to be brought before the court; in fact, the number is likely to be much smaller.

This "hard core" may present the court with much more sophisticated "economic" arguments than it has heard so far. Most of the parties concerned had a shot at modifying their agreements with the aim of making them easier to defend, before they registered them. This revision has continued to some degree; and cases of this sort tend to be in the hands of a few large City law firms, who are fast gaining experience in Anti-Monopoly Laws and How to Beat Them. They will certainly make the court's work in future more arduous and protracted. On the other hand, the cases already heard or now in preparation broadly cover the main types of registerable agreements (e.g. distributive arrangements in the chemists' case, and minimum price-fixing in the yarn spinners' case). The range of arguments available to defending lawyers is being quickly and clearly defined, and—so far—is being as quickly narrowed by the court.

WHAT, then, of the future, assuming that Mr Harold Wilson is not given the chance to carry out his threat to abolish the court and return to a stronger monopolies commission? The court is permitted to split into two sections to accelerate the hearing of cases, but it was felt last year that this procedure should not be followed, at least during the early stages. Such a division might be made in the future; but no such plans have been announced, and it now seems unlikely that the court will sit continuously throughout this year, since some of the agreements scheduled to come before it have been or will be abandoned before the hearings. Eventually, all agreements on the register will be disposed of, one way and another, and the only agreements openly in operation will be those found to be in the public interest, and those of no great economic consequence, which will have been taken off the register. Only problems of enforcement will remain.

Even if the court were to disapprove of every agreement on the register, the effect on the public might not be overwhelming; there is nothing to stop firms from behaving individually in a restrictive way, as some members of the former Chemists' Federation appear to be doing. Lord Chandos is no doubt right that "The Act will lead to amalgamations and larger units to face keener competition." But each agreement which the court finds contrary to the public interest and which is then abandoned increases at least the possibility, if not the reality of competition—and thus the possibility of tangible public benefit from the Act.

BUSINESS NOTES

2 - MAY 1959

COTTON TEXTILES

Another Scheme for Lancashire

THOSE few stalwarts in the cotton textile industry who thought that elimination of surplus capacity was best left to "natural forces" have not been heeded. The majority wanted the maximum subvention from public funds—and they have got it. The President of the Board of Trade announced on Thursday that the Government will pay two-thirds of the cost of removing surplus capacity among the various sections of the industry under schemes to be approved by the Board of Trade. The other third will be raised from the industry by statutory levy. A firm which now scraps machinery will qualify for subsidy, subject to conditions, but a "severe" time limit will be set. The subsidy is being granted on the clear understanding that the industry will compensate displaced workers.

If the Government is satisfied that enough capacity will be eliminated, Sir David Eccles continued, it is also prepared to pay one-quarter of the cost of modernising existing machines or installing new ones. New orders for machinery, and modernisation and re-equipment completed during the next five years will be eligible, provided that surplus capacity is sufficiently reduced. Sir David said that the total cost to public funds might well be of the order of £30 million. A special agency is to be set up under the Cotton Board to carry out both schemes in accordance with directions from the Board of Trade. The Government has "no doubt," he said, "that the circumstances of the cotton industry ... justify the exceptional course of direct financial assistance from public funds."

It is probably true that surplus capacity could not be removed quickly enough without Government aid of this kind. It is much more open to question whether the Government should help the remaining firms to modernise and re-equip. It has been tried before.

HOW LANCASHIRE FARED IN FOUR MARKETS

Imports of cotton cloth in million square yards; *supplier's share in italics*

	Australia				Nigeria			
	Jan.-Sept. 1955	Per cent	Jan.-Sept. 1958	Per cent	Jan.-Sept. 1955	Per cent	Jan.-Sept. 1958	Per cent
Total	220·8		233·4		147·9		119·9	
Britain	82·5	37½	48·4	20½	36·6	24½	20·8	17½
Japan	58·3	26½	83·7	36	44·8	30	30·2	25
India	34·5	15½	41·0	17½	48·4	32½	24·8	20½
Holland	6·1	3	4·7	2	6·4	4½	10·8	9

	New Zealand				Belgian Congo			
	Jan.-Sept. 1955	Per cent	Jan.-Sept. 1958	Per cent	Jan.-Sept. 1955	Per cent	Jan.-Sept. 1958	Per cent
Total	38·7		29·7		41·3		39·3	
Britain	27·5	71	16·0	54	16·0	38½	14·3	36½
India	5·4	14	4·7	16	...	...	...	...
Japan	1·1	3	5·0	17	6·2	15	5·1	13
Holland	0·9	2½	0·4	1½	6·8	16½	8·4	21½

Source: Cotton Board.

Failure to Compete

IN 1958 the Lancashire cotton textile industry suffered two further reverses in world markets. Its share of world exports of cotton cloth shrank further, and for the first time for over a century it ceased to be a net exporter by volume. It is difficult to believe that Lancashire's troubles are not partly of its own making. In the free market of the Belgian Congo the Dutch textile industry, which certainly does not pay "rice-standard" wages, has increased its share of the trade from 16½ to 21½ per cent in the last three years, while Britain's share has fallen from 38½ to 36½ per cent and even Japan has lost ground. In Nigeria, Holland has doubled its share to 9 per cent, while Britain's share has dropped from 24½ to 17½ per cent in the last three years. In Britain's biggest—and preferential—market, Australia, Holland has made no headway, but Japan and India have, at Britain's expense.

INTERNATIONAL INVESTMENT

Old Politics and New Facts

THE Chancellor of the Exchequer gave the obvious reasoned answers to Labour's stereotyped complaints about American investment in British industry in the House of Commons this week; and Mr Amory added some useful bits of new information too. He has confirmed that the sales of big companies to American interests in the past six months, which are reckoned to total some $100 million, has brought nothing like that sum into the official reserves; these have gained by about £15 million, or $42 million. The difference represents mainly purchases made through security sterling, though some dollar proceeds may still be due to be transferred.

Mr Amory's second revelation, elaborating the point that Britain's investment abroad vastly exceeds foreign investment here, was that even with North America the balance of new investment in recent years has been roughly all square. But one Labour MP could not accept comparison of Britain's investments, which are "widespread" and "benevolent," with America's machinations in "strategic" and "key" industries.

Mr Amory was also asked why the Treasury had refused permission for the American company to acquire British Timken through an exchange of shares. He replied bluntly that it is policy to require a cash payment across the official exchange in such cases; and that the Treasury does not allow portfolio investment in foreign securities except through reinvestment dollars, acquired from the existing pool of securities (which are now in fact at no premium in the market). While this restriction remains, the Treasury's practice has a certain grim logic: it may be thought unfair to allow someone to acquire dollar securities at the official exchange rate just because he happens to have securities

that an American wants. Exporters, after all, are not allowed to buy Cadillacs with their dollar earnings. Presumably, too, the Treasury still thinks that the first priority for receipts of dollars is the liquid official reserve. But the whole question of restrictions on international investment needs re-thinking.

Seeking the Dollars

KLEINWORT SONS & CO., the London merchant bank which last year established a dollar investment trust in Bermuda, has sponsored a new closed-end trust fund, Transatlantic Fund, for investment in Western Europe, the United Kingdom and the Commonwealth. This will be subscribed mainly by Americans, but the Bank of England has agreed to the use of reinvestment dollars for subscriptions by British investors. The venture is being made on a modest scale; the initial offer, which should be placed in minimum allotments of $100,000 each to satisfy the Securities and Exchange Commission, is being limited to $5 million; doubtless Kleinworts have noted the fate of the sponsors of Eurofund, who asked for $50 million and have had to postpone their issue.

A distinctive feature of Transatlantic Fund is that it will aim primarily at growth; distributions are to be very small. The attraction to the investor is capital gain; and because of the tax on such gains in the United States, the fund has been registered in Toronto. Kleinworts are the investment advisers, and an advisory panel to assist with the Continental portfolio has been formed by Kredietbank of Brussels, R. Mees & Zoonen of Rotterdam and de Neuflize Schlumberger of Paris.

CANADIAN EAGLE

Bid From Royal Dutch-Shell

IN one of the biggest take-over bids ever made, the Royal Dutch-Shell group has made an offer worth around £100 million for the equity stock in Canadian Eagle that it does not already hold. The group already owns 6,304,059 of the ordinary npv shares of Canadian Eagle (that is about 21 per cent) and there have been periodic rumours that it would make a bid for the remaining 23,826,071 shares. But when the bid came on Wednesday, the stock market was taken completely by surprise. The offer is of two Royal Dutch Fl. 20 ordinary units and three "Shell" Transport £1 ordinary units for every twelve Canadian Eagle npv shares. On the basis of current market values, at £15⅝ for Royal Dutch and 131s. for "Shell," the offer preserves the 60/40 relationship of the two partners and puts a value of about 85s. 9d. on Canadian Eagle shares. As soon as the bid was announced "Caneagles" were marked up to 81s. 3d., to record in a single day of trading a gain of 25s.

If the bid goes through, Canadian Eagle will be completely absorbed by Royal Dutch-Shell, leaving no minority shareholders. Canadian Eagle will be "dissolved." Through Venezuelan Eagle, Canadian Eagle has a share in Shell Venezuela's crude oil production and it also participates in Shell's contract with Gulf Oil in Kuwait. Canadian Eagle has a 20 per cent share interest in Shell Mex and BP in this country and supplies crude to that marketing organisation. It is also associated with the Royal Dutch-Shell group in marketing in South and Central America. In addition, it owns 21 tankers, has another 21 on period charter and has eight more under construction. Royal Dutch-Shell is now bidding for absolute control over these operations and assets. If its bid is successful Canadian Eagle's independence as a buyer and supplier of crude oil will disappear and Royal Dutch-Shell will be able to conduct Canadian Eagle's affairs in a manner that is to the greatest advantage of the group as a whole. A cousin, related by marriage, will become a son under strict parental discipline. The bid has come at a time when the Royal Dutch-Shell group is actively re-organising its own structure and it suggests that it wishes to knit its interests even more closely.

WALL STREET

Yet Another Peak

WHILE the British industrial ordinary share market has been nothing more than steady, the market in common stocks in Wall Street has been strong. Eight successive days of gain carried the Dow Jones average to a new peak of 629.23 on Tuesday. The market then boiled over and on Wednesday a revival of selling brought the average back to 625.15. But, though there is some uncertainty about the Federal Reserve's attitude towards margin requirements, a confident belief that the market will climb higher persists. Heavy trading has taken place in stocks that are about to be split, railway stocks have been bid up to a new peak and interest has switched away from the more speculative counters towards the better known and better quality stocks. Earnings reported by companies in the first quarter of this year have made an excellent showing and there is the prospect that they will do so again in the next few months.

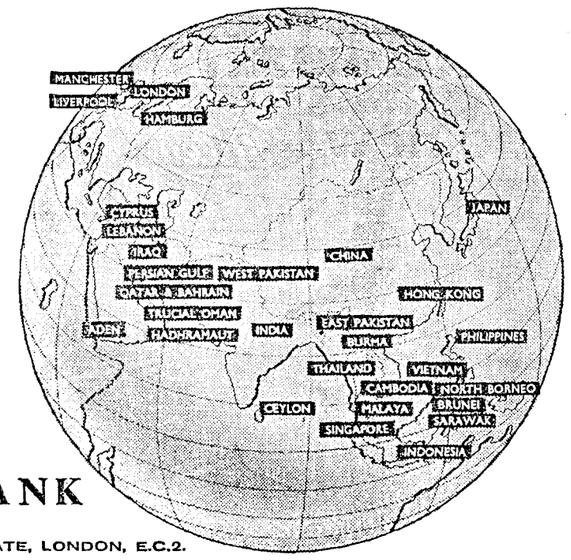
INSURANCE

Commercial Union and North British

THE bid by Commercial Union Assurance for all the share capital of the North British and Mercantile Insurance should please everybody. The directors of both companies are satisfied that the offer is fair and they anticipate substantial benefits, especially in North America, from the combination of the two businesses. The preference shareholders in North British will gain both in income and security, for they are offered £1 5 per cent cumulative preference stock in Commercial Union for £1 4 per cent non cumulative stock now held. The ordinary shareholders in North British will also gain; they are offered five Commercial Union 5s. ordinary shares plus 20s. in cash for four 5s. ordinary shares in North British. On the eve of the offer, Commercial Union ordinary stood at 46s. 3d. and North British at 45s.; the bid thus put a value of 62s. 9d. on North British shares. Following the increase in the Commercial Union's dividend from 1s. 10d. to 2s. per share, North British shareholders have an effective gain in dividend income from 2s. 3d. to 2s. 6d. per share.

If the merger goes through, the group will control assets worth about £200 million excluding the life funds, and about £300 million including them. The group's non-life premiums will exceed £100 million, rivalled in size only by the Royal Insurance of Liverpool. Commercial Union and

British Banking in Asia



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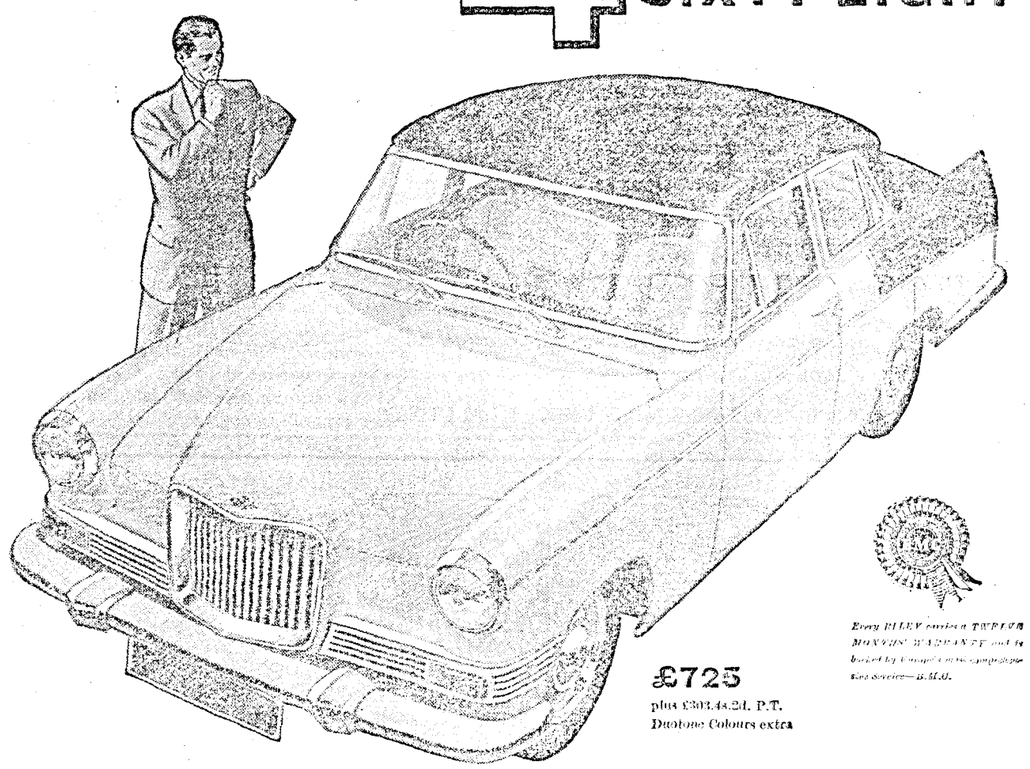
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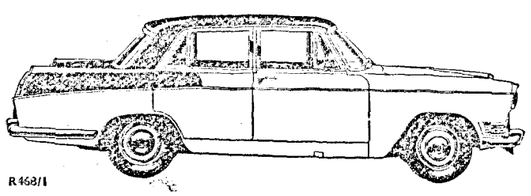
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North British will continue to be run as separate entities, but economies in operation can be expected to emerge in time.

Commercial Union's dollar premiums are about $70 million (making 35 per cent of its total premiums) and North British, which underwrites a good deal of fire business, has dollar premiums of $50 million, representing as much as 56 per cent of its total premiums. The recent experience of both offices in the United States market, as with other British insurers, has been adverse. British insurance offices have been faced with the prospect of getting out of this market (as Yorkshire Insurance has done), or of building their strength within it. A merger between Commercial Union and North British would enable their offices to underwrite business that as smaller independent concerns they were ineligible to accept and to be more selective in the business they underwrite. The merger, in fact, will put them on a more equal footing with their American competitors at a time when the American market promises to be a little steadier than in recent years.

The Prudential's Figures

IN 1958 the Prudential added another £58½ million to its assets, which have risen to £965 million. A new fashion in insurance balance sheets may have been started by the Pru, which made a move a year ago towards disclosing the actual stake in each class of assets. The figure for equities at the end of 1958 includes a book writing up of £35 million; though this leaves the book total "substantially below current value." The converse of this operation was to write down other groups of assets (for the most part fixed-interest securities) "to values broadly in line with current values." In addition to the hidden reserve in equities, there were unhypothecated contingency funds of £36½ million. The 1957 figures shown in this year's balance-sheet have been adjusted correspondingly. Two-thirds of last year's

THE PRUDENTIAL'S ASSETS

	END 1957			END 1958	
	Original figures	Adjusted figures			
	£ mn	£ mn	Per cent of total	£ mn.	Per cent of total
Mortgages, including policy loans...	74	71	7·9	81	8·4
British Government and Government guaranteed stocks	282	269	29·6	267	27·7
British municipal, Overseas government and municipal stocks	53	50	5·5	56	5·8
Debenture stocks	154	145	16·0	151	15·6
Preference shares	61	57	6·3	57	5·9
Ordinary shares	151	186	20·3	208	21·6
Other investments.....	2	2	0·3	1	0·1
Property	101	98	10·8	116	12·0
Cash, agents, balances, etc.	28	28	3·1	28	2·9
Total Assets.....	906	906	100·0	965	100·0

Profits from Oil

BRIEF reference was made in last week's article on the oil congress in Cairo to a calculation of oil profits made in a study by the First National City Bank of New York.* This document (which is the National City's first venture into a field largely occupied until now by the Chase Manhattan Bank) was timed, no doubt, for the Cairo congress. In it are assembled from the published figures of the major oil companies that operate in the Middle East some useful data on the financial aspects of these operations. The First National City Bank's sifting of these figures supports the conclusion reached by most recent students of the problem: that since the effects of the Suez affair subsided, at any rate, the level of oil prices actually realised on products refined from Middle East oil has been so low as to wipe out any profits on the operations of transporting, refining, and distributing the oil. The majors have indeed been making a loss on bringing their oil to market, though mostly not to the very sharp extent that British Petroleum has, as was shown last week.

This is not a healthy state of affairs, for an integrated company in any business would ordinarily aim at an adequate rate of return on all the capital employed at each different stage of its business (and possibly two-thirds of the huge capital expenditure involved in oil operations relates to these post-production stages). It is not at all easy for the outside observer to understand how it came about: prices in the last two years certainly reflect a world surplus of oil, but this followed on a decade of expansion in which the major companies surely seemed capable of keeping their margins on refining and marketing remunerative. Presumably the world pattern of product prices, following the United States and hence penalising refineries in Europe which had to serve a market needing relatively much more fuel oil, had something to do with this. Did the different incidence of taxation at various stages, in countries that have only in recent years completed double taxation treaties, also play a part?

The figures, whatever the reasons behind them, seem clear. Recent cuts in crude prices, not followed by cuts in product prices, will have improved post-production margins somewhat, but not much. Their implications, for the American investor to whom they are primarily addressed, are not favourable to oil operations outside his own hemisphere—particularly since the reinforcement of restriction upon American imports. Profits on crude production have up to now been substantial, but rather more than 50 per cent of them, under profit-sharing formulas, has recently been going to host governments (who generally get 50 per cent of the profits that would be shown on posted prices, whereas a large proportion of their oil last year was sold at discounts below posted prices). Owners of new crude production outside the United States without marketing outlets, especially in Venezuela, face an awkward situation until oil demand begins rising again at a much faster rate; few can afford the further big risky investment of breaking into a sated world market, and the low crude and product prices offer a "considerably longer payout" than these new producers had hoped for. Hence one development at the Cairo congress: the Venezuelan proposal, now apparently made direct to BP, for restriction of production to avoid a price war.

OIL PROFITS AND PAYMENTS IN EASTERN HEMISPHERE*
($ million)

	1953	1954	1955	1956	1957	1958
Oil companies†	766·9	862·0	948·2	1,024·3	1,075·1	976·9
Payments to Governments..	602·1	697·1	859·1	959·8	1,047·4	1,237·8
(of which Middle East	544·8	634·8	826·7	881·6	951·6	1,137·5)
Indicated Post-Production Income.....	164·8	164·9	50·1	65·5	27·7	−260·1

* Petroleum in the Eastern Hemisphere. By William S. Evans.

* Middle East, Borneo, Indonesia cover 98·5 per cent of revenues (1958). † Seven majors: Standard of Jersey, Standard of California, Socony McLil, Texas Gulf, Royal Dutch/Shell, BP.

increase in balance-sheet values after these adjustments was in ordinary shares and in property; fixed interest securities and mortgages each rose by £10 million. Bumper yields on money stocks have not tempted the Prudential to change its investment policy; no net addition was made to the gilt-edged portfolio as a whole.

Premium income in the Ordinary branch rose by £5 million to £61½ million, of which the fast growing overseas business (nearly all in the Commonwealth) accounted for more than a quarter. Industrial branch premiums at £53¾ million were up by £2 million. Including the unconsolidated American subsidiary (which is 99 per cent owned by the Prudential) premiums for fire, accident and marine insurance totalled £18¾ million (£17 million in 1957) of which one half came from overseas.

After allocating 93.2 per cent of the surplus in the life branches to policy holders, compared with 92.8 per cent in 1957, the tax-free dividend on the "A" shares—which is paid largely out of life and annuity profits—has been stepped up from 147½ per cent to 162½ per cent. The tax-free distribution on the "B" shares has been increased from 93¾ per cent to 108¼ per cent. Non-life profits, out of which dividends on these shares are paid, again handsomely exceeded the amount disbursed, a fall in underwriting profits being offset by an increase in the general branch interest income.

HIRE PURCHASE

At the Bank Counter

An event of far reaching possibilities for consumer credit business in Britain was announced quietly at the end of last week. The Midland Bank has agreed to handle at its local branches hire purchase contracts on farm machinery manufactured by International Harvester (which is a customer of the Midland) and financed by Forward Trust, the Midland's wholly owned HP subsidiary. The Midland will in effect act as a forward agency of the finance house. Its managers together with a dealer for International Harvester will be able to complete documents on the spot with the buyer; they will refer to an office of Forward Trust whenever they are in doubt, but they will openly use their special knowledge of their customer in connection with the HP deal.

This new facility is at present available only for the products of the one manufacturer; the Midland doubtless wants to feel its way carefully to avoid overburdening its managers with extra work. But the innovation is a sign of the closer integration of business between banks and their associate finance houses. So far no parallel arrangement has been announced by other banks in England; in Scotland at least one bank offers similar facilities. It will be especially interesting to see the reaction of Barclays, whose chairman, Mr Tuke, has been the leading exponent of the "arms length" principle between banks and HP houses. But there have been increasing signs in recent months of working co-operation between banks and these subsidiaries, for which natural opportunities abound. Forward Trust, for example, will now have less need to increase its overheads by spreading branch offices, given the help of 2,600 branches of the Midland and its subsidiary banks in Scotland and Northern Ireland.

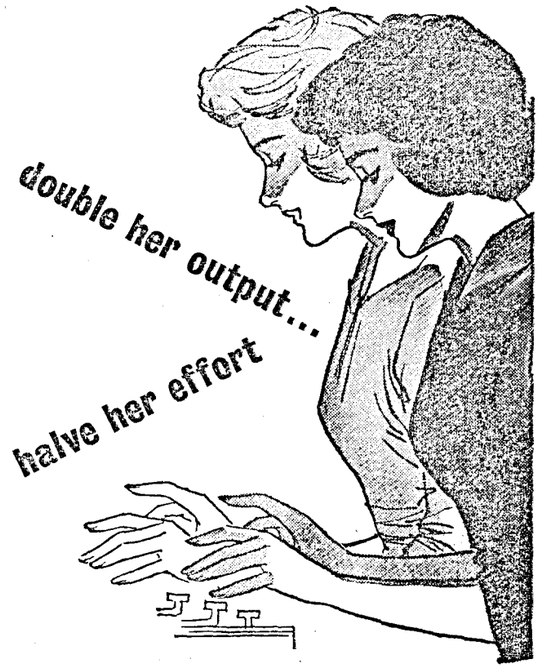
The public is benefiting from this relation. Service charges have been squeezed further; the charge on the International Harvester scheme is very competitive, at 5¼ per cent for twelve months. Finance houses without a bank association, which mostly have to pay appreciably more for their money, have been feeling the pinch on their profit margins, at the same time as they have felt the banks' influence in competition for business. The surprising thing is that so many of the small houses survive and grow; and new ones are still appearing. That may be a result of the great boom in hire purchase business, which is more than half as large again as a year ago and has been carried to record levels by the budget boost. When hire purchase business becomes harder to find, the smaller concerns may have difficulty in standing their ground.

ATOMIC ENERGY

The Price of Pioneering

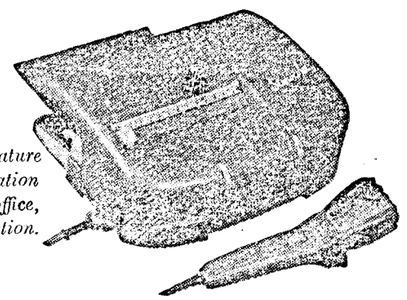
LORD CHANDOS has told shareholders of Associated Electrical Industries that AEI will "incur substantial losses" over the building of the Berkeley nuclear power station on the Severn. This is the first of two nuclear power stations being built for the Central Electricity Generating Board; the second is at Bradwell, being built by the Nuclear Power Plant Company. Two years' building experience by AEI has provided valuable pioneering knowledge, but at a cost. As Lord Chandos said, "It was impossible at the time the contracts were entered into to assess the difficulties or the modifications entailed by this entirely new adventure into the unknown."

This experience is not likely to be confined to the AEI-John Thompson group. The Nuclear Power Plant Company, which is also building a nuclear power station in Italy, may do rather better, but it would be surprising if any of the other four consortia did. The rapidly growing size of nuclear power stations now means that the 6,000 megawatt nuclear programme will be completed with fewer stations —perhaps another five or six in addition to the four already under construction. Yet each of the five consortia capable of building big base load power stations could start two new stations each year, and needs to start at least one new one each year to keep out of the red. That still leaves development costs to be recovered and they are heavy; the Atomic Energy Authority has done the basic design work on the Calder Hall type of power stations, but a great deal of engineering development has been left to industry. Of the five consortia, two have received two orders during the past four years, the Nuclear Power Plant Company and more recently General Electric. Two have one order, AEI and English Electric. The last group to be formed, Atomic Power Constructions, has no work as yet although it is in the running for the contract for the CEGB's first Welsh station to be awarded later this year. It will be a long time before the nuclear divisions of these groups begin to earn a profit. Their experience is not unique. For example, in Italy, where industry is planning to build power stations under licence from the United States, the companies have discovered that claims about the "simplicity" of nuclear reactors are greatly exaggerated when it comes to engineering them and they are radically revising their estimates of the effort and money to put the production of nuclear plant on a commercial footing.



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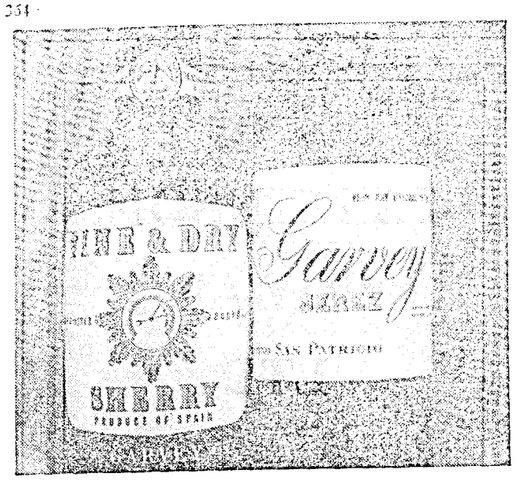
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THE FINANCE BILL

Parvum in Multo

THE finance bill proves, once again, that the only fiscal change a Chancellor can effect with simplicity is a change in the standard rate of income tax. Anything else involves a flood of technical drafting which stuns the layman and humbles even the experts. If this year's finance bill causes fewer headaches than usual it is because it is largely confined to a comparatively small group of matters which have already been explained in straightforward language in the budget statement.

The bill adds little to what is already known about investment allowances: they are reintroduced by the simple expedient of annulling the provisions of the 1956 Act which in turn annulled those sections of the 1954 Act which first introduced the allowances. After a few more years of box and cox things should get tougher. Surprisingly, no particular drafting difficulties seem to have arisen in running the investment allowances in double harness with the initial allowances but the allowances for dredging have been given a schedule to themselves to ensure that the work has been of a capital, and not of a revenue nature. Similarly, the provisions increasing the amount of controlling directors' remuneration which is allowable for profits tax will be clear to anyone who has read the financial statement.

The only new light on the Chancellor's intentions is in the clauses dealing with bond-washing. The means of the attack is to remove any advantage which would otherwise accrue to the person who buys securities full of dividend or interest and shortly afterwards sells them ex interest. If the buyer is a dealer in securities (other than a discount house or stockbroker) this object is attained by providing that for tax purposes the cost of the securities shall be reduced by the net dividend accrued at the time of the purchase so that any tax loss he may make on re-sale will be correspondingly reduced. If the buyer is a charity, pension fund or other tax exempt body the dividend or interest actually received will only qualify for repayment of tax to the extent that it accrued after the date of purchase. If, finally, the buyer carries on a trade but does not come within the previous categories a similar restriction will be imposed where the dividend received could otherwise be used to sustain a repayment claim in respect of a loss, or a subvention payment. All in all the intention of the clauses appears no more than a reasonable attempt to protect the Revenue from a growing loss—the more so as they do not apply if the resale takes place more than six months after the date of the original purchase.

Not in the Book

SATISFACTION with the main lines of Mr Amory's proposals has been coupled with regret at his neglect of tax reform. In recent years the pattern of the finance bill has become well defined. There have been the main changes dictated by fiscal, economic or political considerations. Then there have followed the clauses thought necessary to plug up loopholes—sometimes new ones, and sometimes old ones which have become too flagrant. And finally for good measure there has been a dose of tax reform based on the reports of the Tucker Committees or the Royal Commission. This year the first two ingredients are as before, but there is not a whisper about reform.

The disappointment is greatest on two counts. In the first place there had been hopes that the Revenue had been steeling itself to grasp the nettle of the basis of Schedule D assessment. The absurdities and inequities of the commencement and cessation rules and the "previous year" basis have been so fully ventilated and examined that it seemed that all that was lacking was the will to make the change. The will is not yet there, and another year has been lost.

The second regret is that nothing has been done to implement the Royal Commission's recommendation that the provisions for charging surtax on the undistributed profits of controlled companies should be modified. With the closing of the Cripps umbrella for accounting periods ending after August 1, 1957, the uncertainties of such companies have multiplied. No one knows what is the "reasonable dividend" which will satisfy the Special Commissioners at Thames Ditton—smoking room gossip varies between dividends absorbing from 25 per cent to 50 per cent of the available profits. It is true that the circumstances of different companies vary widely and that it is usually possible to pay a belated dividend to put matters right if the amount originally declared is deemed inadequate. But the crux of the complaint is not that the Special Commissioners are themselves unreasonable but that their ideas (which may well vary from individual to individual) are not subject to appeal and must be accepted unless the taxpayer is prepared to face the penal alternative of having a direction made on the whole of his profits. A *droit administratif* of this character is no credit to British fiscal machinery.

FOREIGN EXCHANGE

M. Rueff for Spain

COMMERCIAL demand for sterling has again been very much in evidence this week. It has come from most Continental countries, as well as the United States. The rate against the dollar has forged ahead as fast as the Exchange Equalisation Account has allowed it to go. It has risen this week from $2.81\frac{1}{2}$ to $2.81\frac{3}{4}$. In the process of holding it back the control must have acquired substantial amounts of dollars. Sterling has also been strong against most Continental currencies, gaining against French francs, D-marks and guilders. A small part of the demand for sterling has been on capital account though the greater part of this has been satisfied in the market for security sterling, where the discount against the official rate has fallen to $\frac{1}{4}$ per cent.

Considerable speculative interest has developed in the exchange market this week in the Spanish peseta which, following the visit of an International Monetary Fund mission to Spain, is said to be ripe for a devaluation and for the removal of the present confusion of multiple rates. The present official rate is 118 pesetas to the pound; there is a tourist rate of 156, while Spanish notes can be bought in the London market at 166. The French expert, M. Jacques Rueff, fresh from his success with the heavy franc, is proceeding to Spain as adviser on monetary reform in that country. The general belief is that if the devaluation is to be realistic it will have to be at least to the basis of the present tourist rate—and underpinned by severe monetary and fiscal measures.

RUSSIAN TRADE

Mission to Moscow

SIR DAVID ECCLES in the House of Commons last Tuesday described the purpose of the British Trade Delegation he is to lead to Moscow next month as "to negotiate an agreement affording increased scope for the trade between our two countries." The Board of Trade has pointed out this week that the level of direct British exports to Russia seems to depend mainly on the amounts of sterling that the Russians can earn, and the amount of sterling area raw materials that they need to buy. Expansion of British exports to Russia can thus be obtained only by increasing Russian exports to Britain or by our granting the Russians credit, if the expected further Russian orders for capital goods and other products follow those recently placed. Recent orders show the interest of the Russians in ordering complete plants or even complete factories, and their insistence on getting the most modern plant.

Few Russian exports to Britain are subject to import licensing; most are industrial materials which enter freely. The Russians may be hoping to expand their exports by offering consumer goods, but what do they think they can persuade the British public to buy? In many cases the expansion of Russian exports has been the result of agreements with state trading organisations in other countries; similar arrangements could not be imitated here. No doubt such British restrictions as there are on imports of consumer goods will be a subject for negotiation in Moscow, but there does not seem to be great natural scope for them in the British market.

Credit facilities for Russia are available under the normal facilities of the Export Credits Guarantee Department on the same terms as to other non-Commonwealth countries. Little use seems to have been made of the ECGD so far. Trade with Russia is not so desirable that it needs fostering on special terms not offered to other countries. The market and the credit facilities are the same for everyone; all the Russians can expect is the removal of such few restrictions as there are on their exports.

HIDES AND LEATHER

Less Meat, Dearer Shoes

THE rise in prices of hides has left all other commodities far behind. Since a long period of stability ended at the turn of the year they have risen by roughly 75 per cent. An Argentine ox hide (for sole leather) is now 26½d. a lb landed UK, 10d. dearer than at the end of December, and a New Zealand cow hide (for upper leather) is 14d. dearer at 32d. a lb. This remarkable advance has been caused almost entirely by a fall in supplies much more severe than was expected, and aggravated by the generally low level of stocks in consuming countries. Argentina, the largest exporter of hides, had been consuming and exporting meat at the expense of its stock of cattle, and slaughterings have had to be cut back sharply this year in order to rebuild the herds. In the United States farmers were forced to slaughter more cattle during the long years of drought; since it ended they have been rebuilding their herds and slaughterings fell last year by 13 per cent. But consumption of leather there has lately increased and the United States, in recent years a large exporter of hides, has been forced to buy on the world market. Slaughterings in New Zealand and other countries have also declined. Demand has now eased and the advance has slowed down. But as supplies cannot quickly be increased a sharp relapse in prices seems unlikely.

World demand for hides has increased in recent years, mainly because the Communist countries and Japan have been buying more. But it is hardly fair to blame soaring prices on the Communist countries, who appear to have been buying less heavily this year than last, though they are often prepared to pay more than other countries. The tanning industry in Britain has not welcomed this sharp change in the market. Just as beef faces competition from other forms of meat, so leather faces competition from rubber and synthetic materials which have won about half of the British market for soling materials. Imports of leather have also increased. And the tanners' ability to pass on increased costs has been restrained by the growing power of the big groups of shoe manufacturers and retailers. So far prices of leather have not fully reflected the current cost of hides. In time shoe manufacturers will also raise their prices or use lower qualities of leather or more substitute materials in their lower-priced lines.

SOUTH AFRICA

Gold for Millionaires

THE South African Reserve Bank announced this week that it is now ready to sell gold bars to private buyers outside the sterling area, but subject to the surprisingly high minimum of 25,000 ounces or about £310,000 for each individual purchase. There are few investors who will be able to come up to this starting point. The South African initiative appears to have been primed by the reasoning that if gold is being sold at a premium in various parts of the non-sterling world, that premium should accrue to South Africa. There is little substance in this contention. Where the premium is appreciable, as for example in Maçao, the traffic calls for a very high degree of discretion and no direct sales of South African gold could be made in such a market on the terms suggested by the Reserve Bank. South Africa may receive some direct orders for gold on the part of large investors and institutions that are prepared to allow their gold to remain in South Africa. On any other basis, shipping costs would make South Africa unable to compete with the London market. Nor is there in Johannesburg or Cape Town the kind of foreign exchange market in which gold could be readily converted into the foreign currencies that might be required by the holder. The new move by the South African Reserve Bank may have some prestige value, but it is unlikely to attract an appreciable amount of business.

OIL FROM COAL

"Gentlemen, Let's Re-examine . . ."

ABOUT 15 months ago the Ministry of Power received from Constructors John Brown Ltd. a "pre-project" report upon the possible economics of a synthesis plant designed to make oil out of coal, using a gasification process that seemed likely to be much simpler and cheaper than those employed in the few major oil-from-coal plants already operating in the world, such as SASOL in South Africa. The technique developed in it had come originally from the

Ministry's own scientific division: CJB, as a chemical engineering organisation, had taken this over under a development contract, and in co-operation with the British Coal Utilisation Research Association had brought the gasification forward to the pilot plant stage, in which trials are continuing. The Ministry mulled the question over, seeking opinions from outside, during most of last year; on several occasions it seemed on the verge of committing itself to financing development of a first full-scale synthesis plant.

This, in late 1957, was reckoned to cost some £30 million for a unit capable of turning about 2¼ million tons of coal into about 600,000 tons of liquid petroleum products, 30,000 tons of liquefied petroleum gases, and 80 million therms of town gas a year—and offering a gross 20 per cent return on the investment. The Ministry, however, never quite took the final step: and last week, rather than decide itself, it passed the whole question of new processes for gas and oil production over to a committee representing scientific, coal, gas and oil interests, under the chairmanship of Mr A. H. Wilson, deputy chairman and managing director in charge of research and development for Courtaulds.

Most of the people who know anything about this project are fairly partisan, one way or the other. The enthusiasts are wholly committed to developing this as a British process that may happen to meet Britain's need to use surplus small coals, but is most impressive in that if it could make liquid fuels economically from coal at British prices it would be a vast bargain in many other parts of the world: it would, equally, vie with some fairly similar processes that the Gas Council is developing as a way of making gas cheaply out of coal. They have aroused much scepticism inside the Ministry and also in the established gas-making and coal-processing plant industry. Any such process, in a wider sense, encounters two dangers: its immediate importance in Britain's fuel problems could be grossly exaggerated, or on the other hand the long-standing, and so far justified scepticism that the oil industry manifests towards synthetic oil processes could be evoked to write it off in advance as hopeless. When Sir Alexander Fleck was appointed to head the minister's scientific advisory council, many people in the argument hoped he might settle the question whether to go beyond the pilot stage. It is presumably on Sir Alexander's advice, however, that Lord Mills has decided to ask some other experts.

SHORTER NOTES

British export prices remained steady in March at 109 (1954=100) while import prices fell by one point to 97 owing to the decline in foods and fuels.

* * *

The Trades Union Congress has modified its opposition to the archaic Truck Acts, which permit payment of wages only in "coin of the realm." Accordingly, the Minister of Labour has set up a small independent committee to review the Acts and investigate the question of paying wages by cheque. Meanwhile, the minister hopes to introduce early legislation to circumvent the starkest anomalies, so that, for example, workers who are ill can be paid by postal order.

* * *

The directors of George Newnes have recommended shareholders not to accept the offer by the *News of the World* to acquire their ordinary shares at 110s. each.

The Austrian National Bank has lowered its Bank rate from 5 to 4½ per cent. This follows prolonged agitation for the move, inside and outside official circles. For reasons that were never very clear, the Finance Minister, Herr Kamitz, appeared to make "no change" a matter of principle. The interesting question now is whether he will agree to cut the rate on new government loans—which at 7 per cent is high for a country that has experienced some years of price stability and rising external reserves.

* * *

In the year to January 3rd last the consolidated trading profits of Home and Colonial Stores fell from £4,100,496 to £3,701,919 and its net profits from £1,660,997 to £1,637,459. Its ordinary dividend has been left unchanged at 10 per cent.

* * *

Encouraged by the example of banks in Britain, the big German banks are introducing personal loans on very much the same lines.

* * *

The European Investment Bank, which serves the six common market countries, is making its first investment, totalling the equivalent of $20 million, to the Cassa per il Mezzogiorno, the development fund for southern Italy. As reported earlier, this is part of a combined operation, in which the Cassa is also borrowing $20 million from the World Bank and $30 million on the New York market. Interest on the European Investment Bank loan is 5⅜ per cent, compared with 5¾ per cent on the World Bank loan.

* * *

Sales of raw wool from the British strategic stock are to be resumed at the London auctions beginning on May 27th. Limited quantities will be offered at an even rate over the year ending March, 1960. Sales were suspended in May last year owing to the weakness of the market; prices have recovered sharply this year. The strategic stock now amounts to 65 million lb, equal to about 1½ per cent of world consumption.

COMPANY AFFAIRS

Comments on pages 377–378 and 379 on

Cunard	Imperial Chemical Industries
Vickers	United Drapery Stores
Reyrolle	Simon-Carves
C. A. Parsons	Babcock and Wilcox
British Motor	West Riding Worsted & Woollen
Thomas Tilling	Spillers
Smith St. Aubyn	Allen, Harvey and Ross
Jessel, Toynbee	Cater, Brightwen

LONDON AND NEW YORK

Stocks, prices, yields and security Indices on page 380

LONDON STOCK EXCHANGE

The week's movements reported on page 379

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 382

COMPANY MEETINGS

BANCO DE MEXICO, SA

(MEXICO DF)

The thirty-seventh General Ordinary Stockholders Meeting of the Banco de Mexico, SA, was held recently, and the following is a summary of the Report submitted by the Board of Directors with regard to economic conditions of Mexico for the year 1958:

ECONOMIC ACTIVITY

During 1958, gross national product showed an increase in real terms—after adjusting for price rises—of 4 per cent, so that real production per capita continued to rise, although at a lesser rate of growth than in normal years. The advance was achieved in the face of a worldwide decrease in economic activity and a drop in prices of our main export products.

Total investment, public and private, registered a sustained high level of 14.5 per cent of gross national product, thus contributing substantially in raising both overall and per capita production.

Production increased in the various fields of economic activity as follows: agriculture, forestry, livestock and fishing, 9.7 per cent; petroleum industry, 14.0 per cent; electric power generated, 7.6 per cent; manufacturing, 3.9 per cent; and, transportation and communications, 3.0 per cent. Mining decreased by 2.2 per cent and construction *industry by 1.7 per cent.*

Agriculture.—Favourable weather conditions stimulated agricultural production, although heavy rains in some areas caused floods and the loss of crops.

An increase of approximately 11.0 per cent in the area devoted to the cultivation of cotton allowed the production of 2,304,000 bales. The 1957-58 sugar cane crop rose 10.3 per cent, yielding an unprecedented sugar production of 1,123,000 tons. The coffee crop rose 12.4 per cent and reached 1,324,000 bags. Outstanding corn and wheat crops during 1958 ensure an ample supply of grain without resorting to imports, as has been the case in previous years. Wheat production was 1,300,000 tons, which is more than enough to cover all domestic requirements. Ceimsa has stored 1 million tons of corn and wheat, a figure never before attained in the history of our country. In view of the heavy rains, the nation's storage dams are full and the level of well water has also risen

Livestock.—Grazing lands were improved by the heavy rainfall, without causing any *serious flood within the* cattle raising areas. Cattle exports were increased and the production of fresh meat rose sharply.

Poultry.—Poultry production rose, and the importation of eggs was reduced to almost one third of the 1957 figure.

Fishing.—The fishing industry, measured by the volume of catch by the nation's fishermen, showed some increase, as is apparent by increases of 17.6 per cent in the volume of fresh and frozen shrimp exports, and of 15.1 per cent in the exports of fresh fish and shell fish.

Forestry.—There was no increment in the production of forest products for national consumption, and the exports of both common and precious woods declined.

Mining.—The drop in metal prices provoked by unbalanced supply and demand in the world markets and by the import quotas set on lead and zinc by the US contracted overall mining activities. Nevertheless, the total reduction amounted only to 2.2 per cent as compared to 1957. Production of precious metals dropped by 0.4 per cent and of industrial metals by 5.3 per cent. The production of nonmetallic minerals, on the other hand, rose by 15.5 per cent.

World prices of metals, particularly copper, lead and zinc, suffered a sharp drop in the early part of the year which was sustained until close to the year's end, when a rising trend was established, especially with regard to copper.

Petroleum.—Both the production of crude and refined petroleum rose. The increase in *crude petroleum production* was 9.2 per cent. Refined petroleum production resulted in a considerable reduction in imports from abroad. By-products increased by 15.2 per cent, among which the more outstanding were: high octane gasoline, 170.4 per cent; mid-octane gasoline, 67.3 per cent; crude kerosene, 83.8 per cent; and refined kerosene, 26.7 per cent.

During 1958 proven oil reserves rose to 3,500 million bbl., and refining capacity expanded from the 1957 figure of 324,000 bbl. daily to 336,000.

Manufacturing.—In the course of 1958, the volume of production of the nation's manufacturing industry increased 3.9 per cent. This figure, although below the 1957 rate, may be considered satisfactory in view of the fact that in 1958 the lowest point of the worldwide economic recession was reached.

Foodstuffs, beverages, and tobacco showed an aggregate rise in their activities of 6.0 per cent. Textile production fell off by 1.0 per cent. The production of soap and detergents rose 19.0 per cent, and the match industry increased 7.6 per cent.

In the field of production goods, the iron and steel industry advanced 5.0 per cent, in which the production of iron ingots increased 16.0 per cent. The production of nonmetalic mineral products rose slightly, due largely to increased glass and cement production. There was a remarkable increment of 17.9 per cent in rubber goods. The production of fertilisers dropped 7.5 per cent, and the figures for paper and cellulose paste also showed a decline.

Electric Power.—Electric power generated rose by 7.6 per cent during 1958, and imports by 13.0 per cent, indicating an 8.0 per cent increase in apparent consumption of electric power. New generating capacity installed during 1958 represents a 10.0 per cent increase over the preceding year, with the public sector providing the major contribution.

Building and Construction.—The production volume of the building and construction industry during 1958 was 1.7 per cent below 1957. Public construction was slightly higher than during the previous year, and private construction decreased by 3.1 per cent.

Transportation and Communications.—Activity in the field of transportation and communications expanded by 3.0 per cent, primarily due to a 5.0 per cent increase in motor vehicle transportation as indicated by gasoline consumption, and to the increased activity of commercial airlines, which rose at a rate of 7.2 per cent. Railway transportation decreased by 1.0 per cent; freight movements fell off slightly, but there was a large drop in passenger traffic.

Commerce.—Commercial activity remained at a stable level, with no particularly outstanding increases.

Prices.—The average wholesale price index for 210 items in Mexico City rose by 4.4 per cent in 1958, as compared to the 1957 average. The primary cause was an unusual rise in the price of vegetables and fruit—caused by unfavourable weather conditions in certain areas—and of other foodstuffs, with the result that consumer goods prices in 1958 increased 5.6 per cent over 1957. Comparing the figures for December, 1957, with those for December, 1958, wholesale prices showed a 3.6 per cent increase.

MONEY, BANKING AND SECURITIES

The authorities directed monetary and credit policies toward similar objectives as in previous years; that is, maximum channeling of credit funds—in a manner compatible with monetary stability—toward satisfying the needs of production activities and legitimate trade, support of the banking system, and of the sound development of the securities market.

Money Supply.—As a result of measures taken during the course of the year and those which were adopted during previous years and still in effect, it was possible to attain an increase of 7.6 per cent in the total means of payment along with an increase of 17.9 per cent in total financing granted by the banking system. This rate of expansion is higher than those of previous years. It is four times greater than the volume of production of goods and services during the year, and twice as great as the total increment in the value of such production.

Loans.—In absolute figures, total loans granted to the private and the public sectors, by all official and private banks, rose by the extraordinary amount of 4,032.2 million pesos during 1958 to reach a record level of 26,498.8 million pesos.

As was to be expected, there was an unusual increase in requests for loans from both commerce and industry, stemming more from difficulties in sales and increased inventories than from any real increase in private investment plans executed during the year.

In spite of the considerable resources supplied by official and private banks during 1958 to meet the demand for loans, interest rates continued high, and there was a scarcity of peso resources in private banks for productive activities, due to the extensive deviation of funds by the public for hoarding made in foreign currency. The major part of the additional resources received by deposit and savings banks, and by private investment banks, was in dollars. The main contributing cause was the fear—not yet overcome during 1958—of a change in the parity rate of the Mexican peso with the dollar. There was a continued flow of resources into private investment banks in the course of 1958, as a consequence of the higher interest rates which they offer on funds received both in pesos and dollars.

The following figures clearly reflect the policy of channelling credits towards production. As of December 31, 1958, the loans granted by the banking system showed these increments: to industry, 1,449.2 million pesos, which represents a 17.6 per cent increase; to agriculture and cattle raising, 569.6 million pesos, which represents a 14.1 per cent rise; to commerce, 738.6 million pesos, which represents a 15.7 per cent growth.

Securities.—The volume of both stocks and bonds outstanding continued to rise during the year. The total number of transactions also rose, both on the securities exchange and over-the-counter, increasing 6 per cent over the previous year. The Banco de México and other official institutions supported the market firmly through their own transactions. At the same time, the policy of diversifying the securities available was accelerated in order to give them the features which the investors require for long term investment.

As of December 31, 1958, the volume of bonds outstanding reached the level of 12,534.1 million pesos, which is 1,524.2 million, or 13.8 per cent greater than the figure for December 31, 1957.

Bond quotations remained at a steady level; the average monthly index of Nacional Financiera (base: buyers 1947-49) was 102.4.

The average monthly index for stocks (base: buyers 1947-49) calculated by Nacional Financiera showed a drop of 8.5 per cent.

Gold and Silver.—During 1958 the Banco de México continued its domestic purchases of newly mined gold. As in previous years, the Bank followed its policy of observing the world silver market, in order to avoid excessive fluctuations in silver prices.

BALANCE OF PAYMENTS

It was highly satisfactory that in a year of world economic crisis, the unfavourable result of the balance of payments for the country was only 20.7 million dollars. The gross reserve of the Banco de México as of December 31, 1958, was 413.8 million dollars. On the other hand, the Bank's net reserve dropped 85.1 million dollars—from 441.2 million dollars on December 31, 1957, to 356.1 million on December 31, 1958—largely due to an abnormal increase in the net dollar and gold assets of private individuals and enterprises, and particularly of private banks. In the case of the banks the increase was the consequence of measures taken by the Banco de México to maintain the liquidity of the banking institutions in support of their internal liabilities in foreign exchange. The latest available figures indicate that during 1958 the public made use to a great extent of its capacity for converting pesos into dollars and gold, for hoarding.

It is worth noting that exports of goods did not fall, while imports of goods decreased, which helped maintain a sound position in our balance of payments.

Exports.—Total income from exports of goods and services—including tourism, remittances of Mexican agricultural labourers abroad, and others—amounted to 1,386.3 million dollars in 1958, slightly below the 1957 figure of 1,405.3 million; that is, a decrease of 19.2 million dollars. This small decline in income from the exports of goods and services was due to a somewhat reduced per capita expenditure by tourists visiting *this country, though the actual number of* tourists did not decrease.

The greater diversification and higher volume of our exports compensated for the reduced price of our main export items.

The value of our sales abroad of the following products decreased: coffee (80.5 million dollars, down 28.4 million); lead (34.9 million dollars, down 17.0 million); copper bars (24.9 million dollars, down 4.3 million); manganese ore; copper wire and cable; lead wire and sheet; peanuts; barium sulphate; vegetable wax; manufactured iron and steel; and molasses. Exports of crude petroleum and fuel oil declined in the face of increased national demand, of enlarged domestic refining capacity, and of improved distribution networks.

The value of our exports rose with regard to many products, particularly the following: cotton (190.2 million dollars, up 20.0 million); cattle (38.4 million dollars, up 17.4 million); fresh and frozen meat (12.4 million dollars, up 1.9 million); tomatoes (22.7 million dollars, up more than twice the 1957 figure); sulphur (23.2 million dollars, up 1.2 million); sugar (12.0 million dollars, up 4.5 million); fresh shrimp (32.0 million dollars, up 9.9 million); cotton linters; animal feeds; refined mercury; henequen yarn; processed and preserved vegetables; and natural and synthetic hormones.

Imports.—During 1958 imports of goods and services dropped 3.1 million dollars as compared to 1957, from 1,566.4 million to 1,563.3 million. Imports of merchandise alone were 1,128.6 million dollars, which is 26.5 million dollars below the 1957 figure of 1,155.4 million. This decrease is significant indeed, in view of the abnormally heavy corn imports. The total decrease in our purchases abroad—particularly in petroleum and its by-products—is an indication of the substitution of imports by national production. On the other hand, a moderate increase was noted in tourist expenditures abroad, in border transactions, in interest payments on official debt, and in yields of direct foreign investments.

Production goods again constituted a very high percentage—approximately 80 per cent —of total imports.

Tourism.—According to available estimates, income from tourist expenditures and border transactions declined from the 1957 figure of 590.5 million dollars to 565.0 million; this is 25.5 million less, or a reduction of 4.5 per cent. However, the number of tourists entering the country rose 2.6 per cent.

Direct Foreign Investments.—The flow of foreign resources into Mexico by way of direct foreign investments continued during 1958, accounting for a total of 100.2 million dollars. Nevertheless, this figure is 39.4 million dollars less than the amount invested in 1957.

Gross direct foreign investments represented 7.7 per cent of the nation's gross investment during 1958, as compared to 11.3 per cent in 1957.

Foreign Loans.—Medium and long term loans obtained abroad by Nacional Financiera and other institutions, to foster economic development, yielded a net income of 107.4 million dollars, which is 31.6 million more than the income obtained in 1957. Loans utilised rose from 143.2 million dollars to 230.6 million, while amortisations increased from 81.7 million dollars to 135.5 million.

Of the total loans utilised, amounting to 230.6 million dollars, 29.2 per cent was for the petroleum industry, 16.0 per cent for railways, 8.0 per cent for electric power generation, 8.1 per cent for the construction of transportation equipment, 7.1 per cent for the iron and steel industry, and the rest for agriculture, manufacture of machinery, fertilisers, and other items.

PUBLIC FINANCE

The fiscal policy of the Federal Government contributed to sustain domestic economic activity and the foreign markets of our export products. Through its public investment the government also contributed to increase the productive capacity of the nation.

Revenue.—Total cash revenue of the Federal Government—including budget and non-budget items—advanced 359.1 million pesos—from 8,485.0 million to 8,884.1 million—which represents an increase of 4.7 per cent over 1957. This increased revenue was achieved in spite of a lower income from export taxes and the reduced rate of increase on returns from the income tax.

The increase in revenue was due especially to higher yields in the following items: *import duties*, by 31.9 per cent; sales tax, by 17.4 per cent; and taxes on production and commerce of industrial goods and services, by 22.8 per cent. The one item of fiscal revenue which suffered the sharpest decrease was the export tax yield, which declined 144.0 million pesos during 1958, or 13.8 per cent under the 1957 figure. This reduction can be attributed largely to a drop in the international prices of our main export products, which forced the Federal Government to reduce export taxes to safeguard our foreign markets.

Expenditures.—Total cash expenditures—excluding debt amortisations—rose 882.6 million pesos, from 8,894.8 million to 9,777.4 million. This 10.0 per cent increase exceeded the rise in fiscal revenue, and therefore the Federal Government incurred a deficit of 893.3 million pesos, according to preliminary fiscal data. The growth in Federal expenditure was largely due to increased subsidies granted to various semi-official institutions and government enterprises, to cover increased current expenses, and a rise in salaries paid to government employees.

Public Investment.—In order to continue to stimulate the nation's economic development, total public investment during 1958—5,512.2 million pesos—was maintained at a level similar to 1957.

HENEKEYS LIMITED

The thirty-ninth annual general meeting of Henekeys Limited was held on April 22nd in London, Sir Bernard Docker, KBE, JP (the Chairman), presiding.

The following is an extract from his circulated statement: I consider the general position satisfactory, especially when you remember that I reported last year that we had lost the Hammersmith Branch.

Our profits before taxation at £157,214 are down by £8,912. I estimate that £5,000 of this was the inevitable loss which follows a reduction of duty at the budget. However, we are not complaining about the cost, as we regard the reduction as a step in the right direction. The profits after taxation are up by £7,088, compared with 1957-58, by reason of the reduction in the rate of Profits Tax, lower provision for Income Tax this year, and also by bringing in £10,000 past provision for taxation no longer required.

Since the end of the year we have opened new branches at Wandsworth and Southwark, both of which should show satisfactory profits.

As to the future, the swing from bar to off-licence trade continues, and we are actively engaged in the modernisation of our off-licence departments.

The report was adopted and at a subsequent extraordinary general meeting resolutions were passed changing the denomination of the existing Preference Stock, increasing the capital of the company, altering the *Articles of Association, and making* a free issue to the holders of the "A" Ordinary stock and Ordinary stock of the company of three 7 per cent Cumulative Second Preference shares of £1 each for each 16 5s. units of stock held.

THE EAST ASIATIC COMPANY LIMITED

(Aktieselskabet Det Østasiatiske Kompagni)

COPENHAGEN, DENMARK

The following is a summary for the financial year 1958, presented by the Board of The East Asiatic Company Limited, at the Company's Annual General Meeting in Copenhagen on April 10, 1959 :

The general uncertainty which was so pronounced in 1957, persisted in 1958. Both economic and political factors are manifesting themselves and world trade is marked to an increasing extent by Government interventions and ordinances which must naturally influence the activities of a company with a structure such as the East Asiatic Company.

Endeavours have constantly been made to adapt the activities of the Company to these new conditions and to find the equilibrium between the various forces, gradually as they have solidified. The recently established common market and the negotiations about a free trade area are essential elements in this process of adaptation. It is hoped that agreement will be reached on a combination of these two constructive trends of thought which will be of great importance not only to Denmark, but also internationally. A conflict may have unfortunate consequences to Europe in many ways and may affect the possibility of establishing a useful and lasting collaboration with overseas countries which, quite naturally, in the building-up of their new economy, will hesitate to attach themselves to a territory which does not display a higher degree of stability and harmony.

The established convertibility of the currencies of a number of countries may also exert a great influence, but it is too early to express a final opinion on this point. As long as a number of provisions governing the movements of goods are still to remain in force, the rules introduced in respect of convertibility will have no thorough-going effect. It is also necessary to wait and see whether the common market will fully operate according to its purpose, for in that case it may, also in the monetary field, involve the creation of a common coinage.

SHIPPING DEPARTMENT

The freight market was extremely dull throughout the year, first and foremost on account of a marked recession in the demand for space, and, secondly, in consequence of the increasing world tonnage.

The Company finds it satisfactory that all its ships have been employed in the well-established routes, and that the working results have enabled the Company to make further provision for depreciation on the ships in accordance with the wish for continued consolidation.

In the course of the year delivery has been taken of the MS "Beira" from Burmeister & Wain and of the MT "Annam" from Nakskov Shipbuilding Yard, while the two oldest ships, the MS "Asia," built in 1919, and the MS "Java," built in 1921, were sold to shipbreakers. The difference between the booked value and the sales proceeds of these two ships, kr. 2,588,849.67, has been transferred to a Ships' Newbuilding Fund II.

The Company's fleet at the end of the year consists of 37 motor vessels of a total carrying capacity of 384,432 tons ; the average age of the ships is 9 years and their book value is kr. 436.26 per ton dw.

At the close of the year seven ships were under construction or on order: two 10,200 tons cargo vessels from Burmeister & Wain, three 18,500 tons tankers and two 12,200 tons cargo vessels from Nakskov Shipbuilding Yard ; they will be delivered in the course of the next three years.

In 1958 the ships were written off by kr. 18,382,022.62.

The two turbine-tankers of 35,000 tons each ordered by Nordic Tankships I/S (Partnership) have been launched ; they were named "Nordic Hawk" and "Nordic Heron." These new ships will be put into service in 1959.

THE TRADING DEPARTMENTS

The world trade is passing through a period of recession with declining demand for raw materials and falling prices.

The Trading Departments of the Head Office have, nevertheless, been able to maintain turnover and profits, *inter alia*, through an increased participation in the grain trade and in the export trade from the home country and the European supplying countries.

The Wood Department has also experienced increased activity.

The Company's business in the pharmaceutical line is being developed in a satisfactory way by the subsidiary company "Dumex" in co-operation with Danish and international pharmaceutical enterprises.

THE COMPANY'S OVERSEAS BRANCHES AND ASSOCIATED COMPANIES

In several countries in which the Company is working the world market prices of raw materials exert a strong influence on the development, and the resultant adversity has influenced the import trade and the economic expansion.

The trading conditions in Thailand, the Federation of Malaya and Singapore were affected thereby, and adequate depreciations have been made on the stocks-in-trade.

The markets were rather dull in Burma and Indo-China, while activities in Indonesia were influenced by political unrest.

The consolidation of the activities in India and Pakistan has continued.

On the African continent the Company's working result as a whole has been satisfactory.

Several of the South American states in which the Company has offices have passed through economic crises with a resultant devaluation of money, but the volume of business has been maintained.

As to Canada a satisfactory result of the forest and sawmill activities of the Talsis Company may be emphasised.

In other overseas fields of operation the business activity has been maintained on lines previously laid down.

PARTICIPATION IN OTHER COMPANIES

With the addition of new investments these interests stand in the Balance Sheet at kr. 84,565,870.50 against which there is a Security Fund showing a reserve of kr. 6,215,585.95.

The participation in Nordic Tankships I/S (Partnership) amounts to kr. 17,992,131.08 as at December 31, 1958.

RESULTS

From Shipping	Kr.	38,604,880.43
From Trade	„	10,527,349.19
Overseas Branches	„	55,043,469.90
Dividends from Investments in other Companies	„	4,926,858.15
	Kr.	109,102,557.67
Less : Interest and Financing Expenses	„	3,631,189.29
	Kr.	105,471,368.38
From which is to be deducted:		
Administration Expenses at Head Office and Overseas Branches	Kr. 55,512,774.51	
Allocation for Taxes	„ 7,966,351.00	
	„	63,479,125.51
	Kr.	41,992,242.87
Less : Depreciation	„	21,893,021.99
	Kr.	20,099,220.88
Balance brought forward from last year	„	8,367,500.36
at disposal	Kr.	28,466,721.24

which it is proposed to apply as follows : to pay to the shareholders a dividend of 14 per cent, to distribute an amount of kr. 3,871,823.60 to the Board, Managing Directors and Employees as bonus, to allocate kr. 3,000,000.00 to the Extra Reserve Fund, kr. 3,000,000.00 to the Pension Fund, kr. 1,000,000.00 to the Insurance Fund, kr. 1,000,000.00 to the Extra Depreciation Fund for Buildings and Furniture, besides kr. 500,000.00 to the Benevolent Fund, kr. 500,000.00 to the Research Fund, leaving kr. 8,594,892.64 to be carried forward to next year.

A VIRILE AND PROGRESSIVE ORGANISATION

"Important new acquisitions add greatly to overall strength . . ."

Lord Chandos

IN the course of his extensive review of the Group's activities and interests, Lord Chandos, Chairman, at the Annual General Meeting of Associated Electrical Industries Limited, said:

In 1958 the total value of electrical apparatus shipped and invoiced to our customers amounted to £181,500,000 and surpassed the previous record of 1957 by £31,500,000. The profits, however, did not increase in step with the increased output. The main cause why profits were not more buoyant is that they are still affected by the heavy initial cost of starting new plants.

Commenting on what he described as perhaps the outstanding feature of the year, viz. the addition to the A.E.I. Group of two new companies, Associated Insulation Products and W. T. Henley's Telegraph Works Company Limited, Lord Chandos said: They add greatly to the strength of the undertaking, which is at once balanced and comprehensive. We cover automatically the whole range of electrical products, from the largest machines for the generation of power, such as turbine generators and water wheel alternators, down to the smallest devices used in its application, such as miniature lamps and transistors.

At the end of the year we reached an agreement with the Directors of London Electric Wire Company & Smiths, and we are very much gratified that this famous and long established Company should have joined the A.E.I. Group.

From its new factories, from its improvements in organisation, from its very large educational facilities and from its efforts in research and development, your Company is well placed to take its part in the further expansion of the electrical industry which, both from the experience derived from its history and from its apparent prospects, appears assured.

Associated Electrical Industries Limited AEI

THE NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

HIGH BONUSES MAINTAINED

MR KENNETH MOORE'S STATEMENT

The Annual General Meeting of The National Mutual Life Assurance Society was held on April 21st at the head office of the Society, 39 King Street, London, E.C.

Mr Kenneth A. E. Moore, FCA, the chairman, who presided, said that as things had turned out the recession, of which there were so many disquieting symptoms when he had addressed the Society's members a year ago, had not been allowed to degenerate into a slump. In the event investment values here and in North America had improved and the Society had reaped substantial benefit from the recovery in stock markets. The appreciation in the past year had enabled the Reserve Fund to be brought up to £1,500,000, representing about 12½ per cent of the Society's portfolio, or nearly 40 per cent of the holding in equities. Mr Moore then went on to give some figures of the movement during the year between fixed interest stocks and ordinary stocks, both sterling and dollar. These showed that the percentage of ordinary shares had risen during the year from 17 per cent to 23 per cent of the Society's total assets.

There was, however, still need for caution in investment policy since although there had been a definite change in Government policy from deflation to reflation, the world was not yet out of the recessionary wood, many international problems remained to be solved, and moreover there was the growing shadow of a General Election in this country.

GROWTH OF NEW BUSINESS

The chairman then dealt with the Society's affairs, which revealed that New business was up by 25 per cent on the previous year and had reached nearly four times its prewar level. Interest earnings at £5 5s. 1d. were slightly lower than in the previous year, partly due to the rise in security prices and partly to the fact that of the investments in ordinary stocks many were of a growth type with low interest yield. In general, however, these were the very stocks which showed the highest appreciation. Mortality profits had again been satisfactory.

The biennial valuation of the liabilities at December 31, 1958, had shown a surplus which had enabled the Board to allot reversionary bonuses for the years 1957 and 1958 at the same high rates as for the previous biennium—52s. 6d. per cent per annum compound for whole life and 47s. 6d. per cent per annum compound for endowment policies. Examples were given of the growth of a policy for £1,000 taken out forty years ago which, with the addition of bonuses, was now worth £2,315 for whole life or £2,124 for endowment, in spite of all the crises which had bedevilled the world since 1919.

Mr Moore placed on record the thanks of the Directors to Mr M. H. Oram, the Actuary and Manager, to the officials and to the staff both at Head Office and at the branches for their contribution to the continued success of the Society.

Mr Moore also paid a sincere tribute to Mr Oswald T. Falk, who, after serving over forty years as a director, including eighteen years as Deputy Chairman, was not seeking re-election.

The report and accounts were unanimously adopted.

TELEPHONE AND GENERAL TRUST LIMITED

PROGRESS OF OPERATING COMPANIES REVIEWED

SIR ALEXANDER ROGER'S STATEMENT

The Thirty-third Annual General Meeting of Telephone and General Trust Limited will be held on April 28th at Strowger House, 8 Arundel Street, London, W.C.

The following is an extract from the statement by the Chairman and Managing Director, Sir Alexander Roger, KCIE, which has been circulated to shareholders:

The net profit of the Trust—the holding Company—at £198,633 is £12,783 more than in 1957. Taxation amounted to £186,600—a decrease of £15,350, of which £13,250 was in the charge for profits tax.

We have again transferred £50,000 to general reserve, bringing the balance thereon to £300,000.

We are recommending for your approval a final Ordinary dividend of 9 per cent, making with the 5 per cent interim paid in October last 14 per cent for the year, which rate is also to be paid on the "A" Ordinary stock—as against 13 per cent paid for 1957.

The balance carried forward on profit and loss account is increased by £9,368 to £197,950.

BALANCE SHEET

A transfer of £125,000 from investment suspense account to capital reserve—general—increases the balance thereon to £499,250, which together with £300,750 on share premium accounts makes a total of £800,000 in capital reserves.

Revenue reserves increased by £59,368 to £597,950.

A market value of £4,486,456 for quoted investments represents an appreciation of £2,470,208 on the net book cost of £2,016,248—a very satisfactory position again emphasising the strength of our general investments.

Interests in subsidiary companies have increased by £118,932 to a total of £3,195,570.

CONSOLIDATED ACCOUNTS

The consolidated reserves attributable to the holding company total £2,203,933—an increase of £220,722.

Interests of minority shareholders have increased from £1,931,010 to £2,166,676, mainly due to a successful local issue of Ordinary capital by one of our overseas subsidiaries, and to some changes in our holdings in another subsidiary.

TELEPHONE OPERATING COMPANIES

Portugal.—The Trust has been a co-partner of The Anglo-Portuguese Telephone Company for over 31 years.

During this time the Company has steadily expanded and developed the telephone systems of its Concession which cover the city and suburban areas of Lisbon and Oporto.

This has necessitated a constant flow of fresh capital and in fact, since June, 1950, £8,825,000 of new money has been raised in Great Britain and in Portugal to provide the plant and equipment to keep pace with the requirements of the telephone public.

The Trust has played an important role in the financial operations of The Anglo-Portuguese Telephone Company, not only in connection with new issues but in the provision of temporary loans on a day to day basis until such times as cash was available to the Company to refund the loans.

There is an unceasing demand for additional service and over 20,300 new telephone stations were connected during 1958, increasing the total number at December 31, 1958, to over 229,800.

West Indies.—I told you last year that the telephone operating companies in which we are interested in Jamaica, Trinidad and Tobago and Barbados spent collectively during 1957 some £835,000 on the expansion and improvement of their systems. During 1958 a further £1,227,000 was similarly expended, which is an indication of the contribution being made by these companies with our assistance towards the industrial, commercial, and social development in these territories. Stations in service increased during the year by 6,250 to a total of 68,800.

In Jamaica and Barbados where development and operating are proceeding satisfactorily the financing of the above expenditure was helped considerably by local issues of debentures and Ordinary shares respectively.

We had hoped it would also have been possible to raise new capital locally in Trinidad but circumstances arose which made this impracticable for the present.

An application for a revision of telephone tariffs, as provided for in the Trinidad Telephone Ordinance under which the Trinidad Company operates, was made in January, 1958.

Since then representatives of the Company in Trinidad and from London have, on several occasions, seen representatives of the Trinidad Government in an endeavour to get their approval to the Company's application.

Unfortunately, these approaches have not so far been successful and it appears at this date that the Company will require to obtain a legal ruling of the Ordinance, and a Writ towards this end has been filed. The Company, of course, is ready at any time to enter into further talks with the Government if there is any possibility of progress being made.

Because of the delay in obtaining a tariff revision, the Trinidad Company has been unable to obtain the finance it needs for expansion of its network and, consequently, telephone development in Trinidad and Tobago has virtually come to a standstill. This has already begun to affect the Company's earning capacity and in turn the dividends receivable by the Trust.

The present position must be viewed with concern by all interested in the overall development of Trinidad and Tobago, where the Government is making every endeavour to attract new industries and capital in furtherance of its economic aims, and in which telecommunications must play such a vital part. We remain hopeful that a settlement will be reached without further undue delay.

GENERAL

Our portfolio of general investments together with the revenues from our Telephone Operating interests, encourages us to anticipate another satisfactory year.

LAMBETH BUILDING SOCIETY

The One Hundred and Seventh Annual General Meeting of the Lambeth Building Society was held on April 21, 1959, in London, Mr J. C. Crofts, the Chairman, presiding. The following is an extract from his statement to members: There have been satisfactory increases in your Society's Assets and its Reserve Funds. The Liquid Funds have been maintained at a high level.

The total assets now amount to £7,126,232 7s. 3d., the highest in your Society's long history, having increased by £946,928 5s. 7d. during the year. No less a sum than £1,356,509 18s. 9d. was received from Investors for the credit of Share Accounts during the year and the total balance due to Shareholders at January 31, 1959, had increased to £5,840,365 19s. 10d.

Your Society advanced during the year the sum of £1,253,463 almost entirely upon the security of private dwelling houses purchased or being erected for owner-occupation. The sum owing on Mortgages at the end of the financial year increased to £5,621,450 2s. 2d.

I would like once again to pay tribute to the regularity with which all but a minute fraction of the Society's Borrowing Members have punctually and fully met their commitments to it. For the seventh year in succession no loss whatever has been sustained by your Society on the rare occasions when it has been necessary to dispose of any mortgaged property by a sale, and in the fourteen years since the end of the war in 1945, a sum of only £295 18s. 6d. has been lost by the Society on the realisation of mortgaged properties. This is a remarkable record and is evidence of the care shown by your Directors in the selection of Mortgages on which your Society's funds are advanced. It will be observed that no Mortgages whatever appear in Parts II, III, IV and V of the Schedule to the Accounts.

After providing for all expenses, interest to Depositors and Shareholders for the period ended January 31, 1959, Income Tax up to April 5, 1959, and Profits Tax for the year ended January 31, 1959, the Society has an available surplus of £17,728 7s. 4d., to which is added the balance brought forward from last year, namely, £12,336 6s. 9d. The Directors have appropriated £20,000 to the Investment Reserve leaving £10,064 14s. 1d. to be carried forward to next year.

The total Reserves and undistributed surplus at January 31, 1959, has increased by £17,728 7s. 4d. to the substantial total of £460,164 14s. 1d., which is equivalent to 6.97 per cent of the total sum due to Shareholders and Depositors, to 8.19 per cent of the amount of your Society's Mortgage Assets and to 6.46 per cent of its Total Assets. These percentages are well above the average for Building Societies as a whole.

Despite the substantial volume of advances made by your Society during the year, an adequate level of Liquid Funds was maintained at all times and at the close of business on January 31, 1959, the Liquid Funds totalled no less than £1,477,940 9s. 1d., representing 22.39 per cent of the total sum due to Shareholders and Depositors and 20.74 per cent of the Total Assets, which latter percentage is nearly three times the 7½ per cent prescribed by the Building Societies Association as a required minimum for membership. All the Society's British Government Trustee Securities consist of Stocks with fixed dates for redemption at par and have a book value of £555,479 12s. and all stand in the Society's books at or below their par redemption value. The accounts were adopted.

COMPAGNIE D'OUTREMER POUR L'INDUSTRIE ET LA FINANCE BRUSSELS

EXTRAORDINARY GENERAL MEETING

ACQUISITION OF PARTNERSHIP INTEREST IN BANQUE LAMBERT, BRUSSELS

At a meeting of this important Belgian holding company, held in Brussels on April 10th, it was unanimously decided to increase the Capital from Bfrs.1,300 million to Bfrs.1,750 million, by the creation of 450,000 new Ordinary Shares, which will qualify for dividend from October 1, 1959.

The new shares, which are augmented by a cash sum of Bfrs.13,893,000, will replace the partnership interest in the Banque Lambert, a partnership with a nominal capital of Bfrs.200 million.

According to the announcement made at the Meeting on April 10th, the net value of the Banque Lambert has been estimated at Bfrs.464 million. The weighted annual profits stand at Bfrs.41.75 million.

The acquisition of the partnership interest by the Compagnie d'Outremer in no way alters the private character of the Banque Lambert and henceforth the Compagnie d'Outremer-Banque Lambert Group represents an organisation similar to the finance houses already existing in France, Germany, Switzerland and Holland.

This operation lends a definitive character to the already close ties which exist between the Compagnie d'Outremer and the Bank. The Lambert family holds now, and will maintain, a controlling interest in the Compagnie d'Outremer and consequently in the Bank.

The evolution of the latter since 1953 is characterised by a short, very rapid progression. The yearly balance sheet total has moved from Bfrs.2,059 million to Bfrs.4,482 million, Deposits have increased from Bfrs. 1,660 million to Bfrs.3,014 million. The volume of credits recorded has swollen from Bfrs.700 million to Bfrs.2,408 million and the value of shares on deposit has risen from Bfrs. 3,866 million to Bfrs.14,427 million.

On numerous occasions, the Bank has taken the initiative in the field of international credit and in the placing of loans on foreign markets. It figures among the founders of the Syndicat Européen d'Etudes et de Financement, the fruit of which has been the formation of the European Unit Trust, *Eurunion*, which has met with great success on the markets of the Continent.

Furthermore, the Bank has reopened the Belgian Stock Exchange to foreign securities by the creation of Bearer Certificates in representation of Registered Shares. It has already obtained the quotation of 21 foreign stocks and the certificates currently in circulation represent an overall value of Frs.4,500 million.

GEGR. 1869

BAYERISCHE VEREINSBANK

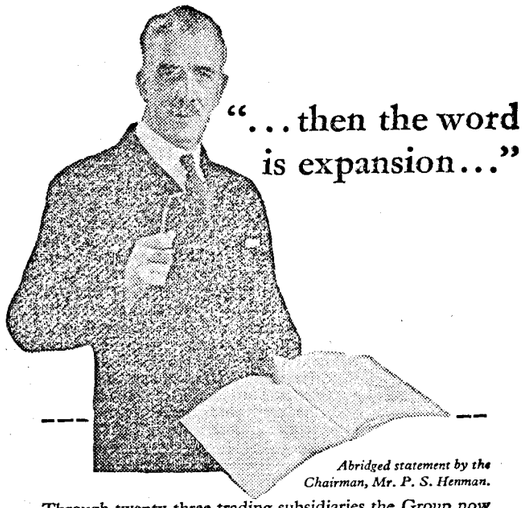
MUNICH NUREMBERG

Condensed Balance Sheet as at 31st December, 1958

ASSETS	In 1000 DM	LIABILITIES	In 1000 DM
Cash	20.921	Deposits	1.142.101
Balances at Deutsche Bundesbank	111.415	thereof	
Balances on Postal Cheque Account	7.885	a) Sight Deposits 442.260	
Balances at Credit Institutions (Nostro-Balances)	73.955	b) Time Deposits 357.147	
Matured Bonds, Interest and Dividend Coupons	248	c) Savings Deposits 342.674	
Uncleared Cheques on other Banks	13.768	Monies Borrowed at Short Term	4.798
Bills of Exchange	235.742	Own Acceptances and Promissory Notes	2.407
Treasury Bills and Non-Interest-Bearing Treasury Bonds of the German Federal Government and the Lands	41.995	Monies Borrowed at Medium Term	6.921
Securities	159.634	Loans taken at Long Term by the Banking Department	79.421
Own Mortgage Bonds and Municipal Bonds	4.203	Loans taken at Long Term by the Mortgage Department	71.063
Equalisation Claims and Covering Claims on the Public Authorities	116.674	Bonds Issued outstanding in the Market (Mortgage and Municipal Bonds)	775.385
Holdings in Syndicates	33.605	Loans on a Trust Basis at Third Party Risk	13.363
Debtors	408.398	Capital	50.000
Long-Term Lendings of the Banking Department	139.764	Reserves	33.000
Long-Term Lendings of the Mortgage Department (against Mortgages on Real Estate and to Municipalities)	803.714	Pensions Reserve	23.500
Loans on a Trust Basis at Third Party Risk	13.363	Other Reserves for Special Purposes	29.699
Participations	33.478	Other Liabilities	29.397
Bank Premises	18.677	Net Profit	5.816
Other Real Estate and Buildings taken in the course of Mortgage Business	1.159		
Office Furniture and Equipment	—		
Own Shares	—		
Other Assets	19.317		
	2.257.665		2.257.665
		Own Drawings in Circulation	—
		Liabilities arising from Guarantees, including Guarantees of Bills and Cheques, and from Indemnity Agreements	84.715
		Endorsement Liabilities on Bills of Exchange in Circulation	12.247

Munich, April 1959

Board of Management: Wilhelm tom Dieck, Munich; Albin Hartlig, Munich; Jürgen von Köller, Munich; Dr. Werner Premauer, Munich; Dr. Gorman Schweiger, Nuremberg; Dr. Franz Steffan, Munich; Dr. Werner Teichmann, Munich; Dr. Hans Christoph Freiherr von Tucher, Munich; Elmar Warning, Munich.
Board of Directors: Dr. Ludwig Mellinger, Munich, Chairman; Dr.-Ing. E. h. Karl Butzengeiger, Kommerzienrat, Munich, Vice-Chairman.



Abridged statement by the Chairman, Mr. P. S. Henman.

Through twenty-three trading subsidiaries the Group now operates almost 500 road haulage vehicles, 330 barges, 30 wharves, 80 warehouses, and 5 cold stores, providing transport and storage services in many different fields, and to a diversity of trades and industries.

Group profit for the year ended 31st December, 1958, before tax and including profits earned by subsidiaries prior to acquisition, totals £413,578, which is £76,376 more than the corresponding figure for 1957. The profit for the year after tax attributable to the Group is £208,580, an increase of £58,302 over the previous year.

In addition to recommending a final dividend of 7½%, making 12½% for the year, the Directors have declared a special non-recurring interim dividend of 2½% in respect of 1959. This will not be taken into account when consideration is given to the payment of further dividends for 1959. The Directors also propose that a distribution of 1% free of tax be made from accumulated capital profits and that Reserves amounting to £294,560 be applied in paying up in full, 1,178,240 Ordinary Shares of 5s. each, such shares to be distributed in the proportion of one new Share for each three Ordinary Shares held on 3rd April, 1959.

The most important Group development during the year was the purchase at a cost of £363,000, of the Cardiff Pure Ice and Cold Storage Co. Ltd. and Welsh Cold Stores & Ice Co. Ltd. Cold storage will make a substantial contribution to Group profits in the future. New warehouses were built at Trinity Wharf in London and at Homco Wharf in Hull. The vehicle fleets were increased and the haulage service to Western Europe, inaugurated in 1957, was extended. A new canal barge, the first of a number designed to replace barges of smaller capacity, was constructed in the company's yards at Millwall, and in Hull a new power vessel was launched.

DEVELOPMENT If the future of the Group can be summed up in one word, then the word is 'Expansion'. Expansion of existing facilities and the acquisition of additional companies, but expansion and development to an ordered and cohesive pattern. We welcome approaches from companies which might fit into the Group pattern, for we have much to offer such companies. We seek from them a sound profit record, and a virile management wishing to continue in the service of the Group. In return we offer them all the benefits of a large scale organisation, with capital for development and expansion, without any loss of their individual identity, goodwill, or traditions.

FUTURE PROSPECTS In the first six months of 1958 trading was ahead of the same period in 1957 and then in the last six months the position was reversed. This year, so far, the pattern of the last six months of 1958 has continued but there are signs that there may be a general revival of trade in the latter half of this year which will enable us to continue the progress of past years. I therefore hope that, when I come to give an account of 1959, shareholders will have reasons for satisfaction.

TD GROUP **TRANSPORT DEVELOPMENT GROUP LTD**
BUCKLERSBURY HOUSE QUEEN VICTORIA STREET · LONDON E.C.4
ROAD TRANSPORT · LIGHTERAGE · WHARFAGE · WAREHOUSING

SNIA VISCOSA

SOCIETA' NAZIONALE INDUSTRIA APPLICAZIONI VISCOSA

(Manufacturers of Man-made and Synthetic Fibres)

PROGRESS IN RESEARCH

The Annual General Meeting was held in Milan on March 21st, with Mr Franco Marinotti in the Chair.

The Directors' report begins by reviewing the situation of the man-made fibre industry throughout the world. Italian output during 1958 amounted to 351 million lbs compared with 365 million lbs in 1957. Generally speaking, however, production increased in the course of the year and at the end of 1958 prospects were decidedly better. Exports both of fibres and of finished goods maintained a remarkably steady level. The report further reviews the situation of the Snia Viscosa Group itself which produced a total of 212 million lbs of fibres in 1958 as against 230 million lbs in 1957. There was a redistribution of stocks, however, in the course of the year so that invoiced deliveries in the home market as well as abroad dropped to a lesser degree, amounting to 223 million lbs, as against 227 million lbs in the preceding year. During the period under review the Snia Viscosa Group considerably developed the production of synthetic and protein fibres, especially of Lilion and Rilsan, which were also sold in the form of plastic materials. Progress was also made in strengthening the plants for the production of the raw materials needed by the Group, as well as in research into the production of new polyamide, polyacrinolitrilic and polyester fibres. Glass fibre yarn production was also developed during the year. The situation of the Group's asociated companies in Italy and abroad proved satisfactory.

Cisa Viscosa continued its efforts to cut production costs and upgrade the quality of its products. Work is proceeding at the Naples factory on setting up a plant for the production of cellophane.

SAICI. Output of its various products (cellulose, alcohol, soda, chlorine, sodium hypochlorite, electric power) continued at the same rate as in the previous year.

Novaceta, a Company manufacturing rayon acetate, continued to make a name for itself in the face of keen competition through the quality of its product and the efficiency of its sales organisation.

In Spain, *Sniace* managed to maintain its rate of production in spite of the critical time through which the Spanish economy is passing. The financial year 1958 closed with satisfactory results.

In Argentina, *Sniafa* made satisfactory progress, and increased both production and sales.

Fibra in Brazil pushed ahead with its programme according to plan in spite of various difficulties and a complicated market situation.

Cechisa and *Vischisa,* the Company's two Mexican subsidiaries, did well during the year and showed satisfactory financial results.

The Balance Sheet closed with a net profit of Lit.2,138 million compared with Lit.1,965 million for the preceding year. As a result it has been possible to allocate funds for dividend payments of Lit.100 in respect of each Lit.1,200 nominal share. During the Extraordinary General Meeting which took place on the same day it was proposed to increase the Company's capital from Lit.21,000 million to Lit.27,450 million by a share issue with a nominal value of Lit.5,250 million, to be offered to shareholders at face value, and by means of an issue of bonus shares amounting to Lit.1,200 million.

In the course of the discussion the Chairman, Mr Marinotti, further developed certain points already touched on in the Report itself. He drew the Meeting's attention to the intense efforts made in the research sector which had contributed to increasing the technical efficiency of the Snia Viscosa Group and to extending its activities both in the field of raw materials and in regard to new products. As regards the integration of the Italian man-made fibre industry in the European Common Market, the Chairman declared that this development had not found the Group unprepared, both on account of its long tradition in export markets and because of the excellent relations it had maintained for some considerable time with the major European companies in this field.

In conclusion the Chairman referred to the Company's efforts abroad and said that the Group was anxious to be present wherever there was a concrete possibility of undertaking projects which were economically attractive.

The Chairman's statement was unanimously approved by the Meeting, which thus underlined its confidence in the Snia Viscosa Group's promising future.

Gestetner

LIMITED

TOTTENHAM, LONDON, N.17

The Company sells the world-famous Gestetner Duplicator and accessories, the electronic Gestefax and the Gestelith office offset duplicator. It has branches throughout the United Kingdom and subsidiary companies or representatives in all parts of the British Commonwealth, in the Americas, the Far East, and many countries in Europe. Extensive servicing facilities are available throughout the organisation.

SUMMARISED CONSOLIDATED ACCOUNTS AT 30th MARCH, 1959

Issued Capital	£2,771,100	Fixed Assets, at cost less depreciation	£2,506,644
Capital Reserves	477,025	Interest in subsidiaries not consolidated	279,260
Revenue Reserves and Unappropriated Profits	2,531,722	Excess of Current Assets over Current Liabilities	3,976,353
Future Income Tax 1959/60	498,095		
4½% Debenture Stock 1975/80	484,315		
	£6,762,257		£6,762,257

Group Profit for the year after Taxation		£886,867
Dividends Net by Gestetner Limited:		
Preference	£19,406	
Ordinary	243,037	
		262,443
Retained in the Group		£624,424

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

THE RHEOSTATIC COMPANY LIMITED

RECORD EXPORT SALES OF "SATCHWELL" TEMPERATURE CONTROLS

The twenty-second annual general meeting of The Rheostatic Company Limited was held on April 22nd at Slough, Mr M. J. Gartside (chairman and managing director) presiding.

The following is an extract from his circulated statement for the year ended December 30, 1958:

Last year it was necessary for me to strike a warning note because at that time the company was suffering from a reduction of demand due to credit restrictions, with the consequent necessity of reducing the level of production and operating expenses accordingly. Prior to the end of the financial year credit relaxations, coupled with an unprecedented seasonal increase of demand, resulted in a rapid rise in the incoming order rate. The greater part of this increased demand was met from stocks of finished goods and by increase of production, and as a result the accounts show an appreciable improvement in profit. Export sales contributed valuably to the results and once again advanced to a level higher than ever before.

Trading profit was £228,836, showing a gratifying reversal of last year's downward trend. After tax the net profit was £119,452 (£110,960 last year). Your Board recommends the same final dividend as last year, i.e. 7½ per cent.

Your company continues to devote a high proportion of its revenue to its Technical and Research Departments. The order book is satisfactory and, subject to no unforeseen circumstances arising, I believe that the current financial year will show satisfactory results.

The report and accounts were adopted.

JAS. WILLIAMSON & SON

THE END OF A THREE-YEAR RECESSION

OUTLOOK MORE OPTIMISTIC

LORD PEEL'S STATEMENT

The twenty-eighth annual general meeting of Jas. Williamson & Son Limited was held on April 15th at Lune Mills, Lancaster, The Right Honourable The Earl Peel (chairman of the company) presiding.

The secretary (Mr J. Dunnington) read the notice convening the meeting and Mr R. G. Gorman, of Messrs Viney, Price & Goodyear, the company's auditors, read the report of his firm.

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

Our net profit for the year to December 24, 1958, before taxation was £746,647 compared with £714,629 in the previous year. I might describe this as a modest, or partial, recovery, but it would I believe be more true to regard 1958 as marking the end of a three-year period of relative recession after the prosperous and rapidly expanding trading conditions of 1954 and 1955. Our business in 1958 began slowly; it recovered substantially during the spring and summer, and although the year ended and 1959 began with two poor months, the general outlook of the industries in which we are engaged was a good deal more optimistic at the end of the year than it was at the beginning. With this in mind your Board recommends the payment of a final dividend of 6 per cent on the £1,996,272 Ordinary and £665,424 "A" Ordinary Stock which with the interim dividend already paid makes 10 per cent for the year 1958 as in the previous year. In addition a special interim dividend of 2 per cent for 1959 has been declared.

DOMESTIC TURNOVER MAINTAINED

During the year we added substantially to our plant for manufacturing linoleum and towards the end of the year began to feel the benefit of this in increased production, particularly of the heavier qualities. This combined with close attention to good design and finish, enabled us to improve our turnover in the contract field and we should reap more benefit from this in a full year. Our turnover in the domestic field where we have long had a good reputation was well maintained.

On our coated fabrics side we have continued to make good progress both in vinyl leathercloth and in oil-coated wall coverings and table coverings.

Turnover in oversea markets declined, in spite of continued and increased time and effort expended on export markets during 1958. There was no lack of interest in our products on the part of customers and the buying public abroad, and the decline was due rather to artificial restrictions by quota, permit or duty in the importing countries. Some of these are doubtless necessary and until there is a general improvement in the economic position of the countries concerned we can hardly hope to achieve the high level of export business which we experienced in some previous years.

EUROPEAN COMMON MARKET

I welcome the formation of the European Common Market, an act of foresight and confidence on the part of its six members which cannot fail to benefit their trade in future years. I regret exceedingly, however, the failure to form a European Free Trade Area in which this country could participate. In its absence manufacturers in this country attempting to export to Europe will be at a progressive disadvantage compared with those in the main European manufacturing coun-

tries, and in the long run this can only lead to one thing, counter discrimination against them. This will result in both loss of trade and loss of goodwill and be no benefit either to us or to the members of the Common Market.

In the linoleum industry we have much goodwill in Europe both with customers and in our relations with competitors. We have nothing to fear from straightforward competition on equal terms, nor do we possess any hidden advantage which would make our competition unfair to them. I would welcome therefore reciprocal reductions in import duties and their eventual elimination and if this results in the public having a wider choice of design and types both in this country and in Europe, and in competition becoming even keener in quality and service, everyone will benefit.

CANADIAN SUBSIDIARY

Since the last General Meeting a subsidiary Company, Jas. Williamson & Son (Canada), Limited, has been formed with head office in Vancouver, to hold stocks of finished goods in Canada so that we can more readily develop our sales in that country. Although this subsidiary Company showed a small loss on the year its effect in increasing our business in Canada was considerable.

It is always dangerous to prophesy and conditions in the building industry are not sufficiently certain to predict the future a year ahead. I see, however, no reason for pessimism. I do not expect a spectacular recovery in 1959, but provided there is no sudden crisis in this country's economy, I would expect the better trend in our Company's business to continue, while if there were a marked improvement in the country's economy we are well placed to take advantage of it.

CHANGES ON THE BOARD

In August the Board suffered the loss of Mr L. Beswick, who died suddenly at his home. He had joined the Company in 1946 as Personnel Manager and undertook the additional work of Secretary to the Company in 1948, being appointed to the Board a year later. Much of the success of our Joint Consultative machinery since the war is attributable to his efforts and I should like to acknowledge here the work he did for the Company.

The loss of Mr Beswick so soon after the retirement of two Directors last year left your Board somewhat depleted, and I am happy to tell you that as from January 1st this year we have secured the services of Mr J. M. H. Grey, who, whilst primarily concerned in the Cotton Industry, has considerable business experience, and who I am sure will contribute much to our counsels. You will be asked to confirm his appointment at the Annual General Meeting.

TRIBUTE TO EMPLOYEES

As I have already implied, our labour relations have remained excellent during the year, and I would like to thank all employees of the Company for the way in which they have worked together to maintain the high tradition of service which exists in our organisation.

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

The retiring directors, The Right Honourable The Earl Peel, Mr I. D. Taverner and Mr J. M. H. Grey, were re-elected and the remuneration of the auditors, Messrs Viney, Price & Goodyear, having been fixed, the proceedings terminated.

THOMAS TILLING LIMITED

A FAMILY OF FIRMS

Insurance, Textiles, Engineering, Building Materials, 'Pyrex' Glass, Car Distribution, Electrical Equipment, Publishing and many other interests

"WE ARE POSITIVE EXPANSIONISTS AND NATURAL OPTIMISTS"

MR W. LIONEL FRASER'S REVIEW

The Sixty-Second Annual General Meeting of Thomas Tilling Limited will be held on May 14, 1959, at Crewe House, Curzon Street, London, W.1.

The following is an abridgement of the review by the Chairman, Mr W. Lionel Fraser, CMG, which has been circulated with the Report and Accounts for 1958:

NEW DIRECTOR

We welcome to the Board as an Executive Director, Mr Kenneth H. Chapman, who has been on the staff at Crewe House for over 10 years. His wide experience and legal knowledge will be of the greatest value.

EXPRESSION OF THANKS

It is with a special depth of gratitude that I pay tribute to the great and invaluable work of the men and women in all the member Companies of the Group. They have shown themselves to be efficient, courageous and resilient. With the Headquarters Staff at Crewe House, whose support and guidance is ever with them, they form a strong team and we have much to thank them for.

FINANCIAL COMMENTS AND RECOMMENDATIONS

The proportion of the 1958 profit before tax of £2,607,723 attributable to Thomas Tilling Limited was £1,831,300. This compared with £1,984,311 for 1957. The consolidated profit after tax of the year 1958 attributable to Thomas Tilling Limited, is £829,690, which is a decrease of £70,152 from 1957.

Preference Dividends of £79,990 have been paid and an Interim Dividend of 6¼ per cent on the Ordinary Stock was paid on November 24, 1958. Your Board recommend the payment of a Final Dividend of 7 per cent making a total of 13¼ per cent for 1958 (1957, 13¼ per cent).

ORDINARY CAPITAL TRANSFERABLE IN 4s. UNITS AND CAPITALISATION OF RESERVES

At a Meeting to be held immediately following the Annual General Meeting, it is proposed to subdivide the existing Ordinary Stock into Units of 4s. each, and to capitalise part of the Share Premium Account by the issue of new fully-paid capital to Ordinary Stockholders in the ratio of one new 4s. Ordinary Share for every £2 of Ordinary Stock held on April 21, 1959. Our reasons for proposing that the Ordinary capital should be transferable in 4s. units are threefold:

(1) To conform with modern investment thinking.

(2) To make it easier for the smaller investor, should he be so minded, to participate in our future progress, and

(3) To improve marketability on the Stock Exchange.

FUTURE DIVIDEND

Provided no unforeseen circumstances arise, your Board would hope to be able to recommend for the current year, interim and final dividends on the Ordinary Stock (as increased by the issue to which I refer above) at rates not less than those for 1958.

The Chairman, having given reports on the various Companies, then continued:

GENERAL REVIEW AND PROSPECTS

I must admit to some disappointment that we did not beat our record profit figure of last year, but it is a fact that some companies had a remarkably fine year and some achieved wonders in maintaining the 1957 level. Others, mostly for causes beyond their control, perforce had to bend to the wind, but all the same I do not hesitate to say that 1958 will prove to have been a year of outstanding work throughout our Group. Not only was every opportunity taken to institute measures to improve efficiency, reduce costs, eliminate waste, establish better procedures, produce better goods and give better services, but these steps were effected with a rhythm and a determination which showed more clearly than ever that our conception is right; that in the joining together of so many varied, yet vital, interests there has developed a unity of purpose which constitutes a firm basis for the further success which we are striving to achieve.

I have said before that we have fine men and that we have fine businesses. I am more certain of this now than ever. We are positive expansionists and natural optimists, who have confidence in the British people and in our own efforts. This is a true "Family of Firms," constructive but competitive: tough, too, but never ruthlessly so. In favour of this new title, we have discarded that of "Industrial Holding Company"—which we invented for ourselves some ten years ago—as being an unsuitable description of our functions. Part of our strength comes from diversification—an overburdened, hackneyed word these days—but in Tillings we know that diversification is ineffective without inspiration and co-ordination. Our objective is to extend the activities of our present member Companies, where a pattern is already unfolding, as much as in further partnership with carefully selected newcomers for whom we always have room.

What of the future? Against the background given above and knowing what I do of the possibilities of our Group, it is not in me to be other than confident. All our plans are long term, for our destiny cannot be shaped quickly. We have a vigorous, alert and buoyant organisation, and your Directors intend to uphold your Company's progressive record.

If you are interested in obtaining a copy of the full Report and Accounts please write to: The Secretary, Thomas Tilling Limited, Crewe House, Curzon Street, London, W.1.

COMPANY AFFAIRS

CUNARD STEAM SHIP

After the passing of the interim ordinary dividend last October, shareholders in Cunard Steam Ship must now feel relief that the preliminary profit statement for 1958 is no worse. The falls in the group's operating surplus from £6,230,030 to £5,670,919 and in net income from £1,287,620 to £899,479 are not so serious as had at one time been feared. Moreover, the final dividend is being left unchanged at 8 per cent, so that the total distribution has been cut only from 10 to 8 per cent—which again is less than the market had feared.

Cunard's North Atlantic passenger services, on which the directors last October reported "a satisfactory increase," in profits have stood the group in good stead. The directors in fact attribute the fall in the operating surplus to lower cargo freight rates and to the reduced volume of cargo traffic. They add that results from passenger traffic showed their "anticipated resilience." Nevertheless, Cunard is seeking a subsidy from the government for the replacement of the "Queens" and investors cannot fail to note that the long term trend in Cunard's profits is downwards.

UNITED DRAPERY STORES

United Drapery Stores is still intent on expansion, but its decision to raise another £3 million in new money by a rights issue of one new 5s. ordinary share for every ten held at 20s. per share came as a surprise. UDS may have been one of the companies whose plans to raise fresh capital were frustrated by the CIC, but only a year ago it created a 6 per cent unsecured loan stock specifically designed for issue to vendors of any businesses it purchased. So far only £1,300,000 of this stock has been issued, in connection with the acquisition of Allders Limited. Whether the new issue of ordinary shares is to provide the cash for further acquisitions instead of issuing more loan stock is not clear. It may be that the directors wish to broaden the equity base. The revival in HP trading must have added to UDS's working capital commitments and the modernisation and development of the shop properties it already owns cannot yet be complete.

Ordinary shareholders in UDS will not, however, be dissatisfied with the terms. The ordinary dividend for 1958-59 has been raised from 32½ to 35 per cent by a special interim of 2½ per cent and the directors intend to maintain 35 per cent on the increased capital. Thus the new shares are being offered at a yield of 8¼ per cent. The existing shares at 39s. 1½d. cum rights yield 4½ per cent.

The preliminary statement also suggests that the advance in profits was gaining momentum after the removal of the HP restrictions last autumn. Over the first six months of the financial year, trading profits rose by only £146,268; over the full year to January 31st they rose by £781,050 to £7,912,927. That profit lies partly in the future, for from it the directors deduct £503,832 (against £72,579) as a "provision for unearned profit on hire purchase debts and for debt contingencies." After providing for unearned profits and for more in loan interest, but for less in tax, net profits have risen by £542,840 to £3,252,973.

VICKERS

In contrast to the interim figures for the first six months of the year the preliminary results of Vickers for the whole of 1958 reveal a decline in profits. After making the necessary adjustment to the figures for Powers-Samas, which is no longer a subsidiary, consolidated gross profits have fallen from £13,198,371 to £12,650,634. Turnover in the first half of the year was only £1½ million below the level of the corresponding period of 1957. But over the full year the group's sales declined by £19½ million to £177 million and by the end of the year orders in hand had fallen from £376 million to £312 million.

The company has adjusted its tax provision to allow for the reduction in the standard rate of income tax and the sharp fall in the total tax charge from £6,995,742 to £6,058,377 has left net profits £389,628 higher at £6,592,257. The total ordinary dividend is left unchanged at 10 per cent, covered just over twice by earnings. The £1 ordinary units at 34s. 4½d. yield 5.8 per cent.

NUCLEAR POWER PROFITS

The boom in atomic power shares is now history, but it left as its legacy low yields on the equities of the companies that are members of the nuclear power groups. The only continuing justification for these slender yields is the high earnings. Nuclear power contracts have not produced any sizeable increases in profits so far and the future profits that will be earned from them look limited. In the meantime the business of the companies in this field in their traditional lines, such as switchgear and boilers, has taken a knock.

A. Reyrolle manufactures switchgear and is a member of Nuclear Power Plant Company. Its trading profits fell slightly from £2,593,061 to £2,524,639 last year, but a higher charge for depreciation was more than offset by a decline in taxation and an increase in its income from trade investments, from £305,454 to £348,615, resulted in a rise of £5,171 in net profits to £1,358,257. Turnover was at a record level last year, but the value of new orders received fell and the chairman, Mr H. H. Mullens, anticipates a fall in production this year. On the unchanged dividend of 17½ per cent its £1 units yield 3.9 per cent at the current price of 89s. xd.

Reyrolle holds 40 per cent of the equity capital of **C. A. Parsons**, which manufactures turbines and is a fellow member of Nuclear Power Plant Company. Parsons' gross profits fell in 1957 and again in 1958, this time by £713,173 to £3,381,738. But taxation fell even more steeply by £760,809 to £1,240,454, and so net profits were slightly higher at £2,091,284. A special interim dividend of ⅛ per cent has been added to the unchanged 7½ per cent total ordinary dividend for 1958. This is a modest increase indeed, for the dividend is covered about five times by earnings. The £1 ordinary units at 49s. 6d. yield 3.3 per cent.

Simon-Carves has interests in the construction of nuclear power stations, but it also has a wide-ranging business elsewhere in heavy engineering and construction. Last year its gross profits rose by £53,229 to £1,461,814 and its net profits by £16,334 to £686,301. The interim dividend was raised from 7½ to 10 per cent and though the directors specifically said that this was to reduce the disparity in the two payments, their decisions to cut the final payment by 2½ per cent to 15 per cent, leaving the total unaltered at 25 per cent, somewhat disappointed the market, for this dividend is covered about three times by earnings. The 5s. ordinary shares fell back a little and at 30s. 9d. yield only 4.1 per cent.

Babcock and Wilcox are the boiler-making members of the nuclear power group headed by English Electric. Results for 1958 are disappointing. Gross profits have fallen from £4,589,990 to £3,277,626 and despite a sharp reduction in tax, net profits are down from £2,420,903 to £1,761,400. After a rights issue on bonus terms at the beginning of 1958 a total dividend equivalent to a payment of 13 per cent on the larger capital was paid. This rate has been maintained for 1958 but it is now covered only just over twice by earnings. At 49s. 9d. the £1 units yield 5.2 per cent.

WEST RIDING WORSTED AND WOOLLEN

The offer by West Riding Worsted and Woollen Mills for the share capital of Lister and Company is a further step towards concentration in the woollen trade. It follows the successful bid last October by Illingworth Morris for a majority equity holding in Salts (Saltaire). The acquisition of Lister, if it goes through, will give West Riding a footing

Continued on page 379

ICI Through Recession

IMPERIAL CHEMICAL INDUSTRIES again revalued its physical assets at the beginning of last year and this has resulted in even more massive changes in the consolidated balance sheet at December 31, 1958, than occurred on the 1950 revaluation. This process is not a mere book-keeping matter, interesting to shareholders only in that it reveals the true strength of ICI. The reasons lie deeper. ICI is an enormous employer of capital and its continual aim has been to make its operations more capital-intensive. No sensible policies can be planned by such a business unless it has an accurate assessment of the assets it employs and hence of the true rate at which these assets should be written down. ICI charges depreciation against profits on the basis of the replacement cost of its physical assets so shareholders can see clearly what the directors are doing to keep the undertaking's capital intact. This is preferable in all ways to the kind of bland assurance by some companies that an up-to-date valuation of the assets has shown that sums put to replacement reserves over and above depreciation are adequate.

From the revaluation a net book value of over £492 million emerges for the group's physical assets; the book surplus on this new valuation of over £68 million is transferred to capital reserves. The assets were valued at their replacement cost on January 1, 1958; this gross value was then reduced by taking into account the expired life of the assets and their estimated future life. This gives the net figure, after depreciation, of £492 million in the balance sheet. The full present-day replacement cost of the assets would exceed that figure by about £230 million, but the directors consider that depreciation and replacement provisions in the past adequately cover the need. Depreciation was calculated on the new asset values last year and this, rather than new investment in plant, explains the increase in the provision from £24½ million to £29½ million last year; it is less than might have been expected because the revaluation revealed that many plants had a longer economic life than had been previously assumed. Depreciation on the new basis, plus the transfer to replacement reserves against any further rise in construction costs, should fully allow for replacement of the assets in the future.

The revaluation has greatly reduced the ratio of gross income to total assets employed—from 11 to 8 per cent. But the rate of return would have fallen even without the revaluation because last year new capacity was still being installed and ICI was earning lower profits. There has, in fact, been a fall in the gross profit margin to sales over the last four six-monthly periods: 12.8 per cent, 10.9 per cent, 10.5 per cent and 8.6 per cent. Over last year as a whole, the margin fell from 11.9 to 9.6 per cent. Turnover last year showed no apparent change at £462½ million, but in fact alterations in the group's structure affected this figure and there was a real increase of about £10 million over 1957.

Price changes last year, some up and some down, had little effect on turnover, and sales both in value and volume remained practically unchanged even though new plants came into production. Increases in wages, salaries and transport charges were less than in previous years and they were offset to some extent by the fall in the prices of raw materials consumed by ICI. Costs rose and profits fell because a number of plants were being operated "at levels appreciably below their full capacity," and initial expenditure to bring new plants in also added to costs.

NOT even ICI could opt out of the recession. The effect on total sales was slight, because some of the divisions continued to boom, but the effect on profits was unmistakable, for some highly capitalised plants were underemployed. ICI's export sales actually rose by about 2 per cent, to £73.8 million, for increased sales to Europe and Australasia offset a decline in sales to India, Africa and South America. Total exports of some products, notably plastics, "Terylene" and sulphate of ammonia, were appreciably bigger. At home, sales by the paint, plastics and leathercloth divisions ran at a high level, because one of their principal customers, the motor industry, enjoyed a good year. Fertiliser sales were also higher. But the depression in textiles reduced the sales of chemicals used in processing and dyeing (with, for example, the rayon industry reducing its purchases of caustic soda) and domestic sales of "Terylene" were also lower. Building, iron and steel and coal industries bought less from ICI (the fall in output of deep-mined coal hit the Nobel explosives division), and the cutback in the production of military aircraft has reduced sales of titanium. Practically every division had to sell in more competitive markets and that was as true of those that were able to achieve an increase in sales as in those that did not. The heavy organic chemicals division in the Billingham-Wilton complex, for instance, manufactures about one third of Britain's petroleum chemicals and sales last year rose in volume by about 13 per cent; but ICI, noting the additions to capacity elsewhere in Europe, says plainly that competition will become increasingly severe.

ICI's answer to competition is to maintain the drive towards more capital-intensive operations. Last year £45.3 million was spent on capital account, against £50.6 million in 1957, and further expenditures of £49.8 million are sanctioned. The tendency as more capital is installed is to employ less labour. ICI's payroll was reduced last year from 115,846 to 112,108, mainly because some of ICI's activities were transferred to Yorkshire Imperial Metals; but there was some redundancy, mainly in the Nobel and metals divisions, resulting from changes in the pattern of business and from mechanisation. The company has tried to lessen the impact of redundancy by transferring labour elsewhere in the group or by offering generous payment on dismissal.

For the ordinary shareholder, whose dividend was effectively the same as in 1957, the impact of the group's policies is clear. As ICI becomes more heavily capitalised, its profits become more vulnerable, as last year's recession demonstrated. But profits quickly respond to any improvement in industrial production. ICI's sales were beginning to improve in the last quarter of 1958 and as economic activity expands ICI will certainly be a gainer. That is the justification for a yield of 4.7 per cent on the £1 ordinary shares standing at 34s.

INCOME AND ASSETS

(£'000s)

	1954	1955	1956	1957	1958
Sales	**352,113**	**411,018**	**435,319**	**462,888**	**462,677**
Trading profit	66,267	76,866	76,904	86,000	81,080
Depreciation	*16,618*	20,380	23,459	24,485	29,589
Employees' profit sharing	2,653	2,833	3,147	4,958	5,406
Income before tax	47,684	53,579	50,122	55,135	44,514
Taxation	*21,226*	23,900	23,765	26,328	20,659
Net Income	**26,459**	**29,679**	**25,357**	**28,807**	**23,855**
Retained by subsidiaries	3,436	3,873	4,879	4,692	4,070
Retained by parent	12,831	14,840	10,099	11,221	5,751
Ordinary dividend	7,984	8,168	8,225	9,952	10,900
Ordinary dividend (per cent)	10	10	10	12	8*
Net fixed assets	305,055	324,995	358,786	398,259	492,380†
Net current assets	101,481	103,172	87,256	111,091	90,985
Total assets	*437,937*	*460,226*	*479,395*	*545,219*	*618,469*
Ordinary capital	141,302	142,046	143,045	144,233	236,953
Reserves	147,923	167,263	186,465	199,749	202,029
Preference capital	33,709	33,709	33,709	33,709	34,709
Minority interests	19,422	19,514	21,200	23,196	25,043
Future tax reserves	26,797	27,535	24,432	26,970	26,319
Debentures and loans	68,784	70,159	70,545	117,362	93,416
Total funds	**437,937**	**460,226**	**479,395**	**545,219**	**618,469**

* On capital as increased by 50 per cent. scrip issue and loan stock conversions. † After revaluation.

Continued from page 377

in silk spinning and manufacture as well as adding to its established interests in the woollen and worsted industry. West Riding is offering five 6 per cent £1 cumulative preference shares for six Lister 5 per cent £1 cumulative preference shares, and three £1 ordinary shares for every ten £1 ordinary shares in Lister. With West Riding's ordinary shares standing at 56s. 9d. the offer is worth about 17s. for each of the Lister ordinary shares, against a market price of 13s. 4½d. The directors of Lister have accepted the offer in respect of their own holdings. Presumably, the other shareholders will follow suit, for the Lister shares have never been higher than 14s. 9d. since 1956, and fell to 7s. 10d. last year when Lister passed its ordinary dividend.

BRITISH MOTOR

THE decision by the directors of BMC, not only to pay an interim ordinary dividend of 7½ per cent (against 4 per cent) following the special interim of 5 per cent of last November, but also to make a 30 per cent scrip issue took investors by surprise, though Sir Leonard Lord had already said that "the going had been rather better than expected." Investors must now decide on what dividend basis the 5s. shares now stand. They will note that last year's effective final dividend of 13.5 per cent is equivalent to 10.4 per cent on the new capital. If this is rounded up to, say, 11 per cent the total ordinary dividend would then be 16.8 per cent, after scaling down the 7½ per cent interim dividend now paid on the existing capital. But the market is hoping for more than this, setting its sights at not less than a total dividend of 17½ per cent. On that assumption the 5s. shares would yield 5¼ per cent at 17s.

DISCOUNT HOUSE PROFITS

THE small and medium sized discount houses reporting this spring, like the larger houses with balance sheets to end-December, show striking improvements in earnings in their latest year, during which they have benefited from the sharp reduction in money and bill rates. The discount market has made very good running profits on its bond holdings, and the successive reductions in Bank rate gave them a capital gain on portfolios of both bills and bonds. This year, however, competition for the available Treasury bills has heightened while the cost of money has tended to increase.

Smith St. Aubyn discloses a net profit of £233,682 after transfers to reserves for the year to March 31st, compared with £188,160 in the previous year. The ordinary dividend has been raised to 15 per cent. In the previous year a total equivalent to 9⅜ per cent on the capital as increased by a one for three scrip issue was paid.

Allen, Harvey and Ross also made a scrip issue last year. It was able to raise its ordinary dividend to 12 per cent for 1957-58, and this year has maintained this rate of dividend on capital increased by a two for nine scrip issue. The directors had previously forecast a payment of 10 per cent on the larger capital. Disclosed net profits rose from £125,452 to £145,112 for the year to April 5th.

Jessel, Toynbee maintained its dividend at 10 per cent after a three for ten scrip issue. Disclosed profits for the year to March 31st jumped from £96,557 to £177,247, but in the previous year the company reported a decline in profits.

Cater, Brightwen has maintained its total ordinary dividend at 15 per cent although its disclosed net profits for the year to April 5th have jumped from £111,647 to £216,099. But the company is to make a one for five scrip issue and hopes to maintain this rate of dividend on the increased capital.

THOMAS TILLING

SINCE its formation as an industrial holding company Thomas Tilling has had a record of uninterrupted expansion. It did not stop expanding in 1958. It sold its majority holding in Mutual Finance to Mercantile Credit, but it made new acquisitions as well. The changing pattern of holdings within a group such as this makes a comparison of one year's results with another impossible. The 1958 accounts show a decline in total income from £3,631,780 to £3,399,995. Elsewhere in the group, Cornhill Insurance earned better profits, but some other companies did not fare so well; textiles were depressed and technical difficulties reduced the profits of James A. Jobling.

Net profits after tax fell from £1,324,585 to £1,200,412 and the ordinary dividend was left unchanged at 13¾ per cent. But the dividend will not be left unchanged for long: a one-for-ten scrip issue has been proposed and the directors intend to maintain the current rate of dividend on the enlarged capital. The ordinary shares are also to be split into 4s. units, improving marketability. The £1 ordinary shares now stand at 68s. xd to offer a prospective yield of 4.3 per cent.

SPILLERS

IN the year to January 31st the net profits of Spillers rose by over one-third, from £1,492,000 to just over £2 million, and the directors are effectively raising the ordinary dividend from 8¾ per cent to 10 per cent. The advance in net profits still leaves the ordinary dividend covered nearly 2½ times. No doubt Spillers continued to find flour milling highly comptitive in view of the industry's excess capacity, but the bakery division probably contributed to earnings even more than it did in 1957-58. In addition, profits from sales of animal feeding stuffs should have benefited as those of Unilever did last year. The £1 shares have risen by 2s. 3d. to 44s. 9d., at which they yield just under 4½ per cent—a not uncommon return on food shares these days.

London Stock Exchange

FIRST DEALINGS:	Apr. 15	Apr. 29	May 20
LAST DEALINGS:	Apr. 28	May 19	June 2
ACCOUNT DAY:	May 5	May 26	June 9

GILT edged stocks were dull when dealings began in the 5 per cent LCC loan stock 1980-83. The stock (£10 paid) opened at 8⅜ and closed at the same price on Wednesday after touching 8⅞. But later in the week prices were marked up throughout the list under the lead of the "tap" stock Conversion 5½ per cent 1974, which rose by ⅝ to 101 7/16.

Industrials were firm at first but activity slackened on Tuesday and buying remained selective. *The Economist* index gained 1.6 to 260.1 over the week to Wednesday. Among blue chips, Glaxo lost 2s. 3d. to 46s. xd and EMI the same amount to 54s. 6d., but Hudson's Bay gained 3s. 9d. to 222s. 6d., and Unilever NV 1s. 9d. to 123s. 9d. In motor and component shares, Standard gained 11¼d. to 10s. 3d. on the announcement of the "Herald" models and Jaguar regained 6s. 9d. to 56s. 3d. on Wednesday on bear covering, but even so the shares had made a net loss of 6s. 10½d. over the week. Automotive Products jumped by 4s. 7½d. to 65s. 7½d. on take-over rumours and dividend hopes. Among commercial vehicles, Leyland gained a further 2s. 6d. to 53s. 6d.

In aircraft shares, Fairey rose on US buying by 2s. 1½d. to 22s. 4½d. Electrical issues were particularly active; Plessey gained 8s. to 84s. 3d. on the scrip and impending "rights" issues. But following the AEI chairman's report that a loss had been incurred on the Berkley power contract, GEC lost 2s. to 34s. and English Electric 9d. to 64s. Cotton shares continued to advance in anticipation of the Government's announcement, but woollen textiles, having advanced quite strongly earlier in the week, weakened on Wednesday following the US decision on quotas. Aire Wool lost 6d. to 28s. 3d. on that day although it made a net gain of 2s. 3d. over the week, and Woolcombers 1s. 3d. to 59s. 6d. Commercial Union's bid for North British led to rises in other insurance shares; Eagle Star went up by 7s. to 96s., Atlas by 6s. to 85s. and Scottish Union by 4s. to 82s.

Oils were dull pending the outcome of the Arab oil conference, but Shell's surprise bid for Canadian Eagle announced late on Wednesday put Ultramar 2s. 6d. higher to 69s. 6d., a gain of 1s. 3d. on the week. Shell Trinidad also gained 2s. 6d. on Wednesday to close that evening 6s. higher on the week. Kaffirs were dull, with FS Geduld losing 6s. 10½d. to 175s. and Western Holdings 3s. 8½d. to 146s. 10½d. Coppers were subdued at first but hardened later following the rise in the metal price, Chartered gaining 1s. 3d. on Wednesday to 85s. 3d. But elsewhere Messina lost 3s. 1½d. to 116s. 10½d. and Rhodesia Katanga 1s. 3d. to 15s. 3d.

LONDON AND NEW

Prices, 1959 High	Prices, 1959 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 15, 1959	Price, April 22, 1959	Net Yield, April 22, 1959 § £ s. d.	Gross Yield, April 22, 1959 £ s. d.
100$^{16}_{16}$	100	War Loan 3%.....1955–59	100$^{16}_{16}$	100$^{32}_{32}$	1 11 5	2 15 10
97$^{3}_{4}$	95$^{11}_{16}$	Funding 2½%.....1956–61	97$^{27}_{32}$	97$^{9}_{16}$	2 15 10	3 15 9
93$^{15}_{16}$	93$^{11}_{32}$	Exchequer 3%.....1960	93$^{13}_{16}$	93$^{27}_{32}$	2 9 9	3 8 11
93$^{15}_{16}$	92$^{3}_{4}$	Exchequer 3%.....1960	92$^{23}_{32}$	92$^{23}_{32}$	1 19 5	3 6 7
101$^{11}_{32}$	100$^{25}_{32}$	Conversion 4½%.....1962	101$^{1}_{16}$	101$^{1}_{8}$	2 4 6	4 1 6
92$^{1}_{32}$	91$^{7}_{16}$	Exchequer 3½%.....1962–63	95$^{29}_{32}$	95$^{11}_{32}$	2 15 8	4 1 8
101$^{3}_{4}$	101$^{13}_{32}$	Conversion 4¾%.....1963	101$^{17}_{32}$	101$^{9}_{16}$	2 6 11	4 6 8
92$^{15}_{16}$	91$^{13}_{16}$	Savings Bonds 3%.....1955–65	91$^{7}_{8}$	91$^{15}_{16}$	3 6 6	4 11 10
85$^{13}_{16}$	83$^{1}_{4}$	Funding 3%.....1959–69	83$^{1}_{2}$	83$^{11}_{16}$	3 16 6	5 2 4
93$^{11}_{16}$	90$^{3}_{8}$	Funding 4%.....1960–90	91$^{1}_{8}$*	91$^{3}_{16}$*	11 16 2	13 8 8
					2 17 7	4 10 6
83$^{7}_{16}$	83$^{7}_{8}$	Savings Bonds 3%.....1960–70	81$^{7}_{16}$	81$^{13}_{16}$	3 17 2	5 3 9
93$^{3}_{8}$	91$^{5}_{8}$	Savings Bonds 3%.....1963–64	92$^{1}_{4}$*	92$^{3}_{8}$*	3 3 1	4 3 11
100$^{27}_{32}$	99$^{13}_{16}$	Conversion 4½%.....1964	100$^{1}_{4}$	100$^{11}_{32}$	2 14 0	4 8 5
85	83$^{15}_{16}$	Savings Bonds 2½%..1964–67	84$^{3}_{16}$*	84$^{5}_{16}$*	3 16 3	4 17 7
76$^{13}_{16}$	75$^{7}_{16}$	Savings Bonds 3%.....1965–75	76$^{1}_{4}$	76$^{7}_{16}$	3 16 5	5 4 3
103$^{11}_{16}$	102$^{3}_{8}$	Exchequer 5½%.....1966	103$^{1}_{8}$	103$^{5}_{16}$	2 17 10	5 0 6
85$^{1}_{8}$	83$^{1}_{4}$	Funding 3%.....1966–68	85	85$^{1}_{16}$	3 16 5	5 2 9
98$^{1}_{8}$	96	Victory 4%.....1920–76	96$^{5}_{16}$	96$^{3}_{8}$	2 19 2	4 11 9
89$^{13}_{16}$	87$^{5}_{8}$	Conversion 3½%.....1969	88$^{1}_{2}$	88$^{11}_{16}$	3 11 0	5 0 8
101$^{1}_{8}$	93$^{3}_{8}$	Conversion 5½%.....1974	101$^{3}_{16}$	101$^{3}_{8}$	3 3 11	5 5 11
73$^{1}_{4}$	76$^{7}_{8}$	Treasury 3½%.....1977–80	79$^{3}_{8}$	79$^{5}_{16}$	3 11 8	5 4 11
73$^{1}_{8}$	76$^{15}_{16}$	Treasury 3½%.....1979–81	78$^{1}_{4}$	78$^{1}_{8}$	3 12 3	5 4 6
104$^{15}_{16}$	101$^{1}_{8}$	Funding 5½%.....1982–84	104$^{1}_{16}$	104$^{1}_{8}$	3 3 7	5 6 2
63$^{1}_{4}$	65$^{7}_{8}$	Redemption 3%.....1986–96	66$^{1}_{2}$	66$^{7}_{8}$	3 8 4	4 19 4
74$^{15}_{16}$	71$^{1}_{4}$	Funding 3½%.....1999–2004	73$^{5}_{8}$	73$^{5}_{8}$	3 5 11	5 0 10
75$^{7}_{16}$	73$^{1}_{16}$	Consols 4%..after Feb. 1957	75$^{1}_{4}$	75$^{9}_{16}$	3 5 4	5 7 2
68$^{15}_{16}$	65$^{7}_{8}$	War Loan 3½%...after 1952	67$^{13}_{16}$	67$^{15}_{16}$	3 3 11	5 5 2
68$^{11}_{16}$	65$^{7}_{8}$	Conv. 3½%..after Apr. 1961	66$^{5}_{8}$	66$^{3}_{4}$	3 4 4	5 5 3
60	57$^{1}_{2}$	Treasury 3%..after Apr. 1966	58$^{1}_{8}$	58$^{1}_{4}$	3 3 2	5 3 3
53$^{5}_{8}$	51$^{3}_{8}$	Consols 2½%	51$^{11}_{16}$	51$^{7}_{8}$	2 19 2	4 16 8
51$^{1}_{8}$	49$^{1}_{8}$	Treasury 2½% after Apr. 1975	49$^{7}_{16}$	49$^{11}_{16}$	3 1 9	5 0 11
96$^{7}_{16}$	94	British Electric 4½% 1967–69	95$^{15}_{16}$	96$^{1}_{8}$	3 5 4	5 2 0
80$^{1}_{8}$	77$^{1}_{4}$	British Electric 3%.....1958–73	78$^{3}_{8}$	78$^{1}_{2}$	3 17 2	5 4 2
76$^{13}_{16}$	74$^{1}_{8}$	British Electric 3%.....1974–77	75$^{3}_{16}$	75$^{5}_{8}$	3 15 1	5 3 0
90$^{3}_{16}$	87$^{5}_{8}$	British Electric 4¼% 1974–79	89$^{5}_{16}$	88$^{3}_{4}$	3 7 8	5 3 6
80$^{1}_{8}$	77$^{7}_{16}$	British Electric 3½% 1976–79	78$^{3}_{8}$*	78$^{3}_{4}$*	3 12 2	5 3 6
89$^{3}_{4}$	87$^{1}_{8}$	British Gas 4%.....1959–72	89$^{1}_{2}$	89$^{1}_{4}$	3 9 4	5 3 3
87$^{5}_{8}$	84$^{3}_{4}$	British Gas 3¼%.....1969–71	85$^{15}_{16}$	86	3 11 7	5 1 8
69$^{7}_{16}$	66$^{3}_{4}$	British Gas 3%.....1990–95	67$^{11}_{16}$*	67$^{15}_{16}$*	3 7 8	4 18 0
83$^{1}_{8}$	77$^{1}_{4}$	Brit. Transport 3%..1968–73	78$^{3}_{8}$	78$^{1}_{2}$	3 17 2	5 4 2
85$^{13}_{16}$	84	Brit. Transport 4%..1972–77	86$^{5}_{8}$	86$^{7}_{8}$	3 9 6	5 4 6
69$^{7}_{16}$	66$^{1}_{4}$	Brit. Transport 3%..1978–88	68$^{1}_{4}$	68$^{3}_{8}$	3 12 9	5 3 6

Prices, 1959 High	Prices, 1959 Low	FIXED INTEREST STOCKS	Price, Apr. 15, 1959	Price, Apr. 22, 1959	Yield, April 22, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	99$^{3}_{8}$	Australia 4½%.....1960–62	100$^{3}_{16}$	100$^{1}_{8}$	4 8 0e
107	103$^{3}_{4}$	Australia 6%.....1974–76	105	105$^{1}_{8}$	5 9 11e
77	74$^{1}_{2}$	Ceylon 4½.....1973–75	75$^{1}_{2}$	75$^{1}_{2}$	6 9 9 1
103$^{3}_{8}$	99$^{1}_{2}$	Jamaica 6½.....1977–82	100$^{1}_{2}$	100$^{1}_{4}$	5 18 7e
106$^{7}_{8}$	104$^{1}_{4}$	New Zealand 6%.....1976–80	105$^{3}_{8}$	105$^{1}_{2}$	5 10 0e
101$^{7}_{8}$	95$^{1}_{4}$	Rhodesia and Nyasaland 6%.....1976–79	97$^{3}_{4}$	95$^{1}_{4}$*	6 9 2 1
74$^{1}_{4}$	69$^{1}_{2}$	Southern Rhodesia 2½%.....1965–70	71	71	6 1 8 1
		CORPORATION AND PUBLIC BOARDS			
103$^{3}_{8}$	100$^{7}_{16}$	Agricultural Mortgage 5½%.....1980–85	103	102$^{1}_{2}$	5 6 0e
104	102$^{3}_{4}$	Birmingham 5¾%.....1974–76	104	104	5 4 7e
94$^{1}_{2}$	92$^{1}_{8}$	Bristol 3%.....1958–63	94$^{1}_{2}$	94$^{1}_{2}$	4 10 3 1
93$^{1}_{2}$	95$^{1}_{2}$	Glasgow 4¾%.....1966–68	98	96$^{1}_{2}$	5 4 10 1
101$^{1}_{4}$	99$^{1}_{4}$	Corporation of London 5¼%.....1976–79	101	99$^{1}_{4}$*	5 6 2 1
57	55$^{1}_{4}$	L.C.C. 3%.....after 1920	55$^{3}_{4}$	55$^{1}_{2}$	5 8 1 f
64	62$^{1}_{4}$	Met. Water Board 'B' 3%.....1934–2003	63$^{1}_{4}$	63$^{1}_{2}$	5 1 9 1
		FOREIGN BONDS			
110	101$^{1}_{4}$	German 7% 1924 (British Enfaced 5%)....	107$^{1}_{2}$	108*	...
190$^{1}_{2}$	177	German 5½% 1930 (Enfaced 1½%).....	189	190$^{1}_{2}$	...
35$^{1}_{4}$	23$^{1}_{4}$	Greek 7% Refugee 1924	28$^{3}_{4}$	35$^{1}_{4}$	Nil
159$^{1}_{4}$	161$^{1}_{4}$	Japan 5% (Enfaced) 1907	161$^{1}_{2}$	161$^{1}_{2}$	...
118$^{3}_{4}$	114$^{1}_{2}$	Japan 6% (Enfaced) 1924	118$^{3}_{4}$	118$^{3}_{4}$	...
59	55	Uruguay 3½% Bonds (Assented).....	58$^{1}_{4}$	58	...

NEW YORK CLOSING PRICES

	Apr. 15 $	Apr. 22 $		Apr. 15 $	Apr. 22 $		Apr. 15 $	Apr. 22 $
Ath. Topeka...	30$^{1}_{8}$	29$^{5}_{8}$	Boeing.....	40$^{1}_{8}$	40$^{3}_{8}$	Inter. Nickel ..	91$^{1}_{4}$	91$^{5}_{8}$
Can. Pacific...	30$^{7}_{8}$	30$^{1}_{2}$	Celanese.....	32$^{1}_{4}$	32	Inter. Paper ...	119$^{3}_{8}$	119$^{1}_{2}$
Pennsylvania...	16$^{7}_{8}$	17$^{3}_{4}$	Chrysler	63$^{3}_{8}$	63$^{1}_{2}$	Kennecott.....	113$^{3}_{4}$	112
Union Pacific...	35$^{1}_{4}$	35$^{7}_{8}$	Col. Palmolive .	101$^{1}_{4}$	120	Monsanto	46	48$^{1}_{4}$
Amer. Electric .	51$^{3}_{4}$	51$^{7}_{8}$	Crown Zeller..	56$^{1}_{4}$	55$^{3}_{4}$	Nat. Distillers .	33$^{1}_{8}$	32$^{1}_{2}$
Am. Tel. & Tel..	250	258	Distillers Seag..	35$^{7}_{8}$	38$^{1}_{8}$	Pan-American..	33$^{3}_{4}$	32$^{1}_{8}$
Cons. Edison ...	63$^{1}_{8}$	64$^{1}_{4}$	Douglas.....	52$^{1}_{4}$	51$^{7}_{8}$	Procter Gamble	83$^{1}_{4}$	82$^{7}_{8}$
Int. Tel. & Tel..	39$^{3}_{4}$	38$^{1}_{4}$	Du Pont	230	238	Radio Corpn....	59	57$^{5}_{8}$
Standard Gas ..	33$^{1}_{8}$	33$^{1}_{8}$	East. Kodak ...	76	87$^{1}_{2}$	Sears Roebuck .	44	44$^{1}_{8}$
United Corpn..	9$^{1}_{8}$	9$^{1}_{4}$	Ford Motor ..	62$^{7}_{8}$	63$^{5}_{8}$	Shell Oil	85$^{3}_{8}$	85$^{7}_{8}$
Western Union	38$^{1}_{4}$	37	Gen. Electric ..	81$^{1}_{2}$	83$^{3}_{8}$	Socony-Mobil ..	46$^{1}_{2}$	46$^{1}_{2}$
Alcoa.....	89$^{3}_{4}$	20	General Foods .	79$^{3}_{4}$	80$^{5}_{8}$	Stand. Oil Ind..	50$^{5}_{8}$	51$^{5}_{8}$
Aluminium	29$^{1}_{8}$	29$^{5}_{8}$	General Motors	46$^{1}_{2}$	49$^{1}_{2}$	Stand. Oil N.J..	52	52$^{5}_{8}$
Amer. Can.....	44$^{3}_{8}$	43$^{3}_{8}$	Goodyear	135$^{1}_{2}$	136	20th Cent. Fox.	42$^{1}_{4}$	40$^{3}_{8}$
Am. Smelting..	50$^{1}_{2}$	48$^{3}_{4}$	Gulf Oil.....	115$^{1}_{4}$	116	Union Carbide.	136$^{3}_{4}$	136$^{1}_{2}$
Am. Viscose ...	45$^{3}_{8}$	47	Heinz.....	69$^{1}_{2}$	68	U.S. Steel	90$^{3}_{8}$	92
Anaconda	68	67$^{1}_{4}$	Int. Bus. Mach..	598$^{1}_{2}$	577	West. Electric .	80	81$^{1}_{4}$
Beth. Steel	52	51$^{1}_{8}$	Int. Harvester .	44	42$^{1}_{2}$	Woolworth ...	55$^{5}_{8}$	55$^{3}_{4}$

* Ex dividend. † Tax free. ‡ Assumed average life 9 years. § Less tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (i) To latest date. (j) Unassented stock.

YORK STOCKS

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, Apr. 15, 1959	Price, Apr. 22, 1959	Yield, Apr. 22, 1959
				STEEL AND ENGINEERING			
32/7½	28/11½	5 a	8 b	Colvilles.....£1	30/7½	31/–	8·39
32/9	26/6	4 a	8 b	Dorman Long.....£1	30/9	31/4½	7·65
25/9	20/9	6 c	3 a	Steel Co. of Wales.....£1	24/4½	24/9	7·27
31/3	25/–	3 a	8 b	Stewarts & Lloyds.....£1	29/6	29/–	7·59
42/3	35/11½	6 a	10 b	John Summers.....£1	41/4½	41/10½	7·64
32/–	24/9	4 a	8½ b	United Steel.....£1	31/4½	31/11½	8·03
35/9	30/8¼	6 b	4 a	John Brown.....£1	34/6	35/6	5·63
10/–	8/3	4 a	11 b	Cammell Laird.....5/–	8/6*	8/9*	8·57
63/6	53/4½	5 a	15 b	Swan Hunter.....£1	61/9*	61/–	6·56
36/6	31/–	2½ a	7½ b	Vickers.....£1	33/–	34/4½	5·82
68/–	60/6	62½ b	5 a	Averys.....£1	61/9	63/3	3·69
20/3	16/–	†17½ a	†43⅞ b	Coventry Gauge.....10/–	19/6	20/–	5·12
42/–	36/6	†2 a	†4 b	Alfred Herbert.....£1	40/6	40/9	4·82
19/4½	16/9	10 b	5 a	Ransome & Marles.....5/–	18/3	18/11½	4·14
45/–	39/9	9½ b	3 a	Renold Chains.....£1	45/–	45/–	5·56
43/6	37/–	8¾ b	3¾ a	Allied Ironfounders....£1	39/9	42/6	5·88
54/–	46/3	6 a	7 b	Babcock & Wilcox.....£1	51/9	49/9	5·23
85/–	64/–	4 a	13½ b	British Aluminium.....£1	65/6p	64/–p	5·47
97/3	86/3	15 c	20 c	Davy & United.....£1	95/6	97/–	4·12
58/3	51/3	7½ b	4 a	Guest Keen.....£1	56/11½	56/6	4·07
79/6	67/–	7 b	5 a	Metal Box.....£1	78/–	75/9	3·17
55/–	47/9	3¾ a	4⅜ b	C. A. Parsons.....£1	52/–	49/6	3·28
25/9	23/6	15 b	10 a	John Thompson.....5/–	25/3	24/6	5·10
85/–	72/–	7½ a	10 b	Tube Invs monts.....£1	83/6	84/–	4·17
				BUILDING, etc.			
59/9	49/9	6 b	3 a	Associated Portland.....£1	59/9	59/3	3·04
23/10½	21/–	7½ b	5 a	British Plaster Board. 10/–	23/9	23/10½	5·24
78/–	59/7½	8¾ b	5 a	Richard Costain £1	74/9	78/–	3·85
12/11½	9/7½	5 a	10 b	Crittall Manufacturing.5/–	12/–	12/11½	6·19
69/6	61/3	155⅝ c	6 a	London Brick £1	68/9	69/6	4·50
91/9	79/9	131⅜ b	5 a	Wall Paper Defd.....£1	91/9	90/9	4·04
				CHEMICALS AND PAINT			
22/6	20/–	4 a	13 b	Albright & Wilson....5/–	22/4½	22/4½	3·80
22/4½	15/3	21 1/32 a	5⅝ b	Borax Defd.....5/–	22/3	21/3	2·96
8/11½	6/10½	7½ c	12½ b	Brit. Ind. Plastics 2/–	7/7½	7/7½	5·25
49/9	43/10½	3½ a	6⅝ b	Fisons.....£1	48/9	48/3	4·15
38/–	33/10½	2⅜ a	5⅛ b	I.C.I.....£1	34/4½	34/–	4·71
14/4½	13/11½	6 a	14 b	International Paints ...4/–	14/11½	14/11½	5·66
16/6	15/11½	5 a	8½ b	Monsanto.....5/–	15/10½	16/–	4·22
20/9	18/6	11½ b	5 a	Pinchin Johnson 10/–	19/–	19/3	8·65
				ELECTRICAL AND RADIO			
61/–	54/–	7½ a	7½ b	A.E.I.....£1	61/–	60/3	4·98
54/–	46/3	4 a	9½ b	B.I.C.C.....£1	52/9	53/9	5·02
43/3	38/–	5⅝ a	14⅛ b	Decca Record 10/–	40/6	39/10½	5·02
60/9	50/10½	11¼ c	5 a	E.M.I. 10/–	56/9	54/6	3·67
66/–	57/–	4 a	10 b	English Electric.....£1	64/9	64/–	4·38
40/–	30/–	6½ b	3 a	General Electric £1	34/–	32/–	5·94
16/9	14/11½	12½ c	12½ c	Pye Defd. 5/–	14/6	14/3	4·39
97/3	87/–	6½ a	11 b	A. Reyrolle £1	92/9*	89/–*	3·93
				MOTORS AND AIRCRAFT			
17/03¼	13/–	17½ c	7½ a	British Motor 5/–	16/2¼	16/7½	5·26
59/–	50/3	3½ a	8½ b	Ford Motor £1	57/11½	59/–	4·07
54/7½	44/–	12½ c	12½ c	Leyland Motor £1	52/3	53/6	4·67
11/3	7/3	8 c	4 a	Rootes Motors 4/–	9/6¾	11/3	2·84
10/3	8/6	8 c	12 c	Standard Motor 5/–	9/3¾	10/3	5·85
26/9	22/10½	11 b	4½ a	Dunlop Rubber.....10/–	26/6	26/9	5·67
47/6	44/3	5 b	2½ a	Joseph Lucas £1	46/–	46/–	4·35
27/–	23/7½	7½ a	17½ b	Pressed Steel.....5/–	26/2¼	25/3	4·95
55/9	48/11½	20 c	7½ a	Triplex Holdings 10/–	55/9	55/9	4·91
11/7½	9/4½	6½ b	3½ a	Bristol Aeroplane....10/–	10/11½	10/11½	9·88
20/3	16/–	7½ c	Nil	De Havilland.....£1	16/4½	16/9	...
45/03¼	40/5¼	†5 a	†6½ b	Dowty Group.....10/–	41/6*	41/–*	4·59
34/–	27/–	3 a	7 b	Hawker Siddeley £1	27/3	27/7½	7·24
106/3	94/6	15 b	5 a	Rolls-Royce £1	96/3	94/6	4·23
				PAPER AND NEWSPAPERS			
50/–	44/6	4½ a	8 b	Bowater Paper £1	47/9	50/–	5·00
54/9	47/3	9 b	5 a	Albert E. Reed £1	47/9	51/–	5·49
27/6	22/–	5 b	3 a	Spicers £1	26/3	26/–	6·15
25/3	21/–	7½ a	12 b	Daily Mirror 'A' 5/–	24/11½	24/9	3·94
29/6	26/3	5 a	12½ b	Odhams Press 10/–	29/6	28/3	6·19
				TEXTILES			
25/–	22/–	6¼ b	2½ a	J. & P. Coats £1	23/9	25/–	7·00
23/9	18/3	5 b	5 a	Fine Spinners £1	23/–	23/9	8·42
42/10½	35/4½	5a	12½ b	Lancashire Cotton £1	40/–	42/4½	8·26
41/4½	35/4½	12½ c	2½ a	Patons & Baldwins £1	39/10½	40/10½	6·12
5/11¼	4/3	6 c	4 a	Salts (Saltaire).....5/–	5/6	5/11¼	5·05
61/3	50/–	10 b	5 a	Woolcombers.....£1	56/6	59/6	5·04
19/11½	14/7½	Nil c	3 a	Bradford Dyers.....£1	40/–	17/–*	...
44/6	37/–	22½ c	22½ c	Calico Printers.....£1	40/–	42/–	10·71
35/10½	31/7½	5 b	3 a	Courtaulds.....£1	31/7½	31/10½	5·02
12/10½	10/–	3 a	10 b	Jute Industries.....10/–	11/7½	12/–	10·83
35/6	24/6	7½ c	7½ c	Tootal.....£1	29/9	32/–	4·69
				DRAPERY & STORES			
22/9	19/7½	14·4c	6 a	Boots Pure Drug 5/–	22/11½	22/7½	3·18
33/9	27/9	10 b	5 a	Debenhams 10/–	31/11½	31/–	4·84
37/–	31/6	25 b	7½ a	G.U.S. 'A' 5/–	36/–	35/11½	4·50
83/3	74/6	5 a	12½ b	Harrods £1	79/–	79/6	4·40
37/–	33/3	25 b	10 a	House of Fraser 'A'...5/–	36/–	35/11¼	4·87
18/3	16/3	6 a	10 b	Lewis's Investment ...4/–	17/3*	17/12*	3·74
60/9	49/9	22½ b	12½ a	Marks & Spencer 'A'..5/–	58/7½	59/6	2·94
39/9	33/10½	12½ a	22½ b	United Drapery 5/–	39/–	39/11½	4·47
53/11½	47/3	26⅜ b	13⅛ a	Woolworth.....5/–	50/6	51/–	3·92

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, Apr. 15, 1959	Price, Apr. 22, 1959	Yield, Apr. 22, 1959
				BANKING			
66/–	54/–	6 a	6 b	Barclays £1	64/9	65/9	3·65
50/11½	40/3	4⅛ a	5⅜ b	Lloyds.....£1	44/3	46/3	4·32
69/9	60/11½	6¾ a	6¾ b	Midland £1	67/9	68/–	4·41**
104/–	88/–	9 a	11 b	National Provincial £1	104/–	103/9	4·63
67/9	52/9	5 a	7½ b	Westminster 'B'.....£1	64/6	67/9	3·69
82/6	68/9	7½ a	9½ b	District.....£1	82/–	82/6	4·12
23/3	17/–	6 a	10 b	Martins.....5/–	21/9	23/3	3·44
43/–	31/7½	5 a	7½ b	Com. Bk. of Scot. 'A' 10/–	42/6	42/10½	2·92
77/3	67/6	7 a	9 b	Royal Bank of Scotland.£1	76/6	77/–	4·16
41/9	37/9	4 a	5 b	Barclays D.C.O. £1	40/9	41/–	4·39
47/9	43/9	7½ a	7½ b	Chartered Bank £1	47/9	47/6	6·32
£50	£27⅝	$2·10c	$2·25c	Royal Bank of Canada..$10	£29⅞	£30	2·77
£21⅛	£18716	$1·60c	$1·65c	Bank of Montreal.....$10	£20⅝	£21⅛¶	2·88
34⅛	30½	9 c	9 c	Bank of New S. Wales.£20	33½	34¼	4·20g
38/3	32/3	4 a	6 b	Bank of Ldn. & S. Amer..£1	37/–	38/3	5·23
				FINANCIAL			
31/6	28/4½	2½ a	5 b	Alexanders £1	30/6	31/6	4·76
49/6	42/6	5 a	7 b	National Discount 'B' ..£1	48/3	49/6	4·85
53/3	49/–	6¼ a	6¼ b	Union Discount £1	52/–	53/3	4·69
47/9	40/9	18⅞ a	21⅔ b	Commercial Union....5/–	44/–	43/9	4·57
150/–	127/6	12½ a	15 b	Employers Liability £1	132/6	130/–	4·23
207/6	160/–	‡32·35c	‡41·17c	Equity & Law 8/6	160/–	160/–	3·58
262/6	192/6	40 a	60 b	Legal & General.....5/–	235/–	255/–	1·96
120/–	114/6	†20 a	†50 b	Pearl.....5/–	114/6	114/6*	5·00
237/6	210/–	†147½ c	†162½ c	Prudential 'A'.....4/–	225/–	225/–*	4·73
100/–	78/6	8 a	10 b	Royal Exchange.....£1	95/–	98/9	3·65
25/–	16/2¼	5 a	8¾ b	Bowmaker 5/–	23/–	24/7½	2·79
28/–	21/3	7½ a	8½ b	Lombard Banking.....5/–	26/10½	27/9*	2·88
143/–	113/6	16 b	4 a	U.D.T. 5/–	141/3	142/6	2·81
39/6	34/9	17½ b	10 a	B.E.T. 'A' Defd. 5/–	37/6	38/–	3·62
14/03¼	12/6	10 c	10 c	Cable & Wireless 5/–	13/11¼	14/03¼	3·56
23/3	19/6	2½ b	2 a	Land Securities.....10/–	21/6	20/9	2·89**
16/10½	14/7½	5½ c	2½ a	London & County ..10/–	16/4½	16/4½	4·07**
				FOOD, DRINK AND TOBACCO			
30/–	22/6	15 c	10 a	Allied Bakeries 'A'....5/–	28/9*	30/–*	2·50
33/6	23/4½	20 c	14 a	Beecham Group 5/–	31/10½	32/11½	3·11
12/–	10/6	7 b	2½ a	International Tea 5/–	11/3¾	11/3	4·22
83/3	74/9	9⅛ b	5 a	J. Lyons 'A'.....£1	81/–	81/3	3·49
20/–	18/10½	5 a	5 b	Ranks 10/–	19/4½	20/–	5·00
20/11½	18/11½	7½ b	2½ a	Schweppes.....5/–	19/–	19/6	3·85**
47/9	42/–	7·5b	2·8a	Tate & Lyle.....£1	45/6	46/6	4·43
12/9	10/10½	...	...	Unigate 5/–	11/9	12/6	4·00**
47/–	43/9	10 a	36 b	Bass.....5/–	45/–	45/–	5·11
27/3	23/10½	6¾ b	4 a	Distillers 10/–	25/3	25/3	4·23
16/3	14/7½	6 a	11 b	Flowers 5/–	15/6¾	15/5¼	5·51
62/–	54/–	10 a	18 b	Guinness 10/–	59/9	60/3	4·65
14/–	12/7½	4 a	10 b	Ind Coope & Allsopp..5/–	13/4½	13/10½	5·05
92/9	77/6	7½ a	13½ b	Watney Mann Defd. £1	87/9	92/3	4·55
111/–	100/–	17 b	8 a	Whitbread 'A' £1	109/–	110/–	4·55
59/7½	52/4½	†17½ c	†5 a	Brit. Amer. Tobacco .10/–	52/9	53/4½*	5·35
46/6	36/6	5 a	20 b	Gallaher 10/–	45/11½	46/6	5·38
59/–	54/3	8½ a	12½ b	Imperial Tobacco £1	56/3	56/9	7·40
				MISCELLANEOUS			
50/9	42/9	30 c	20 a	Assoc. Brit. Picture 5/–	43/3	43/3	...
44/9	43/–	11 c	5 a	British Match £1	44/11½	44/11½	4·99
56/–	49/6	4 a	8 b	British Oxygen.....£1	54/9	55/–	4·56
10/6	9/–	4 a	14 b	British Ropes 2/6	9/3*	9/3*	4·76
53/3

Money and Exchanges

EXCHEQUER RETURNS

For the week ended April 18, 1959, there was an "above-line" deficit (after allowing for Sinking Funds) of £5,529,000 compared with a deficit of £14,339,000 in the previous week and a deficit of £59,958 in the corresponding period of last year. There was a net expenditure "below-line" of £4,602,000 leaving a total deficit of £38,161,000 compared with £104,875,000 in 1958–59.

£'000	Estimate, 1959–60	April 1, 1958, to April 19, 1958	April 1, 1959, to April 18, 1959	Week ended April 19, 1958	Week ended April 18, 1959
Ord. Revenue					
Income Tax	2147,000	97,434	96,394	17,402	22,623
Surtax	171,000	9,000	9,600	1,900	2,400
Death Duties	195,000	8,200	11,200	3,300	4,200
Stamps	68,000	2,700	4,300	800	1,800
Profits Tax, EPT & EPL	274,000	10,100	11,900	2,400	3,100
Other Inland Rev. Duties	1,000	...	...	...	...
Total Inland Rev.	2856,000	127,434	133,394	25,802	34,423
Customs	1285,500	65,553	68,936	24,894	26,035
Excise	864,500	18,815	17,755	4,440	4,790
Total Customs and Excise	2150,000	84,368	86,691	29,334	30,825
Motor Duties	104,000	5,178	5,583	170	561
PO (Net Receipts)	...	...	...	...	...
Broadcast Licences	35,000	...	...	...	...
Sundry Loans	30,000	82	43	37	...
Miscellaneous	150,000	6,003	5,619	196	28
Total	5325,000	223,065	231,330	55,540	65,837
Ord. Expend.					
Debt Interest	600,000	58,242	41,654	24,078	10,626
Payments to N. Ireland Exchequer	79,000	2,479	2,631	...	...
Other Cons. Funds	10,000	1	397	...	...
Supply Services	4494,996	200,800	185,790	90,750	60,300
Total	5183,996	261,522	230,472	114829	70,926
Sinking Funds	39,000	1,124	933	670	440
"Above-line" Surplus or Deficit	—	—	—	—	—
	39,581	**75**	**59,958**		**5,529**
'Below-line" Net Expenditure*	65,294	38,086	20,481		4,602
Total Surplus or Deficit	*104,875*	*38,161*	*80,439*		*10,131*
Net Receipts from:					
Tax Reserve Certificates	5,491	10,080	1,888		559
Savings Certificates	−1,300	7,100	100		2,100
Defence Bonds	−2,219	7,447	3		2,922
Premium Savings Bonds	3,110	3,060	620		960
Total		5,082	27,687	2,611	6,541

Note: Receipts of the Civil Contingencies fund to April 18 1959 £10mn., compared with £16mn., in the corresponding period last year.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Apr. 19	3,120·0	1,580·5	252·0	...	4,952·4
1959					
Jan. 17	3,460·0	1,948·3	236·6	...	5,644·9
„ 24	3,370·0	1,940·8	213·0	3·3	5,527·0
„ 31	3,280·0	1,973·2	223·5	...	5,476·7
Feb. 7	3,250·0	1,891·6	237·9	...	5,379·5
„ 14	3,140·0	1,874·2	252·2	...	5,266·4
„ 21	3,070·0	1,943·7	197·2	...	5,210·9
„ 28	3,010·0	1,990·0	197·3	...	5,197·3
Mar. 7	2,950·0	1,999·9	213·7	...	5,163·6
„ 14	2,920·0	1,993·9	225·1	...	5,143·1
„ 21	2,910·0	2,030·3	252·7	...	5,193·0
„ 31		4,893·1	336·5	4·3	5,238·9
Apr. 4	2,950·0	1,986·3	291·6	...	5,227·8
„ 11	2,940·0	2,015·7	280·8	...	5,236·5
„ 18	2,940·0	2,007·5	297·7	...	5,245·2

THE MONEY MARKET

NOT unexpectedly, the discount market syndicate reversed tactics at last week's Treasury bill tender. The market's concerted bid was lowered by 3d. to £99 3s. 9d., following the rise of 6d. at the previous tender after the budget, and its allotment fell from 65 per cent to 38 per cent. This was the lowest proportion obtained since February 20, when the market dropped its bid by 9d. The Treasury allotted only £230 million of the £250 million of bills offered, but total applications declined by £47 million to £387 million. The average rate of discount rose from £3 4s. 0.89d. per cent to £3 4s. 8.12d. per cent, compared with a rate of about £3 5s. obtained by the discount market on its basic allotment.

Credit became easier just before the week-end, the authorities having to sell bills to mop up a small surplus of funds on one occasion, but tighter conditions returned on Saturday and the authorities then made small special purchases. On Monday three or four houses borrowed a small amount at Bank rate.

The average rate of allotment for 91-day bills at the latest tender of United States Treasury bills rose from 3.075 per cent to 3.105 per cent, the highest since December 1957.

MONEY RATES : London

Bank rate (from 4½%, 20/11/58)	% 4
Deposit rates (max.):	
Banks	2
Discount houses	2–2¼
Money:	
Day-to-Day	2⅜–3⅛
Treasury bills:	
2 months	3¼
3 months	3 9/32

Discount rates:	%
Bank bills:	
60 days	3 3/8–3 7/16
3 months	3 3/8–3 7/16
4 months	3 3/8–3 7/16
6 months	3⅜–3½
Fine trade bills:	
3 months	4¼–5
4 months	4¼–5
6 months	4½–5¼

New York

Official discount rate: (from 2½%, 5/3/59)	% 3

Treasury bills:	%
April 13	3·075
„ 20	3·105

BANK OF ENGLAND RETURNS

(£ million)	April 23, 1958	April 15, 1959	April 22, 1959
Issue Department:			
Notes in circulation	2,008·0	2,054·7	2,050·2
Notes in banking dept.	42·4	45·6	50·1
Govt. debt and securities*	2,046·2	2,096·5	2,096·5
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·8	2·8
Banking Department:			
Deposits:			
Public accounts	12·0	11·3	12·6
Bankers	214·0	243·7	237·7
Others	74·0	63·0	63·7
Total	300·0	318·0	314·0
Securities:			
Government	230·9	241·8	231·3
Discounts and advances	22·9	26·9	29·0
Other	19·2	20·7	20·6
Total	272·9	289·4	280·5
Banking department reserve	44·8	46·4	50·9
" Proportion "	% 14·9	% 14·5	% 16·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,100 million March 25, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1958				s. d.	%
April 18	240·0	406·3	240·0	104 0·93	49
1959					
Jan. 16	240·0	414·0	220·0	62 3·42	43
„ 23	230·0	415·1	220·0	62 1·96	31
„ 30	220·0	388·0	220·0	62 1·69	31
Feb. 6	210·0	385·3	190·0	60 0·22	45
„ 13	190·0	339·6	190·0	59 10·89	30
„ 20	200·0	347·1	200·0	61 9·89	27
„ 27	220·0	317·9	220·0	65 6·22	51
Mar. 6	230·0	370·4	230·0	66 0·14	57
„ 13	230·0	374·1	230·0	65 11·05	43
„ 20	250·0	360·4	250·0	65 8·95	55
„ 26	260·0	378·8	260·0	66 0·10	59
April 3	250·0	381·0	250·0	65 11·42	50
„ 10	260·0	433·9	260·0	64 0·89	65
„ 17	250·0	386·6	230·0	64 8·12	38

* On April 17th tenders for 91 day bills at £99 3s. 9d. secured 38 per cent, higher tenders being allotted in full. The offer this week was for £210 million of 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: April 22	Market Rates: Spot: April 16	April 17	April 18	April 20	April 21	April 22
United States $	2·78–2·82	2·81 11/16–13/16	2·81 11/16–13/16	2·81 11/16–13/16	2·81 11/16–13/16	2·81 3/4–7/8	2·81 11/16–7/16
Canadian $	...	2·77 7/8–9/16	2·77 3/8–1/2	2·77 3/8–1/2	2·77 3/8–1/2	2·77 1/4–3/8	2·76 13/16–15/16
French Fr.	13·6220–14·0265	13·81–81 1/4	13·81–81 1/4	13·81–81 1/4	13·81–81 1/4	13·81 1/8–5/8	13·81 1/8–3/4
Swiss Fr.	11·94–12·54 7/8	12·17 3/8–7/8	12·17 3/8–7/8	12·17 1/2–3/4	12·17 1/2–18	12·18 1/4–1/2	12·18 1/8–3/8
Belgian Fr.	137·96–142·05	140–47 1/2	140·45–50	140·45–50	140–47 1/2	140·52 1/2–57 1/2	140·55–55
Dutch Gld.	10·48–10·80	10·62 3/8–5/8	10·62 3/8–5/8	10·62 3/8–5/8	10·62 3/8–7/8	10·63–63 1/4	10·63 1/8–3/8
W. Ger. D-Mk.	11·59 1/4–11·92 1/4	11·77 3/8–78 1/8	11·77 1/4–73	11·77 1/4–73	11·78–78 1/4	11·78 1/8–3/8	11·73 1/8–3/4
Portuguese Esc.	79·00 3/4–82·00 1/2	80·15–25	80·15–25	80·15–25	80·15–25	80·15–30	80·20–30
Italian Lire	1725–1775	1749 1/4–3/4	1743–49 1/2	1743–49 1/2	1743 1/4–3/4	1745 1/2–49	1748 1/4–3/4
Swedish Kr.	14·37 3/4–14·59 1/4	14·56 7/8–57 1/8	14·56 7/8–57 1/8	14·55 7/8–57 1/8	14·55 7/8–57 1/8	14·57 1/8–3/8	14·57–57 1/4
Danish Kr.	19·03 1/8–19·62	19·39 1/8–7/8	19·39 1/4–40	19·39 1/4–40	19·37 1/2–3/4	19·39 1/4–40	19·39 1/4–40
Norwegian Kr.	19·71–20·30 1/2	20·03 1/4–1/2	20·03 1/4–1/2	20·03 1/4–1/2	20·03 1/2–5/8	20·03 3/4–04	20·03 3/4–04
One Month Forward Rates							
United States $		1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm
Canadian $		3/16–9/16c. dis	3/16–9/16c. dis	3/16–9/16c. dis	3/16–9/16c. dis	1/4–3/8c. dis	1/4–3/8c. dis
French Fr.		par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis
Swiss Fr.		1/8–1/4c. pm	1/4–1c. pm	1/4–1c. pm	1/4–1c. pm	1/4–1c. pm	1/4–1c. pm
Belgian Fr.		8–2c. pm	10–5c. pm	10–5c. pm	10–5c. pm	10–5c. pm	10–5c. dis
Dutch Gld.		1/8–3/4c. pm	1/8–3/4c. pm	1/8–3/4c. pm	1/8–3/4c. pm	1/4–1c. pm	1/4–1c. pm
W. Ger. D-Mk.		1/4–1pf. pm	1/4–1pf. pm	1/4–1pf. pm	1/4–1pf. pm	1/2–1 1/4pf. pm	1/2–1 1/4pf. pm
Three Months Forward Rates							
United States $		9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm
Canadian $		7/16–9/16c. dis	7/16–9/16c. dis	7/16–9/16c. dis	1/2–5/8c. dis	1/2–5/8c. dis	1/2–5/8c. dis
Swiss Fr.		3/8–3/4c. pm	3/4–1c. pm	3/4–3c. pm	3/4–3c. pm	3/4–3c. pm	3/4–3c. pm
W. Ger. D-Mk.		3/4–3pf. pm	3/4–3pf. pm	3/4–3pf. pm	3/4–3pf. pm	1 1/2–3 1/4pf. pm	1 1/2–3 1/4 pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/1 1/4	249/1 3/4	...	249/2	249/1 1/2	249/0 1/2

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

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

BRITISH

Prices and Wages ..... April 11th
Manpower and Output.... This week
External Trade ..... April 4th
Industrial Profits..... Jan. 17th

OVERSEAS

Western Europe ..... Feb. 7th
United States ..... Mar. 7th

	Unit	Mid-year or averages: 1956	1957	1958	1958: Jan.	Feb.	Mar.	1958: Dec.	1959: Jan.	Feb.	Mar.
TOTAL MANPOWER		**June figures**									
Working population :											
Total	'000s	24,107	24,188	24,070	24,117	24,080	24,055	23,987	23,965	23,903	...
Men	„	16,188	16,225	16,160	16,202	16,187	16,176	16,124	16,124	16,087	...
Women	„	7,919	7,963	7,910	7,915	7,893	7,879	7,863	7,841	7,816	...
Armed Forces	„	761	702	614	639	632	626	590	585	583	...
Civil employment :											
Total	„	23,149	23,245	23,080	23,086	23,048	23,029	22,871	22,820	22,797	...
Manufacturing industries	„	9,269	9,271	9,147	9,296	9,271	9,236	9,066	9,063	9,056	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955 :											
Employees in engineering(1)	„	+ 53	+ 48	+ 52	+ 113	+ 105	+ 90	+ 23	+ 24	...	...
„ „ consumer goods industries(2)	„	− 9	+ 2	− 99	− 42	− 55	− 71	− 130	− 133	...	...
UNEMPLOYMENT		**Monthly averages**									
By duration :											
All durations—total	„	257·0	312·5	457·4	395·5	424·5	433·1	531·7	620·8	608·7	550·5
Temporary or under 2 weeks	„	98·2	95·7	141·0	126·9	123·1	126·6	141·6	197·2	154·4	139·6
Over 8 weeks	„	93·1	129·3	197·7	156·5	171·9	186·0	248·3	286·8	301·8	286·4
By regions (3) :											
Great Britain	„	1·2	1·4	2·1	1·8	1·9	2·0	2·4	2·8	2·8	2·5
London and South Eastern	„	0·8	1·0	1·3	1·2	1·3	1·3	1·4	1·7	1·7	1·5
Eastern	„	1·0	1·3	1·7	1·8	2·0	2·0	1·7	2·2	2·1	1·9
Southern(4)	„	1·0	1·3	1·6	1·6	1·7	1·6	1·8	2·0	2·0	1·9
South Western(4)	„	1·2	1·8	2·2	2·3	2·3	2·4	2·6	2·9	2·9	2·6
Midland	„	1·1	1·3	1·6	1·2	1·3	1·4	1·8	2·2	2·1	1·9
North Midland	„	0·6	1·0	1·6	1·3	1·4	1·5	1·8	2·1	2·0	1·7
East and West Ridings	„	0·8	0·9	1·9	1·2	1·4	1·5	2·3	2·7	2·5	2·2
North Western	„	1·3	1·6	2·7	1·9	2·1	2·4	3·3	3·6	3·5	3·2
Northern	„	1·6	1·7	2·4	2·1	2·2	2·3	3·2	3·9	3·8	3·6
Scotland	„	2·4	2·6	3·8	3·4	3·6	3·6	4·4	5·4	5·4	4·8
Wales	„	2·0	2·6	3·8	3·5	3·8	3·9	4·1	4·6	4·7	4·6
VACANCIES											
Unfilled vacancies notified to Employment Exchanges : Total	'000s	390	276	198	220	209	217	163	156	154	181
INDUSTRIAL PRODUCTION											
Index :											
All industries	1954=100	106	107	106	106	112	114	106	107	109–110[6]	...
„ „ *seasonally adjusted*	„	...	...	...	*105*	*108*	*108*	*107*	*107*	*106–107[6]*	...
Mining and quarrying	„	99	99	*94*	*97*	*104*	*103*	*94*	*99*	...	...
Construction	„	106	106	105	...	102[9]	...	108[8]	...	...	...
Gas, electricity and water	„	110	112	117	138	134	133	136	147	...	...
Manufacturing, total	„	106	108	107	105	113	115	105	106	...	...
„ „ *seasonally adjusted*	„	...	...	...	*106*	*109*	*108*	*107*	*107*	...	...
Engineering and electrical goods	„	107	111	112	104	116	126	115	...	...	...
Shipbuilding	„	117	108	109	113	112	107	110	...	...	...
Vehicles	„	107	115	118	120	129	132	126	...	...	...
Chemical trades	„	*111*	*115*	*116*	*115*	*119*	*122*	*117*	...	...	...
Textiles, leather and clothing	„	99	99	91	94	102	102	82	...	...	...
BASIC MATERIALS		**M/W averages**									
Production of :											
Coal (5) (7)	W	'000 tons	4,269	4,301	4,150	4,272	4,579	4,556	4,137	4,340	4,373	4,001
Pig iron	W	„	253	275	245	271	273	268	223	229	222	221
Steel, ingots and castings	W	„	397	417	369	407	428	432	314	357	347	363
Sulphuric acid	M	„	187·2	194·7	186·8	214·1	169·8	207·6	203·1	214·3	...	...
Newsprint	W	„	12·36	12·55	11·81	11·97	12·01	11·84	10·53	13·12	...	...
Electricity (5)	M	mn. kwh	7,263	7,581	8,209	10,076	8,276	9,448	10,186	11,079	9,522	...
MANUFACTURING											
Textile production :											
Cotton yarns, single	W	mn. lb.	16·33	16·85	14·77	17·23	17·38	17·14	12·74	14·38	14·51	...
Worsted yarn	M	„	19·38	19·48	17·18	19·66	17·23	17·78	18·26	19·03	18·30	...
Rayon and synthetic fibres	M	„	40·21	41·32	35·18	40·85	35·72	36·83	40·20	46·11	40·28	...
Cotton cloth, woven	W	mn. yds.	31·0	31·4	27·0	31·4	32·1	31·6	21·7	25·2	25·4	...
Wool fabrics, woven	M	mn.sq.yds	33·1	32·8	29·1	35·5	30·9	30·4	29·1	31·3	28·3	...
Engineering production :											
Passenger cars and chassis	W	'000s	13·61	16·56	19·84	21·41	20·87	21·85	17·98	19·03	19·88	20·54
Commercial vehicles and chassis	W	„	5·71	5·54	5·90	6·49	6·87	6·57	5·93	6·58	6·03	5·81
Metal-working machine tools	M	'000 tons	12·90	14·10	...	...	13·99[9]	...	12·24[9]	...	...	...
Internal combustion engines	M	'000 BHP	411	406	...	414	396	410	407	...	...	...
BUILDING ACTIVITY (5)											
Permanent houses completed :											
Total	M	'000s	25·03	25·09	22·81	20·58	20·09	24·64	23·25	18·29	18·75	...
By private builders	M	„	10·35	10·54	10·68	9·31	8·79	10·07	11·35	9·33	9·51	...

(1) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (2) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (3) Number registered as unemployed expressed as a percentage of the estimated number of employees. (4) Dorset (excluding Poole) was transferred from the Southern to the South Western Region on May 12, 1958. (5) Great Britain. (6) *Provisional estimate.* (7) *Excluding all screening losses normally amounting to around 5,000 tons a week.* (8) Average for fourth quarter. (9) Average for first quarter.



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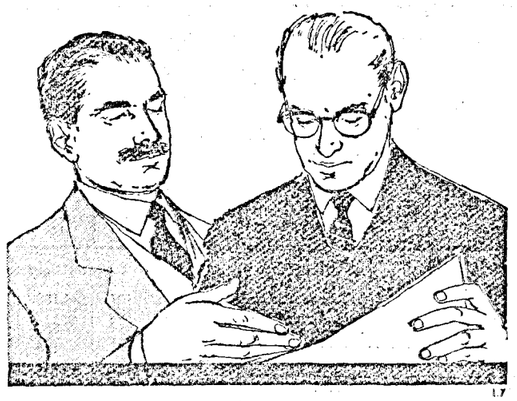
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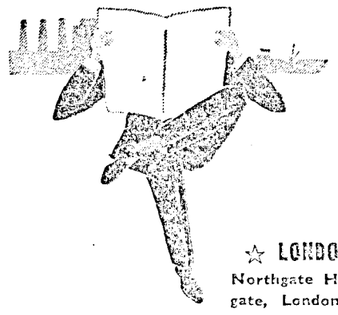


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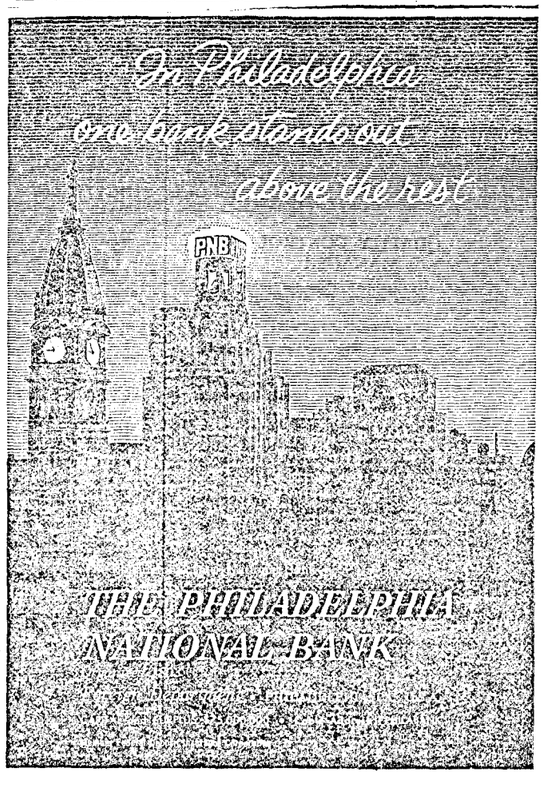
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APPOINTMENTS

GKN

THE GUEST KEEN AND NETTLEFOLDS GROUP OF COMPANIES wish to make the following appointment in one of their constituent companies.

OPERATIONAL RESEARCH

A vacancy exists in the South Wales Operational Research Unit of the Guest Keen & Nettlefolds Group of Companies. This is a new unit which serves all Group Companies in the South Wales area.

Applications are invited from qualified mathematicians, mechanical or electrical engineers and statisticians. Some experience in Industry or Operational Research would be an advantage, coupled with enthusiasm and an ability to get on with people. Replies in writing quoting ref. OR/2 to: Recruitment Officer, G.K.N. Group Research Laboratory, Birmingham New Road, Lanesfield, Wolverhampton.

TECHNICAL SALES

Hilger & Watts Ltd., seek to engage a suitably experienced man who will undertake scientific liaison and sales work in Lancashire and Yorkshire, mainly in the field of Automatic Analytical and Data Reduction equipment, and invite applications in confidence to The Chief Personnel Manager, 98 St. Pancras Way, London, N.W.1.

DATA PROCESSING (IBM)

MULLARD RADIO VALVE CO., LTD.

MITCHAM, SURREY

has one or two vacancies for

ACCOUNTANTS OR GRADUATES

in the planning section of an Integrated Data Processing Unit for the factory. Punched Card knowledge preferable but not essential.

Candidates should have industrial accounting experience including standard costing, knowledge of, or interest in, clerical systems analysis and office machines and some mathematical ability. Age 23-30.

Starting salary not less than £750, or more according to age, qualifications and experience, according.

Applications giving full personal particulars should be sent, in confidence, to:

The Personnel Officer,
MULLARD RADIO VALVE CO., LTD.,
New Road,
Mitcham Junction, Surrey.
quoting ref. IBM/JFG.

STATISTICIAN is required by the International Latex Corporation as an assistant in their Quality Control Department. The successful applicant should have had a comprehensive training in statistical method and applied statistics preferably to degree standard. Working experience in this field would be a decided advantage. Applications to the Personnel Officer, International Latex Corporation, Industrial Estate, Port Glasgow.

QUALITY CONTROL MANAGER

A well-known American Company in Scotland has an important opening for a Quality Control Manager.

The man we are looking for will:

—be conversant with the most advanced quality control techniques;
—be a University graduate with a degree in statistics or equivalent academic background;
—have had some years' practical experience in a senior post in this field.

This opening has been created by expansion within the Company, and carries a four figure salary. Prospects are excellent for the successful applicant who possesses the essential qualifications and experience, plus energy, drive, initiative and personality.

Applicants should forward full particulars (education, chronological break-down of career to date, age and salary required) within 7 days of the appearance of this advertisement. All replies will be treated in the strictest confidence. Box No. 1156.

THE UNIVERSITY OF MANCHESTER

WARBURTON SCHOLARSHIP IN LOCAL GOVERNMENT

Applications are invited for the above Scholarship for research in local government, the law relating to local government, or comparative local government. The Scholarship is tenable for one year and is of the value of £700. It is open to graduates of this or any other approved University, and applications are acceptable from students who expect to graduate this summer.—Applications should be sent not later than July 1, 1959, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

DUNLOP RUBBER COMPANY LIMITED

ECONOMIST

The Company requires an economist for a new post in the Economic Intelligence Department at the London Head Office.

The successful candidate will be between 25-30, possess a good honours degree and have at least three years practical experience in economic analysis and interpretation.

The ability to think clearly and write concisely on a wide variety of problems involving the Company's activities will be essential. A good knowledge of sales forecasting techniques and statistical methods would be a useful additional qualification.

The commencing salary would be based on the calibre and experience of the candidate, and the post offers good future prospects.

Applications, which will be treated in the strictest confidence, to:
Finance Personnel Manager, Dunlop Rubber Co. Ltd., St. James's House, St. James's Street, London, S.W.1.

BUCKINGHAMSHIRE EDUCATION COMMITTEE

SLOUGH COLLEGE OF FURTHER EDUCATION
(Principal: R. Edgar, M.Sc., M.A.)

Applications are invited for the post of Senior Lecturer in Management Studies, the appointment to date from September 1, 1959. Candidates should possess high academic and/or professional qualifications. Experience in industry in a responsible position is essential. Management courses are well-established and short courses at post-graduate level have been developed. The successful candidate will be encouraged to undertake research and to assist in the further development of courses.

Salary will be paid in accordance with the Burnham Report, i.e., for a man £1,350 x £50 to £1,550 per annum. The five per cent Special Addition to Salary (1959) will also apply.

Forms of application and further particulars may be obtained by forwarding a stamped addressed envelope to the Principal at Slough College of Further Education, William Street, Slough, Bucks, to whom completed forms should be returned within fourteen days of the date of the appearance of this advertisement.

GRADUATE ASSISTANT

COURTAULDS LIMITED require a man or woman GRADUATE ASSISTANT in their London office. The work will be concerned with import tariffs and other questions affecting international trade in man-made fibres and related products. Candidates should be able to marshall facts and figures and to present complicated data concisely and clearly. Only candidates with a good Honours degree will be considered.

Candidates should write for a detailed form of application to the Director of Personnel, Courtaulds Limited, 16 St. Martin's-le-Grand, London, E.C.1, quoting reference number E.92.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for a post of ASSISTANT LECTURER in POLITICAL THEORY and INSTITUTIONS, to begin duties on 1st October, 1959. A candidate should be interested in Political Institutions. Salary scale £700 x £50—£850, with F.S.S.U., provision and family allowance. A grant towards removal expenses will be made. Further particulars may be obtained from the Registrar to whom applications (4 copies), including the names and addresses of three referees, should be sent by 16th May.

BRITISH COKING INDUSTRY ASSOCIATION is prepared to receive applications for the post Director of the Association in succession to the late Mr. Leslie O'Connor. The Association includes almost all producers of hard coke; it deals with commercial, technical and administrative matters on behalf of the Industry, including its relations to Government departments. Its headquarters are in London. Salary commensurate with qualifications; satisfactory pension arrangements. Applications in confidence to Sir Frederick Scopes, Chairman, B.C.I.A., 74 Grosvenor Street, W.1.

UNIVERSITY COLLEGE OF GHANA

Applications are invited for post of Chief Accountant from professionally qualified accountants with several years' practical accounting experience, preferably in a University or equivalent institution. Interest in, or knowledge of, systems of mechanised accounting an advantage. Salary scale: £1,925 x £75—£2,150 per annum, F.S.S.U. Outfit and family allowances. Passages for appointee and family on appointment, annual leave and normal termination. Part-furnished accommodation at a charge not exceeding 7.5 per cent of salary.

Detailed applications (6 copies) naming three referees, by May 30, 1959, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

ACCOUNTANT FOR SOUTH AFRICA

A qualified accountant aged 33-45 is required for the South African Subsidiary of a Group of Civil Engineering Contractors. This is a new appointment though the group itself is well established in the territory.

The position, which calls for experience of management accounting, preferably in the contracting industry, will carry a salary of about £2,000 p.a. After an exploratory interview selected candidates will be asked to meet members of the South African Company in London. A period of some months is envisaged in the U.K. prior to going overseas.

Please write, with relevant information, to Box 1160.

UNIVERSITY OF OXFORD

LECTURESHIP IN SOVIET ECONOMICS AND INSTITUTIONS

The University proposes to appoint with effect from October 1, 1959, a lecturer in Soviet Economics and Institutions. Stipend in the scale £900-£1,750 per annum plus F.S.S.U. and children's allowances of £50 per annum for each child. Eight copies of applications, with names of two referees, by May 11, 1959, to Secretary of Faculties, University Registry, Oxford, from whom further particulars may be obtained.

HEAD OFFICE near St. Paul's of important international mining house requires woman graduate in economics with good experience and statistical acumen as junior assistant and librarian to Economic Adviser. Salary £750-£1,000 according to qualifications and experience. Write Box C.119 c/o Streets, 110 Old Broad St., E.C.2.

CYANAMID OF GREAT BRITAIN LIMITED

require a

STATISTICIAN

to lead a department responsible for all Statistics and Market Survey, in an expanding worldwide organisation. Background for this replacement appointment should include Economics degree, plus minimum 4 years' business Statistics and related experience.

Commencing salary around £1,400 per annum.

Employee benefits include contributory Pension/Life Assurance Scheme.

Applications, which will be acknowledged, should be addressed, in complete confidence, to:—

PERSONNEL MANAGER,

CYANAMID OF GREAT BRITAIN LIMITED

BUSH HOUSE, ALDWYCH, LONDON, W.C.2.

(Anyone who replied to our February, 1959 advertisement should not apply again.)

GILT EDGED DEPARTMENT

Leading firm of Stock Brokers requires someone with experience of [illegible] switching, etc., to take over and develop their Gilt Edged business. Substantial participation in profits for the right person. All enquiries treated as confidential. Box 1159.

ACCOUNTANTS

THE MULLARD RADIO VALVE CO., LTD.

MITCHAM, SURREY

requires one or two Accountants to help develop the Punched Card Department to serve the data processing requirements of the factory.

Work will involve investigation of existing procedures and the design and installation of improved methods.

Men who can take a broad view of accounting and are bold and imaginative enough to propose unorthodox approaches are wanted. Training will be given in the use of Punched Card machines. Starting salary will be in the region of £900-£1,100 according to age and qualifications.

Applications giving full personal particulars should be sent, in confidence, to:

The Personnel Officer,
MULLARD RADIO VALVE CO., LTD.,
New Road,
Mitcham Junction, Surrey.
quoting ref. IBM/JFG.

GILT-EDGED. Statistician with experience in Gilt-Edged or young man, actuary or with economics degree, required by leading progressive firm of stockbrokers. Good salary, good prospects, pension scheme. Box T.2343/2 c/o Foster Turner & Everetts Ltd., 11 Old Jewry, E.C.2.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

Applications are invited from graduates for the post of ASSISTANT LECTURER IN SOCIAL SCIENCE in the Department of ECONOMICS AND SOCIAL SCIENCE. Experience in social work and social research will be regarded as additional qualifications. Applications (six copies) should be sent not later than May 16, 1959, to the Registrar, University College, Cathays Park, Cardiff, from whom further particulars may be obtained.

UNIVERSITY COLLEGE OF WALES ABERYSTWYTH

Applications are invited for the post of Assistant Lecturer in the Department of International Politics, to take up duties on October 1st next. Applications should be sent to the undersigned, from whom further particulars may be obtained, by May 8, 1959.

T. MAELGWYN DAVIES,
Registrar.

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Applications are invited for two full-time appointments as Grade B teachers, duties to commence on 1st September next.

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(b) to teach Spanish as main subject and German to students taking secretarial, G.C.E. Advanced level and B.Sc. (Econ.) courses. Ability to teach also some French would be an additional recommendation.

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Application forms, to be returned within two weeks of the publication of this advertisement, may be obtained by sending a stamped addressed foolscap envelope to the undersigned.

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Applications are invited from Associates of the Institute of Cost and Works Accountants who should be in the age range 23-28 and have not less than one year's experience in industry since qualifying.

Local salary according to qualifications and experience, but not less than £1,900 p.a. Kit allowance. Write for application form, sending brief details and quoting K.2469, to Box B/48, c/o 191 Gresham House, E.C.2.

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APPOINTMENT OF BURSAR

Applications are invited for the post of Bursar of the College. The Bursar is the executive officer responsible to the Principal for all financial matters including the preparation of estimates and participation in negotiations with the University Grants Committee, for the development and maintenance of the estate and the buildings of the College and for legal matters arising therefrom. Candidates must, therefore, have a wide experience in these fields, must possess suitable qualifications and managerial capacity of a high order.

The salary will be in the range £1,800 to £2,300. The appointment will be subject to the Federated Superannuation System for Universities and family allowances will be payable.

Application forms and further particulars may be obtained from the Registrar, The Manchester College of Science and Technology, Manchester 1, to whom applications must be forwarded by Monday, May 25, 1959.

CENTRAL ELECTRICITY GENERATING BOARD

Applications are invited from suitably qualified ENGINEERS for the post of SECRETARY to the Standardisation Committee, attached to the Purchasing and Contracts Department at Headquarters, London, S.E.1.

Applicants should be interested in standardisation as an aid to stock control and purchasing, and preferably have had experience of the production of standard and/or buying specifications. Some knowledge of purchasing and coding would be an advantage.

Salary scale £1,560-£1,760 p.a.

Applications stating age, qualifications, experience, present position and salary, should be forwarded to the Personnel Officer, 24-30 Holborn, London, E.C.1, by May 12th. Envelopes and applications to be marked "Confidential Ref. E/138".

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The University invites applications for appointment to a Chair of Economics in the School of Economics within the Faculty of Commerce at Kensington.

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The School of Economics prepares undergraduates for the Degree of Bachelor of Commerce in the following specialisations:—

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The School also supervises candidates for higher degrees. The present staff of the School numbers twenty economists and statisticians and the Head of the School is Professor D. C. Rowan.

Applicants must be of high academic standing in their chosen field. The University will particularly welcome applications from those interested in the application of mathematical and statistical techniques to economic problems.

Subject to the consent of the Council of the University, Professors may engage in a limited amount of higher consultative work.

Subject to satisfactory medical examination, Professors will be eligible to join the Superannuation Fund which provides a pension of £A1,638 per annum.

Professors are eligible for six months' study leave on full salary after three years of service, or twelve months after six years of service.

With the approval of the University and its bankers, married men may be assisted by loans to purchase a home.

The University reserves the right to fill the Chair by invitation.

First-class ship fare to Sydney of appointee and his family will be paid.

Four copies of applications (including the names of three referees) should be lodged with the Agent General for New South Wales, 56 Strand, London, W.C.2, and a copy forwarded by Airmail in an envelope marked "University Appointment" to the Bursar, University of New South Wales, Post Office, Box 1, Kensington, New South Wales, Australia, to reach him not later than May 31, 1959.

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Applications invited for above appointment on established staff of Health Department—salary not exceeding £1,175 (Salary scale at present under review).

Candidates must be University graduates who have taken statistics as a subject of degree course. Preference given to those with previous experience in medical and other vital statistics. Superannuation. Medical examination. Application forms from County Medical Officer of Health, County Hall, Chelmsford, to be returned by May 6, 1959. Canvassing disqualifies.

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Applications are invited for the above studentships and grants for research in Economics, Economic Statistics, Government, Social Administration, Social Anthropology or Sociology, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The studentships are normally of the value of £350 or £400. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University, and applications are acceptable from students who expect to graduate this summer.—Applications should be sent, not later than July 1, 1959, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

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FINANCIAL NOTICES

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). Ontario & Quebec Railway Company 5 per cent Debenture Stock. 6 per cent Common Stock. In preparation for the payment of the half-yearly interest payable on June 1st next, the Debenture Stock Transfer Books will be closed on May 1st and will be re-opened on June 2nd. The half-yearly interest on the Common Stock will be paid on June 1st to holders of record on May 1st. R. F. Tremayne, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1. April 17, 1959.

THE ROYAL BANK OF CANADA

DIVIDEND NO. 287

Notice is hereby given that a DIVIDEND of 50 cents per share upon the paid-up capital stock of this Bank has been declared for the current quarter and will be PAYABLE at the Bank and its Branches on and after June 1, 1959, to shareholders of record at the close of business on April 30, 1959.

By Order of the Board,
K. M. SEDGEWICK,
General Manager.

April 15, 1959

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The Company of Adventurers . . .

RITCHIE CALDER, the science writer, describes how atomic freighters could travel under the icebound seas of the Arctic throughout the year



THE OFFICER'S MESS at Fort Churchill on Hudson Bay is a bus-ride from the cinema. But there is no bus. Instead one walks through centrally heated corridors, built-in streets, buried beneath the snow, which link the living quarters with the cinema, the school, the shops and other civic amenities. In the winter the average temperature outside is 20° below zero FAHR.

This is the Frozen North. Yet this Canadian base and port is no further north than Oslo, Stockholm or Leningrad. Beyond it lie The Barrens, the snow deserts of the wandering Eskimos, before it Hudson Bay, which extends as far south as most of England yet is frozen solid for seven months of the year.

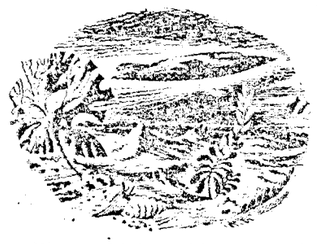
ATOMIC AGE MINERALS

Today, on the Bay at Churchill, stand the great grain silos. The port handles over eleven million bushels of grain every year. Across the Bay is Ungava, a region of great mineral resources, including some of the biggest iron deposits in the world. To the north of Churchill is Keewatin, that region where geologists and prospectors are discovering the minerals of the Atomic Age.

Access to new agricultural and mineral wealth of the mid-west and north of Canada depends on Hudson Bay, yet it is ice-locked for the greater part of the year, with deep water channels navigable only from August till early October.

Hudson Bay owed its discovery to the quest for the North West Passage, and its development to King Charles II's "Company of Adventurers". The successful navigation of that Passage by mid-20th century adventurers, may well provide the means of liberating the Bay from its ice-bondage.

U.S. atomic submarines, the Nautilus and the Skate, have navigated under the Arctic ice and opened the passage from west to east and east to west. Similarly, submarine atomic freighters could travel under the ice of Hudson Bay, throughout the year. Atomic heat could keep Churchill and other harbours open, like seals' breathing holes in the ice, for all-the-year handling of freight and so revolutionise not only the port itself, but the economy of half a continent.



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Caribbean Cross Currents

Castro's Cuba has willy-nilly become the focus of revolutionary activities in Central America (page 402).

The Common Sense of 1959

Allies should know that Britain is not bent on selling out Western security (page 399).

A Funeral or a Cure?

A gift of £30 million, Lancashire believes, will commit the Government to more than a protective finish for cotton (page 441).

Tsar of the Baltic (page 400)

Supersonics and Space Research (page 44)

Japan's Conservative Grassroots (page 43)

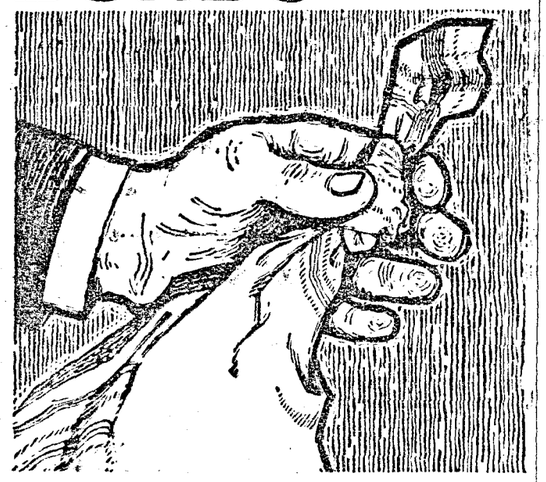
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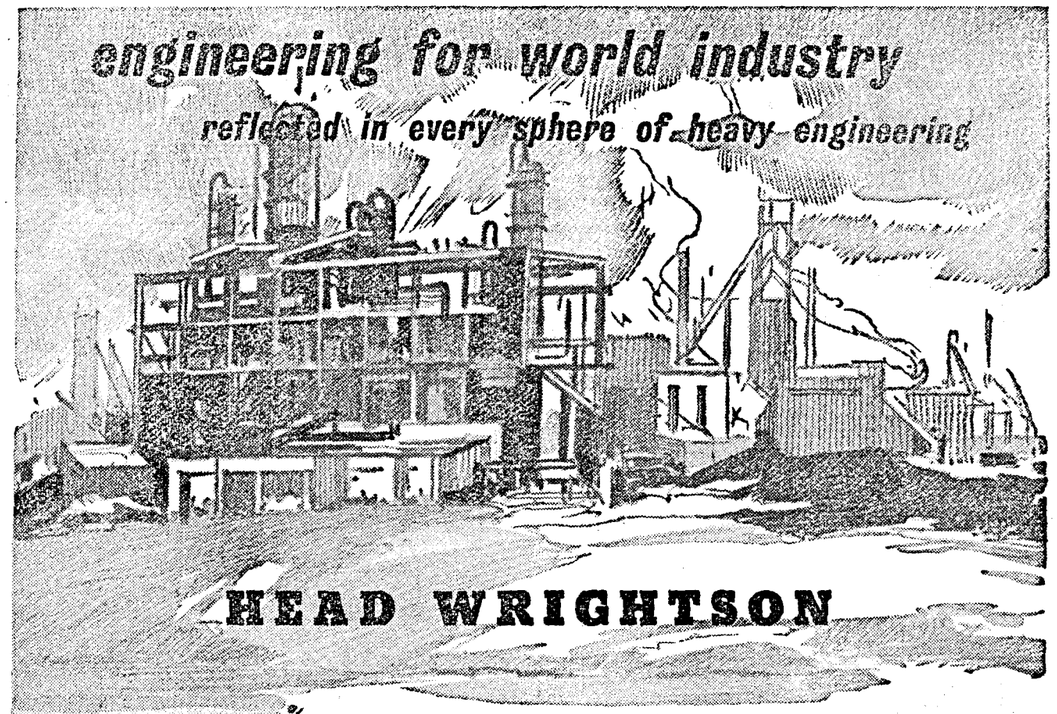
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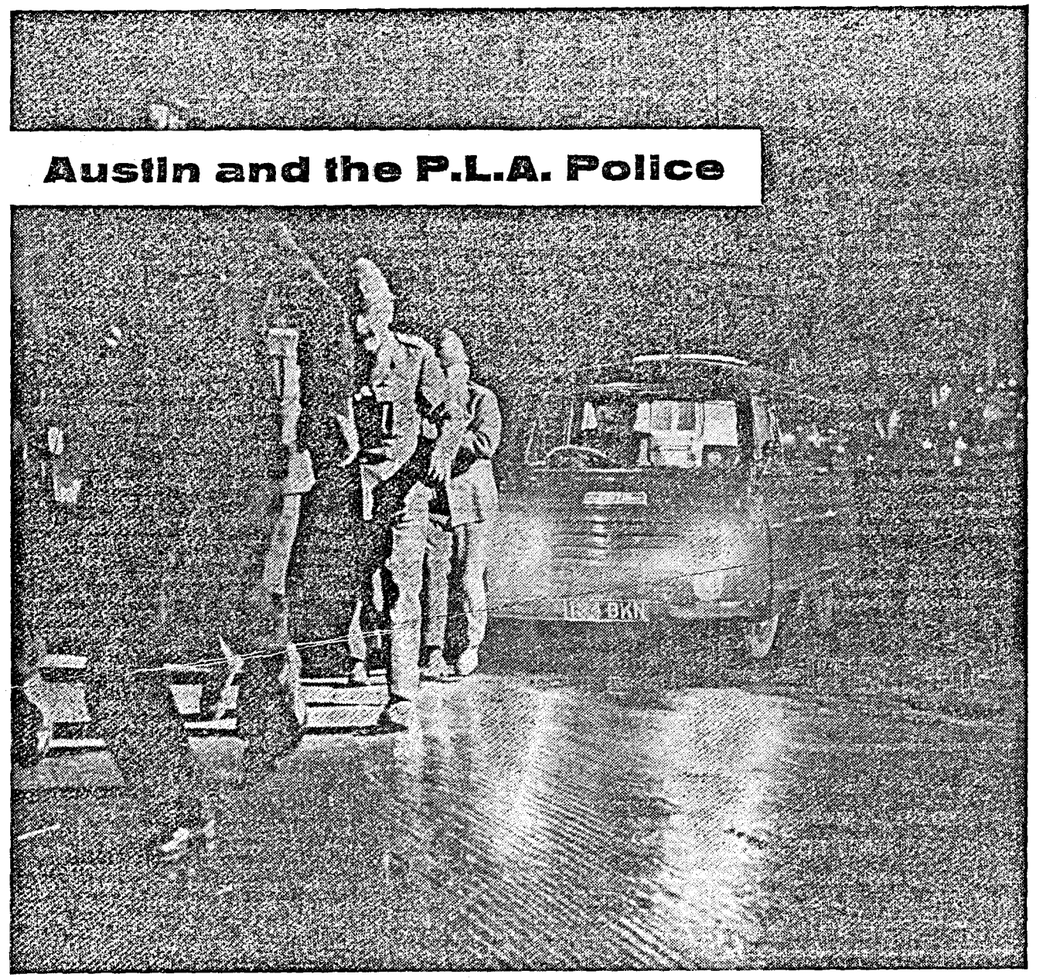
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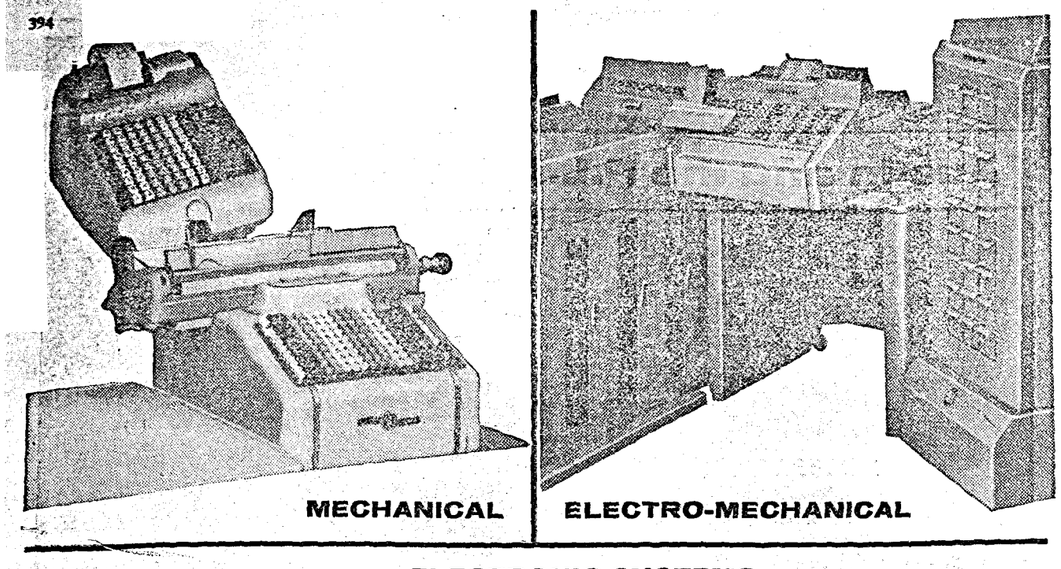
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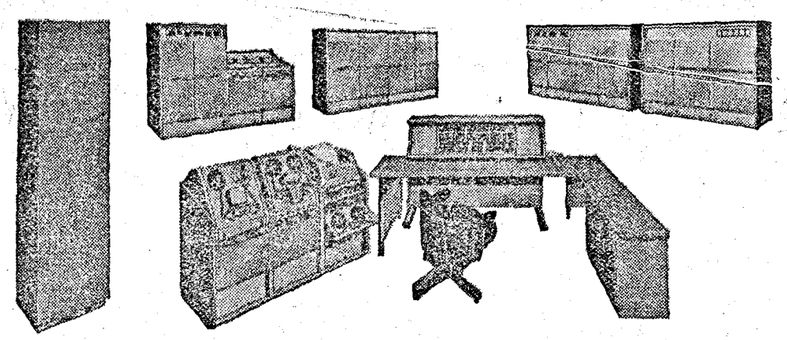
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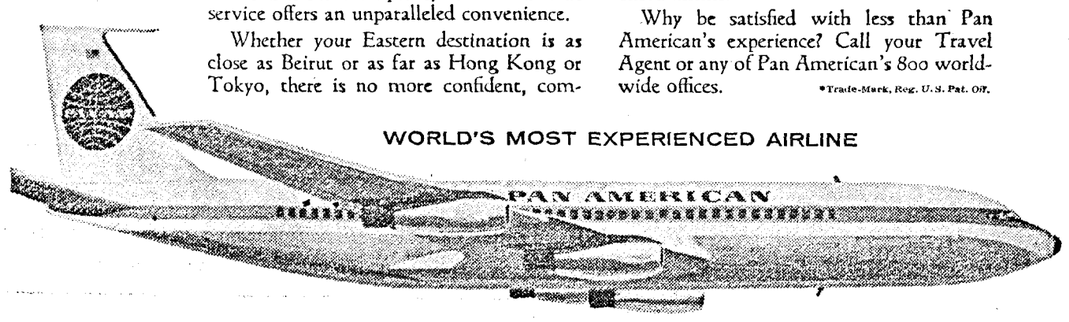
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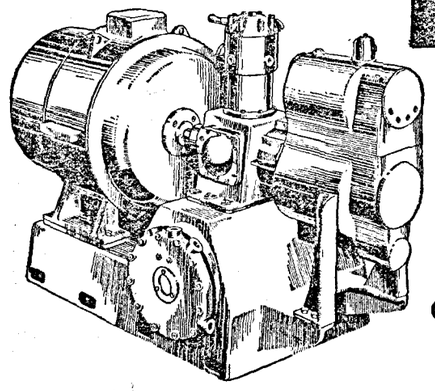
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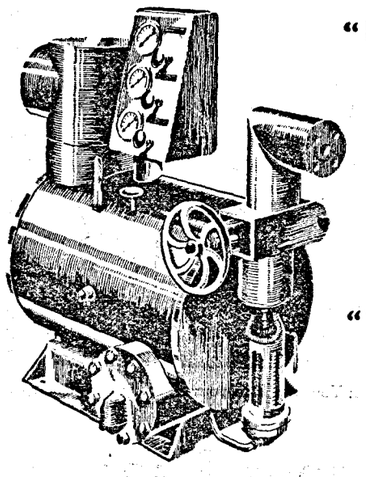


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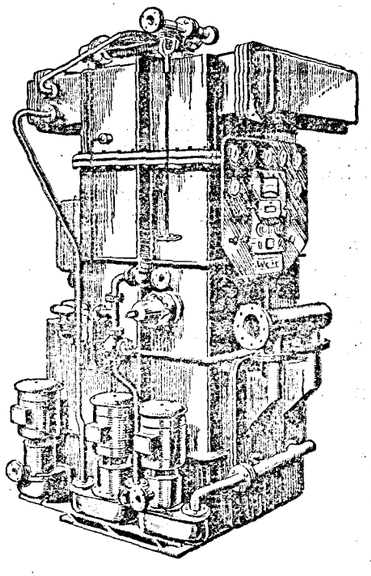


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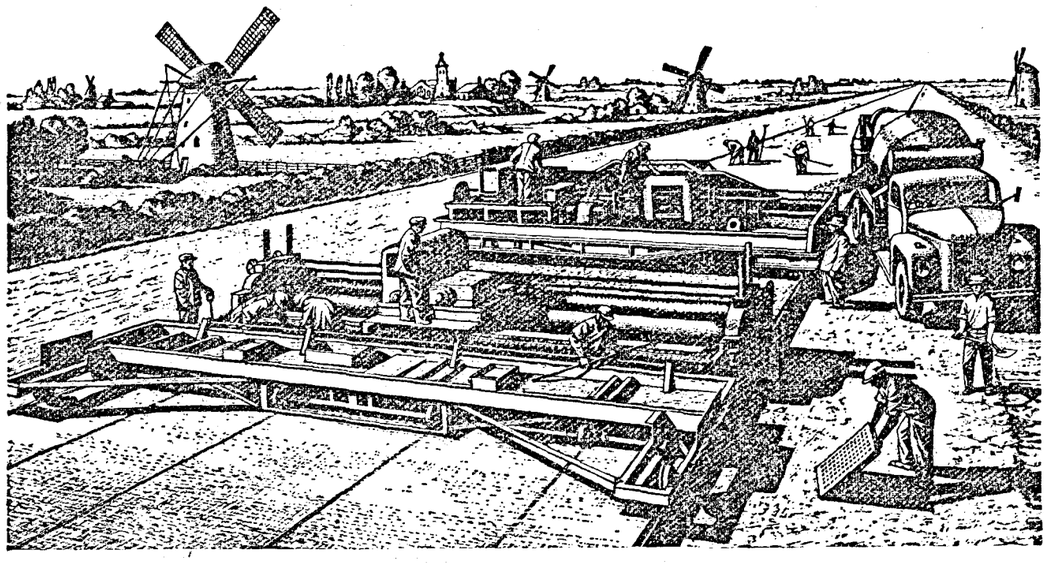
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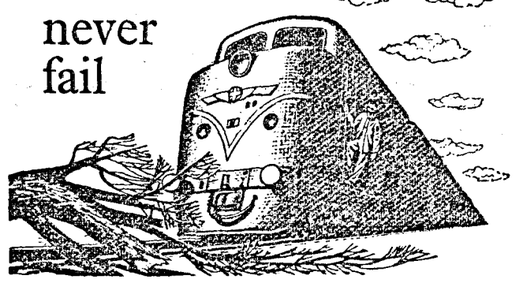
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The Economist

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The Common Sense of 1959

"*No more peace parleying* with the enemy." The caption is from *John Bull* in 1917. In a sense, 1959 is the 1917 of the cold war, the moment when the question is asked whether a negotiated peace or truce, on part at least of the front, can be attempted. The French Foreign Minister called it on Tuesday "a turning point in postwar history": the moment (and M. Couve de Murville hedged this round heavily with qualifications) for pursuing, on the basis of a "balance of forces," a "normalisation of relationships." From the start of 1917 the verdict was No: the Germans could not be trusted; nor, if talk of a negotiated peace was admitted, could the allies themselves be trusted to preserve the will to fight. Now, in the cold war, it is the British will to soldier on that is suspected, by Americans and Europeans.

The suspicion is as disquieting as it is unfounded. Trust among allies is even more important than agreement; trust between Britain and America is a necessity. Usually a misunderstood country, like a misunderstood husband, has only itself to blame. Certainly Lord Montgomery did not help by recording his view for television, not long before going off to Moscow, that "the leadership is passing to the British." Certainly, too, the suspicion abroad *that British policy is* just British politics has been fed by the tendency (familiar enough to Americans) for politicians and political writers here to treat everything that happens in terms of the election-to-come. So the latest caricature of Mr Macmillan, accepted by some quite sensible foreign friends, goes something like this: he went to Moscow in search of a summit meeting because he had an early election to fight; he *is not going to* have an election yet because he is soon going to the summit; and, when he gets to the summit, he will want to throw western interests to the Russian wolves because of the "peace at any price" mood of British voters. It is a cruel caricature. If it were true it would be a calamity for Britain and the West alike. But it is not true.

The counts in the indictment can be met one by one. To begin with, there can be no question of western leadership, in face of the Russians, belonging to anybody but the Americans. The fact is that the only power with power enough to appease the Russians, whether weakly or wisely, is the United States itself. (The only possible exception, in some future contingency, is the Germans, who happen to be both subject and object of these dealings on the European front.) It is true, as Mr Dulles recognised, that the Americans have to work with their allies, and want to do so. This can mean, as Mr Dulles found, that the Americans may be persuaded not to do certain things. It does not mean that they can be forced by their friends to do what they do not want to do. When Mr Chamberlain went to Munich in 1938 he had power to act. When Mr Macmillan went to Moscow this year he had not. (Still less has Lord Montgomery, who has not even got any divisions.) The dice at the summit will be cast by the Americans—and the Russians.

The chief fallacy, however, is the charge that the Prime Minister, for electoral or any other reasons, wants anybody to be weak with the Russians at the West's expense. The purpose of the advice he has offered to his American and other allies is precisely what Sir William Hayter, in *The Times* on Wednesday, finally defined as the proper purpose of talking at the summit:

> Winning victories should, of course, not be the aim of these or indeed of any negotiations. Their objective must be to establish, sooner or later, the common advantages that both sides ought to be able to draw from a more rational and more peaceful organisation of Europe and ultimately the world.

There is room for much disagreement among the allies —and argument with the Russians—about (to use M. Couve de Murville's terms) the balance, and disposition, of forces in central Europe upon which a "normalisation of relationships" there might possibly be rested ; and about the relationships themselves. But there is nothing at all in this endeavour that need weaken the will or the means of the West to resist force with force, or impair the credibility of its ultimate sanction against aggression: the nuclear deterrent itself.

It is here perhaps that anxious friends abroad see the danger: willy nilly, Mr Macmillan must want to buy off the Russians in order to allay the British voters' fears of catastrophe. This is a complete misreading both of British politics and of the British mood. The Prime Minister is a politician, but he did not go to Moscow simply because of the coming election ; he went because he thought the time was ripe for a contact at the top. He did not put off the election pending a triumph of appeasement ; he put it off because he could not be sure of winning it by a sufficient margin. And at no point have these decisions of his been imposed upon him by any popular pressure for peace at any price, or by any popular wish to relax in the long haul against communist pressure.

There is indeed in Britain, as in every other sensible and articulate country, a common horror at the mere thought of nuclear war and a deep desire to prevent it. But there is no common belief now that this can be done, as the busy and devoted nuclear disarmers demand, by throwing up the sponge. The bulk of the British people still accept that, while the other side stays armed, the West must stay armed, too, to keep the peace. What they do ask is that all the time—and without any illusions about the obstacles presented by a strong and ruthless rival—peace-seeking shall go persistently on. This is not the appeasement of 1938 ; it is the common sense of 1959.

With a sensible brevity, Sir Winston Churchill once said "We arm to parley." The two are not alternatives ; both are needed. Both indeed have the same simple aim: security. In 1917 the decision was made to go on, without parleying, to Passchendaele and "unconditional surrender"; historians will argue about it for ever. The crunch of the cold war has still to come; but in 1959 it has to be recognised that unconditional surrender by either side is impossible. Whether a negotiated peace, however limited, is possible can be found out only by seeking. The search will not be helped if, without cause, the seekers mistrust one another.

Tsar of the Baltic

Mr Khrushchev is showing a benevolent interest in detaching the Scandinavian countries in a separate (and neutral) Nordic block

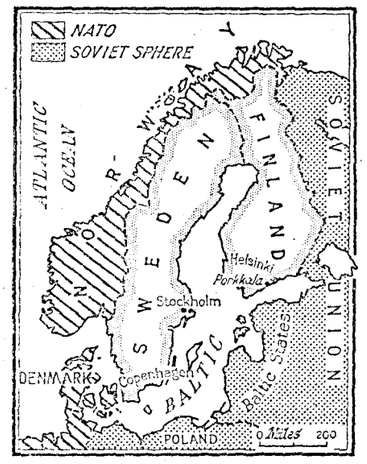
TSAR ALEXANDER II still stands in front of the Great Church in the Senate Square in Helsinki: the one Russian monument left in Finland. It has its uses. In the bitter years at the turn of the century when the Finns withstood Russification, the statue's foot was covered with flowers, a silent protest before the last liberal Tsar that Finland—and Russia—had known. Since then the Finns have fought three wars against the Russians to win, and hold on to, their independence. But it still matters very much to them who the Soviet Tsar is and how his mind works. Neither they nor their Nordic neighbours—whom Mr Khrushchev is going to visit in August—think of the present ruler of Russia as excessively liberal. But all the same, they have some hopes of him. And Mr Khrushchev plainly has his hopes of them.

The Scandinavian invitation to Mr Khrushchev has been unashamedly badgered out of his hosts. When Denmark seemed to hum and haw before the Scandinavian prime ministers' meeting in Oslo in January, Mr Mikoyan stopped off for a quiet chat in Copenhagen on his way home from America. The next day Mr Khrushchev showed off his best party manners at a surprise luncheon for the Finnish president in Leningrad. Russo-Finnish relations had lurched into an unnecessary crisis last autumn with, it now seems, considerable political embarrassment in Moscow as well as Helsinki. Mr Khrushchev brushed all that aside. Addressing the suspicious Swedes as much as the Finns (who are usually not as rattled by a crisis as the anxious listeners at the end of a telephone line in Stockholm), he insisted that a big neighbour could be a good neighbour, too:

> We want to be friends with the Finnish people, and we pay heed to their interests. . . . We should like to establish relations with Finland that could be a model of good relations between a socialist state and a state whose social system is not based on socialist lines.

This was not new, but it was hopeful. The biting winds from Siberia died away, and Scandinavia was warned that the diplomatic spring might come early this year. It was good news for most Finns, except for the communists and left-wing social democrats who had thought they could enter the cabinet if President Kekkonen lost his nerve and pushed them in, whether the Russians wanted them there or not. The crisis was probably not of Mr Khrushchev's making (some of its engineers were almost certainly in Helsinki), and his haste to cut it short seemed to betray a surprising sensitivity to Scandinavian criticism.

But it also seems true that Russian policy towards the Nordic countries is changing purposefully. Mr Khrushchev's August tour may make this plain. There are signs that the Soviet Union would be quite content to settle for a neutralist block in which the Swedes and Finns would temper the Anglo-Saxon enthusiasm of the Norwegians and Danes, and in which Iceland, already at odds with Nato and increasingly dependent on Soviet trade, would be a useful makeweight. This is still a misty and insubstantial notion, but it is at the back of some hard Nordic heads. Stalin preferred more old - fashioned ideas in 1948, even at the cost of letting Norway and Denmark go their own way into Nato. (And the Americans, too, refused to give arms to such a Scandinavian block when it was suggested then.) But times, and Tsars, have changed. Finland has been allowed to join the Nordic Council. It got the Porkkala base back in 1955. The Finns believe there is no political objection to their entering a Scandinavian free trade area ; the Russians merely draw the line at ties with Bonn.



Mr Khrushchev will have to make several summer cruises, and change the tone of his diplomatic missives, if he really wants to detach the Norwegians and Danes from Nato. But there are some weak links that he may try to prise apart this time. General Speidel's reception when he toured both Norway and Denmark after taking up his command in 1957 showed how unpopular the rearming of west Germany is. A noisy agitation has been running in Norway against accepting German officers at Nato's northern command at Kolsas, near Oslo. The Norwegian foreign minister, Hr Lange, a staunch supporter of Nato, has faced internal, as well as Russian, criticism for permitting supply dumps for the Germans on Norwegian territory and allowing German naval vessels to refuel at Norwegian ports. The minister of defence, Hr Handal, has pointed out that these facilities must be given to Nato allies without exception, and that if Norway does not allow foreign troops on its soil in peacetime it must not make it impossible for them to go to Norway's aid in a crisis. Good sense has prevailed, and the Storting voted this week to agree to German officers at Kolsas. But Mr Khrushchev, as his diplomatic notes show, believes he can make political capital of it all, even within the Norwegian government.

The Germans themselves set off the Nato row in Denmark in November. Herr Strauss's desire to change the Nato structure to incorporate the Danish straits in the central European, instead of the northern, command—under German influence—made the worst impression. The Danes do not want to be separated from the Norwegians. While they recognise the strategic importance of the straits in bottling up the Russian Baltic fleet and its submarines, they are not too certain whether, in two years' time, German plans for the Baltic will be more offensive than defensive. When the Russians talk of a "sea of peace" they get some ready, if uncritical, listeners.

THE energies of the Soviet block are plainly bent on isolating the west Germans. In October, before the Berlin crisis began, the Polish foreign minister, Mr Rapacki, was in Oslo talking encouragingly of revising his plan for banning atomic weapons in central Europe to include the limitation of conventional arms as well. Even if this was an independent Polish initiative, Mr Khrushchev can take it up where he chooses. At the least, he stands to reinforce Norwegian doubts about accepting intermediate-range missiles.

Mr Khrushchev's diplomats have had to be reminded by Hr Lange last month that the Baltic is not geographically a Norwegian concern. This is only one example of what seems a growing Russian obsession with revived German naval power. In Finland these Russian fears are taken much more at their face value. There are whispers of a *dossier* of Finnish politicians, said to be compiled by the Soviet embassy in Bonn, which the Russians are thought to have used during last winter's crisis. Needless to say, it has never been seen by outside eyes. But Mr Khrushchev is apparently unable to trust the right-wing Finnish social democrats because the party's older leaders accepted German aid during the second world war. At all events, even a tough Baltic command could not be the threat to Russia that Germany was in 1939. Soviet forces control the entire southern Baltic shore. Stalin's quest for Finnish bases is unnecessary now.

The idea of an independent Nordic block has its attractions for the Scandinavians. But, except for the Finns, these are probably not enough to outweigh its present disadvantages. Norway and Denmark are unlikely to consider it, unless as a corollary to general

disengagement in central Europe. Sweden must have reserves about new commitments which might imperil its traditional non-involvement. But Swedish foreign policy is naturally concerned with Finland, and membership of a neutral Scandinavian block would undoubtedly answer the Finns' prayers in holding the balance between East and West. Nordic unity is a sensitive structure that now works best on the individual level, such as dispensing with passports and allowing free movement of labour. Closer economic ties in a Scandinavian free trade area are being discussed, and a ministerial meeting will be held in Helsinki this month. A five-year transitional period, with a further five to seven years for Finland, may be economically acceptable. But it is the political decision to take this step that counts. Mr Khrushchev is likely to be mildly encouraging, at least until after August. This is the opportunity to tighten Nordic ties that Finland has been looking for. It is a more hopeful policy than waiting for liberal Tsars.

Caribbean Cross Currents

While Señor Fidel Castro has no interest in backing the Panamanian rebels, his peasant revolution in Cuba has given new heart and cohesion to movements for political change in the Caribbean area.

REVOLUTIONARY impetus, Señor Fidel Castro is discovering, is hard to keep within bounds. Like President Nasser, he is finding himself involved, not always willingly, in incipient revolts kindled from the flame of his own successful revolution. In Central America, the Cuban leader is in a fair way to achieving something of the symbolic status that has fallen on President Nasser, although the two men do not altogether stand for the same things. The Arab leader stands for the independence of the Middle East from outside interference; Señor Castro, at least for the time being, represents what passes for a liberal current within Latin American politics. Over and above the familiar pattern of personal feuds and national rivalries, new and explosive forces that demand a choice between dictatorship and political freedom have imposed themselves on the area. Although Central America has lagged behind South America (three of the four remaining Latin dictatorships are in the Caribbean area) Señor Castro's Cuban victory has made him the brightest hero of them all.

But this has now led him into an awkward situation. Señor Castro has no conceivable interest in backing one Panamanian feudal family against another, and Havana has not only dissociated itself from the Cuban volunteers who are taking part in the rebel expedition that landed on Panama's Atlantic coast last weekend, but is doing its best to call them home. The expedition came at a particularly embarrassing moment for Señor Castro, since it coincided with his visit to Washington, where the administration has decided to support the Panamanian government with an emergency gift of arms. At this early stage, it would also be awkward for the Cuban government to cross swords with the Organisation of American States, and on Tuesday the Cuban representative voted with the other American states to give Panama every necessary help to repel the "international pirates."

Panamanian politics have become news outside the Americas mainly because Dame Margot Fonteyn appears to be mixed up in them. The British press, having gone freely to town over the ballerina's brief incarceration in the prison's presidential suite (about which she herself was completely reticent), has followed subsequent developments blow by blow. But Panama, which has had on average a new president every other year since its creation in 1903, is used to seeing its politics played this way. The presidential term is four years; but the families out of power have often preferred to remove the president forcibly rather than wait their chance at elections.

MANY of Panama's neighbours still conduct their affairs on similar lines. Family feuds within the state are repeated at the international level, where each state is frequently guarding its frontiers against its neighbours. Five Central American republics—Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica—have often since they won their independence of Spain more than a hundred years ago dreamt of political unity (Panama, which was a part of Colombia in the formative period and gained its independence much later, has never really been accepted as an integral part of the region). The strip of Central America with its range of mountains for backbone, subdivided into independent states sharing a common language and a background of cultural unity, does somewhat recall Italy before unification. The five republics are now trying to co-ordinate their economies; but politically their leaders have usually been at odds, and no Central American has yet proved himself a Cavour.

One of the oldest quarrels is a border dispute between Nicaragua and Honduras. Nicaragua has been ruled for a quarter of a century by the Somoza family, whose members by now also own about two-thirds of the land; when General Anastasio Somoza was assassinated in 1956, his son, President Luis Somoza, automatically slipped into his place. Honduras, on the other hand, had respectable elections a couple of years ago, won by the Liberal party under Dr Villeda Morales. But the army's loyalty is doubtful, and earlier this year there was an abortive uprising on the northern border. Both Nicaragua and Honduras shelter each other's exiles, and although they signed an agreement in February to prevent their territories being used to mount rebellions against each other, their mutual suspicion remains. Nicaragua used also to be at loggerheads with its southern neighbour, Costa Rica, whose former president, Señor José Figueres, was fiercely opposed to the old-fashioned feudalism of the Somoza family. Costa Rica's new conservative president, Señor Echandi, has now smoothed over this quarrel, but at the cost of seriously weakening his standing at home. Further north, the Guatemalan government under its extreme right-wing president, General Ydígoras Fuentes (who won the elections because both Left and Right in Guatemala were determined to keep out the candidate openly sponsored by the United States), is trying to divert attention from its domestic troubles by starting up a squabble over prawn fishing rights with Mexico and by reviving the old claim to British Honduras. Only El Salvador, politically tranquil and financially sound, seems at peace with its neighbours and itself. But the gap between rich and poor is nowhere wider.



WHILE old ways of political life persist, new gusts of political theory are blowing through the Caribbean area. Señor Castro and President Betancourt of Venezuela, who both owe some of their success to the popular voice, stand for the liberating ideas that threaten dictatorships. After Señor Castro was feted in Venezuela earlier this year, Central Americans began talking about a "Caracas group" as a sort of shorthand term for active anti-autocracy. What the group is supposed to do, nobody has much idea. But broadcasts are beamed north from Venezuela, presumably for the ears of President Somoza's opponents, and Cuba is broadcasting twice a week in French for Haiti. Cuba has become a centre for the area's political exiles (including Panamanians) and there has been a movement to revive the Caribbean Legion. The legion, which is also called the phantom army, came into being in 1947 when an expedition, including Señor Fidel Castro, set out from Cuba in an attempt to overthrow General Rafael Trujillo, ruler of the Dominican Republic since 1930. The expedition was broken up by the Cuban navy at the insistence of the United States, which then, no less than now, wanted at all costs to keep the peace; and the phantom army faded away.

Señor Castro's main target is still General Trujillo, who not only is an affront to his revolutionary principles by being Latin America's toughest and longest established military dictator, but is also General Batista's host. General Trujillo has always been unusually generous towards refugees from other parts of the world; his regime at home is efficient and politically stifling. He is also very well prepared to defend himself. Since a Cuban expedition might possibly strike at the "white" Dominican Republic through the negro republic of Haiti, whose western tip is only 50 miles from Cuba, General Trujillo has set about defending Haiti as well. The two parts of the island have signed a mutual defence pact; Dominican gunboats patrol Haiti's ports; and Dominican army officers have started up a Foreign Legion which is claimed, improbably, to be 25,000 strong.

Haiti, which lives off tourism and American aid, has been going through a very bad patch. Prolonged droughts have caused horrible suffering and President Duvalier's assumption of emergency powers has frightened away a good many of the tourists. The president, a new recruit among dictators, has now, in theory, ended the state of martial law, but his opposition show their trust in this by keeping well out of the way in hiding or in exile. The two unsuccessful candidates at Haiti's presidential elections in 1957 have apparently joined forces to organise a coup from Cuba. Señor Castro can hardly interpret this as a popular rising; the purpose from his point of view would be to establish a basis for guerrilla operations against the Dominican Republic.

The United States has decided to show its disapproval of all such tactics by giving Haiti an emergency grant of $6 million and by sending a military mission to help train its tiny army. In April, the State Department called together its twelve ambassadors to the Caribbean republics for consultations; their advice apparently was that, while there was intense revolutionary activity on the part of political exile groups in virtually every country, no rebel attack from outside was likely to be successful. But to be on the safe side, and perhaps to give warning to Señor Castro, the United States is giving a helping hand to Dr Duvalier. The State Department admits that he has his "shortcomings," but emphasises that he has given his country more stability than his immediate predecessors. Since, before Dr Duvalier, Haiti had five presidents in as many months, this is true enough.

It may seem unreasonable for Latin Americans to complain when the United States helps an established government to resist attack from outside, but complain they often do; and correctness on Washington's part does not always prove to be wisdom in an area of revolutionary upheaval. With its strong interest in a tranquil Central America, the United States is almost automatically inclined to support the *status quo*. Washington's difficulty is to determine at what point the support of a government in power is no longer the best way to keep the peace.

How to Get Chosen

An elementary guide to becoming a Member of Parliament.

"THE best or the worst are usually chosen." This dictum attributed to a senior politician on the skill of local party committees in picking the runners for the electoral race is too sweeping—some of those chosen present a distinctly second best appearance. But it illuminates what some would call the extreme capriciousness and others the sturdy independence of the local party organisations in carrying out their most important constitutional task.

If you have parliamentary ambitions and are not bent on making things hard for yourself by being a Liberal, a Welsh Nationalist, or an Independent, how should you set about getting to Westminster? First, pick your party. This may be no problem for some, who were either blue or red babies at birth. For others, who have left the choice of colour to their maturer years, this may present special difficulties—such as which party's more unappetising prescriptions are easier to swallow without making a face. And for those who have made a false start a period of purgatory must be served in which the convert cleanses himself by good hard voluntary party work. It is necessary in both parties to belong to a local branch (or, in the case of the Labour party, an affiliated organisation such as a co-op or a trade union) before qualifying as a candidate—a fact which recently surprised no less a luminary than Mr Christopher Shawcross, when he sent in for the Conservative nomination at Bournemouth East.

Once you feel yourself enough of an insider, you should try to get on a list. This is done in the Conservative party by seeking interviews in London with a panel made up of MPs and officials of the National Union, and with Mr Donald Kaberry, a shrewd Yorkshire MP with a sense of humour, who will check up on your personal and political background. Then, if you pass muster, your status will be confirmed by the party's standing advisory committee; and Mr Kaberry will send your name and dossier (with about ninety others in the case of a safe seat in a cosy neighbourhood) to any inquiring association in the type of constituency for which you have opted. In the Labour party there is also a list—or rather two lists, 'A' for union-sponsored aspirants and 'B' for the rest—but to get on it you have to be put up by your local Labour party or trade union branch. Transport House is always pleased to give you an interview, but this is not essential.

The next step is to pick your constituency. The ideal rule for a politician is only to fight seats in which the result is a foregone conclusion—ones in which you either cannot win or cannot lose. The reason is that although the candidate's personality makes practically no difference (except possibly in the case of a third party, which for reasons of space we are not now considering) many constituency parties think it does. Moreover, there is no way of acquiring party merit quite so effectively as putting up a really great fight for a hopeless seat. If you do, and if you conduct yourself so that you cannot possibly be saddled with any responsibility for the disheartening result, no one beyond hailing distance of Lord Beaverbrook will blame you if next time you seek your just reward in a seat that you cannot fail to win. But if at any time there is any doubt about the outcome you may be in trouble. If you win by a narrow margin you may be out next time with the national swing, no matter how good a member you are; if you lose narrowly you may either get blamed unfairly for the result, or, if you improved the vote and your campaign was beyond reproach, you may be under strong pressure and in honour bound to try again in the same place next time—where the tide may still be against your party.

VESTIGES of the old-fashioned delicacy which prescribed that a seat should at least appear to seek the candidate, rather than a candidate the seat, still survive, though to a diminishing extent in both parties. The narrowing down of the possibilities in each constituency is done by a committee of anything from less than ten to over thirty people. In the Conservative associations, this is a selection committee elected by the local executive; in a local Labour party, it is the local executive itself. The main difference is that with the Tories the names have come from the Central Office list, from personal suggestions made by members of the association (almost invariably including one or more local men), and from letters simply applying for the job (a trend that seems to be increasing). With the Socialists the names come also from these sources, but they have to reach the executive by way of nomination by ward or trade union branches. Wards differ greatly in the thoroughness with which they approach this task—some do it most casually, others hold selection interviews of their own. If you are a Tory, it is best to have a friend or admirer high up in the main association; if a Socialist, you need your contact in one, or preferably more than one, ward or union. The first overblown list is then scrutinised more closely for short-listing. Labour tends to have the longer short-list—usually four or five, and at least once recently seven—against the Tories' two or three. But the Tories more often reach it by two stages. Some Tory selection committees first reduce the field to five or six, and then eliminate further after interviews.

If you have been lucky enough to survive this, then comes your crucial appearance; before the full executive if you are a Tory, and if a Socialist before the general management committee. Both bodies are representative of the parties' local branches, women's and youth organisations, and so forth (and in the Labour case also affiliated organisations). Both will vary in size between, say, 50 and 200 members. Both will require you to deliver a ten to fifteen minute speech (which should be a thin sandwich of political meat contained within slices of autobiography) followed by fifteen minutes of questions.

WHAT are the selectors looking for? It is impossible to generalise. The one thing that can be said about your speech to them is that it should not be too intelligent—selectors will not want to work with someone who they feel is uncomfortably clever. The questions often deal surprisingly seldom with policy—and much more with such personal matters as whether, if adopted, you will live in the constituency and, if elected, will devote full time to politics. (The first of these questions is a more sensitive matter with Tories, and the second with members of the Labour party). If you are a Tory, it is quite likely that you will nowadays be asked where you stood on the Suez expedition at the time and where you stand on it now; if a Socialist, you must be prepared to find at least one unilateral nuclear disarmer in most management committees. Some selectors favour asking each aspirant a few set questions which are more designed to test his general political knowledge and mental agility than to saddle him with awkward commitments on sensitive issues.

Although the subjects are naturally not much discussed, religious and racial prejudices do sometimes show themselves. The chairman of the Labour party's national executive was excluded from consideration for one seat last year because he was not a Roman Catholic. Despite Disraeli, it is still difficult to get a Tory seat if you are a Jew (unless you are also titled: the two present Jewish Tory MPs are both baronets).

Some selectors are looking for a candidate who resembles his predecessor; others for one who contrasts with him. A young man may be selected for a good seat because the retiring member was a safe mediocrity who never came within sight of office and the local party would like to invest in the prospects of a more sparkling career. Another young man may be lucky because his predecessor was a cabinet minister and the constituents want, for a change, a member who is unlikely to obtain office soon and will devote more of his attention to them. Older candidates are sometimes genuinely favoured because of experience. But, in addition, some Tory associations have a weakness for the decent not-too-bright father figure who will never go far in politics; and some local Labour parties, especially the pocket boroughs of particular trade unions, notoriously prefer decent not-too-bright trade union officials whose lifetime of devotion has not brought them quite to the top.

Often the main struggle within a Conservative selecting body will be between the partisans of a local and of an outside candidate (which may be especially tense if the local party chairman is himself the native contender). In the Labour party it is often a question of whether there should be a sponsored or a non-sponsored candidate. Sponsoring can mean that up to 80 per cent of the election costs will be met by a trade union or co-operative society. Occasionally, in seats for which several unions and the co-operatives are competing, the selecting process resembles an auction sale.

Suppose you are lucky and have emerged the winner. If you are a Tory and were not on the Central Office list you will probably have been cleared by the standing advisory committee when you were short-listed. (Vetoing by it is possible but rare.) You will then be presented for adoption to a mass meeting of the local Conservative association, which will have only your name before it. The Labour party does not make this final concession to democratic appearances. Instead the management committee's choice has to go before the National Executive Committee which has had a representative present at each stage of the selection except at the ward level. This is no formality—two candidates were recently rejected and an appeal is pending from a local branch in North-East Derbyshire (where Mr Morgan Phillips had wanted to stand) accusing the miners of packing the meeting which selected one of their number.

Except for the formal adoption meeting when the election campaign officially opens, all you have to do now is to get elected. This is usually either the easiest or the most hopeless part of your task.

The Economist

APRIL 30, 1859

RESPONSIBILITY OF JOURNALISTS

"It is the evil of a time like this, when *political events of great importance are taking place at a considerable* distance from us, that the air should be full of all manner of reports, true and false—half correct and half incorrect. It is the characteristic evil of an age like this, when telegraphs spread rumours with extreme rapidity, that their accuracy can be less easily tested than formerly, and that they are frequently distorted and magnified in the very process of transmission. But it must be remembered, at the same time, that very grave responsibility rests on those journalists who, at a *critical moment, publish reports of alarming importance. If at such a time* they give way to the temptation—so natural in their profession—to publish the first news, without waiting to ascertain whether the facts stated be true or false; if they suffer the fear of competition, or natural zeal and emulation to hurry them into statements which are unverified, and of which there has been no time to consider the accuracy, it is certain that they are violating one of the most important duties of their *important profession*—that they are *running* a risk of causing great injury to persons of whom they never heard, and that even a single error of this kind may cause calamities which the labours of an industrious life would hardly be sufficient to repair. Those who publish such intelligence do so under no check of publicity. We can never know the care which they have taken, or the negligence they have committed. The greatest mistake may have been published after the maturest consideration, and the most important item of true information may have been blundered on by accident. But with *the great calamities of the last few* days before our eyes, we cannot but feel more than ever the great responsibility with which those who undertake to communicate intelligence to the public are charged, and the terrible consequences which might on similar occasions ensue from a slight deficiency on their part in vigilance or accuracy.

NOTES OF THE WEEK

DIPLOMATS AND DETONATIONS

The Off Season

LIKE a menu in a third-rate café, the agenda for the coming Geneva meeting of foreign ministers looks as if most of the more interesting items will be crossed off before the meal begins. Russia and its fellow members of the Warsaw Pact, supported by China, have just repeated their argument that German reunification should not be discussed at Geneva. In turn, their contention that what should be discussed is the removal of the allied garrisons from west Berlin has been unanimously rejected by the western governments. And that, despite the reassuring noises officially made in Paris on Thursday, seems to be the only thing the western governments are really unanimous about.

The French foreign minister, M. Couve de Murville, addressing the national assembly in Paris just before his American, British and west German colleagues arrived there for this week's four-power ministerial talks, declared it to be inconceivable that the allies should develop any official relations with the east German government, and viewed with great caution any idea of a zone of limited armaments or of giving the United Nations a role in regard to Berlin. The west German government has made it sufficiently clear that it shares these views. Mr Selwyn Lloyd, on the other hand, indicated in Monday's debate in the Commons that the Government wanted to talk about "contacts between the two parts of Germany," zones of arms inspection and limitation, and "methods by which the UN might contribute in any new arrangements" for Berlin. If Mr Christian Herter has reconciled these viewpoints, he will indeed have proved himself an able Secretary of State.

In the margin of this week's unpromising menu there are also the gay doodlings of Lord Montgomery, who has contrived to be talking football in the Kremlin while his prerecorded hits-for-six echo across the world from a New York television station. Who will not echo his remark about military men keeping out of politics?

Fencing by Half Light

AFTER Monday's debate in the House of Commons Mr Selwyn Lloyd could look his fellow foreign ministers of the Nato alliance in the face in Paris on Wednesday in the knowledge that, although he may never have a great parliamentary reputation, he no longer has a sorry one. Partly no doubt he was reflecting the glory of the Prime Minister, whose diplomatic virtuosity has so flattered the self-esteem of British politicians that members on both sides of the House—many of whom in their hearts believe that all Mr Macmillan's brave efforts will end in tears—fell over each other to pay him tribute. But the House was deeply impressed by his firm exposition of the British scheme, publicly patronised by Mr Khrushchev but not yet stamped with American approval, for an annual quota of spot checks of suspected breaches of a ban on nuclear testing.

It was a pity that Mr Bevan got himself into such a muddle over this idea. First he urged that the Russians should be "untempted" from accepting Mr Macmillan's control plan because it was insufficiently comprehensive; in the next breath he was calling on everyone to give up bangs for good, in the hope that this unusual gesture of trust would lead to controls later. The kindest explanation would be that Mr Bevan just got the Macmillan idea of a limited number of inspections mixed up with the Eisenhower plan for a limited prohibition of tests.

But on Tuesday morning Mr Bevan got banner treatment in the newspapers for his repetition of the Labour party's two-year-old pledge to give up testing British bombs regardless of "the technical or political situation that we shall find when we assume office." By simply raising his voice on a dull day he had imparted a sheen of novelty to the one talking point left to those Labour candidates who are having difficulty in drawing the sulking unilateral disarmers out of their political tents. There are, of course, no nuclear tests in prospect (and, according to Mr Donnelly's gloss on the glossy pamphlet, it is part of even the Labour party's policy to reconsider testing, if other nations fail to reach a test agreement). But Mr Bevan apparently thinks that this is the right time to announce that, whether the Geneva talks succeed or fail, there will be no more British bangs.

This judgment seems to be founded on the highly dubious assumption that American public opinion will then rise up and force President Eisenhower to make a similar announcement. Would this make Russian agreement on controls more likely? It would surely rather strengthen Mr Khrushchev's original contention, from which Mr Macmillan has slightly weaned him, that controls and inspections are unnecessary. One general reflection, indeed, from Monday's debate, is that both Mr Macmillan and Mr Gaitskell need to beware of the new jingoism on their benches, which takes for granted that Britain is so admired for its example that it has only to give a theatrical "lead to the world" for everyone else to follow along at the double.

Half a Year, Half a Loaf

HALF a loaf is worse than no bread; that seems to be the only coherent reasoning behind Mr Khrushchev's rejection of the latest western proposals for making a practicable start on the banning of nuclear tests. Since the Geneva talks began six months ago, Moscow's once vocal anxiety about the harmful effects of fall-out seems to have become less urgent. The Soviet government will not accept international inspection on the scale that a total ban would necessitate, and it will not agree to start by banning those types of test that could be policed with less difficulty. It has been a revealing six months—and even for those who are most sceptical about Soviet professions, the lesson would seem to be that the way to test their sincerity is to get the Russians to a conference table and cross-examine them in the eyes of the world.

Some brisk cross-examination has already followed Mr Khrushchev's adoption of Mr Macmillan's ideas about fixing annual quotas of permissible on-site investigations by the international inspectorate. Mr Tsarapkin, the chief Soviet delegate at Geneva, at first seemed rather put out by being asked questions about this, and argued that the Americans and British ought to accept the Soviet version of the idea in principle without finding out what it meant in practice; but he now appears more willing to study the questions that were put to him on Tuesday. The two western delegations should continue to press these questions. They should again press the Russians to look at the scientific evidence about the Nevada underground tests, which they have had since January but have refused to consider. And they should also press, undiscouraged by Mr Khrushchev's messages last Saturday, for further consideration of the first-stage proposal for a ban on tests above ground and below a height of fifty kilometres. In negotiating with the Russians, it is fatal to abandon a plan simply because it is turned down flat the first time round. They themselves never make such a mistake.

The Malevolent Rain

THE Prime Minister's long and technical statement on radioactive fall-out in the House of Commons on Tuesday merely confirmed two facts widely suspected: that Russian nuclear tests carried out last autumn were responsible for a sharp increase in levels of radioactivity all over Europe; and that the wet summer aggravated matters by washing down the radioactive debris from the tests at an unusually high rate. This malevolent rain brought down twice as much strontium 90—the one really dangerous constituent of fall-out—over Britain as in previous years; fortunately it also rained long and hard enough to wash a great deal of it down through the topsoil and beyond the reach of cattle and shallow-rooting plants. But for this chance, the Prime Minister might have found himself in the unhappy position of reporting quite a significant rise in the amount of radioactive strontium found in children's bones, instead of only a "slight increase."

Sensible comment is hampered by the lack of reliable data on either the behaviour of fall-out or (and this is the crux of it all) the likely medical effects of exposure to the minute quantities of radiation that it involves. It is now suspected that the radioactive debris falls down from the atmosphere in a much shorter time than the ten years previously postulated; and it certainly comes down much more rapidly when tests are carried out in the Arctic, where the Russians have their proving grounds, than in the Pacific, where the British and American tests are conducted. One consequence is that fall-out from Russian tests contains a good deal of what are known as "short-lived fission products" which cease to be radioactive in a matter of weeks and are therefore no danger to health. Much of the 400 per cent increase in radioactivity recorded in parts of western Europe last year was suspected to be of this short-lived type, while the only radioactivity measured in Britain is that of the long-lived strontium 90.

There is urgent need now for some measure of standardisation in the methods used to measure and record fall-out in order to estimate the extent of the hazard. The six Euratom countries are attempting to introduce a system of this kind and expect to start publishing regular monthly reports on the level of fall-out in their territories by the end of the year. Unless last summer's high deposit rate proves to have been a freak of the weather, the Prime Minister may have more alarming results to report when he is next asked to bring Tuesday's statement up to date.

WAGE CLAIMS

Background . . .

NOW that the engineers have decided to make a £200 million wage demand, it is important to get straight the facts about the cost of living, earnings and hours of work, all of which are sure to crop up during the autumn bargaining. The cost of living has, in fact, shown remarkable stability over the past year, rising by only 1¾ points. This is not enough to be useful as a handle for wage demands; cost of living arguments are therefore likely, on the unions' side at least, to sink from sight during this year's bargaining.

Earnings vary widely from industry to industry, as the table below shows, and can nearly always provide suitable instances of workers who are better paid "for a comparable job elsewhere." Men in the coal, printing and vehicle industries are the best paid; and workers in textiles, clothing and agriculture are the worst. This pattern of earnings,

AVERAGE WEEKLY EARNINGS IN LAST PAY WEEK IN OCTOBER, 1958.

Industry group	Men over 21	All workers	Industry group	Men over 21	All workers
	s.	s.		s.	s.
Coal mining*	308	294	Chemicals	264	228
Paper and printing ..	296	234	Building etc.	249	237
Vehicles	281	251	Food, drink, tobacco.	240	189
Metal manufacture..	280	262	Textiles.....	232	169
Engineering, etc. ...	269	234	Clothing	228	144
Dock labour	266	n.a.	Agriculture†	196	n.a.

* Cash earnings excluding value of allowances in kind. † Figure relates to the six month period April–September, 1958 and includes the value of allowances in kind.

which includes overtime, piecework, bonuses and other plus payments, differs markedly from the pattern of nationally negotiated wage rates. The earnings of engineers and vehicle builders, as Mr Carron, the Amalgamated Engineering Union's president, pointed out this week, have not been much affected by the recession. Those of railway and textile workers have.

It is on hours of work that the unions at first sight appear to have their best case. Not since 1947, when a major move to a 44-hour week was made by 5½ million workers, have standard working hours been significantly reduced. In recent years, almost every major union has made a claim for shorter hours as well as for higher wages; but when the test came the shorter hours were always dropped in favour of the wage demand. The same has been true of claims for longer paid holidays and other fringe benefits. There is no proof that workers want more time off, since the number of hours actually worked per week has remained roughly constant for ten years; moreover, employers have never looked kindly on claims for shorter hours, which they see as simply a disguised wage claim. But if tighter organisation were to enable a cut to be made in the seemingly lavish overtime worked in certain sectors of industry, and if the unions were prepared to bargain for a

more gradual scale of overtime payments than at present (such as time and a quarter for the first hour instead of time and a third all the way through), there might be a real future for the shorter week.

. . . and Forefront

THE one major union which had lately been exploring in some detail the possibility of getting a shorter working week was the Amalgamated Engineering Union. During the one-year wage freeze which followed the 1957 engineering strike the union pressed hard for a 40-hour week; later, when the employers refused this, the union asked more moderately for a phased reduction of hours over two or three years. These demands were made quite seriously, not just as a display of panache; but to suggest to the AEU's national committee, as Mr Carron did this week, that the 40 hour week should take precedence over an immediate wage claim was a brave move indeed. And it was resoundingly defeated.

There were probably two main reasons for this. The first was certainly that the strong communist and fellow-travelling minority on the 52-man committee is now intent on sowing industrial trouble and being as militant as it can; and, in so far as this involves urging massive increases in wages or an out-and-out policy against redundancy, this minority can count on the support of many non-communist officials for whom an annual wage claim and resistance to dismissals are now articles of faith. The second reason for Mr Carron's defeat was the extreme moderation which his hours claim would have involved. The engineers, whose habit in the past has been to sanction a new claim before the old one was decided, were being asked to forgo a direct wage increase this year altogether. This was too much for 32 of the committee's members and Mr Carron will now go to the conference of the Confederation of Shipbuilding and Engineering Unions in June loaded down with a demand for a 15 per cent wage increase all round as well as his claim for shorter hours.

This claim breaks the present industrial quiet with a vengeance, though it is likely to look a lot less dramatic once it has been toned down by the more sober counsels of the general unions in the confederation. More important, it shows the difficulties which face a union leader who tries to do some new thinking on wages. Even if he feels that, in being moderate, he is in line with rank-and-file feeling—and, if rumours of Mr Carron's sweeping victory for the presidency are true, he can fairly claim that—there remains the almost impossible task of winning over the active militants to such a policy. This difficulty is particularly acute in the AEU, which more than most unions is affected by unofficial action countenanced by local, and sometimes quite senior, officials. Mr Carron had some strong things to say about these people in his well-balanced address, but the fact remains that the communists in the union are showing resilience. They have now made sure that the engineers shall be the pace-setter in wage demands this autumn.

THE PARTIES

Neck and Neck

THE latest Gallup poll, confirming conclusions that have been drawn from by-elections, points to a dead heat between the Conservative and Labour parties. This has rather subdued those Tory voices which were heard muttering with displeasure at the luncheon of the 1922 Committee when Mr Macmillan offhandedly dismissed the notion of an early election. It is not much use arguing that you should cash your chips while you are ahead if you are not in fact ahead.

The prospect for party politics without an immediate battle is one of competitive boredom. Both Government and Opposition have lost their "edge." Only the Liberals seem likely to gain from the postponement, since in many of the constituencies in which they are now intervening their organisation needs to be built up from scratch. Their strengthening should on balance help the Labour party—probably to a substantially greater extent than some recent analyses have suggested.

Although the political scene somewhat resembles a Japanese wrestling match in which two enormously overweight contenders lock with each other in apparent immobility, there is not the same certainty that one or other of them will suddenly collapse. Both sides have shown themselves skilled in spoiling tactics. Mr Macmillan's peregrinations (although their main motive was not political) have headed off the Labour party's effort to make foreign policy a major political issue; the Opposition, by making so much diversionary fuss about pensions, has gone some way to depriving a tax-cutting budget of its political glamour. And now both sides are on the defensive. The Government is hoping that, with a few more months' grace, the idea that it is callous towards unemployment and towards Lancashire will have been softened by the falling unemployment figures which even Mr Gaitskell predicts, and by a smooth working out of the new plan for cotton. Mr Gaitskell is sufficiently worried by the Labour party's negative reputation for grim austerity, loss-making nationalisation, love of the country's enemies and support for trade unions which bully their members that he devoted a whole party political show on television to answering "men-in-the-street" who made these complaints.

From now on it will be every man to his image. The chances of the Government stumbling or making itself more boring might seem to be the greater. But, if there are serious labour troubles or foolish strikes about boundary disputes, the Labour party's mask could slip past recovery.

EUROPE

On the Burning Deck

MR MAUDLING'S speech to the Council of Europe on Monday showed that the British government still pins its European policy on the idea of a free trade area. Once more he raised the familiar objections to British membership of the common market: Britain must preserve free entry for commonwealth raw materials; it could not agree to a common European commercial policy towards the outside world. He added the debatable new point that the common market system could not be spread over the other OEEC countries without fundamentally changing the common market treaty.

Perhaps Mr Maudling found some encouragement for his view in the motion passed by the assembly, calling on the governments to sign a "declaration of intent" in favour of a European Economic Association and to resume negotiations on it. Such resolutions are agreeable, but they have been passed before without effect. The difficulty arises



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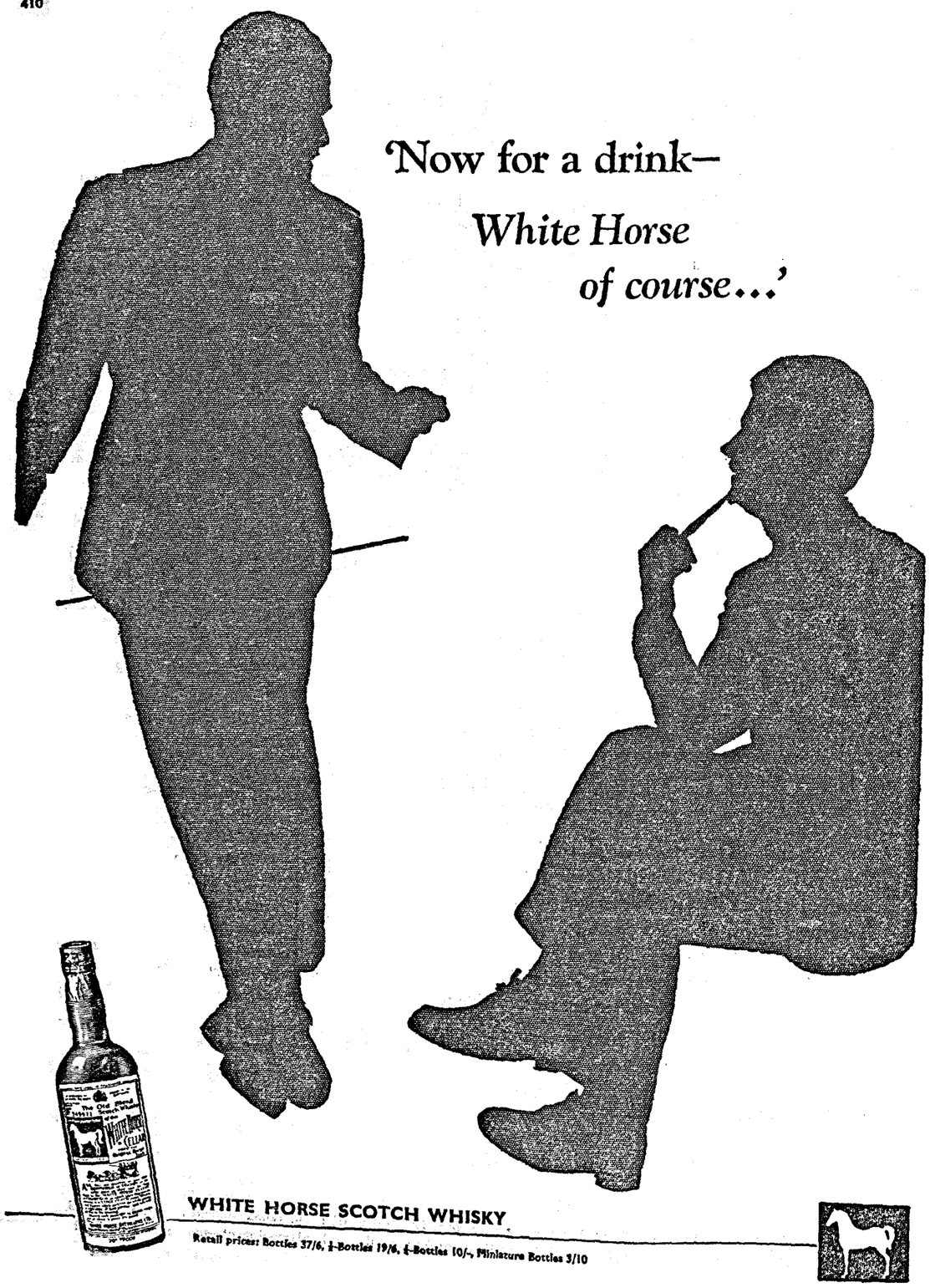
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when they have to be put into effect. The French representatives, in any case, did not support the motion. It would be a pity if such expressions of goodwill misled the government into imagining that there is still a possibility of going back and reviving the free trade area scheme, or if a mistaken assessment of the European situation caused it to be unprepared when an opportunity occurs for a more hopeful move.

THE WEST INDIES

Crisis Over?

THE relaxed mood of Sir Grantley Adams, Prime Minister of the West Indian Federation, during his visit to London last week hardly suggested a man oppressed by a constitutional crisis. On the contrary, he left no doubt of his opinion that talk of Jamaica's secession from the federation after a year of its life is simply a matter of electoral fisticuffs within Jamaica; there Sir Alexander Bustamante is hoping to wrest the island's government from his cousin, Mr Manley, at the forthcoming general election. Nevertheless, it was a painful federal matter—taxation—which caused Sir Alexander to start beating the anti-federal drum so successfully that Mr Manley found it necessary to join in with a blast on the anti-federal trumpet. Sir Grantley stated, quite rightly, that the West Indian government had the right to levy taxes retroactively to 1958, the date of its formation; and this gave Sir Alexander his chance to cry that Jamaica was not in any case getting value for its contribution (more than £800,000 a year) to federal funds. Sir Grantley evidently feels that if the Busta party should win in Jamaica, it would soon learn what good value for money Jamaica gets (including a university, a teaching hospital and soon an engineering college); and if Mr Manley's party wins, as is likely, he will quickly remember his own pledge to support the federation.

Nevertheless, the whole affair, even if it goes no further, reveals the inherent strains in the new West Indian political structure. The ten island "units" which compose it cling jealously to island rights; the federation, under Sir Grantley's firm guidance, stands for the implementation of a full customs union and the removal of inter-island barriers to immigration—and it is also short of money. To make matters harder, Sir Grantley's supporters in the federal legislature come mainly from the small islands that are beneficiaries of federation, while the opposition comes mainly from Trinidad and Jamaica. Sir Grantley has certainly brought his problems up in London; and, since it is most important that federation should succeed, the question should be asked what Britain can do to help. There are several possible ways of raising the authority of the federal government. One would be to enable it to raise money, perhaps by using the new procedure of Exchequer loans. Another would be a successful negotiation over British purchases of West Indian citrus fruit, which suffers (or so West Indians contend) from ruthless American dumping. Yet another would be to bring British Guiana into the federation—although the benefits it could confer would materialise only in the long run, since at present unemployment there is severe. Meanwhile, Trinidad and Jamaica are prospering—and it is the very fact that industries are developing and living standards rising that helps to turn them inwards on themselves. Sir Grantley must console himself that the first ten years of any federal state are the worst.

KENYA

Planning a Conference

ENCOURAGED by the lead given by Mr Michael Blundell's New Kenya Group, and pressed by the alliance of African and Asian members, whose delegation is now in London, Mr Lennox-Boyd has wisely decided that there is now a basis for fresh discussions on Kenya's future. He has agreed to call a round table conference, to make an outside constitutional expert available, and has broadly defined the next move in Kenya as towards responsible self-government. This is far short of the Africans' demand for an "undiluted self-governing parliamentary democracy," but they have accepted it as meeting to some extent their request for a definition of Kenya's ultimate status; they interpret the Colonial Secretary's remarks as implying ultimate African rule and they have ended their boycott of the Kenya legislature.

But they still stand by their full claims, which can hardly be conceded, since they would virtually give decisive power to African politicians in the interim period. Their immediate concern is to have the emergency regulations withdrawn so that they can develop a mass movement in Kenya. This tactical point might be conceded—but not without a parallel strengthening of the governor's power to deal with disorders and keep hardcore Mau Mau out of circulation. The African leaders continue to demand Jomo Kenyatta's release, but perhaps rather because it sounds a good rallying slogan, than because they want him back. Nothing would seem more calculated to frustrate their plans to gain power quickly than Kenyatta's return—if the official view that this would re-start the Kikuyu civil war is correct.

Mr Michael Blundell's arrival next week should make it possible to discuss possible dates for a conference (it certainly ought to be held in London where the sort of double-shuffle usual in Kenya inter-racial political negotiations would not be possible under the glare of publicity). But it is idle to conceal that, vague as the proposals of the New Kenya Group are, there is a vast gap between what they offer and what Mr Odinga's delegation is asking for even as a first step. Perhaps Mr. Blundell may be able to narrow the gap a little, and steal some tricks by appearing his usual earnestly reasonable self.

OBSCENITY BILL

One Up for Private Members

FIVE years' work by private members, prodded and assisted by freebooting from the intellectuals' lobby, was crowned with success on Friday last week. A deal between Mr Roy Jenkins, the resourceful pilot of the Obscene Publications bill, and the Home Secretary went through without a hitch. It was a simple swap, by which the requirement that all prosecutions for publishing obscenities must be cleared with the Director of Public Prosecutions was dropped in return for the law officers' agreement to a clause making expert witnesses for the defence admissible. The clause on expert witnesses was much the more important—especially after the Attorney-General revealed that every one of the asinine cases against reputable publishers since the war had been undertaken with the director's consent. To safeguard the judges' prerogatives, about which the law officers had previously

made so much fuss, the new clause provides that the experts "may" be admitted in connection with the new defence that publication contributes to the public good by advancing the causes of literature and the arts; but it is difficult to conceive of a judge refusing a reasonable application.

The bill now goes to the Lords, where it will be under the impressive care of Lord Birkett, who as a defending counsel was once refused such permission. It is now different in many respects from the bill Mr Jenkins first introduced. There has been give and take on both sides. For instance, the provision for an author to intervene in a trial when he is not one of the defendants, which was one of the original bill's principal features, was sensibly dropped during the committee stage; the author's status would have been anomalous and the precedent from divorce proceedings proved singularly unhappy. For the sake of progress, the bill's promoters accepted the Home Office's insistence on heavier penalties and greater police powers against straight pornography; some of these provisions could perhaps do with closer scrutiny in the Lords. But the Solicitor-General's attempt to broaden the definition of publication to cover giving and lending, playing and projecting, was sensibly rebuffed.

The Government deserves some credit for taking its defeats in a rather better spirit than had been feared. But the congratulations for demonstrating that time spent by private members can be worthwhile are due to Mr Jenkins, to his principal Tory ally Lord Lambton, and to his legal right arm, Mr Niall MacDermot, the victor of the North Lewisham by-election.

INDIA AND CHINA

Dragon's Breath

WHILE several thousand Tibetan refugees have now found sanctuary in India and Bhutan, India has also been receiving a flood of invective and accusation from Peking, where the National People's Congress ended an eleven-day session on Tuesday with a resolution accusing "certain Indian political figures" of interfering in Chinese affairs. From the congress, in the Peking press, and at public meetings organised in various parts of China, wild abuse has been hurled at "Indian expansionists." Peking radio continues to claim that the Dalai Lama is being held under duress at Mussoorie. One congress speaker is reported to have addressed a warning to India that the Chinese "will never allow foul hogs to poke their snouts into our beautiful garden."

In the Indian parliament on Monday, Mr Nehru dwelt on the need for self-restraint under this offensive torrent, and rebutted the Chinese charges one by one with dignity and firmness. He pointed out that the Dalai Lama's declarations at Tezpur and Mussoorie were the Dalai Lama's own work, and that there was no question of the Dalai Lama being kept under duress either by India or by his own entourage; Mr Nehru had talked with him for several hours alone except for one Indian interpreter. Mr Nehru described the Chinese talk about "Indian expansionists" as "unbecoming and entirely void of substance." Equally unjustified, he said, was the charge that Kalimpong had been a centre of the Tibetan rebellion, which he called "a major upheaval"; and, dealing with Peking's claim that the revolt was the work of only a small upper-class group, he pointed out that even Chinese accounts of it conceded that it was too large to be explained by anything but a "strong feeling of nationalism."

Mr Nehru went on to warn Peking that neither military nor political methods would serve to deal with the kind of instinctive reaction their actions had evoked, not only in Tibet, but in India and other Asian countries, and to urge a reconciliation based on the carrying out of China's own assurances about Tibetan autonomy. Unfortunately Peking, which has been announcing the final crushing of the Tibetan rebels almost every other day, shows little concern about the damage it is doing to its own relations with other Asian and African peoples. If the Indians continue to show their sympathy for Tibet and their contempt for Mao Tse-tung's falsehoods, they will get even hotter blasts of the dragon's breath down the backs of their necks.

CHINA

A Moscow Graduate

THE meeting of the National People's Congress on Monday was presented with, and duly approved, a significant reshuffle among China's top people. Liu Shao-chi, on the second rung of the communist hierarchy, succeeded Mao Tse-tung as the chairman of the republic. Two new vice-chairmen were elected: Tung Pi-wu, Mao's old friend and until recently the president of the supreme court (this post went to Hsieh Chueh-tsai, the former minister of interior), and Mrs Soong Ching-ling, Sun Yat-sen's widow and Chiang Kai-shek's sister-in-law. The aged Marshal Chu Teh, the founder of the Chinese communist army, became chairman of the congress after having resigned the vice-chairmanship of the republic; in addition, the standing committee of the congress acquired eleven new members.

The old guard of Chinese communism, and the triumvirate of Mao, Liu and Chou En-lai in particular, are still at the helm. Unlike their colleagues in Moscow, they found no difficulty in weathering the two comparatively mild purges in the past; the present personal changes have taken place within the family. But Liu's elevation to titular head of state may well mean that, having succeeded Mao as chairman, he will also eventually succeed him as party boss. Five years younger, he has a fair chance of surviving his friend at the very top; nor does Liu's new office place undue limitations on the extension of his power. As chairman of the republic, he will be able to preside over the State Conference and the Council of National Defence, two of the highest policy-making organs of the state.

Like Mao Tse-tung, Liu was born in Hunan province, the "cradle of revolutionaries," the son of a fairly well-to-do peasant family. The characters of the two men are in complete contrast. Mao's creative, artistic temperament can often make men like him; Liu's calculating, bureaucratic mind and his subtle dogmatism have never been known to inspire more than respect. In their youth, they came to see Marxism not only as a method by which China could be made modern and strong, but also as an instrument of national revolt against foreign domination. Nevertheless, their paths soon diverged: while Mao was building China's own brand of peasant communism in the nineteen-twenties and early thirties, Liu spread a more orthodox gospel among the people of the towns. At 25 he become vice-chairman of the communist trade union congress; after the suppression of the urban communist movement, he left for party schooling in Moscow. Yet as soon as the success of Mao's communism became apparent, Liu wasted no time in giving it his loyalty. Liu Shao-chi has not, however, given unqualified support to two major policy-making mistakes of Mao. He was enthusiastic neither about the "hundred flowers" theory, nor about the imminence of the "leap into communism"; herein may well lie his strength.

ALGERIA

The Oracle Speaks

AS the first anniversary of the successful coup of May 13th approaches, the mood in Algiers is not all for rejoicing. It is probably to relax tension that M. Laffont, the pro-Gaullist deputy for Oran, published on Thursday in his paper, *L'Echo d'Oran,* an interview granted to him by General de Gaulle. In this interview the general expressed his astonishment that measures of clemency should cause concern in certain Algerian quarters. He reminded the *ultras* that last year's fraternisation between French and Moslems was not of their doing, but was achieved under the banner of his name. And he also warned them that they had no chance of preserving Algeria as it had been "in Daddy's day."

Dissociating himself from the Algiers extremists, the general has also tried hard to steal their thunder. Asked why he refuses to pronounce the magic word "integration," he replied that the word does not count. Measures such as electing a single college, or the wider employment of Moslems in the administration, point in that direction. As to the other context of the word, meaning that Algeria is French, the general added briefly: "Is it useful to say it? It is a fact."

General de Gaulle sounded satisfied with the state of military operations, though he admitted that no military victory can be lasting without a deep transformation of the country. His offer of the *paix des braves* still stands. The FLN (rebel) representatives, must, however, come to Paris. The general has refused to send an emissary to neutral territory to talk with the FLN, because that would have been a form of recognition. He has also warned "serious countries" that recognition of the FLN government would mean breaking off diplomatic relations with France. The countries included the Soviet Union and India, but an exception was made for Arab states. Significantly, General de Gaulle considers that the FLN will now lean more heavily on communist countries (other than Russia) with whom France has no diplomatic ties. His interview is likely to annoy some Algiers extremists and appease the bulk of the settlers. It does not, however, give great hopes of an early negotiated solution.

Unknown Refugees

IN the last two years there have been nearly as many refugees from Algeria as there were from Hungary after the 1956 revolution. Unlike the Hungarians, the Algerian refugees have received almost no publicity and very little help. They have fled east and west; there are now more than 100,000 in Tunisia, and some 80,000 in Morocco. As the French army tightened its control over the Tunisian frontier, the eastward flow died down; but the numbers in Morocco are increasing daily. About 85 per cent of the refugees are women and children; many of the men who might be expected to accompany them are fighting with the rebels. They are living in shacks that they built themselves and existing upon whatever the Red Cross, the Red Crescent and the United Nations High Commissioner for Refugees has managed to scrape together for them.

There is absolutely no prospect of employment. Tunisia itself has a hefty unemployment problem and can afford nothing towards the maintenance of refugees, although it will provide free transport for stores and food given by others. The United Nations does not want to put them into camps for fear that they will become as settled a problem as, say, the Palestinian refugees. The immediate problem is how to feed them. The United States is helping out of its surplus food stocks, particularly with wheat, but there is urgent need for money in order to supplement and balance this diet.

These are far from the only victims of the war in Algeria. Many others (estimated by M. Delouvrier, General de Gaulle's delegate-general in Algeria, as more than a million) have had to leave their homes but remain in the country and are being resettled permanently by the French army. At present a fair number of these displaced people find work in building their own new villages; but where will they find work when this comes to an end?

IRAQ

Communists in the Cabinet?

ON the eve of May Day, the Iraqi Communists have suggested firmly that the time has come for their party to move officially to the front of the stage. So far no avowed Communist is in the cabinet (although the minister of economics, Dr Kubba, is known to hold views very far to the left). Party political activity having been in almost total abeyance since the revolution, the Communists have concentrated—successfully—on work in professional bodies and front organisations and have not tried to operate as a party in political affairs. The only political organisation officially recognised is the National Front. This state of affairs could not be expected to last. On Monday the newspaper of the National Democrats, *Ath-Thawrah,* flew a kite by suggesting that the time had come for the cabinet to be remodelled to include ministers specifically representing the three parties in good odour—Communists, Kurdish Democrats and themselves. Two days later the central bureau of the Communist party sent in its official demand for "representation in the government, side by side with representatives of the other loyal democratic parties and forces."

The cabinet at present consists of General Qasim, a

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bunch of army officers, and a few civilians, some apparently non-party and some National Democrats. The way will be opened for new appointments when the development board (hitherto an autonomous administration) is replaced by five new ministries. This change, which has already been announced, overshadows Dr Kubba's recent statement about the re-allocation of oil revenues. The board has been receiving 70 per cent of the royalties, the government keeping only 30 per cent; in future they are going to be split fifty-fifty between investment and ordinary revenue. But when the board disappears, the spending of all the oil money will come under the direct control of government departments. The appointments to the new ministries will be significant straws in the political wind.

LONDON GOVERNMENT

Which Plan for London?

THE interchanges between Sir Isaac Hayward and his Labour colleagues on the London County Council and the members of the Royal Commission on Local Government in Greater London are a cynic's delight. Every ball was blocked by Sir Isaac with the stolid obduracy of a born conservative. Could the LCC's boundaries and functions be defended? No, not in theory—but they worked and any tampering would produce "chaos." Was the LCC not too small for some functions which concerned all London and unnecessarily big for others? The only reply was that other local authorities also objected to changes and any co-ordination needed could be done by the Government. The LCC —admittedly in common with its neighbouring county councils—reckons that if it lies low nothing will be done.

This reasoning is as feeble as it should prove futile, since it is clear that something drastic should be done about local government in London, and the only sensible question is which of two possible approaches to adopt. One approach (which was outlined in *The Economist* of December 13th) would accept the original conception which fathered the LCC and the metropolitan boroughs but bring it up to date. A single body for the whole of Greater London would be established to run certain key services with a series of enlarged boroughs to run the remainder. The other approach calls for a group of large well-balanced authorities able to provide almost all services, except a few metropolitan-wide ones, at a high level of efficiency.

Right or wrong this latter view is worth examining. The undeniable efficiency of a big, powerful body like the LCC is a point in its favour; but the LCC most emphatically is not a "balanced" unit; it is a claustrophobic political fortress based on the crumbling core of nineteenth-century London. If large authorities are needed, the only way to let air into this fortress is to combine the older, mostly poorer areas of inner London with the newer, richer suburbs beyond. Central London itself (an area roughly bounded by the main-line terminals) has traffic and other problems which call for—and on this plan would get—special treatment. It would then be possible to combine the surrounding residential and industrial areas in the County of London with the corresponding segments of North and West Middlesex and of metropolitan Surrey, Kent and Essex to produce five or six large authorities of about a million and a half population each. The new councils would govern areas following the natural lines of communication and daily travel, as well as the lines of traditional loyalties (the Oval would be back in Surrey and Lords in North Middlesex). All of them should have a healthier political balance than the LCC. Such a scheme would be opposed not only by the Labour bourbons at County Hall, but also by Tory diehards in the suburbs, but this is the kind of opposition which any worthwhile plan must outface.

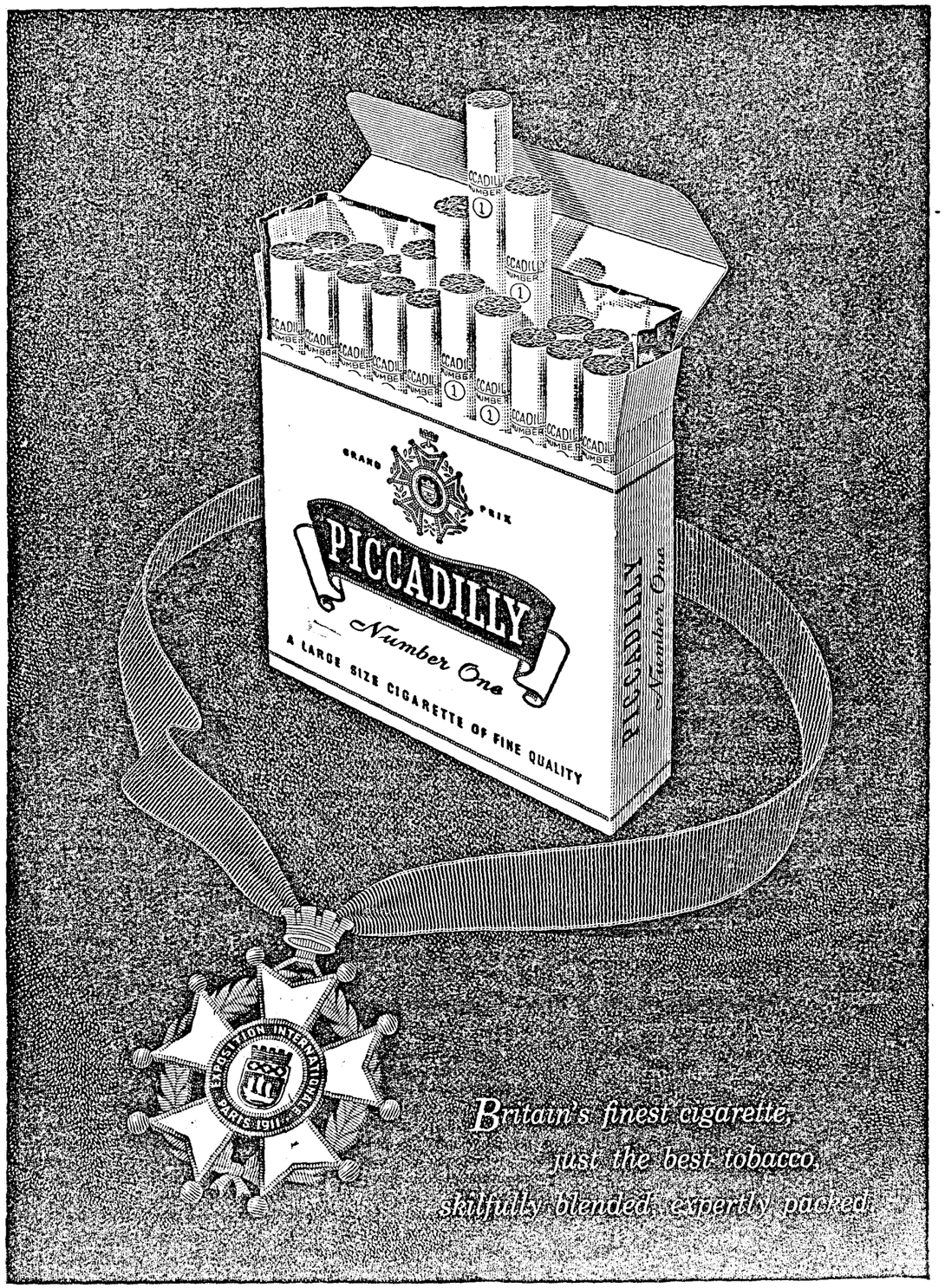
MANAGEMENT EDUCATION

Cambridge and Industry

THE announcement that Cambridge University has approved a proposal that the Faculty Board of Engineering shall introduce a one-year course and an examination in "the principles of industrial management" will please all those who have been demanding that the universities should emulate America in taking management education seriously (but have hardly dared to hope that the ancient universities would set the pace). The experiment should be generally welcomed; cautiously, though perhaps wisely, the university has stipulated for a trial period of five years, after which results will be evaluated. The Engineering Faculty have apparently satisfied themselves "that there is a sufficient body of knowledge and that teaching can be of a sufficiently high standard to justify the introduction of teaching in management at a standard comparable to a Tripos." This is just what the arts and science faculties of most universities have so long doubted, despite the assurances of management experts, and the success of the Harvard Business School.

The new course is to be restricted to those who take mathematics or science at the university; evidently this is felt to be the proper foundation for a course on industrial management. There will be criticism from those who think an economics basis would be just as solid, since plenty of arts students (as well as accountants) go into management. The course has been deliberately designed, however, for young people who base themselves on science (especially those who take Part I in two years), since it stresses quantitative analysis and control. It adds the study of economics, industrial pyschology, economic history and law, to what is evidently hoped will be a mainly "mind-training" course in the mathematical approach to "complex problems in the analysis of industrial activities." Such a course should broaden the mind of the young scientist intending to go into industry; and it is significant that Cambridge is fitting this course into the undergraduate stage, rather than (as academics have hitherto thought best) making it a post-graduate course, possibly for those already in industry.

So far even postgraduate courses in this subject have found only a few sponsors among universities, though they are, in various forms, provided in most Colleges of Technology. The Cambridge experiment may thus form the pattern for others. But the arts faculties will have to watch it carefully. If it is successful, will it prove that all training for management is best based on science? If so, arts subjects may lose still more good students to technology. Or will the arts faculties decide, in due course, that administration, in the widest sense, ought to be perfectly compatible with an arts degree (since classics was for long the basis of the higher civil service, banking and even commerce) and therefore feel compelled to introduce some specific study of its "principles" in first degree syllabuses? They will not be able to baulk this question if the "Management Tripos" acquires cachet in the practical world.





NO. 3 HOW TO OPEN A FLOWER SHOW

As everybody knows, there never was such an expert in flower-show-opening, such a perfectionist in this difficult art, as Lady Margaret Horley-Lampe. "A great pleasure to come amongst you once more" is of course the right way to begin: but it is not exactly what she says—it is the absolute rightness of her general Flower Show qualities. To begin with, as the daughter of a Duke but married to a Mr., her position is ideal, and her choice inevitable. It is true that in 1953 her sequence of sixteen consecutive appearances was incredibly broken in favour of Miss Daphne Dote, the film actress, from Ruislip: but fortunately this breach was healed by the resignation of that unsuitable Show Secretary, Charlie Wiggins. Lady Margaret knows exactly when to arrive, by which entrance, and across what reserved paddock, in her completely un-self-driven car. Flower Show colours, we observe from her, are strongly pale and emphatically matching. The accent is on the good grey of her suede gloves. Her coat, pale in a very slightly contrasted direction, is English summer weight—i.e. suitable for all purposes.

"All of us who have the interests of the Flower Show at heart" is a good thing to say before a slight criticism: but Lady Margaret was so outstandingly suitable that nobody minded, or indeed noticed, if in her speech she wandered to the extent of mentioning her plan for a washing-up machine in the canteen of the kennel club. But the Complete Opener should know by instinct that it is Goatley, cashier of the little bank in the High Street, who is this year's Secretary; she will remember that Miss Edelscote must be complimented, as she has been for the last twenty years, for producing the best Lauschia phipps-vaughanii, though it is faintly annoying that as always she slightly mispronounces Miss Edelscote's name. She is delighted, once more, that the younger people are taking an interest in flowers; and though she somehow infers that flower shows in general are not subject to the petty differences of local politics, she makes it fairly clear which politics these are.

Written by Stephen Potter; designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

LETTERS

Decaying Industries

SIR—On page 308 of your issue of April 25th you imply that official industrial policy is to "encourage decaying industries to take an unconscionable time a-dying." I should like to examine this more closely by sketching a thumbnail case-study of the policy in one area of high unemployment. In South West Wales a major industrial transformation is taking place as revolutionary new labour-saving steel plants and plate mills come into production. The old-type steelworks and hand plate mills of the area have therefore become "decaying industries." The Government in 1953 appointed the Lloyd Committee to advise on the problems likely to arise from this threat.

The main result of the Lloyd Committee was a programme of roads to improve communications between South West Wales and the Midlands. In February, 1958, a team of four experts was again sent to the area. It reported that the industrial transformation was so complete that there was little chance of any of the old-style plate mills surviving and that most of the old-style steelworks would also be likely to be put out of business by the new plants. Though unemployment would result (as the new plants employ far fewer men), the 1958 Committee did not recommend, any more than did the Lloyd Committee of 1953, that the Government should try to keep the older plants going. On June 12, 1958, the Government accordingly accepted the establishment of new industries as quickly as possible in West South Wales as their policy.

The policy of attracting new industries seems to be succeeding. A new engineering workshop being built by the Government for the Pressed Steel Company near Swansea will eventually provide 4,000 jobs. Other projects have started at Gorseinon, Pontardulais, Llanelly and elsewhere. Altogether, it has been estimated in Parliament that new industrial projects approved will provide some 10,000 new jobs.

My conclusions from this case-study are: (i) While your statement that the Government always protects dying industries and towns may be sustainable, the suggestion that it does so by encouraging dying industries to take an unconscionable time a-dying is not. (ii) A decidedly realistic policy of building new roads and bringing in alternative industries has been followed in this area. (iii) The success of this policy casts doubt on your statement that the policy of trying to move work across country to the workers is not succeeding—at least as a generalisation.—Yours faithfully,

GEOFFREY D. M. BLOCK

London, N.W.1

Resale Price Maintenance

SIR—Your article on the Restrictive Practices Court in your issue of April 25th states that "supermarkets have been the chief agents" in the decline of resale price maintenance in food retailing. This argument is surely untenable. To suggest in this way that a mere 200 supermarkets out of some 150,000 grocery outlets can have been "the chief agents" is to place supermarkets in a totally misleading perspective, however important they may be eventually.

Admittedly, self-service shops as a whole have often led the way in price cutting, but these only account for about 4 per cent of grocery shops today, even though they are taking a relatively bigger proportion of total grocery turnover.

The true picture, surely, is that the lead in price cutting has been given by certain of the multiples, most of whose branches are even today run on conventional counter service lines.—Yours faithfully,

K. C. SHARD

Amersham

Renewal of Passports

SIR—I am not impressed by your apologia on behalf of the Foreign Office in respect of the outrageous 100 per cent increase in the charge for the renewal of passports. There is no more valid reason why the salaries and expenses of overseas officials responsible for the issue occasionally of United Kingdom passports in other countries should be borne solely by the holders of British passports than that the salaries and expenses of ambassadors should be the financial responsibility solely of those holding passports.

I would also emphasise that far from the Foreign Office being a reluctant victim of a need to issue passports, on more than one occasion in the life of the present Government has it declined the suggestion of foreign governments that passport formalities should be waived. Hansard records that the British Government's view is that passports are very useful and that it has no intention of abandoning their use.

Finally I would suggest that if the renewal of passports represents any appreciable expense, the logical action is to abolish such a renewals practice. There is nothing sacrosanct about five years representing the initial life of a passport, and by a figurative stroke of the pen the period could be extended to ten years—relieving the Foreign Office of all the work associated with a renewal after five years and relieving the passport holder of a quite unnecessary and meaningless irritation and expense.—Yours faithfully,

Birmingham H. R. MURRAY SHAW

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BOOKS

Friend of Britain

Nuri es-Said
By Lord Birdwood.
Cassell. 306 pages. 30s.

THE Iraqi revolution happened on July 14th, and the Bastille chosen for storming was the British Embassy. Of the many messages that can be read into the humorous and resourceful face of Nuri Pasha that looks out from the dustcover of this book, the most important is that he lived believing in Iraq's alliance with Britain, and died for his convictions. It is suitable, therefore, that the first full length biography of him should appear in London. The pity is that, though a most affectionate book, it is not a penetrating one.

It gives a fairly full narrative of the main events through which Nuri lived, and from this emerges, piecemeal, a picture of his many virtues—that he was a wonderful companion (best illustrated by a splendid campaigning photograph dated 1917); a skilled negotiator; a good judge of the importance of continuity in government and administration, and ready to be ruthless in the interests of holding his country steady in a crisis. But much greater service would have been done to his memory if, instead of devoting so much space to the battles that are in Lawrence and the cabinet shuffles that are in Longrigg, Lord Birdwood had amassed in whole chapters the evidence on Nuri's personal contributions towards the attainment of Arab goals, including that in Palestine. These were substantial, particularly in the fields of Arab unity and of the economic development of Iraq. At present, such subjects are taboo there; all the more reason why they should be elaborated elsewhere.

The chief drawback of a superficial book is its judgment of every scene from the angle of a Pall Mall club, and not of the Arab world which Nuri had to handle in order to get along. Often, what Lord Birdwood finds so right with him is just what Arab nationalists found so wrong. Take, for instance, the Baghdad Pact, which started with Turkey:

> A long road lay behind, stretching back to the days when a young Iraqi officer had in bitterness renounced his Ottoman loyalties, and it was a satisfying and happy fulfilment at the end of the journey which the chief architect of the new and firm friendship could now enjoy.

A basic fact, essential to an understanding of Nuri's life, work and death, is that the Arab world was nationalist within an Arab orbit, and radical, and craving for self confidence and so for expunging every vestige of former imperialisms, long before not only the Iraqi but also the Egyptian revolution. Nasser captured it because he catered for and advanced these ambitions. He stood for unity, and social betterment, and against Israel, and against British and Turkish connections. Nuri stood for the first three but not the fourth, and the Arabs wanted the whole loaf. When he signed up with Turkey without first squaring Egypt, he lost ground on the first count, and when his friends the British fought alongside Israel in 1956, his case as an anti-Zionist champion was likewise wrecked.

Lord Birdwood, who admires Nuri and abominates Nasser, is not prepared to give space to these facts. He therefore attributes far too much of their respective fortunes to Egyptian skill in radio propaganda, and Iraqi neglect of it. Admittedly the one was good and the other poor, but to argue that "history in the Middle East would have followed a different course had Nuri exploited the spoken word" is to ignore the important fact that propaganda, to be successful, depends not only on technique but also on having something acceptable to say.

Rightly, Lord Birdwood lays considerable emphasis on the consistency with which Nuri fought communism. Wrongly, President Nasser is equated with this, and the Syrian leaders' rush into his arms to evade it is described as a push of their country "down the slippery slope." There was plenty of evidence the other way when Lord Birdwood was writing his last chapters; there is still more today. So much so that Nuri, if he could send his friends a message from his Valhalla, would no doubt exercise his proverbial talent for moving with the times, and advise clubbing up with President Nasser in order to baulk Khrushchev. If he and his London friends had thought so a year ago, he might be alive today.

Not to be Repeated

Economic Elements in the Pax Britannica: *Studies in British Foreign Trade in the Nineteenth Century.*
By Albert H. Imlah.
Harvard University Press. London: *Oxford University Press.* 224 pages. 48s.

OVER the past two decades economists and economic historians have drawn much closer together, as both have addressed themselves to the conditions of economic growth. The nineteenth century has had to be provided with a quantified framework, in order that we may see how the chief elements of the economy altered and were historically related to one another. Britain has provided the best opportunity for such inquiries; Mr Imlah is one of the most successful scholars in the field.

For twenty years he has been investigating the statistical background of British foreign trade. His immense labours have produced no unreadable compilation, but, by a model of statistical skill, they issue in a thing of elegance. The anatomy of British trade has been given a structure in a beautiful, and probably definitive, way. The general historian has, until recently, tended to use economic references as descriptive garnishings to his tale—partly because the parts were unmeasured and unassimilated to one another. With Mr Imlah's earlier work now amplified in this form, this will no longer do.

Mr Imlah reasserts the nineteenth century view of the role of the statesman. It is also the eighteenth century view: that man, by taking thought about his condition, can control it. Thus we see Huskisson, Peel, Gladstone, and the other great exponents of free trading intercourse choosing for their country the right path, and thus contributing the most important element of its growth. This emphasis is a useful corrective to a generation that sees expanding output as the product of science and invention, elements having a life of their own, capable of dragging all else with them, irresistibly urging society into ever new forms.

But perhaps there might have been more explicit emphasis upon the historical uniqueness of the *Pax Britannica.* The more closely we look at it, the more peculiar it becomes. Britain, in the three generations or so after the mid-eighteenth century, was able quietly to generate within itself the conditions making it possible for the country to dazzle the world with its industry. This could happen because of the inadequacy of international communications, and the great lags in the response of other countries. So great was Britain's lead, and so divided were the other great states by national rivalries, that it could play upon the Concert of Europe and maintain an equipoise. Yet, great though British power might be, it was not of such an order that Britain could aim at dominance in its own right. Other powers were neither greatly affronted nor frightened as they accepted the verdicts produced by Britain's adroitness, and might even be grateful. It was within this situation that British statesmanship enjoyed that rarest of opportunities—it could be fully effective in the promotion both of peace and the national interest.

Yet Britain's position was self-liquidating. As the condition of its enormous prosperity from the fifties to the seventies it had to help to build up the economies of its rivals. Moreover, as science played an increasing part, the advantages in production which Britain had enjoyed became universal. A second age of peace and prosperity, based upon a general attempt to overtake a leading, but not dominating, country, which is also the keeper of the peace, with the leader helping to provide the means of its own supercession, is out of the question.

The publishers tell us that "the current importance of the British experience in the nineteenth century lies in the similarity of the position of the United States now and the Britain of that period." This sort of claim can be dangerous. The soundness of a liberal trading policy must be demonstrated in contemporary terms rather than by implied historical analogy. But American statesmen will find Mr Imlah's book a revealing treatment of an aspect of the situation out of which the present has emerged, and a model of economic inquiry.

Human Dynamo

Fear God and Dread Nought. *The correspondence of Admiral of the Fleet Lord Fisher of Kilverstone, Vol. III.*
Edited by Arthur J. Marder.
Cape. 661 pages. 50s.

WITH the appearance of this bulky volume Professor Marder completes the task to which he set his hand some ten years ago. The earlier parts, which cover Fisher's return to the Admiralty in October, 1914, at the age of 74, his seven months as First Sea Lord, his quarrel with Mr Churchill and his typically dramatic resignation in May, 1915, are as interesting as anything in the first two volumes; but the second half of the book, where we see a restless and discomfited human dynamo whirring uselessly in a position stripped of all power and responsibility on the Board of Research, and Inventions, comes as an anti-climax. Fisher was never dull in his letters, but he was often extremely repetitive; and Professor Marder could have spared his readers a good deal of tedium by cutting some of the many variations on the same themes. But one would not have missed the correspondence with the Dean of Wells (beginning "Dear Mr Dean. I'm Lord Fisher") about "unravelling ancient renderings of the Holy Word" in the various versions of the Bible and Prayer Book.

By 1914 the period of Fisher's greatest reforms was long past, and although his return to the Admiralty applied a much-needed stimulus to a conservative department—very much as Mr Churchill was to do in 1939—his prescriptions were in general merely extensions of what he had achieved a decade earlier: more speed and bigger guns. But he never lost his faith in the submarine, and he had the vision to understand the immense possibilities opened up by naval aviation. Had he remained First Sea Lord until 1918, it is surely inconceivable that the Admiralty would have surrendered control over the air arm—only to have to wage a twenty-year fight to regain it. As a strategist Fisher had flashes of genius, such as rushing out the *Invincible* and *Inflexible* to the Falkland Islands just in time to catch von Spee's squadron; and he certainly appreciated the benefits to be derived from exploiting sea power to carry out combined operations. In fact his vision of "amphibious hippopotami crawling up the beaches" was to be very precisely fulfilled in 1943-45; and it is now generally accepted that, as he so often emphasised, we could and should have made far more imaginative use of our superiority at sea in the earlier war. Hankey, in a thoughtful retrospective letter written in February, 1918, certainly expressed such a view.

There is not very much new here about the distasteful intrigues and clashes of 1915. The most interesting revelation is that either George Lambert, the Civil Lord, acted without authority in promising Fisher a Cabinet seat if he would accept Churchill's return, or Fisher himself exaggerated the proposal made to him; but it seems inconceivable that Asquith, after reading the outrageous letter in which Fisher stated his "conditions" for remaining, would ever have accepted him in his Cabinet. Had the Admiral not sent that letter (and he very soon realised what a colossal blunder he had committed) it seems likely that he would have succeeded in getting rid of Churchill while retaining his own position. But from the country's point of view the consignment of them both to the wilderness must surely have been the worst possible solution.

Undoubtedly Fisher and Churchill had much in common—enjoyment of power and responsibility, restless energy, great popular appeal, and the vision of true genius; and in their hearts each held the other in deep respect. Perhaps their characters, qualities and faults were too alike for them ever to work together smoothly; but over Fisher's attitude to the Gallipoli campaign—in Churchill's words, "trying to spite this operation by sidewinds . . . when you have accepted it in principle" (and Fisher *had,* albeit unwillingly, accepted the purely naval attempt to force the Dardanelles)—it is hard not to feel that Churchill had the greater share of the right on his side, and showed surprising forbearance towards his difficult colleague.

Fisher's farsighted prognostications often proved extraordinarily accurate, and Lord Esher did not exaggerate when, in July, 1918, he told him that "the prophets were not in it with you." Long before 1914 the Admiral had foretold that the Germans would wage unrestricted war on merchant shipping; yet, like so many other naval men, he failed to see that the only strategy that could counter such a measure was that of convoy and escort. Much of what his vision revealed to him—for instance "the war of young men and small vessels," "the swarm of aircraft in the heavens carrying inconceivable cargoes of men and bombs" and the employment of the Army as "a projectile fired by the Navy" at the point least expected by the enemy—was not completely fulfilled until a quarter of a century later; and, as he himself said, to be only 25 per cent ahead of one's time resulted in being regarded as a lunatic.

What is the final judgment of history on this highly original and flamboyant man? Professor Marder calls him "a great naval administrator, as well as a great Englishman, and a fascinating person"—which is certainly no overstatement. He will surely never be forgotten, and his true monument is the great fleet which, in spite of some uncertain fumblings and occasional major error, controlled the seas from 1914-1918 and destroyed Germany's first bid for world power. Professor Marder's excellently edited and annotated volumes will form a lasting contribution to the history of the period.

Under Which King?

The Profession of Government
By Brian Chapman.
Allen and Unwin. 352 pages. 28s.

The Spirit of British Administration
By C. H. Sisson.
Faber. 162 pages. 21s.

TWO excellent books have emerged simultaneously from the University of Manchester. They are oil and vinegar: wholly different in almost every respect, but the better for being taken together. Mr Chapman is a lecturer at the university who, after ten years' research, has produced an extraordinarily thorough analysis of the workings of the civil service in the main countries of western Europe, excluding this country, to which he deals only glancing blows. Mr Sisson is a career civil servant who used a research fellowship to look more cursorily at his opposite numbers in some of the same countries and to relate what he saw there to his experience at home, which is his main subject. Neither, unfortunately, draws on the United States. Mr Chapman is methodical and academic; Mr Sisson is witty, unfair and discursive. Both books are well written and worth reading. Mr Sisson, as a professional, knows exactly what administration is about, and his natural history of the higher civil service cannot be bettered. Mr Chapman is a skilled observer of exotic plants, but not so reliable as a naturalist in this country. His comments on the relations between politics and administration are not much like real life; he attributes to the civil service more importance than it has; and, by looking too much at the formalities, he appears to underestimate the strength of parliamentary control.

The two authors are most interesting where they overlap, on the fundamental question whether the executive is best controlled, as in Britain, by political methods backed by the ordinary courts, or, as in most parts of the continent, by the army of administrative law. Mr Chapman is all for law and despises political control; Mr Sisson feels the other way round. Each author is most reliable when dealing with the merits of his favourite, and least when putting up Aunt Sallies, as both do, though Mr Chapman is more discreet. One sometimes wonders whether the two men are in the same world—witness the following passages. Mr Chapman hits hard in a footnote on the Austrian Administrative Procedure Act:

> . . . the former Anglo-Saxon tendency to snigger at these precautions has dis-

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John Brown
An Englishman who lived in Moscow and Leningrad twenty years ago, now rediscovers Russia as it is today. "An extremely interesting book showing Russian society in transition." DESMOND DONNELLY, *Daily Telegraph*. *16s. net*

Hodder & Stoughton

appeared. Their utility would probably only be questioned by the narrow, self-righteous lower-grade official.

Mr Sisson, after a good many sniggers at this same law, concludes as follows:

> It would not be a gain to exchange an administration sensitive to the rough tests of common sense and public opinion for one obsessed with anxiety about procedural points and the sort of figure it would cut before the judges of an administrative court.

The answer, of course, is that the two men are not in the same world. One is in England, and proud of it; the other's spiritual home is (in this context) on the continent. Civil services and administrations cannot be treated in vacuo. They are moulded to fit national histories, prejudices, problems and constitutions; and, above all, to fit the needs and powers of ministers in each country. The fact that the Conseil d'Etat fits the needs of France is no reason, by itself, for introducing it into Britain. One thing is certain: one must choose between strong legal control and strong political control—the one inhibits the other. Which one prefers is mostly a question of taste and upbringing.

A Great Translation

The Romance of the Rubaiyat

By A. J. Arberry.
Allen and Unwin. 244 pages. 25s.

THIS is the centenary of the first edition of the Rubaiyat, which fell flat from the printer's hands. It was published anonymously, failed to gain a single review, and was remaindered for one penny. A wise passer-by bought it, was entranced, bought more copies and distributed it to his friends, with such instant effect that Quaritch marked the price up to twopence; and from that moment it went steadily on to its position as a classic of the language. It passed through an era of over-excitement and limp bindings, but survived it; and by now its place in our literature seems secure.

Professor Arberry has published a facsimile of the first edition, with a learned and very readable account of how it came into existence. Everything is there: the originals, in Persian (latin characters) and in literal translation; full notes on provenance; collation with the second and third editions (but not of those stanzas which were added after the first); correspondence and narrative. Less learned readers need not be alarmed by the Persian text: everything is explained in English. As one might expect, Fitzgerald emerges a good deal more clearly than Omar. He never claimed to have made a literal translation; he adapted and arranged separate tetrastichs so as to make a more or less continuous whole. Professor Arberry explains how freely he used his original. Where it was obscure or inadequate, he stitched two stanzas together, or added pieces of his own. His style is more strikingly oriental than that of the original. In his own words, there is "something lost, I doubt, of Omar's simplicity, which is so much a virtue in him"; but on balance more is gained.

Fitzgerald's knowledge of Persian was not perfect, nor was his text; but he was never careless. He worked hard and continuously at Omar, corresponding at enormous length about his difficulties with a friend in Calcutta, who had taught him Persian and given him his texts. Some things escaped him to the end; but even his mistakes were fruitful. The splendid last words of "Man's forgiveness give—and take!" are a happy mistranslation; and so is "The memory of this impertinence." When in doubt, in translation or selection, Fitzgerald leaned towards the more sceptical alternative.

One of the oddities which Professor Arberry reveals is Fitzgerald's first translation, which was into monk-latin verse. This version, which has considerable charm, was fragmentary, but strongly influenced the later English translation.

Professor Arberry's book is a charming tribute to a charming work.

Organised Fiction

The Novels of George Eliot.

By Barbara Hardy.
Athlone Press. 242 pages. 25s.

WHEN Alexander Main compiled the "Wise, Witty and Tender Sayings of George Eliot" he was promoting, without much intending it, that view of her work later codified by Henry James in his judgment of "Middlemarch" as "a treasure-house of detail, but an indifferent whole." The novels are thought of as loosely conceived, rambling and proliferating affairs, undistinguished in point of formal organisation, but embracing so much that is dispersedly perceptive or sagacious or amusing as to render their lack of the higher structural qualities of fiction somewhat less disabling than it would otherwise be.

Mrs Hardy is concerned to indict this as an inadequate view of George Eliot's art. "Complicated artifice" lies everywhere beneath the surface of the novels, and what diverts our attention from it is the "quiet normality" of the novelist's world. There is nothing naïve or unconsidered in her manner of telling a story. On the contrary her work "is usually as complex and as subtle as the composition of Henry James or Proust or Joyce." When we fail to notice this we do so for the same reason that induces a similar unawareness of answering features in the art of a painter like Rembrandt. So realistic and compelling a representation of human feeling and experience is spread before us that we never think to isolate the underlying structural principles. It is in non-representational painting that compositional features obtrude themselves; it is in fiction like Joyce's or Virginia Woolf's, where there is "a disruption of the realistic surface of language, character and chronology," that pattern inclines to become prominent. Close reading, however, reveals that a formal organisation of characters is an essential part of George Eliot's art, and that from novel to novel she tends to repeat with variations the same essential devices of similarity, contrast and balance. Image and metaphor, too, are regularly so employed as to have formal and structural significance. But it is all done unobtrusively. "Her images echo much more quietly than the underlined repetitions and cross-references of the imagery in *The Golden Bowl*."

Mrs Hardy is an intent listener in the muted world she has chosen to explore. There are some occasions upon which we are tempted to feel that the only sound objectively present is the rather dry rustle of her own progress. Nevertheless we finish her book with a new realisation that George Eliot took as seriously as she took most things the development of prose fiction in some of its more strictly æsthetic aspects.

Change in Latin America

Political Change in Latin America: *The Emergence of the Middle Sectors*

By John J. Johnson.
Stanford University Press. London: *Oxford University Press.* 272 pages. 40s.

The Bolivian National Revolution

By Robert J. Alexander.
Rutgers University Press. 302 pages. $7.50.

PROFESSOR JOHNSON traces the economic and political development of five Latin American republics (Uruguay, Chile, Argentina, Mexico and Brazil) and indicates the part played there by the urban middle-classes, whose influence has naturally increased with the growth of the towns and of industry. The author is a pioneer in this subject. His task is complicated by the fact that until now the middle-classes in most of these countries have lacked the capacity to act independently as a political unit and therefore have sought support wherever they could find it. Thus in Argentina the middle-class *caudillos* Irigoyen and Perón relied on working-class backing, and their efforts to satisfy the workers make it difficult to detect a specifically middle-class orientation in their policies.

While the economic and educational status of the urban workers has been raised, their pretensions have grown—to the embarrassment of middle-class employers and politicians. When political co-operation between the two classes began,

> a considerable share of machine industry was in foreign hands. Foreigners also had important holdings in commerce and particularly in transportation and foreign trade. Consequently, the foreigner and the foreign-domiciled company were made to bear directly a large proportion of the original financial burdens of increased wages and other benefits that were awarded to the working elements.

During the last two decades, however,

> the trend has been for commerce and industry to become domestically controlled. Domestic capitalists, as a result, have been called upon to carry an augmented share of the costs of wage gains and other benefits to labour. As the pressure upon them grows, they increasingly insist that the public good requires that the concern should be on expanded production rather than on equalitarian distribution.

Although uncertain whether the Latin American middle-classes can occupy a dominant position without working-class support, Professor Johnson considers that they may now be strong enough to act at least as "stabilisers and harmonisers" in countries where political compromise hitherto has been virtually unknown.

Professor Johnson does not deal with Bolivia, and "The Bolivian National Revolution" by another American writer shows that the social and economic revolution that began in that country in 1952 cannot be fitted into any general picture of Latin American middle-class development. Two of the leading instigators of the revolution (Víctor Paz Estenssoro and Hernán Siles) were middle-class intellectuals; but their principal aim was "to integrate the largely Indian peasant masses into the life of the nation, through giving them land and education and making them full-fledged citizens." Mr Alexander traces with sympathy the course of Dr Paz Estenssoro's presidency—providing long quotations from speeches and interviews—and he justifies the harsh manner in which the opponents of the regime were treated. "The opposition," he reminds the reader, "has never abandoned its belief that the [revolutionary] government can and should be overthrown by force." Dr Paz, the outstanding revolutionary figure of modern South America, is now Bolivia's Ambassador in London.

OTHER BOOKS

THE JACOBITE MOVEMENT. By Charles Petrie. Third edition. *Eyre and Spottiswoode.* 499 pages. 35s.

Sir Charles Petrie is the most persistent and pertinacious of our latter-day Jacobite historians. Time has wrought upon his thesis but not his loyalty. His third edition, "completely rewritten," still finds him convinced of the practicability of a rightful and natural restoration of James III and VIII to the very hour Lord George Murray turned back from Derby in December, 1745. This edition contains new material from Spanish and Irish sources. It also recognises in its bibliography, if not markedly in its text, the work of recent writers like Sir James Fergusson, who have contributed to our knowledge of why the cause succumbed. Such Whiggery is not, of course, for Sir Charles.

INTERBANK DEPOSITS: *The purpose and effects of domestic balances, 1934-54.* By Katherine Finney. *Columbia University Press.* London: *Oxford University Press.* 129 pages. 32s

This is a description of the key element in the working of correspondent banking in the United States.

RICARDIAN ECONOMICS. By Mark Blaug. *Yale University Press.* London: *Oxford University Press.* 270 pages. 40s.

This is a work for specialists in the history of theory. It is also a regrettable instance of duplicated effort; for it overlaps considerably with Mr Oswald St Clair's excellent "Key to Ricardo," published little more than a twelvemonth ago. It devotes much more attention, however, to Ricardo's disciples and critics and in general to the fortunes of the Ricardian structure after its architect's lifetime. It is partly, in fact, an attempt to throw light on an ever-vexed question: why do certain doctrines, visibly (to hindsight) as full of holes as many of their contemporary rivals, sweep those rivals away and establish themselves as dogmatic certitudes? But Dr Blaug is too cautious a scholar to venture a definite answer.

INTERNATIONAL FINANCIAL TRANSACTIONS AND BUSINESS CYCLES. By Oskar Morgenstern. *Princeton University Press.* London: *Oxford University Press.* 591 pages. 96s.

Professor Morgenstern has a good subject—the interaction in practice of financial markets in leading countries in the days of the gold standard. He assembles a mass of information about short term money rates, exchange rates and movements on stock markets; and he shows that in many cases, in face of traditional theory of the unifying impact of the gold standard, there were marked divergences in different centres. The book has the bulk that has come to be expected of studies by the National Bureau of Economic Research; this, plus a style that makes little attempt to escape from econometric jargon, weakens its value as a critical analysis of gold standard theory. But it incorporates a great deal of useful work.

BIOLOGICAL PRODUCTIVITY OF BRITAIN. Edited by W. B. Yapp and D. J. Watson. *Institute of Biology.* 132 pages. 25s.

This book, the seventh in a series of symposia of the Institute of Biology, comprises thirteen papers on various aspects of biological productivity. They are by, and for, natural scientists; but economists will find useful data and suggestive ideas, especially in the papers relating to land use and to livestock and crop improvements.

THE LONDON METAL EXCHANGE. By *The Economist* Intelligence Unit. 224 pages. 21s.

This is a history of the Exchange, and an account of its organisation, operations and the services it provides. The book was commissioned by the board of directors of the Exchange, and has a foreword by Sir Oliver Franks. It is obtainable only from the Exchange.

WHO'S WHO IN TRADE AGREEMENTS 1958. *Gordon Rayment.* 124 pages. 40s.

For professional searchers after company information, among whose newest jobs may be a dig in the Register of Restrictive Practices, this little book may well become indispensable. It consists of an alphabetical name index of all companies who are parties to agreements on the register; followed by a list in numerical order of all the agreements appearing there, with details of the parties and the nature of the business concerned. These two new kinds of index supplement the public register itself, where the agreements are classified only by commodities.

THE EFFICIENT USE OF FUEL, *Second Edition.* Compiled by the Ministry of Power. *HM Stationery Office.* 892 pages. 35s.

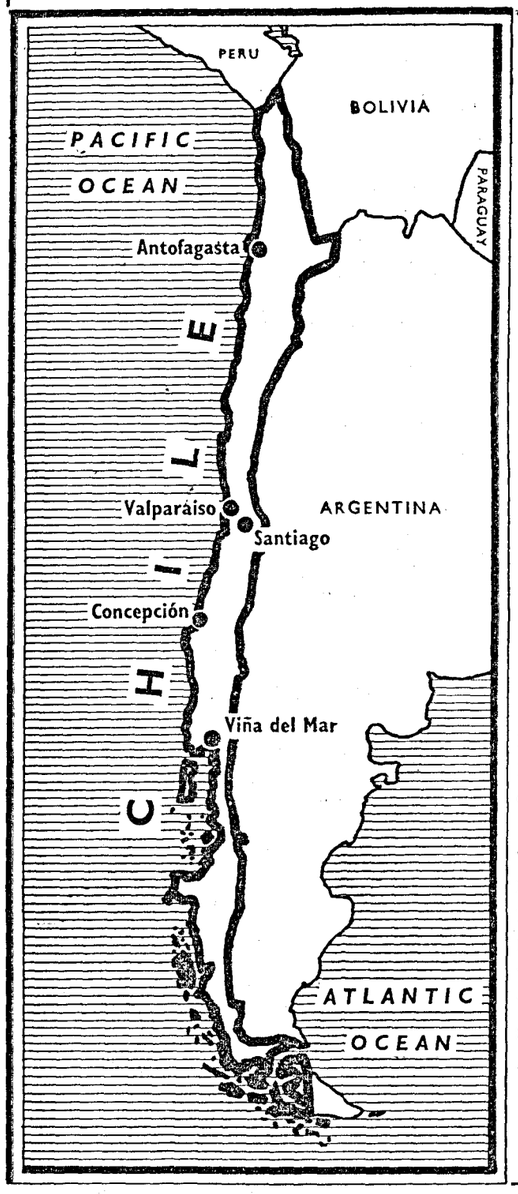
WORK STUDY IN THE OFFICE. By Harry P. Cemach. *Office Magazine.* 166 pages. 25s.

REGISTER OF DEFUNCT AND OTHER COMPANIES 1958. *Thomas Skinner.* 532 pages. 30s.

SAVORY'S INSURANCE SHARE ANNUAL, July, 1958. *Thomas Skinner.* 146 pages. 10s. 6d.

THE PRINCE. By Niccolò Machiavelli. *Dent Everyman's Library.* 231 pages. 7s.

Facts about Chile



Area (square miles)	290,000
Population	7,100,000 (1957)
Density per square mile	24 (1957)
NATIONAL INCOME	
Total (U.S. $ million)	2,215 (1957)
Per head (U.S. $)	312 (1957)
Money circulation (U.S. $ million)	120 (Sept., 1958)
EMPLOYMENT	
Working population (economically active)	2,155,300 (1952)
Male	1,616,200 (1952)
Female	539,100 (1952)
DOMESTIC DATA	
Number of homes	1,211,450 (1958)
Homes wired for electricity	595,000 (1958)
Cars in use : Personal	52,522 (1957)
Business	52,700 (1957)
Telephones	161,823 (1958)
Radios	700,000 (1958)
Refrigerators (electric)	40,000 (1958)
Electric cookers and ovens	60,000 (1958)
Washing machines (electric)	50,000 (1958)
Vacuum cleaners	6,000 (1958)
Sewing machines	400,000 (1958)
Air conditioners	2,000 (1958)

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Kennedy's Second Labour

WASHINGTON, DC

FOR the second year running, Senator Kennedy has persuaded the Senate to pass a labour reform Bill to deal with scandals in trade unions ; the best that can be said for it is that both those who wanted more and those who wanted less seem grumpily willing to accept the Bill. But the going has been harder this year, and in the middle of last week Senator Kennedy's youthful brow wore the herculean frown of a man who sees two amendments springing up for every one he cuts down. The apparent unanimity of the final vote—90 to 1, with only Senator Goldwater, that true-blue incorruptible from Arizona, still in opposition—hides the fact that three major attempts were made to stiffen the Bill, two of them led by Democratic colleagues of Mr Kennedy's and one of them temporarily successful. The compromises which eventually brought Senator Kennedy and his critics together were arranged for the most part by liberal Republicans. Thus the fluid American party system, so different from the rigidity of the House of Commons, was able in the end to produce a measure acceptable to the " consensus of reasonable men " which Senator Johnson, the Democratic leader, holds so dear. It remains to be seen whether the compromises concocted in haste in the Senate cloakroom will be repented at leisure by the lawyers who have to interpret them.

The House of Representatives, which killed Senator Kennedy's Bill last year, is unlikely to get round to the subject this year until June at the earliest. But the debate in the Senate has already exposed one paradox. The trade union movement, which was supposed to have strengthened its political influence in last November's election, is now faced with a measure more restrictive than last year's.

The conservatives, on the whole, dealt gently with the core of the Bill. This consists of the " reporting and disclosure " provisions—which order trade unions to make financial reports to the Secretary of Labour each year, and their officers to lay bare any business dealings with the companies their members work for—and of a section requiring unions to hold regular secret elections. But even here a potentially explosive amendment was put in by Senator McClellan, the Democrat from Arkansas who has presided with visibly fraying patience over the committee investigating corruption in the relations between labour and management. His amendment specifies that union officers have a fiduciary responsibility for the funds they handle ; some lawyers think it might lead to a stream of complaints before the courts about the way officials spend the dues paid by their members. Later, when the debate turned to the top and tail of the Bill, the conservatives made some fairly substantial changes.

Senator McClellan, who towards the end of the nine-day debate virtually took over command of the conservative attack from the Republican leaders, added an introductory " bill of rights," spelling out a list of unexceptionable freedoms to which members of trade unions are entitled. In the form in which this was first passed by an alliance of Republicans and southern Democrats, aided by Vice President Nixon's casting vote, the Secretary of Labour could have sought injunctions in the federal courts to enforce these rights. But this weapon of injunction is exactly the one which the southern Democrats managed to keep out of the Civil Rights Act of 1957, except when it was to be used in the limited field of voting rights. Some liberal Republicans also developed qualms lest the Bill make discipline impossible even in honest unions. In the end the conservative coalition collapsed. The injunctive power was left out, and the members' rights were made subject to " reasonable rules " by the unions. Nevertheless, the section still prescribes the rights which the unions' constitutions must guarantee ; and the courts are likely to see some pretty tests of what constitutes a " reasonable rule."

NOR are the union leaders going to be entirely pleased with the changes which the Senate has made in the cordially hated Taft-Hartley Labour Relations Act. The final section of Mr Kennedy's Bill embodied a number of amendments sought by the American Federation of Labour and Congress of Industrial Organisation. These were the price demanded by the AFL-CIO for its support of the anti-corruption measures which, though aimed at dishonest union leaders, will mean a lot of unwanted form-filling for honest ones as well. The Senate chose to leave the Taft-Hartley changes in, in spite of a plea from Senator Ervin of North Carolina, one of the most intelligent and moderate of the southern conservatives, that the problem of cleansing the unions should be separated from the entirely different question of labour-management relations. Having done this, the Senate was unable to exclude some amendments about which the AFL-CIO is likely to be less enthusiastic.

One of them bans " hot cargo " clauses in transportation contracts, under which a lorry-owner agrees not to handle freight coming from another employer with whom the union has a dispute. This particular amendment is aimed at Mr Hoffa's lorry-drivers union, which is now so stained with scandal that it is fair game for any Senator. It may, however, affect some of the building unions indirectly ; the lorry-drivers help their organising campaigns by this technique. A second amendment to the Taft-Hartley Act limits the use of picketing when a union is trying to organise the workers in a factory. The limitation is a good deal less restrictive than the one which the conservatives originally sought, but since the unions have been asking for their picketing rights to be extended it is a distinct rebuff.

The AFL-CIO may decide to swallow its regrets, lest worse befall in the House of Representatives. The House Committee which deals with the subject is notably sympathetic to labour ; it includes members ready to chip

away the barnacles on the Kennedy Bill as well as others who think, like Mr John L. Lewis's mineworkers, that there should be no Bill at all. But a process of revision, once started, might easily get out of hand. The House as a whole is less liberal on the subject than the Senate ; it contains a higher proportion of members who proceed from the fact that some unions are corrupt to the conclusion that all unions are too powerful. An attempt might be made to stiffen the picketing rules still further, and to include the ban on secondary boycotts—in which a union gets a neutral employer to boycott the goods of the company it is striking against—which Senator McClellan narrowly failed to obtain in the Senate. One influential southern Representative has already introduced a set of proposals as punishing as anything offered in the upper chamber. Sympathisers with the unions may therefore decide that it is the better part of valour to escort the existing measure, additions, glue and all, as quietly as possible through the House.

The great unanswered question is whether the Bill, if it eventually becomes law, will end the corruption which inspired it. The chairman of the monitors whom a federal judge has set to supervise Mr Hoffa's lorry-drivers thinks that it would help. Clearly the " reporting and disclosure " provisions will make it harder to continue those manipulations of funds which, even if they have not enriched Mr Hoffa himself, have benefited his friends and put the lorry-drivers' dues to some highly unusual uses. What remains of Senator McClellan's bill of rights may make it easier for rebels to go to court with their complaints. But Mr Hoffa's union is so rich that it can afford the best of lawyers and accountants. Senator Mundt, a right-wing Republican from South Dakota, expressed a fairly widespread view when he said that the necessity of submitting reports would constrain Mr Hoffa only if it gave him an attack of writer's cramp.

As the Bill stands, the chief burden of attacking corrupt union leaders in the courts is left to individual trade unionists. The power of the Secretary of Labour to start an action is confined to occasions when the rules about reporting and elections have been violated ; and in both cases Mr Hoffa may well go through the motions of compliance. It is one of the most ominous facts about unions like his that most of the members seem willing to stifle doubts about their leader's ethics if he brings home the bacon from the wage bargaining table. Either fear or favours—and more often the latter—will discourage members from going to court. The main hope of the Bill is that it will make access to the law easier for the brave few who want to enforce their ideas of clean unionism.

Inquisitive Senators

MRS CLARE BOOTHE LUCE'S intemperate remarks about Senator Morse were particularly unfortunate because she had already admitted, when under examination by Mr Morse and other members of the Senate Foreign Relations Committee, that some of her past criticisms of such Democratic heroes as President Roosevelt and Mr Acheson had indeed been intemperate. But these attacks she excused as having been made long ago in the heat of political campaigns —she is a Republican. They were thus, she maintained, no guide to how she would behave as Ambassador to Brazil, the post for which she had been nominated ; to judge whether she was suitable for that Senators had only to look at her recent praiseworthy work as Ambassador to Italy.

Unfortunately her denunciation of Senator Morse came not in a moment of irritation after his bullying examination of her—something which in any case a diplomat ought to be able to face unmoved—but after she had returned home and as the Senate was in the process of confirming her appointment by 79 votes to 11. While many members of both parties felt that Mr Morse had gone too far, Mrs Luce's public attack on him was taken as an insult to the Senate as a whole and made several Senators regret having cast their votes for her. It is, however, too late for these to be changed now and there is little likelihood that Mrs Luce will take the advice of her husband, the editor-in-chief of *Time* magazine, and resign, since both the President of the United States and the government of Brazil are still on her side.

Senator Morse's inquisition of Mrs Luce was supported by Senator Fulbright, who announced when he became chairman of the Foreign Relations Committee recently that he would go over all the President's nominations for diplomatic posts with a fine tooth comb to make sure that the candidates were suitably qualified. The next sufferer will be Mr Ogden Reid, formerly editor and publisher of the *New York Herald Tribune*, who has been nominated as Ambassador to Israel, mainly, some people think, in order to endear him to the Jewish voters of New York should he later enter politics.

But the Foreign Relations Committee is not the only one in this Democratic Congress which is holding up nominations made by the Republican President. Mr Eisenhower pointed out this week that at the moment there are 76 nominations pending before the Senate (not to mention the thousand postmasters awaiting confirmation), and of these 47 are major appointments. Since in the end such nominations are practically never rejected, it seems that the Senate is delaying only for delay's sake. The outstanding hold-ups have been in the confirmation of a Supreme Court Judge, Justice Potter Stewart, nominated last October and only approved by the Senate Judiciary Committee last week, and of Mr Lewis Strauss, also nominated last October as Secretary of Commerce and still being questioned by the Senate Commerce Committee. All of this makes more striking the confidence which the Senate showed in Mr Herter by confirming him as Secretary of State in a few hours.

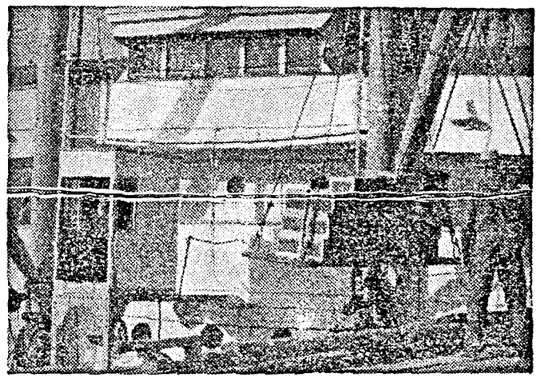
Plentiful Profits

NEW YORK

ANY lingering uneasiness about the current pace of the economic recovery has been drowned by a flood of reports from corporations showing that their profits during the first quarter of the year were abundant. While the final count has yet to be made, it appears certain that total corporate profits were the highest for any first quarter on record and, if the present belief that pre-tax profits were running at an adjusted annual rate of about $48 billion is substantiated, an all-time record for any quarter will have been struck. While profits began to recover in the latter half of last year, this quarter's earnings have the dramatic advantage of being compared with the first quarter of 1958 when the recession was taking its heaviest toll. It is estimated that total profits after tax were nearly 50 per cent higher than a year ago.

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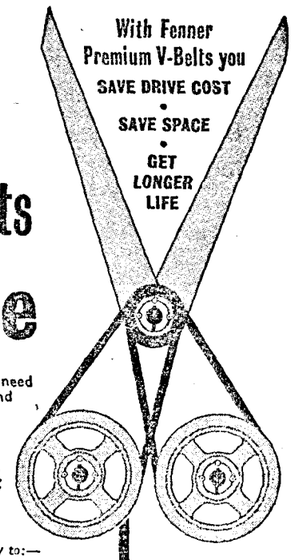
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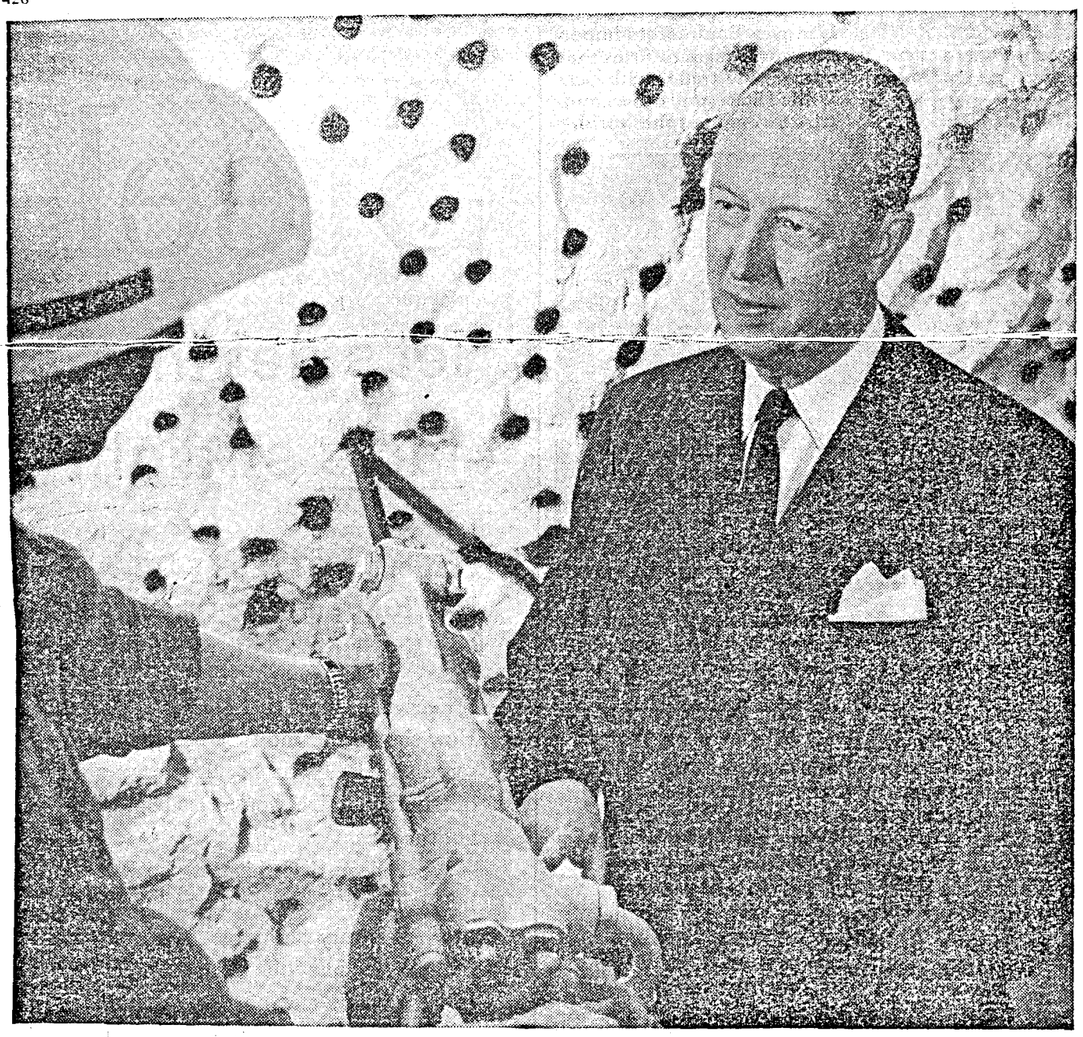
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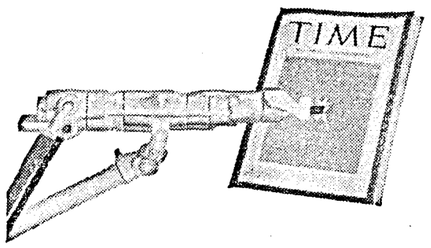


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AROUND THE WORLD

The major victims of the 1957-58 recession have staged the strongest comeback. Profits have shot up in the steel industry, which operated at 84 per cent of capacity in the first quarter against 50 per cent a year ago. With automobile output up 20 per cent the Ford Motor Company announced after-tax earnings of $2.46 a share compared with 55 cents last year. Chemical and textile firms have shown a similar resilience. More modest gains and a few losses have been reported by those corporations which rode the recession well, notably some of the large chains of food stores; by those which have had labour troubles; and by those in industries, such as aluminium and drugs, where competition has forced prices down. Business in capital goods is still lagging, but increased earnings are expected in this field later in the year.

Profit margins have climbed faster and farther than output or sales. Business is now reaping the benefits of cost cutting during the recession and of extensive modernisation, factors which are likely to bring even more plentiful returns in the current quarter. Under the pressure of prosperity costs will inevitably rise but in spite of the possibility of a steel strike pre-tax profits for the year are widely expected to reach $50 billion, more than ever before. This is having widespread repercussions. The trade unions know a useful bargaining weapon when they see one and they are unlikely to be impressed by the fact that even at this level profits would not represent an unusually high percentage of national income. The Administration, which creams off 52 per cent of corporation profits in taxes, feels that its hope of balancing the Budget is no longer merely notional. And Wall Street regards this confirmation of corporate plenty as some justification for the current exuberance of the stock market. Even though most corporations maintained their dividend rates optimistically during the recession at the expense of undistributed profits, increased dividends are already beginning to appear in the current year.

Public Interest in the Air

WHAT best serves the public interest may be the criterion by which the Civil Aeronautics Board will decide whether or not to allow the British Overseas Airways Corporation to fly between San Francisco and Hongkong by way of Tokyo. But the American public is not at all interested in the discussions which have aroused so much feeling in Britain; they have hardly been reported in the American press. It seems fairly certain that in the end BOAC will get its permit, in spite of last month's unfavourable report from the CAB's examiner. For the board has already ruled that BOAC has the right to fly to Tokyo under the 1946 Bermuda agreement; and another CAB official pointed out this week that the public interest in the honouring of international agreements is powerful enough to over-ride practically any other consideration. Even if this contention is not accepted by the CAB itself, it almost undoubtedly will be by the President, with whom the final decision rests, as it obviously is by the State Department, which advises him in these matters.

The objection to giving BOAC a permit to fly between Tokyo and the United States as part of its round-the-world service was lodged by Northwest Airlines, a comparatively small but aggressive company, which now flies from Seattle to Tokyo—and would like to go on to Hongkong. The company insists that competition from "powerful, globe-girdling" BOAC would affect its profits so seriously that it might have to claim a renewed subsidy from the government. This is where the public interest comes into Northwest's side of the argument. The CAB examiner claimed that the trans-Pacific route had been developed, with the help of subsidies from the American taxpayer, by Northwest and Pan American Airlines and that the two would lose about $13 million worth of business a year if BOAC were allowed to fly the lucrative Tokyo route. He proposed that BOAC should cross the Pacific Ocean by way of Wake Island and Honolulu instead. According to BOAC, and in the opinion of the CAB's own Bureau of Air Operations, the diversion of traffic from American airlines would be much less than the examiner thinks.

That the dispute has come into the open at all suggests that BOAC has not handled its case well, for these rivalries are normally settled by bargaining behind the scenes; it is noticeable that Pan American is carefully keeping out of the present argument, even though it too serves Tokyo. Last February the President ordered the CAB to investigate the whole question of trans-Pacific air services, in order to encourage more competition. The authority of both Pan American and Northwest to fly to the Orient expires next year, and various applications are pending, both from them and from other airlines, for additional services. BOAC's troubles seem only a preliminary skirmish in the coming air war over the Pacific.

ST LAWRENCE SEAWAY—II

Slicing the Cake

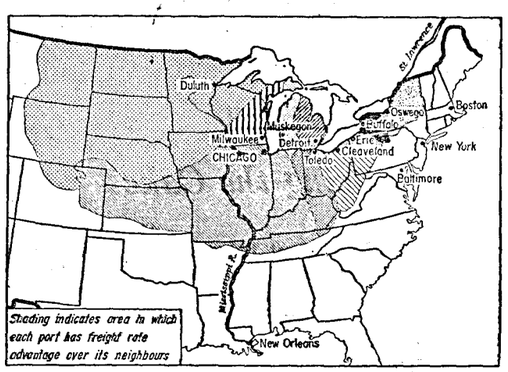
CLEVELAND, OHIO

THE ports of the Great Lakes are now beginning to realise that something less than pure gold will flow into them through the St Lawrence Seaway which opened to deep-draught ships last Saturday after nearly five years in the building. Estimates of future traffic drawn up in the heady years when the project was young suggested that half a dozen American ports would get more foreign commerce than now seems likely to come through the seaway to the thirty-odd major lake harbours in Canada and the United States combined. Yet Buffalo, a place of 600,000 people, continues to assert that the seaway can make it the largest city in the country. The afterglow of an earlier optimism lingers and competition to divide the somewhat diminished cake is still hearty.

Every major American city on the lakes except Detroit—whose voters have rejected proposals for a bond issue for the purpose twice in the last two years—is now engaged in a publicly-financed programme to improve its port. Work in progress or planned in the six most important of them—Chicago, Duluth, Milwaukee, Cleveland, Buffalo and Toledo—will cost over $110 million, nearly as much as the United States spent on the seaway itself; Chicago accounts for almost half of this. It is no doubt partly because the public port authorities are committed to schemes of expansion, many of which were drawn up under the influence of the early estimates, that they are almost uniformly more optimistic about the traffic which the seaway will bring than are most of the local businessmen. But the scepticism of

chambers of commerce is also, in its way, artificially exaggerated. Their attitude has been coloured by the dismal head-shaking of the powerful railway interests who always opposed the seaway; it is only now, when it is an accomplished fact, that enthusiasm is beginning to quicken.

Chicago is almost certainly justified in thinking that it will get the lion's share of the new business. Each of the ports, as the accompanying map shows, has its own tributary area in which the rates charged on freight carried by rail and road transport give it an advantage over its neighbour. Chicago's is by far the richest. The vast but thinly-populated hinterland of Duluth produces chiefly iron ore and grain, while the general cargo—the more valuable goods like machinery, cars and processed foods—which goes from the Chicago area to foreign markets alone accounts for almost a sixth of all United States exports. The railways running into Chicago from the west, unlike those running eastwards to the Atlantic ports, have nothing to lose from the seaway and are therefore more likely to adjust their rates to co-operate with it; moreover, since more of them run into Chicago than into Milwaukee or Duluth, Chicago may poach on its neighbours' hinterlands. Above all, Chicago has the unique advantage of lying at the intersection of two systems of waterways: the Great Lakes and the network of canals which lead down the Mississippi into the Gulf of Mexico.



Source: A study published by the Chicago Association of Commerce and Industry, January, 1959.

On present plans some $49 million will be spent on developing the port facilities at Lake Calumet, in south Chicago, which lies at the nub of this intersection. The city is likely to keep at least its customary share of two-fifths of the total foreign trade carried on from the American side of the lakes. A careful survey made last year by the local Association of Commerce suggested that by 1965 Chicago will export 629,000 tons of general cargo by water each year—almost as much as the total overseas tonnage that moved through the old shallow channel of the St Lawrence—and three million tons of bulk commodities.

Most of the other ports will gain, although less substantially, in general cargo, shipments which save the most on transport costs by moving through the St Lawrence. Milwaukee, where an imaginative port authority has been preparing for the seaway longer than anyone else, has one advantage in its competition with nearby Chicago; its port lies more accessibly on the lake front than does Lake Calumet. Cleveland and Toledo, which between them will spend $21 million, back on to the rich hinterland of Ohio. The comparative pessimism of Detroit is accounted for partly by the limited size of its tributary area and partly by the fact that cars, its principal cargo, are expected to save less in transport costs than most other goods which travel by the seaway. But there is still so much uncertainty that one expert at the University of Chicago said recently that there may well be an over-supply of port facilities in the next few years, while the directors of most ports prophesy that the potential traffic will be too heavy for them to deal with.

Any foreigner visiting the area is bound to be struck by the caution of most business communities in the Great Lakes. This is understandable in places like Duluth and Buffalo, at opposite ends of the lakes, to which the seaway brings worries as well as hopes. Duluth, most of whose traffic consists of iron ore from the dwindling reserves in Minnesota, faces the competition of ore coming up the St Lawrence from Labrador; Buffalo fears that up to a quarter of its old export trade in grain may now sail straight past its docks in the bigger ships that can use the seaway instead of being trans-shipped into the little "canallers" as it used to have to be. But it is odd that it is so difficult to detect signs of industrial expansion to take advantage of the seaway's cost savings. The one major area of growth is round Massena, near Oswego, where two aluminium plants and a car factory will draw on the power provided by the new hydro-electric scheme connected with the seaway. The steel industry is expected to expand along the shores of the lakes—around Chicago, Cleveland and perhaps Buffalo—to get the maximum benefit from the Labrador ore, and there are rumours that other processing industries, using imported raw materials—sugar and chemicals—may move in. But this is all in the future; industrialists still prefer to wait and see.

This conservatism, which seems highly un-American to an outsider, may help to decide how far the seaway lives up to its advocates' hopes. It is common to be told in the Middle West that importers and exporters are used to shipping through the Atlantic ports and are reluctant to disturb an old and friendly relationship. The phrase sounds like an epitaph on a British businessman. The pessimists, who are almost certainly too pessimistic, are now saying that the seaway will affect only a narrow ribbon of land round the edges of the Great Lakes. But if it turns out that shippers are dismayed by the limitations of a channel which is closed by ice for four months a year; if the railways cut more of their freight rates to the east coast, while keeping up the north-south rates to the lake ports; and if there is congestion in the canals; then the pattern of trade may change less radically and the seaway's influence may penetrate less deeply into the hinterland of the Middle West than the enthusiasts forecast.

(A previous article on the St. Lawrence Seaway appeared on page 329 of the issue of April 25th.)

Appointments, Business and Personal notices, and other Classified Advertisements ☞ pages 486 and 487

Prototypes—Pro and Con

FROM A CORRESPONDENT IN NEW YORK

MANY of the differences between the Atomic Energy Commission and Congress's Joint Committee on Atomic Energy revolve around what may be called "the industrial learning process." The commission and Congress agree broadly on the goals they seek: American leadership in nuclear technology and peaceful atomic power which is as cheap as electricity from conventional sources. The aim is to make nuclear energy competitive within ten years in areas of the United States where fuel costs are high and competitive in some foreign countries in half that time.

The argument is over how the United States can best maintain its technical leadership and bring nuclear costs down. The commission's present programme concentrates on what are called "prototype" plants; to encourage private firms to build some of those regarded as essential, it is proposed, for the first time, to subsidise most of the difference in capital costs between an atomic plant and a conventional one. The Democrats who control the Joint Committee are pushing hard for the construction of large-scale plants as well. The question is: how much can you learn from a prototype? The AEC's answer is: everything you really need to know. Members of Congress, with the support of a few key men in the industry, are unconvinced.

Part of the trouble arises from a confusion of terms. In every glossary but the American nuclear one, prototype means first of a series. In Washington's atomic vocabulary, however, it means a pilot plant, a unit built to gather information which can be used in plants of commercial size. Already nuclear plants with a capacity as great as 80 electrical megawatts are sometimes referred to as prototypes and an expanded definition of the word may be a part of a compromise over policy.

The Government's Proposals

The AEC has asked Congress to appropriate $30 million for the fiscal year which begins in July to enable it to start building four prototype reactors: an experimental organic-cooled power reactor and an experimental low temperature process heat reactor, both to be constructed by the commission; a boiling water prototype to be built by private enterprise or by a public electrical authority with government help; and a small generating plant of unspecified type to explore ways of reducing costs, for which the AEC would provide the nuclear reactor and a public electrical authority the conventional part of the plant. According to Mr McCone, the chairman of the AEC, the capacity of most of these plants will range from 30 to 80 megawatts.

The decision to restrict future government projects to prototypes is supported by the AEC's advisory committee on reactor policy. In its report, which was written largely by Dr Henry de Wolfe Smyth, a physicist and a former member of the AEC, the committee said that the need for "demonstrating the feasibility of large-scale nuclear power plants has passed and such plants should be built only when their costs are low enough to be acceptable to utilities [electrical companies]." Specifically the committee argued that all the information obtainable from large plants can be had more quickly and more cheaply from prototypes of less than half their size.

Not all the leaders of the industry agree. Dr Walter Zinn, the former director of the Argonne National Laboratory, who has an awe-inspiring reputation as a designer of reactors, distinguishes between the technical and the economic information to be derived from prototypes and feels that the economic conclusions are likely to be less reliable when applied to larger plants. He told the Joint Committee that he did not see how it was possible to solve the problem of costs without actually building and operating large-scale installations and that this should be done when estimates put their capital costs at no more than 20 to 30 per cent higher than those of conventional generating plants. Last autumn the Joint Committee announced an ambitious programme calling for design studies of 21 reactors of different types—nine of them large—and now the Democrats are talking of the need for several more.

Toeing the Budget Line

The commission's programme reflects the influence of the Bureau of the Budget as well as the technical arguments. Prototypes are one way of stretching a limited amount of money over a number of projects. Some of the commission's advisers also hope that by confining itself to prototypes the agency will escape the worst of the perennial battle between the supporters of public and private development of sources of energy. The AEC has also decided to cut down the number of different types of reactor which it will finance and the amount of money it will spend in preliminary work on "advanced" concepts. It has cancelled plans to build a heavy water moderated, sodium-cooled plant near Anchorage, Alaska; eliminated work on a molten uranium-bismuth fuel reactor; and placed the aqueous homogeneous reactor far down on the list.

Mr McCone is putting the commission's money mainly on water reactors, with decided emphasis on the boiling type, on gas-cooled reactors and on organic-cooled ones. So far he has not shown much interest in building a reactor fueled by natural uranium and, in spite of his denials, he does not seem impressed by the pressurised water reactor as it stands—something which has him in hot water with companies committed to that type. This is a warning of the problems the AEC will run into as it becomes more selective in picking out the most promising reactors.

Heat over Gas-Cooling

The outcome of the contest for funds between two gas-cooled reactors, one supported by the commission, the other by the Joint Committee, will show which of these two can make its will prevail. Since ACF Industries and Kaiser Engineers designed the 40 megawatt plant ordered by Congress, the Philadelphia Electric Company, with 51 associated companies, has offered to build, with government aid for research and development, a prototype high temperature gas-cooled reactor designed by the General Dynamics Corporation. This reactor, based on the ideas of a scientist formerly associated with the British Atomic Energy Authority, is apparently almost identical with the high temperature one scheduled by the AEA for construction in the nineteen-seventies. The AEC now proposes that the $51 million ACF-Kaiser graphite-moderated project be reduced to an experimental one, with only enough electrical generating equipment to test the technology, and that $14 million be invested in the private alternative.

Senator Anderson, the powerful Democratic chairman of the Joint Committee, objects strongly to this reduction in size and compares the rival scheme to an earlier private project which, he claims, was started to prevent the AEC from building its own large prototype homogeneous reactor—and then abandoned. For this reason Senator Anderson thinks that the building of prototypes should be a function of the government, with industry concentrating on plants of commercial size based on them.

Members of the committee consider themselves old hands at nuclear policy and regard Mr McCone as a neophyte. Their staff and that of the commission are now trying to agree on a compromise programme which both sides can support. To make this possible, the AEC and the Bureau of the Budget will have to give some ground and accept reasonably large reactors in addition to the prototypes.

Copper Stays Stockpiled

THE Administration, which is bracing itself to resist a demand from the mining states that the quotas reluctantly introduced for oil, lead and zinc should be extended to other "deserving" cases, has just had a sharp demonstration of the political power of the western mining interests. Its timid attempt to dispose of some of its excessive holdings of copper had to be abandoned after the Senate rushed through a resolution declaring that this would endanger the security and economic well-being of the United States. The Office of Civil and Defence Mobilisation had been planning to release only 5,000 tons a month, at least at first, but this reminder that there are 128,000 tons of copper in the supplementary stockpile shook world copper prices, to the distress of the State Department as well as of the domestic mining companies, and the OCDM climbed down with a reassuring statement that there is no intention of selling any copper from the stockpile "in the foreseeable future."

This copper was bought, in the main, under contracts designed to stimulate production during the Korean war. Unlike materials in the strategic stockpile, those in the supplementary one can be sold at any time and without the permission of Congress; this explains why Senators from the mining states would like to transfer this hoard of copper to the strategic reserve, where it would be securely locked up unless there were a national emergency. An alternative which they are considering is a Bill forbidding its sale without congressional assent. If government copper cannot be sold at present, the chances of relieving the strain on the Budget by realising much of the $1 billion tied up in the supplementary stockpile seem dim. Demand for copper is strong in the United States at the moment, partly because of the recovery, but also because users of copper are safeguarding themselves against the risk of a big strike at the end of June by buying ahead.

The entering wedge of the western attack on the Administration's somewhat battered trade policy is a Bill for quotas on fluorspar sponsored by Senator Allott of Colorado; this is being sturdily resisted, partly because it would hurt producers in Mexico, Italy and West Germany and partly because, if it were to pass, it would open the congressional door to a flood of other claims for protection. The lead and zinc producers, for example, want the quotas on the raw metals to be extended to include their products. Senator Allott contrived to have his Bill referred to the Interior Committees of both houses, where western voices predominate, but there are good hopes that the Senate Finance Committee and the House Ways and Means Committee, which are far less sympathetic to it, will insist that it falls under their jurisdiction.

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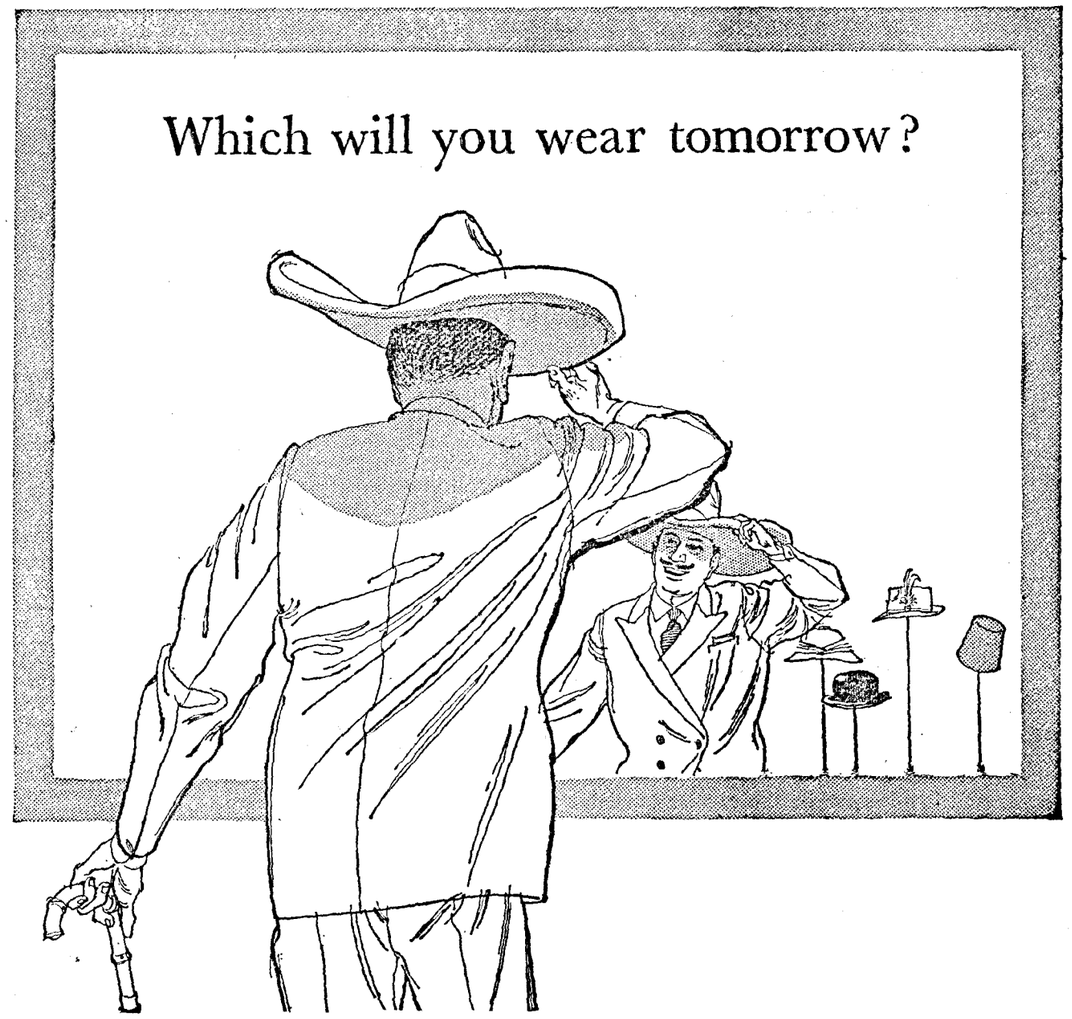
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Sic Transit Chalk

A COMMITTEE chosen by Mr Wagner, the Mayor of New York, to consider the startling offer of Mr Roy Chalk to buy the city's municipally-owned transport system—the largest in the country—has rejected it with some indignation. Mr Chalk, a British-born financier who is a self-made millionaire many times over, bid $615 million, most of it to be paid on the instalment plan, for facilities which the committee said had cost the city $2.1 billion to build and buy, and which would cost $6 billion to replace today. Worse still, Mr Chalk insisted on either the right to raise fares, now set at 15 cents a ride, or on a municipal guarantee of a profit of at least 6½ per cent, after taxes, on gross revenues.

Under municipal ownership, the underground system has lost money ever since the war, as costs rose and the number of passengers fell. Fares have gone up twice, but never in time to staunch the flow of red ink, for politicians are convinced that to raise the fare is political suicide and some more disinterested observers feel that raising the fare only speeds up the flight of people and business from the city. Instead the tax-payer has subsidised the strap-hanger. The city pays the interest on the system's debts and provides all capital outlays. The Transit Authority, which was created in 1953, has only to meet the operating costs, but last year it lost $11 million; this year the loss will probably be higher. Unless the city is prepared to subsidise the direct, as well as the indirect, costs, the fare may soon have to go up to 20 cents in any case—and the city will be no nearer to solving the problem of how to squeeze out of its own capital budget the money to keep the buses and trains in repair, quite aside from modernising or extending the system.

Mr Chalk, a property speculator in New York, is no amateur where transport is concerned; three years ago he bought control of the transport system in Washington, DC, from the notorious Mr Louis Wolfson and extracted from Congress a highly favourable franchise which exempts him from most taxes. By the reinvestment of profits and by the exercise of imagination and a flair for useful publicity he has made the system both popular and profitable—one of the few in the country which is either. He has introduced pretty stewardesses on trams, air conditioning in some buses, and runs a lucrative sight-seeing service. So far there has been practically no increase in fares but they may have to go up soon. No one can say whether Mr Chalk could have duplicated his success in New York City, where the problem is bigger and more complex than in Washington. As a realist he can hardly have expected to be allowed to try. But at least he has harvested a splendid crop of headlines.



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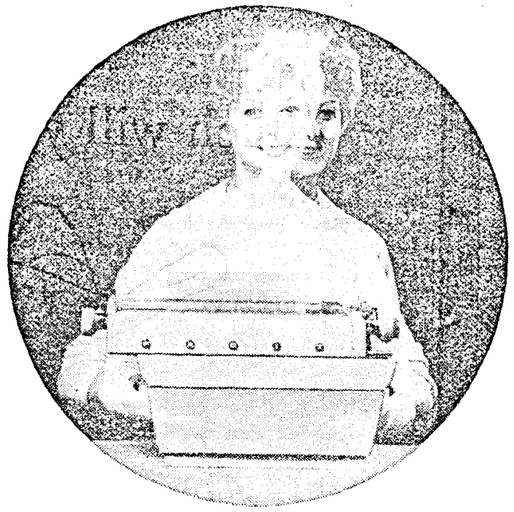
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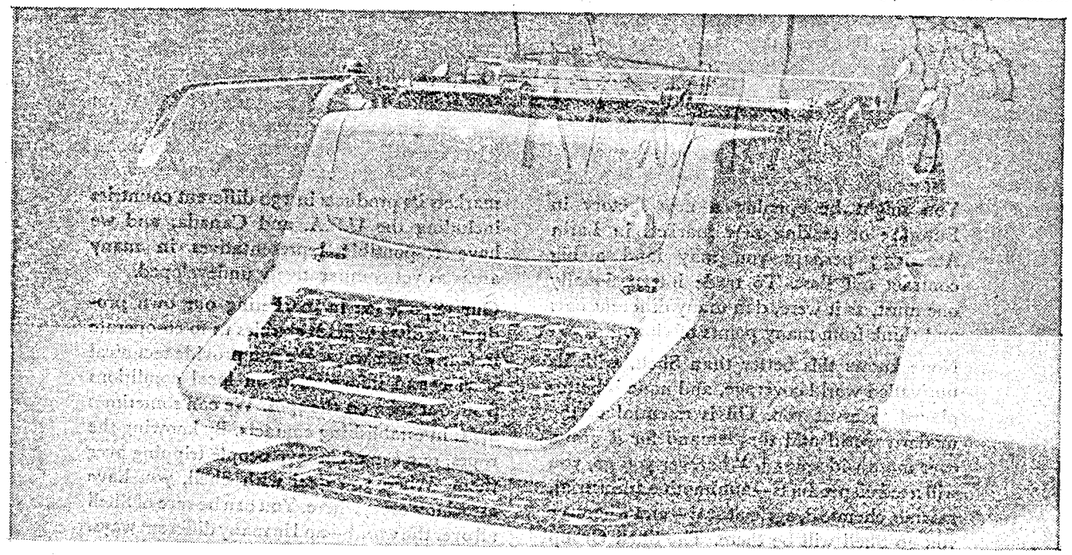


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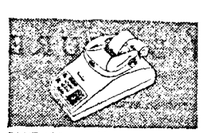
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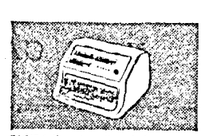




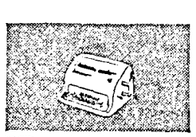
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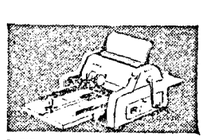
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THE WORLD OVERSEAS

Japan's Conservative Grassroots

FROM OUR CORRESPONDENT IN TOKYO

In the cities, towns and villages of Japan over the past three weeks, the days and still more the nights have been rendered hideous by "sound-trucks" rumbling through the streets, and even, in some places, by helicopters whirring overhead. The grassroots have been thoroughly examined to see which way they are growing, for four elections have been going on at the same time: for prefectural governors, for city mayors, for prefectural assemblymen, and for city assemblymen. Nor is the end yet in sight: on April 30th the apparently indefatigable voters will be called on to elect more mayors and more city assemblies, while on June 2nd they will be voting to fill 123 seats in the House of Councillors. The later elections, however, are not expected to produce much of a change in the pattern that the earlier elections have revealed, and which is plain to even the most undiscerning political eye, including that of the discomfited socialists. While there is no wild and overwhelming enthusiasm for the conservatives, the grassroots by and large remain sturdily true-blue: socialism is for the birds.

Japan's extremely restrictive electoral laws do not permit door-to-door campaigning, and heavy penalties, at least in theory, lie in wait for the candidate who ventures even to print his name too large on too many posters. Hence the aforementioned "sound-trucks": hence the helicopters. In Osaka, the police attempted to arrest an electioneering helicopter, pointing out that speeches, even tape-recorded ones, could be delivered only from stationary vehicles. The police, however, went away scratching their heads when the liberal-democrat candidate triumphantly pointed out that his helicopter hovered and so ought to pass as a stationary vehicle within the meaning of the regulation. Elsewhere, it was impossible to venture into the streets without encountering a "sound-truck," in the back of which an elderly spectacled man repeatedly removed his hat and bowed, as the vehicle sped him on his way. These manifestations of public spiritedness on the part of the candidates seemed to be running into a good deal of sales resistance on the part of the public, for no one appeared to be paying the slightest attention to the bowing men and when the trucks' sound apparatus boomed forth, people tended to flee rather than to congregate. But this apparently was misleading, for on election day almost 80 per cent of the electorate voted.

What they did when they got there is clearly visible in the results. The conservatives got over 53 per cent of the votes, compared with under 44 per cent in 1955, and the socialists got 23.6 per cent, compared with their previous 18.8 per cent. The independents' vote slumped from over 32 to under 20 per cent. Plainly, national politics and political parties in Japan have now deeply penetrated to the local level, and future local elections may be expected to be fought along strictly big-party lines. Of the 46 prefectural governors, 32 may now be counted as supporters of the present Japanese government. By contrast, there are only five governors who are either socialists or socialist sympathisers. The socialists lost Hokkaido, which they have controlled for the past twelve years. They managed to instal a governor in Fukuoka; but, though there is undoubtedly a big socialist vote among the coalminers of that area, Fukuoka was not so much won by the socialists as lost by the deposed governor, Mr Karoku Tsuchiya, a conservative politician of the old school whose interesting financial manipulations led last year to a demand for his recall which was postponed rather than averted.

Sadly surveying the results, the socialists have been moved to charge the liberal democrats with winning by means of unprecedented bribery and corruption. The liberal-democrats had during the election campaign freely charged the socialists with being the dog that was wagged by its communist tail. These charges and counter-charges are stereotyped to the point of being dismissable as hardly distinguishable from automatic conditioned political reflexes. Whatever influence the communist tail had on the socialist dog, it did very feeble wagging on its own behalf. The communists had no Moscow-hued governors before the elections, and have none now, and they are not likely to derive much satisfaction from the fact that their percentage of the poll has soared in four years from 0.9 to 1.1 per cent. The charge of corruption against the liberal-democrats is probably quite true, depending on the definition of corruption and with the rider that the socialists were just as "corrupt" but unfortunately for them did not have as much money to spend on vote-buying. Despite the stern electoral laws, it is the common custom in Japan, and one which the voters do not seem to find entirely disagreeable, for candidates to provide potential voters with £1-a-head feasts at a nominal charge of half-a-crown. Undoubtedly a good deal of this went on; but it certainly does not account for the extent of the conservative victory or the degree of the socialists' discomfiture. For the socialists had been straining every nerve to knock the liberal-democrats for six.

The alternative is to accept the fact that the Japanese electorate is basically and stubbornly conservative and that even an indifferent conservative government or conservative local administrations are preferred to socialists with bright and shining faces. The election results indicate that this is indeed the case, and that the socialists are failing even to make those slow but steady gains that would provide them with at least a reasonable hope of being able to come to power in a foreseeable future. Both parties gained voting strength at the expense of the independents and minor parties; but the conservatives' gains much exceeded the socialists' gains. Most thinking Japanese—and this includes even some thoughtful liberal-democrats—would feel happier if the socialists now tempered their gustier proposals, especially their hero-worship of communist China, to suit the mood of an innately cautious and pragmatic-minded elec-

torate. Some real Opposition gains, in fact, are badly needed merely in order to make Japan's two-party system really work. But, of such a change in socialist thinking, there is as yet no sign.

Arabs Talk Oil

FROM OUR SPECIAL CORRESPONDENT

Cairo

WHEN the Arab League oil congress ended here on April 23rd, the participating Arab government delegates and oil company observers were almost as uncertain what it was all about as they had been when it started a week earlier. Both the host (United Arab Republic) government and the petroleum department of the Arab League insisted that the congress was purely technical. Politics were not supposed to intrude into the discussions of exploration, production, petrochemicals, refining, or the economics of the oil industry. The most popular sessions, however, were those of the group set up to discuss petroleum economics ; and inevitably it was here that politics raised its ugly head from time to time.

At the first session of this group, the legal adviser to the Saudi directorate-general of petroleum and mineral affairs read a paper on a sovereign nation's ability to make, and obligation to abide by, petroleum concession contracts. The paper largely reflected the Saudi attitude to the award, made at Geneva last summer, in which the government's right to force Aramco to use tankers owned by Mr Onassis was denied. The government accepted the decision of the tribunal ; it had long before realised that its bargain with Mr Onassis was not a good one. Without actually mentioning the Onassis decision, the legal adviser set out to prove that it was not acceptable as a precedent for the limitation of sovereignty. It looked as if the fireworks were beginning ; but nothing came of it, the speaker himself refusing to engage in what he then chose to call political argument. The boldest political speech was made by the representative of the Algerian government-in-exile, who flatly warned the companies interested in Sahara oil that his government would not recognise concessions granted to them by the French government.

In his final address to the congress, Muhammad Salman, director of the Arab League petroleum department, made two unfortunate references—one to the imperialists and the other to Cairo's position as the centre of all Arab aspirations and knowledge. It was not polite to mention imperialism to the well-behaved oilmen, and there were among his Arab listeners many who do not agree that Cairo is the centre of the Arab universe. Two star performers at the congress were Abdullah Tariki, head of the Saudi delegation, and Emile Bustani, who did the talking for the Lebanon. Mr Bustani once more presented his plan for an Arab development bank financed by 5 per cent of everybody's profits on oil operations. With the introduction of the Arab pipeline plan by Mr Tariki there arose a brief rivalry between the supporters of the two schemes. At the end of the congress, however, the government delegates heartily endorsed the pipeline plan and consigned Mr Bustani's bank to the limbo of the " competent authorities in the Arab League."

At the early age of forty Abdullah Tariki is already an elder statesman among Arab oilmen. Only a few years have passed since he set out on his mission to make Arab governments agree on a common policy towards the oil companies. His way has not always been smooth. First, he was ignored by the companies and regarded as an upstart by the governments. The companies are now fully, sometimes painfully, aware of his activities but the governments, for all their resolutions and declarations of solidarity, do not find it any easier to agree on oil policy than on any other policy. Perhaps the greatest obstacle to Mr Tariki's plans is no longer the companies but the Arab governments. But at least he is no longer alone. Such able men as Anis el Kassem, of Libya, and Ahmad Omar, of Kuwait, proved at the congress that there is an increasing number of Arabs aware of the problems of the oil industry.

Many people came to Cairo ready for a battle which, to everybody's relief, never took place. The Arabs stated their case for integration, price control, increased local refining, and petrochemical industries. There were some company men who thought it unwise to take issue with the Arabs. Forgetting that discussion was what they had been invited to Cairo to engage in, they failed to realise that a conspiracy of silence would have given further weight to the Arabs' complaint that the companies stick together against them. Those brave few who said what they thought lost no Arab friends by doing so, and gained for the industry a measure of the respect so often lacking when Arabs and oil men meet together.

The formal proceedings of the congress never assumed any definite shape. Papers were read and discussed briefly, and the final resolutions were a mishmash of what various people had proposed. But the congress was a huge success all the same. Its success lay in providing a meeting ground for people who in one way or another share the same interests. At the exhibition at Gezira the producing companies made the most of their chance to show what they are doing. In the lobbies of the hotels and at countless receptions, luncheons and dinners, Arabs and industry representatives learned a great deal not only about each other but about other Arabs and other oilmen. So long as they all realised with what manner of men they had to deal in the future, it did not matter that they were still uncertain what the meeting immediately amounted to.

A Chancellor's Entourage

FROM OUR BONN CORRESPONDENT

IT is the mode just now among government spokesmen in Bonn to emphasise the continuity of west German policy, notwithstanding impending changes in the leadership. For this there are sound reasons of state. Yet everybody knows that after a formative decade dominated largely by a single personality, west German political life is about to experience the stimulus of new direction. The way is being opened for younger men, who will be bringing with them counsellors of their own choosing.

Dr Adenauer, who left for a holiday in Italy on April 7th immediately after announcing his decision to stand for the presidency, is due back in Bonn early next week. He is being widely advised to make clear as soon as possible whom he proposes to nominate as his successor ; and since the idea is being advanced in some quarters that it would become him to resign the chancellorship straight away in the event of his election to the presidency on July 1st, it may well be that the world will know fairly soon who the next federal chancellor is going to be.

For all the auguries in his favour, it is still not certain that it will be Dr Erhard. The group of Christian Democrats and business men who would prefer Herr Etzel are influential and may yet have their way. There are some who would like to see Herr Etzel displace Herr von Brentano as foreign minister. But, for reasons that the Germans sometimes like to call "optical," a change of foreign minister seems unlikely while the imminent series of international conferences is in progress.

Dr Adenauer's translation is expected to affect also the small group of civil servants upon whom he has relied so much for counsel and company during the past ten years. The Chancellor has often been accused of confining consultation to a too narrow circle. And, not for want of telling, he has been careless—he would probably say loyal and unlucky—in his selection of close colleagues. Many Germans deplored—again for "optical" if for no other reasons—Dr Adenauer's choice of Dr Hans Globke as state secretary in the chancellery. Dr Globke has been all along the Chancellor's principal administrator, memory-jogger, and mentor in governmental procedures. He is an experienced and efficient civil servant who does what he is told. He did as he was told when, as an official in the Reich ministry of justice, he contributed an unquestioning expository preface to the anti-semitic laws passed by the Reichstag in a macabre session held at Nuremberg in 1936.

WITH remarkable tenacity, Dr Adenauer has resisted all demands for Dr Globke's withdrawal from this influential post. It is being put about by some that Dr Adenauer would like to take his apparently indispensable state secretary with him to the president's office. Others, more fancifully, are conjecturing that Dr Erhard, a minister disposed to neglect paper work, would need Herr Globke in the chancellery even more than the methodical Dr Adenauer has done. They are surely underestimating Dr Erhard's resources. And, as bad luck—or carelessness—has had it, the prestige of the Adenauer-Globke chancellery is about to suffer further assault in the forthcoming trial, on charges of corruption, of Herr Hans Kilb, who served as Dr Adenauer's personal assistant for some three years. With the same confidence with which he has brushed aside objections to Dr Globke, Dr Adenauer seemed at one time to have assumed that he could arbitrarily rescue Herr Kilb from the attentions of the law.

Dr Adenauer's reluctance to be bothered by awkward lapses from the impeccable conduct expected of civil servants had spectacular consequences last week in Herr Blankenhorn's conviction by a Bonn court of having slandered another senior civil servant. Along with Professor Hallstein (who was unenthusiastically acquitted at the same time on the ground of lack of evidence) Herr Blankenhorn has been one of Dr Adenauer's closest advisers on foreign policy since the establishment of the German Federal Republic. Although the Chancellor knew that this embarrassing case was pending, he promoted Herr Blankenhorn last year to the embassy in Paris ; to which he is now not returning, at least for the time being. Doubtless Dr Adenauer had originally supposed that the injured Herr Strack would be as ready to settle out of court as he himself and Herr Blankenhorn had been in 1955 not to pursue to the bitter legal end their objections to allegations published in *Der Spiegel* that in the postwar years they had supplied the French intelligence service with information in return for money and food.

Dr Adenauer began his long run at the chancellery in days when there was a scarcity of uncompromised civil servants willing to accept major responsibility. Today there is a larger reserve to draw from. In consequence of the embarrassing disclosures of the Strack case, many Germans are expressing the hope that the next Chancellor will pay more attention than Dr Adenauer has done to maintaining the integrity and reputation of the government service.

Singapore's Loud Voices

NOMINATION day has dashed the hopes of moderate men in Singapore that Mr Lim Yew Hock would lead a united moderate team into the election campaign against Mr Lee Kuan Yew and the People's Action Party. Simply on form, the other parties thoroughly deserve to lose the election on May 13th. Their plan was, very sensibly, to unite in a single Singapore Alliance the whole anti-PAP coalition—the Liberal Socialists, the United Malays' National Organisation, and the Malayan Chinese Association—and put up a single list of candidates to fight the 51 seats in the new house. This implied that some people would stand down in favour of others. But the result has been that the disappointed politicians have put up as independents and new parties have sprung up like mushrooms, while the Liberal Socialists have split in two. Finally, Mr Marshall, the former premier, is fielding a side of his own called the Workers' Party. The result is that there is a straight fight between PAP and anti-PAP candidates in only seven constituencies, while in 29 the anti-PAP vote is split between three or more candidates, of whom there are more than 200 in the field.

The Singapore electorate is credited with being weary of all the factions. Every party has some discreditable episode to live down. Just before nomination day the Minister of Local Government, Abdul Hamid, was expelled from his party and from Mr Lim's alliance on an obscure quarrel connected with the charges against Mr Chew Swee Kee, another minister, whose financial affairs are under investigation ; on the other side, the PAP mayor of Singapore and all his party supporters on the council, a body racked with quarrels and scandals and also under investigation, have resigned in order to contest the parliamentary elections—for all that they had sworn to stand by the municipal underdogs to the last. This ratting was not unconnected with the PAP's own decision to abolish the council if they get power. At the hustings, Mr Marshall is in a straight fight with Mr Lim, whom he will seek to " expose " ; while Mr Lee Kuan Yew finds himself standing alone against Dr Subramanyam, who had just defected from the PAP, and purposes to " expose " him too.

But Singaporeans cannot react by staying away from the polls because voting has been carefully made compulsory ; and as the prospect of a fine is likely to bring the underdogs as well as the business men to the ballot box in force, the betting is now very strongly on a PAP victory. It will be surprising if the same hectoring voices which have been heard denouncing British imperialism in the city council chamber are not heard, with amplification, in the parliament of the free state. The question is how much weight they may carry in the ministry.

Limelight on the Luxembourg

FROM OUR PARIS CORRESPONDENT

IN the charming Luxembourg gardens, on the left bank of the Seine, stands an Italian-style palace. Commissioned by Queen Marie de Medici in the early 17th century, the Luxembourg palace has witnessed many changes. It belonged to various princes ; during the Revolution it was a prison and then it became the seat of the Consulate. Later it housed first the senate of the Third Republic and then the Council of the Republic, the truncated upper chamber of the Fourth. On Tuesday, it inaugurated a new chapter in its varied story as the seat of the senate of the Fifth Republic.

The regime may have changed. But the political complexion of the upper chamber is scarcely altered. As if to underline this continuity, M. Monnerville, who last May played a prominent part in the transfer of power to General de Gaulle, was on Tuesday re-elected speaker. Out of a total of 255 senators for metropolitan France, 170 have sat in the Luxembourg before. Among the newcomers, there are many deputies of the Fourth Republic who were defeated in the November elections, among them such well-known figures as MM. Edgar Faure, François Mitterrand, Gaston Defferre and Jacques Duclos.

This apparent return to the established pattern was no surprise, nor could it be. Senators are elected indirectly by local councillors and their representatives. The local elections in March (see *The Economist* of March 21st, page 1075) showed that last autumn's peculiar mood, which produced a national assembly dominated by the neo-Gaullist UNR, disappeared after the introduction of last winter's fiscal measures. Back to normal, however, does not mean that the senate will be to the left of the national assembly. The method of its election is a guarantee that the upper chamber will always tend to be conservative.

IT has been calculated that France's small villages (with less than 1,500 inhabitants) account for less than a third of the country's population but supply more than half of the "grand electors" taking part in the senatorial poll. Towns of over 10,000 inhabitants account for more than two-fifths of the population and yet provide only a fifth of the senatorial electorate. This bias in favour of the predominantly conservative rural areas explains the general political complexion of the upper chamber.

The Communists, with 14 seats, a loss of two, have managed to provide for a few of their more prominent members who were defeated in the parliamentary elections last November, but the voting system, in which proportional representation is the exception, gives them only a slight chance of success. The slight losses of the Socialists (48 instead of 53 seats) confirm their setback in the local elections. The Radicals of all colours, who now have 51 instead of 47 seats, showed that they still have strong local positions, while the MRP, with 29 seats, a gain of eight, shows that years of patient work are now bringing some results. The UNR with 27 instead of 29 seats is the real victim of the poll. The unorthodox Right dominates the national assembly ; the traditional conservatives, the Independents and their allies, with 85 seats, form the biggest party in the senate.

Universal suffrage may produce a right-wing chamber, as it did last November ; it may also produce the opposite result. Senatorial elections will always have a conservative bias. This is why the constitutional draftsmen of the Fourth Republic curbed the powers of the upper chamber. Their successors have restored to the senate some of its prestige. Its Speaker is the second person in the state after the President (and replaces him provisionally in case of death). Unlike the assembly, the senate cannot be dissolved: a third of the senators are renewed after three years ; another third after six years ; and after nine years the whole membership is re-elected.

Professor Duverger, in a penetrating article, has demonstrated how the senate can be used as a brake which the government can apply at will. A bill passed by the national assembly must be approved by the senate before it becomes law. A bill that is rejected by the senate and disliked by the government can simply be buried without any further reference to the assembly. On the other hand, if the government wants to get a bill through, it can call a mixed commission of the two chambers. Should the mixed commission fail to agree, the bill can become law by a simple vote in the lower chamber. Naturally, the two chambers could put the executive in a difficulty if they agreed on a reform it resents, but the conservative complexion of the senate makes it unlikely that such agreement would be reached except on a conservative measure.

The supposition that the draftsmen of the constitution intended to strengthen the existing conservative safeguards is borne out by the fact that the only exception to the procedure of mixed commissions is made for constitutional reform. Any revision of the constitution must be approved by both chambers separately. With an eye to the future, the draftsmen seem to have taken precautions against the possibility of a left-wing lower chamber. The King has strengthened the Lords in order to insure the realm against the zeal of the reforming Commons. But the strengthening is only relative. The senate, for instance, cannot bring the government down. It has really only gained prestige by comparison with a lower chamber whose powers have been drastically curtailed. Parliamentary prerogatives as a whole have been cut. In the Gaullist system the executive—and in particular the President—has the whip hand.

Almost opposite the Luxembourg palace stands a theatre once called *l'Odéon*. Until very recently it was the second house of that famous state-owned theatrical company, the *Comédie Française*. But the government decided that one state theatre was enough and on April 8th *l'Odéon* was denationalised. Two houses, however, are still considered necessary for political performances. The Luxembourg, with its old-timers and orators of renown, may attract a wider public than the Palais Bourbon. But neither house is likely to provide the stage for real political drama.

The Arab South—I

FROM A SPECIAL CORRESPONDENT

A SHOP in the old town of Aden (known as the Crater) sells illuminated Koran verses and coloured prints of popular personages, among whom the place of honour is held by Queen Elizabeth II and President Gamal Abdel Nasser. The portraits of the two heads of states are displayed side by side, Colonel Nasser being represented

with the Imam of the Yemen on his right and Crown Prince Badr on his left. The juxtaposition is typical of the political atmosphere of the Arab South.

The term "Arab South" has recently been adopted by Arabs in order to include in one designation Aden colony, the Aden protectorate (itself divided administratively into western and eastern portions), and the Kingdom of the Yemen. Some Arabs would include the Sultanate of Muscat and Oman as well. To British ears the term implies a subversive intention, since according to British political theory the various parts are distinct entities. Only within the limits of the western, and potentially of the eastern protectorate is political unification regarded as desirable. Here the rulers of six of the 30 or so princedoms and sheikdoms (many of which are minute) have been induced to ask for a federation. *In theory the objective is the benefit* to be gained from pooling resources and administration, though it could be urged that the addition of nothing to nothing remains nothing. The inducement most potent with the rulers is probably the increased British aid that may be expected to follow compliance with British wishes ; the more enlightened realise that federation will not help them to maintain themselves against the rising tide of nationalism, with its republican tendencies, unless the federation is seen by the people to be not merely a club for the rulers but also the source of substantial benefits for their subjects.

In British eyes, federation is an essential step in meeting the contemporary insistence that standards must be raised in poverty-stricken and backward colonial areas. There is, however, more to the project than philanthropy. British grants, and economic and social planning executed with British assistance, mean an extension of British influence and, it is hoped, the strengthening of a political foothold which is being increasingly menaced by the rising tide of Arab nationalism. In his recent book on Aden, the late Governor, Sir Tom Hickinbotham, makes it clear that he anticipates the ultimate emergence of a federated state within the Commonwealth ; this is to serve as a buffer between the Arab world and the politico-military centre which has been set up in the colony of Aden with the purpose of safeguarding British interests in Arabian oil. The hope is that concentration on Arab unity in a limited area will divert attention from wider projects of Arab unification favoured by the United Arab Republic.

IN fact, many modern-minded and progressive Arabs in Aden and the protectorates, outside the administration as well as within it, do welcome federation and do believe that a period of British aid and advice is essential if the region is to be successfully developed. It is, however, also clear that these Arabs interpret official statements to mean that in due course the federation will be able to form a homogeneous political entity with Aden itself ; and that this entity will be free, if it likes, to unite with a reformed and renovated Yemen and to establish whatever relationship it pleases with the Arab world as a whole. If this interpretation is proved incorrect, the subsequent disillusion will make it difficult to preserve the necessary degree of Arab co-operation.

More actively nationalist Arabs advance two objections. The first is that the project would increase British interference. Even if this should be temporary and the final result different, they resent any increased British activity in the Arab world at the present time because Britain appears to them today as a principal opponent of the UAR and therefore of the policy of political unification of the Arab countries for which the UAR stands. The other is expressed principally by the potentially powerful trade union movement in Aden. They object that federation is being treated as an affair of the princes rather than of the peoples. Against this it can be replied that in the primitive conditions at present prevailing in the protectorate, rulers of the traditional type are indispensable, and that no system of elected assemblies would, for the moment, be capable of working at all.

Expressed in these general terms, the political scene in the Arab South appears fairly simple ; it is, however, complicated by two further factors. These are the character and policy of the present regime in the Yemen, and the special social and economic conditions of Aden colony.

(To be concluded)

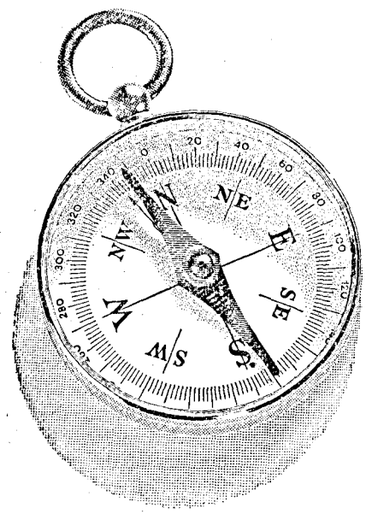
Russia's Shorter Seven-Year Plan

WITHIN a few months of embarking on their first seven-year plan, the Russians seem to show a hankering after their traditional planning period of five years. In all branches of production, pledges are being made to fulfil the plan well ahead of schedule. Mr Brezhnev, a member of the party presidium, announced on April 22nd at the ceremony celebrating Lenin's birthday that seven years would be more than enough to reach the agricultural objectives set for 1965. Farmers throughout the Soviet Union are now binding themselves publicly to achieve their plan for the output of meat, though not of grain, two or even three years before the appointed date. The planners of the Russian Soviet Republic have decided to raise this year's targets for iron and steel.

Signs of a speeding-up of production are confirmed by the progress report for the first quarter of this year. Gross industrial production, it is claimed, rose by 11 per cent *compared with the corresponding period of 1958* ; the expected increase had been only 8.6 per cent. When the outlines of the first seven-year plan (1959-65) were published last year, it was remarked that the contemplated rate of growth was slower than in preceding periods. The Soviet government has apparently decided that there is no need for such a slackening of the pace, particularly in the iron and steel industry. A faster exploitation of new iron ore deposits in Kazakhstan and in the Kursk region is intended to prevent bottle necks in metal supply.

Mr Kuzmin was removed in March from the chairmanship of the *Gosplan*, probably because his plan was not considered ambitious enough. His successor, Mr Kossygin, is acting upon instructions not to underestimate the country's resources. The present plan will not bring Soviet output abreast of American, but the Kremlin has evidently determined to accelerate the progress towards that goal. It would not be astonishing if the Russians were soon to publish a revised version of their first seven-year plan ; this would show whether the upward revision is general or whether it concentrates on basic industry and on agriculture.

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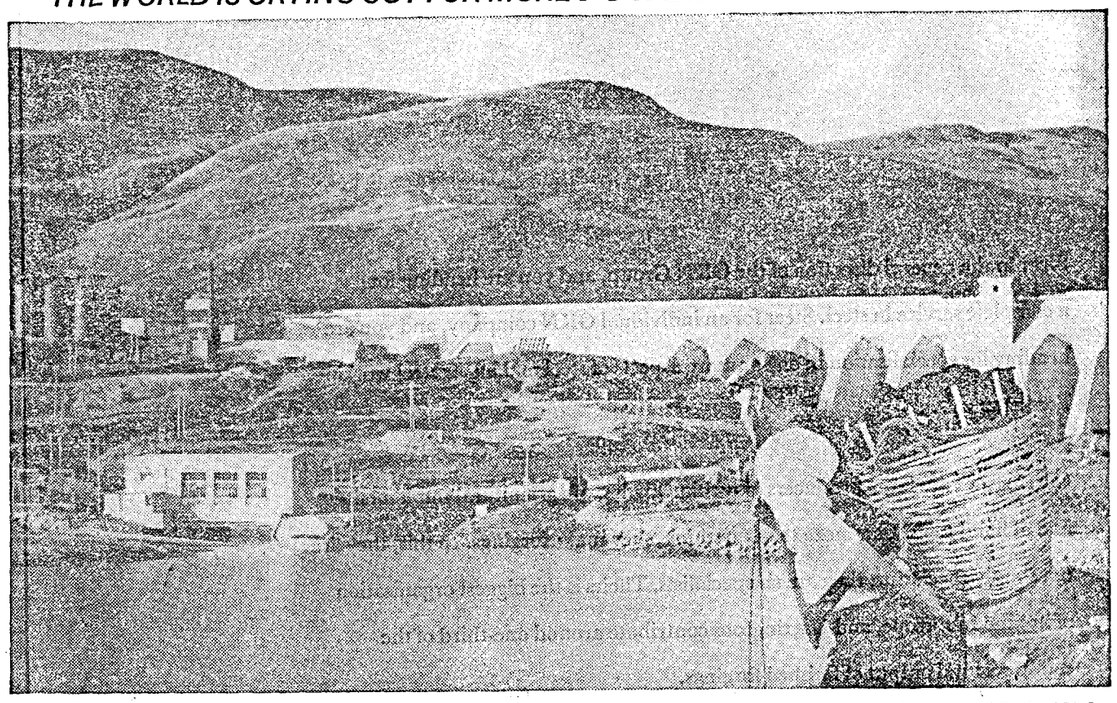
And so, when people need forgings they are very likely to come to Garringtons. Similarly, when they need any other particular steel product or service they will be equally well served to come to one of the many other specialists within the general framework of the GKN Group.

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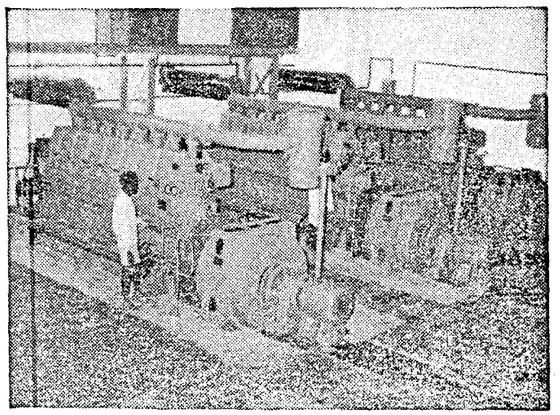
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THE BUSINESS WORLD

A Funeral or a Cure?

The Government have no doubt that the circumstances of the cotton industry which I have described justify the exceptional course of direct financial assistance from public funds.—Sir David Eccles, President of the Board of Trade, in Parliament on April 23rd.

A CALL on public funds to the tune of £30 million needs very full justification. Lancashire's claim rests on two broad grounds. It contends that in both the home and export markets it is the victim of forces largely beyond its control. Since the second world war its overseas markets have continued to shrink, as they did after the first war, owing to the growth of local industries behind tariff walls in countries that once were Lancashire's exclusive markets. These countries have not only become self-sufficient in textiles, but have also become substantial exporters, again at Lancashire's expense. And in recent years the industries in India and Hongkong have been competing with Lancashire in the British market, which allows Commonwealth goods in duty free. No other major manufacturing industry stands unprotected against low-wage competition from Asian countries. And as the Government has refused Lancashire formal protection, on grounds of broad national and Commonwealth policy, the industry argues that the Government must bear some part of the consequences.

These consequences—the loss of both export and home trade—have forced the industry to work well below capacity. Though mills have been closing at an increasing rate—118 closed in 1958 alone—a surplus of obsolete machinery still drags Lancashire down, together with a lack of up-to-date machinery. An industry weakened by surplus capacity, Lancashire argues, can muster neither the will nor the resources to scrap and re-equip at the necessary scale and speed. A surgical operation is needed to restore the industry to health, and the Government must help to pay the bill. Without that operation the industry sees no hope of arresting the decline in exports, and even its present export trade of £88 million (cotton and rayon goods) is not one that the Government can lightly dismiss.

The Government has accepted that case. The opportunity for action was taken after the industry, with all the Government's help short of directly threatening sanctions, persuaded Hongkong to limit shipments of cloth and most made-up goods for retention in the British market. The ceiling then set is still an uncomfortably high one for Lancashire; it excludes yarns (imports of which have risen recently, whether temporarily or not no one can tell) and has a guaranteed life of only three years. But it at least provides a breathing space in which to reorganise. A similar agreement with India was reached long ago in principle, and should be ratified soon. Finally, the Government's willingness to help may well have been influenced by the judgment of the Restrictive Practice Court, which declared void the minimum price scheme of the yarn spinners' association—an agreement which had helped to maintain excess capacity in being.

AFTER discussions with the industry the Government has now offered to pay two-thirds of the cost of eliminating excess capacity and, provided it is satisfied that this knife will cut deep enough, to pay one-quarter of the cost of modernisation in the remaining mills. Originally Whitehall talked of putting its money on re-equipment alone, leaving the industry to cope with excess capacity; then it switched its emphasis to financing concentration; now, after squawks from parts of the industry it has eventually decided to help with both. In theory one approach should be as effective as the other. A generous subsidy for re-equipment would have encouraged firms to scrap some mills and re-equip others; a drastic concentration scheme might have enlarged the prospective market for the remaining mills enough to encourage them to re-equip. But some influential members of the industry evidently felt that the Government should demonstrate its confidence in

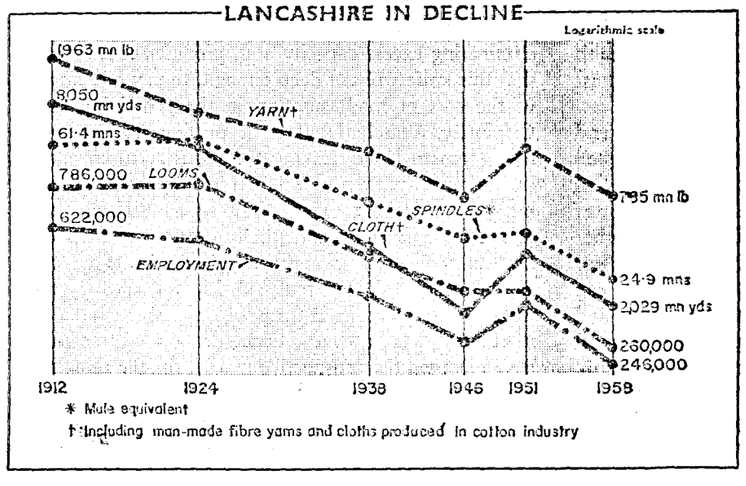
Lancashire's future by helping it to re-equip. The industry, and the City of London, it may be assumed, will draw their own conclusions. With a sizeable stake in re-equipment the Government will surely be less likely to jeopardise the industry's future by allowing imports of yarn to reach "disruptive" levels, and will work the harder to ensure that the agreement with Hongkong is renewed.

The starting point for both schemes, for redundancy in particular, was an analysis by the Cotton Board's staff of the probable size of Lancashire's future market. While this study has not been published, it no doubt assumed a continuing modest growth in home consumption, per head and in total, and that this increase would be broadly offset, for some years at least, by a further, though moderate, decline in exports, with the hope of some expansion after the reorganisation schemes have been carried through.

A broad guide to the capacity that needs to be cut out in spinning and weaving is the extent of under-employment over the last two years. Making certain assumptions about re-equipment and shift-working, this suggests that about 40 per cent of the spinning capacity will have to go (mainly the 10 million mule spindles) and roughly 25 per cent of the looms (or about 65,000 —30 per cent—of the non-automatics). In finishing, capacity has to be expressed in a productive unit, which may be a line of machines within a works or a whole works. The finishers always need some surplus of capacity to cope with changes in the pattern of demand, but it is reckoned that about thirty per cent of the machines are surplus in all four sections (bleaching, dyeing, finishing and yarn dyeing). On the re-equipment side, perhaps 3½ million new ring spindles, working two shifts, ought to be put in within the five years, and the number of automatic looms—47,000—ought to be increased by perhaps one-half. The new looms would start immediately on two shifts if not three, and more of the existing ring mills should go on to two shifts.

There is no master plan, and no compulsion to close down. No one can yet be sure that enough mills can be induced to close down, what the inducement will have to be or how much it will cost altogether. In theory the cheapest and most equitable basis would be one that related the payment for closing down a particular mill to its record of return on its assets. In fact this method would not work. Firstly, there are obsolete mills in which the machinery has been written off long ago, and in which the return on assets is therefore relatively higher than in some modern mills. Secondly, the response of individual mills will not necessarily be based on economics. An offer that might be accepted by a family controlled business might well be turned down by one run by directors with a small stake in the equity, whose aim is to keep their jobs and keep their shareholders at bay.

The most practicable way is to try to guess the amount—per spindle and per loom—needed to induce the last marginal mill to close down; offer this to all comers for say three months, and hope for the best. Many figures are being canvassed, according to the authors' optimism; about 15s. per spindle and £50 per loom seem as good as any cockshy to start with.



GIVEN a favourable response, said Sir David Eccles, the call on public funds under both the redundancy and re-equipment schemes might well be of the order of £30 million. While it would be foolish to accept this figure as more than a guess, it is worth asking how much might be spent under the two schemes, and among the various sections? The impression that redundancy will absorb most of that sum is wide of the mark. In the finishing sections it is generally held that reorganisation is almost wholly a question of eliminating capacity; the re-equipment necessary is well within the industry's resources. By and large this is probably true of spinning, too, but less so in weaving; the weavers are the least prosperous section, having been squeezed between the spinners' price scheme and the recommended price schemes of the finishers (which have yet to come before the Restrictive Practices Court). Assuming, for purposes of illustration, that the finishers get roughly one-fifth, or £6 million (the bulk for redundancy), the other four-fifths, or £24 million, might be broadly shared between the spinners and weavers. If the maximum target of 10 million spindles are cut out for a price of about 15s. a spindle, the cost to the Government would be 10s. per spindle, or £5 million all told, leaving some £7 million of public funds for re-equipment. As the Government is contributing one quarter of the cost of re-equipment, this would provide for a

total expenditure of at least £28 million for re-equipment in spinning over the next five years, which compares with nearly £33 million spent in the five years up to 1957. The ratio of re-equipment to redundancy payments in weaving should be higher still, because this section has contracted faster than the spinning section.

The amount of compensation for redundancy will be directly influenced by the Inland Revenue's treatment of these payments. Sir David has said that the law will not be changed, but will be interpreted as liberally as possible. The industry is now waiting to know exactly what this means. From the Government's view the point is academic; if it has to give more with one hand because payments bear tax at the full rate it will get the excess back in the other hand from taxation. For the industry the levy to finance their third of the redundancy payments is in any case a business expense. It has already been made clear that investment allowances and initial allowances will apply only to the total cost of re-equipment, minus the Government subsidy of 25 per cent.

Cynics are saying that although the Government insists that the industry must compensate displaced workers, the money will effectively come out of the payments for closing down mills. They are wrong. It can be taken for granted that the Government will want it to be demonstrated beyond all doubt that the industry truly bears the cost. The probability is that the money will have to be raised mainly by an additional levy on the remaining firms, with the mills closing down perhaps making an initial payment before winding up.

It may be wondered whether the Government and the industry fully realise how ambitious is the task they have set themselves. After cutting the industry down to what is believed to be its right size, the Government is trusting the industry to ensure that re-equipment will take place in the right places and in the right way, and that the full fruits of re-equipment are realised. This is not just a matter of technique: it also means making the right goods and marketing them effectively. For its past failures on this front Lancashire has no one to blame but itself. If management in cotton carried bigger guns one might feel more confident about the outcome. The Government can only be allowed one go at this latest operation; it should be quite clear that it is giving a lot and must expect a lot.

SHARE PRICES BEFORE AND AFTER THE NEWS

	Latest earnings %	Latest dividend %	Price, April 22	Price, April 29	Yield
Combined English Mills £1	Nil	5	9/4½	11/–	9·09
Crosses and Heatons £1	Nil	5*	11/–	11/9	8·51
Fine Spinners £1	13·3	10	23/9	24/3	8·25
Lancashire Cotton £1	34·6	17½	42/4½	43/7½	8·02
Ashton Brothers £1	17·7	10	24/–	23/–	8·70
Joshua Hoyle 2s.	Nil	5	2/3¾	2/5¾	4·10
Tootal £1	10·4	7½	32/–	31/7½	4·74
David Whitehead 1s.	47·3	20†	1/9¾	1/9¾xd	11·03
J. and P. Coats £1	17·6	8¾	25/–	24/6	7·14
English Sewing Cotton £1	25·2	12½	29/10½	29/4½xd	8·51

* No interim dividend paid for current year. † Indicated dividend.

Supersonics and Space Research

MR AUBREY JONES, the Minister of Supply, bears the heavy responsibility for deciding whether he should advise the government to undertake two costly and controversial long-term projects, a space research programme and the development of a supersonic transport aircraft. The experts have had their say. Mr Jones should now know what is technically possible and, within very broad limits, the order of cost likely to be involved. That experts want to undertake challenging new ventures is to be expected; on the Minister of Supply rests the more difficult task of judging whether to recommend that they should be given their heads.

Jet airliner development has now reached a point where speeds cannot rise many more miles per hour without running into the difficult flying conditions around the "trans-sonic" zone—the sound barrier. The choice for aircraft designers is, therefore, either to stay at the present speeds of around 600 mph plus, and concentrate on improving other aspects of performance, or to jump right across this trans-sonic zone to a minimum supersonic speed of 800 to 900 mph. But some experts argue that a mere 800 mph will not be fast enough to make the aircraft economic, and indeed that supersonic aircraft will not pay their way at speeds below 2,000 mph.

For two years, a committee consisting of Britain's leading aircraft designers and experts from the Royal Aircraft Establishment at Farnborough has been studying whether it would be technically possible to develop and build a supersonic airliner in this country and, if so, what its optimum size, shape and speed should be. They were not asked whether they thought such an aircraft ought to be built, nor how it might compare with the kind of improved but still subsonic machine that could be put into service about as soon, i.e. in the middle to late 1960s. After 50,000 hours of wind tunnel experiments, and the construction and testing of a large number of scale models, the committee reported that two alternative types of supersonic aircraft could be developed, neither of them large by current standards. One would be just supersonic, flying at 800 to 900 mph, carrying 100 passengers and suitable for distances of up to 1,500 miles such, for example, as the London-

Moscow route. The second would be faster, cruising at about 1,500 mph or twice the speed of sound and carrying 150 passengers across the North Atlantic. Estimates of the cost of developing the airframe and engines vary between £150 and £200 million. The market for such airliners is bound to be small; it is questionable whether there would be a market for two types, one American and one British, apart from any competition from Russia.

The committee did not recommend an attempt to reach the widely publicised speed of 2,000 miles an hour plus, three times the speed of sound. This would create some structural problems not present in the relatively slower aircraft, would raise serious difficulties about engine power and noise at take-off, would require vast increases in the length and strength of civil runways over and above the improvements already having to be made for jets—and could not by any stretch of imagination be fitted into existing or immediately foreseeable methods of air traffic control.

IT is one thing to say that such aircraft could be built; quite another to say that they should be built. The airlines have given no indication that they want to fly at supersonic speeds. Very few of them know what it is like to operate 600 mph jets, and their experience is limited to a bare six months. The great majority, though heavily committed in buying jet airliners, now have nothing faster in service than 300-350 mph piston engined airliners.

The airlines' lack of enthusiasm is understandable, but they cannot ignore the possible commercial value of very high speed travel. It might be that the speed of a supersonic aircraft would offset both the high price of building it and its high operating costs. The committee suggest that a 1,500 mph airliner making two round trips per day between London and New York and one round trip daily in winter would cost little more to operate per passenger than today's aircraft—taking its capital cost as the construction price not the cost of the ten years or so of development. (That is based on an assessment of possible traffic, not of what the aircraft is physically capable of doing. It would mean an average capacity of up to 450 a day, which is roughly identical with that of a new Cunarder costing, say, £25-30 million to build, but nothing extra to develop.) The airlines themselves seem to think, however, that a mere doubling of present jet speeds and a halving of journey time would hardly be worth the trouble. But some think there might be a sharp increase in business traffic if the crossing could be cut to something under two hours. This would require an airliner flying at 2,000 miles an hour, with all the technical difficulties that involves. Being well aware of these, most airlines, including the two British corporations, are staying mum.

Mr Jones can therefore expect no lead from the airlines in reaching his decision. He is getting even less from the aircraft industry, which has split into three camps on this issue, each giving him contrary advice. Some of the country's most experienced and commercially successful designers think it is folly for Britain to attempt supersonic design at all, and consider that our resources would be better used in trying to improve the economics of existing aircraft. Those who are convinced that the industry should build a supersonic aircraft if only in order, to quote Mr Masefield of Bristol's, "to stay in the big league," are still divided over what speed should be chosen; hence the two separate proposals from the committee to the Minister. The smaller, slower aircraft would be less costly and quicker to build, but a couple of years is not of all that consequence and an 800-mph British-built machine might be in danger of being put out of date by more ambitious American developments. The indications are that the Americans are thinking in terms of 1,500 mph and that talk of a 2,000 mph airliner is intended mainly to test the reaction of airlines. The manufacturers on both sides of the Atlantic are well aware that the fact that airlines are not now asking for supersonic speeds may not deter them from doing so in three or four years' time.

Mr Jones has to weigh the obvious advantages to the aircraft industry of a Government-sponsored supersonic project, and the possibility that some airlines will at some time come up with a demand for supersonic transports, against the development cost of such a project (which nobody seriously suggests would be recovered out of sales) and also the fact that the industry has been unable to agree on a formula for its design. A decision against building would knock most of the morale out of the aircraft industry, even though it would still have a large subsonic airliner market in which to operate. The temptation to undertake such a project in order to avoid disappointing a bunch of brilliant designers anxious to try their hand is a hard one for any Minister of Supply to resist. But the Ministry has to judge whether the designers are likely to be able to deliver the goods on time and to specification and whether, these having been delivered, anyone will buy them.

THE case for a British programme of research into space is simple by comparison, and a decision will probably be taken during the next few days. It turns on the importance of satellites as research tools, mobile laboratories in which instruments can be mounted outside the distorting effects of the earth's relatively dense atmosphere. From the region of space just beyond the atmosphere it would be possible to discover much more about a great deal of what goes on inside the atmosphere itself and on the earth—including matters of immediate practical interest such as the weather and radio communications. Space is large and satellites are small. The handful that the Americans and Russians have launched so far have not done much more than prove the soundness of preliminary scientific calculation about their probable behaviour.

Satellites themselves cost comparatively little and are potentially capable of earning big scientific dividends in return. The expense lies in providing a rocket powerful enough to place the satellite in its orbit, and the cost would be prohibitive if the sole purpose were space research. But a British rocket capable of launching satellites already exists in the shape of the 2,500-mile range Bluestreak ballistic missile. To convert Bluestreak into a satellite launcher would require the addition of one or two rocket clusters mounted in place of the warhead. The cost of preparing perhaps ten to a dozen Bluestreaks in this way, to allow for the launching of perhaps half-a-dozen satellites with a margin in hand for those that go astray, has been roughly estimated at £10 to £15 million spread over several years. The first would not be ready until the early 1960s. But it will take that long for scientists to analyse the information collected during the International Geophysical Year.

This is a question of Government support for fundamental research, not for industrial development. There are signs that the Royal Society has been able to convince the Government that more could be learned from a small British satellite programme—confined strictly to the region around the earth and not attempting to fly off to the moon and planets—than could be by accepting American offers to put foreign instruments into their satellites. If so, the scales may have been tipped by knowledge that intermittent firings of Bluestreak will have to be made in any case. If the cost estimates are in any way accurate, they compare quite favourably with, for example, some of the more costly experiments in nuclear physics. But only the Ministry of Supply knows enough about rocketry to judge this, and as the driving force behind rocket development it is difficult for the Ministry to be impartial. It is at such a time, when important decisions on scientific matters have to be taken that would commit the country to a decade or more of costly experiment, that the guiding hand of a strong and impartial Lord President of the Council is most missed.

BUSINESS NOTES

THE ECONOMY

Pre-Budget Level

THERE is too much time-lag in recording economic indicators for the latest figures published this week yet to show any of the stimulus that the budget has given industry; the industrial production figures indicate nothing later than March, and the mid-April unemployment figures were also taken less than a week after the tax reliefs were announced. The index of production in March does little more than confirm the Chancellor's case for a further stimulus; it appears to have remained at about the same level, 107-108 seasonally adjusted (1954=100) that had first been reached in November last year.

The unemployment figures for mid-April—released fairly early, with the chance that this may be done regularly—seem to be rather more favourable on examination than they appear at first glance. Between March and April the numbers unemployed fell by 20,000 to 531,000, of whom 486,000 were wholly unemployed. This second figure was 15,000 below the mid-March total, a fall that is no more than would normally be expected at the time of year. But the timing of Easter, and its relation to the April unemployment count, does seem to have held the number wholly unemployed in the middle of the month rather exceptionally high. When the end of the Easter holiday and the unemployment count come within a week of each other, a fair proportion of the children leaving school will not have registered with the juvenile employment service; if the two dates are three weeks or more apart, practically all will have registered but a substantial proportion will have found jobs. This year Easter Monday was on April 1st and the count on the 13th; so an unusually high proportion of the youths and girls who came on to the labour market at Easter appear to have been on labour exchange books: some 13,000 at the time the count was taken.

The effect of this further complication in the already shaky exercise of seasonal adjustment is roughly that the change from March to April was probably better than seasonal; but that one should correspondingly reckon on more than the usual seasonal decrease between April and May.

OIL

Living with Iraq

ONLY two new points appear to have been agreed firmly between the Iraq government and the oil companies operating in Iraq—IPC, Basrah, and Mosul—at their discussions last week. The companies agreed that any incidental surpluses of refined products from the government's refineries of Daura, Qaiyarah and Muftiah, "operating at their existing designed capacity" could from now on be exported. They also agreed that the notice required for the government to choose to take in kind 12½ per cent of crude oil production as part of its 50 per cent share in profits should be reduced to "the practical minimum"; the government's option could be exercised quarterly instead of six-monthly. The Government has possessed the right to take part payment of its profits in oil since 1952: the possibility of Russian aid in establishing chemical plant in Iraq may account for its newly-increased interest.

Beyond these specific points, the commentaries of the two parties upon their discussions are recognisably, for the most part, about the same subjects, but with massive differences

in emphasis. Dr Kubba, Iraq's minister of economics, said this week, for example, that it had been agreed to double production of oil in Iraq within not more than three years: IPC said that the companies were already engaged on projects that would double their production and transport capacity by 1962 (reaching 70 million tons) " but the actual increase in production will depend on market conditions at the time." Dr Kubba added that the companies had conceded the necessity of establishing more oil refining capacity in Iraq, on a profit-sharing basis, though negotiations were going on about details. The companies commented frigidly: " Since they have no intention of participating in the establishment of oil refineries in Iraq [they] are at a loss to interpret the comments attributed to the minister."

It is fairly clear that negotiations are continuing about giving up certain of the companies' concessions in areas where exploitation of possible oil deposits has not begun. Of Dr Kubba's claims that foreign staffs in Iraq would rapidly be replaced with Iraqis, and that the companies had agreed to appoint an executive director to the IPC board in London, the companies have pointed out only that one of the two Iraq government directorships already existing on the board is for the moment unfilled, and that the question of making one of these positions on the board an " executive," probably resident, directorship, was under discussion. Nobody would pretend that the position of the companies in a country where local communist influence is so strong and Russian influence is increasing can be comfortable. But the government's desire to get more, and no doubt to achieve more obvious improvements in its share than the countries who talked away at Nasser's oil conference in Cairo, appears for the moment to be tempered with some inkling of the condition of the world oil market.

IN THE MARKETS

The Kaleidoscope

INDUSTRIAL equity prices are now slightly above the peak they touched in the hectic dealings that took place on the day after the budget. It has, in fact, taken the market nearly three weeks to recover from the sharp reaction that immediately followed that boomlet. *The Economist* indicator and the *Financial Times* index are both less than one per cent above their post-budget peaks, at 263.3 and 227.5 respectively. The market has remained active and there have been reports of buying by unit trusts but there has been an edgy character to dealings, with private investors and speculators looking for a quick turn and eager to follow up rumours.

The steady stream of bigger dividends and the promise of more to come has given investors confidence, but even so no really firm pattern has emerged. Indeed, the market has been kaleidoscopic—one moment Jaguar, the next Standard Motor, then cotton shares and then Beecham and Elliott-Automation (which are to be traded in the over-the-counter market in New York). Next week it will certainly be Granada, whose request for an official quotation is discussed on page 477. But the sudden quirks of fancy that now characterise the market are perhaps best exemplified by recent dealings in the shares of Martins Bank. Before the week-end these shares were bid up to 25s. 6d. Then the directors issued a statement saying that they had no present intention of issuing new capital and surprisingly thought it necessary to add that they had no knowledge of a merger or similar transaction concerning the bank. The price of the shares is now back to 21s. 9d. When the directors of a bank become concerned at the market activity in the bank's shares it is a sign that speculation is rife and that dabblers may be in peril.

THE FUEL MARKET

Oil Goes on Up

SALES of fuel oil last year were more than half as large again as in 1957 and 62 per cent higher than in 1956, which affords a rather better comparison ; and in January and February this year they were running about 45 per cent higher again than at the beginning of 1958. In an economy where the total level of industrial production has hardly changed, they have doubled since 1955.

The biggest single element in the increase of 3,700,000 tons in fuel oil deliveries between 1957 and 1958 was the growth in use of oil under power station boilers—from some 640,000 tons to 2,635,000 tons. The power stations are at present taking oil at the rate of well over four million tons a year. The gas industry, also, more than doubled its purchases of fuel oil, and its total purchases of oil reached 665,000 tons. Much of the gas oil it consumes is used for carburetted water gas and other peak load supplies ; but a growing amount of its oil consumption and of the gas it obtains from refineries are directly at the expense of coal that might otherwise be carbonised, just as the fuel oil that power stations use reduces their purchases of steam coals. Right across industry, the switch shows: last year, with total fuel purchases in the main industrial groups down by 5 per cent, their purchases of oil rose 17 per cent, to close on a quarter of the total. In iron and steel, for example, where production fell sharply, coal purchases were cut 20 per cent, while the amount of fuel oil used rose by another 10 per cent.

Nor is this competition by any means confined to the factory. Oil deliveries for central heating, too, rose nearly 50 per cent ; moreover, sales of burning oil, which rose from just under 800,000 tons in 1957 to well over 1,100,000 tons last year, mainly reflect the rapid increase in the use of paraffin heaters in homes where central heating will take years to percolate. These heaters vie with coke central heating in providing a cheap therm of heat; gas, electricity, and the open fire cannot normally touch them on price.

Coal Stays on the Ground

IN the first four months of this year the National Coal Board has managed to reduce its production by about a quarter of the 9 million tons by which it planned to bring the 1959 total down below 1958. Allowing for the time that it takes marginal mines to close, and opencast contracts to run out without being replaced by new ones, this reduction in output may be about on schedule. Output is now down to some 250,000 tons a week below the rate in April, 1958, so that it might be possible even to bring it down a little more than was planned.

Unfortunately for the board, its sales have fallen away even more—by over 5 million tons so far, against the cut of 2¼ million tons in output. This is not so much a question of passing its " ceiling " of stocks. At the end of last year it had 19 million tons in stock ; over this year, it said it was prepared for a rise of 3 million tons more. But that was from end-December to end-December ; the board did not

set any ceiling above which stocks should not be allowed to rise at any season in the year, and one would normally expect them to be higher in the summer and autumn than by the end of the year. But the main worry for the board in the falling consumption that has already sent stocks up to 22 million tons is that in a period when industrial and economic activity is said to have been slightly higher than the 1958 levels, coal consumption has again been down by 7½ per cent. Warmer weather will have had something to do with this ; in the first 15 weeks of the year the average temperature has been 2½ degrees higher than a year ago. So may general economy in using fuel. But oil will have had most to do with it. And even if there should be a chance of reducing output this year by a little more than the 9 million tons already planned, the board could be facing a considerably larger fall in its sales at home and abroad, unless reflation pulls up total fuel consumption soon and then rapidly.

CREDIT EXPANSION

How Much More?

THERE is still no sign of change in the trend of bank credit. In the four weeks to mid-April advances of the clearing banks rose by £61 million (£49 million after deducting known extraneous items). Liquid assets rose by £39 million, and the increase in advances again had to be financed by selling investments (£44 million in April). Since the lifting of the credit squeeze in mid-July, advances have now risen by more than £500 million, a rise of over one-quarter. In the same period, the hire purchase debt has probably risen by £170-£190 million, or about one-third.

LONDON CLEARING BANKS
(£ million)

	April 15, 1959	Change on Month	Change on July, 1958	Change on Year
Deposits	6,706·6	+75·4	+ 37·1	+256·3
" Net " Deposits	6,383·9* (6,279·3†)	+56·2 (+44·3)	+ 16·3	+231·7
Liquid Assets	2,091·9	+38·7	−165·2	− 44·3
Cash	553·6	+ 6·6	+ 10·4	+ 10·6
Call money	478·4	−23·3	+ 63·4	+ 57·1
Treasury bills	931·7	+54·3	−268·1	−129·5
Other bills	128·2	+ 1·1	+ 29·1	+ 17·5
Investments & advances	4,296·5	+ 5·2	+195·3	+286·7
Investments	1,884·1	−43·7	−308·8	−252·2
Advances‡	2,412·4	+48·9	+504·1	+538·9
To State Boards	74·8	+ 1·3	+ 9·9	+ 8·9

* Excluding items in course of collection. † Excluding all transit items.
‡ Excluding transit items, except for changes on July and on year.

The banks' gilt-edged investments have been run down

Dollar Investment Both Ways

THE Chancellor confirmed this week that new official figures are to be prepared, from direct inquiries, of movements of private capital into and out of Britain. Meanwhile, some illumination of Mr Amory's striking statement that recent dollar investment in Britain has probably been fully matched by Britain's investment in North America is possible from United States and Canadian sources. The United Kingdom figures, in the regular white papers on the balance of payments, give only a broad regional breakdown of the whole dollar area (which includes many Latin American countries). These show an inflow of private capital of £16 million in 1956, £64 million in 1957 and £84 million in 1958—but the figures embrace unidentified short term capital as well as the tantalising balancing item. Interest, profits and dividends show a net credit for Britain with the dollar area of around £10 million—before taking account of the £40 million paid by Britain on the North American government loans. But the balance of investment earnings reflects the past rather than what is happening now.

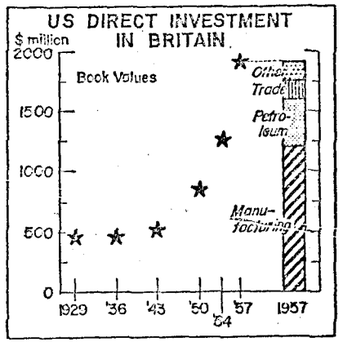
US DIRECT INVESTMENT
($ billion)

In	1953	1954	1955	1956	1957
	(end of years)				
Lat. America	6·0	6·2	6·6	7·5	8·8
Canada	5·2	5·9	6·5	7·5	8·3
W. Europe	2·4	2·6	3·0	3·5	4·0
Of which :					
UK	1·1	1·3	1·4	1·6	1·9
All areas	16·3	17·6	19·3	22·2	25·3

Full information about direct American investments abroad is given by the US Department of Commerce, in its Survey of Current Business. Its latest figure for Britain, at book values, is $1,899 million (£678 million) at end-1957. The total has more than doubled in the fifties; as a focal point of the sterling area, the imperial preference system and OEEC trade and currency arrangements, Britain has attracted new American capital faster than most countries, and in total US direct investment it is outranked only by Canada and Venezuela. In 1957 the accretion was no less than $287 million. This is unlikely to have been maintained in 1958, but the much publicised acquisitions of recent months have quickened the pace. Britain's direct investments in the United States are not of this order ; but they are important. In 1957 British holdings rose by $100 million, out of a total increase in foreign investment in the United States of $240 million. All these figures include reinvestment of current earnings. In 1957, American companies in Britain earned $326 million, of which two-fifths was undistributed. These funds ploughed back represented 45 per cent of the growth in the total.

No comparable detail is available of American figures of portfolio investment. The nearest figures do reflect the increase of American buying of Continental shares in 1958, but not of British shares. There has certainly been a quickening in 1959. At the same time, purchases by UK investors of United States securities have fallen off. Since mid-1958 Britain has been a fairly persistent net seller on Wall Street.

United States investors, therefore, are adding to their assets in Britain considerably more than British investors are increasing their stake in the United States. But the balance is *the other way in Britain's capital* transactions with Canada—noted to a fine degree of detail by Canada's all embracing financial statistics. Of total foreign investment in Canada of Can $17 billion, Britain owns $2.9 billion, of which the greater part is still in portfolio securities. Between 1952 and 1957 Britain provided an average of $200 million a year in all—and there was virtually no offsetting Canadian investment in Britain. Since 1957 Britain's purchases of Canadian securities have fallen off, but its direct investment has risen.



by £320 million, since September. The authorities have eased the strain on the market, but on balance their operations have not provided the banks with the necessary liquidity to allow them to go ahead without worry. In March, liquidity ratios at two of the clearing banks, Lloyds and Williams Deacon's, dipped below 30 per cent. They have now edged above it, thanks to sales of investments—which at Williams Deacon's have cut the portfolio from £38 million to £31 million. The banks' average liquidity ratio is still only 31.2 per cent. Provided they make due use of the gilt-edged market to finance their needs for below-line spending, the authorities are in a position to exercise the traditional restraint on credit expansion if they care to do so.

OVERSEAS TRADE

Deficit with Sterling Area

THIS year Britain has been selling more goods to the industrial countries than it did a year ago, and buying rather less from them. But the balance of trade with the primary producing countries has deteriorated sharply. Imports from these countries have risen, particularly of foods at somewhat higher prices, while exports to them have continued to fall owing to the earlier decline in commodity prices. First quarter exports (including re-exports) to all countries amounted to £275 million a month, £9 million less than in the first quarter of last year, while total imports rose by £5 million to £314 million a month. The increase in the apparent trade deficit of £4 million to £29 million a month was wholly with the primary producing countries, the balance of trade with the sterling area changing from a surplus of £10 million a month a year ago to a deficit of £13 million a month in the first quarter of 1959. Imports from the sterling area rose by £5 million to £124 million a month, while exports fell by £18 million to £111 million a month. Total exports to Australia, Britain's largest sterling area market, fell by 14 per cent to £17.6 million a month while shipments to New Zealand were almost halved at £7.4 million. The only improvement was to the relatively

BRITISH TRADE BY MAIN AREAS
(£ million, monthly averages)

	Imports, cif		Exports, fob		Apparent deficit	
	1958 1st qtr.	1959 1st qtr.	1958 1st qtr.	1959 1st qtr.	1958 1st qtr.	1959 1st qtr.
Dollar area	64	61	45	50	19	11
OEEC area	79	77	75	76	4	1
Other non-sterling	47	52	34	37	13	15
Total non-sterling	190	190	155	163	36	26
Sterling area	119	124	129	111	−10	13
Total.....	309	314	284	274	26	39

small markets of Ghana, Pakistan and Ceylon, and to some colonial territories. The recovery in commodity prices, which is not yet reflected in British import prices, is now raising the purchasing power of some of Britain's largest customers, particularly the wool-growing dominions of Australia and New Zealand. It will be some time before this improvement is reflected in British exports, though it may help to stave off any serious further fall.

Shipments to the United States were not affected by the general decline in British exports to industrial countries last year, and this year they have accelerated again, amounting to £28 million a month in the first quarter, over one-fifth higher than a year ago, while shipments to Canada rose by three per cent to £13.8 million a month. Exports to Western Europe were only one per cent higher at £76½ million a month. Exports to Germany, now one of Britain's largest markets, rose sharply by 14 per cent to £12½ million a month, and exports to Italy, Holland and Denmark were also up. But exports to Belgium fell sharply by 17 per cent to just over £5 million, while exports to Norway fell by one-fifth to £4.6 million.

EXPORT CREDITS

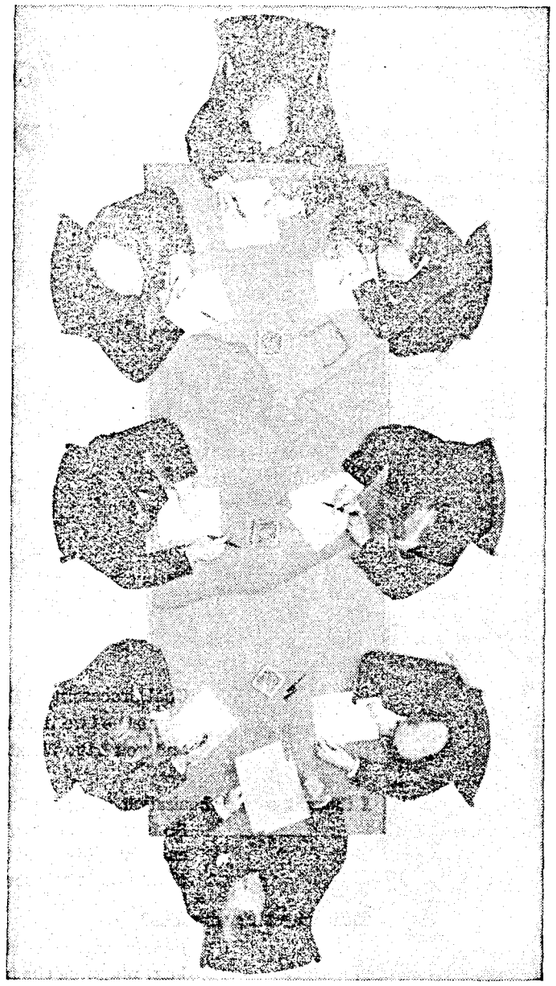
Retreat but No Rout

WHILE total British exports fell in 1958, shipments covered by the Export Credits Guarantee Department rose by 10 per cent in the year to end-March ; they comprised 16 per cent of all British exports (and in the March quarter 18 per cent) compared with 14 per cent in 1957-58. But Mr L. F. Menzies, the secretary to the department, would himself accept that greater public use of the ECGD cover brings risks as well as premiums. The department again achieved a trading surplus, and its cumulative reserves rose to £15.2 million on ordinary business and £2.9 million on the Section 2 "national interest" business. But premiums of £5.8 million were not themselves sufficient to cover payments on claims of £7 million. These were swollen by one huge (and unspecified) loss of very nearly £5 million. This loss moreover was from insolvency and default, and it must be largely written off. The big Brazilian losses of 1952, by contrast, arose from transfer difficulties, and the recoveries have recently kept the department out of the red. They are now tailing off. At the same time, the department bears an increasing forward risk on its medium term business, which in the past year accounted for three-fifths of premium income.

A year of world recession bore obvious dangers for ECGD, and for the basis of world export trade as a whole. One can look back with relief. Credit terms have progressively lengthened ; that is regarded as inevitable. But co-operation within the Berne Union has kept the process, as Mr Menzies puts it, to a rearguard action ; the retreat has never degenerated into a rout. The one case in which ECGD itself went beyond five years from shipment was "deceptively simple"—the matching of seven year credits offered by the Export Import Bank, which is not a full member of the Berne Union, for heavy jet aircraft, which are not yet manufactured by competitors in Europe. Other cases could be much more difficult. Often the right remedy, for borrower and lender alike, is not long term credits but an international loan ; and in practice, the increasing contributions made in this form in 1958, whether from governments in the Indian operation, from the World Bank or from private investors, may claim much of the credit for preventing a ruinous export credit race.

Mr Menzies has announced certain improvements in the department's facilities. Policyholders who cover their business for three years rather than one are offered rebates in premium up to 5 per cent ; and the department's organisation is being streamlined to permit branch managers to fix terms of credit granted to many buyers without reference to headquarters.





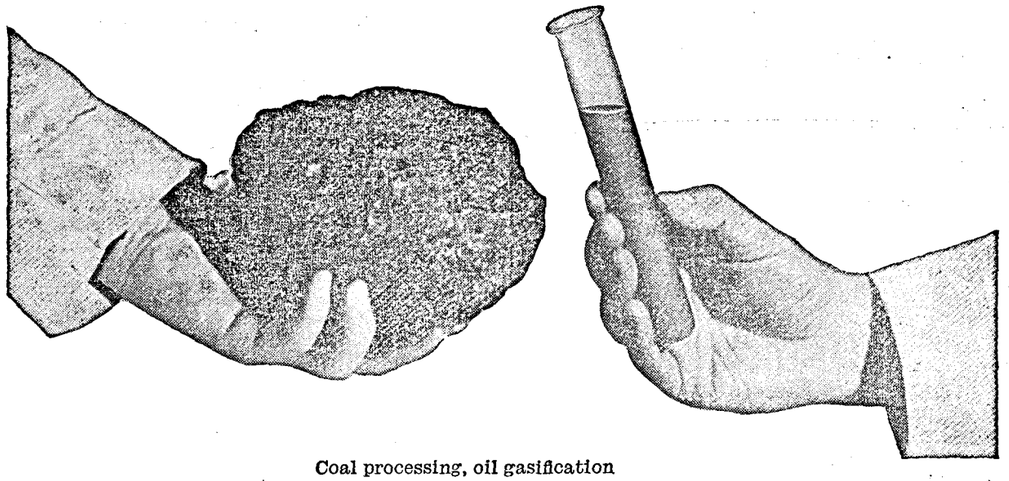
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THE SMALL INVESTOR

"Everyman a Capitalist"

No democracy could be completely "property owning" unless the small saver has some opportunity to own industrial ordinary shares. So far, the Government has made approving noises rather than commit itself to any action; the budget offered no relief of stamp duty for small investors or large. A Conservative committee headed by Sir Toby Low, MP, has published a scheme* for encouraging small investment in securities, not as an official party pronouncement but with the intention of stimulating discussion. It may thereby serve a purpose, but it is hard to believe that in its present form it could become a plank in an election platform.

The scheme attempts to blend the principles of unit trust investment with the privileges accorded to national savings certificates. It envisages the creation of Industrial Investment Certificates, representing a unit in a mixed bag of fixed interest and equity securities. These certificates would have a maximum life of seven years and initially no investor could hold more than £500 of them. They would be sold by a variety of institutions, including banks and insurance companies, under regulations stricter than those that now govern unit trusts. Dividends and interest received on the portfolio and paid out to certificate holders would be tax free and no stamp duty would be paid on the purchase of underlying securities. Sixty per cent of the annual income of the fund would be distributed each year and the remaining forty per cent distributed only on maturity; premature encashment would also be discouraged by the clawing back of tax.

The costs of running such a scheme are bound to be high and it is difficult to believe that institutions dealing in competing and less privileged savings media will be persuaded to co-operate in prejudice to their own business. These are practical objections, but there is an even more important one in principle. Why seek for tax exemption on the lines of national savings certificates? Competing savings media, such as the unit trusts, will certainly demand similar concessions. To extend a dubious privilege which is most potently enjoyed by the surtax payer will hardly help the little man. The object of a property-owning democracy is not to make certificates attractive to those who pay high rates of income tax and surtax. Nor should it be to prejudice the free decision of the holder if he should want to sell within seven years; what is the virtue of seven years anyway? The certificates might be powerful competitors to other forms of savings, but they would hardly attract the £10 or so of the man who does not have to pay much tax. If the aim is to tap these new sources of savings for equity investment the first job is to ensure that the small investor receives without delay the tax relief on his dividends to which he is entitled, without handing out something big to the man who pays 17s. 9d. in his last pound. That is a job to be worked out through PAYE, not through another tax-free contrivance.

AIR TRANSPORT

One European Airline?

THE fact that the Dutch airline, KLM, has walked out of talks being held by the five national airlines of the Common Market countries does not necessarily mean that the idea of a single "European" airline is now dead. The chances of the four remaining operators, Air France, Sabena, Lufthansa and Alitalia, agreeing among themselves to pool resources now look slim. But the incentive to co-operate remains as strong as it did before the withdrawal of KLM.

The size and cost of a modern jet airliner has grown to a point where these become difficult to fit into the operations of any medium-sized airline. Some of the smaller European carriers now find themselves trying to compete on the North Atlantic with token fleets of two or three jets against bigger operators that have staked huge sums on fleets running to 20 or more in a major effort to increase their share of traffic on this, the most lucrative route of all. The sensible course would be for the smaller operators to pool their jet fleets and run a common North Atlantic service from a common maintenance base. But they have ordered too many different types, some with American, some with British engines, for a common maintenance pool and as the recent talks have shown, it is not easy to get agreement on the proportions in which potential traffic should be divided among the participants in the pool. This disagreement, coupled with a realisation that KLM has probably more to gain by going it alone, is the reason why the Dutch left the talks.

But jet aircraft will soon also be introduced inside Europe and on shorter routes to the Middle East, providing another opportunity for pooling fleets, though the incentive to do so is less strong than it is on the North Atlantic. Two airlines outside the Common Market area, Swissair and the Scandinavian SAS have already worked out an agreement of this kind, pooling their fleets of jet Caravelles, Convair 880s and trans-Atlantic DC8s, with arrangements to specialise in the maintenance of particular types.

The bigger, more efficient airlines have nothing to fear from this kind of rationalisation among their smaller competitors. If, however, the smaller operators consider pooling their traffic rights as well as their aircraft, the effect might be more serious. There has already been a move in Europe to consider treating the whole region as a single traffic area, just as the United States is treated as a single area for bargaining purposes. This could force the Americans to give European airlines as many landing points in America as American airlines have in Europe—where they now negotiate separately with each government and get by far the best of the bargain.

WAGES

Bigger Firms, Better Pay?

FOR the first time the Ministry of Labour has looked at the results from its half-yearly survey of hours and earnings in manufacturing to see how these vary with the size of the firm. From an examination of men's pay last October, it seems that in about three-quarters of manufacturing industries the highest average hourly earnings are paid by the largest firms employing 500 wage-earners or more and the lowest earnings by the smallest firms employing fewer than 25 workpeople. Since, more often than not, the smaller firms work a slightly shorter week, the difference is likely to be accentuated between the actual take-home pay packet from the larger and the smaller firm.

However, this does not mean that a man necessarily does better in a big firm. The pay figures are averages for all male manual workers and it may well be that the larger

* Everyman a Capitalist. Conservative Political Centre. 1s.

firms tend to employ a higher proportion of skilled workers. They may even employ a different kind of labour altogether: although a hundred or so manufacturing industries are

AVERAGE HOURLY EARNINGS
(Pence)

Industry	Number of wage-earners per establishment: Under 25	25–99	100–499	500 & over	All establishments
Motor vehicles & cycles	59·5	63·2	70·1	89·0	86·0
Chemicals	57·3	60·4	65·6	72·1	68·2
Iron and steel melting, rolling, etc.	61·8	67·3	69·9	76·9	75·6
Machine tools	72·6	72·8	70·7	75·5	72·7
Printing & publishing	67·0	72·7	80·3	105·0	92·8
Woollen and worsted	58·6	55·8	56·4	55·8	56·2

identified in this survey, a single category can cover a wide range of work. Among the industries where higher pay is not associated with larger firms are some, such as marine engineering, wireless valves and cotton spinning, in which no clear trend is discernible. But there are others in which the smallest firms pay most, notably locomotive manufacture, woollen and worsted, jewellery, and some of the dress industries. With the exception of the first, these latter industries tend to be those employing predominantly women.

This is a useful new analysis of earnings. But it still deals in aggregates, even if more refined ones. What is still lacking is a measure of the range of individual pay packets—a count of how many people earn much more and much less than these impressive but tantalising averages.

NEW CARS

The Triumph Herald

It is not often that two manufacturers produce answers to the question of what the public wants so close to one another as the Triumph Herald saloon unveiled last week by Standard (though not yet generally available), and the Austin A40 offered since last autumn by BMC. In passenger accommodation the two cars are practically identical though the A40 makes special provision for luggage, and both are powered by 4 cylinder engines of 948 cc. According to the authoritative road tests carried out by *The Motor*, the performance figures, and the figures of fuel consumption, are so close to each other that there would probably be no more difference between an A40 chosen at random and a Herald, than between two A40s chosen at random. In appearance, both are handsome cars with Italian lines, though the A40 is perhaps the more pleasing of the two.

The Herald has four notable features, two entirely new in the design of popular British cars:

A turning circle of 25 ft., which is three-quarters of the A40's—a considerable advantage for parking, though slightly offset by 9 in. greater length of the Herald.

Independent rear suspension, which many Continental but no British standard cars possess. This may be accounted rather a talking point for motorists than one which would make much difference to most of the users of the Herald. In some export markets, and to highly enterprising drivers anywhere, however, it will be a valuable feature. It carries the disadvantage that it may lead to more body noise.

The third feature is the elimination of all chassis lubrication—a welcome reduction in the chores which the owner must execute in person or by proxy.

The fourth is the use of a separate frame to achieve structural strength, instead of diffusing the loads all over the body, and clever design that at many points lead to body pressings being joined to one another by bolting instead of welding. This will considerably reduce the prospective costs of repairs to damaged body-work and certain motor insurance companies have already quoted specially low premiums for the Herald.

The price of these important features which distinguish the Herald from the A40 is a 10 per cent penalty in weight, plus a penalty in cost; the difference in the home retail price between the two cars is also precisely 10 per cent. If competition became really fierce, BMC, building the engine of the A40 on a manufacturing installation designed for an output of upwards of 1,000 such engines a day, and enjoying other advantages of scale in production and in distribution, could probably afford to sell the A40 at a price 15-20 per cent lower than the Herald. This car will cost more than £700 including tax; if it is eventually to replace the company's Eight and Ten, at about £610 and £625, it may indicate that Standard is deliberately moving out of the cheapest range of competition.

INSURANCE

More North American Losses

Underwriting losses in North America are still cutting deeply into the profits made by British insurance companies at home and in other countries overseas. The root of the trouble is motor insurance in the United States. Increases in rates have been obtained in some states and are under discussion in others. But they came too late to affect last year's figures and the accounts of the composite insurance companies, most of which have a big American business, show little improvement on the very poor 1957 results. The Alliance, with a relatively small stake in America, has as usual made money from fire, accident and marine underwriting. Its net profits excluding interest rose from £290,000 to £443,000 last year, and its dividend has been raised from 18¾ per cent to 21¼ per cent. But the Liverpool and London and Globe (the main partner of the Royal, which is the biggest British group in the non-life field and which has by far the largest stake of all the British offices in North America) has had another lean year.

The withdrawal by Yorkshire Insurance from the American market, which was announced last December, is reflected in the fall in its non-life premium income from £18 million to £13¾ million. The severing of the unprofitable American connection, which in 1957 accounted for a quarter of the total premium income, has been effected without capital loss but pension contributions and other expenses of the sale cost £424,000 and this reduced the amount realised to £1,900,000. As the proposed new issue will bring in another £1,170,000, the Yorkshire will thus soon have about £3 million available for employment "in the company's existing business and in extending it." Last year's reduction in its net non-life underwriting loss was offset by the fall in the interest income which resulted from the sale of the

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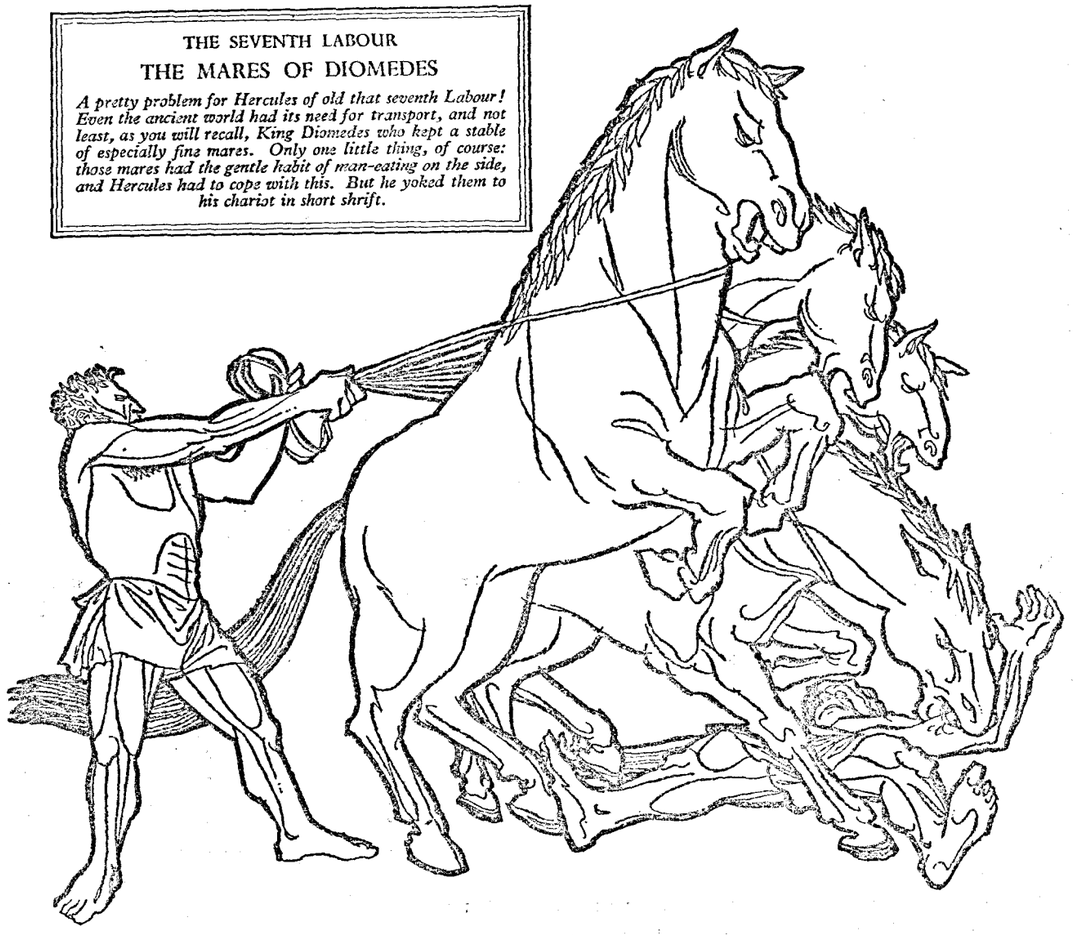
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THE MARES OF DIOMEDES

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For road-marking, he'll tell you of special synthetic compositions involving Pentalyn 802A or Ethyl Cellulose; for adhesives, of a group of versatile Dresinol Resins Emulsions, or perhaps certain speciality resins themselves.

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American subsidiaries. Its dividend has, however, been increased from 97½ per cent to 105 per cent.

The Pearl, with a non-life premium income of £10¼ million last year, is not heavily committed in the North American market. But though its underwriting results were materially better than in 1957 they were still in the red, largely as a result of losses on American business. With total assets of £275 million the Pearl is one of the big life offices and is exceeded in size only by the Prudential and the Legal and General. Last year it put its new money largely into house purchase mortgages and loans to local authorities (£7 million), near gilt-edged stocks (£5 million), debentures (£4 million) and equities (£5 million); but its stake in British Government securities fell by £10 million and now accounts for 25.3 per cent of total assets, compared with 30.6 per cent at the end of 1957. Its tax-free dividend has been left unchanged at 70 per cent.

RETAIL TRADE

Dissent on Stamp Trading

ALTHOUGH stamp trading is both long-established and widespread in the United States, where it began some seventy years ago, it has not yet caught on to any appreciable degree in Britain: the 14 companies now operating stamp trading schemes here probably account for no more than two or three per cent of all retail sales at most. But this method of price-cutting is increasing here; and the prospect of its becoming a major factor in British retailing has already caused considerable alarm to at least one retail trade association. This association, the National Chamber of Trade, recently issued an "information booklet" condemning stamp trading in forthright polemical terms, and advising its members and the public to have nothing to do with them.

Trading stamp companies operate by selling a book of stamps to the retailer, who then gives the stamps to his customers, usually one stamp for each sixpence worth of goods purchased. The retailer pays £1 for a book of stamps sufficient for about £50 of goods; in other words, the scheme costs him about two per cent of his turnover, although costs vary between companies from about one and one half to three per cent. Customers with the patience and energy to save one or more books of stamps can then receive gifts of merchandise from the stamp company. Assuming that retailers do not raise their prices, the customer thus receives an effective price cut and the retailer hopes to gain enough trade to offset the two per cent turnover from his non-stamp-giving rivals, who would then be the only apparent losers in the game. The stamp companies, operating a sort of advertising business plus a quasi-retailing trade grafted into normal retailing, probably do best of all.

The National Chamber of Trade's report strongly deplores stamp trading (and all other forms of cut-price trading), arguing that traders will lose money, that customers will pay more for their goods, and that only the promoters stand to gain. There is some truth in these statements, but probably not much. Traders will lose no more money through this form of price-cutting than another; the moment it becomes too expensive they will no doubt drop it, and return to conventional price-cutting, if not to uncompetitiveness. Should all retailers adopt stamp trading schemes, prices would probably rise slightly to cover their cost; but competition should keep this to a minimum, and most price cuts—in supermarkets, for example—are now paid for by quietly "loading" other prices. The stamp traders will profit from their activities, certainly; provided they give value for money, why not? The one thing which is most certainly true about stamp trading is that the actual savings to the consumer are not as great as they are made out to be: but this is true in many, if not most, aspects of retailing.

TANKERS

Submarines in Cold Water

OPTIMISTS about submarine tankers gained no encouragement from a lecture given last week by Mr J. A. Teasdale of the Furness Shipbuilding Company. Comparing a nuclear powered surface tanker with a nuclear powered submarine tanker, both of 47,000 tons, he conceded that a submarine, on the most optimistic assumptions, might need about 20 per cent less power to achieve the standard speed for surface tankers of 15.75 knots, and about 30 per cent less power to do 20 knots, the improvement in efficiency rising with speed. It is most unlikely that the submarine could convert these advantages into lower costs.

If a 47,000 ton example was built with the type of hull that gives the greatest efficiency—circular in section—and a diameter/length ratio of five, its diameter would be 108 feet, and the draft, when surfaced, no less than 90 feet. About 45 feet is the limiting draft that can eventually be expected of ocean terminals or the Suez Canal, so such a craft of that type would involve the construction of special terminals: apart from being confined to the Cape route to the Middle East it would probably have some difficulty in navigating the narrow seas around Britain. If an elliptical hull were adopted to reduce the draft to 45 feet, efficiency becomes less than that of a surface tanker, because the skin area is so greatly increased—from 125,000 square feet to 204,000 square feet. But, as the elliptical submarine would be 160 feet wide, it might in any case introduce some problems of its own in canals or terminals.

All these comparisons are assuming similar machinery; but the actual choice is between a conventionally powered surface tanker and a nuclear-powered submarine. The operating costs of the Nautilus are ten times those of a conventional submarine; the latest guesses suggest that the operating costs of a nuclear power plant might be reduced to 10 to 40 per cent more than those of a conventional unit. A 20 to 30 per cent reduction in drag, balanced by higher capital costs and such great operating difficulties, is unlikely to offset this rise in propulsive costs. Much more knowledge about the operating costs of nuclear power plants is needed before their economic potential for marine propulsion can be established.

ITALIAN AIRCRAFT

Fiat's Success

WHILE the aircraft industries of Britain and France are declining for lack of military orders, a plum military contract has been won by a company making its first serious venture into aircraft design since the war. The Italian Fiat company has walked away with the competition for a light ground-attack fighter for Nato. The designs were

submitted in 1954, and in 1957 the prototype aircraft were tested by Nato pilots. The outcome is that Fiat is certain of orders, backed by American funds, for 150 aircraft that are nominally to be divided between Italy, France and Germany, and is receiving American orders for another 50, possibly to be increased to 100, which the United States will give to the Greek and Turkish air forces. The first squadrons of these new Fiat G. 91 aircraft with Bristol's Orpheus engine have already been formed in Italy.

British and French aircraft designers may well ponder the moral that Fiat almost certainly won the contest by not attempting to be too clever. Nato did not ask for a classical interceptor fighter, which is what the other competitors provided, thinly disguised for the ground-attack role. Ground-attack calls first for an aircraft strong enough to resist the rapid inroads of metal fatigue ; secondly for ability to carry quite heavy loads, including tactical atomic weapons ; and thirdly, in the case of the Nato competition, ability to take off and land on 600 yards of grass. The Fiat's competitors had dazzling performance but could not make the humble grade.

By comparison the Fiat aircraft is slow ; it flies a little below the speed of sound but it can do so at heights of only 500 feet above the ground, which is a formidable performance for a heavily armed machine. The result is that Fiat, which largely subsidised its aircraft division out of other engineering activities, has captured orders that are sizable by today's standards and which would have kept the wolf from the door of many an aircraft manufacturer now fighting for existence. This is especially true in France, where the Fiat order is poorly regarded: the fact that Western Germany is arranging to build the G.91 and its British engine under licence is particularly galling. In this country the Folland Gnat might have had a much brighter future if the company had been prepared to re-engineer it from a fighter into a ground-attack aircraft or light bomber.

TELEPHONES

Answering Robots

Two new telephone answering machines—which will take a message when the subscriber is not there—have recently been introduced to the British market. These are the Ansaphone, made by Southern Electronics, and the Telephone Answering Machine, built by Gate Electronics. They are much smaller and cheaper than the type of answering machine previously available ; the Ansaphone is comparable in size with the tape recorder which it superficially resembles. It costs 27s. 6d. a week on a five-year rental contract, or 22s. 6d. on a seven-year contract. The TAM is a larger machine, with three hours' recording capacity, compared with half an hour on the Ansaphone. It costs 35s. a week on a five-year contract ; with both machines the cost of servicing is included in the contract, and because of Post Office regulations outright sale is impossible. All machines which are connected to telephones have to meet the approval of Post Office engineers ; and, though this may add to the development cost of the equipment, it does ensure the soundness of the machines put on the market.

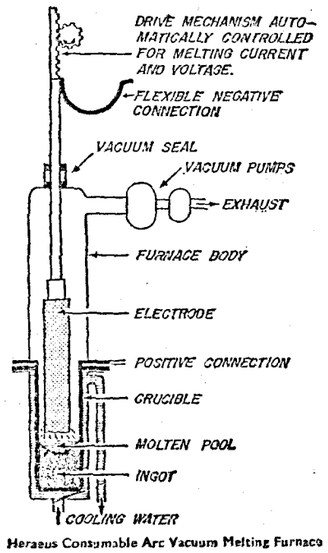
These machines compete with the existing telephone answering services that operate in London—there are also small companies in the provinces, and the two large London companies will soon extend to Birmingham. The charges of these two companies are rather less than those for the machines ; they vary widely with the service provided, but the highest charge of Answering Ltd. is 21s. 6d. a week for a 24-hour service answering the client's number. Telephone Answerers charge 19s. 6d. a week for a similar service, but only the first 120 messages a month are free.

The makers of the machines claim that they are more than a means of answering the telephone ; they provide a simple method of recording messages, and it is suggested that this

Melting the Newer Metals

New technologies, such as nuclear and gas turbine engineering, demand new materials ; and some of the new materials need special forms of processing. Neither titanium nor zirconium, for example, can be melted in the presence of air, because both are made brittle by the gases they absorb from it when hot. Production of ingots, therefore, must be carried out by vacuum melting techniques, and they have also been applied to older-established metals. Certain steel alloys, for example, especially those containing titanium and aluminium, gain in strength from the absence of gaseous impurities that vacuum melting makes possible, and for some it is now considered essential. Most of the metals and alloys produced in this way can resist high temperatures and are used in gas turbines or aircraft, where cost is a secondary consideration.

Vacuum melting was first used in Britain to produce magnetic materials ; in the last five years its use has extended to the new metals and alloys. The Telegraph Construction and Maintenance Co., ICI, William Jessop and G. L. Willans are the only companies with commercial scale plants. Though demand for titanium, at any rate, has not developed on the scale that was hoped, the melting crucibles have obtained some employment on other metals. The type of consumable arc melting furnace illustrated, which is used by ICI and Jessops to produce either titanium, zirconium or steel alloy ingots, is of German design ; it operates by melting the consumable electrode, formed of a compacted metal powder, by producing an arc between it and a small charge of refined metal at the bottom of the crucible. As the electrode melts, an ingot gradually forms at the bottom of the pot of molten metal: the electrode is raised so that there is a constant distance between its tip and the growing ingot.



Heraeus Consumable Arc Vacuum Melting Furnace

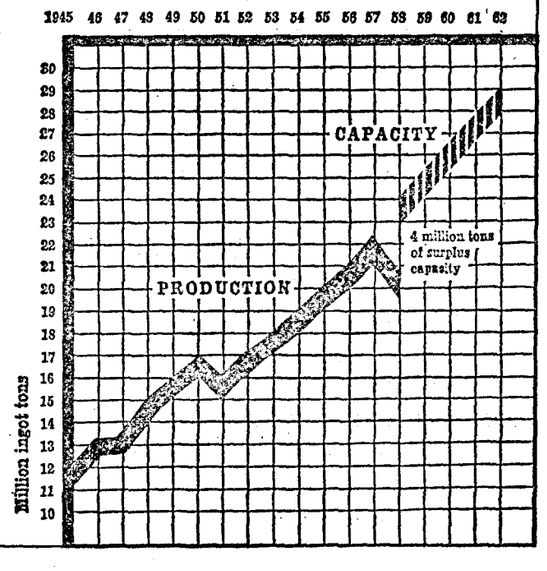
£1,000,000,000

A thousand million pounds in fifteen years. That's what the companies in the Steel Industry are spending on new plant.

Result for Britain—cheap steel, plentiful steel, from one of the most efficient steel industries in the world.

Should Steel expand faster? This graph gives the answer

It shows Steel production and planned capacity—1945-1962



Issued by The British Iron & Steel Federation

may be their chief utility to a business—especially where many orders are received, or many salesmen's reports. So far as the Post Office is concerned, less revenue will be lost from unanswered calls, but calls may tend to be shorter because messages need not be written down.

INDUSTRIAL RESEARCH

Farming Out Research

NEARLY ten years ago, at the request of the Institution of Chemical Engineers, the Advisory Council of the Department of Scientific and Industrial Research set up a committee to review the needs and existing facilities for research in chemicals in Britain. The committee reported in 1951 that while the existing facilities for research were not inconsiderable, they seemed inadequate for the extensive demands of this constantly-changing industry; it went on to recommend that a central organisation be set up to do basic research for the industry, and to collect and interpret information already available within the industry and ensure its distribution to those who might profitably use it. This report met with prompt dissent from the industry's two biggest trade associations, the Association of British Chemical Manufacturers and the British Chemical Plant Manufacturers' Association. Both argued that there was no evidence, as far as larger firms were concerned, that a lack of adequate data was holding back engineering design; and that the need for smaller firms was to apply existing information rather than to conduct new research.

Accordingly, the two Associations set up an advisory service, composed of members of each group, to advise member firms where to go with their chemical engineering problems, to report to both associations on gaps in chemical engineering knowledge and to suggest how such gaps could best be filled. So far about 200 inquiries have been handled by the advisory service in its first capacity. The second, locating the best directions for future research, involved canvassing members of both groups, with the result that distillation was selected as the field in which there appeared to be the greatest need for future research. Although a great deal is known about distillation, it is such an important and expensive fundamental operation in many chemical processes that even minor economies arising from better design are important.

Subsequently an expert panel from the industry drew up a list of six research projects in distillation, and research contracts of up to three years financed by the two Associations were negotiated with six universities for the work. The first report on this research has now been published; another panel is now at work in the field of liquid/solid separation, and other panels will follow if, as and when they are needed. Certainly the cost of the work in distillation—a total of £10,000 for the six projects recommended for a period of three years—seems tiny: if this is the measure of the work that the industry needs done co-operatively, it would certainly not justify any co-operative research association.

COMPANY AFFAIRS

Comments on pages 477, 478 and 479 on

British Petroleum, Burmah Oil, George Newnes, Lombard Banking, Smith St. Aubyn, Liner Holdings, United Molasses, "Chartered", Royal Dutch/Shell, Granada, Debenhams, Allen Harvey and Ross, Royal Mail, France, Fenwick, Union Corporation, Elect. & Indust. Trust, "Bank-Insurance"

LONDON AND NEW YORK

Stocks, prices, yields and security indices on page 480

LONDON STOCK EXCHANGE

The week's movements reported on page 479

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 482

SHORTER NOTES

In the article, "Another TV Merger," in our issue of April 4th it was incorrectly stated that the trade marks "HMV" and "Marconiphone" had been bought by Thorn Electrical Industries. These trade marks in fact remain the property respectively of The Gramophone Co. Ltd. and The Marconiphone Co. Ltd., wholly owned subsidiaries of Electric & Musical Industries Ltd. Thorn manufactures domestic television and radio broadcast receivers under these marks for British Radio Corporation Ltd., which company is duly authorised under the Trade Marks Act "to make permitted use of the marks thereon."

* * *

The National Association of British and Irish Millers, and the regional flour-milling associations have decided not to defend their cases before the Restrictive Practices Court. These restrictive agreements, due to have been heard by the Court at the end of this month, provide for recommended prices for flour sold by members of the Associations. The Rubber and Thermoplastic Cable Manufacturers' Association has also terminated its restrictive agreement, which concerned price-fixing and control of terms and conditions of supply.

* * *

On the eve of the dividend announcement of United Glass, its £1 ordinary units gained 2s. 3d. to 51s. 3d. The preliminary statement revealed that the dividend was to be raised from 11¼ to 12½ per cent, following an advance in gross profits from £950,962 to £1,251,455 and in net profits from £386,350 to £544,327. The directors have also proposed a 20 per cent scrip issue.

* * *

Secondhand jewellery, which was to have become liable for purchase tax on May 1st, is to remain free. Announcing this in a written parliamentary reply, the Chancellor of the Exchequer said that he had noted the trade's offer to co-operate in stamping out evasion, the reduction in the rate of tax to 25 per cent, the launching of one important prosecution with others impending, and the registration of traders dealing in secondhand jewellery, who will be required to keep comprehensive records. He would have to reconsider his decision if a substantial improvement was not reported.

COMPANY MEETINGS

THE BRITISH PETROLEUM COMPANY LIMITED

RECORD GROUP SALES REACH 62 MILLION TONS

FACTS OF THE FIFTY-FIFTY PROFIT SHARING PRINCIPLE: PRODUCING COUNTRIES WELL SERVED

CAPITAL EXPENDITURE ON A VERY LARGE SCALE

SIR NEVILLE GASS'S STATEMENT

The Fiftieth Annual General Meeting of The British Petroleum Company Limited will be held on May 21st at Britannic House, Finsbury Circus, London, E.C.

The following is the statement by Sir Neville Gass, KBE, MC, the chairman, which has been circulated to stockholders with the report and accounts for the year ended December 31, 1958:

Since our last meeting Mr Robert Gillespie has retired from the Board. He joined the Company in 1922 and served in BP Tanker Company Limited in various capacities before becoming a Managing Director of The British Petroleum Company Limited in 1956. His long experience of shipping matters will, however, continue to be available to us, as he remains on the Boards of the BP Tanker Company and the BP Clyde Tanker Company. Mr Gillespie has been succeeded on the Board of the parent company by Mr A. E. C. Drake, who joined the Company in 1935.

This year is the fiftieth Anniversary of your Company, which was incorporated (as Anglo-Persian Oil Company, Limited) on April 14, 1909. Its immediate task was to develop the first discovery of oil in the Middle East at Masjid-i-Sulaiman in Iran on May 26, 1908, and the company thereafter pioneered what is now the vast oil industry in the Middle East, where it was until 1933 the only exporter and refiner of petroleum. Now, at the opening of its second half-century, in addition to its major participation in the Middle East oil industry the Company also has very substantial interests throughout the free world.

In March of last year I visited the Middle East; and in the autumn went to Australia and New Zealand, spending a short time in Canada en route and visiting Aden on my way back. I had the opportunity of meeting the directors and staffs of our companies and of seeing the progress we are making in those areas.

For the year 1958 the Group sales amounted to 62 million tons, the highest yet recorded and nine million tons more than for 1956 or 1957. It should be borne in mind that in 1957 expansion was arrested by the effects of Suez, and accordingly the large increase in 1958 should be regarded as related to a two-year period rather than indicative of a single year's expansion.

Despite the increase in tonnage in 1958 the Group net sales figure of £598 million shows an increase of only £2 million on that for 1957 by reason of the lower prices ruling in 1958. The difficult trading conditions already being encountered at the beginning of the year, as reported in last year's statement, continued without relief throughout 1958. The Group Income before Taxation is up by £11 million, this higher increase being mainly due to the relief from certain exceptional expenses incurred in 1957 as mentioned last year.

FIFTY-FIFTY PROFIT SHARING

Our supplies in 1958 were drawn almost wholly from our own sources, including, as mentioned later in this statement, over 60 million tons of crude oil from producing Countries in the Middle East. Supplies from these countries are obtained under agreements which provide for profit sharing on the fifty-fifty principle. In total the sums included in the 1958 Accounts for payment to these countries under fifty-fifty amount to £119 million. The comparison between this figure and the net income for the Group—£63 million, as shown on the Group Income Statement—is instructive. The figures show that the fifty-fifty principle, and the manner in which it is applied, serve the producing Countries well.

For the assessment of the producing Country's 50 per cent profit share the crude oil is valued at the Posted Price, which is the published price available generally to buyers on a day to day basis. Large buyers prepared to contract with a supplier over a period naturally look for some discount; the result is that the average realisation is below Posted Price on which the producing Country's 50 per cent share of the profits is assessed. Moreover the fact that the assessment is made by reference to the crude oil price has sometimes been criticised as excluding the producing Countries from any further profits made in activities outside the country, i.e., in refining and distribution in the consuming markets. The criticism lacks foundation in principle—there is no economic precept that the provision of a natural resource of raw material (be it crude oil or, for example, iron ore) should create a right to share in the earnings of the capital and effort devoted to transforming it into consumption commodities and distributing those commodities to the user in other countries. That despite this lack of essential foundation such a view has been advanced, is presumably attributable to a mistaken belief that large extra profits are made in refining and distribution operations, so that concerns such as ours, which are involved in the whole range of operations from crude oil production through to distribution of products, derive an income much higher than that of the producing Countries from the crude oil which is the basis of the operations. The fact that the Group Income of £63 million for 1958 mentioned above includes our income from crude oil production, refining, transportation, and marketing, demonstrates how mistaken the belief is.

Attention has been drawn to these matters because it is felt important that stockholders should be aware of the true facts of the situation and so be better able to appreciate how unsupported by the facts are suggestions, which gain publicity from time to time, that the fifty-fifty principle fails to give fair and generous treatment to the countries whence the oil is obtained. One other important feature of these arrangements should be mentioned. This is that the oil companies find the capital, on the provision of which everything depends. As demand increases, the facilities have to be provided to produce, refine, transport and deliver to consumers larger quantities year after year. And this requires capital expenditure on a very large scale. As an illustration of the magnitude of the sums involved in production operations alone, it can be mentioned that there are in progress in the Middle East operations in which we are interested, schemes for the development of production and associated handling facilities costing over £150 million. The recurring need for heavy capital expenditure means that a high proportion of the companies' earnings must be ploughed back into the business. In our case this proportion has averaged 73 per cent over the past 10 years. The producing countries do not have to spend any part of their income from the oil to provide the facilities needed to make possible the expansion in offtake, which will increase the revenue-earning tonnage for them. They have their income fully available to spend as they consider best serves their national interest. This feature is a great benefit to the countries and in this respect our type of fifty-fifty agreement differs from the partnership type of agreement which has recently appeared, under which the producing country would be required to find its proportion of the capital necessary for the development of the undertaking if and when production has been found. The development of newly found production usually takes a long period and necessitates heavy expense.

The total capital expenditure of our Group in all areas of operation in 1958, including the expenditure by non-consolidated subsidiaries and our proportion of the expenditure by associated companies in which we have a part interest, amounted to £137 million. This was provided as to £33 million from depreciation, retained earnings, and locally obtained finance by non-consolidated subsidiaries and associates, and the balance of £104 million from the Group central resources, the replenishment of which is a matter needing constant consideration.

During the year we received approximately £33 million as the remaining instalments of the £41 million Convertible Debenture stock issued in December, 1957. Early in the present year an issue was made in Switzerland of a Loan stock for 60 million Swiss francs (£5 million). In Canada we have guaranteed the issue of a Debenture stock for the sum of $17 million (£6 million) towards the cost of the construction of the Montreal refinery. In December, 1958, an agreement was concluded to secure the availability of £12 million through the Clyde Charter Com-

pany Limited on arrangements similar to those previously made for £40 million with the Tanker Charter Company Limited, as reported last year. In the aggregate these arrangements will over the period 1957-59 have brought in over £100 million.

ARRANGEMENTS WITH SINCLAIR OIL

It was announced in October last that we had agreed in principle with the Sinclair Oil Corporation of America to develop a programme covering certain activities of mutual interest. These were a long-term supply agreement covering Sinclair's US domestic requirements for Middle East crudes of our production and the establishment of two jointly owned companies, one to engage primarily in the marketing of Middle East and Venezuelan crudes in the Western Hemisphere and the other to provide for exploration and production ventures primarily in Latin America. The two jointly owned companies were established, as Sinclair and BP Sales Inc. and Sinclair and BP Explorations Inc., in March of this year.

These arrangements with Sinclair, which are in no way exclusive, are founded on the fact that their position is complementary to ours in certain basic respects. Sinclair operates largely in the Western Hemisphere with extensive refining, pipeline and marketing facilities but needs to supplement its crude oil supplies. BP operates largely in the Eastern Hemisphere with extensive refining, tanker transportation and marketing facilities, and the Middle East crude oil reserves to which we have access are sufficient to support an additional long-term outlet. We are convinced that the soundest possible foundation is thus provided for the development of joint activities of mutual interest and long-term benefit. It will enable the joint resources to be more effectively used towards supplying the ever increasing demand in the Western World for oil as an essential source of supply in meeting the rapidly growing energy consumption required to support economic development and social progress.

MARKET CONDITIONS AND PROSPECTS

The year 1959 began in difficult market conditions and early in the year there was a world-wide recession in crude oil prices. There had in the later months of 1958 been a progressive weakening of crude oil prices in the United States, extending also to the heavier Venezuelan crudes, reflecting the pressure of lower product prices on already narrowed refiner's margins. To continuing pressure of this nature was added that from plentiful supplies, to which important new discoveries in Venezuela contributed, and the outcome was further reductions in crude oil prices in both the USA and Venezuela early in 1959. The effects of these basic conditions extended to the Middle East crude market and led in mid-February to a general reduction in Persian Gulf and Eastern Mediterranean crude oil prices.

In relation to the prospects for 1959 there are factors militating against an early improvement in trading conditions. Demand though increasing has not caught up with supply; more oil is coming on the market from newly developed areas such as the Sahara and from Russian sources; and limitation of imports into the USA may cause other markets to be sought for oil discovered in Venezuela by concerns which embarked, at large expense, on production activities there with the objective, for the time being frustrated, of supplementing their domestic supplies for the US market. Consequently although we expect our 1959 sales to exceed slightly the tonnage attained in 1958, present conditions do not provide grounds for anticipating that 1959 will show an increase in trading margins. The basic longer term consideration is, however, that a continuing expansion of oil consumption is confidently forecast and will lead in time to a better balanced position. Subject, of course, to forecasts not being upset by economic recession or by other conditions adverse to the free flow of international trade, there is, therefore, no need for diminished confidence in the future growth of the oil industry, nor in our ability to participate in that growth.

ACCOUNTS AND FINANCE

The Accounts of the Company consist, as in recent years, of three sections:

(1) The Balance-Sheet of The British Petroleum Company Limited and the Consolidated Balance Sheet and Profit and Loss Account of The British Petroleum Company Limited and Subsidiary Companies, excluding those referred to in note 11 on page 11 of the Report.

(2) The Accounts of The Tanker Insurance Company, Limited which, owing to the nature of the business, cannot properly be incorporated in the Consolidated Accounts.

(3) A Group Income Statement showing the income of The British Petroleum Company Limited and all Subsidiary Companies (excluding The Tanker Insurance Company, Limited, and Triad Oil Company Limited).

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Trading profit in the Consolidated Profit and Loss Account after providing for depreciation and amounts written off is £123,822,128 for 1958 compared with £113,947,431 for 1957. Depreciation and amounts written off total £33,139,526 compared with £30,268,330 for the year 1957. The increase in depreciation arises from the additional capital expenditure particularly relating to Kent and Grangemouth refineries, the oil terminal at Finnart, and the production facilities in Kuwait.

The total taxation charge is £70,452,428 which compares with a figure for 1957 of £67,611,925. Due, however, to the benefit of Investment Allowances and a recovery against this year's expenditure out of taxed income of other years the United Kingdom taxation position shows a credit of £10,392,435 whilst the overseas taxation liability is £80,844,863. Of the overseas taxation £78,786,468 arises in Iran, Iraq, Kuwait and Qatar, in which territories payments in the nature of royalties of £39,996,747 have also been made and are taken into account prior to arriving at the trading profit mentioned above. The total for the Middle East countries from the Group in 1958 is, therefore, £118,783,215 which compares with £93,721,974 in 1957.

The consolidated net profit amounts to £61,922,563 compared with £52,018,461 for 1957 and of the Consolidated net profit £56,264,094 is dealt with in the accounts of The British Petroleum Company Limited.

In the accounts of The British Petroleum Company Limited your Directors have placed £1 million to Debenture Stock Reserve and allocated £36,500,000 to General Reserve, leaving, with the £4,793,618 brought forward from last year, £23,288,871 available for distribution.

The Preference Dividends, net, amount to £615,960 and the Interim Dividend free of income tax, equivalent to 6d. on the increased capital, was £5,060,033. Your Directors have recommended a Final Dividend on the Ordinary stock of 1s. 3d. per £1 Unit of Stock, free of income tax, making a total for the year of 1s. 9d. per £1 Unit of Stock, free of income tax.

This leaves £4,962,794 of unappropriated income to be carried forward in the accounts of The British Petroleum Company Limited which, together with the unappropriated income of Subsidiary Companies makes a total carry forward of £19,256,549 compared with £13,342,667 in the previous year.

CONSOLIDATED BALANCE SHEET

The capitalisation of Reserves of £101,200,570 and the issue of fully paid stock as approved at the Extraordinary General Meeting last October is reflected in these accounts.

The Capital Reserve which was reduced as part of the capitalisation from £47,853,131 at the end of 1957 to £9,073,121, has been increased by additions during the year of £9,350,415. These additions are made up of £2,500,000 being the second of 10 equal annual instalments received from the Government of Iran under the terms of the 1954 agreement and £7,350,415, being sums payable by the companies with whom we are associated in the operations in Iran.

The Revenue Reserves, which were reduced by £60 million to £91,549,532 as part of the capitalisation, have been increased this year by a total of £57,323,268. This increase consists of £36,500,000 allocated to General Reserve in The British Petroleum Company Limited, £5,823,268 retained income in the Consolidated Companies, and a transfer to General Reserve in BP Tanker Company Limited of £15 million. This latter item arises from a review of the value at which the tanker fleet stands in the accounts and in order to bring the book value of the fleet into line with the written down value for the purposes of United Kingdom taxation £15 million depreciation previously charged in the Profit and Loss Account of BP Tanker Company Limited has been written back. The effect of this adjustment on the Consolidated Balance Sheet figures is a transfer of £15 million from Depreciation on Tankers to Reserves in Subsidiary Companies.

The total capital expenditure of the Group including non-consolidated subsidiaries and our proportion of the expenditure by allied companies was made up as follows:

	1958 £	1957 £
Exploration and production	39,000,000	23,250,000
Refineries	40,000,000	38,500,000
Tankers (before deducting sales under tanker finance arrangements)	23,750,000	21,250,000
Distribution and marketing facilities	34,750,000	30,500,000
	£137,500,000	£113,500,000

The amounts retained in the business to meet new capital expenditure and to provide working capital were:

	1958 £	1957 £
Consolidated Companies:—		
Capital and revenue reserves	52,000,000	42,750,000
Depreciation and amounts written off	33,000,000	30,250,000
	85,000,000	73,000,000
Non-consolidated Companies:—		
Depreciation and profits retained	16,500,000	16,000,000
	£101,500,000	£37,000,000
In addition the receipts from the 6 per cent Convertible Debenture Issue (£33 million) and the Tanker finance arrangements (£17 million) were	£50,000,000	£21,000,000

The Investments in Subsidiary Companies not consolidated show an increase to a total of £97,720,845. These companies are engaged mainly in the distribution of petroleum products overseas.

Investments in Allied Companies, which now stand at £47,967,643, include our interest in certain marketing companies which are not subsidiaries, such as Shell-Mex and B.P. Limited and Consolidated Petroleum Company Limited, also our refining interest in Belgium and Italy, advances to the Refining Company in Iran and holdings in Lowland Tanker Company Limited, Warwick Tanker Company Limited and British Hydrocarbon Chemicals Limited.

The Expenditure on Exploration and Production Interests includes our advances to the Exploration and Producing Company in Iran together with our investment in exploration and producing companies elsewhere, in particular those in Canada, Iraq, Nigeria and Qatar. BP (Kuwait) Limited, which is a wholly owned subsidiary, holds our one-half interest in Kuwait and as this company is consolidated its assets are therefore included under the appropriate headings in the Consolidated Balance Sheet.

GROUP INCOME STATEMENT

The Group income statement for the year shows the summarised trading figures of The British Petroleum Company Limited and all subsidiary companies (excluding The Tanker Insurance Company, Limited and Triad Oil Company Limited). The net income is £62,952,000 (compared with £54,634,000 for 1957) of which £61,923,000 is dealt with in the Consolidated Profit and Loss Account and £1,029,000 relates to the non-consolidated subsidiary companies.

PRODUCTION AND EXPLORATION

In 1958 our main sources of crude oil were again Iran, Iraq, Kuwait and Qatar, from which we obtained 60,700,000 tons, 12 million tons more than in 1957, when the dislocations had resulted in a reduction of 1 million tons compared with 1956.

The following table shows the BP Group's percentage shareholding in companies producing crude oil in various parts of the world and the total production by each company in 1958 compared with 1957.

Company	BP Group Shareholding Per cent	Total crude oil production 1958 Tons	1957 Tons
IRAN			
Iranse Aardolie Exploratie en Productie Maatschappij N.V. (through Iranian Oil Participants Ltd.)	40	39,780,000	34,765,000
IRAQ			
Iraq Petroleum Company Ltd.	23¾	22,633,000	11,657,000
Basrah Petroleum Company Ltd.	23¾	11,019,000	9,140,000
Mosul Petroleum Company Ltd.	23¾	1,260,000	564,000
KUWAIT			
Kuwait Oil Company Ltd.	50	69,117,000	56,376,000
QATAR			
Qatar Petroleum Company Ltd.	23¾	8,092,000	6,505,000
TRINIDAD			
Trinidad Petroleum Development Company Ltd.	77	726,000	637,000
Trinidad Northern Areas Ltd.	33½	277,000	140,000
NIGERIA			
The Shell–BP Petroleum Development Company of Nigeria Ltd.	50	257,000	—
UNITED KINGDOM			
BP Exploration Company Ltd.	100	80,000	82,000
Scottish Oils Ltd. (Shale Oil)	100	63,000	71,000
CANADA			
Triad Oil Co. Ltd.	51½	104,000	94,000
GERMANY			
Gewerkschaft Norddeutschland	100	4,900	3,900
SICILY			
Compagnia Idrocarburi della Sicilia D'Arcy S.p.A.	100	4,300	—

MIDDLE EAST—In Iran production increased to 39,780,000 tons, some 5 million more than 1957. Construction of the new loading terminal at Kharg Island and of the pipeline connecting it with the Gach Saran field is progressing steadily. Exploration drilling in the Ahwaz and Kuh-i-Binak areas continues.

In Kuwait production rose from 56,376,000 to 69,117,000 tons. Development of the Burgan fields continued and preparations were made to bring the Raudhatain field into regular production in mid-1959. Exploratory drilling at Minagish in south-western Kuwait is in progress. Construction of the new jetty north of Ahmadi has now been completed.

In Iraq, production from the Kirkuk and Mosul areas amounted to 23,913,000 tons, and from the Basrah fields to 11,019,000 tons compared with 12,221,000 and 9,140,000 respectively in 1957. Arrangements for expanding export facilities from the Basrah fields by the construction of an island loading terminal capable of handling large tankers are well advanced, and exploration drilling in several areas is being continued.

The Khanaqin Oil Company's exploration and producing rights in the Naft Khaneh area, covered by an agreement with the Iraq Government made in 1951, were terminated by mutual consent in November, further exploration having failed to establish additional reserves on a scale large enough to warrant the undertaking of the export commitment defined in the Agreement.

Production in Qatar increased from 6,505,000 to 8,092,000 tons.

Abu Dhabi Marine Areas Limited, in which we have a two-thirds interest, successfully completed its first off-shore well. The results were encouraging and following the successful completion of a second appraisal well a third is now being drilled.

UNITED KINGDOM—In the United Kingdom our exploration programme continues and further small discoveries of oil in Lincolnshire and Nottinghamshire were made. Work on behalf of the Gas Council was resumed and three wells were drilled, one of which in Derbyshire is a small potential gas producer.

In Scotland shale oil production at 63,000 tons was 8,000 tons lower than in 1957. It was explained in my last statement that as the Government had in April, 1958, decided that it was unable to accede to a request for an increase in the duty preference on motor fuels produced from shale oil, it had become necessary again to curtail operations by discontinuing working the poorer seams. This curtailment was carried out gradually in the latter half of 1958. Despite the economies thus effected, the condition of the shale industry continues to be a matter of concern since revenue is again proving inadequate fully to cover the costs.

EUROPE—Exploration in France continued in conjunction with French interests with deep test drilling in the Valence and Avignon areas and in the department of Landes.

In Sicily limited quantities of the heavy asphaltic oil previously discovered at Vittoria were produced for experimental purposes.

In Austria geophysical work began in April in Lower Austria as part of a joint venture with Austrian interests.

In Malta the first deep test well near Valletta was begun in September and is still drilling.

WEST AFRICA—In Nigeria progress has been sufficiently encouraging to justify the substantial development and exploration programme now in hand. Exploratory wells at Bomu, Krakama and Ekulama gave promising results and oil shows were found in other localities. Exploration drilling in hitherto unproven areas and appraisal drilling in the Afam and Oloibiri fields continues. Development costs in the conditions experienced in Nigeria are relatively high, and it may therefore be some time before these operations can be regarded as having reached a reasonably profitable stage.

In Senegal and Gambia, where we hold prospecting rights in association with French interests, a deep test well was drilled at Balandine and other exploration work continues.

NORTH AFRICA—In the Sahara our associated company, the Société des Pétroles de Valence, obtained permits over four areas totalling 16,000 square kilometres, and geological and seismic parties are at work.

In Libya three test wells were completed. Although no production was obtained, these wells have added to our geological knowledge of the area. Geological and geophysical work continued throughout the year.

The property of The Anglo-Egyptian Oilfields Limited which was sequestrated in 1956 remained throughout 1958 in the hands of the Egyptian authorities.

EAST AFRICA—The deep test well at Mandawa in Southern Tanganyika reached its final depth of 13,325 feet at the end of January, 1959. Shallow drilling was carried out in Kenya and geological work resumed in British Somaliland.

AUSTRALASIA—By the beginning of 1958 our long and costly exploration project in Papua had reached a stage when it was considered prudent to make provision for diluting our interest unless material encouragement was obtained in any of the wells included in the programme for drilling during that year. In the event, a substantial show of oil was found in Puri No. 1 well in November. Although this particular well went to water when still under test, we have decided to continue to participate in further exploration in this difficult region. The next phase is for further appraisal of the Puri structure and testing of other prospects in the same general area.

In Australia geological and geophysical work in which we are participating through Frome-Broken Hill continues in the Otway area of Victoria, and also in South Australia, Queensland and the Northern Territory. Exploration drilling in the Gippsland area of Victoria was discontinued.

In New Zealand geophysical survey work proceeded in the North Island and an exploration well was begun in January, 1959.

CANADA—In Canada, Triad Oil Company Limited, in which we now hold a 51.5 per cent interest, produced 104,000 tons. Had it not been for the necessity of restricting production in Western Canada, owing to a lack of market outlets which we hope will be temporary, production would have been appreciably higher. Thirty-six wells were drilled during 1958, of which 19 were completed as oil wells and four more as potential gas wells. The Company, through wholly owned subsidiaries as well as in association with Triad Oil, has acquired new areas in British Columbia and the North West Territories. Five wells were drilling at the end of 1958, and in the Beatton River area of British Columbia a productive oil sand has been located. Two further wells completed in January, 1959, found oil in the same sand.

CARIBBEAN—In Trinidad there was a further increase in production in the Soldado Marine field of Trinidad Northern Areas Limited. The Trinidad Petroleum Development Company also increased its production as a result of further development.

REFINING

In 1958 our total refinery throughput was just under 38 million tons, some 6 million more than in 1957. It has to be remembered, however, that the BP Group's refinery throughputs in 1957 were adversely affected by the dislocations of that year. The following table shows that BP Group's percentage shareholding in Companies with refineries and the total throughput in each refinery in 1958 compared with 1957.

Company	Refinery location	BP Group Shareholding Per cent	Total throughput 1958 Tons	1957 Tons
UNITED KINGDOM				
BP Refinery (Grangemouth) Ltd.	Grangemouth	100	2,053,000	1,881,000
BP Refinery (Kent) Ltd.	Isle of Grain	100	5,815,000	3,275,000
BP Refinery (Llandarcy) Ltd.	Llandarcy	100	2,782,000	2,311,000
Scottish Oils Ltd.	Pumpherston	100	143,000	151,000
ADEN				
BP Refinery (Aden) Ltd.	Aden	100	3,758,000	4,240,000
AUSTRALIA				
BP Refinery (Kwinana) Ltd.	Kwinana	100	2,691,000	2,287,000
BELGIUM				
Société Industrielle Belge des Pétroles S.A.	Antwerp	50	3,588,000	2,574,000
FRANCE				
Société Française des Pétroles BP.	Dunkirk	70	2,117,000	1,677,000
	Lavera	70	2,997,000	1,900,000
GERMANY				
BP Benzin und Petroleum A.G.	Hamburg	100	1,627,000	1,266,000
Oelwerke Julius Schindler G.m.b.H.	Hamburg	97	306,000	165,000
IRAN				
Iraanse Aardolie Raffinage Maatschappij N.V. (through Iranian Oil Participants Ltd.)	Abadan	40	14,986,000	15,202,000
ISRAEL				
Consolidated Refineries Ltd.	Haifa	50	1,190,000	1,052,000
ITALY				
Industria Raffinazione Oli Minerali, S.p.A.	Venice	49	1,385,000	1,370,000
KUWAIT				
Kuwait Oil Company Ltd.	Kuwait	50	5,939,000	1,352,000
LEBANON				
Iraq Petroleum Company Ltd.	Tripoli	23¾	305,000	495,000

Construction work on the Kent Refinery expansion project was completed at the end of the year and the new aviation gasoline plant was commissioned in August and was on full output in the fourth quarter of the year. In October we began delivering supplies of feedstock to the South Eastern Gas Board's new plant for the manufacture of town gas adjacent to the refinery.

At Grangemouth the new distillation unit, raising the refinery capacity to 3,200,000 tons per annum, together with its ancillary plant, has been commissioned and additional coastal jetty facilities have been completed in the Grangemouth Dock. The new tanker jetty at Finnart, suitable for the largest tankers, was commissioned.

Work proceeds at the Angle Bay terminal at Milford Haven which is expected to be able to deliver crude oil to Llandarcy Refinery about mid-1960.

The new refinery in the Republic of Ireland at Whitegate, in which we have an interest, has been completed and received its first cargo of crude oil.

On the continent of Europe new plant has been brought into operation. The hydrofiner and catalytic reformer at Antwerp have been commissioned and the catalytic reformer at Dunkirk has come into operation since the end of the year. Construction work has started on the new refinery at Dinslaken in the Ruhr which is planned to be operating in the summer of 1960.

At Kuwait the two new distillation units have operated efficiently. The offtake has been principally for the bunkering of ships. At Aden Refinery throughput was 3,758,000 tons and at Abadan our share of the crude throughput amounted to 5,025,000 tons.

At Kwinana in Western Australia the throughput rose to 2,691,000 tons. The second catalytic reformer was commissioned in February, 1959, and is now in operation.

In Canada work has started on the new Montreal refinery. A section of the refinery tank farm has been completed for use as a storage depôt for products pending the completion of the refinery, and we shall shortly begin shipping crude oil for processing under interim arrangements made with another refinery nearby.

In Turkey, it is anticipated that the preliminary work will shortly begin for the construction of the new refinery in which we are interested with other oil companies.

Additional joint refinery projects which are under consideration include Strasbourg and Algiers.

Following the sale in April of our associated marketing company in Israel, our associated refining company, Consolidated Refineries Limited which owned the Haifa Refinery, was sold at the end of the year.

PETROLEUM CHEMICALS

The expansion in the Group's manufacture of petroleum chemicals continued both as to scale of production and variety of materials manufactured.

In the United Kingdom BP participates in three companies whose plants are adjacent to our Grangemouth Refinery — British Hydrocarbon Chemicals Limited, Forth Chemicals Limited, and Grange Chemicals Limited. As a result of steadily expanding manufacture of chemicals from petroleum, competition is becoming severe, but all these companies have had a successful year. In the last quarter of 1958 demand showed a definite upturn and all plants were operated at very satisfactory rates. In the case of certain products, prices have been reduced. Sales of chemicals during that period were at the rate of 195,000 tons per annum.

Work started last autumn on the third cracker for British Hydrocarbon Chemicals Limited at Grangemouth. This unit, when completed in mid-1960, will have an ethylene production capacity of 70,000 tons per annum, the largest such unit outside the USA. The polyethylene plant for the manufacture of a new high density polyethylene, sold under the B.H.C. trade name "Rigidex," is now being commissioned. Plants to make phenol and acetone are due to come into operation later this year.

Operations of this magnitude cannot hope to remain competitive in such a highly complex sphere of activity unless they have the backing of a modern research organisation. B.H.C. is fortunate in being supported by the powerful research and technical service groups of the parent companies. It also has its own research laboratory, recently enlarged at Grangemouth.

In France, Naphtachimie S.A. in which the Société Française des Pétroles BP has a substantial holding, increased its production of ethylene and ethylene oxide considerably and a new plant for the manufacture of polyethylene by the Ziegler process was commissioned. The Naphtachimie plant is adjacent to our French associate's refinery at Lavera, near Marseilles.

In Germany, Erdölchemie G.m.b.H., in which B.P. Benzin und Petroleum A.G. has a half interest, has recently commissioned its Lurgi cracker and Linde gas separation plants at Dormagen both of which are operating very satisfactorily. Plants for the utilisation of the olefins produced have also been commissioned and as the construction of these plants and the offsite facilities required was only begun in March, 1957, the progress achieved is gratifying. Further plants in the second stage of development are already under construction and are expected to be commissioned towards the end of 1959. These plants include a second and larger cracking plant for ethylene production, together with a number of others to utilise the products therefrom.

SEA TRANSPORT

BP Group tankers, comprising the fleets of BP Tanker Company Limited, BP Clyde Tanker Company Limited, Tanker Charter Company Limited, and Société Maritime des Pétroles BP, totalled 157 ships at the end of 1958, the same as at the end of 1957 but of larger deadweight tonnage, 2,600,000 tons against 2,411,000 tons. The number is made up thus:

	d.w. tons
BP Tanker Company Limited. 123 ships	1,802,000
BP Clyde Tanker Company Limited. 10 ships	138,000
Tanker Charter Company Limited. 14 ships	435,000
Société Maritime des Pétroles BP. 10 ships	225,000

Since the end of 1958 BP Tanker Company Limited has sold for scrap a number of its older and smaller vessels which were becoming uneconomic to operate, totalling rather more than 100,000 d.w. tons, and has taken delivery of one vessel of 35,000 d.w. tons. Two vessels each of 42,000 d.w. tons have been brought into service for Tanker Charter Company Limited and one of 15,500 d.w. tons for the newly formed Clyde Charter Company Limited.

Nordic Tankships I/S, the partnership between our Danish subsidiary and East Asiatic Company Limited of Copenhagen, has two 35,000-ton tankers now in our service.

Two 35,000-ton tankers for delivery in 1960 to us will now be owned by Warwick Tanker Company Limited and time chartered to us. This company has been formed jointly with Houlder Brothers and Company Limited, who will act as managers for the ships.

The ten 16,000-ton ships of The Lowland Tanker Company Limited, in which we have a 50 per cent interest, continue to give us excellent service and will be joined in 1960-61 by five others, each of some 19,000 tons.

The balance of our shipbuilding programme under construction or on order comprises 44 tankers ranging from 15,000 to 65,000 deadweight tons whose delivery dates are being spread over a longer period than was at first envisaged. In addition Société Maritime des Pétroles BP has three ships on order.

The Group also has nearly three million deadweight tons of tanker shipping on charter, about the same tonnage as a year ago.

During the year HRH The Duchess of Gloucester honoured us by christening our first 42,000-ton tanker "British Duchess" and this ship is now in service.

Since the last report, tanker freights have remained depressed with world tanker tonnage continuing surplus to requirements. We, like other companies, still have tonnage withdrawn from service and from time to time have routed some of the larger ships to or from the Persian Gulf via the Cape.

DISTRIBUTION AND SALES

As mentioned earlier our Group sales of crude oil and refined products for the year 1958 totalled 62 million tons. The total for the second half-year was a little above that for the first half-year.

During 1958 Western Hemisphere product prices at main export centres showed a general downward trend except for middle distillates which, due to severe winter conditions, were subject to an upsurge in demand and consequently a rise in price later in the year. At main export centres in the East product prices, apart from fuel oil, showed little change throughout the year. In both West and East the greatest reductions were in heavy fuel oil. Selling prices in the consumer markets were affected also by the lower levels of freight.

Vigorous competition was met in all our marketing areas and in some countries this was accentuated by supplies from Russian sources. In general our marketing associates were successful in holding their position but in some areas under competitive pressure prices fell to unsatisfactory levels.

In the United Kingdom consumption was 24 per cent above the 1957 figure, which had been curtailed by rationing, and 20 per cent above the 1956 figure. Total inland trade exceeded 10 million tons of fuel oil for the first time and the demand for greater warmth and comfort in the home has contributed to large increases in the sales of heating oils and paraffin. Our associated marketing company, Shell-Mex and B.P. Limited, has been the leader in providing improved services to consumers in this field.

On the continent of Europe consumption rose by some 16 per cent over 1957, and our trade showed a corresponding increase. France and Germany continue to be the largest petroleum consuming countries on the continent and BP sales in these countries have kept pace with the expansion. The two marketing networks which were acquired in Italy early in 1958 have been extended and are already starting to trade under the BP colours. In Belgium we have purchased a company with a network of selling points. In Austria and Turkey our companies have acquired assets which were previously operated under lease.

In Australia our marketing company had a successful year's trading and the increase in sales of premium grade motor spirit was particularly encouraging. In New Zealand also we made substantial progress.

In the Levant, Red Sea area, South and East Africa and Ceylon our trade has increased. In South Africa a full range of BP Energol motor oils has been introduced.

In North Africa the companies which market our products have increased their sales. In West Africa we have made steady progress, and BP du Congo, the newest of our African companies, completed its first full year of operation.

In Egypt, the property of our distributing company also remained throughout 1958 in the hands of the Egyptian authorities.

In Canada encouraging progress has been made. The first BP service station was opened in May, 1957, and by the end of 1958 the network comprised some 400 retail outlets. Sales and the provision of our own distribution facilities are being expanded by an enthusiastic staff most of whom have been recruited in Canada.

Despite severe competition and the continued recession in world shipping movements, mainly affecting the tramp and cargo section, sales of the BP International Oil Bunkering Service reached a higher level than ever before.

Our International Aviation Service, renamed AIR BP, has continued to increase its sales of aviation fuels and we have made available to the airline operators of the world knowledge gained by our research and development both in fuels and fuelling techniques.

All sections of the lubricants market expanded. Sales of BP Energol Visco-Static motor oil showed an increase of some 40 per cent over 1957. A new petrol/oil mixture for two-stroke engines sold under the name of BP Zoom was successfully put on the market. Our bitumen sales showed an improvement.

With the great developments in road traffic throughout our marketing areas and the heavy investment in new roads, attention has been focused on the development of our roadside chain of service and filling stations. This has been directed both towards increasing coverage and also to the improvement of appearance and service to which new colours and new designs have contributed.

The BP Touring Service, providing touring literature for motorists taking their cars abroad, was introduced in 1958. In view of its success it is being expanded in the current year.

We have had another very successful year in the field of motor sport. In Grand Prix Formula I racing the team of British Vanwall cars led by Stirling Moss won the Manufacturers' World Championship on BP fuels and lubricants. Donald Campbell also used our products for his successful attempt on the World Water Speed Record.

RESEARCH

Our research and development activities continue to broaden in scope and to receive the emphasis that this important side of our operations merits. New processes and improved qualities of products are constantly under review and the large number of British and foreign patent applications filed during the past year is a measure of the progress made in this respect.

Examples of the work include fundamental investigations of the flowing properties of aviation turbine kerosine at low temperatures; research on combustion with particular regard to problems arising from corrosion in furnaces; and the development and engineering of a new process for the treatment of gasoline obtained as a by-product from petroleum chemical manufacture.

Research is being encouraged at all the Company's technical centres and significant contributions to scientific progress have been made. In Australia methods were worked out for applying statistical analysis to the operation of Kwinana Refinery. This initial research, coupled with the use of a computer, has led to the development of linear programming techniques for control of the UK refineries. In Germany work has been done on the development of new and better products, particularly in the fields of road asphalt materials and special lubricants. In the United Kingdom important developments have been made on instrumentation and product analysis methods.

Research directed towards increasing the efficiency of our exploration methods resulted in advances in instrumentation for detecting oil/water interfaces in reservoirs and for dipmetering in boreholes; and in prospecting devices such as radio geophones and other electronic equipment for use on geophysical surveys. Studies in reservoir engineering have led to improved techniques for the acid treatment of limestone reservoirs.

PERSONNEL

I am again glad to be able to report a satisfactory record of industrial relations in the United Kingdom and in the many other countries in which we are working. We are continuing our considerable efforts towards developing the skills and abilities of national employees in our overseas areas with a view to enabling them to find full and satisfying work and opportunity in our industry. In the United Kingdom our various training schemes are now approaching full strength and ensure for the Company's operations a steady flow of young men who have completed a sound theoretical and practical training.

To keep pace with our expansion it has been necessary to augment our Head Office accommodation by acquiring a long lease of a new building known as BP House, about 200 yards from Britannic House. It will be fully occupied by June.

In this 50th year of the Company's history it gives me very great pleasure to record a warm tribute to all our past and present employees, by whose work, enthusiasm, and loyalty the Company has grown and developed from a mere handful of pioneers in 1909 to a world-wide organisation which now employs in the United Kingdom, afloat and overseas, directly and in our many subsidiary and associated companies, over 100,000 people. It is these men and women and their predecessors who have played the major part in building up a great enterprise and making the BP Group what it is today.

UNILEVER LIMITED

A MULTI-NATIONAL ORGANISATION WITH A MULTI-NATIONAL OUTLOOK

PARTNERSHIP IN PROGRESSIVE DEVELOPMENT OF COMMUNITY WELL-BEING

THE SEARCH AND COMPETITION FOR TALENT

LORD HEYWORTH ON NEED FOR GREATER FREEDOM OF MOVEMENT

The Annual General Meeting of the Members of Unilever Limited was held on Friday, April 24th, at The Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2. Lord Heyworth presided. Addressing the Meeting the Chairman said:

AN INTERNATIONAL BUSINESS

When you look at the world today, you may agree that there is something to be said for a pretty close study of any organisation—especially a large one—that can get people of different countries to work successfully together. Now our business is large. People of fifty countries work within it. We think their work is successful, and we don't think we are unduly boastful if we say that our view is supported by the Report and Accounts.

So I propose today to say something about the *international* aspect of Unilever. It happens that this year, on September 2nd just coming, Unilever will be thirty years old. Thirty years is a long enough time for us to look back and take a view of the way we have developed as an international business, and perhaps to make a guess at how we may develop in times yet to come.

The firms which came together in the Autumn of 1929 had already been at work in many different countries for fifty or sixty years before. There was hardly any part of the world which had not heard of Levers, Van den Berghs, Jurgens or one of the companies associated with them. Nevertheless, there was no doubt where the new organisation's main centres of gravity lay. They were in the United Kingdom and the Netherlands.

This was true whether you looked at the way the capital of the merging firms had been raised and was held, or at the nationality of the people who worked in them, especially towards the top. Lever Brothers was predominantly British in both aspects. The Margarine Union was rather more cosmopolitan, but its heart was in Holland. Both still had about them some of the character of family businesses, so that it was hardly to be expected that many managers or much of the capital would have been found from outside England and Holland. There were exceptions, of course, and the process of finding managers outside the founders' families had gone a long way, but I am speaking in the broadest terms. I need hardly add that, in the businesses in Asia and Africa, there was no thought, thirty years ago, of having anyone but Europeans to manage them.

Unilever today is still very much an Anglo-Dutch partnership. The management is centred in London and Rotterdam. A great deal of the capital is held in Great Britain and the Netherlands. But the mixture is diluted, compared with thirty years ago. More nationalities have a share in the ownership of the capital. As time passes, Unilever will become more and more multi-national, both as to management and as to ownership of capital. What I want to do today is to bring before you some of the implications of this very considerable alteration in the way our business is run and financed.

During the lifetime of Unilever, one great change in the world picture has been the rise of countries outside Europe, North America and the other main centres of Western culture. The greatest weight of our business—about 70 per cent of the turnover—is in Europe and North America, but we have great interests in many of these other territories as well. I think I may say that no other business in the world ranges over a wider variety of countries, at such different stages of development, and with such enormously different standards of life. This raises for us difficult problems of management and training. At the same time it constitutes, we think, a very compelling justification for our existence. With our range, our experience, and our concern with ordinary, everyday household goods, we are peculiarly well-fitted to help in bringing low standards of living in some countries closer to the higher standards in others. We are in business in countries of both kinds, and one of our main pre-occupations is to see that our experience and knowledge are freely interchanged between one country and another. We find that we can often adapt experience gained in countries with a high standard of living to help in improving conditions where standards of living are low.

WIDER HOLDING OF UNILEVER CAPITAL

Let me now pass from the general to the particular and glance, first, at the way the capital of the business is held and how we may expect to see it held as time goes on.

We must distinguish between the capital of our parent enterprises—Unilever Limited and Unilever NV—and the capital of our operating companies scattered about the world. In each case, the emerging pattern is one of a wider circle of people having money in the business. Where this happens with one of our operating companies, it may take some form of partnership with one or more local partners in the country concerned. In the case of the parent holding companies, on the other hand, the spread of capital is achieved through the great financial markets of the world.

You know that for some time American investors have been showing an interest in the shares of first-class European companies. Unilever shares have come in for attention along with others. For some years, too, NV shares have been quoted in Paris, and this year we have arranged for a quotation in West Germany, which seems to have been a welcome move there. You will see, therefore, that it is becoming simpler for investors in various countries to have a stake in the prosperity of Unilever as a whole. They generally prefer NV shares to the shares of Limited, partly because NV shares are "bearer" shares and partly because Dutch tax bears less heavily than British on the foreign investor. As a result, about 35 per cent of NV's Ordinary capital is held outside the Netherlands, but the capital of Limited is much less widely distributed.

The capital of the parent companies can only be really widely held in countries with a capital market of their own, where investors can easily buy our shares. In some other countries, we have made it possible for people to put money into their local Unilever enterprises. This is quite a marked change in our practice, because in the past it has been our almost invariable policy to have the shares of all our enterprises wholly owned by one or other parent company. In some countries, in the old days, it could hardly be otherwise. Either there was no local capital or, more often, there was plenty—but those who held it were after high and quick returns of the sort you might get in speculation or in plain money-lending, but hardly in our kind of enterprise, which sometimes needs years of development before it shows any returns at all, and even then not high ones by the speculator's standards. Nowadays, however, it is becoming easier to attract capital on terms that we find reasonable, and we are doing it in various parts of the world.

We are doing it either because we want to start a business or because we want to expand one. Our motive is always either creation or expansion, and, whichever it is, we add to the wealth of country where we invest. If the people of the country, on their own account or through their Government, will join their resources with ours, then we are very glad to have their co-operation, and we hope they may come to regard us as we believe we should be regarded—that is to say, as partners in the job of improving the country's well-being, and not in any sense as hostile interlopers.

In general, the form of local partnership which we find the most satisfactory—and it is the one which does most to create new wealth for the local community—is one in which the local partner invests new money, rather than merely taking over from us shares in the existing capital. The precise form of the arrangements we make vary according to local needs and conditions: we are not rigid about them. In Turkey, for instance, we have come to terms with a Turkish Bank, the Is-Bank. In Pakistan, Kenya and Burma we are in partnership with the Government, and so we are in some of the countries where The United Africa Company is engaged.

In all these partnerships with outside interests, we carry responsibility for running the business. This is a responsibility which we are anxious to discharge, as far as possible, through locally-recruited managers. We are in business to make and sell goods for ordinary households, and we don't think we can do that properly without a good deal of local knowledge. Local knowledge is most readily found in local men. So, apart altogether from any question of pressure from local opinion, our companies overseas have for a long time been bringing local men into their management.

CENTRAL CONTROL AND LOCAL PARTNERSHIP

This matter of finding and training local managers is one that I shall come back to.

Before that, I want to point out what we think are the main advantages which Unilever, as an international concern, can offer to national operating companies. I have already indicated that, first of all, we offer to make an investment, with all that that implies in the way of risk-bearing. Under the same agreements, where it is appropriate, we grant rights to use trade marks and patent processes, both of which are advantages by no means small.

Besides all this and, in our view, at least equally important, we undertake to give our local companies help from Unilever's central fund of knowledge and experience. This is the counterpart of the knowledge which locally recruited men bring in. It comes, first, from contact between managers throughout the business. Secondly, it includes the resources of the Central Advisory Departments in London and Rotterdam. These Departments run through the alphabet from Accounts, Audit and Buying to Research, Taxation and Technical. Each is charged with the duty of keeping up with, and adding to, the latest and best knowledge in its own particular sphere, and I don't think I am unduly complacent when I say that none of our companies, on its own, could get at anything like the range and quality of experience and advice which it can have as part of Unilever. Large headquarters have their dangers, and we may have been aware of them even before Professor Parkinson, but you cannot get away from the fact that business today depends on specialised skill and knowledge of many different kinds. You must either buy these specialised services from outside if you can—and very often you can't, especially in some of the countries where we operate—or provide your own. We find it generally pays to provide our own, and we do so.

It has long been our principle that operating companies know their own business, and should be left to get on with it in their own way. At the same time, we value the unity of the business and we do our best to foster a sense of loyalty to Unilever as a whole, as well as to one or another of its component parts. The reason why we insist on the principle of unity is that the central resources of the concern would lose their value if they were neglected or disregarded by companies of too separatist a turn of mind. We do not like to force advice or services on anyone against his better judgment—but we mean to make sure that it is judgment he is working from and not simply too narrow a view

In the linking of centre with perimeter, the Boards of the parent companies have a vital part to play. If they were to become too dictatorial, they might cramp the style of the enterprising. If they were to lean too far in the direction of becoming an advisory body of expert consultants, the business might fly apart by centrifugal force. Where outside partners have to be considered, there is a clear limit to the authority of the Board to give direct orders—they could not, even if they wanted to, give orders to the Government of Pakistan or the Is-Bank in Turkey. And there is in Unilever, in any case, a disposition to advise rather than command. But at the centre we must, and we do, keep and exercise the right of executive action, especially in the disposition of the resources of the business in money and in men. We keep our hand on major expenditure and on the placing of top management. If we didn't, Unilever would cease to be an operational company. It would become an investment trust, and most of the justification for its international activities would disappear.

We think that central control, within reason, helps our companies to grow more than it restricts their freedom. Take, for instance, the control of capital. In general, we expect our companies to pay their own way without too much help from the centre. But where a company has clear prospects of success, without the capital to make a start, we are prepared to call upon the resources of Unilever as a whole, irrespective of their origin. We did it on a very large scale for The United Africa Company during the difficult years of the thirties. We have done it since the War in other places, such as Italy, Turkey, Burma and Brazil. And when a company needs to borrow money in its own country, we can back it with the central credit of Unilever, which is a great advantage in arranging the terms of a loan.

THE SEARCH FOR TALENT

Now let me turn from the question of money to the question of men. Money, after all, is no more than an instrument—raw material, if you prefer—which will do no good at all unless you can find the right people to put it to use. That is our central problem in developing the international pattern of our business. It means, more and more, a world-wide search for talent.

When we are looking for potential managers in Europe or North America, or anywhere else with an industrial tradition, we know we are likely to find some considerable number of promising candidates. People with two hundred years of industrial development behind them have developed an outlook to match, and it encourages many of them to look for jobs of the kind we have to offer, both for themselves and for their children. People with this sort of ambition now do much of the work which, in times gone by, was only done by owner-managers. They come from all classes of society and, with the development of modern systems of education, their origins are likely to be even more diverse in the future than they are today. They have inherited a good deal of the owner-manager's outlook, but they have modified it with an attitude of mind which, formerly, was mostly found among what were called "professional people." They expect to be able to fit themselves and their children for the jobs they want by spending great effort and, often, money, in upbringing and education, and in the Western world systems of education are available which provide suitable preparation for careers in industry and commerce.

In many countries where we do business things are not like this at all. Instead, we are dealing with forms of society, each with its own meaning and value, in which economic and industrial development are new things, and the kind of society which we are used to in Europe has not come into being. There is no pattern of upbringing, no system of education, to develop the outlook and specialised skills which we must look for. In countries like this we cannot do a very great deal to improve matters, because the development of patterns of society and ways of thought is part of a nation's historical development which no single firm could massively influence.

Our way of meeting this problem has been to take promising men from among those who work for us and try to give them the kind of education and training which, elsewhere, they might have had earlier in life and outside the business. The United Africa Company has great experience of doing this kind of work in African countries, but useful as it is, this kind of training is not an entirely satisfactory substitute for a national system of education. The difficulty is that it gives men who must acquire, for their work, an outlook and a system of values which is at variance with the traditions of their community, and even of their own households, which is not a very desirable state of affairs. We are pleased, therefore, to be able to hand over some of our educational responsibilities as the new communities get their own systems under way.

Industrial development, we feel strongly, must be related to the general development of ways of thought and methods of upbringing and education in the community, otherwise very great strains will be set up—after all, our own society is by no means free of those strains yet, and it is nearly two hundred years since modern industrial development began. Now this is clearly a matter for the nations among whom we work, rather than one for ourselves, and it cannot be dealt with quickly. But they want—and quite rightly want—a standard of living which they cannot have without business organisation of the type familiar in Europe and America, and they want it quickly. That sort of organisation cannot be run without managers. We can help to give them the standards of living they desire, but to do it we shall be forced, in many parts of the world, to bring managers in from abroad for a good many years to come.

This does not mean that we want to stop the people of those countries from getting on terms of equality with the foreigner. On the contrary, so far as we can we give them every chance to do so. But we do not think that any good end is served by promoting a man simply because he was born there, unless he can do the job—or can be trained to do it—at least as well as someone who was not. And we think that any country which passes laws to force us to promote its nationals against our own better judgment is not, in the end, serving its own interests. We are confident that we know our own business, and that the economy of a country which insists on preference for its own people, regardless of their ability, will suffer as a result of its insistence on having mediocre industrial management.

THE TRAINING OF TALENT

Wherever we can find the right men to become managers, in a general sense, we are ready to train them for the particular work we want them to do. All over the world, and especially in the less forward parts of it, there is a great need for trained men. We go some way to fill that need, and we think that is one of the advantages which a country gains from having a Unilever company on its soil. We do not pretend that we are disinterested. We train men because we think it is in our interests to do so. But training, once given, can never be withdrawn, nor could we, even if we wished, keep its benefits to ourselves. Trained ability is part of a country's general capital stock. As such, it adds to the national well-being.

To get training of this sort, students come in great numbers to Europe. In the last academic year, 10,000 out of 96,000 places available in universities in Great Britain were filled by people from other countries. In the Netherlands, although they no longer have the high intake of students from Indonesia, over four per cent of the places in the universities are filled by students from other countries. And in our own business we find that we fill about one-third of the places on our management courses with managers from countries outside Europe. On top of that, every year some 200 managers and specialists from overseas are to be found spending up to six months with one or other of our European firms. When they go home again, they will probably be working under men who, themselves, have also been trained in Europe, whether or not they were born there.

But training in Europe is for the relatively

advanced and sophisticated few. Let me speak, for a moment, of those of our people who are trained by our companies in some of the less developed countries. These are the people, as I said earlier on, among whom we expect to find potential local managers; *and no company trains so many of them as* The United Africa Company, because no other company has so great a need.

The United Africa Company is a merchant, bringing into Africa the goods which Africans increasingly want—and can afford to buy. That means, among much else, all the machinery and gadgets of the West—motor cars, refrigerators, electric sewing machines—which must be put on the market in good order and repaired when they go wrong. The United Africa Company is also, more and more engaged in manufacturing, which means that there is machinery to erect and maintain. For both these reasons, therefore, The United Africa Company needs skilled and semi-skilled labour. And that kind of labour is even scarcer in Africa than elsewhere. If you want it, you must make it grow.

On the purely technical side, The United Africa Company has established eight training schools—five in Nigeria; one each in Ghana, Sierra Leone and Kenya. They have about 400 students, and they cover all kinds of courses from five-year apprenticeships in mechanical and electrical engineering to shorter courses in single trades and refresher courses for those whose knowledge needs refurbishing. On the office side, The United Africa Company runs vocational courses for accounts clerks, shorthand typists, comptometer operators, and so on. Throughout their organisation, travelling instructors run courses within the framework of Training within Industry.

On this foundation, The United Africa Company has begun to erect a system for training managers *in Africa.* In March this year the first group of African and European managers entered upon a residential course run with the help of the University College of Ibadan in Nigeria. This does not in the least prevent African managers from coming, as they have come in the past, to courses in Europe or to work with those holding similar appointments in this country which will give them experience which they could not get in Africa. But, in general The United Africa Company takes the view that basic training should be done in a man's own country and, as far as possible, on the job. *It is at a later stage* of his career that he and the Company will benefit most by additional training in the United Kingdom or the Continent. In any one year, The United Africa Company generally brings about 30 such people to the UK for training and probably more will come as time goes on.

THE PROSPECT FOR TALENT

Anyone who works for an international business has the right to be judged by his competence, not by his nationality. If he is good, he should have the same chance to get on as anyone else of equivalent ability, no matter where he was born. If this principle can be made to apply—and I do not say it is easy—then it means that in an organisation such as Unilever the representatives of any nation, large or small, highly industrialised or not—men of any colour or class—are on an equal footing so far as their prospects are concerned. What they can do, or what they can be *trained to do, are the things that* matter.

Thirty years ago, you could hardly have claimed that Unilever chose its management along these lines. There was already a fairly wide range of nationalities within its ranks but, generally speaking, Englishmen and Dutchmen had the brightest prospects. A young man of any other nationality—able, and proportionately ambitious—might well have been deterred from joining Unilever. He could have seen, all too plainly, that the best jobs in his country were usually held by English or Dutch managers. The situation, therefore, was inclined to be self-perpetuating. If local talent did not come in, then English and Dutch managers would be replaced, as their turn came, by yet more Englishmen and Dutchmen.

I think we may fairly claim that things are not like that nowadays. What we want to be able to do is to deploy our managers across the world to the best advantage of the business, without regard to nationality. For one thing, as I have already pointed out, there will for a long time be a shortage of trained ability in some of the countries where we operate, which means that foreign managers must come in if the business is to be carried on properly. For another thing, and in the long run it is probably more important, we think that managers in an international business ought to have international experience. This means that promising men ought, as a matter of principle, to serve from time to time outside their own countries for long enough to get the feel of a job and of a market. To the enterprising man, foreign service is often in itself attractive, but, if there is an element of personal inconvenience, he accepts it for the sake of his career.

This kind of opportunity ought to be open to everyone who can profit by it, not to the citizens of one or two 'most favoured nations' only. The Unilever 'expatriate' ought not to be thought of mainly as a European working in Asia or Africa, or as an Englishman or Dutchman in some European country outside Great Britain or the Netherlands. He ought also to be thought of as an Indian in the United Kingdom, a Frenchman in Denmark, or a Norwegian in Holland. At the present time, leaving English and Dutch managers out of account, we have 225 managers of 21 nationalities working in countries outside their own. These figures represent, we hope, a process of internationalising opportunity which is still at a fairly early stage. As it goes on, it should make the highest positions in the service of Unilever, in any country, realistic objects of ambition for any able manager, no matter what his nationality.

THE COMPETITION FOR TALENT

A great many people besides ourselves want the kind of people who show promise of becoming capable, in time, of running our business. Able men are not very common, and there is great competition for their services. I should like to draw your attention, before I close, to some aspects of this competition and to suggest how, in our view, it can best work to the general advantage.

In some countries, especially those newly independent and little industrialised, the Government itself is a strong bidder for men of the kind whom we, also, could usefully employ. There is a lot of work in these countries which must be undertaken, and which only Government can undertake. We recognise that, and we would not for a moment suggest that a Government should not have first call on the ability of its citizens for work of that kind. Of course it should. But the pressure which is brought to bear on able men to join the Government service can be very strong, and we ask ourselves, sometimes, whether it is not stronger than it need be, to the disadvantage of other work that urgently needs to be done, including our own.

For we think that our work is important to the community, not only to ourselves. It can help quite powerfully in raising general standards of life. It can help to bring into being patterns of life which are less rigid and which offer opportunities of advancement based on what you can do, not on who your father was. It can, in short, have a liberalising influence which can complement the influence of Government.

If we ask other employers not to be selfish in their search for good men—not to make a corner in talent—then we ought to practice what we preach. This is, in fact, what we try to do. Within our own organisation, we insist on our Companies allowing men to be transferred from one to another. Looking further afield, we do not see why movement of this sort should be confined within our own limits. We should like to see greater freedom of movement between firms, and greater interchange between 'business' in general and other fields of activity, such as the Universities and the Government service. When you have a good man you do not willingly let him go, but if he is to have the full opportunity of using his capabilities he must be free to go if the opportunity arises. If you hold him back you are unfair to the man himself and to the community as a whole, which needs the service of his scarce talents.

Our experience is that the exchange of managers gives us one of the greatest assets of our business: cross-fertilisation of ideas. Perhaps it does something more, too. What we are doing, or trying to do, is to build up, in the countries where we operate, management teams of able men, not men of any particular nationality or race. We are developing, we hope, a multi-national organisation with a multi-national outlook. In a world where narrow nationalism is not the least nor the most distant of dangers, we think that is something worth doing.

The Chairman concluded by moving the adoption of the Report and Accounts for the year 1958. Mr G. J. Cole, Vice-Chairman, seconded the motion and it was carried unanimously.

The proposed final dividend of 2s. 1.2d. per £1 of Stock on the Ordinary Stock ranking for dividend for the year 1958 and a dividend of 6 per cent on the Deferred Stock payable on May 12, 1959, were approved.

The retiring Directors were re-appointed.

The remuneration of the Auditors, Messrs Cooper Brothers & Co. and Messrs Price, Waterhouse and Co., who had been re-appointed under the provisions of the Companies Act 1948, was fixed.

The proceedings terminated with a vote of thanks to the Chairman, Directors and all employees.

UNILEVER N.V.

The Annual General Meeting of the Members of Unilever N.V. was held on Friday, April 24th, at Museumpark, Rotterdam. Mr F. J. Tempel presided and made a speech in similar terms to that delivered by Lord Heyworth at the Annual General Meeting of Unilever Limited, reported above.

The Report and Accounts for the year 1958 were adopted. The proposed final dividend of 9¼ per cent on the Ordinary capital ranking for dividend for the year 1958 (being the equivalent of the final dividend for the same year to be paid by Unilever Limited on its Ordinary Stock, calculated in accordance with the provisions of the Equalisation Agreement) was approved; the retiring Directors, with the exception of Mr R. E. Huffam who has reached retirement age, were re-appointed and the Auditors, Messrs Price Waterhouse and Co. and Messrs Cooper Brothers and Co., were re-appointed.

RUGBY PORTLAND CEMENT

RECORD PROFITS

SIR HALFORD REDDISH'S REVIEW

The Annual General Meeting of The Rugby Portland Cement Co. Ltd. will be held on May 29, 1959. The following are extracts from the speech of the Chairman, Sir Halford Reddish:

A year which opened with Bank Rate at 7 per cent and saw it reduced to 4 per cent; which began under the influence of an intensified credit squeeze and ended with a freedom to banks to lend and others to borrow which had not been known for nearly 20 years; which began with the £ under pressure and ended with a formal recognition of the external convertibility of sterling and world confidence in our currency fully restored; and a year in which the United Kingdom earned a record surplus on its overseas trade—all this merits the description of 1958 as an exciting and unusual year.

The changing economic climate naturally found reflection in the progress of our own Industry. Home-market deliveries by the whole Industry for 1958, while not of course reaching the record figures of 1956, were nevertheless within less than one per cent of the 1957 total.

Our Group net profit for 1958 is a record for the thirteenth successive year. We are therefore recommending to you that the dividend on the Ordinary shares should be raised to 1s. 3d. a share, and that on the "A" shares to 1s. 6d. a share.

DIVIDEND POLICY

A dividend of 1s. 3d. a share on the Ordinary shares is in reality one of 6.06 per cent on the book value of the equity capital employed in the business. If the present-day value of the assets were substituted, the real rate would be about 3.6 per cent. The total amount now carried forward to the credit of the 1s. "A" shares is £189,224 (gross), or about 3s. 9d. a share.

It has always been our practice in this Company to pursue a conservative dividend policy. I have no doubt that it was the right policy particularly during a period of comparatively rapid expansion such as has taken place since the second world war. But it has meant that the holders of the Ordinary shares have in effect been adding to their investment in the Company: the undistributed profit which belongs to them has become additional capital, and the assets which it represents have been used in the business. This additional capital is just as much entitled to its reward as that more formally designated as issued share capital. Logically (and equitably), therefore, one of two things should in theory happen. Either the undistributed profit should be formally "capitalised" by means of a scrip issue, or the *rate* of dividend on the nominal amount of issued capital should be proportionately increased. In neither case would there in fact be an increase in the real dividend, though it would be so regarded in many quarters. It would merely be the same rate of reward on the increased capital resources provided by the holders of the Ordinary shares.

Let me illustrate the point in this way. The net book value of the equity capital of the Group increased between December 31, 1956, and December 31, 1957, by about 7½ per cent. In other words, the real capital employed in 1958 was 7½ per cent greater than in 1957. Merely to maintain the same return to the shareholder the rate of dividend should be proportionately increased—which would have the same effect as maintaining the same rate of dividend on an issued capital increased by a scrip issue equal to the undistributed profit of 1957.

Since the close of the year we have made a further issue of one million Ordinary shares which were offered at 21s. 6d. a share as "rights" to the existing holders of our Ordinary shares. The new money will be used to finance the expansion of the Company's business at home and abroad—principally abroad—and for additional working capital.

RISING DEMAND

Group deliveries of cement and group profits for the first three months of the current year are in excess of those for the corresponding period of 1958. Indications are that the demand for cement in the home market in 1959 will be above that for 1958, and the same is true of our overseas manufacturing subsidiaries. The export trade, which was difficult throughout 1958, is not likely to contribute to any greater extent to the group profits this year.

But no consideration of our future can ignore the impact of the coming General Election, fought as it will be by parties with such widely differing economic policies.

Confidence in the £ has been fully restored by the bold policies of the present Government. But confidence is a delicate flower needing infinite and unremitting care: one touch of frost and it can wither overnight. The return of a Government in this country committed to a programme of more nationalisation would I am sure cause an immediate loss of confidence abroad, and a run on the £; and that would mean in a short time the loss of overseas markets and consequent unemployment in the United Kingdom.

EXPANSION WITHOUT INFLATION

Given political stability and a continuance of the policies of the present Government I believe that a period of increasing prosperity can be ours in this country. It is clear that there is considerable scope for expansion in the economy; and now that we have virtually achieved stability in prices, if wages are allowed to increase only in line with increasing productivity then the bogy of inflation can be held in check. A wage increase in one industry, or even in one company, is no reason for a similar increase in another.

The taxation reliefs proposed in the 1959 Budget should assist the realisation that stability of the price level is of far greater benefit to the wage-earner than a wage increase in terms of a depreciating currency: that what matters is not the pound notes in the pay packet but what they can purchase in exchange.

The Budget proposals should stimulate both production and savings; and have clearly been framed, very rightly, with a view both to the maintenance of the external value of the £ and to expansion of the economy at home without further inflation.

We in Rugby Cement look confidently to the future.

A copy of the full speech can be obtained on application to the Secretary, Crown House, Rugby.

INTERNATIONAL NICKEL COMPANY OF CANADA

HIGHER NICKEL DEMAND FORECAST

The annual meeting of The International Nickel Company of Canada Limited, was held on April 29th in Toronto.

Dr John F. Thompson, the Chairman, presided and, in the course of his speech, said:

Sharply reduced nickel demand in 1958 forced the Company to operate substantially below capacity during the year. Production was curtailed three times and, for a period of three months, our mines and plants in Ontario were shut down by a labour strike. These conditions, together with lower prices and reduced deliveries of copper and platinum metals, resulted in the lowest earnings for any year since 1949.

Our sales in 1958 totalled $322 million, down $120,800,000 from the previous year. Net earnings were $39,600,000 equal to $2.71 per common share, compared with $86,100,000, or $5.90 per share, in 1957. Four quarterly dividends, each of 65 cents per share, totalling $2.60 per share, were paid in 1958, compared with $3.75 per share in each of the three preceding years.

Our deliveries of nickel in all forms in 1958 amounted to 205,800,000 pounds, contrasted with 290,100,000 pounds in 1957. Refined copper deliveries were 210,600,000 pounds, against 280,800,000 pounds in the previous year.

MANITOBA PROJECT

Construction work continued on schedule at the Company's new mining project at Thompson, Manitoba, which is scheduled to start operations next year and to come into full-scale nickel production at an annual rate of 75 million pounds in 1961.

I cannot emphasise too strongly the long-range importance of the Manitoba project to the Company and to the nickel industry in general. Consumers of nickel must be assured of plentiful supplies in the years ahead if the full market potential of the metal is to be realised. Nickel production capacity must be capable of meeting surges in demand that will arise during the anticipated upward trend in nickel consumption. The prompt completion of our Manitoba project, which will increase the Company's total annual nickel production capacity to 385 million pounds beginning in 1961, will contribute greatly to the attainment of this goal. But we set no ceiling on the demand that can be created for nickel and we must do whatever is necessary to assure that future supplies will always be more than adequate. As a consequence, we are actively continuing our exploration in Canada and throughout the world for still further sources of nickel.

While figures for first quarter operations of 1959 are incomplete, net earnings for this period are expected to show an improvement over the corresponding quarter a year ago when they totalled $12,200,000, equal to 83 cents per common share. Contributing factors to the expected improved earnings for the first quarter were a sharp surge in demand for nickel in the United States, higher prices for copper and increased sales of platinum metals.

It is anticipated that the world demand for nickel will continue through 1959 at a rate higher than in 1958. This, together with improved prices for copper and platinum metals, should result in a satisfactory year.

The report and accounts were adopted.

THE RHODESIA BROKEN HILL DEVELOPMENT COMPANY LIMITED

(Incorporated in Northern Rhodesia)

INCREASED ORE RESERVES

The following are extracts from the review by Mr H. F. Oppenheimer, the chairman, which has been circulated with the annual report and accounts.

During 1958 lead and zinc prices fell to their lowest levels since 1946. Lead fluctuated between £68 and £78 per ton and showed no improvement in December, 1958, over the previous January; zinc prices varied from £61 to £78 per ton but finished the year fairly strongly at around £74 in December as against £62 in January, 1958.

LEAD AND ZINC MARKET

While the low level of prices was directly attributable to over-production in relation to the overall demand, consumption in Europe was maintained at a fairly good level and the market recession arose directly from developments in the United States of America.

There have been no significant changes in the market prices of lead and zinc since the end of the year, but it is interesting to note that the zinc price shows a firmer tone than the lead price and that the long-standing differential in favour of lead was reversed in November, since when zinc has frequently commanded £5 per ton more than lead.

It is difficult to make any prediction about the prices of lead and zinc during 1959. Some governmental decision may be taken to cut production and there has been an improvement in the industrial tempo of the United States, but it does seem that world production of both metals will be fully able to meet expected consumption this year.

While our Company is naturally no less affected by the fall in prices than any other producer, we are fortunate that the bulk of our output is sold in Southern Africa and although our metal stocks at the year end were slightly higher than we would have liked, I do not anticipate that we will have any difficulty in disposing of these and current production in 1959.

The lower prices inevitably resulted in a sharp reduction of profits during 1958 which, after providing for taxation, were £591,000 as compared with £909,000 in 1957. Capital expenditure at the mine was restricted to the minimum required for immediate essential items and amounted to £272,000 compared with the sum of £400,000 which we had estimated would have to be spent. The bulk of the expenditure related to the completion of the Mita Hills Dam scheme and associated electrical power plant; this outlay amounting to £240,000 was financed largely by drawing the remaining £200,000 of the Broken Hill Municipality loan. While no appropriation was necessary to cover capital expenditure during 1958, it was estimated that £300,000 must be spent in 1959 and it was considered advisable to make some provision towards this by appropriating £100,000 this year.

We have been able to recommend a net final dividend of 6d. per stock unit which, together with the interim dividend of 3d., makes a total of 9d. net per unit for the year. In view of the depressed state of the lead and zinc market, I think this can be considered a satisfactory return.

During the year it was possible to effect a reduction of £122,000 in the value of stores held. This is an important contribution to our cash resources but, while I am hopeful that further reductions will be effected, it is unlikely that these will be material in the future.

IMPERIAL SMELTING PROCESS

Last year I referred to the investigations being undertaken in search of better methods than those at present employed in dealing with the complex ores we have at Broken Hill and during the year these investigations and studies became concentrated on the use of the Imperial Smelting Process which is already in commercial operation by the Imperial Smelting Corporation at Avonmouth. Comprehensive trials on various mixtures of ores and intermediate products from our mine were carried out in the experimental units at Avonmouth with complete technical success. The Consulting Engineers are following up these tests with a thorough economic assessment as this type of furnace seems to offer the most satisfactory answer to the problem of improving the recovery of lead and zinc from currently mined ores and of the treatment of the growing stocks of high-grade oxydized products which are not amenable to present processes. The Imperial Smelting Process, which produces simultaneously but separately zinc metal of Prime Western grade and lead bullion, is designed to give high recoveries of both metals at reasonable costs. It is also thought that, apart from being able to assimilate accumulated oxide ores, it would be possible to reclaim metal from slag dumps and the scale of operations at the mine and the output of metals could be increased.

INCREASED ORE RESERVES

The capital expenditure required for the installation of an Imperial Smelting furnace and ancillary plant is under examination and I cannot give a figure at present. It is, however, likely to be very substantial and therefore, apart from a thorough assessment of the installation itself, the Consulting Engineers decided during the year to carry out an intensive programme of underground drilling in the mine so that further information could be obtained on the ore available. As a result an additional 386,400 tons of ore have been transferred from the indicated reserves to proved reserves and 583,300 tons of ore have been added to the indicated reserves. Although it was decided, as no work had been done at No. 2 Kopje for some years, to delete any tonnage previously allotted to this area, the total ore reserves at the end of the year were 5,145,300 tons averaging 28.6 per cent zinc and 15.32 per cent lead, compared with 4,387,100 tons at the end of last year, an increase of some 758,000 tons. Further work being undertaken at the mine is likely to reveal additional tonnages and the No. 2 Kopje deposit is being re-examined and will be drilled before any tonnage from this source is again included in the ore reserves.

This very satisfactory increase in the ore reserves gives an estimated life at the present rate of milling and extraction of about 25 years. As the Imperial Smelting Process will give a higher rate of recovery but will not shorten the working life of the mine, the Consulting Engineers' preliminary view that the installation of this type of process at the mine is probably an economic project is reinforced. We now have to await the full appraisal from them, which, if favourable, will have to be followed up by consideration of the best means of providing the substantial amount which will be required.

Even if the new process is introduced it is proposed to continue to produce electrolytic zinc from zinc concentrates in the existing plant, to which a second roaster is to be added by 1960 to enable a greater amount of zinc concentrates to be treated.

ALLIANCE ASSURANCE COMPANY LIMITED

Extract from the Review of the Report and Accounts for the year 1958 by the Chairman, Mr T. D. Barclay

LIFE DEPARTMENT

The net new sums assured completed during the year amounted to £15,367,184 compared with £12,189,750 in the previous year.

New sums assured by themselves do not provide an absolute measure of the Company's progress but an increase of 26 per cent over the previous year is satisfactory by any standard.

As you know, we carry out quinquennial valuations of our life funds and 1958 was valuation year for the Alliance Life and Annuity funds. I am pleased to say that we were able to declare a reversionary bonus at the rate of 46s. per cent per annum calculated on sums assured and existing bonuses. This rate, which is the highest in the Company's history and 10s. more than the previous one, has been well received by our policyholders and agents.

FIRE DEPARTMENT

In this Department the net premiums rose from £7,665,804 to £7,921,047 and the claims fell from £3,155,571 to £3,006,323, the result of the year being a surplus of £859,358 compared with £606,456 in 1957.

It is most pleasing to see a recovery in the results of this very important Department after two rather lean years.

MARINE DEPARTMENT

The net premium income was £2,297,368 which shows a reduction of £142,406 compared with last year's premium.

The underwriting Account for 1956 has now been closed with a balance of £165,726. Settlements arising from previous years' Accounts, however, amounted to £170,055 and a transfer from Profit and Loss of £4,329 is necessary.

ACCIDENT DEPARTMENT

The net premiums in the Accident Department amounted to £9,312,854 as compared with £8,564,005 in 1957. The claims rose from £4,151,186 to £4,603,349 and the surplus, after providing for unexpired risks, rose from £546,043 to £654,998.

Last year I reported a somewhat improved situation in our Motor business but this has not been maintained in this field and I am afraid our operations in this field and I am afraid our profitable although in some have again been unimprovement in results has overseas areas an[illegible]n shown.

TRUSTEE DEPARTMENT

The total fees received during 19[illegible] amounted to £32,455 showing an increase of £2,435 over the previous year.

INVESTMENT DEPARTMENT

The transformation of the financial scene during 1958 was reflected in the reduction in the Bank Rate from 7 per cent to 4 per cent and a general recovery in the market values of nearly all types of investment. The Company's portfolio of investments fully reflected this recovery which, of course, was very much more marked in the case of Equities than in the case of British Government Securities.

As a natural corollary to the general rise in prices the yields obtainable in 1958 receded steadily from the high levels touched in the latter part of 19[illegible] but in spite of this the average rate on the new investments exceeded 6 per cent and as a result the overall gross yield on the Life and Annuity funds was further increased to £5 7s. 8d. per cent.

PROFIT AND LOSS ACCOUNT

The profit of the Group, after making provision for taxation and other outgoings, amounted to £1,453,693 as against £1,284,944 in 1957.

This time last year I was guarded and, as it has turned out, conservative in my estimate for our future profits. I have learnt that it is unwise to attempt to give any indication in advance of the likely course of underwriting results and on this occasion I will content myself by assuring you that the increase in the dividend from 3s. 9d. to 4s. 3d. per share which your Board has declared is regarded as well justified and prudent.

UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS FOR YEAR 1958

After providing for taxation and for outside shareholders' interest in profits of subsidiary companies, the consolidated net profit for the year was £1,903,957 (compared with £1,578,431 in 1957). To this has to be added £845,888 brought forward from 1957, making a total of £2,749,845. From the amount available for appropriation by subsidiary companies, £150,000 has been placed to General Reserve Accounts, £60,000 to Exploration Reserve Accounts and £766,302 carried forward as unappropriated profits, leaving £1,773,543 available for appropriation by the Corporation. The Directors have written off Note Issue expenses amounting to £32,802, have placed £350,000 to the credit of Exploration Reserve Account and have declared a final dividend of 2s. 0d. United Kingdom currency per share less United Kingdom Income Tax, making, with the interim dividend of 1s. 0d. per share less United Kingdom Income Tax paid on 28th November last, a total dividend for the year of 3s. 0d. per share less United Kingdom Income Tax (the same as last year). These dividends absorbed £802,125. From the balance of £588,616 remaining the Directors have declared a bonus dividend of 6d. United Kingdom currency per share less United Kingdom Income Tax, absorbing £133,687. After adding in the unappropriated profits of subsidiary companies and parent company dividends receivable within the Group, there is a consolidated balance to be carried forward of £1,291,593. An increase in the final dividend in respect of the year would have entailed an additional United Kingdom profits tax liability. Accordingly the Directors have declared a bonus dividend not related to any specific period.

Holdings of shares, debentures and other securities have been taken into the Accounts at cost or under, but in no case above the market value of 31st December last, or, where no market price exists, above the Directors' valuation. The Directors, as on other occasions, have thought it expedient to write down the book cost of certain holdings below both cost and market price to allow for the wasting nature of a substantial part of the portfolio. To this end they have charged the Profit and Loss Account with £150,000, of which £50,000 has been charged in the Accounts of a subsidiary company.

During the year arrangements were made to provide additional finance for the Corporation's business (including the further exploitation of the Kinross goldfield) by placing privately in the Union of South Africa £2 million of 6½ per cent. Registered Unsecured Notes at par repayable in instalments 1974-83. The money is being made available in eight equal quarterly amounts, the first of which was received on 31st March, 1958. Thus at 31st December the Corporation had issued £1 million of these Notes.

The Directors record with profound regret the death on 8th August, 1958, of The Right Honourable The Viscount Bracken, Sir Charles J. Hambro, K.B.E., M.C., was elected Chairman in succession to Viscount Bracken and Mr. T. P. Stratten was elected Deputy Chairman, retaining the appointment of Managing Director and remaining resident in the Union of South Africa.

The Report includes the usual tables of gold statistics and the Corporation's Annual Trade Cycles Chart, revised to date.

GOLD MINING INTERESTS

The following table summarises the results for the past year of Companies operating in the Transvaal and Orange Free State in which the Corporation is largely concerned:

	East Geduld Mines, Ltd.	Geduld Proprietary Mines, Ltd.	The Grootvlei Proprietary Mines, Ltd.	Marievale Consolidated Mines, Ltd.	St Helena Gold Mines, Ltd.	Van Dyk Consolidated Mines, Ltd.
Tons milled	1,547,000	929,000	2,360,000	891,000	1,468,000	913,000
Yield per ton, dwt.	6.16	3.31	4.25	5.22	5.53	3.68
Working Costs per ton	34s. 7d.	38s. 4d.	31s. 5d.	41s. 5d.	41s. 10d.	39s. 7d.
Working Profit per ton	42s. 7d.	8s. 3d.	21s. 11d.	24s. 1d.	31s. 6d.	6s 7d.
Total Working Profit	£3,296,000	£383,000	£2,588,000	£1,073,000	£2,310,000	£360,000
Net Profit	£1,668,000	£843,000	£1,323,000	£622,000	£2,276,000	£357,000
Dividends: Total	£1,650,000	£822,000	£1,325,000	£563,000	£1,063,000	*
Per Stock Unit or Share	3s. 8d.	11s. 3d.	2s. 4d.	2s. 6d.	2s. 1d.	*

* Return of capital in 1958, £546,000, or 1s. 3d. per share.

The net profit figures include revenue from other sources. Thus East Geduld Mines' dividend income in 1958 on its stockholding in The Grootvlei Proprietary Mines was £62,720 and Geduld Proprietary Mines' dividend income in 1958 on its stockholdings in East Geduld Mines and The Grootvlei Proprietary Mines was £648,358.

ST. HELENA GOLD MINES.—At No. 2 shaft excellent progress has been made with development and preparation of stopes. In order to provide ventilation for the mining of an up-thrown block of reef on the eastern side of the property adjacent to the boundary with President Brand Gold Mining Company, which will be mined from No. 2 shaft, a ventilation shaft (known as No. 7 shaft) is being sunk to an initial depth of 4,100 ft. At the year-end it had reached a depth of 40 ft. In March of this year a dividend of 1s. 3d. per share was declared.

WINKELHAAK MINES.—The small vertical shaft (No. 3B) situated 350 ft. north of No. 3 shaft was completed at a depth of 1,471 ft. and brought into operation, greatly assisting the servicing of the No. 3 shaft area. Trial crushing started in March, 1958 and was continued until the end of November, when full scale milling commenced. In December the Company earned a maiden monthly profit of £15,502.

Interests in Gold Mining Companies not under the administration of the Corporation:—

STILFONTEIN GOLD MINING COMPANY.—There was a further increase in the combined profits from the production of gold and uranium during the year and two dividends totalling 3s. 9d. per share were declared.

WESTERN HOLDINGS.—There were increases in the average yield and in the tonnage of ore milled during the year ended 30th September, 1958 and, in consequence, the working profit increased substantially to £4,708,288. Two dividends, totalling 7s. 0d. per share, were declared and a further dividend of 3s. 6d. per share was declared in March of this year.

OTHER MINING INTERESTS

SAN FRANCISCO MINES OF MEXICO.—The reduced tonnages of metals sold and the lower prices obtained for them resulted in a fall in gross revenue from the sale of the Company's products from £10,068,000 to £6,416,000. After charging taxation amounting to £1,456,000, all but £38,000 being Mexican export, production and mercantile taxes assessed on gross value of metals sold, the Company made a net loss for the year of £208,000.

CHROME MINES OF SOUTH AFRICA.—The trading results for the year ended 30th June, 1958 showed a slight improvement over those for the previous year and the Company declared a dividend of 1s. 0d. per share in September last. The improved results were achieved in spite of a softening in the market for chrome ores as the Company had orders on hand at satisfactory prices. The market remains weak, however, and it is likely that the results for the current year will show some decline in profits.

The Corporation is also interested, inter alia, in the following Companies:—

SELECTION TRUST.—This Company paid a final dividend of 5s. 3d. per Ordinary Stock Unit for the year ended March, 1958 and has since declared an interim dividend of 1s. 9d. per Unit for the year ended March, 1959.

TSUMEB CORPORATION.—Due to a decline in non-ferrous metal prices on world markets, the net profit for the year ended 30th June, 1958 was £4,226,029 as compared with £7,012,875 for the previous year, and dividends totalling 17s. 6d. per share were declared. During the first nine months of the current financial year the Company has declared dividends totalling 17s. 6d. per share.

OTHER INTERESTS

BAY HALL TRUST.—The net profit for 1958 was £138,961, compared with £136,244 in the previous year. The Company paid a dividend of 17 per cent., less tax, the same as for last year, plus a bonus dividend of 1 per cent., less tax. At market prices on 31st December, 1958 (for where no market price existed, at valuations by the Directors on that day) the investments had an aggregate value of £3,848,628, as compared with their book value of £2,017,151.

SOUTH AFRICAN PULP & PAPER INDUSTRIES.—The net profit for the year ended 31st December, 1958 was £492,070, compared with £486,835 for the previous year. A dividend of 2s. 0d. per share has been declared. At the Tugela mill the new M.G. paper machine was commissioned during the year. The Company is embarking on a project for the production of newsprint at the Enstra mill at an estimated cost of £2,700,000 of which £1,500,000 will be covered by a fixed interest-bearing loan, £275,625 by a small issue of shares and the balance will be drawn from the Company's own resources.

EXPLORATION

KINROSS AREA.—Drilling was continued during the year. It is intended shortly to make application to the Mining Leases Board of the Government of the Union of South Africa for two new mining leases. A further possible lease area is still under investigation and more drilling in this area will be undertaken.

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

UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa)

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

ABRIDGED REPORTS of Gold Mining Companies for year ended 31st December, 1958

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

EAST GEDULD MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1958

	£	Per ton milled s. d.
Working Revenue	5,969,292	77 2
Working Costs	2,673,371	34 7
Working Profit	3,295,921	42 7
Add : Income from Investments and Sundry Revenue	145,502	£3,441,423
Less : Provision for Government Taxes	1,747,176	
Directors' Fees and Sundry Expenditure	25,948	
Net Expenditure during year on Fixed Assets	2,232	
		1,775,356
		1,666,067
Balance unappropriated at 31st December, 1957		538,017
		2,204,084
Dividends Nos. 53 and 54 of 1s. 9d. and 1s. 11d. per unit of stock respectively		1,650,000
Leaving a balance unappropriated of		£554,084

Tonnage milled decreased from 1,615,000 tons to 1,547,000 tons but the average yield increased from 6.14 dwt. to 6.15 dwt. Of the 5,290 ft. sampled on the Main Reef, 54% was payable, averaging 236 inch/dwt. The ore reserve was re-estimated at the year-end and showed a decrease of 800,000 tons to 8,500,000 tons, assaying 6.0 dwt. over an estimated stoping width of 52 inches.

GEDULD PROPRIETARY MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1958

	£	Per ton milled s. d.
Working Revenue	1,931,958	41 7
Working Costs	1,780,161	38 4
Working Profit	151,797	3 3
Add : Income from Investments and Sundry Revenue	714,915	£866,712
Less : Provision for Government Taxes	11,768	
Directors' Fees and Sundry Expenditure	12,141	
Transfer to Township Reserve	5,610	
		29,519
		837,193
Add : Amount transferred from profits appropriated for expenditure on Fixed Assets	1,891	
Balance unappropriated at 31st December, 1957	338,084	
		339,975
		1,177,168
Dividends Nos. 87 and 88 of 5s. 0d. and 6s. 3d. per share respectively		821,732
Leaving a balance unappropriated of		£355,436

Tonnage milled decreased from 1,144,000 tons to 929,000 tons but the average yield increased from 3.17 dwt. to 3.31 dwt. Of the 6,330 ft. sampled on the Black Reef, 48% was payable, averaging 387 inch/dwt. Of the 800 ft. sampled on the Kimberley Reef, 33% proved payable, averaging 228 inch/dwt. The ore reserve was re-estimated at the year-end and showed a decrease of 300,000 tons to 500,000 tons, assaying 3.8 dwt. over an estimated stoping width of 58 inches.

MARIEVALE CONSOLIDATED MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1958

	£	Per ton milled s. d.
Working Revenue	2,917,522	65 6
Working Costs	1,844,182	41 5
Working Profit	1,073,340	24 1
Add : Income from Investments and Sundry Revenue	42,243	£1,115,583
Less : Provision for Government Taxes	458,999	
Directors' Fees and Sundry Expenditure	33,794	
Net Expenditure during year on Fixed Assets	341,697	
		834,490
		281,093
Balance unappropriated at 31st December, 1957		507,130
		788,223
Dividends Nos. 36 and 37 of 1s. 1d. and 1s. 5d. per share respectively		562,500
Leaving a balance unappropriated of		£225,723

Tonnage milled increased from 854,000 tons to 891,000 tons, but the average yield decreased from 5.25 dwt. to 5.22 dwt. Of the 11,130 ft. sampled on the Kimberley Reef, 34% was payable, averaging 233 inch/dwt. Of the 11,775 ft. sampled on the Main Reef, 30% was payable, averaging 230 inch/dwt. The ore reserve was re-estimated at the year-end and showed an increase of 100,000 tons at 5,300,000 tons, assaying 5.3 dwt. over an estimated stoping width of 46 inches. The extensions to the reduction plant have been completed and were being tested at the end of the year.

ST. HELENA GOLD MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1958

	£	Per ton milled s. d.
Working Revenue	5,384,261	73 4
Working Costs	3,073,609	41 10
Working Profit	2,310,652	31 6
Add : Income from Investments and Sundry Revenue	44,446	£2,355,098
Less : Directors' Fees and Sundry Expenditure	69,287	
Interest on Housing Loan	11,275	
Transfer to Loan Redemption Reserve	20,000	
Net Expenditure during year on Fixed Assets	1,256,309	
		1,356,871
		998,227
Balance unappropriated at 31st December, 1957		835,599
		1,833,826
Dividends Nos. 5 and 6 of 1s. 0d. and 1s. 1d. per share respectively		1,002,604
Leaving a balance unappropriated of		£831,222

Tonnage milled increased from 1,392,000 tons to 1,468,000 tons and the average yield from 5.83 dwt. to 5.85 dwt. Of the 23,230 ft. sampled on the Basal Reef, 49% was payable, averaging 519 inch/dwt. The ore reserve was re-estimated at the year-end and showed an increase of 150,000 tons to 3,400,000 tons assaying 6.5 dwt. over an estimated stoping width of 55 inches.

Development at No. 2 Shaft resulted in an appreciable increase in the footage developed to 73,460 feet. The percentage payability declined slightly but the average value increased by 97 inch/dwt. No. 7 Shaft, sited approximately 5,200 feet east-south-east from No. 2 Shaft, had been sunk to a depth of 40 feet at the year-end.

In the case of each of the above Companies, discounts have been applied to development values to conform with adjustments necessary in estimating ore reserves.

UNION CORPORATION, LIMITED—*continued*

THE GROOTVLEI PROPRIETARY MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1958

	£	Per ton milled s. d.
Working Revenue	6,295,365	53 4
Working Costs	3,710,035	31 5
Working Profit	2,585,330	21 11
Add : Income from Investments and Sundry Revenue	79,032	£2,664,362
Less : Provision for Government Taxes	1,308,976	
Directors' Fees and Sundry Expenditure	32,609	
		1,341,585
		1,322,777
Add : Amount transferred from profits appropriated for expenditure on Fixed Assets	28,519	
Balance unappropriated at 31st December, 1957	660,696	
		689,215
		2,011,992
Dividends Nos. 39 and 40 of 1s. 1d. and 1s. 3d. per unit of stock respectively		1,334,529
Leaving a balance unappropriated of		£677,463

Tonnage milled increased from 2,357,000 tons to 2,360,000 tons but the average yield decreased from 4.27 dwt. to 4.25 dwt. Of the 13,840 ft. sampled on the Main Reef, 39% was payable, averaging 195 inch/dwt. Of the 2,260 ft. sampled on the Kimberley Reef, 34% was payable, averaging 309 inch/dwt. The ore reserve was re-estimated at the year-end and showed a decrease of 500,000 tons at 13,500,000 tons, assaying 4.5 dwt. over an estimated stoping width of 48 inches.

WINKELHAAK MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1958

(Financial Results for the period 1st to 31st December, 1958)

	£	Per ton milled s. d.
Working Revenue	194,352	56 4
Working Costs	178,850	51 10
Working Profit	15,502	4 6
Add : Income from Investments and Sundry Revenue	622	£16,124
Less : Sundry Expenditure	228	
Directors' Fees	192	
Interest on Loans	6,618	
		7,038
Profit for Year Carried Forward to 1959		£9,086

Trial milling started in March, 1958, and continued until the end of November, when full scale milling commenced. During December, the tonnage milled amounted to 69,000 tons at an average yield of 4.49 dwt. per ton. The ore reserve calculated as at 31st December, 1958, amounted to 1,200,000 tons with an average value of 5.7 dwt. over an estimated stoping width of 58 inches.

No. 3B Shaft was sunk 1,381 feet to its final depth of 1,471 feet and concrete lined.

The Company has been granted a prospecting contract by Capital Mining Areas, Limited, for two years commencing 1st August, 1958, in respect of a portion of the farm Winkelhaak measuring 353 morgen and adjoining the south-western boundary of the mining lease area. The contract entitles the Company to purchase the rights to minerals (excluding diamonds and coal) of this property or any portion thereof not less than 100 morgen in extent for £25 per morgen. The Company has entered into a deed of sale with Capland Estates, Limited, whereby it will purchase the surface of the property for £60 per morgen if it exercises its right to purchase the mineral rights in whole or in part.

VAN DYK CONSOLIDATED MINES, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the year ended 31st December, 1958

	£	Per ton milled s. d.
Working Revenue	2,108,854	46 2
Working Costs	1,808,624	39 7
Working Profit	300,230	6 7
Add : Income from Investments and Sundry Revenue	70,867	£371,097
Less : Directors' Fees and Sundry Expenditure	14,544	
Expenditure during year on Fixed Assets	4,254	
		18,798
		352,299
Balance unappropriated at 31st December, 1957		247,817
Balance available for appropriation		600,116
Amount of Second Reduction of Capital of 1s. 3d. per share		345,750
Leaving a balance unappropriated of		£254,366

Tonnage milled decreased from 919,000 tons to 913,000 tons, but the average yield increased from 3.54 dwt. to 3.68 dwt. Of the 7,730 ft. sampled on the Main Reef, 27% was payable, averaging 309 inch/dwt. Of the 5,815 ft. sampled on the Kimberley Reef, 3% was payable, averaging 289 inch/dwt. The ore reserve was re-estimated at the year-end and showed a decrease of 150,000 tons to 300,000 tons assaying 4.0 dwt. over an estimated stoping width of 48 inches.

Special resolutions will be proposed at the Annual General Meeting which, if passed and approved by the Court, will reduce the capital of the Company from 7s. 9d. per share to 3d. per share and will authorise the Directors, provided the Company has funds surplus to its requirements, to return capital to Members by instalments from time to time up to a total of 7s. 6d. per share. It is the intention of the Directors to return to Members an instalment of 1s. 3d. per share in August, 1959

In the case of each of the above Companies, discounts have been applied to development values to conform with adjustments necessary in estimating ore reserves

THE EMPLOYERS' ASSURANCE

PROSPECTS IN NORTH AMERICA

The Seventy-Eighth Annual General Meeting of The Employers' Liability Assurance Corporation Limited will be held on May 27th in London.

The following is an extract from the statement by the Chairman, Lord Knollys, which has been circulated with the report and accounts for the year ended December 31, 1958:

The total premiums written by the companies that comprise our group were £41,956,236, 9.2 per cent more than in 1957. Our trading result for the year was a profit, after taxation, of £381,682, and your Directors recommend the payment of a final dividend of 3s. per share, making a total of 5s. 6d. per share for the year.

You may remember that last year I said that I could offer no great hopes of any rapid improvement in conditions in the insurance market of North America. I am glad to be able to tell you that in Canada the loss we suffered in 1957 was replaced by a good profit for 1958. In the United States, however, my fears were realised and we could not make enough improvement to finish without an underwriting loss, though it was not so severe as that in the previous year.

We write a great deal of our business in these two countries, and, as I have told you in previous years, your Board is confident that they still present a vast area of great potentialities. Here British insurance can continue to find ample scope in which to make steady but satisfactory progress in building up business of good enough quality to show, in the long run, a reasonable degree of profit.

The improvement which I have mentioned in our Canada Branch has been due as much to careful control as to better rates. Similarly in the United States, though, as I have said, there have been rate increases there too, the partial recovery shown in 1958, which I believe will continue, reflects to a great extent the strenuous supervision which has been given to all aspects of our operations.

FIRE

Fire business in the United States has been improving gradually since the last months of 1957 and our Canadian Fire Account showed much improvement over 1957, though we did not quite break even on it. Our most successful territories were Australia and the United Kingdom, in both of which we made a good profit on a larger income.

ACCIDENT

The results of our Motor business in the United States were again disappointing, but it was a fair year there for Workmen's Compensation business. Miscellaneous classes were much better in 1958.

In the United Kingdom we had a bad Motor year, and so we did also in most of our smaller overseas branches. In Canada,

on the other hand, we made a profit on Motor business and on all Accident business taken as a whole. Our Australia branch had as good a year on the Accident side as it did on the Fire side, and as a result made the largest profit that it has ever made.

LIFE AND MARINE

The Clerical, Medical and General Life Assurance Society had another most successful year, and The Merchants Marine Insurance Company showed a higher premium income and a decrease in claims ratios. A transfer of £25,000 has been made from the Marine Fund to Profit and Loss Account.

INVESTMENTS

The book value of the Corporation's total investments was £46,455,600 and the total appreciation over their book value was greater than it has ever been before.

GEORGE MALLINSON & SONS, LIMITED

DIVIDEND 20 PER CENT

The twenty-second annual general meeting of this company was held on April 30th in London, Mr Dyson Mallinson, chairman, presiding.

The following is an extract from his circulated statement for the 52 weeks to February 21, 1959:

The Accounts show a net profit (after making full provision for taxation) of £102,464, a decrease of £21,209 on the previous year. This is mainly due to the fact that during the period of these accounts, the value of wool has fallen by 25 per cent which involves us in writing down our raw material stocks to a considerable extent.

The plant and equipment has been maintained in good order, and we consider the depreciation written off is adequate. Liquid assets exceed current liabilities by £959,429 (a decrease of £2,583), and the Directors recommend a final dividend of 15 per cent making a total of 20 per cent for the year. Further new machinery has been installed during the year, and the extra depreciation on it has been allowed for in the accounts.

I am reluctant to make any forecast for the future this year. The Textile Trade has not yet fully recovered from its depression, and we must again be cautious in our outlook. Our mills are equipped with the most up-to-date machinery, and our fabrics and designs continue to be well received by the leading clothing manufacturers and cloth merchants. I feel, therefore, that we shall obtain our full share of any business available in our industry.

The report and accounts were adopted.

ROYAL DUTCH PETROLEUM COMPANY

N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ

(Founded in 1890)

BALANCE SHEET, DECEMBER 31, 1958

	N.fl.	N.fl.
Investments in companies of the Royal Dutch/Shell Group		11,500,058,699
Current assets:—		
Receivable from companies of the Royal Dutch/Shell Group:		
Dividends	206,426,640	
Other income	35,929,595	
Other receivables	1,136,212	
Short-term government and other securities	10,324,815	
Cash	86,451,149	
Total current assets	340,268,411	
Current liabilities:—		
Accounts payable and accrued liabilities	5,353,134	
Unclaimed dividends	3,709,225	
Proposed dividends less interim dividends	239,471,978	
Total current liabilities	248,534,337	
Excess of current assets over current liabilities		91,734,074
Net assets		11,591,792,683
Capital:—		
Ordinary shares of N.fl. 20 each	2,998,500,000	
Of which unissued	1,630,088,700	
	1,368,411,300	
4% cumulative preference shares of N.fl. 1,000 each	1,500,000	
		1,369,911,300
Capital reserves:—		
Share premium		685,487,820
Investments		9,398,075,636
Retained earnings		138,317,927
Total capital, reserves and retained earnings		11,591,792,683

STATEMENT OF INCOME, 1958

	N.fl.	N.fl.
Income:—		
From companies of the Royal Dutch/Shell Group:—		
Dividends	293,664,000	
Other income	51,324,424	
Interest and other income	10,711,693	
		355,700,117
Deduct:—		
Administrative and other expenses	4,262,641	
Net loss on short-term government and other securities	43,467	
Share in profit at the disposal of the Board of Directors and of the Managing Directors	3,960,635	
		8,271,743
Net income for the year		347,428,374

STATEMENT OF RETAINED EARNINGS, 1958

	N.fl.	N.fl.
Retained earnings at beginning of year		133,045,953
Net income for the year		347,428,374
Unclaimed dividends forfeited		6,425
		480,480,752
Deduct:—		
Proposed cash dividends:—		
Preference shares	60,000	
Ordinary shares	342,102,825	
		342,162,825
Retained earnings at end of year		138,317,927

The Hague, April, 1959.

The Board of Directors:

J. B. AUG. KESSLER, *Chairman*
H. BLOEMGARTEN
C. J. COLLOT D'ESCURY
B. TH. W. VAN HASSELT
F. Q. DEN HOLLANDER
W. H. VAN LEEUWEN
W. H. DE MONCHY
M. P. L. STEENBERGHE
C. R. C. WIJCKERHELD BISDOM
E. J. IJZERMAN

The Managing Directors:

J. H. LOUDON, *President*
F. A. C. GUEPIN
L. SCHEPERS
L. E. J. BROUWER

Copies of the full Report and Accounts can be obtained from
N. M. ROTHSCHILD & SONS, New Court, St. Swithin's Lane, London, E.C.4.

THE CHARTERHOUSE GROUP

ORDINARY SHARE ISSUE PLANNED

SIR NUTCOMBE HUME'S STATEMENT

The twenty-fourth annual general meeting of The Charterhouse Group Limited was held on April 29th at 30 St Swithin's Lane, London, EC4, Sir Nutcombe Hume, KBE, MC (the Chairman), presiding.

The following is the review by the chairman which had been circulated with the report and accounts for the year ended November 11, 1958:

The Report and Accounts now presented reflect a significant step in the progress of your Company which was formed just 25 years ago with an issued Capital of £200,000 as a wholly-owned Subsidiary of The Charterhouse Investment Trust Limited. In the intervening years and particularly since the end of the last war, several new activities have been added and it has now become an association of enterprises engaged in complementary functions thus forming, what may properly be described as a "Group." Until now, the constituent companies of the group, whether they be financial or industrial, have been linked to the main company somewhat indiscriminately, either as direct subsidiaries, or as sub-subsidiaries, whilst the parent itself, until recently called Charterhouse Industrial Development Company Limited, was also an operating company. In recent months we have planned a major structural re-organisation, which is now well on the way to completion and your Board think that it is bound to be beneficial, in that it makes for simplification of control and clarity of presentation of results.

MAIN EFFECTS OF RE-ORGANISATION

The main effects of this re-organisation may be summarised as follows:—

1. The Group Company will become exclusively a Holding Company directly controlling a number of subsidiaries, each engaged in a specific and definable activity. The industrial and commercial companies in which we hold a controlling interest will become direct subsidiaries of Charterhouse Industrial Holdings Limited and those in which a minority interest is held will become investments of the new Charterhouse Industrial Development Company Limited. Details of the new structure are set out in the Directors' Report.
2. The Board of the Group Company can confine itself to major policy questions, leaving executive management to the Boards of the several operating subsidiaries, each of which is represented on the Group Board.
3. Fully consolidated accounts of the Group can now be prepared and Shareholders thus informed of its true earning power, assets and general progress.
4. The Group Company will be the channel through which future capital will be raised.

PROPOSED SHARE ISSUE

Plans are now well advanced for a public issue of Ordinary Shares, the proceeds of which will be used to repay present bank indebtedness and thus make possible with the continued help and co-operation of our banks, which we have always enjoyed, further development as opportunities offer. This will be the seventh time since 1934, that a cash issue has been made, but so far the Ordinary shares have been privately subscribed and only the 1,500,000 6 per cent Second Preference Shares have been quoted on The Stock Exchange and available to the general body of investors. It is your Directors' earnest wish to see the Ordinary Capital of The Charterhouse Group Limited recognised as an investment of the highest class and this of course, can only be achieved if the Group remains under the best possible management and the progress of the past is maintained in the future. I am convinced that this can and will be done because I have the greatest confidence in the men who form our management team from the Directors (most of whom work full time in the Group's service) downwards.

GROUP'S STRUCTURE

There are some features to which I want particularly to draw your attention.

First, the Group includes companies providing all financial services except that of hire purchase finance and in that field Japhets hold a substantial minority interest in one of the smaller companies. Second, the subsidiary industrial and commercial companies to be grouped in Charterhouse Industrial Holdings Limited cover a wide range of activities and are, we believe, under able management and capable of considerable growth. It should be noted that from this source comes the largest slice of the Group's consolidated profits. Third, the new Charterhouse Industrial Development Company Limited holds minority equity interest in 65 industrial and commercial companies, the majority of which are healthy and growing. Some of these will in due course (as has been the case in the past) provide business as public flotations for The Charterhouse Finance Corporation Limited. Fourth, the Finance Corporation is well-known as an Issuing House well able to attract new issue business on its own account. Fifth, Charterhouse Canada Limited, in which the Pearl Assurance Company Limited and the Compagnie Financière de Suez acquired participations aggregating 45 per cent during 1958, is a useful outpost on the North American continent, and is also capable of considerable growth. Sixth, the presence in the Group of S. Japhet & Company Limited, Merchant Bankers, and Glanville, Enthoven & Company Limited, Insurance Brokers, provide it with a steady source of profit and serve to enhance the services which it can offer.

If, as I hope and expect, the shares of The Charterhouse Group Limited can be established as a sound and popular investment, the Company will be able, as the years go on, to attract to itself additional capital as and when needed and should become an increasingly effective channel of finance for the development of small and medium-sized industrial undertakings which, in due course may themselves grow into the big companies and "blue chip" investments of tomorrow.

The report and accounts were adopted.

The retiring directors, Mr John St Clair Knechtli, Mr Eric Hamilton Owen and Mr Raphael Andrew Harari, OBE, were re-elected and the remuneration of the auditors, Messrs Price Waterhouse and Company, was fixed.

At a subsequent extraordinary general meeting resolutions were passed increasing the capital to £15 million by the creation of an additional 5 million Ordinary Shares and altering the Directors' borrowing powers.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

MR W. JACKSON'S ADDRESS

The fifty-fourth Annual General Meeting of the Association of Certified and Corporate Accountants was held on April 28, 1959, in London. Mr W. Jackson, FACCA, was in the Chair, and in the course of his address said:

The number of new students admitted in 1958, is slightly up on the year before and we seem to have reached a fairly steady average intake of about 1,300 new students per annum. My predecessor referred last year to the general problem of recruitment to the professions and it would, I think, be true to say that never before have school-leavers been wooed as they have been wooed over the past five or six years. Educational and other attractions have been held out to them by industry and this has naturally had a direct effect on recruitment to the professions. But there are now signs that industry may be beginning to reach some measure of capacity in this respect. In the conditions which now obtain, we are entitled to hope for some improvement in the intake to the professions and we should make our plans accordingly.

The Council reported some two and a half years ago that it had appointed a special committee to consider fully the content and administration of the examinations and to make recommendations thereon. At that time we were conscious that in some respects the scope of the examination syllabus was probably capable of improvement, having regard to recent developments in accounting and related techniques and we thought it desirable that the whole structure of the examinations should be objectively and critically reviewed.

I am glad to say that since then much progress has been made and it is hoped that the committee's recommendations will come before Council in the near future.

THE BUDGET

We must all welcome the reduction in the rates of income tax, coupled with the re-introduction of investment allowances, and the more generous treatment of directors under the Profits Tax legislation.

In referring to the re-introduction of investment allowances, the Chancellor went out of his way to warn industry that these allowances were thought to be appropriate to current circumstances but that they should not necessarily be expected to continue. This remark, coupled with our knowledge of past history, creates a situation which we cannot fail to view with considerable concern. Indeed, I would go so far as to say that, as a point of policy, it is quite wrong to make such allowances the subject of frequent variation. The effect upon industry of the concessions now granted must be considerably lessened without some measure of assurance as to the future. Surely the time has come when the basis of calculating annual allowances in respect of capital expenditure should be the subject of the most careful review, because the present methods are liable to produce results which are not as equitable as could be wished. In particular, I regret that the Association's recommendation that allowances should be granted in respect of commercial buildings has not been followed up.

The Association, in common with a number of other organisations who made a similar suggestion, must also feel some disappointment that the opportunity was not taken to abolish assessments under Schedule A.

ATLAS ASSURANCE COMPANY LIMITED

REORGANISATION IN AMERICA

INCREASED LIFE BONUS

The annual General Meeting will be held on May 29th in London.

The following are extracts from the Statement by the Chairman, Mr Rudolph E. F. de Trafford, OBE:

The most important event that I have to report as regards the year 1958 was the agreement entered into with the Royal Exchange Assurance and the Sun Insurance Office Limited, some details of which were announced in the press last October. The effect of this agreement was that from 1st January, 1959, the United States affairs of the three offices and their subsidiary companies were placed under common management.

We hope for real benefits from this arrangement for the future handling of our business in the United States, which figures prominently in our world-wide operations and which was responsible for the adverse results of our Fire Accounts of 1957 and 1958. There have already been worthwhile reductions in operating costs and further savings are to be expected as the new organisation gets fully into its stride. *It must be recognised, however,* that the basic problems of operating profitably in the United States still remain.

FIRE DEPARTMENT

Net Premium Income 1958 ...	£7,197,310
Net Premium Income 1957 ...	£6,414,414
Increase	£782,896

Our loss on the Account was £275,612 (3.8 per cent) following on a loss of £129,880 (2.0 per cent) in 1957.

The profit from our home business was satisfactory and there was a considerable improvement in Canada, though we made a small loss there. Over the remainder of our overseas operations, apart from the United States, we fared well.

In the United States, claims were still unduly high and this, combined with a heavier incidence of commission and expenses and the substantial increase in the provision for unexpired risks, made it an unfortunate year for us. I think I may add that, while our primary purpose must always be to make profits on the underwriting of our insurance business, we receive a considerable income on an investment fund that was largely built up in the United States, and profits on investments realised there during the year under review exceeded £200,000.

ACCIDENT DEPARTMENT

Net Premium Income 1958	£4,321,449
Net Premium Income 1957	£3,815,015
Increase	£506,434

Despite rate increases in various parts of the world the situation in regard to motor insurance remains generally difficult. We again suffered a loss on this business overseas, and in place of the modest profit that we made on our home motor Account for 1957 we showed a small deficit in 1958.

Although the underwriting profit from our activities, £131,222 (3.0 per cent) was lower than that of 1957, namely £207,382 (5.4 per cent) I feel it was not unsatisfactory in all the circumstances.

MARINE DEPARTMENT

Net Premium Income 1958	£790,530
Net Premium Income 1957	£828,739
Decrease	£38,209

The expansion in our premium income from hull business was halted in 1958 as a result of the depression in world shipping and there was further contraction in the volume of our income from cargo business.

While the claims paid showed a small reduction by comparison with 1957 and first year settlements on the Account as a whole were rather lower, subsequent to the close of the year we have been called upon to pay substantial amounts in respect of major casualties.

We have transferred £100,000 to Profit and Loss Account and the Marine Fund at the end of the year was £1,346,983.

LIFE DEPARTMENT

Net Premium Income 1958 ...	£4,130,940
Net Premium Income 1957 ...	£3,962,583
Increase	£168,357

Net new sums assured amounted to £10,303,875 and new deferred annuities were issued for £956,781 per annum. Immediate annuity purchase prices were £352,739.

During 1958 security values rose considerably and at the end of the year the value of the investments was substantially *in excess of the book value before taking into* account the Investment Reserve of £1 million.

The gross rate of interest earned on the Fund increased by 5s. 11d. per cent to £5 17s. 4d. per cent.

The actuarial valuation at December 31st last revealed a surplus of £1,509,142, including £984,991 brought forward from 1957. A reversionary bonus of 50s. per cent per annum, calculated on sums assured and existing bonuses, has been declared in respect of the three years 1956 to 1958. This reversionary bonus, together with interim bonuses paid in 1958 and bonuses on reassurances, absorbed £981,675. The shareholders' proportion of the surplus distributed during the triennium was £112,114. £175,000 was applied to strengthen the valuation reserves and £100,000 has been added to the Investment Reserve. The balance of the surplus, £140,353, has been carried forward.

APPROPRIATION ACCOUNT

After providing for the dividend for the year at the rate of 3s. 6d. per share, 1s. 6d. per share of which was paid in November last, the carry forward amounts to £1,216,405.

PEARL

ASSURANCE COMPANY LIMITED

Chairman: **GEOFFREY KITCHEN, T.D., M.A.**

Points from the Annual Report and Balance Sheet for the year ending 31st December, 1958

TOTAL ASSETS £270,509,818 **GROSS INCOME £59,071,603**

INVESTMENTS

The Assets show an increase of £12,761,421. The valuation of the investments, taking Stock Exchange securities at middle market prices, showed a substantial margin compared with the values shown in the Balance Sheet after taking into account the Investments Reserve Funds.

LIFE BRANCHES

In the two Life Branches the total sums assured on new policies issued amounted to £81,806,225 compared with £74,644,530 for 1957 and the total sums assured and bonuses in force (including the Capital Redemption Fund), amounted to over £668 millions (an increase for the year of over £47 millions). The total new annuities of all kinds amounted to £1,030,590 per annum.

FIRE AND ACCIDENT

In this Branch the premium income was £10,365,951.

REVERSIONARY BONUSES

ORDINARY BRANCH.—A reversionary bonus of **£2 4s. 0d.** per **£100** sum assured or annuity on United Kingdom policies entitled to participate in full profits.

INDUSTRIAL BRANCH.—A sum of £2,581,328 has been allocated to provide bonuses in the Industrial Branch making a total allocation up to date of **£33,884,821.**

CHIEF OFFICES: HIGH HOLBORN, LONDON, W.C.1.

ENGINEERING COMPONENTS LIMITED

GROUP SALES FURTHER INCREASED

The twenty-fourth annual general meeting of Engineering Components Limited was held on April 28th in London, Mr C. C. Griffith, MC (the chairman), presiding.

The following is an extract from his circulated statement:

Group sales further increased by 5 per cent over the previous year but rising costs, most of which were outside our control, and a further rise in respect of wages and salaries, have contributed to the slightly lower profits recorded.

The gasket Manufacturing Subsidiaries continue to occupy the leading position as suppliers to the Motor Industry, and have done everything possible to support their customers by giving an unrivalled service.

Out of the stated profit of £396,321, from which £7,500 has already been deducted as a contribution to the Group Educational and Welfare Fund, taxation takes £222,047 and the Subsidiary Companies retain £16,616 leaving your Company a net profit of £157,658.

The Consolidated Balance Sheet discloses Current Assets totalling £2,185,572 against Current Liabilities of £534,763.

Export sales *reached a record level* and every possible step will be taken to develop this side of the business. During the year we made favourable arrangements for the sale of our gaskets and oil seals in Canada and the United States of America which should ultimately be profitable.

We have acquired the Motor Gasket Manufacturing Section of Hall & Hall Limited, which will enable us to secure the benefits of greater volume.

Whilst conditions remain uncertain, the future looks brighter than it has done for some time.

The report was adopted and the total dividend of 15 per cent approved.

TRADE INDEMNITY COMPANY LIMITED

[illegible] POTENTIAL MORE REALISTIC AND NORMAL

MR H. T. SILVERSIDES REVIEWS CREDIT INSURANCE

The forty-first ordinary general meeting of Trade Indemnity Company Limited was held on April 23rd in London, Mr H. T. Silversides (the chairman) presiding.

The following is an extract from his circulated statement:

The gross premiums earned in 1958 amounted to £1,758,339, a decrease of approximately 2¾ per cent on 1957. On the other hand, the retained premium income of £585,590, after taking into account reinsurances and brokerages, was very slightly up compared with 1957.

During 1958 the turnover of transactions underwritten was again roughly on the thousand million mark and there was virtually no change in the average rate of premium.

Unfortunately, at £2,327,498 the claims paid, less salvages, in 1958 were very much higher than in the previous year. In 1957 the corresponding figure was £449,704 and in 1956 it was £756,889. The increase relates to all three Underwriting Accounts but is heaviest in connection with 1957 Account, that is the Account relating to policies issued in 1957. It will be appreciated that these policies were at maximum exposure during the greater part of 1958 and therefore bore the brunt of the unusually heavy losses incurred during that year.

The retained share of the claims paid, less salvages, in 1958 was £427,540 as against £116,011 in 1957.

The provision for outstanding claims in respect of the closed 1956 Underwriting Account at £53,954 is £10,784 higher than in the previous year, and you will see that Profit Commission on this Account at £30,174 is £10,508 lower, thus reflecting the less profitable outcome. The balance transferred to Profit and Loss on account of 1956 underwriting is £191,312, but against that an amount of £150,000 has been transferred from Profit and Loss to support the 1957 Underwriting Account, thereby enabling a balance of £154,095 to be carried forward in respect of estimated claims and unexpired liability in that account.

The amount carried forward on 1958 Account is £68,100 but substantial additional premiums should accrue on this Account in 1959, and at this juncture it is impossible to make any prediction about the outcome.

Turning now to the Profit and Loss Account, we have £191,312 transferred from 1956 Underwriting Account, to which is added interest on investments and other income (gross) £48,235 giving a total of £239,547, of which £116,712 is absorbed by provision for taxation.

GENERAL REMARKS

During 1958 we have experienced a severe increase in losses. Furthermore, the increase has been of a general nature. It began with losses in Credit Insurance for Shipping and Confirming Houses operating in Commonwealth countries, and in South Africa in particular, it continued in the United Kingdom textile trade and has also affected the timber trade.

Where, for many years we have had to contend with arguments that our premiums are too high in relation to our losses, it could now be said that the reverse is true. Nevertheless, we are trying to steer an even course through a sharp economic squall and, although we have cut down our overseas commitments rather severely, we are hopeful that we can maintain facilities in other directions without undue increases in rates and restrictions in limits.

During the year under review, we have continued to maintain our contacts with the Export Credits Guarantee Department and with credit insurance companies and official export credits organisations in other countries through our membership of the Berne Union and the International Credit Insurance Association.

The years when inflation took so much of the risk out of granting trade credits have come to an end and we must face up to the fact that the risk potential from now on is going to be much more realistic and normal than it has been at any time since the war. Meanwhile we must continue to perform the function for which we exist, that is to say, the levelling out of losses through insolvencies and protracted default over the widest possible range of credit insurance business.

The report was adopted.

NORWICH UNION INSURANCE SOCIETIES

ANNUAL MEETINGS

LIFE SOCIETY

Speaking at the one hundred and fifty-first Annual Meeting of the Norwich Union Life Insurance Society held in Norwich on April 28th the President (Sir Robert Bignold) said it was fitting that in 1958, the Society's 150th Anniversary year, the results again constituted a record. Sums insured under new life insurances exceeded £100 million, an increase of 34 per cent, whilst new deferred annuity business showed a capital value of £50 million.

Total funds increased by £17 million to £168 million. Premium income now exceeded £26 million and net interest income £7 million. Payments to policyholders accounted for outgo of £11¼ million. The net rate of interest earned had risen by 3s. 3d. per cent to £4 12s. per cent.

On the investment side, ordinary shareholdings had been increased by £4 million, whilst a further £5 million was invested in real estate.

FIRE SOCIETY

At the one hundred and sixty-first Annual Meeting of the Norwich Union Fire Insurance Society Limited the Chairman (Sir Robert Bignold) said, although 1958 was a year with tension apparent in far too many quarters of the world, the Society's business had continued to grow.

Fire premiums totalled £7,988,845, an increase of £166,633, whilst claims decreased by £167,801 to £3,510,017. The profit before taxation in the Fire account was £512,960, compared with £148,929 in 1957.

Accident premiums, home and overseas, advanced by £801,014 to £11,466,844, but the account showed an underwriting loss of £204,018 *compared with the loss of £37,147* in 1957.

Marine premiums totalling £1,358,955 showed a fall of £56,411, but the transfer to Profit and Loss from the Marine Account was £40,000 against £30,000.

Total assets amounted to £26,691,042, an increase of £1,339,650.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE CO. LTD.

MR T. H. NAYLOR'S REVIEW OF 1958

A Statement by the Chairman, Mr T. H. Naylor, circulated with the Annual Report and Accounts of The Liverpool and London and Globe Insurance Company Limited reports that 1958 was another year in which the results were dominated by unfavourable conditions in the United States insurance market. The underwriting surplus of £278,876 was the lowest earned for 26 years. Nevertheless, the picture although calling for a cautious assessment of the immediate future was by no means devoid of encouragement. Interest earnings had continued their upward trend and the consolidated profit for the year had increased by £136,139 to £1,354,553.

After allowing for the increased final dividend recommended of 32s., making a total of 62s. per share for the year, the balance carried forward on Profit and Loss Account increased from £4.1 million to £4.5 million.

The biggest problem in the United States was in the Motor insurance market but some premium rate increases had been obtained, others were under discussion and there should be some alleviation this year in the unsatisfactory experience of the last year or two.

Overseas business elsewhere had shown continued development and there had been a gratifying improvement in the overall experience despite some rather severe losses in a few territories.

At home, the business of the Company had continued to expand and had shown a satisfactory result.

In contrast to the experience in the USA, underwriting margins in the Fire Department at home were satisfactory. After allowing for an increase in overseas taxation the final surplus on Fire underwriting at £433,724 was about £150,000 lower than in the previous year.

In the Accident Department the underwriting loss suffered in the United States exceeded the improved underwriting surplus elsewhere and the net result of the year's trading was a loss of £225,681.

At home, official road accident figures continued to show an increasing trend, and with the heavier labour costs of the motor-repairing industry the average cost of claims continued to rise. Everything possible had been done to mitigate the effect of these factors, by following the Company's traditional policy of conservative underwriting, re-rating of accident-prone and substandard risks at renewal, and by unremitting attention to repair charges to ensure that, so far as was economically feasible, no more than a fair and reasonable price was paid for the repairs which had been carried out.

As a consequence of the depression in the shipping industry the volume of business in the Marine Department had fallen slightly. The transfer to Profit and Loss Account in respect of 1956 business amounted to £70,833.

Life business had again increased and, following an actuarial valuation of liabilities as at the end of 1958, the bonus payable on with-profits contracts had been raised to 55s. per cent per annum.

The market value of the investments at the year end had exceeded the balance sheet value by a substantially increased margin.

THE LONDON & LANCASHIRE INSURANCE COMPANY LIMITED

THE HONOURABLE R. M. PRESTON'S STATEMENT

The Annual General Meeting of The London & Lancashire Insurance Company Limited will be held on May 21st at 7, Chancery Lane, London, W.C.2.

The Chairman, The Honourable R. M. Preston, DSO, has issued a statement to Stockholders from which the following has been taken:

The overall result of the operations, although still far from satisfactory, was considerably better in 1958 than in the previous year.

The net world figures for the combined Fire, Accident and Marine Departments were:

	1958	1957
	£	£
Premium Income	34,495,074	33,281,218
Underwriting Profit ..	106,329	—
Underwriting Loss....	—	547,399
Ratio.....	0·31% (Profit)	1·64% (Loss)

Including investment income, and after providing for taxation and contributions to Pension Funds, the aggregate result was a profit for the year of £719,569, against £145,292 in the previous year.

Fire Department:—The picture was much brighter than a year ago.

	1958	1957
	£	£
Premium Income	13,163,608	12,926,296
Underwriting Profit ..	150,319	—
Underwriting Loss ...	—	455,629
Ratio.....	1·14% (Profit)	3·52% (Loss)

Outside the United States and Canada the overall result was satisfactory.

Accident Department:

	1958	1957
	£	£
Premium Income	16,564,057	15,673,637
Underwriting Loss ...	343,990	441,770
Ratio.....	2·08%	2·82%

The Accident account was again dominated by unsatisfactory Motor business in most of the main territories where they operated, despite the tightening up of underwriting procedures which they had instituted and despite the steps which Companies generally had taken (where they were free to do so).

Marine Department:

	1958	1957
	£	£
Premium Income—current year.....	4,767,409	4,681,285
Transfer to Profit and Loss Account	300,000	350,000
Balance of Underwriting Funds—all years	5,232,759	5,129,384
Ratio.....	109·76%	109·57%

The recession in world trade and commodity prices had reduced insured values of hulls and cargoes, caused the laying up of many vessels, and must reduce the volume of premium income. There was still no sign of abatement in the rising cost of repairs.

The only bright spot in the picture was the likelihood that the decline in orders for new tonnage and the reduction in overtime working, would eventually lead to more competitive bids for ship repairs.

Against this background it was satisfactory that the premium income had been so well maintained.

Interest and Dividend:—The interest

THE ... at the first time exceeded £1 million. ... rate of dividend had remained at 7s. per £1 Stock for some years past, notwithstanding the appreciable advance in interest earnings. The Directors considered a modest increase in the dividend was now justified and it was accordingly proposed that the final dividend for 1958 should be at the rate of 4s., making a total of 7s. 6d. for the year. This proposal should not be taken as an indication that the rate of the next interim dividend would necessarily exceed 3s. 6d.

The Chairman concluded his statement by paying tribute to the skill and unremitting hard work of the General Manager, staff and agents throughout the world.

THE MERCHANTS MARINE INSURANCE CO.

The Annual General Meeting of The Merchants Marine Insurance Co. Ltd. will be held on May 27th in London.

The following are extracts from the circulated statement of the chairman, Lord Knollys:

Again, this year, I am able to report a further growth in all sections of our business. Our Marine premium in 1958 amounted to £550,759, an increase of £48,689 over 1957.

The premiums on our Fire, Accident and General business amounted to £498,658, an increase of £32,317 over 1957. However, these Accounts show an overall loss of £53,493.

So far as our Marine business is concerned, the year's results have been satisfactory, and, as I said at the beginning of my statement, the greatest increase in our marine premium has come from our oversea agencies and branches. This side of our business, which has always been a profitable one, has maintained a steady and continued expansion since the war. It would be appropriate for me, at this point, to express your thanks to our agents, branch managers, and their staffs, often working under difficult conditions, all of whom have contributed so materially to the excellent results derived from this side of our activities.

We have transferred £25,000 from our Marine Account to the Profit and Loss Account, and after bringing in interest on our investments, the net surplus is £13,211, which increases our carry forward to £181,015, after paying a dividend of ten per cent. The Marine Fund shown in our Balance Sheet amounts to £609,854 or 110.7 per cent of the premium income and is, in our view, adequate to meet all calls upon it.

AIR SUBSCRIPTIONS TO *THE ECONOMIST*

	Airmail	Air Freight*
Australia, New Zealand	£10 6s.	$25 or £9
Canada	£9 0s.	—
Ceylon	£10 6s.	—
China	£9 0s.	£7 10s.
East Africa	£7 15s.	—
Egypt	£6 0s.	£6 10s.
Europe	£9 0s.	—
Ghana	£5 0s.	£8 15s.
Gibraltar, Malta	—	£7 10s.
Hongkong	£9 0s.	—
India	£9 0s.	—
Indonesia	£7 15s.	—
Iran, Iraq, Israel	£10 6s.	—
Japan	£7 15s.	—
Jordan and Lebanon	£9 0s.	—
Malaya	£9 0s.	£6 10s.
Nigeria	£9 0s.	—
Pakistan	£9 0s.	—
Philippines	£10 6s.	—
Rhodesia (N. and S.)	£9 0s.	£7 10s.
South Africa	£9 0s.	—
South America	£9 0s.	£6 15s.
Sudan	£7 15s.	$25 or £9
USA	—	—
West Indies	£9 0s.	

* Approx. 24 hours slower than airmail.

22 RYDER STREET, LONDON, S.W.1

COMPANY AFFAIRS

THE GRANADA GROUP

DEALINGS under rule 162 (2) in the 5s. "A" non-voting ordinary shares of the Granada Group were banned last August. But dealings in the shares took place unofficially as investors were eager to take a stake in the commercial television interests of this cinema group which is tightly controlled by the Bernstein family. Recently, in unofficial dealings, the price has been carried up to 83s. Now there is to be a full official quotation on the "A" shares. The brokers, Rowe Swann and Company, have placed 150,000 of these shares at 70s. each, of which 100,000 will be available through the market. There seems to be no chance that more shares will be released, and to promote an orderly market the Stock Exchange Council asked the jobbers to leave their lists open for a full day. This will enable the jobbers, who will sell the shares at 70s. 6d. each, to estimate the potential demand and to ration the allotment to individual buyers. The demand for the shares will be high, for the placing price is on the low side.

In seeking the official quotation, the directors have said that profits before tax in the year to end-September will be not less than £1,750,000 and the ordinary dividend not less than 80 per cent. Thus the shares are being offered on an earnings cover of about 2¼ times and on a yield of 5⅝ per cent. If the company terminates its programming arrangements in 1960 future earnings will be much higher. In addition, the company has dropped its plan for issuing "A" shares at par to executive directors and executive staff. This will please investors, but the plan has been dropped not so much because of the criticism it invoked but because of tax difficulties.

GEORGE NEWNES

WHEN the *News of the World* made a bid for the ordinary share capital of George Newnes, that company's £1 ordinary units stood at 107s., only 3s. below the bid price. The directors of George Newnes were therefore strongly placed if they wished to fight off the bid. That certainly is how Throgmorton Street judged the situation and after the bid was announced the shares climbed to 115s. This week the directors of George Newnes have recommended shareholders not to accept the bid. In doing so they made the classical riposte to a take-over bid: they have raised the ordinary dividend. But this was not a sudden change of heart in the boardroom prompted simply by fears of a take-over, for Newnes' dividend record in recent years has been progressive. A final dividend of 20 per cent is to be paid on the capital as it will stand after the 40 per cent scrip issue announced a month ago is made. An interim of 5 per cent has already been declared on the existing capital. On the present capital the effective increase in the total dividend is from 20 to 33 per cent, or from 14.3 to 23.6 per cent on the capital as increased by the scrip issue. It is to be made for the financial year ended on March 31st, in which gross profits were slightly down and net profits slightly up on their 1957-58 levels.

The dividend itself is an effective reply to the take-over bid and the directors have come to their decision in the belief that the bid price of nearly £9,700,000 does not adequately reflect the current value of assets nor the goodwill that has been built up, and that the company, possessing strong liquid resources, is capable of further development. The ball is now back in the court of the *News of the World*. But its ability to make a better offer than its original one is hampered by its own paucity of cash and by the fact that the Newnes ordinary shares are quoted at 117s. 6d.

DEBENHAMS

THE Capital Issues Committee did not eye with much favour applications by department stores and multiple stores to raise new capital. Now that the CIC is in cold storage, these stores, like the banks, have been quick to take advantage of the new freedom. Among the multiples, United Drapery Stores has announced its intention of making a £3,000,000 rights issue of ordinary shares and among the department stores both Harrods and Bentalls seem likely to come to the market for new money. The biggest department store group of all, Debenhams, could not afford to wait: over the next three or four years it will need £8½ million in new money, of which only £3½ million is expected to come from depreciation and retained earnings. It has therefore decided to raise about £5 million by a 5½ per cent second debenture stock, 1979-83, at 97½.

Debenhams has already modernised many of its stores. But its building and development programme is not yet complete since some major schemes had to be postponed when credit was tight and CIC restrictions were in force. With the directors bent on expansion and the acquisition of new subsidiaries, the new stock is being offered on good prospects of improving cover. For ordinary shareholders it means another increase in the gearing on their already highly geared holdings. The issue is pitched close to prevailing market rates; the stock offers a flat yield of £5 12s. 10d. and a redemption yield to the latest date of £5 13s. 10s.—which is only 1s. above the redemption yield now offered on the market price of the Esso debenture that has the same coupon and the same life.

LOMBARD BANKING

THE rights issue recently foreshadowed by the directors of Lombard Banking is to take the form of a composite issue of three £1 new 5 per cent cumulative second preference shares and three new 5s. ordinary shares for every ten 5s. ordinary shares now held. The terms of the issue have not yet been fixed, but the intention is to raise about £3 million. Now that profits tax is charged at a flat rate an issue of preference shares is more acceptable to ordinary shareholders than in the past when the full burden of distributed profits tax fell on their earnings. The issue of preference shares will raise the gearing on Lombard's ordinary stock, but clearly the real attraction will lie in the price on which the ordinary shares are issued. Lombard Banking is intent on expansion, both in this country and Australasia. After the issue it will have £2,612,000 of preference capital and £2,185,000 in 5s. ordinary shares.

DISCOUNT HOUSES

THE large profits shown by discount houses in the financial year ending this spring were described by Mr. G. M. B. Portman, the chairman of Allen Harvey and Ross, in his statement with the annual report as exceptional—"so exceptional that . . . the time is scarcely suitable to suggest any substantial increase in distribution." Bank rate was first lowered from 7 per cent towards the end of March, 1958, and then fell rapidly until it grounded at 4 per cent last November. The market can no longer feel sure in which direction the next change will be. Experience of fluctuating money rates since 1955 has rightly encouraged the discount houses to seize this exceptional opportunity to increase their reserves. The latest chairmen's statements emphasize the increase in these reserves rather than the increase in ordinary dividends paid this year. Nevertheless, distributions have been advanced quite generously.

Short-dated bonds have offered the discount houses attractive yields and bond portfolios have been increased considerably. A stronger reserve seems an obvious precursor to this policy. Allen Harvey and Ross has rebuilt its bond portfolio from £7,844,000 million to £11,815,000—still below the portfolio of £14,729,000 held two years ago. Smith St Aubyn has reduced its bond holdings from £20,811,000 to £11,856,000 a year ago, but at March 31st the book value of its investments had risen to £26,979,000.

SHIPPING PROFITS

ALTHOUGH shipping profits have fallen very sharply and promise to decline still more this year, investors in the shipping industry cannot be wholly dissatisfied with the dividends that have so far been declared. It is true that some of these payments have been reduced but these reductions have not been exceptionally severe. For example, the consolidated trading profits

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Shell, BP and Burmah

PERHAPS the average stockholder makes little of the dreamy figures of the Royal Dutch/Shell and British Petroleum reports. He will notice that BP increased its production of crude and its sales of crude and products to 62 million tons last year—gains of 20 per cent or so, which hardly sound like a depressed year for oil. But here it is a case of taking two years together in terms of volume because the natural expansion to be expected in 1957 was frustrated by the aftermath of Suez.

The arresting thing about BP's figures last year is that despite this great increase in the volume of oil handled, the group's net sales were only £2 million higher than in 1957. And to rub in the arguments presented to the Cairo Oil Congress there is the calculation in the BP report that the Middle East host countries last year received £119 million, whereas the BP group net income was £63 million. This is what 50-50 was meaning last year, when realised prices (on which profits are calculated) were lower than posted prices (on which royalties are paid); and the post-production stages of shipping, refining and marketing were not earning nearly their proper keep. BP was fortunate that last year it had the best part of 25 million tons of cheap crude at its disposal, above its own refinery requirements.

BP's output was well up. Royal Dutch/Shell's was slightly down over the whole year—but with the important proviso that daily production in the last quarter of the year reached a new record. Indeed, it was in the last quarter of 1958 that Royal Dutch/Shell saw the first light of recovery from the depressing conditions earlier in the year; and now it seems that the expansion of volume, with business generally on the up-grade, is making good the effect (which certainly would otherwise be serious) of the continuing softness of crude oil prices.

In financial terms, BP did distinctly well, with an increase in net income after taxes from £54.6 million to £63.0 million. A year ago, there had been murmurings at Shell that the year might see a drop in net income of 25 per cent, and that is close enough to the final outturn—down from £212.7 million to £150.7 million. But already there are signs of improvement in oil earnings—shown for instance in Standard of New Jersey's advance to $167 million in the first quarter, against $146 for the first quarter last year—and Shell's first quarter figures due on May 28th will tell a different story from the 1958 results.

Sometime, it is supposed, oil companies will just give up spending so much on capital account and then it really will be the shareholder's turn. In last year's context—falling crude prices, conditions of general oversupply of crude and most products, tankers galore and more building and refineries and marketing installations on which (it is said) the return does not bear examination—by all these considerations there was never a time when a cut in new investment would have been more justified. Nothing of the sort has happened. Royal Dutch/Shell have spent virtually the same amount, just short of £390 million, on capital account in the last three years and they seem to be thinking in the range of £400 million for this year. There is certainly no hint in this slightly cautious report that capital investment should be modified:

> The Shell Group's programme of essential capital expenditure, being geared to the levels and the nature of business expected after several years, is capable of adjustment in the face of short-term influences only to a limited extent, and must accordingly be insulated from such influences so far as possible.

Incidently the Shell group reports that £1,000 of fixed assets are needed for every extra barrel a day found and marketed.

BP's figure for capital expenditure was £137 million; and there are contracts outstanding which involve £147 million of new capital expenditures. The generation of such cash flows counts on an ever-expanding basis of business and last year was not ideal for self-generated capital. BP provided in write-offs and appropriated profits rather more than £75 million—with the slightly plaintive note that the replenishment of the group's central resources out of which new investment is largely financed "is a matter needing constant attention." Royal Dutch and Shell provided £126 million of new money from issues made early last year—the first major capital raising for five years; and that covered less than a third of the operating group's capital needs in a single year. The voracity for capital continues unabated by any consideration of temporary marketing problems.

There is a common note of caution when the two groups assess the trading outlook. "Demand though increasing has not caught up with supply," says Sir Neville Gass; and he adds that BP's sales may slightly exceed last year's volume but, on present indications, without any increase in trading margins. Lord Godber talks of a considerable potential of oversupply continuing this year and causing keen competition and lower prices. Both chairmen mention Soviet oil exports—doubled in the last three years—and the frustration of increased sales of oil to the United States by the mandatory controls imposed in March. This latter is a point of particular relevance to Shell, which has important outlets of Venezuelan crude and products to the United States.

But neither report has any doubt on the score of long-run expansion. Last year even in the United States demand for oil rose by 2½ per cent, and in Europe, where the change to fuel oil is far from finished and demand for gasoline and kerosene is vigorous, there was a 15 per cent increase. The degree of world recovery that will lift world oil consumption by more than last year's 5 per cent and take some of the present pressure off prices would not, in all probability, have to be large. The industry has plenty of facilities for producing more oil; but it has always liked to have a two or three year start on demand, and its recent disappointments are the result of a kink in the consumption curve that seems even now to be straightening out.

For investors there is a difference of one per cent between Shell (4.6 per cent at 133s.) and BP (5.7 per cent at 50s.). Burmah, as seems appropriate, sits between them with a yield of 5.5 per cent at 81s. 9d. Burmah's one-for-one scrip issue is up to the best expectations after BP's similar issue last October; Burmah holds £53,429,850 of BP stock which is to be written up from the present book value of 10s. to 20s. per £1 unit and will thus still leave a 60 per cent undervaluation against the present price of 50s. Burmah's dividend of 2s. 9d. (against 2s. 7d.) tax free did no more than compensate for the change in the standard rate, despite the distinct improvement in trading profits. But there will be bigger investment income in the 1959 accounts because of Burmah's bigger holding in Shell and the increased dividend recently declared by BP.

SALES AND PROFITS
(£ million)

	ROYAL DUTCH/SHELL Half years 1957 I	1957 II	1958 I	1958 II	Years 1957	1958	BRITISH PETROLEUM Half years 1957 I	1957 II	1958 I	1958 II	Years 1957	1958
Gross sales	1,207·4	1,313·9	1,232·7	1,394·0	2,521·3	2,546·7	336·4	405·6	404·2	425·1	793·0	827·3
Sales taxes, etc.	251·7	291·4	231·3	310·7	543·1	592·0	93·2	103·9	109·1	121·9	197·1	231·0
Net sales	1,055·7	1,022·5	961·4	993·3	2,078·2	1,954·7	293·2	302·7	295·1	303·2	595·9	598·3
Op. expenses, etc.	733·4	753·7	716·4	754·5	1,497·1	1,470·9	222·6	211·8	211·8	211·6	434·4	423·4
Depreciation, etc.	105·1	111·2	103·5	101·1	217·3	209·6	19·7	23·8	22·6	25·9	43·5	48·5
Loan interest	2·9	4·1	3·3	3·9	7·0	7·7	1·7	1·7	2·8	3·2	3·4	6·0
Gross profit	203·3	143·5	132·7	133·8	355·8	265·5	49·2	65·4	57·9	62·5	114·6	120·4
Gross income	211·2	168·1	135·7	158·1	379·3	293·8	55·0	71·6	66·2	71·8	126·6	138·0
Taxation	83·6	57·9	55·5	74·2	147·5	129·7	32·4	39·1	40·1	34·7	71·5	74·8
Minority interests	11·1	8·0	5·0	8·4	19·1	13·4	0·2	0·3	0·1	0·1	0·5	0·2
Net income	113·5	102·2	75·2	75·5	212·7	150·7	22·4	32·2	26·0	37·0	54·6	63·0
Investment income	2·9	19·6	3·0	24·3	22·5	27·3	5·8	6·2	8·3	9·3	12·0	17·6
Gross profit as % of net sales	19·7	14·5	13·8	13·5	17·2	13·6	16·8	21·6	19·6	20·6	19·2	20·1
Net income as % of net sales	10·5	10·0	7·8	7·6	10·2	7·7	7·6	10·6	8·8	12·2	9·2	10·5

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of **Royal Mail Lines** fell by over a third from just over £3 million to £2,300,059 last year but the ordinary dividend has been cut by only one per cent—from 9 to 8 per cent. That payment is still effectively higher than the dividends paid in the years preceding 1957. How long the shipping companies will try to hold the line on dividends remains to be seen and investors have to continue to take careful note of the warnings about profits such as that made by Sir Alan Tod, the chairman of **Liner Holdings**, when he told shareholders that trading profits in 1958 (which fell from £6,560,000 to £4,960,000) did not fully reflect the fall in freight rates. But the directors of Liner Holdings have left the ordinary dividend unchanged at 13 per cent for the third year running. Their ability to do so is a reflection both of the strong cover that disclosed net profits provide and of the strength of the group's liquid resources. These resources at £17,692,000 amply cover outstanding capital commitments of £7,900,000. The £1 ordinary shares of Liner Holdings yield 5.9 per cent at 43s. 9d. while the £1 units of Royal Mail yield over 7 per cent at 22s. 9d.

The slump in freight rates hit **France Fenwick** with especial severity and it is one of the very few shipping companies that has brought the dividend down with a bump. Its ordinary dividend has been cut from 15 to 10 per cent and its tax-free capital distribution from 3 to 2 per cent. This follows on a fall of more than 40 per cent in the group's trading profits, from £1,158,172 to £677,895. Its £1 ordinary shares fell by 1s. 3d. to 30s. 6d. on the news. At 28s. 9d. xd yield is nearly 7 per cent.

UNITED MOLASSES

THE ordinary dividend of United Molasses for 1958 was never in any real danger even though profit margins on molasses were narrowing and shipping profits were falling, for the directors had already made it clear that they were prepared to hold the dividend at 1s. 5d. per share free of tax even if that meant drawing upon the substantial reserves amassed by the group when profits were booming.

Last year, United Molasses' trading profits fell by £1,461,051 to £5,112,271; that is sharper than the decline reported in 1957 when profits were reduced by the writing-down of stocks of molasses. The big fall in tax from £2,948,994 to £1,690,635, the writing back of £281,022 from tax provisions no longer required and a small reduction in depreciation have left the ordinary dividend still well covered. In fact, the directors have raised the net rate of dividend to 1s. 6d. per share. The gross rate of dividend has therefore been increased from 24.64 per cent to 24.93 per cent and this slightly more than compensates shareholders for the loss in income that faced them when the standard rate of income tax was reduced. The net dividend thus absorbs £1,319,288 out of available profits of £2,403,876, so that over £1 million has been ploughed back into the business. In addition, the directors have again recommended a tax-free distribution of 3¾ per cent from the surplus arising on the realisation of investments. The 10s. ordinary units at 34s. yield 7.2 per cent.

UNION CORPORATION & THE BRITISH SOUTH AFRICA COMPANY

UNION CORPORATION has only a limited stake in base metals and the British South Africa Company, anxious to build up its portfolio against the day when its royalty rights in Rhodesia expire in 1986, has so far acquired only a small stake in South African gold mines. The directors of both companies have put forward a plan for shareholders' approval which will have the effect of widening the spread of mining interests in the portfolios of both companies by the simple device of exchanging shares. Union Corporation proposes to issue to "Chartered" 700,000 of its 2s. 6d. shares in exchange for 455,000 of "Chartered's" 15s. units. At the ruling prices before the proposal of 56s. for Union Corporation's shares and 84s. 9d. for "Chartered's" shares, each company would acquire a holding in the other worth about £1,950,000.

This exchange should commend itself to shareholders in both companies. After the exchange, Union Corporation will own about 2½ per cent of the equity of "Chartered" and "Chartered" about 7 per cent of Union Corporation's equity, so that voting control in the two companies remains unaffected. The share exchange is limited in scope, but it could perhaps be a precursor of much greater integration between these two finance houses.

UNIT TRUSTS

THE "Allied" group has made a block offer of one million units in **Electrical and Industrial Development Trust.** Early in 1957 and again in 1958 they made offers of 200,000 units. In the latest issue the managers have set the price at 19s. 3d. net per unit, or 1½d. below the maximum price permitted by the Board of Trade regulations. This trust, which operates as an appropriation fund, has thus cut down its loading charge, passing on to investors some of the reduction in issue expenses which it hopes to achieve through a large block issue. The yield on this portfolio is relatively high at £5 12s. 6d. per cent—though it compares with a yield of £7 15s. 6d. obtainable on the units of the trust at the time of the previous block offer in January, 1958.

The Bank-Insurance group have introduced a new thrift scheme to encourage investment in **Investment-Trust-Units** and "**Consolbits.**" After an initial purchase of 10 units, a subscriber can make regular monthly payments of as little as £1 per month towards the purchase of more units by a standing order with a bank or the Post Office Savings Bank.

London Stock Exchange

FIRST DEALINGS:	Apr. 15	Apr. 29	May 20
LAST DEALINGS:	Apr. 28	May 19	June 2
ACCOUNT DAY:	May 5	May 26	June 9

AFTER some activity in gilt-edged stocks on Monday, especially among the longer dated issues, interest slackened when institutional buying dried up and War Loan closed at 66⅞ on Wednesday, having touched 66⅞ on Monday. Among corporation loans the new LCC 5 per cent stock 1980-83 (£10 paid) improved by ⅛ to 91⅞.

Leading industrial equities remained firm and on Monday 19,221 dealings were marked, against 17,692 on the previous Monday. Following the start of the Whitsun account on Wednesday prices went ahead quite strongly in a market none too well supplied with stock. *The Economist* Indicator rose by 3.2 to a fresh peak of 263.3. British Oxygen jumped by 4s. 9d. to 59s. 9d. and Rolls-Royce by 3s. 6d. to 98s. Elliott-Automation rose by 3s. 7½d. to 27s. and Beechams by 1s. 4½d. to 33s. 6d. after 34s. following the introduction of American deposit receipt facilities in these stocks in New York. Selected motor and aircraft shares were once again active, Rover gaining 1s. 3d. to 25s. 6d. and Standard 11½d. to 11s. 2½d. Jaguar ordinary rose by a further 5s. 7½d. to 61s. 10½d. Fairey in aircraft shares gained 2s. 1½d. to 24s. 6d. largely on buying from the US. Building and road making issues were in demand following the full report of Rugby Portland Cement. Associated Portland Cement rose by 5s. 9d. to 65s. 6d. and British Portland Cement by 6s. 3d. to 49s. 3d. Limmer and Trinidad gained 2s. 9d. to 38s. 6d. and Amalgamated Roadstone 3s. to 39s. Textiles scored further modest gains on the Government's plan for the industry but Horrockses fell by 2s. to 31s. 6d. Courtaulds fell by 7d. to 31s. 10½d., reflecting the fall in man-made fibre output.

HP shares were outstanding in the general advance and British Wagon jumped by 13s. 9d. to 144s. Insurance shares were also strong as bigger dividends were announced, but Eagle Star dropped by 7s. 6d. to 186s. 3d. on disappointment with its dividend. Banks were dull, and Barclays closed 3s. lower on the week to Wednesday evening at 65s. 9d. and Martins 1s. 6d. lower at 21s. 9d.

After last week's bid by Shell for Canadian Eagle the Bearer shares in that company gained a further 1s. to 82s. 3d. and the Registered the same amount to 81s. Elsewhere oils were dull but on the first day of the new account Ultramar rose by 3s. 3d. to 72s. 9d. Kaffirs were patchy, Middle Wits gaining 1s. 10½d. to 21s. 9d. on Johannesburg buying, and FS Geduld 3s. 1½d. to 178s. 1½d. Selection Trust gained 1s. 10½d. to 105s. 7½d. in line with the rise in the price of copper and "Chartered" rose by 2s. 3d. to 87s. 6d. Rubbers were irregular but teas scored many gains on yield considerations and the rising trend of prices at the auctions.

LONDON AND NEW YORK STOCKS

Prices, 1959 High	Prices, 1959 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 22, 1959	Price, April 29, 1959	Net Yield, April 29, 1959 § £ s. d.	Gross Yield, April 29, 1959 £ s. d.
100 3/16	100	War Loan 3% 1955–59	100 3/32	100 1/8	1 8 10	2 14 3
97 3/4	96 11/16	Funding 2 1/2% 1956–61	97 7/16	97 3/16	2 15 11	3 16 0
99 3/16	98 31/32	Exchequer 2 1/2% 1960	98 27/32	98 7/8	2 9 2	3 8 10
100 3/16	99 1/8	Exchequer 3% 1960	99 23/32	99 23/32	1 18 11	3 6 9
101 11/32	100 25/32	Conversion 4 1/2% 1962	101 1/8	101 3/32	2 4 5	4 1 8
96 5/32	94 7/16	Exchequer 3% 1962–63	95 25/32	95 7/8	2 15 10	4 1 11
101 3/4	101 3/32	Conversion 4 3/4% 1963	101 5/16	101 1/2	2 7 0	4 7 0
92 15/16	91 3/16	Savings Bonds 3% 1955–65	91 15/16	92	3 6 6	4 11 10
85 13/16	83 1/4	Funding 3% 1959–69	83 11/16	83 15/16	3 16 0	5 1 10
93 1/16	90 3/8	Funding 4% 1960–90	91 3/16*	91 3/16*	12 0 8 / 2 17 8	4 10 8 / 4 5 0
83 7/16	80 7/8	Savings Bonds 3% 1960–70	81 13/16	82	4 16 10	5 3 6
93 5/8	91 5/8	Exchequer 2 1/2% 1963–64	92 3/8*	92 7/16*	3 3 1	4 3 2
100 7/16	99 15/16	Conversion 4 1/2% 1964	100 1/32	100 5/16	2 14 0	4 8 6
86	83 15/16	Savings Bonds 2 1/2% 1964–67	84 5/16*	84 7/16*	3 16 1	4 17 5
76 13/16	75 7/16	Savings Bonds 3% 1965–75	76 7/16	76 5/8	3 16 2	5 4 1
105 1/16	102 5/8	Exchequer 5 1/2% 1966	103 5/16	103 3/8	2 17 10	5 0 7
86 3/8	83 1/4	Funding 3% 1966–68	85 1/16	85 3/8	3 15 8	5 2 11
98 1/8	96	Victory 4% 1920–76	96 3/8	96 3/8	2 19 4	4 11 11‡
89 13/16	87 5/8	Conversion 3 1/2% 1969	88 1/16	88 7/8	3 10 8	5 0 5
101 3/8	98 3/4	Conversion 5 1/4% 1974	101 3/8	101 1/4	3 3 11	5 6 0
79 3/4	76 7/8	Treasury 3 1/2% 1977–80	79 1/16	79 5/8	3 11 8	5 4 11
78 7/8	76 15/16	Treasury 3 1/2% 1979–81	78 3/8	78 7/16	3 12 3	5 4 6
104 5/16	101 1/8	Funding 5 1/2% 1982–84	104 1/8	104 5/16	3 3 3	5 5 11
68 1/4	65 7/8	Redemption 3% 1986–96	66 7/8	67	3 8 3	4 19 3
74 1/16	71 1/4	Funding 3 1/2% 1999–2004	73 3/8	73 3/4	3 5 10	5 0 9
75 9/16	73 1/16	Consols 4% ..after Feb. 1957	75 7/16	75 9/16	3 5 4	5 7 3
68 5/16	66 1/8	War Loan 3 1/2% ..after 1952	67 5/16	66 1/2*	3 4 4	5 4 10
68 1/16	65 7/8	Conv. 3 1/2% ..after Apr. 1961	66 3/4	66 5/16	3 4 4	5 5 3
60	57 1/8	Treasury 3% ..after Apr. 1966	58 1/4	58 3/8	3 3 1	5 3 2
53 3/8	51 3/8	Consols 2 1/2%	51 7/8	51 7/8	2 19 2	4 16 9
51 1/8	49 1/8	Treasury 2 1/2% after Apr. 1975	49 11/16	49 3/4	3 1 9	5 0 11
96 7/16	94	British Electric 4 1/2% 1967–69	96 1/8	96 3/8	3 4 10	5 1 7
80 1/8	77 1/4	British Electric 3% ..1968–73	79 1/8	78 5/8	3 17 0	5 4 0
76 13/16	74 1/8	British Electric 3% ..1974–77	75 3/8	75 7/16	3 14 10	5 2 9
90 3/16	87 5/8	British Electric 4 1/2% 1974–79	88 3/4	88 15/16	3 7 6	5 3 4
80 3/8	77 5/16	British Electric 3 1/2% 1976–79	78 3/4*	78 7/8*	3 12 0	5 3 5
89 13/16	87 1/8	British Gas 4% 1969–72	89 1/4	89 13/16	3 9 4	5 3 4
87 3/8	84 3/4	British Gas 3 1/2% 1969–71	86	86 1/4	3 11 2	5 1 3
69 7/16	66 5/8	British Gas 3% 1990–95	67 15/16*	68*	3 7 7	4 18 0
80 1/8	77 1/4	Brit. Transport 3% ..1968–73	78 1/2	78 3/8	3 17 0	5 4 0
86 15/16	84	Brit. Transport 4% ..1972–77	86 7/8	86 15/16	3 9 6	5 4 7
69 3/16	66 1/4	Brit. Transport 3% ..1978–88	68 3/8	68 7/16	3 12 9	5 3 6

Prices, 1959 High	Prices, 1959 Low	FIXED INTEREST STOCKS	Price, Apr. 22, 1959	Price, Apr. 29, 1959	Yield, April 29, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	99 5/8	Australia 4 1/2% 1960–62	100 1/8	100 3/8	4 5 0e
107	103 3/4	Australia 6% 1974–76	105 1/8	105 1/4	5 9 8e
77	74 1/2	Ceylon 4% 1973–75	75 1/2	75 1/2	6 9 9‡
102 3/8	99 1/2	Jamaica 6% 1977–82	100 3/4	101	5 18 2e
105 7/8	104 1/4	New Zealand 6% 1976–80	105 1/2	105 3/4	5 9 6e
101 7/8	95 1/4	Rhodesia and Nyasaland 6% 1976–79	95 1/4*	95 1/4*	6 9 2‡
74 1/4	69 1/2	Southern Rhodesia 2 1/2% 1965–70	71	71	6 1 8‡
		CORPORATION AND PUBLIC BOARDS			
103 3/8	100 7/16	Agricultural Mortgage 5 1/2% 1980–85	102 1/2	102 1/2	5 6 0e
104	102 3/4	Birmingham 5 3/4% 1974–76	104	104	5 4 7e
94 1/2	92 1/8	Bristol 3% 1958–63	94 1/2	94 1/2*	4 10 3‡
98 1/2	95 1/2	Glasgow 4 1/2% 1956–68	96 1/2	95 1/2*	5 7 10‡
101 1/4	99 1/4	Corporation of London 5 1/4% 1976–79	99 1/4*	99 1/4*	5 5 10‡
57	55 1/4	L.C.C. 3% ..... after 1920	55 1/2	55 1/2	5 8 1‡
64	62 1/8	Met. Water Board 'B' 3% 1934–2003	63 1/2	63 1/2	5 1 9‡
		FOREIGN BONDS			
110	101 1/4	German 7% 1924 (British Enfaced 5%)	108*	108 1/2*	...
192	177	German 5 1/2% 1930 (Enfaced 4 1/2%)	190 1/2	192	...
36 1/4	23 1/4	Greek 7% Refugee 1924	35 1/2	36 1/4	Nil
169 1/4	161 1/4	Japan 5% (Enfaced) 1907	161 1/2	163 1/4	...
118 3/4	114 1/2	Japan 6% (Enfaced) 1924	118 3/4	118 3/4	...
59	55	Uruguay 3 1/2% Bonds (Assented)	58	58 1/4	...

NEW YORK CLOSING PRICES

	Apr. 22 $	Apr. 29 $		Apr. 22 $	Apr. 29 $		Apr. 22 $	Apr. 29 $
Ath. Topeka	29 5/8	29 3/8	Boeing	40 3/8	39	Inter. Nickel	91 5/8	92 5/8
Can. Pacific	30 1/2	30 3/8	Celanese	32	30 3/4	Inter. Paper	119 1/2	117
Pennsylvania	17 3/4	17 3/4	Chrysler	63 1/2	66 1/2	Kennecott	112	113 1/2
Union Pacific	35 1/4	34 1/2	Col. Pafmotive	120	123 1/2	Monsanto	49 3/4	49 1/2
Amer. Electric	51 3/8	51 1/2	Crown Zeller	55 3/4	56 1/4	Nat. Distillers	32 1/2	31 1/2
Am. Tel. & Tel.	258	254 1/8	Distillers Seag.	38 1/8	34	Pan-American	32 1/8	31 1/4
Cons. Edison	64 1/4	64 3/8	Douglas	51 3/8	51 5/8	Procter Gamble	82 7/8	78 1/8
Int. Tel. & Tel.	39 1/4	41	Du Pont	238	240	Radio Corpn.	57 5/8	61 1/2
Standard Gas	3 3/8	3 1/4	East. Kodak	87 1/2	88 3/8	Sears Roebuck	44 1/8	43 1/2
United Corpn.	9 1/4	9 1/4	Ford Motor	63 5/8	64 5/8	Shell Oil	85 7/8	84 5/8
Western Union	37	36 1/2	Gen. Electric	83 3/8	83 1/2	Socony-Mobil	46 1/2	45 5/8
Alcoa	20	83 1/4	General Foods	80 5/8	80 1/4	Stand. Oil Ind.	51 5/8	51
Aluminium	29 5/8	28 7/8	General Motors	49 1/2	49 3/8	Stand. Oil N.J.	52 5/8	52 5/8
Amer. Can	43 3/8	43 1/2	Goodyear	136	142	20th Cent. Fox	40 3/8	40 1/4
Am. Smelting	48 3/4	47	Gulf Oil	116	116	Union Carbide	136 1/2	135*
Am. Viscose	47	49 3/8	Heinz	68	67	U.S. Steel	92	91 5/8
Anaconda	67 1/4	64 7/8	Int. Bus. Mach.	577	590	West. Electric	81 1/4	85 3/8
Beth. Steel	51 1/8	50 3/8	Int. Harvester	42 1/2	42 5/8	Woolworth	55 3/4	55*

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c)		STEEL AND ENGINEERING	Price, Apr. 22, 1959	Price, Apr. 29, 1959
		%	%			
32/7 1/2	28/11 1/2	5 a	8 b	Colvilles £1	31/–	31/6
32/9	26/6	4 a	8 b	Dorman Long £1	31/4 1/2	32/3
25/9	20/9	6 c	3 a	Steel Co. of Wales £1	24/9	24/3
31/3	25/–	3 a	8 b	Stewarts & Lloyds £1	29/–	28/9
43/–	35/11 1/2	6 a	10 b	John Summers £1	41/10 1/2	42/4 1/2
32/–	24/9	4 a	8 1/2 b	United Steel £1	31/11 1/2	30/3
36/–	30/8 1/4	6 b	4 a	John Brown £1	35/6	35/9
10/–	8/3	4 a	11 b	Cammell Laird 5/–	8/9*	8/3
63/6	53/4 1/2	5 a	15 b	Swan Hunter £1	61/–	62/–
36/6	31/–	2 1/2 a	7 1/2 b	Vickers £1	34/4 1/2	34/4 1/2*
68/3	60/6	6 3/4 b	5 a	Averys £1	63/3	68/3
20/3	16/–	†17 3/4 a	†4 3/4 b	Coventry Gauge 10/–	20/–	19/9
42/6	36/6	†2 a	†4 b	Alfred Herbert £1	40/9	42/6
18/4 1/2	16/9	10 b	5 a	Ransome & Marles 5/–	18/1 1/2	18/–
46/11 1/2	39/9	9 1/2 b	3 a	Renold Chains £1	45/–	46/–
43/6	37/–	8 3/4 b	3 a	Allied Ironfounders £1	42/6	43/6
54/–	46/3	6 a	7 b	Babcock & Wilcox £1	49/9	48/–*
85/–	64/–	4 a	13 1/2 b	British Aluminium £1	64/–p	64/–p
98/–	86/3	15 c	20 c	Davy & United £1	97/–	98/–
59/9	51/3	7 1/2 b	4 a	Guest Keen £1	56/6	59/9
79/6	67/–	7 b	5 a	Metal Box £1	75/9	77/3
55/–	47/–	3 3/4 a	4 3/4 b	C. A. Parsons £1	49/6	47/–*
25/9	23/6	15 b	10 a	John Thompson 5/–	24/6	24/3
85/–	72/–	10 b	7 1/2 a	Tube Investments £1	84/–	83/6
				BUILDING, etc.		
65/6	49/9	6 b	3 a	Associated Portland £1	59/3	65/6
24/3	21/–	7 1/2 b	5 a	British Plaster Board 10/–	23/10 1/2	24/3
78/–	59/7 1/2	8 3/4 c	5 c	Richard Costain £1	78/–	77/–
12/11 1/2	9/7 1/2	10 b	5 a	Crittall Manufacturing 5/–	12/1 1/2	12/–
70/9	61/3	15 3/4 c	6 a	London Brick £1	69/6	70/9
91/9	79/9	13 1/2 b	5 a	Wall Paper Defd. £1	90/9.	91/9
				CHEMICALS AND PAINT		
23/3	20/–	4 a	13 b	Albright & Wilson 5/–	22/4 1/2	23/3
22/4 1/2	15/3	2 1/2 1/2 d	5 5/8 b	Borax Defd. 5/–	21/3	21/9
8 1/4 1/2	6/10 1/2	7 1/2 c	12 1/2 b	Brit. Ind. Plastics 2/–	7/7 1/2	7/7 1/2
49/9	43/10 1/2	3 1/2 a	6 3/4 b	Fisons £1	48/3	49/9
38/–	33/10 1/2	2 2/3 a	5 1/3 b	I.C.I. £1	34/–	34/9
14/4 1/2	13/11 1/2	6 a	14 b	International Paints 4/–	14/1 1/2	14/–
16/6	15/11 1/2	5 a	8 1/2 b	Monsanto 5/–	16/–	16/–
20/9	18/6	11 2/3 b	5 a	Pinchin Johnson 10/–	19/3	20/–
				ELECTRICAL AND RADIO		
61/3	54/–	7 1/2 a	7 1/2 b	A.E.I. £1	60/3	61/–
57/–	46/3	4 a	9 1/2 b	B.I.C.C. £1	53/9	57/–*
43/3	38/–	5 3/4 a	14 1/2 b	Decca Record 10/–	39/10 1/2	40/4 1/2
60/9	50/10 1/2	11 1/4 c	5 a	E.M.I. 10/–	54/6	53/9
66/–	57/–	4 a	10 b	English Electric £1	64/–	64/3
40/–	30/–	6 1/2 b	3 a	General Electric £1	32/–	32/–
16/9	14/11 1/2	12 1/2 c	12 1/2 c	Pye Defd. 5/–	14/3	14/7 1/2
97/3	87/–	6 1/2 a	11 b	A. Reyrolle £1	89/–*	87/–
				MOTORS AND AIRCRAFT		
17/0 3/4	13/–	17 1/2 c	7 1/2 a	British Motor 5/–	16/7 1/2	16/6*
61/–	50/3	3 1/2 a	8 1/2 b	Ford Motor £1	59/–	61/–
54/7 1/2	44/–	12 1/2 c	12 1/2 c	Leyland Motor £1	53/6	54/3
11/3	7/3	8 c	4 a	Rootes Motors 4/–	11/3	11/3
11/2 1/4	8/6	8 c	12 c	Standard Motor 5/–	10/3	11/2 1/4
27/7 1/2	22/10 1/2	11 b	4 1/4 a	Dunlop Rubber 10/–	26/9	27/7 1/2
48/3	44/3	5 b	2 1/2 a	Joseph Lucas £1	46/–	48/3
27/–	23/7 1/2	7 1/2 a	17 1/2 b	Pressed Steel 5/–	25/3	26/–*
56/–	49/11 1/2	20 c	7 1/2 a	Triplex Holdings 10/–	55/9	56/–
11/7 1/2	9/4 1/2	6 1/2 b	3 1/2 a	Bristol Aeroplane 10/–	10/11 1/2	9/10 1/2
20/9	16/–	7 1/2 c	Nil	De Havilland £1	16/9	16/03/4
45/03/4	40/5 1/4	†5 a	†6 1/2 b	Dowty Group 10/–	41/–*	40/7 1/2
34/–	27/–	3 a	7 b	Hawker Siddeley £1	27/7 1/2	27/9
106/3	94/6	15 b	5 a	Rolls-Royce £1	94/6	98/–
				PAPER AND NEWSPAPERS		
50/3	44/6	4 1/2 a	8 b	Bowater Paper £1	50/–	49/11 1/2*
54/9	47/3	9 b	5 a	Albert E. Reed £1	51/–	51/–
30/7 1/2	22/–	5 b	3 a	Spicers £1	26/–	30/6
25/3	21/–	7 1/2 a	12 b	Daily Mirror 'A' 5/–	24/9	24/9
29/6	26/3	5 a	12 1/2 b	Odhams Press 10/–	29/3	29/3
				TEXTILES		
25/3	22/–	6 1/4 b	2 1/2 a	J. & P. Coats £1	25/–	24/6
25/–	18/3	5 b	5 a	Fine Spinners £1	23/9	24/3
44/6	35/4 1/2	5 a	12 1/2 b	Lancashire Cotton £1	42/4 1/2	43/7 1/2
41/4 1/2	35/4 1/2	12 1/2 c	2 1/2 a	Patons & Baldwins £1	40/10 1/2	40/10 1/2
5/11 1/4	4/3	6 c	4 a	Salts (Saltaire) 5/–	5/11 1/4	5/11 1/4
61/3	50/–	10 b	5 a	Woolcombers £1	59/6	59/–
19/11 1/2	14/7 1/2	Nil c	3 a	Bradford Dyers £1	17/10 1/2*	17/3
44/6	37/–	22 1/2 c	22 1/2 c	Calico Printers £1	42/–	42/3
35/10 1/2	31/7 1/2	5 b	3 a	Courtaulds £1	31/10 1/2	31/3
13/–	10/–	3 a	10 b	Jute Industries 10/–	12/–	13/–
35/6	24/6	7 1/2 c	7 1/2 c	Tootal £1	32/–	31/7 1/2
				DRAPERY & STORES		
23/–	19/7 1/2	14 4c	6 a	Boots Pure Drug 5/–	22/7 1/2	23/–
33/9	27/9	10 b	5 a	Debenhams 10/–	31/–	32/3
37/–	31/6	25 b	7 1/2 a	G.U.S. 'A' 5/–	36/11 1/2	37/–
83/3	74/6	5 a	12 1/2 b	Harrods £1	79/6	80/6
37/–	33/3	25 b	10 a	House of Fraser 'A' ... 5/–	35/11 1/4	36/6
18/3	16/3	6 a	10 b	Lewis's Investment ... 4/–	17/11 1/2*	18/3
60/9	49/9	22 1/2 b	12 1/2 a	Marks & Spencer 'A' .. 5/–	59/6	60/6
49/8 1/2	33/10 1/2	12 1/2 a	22 1/2 b	United Drapery 5/–	39/11 1/2	40/–*
53/11 1/2	47/3	2 6/3 b	13 1/2 a	Woolworth 5/–	51/–	52/9

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Apr. 22, 1959	Price, Apr. 29, 1959	Yield, Apr. 29, 1959
		%	%				
				BANKING			
5/–	5 4/–	6 a	6 b	Barclays £1	65/9	62/9	3·82
60/11 1/2	40/3	4 1/3 a	5 2/3 b	Lloyds £1	46/3	46/9	4·28
59/9	60/11 1/2	6 3/4 a	6 3/4 b	Midland £1	68/–	66/3	4·53**
62/–	54/–	4 1/2 a	5 1/2 b	National Provincial £1	61/10 1/2	62/–¶	3·87**
52/9	52/9	5 a	7 1/2 b	Westminster 'B' £1	67/9	67/3	3·72
72/6	68/9	7 1/2 a	9 1/2 b	District £1	82/6	82/6	4·12
25/6	17/–	6 a	10 b	Martins 5/–	23/3	21/9	3·68
40/–	31/7 1/2	5 a	7 1/2 b	Com. Bk. of Scot. 'A' 10/–	42/10 1/2	41/9	2·99
77/3	67/6	7 a	9 b	Royal Bank of Scotland ..£1	77/–	76/3	4·20
44/9	37/9	4 a	5 b	Barclays D.C.O. £1	41/–	41/6	4·34
47/9	43/9	7 1/2 a	7 1/2 b	Chartered Bank £1	47/6	47/3	6·35
£30 13/16	£27 3/8	$2·10c	$2·25c	Royal Bank of Canada. $10	£30	£30 13/16	2·70
£1 15/16	£1 87/16	$1·60c	$1·65c	Bank of Montreal $10	£2 11/8¶	£2 11 5/16¶	2·78
34 1/4	30 1/2	9 c	9 c	Bank of New S. Wales. £20	34 1/4	34 3/4*	4·14g
36/3	32/3	4 a	6 b	Bank of Ldn. & S. Amer. £1	38/3	37/9	5·30
				FINANCIAL			
32/–	28/4 1/2	2 1/2 a	5 b	Alexanders £1	31/6	32/–	4·69
49/6	42/6	5 a	7 b	National Discount 'B' ..£1	49/6	48/6	4·95
53/6	49/–	6 1/4 a	6 1/4 b	Union Discount £1	53/3	53/3	4·69
47/9	40/9	18 1/3 a	21 1/3 b	Commercial Union 5/–	43/9	45/3*	4·42
50/–	42 7/6	12 1/2 a	15 b	Employers Liability £1	130/–	127/6*	4·31
47/6	160/–	†32·35c	†41·17c	Equity & Law 8/6	160/–	160/–	3·58
62/6	192/6	40 a	60 b	Legal & General 5/–	255/–	255/–	1·96
20/–	114/6	†20 a	†50 b	Pearl 5/–	114/6*	113/–	5·07
27/6	210/–	†147 1/2 c	†162 1/2 c	Prudential 'A' 4/–	225/–*	227/6	4·68
80/–	78/6	8 a	10 b	Royal Exchange	98/9	98/9*	3·65
26 1/2	16/2 1/4	5 a	8 1/4 b	Bowmaker 5/–	24/7 1/2	26/1 1/2	2·63
22/8 1/4	21/3	7 1/2 a	8 1/2 b	Lombard Banking 5/–	27/9*	29/3	2·74
47/–	113/6	16 b	4 a	U.D.T. £1	142/6	147/–	2·72
39/6	34/9	17 1/2 b	10 a	B.E.T. 'A' Defd. 5/–	38/–	39/–	3·53
14/9	12/6	10 c	10 c	Cable & Wireless 5/–	14/03/4	14/6*	3·45
22/3	19/6	2 1/2 b	2 a	Land Securities 10/–	20/9	20/9	2·69**
16/10 1/2	14/7 1/2	5 1/12 c	2 1/12 a	London & County ... 10/–	16/4 1/2	16/4 1/2	4·07**
				FOOD, DRINK AND TOBACCO			
22/6	15 c	10 a		Allied Bakeries 'A' 5/–	30/–*	29/9	2·52
23/4 1/2	20 c	14 a		Beecham Group 5/–	32/1 1/2	33/6	2·99
12/–	10/6	7 b	2 1/2 a	International Tea 5/–	11/3	11/6	4·13
81/3	74/9	9 1/6 b	5 a	J. Lyons 'A' £1	81/3	81/9	3·47
20/3	18/10 1/2	5 a	5 b	Ranks 10/–	20/–	20/3	4·94
20/6	18/11 1/2	2 1/2 a	12 1/2 b	Schweppes 5/–	19/6	20/–*	3·75
47/9	42/–	7·5b	2·8a	Tate & Lyle £1	46/6	47/6	4·34
12/9	10/10 1/2	...	...	Unigate 5/–	12/6	12/11 1/2	4·12**
47/–	43/9	10 a	36 b	Bass 5/–	45/–	45/3	5·08
27/3	23/10 1/2	6 3/4 b	4 a	Distillers 10/–	25/3	25/3	4·23
16/3	14/7 1/2	6 a	11 b	Flowers 5/–	15/5 1/4	15/5 1/4	5·51
60/–	54/–	10 a	18 b	Guinness 10/–	60/3	60/–	4·67
14/11 1/2	12/7 1/2	4 a	10 b	Ind Coope & Allsopp .. 5/–	13/10 1/2	14/–	5·00
96/3	77/6	7 1/2 a	13 1/2 b	Watney Mann Defd. ... £1	92/3	96/3	4·36
111/–	100/–	17 b	8 a	Whitbread 'A' £1	110/–	110/6	4·52
57 1/2	52/4 1/2	†17 1/2 c	15 a	Brit. Amer. Tobacco .10/–	53/4 1/2*	53/–	5·39
49/3	36/6	5 a	20 b	Gallaher 10/–	46/6	47/6*	5·26
69/–	54/3	8 1/2 a	12 1/2 b	Imperial Tobacco £1	56/9	56/7 1/2	7·42

Prices, 1959 High	Prices, 1959 Low	ORDINARY STOCKS	Price, Apr. 22, 1959	Price, Apr. 29, 1959	Yield, Apr. 29, 1959
		MISCELLANEOUS			
50/9	41/–	Assoc. Brit. Picture ... 5/–	43/3	41/–	...
45/4 1/2	43/–	British Match £1	44/11 1/2	45/4 1/2	4·85
59/9	49/6	British Oxygen £1	55/–	59/9	4·02
10/6	9/–	Glaxo 10/–	46/–*	46/3	2·81
63/9	56/4 1/2	Hoover 'A' 5/–	59/7 1/2	61/–	4·92
225/–	172/6	Hudson's Bay £1	222/6	222/6	2·89
14/3	10/–	Rank Organisation 5/–	10/9	11/11 1/2	2·25
20/–	16/3	Sears 'A' 5/–	19/8 1/4	19/4 1/2*	6·45
74/–	62/–	Thomas Tilling £1	68/–*	74/–	3·58
76/4 1/2	69/7 1/2	Turner & Newall £1	71/11 1/2	71/7 1/2	4·19
103/6	86/7 1/2	Unilever £1	99/6*	98/6	3·41
51/3	47/3	United Glass £1	49/–	51/3	4·88
35/6	31/9	United Molasses 10/–	32/3	34/–	7·20
		OIL			
52/–	49/6	British Petroleum £1	50/–*	50/–	5·71
86/–	75/6	Burmah Oil £1	81/3	81/–*	5·54
£17 3/4	£15 1/4	Royal Dutch ..... 20 fl.	£15 7/8	£15 1/2	3·04
152/6	136/6	Shell Transport £1	131/–*	133/–	4·60
72/9	54/9	Ultramar 10/–	69/6	72/9	... d
41/9	35/6	Wakefield C.C. 10/–	40/–	41/9	4·93
		SHIPPING			
46/6	39/3	Brit. & Com'wealth. .10/–	41/–	41/6	4·82
20/–	17/3	Cunard £1	18/–	17/9*	9·01
35/6	29/6	Furness Withy £1	30/9	30/6	6·86
20/6	16/–	London & Overseas ... 5/–	16/6	16/9	8·97
38/3	31/6	P & O Defd. £1	31/9	31/6	6·98
17/6	13/6	Reardon Smith 10/–	14/6	14/6	1·72
25/9	22/6	Royal Mail £1	24/9	22/9	7·03
		MINES			
182/6	165/–	Anglo-American 10/–	170/–*	170/7 1/2	4·69
135/–	113/9	General Mining £1	133/9	131/3*	4·57
56/9	49/4 1/2	Union Corporation ... 2/6	55/–*	56/9	6·17
33/4 1/2	27/–	Daggafontein 5/–	28/3	28/6	17·54
185/–	111/10 1/2	Free State Geduld 5/–	175/–	178/11 1/2	3·65
67/6	61/6	Hartebeestfontein ... 10/–	63/–	65/3	10·73
69/7 1/2	61/10 1/2	President Brand 5/–	66/7 1/2	69/11 1/2	7·23
151/3	119/4 1/2	Western Holdings 5/–	146/10 1/2	146/10 1/2	5·11
64/–	57/5 1/4	Consolidated Zinc £1	60/9	59/6	5·04**
134/4 1/2	121/3	De Beers Defd. Reg. .. 5/–	130/7 1/2	129/4 1/2	7

Money and Exchanges

EXCHEQUER RETURNS

For the week ended April 25, 1959, there was an "above-line" deficit (after allowing for Sinking Funds) of £23,981,000 compared with a deficit of £5,529,000 in the previous week and a deficit of £14,149,000 in the corresponding period of last year. There was a net receipt "below-line" of £21,903,000 leaving a total deficit of £40,239,000 compared with £86,155,000 in 1958–59.

£'000	Estimate, 1959–60	April 1, 1958, to April 26, 1958	April 1, 1959, to April 25, 1959	Week ended April 26, 1958	Week ended April 25, 1959
Ord. Revenue					
Income Tax	2147,000	124,672	116,831	27,238	20,437
Surtax	171,000	10,900	11,500	1,900	1,900
Death Duties	195,000	11,800	16,800	3,600	5,600
Stamps	68,000	3,500	5,700	800	1,400
Profits Tax, EPT & EPL	274,000	11,700	13,800	1,600	1,900
Other Inland Rev. Duties	1,000	...	...	...	...
Total Inland Rev.	2856,000	162,572	164,631	35,138	31,237
Customs	1285,500	88,019	95,097	22,466	26,161
Excise	864,500	27,897	22,625	9,082	4,870
Total Customs and Excise	2150,000	115,916	117,722	31,548	31,031
Motor Duties	104,000	5,493	5,583	315	...
PO (Net Receipts)	...	...	...	...	...
Broadcast Licences	35,000	...	...	...	...
Sundry Loans	30,000	82	43	...	...
Miscellaneous	150,000	6,180	6,945	178	1,326
Total	5325,000	290,244	294,924	67,179	63,594
Ord. Expend.					
Debt Interest	600,000	64,692	46,351	6,451	4,697
Payments to N. Ireland Exchequer	79,000	5,309	5,682	2,829	3,051
Other Cons. Funds	10,000	101	397	101	...
Supply Services	4494,996	272,477	265,187	71,677	79,397
Total	5183,996	342,579	317,617	81,058	87,145
Sinking Funds	39,000	1,395	1,363	270	430
"Above-line" Surplus or Deficit	—	—	—	—	—
	53,730	24,056	14,149	23,981	
"Below-line" Net Expenditure*	32,425	16,183	Cr. 32,869	Cr. 21,903	
Total Surplus or Deficit	86,155	40,239	+ 18,720	— 2,078	
Net Receipts from:					
Tax Reserve Certificates	11,108	11,257	5,617	1,177	
Savings Certificates	1,000	7,500	2,300	400	
Defence Bonds	—3,646	11,302	—1427	3,855	
Premium Savings Bonds	3,890	4,430	780	1,370	
Total	12,352	34,489	7,270	6,802	

* Receipts of the Civil Contingencies fund to April 25 1959, £10 mn., compared with £16 mn., in the corresponding period last year.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
Apr. 26	3,120·0	1,648·4	205·8	4·0	4,978·2
1959					
Jan. 24	3,370·0	1,940·8	213·0	3·3	5,527·0
„ 31	3,280·0	1,973·2	223·5	...	5,476·7
Feb. 7	3,250·0	1,891·6	237·9	...	5,379·5
„ 14	3,140·0	1,874·2	252·2	...	5,266·4
„ 21	3,070·0	1,943·7	197·2	...	5,210·9
„ 28	3,010·0	1,990·0	197·3	...	5,197·3
Mar. 7	2,950·0	1,999·9	213·7	...	5,163·6
„ 14	2,920·0	1,993·9	225·1	...	5,143·1
„ 21	2,910·0	2,030·3	252·7	...	5,193·0
„ 31	4,898·1		336·5	4·3	5,238·9
Apr. 4	2,950·0	1,936·3	291·6	...	5,227·8
„ 11	2,940·0	2,015·7	280·8	...	5,236·5
„ 18	2,940·0	2,007·5	297·7	...	5,245·2
„ 25	2,950·0	2,025·8	267·8	...	5,243·7

THE MONEY MARKET

THE discount market surprised outside tenderers by cutting its concerted bid for the £210 million of Treasury bills offered last week by a further 4d. to £99 3s. 5d. Its allotment at this price fell from the already low level of 38 per cent to 26 per cent, the lowest for nearly a year. Total applications have been falling in recent weeks, but the offers of new bills have been declining. This week's offer has been cut further to £190 million. The average rate of discount rose from £3 4s. 8.12d. per cent to £3 5s. 7.89d., but the market again obtained its share of the bills on much better terms than outside tenderers; the level of its concerted bid indicates a rate of about £3 6s. 2d.

New Treasury bills changed hands at a rate of $3\frac{7}{8}$ per cent last week, but after the tender the rate rose to $3\frac{1}{4}$ per cent, although it tended to ease this week. Credit remained generally comfortable. Short loans were in ample supply up to Saturday, fresh money becoming readily available at low rates towards the end of each session, and the authorities sold a moderate quantity of short-dated bills to take up a surplus at one point. The market was less comfortably placed this week and the cost of fresh money stayed above 3 per cent to the close on Wednesday.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	**Discount rates:**	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	3 13/32–3 7/16
Discount houses	2–2¼	3 months	3 13/32–3 7/16
Money:		4 months	3 13/32–3 7/16
Day-to-Day	2⅜–3⅛	6 months	3 13/32–3½
Treasury bills:		Fine trade bills:	
2 months	3 5/16	3 months	4¼–5
3 months	3 11/32	4 months	4¼–5
		6 months	4½–5¼

New York

	%		%
Official discount rate: (from 2½%, 5/3/59)	3	**Treasury bills:** April 20	3·105
		„ 27	2·831

BANK OF ENGLAND RETURNS

(£ million)	April 30, 1958	April 22, 1959	Apr 1
Issue Department:			
Notes in circulation	2,010·4	2,050·2	2,05
Notes in banking dept.	39·9	50·1	
Govt. debt and securities*	2,046·2	2,096·5	2,09
Other securities	0·7	0·8	
Gold coin and bullion	0·4	0·4	
Coin other than gold coin.	3·0	2·8	
Banking Department:			
Deposits:			
Public accounts	9·9	12·6	1
Bankers	220·4	237·7	23
Others	73·1	63·7	6
Total	303·4	314·0	31
Securities:			
Government	230·9	231·3	23
Discounts and advances	29·1	29·0	2
Other	18·9	20·6	
Total	278·9	280·9	26
Banking department reserve.	42·3	50·9	
" Proportion "	13·9 %	16·2 %	1

* Government debt is £11,015,100, capital £14,55
Fiduciary issue increased by £50 million to £2,100 m
March 25, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months': Average Rate of Allotment	Allo at R
1958	...			s. d.	
Apr. 25	250·0	426·8	250·0	103 6·97	
1959					
Jan. 23	230·0	415·1	220·0	62 1·96	
„ 30	220·0	388·0	220·0	62 1·68	
Feb. 6	210·0	385·3	190·0	60 0·22	
„ 13	190·0	339·6	190·0	59 10·89	
„ 20	200·0	347·1	200·0	61 9·89	
„ 27	220·0	317·9	220·0	65 6·22	
Mar. 6	230·0	370·4	230·0	66 0·14	
„ 13	230·0	374·1	230·0	65 11·05	
„ 20	250·0	360·4	250·0	65 8·95	
„ 26	260·0	378·8	260·0	66 0·10	
Apr. 3	250·0	381·0	250·0	65 11·42	
„ 10	260·0	433·9	260·0	64 0·89	
„ 17	250·0	386·6	230·0	64 8·12	
„ 24	210·0	359·2	210·0	65 7·89	

* On April 24th tenders for 91 day bills at £99 3s. 5d. sec
26 per cent, higher tenders being allotted in full. The
this week was for £190 million of 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: April 29	Market Rates: Spot: April 23	April 24	April 25	April 27	April 28	April
United States $	2·78–2·82	2·81⅝–3⅜	2·81¹⁵/₁₆–11/16	2·81¹⁵/₁₆–11/16	2·81⅝–¾	2·81⅝–¾	2·81¹⁵/₁₆–
Canadian $	2·70 13/16–15/16	2·70 13/16–71/16	2·70 13/16–71/16	2·70 13/16–71/16	2·70⅞–71	2·70¾–⅞	2·70
French Fr.	13·6220–14·0265	13·81–81¼	13·80½–¾	13·80½–¾	13·80⅞–81⅛	13·80¾–81	13·80½–
Swiss Fr.	11·94–12·54⅞	12·18–18¼	12·17⅝–18⅛	12·17⅝–18⅛	12·17⅝–½	12·18½–¾	12·18⅛–
Belgian Fr.	137·96–142·05	140·47½–52½	140·42½–47½	140·42½–47½	140·42½–47½	140·42½–47½	140·37½–
Dutch Gld.	10·48–10·80	10·63–63¼	10·62⅝–⅞	10·62¾–63	10·63⅛–⅜	10·63–63¼	10·62⅝–
W. Ger. D-Mk.	11·59¼–11·92¾	11·78–78¼	11·77⅝–⅞	11·77¾–78	11·78–78¼	11·78⅛–⅜	11·77¾–
Portuguese Esc.	79·00¾–82·00½	80·20–30	80·20–30	80·20–30	80·20–30	80·20–30	80·20–
Italian Lire	1725–1775	1748–48½	1747½–¾	1747½–48	1748–48½	1747¾–48¼	1747½–
Swedish Kr.	14·37¾–14·59¼	14·56⅞–57⅛	14·56⅜–⅝	14·56⅜–⅝	14·56⅞–57⅛	14·56⅞–57⅛	14·55⅝–
Danish Kr.	19·06½–19·62	19·39¼–40	19·39½–¾	19·39½–¾	19·39⅜–⅝	19·39½–¾	19·39½–
Norwegian Kr.	19·71–20·30½	20·03⅞–04⅛	20·03⅞–04⅛	20·03⅞–04⅛	20·03⅞–04⅛	20·04–04¼	20·04–0
One Month Forward Rates							
United States $		¼–⅜c. pm	¼–⅜c. pm	¼–⅜c. pm	¼–⅜c. pm	¼–⅜c. pm	½–⅝c. p
Canadian $		¼–⅜c. dis	¼–⅜c. dis	¼–⅜c. dis	⅝–7/16c. dis	⅜–½c. d	⅜–½c. d
French Fr.		par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. d
Swiss Fr.		1/4–1c. pm	1/8–⅜c. pm	1/8–⅜c. pm	1/8–⅜c. pm	1–¼c. pm	1–¼c. p
Belgian Fr.		10–5c. pm	8–3c. pm	8–3c. pm	7–2c. pm	7–2c. pm	7–2c. p
Dutch Gld.		1/4–1c. pm	1/8–⅜c. pm	1/8–⅜c. pm	1/8–⅜c. pm	1/8–⅜c. pm	1/8–⅜c. p
W. Ger. D-Mk.		1½–1¼pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1–¾pf. p
Three Months Forward Rates							
United States $		9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	9/16–7/16c. pm	1½–⅝c. p
Canadian $		½–⅜c. dis	½–⅜c. dis	½–⅜c. dis	½–⅜c. dis	11/16–1 1/16c. dis	¾–⅝c. d
Swiss Fr.		3¼–3c. pm	3⅛–2⅞c. pm	3⅛–2⅞c. pm	3⅛–2⅞c. pm	3–2¾c. pm	3–2¾c. p
W. Ger. D-Mk.		3½–3¼pf. pm	3¼–3pf. pm	3¼–3pf. pm	3¼–3pf. pm	3¼–3pf. pm	3–2¾pf. p
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/1	249/2¼	...	249/2¼	249/2	249/2

UK External Trade

Imports are valued cif: exports fob
Total trade unless otherwise stated.

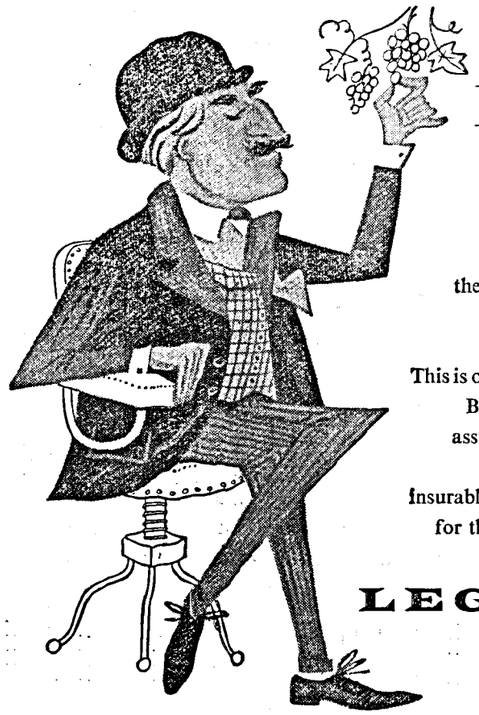
The following list shows the most recent dates on which each statistical page appeared

BRITISH			
Prices and Wages	April 11th	External Trade	This week
Manpower and Output	April 25th	Industrial Profits	Jan. 17th
OVERSEAS			
Western Europe	Feb. 7th	United States	Mar 7th

From January, 1959, some small changes have been made in the coverage of the trade statistics (see *The Economist*, February 14, 1959, page 623). Back figures have been revised where possible; those still on the old basis are shown in *italics*.

	Unit	Monthly averages: 1956	1957	1958	1958: Jan.	Feb.	March	Dec.	1959: Jan.	Feb.	March
VALUE											
Imports:											
Total	£ million	321·7	336·8	312·5	324·4	287·1	317·3	352·1	328·6	291·8	322·5
Food, drink and tobacco	„	119·6	123·3	124·4	118·0	110·9	124·3	147·2	137·0	120·9	130·9
Basic materials	„	91·2	96·7	75·0	67·6	70·2	79·4	78·1	73·8	63·9	68·1
Fuels	„	34·5	38·8	36·7	37·0	33·8	34·2	43·7	40·3	36·3	40·8
Manufactures	„	75·2	76·9	75·1	79·8	71·4	78·5	81·2	75·8	69·6	81·5
Exports of UK produce:											
Total	„	261·5	274·2	264·3	275·4	262·7	275·1	265·6	270·1	251·1	270·7
Manufactures—Total	„	212·6	227·8	226·0	232·5	220·4	232·6	218·5	228·6	210·6	228·8
„ Metals	„	36·7	39·7	35·9	38·8	34·6	35·1	39·1	36·5	35·6	33·8
„ Engineering products	„	104·7	111·8	115·2	118·4	113·3	119·7	111·0	119·7	107·3	123·5
„ Textiles (2)	„	24·5	25·0	21·2	24·9	23·8	25·4	19·3	20·8	19·8	19·4
Re-exports	„	11·9	10·8	11·7	12·0	11·7	15·6	9·3	9·3	10·4	12·8
Balance of trade (exports less imports):	„	−48·3	−51·8	−36·5	−37·0	−12·7	−26·6	−77·3	−49·1	−30·4	−39·0
VOLUME											
Imports:											
Total	1954=100	110	114	114	..	113⁴	..	120³	122	108	..
Food, drink and tobacco	„	109	113	119	..	116⁴	..	126³	..	..	..
Basic materials	„	102	106	94	..	95⁴	..	97³	..	..	..
Fuels	„	115	114	124	..	114⁴	..	137³	..	..	..
Manufactures	„	125	130	132	..	134⁴	..	136³	..	..	..
Exports:											
Total	„	113	116	111	..	113⁴	..	115³	113	106	..
Manufactures	„	115	118	113	..	116⁴	..	115³	..	..	..
BY AREA											
Imports:											
Dollar area—Total	£ million	70·9	80·3	65·5	*67·1*	*61·3*	*62·5*	*82·3*	*64·8*	*57·8*	*60·3*
„ „ USA	„	33·9	40·1	29·2	33·5	27·3	29·7	*39·3*	*31·6*	*25·2*	*24·5*
„ „ Canada	„	29·0	26·7	25·7	22·0	20·9	21·3	*32·2*	*22·3*	*21·8*	*22·8*
Non-sterling OEEC countries	„	79·4	80·6	80·1	*85·2*	*73·4*	*79·8*	*88·9*	*76·5*	*72·8*	*82·6*
Sterling area	„	124·5	127·0	117·2	*123·5*	*109·9*	*128·9*	*126·0*	*132·6*	*113·0*	*127·2*
Exports(5):											
Dollar area—Total	„	45·1	47·7	48·9	*41·2*	*45·6*	*49·3*	*52·6*	*51·5*	*46·9*	*51·7*
„ „ USA	„	21·5	21·5	24·4	20·0	24·5	24·3	*29·0*	*29·4*	*25·9*	*28·2*
„ „ Canada	„	15·2	16·6	16·1	11·1	12·8	16·6	*15·9*	*13·8*	*12·6*	*15·1*
Non-sterling OEEC countries	„	74·8	78·0	72·7	*72·4*	*74·1*	*80·2*	*75·4*	*78·0*	*72·7*	*78·5*
Sterling area	„	119·9	124·5	120·5	*140·1*	*124·8*	*131·2*	*116·8*	*113·1*	*107·8*	*113·6*
Balance of trade (exports less imports):											
Dollar area	„	−25·8	−32·6	−16·6	*−25·9*	*−15·7*	*−13·2*	*−29·7*	*−13·4*	*−10·9*	*− 8·6*
Non-sterling OEEC countries	„	− 4·6	− 2·6	− 7·4	*−12·8*	*+ 0·7*	*+ 0·4*	*−13·5*	*+ 1·5*	*− 0·1*	*− 4·1*
Sterling area	„	− 4·6	− 2·5	+ 3·3	*+16·6*	*+14·9*	*+ 2·3*	*− 9·2*	*−19·5*	*− 5·2*	*−13·6*
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	*398·4*	*377·5*	*376·8*	413·1	369·5	322·6	*372·7*	388·3	446·0	395·0
Meat	„	*72·4*	*74·2*	*69·5*	70·4	68·1	87·1	*69·2*	*76·7*	*53·9*	*90·1*
Sugar, unrefined	„	*194·3*	*235·0*	*220·1*	210·8	246·5	234·3	*235·0*	*186·8*	*179·8*	*233·9*
Raw cotton (1)	„	*27·0*	*30·6*	*21·5*	29·3	27·8	24·5	*20·1*	*19·8*	*15·5*	*21·6*
Raw wool, sheep's and lambs' (1)	mn. lb.	*53·2*	*51·6*	*51·2*	57·4	45·4	67·9	*80·6*	*81·8*	*54·8*	*79·3*
Rubber, natural and synthetic (1)	'000 tons	*18·2*	*22·7*	*17·0*	32·2	17·6	14·1	*17·3*	*18·8*	*19·7*	*16·6*
Softwood(2)	'000 stds.	*104·8*	*19·8*	*106·4*	80·1	52·1	39·7	*135·4*	*74·7*	*63·6*	*55·4*
Woodpulp	'000 tons	*183·3*	*178·2*	*175·2*	189·3	154·4	139·6	*194·2*	*188·2*	*175·3*	*170·2*
Crude petroleum	mn. galls.	*618*	*604*	*732*	673	645	651	*871*	839	825	818
Exports of UK produce:											
Coal, including bunkers	'000 tons	812	666	403	472	423	349	381	332	380	311
Woven piece-goods—cotton(2)	mn. sq. yds.	*40*	*38*	32	40	36	40	*28*	28	27	27
„ „ „ wool (2)	'000 sq. yds.	*9,107*	*9,029*	*7,889*	9,577	8,913	9,999	*7,641*	9,469	8,124	7,951
Passenger cars and chassis	number	27,848	35,360	40,336	45,508	41,834	44,200	36,253	41,848	35,791	41,590
Commercial vehicles and chassis	„	*10,506*	*10,216*	*9,338*	13,513	10,887	11,384	*7,088*	10,154	9,026	9,655
Agricultural tractors	„	*7,482*	*9,411*	*8,724*	8,321	8,563	9,895	*6,468*	7,844	9,064	8,906
Machinery—electrical	£ '000	*5,314*	*5,612*	*5,855*	5,852	5,796	6,205	*6,050*	5,743	5,412	5,258
„ other	„	*38,657*	*42,211*	*42,880*	43,695	42,085	46,025	*43,409*	46,638	41,246	45,936
Chemicals, elements and compounds	„	*4,948*	*5,219*	*5,037*	5,037	5,112	5,273	*4,777*	5,325	5,187	5,782

(1) Retained imports. (2) Owing to changes in classification, 1959 figures are not strictly comparable with those for earlier years. (3) Average for fourth quarter. (4) Average for first quarter. (5) Annual figures include re-exports of second-hand aircraft and exposed cinematograph film.



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1 ROYAL EXCHANGE AVENUE, LONDON, E.C.3.

TELEPHONE: AVENUE 1101 TELEX 25182

ARAB BANK LIMITED

Head Office: Amman, Jordan

Balance Sheet as at 31st December, 1958
(To the nearest J.D. (Jordan Dinar))

	1958 J.D.	1957 J.D.
ASSETS		
Cash in Hand and at Banks	23,572,446	18,283,782
Securities (Market price)	771,326	433,192
Bills Discounted	4,869,513	4,628,236
Loans to Customers	23,104,234	23,736,807
Customers' and Branches Liability on Guarantees and Credits (per Contra)	23,769,088	26,357,040
Bank Premises and Sites (at cost, less amounts written off)	1,067,802	950,175
Furniture (at cost, less amounts written off)	275,430	246,536
Other Assets	826,081	1,077,974
	78,255,920	75,713,742

		1958 J.D.	1957 J.D.
LIABILITIES			
Deposits and other Accounts		46,568,363	41,580,275
Bills Payable		584,405	1,096,663
Guarantees and Credits (per Contra)		23,769,088	26,357,040
Other Liabilities and Provisions		659,588	460,523
Authorised and Fully Paid Capital (Shares of J.D. 8 each)	J.D.		
37,500 Founders' Shares	300,000		
337,500 Ordinary Shares	2,700,000		
Reserve Fund	1,200,000		
Special Reserve	1,920,000		
		6,120,000	5,600,000
Net Profit (after providing for Reserves)		554,476	619,241
		78,255,920	75,713,742

Abdul Hameed Shoman, *Chairman, Board of Directors*
Abdul Majed Shoman, *Member, Board of Directors*

J.D.=£1 sterling.

FIRST IN INDUSTRIAL FINANCE
ALL INTERNATIONAL BANKING SERVICES

THE INDUSTRIAL BANK OF JAPAN

Head Office: Maruncuchi, Tokyo, Japan
Oversees Office: 20 Broad Street, New York 4, NY.

PRESTCOLD DIVISION
PRESSED STEEL COMPANY LIMITED

wishes to appoint a

MARKET RESEARCH OFFICER

The successful applicant will be responsible to the Market Research Executive for economic forecasting in relation to the Domestic Appliance Market both in the United Kingdom and Overseas, and for all aspects of Export Market research. The appointment demands a thorough grasp of export marketing practice and theory.

Applications are invited from male graduates in the age group 25-35 with a good degree in economics plus a sound mathematical (particularly statistical) education, and at least two years' employment in the marketing branch of a company with international interests. A knowledge of at least one European language is desirable.

The successful candidate will be required to work initially in Oxford and transfer at a later date to a new factory in South Wales.

Conditions of employment accord with the best industrial practice.

Applications, in writing, giving full details of qualifications and experience, and stating age and present salary, should be addressed to:

Personnel Manager,
Prestcold Division,
Pressed Steel Company Ltd.,
Cowley,
Oxford

Please quote ref. E/0004.

THE BRITISH COTTON INDUSTRY RESEARCH ASSOCIATION

Applications are invited from graduate holders of good honours degrees, preferably in economics with statistics, for a post in the department concerned with operational research and the interactions of technology and economics. A logical and analytical mind, ability to write clearly and concisely, and an interest in the practical problems of industry are essential and some aptitude for mathematical methods is desirable. The person appointed will particularly interest himself in problems concerning costs, but will also participate in the other work of the department, which is non-routine and very varied. Applications will be considered from anyone who expects to be available before the end of 1959, including those doing National Service. Starting salaries of up to £750 will be paid to newly-qualified graduates, and up to £1,000 to more experienced applicants. A continuing and progressive career is offered, and the post carries superannuation benefits under F.S.S.U.—Apply, in writing, to The Director, The British Cotton Industry Research Association, Shirley Institute, Didsbury, Manchester 20.

CHIEF ACCOUNTANT required for Group of British Companies in Khartoum. Applicants should be aged 24-32, and have passed the finals examinations of a recognised Accounting body. Commencing salary from £S1,428, dependent age, experience, with annual increments plus furnished quarters. Kit allowance. Annual leave after two years, with free air passages. Provident scheme. There is no income tax in the Sudan at present.—Apply, with full details of qualifications, past service, and copy references, to Keymer, Son & Co. Ltd., Imperial House, Kingsway, London, W.C.2.

LONDON TRANSPORT require an Associate or Fellow of the Institute of Actuaries (or equivalent) for interesting and varied work connected with staff statistics, pensions, sick pay, friendly societies and other actuarial matters. Commencing salary would depend upon qualifications and experience but would not be less than £1,020 p.a. (Associate) or £1,150 p.a. (Fellow). Medical examination; contributory superannuation scheme after probation; free travel.—Please apply within seven days to Staff and Welfare Officer (F/EV 733/2), London Transport, 55 Broadway, S.W.1.

ECONOMIC Intelligence Department of Clearing Bank requires woman graduate of not more than 25 years of age. Applicants must be single and commencing annual remuneration would range from £535 to £580 according to experience.—Write Box No. 2512, c/o Charles Barker & Sons Ltd., Gateway House, London, E.C.4.

GILT EDGED DEPARTMENT. Minimum salary of £2,000 and appropriate share of profits offered to experienced technician for established Stock Exchange gilt-edged department.—Box 1164.

COLLEGE OF ARTS
UNIVERSITY OF BAGHDAD
IRAQ

Applications are invited for the following positions:—

(1) Professor of Economics. The applicant should be able to organise the curriculum in economics and to teach Economic Theory and International Economics and to supervise the work in Economic History. Teaching hours: eight per week.

(2) Assistant Professor or Lecturer, to teach Economic Statistics and if necessary some Economic Theory or Economic History.

Applicants should possess at least the degree of M.Sc. or M.A. Preference will be given to those who have taken first or second class Honours in the B.Sc. or B.A. Salary will be within the range of I.D. 120 to I.D. 200 per month (the Dinar is at par with sterling) and will be fixed according to qualifications and experience. F.S.S.U. Superannuation Fund, cost of living allowance. First-class travel for wife and two dependents. Contract for one year with option on both sides of renewal to three years.

Applications should be sent to the President, University of Baghdad.

BRITISH TRANSPORT COMMISSION requires Economist/Statistician. Candidates should have some years' experience as an economist in the business world and understanding of the problems of high level management in a large organisation, ability to write briefly and clearly in non-economic language, and a good knowledge of the structure of the economy and of sources of statistical information. Direct experience in inland transport is desirable, but not essential; good academic or professional qualification required. Starting salary according to qualifications and experience but will not be less than £1,400 per annum. Superannuation scheme. Certain free travel facilities. Medical examination.—Write, giving age and details of education and career, to Director of Establishment, British Transport Commission, 222 Marylebone Road, London, N.W.1, within 14 days. S.A.E. for acknowledgment.

QUALITY CONTROL MANAGER

A well-known American Company in Scotland has an important opening for a Quality Control Manager.

The man we are looking for will:

—be conversant with the most advanced quality control techniques;
—be a University graduate with a degree in statistics or equivalent academic background;
—have had some years' practical experience in a senior post in this field.

This opening has been created by expansion within the Company, and carries a four-figure salary. Prospects are excellent for the successful applicant who possesses the essential qualifications and experience, plus energy, drive, initiative and personality.

Applicants should forward full particulars (education, chronological break-down of career to date, age and salary required) within seven days of the appearance of this advertisement. All replies will be treated in the strictest confidence. —Box 1156.

UNIVERSITY OF ADELAIDE

Applications are invited for the following new appointments in the Faculty of Economics:

SENIOR LECTURER IN ACCOUNTING.
LECTURER IN ACCOUNTING.

An applicant for either of these appointments should have a special interest in management accounting or financial accounting.

LECTURER IN ECONOMICS

SALARY SCALES:

Senior Lecturer: £A2,100 — £A80 — £A2,500 p.a.
Lecturer: £A1,500 — £A80 — £A2,060 p.a.

with provision for superannuation on the F.S.S.U. basis. The initial salary is fixed within the scale in relation to the successful candidates' qualifications and experience.

GENERAL TERMS OF APPOINTMENT and statements about the posts may be had from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1. The University Calendar may be consulted in the Library of any University which is a member of the A.U.B.C., and further information about the University or about any post will gladly be supplied on request to the Registrar.

APPLICATIONS, in duplicate and giving the information specified in the last paragraph of the general terms of appointment, should reach the Registrar, University of Adelaide, Adelaide, South Australia, not later than May 31, 1959.

EXPERIENCED MAN required to organise Mark Survey Department for firm of specialised engine in Group of international repute. This is a Staff appoint ment and only candidates with previous experience will considered.—Write, giving full particulars, to Box 5 6 Aldford Street, London, W.1.

MSL have been retained to advise on the appointment of a

EUROPEAN REPRESENTATIVE (ENGINEERING)

for a British public company manufacturing equipment for the oil and chemical industries. He will report to the Sales Director and, although based in London, he will travel throughout the Common Market countries visiting agents and customers and appraising market trends.

Starting salary not less than £1,750, plus expenses: pension scheme.

Candidates should have an engineering background, some commercial experience of capital goods and, ideally, some knowledge of the oil industry. They should be aged 30-38, speak French or German and welcome the opportunity of extensive travel as the basis of a progressive career with a long-established engineering company.

Please send brief details in confidence, quoting reference S.1594, to R. A. Denerley. In no circumstances will a candidate's identity be disclosed to the company concerned unless he gives permission after a confidential interview at which he will be given full details of the appointment.

MANAGEMENT SELECTION LIMITED
17, Stratton Street, London, W.1.

CHARTERED ACCOUNTANT

Exceptional opening for man of outstanding personality, experience in industry and drive, with a large group in the light engineering field. The Group has a turnover of the order of £30,000,000 per annum and is organised on a basis of decentralisation. The Group also has manufacturing units overseas as well as in the U.K. There is a good supporting accountancy staff in the individual units of the Group but it lacks the necessary fusion and leadership to ensure that the Group acts as a single body on policy matters.

A successful applicant who proved that he could, in practice, carry this responsible post would find himself well remunerated, with the usual perquisites of high managerial office.

Letters of application, which will be treated in confidence, should contain full details of background, education and experience, and be sent to Box 1157.

HERTFORDSHIRE COUNTY COUNCIL

HATFIELD TECHNICAL COLLEGE

Principal: Dr. W. A. J. Chapman, M.Sc.(Eng.).

Applications are invited for the new post of LECTURER in ACCOUNTANCY in the Department of Commerce Social and Professional Studies, to begin on September 1 1959. Applicants should be qualified in Cost Accountancy and should be able to teach Management Accountancy They should also have considerable experience of industry Salary on the Lecturer Scale, £1,260 to £1,417 per annum point of entry depending on industrial status.

Details from the Registrar, to whom applications should be sent as soon as possible.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for a Lectureship or an Assistant Lectureship in Economics. Salary scale for Lectureship £900 x £50 — £1,350; then, subject to review, £1,425 x £75 — £1,650, plus £60 London Allowance; for Assistant Lectureship £700 x £50 — £850, plus £60 London Allowance; with superannuation benefits and family allowances in both cases. In assessing the starting salary due consideration will be given to age and experience. Candidates are invited to indicate their special interests in the field of Economics.

Applications, with the names of three referees, should be received not later than May 15, 1959, by the Secretary London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom further particulars may be obtained.

SOLICITOR

required in Legal Department at the London Headquarters of a large industrial Corporation. The successful applicant will be engaged principally in common law and commercial work. Appointment superannuable, initial salary between £900 and £1,000, according to qualifications and experience. Good prospects for an able and energetic young man.—Write, giving particulars of age, education, qualifications and experience, to Box 1162 before May 12, 1959.

UNIVERSITY OF DUBLIN
TRINITY COLLEGE

Applications are invited for the post of Junior Lecturer in Economics. Preference will be given to candidates with a special interest in applied economics.

The salary will be in the range £570 to £760 per annum, with participation in a non-contributory superannuation and life assurance scheme.

Further particulars may be obtained from the Registrar, Trinity College, who will accept applications (three copies) until May 30, 1959.

GILT-EDGED. Statistician with experience in Gilt-Edged or young man, actuary or with economics degree, required by leading progressive firm of stockbrokers. Good salary, good prospects, pension scheme.—Box T.2343/2, c/o Foster Turner & Everetts Ltd., 11 Old Jewry, E.C.2.

AN FORAS TALÚNTAIS
(The Agricultural Institute, Dublin, Ireland)

RURAL ECONOMY DIVISION

Applications are invited for the following posts:—

(A) HEAD OF THE AGRICULTURAL MARKETING DEPARTMENT. Essential Qualifications: An Honours University Degree in Commerce, or Economics, or Agricultural Science, or equivalent, together with at least five years' experience of research or related post-graduate work in Marketing. The appointment will be to either the Senior Research Officer or Principal Research Officer Grade, depending on the qualifications, experience, etc., of the successful candidate.

(B) HEAD OF THE FARM MANAGEMENT DEPARTMENT. Essential Qualifications: An Honours University Degree in Economics, or Agricultural Science, or equivalent, together with at least five years' experience of research or related post-graduate work in Farm Management. The appointment will be to either the Senior Research Officer or Principal Research Officer Grade, depending on the qualifications, experience, etc., of the successful candidate.

(C) At least one appointment as RESEARCH OFFICER OR RESEARCH CADET in the Agricultural Marketing Department. Applicants should have an Honours University Degree in Commerce, or Economics, or Agricultural Science, or equivalent. Some experience of research or related post-graduate work in Marketing, Commerce or Economics is desirable.

(D) At least one appointment as RESEARCH OFFICER OR RESEARCH CADET in the Farm Management Department. Applicants should have an Honours University Degree in Economics, or Agricultural Science, or equivalent. Some experience of research or related post-graduate work in Farm Management or Economics is desirable.

(E) At least one appointment as RESEARCH OFFICER OR RESEARCH CADET in the Agricultural Economics Department. Applicants should have an Honours University Degree in Commerce, or Economics, or Agricultural Science, or equivalent. Some experience of research or related post-graduate work in Commerce or Economics is desirable.

(F) At least one appointment as RESEARCH OFFICER OR RESEARCH CADET in the Rural Sociology Department. Applicants should have an Honours University Degree in Agricultural Science, or one of the Social Sciences. Some experience of research or related post-graduate work is desirable.

Further particulars and Application Forms from the Director, An Foras Talúntais, 33 Merrion Road, Dublin. The latest date for receipt of completed Application Forms is May 22, 1959

VIL SERVICE: SPECIAL DEPARTMENTAL CLASSES (H.M. Inspectors of Taxes; Cadet Grade, istry of Labour and National Service; Assistant al Controllers, Post Office; Grade III Officers, istry of Defence). Pensionable posts for men and men at least 20½ and under 24 on 1.8.59 with university ree. Age extension for service in H.M. Forces or I. Overseas Civil Service; no degree requirement for reas Civil Service or *regular* Forces candidates. mination (English and general papers) on 3rd-4th July, owed by selection tests and *final* interview. Starting y (London) £650 or £645. Maximum up to £1,385. ution prospects to £2,000 and over; 5-day week. e Civil Service Commission, 6 Burlington Gardens, don, W.1, for application form, quoting 550/59/10. ing date May 30, 1959.

STRALIAN NATIONAL UNIVERSITY
RESEARCH SCHOOL OF PACIFIC STUDIES
RESEARCH FELLOWSHIPS IN ANTHROPOLOGY AND SOCIOLOGY

pplications are invited for two Research Fellowships in Department of Anthropology and Sociology.

e Research Fellows will be required to carry out and in the supervision of research in social anthropology sociology amongst primitive and advanced peoples in tralia and neighbouring parts of the world.

e salary range is £A1,500 to £A2,113 with increments £A65 per annum; initial salary will depend on erience and qualifications. Appointments are for three s with possible extensions to a maximum of five years. ransportation is on the F.S.S.U. pattern and allowances made for removal expenses. Assistance with housing in berra is provided. Reasonable field work expenses ract.

urther particulars are available from the Secretary, ustralian and Universities of the British Commonwealth, Gordon Square, London, W.C.1.

pplications close, in Australia and London, on 15, 1959.

APPOINTMENTS REQUIRED

S.A. Having sold my successful manufacturing business, my experience, ability, and detailed knowledge the United States at your disposal in market surveys, stigations, investigations, etc., reasonable fee basis. Landen, 8 Chestnut Place, Jamaica Plain, Boston 30, s.

RADUATE (Econ. & Business Administration), 28, year in Export, 18 months in Market and Advertising arch, seeks progressive position. Box 1164.

XECUTIVE, Dutchman, aged 36, with considerable commercial, financial and administrative experience agement level in several SOUTH AMERICAN tries desires position with company, existing or to be ed, in South America. Box 1158.

EDUCATION AND COURSES

RETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive ack courses.—Write, Organista Secretary, DAVIES'S, ddison Road, W.14. PARK 8392.

ONE-WEEK FULL-TIME COURSES FOR EXECUTIVES

on

MANAGEMENT ACCOUNTING	starting	15 June
REPORT WRITING	"	29 June
BUSINESS WRITING	"	6 July

Full details from the Registrar,
DEPARTMENT OF MANAGEMENT STUDIES,
THE POLYTECHNIC,
St. Katharine's House,
194 Albany Street, N.W.1
(Telephone: EUSton 6763).

EXPERT POSTAL TUITION

Examinations—University, Law, Accountancy, Cost-Secretarial, Civil Service, Management, Export, mercial, General Certificate of Education, etc. Also practical (non-examination) courses in business tc.—Write today for free prospectus and/or advice, ioning examination or subjects in which interested, to Secretary (G9/2).

TROPOLITAN COLLEGE, ST. ALBANS
r call at 30 Queen Victoria Street, London, E.C.4.

BUSINESS AND PERSONAL

MANUFACTURERS WISHING to increase their overseas sales, should consult the organisation that specialises in every aspect of export sales promotion:

OVERSEAS MARKETING & ADVERTISING, LTD.,
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LONDON, W.1.
Hyde Park 5888.

PUT YOUR CAR ON THE TELEPHONE
London's 24-hour Radio Telephone Message handling service brings new efficiency to Executives, Sales and service vehicles. We are soon opening in Birmingham and the Midlands area.—Write to AIRCALL, 36 Wardour Street, London, W.1, or 'phone REGent 2552 for details.

THE CHARTERED INSTITUTE OF SECRETARIES

Employers requiring the services of Chartered Secretaries to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute (Dept. E.), 14 New Bridge Street, London, E.C.4.

TRUSTEE

services offered.
H. J. Gutberlet, 11 Anzengruberstrasse, Frankfurt/Main.

SHARE A FLAT LTD., 175 Piccadilly. HYD 2545. Infinite care. Right flat.

A MODERN MARVEL—8 mm colour movies easier than box camera snaps. The G. B. Bell & Howell Autovet "electric eye" camera makes success almost certain. No adjustments—no calculations—just sight your subject and shoot. £48 12s. 2d.—City Sale & Exchange Ltd., 66 Cheapside, London, E.C.2.

GENTLEMAN separated from his library for many months simply must purchase house with good rooms in unfashionable district in or adjacent Central London.—Box 1163.

NATIONAL IRANIAN OIL COMPANY

PRE-ANNOUNCEMENT NO. 228/7, MAY 2, 1959

In implementation of Article V of the petroleum Act of July 31, 1957, and by virtue of the powers vested in N.I.O.C. by the said Act, it is hereby announced that:

(1) With a view to carrying out the operations defined in the petroleum Act, District XIV of the petroleum districts of Iran, situated between the meridians of longitude of 49.0'0" and longitude of 54.0'0" east of Greenwich and the orbits of latitude of 34.0'0" and latitude of 42.0'0", shall be declared as "open" with effect from August 1, 1959.

(2) Any person or company desiring to carry out one or more of the authorised operations defined in the petroleum Act within the above mentioned open district may communicate, as from May 2, 1959, up to August 1, 1959, with the Chairman of the Board of Directors of N.I.O.C., Central Office, Tehran, Iran, applying for questionnaire which shall be sent to him/it, to be filled in and returned, in order to enable the N.I.O.C. to ascertain his/its technical and financial competence.

Note: For any person or company who has, in the case of previously opened districts, obtained, completed and returned the said questionnaire, and whose technical and financial competence has already been established, repetition of this procedure is unnecessary, and should only act according to the following sections of the Pre-Announcement.

(3) As soon as the applicant's competence shall have been established, this fact will be notified to him. He may thereafter, and as soon as the declaration referred to above shall have been issued, obtain from the N.I.O.C. (address as given above) against payment of the sum of Rls. 200,000 (two hundred thousand), a copy of the specifications booklet, as well as the specimen agreement forms together with such other supplementary information as may be required, to enable him to submit his written proposals to the N.I.O.C. in accordance with the provisions of the petroleum Act. No proposal received after October 1, 1959, shall be accepted.

(4) Any proposal received shall be examined within two months beginning from October 1, 1959, and the outcome shall be announced by the N.I.O.C. in due course.

(5) The submission of a proposal shall not create any right for the applicant, the N.I.O.C. being free to accept or reject, all or some of the proposals received.

NATIONAL IRANIAN OIL COMPANY.
A. Entezam,
Chairman of the Board of Directors.

FINANCIAL NOTICES

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an Interim Dividend of Fifty Cents (50c) per share, Canadian funds, has been declared by the Directors of Noranda Mines, Limited, payable June 15, 1959, to shareholders of record May 15, 1959.

By Order of the Board,
C. H. WINDELER,
Secretary.

Toronto, Ontario,
April 24, 1959.

AVELING-BARFORD LTD.

Notice is hereby given that the Transfer Books of the 5½ per cent Cumulative Preference Stock, the 5 per cent Second Cumulative Preference Stock, the Ordinary Stock and the "A" Ordinary Stock will be closed from Monday, May 4, 1959, to Monday, May 18, 1959, both days inclusive.

By Order of the Board,
K. A. STONHAM,
Secretary.

Invicta Works,
Grantham,
April 27, 1959.

OTTOMAN BANK

(Incorporated in Turkey with Limited Liability)

NOTICE IS HEREBY GIVEN, that in accordance with Article 29 of the Statutes, the ANNUAL GENERAL MEETING of Shareholders will be held on Wednesday, May 27, 1959, at Winchester House, Old Broad Street, London, E.C.2, at 12.30 p.m., to receive a Report from the Committee with the Accounts for the year ending December 31, 1958; to propose a Dividend, and to elect Members of the General Committee.

By the 27th Article of the Statutes the General Meeting is composed of Shareholders possessing at least 30 shares, who to be entitled to form part of the Meeting, must deposit their shares at the chief office of the Company, Istanbul, or at any of the several branches or agencies abroad (in London at 18-22 Abchurch Lane, E.C.4, and in Paris at 7 rue Meyerbeer, Seine) 10 days at least before the day fixed for the Meeting.

J. VASSALL ADAMS,
Secretary to the Committee.

THE CUNARD STEAM-SHIP COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS for ORDINARY STOCK and PREFERENCE STOCKS will be closed from May 14th until May 27th, 1959, both dates inclusive.

By Order of the Board,
J. C. TOMLINSON,
Secretary.

Offices: Cunard Building, Liverpool.
April 30, 1959.

ROYAL DUTCH PETROLEUM COMPANY
(N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ)
established at The Hague

ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held on WEDNESDAY, MAY 20, 1959, at 11 a.m. at the Company's office at The Hague (entrance 23 Carel van Bylandtlaan).

AGENDA

1. Appointment of a Managing Director.
2. Appointment of a Director.
3. Appointment of a Director owing to retirement by rotation.
4. Annual Report for 1958.
5. Approval of the Balance Sheet and the Profit and Loss Account for 1958 and declaration of dividend for 1958.

This agenda, the nominations relating to items 1, 2 and 3 of the agenda, the documents named under items 4 and 5 of the agenda with the relevant notes in accordance with Article 42 of the Netherlands Commercial Code, and with the proposals submitted by the Board of Directors, together with the proposal regarding the dividend referred to under item 5 of the agenda, will be available for inspection from today until after the Meeting, and may be obtained by shareholders free of charge,

AT THE COMPANY'S OFFICE,

30 Carel van Bylandtlaan, The Hague, and at the offices specified below.

In order to attend and address the Meeting and to exercise voting rights thereat in person or by proxy:

(A) HOLDERS OF SHARE CERTIFICATES TO BEARER will be required to deposit against receipt *either* their share certificates
or evidence that their share certificates have been deposited in open custody with the Nederlandsche Bank
not later than Thursday, May 14, 1959, at one of the places mentioned below, viz.:

In the NETHERLANDS at the Nederlandsche Handel-Maatschappij, N.V., Amsterdam
at the Kas-Associatie N.V., Amsterdam
at the Amsterdamsche Bank N.V., Amsterdam
at the Banque de Paris et des Pays-Bas, Amsterdam
at Messrs. Hope & Co., Amsterdam
at Messrs. Pierson, Heldring & Pierson, Amsterdam
at the Rotterdamsche Bank N.V., Rotterdam
at the Twentsche Bank N.V., Amsterdam
at Messrs. Schill & Capadose, The Hague
at Messrs. Pierson, Heldring & Pierson, The Hague
at Messrs. Van der Hoop, Offers & Zoon, Rotterdam
at Messrs. R. Mees & Zoonen, Rotterdam
and at the branches and sub-branches of these banking houses in the Netherlands.

In addition
NEW YORK at The Chase Manhattan Bank
LONDON at Messrs. N. M. Rothschild & Sons
PARIS at M.M. Lazard Frères & Cie.
ZURICH at the Crédit Suisse
BRUSSELS at the Banque de la Société Générale de Belgique or
at the Crédit Lyonnais S.A.
and

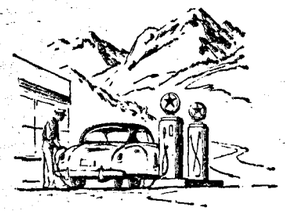
(B) REGISTERED HOLDERS OF REGISTERED SHARES must make known to the Company in writing their desire to attend and address the Meeting and to exercise voting rights thereat by not later than Wednesday, May 13, 1959: (1) with respect to shares of New York registry, at the office of The Chase Manhattan Bank, Corporate Agency Department, 43 Exchange Place, New York 15, New York; (2) with respect to shares of Amsterdam registry at the Nederlandsche Handel-Maatschappij, N.V., Amsterdam; and (3) with respect to all other registered shares, at the office of the Company in The Hague or at any of the offices listed in Paragraph A above.

THE BOARD OF DIRECTORS.

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Countless homes and industries use Caltex petroleum products for clean, odor-free heat, power and for efficient lighting.

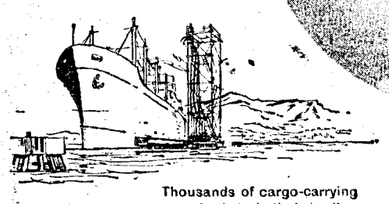


Motorists find that Caltex service stations offer the finest lubricants and fuels their cars can use.



Caltex fuels and lubricants for the farm have helped increase the effectiveness of mechanization.





Thousands of cargo-carrying vessels that ply their trade across the seven seas rely on extensive Caltex bunkering facilities.



Many rail and other transport systems depend on Caltex lubricants and fuels for swift, efficient motive power.

Serving the peoples of over 70 countries

In the search for oil... In refining... and in marketing a broad array of Caltex petroleum products, the Caltex trademark symbolizes the help and service this company provides the free peoples of many nations in the Eastern Hemisphere.

A major part of this service is the availability to local industry, agriculture and motorists of fuels, oils and lubricants of the finest quality that man has been able to create.

In these and in many other ways Caltex continues to serve nations, economies, individuals.

CALTEX

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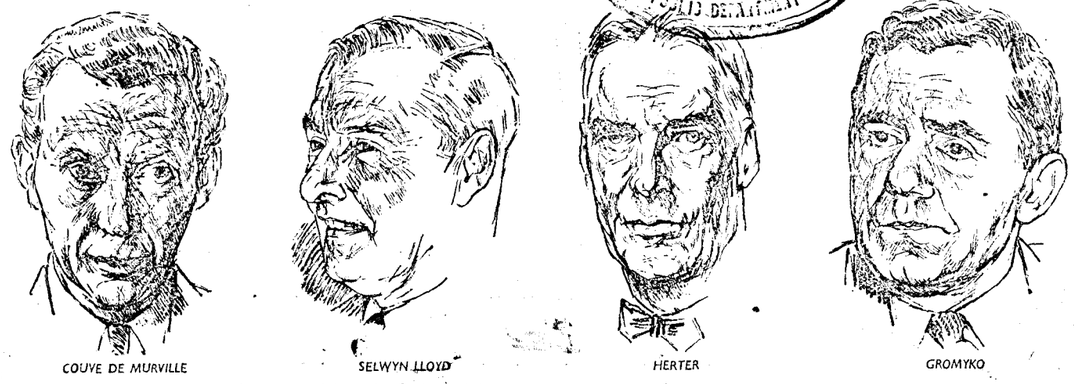
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The Brandenburg Gate

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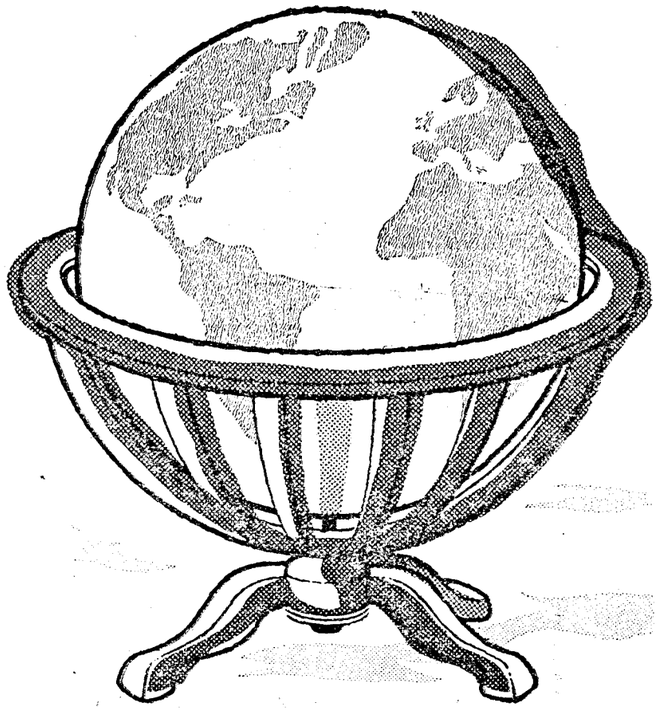
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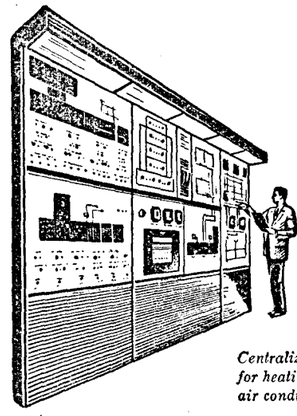
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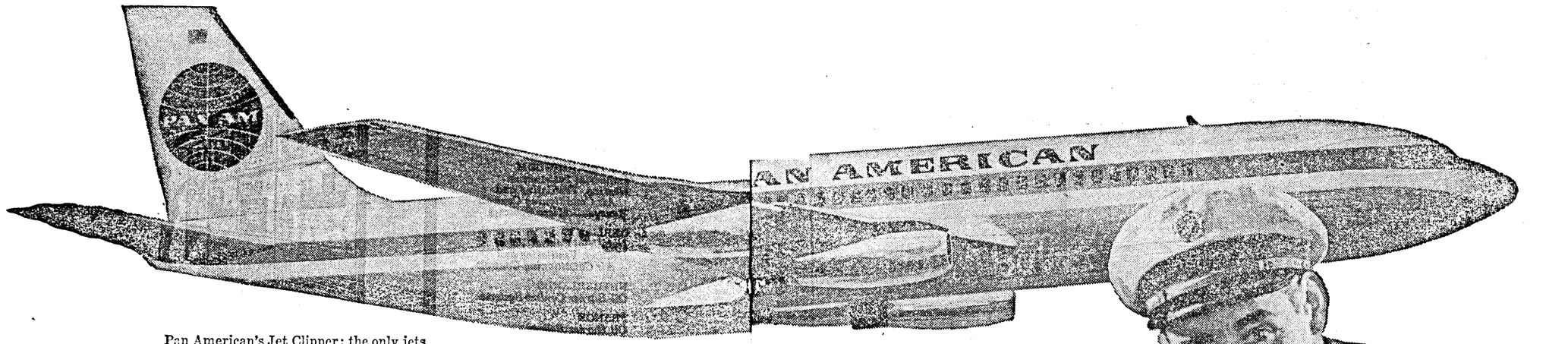
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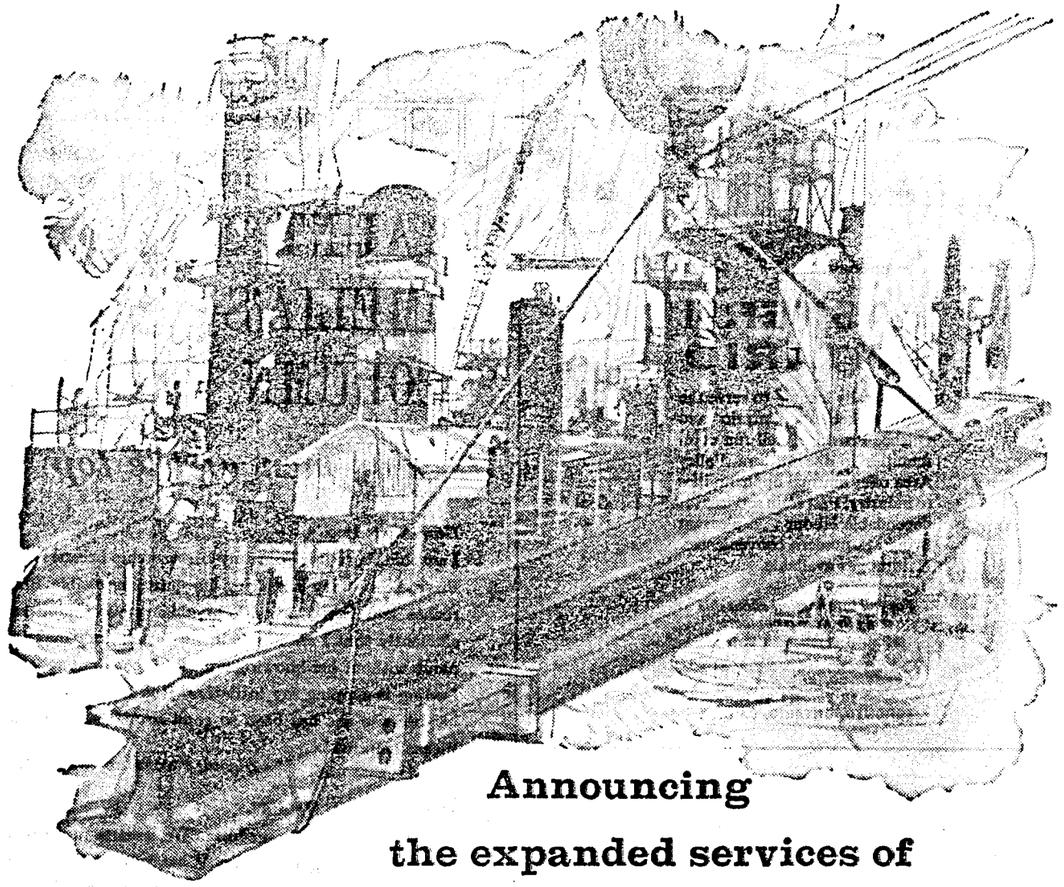
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Edible oils and oil seeds now represent 43½% of total Nigerian export trade

NOTABLE ROLE OF BRITISH MARGARINE INDUSTRY IN MAINTAINING COMMONWEALTH PROSPERITY

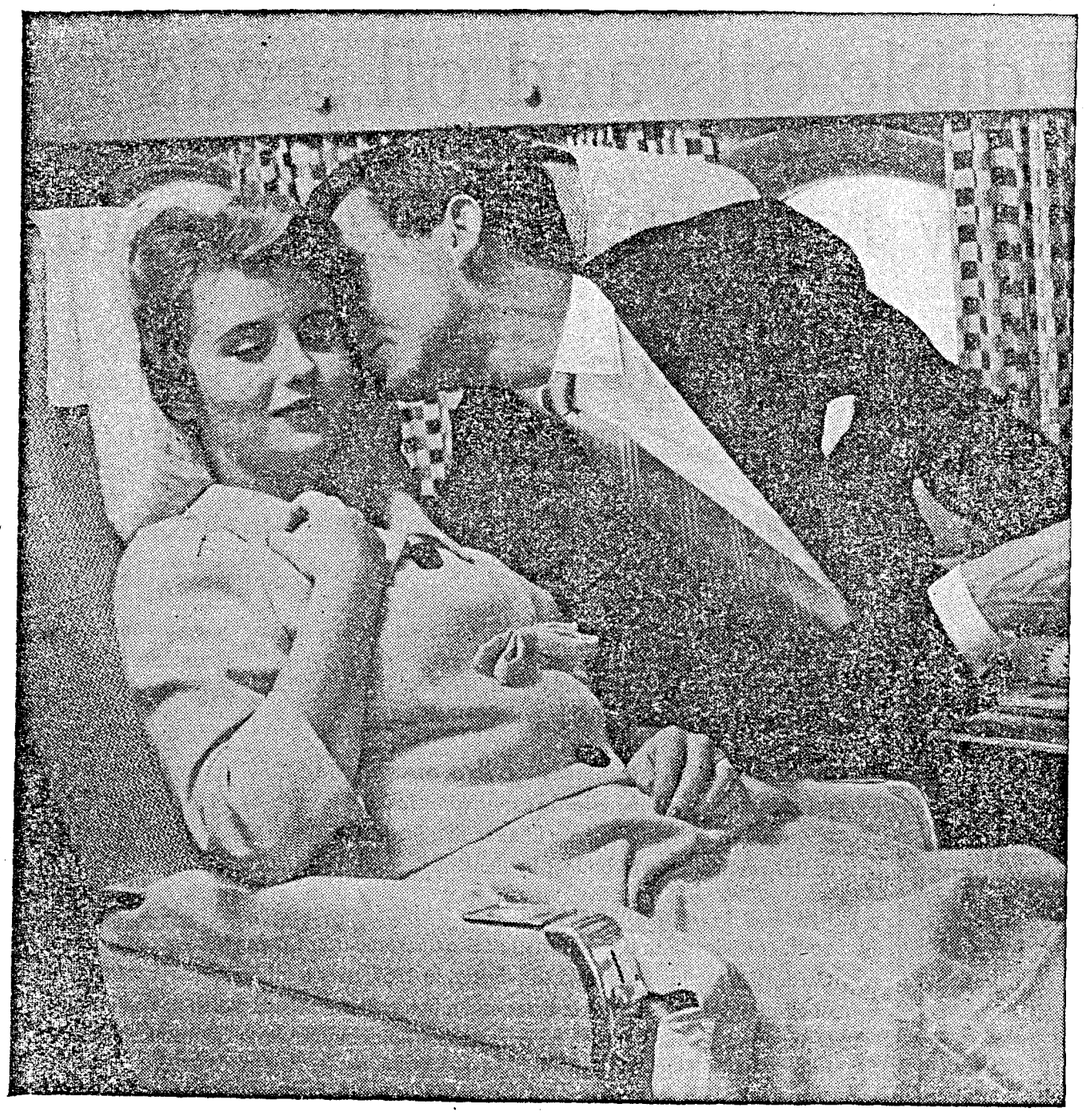
Nigeria's export trade, and hence Nigeria's future, is significantly geared to her agricultural production of edible oils. In fact, edible palm oil, groundnuts and palm kernels and oils represent, according to the latest figures given by the Office of the Commissioner for Nigeria, 43·5% of her total trade.

A THIRTY-EIGHT MILLION POUND MARKET In 1957 (1958 figures are not yet generally available) Nigeria exported 615,000 tons of these oils and oil seeds to Great Britain, bringing her in a sterling income of some £38,000,000: about 40% of this production was bought by the British margarine industry.

RAISING LIVING STANDARDS This trade has substantially helped the legislatorial bodies of Nigeria in their efforts to raise the standard of living in the country. Great Britain alone exported to Nigeria, in 1957, over a million pounds worth of clothing, shoes, etc.; over three and a half million pounds worth of furniture, fittings and building materials; over five million pounds worth of chemicals (this includes medicinal preparations, cosmetics, paints and insecticides); nine million pounds worth of transport.

NEED FOR TRADE WITHIN THE COMMONWEALTH In the very near future Nigeria is scheduled to assume full self government. In these circumstances it is clearly extremely important to Britain that we can continue to count upon Nigeria, not only as an exporter of most necessary edible products to this country, but also as a settled import prospect for our own industrial output of exportable goods. The British margarine industry is playing a particularly useful role in the maintaining and furthering of this situation.

(All figures quoted are taken either from the Board of Trade, "Trade and Navigation Accounts", the "Nigerian Trade Summary", or have been obtained from the Office of the Commissioner for Nigeria)



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The Brandenburg Gate

GENERAL CHUIKOV, then Soviet military governor in Germany, issued the orders to end the Berlin blockade just ten years ago, on May 9, 1949. The four foreign ministers, Mr Acheson, Mr Ernest Bevin, M. Robert Schuman and Mr Vyshinsky, met in Paris a fortnight later and failed to agree on any common political arrangements for all Germany ; it was in that summer that the west and east German states were set up. Both sides in central Europe have used the ten years since then diligently for economic construction and military organisation ; neither has used the time to equal effect in the pursuit of a durable political settlement for central Europe, and as a result it is hard to feel any conviction that the structures of 1949 will still exist ten years from now.

When Mr Herter, Mr Selwyn Lloyd, and M. Couve de Murville meet Mr Gromyko at Geneva on Monday, it will be the West that is insisting, and with truth, on the indissoluble connection between the government of Berlin and the unification of Germany ; while Mr Gromyko, if he follows the established Communist line reiterated from Warsaw only a few days ago by the foreign ministers of the Soviet block, will be insisting that German unity is nothing to do with the conference and "a matter for the Germans themselves." Mr Herter, if he wished, could reply by recalling what Stalin told Mr Bedell Smith during the Berlin blockade, that the Soviet action in closing the land approaches to Berlin had been made necessary by American, British, and French actions in west Germany—the decision to set up a government at Bonn, and the currency reform ; for, as a Soviet note told the western powers in July, 1948,

> the agreement concerning the four-power administration in Berlin is an inseparable component part of the agreement for the four-power administration of Germany as a whole.

However, the western foreign ministers cannot make too free with this history without embarrassment for themselves ; for the Russians could possibly recall in turn how the western ambassadors assured Stalin that the proposed Bonn government was not intended to be a government for all Germany, and its formation need not stand in the way of later agreement with the Russians to set up an all-German government. Circumstances since then have caused the western governments to recognise Bonn as the only government "legitimately entitled to speak for Germany . . . in international affairs." It is this obligation that ties their hands not only in dealing with the German question, but in manœuvring to keep their footing in Berlin as well.

That the western position in Berlin must be maintained is one point, at any rate, on which the three western foreign ministers at Geneva, together with the west German government which will be exercising its veto in the background, can stand totally firm and totally united. To that extent—while it is natural enough for the Russians to have picked on what is for them an exasperating anachronism as a place to probe

—Berlin is about as unpropitious a starting-point as could be chosen for an essay in diplomatic exploration between the two sides in the cold war. The Communists want the West out of Berlin. To create conditions in which the West could go, the future of Germany would have to be settled in a manner which restored a reunited Berlin to its place as capital of all Germany. As a possibility, this is remote. It is no use for the West to put on sackcloth and ashes unnecessarily: the Russians have at no time since 1945 shown any disposition in practice to allow Germany to be reunited. However, it remains true that the continued western occupation of west Berlin—whether " by right of conquest " as the western powers maintain, or, as the Russians maintain, by agreement with them for the purpose of forming an administration for all Germany—has no historical foundation and no future sense unless the unification of Germany is actively sought.

This is the dilemma which the western foreign ministers are taking with them to the four-power meeting. They cannot go to Geneva to talk nonsense; Moscow having demanded a change in the status of Berlin, they have to reply by proposing a change in the status of Germany. But they cannot go back to 1948 and behave as if the west German state did not exist or had not been given a part to play in western defence. Any new status they propose for Germany is unavoidably coloured by these facts, and, just as unavoidably, is unattractive to the Russians, who have their own side of the military balance, and their own political creation in east Germany, to think of. The details of the western " package " that was agreed on in Paris last week have not been disclosed; but the package evidently includes a set of European security guarantees to give the eastern Europeans some insurance against aggressive behaviour on the part of a Germany united on western lines, together with proposals for the inspection and—eventually, perhaps—the restriction of armaments in Central Europe, designed by reducing the military tension to make a political settlement thinkable.

These military proposals seem to have been severely thinned out since Mr Macmillan brought his idea of a zone of limited armaments back from Moscow a couple of months ago. They may not by now amount to enough to attract the Russians, even by themselves. If they are made conditional on Russian acceptance of the plan for German unity, they will look, to the Russians, less attractive still; but that is what is meant by Dr Adenauer's principle of no military concessions without political progress. So long as this principle is accepted by all the western powers, harmony among them (of the kind attained in Paris last week) seems assured—but at the expense, it may be, of any chance of agreement with the Russians.

Is the Geneva conference, then, hopeless from the start? In logic it is not hard to demonstrate that it is; but to do so is to assume what is in the last analysis absurd, that the leading power in each of the great blocks is willing to let its smaller allies dictate the limits within which it can negotiate with the other. Somewhere, at some point, that convention will sooner or later be broken. The chances are that it will not happen at Geneva in the next few weeks; what may happen, however, is that the American and the Russian there may succeed in conveying to each other that a real negotiation between their governments, one in which they would draw the limits of their field of manœuvre for themselves, is not impossible.

This is the precondition for a summit conference. Mr Khrushchev has managed to make his point that there will not be any real new departures in Soviet policy, and therefore any four-power agreement, at anything less. The summit conference would only be worth holding, for either side, if Mr Khrushchev were there prepared to make better proposals than are dictated by the inner politics of the Warsaw Pact and the convenience of keeping Herr Ulbricht in power; and, equally, if the United States government were prepared, when it came to the point, to decide for itself the crucial question: is the German question more likely to be settled in a period of mounting or declining tension?

Dr Adenauer's view of how to seek a solution of the German question has not always been as rigid, tactically speaking, as he manages to make it look. Nearly always, however, it has contained one consistent ingredient: the belief that the state of armed tension in Europe exists for a purpose, to keep life uncomfortable for the Russian rulers until they agree to a German settlement on lines acceptable to Bonn. The belief has some incidental disadvantages that are quite important; it is not only in Russia that life is made uncomfortable, but in most of central Europe. It is also historically wrong; the tension in Europe was not created against the Soviet Union for a purpose; it was created by the Soviet Union, whose actions eleven years ago forced the West to organise and arm itself.

The West has neither sought the tension nor given cause for it. But, having once established a state of armed and organised watchfulness, it has been cautious of risking its own cohesion by exploring beneath the surface changes of Russian political life to see whether, and where, a start can be made in bringing the tension to an end. Any such exploration by any alliance reveals conflicts of interest among its members, though these are not always as fundamental or as fatal as they look. After all that has happened since 1945, it is reasonable that the Russians should be asked for proof of their readiness to call a halt to the outward pressure which they take for granted as their Marxist birthright.

Mr Eisenhower's insistence on this requirement is no mere evasion. Behind it, however, there should be, and probably is, a perception that it is not necessary to make any and every amelioration in central Europe conditional on the settlement of its most intractable problem. Germany will be united after, not before, the two great powers have somehow derived some degree of reassurance about each other's intentions. This is a hard enough and long enough task to keep a string of conferences busy.

Facing Mount Kenya

The political development of East Africa has reached a moment of choice

SUDDENLY there is a mood of optimism about Kenya, prickliest of East African problems. Two weeks ago, the Colonial Secretary announced he would convene a round table conference on the colony's political development, and promised to produce the outside constitutional expert for whom the Africans have been clamouring. Last week, he heard the views of the delegation of African and Asian elected members of the legislature (their alliance includes one European, too); and they departed notably cheerful. This week, Mr Michael Blundell has arrived, in the role of a national leader, and has claimed that the proposals of the New Kenya Group which he has formed from moderates of all races can lead to Kenya's self-government; he comes fresh from his campaign in the settler districts, where the diehards who had gathered to decry him were shouted down on their own sacred farmland by other white men. The governor, Sir Evelyn Baring, is talking of an understanding between men of goodwill of all communities, and everyone is bowing in the direction of everybody else.

This is a very good thing, so far as it goes; a round of courtesies is an essential loosening-up process before any arduous diplomatic bargaining. It is particularly satisfactory that both Mr Oginga Odinga's delegation and Mr Blundell's group are declaring that Kenya's solution must be non-racial; that the Africans say Mr Lennox-Boyd has gone a long way to meet them; and that Mr Mboya and his colleagues have accordingly abandoned their boycott of the legislature. But it has to be faced that all this is only a beginning.

The Africans have not retreated one inch from the claims they staked out a year and more ago; if anything they have extended them. These claims, if conceded in full, would give Africans a majority in the legislature after the 1960 elections, a half-share in a ministry which they wish to be responsible to the chamber, and would fully recognise Kenya's destiny as an African state. The demand for a rapid evolution towards self-government and independence would inevitably follow.

Mr Blundell's non-racial approach is very different; it envisages Africans becoming gradually predominant during a period of unspecified length in which Britain, by retaining control, will provide the minority races with a security that would reconcile them to entrusting power to responsible Africans. The issue will be joined at this point. Nobody in Kenya now believes in "entrenched constitutional safeguards for minorities." Everybody remembers what Dr Nkrumah did to such things. The African leaders are praising the realism of the Indian settlers in Uganda who, after a boycott of their shops, have decided not to ask for these paper entries in a constitution (though they were promised them when the Colonial Secretary declared that Uganda would be a " predominantly African " country).

That being so, the question turns on how long Britain is to retain control, and how control is to be retained. Control implies that, if necessary, the constitution could be suspended, as was done in British Guiana. Under certain political conditions, usually in isolated or divided or politically unorganised territories, such reserve powers are feasible weapons. But the Africans are now calling for an end to the emergency regulations in Kenya, specifically in order to free themselves to organise Kenya-wide political parties. The chances are that this would mean a single monolithic nationalist movement crying for " freedom " and built up by African political methods, in which a degree of intimidation is a normal ingredient. At such a stage in Kenya affairs, and in the context of Africa as a whole, who can doubt that once such a disciplined movement was in existence, British control would in practice evaporate? A point would be reached in a very few years at which—whatever happened—it could not be reasserted.

THIS is the issue that ought to be faced now—before the round table conference meets. The critical decision has to be made. You can give the Africans freedom to organise; or you can organise safeguards. You cannot for long do both. If safeguards are to amount to no more than African goodwill, the minorities should know soon—because then they can decide to get on with Mr Mboya and his like (as many of them think they could) or get out. If there are to be safeguards, then the Africans have to be told bluntly that for a specified or an indefinite period they will not be given the keys of " the political kingdom "—which means, whatever the interim constitution, that there will be supervision of their political activities, and that an apparatus to use security forces in an extremity will be maintained.

Which choice should be made—to rely on African goodwill, or to try to impose restrictions? The choice cannot sensibly be discussed in isolation from Britain's wider intentions in British East Africa. A glance at the surrounding territories shows that British wishes are no longer the real arbiters of the local timetable. Internal (as well as external) forces are plainly setting the pace; and that pace is towards independence. In Somaliland a forced march to self-government has been imposed by the forthcoming independence of Somalia. In Tanganyika, the administration retains control, but the strength of the nationalist movement, TANU,

led by Mr Nyerere, means that the governor has either to guide Tanganyika to self-government by a series of compromises with TANU, or face bloodshed. In Uganda and Zanzibar, internal divisions have so far diverted local pressure from accelerating the pace to self-government; but it would be foolish to count on the pig-headedness of the Baganda or of the Arab minority in Zanzibar to provide an indefinite breathing-space to incubate a non-racial solution for Kenya. Mr Mboya used to talk of a ten-year period for transfer of power to an "undiluted self-governing parliamentary democracy." He will have to be asked if he still stands by it. Some of his followers are said to be still in no great hurry, but Mr Nyerere's victory, the Congo developments and the Accra conference seem likely to have changed Mr Mboya's own time scale.

Is not the logic of these considerations that the transitional period in Kenya, however Mr Blundell's group may see it, is measurably brief? And if it is brief, should not the opportunity be seized at once, without long protraction of the cold war in the colony, to prepare for the inevitable? Nobody should underestimate the international damage done by terrible incidents such as that at the Hola prison camp. It is a point worth making that Britain will in a few years run out of the goodwill engendered yearly by the emancipation of colonies, unless some territories in East Africa are got ready now to follow up the independence of Nigeria in 1960, and perhaps of Sierra Leone soon after. Otherwise a period might ensue in which Britain stood only for holding back African nationalism and aspirations, with perhaps Belgium or France earning the good marks.

Ironically enough, Kenya is the obvious colony to follow on, because it has a reservoir of sufficiently advanced black Kenyans who could act as the majority ministers in a new state, and a corps of sufficiently skilled Kenyans of all pigmentations who could help in running an efficient administration. If an African prime minister could be as colour-blind as Mr Mboya asks white Kenyans to be, he could run Kenya tomorrow as well as—perhaps rather better than—Dr Nkrumah runs Ghana today. The one condition is racial harmony. Of the four conditions set by the Colonial Secretary, it is the only vital one; and it is also the only vital condition in the New Kenya Group's policy. But if what is regarded as a sufficient degree of racial harmony cannot be reached at the coming conference, is there much hope that it could be reached later, within any period that fits any realistic assessment of African developments? Logic now seems to point to a leap in the dark, to the taking of risks that a few years ago were unthinkable. This is what a wise ascent of Mount Kenya will involve.

The One-Eyed Men

A week which has seen the start of the offensive against compulsory Latin at Oxford, and at Cambridge, as well as Sir Charles Snow's Rede lecture, the appointment of an ex-professor of Greek to be senior tutor of Churchill College, can be important for British education.

THE devil was sick, the devil a saint would be. Most of the pleas for what Sir Charles Snow in his Rede lecture at Cambridge on Thursday called "rethinking our education" are based upon the bluntest expediency. We must have more scientists and engineers and more people who understand what science is about in order to keep up with the Russians, to fortify our own precarious island affluence, and to help in lifting the indigence of most other countries, for our sake as well as theirs. We must look to our wits to survive.

This is the argument from necessity. It is a powerful argument. But it is not by itself "rethinking." It simply states the case for more of one sort of education and less of another. The crux of the matter, and of Sir Charles Snow's lecture, is different: it is that our education, and our culture, are split; the two nations in our society now, as Sir Charles sees them, are not the rich and the poor but the scientists and the rest, with a gulf of incomprehension between them. He calls them "the two cultures." But this is surely mistaken: as he says, each of the two groups is incomplete, intellectually and practically, without the other. A better description might be "the two illiteracies": those among the scientists who (though they cannot be as insulated from the ordinary man's world as the ordinary man is from science) can read only their own textbooks; and those many others who know nothing at all, and care no more, about science. At the most, because this is a time of unimagined scientific, technological and industrial change, the scientist can claim to be the one-eyed man in the country of the blind.

Are the rest so blind? Sir Charles's "two cultures" are the scientists and, arbitrarily, the "literary intellectuals." He makes too little of the men in between, the middle men. He admits their existence: the "non-scientists of strong down-to-earth interests," he calls them. They may even share the "scientific feeling." But they are outside his pale; they do not really understand. Yet, as things are, these are the men in business, in industry and in administration who, with the scientists and the engineers, get things done. "The industrial society of electronics, atomic energy, automation," Sir Charles rightly says, "is in cardinal respects different in kind from any that has gone before, and will change the world much more." The scientists and the engineers make it possible; even when they are not scientists or engineers themselves, it is the managers who make it work; they may be one-eyed, too, but they are certainly not blind. Beyond a point, as Professor Blackett once put it, all problems of scientific development are problems of investment—and, it may be added, of industrial and social organisation as well.

None of these riders of course, reduces the force of Sir Charles's plea for a new look at the shape and content of our education. We must try to educate our masters-to-be, managers and scientists alike, so that our society is no longer split between the two illiteracies. But, basically, the trouble about British education is still that we educate too few of our young people for too short a time. As a consequence, we pen the better ones too soon into corrals of specialised and exclusive study; communications are broken down far too early. The case for more science at a much earlier age is even stronger than the case for more scientists; the strongest case is for learning more widely for a longer time, before the best ones follow their bent. The remedy in fact, and the reply to those who protest that the curriculum is already too overcrowded, is more education for everybody. It is not just a question of the élite. The worst split in our education is between the one-eyed élite and the uneducated others—which is as crippling socially as it is hurtful culturally and economically.

WHAT significance in all this has the recommendation by Congregation at Oxford on Tuesday that Latin shall be optional instead of compulsory for entry to the university? By itself, perhaps, very little. If it means, as the movers of an unsuccessful amendment appeared to want it to mean, that scientists and mathematicians, but not others, should be able to contract out of the classics for good it would simply make the present fences higher. There is no virtue in not doing Latin. The real issue is whether there is any virtue in Latin, or indeed any other single subject, being compulsory for everybody; the test of any change is whether it will widen the schoolboy's range (as it should) or narrow it (as it should not). So far, it would seem, Oxford does not know precisely what it is now doing.

That indeed is the question which Sir Charles Snow has brusquely posed. Does Britain know where it is going in education—upon which everything else in its future depends? Sir Charles took his hearers on Thursday to the top of a high mountain and showed them the rich expanses that the scientific revolution puts within their grasp. "These two revolutions," he pointed out, "the agricultural and the industrial-scientific, are the only qualitative changes in social living that men have ever known." "It is technically possible," he declared, "to carry out the scientific revolution in India, Africa, South-east Asia, Latin America and the Middle East in fifty years." But is it economically possible? Sir Charles put a passing finger on the problem of capital aid to the poor billions who cannot accumulate their own until they have already risen on the curve of industrialisation. Is it politically possible?

Lord Keynes was as optimistic thirty years ago as Sir Charles Snow is now: the economic problem, the problem of material scarcity, could be solved in a century, given four conditions. The conditions were:

> our power to control populations; our determination to avoid wars and civil dissension; our willingness to entrust to science the direction of those matters which are properly the concern of science; and the rate of accumulation as fixed by the margin between our production and our consumption.

Everything that has happened in technology since the 1930s suggests that this strictly conditional optimism could be right. But, certainly, the challenge will not be met, or the task achieved, by one-eyed men of any sort.

The Shah's Task

Persia's future depends on its ability to concentrate on internal reforms before its enemies can exploit its present weaknesses.

AS he rode up the Mall on Tuesday with the Queen, the Shah of Persia looked far more like any other head of state than did his predecessor, Nasiredin Shah, when he rode into Windsor Castle on a June day in 1873. Nasiredin Shah, according to Queen Victoria's own account, wore a plain tunic covered with jewels, buttoned with large rubies. His sword-belt and epaulettes were entirely of diamonds and emeralds and he wore various other diamond decorations wherever space permitted. In his high black astrakhan hat was set an aigrette of diamonds. If any of the jewel-encrusted ornaments of Nasiredin Shah have survived the turmoil of the past eighty-six years they probably repose, in company with other of their kind, in the vaults of the National Bank in Teheran where they form part of the backing for the paper currency.

More has changed in Persia during the past century than the costume of its ruling monarch. The Qajar dynasty, to which Nasiredin belonged, crumbled and fell in 1923. When the present dynasty was founded by the Shah's father, Reza Shah, in 1925, the treasury was empty and the outlook gloomy; but Reza Shah set out to make Persia a modern nation in a few years. He did not succeed, and he made enemies for Persia and for himself; but for as long as Persia survives as a nation it will owe him a debt of gratitude. Statues of Reza Shah confront Persians whenever they move about any of the larger towns of the country. His most

enduring monument, however, is a lack of religious fanaticism and a freedom from the bonds of outmoded tradition that one finds, admittedly in varying degrees, throughout the country. His most practical monument is the railway from Khoramshahr, at the junction of the Shatt el-Arab and Karun rivers, to Teheran.

Before the present Shah left Teheran for London, he told members of the senate and the lower house that he was going away to work for Persia's interests abroad. He said, more hopefully than factually, that the old foreign interference in Persia had ceased to exist. But, more important than his other statements, he said that the foreign interference had arisen mostly from Persian weakness, feebleness and instability. It is refreshing for a monarch as nearly all-powerful as the Shah to admit that he and his people had ever been in the wrong at all.

Since he returned to Teheran from his brief exile in Rome in 1953, the Shah has achieved a measure of control over his country that he never enjoyed before. He has not seen fit to venture into the dangerous waters of democratic experiment. His hand-picked parliament is quick to do his bidding, his palace-created opposition has never dared to be other than abjectly loyal. On the surface the present arrangement is working reasonably well, but it does not provide an atmosphere encouraging to the growth and development of new talent in government. The old guard, representing a few hundred land-owning families, are depending on the Shah to maintain them in their positions, none of which, naturally, they want to surrender. The peasants also depend on the Shah to protect them ; but the protection they seek is from the very landlords who form the limited base on which his support rests.



Somewhere between the landlords and the peasants there is an increasing number of Persians who constitute the makings of an educated middle-class. It is among these that the Shah will find much of the disaffection for his kind of rule. It is these young men, many of whom have been educated abroad, who are potentially among Persia's most valuable assets today. What is happening to them ? They finish their education and then set out to be useful and to make a decent living. They soon find that opportunities are limited. Though they are impatient of the old ways, they probably end up with an appointment in some government department, where they sit idly behind a desk among others of their kind, slightly older than they are and considerably more disenchanted with life in their own country. They may hope to get something done, to make changes, but they are soon caught up in the tentacles of bureaucracy. To them Persia seems incurably backward.

For a while the Plan Organisation was an oasis in this desert. Protected by a dynamic managing director who kept them outside the circle of squabbling government departments, the engineers and economists were remarkably free to plan the future of the country's development. But even the Plan Organisation was not perfect. As all government projects, national and municipal, had to pass through it, it threatened to become a bottleneck. The director overlooked practical politics to concentrate on economic planning. The rest of the government took fright at the threat of an *imperium in imperio*. Now the demoralised organisation is left dangling between the prime minister's office and the government departments which hope to bite off bits of it until it no longer exists.

The Shah has more than enough internal problems without having to spend so much time as he has to on his foreign relations. He has, somehow, to find a way to broaden the basis of his support. This will not be easy for him when it can only be accomplished at the expense of those on whom he has leant so heavily in the past.

EXCEPT for a few colourful early embassies to the Safavid rulers, Persia was, until early in the nineteenth century, better known in the West as an historical fact than as an actual place full of living people. For centuries, western knowledge of Persia came through classical Greek and Hebrew sources: the Persians were the people who fought the Greeks and enslaved the Jews. Even now it is difficult for some westerners to approach Persia except under the influence of the *Arabian Nights* or of the barber of Isfahan, who emerged from the pages of James Morier's *Hajji Baba* over a century ago.

The geographical position of Persia, between Russia and British India, first pulled it, in 1807, into the maelstrom of European politics, from which it has never since escaped. Russian imperialism is nothing new to the Persians. Tsarist Russia annexed Georgia in 1801 and in 1828 took Erivan, Nakhichevan and a privileged position in Persia. Until the rise of communism the problem arose from the Russian dream of a warm-water port on the Persian Gulf, and from Britain's need to control the gulf for the security of India. Nowadays the causes of conflict have changed ; the problem, however, remains, though not, as is often claimed, simply with Washington substituted for London and Moscow for St Petersburg. The United States has no territorial interests in or around Persia ; its strategic interest is simply that Persia shall not be overrun by Russia and shall learn to stand on its own feet.

Since the war ended in 1945, the Russians have resorted first to occupation, and since then to frequent threats. It is not accurate to say that the United States has taken the place of Britain ; the prewar British position no longer exists. In Teheran it is possible for a British observer to discover as many anti-American Persians as there were formerly anti-British ones. If, however, the observer is not British but American he will find that the number of anti-British Persians has not diminished. Neither should put too much faith in his findings—the Persians are merely trying to be polite.

Persia will not be saved for the Persians or for the West by any grand gesture made by its western friends. Membership in the Baghdad Pact did not save Iraq for the West. The Eisenhower doctrine, especially tailored to comfort countries in danger from international communism, has saved nothing. Economic aid is useless unless skilfully applied. Military aid is wasteful if it only means keeping up with the neighbours' supplies of arms while the army remains untrained. At the Guildhall on Wednesday the Shah spoke of democracy, the rule of law, the love of freedom, and the resolution of his people to defend their way of life. The Shah has the difficult task of bringing his country up to the point where a majority of his countrymen believe themselves to possess all these good things that are worth defending. His friends in the West can only wish him well.

NOTES OF THE WEEK

LOCAL ELECTIONS

Bogey for Missing the Bus

THE most intriguing question at this year's local council elections is whether they will suggest that Mr Macmillan has missed the bus by not calling a May general election. The first three days of polling this week—in the smaller English and Welsh urban districts and the Scottish boroughs—showed the expected scattered net Labour losses, so far on a scale which is not inconsistent with the supposition that an early general election might have been near to a dead heat. But they do not provide a really adequate sample for analysis. A clearer picture should be available when the results come through of the borough elections in England and Wales, which were taking place on Thursday. It is worth drawing up a bogey scorecard for them.

In the provincial boroughs (i.e. boroughs outside London), one-third of the councillors submit themselves for re-election each year, so that over 3,300 seats are at stake annually. Labour's share of these seats since the war has never fallen below a quarter (even in its worst years of 1947 and 1951) nor risen much above half (even in its best years of 1945 and 1952). In 1955, two weeks before its defeat in the general election, Labour returned 1300 councillors. This figure was increased to 1550 in 1956 (and then to 1600 in each of the last two years). The councillors retiring this year were elected in 1956, at a time when Labour's lead on the Gallup poll was 3½ per cent ; at present the major parties are said by that poll to be running neck and neck. If Labour has avoided any net losses in these provincial borough elections, the inference will therefore be that it would probably have won any early general election. If Labour has suffered about 100 net losses, the chances are that a May election would have given a very evenly divided House of Commons. Above 100 net Labour losses, the pointer would begin to indicate that the Tories should have won a May election, with any figure above 150 making the pointer pretty clear. But only if Labour has suffered nearly 250 net losses in these provincial boroughs would the results indicate a full return to the Conservatives' comfortable majority of 1955.

In the twenty-eight metropolitan (i.e. London) boroughs, all the seats were at stake on Thursday ; these councils are now renewed completely every three years. Labour holds comfortable sway in London ; it has held seventeen of these boroughs at every postwar election, while five have remained solidly Conservative. The contest for control is thus really confined to the six boroughs which changed hands between 1945, when they were all Labour, and 1949, when the Conservatives won them all back. Labour regained St Pancras and Stoke Newington in 1953, and Lewisham in 1956 ; but Wandsworth, Paddington and Holborn remain in Tory hands. It would not necessarily be a significant national pointer if the Tories have recaptured St Pancras this year, because Labour has had some " little local difficulties " there, by the desertion of some of its left wing councillors to the communists. A more traditional guide to which party is best set to win a general election is which party captures Lewisham ; a recapture of this borough on Thursday would be a significant Tory success, especially as there is large scale Liberal intervention there.

UNITED NATIONS

Classified Ad

A COMMON belief persists that the United Nations is forbidden by its charter to deal with German questions. True, the victorious powers of 1945 wrote into the charter a clause—Article 107—which left them free to deal as they pleased with their vanquished enemies. But this in no way implies that the UN cannot be brought in to help operate agreed policies in regard to Germany, or be used as a forum within which those policies could be shaped. In his address to Danish students on May 2nd, Mr Hammarskjöld dwelt on both these possibilities.

The Secretary-General, who will be in Geneva on Monday to welcome the foreign ministers to the Palais des Nations, timed his remarks skilfully to draw general attention. But, as usual, his approach was more oblique than has been conveyed by the despairing attempts of headline-writers to break down his tortuous prose into monosyllables. Mr Hammarskjöld did not, in fact, " urge," " seek," " bid," " plead," or " stake out a claim " for the world organisation to be allotted a task in Berlin, or for the " summit " talks to be held within its framework. He recalled how last summer it was proposed to relate the summit to the Security Council, and discussed what would be involved if that idea was revived, and if the UN were called upon to help with " certain practical tasks in the field." However, to use some monosyllables which he would appreciate, a nod is as

good as a wink to a blind horse. He has in effect announced that the UN is still in the peace business, and advertised the services it could provide.

It is a characteristically cautious advertisement, largely made up of warnings. Mr Hammarskjöld points out—and this is timely, when the Prime Minister is developing his ideas about a long range of summits—that the corps of regular representatives at Turtle Bay is already "a kind of continuous diplomatic conference"; and that any conference held anywhere under even a rather notional UN umbrella implies an acceptance of the principles of the charter. Commenting on current speculation about a possible UN "presence," in Berlin or elsewhere, he expresses the view that even quasi-military functions would scarcely be practicable, and that the organisation cannot take on "administrative tasks which require political decisions." In more positive tones, he then points out that if and when a question is raised at a UN meeting, the governments involved "can only with difficulty avoid entering a reply"; and that, according to one view of secretary-generalship, it may be ("mind you, I've said nothing") his own duty to pronounce an "independent but positive evaluation" of a particular question. There is food for thought here, indigestible as it may look.

ICELAND

Steering for Trouble

The cod war off the Iceland coast has persisted since September without loss of life. It is a mark of restraint, good seamanship and—on the Icelandic side—intentionally poor gunnery. But there has had to be luck, too, and it must be doubted if this luck will hold much longer after the latest rows that seem to have shortened tempers all round. Britain's notes on Wednesday, protesting against the provocative actions of two Icelandic patrol vessels, certainly understate the trawlermen's feelings.

The British fishery industry has respected a four-mile limit off Iceland since 1956, and the "havens," in which the trawlers now fish under naval protection, extend from the twelve-mile to the four-mile line. But it is not always possible for trawler skippers to pick up their position with complete accuracy. There have been a number of disputes, most of them begun in all innocence, but enough to rouse Icelandic suspicions. The foreign affairs committee of the Althing, the Icelandic parliament, protested last month that British warships had used force "repeatedly" within the four-mile limit, and declared that these activities were "obviously intended to force the Icelandic people into submission." An earlier British note which reminded the Icelanders that the Foreign Office does not, in fact, recognise anything but a three-mile limit seems to have played its part in worsening relations.

The British trawler owners have tried to be conciliatory. Their skippers have had strict commands not to cross the four-mile line, and the skipper of the *Lord Montgomery*—redoubtable name—who did so last month was ordered, after much consultation, to accept arrest. The Icelandic court thereupon inflicted heavy penalties, not only for breaking the four-mile limit but for breaking the twelve-mile one as well. Now another trawler, the *Ashanti*, which the navy rescued near the four-mile line last week, has been ordered straight home. The owners seem to have thought twice about running the risk of double fines. Still, it might help in the future if they announced that they were ready to let the Royal Navy—which is on the spot—have the last word on whether one of its charges had crossed the line or not.

The bad feeling is likely to help the communists in the Icelandic elections next month. While no Iceland party could face the electorate without supporting the twelve-mile limit, the government is plainly anxious not to bring the Nato base at Keflavik into jeopardy. A fatal incident, arousing even stronger anti-British sentiment, could give the communists the clinching argument they need.

INDIA AND PAKISTAN

If Taken at the Flood . . .

Asia's great snow-fed rivers flood and then recede each year with troublesome swiftness. Chances of solving the problems that these rivers bring in their wake occur less often, and there is all the more need to catch them at the flood. Next week Mr Black and Mr Iliffe will be in Delhi and Karachi with the World Bank's latest proposals for settling the familiar but perilous dispute over the Punjab waters. The Bank now seems cautiously hopeful about the prospects of progress. The general approach is the same as before: according to the latest reports, it is proposed to build, over a period of years, a vast new system of link canals and reservoirs whose main function will be to bring water from the three westerly rivers across to Pakistani areas hitherto dependent on the other three, whose waters India plans to divert into new irrigation areas. But certain technical studies have yielded unexpectedly heartening results; and the present political conjuncture is about as propitious for a settlement as it is ever likely to be.

True, one cannot visualise India and Pakistan as being suddenly thrown into each other's arms by the shock waves from Tibet. On Monday Mr Nehru tartly rebuffed the suggestions made by President Ayub Khan and other Pakistanis about a joint defence of the sub-continent in the event of an external threat. But the brutal repression in Tibet, and China's campaign of abuse against India and against Mr Nehru, have left their mark—not only in India, but in the United States, where readiness to extend help to India was already growing. That is not unimportant, because the plan may cost nearly a billion dollars and will require large American help.

Finally, there is now a government in Karachi which could really get down to brass tacks on a settlement without fearing, as its predecessors feared, that any sign of reasonableness would be howled down by political rivals. Indians would be foolish if they let their understandable anxiety at having a military regime next door make them miss the opportunity it offers. If the Punjab waters dispute can be settled while Mr Nehru and General Ayub Khan both have the strength to steer a settlement through, it may yield a rich double dividend. As well as securing the economic future of a population far greater than that affected by, say, the Aswan high dam project, it would greatly improve the prospects of co-existence of the two neighbours.

PARLIAMENTARY QUESTION TIME

Counting the Prime Minister Out

Whatever happens to the rest of the recommendations of the Select Committee on the House of Commons's procedure—and now that the evidence is in print it is high time they were debated—one proposal should be adopted without delay. Twice a week the Prime Minister's questions should be reached at 3.15 p.m. instead of, as at present, whenever the Speaker is able to hustle the House on to question number 45. The present system was responsible for Tuesday's fiasco, when Mr Macmillan was prevented by the clock from answering more than one of a series of detailed questions on radioactive fall-out.

The cluster of questions arose from Mr Macmillan's statement last week, at the conclusion of which he prudently asked to be excused from tackling without notice supplementaries that required scientific answers. When the Prime Minister personally undertakes to account to the public for a matter that arouses such deep, natural anxieties—drawing up his answers, as he said on Tuesday, after several hours of briefing by the scientists—it is little short of grotesque that he should have to wait his turn until four minutes before the end of the question hour. It is not only Mr Macmillan's own convenience that is affected by this cavalier treatment, but, much more seriously, the public interest in obtaining coherent and consecutive treatment of such an important subject. It happens only too frequently that the clock frustrates the Prime Minister—or saves him, depending on the topic or the point of view. But it is an important constitutional practice that MPs should have a regular chance at getting a crack at the head of the Government.

No blame whatever can be attached to the Speaker, who was stricter than usual on Tuesday with supplementaries to earlier questions. The House is entitled to its fun with Scottish gin-traps and the replacement of Sir William Harcourt's statue by one of the Earl of Balfour—both subjects that kept Mr Macmillan and strontium 90 waiting in the wings. The rule is to blame. The rule should be changed.

LABOUR AND YOUTH

'No Kicks in Politics

A yawning challenge—"Why should we help Mr Gaitskell?"—is the latest expression of the long disenchantment of radical youth with the elderly Labour party. A forceful letter to *The Times* from Mr Dennis Potter, the retiring chairman of the Oxford University Labour Club (promptly repudiated, in the true tradition of undergraduate politics, by his successor), has started off a new round of self-analysis on the youthful left. It is not disillusionment with political activity about which the angry young socialists are complaining, but the missing of the prior thrill of illusionment, such as their lucky predecessors in the 'thirties enjoyed.

To judge from Mr Potter's letter and similar views expressed elsewhere, there are two causes of the complaint. First, the proletariat, on becoming richer, has proved to be just as greedy for material pleasures and as little concerned with disinterested social motives as the wicked capitalist. (Television is even more unsettling since it mirrors the harsh truth about mass tastes.) Secondly, events are nowadays so complicated, and loyalties so mixed, that it is no longer feasible to react to everything according to simple "emotive feelings of concern or guilt."

The Labour party is expected to do something about this, and is reproached when its glossy pamphlet fails to provide the answers. Both sides to this breach seem to be appallingly fainthearted. Anyone would think, to listen to some of the complaints, that the main purpose of political parties should be to give emotional thrills to the young. The exposure of the naiveté of some beliefs is no good reason for having none or for requiring that someone else supply a fresh set of naivetés on a platter.

On the other hand, instead of offering young socialists a framework within which to develop their own thoughts the Labour party has allowed itself to become unaccountably paralysed by fears of Trotskyite infiltration. Now, in the London area at least, official efforts are being made to breathe life into the party's constituency youth sections; and there is a Youth Committee reporting to the National Executive. But Mr Gaitskell will not get much youthful help unless his party is prepared to take the risk of riding its junior offshoots with as light a rein as the Tories use with the Bow Group or the Liberals with the authors of the "New Orbits" manifesto. Moreover, is it quite past the imagination of the political left to devise some way of harnessing the stunted idealism of the younger generation to some practical end? Could not a voluntary corps of young men and women of conscript age be formed to do service in underdeveloped countries?

APPRENTICESHIPS

Token Help Only?

Last week's announcement in the Commons that the Government will contribute £75,000 towards the cost of recruiting more officers to encourage apprentice training, as long as industry does the same, is a token gesture. It does not in any way conflict with the Government's general policy of non-interference in industrial training. The basis of this policy is that, in Mr Macleod's words, the Government "will not bribe industry to train the men it needs."

At first sight, this sounds sturdily sensible. Unfortunately, it may underestimate the difficulties ahead. The British Employers' Confederation is now very properly urging its members, in view of the coming bulge of school-leavers, to increase their places for apprentices by 20 per cent between 1961 and 1963; but it seems unlikely that this will come to much. Some of the craft unions that use apprenticeships as a means of limiting entry may raise objections; and many small employers and some large ones feel that, in their present form, apprenticeship schemes are just not worth running without substantial government help.

Unhappily, some of these latter reservations are justified. With the present high cost of juvenile labour, inflexible age qualifications and archaic methods of training and day release, it is now sometimes true that only a large firm dealing with a progressive trade union can afford apprenticeships on any scale; central training courses financed, as in France, by industry-wide contributions have found little favour here. The fact that Cardinal Godfrey, in his industrial sermon last Sunday, should have had to appeal that pupils who stay two extra years in a technical school should be allowed to count this as part of their apprenticeship course speaks for itself. The result of this inflexibility is that, in a recession, apprenticeship courses are one of the first things on which many firms economise; between 1957 and 1958, the number of lads entering apprenticeships fell slightly, from just over 95,000 to just over 93,000. Some firms which do run apprenticeship schemes complain that many of their young men, once trained, go off to take jobs with firms which undertake no training at all. As a result

of these difficulties, there is as yet no real sign that, as the bulge passes from the schools to employment, any major formal effort will be made to equip young workers with extra skills.

This may not be quite so tragic for Britain's industrial future as Mr Robens made out in the Commons debate, if only because some industrial skills can still be acquired in a rough and ready way as well as through a formal course. But Britain now has a system in which apprenticeship schemes vary widely—from some which are a restrictive practice, through some which are merely a waste, to some which are first-class educational schemes ; it faces a likely prospect of higher juvenile unemployment as the bulge age groups leave the schools ; and in these latter circumstances it is very probable that political pressure will grow for tax remissions to firms in respect of the number of their apprentices, or for capital grants from the Treasury for the establishment of joint training centres, or for other forms of government aid. It would be a mistake for the Ministry of Labour to get into a posture where it will at first resolutely turn down all these pleas, and then suddenly give way without preparations and in a panic ; what it should be doing instead is to get into a position where, if it does start eventually to pay part of the piper, it can also call part of the tune.

EUROPE

Short of Coppers

TWICE in the past fortnight Mr Maudling has uttered the public warning that if no new proposals for a European economic association came from the Six, countries outside the common market would have to try and expand their trade elsewhere. The prospects of getting new proposals from the Six are as dim as ever. Mr Maudling was evidently preparing the way for possible talks on a "little" free trade area between Britain, Scandinavia, and possibly Austria, Switzerland and Portugal. A Swedish draft scheme has now reached an advanced stage.

The reasoning behind it runs as follows. At the moment only the countries outside the common market have an incentive to get rid of "discrimination" ; the Six have none. Let the outsiders create such an incentive by forming an economic union of their own ; then there will be a willingness on both sides to come to terms. Study has confirmed that a "little" free trade area would have relatively little positive economic value in creating opportunities for higher productivity and a better division of labour ; but it would have considerable value as "retaliation." If the scheme were put into effect quickly, then, for a limited number of years, German exports to Sweden, in particular, might suffer more than British exports to the common market. In the language of the General Agreement on Tariffs and Trade, the little free trade area would divert a considerable quantity of trade, but create relatively little. It is intended as a means of pressure on the Six.

Pressure does have a part to play in diplomacy, especially in showing up the weak spots of the other side and encouraging it to negotiate. But when no acceptable alternative is offered, it merely creates bad feeling. The policy Mr Maudling has been discreetly foreshadowing is a continuation and elaboration of the policy Sir David Eccles voiced in his characteristically straightforward way in Paris last December. Like Sir David's plain words, it might force the Six to make defensive commercial concessions. It will not force them to swallow the free trade area. When a man is trying to make a fourpenny telephone call and has only put twopence in the slot, it is no use banging the box. He may jam the works, so that when he eventually fishes out two more coppers nothing happens at all. He may even cause expensive damage to the machine. One thing he will not do is get through to the number he wants. At best, a "little" free trade area may be irrelevant to the choices Britain has to make in Europe. At worst, it may deepen the division of Europe and make agreement later on impossible.

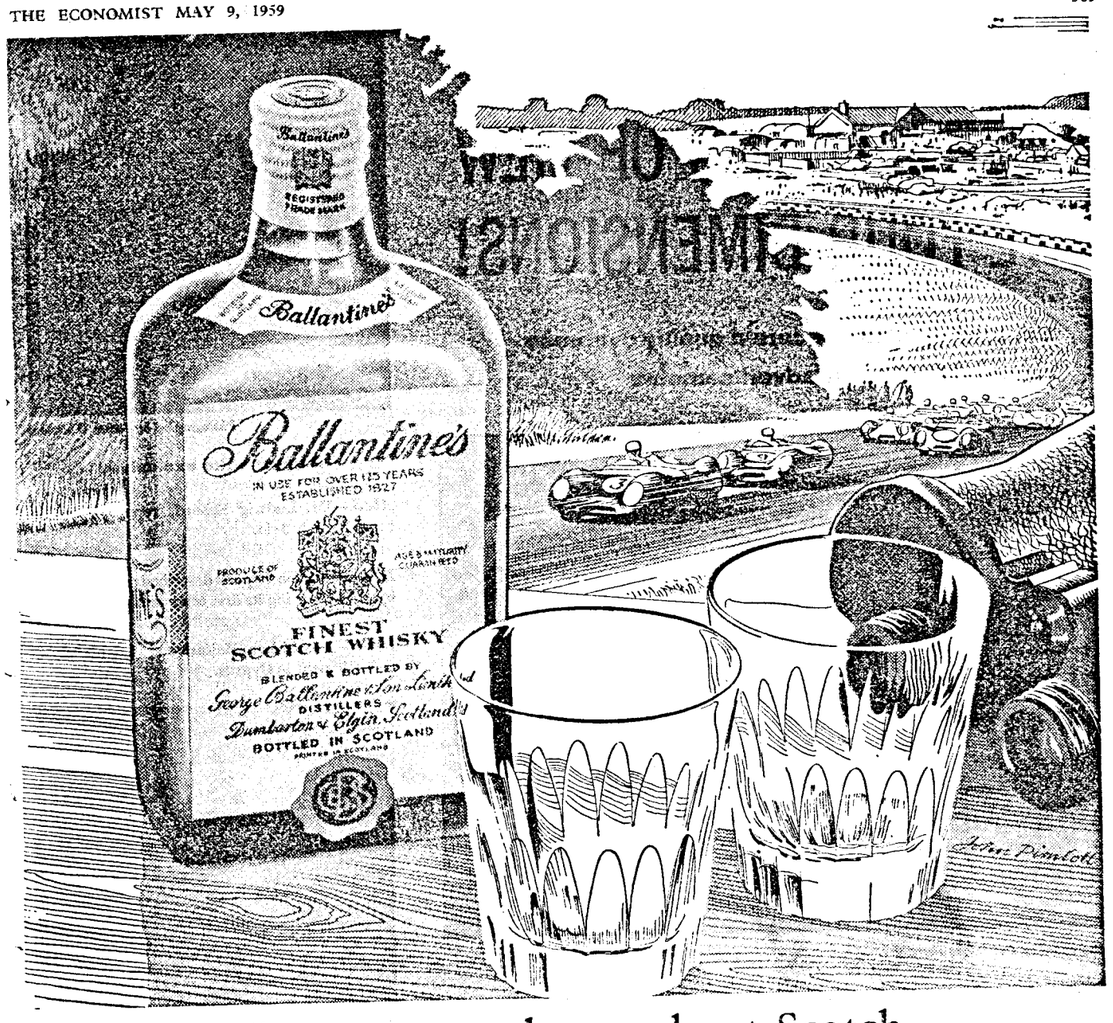
SPAIN

Still Unclubbable

ALTHOUGH General Franco has steadily won his way into the best international circles since the war—including a United Nations seat in 1955—the democratic warmth of a Nato welcome still eludes him. But Spain, it turns out, has two powerful sponsors currently at work. The affair has come to light rather curiously. On April 28th *Agence France Presse* reported that Spanish membership had been privately discussed at western conferences this year, particularly at the Nato meeting in Washington at the beginning of the month. If the question were taken further, the report said, the French government would strongly recommend Spain's admission, as it had already supported Spanish association with OEEC. No sooner was this news confirmed by the Quai d'Orsay than Dr Adenauer, interviewed on Italian television, gave the full story. He welcomed the French declaration, he said, and would be happy to see Spain in Nato. He had discussed the question recently in Paris—presumably at the meeting with General de Gaulle at the Chateau de Marly early in March—and it had been General de Gaulle who had raised it. Marly has been slow to give up its secrets: this is the first to get abroad.

These revelations may mean that a sustained attempt to get Spain into Nato is under way. But they also suggest that Spanish membership has been turned down for the moment, and that General Franco's supporters, while professing their goodwill, are warning him not to risk a formal blackball. It is perfectly plain that a number of Nato members do not consider the general an engaging clubman. (Whether King Juan, or King Juan Carlos, would have a better reception is another matter.) These opponents—who are not confined to the two Scandinavian countries—still find some obvious aspects of Spanish political and religious life repugnant to a reasonable understanding of democratic freedom. It may be unfortunate that the division in Nato on this issue largely reflects the division between Protestants and Catholics. The fact remains that, in a war of ideals, General Franco's presence in Nato would weaken the alliance, not strengthen it. Militarily, the existing United States defence agreement with Spain takes adequate account of Spain's ability to share in the defence of western Europe.

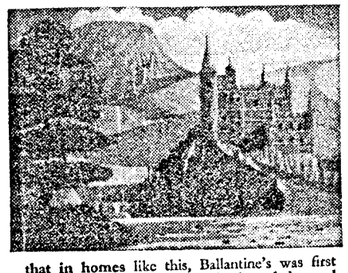
General Franco has shown several signs of wanting to play a larger diplomatic part this year. Speculation on the formation of a Mediterranean community was set off by the visit of the Turkish prime minister, Mr Menderes, to Madrid last month. It would be unfortunate if the rejection of Spain's Nato ambitions were to prompt the worsening of its relations with any of the Nato countries.



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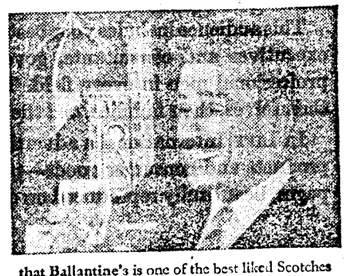
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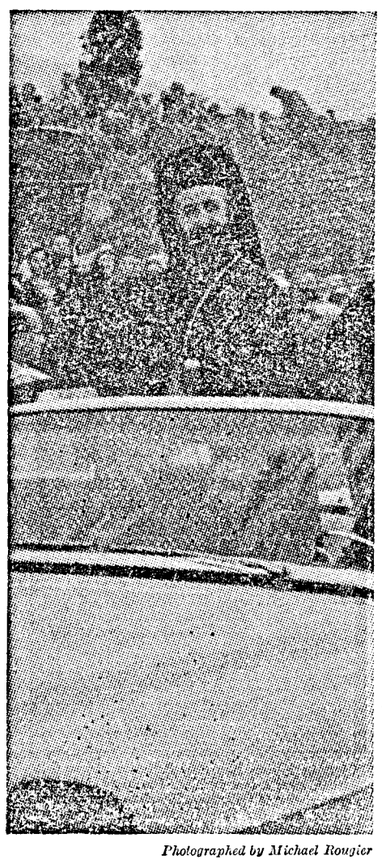
Photographed by James Whitmore

Experts write exclusives

Above—Dr. Ludwig Erhard, reported on his tour through Asia.

Left—Paul-Henri Spaak described progress made by NATO during its first ten years.

Below—Archbishop Makarios stated his views on settlement in Cyprus.



Photographed by Michael Rougier

SOCIAL WORKERS

Only Part of the Picture

THE Mental Health Bill received its third reading in the House of Commons this week, and the Minister of Health is asking all local health authorities to see how their mental health services can be expanded to provide community care for large numbers of people outside the hospitals. Such an expansion will require a big increase in the number of social workers employed in the mental health services. The report of the working party on social workers in the health and welfare services (HMSO 15s.) has therefore appeared at an opportune moment.

Many of the social workers employed by local authorities have received no training other than that provided by years of experience on the job. This is particularly true of the "duly authorised officer," who has statutory duties connected with the removal of the insane to hospital. Other workers have piecemeal training: for instance, those working with the blind may be trained how to teach them braille and suitable crafts—though as most of their clients are elderly, they have little need to put this training into practice. Therefore the most valuable part of the working party's report is concerned with the rationalisation of training. It considers that there should be three grades of social worker: first, the highly trained, with a university degree or diploma, like the psychiatric social worker and the hospital almoner, who would undertake the difficult problems needing skilled casework, and have responsible posts in administration and supervision; secondly, people with a two years' general training in social work, which would be organised by a proposed National Council for Social Work Training, who would make up the bulk of the service; thirdly, welfare assistants, trained on the job, who would undertake the cases needing straightforward help and occasional visiting.

The working party realises that present salaries, which are a hangover from the days when social work was performed by charitable institutions, are far too low to attract enough of the right women and men. But, because of its terms of reference, it was not able to assess the effect of its recommendations on other bodies employing social workers. It is not only the local health and welfare services that badly need these workers. The hospitals need them; the prisons and the societies dealing with the after-care of prisoners need them; the children's departments need them. And they must all come from the same body of people from whom the teaching and nursing professions and the probation service are trying to add to their numbers. The extra recruits estimated by the working party to supply the health and welfare services seem modest enough: about 3,500 in all, spread over ten years. When all the needs are considered, these 3,500 may not be easy to find, even if salaries are made more attractive.

RACE RELATIONS

Notting Hill Blues

IT is good news that the proliferating local organisations of West Indians in London are to get together this Sunday, under the auspices of the West Indian Commissioner's office, with the intention of forming a Standing Conference. It is a facile assumption that after the stiff sentences passed by Mr Justice Salmon on the Notting Hill rioters the problem of integrating coloured immigrants simply evaporated. Reports from most areas are indeed fairly encouraging. But Notting Hill remains a black spot, about which it is as well not to have any illusions.

Of course the faults are not all on one side, and the coloured population is itself divided about some of the issues that cause friction. Some, for example, argue that the coloured night clubs which the LCC is trying to close down are essential if the West Indians are to be allowed to let off their natural high spirits harmlessly. Other West Indians favour banning the clubs, on the grounds that they are an unnecessary provocation of the whites. But, without lending currency to any of the specific allegations that one hears from West Indians (some of which are *sub judice* and others of which would be hard to substantiate), it should be said that there is obviously a strong sense of collective grievance in the Notting Hill area against landlords (mostly white, but a few coloured), some employers and even, unfortunately, some of the police.

What is needed—as Mr Herbert Hill, of the American National Association for the Advancement of Coloured People, who has been visiting Notting Hill unofficially, rightly pointed out—is a strong central protective organisation, with access to adequate legal talent. Individual West Indians brave enough to haul rack-renting landlords before courts and rent tribunals need to be fully briefed on how to conduct themselves, both in bringing forward their complaints and in responding to any intimidation. There is a serious danger that West Indians, who lose in court or who fail to catch the sympathetic ear of the police through ignorance of the necessary steps to back up their charges or of the proper limits of the police force's authority, may conclude mistakenly that the authorities are against them.

The new Standing Conference—which hopes to have a high-powered advisory committee—should provide this sort of leadership. It needs to get into the field quickly before Sir Oswald Mosley's independent candidature in North Kensington and the activities of the White Defence League make matters any worse.

TOWN PLANNING

High, Wide or Handsome?

WELL-ROOTED prejudices often defy statistics, and costly public policies sometimes ignore them. Yet how will the advocates of "building upwards" in the cities manage to get round the figures produced by Mr P. A. Stone of the Building Research Station?* Mr Stone's purpose was to bring together and compare all the costs (land, housing, public services, disturbance and removal costs, etc.) that are involved in different forms of urban development. His figures show conclusively that the cost of building upwards in blocks of flats outweighs the savings to be won from concentrating people in a smaller or more central area. It is cheaper to build a new town, complete with new services and after making allowance for removal costs, than it is to develop a central area with flats of five storeys or upwards. It is still cheaper to expand an existing town where some services already exist. To put the comparison another way, all the extra services required in new or expanded towns can be fully paid for out of the savings in constructional costs, especially if allowance is

* In a paper (The economics of housing and urban development) read to the Royal Statistical Society.

made for some "improvement value" to the community as a whole from the existence of new assets.

Naturally, in some ways this account is an over-simplification. The choice is not *between* central redevelopment schemes and new or expanded towns. Both things are necessary to tackle the problems of urban congestion. But it has now been demonstrated that it would be definitely cheaper to reduce public housing densities in the big cities and build more new communities beyond them—and there is every reason to believe that this is what the people concerned would themselves prefer. "Building upwards" in the big cities may look impressive (particularly to people who do not live in the tall new utopias), but it is certainly not economical—not even if the most outrageous values are placed on the small quantity of agricultural land which is thereby saved. As a fact, the tall residential projects which are transforming London and other big cities do not indicate a new zest for urban life (or care for green belts), but a lavish use of public subsidy. Local authorities favour such schemes, first because the Government pays most of the extra cost, and secondly because they increase rateable values (and the local authority's share of general Government grants) by keeping people within the city boundaries. But the Government itself, which pays the piper, ought to get the policy changed.

AFRICAN STATES

State of the Union

THE communiqué issued after the meeting of Dr Nkrumah and M. Sekou Touré at Conakry amounts to a tacit confession that the proposed union between Ghana and Guinea is not to take place. It is still proposed that there shall be a union, which will become more real as other independent African states join it; but meanwhile all that will actually take place is consultation, and arrangements that there shall be passport-free travel facilities. In real terms, almost as much could be said of Britain and Ireland, whose volume of travel is much greater. Apart from a mysterious suggestion for a "common bank of issue" there is not a word about true federal institutions, which are the mechanics of unions as opposed to alliances.

The truth is that, when they came to re-examine the first exciting idea of a union that should become the core of a United States of West Africa, Ghanaians and Guineans discovered that they still were respectively too English and too French in their ideas, institutions and attitudes to merge outright. The real equipment of their statehood they found to be specialised, not interchangeable; what was interchangeable—a general African understanding—was not the machinery of state imported from different parts of Europe. By all accounts Dr Nkrumah does not like M. Sekou Touré's brand of one-party state, and probably thinks that his switching of so much of Guinea's trade to iron curtain countries is unwise; yet despite making a raft of trade agreements with these countries, M. Sekou Touré sticks obstinately to the franc and refuses all blandishments to come into the sterling area under Dr Nkrumah's (perhaps unexpected) auspices. The common bank of issue will in some way have to issue both francs and Ghanaian pounds, unless Dr Nkrumah hopes to join the common market as a franc country.

Of course the two countries will continue to work together and maintain the unusual relationship of having each other's ambassador to sit in on cabinet meetings. They are, after all, still on their own in West Africa, apart from a firmly non-co-operating Liberia. But in the political reshufflings now being talked about it is not clear that M. Sekou Touré and Dr Nkrumah have identical interests. If they desire to head bigger states (perhaps to face the Nigerian Federation which will be independent in 1960) M. Sekou Touré would surely be better off if he could get hold of either Senegal or Ivory Coast; Dr Nkrumah's more logical next union is with Togoland. Like the situation halfway through the second volume of a Victorian novel, at the moment in West Africa everybody seems set to marry the wrong partner.

The Blockbusters

As luck would have it, the chief opponent of both the Ghana-Guinea coalition and the Mali federation, M. Houphouet-Boigny, is now revolving schemes of his own for a new west African group comprising the Ivory Coast—of which he is prime minister—Dahomey, High Volta and Niger. These ideas did not emerge into the open at the third meeting of the executive council of the French Community at the Elysée Palace on Monday, but they were aired at private talks at M. Houphouet-Boigny's Paris home. A full conference is to be arranged later, possibly with other west African states taking part. M. Houphouet-Boigny has no intention of creating a political block like Mali (now reduced to Senegal and Soudan), but having won two of the original Mali signatories to his side he has plainly had to do something for them. This will be along the lines, already discussed in separate negotiations with High Volta and Niger, of economic and social co-operation.

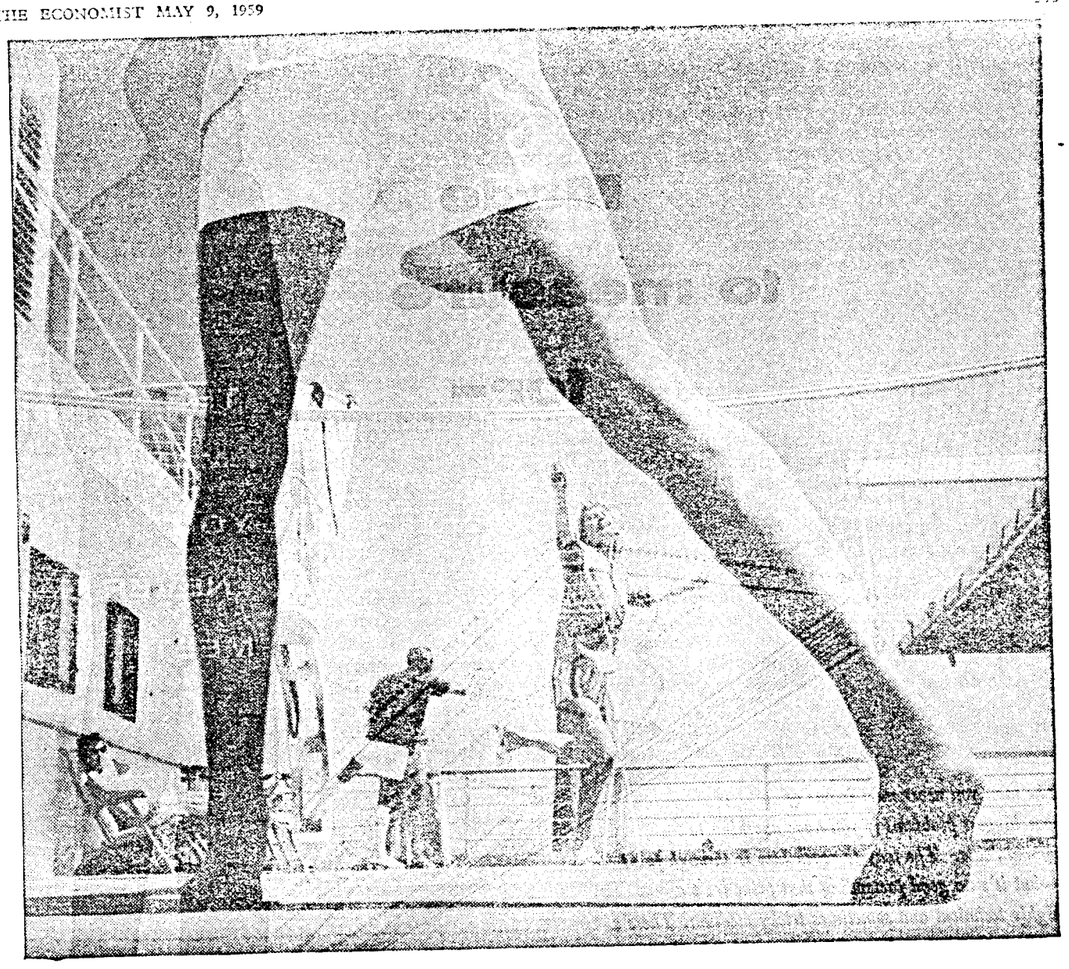
At the same time, M. Sekou Touré seems to have been trying to improve Guinea's relations with the Mali federation. Although both Senegal and Soudan are still reluctant

The Economist

MAY 7, 1859

THE ITALIAN STRUGGLE

Italy has for centuries been the apple of discord as well as the battle-field of Europe. It must be so no longer. *We must absolutely refuse to be a party to any settlement that is not natural and just and self-sustaining,—because any other will be a mere short and hollow armistice.* It is certain that Italy never can be tranquil as long as foreigners govern or attempt to govern any part of it. The rule of Austria, therefore, over Lombardy and Venice must terminate for ever. A mere suzerainty might be suffered to exist, but far better not. Let the Italian provinces of Austria assume a fair proportion of the common debt,—and be henceforth *bonâ fide* and entirely independent. That is the first point. The second is that the other States be left to themselves, to choose their own government, and their own relative position. Any attempt at *forced* amalgamation would be a fatal blunder. Let Lombardy join Sardinia if she will. Let the Duchies unite with Tuscany if it so please them. Let Venice be Republican, Naples Monarchical, Florence Ducal, as each may severally please. All that concerns Europe is that such a Federation of States shall be formed as may enable Italy as a whole in future to maintain her own independence. When Austria is defeated, or when France and Austria are both exhausted, or weary of an equally balanced and ineffective strife, the other European Powers with England at their head may step in and secure these great and righteous aims.



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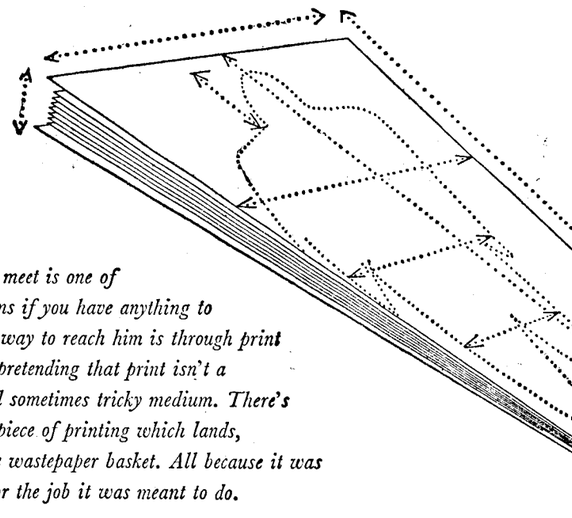
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IAN MacPHAIL

has been for the past five years Public Relations Officer to Dexion Ltd. His career has included extensive experience of print-design, journalism and broadcasting.



to cut themselves loose from French financial aid, the younger leaders may be tempted to follow Guinea's example one day. It was decided in Paris this week that Mali would not speak with one voice in the Community ; both partners will be represented. This seems to reduce the federation's prestige still further.

M. Sekou Touré, for his part, has been at pains to remove the impression that he is likely to become a willing communist satellite. In an interview with the *New York Times* last week he insisted that he asked for arms from Washington —although so unofficially that the Americans do not seem to have realised it—before accepting them from Czechoslovakia. The Americans' failure to respond was a disappointment, for which M. Sekou Touré is inclined to blame France's constant efforts to isolate Guinea, both politically and economically. The affairs of west Africa are becoming every bit as complex and devious as those of the Balkans before 1914. This seems to be exactly what some people in Paris want.

UNEMPLOYMENT

Woman's Reserve

IT is no bad thing that the public should be periodically reminded—as it was by a speaker at the recent TUC Women's Conference—that the official unemployment figures, which report the numbers registered as unemployed at labour exchanges, omit a quite considerable fringe of would-be workers who remain unregistered. Most of this fringe consists of married women who have opted against separate insurance, and consequently are not entitled to unemployment benefit. They may indeed register in the hopes of finding work, but if the prospects are notoriously dim they have no financial incentive to do so ; any increase in unemployment is consequently under-reported to the extent of their omission.

This encourages complacency among those who look no further than the official statistics, and calamity-howling among those who have a political interest in magnifying the discrepancy ; but nothing much can be done about it. Married women fit only very untidily into the classification of employment policy. It would be absurd to label as "unemployed" a contented homebody who long ago had a job, was more than half relieved when it folded up, and at most might just conceivably take another if it were urgently pressed upon her at a time of labour famine. But there is an unbroken gradation of psychology and circumstance from her case to the habitual joint breadwinner, to whom the loss of a job is hardly less dislocating than it would be to her husband. A complicating case is the frustrated woman worker, industrial or professional, who has had to accept full-time domesticity because there is no available alternative. (And what is "available"? How near home, demanding what hours, clashing how much or how little with family life, paying how adequately for the cost of child-minding by deputy or nursery ? How choosy can a woman get before ceasing to be properly classed as unemployed and joining, however blamelessly, the ranks of the unemployable ?)

If there is a practical moral to be drawn from these considerations, it is certainly not that the national demand for labour should be kept permanently at or near the famine level, which will draw back into employment every last housewife who has ever held a job. Nor is it that an impracticable refinement of the "take the work to the workers" policy should steer new enterprise specifically into areas where married women's unemployment is supposed to be serious. It is rather that special study should be devoted, and special care given, to identifying and publicising fresh opportunities for employing women in expanding industries, especially in areas such as the Lancashire cotton towns where traditional sources of employment for women are definitely drying up. Higher standards of realism about married women's requirements would, indeed, be the likeliest way of inducing "hidden unemployment" to come into the open, and so of making the official figures more realistic.

VIETNAM

Salvoes from Hanoi

THE temperature of the cold war between north and south Vietnam has noticeably risen in recent weeks. Most of the verbal bombardment has come from Hanoi, the capital of the communist north. In most cases, President Diem's government in Saigon has maintained a dignified but perhaps misguided silence. Hanoi's sustained campaign began last December with a charge that the southern government had massacred 1,000 prisoners in the detention camp of Phu Loi, about twenty miles from Saigon, by deliberately poisoning them ; that several thousand others had fallen ill ; that others who mutinied had been shot ; and that buildings in the camp had been set on fire. In January these allegations were officially addressed to the international commission charged with supervising the armistice arrangements in Vietnam, under the Geneva agreements of 1954. A fortnight later Saigon categorically denied them. In March, visiting British MPs were taken to Phu Loi, and one of them, Mr Harold Davies, said he had found the camp "well up to the Geneva Conventions" and had seen no evidence that buildings had been burned down. Indeed, Hanoi has produced no evidence in support of its charges ; nevertheless, President Diem would have been well advised to invite journalists and diplomats to visit Phu Loi at the time. This is the kind of case where publicity ought to be welcomed.

In the past two or three weeks, further salvoes have been fired. Saigon's controlled press reported that the Czech vessel *Lidice*—recently stopped by the French navy on the ground that it was carrying arms for the Algerian rebels—was really bound for north Vietnam. This Hanoi has denied. Now another northern note has been sent to the international commission, alleging that the south's air force and artillery had wiped out villages in the Ta Lai region, a former communist stronghold in the south.

Hanoi's tactics are clear. The communists are bent on maintaining a state of alert and preventing the final dismantling of the machinery set up at Geneva in 1954. In this lies their only hope, however tenuous, of ever reunifying Vietnam under communist rule.

Appointments, Business and Personal notices, and other Classified Advertisements pages 577 and 587

LETTERS

St Lawrence Seaway

SIR—I think that there has been a tendency to exaggerate the extent to which the opening of the inland ports will affect the eastern seaboard ports. The well-informed *Baltimore Sun* has taken a conservative view on this matter and its estimates bear yours out.

I am informed from Baltimore that the Welland Canal may prove to be a bottleneck and that 50 million tons a year will be found to be about its capacity. The canal traverses the Niagara Peninsula between Lakes Ontario and Erie and intersects the Queen Elizabeth Highway. The highway can hardly be carried over the canal—it is a very important dual-lane motor road. But unless and until this is done ships using the canal will have to stop from time to time to let traffic across. Otherwise communications in that part of Canada will be subject to severe interruptions.—Yours faithfully,

House of Lords WINSTER

International Labour Organisation

SIR—In your issue of April 18 you wrote about the communist employers in the International Labour Organisation. You describe the new system which will allow the communist employers to appeal for instatement as voting members on the conference committees and at the same time give the aggrieved group the possibility of nullifying the votes so given to them. The article then says in regard to the proposals that "there are signs that if the conference approves them (as is very likely) the employers will quietly accept the verdict." These signs cannot have been gathered from employers' circles familiar with the ILO. It may interest you to know that the employers' members of the governing body of the ILO, who are mandated by employers from all over the world—and thus not only the western employers as incorrectly stated—have violently opposed this new system which upsets the tripartite structure of the conference at one group's expense and then expects this same group to redress the balance by denying the communist employers—as well as the other employers—the right which every full member of a committee has to express his vote freely and individually.

This procedure, as was amply said in the governing body, would amount to resorting to dictatorial methods similar to those in use in communist countries.

Whether the conference in June will adopt this new system is, of course, a matter for conjecture, but one thing certain is that it will not be adopted without all the employers of the free world vehemently opposing it as the beginning of the end of the ILO as a tripartite forum enjoying the support of employers and workers alike and where they can freely expound their own views without interference from their governments.—

Yours faithfully, PIERRE WALINE
International Organisation of Employers, Brussels

Gold and Silver

SIR—In the business note on "Gold and Silver" in your issue of March 14th, you say while referring to the line of demarcation between primitive hoarding and sophisticated investment, that "both usually involve speculation about the price of gold, but it is possible to distinguish between French and Indian peasants hedging against the instability of their own currency, and international investors hedging against a rise in the world price of gold." It is, however, equally important to draw a distinction between the French peasant's hoarding of bullion which, apart from being a tax evasion device, is a hedge against the chronic instability of the French currency arising from past experience of prolonged inflation, and the Indian peasant's hoarding which is not really, if at all, a hedge against the instability of the Indian currency, but largely a means of satisfying the traditional preference for gold in the form of ornaments on account of its psychic income being so highly esteemed, besides functioning as a precautionary reserve. In point of fact, the Indian currency has not only not been subject to the periodic bouts of inflation which have characterised many European currencies including the French franc, but has enjoyed a comparatively high degree of stability even with accelerated development expenditures in recent years. Besides, the Indian peasant is better cushioned against the impact of monetary instability relatively to his French counterpart in so far as a part of his real income is derived from the non-monetised sector of the economy. In the past there have been distress sales of hoarded gold by the Indian peasants particularly during the depression years to meet their fixed monetary commitments such as taxes, interest, etc., which could not be met out of current income.

It should also be borne in mind that hoarding in form of gold ornaments in India is not a perfect hedge against inflation because of a peculiarity of the ornaments market in the country, in as much as sale of ornaments by individuals for cash usually involves a capital loss in so far as the seller cannot get value for the cost of the workmanship. Thus the Indian peasants' hoarding of gold is explained by the high psychic income attached to ornaments and the operation of precautionary motives, but its role as a hedge against domestic currency instability is questionable.—Yours faithfully,

A. G. CHANDAVARKER
National Bank of Libya, Benghazi

Restrictive Practices Court

SIR—In the article "Court Report" published in your issue of April 25th, it is stated that Parliament decided to set up a court and a registrar with no discretionary power. If this is the right view of the law, as we believe it is, the question arises whether the registrar has a discretion to refrain from calling for registration in a case where persons affected by an agreement, but not being parties to it, have serious grounds for contending that it ought to be registered.

We have been referred to a case of this type relating to garage agreements in which we are advised that the restrictions may be registrable on the grounds that a marketing company concerned is a "trade association" within the meaning of Section 6(8) of the Restrictive Trade Practices Act, 1956 ("the Act"). We are informed that the Registrar has so far not called for registration of such agreements and so far as we can ascertain he has not made any application to the court in relation to them.

The intention of the Lord Chancellor was made clear in the House of Lords: that traders considering themselves to be the victim of a ring should not be turned away by the Registrar.

It would seem that the duty imposed by Section 9 of the Restrictive Trade Practices Act, 1956, to register an agreement subject to registration impliedly excludes, in a doubtful case or in a case where serious representations have been made, any exercise of discretion by the registrar whether an agreement ought or ought not to be registered. In cases which are plainly outside the scope of the Act the question would not arise. Accordingly, we suggest that where a responsible case is made out that there are registrable restrictions in any given agreement it is the duty of the registrar to call for registration and to leave the matter to be decided by the court under Section 13 of the Act. Alternatively it seems to us that the law should be amended so as to give to all persons affected by agreements containing relevant restrictions even though they are not parties a right to apply to the court for determination whether any particular agreement should or should not be registered.—Yours faithfully,

A. A. BILLS
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By André Maurois.
Cape. 293 pages. 25s.

RESEARCH workers are not promising material for biography. Dedicated to the pursuit of knowledge, they spend their lives at the work-bench free, apparently, from the conflicts that a modern biographer, using psychological technique, can dig up and shape into a dramatic story. In the early chapters of this book, Alexander Fleming seems to be no exception, and the reader's interest is sustained by the account of the medical research that was going on rather than by the personality of the highly gifted but socially inept member of the Inoculation Department of St. Mary's Hospital. Dominated by the founder of the department, Almroth Wright—whom Shaw immortalised as Sir Colenso Ridgeon of *The Doctor's Dilemma*—Fleming seemed to be destined for a useful but unspectacular life with a microscope.

Yet he never allowed himself to be intellectually dominated. To Wright he owed the immense stimulus given to the study of bacteria and the inspiration and sense of devotion that enabled him and his fellow-workers to work into the small hours counting microbes. It was Wright also who insisted on his assistants continuing their clinical practice so that they did not lose themselves in ivory towers. But whereas Wright believed that any problem could be solved by the intellectual process, Fleming refused to accept a preconceived theory until it had been tested by observation. In his belief in the sacredness of observation he was in the true succession from William Harvey.

With the contrast between Wright and Fleming, M. Maurois begins to rouse the reader's interest in Fleming as a man, and from then on it does not flag, except perhaps towards the end when the shy research worker had been made into an international figure and the account of the series of public occasions for honouring him becomes somewhat repetitive. Even here, however, the wide acclaim given to Fleming in America and in Europe—and later in India—makes the reader speculate why the same general recognition was not accorded to him in England. He received a knighthood, and on his death he was buried in St. Paul's; but did any English university honour him with a doctorate? M. Maurois does not mention one, and one cannot help wondering whether the vast international publicity pressed on Fleming did not create distrust among those members of his profession, which has such a rooted dislike of publicity, who did not realise his essential modesty.

Was Fleming's international fame justified? Undoubtedly the most dramatic chapters of this book are those describing the discovery and development of penicillin. The early chapters are now seen in perspective, for they enable one to appreciate how peculiarly well fitted Fleming was, by nature and training, to seize the chance that floated in through his laboratory window from Praed Street. There was a time when Fleming's part in the discovery of penicillin tended to be played down. He was, it was said, merely lucky; all he did was to observe the effect of the mould on his colony of staphylococci, note it down and leave it at that. But how many research workers would, in fact, have made that historic observation? M. Maurois quotes, as Fleming himself was fond of quoting, Pasteur's dictum that fortune favours the prepared mind. And in any case Fleming was not content just to say "That's funny,"—a remark that must now rank as one of the world's greatest understatements. He followed up his observation by others; he wrote and spoke about it; he initiated attempts to extract, concentrate and purify penicillin. But a paper he read to the Medical Research Club in 1929 was received in icy silence; he had neither the funds nor the staff to persist with the experiments; Almroth Wright continued to decry chemotherapy in favour of immunisation; and it was not until some ten years after his original observation that the Oxford team under Sir Howard Florey, with Rockefeller funds, began the work that led to the production of penicillin as a therapeutic substance.

M. Maurois makes the story of penicillin, and of Fleming's other contributions to medicine, intelligible to the layman (though, on page 126, "certain microbes survived" should surely be "did not survive"). He has been excellently translated by Mr Gerard Hopkins, and the book remains equally readable whether it is describing the life of a lifesaving drug or of the man who discovered it.

Obsessed and Possessed

Orde Wingate
By Christopher Sykes.
Collins. 575 pages. 35s.

THE history of the British army is rich in eccentric puritans. Often they have leavened the lump of blinkered conformity. But their success as commanders, once they have risen to high rank in a profession that, as Lord Wavell said, does not attract the highest quality of brains, is not remarkable. What is remarkable is that an institution that cherishes the traditions of mediocrity should ever allow them to rise to the top at all and even give them a leg up. Unfitted to the mould of discipline though they may be, they possess two qualities all soldiers admire and envy: physical and moral courage and an implacable will. It may be out of sheer exasperation, not unclouded with resentment and rancour, that the less able and the less strong let them have their own way—knowing that their own unremembered toils made the transient glory possible. Doubtfully, they let Wingate have his own way and now, regretfully, some of them are measuring the consequences.

Once seized of a cause, Wingate set out on his own personal crusade, oblivious of the pain it brought to himself or others. Men and events bent, surprisingly, to his will to serve what to him was a righteous end. To Wingate, though he was by no means above lobbying, both the politics of the possible and the art of compromise were on the face of it detestable. He seemed, as a mystic does, possessed, ruthlessly driving himself and others for the satisfaction of something beyond mere personal ambition. He made many enemies. As Lord Mountbatten once retorted:

> Your astounding telegram has made me realise how you have achieved your amazing success in getting yourself disliked by people who are only too ready to be on your side.

Those in power—Lord Wavell, Lord Mountbatten and Sir Winston Churchill—did greatly further Wingate's career and ambitions, but it was not in his nature to be grateful for their support or to compromise his own plans for the sake of theirs. For a man so intolerant and so intolerable, he was remarkably lucky. It was his luck that the Second World War—and the British Prime Minister—put a premium on venturesome unorthodoxy, and Wingate, not afraid of closing with the enemy, loved the heretical adventure so long as he controlled it.

Yet, for all his brilliance and all his individuality, what did Wingate achieve? Palestine and Ethiopia are not the tests; Wingate's reputation must depend on the Chindit expeditions. These caught the imagination during the war, but now they can be seen to have had little effect on the Japanese plans. Their propaganda value was undeniable, but their real worth in bringing about victory in Burma is questionable. Scepticism, indeed, began in 1943—as the survivors of the first expedition limped back through the barbed wire perimeters at Imphal. Persistently and at length, Mr Sykes makes the case for the defence. It is not, for all his efforts, a convincing one. Were men and resources wasted, the reader still wonders as he sets this biography down, because one man was possessed of a ferocious daemon?

The biography is built up on a mass of assiduously collected detail. None of the facts, however tiny, has been missed. Often the biography recaptures the

moment of vivid intimacy as, for instance, when Wingate tried to commit suicide in Cairo. Vivid in its parts, the biography lacks cohesion in its whole. At the moments when Wingate has to be judged rather than seen, as, say, during the campaigns in Ethiopia and Burma, the reader is left confused; and as the biography progresses an impression of strain and tiredness becomes apparent. It is almost as if the respect and admiration Mr Sykes felt for Wingate at the outset dwindled as he learnt more about the man and what he really did. If Mr Sykes had allowed himself to be more critically detached he would, one feels, have written a still better book. Instead, he writes on the defensive and uses the plea of genius to counter the charge of misguided fanaticism, or even mania. Yet, to be fair to Mr Sykes, could anyone have performed better the task of pinning down so equivocal a personality? It is, after all, a charitable judgment to say that Wingate was obsessed and that, because of his obsessions, others as well as he suffered and died.

Rise and Fall

Men and Machines: *D. Napier and Son, 1808-1958*

By C. H. Wilson and W. J. Reader.
Weidenfeld and Nicolson. 187 pages. 35s.

NAPIER'S history contains many oddities. This small precision engineering concern became a leader of the British motor industry in the early 1900s. It began to make aero engines in the first world war, and gained leadership again with its Lion engine. But in each case the company failed to maintain its position; by 1928 it was reduced to engaging a consultant, F. B. Halford, as designer. After lean years in the 1930s, his designs produced large orders in the second war which the company lacked the mass-production experience to meet: absorption by English Electric was the result.

The authors do not explain these vicissitudes so clearly as they might. They blame the company's failures on the character of Montague Napier, sole shareholder until 1917 and chairman until his death in 1931. His consuming interest was quality engineering; he was averse from mass-production or high-pressure salesmanship. S. F. Edge provided the latter from 1899 to 1912, and he was the force behind Napier's success; but he and Napier quarrelled and separated in 1912. By then Napier's car sales were falling, but the authors do not explain whether this was a failure of Edge's salesmanship or of Napier's engineering. For whatever reason, Rolls Royce proved more successful in the luxury car market.

The decline of Napier as an aero-engine manufacturer can hardly be blamed on Montague Napier's interests, though his absence in Cannes from 1917 onwards owing to illness might help to explain it. This was a failure of technical policy and execution; none of the engines developed to follow the Lion succeeded, though the authors do not attempt to explain why. Napier built experimental engines only to Air Ministry order, and took no risks on private ventures; these circumstances were not conducive to a positive technical policy of its own. It was not that funds were lacking; the most intriguing fact to emerge in this book is that a profit of £167,000 to £201,000 could be made from the sale of some six hundred Lion engines a year, and that a reserve of nearly £1 million in gilt-edged securities had been accumulated by 1927. This may have saved the company from bankruptcy in the 1930s, but it represented an ultimate absurdity in profit retention.

This is a handsome and well illustrated book, but it would be more satisfying if the authors had delved deeper into the subject and had related it more closely to the industrial background.

Politics without Principles

The Road to Brighton Pier

By Leslie Hunter.
Arthur Barker. 224 pages. 16s.

LADY EDEN once said that the Suez Canal seemed to have been running through her drawing room. Mr. Hunter has written this book to show that many of the Labour party's internal struggles between 1951 and 1957 passed through his. During this period he was political correspondent of the *Daily Herald*, a frustrating position that gave him access to scoops his editors would not allow him to print. Being left with a collection of tangy stories in his notebook, Mr Hunter has now found a use for them to add sauce to this racy rewriting of his press cuttings.

Since he was writing a book the author felt himself released from the inhibitions which a lobby correspondent usually feels about revealing his sources.

The result is to add a few footnotes to a story that is already fairly well known—though some that can be quickly checked suggest that the historian would be unwise to take them all at face value—and to offer answers to some marginal questions. Has anyone, for example, been wondering all these years why it was that Mr Kenneth Younger did not become "shadow" Foreign Secretary? Mr Hunter supplies an answer. When Lord Attlee was casting around for a shadow, Mr Hunter reminded him that when Minister of State, Mr Younger had been patronisingly rebuked for immaturity by Ernest Bevin because he had suggested an imaginative response to the Schuman Plan.

There are some rather charming anecdotes—of Lady Attlee, for example, insisting that her husband retire because she was getting too old to go on driving him around the country and insisting also that he go into the Lords because she did not want him around the house all day long. Lord Attlee agreed to give up the leadership provided he could fit in a free trip to Vienna first. But for the most part it is cutlass and dagger all the way. Mr Hunter blames Lord Attlee severely for hanging on to the leadership too long simply in order to do Buggins Morrison out of his turn. He seems to think this was due principally to ancient rancour.

But one would need more reliable evidence before endorsing that verdict. It is not much more likely that Lord Attlee, with the party's future to think about, had good grounds for thinking that Mr Morrison was the wrong man for the job?

Mr Hunter's tale has one rather odd impact. He seems to take it for granted that Mr Bevan's actions were totally unprincipled; yet his version of the trade union bosses' decision to purge the left wing suggests that the Bevanites were far more sinned against than sinning. This, indeed, is a book on politics with all principles left out. According to Mr Hunter's lobby-eye view, issues are either vague sounds off-stage or mere instruments in the struggle for power. The Labour party's National Executive was sensible not to take the book too seriously and unlucky that someone leaked to Mr Hunter's *confrères* the word that the possibility of legal action had even been mentioned.

Crystal Gazing?

Economic Forecasts and Policy

By H. Theil.
North-Holland Publishing Company, Amsterdam. 562 pages. 100s.

PROFESSOR THEIL has been one of the distinguished official economic forecasters in Professor Tinbergen's not-so-small back room of the Central Planning Bureau of the Netherlands. Now in an academic research post, he has emerged from official anonymity to reflect on the achievements, the errors and the future possibilities of systematic economic analysis and prediction as a guide to economic policy.

Dutch law requires that each year "a well-balanced system of predictions . . . concerning the Dutch economy" shall be presented. Since 1947, the Central Planning Bureau has published a slim annual volume on the prospects for the coming year. Unlike the British Economic Surveys, these volumes combine a general review of the economy with very detailed projections for the principal items in the national accounts, based on an econometric model. They include no declarations of Government policy and no exhortations. It is, however, known that the analyses of the Central Planning Bureau have been extremely influential in determining policy, including the centralised bargaining over wage changes.

Dr Theil begins with a comparison of these official predictions for the years 1949 to 1955 with what actually happened. The basic treatment is a measurement of the regression of actual changes from year to year in 23 indices (production, exports, consumption, prices, etc.)

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on the predicted changes. Unfortunately, Dr Theil draws his main conclusions only from an aggregation of all the results, although he also presents a useful set of tables showing the projections and actual figures for each series. The most striking result is that although the bureau usually got the direction of change right (not too difficult with annual forecasts—nearly all the series were moving upwards during most of the period reviewed), they underestimated the extent of the changes, on an average of all series, by 30 per cent. The proportionate underestimation was greatest when the changes were greatest.

This unwillingness to predict large changes is a familiar forecasting bias in many fields, and there is no evidence that performance improved as time went on. Dr Theil shows a similar consistent error in Scandinavian official forecasts.

But he does not make it clear how far such errors are due to the underestimation of the exogenous variables, such as import prices or government expenditure, which are fed into the model, and how far to the internal imperfections of the model itself. Nor is it possible within his framework to assess forecasting accuracy in any but a statistical sense. For improvement of forecasting techniques it is equally important to know why forecasts go wrong; some are "right" for the wrong reasons, or "wrong" for the right reasons. The purely pragmatic test is not enough. An adequate assessment of methods, for the instruction of other forecasters, would require also a historical, perhaps even political, study of the development of the individual predictions.

Dr Theil provides, too, an instructive and lengthy analysis of forecasts collected from industrialists and traders by the IFO Business Test method. Again there is a tendency to underestimate changes; but performance at turning points is found to be quite good. Business forecasts of stock changes, incidentally, are found to be very poor.

Much of the work is devoted to rather a different topic—an analysis of the principles of decision-making in conditions of uncertainty, with special reference to the problems of economic policy decisions made with the help of uncertain forecasts. This part of the book is ingenious and original in its use of econometric instruments and an important addition to a growing literature on the general subject of decision-making, but it is not easy reading. The whole subject is on a high plane of abstraction, and is likely to remain so until governments, and business men, are able to state their preferences in more precise terms. When a Chancellor of the Exchequer is able to provide a schedule with figures showing, say, at what point an increase in unemployment is to be preferred to a worsening of the balance of payments, then the Treasury technicians, with the help of Dr Theil's algebraic formulations, may be able to calculate an optimal budget policy. Until then, trial and error will hold the day.

Poets without Poetry

Poets in Their Letters

By Cecil S. Emden.

Oxford University Press. 220 pages. 21s.

FOR every person who actually reads poetry for pleasure there must be hundreds who prefer biography and its offshoots—letters, journals, personal records of various kinds. Here is a collection of biographical character-sketches of nine English poets that makes practically no reference to their poetry at all. It is presumably meant for those who have not the time to browse for themselves in the collected editions of the letters on which the chapters are based. The extraordinary thing is that Mr Emden, in spite of wishing to increase our understanding of the personalities of these writers, has deliberately disregarded an indispensable part of the evidence. The most characteristic and revealing letter that Pope ever wrote was his "Epistle to Dr Arbuthnot." Wordsworth put little of himself into his letters, but in "The Prelude" he was attempting a spiritual autobiography on a vast scale. From Byron's racy letters we can see why his comic and satiric poems are superior to the highfalutin' romantic works. Certainly the letters of poets help us to discover what kind of men they were, and they may well—as with Keats—enormously reinforce the impressions created by the poems; but if they are considered in isolation from poetry, an idle kind of literary gossip may result.

Mr Emden might have been more congenially employed had he chosen another category of letter-writers—statesmen, travellers, adventurers. Life obviously interests him far more than literature, and he cannot refrain from passing moral judgments. His standpoint is always that of the ordinary sensible man, prepared to make a few allowances for highly-strung types with artistic temperaments, but strongly inclined to censure their deviations from conventionality. Coleridge tries his patience particularly hard; he had not the commonsense even to change his wet boots—if only he had taken a few leaves out of Southey's book. And Keats—if he had exercised better judgment, he might have set up a nice little home with Fanny Brawne. Gray and Cowper are handled with greater insight, and the chapter on Fitzgerald is entertaining, though one wonders what he is doing alongside the more distinguished octet.

This is a painstaking and by no means uninteresting book, written, however, in a pedantic style. Addisonian in intention, it sometimes has pompous lapses:

> In the main, the letters of poets are uniform in observing the distinction between prose and poetical diction; but sometimes, in writing letters, they are carried away by their subject, and break inadvertently into highly imaginative language.

Somewhat tiresome; or, as Mr Emden might put it (he uses the word just as an outraged Nanny does), "aggravating."

New Techniques in Development

Pilot Project, India

By A. Mayer, McKim Marriott and R. L. Park.

University of California Press. London: *Cambridge University Press.* 367 pages. 41s. 6d.

"PILOT PROJECT, INDIA" should be read by all planners in development. Dealing with the inception and multiplication of community projects in India it is a manual for action in planning, ably compiled by Professors Marriott and Park from the mass of documents put at their disposal by Albert Mayer.

Albert Mayer, an American town planner, came to America during the war, met and became friends with Mr Nehru. From this friendship emerged the scheme to build an ideal village. But before villagers could be interested in improved housing their basic needs had to be satisfied. So, instead of building the village of his dream, Albert Mayer devised a method for helping villagers to satisfy their needs, and the Etawah Pilot Project was born. Learning from trial and error, the Project became so successful that it gave the American government the basis for its Technical Co-operation Mission programme—so successful indeed that every representative began to clamour for a community project in his own constituency. The Government of India created a Ministry for Community Development and has committed itself to covering the whole of India with agricultural extension services, the diluted version of community projects, by the early sixties.

What the pilot project at Etawah and the community projects and the national extension services set out to do is not new; but the techniques used are new with their insistence on systematisation, on the creation of leadership from below, on satisfying only felt needs, on the elimination of individual factors and bureaucratic approaches to development. For the first time in such work, training, planning and evaluation have been carefully thought out, no detail being trivial enough to escape Albert Mayer's vigilance, whether it is the lighting in an adult literacy class or the seating of village workers during a meeting.

OTHER BOOKS

BUSINESS FORECASTING. *Market Research Society* in association with *Ashford Press.* 74 pages. 15s.

Papers presented at a conference on business forecasting held by the Market Research Society in 1957.

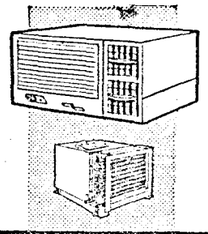
CASES ON THE LAW OF CONTRACT. Third Edition. By G. C. Cheshire and C. H. S. Fifoot. *Butterworth.* 478 pages. 45s.

THE DEVELOPMENT OF MANUFACTURING INDUSTRY IN EGYPT, ISRAEL AND TURKEY. *United Nations.* 145 pages. $1.50.





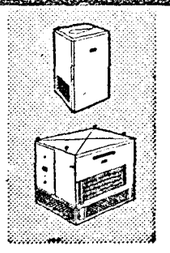
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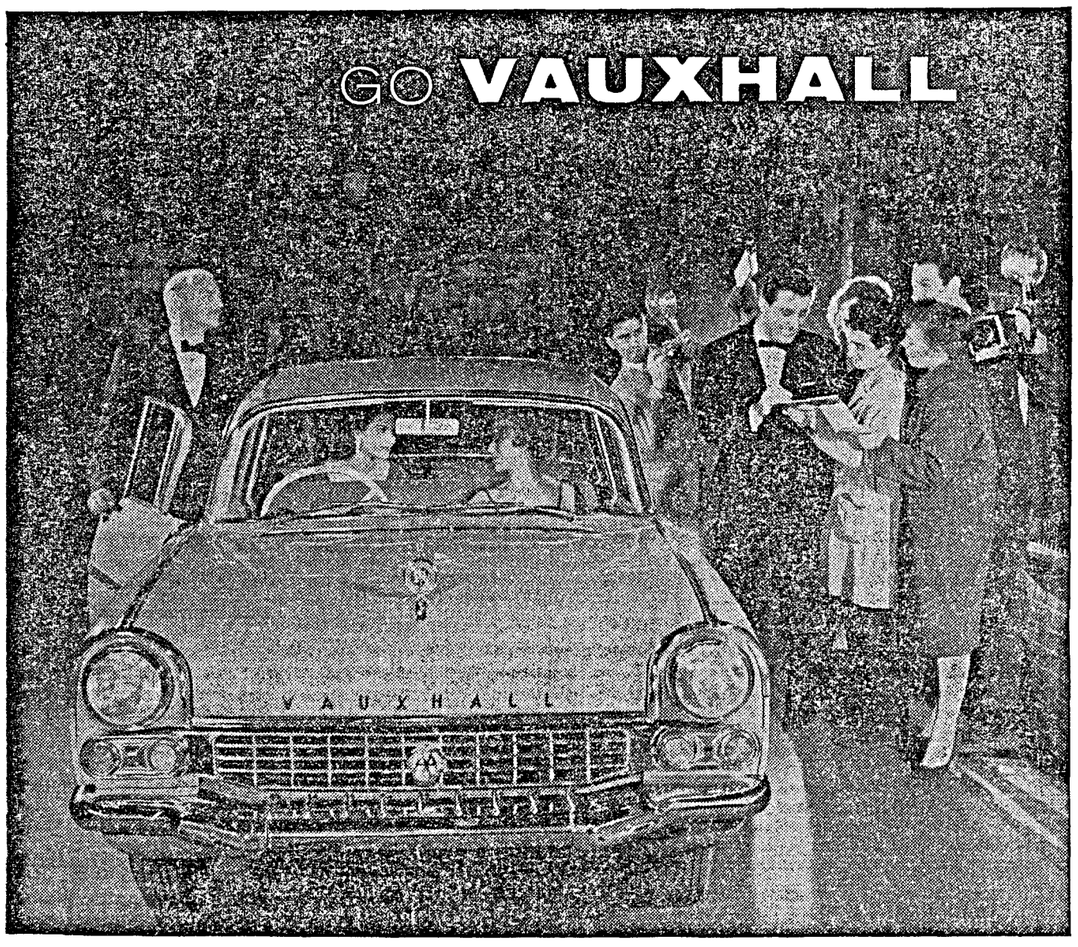
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Foreign Aid's Nine Lives

WASHINGTON, DC

FORTUNATELY for those who believe that an American foreign aid programme is important for the maintenance of a reasonably stable world, the American government has got not one programme but nine. Thus, as Congress slashes heartily at one, another pops up to take its place. In spite of the wearisome repetition, year after year, about "foreign aid" being in more trouble than ever before, the last session of Congress ended, and the present one will end, by voting to transfer abroad a total of substantially more resources than any of their recent predecessors.

The proliferation of devices for aiding other countries has not in fact been machiavellian on the part of the Administration. It all happened more or less by chance. But the result is an extraordinary abundance of contrivances and confusion of the public mind. A $2 billion item for the Export-Import Bank whirled through Congress last year virtually without debate and without any notice in the newspapers at all, while headlines were made day after day late in the session by changes of a few tens of million dollars in various items of the "foreign aid" (mutual security) Bill. This year, the vote of $1.4 billion to the International Monetary Fund would have gone almost entirely without publicity but for a meaningless fuss about the fiscal year to which the expenditure would be attributed; yet already a change of $125 million in the Development Loan Fund has produced major political excitement and a special presidential statement.

Later this year Congress will approve a minimum authority to give away ("sell for local currencies") $1.5 billion worth of surplus agricultural commodities paid for by American taxpayers, and this will be hailed by liberals and conservatives alike, or at least by those few who are aware of the Bill, without the slightest suggestion that it is tainted with "foreign aid." With the same exuberance Congress is likely to push through nearly $500 million for a new Inter-American Development Bank, just negotiated, with plaudits from all sides. The Secretary of the Treasury is continuing to persuade, and nearly bludgeon, the conservative financial men of western Europe into accepting the new International Development Association, which could involve another $1 billion or so of American funds and which may well go through Congress with equal ease. And all the while the "foreign aid" Bill will be "in trouble."

The battle over the Bill itself, of course, is far from inconsequential. Included within its complex and widely misunderstood provisions are four of the nine foreign aid programmes—each as different from the other, certainly in theory and substantially in fact, as the Ex-Imbank is different from the farm surplus disposal operation, or the Monetary Fund from the IDA. The most important of the four, in the sense that its abolition or severe reduction would cause the most immediate damage, is, ironically, both the least understood and the least susceptible to congressional emasculation. It is a programme of direct subsidy, in the form of cash or commodity grants, to about fifteen countries around the world, of which at least ten would probably have gone under without this aid. It is a programme of averting chaos, not of improving standards of living; of subsidy of the unviable, not of economic development; and it has worked exceptionally well. Without it Jordan, Libya, south Korea, south Vietnam, Turkey, Greece, Pakistan, Formosa, Bolivia, Morocco, Tunisia, Laos and Cambodia would almost surely be quite different today. Called "defence support" or "special assistance" (depending on whether or not the aided nation belongs to an American-backed defence alliance), this programme is so overwhelmingly necessary that Congress has never failed to support it with at least an essential minimum of appropriations; the same, fortunately, will probably be true again this year and, as a result, the maps will remain the same—for another year.

BUT none of the debate will be about this obvious, if negative, success story. There will be great, and sincere, dispute about the military aid programme which, being the biggest in amount, will probably suffer the largest dollar cut—to the dismay of the allied commanders in Europe but of very few others. There will be loud praise, and appropriations happily granted, for technical assistance, which occupies three out of every four Americans employed on foreign aid abroad but uses less than five per cent of the funds. And, with the President in the thick of the fight, there will be a battle to the end over the fourth programme, the Development Loan Fund, which is the one instrument in this Bill aimed at actually meeting the "revolution of rising expectations" in the under-developed countries and whose objectives and techniques really symbolise "foreign aid" to Americans.

Few members of Congress, whether among those who have always disapproved of foreign aid or those who have supported it, are aware that this fund has in fact become a device for increasing the total programme: for the next few years its gradually rising expenditures will almost exactly offset a decline which is at last occurring in military aid from cuts in appropriations in earlier years. In short, any appropriations for the DLF are "pure gravy" for foreign countries in a world in which Europe now needs no help, in which military aid is falling off, in which the number of countries on the dole is at least not increasing much and in which the Brazil or Indonesia, Thailand or Argentina, Burma or Ghana, which fails to find dollars at the DLF has at least the option of trying the World Bank, the Monetary Fund, the Ex-Imbank or the Department of Agriculture. If it is not precisely true that "a bank a day keeps the Russians away," at least the present profusion makes employment for foreigners seeking dollars and Americans trying to offer them.

There remains, however, the question of whether enough is being provided, apart from the straightforward subsidies, and whether the liberals in this Congress will take out on foreign aid their frustration at their failure to dominate domestic spending. Assuming that aid in the form of subsidies will be continued as in the past with a cut of 20 per cent at most, and that there will be the usual support for technical assistance and the usual reduction in military aid, and allowing for the easy passage of the Bills dealing with the Monetary Fund, farm surpluses and the Latin-American Bank, the issue comes down to the Development Loan Fund.

The early omens are neither good nor bad. The House Appropriations Committee, under the singularly unenlightened guidance of Mr Otto Passman of Louisiana, showed its feelings by a reduction from $225 million to nothing of a request for a supplemental appropriation for this year. The leaders of both parties rallied and the House, in a rare move, restored the cut of $100 million. The Senate committee, following past custom, raised the amount to $200 million and was sustained by 54-24 in a floor vote. The final amount will almost surely be $150 million for this item, and then the regular appropriation, for which the Administration has asked $700 million, will go through much the same process, with perhaps $500 million being provided in the end. The foreign aid Bill as a whole has been cut almost exactly 20 per cent in every year since the end of the Korean war, and there is so far little reason to expect that the result will be much different this time.

But to some, like Senator Fulbright and Representative Chester Bowles, this is not good enough. They have accepted the challenge of the "revolution of rising expectations" and have a strong, if somewhat vague, conviction that the "Soviet economic offensive" will soon win converts if the Americans do not respond. Thus Senator Fulbright has proposed formal amendments to the foreign aid Bill which would grant the Development Loan Fund $1.5 billion a year for five years and by-pass the appropriations process altogether at the same time. Senator Kennedy has taken the same line and so has Senator Humphrey, another Democratic presidential candidate. None of this, of course, has shaken Mr Passman, but it signifies a counter attack against whatever unusual sentiment may exist this year for reductions in "foreign aid." This is all the more reason to expect an outcome in line with those of the recent past—and the world will still be getting a transfer of official funds whose magnitude is far greater than even the most apoplectic foe of foreign aid realises.

King Veto Still Rules

By four votes in the House Congress failed last week to over-ride the President's first veto of the session. The big Democratic majorities elected last autumn are not quite big enough, it appears, to overwhelm the President when he puts real pressure on the Republican minority to stand by him. Mr Eisenhower's record of never having a veto overturned is still intact. The Bill in question was not one of the social spending measures which form the real battlefield on which a President determined to balance the Budget confronts an opposition anxious to stimulate economic growth and extend the government's responsibilities for welfare. It was, in effect, a Bill to censure Mr Benson, the Secretary of Agriculture whom the farmers hate, by depriving him of his control over loans made by the Rural Electrification Administration to co-operatives providing electricity and telephone service to farms. The Bill consequently appealed to Republicans from the Middle West and in the House sixteen Republicans voted for it the first time round. Six defied the White House and refused to change their votes the second time.

Mr Eisenhower vetoed the Bill on the ground that it would be bad administrative practice to make a subordinate independent of his superior—and no doubt out of loyalty to Mr Benson as well. The REA, a New Deal agency, has been part of the Department of Agriculture for twenty years and six years ago the Secretary was given authority over its loans. He has rejected none and during those years REA has made loans totalling $1 billion—over a quarter of the $3.8 billion of loans it has extended in all. Practically every farm now has electricity compared with 11 per cent in 1935. The real quarrel of the powerful electrical co-operatives is with the President's view that they are strong enough now to do without a subsidised 2 per cent interest rate on the money they borrow.

Some Democrats are consoling themselves for their failure to pass a relatively trivial Bill by the thought that they have won a useful issue in the farm states. Others, such as Mr Johnson, the Democratic leader in the Senate, who instinctively clings to the middle of the road, think that co-operating with the President to get something done is a surer road to the voters' hearts. For such Democrats the failure to over-ride the President is the final proof that moderation must be the watchword of legislation. On REA the Democrats could present almost a united front and pick up a few Republican votes too. They cannot expect to do even as well if they support measures calling for heavy spending which will cost them the votes of conservatives in their own party.

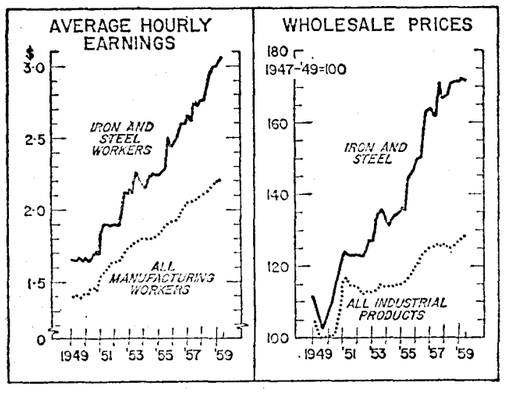
Steel Lines Up

As they gather round the bargaining tables in New York this week, both sides in the steel wage negotiations have taken a more specific and intransigent line and with more publicity than has been usual at this stage in the past. And since the two lines diverge completely prophecies of a strike in the steel mills when the current contract expires at the end of June are becoming firmer. At his press conference this week President Eisenhower again emphasised the public interest in what happens in this basic industry, suggesting that if both management and trade union do not act with statesmanship, then the government may be forced to intervene. In 1956 it did intervene, behind the scenes, to encourage an agreement which has meant a pay increase of about 63 cents an hour and has been partly responsible for a price increase of $24.50 a ton over the past three years. But this year it is not a strike which the President fears so much as an inflationary settlement which would push wages and prices up again, not only in this but in other secondary industries.

Both company officials and trade union leaders are anxious to avoid the stigma of having contributed to renewed inflation—or rather to pin the stigma on the opposite side of the bargaining table. This explains the lengthy statements, full of carefully chosen and contradictory statistics, with

which the news columns and advertisement pages have been flooded. The steel firms contend that they are not prepared even to consider a rise in prices, but that without one they cannot afford a rise in wages. Their only proposal has been that wages should be frozen for a year. The union spokesmen responded by suggesting that prices should be frozen for three years. This would not, however, prevent wages going up, according to the union, since they had lagged behind recent increases in productivity; the companies could share the benefits of this improvement with the workers without having to put up prices. In this argument the labour leaders are naturally making much of the industry's recent record profits.

The union leaders have not specified how big an increase in the wage bill would in their view be justified by the



increase in productivity but they say they are demanding more than ever before—higher pay, shorter hours, more holidays and better pensions and insurance benefits. Various surveys of the union's members, many of whom have just got back to work after being unemployed most of last year, suggest that they would rather have improved welfare payments than higher wages and that they do not want anything enough to strike for it. But no one doubts that in the end the steel workers will do what their leaders ask.

Affairs of State

Mr Herter, the new Secretary of State, flew back to Washington last weekend to report on the success of his first international conference as Secretary of State. His conciliatory diplomacy—so different from that of Mr Dulles—seems to have won, like the "package" agreement reached in Paris with the other western foreign ministers, a suspended verdict of "so far so good—but what will happen when he is up against the Russians?" Mr Herter went at once to Gettysburg to see the President; he has had an off-the-record conference with the Senate Foreign Relations Committee; and, before he flies off again to Geneva, he will make his first full-dress appearance on television as Secretary of State. Mr Herter has also found time to pay a thoughtful visit to Mr Dulles at Walter Reed Hospital. When Mr Dulles was sworn in as special consultant on foreign policy to the President, he warned Mr Herter to tolerate no "interlopers" between himself and the President; Mr Dulles also promised that he would never seek to press any advice on the President or Mr Herter.

The rival the new Secretary of State may have better cause to fear is the Vice President, who has ambitions to shine in a high diplomatic line. But at a recent press conference Mr Eisenhower went out of his way to emphasise that, if there is a summit meeting and Mr Nixon attends, it will be only as a stand-in if the President is recalled to Washington, not as an adviser. Mr Herter's advancement means a step up, in turn, for his immediate subordinates at the State Department. Mr Dillon now becomes the second in command as Under Secretary, although he will continue to concentrate on economic affairs and, if Congress agrees, to act as chairman and director of the Development Loan Fund. Mr Murphy moves up to third place as Under Secretary for Political Affairs.

It is also said that the Administration has chosen a career diplomat, Mr Cabot, now the Ambassador to Colombia, to replace Mrs Luce, who resigned as Ambassador to Brazil before she had even taken the oath of office. Mrs Luce probably judged correctly that her bad relations with the Senate and in particular with Senator Morse, the chairman of a special committee on Latin America, would make a difficult mission impossible. Brazil had high hopes (which were quite unfounded) that Mrs Luce would be able to persuade Washington to advance large new loans to cover the trade deficit which Brazil is running this year. A political miracle will not be expected of a career diplomat; and in Washington such a choice would help to soothe the ruffled feelings of the Senate Foreign Relations Committee and induce it to treat more sympathetically other proposals of the Administration, such as the foreign aid Bill.

Treasury's Surprise Package

The one bright spot in this week's government cash and refunding operation, the last that will be needed in this fiscal year, is that the Treasury requested rather less new money than had been expected—only $800 million instead of about $2 billion. This is because the government's cash balance has been helped by loan repayments from Britain and West Germany and by better tax receipts than had been forecast. It does not mean that the deficit is likely to be below the estimated $13 billion when the fiscal year ends on June 30th. This deficit and the possibility of another, smaller, one next year is the basic cause of the Treasury's difficulties: indirectly, because the prospect of inflation lessens the attractiveness of long-term government securities and drives up the interest rate on them; directly, because it can only be financed by government borrowing. The high interest rate means that this can only be done with short-term issues, so that visits to the money market recur constantly.

There was no possibility of offering a long-term security last week because yields on such government bonds, at record highs, were above the 4.25 per cent which is the legal limit on Treasury obligations of five years or more. While the Treasury itself is undecided, the experts feel that it will be forced to ask Congress to raise this limit before the next government borrowing in July, in order to resuscitate the long-term market. However, such a request might only unsettle the market even more without winning the

Continued on page 529

Benefits Out of Date

FROM A CORRESPONDENT IN WASHINGTON, DC

THE House Ways and Means Committee has just finished its hearings on more than forty proposals to change the unemployment insurance system. This is not because it functioned so badly during the recession; on the contrary, there is widespread appreciation of the part it played in sustaining incomes and demand. But the recession showed up the weak spots that have developed in a social security measure now nearly twenty-five years old. And, although unemployment has fallen to 5.8 per cent of the labour force, it is still severe enough in certain areas for Mr Lyndon Johnson, the politically sensitive Democratic leader in the Senate, to have proposed a special commission to look into its causes and cures, and for the Senate to have endorsed the idea unanimously.

When unemployment compensation was introduced as part of the Social Security Act of 1935, the aim of the federal government was to spur the states to take action. This was done by requiring employers to pay a federal tax on payrolls, but forgiving 90 per cent of this if the state in which an employer did business set up an unemployment insurance programme of its own. The federal tax is theoretically 3 per cent of the first $3,000 earned by each worker whose employer has four or more people on his payroll during twenty weeks in the year. But because all the states, Hawaii and the District of Columbia now have unemployment schemes, only one-tenth of the federal tax is actually collected.

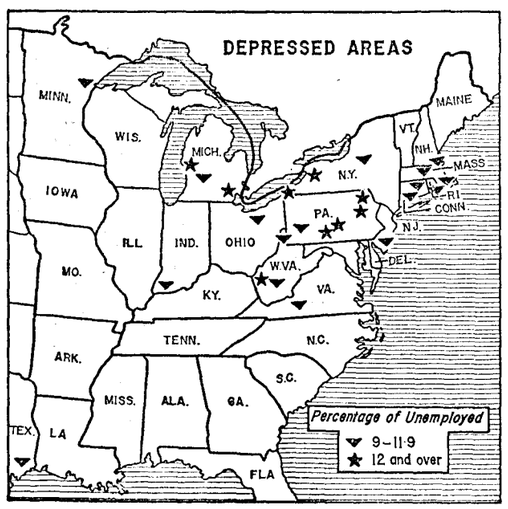
Most of this money goes back to the states in the form of federal grants to ensure that the administration of the unemployment insurance system is uniform throughout the country, whatever the resources of the individual states. The federal government also administers the Unemployment Trust Fund, in which the states deposit, in separate accounts, the money collected under their individual unemployment insurance acts; this limits the amount which each state can withdraw to pay benefits.

Each state determines for itself how many of its employees shall be covered, the level of benefits, and how long they may be paid. The minimum may be as short as five weeks of benefit or as long as thirty; and the minimum benefit itself ranges from $3 a week to $17. Such differences in the laws of the states reflect their varying economic circumstances, the balance between industry and agriculture in each state, and the relative strength of management and the trade unions.

During the past twenty years the level of wages and prices has risen much more rapidly than the level of benefits. In December, 1939, the maximum benefit amounted everywhere to at least half of the average weekly wage and in 15 cases it came to 71 per cent or more. By June, 1955, the weekly maximum amounted to half or more of the average wage in only seven of the states and territories, with Hawaii the highest at 60 per cent. Between 1939 and 1954, average weekly benefits rose from $10.66 to about $25, but the ratio of average benefits to average wages fell from 41 per cent to 34 per cent.

Since the purposes of unemployment insurance are to make it unnecessary for the unemployed to resort to public assistance, to prevent economic disruption of the communities in which they live, and to underpin the economy as a whole, the present ratio is regarded as seriously inadequate. The reformers propose that the states should be required to pay benefits equal to at least half and perhaps to three-quarters of a worker's usual wage; some feel that benefits should be related to the average wage in the state, not to an individual's former earnings. There is also support for extending the payment of supplementary benefits to unemployed persons who have dependents.

Recent experience has also shown that, while the states with the best insurance laws pay benefits for long enough to tide workers over a brief dip in economic activity, the system is not adequate for a prolonged country-wide recession or to protect workers in a depressed area. So many people exhausted their benefits during 1957-58 that a one-year emergency measure was adopted. The federal government offered to advance money to the states to help them pay benefits for a longer period; this programme, in a reduced form, has just been extended for another three months. Some who favour federal standards argue that the states should be required to pay benefits for as long as 39 weeks.



A third weakness in the state programmes is their failure to cover all workers. Since 1938 the number of insured has risen from 19.9 million to 44 million, but there are over 68 million in the civilian labour force. The Administration advocates bringing in 3.2 million more, partly by including those who work for non-profit-making institutions and partly by extending the federal tax to employers of one or more workers.

The maintenance of minimum standards has been a condition of federal help for a number of state social security programmes. But the thought of uniform standards for unemployment benefits touches off a sharp controversy between the already industrialised states and those which hope to attract industry by keeping their taxes low. The dispute has also split the Administration. The Secretary of Labour, Mr Mitchell, who may have hopes of a vice-presidential nomination, favours federal standards. But the President has adopted the position of the upholders of states' rights, even though not one state has responded to his appeals during the last five years to raise benefits to what he considers a desirable level. Before he made up his mind the President invited the Executive Committee of the Council of State Governors to the White House to discuss the matter; but, since eight of the nine Governors who came represent small states, and only two come from ones which are predominantly industrial, it is not surprising that they urged that unemployment insurance be left to the states.

The House Ways and Means Committee has voted, by 14 to 11, against the imposition of federal standards. But it is being pressed by Mr Rayburn, the Democratic leader, to reconsider the matter and not to dismiss out of hand a reform favoured by many of the big industrial states and by the trade unions.

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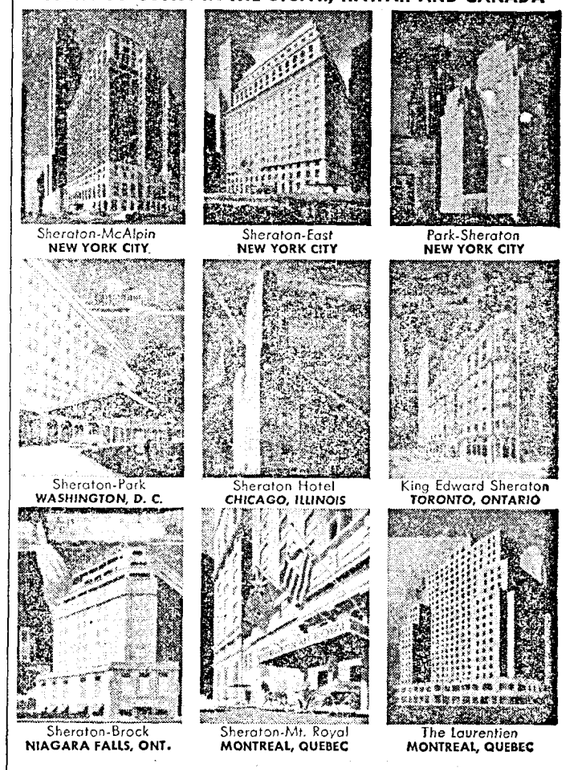


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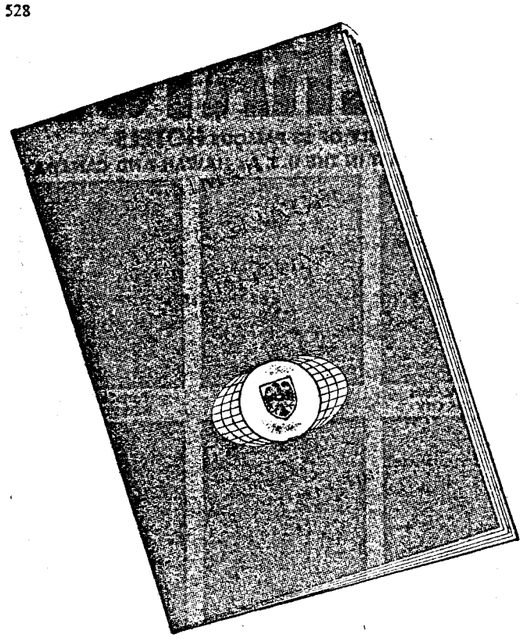
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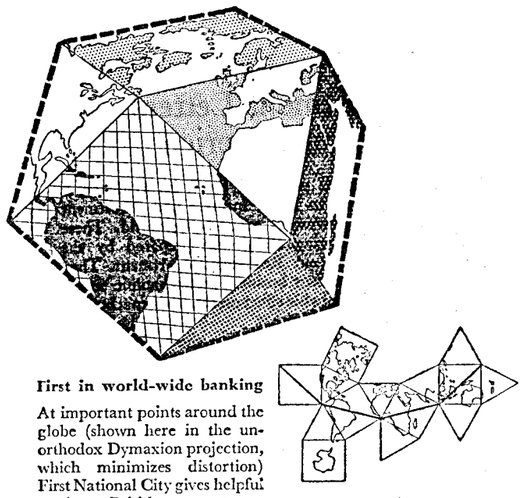


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Continued from page 525

necessary authority from Congress. Whether or not it is made presumably depends on whether or not the Treasury wants to put out a long-term bond in July. At the moment conditions are not thought to be suitable for this, whatever the rate of interest.

Meanwhile the Treasury resorted to a surprise package this week to refund $4.5 billion of maturing debt and to raise the $800 million in cash. While *The Economist* is in the press, bills of varying maturities, all under a year, to a value of $3.5 billion are being sold at auction to the highest bidder. When the going price is known the Treasury will set the interest rate on the final item, a one-year certificate to refund $1.8 billion of certificates falling due next week. The market reacted favourably to this unorthodox approach. Luckily private corporations, after their profitable first quarter, have plenty of money available for such short-term lending. What will happen later in the year, when they are likely to start investing on their own behalf in new equipment and facilities, is another matter.

Throwback to Lynch Law

THE main reason why a band of masked men was able to drag a Negro charged with rape out of his prison cell at Poplarville, Mississippi, a fortnight ago and murder him is, paradoxically, that lynching has nearly died out. No one expected violence, so no precautions against it were taken. From 1882 to 1947, no year passed without a lynching and Mississippi, a poor and backward state, was the worst offender. In all, 4,733 people, including 1,293 whites, have lost their lives at the hands of mobs. But since 1950 there have been only five such crimes, including the present one; three took place in 1955 and one in 1951. As the South has become less isolated and more prosperous, it has become more civilised. Violence against Negroes may take new forms, such as the bombing of their homes and churches, but little life is lost. Southern officials, sensitive about the region's good name, and anxious for the racial peace which is necessary for economic growth, have insisted that lynch-mobs must be punished.

The outrage at Poplarville was a shock to many Southerners, particularly since it came just as Congress is considering the need for new legislation to buttress Negro rights. One perennial proposal is to make lynching a federal crime. The Southerners contend that this is unnecessary and in the Poplarville case the state authorities are making every effort to find the guilty men; Governor Coleman called in the Federal Bureau of Investigation at once. Four years ago, however, the murderers of Emmett Till went unpunished in Mississippi.

In an interesting article in the *New York Times* Mr Anthony Lewis points out that the South's own systematic official discrimination against the Negro is one of the causes of the lynchings which most Southerners deplore. Even if Parker, the murdered Negro, had been properly tried and convicted, he might have escaped punishment because the regular exclusion of Negroes from juries in a community is constitutional ground for overturning a conviction. In Mississippi jurors are chosen from the lists of voters and there are no Negroes on the voting lists in the county where Parker was to be tried. The possibility that his conviction might be reversed was well known in Poplarville.

Oil Between Neighbours

SINCE little Mexican oil is exported to the United States, Canada is the chief beneficiary of the change exempting oil which enters the United States by land routes from the mandatory quotas recently imposed on imports of oil. Since the theoretical objection to imports in what was considered to be excessive amounts was that they discouraged the development of domestic sources of oil and thus reduced the supply that would be available in a national emergency, the exemption of imports which come overland from Canadian oil wells is only logical; these would be as accessible as wells in the United States would be if the continent were cut off from overseas suppliers in time of war. The exemption is equally logical in the light of the practical objection to imports; unlike the cheap oil produced in the Middle East, Canadian oil costs about the same as does that produced in the United States and therefore will not undermine domestic prices.

In fact the price of Canadian oil is so high, particularly when transported by road or rail (it takes time to build new pipelines), that it is doubtful how much effect the relaxation of the restrictions will actually have on Canadian exports of oil to the United States. About 67,000 barrels a day were already exempt from the quotas, under special provisions made for refiners in the central states along the Canadian border who have no suitable domestic source of supply. Another 22,000 barrels a day have been going to consumers in the Pacific Northwest from the oilfields in the western provinces of Canada. At one time this region imported as much as 90,000 barrels a day from Canada and the removal of the quota means that the Canadians are now free to develop this potential demand if they can. The change also constitutes some sort of an admission that Canadian oil should be allowed to seek its natural markets even if these lie across national borders.

Even if the relaxation is not of much practical importance to the Canadian oil industry it will certainly benefit political relations between Canada and the United States. For it provides concrete evidence, of which there has been all too little lately, that the United States is prepared to co-operate with Canada as a working and equal partner, at least where the defence of the North American continent is concerned.

On the Wagon

NEW YORK

THAT insidious English habit of interrupting the working day for a cup that refreshes has, since the war, taken a firm grip on American factories and offices alike although such elevenses appear between 9 and 10.30 a.m. Today the average employee is said to spend the equivalent of two weeks of his working year simply sipping coffee and other beverages. Apparently, at least three-quarters of all employers make provisions for coffee-drinking in the mornings, and a large proportion of them give a second coffee break in the afternoon.

In manufacturing plants this coffee is supplied either in the firm's canteen or from automatic "vending" machines. But among office-workers, herded into towering skyscrapers with (in most cases) no internal catering facilities, the coffee-drinking habit proved a greater menace to efficiency; mass

migrations to nearby coffee bars jammed lift services, and left behind them batteries of unmanned telephones. Disturbed by this daily spectacle of deserted offices, a large insurance company called in Schrafft's, a chain of restaurants and sweet shops, to operate an office coffee service on wheels.

Employers were quick to see the advantages of thus bringing refreshment to the desk-side, and today—only eight years later—Schrafft's sends its trolleys and waitresses through 800 companies each morning, with a second afternoon visit to a third of them. Last year its wagon services sold 30 million cups of coffee, one million cups of tea and one million bottles of soft drinks. Other large caterers have joined in the business, but as yet Schrafft's has a big lead. Some employers subsidise this service, either in whole or in part, but most of them let the customer pay the full cost. For a cup of coffee from a Schrafft's trolley this is 13 cents, which is less than the 15 cents charged in a Schrafft's restaurant but more than the 10 cents customarily charged in drug stores and cafes.

Virtually unknown before the war, the "coffee break" was first introduced into munitions factories to attract scarce workers and to administer intermittent boosts to their flagging energies. But the practice proved habit-forming, and its spread was aided by the fact that New York and other states insist that every employee be given a ten-minute rest from his labours both in the morning and in the afternoon. Today the coffee break has joined the swollen ranks of "fringe benefits" and is an item in many a wage contract. On one occasion the National Labour Relations Board labelled as an "unfair labour practice" an employer's attempt to put a stop to the institution.

In the Swim

FROM A CORRESPONDENT IN LOS ANGELES

At the end of last year Mr Fred Cole of California, one of the leading manufacturers of women's swim-wear in the United States, returned from a highly successful business trip to Europe, during which he made plans for producing his swim-suits under licence in Britain and Holland and for extending his sales territory to all of the British Isles and the Continent. Already Cole swim-suits were being made and sold in Italy and Austria, and in Canada, New Zealand, Australia and South Africa. Such world-wide aggressiveness is typical of the swim-suit industry on the west coast. Jantzen, originally of Portland, Oregon, has long been known in Britain and its products are now being made in all countries where living standards are high enough to permit women to buy swim-suits. Last year nearly one-third of the company's profits, of about $1.3 million, came from foreign royalties, an increase of 17 per cent over the previous year. Rose Marie Reid, Catalina and other Californian manufacturers are spreading equally far afield. Soon the world market for swim-suits may be dominated by these west coast producers as the American market already is.

The supremacy of California has been achieved largely by high fashion styling, by taking advantage of the American woman's desire to keep up with the latest in bathing suits as in ball gowns; the desire extends to many who will never own a ball gown but probably do own several swim-suits, all new this year. They are built with the care of a corset and with the design of a smart dress, and are sold off the peg in a wide range of sizes and fittings. They are not designed so much for swimming—many may never be wetted in sea or pool—as for the display of the feminine figure and must be freshly styled each season. Women who fall under the Californian influence are encouraged to own a minimum of three swim-suits—one for bathing, one for sunning, one for "psychology." They are tempted with whole wardrobes, playsuits, beach skirts, sun hats and other accessories, to match their basic costume.

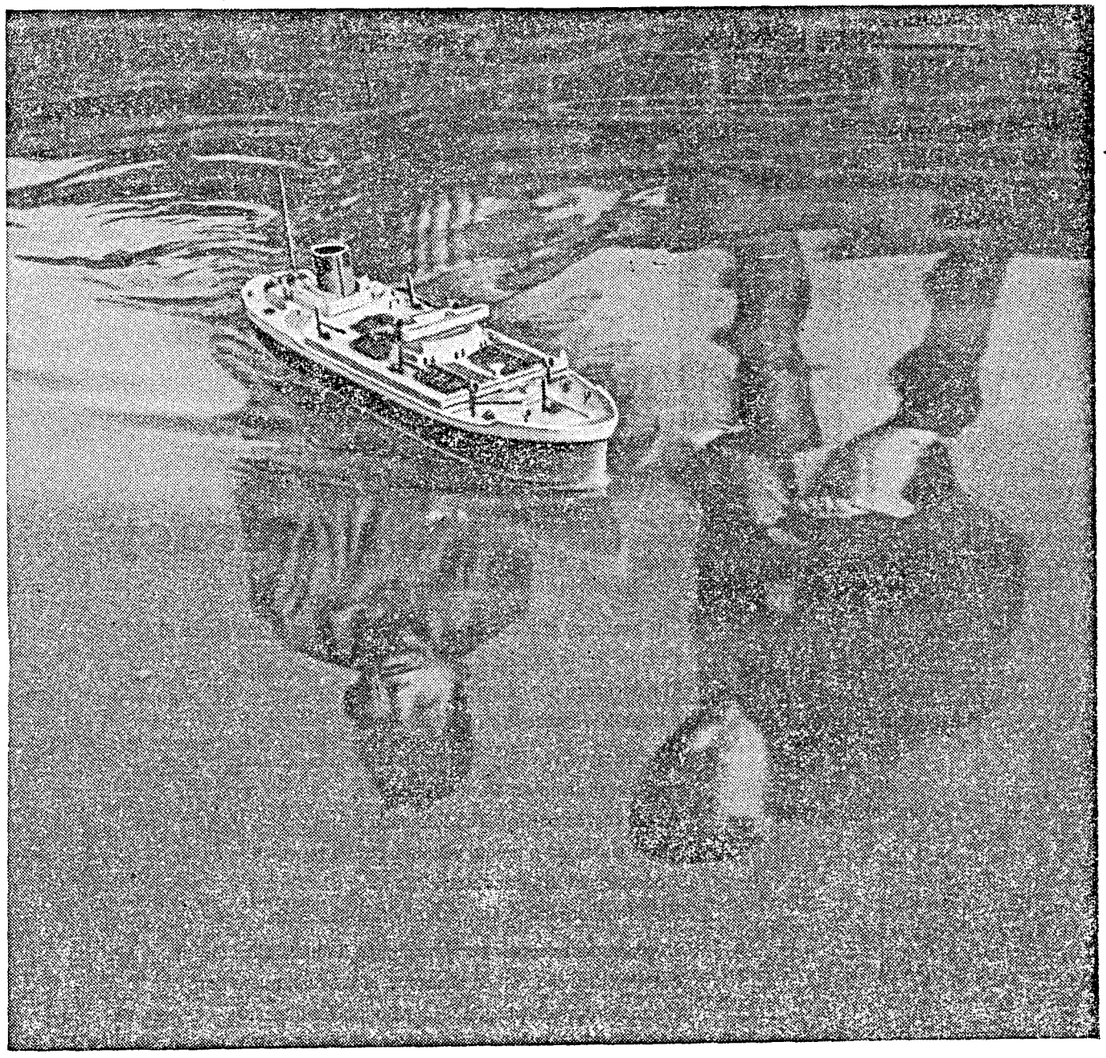
This policy has paid off in substantial growth for the west coast manufacturers. Between 1947 and 1957, sales of women's and misses' swim-suits in the United States increased by about 70 per cent, from nearly 7 million to nearly 12 million annually. Including play suits and accessories, today's sales are valued at about $150 million a year. This growth has been encouraged by the increase in the number of people who own boats or have bathing pools in their gardens—almost universal in the warmer parts of the country where more and more people now live—and by the recent popularity of winter holidays and cruises. All of this makes the swim-suit almost a year-round garment. Moreover, today's teenage girls, the large crop of war babies now growing up, have more leisure, spend more time in and on the water and are more conscious of fashion than were their predecessors. At the present time they buy about a quarter of all the swim-wear sold in the United States, and the proportion is expected to rise to 35 per cent by 1965.

In time, the Californian industry hopes, the conditions which have been helping it in America will spread to other countries. Foreign women are thought to be as susceptible basically as are American women to the appeal of style, fashion and design in the garments which they wear on the beach or at swimming pools. In a number of countries, especially in Britain, the British Commonwealth and on the continent of Europe, there has been a great expansion in recent years both in leisure and in the amount women have to spend. Accordingly they ought to buy more swim-suits.

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THE WORLD OVERSEAS

Two May Days in Berlin

5 MAY 1959

FROM OUR SPECIAL CORRESPONDENT

From the district railway trains that impartially serve both Berlins the passengers can see pile after pile of coal stacked on derelict spaces in the western sectors. Much of it has accumulated since November 27th when Mr Khrushchev sounded at first as though he was going to try to prise out the western garrisons within a year. Covered by tarpaulin or matting to keep out the rain, these serried ranks of twelve months' fuel for factories and homes have the abandoned yet menacing air of an ammunition depôt in peacetime.

It seems now that the tarpaulins will not be lifted this summer. Mr Khrushchev's original time-limit for transforming west Berlin into a "free city," virtually under east German auspices, expires on May 27th, but it looks as though the withdrawal of Russian forces from east Berlin, and from the posts controlling the western approaches to Berlin, has been postponed pending the international negotiations that are about to open at Geneva. West Berlin's two and a quarter million inhabitants, however, are not cheating themselves with hopes of a tolerable future secured by perpetuating today's unnatural economic and military buttresses.

The awkward circumstances have not mellowed with the passing of fourteen years. West Berlin has to import some 600,000 tons of goods monthly from west Germany, from which it (and the token allied forces holding it) are separated by 125 miles of territory controlled by troops of the Soviet army and the People's Army of east Germany. In the years from 1953 to 1958 alone, west Berlin's crippled economy was boosted from outside by 5,160 million marks, partly in outright grants and partly in loans. A total of DM 3,827 million has gone into west Berlin from the counterpart funds of the European recovery programme. Additional help is being given by means of special tax concessions, the annual average value of which is expected to reach DM 409 million this year. West Berlin's budget for 1958, totalling DM 2,800 million, included some DM 1,100 million of west German government funds.

This benevolent dispensation cannot last for ever, and the west Berliners know well enough that sooner or later there must be a radical change in their way of living. Indeed, they sense the spectre of change already in the air, and they are waiting with understandable disquiet to see what identifiable shape it may assume at the forthcoming conferences. They feel—and they are—most dangerously exposed. They take it unanimously for granted that the life of a "free city of west Berlin," as originally proposed by Mr Khrushchev, would be, if not brutish and nasty, certainly short. Some other arrangement, then, roping in the United Nations as watchdog of political freedom? It all depends. There are immense misgivings at the prospect of any step being taken that would extend the authority of the east German Democratic Republic.

It was in this mood that on May 1st some 500,000 west Berliners—roughly one out of every four—rallied in the Tiergarten to reaffirm the opinion they recorded unequivocally at their city elections on December 7th (when, ten days after Mr Khrushchev's new bid for a Berlin settlement, only 1.8 per cent of the 90 per cent who went to the poll voted communist). Assembled near the ruins of the old Reichstag, within sight of the red flag on the Brandenburger Tor, the May Day demonstrators heard their popular Chief Burgomaster, Herr Willy Brandt, assure them that he had returned from his talks in Washington and London convinced that the western allies not only would stay in Berlin, but also would never agree to any change in Berlin's status that would put them at the mercy of the communist world around them. From a lofty scaffolding the May Day slogan proclaimed for all to see : "Berlin remains FREE." Brave words for a brave people. Yet they cannot have dispelled for many the uneasiness caused by the unrelenting dilemma: that west Berlin must sooner or later atrophy if no change is made in its present living arrangements ; and that, if any changes are made, they will entail considerable risk of opening the gate to communist domination.

Unhappily, the grim communist May Day frolics in Unter den Linden (which your correspondent watched) confirmed the west Berliners' fears of what the presence of an east German delegation at Geneva may mean. The air in east Berlin was loud with an uncompromising and intimidating militancy. Tanks and self-propelled guns of Soviet design, followed by detachments of infantry and armed workers, clattered past vast placards calling "for a demilitarised free city of west Berlin." As in Hitler's day, Unter den Linden reverberated with the tramp of uniformed youngsters bearing crude slogans. Every one of the sightseers crowding the pavements wore a badge inscribed : "May 1959—for a peace treaty ! "—the treaty with two German states for which the Russians will be pressing at Geneva and on the summit. Plastered here and there on the walls elsewhere in east Berlin were maps showing the disposition of Nazi concentration camps, with portaits of Dr Adenauer and his defence minister, Herr Franz-Josef Strauss, on either side of each map, accompanied by a footnote to the effect that the men who were responsible for the concentration camps were back in power in western Germany. In short, the foreign observer wandering through east Berlin on May Day was struck everywhere by the evidence of a community being spurred into total political warfare, even to the point of readiness to assist a revolutionary coup in west Berlin should its leaders ever consider the moment to be ripe.

These are discouraging observations on the eve of new negotiations affecting the future of Germany. But perhaps the communist block's demands will yet be tempered by doubts concerning the efficacy of their missionary work among the Germans. They have genuinely converted relatively few minds, and still fewer hearts. Assured that the western negotiators will watch loyally over their political interests, the west Berliners are waiting stoically to see what happens. They are prepared, if necessary, to undergo further discomforts for the sake of living in a more or less free society. And they know that, whatever happens, they will be involved in a tough political struggle for many years to come. Happily, they are deservedly famous for their good humour and their strong nerves.

The Gaullist Consulate

FROM OUR PARIS CORRESPONDENT

THE Fifth Republic does not blush about its origins. Its birth certificate bears the date of September 28th, when its constitution was overwhelmingly endorsed by the French electors. But it really began in May of last year, when the tottering Fourth Republic collapsed under mere threats from Algiers ; and those May days will be officially commemorated next week on both sides of the Mediterranean. A year ago, when the Paris government, after two years of humiliating concessions, was forced into a trial of strength with the Algiers settlers and the army, General de Gaulle decided to leave his retreat. The appearance of this national figure had a double effect: it encouraged Algiers to resist ; and it offered the trembling government and quaking deputies a visible alternative. Parliament bowed to General de Gaulle. President Coty opened the doors of the Elysée. The whole transfer took place without a shot. The general was granted exceptional powers. Four months later the people, as they usually do, triumphantly approved the successful take-over. And they subsequently endorsed this choice by electing a neo-gaullist chamber. The election of General de Gaulle to the Presidency of the Republic completed the change.

One of General de Gaulle's first moves was an attempt to save the French empire from being submerged by the nationalist wave that was surging through Asia and Africa. In the September referendum, African and other French territories were offered the alternative of independence without French financial aid or limited powers within a French Community. The first results of this bold gamble looked extremely encouraging: M. Sekou Touré's Guinea was the only country to opt for independence. Since then there have been signs that the new structure is not as solid as it appeared. It must take account of the Ghana-Guinea partnership and of other African states reaching independent statehood. Within the Community itself, the federalists who are behind the Mali scheme do not hide the fact that, in their view, the present stage is only provisional. How lasting the success of this attempt to keep control over a large part of Africa will be must depend on the general evolution of the continent, but the gaullist scheme was undoubtedly a skilful effort to keep abreast of the times.

Algeria was not offered a similar choice. The new Republic is still saddled with the war which brought about its predecessor's downfall. True, once back in power, General de Gaulle proved sensibly ungrateful to his Algerian sponsors. The extremist settler leaders have been snubbed. Many officers, who had taken an active part in the May *putsch,* were kicked upstairs and replaced by more faithful gaullists. Yet it is one thing to call undisciplined colonels to order, quite another to face an open clash with the army if it is determined to stay on in Algeria. General de Gaulle, who once wrote that the army "is the deepest expression of a country's spirit," wants to avoid such a conflict.

Compromises, however, often bring strange results. Last October, for instance, the general ordered officers to leave Algerian politics so that elections would produce representative Moslems with whom he could, in his own phrase, "do the rest." The officers obeyed, but their influence was still great enough to ensure that Algeria produced a useless contingent of *mal-élus.* Indeed, despite his unprecedented power and prestige, General de Gaulle has been reduced to a broad policy not unlike that of his predecessors: the economic transformation of Algeria (through the Constantine plan) which may pave the way for a political solution. Last week the president was even led to express himself in favour of "integration." The rebels can come to Paris for ceasefire talks but not for political negotiations. And after a year of his rule the war still goes on.

The war, however, is no longer to be financed by the printing press. His special powers enabled General de Gaulle to carry out important financial reforms (the inauguration of the European common market was an additional incentive to disinflation). Last December France not only devalued and joined in the concerted European move to partial convertibility ; at the same time, chiefly through cuts in subsidies and in the bill for the welfare state, the government reduced the overall budget deficit to a size which can be easily covered by borrowing. The general's advisers, seeking financial stability through cuts in consumption, were lucky in their timing. The political setback to trade unionism and the first signs of recession had a moderating effect on wage claims. After the devaluation, prices did not rise more than had been officially expected. The foreign currency reserves have increased. If there is no counter-offensive by the wage-earners in the autumn, the experts will be able to claim success in the first stage of their operation. The price of it has been the disappearance of that popular belief in miracles which had helped the gaullists at the polls.

ONE result of the financial reform was that France entered the common market without invoking any provisions for special treatment. General de Gaulle, once the legendary "anti-European," thus did for Little Europe more than could probably have been achieved by any of its warmest supporters. This does not mean that he has been converted to their views. His own words and the speeches of his ministers show that in European politics, as well as in the military affairs of Nato, the gaullist preference is for national coalitions, not for integrated systems. The general's vision, as far as it can be pieced together, is of a continental block dominated by France and Germany as the senior partners ; with France deriving additional strength and status as an African power.

The German alliance has its immediate consequences. Any fear of General de Gaulle making a new Franco-Soviet deal has vanished. In its relations with Moscow, France is acting as an orthodox champion of western virtue. Paris echoes Bonn faithfully on the German question. One does not know yet where the gaullist vision of French greatness may one day lead the Atlantic alliance. For the time being, the general is realistic enough to grasp that France's strength, sapped by the Algerian war, enables him to wage only minor skirmishes—over the Mediterranean fleet, missile sites, or the unified air command. In time he will go further than that, but—it now seems certain—he will not go to Moscow to win his points.

Ultimately, the strength of the regime will be measured at home. Here the gaullist experience runs true to the model of a successful coup. The barometer, as read in the municipal elections of last March, shows that the political weather has returned to normal. The only possible difference is that, for lack of any other coherent opposition, the Communists are the main beneficiaries of popular disappointment and just now would probably poll more votes than ever before. But there will be no more electoral tests for years to come. And before the pointer had returned to normal, new institutions were rapidly set up, closely modelled on the pattern that the general advocated as long ago as his Bayeux speech in 1946. The executive branch dominates the legislative, and is itself effectively run by a president who is not responsible to parliament. The president rules, directly by his own staff, and indirectly through a prime minister and government of his choosing. Parliament hardly matters. The personality of General de Gaulle, and the knowledge of the UNR (neo-gaullist) deputies that there will be no second miracle at the polls, make the system even more authoritarian than the constitution itself provides.

A system in which the powers of decision rest with one man may sometimes prove more efficient than parliamentary rule. But the parliament of the previous regime, in spite of its antics, did provide the opportunity for peaceful change. The new system, more rigid and without real parliamentary safety valves, will run a greater risk of explosion. Much will depend on economic developments. If President de Gaulle makes peace in Algeria, while a western recovery helps France to emerge rapidly from its recession and to resume its unprecedented expansion of recent years, he should be able to consolidate his reign without taking off the velvet glove. If not ? The Fourth Republic collapsed when it was deprived of its instruments of coercion: last year the army was on the other side and the police deserted the sinking ship. But the general, for all his dissensions with reluctant colonels, can rely on the army and on France's numerous police forces. None of this may be required. Yet it is impossible to assert that the clash, side-stepped adroitly a year ago under the general's guidance, has been averted for ever. M. François Mauriac, the man of letters and self-proclaimed devotee of France's man of destiny, has described this year as the first of General de Gaulle's consulate. By French precedent, a consulate is a period of transition.

Lebanon One Year After

FROM OUR MIDDLE EAST CORRESPONDENT

A YEAR ago this weekend civil strife erupted in Lebanon, with shooting in Tripoli and bombs in Beirut. What seemed at first a temporary aberration from the easy-going, if noisy, approach of the Lebanese to politics soon became a long-drawn-out struggle of attrition. The struggle lasted more than five months, and was brought to a conclusion in two stages: the first was the assumption of the Presidency by General Fuad Chehab, the commander-in-chief, on September 23rd ; the second the formation of the compromise government of Rashid Karami on October 14th.

The compromise was effected under the slogan "neither victors nor vanquished." But for all that it left bitterness which has not yet wholly died down. From the very early days of the revolution against Mr Chamoun, the opposition had pressed the candidacy of General Chehab ; they could fairly claim that he was their nominee. Mr Karami, the leader of the revolution in Tripoli, had become prime minister and, together with another prominent opponent of Mr Chamoun, Hajj Hussein Oweini, held the portfolios of defence, economy, finance, foreign affairs, justice and planning. Small wonder that many Chamounists returned sulking to their tents.

Yet even in those October days of high rancour, there were gleams of hope. Pierre Gemayel, the founder and leader of the Phalange, which provided Mr Chamoun with his most solid support in the days of trouble, consented to serve under Mr Karami as minister of agriculture, education, health and public works. It must have been a difficult decision for him, and he deserves all credit for having made it. The key ministry of the interior was entrusted to Raymond Edde, the bearer of a respected name, who had taken no active part in the conflict, using his influence rather to bring both sides together. It would have been surprising, with such a government, if no friction had arisen between ministers. But both Mr Karami and Mr Gemayel seem anxious to belie the label of extremism which their opponents pinned on them during the struggle. They have had the sense and the patriotism to compose their differences before reaching the point of rupture.

IT is hard to see how any Lebanese government, now or in the future, can be a strong government. Strength implies a disposition and ability to use force in the last resort ; and if last year's disturbances proved anything, they proved that the Lebanese army will not, cannot, intervene actively in civil conflict dividing the nation. The most it can do is to hold the ring and prevent the contending parties from flying at each other's throats. In the circumstances, the Karami government, left with so tricky a legacy, can only proceed slowly, dealing by compromise with the many problems that confront it.

The most important of these problems is the disarmament of the civilian population. No significant progress has yet been made towards a solution. In the first place, it is physically impossible to search every house and every mountain, even if the security forces were much bigger than they are. In the second place, any attempt to effect disarmament by force would certainly lead to bloodshed, and might well start last year's troubles off again. In short, disarmament can be achieved only by agreement with the various groups and parties holding unauthorised arms. Of this, there is no sign. Each group and party will disarm only if it is convinced of the good faith of its rivals ; even so, many of the rank and file would probably disobey their leaders.

Next, there is the thorny problem of administrative reform. This reform was a leading demand of the opposition during last year's conflict, and any government headed by Mr Karami would have great difficulty in shelving it. Certainly, the administration needs an overhaul ; what

administration does not? But in the special case of Lebanon, with its multitude of particularist groupings, any project for reform must arouse suspicion among such groupings that the balance in the administration is being upset to their prejudice. Furthermore, reform would cost money, and this is a year of financial stringency. It is reported that this year's budget is balanced only by the expedient of including over £2 million on account of oil revenue, which is more than the government will get unless it brings the long-drawn negotiations with the Iraq Petroleum Company and Tapline to a successful conclusion.

The Karami government is ruling by decree, having been voted special powers for six months by a bare majority of the Chamber. Those powers expire on June 12th, and the deputies and parties are beginning to stir again. Many leaders of the National Front, which grouped together most of the leading opponents of Mr Chamoun last year, are calling for amendment of the electoral law, dissolution of the Chamber, and new elections (the present Chamber was elected under the Chamoun regime in the summer of 1957, and is almost certainly unrepresentative of public opinion today). Mr Edde has set himself against elections on the reasonable grounds that he cannot guarantee law and order if the country is plunged into election fever while the population remains armed. Mr Chamoun has pronounced himself firmly against dissolution—a pronouncement that will presumably provoke his opponents to still louder clamour for it.

In fact, all these problems—disarmament, administrative reform and the fate of the Chamber—are closely interconnected; not one of them can be approached without reference to the others. What Lebanon needs most is time and patience: time to heal the bitter wounds inflicted last year, patience to unravel the tangled skein of conflicting interests without damaging the threads. It may soon be necessary to enlarge the freakish-looking four-man government now in office. If the operation can be performed without friction, and the new government can carry on the good work of the present one, Lebanon may soon return to the normal conditions of democratic life that prevailed until May of last year.

Indonesia's Achilles Tendon

FROM A DUTCH CORRESPONDENT

A GERMAN court is discussing the wholesale nationalisation of Dutch-owned enterprises in Indonesia which were valued at about £550 million when the Indonesian government took control of them in December, 1957. Two Dutch companies, the United Deli and the Senembah, are contesting the right of the Indonesian government to sell in the Bremen market, through the newly established "German-Indonesian Tobacco Association," consignments of tobacco grown on their estates in Sumatra; those estates were nationalised early this year.

The arguments used in court have already been uncompromisingly set forth in a Dutch Note of protest sent to the Indonesian government last month. This said that the nationalisation of Dutch enterprises in the archipelago, being discriminatory, was contrary to international law. Only Dutch enterprises—and all of them, including even barbers' and haberdashers' shops and beauty-parlours—are affected. Indonesia rejected the protest on the ground that it was an unacceptable interference in its sovereign rights.

This reply has caused surprise in the Hague, not so much because of its rejection of the Dutch protest, but because it makes no attempt to counter the accusation of discrimination. Dutch officials and jurists feel that this question of discrimination is the strongest point in their legal fight against the Indonesian measures. The only internationally accepted rule governing the complex and tricky matter of expropriation of foreign property by sovereign states, is that such expropriation may not be discriminatory in its nature or in its effect. The Dutch have also protested against the Indonesian government's statement that it will suspend payments of compensation until its claim on the Dutch possession of West New Guinea has been settled in Indonesia's favour: thus the "prompt" compensation, prescribed by international law, will not be forthcoming. And, in any case, after the government's emphatic statements in the Indonesian parliament that "the payments of compensation will be made in such a way that they will not burden the state finances and not result in a flight of capital," it seems doubtful whether the compensation, if and when it is eventually paid, will in fact be "adequate."

For all these reasons the Dutch are confident that they have a strong legal case. But they feel that their moral case is still stronger. The vehemently anti-Dutch campaign for the "Liberation of West Irian" in December, 1957, which culminated in the takeover of all Dutch undertakings in Indonesia, was primarily aimed at putting pressure on the Dutch government to hand over West New Guinea. On the eve of the United Nations debate on West New Guinea in 1957, President Sukarno announced that Indonesia would "startle the world" should the General Assembly again fail to find a solution that satisfied Indonesia. The Assembly did fail, and the president's threat was duly carried out. Official "West Irian" committees instructed the population of Javanese cities to boycott Dutch residents, to deny them food and cut their water supply. Dutch houses and Dutch-owned cars were daubed with such slogans as: "Kill the Dutch." The government even ordered a 24-hour general strike against Dutch enterprises, at the same time instructing the Dutch managers to pay normal wages for that day. The Dutch in Indonesia went back to Holland *en masse*. Of the group of executives, including planters, engineers and factory experts, who together with their families were estimated at 25,000 in 1957, barely 300 are left today.

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Electrical Aids in Industry. *Data Sheet* **No. 5**

Resistance Heating—2

Electric resistance heating elements have been briefly described in Data Sheet No. 4, with two examples (in furnaces and ovens) of their application in industry. This sheet lists some of the further applications which can be effectively dealt with by resistance heating.

Soft Metal Melting

Electric resistance melting is most commonly used for lead, tin, zinc, antimony, aluminium and their alloys – in processes such as tinning, type-casting, die-casting and lining bearings – at temperatures of up to around 800°C.

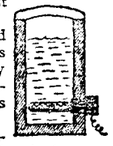


In most cases, sheathed elements are immersed directly in the metal, a *more efficient method than* applying heat to the outside of the containing vessel or pot. Immersion heating simplifies the application of lagging to the outside of the vessel, reducing heat losses and current consumption to a minimum.

In all cases, the precise temperature control that is so essential in soft metal processes is readily achieved by the use of electricity, and electric heating also leads to a reduction of casting rejects and metal wastage and a marked improvement in working conditions.

Liquid Heating

Electricity provides the ideal method of heating liquids such as water, oils, varnishes, plating, photographic and other solutions, and of melting and heating waxes and compounds, glues and pastes, tars and bitumen. Again, immersion heating is the method most commonly employed.

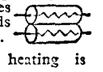


Fire hazards associated with inflammable liquids are invariably reduced by electric heating, particularly if immersion heaters are used.

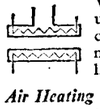
It is usually possible without difficulty to apply electric heaters, either immersion or external, to existing vessels.

Platen, Press and Roll Heating

Electricity offers the simplest and most convenient method of heating platens, dies and rolls. It gives the precise temperature-control characteristic of electric heating systems, with lower maintenance costs.



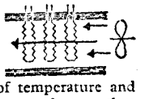
Moreover, the relatively high temperatures required in some processes for maximum working speeds are reached without difficulty.



When electric heating is used, one or more presses can be operated without the necessity of keeping a boiler-house staff at work.

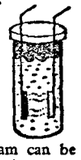
Air Heating

Streams of air, and of many other gases, can be heated most efficiently by electric resistance elements. Heat is generated only inside the duct, and none is carried away through exhaust flues or pipes. Quick rise of temperature and precise temperature control are thus assured.



Electric Steam Boilers and Steam Raising

There are many cases when the use of electricity for steam raising is fully justified on economic grounds.



The means employed for bringing steam from a boiler-house to the point of usage are often extremely wasteful. The efficiency of the electric boiler normally exceeds 96% and is practically constant at all loads.

Plant requiring process steam can be equipped with its own electric steam boiler, freeing the working space of steam mains just as individual electric motor drives free the factory of masses of shafting and belt drives.

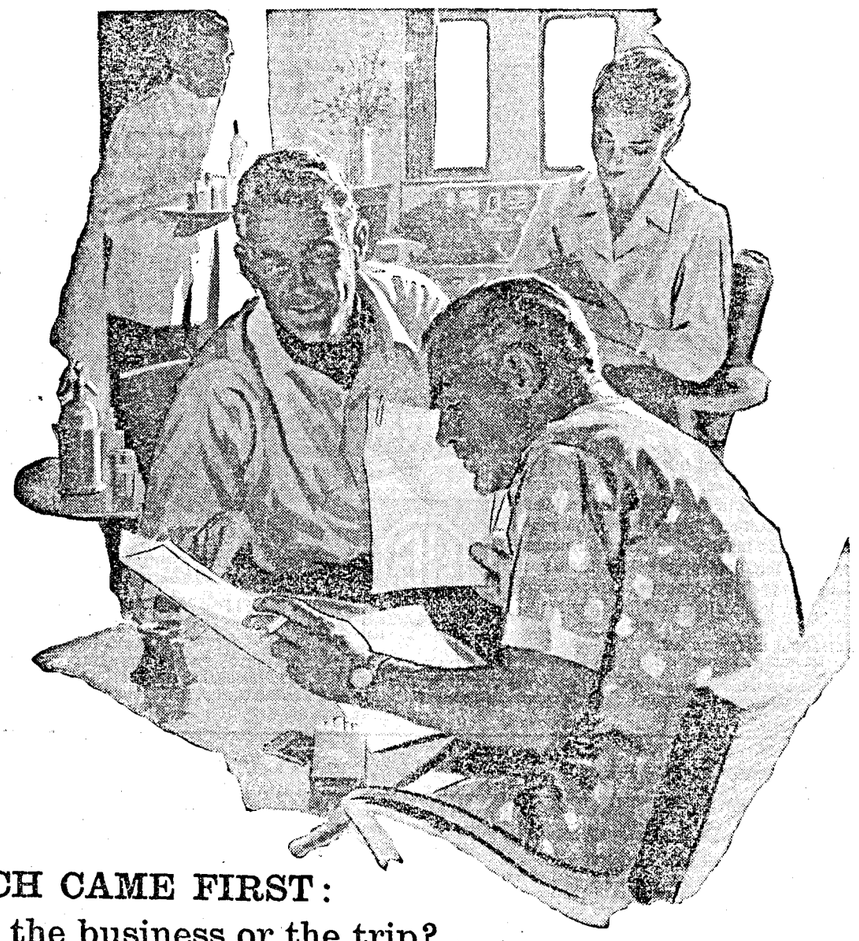
Even where boilerhouse steam is still used, it is sometimes desirable for best results to boost the steam temperature at the point of usage, to make up for transmission heat losses or to increase the superheat, and this function is most conveniently performed by an electric resistance heater inserted in the steam line.

For further information get in touch with your Electricity Board or write direct to the:

Electrical Development Association,
2 Savoy Hill, W.C.2. Tel. TEM 9434.

Excellent reference books on electricity and productivity (8/6 each, or 9/- post free) are available – "Resistance Heating" is an example; "Induction and Dielectric Heating" is another.

E.D.A. also have available on free loan a series of films on the industrial use of electricity. Ask for a catalogue.



WHICH CAME FIRST:
the business or the trip?

A fortnight ago the gentleman on the right was happily combining a visit to his overseas agents with the first real holiday in years. Now he is eagerly planning a new factory in Australia and a totally new export programme. Unusual? Not at all. For this is the P & O First Class Service to Australia. Here in one of the mighty ships of the P & O fleet the British businessman gets a *personal* picture of Australia and the East.

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If you have interests in Aden, India, Pakistan, Ceylon, Malaya, the Pacific or 'Down Under'—it *pays* to travel *all or part way* by P & O First Class Service to Australia (or the Far East). Special seasonal terms and Executive Tickets are available. Ask someone to check *now* with your Travel Agent or with P & O direct. 14/16 Cockspur St., S.W.1. Tel: WHI 4444 or 122 Leadenhall St., E.C.3. Tel: AVE 8000.

P&O First Class to Australia is an investment



When President Sukarno announced that his country would startle the world, he also said that Indonesia could "compel the Dutch to comply with our justified demand by hitting them on their Achilles tendon: their economic interests in our country." The Dutch guilder, however, has retained its value. Holland is still among the prosperous countries of Europe. The minister of finance has estimated the financial burden of the Indonesian tragedy at £30 million for last year—not an impossible sum for the present Dutch budget to bear. But the West Irian campaign and the consequent expropriation of Dutch enterprises in Indonesia have, most certainly, ruined the careers of some thousands of individual Dutchmen and brought poverty to many families who had invested their capital in the former colony.

The revolt in Sumatra and Celebes, by making matters even worse, has covered up the consequences for the Indonesians of their anti-Dutch measures. The export of agricultural produce dropped last year by about 30 per cent, but it is impossible to discover how much this was due to the revolt and how much to the transfer of the management of Dutch enterprises to Indonesian officials. But the quality of the exports declined, no doubt in part because the Dutch experts had gone. The deficit on last year's budget was 9.7 billion Rupiahs, but a former vice-president, Mohammad Hatta, has estimated it at 12 billion. The deficit for the current year has been put at 8 billion but may prove to be more. Currency in circulation rose by 50 per cent in one year to the unprecedented total of 34 billion Rupiahs. Imports have been cut so drastically that many industries have had to close down for lack of raw materials. The cost of living rose for middle-class officials by 80 per cent in 1958, and it is still rising.

INDONESIAN newspapers which staunchly support the government have recently been speaking even more plainly than these figures. According to the nationalist *Indonesian Observer*:

> If shortly after the West Irian action, during the early part of 1958, people willingly sacrificed luxuries for the national cause, nowadays almost everything has become a "luxury." . . . Home produced bathsoap is no longer within the reach of the lower paid groups. . . . A city worker who only makes Rp.6.50 daily can never afford a litre of rice as this commodity is only available at 8 Rupiahs a litre. He therefore cannot even support a family on the wages he earns. . . . This cannot go on much longer.

And the leftist *Berita Indonesia* added:

> The sufferings of the people have become unbearable; their stomachs cannot wait until a solution has been found for political controversies or until the implementation of (President Sukarno's scheme for) guided democracy.

Few Dutch people find any satisfaction in such reports from their former colony. Most of them have written off Indonesia as a closed chapter in Dutch history. They deplore the ending of the story but they accept the fact that it has ended. They do, however, stand on their rights, and the proceedings in the Bremen court are being followed with widespread interest in Holland. There is, too, a not unimportant group of Dutchmen who maintain that politics and business should be separated. They hope that Indonesia will gradually realise that the former Dutch interests in Indonesia represent Indonesia's, rather than Holland's, Achilles tendon; and that Indonesia's leaders will draw the necessary conclusions.

Austria's Coalition on Trial

FROM A CORRESPONDENT

HERR RAAB'S proposal to alter the structure of the coalition has become one of the main talking points of the Austrian electoral campaign that culminates in the elections this Sunday. The Austrian Chancellor has said that in order to end the creeping paralysis afflicting the legislature, the coalition pact between the People's party and the Socialists should be restricted to foreign affairs, finance policy and defence. In the event of stalemate, decisions should be taken by means of a vote in Parliament. This not very revolutionary proposal may cause surprise abroad, but it must be remembered that in Austria decisions are reached, not by a vote in Parliament, but by collective bargaining. If one party wishes to put a penny on the price of milk, or amend the rent act, it must work out the *quid pro quo* with care. Neither of the main parties can carry through legislation without the consent, however grudging, of the other, and one is well used to the spectacle of ministers raging in public against measures to which they have agreed within the coalition consortium.

Before the first postwar elections in 1945 the parties agreed that Austria should have a coalition government whatever the results. So long as this contract stands the coalition should continue. Of course, in theory, the voter can do away with it. But in practice this is not so easy. The leaders of both main parties have repeatedly said that the votes given to their parties in the last general election were in effect given to a continuation of the coalition. If this were not the will of the people, so the argument runs, the voters would have gone over to the Freedom party in droves. But people who have voted conservative or socialist all their lives must be desperate indeed before they vote for a party which is little more than a kind of voluntary cattle pound for dissidents of all kinds, including the ex-Nazis. Only a plebiscite can decide the matter, and although the right to hold plebiscites is laid down by the Constitution, no enabling machinery has been legalised by act of Parliament. Herr Raab's suggestion finds no favour with the Socialists, who see themselves being voted down by both the People's party and the Freedom party.

AT present the Socialists find themselves at a disadvantage. It is clearly not easy to play the part of the weaker member in a coalition, to be the government from Monday to Friday, and the opposition at the weekend. The double function involved gives an impression of collective insincerity which one would be far from attributing to individuals. This trouble began to develop when Austria regained its independence, and became acute when the Socialist candidate, Dr Schärf, was elected to the Presidency in May, 1957. The Socialists maintained that this event proved a swing to the left entitling them to equality of bargaining power, and they have stonewalled ever since. The Socialist party scene suddenly looks very bare now that Oscar Helmer (minister of the interior), Johann Bohm (president of the trades unions and vice-president of Parliament), Karl Maisel, Marianne Pollak and others have decided not to stand for re-election. Dr Pittermann, the party leader, has strengthened his position by disposing of the old guard, but too many of the new entry come from the ranks of industrial managers and party officials. Worst of all, Herr Raab has

chosen this moment to make public the government commission's report on VÖEST, the nationalised united iron and steel company. The commission has found misappropriation of funds, such as can hardly increase the voters' confidence in nationalisation. Herr Raab has been skilful in avoiding putting full responsibility on the minister concerned, Herr Waldbrunner, or on other individuals ; he has said that the trouble lies in a type of administration which allows a system of rake-offs to gain such a hold.

The People's party are relying on the economic stability of the country and on the popularity of the Chancellor and Herr Kamitz, the minister of finance, to maintain or increase their majority, and Herr Raab has remained deaf to all demands for party reorganisation. In civic and trade union elections the Freedom Party has shown signs of a small resurgence of popularity. With the Communists, it forms the Opposition ; here, of course, the resemblance ends. No lover of the coalition, the Freedom party is now critical of the Chancellor's reform programme ; but the fact remains that in a free vote it will tend, having registered its formal protest, to march with the Right. If the parties are returned much as they stand today, there will presumably be nothing to prevent Herr Raab from reforming the coalition.

The Arab South—II

FROM A SPECIAL CORRESPONDENT

AMONG Yemenis in Aden there is much criticism, often violently expressed, of the existing regime in the Yemen, particularly among those who belong to the Shafai persuasion, as opposed to the ruling Zeidis. Many Arab nationalists will also complain, at least in private, of the backwardness and "feudal" character of the present Yemeni government and express their hope for a radical change in the near future. Nevertheless, the United Arab Republic has formed a union of Arab states with the Yemen and is committed to support the present regime and to treat Yemeni methods of furthering their claims to Aden and the protectorate as legitimate expressions of Arab nationalism. Educated Arabs in this region are thus often made indignant by the "Voice of the Arabs" describing acts of plain banditry as praiseworthy nationalist activity.

Physical insecurity in the protectorate has indeed been mainly due to the action of lawless men who can always be trusted to make trouble in return for gifts of arms or money. It would, however, be wrong to deduce from this that there does not exist a strong undercurrent of Arab nationalist sentiment, however vague and unorganised, which is ready to crystallise the moment conditions are favourable. Of this feeling President Nasser is the symbol ; and his reputation has been enhanced by his denunciation of the communist threat in Iraq. The traveller notices abundant signs of this, quite apart from the photos of Colonel Nasser in the shops. In the remote cities of the Hadramaut little children in the streets begin to chant "Long live Gamal Abdel Nasser" on the rare occasions when an Englishman passes by. Audhali tribesmen on the Yemeni border can be seen sporting caps with "Long Live Gamal" elegantly embroidered on them.

The repercussions of the Suez expedition are discreetly suggested in the triennial report (1955-1957) of the department of education: "A premature but happily temporary departure of the Sudanese teachers . . . coinciding with events in the Middle East that caused a certain amount of distraction among the students, led to a stoppage of normal progress." Such evidence is not controverted by the fact that similar manifestations in Lahej ceased when a sultan sympathetic to nationalism was replaced by one willing to co-operate with the British authorities. It is only the backward character of the area that renders these manifestations for the moment ineffective.

It is thus from Aden Colony itself that the nationalist impulse is most likely to come. Development during the last five years has been immense. The colony budget is nearing £4 million, as compared with £500,000 for the whole protectorate. If entrepôt trade has decayed, bunkering facilities attract an average of eighteen ships daily. Education and medical services have leapt ahead. Fresh life has been brought by the Little Aden refinery, and a new element is being added by the choice of Bir Ahmed, a minute independent enclave between Aden and Lahej, as the meeting place for the Federal Councils. Social and economic progress is bringing political change with it. The beginning of self-government has called attention to problems which could previously be ignored. Thus, it is becoming difficult to deny the large working-class population of Yemenis the same rights of citizenship as are allowed to Commonwealth residents of Indian or Pakistani origin who play a preponderant part in trade, particularly as the Yemenis provide a large proportion of the membership of the trade unions. Although these Yemenis are in the nature of refugees from the social and political conditions of the Yemen, the authorities regard them as a potential fifth column—if not on behalf of the Imam's government, at least for Arab nationalism in one form or another.

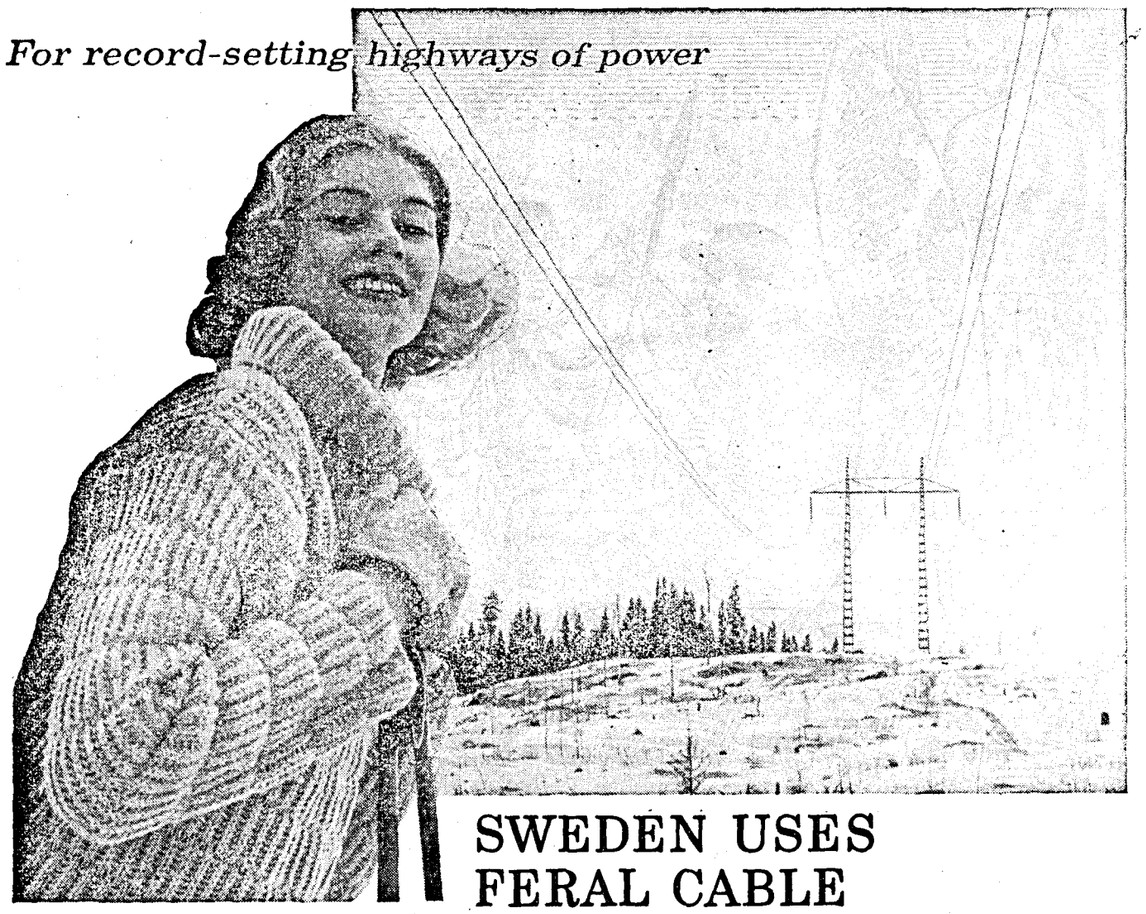
THE "adenisation" of Aden tends to bring about the "adenisation" of the protectorate also. As Arabs fill responsible posts in the administration of the colony, they automatically begin to replace Englishmen as advisers and technicians in the protectorate. In fact the distinction between colony and protectorate becomes increasingly artificial and difficult to maintain. Both have the same governor. Protectorate communications lead from and to Aden as if to a capital city. The headquarters of the western protectorate administration is in Aden and its new capital adjoins it.

The main inducement to retain the British connection is fear that the withdrawal of the British would reduce the city to what it was before they occupied it—an insignificant fishing village. But even this assumption is likely to be queried by Arab nationalists. They will say that bunkering facilities will still be required, whoever rules in Aden, and that the refinery will remain a paying proposition. Everything would depend on efficient management ; and Egyptian leaders with the experience of taking over the Suez Canal behind them are likely to claim that an Arab government under their auspices could take on the commitment.

The position can be held for the moment without too great difficulty, but matters will be very different as soon as an organised nationalist party with a programme and a leader appears. Oddly enough, the character of the present anti-British regime in the Yemen is a principal factor in delaying this development ; while British plans for federation and for social progress in the protectorate are a principal factor favouring it.

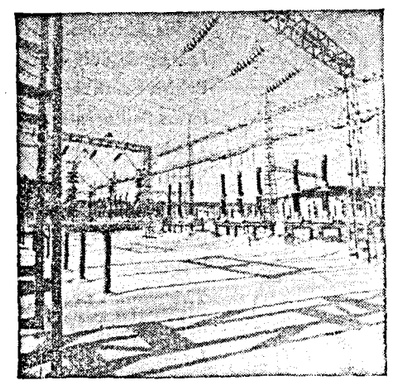
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For record-setting highways of power



SWEDEN USES FERAL CABLE

Forests, covering half the country, are Sweden's chief single source of wealth. Also contributing to the country's rapid economic growth has been an abundance of relatively cheap hydroelectric power. But the remaining water power resources are nearly all in the north, far from the main consuming areas. To transmit power economically over distances up to 1,000 miles, Swedish engineers therefore developed the record 380,000-volt system. With more than three times the transmission capacity of the previous 220,000-volt system, fewer power lines are needed —thus saving thousands of acres of forest—and transmission costs are appreciably lower. The conductors used in this remarkable system are Feral Cable—*reliable* Swedish ACSR.



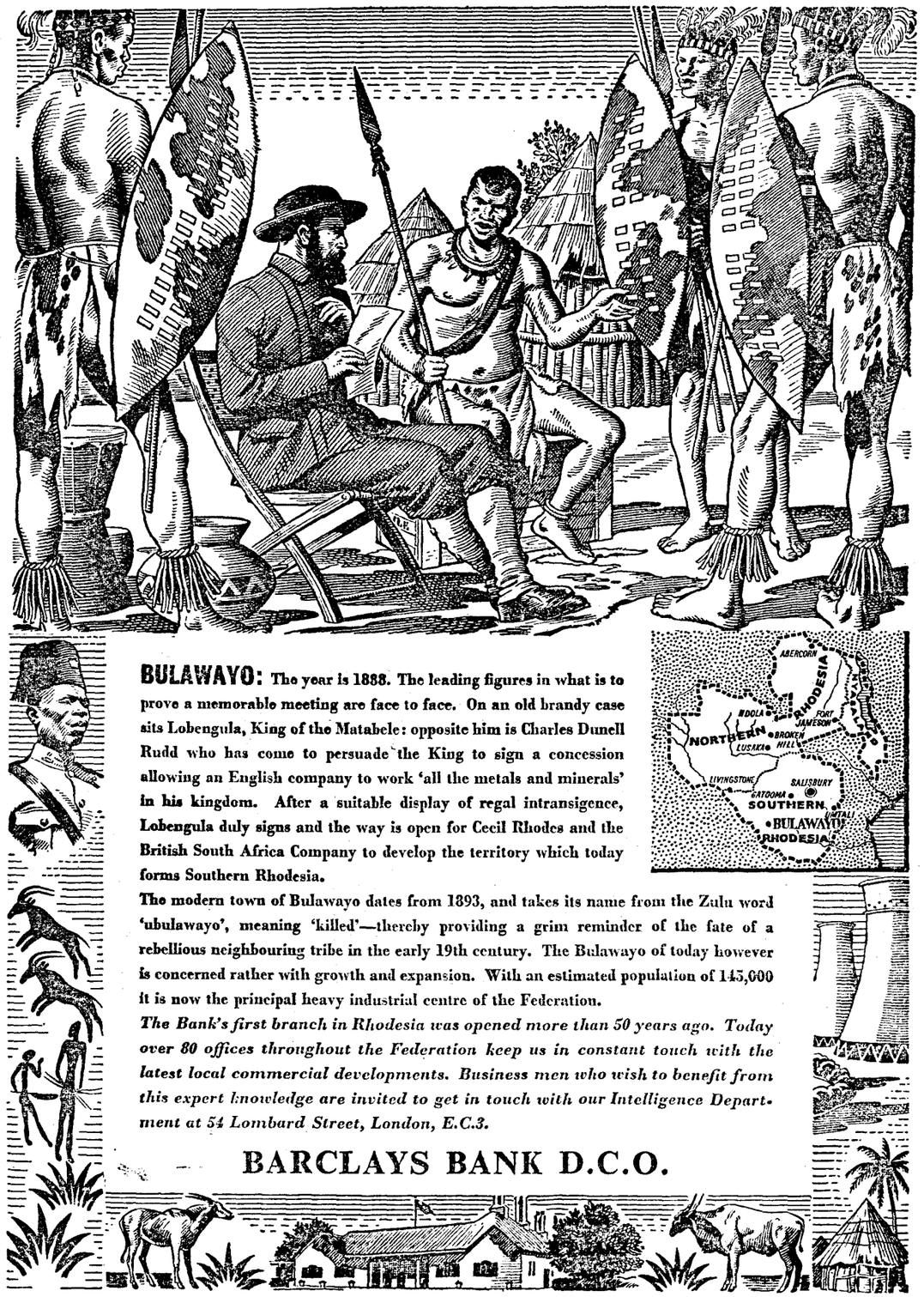
To help you in selecting conductors, the know-how of men who helped design and build Sweden's power transmission system is available in *"Electrical Data for High Tension Power Lines"*. Write for a free copy today!

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BULAWAYO: The year is 1888. The leading figures in what is to prove a memorable meeting are face to face. On an old brandy case sits Lobengula, King of the Matabele: opposite him is Charles Dunell Rudd who has come to persuade the King to sign a concession allowing an English company to work 'all the metals and minerals' in his kingdom. After a suitable display of regal intransigence, Lobengula duly signs and the way is open for Cecil Rhodes and the British South Africa Company to develop the territory which today forms Southern Rhodesia.

The modern town of Bulawayo dates from 1893, and takes its name from the Zulu word 'ubulawayo', meaning 'killed'—thereby providing a grim reminder of the fate of a rebellious neighbouring tribe in the early 19th century. The Bulawayo of today however is concerned rather with growth and expansion. With an estimated population of 145,000 it is now the principal heavy industrial centre of the Federation.

The Bank's first branch in Rhodesia was opened more than 50 years ago. Today over 80 offices throughout the Federation keep us in constant touch with the latest local commercial developments. Business men who wish to benefit from this expert knowledge are invited to get in touch with our Intelligence Department at 54 Lombard Street, London, E.C.3.

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THE BUSINESS WORLD

Can Nuclear Power Compete?

CHAPEL Cross, on the edge of the Solway Firth, is the second nuclear power station opened in this country and the fifth in the world. Since Calder Hall became the world's first full-sized nuclear power station to generate electricity for commercial sale, the Americans have commissioned a nuclear power station at Shippingport, the Russians have one in Siberia, and the French are generating atomic electricity at Marcoule in Avignon. These five nuclear power stations all sell electricity but none is in fact a commercial installation. The American plant at Shippingport is an outsized submarine reactor with no pretence of generating electricity at commercial prices. The French and Russian stations and the two British nuclear stations at Calder Hall and Chapel Cross were built primarily to make plutonium for bombs: they generate electricity as a by-product simply because the reactors in which this fissile material is produced have to be cooled down to a tolerable temperature. The Atomic Energy Authority sells the electricity from Calder Hall and Chapel Cross to the electricity generating authorities in England and Scotland for the best price that it can negotiate. This is modest, because the power output is interrupted whenever a reactor is shut down for the removal of plutonium.

The power station at Chapel Cross looks more functional and less experimental than that at Calder Hall because it was planned from the outset as a single unit. Its four reactors straddle the site in a straight line, the four cooling towers attend like flunkeys behind them ; the single low turbine house lies in front. The plant cost £34 millions, or roughly £185 per kilowatt of installed generating capacity. That is much the same cost per kilowatt of capacity as for Calder Hall, and it is roughly 50 per cent higher than the electricity authorities expect to pay for commercial nuclear power stations operating on the same basic principles but primarily designed to produce electricity. Neither Chapel Cross nor Calder Hall can provide answers to the questions that continue to be vital to a proper assessment of atomic power—how much it will cost and whether that price will be competitive with other fuel during the station's working life.

THIS country is committed to a nuclear power programme of 6,000 megawatts to be completed by 1967 when atomic stations will generate about 25 per cent of the country's electricity. That programme can be accelerated or decelerated within broad limits. Recently it has been decelerated ; there will be a gap of two years between the start of work on the Central Electricity Generating Board's nuclear power station at Hinkley Point and on its next station in Wales. When the nuclear power programme was drafted in 1955, and trebled in size early in 1957, it was expected that the generating costs in thermal stations would rise while nuclear power would cost less. For a variety of reasons, however, nuclear costs are not falling as fast as was thought, while the costs of thermal power have come down in a manner totally unexpected then.

There have been two major increases in the cost of constructing nuclear plants. First, the long-term interest rates applied have risen from 4 to between 5 and 6 per cent. Secondly, since the Windscale fire, more elaborate and expensive precautions have had to be taken to eliminate any risk of similar accidents in a power station. These increases have added perhaps 20 per cent to the net cost of generating nuclear electricity and have offset the possibility of dramatic economies on the civil engineering side, where the designers have obtained big increases in electricity output for quite modest increases in size and cost. The Chapel Cross and Calder Hall reactors, which are identical, are the smallest that could work on natural uranium fuel ; each reactor generates 46 megawatts of electricity at a capital cost of £185 per kilowatt. The Hinkley Point power station is the largest so far begun. Its reactors will give 250 megawatts apiece for a capital cost of £108.

These economies of scale are approaching their limits. The next nuclear power station, in Wales, where the reactors will generate 300 megawatts each, will still

cost as much as Hinkley Point because of peculiarities of the site. It may be possible to reduce the capital cost of future stations by a further £10 per kilowatt, to a little below £100. When these Mark I stations begin to be followed in the second half of the 1960s by Mark II versions using mildly enriched fuel and much higher gas temperatures, capital costs may be reduced to between £80 and £90 a kilowatt, but not appreciably lower. There seems to be little scope for a really drastic reduction in the high capital cost of nuclear power stations built to the British pattern until the physical size of the reactors shrinks to more manageable proportions. Small size means highly enriched fuel, and neither cheap enriched fuel nor the reactors to use it will be available much before 1970. This capital intensity confines nuclear power stations to fairly continuous operation on base load. But used as such they will generate a high proportion of Britain's power, and their costs will be an important factor in the future level of electricity prices across the country.

After adding 10 per cent to capital costs to cover contingencies and such items as access roads and site preparation, the British and Scottish electricity boards estimate that nuclear power from the first, medium-sized nuclear power stations burning natural uranium only will cost anything between 0.7 and 0.8 pence per unit, falling to perhaps 0.6 pence for the slightly larger stations but not declining much below this. The Mark II stations operating towards 1970 on mildly enriched fuel may bring the figure down to a halfpenny a unit or slightly lower. These are notional figures but they suggest that nuclear power stations coming in during the next decade are going to produce electricity costing 20 per cent more than that from the best type of thermal station, which is the only plant with which they can be properly compared. A modern thermal station built on the coalfields can generate electricity now for a good deal less than 0.6 pence per unit when it pays the equivalent of 73 shillings a ton for its coal. With the shadow of atomic energy lying across the pits, there is no reason to think that the generating board need tolerate a continued rise in the prices it pays for power station coal—of which there is a mounting surplus. If the Coal Board's prices are not competitive, those of fuel oil or American coal will be.

Coal prices for this customer, if no other, certainly need not rise more than prices in general. Moreover, there has been a spectacular fall in the construction costs of new thermal power stations, from an average of £70-£75 a kilowatt when the atomic energy programme was first considered to a level for stations planned now much nearer £40 a kilowatt. This reduction is not wholly due to technical improvements that have taken place in the design of generating plant: the British electrical industry at the moment is indeed having to play rather safe on new technical developments in coal stations, because of the expensive experiments in nuclear generation to which it is committed. It is mainly a matter of economies of scale in building larger stations. But the arrival of atomic energy and a pause in economic growth have brought a frosty nip of competition into the fuel industries.

There is little that atomic constructors can do to cut prices in the face of this competition, for they are already losing money on their first nuclear power station contracts. A sharp fall in the price of the natural uranium used in these stations as fuel is, however, more than likely. Uranium costs at present around £10,000-£11,000 a ton, supplied on long-term fixed price contracts that expire during the next three or four years. These contracts, entered into at scarcity prices, were designed to encourage the opening of new mines. On their expiry, uranium in a free market is expected to halve in price to £5,000-£6,000 a ton, which will cut the price of the processed fuel elements for the first nuclear power stations by 25 per cent. The Atomic Energy Authority charges about £20,000 a ton for manufactured fuel elements, £10,000 for the uranium they contain and £10,000 for the cost of fabrication, more if the design is complex. A reduction of £5,000 a ton on the initial charge of a power station requiring between 800 and 1,000 tons of fuel, as the large ones do, would represent a considerable saving. It would also represent a reduction of £20 million a year in the cost of providing the 4,000 tons of fuel that will be required annually when all 6,000 megawatts of nuclear plant are installed and working. Fuel replacement costs are estimated to make up about 25 per cent of the net cost of atomic electricity. But it is difficult to calculate how much this would change total generating costs, since the price that AEA is prepared to pay the power stations for spent fuel containing low-grade plutonium—which stands now at £5,000 a ton—is linked to the price of natural uranium and must fall along with natural uranium prices. This "buy-back" price now reduces the calculated cost of atomic electricity by 10 per cent, but electricity producers would much prefer a lower fuel bill to high plutonium credit.

One of the first decisions that will face the new chairman of the AEA when he takes over from Lord Plowden at the end of the year is whether the Authority should alter its published fuel prices now, to take account of uranium price reductions that will certainly be in force by the time any fuel ordered is due for delivery. This applies particularly to export orders for foreign customers, most of whom must pay more for their capital than their British counterparts, and who are harder hit by the high capital cost of investing in nuclear energy.

The fall in uranium prices alone cannot close the gap between conventional and nuclear electricity costs. Unless the present downward trend in world coal and fuel oil prices is reversed—and the threat of atomic competition, among other influences, may prevent this from happening for quite a long time—it is beginning to look as if the Mark I Calder Hall type of power station running on natural uranium will suffer a permanent cost disadvantage of perhaps 10 to 20 per cent compared with the best type of thermal generating plant. This does not mean that the British nuclear power programme was either misjudged or ill-timed, but it could saddle the British electricity system with a basic supply of rather high-cost electricity for the next 20 to 30 years. In the long run nuclear costs will probably come down or remain level, whereas costs of coal, and even oil are likely to rise—though this run looks much longer than it did when the nuclear programme was trebled. But the only circumstances in which one might expect any drastic revision of the programme would be a long, continued period without economic growth, when atomic scientists and miners would come into direct conflict as political lobbyists.

The nuclear network to be built between now and 1967, the first units of which will save a million tons of coal a year each, was designed only partly to relieve the pressure on conventional fuels that then seemed likely: it was also partly an investment in the development of technique and resources for more compact and cheaper nuclear plants to follow these first ones. These improvements depend primarily on richer nuclear fuels, of which the only one that can be produced at commercial prices on this side of the Atlantic is a mixture of natural uranium and low-grade power station plutonium. Scientists are only half way to solving the technical problems of burning plutonium. But on their progress during the next five years the commercial future for nuclear power largely depends.

Aluminium's Long Pull

Producers of aluminium believe that they need a surplus to help them to win larger markets. They now have a bigger surplus than they bargained for.

Aluminium is a young metal compared with its old-established competitors copper and steel. Yet it has grown fast. It now rivals copper for second place, after steel, in total output and its long-term prospects are bright. But the short-term outlook is not. During the last two years, after a long period of buoyant demand, sales have fallen off. The biggest decline came in the United States, the major consuming country, where the effects of recession were aggravated by the sharp decline in defence demands. And as luck would have it the recession hit producers just as they were completing the third postwar round of expansion. Consumption of aluminium in the free world dropped by three per cent in 1957 and again by three per cent last year, to about 3 million long tons. Production capacity was then about 3.6 million tons of metal, and although demand started to revive towards the end of last year producers are still working well below capacity.

For the first time for many years prices went down, not up. The North American producers cut their prices by 2 cents to 24 cents a lb in the spring. They recovered 0.7 cents of this cut in August following a wage increase, though Aluminium Limited, the Canadian producer, kept its European price at £180 a ton (delivered U.K.). Keener competition also forced some concessions in pricing policy.

Falling demand and lower margins hurt all the major producers except Reynolds Metals, which last year managed to maintain its sales and its net profits. Sales by Aluminum Company of America (Alcoa), the largest producer, dropped from $875½ million to $758 million, and net profits fell sharply from $75½ million to $43 million; Aluminium Limited's sales fell less sharply from $453½ million to $423 million, but net profits dropped from $44.7 million to only $26 million. British Aluminium does not publish sales; gross profits dropped from £3 million to £2.1 million, but an increase in investment income and lower bank and interest charges cushioned the decline in net profits from £1,247,000 to £1,030,000.

Plans for further expansion in aluminium have not been abandoned, but they are being stretched out. Aluminium requires bauxite and cheap power. It takes longer to convert water power to electricity, and to build plants for refining bauxite into alumina, than it does to build smelting plant to convert alumina into aluminium metal. So Aluminium Limited, to take one example, has held up the construction of new smelting facilities, stretched out completion dates for two new alumina plants in Jamaica and British Guiana, and has kept to its original schedule for building additional power facilities in Canada; when demand warrants, it will have enough power to support a total output of 890,000 tons of aluminium, compared with its present capacity of 690,000 tons.

Recession at home quickened the American companies' interest in opportunities for expansion across the Atlantic. Alcoa and Reynolds, its up and coming rival, became parties to the biggest share battle in London for years. Reynolds, in partnership with Tube Investments, fought its way through to control of British Aluminium, thrusting aside BA's chosen partner Alcoa. This changed the structure of the industry. Reynold's association with British Aluminium makes it nearly as big a producer of aluminium as Aluminium Limited, and a rival of that company in world markets. Hitherto the big integrated American companies have concentrated on making semi-fabricated products for their home market, leaving Aluminium Limited, which has the advantage in low-cost resources of power, to meet their residual needs of primary metal. In turn

Aluminium Limited, which enjoys no advantage in fabrication and has only a small domestic market in Canada, has concentrated on producing ingot. About 40 per cent of its total sales go to the United States, with Britain taking another 30 per cent, and Canada and other countries the rest. Though it expects to raise its own fabricating capacity to about 360,000 tons by 1960, this would still employ less than half of its capacity for producing metal. Its largest single interest in fabricating is in Northern Aluminium in this country, which has 100,000 tons; Canada comes next with about 90,000 tons, and the rest is spread through a score of countries in Europe, Asia and in Australia.

Ownership of British Aluminium gave Reynolds-TI a controlling interest in Canadian British Aluminium, which has primary facilities of 80,000 tons of ingot in Quebec (to be doubled in time) and another 30,000 tons in Scotland. BA also has potentially important interests in bauxite and power in West Africa and Australia. It has capacity for fabricating about 85,000 tons a year in Britain, and smaller plants in India and Australia.

To the producers the present surplus is not wholly unwelcome. They are certain that their markets would have grown even faster since the war if customers could always have been assured of plentiful supplies. With that assurance now behind them, the producers are bending their efforts to expand established markets—transport of all kinds, construction, transmission lines and other electrical equipment—and the newer markets like foil, containers and packaging, pipe and tubes. A big new outlet—motor car engine blocks—may soon be within their grasp. General Motors is reported to be using an aluminium engine block in the new smaller car it is launching in the United States this autumn.

Moving into world markets, the American aluminium companies see opportunities for an even faster rate of growth than in their home market. Between 1946 and 1957 American consumption rose nearly 2½ times to 1.7 million tons while consumption in the rest of the world increased over 3½ times to 1.4 million tons. Yet consumption per head in Europe is still far below the 23 lb per head of the United States. In Britain, Germany, Sweden and France it ranges from 9 to 12 lb per head, and the average for Europe is about 6 lb. Though other countries are unlikely to catch up with the American consumption it should be possible to narrow the gap. All the major producers are now expanding their fabricating plants abroad or establishing new ones. Aluminium Limited, for example, is raising the capacity of its British plants from 100,000 to 130,000 tons, constructing additional sheet-rolling capacity and a foil mill in Australia, and erecting plants in New Zealand, Nigeria and Ghana.

But however promising the future may be, the present has still to be reckoned with. The president of Aluminium Limited expects that even with a recovery of world consumption, the surplus will last for the next few years. He told stockholders recently that despite a continuing rise in sales to independent and associated fabricators, sales and earnings would probably be lower this year than last. Net income in the first quarter of 1959 is estimated at only $2.3 million, compared with $5.3 million a year ago. Sir Ivan Stedeford, the new chairman of British Aluminium, has reminded shareholders that the increase of 5½ to 17½ per cent in the ordinary dividend, which absorbed the whole of the available trading profits, was unjustified and had been paid only to conform to the conditional undertaking made by the old board. He adds that it is highly improbable that this rate of dividend can be repeated this year, and impossible to forecast when it might be justified.

In the aluminium industry, like others which need years to bring in new capacity, it is never easy to keep expansion in step with demand. In most of the postwar years there was too little metal rather than too much. In the long run it may be possible to achieve a faster, if not more profitable, rate of growth by carrying spare capacity. The industry has always claimed that it needed a surplus. Now it has one.

	ALUMINUM COMPANY OF AMERICA ($ million)			REYNOLDS METALS ($ million)			ALUMINIUM LIMITED ($ million)			BRITISH ALUMINIUM (£'000s)		
	1956	1957	1958	1956	1957	1958	1956	1957	1958	1956	1957	1958
Sales	869·8	875·5	758·1	409·2	451·7	449·7	482·6	453·5	422·9	...	...	...
Gross profit†	187·4	158·6	87·1	83·8	73·4	70·5	108·1	78·3	42·0	3,294·4	3,020·7	2,105·4
Net profit	89·6	75·6	42·9	41·2	37·8	38·2	59·0	44·7	26·0	1,584·3	1,247·4	1,030·2
Gross profit/sales per cent	21·5	18·1	11·5	20·5	16·2	15·7	22·4	17·3	9·9	...	...	...
Net profit/sales per cent	10·3	8·6	5·7	10·1	8·4	8·5	12·2	9·9	6·1	...	...	...
Gross profit/net assets per cent.	19·4	14·2	7·1	15·4	11·8	9·3	11·2	7·2	3·6	11·0	8·8	5·9
Earnings (per share*)	$4·24	$3·55	$1·96	$3·52	$3·21	$3·25	$1·85	$1·37	$0·74	33·4%	25·9%	17·2%
Dividend (per share*)	$1·20	$1·20	$1·20	$0·58	$0·62	$0·65	$0·77	$0·84	$0·75	12%	12%	17½%
Price	Lon. $143⅝			Lon. $149			Lon. $49			64/-		
Yield (per cent)	1·49			0·78			2·82			5·47		
Production capacity in primary metal, long tons, end 1958	713,000			537,000			688,000			110,000‡		
Estimated, 1960/61	893,000			626,000			773,000			...		

* Outstanding at 31st December, 1958. † After depreciation. ‡ Includes Canadian British Aluminium Company.

BUSINESS NOTES

IN THE MARKETS

Equities Go Ahead

The London equity market has had another strong and active week. Gilt-edged have been dull; the market has had to absorb appreciable further bank selling, and the bad taste of the LCC issue is still not quite gone. But the *Financial Times* index of industrial ordinary shares has crept up day by day in lively markets; in the week to Wednesday, *The Economist* indicator shows a rise of 3.7 to a new peak of 267.0 (1953=100). Biggest interest has been in hire purchase houses and Kaffirs. In the hire purchase group United Dominions Trust touched 160s. on Tuesday, up 15s. on the week, and other big finance houses shared in the rise. The figures released by Hire Purchase Information confirmed that the budget boost had carried sales of cars on hire purchase to record levels; thus the big increase in hire purchase activity set off by decontrol last autumn is being maintained. This must mean a good year for finance houses; but the latest spurt in share prices, which follows a major spurt in the first half of last year in anticipation of easier credit, has carried prices to dizzy peaks—up to three times the height of prices at the nadir in February, 1958. And against the rise in volume of HP business may have to be set a paring of margins, and perhaps tougher competition from the bank affiliated units. In this climate, there is an obvious premium for the remaining independents on size and established strength.

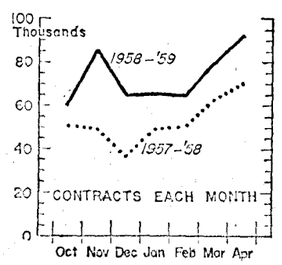
	Feb. 25, 1958	June 30, 1958	Jan. 1, 1959	April 7, 1959	May 6, 1959
Hire Purchase					
Bowmaker	8/6*	12/11¼*	16/8¼*	23/7½	27/10½
Lombard Banking	†	†	21/3	28/-	31/-
Mercantile Credit	13/7½	18/-	22/-	31/3	36/-
UDT Stores	77/-	97/-	115/-	142/3	158/6
Gt. Universal St. 'A'	17/3*	22/6	33/9	36/6	37/1½
Marks & Spencer 'A'	37/3	43/7½	55/-	57/7½	62/3
Koffirs					
Anglo-Amer. Corpn.	116/10½	145/-	171/10½	176/3	176/10½
Free State Geduld	81/3	88/1½	115/7½	176/3	178/9
Western Holdings	91/3	98/1½	119/4½	141/3	148/9

* Adjusted for scrip issues. † Not quoted.

The quickening of interest in Kaffirs has stemmed mainly from renewed talk about the dollar and the gold price. Probably a majority of thinking observers of international finance still see little likelihood of America agreeing to such a move, and still less likelihood of it being forced into it. But the renewed outflow of gold from the United States, and some speeches at the conference of International Chambers of Commerce in Washington—including the bolt from the blue from Sir Jeremy Raisman, deputy chairman of Lloyds Bank, advocating a doubling in the gold price—have given new heart to speculators. Most of the buying in London has come from professional dealers on the Cape and the Continent; there has been some United States buying, but it has been smaller than at the end of March. Interest has again been concentrated on the new mines in the Orange Free State. There has been no general revival in shares of the older mines, which is perhaps a sign that the speculators are not pitching hopes too high.

CARS AND THE HP BOOM

Spurred by the budget, HP contracts for new and secondhand cars reached a record 92,309 in April—15 per cent more than in March, when motor business accounted for most of the increase of £28 million in total HP debt.



THE ECONOMY

A Glance at the Orderbook

This week, for the first time, the Board of Trade has published some general statistics of orders on hand in the engineering industry, to supplement the fragmentary detailed statistics already published (for machine tools, shipbuilding and petroleum equipment). What the board is now offering, as a new facet of its revised and improved production statistics for engineering, is an index measuring the total value of orderbooks for home and export in engineering at the end of each month, expressed in constant prices, taking orders at the end of January, 1958, as 100. This index does not show, nor apparently does the board obtain from engineering firms, the rate at which new orders are being booked, as the few existing statistics of orders do.

Nor can one readily gain any reliable indication of the rate of ordering by comparing the new index with the volume of production over the same period. Britain's official production index, necessarily, is a measure of the "value added" in industry's operations, attempting to exclude double counting. The total value of orders on hand in engineering at any one time, however, must contain double counting, because an order placed with a main contractor generates other orders upon a range of component suppliers, apart from sub-contracting. One would need a measure of the volume of "final output," such as for example can be drawn from the annual censuses of production, to make useful comparisons with the value of orderbooks—and also actual money figures for the January value of stocks here used as a base. But statistics of individual orderbooks are obtained in confidence from industry, which has still some reluctance regarding disclosure even in aggregate form, and the official statisticians may well in any case have their own reservations about the quality of the figuring so far.

But the new index does show that total orderbooks stopped growing in 1956, the home market being affected before the export market. Since September 1, 1957, orders on hand for both markets have fallen considerably and the total volume of orders on hand at the end of February this year was indeed some 10 per cent less than at the end of 1954. In its discussion of the new index the *Board of Trade*

Journal adds some glosses upon the different courses of production of capital and consumer durable goods; its new statistics of engineering clearly make it possible to separate out these categories rather more confidently. It may be that some separation of the index of engineering production into

ENGINEERING ORDERS AND OUTPUT

	Orders on Hand* end of period January, 1958=100			Production 1954=100
	For home market	For export	Total	Total
1954	99	91	96	100
1955	109	94	105	107
1956	105	102	104	107
1957	101	101	101	111
1958 :—				
1st qtr.	99	100	99	115
2nd qtr.	96	93	95	109
3rd qtr.	92	90	91	102
4th qtr.	88	85	87	119
1959 :—				
January	87	84	87	111
February	85	83	85	117

* Indices of total value of orders at 1954 prices; figures for 1954 to 1957 less reliable than later ones.

capital goods, consumer goods, and intermediate engineering would be practicable from these figures. As and when the figures and their suppliers allow, moreover, the board ought to work towards indices of orders for capital and other goods in engineering, such as have long been available in Germany.

STERLING

Spring Tide

STERLING is still doing very well—probably better than the authorities had expected. In April the central gold and dollar reserves rose by £40 million, or $112 million; this raised the total to $3,251 million, a new peak. Thus the gains of the past four months have more than covered the end-year payments of $196 million on North American loans and the $200 million repaid to the International Monetary Fund in March. That is no mean achievement. Admittedly, the early months of the year are the flush season for sales of primary produce by overseas sterling countries; and the reserves have also benefited (by about $42 million in the past six months) from the recent American activity in company take-overs. But the underlying demand for sterling on commercial account has been strong; and more financial business has been attracted to London. The establishment of convertibility for non-residents since the end of 1958 has brought a substantial boon.

The reserves last month benefited from no known receipts of a special character. The £12 million expected from Germany for this year's support costs will not be received until this month, and then it will be paid into an account at the Bundesbank and will have no sudden effect on the London reserves. There was one special payment in April, of $11 million in connection with the settlement of debts in the winding up of the European Payments Union. Details of this settlement are expected later this month.

DOLLAR SURPLUS GROWS

	True dollar balance in period*	Actual change in reserves $ million	Reserves at end of period
1958 :—			
January	+166	+131	2,404
February	+206	+135	2,539
March	+148	+231	2,770
April	+137	+144	2,914
May	+ 88	+125	3,039
June	+ 17	+ 37	3,076
July	+ 22	+ 8	3,084
August	+ 48	+ 5	3,089
September	+ 21	+ 31	3,120
October	+ 57	+ 54	3,174
November	+ 55	+ 41	3,215
December	− 23	−146	3,069
1959 :—			
January	+126	+ 42	3,111
February	+ 45	+ 45	3,156
March	+ 86	−17	3,139
April $ mn.	+123	+112	3,251
April £ mn.	+ 44	+ 40	*1,161*

* Adjusting for one month lag in EPU settlements, for small receipts of US aid and $97 million from Germany in March; and for special payments, including $196 million in December on North American debt and $200 million in March to IMF. December figures slightly distorted by inclusion for first time of non-dollar currencies now convertible.

Gold and the Dollar

THE main feature of the exchange markets this week has been the weakness of the dollar. This was due partly to reports of a further outflow of gold from the United States (reports that at first greatly overstated one week's loss). Dealers are now anticipating the demands that will be faced by the American authorities in coming months for the gold portion of the increases in countries' quotas at the International Monetary Fund. These increases total around $5.8 billion, so that just under $1½ billion will have to be found in gold. In practice there are only three sources—newly mined gold from South Africa and other producers, the vast gold stock of the United States; and the vast gold stock of the Soviet Union. The demands made by IMF members on their US dollar balances in coming months will depend to an important degree on how much gold is sold by the Russians.

In the London market this week the dollar price of gold climbed to $35.12-14, compared with $35.09 (allowing for ¼ per cent commission) at which central banks can buy from the Federal Reserve in New York. The differential is not large enough to encourage physical arbitrage of gold between the two centres—for that the London price would have to reach about $35.25—but it would pay central banks to buy gold from the Federal Reserve System and sell from existing stocks in London. Most central banks, however, appear to regard this turn as insufficient to risk incurring the displeasure of the American authorities. There has been little forward dealing in gold in London under the new facilities, though there has been some in Zurich this week.

Dots in the Foreign Exchanges

THE London foreign exchange market decimalised itself at the beginning of this week. Until then most rates were quoted in fractions—such as $2.81⅝-11/16 for US dollars, or Frs. 12.18⅜-½ for Swiss francs. Dealers are now free to quote and deal on whatever base they like to choose. For inter-market dealings they have switched to decimal quotations, which have long been the standard in Continental markets. For the time being the banks are adhering to fractions in their quotations to their clients, and published rates are still on this basis.

The switch to decimal quotations has led to a noticeable narrowing of dealing rates within the London market. In



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the case of the US dollar, for example, inter-market dealings have this week been conducted on a two-point spread, such as $2.8166-68, i.e. with a margin of 1/50th of a cent, compared with the normal 1/16th and occasional 1/32nd margins that were previously used. This narrowing of margins was advocated by many London brokers themselves, for since the widening of the official exchange market in the convertibility moves many London banks were obtaining their requirements direct in Continental centres rather than from London brokers, who should now regain business. For their clients, London banks have always quoted very fine rates, and commission at ⅛ per cent with a maximum on any deal of £6 5s.

As a matter of general principle, banks dealing for clients reckon to give them the market rate, though this is more often than not shaded slightly in the bank's favour. The shading may become somewhat more pronounced as a result of the difference in the method of quotation—fractional for clients, decimal for the market. But important clients such as the oil companies are so conversant with what is going on from hour to hour in the market and so consistently plied with competitive quotations for the business they have to entrust to the market, that they, too, should derive appreciable benefits from these improved arrangements for dealing.

ANGLO-FRENCH TRADE

Pact, But No Particulars

THE Board of Trade has not published details of the new trade agreement with France that was signed in Paris last week. The new French import quotas have to be given to the British trade associations concerned, and will in time appear in the trade press, so that a diligent student will eventually be able to put all the pieces together even without the benefit of the Board of Trade's help in a matter of much public interest. The negotiations followed the French-inspired refusal of the common market countries to accept Britain's proposal that all the OEEC countries should reciprocally make the same increase in quotas that the common market countries were required to make among themselves. (Each member of the common market undertook to convert its bilateral quotas with other members into one quota open to all, and to increase the total value of all quotas by 20 per cent. Quotas for individual items had to be raised by at least 10 per cent, and any nil or negligible quotas had to be raised to, or opened at, a level equivalent to three per cent of domestic production of that item.)

As the common market countries decided that each member should negotiate bilaterally with outsiders, Britain had to seek the best bargain it could. Despite liberalisation roughly one-third of French imports of industrial products from Britain are still restricted, whereas nearly all Britain's imports from France are free. As France promised to increase the ordinary quotas by at least ten per cent, Britain sought the largest possible increase in items covered by the "three per cent" rule, where France had no intention of giving equality of treatment. Britain has not fared badly. It is understood that France has raised the total value of its quotas for Britain by rather more than 20 per cent to about £15 million. On the ordinary items, covering a wide range of engineering goods, tractors, and wool textiles, the increases granted are generally not more than ten per cent, except for whisky, machine tools and chemicals. The quota for whisky has been more than doubled, from £140,000 to £300,000 (the figures have appeared in the French press). The quota for motor cars, a "three per cent item," for Metropolitan France and Algeria, has been raised from £800,000 to £1,460,000, the increase of over 80 per cent being not far short of that given to common market countries. The new quota also covers commercial vehicles, for which no quota existed before, so that any sales of commercial vehicles may have to be at the expense of motor cars. "Substantial" increases are said to have been obtained for other three per cent items, such as confectionery and biscuits, clothing, synthetic yarns and fibres, refrigeration equipment, and toys. Britain has increased its quotas for French goods by 20 per cent, to just under £4 million.

SHIPPING

What Cunard Wants

IN the statement to stockholders that Colonel D. H. Bates of the Cunard Steamship Company circulated this week he strongly hinted—without actually saying it—that the company will be asking the Government for a subsidy to build replacements for its two transatlantic *Queen* liners, rather than for loans to assist their building, of the kind that Cunard has received before. He pointed out that the American Government in 1952 built the *United States* for £27 million and sold her to United States Lines for £12 million, and now plans to build a sister ship for about £46½ million, which it will sell to the line for £16½ million; the French and Italian governments are also giving their liners subsidies.

> Faced with the overwhelming odds of ever-increasing governmental subsidies to our competitors on the score of national prestige, your board have decided it is impossible to continue under such unequal and unfair competition to free enterprise. We have, therefore, laid the whole position before HM Government. . . .

Under the special exemption for shipping companies, Cunard does not disclose the total of its accumulated provision for depreciation. Colonel Bates said that the group had endeavoured to plough back more than the normal provision at historic costs, but had never managed to fill the gap. Last year the order to replace the *Britannic*, already deferred in 1957, was finally cancelled, together with reservations for three dry cargo ships. Investment allowances, he said, did not become operative in time for Cunard; from 1957 onward its profits have been insufficient for it to take full advantage of the 40 per cent allowance, and £2,450,000 of capital allowances remain "unabsorbed." The group, which includes Port Line and Brocklebank as well as Cunard Steamship, has in quick assets some £25 million; this might ease its general replacement problems, but could not cover the *Queens*.

Depreciation at historical cost of the two *Queens* would provide only about £10 million of the £45-50 million that might be required today to replace them with two vessels of about 50,000 tons gross. Cunard and their chosen shipbuilders, John Brown of Clydebank, reckon that with increased knowledge of light alloys and more economical methods of construction lighter ships can be built to carry the same number of passengers on the same gruelling service—weekly sailings both ways, which on the Southampton-New York run require sea speeds averaging at least 28½ knots. The company does not appear to be

attracted by the possibilities of nuclear propulsion that have been mentioned as another of the elements of British prestige for which the Government might be inclined to provide a subsidy. The *Queen Mary* at least will need a replacement in six years' time, and any nuclear propulsion system available by then would probably still be so uneconomic as to require a subsidy for operation as well as for building.

Telescope to a Blind Eye

THE unexpectedly lyrical language ("a big step forward . . . a full sense of urgency") in which the Admiralty this week recorded the submission of eight separate schemes for nuclear shipping tends to give an exaggerated impression of the progress actually made in this, one of the most difficult fields of nuclear design. Only one of the eight systems submitted, which is based on a pressurised water reactor, actually exists. All America's nuclear submarines and the Soviet Union's recently launched atomic icebreaker are driven by reactors of this type: the best estimate of their costs made so far puts these ten times higher than those of conventional marine propulsion machinery. The other seven are all technically interesting schemes but relate to reactor systems that exist only on paper or in the form of small research-scale experiments producing no significant power.

Like all other forms of nuclear power, reactors for ship propulsion are handicapped by high capital cost and to a lesser extent by huge size and weight. The Atomic Energy Authority has some hopes that the prototype advanced gas cooled reactor—the Mark II Calder Hall—being built now at Windscale may have low enough costs to suit shipping, but this is a pious hope rather than a proven fact and the same applies to any cost calculations about the other paper studies sent to the Admiralty. The Admiralty says its goal is "the economic nuclear merchant ship." Not so long ago Sir John Cockcroft said it would take about five years to know whether such a vessel could be built.

BANKERS' CONFERENCES

London's Distinguished Gathering

THE City of London this week has been the scene of the annual conference of the American Bankers' Association—the first such conference to be held outside the United States; and by chance this has coincided with a congress in London of the international "Forex" club, at which foreign exchange dealers meet face to face their counterparts whose voices they know so well over the telephone. The bankers' conference at Fishmongers Hall is a distinguished gathering, including chairmen and chief executives of leading American banks, Mr William Martin of the Federal Reserve, Mr Black of the World Bank, and Mr Jacobsson of the International Monetary Fund. Bankers from the Continent have also been present, and the welcoming address was given by Sir Oliver Franks, chairman of Lloyds Bank.

The proceedings at the conference, which have been concerned mainly with international questions, have been held in strict privacy. The one exception was an address on Thursday by Mr Heathcoat Amory. The Chancellor recalled how the fears of a year ago have proved unfounded, thanks to the quick recovery in America's economy and its tolerance of continued outflows of gold, which are in large part the result of large injections of capital to countries that have suffered from the fall in commodity prices. Mr Amory expects the deterioration in Britain's external balance from the swollen surplus of 1958 to be offset by bigger sales, at higher prices, by primary producers in the overseas sterling area; so that the sterling area as a whole "should be in much the same underlying position as last year." It is not clear whether in this expectation he is counting on a repetition of the very large inflow of outside capital to the overseas sterling area last year.

INDIA

The Gold Smuggling Circuit

THE Reserve Bank of India has begun to issue special rupee notes for circulation outside India. It is doing so in an attempt to check the unauthorised import of gold into India, which has recently been costing the exiguous Indian official reserves between £30 million and £40 million a year. Most of the clandestine gold reaches India from the sheikdoms of the Persian Gulf, mainly from Kuwait, and makes its unauthorised way to India by various means, including dhows and aeroplanes. The costs of this smuggling traffic, including occasional discovery and sequestration, are considerable; they can be met out of a lush profit margin since gold has recently been quoted in the Indian markets at nearly double the world price.

The Gulf territories have long used Indian rupees as part of their mixed currency. They began to do so when the rupee was a full weight silver coin which circulated side by side with the Maria Therese dollar, the Arabian rial and golden sovereign. The use of Indian currency persisted after the rupee became a token coin and even when it took the form of paper currency. And the rupee circulation in the Gulf States has provided one of the main links in the chain of gold smuggling operations with India. The merchant in Kuwait begins a series of operations with sterling, which he converts into dollars, with which he buys gold, usually in Beirut. The gold is then smuggled into India and paid for in rupee notes smuggled out of India to Kuwait. Here they have been put in circulation and ultimately collected by one of the banks which, by official arrangement, could ship them back to India for payment in sterling, thus completing the circle of operations.

By making a special issue of external rupee notes to circulate outside, the Indian authorities hope to break this circuit. Since domestic rupee notes will no longer be accepted for encashment by the Reserve Bank of India if they are brought in from abroad, other methods of payment for gold smuggled into India will have to be devised. Ingenuity in finding these other means will be stimulated by the further rise in the Indian price of gold that is almost certain to follow the check to gold smuggling now being administered. One other consequence of India's initiative may be to hasten the creation of a domestic currency in the Persian Gulf states.

FUEL

Coal Without Protection

PROTECTION for European coal industries was discussed on both sides of the Channel this week; more practically in Luxemburg than at Westminster, but equally with no result. The council of ministers of the European Coal and Steel Community reconsidered the High Authority's amended plan to deal with the community's coal crisis, which would set quotas for production as well as imports and set levels beyond which producers would not be allowed to increase their unsold stocks. After apparently heated exchanges between the experts of the high authority and the Germans, who would like restrictions on a national rather than a community basis, the council adjourned the matter for another ten days. Germany has already restricted its imports by a prohibitive duty over and above certain quotas for its foreign suppliers; the basis it would like to adopt for further import quotas would penalise British coal as against American. In the Commons, Sir Ian Horobin mentioned that the Ministry of Power was "having to" (or trying to ?) put pressure on the Germans, and in the midst of "extremely difficult negotiations" with the ECSC high authority. Britain is not yet quite out of the coal export business; protection cuts two ways.

In the Commons, indeed, suggestions that the Ministry or the National Coal Board should increase coal exports by cutting prices more than they have already were more frequent than specific appeals for protection against the import of competitive fuels, though this was the tenour of much of the Opposition argument. Mining MPs may have borne in mind that coal has some effective protection already in that the only buyer likely to get a licence to import cheap American coal would be the Coal Board itself. Mr Maudling was entitled to make his speech largely a string of questions asking just what Mr Robens actually thought ought to be done to help the coal industry, as distinct from complaining about what was not being done. But his expressed confidence, along with an unchanged forecast of demand for 300 million tons of "coal equivalent" fuels in 1965 that the "Coal Board should be able to carve out for itself a larger total demand" sounded rather odd. Sir Ian later said the Ministry's best informed guess suggested that "something not very different from present production—and it is likely to be slightly higher rather than lower—would be a fair picture of the likely production and demand in 1965."

The possibilities of importing large volumes of liquid methane, which would replace gas coal to a far greater extent than other kinds of petroleum are doing already, was mentioned by many speakers: Sir Ian said that even allowing for this, it was not expected that more than 10 per cent of primary fuels that the gas industry is likely to use by 1965 will be petroleum.

Investing in Television

PUBLIC interest in commercial television shares is high. The established companies have absorbed their initial losses and in the last two years their profits have soared ahead. Another sudden expansion in profits may be unlikely but earnings at present levels provide handsome cover on the dividends that have been declared or projected. Public investment in television shares is small, for the original risk-takers in the industry are not anxious to part with their golden equity. Thus, the Granada Group, which controls Granada TV, has secured a full stock exchange quotation for its "A" non-voting shares this week but has placed only 150,000 shares (out of 1,400,000 in issue) at 70s. and of these only 100,000 were available through the market. The jobbers left their books open for a day to receive applications and then balloted the shares in parcels of one hundred. Dealings began well above the placing price, at 79s.-80s., and after a fair turnover the price settled at 79s. Dealings in the voting shares are also possible under rule 163(2) and these shares are now quoted at 90s.

The main interests in the commercial television companies are shown in the table. Some other groups not listed there include Scottish Television, Anglia Television and Tyne-Tees Television, and Ulster Television and South Western Television are being formed. All the groups have attracted money from the entertainment and newspaper industries and they are very much private domains. The easiest way to secure an interest in commercial television is to buy the shares of the public companies that have interests in it. But it is possible to bid a high price for the few shares, mainly non-voting, that become available.

The *Daily Mirror*, following its acquisition of Amalgamated Press, has to sell its one third interest in Southern Television, which has a capital of only £100,000. The price it is said to be asking for the £1 stock units is £45 each, and among those who are interested in buying them are Rank Organisation and Associated Newspapers (which each have a third interest already) and W. H. Smith, Odhams Press and Portsmouth and Sunderland Newspapers (which have not). The *Daily Mirror* and the *Sunday Pictorial* each have a 9.3 per cent interest in Associated TeleVision.

COMMERCIAL TELEVISION COMPANIES

	Associated TeleVision	Associated Rediffusion	Associated British Pictures	Granada Group	Television Wales and the West	Southern Television
Ordinary Capital	150,000 £1 8,700,000 5/- 'A'	500,000 £1 4,500,000 £1 'A'	8,000,000 5/-	1,400,000 5/- 1,400,000 5/- 'A'	52,050 Founders 1,457,400 5/-	100,000 £1
Major Shareholdings (per cent).	*Daily Mirror* .. 9·3 *Sunday Pictorial* 9·3 *Pye* ..... 7·0 *Moss's Empires* 6·2	*British Electric Traction* ... 50 *Rediffusion* ... 37½	Controls wholly owned subsidiary: ABC Television	Controls wholly owned subsidiary: Granada TV Network.	*Lord Derby* ... } 25* *Mr J. Hylton* . } *News of the World* ..... 24½* *Liverpool Daily Post* ..... 14½* *Imperial Tobacco* ... 6*	*Associated Newspapers* 33⅓† *Rank Organisation* ..... 33⅓†
Assumed Ordinary Dividend (per cent)	100	...	60	80	58½	...
Price	65/3	...	45/6	79/-	38/10½	...
Yield (per cent)	7·66	...	6·60	5·06	7·52	...
Method of Dealing	Full Quotation	No Quotation	Full Quotation	Full Quotation	Rule 163 (2)	No Quotation

* Original holdings before Stock Exchange quotation. † Amalgamated Press is to sell its 33⅓ per cent holding.

INSURANCE

Cautious Reappraisal

BUOYANT income from the investments in their non-life funds explains why nearly all the composite insurance companies have increased their dividends. Of these offices the Royal and the Commercial Union are the largest. After covering overheads and tax, the Royal's underwriting loss on its fire, accident and marine business was £628,000 last year, compared with a net underwriting loss of £295,000 in 1957; the Royal's non-life premium income in 1957 was £131½ million and £130¾ million in 1958. Net interest income on the non-life funds rose, however, from £3,400,000 to £3,900,000 and the dividend has been raised from 76⅔ per cent to 78⅓ per cent. On non-life premiums of £69 million, the Commercial Union lost £800,000 after overheads and tax last year, compared with £432,000 in 1957 on premiums of £64 million; but net interest income jumped from £2,400,000 to £2,900,000, partly as a result of the inclusion of the figures of a new subsidiary, and the dividend is up from 36⅔ per cent to 40 per cent.

In 1957 the Royal and the Commercial Union between them accounted for 40 per cent of the total United States business of the British insurance companies. The Royal seems to have been pruning its American account fairly drastically, and its United States premium income fell last year by $10 million to $222 million. On the other hand, the American premium income of the Commercial Union rose last year from $68 million to $70 million in spite of a more restrictive underwriting policy. The chairman of the Royal, Mr T. H. Naylor, is confident that in time "the American insurance market must inevitably be restored to a prosperous level" and certainly prospects for 1959 look brighter than they did twelve months ago. Lieutenant-Colonel Leslie, the chairman of the Commercial Union, who is retiring this year, is less forthcoming; the fire department loss ratio has improved as a result of restrictive measures in the United States but he is "afraid that some further time must elapse" before the American accident account becomes profitable. Mr Cyril Kleinwort, the chairman of North British and Mercantile which plans to merge with Commercial Union, is equally cautious. Last year, largely because of the unsatisfactory business in the United States, North British made a net underwriting loss on fire, accident and marine insurance of £1,048,000, after overheads and tax, compared with £1,496,000. The net loss in the fire department of £26,000 compares favourably with the loss of £889,000 in 1957 but Mr Kleinwort says the development of casualty business in the United States "must continue to proceed with much circumspection until there are more significant signs of a general improvement in results." North British is one of the few composite offices that has left its dividend unchanged—at 45 per cent.

DSIR

Alms for Industry?

THE reorganised Department of Scientific and Industrial Research promises to be a much richer body than its predecessor, with a grant of £61 million for the five year period starting this year compared with only £36 million for 1954-59. No one who has watched the DSIR trying to run its network of research stations on little more than a pittance will grudge its new-found affluence and in general the policy outlined for the coming five years is a sound and sensible one. The chairman has said flatly that DSIR does not intend to work to a rigid five-year programme. Its plans are made for the coming year; they spill over in part into the second year but not beyond. The board is reserving the right to make up its mind according to circumstances which can change with bewildering rapidity over the field of science. An organisation whose main object could crudely be described as scientific pump-priming should have the greatest possible freedom of action, and the decision to sponsor more research at the universities greatly increases the number and variety of pumps available for priming, as the astonishing list of research projects included in the DSIR's annual report can testify.

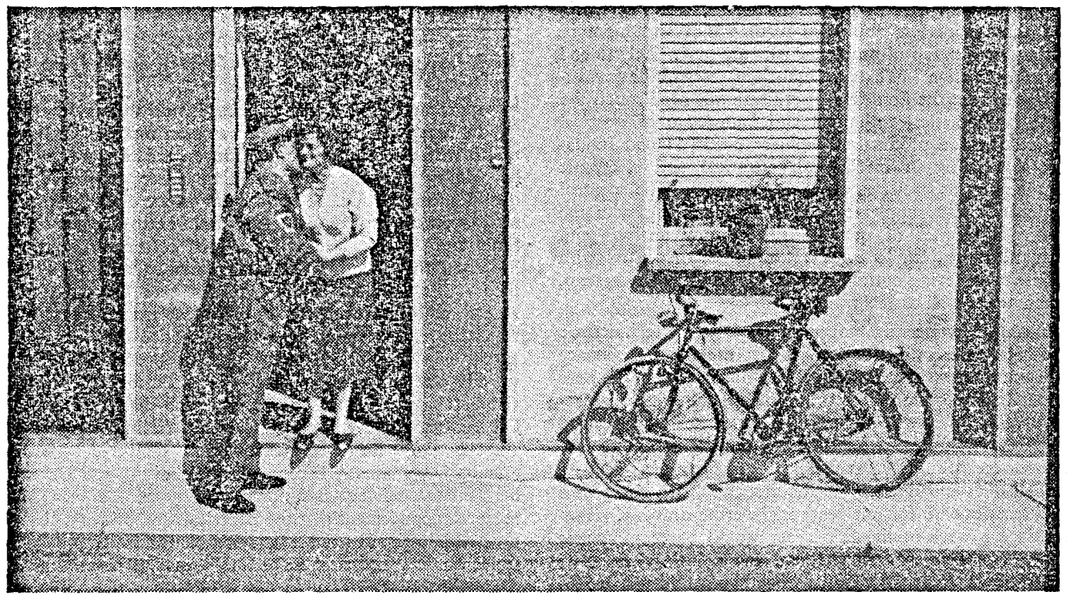
But this process can be carried too far. This year, for the first time, DSIR is starting an experiment already partly covered by another government body, the National Research Development Corporation. "We believe," says the DSIR's report, "that valuable ideas exist in some of the smaller industrial concerns of the country which they themselves cannot afford to investigate," and it adds that there may be some projects too big for even the biggest giants of industry. DSIR is ready to vet such projects and advise whether they "would be appropriate subjects for government backing." This seems a rather naive view to take in view of the longer experience of NRDC, which has tried to give just this kind of financial encouragement to new projects with commercial possibilities and found pretty few worth support. Why the DSIR thinks it will have better luck, whether it has something different in mind, or how it even considers this kind of industrial alms-giving comes within its terms of reference are points not fully explained.

TECHNOLOGY

Training for Control

CLAIMS that some kind of engineering specialism should be separated out as a distinct and independent technological discipline in its own right, followed closely by calculations of the number of these beings that Britain vitally needs to have in some years' time and hence should be training now if it is to keep up with the United States and the Soviet Union, have come fairly often in recent years. Those made for "control engineering" by successive presidents of the Society of Instrument Technology, Sir Harold Hartley last year and Mr J. F. Coales this week, are perhaps more justified than claims for other kinds of engineering about which more is heard. The analysis of operating systems and the design of techniques for controlling them can fairly be argued to be both a distinct specialism and one broadly applicable throughout a wide and extending range of technology. Mr Coales's calculations about the numbers Britain ought to be training, in his presidential address to the society this week, were no more and no less convincing than most quasi-statistical statements of educational claim of this kind. But his discussion of the scope of training required for a control engineer, and of the society's proposed syllabuses for ordinary and higher national certificates in instrument technology, was more impressive.

Students at engineering colleges, he argued, instead of having to choose at an early stage between civil, mechanical, electrical and chemical engineering, might better be divided



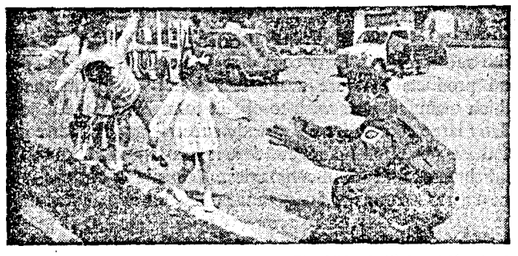
Renato Raggi of Melzo says goodbye to his pretty wife Luciana as he leaves for work. Upstairs Roberto, aged five, is still in bed.

For Renato Raggi life has changed

AT SIX-THIRTY A.M. A FEW DAYS AGO SIGNOR RENATO RAGGI OF MELZO IN ITALY BEGAN A NEW LIFE.

Six-thirty is the time he gets up and starts work in this little town near Milan. His routine is a simple one. A quick cup of coffee and then he sets off on his bicycle to cover the quarter-of-a-mile that separates his flat from the smart petrol station on the main road to Monza. Already the morning sun is breaking through as he does it.

But that morning was different. That morning his garage opened in different colours. Green-and-yellow. That morning he began selling different products. British products. BP products – the identical BP products that you buy from your garage in Britain.



550 Italian petrol stations have gone BP now. The children? All the neighbourhood kids had to see Renato Raggi in his new uniform.

AT 550 PETROL STATIONS

For BP has come to Italy. At nearly 550 petrol stations along the roads of this sunny land the familiar BP Shields are on view this week – and 1,500 stations will have changed to BP by the end of the year. It's one more tremendous step forward in the expansion of this dynamic company.

Already British Petroleum markets its high-grade fuels and oils in 31 other countries besides Britain. In Canada and in Sweden. In Nigeria and in Australia. In Morocco and in Austria – to mention only a few. And all the time BP is growing stronger. Growing stronger because of the terrific *demand* for its products.

A WORLD-WIDE SERVICE

What does this mean to you, the motorist in Britain?

First it means that the local BP station to which you take your car for petrol, oil and service is part of a go-ahead and internationally minded organisation. An organisation that can put world-wide experience and strength at your disposal.

Second, it means that when you bring your car to Italy – or almost any country in Western Europe – you can continue to rely on BP products and service. (And the BP Touring Service is in action in all these countries to make your holiday more enjoyable – ask about it at your BP garage.)

Yes. From now on Renato Raggi – the BP man – is at your service, British Motorist!

BP BRITISH PETROLEUM

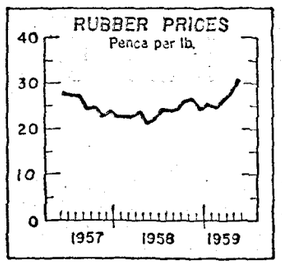
into those with an aptitude for mathematics and research, and those with less ability in mathematics and more in dealing with practical problems, who are more likely to end up in production. Whatever branch of research he eventually goes into, the first kind of student will need much the same mathematical technique and knowledge of classical physics; and a production engineer needs a good fundamental training in mechanical, electrical and electronic engineering as well as applied physics. The control engineer would supplement this broad training with the newer techniques of quantitative dynamic analysis and systems design, employing the techniques of control with a view to achieving optimum performance from any system, economic as well as technical.

Control engineering covers a variety of techniques: existing courses in instrument manufacture and maintenance turn out craftsmen, but hardly the technicians who will have to deal with a wide range of measuring and control instruments. The society's draft syllabus for an ordinary national certificate would combine most of its applied physics into courses on "Structure and properties of matter" and on "Mechanics and Energy" in the first two years, along with mathematics and, for one year, engineering drawing. Two evenings a week in the third year would cover geometric optics, electricity and magnetism, and a little chemistry; the third evening a week in the second and third year would be devoted to applied physics, particularly measurement and control. "It is to be hoped," observed Mr Coales, "that eventually we may have an ordinary national certificate which is common to all technologies . . . a better understanding of the fundamental concepts of mathematics, physics and mechanics is more important than particular knowledge of a special technology."

NATURAL RUBBER

Sharp Rise in Prices

NATURAL rubber continues to rise. On Thursday spot rubber closed in London at 31d. a lb, a gain of nearly 2½d. on the week, and the premium for the nearby delivery months has increased. Natural rubber is now 6½d. a lb dearer than at the beginning of the year and over 40 per cent dearer than synthetic rubber, which may not help it in the long run. But this latest rise in a free market reflects a growing tightness of supplies, with world consumption rising and an unusually severe seasonal fall in production. This week China bought several thousand tons of rubber in Singapore, for the first time, it is believed, since the Malayan authorities closed down the Bank of China towards the end of last year. Chinese buying helped to push prices higher, and may have encouraged some speculative buying besides. Production should soon begin to recover, and higher prices should stimulate output by smallholders. Whether supplies will remain tight depends mainly on demand from the communist countries. So far they have been buying more heavily than last year.



RAW COTTON

More Business at Higher Prices

THE recovery in raw cotton prices is now well under way. In Liverpool recently there has been much more business in actual cotton and cotton futures, and as spot supplies have fallen spinners are not finding it easy to obtain the qualities they require. The discount on the distant delivery months on the futures market has been narrowing for some time, and American middling 1-inch cotton on the spot has risen this month by nearly ½d. to 23.10d. a lb. In theory this grade of cotton from the new crop will cost 23.40d. a lb cif Liverpool for shipment from August 1st, when the effective American support price drops and the export subsidy is raised by 1½ cents to 8 cents a lb. The subsidy can be increased if necessary to meet competition, and not long ago it was widely expected that it would be. On February 18th this grade was quoted in Liverpool at 18.60d. a lb for December-January delivery. Market opinion has gradually become less pessimistic, and December-January delivery has now risen by 2¾d. a lb. The recent announcement that the American authorities will add to the basic export price a carrying charge for each month from October onwards helped this change in sentiment. And with buyers of cotton textiles deciding that the time had come to build up stocks, spinners have had to buy more cotton.

The advance has also been assisted by the recovery in Sudan cotton. The protracted decline in the longer-stapled Sudan cottons had brought prices to a level at which they had lost their premium over shorter stapled cotton and were holding down prices of these growths. But the Gezira Board's decision to abolish the practice of fixing reserve prices at auction is now bringing results. Since the change of policy at the end of January the board has sold nearly 300,000 bales, and has recently been able to raise prices. In the last two months Lambert No. 6 cotton for July-August delivery in Liverpool has risen by 4¼d. to 26¼d. a lb. So the prospect for the Sudan is much brighter than it was—provided that the American export subsidy is not increased further. Cotton is the mainspring of the Sudan's economy, and the government will pray that the American authorities do not undo by their cotton policy the help they are extending to the Sudan by a substantial programme of economic aid.

TECHNICAL INFORMATION

Inventions for Sale

A PERIODICAL called *Lapis* (standing for "licences, agents, patents, and inventions"), which was founded last October, has taken a practical step to improve the highly imperfect market in inventions. Published monthly and with subscribers in forty countries, it offers a list of patents and products that are available for licensing, and those which manufacturers wish to obtain to make under licence. Many large companies are already subscribers, and for each of these the publishers state that it has two medium-sized and three or four small companies. *Lapis* is useful to them not only as a means of finding inventions for sale or wanted; the announcements that a company puts in (free) are a guide to its plans, more direct than the indications one can often glean from the advertisements it places for new staff. So far as the individual inventor is concerned, it provides a unique opportunity to advertise his wares, which should do something to lessen the disabilities under which he labours; in such cases, where an invention does not come from an established institution, some attempt is made to vet its feasibility before insertion.

STEEL

A New Process from Brymbo

IT was at Brymbo, a small steelworks near Wrexham owned by Guest Keen and Nettlefolds, that the first basic openhearth furnace in Britain ever made steel, in 1884: the works had been making iron for nearly 90 years before that. Brymbo has had since then a number of other technical developments to its credit; at the end of last month it released details of another. This is a method of pre-refining molten iron from the blast furnace with oxygen before charging it to the three 40-ton electric furnaces in its new melting shop. Ordinary electric furnaces only use scrap because they are essentially sealed bowls, with no outlets for impurities or slag from the hot metal to be tapped off during the heat. One can use hot-metal in them by "duplexing," blowing the hot iron in a Bessemer convertor to remove silicon and phosphorous before feeding it into the arc furnace, but the iron from Brymbo's small blast furnace was not suitable for this process.

Brymbo's solution is to pre-refine the metal in a special furnace with limestone and iron oxide—and oxygen injected through a "lance"—in order to remove the silicon and phosphorus from its iron. The pre-refining furnace is fitted for the slag, which absorbs the impurities from the metal, to be tapped off before transferring the metal to the arc furnaces. This is a steelworks producing special and alloy steels; in Britain electric furnaces are largely confined to these, though in some other countries they are beginning to be employed as a way of making common steel. But the process could have quite a wide application in steelmaking: the openhearth furnace could benefit from a cheap form of pre-refining hot metal.

Brymbo's does seem to be a cheap process. The three arc furnaces, a hot metal receiver and the pre-refining furnace in a complete new melting shop with a tonnage oxygen plant and all ancillary services, have cost £2 million, a modest sum as steel capital expenditure goes. The whole development scheme was begun in 1956: its civil engineering was complicated by the fact that the disused slag tip that offered the only suitable site turned out to have a core of smouldering producer ash. MacAlpines had to damp this down with thousands of gallons of water, then excavate about 80,000 cubic yards of the redhot ash in the process of removing and levelling the ash-tip. The three 40-ton furnaces in the new melting shop, fed from the 150-ton hot metal receiver and the 20-ton pre-refining furnace, are at present giving the works an output of some 15,000 ingot tons a week.

FINANCE HOUSES

A European Association

HIRE purchase has grown rapidly in recent years on the Continent as well as in Britain; and arrangements are now being made for a formal European representative organisation. The older established institutions of the financial world all have their international links, which on the whole serve rather for personal contacts and exchange of information than for practical business purposes. The finance houses seem to have the same broad aims in mind; but some of them at present appear to be thinking in terms of participation in the business of other European countries. A number of British houses have developed business in the Commonwealth; but operations outside the sterling area would need the approval of the exchange control.

The first step in the European project was taken last week when representatives of finance houses in Britain, Germany, France, Holland, Belgium, Switzerland and Austria met for one day in Bonn. Britain was represented by officers of the Finance Houses Association and the Industrial Bankers Association (who were thus preparing for a common European organisation before they had agreed on one for themselves). The brief meeting had its intended result. It was agreed that the inaugural conference of European instalment credit companies and organisations should meet on November 5th and 6th in Amsterdam. An international committee has been appointed to decide who should be invited and what should be discussed.

BELGIUM

Both Lender and Borrower

BELGIAN investors are subscribing to the first issue of Belgian franc bonds of the World Bank; the offer is equivalent to $10 million and is in 5 per cent bonds repayable within ten years. At the same time, the Belgian government is borrowing $22 million on the New York market. It is intriguing that the two flows of money should be proceeding in opposite directions at the same time. The explanation for Belgium's New York borrowing seems to lie in the peculiar difficulties of the Belgian Treasury, which has no magic influence with the central bank and is chronically short of funds. This is not the first time that the Belgian government has borrowed abroad to meet a deficiency not of foreign exchange but of Belgian francs. The conjuncture is a rare one in the modern world—and not entirely displeasing to the old guard of sound money men.

OIL

Growth in Refining

OIL refinery capacity in Britain has experienced roughly a seven-fold growth in the past ten years; along with ancillary industries such as petrochemicals, refining has been one of the fastest-growing industries of the postwar period. The most rapid period of growth ended in 1954, after a capital investment of about £200 million; but total capacity has continued to increase since then, and major expansions in the past year at refineries in Britain have produced an annual throughput capacity of over 41 million tons, the largest of any country in the free world excluding the United States. Caltex has now withdrawn its application for permission to build a new £20 million refinery at Hook, on the east side of Southampton Water, in the face of strong local opposition, though this project, which would have added 2-3 million tons a year, has not been finally abandoned; but the planned expansion of existing refinery

capacity and the commissioning of plants now under construction will still bring the total capacity of the industry to over 46 million tons within a year's time.

Shell, with a total throughput capacity of 15 million tons a year, has now the largest refining capacity in Britain; a new distillation unit early this year at Shell Haven brought capacity up to eight million tons a year. In addition, Shell are at present enlarging port facilities at Tranmere, which serves the company's Stanlow refinery, including the construction of two floating stages capable of accommodating tankers of up to 65,000 tons dead weight. British Petroleum's refining capacity in Britain is now about 13½ million tons a year; construction on the company's refinery at the Isle of Grain in Kent, completed at the end of last year, brought it to 7.2 million tons, and the addition of a new distillation unit at Grangemouth, together with ancillary plant, has raised capacity there to 3.2 million tons a year. Work is also proceeding on BP's Angle Bay terminal at Milford Haven, which is expected to be delivering crude oil to the company's Llandarcy refinery by the middle of 1960.

The addition of a new pipe still at Esso's Fawley refinery has brought capacity there to 10.5 million tons a year; in addition the company's refinery at Milford Haven, which will have a capacity of 4.5 million tons a year, will come on stream during 1960. Mobil Oil's refinery at Coryton, with a capacity of 2 million tons a year, accounts for the remainder of the industry's capacity in Britain. The two million ton refinery at Whitegate Bay, County Cork, which is jointly owned by Shell-Mex and BP, Esso and Caltex, is scheduled to come on stream in the near future, having already received its first cargo of crude oil.

PERSIA

New Banking Consortium

An international banking consortium is being formed to co-operate with the Persian government in the establishment of a new development bank. The project has been in the offing for some time. The initiative stemmed from the Chase Manhattan group and Lazard Frères of New York. Their negotiations with the Persian government became bogged down; meanwhile, two British banks moved into partnership with Persian interests in conformity with the requirement that banks must be majority owned within the country. The first move was made by the Chartered, breaking new ground, and it was followed by the British Bank of the Middle East—the old Imperial Bank of Persia, which was edged out in 1952.

The New York bankers apparently decided that their own project, which is for a fund to extend medium term credit for the purchase of capital equipment rather than a deposit bank, would stand a better chance with a more international flavour. This it now has. Three-fifths of the capital of the development bank is to be owned by the Persian Government. Of the remainder, equivalent to about $2 million, the Chase and Lazard Frères will hold one-third, and groups in Britain and five Continental countries will each hold one-tenth. The British participants include besides Lazards, the Midland and Lloyds, as well as English Electric and Simon-Carves. Participation in financing of this sort is not usual for English clearing banks; but the amounts involved are small—the whole British subscription to the capital will be $200,000-$250,000—and they can be regarded primarily as tokens of good will. The World Bank is to do its part by contributing loan capital.

STAMP DUTY

The Archaic Tax

The main outlines of the stamp duty, the Colwyn Committee noted in 1927, remain as they were in 1694. They remain so today, though the revenue continues to be a diminishing portion of the budget total—about one per cent today, compared with ten per cent at the beginning of the nineteenth century. An interesting factual survey in the *Midland Bank Review* points to the striking increase in the contribution of duty on transactions in securities; these now provide two-fifths of total stamp duties. House buyers have been given relief in recent budgets, and bills of exchange, despite the revival of the City's international business, are now much less important. The 2d. on cheques brings in £6 million—half as much again as the 2d. on receipts. The levy on the cheque has as little logic as any stamp duty; but it hardly seems realistic to cite this duty as a critical obstacle to the wider use of cheques by wage earners. For most people it comprises a fifth or less of the total average cost of drawing a cheque.

STAMP DUTY RECEIPTS
(Years to March 31)

From:	1914	1928	1938	1948	1958
	£ mn.				
Transfers of real property	2·0	4·8	5·5	16·8	16·2
Transfers of stocks, shares, etc.	3·2	9·8	7·7	21·1	25·1
Companies' share capital duty.	0·7	3·3	1·1	2·4	4·1
Cheques.....	1·3	3·5	4·1	6·1	6·2
Other bills of exchange	1·2	1·5	0·7	0·7	1·8
Receipts.....	0·7	2·3	3·1	4·2	3·8
Other.....	1·0	1·8	2·1	3·3	6·3
Total.....	10·0	26·9	24·2	54·6	63·5

COMPANY AFFAIRS

Comments on pages 578–579 and 582 on

Vickers	de Havilland
Rio Tinto	Dunlop Rubber
Babcock & Wilcox	United Sua Betong
John Summers	Richard Costain
Gallaher	Hambros Bank
Rea Brothers	Pressed Steel
Cammell Laird	Borax

Hudson's Bay

LONDON AND NEW YORK

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LONDON STOCK EXCHANGE

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MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 583

COMPANY MEETINGS

DE HAVILLAND HOLDINGS LIMITED

ANNUAL REVIEW OF WORLD-WIDE GROUP OF COMPANIES

REPORT BY THE CHAIRMAN, MR W. E. NIXON

The Thirty-Ninth Annual General Meeting of de Havilland Holdings Limited will be held on May 29th at Hatfield Aerodrome, Hatfield, Hertfordshire. The following is the statement by Mr W. E. Nixon, the Chairman, which has been circulated with the Directors' Report and Accounts for the year ended September 30, 1958:

Last year, when presenting the Annual Accounts to you, I considered it necessary to sound a warning about the probable downward trend of profits. This has unfortunately proved to be the case, and in consequence I have regretfully to report a fall of £486,000 in the net surplus for the year.

The development, tooling and preparation of the Comet 4 for service have involved us in an expenditure of many millions of pounds. We certainly received a contribution towards this from the Government, but it amounted to only a small fraction of the cost. While we are confident that the Comet 4 is a first-class and completely reliable airliner, we have felt it essential to take a prudent assessment of the investment in this project and, apart from the tooling expenditure covered by existing orders, we have again this year felt obliged to absorb the balance of the initial expenditure as it is not possible at this point of time to guarantee its recovery in future additional sales. These heavy charges have in consequence had to be met from what would otherwise have been profits of the year.

Another factor adversely affecting our trading results is that the Defence policy adopted by this country in 1957, which placed emphasis on guided weapons almost to the exclusion of military aircraft, has led to a substantial reduction of orders from our own Government for new aircraft. This, in turn, has meant that we have had no aircraft suitable for sale to other countries. Such sales had previously formed a large part of our total business and had thus contributed to our trading profits.

Following the change of Government policy, we now have in all our Companies to bear heavy costs in developing civil aircraft, engines and propellers for sale in the markets of the world, to take the place of that part of our business previously engaged on Government orders. Here again these costs have had to be met out of the surplus on our general trading.

On the whole, our turnover has continued at a reasonably satisfactory level, but this abnormally heavy development expenditure in our various companies has had to be absorbed by them. Subject to what I have to say later regarding the difficulties of the market for airliners, this expenditure is, we believe, wisely investing in the future.

Since it will be obvious that our trading results in this and previous years have been largely affected by expenditure incurred in launching our Comet airliners, you will expect me to devote some part of my address to this important side of our business.

AIRLINER POLICY

It has, I think, been generally accepted that the success of the original Comets had a stimulating effect upon our national morale at a time when it was vitally needed and that the benefit of this was not entirely lost by its unfortunately tragic sequel. The whole of the world's aircraft industry too has undoubtedly profited from our experience, and the lessons learnt from it, and although neither of these factors can be valued and written into our Company's Accounts, I venture to suggest that they should not be lost sight of in appraising our present position.

When we decided to go ahead with the Comet 4 we recognised that the task would be a difficult one, particularly in view of the time lost and the competition which was developing in other countries, but we were convinced that the pure jet airliner would be adopted for general use and, in view of our experience (dearly bought, as it was) we felt that we would be able to obtain a sufficient share of the foreseeable world market for this type of aircraft.

On the technical side, I believe that the successful operation of the Comet 4 in the past six months by British Overseas Airways Corporation has vindicated the decision we then took, but in spite of our very concentrated sales efforts we have as yet been unable to achieve the volume of orders necessary to make the project as a whole a remunerative one. In particular, we have so far been unable to effect any sales in America, which represents over 70 per cent of the total world market for airliners of this size. We believe that the Comet 4 could serve many sectors of this market better than any similar aircraft, but it does not appear likely under present circumstances, that a non-American company can achieve any substantial success in selling to operators in the United States.

Notwithstanding these disappointments, we decided with our associates in the Aircraft Manufacturing Company to undertake the design and construction of the Airco D.H. 121 jet airliner for British European Airways destined to enter airline operation in 1963. This aircraft is a logical development of the Comet, but on the basis of the numbers so far ordered by the Corporation and in view of the absence of any kind of Government support, the terms of this contract are more onerous than any we have previously undertaken. However, we have great confidence in the Airco D.H.121 design and discussions with a large number of airlines throughout the world show that this aircraft has a wide potential market, but such prospects are always subject to political and economic considerations within the country with which we are seeking to do business.

I should like to say here how much we have valued the friendship and practical assistance of Hunting Aircraft and The Fairey Company in establishing the Aircraft Manufacturing Company to undertake this project. We believe that this association will be a source of strength to all of us and may well permit a more efficient use of the many resources available to the three Companies.

These big airliner projects of course are by no means the only activities of our Group and they must be considered in relation to the successful work of our Canadian Company in short take-off aircraft and of our home Companies in Naval fighter aircraft, engines, propellers, air-to-air missiles, and the ballistic missile known as Blue Streak. Some of these projects are of course still in the development stages so that substantial production cannot be expected in the immediate future.

Our manufacturing companies in Canada, Australia and the United Kingdom are fortunate in having much military as well as civil work to do, but, as I have already said, all are having to spend increasing sums of money on the development of new projects to ensure their future trading position and we believe that they will achieve this objective. The rapidly changing pattern of aviation business has, however, laid a heavy strain upon our financial resources and technical organisation, whilst increasing materially the time needed to bring a profitable reward.

NEED FOR HOME MARKET

The question may well be asked whether the manufacture of airliners can of itself provide a reasonable return instead of absorbing the profits of our other products. Our experience has demonstrated very clearly the fierce competition which we have to face from manufacturers mainly in the United States, but also now in France. Russia, too, may soon enter this market. The manufacturers of large transport aircraft in all these countries are materially assisted by orders from their governments. Our main competitors in the United States have in most cases been able to cover their investment on civil aircraft by large military orders of similar types in addition to the very large home market which they have available to them. Further, they have the benefit of a highly flexible system for extending credit to purchasers, and to keep their facilities fully employed they are using every financial means to obtain orders for their aircraft. In addition, the effects of the European Common Market are bound to be felt upon this industry as on others in Britain, since it seems likely that the Common Market countries will tend to look within themselves to meet their needs.

Our main competitors, therefore, have a vital basis for projects involving the expenditure on initial development and tooling of many millions of pounds, that is a reasonable prospect of sufficient home orders at the inception of a major project. This puts them in a strong position in the other markets of the world. The problem for us is whether a basis can be provided which would enable manufacturers in this country also to continue to compete for the export business which is so vital to our success. An efficient world-wide transport system has always been the backbone of Britain's international trade and the Government's encouragement of civil air transport is, in our view, essential to this aspect of our economic life. With the necessity for Britain to move its people and merchandise quickly about the world, the need to meet the potential demand for transporta-

tion in and out of this country is vitally important. It has for several years been the British Government's policy to maintain for itself a near monopoly in civil air transport, rather than to leave it to the free play of private enterprise. The Government has thereby accepted the continuing duty to ensure that all the possibilities of civil aviation are being exploited in the best interests of an expanding economy.

In addition the modern conception of Defence is to have a small, well trained and highly mobile Army and Air Force equipped to move rapidly about the world. We believe it is essential, not only for this industry but for the country as a whole, that those who have the power to make the aviation policies of this country should now work out how this resourceful industry can best help the modernising of the commercial and military effort of the nation. The complexities of world trade in general and of international aviation in particular certainly make this a difficult task and it is possible that this country cannot on its own achieve the full development of these needs which may well require closer links between British aviation interests and those in other parts of the world.

The aircraft industry in this country is in the midst of a world struggle for survival. The British companies concerned can only hope to stand up to the competition from other countries if Government policy stimulates a demand for a sufficient number of transport aircraft to justify the expenditure of many millions of pounds of private money on such ventures.

Given such a policy, we believe that we can then compete successfully in the uncommitted markets of the world. It is, however, idle to pretend that the British aircraft companies can finance from their own resources highly expensive new projects without a basic minimum of orders and still compete successfully with the other manufacturers of the world who have sufficient government orders or subsidies, or both.

For these reasons it is essential in order to manufacture civil aircraft with the maximum economy that the Services and National Corporations have a concerted buying policy which has some regard to the manufacturers' need to obtain a reasonable return on their heavy investment in one type of aircraft before orders are given for a replacement.

Unless we have backing on a scale which bears some comparison with that afforded to our competitors, this country's aviation exports, currently amounting to over £150 million a year, must decline and the triple advantage to the nation of high technical achievement, mobility and a high rate of exports will be lost.

From all that I have said you will not be surprised that your Directors have not been able to recommend the payment of a dividend in respect of the year just past. It will, I am sure, be appreciated that in the present circumstances it is essential to apply our resources to safeguarding our future trading position. I do, nevertheless, feel that despite present uncertainties, we have a sound chance of emerging in due course as one of the few really successful aviation companies of the world. Needless to say, our policies will remain under continuous review since we are acutely aware that our judgment must keep in step with changing circumstances.

THE ACCOUNTS

You will wish me to make some comment upon the figures appearing in the Accounts, but since these follow the same pattern as in previous years and as any changes are readily compared with the figures of the year before, I will refer only to items which are of especial significance.

The Consolidated Balance Sheet shows that the value of Fixed Assets has decreased by £1,141,696. This has arisen as a result of the transfer to the Government of a factory temporarily financed by one of our companies and of the normal charges for depreciation. There are outstanding commitments for Capital Expenditure of £275,000 compared with last year's figure of £1,040,000. This confirms the hope expressed in my last address that it would be possible to reduce the volume of such expenditure.

Trade Investments are unchanged; it will be remembered that this represents principally our shareholding in Saunders-Roe Limited, who have continued to trade on a profitable basis albeit at a reduced rate.

The value of Stock and Work-in-Progress after deduction of Progress Payments has increased by the substantial amount of £7,882,875 compared with 1957 and has been financed in the main by an increase in Bank Loans of £2,413,093 and an increase in Customers' Deposits and Advances of £5,139,667. The amount of the Customers' Deposits and Advances is £18,331,997 and is an indication of the orders being worked upon for future delivery. The outcome is that Net Current Assets at £11,858,491 show an increase of £921,273 over the previous year. The total net assets representing the capital and reserves of the Group at £19,204,234 are virtually unchanged.

Mainly on account of the continued heavy private venture expenditure to which I have already referred, there is a reduction of some £940,000 in the Net Trading Revenue shown in the Consolidated Profit and Loss Account after crediting provisions of £530,860 no longer required, and a fall in the Net Surplus attributable to the Group from £619,611 to £133,606, after taking into account a lower tax liability and other charges and credits.

The Profit and Loss Appropriation Account shows that after the appropriations for Preference Dividends and with the amount brought forward from the previous year, the sum of £438,537 remains to be carried forward to next year.

The remaining financial statement is the Balance Sheet of the Holding Company which shows that the value of Shares in Subsidiary Companies has increased by a small amount. This is caused by the purchase of a few shares in our Canadian Company, which came on offer and the subscription for shares in the Aircraft Manufacturing Company Limited. Loans to and from Subsidiary Companies of course fluctuate as their needs dictate.

Before mentioning changes in the Boards of the Subsidiary Companies, I must refer to the knighthood bestowed upon our Deputy Chairman in the New Year's Honours. You will, I am sure, all share the pleasure we felt at this mark of appreciation of Sir Aubrey Burke's work in our Group and in the Society of British Aircraft Constructors, of which he is currently the President.

One of our oldest colleagues, Mr Harry Povey, retired at the beginning of the year from the Board of the Aircraft Company, to which he has given unstinted service for over 35 years.

Mr John Cunningham, the Chief Test Pilot, and Mr C. T. Wilkins, the Chief Designer, of the Aircraft Company, have joined the Board of that Company.

Mr W. F. Shaylor has joined the Engine Company Board as Sales Director, and Professor A. D. Baxter has been appointed Director in charge of the Company's rocket propulsion and nuclear work.

It is with great sadness that I have to report the sudden death of Mr J. L. P. Brodie, the Chief Engineer and a Director of the Engine Company since 1944, who was associated with the Company for 36 years. His loss will be keenly felt not only in his own sphere but in the many other activities of the Group in which he took a leading part.

WIDE SPAN OF COMPANIES' ACTIVITIES

To deal now in a little more detail with the activities of our various companies, it is encouraging to be able to report that, subject to the provisos I have already made, the Group is at present busy and the turnover continues at a satisfactory level. Our estimates of the current year's trading lead us to hope that this should prove to be a somewhat better year, although our Canadian Company is still having to spend large sums on the development of its new aircraft, the Caribou. We are also dependent on selling more Comets particularly as, in order to be able to offer deliveries demanded by potential operators, we are having to manufacture a number additional to those at present on order. When dealing in units of over £1m. each, it is evident that the group's profitability will be materially affected by the success of our sales efforts.

Our Aircraft Company delivered their first two Comet 4's to British Overseas Airways Corporation before the close of the financial year, ahead of contract dates. This enabled the Corporation to become the first airline to run a jet passenger service across the North Atlantic. The steady flow of our deliveries also enabled them to open Comet services between London and the Far East in April this year and they expect to put Comets on the Australian and South African routes towards the end of 1959. Meanwhile we have been able to start Comet deliveries to South America within twelve months of receiving an order from Aerolineas Argentinas for six aircraft. East African Airways also have ordered two Comets and negotiations have continued with other airlines.

Production of the Sea Vixen naval fighter represents a very important side of our aircraft business and occupies a large part of our resources. Deliveries have begun in preparation for entry into squadron operation upon the completion of final Service trials. This aircraft which has been ordered in quantity will succeed the de Havilland Sea Venom, as the Navy's front-line all-weather fighter.

Production of Doves, Herons and Vampires also has continued in our aircraft factories. Demand for these aircraft is sustained, albeit on a modest scale, from countries to which they are particularly suited. The Dove and Heron are giving good service as executive aircraft and in light commercial work in many countries, and may be expected to do so for some time to come.

This year has been a period of intense development activity for our Engine Company on a diversity of projects, the production benefits of which will not be apparent for some little while, but looking ahead there are good prospects here. Of these, the two most important are firstly the Gyron Junior, scheduled for the Blackburn N.A.39 and for a supersonic research aeroplane still on the secret list, and secondly the Gnome, for which there is a steadily increasing world-wide interest. Both these engines will come into quantity production during 1960.

A pre-production batch of the helicopter version of the Gnome is already well under way, and deliveries will commence shortly. Interest in the propeller version is also encouraging.

Rocket development and initial production proceeds to plan on both the Super Sprite and Spectre take-off units for "V"-bombers, and also of the Double Spectre designed for interceptor or missile propulsion. The Rocket Division is in the final stages of developing certain auxiliary power units operating with hydrogen peroxide.

We have also been actively exploring some industrial aspects of nuclear power, for which several important, but at present relatively small, contracts have been received.

Whilst these new projects are taking shape the production of our older type engines continues in the form of complete engines and considerable spares business.

Our Propeller Company similarly has been busily engaged with products covering a wide range. Deliveries of the Firestreak air-to-air missile to the Royal Air Force and the Royal Navy have begun, and last autumn the Navy in their first practice shoot against target aircraft, achieved complete success with 80 per cent of the missiles they fired. Our northern manufacturing group are well equipped to handle the full flow of production. Overseas governments have been impressed by the efficiency of the Firestreak missile, but I have no export sales to announce yet. An advanced version of this missile is being actively developed for the British Forces.

We continue to manufacture in considerable numbers a wide range of propellers and are studying the requirements for a number of projected aircraft. Early this year the Vickers Vanguard airliner, which is fitted with our propellers, commenced flight trials. This propeller is the most advanced that we have yet made, having a number of new operating and safety features, and it called for the largest propeller development programme that we have ever undertaken.

Our air-conditioning equipment is in production for several types of civil and military aircraft and our alternators are standard in most of the guided missiles made in this country. Our airborne scanner unit has entered service and is working well. Among new projects is a fuel control system for the Gnome turbine engine. We are exploring opportunities to develop products for markets outside the aircraft industry.

THE BRITISH BALLISTIC MISSILE

During 1958 we were permitted to announce that de Havilland Propellers had been selected as the prime contractors and the co-ordinating authority for the design and construction of the British Long Range Ballistic Missile, Blue Streak. The Aircraft company is also taking an important part in this work. Even though we realise that we cannot immediately expect great financial rewards, we are naturally proud to have been selected to play our part in this project to which we are devoting a large part of our technical resources and which represents in this age of space exploration something more than just a defence project.

In Canada our Company has continued to produce Beaver and Otter transport aircraft for military and civil orders. Production of the CS2F aircraft for the Royal Canadian Navy also has continued at the Toronto factory. It is of interest to note that as a result of the excellent service given by Beaver aircraft used in Antarctica for the International Geophysical Year, there is now a Beaver Lake, a Beaver Glacier and a Beaver Island. As I have mentioned, the Canadian Company has a major development project in the Caribou transport aircraft, on which it has been hard at work since 1957. The first aircraft made its maiden flight at Toronto in July last year and deliveries are shortly to start under contracts for the Canadian and United States Governments.

Our Australian Company has been building Vampire Trainers for the Australian Forces and, like our South African, New Zealand and United States Companies, has continued to distribute and service all de Havilland products and the products of the other companies with which we are associated.

I have endeavoured to give you some idea of the activities on which our various companies are now engaged, in the hope that you may be able to consider our future prospects in these directions in relation to the more complex problems referred to in my earlier remarks. The possibilities of diversification of our business also continue to receive our close attention and our Companies are making a start in various directions where our resources and experience can best be applied. At the same time we must exploit to the full the knowledge and highly developed facilities which we have been at such pains to acquire. Needless to say, all these problems are having the constant care and attention of your Board.

I should like to close by expressing my thanks and those of my fellow directors to all in our organisation who have served us so well in what has been in some respects a difficult period. I am sure that what success we have achieved has been due to their continued loyalty, courage and application. I pay this tribute with greater warmth since this is the last opportunity I shall have of thanking them through this means. I have passed the normal retiring age and I have asked the Board to appoint my successor. They have invited our Deputy Chairman, Sir Aubrey Burke, who has very wide and well proved experience in this industry, to become Chairman and Managing Director of this Company and Chairman of the home subsidiary companies; he has agreed to assume these responsibilities from July 1st. In my thirty-nine years' service with the Company I have seen it grow from something very small to something quite big. I shall hand over my duties confident that the Company is fundamentally sound and in good hands.

The Subsidiary and Associated Companies of de Havilland Holdings Limited are:

The de Havilland Aircraft Company Limited
The de Havilland Engine Company Limited
de Havilland Propellers Limited
Aircraft Manufacturing Company Limited
Saunders-Roe Limited
The de Havilland Aircraft of Canada Limited
De Havilland Aircraft Proprietary Limited (Australia)
The de Havilland Aircraft Company of South Africa (Proprietary) Limited
The de Havilland Aircraft Company (Rhodesia) Limited
The de Havilland Aircraft Company of New Zealand Limited
de Havilland Aircraft Inc. (USA)

BRITISH ROPES

The World's largest manufacturers of wire, rope and cordage

The following are extracts from the Report and Accounts for 1958 and from Mr. Harry Smith's statement to the stockholders.

	1958	1957	1956
		£ thousands	
Issued Capital	4,599	4,599	4,599
Group Net Assets	13,840	13,374	12,556
Group Profit—gross	2,015	2,566	2,369
Profit after Tax	912	1,152	1,036
Dividends	393	374	374

TRADING CONDITIONS. The Parent Company has been able to maintain its total turnover at the 1957 level: the 10 per cent reduction in rope demand, resulting from the recession in world shipping and the reduced level of purchasing by the National Coal Board, has been offset by increases in Agricultural Twines and Wire, but the general effect has been to reduce the average margin of profit.

EXPORTS. Competition has been increasingly severe and price levels have deteriorated, but our overall Export trade increased slightly compared with 1957. The Company's comprehensive programme of re-equipment and rehabilitation is now to a large extent complete, and we are well placed to meet competition.

STEEL CORDS LIMITED, in which we hold a 20 per cent interest, is a joint venture with Courtaulds Limited in the production of steel cord for tyre manufacture. This new company expects to be able to meet the growing demands of the Tyre manufacturers in this country and also obtain an additional outlet overseas.

CABLES MEXICANOS is a new wire rope manufacturing subsidiary of your Company in which there is a substantial Mexican interest. The demand for wire rope generally is increasing in Mexico, and steps have already been taken to increase the productive machinery of this plant.

HOOD HAGGIE & SON LIMITED. Both Companies can benefit materially from amalgamation, although some time must elapse before the full advantages of the association can be achieved.

The Directors' Report and Accounts are obtainable from:

The Secretary, British Ropes Ltd., Doncaster, England.

ROYAL EXCHANGE ASSURANCE

239TH ANNUAL REPORT

RESULTS AGAIN SATISFACTORY

PROPOSED ISSUE OF CAPITAL

LORD KINDERSLEY'S REVIEW OF OPERATIONS

The Annual General Court of the Royal Exchange Assurance will be held at the office of the Corporation at the Royal Exchange, London, E.C.3, on May 27th.

The following is the statement of the Governor, The Right Honourable Lord Kindersley, CBE, MC, which has been circulated with the report and accounts:

At the commencement of this review of the Corporation's activities during the year 1958 I should like to refer to two new members of the Court of Directors who have joined us during the past twelve months.

Field Marshal Sir Gerald Templer, GCB, GCMG, KBE, DSO, who retired last year as Chief of the Imperial General Staff is of course well known for his distinguished services to this country and to the Commonwealth. Major General Sir Charles Dunphie, CB, CBE, DSO, following a notable record of military service, has held an important position in industry for the last ten years. We are very glad indeed to have them with us and to be able to draw upon their wide experience.

The executive at head office has been strengthened by the appointment of Mr R. W. Peattie to the position of Assistant Manager. Mr Peattie was previously the manager of our Glasgow Branch and he has been succeeded there by Mr W. J. Renfrew, formerly manager at Belfast.

It is with regret that I have to record the death in October last of Mr Alexander MacDonald, CBE. He was General Manager of the Corporation from 1931 to 1945 and thereafter was on the board of a number of our associated offices. His wise counsel will be much missed by his colleagues.

On several occasions during the past few years I have drawn your attention to the great difficulties which we have encountered in the United States of America and you may have seen an announcement in the press towards the end of last year to the effect that we had entered into an agreement with the Atlas Assurance Company Limited and the Sun Insurance Office Limited to place under common management in the United States the affairs of the three offices and their subsidiaries. This arrangement took effect on January 1st this year and Mr G. Leycester Parker, United States Manager of the "Sun" was placed in charge of the joint organisation. We welcome Mr Parker to the "Royal Exchange" group and, conscious of the heavy task which he has undertaken, we wish him every success.

It would be quite wrong for me to encourage you to think that what we have just done will by itself restore our fortunes in the United States. The fundamental difficulties of intense competition and low rates are still with us. What we believe is that the new arrangement will place us in a better position to grapple with the problems associated with the United States insurance market, and more quickly to take advantage of such improvements as may occur in the future. I can, however, say that we are already encouraged by signs of a reduction in operating costs and that we expect further economies as the organisation settles down.

Reference to this matter would not be complete without mention of Mr H. C. Pitot who has been our United States Manager for the past eight years. In order to make possible the steps which we have now taken he agreed to retire from our service at a rather earlier age than he would otherwise have done, and it would be fair to say that but for the reorganisation which he carried out during the very difficult time when he was in charge of our affairs we would have been ill-equipped to participate in this new venture. We wish him every happiness in the future.

THE YEAR UNDER REVIEW

The period covered by these accounts saw some exceptional economic and financial changes in many of the territories in which we operate. Especially was it true of the United Kingdom and the United States of America in which countries a large part of our investment portfolio is concentrated.

At home the discipline of a very high bank rate and the severe credit restrictions in the early part of last year were gradually relaxed and with a stable cost of living index I would expect a brighter economic outlook for the United Kingdom. It should not be supposed that this welcome situation results solely from the harsh financial restraints which were called for by conditions in 1957 and 1958. Rather, in my view, does it point to the wisdom of the consistent and resolute policies of our monetary authorities over a long period.

Contrary to the experience in Britain the trade recession of 1958 did not significantly abate inflation in the United States. The wage cost spiral is deeply entrenched in the American economy, and with the current business recovery the stage there seems set for a further bout of inflation.

THE GROUP'S INVESTMENTS

On account of the need to provide the several funds with the kind of reserves appropriate to the liabilities which they assume, the investments of a composite insurance office are inevitably of a highly diverse character so that the worldwide postwar political and economic developments, some of which were almost impossible to predict, have imposed a heavy burden upon our Treasury Committee.

Nevertheless I can assure you that ample, and in some cases relatively large, favourable margins exist between the total book values and market values of our separately invested funds. The interest income derived from these funds has continued buoyant, and as examples of this, during 1958 the gross average yield upon the Life Fund was raised from £5 17s. 3d. per cent to £6 3s. 2d. per cent, while the consolidated interest income of our general funds was raised by £144,000, or over 8 per cent, to £1,842,368.

LIFE DEPARTMENT

Year	Nett new sums assured £	Premiums £	Fund at end of year £
1955 ..	9,559,132	2,730,200	25,550,794
1956 ..	9,536,520	2,917,615	26,869,624
1957 ..	10,956,434	3,094,497	28,214,241
1958 ..	11,191,381	3,267,598	29,823,064

The year under review is the first of the current triennium and the foregoing figures briefly summarise the progress made in 1958 in relation to that of the preceding triennium. Claims by death were substantially higher than in 1957, but the total cost was well within the expectation, while payments in respect of surrenders fell considerably and to a relatively low level. Investment income again increased materially as you would expect from my earlier reference to the investment portfolio of the fund.

It was recently decided that on participating life policies in the United Kingdom and in certain overseas territories the rate of interim bonus in respect of premiums due and paid in 1959 should be raised from £2 10s. 0d. per cent to £2 15s. 0d. per cent. That this step could be taken so early in the present triennium is an encouraging indication of the inherent strength of this old-established fund.

Both the general and pension sections of our annuity fund also enjoyed healthy progress and show a growth of 17½ per cent during the year.

FIRE DEPARTMENT

Year	Nett Premiums £	Surplus transferred to Profit and Loss Account £	Ratio %
1954	9,763,652	700,944	7·2
1955	9,597,570	998,408	10·4
1956	10,831,189	305,924	2·8
1957	10,907,781	383,011	3·5
1958	11,054,883	658,097	6·0

I am glad to be able to say that 1958 saw another fall in the United Kingdom fire wastage, although the total figure of more than £24 million published in *The Times* is still a formidable one.

I believe that the fire insurance offices are entitled to take a substantial measure of credit for this improvement; our staff of surveyors is constantly engaged in testing sprinkler and fire alarm systems and other equipment; they advise on methods of construction and heating, and much attention is devoted to promoting fire safety in industrial processes and storage arrangements. In addition to this the insurance offices own and operate the London Salvage Corps; they largely finance the Fire Protection Association of the Fire Offices' Committee, and they share with the Government the cost of maintaining the Joint Fire Research Organisation of the Department of Scientific and Industrial Research.

As their names imply, these bodies work in different but complementary fields, although they have the same object in view, namely to reduce the heavy bill which the nation pays each year for fire losses. Industrialists, architects and others concerned in the building and layout of new premises or in alterations to existing plants can, with benefit to themselves, make a contribution to this work by consulting their insurers in the planning stage and not after the work has been completed.

In addition to paying for the material fire damage our fire department caters for loss of profits insurances and the need for this form of cover is becoming increasingly recognised. We also write in this account what we call special perils business, giving protection against a large variety of misfortunes. Damage arising from riot and earthquake are just two examples.

Disturbed political conditions and some slackening in trade in a number of countries affected our operations abroad so that we had to be content with a rather modest increase in our premium income. The year did not fail to produce, both at home and abroad, the usual crop of problems inseparable from a department providing insurance cover for such a wide variety of risks, ranging, for instance, from a village store in Central Africa to a vast industrial undertaking in North America; from a cotton mill in Lancashire to an oil refinery in the Middle East. There is little sign that these problems will diminish in the immediate future, especially with the peaceful uses of atomic energy no longer confined to a few highly industrialised countries.

MARINE DEPARTMENT

Year	Nett Premiums £	Surplus transferred to Profit and Loss Account £	Fund at 31st December £	Ratio to nett Premiums %
1954	1,766,950	289,548	3,771,715	213·5
1955	1,829,182	275,091	3,775,030	206·4
1956	1,836,829	233,375	3,761,856	204·8
1957	1,969,971	274,213	3,727,972	189·2
1958	1,846,082	218,976	3,635,235	196·9

Although the out-turn was less favourable than that of the previous few years the 1956 underwriting account which we are now considering may be regarded as reasonably satisfactory but, as I mentioned to you last year, we seem to have returned to what may be described as a more normal experience of total losses. This trend which became apparent towards the end of 1957 continued during 1958 when some casualties of considerable magnitude occurred, notably the loss by explosion of the tanker "Mirador." It is also evident from the number of radar fitted ships which have been involved in collisions at sea during the past few years that this device is by no means the complete answer to the problem.

For the first time in the postwar years there was a strengthening in the rating of certain classes of hull risks which had been underwritten too cheaply for too long and had involved insurers in considerable losses. Leading underwriters in the market were consequently able to insist on a higher rating structure for fleets with bad records and this was certainly overdue as the influence of the London international marine market very quickly finds its echo in markets abroad. The year was marked by the laying up of much old tonnage and this should result in some benefit to the market, as without doubt many of these vessels have outlived their usefulness and are expensive from an insurance point of view.

The cargo side of our account continues to be extremely competitive with the result that the level of rating still tends to be too low under the conditions prevailing today in many parts of the world. It can perhaps be said that some improvement took place during 1958, but much more needs to be done before this side of the business is placed on a satisfactory basis.

ACCIDENT DEPARTMENT

Year	Nett Premiums £	Surplus £	Ratio %
1954	14,485,940	867,910	6·0
1955	15,749,862	611,786	3·9
1956	17,996,035	−57,468	−0·3
1957	19,749,462	456,676	2·3
1958	21,088,791	493,954	2·3

We passed another milestone in this department in 1958 when for the first time the group premiums exceeded £20 million. The additional income is in part due to revisions in motor premiums in a number of territories to which I referred last year, but in the main it reflects the ever increasing use made by the insuring public all over the world of the services we have to offer.

Insurances against material loss provide a substantial part of our accident portfolio, but the bulk of the income is derived from protecting policyholders against their liability at law to pay compensation for death or personal injury and for damage to the property of others. The facilities we offer cover a wide field. A jay walking pedestrian, for example, may cause a serious accident, but he can buy protection for a few shillings, while at the other end of the scale a large civil engineering contract involving a heavy risk potential demands a substantial premium. What is not always appreciated is that, in this department particularly, we cannot satisfy the public unless we provide an efficient worldwide service to go with the policies which we sell. Not only must good advice be available at the time an insurance is effected, but we must have in addition a widely spread staff capable of giving prompt claims service. It is costly but essential.

The continued expansion of the account has entailed a further large addition to the reserve for unexpired risks and the surplus, representing 2.3 per cent of the premiums, is surely a modest return bearing in mind the varied nature of the risks undertaken and the substantial service element involved.

TRUSTEE AND EXECUTOR DEPARTMENT

The activities of this department have been well maintained. The sum of £2,226 has been transferred to the profit and loss account, but this does not really represent the full benefit to the stockholders, nor does it adequately reflect the value of services rendered to the public or of the goodwill created in the City and elsewhere.

The debenture and loan capital alone with which the Corporation is concerned as trustee exceeds £300 million and in addition substantial sums are administered as trustee of Unit Trusts, Pension Funds, Wills and Settlements of one kind or another. A wide variety of other personal financial services is also provided by the trustee department.

CONSOLIDATED ACCOUNTS

On the revenue side of these accounts the principal items are £1,842,368 investment income, £1,373,253 being the total of the transfers from the departmental revenue accounts and also the first instalment of the Proprietors' share of the 1955-57 life valuation surplus.

On the expenditure side taxation accounts for £1,310,683 and after the usual pension fund transfers there emerges a balance of £1,767,249.

In the appropriation account we are able to take credit for £236,000 out of the sum of £460,800 which we applied in reduction of the book values of investments of subsidiary companies in the rather exceptional conditions existing at the end of 1957. When allowance is made for the 1957 carry forward there is a disposable sum of £5,032,289.

Finally, after making provision for the interim dividend, the recommended final dividend and certain additional transfers to the group pension funds, the sum of £3,965,277 remains to be carried to the balance sheet.

DIVIDEND

You will know that the nett surplus derived from our underwriting accounts is traditionally, and in my view prudently, not distributed in dividends to the stockholders but is accumulated to build up reserves for the future protection of our policyholders. In the last ten years the interest income from our general funds has increased more than threefold and it is from this branch of our activities that the Proprietors derive their dividends.

The rate of dividend was last effectively raised to 16 per cent upon the increased capital in respect of the year 1956, when our interest income totalled £1,541,917. With interest earnings of £1,842,368 in 1958 the Court has come to the conclusion that another increase in the dividend is now warranted and has recommended that it be raised to 18 per cent for the year.

CAPITAL

It is now five years since we made an issue of stock for cash and during this period the premium income of the group has risen by nearly one-third. This welcome expansion in our activities has inevitably involved us in capital commitments, not only in this country but in the many overseas territories in which we operate, and the Court of Directors consider it is desirable to add materially to our resources.

The Annual General Court will have before it a proposal to increase the authorised capital of the Corporation to £12 million. If this resolution is passed it is the intention of the Court to issue for cash, by way of rights to the existing Proprietors, 3,800,000 shares of £1 each at a price of 30s. per share payable in two instalments of 15s. each in the ratio of two shares for each £3 of Capital Stock held on May 26, 1959.

The new shares will not participate in the interim dividend expected to be declared in October, 1959. The Court anticipate that this interim dividend will be at the rate of 8 per cent payable on the present capital stock of £5,700,000 and, in the absence of unforeseen circumstances, that they will be able to recommend a final dividend of 8 per cent on the increased capital of £9,500,000.

GROUP AFFAIRS

I should here like to refer briefly to the valuable results which we have had from our staff training programme. Originally introduced in 1955 for outdoor officials of the parent office only, the courses have since been diversified and extended to embrace clerical staff and candidates for our overseas branches, and our associated offices now participate in the scheme as well. The standard of attainment necessary to qualify for admission to these courses has recently been raised, and the whole project is geared to produce men

capable of taking responsibility at an early age. All the tuition is undertaken by our own senior officials and once again I would like to thank them for their valuable contribution. On this occasion I want to mention in particular Mr J. W. Aris who has acted as warden from the commencement and who will shortly be retiring.

Since I addressed you last year the work of more closely integrating the business of the offices comprising the "Royal Exchange" group has continued to go forward. One effect has been to produce some temporary distortion in the results of individual subsidiaries, but every member of the family has made its contribution to the year's results. More remains to be done in this field before we can be satisfied that we are using our resources to the best advantage and further substantial progress may be expected in 1959, but it is not a task which can be unduly hurried if we are to preserve the goodwill which all the members of the group have built up over many years.

The work of modernising and refurnishing our quarters in the Royal Exchange was completed during the year and the results have been favourably received, not only by members of the public who visit the offices but by those who work in them. We also continued with our programme of reconstruction and modernisation at the home branches and some notable improvements have been made, especially at our offices in Newcastle, Southampton and the West End of London. A number of new sub-offices were opened and some of the larger district offices are now in process of being converted into full branches.

The development of our site in Sydney, Australia, is well advanced and we expect to have the new building ready for occupation some time next year. Many of our overseas branches received visits during the course of the year from senior head office officials and the General Manager has recently returned from a tour of the Union of South Africa and the Central African Federation. I regard it as vital that this regular contact between the executive in this country and our managers abroad should be maintained, as only in this way can all concerned appreciate the needs of the many territories in which we operate and decide how we can best meet them; and I know that our overseas managers greatly welcome these visits.

TRIBUTE TO OFFICIALS AND STAFF

It affords me much pleasure to give the stockholders such a satisfactory report about the Corporation's affairs and while a measure of good fortune is indispensable to a business such as ours it cannot alone produce the consistently good results which we have enjoyed in recent years. Wide experience, sound judgment and harmonious working at all levels are vital ingredients of success in our business. I am therefore sure that the stockholders will wish me, on their behalf, to acknowledge the wise leadership of our General Manager, Mr H. A. Walters, the skill of the officials responsible for the underwriting and of those concerned with the investment of our funds, to which must be added the energy and loyalty displayed by our branch managers and all the staff at home and abroad throughout the group. By their combined efforts we enhance our already fine reputation and make new friends as the years go by.

I also want to send a message to our local boards of directors, advisory committees and agents and thank them for their valuable support. Finally I must express my personal appreciation to the Sub-Governor, the Deputy-Governor and all the members of the Court for their help throughout the year.

BIRMINGHAM SOUND REPRODUCERS LIMITED

Manufacturers of the

Monarch

Record Changer

RESULTS REACH NEW PEAK

BENEFITS ENVISAGED FROM NEW PRODUCTS

DR. D. M. McDONALD ON IMPORTANCE OF RESEARCH AND DEVELOPMENT

The twenty-third Annual General Meeting of Birmingham Sound Reproducers Limited will be held on May 28th at the Savoy Hotel, Strand, London, WC2.

The following is the statement by the Chairman, Dr. D. M. McDonald, B.Sc., M.B., CH.B., which has been circulated with the report and accounts for the year ended December 31, 1958:

This time last year, I reported on the great expansion which had taken place in the Company's business during 1957. I am now able to report that as a result of a further increase in production and sales, the profits for the year ended December 31, 1958, have reached a new record of £1,538,341 before tax which compares with £1,352,538 for the year ended December 31, 1957. I should like to take this opportunity of expressing my great appreciation of the outstanding work that has been done by the Company's officials and work-people in achieving this result.

Sales.—Our main product, the UA8 model "Monarch" record changer, has moved from success to success both at home and overseas. A new changer, the UA12, is now being produced in increasing quantities and this model is proving equally profitable. The TU9 single player turntable unit has enjoyed steady sales during the period.

Last year I referred to the work of our research and development department at Old Hill. As a result of their efforts, a tape deck to be used in tape recorders has been successfully developed and is now in production. The enquiries and orders received up to the present time indicate the existence of a large market which we are confident will continue to expand. Our own unit will make possible the production and sale of reliable and attractive tape recorders at a low price which should widen the market still further.

Expansion.—Substantial factory extensions at Lone Moor, Londonderry, and at Old Hill, Staffordshire, have now been completed. The plant and machinery at Old Hill has been fully installed and we are now moving into the extension at Lone Moor. The floor space available at Londonderry is now in excess of 130,000 square feet, which compares with 80,000 square feet 3 years ago. The floor space available at Old Hill is now 150,000 square feet, as compared with 85,000 square feet at that time.

Capital Expenditure.—The completion of the extensions to which I have referred has involved the investment, during the year, of some £220,000 in new plant and buildings, which, once again, has been provided out of retained profits and depreciation provisions which for the year under review amounted to £477,701 and £89,880 respectively.

Overseas Companies.—In the United States of America we have taken new and larger premises to assist us in dealing with the increasing volume of business. We feel confident that we shall succeed in increasing our hold on the market and the long-term prospects are good.

In Canada, we believe that we have approximately 60 per cent of the total market.

Our Australian subsidiary has continued to make good progress. The advent of television in this market produced a new source of competition in the home entertainment field, but this year the indications are that the trend in sales of record players is, again, upwards.

Issued Capital.—In view of the sums retained out of past profits and used to provide additional fixed and working capital, the issued capital was increased during the year to £1 million in ordinary shares of 5s. each.

Future Prospects.—The current financial year has still eight months to run and it is, therefore, too early to foresee the results to be expected for the whole year. I hope to make some further comment at the Annual General Meeting on May 28th and again when we make our interim dividend announcement in October next. We have abounding faith in the future of the record players and the tape deck, but we realise that the methods we have used can be applied to the mass production of other products. Our research and development department is actively assessing and exploring the possibility of mass production of other items for which there is a foreseeable mass market.

For some time now we have been studying the possibility of entering the field of refrigeration. We have reached the conclusion that the mass production techniques which we have developed in our factories can also be applied to the production of sealed compressor units for refrigeration equipment, which would command a mass market at home and more particularly overseas. Plans are in hand for extending the factory space available and production will start as soon as possible. It must, however, be appreciated that it will take time before large scale output can be achieved.

In the light of the results for the year ended December 31, 1958, your directors have decided to recommend a final ordinary dividend of 32½ per cent less tax on the increased capital, and you will be asked to approve this at the meeting.

TAYLOR WOODROW LIMITED

ANOTHER YEAR OF PROGRESS

The Twenty-fourth Annual General Meeting of Taylor Woodrow Limited will be held on May 29th in London.

The following is an extract from the review by Mr Frank Taylor, the Chairman, which has been circulated to Shareholders with the Directors' Report and Accounts for 1958:

The progress of your Company during the year under review has been not unsatisfactory and evidence of this is reflected in the Accounts for the year ended December 31, 1958.

The Profits for the year have been announced at £538,761, but the figures now submitted take into account the proposed reduction in the rate of Income Tax from 8s. 6d. to 7s. 9d. Consequently, the Profits for the year after Taxation are shown at £573,761 as compared with £525,062 for the previous year.

Your Directors are recommending that the final dividend for the year shall be 7½d. per share (less tax), which is the same amount per share as for 1957, but for 1958 it is on 9 million Ordinary Shares which includes the 3 million Ordinary Shares which were issued out of Reserves in November, 1958.

The turnover, including Subsidiary Companies but not Associated Companies, for 1958 was £27 million, an increase of 20 per cent compared with the 1957 total of £22½ million.

I would again stress that in a business such as ours where contracts take several years to complete the results should be judged over a number of years rather than one year.

Building and Civil Engineering.—This year has been one of great activity and increased turnover despite competitive conditions in the industry.

Hinkley Point Atomic Power Station, upon the design and construction of which we are engaged in association with The English Electric Company Limited and Babcock & Wilcox Limited, continues to attract the widest interest.

During 1958 the second atomic power station at Calder Hall and the conventional power station at Castle Donington were both successfully commissioned. Our work upon other stations at High Marnham and Northfleet is progressing well.

Arcon Export and Home.—As with many other Companies supplying capital goods to Overseas markets, during 1958 Taylor Woodrow (Building Exports) Limited felt the repercussions of a trade recession in which a major contributory factor was the world-wide fall in commodity prices, and corresponding reduction in purchasing power and demand by many hitherto fruitful territories. At Home, too, credit control and other factors restricted the volume of orders to a certain extent, but recent relaxations have brought signs of a modest revival.

After reviewing overseas activities the Chairman stated:

During the year a number of leaders of Industry have publicly declared their views on Nationalisation. Under free enterprise great progress has been made by Industries generally, and in my view it is essential for the well-being of the nation as a whole that control of Industry be left in the hands of those with the necessary experience who have proved themselves capable of running it.

COMMERCIAL UNION ASSURANCE

CONTINUED EXPANSION

The annual general meeting of the Commercial Union Assurance Company Limited, will be held on May 25th in London.

The following are extracts from the circulated review by the chairman, Lieutenant-Colonel John Leslie, of the report and accounts for the year 1958:

Broadly speaking, the trend which has been with us in recent years continued and in 1958 we were faced with many of the same problems which aggravated the market in 1957. Conditions governing the tempo of trade and commerce throughout the world have not been wholly unfavourable and in a business climate which can be regarded as temperate our premium income for Fire, Accident and Marine insurance has once again expanded and we have achieved another record year in our Life department.

I am pleased to say that the underwriting profit from the Fire department shows an improvement upon 1957 but the rapid increase in premium through the Accident department has again turned a trading profit into an underwriting loss, after making provision for the unearned premium reserve. The transfer from the Marine department in respect of the closed year 1956 is lower and, on balance, there is an all over underwriting profit of £639,550. It is the out-turn from the Casualty portfolio in the United States of America which is primarily responsible for the underwriting loss in the Accident department; this state of affairs has caused much anxiety to the insurance industry as a whole on both sides of the Atlantic and I am afraid some further time must elapse before we see satisfactory results from this quarter.

DEPARTMENTAL FIGURES

Fire Department.—Net Premium Income 1958 £25,698,771 (1957 £24,870,686). Increase £828,085.

After adjustment of the reserve for unexpired risks there was an underwriting profit of £1,374,585 (5.35 per cent), of which £1,200,000 has been transferred to Profit and Loss Account. The Fire Fund now amounts to £22,643,800, or 88.11 per cent of the premium income.

Accident Department.—Net Premium Income 1958 £40,371,927 (1957 £36,066,629). Increase £4,305,298.

After adjustment of the reserve for unexpired risks there remained an underwriting loss of £835,035, or 2.07 per cent of the premium income. The sum of £900,000 has been transferred from Profit and Loss Account and the Accident Fund now amounts to £24,381,173, or 60.39 per cent of the premium income. Business at home has increased but there has been a slackening in the tempo seen in postwar years.

Marine Department.—Net Premium Income 1958 £3,069,603 (1957 £3,155,498). Decrease £85,895.

The claims paid, after deduction of reinsurance and salvage, amounted to £2,449,497, and, out of the surplus of the 1956 underwriting year and previous years now closed, the sum of £100,000 has been transferred to Profit and Loss Account. The Marine Fund now stands at £4,292,244, which is 139.83 per cent of the premium income.

Life Department.—New Life Assurances 1958 13,377. Net sum assured £28,897,395 (1957 12,521, £24,148,629). New Annuities 1958 3,133. Amount per annum £1,005,981 (1957 5,315, £1,509,184).

The 1958 figure for new Life Assurance sums assured, after adjustment for reassurances ceded, represents a new record both as to amount and to the increase over the preceding year. During the year the Life Fund increased by £5,273,102 to £65,471,585.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

Gross Interest, Dividends and Rents amount to £4,740,331, an increase of £636,129, part to which is due to the investment of the new capital raised towards the end of 1957 and part of the inclusion for the first time of the figures of the Anglo-Elementar, our Austrian subsidiary. The transfers from the Fire and Marine departments are well within the amounts available, and the transfer of £900,000 to the Accident department more than replaces the loss on that account.

An amount of £200,000 has been transferred to the Contingencies and Taxation Reserve, and the Profit and Loss Appropriations Account closes with a balance of £837,172, against £851,520 a year ago.

The Directors recommend a final dividend of 1s. 1d. per 5s. share, making, with the interim dividend of 11d. paid in November last, a total of 2s. per 5s. share. Our revenue from Interest, Dividends and Rents, together with the Shareholders' Life Profits, is more than sufficient to meet all taxation thereon and the net cost of the dividends paid and recommended together with the special profits tax attributable thereto.

The total dividend for 1957 was equivalent to 1s. 10d. per share on the present capital, and shareholders will remember that, when the interim dividend of 11d. was declared last November, they were advised that this should not be taken as implying any increase in the total distribution for 1958, but as an equalisation of the interim and final payments. The underwriting results have, however, proved to be much better than seemed likely earlier in the year, and, as the investment income continues to be buoyant, your Directors are of the opinion that shareholders should now receive an increased payment—the first increase since 1955.

The continued expansion of our business and the inclusion of the figures of the Anglo-Elementar are reflected in the increase in our assets and liabilities. The paid-up capital now amounts to £7,788,000 as a result of the capitalisation of the Share Premium Account and a portion of the Contingencies and Taxation Reserve. There was a recovery during the year in Stock Exchange prices, and the aggregate market values of our securities exceed the book values by a very substantial amount.

I have decided to relinquish the position of Chairman. I have held this office since 1948 and I feel the time has arrived when I should begin to curtail my activities. I am happy to be able to tell you that the directors have elected Mr Ronald C. Brooks to occupy this important post. Mr Brooks has been a director since 1946; he became a Deputy Chairman in 1955 and has been Vice-Chairman since 1956. I am confident that the Company will continue to move forward from strength to strength under his leadership.

Babcock Group keyed to meet world competition

Mr. W. Lionel Fraser, Chairman, reviews the world-wide activities of Babcock & Wilcox, Limited

The 60th Annual General Meeting of Babcock & Wilcox, Limited will be held on 28th May, 1959, at Church House, Dean's Yard, Westminster, S.W.1.

The following are extracts from the circulated statement of the Chairman, Mr. W. Lionel Fraser:

Thanks to Staff and Operatives

During the past year heavy calls have been made upon all employees and your Directors are most grateful for their loyal and generous response. Specialised knowledge and experience acquired by the staff through many years of service with the Group are not only particularly valuable at the present time but are a strong safeguard for the future.

Finance

The profits of the Group, subject to United Kingdom taxation but after setting aside the sum of £1,360,367 for depreciation were £3,277,626. After providing for United Kingdom taxation and additional depreciation towards replacement values of fixed assets, and also making other necessary adjustments, the balance standing to the credit of the Consolidated Profit and Loss Account is £1,761,400.

Your Directors recommend a Final Dividend of 7 per cent., less tax, on the Ordinary Stock, making 13 per cent. for the year on the Ordinary Stock Capital of £9,405,497.

It is also recommended that £216,917 be transferred to General Reserve, raising that Reserve to £8,341,296.

Current Trading Conditions

At the beginning of last year heavy engineering had to bear a major share of the setback in general industrial expansion. The boilermaking industry's outlook was, however, affected even more by the curtailment of the Central Electricity Generating Board's plans for installing conventional power plant. In addition, rapid technological development has enabled the total steam capacity required for a given electrical output to be reduced substantially, and boilers are now built as much larger units.

This trend towards bigger units did not come as any surprise to your Company. Indeed, it was one of the main reasons prompting us to take a particular interest in the facilities of the Royal Ordnance Factory at Dalmuir. It had been apparent for some time that amongst the urgent requirements at our Renfrew Works were additional shops having bays of wide span, great height and with heavy crane installations for the production of large welded drums and pressure vessels, as well as for the assembly and testing of heavy cranes. In addition, we had in prospect the fabrication of the large vessels and equipment for the Hinkley Point Power Station. These needs have been completely met at Dalmuir, and I should add that there are also other valuable facilities complementary to those at Renfrew, which will enable the Company to develop ranges of engineering products not previously manufactured.

Atomic Energy

Many difficulties have had to be overcome in the construction of the Hinkley Point nuclear power station in Somerset but, despite these, considerable progress has been made. In addition, your Company has been active, in partnership with The English Electric Company Limited and Taylor Woodrow Limited, in formulating designs for the installation of atomic power stations abroad. Your Company is also participating in nuclear designs for marine propulsion.

Export and Overseas Interests

Owing to the state of the home market, orders in overseas markets have become more vital than ever. But of course these markets too have their problems. Even so, the proportion of work undertaken for export has been at a high level. Important installations as far afield as New Zealand, Trinidad, Iraq and Nigeria are under construction by the Parent Company. At the same time our Companies in Australia and Africa are engaged upon the construction of steam plant for large generating stations.

In Brazil and Mexico our Companies are gradually establishing themselves and the Babcock Companies associated with us in the Continent of Europe, as well as our Licensees in Europe and the Far East, are playing an energetic part in meeting the demands for power in their respective spheres.

General Review and Prospects

In my last two or three Annual Statements I have been at some pains to indicate that the maintenance of profits at the rate previously earned was unlikely. Your Board realised that in the good years all necessary steps must be taken to ensure that the whole organisation of the Babcock Group, especially the manufacturing and research facilities, is brought to a pitch of the highest efficiency, not only at home but in all the many countries of the world in which the Group carries on its business. I do not hesitate to give assurance that the entire Group is keyed to meet with confidence and energy the many problems with which it is confronted. For a period business may prove to be less profitable and even less plentiful. Despite these possibilities, I am of the opinion that over the years ahead the carefully planned preparations, reinforced as they are by unique skill and experience, will bring their reward and will uphold your Company's position in the forefront of British industry.



Babcock & Wilcox

COMPLETE STEAM-RAISING PLANTS OF EVERY DESCRIPTION

NORTH BRITISH & MERCANTILE INSURANCE

GRATIFYING GROWTH OF NEW LIFE BUSINESS

The annual general meeting of North British & Mercantile Insurance Company Limited will be held on May 28th in Edinburgh.

The following is an extract from the circulated statement of the Chairman, Mr Cyril H. Kleinwort:

Fire Department.—Our Fire premiums show a reduction of some £400,000 which arises entirely from the steps we have taken to prune our business in the United States of America, which have reduced our premiums from that territory by about £800,000.

Losses, are lower by £433,458 and we have succeeded in reducing expenses by £270,596.

The loss ratio amounted to 54.9 per cent for last year as against 55.9 per cent in 1957.

The loss of £26,180 compares favourably with the figure of £889,435 (4.6 per cent) last year.

Casualty Department.—Total Casualty premiums were £11,895,342, an increase of £1,125,389 over the 1957 figure. Total claims incurred were £7,063,859 against £5,882,767, the percentage of claims to premiums being 59.4 per cent compared with 54.6 per cent for 1957.

Commission, Expenses of Management and Overseas Taxes other than taxes on profits totalled £5,064,530 compared with £4,776,688 for the previous year, the respective ratios to premiums being 42.6 per cent for 1958 and 44.4 per cent for 1957.

There is an underwriting loss of £683,203, 5.7 per cent of premiums, compared with an underwriting loss of £426,044, 4 per cent of premiums for 1957.

Marine Department.—Our Marine underwriting was, with the exception of the United States of America, again satisfactory, but the increase in claim settlements which I mentioned to you last year continued, with the result that the profit from the 1956 and 1957 Accounts is likely to be less than the average of previous years.

Life Department.—It is gratifying once again, to be able to report record figures for new Life business. The new sums assured for 1958, after deduction of reassurances, amounted to over £18,400,000 against a little under £16 million in 1957. Both the Ordinary and Group sections showed advances over the previous year.

We have now entered upon the final year of our Valuation quinquennium at the end of which we anticipate being in a position to declare a satisfactory rate of bonus. The Directors decided to make a further increase in the rate of interim bonus payable on claims arising on and after January 1, 1959, and until further notice. The new rate is 45s. per cent per annum compound (an increase of 3s.) and is payable in respect of each annual premium paid since the last distribution of surplus.

Consolidated Profit and Loss Account.—Net Interest on Investments shows an increase of £49,136 over the previous year at £1,277,535. The operations in the Fire, Accident and Marine departments during the year resulted in a net loss of £350,748 as against a loss of £980,830 for 1957.

It is proposed to maintain the dividend at 2s. 3d. per share of which 1s. 2d. is being paid as an interim dividend. The total dividend of 2s. 3d. per share plus the dividend on the Preference Stock will take £798,219.

THE CUNARD STEAM-SHIP COMPANY LIMITED

FUTURE OF THE BRITISH WEEKLY EXPRESS SERVICE

Colonel Denis H. Bates, Chairman of the Company, in a statement to stockholders for submission at the Eighty-Second Annual Meeting to be held on May 28th says:

The "moderate optimism" I expressed a year ago in expectation of some resilience in our passenger trade countering prospective reductions in cargo earnings, I regret has not been justified. Though the passenger ships have responded well, it was not anticipated that freight rates and volume of cargoes would fall with such speed. Our Atlantic and Indian cargo services, particularly vulnerable to world tramp competition, are £1¼ million below 1957. We have striven to offset these effects of the financial cyclone raging throughout the industry, but operating surplus at £5,670,919 is £559,111 below 1957. In October, after consideration of estimates of the year's surplus we decided that no interim dividend be paid, but the actual figures proved better than anticipated and a dividend of 8 per cent is recommended.

Throughout the years of "plenty" from 1947 to 1956 depreciation allowances based on historic cost were insufficient for ship replacement at current building costs. Each year we have endeavoured to plough back, but with penal taxation the gap has never been filled and the Company's lifeblood was slowly being drained away. Unfortunately, extra relief under investment allowance, which requires annual profits to be effective, came too late, for in 1957 the prosperous era ended abruptly.

CONSERVING EXISTING RESOURCES

With 1958 another "lean" year, and to conserve existing resources the order to replace the *Britannic*, deferred in 1957, has been cancelled together with reservations within the Group for three cargo ships, and overall planning for replacement has been completely reviewed.

During the shipping slump of the 1930s HM Government became well aware of the position even then arising on the North Atlantic through foreign governments subsidising shipping services for national prestige. Arrangements with HM Government were concluded which rendered possible, on a strictly commercial basis, the completion of the *Queen Mary* and *Queen Elizabeth*, which proved to be entirely justified. It was then said that on Cunard would rest not only responsibilities to shareholders "but a new responsibility to the Nation to conduct its only representation on the North Atlantic." Though the second world war prevented these two ships from fulfilling their commercial role until 1947, it is undeniable that the brilliant conception of the "Queens" by the Board of the day repaired the ravages in the Company's finances from the shipping slump of the 1930s, and mainly provided the profits which allowed ordinary dividends to be resumed in 1943 and to reach 11 per cent in 1956.

Cunard can indeed be said to have carried out triumphantly the trust placed in them by HM Government. During the war the "Queens" carried 1,622,054 passengers and steamed 1,150,406 miles. In peacetime from 1947 onwards the Cunard Company has operated on the Atlantic as before without any subsidy, and has continued to carry more than double the passengers of any North Atlantic Conference line.

In 1932 it was warned that if Britain built two express vessels it was conceivable the US Government would decide national prestige demanded similar action. That warning is now becoming fact because the US Government, which in 1952 built the *United States* at a cost of £27 million and sold her to United States Lines for £12 million, has now passed a bill to build a sister ship at an estimated cost of £46½ million, undertaking to sell the ship to United States Lines for £16½ million. The French Government is also subsidising the construction of the *France* for their national prestige in the North Atlantic and the Italian Government has acted similarly.

BRITISH PRESTIGE UPHELD

For many years the Cunard Company has upheld British prestige in the Atlantic passenger trade against all comers without any charge on the Nation's economy, and not without success to stockholders. It is a proud record of service; but faced with the overwhelming odds of ever-increasing Governmental subsidies to our competitors on the score of national prestige, your Board have decided it is impossible to continue under such unequal and unfair competition to free enterprise. We have, therefore, laid the whole position before HM Government, and the Minister of Transport, who is actively considering the matter, made a statement in the House of Commons on April 8th. A further communication to stockholders will be made as soon as practicable. With the concurrence of the Minister the technical teams of Cunard and John Brown of Clydebank, who built the "Queens," are working on the specification of their replacements and whilst I cannot now go into particulars, general remarks may be of interest.

In 1930 naval architecture and marine engineering made possible, where previously three ships had been needed, weekly sailings from Southampton and New York maintained by only two ships, entailing a minimum average sea speed of 28½ knots. North Atlantic weather makes the length of a ship at this speed an important factor. Carrying capacity is a compromise between conflicting requirements. It has to be as big as possible but the space per passenger has to be attractive and if dimensions become excessive, the added displacement increases the engine power and fuel required for the same speed, again adding to displacement, and a stage is reached where draught, which affects also the power needed, limits freedom of operation in ports. At 39 feet for the *Queen Mary* the limitations are severe but at the time it was the best compromise available in view of her light-weight and the weight of stores, fuel and water required. Truly she was "the smallest and slowest ship which could do the job and pay"—that she still pays is no small tribute to her design, and I can say the same of the *Queen Elizabeth*.

Today there is increased knowledge of materials, especially in light alloys and in methods of construction which enable a lighter ship to be built for the same duties; in machinery also much has been done to save weight and improve efficiency. In our four recent Canadian service ships many experiments have been made towards savings in weight.

"GETTING THERE IS HALF THE FUN"

Contemplation as to how the world will be travelling in the future is fascinating. Many

say air and sea are in competition; whilst that may be so on many travel routes it is unwise to generalise. The route between America and Europe has characteristics very different from others. It is comparatively short—a long week-end by express ships, by air 6½ hours, shortly to be 3½ hours. Secondly, 70 per cent of our clients cross on holiday—as we put it "Getting There is Half the Fun" by sea. Is it not true there is nothing in air travel except speed for anyone and far less for women than for men? The next largest category comprises business travel and if current medical opinion is correct there is a danger that modern air speed has outstepped the capacity of man to adapt himself to its stress and he needs at least to go one way by sea to give himself time to recuperate.

The air has taken enormous strides very quickly in speed and on the Atlantic, by its own statistics for 1957/58, has increased its passenger numbers by 26 per cent mainly through the introduction of economy class, achieved largely at the expense of Tourist Class and by an increase in cost of 100 per cent in the number of flights. Sea carryings in the same period were reduced by 4¼ per cent in 832 sailings—35 fewer than the previous year.

Cunard philosophy has always been that air and sea are complementary rather than competitive on the North Atlantic. Twenty-one years ago the Cunard Chairman said "I firmly believe that an air service across the Atlantic will provide its own traffic as a net addition to sea traffic." Today Cunard are still carrying their quota and air traffic has in the main proved that net addition. It has been said that the introduction of economy class air fares on the North Atlantic—now the largest single class travelling—has demonstrated that one of the largest untapped sources of airline revenue lies in the field of lower fares. That in my view is all to the good: massive advertising campaigns in the USA in favour of jet travel will also increase the general travel "lust" from which sea as well as air will profit.

Just so long as sea travel provides "the holiday at sea" through its services, food, entertainments and other comforts in comparison to the '34-inch seat' by air, I should expect it to persist, for not everyone is in a hurry. Total passengers carried by sea and air represents a small percentage of the American population and with the desire to travel increasing there is an enormous potential still available.

As Chairman, no-one is more sensible than myself of the splendid team spirit which exists throughout the Group, and no-one is more grateful for the loyalty and keenness of our staffs afloat and ashore, at home and overseas.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

INCREASED INDUSTRIAL BRANCH BONUS

The 98th Annual General Meeting of The Royal London Mutual Insurance Society Limited was held on April 28th at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

Mr E. H. Haynes, FIA, Chairman and Joint Managing Director, who presided, said:

I would like to refer in detail to the position of each of the Society's branches.

ORDINARY BRANCH

The premium income in the Ordinary Branch (including consideration for annuities granted) amounted to £4,363,000, an increase of £157,000 over the previous year. The Fund at the end of the year amounted to £39,389,000, an increase of £1,818,000. The rate of interest earned (excluding the Auxiliary Life Fund), after deduction of income tax, was £4 5s. 0d. per cent, an increase of 2s. 10d.

The amount paid by way of claims and surrenders during the year was £3,405,000.

I am very happy to report that the amount of new Ordinary Branch business written in 1958 showed an increase for the fifth year in succession. During the year 18,400 policies for the amount of £14,274,000 were issued, this being an increase of £1,189,000 over the figures for the previous year, and, as I have indicated, a record for the Society.

The Society announced last October the arrival of a newcomer to our Ordinary Branch prospectus, the "Carefree Policy." This policy offers the alternative of a cash sum or a valuable pension option to be taken at age 60 or 65, the normal pension ages.

In January this year the scale of premiums for the Mortgage Cover Policy was substantially improved.

On with-profit policies becoming claims, etc., during the current year the Interim Bonus will be at the rate of Two Pounds per cent in respect of each of the years 1956 and 1957 and Two Pounds Four Shillings per cent per annum in respect of the years 1958 and 1959.

INDUSTRIAL BRANCH

In the Industrial Branch the premium income for the year amounted to £10,614,000, an increase of £380,000 over the previous year. Claims and surrenders amounted to £5,921,000. The Fund at the end of the year amounted to £90,823,000, an increase during the year of £5,470,000. The rate of interest earned, after deduction of income tax, was £5 8s. 1d. per cent, an increase of 5s. 4d.

The sum assured on new policies issued in the Industrial Branch has shown an increase for the eighth year in succession. In 1958 new sums assured increased by £1,555,000 to the figure of £23,025,000.

On this occasion it gives me the greatest pleasure to announce an improvement in the rate of Industrial Branch bonus from 23/-d to 30/-d per cent per annum. Those of our policyholders who prefer to have their premiums collected weekly or monthly at their homes must be happy to see the amounts assured by their policies growing at this rate.

This Interim Bonus applies only to premium paying policies, under tables which participate at the full rate, becoming claims, etc., during the ensuing year.

GENERAL BRANCH

The premium income for this Branch in 1958 was £962,000, an increase of £81,000.

The year 1958 has shown yet further substantial growth in the activities of this Society. The total income of the Society during the year was £22,284,000, while benefits paid to policyholders amounted to £9,326,000. The total payments to policyholders since the inception of the Society amount to more than £167 million.

The report and accounts were unanimously adopted.

INSTITUTE OF CHARTERED ACCOUNTANTS

ANNUAL MEETING

The seventy-eighth annual meeting of the Institute of Chartered Accountants in England and Wales was held on May 6th in London. Mr W. L. Barrows, the President, in the course of his address said:

MEMBERSHIP

On January 1, 1959, the total membership was well over 31,000 and we have since passed the 32,000 mark, following the admission of successful finalists in the November, 1958 examinations. Thirty years ago the total was 8,500 and sixty years ago only 2,500.

VALUATION OF STOCK-IN-TRADE

One of the most difficult and controversial items with which we have to deal in the course of our daily work is the valuation of stock-in-trade and work in progress. Over a long period of years in the life of a business it may not be of great importance but in presenting the results for a particular year and in showing the trend of results over a period of years it is usually of the highest importance.

I do, however, wish to suggest that under conditions now prevailing in industry we need to consider carefully whether stock is overvalued and even, in some extreme cases, whether we are putting it on the correct side of the balance sheet. It is customary to regard stock as an asset but it is certainly within my experience that it can also be a liability. Over-production or ill-timed production or bad buying or fortuitous circumstances beyond the control of a business can each result in the holding of stocks which are grossly in excess of requirements or out of balance or obsolete or for other reasons can be disposed of only by scrapping or by sale at a loss.

In my view a situation of this kind calls for drastic writing-off, or substantial provision for diminution in value, in order to avoid an overstatement of the stock in the balance sheet. The balance sheet is required to show a true and fair view and it cannot be fair if it includes stock at a figure which is not arrived at after a realistic review of abnormal and obsolete stocks and the prospects of early disposal in the ordinary course of business.

Let no one suppose that what I have just said is intended to give encouragement to the inclusion of stock-in-trade at an amount which is neither true nor fair. A valuation of stock-in-trade must be an honest valuation supported by the facts and it is up to all of us to see that this is so, whether we are acting as directors or officers responsible for the valuation or as auditors responsible for expressing our opinion on the truth and fairness of the accounts. My remarks about over valuation are intended only to emphasize that we must be vigilant in both directions so that the valuation will be realistic as well as honest.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to: The Company Meetings Department, The Economist, 22 Ryder Street, S.W.1.

POLLARD BALL AND ROLLER BEARING COMPANY

(Formerly Ferrybridge Industries Ltd.)

CONTINUED EXPANSION

SCRIP ISSUE APPROVED

The annual general meeting of Pollard Ball and Roller Bearing Company Limited was held on May 1st in London, Mr F. C. T. Lane, FCA (the chairman), presiding.

The following is an extract from his circulated statement:

I am pleased to be able to report that the trading results of your Group for the Calendar Year 1958 again show a substantial improvement as forecast in the interim statement issued by your Board in October last. The net profit (after making provision for all charges including depreciation) and subject only to taxation is £371,121 as compared with £250,361 for 1957. In arriving at this result a full year's profit is brought in from Pollard Bearings (Northampton) Limited, as compared with only six months for the previous year.

The volume of sales of the Group has expanded still further and as an indication of the advance you may find it helpful if I repeat the short table which was included in my statement last year and add to it the figures for 1958 as follows:

Taking 1953 as equal to a unit of £100 the corresponding figures for the succeeding years are:

1954	£131	1956	£222
1955	£198	1957	£300
		1958	£392

STEPS TO INCREASE EXPORT SALES

Our export sales have not increased in the same ratio as home sales and your Board are taking steps which they hope will help to rectify this situation. Our Sales Manager is at the present time engaged in an extended tour which commenced at Singapore and by the time he returns will have taken him throughout Australia and New Zealand, parts of the United States of America and Canada. We are hopeful that this will have the effect of cementing more firmly our relationships with existing customers and agents on his route and of making many new ones.

In Europe, too, our representatives have been and will continue to be busy and it is hoped that some tangible results will begin to be seen during the current year.

Our order book is perhaps not quite so large in some respects as it was a year ago and this is in some measure due to improvements in output which are having the much desired effect of cutting delivery times and does not, in fact, reflect a falling off in orders. Our sales during the opening months of 1959 have increased over the corresponding months of 1958 and, so far as can be foreseen, your Board have no reason at this juncture to believe that this position will not be maintained.

ACQUISITION OF ADJOINING PREMISES

Towards the end of 1958, we were fortunate enough to be able to secure the freehold premises immediately adjoining our Northampton works thus providing much needed additional floor space which will be invaluable to us in improving our production layout as well as giving us increased capacity and no time has been lost in bringing this new space into productive use. Apart from the contribution the Northampton Company makes to the Group's profits in the manufacture of bearings, it also has a department manufacturing ancillary equipment which is developing very well.

Substantial improvements both in the manufacturing and marketing of Philidas Lock Nuts have been effected during 1958. Profits were well maintained and given reasonable stability in the motor car industry this section should continue to make a satisfactory contribution to the profits of the Group.

Our experience in Canada has been less happy and although the volume of sales has been maintained we have again to report a loss for the year, full provision for which has been made in the Accounts before you. Canada is a vast and thinly populated country and because of the distances involved, selling is a somewhat expensive matter, in addition to which there is no doubt that during 1958 Canada suffered to some degree from the economic depression which for part of the year appears to have prevailed in the United States of America. We are satisfied, however, that the policy of building up a Subsidiary in that country is a correct one and we feel we are making progress albeit somewhat slowly, and our confidence in eventual success remains undiminished.

DIVIDEND AND SCRIP ISSUE

In view of the year's results your Directors are proposing a dividend at the rate of 22½ per cent per annum for the year of which 5 per cent has already been paid as an interim distribution. If approved, warrants for the balance of this dividend will be posted immediately after the Annual Meeting.

Your Directors feel that some part of the "Share Premium" Account should be capitalised and it is proposed to make an issue of fully paid ordinary shares of 4s. each to holders of ordinary shares in the proportion of 1 new share for every 4 shares held at the close of business on April 16, 1959. In making this issue it is anticipated, so far as can be foreseen, that a continuance of the rate of dividend (viz., 22½ per cent) will be possible in respect of the current financial year.

Although our trade continues to show signs of expansion, it should not be thought it has been easy of achievement. Competition still remains somewhat intensive, with prices becoming ever more keen. We are constantly adding modern units to our plant and with our technical department developing new designs and with the application of improved techniques we have been able to secure a growing participation in the Bearings Industry. Given stability in the industrial field, the year 1959 should bring results which will, we hope, continue to show progression.

The Company's position and its future still depend primarily on the work done by Management, Staff and Employees and I would like to conclude this Statement by expressing our thanks to each and everyone of them at home and abroad for their loyalty, untiring effort and enthusiasm which has contributed so much to the results now before you.

The report and accounts were adopted and the proposed scrip issue approved. Because the main centre of the Company's activities has moved from London to the North of England, Messrs Hogg, Bullimore & Company, of London, were not re-appointed joint auditors and the Chairman expressed on behalf of the Company appreciation of their past services.

PARKINSON COWAN LIMITED

MR HUGH P. BARKER'S REVIEW

The fifty-ninth Annual General Meeting of Parkinson Cowan Limited was held on May 4th in London.

The following is an extract from the statement by the Chairman, Mr Hugh P. Barker:

The consolidated net surplus of £199,502 included £38,883 of profit on sale of Investment. After paying our Preference dividends (£19,571 net) the balance for the year available for disposal is £179,931. The Board recommends the payment of two concurrent dividends on the Ordinary Stock, firstly, 9 per cent absorbing £38,780 net, leaving £141,151 available for allocation to reserves and, secondly, a Special 1959 Interim Dividend at the rate of 3½ per cent requiring £15,082 net.

We have this year created a Dividend Equalisation Reserve. This reflects a considered policy of your Board which needs explanation. Our business is, as you know, light engineering and a substantial proportion of our turnover is in the domestic appliance field. I must say frankly that, although the outlook for the domestic appliance industry is a very promising one, it has become the habit of Governments in the past to use this adaptable and growing industry for steering the whole economy. We are therefore by no means the masters of our own fate in a year to year sense. Every manufacturer of domestic equipment is in the same situation.

Our business in domestic appliances, which started 1958 rather poorly, has accelerated rapidly since hire purchase restrictions were removed. We believe that the excellence of our products does not require a boom condition to keep our plant operating at a steady and profitable level. All this said, the business remains an extremely exacting one.

Our business in meters is in a basically healthy state, but in this field we suffer the disability that we cannot by our own efforts increase the total market; we can only fight for a larger share of markets determined by facts outside our control. In the gas industry, for example, it seems likely that the home market for meters will be smaller this year. The water meter market leans heavily on export and there is clearly some world excess of manufacturing capacity in this commodity.

Two of our Divisions, Measurement Limited and Parkinson Cowan Instruments, are involved in the manufacture of hydraulic, electro mechanical and electronic apparatus for liquid process control and for diverse applications in the gas, water and electricity supply industries. In these fields we are making solid progress. Our clients include world famous companies in the chemical, oil and food manufacturing industries, in addition to the public utility concerns with whom we have been doing business for so many years.

The year has started well. Unless the business climate changes I think that this will be a good year.

The Report and Accounts were adopted.

BRITISH ALUMINIUM COMPANY

IMPRESSIVE OPPORTUNITIES FOR EXPANSION

The Annual General Meeting of The British Aluminium Company Limited will be held on May 26th in London.

The following is an extract from the statement by the Chairman, Sir Ivan A. R. Stedeford, KBE, circulated to the shareholders with the report and accounts for 1958:

The year 1958 was generally a difficult one for the aluminium industry everywhere, and not only for companies engaged in it in the United Kingdom.

Competition, always keen in this industry, intensified as demand weakened during a period when new and additional capacity was coming into production.

These adverse trading conditions, as might be expected, are clearly reflected in our own results. The consolidated trading profit of the company, after depreciation at normal rates and transferring £120,000 (1957—£200,000) to plant replacements reserve, was £2,105,394 (£3,020,706), a reduction of £915,312, or over 30 per cent.

The severity of this decline in trading profits was, however, softened to some extent by an increase in investment income of £141,178, and lower bank and interest charges of £119,666. The total net income for the year, before providing for taxation, was therefore £2,210,266, a reduction of £654,468.

In the difficult trading conditions I have mentioned, and judged by the experiences of other large companies engaged in similar activities, the profits for the year can be regarded as not unsatisfactory. This does not alter the fact, however, that we have had a poor year and that it is with less satisfaction that we have paid a total ordinary dividend of 17½ per cent, an increase over last year of 5½ per cent.

To pay a dividend at this rate, absorbing as it does the whole of the year's available trading profits, is, in my view, unjustified. We have done so for this year only to conform with the conditional undertaking given by the Board last December in respect of this dividend.

IMPORTANCE OF SURPLUS CAPACITY

I am addressing you at a time when the world is talking about a surplus of aluminium, but we must be careful we do not look at this situation from the wrong end of the telescope. What is really happening now is that, for the first time in a generation, the world has an abundant supply of the metal, with still more capacity planned, in construction, and coming into production.

Whilst, therefore, the phase of metal shortages has now passed, the industry is nevertheless planning further increases in production in order to ensure keeping a step or two ahead of future demand. Whilst from an earnings point of view this policy, in the short term, has its disadvantages, it makes certain that for the future, aluminium will be able to compete with other metals for about the first time on its merits.

This is a glowing long-term prospect which The British Aluminium Company's newly acquired resources in all fields will permit it vigorously to exploit. It is in this general context that I look ahead with confidence.

ROYAL INSURANCE COMPANY LIMITED

POSITION IN USA

MODEST INCREASE IN CONSOLIDATED PROFIT

EXCELLENT LIFE RESULTS

MR T. H. NAYLOR'S STATEMENT

The Annual General Meeting of the Royal Insurance Company Limited will be held on Wednesday, May 27th, in Liverpool.

A statement by the Chairman, Mr T. H. Naylor, from which the following are extracts, has been sent to stockholders with the 113th Annual Report and Accounts.

THE YEAR 1958

Once again our underwriting results have been dominated by an unfavourable experience in the United States. Elsewhere premiums and underwriting profit showed a healthy increase. But the necessary pruning of our business in the United States brought about a slight reduction in our overall premiums to just under £131 million; and the underwriting profit at about £¾ million was the lowest in amount since 1932.

The contribution from the Life Department showed a useful increase and net interest earnings at £3.9 million were higher by £531,344. In consequence our consolidated profit, after providing for pension fund contributions and UK taxation, was slightly higher at £3,517,643 than in the previous year, and your Directors felt it appropriate to recommend a modest increase in the final dividend from 1s. 11d. to 2s., making the total dividend for the year 3s. 11d. per 5s. unit. We are carrying forward unappropriated rather more than £¾ million thereby increasing the balance of the Profit & Loss Account from £9.9 million to £10.7 million.

OVERSEAS

The improvement in our American results, for which I had hoped last year, did not materialise, and for the third year in succession we have to report an unfavourable experience.

Prospects for the current year do look brighter than they did 12 months ago, but I would not wish to be prematurely optimistic and we may need to reconcile ourselves to further underwriting losses in 1959, although, I hope, of lesser degree.

Since 1851 our business has developed and flourished in the United States sharing in the less prosperous years as well as the more favourable ones and averaging over the years a reasonable margin of profit. As I see it, the American Insurance market must inevitably be restored to a prosperous level and I am sure that over the years our portfolio will serve us well as it has done in the past.

I must stress that our underwriting loss in the United States last year was more than offset by the interest earnings on our substantial portfolio of dollar assets so that our total operations in the United States produced an overall dollar surplus.

Elsewhere overseas the year has been one of steady expansion in both Fire and Accident Departments. Premium income has been buoyant and in most territories we can record a satisfactory contribution to our trading surplus.

FIRE DEPARTMENT

	Net premiums	Underwriting surplus	Percentage of premiums
	£	£	%
1958 ...	53,905,306	1,120,521	2·1
1957 ...	55,128,645	1,509,070	2·7

The reduction in premium income and in underwriting surplus is to a large extent a reflection of our experience in the United States and calls for little further comment.

Trading conditions in Great Britain have not been altogether propitious for an expansion in income in 1958 and keener competition has resulted in a tendency for Fire rates to be lowered. Nevertheless our Fire business at home pursued its steady course and once again I can report a modest growth in premiums and a satisfactory underwriting surplus.

ACCIDENT DEPARTMENT

	Net premiums	Underwriting results	Percentage of premiums
	£	£	%
1958 ...	70,613,785	−602,005	−0·9
1957 ...	69,618,767	−291,848	−0·4

Generally speaking our Accident business showed vigorous development in 1958. The unfavourable results in the United States have had their obvious effect on the overall figures but most of the major territories in which we operate produced a reasonably satisfactory result.

It is in the Motor section of the Account that our principal difficulties arise everywhere. At home the continuing problem is emphasised by the official figures of road accident frequency. In essence this is not an insurance problem but a social problem of national importance; I regret that too often its growing gravity is obscured by facile criticism of insurance practice.

MARINE DEPARTMENT

	Net premiums	Fund as at 31st December	Percentage of premiums
	£	£	%
1958 ...	6,237,355	14,190,170	227·5
1957 ...	6,681,038	14,013,980	209·8

In the shipping world the past year has been one of depression, and lower ship values have resulted in a reduced premium income on our hull business.

Cargo premiums have also fallen off, reflecting the material shrinkage in the volume of world trade.

In 1958 we closed our 1956 underwriting account with a transfer to Profit and Loss Account of just over £200,000—not much more than half of the previous year's transfer. This, however, may be regarded as a reasonably satisfactory result from a year in which there were a number of major marine casualties.

LIFE DEPARTMENT

	New sums assured	New annuities (per annum)	Claims by death	Matured endowment assurances
	£	£	£	£
1958	46,068,189	1,739,407	1,617,060	2,484,879
1957	41,407,585	2,164,924	1,392,179	2,276,177

It has become commonplace to report each year that our new Life business has exceeded that written in previous years; and I am happy to say that in 1958 the new sums assured once again constituted a record.

Following a valuation of Life and Annuity business as at December 31, 1958, a substantially increased bonus rate of 55s. per cent per annum has been declared on all policies entitled to participate. This rate of bonus is a reflection of the benefit which our policyholders obtain not only from our improved interest earnings but also from our modest expense ratio and our favourable mortality experience. It has been fully earned without any weakening of the traditional strength of our valuation standards for we have thought it prudent to transfer the reserves released by an increase in the Life valuation rate of interest to the Department's investment reserves.

INVESTMENT DEPARTMENT

	Invested Funds	
	General Funds	Life Funds
	£	£
1958 ..	190,908,369	86,346,243
1957 ..	184,930,907	81,494,372

Despite successive reductions in the bank rate from 7 per cent to 4 per cent long term interest rates in the UK remained high. In the USA long term rates were not only maintained but went higher, so that in the two main centres of our investment activities we continued to be able to invest our funds on favourable terms.

In most parts of the world, markets in ordinary shares have been very active with prices rising to new record levels. Largely as a result of this our investment portfolio shows a substantial appreciation in value and I am happy to report a very comfortable margin in the market valuation of our securities over the values shown in the balance sheet.

MANAGEMENT, STAFF AND AGENTS

During this year of varied fortunes, as in other years, the loyalty of our staff has been constant. Whilst this characteristic has become an accepted and natural one, it is a quality in our officials which we value highly. To all our Managers and Staff at home and overseas we extend our thanks for their unflagging and devoted efforts in the furtherance of our interests during 1958.

TAYLOR, WALKER AND COMPANY

A DIFFICULT TRADING YEAR

BUDGET ENCOURAGEMENT—A LONG OVERDUE MEASURE

LT COL W. H. KINGSMILL ON GROUP'S ACTIVITIES

The fifty-second annual general meeting of Taylor, Walker and Company Limited will be held on May 21st in London.

The following is the statement by the Chairman and Managing Director, Lieutenant Colonel W. H. Kingsmill, DSO, MC, which has been circulated with the report and accounts for the year ended December 31, 1958:

Ladies and Gentlemen,

The trading year under review proved to be a difficult one, with rising overheads and the trade showing a diminishing tendency in the country as a whole, as is shown by the official returns. This was undoubtedly due mainly to the poor summer which was certainly one of the worst within recent memory, and further aggravated by bus and dock strikes which affected the East End of London in particular. Money was not too free either and later in the year when the tight control of spending was lifted, the trade did not benefit as might have been expected as the public by and large increased their commitments in the hire purchase market.

The 2d. off the pint mentioned in the Chancellor's Budget Speech gives rise to the hope that the trade in 1959 will show a resurgence, and it was indeed a long desired and long overdue reduction. I do feel, however, that a word of warning should be given here against anticipating a big rise in consumption as in my opinion the sale of beer is no longer governed by the pocket but is affected by the swing which has been going on for several years towards wines and spirits. However, if the summer this year is a more normal one there is little doubt that the Chancellor's concession will improve the trade and this should be reflected in the 1959 results.

It is interesting to note that during the past 12 months there has been a definite sign that the public preference is swinging slightly to draught as against bottled beer, but how far this trend will continue it is difficult to say.

I am very glad to be able to state that our country brewed Best Bitter which we put on the market in 1957 continues to make very considerable headway and seems to be universally popular with our customers.

CANNON BREWERY

I told you in my last statement of the alterations which were being made to convert the Cannon Brewery into a distillery, a bonded warehouse and bonded bottle store. These alterations unfortunately are still not absolutely complete due to further work insisted upon by various local authorities, but the Still House has been in operation since the summer of last year and has proved to be capable of producing gin more economically than either Messrs Nicholson or the Curtis Distillery had been able to do in the past. The bonded warehouse came into operation during the winter and it is hoped that all the alterations will be finished by the date of the Annual General Meeting, enabling us to do our wine and spirit bottling in bond. This should show a considerable saving in production costs as any breakages will not bear duty.

During the past year we closed down two breweries, one at Chesham belonging to the Chesham and Brackley Breweries and the other at Foxearth in Suffolk belonging to Ward and Son Limited. The closure of these two breweries is already showing advantages and in a full year will show substantial savings.

In addition, during the past year the Victoria Wine Company has bought a wine and spirit business in Cardiff which in the opinion of the Directors of that company is capable of considerable future development. Already we have been fortunate enough at the annual licensing sessions in obtaining a beer licence for several shops which previously only had wine and spirit licences.

Our export trade remains satisfactory both from the point of view of our beer and our wines and spirits departments. This is of course a highly competitive market and in so far as beer is concerned profit margins are small.

THE ACCOUNTS

Turning to our accounts, it will be observed that alterations have taken place in the Group's Fixed Assets brought about mainly by the considerable reconstruction work at the Cannon Brewery and by investment in Curtis Nicholson Limited. Part of the cost of construction will ultimately be recovered in cash and will be an addition to our current assets.

The current assets at December 31, 1957, included stock and debtors relating to The Curtis Distillery Company Limited which company after re-organisation and change of name became an associated company and hence the figures do not require to be consolidated.

The item "Associated Company at cost" refers to the Curtis Nicholson Company.

FUTURE OUTLOOK

What can we look to in the future as a Group? My own opinion is, as I have said before, that the complete reconstruction of the Cannon Brewery premises coupled with the amalgamation between Messrs Nicholson and the Curtis Distillery and with 2d. off the pint we can reasonably anticipate more satisfactory results next year, though it must be remembered that more and more money has to be spent every year in the constant endeavour to improve the standard of our houses.

As you know our Group is concerned with the production of beer at three breweries, in Limehouse, Westerham and Brackley, a substantial bottling establishment at Alperton, a gin distillation organisation at Clerkenwell, two mineral water factories and a catering company, all covering a wide area of the home counties. There is therefore much scope for continuing to examine every way in which economy with increased efficiency can be made.

DIRECTORATE, STAFF AND EMPLOYEES

During the course of last year we lost the services of Mr R. E. Bradshaw who died together with his wife in a tragic motor accident. Our sympathy goes out to their two children.

Subsequently Mr A. R. Motion was invited to join the Board and I am quite certain the company will benefit by his advice both now and in the future.

Lastly I would like on your behalf to thank the staff and employees of the Group for the hard work they have put in over the past year. In many cases they have been working under very difficult conditions due to the alterations I have already mentioned but they cheerfully continued their daily tasks without complaint and overcame all the difficulties as they arose.

ALBRIGHT & WILSON
LIMITED

The following is a digest of information appearing in the Annual Report for 1958, posted to stockholders on 5th May. The Secretary will be glad to supply copies of the Report on request.

	1958	1957
	£	£
Group sales	32,200,000	30,400,000
Group trading profit	5,388,000	4,754,000
Depreciation	2,059,000	1,847,000
Taxation	1,542,000	1,295,000
Minority Interests	71,000	59,000
Net profit	1,716,000	1,553,000
Dividends	645,000	585,000
Retained profit	1,071,000	968,000
Group net assets	26,989,000	25,961,000
Ordinary dividend—rate	17%	20%
—times covered	2.8	2.8

The issued ordinary capital was increased during 1957 by one-for-four issue of fully-paid stock. The dividend of 20% paid for 1957 on the smaller capital is equivalent to 16% on the capital after this issue.

Turnover and profit in 1958 were the highest the Group has recorded, despite irregular and often disappointing trading conditions in the United Kingdom, Canada and Australia, the countries where the Group's manufacturing units are located.

UNITED KINGDOM In the United Kingdom all companies contributed to the increase in sales and profits. Further steps were taken in the replanning of phosphorus and tripolyphosphate production to make the best use of the Group's manufacturing resources. Capital expenditure in this country totalled £1,200,000. New plants for phosphorus pentasulphide and for several organic phosphorus compounds were completed and further extensions were made to oil additives production capacity, while work commenced on new pilot plant facilities for Midland Silicones Limited at Barry and on an enlargement of the research laboratories at Oldbury.

OVERSEAS Substantially greater sales and profits were achieved in 1958 by Electric Reduction Company of Canada Limited. Its much enlarged sodium chlorate plant at Buckingham, Quebec, was used to maximum capacity after mid-year completion. Of the £3,100,000 total capital expenditure of the Group in 1958, more than half was spent in Canada. Albright & Wilson (Australia) Proprietary Limited continued its growth last year. While sodium tripolyphosphate sales in particular were buoyant certain other products experienced a slackening in demand which is, however, believed to be temporary. A new phosphorus furnace was brought into operation during the year, and a plant was built to make sulphonates that we had previously been supplying from England.

PROSPECTS FOR 1959 In 1959 general expectations are that the Group will experience some increase in total sales and profits. It will also be a year of considerable capital investment at home and overseas. Projects already announced are the extension by Solway Chemicals Limited of its sulphuric acid and cement plants, and the major developments by Electric Reduction Company of Canada Limited at its new site at Port Maitland, Ontario.

The Sixty-seventh Annual General Meeting of Albright & Wilson Limited will be held at the Company's office at 1, Knightsbridge Green, London, S.W.1, on 28th May, 1959, at 12 noon.



ALBRIGHT & WILSON
chemicals
1 KNIGHTSBRIDGE GREEN
LONDON · SW1

ALBRIGHT & WILSON (MFG.) LTD.
ALBRIGHT & WILSON (AUSTRALIA) PTY. LTD.
CLIFFORD CHRISTOPHERSON & CO. LTD.
ELECTRIC REDUCTION COMPANY OF CANADA LTD.
MARCHON PRODUCTS LTD.
MIDLAND SILICONES LTD.
PROBAN LIMITED
SOLWAY CHEMICALS LTD.

THE HOFFMANN MANUFACTURING COMPANY

MR J. W. GARTON ON MORE HEALTHY AND REALISTIC ORDER POSITION

The annual general meeting of The Hoffmann Manufacturing Company Limited was held on April 30th in London, Mr J. W. Garton, JP (chairman and managing director) presiding. The following is an extract from his circulated statement:

I pointed out in my general remarks last year that although we had a substantial order book we were already experiencing a falling off in the order intake. The order book continued to contract during 1958 and one of the more important reasons was the cut in the Defence Programme, and also there was a large liquidation by customers of stocks, which resulted in a reduced demand for special bearings. We found it necessary and unavoidable for a limited period to resort to some short time working in the earlier half of the year as well as having to make some adjustment to our labour force. Through this effort and reorganisation to meet the lowering and changing demand, we were quickly able to adjust ourselves, and since then we have been reasonably fully employed, but this is not to say that work is easy to get unless it is at the right price and the right quality and particularly with quick delivery. We have a more healthy and realistic order position and look to the future for the demand for our products with confidence.

The profit of the Hoffmann Group for 1958, before taxation, but after all other charges, including Debenture Interest, amounts to £1,206,476 and compares with £1,291,746 for the previous year. The net profit of the Group after taxation is £625,002 and compares with £647,026 for 1957.

The Directors recommend a Final Dividend of 24½ per cent, less tax, which with the Interim Dividend of 6½ per cent, less tax, makes a total of 31 per cent, less tax. The Directors have decided to mark the Sixtieth Anniversary of the Company, which took place during the year under review, by paying a Special Sixtieth Anniversary Cash Bonus of 5 per cent, less tax.

CAPITAL EXPENDITURE

Orders for Capital Commitments at December 31, 1958, amounted to £669,749. I have referred on a number of occasions to the Board's policy of continually keeping production plant up to date by purchase of the most modern machine tools and essential maintenance plant. The large automatics mentioned last year have been installed, are in production and are enabling us to increase our output, reduce costs and secure orders in very competitive circumstances.

SUBSIDIARY AND ASSOCIATED COMPANIES

Hoffmann Gloucester Limited has again made a most useful contribution to the Group turnover and has had a successful year.

Hoffmann Tweedales Limited experienced very adverse trading conditions and the low demand for its products reflected the very difficult conditions now obtaining in the textile machinery trade at home and abroad. Every effort is being made to help the position by extending the range of the Company's products.

The report and accounts were adopted.

HAMBROS BANK LIMITED

RESTORATION OF FREEDOM WELCOMED

MR R. OLAF HAMBRO'S STATEMENT

The Forty-Seventh Annual General meeting of Hambros Bank Limited will be held on Thursday, May 28th, at the offices of the Bank, 41 Bishopsgate, London, E.C.2.

The following is the Statement of the Chairman, Mr R. Olaf Hambro, circulated with the Report and Accounts for the year to March 31, 1959:

It has been, generally speaking, my practice in issuing this Statement with the Accounts of the Bank to confine my remarks to explaining the figures and the business in which we are engaged, but it is sometimes necessary to point out, as I did last year, certain political aspects of the situation under which we were somewhat restricted in our activities. I am glad to say that for some months of the year under review we have been restored to freedom and allowed once again to conduct our business in the way we wish. It is also very satisfactory to find that, as a result of wise handling of the national finances, Sterling is again, to all intents and purposes, a free currency. This, I think, has been a factor in the overall increase in our business.

EXPANSION IN NEARLY EVERY ITEM

The Balance Sheet shows expansion in nearly every item. The Deposits have increased by over £9 million and the Acceptances by nearly £2 million. With regard to the former, March 31st this year fell on the day after the Easter Bank Holiday and the turnover on that day was exceptionally large and may have accounted for part of the rise, but Deposits during the year have been well above the average of the previous year.

On the other side Cash and Bills of Exchange, well over half of the latter being Treasury Bills, stand at £48 million, and with the Gilt-edged holdings, create a very liquid position. The ratio of Loans and Advances to Deposits is approximately 25 per cent.

The Profit and Loss Account is satisfactory and, as stated in the Report, the Directors propose a final dividend at the same rate as last year. The cost of the gross dividends for the year is slightly greater this time as the additional capital raised in 1957 was entitled this year to both the interim and final dividends.

SUBSIDIARY COMPANIES

Turning now to the subsidiary companies which we have named for the first time, the most important is, of course, Hambros Investment Trust Limited; the value of our investment in that Company has increased during the year by about £1,700,000. Opportunity has again been taken to value very conservatively the unquoted securities. Mocatta & Goldsmid Limited have had a successful year with a largely increased turnover.

We have been interested in the Hire Purchase business for many years and have now taken the opportunity to extend our connections in this field with Western Credit Limited and Belmont Industrial Finance Limited. Mr J. H. Hambro has been appointed Chairman of Western Credit Limited.

COMMERCIAL CREDIT OPERATIONS

The main and most important business of the Bank remains its commercial credit operations which are largely conducted with Norway, Sweden, Denmark and Finland. For many years we have been financing Norwegian shipbuilding and shipping and, although there is a slight falling off in this business owing to the fall in Freights, all our clients, old and new, continue to prosper. The very old connection which we have had with Italy since the days of Cavour continues to be very active and our connections with the Banks there are spread throughout the country.

In Zurich we have had an interest for many years in the firm of Paul Kern A.G. which keeps us in touch with our Swiss banking friends and with international business in that place. Our business in America, which is engaged in the sale of the British Motor Corporation's cars there, has gone from record to record, and the sales during this financial year have exceeded $53 million in value.

Once again, on behalf of myself and all the members of the Board, I would like to express our grateful thanks to the executives and members of the staff for all their loyalty and devotion to the Bank.

HAMBROS BANK LIMITED
Head Office: 41 Bishopsgate, E.C.2
STATEMENT OF ACCOUNTS AT 31st MARCH, 1959

LIABILITIES

	£
Current, Deposit and other Accounts	66,625,422
Acceptances	21,631,680
Paid up Capital	3,500,000
Reserve	3,500,000

ASSETS

Cash in Hand, at Bankers and at Call	34,754,433
Bills of Exchange	13,475,140
British Government Securities	5,827,187
Loans, Advances and other Accounts	16,313,573
Investments in Subsidiaries	3,255,089
Liabilities of Customers for Acceptances	21,631,680

HUDSON'S BAY COMPANY

GOOD TRADING YEAR

The 290th annual general Court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held on May 1st in London, Mr W. J. Keswick, the Governor, presiding.

The following is an extract from his circulated statement for the year to January 31, 1959:

The Company had another good trading year, with a profit before taxes of £4,896,000 after charging depreciation of £1,204,000 and a net profit after taxes of £2,637,000 against £2,312,000 last year. The net profit was 9s. 5d. per share, compared with 8s. 3d. Trading dividends paid and proposed total 24 per cent compared with 20 per cent last year, which is a payment of 4s. 9¼d. per share gross or 2s. 9d. net after United Kingdom tax. The payments to be made in May will be 20 per cent less tax from Trading and 5¾ per cent from the Land Account.

The sales pattern of the Retail Stores was slightly better than that in Canada generally and for the year were up 6.1 per cent to a new high of £49,700,000. Fur Auction Houses in London, New York and Montreal sold by auction a record total of ranched furs. The Wholesale Department had a more difficult time in maintaining its volume of sales in a period of receding trade, and the results were satisfactory. Hudson's Bay Oil and Gas Company Limited experienced a difficult year; however, the result in no way diminishes the faith of your Board in the future benefits and advantages from this investment.

The report and accounts were adopted.

THE RIO DE JANEIRO FLOUR MILLS & GRANARIES

The Seventy-third Ordinary Annual General Meeting of The Rio de Janeiro Flour Mills & Granaries Limited was held on April 30th in London.

The Chairman, Mr J. H. Hansard, in his statement said that members would have seen that the Company made a loss in cruzeiros of 69 million, against a profit last year of 211 million. Some indication of the trend of profits had been given a year ago by his predecessor when it was reported that profit margins in flour milling were likely to be small.

Urgent measures had been put in hand by the Board to cut operating costs, improve the internal organisation in Brazil and to increase the profitability of those parts of the business not so completely price-controlled as the flour milling activities.

The Chairman stated that he was pleased to report that the Company had been operating at a profit in Brazil since the end of the Company's year. Since the increase in the price of flour in October 1958 another upward revision had been allowed by the Brazilian Government. He thought it was fair to say that there was now a greater understanding of the need to allow a reasonable margin between costs and selling prices. It was early to say how the results for the present year would turn out but present indications were that the flour milling operations would be profitable and that the course of cruzeiro profits was comparable with that for the year to September 1957.

The report and accounts were adopted.

RIO TINTO

DIVERSE MINERAL INTERESTS

PROSPECTS OF URANIUM FOR PEACEFUL PURPOSES

The eighty-sixth Annual General Meeting of The Rio Tinto Company Limited will be held on June 4th at Barrington House, 59, Gresham Street, London, E.C.2.

The following is an extract from the statement by the chairman, Mr Gerald Coke, which has been circulated with the report and accounts for the year 1958 :

The Company's percentage interests in the various minerals are approximately as follows, based on the values ruling at the end of the year 1958:

Copper	30 per cent
Uranium:	
Equity	20 per cent
Loans, etc	16 per cent
Oil	18 per cent
Other minerals	16 per cent
	100 per cent

After reviewing the Company's interests in Spain, Australia and Canada, Mr Coke, commenting on the uranium position, said that Rio Tinto were at present producing over 15 per cent of the free world's output of uranium. He added: Conclusions reached in 1956 were that the demand for military purposes might be assessed at between 10,000 and 15,000 tons of uranium metal a year and that the civilian demand for the initial outfit of new reactors might require a further 10,000 tons a year by 1975. It would now appear that both these estimates were on the conservative side.

The present level of requirements of uranium for military purposes is now above that estimated in 1956 and, unless complete nuclear disarmament were to become accepted policy, it could well increase.

The prospects for a greater civilian requirement for the metal are good. In 1956 it was estimated that there would be an annual increase in the free world's nuclear power capacity of 10,000 megawatts by 1975; this figure now looks modest. By about 1965, however, the experimental phase of nuclear power generation will have ended and thereafter the rate of installation is likely to be determined by purely economic considerations. The prospects for cost reductions are good, both through progressive refinements in design and by the introduction of more advanced reactor systems. In general, cost parity with coal-fired stations should be achieved between 1963 and 1973, depending upon the particular circumstances, and the rate of installation of nuclear stations should increase in the late sixties and early seventies.

It was estimated three years ago that this programme would require about one ton of uranium per megawatt of capacity; since then various reactors have been designed offering greater output per ton of uranium than this. However, these are still at the experimental stage and discovery of further sources of supply has made it less necessary to conserve what was then thought to be a scarce metal and work on breeder reactors and other means of economising its use has been slowed down. In the light of this reassessment of the supply position the annual requirement for initial charges might be estimated at a figure of 15,000 tons a year by 1975 on the basis of an increase of capacity in megawatts of about the same figure. If to this is added the annual refuelling charges of about an equivalent tonnage, it would seem that there will be a total annual requirement of uranium for nuclear power purposes alone of 30,000 tons a year by about 1975.

It should not be forgotten that, in addition to the use of nuclear energy for the generation of power for general purposes, there are several possible industrial applications.

To meet these potential demands the output of the free world in 1958 was about 30,000 tons of uranium in concentrates. During 1959 the figure will increase to about 35,000 tons. There should, thereafter, be a small annual growth in output over the next few years, but unless additional sources are discovered and developed, there will be a fall in output towards the end of the 1960s—or even before that date if some producers are unable to weather the cold blast of fully competitive conditions. Although the expansion of production which has taken place in the United States has probably been no more than sufficient to take care of the increased requirements of that country, the present position is that more uranium is produced than is currently required for consumption. It would appear, however, that by about 1970 demand will have overtaken the accumulated excess of supply and thereafter —depending on a number of imponderables —there may be a shortage of the metal in the free world.

On the commercial side Rio Tinto have been active during the year. Valuable contacts have been established with agencies responsible for nuclear power programmes, both in the Euratom group and outside it. We believe that the Rio Tinto mines can produce an oxide which will be competitive within the free world and that the commercial side of our organisation can compete fully with the civilian requirements of uranium in any country, so that if the matter rested solely in our hands an optimistic view can be taken, both of the future of uranium as a fuel and of Rio Tinto's capacity to play their part as the largest producer in the British Commonwealth.

Unfortunately it does not rest solely in our hands. Bilateral agreements are still obligatory in the case of exports from Canada and the United States, but are not being observed by some other countries. The United States, however, have not only entered into bilateral agreements with all likely customers, but have also protected their domestic producers by granting contracts through to 1966, whereas no such security exists in the case of the Canadian producers beyond 1962 or 1963, since the United States have given no indication as to whether they will exercise the options they hold on the Canadian production beyond those dates. This leaves the Canadian producers without the security granted to the American producers; nor are they free to compete with countries which sell without bilateral agreements. Since the tonnages of uranium being sold outside the large premium contracts are at present extremely small, this might not appear to be a matter of importance, but unless some early and positive action is taken by the Canadian Government the consumers in the free world will become accustomed to purchasing uranium oxide from suppliers other than Canadian. This would be a serious matter for Canada as uranium is one of their largest foreign exchange earners.

If you are interested in obtaining a copy of the full Report and Accounts write to: The Registrar, The Rio Tinto Company Limited, Barrington House, (Room No. 64), 59, Gresham Street, London, E.C.2.

CREDITO DI VENEZIA E DEL RIO DE LA PLATA S. p. Az.

Capital : Lit. 1,000m.—Reserves : Lit. 310m.

Registered Office in Milan—Head Office in Rome.

Branches in Milan, Genoa, Naples, Rome and Venice.

The Annual General Meeting of Credito di Venezia e del Rio de la Plata was held on March 21 at the Company's Registered Office, Via Manzoni 3, Milan, under the chairmanship of Mr. Alberto d'Agostino, Chairman of the Board of Directors.

In the course of the meeting the shareholders adopted the Balance Sheet and the Profit and Loss Account for the 40th year of the Bank's activity, which closed on December 31, 1958, and the figures are summarised as follows :—

Assets	Lit. 40,915,359,584	
Liabilities		Lit. 39,469,673,723
Capital Funds		„ 1,250,000,000
Profit for the financial year 1958 and profit balances brought forward from previous years		„ 195,685,861
		Lit. 40,915,359,584
Income	Lit. 1,878,253,300	
Expenditure	„ 1,686,787,158	
Profit for the financial year 1958	Lit. 191,466,142	

Deposits represented a total of Lit. 34,825m. and thus showed an increase of Lit. 8,641m., or 33 per cent, compared with December 31, 1957. Securities and Bonds in deposit, which are included in the Contra Accounts, reached Lit. 21,740m. and thus showed an increase of 15 per cent.

The Meeting also unanimously approved the distribution of profits proposed by the Board of Directors. After effecting a statutory allocation of Lit. 19,146,614, and a supplementary one of Lit. 40,853,386, to the Ordinary Reserve, which was thus raised to a total of Lit. 310,000,000, it was decided to pay, in respect of each of the Bank's 500,000 shares, a dividend of Lit. 240, equivalent to 12 per cent of the face value, as against 10 per cent paid in the previous financial year.

SUN INSURANCE OFFICE LIMITED

EXPANSION CONTINUED

FIRE PROFIT LARGEST RECORDED

MR C. G. RANDOLPH'S STATEMENT

In his statement to Shareholders the Chairman, Mr C. G. Randolph, mentioned that there had been no changes in the Board. They had learnt with great regret of the death of Mr J. A. Miller who had been seriously ill for much of the time since his retirement from the position of General Manager in June 1954.

He mentioned the agreement with the Atlas Assurance Company Limited and the Royal Exchange Assurance Corporation entered into towards the end of 1958 by which in the United States the affairs of the three Offices were placed under common management from January 1, 1959. This move had already reduced operating costs but the fundamental problems of operating profitably in the United States remained.

Owing to inability to obtain free transfer of funds from Indonesia it had been decided that it would be misleading to include the figures for three subsidiary companies operating in that country.

There had been a substantial increase in premium income, the total having risen from £20,669,283 in 1957 to £22,541,492 in 1958. The book value of investments had increased by £2,041,970 during the year to £26,306,269.

FIRE ACCOUNT

The increase of £916,498 compared with one of £791,869 in 1957. The comparative figures were:

	1957	1958
Premiums	£9,233,208	£10,149,706
Claims	4,349,160	4,694,574
Profit	777,758	1,054,237
Ratio of Profit	8.42%	10.39%

In the United Kingdom the ratio of claims was not unsatisfactory and it had been a profitable year overseas with the exception of North America. In Canada the business showed some improvement but the United States had again proved difficult. Competition had been severe and the satisfactory results in the account as a whole were partly due to the fact that there had not been any exceptional losses from windstorm, earthquake or other widespread catastrophe.

The ratio of operating expenses had been reduced.

ACCIDENT ACCOUNT

The premium income had again risen sharply but the expansion of £1,101,937 was somewhat below the exceptional increase of £1,619,306 recorded in 1957. The outcome of the operations had been an underwriting loss which, although comparatively small, was a disappointing return for the effort given.

The comparative figures were:

	1957	1958
Premiums ...	£10,095,639	£11,197,576
Claims ...	5,552,805	6,967,958
Profit ...	310,148	—94,619
Ratio of Profit	3.07%	—0.84%

Motor business was now the largest section of the Accident account and they could never look for more than a very narrow margin of profit on this class. In 1958 the motor results were highly unfavourable in various countries, especially the United States of America. Insurance was a long range business and they as a company were not unduly influenced by results over a relatively short period. They had, therefore, supported their agents and insured by continuing to expand the motor business in spite of adverse results but if justifiable rate increases were not obtained reasonably promptly it seemed that they had no alternative in those areas but to reduce commitments.

But for the adverse motor results the Accident operations would have been reasonably profitable for most other classes had shown expansion and some margin of profit.

In this Department too some reduction in the ratio of expenses had been obtained.

MARINE ACCOUNT

The fall of £146,226 in premiums was partly due to the elimination of the Indonesian business to which reference had been made. The comparative figures were:

	1957	1958
Premiums ...	£1,340,436	£1,194,210
Fund at the end of the year ...	2,330,396	2,065,821

Marine business in 1958 had been more difficult than in any of the postwar years. The level of casualties had been high and falling values had affected hull and cargo business. There was, however, some prospect of a trend to more selective underwriting in some markets.

After transferring £100,000 to the Profit and Loss Account the balance of the Marine Fund was equivalent to 172.99 per cent of the premiums.

PROFIT AND LOSS ACCOUNT

The net transfer from the Revenue accounts totalled £1,059,618 and the income from Interest, Dividends and Rents had increased to £1,370,871 before deduction of tax.

The Directors recommended a final dividend of 4s. 6d. per share less tax, making a total of 7s. per share for the year against 6s. 9d. for 1957.

The Chairman concluded by thanking the staff, Advisory Committees, Local Directors and representatives of the Office at home and overseas for all that they had done during the year.

BAKELITE LIMITED

RECORD SALES FOR 1958

MR STANLEY ADAMS' REVIEW

The Thirty-third Annual General Meeting of Bakelite Limited was held on April 30th at the Hyde Park Hotel, London, S.W.

Mr Stanley Adams, the chairman, in the course of his speech, said : At the annual general meeting last year Mr H. V. Potter, who had been chairman or managing director for 31 successive years, announced his intention to retire from the chair at the end of 1958. This decision was received by your board with much regret, but we are very pleased to inform you that Mr Potter is still to remain a director.

Your board invited me to be the new chairman, an honour that I had much pleasure in accepting with a deep sense of responsibility.

The trading profit for 1958 before taxation was £538,458 (£431,022). The proposed final dividend of 10 per cent, together with the interim dividend of 5 per cent already paid, makes a total of 15 per cent, less tax, for the year, which is the same as for the previous year.

TRADE REVIEW

The total sales during the year, both by weight and value, were higher than in any previous year.

The marketing of BAKELITE polyethylene manufactured by Union Carbide Limited has been most successful. This material is produced in a wide range of grades to meet specialised demands for production of packaging film with the added advantage of high clarity, cable insulation, moulded housewares, piping, and many other applications.

A noteworthy increase in the volume of sales of our PVC products was effected, but a highly competitive situation arose during the year mainly due to imports into this country of very low priced Japanese resin.

In the thermosetting field the Company continued to expand. Sales of polyester resins for use in glass fibre reinforced structures increased noticeably, and more uses are being found by our customers for our epoxide resins. We have maintained our position as the largest suppliers of phenolic moulding materials.

The use by the radio, television, and electronic industries of our copper-clad laminated sheet for printed circuits increased considerably during the year and in spite of increased competition we maintained our position in the forefront of suppliers of laminated industrial sheet.

The demand for WARERITE decorative laminates continued to grow as the utilitarian as well as the aesthetic value of this material is now readily accepted by the public. We extended our business with the ship building industry and orders from the railway carriage and wagon builders were well maintained. Among the notable contracts completed were those for the supply of materials for the Union Castle liner "Pendennis Castle." WARERITE wallboard, which we introduced last year, continues to have a good reception amongst builders and shop fitters. It is also an ideal material for the home handyman and retailers have been appointed throughout the country.

Our overseas trade in 1958 showed considerable improvement on the previous year, but because of the strong competitive conditions the profits derived, while higher than 1957, were not commensurate with the increase in sales.

Both our subsidiary and associated companies in India enjoyed a successful trading year and have made a contribution to the Company's profits.

Work on new and better materials by our research and development staff continues with the objective of adding to our range and providing products for new end uses. We continue to maintain a well organised and efficient technical staff which is available to provide service to our customers.

Relations between the Company and its employees have continued on the same high level of satisfaction to both parties.

CURRENT TRADING POSITION

The Company's sales for the first four months of the current year show an increase over the comparative figures of the previous year and profit margins have also been more than maintained on a similar comparative basis.

The report and accounts were adopted.

UNITED BISCUITS LIMITED

SALES AGAIN A RECORD

INCREASED GROUP PROFIT AND DIVIDEND

MR P. G. MACDONALD'S STATEMENT

The annual general meeting of United Biscuits Limited will be held on May 28th in Edinburgh.

The following is the statement of the chairman, Mr P. G. Macdonald, WS, JP, circulated with the report and accounts:

Our sales in 1958 at £18,200,000 showed an increase of £900,000 on the record figure of 1957. This rate of increase shows some slowing down compared with the figures of the past few years but is satisfactory none the less in the more difficult conditions which have prevailed during the year. During 1958 there was no general increase in the price of biscuits and inevitably, as wages and other costs of manufacture have continued to rise, the margin of profit has slightly contracted.

CAPITALISATION ISSUE

In November, 1958, we carried through a capitalisation issue of one ordinary share for every two shares then held, thereby increasing the issued ordinary capital from £3 million to £4,500,000. Shareholders will recall that a capitalisation issue was also effected in May, 1955, so that as a result of these two operations the original ordinary capital of £2 million has been more than doubled, and makes the original investment of £1 5s. for one ordinary share worth £8 6s. at the current market price of about 74s.

GROUP ACCOUNTS

The group profit for the past year after charging depreciation, Directors' remuneration, provision for pensions and auditors' fees, amounts to £2,542,275 as against £2,510,069 in 1957. Income tax and profits tax absorbed £1,302,402 (£1,329,049), and there remains after taxation a balance of £1,239,873 (£1,181,020).

The preference dividend for the year, together with an interim dividend of 5 per cent, less tax, on the ordinary shares paid in October, 1958, on the then issued capital of £3 million required £120,750, and your Directors recommend that the final dividend on the ordinary shares be at the rate of 10 per cent, less tax (at 7s. 9d. in the £) on the increased capital of £4,500,000, requiring £275,625. The total dividend for the year on the ordinary shares is equivalent to a rate of 13¾ per cent on the Ordinary share capital of £4,500,000 now in issue and compares with an equivalent effective rate of 11½ per cent on the increased capital for 1957. After meeting the expenses of the increase in the share capital and transferring £750,000 to general reserve, the balance carried forward on profit and loss account amounts to £524,536 (£448,178).

I would now draw your attention to the consolidated balance sheet from which you will see that there has again been a substantial increase in the fixed assets. Over £900,000 was expended during the year on additions and improvements to our factories and plant. It has always been the policy of our group to plough back into the business of our subsidiary companies a considerable part of each year's profit to finance such improvements. Only by keeping our factories on the most modern lines, and indeed by pioneering new methods of production, have we been able to reach our present status in the industry and to maintain stability in our prices.

It is our object to supply the purchaser, i.e. the housewife, with the highest quality biscuits in the best possible condition at the lowest economic prices. That we have had some measure of success with this policy will be realised from the fact that we have increased our sales fourfold in the past decade.

EXPORT

I am again glad to be able to report further increases in our export sales.

THE FUTURE

As I have said in the past, the prosperity of the biscuit industry is directly linked with the economic prosperity of the country as a whole, and we, in common with all others, must feel encouraged for the future by the budget recently announced by the Chancellor. He has sought to grant concessions where they can be most effective in stimulating industrial expansion and in easing to some extent the burden of taxation where for years it has been pressing most heavily.

MANAGEMENT AND STAFF

The year 1958 was not a particularly easy one for industry in general and no more so for the biscuit manufacturer, and I personally am very conscious of the debt of gratitude which we owe to all those who have contributed towards making it a successful one so far as we are concerned. I would like to thank the management and staff and all employees in the group for their loyalty and support to me, and I know that the shareholders would wish to be associated with these remarks.

THE BRITISH WAGON COMPANY LIMITED

AN EVENTFUL YEAR

The Annual General Meeting of The British Wagon Company Limited was held on April 30th at the Company's Offices, 23 Moorgate, Rotherham, Mr R. A. Dyson (the Chairman) presiding.

The following is an extract from his circulated statement:

Last year I stated that 1958 had started well; the improvement continued throughout the year, which from the Directors' Report you will see revealed a substantial increase both in business transacted and profits earned. There is also a useful increase in deferred income from £1,190,195 to £1,534,432, which is a solid basis on which to start 1959.

The Profit of the Company and its Subsidiaries after providing for Taxation and Minority Shareholders amounted to £261,118 (1957—£180,083).

This has been a year of many changes, perhaps the most noteworthy event being the direct interest taken by the Banks in hire-purchase.

Following the Extraordinary General Meeting held in Rotherham during September, The Royal Bank of Scotland, together with their Associates, Williams Deacon's Bank Ltd. and Glyn, Mills & Co., acquired an interest in your Company. I am happy to have this more permanent link with our Bankers.

During the past 18 months ten of our Branches have been accommodated in new and better offices. During this spring additional Branches are being opened at Guildford, Ayr and Croydon; further Branches in England and Scotland are under consideration.

Your Subsidiary Companies, Oil Road Rollers and Palmers, have, I am glad to say, had a more prosperous year; with the increased road making programme now under way it seems clear that these two Companies can look forward to a period of increasing activity.

BW Trade Facilities has been of great help to the Parent Company during the past year and I anticipate that this very valuable assistance will continue. The British Railway Traffic and Electric Company again shows a reasonable return on the money invested.

Your Canadian Subsidiary, Ross Finance Company, has had difficult conditions to contend with during the year; nevertheless it has made a satisfactory contribution to the Company's income.

The report and accounts were adopted and resolutions were passed increasing the Nominal Capital by £850,000 to £3,400,000; capitalising £850,000 of the Share Premium Account to be utilised in paying up in full 850,000 new £1 shares fully paid to be allotted on the basis of one new share for every £1 share at present held, and utilising £425,000 of the General Reserve in paying up a further £5 in respect of each £20 share at present £5 paid, and sub-dividing each £20 share into ten shares of £2, £1 paid.

Times Furnishing

RECORD HP TRADE

The Eleventh Ordinary General Meeting of The Times Furnishing (Holdings) Limited was held on May 1st in London, Mr Henry Jacobs (the Chairman) presiding.

The following are extracts from his circulated Statement:

The Directors recommend an increased final Dividend of 15% less tax—a total of 22½% for 1958 (20% for 1957).

TIMES FURNISHING—Turnover was by far the highest in its history.

Relaxation of HP restrictions in September, 1958 resulted in a very considerable increase in trade, but profits on HP transactions are not immediately realised and outstanding HP Accounts rose from £2,598,701 in 1957 to £3,845,567 in 1958.

WILLERBYS—Turnover of the Tailoring Co. was maintained, despite difficult conditions in the clothing industry during the year.

The opening of two new Furnishing Stores, the rebuilding of TIMES FURNISHING in Manchester, and important new Furnishing Stores being erected on freehold sites in Wolverhampton and Richmond, reflect the policy of steady expansion.

The substantially higher level of turnover of the Furnishing Co. has been maintained during 1959. The Directors see no reason why this tendency should not continue throughout the year.

The Company supply goods of high quality at competitive prices and the facility of very advantageous Easy Terms. The ample proof that such a policy is appreciated generally is further evidenced by the large proportion of business with old customers and those they recommend.

ABERDARE HOLDINGS LIMITED

The twenty-third ordinary general meeting of Aberdare Holdings Limited was held on May 4th in London, Sir John Pascoe (the Chairman) presiding.

After reviewing the financial results, the Chairman said: Our dividend has been maintained at 17½ per cent over the past five years and this has meant that the Group has increased its ability to withstand the greater competition which we are expecting in certain fields, and its ability to take immediate advantage of the general revival in trade as the Country climbs out of the slight recession of the past year.

Aberdare Cables Limited.—During the past six months, our turnover has been well maintained. I feel that we have every hope of maintaining our shares of the business placed.

Aberdare Engineering Limited.—The difficulties experienced in the engineering industry during the year were apparent in our own factory but a satisfactory level of output was achieved.

South Wales Switchgear Limited.—The rate of increase of the turnover of this company has been well maintained and plans are now well advanced for expansion of our facilities at Pontllanfraith, a gratifying feature of the increased turnover being the amount obtained for export, equipment having been delivered to a very wide range of importing countries throughout the world. With the capital expenditure we have in view for this company, we look for increased expansion of its activities over the years.

The report was adopted.

JOSIAH PARKES & SONS

(Manufacturers of Union Locks and Brassfoundry)

The Ordinary Annual General Meeting of Josiah Parkes & Sons Limited was held on April 30th at Willenhall, Mr C. W. Parkes, JP (chairman and joint managing director), presiding.

The following is an extract from his circulated statement:

The group has again had a very satisfactory year. Turnover was rather higher than in the previous year and group trading profit before tax is 13 per cent up on 1957. This is a reflection of a general increase in efficiency since it has been achieved despite a rise in wage costs and a slight fall in average selling prices.

The trading profit of £295,007 is £34,531 higher than in 1957, an increase of 13 per cent. The net available profit is £27,161 higher at £160,268.

The Consolidated Balance Sheet shows a strong position with a liquid surplus of £757,521 compared with £655,949 a year ago. The total of Capital and Reserves invested in the business has increased by £122,211 in the year, now standing at £1,301,164.

Your directors have recognised for some time that the market for the company's shares on the Birmingham Exchange was very limited, and an application to the London Exchange for a quotation in respect of the whole of the issued capital was approved as from February 26, 1959.

At the moment all our factories are fully employed and we have a satisfactory order book.

The report was adopted and the total dividend of 11¼ per cent approved.

GILBEYS LIMITED

(Wine Merchants and Distillers)

YEAR OF FURTHER PROGRESS

The annual general meeting of Gilbeys Limited was held on April 30th in London, Mr R. D. Gilbey (the chairman) presiding.

The following is an extract from his statement: I am pleased to report a further increase in the Trading Profit of the Group. The Group Profit, before providing for taxation, shows an increase of £170,000. The Group Net Profit is almost the same as last year.

Very near the end of 1958 we made a Rights Issue to our shareholders which was a resounding success. The Board feel justified in maintaining the same rate of final dividend on the capital as increased by this issue.

Our Canadian subsidiary had a record year, the sales in almost every line handled exceeding the forecast. A necessary increase in productive capacity has, therefore, been authorised.

Our Branches in Australia and New Zealand both contributed very materially to the overall results. Our South African distillery also enjoyed a record year.

In the USA Gilbeys Gin continued to hold its position, although in the early part of the year sales were affected by competition from low-priced gins. Gilbeys Vodka, however, scored a strong gain, with the result that the combined royalties on these brands were maintained.

The Home Trade, although hit by the bad summer and by the lifting of the restrictions upon hire purchase which led to spending of money in other directions, has not been unsatisfactory. We have been particularly pleased to note how well our Spey Royal Whisky is thought of—and particularly in Scotland where good whisky is appreciated, perhaps more than elsewhere.

For some years now I have been able to record that we have accepted appointments as agents for several American, Continental and other lines of high prestige. We are setting up an Agency Division which will give these well-known products the particular attention which their principals require. The lines to be handled by this new organisation, in addition to those to which I referred last year, are Courvoisier brandy, Crofts Port and Catto's De-Luxe Scotch Whisky. Negotiations for other lines of equal distinction are proceeding.

The report was adopted.

APPOINTMENTS

THE POLYTECHNIC
309 REGENT STREET, W.1
SCHOOL OF COMMERCE

Applications are invited for two full-time appointments as Grade B teachers, duties to commence on September 1st next.

(1) To teach History or Government or Sociology as main subject to final B.Sc.(Econ.) level and one of the other two as subsidiary subject.

(2) To teach Pitman's Shorthand and Typewriting to full-time Secretarial Students (post G.C.E. ordinary level), ability to teach book-keeping would be an additional recommendation.

The salary scale for a graduate rises to £1,155 (or for a non-graduate for post 2 to £1,076 5s.) per annum, plus London allowance of £37 16s. or £50 8s. Additional allowances are payable for a good honours degree and training where appropriate. The commencing salary will depend upon qualifications and experience and may include up to twelve increments in respect of industrial experience. The posts are subject to superannuation and some concession in this respect may be made for previous industrial employment.

Application forms, to be returned within one week of the publication of this advertisement, may be obtained by sending a stamped addressed foolscap envelope to the undersigned.

J. E. RICHARDSON,
Director of Education.

BRITISH TRANSPORT COMMISSION requires Economist/Statistician. Candidates should have some years' experience as an economist in the business world and understanding of the problems of high level management in a large organisation, ability to write briefly and clearly in non-economic language, and a good knowledge of the structure of the economy and of sources of statistical information. Direct experience in inland transport is desirable, but not essential; good academic or professional qualification required. Starting salary according to qualifications and experience but will not be less than £1,400 per annum. Superannuation scheme. Certain free travel facilities. Medical examination.—Write, giving age and details of education and career, to Director of Establishment, British Transport Commission, 222 Marylebone Road, London, N.W.1, within 14 days. S.A.E. for acknowledgment.

UNIVERSITY COLLEGE, LONDON (Gower Street, W.C.1) requires RESEARCH ASSISTANT in Department of POLITICAL ECONOMY. Duties to commence October 1, 1959. Salary £700, plus £60 London allowance. Qua.—Applications, to be received by June 8, 1959, should be sent to the Secretary, from whom further particulars may be obtained.

UNIVERSITY COLLEGE OF WALES
ABERYSTWYTH

Applications are invited for the following posts in the Department of Economics and Political Science:
(a) Assistant Lecturer or Lecturer.
(b) Temporary Assistant Lecturer for Session 1959-60 only.

Further particulars can be obtained from the Registrar, to whom applications should be sent not later than June 5, 1959.

For further appointments see page 587

CANBERRA UNIVERSITY COLLEGE
AUSTRALIA

LECTURER IN ECONOMICS

Applications are invited for appointment to the above post. Preference will be given to candidates with special interest in agricultural economics or mathematical economics.

Salary range: £A1,463-£A2,063 per annum. Annual increments of £A75. Commencing salary will be in accordance with qualifications and experience.

Further information and the summary forms which must accompany an application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close in Australia and London on July 4, 1959.

CENTRAL OFFICE OF INFORMATION invites applications for the following posts:

P.E. 994—Senior Information Officer. Responsible for reporting on current Commonwealth developments and writing explanatory items and articles on Commonwealth topics. Correspondent will require keen understanding of economic and constitutional subjects. Candidates must be experienced journalists whose work has called for wide knowledge of affairs within the Commonwealth as a whole. Personal acquaintance with one or more of the member States of the Commonwealth (apart from the United Kingdom) desirable. *Salary:* £1,395 to £1,600 (men); £1,345 to £1,600 (women).

P.E. 995—Information Officer. To assist in production of a daily wireless press service for use by United Kingdom information posts in East Africa. Candidates must have had good journalistic experience, gained on the editorial staff of a newspaper, news agency or broadcasting organisation. Wide knowledge of current affairs, including constitutional and economic developments in Africa, is a necessity. Also desirable that they should be personally acquainted with one or more of the territories of the area, preferably gained in the course of journalistic or information work. *Salary:* £1,050 to £1,330 (men); £1,102 to £1,280 (women).

P.E. 996—Information Officer. To take a major part in production of a daily wireless press service for use by United Kingdom information posts in Pakistan, India and Ceylon. Candidates must have had good journalistic experience, gained on editorial staff of a newspaper, news agency or broadcasting organisation. Wide knowledge of current affairs, including political and economic conditions in the countries of Asia particularly concerned, is a necessity. Also desirable that they should be personally acquainted with one or more of the territories of the area, preferably gained in the course of journalistic or information work. *Salary:* £1,150 to £1,330 (men); £1,102 to £1,280 (women).

P.E. 997—Information Officer. To assist in production of a daily wireless press service for use by the United Kingdom information posts in South East Asia. Candidates must have had good journalistic experience, gained on editorial staff of a newspaper, news agency or broadcasting organisation. Wide knowledge of current affairs, including political and economic conditions in South East Asia and the Far East, is a necessity. Also desirable that they should be personally acquainted with one or more of the territories of the area, preferably gained in the course of journalistic or information work. *Salary:* £1,150 to £1,330 (men); £1,102 to £1,280 (women).

Write to the Ministry of Labour and National Service, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4, quoting relevant P.E. number and give age and full details of qualifications and experience. Only those applicants selected for interview will be advised.

ACTUARY with experience of insured or self-administered pension schemes required in rapidly expanding consulting practice. Salary according to age and experience but not less than £1,500. Early prospect of partnership—Hoskins, 11-12 Finsbury Square, E.C.2.

UNIVERSITY OF EDINBURGH
DEPARTMENT OF SOCIAL STUDY

EDINBURGH COMMUNITY RESEARCH AND DEVELOPMENT STUDIES

Applications are invited from Sociologists with experience of urban research for the post of Director of a research programme in a large housing estate in Edinburgh.

The programme will extend over a period of five years and will be concerned with (a) the development of the characteristic social institutions of the area, their variations and their effect upon individuals, and (b) the nature and causes of the social and psychological pathology appearing in the population. The programme will therefore combine research with social casework and social development activities of an experimental kind. Staffing will be adequate for these purposes. The successful applicant will have responsibility for the whole programme, for continuity and for administration.

Salary Scale £1,100 by £50 to £1,300 per annum, together with superannuation benefit.

Further particulars may be obtained from the undersigned, with whom applications, together with the names of three referees, should be lodged not later than May 30, 1959.

CHARLES H. STEWART,
Secretary to the University.

April, 1959.

COMPANY AFFAIRS

VICKERS

As was to be expected with the run-down in the defence programme, the difficulties in the civil aircraft industry, the lack of new orders for ships and the decline in activity in the capital goods industries, the full report of Vickers for 1958 bears many signs of contraction. Excluding in both years the figures for Power-Samas, sales fell last year from £196.3 million to £176.9 million, the order book declined from £376 million to £312 million, the gross value of stocks fell from £141 million to £128 million and trading profits contracted from £13.5 million to £12.3 million. Indeed, one of the few signs of expansion is the growth in liquid funds from £5.8 million to £14.1 million, reflecting the final calls on Vickers' twin issue of debenture stock and ordinary shares. But that, at least, means that Vickers is spared an immediate financing problem.

How far will Vickers be able to pick up new business in some of its divisions, especially steel and engineering, to offset the decline in the shipbuilding divisions and, possibly, in the aircraft division? How much further, indeed, will its total business contract? These are questions that ordinary shareholders, who have again received a 10 per cent dividend, must ask themselves when they note that the rate of return on capital employed over the last four years has fallen from 13.5 per cent, through 13.0 per cent and 12.5 per cent, to 10.4 per cent.

In aircraft, new orders for the successful Viscounts are tailing off and for the moment Vickers must pin its hopes on selling more than the 40 Vanguards which are now on order. The directors, arguing the case for cheaper air fares, seem confident that the orders will come and meantime they have written down expenditure on the Vanguards heavily. Further in the future, and thus more problematical, are the VC 10 for the civil market and the TSR 2 for the RAF. In shipbuilding, Vickers still has 29 ships on order. But what happens when these orders are worked off, as they will be in the next two or three years? In steel, the English Steel Company has at the moment only enough orders to employ two-thirds of its capacity. In Metropolitan-Cammell Carriage, the ending of British Railways' buying programme for new wagons has coincided with a decline in enquiries from abroad.

All this points to further contraction. But Vickers' general engineering divisions should benefit from any recovery in capital investment, as should its steel division, and it has a big stake in a growing industry through its 38 per cent equity interest in ICT (the product of the merger between Power-Samas and British Tabulating Machine). And on aircraft, which represents about 30 per cent of total sales, it has scored a notable success with the Viscount (on which spares will bring further profits) and it is certainly as strong as any other British aircraft company. Whether or not Vickers £1 ordinary shares, yielding 6 per cent at 33s. 4½d. xd, are still full of growth, they are certainly full of quality.

DE HAVILLAND

The present plight of the British aircraft industry, with the defence programme pared down and Government support withdrawn from the development of civil aircraft, is crystallised in two sentences in Mr W. E. Nixon's statement to de Havilland shareholders:

> It is idle to pretend that the British aircraft companies can finance from their own resources highly expensive new projects without a basic minimum of orders and still compete successfully with the other manufacturers of the world who have sufficient government orders or subsidies, or both.
>
> The rapidly changing pattern of aviation business has laid a heavy strain upon our financial resources and technical organisation, whilst increasing materially the time needed to bring a profitable reward.

De Havilland is heavily committed in the Comet IV and with Fairey and Hunting is busy on the development of the DH 121. More Comets are being made than have been ordered. It is only too evident, as Mr Nixon says, that "when dealing in units of over £1 million each it is the group's profitability that will be materially affected by the success of sales efforts."

Yet, though de Havilland's turnover is being maintained at a "satisfactory" level (thanks in part to the defence order for Sea Vixens) profits have taken a severe jolting and future earnings must be regarded as problematical. In the year to September 30th, trading profits excluding a special credit of £530,860, fell from £3,546,701 to £2,074,364 and the net surplus dropped from £619,611 to £133,606. Small wonder, then, that there is no ordinary dividend. The main reason why de Havilland's profits have been so drastically cut is that the directors have again written off the tooling expenditure on existing orders for this aircraft and the initial expenditure on those now in production for which no orders have been placed. This is only prudent, for it is not certain that this expenditure can be recovered from future additional sales.

De Havilland's resources are now under considerable strain. Stocks and work-in-progress have risen from £23,711,265 to £31,594,140, financed by a rise in bank overdrafts from £242,262 to £2,655,355 and in deposits and advances from customers from £13,192,330 to £18,331,997. This is not a report to gladden the heart of any holder of de Havilland £1 ordinary shares, now quoted at 15s. 3d., even though it contains some reference to the possibilities of diversification and to the fact of de Havilland's contract for the 2,500 mile range "Blue Streak."

RIO TINTO

Rio Tinto's main source of income at present is from investments in Rhodesian copper. They paid less last year and reduced Rio Tinto's gross profits from £3,900,000 to £3,157,000, causing a reduction in its ordinary dividend from 26 to 20 per cent. So far, Rio Tinto's extensive and expensive exploration programme has produced little, but the company has acquired Kern Oil and it now intends to invest £450,000 in the exploitation of lead/zinc deposits in India. Its future is still bound up in its big investments in uranium. From the viewpoint of the shareholder in Rio Tinto the coming into production of the Mary Kathleen mine in Australia is of more immediate significance than the Canadian uranium mines, from which Rio Tinto cannot receive dividends until much of their debenture debt is cleared.

Rio Tinto provides about 15 per cent of the free world's uranium output and the chairman Mr Gerald Coke, devotes much of his statement to examining the prospects for the metal. Currently, it is in surplus and some deliveries are going straight into the United States stockpile. No fresh government contracts have been placed or are likely to be placed for the next few years but Mr Coke estimates that by 1970 demand will overtake "the accumulated excess of supply" and thereafter there may be a shortage of uranium. This is a long range forecast, and for Rio Tinto the inescapable fact is that its contracts run out in 1962 or 1963. By then the cost of the mines will have been amortised but it hardly seems possible that uranium will then command a price of $10 a lb. Rio Tinto has thus to be prepared to sell freely in a commercial market, subject to security safeguards. It is prepared for this but it seems to be urging the Canadian government to follow the example of the United States administration, and make bilateral arrangements on exports with a larger number of countries and to extend the present contracts until 1966. That would put Rio Tinto's Canadian mines on an equal footing with American producers and for this Rio Tinto presumably would be willing to accept a lower price. But the yield of 3¾ per cent on the 10s. ordinary shares at 53s. 1½d. xd. shows that much is in the hazard.

DUNLOP RUBBER

Dunlop's dependence on the British motor industry can easily be overemphasised, for over half of the group's fixed assets stand on overseas soil and in 1957 70 per cent of its total sales (including indirect exports) were made in overseas markets. Last year, when the motor industry was booming, Dunlop Rubber's gross profits fell by £100,000 to £19,760,000. As the directors warned shareholders six months ago, profits in the last six months of the year were not so high as the peak level reached in the corresponding period of 1957, but the fall is no more than £310,000 to £10,130,000 and compares with a rise of £210,000 in the first half of the year. The directors then said that profits from overseas activities were being well maintained. It may therefore be that lower prices and rising costs in the United Kingdom, to which the directors also alluded in the interim statement, had, at least up to the end of the calendar year, offset the benefit accruing from the motor industry's high output.

The ordinary dividend, previously restored from 10 to 14 per cent in 1957, has now been raised to 16¼ per cent and the directors propose to make a 25 per cent scrip issue. This must be taken as a sign of confidence. The reduction in taxation from £7,458,000 to £6,360,000 is reflected in the advance in net profits from £5,026,000 to £5,797,000. The stock market was pleased with the dividend and the company's 10s. ordinary units gained another 1s. 7½d., to reach a new "high" for the year of 29s. 7½d. and to offer a yield of 5½ per cent.

BABCOCK AND WILCOX

Although the total sales of Babcock and Wilcox fell by only 2½ per cent, from £35,851,000 to £34,902,000, last year its trading profits were nearly 19 per cent down, from £5,885,100 to £4,803,805, reflecting a reduction in profit margins on the orders received in the past few years. Clearly the general recession in heavy engineering was partly to blame, but the chairman, Mr W. Lionel Fraser, says that as the Central Electricity Generating Board has revised its plans for installing conventional power plant the total number of boilers it is now likely to require in any one year is only one-quarter of the number it ordered a few years ago. In addition "many difficulties" were encountered in building the nuclear power station at Hinkley Point. In anticipation of the trend toward bigger boilers the directors acquired the lease of a Royal Ordnance factory at Dalmuir, where the company will also be able to develop new ranges of engineering products, and it is going ahead with a big programme of capital development. Thanks, however, to the injection of £2 million from the new 6 per cent debenture the group was able to cut its bank overdrafts from £4,023,248 to £1,443,253. But the directors have already sanctioned further spending of £1,787,000 on capital account this year. Mr Fraser has in the past warned shareholders that it would be difficult to maintain profits at the level reached in the boom years and he now says that "for a period business may be less profitable and even less plentiful."

On a 13 per cent dividend, covered about twice by earnings, the £1 ordinary shares yield 5½ per cent at 48s. 6d.

UNITED SUA BETONG

As expected, the preliminary profit figures of United Sua Betong for 1958 show a drop in earnings. At the beginning of 1957 the price of spot rubber was 2s. 6d. per pound but then declined steadily throughout the rest of the year; in 1958 the price was fairly stable at a little below 2s. per pound. United Sua Betong's gross profits last year fell from £841,236 to £713,055 and its net profits from £509,236 to £413,055. But the ordinary dividend has been maintained at 50 per cent, and a one for three scrip issue will be made to mark the company's jubilee.

The £1 ordinary shares of United Sua Betong have risen steeply over the last six months; at the beginning of November they stood at 60s. and they are now 86s. 6d., against a low point of 46s. last year. Recent buying in the rubber share market has been stimulated by more than the sharp and somewhat disconcerting rise in the price of the commodity which is now back to 2s. 6d. per pound. High yields obtainable on the stocks of many soundly based companies have attracted investors, and even at 86s. 6d. "Suas" offer a yield of 11.6 per cent on the dividend paid for last year. Clearly the rubber plantations are now earning good profits, but though trading in rubber shares has been maintained at a high level the advance in share prices has become more sedate, although the commodity has been rising quickly.

JOHN SUMMERS

The trading profits of John Summers at £6,900,000 were running at roughly the same level in the first half of the current financial year as they were in the same period in 1957-58 when they amounted to £6,880,000. The directors say that the Shotton works could not fully meet the demand for sheet and light plates and that orders to date are sufficient to keep the plant fully employed for the rest of the financial year. The interim ordinary dividend is maintained at 6 per cent and the directors propose to make a 50 per cent scrip issue. They expect to pay something slightly better than 6⅔ per cent as a final dividend on the enlarged capital. That rate is equivalent to the 10 per cent paid as a final on the present capital in 1957-58.

RICHARD COSTAIN

When the directors of Richard Costain introduced their share purchase scheme for senior staff to ordinary shareholders last January they took another step forward along the road to more liberal dividends by indicating that the ordinary payment for 1958 would be 15 per cent. In earlier years shareholders patiently waited while the company grew hand over fist, fed by the retention of the bulk of its net profits. Although a tax-free payment of 3 per cent from capital reserves was added to the basic dividend of 10 per cent in 1953, the first real break with conservatism since the end of the war came in 1957, when the dividend was advanced to 17½ per cent and a 100 per cent scrip issue was announced. Greater liberality, it will be recalled, followed on a bout of speculative activity in the Costain shares.

The rise from £521,501 to £609,761 in gross profits comes up to expectations and as forecast the ordinary dividend has been raised to 15 per cent and the tax-free payment dropped. Shareholders, though they must feel a little disappointed with the decision to retain the whole of the proceeds of the sale of Dolphin Square, have thus had their dividends doubled in the last two years.

The gross profit for 1957 has been adjusted to take account of this sale, and 1958 profits include the earnings of Costain (West Africa) in which Richard Costain now owns the bulk of the ordinary capital. Hence, though tax fell by £22,152 to £232,600, net profits are only £54,605 higher at £320,915, as minority interests and pre-acquisition profits have risen. Earnings still cover the ordinary dividend three times and the yield of 4 per cent offered by the £1 units at 76s. cannot be regarded as unduly low.

GALLAHER

Since January turnover of Gallaher's has continued to expand, though at a slower rate than last year when sales rose by 20 per cent, from £204 million to a new peak of £244 million, and trading profits rose 18 per cent from £6,562,896 to £7,754,578. But shareholders must note the warning made by the chairman, Sir Edward de Stein, that profit margins may be squeezed this year by the increase in selling and advertising costs, by the higher average cost of leaf stocks, and by the heavier depreciation charges Gallaher will incur as additional factories and machinery are brought into use. On the 25 per cent dividend forecast on the capital as increased by the recent rights issue the 10s. ordinary shares at 46s. 9d. xd yield 5.3 per cent.

MERCHANT BANKS

Hambros, one of the few merchant banks that is a public company, shows a large increase in deposits in its year to March 31st—by £9 million to £65.7 million. But perhaps half of this reflects the swelling of deposits this year immediately after Easter. The true increase is attributable largely to increased foreign business. The chairman, Mr R. Olaf Hambro, says that there has been a remarkable increase in foreign exchange business since the currency freeings. Acceptances, too, are up, from £19.9 million to £21.6 million. Hambros has increased its stake in two hire purchase companies, Western Credit and Belmont Finance, though the chairman emphasises that it will keep participation in this sphere within due bounds. The main business of the bank

Company Affairs *continued on p. 582*

London and New York Stocks *on next two pages.*

LONDON AND NEW YORK STOCKS

Prices, 1959 High	Prices, 1959 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 29, 1959	Price, May 6, 1959	Net Yield, May 6, 1959 § £ s. d.	Gross Yield, May 6, 1959 § £ s. d.
100 3/16	100	War Loan 3% 1955–59	100 1/8	100 1/8	2 13 11	3 17 11
97 1/4	96 11/16	Funding 2½% 1956–61	97 5/16	97 3/32	2 17 0	3 17 3
99 3/16	98 11/32	Exchequer 2½% 1960	98 7/8	98 13/32	2 11 0	3 11 2
100 3/16	99 3/8	Exchequer 3% 1960	99 3/32	99 5/32	2 0 0	3 8 5
101 11/32	100 25/32	Conversion 4½% 1962	101 3/32	101 1/16	2 4 4	4 1 10
96 3/32	94 7/16	Exchequer 3% 1962–63	95 3/32	95 5/32	2 16 7	4 2 11†
101 3/4	101 3/32	Conversion 4¾% 1963	101 1/2	101 11/32	2 7 7	4 7 9
92 15/16	91 3/16	Savings Bonds 3% ... 1955–65	92	91 3/4	3 7 8	4 13 2†
85 13/16	83 1/4	Funding 3% 1959–69	83 15/16	83 7/8	3 16 4	5 2 3†
93 1/16	90 3/8	Funding 4% 1960–90	91 3/16*	91 1/8	2 17 9 4 10 10†	4 10 10†
83 7/16	80 7/8	Savings Bonds 3% ... 1960–70	82	81 7/8	3 17 4	5 4 11
93 5/8	91 5/8	Exchequer 2½% ... 1963–64	92 7/16*	92 1/32*	3 2 11	4 3 11
100 7/16	99 15/16	Conversion 4½% 1964	100 3/16	100 1/32	2 13 9	4 8 5†
85	83 15/16	Savings Bonds 2½% ... 1964–67	84 7/16*	84 1/4	3 16 11	4 19 3
76 13/16	75 1/16	Savings Bonds 3% ... 1965–75	76 5/8	76 3/8	3 16 9	5 4 9†
105 11/16	102 9/16	Exchequer 5½% 1966	103 3/8	103 3/8	2 18 0	5 0 11†
86 3/8	83 1/4	Funding 3% 1966–68	85 3/8	85 1/4	3 16 3	5 2 8†
98 1/8	96	Victory 4% 1920–76	96 3/8	96 1/16	2 19 7	4 12 5‡
89 13/16	87 5/8	Conversion 3½% 1969	88 7/8	88 3/8	3 11 6	5 1 4
101 3/8	98 3/8	Conversion 5½% 1974	101 1/4	101 3/8	3 4 2	5 6 4
79 3/4	76 7/8	Treasury 3½% 1977–80	79 3/8	79 3/8	3 12 1	5 4 8†
78 3/8	76 15/16	Treasury 3½% 1979–81	78 7/16	78 7/16	3 12 8	5 5 1†
104 1/2	101 3/8	Funding 3½% 1982–84	104 5/16	104 1/2	3 3 1	5 5 9e
68 3/4	65 7/8	Redemption 3% 1986–96	67	66 3/4	3 8 8	4 19 9†
74 1/16	71 1/4	Funding 3½% 1999–2004	73 3/4	73 1/2	3 6 2	5 1 2†
75 3/16	73 1/16	Consols 4% after Feb. 1957	75 5/16	75 3/16	3 5 7	5 1 9†
68 5/16	66 3/8	War Loan 3½% ... after 1952	66 7/16*	66 3/8	3 4 8	5 5 5†
68 11/16	65 7/8	Conv. 3½% ... after Apr. 1961	66 13/16	66 1/2	3 4 8	5 5 10†
60	57 1/2	Treasury 3½% after Apr. 1966	58 3/8	58 1/8	3 3 5	5 3 9†
53 5/8	51 3/8	Consols 2½%	51 7/8	51 5/8	2 19 6	4 17 3†
51 1/8	47 1/8	Treasury 2½% after Apr. 1975	49 1/4	49 1/2	3 2 1	5 1 6†
96 7/16	94	British Electric 4½% 1967–69	96 3/8	95 7/8	3 5 0	5 1 10†
80	77 1/8	British Electric 3½% ... 1968–73	78 3/8	78 7/16	3 17 6	5 4 8†
76 13/16	74 3/8	British Electric 3½% ... 1974–77	75 3/16	75 3/8	3 15 3	5 3 4†
90 3/16	87 3/8	British Electric 4½% 1974–79	83 13/16	83 5/16	3 7 9	5 3 3†
80 3/8	77 5/16	British Electric 3½% 1976–79	77 3/8*	78 11/16*	3 12 5	5 3 11†
89 15/16	87 1/8	British Gas 4% 1969–72	89 3/16	89 1/4	3 9 7	5 3 9†
87 3/8	84 3/4	British Gas 3½% 1969–71	86 1/4	86 1/16	3 11 8	5 1 11†
69 7/16	66 3/8	British Gas 3% 1990–95	67 3/8	67 3/8	4 18 4†	5 1 4†
20 1/8	77 1/8	Brit. Transport 3% ... 1968–73	78 3/8	78 7/16	3 17 6	5 4 8†
83 1/16	84	Brit. Transport 4% ... 1972–77	86 1/16	85 7/8	3 9 8	5 4 10†
69 1/16	66 1/4	Brit. Transport 3% ... 1978–88	68 7/16	68 1/4	3 13 1	5 3 11†

Prices, 1959 High	Prices, 1959 Low	FIXED INTEREST STOCKS	Price, Apr. 29, 1959	Price, May 6, 1959	Yield, May 6, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	99 3/8	Australia 4½% 1963–62	100 3/8	100 1/2	4 2 1e
107	103 3/4	Australia 6% 1973–76	105 1/4	105 1/4	5 9 8e
77	74 1/2	Ceylon 4½% 1973–75	75 1/2	75 1/2	6 9 9†
102 3/8	99 1/2	Jamaica 6% 1977–82	101	102	5 16 4e
105 3/8	104 1/4	New Zealand 6% 1976–80	105 3/8	105 7/8	5 9 2e
101 3/4	99 1/4	Rhodesia and Nyasaland 6% ... 1978–79	95 1/4*	99 1/4*	6 9 2†
74 1/4	69 1/2	Southern Rhodesia 2½% 1965–70	71	71	6 1 8†
		CORPORATION AND PUBLIC BOARDS			
103 1/2	100 7/16	Agricultural Mortgage 5½% 1980–85	102 1/2	103 1/2	5 4 7e
104 3/4	102 3/4	Birmingham 5½% 1974–76	104	104 1/4	5 5 10e
94 1/2	92 1/8	Bristol 3% 1958–63	94 1/2*	93*	4 19 0†
93 1/2	95 1/2	Glasgow 4½% 1956–68	95 1/2*	96 1/2*	5 4 11†
101 1/4	99 1/4	Corporation of London 5¼% 1976–79	99 1/2*	99 1/2*	5 5 10†
57	55 1/4	L.C.C. 3% ..... after 1920	55 1/2	55*	5 9 1f
64	62 1/4	Met. Water Board 'B' 3% 1934–2003	63 1/2	63 1/2	5 1 9†
		FOREIGN BONDS			
110	101 1/4	German 7% 1924 (British Enfaced 5%)	108 1/2*	108 3/4	...
192	177	German 5½% 1930 (Enfaced 4½%)	192	192	...
35 1/4	23 1/4	Greek 7% Refugee 1924	36 1/4	34 3/4	Nil
167 1/4	161 1/8	Japan 5½% (Enfaced) 1907	161 3/4	162	...
113 1/4	111 1/2	Japan 6½% (Enfaced) 1924	113 3/4	113 1/2	...
59	55	Uruguay 3½% Bonds (Assented)	58 1/4	58	...

NEW YORK CLOSING PRICES

	April 29 $	May 6 $		April 29 $	May 6 $		Apr. 29 $	May 6 $
Ath. Topeka ...	233/8	231/4	Boeing	39	38 1/2	Inter. Nickel ...	92 3/8	92 7/8
Can. Pacific ...	30 3/8	29 7/8	Celanese	30 7/8	32 1/2	Inter. Paper ...	117	115 5/8
Pennsylvania ...	17 3/4	17 1/4	Chrysler	66 1/2	65	Kennecott	113 1/2	110 1/4
Union Pacific ..	34 1/2	34	Col. Palmolive .	123 1/2	113	Monsanto	43 1/2	48 7/8
Amer. Electric .	51 1/2	52 1/4*	Crown Zeller...	56 1/4	56 7/8	Nat. Distillers .	31 1/2	31 7/8*
Am. Tel. & Tel..	254 1/8	246	Distillers Seag..	34	34 1/4	Pan-American..	31 1/4	30 1/8
Cons. Edison ..	64 1/8	64 1/8	Douglas	51 5/8	55	Procter Gamble	78 1/8	78 1/4
Int. Tel. & Tel..	41	45 3/8	Du Pont	240	248	Radio Corpn...	61 1/2	65 3/4
Standard Gas ..	3 1/4	3 1/4	East. Kodak	88 3/8	87 1/2	Sears Roebuck .	43 1/2	43 5/8
United Corpn..	9 1/4	9 1/4	Ford Motor	64 5/8	67 7/8	Shell Oil	84 5/8	83 1/8
Western Union	34 1/2	36 1/8	Gen. Electric ..	83 1/2	82 1/4	*Socony-Mobil*..	45 3/8	44 3/8
Alcos	83 1/4	81 1/2	General Foods .	80 1/4	81 3/4	Stand. Oil Ind..	51	50 3/8
Aluminium	28 1/8	29*	General Motors .	49 5/8	49 1/4	Stand. Oil N.J..	52 3/8	51 7/8*
Amer. Can.....	43 1/2	43 7/8	Goodyear	142	144	20th Cent. Fox.	40 1/4	39 7/8
Am. Smelting...	47	46 5/8	Gulf Oil.....	116	113 1/4	Union Carbide..	135*	139
Am. Viscosa	49 3/8	50	Heinz.....	67	71	U.S. Steel.....	91 3/8	91 1/4
Anaconda	64 7/8	65 1/4	Int. Bus. Mach..	590	534 1/2	West. Electric .	86 1/2	85 3/8*
Beth. Steel	50 3/4	50*	Int. Harvester .	42 5/8	41 1/8	Woolworth ...	55*	54 1/8

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Apr. 29, 1959	Price, May 6, 1959	Yield, May 6, 1959
		%	%	**STEEL AND ENGINEERING**			
32/7½	28/11½	5 a	8 b	Colvilles £1	31/6	31/4½	6·04
32/9	26/6	4 a	8 b	Dorman Long £1	32/3	31/9	6·04
25/9	20/9	6 c	3 a	Steel Co. of Wales ... £1	24/3	24/-	...
31/3	25/-	3 a	8 b	Stewarts & Lloyds £1	28/9	29/6	6·04
43/-	35/11½	10 b	6 a	John Summers £1	42/4½	42/4½	7·08
32/-	24/9	4 a	8½ b	United Steel £1	30/3	30/-	7·08
37/9	30/9¼	6 b	4 a	John Brown £1	35/9	32/9	6·04
10/-	8/3	5 a	11 b	Cammell Laird 5/-	8/3	7/10½	3·40
63/6	53/4½	5 a	15 b	Swan Hunter £1	62/-	61/9	4·92
36/6	31/-	21/2 a	7½ b	Vickers £1	34/4½*	33/4½*	6·06
71/-	60/6	6⅔ b	5 a	Averys £1	68/3	71/-	4·92
20/3	16/-	†17⅞ a	†43⅞ b	Coventry Gauge 10/-	19/9	20/-	...
44/6	35/6	†2 a	†4 b	Alfred Herbert £1	42/6	43/3	6·04
18/4½	16/9	10 b	5 a	Ransome & Marles 5/-	18/-	18/-	5·56
46/6	39/9	9½ b	3 a	Renold Chains £1	46/-	45/9	...
45/-	37/-	8¾ b	3¾ a	Allied Ironfounders ... £1	43/6	44/-	6·06
54/-	46/3	6 a	7 b	Babcock & Wilcox £1	48/-*	48/6	6·06
85/-	64/-	4 a	13½ b	British Aluminium £1	64/-p	64/6p	6·04
107/6	86/3	15 c	20 c	Davy & United £1	98/-	107/6	6·04
60/3	51/3	7½ b	4 a	Guest Keen £1	59/9	60/3	6·04
79/6	67/-	7 b	5 a	Metal Box £1	77/3	77/9	6·04
55/-	45/9	3¾ a	4⅞ b	C. A. Parsons £1	47/-*	46/6*	6·04
25/9	23/6	15 b	10 a	John Thompson..... 5/-	24/3	24/6	6·04
85/9	72/-	10 b	7½ a	Tube Investments..... £1	83/6	85/9	6·04
				BUILDING, etc.			
65/6	49/9	6 b	3 a	Associated Portland £1	65/6	64/-	6·04
24/3	21/-	7½ b	5 a	British Plaster Board. 10/-	24/3	24/3	6·04
78/-	59/7½	5 a	10 b	Richard Costain £1	77/-	76/-	6·04
12/11½	9/7½	10 b	5 a	Crittall Manufacturing. 5/-	12/-	11/10½	5·43
71/6	61/3	15⅝ c	6 a	London Brick £1	70/9	71/-	4·92
93/9	79/9	13½ b	5 a	Wall Paper Defd..... £1	91/9	92/3	5·43
				CHEMICALS AND PAINT			
25/4½	20/-	4 a	13 b	Albright & Wilson.... 5/-	23/3	25/4½	5·56
23/9	15/3	2½ 12a	5⅝ b	Borax Defd. 5/-	21/9	23/9	5·56
8/11½	6/10½	7½ c	12½ b	Brit. Ind. Plastics 2/-	7/7½	7/4½	5·43
52/-	43/10½	3¾ a	6¾ b	Fisons £1	49/9	51/9	5·56
39/-	33/10½	2¾ a	5½ b	I.C.I. £1	34/9	34/7½	5·43
14/4½	13/11½	6 a	14 b	International Paints .. 4/-	14/-	14/11½	5·43
16/6	13/11½	5 a	8½ b	Monsanto 5/-	16/-	16/3	5·43
20/9	18/6	11½ b	5 a	Pinchin Johnson 10/-	20/-	19/6	5·13
				ELECTRICAL AND RADIO			
61/3	54/-	7½ a	7½ b	A.E.I. £1	61/-	61/3	4·92
57/-	46/3	4 a	9½ b	B.I.C.C. £1	57/-*	56/-*	5·36
43/3	38/-	20 c	21½ a	Decca Record 10/-	40/4½	40/3	4·97
60/9	50/10½	11¼ c	5 a	E.M.I. 10/-	53/9	56/6	4·43
66/-	57/-	4 a	10 b	English Electric £1	64/3	64/6	4·97
40/-	30/-	6½ b	3 a	General Electric £1	32/-	33/-	4·53
16/9	14/11½	12½ c	11 b	Pye Defd. 5/-	14/7½	15/3	5·43
97/3	87/-	6½ a	11 b	A. Reyrolle £1	87/-	85/6	5·13
				MOTORS AND AIRCRAFT			
17/3	13/-	17½ c	7½ a	British Motor 5/-	15/6*	16/11¼	5·56
64/6	50/3	3½ a	8½ b	Ford Motor £1	61/-	63/4½	5·56
55/-	44/-	12½ c	12½ c	Leyland Motor £1	54/3	54/3	4·63
11/3	7/3	8 c	4 a	Rootes Motors 4/-	11/3	11/11½	5·23
11/11¼	8/6	8 c	12 c	Standard Motor 5/-	11/2¼	10/9¾	5·56
29/7½	22/10½	4½ a	12½ 12b	Dunlop Rubber..... 10/-	27/7½	29/7½	5·43
51/-	44/3	5 b	2½ a	Joseph Lucas £1	46/3	49/3	5·13
27/-	23/7½	7½ a	17½ b	Pressed Steel..... 5/-	26/-*	26/11½*	5·13
56/-	43/11½	20 c	7½ a	Triplex Holdings 10/-	56/-	56/-	5·36
11/7½	9/4½	6½ b	3½ a	Bristol Aeroplane.... 10/-	9/10½	10/-	...
20/9	15/3	7½ c	Nil	De Havilland £1	16/03¼	15/3	...
45/09¼	40/5¼	15 a	16½ b	Dowty Group..... 10/-	40/7½	40/7½	4·97
34/-	27/-	3 b	7 b	Hawker Siddeley £1	27/9	29/9	5·13
105/3	94/6	15 b	5 a	Rolls-Royce £1	98/-	98/11½	5·13
				PAPER AND NEWSPAPERS			
50/3	44/6	4½ a	8 b	Bowater Paper £1	49/11½*	49/-*	5·56
54/9	47/3	9 b	5 a	Albert E. Reed £1	51/-	51/3	5·56
32/9	22/-	3 a	5 b	Spicers £1	30/6	29/-	5·56
25/3	21/-	7½ a	12 b	Daily Mirror 'A' 5/-	24/9	24/9	5·43
29/6	25/3	5 a	12½ b	Odhams Press..... 10/-	28/3	28/6	5·56
				TEXTILES			
25/3	22/-	6¼ b	2½ a	J. & P. Coats £1	24/6	24/3	7·08
25/-	18/3	5 b	5 a	Fine Spinners £1	23/3	24/-	6·04
45/3	35/4½	5 a	12½ b	Lancashire Cotton £1	43/7½	45/3	6·04
41/4½	35/4½	12½ c	2½ a	Patons & Baldwins £1	40/10½	41/11½	5·43
6/3¾	4/3	6 c	4 a	Sales (Saltaire)..... 5/-	5/11¼	6/3¾	5·43
61/3	50/-	10 b	5 a	Woolcombers £1	59/-	58/10½	5·56
19/11½	14/7½	Nil c	3 a	Bradford Dyers..... £1	17/3	16/6	...
44/6	37/-	22½ c	22½ c	Calico Printers £1	42/3	42/3	5·43
35/10½	31/7½	5 b	3 a	Courtaulds..... £1	31/3	35/-	5·43
13/-	10/-	3 a	10 b	Jute Industries..... 10/-	13/-	13/-	5·13
35/6	24/6	7½ c	7½ c	Tootal..... £1	31/7½	30/-	5·13
23/11½	19/7½	14·4c	6 a	**DRAPERY & STORES** Boots Pure Drug 5/-	23/-	23/-	5·43
33/9	27/9	10 b	5 a	Debenhams 10/-	32/3	32/-	4·97
37/11½	31/6	25 b	7½ a	G.U.S. 'A' 5/-	37/-	37/11½	5·13
84/7½	74/6	5 d	12½ b	Harrods £1	80/6	84/3	5·13
37/-	33/3	25 b	10 a	House of Fraser 'A' ... 5/-	36/6	36/6	5·43
18/6	16/3	6 a	10 b	Lewis's Investment 4/-	18/3	18/4½	5·43
62/3	49/3	22½ b	12½ a	Marks & Spencer 'A' .. 5/-	60/6	62/3	5·13
40/7½	33/10½	12½ a	22½ b	United Drapery 5/-	40/-*	40/6*	5·43
53/6	47/3	25⅔ b	13½ a	Woolworth 5/-	52/9	53/11½	5·13

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Apr. 29, 1959	Price, May 6, 1959	Yield, May 6, 1959
		%	%	**BANKING**			
54/-	46/-	6 a	6 b	Barclays £1	62/9	66/-	3·64
40/3	41/3	4½ a	5⅔ b	Lloyds £1	46/9	47/3	4·23
60/11½	63/4	6¾ a	6¾ b	Midland £1	66/3	68/9	4·36**
54/-	41/3	4½ a	5½ b	National Provincial £1	62/-¶	64/6¶	3·72**
52/9	5/-	5 a	7½ b	Westminster 'B' £1	67/3	68/3	3·66
68/9	71/2 a	9½ b	District..... £1	82/6	83/-	4·10	
17/-	6/- a	10 b	Martins..... 5/-	21/9	23/3	3·44	
31/7½	5 a	7½ b	Com. Bk. of Scot. 'A' 10/-	41/9	42/7½	2·93	
67/6	7 a	9 b	Royal Bank of Scotland. £1	76/3	77/3	4·14	
37/9	4 a	5 b	Barclays D.C.O. £1	41/6	42/6	4·24	
43/9	7½ a	7½ b	Chartered Bank £1	47/3	47/3	6·35	
£27/8	$2·10c	$2·25c	Royal Bank of Canada. $10	£30 11/16	£30 11/16*	2·70	
£18 7/16	$1·60c	$1·65c	Bank of Montreal..... $10	£21 15/16¶	£21 19/64‡‡	2·81	
30½	9 c	9 c	Bank of New S. Wales. £20	34½*	34½*	4·12p	
32/3	4 a	6 b	Bank of Ldn. & S. Amer. £1	37/9	36/10½	5·42	
			FINANCIAL				
28/4½	2½ a	5 b	Alexanders £1	32/-	33/-	4·55	
42/6	5 a	7 b	National Discount 'B' .. £1	48/6	48/6	4·95	
49/-	6¼ a	6¼ b	Union Discount £1	53/3	54/3	4·61	
40/9	18½ a	21⅔ b	Commercial Union..... 5/-	45/3*	46/-	4·35	
127/6	12½ a	15 b	Employers Liability £1	127/6*	137/6	4·00	
160/-	†32·35c	†41·17c	Equity & Law 8/6	160/-	175/-	3·27	
192/6	40 a	60 b	Legal & General 5/-	255/-	277/6	1·80	
114/6	120 a	†50 b	Pearl 5/-	113/-	113/6	5·05	
210/-	†147½ c	†162½ c	Prudential 'A' 4/-	227/6	232/6	4·58	
78/6	8 a	10 b	Royal Exchange..... £1	98/9*	106/3	3·39	
16/21¼	5 a	8¾ b	Bowmaker 5/-	26/11½	27/10½	2·47	
21/3	7½ a	8½ b	Lombard Banking 5/-	29/3	31/-	2·58	
113/6	16 b	4 a	U.D.T. £1	147/-	158/6	2·52	
34/9	17½ b	10 a	B.E.T. 'A' Defd. 5/-	39/-	39/-	3·53	
12/6	10 c	10 c	Cable & Wireless 5/-	14/6*	15/-*	3·33	
19/6	2½ b	2 a	Land Securities 10/-	20/9	19/93¼	3·03**	
14/7½	5⅜ 12c	2½ 12a	London & County 10/-	16/4½	17/6	3·81**	
			FOOD, DRINK AND TOBACCO				
22/6	15 c	10 a	Allied Bakeries 'A' 5/-	29/9	30/3	2·48	
23/4½	20 c	14 a	Beecham Group 5/-	33/6	35/4½	2·83	
10/6	7 b	2½ a	International Tea 5/-	11/6	11/9	4·04	
74/9	9⅛ b	5 a	J. Lyons 'A' £1	81/9	81/9	3·47	
77/6	7½ a	13½ b	Watney Mann Defd. £1	96/3	97/9	4·30	
100/-	17 b	8 a	Whitbread 'A' £1	110/6	113/-	4·42	
52/4½	†17½ c	15 a	Brit. Amer. Tobacco .10/-	53/-	55/4½	5·16	
36/6	5 a	20 ab	Gallaher 10/-	47/6*	46/9*	5·35	
54/3	8½ a	12½ b	Imperial Tobacco £1	56/7½	58/9	7·15	

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Apr. 29, 1959	Price, May 6, 1959	Yield, May 6, 1959
		%	%	**MISCELLANEOUS**			
50/9	41/-	30 c	20 a	Assoc. Brit. Picture ... 5/-	41/-	45/6	...
45/4½	42/-	11 c	5 a	British Match £1	45/4½	45/4½	4·85
59/9	49/6	4 a	8 b	British Oxygen £1	59/9	58/3	4·12
10/6	9/-	4 a	14 b	British Ropes 2/6	9/4½	10/1½	4·35
53/3	35/9	7½ b	5½ a	Glaxo 10/-	46/3	50/3	2·59
63/9	56/4½	10 a	50 b	Hoover 'A' 5/-	61/-	63/-	4·76
231/3	172/6	6·04a	26·14b	Hudson's Bay £1	222/6	231/3	2·78
14/3	10/-	12½ c	5 c	Rank Organisation 5/-	11/1½	12/10½	1·94
22½ c	16/3	22½ c	25 c	Sears 'A' 5/-	19/4½*	19/11½*	6·54
74/9	62/-	6¼ a	7 b	Thomas Tilling £1	74/-	74/3	3·57
76/4½	69/7½	5 a	10 b	Turner & Newall £1	71/7½	71/7½	4·19
103/6	86/7½	8¾ b	8¾ a	Unilever £1	98/6	101/9	3·30
53/6	47/3	3¾ a	8¾ b	United Glass £1	51/3	52/6	4·76
35/6	31/9	14½ a	†10⅝ b	United Molasses 10/-	34/-	34/-	7·20
				OIL			
57/-	49/6	†2½ a	†6¼ b	British Petroleum..... £1	59/-	49/6	5·77
86/-	75/6	15 a	†8⅜ b	Burmah Oil £1	81/-*	79/6	5·65
£17¾	£15¼	7½ a	17½ b	Royal Dutch ..... 20 fl.	£15½	£15⅞	3·01
152/6	136/6	15 a	†13¾ b	Shell Transport..... £1	133/-	132/-	4·64
73/6	54/9	...	...	Ultramar 10/-	72/9	69/9	... d
42/6	35/6	13⅛ b	7½ a	Wakefield C.C. 10/-	41/9	42/3	4·89
				SHIPPING			
46/6	39/3	13½ b	6½ a	Brit. & Com'wealth. .10/-	41/6	42/3	4·73
20/-	17/3	10 c	8 c	Cunard £1	17/9*	18/6*	6·45
35/6	29/6	10½ c	10 c	Furness Withy £1	30/6	31/6	6·35
20/6	16/-	10 b	10 a	London & Overseas ... 5/-	16/9	16/6	6·06
38/3	31/6	3 a	8 b	P & O Defd. £1	31/6	33/3	6·02
17/6	13/6	5 a	2½ c	Reardon Smith 10/-	14/6	14/6	1·72
25/9	22/3	7½ c	8 c	Royal Mail £1	22/9	22/3	7·19
				MINES			
182/6	165/-	20 a	60 b	Anglo-American 10/-	170/7½	176/10½	4·52
135/-	113/9	10 a	20 b	General Mining £1	131/3*	135/-*	4·44
60/6	49/4½	40 a	100 b	Union Corporation ...2/6	56/9	59/6	5·80
33/4½	27/-	50 a	50 b	Daggafontein 5/-	28/6	29/4½	17·02
185/-	111/10½	60 b	70 a	Free State Geduld 5/-	178/11½	178/9	3·64
69/-	61/6	35 b	35 a	Hartebeestfontein ... 10/-	65/3	69/-	10·14
72/-	61/10½	50 b	50 a	President Brand 5/-	69/11½	71/7½	6·98
151/3	119/4½	80 b	70 a	Western Holdings 5/-	146/10½	148/9	5·04
64/6	57/5¼	12½ b	5 a	Consolidated Zinc £1	59/6	62/6	4·80
138/9	121/3	80 a	120 b	De Beers Defd. Reg. .. 5/-	129/4½	136/9	7·21
$172¾	$154¾	$3·75c	$2·60c	International Nickel n.p.v.	$162¾	$165¼	2·63
9/9	7/10½	5 a	15 b	London Tin 4/-	9/-	9/9	8·21
86/3	73/11½	30 b	12½ a	Rhod. Anglo-Amer. ... 10/-	76/10½	78/11½	5·44h
19/-	15/-	11¼d	6¼ b	Rhod. Selection Tst. .. 5/-	16/3	16/7½	2·15h
86/6	64/-	12½ a	37½ b	Rio Tinto Reg. 10/-	50/-*	53/11½*	3·76
61/3	52/6	12½ b	5 a	Harrisons & Cros. Defd. £1	60/-	58/9	5·56
				TEA AND RUBBER			
29/9	30/-	13½ b	6¾ a	Cons. Tea & Lands £1	29/9	30/-	13·64
26/-	22/3	15 b	13 a	Jokai (Assam)..... £1	24/9	25/6	10·27
19/-	16/-	10

continues to be financing of trade with Scandinavia and of Norwegian shipping and shipbuilding, though lower freight rates have caused some decline here. One most flourishing side of the business now is the group's agency for the sale of BMC cars in the United States.

Rea Brothers, a vigorous banking house outside the club of the Accepting Houses Committee, shows further expansion in its year to end-December. Deposits are up by just over £1 million to £7.2 million—compared with £3.9 million two years ago. Acceptances are slightly down, at £1¼ million. The bank is now very liquid—cash and bankers' balances stand at more than half the liabilities for deposits.

PRESSED STEEL

THE last two years have been favourable for Pressed Steel. Every recognisable pointer suggests that 1959 will also be most satisfactory. Motor bodies are now being produced at an unprecedented rate and Mr A. Abel Smith, the chairman of Pressed Steel, also expects record sales of refrigerators this year. The group is expanding to meet the bigger demand and has the money to do so. A 6 per cent debenture has brought in £3½ million and this is reflected in the increase in cash from £1 million to £4½ million. Last year's increased investment in net fixed assets, from £8 million to £10 million, was financed in effect from profit retentions.

The revival in the motor industry late in 1957 pushed the group's trading profit up by £1½ million and the continuing boom in the motor industry, coupled with the halving of purchase tax on domestic appliances and the abolition of hire purchase controls, resulted in a further rise of £1 million to just under £6 million last year. The ordinary dividend, which was raised from 15 to 20 per cent in 1957, has now been increased to 25 per cent and even that payment is covered three times by earnings. At 26s. 1½d. xd the 5s. units yield 4.8 per cent.

CAMMELL LAIRD

THE unchanged ordinary dividend of 15 per cent paid by Cammell Laird for 1958 is now only 1.7 times covered by earnings. And these may fall this year. The chairman, Mr J. C. Mather, tells shareholders that the outlook for shipbuilding is "not good," for though orders in hand will keep most sections of the shipbuilding subsidiary busy for some time, the longer term prospect depends on the receipt of further orders—and these are indeed scarce. Moreover, new orders received by the English Steel Corporation will not occupy more than two-thirds of its capacity and though the order books of Metropolitan-Cammell Carriage & Wagon are at a high level, the paucity of new orders for wagons (for which British Railways is an important customer) is "causing some anxiety."

Cammell Laird still has quite a big capital development programme on its hands and though it raised a further £3,777,698 in loans last year the increase in fixed assets by £5,165,682 to £11,233,980 reduced its liquid holdings from £4,941,523 to £2,495,984. These may fall even further as the group still has capital commitments of £4,347,464. The 5s. ordinary shares have fallen by 7½d. to 7s. 10½d. since the preliminary figures were issued and now yield nearly 9½ per cent.

HUDSON'S BAY

PROPRIETORS in Hudson's Bay who have seen the price of their £1 shares rise from 210s. to 231s. 3d. since the accounts were issued a month ago will be cheered by the additional remarks that the chairman, Mr W. J. Keswick, made at the annual general meeting. Following the increase in the ordinary dividend from trading from 20 per cent to 24 per cent and in the tax free distribution from land account from 2½ per cent to 7 per cent Mr Keswick says that the directors intend to reduce the disparity between the interim and final payments from both sources, beginning in November with an interim dividend of 10 per cent from trading and a tax free payment from the land account of 2½ per cent. He said that this decision does not imply any increase in the total distribution as it is still the directors' policy to plough back profits to finance expansion. But he did forecast a tax free annual payment of 5 per cent from land account for the next six years and its replacement "wholly or in part" from other sources after that. Presumably this is a reference both to profits from the company's expanding retail trade (which rose sharply in the last three months of 1958) and to the dividend income it may eventually receive from its 22.6 per cent holding in Hudson's Bay Oil and Gas. But Mr Keswick still admits that it is impossible to predict when, in fact, a maiden dividend from this source will be received. On a gross dividend of 32.2 per cent, which includes the payment from the land account, the yield is 2¾ per cent.

BORAX

FOLLOWING an improvement in the net income of US Borax in the last quarter of 1958, its directors have now reported a net income of $1,546,065 in the quarter ended March 31st (compared with $743,309 in the same period last year). The market was pleased with this result and the 5s. units of Borax (Holdings) rose by 2s. 6d. to 23s. 9d., at which they yield a bare 2 per cent on the 8¾ per cent ordinary dividend paid last year from the reserves of the parent. The advance in net income reflects not only a strong demand for borax as business recovers in the United States and a healthy demand from overseas, but also a better showing than had been expected from the potash division. The directors say that the tonnage of potash sold was indeed lower in the three months to end-March, but they add that over the six months from last October sales were actually higher and a better potash season than the last is now expected.

London Stock Exchange

FIRST DEALINGS:	Apr. 29	May 20	June 3
LAST DEALINGS:	May 19	June 2	June 16
ACCOUNT DAY:	May 26	June 9	June 23

GILT edged stocks remained dull in the week to Wednesday's close, the gold and foreign exchange figures having little effect on prices. On Wednesday there were widespread falls ranging up to ¼. Among short dated issues, Funding 2½ per cent 1956-61 lost 1⅛ to 97½ on switching into Exchequer 2½ per cent 1963-64 which gained ⅛ to 92⅞.

Leading industrials closed firmly at the end of last week, in which 87,283 bargains were marked compared with the previous record of 86,926 in the week to June 24, 1955. Markets were cheered by the better employment and output figures and prices rose in a market short of stock. But activity slackened later and profits were taken on settlement day. In the week to Wednesday's close, *The Economist* Indicator rose by 3.3 to 267.0. Albright and Wilson rose by 2s. 1½d. to 45s. 4½d., following the chairman's forecast of higher sales and profits. Motor and kindred shares were once more active and Rover gained 2s. to 27s. 6d. while Standard lost 4½d. to 10s. 9¾d. Ford gained 2s. 4½d. to 63s. 4½d., but Jaguar ordinary lost 3s. 1½d. to 58s. 9d. Raleigh rose by 5s. 6d. to 30s. 7½d. on the interim statement. Roadmaking and building shares were also strong; Amalgamated Roadstone gained 4s. to 43s., and Tarmac 3s. 9d. to 103s. 9d. following the negotiations for a merger. But Val de Travers lost 5s. 3d. to 32s. 6d. on the dividend cut and fall in profits. Tobacco shares rose after their recent dullness; following the completion of a large selling order in "Imps" and "Bats" the former gained 2s. 3d. to 58s. 9d. and the latter 2s. 4½d. to 55s. 4½d. Textiles were strong, Horrockses rising by 1s. to 32s. 6d. and Lancashire Cotton by 1s. 7½d. to 45s. 3d. Courtaulds gained 3s. 9d. to 35s. following the £15 million order from Russia for a man made fibre plant.

HP shares again went ahead, and UDT jumped by 11s. 6d. to 158s. 6d. Insurances remained active, with Legal and General gaining 1⅛ to 13⅞. Bank shares were better, Midland gaining 2s. 6d. to 68s. 9d. and Barclays 3s. 3d. to 66s.

Leading oil shares were dull though Anglo-Ecuadorian rose by 3s. to 17s. 3d. and Lobitos by 6d. to 15s. Shell Trinidad on US buying rose by 8s. 9d. to 136s. 3d. Kaffirs advanced on renewed hopes of an increase in the price of gold; among finance houses Johnnies gained 2s. 3d. to 68s. 9d., and Anglo-American 6s. 3d. to 176s. 10½d., and among the older dividend payers in the Central Rand, City Deep rose by 1s. 9d. to 19s. 6d. and Randfontein Estates by 1s. to 23s. 6d. The newer mines were strong following the April returns and President Brand reached a fresh peak of 71s. 7½d. a gain of 2s. 6d. on the week. In diamonds De Beers gained 9s. 4½d. to 138s. 9d.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended May 2, 1959, there was an "above-the-line" surplus (after allowing for Sinking Funds) of £9,461,000 compared with a deficit of £23,981,000 in the previous week and a surplus of £20,332,000 in the corresponding period of last year. There was a net expenditure "below-line" of £13,048,000 giving a total deficit of £43,826,000 compared with £91,488,000 in 1958-59.

£'000	Estimate, 1959–60	April 1, 1958, to May 3, 1958	April 1, 1959, to May 2, 1959	Week ended May 3, 1958	Week ended May 2, 1959
Revenue					
Income Tax	2147,000	157,006	151,529	32,334	34,708
Tax	171,000	12,400	13,600	1,500	2,100
Duties	195,000	14,200	21,800	2,400	5,000
Profits Tax, EPT &	68,000	4,700	7,700	1,200	2,000
Other Inland Rev.	274,000	18,200	18,500	6,500	4,700
Duties	1,000	...	...	...	...
Total Inland Rev.	2856,000	206,506	213,139	43,934	48,508
Customs	1285,500	116,482	122,205	28,463	27,109
Excise	864,500	70,522	54,965	42,625	32,340
Total Customs and Excise	2150,000	187,004	177,170	71,088	59,448
Motor Duties	101,000	7,933	6,033	2,440	450
Post Office (Net Receipts)	...	...	...	...	...
Broadcast Licences	35,000	2,000	2,000	2,000	2,000
Savings Loans	30,000	82	43	...	...
Miscellaneous	150,000	6,552	9,172	372	2,227
Total	5325,000	410,077	407,557	119833	112633
Exchequer Expend.					
Debt Interest	600,000	91,424	69,973	26,732	23,622
Payments to N. Ire-					
land Exchequer	79,000	5,309	5,682	...	...
Other Cons. Funds	10,000	567	879	466	482
Supply Services	4494,996	344,051	344,105	71,574	78,918
Total	5183,996	441,350	420,639	98,771	103022
Sinking Funds	39,000	2,125	1,513	730	150
"above line" Surplus or Deficit	—	—	+	+	+
	33,397	14,595	20,332	9,461	
"Below-line" Net Expenditure*	58,091	29,231	25,666	13,043	
Total Surplus or Deficit	—	—	—	—	—
	91,488	43,826	5,334	3,567	
Receipts from:					
Tax Reserve Certificates	24,900	19,861	13,692	8,604	
Savings Certificates	—3,300	9,000	—4300	1,500	
Defence Bonds	—8,881	13,797	—5235	2,495	
Premium Savings Bonds	5,620	6,530	1,730	2,100	
Total	18,239	49,188	5,887	14,699	

*Receipts of the Civil Contingencies fund to May 2, 1959, £nn, compared with £16 mn. in the corresponding period of last year.

FLOATING DEBT
(£ million)

	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England	
1958					
May 3	3,140·0	1,620·2	217·9	1·5	4,979·6
1959					
Jan. 31	3,280·0	1,973·2	223·5	...	5,476·7
Feb. 7	3,250·0	1,891·6	237·9	...	5,379·5
14	3,140·0	1,874·2	252·2	...	5,266·4
21	3,070·0	1,943·7	197·2	...	5,210·9
28	3,010·0	1,990·0	197·3	...	5,197·3
Mar. 7	2,950·0	1,999·9	213·7	...	5,163·6
14	2,920·0	1,993·9	225·1	...	5,143·1
21	2,910·0	2,030·3	252·7	...	5,193·0
31	4,898·1		336·5	4·3	5,238·9
Apr. 4	2,950·0	1,986·3	291·6	...	5,227·8
11	2,940·0	2,015·7	280·8	...	5,236·5
18	2,940·0	2,007·5	297·7	...	5,245·2
25	2,950·0	2,025·8	267·8	...	5,243·7
May 2	2,940·0	2,089·0	255·7	...	5,284·7

THE MONEY MARKET

DESPITE its low allotment at the previous week's Treasury bill tender, the discount houses left their concerted bid for the 91-day bills offered last week unchanged at £99 3s. 5d. The tender was split due to the incidence of the Bank holiday in three months' time. For the less marketable 92-day bills the market bid £99 3s. 3d. and received allotment in full; but at its basic price the market received a bare 11 per cent of its application for the 91-day bills. The market's total allotment at its minimum price was about 20 per cent. The average rate of discount for the 91-day bills rose by 4d. per cent to £3 6s. 0.14d. per cent.

The announcement of the United States Treasury's refunding operation caused a reversal in the previous week's fall in the bill rate. The rate on 91-day bills rose from 2.831 per cent to 2.935 per cent.

Money has been tight in Lombard Street. Stringency encountered at the end of the month recurred sporadically this week and the authorities have given a small amount of assistance on several occasions. The market has avoided recourse to the Bank but the cost of fresh loans has been generally high.

The latest Bank return shows a fall in discounts and advances from £28.5 million to £24.3 million.

MONEY RATES : London

	%		%
Bank rate (from 4½%, 20/11/58)	4	Discount rates:	
Deposit rates (max.):		Bills:	
Banks	2	60 days	3 1/32–3 7/16
Discount houses	2–2¼	3 months	3 1/32–3 7/16
Money:		4 months	3 1/32–3 7/16
Day-to-Day	2⅜–3⅛	6 months	3 1/32–3 1/2
Treasury bills:		Fine trade bills:	
2 months	3 5/16	3 months	4¼–5
3 months	3 11/16	4 months	4¼–5
		6 months	4½–5¼

New York

	%		%
Official discount rate:		Treasury bills:	
(from 2½%, 5/3/59)	3	April 27	2·831
		May 4	2·935

BANK OF ENGLAND RETURNS

(£ million)	May 7, 1958	April 29, 1959	May 6, 1959
Issue Department:			
Notes in circulation	2,015·8	2,054·5	2,064·6
Notes in banking dept.	34·5	45·9	35·7
Govt. debt and securities*	2,046·3	2,093·8	2,096·7
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·5	2·5
Banking Department:			
Deposits:			
Public accounts	9·5	13·3	10·8
Bankers	214·6	232·6	233·5
Others	70·9	64·9	63·6
Total	295·0	310·8	307·9
Securities:			
Government	243·2	232·6	244·3
Discounts and advances	13·0	20·5	24·3
Other	19·7	20·7	20·4
Total	275·9	281·8	289·0
Banking department reserve	36·9	46·9	36·7
	%	%	%
"Proportion"	12·5	15·0	11·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,100 million March 25, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Allotted	Three Months' Bills Average Rate of Allotment	Allotted at Max. Rate*
1958				s. d.	%
May 2	220·0	433·5	220·0	101 1·93	46
1959					
Jan. 30	220·0	388·0	220·0	62 1·68	31
Feb. 6	210·0	385·3	190·0	60 0·22	45
" 13	190·0	339·6	190·0	59 10·89	30
" 20	200·0	347·1	200·0	61 9·89	27
" 27	220·0	317·9	220·0	65 6·22	51
Mar. 6	230·0	370·4	230·0	66 0·14	57
" 13	230·0	374·1	230·0	65 11·05	43
" 20	250·0	360·4	250·0	65 8·95	55
" 26	260·0	378·8	260·0	66 0·10	58
Apr. 3	250·0	381·0	250·0	65 11·42	50
" 10	260·0	433·9	260·0	64 0·89	65
" 17	250·0	386·6	230·0	64 8·12	38
" 24	210·0	359·2	210·0	65 7·89	26
May 1	190·0	364·4	190·0	66 1·81	20

* On May 1st, tenders for 91 day bills at £99 3s. 5d. secured 11 per cent, higher tenders being allotted in full. The offer this week was for £200 million of 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot				
	May 6	April 30	May 1	May 2	May 4	May 5	May 6
United States $	2·78–2·82	2·81 9/16–11/16	2·81 9/16–11/16	2·81 9/16–11/16	2·81 5/8–3/4	2·81 5/8–3/4	2·81 5/8–3/4
Canadian $	...	2·70 7/8–71	2·71–71 1/8	2·71 5/16–7/16	2·71 3/8–1/2	2·71 11/16–13/16	2·71 7/8–72
French Fr.	13·6220–14·0265	13·80 1/4–1/2	13·80 1/4–1/2	13·80 3/8–5/8	13·80 5/8–7/8	13·80 5/8–7/8	13·80 5/8–7/8
Swiss Fr.	11·94–12·54 7/8	12·18 1/4–1/2	12·18 1/4–1/2	12·18 1/4–1/2	12·18 3/8–5/8	12·18–18 1/4	12·17 3/4–18
Belgian Fr.	137·96–142·05	140·37 1/2–42 1/2	140·37 1/2–42 1/2	140·37 1/2–42 1/2	140·40–45	140·40–45	140·40–45
Dutch Gld.	10·48–10·80	10·62 3/4–63	10·62 7/8–63 1/8	10·62 7/8–63 1/8	10·63–63 1/4	10·63–63 1/4	10·63–63 1/4
W. Ger. D-Mk.	11·59 1/4–11·92 3/4	11·77 7/8–78 1/8	11·77 7/8–78 1/8	11·78–78 1/4	11·78 1/8–3/8	11·78–78 1/4	11·77 3/4–78
Portuguese Esc.	79·00 1/2–82·00 1/2	80·15–25	80·20–30	80·20–30	80·15–30	80·15–30	80·15–30
Italian Lire	1725–1775	174 7/16–3/4	174 7/16–3/4	174 7/16–3/4	174 3/8–48 1/4	174 7/16–48	174 7/16–3/4
Swedish Kr.	14·37 3/4–14·59 1/4	14·56 3/4–57	14·56 3/4–57	14·56 3/4–57	14·56 1/4–57	14·56 3/4–57	14·56 3/4–57
Danish Kr.	19·06 1/2–19·62	19·39 5/8–7/8	19·39 5/8–7/8	19·39 5/8–7/8	19·39 5/8–7/8	19·39 5/8–7/8	19·39 3/8–5/8
Norwegian Kr.	19·71–20·30 1/2	20·04–04 1/4	20·04–04 1/4	20·04–04 1/4	20·04–04 1/4	20·04–04 1/4	20·03 7/8–04 1/8
One Month Forward Rates							
United States $		1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	1/4–1/8c. pm	3/16–1/16c. pm
Canadian $		5/16–7/16c. dis	5/16–7/16c. dis	5/16–7/16c. dis	5/16–7/16c. dis	5/16–7/16c. dis	1/4–3/8c. dis
French Fr.		par–1c. dis	1/4–1/4c. dis	1/4–1/4c. dis	1/4–1/4c. dis	1/4–1/4c. dis	par–1c. dis
Swiss Fr.		1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm
Belgian Fr.		7–2c. pm	7–2c. pm	7–2c. pm	7–2c. pm	7–2c. pm	8–3c. pm
Dutch Gld.		1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm
W. Ger. D-Mk.		1–3/4pf. pm	1–3/4pf. pm	1–3/4pf. pm	1–3/4pf. pm	1–3/4pf. pm	1–3/4pf. pm
Three Months Forward Rates							
United States $		1/2–3/8c. pm	9/16–7/16c. pm	9/16–7/16c. pm	1/2–3/8c. pm	1/2–3/8c. pm	1/2–3/8c. pm
Canadian $		3/4–7/8c. dis	3/4–7/8c. dis	3/4–7/8c. dis	7/8–1c. dis	7/8–1c. dis	3/4–7/8c. dis
Swiss Fr.		3–2 3/4c. pm	3–2 3/4c. pm	3–2 3/4c. pm	3–2 3/4c. pm	3–2 3/4c. pm	3–2 3/4c. pm
W. Ger. D-Mk.		3–2 3/4pf. pm	3–2 3/4pf. pm	3–2 3/4pf. pm	2 7/8–2 5/8pf. pm	2 7/8–2 5/8pf. pm	2 7/8–2 5/8pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/3 1/2	249/3	...	249/3 1/4	249/3 3/4	249/5 1/2

The United States

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

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

BRITISH

Prices and Wages	April 11th	External Trade	May 2
Manpower and Output....	April 25th	Industrial Profits.....	*April 18

OVERSEAS

Western Europe	Feb. 7th	United States	This we

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices Composite index	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade		At current prices	At 1958 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	49·62
1957	117·6	90·9	120·2	115·4	106·9	125·6	124	111	112	331·4	82·39	84·68
1958	119·2	94·9	123·5	120·3	107·0	127·7	118	110	107	340·9	83·71	83·71
1958, December	119·2	90·6	123·7	118·7	107·5	128·2	117	111	105	392·8	88·04	87·86
1959, January	119·5	91·5	123·8	119·0	106·7	128·2	...	...	...	409·9	87·38	87·21
„ *February*	119·5	91·1	123·7	118·2	106·7	128·5	...	...	...	403·9	88·00	87·82
„ March	119·6	90·9	123·7	117·7	107·0	128·7	...	...	...	413·9	88·62	...

PRODUCTION AND MANPOWER

	Gross national product[6] Seasonally adjusted annual rate	Total industrial production	Manufacturing production: Durable goods: Total	Metals	Vehicles etc.	Non-durable goods: Total	Textiles, clothing	Chemicals and petroleum products	Building[8] New construction; seasonally adjusted annual rates	Civilian employment[1] Total labour force	Total employment	Unemployed as per cent of labour force; seasonally adjusted
	$ billion	1947–49=100; seasonally adjusted							$ billion	thousands		
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1957	440·3	143	160	131	213	130	105	172	48·1	67,946	65,011	4·3
1958	437·7	134	141	104	187	130	103	170	49·0	68,647	63,966	6·8
1958, December	453·0[7]	142	152	123	204	135	110	180	53·7	68,081	63,973	6·1
1959, January	465·0	143	153	125	204	137	111	182	54·5	67,430	62,706	6·0
„ February		145	156	138	204	139	112	183	54·4	67,471	62,722	6·1
„ March		147	160	146	207	140	114	185	54·5	68,189	63,828	5·8

TRADE

	Personal consumption[6] Annual rates	All business[2] Sales	All business[2] Stocks	Total retail[2] Sales	Total retail[2] Stocks	Imports for US consumption: Total	Crude materials	Semi-manuf'res.	Exports of US merchandise: Total	Finished goods	Volume of trade: Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1957	284·4	56·3	90·7	16·7	24·5	1,079	266	243	1,723	982	147	149
1958	290·6	54·0	85·2	16·7	24·0	1,066	233	221	1,475	909	152	130
1958, November	295·9[7]	56·1	85·0	17·0	23·6	1,085	223	219	1,582	976	156	139
„ December		57·4	85·2	17·6	24·0	1,229	267	260	1,494	925	178	131
1959, January		57·4	85·6	17·5	24·2	1,135	263	243	1,385	844	...	...
„ February	300·0	58·1	85·9	17·6	24·2	1,113	244	256	1,266	803	...	...
„ March		...	...	17·7	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income[6] Total	Labour income	Farm income	Consumer credit Total	Instalment	Banking statistics[3] Investments	Loans	Budget expenditure[4] Total	Surplus or deficit	Bond yields 3-month Treasury bills	Taxable Govt. bonds[5]	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1957	347·9	247·1	11·6	44·77	34·10	76·2	93·9	69·4	+ 1·6	3·267	3·47	3·89
1958	354·4	246·2	14·2	45·07	33·87	86·6	98·0	71·9	— 2·8	1·839	3·43	3·79
1958, November	360·7	25·13	13·6	43·46	33·13	87·6	96·0	6·2	— 1·3	2·756	3·70	4·09
„ December	359·9	252·6	13·5	45·07	33·87	86·6	98·0	7·1	— 0·9	2·814	3·80	4·08
1959, January	363·0	254·8	13·3	44·42	33·77	87·6	97·5	6·8	— 2·2	2·837	3·91	4·12
„ February	365·4	256·4	13·4	44·07	33·75	85·6	97·7	6·3	+ 0·2	2·712	3·92	4·14
„ March	368·6	259·1	13·5	44·20	33·94	83·5	99·0	...	...	2·652	3·92	4·13

(1) 1939 figures calculated on the basis of a smaller sample. (2) *1939 figures not strictly comparable with rest of series*; stocks are at end of period. (3) All commercial banks. (4) Annual figures are total for the fiscal year ended June 30th. (5) Bonds due or callable from 10 to 20 years. (6) Revised series from 1957 onwards. (7) Figure for fourth quarter. (8) Revised series beginning January, 1957.

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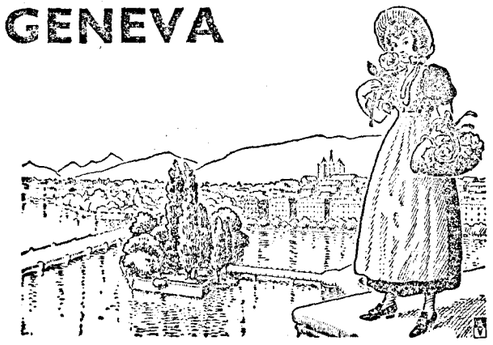
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Initial salary would be related to experience and responsibility but appreciably in excess of comparable rates in *United Kingdom.*

Applications, which will be treated in confidence, to:

The Appointments Officer,
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BROWN & POLSON GROUP require for their Finance and Administration Division, a young man 23-28 with an Accountancy or Cost and Works Accounting qualification. Experience in an industrial concern would be an advantage but applicants with solely commercial or auditing experience should not hesitate to apply. Experience within the Company will not be confined to its London headquarters but will include periods at the Manchester and Paisley Works. Salary, Profit Payment, Life Assurance and Pension Schemes are good and the Company is progressive in outlook and expanding.—Replies to Group Personnel Manager, Brown & Polson Ltd., 125-130 Strand, London, W.C.2.

STATISTICIAN required by Associated TeleVision Ltd. for training as sales research executive. Applicants should be between 25 and 27 years of age, have a *university degree and some commercial experience,* preferably in advertising or market research. Good salary and prospects.—Write, giving full personal details, to Personnel Manager, Associated TeleVision Ltd., Television House, Kingsway, W.C.2.

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Reply in writing, with full details, to the Assistant Secretary, Crewe House, Curzon Street, London, W.1.

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WEST MIDLAND DISTRICT

Applications are invited from graduates for the post of Staff Tutor in Trade Union Studies. Salary: £1,050-£1,200. Details and application forms (s.a.e.) from R. P. B. Davies, M.A., District Secretary, 19 Calthorpe Road, Birmingham, 15.

UNIVERSITY OF LONDON

Readership in Economics (with special reference to Money and Banking) tenable at the London School of Economics.

The Senate invite applications for the Readership in Economics (with special reference to Money and Banking) tenable at the London School of Economics (salary £1,475-£1,775-£2,150 a year plus £80 London Allowance).—Applications (10 copies) must be received not later than June 5, 1959, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars may be obtained.

ACCOUNTS DEPARTMENT of a large electrical engineering company within the A.E.I. group has vacancies for two or three young men, preferably aged 22-32 and suitably qualified, to be based at main factories in S.E. London and Brimsdown, Middlesex, to assist in investigating existing accounting methods throughout the group, and to form a nucleus of new internal audit section. Knowledge and experience of production costing methods essential plus a good standard of report writing. Some *U.K. travelling required. Progressive* salaries and prospects. Staff pension scheme.—Brief written applications to Staff Officer, Reference 744/53, Siemens Edison Swan Ltd., London, S.E.18.

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Salary will be within the range £1,050-£1,600 according to qualifications and experience.—Applications, stating age, qualifications, experience and the names of three referees, should reach the Secretary of the school by May 16, 1959.

THE RUBBER RESEARCH INSTITUTE OF MALAYA
KUALA LUMPUR, FEDERATION OF MALAYA

VACANCY FOR STATISTICIAN

The Board of the Rubber Research Institute of Malaya invites applications for the post of the Head of the Statistics Section of the Institute at Kuala Lumpur, Malaya.

Applicants should have high academic qualifications and considerable statistical research experience. The duties will include design of field and laboratory experiments and the conduct of research in statistical matters relating to all branches of the Institute's work.

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Application forms and more detailed information may be obtained from the Secretary, London Advisory Committee for Rubber Research (Ceylon and Malaya), Commonwealth Institute, Imperial Institute Road, London, S.W.7, to whom completed applications should be sent by June 6, 1959.

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Applications to The Personnel Officer, giving full details of experience, salary required, etc.

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The College is one of the eight Colleges of Advanced Technology. It is concerned with full-time Degree, Sandwich Diploma in Technology and *Advanced courses in* engineering and applied science.

Applications are invited for an Assistant Lecturer, Grade B, preferably with a degree in Sociology, who will take part in the development of LIBERAL STUDIES activity within the college. Candidates should offer two of the following subjects: Social Policy and Administration, Social Institutions, *Social Psychology, Theories and* Methods of Sociology, Social History.

The initial salary will be determined by qualifications *and experience.* Salary scale: £825 to £1,230 per annum.

Further particulars and forms of application obtainable from the Secretary, Northampton College of Advanced Technology, St. John Street, London, E.C.1.

STATISTICIAN (Assistant Planning Officer (Research)—A.P.T. *Special Grade* (£750-£1,030) for County Borough of Southampton, Borough Architect's Department. Duties: Research: Compilation of *planning* statistics; Direction of survey work on population, employment, etc., in connection with review of Development Plan. Qualifications: University Degree in economics or other appropriate subject, with special reference to statistics. Commencing salary according to experience. Candidates should state housing *requirements.*—Application Forms from the Borough Architect, Civic Centre, Southampton, returnable by May 25, 1959.

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For other appointments see page 577

THE UNIVERSITY OF LEEDS

DEPARTMENT OF SOCIAL STUDIES

Applications are invited for appointment to the post of Lecturer or Assistant Lecturer in Sociology in the Department of *Social Studies, at a salary on the scale* £900 x £50—£1,350 (efficiency bars x £100—£1,650 for a Lecturer and within the range £700-£850 a year for an Assistant Lecturer, according to qualifications and experience.—Applications (three copies), stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2, from whom further particulars may be obtained, not later than June 1, 1959.

THE UNIVERSITY OF LEEDS

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Applications are invited from graduates for appointment as an Assistant Secretary to the Appointments Board on the salary scale £900 x £50—£1,350 (efficiency bars x £75—£1,650) a year. The initial salary will be between £600 and £1,350 according to qualifications and experience. The person appointed will be concerned with students and graduates in arts and non-technical subjects and experience of work in a field in which arts graduates are employed will be an advantage.—Applications (three copies), stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2, from whom further particulars may be obtained, not later than May 25, 1959.

TRADES UNION CONGRESS invites applications for post of Assistant in Research and Economic Department. Sound knowledge of economics and related subjects essential: industrial background an additional *qualification.* —Further particulars may be obtained before May 25th from Sir Vincent Tewson, TUC, 23-28 Great Russell *Street, W.C.1.*

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NOTICE IS HEREBY GIVEN that the Eighty-second Annual General Meeting of The Cunard Steam-Ship Company Limited will be held in Cunard Building (Fifth Floor), Pier Head, Liverpool, on Thursday, May 28, 1959, *at 11 a.m.*

(1) To receive and consider the Statement of Accounts for the year ended December 31, 1958, with the Reports of the Directors and Auditors.

(2) To sanction the declaration of dividend for the year 1958.

(3) To elect Directors in place of those retiring but who, being eligible, offer themselves for re-election.

(4) To confirm re-appointment of Auditors and to fix their remuneration.

By Order of the Board,
J. C. TOMLINSON,
Secretary.

Offices: Cunard Building, Liverpool.
May 2, 1959.

Note to Members.—A Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a Member.

DOMINION OF CANADA THREE-AND-A-QUARTER PER CENT REGISTERED STOCK, 1958-63.—For the purpose of preparing the Interest Warrants due July 1, 1959, the BALANCES will be STRUCK at the close of business on June 1, 1959, after which date the Stock will be transferred *ex-dividend.—For the Bank of Montreal,* Financial Agents of the Government of Canada in London, E. A. Rosce, Manager, 47 Threadneedle Street, E.C.2. May 1, 1959.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—Canadian Pacific Railway Perpetual 4 per cent Consolidated Debenture Stock; New Brunswick Railway 4 per cent Debenture Stock; Calgary and Edmonton Railway 4 per cent Debenture Stock. In preparation for the payment of the half-yearly interest due July 1, 1959, on the above Stocks, the *Transfer* books will be closed on May 22nd and will be re-opened on July 2, 1959. R. F. Tremayne, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1. May 1, 1959.

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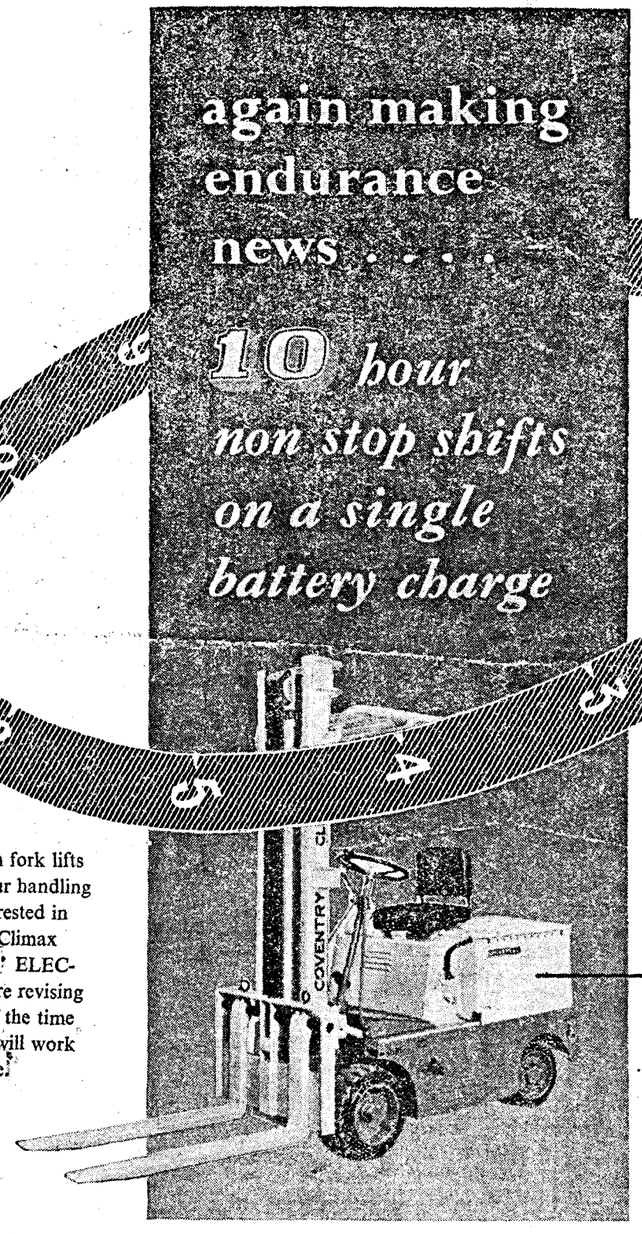
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The Unproletarian Society

The second instalment of our suggestions for what should appear in the Conservatives' next election manifesto (page 601)

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Lakeside Manoeuvres

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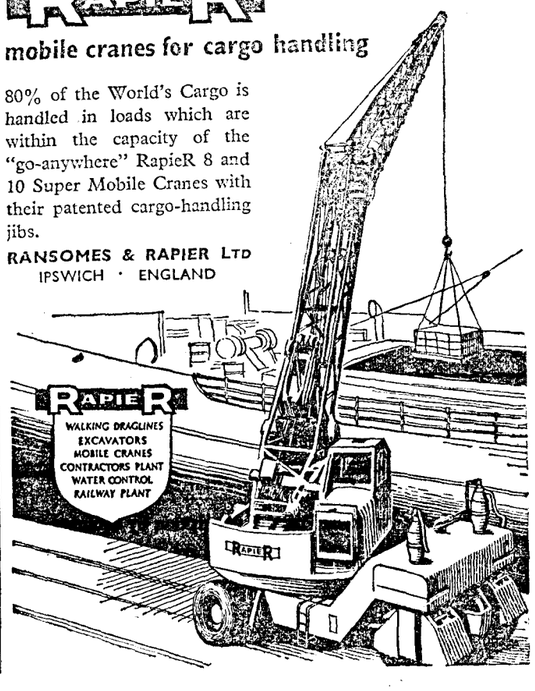
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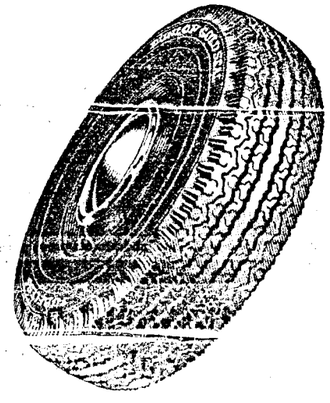
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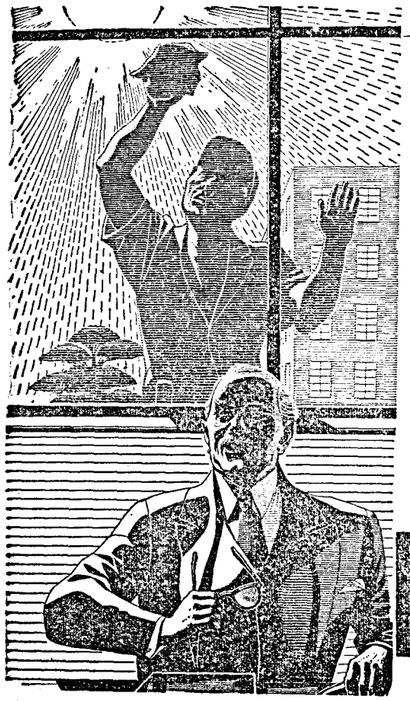
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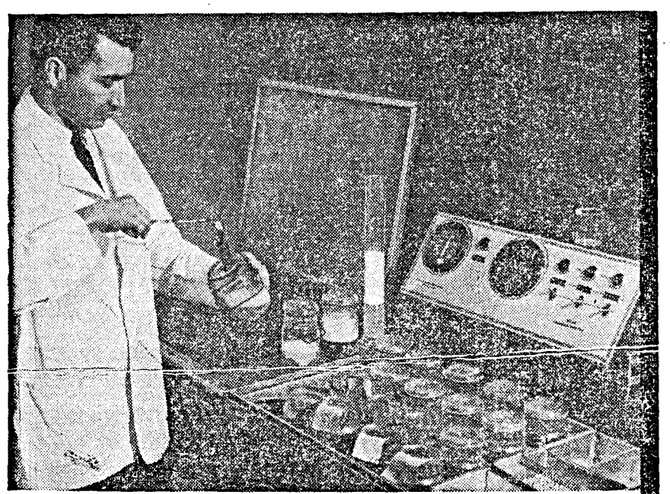
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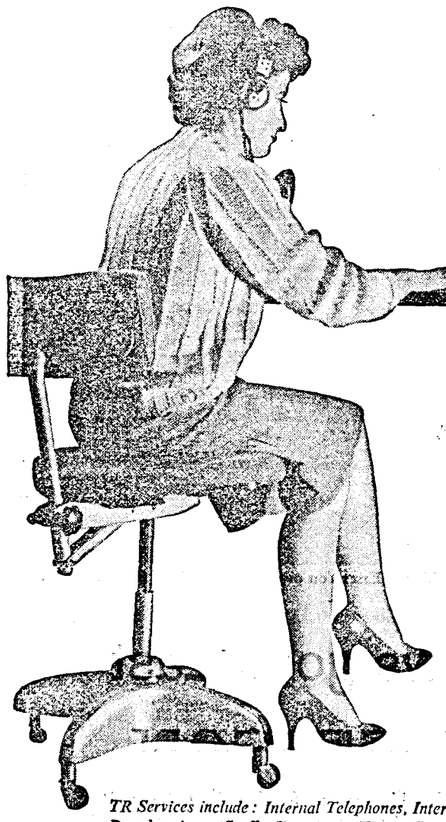
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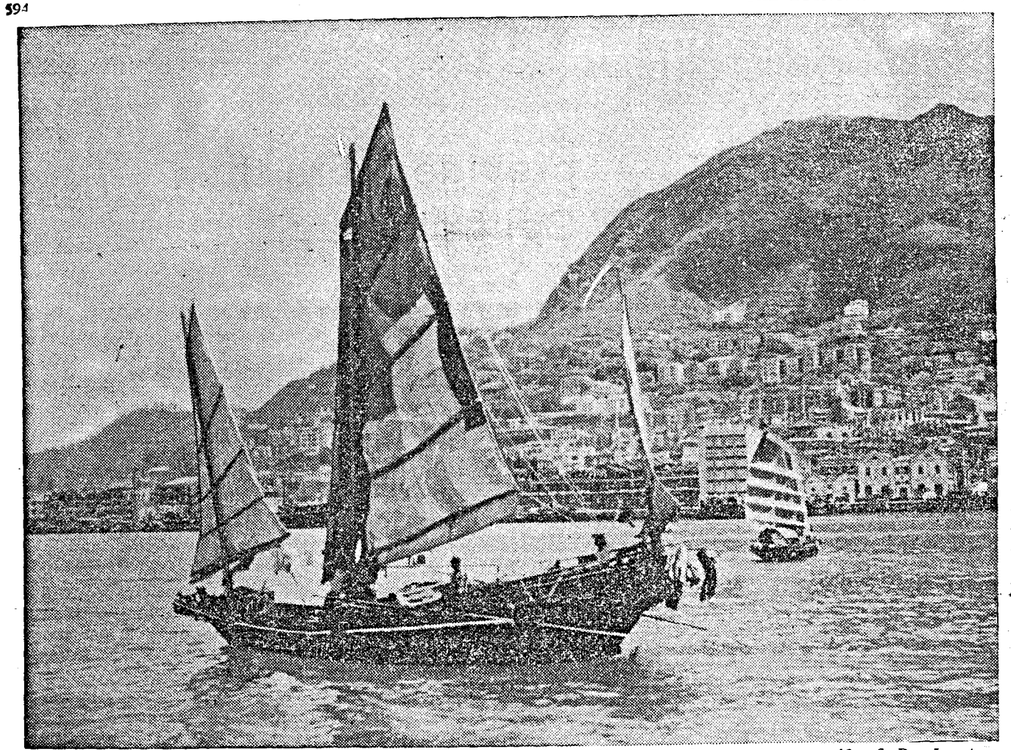
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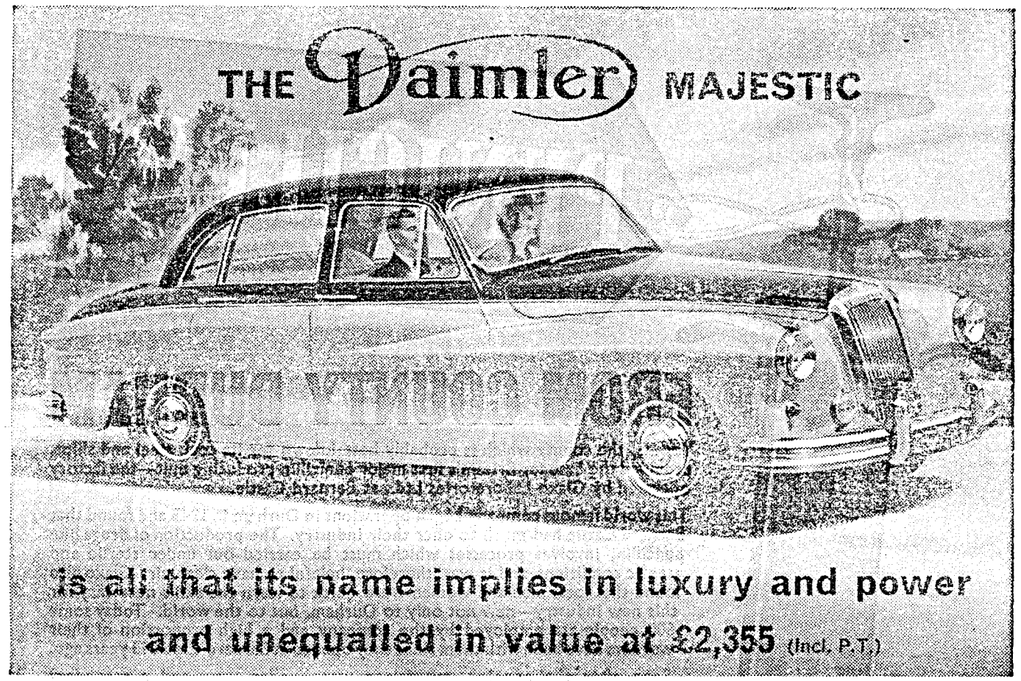
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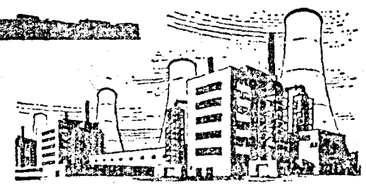


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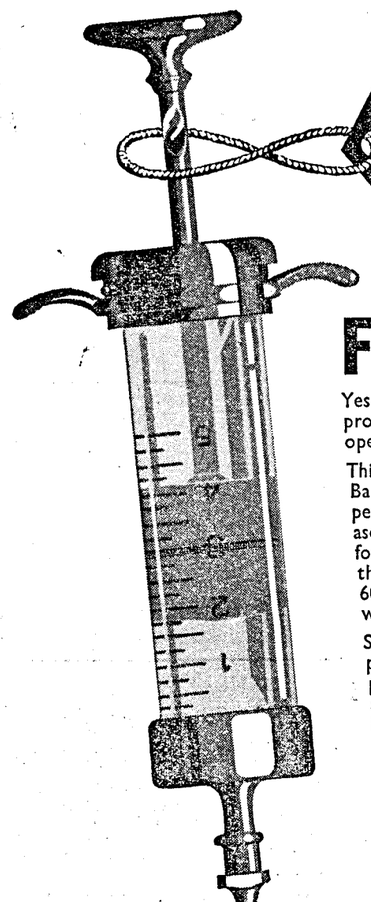
Over 300,000 square feet of INSULATED SURFACES

Throughout the years Newalls have built an enviable reputation in the insulation of conventional power stations. This specialised experience is now being drawn upon on an ever growing scale in solving the complex insulation problems in Nuclear Power Development.

At CHAPELCROSS — U.K.A.E.A NUCLEAR POWER STATION for example; under contract to Babcock & Wilcox Ltd., Newalls are carrying out the insulation of the 16 steam raising units and integral piping. The insulation of turbines, blowers, associated auxiliary equipment and piping is being carried out under contract to C. A. Parsons & Co Ltd.

The principal insulants employed are Newalls own products, 85% MAGNESIA and NEWTEMPHEIT, and all the application work is being carried out by the Newalls contractual organisation. The latest addition to the Newalls range NEWTHERM Calcium Silicate Insulation, has also been applied for the first time on a nuclear power station.

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PENICILLIN

FROM COUNTY DURHAM

Yes . . . the county which is probably best known for its coal, steel and ships, provided the base for Britain's first major penicillin producing unit—the factory operated by Glaxo Laboratories Ltd., at Barnard Castle.

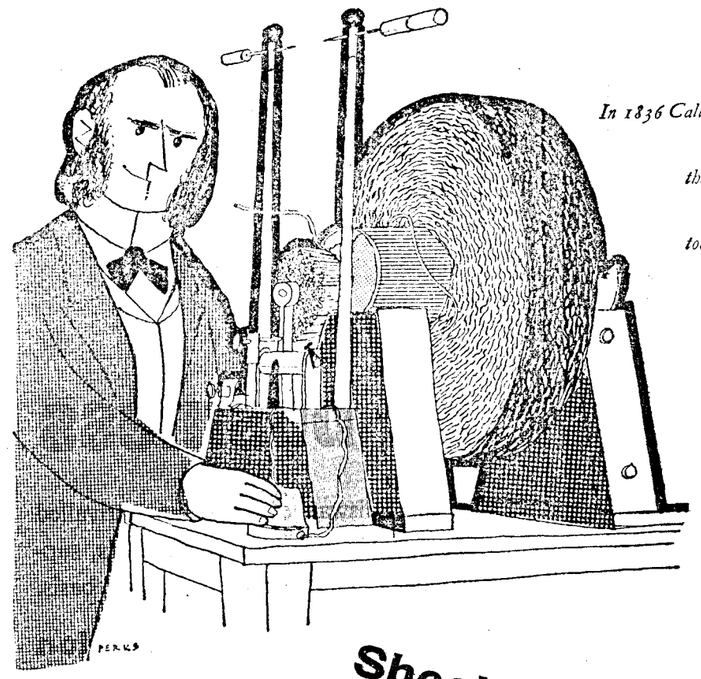
This world famous company began operations in Durham in 1945 and found that Barnard Castle had much to offer their industry. The production of drugs like pencillin, Involves processes which must be carried out under sterile and aseptic conditions, and it was, therefore, helpful to have clean air. Glaxo also found that local men and women were quick to learn the skills necessary for this new Industry—new not only to Durham, but to the world. Today some 600 people are employed by the company and a high proportion of their workers have been with them since they opened at Barnard Castle 13 years ago.

Soon after the opening, extensions were under way, and a secondary production plant was established to handle the packing and filling of penicillin and other Glaxo products. This plant is today one of the most advanced units of its kind, with every operation highly mechanised. Penicillin is no longer produced at Barnard Castle, but the position of the factory had considerable bearing on the siting of Glaxo's new production unit at Ulverston, in Lancashire. Easily reached by road from Durham, penicillin from Ulverston comes to Barnard Castle for packing before being sent on to Glaxo's headquarters at Greenford, Middlesex, using the excellent road and rail links between County Durham and London.

Many Industrial discoveries and achievements of past centuries have been centred on Durham. The new discoveries of science are now being made available to the world through companies such as Glaxo Laboratories Ltd., who have found that County Durham still has much to offer.

SITE VACANCIES

The experience of Glaxo Laboratories Ltd., in County Durham, is like that of many companies who have found the county to their liking. Labour is available, transport facilities are excellent, the essential services are plentiful and cheap, while the amenities are second to none. Many first class Industrial sites are available and complete Information, Including details on factories for rent, will be readily supplied by the County Planning Officer, Durham County Council, 10 Church Street, Durham.

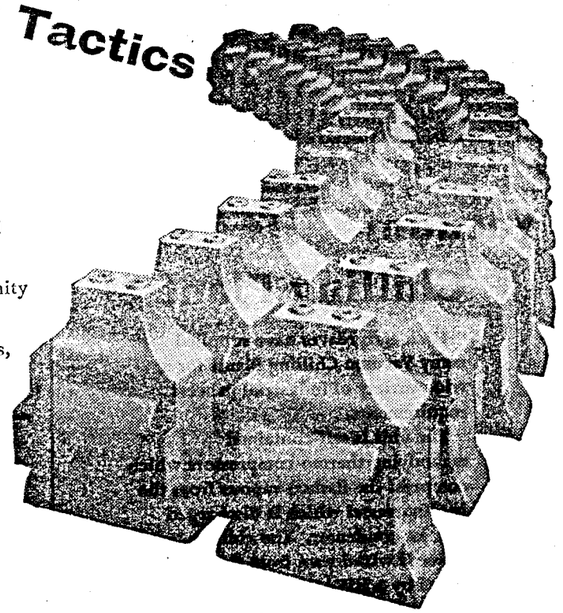


ANNUS MIRABILIS

In 1836 Callan, inspired by the work of Faraday, invented the induction coil, ancestor of the transformer of today. His instrument consisted of two separate windings on an iron core, and by means of an interrupter he induced a current of very high e.m.f. in the secondary circuit. Callan paid great attention to insulation, using a paste made from wax and gutta percha.

Shock Tactics

Insulation was a major problem of the early pioneers, and one that persisted until recent years. The introduction of Araldite (regd) made available an insulating material combining resistance to corrosion, durability, immunity from the effects of humidity and temperature changes, toughness combined with flexibility—in addition to excellent electrical properties.



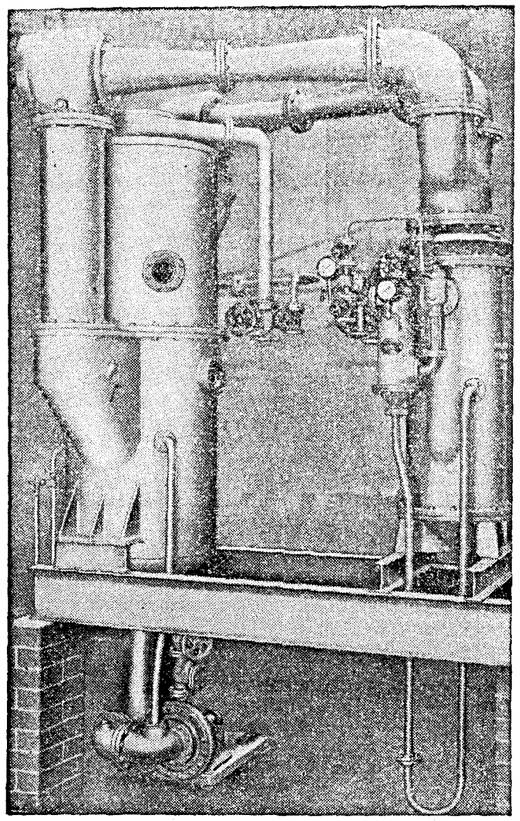
Transformers potted in Araldite casting resin by A. Reyrolle & Co. Ltd.

Araldite epoxy resins

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AP 317A



Vacuum Chilling Plant for cooling water to a temperature of 45°F. with an ambient temperature of 85°F. Particularly suitable for process operation when there is a considerable demand for low-grade heat.

Vacuum Chilling Plant

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Hick Hargreaves

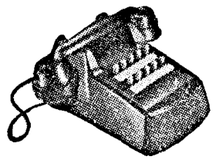
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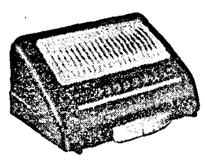
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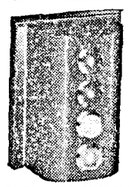
Here is a small selection



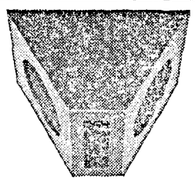
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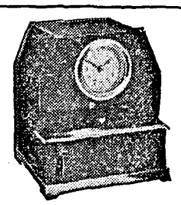
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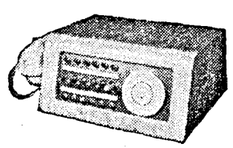
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Rude-sell

The latest thing but one in advertising was mood-sell. You didn't try very hard to sell your stuff, but evoked a mood in which people would buy it. The latest thing of all, according to one expert, is rude-sell, which means roundly abusing anyone who doesn't buy your product.

In writing rude-sell you must have a very clear picture of the person you are abusing and what their reaction will be to each lash of the whip. Supposing you write: '*Do you use I.C.I. Silicones? If not, why not? Everyone else does.*' The victim, a woman, exclaims mentally: 'I know—I'm thoroughly ashamed of myself. I suppose I'm just old-fashioned'. You go on: 'Old-fashioned nothing—you're a disgrace to the community. How are you going to keep the rain off your silly back if you don't have a raincoat proofed with I.C.I. Silicones? Eh? And how are you going to make those expensive aeroplane trips if you haven't got a gadget made of I.C.I. Silicone Rubber to keep ice off the wings? And how are you going to cut down the foam on your fermentation process without I.C.I. Silicone Fluids?'

Now shame-faced, now defiant, she eventually tries a smart-Alec rejoinder: 'But I haven't got a fermentation process, and even if I had I wouldn't know where to buy I.C.I. Silicones—unless you can get them at Harrods.' Witheringly, you reply: 'My dear madam, you can't buy them over the counter, but...



NS.75

I.C.I. SILICONES

Nearly everyone uses

(whether they know it or not)

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The Unproletarian Society

IN normal circumstances, after eight years of Conservative rule, the ruminative and radical British elector should now be inclined to vote for allowing the other Buggins to have his turn. The Tories have pretty well completed the programme of social reform which they worked out, largely thanks to the imaginative drive of Mr Butler, during their last period in opposition from 1945 to 1951; since 1951 their top leaders have not had much time to think. If only Labour had used the time since then to do some radical and modern thinking of its own, there would now be a great deal to be said for throwing the Tories back for another period into the wilderness, in order to chew over some more cud.

Unfortunately Labour's new thinking certainly cannot be called radical and modern. The main hope for progressive government in this country for the next five years is therefore that the Tories might use these last five to twelve months before the election in order to think up a forward-looking programme of their own. An article in *The Economist* three weeks ago proffered some specific suggestions for one part of that programme, the part that should be concerned with providing a safety net for the unlucky. What suggestions, now, for the second part of their domestic programme, which should be concerned with enlarging the prospect for the successful?

There is really not much doubt what the progressive theme should be. The slogan for the 1960s—more exciting perhaps than euphonic—should be to deproletarianise British society, both materially and psychologically. The aim is to make that last upward push which will lift the mass of the population out of the cramped mode of living that has bred the mentality of class war. By one's reaction to this theme can be judged where one really stands in political instinct today, to the right or to the left. The old-fashioned Conservative is one who looks out at the consumer comforts made achievable by rising incomes and the hire purchase revolution, and who feels vaguely that the workers are unfairly luckier than he was as a boy—that they are getting above their station. The modern Conservative should be one who looks up at the television aerials sprouting above the working class homes of England, who looks down on the housewives' tight slacks on the back of the motor bicycles and family sidecars on the summer road to Brighton, and who sees a great poetry in them. For this is what the deproletarianisation of British society means; and the changes in social and industrial attitudes of mind which it could bring with it are immense.

It is quite possible, it ought to be perfectly attainable, for the majority of industrial workers who are also heads of families to be earning over £15 a week in terms of today's pounds and prices by the end of the next Parliament. This provides the opportunity for giving the children of Britain a much fuller family life in their formative years than has ever been dreamed of in this country before. A principal task of a pro-

gressive government should be to get its own activities and imposts out of the way from blocking this advance. First, the Tories should determine that it will be one of their positive objectives of policy, if they are returned to power, to keep on reducing the sweep and impact of income tax on earned incomes, especially where there is only one breadwinner in the family. The ultimate aim should be to restore income tax to not much more than its part in the prewar scheme of things. In 1938, there were only 3.8 million income taxpayers in Britain against 18 million today. The social importance of what can be called the "deproletarianisable" income group also means, quite specifically, that the Conservatives should never again consider imposing restrictive controls on hire purchase.

One of the most troublesome questions of an advancing and socially mobile society is the part that it is logical for trade unions to play in it. A part that cannot be logical is to allow shop stewards to continue to terrorise individuals who do not agree with their views. At the very least, the Conservatives' next manifesto ought to contain a specific promise that they will set up a royal commission to inquire into abuses of power against individuals by trade unions; the radical thing to do would be to go further, and promise to introduce legislation that would regulate the activities of trade unions no less—though also no more—sternly than the Companies Acts regulate the activities of manufacturers and business men.

There is also one new regulation which should be introduced to trim the activities of business men themselves. If the Tories are to rely less on high taxation and hire purchase controls in order to combat balance of payments crises and inflation, they must rely more on other weapons, and the most obvious anti-inflationary step of all is to encourage competitive price-cutting. The right decision for the Tories here would be to include in their manifesto a promise to repeal the mistake they made three years ago, when they undesirably strengthened the legal sanctions available to manufacturers who want to enforce individual resale price maintenance.

ONE difficulty about a society that is being deproletarianised is that tastes are unlikely to be raised as quickly as are incomes; in consequence some top people are likely to feel that the amenities which they at present enjoy are being spoilt by barbarian standards of mass consumption. A balance needs to be struck here, but the Conservatives should be very careful to see that it is not always struck in favour of top people. This means that they should have a new look at the way in which some planning powers, which are said to be needed to prevent a "spread of subtopia," are apt to be badly misused; they are sometimes reactionary weapons for preventing rising members of the working class from being able to enjoy the sort of out-of-town commuters' life which better off people have been enjoying for many years. A progressive Conservative party ought to be willing to designate some beauty spots where further housing or other development will be forbidden, but to aim to allow much greater freedom elsewhere. There may well be a case for using market forces to prevent large individual pre-emptions of the green fields of England (e.g. a reform of the rating system, which would surcharge building plots above a certain size on an ascending scale). But the general aim should be to make more room for workers who want to move out to rent or buy small houses in suburbia or the country.

Repeat, to rent or buy. A deproletarianised society is not the same thing as a property-owning democracy, and it would be a great mistake for the Conservatives to suppose that they could advance the former ideal merely by persuading people to purchase particular sorts of property like houses or ordinary shares. In general, one would guess, a family is more likely to be deproletarianised if it buys a car even at the expense of having to continue to rent its house; while the urge to dragoon workers into buying risk-bearing stock exchange shares (whether in the company that employs them or in any others) seems to be a simple muddle of the undeniable desirability of encouraging people to lay up more savings, of any sort, behind them. If the Conservatives could devise any scheme whereby a man who saved a certain part of his income, through whatever medium, had that part of his income freed from liability to tax, this would be in accordance with the philosophy recommended in this article.

FINALLY, the Conservatives should pledge themselves to sweep away many of the impediments to Britons' freedom that were born out of the Victorian nonconformist conscience. They should promise to reform the gambling laws, to scrap many of the regulations about drink licensing hours, to liberalise the Sunday observance laws and so on. In many cases these are nasty class restrictions—favouring the punter who has sufficient social standing to attract credit facilities, the man who drinks from his own cellar as against the man who drinks in a pub, the man who has greater entertainment facilities in his own home as against the man who seeks mass amusements.

This would not be a complete programme of reform. For example, nothing has been said about educational reform (which should obviously have a central place in any plan for deproletarianising society) and little about changes in Britain's financial mechanism (which might well be desirable to face the challenge of the 1960s); it so happens, however, that committee reports on these matters are due to be published this summer, and suggestions in these fields can best be postponed until after their appearance. This article and that on April 25 have been concerned merely to present a framework of some proposals based on one overriding belief. That belief is that this is an age of change in which politics ought to be challenging and exciting. The old society of class war is dying on its feet.

Algerian Anniversary

General de Gaulle has steadily asserted his authority in Algiers, as in Paris. But the hardest tests in Algeria lie ahead.

IT is a year since Cincinnatus was summoned back from Colombey—summoned, on the balcony in Algiers, by a halting General Salan, who now has his reward. The anniversary must be remarked, but what anniversary should it properly be? Is it the celebration of the Gaullist return as M. Malraux must see it, of the vision become reality, the miraculous call heard again and answered? Is it to be thought of simply as a year since parliamentary government died, the awkward recollection of the republic that no one cared to prop up any longer? Or is it—as observed by MM. Lagaillarde, de Sérigny and others in Algiers—the tragi-celebration of that saving of *l'Algérie française* which has now passed into the limbo of Gaullist ambiguity? Frenchmen agree on significant dates in their history, but not on what makes them significant. Each to his own May 13th.

It is the fact of General de Gaulle's presence at the head of affairs that matters now. In the year since Algiers rebelled against Paris the worst has not happened. France has not dissolved in civil war. It has not given itself up to military rule. It has not atrophied into Iberian dictatorship. These things were possible on the morrow of May 13th: they are still not impossible now. So long as General de Gaulle remains in power in the Elysée they are, at any rate, unlikely.

IN this the general has excelled expectation. The immediate fears inspired by the manner of his return from Colombey have not been realised. Slowly and perseveringly he has paid off his camp-followers. The political generals, save two, have been promoted out of Algeria. M. Soustelle was first silenced by cabinet membership, and since his defeat in the municipal elections at Lyons has been lying low. The committees of public safety have been manœuvred into dissidence and, more important, isolated from the army. This was made quite clear by the relatively small number of Europeans who turned out for the official, army-sponsored celebration in Algiers on Wednesday. The process has been cumulative and politically adroit.

But this has not removed the sources of potential revolt. It has not deprived the *ultras* of their ability to act again in Algiers if they see fit. It has not visibly altered the army's sense of administrative vocation in Algeria. But these things could never have been done by the stroke of a pen in Paris. General de Gaulle has had to feel his way forward, always carefully, sometimes painfully. He has had his commands in Algeria disobeyed and ignored. He seems to have been kept ignorant of some police actions in Paris—seizing newspapers critical of present policy in Algeria—until it was too late. There have plainly been orders he has not dared to give.

These are all signs of weakness, but not of too apparent weakness. Authority is put to the test piecemeal. The general's oracular conversation with M. Laffont, published in *l'Echo d'Oran* on April 30th, in which he denied any significance in his constant refusal to use the word "integration," was a patent attempt to remove any excuse for militant demonstrations this week. But it was accompanied by the scathing, and final, dismissal of the Algeria "of papa's day." There is a progression in the liberties the general allows himself.

The reality of the presidential authority in deciding policy is unequivocally plain in Paris. The Elysée is all: the Matignon merely its annexe. This state of affairs is implicit in the constitution of the Fifth Republic. It has become fact, almost to exaggeration, in the relationship between General de Gaulle and M. Debré. This is important. The purpose of M. Debré is very clearly to permit the general to dissociate himself from MM. Soustelle and Chalandon, to allow the

LAST WEEK'S ISSUE

ON Wednesday last week the press on which *The Economist* has been printed since May, 1941, succumbed to the weight of advancing years and the strains of a busy life which began back in 1929. Production could have been continued only at an impossibly slow rate. St. Clements Press, faced with this crisis at the moment when the successive printing of three periodicals was about to start, decided to bring into immediate operation a new press which was not due to begin printing *The Economist* until early June.

Many readers of last week's issue must have observed imperfections in printing (more noticeable in some copies than in others). But, in view of the fact that the new press had only just been assembled and that trials had barely begun, the miracle is that the paper was printed at all. That this was possible, and that there was no serious interference with the schedule, was due to the exceptional efforts of our printers, both management and men. A word of thanks and congratulation is very much their due.

The new press should, before very long, enable us to print the paper rather faster than hitherto, and will also give us an opportunity to enliven its appearance by a judicious use of colour.

initiative in government to remain in the Elysée, not to slip into the party offices of the UNR. At the same time, the Assembly—where the UNR extremists have already voiced opinions on Algeria that are repugnant to the general—seems in practice to exercise less influence over either government or public than even the constitution left to it.

When the triumphant Right arrived in Paris after the November elections General de Gaulle made it clear that any attempt to unseat the government would bring an immediate dissolution. This was partly bluff. But now the local and senatorial elections, showing a return to the old political balance of the Fourth Republic, have given the general his freedom from Gaullist parliamentary pressure if he wants to use it. Governmental stability seems assured for the next five years.

It is on this stability that the political programme of the regime is now being developed. Already the centralisation of power has played its part in permitting the financial austerity of December's budget. It allowed the overhaul of many institutions and practices in last winter's decrees. It has helped the general to bring the French African community into being. His personal control over foreign policy remains unchallenged. All this, in his own words at Bourges last week, is the result of "clarity, authority and continuity" in government.

THE claim is true everywhere, except in Algiers. Yet, if it does not eventually become true there as well, it must become meaningless elsewhere again. Nothing permanent can be done in France if Algeria does not respond to authority. This is a truism. But, in a very real sense, all that General de Gaulle has done in France, each political success, each addition to prestige, each demonstration of power, is directed toward Algeria. Even the assertion of French independence in Nato may help. It is as though Algeria, European and Moslem, were to be mesmerised into obedience by the visible restoration of self-respect within the government itself.

General de Gaulle's freedom of action has increased in steady, if often almost imperceptible, stages. This is likely to continue. The general's policy is to assist the evolution of the Algerian situation, drawing what benefit he can from gradual military success and unexpected political change—such as the disruptions within the *ultra* committees. Very occasionally, he forces the pace, as in continuing to release Moslem prisoners last month despite the outcry at new rebel atrocities. This is a studied line, not a series of expedients. As the Moslem rebels are hard pressed in the countryside—bringing word of differences between the rebel authorities in Algeria and those outside it—so the physical fact of the war becomes less evident and less important in Algeria. M. Ferhat Abbas's last statement may have brought the prospect of negotiations a step nearer. If military success—which the general now openly visualises—actually comes about, the importance of the army should diminish. In fact, the general has deliberately reminded the army that pacification is only part of the answer.

HE plainly wishes to use as many forces in attaining a final settlement as he can. He wants a strong Moslem administration to emerge locally; hence the pressure to secure the election of a Moslem mayor of Algiers. This may help to offset the power of the FLN —whom he is still ready to embrace, on his own terms —at the conference table. He wants the economic prestige of the French civil administration, expressed in the Constantine plan, to be felt. This may partially reduce the influence of the army and its ideas. But he needs the army's help if he is to hold the settlers in check. Beyond and above, he wants to remove Algeria from its self-inflicted misery and division by drawing into the discussion the wider ideas of North Africa's future association with France and the French community. The King of Morocco and M. Bourguiba seem ready to take part. Even the deliberate attention drawn to the political principles of the Cyprus settlement belongs to a developing educative process within France.

This search for a balanced and interlocking Algerian solution is staggering in its complexity, and in the very demands that General de Gaulle must make on his own authority—and political agility—without seeking explicit backing from liberal opinion in France itself. But the liberals are still ostracised. They are perhaps too committed, and too weak. General de Gaulle is alone, and by the fact of his loneliness is the symbol of France's continuing weakness and disunity. He faces in Algeria a Moslem nationalist revolt, hardened and embittered by years of war—and he can act in Algeria only with his army's approval. This dilemma of authority has been evident all the year. It persists. But since last May 13th the rebels have been perceptibly weakened; and the army, almost as perceptibly, has been purged of its political generals and divided from the settlers. It is a beginning. How much it means now is uncertain. The year ahead will see Gaullist attrition put to still harder tests.

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The Office Boom

The many new office blocks in the centre of British cities, particularly London, are good business if often bad architecture.

"WELL, some people talk of morality and some of religion, but give me a snug little property," said Maria Edgeworth in 1812. At first sight, it might seem odd that anybody should echo her remark today, when rents from real property still take up only a little over half as much of the national income as they did before the war. But there is one class of property investment which has proved very good business in postwar Britain. The building of offices (and, in a few cases, shops) in the big cities—and especially in central London—has provided affluence for quite a number of people and millions for a select few. As so often where profits per transaction have become exceptionally large, the creaminess of the market has been created largely by the operation of well-meant planning controls.

The heavy demand for office space in central London —fed by the general expansion of business, the workings of Parkinson's Law, and the need to be near Government departments in these days of a planned economy—has run its head hard up against a supply of office space which has been restricted partly by sheer physical shortage of space, and partly by artificial restrictions. The biggest restriction is the great difficulty of obtaining suitable planning permission for constructing office blocks. Until 1954 there were also the limitations imposed by the building licence system. Under these conditions of inflated demand and restricted supply, the rent that can be charged for offices in central London has risen at its highest to over £2 per square foot per year. That is much more than one could expect to earn from building a new hotel or flats.

The type of principal in this part of the property business is now changing fast. At the end of the war, office development tended to be in the hands of the private speculator, equipped with an ordnance survey map, a bit of money, a nose for sites and some useful contacts with the planning authorities. In the ten years before 1955, many individual fortunes were made by buying sites, running up a building and then selling it off quickly to occupiers in this way. But since building licences were removed five years ago, competition has sharpened, and very much bigger projects have been started. An assortment of millionaires, insurance companies, and enterprising contractors has thus been tempted into the field. A company such as Laing, with its development, contracting, building and investment departments, probably represents the ultimate here. There are now perhaps twenty-five such big operators in London, of whom about one-third would be interested in any particular site.

Basically, the job that these developers undertake is no different from that performed by the thousands of small-time property improvers all over the country; they take over, build and sell (even if only into their own portfolio) for a capital profit. They differ only in scale, and in the amount of capital required. This requirement is large and increasing, for owners of land on which building or rebuilding is permitted have naturally joined in reaping the profits. In some districts owners have been much luckier than in others. Owners of sites in Marylebone Road, Oxford Street, Knightsbridge and St. James's have all done exceptionally well recently; those in Holborn and Bond Street (the latter the victim of income redistribution) have done badly. Even in the best areas land values may vary remarkably within a distance of as little as twenty-five yards.

The first step in a typical transaction is usually that a developer hears, either through a surveyor, an estate agent or his own contacts, that a site is coming on to the market. It does not matter whether there is a building on the site, since demolition will cost virtually nothing; indeed it often pays for itself once the copper pipes and lead off the roof have been sold. The number of interested developers of any site ten years ago might have been only two or three, but today there would probably be seven or even ten.

Of all the factors a bidder has to weigh, planning permission is usually the most crucial. For a number of eminently sound social and economic reasons (such as their desire to reduce traffic congestion), the Ministry of Housing and the London County Council have a general policy of restricting office building in central London. They have zoned some areas previously used for offices as utilisable only for residential or mixed development; and sometimes, when permission for offices has been granted, they have allowed only a smaller (though more flexibly laid out) ratio of office space to site area than in the past. The situation which arises when permission to build an extra floor—and thus to add perhaps £100,000 to the value of a building —can be granted with a stroke of an official pen, leads to a temptation too obvious to need mentioning. In some cities and some cases, it is darkly alleged, the temptation has also been too obvious to resist. The innuendo is never proved.

ONCE a site has been acquired and satisfactory planning permission obtained, the vital thing for a developer is to keep down costs. He knows with reasonable certainty what the revenue from his building will be, since this is only a matter of multiplying the projected area of floor space by the prevailing rents in the neighbourhood. (This calculation can be made the more accurately now that greater co-operation between contractors and architects has at last, in many

cases, reduced by half the previous average of three to four years taken to design and construct a sizeable office block.) Say, and this is not a hypothetical example, that the expected income from a West End office building of 35,000 square feet is £67,500 per annum. This income is equivalent, if the building is sold into an investment portfolio on a fourteen year basis, to a capital sum of about £940,000. Once the money for the site has been paid, every extra pound spent on the building is a pound off the profits that this £940,000 will provide.

In the example given in the previous paragraph, the site cost roughly £450,000 ; building and all other costs, at £6 a square foot, amounted to roughly £210,000 ; and the profit on the development was thus a handsome £280,000, or 30 per cent reaped in a single year before the whole project was sold off into an investment portfolio. This was by no means exceptional ; indeed, until recently, it was almost the minimum development profit expected. Other examples selected at random might include £350,000 made on a £650,000 purchase of a gigantic office block on the Great West Road, or £35,000 on a small £120,000 block built in the City. The examples could go on indefinitely but, apart from making many people feel that for some time they have been in the wrong business, their only purpose would be to show how relative is all the talk at present of greater competition in development. Even now, to make less than £200,000 on a £1 million speculation is considered unsatisfactory.

It would be pompous to draw determined conclusions for public policy as a result of what may be a bubble boom, and pernicious to say that, because some people are making large profits out of building offices for which there is a buoyant demand, these offices should not be allowed to be built. Perhaps the proper political moral for people on the left is that the combined effect of planning controls and rent restriction on dwellings has been to make it profitable for some capitalists to build offices for other capitalists, and not to build houses or hotels for the people. On the other side of the political fence, it can be argued that, so long as planning controls do exist, there may be a better case for a capital gains tax on profits arising from sales of property or land than from sales of other investments.

But surely the real object of public disquiet should be that, despite the boom, and despite the planning restrictions and advice given by the LCC's architectural staff, so many of the offices that have been built in London have been so very ugly. Anyone who looks at these buildings, designed either strictly on a neo-Georgian pattern, or—most popular at the moment—in the shape of an up-ended beer crate, cannot fail to be impressed by their unoriginal architecture and apparently outdated construction methods. America and most of Europe are far ahead of Britain here.

There is one central reason for this. In England, as opposed to the United States, there is not a sufficient body of informed opinion about good architecture to enable new ideas to be accepted. Young and able architects blame this on the conservatism of British opinion ; others, thinking of the way in which modern painters have forced the public to accept new styles, might blame the architects for not working hard enough to educate their clients. Architects do, certainly, face three major difficulties not altogether shared by the painter. First, they have always to design with an eye to commercial needs ; secondly, many of the really influential architects, who might create a climate favourable to new ideas, have the least ideas of all ; and thirdly, architecture, being in its own way big business, is wide open to the design tycoon whose long experience is sufficient for him to design quickly and badly a building that gives a maximum revenue at a minimum cost. But even so, the present state of architectural paralysis in this country is startling.

Nor does the outlook for the future seem much more hopeful. As competition increases and central congestion gets worse, speculators are likely at last to burn their fingers; the signs are in Holborn and parts of the City that they will soon do so. Occupiers, on the other hand, will become more selective, and, if rents go on rising, the trend to move their offices into the suburbs and beyond is likely to grow ; this movement has already started, though as yet only on a small scale. But of new life in the architect's office, and of a greater acceptance in the boardroom that new designs are worth searching for, there is as yet little sign. The real complaint against the office builders of the 1950s is not that they have been making money, but that they are in danger of turning central London into a lavish but lifeless office suburbia.

The Economist

MAY 14, 1859

WILD JUSTICE

The trial of Mr Sickles at Washington for the murder of his wife's seducer has come to an issue that will seem as melancholy to the politician as its origin was mournful. When the mere impulses of multitudes, however largely mixed with just feeling, begin to sway the tribunals of justice,—when the administration of the law follows the ebb and flow of popular sympathies,—when the judge and the jury, instead of standing high above the feeling of the moment, become the mere organs of temporary emotion, and forget the past and the future, the sacredness of law, and the fearful consequences of absolving individual offenders, however deep their injuries, who take the law into their own hands,—then, we say, the highest function of the State is abdicated. Under the sanction of a popular opinion, which is little less and often far more unsafe and partial a judge of human guilt than the individual conscience itself, we are brought back to that "wild justice" which it is the first boast of civilisation to amend and purify. . . . Wild justice may be noble in savages—it is shameful in a civilised State. . . . Justice in civilised communities usually implies, and ought always to imply, a scrupulous apportionment of punishment,—a *refusal* to surrender to the strongest bias. A hasty and impulsive administration of justice has a great tendency to grow on a democracy . . . . Once accustomed to influence the judgment-seat directly, the people find it a far more interesting task than any influence they can exert over the Legislature.

NOTES OF THE WEEK

LOCAL ELECTIONS

Inquest on a Missed Bus

Labour has suffered a sharp defeat in the municipal elections. With 200 losses in the provincial English and Welsh boroughs, it has lost all its gains of three years ago, and fallen back to below its strength of May, 1953—when the Conservatives enjoyed a comfortable lead on the Gallup poll (indeed they were in that very month increasing their then parliamentary majority of 17 with a victory in the South Sunderland by-election). In all, Labour elected only 1,309 councillors last week, out of a total of some 3,300 ; this is a mere 34 more than in 1955, when parliamentary defeat followed only two weeks after the boroughs polled. If these municipal elections are an accurate guide, a May general election would have returned Mr Macmillan to power with only a relatively small dent—of between about ten and twenty—in his present majority.

Detailed scrutiny of the results brings no comfort to the Labour party. Hitherto, ever since the war, changes in public opinion have been remarkably uniform throughout the country. But lately it has become fashionable to claim that this situation is changing: the prosperous south might still be Tory, it was argued, but unemployment in the north was swinging voters there the other way. The borough results give no support whatever to this theory. Compared with a year ago the swing to the Conservatives has gone smoothly forward in the north as well as the south, in Labour strongholds as well as Tory ones, even in depressed Scotland. There was only one type of town where Labour improved on last year's record : the resorts and spas. In three regions Labour did even worse than in 1955—the west riding of Yorkshire, the northern counties and the south-west of England.

In London, in defiance of the forecasts of some public opinion polls, the swing against Labour since 1956 was actually slightly lower than in most other parts of the country. In part, this was because a relatively small Labour advance here in 1956 was matched by a correspondingly small decline this time ; but it remains a fact that the metropolitan boroughs were one of the few places where the Conservatives failed to improve at all on their 1953 strength. The Tories did, however, regain an elected majority in Lewisham, although only by the narrowest possible margin (one vote in one ward put in the odd councillor who gave them their majority). As expected, they also recovered St Pancras, where Labour had expelled its leader and several other councillors. The latter, standing as Communists and Independent Labour, polled only 200 or 300 votes each. So much for the argument that what Labour voters really want is a more militantly left-wing image.

Who Goes Home?

The turn-out in the local elections does not seem to have risen much ; it improved in several northern towns, but often declined in the Midlands. Looking down the list of shaky Tory parliamentary seats, one can find only about eight cases where Conservative MPs may have some reason to feel glad that Mr Macmillan did not call a May election. Compared with 1955, more Labour councillors were elected this year in three Tory marginals in Lancashire (Oldham, Preston and Bolton) and also in Doncaster, Halifax, Hull, Nottingham and Southampton. But in the equally marginal Tory areas of Plymouth, York and Great Yarmouth, the Labour representation was smaller than in 1955. Moreover, the big swings to the right in Bristol and Reading (Mr Mikardo's constituency) suggest that some Labour seats might have been in danger at a May election. Labour also lost control of the council at Keighley, where a Labour MP held the parliamentary seat on a minority vote in 1955 because of intervention by the Liberals. In London the scattered Conservative successes came largely in useful places like Battersea, Wandsworth and Woolwich, well watered with their marginal seats, while Labour's compensating gains in the capital were wasted on the barren deserts of tory Westminster and socialist Stoke Newington.

The Liberals made little impact last week. They gained a few seats over the whole country, but did badly where they made the most effort, failing to win a seat either at Hampstead or at West Ham (where they fought every ward) and losing four at Blackpool. The Communists, too, did poorly, often dropping below even their tiny polls of last year. Whatever the deficiencies of the major parties, there was no indication that the electorate had any interest in the available alternatives.

TELEVISION AND ELECTIONS

Bristol Fashion

There is one footnote to the local elections which is worth rubbing home. On Wednesday of last week the Labour party devoted its national party political telecast to the achievements of its councillors at Bristol ; the local Tories at first said that this was very unfair. In Thursday's elections half of the 18 sitting Labour councillors who were defending their seats at Bristol were hurled by the voters off the council, in a swing far larger than the national average—indeed, in the biggest Labour debacle in the country. The councillor who was given the longest interview on television suffered one of the sharpest defeats of all. Perhaps both political parties can now become less neurotic about the supposedly unfair advantage accruing to candidates who make any personal appearance on the screen ?

IRAQ

Arms for Qasim

President Nasser's excuse for dealing with the Russians was that he could get arms from the eastern block when the West refused to furnish them. General Qasim, already heavily involved with the Russians, is apparently to be denied that excuse. On May 11th it was announced in

parliament that the British Government had approved the sale of arms to Iraq. The Government hoped that if it went on selling arms to Qasim he could more easily maintain an independent line *vis à vis* both the Russians and the Iraqi Communists. Before the members gathered in Westminster on Monday the alarm had already been sounded in Cairo. To President Nasser's radio and press this was only further evidence of an unnatural alliance between western imperialism and international communism especially designed to keep Iraq separated from the true, or Egyptian, brand of Arab nationalism. Cairo, as usual, overstated its case, but the lengths to which the British Government went to explain its action showed that it was not entirely happy about the decision.

Perhaps General Qasim only asked for British arms because he thought he would be refused them. He threatened to finish with the West and turn to Russia if he did not get arms ; but the docks at Basrah are already busy with the unloading of Russian arms. The whole orientation of Iraqi policy since the revolution last July has been towards Russia and the east. The traffic in cultural, economic and military missions has been moving only between Baghdad and eastern capitals. Russian officers cruise around Baghdad in jeeps provided for the Iraqi army by the United States.

For practical reasons the Russians may not want Iraq as a fully-fledged satellite. It would provoke hostility in the Arab and Asian world and it would be difficult to support without a land link. If the Iraqis were practical they would consider the economic implications of cutting themselves off completely from their oil customers in the West. It is far more likely, however, that Iraq's future will be determined by politics and emotions and not by economics.

The arms promised to General Qasim will not seriously increase his power to threaten his neighbours. None of them has joined in President Nasser's hysterical attack on Britain and Iraq. On Tuesday, in London, the Shah of Persia said that Iraq, as an independent country, had every right to buy arms wherever it could. Detailed negotiations will delay delivery of the tanks and aircraft for at least twelve months. There may be time to find out whether the Government's confidence in General Qasim's ability to remain independent is justified.

NUCLEAR TESTS

Something for the Summit?

TACTFULLY bowing themselves off-stage as the foreign ministers began their turn, the three nuclear test negotiators at Geneva decided on Tuesday to adjourn until June 8th. This should free their table for use elsewhere. The nuclear talks are now at their trickiest stage and Mr Tsarapkin, Mr Wadsworth and Sir Michael Wright have a good deal to mull over by themselves. In the meantime, three of the foreign ministers—perhaps thinking the going easier—met on Thursday to see if technical discussions should now begin. (France, which is not participating in the nuclear test talks, was not represented.)

Although the Russians have taken up the idea of a limited number of veto-free inspections, based on monitoring evidence, each year, the full technical implications still need to be studied. Mr Macmillan's letter to Mr Khrushchev on May 6th pressed for the Soviet delegation at Geneva to be authorised to discuss such scientific matters. The British point is that some scientific basis must underlie any agreement on the number of inspections that would be adequate to discourage the idea of clandestine tests by either side. At the same time, President Eisenhower has urged Mr Khrushchev to accept the limited American plan to prevent fall-out by confining tests to those underground or in outer space.

The latest Russian proposal to launch an international sputnik force for monitoring work at high altitudes deserves to be taken seriously. It suggests that there is at least one form of effective inspection that Mr Khrushchev is ready to accept. It could lead to others. The western experts have time to go into the idea fully before the talks resume. For the moment, hopes are higher again that the nuclear negotiators at least may have something useful to pass up to the summit later in the summer.

BERLIN

Ten Years After

LAST Tuesday Berliners commemorated the lifting of the Russian blockade ten years ago. The epic of the airlift, which achieved that success and which forged such remarkable bonds of comradeship between the Berliners and the western allies in the city, is indeed memorable. It was a turning point, not only in the life of the city and in the evolution of the western alliance, but in Germany's postwar spiritual and political progress. Few cities in Germany, or, for that matter, in Europe, have so deep an attachment to the free way of life as has Berlin. Indeed, there is perhaps no other German city where non-Germans have, since 1949, felt so much at home.

Today, however, the people of Berlin face a different problem, perhaps an even more difficult one. The principal threat to the city is not blockade or war, which can be answered by fortitude or counter-threats, but the prospect of years of insular existence in an alien land which can subject it to countless forms of economic and political pressure. Hitherto, the Berliners' morale has been sustained by two constructive feelings: the knowledge that their liberty kept alive the hopes of the people in eastern Germany, and the hope, so often expressed, of German unity in freedom which could restore a normal life to their city. Today, though the mass of east Germans remain hostile to the regime, the German Democratic Republic is tending more and more to become an established state. And since Russian economic policy began in 1953 to help eastern Germany instead of bleeding it, its diligent people have made it a viable economic enterprise. Since Berlin's problem can be solved in the long run only if it becomes the capital of a reunited Germany, the western powers are answering Mr Khrushchev's Berlin demands with proposals for Germany as a whole. But it may be many years before Germany is reunited. In the meantime, both the Berliners and western diplomats face the problem of keeping west Berlin alive in a context that has changed a lot since 1949.

PARTY POLITICS

Ride the Six Hundred

IN its glossy policy statement last November the Labour party repeated some of its now conventional dark complaints that "fewer than six hundred giant privately owned firms" dominate the British economy ; and added grandiloquently that "Labour believes the time has come when public control must be extended, so as to ensure that the decisions of these boards . . . are in line with the nation's interests." This latter statement, in its finally distilled form, was recognised by all serious Labour leaders to be almost completely meaningless, but it was thought to be good misinterpretable material for use in speeches to local party zealots who wanted more red-blooded socialism.

Now, however, every Conservative candidate and MP up and down the country has seized joyously on a new propaganda tactic: the ploy is to look up which of the 600 biggest firms provide employment in one's own constituency, and to mutter darkly that one hopes that Labour controllers and nationalisers do not intend to interfere with local voters' jobs. The Tories are being aided (?) in this campaign by the Institute of Directors, which has published a list of the 512 largest firms in Britain and is undertaking a commercial advertising programme ; the institute's ploy is to ask whether some of the very left wing "explanations" of the policy statements made by certain Labour leaders to their constituency militants represent the party's real intentions, and to say quite truthfully that the British economy would face a frightening prospect under a Labour government if they did.

Are (*a*) the Tories and (*b*) the institute justified in laying so much emphasis on this bogy—assuming for the moment that one can credit them as having sufficient intelligence to realise that they are really merely ragging Labour, rather than pointing out a genuinely serious issue before the country? The Tories surely are justified. One of the principal tests of any potential government is whether it will be brave enough to do what it knows to be needed, even when this means that it must face up to embarrassing ructions with people whom it would like personally to placate. The Labour party knows quite well that it would be advantageous to leave out of its programme any hints about wholesale nationalisation, but it keeps on trying to pretend to its militants that they are still in. This is a major weakness, and it is right to rub the party's nose into it.

As for the institute, it presumably has as much right to play politics as any trade union, especially as most of its members seem to be hugely enjoying the whole affair. What is not so certain is whether those members are wise to enjoy it ; that depends on whether one envisages the institute as a professional organisation rather than a knockabout political turn, and whether one thinks that it might one day have to hold technical conversations (e.g., about the taxation of director-controlled companies) with a Labour government.

CAPITAL PUNISHMENT

The Case for Total Abolition

IT was only to be expected, after the Homicide Act of 1957 became law, that from time to time one of the few executions it allowed would arouse outbursts of public emotion. Nearly two years ago, last-minute efforts were made to obtain a reprieve for Vickers, who had killed in the course of committing a theft ; there was some legal logic in those efforts, for it was argued that the judges had interpreted the new law, which had abolished the doctrine of constructive malice, too strictly. But pleas for the reprieve of Ronald Marwood, executed last week for the murder of a policeman, were purely emotional. Here, it was said, was a nice young man, happily married, who was not an habitual criminal, who had joined in a gang fight in the heat of the moment, and after drinking, and had killed without premeditation.

No Home Secretary can ever listen to the cries of the populace when administering the prerogative of mercy. That Mr Butler does, in fact, administer it liberally is shown by the reprieves he has recommended in cases where the issue has turned on the murderer's sanity or "diminished responsibility." What needs to be debated anew is not the Home Secretary's use of his agonising prerogative, but the law itself. While one can recognise that the murder of a policeman carrying out his duty represents the Home Office's last ditch in the battle over capital punishment, every thoughtful MP should also be reflecting on the effect of an execution like Marwood's on the public's state of mind. The hysteria that led to the revolting demonstrations at Pentonville last week outweighs any usefulness capital punishment has as a deterrent. Mr Butler has given figures showing no significant increase in the murder rate since the partial abolition of the death penalty. The only way to stop a repetition of these incidents, and of the corruptingly morbid interest that such a case arouses, is for Parliament to abolish the penalty altogether.

ANGLO-GERMAN RELATIONS

Ministerial Visitors

BONN is still worried by the state of Anglo-German relations and by the feeling that there is a widespread hostility towards Germany in Britain. Perhaps the fear is somewhat exaggerated. Though the British do not love the Germans, they do, apart from an atavistic minority, accept the necessity to work with them on a friendly basis. A great deal more could, however, be done to co-ordinate the policies of the two countries and create working personal relationships between ministers. Sir David Eccles made a start when he visited Bonn last month. He got on well with Dr Erhard and the two men reached agreement on a wide range of subjects. This week's visit to London by Herr Strauss, the west German minister of defence, was arranged some time ago, but it fits into the same pattern.

Herr Strauss's visit has been less concerned with current orders and production arrangements than with co-operation for the future. Despite periodic ministerial efforts and public announcements, the practical achievements of the Nato countries in the field of standardising arms and common production have been small. One main topic in this week's talks between Herr Strauss and Mr Sandys has been the attempt to agree on a common tank suited to the requirements of atomic war. The problem is not new. For some years national armies have been looking for a new type of vehicle for this purpose and allied commanders have been telling them to get together on the problem. But in practice Britain, the United States and west Germany have each gone their separate ways. If Herr Strauss and Mr Sandys can reach agreement on this they will have done well. They may perhaps find it easier to make progress on a common development effort in the missile field, where past decisions are less inhibiting.

Next month another distinguished west German visitor is to come to London—Herr Etzel, the minister of finance.

Herr Etzel is anxious to develop a close co-ordination of financial policies with Britain, parallel to the close working relationship that already exists between Germany and France. Since Herr Etzel is one of the possible candidates for the German chancellorship, that wish is obviously encouraging. But ministerial goodwill will not, by itself, bridge the political gulf between London and Bonn. The principal source of this gulf today lies in the separation between Britain and the community of Six.

CENTRAL AFRICA

Missionaries Under Fire

LORD SALISBURY believes that the communist hand is the cause of the trouble in Africa. It has emerged this week that some Rhodesians prefer to blame the Church of Scotland. The church's missions have been in central Africa since Livingstone's day. Many Africans in Nyasaland belong to the church and were taught in its schools. Dr Banda himself was once an elder in Edinburgh. The missionaries in Nyasaland have criticised the Federation since its inception. It may not have been wholly by chance that mission students fell foul of the police during the recent disturbances. Now the Federation's high commissioner in London, Sir Gilbert Rennie—also a former elder of the kirk—has taken a Church of Scotland committee to task for its report on conditions in central Africa.

His counterblast, entitled "Why Not Be Fair?", will be in the hands of as many fathers and brethren as he can reach before the church's General Assembly meets this month. It is a lucid presentation of the federal case, exactly the type of pamphlet that should raise the level of discussion of central African affairs in this country. Even so, it remains indefinite on certain important points, like the consultation of African opinion before the Federation achieves dominion status—about which church, and liberal, opinion has been justifiably concerned.

Sir Gilbert implied deliberate misrepresentation of events in the Federation by the missionaries, when he answered questions on his pamphlet on Monday. He said the Dutch Reformed Church was much better behaved. The *Central African Examiner* has just gone even further. It relates the Church of Scotland's decision to close two hospitals in Northern Rhodesia to the openly political activities of its missionaries. Ministers of the church, it claims, have been preaching African nationalism. These are serious charges—as serious to those who make them as to those whom they accuse. The General Assembly of the Church of Scotland must now do its utmost to get to the bottom of the matter.

THE DRUGS BILL

No Drastic Prescription

THE steady rise in the cost of the national health service's drugs bill has been blamed in turn on the importunate patient, the unscrupulous doctor and on sales pushing by the drug firms. The Hinchliffe Committee on the cost of prescribing, whose final report was published this week (HMSO 6s.), agrees that all these factors play a part in the rise, but thinks that in no case is it a large part. To counter them it suggests only minor changes such as a stricter disciplining of doctors who prescribe noticeably more than the average for their area, and a voluntary agreement among the drug firms to limit the more extreme forms of advertising.

But the committee emphasises that there is nothing unexpected about the rise in the drugs bill in a "free" health service; other countries that have some sort of public provision of drugs have experienced it as well. There are also more people to be provided for, especially of the old and the young. In addition, in the last ten years many new drugs have been introduced, some of which are necessarily expensive. The important thing is not to check the development of the drug industry, which has undoubtedly benefited the patient, restored him to working capacity earlier and produced savings in other branches of the health service; it is to help the doctor to distinguish the new drugs that are of proved value from those that are no more effective—though more expensive—than existing ones. The Hinchliffe Committee recommends the establishment, perhaps with financial backing from the Ministry of Health, of an independent publication, produced by the appropriate professional bodies, which would give doctors up-to-date information about new drugs and the results of clinical trials. It also recommends the setting up of a clinical trials committee, which would again be the responsibility of the medical profession and independent of the drugs industry, to organise trials of new products on behalf of the drug firms. Firms wanting to conduct their own trials should be allowed to; the important thing is that all trials should be properly evaluated.

So far the Government has mainly relied on the prescriptions charge to check the rise in the drugs bill. Especially in its present form of a shilling per item, the charge has not yielded the expected revenue and has led to the prescribing of unnecessarily large quantities. Before this habit becomes ingrained, the Hinchliffe Committee therefore suggests a voluntary limitation on the prescription of drugs to one week's supply or less, according to the disease. (There would be exceptions in cases of chronic illness.) But the committee also points out that its investigations as a whole were hampered by lack of the necessary data, and it recommends the setting up of a permanent, expert, business-minded, body to advise the Minister on matters affecting the cost of drugs. This follows up the proposal of the Guillebaud committee, and more recently of the Acton Society Trust, that the Ministry of Health badly needs an effective intelligence and statistics department.

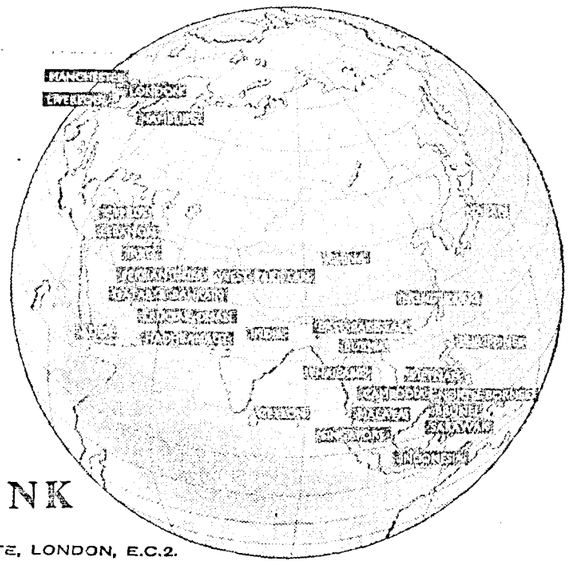
TRADE UNIONS

Ruffled Calm

A YEAR ago this week the 3 per cent settlement on the railways was bringing the 1958 wages battle to its relatively gentle crunch, and Mr Cousins was just about to make his historic mistake of continuing with the bus stoppage. The trade union movement has uncelebrated the anniversary in an air of somewhat ruffled calm. On the one hand, thanks largely to Mr Cousins's ham-handedness in antagonising the public last year, no really major annual wage claim is yet making its way towards the arbitrator's desk; even the 1959 claim of the National Union of Railwaymen is likely to remain rather in the air until the Guillebaud report on railway wages gives the union's negotiators something to bite on. On the other hand, officials in several unions are making discreetly pacifying noises towards their more restive militants. In one of the



British Banking in Asia



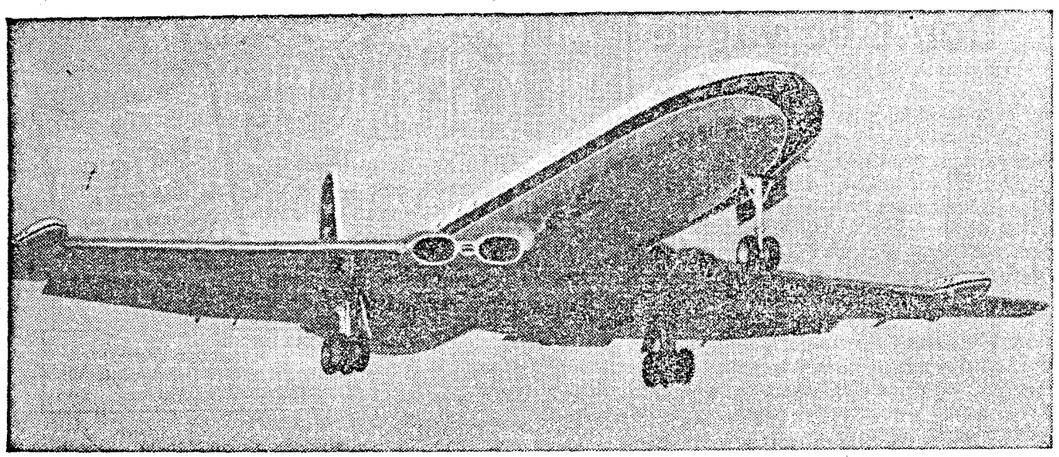
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country's perennial troublespots, the Merseyside shipyards, 1,750 boilermakers have been on strike for the last fortnight on a demarcation issue without opposition from union officials. In another, the British Motor Corporation, 500 men went on strike over the provision of new sorts of lockers for their tools, again without incurring official comment. The militants in the National Union of Railwaymen have marked the anniversary of their settlement-with-strings by forcing their general secretary to withdraw from the industry's consultation machinery which was supposed to discuss those strings ; and the militants in the Amalgamated Engineering Union have seemed, in terms of paper resolutions, to carry all before them in the union's fortnight stay at Eastbourne. Even the TUC itself is being quite ridiculously reticent, in its ponderously critical monthly letters, over the shoddy happenings in the Electrical Trades Union.

The TUC may not feel that it has been helped in these exchanges by a new sort of challenge to the ETU's communist bosses which has come from inside the union. It concerns the red-hot subject of expenses. A large London branch has accused the ETU executive of lavish spending on entertaining itself and its guests (such as the £865 paid for travel and hospitality to a Japanese fraternal delegate). This sort of thing is not the real gravamen of the charges against the autocratic practices of the ETU leadership. The complaints may, however, be sufficiently detailed to rouse more non-communists to vote against Mr Haxell, the general secretary, Mr Foulkes, the president, and the other communist members of the executive council when they all come up for re-election in a few months' time. The good name of British trade unionism in 1959 is going to depend largely on whether there is a satisfactory system for ensuring complete honesty when those votes are counted, and on how the TUC itself reacts if there is not.

GREECE AND TURKEY

Mr Karamanlis in Ankara

FEW would have been rash enough to prophesy, six months ago, that by the middle of May the Greek prime minister would be receiving a cordial welcome in Ankara and Istanbul. The remarkable reconciliation between Greece and Turkey may as yet be little more than politician-deep. But the chief thing at the moment is that both Mr Karamanlis and Mr Menderes are determined not to leave unfinished the task that they began together in Zurich three months ago. Mr Karamanlis is no doubt strengthened in his resolve by the results of the Greek municipal elections last month which suggest that his popular backing has increased since the Cyprus settlement was signed ; while the growth of communist influence in Iraq must have underlined for Mr Menderes the importance of permanently patching up the quarrel with Turkey's western ally.

The talks between the Greek and Turkish prime ministers should prove most immediately beneficial in Cyprus. The task of spelling out the London agreement in detail is running into various, no doubt inevitable, difficulties—for instance, over the control of municipalities. The knowledge that Greece and Turkey are united in their determination to press on with the implementation of the London agreement should stimulate the negotiators in Cyprus to sink their differences. As a tangible proof of their loyalty to the London settlement, the Greek and Turkish governments have agreed to construct jointly a major public utility—probably a harbour scheme—in the island.

No attempt was made to work out detailed solutions of other Greco-Turkish issues which between them have caused a great deal of bad blood ; these include the Turkish minority in Western Thrace, the Greek minority in Istanbul, the Orthodox Patriarchate, and the vexed question of fishing rights off the Turkish coast. The two prime ministers apparently discussed these matters in principle and appointed personal representatives to work out detailed solutions within two months. It is reasonable to hope that what might in some circumstances be merely a device for shelving contentious issues, may in the present state of Greco-Turkish relations prove to be a real attempt to solve the two countries' differences.

AUSTRIA

Quiet Flows the Danube

NOTHING unexpected came out of the Austrian general elections last Sunday. After a brief election campaign, some four and a half million Austrians—as much as 94 per cent of the electorate—cast their votes: the political shifts that resulted were only slight, but they may prove significant in the long run. The two government parties, the Socialists and the People's party, remain by far the most powerful organisations in Austrian politics: the Socialists will now send 78 instead of 74 deputies to parliament ; the People's party has lost three seats, and now has 79 representatives. The Freedom party, after a gain of two seats, will still have only eight deputies. The Communists, handicapped by the Austrian people's remembrance of the Hungarian October rising, lost their three seats and are no longer represented in parliament.

Last Sunday's heavy poll was, in fact, a vote of confidence in the coalition. The Socialist party's moderate success is due to the fact that it has entirely rid itself of its Marxist inheritance ; it has not suffered from so many local scandals as has the organisation of the People's party ; it has also proved more restrained in its efforts to impress on the electorate that it could run the country on its own. The Socialists will demand bigger representation in the government: to judge by the past form of collective bargaining, new ministries will have to be created to accommodate them.

The nearly exact balance between the two major parties may intensify the present deadlock on a number of economic disputes, among them the new rent act, the building programme, and policy on agricultural prices. Indeed, friction in the economic field may increase: up to now, the People's party has been used to getting its own way here, but recently the Socialists have shown signs of wanting to formulate their own economic programme.

Although the Austrians are badly provided for should they feel like condemning the coalition system, the very moderate success of the Freedom party in the elections suggests that not many of them are in fact moved by such a desire. The Communists, on the other hand, will have to try to survive in the trade unions if they want to be in a position to make capital out of any trouble that may arise. The coalition has been given a new lease of life ; but if its leaders want to make the most of this, they will have to consider doing something to make the coalition system more effective.

PUBLIC SERVICE PENSIONERS

The State's Obligation

THE Government's Pensions (Increase) Bill for retired public servants turns out to be a slightly less generous measure than had been generally expected. About half a million retired public servants and members of the armed forces will share an additional £11 million a year, which works out at an average of just over £20 a year for each man. In fact, however, the increases are designed to give most—an extra 12 per cent—to those who retired before March 31, 1952, and least—an extra 2 per cent—to those who retired in the twelve months ending March 31, 1957. The more recently retired get nothing at all.

The strong moral case for this bill is that the state, when it contracts to provide a pension for an employee, has a responsibility to see that this is not subsequently entirely eaten away by inflation; it cannot, however, be expected to guarantee that there will be no erosion at all except possibly at the bottom of the scale. How "fairly" have these pensioners been treated? A postman who retired in 1939 after forty years' service was given a pension of £91; today this would need to have been increased to £250 to give him the same purchasing power as twenty years ago. As a result of the new bill, and of four other rises during the last fifteen years, this man (now presumably in his mid-eighties) will in fact receive £182; the postman who retired in 1946 (and is now presumably in his late seventies) will be very slightly better off with £197. But both men are less well off than their 65-year-old counterparts who retire today with £235 from the Post Office.

The same principle has been followed throughout the whole public service. These new proposals will iron out much of the difference between pensioners in any one grade, except for the most recently retired who do better in all cases. Thus a principal in the administrative class of the civil service will receive a pension which will vary only between £774 and £814 if he retired at any time between 1939 and 1956; since then it has been put up to £861. Here and there are some rather curious anomalies. A civil service clerical officer who retired in 1946 should soon receive a pension of £307—£18 more than one who retired five years later; but again the new pensioner does slightly better with £316.

LONDON TRAFFIC

Jams Tomorrow

LAST week's Parliamentary debate on urban traffic congestion showed, as usual, a good deal of confusion about the economics of a very tricky and many-sided problem. Urban traffic jams look at first sight like no more than an especially acute symptom of the national lack of balance between private investment in cars and public investment in the roads to carry them. Had the Road Fund been used for its proper purpose, so that every additional car automatically paid for additional road capacity, the national picture would indeed look very different. But the specific big-city-problem would remain. Obviously, greater investment in skilled road engineering and better direction of traffic flows can increase the capacity of a neglected urban network. Equally obviously, however, any such increase has limits. Two solid bodies cannot occupy the same space at the same time, and cities must have buildings as well as roads. Every car travelling over—or *à fortiori* parked on—an urban road surface is in effect using a commodity not only scarce, like road space in general, but also physically incapable of being made plentiful.

That is the economic crux of the matter. Proposals for resolving it on the one hand by providing, partly or wholly at public expense, enormous subterranean or multi-storeyed car parks, or on the other by banning private cars altogether from central London (and presumably other equally congested centres) really will not do. The first proposal would involve an open-ended commitment to shield private motorists indefinitely from the economic facts of life; the second would be an extremely drastic interference with individual freedom. The parking meter scheme (over which the motoring organisations elected to make themselves look very silly) is a step in the right direction, for which Mr Watkinson deserves full credit. It should be extended, not only for its direct convenience to short-term parkers, but also for the pressure which it exerts on longer-term parkers to use—at the full economic price—off-street parking facilities, and thus to make the provision of these commercially worthwhile. Such pressure is far more effective than the off-chance of a fine for parking illegally on an otherwise attractively cost-free piece of empty kerb.

It may be that a vigorous extension of the parking meter system, together with an improvement in road engineering, would keep pace with the growth of London's traffic problem for a while. But probably not for ever. The time may therefore be ripe to start thinking about a more thoroughgoing resort to the price system. Perhaps the best solution, eventually, might be the imposition of a stiffish licence fee (periodical or occasional at the owner's option) for the right to bring a vehicle into central London. Any such scheme would admittedly raise some difficulties of administration, equity, and the practical marrying of private and public transport—e.g., at a ring of suburban car parks doubling as distribution centres for one-day licence stickers. But such difficulties might be less intrinsically impossible to overcome than those arising from the present attempt to reconcile an unlimited growth of road traffic with the inexorably limiting facts of plans and solid geometry.

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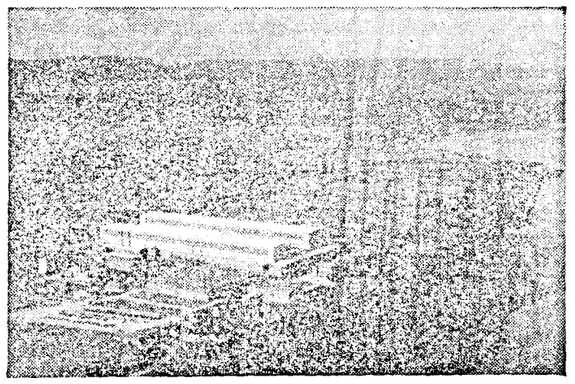
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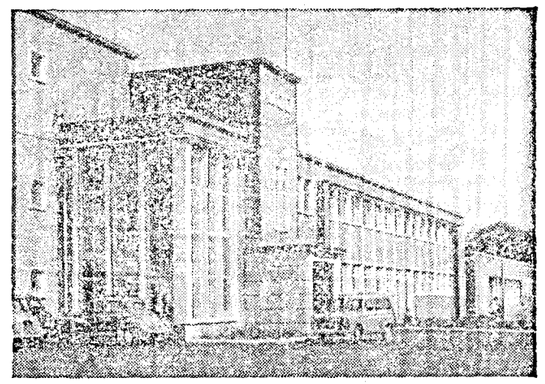
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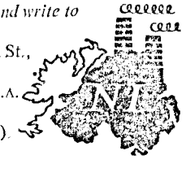
Above: The second Government-built factory to be occupied by Taylor-Woods Limited since 1949. Products—nylon stockings and lingerie. Mr. M. B. Hughes, Managing Director, says: "Our success since the war is primarily due to the ability of the workers in Enniskillen to learn very skilled and complicated production methods which were completely new to them".



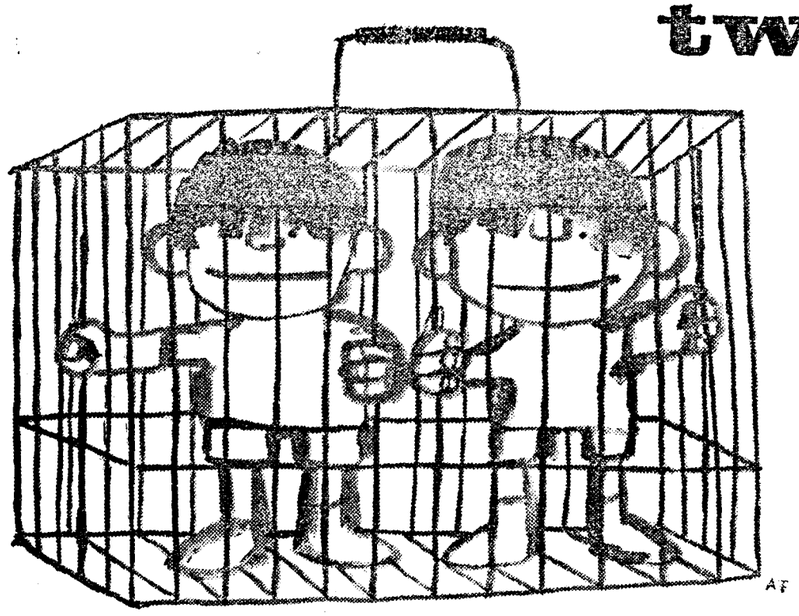
Mr. H. E. Collins, Director of Hughes Tool Company, says: "We came to Belfast because we were offered a factory to rent and the opportunity to get into production quickly. We are well satisfied. We started to produce oil-well drill bits ten months ahead of schedule and we have just recently completed our second expansion".

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George take Mirabelle, Granny, Mrs. Bagstraw, Dr. Jameson, little Bernie, little Hilda, groundsheet, lilo, sandwiches, dogs, parrot, pushchair.
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Tweak hair, ears. Twist ashtray. Drop toffee.
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Wilmot Breeden. So okay, okay.

For this relief, much. Wilmot thrice blessed Breeden.
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JORDAN

Cat-calls from Cairo

THE simultaneous absence from Amman during March and April of King Hussein and his prime minister, Mr Samir el-Rifai, was taken as a deliberate demonstration of the regime's stability ; it now appears that although they could be away together, they have decided, at any rate for the time being, to stop working together at home. Mr el-Rifai, who resigned on May 5th, is a tough, clever politician who has been in power on and off since King Abdullah appointed him prime minister in 1944. King Hussein turned to him after the attempted coup d'état in April 1957, and, first as foreign minister and then as prime minister as well, he steered Jordan—on a very tight rein—away from the nationalist policies of the former (elected) government towards the western fold. At one time the principal target of Cairo's hostility, he survived even his over-hasty decision to call in British troops after the Iraqi revolution last July. Now, it seems, the king feels able to carry on by himself.

While travelling around America and Britain, King Hussein had fun patronising the United Arab Republic's belated anti-communism, and he may have now decided that the time has come to resume the diplomatic relations that were broken off two years ago. But if he decided that this would be easier to do with a new prime minister, he chose the wrong man. The appointment of Mr Hazza Majali, who in 1955 led—for a few days—a cabinet that supported the British attempt to bring Jordan into the Baghdad pact, has brought Amman again into range of Cairo's guns. According to the Egyptian press, the only difference between the old and the new prime minister is that one was an agent of the Americans and the other is an agent of the British ; cat-calls about the Baghdad pact have driven Mr Majali to deny that he intends to bring Jordan into any military pact with the West.

Jordan is an anomaly but a persistent one; it has outlived all the auguries that would have had it swallowed up by, say, Syria or Israel. Without doubt, a lot of the credit for this goes to the courageous and personally attractive young king. But he has taken no risks. From 1957 until a few months ago the country was under strict martial rule, with the leaders of nationalist and left-wing parties either in hiding or locked up in prison. More important, Jordan's neighbours, and particularly the UAR, would now think twice before trying to unseat the king. Not only is there the question of replacing the American money that pays for the Jordanian army (half the country's budget goes on defence) ; there is also Israel's thinly veiled warning about what it might or might not do if Jordan's regime were to be changed from the outside.

SOVIET UNION

Missing Millions

SOVIET wartime losses were even more terrible than was once thought. This is the most striking conclusion to be drawn from the preliminary results of the Soviet census which were published in *Pravda* last Sunday. The Soviet population last January amounted to 208.8 million. Twenty years ago, when the last census was taken, it was estimated at 170.6 million. Taking into account the increase in population due to territorial changes (about 20 million) and projecting previous rates of growth, the total population now should be at least 30 million higher than it is. The difference shows the price in military casualties, civilian victims and reduced births due to wartime separation that Russia had to pay for victory. The tragic extent of the losses is confirmed by the fact that there are now twenty million more women than men in the Soviet Union and that this discrepancy only applies to generations which were adult at the end of the conflict.

For a long time Soviet leaders did not want to reveal the extent of their losses, fearing that these would not arouse sympathy, but would merely be interpreted as a sign of weakness. But now the Soviet Union's vital statistics have again become very impressive. The death rate has been reduced to 7.5 per 1,000 ; with a marriage rate (12 per 1,000) that is reputed to be the highest in the world and a birth rate of 25 per 1,000, the Soviet population should now be increasing by about 3.5 million every year.

Another interesting feature of the report is the rapid development of the eastern regions of the country—the Urals, Siberia, the Far East and Central Asia, areas where many mushroom towns have sprung up. In the Soviet Union as a whole the urban population has risen from 60 million on the eve of the war to 99.8 million, and it now accounts for 47.8 per cent of the total. But it is generally admitted that migration from the countryside can no longer proceed at the same pace. At the same time, the postwar bulge has not yet quite reached working age. A pledge to reduce working hours makes it the more necessary to increase the productivity of the available labour force. Modernisation of production will, in fact, be the main topic when the party leaders meet next.

The central committee of the Communist party of the Soviet Union has in fact been summoned for June 24th. On its agenda are such subjects as automation, the drive to develop the chemical industry and the modernisation of methods in agriculture. The meeting may also discuss items not on its agenda, such as the state of foreign relations during (or after) the Geneva conference. The extraordinary thing, however, is that for the first time since the war the date and programme have been published in advance. Mr Khrushchev clearly wants to give a more democratic appearance to his regime through greater publicity for its proceedings. He should, however, proceed with caution. Prodded in this way, the central committee may one day take its leading role in earnest.

SHORTER NOTE

Mr Christopher Mayhew has this week introduced his private member's bill to limit advertising on commercial television. Like other salvoes fired in his doughty campaign against this target, it is singularly unlikely to succeed. But it is depressing that so few MPs have grasped the one overpowering reason why it should not do so. The control over any medium of communication, even the lowest, which many people think advertising is, is a power that a free society should never be willing to entrust to its politicians.

Appointments, Business and Personal notices, and other Classified Advertisements pages 680 and 691

LETTERS

Kenya

SIR—In your article "Facing Mount Kenya" on May 9th you write in conclusion "Logic now seems to point to a leap in the dark, to the taking of risks that a few years ago were unthinkable."

I am not attacking your conclusion, though not necessarily accepting it. But I am alarmed at the two bases in fact from which you apparently deduce your conclusion: "a reservoir of sufficiently advanced black Kenyans who could act as the majority ministers in a new state, and a corps of sufficiently skilled Kenyans of all pigmentations who could help in running an efficient administration." My experience of Kenya, admittedly ending in 1954, compels me to query the validity of either assertion. Opinions may differ about whether there would be sufficient numbers of Africans to fill the ministerial posts, but the existence of a reservoir into which to dip and select is quite another matter.

As regards a civil administration most critics agree that in Kenya it is top heavy, with insufficient indigenous manpower, whether white, brown or black. The situation may have changed in five years, but for my part I would assert that in respect of both civil and administrative "black" personnel Kenya is at a disadvantage compared with both Uganda and Tanganyika, having had briefer contact with organised government.—Yours faithfully,

A. P. LE MESURIER

Tonbridge, Kent

Persian Railways

SIR—In your issue of May 9th you wrote of Reza Shah, the present Shah's father, "His most practical monument is the railway from Khoramshahr, at the junction of the Shatt el-Arab and Karun rivers, to Teheran."

This statement is not quite correct. The southern terminus of the railway in 1941 was Ahwaz not Khoramshahr. There was a branch line from Ahwaz to Bandar Shahpur, the port on the Persian Gulf. This line was used for freight only. There was neither rail nor road connection between Ahwaz and Khoramshahr, when we entered Persia for the four day hostilities.

It was not until late 1942 that the railway was extended to Khoramshahr. The Americans took over the control of all Persian railways about June, 1943. The rolling stock on Persian railways in 1941 was negligible. There was only one rate of passenger coaches for use between Teheran and Ahwaz. The journey was done at night and took between 12 to 14 hours. Trains ran only on alternate nights, i.e. three up and three down, with no train Sunday night.

When we entered Persia there was only one short length of jetty at the port of Bandar Shahpur. Messrs Braithwaite & Co., constructional engineers, were given the contract for the construction of a second jetty with extra lighter wharves. As Deputy Commander Royal Engineers with a Royal Indian Engineer unit I had a watching brief for this work.—Yours faithfully,

G. F. HAMMOND, LT.-COL. (Rtd.)

Southwick, Sussex

Chemical Research

SIR—I wish to draw your attention to two errors in your article "Farming Out Research" of the May 2nd issue. Both occur in the last paragraph and the second of them has, I submit, resulted in the drawing of a wrong conclusion.

The report now made public is not on research work carried out. It is a series of recommendations on the lines upon which any research undertaken should be directed.

The phrase, "the cost of the work in distillation—a total of £10,000, etc." should be £10,000 per year for three years, or a total of £30,000. As your article indicates, this figure applies to one research topic only and a second panel is already at work in the field of liquid/solid separation with further panels to follow. The important factor is not the amount of but the manner in which the money is being spent.

At the same time with a current overall research expenditure of £9 million per annum for the chemical industry alone, it would indeed be unfair were your article to have given your readers the impression that any necessary research was being held back through lack of financial support by either of the two trade associations collaborating in the present scheme.—Yours faithfully,

GEORGE BREARLEY

The Association of British Chemical Manufacturers,
London, W.C.2

Iraqi Students

SIR—The majority of Iraqi students in this country consider the "Iraqi Students' Society" a communist front organisation. A great number of them withdrew from it on account of its intolerable atmosphere and formed their new and free organisation "The Iraqi Republic Students' Society." We applied to join the Arab Students' Union which elected a neutral committee to investigate the dispute. But we were deeply shocked by the unwarranted interference of the Government of Iraq, through its London embassy, in what is purely a students' affair, and without even waiting to know the findings of the investigation. However, our membership increased to more than 200 and new branches were established in many parts of this country. The other society began to suffer collective resignations.

The Iraqi government then launched a campaign of intimidation against our society and its members, which culminated in the ultimatum of Ibrahim Kubbah, the Minister of Economics. This stated that any student who fails to withdraw from our society within a period of eight days ending on April 16th, by a signed statement submitted to the embassy, would be subject to the termination of his scholarship.

We hereby appeal to all men and women of good will in this country to voice their protests against these deplorable measures.—Yours faithfully,

HAZIM T. MUSHTAK

Merton College,
Oxford

Vietnam

SIR—Whatever may, or may not, have been said by Mr Harold Davies in relation to the detention camp of Phu Loi in South Vietnam—and your quotation of him omits that he pointed out that he was visiting it three months after some mysterious deaths there, and that "prearrangements" had been made for his visit—his remark that the camp is "well up to the Geneva Convention" is in itself a condemnation. For the Geneva Convention applies to camps for prisoners of war, the existence of which, on either side of the 17th parallel, is prohibited by the terms of the Geneva Agreement, to which our country, among many others, subscribed. The fact that no buildings have been burned down there, even if true, means nothing, since the effects of botulinus toxin are dissipated by oxidation within a matter of hours.

Since you refer to "the machinery set up at Geneva in 1954," it may be useful to recall that this machinery was set up for the purpose, primarily, of enabling the French to make an orderly and face-saving withdrawal from Indo-China, after a resounding defeat which put the Vietnamese in a position to be much more exacting than they were. The 17th parallel, accepted as a convenient "military demarcation line" for the purposes of that withdrawal, was expressly described as "provisional" and as "not in any way to be interpreted as constituting a political or territorial boundary" within Vietnam, of which each member of the Geneva Conference undertook "to respect the sovereignty, independence, unity and territorial integrity."

If we think back to the tense international atmosphere of five years ago, which was relieved by the Geneva agreement, we should be thankful that the government of the Democratic Republic of Vietnam has not lost patience. It still has hope of reunifying Vietnam in accordance with the provisions of that agreement, however tenuous that may seem, in view of our country's prolonged tolerance of gross infringements of those terms, and even endorsement of them, e.g., by the recognition of a government of South Vietnam.—Yours faithfully,

London, W.1 EDGAR P. YOUNG

BOOKS

From Hoover to Eisenhower

Arms and the State: *Civil-Military Elements in National Policy*

By Walter Millis, with Harvey C. Mansfield and Harold Stein.

The Twentieth Century Fund. New York, 1958. 436 pages. $4.00.

IT must be said at once that this is an unsuccessful book. Its authors are well-informed, balanced in their judgments and mercifully lucid in their style; but the task that they were set by the Twentieth Century Fund—to analyse the nature of civil-military relations in the United States during the past forty years—is a remarkably fruitless one. In general the problem of relations between the civil and the military powers in a state is important to the point of urgency; but nowhere is this less true than in the United States, with its unbroken tradition of civil domination and the absence of a military caste with any specific ideological orientation.

Among the problems of the formation of military policy in the United States during the current century, purely civil-military tension has been negligible. "The real issue," as Mr Millis himself puts it, "was not between the civilian and the military. It was how to balance a proper combination of the non-strategic or non-violent with the strategic or violent components of national policy"; and in the quarrels that arose over this issue civilians were often the most passionate partisans of either side and the services were divided among and within themselves. As a survey of the formation—or non-formation—of American military policy from Hoover to Eisenhower this is a work of great importance; but it would have been clearer in presentation and easier to follow if the authors did not feel it necessary constantly to justify their studies in terms basically irrelevant to their subject.

The real problems are interesting and important enough in themselves. There was the prewar impotence of American policy, arising from the doctrinaire refusal of the State Department under Cordell Hull to consult with the services about the possible military implications. There was the gradual creation of an effective mechanism for inter-service and civil-military planning and co-operation, broadening out from the limited consultations on hemisphere defence to the protean congeries of wartime agencies, boards and committees, prolifically spawned and ruthlessly suppressed by the President, in constant mutual friction and working together only thanks to the personal lubrication provided by such "operators" as Harry Hopkins and General Groves. There was the broadening of the military task to include such problems as the political aspects of grand strategy, relations with allies and occupied territories, and the partition and settlement of Germany; and there was the attempt, at the end of the war, to create machinery adequate to the task of handling such intractable questions as the control of atomic energy, the planning of the structure of the armed forces within strict budgetary limitations, the evolution of an economical but effective weapons-system, and the conduct both of limited and of cold war.

Mr Mansfield provides a clear and useful guide through the jungle of American wartime administration, but it is Mr Millis's account of postwar military policy that will be of most interest to British readers. His sympathies are unconcealed, and make it difficult for him to deal dispassionately with such figures as General MacArthur, Louis Johnson and the Congressional critics of President Truman's policies; but they add zest to his account of the controversies that accompanied—indeed constituted—the formation of military policy between 1945 and 1955. He lucidly explains the intentions of the National Security Act of 1947, and shows equally clearly why it failed; not, in his view, because of any mechanical faults in the relationship constructed between the Department of Defence, the President, the National Security Council and the Joint Chiefs of Staff, but simply because the organisation was asked to do too much. "In our difficult and fluid world the very concept of a long-range, fixed 'National Policy' is defective" he states wisely, "and it is impossible to arrive at policy determinations (or predictions) capable of providing a firm foundation for continuing military policy and military preparation." And, he points out, the sort of questions on which the Joint Chiefs of Staff were required to pronounce were

> inherently unanswerable. There is no way of knowing how much should be given to preparation against a peril which can never be estimated with precision and may never appear at all. And there is no way of deciding finally between weapon systems for each of which there are compelling arguments, none of which can be put to practical test, and all of which are highly uncertain in their probable effects.

It was not surprising that inter-service disputes should have arisen over the limited budget allocations, that they should have been conducted by propaganda and settled by compromise. Nor was it surprising that the National Security Council should have failed to provide a workable policy over the most difficult issue that confronted it—that of Nationalist China. What was surprising



was the relative efficiency with which a policy was formulated over Korea, in spite of the obstacles put in its way by General MacArthur. It is perhaps this inherent scepticism rather than Democratic prejudice that makes Mr Millis regard with something less than enthusiasm the overhaul of the defence organisation carried out by President Eisenhower, involving as it does the strengthening of the powers of the civilian Secretary of Defence, the appointment of chiefs of staff likely to support the Administration's policy and their relegation to a position purely of planning and advice. "Some will feel," he writes,

> that it has made significant reassertions of "civilian control" and in so doing has drawn a fair middle line between the demands of economy and preparedness. To others it will seem that the administration has evaded rather than faced most of the basic issues of military policy—that at most it has put only a new and somewhat propagandist gloss upon methods, ideas and approaches differing in no essential from that of its predecessors.

Mr Millis leaves us in no doubt about what his own feelings are.

Prospects for Freedom

The Economy, Liberty and the State

By Calvin B. Hoover.
Twentieth Century Fund. 445 pages. $5.00.

THIS meaty, wide-ranging, liberal-minded book seeks the answer to two related questions: what prospects are there for the revival of freedom under communism and for its survival under the evolving, constantly modified economic systems of the West? Behind this inquiry, another less overt aim is pursued: that of dismantling stereotypes, rehabilitating words that have become mere reflex twitches on the part of their users. "Capitalism" or "private enterprise" means something quite different today, not only in terms of social consequences but also in terms of inner mechanism, from what it did in the nineteenth century; "communism" as practised in Russia bears little resemblance to the "communism" of Lenin; the "liberty" circumscribed by state intervention differs substantially from the "liberty" encroached upon by private power.

None of this is perhaps very new; though certain sectors of American opinion may find it so. It is in width rather than in depth that "The Economy, Liberty and the State" is most valuable. It is part economic analysis, tracing and evaluating, in the capitalist world, the evolution from competitive to "organisational" price-setting as shaped by various national circumstances, and in the communist world the fluctuation between arbitrary and (in intention) economic solutions to the problem of allocating resources. It is part political history, the relevant episodes and developments of the last half-century being narrated in terms of personalities and power-groups. And it is part speculation, an attempt to discover the critical point—if any such can be isolated from the surrounding political and social conditions—where the state's intervention in economic matters begins to constitute a significant net encroachment on liberty, diminishing the individual's freedom vis-à-vis itself and its representatives more than it increases his freedom vis-à-vis his potentially oppressive, richer and more powerful fellow-citizens. This speculation has something of the character of a polemic on two fronts. Dr Hoover aims his arguments on the one hand at the conservative American opinion that equates all economic intervention by the state with socialism, and socialism with tyranny; and on the other (with a severely controlled but perceptible contempt and disgust) at the fellow-traveller whom no experience can disabuse of a blind belief in the liberating effects of communism.

His conclusions—that the "welfare capitalism" and the "mixed economies" of the West represent no threat to liberty, that the prospects of a new birth of freedom in any communist state (except just possibly Poland and Jugoslavia) are depressingly small—merit the respect due to close and prolonged first-hand study of the observable facts. Beside the works of Professor Popper, M. de Jouvenel, Mr Arthur Koestler, Professor Röpke, even Mr Michael Young—to select at random a handful of other writers who have cultivated segments of this particular politico-economic borderland — "The Economy, Liberty and the State" is plodding and undistinguished stuff. But it provides a useful specific against snap judgments, a corrective for prejudice, a sensible framework of historical perspective, and from time to time—as in its account of the role of the intellectual—a psychological perspective more persuasive than much brilliance.

Battle of Leyte Gulf

History of United States Naval Operations in World War II: *Volume 12, Leyte*

By Samuel Eliot Morison.
Oxford University Press. 470 pages. 45s.

IT was the Battle of Midway, fought on June 4, 1942, that decisively checked the tide of the Japanese offensive, and after that victory the Americans never gave their enemy the chance to regain the initiative. But until the battle of Leyte Gulf in October, 1944, the Japanese navy, though much weakened since the days of its greatest successes, and desperately short of the carrier aircrews who had been wasted with such foolish profligacy, was still powerful enough to encourage the belief that it might yet fight a victorious fleet action. The invasion of the Philippines provided the opportunity for the challenge, and the Japanese threw in every ship they could muster. Their plan was a clever one—to draw off the greater part of Halsey's gigantic Third Fleet, while two separate forces converged on the scene of the American landings by way of the passages through the Philippine Islands north and south of Leyte Gulf—and it very nearly came off. True, the southern force was virtually annihilated by Kinkaid's Seventh Fleet in the Surigao Strait; but Kurita's northern force, though heavily attacked from the air in the Sibuyan Sea, broke successfully out by the San Bernadino Strait, and early on October 25th seemed to have the invasion shipping in Leyte Gulf at its mercy; for Halsey had taken the Fast Carrier Task Force and all the Third Fleet battleships away to the north in pursuit of Ozawa's decoy squadron—exactly as the Japanese intended. The situation was saved by the gallantry of the escort carriers and light forces, which were all that stood between Kurita and the achievement of his purpose—and by the Japanese Admiral's extraordinary failure to seize a heaven-sent opportunity. The price exacted for Halsey's impetuosity and misjudgment was thus only a tiny fraction of what it might have been.

Professor Morison, unlike Admiral Nimitz shortly after the event, acquits Kinkaid on the score of failure to use his reconnaissance planes to keep track of Kurita's ships; but he is severe in his conclusions on Halsey's actions. "The reason," he writes, "why Kurita was able to sortie from San Bernadino Strait and steam toward Leyte Gulf for about seven hours, completely undetected, was a series of faulty assumptions on the part of his enemies." Nevertheless, the battles fought on October 24-25, 1944, were as decisive as Midway; for not only did they make the recapture of the Philippine Island certain, but the losses suffered by the Japanese navy were so heavy that never again was it able to offer a serious challenge.

Professor Morison, back on his home ground after his account of the invasion of Normandy in the preceding volume, tells the story of Leyte Gulf with gripping enthusiasm, and with justifiable pride in the American navy's accomplishments. While the general reader will not find a dull moment in this latest addition to this remarkable history, the expert will be absorbed by the tactical and strategical issues, which are discussed with admirable fairness and clarity.

Metaphysics Revived

Individuals

By P. F. Strawson.
Methuen. 255 pages. 25s.

WHENEVER metaphysics has been kicked out of the front door it has tended to return by the back. In recent years, it has, at the most, been allowed to use the servants' entrance, but it is now acquiring a new respectability. Metaphysics is no longer the queen of the sciences, no longer even a priestess of the cult of a reality different from the one that we all know, but a decent middle-class woman with her feet planted firmly on this earth.

Mr Strawson subtitles his book "An Essay in Descriptive Metaphysics," and he distinguishes his aims from those of perhaps the majority of metaphysicians by saying that while they attempted to revise the fundamental conceptual apparatus that we employ in thinking about the world, his concern is only to describe it. He likens his programme to that of Kant, though, unlike Kant perhaps, he thinks that other conceptual schemes than the one which we do in fact use are possible. The book possesses the hallmark of philosophical thinking in the highest sense. It is thorough and rigorous—and immensely difficult.

Mr Strawson uses the term "individuals" in a very wide sense, which may be familiar to philosophers but not to others. It covers all those things which are capable of being logical subjects of propositions, and which are thus referred to in our speech and presupposed in our thinking about the world. The aim of the first part of the book is to show that the categories of material objects and persons comprise the basic individuals in this sense. An individual is thus basically a particular thing, and the aim of the second part of the book is to explain why such particulars are the paradigm cases of logical subjects.

Much of this is for specialists only, but the part that will perhaps have the widest interest is that in which Mr Strawson deals with the concept of a person. He shows that this concept is logically primitive, in the sense that we cannot have the concepts of bodies or states of consciousness without first having the concept of a person. It is thus impossible to reduce the concept of a person to that of a body or of a mind. This has important ramifications within the field of psychology, since upon this point depends an understanding of what it is to ascribe actions and intentions to people.

It may seem to some people that if metaphysics has regained her respectability, she has not acquired a new usefulness. But appearances may be deceptive. At all events Mr Strawson's work is a paradigm of rigorous philosophical thinking.

Both Sides of the Atlantic

Reflections on Britain and the United States

By E. Lipson.
Pall Mall Press. 105 pages. 12s. 6d.

IN the vast field of economic history, few have failed to hear cited at some time or another the seminal work of Lipson: his economic history of England came out as long ago as 1915, and learned periodicals the world over testify to his many-sidedness and scholarship. Now, as he tells us in his preface to this latest helping of *multum in parvo*, he has reached the psalmist's allotted span; and to mark it, as a happy traveller with a heavy load of learning carried so lightly, he wrote this 100-page comparison and contrast of the United Kingdom with the United States. Dr Lipson is long familiar with both countries. The resulting book is an ideal gift for anyone about to go to the United States. It is remarkable what its author has been able to distil within its slim compass; but, then, he has seen the "great revolutions of the world" in his own lifetime, and much of the distillation is within his own competence as an expert.

Here is wisdom interpreting many facts. Here are mature judgments tempering contemporary excitements. Those who know "the everyday business of life" on both sides of the Atlantic better than he does will pardon the obviousnesses here and there; for on both sides ignorance continues as a lion in the path to Anglo-American understanding. Dr Lipson points out what benefits Britain's colonies got before 1776, how Britain abolished its tobacco-growing (a prosperous crop) to help the colonies, what Britain's sacrifice of the Japanese alliance meant after 1918, how different are British and American psychological climates, and how complex are all economic phenomena in all lands. He makes the point—constantly overlooked, played down, or ignored in Britain—that redistribution of wealth can only really raise the standards of life of the masses if it is "accompanied by an adequate production of wealth." He errs in putting the American population at 150 million; it is over 175 million; and the United Kingdom's home market is only one-sixth (even less) of that of the United States (not one-third, as he says) owing to the doubled output per head in America and a population over thrice ours. But these slips can easily be righted in the further editions which this mature, urbane and above all ideally objective little work merits.

Barrister's Clerk

Lord Goddard: *My Years with the Lord Chief Justice*

By Arthur Smith.
Weidenfeld and Nicolson. 208 pages. 21s.

THE author of this book has spent the whole of his working life (apart from his war service) as a barrister's or judge's clerk; and for a large part of his career was clerk to Lord Goddard, who is his hero. The relationship of barristers and judges to their clerks is rather puzzling to laymen, and the best parts of this book are those in which Mr Smith describes his day's work in London and on circuit. But there is still room for a book on the subject that will appeal to laymen and give them a chance to decide for themselves whether it is the clerk that makes the barrister's career or the barrister that makes the clerk's. And is the clerk's livelihood really as precarious as it sometimes appears to be?

Mr Smith is a disjointed and rather rambling writer, and reading his book one is never quite sure whether it is an autobiography, or a life of Lord Goddard, or a collection of famous trials, or a study in penology. In a span of 208 pages he switches frequently from one phase to another and back again, and the net result is a little confusing. Lord Goddard himself (so we are told in the preface) would take no part in the book, and in that refusal he seems to have shown his customary good sense.

Mr Smith started as a boy in 1903 as junior clerk to Clavell Salter and those who shared his chambers. The youngest of the learned counsel in those chambers was Mr Goddard, who won the boy clerk's heart at once by standing him a fortnight's holiday at the sea during his first long vacation. A few months later the boy saw, or now believes that he saw, Whitaker Wright die in the Law Courts building. The generally accepted view is that Wright, after being sentenced to seven years' imprisonment, swallowed cyanide in a consultation room in the presence of his solicitor; but if Mr Smith saw him die, that belief must be incorrect. A boy clerk could not have been present at a consultation between solicitor and client, and in any case Mr Smith is certain that the suicide took place in the corridor. Whichever version is correct the discrepancy shows how misleading contemporary evidence can be.

After Mr Smith had been two years in Salter's chambers Mr Goddard left them, and to Mr Smith "it seemed as though the bottom had fallen out of my world." He had found his hero and asked only that he should be allowed to go on serving him. But they were separated till 1932, and then Mr Smith joined his hero again and became a judge's clerk. He went with the judge on circuit and obviously enjoyed the journeys he made. He gives us glimpses of circuit life as seen by a judge's clerk and confidant, and we could have done with a fuller description of that strange system of justice. The impression he manages to convey (though not intentionally) is that the whole business, with its pomp and dressing up, its etiquette, and its elaborate arrangements for his Lordship's comfort, is rather ridiculous. But everybody except the man in the dock appears to have a good time; and the author would probably be heart-broken if these theatrical progresses gave way to a more modern system of administering the law.

Well Delved Era

Stalin's Failure in China 1924-27

By C. Brandt.
Harvard University Press. London: *Oxford University Press.* 226 pages. 25s.

AT the beginning of the twenties, when the Comintern first began to take an active interest in the revolutionary movement in China, the Chinese Communist party was a small and loosely organised coterie, dominated by intellectuals, feeble in numbers and insignificant in power. Thus, although the ultimate object of the organisation remained the triumph of this party, the first aim was the victory of the revolu-

tionary, anti-imperialist force represented by the government of Sun Yat-sen in Canton, which alone seemed to enjoy any immediate prospect of conquering China. In due course it should be possible for the CCP to secure the hegemony within the coalition that was to be created, and so assume the leadership of the revolutionary movement in China.

There was only one flaw in this plan. It assumed that the CCP's partners in the alliance would willingly co-operate in the programme of absorption, and ultimate annihilation, that was laid down for them. But Chiang Kai-shek quickly revealed that he had no inclination to play the role of the lady of Riga opposite the Communist tiger. By his coup of March, 1926, through which the power of the Communists within the alliance was drastically restricted, and by the brutal massacre of party functionaries and their supporters in Shanghai in April, 1927, he showed himself ready to make use of the most ruthless methods to control, and ultimately to eliminate, Communist influence within the regime he was establishing. While the opposition in Russia were able to point to these events as evidence of the failure of Stalin's policy, there is no evidence that Trotsky's own recipe, for a more independent and revolutionary programme, would have had any greater chance of success—indeed Trotsky himself raised no objection to the policy of alliance until its failure had already been made manifest. In fact every available Comintern policy in China at this time ran headlong into one ugly but decisive fact: the monopoly of military power in the hands of the Kuomintang. Given the willingness of the Kuomintang leadership to make use of this, there was no course of action open to the Communists that must not equally have led in the final resort to failure in China.

Mr Brandt retells this story with elegance and erudition. His account is better documented than earlier works on the subject and benefits in particular from the use he has been able to make of the Trotsky archives and of information obtained from Chang Kuo-tao, a member of the inner circle of Chinese Communist leaders during the period. The presentation is skilful, and the judgments are balanced. The book is well produced, with a useful bibliography and an adequate index.

One cannot help regretting nevertheless that the scholarship here displayed should have been devoted to burrowing yet once more in this already much dug territory. In his foreword, Mr Brandt claims that there is no obscurer period in the recent past of any large country than that of the 1920s in China. The greater part of the history of China during the first half of the present century is indeed obscure, and much wrapped still in almost total blackness; but, within all that span, there is no single period on which so much has been written as the three years with which this book is concerned. Could not the expertise of which the Harvard school of China research disposes now be directed to throwing its searching light on to some other, even darker, age of China's recent past?

Hard Fibre

An Economic Survey of the Sisal Industry of Tanganyika

By C. W. Guillebaud.
Nisbet. 136 pages. 15s.

MANY will know what sisal is used for: it is spun, for the most part, into agricultural twines and other cordage. Some may know where and how it is grown: indigenous to Central and South America, it is cultivated chiefly on highly capitalised estates in tropical Africa. But few will have any inkling of the extraordinary history of sisal production—in 1892 a German doctor smuggled a handful of bulbs from Florida to Africa in his umbrella—or of its peculiar economics. This useful little book discusses all this, and much else.

Although its main theme is the development of sisal growing in Tanganyika, the world's largest producer, it is not solely concerned with conditions in that territory. The general reader, with or without a smattering of economics, will be interested not only in the contrast between the astonishingly rapid expansion of world sisal production and the unimpressive output record of other hard fibres, like manila and henequen, but also in the tendency for sisal prices nevertheless to follow fairly closely the trend of competing fibres and of commodities in general—although the industry's spokesmen would not agree that sisal was now fairly valued against manila, and one can disagree with the view that one of the main causes of the recent depression of sisal prices has been "weak" selling by Brazil.

The social and political student, with his eye on neighbouring Nyasaland, will find food for thought in the description of the far-flung system of recruitment of African workers, of their "primitive" attitude to work, and of their nevertheless not complete indifference to their conditions of employment. Finally, the investor, enlightened by the detailed analysis of the industry's profitability, will be able to evaluate the recent rise in the price of the commodity in terms of hard cash.

With Rod and Gun

Not in the Limelight

By Ronald Wingate.
Hutchinson. 232 pages. 25s.

SIR RONALD WINGATE was born with a stainless steel spoon in his mouth. His father was immensely distinguished; he was brought up an Arabic speaker and among brilliant people; and he had no private means. Natural intelligence and a good upbringing led him, through Oxford, to the Indian Civil Service; his background took him in the first war to Mesopotamia and after it to Muscat; then, till his retirement, he was in the Indian States, Quetta and Delhi. Soon afterwards the second war broke out: he spent it first with the Free French and then with the "Joint Planners," specialising in deception. He ended his long career with a spell in an international agency in Brussels.

His amusing autobiography is all the more worth reading because it fits into a known pattern that will not be repeated: intelligence, the habit of command, adaptability, sense, and a strong taste for sport, which gets its due mention everywhere—a generation ago, those who governed also caught *mahseer* and shot *chikor*. Nowadays problems are not so easily isolated and sport comes more expensive—all the more reason to read, for example, how peace could be brought about, over forty years ago, between the Sultan of Muscat and the Imam of Oman when no one interfered from outside. Those days are gone.

OTHER BOOKS

THE VINTAGE MOTOR CAR POCKETBOOK. By Cecil Clutton, Paul Bird and Anthony Harding. *Batsford.* 256 pages. 8s. 6d.

"Vintage" cars (e.g. the bull-nose Morris, the Bentley Speed Six) are those produced during the 1920s. They should not be confused with the pre-1904 "veterans" (e.g. "Genevieve") or with the "Edwardians" (e.g. the Rolls-Royce "Ghost") of 1905-1915. This handbook gives particulars of every vintage model and photographs of most; obviously invaluable to connoisseurs, it affords nostalgic browsing-matter for anyone over forty-five.

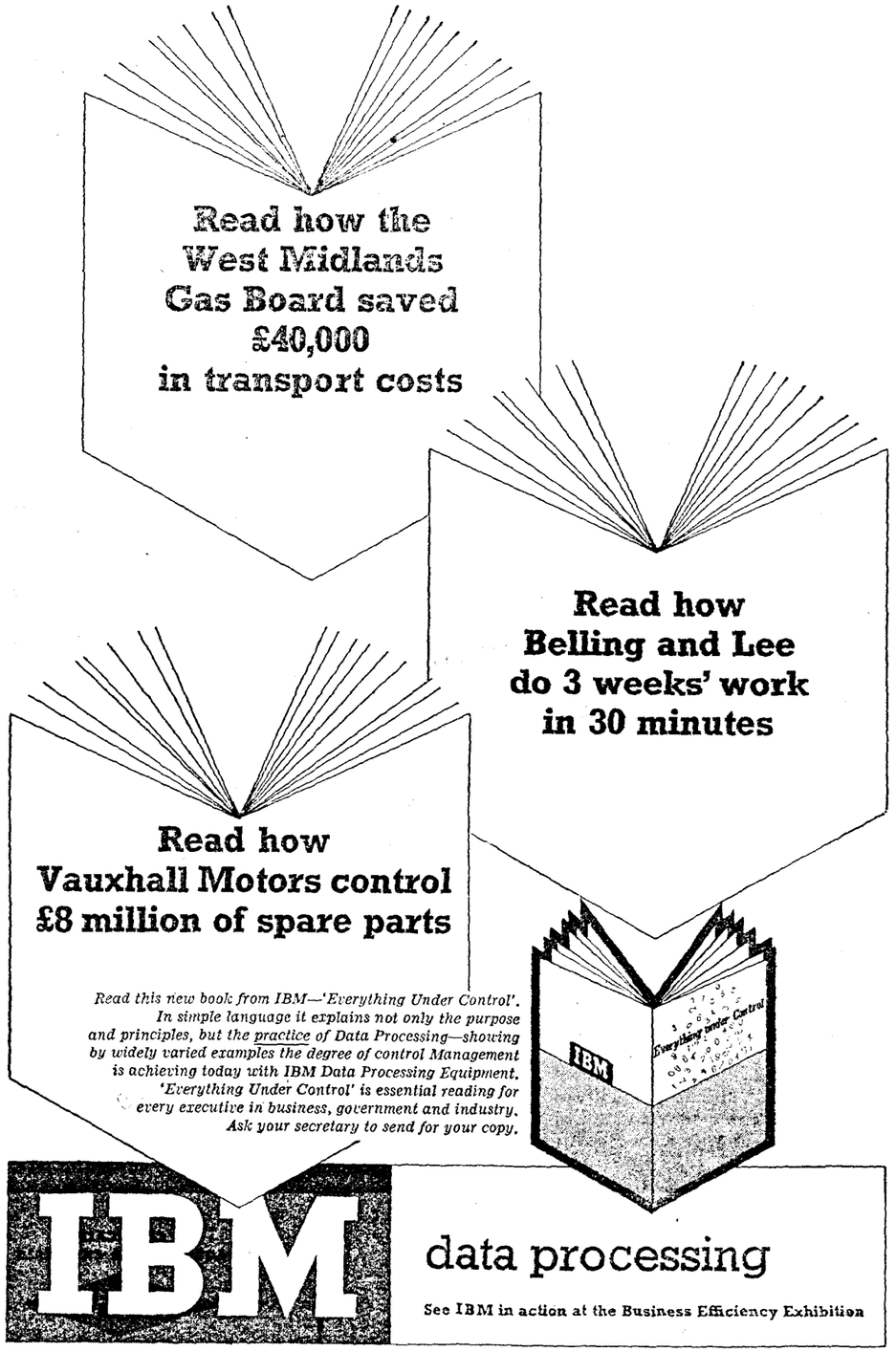
STATISTICAL YEARBOOK 1958. *United Nations.* 612 pages. Paperbound 46s., clothbound 57s.

The tenth issue of this yearbook contains several improvements and some new features. Among the latter is a table comparing the pattern of industrial production in different parts of the world and another showing the geographical network of world exports.

A PSYCHOLOGICAL STUDY OF TYPOGRAPHY. By Cyril Burt. With an introduction by Stanley Morison. *Cambridge University Press.* 87 pages. 15s.

What makes a printed page easy to read? Sir Cyril Burt, Emeritus Professor of Psychology at the University of London, has been experimenting with the effects of various styles of printing on both children and adults, and this book gives his findings. He has considered length of line, size of type, interlinear spacing, kind of paper, quality of presswork and imposition, and also the reader's personal and emotional reactions to the various type faces. His findings are interesting and useful, particularly for anybody who has anything to do with advertising. Why, however, do scientists with fascinating facts have such a weakness for indigestible prose; for instance, things like "devoid of statistical significance"? Mr Stanley Morison, in a substantial introduction, comments on Sir Cyril Burt's findings from the point of view of the designer of type faces, the printer, the historian, and the theorist of printing. It is interesting how often science and art back each other up. Tape-measure and stop-watch prove the artist right. The book itself is handsome and exemplary.

GIANT IN THE SUN: The Story of Northern Nigeria. *Northern Nigerian Information Service.* 64 pages.



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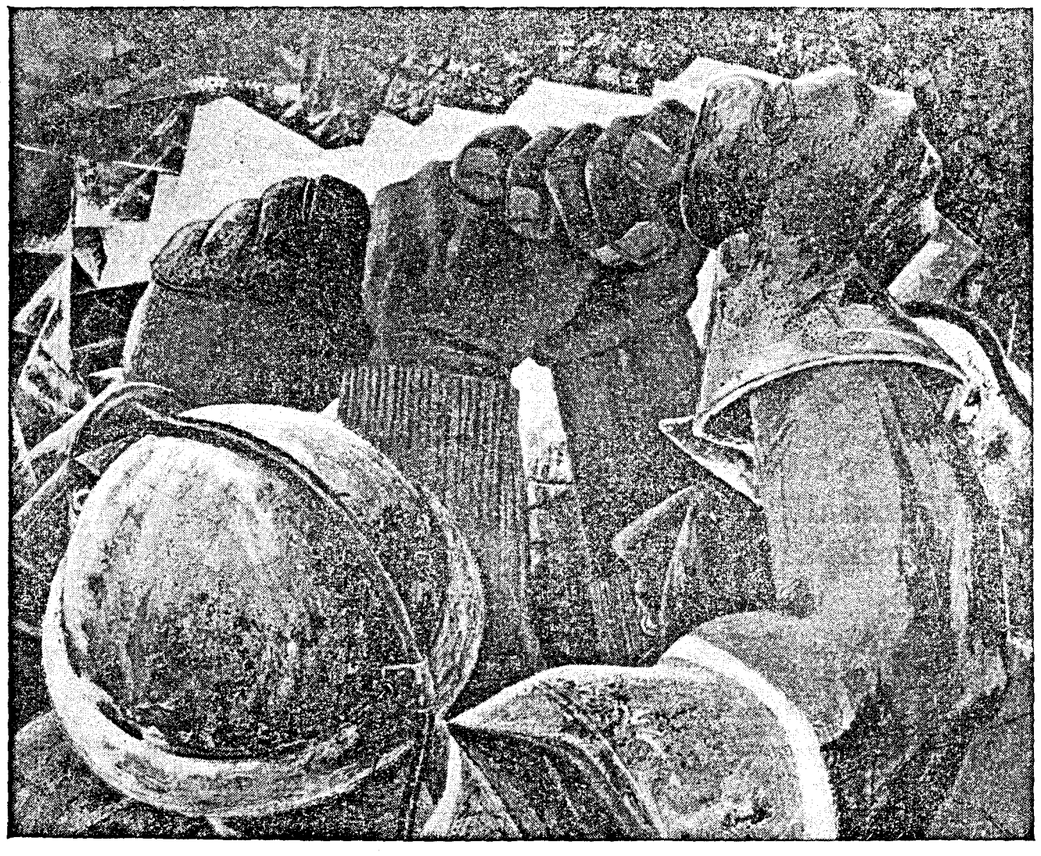
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President on his Own

NEW YORK

ONE by one, time is pulling the iron men out of Mr Eisenhower's Administration. Mr Donald Quarles, who died in his sleep last week, held the comparatively modest rank of Deputy Secretary of Defence. But his influence was much greater than his rank. It was he who, in most people's opinion, convinced the President and the Secretary of Defence, Mr McElroy, that their critics were exaggerating the dangers of the "missile gap"; the United States could safely rely on manned bombers to preserve its deterrent strength until it could stock its missile armoury with better weapons than the Atlas and the Titan. Now Mr Quarles follows Mr Dulles, Mr Sherman Adams and Mr George Humphrey out of the President's service, all men of conviction and decision, whatever history may say in the end about their policies. Most of the survivors are competent administrators of departments rather than men likely to initiate new approaches. At the same time a fractious Senate is exercising its right to supervise the President's appointments with more pernickety zeal than it has shown in a third of a century. It is not surprising that unkind critics are asking whether *rigor mortis* is setting in long before the Administration is legally supposed to die.

Some of the arguments used by the critics are unfair to the President. The trouble he is having in getting the Senate to approve his choice of officials is due largely to an unlucky combination of circumstances. Mr Eisenhower has been no more lavish than other Presidents, and perhaps more careful than most, about distributing ambassadorships to political amateurs. But it happens that Senator Fulbright, who wants to restrict the practice still further, succeeded to the chairmanship of the Foreign Relations Committee shortly before Mrs Luce and Mr Ogden Reid, two appointees whose competence for these posts is less open to criticism than is their political background, came before it for consideration. That Mr Lewis Strauss, the old bugbear of the Democratic atomic experts in Congress, had to seek approval of his nomination to the Department of Commerce at the same time is one of those coincidences that turn Presidents' hair grey.

In fact, the Administration is faring better in its struggle with the Democratic majorities in Congress than most people would have thought possible last November. The recent declaration by Mr Johnson, the Democrat's leader in the Senate, that Congress will appropriate less than the President asked for this year seems to mark the surrender of a legislature which once seemed likely to challenge the President's conservatism successfully. If Senator Johnson's prophecy is correct—and if Congress votes substantially more than the President asked on defence, as looks almost certain—the amount of extra spending on social legislation in the coming fiscal year will be severely limited. Even the measures which have completed part of their journey through Congress, like the Bills on housing and depressed areas, face a darker future than they did at Easter. The fate of the minor measure on loans for rural electrification suggests that it will be practically impossible to over-rule Mr Eisenhower's veto on more controversial subjects.

It is difficult to resist the conclusion that those who complain of the President's indecision are in part troubled by the very decisiveness of his stand on budgetary policy. The critics, both in America and abroad, who have talked as if the Bureau of the Budget had "run wild" in the last year, pruning departmental expenditures to its private idea of their proper size, underestimate the extent of Mr Eisenhower's commitment to the concept of a balanced Budget. To most liberals the decision he has taken—that the danger of inflation precludes any major increase in federal spending—is wholly unacceptable; but ruefully they must admire the zest with which he has spread his gospel. The access of energy which has enabled him to confront the press so much more frequently since Mr Dulles's illness has been largely devoted to stating what is now his favourite theme. To judge from the reaction of the Democratic moderates, he has been surprisingly successful. It is open to the liberals to say that, if this is decisiveness, it is a purely negative variety; but their criticism is then of the President's policies rather than of his application to his job.

THUS the facts hardly support the notion of an entirely rudderless Administration at the mercy of congressional squalls. Nevertheless, there remains some sting in the accusation of those who say that the Administration is failing to measure up to the military and economic challenge of the Russians. This has lately been the theme of two speeches by Senator Henry Jackson, a reflective young member of Congress who likes to peer inside the works of government. He suspects that, quite apart from the voluntary restraints on action imposed by fiscal scruples, a number of fundamental questions have been virtually ignored by the Administration because it is nobody's business to discuss them. It is doubtful, for instance, whether anyone has yet presented the President with the full case for and against a more rapid expansion of the economy, or whether he has asked himself how much expansion is worth how much inflation. The Administration's resolve not to spend any more money on defence would be more impressive were it not so visibly and trustfully touching wood.

The National Security Council, which consists of the heads of those departments and agencies chiefly concerned with problems of security, is the proper body to debate such issues; but it fails to do so in Senator Jackson's view, because these issues are hopelessly blurred before they reach it. Under the present system, the papers which the council's planning staff lays before the great men are already the result of interdepartmental compromises worked out by their seconds-in-command. To restore the bite of controversy, Senator Jackson would order the planning staff to present the

council with a statement of alternatives on each issue.

To help the council's busy members to distinguish the wood from the trees, he would also set up an Academy of National Policy, composed of private citizens but with access to the government's sources of information, which would submit regular reports on the long-term problems facing the country. A similar desire to get the ideas flowing is embodied in a suggestion made by the ever-resourceful Senator Humphrey ; he wants the two Houses of Congress to establish a joint committee which would survey the same range of subjects as the National Security Council.

There are merits in both proposals, but it is doubtful whether they would get down to the heart of the problem. The whole idea of a compromise, of an agreed plan worked out among the staff officers before they proffer it to the Commander-in-Chief, is dear to General Eisenhower's heart. It may be his dubious distinction to have transplanted the concept of the consensus, which has an honourable history in the American legislature, into the operations of the executive branch. Thus, even if the President did not demand a compromise before an issue reached the Security Council, he might demand it from the council itself ; and the bold and distinctive policies which Senator Jackson seeks might still go begging. Similarly, an Academy of National Policy would be effective only if it caught the President's ear ; and in present circumstances it might prove to be no more than another loudspeaker for the Administration's critics in Congress.

Whatever machinery is devised to aid him, a President must be able to pay detailed and lively attention to the problems of the day and must enjoy giving orders to his subordinates ; if he is such a man, that machinery becomes relatively unimportant. Such strength as Mr Eisenhower's successive illnesses have left him is now devoted largely to proclaiming one very general proposition: that the stability of the dollar is more important than almost anything else. The critics are entitled to retort that, whether or not this is so, he is still ignoring many of the problems to which he should be applying himself. A good many people are coming to suspect that there is no substitute for a healthy President who enjoys his work.

Democratic Fortune Hunters

With the spring the Democratic hopefuls have been going west to seek their fortunes in the states where their party has recently won its more sensational victories. Senator Kennedy of Massachusetts, the current hero of the pollsters and of most of the political commentators, began by exploring Wisconsin, where on April 5, 1960, the first important Democratic primary election will be held. Eventually he must decide whether or not to enter this popularity contest, in which the local Democrats choose their favourite among their party's presidential possibilities. Wisconsin offers Mr Kennedy a chance of showing that he can attract middle western farmers and, as a Roman Catholic, he should do well in this state. But he is certain to be opposed there, and might be defeated, by his closest current rival for the nomination, Senator Humphrey from the neighbouring state of Minnesota.

California, where the Democratic convention is to be held and which sends 76 delegates to it, more than any other state except New York, will have a primary which both Mr Kennedy and Mr Humphrey would like to enter. But the state's successful new Democratic Governor, Mr Pat Brown, has entered himself and is sure to win. He has, so he says, no intention of seeking the presidential nomination seriously but wants to have complete control of how the Californian delegation votes at the convention. Clearly any candidate who wants his support would be ill-advised to oppose him in the primary, Whom he will support is not known ; he welcomes all the Democratic fortune hunters who are touring the state with equally warm hospitality.

"If He Ain't Running, He's Sure Doing Some Fancy Riding"



Mr Humphrey, who is preferred by the local party officials, is thought to be too left-wing for Mr Brown. Senator Symington of Missouri is the choice not only of Mr Truman but of Mr Ed Pauley, the Los Angeles businessman who has promised to finance the convention provided he gets 5,000 of the 7,000 seats in the public gallieries for his friends; they, it is presumed, would drown all other nominations with their shouts for Mr Symington. But in California, as in many other places, there is underlying sympathy for Mr Stevenson and from this Mr Kennedy, also an attractive, intellectual moderate, hopes to profit. So does Mr Humphrey, who is closest to the liberals who are close to Mr Stevenson.

But when the convention meets in fourteen months' time possibly Mr Stevenson himself may profit. Neither Mr Kennedy nor Mr Humphrey admits to being a candidate but both of them are already working full-time at winning the nomination. By next July neither may have knocked the other out, but both will surely have lost the freshness which is now much of their charm. Then Senator Symington, so far keeping slightly more in the background, hopes to step in ; then Mr Stevenson may be pushed in. Or Senator Lyndon Johnson may be induced to carry his success



More time to kill

Down the Ems, the barges swing on the current, diesel chugging or black smoking towards the North Sea. To the east, through Pied Piper's Hamelin, the Weser swirls towards Bremen. Between them lies a flat land of dyke and ditch, roads shiny cobbled, timbered farmsteads tall-roofed, tile and thatch. Harlingerland, Ostfriesland, Saterland, Ammerland: some of the richest farming country in Lower Saxony. And an area where, in recent years, one of the most damaging insect pests of Northern Europe—the Beet Fly—has caused heavy losses.

Successful control of the Beet Fly (*Pegomyia hyoscyami* Panz.) is not a simple problem, for to control the first generation larvae which attack while the plants are too small to withstand heavy damage, accurate *timing* of spray applications is essential. Sprayed too early, the insecticide may have lost its power before many of the larvae have hatched. Sprayed too late, the whole crop may be destroyed, for in severe infestations the larval population may be as high as thirty *per leaf*.

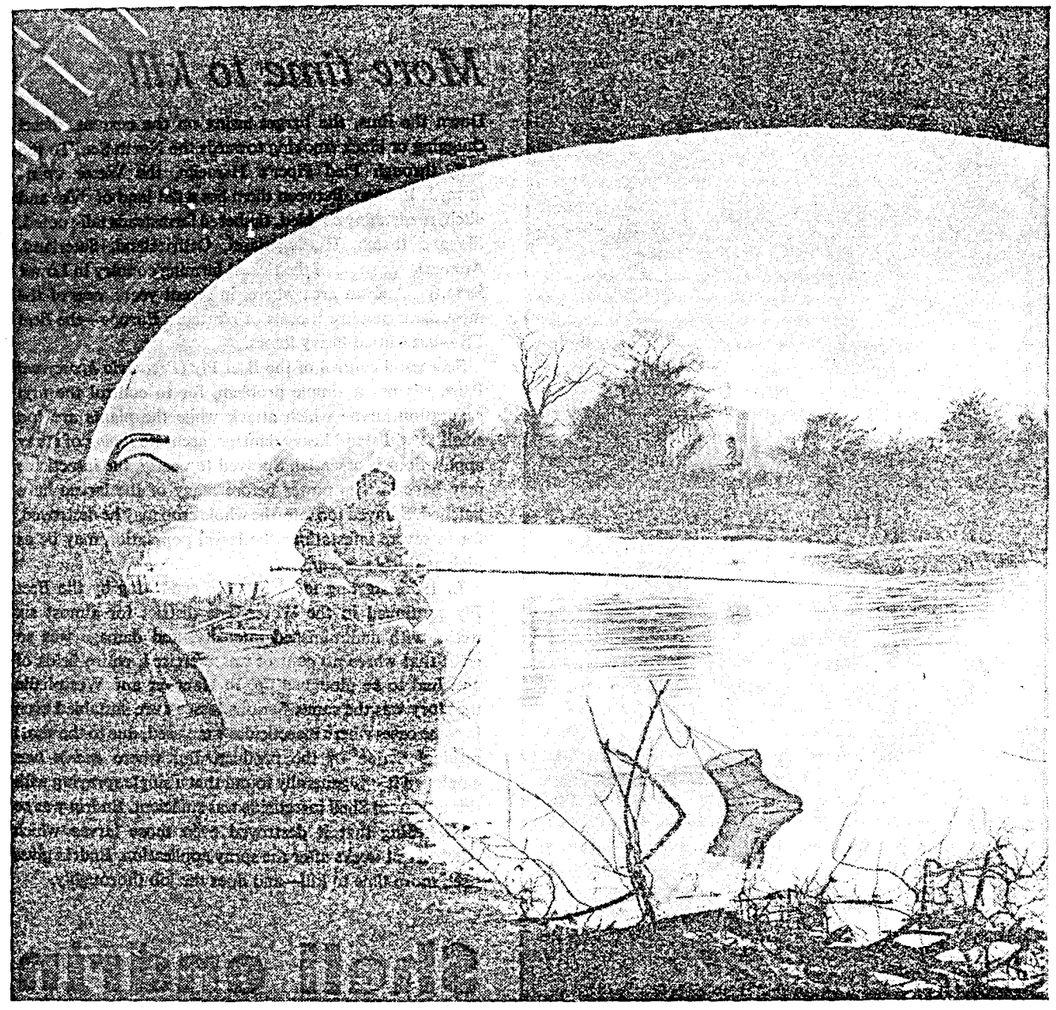
In 1956, starting in early May, egg-laying by the Beet Fly continued in the Weser-Ems district for almost six weeks with undiminished intensity, and damage was so great that where no control was exercised, entire fields of beet had to be ploughed up. In Hanover and Westphalia the story was the same. Serious losses were sustained even in some cases where insecticides were used, due to the short residual action of the product. But where *endrin* was employed it was generally found that a single spraying with this advanced Shell insecticide was sufficient. Endrin was so long lasting that it destroyed even those larvae which hatched out weeks after the spray application. Endrin gives itself more time to kill—and does the job thoroughly.

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Study group

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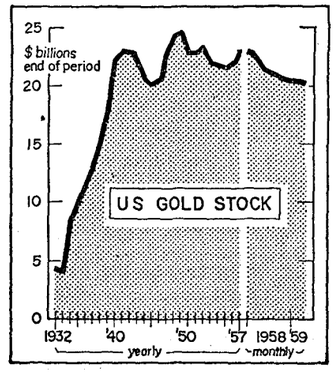
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as leader of his party in Congress into the White House; publicly indignant at any suggestion that he might be a candidate, behind the scenes he is quietly removing any obstacles in his way.

More Trade or Less Gold

THERE is a suspicion in New York that the recent loss of gold by the United States has been played up by international speculators in order that the price of gold might be driven up by doubts about the soundness of the dollar. Certainly the fact that lately gold in London has been higher than the $35 an ounce at which it is pegged in New York has had something to do with the resumption during the last few weeks of 1958's sharp fall in American stocks of gold; $2.3 billion was lost in that year, only $92 million in the first quarter of this and $186 million since the first of April; but the government still holds over $20 billion, far more than is needed to back the currency. Actually the factors underlying the loss of gold seem never really to have changed; they were only masked because Great Britain was using its dollar earnings to cover its debt of $200 million to the International Monetary Fund. Now that this has been paid Britain is once more buying gold.

The US Treasury is losing gold just because many foreign countries now have all the dollars they need and are therefore buying gold for reserve. They have the dollars because they are selling more than ever before to the United States and buying less than they have been from it. Imports reached the record high of $1.3 billion in March while exports, at $1.4 billion, are the only important sector of the economy which shows no sign of recovering from last year's recession. This is partly because other countries have not yet recovered fully from their own somewhat later recessions and partly because they are now able to produce goods which compete with American products both in their own and other foreign markets. Some American businessmen argue that this is the result of high costs, particularly for wages, in the United States which are pricing its goods out of world markets. Government officials in the Department of Commerce and elsewhere contend that this excuse has not so far been valid, although they admit that any further rise in American prices is undesirable and that the need to encourage exports is one of the main reasons for fighting inflation at home.



Attempts to check inflation by making money dearer could have an immediate bearing on the gold position; if interest rates go up in New York foreigners will invest their money there in short-term securities instead of in gold. But basically the loss of gold is a well-established trend which is expected to continue as long as the international balance of payments of the United States remains in deficit, as it has since 1949. The Treasury is not yet worried by the loss of gold in itself, although it is perturbed by the psychological encouragement which this gives to doubts about the dollar. There is no intention of asking Congress to raise the price of gold, nor is there the slightest chance that Congress would do so on its own. But the Administration is becoming concerned about the eventual effect of this persistent deficit. The only satisfactory way of dealing with it is by a general rise in the level of American exports. Already businessmen are becoming the target of one of those official export drives with which their competitors are so familiar.

Forces Out of Balance

IN the House committee work on the new defence budget is practically complete and committee hearings are well advanced in the Senate. After all the alarm early in the year about the "missile gap" Congress and the public are now hearing the other side: that the country is spending not too little but too much on great weapons of nuclear destruction. Last week Mr Gates, the Secretary of the Navy, made a speech in Philadelphia arguing that some of the preparations for a nuclear war that probably will never take place should be eliminated to provide more money to meet local challenges with conventional weapons. And it now appears that both General Taylor, the Army's Chief of Staff and Admiral Burke, the Navy's spokesman, told the House committee in February that the United States was grossly over-provided with nuclear retaliatory capacity if the arms of all the services are considered as a whole. These men speak for the services that are cramped by the growth of the Air Force missile programme, but Mr Gates and General Taylor command attention since it is felt that they can afford to be forthright because they are both retiring.

The Joint Chiefs of Staff are said to be considering how much truth there may be in this argument. But Mr Gates is not the only one to cast some doubt on this group's ability to reach rapid decisions untrammelled by considerations of service rivalry. Mr McElroy, the Secretary of Defence, himself recently complained to Congress about the Joint Chiefs' failure to decide between two defensive weapons, the Air Force's Bomarc and the Army's Nike-Hercules, and said he would not be sorry if Congress should "hold our feet to the fire." But Congress is less able than the Joint Chiefs to make highly technical decisions which damage powerful vested interests in industry and the services. It has not even been able to prevent the President from cutting the manpower of the Army and the Marines, though the Senate is making a new attempt to do so by adding riders to their supplementary appropriation Bills.

Such questions and the duplication of weapons systems, which the President admitted this week to be a real and difficult problem, involve hard decisions for the executive and the man who has been making them and making them stick was Mr Quarles, the Deputy Secretary of Defence, who has just died. With all the services making it abundantly clear to Congress that their devotion to a balanced Budget is only skin-deep he will be sadly missed by the President even if Mr McElroy reconsiders his own decision to leave Washington before the end of the year. For Congress, bewildered by conflicting testimony, is likely to vote the President more money than he requested all round—and leave him with the responsibility of not spending it.

Capital Spending—New Style

FROM A CORRESPONDENT IN NEW YORK

ALWAYS last to come out of a recession, the capital goods industries are now entering a period of expansion that may well match the investment boom of 1955-57. Earlier this year, a joint survey by the Department of Commerce and the Securities and Exchange Commission showed that business was then planning to increase its capital expenditure by 4 per cent from 1958 to 1959. But more recently, a survey by the McGraw-Hill Publishing Company puts the increase at 7 per cent, suggesting that the uptrend is gathering momentum. Moreover, the McGraw-Hill survey, which extends to the three subsequent years, suggests that there will be considerable further gains in 1960, 1961 and 1962. Estimates so far ahead are obviously very tentative but already about as much expenditure is in the planning stage, for each of these future years, as is under way in 1959. If the volume of sales continues to go up, the actual rate of capital investment may be as much as 20 per cent, or 25 per cent above the 1958 level by 1960 or 1961. In percentage terms this is a little less than the climb during the 1955-57 cycle but in terms of dollars it would match the 1957 peak.

However, this new round of capital spending is very different in nature from the last expansion. While the earlier cycle was primarily the result of a rush by manufacturers to expand their capacity, the present upswing is concentrated on the modernisation of existing facilities. In most cases capacity is now adequate ; according to the McGraw-Hill survey, manufacturing companies are operating at an average of a little over 80 per cent of capacity. But the huge backlog of older equipment that has been made obsolete by the past decade of technical advance presents a vital opportunity for cutting costs. Consequently, two-thirds of the capital spending planned by manufacturing companies for 1959-1962 is for modernisation. This year the overwhelming share of this expenditure (77 per cent) is for new machinery, another 2 per cent for new motor vehicles and only 21 per cent for new buildings.

A boom of this kind will have very different effects on the economy from those of a boom which centres on the construction of completely new plants. Its most obvious effect is that local chambers of commerce who have been hoping for a new plant in their towns will be disappointed. Although some new building is still going on, particularly in the fast-growing chemical and electronics industries, and although these growth industries still seem to be moving south and west, the bulk of the capital investment planned for 1959 is in the older industrial regions—the north-east and the mid-west. Since these areas have the largest existing concentrations of plant and equipment, they have the most to modernise, and companies intent on replacement will spend most of their money on these older facilities. It is becoming painfully clear that the recent industrialisation of the south and far west depends to a major extent on rapid growth in the national economy and rapid expansion in the total need for industrial capacity.

Perhaps more important in the national picture is the effect on employment. The capital goods industries are powerful levers here, for they do not rely much on automation and a boom requires large additions to their work forces. Also, when new plants are built, new employees must be recruited. But in the current picture, this second need plays little part since few completely new plants are involved. Instead, the modernisation of existing facilities will enable most companies to raise output sharply without adding many more workers.

Thus, in the McGraw-Hill survey, manufacturing companies, on the average, expect to increase the volume of sales by 9 per cent in 1959 and by another 18 per cent by 1962. But they plan to increase employment less than half as rapidly; except for a recovery in the motor industry and in some primary metal plants, only the machinery industries look for really large gains in employment. Other industries are clearly counting on higher productivity for a large part of their future increases in output. For manufacturing as a whole, the estimated increase in output a worker—based on the McGraw-Hill data—would be about 6 per cent in 1959 and 3 per cent a year in 1959-1962.

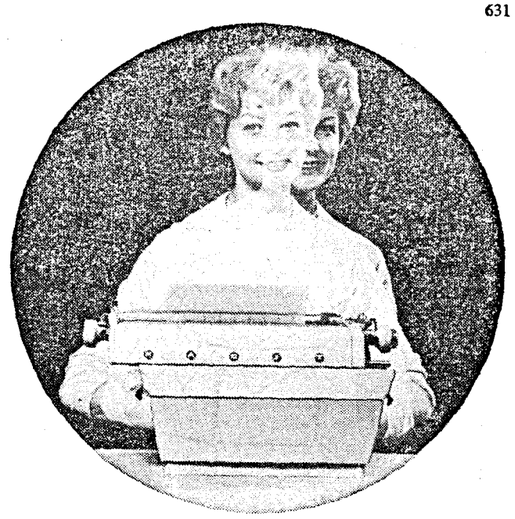
Consequently, the new surge of capital investment is not likely to wash away unemployment as rapidly as it did in 1955-57. In fact, it seems unlikely that it will create employment rapidly enough to reduce the number of unemployed much below 3.5 million during 1959. The average, for the year as a whole, may be nearer to 3.7 million ; after the sharp fall in April 3.6 million people were still out of work. In 1960-1961 unemployment may be down to about 3 million, assuming fairly large additions to the labour force and something like the estimated rate of

CAPITAL SPENDING BY MANUFACTURING COMPANIES

	Amounts in $ million				Per cent changes expected		Per cent of spending planned for:				Per cent changes expected in employment	
							Expansion	Replacement and modernisation	Expansion	Replacement and modernisation		
	Actual 1958	1959	Planned 1960	1962	1958–59	1959–62	1959		1960–62		1958–59	1959–62
Industry :												
Iron and steel	1,217	1,180	1,274	1,032	− 3	−13	24	76	16	84	7	5
Machinery	915	986	1,036	1,068	+ 8	+ 8	32	68	25	75	6	19
Motor Vehicles	558	709	730	740	+27	+ 4	10	90	16	84	16	16
Electrical machinery	459	532	591	532	+16	0	42	58	41	59	4	20
Non-ferrous metals	510	428	368	394	−16	− 8	63	37	52	48	4	18
Chemicals	1,320	1,386	1,441	1,635	+ 5	+18	61	39	62	38	2	7
Food and beverages	742	783	719	692	+ 6	−12	23	77	28	72	2	4
Petroleum refining	665	698	670	765	+ 5	+10	14	86	12	88	2	4
Paper and pulp	578	636	617	587	+10	− 8	41	59	38	62	2	4
Textiles	288	321	324	342	+11	+ 7	33	67	29	71	3	1
All manufacturing	9,761	10,472	10,463	10,444	+ 7	0	35	65	35	65	3	8

Source : 12th Annual McGraw-Hill Survey.

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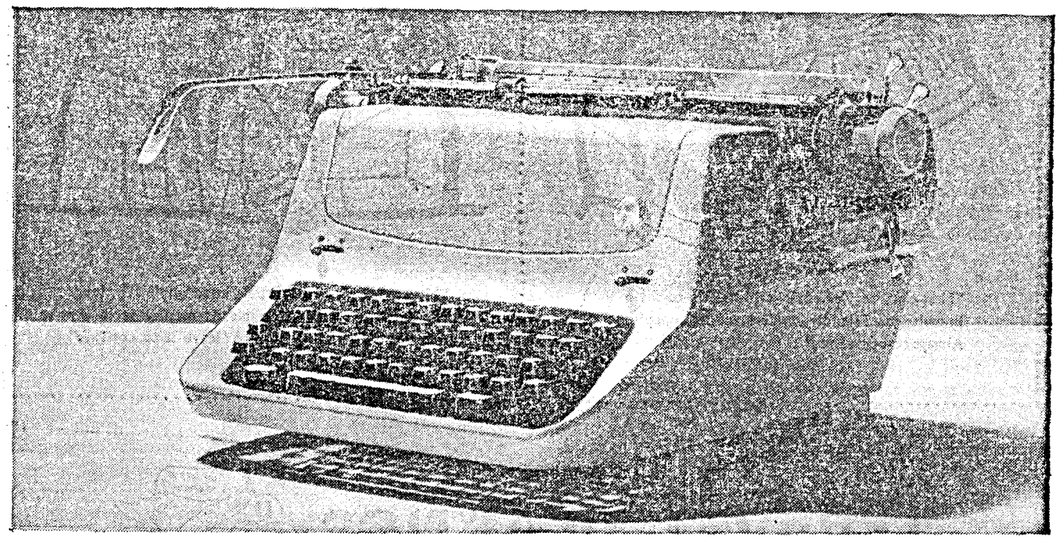


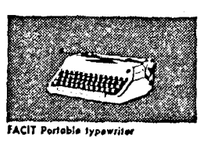
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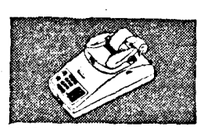
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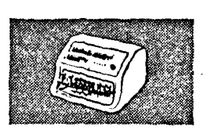




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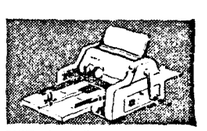
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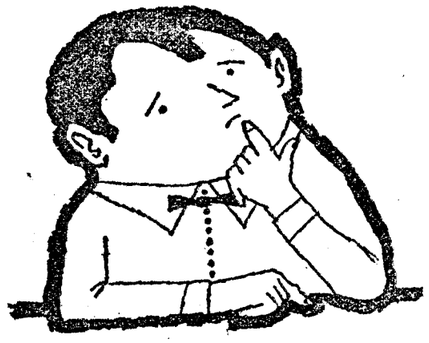


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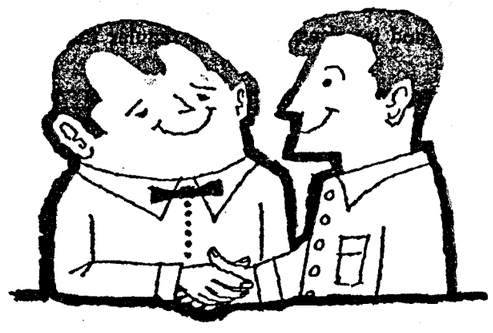
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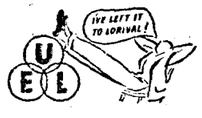


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gain in productivity. But even so the labour market would not be as tight as in 1955-57 when there were only about 2.8 million unemployed, although it would be a great improvement over recent conditions.

This time the cost of capital goods will not be climbing as rapidly as it did in the previous boom. In spite of the strong demand for machinery, prices are likely to be restrained by the existence of fairly ample capacity to meet such demands. Small price increases, reflecting the increased quality and complexity of new machinery, would be a very different matter from the rise of 10 to 15 per cent in machinery prices during the last cycle.

Finally, corporations—and particularly manufacturing firms—are not likely to resort to the markets for nearly as much money as was sought to finance new plants and equipment in 1955-57. Depreciation allowances have increased very rapidly, under the more liberal tax rulings in effect since 1954 ; by 1960 the flow of funds from these allowances will be $24 billion, up 50 per cent since 1955. Together, depreciation and retained earnings now promise to provide all of the money business will need for investment in both capital goods and stocks during 1959, and nearly all that will be needed in 1960—even if capital expenditure goes up again. Unless there is a new and unexpectedly severe wave of price inflation, corporations will have to borrow relatively little. This is just as well. For, with a huge demand for mortgages, and the federal, state and local governments all in the market for increasing amounts of money, the lending institutions are not in a good position to meet a new wave of business borrowing. Even a modest increase could easily force interest rates up another notch.

TVA in Bonds

EVEN to a moderate Republican like the President the Tennessee Valley Authority, that great achievement of the New Deal, represents "creeping socialism." To make certain that this does not turn into the galloping variety, no new appropriations for expansion of its electricity generating capacity have been voted by Congress since 1952 although more than half the power the TVA produces is sold to the government, chiefly for the atomic plants in the region. The tripling of the TVA's facilities which has taken place since 1951 has been financed from earlier appropriations and from current earnings. These no longer suffice to keep up with a demand for electric power which is increasing by more than 10 per cent a year and for some time the Administration, to relieve the Budget, has favoured allowing the TVA to issue bonds for sale to the public. Last year the Senate approved this proposal, but the Bill died in the reactionary House Rules Committee. This year Mr Rayburn, the Speaker of the House, promised a chance to vote on it. Last week it was passed by 245 votes to 170 on fairly strict party lines ; only 7 Republicans voted for it.

Rejoicing would be premature, however, in the seven states which the TVA provides with electricity at half the average cost in the country. Even if the Senate repasses the Bill, Mr Eisenhower is thought almost certain to veto it and the majority in the House was 32 votes short of the two-thirds necessary to override the President. In the Administration's view, the Bill gives the TVA too much liberty ; the agency has to lay its plans before Congress but Committee hearings and approval by the Budget Bureau are not required. One condition laid down by the White House has been met: the TVA is not to expand outside the 80,000 square mile area which it now serves. But even so private companies on the fringe of the region fear that its cheap power will inhibit their own growth.

The deadlock in this struggle between public and private generation of electricity in the southeast seems likely to last until after the 1960 elections. The appointment of Mr Brooks Hays, a Democrat, to be one of the three directors of the TVA will not alter the political balance on the board, since he succeeds a Democrat and the other two directors are both Republicans. Mr Hays is an excellent choice, but the appointment seems to be a graceful consolation prize to a man who lost his seat in the House because his moderation on racial questions made him vulnerable, rather than an effort to use his well-known talents as a conciliator to blunt the edge of one of the sharpest differences between Republicans and Democrats.

They Love Lucy

FROM A CORRESPONDENT IN HOLLYWOOD

QUITE a number of American investors must be saying "I Love Lucy" these days, with a conviction only remotely connected with the television series popular on both sides of the Atlantic. This is a relatively new affection, the result of having bought last autumn some of the 525,000 shares offered to the public in Desilu Productions—the vehicle by which Miss Lucille Ball and Mr Desi Arnaz, her husband, conduct their corporate affairs. Shares bought then at $10 each can be sold today for nearly $20, a capital gain of almost 100 per cent in less than six months. In addition, in the first half of 1959 they will have paid two dividends of 15 cents each.

Miss Ball had clowned her way through a number of Hollywood movies without attracting exceptional attention until 1950 when Desilu Productions, Incorporated, was set up with a capital of $5,000 to sell the idea of the "I Love Lucy" series to a television network. The Columbia Broadcasting System bought the series for the 1951-52 viewing season, and it was an immediate hit. Lucy rapidly endeared herself to women as the housewife addicted to lying and other forms of minor deception to get her own way with her husband, and to men for the way in which she bungled her efforts. In addition, Miss Ball won high marks by her readiness to roll in the mud, fall in a swimming pool and—in one classic episode—engage in a grape-slinging contest while trampling grapes barefoot in an Italian wine vat ; that was a time when most actresses on television relied on glamour and grooming. "I Love Lucy" rapidly went to the top of the ratings, and stayed there for seven years.

If Lucy should be loved for this, Desi—the straight man of the comedy team—deserves regard for his business acumen. In his original negotiations with CBS he sacrificed immediate income in order to retain ownership of the series and control of its production, with CBS putting up the money. There was no clowning about this. In the autumn of 1956 CBS paid $4.3 million to Desilu Productions for the rights of 153 episodes filmed up to that time. The money is being paid over a period of years ending in October, 1961.

New, original episodes of "I Love Lucy" are no longer

to be seen on American television screens at the familiar time of 9 pm on Mondays. Miss Ball is committed to appear in only five hour-long special shows each season. Many viewers, however, prefer the old, half-hour episodes, which are still being shown, as re-runs, and still enjoy high ratings. Nowadays instead of paddling about barefoot in grape juice, Lucy can afford to do it in money.

The old Lucy is no longer needed, anyway. In another shrewd move, her husband, having established his control over production, decided to film the episodes of the Lucy show. This was revolutionary in the era of all-live shows. But producers and sponsors were soon impressed by the technical improvement made possible by the editing of film, and wanted other shows filmed. They went to the only source of experience, Desilu. As a result, in the 1958-59 viewing season, nineteen series of half-hour shows, with a total of 500 episodes, all filmed by Desilu, have been appearing on the television networks. The company owned an interest in nine of these series. But all are sources of income; so are earlier films in which Desilu has some share, which are now being re-run.

In the fiscal year that ended last spring, some $8.1 million in revenues came from series filmed for others on a cost-plus-fee basis; and about $6.4 million from new shows in which the company had an interest. But the sale or licensing for re-runs of partially-owned series from previous years is by far the chief source of profits. New shows which the company owns have to cover their costs of production, including a contribution toward the substantial costs of studios and other properties; since early in 1958 Desilu has owned the former RKO studios in Hollywood and Culver City. Income from re-runs is pure profit.

Earnings, which were some $140,000 for the 40 weeks to February 7, 1959, are expected to grow as more and more residual income becomes available. Investors feel all the more warmly toward Desilu because Miss Ball and Mr Arnaz are foregoing, for the time being, dividends on the 565,000 Class B shares they own on a 50-50 basis, though by next January they will have the right to begin to convert these into dividend-paying common shares. It is understandable that the pair should not be particularly interested in dividends. They are in a high bracket for income tax purposes because of the $180,989 a year they each receive for acting and as directors of the company. Moreover, of the 525,000 shares offered publicly at the end of last year, 275,000 were for their personal account. Mr and Mrs Arnaz received $2.75 million before payment of capital gains tax. As the Lucy of the series might say: "No kidding."

Taking Stock off Credit

NEW YORK

WALL STREET was stimulated by the announcement on Tuesday that the Federal Reserve Board will introduce on June 15th more stringent regulations on the use of credit for purchases of securities; the fact that the new regulations, which had been expected in any case, were not clamped on overnight was psychologically reassuring and prices on Wednesday registered their sharpest gains in some time. But the volume of trading declined and may go lower after the new regulations take effect.

There is no change in the amount of cash which must be put down when equities are bought; this was raised from 70 to 90 per cent of the total value last October. But owners of "restricted" accounts—those who purchased their stocks when these margin requirements were more liberal—will have to devote 50 per cent of the proceeds of the sale of any stock, instead of the present 10 per cent, towards building up the 90 per cent margin in their account. While this may tend to "lock in" many traders with their present holdings, much of the sting of the new ruling has been removed by the important supplementary rider which waives the regulations if traders use the proceeds of a sale to buy new holdings of equities on the same day. But the current popularity of convertible bonds, which can now be had for a downpayment of as little as 10 per cent, will certainly be reduced by the decision to require 90 per cent in cash when these are converted into equities.

The board's second main objective is to discipline the "non-purpose" loans extended by banks. By requiring signatures and declarations of purpose when these are made it hopes to end the practice by which securities are presented as collateral for loans which are in turn used for the purchase of more securities. Although the stock market has not registered any dismay, the new regulations are bound to have some long-term effect on the supply of credit.

SHORTER NOTES

At last the Senate has confirmed the nomination of Justice Potter Stewart, who was appointed to the Supreme Court last October when Congress was in recess. The delay, and the questionable questioning to which he was subjected in the Senate Judiciary Committee before it recommended his confirmation, were both the fault of the southern Democrats who nowadays lose no opportunity of underlining their dislike of the Supreme Court's attitude on racial matters. They had no personal objection to Mr Stewart, whose legal ability and integrity they praised, but they complained that recess appointments such as his robbed the Senate of some of its powers.

* * *

The Federal Communications Commission has at last persuaded the House Commerce Committee to agree to a limited trial of the rival systems of broadcasting pay-as-you-watch television over the airwaves. Because of the opposition of conventional television, which is supported by advertising, and of the owners of theatres and cinemas, the committee has insisted that each of the five systems be confined to one of the twenty suitable urban areas. The FCC has not yet set the starting date, but the tests may go on for as long as three years. Until one or more of the rival systems is approved, the promoters will have to provide any special equipment needed by the owners of sets to enable them to receive the programmes.

* * *

California is finally abolishing its unique cross-filing system, introduced in 1913, under which candidates in the primary elections, in which the parties choose their nominees, could enter both the Republican and Democratic contests, until 1952 without even stating their party affiliations. This meant that political issues were blurred as candidates tried to get the nomination of both parties and thus avoid a general election; both Governor Warren and Senator Knowland succeeded in doing this on occasion.



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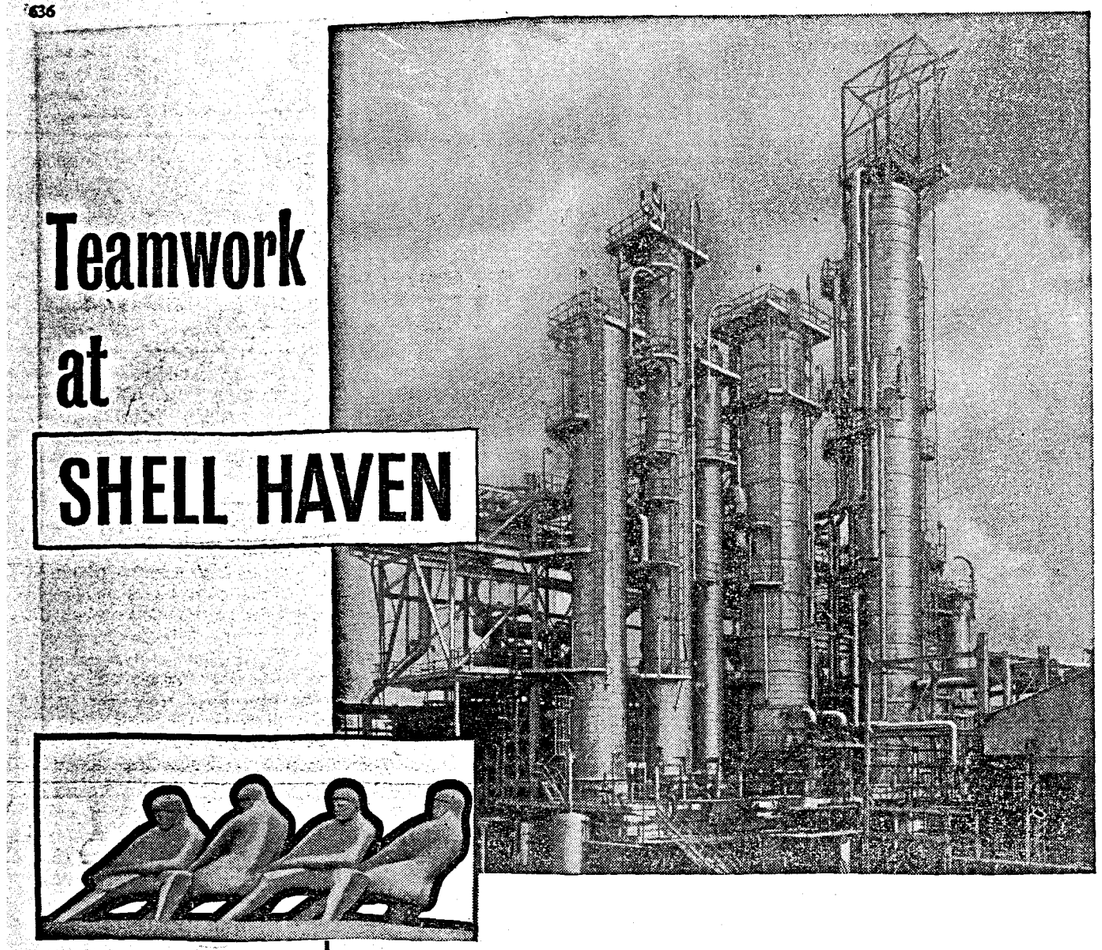
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THE WORLD OVERSEAS

Lakeside Manoeuvres

FROM OUR SPECIAL CORRESPONDENT IN GENEVA

Wednesday

THE morning after the Foreign Ministers' conference began, the *Journal de Genève* reported under the heading "Movement Rather than Engagement," that "a deliberately vague initial situation had given the chiefs on each side considerable liberty." Referring to an "energetic thrust," it commented, "taken by surprise the others changed their plans several times."

All this of course referred to Swiss army manœuvres which began on the same day along the hills above Geneva. Down by the lake things were very different. For the foreign ministers the initial situation was only too painfully clear. Clinched together like heavyweight boxers, they had been left with scant room for manœuvre, let alone for surprise. Mr Gromyko's immediate attempt to push the east Germans into a front seat as full participants in a conference of six was as predictable as western reiteration of the view that at this gathering Germans have only an advisory role. The only momentary uncertainty was whether this long expected first conflict would prevent the conference from starting on the appointed day. It was clearly not possible even for Mr Hammarskjöld to say a few words of welcome at the Palais des Nations until his audience had managed to sit down, and the argument was over precisely who should sit down and how.

The only thing that seemed agreed from the beginning of this conference, which after several days' work is still without an agenda or an agreement about its potential membership and looks as if it will stay that way, was the need to keep the Secretary-General himself at arm's length. Mr Hammarskjöld has no divisions but the ministers, presumably suspecting him of a desire to wield something like papal authority over them, kept his part in the visible proceedings down to the minimum, and seemed to breathe easier once he was safely in the air on his way to South America. Even then other shadowy figures hovered in the wings—a Chinese deputy foreign minister was glimpsed flitting by, naturally by pure coincidence, while the West German foreign minister, Herr von Brentano, had arrived only to retire discreetly to a villa, whence he sallied forth wrapped in the same veil of discretion even when paying a visit to Mr Gromyko.

Dr Bolz from East Berlin, on the other hand, had taken pains to arrive before anybody else and to make the most of this first appearance of his government on a primarily western stage. However, as the Russians naturally did not want the odium of delaying the actual starting date, their attempt to get him into a seat of honour was foredoomed to failure. They accepted the western offer of "separate tables" for the two German teams just in time for the conference to sit down for its first formalities on Monday evening. With the Germans settled like two sputniks in orbit outside the round table of the four convening powers, interest shifted to the question how soon Dr Bolz would start trying to emit loud bleeps, and there were conflicting interpretations of what was called a "gentleman's agreement" between the four not to block any reasonable request to speak from the side tables. It is generally assumed that a gentleman's agreement dissolves the moment anybody ceases to act like a gentleman—which is liable to happen at any time.

Although the substance of an East German presence at the conference had been conceded long ago—and Dr Bolz, if silenced in the conference room, obviously has other means of projecting his statements from Geneva to the world through the massive concentration of correspondents assembled here—there was naturally great jubilation in the communist camp after the battle of the tables, which was claimed as a famous victory. The communist press being what it is, most of its organs passed over the fact that Mr Gromyko had not got what he asked for—a conference of six equals. The East Germans, however, equally naturally took their own particular tack. "Bonn betrays Germany" was the heading of *Neues Deutschland's* leading article—a phrase which itself betrays East Berlin's eagerness to corner patriotic sentiment. A similar desire to show that it was East Berlin and Moscow who were fighting to win Germany its due place in the sun has inspired allegations, apparently unfounded, that the West Germans had opposed a proposal to make German one of the conference's official languages.

Up in the hills with the Swiss soldiery, Tuesday, it was reported, was a day of slower tempo: "Red" forces were awaiting reinforcements: the infantry were getting steadier in the face of tank assaults: while one unit of "silent and mobile cyclists" had managed to disengage under cover of night, skilful delaying action by a force from Geneva held others pinned in position. Down in the Palais des Nations things were by then beginning to develop along much the same lines. Already the pace had slackened. Mr Gromyko was seeking to bring up "Red" reinforcements in the shape of Czechs and Poles: but this second Soviet diplomatic panzer onrush was met by well-prepared infantry, whose nerves were unshaken even when a Soviet big gun, Mr Zorin, was trundled out at the routine evening press conference instead of the normal spokesman and in effect got in an extra Soviet speech. It was a tougher one than that delivered on the same theme in the Palais by Mr Gromyko, who by Wednesday was apparently content merely to keep the Czech-Polish issue going with a brief statement best described as a pot boiler.

After that, the conference found itself actually launched upon the open sea of a general discussion—without any agenda or attempt to draw up an agenda, with the Poles and

Czechs left dangling in mid-air, with the Germans still silent at their little tables, and with practically nothing in sight that would stave off the moment when the rival formulations of proposals for Germany would be definitely presented and once again rejected. Wednesday afternoon's exchanges pointed the way to the clash to come: Mr Gromyko's objection to the West tying its proposals together in the famous "package" was countered by Mr Selwyn Lloyd's rejoinder that the problems themselves were connected ones. Mr Lloyd went on to reject the conception of two sovereign German states and to argue that the problem of reunification had to be tackled before a peace treaty could be signed.

Meanwhile "silent and mobile cyclists" had turned up as early as Tuesday in the shape of an advance party of five Czech diplomats, who had managed to get into the press building—less jealously guarded than the Palais itself, where eminent journalists had on Monday been subjected to a frisking—and spread the word that their full delegation was standing by in Prague with bags packed, waiting for the first whistle. This was at least a diversion for some of the hungry mass of correspondents who, unlike the Swiss troops up on the mountains, were not equipped with television "to observe at a comfortable distance and with a rare precision." The press is enduring the daily agony of six simultaneous press conferences held in widely separated rooms: the best one can say about this appalling system is that, in contrast to the similar arrangements at the earlier Geneva gathering, nobody has yet been seriously injured in the rush for the stairs.

A peculiarly horrible show window on a main street here is full of little wigwagging clocks like the twitching damned in some Hieronymus Bosch hell. It is fairly symbolic of the state of mind of some observers of this inchoate and unpromising conference. It is also a reminder that Geneva is not just an enchanting summery setting for a disenchanting assemblage: it is also the city of Jean Calvin, stern apostle of predestination. From the beginning of this conference, a sense of fatalism has hung heavily in the bright air over the lake. Everything that has happened so far was only to be expected. The imprisoned souls may go on twitching for several weeks, but it is hard to see how the present pains and postures can greatly affect the outcome.

Danger Signals for New Zealand's Socialists

FROM OUR CORRESPONDENT IN WELLINGTON

ALTHOUGH New Zealand does not run to nationally organised public opinion polls and similar methods of regular pulse-taking, it had the political thermometer thrust under its tongue on May 2nd when the first by-election since Mr Walter Nash's Labour government took office at the end of 1957 saw the Opposition National party candidate returned with an increase of more than six per cent in his vote. The by-election was for the Hamilton seat made vacant by the death earlier this year of Dame Hilda Ross, a minister in the former National party administration.

Dame Hilda, who had a considerable personal following outside strictly political alignments, held the seat at the previous general election by a majority of only 1,110. The National party candidate on May 2nd, Mr Adams-Schneider, who had previously stood against the prime minister, Mr Nash, in Mr Nash's own constituency, increased this majority, on the preliminary count, to 2,470 and could emerge with a majority very close to 3,000 by the time absentee votes are counted. As at the general election in 1957, it was a three-cornered contest with a Social Credit candidate providing the third corner. The Social Credit vote remained stationary.

The most Mr Nash was prepared to admit was that he was "surprised" by the result. The leader of the National party, Mr Holyoake, of course admitted no surprise at all, but called on the government to resign on the ground that it had plainly lost the confidence of the country. Mr Holyoake, an experienced politician, is unlikely to be surprised if Mr Nash takes no notice of this challenge.

IN the normal course of events one by-election victory does not make an Opposition summer, but the situation in New Zealand is hardly politically normal. Mr Nash's government is in office with a majority of two, one of whom is the Speaker. The six per cent swing recorded in the typically urban constituency of Hamilton, if repeated right through the country, would give the Opposition a majority of eight to ten seats. If all Mr Nash's parliamentary supporters remain hale and hearty, and none of them lose their seats at any further by-elections, his government is eighteen months and two budgets away from the next general election. But the omens for his future are not, at the moment, propitious.

New Zealand's first Labour government remained in power from 1935 until 1949. During that period it put most of its socialist ideals into legislative form, so that by the time it went out of office its principal concern was how to stay in power. The chief claim of the Nationalists, who remained in office until 1957, to a different label was their professed belief that private enterprise should be given more elbow room. They did something to provide for this, but at the same time they stayed on the welfare state toboggan. They lost the 1957 elections partly because they fell behind the Labour party's blatant election bidding; partly because they were showing an increasing tendency to self-complacency, which some of the electors felt bound to disturb; partly because their then leader, Sir Sidney Holland, had become sporadically unpopular with the waverers and with sections of his own party; and partly because, after eight years in office, the pendulum was swinging against them anyway.

The Labour party bid very high in the 1957 election. The estimated total cost of its offerings, which included various pensions benefits and a direct income tax rebate, was over £41 million. But, unfortunately for Mr Nash, when he came to power New Zealand was facing serious balance of payments difficulties. He immediately applied the classic Labour corrective, import controls, and was able to make out a pretty good case for doing so. But the drain on the exchequer created by fulfilling election promises was so great that for a brief period £10 million had to be borrowed from the Social Security Fund. Later, the government had to borrow £29 million abroad to keep its overseas balances from being totally exhausted, brought in a swingeing budget which increased taxation by £20 million and did such politically unpopular things as increasing the price of beer, tobacco and cigarettes, petrol and new motor cars.

During the election Mr Nash had promised that the basis of taxation would not be changed. When it *was* changed a few months later, he said that the promise had been conditional on the phrase "given normal circumstances" and claimed that present circumstances were not normal. The gloss was not well received. The government has also had to accept the blame for the irritations caused by the changeover from the former system of direct tax collection to pay-as-you-earn, although both parties were in fact committed to this change. The irritations caused by the heavy consumer tax increases were further accentuated by company and dividends tax measures which upset the commercial community, and later by arguments with the farming community over the guaranteed butter price, town milk supplies and cheese payments.

Against this background, the Hamilton by-election was bound to arouse particular interest. This was stimulated by the government's announcement, on the eve of the election, of its approval of certain local—and expensive—projects which were likely to influence local opinion. The swing away from the government appears to indicate that the baits were either not sufficient or were not taken. This is a development which may well cause some major reorganisation of New Zealand political thinking.

Comecon Progress Report

THE tenth birthday of the Council of Mutual Economic Aid (Comecon) came very soon after that of Nato. Like Nato, it is a product of the cold war. It was the Soviet reply to the Marshall plan, formed at a time when Moscow had decided to tighten its grip on eastern and central Europe. The first members of the organisation were the European countries of the Soviet block, headed by the Soviet Union; and they remain the only ones entitled to full membership. Asian communist countries, led by China, are only associate members.

During the first years of its existence, Comecon made very little progress with the co-ordination of economic policies and international division of labour that were its official objectives. Stalin, dizzy with success at home, considered that every communist country, down to little Albania, ought to be a smaller edition of the Soviet original, with its own heavy industry and with self-sufficiency as the goal. By 1950, international tension prompted Moscow to impose throughout the block much faster rates of growth in fuel and power, engineering and arms production. This breakneck pace, determined without due allowance for consumer needs, probably did more damage to member countries than the arbitrary fixing of prices for exchanges with the Soviet Union.

Stalin's successors realised that specialisation could hasten the economic development of the block. But no sooner had the first blueprints for a greater division of labour been drawn up than the whole organisation was shaken by the events of 1956. Hungary became an invalid, while Poland, glancing wistfully westwards, thought mainly of its living standards. Elsewhere, too, political relaxation was possible only if accompanied by some concessions to consumers. From an asset, Comecon turned into a liability for the Russians. Only in the last year or so have efforts at economic co-ordination been resumed. The drafting of new long-term plans for each country and several meetings of the Council (in Moscow last May, in Prague later in the year) made it possible to elaborate some common programmes. These were naturally paraded at the time of the tenth anniversary and their more interesting features can now be summarised.

Fuel resources are very unevenly divided in the area. Poland is, next to the Soviet Union, the main coal producer. Polish Upper Silesia is also apparently the most profitable place for new capital investments. Czechoslovakia and eastern Germany have offered credits to Poland for setting up new mines; the German credits are to be used for brown coal which will serve as fuel for power stations. There is already some co-operation over electric power. Most countries of the block have some common transmission lines with their neighbours. But special efforts will now be made to increase electric power exchanges between Poland, Czechoslovakia and eastern Germany. Plans have also been drawn up for atomic energy. The first nuclear station generating electricity is to begin operations in northern Germany in 1961. By 1965 Czechoslovakia should also have a similar station in operation and a couple under construction. Poland, too, has an atomic programme.

The shortage of oil and natural gas is growing acute in most countries of the block. Only Rumania, which exports three to four million tons of petroleum products to its communist neighbours, and Albania, can do without Soviet aid. Moscow has promised to increase its exports rapidly: eastern Germany is to get 4.8 million tons of Soviet crude oil in 1965 (compared with 1 million tons in 1957); Czechoslovakia is to get 5 million tons. The construction of pipelines linking these countries, as well as Poland and Hungary, with their Soviet sources of supply is among the Comecon's major projects.

STEEL output in eastern Europe is largely dependent on Soviet supplies of iron ore and these will have to be stepped up considerably if the planned targets are to be reached (Czechoslovakia, for instance, is scheduled to produce about 9.5 million tons of crude steel in 1965 and Poland 9 million tons). The Russians claim to have taken this into account in the development plans for their western ore deposits. Thus, Czechoslovakia will get over 10 million tons of Soviet iron ore in 1965, which is thrice its present volume of imports. As regards other metals, Hungary is to increase its shipments of bauxite, Poland is to supply more zinc, and Bulgaria more copper and lead, while China should gain in importance as a source of tungsten, molybdenum and tin.

Co-ordination is no longer to be limited chiefly to the exchange of raw materials. There is, for instance, to be a concerted drive to expand chemical production, with a specially important part allotted to eastern Germany. In engineering, all member countries have already agreed to reduce the number of different types of machine tools that they produce. In general, each country is being urged to concentrate on those branches of engineering for which it is most suited: eastern Germany on precision instruments and electrical equipment; Czechoslovakia on various forms of heavy engineering; Poland on mining equipment, railway stock and shipbuilding; Hungary on aluminium plants; Rumania on oil equipment and so on. The Soviet engineering industry will, naturally, remain the most diversified.

The existence of all these blueprints does not mean that integration has gone very far in the communist common market. On the contrary, the combined foreign trade turnover of member countries (including their trade with non-

communist states) accounts for only one-tenth of the foreign trade turnover of the world. Indeed, Russian commentators, conscious that previous Soviet bullying tactics have left a bitter taste, now insist that co-operation is more beneficial to other countries than to the Soviet Union, which is fairly self-sufficient. They also emphasise that the Comecon is no "supranational" planning body but merely a co-ordinating organisation based on the principle of unanimity.

Soviet writers also admit that the organisation is not yet very effective. Although it has committees dealing with most branches of economic life, agreements are still usually reached by individual countries among themselves. Barter deals, backed by bilateral credits, remain the rule. The Comecon has not yet evolved an efficient system of multilateral payments. Nor have the planners solved the problem of how to determine the efficiency of investments between countries with differing price structures, when there is no free flow of resources across national frontiers. As to the prices obtaining in this communist market, it is argued in the same breath that they both correspond to world prices and avoid world fluctuations through long-term contracts.

This is not Comecon's only ambiguity. It is claimed that increased collaboration should enable the block to increase its exports, particularly its aid to backward countries. But who will determine what proportion of the common resources should be devoted to aid for communist China or for the under-developed countries of Asia and the Middle East? Who will decide the rate of growth or the share of investment in the national incomes or the amount of trade with the capitalist world? Hopes are now pinned on the new method of long-term perspective planning (10 to 15 years) which should make it easier for individual countries to co-ordinate their policies.

By its tenth birthday, indeed, Camecon has only taken its first tentative steps. It is not yet what it is supposed to be. Yet it should not be underestimated. In comparing Soviet economic potential with that of the western powers, it will be increasingly important to take into account the rest of the communist third of the world. Economic ties also have their political consequences. If the communist common market should make faster progress towards integration during its second decade, it will be extremely difficult by 1970 to dissociate the countries of eastern and central Europe from their Soviet partner. This factor is overlooked in most controversies about the merits and timing of "disengagement."

French Spas in Decline

FROM A CORRESPONDENT IN THE PYRENEES

A LONELY fountain played for the delectation of a dozen fat goldfish. The tepid waters of the *Source Romaine*, reputed to cure a list of ailments as long as a Yorkshireman's arm, splashed into an ornate basin inhabited by a colony of superbly healthy newts. The thermal establishment ("an elegant neo-Hellenic construction," the guidebook said, "built in 1906") was overgrown with roses. A faded notice warned: "*Fermeture le 12 septembre.*" But this was May and in France the thermal season begins on May 15th or, at the latest, June 1st. The man at the Mairie shrugged sadly when asked when the local season began. Was it possible to visit the thermal establishment? He shook his head, and then, eyeing your correspondent's Harris Tweed jacket, said eagerly: "Unless, of course, you're thinking of buying it. . . ."

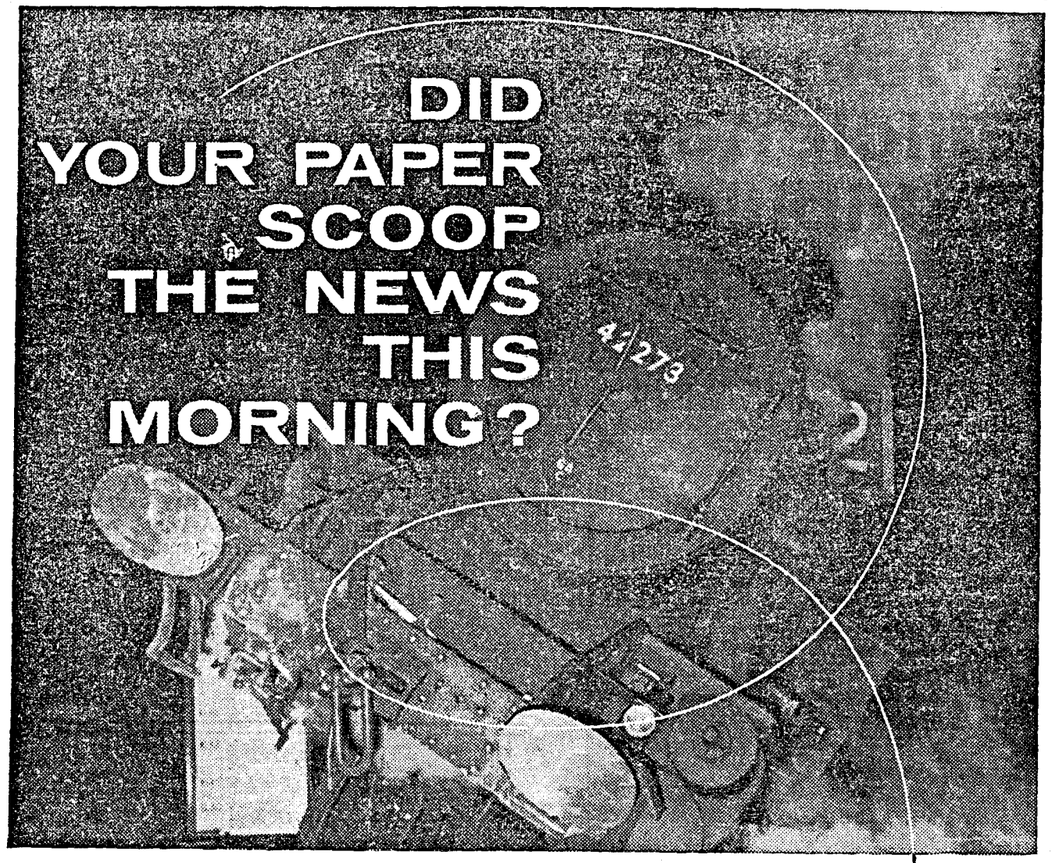
Taking the waters first became a vogue during Roman times. The fashion was revived by returned Crusader knights in search of cures for the numerous skin diseases they had contracted. One of the Counts of Toulouse, for example, was told by his doctor that he could be cured by washing in the urine of a virtuous married lady. His wife's urine having failed him, he divorced her and tried that of every noblewoman in his county. He was finally cured by his gardener's wife, fortified for the occasion with onion soup made with the water of a local sulphurous spring. Logical skin-sufferers soon dispensed with the onion-soup stage and plunged directly into the waters of what is now Ax-les-Thermes.

From the end of the seventeenth century France's health resorts attracted aristocrats, artists and churchmen as much for the opportunities they offered of hunting, feasting and flirting as by their curative claims. The remoter Pyrenean spas were greatly favoured, and everyone who was anyone seems to have had at least one *cure and* at least one *affaire* there. (Even Bismark fell in love in the Pyrenees.) Until the late nineteenth century the plumbing tended to be primitive. In 1787 Arthur Young noted that the baths at Luchon were "horrible holes . . . which must cause as many illnesses as they cure." At some resorts grass-snakes were apt to slither into one's bath down the pipe which brought the water from open springs. When this happened to the Duchesse de Berry at Saint-Sauveur in 1828 she fled into a courtyard crowded with notables; so tactful—or so spellbound—were they that it was some time before the attractive duchess realised that she had forgotten to dress.

AN American businessman once made a handsome profit by shipping coal to Newcastle (during a colliery strike). The ocean resort of Biarritz created for its Edwardian clientèle a thermal establishment into which salt water was piped from saline springs fifteen miles away—such was the social superiority of spa-water to sea-water. As recently as 1936 it was still considered more *chic* to take the waters in a spa than to wallow in them on a beach. But the postwar Frenchman, perhaps in reaction against political frustration, developed an escapist passion for sport and the sea. And the 1952-58 inflationary boom funnelled an unprecedented supply of capital into real estate. Bright new boulevards thrust out like tendrils from a score of coastal resorts. It became fashionable to build a villa by the sea for one's holidays now and retirement in due course. For the first time, spa-going was *vieux jeu*.

Scenic beauty, constant publicity and an established reputation for catering for *touristes* as well as *curistes* have enabled a few spas, like Vichy and Evian, to hold their own. But the majority have grown more and more somnolent from year to year. The prewar bourgeoisie is dying off, and the French health service has never really taken to the idea of creating a new clientèle for the spas by subsidising their treatment: such subsidies as the thermal lobby extracted from the Fourth Republic have been slashed by the Fifth. There are fewer colonial officials with long leaves and outsize livers; and the foreigners with money are now sun-loving Scandinavians and Germans whose wives

Continued on page 643



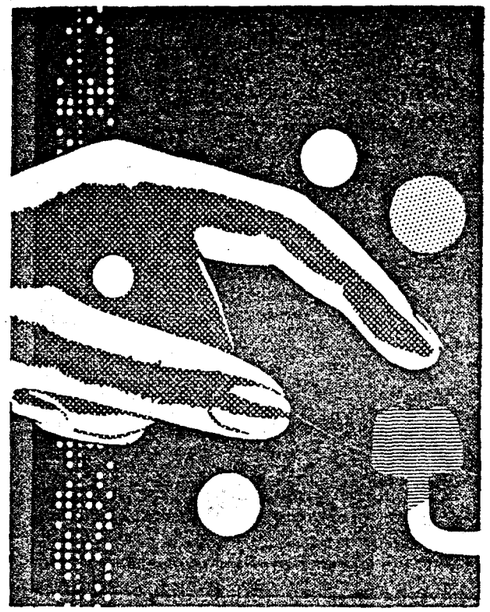
In the newspaper world the outlook has changed considerably over the last few years. Nowadays it's not so much news as features; features or comment; the news-room scoop is almost a thing of the past – an exciting aspect of newspaper life remembered only by the journalist whose career began in the heady Fleet Street days before the war. Today, alas, the scoop has become the prerogative of ITN or the BBC.

What then does today's reader require from his newspaper? Entertainment and an easily digested interpretation of the day's events? Confirmation of opinions and systems to which he has clung faithfully all his life? There are a number of newspapers which can do this for him admirably.

But a growing section of the community want more: they want comment that doesn't merely emphasize but guides; they want intelligent, well balanced leaders; reliable, corroborated information on world affairs. That is why so many are changing to *The Scotsman*; not only for its refreshing impartiality, but also for the stimulating articles on sport, farming, the arts, women's features, and almost every other topic known to Man.

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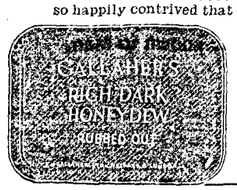


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FLAKE OR RUBBED OUT

Continued from page 640

are more interested in displaying their contours on a beach than in nursing their colons in a *buvette*. There is also the small matter of radioactivity. The French do not share the British public's concern over strontium 90 and luminous wristwatches, but spa publicists who advertise the radioactivity of their waters are occasionally asked awkward questions: one, who used to claim that his mineral water retained its radioactivity for eight months after being bottled, now says nothing for fear grocers will refuse to stock it.

And so paintwork has flaked, sheepbells sometimes tinkle where teacups once clattered, and the neo-Hellenic architecture is acquiring an Arcadian air. At least one medicinal spring has been diverted into the water-supply of a distant town—with consequences that may startle passing tourists if its diuretic qualities assert themselves. But the scenery is still there, the cooking is still good, and many visitors may well prefer the new atmosphere—and prices.

Homo Sovieticus

BY A CORRESPONDENT

WESTERN commentators on the Soviet Union veer towards one of two poles. Christians of the older generation such as Dr Adenauer and Mr Dulles maintain that the Soviet tyranny, with its theology of dialectical materialism, aims at the destruction of human personality and individual responsibility on earth and their replacement by *homo sovieticus*, a new and catastrophic anthropoid. The threat to Christian and classical values explicit in the early Bolshevism is, for these critics, still greater in the empire of Khrushchev. A government which for forty years has dispensed with religion, logic and law cannot be expected to abandon nihilism now. It is absurd, the argument runs, to suppose that a revolutionary movement will suddenly stop moving and the country which is its seat crystallise into a settled society. Only further revolutions can break Bolshevism, and it is for these that we must patiently wait. This pessimistic view receives much support from historians of Russia who point to the failure of Russian Orthodoxy to establish a Russian ethos capable of sustaining the individual; to the social and intellectual disasters of the epoch of St Petersburg, and to the fantastic sectarian Messianism of 1917. The Russian past does indeed suggest that the Russian nation is virtually incapable of taking what we call shape.

The opposite school of which Mr Kennan—and, presumably, Mr Macmillan—is a member, is in the first place sceptical of the permanence of any anti-personal system. Marxism-Leninism, it further holds, has destroyed a world but is itself impotent when it comes to building a new one. This is already known to Soviet scientists and technicians who, while they can well dispense with democracy, cannot be much longer denied the freedom to deal rationally with the economic problems of Russia. Therefore the party must gradually give ground to the men who are competent to provide the actual goods and services necessary to the welfare of Russia. The demand of the elite will prove irresistible because it corresponds exactly with the desire of the mass: that terror and the "industrial nomadism" of Stalin should give place finally and for ever to a genuine citizens' republic and a settled style of life.

The "pessimists" demand an implacable hostility to the Kremlin; the "optimists" adopt a more relaxed attitude in the hope that both the Soviet government and people may be influenced by their meetings with westerners. Herr Klaus Mehnert* inclines towards the hope of evolution from the present type of collectivism; but he qualifies it, at least for the reader, with a wealth of anecdotes demonstrating the congenital Russian addiction to a kind of masochistic inferiority in personal life. Herr Mehnert's work is extraordinarily authoritative; the author is tied to Russia by a family association which dates from 1828, the year in which his great-grandfather left Germany to take up the position of *Kammermusikus* in the Bolshoi Theatre in Moscow. The Mehnerts never married Russians and, as *Reichsdeutsche*, returned to Germany in 1914. The author's father was killed in Flanders and his two brothers lost their lives in Hitler's Russian campaign. An *émigré* in Nazi times, Klaus Mehnert is a middle-aged intellectual journalist who writes with great knowledge and detachment. His opinions, derived from twelve Russian journeys between 1929 and 1957, have real weight. His book altogether lacks the equivocal tones of the retired middle-European revolutionary turned sovietician, or the sub-hysteria of some western enthusiasts for whom Russia to be enjoyable must remain an impenetrable mystery.

"Der Sowjet-Mensch," the author claims, is the work of a general practitioner and so eschews all specialised diagnosis. It tackles the central problem of racial character. Herr Mehnert advances the equation: Soviet Russian = pre-1917 Russian minus X plus Y. He believes that the Kremlin has failed to break the family, but will continue to try to do so; that there is little respect in the Soviet Union for public property; that the elite of state-capitalism has much the same harassed existence as the first Puritan capitalists of the 17th century; that Mr Khrushchev, whose popularity depends on his championship of the little man, nevertheless hesitates to approve of attacks on party careerists; that the critical habits of thought indispensable to material progress cannot but extend to the sphere of politics; that Russians are demanding a religious outlet more and more. At the same time they remain faithful to the early Bolshevik myth of the sanctity of technical development; this *Aufbaudynamik* derived from the economic *tabula rasa* of 1920 was stimulated by the destruction of the last war, and now gives drive to Soviet imperialism in which it is allied to the Russian sense of mission to humanity.

HERR MEHNERT is most telling in his description of Soviet patriotism. This survives the discontent of almost all classes of the population. A Harvard study group decided that about three-fifths of the privileged class was content. The *Oberschicht* inevitably considers that the Soviet state is *its* state; but nobody else does. The Soviet factory worker is praised to the skies, knows that he is being cheated, but is still proud of his official prestige. Student youth is mad keen to know "the other world," more than suspects its superiority, but at the same time adheres to the official view that the West is degenerate, viewing it as a kind of Hellenistic world to be subjected to its Rome. Even the deprived peasant shares this inert patriotism.

Klaus Mehnert's examples indeed give the impression of

* "Der Sowjet-Mensch." Deutsche Verlags-Anstalt, Stuttgart. 1958.

an intellectual and emotional Bedlam, which goes far towards destroying his own contention that Bolshevism has added anything permanent or positive to Russian nature, whatever it may have subtracted from it. The Y of his equation apparently boils down to the acquired familiarity with organised industry. He greatly helps us to understand the mental confusion of Russians and to respond to his final appeal for tolerance and good-will in our relations with the Soviet Union. But the West is entitled to ask how it can usefully deal with a people whose nature is so broad that it embraces all conceivable contradictions of thought and feeling. The Dostoevskyan chaos that delighted the Bloomsbury of 1900 is no joke when it threatens whole continents. Westerners can, it seems, only hope that the Soviet elite will, miraculously, adopt an alien aspiration: the quest of truth, justice and individuality. This still half-educated group might well remember the judgment of a great nineteenth-century Russian philosopher, Vladimir Solovyov:

> The Russian people have some important virtues in relation to the western races. They are the virtues we have in common with our neighbour, Asia: contemplation, patience, obedience. It was through such virtues that our spiritual metropolis, Byzantium, lasted so long, but they were not able to save it. Which means that those eastern virtues and characteristics are not sufficient in themselves. They can only protect a great nation if they are joined by another element, an element which is not foreign to Russia but which, as a result of historical conditions, has only been able to develop feebly among us: I mean the unconditional awareness of human dignity, the fundamental idea of an independent and personally active personality.

Gatt's Controversial Bag

FROM A CORRESPONDENT IN GENEVA

THE General Agreement on Tariffs and Trade began its 14th Session in Geneva this week with a bag of controversial subjects. At the opening meeting Canada and the United States pointed out that external convertibility showed the strength of the balance of payments of countries which had made the move. This was evidence that dollar discrimination for domestic buyers, too, was no longer justified; they therefore hoped that consultations with France, New Zealand, South Africa and Britain would lead to rapid and far-reaching import liberalisation for dollar goods. The representative of the International Monetary Fund took care not to commit the fund and stated that the effects and consequences of non-resident convertibility were still being studied. Under the IMF rules, some time is likely to elapse before a *de jure* situation of discrimination arises.

No less controversial are the issues still to be discussed at this Gatt session. Past experience has shown that the articles of agreement are full of loopholes; in particular, it is possible to nullify tariff concessions by other sorts of action. A preparatory committee which met in March accepted a British proposal that regular consultations and confrontations might take the place of missing rules. Each country, it is suggested, is to present itself in turn in order to explain, and if possible justify, its protectionist measures. This combination of self-criticism and confrontation is designed to shame sinners into reformers. Discussions are to concentrate on items which are important in international trade and particularly on the effects of agricultural policies on international trade and expansion. Should these confrontations prove ineffective, they will at least have served to collect relevant information on protectionist measures other than tariffs; Gatt may then use this knowledge to examine what other steps might be taken. The agricultural countries have won a partial victory at least in the committee stage, by Gatt's decision to tackle the problem and not to give in to those countries—mainly Germany—who wish to alter Gatt rules in favour of agricultural protectionism.

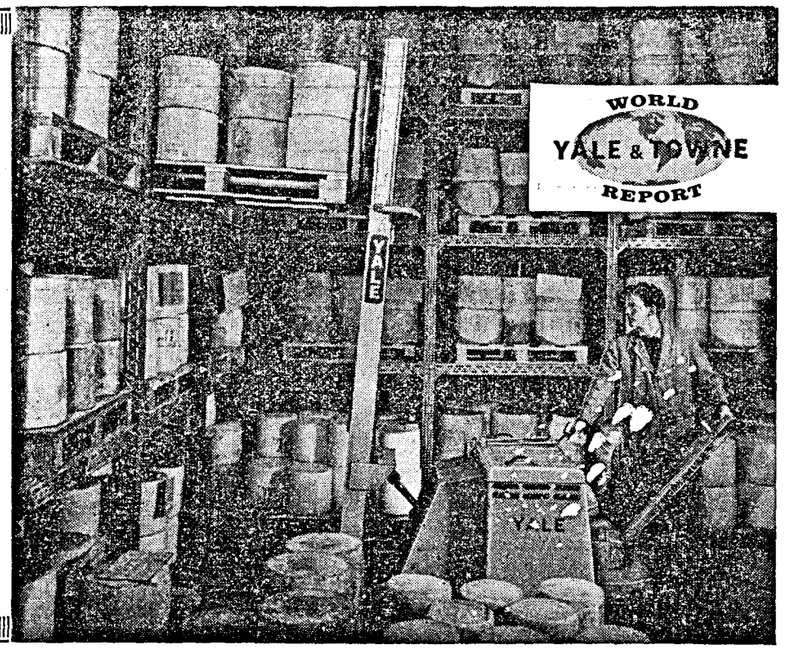
The meeting will also discuss German import restrictions on agricultural and industrial goods, the latter mostly optical and photographic items on which discrimination is mainly against Japan. The gravity of this problem has at last penetrated to ministerial level in Bonn, where a decision has been taken that may be acceptable to Gatt. Should Germany leave the dock chastened, other countries that have introduced external convertibility, but still maintain import restrictions, will have a tough time.

THE slow wheels of international collaboration have now also reached the problem of falling exports from the underdeveloped countries. Something is being done to overcome their feeling that Gatt is a rich man's club. It has been suggested that these countries should submit detailed complaint lists about hindrances to their trade and that Gatt should search for ways of expanding existing industries or starting new ones where these countries can be economically efficient producers.

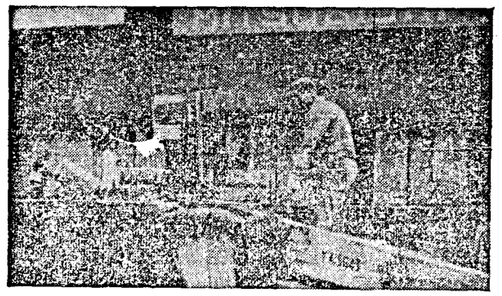
As if this were not a full enough programme, this session is also discussing the problem of membership of state trading countries; a form of association for Jugoslavia will be proposed and probably accepted. Poland's application for full membership is less likely to be accepted. Poland has not even got a tariff, though it is willing to produce one as an entrance fee. The difficulty is that tariffs in state trading countries are meaningless; so, therefore, are tariff concessions. It has been suggested that Poland may make other trading concessions to balance trade and tariff advantages gained from the other members of Gatt. But if a state trading country is allowed to barter non-tariff concessions, why should not others do the same? This would bring a new principle into Gatt negotiations and will need careful consideration before it is adopted.

Serious difficulties have arisen among the contracting parties over their principal business—further tariff negotiations. The American offer of a general round of negotiations, which should have been music in many ears, had been given the cold shoulder by some countries. The Six, and particularly Germany, seem to make further concessions to the United States in their own markets at a time when they are doing quite well in the American market. The common market tariff, which must be presented to Gatt and negotiated with it before 1962, is also creating difficulties. The Six have not yet agreed on it fully themselves. On May 5th, however, the Six agreed to press forward both with the negotiation of their own tariff and with negotiations with the United States. A last-minute attempt was made to present the conference with a detailed time table and tariff negotiations with the common market countries are now scheduled for September, 1960; if they are concluded in time, a general round of tariff negotiations, including the United States, is to begin in January, 1961.

YALE LIFT TRUCK SPEEDS CROWDED AREA STACKING

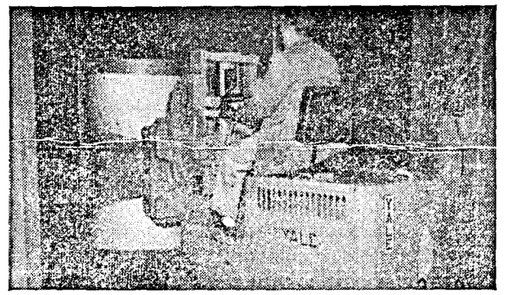


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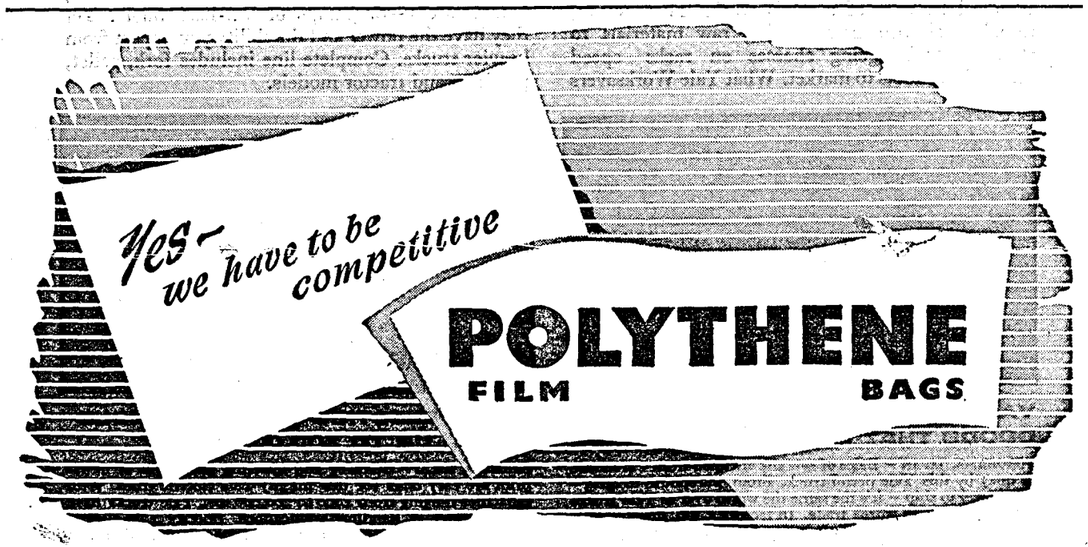
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THE BUSINESS WORLD

Capital Questions

PUBLIC anxiety that British industry is being sold out to Wall Street is nothing new. In the late twenties, when American investors developed an interest in European securities that they were to regret for many years afterwards, a number of important British firms restricted foreign residents from holding their shares. Today, American capital is once more being attracted to Europe, on seemingly more solid considerations than a generation ago. And a mild financial xenophobia is being whipped up again; British financiers are bad enough, but American money is surely beyond the pale.

The economic issues in these "buying in" or "take-over" situations rarely get a look in. The fact that an increasing flow of American capital, apart from benefiting particular industries, has done much and could do more to ease the strain on Britain's external payments since the war is pretty well ignored by those who criticise it. The question raised by the recent acceleration of American investment in Britain is not how it should be checked but what new horizons it can open up for us.

The Government's stand against agitation by a strange combination of Labour MPs and some City interests has so far been commendable. Here the economic issues have carried the day. But the economic issues should not invariably be treated as paramount. Suppose a transatlantic bid was made, say, for the British Motor Corporation. Should that secure official approval, given the question of prestige (not itself unimportant) and the possibly damaging effects on British car exports and research? On past experience, American controlled firms export at least as much as British firms and probably draw on better research facilities. But the research is usually done in America, and although this may not be so important in the established light industries, it would be a different matter if American capital were to take over a big proportion of such new fields as electronics and nuclear power. Again, the effect of American control in British industry upon future export performance might become very different if control extended to major units in certain industries; but without believing in the unlimited application of *laisser faire*, one can argue that so far American investment in British industry attracted by the pull of the market is more likely to be desirable than not.

That, broadly, seems to be the attitude of the Government, which actively welcomes the establishment of new enterprises by American firms and keeps a discriminating eye on take-overs. Britain has succeeded in attracting a very large share of American direct investment in Europe. The European common market may already be making it more difficult for this country to maintain its attraction—but as a trading and manufacturing location Britain retains some advantages, and for some industries preferential access to markets in the Commonwealth and sterling area is still important. Official attitudes to portfolio investment by non-residents are rather more lukewarm; the buying of existing shares by Americans on the London market injects no new technique into British industry and creates no new employment opportunities; officials also tend to be obsessed by the fear of sudden withdrawal. Yet capital inflows of this nature ought to be equally welcome.

In recent years Britain has undertaken overseas investment of around £200 million a year by private firms and individuals. These private exports of capital could not easily be cut down; they consist largely of the ploughing back of overseas earnings, and the great bulk of the investment is in the overseas sterling area (with Canada as the main exception), free of all official restrictions. In addition, the government has to pay off the postwar North American loans, and last summer it took on new obligations to lend to the Commonwealth. Finally, Britain has always to be prepared to meet drawings on the accumulated sterling balances. All these heavy commitments on capital account call for a substantial surplus of current earnings to prevent a strain on sterling. But the capital burdens are not a kind of deadweight; they help the export trade, and they build up future assets, or reduce liabilities. Foreign capital thus reduces the net export of capital without

disturbing the established flow of investment overseas.

Two questions of policy therefore arise. What steps can be taken to encourage more foreign investment? And would more capital coming in make it easier for British residents to move their capital around the world? The Government may feel that it can do little specifically to attract more foreign capital, since it has virtually no barriers to take down. The one important discouragement to the foreigner—apart from high taxation—is that he has no automatic right to repatriate his capital through the official market. At present the rate for security sterling in the unofficial market is very close to the official rate for external sterling. But foreign investors cannot count on this and Treasury ministers have made it clear that the merging of security sterling with external sterling does not stand high in present policy. Other things come first—including greater freedom of current payments, particularly for dollar imports. It is difficult to quarrel with that order of priorities.

One form of external disinvestment gives no such hostages to the future, and that is borrowing abroad by British firms or institutions. The authorities do seem to have undergone a change of attitude on this matter since the end of the credit squeeze at home; one sign of this was the recent Swiss issue by British Petroleum, and another was that the Government would have permitted the London County Council to borrow its £25 million abroad rather than in London. The LCC felt unable to accept the exchange risk, as would most organisations that do not earn income abroad. But those who can go overseas when credit conditions are propitious should be free to do so.

Can British residents be permitted to invest freely abroad, rather than being confined to the existing book of foreign securities in London or having to run the gauntlet of exchange control for projects of direct investment outside the sterling area? One increasing pressure in this direction may be exerted from Europe. The six countries of the common market have been quick to organise co-operation between banks and stock exchanges; the capital markets of the Continent will undoubtedly draw closer together. Many people in the City feel that Britain should not be left out. But the authorities probably see two basic difficulties. The first is that a general freeing on capital account, affecting either British residents or foreign residents, could not be limited to transactions with Europe alone; an open door here would quickly open routes to the dollar area. Secondly, even if interest rates in London were kept high in relation to leading Continental centres, London's more organised capital market would inevitably promote a net outflow of funds.

For these reasons, even a government with ideas of economic freedom close to its heart is likely to decide that export of capital must remain controlled—even though more applications can be let through. The considerations would presumably be transformed if the relations of the dollar and European economies were to undergo a permanent change—so that in the years ahead the net pull of market and political forces moved capital from America to Europe and not the other way. Time is needed to show whether the recent eastward movement across the Atlantic is a change in the long-term trend. Even if the inflow of American and other capital to Britain should reach substantial proportions, the central exchange reserves must have their full share; they are still below the level that would give British economic policy effective freedom of manœuvre. But the underlying approach to international movements of capital should always be a liberal one, so that more can come in and more can go out.

No Gear Lever

Smallish British cars will be on sale with automatic transmission this year. For the enthusiast, the systems on offer are outlined technically; the ordinary motorist is given an idea of the price.

WHEN the Dutch baby DAF car went into production last month it brought automatic transmission for the first time on a low-priced European car. Two British cars and one Continental in the 1-1½ litre group are expected to appear with automatic transmissions this year, employing systems designed in Britain—the Hobbs "Mecha-matic," the Smith's "Autoselectric," and a version of the Ferguson transmission. Designers are hoping to put automatic transmission into cars as small as one litre; cars of one to two litres totalled over 2 million of the 3¾ million produced in Europe in 1958.

Automatic transmissions available on British cars in recent years are American designs, unsuitable for cars smaller than 2-2½ litres. The General Motors-designed "Hydramatic" is made by Rolls-Royce for their own use. Since 1956 Borg-Warner have made their automatic transmission in Britain as an optional extra to most cars of over two litres capacity and their output has been rising by 50 per cent annually in the last few years. About a fifth of some popular models are equipped with automatic transmissions.

Most European motor manufacturers seem now to have decided that they ought fairly soon to be ready to introduce automatic transmissions on their small cars. The recent success of car exports to the United States, where sales are greatly helped by automatic transmission, and the certainty that new American small cars will have this extra facility, have perhaps influenced their attitude. Semi-automatic transmission, as introduced a year or two ago, seems broadly to have failed to attract the public.

It is much more difficult to make an automatic transmission for a small car than for a large one. It has to achieve a greater degree of torque multiplication than is needed on a large car because the small one has less power to spare; yet it must also be lighter. The American transmissions, based on torque converters or hydraulic couplings, are too heavy, and not efficient enough. A torque converter transmits the drive by pumping the oil with which it is filled from the impeller, connected to the engine, to the turbine, connected to the back wheels. Two different courses have been followed by those developing automatic transmissions for small cars. Some have sought to improve the efficiency and reduce the weight and cost of the torque converter: others have sought different means of making transmission automatic. The Ferguson transmission is an example of the former approach; those made by DAF, Hobbs and Smiths are examples of the latter.

The **Ferguson transmission** employs the basic designs of Count Giri de Teramala. It relies on a torque converter alone for all normal driving; but an epicyclic reduction gear under the driver's control is interposed between the engine and the converter to be brought in when exceptional performance is required. It overcomes one of the basic limitations of the torque converter: that it normally restricts the engine to about half its maximum speed. The Ferguson converter alone gives a range from direct drive to the axle to three times the axle ratio—equivalent to say a "top gear" of 4 to 1 and a "bottom gear" of 12 to 1. The extra gear increases this maximum "torque multiplication" to nearly 4 to 1, giving a "bottom gear" of say 16 to 1, i.e. a range of ratios comparable to that provided by a normal gearbox but with infinite graduations. The efficiency of this torque converter at twice the axle ratio—one often used, roughly comparable to second gear—is about 70 per cent; with the extra performance gear in use the efficiency at this ratio is over 80 per cent. And efficiency in "top gear," when the converter acts as a hydraulic coupling, is 95-96 per cent. The company claims that "fuel consumption is virtually the same as with a normal gearbox, and if the 'performance gear' is used performance, too, can equal that obtainable by an expert driver from a normal gearbox." The torque converter is simple in design, and weighs little more than that of the components it replaces. It can be applied in principle to any size of car.

The transmission fitted to the 600 cc Dutch DAF car was described in detail in *The Economist* of October 25, 1958. Though completely different in design from the Ferguson, the **DAF transmission** does resemble it in giving a stepless drive. It uses drive by two belts with variable-diameter pulleys to give changes in reduction ratio between a top gear of 4.4: 1 and a lower limit of 20: 1. On the DAF the front pulley diameter is controlled by road speed, through centrifugal weights, and by throttle opening, through variations in inlet manifold vacuum. The DAF transmission is even lighter than a conventional gearbox, but it may be restricted to small cars.

The British **Hobbs transmission,** like the DAF, is suitable for small cars, but can be used on cars of the biggest size. It comprises a compact three-speed epicyclic gear train, the gears of which are engaged by three plate brakes, with two more plate clutches mounted on the flywheel. The first transmits power from the engine to the indirect gears and takes up the drive from rest; both clutches are engaged for the fourth, top gear, when the engine is connected direct to the propeller shaft. The second clutch operates alone for reverse. The engagement of all the clutches and brakes, and so of the gears, is carried out automatically by hydraulic pressure; gear changes occur at pre-determined road speeds, chosen to give a smooth and economical performance. But if the driver uses full throttle, the gear changes will be delayed until the engine is near its peak speed. In addition, the driver can override the control unit if he wishes to remain in one gear. This transmission weighs little more than a normal four-speed gearbox and it involves no loss of efficiency. The makers claim that acceleration may even be improved and fuel consumption reduced.

Smiths Motor Accessories' transmission, is based on the use of two of the magnetic particle clutches invented some years ago by Jacob Rabinow in America and developed by Smiths in this country. These clutches work on the fact that a special metallic powder "freezes" solid when an electric current is passed through it. Thus the clutches can be arranged to take up the drive when current is supplied to them. The two clutches are arranged so that one takes up the drive from rest and transmits power to the indirect gears, and the other provides a direct drive for top gear. The gearbox is basically a normal three-speed synchromesh box but with constant mesh gears. Control over gear-changing is by an electric system, influenced in the normal manner by changes in road speed and throttle opening but giving the driver an overriding control to keep second engaged. Performance is comparable with a normal three-speed gearbox, but the weight is 60 to 70 pounds greater.

The fourth automatic transmission being developed in Britain for small cars is that of the **Motor Industry Research Association.** In this a rotary displacement hydraulic pump and motor replace the impeller and turbine of the normal torque converter. To increase efficiency only a part of the power is transmitted through the hydraulic system; the remainder is transmitted through epicyclic gearing. In the lowest and highest ratios, all power is transmitted mechanically. This transmission thus gives a high efficiency; it is also compact and should be little heavier than a normal gearbox.

THESE are some of the transmissions now available to the motor industry. How much will they cost? Most of them will inevitably be more expensive than simpler transmissions but cost should fall as production rises, and heavy development costs are paid off. The Borg-Warner adds about £110 to the basic price of a 2½-litre British car; in the United States, with much longer production runs, it adds about £70. All the small new transmissions ought to be cheaper to produce in comparable quantities than the Borg-Warner. Economies of scale in production cost would probably

be greatest with a torque converter, which can be most cheaply made from sheet metal pressings. Fergusons believe that if production could reach hundreds of thousands annually, the cost of their transmission should be little more than that of a normal transmission: but initially, produced in relatively small volume, it might add £50-£60 to the price of the car.

The Hobbs and the Smiths transmissions should be simple to tool. Tooling costs for the Hobbs compare with those of a normal gearbox; produced in normal quantities it should cost less than twice what a gearbox for a 1½-litre car costs, which is about £30. The Smiths transmission may gain some benefit in production cost from having only three speeds and using normal synchromesh gearing; but it contains more metal.

The DAF should be cheaper than a normal gearbox. Tooling costs for pulleys and belts present no problem; the attractions of this system for a company entering car production are obviously great. Its advantage would be smaller for an established producer who would have to change the design of his car to use it, but it may well gain imitators—after they have seen how it works.

It should thus become possible straight away to buy a small car with an automatic transmission based on belt drives for no extra cost, and eventually, if the volume of sales became very high indeed, to buy a 1-1½-litre car with other kinds of automatic transmission for little additional outlay. But initially the car manufacturers are likely to charge an extra £75-£100 for an automatic gearbox and £50-£60 for a torque converter, until production reaches satisfactory levels. How soon the extra price will be reduced will depend on demand; and this will depend not only on whether individual drivers like automatic transmission, but on whether business buyers consider that the reduction in maintenance costs will more than offset the increased capital outlay. This point has led the taxi owners to choose it for the new London taxis. Something depends, too, on how far these extras are reflected in trade-in values.

But the optimism of the makers of these new transmissions rests on their belief that once a driver has become accustomed to automatic transmission, he—and more especially she—will not willingly return to changing gears. They thus expect a cumulative rate of growth in the market towards the 80 per cent of total sales achieved in the USA. Part of this growth should be in exports; this is one of the few fields in automobile engineering where Britain is ahead, and it is not surprising that many Continental manufacturers are showing interest in these new British systems.

BUSINESS NOTES

THE ECONOMY

The Chancellor's Hopes

"WE are at present well below the level of demand," said Mr Heathcoat Amory last week to the American bankers, "which would ensure a satisfactory high level of employment of labour and of utilisation of the national productive capacity." He added—to the bankers and later to the industrialists and trade unionists of the National Production Advisory Council for industry, in speeches that bore some marks of personal cerebration rather than Treasury briefing—that the Government had no intention of restoring the pressure of demand that was experienced in the boom. But he did not exaggerate the importance of the control of demand, "if the competitive process by which wages and other incomes are raised continues completely unrestrained." People nowadays, and in his view reasonably, expect governments to maintain a high and stable level of employment: "Avoiding boom levels of demand is one thing: accepting heavy unemployment would be quite another."

This acknowledgment of the process of cost inflation, which his predecessor was committed not to recognise, led the Chancellor to orthodox conclusions:

> The vital need is to introduce into the process of wage negotiations a fuller appreciation of the broad social and economic consequences to the nation of decisions taken in a particular industrial sector.

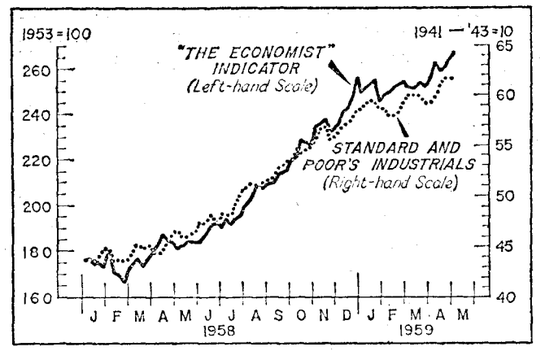
Mr Amory accepted the likelihood of an increase both in the volume and the price of imports before there occurs a corresponding gain in increased exports. But he felt that last year's fall in import prices could be replaced by an increase in output per man: even the short rise in output of last autumn had increased labour productivity by about 2-3 per cent in industry, and outside industry the output of services was going on rising. This could help hold costs stable. "Where unused capacity has been putting up costs, its fuller use will now reduce them. This year, in fact, presents industry with a remarkably good opportunity to get prices down."

IN THE MARKETS

The Two Streets

SINCE the budget the main prop sustaining industrial equity prices has been the more liberal distribution policy of many of Britain's leading companies. That liberality is as much the product of the introduction of a flat rate of profits tax more than a year ago as of the recent reduction in income tax. Its effect on share prices can be illustrated by the movement of *The Economist* indicator over the week, during which, after some earlier speculative exuberance, the market paused for breath. Even so, the indicator edged up to a new peak, from 267.0 to 267.8, but the average yield offered by the underlying securities also

rose—from 4.93 to 4.97 per cent—because of the higher dividends just declared. Thus the floor beneath a market in which not much stock is coming on offer is sound. Investors are turning their attention towards the equities of the second, though not much less solid, rank behind the front rank of blue chips.



Wall Street, too, paused and when American investors reassessed the prospects for electronic stocks, in which there has been much heady speculation, the Dow Jones average dropped back to 615.64. But here, as in Throgmorton Street, buying is not restrained for long and when the Federal Reserve Board's new rules on the use of credit for stock market trading proved to be milder than had been expected, steel and motor stocks led a strong rally that carried the Dow Jones average up to yet another peak, of 633.05. That sent British stock prices up again on Thursday. At the moment each street seems to be gaining confidence from the behaviour of the other.

BUILDING SOCIETIES

The Rates Come Down

THE Building Societies' Association has not waited long before recommending that its members should reduce their rates on mortgages and shares. A month's test of the reactions of investors to the possibility of a reduction has been enough, and it has now firmly recommended a reduction of the rate on new mortgages advances from 6 to 5½ per cent "not later than July 1st," with a corresponding reduction on existing mortgages as soon as practicable after that date. The net rate paid on shares should be reduced from 3½ to 3¼ per cent as soon after June 30th as each member society finds it "desirable and practicable."

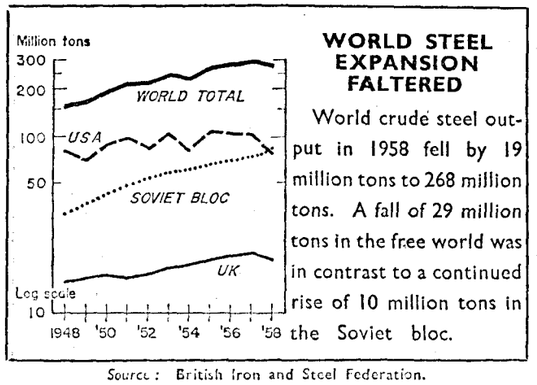
BUILDING SOCIETY TRENDS	BSA MEMBERS: Fourth quarter, 1958 (£,000s)	BSA MEMBERS: First quarter, 1959 (£,000s)	HALIFAX: Three months to Jan. 31, 1959 (£,000s)	HALIFAX: Three months to Apr. 30, 1959 (£,000s)
Shares and deposits received	107,122	117,792	21,980	23,290
Shares and deposits withdrawn	51,292	56,919	14,720	18,310
Net investment	55,730	60,873	7,260	4,980
Advances made	74,912	68,528	16,720	17,990
Advances repaid (with interest)	75,985	68,296	13,720	13,260
Cash and securities	311,066	336,696	71,900	67,910
Total assets	1,956,979*	2,046,869*	389,860	395,110

* Representing about 75 per cent of the assets of all building societies.

Three factors have prompted this decision. First, the inflow of funds, which as the table shows was very high in the first quarter, continued satisfactorily in April after the warning about a probable reduction in rates. The money coming in to some of the bigger societies has been almost embarrassingly big and they have become increasingly anxious to advance more on mortgages to earn a satisfactory margin for reserve appropriation. Secondly, the House Purchase and Housing Bill will soon receive the Royal Assent and the Government scheme to inject money into the movement for mortgages on older properties may become operative by the end of June. Thirdly, the composite rate of tax paid by the societies on behalf of their members has come down, following the reduction in the standard rate, from 5s. 7d. to 5s. 1½d. in the £—a bigger drop than had been expected, which appreciably helps the margins available for reserve appropriation.

The flow of new funds to the small local societies has been less strong, and they have not been anxious to reduce their rates. The association gives them some latitude (which the bigger ones may ignore) in deciding when to bring down their rate on shares. They could, if their reserves are strong enough, bring down their mortgage rate on July 1st and then wait for a few months before reducing that rate.

The Halifax, which is not a member of the association and which has been charging 5½ per cent on mortgages and paying 3¼ net on shares since December, will no longer be out of step. It has suffered little from its independent stand and, indeed, since the association indicated that a reduction in rates was probable the flow of money into its shares has been particularly strong. The Halifax is back in the race as a formidable competitor and it can come into the Government scheme unprejudiced.



WORLD STEEL EXPANSION FALTERED

World crude steel output in 1958 fell by 19 million tons to 268 million tons. A fall of 29 million tons in the free world was in contrast to a continued rise of 10 million tons in the Soviet bloc.

Source: British Iron and Steel Federation.

STEEL

Output Improves

DURING the first quarter of this year merchants and consumers continued to reduce their stocks of steel, but not by as much as they had done in the three months before; actual consumption of steel was a little higher too; so customers therefore bought about 8 per cent more steel. This improved level of delivery was however still 17 per cent below the high rate reached at the beginning of 1958. So far as production was concerned, the slight improvement that began in March continued last month, with crude steel output averaging 387,300 tons a week, only about 5 per

cent below the level of April last year. Demand remains strong for sheet and tinplate, and is improving for most light steel products and some heavy sections; but plate demand is as slack as ever.

HOW STEEL STOCKS HAVE FALLEN

	Finished tons	Finished tons
Consumers' and Merchants' stocks at March, 1958		4,641,000
Reduction 2nd quarter, 1958	80,000	
,, 3rd ,, 1958	260,000	
,, 4th ,, 1958	325,000	
,, 1st ,, 1959	200,000*	
		865,000
Stocks at March, 1959		3,776,000

* Provisional.

The Iron and Steel Board's preliminary estimate that stocks of steel fell by another 200,000 tons would still leave merchants and consumers with 3,776,000 tons of finished steel in hand. This still represents perhaps 15 weeks consumption at the recent rate of use of steel, but the actual amount in stock is now lower than since mid-1956, and certain consumers at any rate have clearly now decided to reduce their holdings no further. This comparison of stocks against weekly consumption admittedly covers a vast variety of kinds of consumer, and of different qualities and sizes of steel. Even so, one meets steel merchants and small-scale consumers who are simply incredulous when one talks of three months' steel in the average consumer's hands, since they have recently been relying on deliveries in about a fortnight or so. Clearly, among large-scale users of steel there must be many who hold vast tonnages and have not allowed disinflation to change their habits.

Competition Abroad

THIS moderate but firm recovery in steel orders at home has been paralleled by some improvement in export orders. The main flow of American buying in the world market, to forestall a steel strike in the United States, has now subsided, but the business done then is now beginning to show in figures of export deliveries. Britain's deliveries in March rose somewhat, though Continental exporters probably had the main benefit from this special transatlantic buying. Their quotations have risen by about 10 per cent in the last few months, though they remain sharply competitive with British export prices, which were not reduced nearly as far last year.

STEEL EXPORT PERFORMANCE

(Monthly averages: '000 Metric Tons)

	1956	1957	1958
Britain	245·2	279·0	239·9
Benelux	510·0	499·1	506·5†
France-Saar	429·8	408·1	407·8
Western Germany	353·9	472·4	432·6
USA	365·7	491·5	242·7

† 11 months only.

At the end of last year, allowing for the difference between Thomas and open-hearth steel, steel exporters on the Continent were quoting prices £10 a ton or more below Britain's,

Cutting Lancashire Down to Size

THE White Paper* on the reorganisation of the cotton industry provides a more detailed—but necessarily still incomplete—picture of what the Government and the industry are aiming at. The background to the scheme was discussed in an article in *The Economist* of May 2nd. The white paper states that the principal **spinning** section believes that about 12 million spindles are surplus, or half the total. The doublers put their own surplus capacity at 1.2 million spindles, or 60 per cent, while spinners of condenser yarns put theirs at 10 per cent. The **weavers** aim to scrap at least 70,000 looms, or 30 per cent of the total, and the **finishers** (printers, bleachers, piece dyers and yarn dyers) estimate that 25 to 40 per cent of the machinery is surplus.

Re-equipment: if all the excess capacity is eliminated, the cost of re-equipping and modernising the rest is put at about £40 million for spinning, £8 million for doubling, and £30-£45 million for weaving. These are only first estimates, the white paper points out, and may well be rather high. The finishers state that their problem is primarily one of scrapping and re-organisation, rather than re-equipment.

The Government will pay two-thirds of the cost of scrapping machinery, and if it is satisfied that enough will be scrapped, it will pay one-third of the cost of modernisation and re-equipment. Its proposals are open to the whole industry, including firms that use man-made fibres, and the total cost to public funds might be of the order of £30 million over five years.

Administration: the Cotton Board is to be responsible for the administration of the reorganisation schemes and for the arrangements for financial assistance on modernisation. It will collect the compulsory levies to finance the industry's share of the cost of scrapping machinery, and will make the payments; if the various sections wish, the board will also make on their behalf the compulsory levies to compensate displaced workers. As it would be inappropriate that schemes involving payments from public funds should be administered by members of the board who have a direct interest in the industry, a special committee for this purpose is to be formed, consisting of the three independent members plus another two independent persons, one a businessman and one a trade unionist. A committee drawn from all sections of the industry will advise on technical questions.

Preparation: the special committee's first task is to complete the reorganisation schemes in consultation with the industry. Each scheme will indicate the amount of machinery to be scrapped, the timetable, the terms of eligibility for compensation, the payments to be made and the method of calculating them, and the arrangements for the compulsory levies. A senior partner in a firm of chartered accountants has been appointed to advise the government.

Procedure: each scheme will be submitted to the Board of Trade for confirmation by Order, and the Order will be submitted to Parliament for approval. The closing date for applications for compensation for scrapping machinery will be short, perhaps one month, and the period for scrapping will also be short but may be extended in exceptional circumstances. Grants for modernisation will be available for three years after the Act comes into force, and modernisation must be completed within five years, save in exceptional circumstances. Machinery scrapped or ordered after April 23rd, when the Government briefly announced its proposals, may qualify.

The bill will have its second reading on June 4th, and should become law before the end of July.

* Cmnd. 744.



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and their exports held up much better through the recession. Few British companies, even when output was at its lowest, were ready to quote below the price levels recommended by the industry's various associations and conferences concerned with export; for certain steel products indeed these associations normally quote collectively and allocate the orders obtained. There have been signs of growing independence among certain of the companies into getting their own orders, though not in quoting lower prices. A little steel, moreover, is said to have come out of British mills for sale abroad at prices competitive with continental —as a result of arrangements for melting and rolling scrap on behalf of merchants who are not parties to gentlemen's agreements about export prices.

BRITISH EXPORTS

Almost a Record

After lagging earlier this year British exports shot ahead last month, rising by no less than £25½ million to over £296 million fob, the highest total since the peak of £303 million in May, 1957. This brought the average for the first four months one per cent higher than a year ago. Because of Easter, some shipping documents for exports and imports may have swollen the April total at the expense of March. But taking March and April together, the turn-round is still remarkably sharp. Exports in January and February were three per cent less than a year ago, but the March-April average is 5½ per cent higher than a year ago. Such a big improvement does not necessarily mean that shipments to the primary producing countries (largely the sterling area) are recovering at last. Two-thirds of the increase between March and April reflected the big jump in exports to North America, which reached a new peak, and the detailed returns may show that the other third reflected a further rise in exports to other industrial countries.

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

		Imports cif	Exports fob	Re-exports fob	Apparent deficit	Exports to North America
Year 1958		312·5	264·3	11·7	36·5	38·3
1958	1st quarter	309·4	271·0	13·2	25·2	34·5
	2nd "	300·0	255·8	11·1	33·1	39·1
	3rd "	312·5	258·6	11·4	42·5	37·1
	4th "	328·2	271·8	11·2	45·2	42·6
1959	1st quarter	313·6	263·8	10·8	39·0	39·7
	March	322·5	270·7	12·8	39·0	40·7
	April*	346·1	296·3	11·3	38·5	57·0
1958	Jan.–April	308·7	268·8	12·7	27·2	35·0
1959	Jan.–April *	321·7	271·9	10·9	38·9	44·1

* Provisional.

Imports last month also rose sharply by £23½ million to £346 million cif, and the average value in the first four months was four per cent more than a year ago. Taking March and April together imports were seven per cent higher than a year ago, whereas in January and February they were only 1½ per cent higher. Re-exports fell by £1½ million to £11.3 million, and in the first four months were 14 per cent smaller than a year ago, owing mainly to the decline in re-exports of rubber to Russia. The apparent trade deficit, at £38½ million, was almost the same as in March, and the average for the first four months was £39 million, £12 million higher than a year ago.

Shipments to the United States last month jumped up by £9½ million to £35.9 million, and were £8 million above the previous peak in January. In the first four months shipments were as much as 38 per cent higher than a year ago. Shipments to Canada, at £21.2 million, were £6½ million higher than in March, and in the first four months were eight per cent higher than a year ago.

RAILWAY FARES

Finding for Delay

The British Transport Commission early last September lodged with the Transport Tribunal a scheme for giving it greater "headroom" for selective increases in passenger charges by train and London Transport services. After an interval of eight months which included twenty-one days of hearings, the Transport Tribunal has this week rejected this scheme "as lodged." Its judgment on the application, indeed, is of a most perplexing kind and it involves at this moment only one certain result—that any practicable increases in charges that the commission could make will now be delayed. Mr Watkinson constantly adjures the Commission to make ends meet (it being a mere £80 million or so in the red and miserable about losing heavy traffic); the tribunal, grinding exceeding slow and small, adds another element of delay and frustration to the process of getting railway charges closer to railway costs.

The tribunal is prepared to give the commission the increase in standard (or maximum) rates from 2d. to 3d. a mile second class and from 3d. to 4½d. first class. It has also decided that early morning (so-called workmen's) fare concessions should cease—but not when or to what extent. It has cut by about half the surplus which the scheme would have provided for London Transport—to outward appearance not an excessive one—and it seems to be inviting the commission to go for half the increase it had sought for season tickets.

These crude words of summary deal a bit roughly with the involutions of the tribunal's findings. But it implies no disrespect for the tribunal to say that the quasi-judicial procedures which it follows as a matter of statutory duty do seem to have become less and less relevant to a public transport industry that is hard against the halter of competition. No sensible person would argue that the one independent body that regularly examines the affairs of a nationalised industry should lightly be discarded. But the purpose it serves in an increasingly competitive situation is becoming more difficult to see—and is certainly being obscured by decisions that to the laity carry some impression of fabian expediency.

GEORGE NEWNES

Raising the Ante

Even before the directors of George Newnes had rejected the cash bid by the News of the World of 110s. for each £1 ordinary share as inadequate, the market passed its own judgment by putting up the shares to 115s. The directors of Newnes then raised the dividend and the two for five scrip issue, announced before the News of the World bid, was carried through. That made the bid worth 78s. 6d. per share and the market price, ex scrip, settled down at 82s. On Thursday the News of the World, acting through

Hambros Bank, improved on its original offer, by bidding 90s. for Newnes shares and extending the date until June 1st. In all, the offer is worth £11,103,750, compared with £9,693,750 for the first bid. The market price of the shares was immediately marked up to 86s. 6d.

Evidently the News of the World, in answer to the greater concentration of the periodical press brought about by the Daily Mirror's acquisition of Amalgamated Press and Odham's purchase of the Hulton Press, is anxious to get George Newnes under its wing. Its offer was a long time in coming and in the meantime Newnes shares continued to rise. The problem for the News of the World was how it was to find the cash to make the purchase ; the directors are now seeking an extension of their borrowing powers and the necessary financial arrangements to cover the cost of the bid have been made—presumably with the assistance of Hambros Bank.

SPACE RESEARCH

Into Orbit

THE programme of space research announced by the Prime Minister on Tuesday keeps clear of the obvious pitfalls into which misguided enthusiasm might easily have steered it. Its outlines are clear, but the details have been left deliberately vague for the very good reason that it is not possible for anyone to say with certainty at this stage what size, shape or weight a Royal Society satellite would have nor how and from where it would be launched. What does emerge from the announcement and from the subsequent explanations given by the Lord President of the Council, who will be responsible for administering the programme, is that the Government is prepared to finance the launching of perhaps eight to ten very large satellites.

These satellites, which might weight up to half a ton apiece, would provide semi-permanent points of vantage circling a few hundred miles from the earth on the fringes of the atmosphere carrying instruments for studying this unknown and highly intriguing region on the edge of space, including the radiations that reach out to it from the earth and those that reach it across great distances from the sun and stars. This type of fundamental research has been going on for years in British universities and one of the world's greatest living experts on cosmic radiation is Professor Powell of Bristol. What is new is the opportunity provided by satellites for using instruments in space to record these phenomena more accurately. Were it not for the vast cost of launching satellites into orbit, the British space programme could fairly be described as the logical extension of work that has been going on in this country for years.

Development of the satellites and their instruments need not cost more, according to Lord Hailsham, than some hundreds of thousands of pounds. But launching them will cost millions—at a rough guess perhaps £10 to £15 million for the whole programme. Last winter, the United States made a vaguely worded offer to launch satellites for other countries. Scientists are going to America to find precisely what this involves and whether it offers a short cut into space that will save the time and expense involved in constructing a satellite launching rocket out of the ballistic missiles now being built in this country. Although Lord Hailsham was careful not to commit himself, the impression remains that British hopes of this short-cut do not run particularly high : but the decision cannot be taken one way or the other until the facts become available. The most encouraging part of this week's announcement was not that the Government had decided to go into space, since this has not seriously been in doubt, but that it appeared to take the decision with a fairly convincing air of scientific detachment. And this, considering the highly partisan nature of the advice that it was and still is being given, is certainly commendable.

Dial MOON

WHILE Lord Hailsham was going into orbit, Professor Bernard Lovell at Jodrell Bank had gone one step further and was teaching the Man in the Moon how to operate a transatlantic telephone exchange. The possibility of using the moon to reflect radio signals has been suspected for some time but never actually proved. By the end of this week, radio signals sent up from the Jodrell Bank radio telescope were reflected off the moon 250,000 miles away and picked up by American Air Force scientists near Boston. Of the two types of signal used, a steady sound, and human speech, the former came through the more clearly, probably because the power being used was not adequate to carry all the modulations used in the human voice.

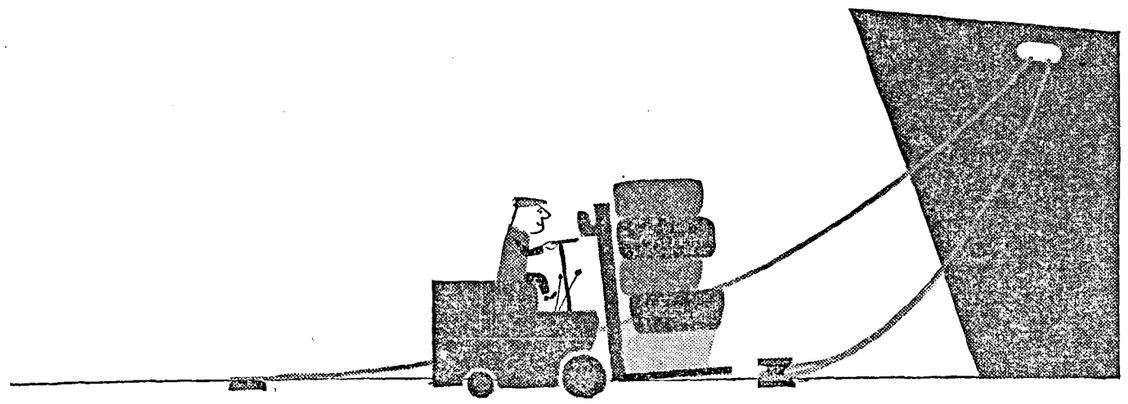
The implications of this experiment for radio and telephone communication over long distances are immense. Radio communication is at all times cheaper than the laying of long-distance cables, and a radio signal of a frequency high enough to penetrate through the reflecting layers of the atmosphere to reach the moon—200 megacycles was used for the experiment—should be completely free from the fading, the distortions, and the interference that make normal radio communication unreliable and sometimes impossible. The only special equipment required is a radio telescope at either end of the circuit, but it need not be a giant the size of Jodrell Bank, which measures 250 feet across. Professor Lovell thinks that the 80 foot " dish " being used by the American Air Force to receive his signals would be quite large enough for routine use.

Those who think that outer space is merely a playground for academic scientists might ponder the fact that the initiative for the experiments came from a radio manufacturer, Pye Limited, which was sufficiently intrigued by the sound of Professor Lovell bouncing his own voice off the moon during last autumn's BBC Reith lectures to suspect that it had distinct commercial possibilities. The equipment used for the present series of experiments was ordinary commercial apparatus. Now that the idea has been proved feasible, opening up the prospect of direct and interference-free radio and telephone links between points where it is not practical to lay cables or provide an adequate number of channels, the next step will be experiments with special aerials to improve the quality of the voice transmission.

ATOMIC AGREEMENT

A Fair Swap

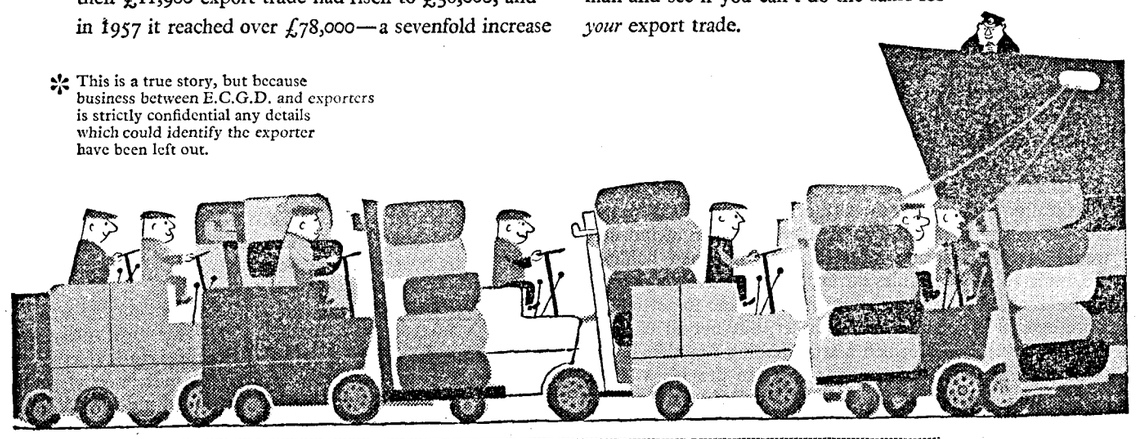
THE amended Anglo-American agreement on nuclear weapons that was signed early in May and published last weekend is one of the first fruits of the policy of " interdependence " in defence promulgated by Mr Sandys. Although it mentions an exchange of nuclear weapon components (or more precisely, " non-nuclear parts of atomic weapons ") the main burden of the agreement is the pro-



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motion of a two-way traffic between British-made plutonium and American-made uranium 235. Britain, which has a painfully inadequate supply of uranium 235 from the small diffusion plant at Capenhurst, will draw for its weapon programme on some of the huge stocks that have accumulated in the United States, exchanging it against weapon-grade plutonium produced in its eight reactors at Calder Hall and Chapel Cross.

The scarcity of plutonium in the United States is indicated in the high price of $30 a gram that it is paying to Britain compared with the figure of rather less than $20 a gram that it is charging for the uranium 235 sold in return. The exchange saves each country a considerable investment in plant extensions; even so, the United States has recently approved plans to build at least one additional reactor for the production of weapon-grade plutonium. It is possible that output in the Soviet Union is also increasing rapidly. Last September the Russians showed films of the first unit in what was said to be a 6-reactor nuclear power station, the design of which indicated strongly that, like Calder Hall, its main purpose was production of weapon-grade plutonium with electricity as a by-product.

BOND MARKET

New Money for Lombard Street?

WILL the discount houses follow the big banks in seeking additional capital? Such a suggestion is made by Sir John Musker in his annual statement as chairman of Cater, Brightwen & Co. He "suspects" that his company, and other discount houses, may in the "not too far distant" future need to increase their capital in order to extend their activities as jobbers in the short bond market. Admittedly there has been some narrowing of this market in recent years, and admittedly it is desirable that it should be as flexible as possible; but it is by no means sure that a general increase in the capital resources of Lombard Street would achieve this objective.

The last increase of that kind, which took place under the Chancellorship of Dr Dalton in 1946-47, was indeed specifically permitted by the authorities to serve that aim—since it was clear that the postwar reconversion of industry would involve a steady liquidation of the bond holdings accumulated by companies during the war. That expansion of the discount houses certainly enabled them to participate more extensively in the bond market, but not all of them have consistently performed a true jobbing function in the sense of being willing to operate so as to provide a shock absorbing mechanism. In recent years of sharply fluctuating rates some of the smaller houses tended to withdraw from the bond market when bond risks looked high while the chances of profits from bills looked good; and some larger houses, having suffered severe depreciation, were obliged to sit on their portfolios instead of actively jobbing.

The recovery in bond prices has removed that particular difficulty, while the fall in bill rates has likewise ended the exceptional profitability of bill dealing. The attractions of bond dealing are therefore much greater now than they seemed a short while ago, and bond portfolios have been substantially increased. An increase in capital might permit a further increase in these portfolios (though in the market as a whole they have not by any means yet reached the practicable limits of what is reasonable), but it would not necessarily increase jobbing activity correspondingly. Indeed, the better the running profits obtainable from bonds, the less is it likely that houses that have not been consistently active as dealers will change their habits in this way.

LEAD AND ZINC

Squeezing the Surplus

THE United Nations conference on lead and zinc ended in New York last week without an inter-governmental agreement to restrict supplies, and that should be all to the good. A few producing companies had already announced further cuts in output before the conference opened, and the discussions encouraged others to play their part in reducing the surplus. The companies acted voluntarily in their own interest; there was no bargaining between governments or compulsion by them. The big international companies, in particular, realised that any positive action they took would also help the American Administration to resist efforts to intensify the import quotas on lead and zinc and extend them to their products. The conference recorded the concern of a number of governments to see those import quotas removed. In the end the restriction of supplies embraced producers in the United States, certain European countries and Russia as well as traditional exporters.

After noting the restrictions announced before and during the meetings, the conference concluded that the surplus of lead metal should fall from its original estimate of 150,000 metric tons this year to an annual rate of 59,000 tons in the second half; and that the surplus of zinc should drop from the original estimate of 120,000 tons for the year to an annual rate of only 16,000 tons in the second half. On the face of it the apparent excess of zinc is no surplus at all in relation to world consumption, and the surplus of lead should not be burdensome. But it would be foolish to overlook the margin of error in these estimates, or the risk—recognised by the conference—that some other countries might seize the opportunity of increasing their output. Prices in London had crept up in anticipation of a favourable outcome—helped by the further rise of half a cent to 12 cents a lb in the American price of lead—and have risen further since the conference ended. Forward lead has gained nearly £2 to £72 a ton since the end of April and forward zinc has risen by over £2 to £76 a ton.

BULLION MARKET

Easier Gold Dealings

NEW facilities for transactions in gold have been introduced in the London and Canadian bullion markets. Samuel Montagu & Company, the London bullion merchants, in co-operation with the Bank of Nova Scotia, have made arrangements to issue negotiable and conditionally transferable gold certificates, representing stated amounts of gold and encashable in gold bars in London or Toronto. The buyer of a London certificate will be entitled to demand payment in gold in London or to exchange it for a Toronto certificate against payment (or receipt) of the difference between the prices of gold in the two centres. The Bank of Nova Scotia has already been issuing gold certificates in Canada and these can now be exchanged for the new interchangeable ones. The practice of Samuel Montagu will be to buy and hold gold against the certificates issued by them but not to earmark specific bars against the certificates in

issue. This will provide flexibility in dealings, making it possible for Samuel Montagu to forgo any safekeeping charges for the gold held on behalf of the certificate holders. The price charged to the buyers will be the London selling price and will include the customary commission.

These facilities are reserved strictly for non-residents. Exchange control regulations make it impossible for the certificates to be held by residents of the sterling area and they have to be paid for in "external account sterling" or any other convertible currency. They will, however, represent the cheapest and most convenient way of investing in gold and their availability should attract to the London market a great deal of the devaluation-hedge business which during the past year has become a sizeable factor in the international gold market.

POTASH LOANS

Early Redemption

ACCELERATED sinking fund purchases have kept the market prices of the three tranches of the German Potash Syndicate loan close to their true value, taking into account the clause in the debt settlement that enables their owners to continue to claim interest in US dollars at $4.86 to the £. The Potash Syndicate itself has long been a mere shell, but the gold clause and the pre-emption of the proceeds of potash exports to the service of the debt have given its loans pride of place among German bonds. The decision, announced through the principal paying agents, J. Henry Schroder, to redeem the outstanding bonds before the final date in 1973 has had no appreciable effect on market prices.

Of the three series of bonds, two carrying a coupon of 5¼ per cent and one of 4⅞ per cent, a nominal amount of £4,755,000 is outstanding, of which a fair proportion is held in Switzerland. These bonds are to be redeemed in June at £173 11s. 5.15d. for each £100 nominal. The total disbursement, allowing for the dollar option, will be £8,253,000. Most of the bonds are quoted in an "assented" form, but those British subjects who have held on to "non-assented" bonds for surtax purposes will have to sell to foreign residents to avoid tax on the accrued interest that becomes payable once assent to the debt settlement is given.

The West German potash producers describe the gold clause and the other terms on the bonds as "onerous" and to secure early redemption they have raised the money in Germany by public loans on the capital market and by private loans from the German banks and investment houses, with the result that an international loan, based on the price of gold, is to be turned into long and medium term internal debts, based on the German mark.

KITCHEN EQUIPMENT

Room for More

DOMESTIC appliance sales have been running at record levels ever since the restrictions on hire-purchase sales were ended last autumn. Sales of refrigerators through the Area Electricity Boards in March were 134 per cent above those in March 1958; those of washing machines were 89.6 per cent up, and those of cookers 38.3 per cent up. The purchase tax reductions have not had a large effect; but there is always a considerable weight of buying released by the ending of uncertainty. Superimposed on an already booming industry and the peak buying season for refrigerators, this has produced a situation where some makers are having difficulty in meeting their orders. Television and radio sales have also been running at record levels since the ending of hire purchase restrictions, compared with the poor sales during the first two-thirds of last year.

ELECTRIC APPLIANCES IN THE HOME

Appliance	Housewives owning one Sept.–Nov., 1958, per cent	Housewives who bought one in the last five years, Sept.–Nov., 1958, per cent
Electric cooker	22·0	9·4
Washing machine	28·4	16·6
Refrigerator	10·2	5·3
Vacuum cleaner	64·9	27·9
Television set	62·3	45·2
Radio set	78·1	20·3
Electric sewing machine	9·2	4·5
Food mixer	2·1	1·4

Source: Odhams Press, Ltd.

The refrigerator boom may be filling up one of the vacant corners of the typical British kitchen; but this item of home equipment is taking longer to translate itself from luxury to conventional necesity here than others have done. The latest survey of equipment in the home, published by Odhams Press this week, still shows only 10.2 of all British housewives possessing one. This is a slightly lower figure than has been estimated by other market researchers, but in theory, at least, Odhams were asking only about electric refrigerators. More than three-quarters of housewives, again, had still to acquire washing machines; while the more esoteric items of the mechanised American kitchen such as the food mixer still seem to have reached only a tiny proportion of British homes. This survey apparently did not consider the dishwashing machine—one among these impedimenta which to a husband seems likely to save more labour than it creates—frequent enough even to be worth asking about.

THE STOCK EXCHANGE

Out of the Red

LAST year the Council of the Stock Exchange took the first steps in setting its finances right towards providing for the eventual cost of rebuilding the "house." Both subscription and quotation fees were raised and this has had an appreciable effect on the revenue for the year to March 24th. Subscriptions and entrance fees were £89,243 higher at £515,352 and quotation fees £126,768 higher at £262,271, so that the total gross revenue went up from £732,516 to £956,206. Members no doubt found the increase in fees tolerable as the turnover in the market remained at a high level. But even in such an active year, the number of members went up by only two, to 3,432, which suggests that the trend towards smaller membership has not been halted.

On the expenditure side, the two big items are the transfer of £65,201 to the compensation fund (raising it to £175,000) and the first transfer, amounting to £119,305, to the special fund for the redemption of debentures and the rebuilding of the stock exchange. Another noticeable item in expenses is the increase in the charge for publicity from £9,402 to £21,091 in which, presumably, the cost of the film shown to visitors is included. Whether this is a sufficient provision for

educating the public about the affairs of the City is very doubtful. But the Stock Exchange has not a lot of money to spare: last year's increase in fees succeeded only in turning a net deficit of £5,108 into a net surplus of only £11,574.

INLAND WATERWAYS

Cruising Down the Canals

ALTHOUGH their commercial value has declined, Britain's 1,600 miles of canals continue to be used extensively—and increasingly—for pleasure boating. There are about 400 boats now offered on hire on canals by private companies, most of which are small firms owning about ten boats of varying sizes; in addition, a few enthusiasts own their own boats. Their number is estimated to be increasing by as much as ten per cent a year; cruises on the waterways are advertised as far abroad as America, and appear to be unaffected by British summer weather. Among the most popular canals are those which, though still navigable by small boats, no longer carry much commercial traffic; it is probable that pleasure boats constitute the greater part of the traffic on some of these aged backwaters. Now British Waterways, the Transport Commission's canal management division, has entered the pleasure boating business in a substantial way; and at an exhibition held recently at "Little Venice," near Paddington—itself appropriately an aged backwater—displayed some of the pleasure craft that it will have available for charter during the coming season.

Two five-day all-in cruises will be available, in 75-foot sixteen-passenger luxury boats; one, between Oxford and Birmingham, will include meals and lodging ashore in first-class hotels, plus side trips by motor coach to such places as Stratford-on-Avon, for a fare of £27 10s. per person. The other trip, between Boston and Nottingham, will cost up to £30 per person; passengers will sleep on board the boat, but eat some meals ashore. In addition, British Waterways have a fleet of about 35 smaller boats which the more adventurous or egregious may charter, at rates ranging from £12 a week for a 19-foot, two-berth boat powered by an outboard motor up to £42 a week, during the peak of the season, for a 41-foot, six-berth cruiser. These craft, with the exception of the two-berth models, have been converted from cargo boats and the Commission plans to increase the fleet, as demand warrants, in the future.

Revenue from last year's more limited hiring of pleasure boats was around £4,000; while they expect a much greater revenue—and an overall profit—from this year's activities in this line, the Commission admit that pleasure boating will never produce sufficient revenue to warrant keeping open an otherwise uneconomic canal. The Commission's ardent and highly vocal opponent, the Inland Waterways Association, which numbers among its members several firms chartering canal boats and offering cruises, complains that the revenue from the Commission's pleasure craft cannot possibly cover the costs, which include an extensive advertising campaign, and that they would substantially undercut private charter firms. But one apparent effect of the Commission's activities would presumably be to increase total traffic on the canals beyond what could economically be justified: one had always assumed that this was the association's main purpose in life.

SHORTER NOTES

The District Bank has decided to follow the lead of most of the other clearing banks in raising new capital by a rights issue of its ordinary stock. The details of the issue will be announced later.

* * *

Ind Coope this week introduced a new brand of lager beer called Skol, taking account of the rapid growth in sales of lager, largely imported, in the British market over the last few years. The company says that this is one of the few kinds of beer with a definite attraction for young people. It has installed complete Swedish-style brewhouses at Alloa and Wrexham for this beer; lager's main difference from other light bottled beers is that it is stored and conditioned for some time before sale under temperatures close to freezing.

* * *

Employment in manufacturing fell by only 12,000 in March whereas normally a fall of some 26,000 might be expected. Although the manufacturing industries were employing 71,000 fewer people at the end of March than at the end of November this shrinkage is no more than is usual seasonally. Outside manufacturing, an extra 21,000 building workers were taken on, but there was an unexpected decline in agricultural employment. Altogether the total number in civil employment rose by 1,000 in March to 22,798,000—a modest improvement in the labour situation since a decline of the order of 18,000 is more usual in this month.

* * *

The terms of the public issue of ordinary shares by the Charterhouse Group have now been fixed. Four million £1 shares will be issued at 28s. per share. At the issue price, they yield just under 5½ per cent on the projected ordinary dividend of 7½ per cent. As the issue will raise about £5.6 million it will more than cover the £4 million in bank loans that Charterhouse at present owes.

COMPANY AFFAIRS

Comments on pages 681, 682, 683 and 686 on

Dunlop Rubber	Bowater Paper
Boots Pure Drug	Rolls-Royce
Associated Portland Cement	Rank Organisation
Guest, Keen & Nettlefolds	Wiggins Teape
Burmah Oil	British Motor
Lister & Co.	United Sua Betong
Marks & Spencer	Richard Costain
Bristol Aeroplane	Rowntree
Sears	"Bank-Insurance"

Atomic, Electronic & General Trust

LONDON AND NEW YORK

Stocks, prices, yields and security indices on page 684

LONDON STOCK EXCHANGE

The week's movements reported on page 686

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 687

COMPANY MEETINGS

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

DEEP SIGNIFICANCE OF DEVELOPMENTS AT HOME AND ABROAD

EVER-INCREASING EFFICIENCY ESSENTIAL TO MEET NEW ERA OF INTENSIFIED COMPETITION

1959 DESTINED TO BE A LANDMARK IN HISTORY OF CANADIAN TRANSPORTATION

PRIVATE ENTERPRISE THE MAINSPRING OF ECONOMIC GROWTH

NEED FOR EQUALITY OF OPPORTUNITY IN REGULATION AFFECTING COMPETITION WITH PUBLIC ENTERPRISE

MR N. R. CRUMP ON PRINCIPLES UNDERLYING COMPANY'S POLICIES

The 78th Annual General meeting of the Canadian Pacific Railway Company was held on May 6th in Montreal, Mr W. A. Mather, the chairman, presiding.

The President, Mr N. R. Crump, addressing the meeting, said:

All of us know that 1958 was a year in which the steady pace of Canadian growth was interrupted by developments at home and abroad which adversely affected your Company in common with other segments of the economy. The Annual Report for 1958, distributed to you early last month, records the problems faced by your Company during the year and the success achieved in meeting them. The creditable results portrayed in the Report reflect the spur to efficiency and prudence which is ever present when management is answerable to private owners of capital. Before telling you in more specific terms of the progress made and of plans now in hand for your Company, however, I would like to comment briefly on certain developments at home and abroad which have deep significance both for Canada and for the transportation industry.

DEVELOPMENTS ABROAD

As for developments abroad, there are a number of factors at work which are likely to influence business conditions in Canada for a considerable time to come.

One of these factors is the intensified competition in world trade arising from the increased productive output of the expanding and efficient industrial complex of the United Kingdom and Western Europe. No longer can it be taken for granted that demand stemming from the era of postwar austerity in these Countries will continue to provide a dynamic stimulus to Canadian trade. Instead, the United Kingdom and the Countries of Western Europe have once again emerged as vigorous competitors for world markets.

Another factor, the full impact of which can as yet neither be felt nor fully assessed, is the European common market. In time, perhaps, the economic expansion forecast for Western Europe as a result of the common market may stimulate demand for the products of Canada's great resource industries. It will only do so, however, provided wages and other production costs in Canada are such that the products of those industries remain competitive. The more immediate effect of the common market is likely to be increased competition in international trade resulting from the greater industrial efficiency which European economic integration is expected to achieve.

I draw these developments to your attention because I believe that they bear directly not only on the future of the Canadian economy but on the affairs of your Company as well. If Canada is to grow and prosper in the face of this new era of intensive competition from abroad both for markets and for investment capital, then here at home industry, labour and Government alike must work together to achieve ever increasing efficiency in the production of goods and services at competitive prices.

DEVELOPMENTS AT HOME

Developments at home to which I should like to draw your attention have a special and immediate significance for your Company. There are four matters to which I particularly refer—all of them bearing directly on transportation. First, another Royal Commission is to be appointed to study the problems of railway transport. Second, the Government has announced a "freeze" on freight rates pending the report and recommendations of the Royal Commission.

Third, the St Lawrence Seaway is now open to traffic, affording oceangoing vessels a vastly improved water highway leading some 2,000 miles from the sea to the heart of the Continent.

Finally, with the inauguration of service last Monday by Canadian Pacific Airlines, your Company is now permitted to provide competitive trans-continental air travel in domestic civil aviation, albeit on a limited scale.

THE POSITION OF PRIVATE ENTERPRISE

These four developments suggest that 1959 is destined to be a landmark in the history of Canadian transportation. This being so, I think it is highly appropriate at this time that the whole position of private enterprise as it bears upon the future of transportation in Canada be reviewed. In particular, we must seek to establish clearly in the minds of all Canadians the fact that this Country's transportation needs cannot adequately be served if the economic aspects of transportation are disregarded in the realm of public policy.

The mainspring of economic growth and rising living standards in Canada has always been private enterprise. This is a fundamental economic fact which can no more be ignored in the realm of transportation than in any other business endeavour. The rate of private capital formation and the volume of goods and services absorbed in consumer markets remain the principal criteria of national progress.

All the more important in any consideration of the future of Canadian transportation is the fact that a substantial segment of the Country's transportation industry is state-owned. In no other Country in the World do you find a comparable situation, where railway transport services are about equally divided between private enterprise and public ownership.

The circumstances of history more than anything else account for this fact. The Canadian people as a whole have never consciously or deliberately sought socialist answers to their problems in transportation or in any other field. However, the role of enterprise, whether it be privately or publicly owned, should be essentially the same. In transportation, as in other industries, the guiding principle of management must be to produce necessary services at prices which consumers are able and willing to pay, and to do so at a cost consistent with reasonable reward to investors and employees alike. This is the very essence of the enterprise economy, in which ultimate control lies in the free choice of consumers, workers, and owners of capital.

If public enterprise were subject to the same ground rules, including penalty for failure in meeting the test of the market place, then competition with private enterprise would be possible without prejudice to the principles of the market mechanism. But if public enterprise has access to capital without regard to cost, then sound economic principles governing growth and progress are jeopardised and an added burden is imposed on the taxpayer

I do not question the fact that, historically, justification may be found for public policies in transportation which, so far as the railways were concerned, subordinated to political considerations these tried and tested economic criteria which I have just described. Those public policies, however, were established to meet conditions which no longer exist. The survival of Canada as a Nation is no longer in doubt. Our Country is now securely linked, not only by rail but also by air, water, highway and pipeline, and in the field of

communication, not only by mail and telegraph, but also by telephone, radio and television. With all these choices available to the users of transportation and communication, and with ever-widening scope for the allocation of capital made possible by technological advance and improved management techniques, the time has now arrived to bring national transportation policy up to date and base it firmly on sound economic principles which will assure the most efficient use of our resources.

ROYAL COMMISSION

No industry in Canada has been examined more frequently by Royal Commissions than the railways—a fact which reflects the political atmosphere in which the railways, historically, have operated. I hope that the Commission in its recommendations will recognise the changed conditions in transportation which favour greater reliance upon economic forces and less reliance upon rigid regulation as means of promoting a healthy transportation industry in our growing Country. To the extent that regulation is required, it should bear evenly and in a uniform manner on all forms of transportation which are in competition with each other.

Now is the time to remove anachronisms affecting rail transport. The oldest and most onerous of these is found in the statutory rates on grain and grain products. Here we have 19th century prices trying to live with 20th century costs resulting, as so often has been said, in harmful distortions in the railway freight rate structure. These distortions work to the detriment of shippers, consumers and railway owners alike. It is to be hoped that the problem of statutory rates will receive the full attention it requires and that steps may be taken leading to a solution consistent with the public interest in efficient rail transport and at the same time taking into account the problems of western agriculture.

FREIGHT RATE "FREEZE"

You will have observed that the Government has announced that no further general increase in freight rates will be allowed until the Royal Commission has made its report. The effect of this decision by the Government places your Company's rail enterprise in the unenviable position, unique in the realm of private enterprise in Canada today, of being subject to a "freeze" on the pricing of its services. I need hardly point out that no comparable official ceiling has been set on railways costs. Indeed, the Government's announcement of increased taxes followed hard upon its decision to "freeze" freight rates. These further erosions of earnings are in the face of a level of rail income of your Company substantially below that established as fair and reasonable by the Board of Transport Commissioners.

ST LAWRENCE SEAWAY

The St Lawrence Seaway, which was opened for use only two weeks ago, represents the allocation by the Government of Canada of about $350 million of capital in transportation facilities, not including the original cost of $132 million for the Welland Ship Canal, a vital link in the route, which was opened in 1932. In addition, there is the cost of harbour improvements at various ports on the seaway route and the cost of dredging existing lake and river channels. Parliament has wisely decided that the cost of the seaway facilities should be self-liquidating.

The tolls to be charged for the use of the canals are required to cover current operating and maintenance costs, as well as interest and amortization of capital over the next fifty years, including the $131 million expended by the Government of the United States. Any departure from this principle would result in unfair and uneconomic competition to the detriment of other forms of transportation.

Even under the toll system, our traffic officers estimate that approximately two million tons of your railway's freight, having a revenue value in excess of $38 million, annually, will be exposed to seaway competition. It is to be hoped that over the long term, industrial development along the seaway may offset in some measure this more immediate adverse effect.

TRANSCONTINENTAL AIR SERVICE

Your Company has always been alert to changes and developments affecting travel habits of the public. In fulfilling its function as a transportation enterprise in the broadest sense it has sought to expand its airline services in domestic and international routes and to keep abreast of rapid development in civil aviation. Here also your officers believe that private enterprise should be given an opportunity to participate on even terms with Government enterprise and that the same economic discipline should apply to both.

Your Company applied for licences to operate mainline East-West Air routes in Canada. The Government has approved the granting of a licence to operate only one flight per day each way between Montreal, Toronto, Winnipeg and Vancouver. This decision was a disappointing one since the frequency authorised severely limits the growth which might otherwise have been expected in the volume of air traffic to be carried. The first run of the new service was made two days ago, with turbo-prop Bristol Britannia aircraft. These are the largest and fastest commercial aircraft in service in Canada and provide Tourist as well as First-Class accommodation.

In keeping with the theme of its promotion of "Land, Sea and Air" travel, your Company is integrating its selling agencies so that rail, air and steamship tickets can all be purchased at one location. These offices are now able to offer a complete travel service including accommodation at your Company's fifteen hotels throughout Canada, as well as the related services of your Express Company and your extensive communications facilities.

I now turn briefly to some of the specific steps aimed at increased efficiency and economy to which I referred earlier in this address.

THE DIESELISATION PROGRAMME

Diesel power is now performing over 90 per cent of your railway services. The cost of your Company's Diesel programme to the end of 1958 is nearly $200 million. The results of this allocation of Capital have been most gratifying. It is estimated that savings in excess of $40 million per annum are now being realised in transportation expenses, and a reduction of nearly $9 million is being effected in current maintenance expenses.

In terms of efficiency, the results are equally impressive, even though factors other than dieselisation have contributed in part toward the achievements. The average freight train load has been increased by 500 gross tons or 31 per cent, since 1947, when conversion to Diesels was just getting under way. Average freight train speed has been increased by 26 per cent. The composite measure of gross ton miles per freight train hour thus shows an improvement of 65 per cent in this period. Such figures suggest the extent to which Diesel power has contributed to the ability of your Railway to offer to shippers the fast regular service which modern industry demands. It is not too much to say that without this improvement in competitive position and the savings in expenses for which the Diesels are responsible, the postwar earnings picture would have been bleak indeed. The savings, large as they have been, have not kept pace with inflated postwar wage and material costs.

PASSENGER TRAIN SERVICE

Progress has been made over the past few years in cutting down unprofitable passenger train services. Since 1950, passenger train miles have been reduced by 17 per cent. Encouraging results have been achieved through the substitution of rail Diesel cars for conventional locomotive-hauled trains. A total of 55 rail Diesel cars, involving an expenditure of $11 million, provided 3.5 million of the 16 million passenger train miles run on your system last year. These units are more economical to operate and the resulting savings in expenses are part of the total savings attributable to Diesel operations.

PIGGYBACK SERVICES

Your Piggyback services have enjoyed rapid growth. The speed, the reliability and the economies that are characteristic of operation with Diesel power have contributed to giving Piggyback its advantages over inter-city highway movement. The measure of the success of the new services is that they have been continuously extended to meet the demands for them. Common carrier piggyback service is available now on 6,000 miles of your railway between 21 cities. Some 540 roller-bearing equipped special flat cars are in use and 300 more are on order. Specially designed new terminals have been created to permit the most expeditious handling of trailers. Notwithstanding the remarkable progress made in a relatively short time, it is considered that only a start has been made in developing the potentialities of the idea of a container carried on a railway car.

MERCHANDISE SERVICES

In view of the prospects opened up by piggyback service a review is under way of the whole range of less-than-carload merchandise services provided by your Company. As a result, the handling and despatch of less-than-carload rail, express and truck traffic on Vancouver Island and at Vancouver are to be co-ordinated as the first stage of an integration programme. The objective is to have one set of pick-up and delivery operations and centralised terminal and despatching facilities for handling all merchandise traffic. A start on the plan for the Vancouver area is expected to be made during the coming Summer and Autumn. Terminal construction is proceeding at Port Alberni, Nanaimo and Victoria, and a contract has been awarded for the work required in Vancouver. Subsequently, the plan will be extended for the entire Pacific region, and ultimately it is expected to embrace merchandise services on all regions.

HIGHWAY TRANSPORT

With the acquisition last year of the controlling interest in Smithsons Holdings Limited, your Company greatly enlarged the scope of its highway freight services. Your owned and controlled highway operations now extend from coast to coast and involve a fleet of 3,860 tractors, trailers, and other vehicles. Co-ordination of rail and highway services offers great possibilities of savings and improved service with corresponding benefits to shippers. Now that extensive road

transport facilities have been made available, still further advances in that direction may be expected.

TERMINAL OPERATIONS

After long and careful field studies, followed by pilot operations in selected yards, new methods of communication, supervision and control have been adopted in your Winnipeg terminal leading to more expeditious movement of freight cars, better service and higher utilisation of equipment and staff. Good economies have been shown. Plans are in hand for the implementation of these methods in other large freight terminals.

ORGANISATION CHANGES—RAILWAY OPERATION AND MAINTENANCE

In order to obtain maximum benefits from modern methods, communications, and newly developed equipment, your officers are continually reviewing various aspects of organisation and administration.

Included recently in this review was the railway regional and district organisation. As a result, it has been decided, effective July 1st this year, to eliminate the eight districts through which your railway is presently administered and to add one additional regional headquarters, making four altogether, from which the divisional organisations of the entire system will be directly administered. It is expected that economies and greater efficiency in administration will flow from these changes.

SUMMARY

May I summarise in the light of the foregoing your Company's position as it faces the future.

Canadian Pacific has no quarrel with its publicly-owned competitors in the realm of transportation. We recognise the circumstances which brought them into being and we salute the many Canadians of high purpose and integrity who serve in their management. We ask only for equality of opportunity in regulation affecting competition. This embraces recognition of the fact that capital, whether it be public money or private, should be entitled to earn a fair return for its investors.

In the past ten years your Company has financed out of its own resources or on its own credit, and at no cost to the taxpayers of Canada, a programme of railway improvements costing in excess of $780 million. Over the next ten years it will be necessary to spend about $900 million on replacements and improvements of rail properties. Your Company asks only that these very substantial transportation resources be given a fair chance to earn their own way by producing a reasonable return on investment.

Let me conclude by stating here, as I have done elsewhere, the principles which underlie the policies of your Company.

First, we accept the challenge of competition, asking only that it be fair competition. Second, we do not seek to restore monopoly conditions in Canadian transportation. Third, we strive to use any or all tools of transportation so that we may be able to offer our customers a complete transportation service. Fourth, we endeavour to keep abreast of technological changes and to make the most efficient use of men, machines, methods, material and money.

In carrying out these policies we do not hide the fact, nor do we apologise for the fact that we are trying to make profits and earn dividends. We believe that in so doing we are acting in the best interests not only of the shareholders, but also of our employees and customers. Our objective is to earn a return on investment that will attract capital as and when it is needed for transportation to serve the growing demands of Canada and the Commonwealth. We believe that private enterprise holds the most promise for keeping Canada in the vanguard of transportation progress—on land, sea and in the air.

The report and accounts were adopted.

DEUTSCHE BANK

AKTIENGESELLSCHAFT

Balance Sheet as at December 31, 1958

(abridged)

Assets	DM	Liabilities	DM
Liquid Assets (cash in hand, due from Deutsche Bundesbank, Credit Institutions [Nostro Balances] and others)	1 742 358 464,89	Capital	250 000 000,—
Bills of Exchange	2 041 206 791,80	Reserves	215 000 000,—
Treasury Bills and Non-Interest-Bearing Treasury Bonds of the German Federal Government and the Lands	306 604 980,82	Pensions Reserve	130 162 200,—
Foreign Treasury Bills and Non-Interest-Bearing Treasury Bonds	99 073 958,34	Reserves for Special Purposes (including Taxes)	75 440 843,96
Securities	802 310 330,18	Deposits of which:	
Equalisation Claims on the Government (Currency Reform)	479 723 699,62	Sight Deposits	3 990 456 210,81
Holdings in Syndicates	127 057 746,25	Time Deposits	2 456 431 675,60
Debtors	2 829 144 946,92	Savings Deposits	1 426 660 523,97
Long Term Loans	367 690 696,26	Borrowed Funds (Nostro Liabilities)	76 154 490,36
Participations	62 400 000,—	Own Acceptances and Promissory Notes in Circulation	25 484 927,92
Real Estate	142 000 000,—	Loans taken at Long Term	312 085 325,92
Other Assets	111 087 992,46	Other Liabilities	117 783 409,—
		Profit	35 000 000,—
Total Assets	9 110 659 607,54	Total Liabilities	9 110 659 607,54

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1958

Expenditure	DM	Receipts	DM
Expenditure on Personnel	165 972 092,42	Interest and Discount	145 041 616,29
Expenditure for Social Purposes, Welfare and Pensions	28 767 449,41	Commissions, Fees and other Earnings	266 522 876,38
Other Operating Expenses	50 179 271,29		
Taxes and Similar Dues	96 645 679,55		
Allocation to Special Reserve Fund	35 000 000,—		
Profit	35 000 000,—		
	411 564 492,67		411 564 492,67

Frankfurt (Main), April 1959

The Board of General Managers

THE BURMAH OIL COMPANY LIMITED

EXPANSION OF TRADE IN ALL COUNTRIES WITHIN THE GROUP

INCREASED PROFIT DESPITE HEAVY COST OF EXPLORATION PROGRAMMES

MR W. E. EADIE'S STATEMENT

The fifty-seventh Annual General Meeting of The Burmah Oil Company Limited, will be held on Friday, June 5, 1959, in the Merchant's Hall, 30 George Square, Glasgow.

The following statement by the Chairman, Mr W. E. Eadie, has been circulated with the directors' report and accounts for the year ended December 31, 1958:

ACCOUNTS

There was a further expansion in trade in the countries in which the Group operates and it is with satisfaction that I am able to report Group Profit on Trading of £6,778,505 in 1958, after charging the cost of extensive exploration programmes, an increase of £537,094 on 1957.

Depreciation at £1,190,804 is less than that for 1957 due mainly to decreased initial allowances on lower capital expenditure and reduced fiscal allowances given on such expenditure in India.

Dividends from Trade Investments, which form part of our trading income, are brought into account as and when they are received and in 1958, at £2,478,945, are slightly lower than in 1957.

Other Dividends and Interest received during 1958 amounting to £8,425,363 are also lower than for the previous year when, it will be recalled, three dividends were received instead of the usual two on our holding in The "Shell" Transport and Trading Company Limited.

It is of interest to record that the first dividend was received in 1958 from our investment in Sui Gas Transmission Company Limited.

The Inland Revenue authorities accepted the Company's claim that our wholly-owned Subsidiary Companies trading overseas are Overseas Trade Corporations and provision for taxation has been made on this basis.

The profit for the year after charging taxation is £7,506,141 compared with £7,056,056 in 1957, an increase of £450,085. Including the balance of £671,055 brought forward from 1957, there is available for appropriation £8,177,196 from which has to be deducted the Preference Stock dividends for the year and the Ordinary Stock interim dividend of 1s. per £1 unit of Ordinary Stock free of income tax which was paid on December 19, 1958. From £5,944,219 remaining for disposal your Board have appropriated £1,500,000 to General Reserve and recommend that an Ordinary Stock final dividend of 1s. 9d. free of income tax should be paid on June 12, 1959. This, if approved, will absorb £3,605,835 and leave a balance of unappropriated profit of £838,384 to be carried forward to 1959.

ASSAM OIL CAPITAL

In order to reflect more closely the value of the assets permanently employed, the share capital of Assam Oil Company Limited was increased during the year by appropriating reserves in that Company. This is reflected in the increase in the Capital Reserve and in the cost of Subsidiary Companies' shares appearing in the Parent Company's Balance Sheet and in the Capital and Revenue Reserves in the Consolidated Balance Sheet.

During the year we received a free issue of £26,714,925 British Petroleum Company Ordinary Stock.

The increase in Other Investments is the result of taking up our allotment of 303,600 "Shell" Ordinary Shares to which I referred last year.

In the Parent Company's Balance Sheet net advances to Subsidiary Companies are down by some £5 million while British Government and Corporation Securities show an increase of this amount. These funds will be required for group purposes in the near future.

It will be seen from the Consolidated Balance Sheet that Stocks of Oil and Products and also Debtors have been reduced considerably. This is due to the easing of the supply position enabling lower stocks of products to be carried and also to a welcome reduction in debts due for supplies to Government Departments.

I informed you last year that our share of capital expenditure for 1958 of our Subsidiary Companies and the Burmah-Shell refining and distributing companies in India and Pakistan was estimated to amount to about £2 million, whereas actual expenditure was about £1.3 million. Including the firm commitments of £236,000 mentioned in Note 6 on the Accounts, our share of capital expenditure in 1959 is presently estimated at approximately £3 million, inclusive of our share in Oil India Private Limited capital expenditure which may amount to some £2 million.

OIL INDIA PRIVATE LIMITED

At our Annual Meeting last year I said that I expected this Company to be incorporated within a month or two. This took longer than anticipated and the Company was not incorporated until February 18th this year.

In the meantime, however, operations in the oilfields continued at the pace required to reach the production target by the time the two refineries of the Government of India are due to come on stream. We are informed by the Government of India that these refineries, one of which will be at Gauhati in Assam and the other at Barauni in North Bihar, will be ready to receive crude oil in April 1961 and April 1962 respectively.

The construction of the pipeline from the oilfields to these refineries has not yet started. Discussions are taking place with the Government of India regarding the provision of finance for that purpose. Under the Agreement concluded with the Government of India, to which I made reference last year, your Company has undertaken to arrange to provide up to £10 million for the construction of the pipeline. I hope to be in a position at the Meeting in June to report progress on these discussions regarding further finance.

TRADING

The trade in Burma increased by 8.5 per cent. The requirements of all major petroleum products in Burma, with the exception of aviation gasoline, were met from indigenous crude oil refined at the Syriam and Chauk refineries of The Burma Oil Company (1954) Limited.

The development programme for the improvement of Burma's economy is concentrated on agriculture. The rice crop has been satisfactory and it is estimated there will be an increase of about one million tons in the quantity available for export. The success which has attended the new jute and tobacco crop ventures should also lead to additional sources of exports and to a consequent improvement in the country's foreign exchange balances.

Our sales in Pakistan through our Subsidiary and Associated Companies were 2.5 per cent greater than in 1957. This increase was achieved despite insufficiency of transport and shortage of tinplate for packing kerosine in East Pakistan. Moreover, there were difficulties in obtaining import licences due to Pakistan's shortage of foreign exchange.

Sales of gas by Sui Gas Transmission Company Limited continued to expand during 1958, the increase being 24.5 per cent. During the year this company completed the laying of a pipeline for the Pakistan Industrial Development Corporation from Sui to Multan, a distance of 217 miles. The pipeline was handed over on August 5, 1958. Deliveries of gas through this pipeline are small at present but are expected to reach a substantial volume towards the end of this year. Supplies of gas by Pakistan Petroleum Limited to Sui Gas Transmission Company Limited for the Sui-Karachi line and to Pakistan Industrial Development Corporation for the Sui-Multan line totalled 12,800 millions of cubic feet during 1958. In terms of fuel oil this volume of gas is the equivalent of about 300,000 tons. The saving in foreign exchange in terms of fuel oil or coal which would otherwise have had to be imported was of the order of £2 million.

Sales of petroleum products through our Subsidiary and Associated Companies in India were overall 4.5 per cent greater than in the previous year despite a reduction in the trade in kerosine and motor spirit. One of the measures taken by the Government of India to conserve the country's foreign exchange was the imposition of restrictions on the sale of kerosine towards the latter part of the year when despatches were limited to 95 per cent of deliveries during the corresponding period in 1957. These restrictions have now been removed. Motor spirit trade in India continues to decline due to the increasing use of diesel-engined vehicles. The market was unable to absorb all the motor spirit produced at the Bombay refinery of Burmah-Shell and one cargo of this product had to be exported from India towards the end of the year. Because of the trend towards a policy of self-sufficiency in refining capacity in many countries it is becoming increasingly difficult to find markets for the export of surplus motor spirit.

Discussions started last year in India between Government and the Marketing Companies regarding the prices of petroleum products. These discussions are still in progress.

OILFIELD OPERATIONS

Burma.—The Oil Companies and their Government Partner in The Burma Oil Company (1954) Limited successfully worked together in close co-operation.

Drilling and production at Chauk and Lanywa fields proceeded normally throughout the year.

Pakistan.—The Balkassar field of Pakistan Petroleum Limited continued to maintain its small but steady production of crude oil. The production of gas was raised substantially to meet the increasing demand to which I have referred elsewhere in this statement.

The well at Karsal in the Western Punjab which I mentioned last year as being drilled jointly by Pakistan Petroleum Limited and Pakistan Oilfields Limited (a subsidiary of The Attock Oil Company Limited) unfortunately failed to find oil in commercial quantities. Whilst the results here continue to indicate oil in the structure the difficulty is to locate wells where fissures capable of giving good sustained production exist. Preparations for a third well in this structure are in hand.

India.—The efforts to find fresh reserves in the Digboi field have so far met with no success.

In the Nahorkatiya, Hugrijan and Moran areas, development proceeded successfully. Of the twelve wells drilled ten were oil producers, one a gas producer and one a dry hole. Up to the end of the year the number of wells drilled in these areas was forty-eight, of which thirty-six were oil producers, four gas producers, and eight dry holes. The estimates of reserves continue to indicate a production potential of 2½ million tons of crude oil per annum from these three areas.

Excellent drilling speeds are being maintained, Nahorkatiya Well No. 38 being completed at 10,335 feet in just over eighteen days.

PROSPECTING

Burma.—Following on the grant by the Government of Burma of the Irrawaddy Delta exploration licence and of satisfactory taxation allowances for prospecting expenditure, steps were taken to expand the prospecting effort of The Burma Oil Company (1954) Limited. In the Delta, after completion of the first phase of the seismic survey, a test well was drilled at Kyaiklat. This well commenced drilling within 27 days of the drilling outfit arriving by sea in Rangoon—a notable achievement—and reached 12,000 feet. Testing is now in progress. A further site in the Delta near Dedaye is being prepared for drilling.

At Ondwe, some 30 miles south of the old Yenangyaung field, signs of gas in the first well led to the drilling of a second but so far tests have not been encouraging. Steps are now being taken to test by the drill another structure 20 miles east of Yenangyaung.

Pakistan.—The vigorous programme referred to last year was continued but so far without further success. Deep wells at Lalmai in East Pakistan and at Bannh in West Pakistan were unproductive as also were two medium depth wells at Jacobabad in West Pakistan. While these results are disappointing, as is also the experience where our competitors have been drilling, there still remain large areas of unexplored territory in the country.

India.—The situation remains unchanged. No further licences having been granted to Assam Oil Company Limited, no work was undertaken.

REFINERIES

Burma.—The refineries of The Burma Oil Company (1954) Limited at Syriam, near Rangoon, and at the oilfield at Chauk worked to capacity and operated successfully throughout the year.

India.—The rail communications between Assam and the rest of India were again free from major interruptions with the result that Assam Oil Company's refinery at Digboi was fully employed.

At Bombay the Burmah-Shell refinery processed 2.3 million tons of crude oil.

PUBLIC SECTOR DEVELOPMENTS

Prospecting and exploration by the Government of India is carried on through its Oil & Natural Gas Commission. Drilling has been undertaken in several areas, notably at Jawalamukhi and Cambay. Gas has been found at Jawalamukhi but whether this is in commercial quantities has not yet been established. At Cambay, oil has been discovered and first reports indicate that it is likely to be of commercial importance.

A company whose shares are held entirely by the Government has been incorporated to own and operate the Government refineries at Gauhati and Barauni.

Announcements have been made by the Government in Parliament in Delhi of its intention to distribute and market the products from the Government-owned refineries.

TANKERS

Our small fleet continued to operate satisfactorily and without incident throughout the year.

STAFF AND LABOUR

Personnel Training.—The training schemes for nationals of the Asian countries in which we operate are showing satisfying results. We are indebted to the various firms and organisations who, in the face of increasing demands from other quarters, continue to afford facilities for the training of our men.

Increasing attention has been paid to widening the experience of our Eastern staff by visits to operations in other parts of the world and by training in this country. By means of induction courses provided partly within and partly outside our own organisation, new expatriate recruits are given some insight into the social and cultural backgrounds of the Eastern countries in which they are to work.

Labour.—The maintenance of good relations with labour continues to occupy much of the time and care of our local managements and the comparatively trouble-free record of 1958 is mainly due to their sustained efforts over a very considerable period.

Staff.—It is with pleasure that I express the Board's appreciation of another year's good service given by the management and staff of all Group Companies at home, overseas and afloat.

THE SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

RECORD LIFE BUSINESS

INCREASED FIRE, ACCIDENT AND MARINE PREMIUMS

SATISFACTORY INVESTMENT POSITION

MR JAMES A. LUMSDEN'S REVIEW

The one hundred and thirty-fourth Annual General Meeting of The Scottish Union and National Insurance Company will be held in Edinburgh, on May 27, 1959.

The following is a summary of the Statement by the Chairman, Mr James A. Lumsden, MBE, circulated with the Report and Accounts for the year 1958:

The new life business completed, after deduction of reassurances, was more than £8,386,000 which constituted a record for the Company. In addition a substantial sum was received by way of consideration for annuities. The Life and Annuity Funds have increased during the year by £2,770,009 and now amount to £28,161,326.

The net premium income in the Fire Department amounted to £5,614,248, an increase of £228,257 compared with 1957. The premium income continued to advance in Great Britain and in overseas territories and there was a slight improvement in the results compared with the previous year. Trading conditions in North America continued difficult and whilst there was a distinct improvement in our Canadian results the losses in the USA were again heavy. The account produced a trading surplus but after adding 50 per cent of the increase in premiums to the provision for unexpired risks there was an underwriting loss of £20,740, which was met by a transfer from the Profit and Loss Account.

The net premium income in the Accident and General Account increased by £226,798 to a total of £2,634,680. Despite heavy claims, especially in the overseas field, the Miscellaneous section of the account produced a profit, whilst a small profit was earned in the Motor section, the results of our automobile business in Canada showing particular improvement. The account as a whole produced a trading surplus of £121,718 but after adding 50 per cent of the increase in premiums to the provision for unexpired risks, the underwriting profit of £8,510 was transferred to the Profit and Loss Account.

In the Marine Department an increase took place in the premium income but underwriting conditions continued to be difficult with heavy claim settlements and no transfer was made to the Profit and Loss Account.

The past year has been marked by a further increase in interest rates and the gross yield from the Life Fund investments was £5 18s. 2d. per cent, which is more than 3s. per cent higher than in the previous year. Higher interest rates were also obtained on the General Fund investments. Increased amounts were invested in British Government securities, industrial loan stocks and ordinary shares and a substantial sum was advanced on mortgages secured largely on dwelling-houses with endowment assurances issued by the Company as collateral security. As a result of the considerable improvement in the market prices of Stock Exchange securities, particularly of ordinary shares, the market value of the Company's investments exceeded the book value by a substantial amount.

The Directors recommend a dividend of 2s. on the "A" shares and 4s. on the Ordinary shares, the same as for the previous year.

The Chairman paid tribute to all the officials and members of the staff at home and overseas who have given wholehearted service to the Company during the past year and to all members of local boards and agents at home and abroad who have continued to give the Company their valuable support.

SEARS HOLDINGS LIMITED

FURTHER IMPROVEMENT IN PROFITS

INCREASED DIVIDEND AND SCRIP ISSUE

FINANCIAL STATISTICS, 1954-58

	1954 £	1955 £	1956 £	1957 £	1958 £
TRADING PROFITS :					
Footwear	1,019,000	1,504,000	2,843,000	3,086,000	3,208,000
Bentley Group	1,710,000	1,958,000	1,849,000	2,087,000	2,228,000
Other Interests	502,000	858,000	1,626,000	1,536,000	1,688,000
	3,231,000	4,320,000	6,318,000	6,709,000	7,124,000
Interest on debenture stocks and loans	49,000	110,000	198,000	231,000	226,000
Profits before Taxation	3,182,000	4,210,000	6,120,000	6,478,000	6,898,000
APPROPRIATIONS OF PROFIT :					
Taxation	1,770,000	2,180,000	3,531,000	3,825,000	3,574,000
Pre-Acquisition Profits	761,000	320,000	498,000	18,000	—
Minority Shareholders' Interests	132,000	105,000	163,000	257,000	278,000
Dividends	443,000	543,000	1,024,000	1,235,000	521,000*
Retained Profits	76,000	1,062,000	904,000	1,143,000	2,525,000*
	3,182,000	4,210,000	6,120,000	6,478,000	6,898,000
	* In addition to the dividends for 1958, a special 1959 interim dividend will be paid amounting to £917,000.				
CAPITAL EMPLOYED :					
Fixed Assets	10,227,000	10,998,000	23,382,000	24,458,000	23,026,000
Net Current Assets	5,236,000	6,323,000	9,825,000	11,027,000	14,937,000
	15,463,000	17,321,000	33,207,000	35,485,000	37,963,000

MR CHARLES CLORE'S REVIEW

The following is an abridged version of the statement by the Chairman, Mr Charles Clore, circulated with the report and accounts for the year ended December 31, 1958:

When I wrote my review twelve months ago I described conditions at that time as an "atmosphere of uncertainty and increased *restriction on policies of expansion.*" That was in April, 1958, and it was not until much later in the year that the removal of credit restrictions became possible, culminating early this year with the virtual disappearance of the Capital Issues Committee, coupled with greater financial freedom than we have known since the war. It is as well to bear in mind these big changes in so short a time when reviewing the affairs of the Sears Group for the past twelve months.

TRADING RESULTS FOR 1958

Despite the credit restrictions and other anxieties of the greater part of 1958, I am glad to be able to report an increase in the trading profits of all the principal undertakings which comprise the Sears Group. A summarised analysis of the trading profits for 1958 (with corresponding figures for the four preceding years and other statistics which show the progress of the Group) is shown above and I feel that I am fully justified in claiming that the figures provide adequate evidence of the success of the policy of the Sears Group. As there have been no major acquisitions during the past two years, the figures for these years are closely comparable and the improvements reflect the progress of the individual Groups and Companies.

After tax we are left with profits of £2,918,000 (compared with £2,250,000 in 1957) available for ordinary dividends or to be retained in the business. As a result of the incidence of profits tax we have decided *that it would be in the best interests of the* Company to recommend a dividend for 1958 of 7½ per cent only, on the Ordinary and "A" Ordinary capital, but to declare also a special interim dividend for 1959 of 17½ per cent, payable at the same time as the dividend for 1958. Thus the total dividend which will be dispatched on June 4th will be equivalent to a dividend of 25 per cent compared with 22½ per cent in 1957. The special interim will not be taken into account when we come to consider the final dividend for 1959 and should not be regarded as a departure from *our normal practice of recommending* only one dividend each year. The proposed Ordinary dividend for 1958, together with the special interim dividend for 1959, are covered 2.2 times by the net earnings for 1958.

PROPOSED SCRIP ISSUE

Since the beginning of 1956, when your Directors last recommended that a part of the Reserves should be applied to the allotment of fully paid shares, the total amount of the retained profits, excluding Capital Reserves, has increased by over £3 million. It is, therefore, proposed to recognise this fact by recommending another scrip issue of fully paid shares, which will be allotted in the ratio of one new "A" Ordinary share in respect of each four Ordinary or "A" Ordinary shares held at the close of business on April 17, 1959. This will absorb a total of £2,137,805 which will be taken from the Share Premium Account.

Looking ahead, I would like to repeat what I have said on previous occasions, it is the policy of your Directors to recommend the payment by way of dividend of a fair proportion of the profits earned in each year. The amount of the dividend can, therefore, only be decided when the results for the previous year are known.

THE BRITISH SHOE CORPORATION GROUP

There have been no major changes in the footwear Group during 1958. Your Company's large Group of nearly 1,500 retail shops found it difficult in the early months of the year, due to the pattern of the national trade, to show its customary increases in sales. In the latter part of the year, however, conditions improved and, by the end of December, we had, once again, exceeded all previous records.

Our footwear manufacturing side has *undergone special study during 1958* and during 1959 certain important changes will be carried out. Apart from increased efficiencies, we believe that these changes will enable our shops to offer even better value than heretofore, particularly in the middle and cheaper ranges of men's shoes.

During 1958 a number of new branches were opened. The total capital expenditure incurred during 1958 in respect of new branches and the modernisation of existing branches was in excess of £1 million. Whilst we anticipate that this large sum is more than the average expenditure which we expect to incur in future years, we are satisfied that well chosen expenditure of this kind brings a satisfactory reward.

So far the year has begun well and if the national prosperity is maintained, we have no doubt that our organisation and the excellent merchandise which it has to offer will attract a full share of customers so that our profits should continue to increase.

THE BENTLEY ENGINEERING GROUP

Group sales of hosiery knitting machines during 1958 once again exceeded those of the previous year and, therefore, constituted an all-time record. Furthermore, the order book

at December 31st last was at a very satisfactory level.

During 1958 the Bentley Group continued to improve and develop various models of the diverse kinds of knitting machinery which they manufacture and their range is now more comprehensive than ever before.

A very large proportion of the production of the Group continues to be sold to overseas markets. We have recently received substantial orders from the USSR and, quite recently, the largest single order ever received by the Company for one type of machine came from the USA.

Viewing the Bentley Group as a whole, the state of the order book is such that it is possible to forecast with some confidence that the year 1959 should be satisfactory.

OTHER INTERESTS

(a) The Furness Group

Whilst it has become customary for me to refer first to the Furness Group when reviewing the affairs of our "Other Interests," I mentioned last year that shipbuilding itself contributes only a minor proportion of the total profits of these other interests. The larger proportion comes from diverse sources, including electrical equipment, motor vehicle sales and service, structural steel and so on.

During 1958 the Furness shipyard launched six vessels *totalling 89,000 gross tons*, compared with 86,000 tons in 1957. The launching of a 32,000-ton tanker on December 11, 1958, marked the attainment of over 2 million gross tons of shipping launched by the yard since the inception of the Furness Shipbuilding Company Limited some forty years earlier. Half of this tonnage has been produced in the last twelve years.

The yard was fully occupied throughout the year and profits were, in consequence, satisfactory. Owing to the continued low level of freight rates, enquiries for new tonnage have been very limited and even when shipping conditions improve the competition from foreign builders will be severe. We are, therefore, continuing our efforts to improve efficiency in the shipyard and are still spending substantial sums on modernisation and improvements, so that the long-term outlook for Furness can be viewed with confidence.

Within the Furness Group are Shaw and McInnes Limited, with its pipe foundry in Glasgow, and Peter Johnston and Company Limited, fabricators and fitters of all kinds of pipework for ships and for land installations. Shaw and McInnes have experienced a difficult year owing to the effects of the credit squeeze, but they have enjoyed a reasonable intake of orders and the results for 1958 must be regarded as satisfactory under the circumstances. Peter Johnston *have more than fulfilled* our expectations of them with record profits.

(b) Parmeko

The profits of Parmeko Limited showed a decline compared with the previous year. This is due to the changed trading conditions compared with a few years ago, as a result of which the demand for the components for which Parmeko is best known has been less than the United Kingdom capacity to produce. Already, however, whilst sales of transformers, the Company's principal product, have declined, sales of magnetic amplifiers and other more recent products have increased. The Company is continuing to explore new avenues to extend the range of its products.

(c) Scottish Motor Traction

The increasing prosperity of the motor trade as credit restrictions were eased has been given much publicity. The Scottish Motor Traction Group have shared in this prosperity in that their turnover has increased. Profits have, however, been little more than maintained; this is because a considerable part of our increased turnover has come from the sale of used vehicles on which the rate of gross profit is small and also because the larger turnover could only be achieved with an increase in overhead expenses. Generally there seems good reason for confidence that prosperity in the motor trade will continue and with an improved range of products we are confident that we shall now enjoy the greater profitability which many other dealers have already achieved.

(d) Alexander Findlay

Findlays have had a very good year. At the present time they have adequate work in hand (although most of their large contracts are well advanced) and they are better placed than the majority of firms engaged in the structural steel business, where there is now a relative shortage of orders.

PROSPECTS OF GROUP

On balance, we do not feel anxieties so far as the future can be foreseen. Those members of the Group engaged in trades where orders are at present scarce are small compared with those who do not have these problems and even in their cases there are adequate reasons for hoping that more work will become available in their traditional trades or in newer activities, before it becomes necessary to cut down production. I am confident that if the prosperity of the consumer is maintained, then the shareholders of Sears Holdings Limited will continue to be satisfied with the results which we are able to show to them.

EXPANSION POLICY

Although our Balance Sheet shows that we are in a strong position to make additions to the Group, it is against the background of the existing business that any such additions have to be considered. During the past twelve months we have devoted much time and effort to the study of new propositions, but have not, however, found anything either here or in North America, which we felt would form a suitable addition to the Sears family. Firstly any additions must be either capable of improvement and expansion or such that they can be properly integrated with one or other of our existing "Divisions." Secondly, we are not prepared to pay a price which discounts the future too fully and which does not take into account the time and effort which will be necessary before the future benefits accrue. Nevertheless, we remain confident that with patience we shall be able to add to the Sears Group.

STAFF

Once again I am glad to express the very sincere thanks of my colleagues and myself to the large number of employees of the many Companies in the Group for their loyal support, their hard work and their enthusiasm. The relations between labour and management throughout the Group remain excellent and I am confident that the understanding between us deepens as the years go by.

BANCO DI ROMA

Paid up Capital : Lit. 1,000,000,000

Reserve : „ 5,000,000,000

The Ordinary and Extraordinary Meeting of the Shareholders of Banco di Roma, held on April 21, 1959 under the chairmanship of H. E. Professor Costantino Bresciani Turroni, approved the Balance Sheet, Profit and Loss Account, and the allocation of the profit for the financial year 1958.

The available funds of the Bank, increased during the year to about 92,000 million lire, together with the balance of the circular cheques, amount to about 723,000 million lire, whereas investments rose to 408,000 million lire.

The net profit balance for the year, of over 849 million lire, has made it possible to distribute a dividend of 10 per cent, and to allocate 750 million lire to reserve, which thus reaches 5,000 million lire.

At the Extraordinary Meeting, the Assembly resolved, after merging the present shares of Lit. 100 in shares of Lit. 5,000, to increase the capital from Lit. 1,000,000,000 to Lit. 12,500,000,000.

All the members of the Board have been re-elected; Professor Costantino Bresciani Turroni has been nominated Honorary Chairman, Mr. Ugo Foscolo Chairman, Professor Francesco Mario Oddasso and Dr. Massimo Spada Vice-Chairmen, Messrs. Raffaele Mancinelli and Achille Ruta Managing Directors.

THE NORTHERN ASSURANCE GROUP

CONTINUED GROWTH IN LIFE BUSINESS

TOTAL RESOURCES NOW ALMOST £95 MILLION

LORD GLENCONNER'S STATEMENT

The one hundred and twenty-third Annual General Meeting of The Northern Assurance Company Limited will be held on June 3rd at Aberdeen.

The following is an extract from the statement by the Right Honourable Lord Glenconner, the Chairman, which has been circulated with the report and accounts :

Continued progress is evident in the accounts and directors' report. Perhaps the best single measure of the further advance made by the Northern Assurance Group in 1958 is the growth of the total resources it administers from just under £87 million to nearly £95 million; these resources have in fact grown by more than 50 per cent in the last four years.

Further progress has been made on reorganisation at home with the opening of Western and Eastern Regional Offices and of group branches at Liverpool and Nottingham. A claims department has also been set up to handle accident claims arising under the policies of the companies in the Northern Assurance Group. These innovations, we hope, will improve still further our service to policyholders.

NEW RECORD IN LIFE ASSURANCE

Once again, our life assurance department has set up a record for new business. Net new sums assured (after deduction of reassurances) were nearly 20 per cent higher at £38,108,795 compared with the 1957 figure of £31,984,424. In this connection it is of interest to compare the corresponding net new sums assured as recently as 1952 of £13,032,774. Our Birmingham branch contributed over £2 million of new business towards this outstanding result and our Aberdeen head office and five branches each contributed over £1 million.

The Northern Assurance Group appears to have broken new ground in this country by securing two large temporary assurances, each for £1,650,000, which were effected to cover liability for estate duty. A large part of each policy was, of course, reassured and the year's new business figures mentioned above include only our own retentions under these policies. We are gratified to be entrusted with the placing of such large assurances and it speaks well for the facilities that we are able to offer that the major part of the necessary reassurances were placed on the market within a week. An increasing number of large proposals of this type are being received and they find their reflection in the group's figure of £46,745,497 for gross new sums assured last year, before reassurances.

Our life business abroad continues its satisfactory expansion. A marked increase was recorded by our South and Central African offices, whose combined new business rose by more than half from just over £5 million to nearly £8 million. Much credit is due to the actuary and the staffs in South and Central Africa for their achievement. It has added distinction to last year's celebrations of the Northern's centenary in South Africa, which were attended by the deputy general manager, Mr F. B. Joule.

FORMATION OF NEW LIFE COMPANY

Another centenary was celebrated last year, in Australia; this was marked by a visit by Mr J. C. Duffus, one of our Deputy Chairmen, accompanied by the general manager, Mr T. W. Haynes. It was marked, too, during the year by the incorporation of the Northern Life Assurance Company of Australia. This new company, to which I referred in my last statement, started to underwrite life business on January 1st and we are confident that it has a bright future. We have also recently appointed an actuary for Canada and during this year the London & Scottish will resume the writing of life business there.

VARIABLE ANNUITY PLAN

Last year, some £186,500 of new annual premiums were received in respect of individual retirement annuities for self-employed persons and those in non-pensionable employment, to whom the 1956 Finance Act affords relief from income tax and surtax on the premiums paid. Our variable annuity plan, which I briefly described a year ago, made its debut early in 1958, and during this first year premiums of approximately £55,000 were received. This alternative method of provision for retirement based on ordinary shares is intended to have a specialist appeal and is described in detail in the report.

FIRE AND ACCIDENT BUSINESS

Conditions in fire and accident business throughout the world have been far from satisfactory in recent years for almost all insurers. Last year, there were some welcome indications of an improvement in the results of insurance business generally in Canada, but the improvement is not yet sufficiently established to justify optimism. Our business in the North American continent still causes us concern, and we are continuing our efforts to improve the situation.

Fire and accident premiums for the Northern Assurance Group last year were £10,403,924 and £14,832,934 respectively; together they totalled £25,236,858, which represents an increase of slightly less than 4 per cent over the 1957 total. Unremunerative underwriting conditions in North America have fortunately been offset to some extent by further progress in other important areas. One of these is Australia, where our substantial business continues to run satisfactorily; our long term plans in the Commonwealth have been furthered in the past year by the opening of our new building in Sydney and we are encouraged by the trend of our underwriting profit in this growing market.

UNDERWRITING RESULTS

The outcome of the group underwriting last year as a whole reflects an improvement in trend, though the accounts were not restored to a profit. On the fire account, last year's loss was £130,038, against £175,195 in 1957, while the loss on the accident account was cut to £17,041 compared with £170,060 in the previous year. Marine underwriting remained extremely difficult. Premiums increased from £6,252,433 to £6,605,087, but there is a long "run-off" in a marine account and our major consideration under present conditions must be the strength of the marine fund. With this policy in mind, therefore, we have transferred the sum of only £58,489 from the marine account to profit and loss, compared with £163,278 for 1957. As a result, the fund has been further strengthened from £8,924,563 to £9,185,406. Following the heavy settlements made last year on claims arising from accounts of earlier years, marine underwriters have taken remedial measures by demanding higher penalty increases in premiums on accounts showing adverse results, but the benefit of this action must remain to be seen in future years.

The balance of last year's overall underwriting results in a loss of £88,590, which has been transferred to profit and loss account, against the much heavier loss of £181,977 in 1957.

INVESTMENT INCOME

A substantial increase is recorded in gross earnings on the investments held in the shareholders' funds. This increase from £1,532,030 to £1,641,622 can be attributed partly to the employment of the new funds raised in 1957 when the Northern's capital was increased, but the skill of our investment department has played an important part in achieving such an excellent result.

Further devaluations occurred last year in France and in South America which resulted in a loss on exchange in our profit and loss account of £196,850, against £274,486 in 1957.

In the outcome, the group's gross trading profit has advanced from £1,121,101 to £1,401,806. There has been no relief from the burden of taxation at home and overseas, which has increased slightly from £855,041 to £858,463, and it absorbs the still heavy proportion of 61 per cent of this year's profit, compared with 76 per cent a year earlier. Net profit amounts to £543,343, against £266,060, and it is proposed to set aside £25,000 to contingency reserve.

It is proposed to pay a final dividend of 10 per cent on the share capital, making a total of 15 per cent with the interim of 5 per cent paid in November, 1958. The total dividend will require £553,638 after deducting income tax, compared with £495,204.

GROWTH OF FUNDS

With the rapid growth in our life and non-life funds, our investment responsibilities grow correspondingly each year. The total book value of the stocks and shares held in these funds increased last year by more than 10 per cent from £60,093,856 to £66,588,333. Easier credit conditions and a continued active demand for ordinary shares resulted in a significant recovery in market values during 1958; gilt-edged securities were over 10 per cent up, industrial debentures rather less than 10 per cent and industrial ordinary shares 33 per cent higher, according to the Actuaries Investment Index. In terms of market values, therefore, our investment portfolios have benefited from the marked improvement in the economic strength of the country, but our investment operations look beyond short-term market conditions and towards long-term security, backed by adequate investment reserves.

PETROFINA

Société Anonyme Brussels Belgium

DIFFICULT YEAR FOR OIL INDUSTRY BUT GROUP'S SALES UP 42 PER CENT

The Annual General Meeting of Petrofina SA was held in Brussels on May 8th, and the following are extracts from the Board of Directors' report:

GENERAL SURVEY OF THE OIL MARKET

The year 1958 was a difficult one for our industry. The cause of the trouble from which it has suffered lies much more in the policy of looking for individual short term advantage than in the economic recession.

The margin between the prices of crude oils and the prices of finished products was still further reduced and local competition in the consuming markets became even keener, no account being taken of what the products cost. This situation does serious harm to the general interest and to the interests of millions of oil company shareholders.

Companies with secure outlets are in a much less vulnerable position than non-integrated producers, and this fully justifies the policy of increasing the number of our outlets, which we have followed since the war.

With regard to long term developments, nothing has happened to modify our industry's optimistic forecasts. The inevitable increase in consumption will, in the long run, absorb all the oil available in the world.

The forecasts of the increased needs for power in the world, the limited possibilities for expansion of the production of coal, the long time that it will take nuclear power to make a perceptible contribution, mean that oil will have to meet a growing proportion of the world's power needs, without however encroaching on the other sources of power.

Consequently, the competition of fuel oil with coal which has occurred in many countries is quite unjustifiable. The prices at which fuel oil has been, and is still being, sold in certain European markets result in the oil companies sustaining losses out of all proportion to the possible increase of their outlets. This policy provokes the natural reaction from the governments and from the coal industry in the countries where it has been followed. To sell below cost is always a bad practice, but its consequences are particularly harmful in the quite unjustified fight between fuel oil and coal. It must be stressed that in Europe fuel oil cannot be regarded as a residual product, because it represents the greater part of the oil consumed, and it is anticipated that the requirements for it will increase more rapidly than those for other products.

The conditions which we have described have aggravated the basic problem of our industry, namely to find the capital necessary for the increased investment which is called for because of the growing need for oil. It is becoming more and more apparent in every country that, without a substantial ploughing back of profits, this capital simply cannot be found. This fact seems to have been accepted by all parties concerned and we believe that the lesson of last year's experience will not have been without effect, which leads us to expect a gradual restoration of a normal situation and the return of our industry to its traditional good sense.

SALIENT FEATURES OF THE YEAR

Despite unfavourable conditions in the various markets, sales of the group companies increased by 42 per cent over the previous year, chiefly because of the development of our outlets in new markets and the acquisition of existing companies. Our sales could have been appreciably higher if we had followed the very low prices at which fuel oil was sold in certain countries.

We are consolidating our position still further by continuing methodically the expansion of our distribution networks.

With the object of standardisation we have decided gradually to replace the trademark "PURFINA," under which the products of the group are sold in continental Europe, by the trademark "FINA," used in the Anglo-Saxon countries. We are in the process of effecting this change and many of our service stations are already displaying the new sign, which has the particular advantage of being more easily seen.

The continual strengthening of our position in the industry, the increase in our refining capacity, the steps which we have taken towards rationalisation made possible by the increase in the volume of our sales, the conditions of our supply arrangements—as well as an improvement in the statistical situation and a better maintenance of prices—justify our taking an optimistic view of even the immediate future of our company.

CONSUMPTION

Sales of the group and of the companies in which we have a shareholding reached the equivalent of 10,300,000 tons, made up of 7,200,000 tons of finished products, 2,500,000 tons of crude and 19,000 million cubic feet of gas.

PRODUCTION

For our group, in the sphere of exploration and production, we would say:

In the UNITED STATES, the acquisition of the assets of PETRO-ATLAS considerably increased the reserves and production of AMERICAN PETROFINA.

In CANADA, important discoveries contributed to the increase in the reserves of CALVAN and WESTERN LEASEHOLDS.

In MEXICO, the construction of the pipeline to carry gas to Mexico City has been definitely decided on and its financing settled. This allows us to consider an early commercial development of the large reserves of gas which we have at Xicalango.

In EGYPT, production of the COMPAGNIE ORIENTALE DES PETROLES D'EGYPTE, of which 51 per cent is held by the INTERNATIONAL EGYPTIAN OIL COMPANY (in which we share control equally with the Italian E.N.I. Group), reached 1,800,000 tons, against 760,000 tons in 1957.

In ANGOLA, a new discovery was made at Cacuaco, the importance of which cannot yet be estimated.

In VENEZUELA, PETROBELGE and AMERICAN PETROFINA have a small share in the working of a concession on Lake Maracaibo, where 12 good wells were drilled during the year.

REFINING

The refining capacity of our group was increased to 7½ million tons, an increase of 1½ million tons over the preceding year.

In BELGIUM, at the Antwerp refinery, in which we have an equal shareholding with the British Petroleum Company, the catalytic reforming and desulphurisation units were put into operation and worked normally. The refinery operated very satisfactorily and treated 3,654,000 tons.

In CANADA, the capacity of the Montreal refinery was increased to 1½ million tons, the work being completed during the second half of the year. It treated 1,060,000 tons in 1958 and the increased refining capacity will give us an appreciable reduction in cost per unit of output.

In the UNITED STATES, the Mount Pleasant refinery's catalytic reforming and alkylation plants were completed and a catalytic reformer was put into service at the Eldorado refinery. The three AMERICAN PETROFINA refineries together operated at 80 per cent of their total capacity.

In ITALY, a proposal for building a new refinery near Rome is being examined. The existing refineries worked normally but margins between costs and selling prices remained quite inadequate.

In GERMANY, the building of the Duisburg refinery continues normally and its opening is expected in the last quarter of this year. The Mulheim refinery is undergoing alterations in order to provide for the production of asphalt from this month.

In ANGOLA, the Loanda topping plant was put into service in the spring of 1958 and is working normally.

TRANSPORT

During the course of the year, two new units arrived to reinforce our fleet: the "PURFINA ALLEMAGNE" of 19,300 tons and the "FINA AMERICA" of 33,400 tons, both under the Belgian flag. The "PURFINA ANGOLA" of 33,400 tons, under the French flag, was launched and will go into service this spring.

We would mention the opening in Germany of the Nord West Oelleitung, a pipeline in which we have a financial interest and which links our refinery at Duisburg with the port of Wilhelmshaven.

We have taken a share in a company examining the possibilities of a pipeline from the Mediterranean to Strasbourg.

DISTRIBUTION

Our network comprises about 12,200 selling points. The increase is chiefly due to the acquisition of the network of PETRO-ATLAS and its subsidiaries in the United States and to the opening up of the DEUTSCHE PURFINA chain of stations. Elsewhere progress has been slow, but particular attention has been paid to the modernisation and rationalisation of existing stations.

RESEARCH

The group has devoted increasing amounts to the work of scientific research, which, although its precise value is difficult to assess, is of vital importance.

We have been pleased to note that the Government has given the development of scientific research in Belgium all the recognition that it deserves.

FINANCE

Profit for the year ended December 31, 1958, amounted to 492,408,906 Belgian francs (approximately £3,517,000), including the balance brought forward from the previous year of 80,769,854 Belgian francs (approximately £577,000). This profit has been arrived at after charging the Profit and Loss Account with 281,696,693 Belgian francs (approximately £2,012,000), for depreciation, exploration expenses, research and decreases in the value of assets. This amount is less than we would have charged under these headings in normal times but, having regard to the fact that the real value of a number of items is considerably above the balance sheet figures, we have thought that the interests of the shareholders called on us to give them a satisfactory return on the capital invested, notwithstanding the less favourable results due to the temporary uncertainties of our industry.

In making this decision, we have followed our invariable policy of paying shareholders as high a dividend as is possible.

We propose that the profit should be appropriated as follows:

	Belgian francs	Approx. £
To legal reserve.....	25,000,000	178,500
Dividend of 75 Belgian francs on 5,100,000 shares.....	382,500,000	2,732,000
To directors' remuneration, according to the Articles of Association.....	28,790,321	206,000
To be carried forward.	56,118,585	401,000
	492,408,906	

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

NATIONAL BANK OF PAKISTAN

CONTINUED PROGRESS

The tenth Annual General Meeting of the National Bank of Pakistan was held on May 7th at Karachi.

Mr Hoshang N. E. Dinshaw (the President) presided and, in the course of his speech, said:

You will notice from the Bank's Balance Sheet that the Bank has continued to move forward and has greatly extended its field of operation. With the expansion in its activities it has further enlarged its contribution to the national economy, one of its major objectives.

During the course of the year the Bank's total deposits reached the peak figure of Rs. 73.98 crores, indicating a rise of 16.08 per cent over the highest level of Rs. 63.73 crores in the previous year. The Bank's total advances, which reached a peak figure of Rs. 43.93 crores in 1957, rose further to Rs. 59.93 crores in 1958, an increase of 36.42 per cent. The corresponding increase in the previous year was 14.85 per cent.

I am pleased to report that the profits earned by the Bank, amounting to Rs. 94.53 lakhs, showed a further increase over the record figure of Rs. 92.66 lakhs in the previous year. The Reserve Fund has been further strengthened by an allocation of Rs. 25 lakhs and now aggregates Rs. 1.35 crores, which represents 90 per cent of our Paid-up Capital. The dividend remains unchanged at 5 per cent.

GENERAL ECONOMIC SURVEY

The strains in our economy, to which I made reference in my last speech, were intensified during the year. The world economic scene was overshadowed by the recession in the USA. This was associated with a marked slowing down of business activity and a falling trend in international trade. With the continued fall in the demand for primary commodities in the major industrial centres in the world the downward trend in World Commodity prices further deepened. This decline greatly affected countries such as Pakistan, which are dependent on the export of raw materials. The position was made worse by the continued high prices of imports comprising, chiefly, manufactured goods. The catastrophic fall in the prices of commodities has hit the producing countries very hard and has shaken the very foundations of their economies. The most regrettable feature is that, whilst industrially advanced countries are well cushioned to bear the brunt of the shock, agricultural countries have no such resources and have suffered untold harm, and a vast proportion of the people engaged in agriculture have been pauperised. What the latter have lost has been gained by industrialised countries, who have taken full advantage in regard to the purchase of their elementary requirements at prices dictated by them. Of course, there is the other man-made cause too, i.e. the massive growth in population; it is a social economic problem and requires to be dealt with very firmly before the mischief goes further. It is no use having well planned schemes of expansion when their utility is negatived by increased demand from the rising tide of new generations. I am glad to see that all sensible minded people are now taking an interest in the solution of this thorny problem.

The report was adopted.

BANCO DI SANTO SPIRITO

ROME

Established 1605

THE ANNUAL GENERAL SHAREHOLDERS' MEETING was held in Rome on April 23, 1959, the Marchese Giovanni Battista Sacchetti being in the chair. In the ordinary course of the meeting the following Balance Sheet was approved :—

Balance Sheet at December 31, 1958

ASSETS		
Cash and Balances with other Banks..	Lit.	28,263,285,911
Bills and Government Bonds.....	„	40,023,061,161
Securities :		
Real Estate Securities	„	5,970,806,063
Miscellaneous Shares	„	612,295,380
Holdings	„	480,584,398
Stock Exchange Transactions.....	„	4,992,225,888
Bills on Hand	„	31,217,936,795
Current Accounts (Debtors).....	„	41,316,623,876
Government Revenue Collection.....	„	574,477,254
Staff Retirement Fund.....	„	3,000,854,587
Miscellaneous Debtors.....	„	2,044,723,876
Drafts for Collection.....	„	7,522,274,763
Premises	„	755,560,000
Furniture, Fixtures and Fittings.....	„	1
	Lit.	166,774,709,953
Unsecured Accounts.....	„	8,161,674,220
Counter Accounts.....	„	81,367,657,517
	Lit.	256,304,041,690

LIABILITIES		
Capital.....	Lit.	750,000,000
Reserves	„	1,400,000,000
Deposits	„	57,763,820,834
Current Accounts (Creditors).....	„	84,475,509,565
Bankers' Drafts.....	„	3,795,548,034
Government Revenue Collection.....	„	3,919,020,797
Creditors (Bills Endorsed)	„	2,114,446,922
Miscellaneous Creditors.....	„	7,453,795,750
Staff Retirement Fund.....	„	3,800,000,000
Assets Rediscounted.....	„	857,586,131
Profit Balance Brought Forward.....	„	7,142,731
Net Profit 1958.....	„	437,839,189
	Lit.	166,774,709,953
Unsecured Accounts.....	„	8,161,674,220
Counter Accounts.....	„	81,367,657,517
	Lit.	256,304,041,690

It was further resolved to transfer Lit. 350,000,000 to reserves and to distribute a dividend of Lit. 50 (10%) per share.
In the extraordinary course of the meeting it was further resolved to increase capital to Lit. 3,000,000,000 by means of :—
a gratuitous allotment of shares to shareholders, available on reserves, for an amount of Lit. 250,000,000 ;
an issue of new shares, payable half in 1959 and half in 1960, for an amount of Lit. 2,000,000,000.

COSTAIN'S contribution to Britain's first essential . . . export market

PROPORTION OF OVERSEAS WORK NOW 65% — GROUP'S WIDESPREAD RAMIFICATIONS

'Trading profits in 1958 are highest in Company's history . . .'

Sir Richard Costain, C.B.E., Chairman

THE ANNUAL GENERAL MEETING of Richard Costain Limited will be held on June 4 in London.

In the course of his circulated statement reviewing the year 1958, Sir Richard Costain, C.B.E. (Chairman and Joint Managing Director), said he was glad to be able to report that the group earnings for 1958, excluding Dolphin Square and allowing for pre-acquisition profits and minority interests in subsidiary companies, showed a satisfactory increase.

The sale of Dolphin Square had improved the liquid position of the group and the reinvestment of those funds would, in a year or so, add to the group earnings.

Sir Richard added: Taking these factors and the current prospects into account your Board have felt justified in recommending a final ordinary dividend of 10% making 15% in all for 1958 on the Ordinary capital as increased by the 100% free bonus issue.

Reviewing the group's activities, the statement continued:

CONTRACTING :

Our order book at the end of 1958 was approximately the same as at the end of 1957, but during the first months of this year there has been a substantial increase, particularly in Civil Engineering. The proportion of work carried out abroad has increased once more and is now about 65%.

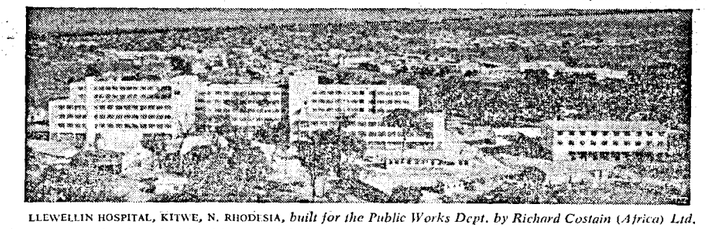
We have expanded our interests in Nigeria by the purchase of a controlling interest in Costain (West Africa) Ltd. where work in progress is at a high level and we are confident about this [illegible] with its thirty million people and great natural resources will have under self-government a stable and prosperous future.

SPECIALIST SERVICES :

During the year we purchased the Share Capital of Piling and Construction Co. Ltd., a company specialising in bored piling, and in addition we formed a new Subsidiary Company, Foundation Engineering Ltd., from our existing department which deals with foundation problems. These two subsidiaries are complementary to each other and add to the volume of specialist work which is making an increasing contribution to group earnings.

ABROAD :

The Civil Engineering Division have commenced work on the £4 m. boat harbour and jetty at Kharg Island in the Persian Gulf for the Iranian Oil Consortium. Operations have been started on the £4.5 m. oil terminal at Khor-al-Amaya for a subsidiary of the Iraq Petroleum Company and recently we were awarded the £8 m. breakwater at Escravos Bar, Nigeria, which is one of the largest civil engineering contracts awarded in the Commonwealth. We are associated with the American Company, Raymond International in all three contracts. In Nigeria Costain (West Africa) Ltd. continue to be heavily engaged in road work and bridges, some of which are in very difficult country. Our large contracts in Barbados and the Maldive Islands are progressing satisfactorily. The Rhodesian subsidiary is building the Salisbury headquarters of the Rhodesian Selection Trust, which will certainly be the most spectacular building in Central Africa, and is also engaged in several other important office buildings in Salisbury. In Iran we have completed the first major housing contract at Gach Saran and have on hand there further housing and an airfield; we also have housing contracts and a hospital in Abadan. We have recently been awarded a contract for the development of a £6 m. Township in Kuwait.



LLEWELLIN HOSPITAL, KITWE, N. RHODESIA, *built for the Public Works Dept. by Richard Costain (Africa) Ltd.*

AT HOME :

For various unrelated reasons our building operations in the United Kingdom were at a slightly lower level in 1958, but our order book is fuller than it was a year ago and enquiries are coming in at a higher rate. Among the major contracts completed during the year were the new buildings for the Royal Naval Engineering College near Plymouth and an office block for the Legal and General Assurance at Kingswood in Surrey.

The Civil Engineering Division have completed the £1½ m. Beckton Outfall Diffused Air Plant for the L.C.C. and are fully engaged on the Maidstone By-Pass, although last winter's weather retarded progress.

COSTAIN CONCRETE CO. LTD.

The company has had another satisfactory year and the prospects are promising for all products including railway sleepers and Stahlton floors. For some time this company has been investigating the Swedish lightweight concrete known as Siporex and we have now signed an agreement with Siporex Internationella AB giving us exclusive rights of manufacture in this country and options on several countries overseas. This product has a high thermal insulating value, is made to precise measurement, is light, easy to handle, and quick to erect and it can be reinforced and used structurally as roof, floor and wall units. In some uses the cost ex-works is cheaper than existing materials and in the great majority of uses the erected cost is appreciably cheaper. We expect that this will make some contribution to the reduction of building costs in this country. The first factory near Glasgow is due to start production early in 1960.

HOUSING :

In the United Kingdom 1958 was a good year and demand and availability of mortgages will probably increase turnover in 1959. The company has enough land for the present rate of building and providing there is no change in the national housing policy, the outlook for the division should be promising.

FUTURE PROSPECTS :

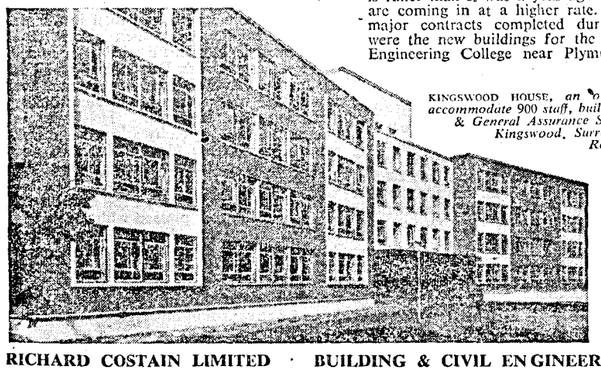
The trading profits for 1958 show a further increase, quite apart from the special capital profit made on the sale of Dolphin Square, and are the highest in the Company's history. The widespread and varied nature of the group's activities must be of great advantage in cushioning the effect of any recessions that may occur in any particular field of our operations.

It must be borne in mind that 65% of our business is carried out abroad, and a substantial proportion on the African continent and in the Middle East; in these areas many political changes are taking place which may reduce the amount of work that we carry out. Several years ago, owing to a political disturbance in a country abroad, work ceased completely on one of our contracts, several hundred employees were thrown out of work, and a considerable anticipated profit was lost; it is possible, but I hope not probable, that this could happen again. We feel, however, that these risks are warrantable not only from your Company's point of view, but also in making a contribution to Britain's first essential—the Export Market.

Your Board feels that the prospects for 1959 can be viewed with confidence and, subject to unforeseen circumstances, the profits for that year should not be less than in 1958. We should benefit in the future from the Board's reinvestment policy, and from the long term view, I see no reason why the Company's development should not continue as in the past, subject to the outside economic and political influences which must affect a business of our nature.

STAFF :

We have with your approval, instituted the staff shareholding scheme. 90% of the shares (totalling 47,431) available to those who were eligible have been taken up and this initial success makes me more confident that this scheme will help to attract and retain the right personnel.



KINGSWOOD HOUSE, *an office block to accommodate 900 staff, built for The Legal & General Assurance Society Ltd., at Kingswood, Surrey. Architect : Ronald Fielding, A.R.I.B.A.*

RICHARD COSTAIN LIMITED · BUILDING & CIVIL ENGINEERING CONTRACTORS · LONDON · ENGLAND

G. & J. WEIR HOLDINGS LIMITED

INCREASED OUTPUT AND EARNINGS

THE HONOURABLE J. KENNETH WEIR'S REVIEW

The annual general meeting of G. & J. Weir Holdings Limited will be held on June 3rd at Glasgow.

The following is an extract from the circulated statement of the chairman, The Honourable J. Kenneth Weir, CBE, BA:

I have to record a good year's trading by your Group, which has resulted in an improvement in earnings compared with 1957. The year 1958 marks the end of a period during which your Company functioned in the dual capacity of a holding and a trading concern. From 1959 on, therefore, your Board will be concerned entirely with the functions of a holding company.

THE ACCOUNTS

The Consolidated Profit and Loss Account shows a trading balance for the year of £2,994,708, being an increase of £252,331 compared with the previous year. This is an encouraging improvement, resulting from an increase in output from the Group. In turn, this was made possible by the strong order book position built up during the latter part of 1956 and during the first nine months of 1957. Increased costs of manufacture have, however, reacted somewhat unfavourably against this improved volume of output. Net profit amounts to £1,123,173, compared with £981,204.

Turning now to the dividend distribution, your Board have already increased the interim to 4 per cent from 3¾ per cent in 1957. Having regard to the improvement in earnings compared with 1957, they now feel justified in proposing a further increase in the distribution to stockholders, and accordingly recommend a final dividend of 13 per cent for the year, making 17 per cent total against 16 per cent for 1957.

The main feature to which I would draw your attention in the Consolidated Balance Sheet is the very satisfactory relationship between Current Assets and Current Liabilities, the latter being covered almost three times.

Weir-Catton Limited.—Stockholders have already received, through the Press and by circular letter of December 31, 1958, notification of the change which has taken place in our foundry interests. Your Company now holds 50 per cent of the Issued Capital of Weir-Catton Limited, a holding company with two wholly-owned operating subsidiaries, Weir Foundries Limited (formerly The Argus Foundry Limited) and Catton and Company Limited, Leeds.

SURVEY OF PERFORMANCE

In many respects 1958 was the converse of 1957. During 1958 output performance was good, but as a result of the recession conditions generally and in the shipbuilding industry particularly, orders for new work fell sharply and price margins were reduced, although there were certain exceptions in the Group. In contrast, 1957 was a good year for input, but output performance was less satisfactory. The good output and lower input of 1958 has resulted in a contraction in the overall order book position, but there is still plenty of work available for 1959.

G. and J. Weir Limited.—Output for the year was very good, exceeding the past year's performance by a substantial margin.

In contrast to the performance in output, orders for new work, both at home and abroad, were disappointingly low. This was a reflection of the general contraction in trading and, in particular, the depressed conditions in world shipbuilding, where orders for new tonnage sank to a low level. The sharp decline in export orders reflected not only the small amount of work available, but also the emergence of strong local competition in Holland and West Germany. Nevertheless, some good contracts were secured on the land side of the business.

Drysdale & Company Limited.—Output at Yoker was not only well maintained but actually bettered the previous year's figure. Both marine and land sides made very satisfactory contributions to the result, the balance of work being well spread. The order book is in a position to ensure that, subject to unforeseen contingencies, the year 1959 should make a satisfactory showing.

Weir Foundries Limited.—The former Argus Foundry Limited had a year of low output, resulting in the company trading at a loss.

Zwicky Limited.—During the year under review there was a substantial intake of new work, reflecting the progress anticipated in broadening sales. On the other hand, output did not come up to expectations, due mainly to a particular supply hold-up. While 1959 may be a difficult year, the order book is substantial and it is anticipated that good progress will be made.

Weir Housing Corporation Limited.—Both output and earnings for 1958 were much better than was expected. The orders received over the period were substantially higher than in the previous year. Prospects for the coming year are brighter than they have been for some time and with due reservation a successful year's trading is anticipated.

Weir Valves Limited.—This company has experienced, in line with other engineering concerns, the effects of the general recession, but the year has been marked with considerable progress in the successful launching of new products.

Wm. Simons & Company Limited.—The two diesel electric paddle tugs for the Admiralty were launched, completed and delivered during the year. They have been specially designed to assist HM Aircraft Carriers in harbour. Substantial progress was also made on the two fish factory vessels on order for Messrs Chr. Salvesen of Leith.

The volume of work in the Engine Works and Boiler Shops, particularly contracts placed by G. & J. Weir Limited, has ensured that these departments have been fully occupied throughout the year, and a number of orders for replacement parts for vessels has also been received. Irritating labour troubles continued and promised delivery dates were affected as a result.

Peacock Brothers Limited.—This company has felt the effects of the recession that Canadian business experienced throughout 1958, both orders and output showing reductions. Despite these conditions the results can be considered as satisfactory.

W. R. Skinner Limited.—Both in output and in earnings this small company had a successful year and has good prospects for the future.

GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION, LIMITED

SIR STANLEY NORIE-MILLER ON 1958 ACHIEVEMENTS

The seventy-third Annual General Meeting will be held on May 27th at Perth. The following is an extract from the circulated address of the Chairman, Sir Stanley Norie-Miller, Bt, M.C., D.L., J.P.:

The adverse trend in underwriting results in the Accident Department, mentioned in my two previous Addresses, persisted throughout 1958. I am glad to say that the results in our Fire Department in 1958 were well up to our usual standard and net premium income increased by nearly £1 million to reach £6,033,802.

Life Department premium income amounted to £3,773,012, an increase of £328,233. Expenses of Management and Commission were lower by approximately 1 per cent.

The business of the Group again showed remarkable expansion, income from all sources rising to the record total of £71,360,397, an increase of nearly £8 million during the year. Gross Interest and Dividends exceeded £3 million for the first time and transfers from the Underwriting Accounts were higher by £85,622.

The Revenue Balance for the year was £2,391,312 (an increase of £440,427) which, added to the amount brought forward from 1957, makes available for appropriation the sum of £3,526,621. Out of this, £499,321 has been allocated to Staff and Widows Pension Funds, £600,000 to Additional Reserve in the Accident and General Account, and £500,000 to Additional Provision and Reserve in the Fire Account.

An Interim Dividend of 6d. per 5s. Unit of Ordinary Stock was paid last December, and your Directors recommend a Final Dividend of 10½d. per Unit, making a total distribution of 1s. 4½d. The comparable distribution for the previous year was 1s. 3d. If the recommendation is approved, the balance to be carried forward will be £1,178,784, an increase of £43,475.

Our assets increased to a total just short of £112 million, of which £95,527,162 represented investments carried at or under cost less Reserves. At December 31st, 1958, the market value of those investments was appreciably higher than book values before deduction of Reserves. Holdings in Ordinary Stocks, carefully selected and well spread both in the United Kingdom and Overseas, represented 24.17 per cent of the portfolio.

In all the circumstances I feel sure Stockholders can be well pleased with the results disclosed by the Annual Report and Accounts. Considerable credit must go to our Executives, Managements and Staffs all over the world who, actuated by determination to keep the "General Accident" Group in its front rank position, have given service of the highest standard.

THE LITTLEWOODS ORGANISATION

BIG INCREASE IN TURNOVER

MR JOHN MOORES ON CHANGING PATTERN OF TRADE

I am happy to report that the Littlewoods Organisation has again enjoyed a very successful year. Apart altogether from the Pools, the turnover rose to approximately £60 million which, compared with £53 million for the previous year, represents an increase of approximately 14 per cent.

This very satisfactory result reflects the success of our efforts to improve the organisation itself and it provides very gratifying evidence of the continuing confidence of our growing number of patrons.

During the earlier part of the period the economic climate in the country as a whole was still one of restraint imposed by official monetary policy. Although we are less subject than most organisations to the effects of such a policy in so far as we are dealing in commodities that are in every-day demand, there is no doubt that the atmosphere of restriction was reflected throughout all levels of business activity.

I welcome wholeheartedly therefore the transition from restraint to expansion, now in progress in the national economy, and which was strikingly illustrated by the Budget last month. I must confess to some disappointment that the reductions in Purchase Tax do not apply to more of the items of merchandise with which we are concerned. Nevertheless, the reductions cover a wide field and at considerable cost to ourselves we immediately passed on the benefit to the customer.

It has been our consistent policy to keep prices down to a minimum and during the past year a further improvement in buying methods, and the streamlining of the organisation as a whole, has enabled us again to reduce prices over a wide range of merchandise. We feel that we owe it to our growing community of loyal customers to continue this policy with the utmost vigour.

HIGHER STANDARDS

In the last few years it has become evident that the public is demanding goods in the lower-price range which do not differ too greatly from the better-class types of merchandise formerly considered the prerogative of the higher-income groups. The days have gone when the housewife made purchases "to last a lifetime"; when goods were chosen for their durability rather than appearance and the important factor about clothes was their ability to stand up to hard wear regardless of whether they were designed with an eye to current fashion or not. That is what the housewife meant by "value for money" a decade ago. Today, style and good taste are equally essential ingredients.

To keep abreast of this trend we have established infinitely higher standards for the wide variety of goods in which we trade and efforts for still further improvement go on continuously. In the process the one-time popular image of the Chain Store has changed from that of the cheap bazaar to that of the modern department store but without sacrificing the economy factor in any degree. This in turn has broadened the income range from which our customers are drawn and it is true to say, I believe, that class-consciousness has all but disappeared from chain store shopping.

Another important factor is the growing significance of the requirements of teenagers. Since the war we have seen the development of a generation of young people who, with comparatively high incomes soon after leaving school, are no longer content to leave the buying of clothes to their parents. The chain store is ideally suited to the requirements of these lively young people and I consider their patronage to be one of the most gratifying developments of recent years.

The good name of the Littlewoods Organisation is the responsibility of every single one of the more than 20,000 men and women who work with me. It is their organisation as well as mine and the successes we have achieved are their successes also. I count myself very fortunate in the loyalty and co-operation of all my colleagues in the Littlewoods Organisation and I know that together we can go forward to even bigger things.

I would also like to pay particular tribute to the manufacturers to whom we look for supplies and upon whose co-operation we depend so much to carry out our trading policy. They have had a very difficult year, particularly in the textiles trades, but they have given us really excellent service at all times. We make very heavy demands on them in our constant search for quality with economy and it is only with their co-operation that we are able to offer merchandise of such high quality, and of such a high standard of design, at such modest prices.

LITTLEWOODS POOLS LIMITED

In my last annual report I mentioned our endeavours to offer to our big winners every possible service to assist them with their newly acquired wealth. In my opinion this service has now become even more important due to the increasing popularity of our football pools. The top dividend figure in the treble chance pool alone has gone well over £250,000 and on one occasion last season the total sum paid to one single winner was £300,684. Accordingly I have had the staff of our Winners' Advisory Department considerably enlarged. More and more Advisory Committees, which they control, have been set up in association not only with our own Bankers but with other Banking Houses who have readily offered the services of their organisations to give our winners the most experienced advice. Over the past year twenty Winners' Advisory Committees have been set up in England and two in Northern Ireland.

On these Committees sit Bank Executives and Trustee Experts with leading Lawyers and Stockbrokers, my brother Mr Cecil Moores, and senior executives of the Littlewoods Organisation.

Because of the overwhelming success which these Advisory Committees have had with their responsibilities it would be wrong if I did not acknowledge here the excellent co-operation that we have received from such concerns as Grenfell and Company, stockbrokers; Northcote and Company, stockbrokers; Martins Bank Limited; Midland Bank Limited; Westminster Bank Limited and the Northern Bank Limited, Belfast.

To those of our critics who say that football pool winnings have no economic value to the country I would like to record that some of our major winners last year invested over £850,000 in Ordinary Stocks and Shares and over £490,000 in Government and Corporation Stocks, Debenture and Loan Stocks, quite apart from their purchases in Government Savings and Bonds. These figures represent a very sizeable contribution to Britain's industrial and commercial development. And as a tail piece, by way of Direct Pools Tax, my Company this year, again will be paying the Chancellor of the Exchequer 30 per cent of our gross stakes.

MAIL ORDER

There was a considerable increase during 1958 in the Volume of our Mail Order trade. Every year sees the Home Shopping Service more firmly established, and I am proud of the tradition of trust and confidence in this method of shopping that we have built up in such a comparatively short space of time. We owe a great debt of gratitude to our Club Organisers who are the backbone of this service. We now have the highest number of Organisers in the history of our Mail Order Service, and more and more people are discovering the profit and the pleasure in shopping from our catalogue.

In Mail Order trading as practised by the Littlewoods Organisation there is something more than simply buying and selling. There is an element of good-neighbourliness which is of great importance, and for this reason customer goodwill and trust is essential. We guard most jealously the reputation that we have established in this respect.

I have already commented in general on our constant concern to improve style as well as quality, and this is reflected most strongly in the more fashion-conscious catalogue that we have now produced and which, with its 540 beautifully coloured illustrated pages, is such an attractive and highly-prized feature of shopping at home.

CHAIN STORES

Last year, in every department of our chain stores, we served more customers than ever before and the sales total reached a record high level. I am particularly pleased about this because it indicates the confidence of the shopping public in the quality of our merchandise and the standard of the service we provide. I like to think that quite apart from actually buying goods, customers find that a visit to a Littlewoods store is a pleasant experience; that they like the freedom with which they can examine the openly-displayed merchandise before making a purchase and that they like the friendly courtesy which we encourage from every member of the staff.

Prospects of future development are considerably improved with the ending of the credit squeeze and we are now hoping to make better progress than has been possible to date with the various schemes that we have in hand for expansion, and for the improvement of existing stores.

In general we can look back with satisfaction at a successful year but we must remember that the future is becoming even more challenging. We do not intend to stand still. Our patrons will judge us not on the past but on our present and future ability to meet their requirements. They are the final arbiters of our success and we must always keep in the forefront of our minds the old trading principle that the customer is always right.

STOREY BROTHERS AND COMPANY LIMITED

MR J. H. STOREY'S STATEMENT

The Sixty-third Annual General Meeting of Storey Brothers and Company Limited was held on May 14th in Lancaster.

The following is an extract from the circulated statement of the Chairman, Mr J. H. Storey.

In presenting the Accounts for 1958 it is a matter of regret that, whilst our net profit is the second largest we have ever recorded, it has not reached the record figure of 1957, but against the background of the year, I feel that this should not come as a surprise to anyone, because the results conform very closely to the forecasts which have been made.

Trade in the last two months of 1957 was somewhat disappointing, and with Bank Rate continuing at 7 per cent up to March, 1958, together with other adverse factors affecting industry generally at that time, business continued at a reduced level in the first few months of 1958. As would be expected from these adverse economic conditions, there was a lower demand for our well established products in the first half of the year. Under these conditions competitive pressures developed and we were compelled to reduce significantly the prices of some of our lines. Our export trade was subject to similar pressures, but, in addition, severe import restrictions were imposed in New Zealand, India and Indonesia. In most other countries, despite the difficult conditions, trading continued at a satisfactory level.

Fortunately sales rose satisfactorily during the second half of the year and, in fact, were the highest for the July to December period in the history of your Company. At the same time some noticeable benefits in the cost of manufacture have resulted from the development of improved manufacturing techniques, and although there have been higher charges in the shape of wage and salary increases and overheads generally, some compensating advantages have been gained from slight falls in certain raw material prices.

We have continued, and intensified, our efforts to improve the merchandising of those of our products which are sold without further conversion direct to the public. This has entailed considerably increased expenditure on our sales force and advertising, and particularly on point-of-sale promotion. This policy has been successful in that, on the whole, increased sales of these products have resulted and, in particular, our sales of Con-Tact have achieved a very major increase during the year.

It is against this background that our trading profit, in spite of sales being greater, declined from £869,709 to £786,941.

The net profit for the year, before taxation, amounts to £641,762, a decrease of £49,248, and after taxation is £311,537, compared with £341,010 for 1957.

The dividends paid by your Company in the past have always been on a very conservative basis, but your Board feels that the time has now come when the dividend should be more closely related to the results, year by year. Taking into account the profit, and the fact that the second half year showed an improvement over the first half year in both sales and profit, and that the Order Book at the beginning of the current year, as compared with a year ago, was encouraging, your Board feels that a substantially higher dividend should now be paid, and consequently will recommend the payment of a Final Dividend of 16¼ per cent, less tax which, with the Interim Dividend paid in October, makes a distribution of 20 per cent for the year, and this is covered more than two and a half times.

It is also the intention of your Board to bring the Interim and Final Dividends into closer relationship, the one with the other, and so, subject to trading remaining satisfactory, and in the absence of any unforeseen adverse circumstances, it is their intention to pay in November next an Interim Dividend of 6 per cent. I mention this now so that no other interpretation may be placed by anyone on the payment of an increased Interim Dividend.

Although our cash resources, including Tax Reserve Certificates, at the end of the year showed an improvement of £140,934, your Board felt it desirable to take up the option —which was exercisable up to January 26, 1959—to borrow a further £150,000 on our Mortgage Debenture on terms which are very advantageous to your Company, and this sum was received early in 1959. Apart from capital expenditure of a normal type, the programme of further expansion and modernisation now in hand will require the expenditure of approximately £200,000.

Under conditions prevailing at the present time there is a tendency, to be seen in many industries, for the return on capital invested to fall, and it is probable that expenditure on new equipment, necessary to maintain production efficiencies in a rapidly moving industry such as ours, will not always produce proportionately as great an improvement in profit as in the past.

To try and foretell the future under prevailing circumstances is little more than crystal gazing, and particularly so when the level of trading is so dependent on which markets are open and which are closed. Further, there is the extent of competition both at home and overseas to be taken into account. However, the present year has begun satisfactorily, and given reasonably stable trading conditions I am confident that the goods we have to offer are very acceptable and we look forward to doing an increasing business and giving a satisfactory service to all our customers throughout the world. I can assure you that we are very well placed to meet any future expansion in demand for our materials.

From a long term point of view there are problems arising from the creation of the Common Market, where at the moment we have not had sufficient experience to assess the impact. Unfortunately, the possibility of a Free Trade Area being created does not seem to be very hopeful. Your Board would welcome the creation of this Area, with the immense opportunities it would give to your Company's products in the countries concerned and, equally, are rather fearful of what may be the position if this Area does not come into being.

BROWN BAYLEY LIMITED

SUBSTANTIALLY INCREASED MARKET VALUE OF INVESTMENTS

MR J. W. GARTON'S STATEMENT

The third annual general meeting of Brown Bayley Limited was on May 8th at Attercliffe, Sheffield, Mr J. W. Garton, JP (the chairman) presiding.

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

The Accounts now presented cover the year ended December 31, 1958. Comparative figures are included for the five months' period ended December 31, 1957. This year the Accounts show a full year's dividends paid and recommended by the two Subsidiaries, whereas for the period ended December 31, 1957, a full year's dividends were shown for The Hoffmann Manufacturing Company Limited and fifteen months dividends for Brown Bayley Steels Limited.

The Profit and Loss Account shows a balance, after tax, of £160,264, compared with £151,842 for the period ended December 31, 1957. The increase is accounted for by the Sixtieth Anniversary Special Cash Bonus recommended by The Hoffmann Manufacturing Company Limited.

As the Accounts include the Interim Dividends already paid by the Subsidiaries and the Final Dividends recommended by them, together with the Special Sixtieth Anniversary Cash Bonus recommended by The Hoffmann Manufacturing Company Limited, your Directors have pleasure in recommending a Final Dividend of 8¾ per cent, less tax. This, together with the Interim Dividend of 2¼ per cent, less tax, makes a total for the year of 11 per cent, less tax, compared with 10 per cent less tax, distributed for the period ended December 31, 1957.

This leaves a balance undistributed of £8,464, which added to the undistributed profit brought forward from last year makes the total carried forward on Profit and Loss Account £22,306.

The Balance Sheet does not show any significant change compared with 1957. The market value of your investments in the Subsidiaries has substantially increased. The Hoffmann Manufacturing Company Limited shares have risen from £2,460,000 to £4,200,000 and the Brown Bayley Steels Limited shares from £585,975 to £833,887.

SUBSIDIARY COMPANIES

The Hoffmann Manufacturing Company Limited.—This Company has had a reasonably successful year particularly in view of the fact that there has been a considerable contraction in the order position. A certain amount of part-time working was necessary in the middle of the year and certain adjustments were then made due to the changed circumstances. The present position is that the Company has a very healthy and realistic order book, but the capacity is not fully utilised. Although the order intake is steady there are as yet no signs that this position will quickly be altered.

The Accounts of this Company for the year ended December 31, 1958, are published as part of the Directors' Report and show a profit before tax but after all other charges of £1,206,476 and compares with £1,291,746 for the previous year. Income Tax and Profits Tax absorbs £581,474 against £644,720 in 1957. The net profit of the Group for the year 1958, after taxation, is therefore £625,002 compared with £647,026 for 1957.

The amount distributed in dividends for the year is £178,250 and substantially the same as the total distributed in the previous year which amounted to £175,000 net. The Directors decided to mark the Sixtieth Anniversary of the Company which took place during the year under review by paying a Special Sixtieth Anniversary Cash Bonus of 5 per cent, less tax.

Brown Bayley Steels Limited.—This Company started the year with a good order book but the intake, month by month, fell to such an extent that the outstanding order position at the present time is much below our capacity to supply. We feel, however, that we are getting a fair share of the market and every effort is being made, both at home and abroad, to obtain additional outlets for our products. It is extremely unlikely that the profit for last year will be maintained in the current year, but the first few months of 1959 has shown a slight increase in the order intake which is a healthy sign.

I should like to refer to the retirement of the Managing Director of the Company, Mr G. H. Bull. He has been with this Company for many years and will reach retirement age on April 30, 1959, and will be resigning then as Managing Director.

Mr R. Barnaby, who has been the Assistant Managing Director for the last four years, will be appointed Managing Director from May 1, 1959.

The Accounts are also published as part of the Directors' Report and are for the year ended December 31, 1958. The comparative figures cover the fifteen months' period to December 31, 1957. The Accounts show a gross profit after all charges of £557,624 compared with £809,594 for the fifteen months' period ended December 31, 1957. The profit available for distribution is £328,674, of which £75,900 is being distributed by way of dividend. The rate of dividend for the full year ended December 31, 1958, is 11 per cent, less tax, and is equivalent to the dividend of 13¾ per cent, less tax, paid for the fifteen months' period ended December 31, 1957.

The Farnley Housing Association Limited.—The interest free loan to the Association has been reduced by £200 and the balance of this loan now outstanding is £4,400.

The report and accounts were adopted.

ASSOCIATED FISHERIES LIMITED

MR W. A. BENNETT'S REVIEW

At the General Meeting held on May 14th in London, Mr W. A. Bennett reported that during the calendar year 1958 the whole Distant Water fleet on the Humber landed 337,980 tons of fish, that quantity being slightly less than the 1957 total, notwithstanding a small increase in the aggregate days at sea. During the winter months severe weather conditions, coupled with a great scarcity of fish, were the order of the day, but that was followed by an unusually prolific period in the spring and early summer which completely changed the rather depressing outlook referred to in his last statement.

Consumer demand had been maintained at approximately the same level as in 1957 although the quantity of fish landed was slightly less. The average price realised for our catch was somewhat higher but in spite of decreased oil fuel price, catching costs increased by 7½ per cent due to reduced catches.

The total turnover of the Group increased by 9 per cent to a record total in excess of £12,900,000. After covering all costs and Depreciation, the profit remaining out of every 20s. of turnover was about 10d. of which Taxation absorbed 5½d. The Net Dividends accounted for a further 2d. leaving 2½d. retained to meet increasing costs of replacement and development.

The development of production and marketing of "ESKIMO" Brand of quick Frozen Foods was continuing according to plan.

Keeping in mind that during the first half of the financial year the returns from their trawling fleet were running at a very low level the final results of the year's working could be considered as quite satisfactory.

THE MANGANESE BRONZE AND BRASS COMPANY

INCREASED PROFIT

DEVELOPMENT AND EXPANSION CONTINUED

MR J. C. COLQUHOUN ON GROUP'S PROGRESS

The sixtieth ordinary annual general meeting of The Manganese Bronze and Brass Company Limited was held on May 8th in London, Mr J. C. Colquhoun, MBE (the chairman), presiding.

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

The group accounts for the year ended December 31, 1958, show a profit before tax of £673,722 against £615,347 for the year 1957. This was after charging for Depreciation £111,688 (£92,158). Provision for taxation is slightly lower at £344,904 (£348,713) and there remains, therefore, available for distribution and surplus £328,818 (£266,634).

DIVIDEND DISTRIBUTION

Your directors recommend that a final dividend for the year of 8d. per share be paid on the Ordinary shares, making 1s. 0½d. per share for the year, compared with the equivalent of 9¾d. on the present capital for the previous year. If approved, the surplus remaining out of the year's profit after payment of all dividends will amount to £193,873 (£160,897).

Turning to the balance sheet, you will notice that Net Fixed Assets have passed the £2 million mark for the first time and show an increase of £151,008. Net current Assets at £1,472,005 are up by £45,158.

WORKS' REPORTS

Your executives have given considerable thought during the year to the co-ordination of your various Works in such matters as sales, production, terms of service and other integrating subjects. Appreciable progress has already been made towards uniformity throughout the group, which should result in improved efficiency and economies of operation.

At Birkenhead Works, which concentrates almost entirely on the design and manufacture of marine propellers, the most noticeable trend in recent years has been the ever-increasing number of very large propellers required mainly for large tankers. This trend was anticipated and has influenced and added very considerably to the cost of the development and expansion programme at Birkenhead. For the year under review the output of ships' propellers, measured in tons, was the highest yet achieved and 10 per cent up on the previous year. More than half of this output went abroad to foreign shipyards. The intake of fresh orders by home shipyards was of course very disappointing.

Additional equipment at Birkenhead of special interest in the form of normal frequency electric furnaces and a propeller profiling machine should be operating at an early date.

The first order for a controllable pitch propeller was accepted during the year and it was tested in December at the Works, prior to delivery early in the new year. Additional orders have since been received.

In conjunction with the Glasgow Works of Steven & Struthers Limited, the manufacture of tail shaft liners for marine purposes has been commenced at Birkenhead on sizes in excess of the Glasgow Works capacity.

The production of wrought metals at the Handford Works, although slightly lower than in the previous year, nevertheless exceeded expectations, but the forward order book has been appreciably lowered and customers continue to be inclined to operate with reduced stocks and to limit purchases to their day-to-day requirements.

During the year schemes were prepared to improve production in both the extrusion mill and the rolling mill, the first part of which should become effective from June, 1959.

The results at Elton Park Works from the production of your "Oilite" products were substantially the same as in the previous year, despite the increase in the number of firms now engaged in the manufacture of products from metal powders. The technical staff continued to develop new fields of application involving the use of an increasing range of basic powders. Tests of production equipment operating at higher speeds have been completed and as a result new plant has been installed which should add to the efficiency of the Works.

The main interest of Lightalloys Limited continues to be the production of cast aluminium doors largely for British Railways, but development of fabricated doors referred to in my previous report has continued successfully and these will undoubtedly be used extensively in shipbuilding and other fields in addition to railway work.

The purchase of the Caplin Engineering Company Limited producing quartz cutting and polishing machines, precision grinders and concrete testing equipment has proved a valuable asset.

At Glasgow at the Works of Steven & Struthers Limited considerable reorganisation proved necessary. Work is now being produced in conjunction with facilities at Birkenhead and the range of products is being widened—some progress had already been made in this respect by the end of the year.

FUTURE PROSPECTS

At the present time, there are no signs of a general improvement in home trading conditions and shipyards are still not attracting new orders. Like shipyards, however, we will still have a good volume of work for 1959 although some reduction compared with 1958 must be expected so far as we can see at the moment. I am confident that the efficiency of our plant and the excellent support we receive from our employees will ensure that, until trading conditions improve, we shall be able to obtain a fair share of the business and that we are in a good position to meet increased demand when it comes.

The report and accounts were adopted.

ÖSTERREICHISCHE LÄNDERBANK AG.

(Vienna, Austria)

The Annual General Meeting of Österreichische Länderbank was held in Vienna on April 22, 1959, and the following are details of the report presented by the Board of Directors:

The course of the Österreichische Länderbank's business during 1958 was again extremely gratifying, in spite of the world-wide recession which also affected economic growth in Austria. The profit for the year, before allocations to Reserves, rose by 55 per cent from S65 million to S101 million. The Profit before taxes was S209 million as compared with S186 million a year previously. The favourable results which have been obtained are due to a further expansion of the bank's business in general (the Balance Sheet total rose by S1,134 million or 20.3 per cent), and to the employment on the most favourable possible terms of the outside parties' resources entrusted to the bank in particular.

In the year under review, Österreichische Länderbank also played a leading part in the security issues offered in Austria. It succeeded in placing 24.9 per cent of a total of S1,926 million nominal amount of bonded loans, exceeding its own quota by 18 per cent.

The proportion of Österreichische Länderbank's foreign currency turnover to Austria's total foreign trade remained unchanged at 38 per cent as compared to 1957.

The Balance Sheet total was S6,727 million on December 31, 1958. In the case of creditors, additional funds received from outside sources amounted to S963 million or 26.6 per cent, while Savings Deposits showed an increase of S262 million or 27.7 per cent (the average increase in Savings Deposits at all joint stock banks was 25.3 per cent), bringing the combined total of creditors and savings deposits up to S5,779 million. This development in deposits can certainly be regarded as clear evidence of the population's confidence in the prudent conduct of the bank's business.

COMMERCIAL LENDINGS INCREASE

Commercial lendings (Bills of Exchange, Promissory Notes and Debtors) rose by S768 million to S4,638 million as compared with the previous year, while the total volume of credits, including ERP loans, of which 41.6 per cent were made available through Österreichische Länderbank, reached S7,600 million. There was a noticeable rise in their holding of Federal Treasury Bonds, which were acquired to the extent of a further S205 million, bringing the total up to S509 million.

At the date of the Balance Sheet, the first-grade liquidity ratio was 21.8 per cent as compared with a required ratio of 15 per cent; on the same date, the ratio representing first- and second-grade liquid assets together was 61.5 per cent (required ratio 40 per cent).

Out of the Net Profit for 1958 S84 million were allocated to the Reserves (S47.7 million in 1957). Thus the published Capital and Reserves reached S684 million (S600 million in 1957) or 11.7 per cent of the liabilities.

The Net Profit for 1958 (including the balance brought forward from 1957) amounts to S18.9 million and the Board of Management has recommended an Ordinary Dividend of 7 per cent as in the previous year. The report, the accounts and the proposals put forward by the Board of Management were adopted.

EAGLE STAR INSURANCE

PROGRESS MAINTAINED

The Annual General Meeting will be held in London on June 4, 1959. The following is a summary of the Statement by the Chairman, Sir Brian Mountain, Bart.

In the Life Department another new record has been attained at home and business recommenced in South Africa has made a good start. The quinquennial valuations at December 31, 1958, of the Star and Sceptre Closed Life Funds resulted in bonuses declared being at the highest rates so far. The English and Scottish Fund has been merged with the Current Funds and the total transfers to the Profit and Loss Account from all Life Department Funds amount to £204,884.

In the Fire Department premiums have increased by over 12 per cent to nearly £5 million and £200,000 has been transferred to the Profit and Loss Account.

In the Accident Department premiums exceeded £10 million and a transfer of £117,860 has been made to Profit and Loss. Improvements have been made in the Engineering organisation and in the handling of specialist classes of business such as Bloodstock and Pedigree Cattle insurance. In the Pluvious section, drought conditions in Australia and elsewhere offset the unfavourable experience nearer home.

In the Marine and Aviation account profits have again been retained in the Fund.

Proposed Ordinary dividend totals 3s. 9d. per share (3s. 3d. for 1957).

The balance carried forward in the Profit and Loss Account has increased by more than £240,000.

THE PYRENE COMPANY LIMITED

THE NEW "PYRENE" HOME FIRE EXTINGUISHER

The Forty-fifth Annual General Meeting of The Pyrene Company Limited will be held on June 2nd in London. The following is an extract from the circulated Statement of the Chairman and Managing Director, Mr Francis A. J. Harrison, for the year 1958:

The increase in the interim dividend last December and the forecast given at the time of the Company's rights issue will have led you to expect a good report on the year 1958. I am happy to believe that the results now reported will not disappoint you. In fact your Company has made remarkable progress in Sales and Profits, both of which achieved records. There is also considerable improvement in the cash position. Quite apart from the results, I am able to announce the most outstanding development for many years—a revolutionary new product. The Pyrene Home Fire Extinguisher. Its introduction has inspired a new Crusade against fire dangers in the home.

HIGHER TRADING PROFIT

The Group Trading Profit is £277,104 higher than that of 1957. When investment income is added and deductions made for depreciation and interest on debenture stock the 1958 consolidated profit before tax becomes £757,031, showing an increase of £235,220. Taxation takes £388,622 and leaves Group profit after tax at £368,409. This compares with £216,285 for 1957, a gain of £152,124.

The Parent Company's sales in 1958 were 20 per cent higher than those of the previous year. Substantial increases were achieved in all of the three main Divisions of the business—i.e., Fire Equipment, Metal Finishing and Bumper Division.

The Parent Company's combined direct and indirect exports comprised 49 per cent of the total turnover and in value showed an increase of 22 per cent over 1957.

HOME FIRE SAFETY CRUSADE

In my opening remarks I referred to this Crusade and the revolutionary new Pyrene Home Fire Extinguisher which has inspired it. Such a Crusade has not been possible before because to cover the various classes of fire risks in the average home two or three different types of larger and more expensive extinguishers have been necessary. The new Pyrene Home Fire Extinguisher revolutionises all that. It provides in one small, easily operated, attractive extinguisher an entirely new non-toxic "general-purpose" powder which deals effectively and safely with all classes of fire risks—and at a price every householder can afford.

Once you realise that the Country's Fire Brigades have to attend over 200 fires a day in private residences and that over 700 lives were claimed in a single year by such fires, I believe you will feel impelled to take an active part in this Crusade.

In this belief, your directors have decided to send one of these new Extinguishers to Ordinary shareholders together with the Government publication "Fire Precautions in the Home," which in future we shall provide free to all purchasers as part of the Crusade.

The Parent Company's operating profit for the first three months of 1959 is almost identical with that of the first quarter of last year, and we expect this rate to be maintained.

WHATLINGS LIMITED

(Civil Engineering and Building Contractors)

LEVEL OF ORDERS MAINTAINED

The Annual General Meeting of Whatlings Limited was held on May 7th in London.

Mr D. A. Perrin Hill, ACA, the chairman, presided and, in the course of his speech, said: The trading profit at £249,539 again shows an increase over the previous year's figure in spite of the increased competition to which I made reference last year. The net profit at £130,262 shows an increase of £10,006 over last year. The Board have provided for a final dividend of 12½ per cent on the Ordinary share capital of £250,000. By being able to pay a total dividend of 20 per cent on the increased capital your Directors are fulfilling the indication given when you were invited to take up the last rights issue in November, 1957.

Turning now to the Balance-Sheet, you will see that our capital structure is now in the simplest form with accumulated reserves, excluding the reserve for future taxation, just over 100 per cent of the subscribed share capital. This feature in conjunction with the sharp improvement in the balance of the net current assets, adds up to what, I am certain you will agree, is a highly satisfactory balance-sheet.

We have maintained our long association with Hydro-Electric Developments, and I am also proud to be able to report that in the new field of atomic power we have moved from Dounreay in Caithness, after its successful completion, to the most recent Atomic Project at Windscale in Cumberland where we are engaged in constructing the Advanced Gas Cooled Reactor.

Our Opencast Coal Contracts for the last fourteen years have made a substantial contribution to the Company's earnings, but it is now clear from official statements in Parliament that Opencast Coal Production will be progressively scaled down. As a result of this, we may find for a short period at least, some difficulty in keeping our heavy excavating plant in full production.

Our foreign contracts have progressed well. In view of our expanding interests abroad, your board have established a wholly owned subsidiary, which will be known as Whatlings (Overseas) Limited. Two other subsidiaries are being formed—Whatlings (Plant) Limited will administer the ever growing investment in plant and vehicles, and Whatlings (Foundations) Limited will look after our two newest departments—the Piling Department and its associated Soil Mechanics and Testing Laboratories.

It is usual for me to say a few words on future prospects. There must, of necessity, be a considerable period in time between the point when the original decision to proceed with capital works is made at Government level and the letting of contracts. While I welcomed the relaxing of the controls on capital investment last Autumn, it is only now, some six months later, that the effect of the Government's decision is being felt with new work beginning to flow into the market. In spite of heavy competition which maintained throughout the whole of 1958, and into the first quarter of 1959, we have maintained the level of orders on hand. This has only been possible by taking contracts at keener prices, and the effect may be reflected in the profits for the current year.

The report and accounts were adopted.

RAND MINES, LIMITED

(INCORPORATED IN THE UNION OF SOUTH AFRICA)

SUMMARISED BALANCE SHEET, 31st DECEMBER, 1958

CAPITAL AND RESERVES		£	£
Share Capital—			
Authorised	3,400,000 Shares of 5s. each	850,000	
Less: Held in reserve	549,005 Shares of 5s. each	137,251	
Issued	2,850,995 Shares of 5s. each, fully paid		712,749
Share Premium			2,169,395
Revenue Reserves—			
Investments		7,305,385	
Exploration		352,552	
Gratuities		50,000	
Profit and Loss Account		412,027	
			8,119,964
			£11,002,108

PROPERTY AND NET ASSETS	£	£
Investments—		
Quoted shares, etc., Stock Exchange value—£14,509,938. Investments are valued at cost, less amounts written off, but in no case above Stock Exchange value	8,987,843	
Unquoted shares, etc., at cost or Directors' valuation, whichever is the lower	539,623	
		9,527,466
FIXED ASSETS—		
Trade Investments, at cost		1,186
Freehold Properties, etc.		19,008
Furniture, plant, vehicles, aircraft, etc.		96,985
SUBSIDIARY COMPANIES—		
Shareholdings, £71,527; Loans, £24,500; Current Accounts, £1,488		97,515
CURRENT ASSETS—		
Stores, £13,941; Loans, £1,396,208; Debtors and payments in advance, £78,754; Dividends receivable, £333,907; Cash deposits, fixed and on call, £195,436; Cash at Bankers and in hand, £65,712	2,083,958	
Deduct: LIABILITIES AND PROVISIONS—		
Creditors, £315,751; Shareholders—Dividends, £464,777; Provision for claims in respect of forfeited dividends, £43,482	824,010	
		1,259,948
		£11,002,108

EXTRACT FROM PROFIT AND LOSS ACCOUNT

		£	£
PROFIT			1,498,685
BALANCE OF PROFIT AND LOSS ACCOUNT at 31st December, 1957			433,003
			1,931,688
Deduct: Dividends—Nos. 110 of 2s. 9d. and 111 of 3s. per share		819,661	
Transfer to investment reserve		450,000	
Transfer to exploration reserve		250,000	
			1,519,661
BALANCE OF PROFIT AND LOSS ACCOUNT at 31st December, 1958			412,027

The full Report and Accounts may be obtained from the London Secretaries, A. Moir & Co. Ltd., 4, London Wall Buildings, London, E.C.2.

FIAT S.p.A.

TURIN, ITALY

(Motorcars, Aircraft, etc.)

SHAREHOLDERS' MEETING

The annual general meeting of Fiat shareholders, which was held in Turin on April 30th under the chairmanship of Prof. Dr. Vittorio Valletta, Chairman and Managing Director, unanimously approved the Directors' report and balance sheet for the year 1958. The surplus on the assets side was 16,631,218,276 lire. A dividend of 80 lire per share was declared.

The chief items in Fiat's increased 1958 production are:

— total sales 373,000 million lire (23,000 million more than in 1957).

— 341,252 cars and commercial vehicles (315,029 cars) produced; 35,132 more than in 1957.

— 16,315 farm and industrial tractors turned out, half of which were exported.

— 650,000 tons of ingot steel produced.

— total value of exports 113,000 million lire (18,000 million more than in 1957). 145,500 cars exported (an increase of 34,000 over the preceding year) to 112 markets in every continent.

— Fiat employs at present 80,000 people, including 61,512 factory workers.

The production of Fiat cars is at a high European level, at present about 1,600 units a day. Sales of Fiat models 500-600-1100-1200 are steadily growing in Italy and abroad; great immediate success of the new 1800 (also available with a 2100 c.c. engine) introduced at the Geneva Motor Show.

Fiat's aviation production is developing under the sign of the success of the "G 91" jet aeroplane, winner of the NATO competition.

The Fiat report again expresses full confidence in the gradual bringing into full effect of the Common European Market and voices the hope that international situations will tend—with the solidarity of the Atlantic Alliance—towards a real relaxation of the tension between the two opposed blocs and lead to the peaceful solution of the most acute problems in the interests and for the greater well-being of the whole of mankind.

BANK LEUMI LE-ISRAEL B.M.

DR Y. FOERDER'S REVIEW OF COUNTRY'S ECONOMIC PROBLEMS

The ordinary general meeting of the Bank was held in Tel Aviv on April 19th and Dr Y. Foerder, the Chairman, presided. In the course of his address he said:

The 1958 figures are a source of satisfaction. The Bank's uninterrupted development over a long period has continued. Total resources reached IL444 million, being IL51 million, or 12.8 per cent more than last year and the consolidated total resources amounted to IL570 million—a figure 16 per cent above last year's total.

The profit and loss figures also show satisfactory results and the dividend is being maintained at 12½ per cent. The Reserve Fund is increased by IL250,000 and IL200,000 appropriated to Contingencies Reserve after the usual allocations for contingencies which we were able to increase appreciably.

IMPORTANCE OF PLANNING

In Israel there is a somewhat strange phenomenon. On the one hand, we hear official statements on our exceptional achievements in the economic and development spheres. On the other hand, there are assertions of no progress whatsoever, of having followed a wrong course and that, under the present regime our economic difficulties cannot possibly be overcome.

In our endeavour to steer the right course towards a healthy economy it is, to my mind, essential to devote a larger measure of attention to planning, but not at the expense of freedom.

I know full well that there are weighty arguments against planning. In economics, just as in the life of the individual, there exists the element of surprise which is liable to upset any forecast. In general it is difficult to plan in detail and to foresee developments. We must differentiate between planning in outline, within which freedom is left to the individual, and total planning both of the framework and of the details of execution.

I consider the demand today for complete liberalisation as unrealistic, having regard especially to the economic and social conditions obtaining in Israel. Instead, I would make a plea for "more planning and more freedom." An overall framework must be established, and an order of priorities fixed. Government interference in execution should, however, be limited to encouragement of such activities as favourably influence the economy and to discouragement, or even obstruction, of any adverse or undesirable activities.

NEED TO ATTRACT FOREIGN CAPITAL

There can hardly be, today, any difference of opinion as to the need for large-scale investments from abroad. In the specific conditions obtaining in Israel I consider the following to be very important pre-requisites for the attraction of private capital from abroad: political stability and security—monetary stability and reasonable profitability of enterprises.

Another factor which, though it may not yet be of great consequence, is likely to grow immensely important in the near future. We have of late witnessed an attempt to reorganise economic entities, and enormous economic blocs are emerging. This movement is based on a recognition of the undeniable fact that small nations cannot stand up in present conditions to international competition.

One of our main problems is difficulty in finding additional capital required for the country's development. It is a fallacy only to think that our main problem is the redistribution of the national income. In this connection savings, both public and private, are of vital importance. Saving is the backbone of every healthy investment policy.

CAPITAL MARKET

Another possibility of mobilising capital would be rapid development of our capital market. In this field, too, we have marked progress. During 1958 alone issues were made of IL60 million for various purposes.

The public must understand that our Stock Exchange—still in its early stages but functioning quite well—is not an undesirable thing. A stock exchange is not a place for speculation but an institution for development of a capital market. The securities officially quoted on the Exchange is now nearing IL300 million, and every assistance should be given to further its development.

I would like to point to two problems, for which solutions can and must be found. We have not succeeded in developing a share market. No new shares have been issued for some time. But we cannot develop our industry unless we find capital to finance it. Our present system whereby most of the finance comes from Development Budget loans is unsatisfactory. There can be no full industrial development so long as sound undertakings cannot obtain funds from the market, i.e. from the public.

What can we do? Government must grant to shareholders the same privileges, especially as to taxation, as given to debenture holders. In view of the existing privileges for debentures, shares cannot be issued on the securities market. Altogether it is necessary to create conditions which make for better profit earnings by industrial enterprises.

There is a further suggestion with the hope that it may help to improve the securities market and to attract capital from abroad. We must enable foreign investors who acquire Israel securities with foreign currency that whenever they feel inclined to sell, the proceeds should be available for transfer in foreign currency.

In most advanced countries there exists, in addition to the capital market, a money market—i.e. a market for short-term credit. This usually takes the form of Treasury Bills and other short-term obligations. The money market first beginnings exist and I strongly advocate its development.

FOREIGN EXCHANGE CONTROL

Lately the demand for abolition of foreign exchange control is being voiced as a radical solution to our economic problems. Foreign Exchange Control is itself not an aim, and its burden should be lightened where possible. We must realise, however, that a successful monetary policy—important though it may be—is itself insufficient. First and foremost, we need basic reforms in our economic policy. So long as we have not reached economic stability, and there are serious current account difficulties in the balance of payments, so long as we have not succeeded in truly balancing our budget, it would be irresponsible to demand the abolition of foreign exchange control.

We must differentiate between total abolition of exchange control (which has not yet been done even in England and France) and its abolition in relation to foreign residents, which is desirable for the encouragement of foreign investment and at which we should aim in the near future. I admit that this problem needs careful examination, and I suggest that the Government invite a small committee of international experts to examine the position and to advise what can be done now to ease controls, what transition period is required, and at what point of time thereafter we might face full convertibility hazards.

ZANDPAN GOLD MINING COMPANY LIMITED

(Inc. in the Union of South Africa)

FINANCING MINE'S DEVELOPMENT

MR B. L. BERNSTEIN ON INITIAL PROGRAMME

The fourth annual general meeting of Zandpan Gold Mining Company Limited will be held on May 18th in Johannesburg.

The following is the circulated review of the chairman, Mr B. L. Bernstein:

The offer of shares made at the end of last year provided your company with funds amounting to £2,600,000. This amount, together with the further issue of four million shares to be made in November 1960 at 12s. 6d. per share and the loan facilities of £2 million which have been arranged, will result in your company having at its disposal a total of £7,100,000. This sum should be sufficient to complete the first phase of opening up the Zandpan mine, which consists of the completion of No. 1 shaft system, the provision of the necessary services and facilities, and the carrying out of a certain amount of underground development.

Work on the property commenced in October 1958. The collar of No. 1 shaft has been completed and the shaft was sunk to a depth of 198 feet below surface. Sinking has been stopped temporarily while the permanent concrete headgear is being cast and equipped, and surface installations completed. It is hoped to commence full-scale shaft sinking by June 1959.

No. 1 shaft, which is circular and 26 feet in diameter, will be provided with a brattice wall to give both upcast and downcast ventilation. It was intended that this shaft would be sunk from surface to a depth of approximately 5,000 feet and that a sub-vertical shaft would then be sunk to a final depth of approximately 7,500 feet below surface. To enable exploratory development to be commenced at an earlier date than would otherwise have been the case, we now intend to sink the surface shaft to the reef horizon, which is estimated to be about 7,000 feet from surface.

When the initial programme has been completed it will be necessary to raise further capital to sink a second shaft from surface, to construct a reduction plant and to provide the housing, services and facilities required to bring the mine to initial production.

At present, in the interests of speed and economy, arrangements have been made for operations at the mine to be under the control of the manager of the Hartebeestfontein Mine. I desire to place on record your board's appreciation of the services that have been rendered by the management and staff of the Hartebeestfontein Mine, and by the staffs at both the head office and the London office of the company.

UNITED PREMIER OIL AND CAKE COMPANY

SIR ERIC MIÉVILLE ON TREND OF CURRENT TRADING

The 40th Annual General Meeting of the United Premier Oil and Cake Company Limited was held on May 13th in London, Sir Eric Miéville, GCIE, KCVO, CSI, CMG (the Chairman), presiding.

The following is an extract from his circulated review:

The year 1958 has been a difficult one for your Company, again due partly to falls in and uncertainty regarding commodity prices.

On the seed-crushing side of our business the throughput was considerably reduced, due firstly to a lack of demand for edible oils and, secondly, increased competition from imported oils. Our position in technical oils, however, was well maintained. Towards the end of the year the trade began to turn in our favour, but not soon enough to have a great effect on the final figures.

On the Oleine and Stearine side we benefited from the installation of the Hydrogenation Plant mentioned in my report for 1957; but, although production figures were maintained, the margin of profit was unsatisfactory owing to severe competition.

The gross trading profits of the group amounted to £283,357, a decrease of £81,844 compared with the previous year. After all charges, including interest on Debenture Stock, taxation, special adjustment of taxation reserve, and the dividend of the 7 per cent Preference Stock, the balance of the year's profits available for the Ordinary dividend is £37,419.

We have already paid an interim dividend of 1½d. per Ordinary Stock unit (less Income Tax at 8s. 6d. in the £), which was one half of the amount paid in the previous year. We now recommend a final dividend of 4½d. (less Income Tax at 7s. 9d. in the £), which amount, before deduction of tax, is also one half of last year's payment. Your directors do not feel that a higher rate of dividend would be justified by the immediate prospects facing the Group, or by its cash position. The two payments will absorb £24,125, leaving £13,294 to be retained in the business.

Owing to the cumulative effect of initial allowances and a scale of allowances for wear and tear of the fixed assets of the Group allowed in the taxation computations, which differs from the Company's own calculation of depreciation, taxes now payable are reduced at the expense of future years. We have accordingly thought it desirable to add to the charge for taxation an amount of £25,000, which has been taken to Reserve for Future Taxation in the Consolidated Balance Sheet. The charge in the Profit and Loss Account of £63,398 is a more accurate measure of the taxes chargeable at current rates on the profits for the year.

From the Consolidated Balance Sheet it will be seen that the current assets, less current liabilities, amount to £1,172,793. The same document shows that the Ordinary Capital of £400,000 is supported by Reserves of over £1 million.

The improvement on the crushing side of our business, which was noticeable at the end of 1958, has continued, and deliveries of animal feeding stuffs have increased. Competition is still severe in connection with Oleines and Stearines where production is being maintained.

The report was adopted.

EQUITABLE LIFE ASSURANCE SOCIETY

ANOTHER YEAR OF EXPANSION

The one hundred and ninety-seventh annual general meeting of The Equitable Life Assurance Society was held on May 13th in London.

The following are extracts from the speech of the President, Mr John H. Bevan:

The Report and Accounts circulated to members point to another year of expansion in the business of the Society.

By the end of the year, the funds had risen by over £2 million to £33½ million.

Claims in respect of policies sharing in profits, as the bulk of them did, have produced some remarkable results; you will see from the Directors' Report that each £1,000 of original assurance under whole life major profit contracts was on the average increased to £3,233, allowing for bonuses previously commuted.

Expenses of management show a fall in the ratio of expenses to premium revenue, from 7.4 per cent to 7.1 per cent.

The expenses are at a low rate because the Society has never paid commission for the introduction of business. We are materially helped by introductions from our own members, a form of mutual help which I commend to all those who are assured with this Society. It is good to plan ahead in life assurance as in other matters. However, impaired health may intervene to disrupt the planned assurances.

We are preparing a new type of contract which will enable the member to plan ahead, in the certainty that he will be able to secure the planned assurances at the normal premiums, whatever his state of health may be at the time. This type of contract seems to us to meet a real need. The total new sums assured rose for the first time to over £8 million. In addition a substantial amount of new business was written in the annuity class which does not carry a sum assured.

The Report and Accounts were adopted.

CROFTS ENGINEERS

POWER TRANSMISSION ENGINEERS

Essential machinery for world's vital industries

Summarised Consolidated Balance Sheet as at 31st December, 1958

	£		£	£
Issued Capital	2,500,000	Fixed Assets	3,965,272	
Reserves and Surplus	2,114,544	*Less:* Accumulated Depreciation	1,261,080	2,704,192
Future Income Tax	571,030			
Liabilities	1,329,786	Trade Investments		16,853
		Current Assets		3,794,315
	£6,515,360			£6,515,360

Summarised Profit and Loss Account For the year ended 31st December, 1958

	£	£
Profit for the year before Taxation	1,290,556	
Less: Provision for Taxation	671,785	618,771
Net Distribution for the year to Shareholders		186,875
Retained in the business		£431,896

EXTRACTS FROM CHAIRMAN'S STATEMENT:

I hope that our shareholders will be satisfied with the results shown. The reduction in net profit is very small in view of the altered trading conditions which have affected almost all countries of the world. We have maintained our position by increased sales pressure and by reducing manufacturing costs at a time when salaries and wages have increased, these increases having been absorbed in our costs to the advantage of our customers.

OVERSEAS TRADING: We are opening up new areas throughout the world and we can expect to get better results from overseas in spite of the present trade recession. As soon as both Home and Overseas Trade opens up again we should feel the benefit of all the spade work now being done.

PROSPECTS: Due to the general drop in trade, orders have been lower than they should be for a Group with our production potential, but I am pleased to report that the Order Book is maintaining a fairly constant level, with some signs of improvement, and every effort is being made to increase sales.

As our new products are becoming known, sales are developing and we are expecting in time they will make up for the slight fall in business, which at present is on a lower level than normal. When trade revives, as appears likely, we should benefit greatly by the introduction of these products and the increased capacity of our modern works and plant.

CROFTS ENGINEERS (HOLDINGS) LIMITED

Empire Works, Thornbury, Bradford, 3

Subsidiaries and Representation throughout the world

RICHARD CRITTALL

HEATING, VENTILATING, AIR CONDITIONING, ELECTRICAL AND MARINE ENGINEERS

Main points from the Directors' Report and Statement by the Chairman, Mr. Geoffrey C. R. Eley, C.B.E., *to the Annual General Meeting on 8th May,* 1959.

	1958 £	1957 £
Issued Capital	525,000	350,000
Group Profit before Tax	222,829	185,093
Taxation	82,422	37,378
Dividends (net)	52,828	45,281
Net Current Assets	929,846	865,681

TAXATION. Our favourable position for tax purposes came to an end during 1958, so that the larger part of our profit for the year under review had to bear tax in the normal manner.

INCREASED TURNOVER. In spite of the more difficult trading conditions and the slight general recession, we achieved an increase in both turnover and in orders received. The purchase, in the early part of the year, of the business of Thomas McDowell Limited, to which I referred in my last statement, has proved satisfactory, and we have, in fact, just completed an extension to its works to increase their productive capacity. We are constantly on the look-out for opportunities for further expansion to add to the profitability of the Group. At the moment we are taking steps to establish a new branch of Richard Crittall & Co. Ltd. in South Wales.

SYNTERPIEZ. We are introducing into this country a low pressure hot-water heating system known as Synterpiez, which has been used successfully on the Continent and provides central heating for multi-storey buildings at a much lower capital cost than has been possible in the past. This system is attracting considerable interest amongst those concerned with the design and erection of high blocks of flats.

PROSPECTS. 'Since the close of our financial year trading conditions have continued to be far from easy, and there is intense competition in the heating and ventilating industry. However, we are reasonably confident that we may again be able to show satisfactory results at the end of the current year.

Copies of the full Report and Accounts may be obtained from: The Secretary, Richard Crittall & Co. Ltd., 151, *Great Portland Street, London, W.*1.

TIMOTHY WHITES & TAYLORS LTD.

922 BRANCHES THROUGHOUT GREAT BRITAIN

Extracts from Mr. G. I. RUSHTON'S STATEMENT AT ANNUAL GENERAL MEETING, 7TH MAY, 1959

SUBSTANTIAL INCREASE IN PROFITS. Although conditions were not easy, the turnover was substantially increased over the previous year.

Trading profit of the Group amounted to £1,859,573 in 1958 compared with £1,745,362 in 1957.

PURCHASE TAX ALTERATIONS. £116,000 lost as result of the Budget in 1958, when Government reduced Purchase Tax on articles on which tax already paid. £116,000 transferred from Stock-in-Trade Reserve to cover reductions charged in arriving at trading profits.

TRANSFERS TO RESERVES. £250,000 to General Reserve, making £850,000 in the Company's Balance Sheet and £983,628 in the Consolidated Balance Sheet. £125,000 to Development Reserve to cover the amount of £122,758 written off against this Reserve during 1958.

INCREASED FINAL DIVIDEND. Final dividend on the Ordinary Shares of 13¾ per cent less tax, making 20 per cent less tax for the year, compared with 16¼ per cent less tax paid in the previous year.

EXPANSION PROGRAMME. During 1958 Company opened at Reading its largest store and four other branches. Further stores will be established at Glasgow, Middlesbrough, Ipswich and Liverpool.

REVALUATION OF PROPERTIES. Instructions are being given for the valuation of all properties of the Company and its subsidiaries.

PROSPECTS FOR CURRENT YEAR. Up to the present there has been an overall increase in turnover, although in some areas improvement in business is not being experienced.

APPOINTMENTS

BRITISH INSTITUTE OF MANAGEMENT requires a man (30-35) to take charge of the Institute's advisory services on accounting and statistical planning and control information derived therefrom of relevance to management. He will be the Secretary of a high level advisory Committee which will guide and assist him in his work. The selected candidate should, in addition to having a thorough knowledge of his subject, be able to produce new ideas, and have an analytical and logical approach to the solution of business problems. He should be able to secure acceptance of his advice and suggestions at senior management level. He should also be able to deal with questions of Organisation and Method. Applications are invited from qualified accountants and graduates in economics and accounting who have had first hand industrial experience at an appropriate level. Initial salary within the range of £1,000 to £1,200 per annum. Applications should be addressed to the General Secretary, B.I.M., 80 Fetter Lane, London, E.C.4.

A LEADING BRITISH OIL COMPANY requires at its Head Office in London (a) A SENIOR ASSISTANT, age not over 35, for a responsible post in the Economics Section, and (b) an ASSISTANT, aged not over 30, for the same section. Applicants should have experience in applied economics and a good knowledge of business statistics. Non-contributory pension fund, housing scheme. Removal expenses and settling-in-allowance payable in certain cases. Luncheon club.—Write, giving full details, quoting reference H.4450, to Box 6070, c/o 191 Gresham House, E.C.2.

MASS-OBSERVATION is looking for

(i) A market research executive who would undertake final responsibility for a continuous consumer survey (including client contact);

(ii) A market research officer or a research assistant.

Write giving age, qualifications and expected salary range to 148 Cromwell Road, S.W.7.

INTERNATIONAL TRADE INFORMATION requires Economist. At least two years' experience in industrial market research essential.—Write I.T.I. Ltd., 185 Piccadilly, W.1.

CENTRAL OFFICE OF INFORMATION: Applications are invited for a post of Information Officer (unestablished). Duties involve study of economic, social and political developments in the Commonwealth, particularly in the U.K. dependencies, and the selection and presentation in the form of reference papers of factual information. A university degree, a good knowledge of relevant sources of information, and experience in preparing basic material to serve information purposes (e.g. factual articles, reports, lectures or broadcasts) are desirable qualifications. Salary £1,150 to £1,330 (men); £1,102 to £1,260 (women). Write giving age, experience and qualifications to Manager (P.E. 1055), Ministry of Labour and National Service, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4. Only persons selected for interview will be advised.

UNIVERSITY COLLEGE OF WALES
ABERYSTWYTH

Applications are invited for the following posts in the Department of Economics and Political Science:

(a) Assistant Lecturer or Lecturer.

(b) Temporary Assistant Lecturer for Session 1959-60 only.

Further particulars can be obtained from the Registrar, to whom applications should be sent not later than June 5, 1959.

UNIVERSITY OF READING
DEPARTMENT OF AGRICULTURAL ECONOMICS

Applications are invited for the post of FARM MANAGEMENT LIAISON OFFICER in the Provincial Agricultural Economics Service, to take up duty on January 1, 1960. Salary scale: Grade II (£900 x £50—£1,300) or Grade I (£1,300 x £50—£1,350 x £75—£1,650) with family allowance and membership of F.S.S.U. Applications should be submitted by June 6 to The Registrar (Room 22, O.R.B.), The University, Reading, from whom further particulars may be obtained.

For other appointments see page 691

THE UNIVERSITY OF MANCHESTER
RESEARCH STUDENTSHIPS AND RESEARCH GRANTS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above studentships and grants for research in Economics, Economic Statistics, Government, Social Administration, Social Anthropology or Sociology, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The studentships are normally of the value of £350 or £400. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University, and applications are acceptable from students who expect to graduate this summer.—Applications should be sent, not later than July 1, 1959, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER
WARBURTON SCHOLARSHIP IN LOCAL GOVERNMENT

Applications are invited for the above Scholarship for research in local government, the law relating to local government, or comparative local government. The Scholarship is tenable for one year and is of the value of £400. It is open to graduates of this or any other approved University, and applications are acceptable from students who expect to graduate this summer.—Applications should be sent not later than July 1, 1959, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the full-time posts of ASSISTANT in the Research Section of the Faculty of Economic and Social Studies. The successful candidates will be expected to pursue research in ECONOMICS, ECONOMIC STATISTICS, POLITICAL THEORY AND INSTITUTIONS, SOCIAL ADMINISTRATION, SOCIAL ANTHROPOLOGY or SOCIOLOGY and should be graduates in any of these subjects or in Modern History or Economic History. There are vacancies in both Grade II (which carries the status of Assistant Lecturer) and Grade III. The salary scales are as follows: Grade II —£700 to £850 per annum; Grade III—£600 to £650 per annum. Applications should be sent not later than June 1, 1959, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

COMPANY AFFAIRS

DUNLOP RUBBER

A YEAR ago the 10s. ordinary shares of Dunlop Rubber stood at 17s. 3d., to offer 8⅛ per cent on a 14 per cent dividend. They are now 28s. 9d., and yield 5⅔ per cent on a 16¼ per cent dividend, with a 25 per cent scrip issue in the offing. The difference in yields partly reflects the boom in industrial equities and, in particular, the investment attractions of the continuing boom in the British motor industry, to which Dunlop is a major supplier of tyres and components. But it also implies that investors have come to take, over the last twelve months, a different and more favourable long term view about Dunlop's growth potential.

If so, they can now test their views against the hard facts of the full report. It reveals that over the year trading profits declined slightly, from £19,860,000 to £19,761,000, that gross profit margins on sales fell from 5.4 to 5 per cent and that gross profits on net capital employed fell from 12 to 11.4 per cent. Those figures do not argue strongly for growth. Nor do the statistics that show an increase in sales volume of 7 per cent but of sales value by only 5 per cent. To sell more, Dunlop had to charge less—including less for tyres in this country. Some of the directors' comments do not point to unimpeded growth. They speak of "increasing severe competition" and of lower profits from operations in the United Kingdom, for although there was a general increase in turnover of 7 per cent and an increase in total tyre sales in the domestic market of the order of 5 per cent, prices had to be reduced and money had to be spent on the development and initial production of new products.

	1956 (£'000s)	1957 (£'000s)	1958 (£'000s)
Earnings:			
Sales	224,000	231,090	243,000
Trading profit	*15,094*	*19,860*	*19,761*
Depreciation	6,195	6,490	6,530
Interest paid	1,005	1,013	1,044
Taxation	4,489	7,458	6,360
Net profit	*3,535*	*5,026*	*5,797*
Ordinary dividend	1,109	1,559	1,995
Ordinary dividend (per cent)	*10*	*14*	*16½*
Retained profits	1,174	2,135	2,306
Cons. balance sheet:			
Net fixed assets	45,499	47,475	54,037
Net current assets	57,082	60,111	55,292
Stocks	*63,449*	*64,929*	*61,327*
Debtors	36,923	37,027	36,738
Cash	6,614	5,843	5,982
Bank loans and bills payable	21,058	17,428	16,165
Reserves	35,033	37,393	40,139
Ordinary capital	19,281	19,361	20,361

But the coin has another face. Profits from overseas activities, including exports, were higher than in 1957 despite "*difficult economic conditions*" in some countries and the exchange losses on French and Brazilian currencies. Turnover from these overseas operations was about 4 per cent higher, but earnings from them contributed the greater part of the total profit—something over two-thirds—and the proportionate contribution they made was greater than in 1957.

If investors are looking for growth from Dunlop, these overseas markets seem to hold the key, as the Dunlop management evidently recognise. Last year, out of total capital expenditure of £13 million, £9 million was spent by overseas subsidiaries. The greater part of this was spent on new factories in France, India and Rhodesia and on the new rubber estates in Nigeria, where yields are expected to be high. Moreover the increase in trade investments from £2.7 million to £3.3 million mainly reflects further investment in synthetic rubber plants in France and Japan by overseas subsidiaries. These new factories should begin to contribute to earnings this year. It is upon these factories, forming an important part of Dunlop's overseas developments, and upon the progress made in bringing such new developments as disc brakes and pneumatic suspension systems to the market that investors should fix their eyes. They can do so in the almost certain knowledge that Dunlop will not be appealing for new money for expansion or for funding its current short-term debt.

BOWATER PAPER

How long the present surplus of newsprint and paper making capacity throughout the world will persist is uncertain. But it is certain that for this year at least a surplus will continue. The cautious view of the directors of Bowater Paper is that "if the present level of costs and operations can be held it is not unreasonable to expect that the results for the current year might well approximate to those for 1958" (when trading profits advanced slightly from £17.1 million to £18.1 million). What are investors to make of these hypotheticals and double negatives? The £1 ordinary stock units now stand at 48s. 6d. xd. which leaves little advantage for the holders of the convertible loan stock, offering 5¾ per cent on their price of 108, to convert at a price equivalent to 47s. 6d.

For the equity stockholder the prospect is less clear. The current yield on the maintained dividend of 12½ per cent is 5.2 per cent, and in commenting on this payment the directors say that the moment has not yet arrived for recommending an increase. How far would a bigger payment from the parent depend upon the receipt of a maiden equity dividend from Bowaters Southern, Tennessee? Those paper mills were largely financed by prior charge loans and not until that debt is further reduced can an equity dividend be paid to the North American Corporation. The directors now say that unless market conditions deteriorate it should be possible to make a first payment in respect of 1959.

	1957 (£'000s)	1958 (£'000s)
Consolidated earnings:		
Trading profit	17,152	18,145
Depreciation	4,741	5,247
Loan interest (subsidiaries)	1,609	1,696
Minority interest	862	1,119
Tax	4,624	4,258
Net profit	*5,316*	*5,825*
Loan interest (parent)	470	732
Ordinary dividend	1,402	1,460
Ordinary div. (per cent)	12½	12½
Retained earnings	3,214	3,399
Cons. balance sheet:		
Net fixed assets	117,977	136,080
Stocks	29,384	26,458
Debtors	13,869	14,259
Liquid assets	10,386	8,871
Net current assets	25,704	22,514
Reserves	38,009	43,219
Ordinary capital	19,500	19,500

Newsprint production has been cut back in Tennessee, as it has at Corner Brook in Newfoundland. But there has been no significant weakening in prices and though there will continue to be surplus capacity in the North American mills it is not easy to envisage another big fall in production now the American economy is recovering. Similarly, following the recent fall in demand for newsprint in this country a further decline seems less likely—though there is little reason to expect an increase. Bowater has turned some of its surplus newsprint capacity to making other types of paper, where profit margins are higher and where older machines, already heavily written down in the books, have been put to better use. But this, too, is a highly competitive market, especially in packaging papers, and recently there has been a marked reduction in profit margins; if Bowater Eburite is to achieve another increase in sales volume it may again have to be at the expense of these margins.

Thus, highly geared as the Bowater equity is, there is no immediate sign of growth. This suggests that American investors, who already own about 21 per cent of the ordinary capital, will not be such eager buyers of the stock as they were two years or so ago. Nevertheless, Bowater Paper has so far come through a recession in the industry in a better shape than it was at one time reasonable to expect.

MARKS AND SPENCER

As a pacemaker among the cash multiple retailers, Marks and Spencer has few rivals within challenging distance. Its watchword last year was lower prices, and lower prices have not meant a drop in the value of merchandise turned over or in profit margins. Last year, sales rose by £4 million to £134 million; gross profits

jumped from £16,109,709 to £17,053,107; and the margin of profit increased from 12.4 to 12.7 per cent. This vindicates those who have maintained that Marks and Spencer's 5s. ordinary shares are gowth equities. Their yield reflects this status: the ordinary dividend has been raised from 32½ to 37½ per cent, yet on the new dividend the non-voting 5s. "A" ordinary units yield a mere 2.9 per cent.

Marks and Spencer's net profits have risen sharply, thanks to the changes in profits tax last year and in income tax this year. The total tax bill is down from £7,950,000 to £7,350,000 and as depreciation and the provision for repairs are scarcely altered, net profits have jumped from £6,192,665 to £7,708,715. The net ordinary dividend absorbs £4,071,142, but it is still covered 1½ times by earnings. Yet another scrip issue in "A" ordinary shares—this time in the ratio of one for five—is on its way and as they have done in practically every year since the war investors are anticipating a still bigger effective dividend.

BOOTS PURE DRUG

THE ordinary dividend of Boots Pure Drug is a little disappointing. There had been hopes that the directors would maintain the 1957-58 rate of 18 per cent on the capital as increased by the 25 per cent scrip issue—although they had clearly said that the bigger interim payments were designed simply to reduce the disparity between the interim and final dividends. A final dividend of 10 per cent for the year to March 31st sets the full year's distribution at 16 per cent, against the equivalent of 14.4 per cent. On this dividend the 5s. ordinary units at 23s. 9d. yield 3.4 per cent.

This puts the shares in the same class as Marks and Spencer, with growth in cash trading, in profits and dividends being valued as an almost automatic assumption by investors. Perhaps the latest results from Boots lend a little less strength to that assumption than Marks and Spencer's. Boots' profits before tax have fallen from £5,057,350 to £4,997,839, and even though this can be entirely attributed to stock losses of £350,000 from the reductions in purchase tax in 1958, it does point the moral that cash trading carries a comparative low margin of profit and that it costs money to expand sales. For the equity shareholder the reduction in tax by virtue of which net profits have increased from £2,095,176 to £2,442,241 is very welcome, for it leaves the dividend covered nearly twice by earnings.

ROLLS-ROYCE

IT was the 100 per cent scrip issue proposed by the directors of Rolls-Royce rather than the 1958 profit figures and the repetition of the 20 per cent ordinary dividend that caught the investors' fancy this week. The directors made a strong disclaimer on the dividend implications of the scrip issue and they made it clear that the increase in the authorised capital did not presage a cash issue. The excitement in the market seems to have been overdone, for the cover on the ordinary dividend, after research and development expenditure has been written down, is now slender. Surely investors must realise that any scope for further increases in the dividend is limited by the fact that Rolls-Royce will have to continue to write big sums off its privately financed developments.

The preliminary report for 1958 makes it clear that it was research expenditure and a higher charge for depreciation that stood between the company and the achievement of a higher level of profits. Sales rose by about £4½ million to £96¼ million, but an extra £500,000 for depreciation and the switch in emphasis from military to civil aero engines, upon which the future prosperity of this division obviously rests, that is reflected in the increase in development expenditure from £4,631,414 to £5,836,724, brought profits down by £233,354 to £2,086,980.

There are two ways of looking at this research expenditure. Ordinary accounting procedure suggests that it should be written off as it is incurred against currently earned profits. But investors may feel that given Rolls-Royce's record of achievements in engine design and production in the past, it in a sense guarantees future profitability. That assumption and the prospect that the market price will be less "heavy" was reflected in the jump of 3s. 9d. to 101s. 3d. in the £1 ordinary units. The yield is now only 3.9 per cent.

BRISTOL AEROPLANE

THE fall from £806,000 to £614,000 in the net profits of Bristol Aeroplane last year has brought the earnings cover on the unchanged ordinary dividend of 10 per cent down to under 1½ times. But shareholders may perhaps feel relieved that profits have not declined even more sharply, as last November the company gave a warning about redundancy and only last week another aircraft company, de Havilland, passed its dividend. Presumably Bristol's profits are still being underpinned by its aero engine and missile interests, and last year its trading income was barely 3½ per cent down at £2,488,000 (against £2,581,000). But the rise in depreciation and in interest charges more than offset the saving in tax. This must reflect Bristol's reliance on overdraft facilities to finance its working capital commitments. The 10s. shares hardened on the results and now stand at par. But Bristol has a massive financial problem on its hands as well as a commercial problem of selling more Britannias.

ASSOCIATED PORTLAND CEMENT

FOLLOWING the higher profits of Rugby Portland Cement the advance in trading profits now reported by Associated Portland Cement—the "Blue Circle" group—will occasion little surprise. Last year Associated Portland's trading profits rose by 3 per cent from £14,627,419 to £15,069,644 but its net profits declined slightly from £4,653,136 to £4,593,309. But the trading profits of the subsidiary, British Portland, were nearly 12 per cent higher at £4,309,784 (against £3,852,877) and net profits advanced from £1,246,209 to £1,386,060. The decision to raise Associated Portland's ordinary dividend from 9 per cent to 12 per cent is justified by these results. The directors also intend to make a 25 per cent scrip issue. This announcement is accompanied by the usual warning about drawing any implications about future dividends, but shareholders will note that the dividends on the larger capital equivalent to the current rate is 9 3/5 per cent and in view of the earnings cover of 3½ times there should be no difficulty in rounding this payment up to a higher figure. That possibility is well discounted in the yield of 3.7 per cent offered by the £1 ordinary shares of Associated Portland Cement at the current price of 65s.

THE RANK ORGANISATION

GAUMONT-BRITISH is a subsidiary of the Rank Organisation. Since 1948 both companies have been members of the Circuits Management Association scheme, which pooled profits from the Gaumont and Odeon cinema circuits and divided them 58.23 per cent to Rank Organisation and 41.77 per cent to Gaumont-British. A large number of cinemas in both circuits are for sale, and so the scheme has been extended (for 50 years) and the profit-sharing arrangements revised. The new scheme gives 56½ per cent of the cinema profits to the Rank Organisation and 43½ per cent to Gaumont-British, irrespective of the number of cinemas closed by each circuit. This treats the group's cinema interests as essentially indivisible: rationalisation that cuts out unprofitable halls means more profit for all that are left, GB or Odeon. So it leaves the division of cinema revenue practically where it was.

In addition, the two companies will in future share in the group's other interests —commercial television, manufacture of equipment, gramophone records, relay wireless and relay television—in the same 56½/43½ ratio. The investments of the two companies will be redistributed at current values to fit this new formula. Thus, Gaumont-British will have a 43½ per cent interest in the shareholding in Southern Television. To facilitate this arrangement, the ordinary capital of British and Dominions Film, previously owned as to 74 per cent by the Rank Organisation and 26 per cent by Gaumont-British, will be rearranged in the 56½/43½ ratio and that subsidiary will acquire the two companies' present interests in Southern Television.

With cinemas becoming less and less profitable and the group's other interests becoming of growing importance, some rational scheme to share investments and earnings was desirable. How far an internal reorganisation scheme of this kind affects one partner *vis à vis* the other is not clear. On the face of it, the minority shareholders in Gaumont-British do not appear to be the losers. The market's reaction was to leave Rank Organisation 5s. ordinary shares a mere 1½d. lower at 12s. 9d. and to mark up Gaumont-British 10s. units by 9d. to 14s. 10½d.

GUEST, KEEN AND NETTLEFOLDS

WITHOUT the inclusion of John Lysaght's Scunthorpe Works, bought back from ISHRA at the end of 1955, the trading profits of Guest, Keen and Nettlefolds group would have contracted in 1958 from the record level reached in the previous year. Financial stringency in 1957 prevented the funding of this subsidiary's large outstanding debts to ISHRA and no plans for funding them have yet been brought forward. But the directors have gone ahead with a big development plan. This programme is in its early stages, but John Lysaght's latest results, which show that trading profits in the year to January 3rd jumped by £1,196,225 to £4,716,986, are encouraging. The trading profits of the GKN group as a whole rose by £454,779 to £31,019,363, so that the profits of members of the group other than John Lysaght's fell—but, in view of the recession in the economy that is not surprising.

A rise in investment income, a fall in interest disbursements and a reduction of £438,235 to £12,817,339 in tax have resulted in a sharp rise in net profits from £10,199,747 to £11,243,342. Allowing for the three for ten scrip issue, the ordinary dividend has effectively been raised from 11½ per cent to 13 per cent, and it is covered three times by earnings. The dividend is certainly conservative, but big profit retentions are still the order of the day for steel and allied concerns. At 62s. 1½d. the £1 ordinary units yield 4¼ per cent.

SEARS HOLDINGS

AS controller and manager of an industrial empire embracing more than twenty companies, Mr Charles Clore, chairman of Sears Holdings has been intent on consolidating the businesses and interests he acquired as a financier rather than on buying new ones. In his statement with the full accounts of Sears for 1958 he says that he does not intend to pay a price for new interests "which discounts the future too fully." Over the past twelve months he and his colleagues have studied "numerous propositions" both here and in America, but none of them had been found really suitable. Mr Clore now appears to be looking for businesses that will easily knit in with those he already possesses. Sears has been husbanding its liquid resources by ploughing back profits, by selling some of its less profitable retail shops, and by keeping a tight control on stocks; despite an outlay of £2 million on fixed assets last year, it added another £2,500,000 to its liquid holdings, which now stand at nearly £8 million. Mr Clore points out that Sears is strongly placed to acquire new businesses and it looks as if his thoughts are turning towards straightforward cash offers rather than bids through the offer of Sears "A" shares.

	1957	1958
Gross profits:	£	£
British Shoe	3,086,000	3,208,000
Bentley Group	2,087,000	2,228,000
Other interests	1,536,000	1,688,000
Total	*6,709,000*	*7,124,000*

The Sears business in its present form continues to expand and last year its net profits rose from £2,635,127 to £3,323,773. The ordinary dividend, increased from 22½ per cent to 25 per cent, is covered over twice and shareholders no doubt have noticed that the announcement of a 25 per cent scrip issue has not been accompanied by the usual dividend disclaimer. Sales of the British Shoe Corporation, which contributed 45 per cent of Sears' total profits, reached a new peak last year; it increased its share of the market; and its profits are expected to advance again this year. Bentley Engineering, which contributed 31 per cent of total profits, achieved record sales of hosiery machinery last year and its order books are such that Mr Clore is able to forecast another satisfactory year with some confidence. The Furness group has received few orders for new ships, but shipbuilding itself contributes a small proportion of the profits of this section of the business, the bulk coming from sales of electrical equipment, motor vehicles and structural steel. The 5s. "A" non-voting shares, having enjoyed a strong rise in recent months, stand at 20s. and yield 6¼ per cent.

WIGGINS TEAPE

LAST year the consolidated trading profits of Wiggins Teape fell by only £185,979 to £3,187,576. That is in line with the directors' forecast last November that profits would not be much less than in 1957. In the first half of 1958, profits fell from £2,112,079 to £1,930,567 as profit margins had narrowed—as they have throughout the paper industry—and as losses had been incurred on the starting up of new plant. But the fall in profits in the second half of the year of only £4,467 to £1,257,009 clearly supports the directors' assurance that these losses (amounting in all to £300,000 last year) are not now being made "in the aggregate." Net profits have gone up from £1,949,724 to £1,955,896, as tax has fallen sharply, by £394,090 to £1,299,853, so that the earnings cover on the unchanged ordinary dividend of 17½ per cent has improved to 1¾ times. But the yield of 6 per cent on the £1 ordinary units at 58s. shows that investors are still rightly taking a cautious view of the prospects of an industry that has capacity to share and in which profit margins are vulnerable.

RICHARD COSTAIN

RICHARD COSTAIN, the contractors, have announced an increase in profits and an effective increase in the ordinary dividend for the second year in succession. Gross profits at £609,761 for 1958, despite a doubled charge for depreciation, compare with £521,501 for 1957 and £425,509 for 1956. By comparison, Taylor Woodrow reported a slight fall in gross profits from £1,284,673 to £1,199,135, and George Wimpey one from £2,409,947 to £2,328,028. Costain's dividend on the capital as increased by the 100 per cent scrip issue is 15 per cent; the equivalent dividend last year was 11¼ per cent, and in 1956 7½ per cent. Thus the directors seem to be following a noticeably more liberal dividend policy; the present dividend is still covered over three times, and at 74s. 6d. the £1 ordinary units yield 4 per cent.

About 65 per cent of Richard Costain's work was abroad in 1958—much of it in Africa. One immediate benefit of this shown in the accounts is the reduction in the tax charge by £20,000. Moreover, profit margins on work done abroad are rather higher than those at home—some compensation for the greater risks involved. Iraq has reminded British companies of the political risks in some foreign contracts and Costain has had to write off its investments there. At home, it and the other big contractors have been little harmed by the recession. There has been a decline in orders for new factories, but the long interval between placing an order and completing the contract prevents that decline from having any immediate effect on profits, while the continued high level of house building—despite some shortage of mortgage funds last year—has helped to balance the fall in factory building. The road building programme, though not a source of much profit to most contractors, has helped to keep their labour force employed, though many of the contractors believe that they have the resources to maintain a larger programme than the present one. The National Coal Board's decision to limit the output of opencast coal has meant that these contracts no longer seem likely to offer satisfactory profits and Costain has had to allow for an expected loss on its Acorn Bank opencast contract.

BURMAH OIL

BURMAH OIL gives a widespread interest across the oil industry. It offers an indirect participation in the Royal Dutch/Shell group and an even bigger one in British Petroleum. Much of the figuring of the worth of Burmah's £1 ordinary units begins with a valuation at market prices of these two investments, but in the Far East Burmah's own marketing operations are of growing importance. Out of a gross income of £16,492,009 in 1958 (against £15,780,504 in 1957) trading profits after depreciation amounted to £5,587,701 and trade investments produced a further £2,478,945. Turnover rose in India by 4½ per cent, and in Burma by 8½ per cent. Shortages of tinplate for packing kerosene, exchange difficulties and transport problems limited the rise in turnover to 2½ per cent in Pakistan.

Company Affairs *continued on p. 686*
London and New York Stocks *on next two pages.*

LONDON AND NEW YORK STOCKS

Prices, 1959 High	Prices, 1959 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 6, 1959	Price, May 13, 1959	Net Yield, May 13, 1959 § £ s. d.	Gross Yield, May 13, 1959 £ s. d.
100	100	War Loan 3% 1955–59	100⅛	100⅛	1 6 0	3 13 8
97¾	96 11/16	Funding 2½%....1956–61	97 15/32	97½	2 16 8	3 17 2
99 1/16	98 1/32	Exchequer 2½%....1960	98 13/16	98⅞	2 9 7	3 10 3
100 3/16	99⅛	Exchequer 3%....1960	99 21/32	99⅝	2 0 4	3 9 5
101 11/32	100 23/32	Conversion 4½%....1962	101 1/16	101 3/32	2 3 9	4 1 7
96 3/32	94 7/16	Exchequer 3½%....1962–63	95 23/32	95 31/32	2 18 4	4 1 8
93⅝	91⅝	Exchequer 2½%....1963–64	92 17/32	92½	3 3 3	4 3 6
101¾	101 1/32	Conversion 4¾%....1963	101 11/32	101 15/16	2 11 5	4 7 1
100 7/16	99 1/16	Conversion 4½%....1964	100 1/32	100 3/32	2 13 7	4 8 4
92 15/16	91 3/16	Savings Bonds 3%....1955–65	91¾	91 13/16	3 9 6	4 15 2
85 3/16	83¹	Funding 3%....1959–69	83⅞	83½	3 17 6	5 3 7
93 1/16	90 3/8	Funding 4%....1960–90	91⅛	90 11/16	3 18 3	4 11 6
83⅞	80⅞	Savings Bonds 3%....1960–70	81⅞	81¾	3 18 5	5 5 3
86	83 15/16	Savings Bonds 2½%....1964–67	84¼	84	3 17 11	4 19 5
76 13/16	75 1/16	Savings Bonds 3%....1965–75	73⅜	73	3 17 7	5 5 9
105 1/16	102⅝	Exchequer 5½%....1966	103⅜	103⅛	2 19 0	5 2 2
86⅜	83¼	Funding 3%....1966–68	85¼	84 15/16	3 17 3	5 3 11
93⅛	90	Victory 4%....1920–76	96 5/16	95⅛	3 0 3	4 13 2
89 13/16	87⅝	Conversion 3½%....1969	88⅜	88 3/16	3 12 10	5 2 10
101⅜	98⅝	Conversion 5¼%....1974	101 3/8	98⅞	3 5 9	5 6 4
79¾	76⅞	Treasury 3½%....1977–80	79⅜	77½	3 13 6	5 5 11
73⅝	76 1/16	Treasury 3½%....1979–81	78 1/16	77¾	3 13 6	5 5 11
104½	101⅛	Funding 5½%....1982–84	104½	104 1/16	3 3 9	5 6 7
68¼	65⅞	Redemption 3%....1986–96	66⅜	66⅛	3 9 6	5 0 11
74 1/16	71¼	Funding 3½%....1999–2004	73½	72⅞	3 6 10	5 2 3
73 1/16	73 1/16	Consols 4%...after Feb. 1957	75 5/16	74⅝	3 6 3	5 8 10
68 5/16	65⅝	War Loan 3½%...after 1952	66 3/16*	65 11/16*	3 5 2	5 6 4
63 1/16	65⅞	Conv. 3½%...after Apr. 1961	66½	65 5/16	3 5 3	5 6 10
60	57½	Treasury 3%...after Apr. 1966	58⅛	57½	3 4 2	5 4 11
53⅜	51¼	Consols 2½%....	51⅝	51¼	2 19 11	4 18 1
51⅜	48⅞	Treasury 2½% after Apr. 1975	49½	48⅞	3 2 11	5 2 11
96 1/16	94	British Electric 4½%....1967–69	96⅜	96	3 6 0	5 3 1
80⅛	77¼	British Electric 3%....1968–73	78 1/16	78	3 18 7	5 5 11
76 3/16	74⅛	British Electric 3%....1974–77	75⅜	74 15/16	3 16 2	5 4 11
90 1/16	87⅝	British Electric 4½%....1974–79	88 1/32	88⅛	3 8 4	5 4 11
80⅜	77 9/16	British Electric 3½%....1976–79	78 11/16	78¼*	3 13 3	5 4 10
89 13/16	87⅛	British Gas 4%....1969–72	89¾	89 5/16	3 10 7	5 4 10
87⅞	84¾	British Gas 3½%....1969–71	86 1/16	85⅝	3 12 10	5 3 2
69 1/16	66⅝	British Gas 3%....1990–95	67⅞	67 7/16	3 8 5	4 19 11
80⅛	77¼	Brit. Transport 3%....1968–73	78 7/16	78	3 18 7	5 5 11
84	86 5/16	Brit. Transport 4½....1972–77	86⅞	84 7/8*	3 11 0	5 5 0
69 3/16	66¼	Brit. Transport 3%....1978–88	68¼	67 13/16	3 13 9	5 4 10

Prices, 1959 High	Prices, 1959 Low	FIXED INTEREST STOCKS	Price, May 6, 1959	Price, May 13, 1959	Yield, May 13, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	99⅝	Australia 4½%....1961–62	100½	100 9/16	4 2 0c
107	103¾	Australia 6%....1974–76	105¼	105	5 9 11e
77	74½	Ceylon 4%....1973–75	75½	75	6 10 11
102⅞	99½	Jamaica 6%....1972–82	102	102½	5 15 6e
105⅞	104¼	New Zealand 6%....1976–80	105⅞	105⅜	5 9 6e
101⅞	95¼	Rhodesia and Nyasaland 6%....1976–79	95¼*	95*	6 9 10
74¼	69½	Southern Rhodesia 2½%....1965–70	71	70½	6 5 0
		CORPORATION AND PUBLIC BOARDS			
103½	100 7/16	Agricultural Mortgage 5½%....1980–85	103½	103	5 5 2c
104¼	102¾	Birmingham 5¾%....1974–76	104¾	104⅜	5 5 10c
94½	92⅛	Bristol 3%....1958–63	93*	93*	4 19 0
98½	95½	Glasgow 4¾%....1956–68	96½*	96½*	5 4 11
101¼	99¼	Corporation of London 5½%....1976–79	99½*	99½*	5 5 10
57	54¼	L.C.C. 3%....after 1920	55*	54¼*	5 10 7
64	62¼	Met. Water Board 'B' 3%....1934–2003	63½	63	5 2 6
		FOREIGN BONDS			
110	101¼	German 7% 1924 (British Enfaced 5%)....	103¾	103¾	...
192	177	German 5½% 1930 (Enfaced 4½%).....	192	192	...
36¼	23¼	Greek 7% Refugee....1924	34¾	34⅛	Nil
169¼	161¼	Japan 5% (Enfaced)....1907	162	162¾	...
118¾	114½	Japan 6% (Enfaced)....1924	118½	118½	...
59	55	Uruguay 3½% Bonds (Assented).....	58	58	...

NEW YORK CLOSING PRICES

	May 6 $	May 13 $		May 6 $	May 13 $		May 6 $	May 13 $
Ath. Topeka....	283¼	287⅝	Boeing.....	38⅞	40⅛	Inter. Nickel ..	92⅞	93
Can. Pacific....	29⅞	29½	Celanese.....	32½	34¾	Inter. Paper ...	115⅝	116½
Pennsylvania...	17¼	17⅜	Chrysler.....	65	70⅞	Kennecott.....	110¼	111
Union Pacific ..	34	34¼	Col. Palmolive .	113	117¼	Monsanto	48⅞	50⅞
Amer. Electric .	52¼*	52⅞	Crown Zeller..	56⅞	56	Nat. Distillers .	31⅞*	31⅜
Am. Tel. & Tel..	246	245⅛	Distillers Seag..	34¼	33⅞	Pan-American..	30⅛	30¾
Cons. Edison ..	64⅛	63½	Douglas.....	55	56⅝	Procter Gamble	78¾	78⅜
Int. Tel. & Tel..	45⅜	42⅞	Du Pont.....	248	261¾	Radio Corpn....	65¾	68½
Standard Gas ..	31¼	33⅜	East. Kodak ...	87½	84½	Sears Roebuck .	43⅜	44⅜
United Corpn..	9¼	9¼	Ford Motor	67⅞	70⅝	Shell Oil	83⅜	83¾
Western Union	36⅞	38½	Gen. Electric ..	82¼	80½	Socony-Mobil ..	44⅜	44½
Alcoa.....	81½	85⅜	General Foods .	81¾	83*	Stand. Oil Ind..	50⅜	49¼
Aluminium	29*	27¾	General Motors	49¼	51	Stand. Oil N.J..	51⅞*	52¼
Amer. Can.....	43⅞	42¾	Goodyear	144	140¼	20th Cent. Fox.	39⅞	38¾
Am. Smelting ..	46⅜	46⅞	Gulf Oil.....	113¾	113¼	Union Carbide.	139	143⅛
Am. Viscose	50	48⅛	Heinz.....	87¼	70	U.S. Steel	91¼	92½
Anaconda	65¼	65⅜	Int. Bus. Mach..	584½	579⅞	West. Electric .	85⅞*	86
Beth. Steel	50*	51¼	Int. Harvester .	41⅛	44	Woolworth ...	54⅛	54¾

* Ex dividend. † Tax free. ‡ Assumed average life 9 years. § Less tax at 7s. 9d. in £. ¶ Ex capitalisation. ¶ Ex rights. ‡‡ Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date. (p) Unassented stock.

YORK STOCKS

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c) % (a)	% (b)	ORDINARY STOCKS	Price, May 6, 1959	Price, May 13, 1959	Yield, May 13, 1959
				STEEL AND ENGINEERING			
				Colvilles.....£1	31/4½	32/9	7·94
				Dorman Long.....£1	31/9	32/7½	7·36
32/9	28/11½	5 a	8 b	Steel Co. of Wales.....£1	24/–	25/–	7·20**
32/10½	26/6	4 a	8 b	Stewarts & Lloyds.....£1	28/6	30/6	7·21
6 c	3 a	3 a	6 a	John Summers.....£1	42/4½	46/9	6·56
10 b	6 a	6 a	12 b	United Steel.....£1	30/–	31/7½	7·91
37/9	30/8¼	6 b	4 a	John Brown.....£1	37/9	36/9	5·44
10/–	6/3	4 a	11 b	Cammell Laird.....5/–	7/10½	8/–	9·33
31/9	26/3¼	2½ a	7½ b	Swan Hunter.....£1	30/10½	30/–‖	6·67
36/6	31/–	2½ a	7½ b	Vickers.....£1	33/4½	34/3*	5·84
71/–	60/6	6¼ b	5 a	Averys.....£1	71/–	70/6	3·31
20/3	16/–	†17½ a	†4¾ b	Coventry Gauge.....10/–	20/–	20/–	5·12
44/6	36/5	†2	†4 b	Alfred Herbert.....£1	43/3	43/6	4·51¶
18/11½	16/9	10 b	5 a	Ransome & Marles.....5/–	18/–	18/3	4·11
46/6	39/9	9½ b	3 a	Renold Chains.....£1	45/9	46/3	5·41
45/–	37/–	8¾ b	3¾ a	Allied Ironfounders....£1	44/–	43/–	5·81
54/–	46/3	6 a	7 b	Babcock & Wilcox.....£1	43/6	47/3	5·50
85/–	64/–	4 a	13½ b	British Aluminium.....£1	64/6p	64/6p	5·43
107/6	86/3	15 c	20 c	Davy & United.....£1	107/6	102/6	3·90
62/11½	51/3	4 a	9 b	Guest Keen.....£1	60/3	62/11½	4·19
79/6	67/–	7 b	5 a	Metal Box.....£1	77/9	78/6	3·06
55/–	45/9	3¾ a	4¾ b	C. A. Parsons.....£1	46/6*	45/9*	3·55
25/9	23/6	15 b	10 a	John Thompson.....5/–	24/6	24/3	5·15
86/–	72/–	10 b	7½ a	Tube Investments.....£1	85/9	86/–	4·07
				BUILDING, etc.			
65/6	49/9	3 a	9 b	Associated Portland....£1	64/–	65/–	3·69
24/4½	21/–	7½ b	5 a	British Plaster Board.10/–	24/3	24/4½	5·13
78/–	59/7½	5 a	10 b	Richard Costain.....£1	76/–	74/6	4·03
12/11½	9/7½	10 b	5 a	Crittall Manufacturing.5/–	11/10½	11/9	6·38
72/9	61/3	15⅝ c	6 a	London Brick.....£1	71/–	72/9	4·30
93/9	79/9	13½ b	5 a	Wall Paper Defd.....£1	92/3	90/9	4·04
				CHEMICALS AND PAINT			
39/6	34/9	17½ b	10 a	Albright & Wilson....5/–	25/4½	25/4½	3·35
15/3	12/6	10 c	10 c	Borax Defd.....5/–	23/9	23/9	1·84
23/3	19/6	2½ b	2 a	Brit. Ind. Plastics 2/–	7/4½	7/4½	5·42
17/6	14/7½	5⅝ c	2 11/12 a	Fisons.....£1	51/9	52/9	4·04
				I.C.I.....£1	34/7½	34/11½	4·69
				International Paints...4/–	14/11½	13/10½	5·77
				Monsanto.....10/–	16/–	16/–	4·25
				Pinchin Johnson.....10/–	19/6	19/3	8·65
				ELECTRICAL AND RADIO			
61/3	54/–	7½ a	7½ b	A.E.I.....£1	61/3	60/3	4·98
57/–	46/3	4 a	9½ b	B.I.C.C.....£1	48/6	42/–	5·30
43/3	38/–	20 c	2½ a	Decca Record.....10/–	40/3	40/–	5·00
60/9	50/10½	11¼ c	5 a	E.M.I.....10/–	56/6	54/7½	3·66**
66/–	57/–	4 a	10 b	English Electric.....£1	64/6	64/9	4·32
40/–	30/–	6½ b	3 a	General Electric.....£1	33/–	32/3	5·89
16/9	14/11½	12½ c	12½ c	Pye Defd.....5/–	15/3	15/11½	4·13
97/3	85/–	6½ a	11 b	A. Reyrolle.....£1	85/6	85/–	4·12
				MOTORS AND AIRCRAFT			
17/3	13/–	17½ c	7½ a	British Motor.....5/–	16/11¼	16/10½	6·07**
64/6	50/3	3½ a	8½ b	Ford Motor.....£1	63/4½	63/6	3·73
55/–	44/–	12½ c	12½ c	Leyland Motor.....£1	54/3	53/3	4·69
11/3	7/3	8 c	4 a	Rootes Motors.....4/–	11/1½	11/3	2·34
11/11¼	8/6	8 c	12 c	Standard Motor.....5/–	10/9¾	11/–	5·45
29/7½	22/10½	4½ a	12½ b	Dunlop Rubber.....10/–	29/7½	28/9	5·65
51/–	44/3	5 b	2½ a	Joseph Lucas.....£1	49/3	48/9	4·10
27/–	23/7½	7½ a	17½ b	Pressed Steel.....5/–	26/11½	26/10½	4·65
56/7½	48/11½	20 c	7½ a	Triplex Holdings 10/–	56/–	56/7½	4·85**
11/7½	9/4½	3½ a	6½ b	Bristol Aeroplane....10/–	10/–	10/–	10·00
20/9	14/9	7½ c	Nil	De Havilland.....£1	15/3	14/9	...
45/0¾	40/–	†5	†6½ b	Dowty Group.....10/–	40/7½	40/–	4·71
34/–	27/–	3 a	7 b	Hawker Siddeley.....£1	28/9	28/11½	7·11
105/3	94/6	5 a	15 b	Rolls-Royce.....£1	98/11½	101/3	3·95
				PAPER AND NEWSPAPERS			
50/3	44/6	4½ a	8 b	Bowater Paper.....£1	49/–*	48/6*	5·15
54/9	47/3	9 b	5 a	Albert E. Reed.....£1	51/3	52/–	5·38
32/9	22/–	3 a	5 b	Spicers.....£1	28/–	28/3	5·66
25/3	21/–	7½ a	12 b	Daily Mirror 'A'.....5/–	24/9	24/9	3·94
29/6	26/3	5 a	12½ b	Odhams Press.....10/–	28/6	28/3	6·19
				TEXTILES			
25/3	22/–	6¼ b	2½ a	J. & P. Coats.....£1	24/3	23/9	7·37
25/–	18/3	5 b	5 a	Fine Spinners.....£1	24/–	22/9	8·79
45/3	35/4½	5 a	12½ b	Lancashire Cotton.....£1	45/3	44/7½	7·84
42/9	35/4½	12½ c	2½ a	Patons & Baldwins.....£1	41/11½	42/9	5·85
6/3¼	4/3	6 c	4 a	Salts (Saltaire).....5/–	6/3¼	6/3¼	4·75
61/3	50/–	10 b	5 a	Woolcombers.....£1	58/10½	58/–	5·17
19/11½	14/7½	Nil c	3 a	Bradford Dyers.....£1	16/6	16/10½	...
44/6	37/–	22½ c	22½ c	Calico Printers.....£1	42/3	42/–	10·71
35/10½	31/7½	5 b	3 a	Courtaulds.....£1	35/–	35/6	4·51
13/3	10/–	3 a	10 b	Jute Industries.....10/–	13/–	13/3	9·81
35/6	24/6	7½ c	7½ c	Tootal.....£1	30/–	30/7½	4·90
				DRAPERY & STORES			
23/9	19/7½	6 a	10 b	Boots Pure Drug 5/–	23/–	23/9	3·37
33/9	27/9	10 b	5 a	Debenhams.....10/–	32/–	31/6	4·76
38/11½	31/6	25 b	7½ a	G.U.S. 'A'.....5/–	37/11½	38/11½	4·26
84/7½	74/6	5 a	12½ b	Harrods.....£1	84/3	83/–	4·22
37/–	33/3	25 b	10 a	House of Fraser 'A'....5/–	36/6	36/6	4·79
18/6	16/3	6 a	10 b	Lewis's Investment 4/–	18/4½	18/–	3·56
65/6	49/9	12½ a	25 b	Marks & Spencer 'A'..5/–	62/3	65/6	2·86
40/7½	33/10½	12½ a	22½ b	United Drapery 5/–	40/6*	40/6*	4·32
53/6	47/3	26⅔ b	13⅓ a	Woolworth.....5/–	53/11½	53/6	3·74
				BANKING			
66/–	54/–	6 a	6 b	Barclays.....£1	66/–	65/9	3·65
50/11½	40/3	4⅓ a	5⅔ b	Lloyds.....£1	47/3	47/9	4·19
70/6	60/11½	6¾ a	6¾ b	Midland.....£1	68/9	70/6	4·26**
65/–	54/–	4½ a	5½ b	National Provincial £1	64/6¶	65/–¶	3·69**
70/3	52/9	5 a	9½ b	Westminster 'B'.....£1	68/3	70/3	3·56
87/6	68/9	7½ a	9½ b	District.....£1	83/–	87/6	3·89
25/6	17/–	6 a	10 b	Martins.....5/–	23/3	23/–	3·48
44/6	31/7½	5 a	7½ b	Com. Bk. of Scot. 'A' 10/–	42/7½	44/6	2·81
79/–	67/6	7 a	9 b	Royal Bank of Scotland.£1	77/3	79/–	4·05
43/–	37/9	4 a	5 b	Barclays D.C.O. £1	42/6	43/–	4·19
47/9	43/9	7½ a	7½ b	Chartered Bank £1	47/3	46/9	6·42
£3/16	£2/15	$2·10c	$2·25c	Royal Bank of Canada..$10	£30 11/16*	£31/16*	2·64
£2 11/16	£1 87/16	$1·60c	$1·65c	Bank of Montreal.....$10	£2 19/16‡‡	£2 17/16‡‡	2·84
36⅛	30½	9 c	9 c	Bank of New S. Wales.£20	34⅞*	36⅛	3·99g
38/3	32/3	4 a	6 b	Bank of Ldn. & S. Amer. £1	36/10½	36/10½	5·42
				FINANCIAL			
34/3	28/4½	2½ a	5 b	Alexanders.....£1	33/–	34/3	4·38
49/6	42/6	5 a	7 b	National Discount 'B'..£1	48/6	48/9	4·92
56/–	49/–	6¼ a	6¼ b	Union Discount £1	54/3	56/–	4·46
47/9	40/9	18½ a	21½ b	Commercial Union....5/–	46/–	44/–	4·55
150/–	127/6	12½ a	15 b	Employers Liability £1	137/6	135/–	4·07
207/6	160/–	†32·35c	†41·17c	Equity & Law 8/6	175/–	177/6	3·23
277/6	192/6	40 a	60 b	Legal & General 5/–	277/6	265/–	1·89
120/–	114/6	†20 a	†50 b	Pearl.....5/–	113/6	113/–	5·07
237/6	210/–	†14 7/11 c	†16 2/11 c	Prudential 'A'.....4/–	232/6	237/6	4·48
107/6	78/6	8 a	10 b	Royal Exchange.....£1	106/3	107/6	3·35
28/7½	16/2¼	5 a	8¾ b	Bowmaker.....5/–	27/10½	27/4½	2·51
31/7½	21/3	7½ a	8½ b	Lombard Banking.....5/–	31/–	31/6	2·54
160/3	113/6	16 b	4 a	U.D.T. £1	158/6	153/6	2·61
39/6	34/9	17½ b	10 a	B.E.T. 'A' Defd. 5/–	39/–	38/–	3·62
15/3	12/6	10 c	10 c	Cable & Wireless.....5/–	15/–*	15/3*	3·28
23/3	19/6	2½ b	2 a	Land Securities.....10/–	19/9¾	21/3	2·82**
17/6	14/7½	5 12/12 c	2 11/12 a	London & County 10/–	17/6	16/6	4·04**
				FOOD, DRINK AND TOBACCO			
35/10½	22/6	15 c	10 a	Allied Bakeries 'A'....5/–	30/3	31/–	2·42
23/4½	20 c	14 a	10 a	Beecham Group 5/–	35/4½	35/11½	2·85
12/–	10/9	7 c	2½ a	International Tea 5/–	11/9	11/6	4·13
83/3	74/9	9½ b	5 a	J. Lyons 'A'.....£1	81/9	82/3	3·44
20/4½	18/10½	5 a	5 b	Ranks 10/–	20/4½	20/4½	4·91
22/6	18/11½	2½ a	12½ b	Schweppes.....5/–	20/3*	22/6*	3·33
7·5b	2·8a	7·5b	2·8a	Tate & Lyle £1	48/3	48/–	4·29
12/9	10/10½	...	...	Unigate 5/–	12/9	12/6	4·00**
59/7½	52/4½	†17½ c	†5 a	Brit. Amer. Tobacco .10/–	55/4½	54/6	5·24
49/3	36/6	5 a	20 b	Gallaher.....10/–	46/9*	44/9*	5·59
59/–	54/3	8½ a	12½ b	Imperial Tobacco £1	58/9	58/6	7·18
				MISCELLANEOUS			
50/9	41/–	30 c	20 a	Assoc. Brit. Picture ...5/–	45/6	44/6	...
46/–	43/–	11 c	5 a	British Match £1	45/4½	46/–	4·78
59/9	49/6	4 e	8 b	British Oxygen.....£1	58/3	58/–	4·14
9/9½	8/8¼	4 a	14 b	British Ropes 2/6	9/7½	9/3¶	4·76
53/3	35/9	7½ b	5½ a	Glaxo 10/–	50/3	48/3	2·69
63/9	56/4½	10 a	50 b	Hoover 'A' 5/–	63/–	63/7½	4·72
232/6	172/6	6·04d	26·14b	Hudson's Bay £1	231/3	230/–	2·80
14/3	10/–	12½ c	5 c	Rank Organisation 5/–	12/10½	12/9	1·96
44/6	31/7½	5 a	7½ b	Sears 'A' 5/–	19/11½*	20/–	6·25
74/9	62/–	6¼ a	7 b	Thomas Tilling £1	74/3	74/3	3·57
76/4½	69/7½	5 a	10 b	Turner & Newall £1	71/7½	72/11½	4·16
103/6	86/7½	8¾ b	8¾ a	Unilever.....£1	101/9	101/6	3·31
53/6	47/3	3¾ a	8¾ b	United Glass £1	52/6	51/9	4·83
35/6	31/9	14¼ a	†10 5/8 b	United Molasses 10/–	34/–	34/–	7·20
				OIL			
57/–	49/6	†21½ a	†6¼ b	British Petroleum.....£1	49/6	50/9	5·63
86/–	75/6	†5 a	†8¾ b	Burmah Oil £1	79/6	80/–	5·61
£17¾	£15¼	7½ a	17½ b	Royal Dutch .....20 fl.	£15⅝	£15¾	2·99
152/6	131/–	†5 a	†13¾ b	Shell Transport.....£1	132/–	132/6	4·62
73/6	54/9	13⅜ b	7½ a	Ultramar 10/–	69/9	69/6	... d
42/6	35/6			Wakefield C.C.....10/–	42/3	41/6	4·96
				SHIPPING			
46/6	39/3	13½ b	6½ a	Brit. & Com'wealth. .10/–	42/3	43/–	4·65
20/–	17/3	10 c	8 c	Cunard £1	18/6*	17/9*	9·01
35/6	29/6	10¾ c	10 c	Furness Withy £1	31/6	31/3	6·40
20/6	16/–	10 b	10 a	London & Overseas 5/–	16/6	16/3	6·15
38/3	31/6	3 a	8 b	P & O Defd. £1	33/3	32/9	6·72
17/6	13/6	5 c	2½ c	Reardon Smith 10/–	14/6	14/6	1·72
25/9	21/6	7½ c	8 c	Royal Mail £1	22/3	21/6	7·44
				MINES			
182/6	165/–	20 a	60 b	Anglo-American 10/–	176/10½	180/–	4·44
136/3	113/9	10 a	20 b	General Mining £1	135/–*	136/3*	4·40
60/6	49/4½	40 a	100 b	Union Corporation 2/6	59/6	58/3	6·01
33/4½	27/–	50 a	50 b	Daggafontein 5/–	29/4½	29/7½	16·88
185/–	111/10½	60 b	70 a	Free State Geduld 5/–	178/9	175/7½	3·70
69/–	61/6	35 b	35 a	Hartebeestfontein 10/–	69/–	69/–	10·14
72/–	61/10½	50 b	50 a	President Brand 5/–	71/7½	70/6	7·09
151/3	119/4½	80 b	70 a	Western Holdings 5/–	148/9	146/10½	5·11
64/6	57/5¼	12½ b	5 a	Consolidated Zinc £1	62/6	62/6	4·80
139/4½	121/3	80 a	120 b	De Beers Defd. Reg. ..5/–	138/9	138/9	7·21
$172·5	$154·5	$3·75c	$2·60c	International Nickel..n.p.v.	$163¼	$162¾	2·84
10/–	7/10½	5 a	15 b	London Tin 4/–	9/9	10/–	8·00
86/3	73/11½	30 b	12½ a	Rhod. Anglo-Amer. ..10/–	78/11½	80/7½	5·27h
19/–	15/–	11 12d	6¼ b	Rhod. Selection Tst. ..5/–	16/7½	15/–	2·19h
58/11½	49/4½	26 c	20 c	Rio Tinto Reg. 10/–	49/4½*	49/11½*	4·05
10½d	6¾d	8 c	Nil	United Serdang.....2/–	9d	8/9	3·01h
56/6	47/6	17½ b	15 a	Tanganyika Cons.....10/–	49/6*	48/6*	6·70
14/4½	11/4½	60 c	26⅔ a	Tronoh.....5/–	14/4½	14/4½	...
				TEA AND RUBBER			
31/3	23/–	†21½ a	†10 b	Cons. Tea & Lands.....£1	30/–	29/9	13·75
26/3	22/3	†5 b	†3 a	Jokai (Assam).....£1	25/6	26/3	9·97
19/–	16/–	10 b	4 a	Nuwara Eliya.....£1	18/9	18/–	15·56
2/–	1/3	4 a	12 b	Grand Central 2/–	1/8¼	1/7½	19·69
5/4½	3/9¼	5 a	25 b	London Asiatic 2/–	5/4½	5/4½	11·16
10½d	6¾d	8 c	Nil	United Serdang.....2/–	9d	9d	...
88/3	64/–	12½ a	37½ b	United Sua Betong.....£1	86/6	88/3	11·33
61/3	52/6	12½ b	5 a	Harrisons & Cros. Defd. £1	58/9	57/6	6·09

** Yields based on assumed dividends:—British Motor, 20½%. E.M.I., 20%. Land Securities, 6%. London & County, 62½%. Joseph Lucas, 10%. Midland, 15%. National Provincial, 12%. Steel Co. of Wales, 9%. Triplex, 27½%. Unigate, 10%.

THE ACTUARIES' INVESTM

The tax free ordinary dividend has been raised from 2s. 7d. to 2s. 9d. per share, absorbing £5,666,312 from a net profit of £7,506,141. A one for one scrip issue has been proposed, following the writing up of the value of the company's holding of British Petroleum stock from 10s. to 20s. per share. At the current price of 80s. the £1 ordinary shares yield 5.6 per cent. There is still a major capital commitment hanging over Burmah Oil: under its agreement with the Indian Government it has agreed to provide up to £10 million towards the cost of a new pipeline and the chairman, Mr W. E. Eadie, hopes to be able to report progress on the discussions about this finance at the general meeting.

BRITISH MOTOR

At least 10 per cent is the BMC directors' forecast of the final dividend on the ordinary capital as increased by the three for ten scrip issue. That means that the total ordinary dividend for 1958-59 will be raised from an effective 13.46 per cent to at least 15.77 per cent on the new capital. That in itself is not a prospect for investors to become excited about, for last year's dividend was covered nearly three times by earnings, and the boom in the motor industry is now adding to profits. But the announcement certainly leaves room for a higher final dividend than 10 per cent in November. After a further small improvemeat to 16s. 10½d., the 5s. ordinary units yield 6.1 per cent.

ROWNTREE

A YEAR ago the chairman of Rowntree and Company, Mr L. Owen, told shareholders that the sharp rise in the price of cocoa had cut into profit margins, but that earnings in the first few months of last year were not discouraging. The spot price of cocoa rose from £303¾ at the beginning of January to a peak of £403¾ at the end of May before falling to £334½ by the end of December, and over the year to December 31st Rowntree's trading profits were only £103,597 lower at £3,970,295. The ordinary dividend of 13 per cent (against 11½ per cent) absorbs a mere £195,313 out of a net profit of £1,296,299. That payment may seem to the directors to be in line with the earlier statement that, although the weight of capital spending would lighten following the completion of the factory at Fawdon, the expansion of the business and the renewal of plant would continue to require "considerable" outlays, but it sadly disappointed the stock market. The £1 shares were marked down by 4s. 7½d. to 90s. 7½d., to yield a bare 3 per cent.

LISTER AND COMPANY

THE process towards greater concentration in the woollen industry has been enlivened by a series of competing bids for the 1,425,000 ordinary shares of £1 each in Lister and Company, which spins silk and artificial silk as well as woollens. West Riding Worsted and Woollen was the first bidder, offering an exchange of shares. That offer was withdrawn after Homfray and Company made a bid of 19s. in cash for each of the ordinary shares. That offer, too, was withdrawn and the field has at the moment been left open to Mr I. E. Kornberg and Mr J. Segal, who own a substantial group of textile manufacturing companies in Yorkshire. Through S. G. Warburg, they are offering 21s. in cash for each of the ordinary shares. Since this bout of bid and counter bid began, the market price of the Lister shares has risen from 13s. 4½d. to 18s. 9d.

UNITED SUA BETONG

IN their jubilee review the directors of United Sua Betong take a cautiously optimistic view of the outlook for the natural rubber industry, pointing out that the economic recovery in Europe and the pursuit of full employment policies has led to the absorption of all the natural and synthetic rubber that could be produced. They note, too, that the science of genetics has helped to raise yields on natural rubber and that its processing has markedly improved.

United Sua Betong, under its chairman, Sir John Hay, has been pressing ahead with a big planting programme, and last year its planted acreage went up by 604 acres to 37,461 acres and this year's plan is to clear and to plant a further 568 acres. Last year 1,049 acres were replanted and 500 acres of young rubber trees brought into tapping. Yields per acre have been rising sharply —from 735 lb in 1956 through 827 lb in 1957 to 845 lb last year and the total rubber crop rose from 22,760,000 lb to a fresh peak of 22,777,500 lb. The directors, however, estimate that only 22 million lb will be harvested this year. The tea plantations did not fare so well; there were long periods of drought and output fell from 2,154,500 lb to 1,827,000 lb, but a slightly higher crop is forecast this year. In all, the immediate prospect seems favourable. The rise in rubber shares has carried the £1 ordinary units up to 88s. 3d., bringing the yield on the maintained dividend of 50 per cent down to 11½ per cent.

UNIT TRUSTS

TWO unit trusts have announced block offers of one million units. The managers of the Bank Insurance group offered and secured subscriptions for one million units in Investment-Trust-Units at 14s. 3d. xd. This trust invests in the equities of British investment trusts and has an exceptional record of growth, which partly derives from the gearing of the underlying securities. At the offer price the yield is only £3 9s. per cent.

The Atomic, Electronic and General Unit Trust has an appeal all of its own for the managers have carried the search for capital gain to its logical conclusion, investing in "growth" shares with slender yields. The trust itself re-invests all the net dividends which it receives. If the dividends were distributed, they would give a yield of 3⅛ per cent on the offer price of 12s. 8d.

London Stock Exchange

FIRST DEALINGS:	Apr. 29	May 20	June 3
LAST DEALINGS:	May 19	June 2	June 16
ACCOUNT DAY:	May 26	June 9	June 23

GILT edged stocks were dull at first and when selling increased on Monday losses ranging up to ¼ were recorded. But selling died away and the market staged a minor rally on Wednesday. Thus Funding 3½ per cent 1999-2004 having lost 1⅛ to 72⅛ by Tuesday rallied to 72⅞ on that day.

Demand for leading industrials became more selective on Monday, but buying picked up on Wednesday as the market was cheered by the continued flow of good company news and the April trade figures. *The Economist* Indicator rose fractionally by 0.8 to a fresh peak of 267.8 over the week to Wednesday's close. Individual sectors of the market were strong and steel shares advanced on the municipal election results. John Summers, following its interim report, gained 4½d. to 48s. 9d. Colvilles rose by 1s. 4½d. to 32s. 9d. and United Steel by 1s. 7½d. to 31s. 7½d.

In motor and allied shares, Automotive Products jumped by as much as 14s. 3d. to 78s. 6d. following the higher dividend and scrip issue. ACV rose by 2s. 9d. to 48s. 6d. on the dividend forecast with the interim statement, and Armstrong Shock Absorbers gained 1s. 1½d. to 14s. 1½d. But Rover lost 6d. to 27s. on the denial of an agreement in the merger negotiations. Electrical shares were rather irregular; Automatic Telephone lost 5s. 9d. to 76s. 9d. following the results and "Emmies" dropped by 1s. 10½d. to 54s. 7½d. But Ever Ready rose by 4s. 4½d. to 32s. 9d. following the higher payment and the proposed scrip issue. Store shares were firm following Marks and Spencer's results, and GUS "A" gained 1s. to 38s. 1½d. and Gamage 3s. to 78s. Dealings began on Wednesday in the new Debenhams debenture issued at 97½ (£25 paid). The stock opened at ⅜ premium and closed at ½ premium. Among food shares, Bovril rose by 4s. 9d. to 74s. and Allied Bakeries "B" by 9d. to 31s.

Insurances were still active, but Atlas slumped by 4s. to 90s. on Wednesday following the capital plans and dividend forecast. Banking shares remained firm and District rose by 4s. 6d. to a 1959 peak of 87s. 6d. on the announcement of a pending "rights" issue. Westminster "B" advanced by 2s. 3d. to 70s. 3d. and Midland by 2s. 9d. to 70s. 6d.

Little interest was shown in oil shares and Shell Trinidad lost 2s. 6d. to 133s. 9d. Kaffirs were irregular and F.S. Geduld lost 3s. 1½d. to 175s. 7½d. In the OFS group Loraine lost 7½d. to 31s. despite Anglo-American's decision to acquire shares through a loan conversion. Anglo-American itself gained 8s. 9d. on the week to 181s. 3d.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended May 9, 1959, there was an "above-line" surplus (after allowing for Sinking Funds) of £62,615,000 compared with a surplus of £9,461,000 in the previous week and a surplus of £53,725,000 in the corresponding period of last year. There was a net expenditure "below-line" of £15,510,000 leaving a total surplus of £3,279,000 compared with a deficit of £3,332,000 in 1958-59.

£'000	Estimate, 1959-60	April 1, 1958, to May 10, 1958	April 1, 1959, to May 9, 1959	Week ended May 10, 1958	Week ended May 9, 1959
Ord. Revenue					
Income Tax	2147,000	172,679	168,873	15,673	17,334
Surtax	171,000	14,400	15,500	2,000	1,900
Death Duties	195,000	17,900	26,500	3,700	4,700
Stamps	68,000	5,900	9,100	1,200	1,400
Profits Tax, EPT & EPL	274,000	21,900	24,500	3,700	6,000
Other Inland Rev. Duties	1,000	...	...	...	...
Total Inland Rev..	2856,000	232,779	244,473	26,273	31,334
Customs	1285,500	146,807	149,507	30,325	27,302
Excise	864,500	124,675	115,035	54,153	60,070
Total Customs and Excise	2150,000	271,482	264,542	85,478	87,372
Motor Duties	104,000	9,402	9,686	1,469	3,653
Sundry (Net Receipts)	...	2,300	1,960	2,300	1,960
Broadcast Licences	35,000	2,000	2,000	...	...
Sundry Loans	30,000	2,075	2,032	1,993	1,989
Miscellaneous	150,000	10,191	9,172	3,639	...
Total	5325,000	530,229	533,865	120152	126308
Ord. Expend.					
Debt Interest	600,000	96,871	75,045	5,447	5,072
Payments to N. Ireland Exchequer	79,000	7,788	8,313	2,479	2,631
Other Cons. Funds	10,000	668	899	101	20
Supply Services	4494,996	401,151	398,865	57,100	54,760
Total	5183,996	506,477	483,122	65,127	62,483
Sinking Funds	39,000	3,424	2,723	1,300	1,210
"Above-line" Surplus or Deficit		+ 20,327	+ 48,020	+ 53,725	+ 62,615
"Below-line" Net Expenditure*		73,659	44,741	15,568	15,510
		—	+	+	+
Total Surplus or Deficit		53,332	3,279	38,157	47,105
Net Receipts from:					
Tax Reserve Certificates		26,862	20,767	2,062	906
Savings Certificates		4,400	10,100	7,700	1,100
Defence Bonds		—7,805	15,137	1,076	1,340
Premium Savings Bonds		7,170	7,470	1,550	940
Total		30,627	53,474	12,388	4,286

* Receipts of the Civil Contingencies fund to May 9, 1959, £10 million, compared with £16 million in the corresponding period last year.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
May 10	3,150·0	1,561·3	215·3	2·3	4,928·9
1959					
Feb. 7	3,250·0	1,891·6	237·9	...	5,379·5
„ 14	3,140·0	1,874·2	252·2	...	5,266·4
„ 21	3,070·0	1,943·7	197·2	...	5,210·9
„ 28	3,010·0	1,990·0	197·3	...	5,197·3
Mar. 7	2,950·0	1,999·9	213·7	...	5,163·6
„ 14	2,920·0	1,993·9	225·1	...	5,143·1
„ 21	2,910·0	2,020·3	252·7	...	5,193·0
„ 31	4,898·1		336·5	4·3	5,238·9
Apr. 4	2,950·0	1,986·3	291·6	...	5,227·8
„ 11	2,940·0	2,015·7	280·8	...	5,236·5
„ 18	2,940·0	2,007·5	297·7	...	5,245·2
„ 25	2,950·0	2,025·8	267·8	...	5,243·7
May 2	2,940·0	2,089·0	255·7	...	5,284·7
„ 9	2,910·0	2,053·9	269·4	...	5,233·3

THE MONEY MARKET

THE market encountered a persistent shortage of funds this week. Fresh credit did not become available to offset the calling of the clearing banks and overnight money was hard to find. On Thursday and Friday of last week, and again on Monday one or two houses had to borrow a very small amount from the Bank of England. The authorities entered the market to provide a small amount of assistance last Friday and continued to give a small amount of help through to Wednesday. Fresh money commanded a rate in excess of 3⅛ per cent for much of this period and more than 3½ per cent has been conceded to avoid recourse to the Bank.

At last week's Treasury bill tender, the discount market left its concerted bid unchanged at £99 3s. 5d., but obtained an allotment of 33 per cent at this price compared with an allotment of about 20 per cent at the previous tender. The average rate of discount was almost unaltered at £3 6s. 1.22d. per cent. Total applications fell by about £22 million although the offer was raised by £10 million to £200 million of 91-day bills.

Recent funding operations in the United States resulted in a rise in the average rate of allotment of 182-day bills from 3.316 per cent to 3.408 per cent.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	**Discount rates:**	
Deposit rates (max.):		Bank bills:	
Banks	2	60 days	$3\frac{13}{32}$–$3\frac{7}{16}$
Discount houses	2–2¼	3 months	$3\frac{13}{32}$–$3\frac{7}{16}$
Money:		4 months	$3\frac{13}{32}$–$3\frac{7}{16}$
Day-to-Day	$2\frac{3}{8}$–$3\frac{1}{8}$	6 months	$3\frac{13}{32}$–$3\frac{1}{2}$
Treasury bills:		Fine trade bills:	
2 months	$3\frac{5}{16}$	3 months	4¼–5
3 months	$3\frac{11}{32}$	4 months	4¼–5
		6 months	$4\frac{1}{2}$–$5\frac{1}{4}$

New York

	%		%
Official discount rate: (from 2½%, 5/3/59)	3	**Treasury bills:**	
		May 4	2·935
		„ 11	2·722

BANK OF ENGLAND RETURNS

(£ million)	May 14, 1958	May 6, 1959	May 13, 1959
Issue Department:			
Notes in circulation	2,020·0	2,064·6	2,077·0
Notes in banking dept.	30·4	35·7	23·3
Govt. debt and securities*	2,046·3	2,096·7	2,096·7
Other securities	0·7	0·8	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin.	3·0	2·5	2·5
Banking Department:			
Deposits:			
Public accounts	11·2	10·8	13·4
Bankers	216·7	233·5	235·1
Others	71·3	63·6	63·0
Total	299·2	307·9	311·5
Securities:			
Government	248·2	244·3	261·1
Discounts and advances	16·7	24·3	23·2
Other	19·3	20·4	20·7
Total	284·2	289·0	305·0
Banking department reserve	32·7	36·7	24·3
"Proportion"	% 10·9	% 11·9	% 7·8

* Government debt is £11,015,100, capital £14,553,030. Fiduciary issue increased by £50 million to £2,100 million March 25, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1958				s. d.	%
May 9	250·0	447·6	250·0	103 10·81	20
1959					
Feb. 6	210·0	385·3	190·0	60 0·22	45
„ 13	190·0	339·6	190·0	59 10·89	30
„ 20	200·0	347·1	200·0	61 9·89	27
„ 27	220·0	317·9	220·0	65 6·22	51
Mar. 6	230·0	370·4	230·0	66 0·14	57
„ 13	230·0	374·1	230·0	65 11·05	43
„ 20	250·0	360·4	250·0	65 8·95	55
„ 26	260·0	378·8	260·0	66 0·10	58
Apr. 3	250·0	381·0	250·0	65 11·42	50
„ 10	260·0	433·9	260·0	64 0·89	65
„ 17	250·0	386·6	230·0	64 9·12	38
„ 24	210·0	359·2	210·0	65 7·89	26
May 1	190·0	364·4	190·0	66 1·81	20
„ 8	200·0	342·3	200·0	66 1·22	33

* On May 8th tenders for 91 day bills at £99 3s. 5d. secured 33 per cent, higher tenders being allotted in full. The offer this week was for £190 million of 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: May 13	Market Rates: Spot: May 7	May 8	May 9	May 11	May 12	May 13
United States $	2·78–2·82	$2·81\frac{5}{8}$–$\frac{3}{4}$	$2·81\frac{5}{8}$–$\frac{3}{4}$	$2·81\frac{5}{8}$–$\frac{3}{4}$	$2·81\frac{5}{8}$–$\frac{3}{4}$	$2·81\frac{9}{16}$–$\frac{11}{16}$	$2·81\frac{9}{16}$–$\frac{11}{16}$
Canadian $	...	$2·71\frac{9}{16}$–$\frac{11}{16}$	$2·71\frac{1}{4}$–$\frac{3}{8}$	$2·71\frac{3}{8}$–$\frac{1}{2}$	$2·71\frac{7}{16}$–$\frac{9}{16}$	$2·71\frac{5}{16}$–$\frac{7}{16}$	$2·71\frac{5}{16}$–$\frac{7}{16}$
French Fr.	13·6220–14·0265	$13·80\frac{1}{2}$–$\frac{3}{4}$	$13·80\frac{1}{2}$–$\frac{3}{4}$	$13·80\frac{1}{2}$–$\frac{3}{4}$	$13·80\frac{1}{2}$–$\frac{3}{4}$	$13·80\frac{1}{2}$–$\frac{3}{4}$	$13·80\frac{5}{8}$–$\frac{5}{8}$
Swiss Fr.	11·94–12·54⅞	$12·17\frac{3}{4}$–18	$12·17\frac{3}{8}$–$18\frac{1}{8}$	$12·17\frac{3}{8}$–$18\frac{1}{8}$	$12·17\frac{3}{8}$–$18\frac{1}{8}$	$12·17\frac{3}{8}$–$\frac{7}{8}$	$12·17\frac{3}{8}$–$\frac{5}{8}$
Belgian Fr.	137·96–142·05	140·45–45	140·40–45	$140·37\frac{1}{2}$–$42\frac{1}{2}$	$140·37\frac{1}{2}$–40	140·35–40	140·35–40
Dutch Gld.	10·48–10·80	$10·62\frac{5}{8}$–$63\frac{1}{8}$	$10·62\frac{3}{4}$–63	$10·62\frac{7}{8}$–$63\frac{1}{8}$	$10·62\frac{3}{4}$–63	$10·62\frac{5}{8}$–$\frac{7}{8}$	$10·62\frac{1}{2}$–$\frac{3}{4}$
W. Ger. D-Mk.	11·59¼–11·92¾	$11·77\frac{3}{4}$–78	$11·77\frac{3}{4}$–78	$11·77\frac{7}{8}$–$78\frac{1}{8}$	$11·77\frac{7}{8}$–$78\frac{1}{8}$	$11·77\frac{5}{8}$–$\frac{7}{8}$	$11·77\frac{5}{8}$–$\frac{5}{8}$
Portuguese Esc.	79·00–82·00	80·15–30	80·15–30	80·15–30	80·15–30	80·15–30	80·15–30
Italian Lire	1725–1775	$17471\frac{1}{4}$–$\frac{3}{4}$	$17471\frac{1}{2}$–48	$17471\frac{1}{2}$–48	$17471\frac{1}{4}$–48	$17471\frac{1}{2}$–48	$17471\frac{1}{4}$–$\frac{3}{4}$
Swedish Kr.	14·37¾–14·59¼	$14·56\frac{5}{8}$–$\frac{7}{8}$	$14·56\frac{5}{8}$–$\frac{7}{8}$	$14·56\frac{5}{8}$–$\frac{7}{8}$	$14·56\frac{5}{8}$–$\frac{7}{8}$	$14·56\frac{3}{4}$–$\frac{7}{8}$	$14·56\frac{3}{8}$–$\frac{5}{8}$
Danish Kr.	19·06½–19·62	19·39¼–½	19·39¼–½	19·39¼–½	19·39⅜–⅝	19·39⅜–⅝	19·39⅜–⅝
Norwegian Kr.	19·71–20·30½	20·00¾–04	$20·03\frac{7}{8}$–$04\frac{1}{8}$	$20·03\frac{7}{8}$–$04\frac{1}{8}$	$20·03\frac{7}{8}$–$04\frac{1}{8}$	20·04–04¼	20·04–04¼
One Month Forward Rates							
United States $		$\frac{3}{16}$–$\frac{1}{16}$c. pm	$\frac{3}{16}$–$\frac{1}{16}$c. pm	$\frac{3}{16}$–$\frac{1}{16}$c. pm	$\frac{3}{16}$–$\frac{1}{16}$c. pm	$\frac{3}{16}$–$\frac{1}{16}$c. pm	$\frac{5}{16}$–$\frac{1}{16}$c. pm
Canadian $		¼–⅜c. dis	¼–⅜c. dis	¼–⅜c. dis	¼–⅜c. dis	¼–⅜c. dis	¼–⅜c. dis
French Fr.		par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis
Swiss Fr.		½–¾c. pm	½–¾c. pm	½–¾c. pm	½–¾c. pm	⅝–⅝c. pm	⅞–⅝c. pm
Belgian Fr.		8–3c. pm	7–2c. pm	7–2c. pm	7–2c. pm	6–1c. pm	6–1c. pm
Dutch Gld.		½–¾c. pm	½–¾c. pm	½–¾c. pm	½–¾c. pm	½–¾c. pm	½–¾c. pm
W. Ger. D-Mk.		½–¾pf. pm	½–¾pf. pm	½–¾pf. pm	½–¾pf. pm	⅞–⅝pf. pm	⅞–⅝pf. pm
Three Months Forward Rates							
United States $		½–⅜c. pm	$\frac{7}{16}$–$\frac{5}{16}$c. pm	$\frac{7}{16}$–$\frac{5}{16}$c. pm	$\frac{3}{8}$–¼c. pm	$\frac{3}{8}$–¼c. pm	$\frac{3}{8}$–¼c. pm
Canadian $		¾–⅞c. dis	¾–⅞c. dis	¾–⅞c. dis	$13\frac{1}{16}$–$15\frac{1}{16}$c. dis	$13\frac{1}{16}$–$15\frac{1}{16}$c. dis	$13\frac{1}{16}$–$15\frac{1}{16}$c. dis
Swiss Fr.		2–2¾c. pm	2–2¾c. pm	2–2¾c. pm	$2\frac{7}{8}$–$2\frac{7}{8}$c. pm	$2\frac{7}{8}$–$2\frac{7}{8}$c. pm	$2\frac{5}{8}$–$2\frac{3}{8}$c. pm
W. Ger. D-Mk.		$2\frac{7}{8}$–$2\frac{5}{8}$pf. pm	$2\frac{7}{8}$–$2\frac{5}{8}$pf. pm	$2\frac{7}{8}$–$2\frac{5}{8}$pf. pm	$2\frac{7}{8}$–$2\frac{5}{8}$pf. pm	$2\frac{5}{8}$–$2\frac{3}{8}$pf. pm	$2\frac{1}{2}$–$2\frac{1}{4}$pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/4½	249/4¼	...	249/4½	249/6¼	249/7

Prices and Wages

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

BRITISH

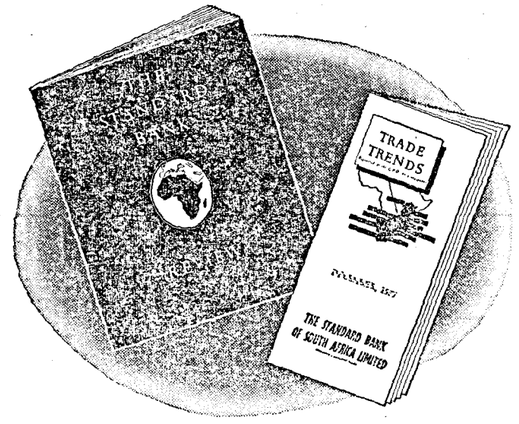
Prices and Wages	This week	External Trade	May 2nd
Manpower and Output	April 25th	Industrial Profits	April 18th

OVERSEAS

Western Europe	Feb. 7th	United States	May 9th

	Unit	1956	1957	1958	1958			1959 (5)			
		mid-June			April	May 6	May 13	April 21	April 28	May 5	May 12
WORLD PRICES											
Commodity Price Indicator(6):											
All items	1952=100	92	95	87	86	86	87	90	90	90	91
Food	"	90·8	98·8	94·8	93·8	94·2	94·7	85·3	84·2	85·0	84·9
Fibres	"	81·5	95·9	80·1	78·3	78·4	79·0	82·3	82·5	82·0	82·3
Metals	"	95·6	79·7	70·8	68·7	68·1	67·9	76·8	76·8	76·9	78·0
Other items	"	101·8	107·2	104·3	105·7	105·0	105·5	126·3	126·7	130·6	131·9
		Monthly averages			1958			1959			
BRITISH WHOLESALE PRICES(7)		1956	1957	1958	Feb.	Mar.	April	Jan.	Feb.	Mar.	April
Materials used in:											
All manufacturing industries	1954=100	106·7	107·4	100·8	99·6	100·5	101·1	101·8	101·8	100·8	101·6
Mechanical engineering	"	116·5	121·9	123·5	123·4	123·3	122·9	124·1	124·4	124·9	124·9
Electrical machinery	"	114·3	114·9	114·5	114·1	114·0	113·7	115·4	115·8	116·4	116·2
Building and civil engineering	"	109·5	113·7	114·2	114·6	114·6	114·2	113·3	113·3	113·3	113·3
House building	"	109·4	112·3	111·9	112·5	112·4	112·1	110·7	110·6	110·7	110·7
Products of:											
All manufacturing industries	"	107·0	110·4	111·2	110·8	111·0	111·0	111·7	111·7	111·6	111·5
Chemicals and allied trades	"	103·1	106·5	105·6	106·2	105·7	105·8	106·0	106·3	106·4	107·0
Iron and steel	"	112·8	125·2	129·9	130·9	130·9	129·6	129·6	129·7	129·7	129·7
Textile industry	"	97·5	100·9	97·9	99·6	99·0	98·7	95·6	95·0	94·8	94·8
Food manufacturing	"	105·8	107·1	104·9	102·5	104·3	104·6	107·5	107·2	106·4	106·0
Commodities:											
Cotton, raw	"	95·1	90·7	77·2	81·8	80·2	79·3	69·4	66·6	64·2	65·0
Wool, raw	"	90·6	101·1	72·4	82·9	76·9	74·3	63·6	66·2	67·3	77·5
Rubber, No. 1 RSS, one month future	"	143·4	131·6	118·2	114·6	115·2	116·4	125·7	126·1	130·8	137·7
Softwood, imported	"	109·5	109·7	102·1	106·3	105·4	104·2	95·6	94·5	94·5	95·1
Copper, ex-warehouse	"	132·4	88·3	79·4	65·5	68·4	70·6	92·5	95·0	99·9	96·4
UK RETAIL PRICES	Jan. 17, 1956=100	102·0	105·8	109·0	107·6	108·4	109·6	110·4	110·3	110·3	...
All items(1)		102·2	104·9	107·1	103·9	105·7	108·7	109·8	109·1	103·9	...
Food	"										
All items	1938=100	254	263	271	268	270	273	275	275	275	...
Food	"	269	276	282	273	278	286	289	287	286	...
Housing	"	145	155	172	167	167	170	177	178	178	...
Clothing	"	263	267	268	270	270	270	267	267	267	...
Fuel and light	"	251	268	281	286	287	287	289	290	290	...
Household durable goods	"	306	308	307	309	310	309	305	305	305	...
Drink	"	264	272	276	276	276	276	276	276	276	...
Tobacco	"	411	421	428	428	428	428	428	428	428	...
Purchasing power of £ (based on all consumer spending)	1938=100	38	37	36	36	36	36	35	36	36	...
UK TERMS OF TRADE											
Import prices:	1954=100	105	107	99	99	98	99	99	98	97	...
All items	"	101	101	97	94	94	96	100	98	96	...
Food, drink and tobacco	"	106	110	96	101	99	99	91	91	91	...
Basic materials	"	110	128	112	115	113	112	111	110	107	...
Fuels	"	110	104	101	100	98	99	102	102	103	...
Manufactured goods	"										
Export prices:	"	106	111	110	111	110	110	109	109	109	...
All items	"	106	109	111	112	111	111	111	111	110	...
All manufactures	"	112	115	118	120	118	120	116	117	117	...
Metals	"	107	112	115	115	114	114	117	116	116	...
Engineering products	"	99	101	101	104	103	102	99	99	96	...
Textiles (excluding clothing)	"										
Terms of trade:	"	99	96	90	89	89	90	91	90	89	...
Ratio of import to export prices											
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	157·0	112·7	67·1	64·0	63·3	62·7	70·3	68·2	65·1	...
UK WAGES											
Weekly wage rates:	Jan. 31, 1956=100	104·7	110·0	113·9	112·6	112·7	112·7	116·3	116·6	116·7	...
All workers(3)	"	104·8	110·0	113·8	112·5	112·5	112·6	116·2	116·5	116·6	...
Men	"	104·2	109·7	114·0	112·6	112·7	112·8	116·1	116·5	116·5	...
Women	"	105·5	111·3	115·8	114·3	114·4	114·5	118·2	118·5	118·6	...
Juveniles(4)	Sept., 1939=100	272	286	296	293	293	293	302	...	303	...
All workers											
Weekly earnings:(4)	s. d.	200 8	212 5	216 9	...	...	214 2	...	...	...	...
All workers	"	237 11	251 7	256 3	...	...	253 2	...	...	...	...
Men	"	123 2	129 6	133 11	...	...	131 3	...	...	...	...
Women	Oct., 1938=100	377	399	407	...	...	402	...	...	...	...
All workers	"	345	365	371	...	...	367	...	...	...	...
Men	"	379	398	412	...	...	404	...	...	...	...
Women											

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey. (5) Revised figures for April 7th were: all items, 89; food, 85·3; fibres, 79·3; other items, 123·2. (6) In general males under 21 and females under 18 years of age. (7) Certain changes have been made in the classification and coverage of the Board of Trade's index numbers in this section. (8) The series for "all items" and "other items" have been revised throughout; quotations for Middle East and Venezuelan crude oil now replace the previous quotation for gasolene.



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Minerals		34,617 — „	4,846,000
Other		113,279 — „	14,904,000
Transit Traffic:			
Minerals		112,821 — „	55,015,000
Other		23,623 — „	15,658,000
Miscellaneous Receipts		— — „	2,422,000
Tons (excluding Service Traffic)		284,798 — „	97,199,000
Working Expenses in Africa		„	58,255,000
Net Operating Receipts		„	38,944,000
	1958		
Kilometres run			1,589,286
		Tons	
Passenger Traffic		401 — Esc.	4,024,000
Local Traffic:			
Minerals		33,072 — „	5,158,000
Other		156,571 — „	18,085,000
Transit Traffic:			
Minerals		127,689 — „	60,179,000
Other		28,057 — „	21,859,000
Miscellaneous Receipts		— — „	2,481,000
Tons (excluding Service Traffic)		345,781 — „	111,775,000
Working Expenses in Africa		„	59,471,000
Net Operating Receipts		„	52,303,000

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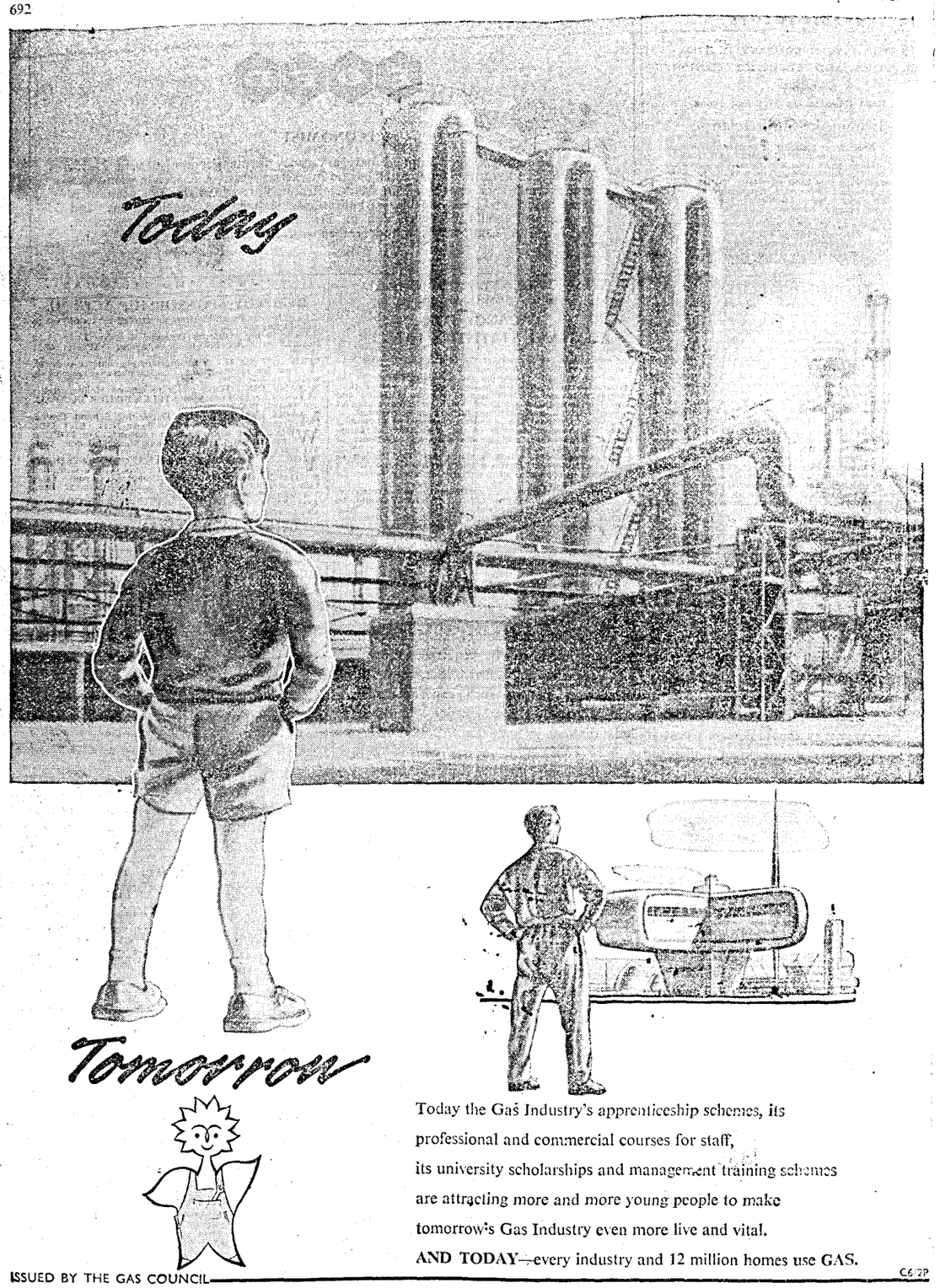
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The Sardauna of Sokoto,
Premier of Northern Nigeria

Northern Nigeria's Holy War

Our special correspondent in Kaduna discusses Northern Nigeria's problem of finding enough northerners to run their own country (page 745)

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Politics at Westminster are in a state of May Torpids—with some short-term advantages and some longer-term dangers (page 710)

Off the Road
Caravanners in Britain have some just causes of complaint against unintelligent restrictive policies (page 713)

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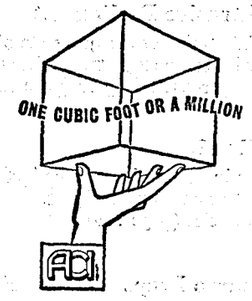
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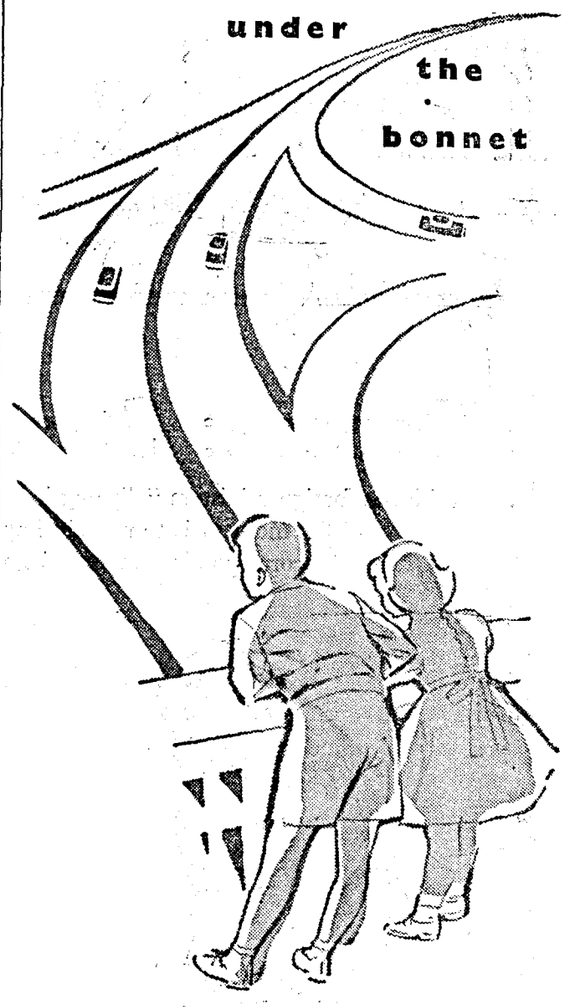
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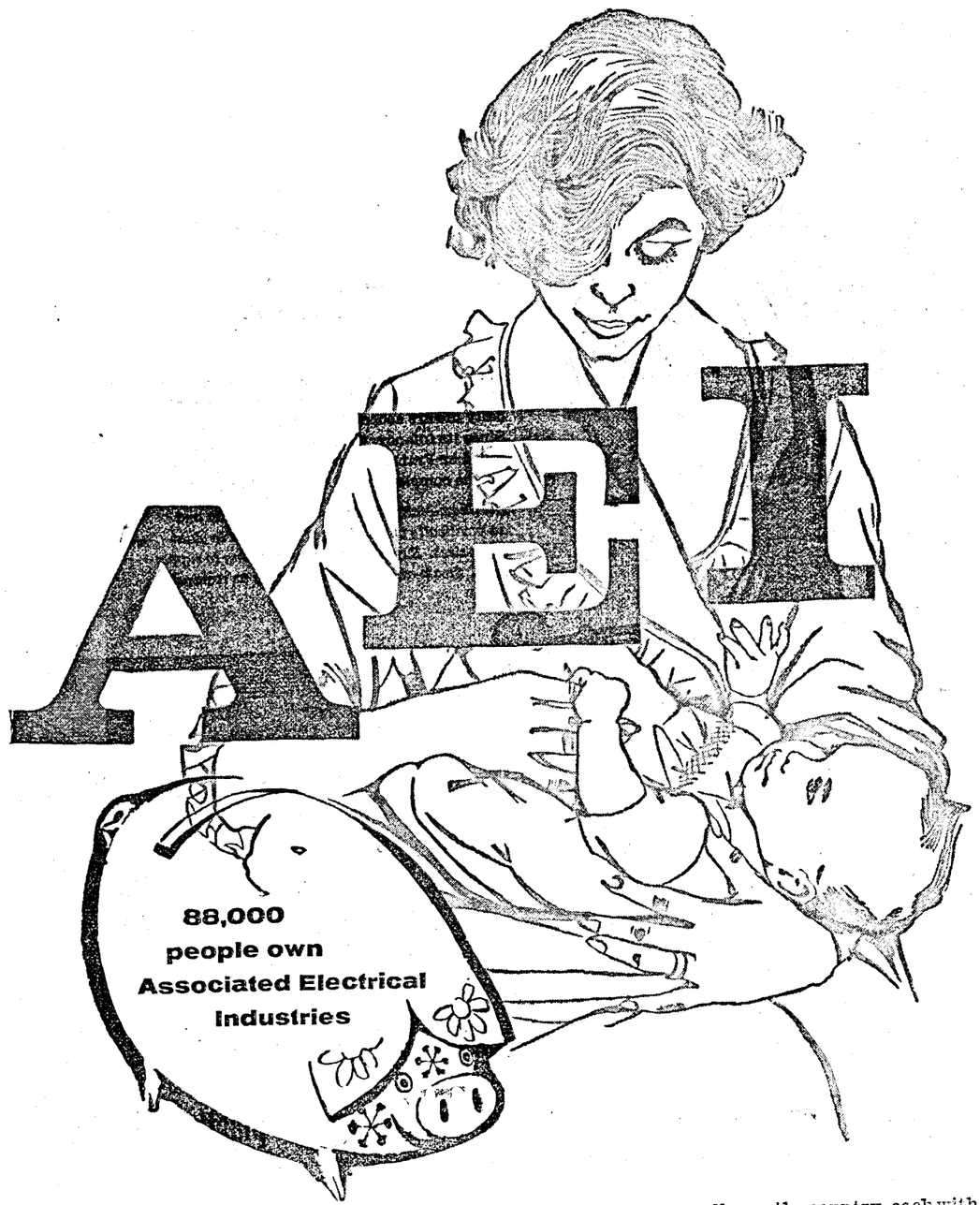
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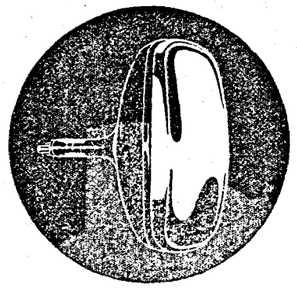
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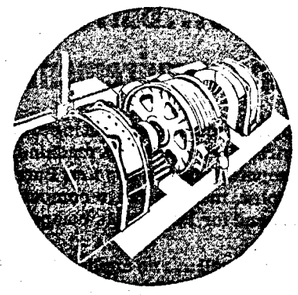


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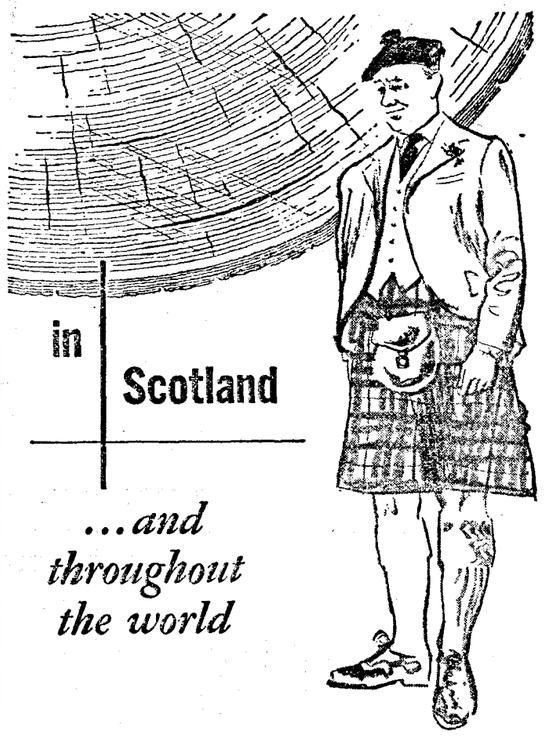
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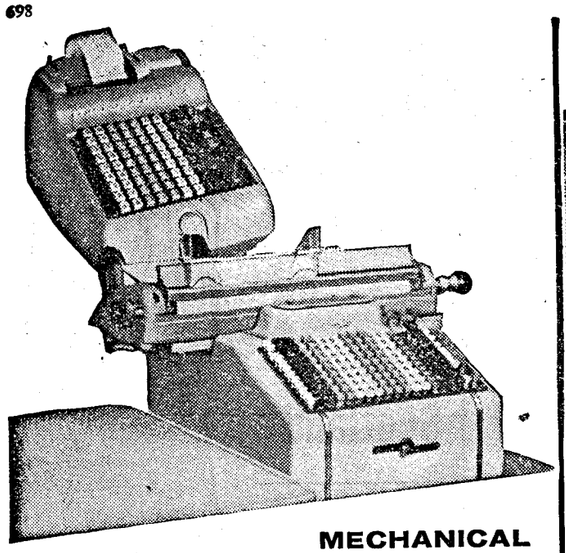
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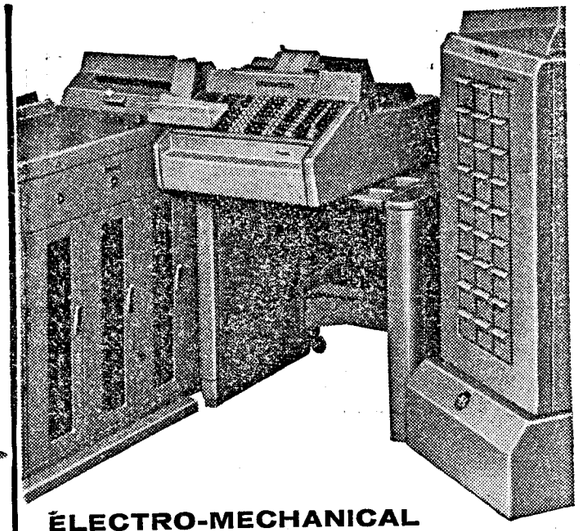
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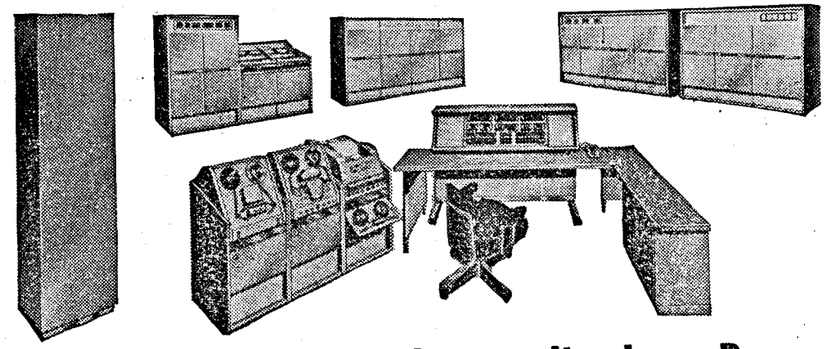


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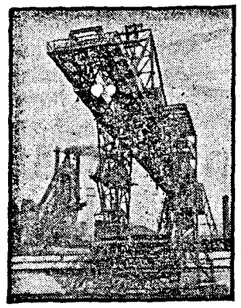
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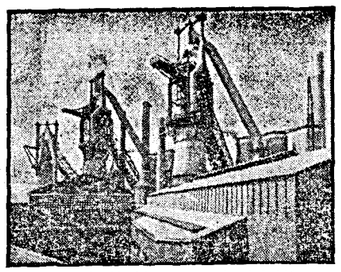
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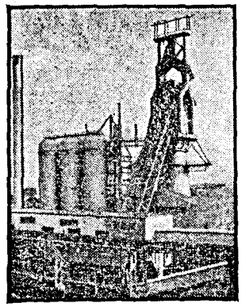
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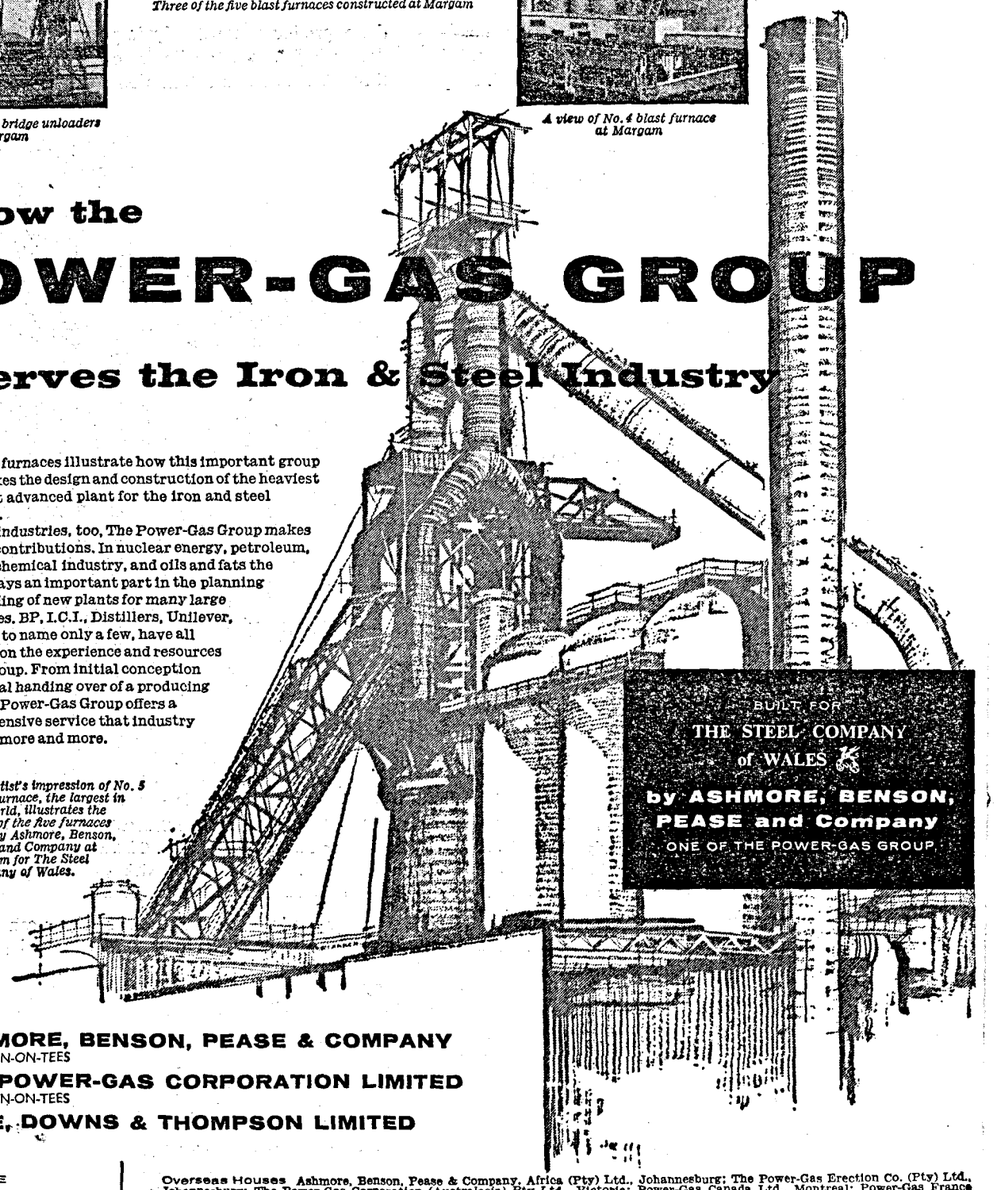
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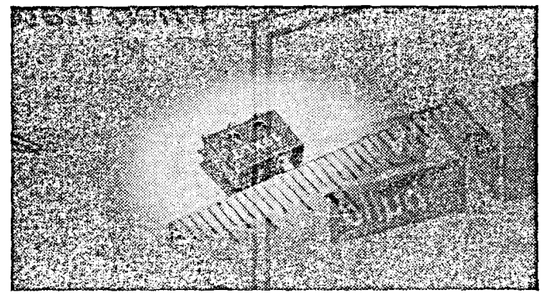
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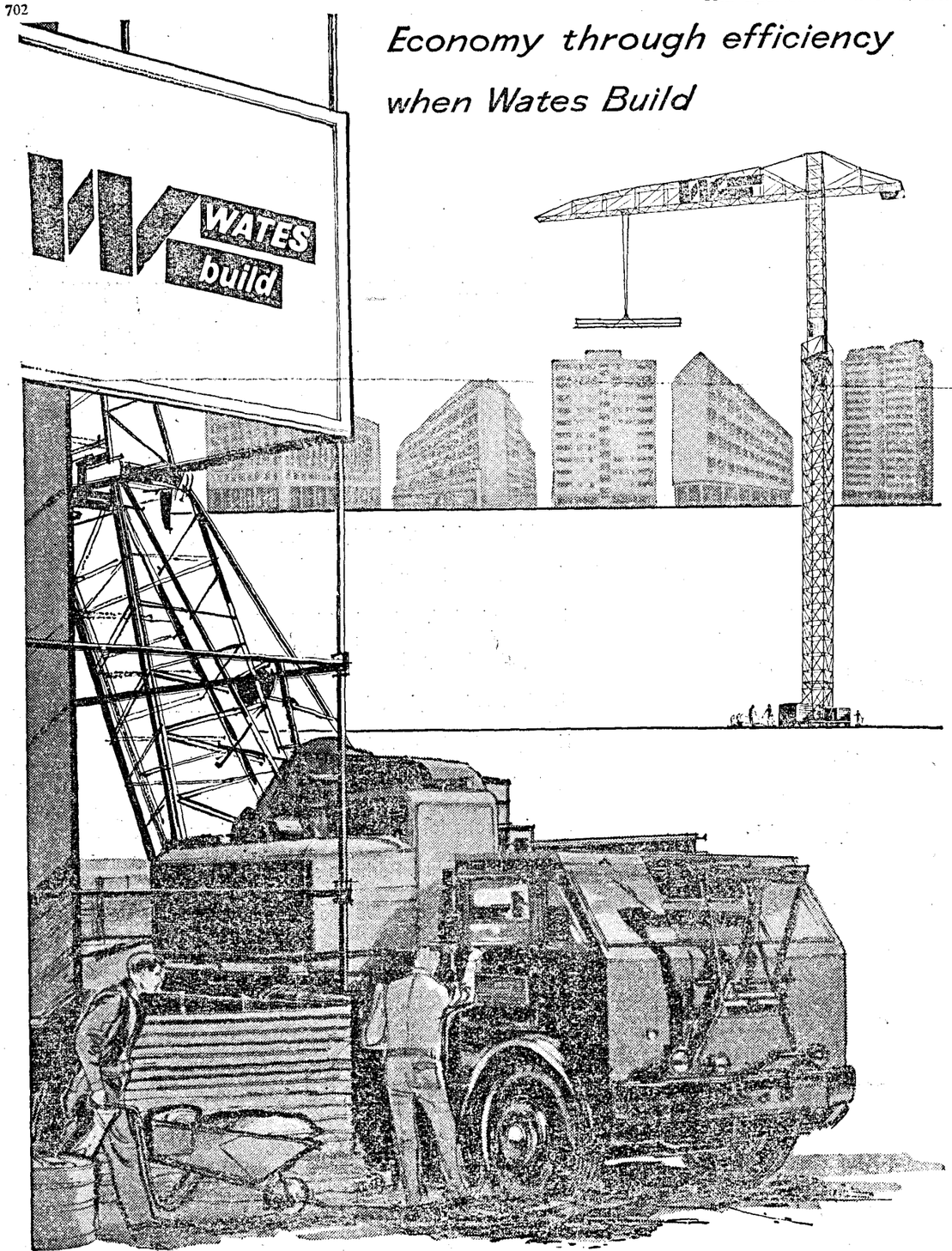
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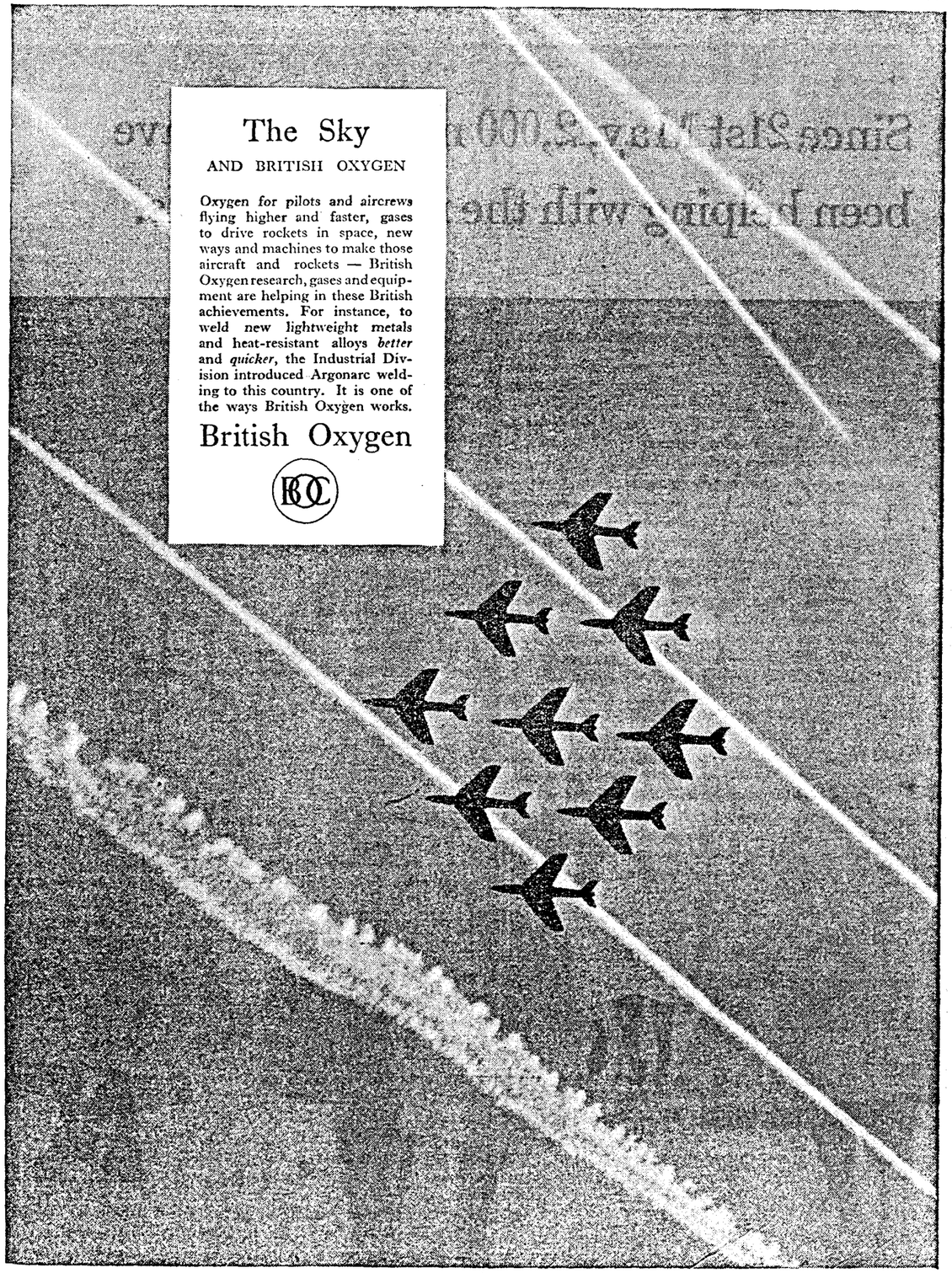
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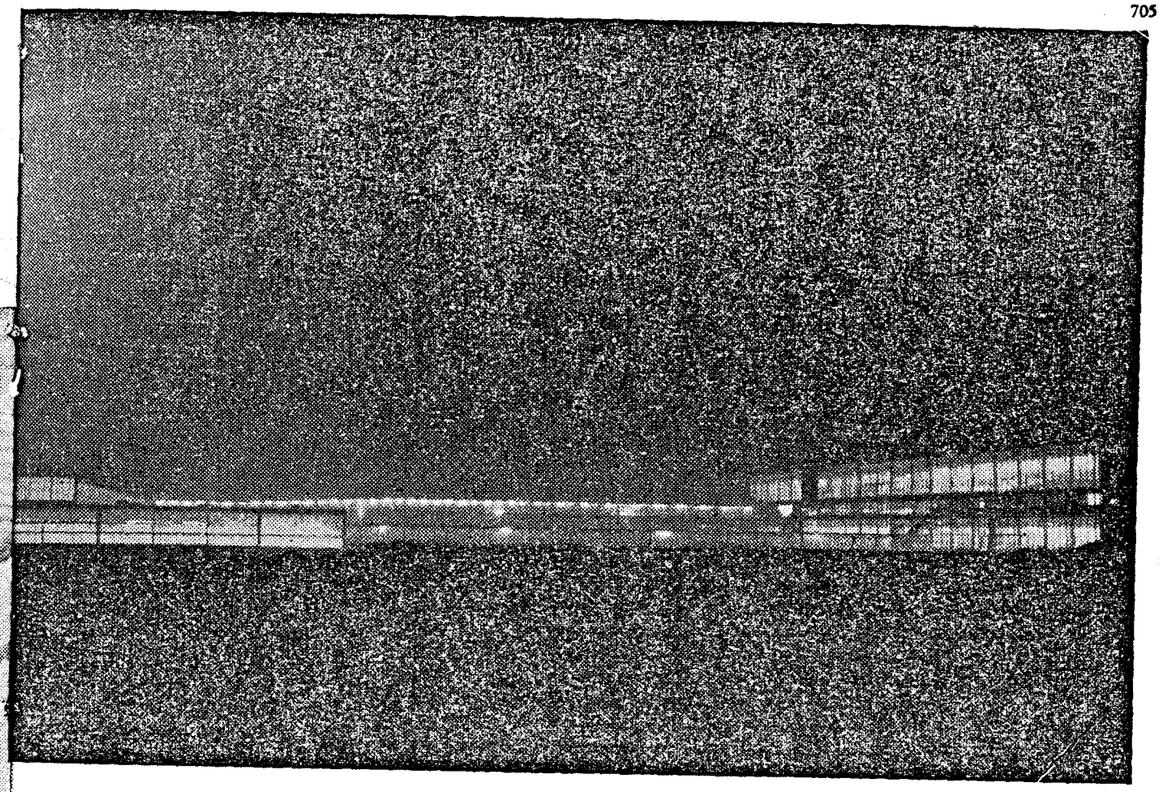
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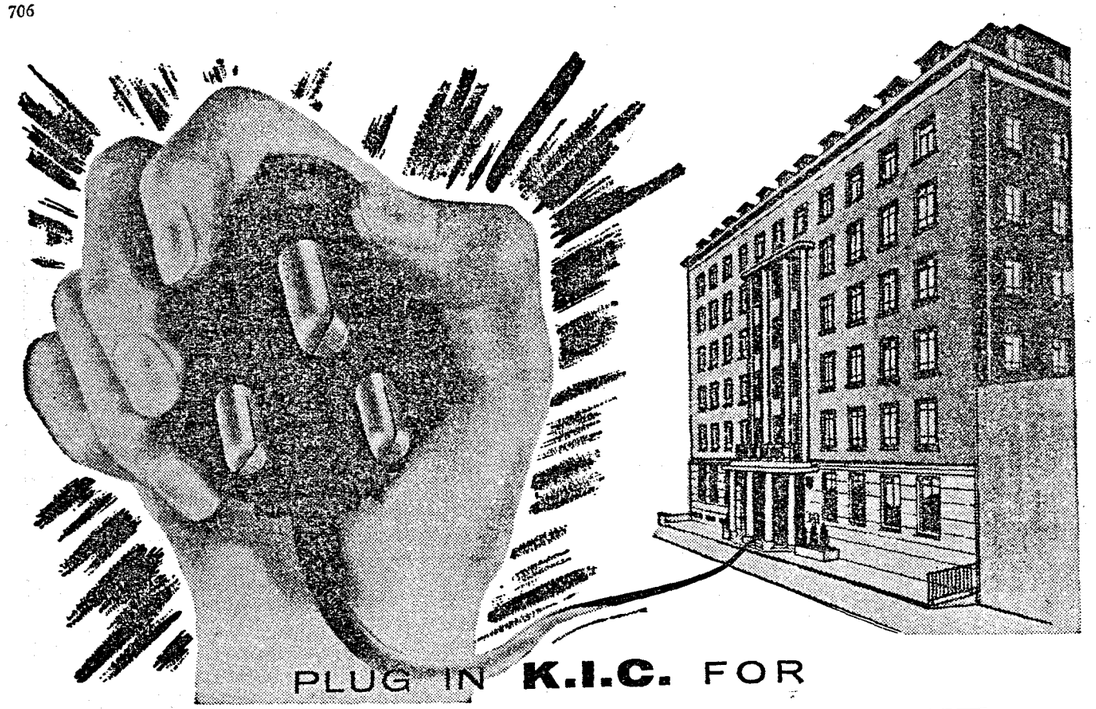
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The Economist

MAY 23, 1959

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Steady As You Go

A POINT of familiar danger has been reached at the foreign ministers' conference at Geneva. After the brisk skirmishes on preliminary points, the tempo has slowed down. Interest is shifting away from the formalities of the conference room to intimations of more discreet exchanges elsewhere (on page 747 our special correspondent summarises the latest news). The western governments have expounded a set of proposals for a central European settlement which, while not new in essence, introduce half a dozen concessions ingeniously designed to meet earlier Soviet objections; Mr Gromyko has put forward the formula that Russia offered in January, unchanged. Each party has already stated at some length the arguments it wished to place on record. Each has explained why it finds the other's terms unacceptable. The headlines speak of "digging in at Geneva."

Some impatient voices react to the sight of apparent deadlock by urging that the whole costly farce should be abandoned. Others, equally impatient, ask why the West has wasted time putting up proposals known to be unacceptable to Russia, and (without stopping to wonder why Russia has thought it worthwhile to put up proposals known to be unacceptable to the West) call for immediate, sweeping, and unilateral concessions to be made to Moscow. A terse American phrase, which may be commended to British readers, sums up both these reactions: "fish or cut bait."

There is nothing attractive about the prospect of yet another long-drawn-out diplomatic endurance test, another Palais Rose or Panmunjom. Yet the need for steadiness, and the risks involved in making any convulsive leap either forward or back, are plain to see—particularly in the circumstances of this negotiation. The Russians have, from the outset, made it quite clear that they have no intention of seeking any sort of settlement at the foreign ministers' conference. Mr Gromyko has not concealed the fact that his mandate is to keep the atmosphere at Geneva just cordial enough—and, presumably, the tension over Berlin just low enough—to make possible a meeting of heads of governments. And it would be absurd to suppose that the "summit" meeting itself, which by its very nature can last only for a few days, will yield a definitive settlement for Germany, or even for Berlin; the Berlin problem cannot be definitively solved except in a wider German setting. In these circumstances, negotiation cannot help being a long-drawn-out business, as Mr Macmillan, it should be said, has always insisted.

According to the classical theory of postwar dealing with Russia, this kind of situation puts the West at a grievous disadvantage. Moscow's gambit is to state a set of maximum demands and then sit pat. Democratic governments have to take into account a public opinion impatient for results. As the desired results may differ from country to country, they are naturally reluctant to sit long at the conference table, while the limelight plays on even the smallest divergence between them. Because of their critics and rivals at home, they are equally loth to come away

empty handed. But three other major points need to be made.

One is that in free societies political discussion is inevitably and automatically focused on controversial points, while the elements of fundamental unity, being generally regarded as boring, may sink so far out of sight that the onlooker fails to notice that they are still there—and that all else rests on them. This is a point that particularly needs to be made to the Russians, lest they fall into an error which would be quite as dangerous to them as to others. They are men trained in preserving the outward form of "monolithic" solidarity. Their system cannot stand the strain of letting any rift become public knowledge (not until the losers in some secret Byzantine disputation have been decisively outmanœuvred and silenced). It cannot be easy for them to understand how, in the democratic world, a rock of basic unity can underlie the foam of spirited controversy on the surface. Other confident totalitarian rulers have been wrecked on this concealed rock before now.

SECONDLY, monoliths themselves are not always as solid as they look. The Geneva proceedings are already yielding evidence of this. Mr Gromyko has not exactly strained every muscle to secure the participation of the Poles and Czechs ; and the Poles are not exactly pleased at the way they have been dragged into the doorway and left there in an undignified posture on one foot. (The Czechs, as usual, are more docile.) While the Soviet reaction to the new western plan is that it still gives German reunification too high a priority, east German commentators have complained that it means postponing reunification. The Soviet project for a separate peace treaty with east Berlin makes no appeal to Warsaw or Prague ; nor does the prospect of an upsetting of the Berlin apple cart, which scarcely fits into the general idea of freezing the *status quo*. According to the Russians, western policy is dictated from Bonn ; according to the east German rulers, Bonn is a mere puppet, betraying the German national cause at the behest of its foreign masters. "Inner contradictions" are evidently no monopoly of the West.

Thirdly, while recognising the compelling arguments for caution in dealing with Russia, need one take them to be arguments against negotiation itself—even apart from the fact that the Berlin "crisis" made some sort of negotiation only commonsense ? Most of these arguments apply whether negotiation is actually in hand or not. In some respects, a democratic government that refuses to embark on negotiation, or pulls back at the first sign of deadlock, makes itself more, not less, vulnerable to domestic critics. A direct confrontation, such as is now in progress at Geneva, gives public opinion a better chance to judge for itself who is being unreasonable. The way Mr Gromyko has been playing his hand at Geneva, where all the new proposals have come from the western side so far, is a case in point. And the more frequent and lengthy the negotiation, the less is the element of high drama involved: the less, therefore, the democratic statesman's sense of an obligation to bring home some sort of triumph.

The modern art of negotiation is admittedly a painful one—not least to the fretting journalists who find themselves cooling their heels outside a conference room from which nothing of front-page value may emerge for weeks on end. To come down to fundamentals, it is largely the art of outsitting. At nineteenth-century conferences, statesmen conducted psychological warfare against each other by abruptly ordering their carriages, or even their trains. At Geneva this week, the Russians have let it be known that they are extending their delegation's facilities for a further month ; Mr Herter phlegmatically calls in a local tailor and has himself measured for new suits—with, one hopes, extra pairs of trousers. The Wadsworth manner, if one may so describe the steady calm with which the western delegates have handled the six months of talks on suspending nuclear tests, is in vogue. Calm is the only sensible response to the situation. This is no moment either to stamp out of the room in a huff, or to throw away the game—which is still largely a waiting game.

The Unobtrusive Parliament

The advantages—and dangers—of the present tactical repose at Westminster.

PARLIAMENT broke up for its fortnight-long Whitsun recess with public interest in politics (as evidenced by the turn-out at recent local election polls) at least ordinarily high, but with most MPs themselves sunk in enervating boredom. The basic reason for this is that any Government coming towards the end of its term, and finding to its delighted surprise that the public still does not seem to have accumulated sufficient resentments to want to hurl it out of office, naturally has an inclination to ride cautiously on its luck and to keep politics quiet. Conversely any Opposition at this stage of a Parliament ought to have a great incentive to kick up hell. But Labour is unwilling to kick up hell because it is afraid of letting loose excesses from some of its own hell-raisers. Mr Gaitskell and his more intimate colleagues have a well-founded fear of turning towards the electorate what they believe to be Labour's most damaging face, namely that of the "irresponsible" party.

In the very short term, this tactical torpor has probably been of actual advantage to the country. The battle against inflation has gained from the urgent political hints which Labour has been addressing to the trade union leaders that they should not attract unfavourable publicity to themselves by blatant lack of restraint. The Government's legislative programme is passing through the House ahead of schedule, aided on its way by unusually intelligent technical debate and unusually little political attitude-striking ; there might now even be time to introduce some additional useful and uncontroversial measures this session if the authorities bestirred themselves with their draftsmanship. The atmosphere of ennui at Westminster is less worrying to the man in the street than it is to the ordinary MP or the average parliamentary journalist, who is cross at being short of exciting copy. Moreover, the period of political near-disengagement can be made more palatable even to some MPs simply by the Whips becoming a little less insistent on obedience to their summons to the House ; there is already some sign of this development.

The real questions, however, are whether this situation can last, and whether it would eventually do damage to the fibre of British government if it did. A minor thing that could break it up is Satan finding work for idle and extremist politicians to do. He is rumbling into action in the bored smoking rooms already: *vide* the backbench Tories' motion demanding more hanging, and the decision of a small group of left wing Labour MPs to send two indecipherably weird letters to *The Times* this week. They called for more nationalisation on Monday, and intimated that everybody was insane who did not agree to an abandonment of Nato on Tuesday. But perhaps *The Times* showed the proper attitude of august indifference by putting the second of these letters at the bottom of its correspondence column. A more momentous danger has always been that the Labour leadership itself, hunting around for issues new, might stumble into irresponsibility. Labour has been forced to conclude from the local election results that the unemployment issue may be dying. It cannot expect to win votes by calling for more talks with the Russians, because Mr Selwyn Lloyd is busy holding them. Some Labour members (with good liberal excuse) would now like to make a major issue of demanding a more constructive attitude to colour problems in Notting Hill and Africa, but the Labour leadership doubts if that would win votes. So the obvious temptation could be for Labour to fall back on two lines of political talk which it thinks might be popular : to spout just a little more anti-Americanism and to make its policy of opposing nuclear tests sound just a little more pacifist than it really is.

A few weeks ago both Mr Gaitskell and Mr Bevan seemed to be testing out these lines of attack, but to their credit both have so far shown themselves too politically honest to enjoy or extend them. The danger of the current Westminster torpids may therefore not be so much that of thwarted men eventually rocking the boats. It may be rather that the tactical repose will unexcitingly continue, and that the next election, when it comes, will be a battle between two major parties which both want to be given a mandate from the voters to administer this country, but which have abnegated the imaginative urge to want to do very much else. And that, in an age of great opportunities for social and industrial change, would be a considerable misfortune.

A Guide to Smuggling

Behind the arrests that are occasionally reported of ships sailing under the British flag inside, and sometimes well outside, territorial waters in the Mediterranean and elsewhere, lies a complex web of economics and politics

AS usual one must start with the economics. When a state maintains scarcity of something that people desire and can pay for, their demand is met by smuggling. These conditions are generally the consequence of import restrictions imposed by governments with the object of protecting either the currency or a domestic industry. Sometimes, however, they are also designed to protect a monopoly, either exercised by the government itself, or farmed out. In some special cases, like heroin, they are intended to protect people from themselves.

Perhaps the best example is tobacco. Some governments stop imports of, for instance, American cigarettes because they cannot afford the dollars. Others may even be so short of all foreign currencies that they try to make their people smoke only what the country can grow itself. Some are not merely short of foreign exchange, but are plain hard up as well. For them, a tobacco monopoly can kill two birds with one stone. They may operate it themselves or, for a consideration or for services rendered, a man or a company will be given the exclusive right to import and to sell tobacco. Like an iceberg, the consideration may have been larger under the surface than above it. The monopoly sets out to get its money back and if possible a great deal more ; the odds are, then, that the cigarettes and tobacco it offers are either poor in quality or high in price. An intelligent monopolist will realise that his public activities leave specialised and additional demands unsatisfied, and that if he does not arrange for these to be met himself, some outsider will.

He may suggest to a hard-up government that it is cheaper if the monopoly takes over the job of preventing

smuggling itself. Control of the land frontiers, where smuggling is usually on a small scale, is probably left to the Customs and the police, and the monopoly will concentrate on the sea-coasts, which it will patrol with fast armed boats. The way is now clear for the monopoly to allow, and if necessary to organise, the smuggling of tobacco from outside in such a way that it can both control the volume and collect the profit itself.

As a general rule little large-scale smuggling takes place without some degree of co-operation or knowledge on the part of some of the authorities in the receiving country. This does not mean that there are no risks. There are always risks: honest officials who will not co-operate, and others whose co-operation has not been sought, or who do not think they have been adequately persuaded. The most an experienced operator can do is to reduce the risk. Setting to work against this background, the smuggler needs four things before he can start: a suitable boat, a base, a crew and a cargo.

His boat must be fast in order to evade the patrol vessels used by the governments and the monopolies concerned. It needs a tough skin, as the patrol vessels have a habit of firing on boats that disobey a summons to stop. It needs radar, both for navigation on moonless nights, and for early warning of the approach of the control boats. It needs wireless to keep in touch both with the owner at his base, and with the people who are waiting to receive the cargo. Among the most popular models are the MLs and MFVs used by the Royal Navy, numbers of which were and still are being sold as surplus. An MFV would cost about £3,500, an ML about £5,000. The new owner would probably only have to spend another thousand pounds or so to equip them for their new assignment.

For his base, first he requires either a free port or a port with bonded stores, so that the goods he deals in can be purchased and stored without payment of duty. Next, he will look out for a base where registration will entitle his vessels and its crew to some protection and help if they get caught. The most valuable and popular form of protection is unfortunately British. Any ship can be registered at a British port, provided that it can be shown to be wholly owned by a British subject; the master is British; and it is seaworthy. A local man of straw will be nominated as "owner," and though the authorities may have their doubts about a carpenter earning seven or eight pounds a week being the real owner of a vessel costing £5,000, faced with a bill of sale there is little they can do in practice to dispute or disprove his ownership. As regards the master, if a vessel is trading within what are called home limits (a range of something like 300 miles), it is not necessary under British law for him to have any special qualifications beyond a British passport. Another man of straw will therefore be nominated as master. The nominal master must, of course, be carried, but he may spend his time playing poker.

For a vessel to operate outside home limits the master must have a British certificate. Such a master is harder to find and much more expensive. Many owners therefore register their vessels just for home limits, and if they are picked up off the coast eight hundred miles from their base they blame "stress of weather" or faulty engines for having driven them off course.

Once a vessel has been registered in a British port its owner and crew are entitled to apply to any British consul for help should they get into trouble. This does not mean that they need habitually use that port, or in fact ever see it again. Many vessels registered at Gibraltar have not been seen there for years. In these circumstances it is naturally irritating to the British consul and to the authorities of the port of registration if it gets caught for smuggling by a foreign power, when they know perfectly well but cannot prove that the real owner and the real master are aliens. In fact, they may even be nationals of the very country which catches them and which protests indignantly about "British" smugglers.

Hiring a crew presents only minor difficulties. They must, of course, be tough, prepared to go to jail now and then and sometimes even to fight with guns or knives or both. But they are well paid, the work is regarded in many places as both glamorous and honourable, and few owners have any difficulty in getting the men they want.

The choice of a cargo requires skilled judgment and is impossible to generalise about. Cigarettes, coffee, penicillin and pepper have in recent years been among the more regular and reliable subjects of straightforward smuggling. Narcotics and small arms are for specialists who generally keep clear of British ports. Where goods are to be smuggled with the co-operation either of a monopoly or of the Customs authorities (or both) in the receiving country, it is often convenient to mix contraband with a legitimate cargo so that (preferably by arrangement, of course) it can be landed openly on the quay. A popular mixture at the moment in some parts of the Mediterranean is metal scrap, in most places a legitimate cargo; but included in it will be complete second-hand, or even new, mechanical units.

Profits on contraband are usually very high. Thus, American cigarettes, whose value in a bonded store is about 9d. a packet, will sell in the black market in Spain or Italy for the equivalent of about 3s. As a normal cargo will be anything between fifty thousand and a million packets, the gross profit on one run can be between £50,000 and £100,000. The difference between the cost of loose tobacco in bond and the price at which it is sold in Spain is about 2s. 6d. a pound. Coffee shows a margin of 4s. a pound. As an ML will carry between 15 and 20 tons, this leaves room for smaller but not unattractive profits of between £5,000 and £10,000 a trip. These can be supplemented by carrying whisky, at a profit of at least £1 a bottle.

After a few trips, the original outlay on the boat and the other expenses will have been fully covered and the owners, go-betweens and reception committees will all have made a very handsome profit. Often the authorities in the receiving country will have known about these operations; sometimes they will have been active partners. It is now their turn. On the fourth or fifth trip the ship will be arrested. The owner may even know that this is going to happen, and an experienced and trusted crew may also be let into the secret so that they can facilitate their own arrest and avoid any unpleasant incidents. A case will be taken. The owner (who probably lives in comfort in some cosmopolitan centre, perhaps nowhere near the sea) is fined a fantastic sum which nobody has any intention of paying or receiving, and after a more or less decent interval the vessel and cargo are confiscated in default and sold. Percentages of the proceeds will go to the zealous Customs chief and to the captain and crew of the control boat that made the arrest. The master and the crew will probably spend a few weeks or months in jail; but they will be generously compensated when they get out.

Smuggling is for the professional. Amateurs do try their hand at it; and there are some who have done reasonably well. Their technique is usually to take the cargo to a pre-arranged spot off the coast and then to transfer it to small fishing boats. Unless the co-operation of the local authorities has been secured, the risks of getting caught are great and penalties (for the amateur) severe. After the war in particular, enthusiasts who found the routine and the rewards of civil life in Britain too humdrum tried to enter the field via Tangier. Most of them burnt their fingers.

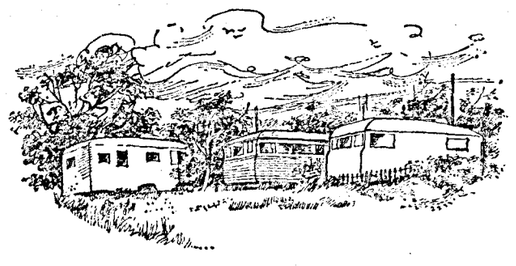
A common method of dealing with these amateur interlopers, who came out with their own vessels and crew, was for a professional to lay up his own boat and employ them to carry his cargo instead. The first trip would go off according to plan, and the newcomer might find himself the richer by some ten or fifteen thousand pounds. When the established professional was satisfied that after a few operations of this kind the newcomer had accumulated enough capital, a hitch would be arranged. The professional would explain with regret that although there were 50,000 cases of cigarettes in the bonded store, he was short of funds to pay for them. The amateur would be invited to put up the money himself with the prospect of an enormous profit once he delivered the goods. The professional would then tip off the Customs or the monopoly at the other end. The vessel would be picked up and confiscated with its cargo. The amateur and his crew would spend several uncomfortable months in jail; the professional would collect a share of the proceeds, and everybody, except of course the amateur, would be the happier and the richer.

Off the Road

Thanks to restrictive official policy, only just over one per cent of British families own caravans. But many more would like to.



The scene is open land near the Thames in one of the best residential areas of Surrey. There are two caravan sites side by side. The first is set well back from the road in a wood, and the discretion of its layout is truly suburban. Each caravan is carefully screened from the next by a privet hedge and is



surrounded by a well-kept garden. The caravans themselves, costing on average about £1,000 each, are clean and television-decked, and the site as a whole is one that even a fastidious town dweller would not despise. The adjoining site is in complete contrast. It has been run up by a pushful salesman ("your home for £10 down and five years to pay"), is overcrowded and without amenities, and has dogs and children scavenging among the overflowing garbage cans. This is a modern shanty town, a new slum. Most local councillors have made up their prejudices about Britain's caravan problem after looking at this sort of site, and not at the other. The result is that all sorts of mistakes are being made in public policy towards what, as the best available figures show, is a growth industry *par excellence*.

In 1948, according to the Board of Trade, only 3,618 caravans were made in Britain (with 10 per cent going, then as now, to export). In 1957, the number had risen to 25,000 and last year the National Caravan Council's figure for production topped 36,000—a tenfold increase in a decade. It is likely that demand would double again in the next two years if sufficient sites were available. There are now in all about 180,000 caravans in use in Britain, 90,000 of which are used by 200,000 people purely for residential purposes; and there has

recently been a great proliferation of caravan organisations, clubs, rallies, conventions and the like. The *Caravan*, one of the trade's two major magazines, sells 60,000 copies a month.

This tremendous demand for caravans comes from four main types of people. The first, made up quite largely of retired couples, spinsters and manual workers whose jobs take them round the country (such as building contractors and servicemen), use a caravan to live in and prefer it. Their sites are really an extension of Main Street. The second group also lives in a caravan, but would prefer to move into a proper house. These people, who form the bulk of the shanty towns, are mostly young married couples, often with children, who have moved out of town to get jobs, but then have found nowhere to live. Especially in the Green Belt area round London, where many more factories have been built than houses to accommodate the workers, this predicament is common. The third source of demand comes from businesses running seaside caravan sites for holidaymakers. Some of these sites—notably in Devon, Cornwall and Wales—are over 1,000 strong and equipped with supermarkets, clubs, restaurants, dance halls and other amenities. The fourth customer, well known to every motorist, is the man who takes the polythene wrapper off his small caravan each August and on a few warm summer weekends, and trundles off to the coast for a family holiday.

It need hardly be said after this that caravan manufacturing is generally a booming business. The makers do face problems ; since all but one are relatively small concerns and cannot afford large stocks, the seasonal nature of the trade means rushed production in the summer months. But almost all the models, retailing at anything from £200 to £2,000, are well received without manufacturers doing any expensive advertising at all ; and most models, though rather ugly outside, are well appointed within. The trend (in spite of official restrictions limiting the size of a caravan to 22 ft by 7 ft 6 in) is towards longer and lower models though there is as yet little here to match the 40- and 50-foot monsters of America. But here, as in so many other places, caravanning is bursting through the obsolete legislation and planning framework originally drawn up to restrict the activities of the gypsies. Since a 22-foot caravan is not really big enough to live in, it is now a common practice to make two units that can then be fitted together on a site into a 36-foot home or more.

NOTHING could be in greater contrast to this sunny picture of easy affluence than the fate of many people who have bought caravans and start looking for a decent site. For in many areas, owing to local restriction, sites just do not exist. A proposed caravan site in an area will usually bring a host of protests from local residents, and strong objections from local planning and public health authorities. In some counties where the problem is most acute, notably Surrey and Middlesex, a large part of many councillors' energies is spent in a somewhat hysterical effort to keep people for whom there are jobs but no houses from living in caravans.

Needless to say, there is some substance in these objections to caravans. They are not sightly at the best of times ; they do not fit easily into an administrative pattern (though the normal charge that they pay no rates is untrue) ; and they do pose important—but not intractable—problems of public health. But the councils' attitudes have led to anomalies as stupid as they are unfair.

Of all counties, Surrey probably shows these anomalies most clearly. First, since the county council almost invariably refuses all applications for authorised sites in the first instance (thus forcing an appeal to the Minister of Housing in every case), even a fortunate site owner who finally gets planning permission has often had to wait from one to three years for it. Secondly, since permission is only given for a maximum of five-or seven-years, real site improvements are seldom worth while even with rents of £1 a week or more per caravan. But while the council may refuse permission for ten extra caravans on a good and well-prepared authorised site, unauthorised sites, whose conditions are disgraceful, spring up apace. In the last six years Surrey's caravan population has roughly doubled and almost half of all its caravans are now on unauthorised sites.

THESE sites are usually a speculative venture undertaken by an operator working hand in hand with a dealer in third-rate and third-hand caravans. They are the natural consequence of demand exceeding legitimate supply—a black market. The operator buys a field and one night, before the authorities can do anything about it, he fills the field up with the old caravans, which are then advertised to let. Even if a council notice declaring the site to be unauthorised is stuck up at the entrance, customers are readily available and people bringing their own caravans are charged up to £50 key money.

On a shrewd reckoning the people who ignore these notices are not so silly as they seem. In theory it takes over a year of "notices to quit" and appeals before the caravans can be forcibly moved (and the validity of these legal processes is increasingly open to doubt) ; and, more important, the social consequences of evicting anybody who has nowhere else to go ensures that forcible eviction is seldom carried out. If it is, as happened last autumn at Egham, the most embarrassing public outcry can follow. This aversion to strong-arm methods, though good in itself, is unfortunate because it encourages yet further the expansion of unauthorised sites, and it is no solution to the problem of improving caravan sites generally. For so long as county councils refuse to accept caravans, and to allow good sites to be built, they can never turn people off the bad ones.

There are, however, several welcome signs that the caravanners' position is beginning to improve. The National Caravan Council, the trade association representing all sectors of the industry, is at the moment conducting a vigorous public relations campaign to educate the public into accepting and providing for caravans ; it reports some success. Among caravanners, there is a growing awareness of the need to raise standards and to landscape a site so that it is less of an eyesore than many are at present. Among county officials—though more, perhaps, among the professional planning officers than among local councillors—caravanners' needs are receiving slightly more sympathy than before. More data are being collected about caravan conditions ; most public health problems have been solved, on paper at least ; and more permanent sites—though still nothing like enough—are being allowed.

In view of the prejudices that surround caravans and their sudden impact since the war, this is not a bad start. The impetus towards acceptance should be helped when Sir Arton Wilson's fact-finding report on residential caravans (commissioned by the Government after the Egham affair) appears towards the end of this year. Much is still needed. Many local authorities excuse their restrictive policies by saying that "the slightest encouraging noise on our part would precipitate a caravan invasion"—and do not seem to realise that the bigger the demand, the less democratic justification have they for blocking it. But it is something that the ball is now rolling in the right direction at all.

NOTES OF THE WEEK

EUROPE

A Little Free Trade Area?

THE idea of a little free trade area between Britain, the Scandinavian countries, and possibly Austria, Switzerland and Portugal is now being bruited about in London with surprising vigour. The scheme has had an airing in the press ; the Federation of British Industries has been asked for support. No cabinet decision has yet been taken on the matter, but the scheme has now gathered sufficient way to deserve serious consideration.

The little free trade area plainly does not compare in economic value with a grouping embracing all western Europe, and is not a substitute for it. The new competition, the opportunities for a better international division of labour, and the stimuli to more productive investment would be incomparably smaller. But those who put forward the scheme seem in part to appreciate its limitations. Few of them see it as a permanent arrangement. They simply hope to give the countries outside the common market a certain compensation for the losses they are suffering from its creation, and at the same time to provide an additional spur towards the broader agreement that must remain the overriding objective of British policy.

It is here, however, that the conception of the little free trade area seems somewhat confused. If such a scheme is to contribute towards a broader agreement in Europe, it will do so by exerting pressure on the six common market countries to accept one. The pressure would be mainly felt by German exporters in Scandinavian markets, who would then presumably put further pressure on the French. But all the evidence of the negotiations hitherto suggests that this pressure is unlikely to be effective. The political necessity which compels Germany to maintain its links with France sets a very clear limit on the effectiveness of German pressure. The French remain in a position to block any schemes which do not fit in with the common market system.

By itself, the fact that the little free trade area will not bring agreement with the Six any nearer is no argument against it ; any freeing of trade is, in itself, good. But the danger is that it may push the day of agreement with the Six further away. The creation of a second economic grouping, however tactfully it is framed, runs the risk, as things are, of deepening and completing the division within Europe, so apparent since the common market itself was formed. It would be one more misfortune for British policy if another well-intentioned economic scheme were to contribute to the lasting political estrangement which has been possible ever since the project for a wider free trade area failed.

Setback for Luxemburg

GOOD Europeans should make no mistake. The rejection of the coal proposals put forward by the High Authority of the Coal and Steel Community to the Community's council of ministers last week was a real setback for economic and political integration in Europe. The surplus of coal has been troubling the community for some time. In time of boom west Germany and Italy began to import coal from America on a large scale. In time of recession the competition of such imports has aggravated the problems of domestic mines, particularly in Germany and Belgium. Governments have been meeting the problem with a variety of mainly national solutions ; the Germans, for example, have imposed a tariff quota on imports and restrictions on shift working. To replace these *ad hoc* national devices, the High Authority asked for powers which would enable it to restrict both imports and production on the basis of a common plan. The three major nations in the six-member community have now turned its proposals down.

It is important to be clear about the background. The High Authority has left its proposals till very late in the day, so late that the ministers have been able to justify their negative decision by pointing out that the temporary difficulties will be over soon and that it seems imprudent to change the balance of the arrangements they have made on a national basis at this stage. The separate reasons that have inspired the three governments to say No are familiar enough. The Italians want to go on importing American coal as they please ; the Germans dislike the whole economic

conception of direct controls on production ; the French have little enthusiasm today for supranational powers.

The fact remains that the High Authority, taking its stand on two clauses in the community treaty which gave considerable support to its interpretation of the situation, has been defeated. That defeat does not herald the demise of the communities of Six, but it does reflect a new situation in which governments are reluctant to go beyond the letter of their treaty obligations, and prefer to do business by agreement with one another instead of by obeying a supranational body. It also rubs home the fact that the main political effort of the Six has shifted from Luxemburg to Brussels. The coal and steel community may well be approaching the end of its useful life as an entity distinct from the broader common market.

RACIAL TENSION

Notting Hill Again

It is at least possible, as Scotland Yard has averred, that the Notting Hill murder last Sunday was not primarily "racial." If the hoodlums concerned were after money, the fact that the victim was alone and temporarily incapacitated might well have been a more important attraction than his colour—though the kind of nastiness which picks out for assault a man with his hand in plaster is only too likely to be allied to the kind which "homes" like a guided missile, on a dark skin. But whether or not the murder was a direct result of present racial tension, that tension exists ; and the crime itself can be expected to cause more. Notting Hill is, once again, simmering.

Of the various suggested ways of dealing with the trouble, the worst possible is the project of one left-wing organisation for volunteer vigilante bands of "anti-fascists" on the streets. It is indeed much harder to credit the sponsors of this project with a genuine desire to protect the oppressed than to suspect them of welcoming, for purposes quite unconnected with racial harmony, the chance to organise a para-military nucleus of troublemakers. Even if this suspicion is quite unjustified, the appearance of such amateur squads would certainly provoke more disorder than it prevented. More responsibly, two changes in the law have been proposed. The first would make it illegal for anybody offering commercial amenities for sale or hire to discriminate against Negro customers as such ; the idea is that this might have some marginal effect in making it easier for Negroes to settle outside the areas where they are now disproportionately concentrated, and thus reduce the tension arising from that concentration and from the overcrowding which accompanies it. This proposal has been turned down before now, mostly on the grounds that it is not really enforceable ; but such laws have done some good in several states of America, and there is an increasingly strong case for making use of them here.

The second suggested change—that racialist propaganda should be made a legal offence—would be a bad thing. It is flatly contrary to the principle of free speech. While there are extreme circumstances in which free speech has to be abrogated, those of Notting Hill do not yet qualify. There is no evidence that rabble rousers have caused the wave of trouble there ; they look more like jetsam floating about on top of it. All that is needed in this field at present is an exemplary enforcement of the existing law concerning insulting words and behaviour whereby a breach of the peace might be occasioned.

What Goes On?

There is one footnote to the Notting Hill story which should not escape comment, even though it has no direct relevance to the racial tension there. Obviously the proper concern of every citizen is that the murderer of this West Indian, like every other murderer, should be arrested and charged without delay. But this does not justify the detention, without charge, of two young men for questioning for nearly two days before they were allowed to go home. Complaints about police methods of questioning people who are thought "to be able to help in the inquiries," and of securing "confessions" from those who have been charged, are becoming too frequent for the ordinary citizen's peace of mind.

LOCAL ELECTIONS

The Lewisham Gerrymander

When Labour was beaten by 28 seats to 27 at the recent local elections at Lewisham (one of the Tories winning his seat by a single vote), it was naturally presumed that the Tories had regained control of the borough council. This week, however, by a procedural manœuvre which in most other places would be banned by gentlemen's agreement, the Labour aldermen from the old council helped to vote into office a Labour mayor who was not an elected councillor. That made the voting strength on the council for the new aldermanic elections 28 to 28 ; the artificially elected mayor then voted twice in these aldermanic elections, the second time wielding the power of a casting vote, and a new gaggle of Labour aldermen were voted into the town hall in order to ensure that Labour would retain control. This dodge is not without approximate precedents elsewhere. If it is a piece of chicane, it is a relatively small one. Explosions of righteous wrath would be out of place. Nevertheless, the first question which the manœuvre raises in the mind of the not too moralistically minded onlooker is: why on earth do it ?

The metropolitan borough councillors of London, under the dominating shadow of the LCC, have precious little power, whichever their party, to embody in practical action their particular ideas of service to the community. Their consequently dreadfully dull job carries no pay ; and their prestige is as nearly nil as no matter. To anybody who is not almost diseasedly infected with a party political virus, the importation or maintenance of party ardours, divisions and discipline, to the point of incurring the kind of odium (not to mention social awkwardness) engendered by the Lewisham tactic, must seem singularly un-worthwhile. And to anybody who does regard his party's advantage as a principal objective of all his actions, the Lewisham tactic ought to seem logically self-contradictory. The spectacle of democratic machinery, which is supposed to register popular choices however narrowly arrived at, being fiddled into registering the opposite of such a choice, is bound to be bad for the popular image of the party responsible for the fiddling. If the ingenious Lewisham councillors carried a label all their own—the Anti-Poodle-Faking Party, the Adullamites, or what not—their cynicism about voters' instructions might be less chuckle-headed. But they are the Labour party ; their manœuvre is presumably intended to serve the Labour cause and be justified by its needs. Neither national Labour leaders nor Labour supporters at large can feel very happy at getting tarred with the Lewisham brush ; Conservatives, on the other hand, must feel very happy indeed at being given it to wield.

NYASALAND

Contempt of Justice

Without waiting for the Devlin Commission to report, or even to finish its investigations, the Nyasaland government has announced that it intends to keep leaders of the Nyasaland African National Congress in prison indefinitely. These men, and many others, were rounded up in March for security reasons—fears of an impending massacre—which Mr Justice Devlin and his three colleagues have been charged to investigate. But now, in an official information bulletin circulated among Africans, the governor has prejudged the case against the imprisoned leaders.

He is also encouraging systematic peaching by urging Africans to report neighbours whom they believe to be members of Congress and troublemakers. Many readers of the bulletin will no doubt take this as an invitation to work off old scores. The arrests of the past two months have been made on the basis of informers' reports, whose trustworthiness is by their very nature suspect. The government's newly professed aim is to secure peace by "cleaning the country of Congress." This is to repeat in Nyasaland the basic mistake that has been made in other territories: the assumption that new and more "sensible" leaders will appear if only a few "extremists" can be put out of the way.

This is not the end of the disturbing news from Nyasaland. With the disgrace of the beastly killings at the Hola detention camp in Kenya freshly in mind, it is ominous to hear from several sources (and mentioned by Mr Fenner Brockway in the adjournment debate on May 15th) disquieting reports about conditions and behaviour in the Nyasaland detention camps.

SAUDI ARABIA

Two-way Relations

Diplomatic relations between Saudi Arabia and Britain were suddenly broken off by King Saud on November 2, 1956. Two days earlier the king had said that he had no intention of breaking off relations with Britain or France because of what was then going on around the Suez canal. Egyptian and domestic pressure, however, forced him to change his mind. The sale of Saudi-produced oil to Britain and France was forbidden, and a number of President Nasser's Russian jets were given safe harbour at Jiddah airport.

It appears to have been forgotten that Saudi-British relations, admittedly already under a considerable amount of strain, were broken off because of events in Egypt. The old squabble over ownership of the Buraimi oasis has become a convenient stumbling block whenever the subject has been mentioned. Privately, Saudi authorities say there is no reason why relations cannot be re-established, but they have not taken the first step to bring about this solution. They have not informed the Pakistani government, acting for Britain in Saudi Arabia, of their desire to resume relations.

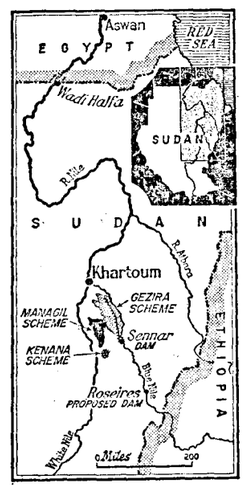
The Saudis appear to regard the resumption of diplomatic relations as a way of extorting concessions from Britain, as if only the British had anything to gain. They should not forget that diplomatic representation works both ways. The Arabs have as much to gain by being properly represented in London as the British Government has in Jiddah, or Cairo. The use of mediators, self-appointed or chosen by either side, is not the same thing and offers none of the advantages of normal diplomatic channels.

In the confusion of 1956, Yemen never got around to breaking off diplomatic relations with Britain ; but relations have been badly strained because of the border troubles between Yemen and the Aden protectorate. This week a delegation of Yemenis is in Aden to discuss outstanding differences with British officials. A few months ago nobody would have expected the Imam's government to take such a step. Can it be that the Yemenis have a more realistic view of international relations than their richer and more powerful neighbours to the north ?

NILE WATERS

Pushing On Regardless

Nile waters flow more steadily, or at least more predictably, than the course of negotiations about their distribution. Despite sporadic and rather half-hearted attempts, Egypt and Sudan have not been able to agree on the terms of a convention to embrace their several irrigation schemes and to replace the 1929 agreement between Egypt and the tutelary British power in Sudan. But the Sudanese government is now under pressure because without agreement it is the harder for it to get money from outside for its development projects ; Egypt, apparently unhampered by this prerequisite, has been promised Russian money for its Aswan high dam. This dilemma has been brought home by the coincidence last week of Egyptian negotiations in Moscow with a visit to Khartoum of Mr Rucinski, the director of the World Bank's Middle East operations: the Egyptian mission is said to have arranged for work to begin on the dam in October when the floods are over, but Mr Rucinski has left Khartoum without any money being pledged for the Sudanese schemes.



Sudan is now working on the second of the four phases of the Managil irrigation project, itself an extension of the Gezira cotton scheme. The Managil area lies to the south-west of Gezira, and its irrigation will eventually more than double the present Gezira cotton yield. At the same time the Sudanese government wants to start the construction of a dam at Roseires, 165 miles upstream on the Blue Nile from the Sennar dam, partly in connection with the Managil scheme and partly in preparation for the next irrigation project at Kenana.

The Gezira canal and the Sennar reservoir already draw

off all the water allotted to Sudan under the 1929 agreement (there is no limit on pumped water) and this leaves no treaty water for the proposed Managil canal—which will have even greater capacity than the Gezira canal. If it proceeds with its plan without a new agreement, Sudan will be breaking the 1929 agreement in a matter of weeks. This, from the political point of view, is an uneasy prospect, impelling Sudan to reopen negotiations. Egypt is under less compulsion, but it too needs agreement before progress on the high dam leads to the flooding of Wadi Halfa. Both sides have an interest in reaching some kind of interim arrangement on work in progress.

CHURCHES

No Bishops in the Kirk

UNLESS there is some last-minute change of heart, the General Assembly of the Church of Scotland is likely next week to declare that the long-debated proposals for closer unity with the Anglican churches are unacceptable in their present form. This is a legitimate matter for lay comment; an advance towards fuller communion between the established churches in the north and south of Britain has always been a matter of importance to many devout citizens. Throughout the controversy about the so-called "Bishops' Report" of 1957, there have been parts—but parts only—of the cases put forward by the dignitaries of both churches with which the reasonably undogmatic outsider could feel a real and instinctive sympathy. For the Presbyterians the proposals of 1957—that their kirk should include bishops of a sort—represented a massive recommended change in their terminology, even if not necessarily in their method of organisation. On the Anglican side, the argument which most obviously deserved to command understanding was their conscientious belief that the celebrant of the Eucharist when Anglicans participate should have been ordained by a bishop who had been consecrated in the historic succession, by a laying-on of hands by church leaders stretching back to the Apostles.

For people used to diplomatic negotiations outside the churches, however, it was not easy to see why these natural emotions should create an unbridgeable gap. Outsiders hoped that Anglican statesmen would go out of their way to ease difficulties in terminology for the Presbyterians, and to emphasise that no departure from the Presbyterians' tradition of more democratic church organisation was intended. They also could not conceive—on the simplest level of lay comment—why some Presbyterian dignitaries should not amicably agree to a ceremonial laying-on of hands by Anglican bishops, if that would facilitate fuller communion between the churches.

The discussions have not been carried on in this way. The senior dignitaries of both churches have expressed Christian feelings of brotherhood with each other. But again and again, in statements by bishops, there has been emphasis on the ordinal of the Church of England that the order of bishops should be reverently used and esteemed; again and again, in statements by some Presbyterians, it has been implied that to accept the Anglican view on ordainment within the historical succession would in some way cast an aspersion on the spiritual status of the Church of Scotland's orders. There is no doubt that the eminent disputants sincerely feel that the failure of the recent discussions has been due to deep differences in religious outlook and not to overemphasis on particular grades or types of clergymen's *amour propre*. But they now have a major propagandist task on their hands if they are to persuade some bodies of outside opinion that the latter factor has played no part at all in the breakdown.

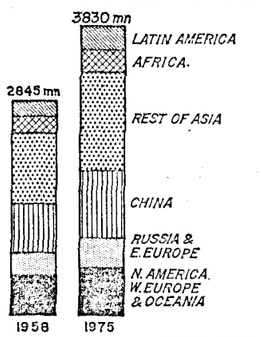
CO-OPERATIVES

Burying the Gaitskell Plan

THE reformers have bitten the dust, and are now putting on the best face they can about having done so. That seems to be the depressing conclusion to come out of this week's co-operative congress. From the first, it had seemed almost too good to be true that last November's special congress had voted by a narrow majority in favour of the Gaitskell Commission's reforms; in the event, it turned out that the co-operative diehards ("whatever happens, we must preserve co-operation as a way of life") had procedural reserves to enable them to fight back. The main challenge, over the running of an independent and well-financed retail society to develop co-operative chain stores, was countered earlier this year by the Co-operative Wholesale Society, which issued a glossy booklet urging that they, and not outside professionals, should do the development. The reformers opposed this but, owing to a change of sides by the London society, the CWS proposals gained a majority in the movement. During the present conference, the reformers ducked the new challenge; they agreed that the whole question of the development society should continue to be neatly shunted away in a sub-committee, where the last nails on its coffin seem likely to be hammered in.

This looks like the end of a sorry tale of missed opportunity. Without a development society to inject new ideas and money into their chain stores (especially into those dealing in dry goods), the co-operatives will be worse placed than ever to attract customers from the multiples in the retailing revolution now in progress. Some societies, it is true, have risen to the occasion and run supermarkets that are among the most efficient in the country; more than one half of all self-service stores and nearly as high a proportion of supermarkets are still co-operative run. But these proportions are falling and, generally, the movement's disappointing sales figures look like the writing on the retail

WORLD POPULATION PROSPECT



Demographers now think that the world's population will grow even faster than they had forecast a short time ago. By the turn of this century there may be 6,000 or 7,000 million people compared with about 2,850 million today.

Source: *The Future Growth of World Population*. United Nations.

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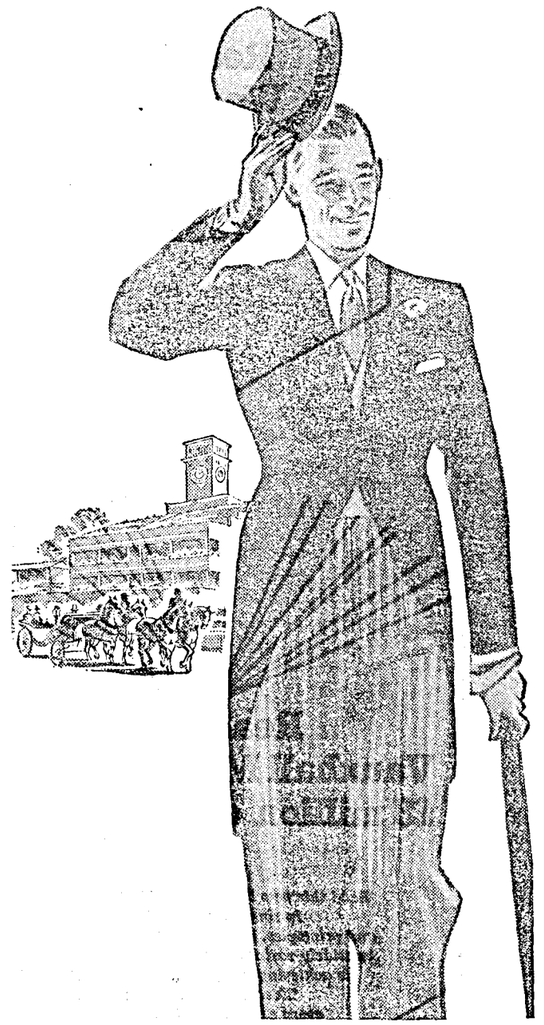
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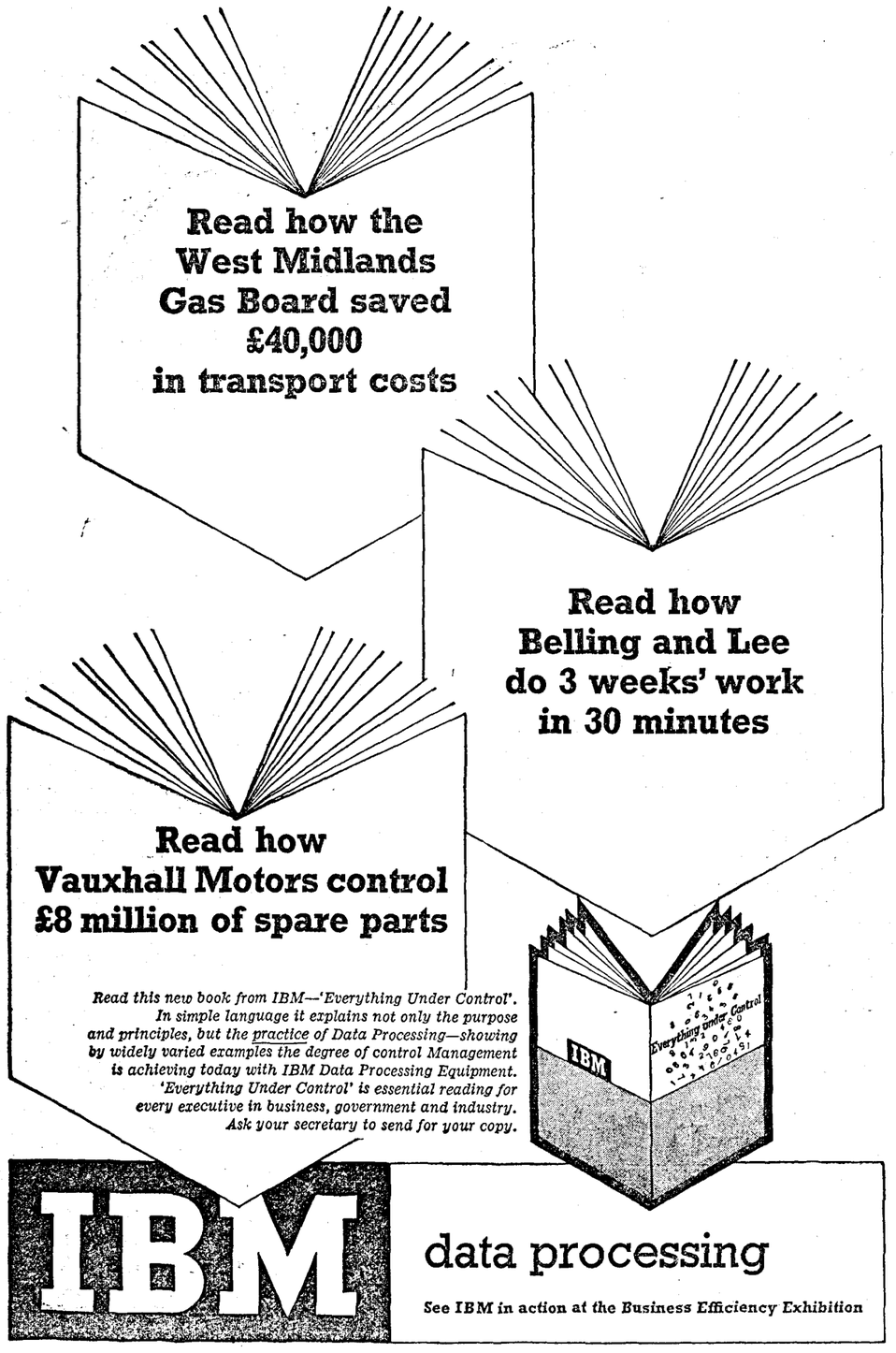
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wall. Moreover in the wider field of consumer protection (such as in the testing of goods carried out by the authors of "Which" and "Shoppers Guide") the co-operatives do not figure at all; and some delegates this week clearly had mixed feelings about cut-price wars in the shops. One cannot but feel that the Rochdale pioneers must be turning in their graves.

COMMONWEALTH

. . . But Once a Year

TOMORROW, May 24th, will be the first Commonwealth Day. The Prime Minister's announcement of the renaming of the former Empire Day came too late to enable the publishers of 1959 diaries to correct their entries, but just in time for *The Economist*, in its last Christmas issue, to make a little play with the notion of an annual feast of Cwthmas (the abbreviated form, with the w pronounced as in cwm, seems to have been forgiven us). What is the state of the Commonwealth games today?

As usual, good Cwthmen are to be observed in amiably assorted attitudes wherever their never-setting but sometimes fitful sun shines. The Duke of Gloucester has just presented an unsuspecting young Nigerian with Lord Montgomery's memoirs. The Duke of Edinburgh has completed a second circumnavigation of the globe, receiving a rapturous welcome in republican India and Pakistan, and narrowly missing Dame Margot Fonteyn in the Panama Canal on his way home. The first Ghanaian has just been given a post at Court, in preparation for the royal visit to his country later this year. Royalist and republican North America are about to join hands across the Seaway. The *Daily Express* promises to distribute two million buttonhole Union Jacks on the occasion of what, in its lovably retarded way, it is still calling Empire Day. Somebody in Australia's Papuan territory has apparently eaten a policeman.

It is hard enough for Cwthmen themselves to make head or tail of it all. Small wonder that when Mr Macmillan tried to explain the Commonwealth to a Moscow television audience in March, the Soviet press on the following morning was content to cover this, and much else, with Tass's cryptic summary: "The Prime Minister also spoke about life in England." With Mr Bandaranaike audibly yearning for a return to Ceylon's pre-independence forms of government, and Lord Salisbury assuring his fellow peers that white Rhodesians are supremely devoted to every ideal that Britain stands for and must therefore be allowed to do just as they please without any nagging from Mother, and Mr Mintoff appealing to the Caesars of Geneva—the thing defies analysis. Still, Cwthmas comes but once a year.

SOVIET UNION

Policemen's Happy Lot

SENIOR officers of the political police met in Moscow last week and convinced themselves that there was still plenty for them to do. They listened to a report by their new chief, Mr Shelepin, who had run the Komsomol, the communist youth organisation, before his appointment last year to the chairmanship of the State Security Committee; and they sent a message to the central committee in which they pledged themselves to deliver "strenuous counter-blows" against the agents of "aggressive imperialist states." While taking note that a certain "restriction of repression" had occurred in the Soviet Union, the political policemen expressed a pious hope that this did not necessarily imply that there would be "less work for us."

In the same message, they thanked Mr Khrushchev for the special care he had taken of them, pledged their loyalty to him, and condemned the activities of Beria, their erstwhile leader. This is a new departure. Soviet security organs have never made a practice of indulging in public pronouncements, or of condemning their former bosses. Mr Khrushchev has clearly completed the reorganisation of the political police. Under Beria it was a state within a state; its members jealously guarded their privileges, and virtually complete anonymity was one of them. Under General Serov, some of these characteristics remained unchanged: this was, perhaps, the main reason for the general's dismissal. Now the party is keeping the security organs under careful control. Mr Shelepin is a comparatively young man, and he owes his career to the premier. Soviet lawyers had also been interested, for different reasons from those of the party, in a more precise definition of the functions of the security organs; the presence of the president of the supreme court at the meeting last weeks suggests that their interest has been recognised as legitimate.

RUSSIA AND FINLAND

Assurances of Friendship

THOUGH the Russian pressure on Finland has somewhat subsided since President Kekkonen's meeting with Mr Khrushchev in February, the Soviet premier continues to fire occasional salvoes in the direction of Helsinki. The recipients, in this case the right-wing Social Democrats, led by Mr Tanner and Mr Leskinen, waste no time in retaliating. On May 8th, *Pravda* helpfully invited Mr Khrushchev to comment on recent speeches by these Finnish party leaders; he obliged, and said that certain imperialist circles intended to use Finland for their aggressive purposes, and that the Social Democrats were the exponents of such interests. Mr Khrushchev conceded that: "Of course, the opponents of Soviet-Finnish friendship do not now venture openly to urge accession to anti-Soviet military alignments"; but, he said, "seeking to sow distrust of the Soviet Union and of its policy towards Finland, they slander it by alleging that it intervenes in the internal affairs of the country."

Four days later, the executive of the Social Democrat party met to answer these accusations. Although they politely acknowledged Mr Khrushchev's assurances of respect for Finnish sovereignty, and assured him, in their turn, that they would do nothing to harm friendship between the two countries, they had an additional point to make. They argued that the Soviet leader's professed policy obliged him to respect the choice of the Finnish people and to maintain friendly relations with the government in Helsinki, whatever its composition. After the fall of the Fagerholm government last winter, it is not only the Social Democrats who suspect that the main element in the Soviet attitude to Finland is preference for a particular type of pliable government.

IMPORTED CATTLE

Sacred British Bulls?

HOME beef production is growing in volume, value and importance. This development is doubly welcome. It does something to correct the expensively dairy-biased structure of British livestock farming, and something to compensate for the decline in beef exports from Argentina. The further this development goes, however, the more it matters that British stock raising should be a highly efficient industry, and in particular that every genetic resource should be exploited to produce the most economical type of cattle.

It is this consideration which gives importance to the squabble now going on between the National Cattle Breeders' Association, representing 23 pedigree breed societies, and the would-be importers for experimental breeding of Charollais cattle from France—a squabble on which the Minister of Agriculture is shortly to adjudicate. The Charollais, in their native land, are famous beef producers. Crossed with other breeds, they are largely responsible for the excellence of French veal. It is argued by the NCBA that their qualities are less relevant to the English than to the French market. The association says that the pure-bred Charollais is a high-farming speciality whose performance owes more to better handling and pasture than to innate superiority. It also argues—and here the cloven hoof begins to show—that any importation, however experimental, of a foreign breed would signal to the world a national lack of faith in British cattle, and so damage Britain's export trade in pedigree beasts; the association even fears that imports of the Charollais would lead eventually to a massive inflow of foreign cattle which would cause British pedigree breeding to "wither and die." Another alleged consequence would be a disastrous threat—actual or at least so regarded overseas—of foot and mouth disease. (Illogically enough for the purpose of this argument, an NCBA spokesman has pointed out that North American opinion already regards Britain as a continental European country where foot and mouth *is endemic.*)

Obviously, quarantine regulations for imports of foreign cattle need to be rigorous; and it is to everyone's advantage that the testing of any Charollais imports and their progeny should be carried out *pari passu* with similar tests of British breeds. But the NCBA case in general could hardly be feebler. It epitomises what is wrong with British farming. It betrays—and must betray to that very overseas opinion which it invokes—less confidence in the superiority of British breeds than terror lest it prove illusory when challenged. It represents the typically unblushing resolve of a typical vested interest to insulate itself from competition. The last word was surely said by Dr J. Edwards, of the Milk Marketing Board, in answer to a protest at a recent meeting by a breeder of pedigree Friesians. He reminded the speaker, tersely, where Friesians came from.

TRADES UNION CONGRESS

Progress Report

WHAT do the general council of the Trades Union Congress, and the permanent backroom staff which they have been accumulating at Congress House, do with their time? Many people—perhaps trade unionists particularly—who have asked themselves this question during the past year will be interested in a document "What the TUC is Doing" put out by congress this week. The document, whose heavy print on poor quality paper carries just a whiff of the old working class pamphlet, creates a generally favourable impression: congress, conservative by most standards but the brightest light in the trade union world, has several achievements to its credit in the past year. These have little to do with the TUC's occasional sallies of protest to Downing Street over issues like Quemoy or unemployment. Instead they concern the more prosaic subjects of industrial health and safety, work study, training for trade unionists, and, most recently, methods of wage payment. (Trade union agreement to a change in the Truck Act would have been unthinkable a few years ago.) Improvements in all these important fields are going forward steadily, and the TUC can take as much credit for this as anyone.

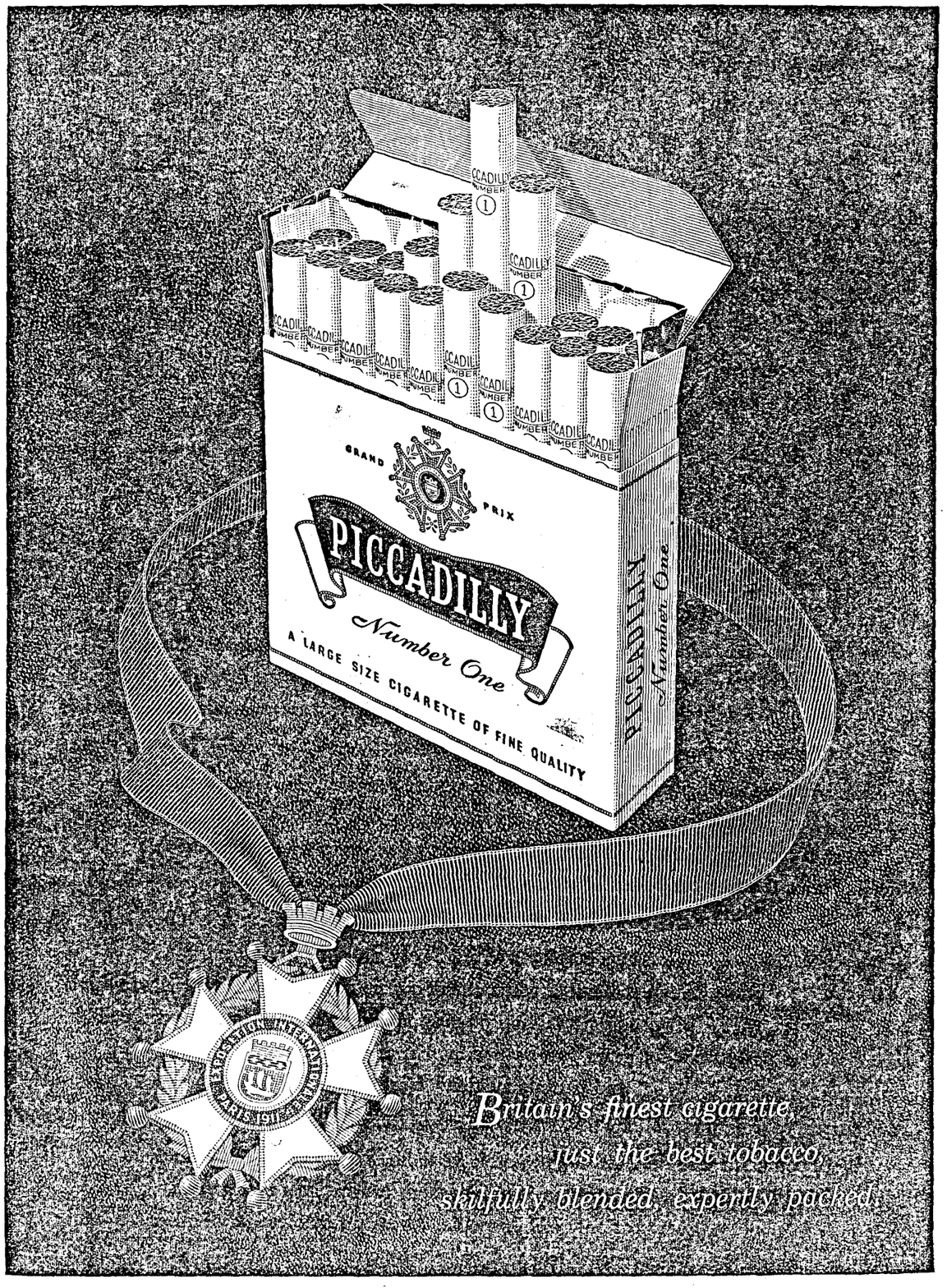
On the wider front, however, the TUC's policies come up hard against economic realities; on the whole it is the realities that then go to the wall. Their general prescriptions, of course, are the same as the Labour party's, with only very slight differences of emphasis—perhaps a little more concentration on demands for protecting declining industries, perhaps even greater eagerness for increases in government expenditure, plus the usual call for economic re-expansion but with the distinction of not even mentioning the associated problem of wage inflation at all. Only when dealing with education, where the TUC have accepted the principle of full grants to all students, does the pamphlet stray from the expected left wing approach. But for that very reason, this suggestion may not find too much favour with the annual conference this autumn.

The Economist

MAY 21, 1859

ANTI-GALLICANISM

¶ We have never affected to repose any trust in the public assurances given by the Emperor of the French; we have never wished to conceal the painful impression which the windings of his diplomacy, the acts of his political instruments, and his personal disavowal of those instruments whenever they became inconvenient or unpopular, have produced on our minds. We may, therefore, the better hope to receive a candid hearing for the views we now wish to submit to the deliberate consideration of the English public. There is, we cannot doubt, real reason to fear that the dangerous panic concerning Louis Napoleon which is now rising in some of the minor States of Germany to a pitch of senseless frenzy may extend to England, and hurry us into an attitude that will soon render it impossible to maintain the neutrality to which the country is at present pledged. Influential parties in England, influential organs of the English press, are doing all in their power to rouse the hatred against Napoleon into all its former vigour. Let us concede entirely the existence of an ambition in Louis Napoleon's breast which taken alone might urge him into a policy as fatal to the peace of Europe as that of his uncle, supposing all other conditions favourable to such a career. . . . He probably will not be *able to renew that policy*; nothing but military genius of the highest order could give a chance of it. Even if he have the power, it is far from probable that, with his profound dread of the secret combinations of Carbonari, and his cool long-headed sagacity, he will think it *wise*. On the other hand, we know well what we have to fear from the complete success of Austria,—the repeated renewal of all the horrors, all the anxieties, all the fruitless revolutions, all the foreign interventions, all the innumerable disturbances caused by the reactionary character of Austrian despotism in Italy during the last forty years,—a new and indefinite lease of misery to that unhappy country,—and in all probability the annihilation or complete subjection of Piedmont.





the things they say!



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I.C.I.

BOOKS

Empire in Spate

The Empire-Commonwealth.
Volume III of The Cambridge History of the British Empire
Edited by the late E. A. Benians, J. R. M. Butler and C. E. Carrington.
Cambridge University Press. 969 pages. 100s.

IT is thirty years since the Cambridge History of the British Empire began to appear; some volumes are already superseded as histories of the places with which they are concerned. The work was conceived as comprising three volumes of general history of the Empire from its beginnings to 1919, two on India, one on Canada and Newfoundland, one on Australia and New Zealand, and one on South Africa. The present volume, the last to appear, is the third of the general histories. It runs from about 1870 to 1919, giving the general story of the Empire's growth between those dates, and covering those territories which are not the subject of special volumes. The explanation of its late appearance lies partly in the war, and partly in the death in 1952 of Mr E. A. Benians, the editor mainly responsible for it. The remaining editors' preface suggests that, although Mr Benians left behind some chapters of his own and the plans for others, a good deal has had to be changed since 1952 or has originated since. One chapter, perhaps the most original and impressive in the book, is said to have been undertaken "at very short notice," in spite of the long gestation of the volume as a whole.

There are nineteen chapters by fifteen authors. Four main matters receive comprehensive treament: these are imperial questions in the British parliament, international politics, economics and defence. In addition, six special topics are dealt with in single chapters: the opening of Africa; the Empire and the United States; the Imperial Conference; the Peace Treaties of 1919; international law; and the Colonial Office. Much of the space devoted to international politics seems wasted, in spite of the editors' statement that colonial issues were subordinated to foreign policy for much of this period: there are, in fact, many pages that have no connection with colonial affairs at all. Similarly, the chapter on international law is very largely devoted to the general British approach to the subject, without specific reference to the Empire. Again, while some imperial matters are treated repetitively, others are hardly considered. The chapter on the Imperial Conference is almost superfluous, since the deliberations of the various conferences are discussed in other chapters. In spite of the existence of a separate volume on South Africa, much of this one is devoted to it too—though this can hardly be cavilled at, since South Africa remained the most contentious imperial issue for thirty years.

Where the volume falls down most obviously is in its lack of treatment of the internal growth of the dependencies. They are shown being acquired, they are seen in relation to general imperial issues, and they are mentioned in contexts in which they were matters of controversy; but they do not get the generous treatment which the general editorial plan seems to have envisaged for them. The West Indies, in particular, can complain that their history is largely ignored. And there is almost nothing about the business of colonial administration on the spot, apart from some references to the system of indirect rule. This is a most serious shortcoming. The period covered was the heyday of Mr Commissioner Sanders, yet there is little or nothing about the principles under which he operated and the circumstances that he had to overcome.

However, the book has many virtues. Mr Tunstall's chapters on defence are models of clarity and sensible comment; Mr Pugh's on the Colonial Office imparts an authentic atmosphere; Mr Madden's on the period of New Imperialism is ambitiously and successfully creative. Urbanity, sobriety and a proper respect for a clear narrative are shown by Professor Simmons on the opening of Africa, Mr Wheare on the Peace Treaties, Dr Steel on the United States, and Sir James Butler on imperial issues in the 1870s. The changing economic position is competently explained. Some vestigial political passions are displayed—Messrs Tunstall and Madden have quite different visions of Campbell-Bannerman, for example—but the picture is much the same to all contributors. Between 1870 and 1919 the colonies of settlement achieved full self-government without difficulty, but nobody of consequence thought that self-government could be made to work in the tropical colonies of exploitation. Self-government for Britons overseas, and protection for indigenous natives against cruelty and fraud, were the twin doctrines of the Colonial Office. Mostly they could be pursued in harmony. But in South Africa and Rhodesia they clashed; and they are still doing so.

Primer of Modesty

The Business of Criticism
By Helen Gardner.
Oxford University Press. 157 pages. 15s.

IN the twentieth century it is not easy for an honest man to be a literary critic. There are so many more urgent things to be done. The reader who is prepared to spend time over an essay on Dryden's poetics or D. H. Lawrence's narrative practice is presumably the kind of man who is also willing to read Dryden or Lawrence for himself. Otherwise he is a rather special kind of illiterate, belonging to the tribe that reads reviews but not books. With him no real critic should entertain commerce. But not only is criticism a marginal craft: it is also built on quicksand. We have long since abandoned the Platonic vision of æsthetic certitude. A critic is by definition subjective. He argues his own feelings and intuitions. He has no "proofs" at his command. How can we possibly demonstrate, in any rational manner, that Dr Johnson was in error about Lycidas or that T. S. Eliot has written nonsense concerning Hamlet? In the last analysis, one man's opinion is as inherently plausible as another's. The difference lies in the degree of persuasion that the critic can give to his judgment or impressions. From Aristotle to Eliot, criticism has lived not because it was right or in any sense final, but because it was well written. Good criticism becomes itself a part of literature.

From these perplexities derives the split in modern criticism. On the one hand there are critics who establish their vision on some exterior foundation such as ethics, politics or metaphysics (Edmund Wilson, F. R. Leavis, Georg Lukács, Sartre). On the other hand there are "pure" critics attempting to isolate literature so as to make of their craft something more than an adjunct to the history of ideas. Among the latter group flourish the "New Critics" with their jargon and côterie tastes. Firmly between both stands Helen Gardner. To her criticism is something less than art but higher than technique, not an act of judgment but an instrument of perception. To use her own image: the true critic does not extend a sceptre over the poet; he raises a torch to illumine the poem. What light he can throw on the actual work of art is the subject of Miss Gardner's volume of essays (would that it had included her distinguished introduction to metaphysical poetry).

Criticism is an exercise of the historical imagination. It stands at the reader's elbow, keeping his responses alive and precise. It endeavours to furnish his sensibility with that minimum of historical and textual information without which the work of literature cannot be properly read. It suggests to him what he must know of the Elizabethan view of revenge if he is to grasp the dilemma confronted by Hamlet. It reminds him of the mutability of convention by showing him how a given motif (for example, the drunkenness of Noah) changes in meaning and symbolic content from the time of Origen to that of Simone Weil. Criticism should not impose judgment; it should discipline

and rationalise the conditions of judgment.

It is a business at once difficult and modest. And that is precisely Miss Gardner's lesson. Her whole book is a primer of modesty, her constant aim being "the recognition of the poem's intention, which leaves me free to enjoy the poem." It is refreshing to find such beliefs associated with the English faculty of Oxford. Together with the late Humphry House, Miss Gardner has resolutely exemplified the two principal qualities of good criticism: humaneness of tone and awareness of life.

The Woburn Story

A Silver-Plated Spoon.

By John, Duke of Bedford.
Cassell. 237 pages. 21s.

IN this entertaining, savage and rather pathetic autobiography the Duke of Bedford makes his personal apologia and pays off, with evident satisfaction, a long string of old scores. In content if not in quality "A Silver-Plated Spoon" ranks with that classic of mis-education Samuel Butler's "Way of All Flesh." Indeed it is rather a shock to recognise in this century a father-son relationship (doubled by a grandfather-grandson relationship of equally glacial quality) at once so entirely negative and so actively poisonous. There are occasional hints in "A Silver-Plated Spoon" that its author recognises, through the distorting lens of his resentment, a tragic figure in his impossible father; but if he is not the man to write another "Way of All Flesh," still less is he the man to write another "Father and Son."

He is, in fact, a competent, thoroughly readable, Beaverbrook-trained journalist in whom the desire to make good publicity for his roaringly successful Stately Home business runs, at the least, a very good second to the desire to get his miserable youth off his chest. The chapter headings—e.g. The Indiscreet Parlourmaid, Parrots and Plain Living, Dukes Merry and Otherwise, The Streaming Cold Guardsman, Sèvres in the Sink—have the right eye-catching quality for the first aim; so have the *anecdotes of high society*; so—in the happy last chapter—has the account of the ardours, endurances and humours of Woburn Abbey showmanship. But interwoven with this slickly presented magazine stuff is the material of a *Bildungsroman*, a story of self-discovery, self-development and liberation, demanding an entirely different response from the reader. Much of the interest of an often irritating but undoubtedly fascinating book lies in the interweaving of these two elements.

". . . I love Woburn more than anything else in the world . . ." the Duke writes, and "I find myself trying to perpetuate the heritage of the family, to which I did not even know I belonged until I was in my 'teens, and accepting responsibilities which my grandfather and father were careful to prevent my assuming until I was in my late thirties." If he suspects, as the reader must do, that his father and grandfather would rather have seen Woburn Abbey razed to the ground than turned into a raree-show and fun-fair, that suspicion must assuredly add zest to his activities. It is a lucky man who can satisfy, in one course of action, his deepest pieties and his most vengeful and iconoclastic desires.

Speeding Iraq's Plough

The Reconstruction of Iraq: 1950-57

By Fahim I. Qubain. Foreign Policy Research Series No. 6: University of Pennsylvania.
London: *Atlantic Books.* 291 pages. 35s.

BEFORE the revolution in Iraq, the Development Board was one of the chief targets for criticism by the people who are now running the country. If it spent on agriculture, they said its foreign advisers were plotting to keep them backward, and they railed at its neglect of industry, by which they meant spindles and turbines, but not the plough. Now that they are in office, they are finding that the old Board did more than they thought, and that, no matter how much they rechristen it, they have got to keep going at the same old works. Iraq is still Iraq, and, though Mr Qubain was unfortunate in finishing a major *piece of research just before a revolution* that invalidates some of his tenses, nothing can date the bulk of his material.

Praeger was his American publisher and is, in co-operation with a new institute embodied in the University of Pennsylvania, doing some interesting work. The method here chosen is to employ an Arab writer for the research and field work (Mr Qubain is, or was, Palestinian) and to subject his draft to discussion and editing by the institute's associates. This group method is, as Chatham House well knows, inclined to rob a book of its spice; anecdotes get pruned, and compromise reigns. But it has the advantage, in this case, that the Iraqi scene is judged with the eye of an Arab who has talked to people most western inquirers do not meet, and that it is both accurate and written with the best kind of western polish. It is the most interesting document on Iraq to be published since the Salter report of April, 1955.

Of course the two pieces of work are different in kind. It was Lord Salter's business not merely to describe what had happened but also to say what ought to happen next. Mr Qubain writes as a historian, and gives advice on the future chiefly by implication. But his hope, in his closing paragraphs, that his work will be useful in other underdeveloped countries would have been more likely of fulfilment if he had ventured on a few more specific recipes.

Sometimes Mr Qubain writes too rosily—too like a government handout. Why claim that teachers' training has "kept abreast" of needs when there were several hundred Egyptian teachers in the country until Qassim sacked them the other day, and when they have been impossible to replace at the quality? And why omit to mention that the *ancien régime's* decision to use the water from the new storage works for establishing new smallholders only on government land, and letting the large estates collapse by degrees for lack of workers, added up to hideously expensive farming on second-rate land, since the big landlords had all the best? Maybe the new regime, being more ruthless with the rich, will do better in this line, but what with its purges and its disregard for continuity, it is for some time bound to do less well in others.

Wisely, Mr Qubain steers clear of *politics all he can, though he feels bound* to point out, writing in the spring of last year, that revolution is "a very real possibility." Steering clear is justified because, revolution or no revolution, Iraq was and is becoming dependent on a lot of very complex works and machines, and these are creating a market for skills; this is a sure way to raise the living standards of a whole society no matter what the colour of the government.

Both Points of View

India and America: *A Study of Their Relations*

By Sundar Lal Poplai and Phillips Talbot.
Oxford University Press. 200 pages. 22s.

ONE of the barriers to international understanding so often encountered by those who want to understand the problems of the day is that the more controversial the problem, the more likely is it to be the subject of expositions which state the writer's side fully and his opponent's inadequately; thus, when the student has struggled through books from both sides, he often puts them down with the frustrated feeling that they have evaded many important questions. The policies of the United States (and its allies) and of India towards, for instance, the South East Asia Treaty Organisation, Kashmir, the Baghdad Pact, or the "colonialism" of Soviet Russia, provoke exasperation in the free West and in India, and the many books about them leave the supporters of both sides embattled in their settled convictions, suspicions and scorns. For example, Western writers assert that peace is more likely to be maintained *if armed strength* is ensured to protect it; Indians retort that peace is not maintained by security but security by peace, yet see nothing contradictory in the allocation of 35 per cent of the Indian budget to defence in order to maintain their security against Pakistan. Again, when Indians proclaim the effectiveness of the *Pancha Shil* (co-existence) pact with China in deterring aggression or subversion, the West *ripostes* by citing the failure of the Yalta and Potsdam agreements to assure the independence of Eastern Europe; it also points out that, *Pancha Shil* or *no Pancha Shil*, India is taking no chances in the (independent) state of Nepal, to

which, despite pressing needs at home, it has sent Indian experts to train the army and civil service, and Indian soldiers to help build roads, and in which it continues to spend vast sums to strengthen the regime in such a way that it will look to India for protection against aggression.

This book, the joint work of an Indian and an American, makes an outstanding contribution to Indo-Western understanding by setting forth, fully and fairly, Indian and Western policies; by facing squarely the awkward points from which the polemical writer usually runs away; and, above all, by explaining the respective national needs, and experiences, which have led to the formulation of opposing national policies. It will, one hopes, be read in those circles in India, and in the West, responsible for forming both public opinion and national policy. If its careful historical research, and its lucid exposition, cool yet sympathetic, leave existing prejudices and misunderstandings intact—if, in short, reason has no powers of penetration—then India and the free West deserve all that will come to them from the unreasoning dialectical materialists.

Conferences, 1919-20

Documents on British Foreign Policy, 1919-1939

Edited by Rohan Butler and J. P. T. Bury. First Series, Volume 8. 1920.
HM Stationery Office. 923 pages. 80s.

THIS volume completes the publication of the British minutes of the international conferences and discussions held during 1919 and 1920. With few exceptions these minutes are here printed for the first time; they deal with matters of high policy; and, like the contents of the previous volumes in this "First series," they form an indispensable introduction to British policy between the wars.

In the period covered, April to December, 1920, conferences remained numerous for obvious reasons. Lloyd George favoured the system of personal consultation. More important, it was only by frequent personal consultation that statesmen could hope to deal with those urgent, intricate and interlocked problems created by the simultaneous dissolution of the Turkish, German and Russian empires, which were the subject of all these meetings. As Mr Butler points out, a comparable system of lesser congresses had been a necessary sequel of the peace settlements of Utrecht in the eighteenth century and of Vienna in the nineteenth.

It is, however, the differences and not the similarities between the eighteenth and nineteenth centuries on the one hand and the twentieth century on the other that strike the reader. Two of these differences, however obvious, were especially important. The collapse of order and authority was far more complete and extensive after the first world war than on those earlier occasions; and when new authorities established themselves in the areas of near-chaos the relations between them and the so-called victor powers was far more bitter than anything the eighteenth or nineteenth centuries had experienced. For these reasons the Western powers were faced with a wellnigh impossible task; and it is not surprising that they were so much at the mercy of events or that, with the French and British in particular, their policies began to diverge.

One Anglo-French quarrel began when all the arrangements for a treaty of peace with the broken Ottoman Empire, as made at the San Remo, third Hythe and second London conferences and in other Anglo-French-Italian discussions, were largely vitiated by the unexpected rise of the Turkish national revival movement under Atatürk. Several of the other conferences failed to heal an earlier breach between France and Great Britain on the subject of policy towards Germany. This had been *triggered off when the* German Government moved forces into the Ruhr, in contravention of the Treaty of Versailles, for the suppression of a left-wing rising. In a third area events forced the two powers together. Faced with the advance of the Red Army upon Warsaw, they sent to Poland the military missions that helped to repel Russia in what has been called the eighteenth decisive battle of the world. But there was a divergence of policy between Britain and France with regard to Russia that persisted despite this collaboration, Lloyd George continuing to lean towards commercial relations with, and subsequently the political recognition of, the Soviet regime, as he had leaned against harshness to Germany.

Next to the complexity of the situation and the beginnings of the Anglo-French divergence, the most important feature of the period is one that distinguishes it from the post-1945 settlement rather than from earlier centuries. The United States, one of the victor powers, was represented by an observer at some of the San Remo meetings and at one committee meeting at Spa but otherwise took no part in these many discussions, let alone in the decisions and actions that resulted.

New Zealanders

New Zealand in the Making

By J. B. Condliffe.
Allen and Unwin. 316 pages. 30s.

The Welfare State in New Zealand

By J. B. Condliffe.
Allen and Unwin. 396 pages. 35s.

"NEW ZEALAND IN THE MAKING" is a history with a history. It was first published in 1930, when the author had already left the New Zealand in which he had been an infant academic prodigy. Basically an economic history of the country, it also contained material on the defects of the New Zealand university system and the problems of its mandate in Samoa. The book was widely acclaimed as an accomplished performance. It was influential in making many New Zealanders realise that their high standard of living was not due primarily to action by governments, but to the high prices that they received for their primary products. Since 1930 Professor Condliffe has not lived in New Zealand, but he has made many visits there, particularly as a consultant to the Reserve Bank, and has maintained his interest in the country. Now at last he has revised "New Zealand in the Making," and the revision has spilled over into an even longer book, "The Welfare State in New Zealand."

The result is, in effect, one book for the price of two. Many people will be chary of paying 65s. for a history of New Zealand, *especially when they can* get Keith Sinclair's Pelican "History of New Zealand" for 3s. 6d. Mr Sinclair deals with social and artistic matters that Professor Condliffe touches only lightly; the Pelican is a complete history, whereas the other is very largely economic. The choice is made more difficult by the fact that, although the division between Professor Condliffe's two volumes is roughly that "New Zealand in the Making" stops at 1935, with the advent of the Labour government, while "The Welfare State in New Zealand" deals with matters since then, this division is not maintained. In the first volume the reader will find the story of Maori economic life carried down to the present time, while he has to wait for the second volume to get the early history of state regulation of wages and New Zealand's relations with the outside world.

For a complete economic picture, then, one must read both Professor Condliffe's volumes. In spite of some repetition, it is an ample, generous, understanding and illuminating picture. The writing is simple, clear and concrete. The connections between the different sections of the economy, and between New Zealand and *the world, are shown in great detail.* The author has plainly left his heart in the country of his first adoption, though his later experiences in Britain, Europe and the United States have enabled him to understand how New Zealand's actions look to other people. He comments and criticises in addition to describing economic policy and institutions; but the criticism is fair and humane.

New Zealanders emerge as a highly pragmatic people, seen at their best when they have to tackle a new job that demands new methods. Whether it is workers' co-operative gangs to build tunnels, or farmers' butter factories, or the creation of special firms to take over long-range bond investments in New Zealand forests, the emphasis on successful practicality is plain. The country is still heavily dependent on its grassland economy. Efforts to develop substantial secondary industries are still uncertain, on account of the smallness of the home market. Professor Condliffe offers a number of criteria that suitable manufacturers would have to satisfy, and there is little doubt that any government whose hands were free would adopt something like these in choosing the industries to nourish. But one of the less fortunate results of New Zealanders' practicality in the war and postwar years has been

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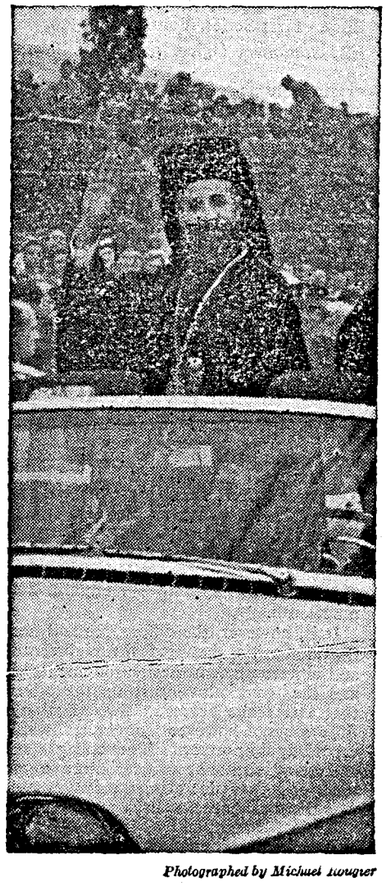
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Experts write exclusives

Above—Dr. Ludwig Erhard, reported on his tour through Asia.

Left—Paul-Henri Spaak described progress made by NATO during its first ten years.

Below—Archbishop Makarios stated his views on settlement in Cyprus.



Photographed by Michael Rougier

the emergence of a great many small manufacturers, providing employment but producing at prices that would be uneconomic if they did not receive protection against competition from overseas. The existence of these men and their workers is likely to tie the hands of a government of either party. Still, New Zealand has done wonders before, as Professor Condliffe shows in much detail; and he gives good reason for believing that it will do wonders again.

The Supply of Brains

Educational Guidance and the Pool of Ability

By Douglas M. McIntosh.

University of London Press. 199 pages. 21s.

DR MCINTOSH is one of the ablest administrators in Scottish education. In this book he describes an inquiry into "educational guidance" in Fife—educational guidance being the term used for a long period of observation and testing of children to determine their suitability for secondary courses of various kinds. The results are heartening and enlightening. In Fife a combination of teachers' reports on English and arithmetic, two intelligence tests, and tests in English and arithmetic is used at the age of about 11, with no allowance for age. This is found to be a very accurate predictor; the English tests are best mainly for the literary courses and the arithmetic tests for the practical courses, with the proviso that "mechanical" arithmetic is of little help. The tests show whether a child can succeed or not in a course; failure at the end of a course is mainly due to lack of encouragement at home. (On the other hand, an enthusiastic home is no substitute for ability.) A number of children leave high schools early because they are bored by them; Scottish education is too literary for them and new courses, particularly in science, are needed. Dr McIntosh hints that the technical colleges are probably beginning to fulfil this need, which confirms an impression that for many children the free atmosphere of a college is a welcome alternative to school.

Even with so good a system as in Fife, however, only 28 per cent go to high school, only 10 per cent stay to the end of the course, and about a third of these fail the group leaving certificate. Thus only 6 per cent of an age group gain the leaving certificate. This suggests that the courses are too inflexible, and also that the examining for the leaving certificate is extremely capricious. The inquiry also suggests, however, that at present only about 11 per cent of the children in an age-group have enough native ability for high school (=advanced grammar school) courses even if all the conditions at home and at school are favourable. (An earlier estimate suggested 16 per cent.) This is an important conclusion, given that there is a great shortage of highly educated people, because it means that the number of passes in the leaving certificate could probably be doubled if the motivation of a sizeable number of clever children could be intensified, if their parents' support could be mobilised, and if the schools rearranged their courses to arouse their interest. As Dr McIntosh points out this leaves unanswered the further question: how much more educated ability is needed by our society beyond that which the 11 per cent can provide, and how can the less able be more successfully trained to do intellectually difficult work? In the United States the Fund for the Advancement of Education is beginning to ask just this question; Dr McIntosh's learned and well-written book will encourage such work here.

Among the Gonds

Leaves from the Jungle: *Life in a Gond Village*

By Verrier Elwin.

Oxford University Press. 194 pages. 16s.

MR ELWIN won the confidence of the remote Gond tribes by having the determination and courage to do without the comforts of his own civilisation; he lived among them as one of themselves. He became intimate with their medicine men, minstrels, ordinary men and women, thieves and lepers. The conversations that he reports have the ring of truth, and the poetry of the legends that he retells has the beauty of the genuinely primitive. Mr Elwin has a deserved reputation as a distinguished authority on Indian anthropology, but he is also an affectionate observer of indigenous life, who has the gift of describing what he sees, with charm, sensitivity and, not least, a sense of farce. In fact, many pages of this book reveal Mr Elwin capable of the same kind of rollicking anthropology that the late Somerville and Ross displayed in their "Reminiscences of an Irish R.M." As for example:

> March 7. Two large parcels of medicines delivered . . . containing . . . and a bottle of small white pills labelled "For All Diseases." May 2. Exciting wedding in the village. . . . In middle of proceedings which even normally bear a closer resemblance to an OUDS Smoker than anything else, four celebrants become possessed of the spirit of tiger. . . . November 15. While carrying a cup of tea through ashram, tread on very poisonous snake, but to my great pride neither get bitten nor spill tea.

Among the questions that Mr Elwin set candidates for the post of village teacher was: "Have you educated your own wife and daughters?" to which one candidate replied: "Certainly not, for then they would be able to write love letters," and "How would you deal with an outbreak of cholera in the village?" to which the same candidate replied: "I would apply for leave and get away as soon as possible." Another candidate "brings in a testimonial from Jail Superintendent to say that as prisoner was 'convicted only under Sec. 302 of the Indian Penal Code, he will be suitable for school work, etc.' We get out our copy of the IPC and discover that Sec. 302 is 'Murder.' Then why 'only'?" Mr Elwin's washerman having been arrested, he visits him in gaol, where the washerman tells him that the charge has been trumped up "because he refused to iron the Sub Inspector's uniform free of charge." As Sec. 457 IPC (under which the washerman is charged) "is non-compoundable and non-bailable, I return home, and develop fever." That "—and develop fever" recalls the Pepysian finality of "—and so to bed."

British Columbian Canadians

British Columbia: *A History*

By Margaret A. Ormsby.

Macmillan. 534 pages. 30s.

"DISTANT from travelled sea-lanes and girdled by mountains, British Columbia stood apart from the civilised world until late in the eighteenth century." Then it became the focus of conflicting imperial ambitions—Spanish, Russian and British. Fifty years later it stood as the surviving British bastion against American expansion on the Pacific coast, a vital link in a possible all-British route to the far east. In 1871, when British Columbia relinquished its cherished status as a separate colony in direct touch with the imperial authorities, to become a Canadian province, it became the far western pivot of the new Canadian nation. For many years still its people remained in spirit citizens of a separate community, but at last, by the middle of the twentieth century, they have come to feel themselves Canadians, notwithstanding the sea of mountains that walls them in and divides them from their fellow-citizens.

This monumental volume tells the story of this development with a wealth of local colour and human interest. It throws light on a complex and little understood province that has been much in the news of late, in such connections as the Wenner Green projects and the controversy over Columbia river power. British Columbia is a province of extravagant natural riches and of equally extravagant difficulties of access and communication. Through its history run two linked themes: the provision of essential means of transportation and the proper policy for the disposal and development of natural resources. Since the placer miner with his pan and shovel disappeared, massive capital has been necessary to bring its minerals, forests and water powers into use. The great industries of the province have produced great fortunes and countervailing labour problems. Class divisions and regional divisions—rivalry between Vancouver Island and the mainland, Vancouver's metropolitan ambitions and the contrasting and diverse interests of the hinterland—have found expression in lively political activity. Domination by personal coteries has given way, first to conventional party divisions and then to the contemporary situation with a Social

Credit government and the left wing CCF as the major opposition.

This history is a fine product of co-operation between a university scholar assisted by a group of students and the provincial and national archives. It is also a notable piece of book making. The dust cover, typography and illustrations, ranging from old prints to modern political cartoons, are imaginative and elegant. On the other hand, the maps leave a good deal to be desired. They are useful as far as they go, but without a really good contour map the reader cannot fully understand a story in which the central role is played by an "obstinate topography."

OTHER BOOKS

THE OPEN SEA: II, Fish and Fisheries. By Alister Hardy. *Collins.* 315 pages. 30s.

REVOLUTION IN A CHINESE VILLAGE: Ten Mile Inn. By David and Isabel Crook. Published by *Routledge and Kegan Paul* for the *International Library of Sociology and Social Reconstruction.* 222 pages. 21s.

THE RHONDDA VALLEYS: A Study in Industrial Development, 1800 to the Present Day. By E. D. Lewis. *Phoenix House.* 319 pages. 25s.

TAXATION OF AGRICULTURAL LAND IN UNDERDEVELOPED ECONOMIES: A Survey and Guide to Policy. (Harvard Law School International Program in Taxation.) By Haskell P. Wald. *Harvard University Press.* London: *Oxford University Press.* 236 pages. 36s.

WORLD HEALTH. By Fraser Brockington. *Pelican Books.* 405 pages. 5s.

INTRODUCING SOUTH AUSTRALIA. Edited by Rupert J. Best. *University of Melbourne Press.* London: *Cambridge University Press.* 376 pages. 37s. 6d.

STOCK EXCHANGE OFFICIAL YEAR-BOOK 1959, Vol. 1. *Thomas Skinner & Co.* 1,726 pages. £8 for two vols.

THE YEAR BOOK OF TECHNICAL EDUCATION AND CAREERS IN INDUSTRY 1959. *A. & C. Black.* 1,141 pages. 30s.

KNOW YOUR MINISTRY: A description of Government Departments whose operations affect the conduct of business. Revised and reprinted from The Midland Bank Review. *Europa Publications.* 248 pages. 25s.

THE EUROPA YEAR BOOK: A Survey and Directory of European Organisations and Countries. *Europa Publications.* 1,156 pages. £6 10s.

BRITANNICA BOOK OF THE YEAR 1959. *Encyclopaedia Britannica.* 574 pages. £5 5s.

TAX PLANNING WITH PRECEDENTS. Third Edition. By D. C. Potter and H. H. Monroe. *Sweet & Maxwell.* 427 pages. £2 10s.

The third edition of this valuable work takes in the changes caused by Section 38 of the Finance Act, 1957, dealing with Estate Duty on gifts within five years of death and Sections 20 to 22 of the Finance Act, 1958, which introduced extensive changes in the tax treatment of settled funds.

SURVEYS OF INDIAN INDUSTRIES. Vol. II. By B. S. Rao. *Oxford University Press.* 315 pages. 35s.

This second volume compiled by the Assistant Editor of *The Statesman*, Calcutta and Delhi, deals with Indian industries based on agriculture and others of a more general character including cement, ceramics, shipbuilding, shipping and films.

LETTERS

What Cunard Wants

SIR—In your issue of May 9th you state that the Cunard company may be asking the Government for a subsidy to build replacements of the two Queen liners. The shipping correspondent of *The Times* writes on May 15th that a decision has been taken "that a pair of Queens would be a sound proposition provided Cunard were not too heavily burdened in the way of capital cost." He goes on to say that Colonel Bates is well content to let the jet air liners tap the new market in utility travel at economy fares. He believes that even when the 3½ hour jet air liners are operating, as they will be in a few years' time, there will still be passengers willing to pay more to travel for 4½ days in a steamer.

Colonel Bates is entitled to this belief, but I suggest that a very close examination should be made before public funds are invested to back it. Passenger liners are unlikely to be of use in a future war, so the argument for Government help must rest on the "prestige" value of Atlantic liner operation. When "utility" passengers are crossing the Atlantic in about the time it now takes to travel from London to Manchester by train, it is, I suggest, reasonable to doubt whether there will be so much prestige in operating floating hotels. It might prove more profitable to the community to subsidise the construction of land based hotels to deal with the influx of visitors.

If it were left to the Cunard shareholders to carry the risk unaided is it not likely they would decide to extend the life of the present Queens for some years? At a written-down value they should continue to earn good profits for their owners for a decade. It is possible that the somewhat period atmosphere of the ships would be an attraction to the type of custom which the Cunard company are seeking. With the possibilities of rapid and exciting progress in transport ahead it is important that a false analogy with the '30s, or sentimental attachment to the past, should not lead us into an unwise investment of public money.

The fact that the French and American Governments are likely to increase their subsidies for transatlantic liners underlines the need for caution.—Yours faithfully,

WILFRID DIMSDALE

Ilford Limited

Facing Mount Kenya

SIR—In an article which you printed on May 9th, you mentioned, in passing, "the pig-headedness of the Baganda. . . ." In the context, it seems that you think the Baganda's attitude is in the way of Uganda's achievement of self-government.

In most cases it is the other fellow who is pig-headed. Uganda is divided up into four provinces. Buganda is one of these. It is the only one with a provincial government of which the Kabaka is the constitutional head. The other three provinces are divided up into a dozen districts each of which is a unit of local government. These other provinces have no provincial councils equivalent to the Lukiko. The three kings, apart from the Kabaka, have their kingdoms in the western province, and each of these kingdoms is a district.

History and HM Government have combined to allow Buganda to develop on different lines from those followed elsewhere in Uganda. Politically and otherwise, Buganda is the most advanced province and the Baganda are very proud and jealous of their achievements. They see that their hard won prestige can only be safeguarded within a federal constitution. So far HM Government's declared policy is that Uganda will develop as a unitary state. The mere fact that Buganda now is a predominantly self-governing province, unlike the others, rules out the idea of a unitary state. If HMG's policy continues unchanged the Baganda will refrain from playing an effective part in the attainment of self-government for Uganda. It would be too much to ask of the Baganda that for the price of Uganda's independence they should abandon their rights and prestige.

The effect of a federal constitution would mean four provinces of equal political prestige. On top of these would be the Legislative Council to act as a federal government. On the other hand, a unitary constitution would necessitate a steam-roller system whereby Buganda would be reduced to the lowest common denominator: the Lukiko would be dismantled and Buganda would be divided up into units of local government.

In those circumstances it would be unfair to say that the Baganda were "pig-headed." They are not necessarily reactionary in trying to press for their rights.—Yours faithfully,

London, W8 A. FRED MPANGA

The Unproletarian Society

SIR—It may be of interest to your readers to know how many of the suggestions made in this article have already appeared in Liberal party publications.

The recently published Liberal Ownership for All report includes among its recommendations schemes for tax concessions for small savings; for the removal of legal sanctions against individual resale price maintenance; for adjustments of taxation in the interest of families; for facilities to assist home ownership, where it is desired. The need for legal safeguards against abuses of power by trade unions against individuals has long been an article of Liberal party policy, and the young Liberals' recent statement in *New Orbits*, though not in itself a part of the party's policy, has proposed the liberalisation of laws governing entertainment along the lines you have indicated.

Accustomed as Liberals are to *The Economist's* preference for pretending the Liberal party does not exist, we are scarcely surprised at the omission of all reference to our policies and publications. We believe, however, that some of your readers may agree with us in thinking you are entirely fanciful in asking the Conservatives to adopt this programme, and will recognise that if they want legislation along these lines they must turn to the Liberal party, the party which is already committed to this policy.—Yours faithfully,

NANCY SEEAR
Chairman, Liberal Party Ownership for All Committee

London, SW1

The Liberal Vote

SIR—In your issue of May 16th you comment on the local election results at Keighley "where a Labour MP held the parliamentary seat on a minority vote because of the intervention of the Liberals."

The Liberals fought Keighley in 1950 and 1955 but not in 1951. The voting figures were:

	1950	1951	1955
Labour	21,833	23,743	19,414
Conservative	16,252	21,295	16,011
Liberal	6,962		6,310

These do not support your suggestion that the Conservatives would have won Keighley in 1955 in a straight fight.

In these circumstances experience in 1951 indicates that at least a quarter of the Liberal vote would have gone to Labour. Not enough would have voted Conservative.

Keighley is one of those many seats which cannot be fitted neatly into the pattern of a two-party system. Neither of the two larger parties is supported by a majority. The most that can be said is that the voters appear to be more anti-Tory than they are anti-Socialist.—Yours faithfully,

JOHN G. WALKER
Prospective Liberal candidate

Sowerby

Apprenticeships

SIR—In your comment on apprentice training in your issue of May 9th you observe that "firms who do run apprenticeship schemes complain that many of their young men, once trained, go off to take jobs with firms which undertake no training at all."

In one sphere at least the Government exercises its "general policy of non-interference in industrial training" to the extent of not troubling to recruit and train apprentices for skilled trades employed in its own departments. The General Post Office vehicle repair shops in this part of the country do not train apprentice motor vehicle mechanics, but prefer to rely on the trained products of local firms who do. Yet the GPO shops are large by average motor trade garage standards. The same situation no doubt obtains in respect of other trades employed as direct labour by local authorities.

The Government should take steps to remove its own departments from the ranks of the predators and at the same time see to it that local government departments make plans to assist in accommodating the bulge.—Yours faithfully,

R. P. F. DONALD

Inverness

London Traffic

SIR—You reject the proposal for solving the traffic problem by banning private cars from central London and other congested areas on the grounds that it would be "an extremely drastic interference with individual freedom."

By individual freedom you presumably mean the freedom of the motorist, not that of the pedestrian. There was a time within memory when strolling through central London on a bright day was a pleasant experience. Today, with endless lanes of traffic smothering the pedestrian in dust, litter, and petrol fumes, it is nearer to an ordeal.

Nor need one imagine that the motorist much enjoys the freedom of the city centre. Every other motorist is an actual or potential obstacle and is regarded as such. Each new motorist on the road is an additional hindrance to his freedom and, consequently, an additional strain on his nerves, a blight on his temper, and a cramp on his digestion.

Why, then, does a man continue to drive a private car in the centre of London? Perhaps because being a pedestrian, or a passenger in a bus continually bogged down in traffic, is still worse. He takes to his car in self-defence—and will be wise to do so until traffic is reduced to near immobility or, better, until private cars are banned from city centres.—Yours faithfully,

Tolworth E. J. MISHAM

Mental Health Bill

SIR—Your comment "Only Part of the Picture" (May 9th) made interesting reading and I wholeheartedly agree that unless viewed from a long-term policy, staffing problems will seriously impede the successful carrying out of social work in this country.

I feel that part of the social work could be efficiently undertaken by the careful selection of prewar police officers who are now retiring on completion of their pensionable service. These officers were the *aides-de-camp* in such cases in former days, and the majority were and are still respected for their humanitarian demeanour towards any member of the public who was in need of assistance and advice before the many guidance and welfare committees came into force.

These officers, by their general knowledge and understanding of the complex issues involved, would make ideal persons to be entrusted with the sympathetic carrying out of the Bill's provisions.—Yours faithfully,

F. GOODWIN

Nottingham

The One-Eyed Men

SIR—Do you really believe that Britain's technological success vis-a-vis Russia depends on the fate of Latin in a handful of independent schools, or that there really is a disabling division between arts and science men? The actual division in English education today is between those who have paid fees for their schooling and those who have not. This remains true, even if Labour policy-makers in "Learning to Live" have been bamboozled to discriminate rather between those who have passed the 11+ and those who have not. Whenever the National Union of Teachers, or others interested in the education of the whole nation, have asked for money to staff and equip the nation's schools, you have been the first to oppose and scorn. But the independent schools are too few to go it alone. A successful technological revolution cannot be had on the cheap, or from teacher-less schools, Latin or no Latin.—Your faithfully,

M. NETTLETON

Northampton Grammar School

An important new book
by the author of
The Practice of Management

Peter F. Drucker

THE LANDMARKS OF TOMORROW

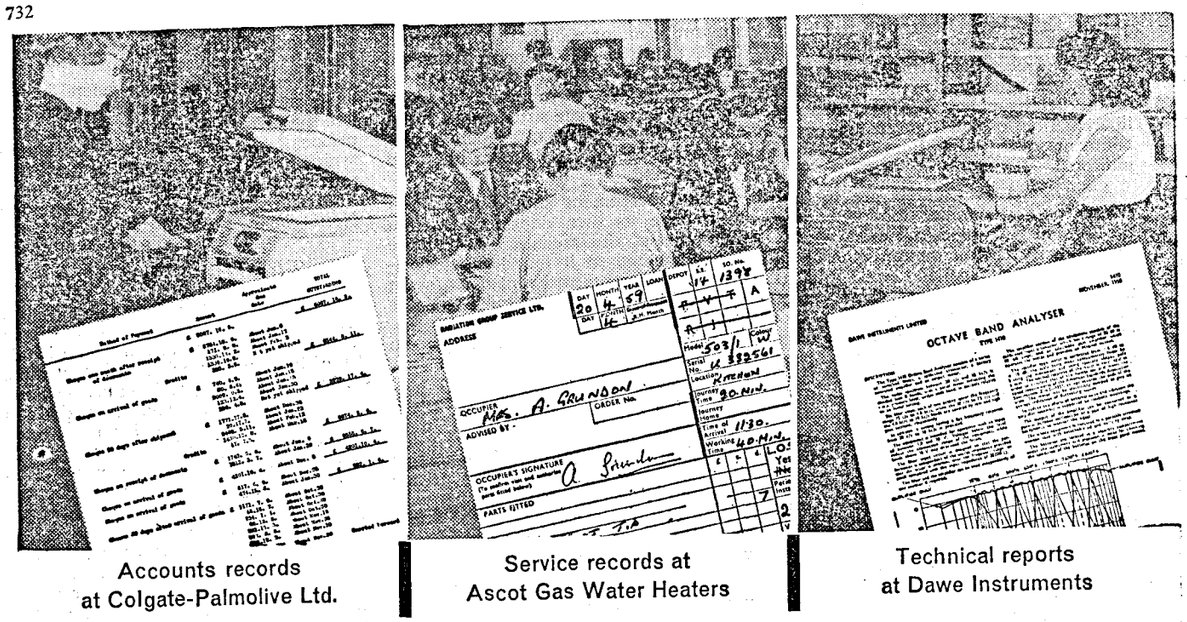
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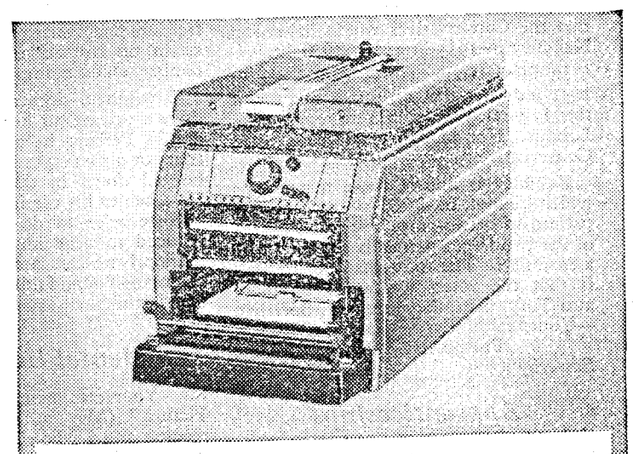
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Republican Rivals

WASHINGTON, DC

WHEN the Vice President, Mr Nixon, addressed the Academy of Political Science in New York last month on the part to be played by the World Court in settling disputes arising from the cold war, he had a specific and immediately practical goal in mind as well as that of bringing nearer the reign of law in international affairs. The speech was his first in New York since last November when the state's voters, in the midst of a national disaster for the Republican party, elected Mr Nelson Rockefeller to the Governorship. Overnight, Mr Rockefeller became a major candidate for the party's presidential nomination in 1960; this had previously seemed certain to fall to the Vice President. The widely expected struggle between them for the Republican nomination has captured the popular imagination and is now in the forefront of all political speculation.

In these circumstances, Mr Nixon's speech was a foray into enemy territory. He laboured over it with care and was rewarded with a uniformly favourable, if somewhat tepid, press. His political objective was to sustain the image of himself as a moderate, responsible, internationally-minded figure, the so-called "new Nixon" as contrasted with the calculated and bitter partisanship of the earlier, brasher Nixon. The Republican party has repeatedly demonstrated that, whatever the preferences of its mid-western old guard, it will not nominate any candidate branded as an isolationist or a reactionary. If Mr Nixon is to escape the frustrating fate of the late Senator Taft, he must underline his views periodically, particularly on international questions.

The success of his speech was part of a recent marked revival in Mr Nixon's political fortunes. After the Republican defeat in a campaign in which the Vice President had been his party's leading speaker, there was a strong tendency to write down his prospects. Governor Rockefeller was a dazzling new figure; Mr Nixon seemed a trifle shopworn. It appeared that in Mr Rockefeller the Republicans had found a new star to replace the fading one of President Eisenhower.

Governor Rockefeller has remained non-committal, but observers are overwhelmingly of the opinion that he will decide to seek the nomination. His first few months in office have been successful. He has carried most of his legislative programme, including a big budget and a substantial increase in taxes, through a customarily conservative and recalcitrant State Legislature. All sections of the press have supported him, in some cases ecstatically. The usually restrained *New York Times* has led the applause. For example, after the Legislature passed the Rockefeller tax programme the *Times* wrote:

> a political victory of impressive magnitude . . . a triumph of principle over expediency, of fiscal courage over a temporising drift into debt . . . an example of strong leadership.

Not for many years has any public figure been the recipient of such consistently glowing words from the *Times*. It is worth noting that, unlike Mr Harriman, his harassed Democratic predecessor, Mr Rockefeller has a top-heavy majority in both houses of the Legislature and that, as a lively presidential prospect, he has about him "the sweet smell of success" which always tends to make lesser politicians more compliant, particularly at the outset of a new administration.

Austerity may be praiseworthy but it is never popular. In spite of his success with the Legislature and his favourable press, Mr Rockefeller's popularity has sagged. The sharpest reaction has come from Republican voters in the middle and upper income groups and from conservative Democrats who crossed party lines to vote for him. These people have traditionally identified higher spending and higher taxes with the Democrats and thought of the Republicans as the party of retrenchment and tax reduction. Mr Rockefeller's very liberal brand of Republicanism has been a distinct shock to them. If this disillusionment persists and hardens, it may be a considerable political handicap to the Governor in seeking the presidential nomination of his party. Presumably this accounts for the marked decline in his popularity in the latest Gallup Poll, which shows Mr Nixon widening his lead over the Governor among Republican voters and well ahead of him as the choice of independents. Observers sympathetic to a Rockefeller candidacy are convinced that this decline is ephemeral.

Of greater interest is a recent poll of Republican county chairmen and other local leaders of the party, which shows that three-quarters of them favour the Vice President. This is a measure of Mr Nixon's solid strength in the party organisations throughout the country and of the serious obstacles which a Rockefeller candidacy would face. Mr Nixon has made a country-wide campaign tour every two years since 1952. He is on first-name terms with the strategic party leaders in every state and locality and has kept up a correspondence with the more important of them. Party workers admire him and are grateful to him for doing the hard political work for an Administration whose chief, Mr Eisenhower, rejects the normal responsibilities of party leadership. Moreover, although Mr Nixon is too agile and modern-minded to be a real old guardsman, he is generally accepted by the conservatives in the party as the best available heir to the mantle of the late Senator Taft.

In addition to the support of the party organisation, which in 1952 was almost enough to force the nomination of Senator Taft in spite of the immense popularity of Mr

Eisenhower, Mr Nixon has advantages which Senator Taft never enjoyed. One is the support of the large delegation from California, the Vice President's home state. Another is some support among the Negroes because of his efforts as chairman of a presidential committee to end racial discrimination in work done for the government by private contractors. To broaden his appeal to housewives, pensioners and those living on fixed incomes, he has agreed to be chairman of the new Committee on Price Stability for Economic Growth. This group is expected to provide him with a useful forum to defend the Administration's fight for a balanced Budget by linking budgetary deficits with rising prices. His trip to Moscow in July to open the American Exhibition there will enhance his stature as an international figure and keep him in the limelight.

Those who expect Mr Rockefeller to carry off the prize in spite of all Mr Nixon's solid advantages recall the "blitz" campaign of the late Wendell Willkie who, in April, 1940, was almost unknown, and three months later was the Republican nominee. They also point to General Eisenhower's nomination in 1952. But Willkie triumphed over a divided field of candidates, not over one formidable opponent, and the Eisenhower victory was the result of three years of elaborate ground work by Mr Dewey, the former Governor of New York, and Mr Herbert Brownell, who was to become Attorney General.

There is still time for another such campaign, but as yet there is no sign that Mr Dewey and Mr Brownell, now both engrossed in lucrative law practices, are prepared to put their skills and their network of allies and acquaintances fully at Mr Rockefeller's disposal. Mr Nixon has gone to great efforts to cultivate their goodwill and that of the bankers and businessmen allied with them in the more progressively-minded, internationalist wing of the party. Moreover, the President's precarious health makes politicians reluctant to commit themselves to Mr Rockefeller too soon. If the President were to die, Vice President Nixon would succeed him and would be renominated almost as a matter of course.

Congress Called to Task

THE President sent an unusually sharp message to Congress last week, all but accusing it of neglecting its job and telling it to make haste if it did not want the building of houses and highways to be checked and the whole system of agricultural price supports to collapse under a cataract of wheat. Deadlines are indeed approaching, but the President's intervention was prompted not so much by fear that Congress would not meet them as by signs that, after marking time since Easter, it is at last moving—but in ways that will unbalance the Budget. Mr Eisenhower had hardly spoken before the Agriculture Committees of both houses defied him and the housing Bill which Mr Rayburn finally forced out of the Rules Committee of the House last week is little more to the President's taste. The fading of the recession and the revival of the coalition between Republicans and conservative Democrats has taken a good deal of the gusto out of the challenge which a strongly Democratic Congress was expected to offer to the President's insistence on a balanced Budget. By restating his own proposals, Mr Eisenhower hopes to put even more heart into the conservatives.

A housing Bill is urgent to increase the authority of the Federal Housing Administration to insure private mortgages; this is the backbone of the present boom in house building which this year is exceeding previous peaks. The FHA has already made more promises to insure than it can redeem without the $6 billion additional authority the President has requested. This programme costs the government practically nothing but until Mr Rayburn, the Democratic leader, put pressure on the two conservative Democrats on the Rules Committee, they had joined with the Republicans in refusing to release the Bill because it also provides more money for urban renewal and public housing than the President wants to spend. They surrendered last week, but only on condition that the House, when it debated housing this week, should have a chance to vote for a truly conservative Bill which provides even less money than the President suggested.

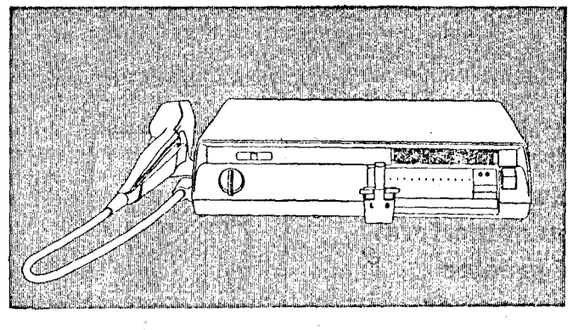
On the highways the President's well-founded fear is that neither party has any intention of raising the federal tax on petrol, as he asked, to replenish the trust fund set up to finance the 90 per cent federal share of the Interstate Highway scheme. The fund's revenues are inadequate because costs have risen and Congress has enlarged the scheme. In theory, this is a pay-as-you-go measure and if Congress fails to act, the states, some of which have exhausted their funds, will have to curtail their programmes. But not a single Republican has sponsored a Bill to raise the petrol tax and Congress, which has already waived the pay-as-you-go requirement for two years, may well do so again. This would mean that the Treasury must shoulder a burden which the President feels it should be spared—at least in times of prosperity.

Engulfed by Wheat

THE President can be—and is—criticised for his insistence on balancing the Budget at the relatively low level of $77 billion by postponing spending on schools, urban development and other projects which a growing population needs. But this postponement would be unnecessary if only the Budget could be relieved of the over $5 billion a year being spent to keep up agricultural prices, restrict production, and dispose of surpluses. Agriculture is the costliest item in the Budget, except for national security and interest on the public debt. Wheat is the worst culprit of all; as the President pointed out, in his renewed demand for legislation to avert "impending disaster," surplus stocks are already two and half times as much as is used for food each year, and by July 1, 1960, about $3.5 billion will be invested in wheat, accounting for more than a third of the total of over $10 billion expected to be invested in surpluses by that time. Storage of wheat alone is costing $500 million a year.

Nibbles at the support price and at plantings have failed, as the chart shows, to offset the great surge in productivity. Even some representatives of the wheat belt realise that there will be a taxpayers' and consumers' revolt if this monstrosity is not eliminated. Unable to agree on what should be done, Congress has postponed, until June 1st, the statutory date by which Mr Benson, the Secretary of Agriculture, must announce the support price for wheat during the coming crop year. But this fortnight's grace seems unlikely to produce the "realistic and constructive" legis-

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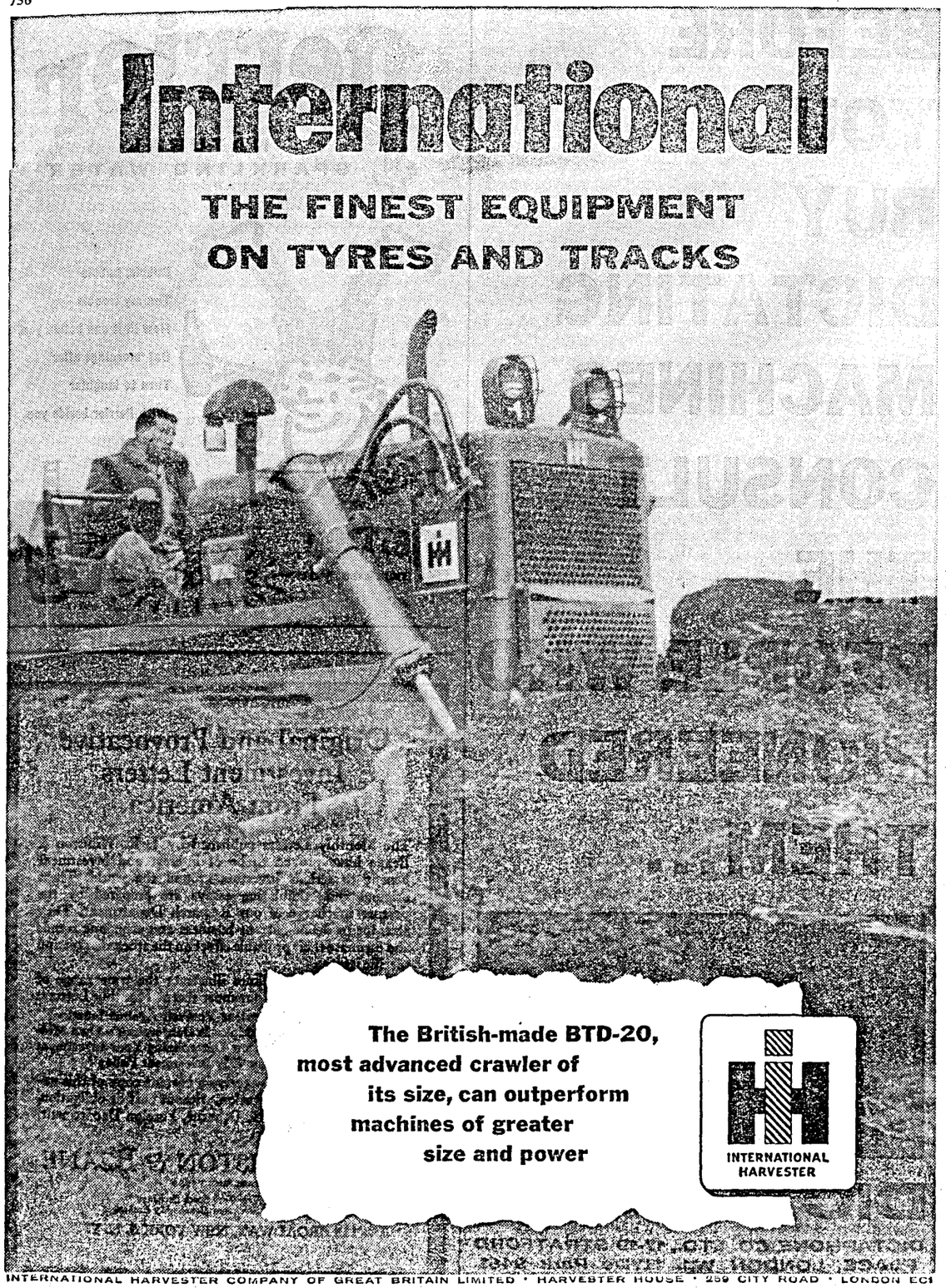
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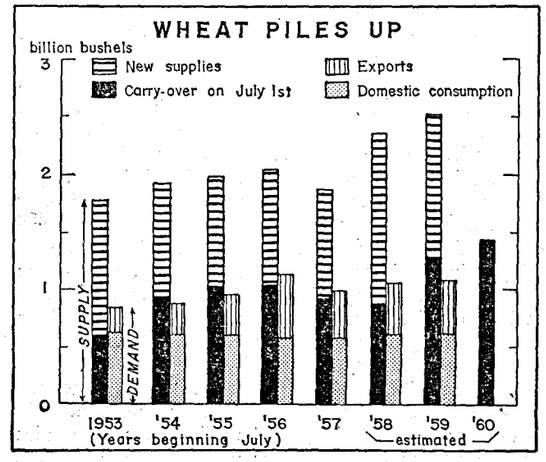
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lation needed, which to Mr Benson means sharply lowered support prices, preferably based on a three-year moving average of market prices, and an end of the production controls which productivity has rendered useless. The Democratic majority on the House Agriculture Committee has voted to cut plantings by 30 per cent but, to sustain farmers' income, to raise price supports back to the levels which existed when the Eisenhower Administration came into power. This would be worse, Mr Benson says, than no legislation at all.

The Senate Agriculture Committee has approved a different and, to the Administration, slightly more palatable mixture, by providing that farmers who agree to a 20 per



cent cut in their plantings should receive slightly higher price supports than at present, but that those who refuse shall have their support prices cut by about 12 per cent. Faced by an almost certain presidential veto if it votes to raise the price supports which are such an incentive to increased production, the House shows signs of watering down its prescription. But it seems all too probable that Congress and the President will be unable to agree on any reform this year and that the Budget and America's relations with other wheat-producing countries will continue to suffer.

Booming Interest

THIS year's rising trend in interest rates is being given another upward twist by the increase, all across the country, from 4 to 4½ per cent in the prime rate, the interest charged by leading banks to their biggest and safest borrowers; all bank lending charges are based on this rate. Moreover, this increase will probably be followed almost immediately by another, in the discount rate (3 per cent at present), the interest charged by Federal Reserve Banks on loans to their member banks. A wide difference between the two rates seldom persists for long, since it makes it profitable for banks to borrow money from the Federal Reserve System to lend to business customers. The Federal Reserve Board itself, extremely anti-inflation-minded, would surely be glad to see the discount rate return to 3½ per cent, the level during the last boom period at the end of 1957, since the industrial production index, higher than ever before, at 149 of the 1947-49 average, has just announced the approach of a new boom.

In fact it is the Federal Reserve Board itself which is largely responsible for the rise in the prime rate. Until the last couple of weeks it has been keeping commercial banks increasingly short of credit in the face of an unseasonably high demand from borrowers. Normally, during the first half of the year, bank loans to business decline substantially, turning up again in June. So far this year the total has gone down by only $34 million, compared with $2.1 billion during the same period last year, admittedly a time of recession; business loans by banks outside New York City have actually gone up this year. In the two weeks which ended as the rise in the prime rate began in New York, loans went up even in that city, suggesting that corporations were no longer able to satisfy their credit needs in their own home towns and were having to resort to the banking capital of the country. At least until recently, however, the increased borrowing has come from smaller companies, less well supplied with cash at the moment than are the large firms.

The Federal Reserve Board has also refused so far to allow New York banks to add to their supply of funds by paying more than 3 per cent interest on foreign time deposits. These are normally a source of loanable money but, with higher interest rates available on other short-term investments, foreign depositors are moving their money out of the banks and into these. Normally banks would add to their lendable funds by selling their holdings of government securities but, with the Treasury bond market in its present depressed state, this can only be done at a serious loss. The higher prime rate will, however, compensate for this by enabling the banks to earn more on their loans.

Empire Built on Beans

PITTSBURGH

THE American firm which introduced the baked bean to England—the H. J. Heinz Company—is about to open its third manufacturing plant in the United Kingdom, at Kitt Green near Wigan, in order to meet the demands of a local market which has doubled every four years since the war. Today the British consumer eats more tins of baked beans than the average American and, in all, about twice the quantity of Heinz products. Indeed, wherever British stock has gone, the "57 varieties" have followed. The Canadians are running neck and neck with the British as Heinz fans, and the Australians, after a later start, are rapidly catching up in terms of consumption a head. Both are supplied by domestic subsidiaries.

In these three countries, Heinz products occupy a leading position in their field. On its home ground, however, the company's profit margins have been progressively clipped by intense competition from other major producers. Half of its total output—worth in all about $300 million—is sold in the United States, but over 80 per cent of its net earnings now come from abroad. Some of the company's domestic competitors are making vigorous attempts to invade its foreign preserves, but so far, particularly in Britain, faith in the Heinz label is standing up well.

The operations of the H. J. Heinz Company started with the sale, in the eighteen-sixties, of bottled horseradish sauce; its export trade dates from 1886 when Fortnum and Mason's bought pickles from Mr Heinz. Today the company, with 11 factories in the United States as well as those abroad, is the largest processor of tomatoes and the largest distiller of

vinegars in the world. To preserve the legend of "57 varieties" now requires ingenious grouping; there are in fact 200 or more. A Heinz product is not—with one exception—rigidly uniform in flavour from country to country. The exception is tomato ketchup which symbolises the unifying crown of the Heinz empire; and to produce this uniformity the recipe has to be modified to offset local differences in ingredients.

Elsewhere flavour varies both according to recipe—tomato soup is quite distinct on the two sides of the Atlantic—and according to the quality of the indigenous raw materials; English strained carrots (for babies) are said to be second to none. Moreover, while Heinz of Australia has been experimenting with kangaroo-tail soup, Heinz of Great Britain runs off five "varieties" not manufactured in the United States: mango chutney, treacle pudding, pickled walnuts, vegetable salad and salad cream. The latter (which is much sharper than an equivalent American dressing) has found favour with visiting Americans and the chefs at Pittsburgh have been trying to reproduce it; but, although the recipe and, for a second trial, all the ingredients were flown in from England, the precise flavour has so far eluded them.

While still controlled and managed by the Heinz family, the company was made a public one in 1946 in order to raise additional capital. The Canadian and Australian concerns are wholly owned subsidiaries; the British company is independent, although the parent company owns 91 per cent of its shares. The three subsidiaries have secured a large measure of self-determination, but the headquarters at Pittsburgh remains the hub. Here the extensive manufacturing operations are housed in a cluster of large, red-brick Victorian buildings flanking on either side the modern $8 million Heinz Research Centre, opened last year, which provides a "House and Garden" background for the labours alike of executives, scientists and experimental chefs. In seven laboratories the contents, consistency and general characteristics of all Heinz products (and those of its main competitors) are subject to constant supervision.

While Heinz products are shipped all over the world—the English company has the largest export trade—subsidiaries have been restricted, up to now, to English-speaking countries. But like many other American companies, Heinz has its eye on the European common market, and last August it bought up a Dutch concern—Taminiau Conservenfabrieken—which will gradually introduce Heinz products, while continuing, for the time being, its established lines of jams, jellies and (an unexpected item to emerge from a Heinz factory) wine. This venture does not, however, satisfy the company's territorial ambitions on the continent, and it is now looking towards western Germany. Although they expect rather more resistance in France and Italy, Heinz executives are confidently awaiting the day when the continental housewife, weaned at last from long hours in the kitchen, will proudly dish up a quick serving of Chicken Noodle Dinner!

Unhealthy Hospitals

THE six New York hospitals, variously called private, non-profit or voluntary, against which the National Drug Employees' Union called a strike two weeks ago, have only themselves to blame for the dissatisfaction of their non-professional employees—porters, cleaners, kitchen staff, laboratory technicians, nurses' aides. Many of these workers have been paid as little as $35 for a forty-hour week, compared with an average of $58 for the same work in the city's tax-supported hospitals. A charwoman in private service earns $1.25 an hour; the union wants a rate of $1 an hour in all hospitals. This is the minimum wage under federal law, which does not apply to non-profit institutions. The New York hospitals plead the shaky financial position of all charitable organisations, but in effect they seem to have been forcing their staff to subsidise their good works. Moreover, some 80 per cent of the non-professional employees are Negroes or Puerto Ricans, so that there is a suggestion of racial discrimination and exploitation of cheap labour about these low wages.

The six hospitals against which the strike is directed—it may be extended to others—have an average of 490 beds each and were chosen out of the 81 non-profit hospitals in the city because the union thought it had signed up enough of their employees—it claims 3,625 out of a total of 4,500—to make a strike effective. How far this has been achieved is a matter of argument: the hospitals say only a thousand or so are staying away; the union figure is over 3,000. For the present, at least, volunteers, and nurses and doctors doing extra duty, seem to be filling the gaps adequately. If the teamsters—lorry and van drivers—were to support the striking union, the hospitals would be unable to hold out for long. But the teamsters, who also have ideas about organising hospital workers, are remaining aloof in the hope, perhaps, that this rival effort will fail.

The hospitals have already offered to improve wages and working conditions gradually and the basic issue in the strike is whether they will recognise the right of the trade union to negotiate on behalf of their non-professional workers. If this right is accepted the union is prepared to agree not to call a strike in the future, in view of the danger to the lives of patients which this might involve. Non-profit hospitals are exempt from the law which requires employers to bargain collectively with their employees and this seems to have gone to the heads of some of the hospital governors—often wealthy businessmen who are opposed to trade unions in principle. They defend their refusal to compromise by arguing that, if the union were recognised, it might interfere with the treatment of patients and that standards of care might deteriorate as a result.

Pax McConica

PITY Mr Lewis Strauss, the former head of the Atomic Energy Commission who is trying to get the Senate to approve his new appointment as Secretary of Commerce. Because of the enmities he made in his old job, he squeaked through the committee stage of his confirmation this week only by the hair's breadth margin of 9 votes to 8; and now he has the extra grief of watching his opponents make peace with his successor at the AEC, Mr John McCone. With a minimum of fuss, Mr McCone has come to terms with the Joint Atomic Energy Committee of Congress on the AEC's budget for the coming year. This used to be the occasion of a bitter quarrel each spring between Mr Strauss and his Democratic critics, who wanted the federal government to spend much more money on nuclear-powered generators instead of leaving the task to private enterprise. For a

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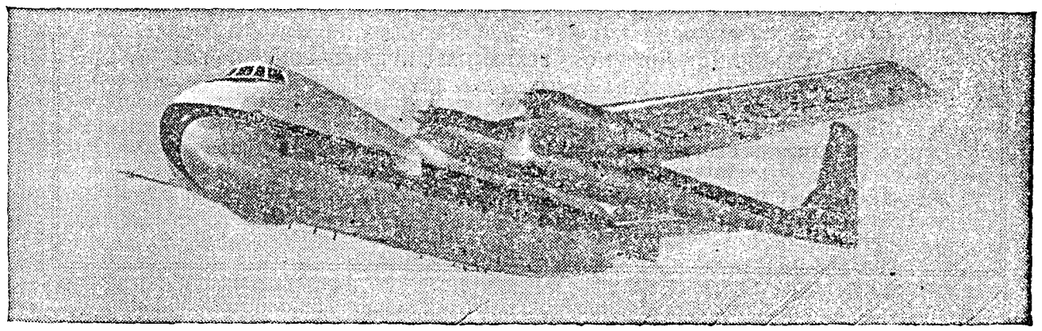
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time this year, early in the committee's hearings, it looked as if Mr McCone would inherit the feud; but now he has persuaded the Democrats to keep their additions to the budget within limits he finds acceptable.

In the core of the atomic budget—the programme for civilian reactors—Mr McCone had asked for federal funds to be allotted to five new power plants. The committee has won his blessing for three more than that, including one that may be used by a public electricity authority; but by trimming the Administration's proposals it has added less than a quarter to this part of the budget. It has also written in new funds elsewhere, the largest item being $18½ million sought by the controversial Admiral Rickover for a new kind of nuclear power plant for warships. However, partly by dint of halving the amount allocated to aid for Euratom next year, the committee's version is only a comparatively modest $48 million above Mr McCone's original request for $178 million.

One or two of the Democrats on the committee wanted to add more. The restraint of the majority, apart from being a tribute to the diplomatic Mr McCone, is yet another sign of President Eisenhower's extraordinary success in persuading Congress to increase his Budget less than almost everybody expected. In return, the President dipped a knee to the opposition last week by approving a plan, put forward by an advisory committee of scientists, to spend at least $100 million in the next six years on building a new accelerator, or "atom-smasher," in California. This will be a plant two miles long and, when it is working at full stretch, it will be the most powerful machine in the world for investigating the nucleus of the atom. The committee also urged that total expenditure on this line of research be more than doubled in the next four years; but on this the President cautiously refrained from committing himself.

Prejudicing Southern Progress

FROM A CORRESPONDENT RECENTLY IN ARKANSAS

ONE of the arguments advanced by political scientists, sociologists and others for ending racial segregation in the South has been that it is uneconomic. Not only is there needless expense involved in maintaining dual school systems and other separate facilities for Negroes and whites, but also, so long as the economic advancement of a large segment of the population is hindered, the growth of the entire region is retarded. Privately, many southern business leaders have been willing to concede the point. Yet when in 1954 the Supreme Court outlawed segregation in state-financed schools, businessmen did not receive the decision with any enthusiasm. In their view, it would take a long time for any economic benefits to develop from desegregation; the immediate prospect was for violence on a massive scale that would paralyse business and industrial growth.

The five years that have passed since the court's ruling have been marked by widely publicised racial violence at Little Rock in Arkansas and at other places and have given some opportunity of assessing the extent to which the fears of southern businessmen were justified. The evidence seems to indicate that no single regional pattern has developed. Little Rock has manifestly suffered. But Florida, which has still had no integration in its schools and therefore no racial trouble, continues to be one of the fastest-growing states in the country. The attitude toward the South of businessmen in other areas is mixed. Some have said that increased racial tensions have caused them to postpone plans for establishing factories in the South. Others seem not at all concerned by the racial question.

The matter of industrialisation is, of course, all-important. Throughout its history the South, anchored to an agricultural economy, has lagged behind the rest of the country in economic development and has seen its population dwindle as people have gone elsewhere to seek work. The increasing mechanisation on the farms in recent years has displaced thousands of workers and for a time it speeded up the migration. But the South went to work to redress the balance. Since industries were interested in decentralising their facilities the South drew attention to the fact that its displaced agricultural workers constituted a pool of abundant, and cheap, labour. Southern workers, it was pointed out, have traditionally been hostile to the trade union movement, regarding it as something alien and perhaps subversive. Hence, industry could pay low wages in the South and enjoy relative freedom from threats of strikes. And the South offered vast, untapped natural resources.

The southern states set up new agencies to attract business and began vying with each other in offering industry huge tax concessions and free factory sites and buildings. The result has been that in recent years many southern states have grown at a rate far faster than has the country as a whole. In fact, the first three years following the Supreme Court's ruling on segregation were three of the most prosperous years the South has ever enjoyed. So many industries have come south from New England that it has caused real hardship in that area.

But in late 1957 and early 1958 there was a slight, but perceptible, slowing down in the boom. This followed the kindling at Little Rock of racial tension which spread throughout the South, but it also corresponded with the beginning of a country-wide recession. The South, largely because of the diversification of its economy, was not as badly crippled by the recession as some other areas. At least four states—Mississippi, North Carolina, Alabama and Georgia—expanded last year at a rate which exceeded 1957, and of these, only North Carolina has attempted any integration in its schools. The rest of the southern states just held their own economically or fell back. Since some industrialists have stated that they have postponed setting up plants in the South because of racial tension, it is clear that the loss in 1958 is not entirely attributable to the recession. But it seems impossible to decide conclusively how great a part is played by the racial issue, at least until the 1959 figures show whether or not the South has kept up with the pace of the national recovery. If not, the failure will probably indicate that the lingering racial ferment has had more than a temporary effect.

ARKANSAS gained some new industries in 1958 and others expanded, but still the state lost ground. The assistant director of its industrial programme became convinced from his contacts with industrial leaders that friction between whites and Negroes was the principal factor which was keeping industry out of Arkansas, and resigned in frustration. In the twenty months since the schools of Little Rock became the focal point of resistance to the Supreme Court's order, the city has not acquired a single new industry. And Chamber of Commerce officials have admitted receiving

confidential letters from the presidents of several firms stating that the racial trouble is responsible. Virginia did acquire some new factories in 1958 but since others closed it finally wound up with a net loss in manufacturing employment.

The actual closing of schools to forestall integration at Little Rock, and briefly in some Virginia towns, may turn out to be far more damaging than mere violence. A recent survey has shown that a majority of Little Rock businessmen feel that the school situation has hurt the town economically. Families have been leaving in such numbers that the moving business alone has been able to report a significant increase in activity. At the same time, there has been a sharp slump in sales of home property.

These school difficulties have come just when the South has been trying to diversify its economy further by attracting industries in such fields as electronics, chemicals and nuclear energy—all of which require trained technical workers. Some states, including Arkansas, have set up graduate schools of technology to provide advanced training for such workers as one means of luring industry. And while the unskilled factory hand may be content to see the state schools closed, the man whose work requires a high level of intelligence is not. He owes his position in the social and economic strata to his education ; he wants his children to have the same opportunities and, since he can easily get a job, there is no need for him to bring his children into a community in which public education is regarded as dispensable.

In 1956, long before there was a hint of racial trouble at Little Rock, the representative of a large electronics firm told city officials that his firm was not concerned so much with tax concessions or with getting a free site for a factory. Rather, he said, since the firm employed so many skilled engineers, it was interested primarily in what the town had to offer in the way of good schools, cultural activities, recreation and the other amenities that make for good living. Recently, Little Rock lost an electronics plant which would have employed 1,000 persons.

The experience of the South since the trouble at Little Rock seems to demonstrate that, while the advantages the region has to offer to industry may be more than enough to offset racial discord in some circumstances, there is a point at which the balance can be tipped and industry frightened away. Undoubtedly, this lesson is being studied particularly in those states whose leaders have promised to go to any length to avoid integration. The Attorney General of the United States recently warned the South that the closing of schools could mean the loss of federal installations. Southern leaders may accuse him of trying to coerce them, but they are not likely to pass off such a warning as an idle threat.

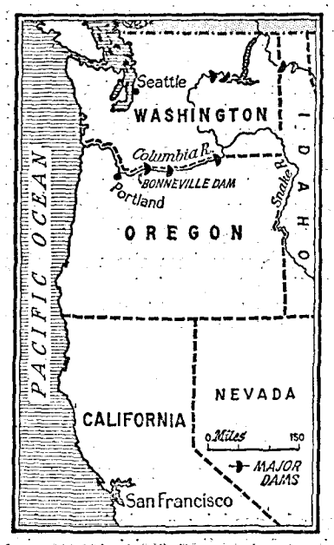
Pacific Power Pool

FROM A CORRESPONDENT IN OREGON

MANY members of Congress are puzzled by the proposal that the federal government should provide about $50 million to construct a high-voltage electrical transmission line linking the three Pacific coast states, Washington, Oregon and California. Why, if the states of the Pacific Northwest are so short of hydro-electric power (as they are) is there a movement to sell their "surplus" to California ? The paradoxical answer is that electricity is both in long and in short supply in the Columbia River Basin. Its big dams cannot meet the demand by industry for year-round, "firm" supplies of electricity. But in the high water periods of the summer months, they can produce much more energy than can be sold ; it is this electricity that is "surplus" and that is coveted by the booming industries of California.

The Bonneville Power Administration, which markets all federally-produced electricity in the Columbia Basin, has made a practice of selling this seasonal surplus as "interruptible power," that is, electricity which may be cut off in periods of low water. It is extremely cheap, but local industries have been reluctant to expand their facilities to use it as long as the supply is not certain all the year round. In California, however, much of the electricity is now obtained from thermal plants fired by oil, and its cost is substantially higher than that generated on the Columbia.

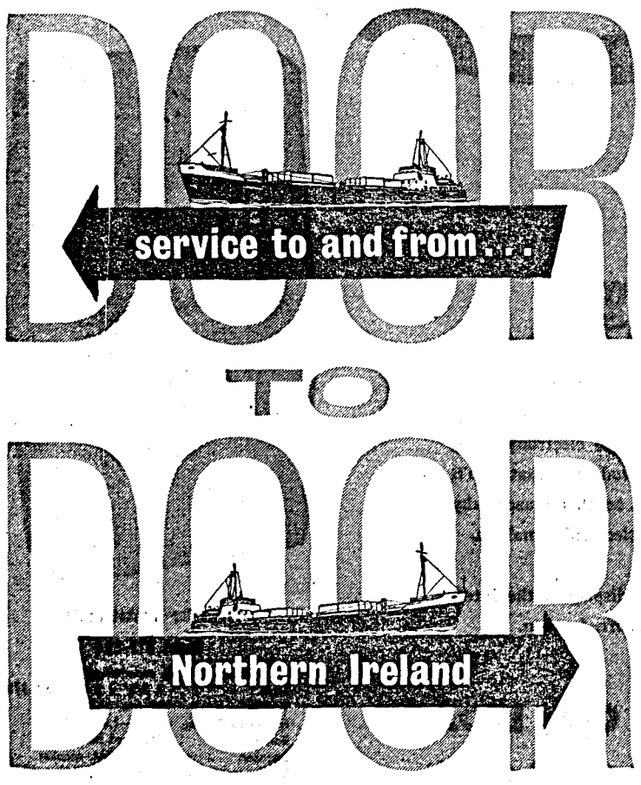
The proposal is that the federal government should finance a Pacific Coast Inter-tie permitting the transmission of electricity between California and the Columbia Basin system. This would allow cheap Columbia River electricity to be "wheeled" south in high water periods instead of permitting the water to run wastefully to the sea. And, in periods of low water, energy from California's steam plants could be sent north into Oregon and Washington, enabling the Bonneville Power Administration to sell much more electricity on a year-round, "firm" basis.



The Bonneville Power Administration has itself initiated a plan to sell some of its surplus energy to California, through a long-term contract with the Pacific Gas & Electric Company, the major private supplier in the San Francisco area. Bonneville officials want the money to help to offset a $3 million deficit, the first in the 20-year history of Bonneville. The alternative is an increase in Bonneville's fabulously low wholesale rate—$17.50 a kilowatt-year. But this deal is a small one compared to the Pacific Coast Inter-tie ; moreover, it does not contemplate any considerable flow of California power northward to firm up supplies of electricity from the Columbia River over the twelve-month cycle.

For that very reason, those who favour the larger project are inclined to oppose the smaller one—and *vice versa*. All three Pacific Coast states have appropriated money to study the feasibility of the Inter-tie. But officials of the State of Washington are inclined to look with some suspicion on it because most of the electricity from federal dams on the Columbia River now goes to consumers in Washington, and their representatives are afraid they may go short if California is allowed to share it. Last month a Senate subcommittee, after hearing testimony on both projects, asked for a delay of six months in order to permit study of the plans.





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PIONEERS IN LARGE SCALE CROSS-CHANNEL CONTAINER TRANSPORT



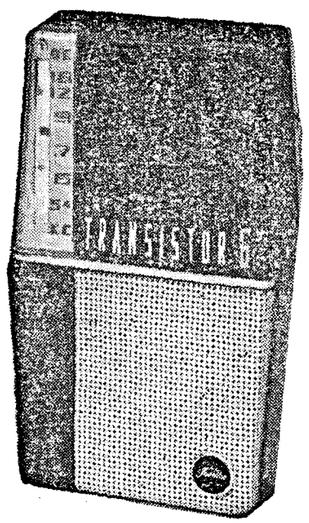
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THE WORLD OVERSEAS

Northern Nigeria's Holy War

FROM OUR SPECIAL CORRESPONDENT IN KADUNA

THE Northern Region of Nigeria has celebrated its arrival at regional self-government with a splendour which one is tempted to read as a declaration of intent. The durbar, the three thousand horsemen, the rites and the royalty, even the exhibition of industry and agriculture and the art, beauty and dramatic contests, all seem to have scooped the Federation's independence celebrations which are due in October, 1960; these will presumably have to be a humdrum affair of foreign emissaries and flag-raising. The North is also first with its flag; the knotted cord on its green Islamic background already flutters from every official car, before the Federation has even got to work on a design. Not only has Northern Nigeria been put on the map; the world has been given a broad hint that the North practically *is* Nigeria. The northerners doubtless aim to follow up this hint by electing so many Northern Peoples Party (NPC) candidates in the federal elections next December that the North will virtually rule the Federation.

It remains, however, to make a success of regional self-government. It is not only in the hearts of British officials that doubts lurk. Not a few eminent northern Nigerians wish that the pace of events in the southern regions had not forced the north to move so precipitately to "SG." Consciously or unconsciously, the durbar seems to have been designed to reassure these fainthearts in a burst of national pride and fervour.

The region became completely self-governing on March 15th. But already there are hints of the way in which its government is developing—a purely African cabinet, an almost wholly European higher civil service, a junior service still mainly in the hands of southerners (mostly Ibos and Yorubas) and in power in the legislature a party controlled by the emirs who govern their own emirates largely in their own way. For they are still autocrats, even though there are elected councils in the emirates (in Kano, the Northern Elements Progressive party (NEPU), bitterly anti-emir, runs the town). Northern Nigeria has the full apparatus of ministries and departmental administration, on the Whitehall model. But does anyone, except the Europeans, of whom a third or more will leave within three years, understand it?

The premier, Sir Ahmadu Bello, Sardauna of Sokoto, has long been the region's dominant personality. He is brilliant, tenacious, devoted, and he works unbelievably hard. It was inevitable that a region so backward in education (for which it blames, but unfairly, the British) would depend heavily on a few men, as elsewhere in Africa. There are other competent ministers, but nobody would deny that the premier takes most of the strain—and most of the decisions—in every department. One asset which the people of the northern emirates have is a tradition, fostered by Lugard, of administration. But it was based on personal rule; there was little true delegation, little distinction between policy and its execution, little teamwork—the prime, and saving, principle was that the ruler should be accessible to his people. Today in Kaduna every minister's house, but especially the premier's, is besieged by delegations and petitioners almost all of whom he sees.

But Northern Nigeria is a region containing 18 million people; the largest emirate contains under two million people. Its government deals, of course, with vastly more complex matters than those handled by the Native Authorities. Yet ministers must deal with—and usually take to the premier first—the pettiest establishment and local matters. It must be gratifying to the premier to know he is indispensable; but he must live; he should, too, have time to think ahead. It is a frightening thought that after independence he might feel he had to take a constant hand in federal matters too (unless he goes to the federal house himself). Yet it will all too easily be found that the issues there are as vital, and as demanding of Sir Ahmadu's advice, as any in the region. No human being can do all Sir Ahmadu may be asked to do, unless he draws some lines—ruthlessly. If the British have not bequeathed to Nigeria the art of decentralisation they have bequeathed little.

A mile or two beyond the crumbling red walls of Zaria, the holy city, stand the two quadrangles and the battery of students' hostels which comprise the Institute of Administration. This is the key factor in the holy war of "northernisation." It was started by the premier in 1952 when he was minister of works; and Dr Nkrumah is openly envious of it. It is, perhaps, a crammer's establishment for turning those who have failed university entrance, and some who have failed school certificate, into district officers; but these are proving better in practice than the British expected. The North, however, is not content merely to replace its expatriate higher administration; it is determined to replace southerners at all levels. The institute's courses range from the training of district officers to that of clerks, typists and palantypists; it grounds them in government regulations, accounts, office management and current affairs; and it has done work good enough to be reflected in a general raising of standards in local government. Its target is to train 10,000 by 1970; it has trained nearly 4,000; and as those who obtain its certificate get pensionable posts, everyone not actually taking a degree is eager to get in.

The institute makes some sense of the North's ambition to northernise its lower grades of government service by 1975; but what of the senior posts? In 1959, some 190 secondary school leavers are expected to do well enough in school certificate to be regarded as capable of taking a degree. The number is rising; even so, by 1972 only 1,680 graduates will have been produced, and a like number of technologists. To replace the expatriates, the region will need 1,250 administrative officers and another 1,250 technologists, making no allowance for expansion (which is continuous) or

current under-establishment (which is great). To these needs must be added a quota of army officers, say 100, and at least as many police; in addition, there is the whole federal service to consider. A reasonable northern contribution to this would be 2,000 more officers. Thus, if the region northernises itself, almost the entire federal and diplomatic services will be staffed by southerners; an awkward situation for northern federal ministers.

Perhaps, after all, the holy war should have limited objectives. As it is, "northernisation" largely means using the pagans and Christians of the "middle belt"—the North's southern provinces—because they have accepted the mission education which Islam rejected. What is the reality of a federation if the weakest unit cannot use those resources which the stronger can spare—which in Nigeria means not money, but educated citizens?

The Kangaroo Leaps a Depression—I

FROM OUR CORRESPONDENT IN AUSTRALIA

THE annual economic survey of Australia, published at the end of last week, is a success story indeed. It tells, in beautifully plain English, how in face of the big drop in export prices and other trading difficulties the Australian economy never faltered but went serenely on with its business of expansion.

Twelve months ago even the most optimistic observer could hardly have foreseen the speed and success with which the dangers have been avoided. The drop in wool prices was expected to reduce farmers' incomes by £A180 million, which the rise in urban incomes could not be expected to offset. Wool, moreover, is still so important a contributor to export earnings (bringing in 40 per cent or so of the total) that a continued slump would have brought a reduction in imports, already tightly controlled by licensing at a total of £A800 million. As four-fifths of imports are producers' goods, any cut in imports could hardly have been confined to "inessentials." And to cut producers' goods would have involved far more than immediate falls in production and employment. In Australia the task is not merely to maintain the level of activity; it is also to keep up the rate of progress. A sudden braking would have brought a downward revision of thousands of individual development plans and lasting damage to the confidence of those, both at home and abroad, who are putting their money on the growth of the Australian economy.

These gloomy possibilities have been avoided, thanks to a mixture of good management and luck, and to the general confidence in Australia. The government and its advisers gave a firm lead by proclaiming that the import ceiling would not be lowered nor immigration reduced, and that the reserves (built up in 1956-57 and standing at £A525 million last June) were strong enough to withstand a fairly prolonged strain. At the same time they cautiously (some thought too cautiously) administered some stimulus to the economy. Australia has no Bank Rate, but some £A75 million was released during 1957-58 from the Special Accounts which the trading banks are required to keep with the Central Bank, thus offsetting the fall in their liquidity and enabling them to lend stronger support to the economy. Public expenditure was increased, and two loans, brought around £A30 million from overseas. Finally, the budget for 1958-59 provided for a deficit of £A110 million—which has not in fact materialised because things have turned out so unexpectedly well.

As far as the internal situation is concerned, the surprise is that farm incomes, far from being lower than last year's, are likely to be higher. Wool prices continued to sag until recently, but the size of the wool clip was greater. Many farmers, despairing of wool, had turned some of their land over to wheat, for which at least they could be certain of an interim cash payment from the Wheat Board at the railhead; and wheat and other grains have flourished in an ideal season. For the farmers, moreover, there was the consolation of paying less in taxation—for they always pay tax on the previous year's earnings. Finally, all but the most improvident or the latest comers to the industry had put by some money for bad times, and the fall in their incomes probably affected their saving more than their spending. Meanwhile industry and investors had refused to panic. Immigrant workers have been absorbed, and unemployment, in spite of the wishful lamenting of the opposition, seems not to have risen above about 2 per cent of the labour force. Output of manufactures has risen almost everywhere (the most significant exception being textiles) and private capital expenditure still goes ahead.

In the external accounts, the surprise is the high rate of capital inflow. Including the official borrowing overseas and the undistributed income of overseas companies operating in Australia, this inflow may approach £A200 million, compared with £A136 million in 1957-58. It is true that this rough estimate includes an item of about £A20 million which is merely the rectification of a little muddle about the valuation of imports of petrol from Indonesia; and that no one yet knows whence the money came and what use it was put to; but it is nevertheless apparent that during the period of doubt and depression elsewhere, investors were still prepared—more than ever prepared—to send their money to Australia.

EXPORTS too have been rather higher than was expected. Twelve months ago the estimate for the current year was £A750 million, but that had been slipping towards £A700 million as export prices still fell. But now it seems likely that they will reach at least £A780 million. Not only has the greater quantity of wool been sold (higher prices will hardly be reflected in this year's returns), but beef has been fetching higher prices in the British market and the cheaper cuts have been selling like hot hamburgers in the United States. Butter has been a less uneconomic export since European competitors were persuaded not to dump it in Britain. Even metal exports, despite the cut of 10 per cent in American imports, have done better than was expected. Imports, meanwhile, have continued to press against the ceiling of £A800 million.

The net result of all this is that if the reserves have fallen at all they will not have fallen more than about £A50 million, which is little more than the amount by which they fell last year. But the latest reports are that the capital inflow has so increased in recent weeks that the final result for the year ending in June will show them at hardly less than the figure of £A525 million with which the year began—the very figure that was proclaimed as being capable of withstanding a siege. Australians can now look forward to a kindly budget and to a more liberal policy for imports.

This is a triumph, but as they themselves are the first to acknowledge it is a triumph with an element of luck in it. The possibilities for the future—which has considerable risks—will be discussed in a second article.

(To be Concluded)

Package and Postures

FROM OUR SPECIAL CORRESPONDENT IN GENEVA

Wednesday

At Christmas time the excitement of a package lies in the unpacking. In springtime by Lake Leman, the operation is more difficult and less rewarding. The packers keep reminding one that their package must remain complete—there must be no running away into corners to eat unpacked sweets—and the entangling strings hinder both movement and enjoyment. The foreign ministers' proceedings have been compared to a ballet and to a minuet; but this suggestion of graceful fluidity ill befits a performance that more closely resembles a children's game of "playing at statues." The assumption of postures, one of the major diplomatic activities of our age, has here been brought to a perfection of grotesque immobility.

As the second week of set speeches draws on, the most agonising question is whether there must be a third week before the conferees go into the kind of private huddles that promise action. True, there have already been huddles—at lunches, dinners and morning visits—but so far they have yielded nothing constructive. On the western side, reluctance to make the first move towards asking Mr Gromyko point blank to show his hand is still fairly strong. Mr Selwyn Lloyd is unwilling to take an initiative that would appear to confirm the persistent charges that the British delegation is anxious to sell the pass. M. Couve de Murville rests firmly on the Cartesian argument that, since it is the Russians who have caused all the bother, they must be the ones to make the serious proposals. As for Mr Herter, he is clearly reluctant to take a step which the Russians might interpret as a sign that the West is angling for an opportunity to make concessions. He may well, therefore, be hoping that Mr Gromyko will relieve him of the necessity by making the first move towards secret sessions.

The one element of interest in the conference now is this: what price will Russia pay to secure a "summit" meeting which the Americans will not attend for nothing? Conversely, what is the minimum price that Mr Herter would accept? Since only Mr Gromyko can answer the first question, his speeches and reported remarks have been scanned for clues that might resemble a price ticket. During the week it has become apparent that he is playing his hand at two levels—that there is a plot and a sub-plot. The main plot is the foreign ministers' conference; the sub-plot is the conference on nuclear tests, which is now theoretically adjourned until not later than June 8th. In fact, and doubtless because of Mr Gromyko's efforts to merge the two, the chief delegates at the nuclear conference have deferred their projected departures.

Mr Gromyko has played the sub-plot with some determination. Mr Herter and Mr Lloyd have, however, given him his cue, for last week they suggested to him that as a means of speeding up the nuclear tests conference, experts could usefully meet during the recess to discuss outstanding technical problems. The use the Russians intended to make of this opening was soon apparent. From Moscow, on May 15th, Mr Khrushchev wrote to Mr Macmillan and Mr Eisenhower, saying that the Russians were prepared to take part in technical talks on high altitude test controls (but not, by implication, on other outstanding technical problems). In Geneva, Mr Gromyko proposed that the ministers should forthwith sign a blank treaty on test cessation, leaving the details to be filled in later. The western delegations saw this as, firstly, an attempt to split the western ministers (since the French are not participating in the nuclear conference) and secondly, as a bid for a summit at a cut price. The argument was heard that the Russians, unwilling to budge from their dug-in positions on the subjects before the main conference, would like to get quick results on the nuclear side, thus demonstrating that the foreign ministers—minus one—had made sufficient "progress" to justify a summit meeting. The western ministers promptly countered with the suggestion that nuclear questions should be left to their experts while the foreign ministers themselves got on with the business of the conference: Germany, Berlin, and related matters. Simultaneously, American spokesmen let it be known that progress towards a nuclear test agreement would not by itself justify a summit meeting—while tactfully refraining from indicating what would. Western unity was thus preserved, and Mr Gromyko was challenged once again to produce a cat from his voluminous bag.

THIS, however, he was in no hurry to do. He clearly felt he had not yet exhausted the tactical possibilities of another gambit, labelled "the British are our only friends." The Russians evidently hold that the "spirit of Moscow" is still alive in the corridors of the Palais des Nations—to the embarrassment of British delegates who find themselves singled out for winning smiles and slaps on the back. They keep emphasising how relatively understanding Mr Lloyd has been in tearing the Soviet proposals to pieces. Meanwhile, in the mysterious way of that gigantic rumour factory, the Maison de la Presse, the sinister phrase "a Gromyko-Lloyd axis" had been coined, and hardened British diplomatic correspondents, who ought to have known better, were asking the British spokesman what substance there was in it. Most of the correspondents retailing anti-British rumours were, however, Americans; and when pressed, they usually said they had had their information from French sources. Was this, then, a subtle manifestation of a less unreal "axis" linking Paris and Bonn? Apparently not, for west German delegates were busily telling the British press how reassuring and satisfying they had found Mr Lloyd's attitude.

A few things were clear. Mr Gromyko, while attacking the western package, had publicly conceded that it contained three points that might be worthy of separate discussion: the proposed non-aggression declaration, the creation of a zone of limited armaments in Europe, and the proposed mixed German committee to discuss reunification. On their side, the western ministers had presented a package which, as packages go, was better than most. M. Couve de Murville, in particular, had demolished Mr Gromyko's arguments with exquisite Gallic precision. And Mr Herter and Mr Lloyd had made a point always worth making—that the only conceivable future for Berlin was as the capital of a

Continued on page 751



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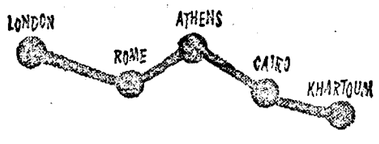
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CRC 4

Continued from page 747

united Germany; hence any other "solution" was bound to be temporary.

As the week wore on, western delegates were working out possible permutations on given themes: statement of the western case, destruction of the Russian case, reply to Russian criticism. With three western players and one reserve, this seems to promise considerable repetition if the conference goes into a third week of public speeches.

Towards Iraqisation

FROM OUR CORRESPONDENT IN THE MIDDLE EAST

THE nationalist pressures released by the revolution in Iraq last July are having far-reaching effects on the economy of the country. General Qasim's government is moving towards the "Iraqisation" of industry and trade. The movement is slow, and has been effected so far by administrative action rather than by legislation. Some such tendency was to be expected and, if that were all, there would be nothing much to worry about. Unhappily, the transition period has been marked by labour unrest and violence which has seriously lowered productivity. The result is a rise in costs which threatens to upset contractual arrangements. Some companies are calculating whether they would lose more by staying or by getting out. On the whole, the present bias is towards staying.

The government itself is the largest employer of labour in Iraq, and has nothing to gain by labour indiscipline. It is freely admitted that both Iraqi and foreign firms tendering for government contracts are putting up their prices to reinsure themselves against unrest. Officials pin their faith on the development of trade union organisation, and hope (with what foundation it is impossible to guess) that the training now being given to the Popular Resistance Forces will produce a reliable guardian of public order.

"Iraqisation" has many facets. It aims at a system in which "no job is done by a foreigner if an Iraqi can do it as well." It seeks to secure, wherever possible, majority capital holdings in Iraqi hands. One official, hazarding a random definition, suggested "a minimum of 51 per cent Iraqi participation in capital and a maximum of 10 per cent foreign staff." The emphasis differs, of course, with individuals. Some would like to see foreigners briskly eliminated from trades which Iraqis can handle; others would be content to let them remain provided some such conditions as those described above were fulfilled. Responsible opinion in the ministries principally concerned is certainly in favour of soothing foreign fears. It is the opportunists, many of whom have manœuvred themselves into General Qasim's confidence, who obstruct policy by administrative harassment. But Iraqi businessmen also suffer from that pest.

Iraqi trade is being increasingly subjected to government guidance, and Dr Ibrahim Kubba has said flatly that Iraq cannot progress fast enough by capitalist methods. The import of 46 articles, ranging from luxury goods like motor-cars to goods of which home supplies are considered adequate, is banned altogether. Another 81 articles, mostly consumer goods, are allowed in only against licence. The import of machinery and industrial equipment is free, but precious little is coming in; labour unrest does not encourage capital investment.

The import of capital goods provided for in the Iraqi-Soviet agreement is not expected to become significant before next year. Of the 25 agreed projects, seven are surveys, the remaining eighteen involving the erection of factories. These include one steel factory; the rest fall into the category of light industry, such as fertilisers, pharmaceuticals, electrical goods and a cannery. In any case, the agreement is on a small scale: £50 million spread over seven years. Russian technicians are already on the ground. Russian oil experts are beginning to displace the Americans from the government refinery at Daura.

It is common to hear talk in Baghdad of the "ostrich policy of the Iraq Petroleum Company." The company, according to its critics, is determined at all costs to see no evil, hear no evil and speak no evil, in a vain attempt to wish away future difficulties. The criticism is neither fair nor factual. Some of the company's public pronouncements may have been unduly anodyne; but its officials are far too experienced and knowledgeable to be unaware of the rocks ahead. The size of the rocks is still unknown, but it seems reasonably certain—at the moment—that they do not include nationalisation or any drastic change in the company's status.

SEVERAL statements have been made recently by Dr Ibrahim Kubba, the Iraqi minister of economy, who has so far been in charge of oil negotiations on the Iraqi side. Certain passages in them are obscure, others show differences of opinion or interpretation between the company and the government. The obscurities and differences are inherent in Dr Kubba's position. On the one hand, he needs the oil revenue. On the other, there is strong nationalist pressure from quarters that have been taught for years to regard IPC as part and parcel of the apparatus of imperialism. Dr Kubba, therefore, is steering a careful course. For the benefit of the company, he insists that the Iraqi government has no intention of going back on basic agreements. For the benefit of nationalist opinion, he says that the basic agreements contain vague provisions, even dead letters, which the company has hitherto interpreted in its favour; in future, these will be interpreted in favour of Iraq. Any disputes, he added, will be referred to arbitration or the courts.

In a sense, it is a conflict between expediency and principle. The conflict is not necessarily irreconcilable; whether it beomes so or not depends on the future attitudes of the IPC and the Iraqi government and on whether both sides recognise the facts of the new situation.

Dr Kubba's statements focus attention on several specific points, though he has given little inkling of the government's intentions in detail. He has said that the Persian agreement with the Italian state-owned oil concern, ENI, and the Saudi agreement with Japanese interests might provide the basis for an Iraqi claim to revise the 50-50 profit-sharing arrangement. He has said that the government proposes to take advantage of the provision in the agreements with IPC for the appointment of an Iraqi director to the company's board, with power to look into all IPC activities, "including accounts." He wants changes in the application of the agreements in respect of workers' welfare and public relations. Dr Kubba has also spoken of doubling the company's "production" in the next two years; but, although an ambitious programme of expansion is under way, the company is thinking in terms of "capa-

city." Actual output in any one year must depend on market conditions.

More controversial still (because they present more technical difficulties) are Dr Kubba's proposals for price-fixing, export and more refineries. He wants sales prices to be fixed in future, "not by IPC alone, but jointly with the Iraqi government," the object being "to eliminate sales at reduced prices." This carries a hint of interference with the famous price-structure of the industry.

The same difficulties are likely to arise in the building of additional refineries and in the export of Iraqi oil products as well as crude oil. But the fact is that the Iraqis are determined to have their own oil industry, and to sell its products abroad. For one thing, the price per unit on refined products is higher. But the most compelling reason is largely political. The new oil industry is to form an integral part of the general programme of industrialisation, without which, in the view of the present Iraqi government, the independence of the country cannot be fully guaranteed. The Russians have undertaken to carry out seismological surveys of the Khanaqin and offshore areas which have been handed back to the Iraqi government. There will soon arise the problem of surveying other areas of unexploited territory which IPC has agreed in principle to return likewise. One high official described these areas as "another potential field for collaboration with IPC"—that is, if the company is prepared to help in its exploitation on behalf of a fully "Iraqised" industry. If the company should refuse, the Iraqis will certainly look for aid elsewhere.

Cyprus in Transition

FROM OUR CORRESPONDENT IN NICOSIA

After months of wearisome controversy a solution to the municipalities question seems at last in sight, despite vigorous last-ditch opposition from the Greek mayors to certain features of Archbishop Makarios's latest "compromise" proposals, and the insistence of the Turks that the Zurich agreement implies the physical partition of the main towns and not merely their administrative division. The significance of the dispute lies less in the actual technical details than in the way it has revealed the real atmosphere in the island, and the bitter acrimony which still lurks beneath the impressive facade of post-Zurich accord. The inordinate capacity of the Cypriots—Greek and Turk alike—to get worked up about who disposes of the refuse in some dreary side street in the shabby no man's land of old Nicosia—which is what the municipalities dispute has often boiled down to—hardly augurs well for the new Republic. This is neither to disparage nor discourage the efforts of many patriotic citizens of each community to give the new state the most propitious start possible.

In the process of transition, Archbishop Makarios has emerged a more moderate and more statesmanlike figure than many people thought possible only a few months ago; and the degree of professional working accord which he and Dr Kutchuk have established is, in its way, a minor miracle. But amongst his own community, though his ascendancy is still exceptional, a process of taking the Ethnarch off his pedestal has begun. This week the volatile and irascible Mayor of Nicosia, Dr Dervis, roundly condemned Archbishop Makarios, the Greek government and the whole Zurich agreement, in a fashion unthinkable only a few weeks ago. Already, the Zurich settlement has been under fire both from the extreme Left, and from the ultra-right pro-Enosis faction led by the Bishop of Kyrenia; but this was the first time that any of the archbishop's more orthodox supporters had spoken their minds.

Dr Dervis's personal influence should not, however, be exaggerated; the most important issue is Archbishop Makarios's relations with the Communists. For four years Moscow's strategists have barely intervened directly in the Cyprus situation—because Eoka and the Nationalists have been doing the job for them. But now the Left is adapting its strategy to the altered situation, and a familiar pattern is emerging. A "democratic" left-wing youth party has been founded; workers' delegations have gone to Moscow and Peking; leading doctors—including Dr Dervis—are shortly off to Russia to see the advances of Soviet medical science; Cypriots are being invited to the Vienna Youth Festival; and there are moves to hold a parallel festival in Cyprus.

Though the left wing party, Akel, is still in theory banned, the Communist line is still to support the archbishop officially as long as his policy does not run counter to the interests of the Left. Whether Archbishop Makarios himself genuinely believes that he can keep the Communists within the fold is doubtful. There have been repeated calls from him and other right wing spokesmen for the "dropping of ideological differences." At the same time, the archbishop's total exclusion of the Left from the first Cypriot ministry has inevitably deepened the Communists' hostility. The wisdom of this tactic (which many people believe was dictated by Grivas) remains open to question; some quarters argue that the archbishop would have been wiser to include a non-communist representative of the Left, to give the first ministry a more genuinely national character.

As it is, the provisional government is one of the extreme right, moulded from the heat of the Eoka struggle; youthful, idealistic, deeply patriotic but lacking any constructive ideology—other than a fervent nationalism. Amongst the old guard of Cypriot politicians there has been clandestine criticism (some of it unfair) of the inexperience of the young ministers, who include two of Grivas's closest lieutenants. If any of the ministers fail to make the grade there will be no shortage of aspirants to take their place. The same qualities are reflected in the new political party, Edma, which is basically Eoka in a political form. To its supporters, Edma is a national front, a movement of the masses; to the Communists it is a party of the extreme Right in the fascist pattern. On balance, Edma has probably more affinities with the latter than the former, although many able men of moderate right wing views at present support it.

When the first elections take place (presumably around the end of the year) Edma men, still riding the wave of

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nationalist fervour, are likely to be in the majority in the national parliament. The conflict then between Right and Left seems bound to enter a new and sharper phase, despite the current assurances of the Left that they are prepared to go on backing Archbishop Makarios if his policy does not discriminate against them. In Cyprus politics seem fated to be polarised for some time to come, with all right of centre following the lead of Edma and those left of centre apparently willing to be used by the Communists ; though there are many liberal men of the centre who hanker after a middle party, there is no sign of any effective action to bring one into existence.

There are still in Cyprus too many people who privately believe that if one has a particularly difficult political adversary, a club on the head or a bullet in the back will always get rid of him. It is along these lines that many members of Edma believe that they can answer communism. Archbishop Makarios and the wiser elements of the Right doubtless realise this can only be done by providing a superior programme ; and (in default of any centre party) the crucial issue for Cyprus in the months ahead may be whether the right wing can find it.

Kuwait Keeps Calm

BY OUR CORRESPONDENT LATELY IN KUWAIT

ALONG the shores of Kuwait's sheltered bay, in sight of the gilded town palaces of some of the ruling sheikhs, Kuwaitis are still engaged in the old craft of building sea-going wooden ships. When completed, these ships will ply the age-old trade routes down the Persian Gulf to India and East Africa. They are one of the few reminders of Kuwait's sea-going past, a past hardly a decade away from the rich and bustling present. The money that has come to the tiny state from oil has changed it beyond recognition, and with money has come increasing attention from the neighbours. The last time Kuwait was attacked was in 1919, when a force from what is now Saudi Arabia was defeated on the outskirts of the town. The townsfolk then threw up a protecting mud wall around the land side of the town. The wall has recently been torn down to make way for a boulevard ; mud can no longer protect the people of Kuwait.

There is now no danger from the marauding fanatics of Saudi Arabia ; their religious fervour has been dampened by oil revenues. But to the north lies Iraq, in the hands of revolutionaries who seem unable, or unwilling, to stop the disintegration of their state. Every night in Kuwait people listen in fascinated horror to the Baghdad trials, the biggest radio show in the Middle East. But they are not favourably impressed ; they get their Arab political opinions from Cairo radio and they depend—as do a surprisingly large number of other Arabs in time of crisis—on the BBC or Radio Israel for straight news.

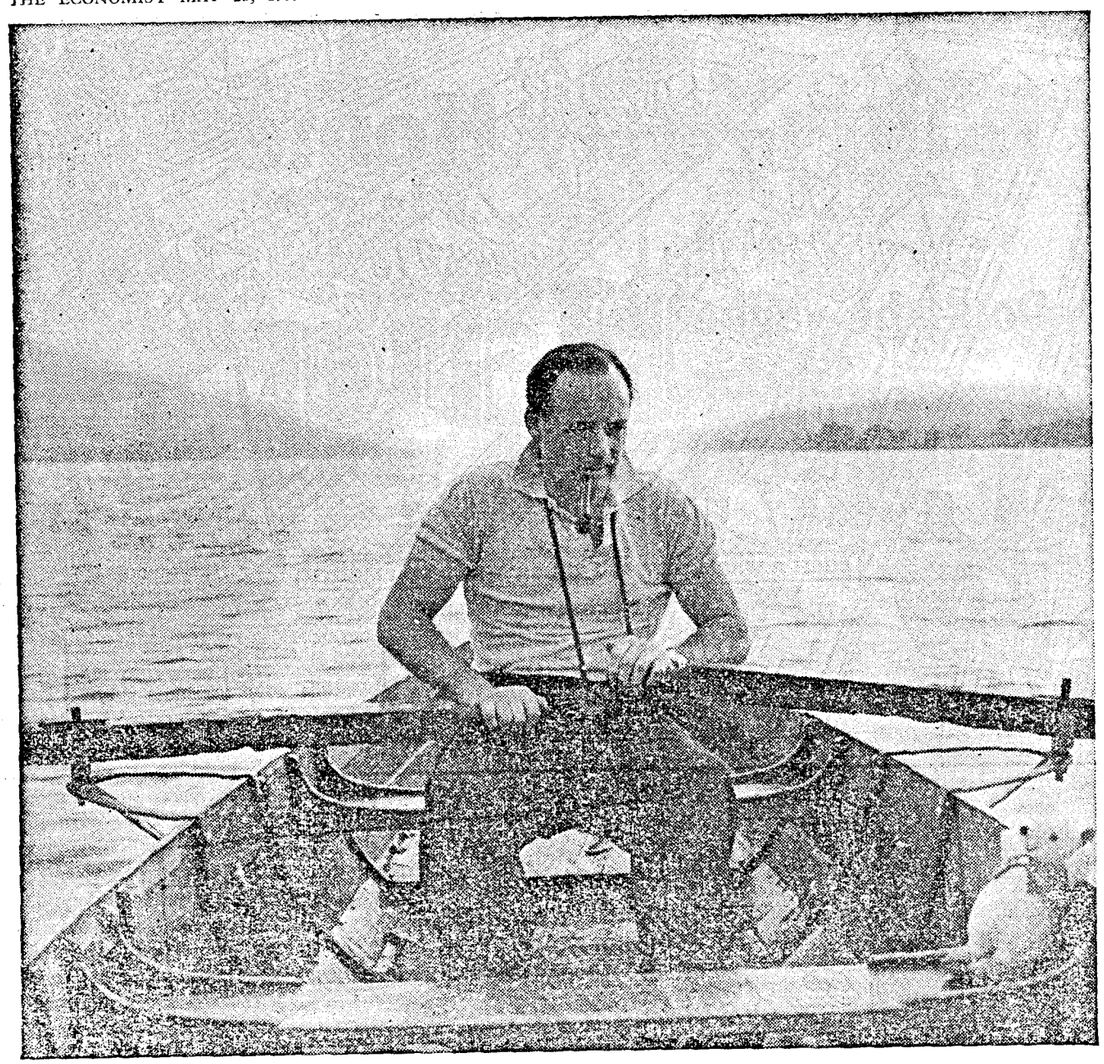
Kuwait's other external problem is its relationship to the United Arab Republic. Colonel Nasser's most ardent admirers in Kuwait include scions of leading, if not princely, families. They need not consider that President Nasser's kind of revolution has, so far, brought little comfort to the workers and peasants of Egypt and Syria. They know only that in Kuwait there is a ruling family whose members are richer than anyone else and whose position, they believe, is maintained by an out-moded arrangement with the British Government. The Kuwaiti reformists, however, can offer no substitute for the ruling family except themselves. The people of Kuwait are a privileged few. There is no need for agrarian reform, for there is no arable land and there are no peasants. There is a shortage of Kuwaiti workers ; labourers are imported, or drift in, from Iraq and Persia. So far, the state has been able to absorb the growing numbers of its own educated young men. There is no need for industrialisation, and Kuwait is probably the only country in the Middle East that does not feel that its national dignity requires the building of a steel mill.

February 1st was the first anniversary of the union of Syria and Egypt. The Kuwaiti reformists and Arab nationalists staged a celebration at which the people were urged to revolt by President Nasser's chief radio commentator, who was especially imported for the occasion. Kuwait, he found, was not ripe for rebellion. His passport was torn up and he was put on the first plane out of the country. The government apologised to Cairo for destroying the passport, but the incident was never reported in UAR newspapers or on Cairo radio. The two Kuwait newspapers, *al-Fajr* and *al-Shaab,* were suspended, the local clubs (subsidised by the ruler, who regarded them as safe places for letting off nationalist steam) were closed until further notice. In March, the editor of one paper spent a few days in gaol for sending President Nasser a telegram congratulating him on his anti-Qasim speeches. The editor was not gaoled for his attitude towards Nasser, and certainly not for being anti-Qasim, but for presuming to speak for the people of Kuwait, in whose name he sent the message to Cairo. Only the ruler may speak for the people of Kuwait.

THE ruler spends much time abroad. During a recent crisis he hastened away to supervise the planting of cherry trees on his estates near Shtoura, in Lebanon. This was explained as being a most necessary trip because the income from the Lebanese estates pays for His Highness's holidays there. No need, then, to touch the £300-odd million safely tucked away in gilt-edges and blue chips in London. In the ruler's absence Kuwait is ruled by his cousin, Sheikh Abdullah Mubarek, but a group of ten other relatives, mostly heads of government departments, known as the supreme council, is becoming more active.

This week Sheikh Abdullah Mubarek's security forces set out to tidy up the state administration by arresting about two hundred people. They were said to be communists, a convenient label for anyone regarded as being dangerous to the security of the state. Presumably those who are foreign Arabs will be returned to their native countries—Iraq, Egypt, Syria or Jordan. Perhaps the answer to the political leanings of the group will be found when the stateless Palestinians make their choice between Iraq and the United Arab Republic. Of more lasting benefit to the state than getting rid of troublesome employees may be the resignation of Sheikh Fahad al-Salim, formerly head of public works and the Kuwait municipality. Sheikh Fahad's greedy ways have long been an embarrassment to the Kuwait authorities.

Whenever anything at all happens in Kuwait the outside world, grown accustomed to violent or frequent changes in Middle Eastern governments, expects the worst. So far, nothing very alarming has happened. The Kuwaiti authorities seem determined that it shall not.



Donald and Woppit do it again

CONISTON. In the hush of a May calm. Donald Campbell sculls gently out on the glassy surface of the deep blue lake. To check the water. To inspect the marker buoys. To make sure everything is tee'd up for his record run.

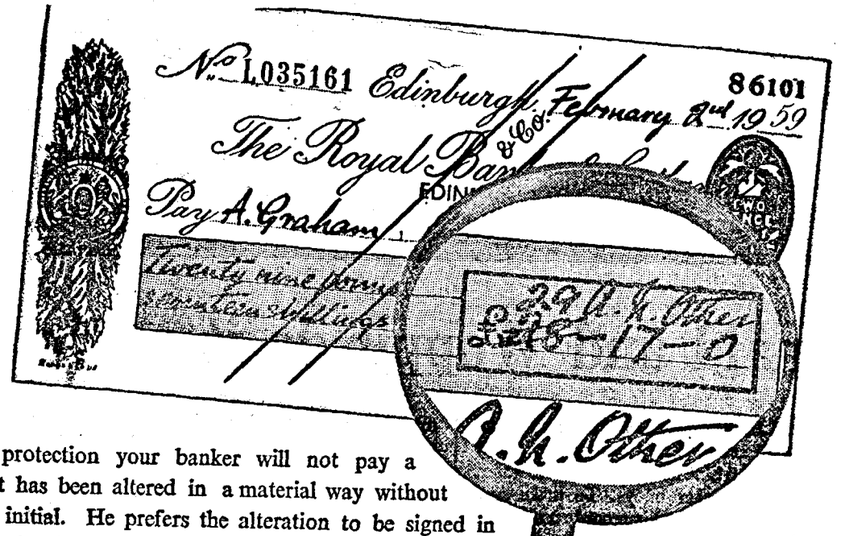
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THE BUSINESS WORLD

ENERGY TO SPARE—I

Europe's Manifest Opportunity

No mining industry in Western Europe nowadays can stand up to the competition of American coal landed for $12-14 a ton without giving ground. The British mining industry has never had to try, and the members of the European Coal-Steel Community are anxious not to have to try again. The prolonged debate in the Community this spring was not whether coal imports should be restricted but how they should be restricted, and by whom. Only Italy, which depends on coal from abroad, really objected to shutting out cheap imports. The others, being producers, were as one on this main issue, though uneasily aware that they could not as readily shut out competition from cheap oil. It was over restrictions on their own coal output, and stocks as well as on imports, and over who should ultimately control the whole arrangement, that the ECSC High Authority's plan to deal with a "manifest crisis" was turned down by its Council of Ministers in Strasbourg last week.

This decision was in one sense a refusal by France and Germany to accept the principle of "supra-national" control to which they have put their signatures so often during recent years. The political consequences of all this are discussed in a note on page 715. Economically, however, the Strasbourg decision may simply mean that the Italian market, save for friendly gestures, will be lost to Community coal sooner rather than later. Italy's coal-producing partners were already contriving to stem further inroads of this cheap American coal into their own home markets at today's recession prices. But once the present recession—or "downward fluctuation from the expansionary trend"—is past, they will have to consider, as Britain will, the prices at which imported fuels are likely to be landed even in "more normal times of expansion." Temporary protection for high-cost domestic producers against a large volume of imports on firm contracts is one thing during a passing recession in demand. But whether, as a continuing policy, Europe would give preference to domestically-mined coal at more than the "long-term price" at which it may be able to buy American coal is another.

The prices at which coal has been landed in Europe during the past winter—some shipments as cheap as $11-12 a ton—have been depressed by recession both in American coal demand and in world freight rates. Yet it is not at all sure that a viable level of price, over some years of resumed expansion, need be very much higher. It is true that with Atlantic freights round about $3 a ton, small ships landing the coal have been covering little more than their running costs, earning neither a commercial return nor even full depreciation. But if there were an assured volume of coal trade to Europe to justify building "super-colliers" of 20,000-30,000 tons for time charter, the economics of coal shipping could be drastically altered.

There is not much doubt that American coalowners would be prepared to offer Europe long-term contracts for very large tonnages at little above their recent fob export prices. The low price of American coal is not simply the result of the far greater advance in mining productivity achieved there, or of America's shallower seams and its much higher proportion of opencast coal. It reflects, primarily, the cost at which it is worthwhile mining coal in order to compete in America's own market—where the basic price of primary fuels is set mainly by the exceedingly low (and incidentally State-regulated) wellhead price of natural gas.

The American coal industry is already working far below capacity. American mines found it worthwhile to produce only 368 million tons of coal last year, against nearly 473 million tons as recently as 1956. This is, in fact, a coal industry that has already been through the wringer. The painful retreat from

high-cost seams and mines upon which the British and Belgian coal industries have now begun lies far behind; it has spare capacity from which big tonnages of extra exports could be readily produced at little more than today's costs. Experts in ECSC and OEEC have recently been assessing as carefully as they can the possible range of landed prices at which, under conditions of economic expansion, Europe might expect to import American coal until the late sixties. They put this range at perhaps $15-18 a ton.

EVEN more germane, perhaps, is what one reckons may happen to oil prices over the next few years: for in Western Europe today, oil is to be had at big enough discounts to undersell even American coal. One can construct reasonable arguments, certainly, for a rising trend in oil prices: the oil industry needs wider profit margins; host governments want a larger slice of the oil cake; and if European consumers want more black oils to gasoline than other continents do, black oil prices might have to rise more than those of other products. But the balance of the market—with surplus crude capacity in Venezuela and the Middle East, more coming in, and firm commitments to increase the off-take from many areas, plus tankers galore—seems to be hard against these reasonable arguments. The United States will not be importing more oil at least for some years to come; and a trickle of Russian crude and products, which could swell, is keeping the European market soft. In such circumstances, the oil industry might find it difficult to turn the trend of oil prices upwards for several years, however hard the sheikhs may press them for more. Moreover, the competition for coal may not come simply from the black oils.

There are chances, at least, that during the sixties substantial extra supplies of cheap energy, in oil and natural gas, may become available to Western Europe. Saharan oil may still mean no more at that time than an additional potentially vast source of crude capable of diversifying and further reinsuring the security of world sources of supply, and casting its shadow across world oil prices. But natural gas from France's own Lacq, and (once the transport problems are solved) gas from the Sahara, Venezuela, or the Middle East, could promise Europe vastly larger supplies of a new, cheap primary fuel. Transport of gas by tanker has already been achieved by Anglo-American enterprise, in experimental quantities. This could bring such great economic advantages that it comes into the category of technical problems that compel their own commercial solution in not too long a time. A technical breakthrough that would make large-scale transport of liquid gas economic before the middle sixties could happen; if it were to occur it could upset any shaky equilibrium that European coal may be able to achieve after the present crisis passes. Natural gas, ultimately, is just another version of competition from oil. It was with these possibilities in mind that one European fuel expert said wryly some weeks ago: "The main strength, if you like to call it that, of the coal position in Europe may lie in the reluctance of the big oil companies to deal it really crippling blows."

American coal at about $16 a ton landed may not necessarily be the sharpest competition, therefore, that European coalmining has to face over the next decade. But even at that price imported energy would be cheaper than many European mines could stand. Unless total demand for energy rises much more sharply than was assumed even in the fuel forecasts of a few years ago, it will be hard to justify investment in any mining capacity from which coal would be much above the likely price of imported energy; and one has to reckon that manpower costs in mining, at least, are likely to go on rising. Belgium's is the weakest industry; but the others could hardly avoid cutting back some of their own high-cost production. It may not be impossible for some coalmining to match the increases in productivity that other industries achieve; but to do this almost certainly requires concentration of its capacity.

ONCE one assumes that there may be energy to spare over the practical "planning period," forecasts of Europe's likely total demand for fuel over the next decade or so become less important. If there is enough energy for consumers to choose, the important thing is to guess how much of each different kind may be sold. But while spectators may be glad to let the market decide, producers cannot avoid taking a view. Looking to specific sectors of demand, European coal producers today can see a sheltered and expanding market for metallurgical coking, if not for other forms of coal carbonisation. Direct reduction of iron by other fuels may well supplement the blast furnace in 10 to 15 years' time, but will hardly begin to replace it until years later. Electricity generation is not in the same sense a protected market, but coal has at least no technical disadvantages there. Provided that it can meet imported fuels on price, European coal should find a market in the power stations until nuclear generation offers chances of being genuinely cheaper—which Europeans recognise may be a long time. Coal may reasonably be preferred to oil for power while the prices are comparable, though lignite and some other low-cost fuels, including in the initial stages natural gas, will compete with it in power generation. Coal's future for carbonisation into manufactured gas does not look promising; total gasification processes offer better chances, though commercial imports of natural gas would delay their development. In industrial and domestic markets, future demand for coal will depend largely upon its ability to compete in price effectively enough to offset prejudices against dirty and inconvenient fuels, though other fuels may come in mainly to supplement its basic heating job.

Though they have been rather more bluntly prepared than Britain has been to talk about protecting domestic coal against temporary crises, "manifest" or not, the countries of Western Europe are now looking forward more cold-bloodedly than Britain is to a period in which their mines will be able to sell only as much coal as can match the price of imported energy. They are less deeply committed to prestige investment in expensive forms of nuclear generation, and they will be glad to gain more time for trying out prototypes. The coal lobbies of Western Europe are not necessarily less potent—and they have a broader political base—than in Britain; their nuclear lobbies are younger but no less organised. But the prospect of a levelling off in coal production and perhaps a clear decline by the end of the sixties is merely one side of the penny for these countries; the other is the chance not only of cheap energy from the world market, but also cheap energy within their own borders or in nearby territories—if they are still under their control. The Sahara could still prove a mirage politically, but it no longer seems to be one economically. This prospect of fuel in plenty seems to the French at least to be their own plenty. Europe can look towards energy to spare in the medium run with much less mixed feelings than this awkward fact may arouse in Britain.

Machines for Lancashire

If the Government has given the millowners the will to re-equip along with some of the wherewithal, the tools will be readily forthcoming for the job

CAUTION and scepticism are the reigning moods in Lancashire about the chance that re-equipment on a really substantial scale will result from the Government's help for reorganisation of the cotton industry. The spinners and weavers who would have to put £3 of their own money alongside every pound from the Government are cautious; and the textile machinery makers are sceptical about the published estimates of investment, in terms of extra demand for their products. These machinery manufacturers have lived with Lancashire cotton for many years: they remember other plans to increase investment. Sir Stafford Cripps's subsidies for re-equipment in the industry applied only to the spinning section, where it had some effect. The weavers have had no previous aid; British Northrop, the main producer of automatic looms in Britain, followed official advice to expand its capacity after the war, but the increase in home sales did not come. Textile Machinery Makers, who have a virtual monopoly of the manufacture of spinning machinery in Britain, were exporting about 90 per cent. of their output in 1947. For ten years after that they managed to sell 25 per cent at home; last year they were again exporting 90 per cent, with some short-time working and redundancy.

Last week's white paper estimated that roughly £48 million might be needed to modernise the spinning and doubling capacity that Lancashire expects to be able to keep in being. Such an investment would buy 3½ million new ring spindles plus some ancillary equipment: this is the number that the spinners regard as the total they need. With 3¼ million ring spindles already installed since the war and 7½ million as the total capacity required, most of the plant would then be postwar. The figure of £48 million would be about half as much again as their average yearly investment between 1950 and 1957, but the Government would pay most of the difference. During that period about half the total expenditure went on spindles. The spinners think that in future a higher proportion can be spent on spindles, they feel that card-room and blowing-room machinery needs little modernisation—though some machinery makers argue that the spinners' failure to gain much in productivity from their postwar investment is partly through lack of attention to this section. Few expect the whole 3½ million spindles to be installed in the five years the Government has in mind. Some in the machinery industry doubt whether the rate of installation of spindles achieved in the 1950s will be much exceeded; this would mean little more than 1½ million spindles in five years.

The weavers estimate, even more roughly, that they may need £30-45 million. By putting a rather larger proportion into actual looms than they did in the ten years after the war, they think they could get about 40,000 automatic looms for this investment, conversion of existing looms, and ancillary equipment. Here again, the machinery makers consider that, to make the best use of the automatics, much expenditure would also be needed on preparatory machinery and on the modernisation of the mills—by such improvements as the installation of air-conditioning plant. But even 40,000 more automatic looms would bring the score up to no more than 80,000-90,000, out of an estimated total, after scrapping, of 170,000 looms of all types. In the United States all looms are already automatic; in France over 50 per cent, and in Italy over 65 per cent. But the weavers' investment has been limited mainly by lack of financial resources, for they have been squeezed between more powerfully organised suppliers and customers. In the finishing section, the white paper states, there is little need for re-equipment.

Technical development in textile machinery stopped during the war. Today, for the first time since then,

there are a number of promising innovations available, but hardly ready for general adoption. The Government re-equipment programme is embarrassingly timed for these developments. These include the spinning of yarn direct from the sliver, cutting out several preparatory processes; the Shirley automatic loom for fine fabrics, developed at the Cotton Industry Research Association, and now being put into production by Wilson and Longbottom; the Draper shuttleless loom, an American development of the Sulzer shuttleless loom which promises to be more flexible; and the use of chloride in bleaching processes. All these could reduce cotton production costs, but it would be a bold step to base a re-equipment programme on their use. One technical advantage of large-scale re-equipment, as part of a deliberate rethinking of the industry's role, is that Lancashire's future market will remain domestic: it must buy equipment with that basic market in mind. Modern textile machinery is far more efficient, but also somewhat less flexible, than the old.

How well equipped is Britain's textile machinery industry to meet this Government-generated increase in demand for its products? The two principal companies, TMM and British Northrop, both have some surplus capacity today and consider that they can meet any likely demand. Their doubt is rather whether the scheme will really produce any substantial increase in expenditure on plant. The TMM combine was capable of producing about 1.2 million spindles and ancillary equipment a year in 1946, and despite considerable concentration, involving the closing of several factories and the rebuilding of others, its present capacity has not been significantly reduced. If the most optimistic suggestions, of orders for 3½ million new spindles in the next five years, were fulfilled then TMM's capacity might be strained. No one seriously expects this, but TMM would be embarrassed by a sudden bunching of orders from all companies at once, as soon as the scheme comes into effect. Unless, by then, Hong Kong were persuaded to impose restriction on its exports of yarn to Britain to put heart into Lancashire, this is not likely to happen; and if it did TMM could always lengthen its delivery dates and take on some extra labour.

British Northrop has greatly expanded its capacity since the war. Today it could build about 8,000 to 10,000 looms a year, but is believed recently to have been producing no more than 2,000 to 3,000, some being for wool. Cotton has taken fewer than 2,000 looms a year since the end of the war. This firm has therefore been forced to diversify its output to occupy its expanded factory. In the unlikely event that 40,000 new looms actually were required in the next five years its capacity might be strained. But the company would have no difficulty in meeting the more probable estimates that Lancashire may order about 20,000 to 25,000 looms—which sound optimistic.

Some of the machinery will be bought abroad: rightly, imported machinery will qualify equally for the government grant. Most machinery now imported is of types used to prepare the spun yarn for weaving; American and Swiss equipment is among the best in this class. It can be imported duty-free if it can be shown that no British equivalent is available, though recently the Board of Trade has shown itself hard to convince on this point. Perhaps because of its predominantly horizontal structure, the British cotton industry has tended to neglect the gains in productivity that automatic preparatory equipment can give; lack of demand at home seems the main reason why British preparatory machinery is less advanced than foreign.

In general, British textile machinery seems comparable to that of foreign machinery makers in technical qualities and price; the market for textile machinery is international, and though one company may get ahead in one direction for a while, other companies cannot remain in the market if they do not catch up. The British machinery makers may suffer from a small and largely undiscriminating home market, which gives less incentive to technical progress than some of their rivals enjoy; but their large export sales show that they remain broadly competitive.

An increase in the size of that home market is one thing that the machinery industry hopes will result from the reorganisation plan; knowing how Lancashire's foreign rivals operate, it realises how much would have to be done to bring the home industry level in equipment. But there are few companies in Lancashire that appear capable of employing modern equipment to best advantage: doubts are bound to remain whether the most far-reaching programme of re-equipment will inevitably revive this industry. It needs keener technical management as well as new hardware.

COMPANY AFFAIRS

Comments on pages 790, 791 and 794 on

Beecham Group	Bristol Aeroplane
De Beers	United Drapery Stores
ICI	Albert E. Reed
United Molasses	France, Fenwick
"Slubbers"	Wilmot-Breeden
Whitbread	Investors Mutual

LONDON AND NEW YORK

Stocks, prices, yields and security indices on page 792

LONDON STOCK EXCHANGE

The week's movements reported on page 794

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 795

BUSINESS NOTES

THE MAGAZINE FIGHT

Struggle for George Newnes

It now seems that the News of the World has missed the chance of securing control of George Newnes, the magazine group, for this week a formidable competitor, Odhams Press, has entered the lists with a better bid. The last act of the News of the World (through Hambros Bank which has not been too lucky in recent take-over struggles) was to raise its cash bid by 11s. 6d. to 90s. for every Newnes ordinary share; the directors said that this was their "last word" and that they did not intend to improve upon it. The directors of George Newnes, who own a good number of the shares themselves, turned the original bid from the News of the World down flat. They promised to brood on the second offer; then Odhams came in and now they recommend shareholders to accept the Odhams bid.

The News of the World bid in cash was worth just over £11 million for a group whose gross profits are of the order of £1,600,000. The Odhams bid is equivalent to £12,700,000, but it is partly in shares and partly in cash, with two 10s. ordinary shares in Odhams plus 45s. in cash for every £1 Newnes ordinary share. On the eve of the bid, Odhams shares stood at 27s. 6d., making the bid worth 100s. a share. On the intimation that another bid was coming, Newnes shares had already gained 6s. 9d. to 94s. 3d. and when the details were made known they went up to 95s. but the Odhams shares weakened to 26s. 3d.

To acquire all the 2,467,500 shares in Newnes would involve creating nearly 5 million new Odhams shares—a large addition to the 6,897,142 shares in issue; but the directors say that they would expect to be able to maintain the dividend at 17½ per cent on the enlarged capital. Like the *News of the World*, Odhams itself does not command the liquid resources to provide for the £5½ million cash element of its bid, but presumably Odhams will have no difficulty in securing temporary finance and if its bid succeeds its capital problem should be less formidable than the problem that would face the News of the World if it secured control. Odhams is now bound to make the running: its offer remains open longer than that of the News of the World and it calls for a 75 per cent acceptance whereas the News of the World adopted the more usual formula of 90 per cent, or less at the directors' discretion.

Two Heavyweights

If Odhams secures control of Newnes it will be by far the biggest of the magazine groups. Its directors, indeed, have had expansion in mind for some months. They were on the point of making a counter-bid for Amalgamated Press when the Daily Mirror sought control of that group, and the Daily Mirror had to improve on its original offer to gain the day. A few months later Odhams made a successful bid for the Hulton Press. This concentration of the magazine industry can perhaps be seen as the answer to the competition of television for the public's attention and as an advertising medium. Odhams must prudently expect much more aggressive competition from Amalgamated Press, and the merger with their most powerful existing competitor may in some degree be defensive. But it will hardly make economic sense for the group to grow so big unless it can achieve a corresponding internal concentration of its energies on the big circulation magazines, and that may involve some sacrifice among the less successful ones.

ODHAMS PRESS	Estimated circulation '000s	GEORGE NEWNES	Estimated circulation '000s
Woman	3,160	Woman's Own	2,458
Woman's Realm	1,253	Woman's Day	921
John Bull	968	Modern Woman	202
Everywoman	326	Tit-Bits	904
Picturegoer	306	Amateur Gardening	271
Ideal Home	233	The Motor	117
HULTON PRESS		**AMALGAMATED PRESS**	
Lilliput	102	Woman's Weekly	1,549
Housewife	200	Woman's Illustrated	874
Farmer's Weekly	154	Woman and Home	675
Eagle	720	Valentine	510
Girl	620	Popular Gardening	179
		The Autocar	127

MOTORS

The Marriage Will Not Take Place

For the second time in five years, Standard and Rover "have been unable to reach agreement as to the merger terms which they could recommend their shareholders to accept; negotiations have, therefore, been discontinued." On the other hand, Standard announced this week, good progress is being made in the negotiations for the sale of Standard's tractor producing assets to Massey-Ferguson, for which they now produce Ferguson tractors under contract, and a further announcement will be made as soon as possible. Standard 5s. ordinary shares fell from 11s. 6d. to 10s. 6d. on the announcement that the deal with Rover had fallen through.

With the tractor deal, no doubt, largely in mind, Standard this week also formally separated its car and tractor manufacturing interests, by forming two further wholly owned subsidiary companies, Standard Motor Company (1959) Ltd and Standard Tractor Company (1959) Ltd "for the purpose of taking over and operating as separate organisations" its existing car and the tractor divisions. The original company will continue as a holding company. The announcement says this separation is in line with the "policy of decentralisation" which the directors have been considering for some time as a result of the expansion of its car manufacturing organisation; it may indicate some continued interest in the tractor field.

Standard, in these new circumstances, may receive a substantial cash payment from Massey-Harris for its tractor facilities for the remainder of its contract; presumably the large Massey-Ferguson holding of Standard shares will be dealt with at the same time. Lord Tedder has said that

a small cash distribution will probably be made: but that the money will mainly be used to build up car production. The failure of negotiations with Rover has again frustrated for the time being what would have been a most interesting merger between an efficient medium-sized producer of popular cars in fairly direct competition with the biggest mass producers in the business, and a firm with an exceptional engineering reputation producing a highly saleable overland vehicle plus cars designed and priced for the professional middle classes. On its own, Standard is hoping to increase its car and commercial vehicle production to 175,000 a year by the end of 1960.

BANKING CONTROL

Tasks for Lord Radcliffe

FOUR questions of banking control that are doubtless receiving the attention of the Radcliffe Committee were raised this week by Lord Monckton, chairman of the Midland Bank, in his presidential address to the Institute of Bankers. The lifting of the credit squeeze last year had led him to wonder whether a new chapter was opening in banking history; but he is sure that the relaxation then granted "does not mean that the banks have been permanently liberated from official direction as to their lending operations." On the contrary, they "may have to become accustomed to restraints" that "would have been bitterly resented by our forebears."

Lord Monckton expresses no opinion upon what form of control may be desirable, but he seems to assume that some supplementation of the "old-style monetary instruments" is necessary. On that assumption, he agrees with most other bankers that there is need to find a method that will not, as did the recent direct controls over bank advances, "have the disadvantage of stultifying inter-bank competition and individual banking enterprise." That is the first problem; the second one, which likewise emerges from recent experience, is to find a way of restricting bank credit that is not liable to be frustrated in some degree by diversions of business into channels not readily susceptible to control. The third problem is to harmonise the workings of all the instruments of economic control, and the fourth is to demonstrate, by appropriate "public relations," the "objectivity" with which the instruments are used. From this analysis of difficulties an evident moral emerges, but Lord Monckton omitted to point it. The more the chosen instruments of monetary control are "market" instruments, the less significant will most of these difficulties be.

BUILDING AND CONSTRUCTION

Signs of Spring

THE volume of building and construction work in Britain fell slightly during 1958, compared with the previous year; total value increased, owing to a rise in overall building costs, to £2,168 million, of which £1,405 million was new work. There are some indications that this performance was matched, if not slightly bettered, during the first quarter of this year. Total new housing starts in the first quarter rose to 71,292, compared with 56,825 a year earlier; while public authorities increased their housebuilding programmes by more than a quarter over the previous period, private housebuilding showed an even greater rise. Houses under construction at the end of the period totalled 239,196, with the biggest increase again recorded in the private sector. However, building employment was lower in both January and February, and was only slightly higher in March, than a year earlier.

The Government's invitation to local authorities to step up their building programmes during this year should mean a rise in this spending of perhaps £50 million, of which rather more than a third will be accounted for by housing. Private industrial building, on the other hand, declined last year, and there is little indication yet that it has turned the corner. Applications for industrial building schemes, however, showed a sharp rise during the first quarter; schemes totalling 15.6 million square feet were approved in that period, an increase of 36 per cent over the first quarter of 1958. This was the highest figure for a year and a half; while many of these schemes are abandoned after receiving approval, individual projects can make a big difference to the figures, so large an increase may indicate that industrialists' expectations have become more optimistic than they were at the end of last year.

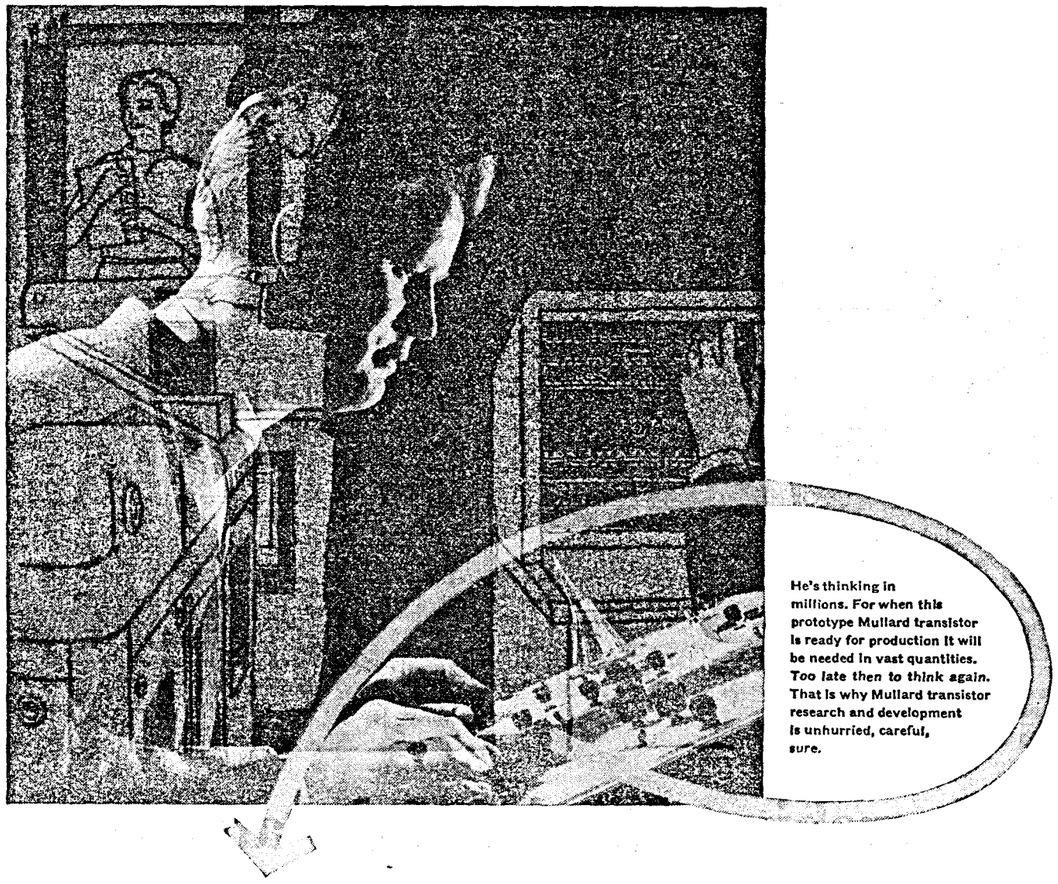
Some indication of present and future activity in the building industry can be had from the demand for building materials, and here also the picture looks brighter. Deliveries of finished steel for building and constructional engineering averaged 23,400 tons a week during the first quarter, which was about ten per cent higher than in the preceding three months, though still substantially below the same period a year earlier. Concrete and cement producers report that demand has been steadily rising during each of the first four months of this year, and has exceeded the same period a year earlier. This may indicate an increase in commercial building, where concrete has probably gained in recent years at the expense of steel; steel, on the other hand, continues to be the most important material in industrial building, which may explain its relatively smaller rise in demand. The increase in housebuilding has been reflected in a sharp upturn in demand for bricks, resulting in deliveries well above last year's level during the first quarter, and particularly the past two months.

BARCLAYS BANK

Too Great Expectations

THE market, having noted the terms on which the other clearing banks have raised new capital, took an optimistic view of the terms at which Barclays Bank would make its rights issue of ordinary stock. Before the details of the issue were announced the shares had been bid up to 66s., to yield 3.64 per cent on a 12 per cent dividend. This, it turns out, will be a one for five rights issue at 40s. per share, to be followed by a scrip issue in the same proportion on the enlarged capital. For 1959 the directors intend to pay a 6 per cent interim dividend on the existing capital and a final dividend of 5 per cent on the capital as increased by the rights and scrip issues, equivalent to 12 per cent on the existing capital plus the rights issue.

These terms came as something of a disappointment. With the shares at 66s., the rights would have been worth 4s. 6d.; but in initial dealings ex rights the price of the old shares was marked down from the equivalent price of 61s. 7½d. to 57s. 9d., putting a premium of 17s. 9d. on the new shares. The price of the existing shares was thus adjusted to a yield basis of 4.15 per cent, which is in line



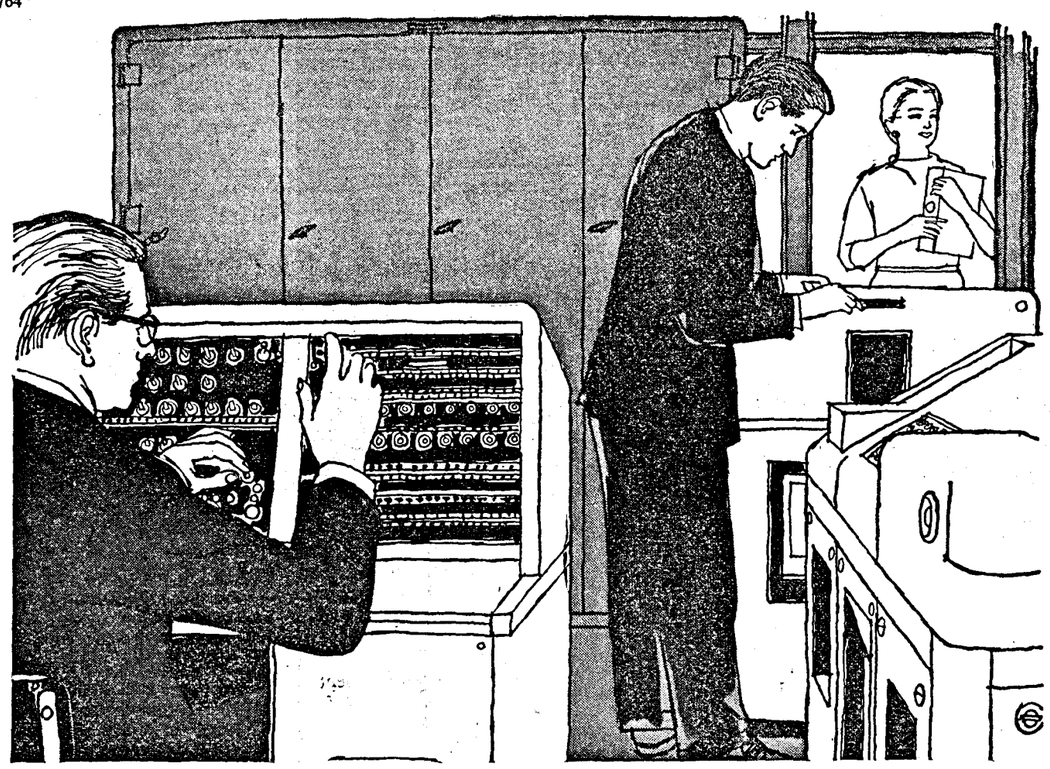
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with the yields obtainable on other bank shares. After the rights issue (which will raise £11,123,828) and the scrip issue, Barclays' share capital will rise from £28,576,617 to £40,812,828 and its published reserves will fall from £21,000,000 to £19,887,617. Thus the ratio that capital and reserves bear to the latest available figure for deposits will rise from 3.32 to 4.06 per cent.

ADVERTISING

Commercials Cover the World

TEN years ago one could advertise one's goods over television only in the United States, Brazil, Cuba and Mexico; today, according to a new international directory* of commercial television published this week, the advertiser can reach 240 million people in 32 countries, and its authors reckon that in ten years the viewing audience for commercials may reach 360 million. Outside the United States and Britain, coverage is often restricted to regions surrounding the capital city; but from the point of view of hard selling, this may not matter, because that is where the buying power is concentrated, too. The price varies immensely; a half-minute "spot" reaching 300,000 sets at peak hours costs from £550 in one country to £20 in another. But the nature of the commercial announcements offered varies too: in Germany, for example, the state broadcasting chain sells advertising time, but packs it in between 7.25 pm and 8 pm every day (though a second television network, which may be run by commercial companies, is being considered).

Few other countries, as yet, seem to take commercial television with the elaborate seriousness that British companies have borrowed from the United States: not many, for example, have set up the complex audience measurement systems such as are conducted by Intam Ltd, one of the publishers of this new directory. And where television time is cheap, few advertisers bother to produce the expensive announcements used in this country, where about £800 may be spent on a 30-second live motion film, roughly as much as it costs to transmit it once at peak hours from London. In Latin America, at the other extreme, the low price of broadcasting time is often matched by inexpensive production of announcements, which may be no more than a jingle borrowed from commercial radio and sung in front of a stage backcloth.

COTTON INDUSTRY

Compensation for Workers

THE cotton spinning and weaving unions have now reached agreement with the employers on the broad terms of compensation for workers who lose their jobs when mills are shut down under the government-assisted reorganisation scheme. The government made its offer of help conditional upon the employers undertaking to compensate displaced workers. Such schemes exist in other industries, such as coal mining, but none have been worked out in similar circumstances. In cotton, entitlement to compensation will be graduated according to age, on the assumption that this is a reasonable guide to length of service since full records are not available.

The scale of payments, given in detail in the table, provides eleven weeks' wages for workers aged 45, 17 weeks' wages for workers aged 55, and a maximum of 30 weeks for workers aged 65 and over. Unemployment will be heaviest in mule spinning, where the work is done by men and the average age is higher than in ring spinning, where women are employed. Taking as a guide the average weekly wage of about £13 in mule spinning, a 55-year-old worker would receive £221 in compensation, and a 65-year-old worker £390. The average weekly wage in ring spinning is about £8 and in weaving nearly £11. The money will be paid by instalments; if a worker obtains another job at the same wage compensation will cease, and if the new job pays less than the old one the difference will be made good during the remaining weeks of compensation. Full details have still to be worked out. It is assumed that compensation will not affect entitlement to unemployment relief, and though payments will not be made in a lump sum it is understood that they will not be liable to tax.

Age	Week's wages due	Age	Week's wages due
21–23	1	51–52	15
24–26	2	53–54	16
27–29	3	55	17
30–32	4	56	18
33–35	5	57	19
36–38	6	58	20
39–40	7	59	21
41–42	8	60	22
43	9	61	23
44	10	62	24
45	11	63	26
46	12	64	28
47–48	13	65 and over	30
49–50	14		

The scheme raises two questions. Should compensation cease or be reduced when a worker gets another job? The treatment of labour should be on the same footing as capital. Shareholders in mills that are compensated for closing down will be able to put their capital to work elsewhere, and an executive is compensated for loss of office irrespective of subsequent employment. A worker who subsequently obtains the same kind of job—sometimes in the same firm—may suffer no loss of expectation, but people who have to take different jobs will. This scheme confuses a severance payment of compensation with a kind of supplementary maintenance provision during unemployment: the two should be kept separate. Secondly, it seems inequitable that a 50-year-old worker should receive less than half as much compensation as one of 65. The latter's expectations are much shorter, and his domestic commitments probably smaller, than those of a man of 50.

NEW IMF QUOTAS

Britain's Subscription

THE gold and convertible currency reserves will be drawn down this month by £58 million to meet the gold portion of the increased British quota to the International Monetary Fund. Britain's contribution to this increased quota, in addition to the £58 million in gold, will amount to £174 million in sterling, which will be held in the United Kingdom in the form of interest free notes. The result will be to give the United Kingdom a new quota with the IMF of $1,950 million, 50 per cent above the present figure of $1,300 million.

Although the gold portion will come out of the reserve it will be automatically and unconditionally available to the United Kingdom if it wishes to draw it from the fund in whatever currency it chooses. The IMF rule is that within its gold tranche a member has the right to draw currencies from the Fund without question. The gold will thus be available at one remove and the transfer, which probably

* *The Intam Data Book on International Commercial Television.* Prepared by Intam Ltd in association with LPE Television Ltd.

involves no physical move of metal, will involve no weakening of the reserve behind sterling. Indeed, since the increased quota beyond the amount of the gold tranche will in due course be available to Britain, it can be looked upon as a source of strength.

The increase in IMF subscriptions is also likely to involve a further withdrawal of gold from the published UK reserve when other members of the sterling area pay their increased subscriptions. The precise amount of the transfer has yet to be calculated, but the Chancellor of the Exchequer in his budget speech estimated that these payments by other sterling area countries might involve a further £40 million from the published gold reserve.

OIL

Secure Supplies, Insecure Prices

"POTENTIAL oil supplies from various areas, including entirely new areas, have never in the history of the industry been at a higher level than at present, and the surplus world tanker capacity in spite of the financial problems to which it gives rise, does provide a considerably greater flexibility in supply and transportation than has ever existed before." Summing up the state of the world oil business at present, Lord Godber could in his remarks at the annual meeting of "Shell" Transport & Trading, point out that the world oil surplus, which had to some extent been brought about by a deliberate diversification of supplies following the Suez incident, should answer most questions about security of future oil supplies to Europe. Mr Nickerson of Socony Mobil Inc. had made much the same point in New York this week, when he noted that demand for oil in the free world had almost doubled between 1948, but potential supply had increased two-and-a-half times. This had had a depressing effect on prices, but the fact that two-thirds of the free world's known oil reserves were concentrated in the Middle East made it "prudent and desirable" for oil men to go on finding alternative reserves.

Security of supply through the development of new sources, however, means pressures on the industry's profit margins, even though demand for oil is now recovering its accustomed rate of advance. Lord Godber said that the volume of Shell group sales in the first quarter of this year had been substantially higher than in the corresponding months of 1958 (when recession was already affecting sales); but "strong competition for markets continues to prevail."

COMMODITIES

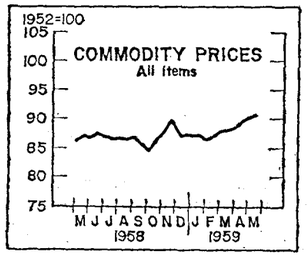
Recovery on a Broad Front

COMMODITY prices are still creeping up on a broad front. *The Economist* commodity indicator now stands at 91 (1952=100), four per cent higher than at the beginning of the year and eight per cent above the October trough, its lowest point for over nine years. Five items are mainly responsible for the recovery. Sisal and copra have risen by 40 per cent and 35 per cent respectively since the beginning of October; rubber has risen by over one-quarter and wool by one-fifth. Zinc is 15 per cent higher, tin and copper are dearer on balance, while lead is almost unchanged. Cotton prices have rallied recently and jute is up. Among the grains, maize has become dearer, while wheat and barley show little change. Tea and cocoa are higher, but coffee is down. Sugar, after a brief rally, has fallen back.

HOW PRICES HAVE MOVED

	Oct. 7	Jan. 2	May 20		Oct. 7	Jan. 2	May 20
	£ per ton				d. per lb.		
Copper...	220	220	237	Rubber ..	24½	24½	30
Lead	72	72¾	71	Cotton ..	25¼	23¾	23¼
Zinc	66¾	75	78	Wooltops	90	90	108
Wheat ...	27½	28¼	27½		s. per cwt.		
Maize	19½	21¼	21	Cocoa ...	275	306	295
Sisal	72	80	100	Sugar....	30¾	32	26¾

With the prospect of further industrial expansion in the United States and Europe commodities may continue to rise. But any further advance may be modest and on a narrower front. In all the major non-ferrous metals there is still a surplus of production capacity if not of current supplies. The surplus of copper in the United States has been absorbed because consumers have been buying in anticipation of a strike in the mining industries, but in the rest of the world producers' stocks have risen. Supplies of some agricultural products, especially wheat and maize, coffee and sugar are far in excess of requirements, and prices are held up by government action. Supplies of wool, in contrast, seem in reasonable balance with consumption and copra is short. The strength of rubber prices reflects the increase in free world consumption and heavier buying by the Communist countries. Prices of both rubber and copper have recently been affected by reports of possible sales from the United States strategic stock, though it now seems clear that nothing will be offered for sale this year.

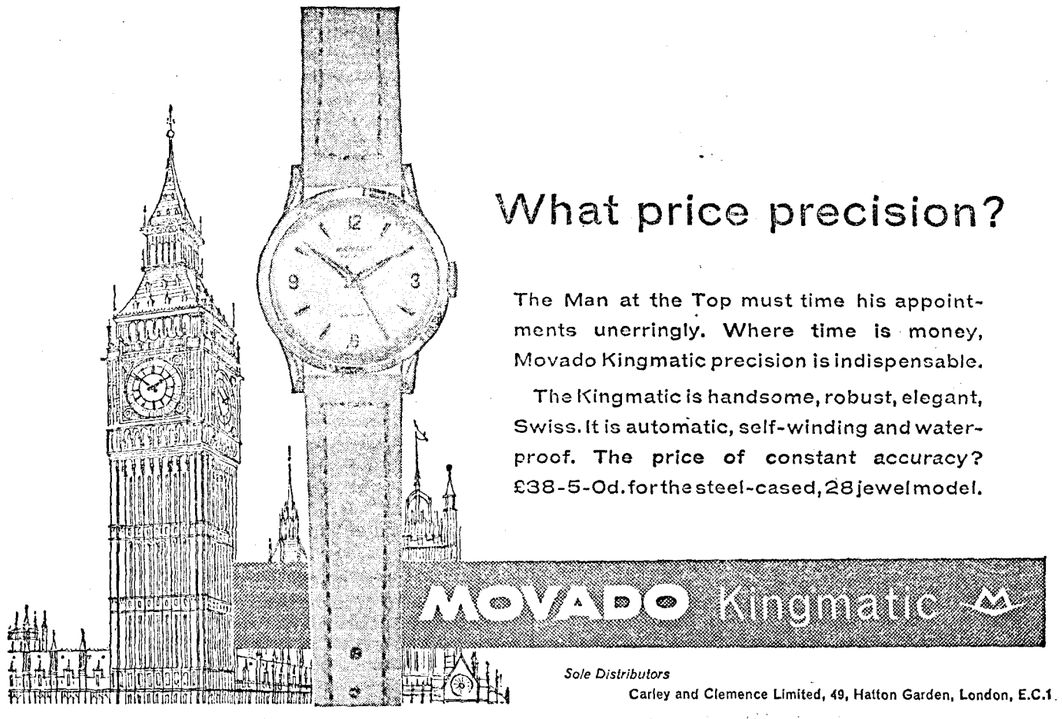


SHIPPING

Freight Rates Flat

ALTHOUGH the Chamber of Shipping index of tramp voyage rates for April at 68.6 (1952=100) showed an increase of 3.5 points over the previous month, it is still below the level of January and the last quarter of 1958. The same is true of the time charter index, which declined by 0.8 points in April. In the first two weeks of May rates again hardened slightly, but this may be due partly to pre-Whitsun holiday activity and partly to a growing preference for shipowners to lay their ships up rather than to continue accepting rates that show no profit. A determined effort on the part of tramp shipowners to do this would certainly accentuate the effect, but owners would probably come rushing back to the market immediately rates became profitable. There has been discussion of stabilising the market by means of a compensation scheme for laid-up tonnage, but so far this appears to have defeated all attempts to introduce one.

Tanker markets have been following much the same pattern. Charterers are beginning to find that owners are no longer prepared to accept cut-price figures for prompt fixtures and would rather withdraw their ships from the market. Alternatively, quite a number of tankers have found employment in the grain trades, in which they can seriously



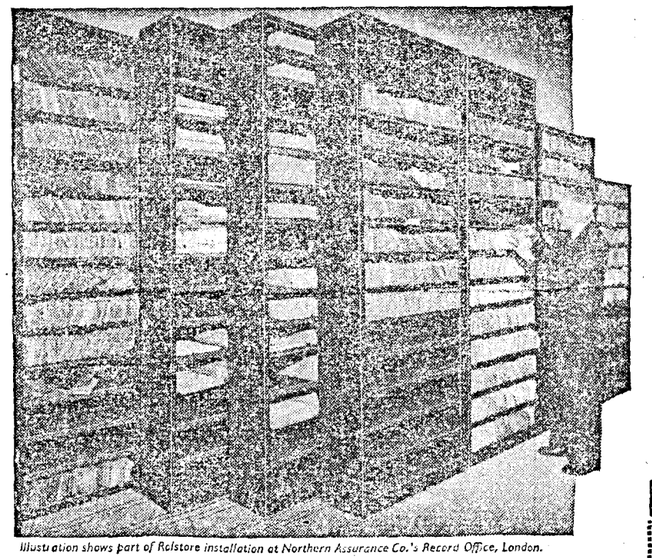


Illustration shows part of Rolstore installation at Northern Assurance Co.'s Record Office, London.

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* *Figures based on a special tabulation carried out by the I.P.A. fieldwork period—January-December, 1958.*

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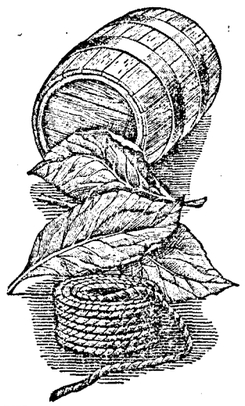
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[NCT 1088]

undercut dry-cargo tramps while still showing a profit on operating costs. This is a further factor that helps to undermine dry-cargo tramp freight rates. Unless there should develop a totally unexpected increase in demand for oil, ores and other commodities, it seems that it will be a long time before the overall surplus of tonnage, both dry-cargo and tanker, can be absorbed. The tonnage on offer is still being continually swelled by new deliveries from the shipyards, although these may soon begin to tail off for dry-cargo ships.

INSURANCE

End of the Season

With the publication of the accounts of the London Assurance and the Guardian, the 1958 results of all the major insurance companies are now known. The London Assurance has made a good recovery from the heavy underwriting losses which it suffered on fire and accident business in North America in the previous two years. This loss fell sharply from £1,644,000 in 1957 to £383,000 last year and after charging overhead expenses and allowing for tax credits, the non-life business virtually broke even. The dividend, which has been maintained at 45 per cent, is well covered by non-life interest income. The Guardian converted a fire and accident underwriting loss of £95,000 in 1957 into a profit of £661,000, but there was again an overall loss on non-life business after charging overheads and taxes. Net non-life interest income rose from £1,187,000 to £1,445,000 and covered the dividend, which has been stepped up from 45 per cent to 52½ per cent, with enough margin to increase the carry forward by £362,000 after meeting the net underwriting loss.

Last year's fire and accident business of the twenty-three leading groups of British insurance companies brought in premiums of £646 million, an increase of £30 million on 1957. Underwriting profits in the fire departments, before charging overheads and tax, were £7.2 million, compared with £2.5 million in 1957, and accident insurance showed a loss of £2.2 million, compared with £3.5 million in the previous year. The cautious comments of the chairmen of the insurance companies suggest that there may be a further modest improvement this year.

PORTS AND TRANSPORT

Moving into Consolidation

The take-over bid recently made for Bristol Industries by the Transport Development Group, if accepted, will make Transport Development, a holding company, one of the largest private entities in the combined businesses of transport, lighterage and warehousing in Britain. The terms of the formal offer, which is expected to be made in the near future, include cash and Transport Development shares worth a total of £913,000 in exchange for the 880,000 ordinary shares of Bristol Industries; success of the offer would add net assets attributable to the equity of around £750,000 to the £1¼ million worth now owned by Transport Development. In addition it would mean that the company is represented in virtually every area of England, and in every major port, in the fields of haulage, storage or lighterage. In recent years this group has grown considerably through acquiring operating companies in these fields; its net assets have more than doubled in the past five years, and it now includes 21 companies—22 if the Bristol bid is accepted—in England and Wales. All are wholly owned, and all but two have been private companies; they have continued to operate under their own names since their acquisition, although there has been some revision of management, in addition to the supplying of new capital and the introduction of some economies of scale by Transport Development.

This bid underlines a tendency which has been more or less noticeable in all three fields—haulage, lighterage and storage—in recent years: the small, often "one-man" companies in these industries are slowly being replaced by larger concerns. Many of these smaller firms, one suspects, sold out at a time when they were threatened by death duties or otherwise ready to go out of business anyway, so that the net size of the industries remains almost unchanged. Transport Development now operate something less than 1,000 road vehicles, which is small compared to the 16,000 owned by British Road Services but is nonetheless roughly twice the size of its nearest private competitor. The private independent hauliers' biggest competition, however, comes from "C" licensed vehicles, which now number about 1,100,000, and are still the fastest-growing section of the industry.

In lighterage and storage at Britain's ports, the picture is the same: 5-6,000 lighterage craft operating at the Port of London, which account for about three-quarters of the total in Britain, are increasingly owned by big companies such as Corey's, who handle mainly "rough goods" such as coal, and Transport Development, who are one of the contractors for general lighterage to the Port of London. Small firms or individual operators do not seem able to meet the increasingly heavy capital costs of replacement and expansion; there seems little reason to doubt that such consolidation will continue.

ELECTRONICS

Semi-Conductors Grow Up

Semi-conductors are a group of materials, notable among them high-purity germanium and silicon, which can be used to amplify or rectify electric currents, as ordinary electronic valves can be. The transistor, best known of the "solid-state" devices that employ these materials, can do most of the jobs of a valve while taking far less space, less power, and without becoming hot while working; it is also far more robust. Over recent years (it was invented only in 1948) it has steadily been taking over from valves in a growing range of electronic equipment; its development was signalled this week by an International Transistor Exhibition in London. Many companies in the electrical industry have by now followed the valve and radio makers, who were the first in the field; they are generally more interested in rectifiers and other semi-conductor devices of this type than in transistors themselves: Associated Electrical Industries, English Electric, Lucas and Plessey are among the companies involved.

Another reinforcement to production here has come from the establishment of companies that either use American experience, or are the subsidiaries of American companies; International Rectifier and Texas Instruments are recent additions to this class. Semi-conductors are one of the few products on which imports from the dollar area are

still subject to import licensing ; as a licence is only granted if there is no British equivalent available, only those few types in which the Americans are ahead of British makers can be imported. There are now altogether nineteen companies making semi-conductors in Britain, of which only eleven make transistors themselves. World production is growing fast and is expected to reach 100 million transistors alone this year. About a quarter will be made in Britain ; some 60 per cent of these will go into radio sets and hearing aids, and the remainder into varied industrial uses, of which military equipment is one of the most important. Computers are expected to use many transistors in the future, because of the great saving in power and heat they offer ; industrial uses in general are those expected to grow fastest in the future. Reliability and long life are more important in industrial uses than in the home ; hence it is better to use a new device in the latter until its reliability is proved.

The production costs of transistors have fallen by over 50 per cent in the last five years, and some further fall is expected in the future. The main factor preventing a further fall in production costs is the manual labour involved in assembly, so its mechanisation should make for a considerable reduction of cost, as the mechanisation of earlier stages in the production process has done. But the rapid technical development of the product makes elaborate tooling uneconomic. The semi-conductor makers find themselves in the position of other manufacturers in technically-advancing industries, who have to use relatively primitive production methods because the product is constantly changing ; and because they are using these production methods they cannot reduce the cost of the product as much as they otherwise could.

World Nitrogen Surveyed

THE world's nitrogen industry today represents a total capital investment of about £1,000 million, with a total annual production capacity of some 11 million tons, from which about 9 million tons a year are at present being produced : five-sixths of this is used in the form of nitrogenous fertilisers, while the remainder comprises a rapidly growing range of industrial uses. The past twenty years—an outstanding period in the industry's growth—have been marked by two features. First, North America, where production has grown five-fold, has emerged as an exporter of considerable size (although still ranking second to Europe in both production and consumption) ; second, the growth of capacity and economics of ammonia manufacture have brought a shift from coal and coke as source materials towards fuel oil, refinery gases, and natural gas.

Ammonia synthesis is the principal method of manufacture today, and about 350 synthesis plants in operation account for about 80 per cent of world capacity, the rest coming from calcium cyanide, Chilean nitrates, and by-product facilities. Prior to 1939, over 90 per cent of the world's ammonia synthesis capacity was based on coal and coke; today, according to *Nitrogen*, an informative new quarterly review of the industry published by the British Sulphur Corporation, it is based as follows :

	Per cent
Natural Gas	31
Fuel Oil	15
Refinery Gases	9
Coal and Coke	40
Other	5
	100

This technological change, freeing the industry from a necessary dependence on economic supplies of coal and coke, has made it possible to locate plants in countries which, though having a large demand for nitrogen and its products, were previously forced to import them. Total demand has risen simultaneously, however, with the result that world trade in nitrogen has increased to about 2 million tons a year, roughly 2½ times the prewar level.

What the industry calls the "nutrient ratio" for fertiliser materials has moved in favour of nitrogen in recent years, bringing its share up towards parity with phosphates and potash, though this trend has been less marked in Western Europe than elsewhere. Ammonium sulphate now accounts for 30 per cent of world consumption of nitrogenous fertilisers, but ammonium nitrate is now being used in increasing quantities : these two between them account for over half of the total. In addition, ammonia is applied directly to the soil, either in anhydrous form or mixed with water, although this usage is still mainly confined to the United States.

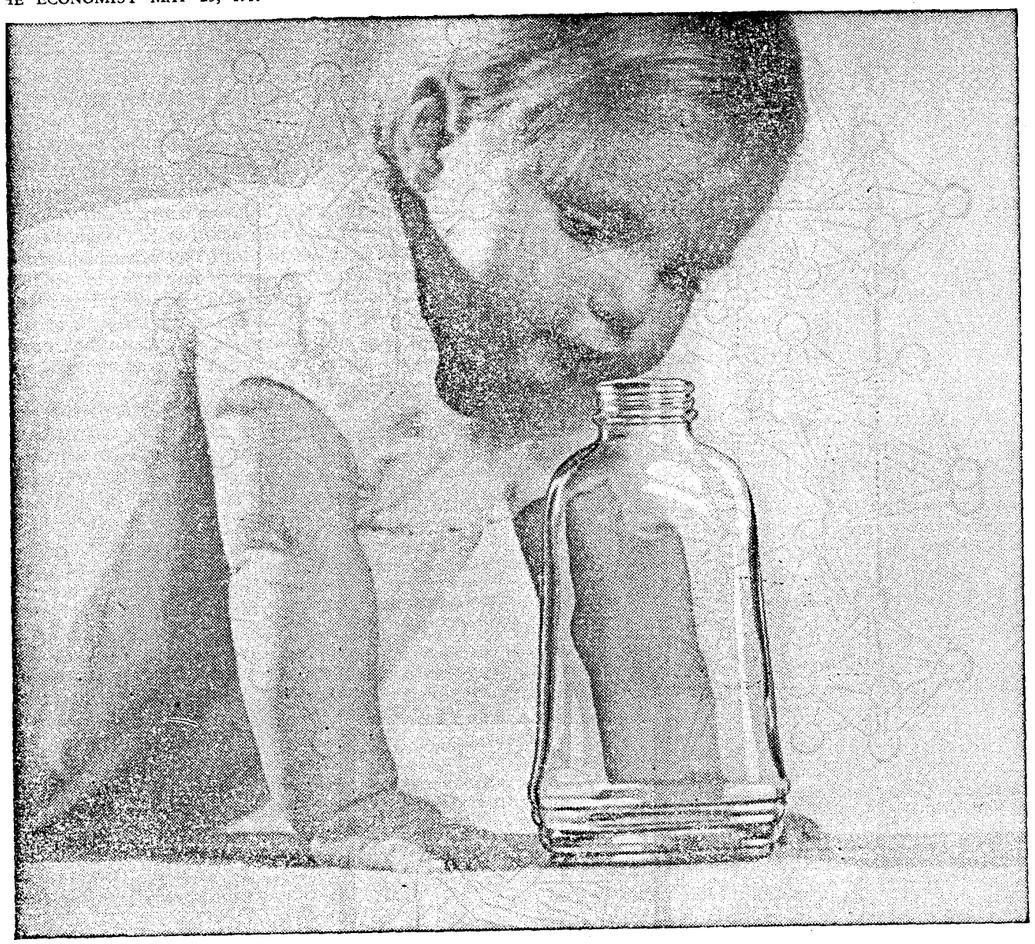
Consumption of nitrogenous fertilisers has doubled in Western Europe since before the war, owing to an increase in agricultural production per unit of land and government policies of fertiliser subsidies. Europe still produces, uses, and exports more nitrogenous materials than any other area, though the American industry has been expanding more rapidly. In spite of remarkable progress in Asia in recent years, it is estimated that 96 per cent of the arable land in China is now deficient in nitrogen, and "potential demand" is at least as great in India, where prejudice against the use of organic manures makes the use of synthetic materials all the more important. At present there is a surplus of capacity in the West ; the reverse is true in Asia and the Communist block.

Industrial uses account for about one-sixth of total world consumption of nitrogen, chiefly as ammonia, nitric acid, urea and ammonium nitrate. The largest tonnage of ammonia used in industry is consumed in processing of paper pulp, though it is also finding considerable application in the oil industry, where it is used in the making of catalysts and in neutralising the acid content of crude oil. Explosives remain another important outlet, particularly for ammonium nitrate and nitric acid, and urea is becoming more widely used in industry, especially in the manufacture of plastics.

Although Western Germany is still the biggest producer and consumer of nitrogen in Europe, demand has risen rapidly in Britain in the years since the war, and is now about five times as great as in 1939 ; the chief producer in Britain is ICI's Billingham Division. Shell Chemicals' new plant at Stanford-le-Hope, on the Thames Estuary, which was opened this week, will produce 75,000 tons of anhydrous ammonia, as well as nitric acid and Shell's ammonium nitrate/chalk fertiliser "Nitra-Shell." Another date of at least potential importance is set for the British industry sometime this summer : chemical fertilisers are to be the subject of a forthcoming report of the Monopolies Commission.

NITROGEN PRODUCTION IN WESTERN EUROPE

	Per cent
Western Germany	30·7
France	14·8
Italy	12·3
Netherlands	11·0
United Kingdom	10·2
Belgium	7·5
Norway	6·6
Austria	4·5
Others	2·4
	100·0



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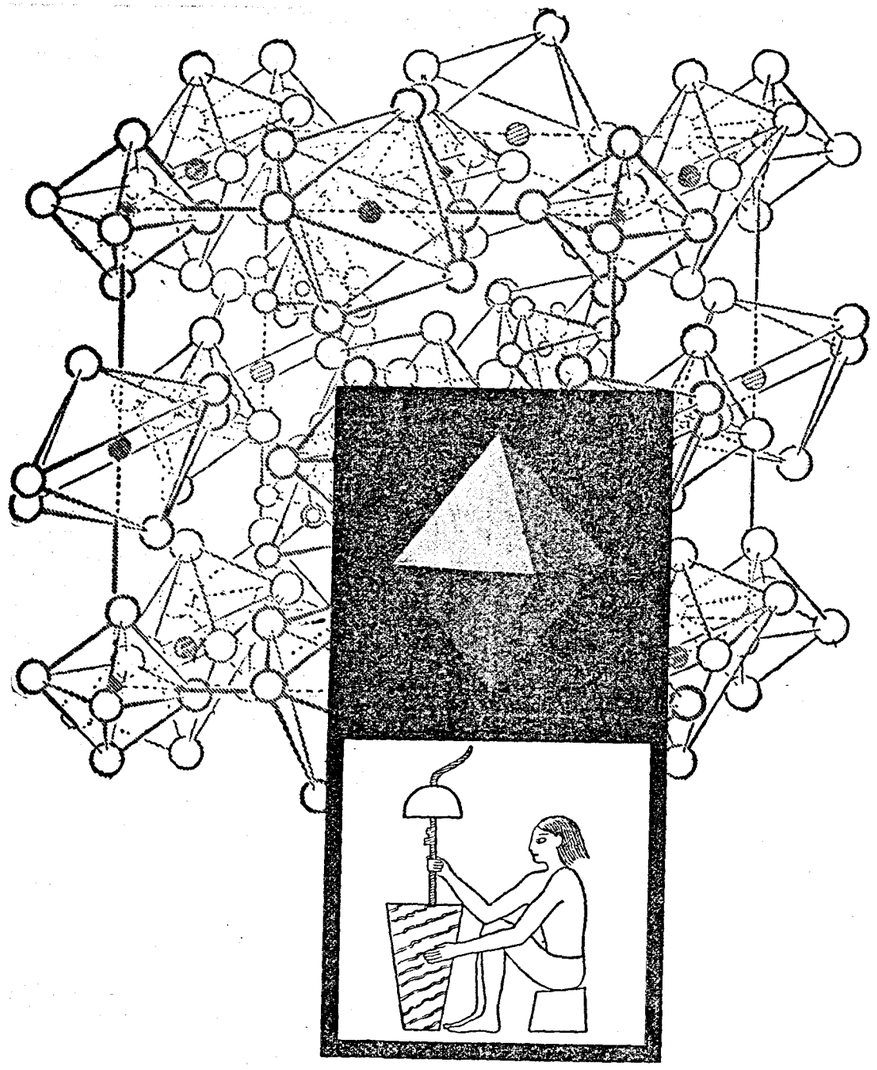
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ASHDOWN INVESTMENT TRUST

New Wine in an Old Bottle

THE Ashdown Investment Trust, under the chairmanship of Mr C. H. Villiers, a managing director of Helbert, Wagg and Company, plans to make offers of its ordinary shares to the public, with the object of combining the advantages of an orthodox investment trust with the marketability of a unit trust. It is hoped that this move will help to provide the ordinary investor with easier access to the restricted market in investment trust equities. To be fair to the existing shareholders in Ashdown Investment Trust and to make the issues acceptable to new investors, the directors have evolved a new formula for calculating the issue price. This will be based, as in a unit trust, on the market value of the underlying securities, after allowance for the trust's own prior charge capital and also for the dealing cost of investing the new money in securities.

As at May 1st, this calculation would have put a price of 16s. 7½d. on the Ashdown 5s. ordinary shares, compared with a net asset value of 15s. per share and a slightly lower market price. The ordinary dividend is being raised from 12 to 13 per cent, which will raise the level of distribution to 90 per cent of available income ; the prospective yield on the calculated price is accordingly 3.9 per cent.

As the Ashdown Investment Trust will be run in the normal way, the investor will continue to enjoy the advantages offered by gearing, the retention of some earnings and a widespread portfolio. The real innovation of this scheme, provided that the first offer of between two and three million shares proves a success when it is made in June, is that further offers (these will be broadly equivalent to a unit trust block issue) will be made from time to time. New investors will be asked to pay a premium over break up values, but it is hoped that the easier marketability of the Ashdown units will give them some incentive to do so.

TEA PRICES AND SHARES

Advance Peters Out

THE recent advance in tea and tea shares has petered out. In the London auctions this month prices of all but the best qualities of tea first fell by a penny or two and then held steady. There was less competition for plain tea, and the quality of the medium grade Assam teas had declined. Nearly all the tea offered in London from the 1958 crop in Assam and other districts in North India has now been sold. Despite the recent rise in prices, most producers have not fared so well as in the previous season. For North India, the largest tea-growing region, the average price realised in London so far this season is just over 4s. 8d. a lb, nearly 3½d. a lb below the 1957-58 average. Owing mainly to less favourable weather the quality of the crop was not quite as good as before ; output was somewhat higher, and buyers had little difficulty in covering their needs. Producers of plain tea in North India, already working on exiguous margins, have been further squeezed. The average price realised in London by producers in the Dooars this season is 3s. 9½d. a lb, over 1d. a lb below the average for 1957-58, and the average for Cachar, another plain tea district, is 3s. 4½d. a lb, 1½d. a lb below the 1957-58 average.

The plight of the plain tea producers is illustrated by the 1958 results of the Aitheel Tea Company in Western Dooars. While production rose by 108,000 lb to 1,273,000 lb and sales proceeds by £20,500 to £187,000, costs increased and the company made a loss of £20,352, compared with a loss of £1,615 in 1957. The *Financial Times* index of tea shares, which opened the year at 87.2 and reached 99.3 on May 6th, has since dropped to 97.1.

CIBA (ARL) LTD

How to Run a Glue Factory

IT is not uncommon for a company to begin doing one thing, and to find itself eventually doing something quite different. But the transition from doing sponsored research in aircraft and aeronautics to manufacturing synthetic resins, adhesives, and aluminium honeycomb is perhaps a bigger one than most: this has been the history of Ciba (ARL) Ltd, which celebrated its 25th anniversary this week. The company was founded in 1934 by Dr N. A. de Bruyne, and was originally called Aero Research Limited ; its association with Ciba of Basle began in 1947, when the Swiss company bought control of Aero Research, and the present name was adopted last year. But the company's entry into the glue business had come ten years earlier, when it had been the first company to make and sell urea-formaldehyde adhesives in Britain. At this time Dr de Bruyne had decided that Aero Research needed some kind of (literally) pot-boiling activity to give some financial stability to its research activities. The company had done research for both De Havilland and the Air Ministry before the war ; but by 1941 it had become evident that if it was to survive as a purely research organisation either Government control or a profitable sideline would be necessary. Dr de Bruyne chose the latter, and from that time on Aero Research was primarily in the glue business.

It seems fair to say that Aero Research's progress has been due at least in part to remarkable serendipity: its site near Duxford was found as a result of a careful search of the "For Sale" columns of the Cambridge *Daily News* by Dr de Bruyne, who was in fact looking for a bandsaw. He bought the land because it was "flat, cheap, near Cam-

DOLLAR MARKETS

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Whitehall 1511, Ext. 45

bridge, with ample water underground and electric wires" —although the electric wires were a nuisance, since he wanted the land for an aerodrome (the company's first articles of association empowered it, *inter alia*, to operate dirigibles). Experiments with reinforced plastics and synthetic adhesives ultimately produced "Aerolite" urea-formaldehyde glue, the "Redux" process of metal-to-metal glueing, and "Gordon Aerolite," a flax-reinforced resin plastic, used in several aircraft.

After the alliance with Ciba, Aero Research began production of "Araldite" epoxy resins, which had been originally developed by Ciba, and continued to make the urea and melamine resins it had developed before the war, including "Aerolite" and "Redux." In 1954 the company began making aluminium honeycomb core material, which is widely used in a number of aircraft, including the Avro Vulcan. The total capital invested in Ciba (ARL) now exceeds £1 million; this week the company formally opened a new plant for the production of "Araldite" epoxy resins, a new research block for fundamental research, and an extension to its sales offices at Duxford.

SHORTER NOTES

Retail sales in April, stimulated by the budget, rose 6 per cent above their value a year before, and since prices are hardly changed, the volume of goods sold went up roughly as much. April 1958 included the post-Easter week, which is bad for trading, but even so there was clearly a genuine and marked upturn in sales—which in March and April had been little better than a year before.

* * *

Hire purchase and other instalment debt for durable goods is estimated by the Board of Trade to have risen by £27 million in March to a total of £671 million. Finance houses accounted for £23 million of the total, shops for only £4 million. Seasonal buying of cars accounted for much of the rise; thus the increase should be even greater in April when record sales of cars on hire purchase were recorded.

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The Economist Intelligence Unit Ltd.,
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Whitehall 1511, Extension 45.

Trading profits of £5,747,000, dividend and interest income of £1,324,300, and consolidated net profits of £3,789,700 are announced by Daily Mirror Newspapers for the year to February 28th. Trading profits of the parent company rose strongly from £1,438,000 to £2,252,300, while income from dividends and interest was £192,700 higher at £1,075,200. As the directors announced when they made their formal offer for Amalgamated Press last December, the new shares then issued do not rank for the final ordinary dividend of 15 per cent. The total ordinary dividend, as was then forecast, is 25 per cent, against 19¼ per cent in 1957-58.

* * *

A widening scheme costing £3 million was completed this week on the Eastern Region of British Railways, removing what had previously been a serious bottleneck on the Great Northern Line. The work involved the construction of three new tunnels near Hadley and Potters Bar, and the rebuilding of two stations on the line with four tracks instead of two, as had previously existed. An immediate improvement in journey times on this line is promised by British Railways; when electrification is completed in the (unspecified) future, it promises commuters using this line "the fastest suburban service in the world."

* * *

The net revenue of the Estate Duties Investment Trust rose from £101,731 to £115,027 in the year to March 31st but the chairman, Lord Piercy, says that this advance would have been greater had it not been for lower rates of interest on short term deposits. However, the revenue on certain investments particularly in textile companies, declined and in a few cases losses were recorded. Textiles represent 16.6 per cent (against 15.8 per cent) of the portfolio, investments in engineering, shipbuilding and electricals 16.7 per cent (against 18.9 per cent) and in distribution 16.2 per cent (against 10.7 per cent). The trust now has 83 investments, largely in private companies. Edith's ordinary dividend is left unchanged at 7½ per cent.

* * *

British Titan Products has completed a £2 million extension to its titanium pigment plant at Grimsby, which will bring total capacity up to 70,000 tons of titanium dioxide a year. This white pigment, which has exceptional covering power and durability, is the main tonnage user of titanium ores such as ilmenite and rutile: its cousin the light metal has more fame but so far earns less money.

* * *

Marshal Zhigarev, head of the Russian airline Aeroflot, who visited Britain this week, confirmed that his line is interested in the Decca short-range navigational aid fitted to a large number of British aircraft. He was also expected to see a demonstration of the automatic landing system developed by the Blind Landing Experimental Unit of the Royal Aircraft Establishment at Bedford.

ABRIDGED PARTICULARS.

Application has been made to the Council of The Stock Exchange, London, for permission to deal in and for quotation for the whole of the issued ordinary share capital of the Company.

THE CHARTERHOUSE GROUP LIMITED

(Incorporated under the Companies Act, 1929)

SHARE CAPITAL

Authorised :		Issued or being issued :
£1,000,000	in 4¼ per cent. Cumulative First Preference Shares of £1 each ...	£1,000,000
£4,000,000	in 6 per cent. Cumulative Second Preference Shares of £1 each	£1,500,000
£10,000,000	in Ordinary Shares of £1 each	£6,089,000
£15,000,000		£8,589,000

OFFER FOR SALE
of
4,000,000 Ordinary Shares of £1 each at 28s. per share
by The Charterhouse Investment Trust, Limited
PAYABLE IN FULL ON APPLICATION

The List of Applications will open at 10 a.m. on Friday, 22nd May, 1959, and will close on the same day.

The Offer for Sale shows, *inter alia*, that :—

1. Although the Company's issued capital has been increased from time to time since its incorporation in 1934, only the Second Preference Shares have so far been quoted on The Stock Exchange, London.
2. Since the end of the last war several new activities have been added to the Company's original one of providing capital out of its own resources for industrial concerns in need of development finance. The company is now in course of becoming a holding company controlling seven direct subsidiaries :
   Charterhouse Industrial Holdings Limited to hold controlling interests (in addition to prior charges) in nine industrial and commercial subsidiaries.
   Charterhouse Industrial Development Company Limited to hold minority equity interests and/or prior charges in 72 industrial and commercial companies.
   Charterhouse Finance Corporation Limited, established as an issuing house in 1938.
   S. Japhet & Co. Limited, established in 1896, provides a comprehensive merchant banking service.
   Glanvill, Enthoven & Co. Ltd., insurance brokers, founded in 1902.
   Charterhouse Canada Limited carrying on in Canada business similar to that of Charterhouse Industrial Development Company Limited.
   Holcan Estates Limited owns houses rented to directors and members of the Staff.
3. The shares in this offer comprise 3,000,000 new shares which The Charterhouse Investment Trust, Limited has contracted to subscribe and 1,000,000 old shares constituting part of the Trust's equity holding which will, as a result, be reduced to 560,000 Ordinary Shares. The present intention of the Trust is to retain a holding of not less than 500,000 Ordinary shares.
   Net proceeds of the issue will provide £4,050,000 which will repay present indebtedness to the Company's bankers with whom arrangements have been made to provide further overdraft facilities to enable the established policy of development to continue.
4. For the current financial year consolidated profits after all charges except bank interest and taxation, and excluding profits retained by S. Japhet & Co. Limited, should be not less that those for the year ended 11th November, 1958, namely £1,309,358. In this event the Directors would recommend a dividend (payable in April, 1960) of 7½ per cent. on the enlarged Ordinary Share Capital. The Directors feel confident that so long as trading conditions generally do not deteriorate, the Company's growth should continue.

Copies of the Offer for Sale, on the terms of which alone applications will be considered, and Forms of Application are obtainable from :—

Lloyds Bank Limited, Issue Department, 72, Lombard Street, London, E.C.3, and Branches.
Midland Bank Limited, 5, Princes Street, London, E.C.2, and Branches.
J. & A. Scrimgeour, 16, George Street, London, E.C.4.
Fielding, Newson-Smith & Co., 31, Gresham Street, London, E.C.2.
E. B. Savory & Co., Basildon House, Moorgate, London, E.C.2
and from
THE CHARTERHOUSE INVESTMENT TRUST, LIMITED,
30, St. Swithin's Lane, London, E.C.4.

COMPANY MEETINGS

THE PRUDENTIAL ASSURANCE COMPANY LIMITED

CONTRIBUTION TO PERSONAL SAVINGS

PROGRESS AT HOME AND ABROAD

In the course of his remarks at the Annual General Meeting held on May 14, 1959, at 142 Holborn Bars, London, EC1, Sir Frank Morgan, MC, Chairman of the Company, said:

Last year the funds of our Life Branches increased by £55 million, of which £45 million was attributable to the United Kingdom and £10 million to our overseas business. I mention these figures, not only as an indication of the progress of our business, but also because they provide a broad measure of the net contribution made by means of Prudential policies to total personal savings. With the many and increasing inducements to spend, it seems to me more than ever important that institutions such as ours should do everything possible to promote the habit of regular saving. The service we provide makes it easy—or at any rate as easy as possible—to acquire this habit and at the same time to secure the immediate and continuing protection of life assurance.

ORDINARY BRANCH

The new premium income in the Ordinary Branch—home and overseas—exceeded £9,800,000, securing sums assured of £259 million and annuities of £13 million per annum. Whilst the new sums assured were somewhat greater the new premium income was £500,000 less than in 1957; the new premiums of that year, however, were increased by the initial demand for the new class of retirement annuity policy and by an unusually large group pension and life assurance scheme.

For individual assurances issued in the United Kingdom the new premium income was £250,000 more than in 1957. There was an increase in the average premium per policy and a relatively larger increase in the average sum assured. This latter feature reflects the increasing proportion of business written under contracts which provide a larger element of life cover, such as whole-life and longer-term endowment assurances and policies providing income benefits.

Our overseas business continues to play an important part in the development of the Ordinary Branch. It accounts for over a quarter of the total premium income of this Branch and for nearly 30 per cent of the new premiums of last year. Record amounts of new premiums were secured in 1958 in South Africa, the Rhodesias, East Africa and New Zealand.

Group pension business secured overseas continues to expand. Over three-quarters of it is written on a with-profit basis.

No developments occurred in Egypt during 1958 in connection with our life and non-life business, which was Egyptianised, but now that the Anglo-Egyptian financial agreement has been signed we hope to receive compensation.

INDUSTRIAL BRANCH

Steady progress continues to be made in this Branch and last year a record amount of new premium income was obtained. A notable feature here is the popularity of endowment assurances. The reason for this is not hard to find; despite other available means of regular saving of small sums, industrial assurance is unique in providing a combination of saving and life assurance allied with the convenience of a home service.

Though premature discontinuances of policies shewed some increase over those of the previous year they were still at a low level. The increase was due to economic causes and not to any relaxation of the efforts of our field staff to secure the maintenance of policies. The proportion of new policies which lapsed within one year after issue was a little over one-tenth. Of the policies on which premiums had been paid for a year or longer, less than 3½ per cent were discontinued last year, and for all of these either a free policy or a cash surrender value was given.

The changes in the structure of remuneration of our field staff in this country, to which I referred last year, have, as I then indicated, resulted in a marked immediate increase in the rate of expense. We expect a gradual return to a more normal level, though progress in this direction must to a large extent be governed by the rate of growth of the premium income.

BONUS DECLARATIONS

Details of our bonus declarations have already appeared in the Directors' Report, from which it can be seen that increased rates of reversionary bonus have been declared for assurance policies issued in this country and in some overseas territories. We have, in both Life Branches, again declared special bonuses applying, as hitherto, only to policies issued in the United Kingdom prior to January 1, 1954, which become claims during the current year. The rates of these bonuses also have been increased.

It may be well, particularly as special bonuses of a similar character have not become common in the life assurance world, to remind you why, three years ago, we introduced them. There had been an exceptional increase in the dividends from our holdings of ordinary shares in this country and our view was that, since these increases arose largely from investments made in the past, the older policyholders had a prior claim to benefit from them. Similar considerations to those which led to their introduction have justified the further special bonus declarations which we have since made.

I gave you an example last year of the effect of the special bonuses in the case of a typical Ordinary Branch claim which we had recently paid. The facts of another such claim, paid last month, may be of interest. The policy was a 25-year endowment assurance for £1,000 taken out in 1934 when the policyholder was aged 36. Over the 25 years he had paid £1,034 in premiums, but income tax rebate had reduced this outlay to an appreciably lower figure. Throughout the period he had been covered against death for £1,000 with bonus additions. Now that the policy has matured he has received this sum assured of £1,000, normal reversionary bonuses of £393 and the special bonuses which amounted to £120, making a total of £1,513. I feel sure that this policyholder, who may indeed read these remarks, would agree that this was an eminently satisfactory outcome and, furthermore, that the security provided by his policy during those 25 years had been very well worth having.

PENSIONS

Since our last meeting the Government has presented to Parliament the National Insurance Bill, containing proposals to extend the State scheme by the introduction of a graduated pension based on contributions graduated according to income.

We naturally welcome the intention of the Government that an employer with a private scheme should be able to contract out of the proposed State scheme in respect of the graduated pensions for some or all of his employees. The subject is, however, beset with difficulties and it is to be regretted that the interval for consideration between the White Paper in October and the issue of the Bill in December was so short. If contracting out of the State pension scheme is to be a permanent and satisfactory feature of pension arrangements in this country it is important that the system should be established on firm principles. There are features in the Government proposals which, though they be workable for the scheme as it now stands, would not generally be practicable in other circumstances. I refer in particular to the charging of a flat contribution for contracted-out employees and the obligation to provide a pension equivalent to the maximum graduated pension under the State scheme whatever the earnings of the individual. There are a number of issues of a similar nature which are, at least in part, outside the scope of politics, and it is much to be hoped that before long the parties will come to some agreement to take such issues out of the political arena.

During the past year our pension scheme business has continued to develop satisfactorily. Although the introduction of the new State scheme may lead to some existing pension schemes being curtailed or even terminated we feel that there is still a wide-

spread need for the development of occupational pension schemes.

GENERAL BRANCH

In the General Branch the premium income for 1958 together with that of our American subsidiary increased by £1,800,000 to £18,700,000. Nearly half of this total arose from overseas sources. Gross interest earnings have increased very substantially.

The underwriting experience for 1958 showed a smaller overall profit than in the previous year, although there was a marked improvement over 1956. The overseas experience, particularly in Canada where some premium rates have been increased, improved considerably over that of 1957 but still resulted in a loss, while our home experience was less profitable than in the previous year. The sickness and accident account remained satisfactory and the fire account showed a considerable improvement. In the miscellaneous account, however, there was a reduced margin of profit on home business, due in part to losses from the storm and flood damage of last autumn. These losses mainly related to private dwellings and small shop premises and it is a source of satisfaction to us that we were again able by a prompt settlement of claims to mitigate the effects of the losses and bring relief to our policyholders. Motor insurance business also adversely affected our home results, showing a small loss notwithstanding the increase in motor rates which became operative in July, 1957.

Our marine insurance business continues to be satisfactory, although there has been a decrease in premium income owing to a depreciation in values and an increase in tonnage laid up. From this account we have released into profit the sum of £50,000, which broadly covers the taxation incurred.

The figures of our American subsidiary, The Prudential Insurance Company of Great Britain, are annexed to the accounts before you. An underwriting profit of £19,000 has emerged, which although small is most satisfactory bearing in mind the currently difficult underwriting position in the United States. A dividend of 7½ per cent has again been declared on the capital of $1,500,000.

DIVIDENDS

The increases in the distributable surpluses in the Life Branches have again enabled the Directors both to improve the proportion of these surpluses allocated to the policyholders and to increase the amount allocated to the A shareholders. In each of the Life Branches the policyholders' allocation is now 93.16 per cent of the distributable surplus, compared with 92.84 per cent for the previous year. The distributable surplus in the Ordinary Branch was, for the first time in the last 35 years, greater than that in the Industrial Branch, and in consequence rather more than half of the amount allocated to the shareholders from the Life Branches was derived from the Ordinary Branch.

The net dividend declared on the A shares is 6s. 6d. per 4s. share, and this year no transfer has been made to the Dividend Reserve Fund. For the previous year the net dividend declared was 29s. 6d. per £1 share and an amount representing 6d. per share was transferred to the Dividend Reserve Fund. Thus on the basis of the new share denomination the declared dividend is 7.2d. per share greater, and the total allocation is 6d. greater, than a year ago.

The net dividend declared on the B shares is 1s. 1d. per 5s. share, compared with 3s. 9d. per £1 share a year ago. On the basis of the new share denomination this represents an increase of 1¾d. per share. The allocations to shareholders from the General Branch are again more than covered by the interest earnings of the General Branch funds after deduction of the relevant taxes.

INVESTMENTS

The measures taken by the Government in September, 1957, to halt the flight from sterling were successful, but it was inevitable that they should put a brake on home consumption and thereby on industrial production and expansion. Investment in 1958 proceeded therefore against a background of continued recovery in the strength of sterling accompanied by some reduction in the use of our productive resources.

With confidence in sterling restored, the Government have been able gradually to relax the restrictions. Bank rate has been successively reduced from 7 per cent to 4 per cent and long-term rates of interest have declined, though to a much less extent. The directive to the trading banks has been withdrawn, the control over hire-purchase and similar transactions has been removed and early in 1959 the operations of the Capital Issues Committee were suspended. The removal of these restrictions, supported by the tax reductions and other measures in the Budget, should stimulate a significant improvement in economic activity during the current year.

In view of the conditions ruling in 1958 it was only to be expected that there would be a reduction in the level of new industrial issues. Any rise in production which occurs during 1959 must in the first place absorb the existing surplus of productive capacity and it is therefore unlikely that there will be any substantial increase in the near future in the demand for industrial financing for the expansion of manufacturing capacity. We spread our new investments, however, over a wide field and do not anticipate any difficulty in continuing to find outlets for our funds on attractive terms, although probably at somewhat lower rates of interest than a year ago.

During 1958 our funds increased by £58 million, in addition to which there were the amounts arising from sales and redemptions. In all we invested a total £80 million, distributed as follows: ordinary stocks and shares £21 million, property and ground rents £19 million, debentures £16 million, mortgages £11 million, Commonwealth Government and Municipal securities £7 million and other groups £6 million. Compared with 1957 we have invested a greater proportion of our accruing funds in ordinary shares and property. Nevertheless we still regard long-term fixed-interest investments as a valuable outlet for our funds.

During the year a number of the banks decided to take a more direct interest in the provision of hire-purchase finance and we received an approach in regard to the controlling interest which we had held for many years in the North Central Wagon & Finance Company. Over a long period it has been our policy to avoid acquiring a large proportion of the capital of any one company and we decided, after a satisfactory offer had been made to all shareholders, to dispose of our holding. We now have no United Kingdom subsidiary companies apart from the wholly-owned Prudential Nominees, Limited, which exists in the main for the purpose of holding the investments of our trustee and executor business and of our own staff pension funds.

The gross yields earned on our Life funds, £5 16s. 3d. per cent in the Ordinary Branch and £6 0s. 1d. per cent in the Industrial Branch, showed reasonable increases on the yields earned during 1957. The improvement resulted mainly from modest increases in dividends on ordinary shares and from the satisfactory returns obtainable on new investments.

Owing to the large increase in long-term rates of interest over the last ten years our holdings of gilt-edged and other fixed-interest securities have depreciated. On the other hand our holdings of ordinary shares have appreciated substantially. We do not feel it necessary to make yearly adjustments of the Balance sheet figures to reflect fluctuations in market values but, as fixed-interest securities have for some years stood in the Balance sheet at figures well above their market value, it is now felt appropriate that these figures should be readjusted. Ordinary stocks and shares have been written up by £35 million, and this amount has been applied to reduce the Balance sheet values of other groups of assets to bring these groups broadly into line with current values. The written-up Balance sheet value of ordinary stocks and shares is still substantially below their current value.

With regard to our large holdings of ordinary shares, we are long-term investors and normally expect to continue to hold our investments, looking for a steady and, we hope, expanding income. We endeavour to discharge the responsibilities which such ownership entails in as fair and unbiased a manner as we possibly can. We do not regard it as proper for us as shareholders to interfere in the day-to-day management of the companies in which we have taken an interest. There are, however, certain broad issues of policy on which we feel shareholders have a right to be consulted. We appreciate that such issues cannot always be precisely defined and this must be left to the common-sense and good judgment of the directors concerned. In this context we welcome statements made in recent months by the chairmen of a number of important companies to the effect that they have no intention of issuing large blocks of equity capital in a way which might materially affect the control of the company or radically alter the nature of its business, without the consent of the shareholders.

RETIREMENT

Mr N. P. Harris, one of our agency managers, retired at the end of 1958, after 45 years' service. His wide knowledge of field staff affairs and problems has been of great value to the Company.

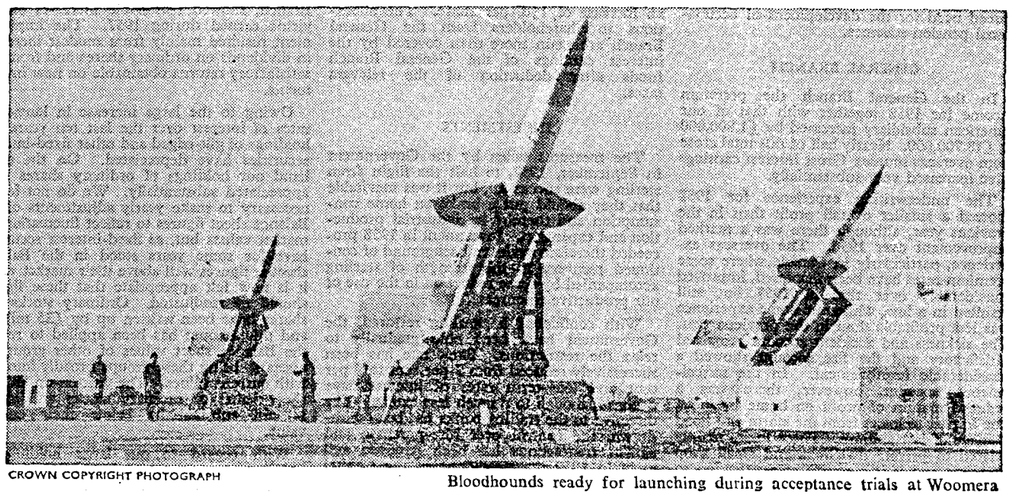
APPOINTMENT

Since our last meeting the Directors have appointed Mr F. Pearson, formerly a senior member of our field staff, to be an agency manager in the United Kingdom.

STAFF

I come finally to my comments on the staff, and I invite you to think of their work in terms of service: service to the insuring public and service to the Company which employs them. The work of the field staff and that of the clerical staff are complementary to each other, and the service we render to the community at large is the product of their combined efforts.

The results about which I have been speaking to you today again clearly demonstrate the ability and enterprise displayed by all ranks, and we express to them our warm appreciation and cordial thanks for another year of outstanding achievement.



CROWN COPYRIGHT PHOTOGRAPH

Bloodhounds ready for launching during acceptance trials at Woomera

THE CHAIRMAN OF THE BRISTOL AEROPLANE COMPANY GROUP REVIEWS PROGRESS

During 1958 The Bristol Aeroplane Group achieved a record level of sales—an increase of 33 per cent over 1957—of which 28 per cent were overseas; reduced profit margins and increased outlays on research and development led to a reduction of 23 per cent in the net profit before taxation. Deliveries during 1958 were worth £76 million, orders received were £47 million; and orders in hand at December 31, 1958, were £96 million.

Bristol ramjets for Bloodhound missiles came into production during the year. Further developments will extend their range for missiles and make them suitable for supersonic manned aircraft.

With the support of the Mutual Weapons Development Programme, a turbo-fan engine is being developed for short take-off aircraft, leading on to a new generation of ducted fan engines.

Aircraft

Fifty-one Britannias had been delivered by the end of 1958; although sales on the scale for which we had hoped and planned have so far eluded our most determined efforts, further negotiations are in progress. Two Britannia derivatives, the Canadair Argus and CL-44, are being produced under licence for the Royal Canadian Air Force, whilst the RAF has adopted another, the Britannic strategic transport.

An all-steel supersonic research aircraft being developed under contract from the Ministry of Supply will put us in a strong position in this field.

A medium-range jet airliner, the Bristol Type 205, is being discussed with airlines.

The production and development of Bristol helicopters continue.

Missiles

Service trials of the Bloodhound missile have proceeded very well. An order placed by the Royal Swedish Air Force is the first export order of its kind. It was announced in the 1959 Defence White Paper that a more advanced weapon was to be introduced; this is to be a Bloodhound derivative.

Engines

The activities of Bristol Aero-Engines, Armstrong Siddeley Motors and Bristol Cars have all been transferred to Bristol Siddeley Engines—an associated company in which Bristol Aeroplane and Hawker Siddeley Group Limited each hold a 50 per cent interest.

Bristol Proteus turboprop engines used in Britannias are also finding promising new applications both for propulsion of naval craft and for electricity generation.

Sales of the Orpheus lightweight turbojet are encouraging. The Olympus turbojet has been gaining an extremely good name in service with RAF Vulcans and the new Tactical-Strike-Reconnaissance aircraft is to be powered by the Olympus: this is a great opportunity.

Overseas Companies

Our associated companies overseas had a generally successful year, the Canadian group achieving a record turnover and our workshops in Australia obtaining satisfactory business in difficult trading conditions.

Prospects

The aircraft industry has always been subject to large fluctuations in the level of employment and in the Bristol Aeroplane Group the upward trend was reversed last year. The point when it will level off depends on prospects for the next generation of civil aircraft and aero engines, the scale of the defence programme, and our own success in increasing our share of the market.

The aircraft industry makes a great contribution to exports, to prestige and to technological progress. Many great opportunities lie ahead, but a national programme on an adequate scale needs consistent backing by the Government. We confidently believe that we have a contribution to make which will be both valuable to the nation's defence and export trade, and profitable to our business.



THE BRISTOL AEROPLANE COMPANY LIMITED · FILTON · ENGLAND

ALUMINIUM-INDUSTRIE-AKTIEN-GESELLSCHAFT CHIPPIS (SCHWEIZ)

ZURICH, SWITZERLAND

FURTHER IMPROVEMENT IN POWER SUPPLIES

PRICE STABILITY MAINTAINED

The seventieth Annual General Meeting of Aluminium-Industrie-Aktien-Gesellschaft Chippis was held in Zurich on April 24th, and the following is a summary of the report presented by the Directors:

REVIEW

In the autumn of 1956 the aluminium industry felt the first signs of a recession which began in North America. The trend continued during 1957 and during the past year, when it affected the aluminium industries of different countries to a varying extent.

At the present moment the productive capacity of the different plants in the United States and Canada still exceeds current demand although the surplus is gradually growing smaller.

In Europe, the tendency was for excess production to be offered to export markets, which led to greatly increased competition not only as regards virgin aluminium but also in the case of semi-finished products. Except for Austria, total output of aluminium in the four countries where the Company was active did not meet, or barely met, the individual country's requirements. As a result the need to export aluminium occurred only in a few instances.

World production of virgin aluminium in 1958 is estimated at 3.55 million tons, some 150,000 tons more than in 1957. The most important producing countries are still the United States, with 1.42 million tons, Canada with 586,000 tons, Europe with 657,000 tons, Russia and the Eastern countries with 735,000 tons approximately, and Japan with 85,000 tons, with the remaining 67,000 tons being accounted for by various other countries.

Whilst for some time metal prices were rather unstable in Canada, the United States, Italy, Germany and France, the prices of metal smelted in Switzerland remained stable throughout the year. Since current prices have been in effect during the last two and a half years the traditional stability of Swiss aluminium prices has once again been effectively demonstrated.

The Company's output of virgin aluminium, not counting that of *Mosjöen Aluminium A/S*, did not quite reach the total of the previous year. This slight setback was due to a reduction of 30 per cent in the output of the Rheinfelden works during the last 3 months of the year. The three other plants for which sufficient hydro-electric power was available operated at full capacity. The sales department of the Company's central administration dealt not only with sales to buyers but also with supplies to affiliated companies and the export of available metal. On the whole the Company's plants manufacturing semi-finished products increased their output and this was also the case with production of foil. Sales of Raffinal were maintained at the usual level while sales of Gallium increased further.

SWISS INTERESTS

The Mörel and Ernen power stations of *Rhonewerke AG* produced a total of 421 million kWh, an increase of 26 million kWh over the previous year.

Output of power at the *Illsee-Turtmann AG* plant at Oberems was slightly superior to that of 1957 and reached 106.6 million kWh.

The Company has an 80 per cent interest in *Centrale des Chutes du Rhin de Neuhausen SA* at Neuhausen, which recorded a normal output of 40 million kWh.

During the year ended September 30 *Usine Electrique de Rheinau SA*, produced 218 million kWh representing an increase of 18 million kWh over the first year's output.

Facilities at the Sierre hydro-electric plant of *Forces Motrices de la Gougra SA* are being improved, and it is expected that the reserve dam at Moiry can be filled during the coming summer. Output during the winter of 1958-59 amounted to 104 million kWh.

Unlike the previous year, 1958 proved to be favourable for the production of aluminium, thanks to higher rainfalls. Not only was it possible for the plants in the Valais region to be active throughout the year, but there was also a certain amount of surplus power which was made available to the Rheinfelden plant. The goal which the Company has striven to reach for so many years, and which consists in avoiding a reduction in the level of output during the winter, now seems well within reach. As a result of increasing rationalisation and improved working methods all the plants were able to reduce power consumption in relation to the amount of aluminium produced. These improvements have led to a saving of almost 20 per cent in electric power during the course of the last few years.

The Mosjöen plant, in which the Company has a ½ interest, was put into service during the spring of 1958. Output from this plant is shortly expected to run at an annual rate of 32,000 tons and as a general rule sales of metal will be made by Chippis.

The planning of the new plant at Steg in the Valais continues, and the roads leading to the site will be completed during the next few months.

The *Robert Victor Neher SA* plant at Kreuzlingen which produces foil increased its activity during the second part of the year and returned satisfactory results.

FOREIGN INTERESTS

Officially authorised selling prices in France did not always permit the *SA des Bauxites de France* to show an operating profit, but it is hoped that recent developments will lead to more favourable working conditions. In Italy the exploitation of the Company's own deposits was intensified. At Cologne and Porto-Marghera the Company processed bauxite imported from Yugoslavia, Greece, Indonesia and Guinea and also made some trial runs with bauxite imported from India.

As in the previous year, the Company's three alumina plants—*Martinswerk G.m.b.H.* at Bergheim-Cologne, *Società Alluminio Veneto p.A.* at Porto-Marghera and the *Société Française pour l'Industrie de l'Aluminium* at Marseilles—operated at full capacity. Supplies of alumina to the new aluminium works at Mosjöen in Norway are assured by the Company's own plants.

In Guinea the construction of the alumina plant for *FRIA—Compagnie Internationale pour la Production de l'Alumine*—in which the Company has a 10 per cent interest, continues according to schedule. The plant is expected to begin partial production in 1960.

A further increase in the already considerable output of *Aluminium-Walzwerke Singen G.m.b.H.*, at Singen, was recorded. The expanded rolling facilities are already being fully utilised.

In Italy, whilst Lavorazione Leghe Leggere S.p.A. at Porto-Marghera was still not working at full capacity as a result of difficulties in obtaining orders, the other Italian affiliated company, *Laminal Rusconi Fraschini* which produces foil at Nembro near Bergamo was fully occupied throughout the year.

The *Star Aluminium Company Limited*, which operates plants at Wolverhampton and Bridgnorth, recorded a new satisfactory turnover and plans to expand productive capacity are under consideration.

In spite of increasing competition, *Aluminium Foils Inc.* of Jackson, Tennessee in the United States, once again increased sales of foil, strip and Raffinal.

The first stage in the expansion of capacity at *Aluminium Belge S.A.* in Liège, comprising a rolling mill and foil plant, should be completed towards the end of 1959. The commissioning of a new extrusion plant in the State of Sao Paulo in Brazil is also expected at the end of this year.

PROFITS

The profit and loss account showed a net profit of Sfrs.15,879,359.77 which, together with Sfrs.1,916,193.49 brought forward from the previous year, produced a total of Sfrs. 17,795,553.26 available for distribution. It was proposed to allocate this sum as follows:

to distribute a gross dividend of Sfrs. 120 (1957 Sfrs. 100) to each share of Sfrs. 1,000;

to allocate Sfrs. 1.5 million to the special reserve fund;

to allocate Sfrs. 2 million to depreciation reserves;

to transfer Sfrs. 1 million to the provident fund;

to carry forward the resulting balance of Sfrs.1,812,791.26.

Shares issued in connection with the Sfrs. 10 million capital increase voted on January 29, 1959, will be eligible for dividend in respect of the year 1959.

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

BOARD OF DIRECTORS
(Verwaltungsrat)

Dr Ernst Wetter, Zurich, Chairman; Robert Naville, Cham, Deputy Chairman; Dr h.c. Carl J. Abegg, Zurich; Dr Antoine Bettschart, Rolle; Dr Robert Bühler, Winterthur; Heinrich Hürlimann, Zurich; Frédéric Maurice, Geneva; Cyrille Pitteloud, Sion; Dr Rudolf Speich, Basle.

HUMPHREYS LIMITED

(Building & Civil Engineering Contractors)

LARGE VOLUME OF WORK ON HAND

EXPANSION RESULTING FROM REORGANISATION ENVISAGED

SIR AYNSLEY BRIDGLAND'S STATEMENT

The sixty-seventh annual general meeting of Humphreys Limited will be held on June 9th at Winchester House, Old Broad Street, London, E.C.2.

The following is the statement by the chairman, Sir Aynsley Bridgland, CBE, which has been circulated with the report and accounts:

The Trading Profit for the year was £81,493 as against £132,935 for the previous year. This sharp diminution of £51,442 was due to several causes, but the credit squeeze initiated by the Government was particularly unfortunate from our point of view, since it coincided with the conclusion of large contracts before work on new ones could be started. The effect was sharply to diminish our turnover without a corresponding lessening of overheads, and I must warn shareholders that the commencement of new work after this credit squeeze will not be in time to restore the position in the current year.

It must be remembered that when the rhythm of the business is sharply curtailed, as has happened in our case, it takes far longer to achieve normal output again than the time lost as the result of a partial cessation of work.

We may regard this as one of the chief causes of the recession in our profits, but during this difficult period we have been able to prepare for the starting of new contracts by reviewing plans and amending them so as to meet fresh ideas of building owners.

Although the work on hand is large and the prospects of additional work are good we must possess ourselves in patience, but I see no reason for pessimism and indeed look forward to the expansion of our business as the result of careful reorganisation. The period of lowered turnover due to the credit squeeze gave us an opportunity to do this and I think it will be found to be profitable as well as enlarging the scope of our activities.

DIRECTORATE

After 40 years' service Mr David Thomson will shortly reach retiring age under the Company's Pension Scheme. Consequently he has now given up executive control, and, pending retirement, he will continue to serve the Company in a consultative capacity and retains his seat on the Board. Mr D. J. Olliver, MInstCE, has been appointed to succeed Mr Thomson as General Manager, and the Board feel that in him they have an enthusiastic and able Chief Executive.

Sir Tom Hickinbotham, KCMG, KCVO, CIE, OBE, joined our Board during the year and he has lost no time in becoming fully acquainted with the affairs of the Company, which should undoubtedly benefit from this appointment.

THE ACCOUNTS

Items in our Profit and Loss Account show a reduction in Bank charges from £13,460 to £5,629, a fall of £7,831, and also a drop in taxation from £62,400 to £38,500. On the other side, £2,400 additional interest on loans is made available, but our dividends from our South African subsidiaries are reduced by £2,400. The net profit for the year after tax is £34,656 as against £55,427, a drop of £20,771.

The Board recommend a final dividend on the Ordinary shares of 9 per cent, the same as last year. The carry forward will then be £55,391 as compared with £46,304 last year.

Dealing with our Balance Sheet, Current Liabilities have also fallen from £1,008,050 to £559,201, a reduction of £448,849, whilst our Current Assets have also been reduced from £1,283,951 to £776,383, a fall of £507,568. The surplus of Current Assets over Liabilities is £217,182.

The only other item in the Assets calling for comment is the increase of £125,034 in our investment in R. H. Morris (Pty) Limited from £84,760 to £209,794, whilst our Loan Account with this Company has been reduced to £17,549. This I foreshadowed in my Statement last year.

SOUTH AFRICAN INVESTMENTS

It is opportune for me to report here on our South African investments. The Quarries are paying us 25 per cent dividends and are flourishing. The demand for stone is increasing and this Company has the necessary liquid assets to purchase and instal new machinery necessary to increase output. I told you last year that a closure order had been served on the Company by the Administrator of the Cape Province, but I am glad to say that the Company has managed to get this stayed for some ten years so that it is now fully justified in incurring this expenditure. On the present indications, therefore, the Quarries have proved a very satisfactory investment.

The investment in R. H. Morris (Pty) Limited has so far not proved very lucrative. The prime difficulty in rebuilding a business overseas is the question of staff, but I am glad to say that this has now been overcome. Some idea of how this business is progressing can be indicated by reporting that the orders in hand in February 1959 exceeded £3 million, and what to my mind is most gratifying is the way the whole of the staff and the Board there are working. The profits arising from this increased business should be very satisfactory, and should be reflected in the course of time in our own Accounts.

The business of R. H. Morris (Pty) Limited consists mainly of contracting but there is also a factory which has concentrated on joinery work. For many years they have manufactured for the Provincial Governments concerned furniture for their schools, but recently this business has been diverted from the Company in certain areas to Sheltered Employment organisations. These employ people who have become disabled due to the war and by other causes and the Union Government has decided that a considerable amount of this work must be done by these partly incapacitated citizens. The result has been that in the year under review the factory has not been fully employed and the management have had to seek new channels of business. In this they have been successful so that in the current year I hope that there will be a material improvement in the results.

THE CURRENT YEAR

With this situation in hand, and with the knowledge of the large amount of work on the books of the Company, there is also the comforting assurance that fresh business is offering. A large building contract has recently been obtained in Port Elizabeth with the prospect of an even larger contract in view in the new year. Financial arrangements for all this business have been assured, so that with an adequate and highly experienced staff in control we will be sadly disappointed if this current year does not ensure us adequate compensation for the efforts which have been made to re-establish this business, the oldest of its kind in Cape Province, and thereby prove that our decision to invest in South Africa was a correct one.

The London Clinic still enhances its international reputation and its results for last year were satisfactory. It continues to reduce the loans it has from its bankers.

1958 has been a difficult year for the building industry and it is disappointing to find that our profits, which have steadily increased over the past years, have had a setback but the Board's confidence as to the future is expressed by the continuance of the existing dividends. It may be of interest to shareholders to know that this present year is the 125th anniversary of the founding of the business.

I should like to close by expressing on behalf of my colleagues and myself, my thanks to all our staff for the loyal way in which they have undertaken their work for the Company.

CROSSE & BLACKWELL (HOLDINGS) LIMITED

RECORD SALES OF "TEN O'CLOCK TESTED" FOODS

The annual general meeting was held on May 20th in London, Mr H. L. Roy Matthews, CBE, the Chairman, presiding.

The following is an extract from his circulated statement:

The aggregate Sales figures of the Group are once again in excess of all previous years and thus constitute another record. In my Statement last year I drew attention to the increased competition at home and as regards our exports the severe effect of restrictions imposed by many countries. Both these circumstances have continued and have indeed intensified.

After reviewing the Group's world-wide activities, the Chairman said: Despite the satisfactory outlook in the long term, the immediate present and future is one of great challenge to the manufacturer. One thing is certain everything will continue to be done, despite austere profit margins, to maintain and even improve the quality of our products and to bring these to the notice of our constantly increasing number of consumers by means of public advertisement, a feature of which continues to be the "Ten O'Clock Tested" theme.

Your Board are constantly examining possibilities of further developing your company's interests at home as well as abroad. The great strength of your Company's Balance Sheet will prove of value should it be desirable to obtain further finance at the appropriate time.

The report was adopted and a total dividend of 12½ per cent plus a tax free capital distribution of 3d. per Stock Unit were approved.

IMPERIAL CHEMICAL INDUSTRIES

FACTORS AFFECTING PROFITS

The thirty-second Annual General Meeting of Imperial Chemical Industries, Limited, was held on May 14th in London.

Sir Alexander Fleck, KBE, FRS, chairman, in the course of his speech, said: By comparison with 1957 the results for 1958 were disappointing; the gross sales of the Group were unchanged, but trading profits before taxation were £10 million less, and after taxation they were £5 million less. It has been explained in the Annual Report that part of the reduction in profits can be attributed to increased costs, due to the operation below full capacity of a number of plants, some of recent construction and some recently extended. In addition to this, competition—particularly in overseas markets—has led to reduction in the prices of some of our products in order to maintain the volume of business. A further factor accounting for about £2 million of the reduction in gross profit is the additional depreciation charged as a result of the revaluation of assets at the beginning of 1958, which is explained in some detail in the Annual Report.

NO REASON TO BE DISCOURAGED

I have said that the results are disappointing, but we should not be discouraged. It is natural in any manufacturing industry which has to invest very large sums in plant and machinery that a failure of turnover to rise should result in a decline in profits, particularly when the capital invested is large in relation to turnover, as it is in our case. The converse, however, is also likely to be true; if the profits are sensitive to turnover then an upward movement of turnover is likely to be reflected in a more than proportional increase in profits. For many of our products there has been a steady upward trend of demand over the years. We are confident that with our continuing efforts to keep up the quality of the Company's products and to develop sales in export markets all over the world, plants which in 1958 were not fully occupied will, as and when demand expands, be working at or near full capacity with a favourable effect upon profits.

The amount spent by the Company on new plant and machinery in 1958 at £45 million was some £5 million less than in 1957. To some extent this represents a slowing down of capital expenditure while demand is catching up to existing productive capacity. The amount of new capital expenditure already sanctioned but not actually spent at the end of the year, at £50 million, was somewhat less than in earlier years.

LOAN STOCK CONVERSION

The 5½ per cent Loan Stock which was issued in January 1957 was convertible into Ordinary Stock at the option of the holder during any one of three periods: July 1958, July 1959 and July 1960, the terms of conversion varying according to the period chosen. Over £24 million of the £40 million Loan Stock was converted in 1958, and this has increased the Ordinary Stock of the Company by approximately £17½ million. May I remind you that the right of converting the remainder can be exercised this year, that is in July 1959, when 34½ units of Ordinary Stock can be obtained for every £50 of Loan Stock held. The final period of option will be July 1960 when 33 units of Ordinary Stock can be obtained for each £50 of Loan Stock held.

In future, and starting with the Interim Dividend for the year 1959, the form of declaration will be shillings and pence for each £1 unit of Ordinary Stock. The figure given will be the gross amount payable before deduction of British tax. We shall continue our practice of showing on each dividend warrant the amount of gross dividend, the tax deducted, and the net payment.

PROSPECTS FOR 1959

I now turn to our prospects for 1959. First of all, let me say how much we welcome the tax reductions which have been announced by the Chancellor of the Exchequer. Even after this reduction our tax burdens remain among the heaviest in the world, and we hope that we can regard the 1959 reduction as just one step towards bringing them down to levels nearer to those of some of our competitors in Continental Europe. The immediate cash advantage of the reduction of 9d. in the £ on income tax goes at once to Stockholders in the lower amount of tax deducted from dividends payable after April 1959. In the long run, however, the Company will gain materially both from this reduction and from the conversion of a substantial proportion of the initial allowance into investment allowance. The direct advantage to the Company is important, but so also will be the indirect advantage which the extra purchasing power will give to the buyers of the Company's products, who will not only benefit themselves but we hope will be stimulated to expand their activities to take up some of the slack in the economy, and help to bring more employment in those areas which have been the worst hit by the recession of 1958.

It is too early to forecast with confidence the likely outcome for 1959. Some industries which are our customers remain rather depressed; others are more buoyant. Up to the present, turnover in 1959, in both home and export markets, has been somewhat above that for 1958, but it would be wise to await the announcement of the results of the first half year, instead of drawing any conclusions from an early and tentative statement such as this.

GOOD PROGRESS ENVISAGED

So far as exports are concerned some markets remain difficult, but others have been rather more open than they were in 1958. An interesting development has been a substantial expansion in what has been and still is a modest amount of trade with the countries of Eastern Europe. Taking a long view, these countries should become valuable additional markets for a growing range of our products.

Keen competition will continue to be met in 1959, but I have no doubt that we shall continue to make good progress in the months and years that lie ahead.

Our employees of all grades have continued to support the Company most loyally, and have shown their faith in the Company's future. I would like on your behalf to express our thanks to them all.

The report was adopted.

SPICERS LIMITED

(Paper Makers, Paper Merchants and Manufacturing Stationers)

TREND OF TRADING AND PROSPECTS

The Seventy-first Annual General Meeting of Spicers Limited will be held on June 17, 1959, in London. The following is an extract from the statement by the Chairman, Mr Lancelot Spicer, DSO, MC, which has been circulated with the Report and Accounts:

Following our practice in October of last year when paying our interim dividend, we gave our figures for the first half to June 30, 1958. For the second half year to December 31st, our profits were £348,230 (1957 £321,968) making for the full year £656,230 (£672,968). Your Directors recommend a final dividend of 5 per cent making for the full year a total of 8 per cent (8 per cent).

It will be seen that the results are very similar to those for last year. Trade generally in 1958 was not buoyant. Throughout the world the productive capacity of the paper trade is still greater than the rate of consumption, and no change in the situation can be foreseen for at least another 12 months. Whilst it is difficult to forecast the future trend of prices, as long as world productive capacity exceeds demand, a general reduction in price levels is not unlikely.

As I have said before, the merchanting trade is the foundation of our business. In years gone by I have reported improvements in our warehouses and offices to provide better stocking and distribution facilities. In the past ten years London, Birmingham, Cardiff, Leeds, Leicester and Sheffield have been dealt with. Continuing this policy, we have recently opened a new warehouse on the outskirts of Manchester, where adequate space will allow us to hold and deliver promptly the large and varied stock which is required to meet the needs of our Lancashire customers. The printing trade, which is for us an extremely important outlet, is directly affected by the state of general trade. During the past year conditions have been no more than steady. Printers are not adding to their stocks, and as a result we have been handling a larger number of small orders from our stock. This is our proper function, but at the same time the cost of stocking and distribution increases when the orders are small and numerous.

As in many other industries today, scientific research is making its impact on the paper trade. Methods of control are continually being improved, and technical improvements are enabling the paper-maker to find new uses for his products. Whilst the present state of the paper trade is far from exciting, I still continue to be reasonably optimistic as to the long-term future.

The mills with which we are co-operating in the distribution of certain of their products all had new machines which came into operation in the latter half of 1957. Thanks to an active staff, we have been able to keep all the machines running full time.

Last year there was a notable rise in the productivity of our Stationery Factory, and this was accompanied by an increase in the sale of our stationery goods. We have recently investigated the advantages of amalgamating certain of our conversion interests with those of some other companies engaged in similar production. We hope shortly to announce the result of these investigations which we believe will be to the mutual benefit of all concerned. These arrangements when concluded will not in any way affect the independence of Spicers Limited.

VIGZOL OIL COMPANY LIMITED

40 YEARS OF PROGRESS

The thirtieth annual general meeting of The Vigzol Oil Company Limited, was held on May 19th in London, Mr R. E. Rhodes presiding in the absence of Mr Percy Bilton, FInstPet, MSAE, chairman and managing director.

The following are extracts from the chairman's circulated statement:

Forty years ago in 1919 I founded The Vigzol Oil Refining Company at Ormskirk, Lancashire, and through 40 of the most difficult and hazardous years in history, Vigzol has shown continuous progress, and it now gives me great satisfaction to report to Shareholders that sales, gallonage and group profits of the Company for 1958 constitute a record. This gratifying outcome is the result of the expansion and substantial progress which has been made in every sphere of your Company's activities—OILS, CHEMICALS, SPRAYING MACHINES and EXPORTS—accompanied by satisfactory results from our subsidiaries.

Lubricating Oils.—Home sales for 1958 showed an encouraging increase over the previous year and our Tractor Oils still keep their lead as the premier oils in this field. With regard to Motor Oil sales, I am glad to report that we are making steady progress and notwithstanding the fierce competition encountered, our sales show a considerable increase over last year.

We have recently introduced a new product, VITASUL Diesel Fuel Additive. This product is exclusive to Vigzol and has the advantage of completely eliminating the obnoxious odours of diesel fuels, in addition to decreasing the fuel consumption. Your Board hope that this and other new products will have a materially beneficial effect on the profits for the current year.

Our Export Department has achieved record sales during 1958 and sales to date are slightly up on this time last year.

Agricultural Chemicals.—Our sales during 1958 showed a substantial increase in both turnover and gallonage, largely as a result of the introduction of our new foliar nutrient, NATURFEED. Our MCPA Weedkiller Sales also showed an increase.

Spraying Machines.—Our sales of Spraying Machines continue to expand, and during 1958 we introduced a further model "The Everyman" to complete our range, and sales of all models, i.e. Medium Volume, Low Volume and the Everyman, are very satisfactory indeed.

Field Sales Force.—It was decided in the last months of 1957 to increase our sales representation. To this end we appointed a Sales Training Officer and organised our own sales training school.

General.—Our expanding turnover and interests have thrown a heavy burden on our liquid resources, and consequently your Board feel that we should continue to follow a conservative policy and recommend a Final Dividend of 20 per cent as in previous years. However, your Board would like to mark the Fortieth Anniversary of Vigzol's foundation, and they have therefore declared a non-recurring Interim Dividend of 7½ per cent Actual, less Tax, for the year 1959.

With regard to the current year, trading has continued to increase during the first quarter, and if the rate of progress is maintained, your Board look forward with complete confidence to another successful year's trading.

The report and accounts were adopted.

LONDON AND MANCHESTER ASSURANCE COMPANY LIMITED

RECORD RESULTS ACHIEVED

BONUS DISTRIBUTIONS INCREASED

LORD GRANTCHESTER'S TRIBUTE TO THE STAFF

The Ninetieth Annual General Meeting of London and Manchester Assurance Company Limited was held on May 14th in London.

The Right Honourable Lord Grantchester, OBE, the chairman, who presided, said:

It is customary for a chairman's speech to end with an expression of thanks to the staff for their work during the year under review. On this occasion, as I shall be mentioning records achieved all round, I should like to start with a reference of gratitude to the management and staff in all grades.

RECORDS IN ALL BRANCHES

I should like to enumerate the records to which I have referred:

Industrial Life Branch:		
New sums assured ...	...	£6,886,000
Cost of bonus ...	...	£731,000
Ordinary Life Branch:		
New sums assured ...	...	£6,180,000
Rate of bonus ...	...	£2 5s. 0d.%
Fire and General Branch:		
Premium income ...	...	£407,000
Rate of Interest earned on funds, gross ...	...	£6 1s. 6d.%

It is of interest to note that the total capital and funds, which at the date of the balance sheet amounted to £64,463,000, has increased in the last five years by £17¼ million, and interest, dividends and rents gross by over £1½ million.

INVESTMENTS

There have been no major changes in the distribution of the investment portfolio to which I need draw your attention. There is an increase of some £1¾ million in British Government securities and an increase in loans on rates of over £1 million.

Last year I was able to tell you that, in spite of the low level of stock exchange prices, the market value of our assets exceeded, by a reasonably comfortable margin, the balance sheet value less the investments reserve fund. The substantial recovery in prices during 1958 has, of course, benefited the market value of our investments and at the end of the year it was substantially in excess of the balance sheet figure. We have taken the opportunity to increase the investments reserve fund to £4 million.

What, however, is of particular importance is the interest income. As I have already mentioned, the gross rate of interest earned on the funds has improved to £6 1s. 6d. per cent, an increase of 6s. per cent over the corresponding rate for the preceding year. We are thus reaping the fruits of the considerable changes in our investment portfolio made during the past few years. It is our belief that these higher rates of interest at least can be maintained.

INCREASED BONUS DISTRIBUTIONS

One of the results of the higher earnings on the funds is that all profit-sharing policies, whether by contract as in the ordinary branch or by special declaration as in the industrial branch, benefit this year from increased bonus distributions.

REDUCED NON-PROFIT RATES

Non-profit rates have been reduced and our non-profit whole life and endowment rates are particularly attractive.

We are therefore offering better value than ever all round.

INVESTMENT TRUST RETIREMENT ANNUITIES

This unique type of contract has again proved popular among professional men. Although the premiums received during 1958 are slightly lower than in 1957, it should be borne in mind that, during the first year of the working of the retirement pension facilities under the Finance Act 1956, one year's premium could be paid retrospectively and accordingly the premium income for 1957 included in many cases two years' premiums.

The contributions and benefits under this contract are expressed in terms of Investment-Trust-Units, which have a daily quotation. Since the launching of the scheme the price of these units has naturally undergone fluctuations, but the present price is now more than 60 per cent higher than the price when the scheme was inaugurated.

If you turn to the revenue account you will notice an item of £177,376, being "adjustment of book value of investments to year-end market value." This derives from the fact that the investments representing this fund have to be valued on the basis of their market price at the date of the balance-sheet. The liabilities are correspondingly valued on the basis of the market price of the units, which at the date of the balance-sheet stood at 12s. 1¼d. compared with the equivalent of 8s. 6½d. at the beginning of 1958.

CONVENTIONAL RETIREMENT ANNUITIES

In our prospectus for Investment Trust Retirement Annuities we recommend that unless the proposer will, at retirement, enjoy a substantial income from other sources, he should protect himself against possible adverse fluctuations in the price of the Investment-Trust-Units by restricting the proportion of the available premium to, say, one-half, applying the balance to the purchase of a retirement annuity of the conventional type.

During last year, taking advantage of the higher interest rates prevailing at the time, we launched a sterling single premium retirement annuity at most attractive rates and we have written a satisfactory amount of this business.

FIRE AND GENERAL BRANCH

In the fire and general branch, rather contrary to the general experience, our claims experience was not unfavourable.

Our thanks are once again due to the directors, management and staff of the County Fire Office for their courtesy and assistance in this branch.

ASSISTANCE AT HOME AND ABROAD

I should like to express our thanks also to all those who in their professional capacities have given us their advice and assistance: our bankers, solicitors, stockbrokers and insurance brokers, and to add a special word of appreciation to the directors and officials of the Bank of Montreal for the help they have given us in Canada and the United States in connection with our investments in those countries.

IMPORTANCE OF SAVING

We welcome the reliefs to the taxpayer in the current Budget. The Chancellor of the Exchequer has left himself the task of finding during the year, otherwise than by taxation, £721 million. If this is not matched by increased saving we shall find ourselves again in the throes of inflation caused by an increase in the money supply by the Government. Our role as an institution which attracts and encourages saving is extremely important to the economy as well as to the sense of security of our policy-holder customers.

LATENT DANGERS

Unfortunately, in the event of a change of Government as a result of the approaching general election, we should apparently have to face interference with what we consider sound principles of investment as well as other more vaguely expressed threats in a new assault to concentrate more power in the hands of Government. We are warned in "The future Labour offers you," their recently issued pamphlet that "through the budget and key controls, Labour will ensure that this vital expansion programme is not held up by lack of money and equipment, or by any timidity on the part of managers or investors." We are concerned that the funds and their management in which our policy-holders are vitally interested should not be put in jeopardy by experiments which, in our view, could not be more ill-advised. We should not be doing our duty to those whom we serve if we did not refer to this danger.

The depreciation which has been suffered by investors in Government securities compared with the rise in the value of investments in privately managed industries should serve as a warning. Nor has any satisfactory system of accountability been devised in the nationalised industries comparable to that of shareholder control in private industry.

INTERIM DIVIDEND

The interim dividend is now somewhat out of line with the final dividend. In order to lessen the disparity it is our intention this year to pay an interim dividend of 2s. per share on November 30th next.

The report and accounts were adopted.

THE CAPE ASBESTOS COMPANY LIMITED

INCREASED SALES

ANOTHER GOOD YEAR

MR GILES NEWTON'S REVIEW

The sixty-sixth annual general meeting of The Cape Asbestos Company Limited will be held on June 12th in London.

The following is an extract from the statement by the Chairman, Mr Giles Newton, MBE, which has been circulated with the report and accounts for the year ended December 31, 1958:

Our trading profit came very close to the record figure for 1957, and indeed, the Group net profit after all charges, including taxation, exceeded that of 1957.

Although trading conditions have not been easy, the turnover of the Group increased by approximately 8 per cent. MARINITE, ASBESTOLUX and ROCKSIL were prominent in their contributions to this increase.

In South Africa, while sales of asbestos exceeded those of the previous year, the profitability of our mining operations still leaves scope for improvement.

After reviewing the accounts the statement continued:

I am sure you will agree that with the fresh capital introduced early in 1959, your balance sheet is one of considerable strength.

SOUTH AFRICAN SUBSIDIARIES

It is disappointing that in South Africa the earnings of our mining companies have been somewhat lower than those of the previous year. While they make a substantial contribution, the profit margin is not yet, in our view, adequate to the effort in terms of finance and personnel which is necessitated. The principal reduction in revenue has occurred in the Blue mines, where exceptional measures to improve quality still further were taken during the year, resulting in a reduction of the output of saleable fibre per ton of rock broken. This has naturally brought a consequential reduction in the margin of profit. It is to be hoped that margins will be capable of improvement during 1959.

During the year, the whole of the share capital of the Consolidated Blue Asbestos Corporation (Pty) Limited was acquired, and your Company has secured here a valuable addition to its long term reserves of raw material.

On the Amosite fields, while this year's financial results approximate closely to those of the previous year, the mining and technical difficulties continue to cause us some concern. As I have repeatedly said, the transition to deep mining continues to present problems which require the investment of substantial sums of capital in order to maintain the quantity and quality of our products at the present level. Here, as in the case of our Blue mines, ore reserves have been substantially increased, but the development so far achieved, indicates that while the mine is on a solid foundation there is no prospect of easy mining ahead, and it would be unwise to predict, at the present time, that the profit earning capacity of the Amosite mines is likely to show an early or marked improvement.

Cape Asbestos Insulations (Pty) Limited had a very satisfactory year and made a notably greater profit than in 1957.

OTHER SUBSIDIARIES

The North American Asbestos Corporation had a successful year and much of the year's profit was devoted to the sales promotion campaign for ASBESTOLUX.

Cape Asbestos (Canada) Limited, operated on a limited scale, mainly due to the slowing down of trade activity in Canada.

We have reached agreement with two well-established firms in the Argentine, and with our friends the Johns-Manville Corporation, to participate in the manufacture of asbestos products in that country.

In Italy, Capamianto S.p.A. showed a welcome improvement in turnover and profit in the face of fierce competition.

In the United Kingdom, Marinite Limited has had an excellent year.

Andersons Insulation Co., Ltd., continued to encounter strong competition but succeeded in producing a satisfactory contribution to our revenue.

Cape Building Products Ltd. also has had a most successful year. While brick sales have been most difficult, a notable further increase in the distribution of ASBESTOLUX has been achieved, with gratifying results.

The Weaver Manufacturing & Engineering Co., Ltd., is another branch with whose progress we can be well satisfied, and prospects are bright. Since the end of the year, the whole of the share capital of William Turner (Kismet) Ltd. has been acquired. This latter Company, which manufactures garage equipment and motor accessories, should blend admirably with the Weaver organisation, which, with Fairway Service Stations Ltd. is steadily increasing its influence.

OUTLOOK

Trading conditions during recent months have remained somewhat restricted and though a gradual improvement is generally anticipated, present indications lead me to view the prospects for the current year with some degree of caution.

The foundation of our business rests primarily upon the Blue and Amosite Asbestos which we ourselves mine in South Africa. Quite apart from the wide distribution of our Amosite to manufacturers throughout the world, a very considerable proportion of this material is used in our own factories and, therefore, the successful outcome of our exertions at Penge is clearly of great importance to the Group.

We have, in any case, a great source of strength in the widely varied scope of our manufacturing activities, and there is every reason to expect that many of our operations will continue their steady and remunerative expansion.

In certain instances, and the sphere of industrial construction is one, the retraction in capital spending consequent on the Government's steps during the financial crisis at the end of 1957, is only now affecting our industry and it may be a little time before the subsequent actions of the Government to reverse the economic machine, and foster another period of expansion, are fully felt. Such expansion when it does come should bring an increased demand for the services and goods which your Company can provide.

MAPLE & COMPANY LIMITED

STEADY AND SUSTAINED RISE IN TURNOVER

The sixty-ninth annual general meeting of Maple & Company Limited was held on May 14th in London. Mr H. Stanley Wharton, President of the Company, presided.

The following is an extract from his circulated statement:

The hope that trade would be stimulated by the reduction in the Bank Rate which I expressed last year was not as quickly fulfilled as one could have wished; although the Bank Rate was progressively reduced, credit and hire purchase restrictions still persisted for many months. It was, therefore, a great relief to everyone when the Chancellor saw fit to ease the credit and also the hire purchase restrictions in the early autumn, and I am glad to say trade responded favourably, which has enabled us to place a result before you on this occasion, a little in advance of that of last year.

This result has been directly achieved by an increase in turnover. Despite the strictest control, increases in overhead expenses have occurred and in an expanding national economy will no doubt continue so to do in one form or another. Clearly, the only sure rejoinder to such a situation is a steady and sustained rise in volume of sales. Such has occurred in the year under review and your Board will spare no effort to maintain its impetus.

REBUILDING AND REAL ESTATE

We can now confidently expect the early completion of the main premises rebuilding scheme, when we will have, without doubt, the finest furnishing establishment in the world. In regard to the rehabilitation of our new Store in Tottenham Court Road, additional expenditure of over £300,000 will have to be met by your Company in excess of the war damage payments received.

In my statements of the two previous years, I have emphasised the importance which your directors attach to your Company's real estate asset. Last year, I indicated that I anticipated there would be some surplus property when the main premises in Tottenham Court Road were fully rebuilt. Contracts were exchanged on January 29th last which provided for the sale by your Company of some 70 per cent of the area of freehold available for disposal, having a frontage to Euston Road and to Gower Street. The contract provides for the payment of a total sum of £900,000, but by its terms, payment of the purchase moneys will be spread over a period of several months.

Your directors have given much thought as to the best manner of utilising the funds released by the sale of your Company's real estate assets. It is their considered opinion that the first call must be for the purposes of the overall expansion of your business. However, your directors recommend that a part of the surplus realised during the year shall be distributed as a tax-free capital payment.

The overall effect of the Budget proposals will, I feel, produce a favourable climate for Retail trade, and I consider that our group turnover should show an increase unless political and international events adversely affect our trade in the course of the year.

The report was adopted and a final dividend of 10 per cent, making 12½ per cent, less tax for the year and tax-free Capital Bonus of 6d. per £1 Unit of Stock were approved.

MONTECATINI

SOCIETÀ GENERALE PER L'INDUSTRIA MINERARIA E CHIMICA

MILANO, ITALY

On April 28th there took place in Milan the Ordinary and Extraordinary General Meeting of the Società Montecatini, under the chairmanship of Cav. del Lav. Dr Carlo Faina, the Chairman and Managing Director of the Company.

After giving a brief sketch of both the Italian economic situation and the international situation during 1958 and having examined the repercussions of both of these on the activities of the Montecatini Group, Dr Faina declared that the Company has developed and will in the future continue to develop that branch of chemical industry which goes under the name of "petrochemistry," as this field, which requires large resources of capital, long-term specialisation and considerable organisational capacity, represents an ideal sphere for the activities of the Group. The Company's plants for petrochemical products either already in operation or under construction number seven in all, and recently the first stone was laid of the large works at Brindisi which will be built in a little less than three years and will contribute to the economic development of the southern regions of Italy.

After this Dr Faina went on to deal one at a time with the various branches of the Group's activities.

In 1958 the mining production of the Group progressed according to plan. A point worthy of special mention is the level achieved in the production of pyrites (1,364,000 tons). The production of sulphur decreased, whilst the production of bauxite was satisfactory. The production of blende and galena was hampered by the economic situation, whilst the production of marble was good. Prospecting work continued in the field of liquid and gaseous hydrocarbons, and the prospects in regard to potassium salts were quite promising and work on the equipment of the mine was progressing rapidly so as to be in a position to produce the mineral at the beginning of 1960.

The development of the chemical industry of the Group showed various trends. Sulphuric acid and phosphate fertilisers showed a setback; the production of "Aspor" fungicides and copper sulphate was quite satisfactory and good results were also obtained with the insecticides "Fac" and "Rogor." The various nitrogen plants belonging to the Company ran at their maximum capacity despite the situation created on both the international and home nitrogen markets. In fact, whilst the Italian productive capacity in this field is estimated in 750,000 tons of nitrogen, the home consumption was 300,000 tons and exports accounted for something in the region of 160,000 tons only. At Campo Franco in Sicily a plant is being erected for the production of potassium salts which will make it possible to place on the market at the beginning of 1960 an appreciable tonnage of fertilisers of the types for which there is a demand. During the year also the equipment for the production of complex fertilisers has been substantially improved.

In the field of organic and inorganic chemicals, satisfactory production and sales figures were obtained both for organic and inorganic acids and for inorganic pigments. At the present moment arrangements are being made for an increase in the productive capacity of formaldehyde, by the construction of a new and imposing plant at Castellanza. There will also be an increase in the productive capacity of ethylene derivatives thereby adding numerous new products to the already extensive productions of the Group. A feature of special interest is the development of plastics, which showed good results in all fields. Special mention should be made of the Montecatini-Natta inventions which offer very promising prospects for future development. Polypropylene, known on the market under the name of "Moplen," is becoming ever more firmly established. At Ferrara the production installations are at present being extended and a second polypropylene plant will be erected at the new works at Brindisi. The new productions will not stop at "Moplen." Special grades of polypropylene will be employed for a new synthetic fibre; other polymers and co-polymers of olefins and diolefins will also be produced, with a wide range of different combinations and offering interesting applications.

Continuing his survey of the chemical industry, Dr Faina spoke of paints and intermediates for paints and varnishes; of coal derivatives; explosives, intermediates and dyestuffs, in respect of which the ACNA Company has improved its positions both on the home market and on markets abroad; of pharmaceutical products which the Farmitalia Company is producing with satisfactory results and for which it is carrying out a vast productive programme, and of synthetic fibres. As regards the latter, the Rhodiatoce Company obtained good results in the field of "Nailon" and "Terital," and the Polymer Company, which produces "Movil," is at present carrying out a vast industrial programme for making use of Polypropylene, with a view to manufacturing a synthetic fibre of special interest.

New successes have been recorded during the past year in regard to installations abroad; the number of Montecatini-Fauser plants in the world rose to 241 and the industrial valorisation of the Montecatini-Natta inventions is progressing most satisfactorily.

After reviewing the results of the electrical industry, the metallurgical industry and commenting on studies and research work and other subsidiary activities, Dr Faina concluded his Report with some announcements regarding workers and welfare.

The balance sheet of the Montecatini as at December 31, 1958, closed with a net profit of 10,347,738,689 lire. The employees severance Pay Fund was increased by more than 1,365,000,000 lire.

At the Extraordinary Session of the Meeting Dr Faina, after stating that the large petrochemical plant at Brindisi, the enlargement of the plant at Ferrara and other smaller plant had called for and were calling for financial investments amounting to several tens of thousands of millions of lire, submitted for the approval of the Meeting the proposals of the Board of Directors to issue a debenture loan of 30,000 million lire, at the rate of 5½ per cent, on the Italian market, and a 20-year debenture loan of 10 million USA dollars, at a rate not higher than 5½ per cent, on the American market.

After the Auditors' Report there was a lively discussion in which numerous shareholders took part. The Chairman and Managing Director of the Company, Dr Carlo Faina, replied exhaustively to all questions.

The Meeting then unanimously adopted the Report of the Board and the Balance Sheet. Furthermore, the Meeting confirmed by acclamation the appointment of the new directors, Avv. Dionigi Pavesi and Marchese Giovanni Battista Sacchetti. The Meeting also approved the issue of the debentures as set out above.

The dividend for the trading year 1958 of 115 lire per share is payable from Monday, May 4, 1959, at the usual institutions entrusted with this task, upon surrender of voucher No. 7.

THE ANGLO-PORTUGUESE TELEPHONE COMPANY

SATISFACTORY PROGRESS MAINTAINED

SIR ALEXANDER ROGER ON COMPANY'S SUCCESSFUL EXPANSION

The seventy-second annual general meeting of The Anglo-Portuguese Telephone Company, Limited will be held on June 10th at Strowger House, 8 Arundel Street, London, W.C.2.

The following is an extract from the statement by the Chairman and Managing Director, Sir Alexander Roger, KCIE, which has been circulated with the Report and Accounts:

ACCOUNTS

The Accounts for the year to December 31, 1958, clearly show that the satisfactory progress of your Company has been maintained.

Total Revenue at £3,098,118 is £264,596 higher than in 1957.

Total Revenue expenses amount to £2,498,878, an increase of £253,440. These figures include Royalties paid to the Portuguese Government, Renewals, Depreciation, Taxation, Interest on Loans and Debentures and Sinking Fund Instalments.

The Net Profit of £599,240 is £46,408 higher than in 1957. Your Directors recommend and the Accounts provide for a final dividend of 6 per cent on the £5,810,000 issued Ordinary Capital which, together with the interim dividend of 3 per cent paid in November last, makes 9 per cent on the £4,810,000 Ordinary Stock issued prior to November last and 6 per cent on the 1 million Ordinary Shares of £1 each issued during that month and since converted into Stock. A dividend of 9 per cent on the "A" Ordinary Stock is also proposed.

These dividends and dividend on the Preference Stock require £336,690 and, after transferring £250,000 to General Reserve Carry Forward is increased by £12,550 to £261,862.

Towards the end of November last the Company made the "Rights" issue to which I have already referred. The issue was of 1 million Ordinary Shares of £1 each which were offered to existing Stockholders at 24s. per share. Over 97½ per cent of the "Rights" were taken up and applications for excess shares greatly exceeded the number available.

This issue was preceded by the successful issue in Portugal of a further 80,000 Obligations of Esc. 1,000 each equal to approximately £994,000 Sterling.

These issues enabled the Company to repay the outstanding temporary borrowings from our associated company Telephone and General Trust Limited and left a balance available for the purchase of additional plant and equipment with which to continue the development of the Company.

EFFECT OF DECREE LAW

In December last, a Decree Law was published in Portugal revising, as from January 1, 1959, the conditions of payment of State employees including Post Office staff.

Under the terms of an agreement made in 1952, with the approval of the Portuguese Government, between the Company and the relevant Trade Unions to which the staff belong, the Company is committed to make to the majority of its employees similar adjustments in salaries and wages to those granted by the Government to the Post Office employees.

The effect of this is that, as from January 1, 1959, the Company is having to meet a substantial increase in its salaries and wages bill.

In consequence, we have been obliged to invoke the appropriate clause in the Company's Contract and to petition the Government to authorise an adjustment of the telephone rates to help the Company to meet the additional expense.

The petition was submitted to the appropriate authority of the Government during February of this year and is receiving their consideration. It is hoped that the Government will give a favourable decision to our case without undue delay.

HIGH RATE OF APPLICATIONS

In my statement last year I referred to the steady rise, during recent years, in the already high rate of applications for telephone service which your Company received in its two concession areas, Lisbon and Oporto.

During 1958 this trend continued, the average rate of applications being 1,825 per month. Saturation point is rarely reached in telephone service and your Company can confidently look forward to continued increases in the number of subscribers, requiring additional new capital in one form or another.

At December 31st last, the total number of stations was 229,891, a net increase of 20,398 stations during the year. Our successful efforts in meeting demand have enabled us in less than eight years to double the number of telephones connected to our system.

The fact that we have been able to meet the heavy demands upon us, while at the same time reducing our waiting list at date to a figure slightly below 6,000, says much for the effectiveness of our advance surveys and planning in ensuring that, so far as possible, we have the necessary spare plant available in the right places when required.

The engineering work carried out during the year followed the customary pattern of equipping new exchanges, adding extensions to existing exchanges, preparing for future development and maintaining the existing plant and equipment in first-class condition.

Our relations with the Portuguese Government and Municipal Authorities continue to be maintained in a spirit of goodwill and mutual co-operation.

VINE PRODUCTS LIMITED

WINE SALES EXPANDING

The thirty-third annual general meeting of Vine Products Limited, was held on May 14th at Surbiton.

The Viscount Marchwood, MBE, chairman and managing director, in the course of his speech, said: Although it was not possible to show yet another increase in the trading profits of the Group, nevertheless, sales of our wines are still expanding.

The reduction in duty on High Strength wines enacted by the 1958 Finance Act, remedied to a great extent the fiscal advantage which Commonwealth wines had previously enjoyed at the expense of the home product. However, the reduction in duty involved the Parent Company in a loss of some £16,176 on wines on which duty had already been paid. The Subsidiary companies suffered similar losses totalling over £12,000.

The raw material position was, as always, the subject of some concern and had it not been for certain advantageous purchases in the latter part of 1957, the position might have been appreciably more difficult. Again the Dock Strikes in June of last year proved very costly. Drums of grape juice had to be diverted to Holland, increasing our freight rate by as much as £5 per ton.

The results of the subsidiary companies dealing with wines and spirits were less favourable and were due to an experience which has been only too common of late—increased sales failing to offset lower profit margins and increased costs. Sales of our new lines have, however, met with a satisfactory response, particularly RSVP, which has proved extremely popular with trade and public alike.

The Australian wines in our Commonwealth range also got off to a good start and we hope to increase the scope of this range in the near future.

PRE-EMINENT POSITION MAINTAINED

The turnover in sales of BritviC Limited suffered some decline, this being particularly marked during the summer months. BritviC sells considerably more fruit juice in bottle than any of its competitors and, for this reason, any general decline in sales has a proportionately greater effect on their results. During the current year BritviC has introduced two new lines under the names "Cherry B" and "Hawaiian Punch." Initial orders have been encouraging but it is, as yet, to early to forecast their future.

In regard to the BritviC range of canned fruits, upwards of ten million cans of first quality fruit have been put into circulation since their sale began.

The consolidated profit and loss account shows a decrease of profit before taxation of £119,653. Net profit after taxation shows a reduction of £25,779.

At this stage it is impossible to give an accurate forecast of the current year's trading, in view of the seasonal nature of our trade.

There is, however, no doubt that in both British Wines and pure Fruit Juices, your company continues to maintain its pre-eminent position and I feel confident that it will continue to do so. Nevertheless, it is obvious that increased competition is bound to have an effect on profit margins which can only be offset by even higher sales and reduced costs.

The report was adopted and the proposed dividend of 25 per cent, less tax, on the Ordinary stock was approved.

DE BEERS CONSOLIDATED MINES LIMITED

(Incorporated in the Union of South Africa)

PROSPECTS OF HIGHER DIAMOND SALES THIS YEAR

GROUP'S NON-DIAMOND ASSETS EXCEED £100 MILLION

The following are extracts from the statement by the chairman, Mr H. F. Oppenheimer, which has been circulated with the report and accounts for 1958:

The sales effected by the Central Selling Organisation in 1958 amounted to £65,543,387, of which £49,420,696 were gems and £16,122,691 were industrials. This compares with a total of £76,772,112 for 1957, divided as to £52,818,096 of gems and £23,954,016 of industrials. This shows that there was a very substantial falling-off in sales and it is therefore very satisfactory that our company was able to maintain its dividend and further strengthen its overall position.

At December 31st the net cash assets of the Group totalled £35,884,735, which is only £571,404 less than at the end of the previous year.

While the policy of investing considerable sums outside the diamond industry was continued during the year, there was also a very substantial appreciation in the market value of the investments already made. The Group's non-diamond investments valued at market price in the case of quoted investments and book value in the case of unquoted investments amounted to £64,551,421, an increase of £12,205,595 over the previous year. The total of the Group's non-diamond investments and of its net cash assets amounted to £100,436,156.

WILLIAMSON MINE

The most important development in our business during 1958 was our purchase jointly with the Government of Tanganyika of the entire share capital of Williamson Diamonds, Limited. The Williamson Mine is an important one, and may be expected to produce about £3 million to £3,500,000 of diamonds per annum.

The arrangements concluded in regard to Williamson Diamonds represent an important strengthening of the structure of the trade. We particularly welcome our partnership with the Tanganyika Government, and are convinced that it is in the interests both of the territory and of the diamond trade as a whole.

I referred last year to the large uncontrolled production by African diamond diggers in Sierra Leone. The large purchases made by The Diamond Corporation Sierra Leone, Limited, had the effect of keeping the market price of these diamonds steady in spite of the serious recession of the trade in the first half of the year. Our agreement with the Sierra Leone Government proved itself in this way of great benefit to the territory, and at the same time was an important factor in maintaining the stability of the industry as a whole.

We have, however, long felt that it was desirable to put the arrangements for the marketing of this production on a more permanent and stable basis and one which would be fully acceptable to the individual African diggers. We therefore initiated negotiations with the Government which are still proceeding.

It is proposed to set up a Government Diamond Office through which the whole of this African production will be marketed.

SYNTHETIC DIAMONDS

Last year I mentioned that our diamond research laboratory was embarking on large scale tests of natural and synthetic diamond grit in various diamond grinding operations. These tests have shown that natural diamond grit is greatly superior to the synthetic product in metallic bonded grinding wheels, and also in the cutting discs which are now being used in the large concrete road and airfield programmes in the United States. It is claimed that synthetic grits are more effective than natural diamonds in resinoid bonded wheels. There must, however, be doubt about the significance of such claims on account of widely differing results obtained under varying conditions.

We will shortly be in a position to market a new diamond grit specially prepared for resinoid bonded wheels.

At the present time the demand for diamonds, both gem and industrial, is at a satisfactory level. In the industrial field, however, this is due to a considerable extent to the effect of Government stockpiling. The production of industrial diamonds is, generally speaking, in excess of what is required for current consumption.

One of our associated companies has recently formed a small company in Canada jointly with Engelhard Industries Limited with the object of expanding the use of crushing boart especially in the field of glass-grinding. Our laboratories are also busy on a number of projects designed to increase the demand for other types of industrial stones. We are hopeful that from all this work significant results will be achieved.

The United States continues to consume the greater part of all diamonds which we sell, but there has been a tendency lately for the proportion consumed in other countries to increase. Taking all facts into consideration, it appears probable that sales in 1959 will be substantially higher than in 1958, and that our company will have a prosperous year.

CITY DEEP LIMITED

MR P. H. ANDERSON'S STATEMENT

The Fifty-eighth Ordinary General Meeting of shareholders will be held in Johannesburg on May 25, 1959. The following is an extract from the circulated statement by the Chairman, Mr P. H. Anderson, dated May 15, 1959:

WORKING RESULTS

During 1958, 1,511,000 tons of ore were milled at an average yield of 3.972 dwt per ton resulting in a recovery of 300,102 ounces of fine gold. The relative figures for the previous year were 1,780,000 tons milled with an average yield of 3.909 dwt and a recovery of 347,907 ounces.

Working costs for 1958 were £551,291 lower than the previous year, but working revenue decreased by £608,588, resulting in a net decrease in working profit of £57,297 to £139,189.

These comparisons must be viewed in the light of the reorganisation of the mine and the reduction in the scale of operations which became effective in June, 1958. In this process the major portion of the Nourse Section of the mine was closed down and thus the milling rate was reduced from 148,000 tons per month in May to 113,000 tons per month at the end of the year.

As a result of these changes the mine is now on a sounder basis of more concentrated work and accordingly it has been decided to attempt to increase still further the rate of shaft sinking which has as its objective an improvement in the ore reserve position.

ACCOUNTS

To the working profit was added a credit adjustment of £19,589 in respect of pneumoconiosis, interest received amounting to £29,852 and £4,631 being the difference between sundry items detailed in the Income and Expenditure Account, making a total profit for the year, before taxation, of £193,261. This, together with the unappropriated balance of £780,456 brought forward from the previous year, gave a total of £973,717, which was dealt with as follows:

	£
Dividends Nos. 74 and 75 of 6d. and 7½d. per share respectively totalled	114,009
Provision for taxation amounted to	6,408
Transfer to Capital Reserve in respect of net expenditure on mining assets *less* realisation of trade investments, absorbed ...	14,170
making a total of	134,587
and leaving an unappropriated balance to be carried forward to the current year's accounts of ...	839,130
	£973,717

The unappropriated balance, together with Retiring Gratuities and Abnormal Costs Reserves, was represented by net current assets totalling £1,033,217 as detailed in the Balance Sheet.

PNEUMOCONIOSIS

The annual levy paid during the year ended March 31, 1959, by Group A controlled mines amounted to £2,467,500. The levy for the current year has been fixed by the Pneumoconiosis Board at a net amount of £800,000. This substantial reduction in the levy is due in the main to a decrease in the number of new cases of pneumoconiosis and tuberculosis amongst mine employees. Moreover, it is expected that this liability will be reduced further because of a surplus existing in the Controlled Mines' Compensation Fund as disclosed in a recent valuation of the Fund carried out in terms of the Pneumoconiosis Act.

OPERATIONS AT THE MINE

In the area below K1 Incline Shaft and south of the Vierfontein dyke where the Main Reef Leader was intersected towards the end of 1958, disclosures on this reef at the end of April totalled 830 feet of an average value of 18.0 dwt over 22 inches, equal to 397 inch-dwt. Sinking operations have been resumed in both K1 and K2 Incline Shafts which are now being advanced through the dyke.

PROVINCIAL INSURANCE COMPANY LIMITED

The Fifty-fifth Annual General Meeting of the Provincial Insurance Company was held at Stramongate, Kendal, on May 22nd. The following are extracts from the statement of the Chairman, Mr Peter F. Scott:

In 1958 the Company continued to expand, both at home and overseas, the premium income increasing by £936,000 to £8,705,000. Our underwriting experience, however, was generally less favourable. At home our hard-won profits were more than offset by a loss on our overseas business leaving a total underwriting loss of £84,000.

The short-term outlook is not encouraging. The post-war scramble for business has forced rates down to a point where profit margins are in danger of disappearing altogether, and it will take time for the effects of this excessive competition to wear off and wiser counsels to prevail. Even if a dramatic recovery in Canada enabled us to make a start this year on the long uphill fight to regain the ground lost since 1956, we should still need time in which to consolidate our gains in other countries since 1953: in Southern Africa, where we have opened offices in Port Elizabeth and Salisbury; in Australia, where we have made encouraging headway since we began to operate on our own two years ago; and in Nigeria, where last year we formed a subsidiary company with local capital represented on the board.

My Board is under no illusions about the problems implicit in the development of a robust and profitable overseas business. We recognise that this is a long-term policy, and we regard its pursuit almost as an act of faith. In a company of our size and character, we feel it to be essential that our horizons should be as wide as possible and we welcome opportunities for younger men to get abroad and gain experience in areas where exceptional initiative and a fresh approach are needed.

To return to events nearer home. In 1958 we found it even harder than in 1956 and 1957 to maintain the tradition of profitable underwriting which has been associated with our fire department for so many years. The mild recession in trade, the curb on hire purchase, and the brake on public investment during the early part of the year, were alone sufficient to make any marked increase in income highly improbable, and the combined effect of these restrictions was magnified by the relentless pressure for lower rates to which all insurers are subject at the present time.

In spite of the continued improvement in employers' liability business, there was a comparable fall in the underwriting profit earned by the home accident department, the reasons for which are not far to seek. Irresponsible competition has pushed rates in many classes of accident business down to uneconomic levels; crime figures have risen notoriously.

It is much the same story with our considerable home motor account where the outlook is not very promising. Again it is a question of rates. Not only is there a very noticeable and natural tendency for third party awards to reflect more fully the diminished value of money, but since 1956—the year before rates were last increased—the cost of our claims for damage to vehicles in the United Kingdom (after adjustment for the increase in the volume of business on the books) has risen substantially. The great majority of motorists require full comprehensive cover, and insurers are willing, and indeed anxious, to meet the demand; but the price must be paid, and unless the trend of claims costs can be reversed a further rise in premium rates will be inevitable before very long.

Regarding the investment side of our business, our gross interest earnings increased to £621,421 and the directors feel justified in recommending a small increase in dividend on the ordinary shares. It is also satisfactory to report that the appreciation on our investments has been substantial during the past year, their total market value considerably exceeding the book figure.

The continued progress of our investment income has encouraged my Board in an enterprise long cherished by both sides of my family—that of devising a scheme whereby a large number of employees would be enabled to participate in the overall results of the Company's operations through the acquisition of shares on favourable terms. I am glad indeed to announce that, with a first application date in June, an employees' shareholding scheme has been worked out and has been discussed with the Inland Revenue. Full details will be in the hands of our staff at home and overseas, and of our pensioners, in a matter of days. The scheme is subject to the approval of the shareholders who will receive full details along with a notice of the general meeting which will be necessary. My Board and I feel this line of development is most appropriate for a company such as the *Provincial* and in keeping with its character and traditions.

One change of practice affecting our pension fund should be mentioned. Since inception the fund has been on loan to the Company and at December 31, 1958, the loan had reached a total of £1,604,096 as shown in the balance sheet. As from January 1, 1959, however, all additions to the fund are being invested by the trustees in suitable securities and this balance sheet item will be static in future.

Finally, I want on behalf of directors and shareholders to thank our management and staff who are putting so much energy and enthusiasm into the Company's business at this difficult moment in its history; in this connection I would specially mention our General Manager, Mr John Henderson, who shoulders so much of the responsibility for the execution of the policy of the board.

RELAY EXCHANGES

CONTINUED EXPANSION

The Fourteenth Annual General Meeting of Relay Exchanges Limited was held on Thursday last at the Connaught Rooms, London, W.C.2, being presided over by the Chairman, the Right Honourable Sir Walter J. Womersley, Bart. The following is extracted from his statement which had been circulated with the report and accounts:

The Directors recommended a final dividend of 12½ per cent, which with the interim dividend of 7½ per cent already paid makes a total dividend for the year of 20 per cent. They had also declared a special interim dividend of 2½ per cent which would be paid at the same time as the Final Dividend for 1958. The profit on Trading has increased from £1,503,670 in 1957 to £2,317,155 for 1958. There has been set aside for depreciation and replacement out of this profit £1,450,847 compared with £958,272 for 1957. This provision amounts to about 62.6 per cent of the profit earned. The net profit before taxation is £866,308, whereas for 1957 it was £545,398 and in 1956 £478,546.

The provision for taxation which appears as £475,032 includes £290,674 as an addition to reserve for equalisation of taxation which now stands at £879,565. After providing for taxation the profit for the year is £391,276. To this has been added the balance brought forward of £147,393, which makes a total of £538,669. Out of this sum the Directors proposed that £60,000 be transferred to General Reserve, so building that Reserve up to £400,000, and to the Reserve for equalisation of maintenance charge a sum of £15,000, bringing the total of that reserve up to £100,000.

After meeting the dividend mentioned earlier the total dividend charge for the year will absorb £202,107 and there will be left to carry forward £261,562. The special interim dividend of 2½ per cent will be charged in the 1959 Accounts and will require £25,113.

Reference was made by Sir Walter Womersley to the acquisition during the year of Goodmans Industries, Limited, a well known Company manufacturing Loudspeakers, electronic equipment and vibrators.

FINANCE

The Chairman commented upon the excellent reception that had been given to the financing operation that took place in March, 1959, when an issue of £1,250,000 6½ per cent Loan Stock was fully subscribed and a "Rights Issue" to the Shareholders of 1,746,995 shares of 5s. each at 20s. per share was taken up by them to the extent of over 99½ per cent of the shares provisionally allotted.

The Directors propose to go on developing the existing business while suitable areas and opportunities offer. In 1958 a new Rentaset showroom was opened every fourteen days, and this rate of expansion is being exceeded so far in 1959. It does not appear that saturation point is near. The Board is proceeding with some diversification of trading interests where it promises to be profitable to the Company.

Appreciation was expressed by the Chairman of the very loyal service rendered by all members of the staff who by their tactful treatment of Subscribers have contributed much to the ever growing good name of "RENTASET."

The Accounts were adopted, the proposed Dividend confirmed, and the retiring Directors re-elected.

A vote of thanks to the Chairman concluded the Meeting.

RELAY EXCHANGES LIMITED

DIVIDEND RECORD

	1954	1955	1956	1957	1958
1. Trading Surplus	378,759	863,755	1,301,504	1,503,670	2,317,155
2. Depreciation.....	198,524	533,218	822,958	958,272	1,450,847
3. Profit before Taxation.....	180,235	330,537	478,546	545,398	866,308
4. Taxation including Equalisation Fund.....	32,373	49,907	254,216	309,110	475,032
5. Earned.....	81,862	120,630	174,330	236,288	391,276
6. Rate of Dividend declared..	10%	20%	32½%	40%	20% + 2½% special
7. Cost of Dividend	27,500	62,862	105,205	141,593	202,107

"SHELL" TRANSPORT & TRADING

HIGHER VOLUME OF SALES

The Annual General Meeting of The "Shell" Transport & Trading Company Limited was held on May 20th in London.

The Right Honorable Lord Godber, chairman, in the course of his speech, said:

It is usual for me at the Annual General Meeting to supplement my written Statement, which has already been circulated to shareholders, with some comments on the most recent trading conditions, and on any major new developments over the past few weeks affecting the Royal Dutch/Shell Group of Companies.

In the first quarter of this year the volume of Group sales has been substantially higher than in the corresponding quarter of last year, but strong competition for markets continues to prevail, and this is reflected in prices and freights, which are constantly under pressure. We are not yet in a position to announce the financial results for the first quarter, but do expect to be able to publish them before the end of this month.

FUTURE SECURITY OF OIL SUPPLIES

The future security of oil supplies has been questioned from time to time, not only in so far as the energy needs of this country are concerned, but also in regard to Europe and elsewhere. The maintenance of a steady flow of oil is at least as much in the interest of the producing as it is of the consuming countries. One cannot and should not be dogmatic on this question, but I feel confident that it is reasonable to assume that the oil industry will be able to meet the continuing requirements of the market without undue difficulty. In this connection it is reassuring that potential supplies from various areas, including entirely new areas, have never in the history of the industry been at a higher level than at present, and that the surplus world tanker capacity, in spite of the financial problems to which it gives rise, does provide a considerably greater flexibility in supply and transportation than has ever existed before.

OFFER FOR CANADIAN EAGLE

You will doubtless have read of the proposal which your Company has made, in conjunction with Royal Dutch Petroleum Co., to acquire the assets and business of Canadian Eagle. If the offer is accepted, it will involve the distribution by Shell Transport of 5,956,518 fully-paid ordinary shares to Canadian Eagle shareholders. The issue of these shares is within the total amount of shares authorised, and the necessary official permits have been obtained.

The Eagle Group of Companies had its beginnings in 1901, when Weetman Pearson, later Lord Cowdray, secured oil concessions in Mexico, which he subsequently developed into the operations of Mexican Eagle. A close association between the Eagle companies and the Royal Dutch/Shell Group of companies began some 40 years ago, when the two enterprises joined forces in operations in the United Kingdom, and subsequently in South America. It is in these areas that the association of the two enterprises continues to this day, and it is my view that, if this amalgamation of interests is accomplished, all concerned should benefit. It should add strength to the international operations of the Group; at the same time those who are now Canadian Eagle shareholders will, by means of the transaction, widen the sphere of their participation in the international oil industry.

The report and accounts were adopted.

YORKSHIRE INSURANCE COMPANY

The annual general meeting of The Yorkshire Insurance Company Ltd. was held on May 20th at York.

The Right Honourable Lord Middleton, KG, MC, LLD, the chairman, in the course of his speech, said:

Two special features mark our operations in 1958. The first is the record achievement of our Life Department in completing well over £33 million of new Life business in the year. In the last five years we have more than doubled our intake of new Life business, and in the last ten years have increased it by over 600 per cent.. In 1958 our rate of growth was again a record.

The second special feature relates to our Non-Life operations. The Directors, in the light of a number of years of unprofitable results in the United States of America, and being unable to take the view that the situation was likely to improve in the early future, decided that the best interests of shareholders would be served by closing our account in that territory.

Turning to the Fire and Accident field, there has been a marked betterment in our overall experience.

The Directors, in the light of all relevant circumstances, recommend that the final dividend for the year should be 14s. 6d. as compared with 13s., making for the year 21s., as compared with 19s. 6d. in 1957.

The capital proposals are designed to bring our capital structure more into line with the present size and prestige of the Company, and also to simplify it.

The report was adopted.

CRUSADER INSURANCE COMPANY LIMITED

CHAIRMAN'S SPEECH

In his annual statement, the Chairman of the Crusader Insurance Company Limited, Mr Harvey Bowring, said that net premium income in 1958 exceeded £2¼ million (£1 million, for the first time, from non-life business). New Life Assurances at £14,247,495 were more than double those for 1957. Reduced expense ratios were shown in all departments.

Improved bonus declarations were made in respect of "With Profits" Endowment and Whole Life Assurances (45s. per cent and 50s. per cent, respectively), and for "Self-Employed" Deferred Annuities (35s. per cent, with a special final bonus of £7 10s. per £100 of pension).

The number of Group schemes in operation (now nearly 900) had doubled during the past five years.

In referring to the Company's approaching Diamond Jubilee, the Chairman affirmed the Directors' awareness of the fact that people were the main assets of the Company and that in the Staff they had a first-class team. It was tremendously encouraging to know that nearly 25 per cent of the 580 full-time Staff had given more than 20 years' service.

Referring to the Company's connections he said it was very encouraging to find we were receiving increasing support from Brokers and other friends and connections. This support was due in no small measure to the steps taken in recent years to provide them with prompt and efficient service from our City and Provincial Offices. He also expressed his thanks to the many Insurance Offices whose support we were privileged to enjoy, particularly those with whom we had treaty arrangements in force.

ROSS GROUP LIMITED

The following are salient features of the Accounts for the year ended 30th September, 1958, and of the report by the Chairman, Mr. J. Carl Ross, to the Annual General Meeting on 20th May, 1959.

"It is gratifying to report another successful year's trading by our Group. In recent years we have been planning and carrying out a programme of modernisation, expansion and diversification and as a result the record profits reported last year have been eclipsed."

PROFITS

Trading Profits, including income from trade investments, amounted to £678,854 (£577,028). The Group Net Profit after Taxation is £194,870 (£140,923).

TRAWLING

Your Directors are of the opinion that, despite all its trials and tribulations, there are and must be good prospects for investment in the British Trawling Industry provided modern vessels are available to attract the best men to operate them. Fifteen new vessels have been delivered in the past three years.

ROSS FROZEN FOODS

A major policy decision has been taken recently in connection with marketing operations. "ROSS" is now to be the name under which the Company's Sea Foods and Frozen Fruits and Vegetables will be sold, for example: "Ross" SeaSparkle Haddock, "Ross" Westwick Garden Peas.

FURTHER PROGRESS ANTICIPATED

Today we are ideally placed for future and possibly remarkable expansion. Impressive progress has been made during the past five years.

Continued progress has been made since the last financial year ended. Negotiations have been completed in regard to the purchase of certain further businesses, including YOUNGS (whose Potted Shrimps and Scampi are particularly well known), which in all will involve as consideration the issue of approximately 1,200,000 stock units of 5/- each and £20,000 in cash. Estimated annual Profits of the Companies acquired, subject to tax, are £125,000.

CURRENT TRADING

Known benefits during the current year are: a reduction in Profits Tax, a reduction in Bank Interest Charges, a more efficient Trawler Fleet, and Lower Fuel Oil Costs. These have contributed to the improved trading experienced to date.

Copies of the Annual Report are available from the Secretary,
1, HUTTON ROAD, GRIMSBY.

UNITED MOLASSES

RESULTS BETTER THAN ANTICIPATED

The Thirty-Third Annual General Meeting of The United Molasses Company Limited will be held on June 9th in London.

The following is an extract from the circulated statement of the Executive Chairman, Mr G. W. Scott, CBE:

Last year I forecast that the Group profits for 1958 would show a considerable fall over those for the previous year and might not, in themselves, cover the payment of dividends at the same rate as for 1957. Although the gross profits do, in fact, show a substantial reduction from £6,573,322 to £5,112,271, the net profits are only approximately £150,000 less than those for 1957. These results are much better than had been anticipated and not only justify dividends at a slightly higher rate than last year but also enable the Directors to transfer £1 million to General Reserve and still leave the carry forward at a higher figure than that brought in. In addition, it is again recommended that there be paid a Special Cash Distribution not subject to Income Tax, out of the Capital Reserve.

The principal contribution to our earnings arises from trading in molasses and shipping. The volume of molasses deliveries for animal feed continues to increase, but prospects for shipping continue to be depressing and there appears no likelihood of any early material improvement in either dry cargo or tanker freights.

Present indications are that the earnings for the Group for 1959 will show a fall over those for the previous year, due entirely to the continued depression in shipping.

McINTYRE & SONS LIMITED

WELL EQUIPPED TO MEET KEEN COMPETITION

The sixth annual general meeting of McIntyre & Sons Limited was held on May 15th in London, Lieutenant-Colonel W. D. Gibbs (the chairman) presiding.

The following is his circulated statement:

I am pleased to report that the Net Profit of your Company (last year £40,543) has been maintained and is shown at £40,625 for the year under review. Taxation absorbs the sum of £18,606 leaving a Net Profit after Taxation of £22,019.

As already announced, it is proposed to recommend the payment of a dividend of 15 per cent less tax (which is the same rate as last year) on the increased capital of £100,000.

Since the close of the year Mr Douglas S. Grave, who has been closely associated with your Company for many years, was invited to join the Board, and you will be asked to confirm his appointment and to re-elect him for the coming year.

Capital Expenditure has been incurred of some £15,000 which was for additional Plant and Machinery (including a Mobile Crane) and for a special heavy transport vehicle, and your Company is accordingly well equipped to meet the keen competition to secure the new building work which should be released shortly.

In conclusion, I wish to thank my colleagues on the Board and also the staff and employees of the Company for their continued co-operation and support.

The report and accounts were adopted.

THE LONDON ASSURANCE

CONSIDERABLY IMPROVED EXPERIENCE IN N. AMERICA

The Annual General Court of The London Assurance will be held on June 10th in London.

The following is an extract from the circulated statement of the Governor, Mr R. Olaf Hambro:

Two years ago I said that "Over all, the year has been a bad one," and last year in quoting this remark I had to comment on figures for the year 1957 which were, on the whole, much worse than those for 1956. I am glad to say that though the difficulties of underwriting a satisfactory Fire and Accident Account in the United States have only slightly lessened, our underwriting results for the year do show a very considerable measure of improvement, and taking everything into account, they may be said to be not unsatisfactory. As in 1957, the Marine Department has done well, and the Life Department has moved from strength to strength. The Accident Department, which fared particularly badly in 1957, seems to have turned the corner especially in the United States, and brings out a small transfer to Profit and Loss Account. In the Fire Department, by contrast, the business of the year has resulted in an underwriting loss due primarily to our experience in the United States, where we have had serious difficulty since 1956. Last year there was only a slight improvement in the experience of Fire and Accident underwriters generally in this territory. There has, however, been a big improvement in our own relative position.

Life Account.—1958 has been a year of notable progress in the Life Department. The premium income has increased during the year by £190,000, and now exceeds £2,700,000. The premium income on new Life Assurance business was nearly £400,000, securing sums assured of nearly £12,500,000, the figures for the previous year being £300,000 and £10 million respectively. The gross rate of interest earned increased by 7s. 4d. per cent to £5 17s. 3d. per cent and the net yield was £4 8s. 11d.

Fire Account.—The fire premium income for the year amounted to £8,738,520, an increase of just under £500,000 when compared with the previous year. The claims cost at £4,510,641 represented 51.6 per cent of the premiums, and an underwriting loss of £453,251 or 5.2 per cent of the premium income, has been met by a transfer from Profit and Loss Account.

Marine Account.—The Marine premiums for the year amounted to £3,769,158, an increase of about £140,000 when compared with the previous year. After providing for expenses and overseas taxation, the transfer to Profit and Loss Account was £400,000, leaving the Fund at £5,429,461. The ratio of the Fund to the premiums is 144 per cent and shows great strength.

Accident Account.—Premium income increased by £820,000 to £13,069,833. A substantial improvement in the claims cost, which was reduced to 61.7 per cent for the year, has brought out a small profit amounting to £69,503 or 0.5 per cent of the premium income, and this has been transferred to Profit and Loss Account.

Profit and Loss Account.—Receipts from interest, dividends and rents show a further increase to £1,314,095. After providing for UK taxation and other expenses and provisions there is a profit of £828,643. Provision has been made for a final dividend of 1s. 3d. per share less income tax, payable on July 1st, making the total distribution for the year 2s. 3d. per share, the same as last year. The balance of the carry-forward in the Profit and Loss Account has been increased by £363,000 to £2,685,104.

AMBER CHEMICAL INDUSTRIES

The Eleventh Annual General Meeting of Amber Chemical Industries Limited was held on May 14th in London, Mr D. G. N. Lloyd-Lowles (chairman) presiding.

The following is an extract from his circulated statement:

Having regard to the generally depressed state of industry throughout 1958, it will come less as a surprise than as a disappointment that our profits have fallen to just short of £8,000.

There were several factors which contributed particularly to this, one being the reversal of the CEGB programme for conversion of Power Stations from solid fuel to oil. We had every right to expect a much increased consumption of our Powdered Additives and Fuel Improvers by the Board, but in the circumstances it has not come about. The sale of our Liquid Additives to ordinary industrial users, Shipping Lines, etc., has justified its early promise and the number of our customers has multiplied considerably.

The contraction of the oil industry throughout the world also affected the sale of our Causeway Products, expenditure by the major oil companies having been greatly curtailed. I cannot, however, consider the results of that Company as unsatisfactory, having regard to the circumstances.

The application of Causeway Products to users outside the oil industry, especially in mining, has been extended and we are now taking active steps towards the further exploitation of the North American market.

Amber Oils Limited, which specialises in "Tailor-made" cutting and soluble oils mainly for the engineering industry, was of course affected by the general recession in engineering, but nevertheless has shown us a good profit.

So far as the current year is concerned, a higher level of activity in all sections is now being experienced and a general movement towards better prices should help us to achieve better results at the end of 1959.

The report and accounts were adopted.

AIR SUBSCRIPTIONS TO *THE ECONOMIST*

	Airmail	Air Freight*
Australia, New Zealand	£10 6s.	—
Canada	—	$25 or £9
Ceylon	£9 0s.	—
China	£10 6s.	—
East Africa	£9 0s.	£7 10s.
Egypt	£7 15s.	—
Europe	£6 0s.	—
Ghana	£9 0s.	£6 10s.
Gibraltar, Malta	£5 0s.	—
Hongkong	—	£8 15s.
India	£9 0s.	£7 10s.
Indonesia	£9 0s.	—
Iran, Iraq, Israel	£7 15s.	—
Japan	£10 6s.	—
Jordan and Lebanon	£7 15s.	—
Malaya	£9 0s.	—
Nigeria	£9 0s.	£6 10s.
Pakistan	£9 0s.	—
Philippines	£10 6s.	—
Rhodesia (N. and S.)	£9 0s.	—
South Africa	£9 0s.	£7 10s.
South America	£9 0s.	—
Sudan	£7 15s.	£6 15s.
USA	—	$25 or £9
West Indies	£9 0s.	—

* Approx. 24 hours slower than airmail.

22 RYDER STREET, LONDON, S.W.1

COMPANY AFFAIRS

BEECHAM GROUP

THROUGHOUT the boom in industrial equities, the 5s. ordinary shares of the Beecham Group have enjoyed the favour of investors. The group has been expanding: it has advertised its own proprietary drugs, foods and toilet preparations extensively and it has added to its interests by acquiring other businesses. Its most important acquisition last year was Thomas and Evans, the makers of "Corona" mineral waters, and only six months after the protracted take-over struggle for that concern it was the successful bidder for the share capital of James Pascall, the sweet manufacturers.

Seven months' earnings of Thomas and Evans, though none from James Pascall, are included in the group's profits for the year to March 31, 1959. These show that the total sales rose over the year from £34.1 million to £40.4 million, that gross profits before tax advanced from £5,995,000 to £6,435,000 and net profits, after a smaller tax charge, from £2,511,000 to £3,196,000. But before they get wildly excited about this evidence of growth, investors should look at the trend in profit margins over the last two years. In six monthly periods (of which the last includes the trading of Thomas and Evans) the trend in gross margins has been: 19.4 per cent, 15.6 per cent, 17.5 per cent and 14.6 per cent. The trend in net profit margins has been a little more reassuring because of the lower incidence of tax: 8.7 per cent, 6.2 per cent, 7.8 per cent and 8.6 per cent. The figures, in fact, suggest that the Beecham Group certainly has made gains in sales, but that the gains it can secure in profits are proportionately less. That is the point that investors have to bear in mind in looking at the present yield. The recent dividend record of the company has been progressive and now, in effect, the ordinary dividend has been raised from 20 to 24 per cent—17 per cent being payable on the capital issued to shareholders in Thomas and Evans. On this dividend, covered about twice by earnings, the yield is 3½ per cent at the current price of 34s. 4½d. for the 5s. units. It was right to discount growth in the Beecham Group eighteen months or so ago. Is it rather generously discounted now?

BRISTOL AEROPLANE

THAT part of the statement of Sir Reginald Verdon Smith, the chairman of Bristol Aeroplane, which is devoted to "future prospects" boils down to a plea for Government support for the British aircraft industry. That has been a common theme in the statements of the spokesmen of the aircraft industry this year, for they cannot be expected to smile at the prospect of contraction nor at the uncertainties of providing finance for developing new aircraft for the civil market. Bristol Aeroplane developed the turboprop, the Britannia, and it has failed to sell enough of them to make the development a commercial success. Sir Reginald says: "Sales on the scale for which we had hoped and planned, and upon which the financial success of the project will in the end depend, have so far eluded the company's most determined efforts." How much so is reflected in the decline in the value of orders on hand within twelve months from £125 million to £96 million. That decline is much more important to stockholders than the increase in sales last year, reflecting the delivery of Britannias, from £57 million to nearly £76 million.

	1957	1958
	(£'000s)	
Earnings:		
Sales	56,810	75,721
Trading profit	4,401	4,105
Depreciation	1,892	1,763
Interest charges	968	1,248
Taxation	807	626
Net profit	806	614
Ordinary dividend	399	416
Ordinary dividend (per cent)	10	10
Retained profits	371	162
Consol. balance sheet:		
Net fixed assets	11,658	10,813
Net current assets	5,656	8,516
Stocks	28,950	32,878
Debtors	6,341	5,352
Cash	405	297
Bank overdraft	13,394	14,653
Reserves	8,152	9,181
Ordinary capital	6,930	6,930

Bristol Aeroplane is continuing to run its business on the base of a big bank overdraft. At the end of last year this amounted to over £14½ million and the receipt since then of £1¾ million arising from the sale of its interest in Rotol to the Dowty Group cannot have made any really significant difference. At one time, Bristol Aeroplane seemed to be hoping to fund some of its bank debt, but now Sir Reginald says that the changes in the structure of the group (which include the pooling arrangements with Hawker Siddeley on the development of aircraft engines) have altered the character of the problem and for the time being a move of this kind is inappropriate. In view of the contraction of the aircraft industry, does this provide any consolation for the ordinary shareholders, who again have received a dividend of 10 per cent and whose 10s. shares at 9s. xd. yield £11 2s. per cent?

DE BEERS

MUCH of the money that De Beers earned in the past from diamonds was canalised into other mining ventures in Southern Africa, notably into the development of the goldfields of the Orange Free State. No wonder then that whatever happens to diamond sales the £1 ordinary stock units of De Beers, whose balance sheet at the end of last December included, at market values, non-diamond investments and net cash assets worth more than £85 million net, rank as income stocks. Currently at 14½s. 3d. they yield 7.1 per cent on a maintained dividend of 200 per cent.

The directors had no difficulty in again maintaining that payment even though sales of diamonds through the Central Selling Organisation last year fell from £76.7 million to £65.5 million, and De Beers' own revenue from the diamond account fell from £33.3 million to £26.9 million and its gross income before tax from £31.6 million to £26.2 million. The dividend in fact was perfectly safe in a year which the chairman of De Beers, Mr Harry Oppenheimer, describes as a difficult one for the diamond industry.

	1957	1958
	(£'000s)	
Profits and Dividends:		
Diamond sales	33,304	26,885
Investment income and royalties	8,447	8,540
Group profit	31,613	26,210
Taxation	8,339	6,079
Net profit	20,501	17,739
Deferred dividend	8,168	8,168
Deferred dividend (per cent)	200	200
Retained profits	10,559	8,782
Consol. balance sheet:		
Net *fixed assets*	29,431	35,000
Net *current assets*	44,502	41,685
Diamond stocks	8,793	13,397
Investments	40,059	42,558
Reserves	116,366	124,018
Deferred capital	4,084	4,084

This year should be much less difficult. Demand for diamonds at the moment is "satisfactory" though for industrial stones this is due to stockpile buying. Indeed, Mr Oppenheimer says that in general the production of industrial diamonds is in excess of what is required for current consumption. It is in this market that the diamond syndicate has to compete with the synthetic stones produced by General Electric of the United States, and De Beers is now to market a new diamond grit specially prepared for resinoid bonded wheels. In gem stones, despite the "illicit" trade, the syndicate has an equally dominant hold but now there are signs that De Beers is prepared to spend money on publicising them in areas other than the United States. In all, Mr Oppenheimer expects diamond sales to be higher and that De Beers will enjoy a "prosperous" year.

UNITED DRAPERY STORES

"WE have continued to expand our existing business and anticipate that this expansion will continue in the current year." In these words, Sir Brian Mountain explains, in his valedictory statement, why the time is ripe for United Drapery Stores to make a one for ten rights issue of 5s. ordinary shares. The shares are being issued at 20s., compared with the current price of 41s. 1½d., and on a prospective dividend for the year to January 31, 1960, of not less than 35 per cent. Thus, ex rights, the yield is 4½ per cent on a dividend that is likely to be covered not less than twice.

Expansion has two meanings for UDS. It can mean the acquisition of new subsidiaries. Last year UDS acquired Allders of Croydon (against an issue of £1,300,000 6 per cent unsecured loan stock), John Farnon of Newcastle-upon-Tyne, and the credit business of Pooles Central Warehouse (the badly battered concern that was the principal subsidiary of Canadian and English Stores). Presumably, it is still in the market for other stores. The other sense of expansion is the building up of sales and here UDS will certainly be active this year. Sir Brian says that the increase in turnover gathered momentum after the lifting of the HP restrictions in October; the appearance of the provision of £503,832 (against only £72,579 in 1957-58) against unearned profits on HP outstanding certainly supports this view. These additional sales helped to add £321,000 to trading profits, and the remaining £460,000 of the total increase of £781,000 to £7,913,000 came from the consolidation of the earnings of the newly acquired businesses. Since the end of January, sales have shown another "satisfactory improvement," though in some areas trade is still affected by unemployment or under-employment. Additional sales in 1958-59 are reflected in the rise from £6,796,000 to £9,027,018 in debtors after deducting the provision for unearned profits (which itself has risen from £1,458,000 to £2,485,000). The £3 million of new money from the rights issue added to the £1,700,000 already held in cash will give UDS ample resources to finance further growth.

IMPERIAL CHEMICAL INDUSTRIES

SIR ALEXANDER FLECK, the chairman of ICI, comments that the static sales and falling profits of the group last year were disappointing but not discouraging. He adds: "It is natural in any manufacturing industry which has to invest very large sums in plant and machinery, that a failure of turnover to rise should result in a decline in profits particularly when the capital invested is large in relation to turnover . . . the converse, however, is also likely to be true; if the profits are sensitive to turnover then an upward movement in turnover is likely to be reflected in a more than proportional increase in profits." This is wise—though it does not answer the question when will the ICI plants that were under-employed last year be working again at or close to full capacity?

Sir Alexander says it is too early to predict with confidence the likely outcome for 1959: some industries which are ICI's customers remain "rather depressed," others were "more buoyant." But sales so far this year both in domestic and foreign markets are higher than they were twelve months ago and some of the export markets (to which ICI increased the volume of its sales last year) are more "open" than they were. In particular, Sir Alexander notes "a substantial expansion in what has been and still is a modest amount of trade with countries of Eastern Europe."

As the supplier of basic raw materials to many industries, ICI's sales and profits can hardly fail to rise as trade expands again. Last year, the ordinary dividend at 8 per cent was effectively the same as that paid for 1957. In the future, following a suggestion made by a stockholder, the dividend will be expressed in shillings and pence. On a 8 per cent dividend, the £1 stock units at 34s. 9d. yield £4 12s. per cent. The 8 per cent dividend, however, is equal to the awkward sum of 1s. 7.2d. in the £. Something will have to be done to that clumsy figure.

ALBERT E. REED

FOLLOWING the increase of 6.5 per cent in sales in 1957-58, the turnover of Albert E. Reed rose by a further 6.3 per cent in the year to March 31st, from £62.3 million to £66.2 million, but trading profits edged forward by only £236,172 to £6,000,922 (after falling by nearly £1 million in the previous financial year). The pressure of rising costs on margins in a fiercely competitive market was thus made manifest. As a proportion of sales, trading profits fell slightly from 9.3 per cent to about 9 per cent. Yet another increase in depreciation—this time from £1,263,794 to £1,723,252—which reflects the installation of modern paper-making machinery brought down gross profits before tax from £4,500,956 to £4,277,670, and the margin on sales from 7.2 per cent to 6.5 per cent. The ordinary dividend has been left unchanged at 14 per cent, to which it was cut from 16 per cent in 1957-58. The directors say that competition continues to be severe in both the paper manufacturing and the converting industries where supply continues to exceed demand. Last November the directors indicated that there were signs of improvement and the half-yearly figures certainly make a slightly better showing: sales at £34,500,000 in the second half of the year compare with £31,700,000 and net profits of £1,567,000 with £948,000. Nor do investors lack confidence, for the £1 ordinary shares were going up before the preliminary statement was published, and at 51s. 9d. yield just under 5½ per cent.

UNITED MOLASSES AND FRANCE, FENWICK

ONCE again the ordinary dividend of **United Molasses** is placed out of danger, for the chairman, Mr G. W. Scott, says that the directors intend to leave it unchanged at 1s. 6d. per 10s. share tax free (or 24.93 per cent gross) this year even if this means drawing on the carry forward. Shareholders will welcome this reassurance, as the chairman predicts a further fall in the profits, which, reflecting the continued depression in shipping freights, fell last year from £5,806,787 to £4,299,101. The fall this year could be even sharper, for the long-term charters of four tankers run out this year. United Molasses may before the year is out have to lay up some of its ships and in the next two years or so it will have to take delivery of new vessels. Moreover, though sales of molasses for animal feedingstuffs are again expected to increase, the demand for molasses for fermentation into alcohol and manufacture into solvents will remain at a low level as many synthetic alcohol plants are now in production.

United Molasses' free reserves are massive at £13,748,802, and the group holds as much as £6,397,508 in cash or its equivalent and £8,016,335 in gilt-edged and other securities, so that the payment of the dividend will impose no great strain. Mr Scott does not say whether the directors will again make a tax free capital distribution, following the 3¾ per cent payment they made last year. This cost £329,822 and absorbed less than half the capital profits of £842,339 from the sale of the group's majority share holding in Olympic Cement and of other securities. On the ordinary dividend alone the 10s. ordinary units at 32s. 9d. yield 7⅝ per cent.

This is higher than the yield of 7½ per cent on the £1 ordinary shares of **France, Fenwick** now at 26s. 6d., and carrying a normal dividend of 10 per cent cut from 15 per cent on the fall in net profits from £416,110 to £292,760. It is covered nearly four times by earnings, but Mr Kenneth Pelly warns shareholders that the decline in profits does not reflect the full impact of the depression in the shipping industry. As well as cutting the trading dividend, the directors have reduced the tax free capital distribution from 3 to 2 per cent in view of "the present state of trade." With long-term charters coming to an end, Mr Pelly describes the outlook as bleak; he says that this year is likely to be an "outstandingly bad" one for tramp shipping and that prospects are unlikely to improve "until new tonnage ceases to be produced and old tonnage scrapped wholesale."

BRITISH COTTON AND WOOL DYERS

SHAREHOLDERS in British Cotton and Wool Dyers' Association were disappointed with the sharp fall of over 40 per cent in trading profits and the reduction in their dividend from 8⅓ per cent to 5 per cent and on the results the 5s. units fell 4½d. to 3s. 4½d., to yield 7.4 per cent. A ray of light can be found, however, in the revival of business in the latter months of the year to March 31, 1959, and the statement by the chairman, Mr Edgar Isles, of a continued improvement in the first few weeks of the current year.

The group's trading profit fell from £385,396 to £209,052, and though tax was down from £125,314 to £32,239,

Company Affairs *continued on p. 794*
London and New York Stocks *on next two pages.*

LONDON AND NEW

Prices, 1959 High	Prices, 1959 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 13, 1959	Price, May 20, 1959	Net Yield, May 20, 1959 £ s. d.	Gross Yield, May 20, 1959 £ s. d.
100$^{3}/_{16}$	100	War Loan 3% 1955–59	100$^{1}/_{8}$	100$^{1}/_{8}$	1 4 5	2 13 4
97$^{3}/_{4}$	96$^{11}/_{16}$	Funding 2½% 1956–61	97$^{1}/_{2}$	97$^{9}/_{16}$	2 16 0	3 16 9
99$^{3}/_{16}$	98$^{11}/_{32}$	Exchequer 2% 1960	98$^{7}/_{8}$	98$^{31}/_{32}$	2 7 3	3 8 5
100$^{3}/_{16}$	99$^{7}/_{8}$	Exchequer 3% 1960	99$^{7}/_{8}$	99$^{21}/_{32}$	1 19 0	3 8 10
101$^{11}/_{32}$	100$^{31}/_{32}$	Conversion 4½% 1962	101$^{31}/_{32}$	101$^{5}/_{8}$	2 2 11	4 1 0
96$^{31}/_{32}$	94$^{7}/_{16}$	Exchequer 3½% 1962–63	95$^{31}/_{32}$	96$^{1}/_{32}$	2 18 0	4 1 5
93$^{1}/_{8}$	91$^{5}/_{8}$	Exchequer 2½% 1963–64	92$^{1}/_{2}$	92$^{21}/_{32}$	3 2 7	4 2 11
101$^{3}/_{4}$	101$^{5}/_{32}$	Conversion 4¾% 1963	101$^{15}/_{16}$	101$^{9}/_{16}$	2 10 8	4 6 7
100$^{7}/_{16}$	99$^{31}/_{32}$	Conversion 4½% 1964	100$^{11}/_{32}$	100$^{13}/_{32}$	2 13 2	4 8 1
92$^{15}/_{16}$	91$^{3}/_{16}$	Savings Bonds 3% 1955–65	91$^{5}/_{16}$	91$^{5}/_{8}$	3 8 7	4 14 3
85$^{13}/_{16}$	83$^{7}/_{8}$	*Funding* 3% 1959–69	83$^{1}/_{2}$	84$^{1}/_{16}$	3 16 2	5 2 2
93$^{1}/_{16}$	90$^{3}/_{8}$	Funding 4% 1960–90	90$^{11}/_{16}$	91$^{1}/_{8}$	12 17 0	14 12 3
83$^{7}/_{16}$	80$^{7}/_{8}$	Savings Bonds 3% 1960–70	81$^{1}/_{2}$	82$^{1}/_{4}$	2 17 10	4 11 0
86	83$^{1}/_{16}$	Savings Bonds 2½% 1964–67	84$^{1}/_{2}$	84$^{1}/_{2}$	3 16 8	5 3 6
76$^{13}/_{16}$	75$^{1}/_{16}$	Savings Bonds 3% 1965–75	76	76$^{1}/_{2}$	3 16 9	5 4 10
105$^{11}/_{16}$	102$^{5}/_{8}$	Exchequer 5½% 1966	103$^{1}/_{8}$	103$^{3}/_{4}$	2 17 2	5 0 4
86$^{5}/_{8}$	83$^{1}/_{4}$	Funding 3% 1966–68	84$^{15}/_{16}$	85$^{1}/_{2}$	3 15 10	5 2 5
98$^{1}/_{8}$	96	Victory 4% 1920–76	96$^{1}/_{8}$	96$^{3}/_{8}$	2 19 9	4 12 8
89$^{13}/_{16}$	87$^{5}/_{8}$	Conversion 3½% 1969	88$^{3}/_{16}$	88$^{11}/_{16}$	3 11 8	5 1 8
101$^{5}/_{8}$	98$^{5}/_{8}$	Conversion 5¼% 1974	98$^{7}/_{8}$*	99$^{1}/_{4}$*	3 5 3	5 5 10
79$^{3}/_{4}$	76$^{7}/_{8}$	Treasury 3½% 1977–80	77$^{1}/_{2}$*	77$^{15}/_{16}$*	3 12 10	5 5 5
78$^{5}/_{8}$	76$^{11}/_{16}$	Treasury 3½% 1979–81	77$^{3}/_{4}$	78$^{1}/_{8}$	3 13 0	5 5 6
104$^{1}/_{2}$	101$^{1}/_{8}$	Funding 5½% 1982–84	104$^{1}/_{16}$	104$^{5}/_{16}$	3 3 6	5 6 4
68$^{1}/_{4}$	65$^{7}/_{8}$	Redemption 3% 1986–96	66$^{1}/_{8}$	66$^{3}/_{4}$	3 8 9	5 0 0
74$^{1}/_{16}$	71$^{1}/_{4}$	Funding 3½% 1999–2004	72$^{7}/_{8}$	73$^{1}/_{2}$	3 6 3	5 1 5
75$^{9}/_{16}$	73$^{1}/_{16}$	Consols 4% ..after Feb. 1957	74$^{5}/_{8}$	75$^{3}/_{16}$	3 5 10	5 8 2
68$^{3}/_{16}$	65$^{3}/_{8}$	War Loan 3½% ..after 1952	65$^{11}/_{16}$*	66$^{1}/_{8}$*	3 4 9	5 5 8
68$^{11}/_{16}$	65$^{7}/_{8}$	Conv. 3½% ..after Apr. 1961	65$^{13}/_{16}$	66$^{3}/_{8}$	3 4 11	5 6 3
60	57$^{1}/_{2}$	Treasury 3% ..after Apr. 1966	57$^{1}/_{2}$	58$^{1}/_{8}$	3 3 6	5 3 11
53$^{5}/_{8}$	51$^{1}/_{4}$	Consols 2½%	51$^{3}/_{4}$	51$^{13}/_{16}$	2 19 4	4 17 1
51$^{1}/_{8}$	48$^{7}/_{8}$	Treasury 2½% after Apr. 1975	48$^{7}/_{8}$	49$^{1}/_{2}$	3 2 2	5 1 9
96$^{7}/_{16}$	94	British Electric 4½% 1967–69	96	96$^{3}/_{8}$	3 5 3	5 2 4
80$^{1}/_{8}$	77$^{1}/_{4}$	British Electric 3% ..1968–73	78	78$^{7}/_{16}$	3 17 9	5 3 0
76$^{3}/_{16}$	74$^{1}/_{8}$	British Electric 3½% 1974–77	74$^{15}/_{16}$	75$^{1}/_{8}$	3 15 3	5 3 4
90$^{3}/_{4}$	87$^{5}/_{8}$	British Electric 4¼% 1974–79	88$^{1}/_{2}$	88$^{13}/_{16}$	3 7 9	5 3 9
80$^{3}/_{8}$	77$^{5}/_{16}$	British Electric 3½% 1976–79	78$^{1}/_{4}$*	78$^{7}/_{8}$	3 12 4	5 3 10
90	87$^{1}/_{8}$	British Gas 4% 1969–72	89$^{5}/_{16}$	90	3 9 4	5 3 6
87$^{3}/_{8}$	84$^{3}/_{4}$	British Gas 3½% 1969–71	85$^{3}/_{8}$	86$^{1}/_{8}$	3 11 10	5 2 2
69$^{7}/_{16}$	66$^{5}/_{8}$	British Gas 3% 1990–95	67$^{1}/_{16}$	68	3 7 9	4 18 4
80$^{1}/_{8}$	77$^{1}/_{4}$	Brit. Transport 3% ..1968–73	78	78$^{7}/_{16}$	3 17 9	5 5 0
86$^{15}/_{16}$	84	Brit. Transport 4% ..1972–77	84$^{7}/_{8}$*	85$^{1}/_{2}$*	3 10 1	5 4 0
69$^{3}/_{16}$	66$^{1}/_{4}$	Brit. Transport 3% ..1978–88	67$^{13}/_{16}$	68$^{3}/_{8}$	3 13 0	5 4 0

Prices, 1959 High	Prices, 1959 Low	FIXED INTEREST STOCKS	Price, May 13, 1959	Price, May 20, 1959	Yield, May 20, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	99$^{5}/_{8}$	Australia 4½% 1962–62	100$^{9}/_{16}$	100$^{11}/_{16}$	4 0 0e
107	103$^{3}/_{4}$	Australia 6% 1974–76	105	105	5 9 11e
77	74$^{1}/_{2}$	Ceylon 4% 1973–75	75	75	6 10 11
103	99$^{1}/_{2}$	Jamaica 6% 1977–82	102$^{1}/_{2}$	103	5 14 7e
106$^{7}/_{8}$	104$^{1}/_{4}$	New Zealand 6% 1976–80	105$^{3}/_{4}$	105$^{3}/_{4}$	5 9 6e
101$^{7}/_{8}$	94$^{3}/_{4}$	*Rhodesia and Nyasaland* 6% 1976–79	95*	94$^{3}/_{4}$	6 10 6f
74$^{1}/_{4}$	69$^{1}/_{2}$	Southern Rhodesia 2½% 1965–70	70$^{1}/_{2}$	70$^{5}/_{8}$	6 4 8f
		CORPORATION AND PUBLIC BOARDS			
103$^{1}/_{2}$	100$^{7}/_{16}$	Agricultural Mortgage 5½% 1980–85	103	103$^{1}/_{2}$	5 4 6e
104$^{3}/_{4}$	102$^{3}/_{4}$	Birmingham 5¾% 1974–76	104$^{3}/_{4}$	104$^{1}/_{2}$	5 6 2e
94$^{1}/_{2}$	92$^{1}/_{8}$	Bristol 3% 1958–63	93*	93*	4 19 0f
98$^{1}/_{2}$	95$^{1}/_{2}$	Glasgow 4¾% 1966–68	96$^{1}/_{2}$*	96$^{3}/_{4}$	5 4 2f
101$^{1}/_{4}$	99$^{1}/_{4}$	Corporation of London 5¼% 1976–79	99$^{1}/_{2}$*	100$^{1}/_{4}$	5 4 5f
57	54$^{1}/_{4}$	L.C.C. 3% ..... after 1920	54$^{1}/_{4}$*	54$^{1}/_{2}$	5 10 1f
64	62$^{1}/_{4}$	Met. Water Board 'B' 3% 1934–2003	63	63	5 2 6f
		FOREIGN BONDS			
110	101$^{1}/_{4}$	German 7% 1924 (British Enfaced 5%)	108$^{3}/_{4}$	108$^{1}/_{2}$	...
192	177	German 5½% 1930 (Enfaced 4½%)	192	192	...
39$^{1}/_{4}$	23$^{1}/_{4}$	Greek 7% Refugee 1924	34$^{1}/_{2}$	38$^{1}/_{2}$	Nil
169$^{1}/_{4}$	161$^{1}/_{4}$	Japan 5% (Enfaced) 1907	162$^{3}/_{4}$	163	...
118$^{3}/_{4}$	114$^{1}/_{2}$	Japan 6% (Enfaced) 1924	118$^{1}/_{2}$	118$^{1}/_{4}$	...
59	55	Uruguay 3½% Bonds (Assented)	58	57$^{1}/_{2}$	...

NEW YORK CLOSING PRICES

	May 13 $	May 20 $		May 13 $	May 20 $		May 13 $	May 20 $
Ath. Topeka....	28$^{7}/_{8}$	28$^{1}/_{2}$	Boeing.....	40$^{1}/_{8}$	38	Inter. Nickel ..	93	93$^{1}/_{4}$
Can. Pacific....	29$^{1}/_{2}$	29$^{5}/_{8}$	Celanese.....	34$^{3}/_{8}$	35$^{1}/_{2}$	Inter. Paper ...	116$^{1}/_{2}$	118$^{3}/_{8}$
Pennsylvania..	17$^{3}/_{8}$	17$^{3}/_{8}$	Chrysler	70$^{7}/_{8}$	71$^{5}/_{8}$	Kennecott.....	111	114$^{1}/_{4}$
Union Pacific ..	34$^{1}/_{4}$	34$^{3}/_{4}$	Col. Palmolive .	117$^{1}/_{4}$	113	Monsanto.....	50$^{7}/_{8}$	51*
Amer. Electric.	52$^{7}/_{8}$	53$^{3}/_{4}$	Crown Zeller..	56	56$^{5}/_{8}$	Nat. Distillers .	31$^{3}/_{8}$	31
Am. Tel. & Tel..	245$^{1}/_{8}$	244$^{1}/_{2}$	Distillers Seag..	33$^{7}/_{8}$	34$^{1}/_{8}$*	Pan-American..	30$^{3}/_{4}$	30$^{7}/_{8}$
Cons. Edison ..	63$^{1}/_{2}$	65$^{1}/_{2}$	Douglas.....	56$^{5}/_{8}$	54	Procter Gamble	78$^{3}/_{8}$	80$^{1}/_{2}$
Int. Tel. & Tel..	42$^{7}/_{8}$	40$^{5}/_{8}$	Du Pont	261$^{7}/_{8}$	253$^{3}/_{4}$*	Radio Corpn....	68$^{1}/_{2}$	65$^{5}/_{8}$
Standard Gas ..	3$^{3}/_{8}$	3$^{1}/_{4}$	East. Kodak ...	84$^{1}/_{2}$	81$^{1}/_{4}$	Sears Roebuck .	44$^{3}/_{8}$	44$^{7}/_{8}$*
United Corpn..	9$^{1}/_{4}$	9$^{1}/_{2}$*	Ford Motor	70$^{5}/_{8}$	69$^{1}/_{4}$	Shell Oil	83$^{3}/_{4}$	88$^{3}/_{4}$
Western Union	38$^{1}/_{2}$	36$^{7}/_{8}$	Gen. Electric ..	80$^{1}/_{2}$	80$^{1}/_{2}$	Socony-Mobil ..	44$^{1}/_{2}$	46$^{1}/_{2}$
Alcoa.....	85$^{3}/_{8}$	87$^{3}/_{8}$	General Foods .	83*	83	Stand. Oil Ind..	49$^{1}/_{4}$	49$^{5}/_{8}$
Aluminium	27$^{3}/_{4}$	30$^{1}/_{8}$	General Motors	51	52	Stand. Oil N.J..	52$^{1}/_{4}$	52$^{3}/_{8}$
Amer. Can.....	42$^{3}/_{4}$	43	Goodyear	140$^{1}/_{4}$	139	20th Cent. Fox.	38$^{3}/_{4}$	37$^{5}/_{8}$
Am. Smelting ..	46$^{7}/_{8}$	49$^{1}/_{4}$	Gulf Oil.....	113$^{1}/_{4}$	116$^{1}/_{4}$	*Union Carbide*.	143$^{1}/_{8}$	144$^{1}/_{2}$
Am. Viscose	48$^{1}/_{8}$	46	Heinz.....	70	71	U.S. Steel	92$^{1}/_{2}$	94$^{1}/_{4}$
Anaconda	65$^{3}/_{8}$	67$^{5}/_{8}$	Int. Bus. Mach..	579$^{7}/_{8}$	396	West. Electric .	86	88$^{1}/_{8}$
Beth. Steel	51$^{1}/_{4}$	52$^{1}/_{4}$	Int. Harvester .	44	43$^{7}/_{8}$	Woolworth	54$^{3}/_{4}$	54$^{7}/_{8}$

* Ex dividend. † Tax free. ‡ Assumed average life 9 years. § Less tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. †† Ex all. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Year's dividend. (*d*) **Capital distribution 1s. 6d. per share.** (*e*) To earliest date. (*f*) Flat yield. (*g*) Equivalent to 7·2 sterling. (*h*) After Rhodesian tax. (*j*) To latest date. (*p*) Unassented stock.

YORK STOCKS

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (*a*) (*b*) (*c*)		ORDINARY STOCKS	Price, May 13, 1959	Price, May 20, 1959	Yield, May 20, 1959
				STEEL AND ENGINEERING			
33/3	28/1½	5% *a*	8% *b*	Colvilles £1	32/9	33/–	7·88
33/–	26/6	4 *a*	8 *b*	Dorman Long £1	32/7½	32/10½	7·30
25/9	20/9	6 *c*	3 *a*	Steel Co. of Wales £1	25/–	25/4½	7·09**
31/3	25/–	3 *a*	8 *b*	Stewarts & Lloyds £1	30/6	31/–	7·10
49/3	35/11½	10 *b*	6 *a*	John Summers £1	48/9	49/–	6·53
32/6	24/9	4 *a*	8½ *b*	United Steel £1	31/7½	31/10½	7·84
37/9	30/8¼	6 *b*	4 *a*	John Brown £1	36/9	36/–	5·56
10/–	8/3	4 *a*	11 *b*	Cammell Laird 5/–	8/–	8/–	9·38
31/9	26/8¼	2½ *a*	7½ *b*	Swan Hunter £1	30/–‖	29/6‖	6·78
36/6	31/–	2½ *a*	7½ *b*	*Vickers* £1	34/3*	33/10½	5·90
71/3	60/6	6% *b*	5 *a*	Averys £1	70/6	71/3	3·27
20/3	16/–	†17½ *a*	†4% *b*	Coventry Gauge 10/–	20/–	20/–	5·12
44/6	36/6	†2 *a*	†4 *b*	Alfred Herbert £1	43/6	43/6	4·51
18/9	16/9	10 *b*	5 *a*	Ransome & Marles 5/–	18/3	18/9	4·00
46/9	39/9	9½ *b*	3 *a*	Renold Chains £1	46/3	46/9	5·35
45/–	37/–	8¾ *b*	3¾ *a*	Allied Ironfounders £1	43/–	43/–	5·81
54/–	46/–	6 *a*	7 *b*	Babcock & Wilcox £1	47/3	46/6	5·59
85/–	64/–	4 *a*	13½ *b*	British Aluminium £1	64/6p	64/6p	5·43
107/6	86/3	15 *c*	20 *c*	Davy & United £1	102/6	102/6	3·90
63/6	51/3	4 *a*	9 *b*	Guest Keen £1	62/1½	62/10½*	4·14
80/3	67/–	7 *b*	5 *a*	Metal Box £1	78/6	80/3	2·99
55/–	45/–	3¾ *a*	4¾ *b*	C. A. Parsons £1	45/9*	47/–	3·46
25/9	23/6	15 *b*	10 *a*	John Thompson 5/–	24/3	24/–	5·21
87/6	72/–	10 *b*	7½ *a*	Tube Investments £1	86/–	87/6*	4·00
				BUILDING, etc.			
68/3	49/9	3 *a*	9 *b*	Associated Portland £1	65/–	68/3	3·52
24/7½	21/–	7½ *b*	5 *a*	*British Plaster Board*. 10/–	24/4½	24/7½	5·08
78/–	59/7½	5 *a*	10 *b*	Richard Costain £1	74/6	77/–*	3·90
12/1½	9/7½	10 *b*	5 *a*	Crittall Manufacturing. 5/–	11/9	11/6*	6·52
76/3	61/3	15⅝ *c*	6 *a*	London Brick £1	72/9	76/3	4·10
93/9	79/9	13½ *b*	5 *a*	Wall Paper Defd. £1	90/9	90/9*	4·04
				CHEMICALS AND PAINT			
25/6	20/–	4 *a*	13 *b*	Albright & Wilson 5/–	25/4½	25/6	3·33
24/3	15/3	21½ *a*	5⅝ *b*	Borax Defd..... 5/–	23/9	23/10½	1·83
8/11½	6/10½	7½ *c*	12½ *b*	Brit. Ind. Plastics 2/–	7/4½	7/7½	5·25
54/9	43/10½	3½ *a*	6¾ *b*	Fisons £1	52/9	54/9	3·65
38/–	33/10½	2¾ *a*	5½ *b*	I.C.I. £1	34/1½	34/9	4·60
14/4½	13/11½	6 *a*	14 *b*	International Paints .. 4/–	13/10½	13/9	5·82
16/6	15/1½	5 *a*	8½ *b*	Monsanto..... 5/–	16/–	16/1½	4·19
20/9	18/6	11⅜ *b*	5 *a*	Pinchin Johnson 10/–	19/3	19/3	8·65
				ELECTRICAL AND RADIO			
62/–	54/–	7½ *a*	7½ *b*	A.E.I. £1	60/3	62/–	4·84
57/–	46/3	4 *a*	9½ *b*	B.I.C.C. £1	55/3*	55/6	4·86
43/3	38/–	20 *c*	21½ *a*	Decca Record 10/–	40/–	41/3*	4·85
60/9	50/10½	11¼ *c*	5 *a*	E.M.I. 10/–	54/3	54/3	3·69**
66/6	57/–	4 *a*	10 *b*	English Electric £1	64/9	66/6	4·21
40/–	30/–	6½ *b*	3 *a*	General Electric £1	32/3	33/9	5·63
16/9	14/11½	12½ *c*	12½ *c*	Pye Defd. 5/–	15/11½	15/6	4·03
97/3	84/6	6½ *a*	11 *b*	A. Reyrolle £1	85/–	87/6	4·00
				MOTORS AND AIRCRAFT			
17/5¼	13/–	17½ *c*	7½ *a*	British Motor 5/–	16/10½	17/5¼	5·88**
65/6	50/3	3½ *a*	8½ *b*	*Ford Motor* £1	63/6	65/6	3·66
55/–	44/–	12½ *c*	12½ *c*	Leyland Motor £1	53/3	54/–	4·63
11/3	7/3	8 *c*	4 *a*	Rootes Motors 4/–	11/3	11/3	2·84
11/11¼	8/6	8 *c*	12 *c*	Standard Motor 5/–	11/–	11/6	5·22
29/9	22/10½	4½ *a*	12½2*b*	Dunlop Rubber..... 10/–	28/9	29/7½*	5·49
51/–	44/3	5 *b*	2½ *a*	Joseph Lucas £1	48/9	49/6	4·04
28/9	23/7½	7½ *a*	17½ *b*	Pressed Steel..... 5/–	26/10½*	28/9	4·35
56/7½	48/11½	20 *c*	7½ *a*	Triplex Holdings 10/–	56/7½	56/7½	4·86**
11/7½	9/–	3½ *a*	6½ *b*	Bristol Aeroplane..... 10/–	10/–	9/–*	11·11
20/9	14/7½	7½ *c*	Nil	De Havilland £1	14/9	14/7½	...
45/0¾	40/–	15 *a*	†6½ *b*	Dowty Group..... 10/–	40/–	40/9	4·62
34/–	27/–	3 *a*	7 *b*	Hawker Siddeley £1	28/11½	28/6	7·02
106/3	94/6	5 *a*	15 *b*	Rolls-Royce £1	101/3	105/–	3·81
				PAPER AND NEWSPAPERS			
50/3	44/6	4½ *a*	8 *b*	Bowater Paper £1	48/6*	49/9	5·13
54/9	47/3	5 *a*	9 *b*	Albert E. Reed £1	52/–	51/9	5·41
32/9	22/–	3 *a*	5 *b*	Spicers £1	28/3	27/9*	5·77
25/3	21/–	10 *a*	15 *b*	Daily Mirror 'A'..... 5/–	24/9	25/1½	4·98
29/6	26/3	5 *a*	12½ *b*	Odhams Press..... 10/–	28/3	27/9*	6·31
				TEXTILES			
25/9	22/–	6¼ *b*	2½ *a*	J. & P. Coats £1	23/9	25/1½	6·97
25/–	18/3	5 *b*	7½ *a*	Fine Spinners £1	22/9	23/3	8·60
46/9	35/4½	5 *a*	12½ *b*	Lancashire Cotton £1	44/7½	46/9	7·49
42/9	35/4½	12½ *c*	2½ *a*	Patons & Baldwins £1	42/9	42/7½	5·87
6/3¾	4/3	6 *c*	4 *a*	Salts (Saltaire)..... 5/–	6/3¾	6/2¼	4·85
61/3	50/–	10 *b*	5 *a*	*Woolcombers* £1	58/–	58/3	5·15
19/1½	14/7½	Nil *c*	3 *a*	Bradford Dyers..... £1	16/10½	16/3	...
44/6	37/–	22½ *c*	22½ *c*	Calico Printers £1	42/–	44/–	10·23
36/4½	31/7½	5 *b*	3 *a*	Courtaulds..... £1	35/6	36/4½	4·40
13/3	10/–	3 *a*	10 *b*	Jute Industries..... 10/–	13/3	13/3	9·81
35/6	24/6	7½ *c*	7½ *c*	Tootal..... £1	30/7½	31/1½	4·82
				DRAPERY & STORES			
23/9	19/7½	6 *a*	10 *b*	Boots Pure Drug 5/–	23/9	23/–*	3·48
33/9	27/9	10 *b*	5 *a*	Debenhams 10/–	31/6	32/9	4·58
40/–	31/6	25 *b*	7½ *a*	G.U.S. 'A'..... 5/–	38/1½	40/–	4·06
87/3	74/6	5 *a*	12½ *b*	Harrods £1	83/–	87/3	4·01
38/–	33/3	25 *b*	10 *a*	House of Fraser 'A' ...5/–	36/6	38/–	4·61
18/6	16/3	6 *a*	10 *b*	Lewis's Investment ...4/–	18/–	18/3	3·51
66/6	49/9	12½ *a*	25 *b*	Marks & Spencer 'A'...5/–	65/6	65/7½*	2·86
41/1½	33/10½	12½ *a*	22½ *b*	United Drapery 5/–	40/6*	41/1½	4·26
54/–	47/3	26⅔ *b*	13⅓ *a*	Woolworth 5/–	53/6	53/10½	3·71

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (*a*) (*b*) (*c*)		ORDINARY STOCKS	Yield, May 13, 1959	Price, May 20, 1959	Yield, May 20, 1959
				BANKING			
61/7½	51/7½	6 *a*	6 *b*	Barclays £1	61/6	57/9¶	4·16
50/11½	40/3	4½ *a*	5⅔ *b*	Lloyds..... £1	47/9	47/9	4·19
70/6	60/11½	6¾ *a*	6¾ *b*	Midland £1	70/6	70/3	4·27**
65/3	54/–	4½ *a*	5½ *b*	National Provincial £1	65/–¶	65/–	3·69**
70/3	52/9	5 *a*	7½ *b*	Westminster 'B'..... £1	70/3	70/3	3·56
90/–	68/9	7½ *a*	9½ *b*	District..... £1	87/6	90/–	3·78
25/6	17/–	6 *a*	10 *b*	Martins..... 5/–	23/–	22/3	3·60
46/7½	31/7½	5 *a*	7½ *b*	Com. Bk. of Scot. 'A' 10/–	44/6	46/7½	2·68
80/–	67/6	7 *a*	9 *b*	Royal Bank of Scotland..£1	79/–	80/–	4·00
44/–	37/9	4 *a*	5 *b*	Barclays D.C.O. £1	43/–	44/–	4·09
47/9	43/9	7½ *a*	7½ *b*	Chartered Bank £1	46/9	46/9	6·42
£3$^{17}/_{16}$	£2$^{7}/_{8}$	$2·10c	$2·25c	Royal Bank of Canada. $10	£3$^{17}/_{16}$*	£3$^{1}/_{8}$	2·66
£2$^{11}/_{16}$	£1$^{37}/_{16}$	$1·60c	$1·65c	Bank of Montreal..... $10	£2$^{17}/_{16}$‡‡	£2$^{13}/_{16}$	2·88
36$^{5}/_{8}$	30$^{1}/_{2}$	9 *c*	9 *c*	Bank of New S. Wales.£20	36$^{1}/_{8}$	36$^{5}/_{8}$	3·93g
38$^{3}/_{8}$	32/3	4 *a*	6 *b*	Bank of Ldn. & S. Amer. £1	36/10½	37/1½	5·39
				FINANCIAL			
35/–	28/4½	2½ *a*	5 *b*	Alexanders £1	34/3	35/–	4·29
49/6	42/6	5 *a*	7 *b*	National Discount 'B'..£1	48/9	48/9	4·92
56/3	49/–	6¼ *a*	6¼ *b*	Union Discount £1	56/–	56/3	4·44
47/9	40/9	18½ *a*	21⅔ *b*	Commercial Union..... 5/–	44/–	44/6	4·49
150/–	127/6	12½ *a*	15 *b*	*Employers Liability* £1	135/–	135/–	4·07
207/6	160/–	†32·35c	†41·17c	Equity & Law 8/6	177/6	185/–	3·10
277/6	192/6	40 *a*	60 *b*	Legal & General 5/–	265/–	270/–	1·85
120/–	114/6	†20 *a*	†50 *b*	Pearl 5/–	113/–	114/9	4·99
237/6	210/–	†14⅞½ *c*	†16½ *c*	Prudential 'A' 4/–	237/6	250/–	4·26
107/6	78/6	8 *a*	10 *b*	Royal Exchange..... £1	107/6	107/6	3·35
28/7½	16/2¼	5 *a*	8¾ *b*	Bowmaker 5/–	27/4½	26/10½	2·56
31/7½	21/3	7½ *a*	8½ *b*	Lombard Banking..... 5/–	31/6	30/–	2·67**
160/3	113/6	16 *b*	4 *a*	U.D.T. £1	153/6	150/6	2·66
39/6	34/9	17½ *b*	10 *a*	B.E.T. 'A' Defd. 5/–	38/–	39/3	3·50
15/3	12/6	10 *c*	10 *c*	Cable & Wireless..... 5/–	15/3*	15/1½	3·31
23/3	19/6	2 *a*	4½ *b*	Land Securities..... 10/–	21/3	21/4½	3·04**
17/6	14/7½	2s½*c*	2s½*a*	*London & County* 10/–	16/6	16/4½	4·07**
				FOOD, DRINK AND TOBACCO			
31/–	22/6	15 *c*	10 *a*	Allied Bakeries 'A'..... 5/–	31/–	31/9	2·36
35/10½	23/4½	20 *c*	14 *a*	Beecham Group 5/–	35/1½	34/4½	3·49
12/–	10/6	7 *b*	2½ *a*	International Tea 5/–	11/6	11/6	4·13
83/3	74/9	9¼ *b*	5 *a*	J. Lyons 'A'..... £1	82/3	83/3	3·40
20/7½	18

depreciation was some £8,500 higher at £144,366 as a result of heavy capital expenditure in the previous year; net profits thus amounted to only £14,755, against £107,023, and the payment of 5 per cent was made possible only by drawing upon the carry forward.

"Slubbers," like other textile companies, has sought to diversify its activities. Two of its subsidiaries are engaged in the catering trade; a third—Ashley Associates, specialising in staff selection in the north of England—has now been added. At the moment these subsidiaries have accumulated a loss of over £25,000, but Mr Isles explains that instead of purchasing an established business "Slubbers" has started "from scratch" in the catering trade and that initial losses are inevitable. If the development of these new interests really helps to cushion the worst effects of fluctuations in the textile industry, small initial losses (on which tax relief is obtainable) are bearable—though only for a short while.

WILMOT-BREEDEN

FOR the sixth successive year the profits of Wilmot-Breeden (Holdings), an important supplier of components to the motor industry, have increased—last year by 12 per cent from £1,699,205 to £1,903,689. This may seem a little disappointing in view of the boom in the motor industry, but it has to be remembered that in the earlier recession when the profits of nearly every other manufacturer of motor components were sharply reduced Wilmot-Breeden managed to achieve a slight increase in its earnings—reflecting, in part, a policy of diversification. The directors are sticking to this policy and recently Wilmot-Breeden secured a stake in the electronics industry through the acquisition of controlling interests in Wright and Weaire (now renamed Ferrograph), manufacturers of electronic components and tape recorders, and Wayne Kerr, which specialises in electronic measuring instruments.

Nevertheless the custom of the motor industry still accounts for by far the major part of Wilmot-Breeden's turnover and Mr D. L. Breeden, the chairman, says that towards the end of 1958 activity declined because of changes in car models and of the need to introduce a large number of component changes. Output however is now rising rapidly and is likely "shortly to reach a new record level."

Despite this decline at the end of the year, sales of motor components constituted a record—a feat made possible only by heavy capital expenditure in recent years. With quick resources of £1,098,360, to which must be added the £520,000 resulting from the issue of preference shares last January, Wilmot-Breeden appear well able to finance further expansion. The balance sheet shows stocks substantially higher at £2,475,894, against £1,940,937, reflecting the belief of the directors that considerable economies can be achieved by the holding of larger stocks of finished goods, so as to meet fluctuations in demand and to complete orders for replacement parts promptly.

An ordinary dividend of not less than 12½ per cent was forecast last October but in fact it has been set at 13 per cent, compared with 9 per cent in 1957. The bigger dividend is still covered 2½ times by earnings and at the current price of 13s. 7½d. the 5s. shares yield 4.8 per cent.

WHITBREAD

LAST November shareholders in Whitbread and Company received a 50 per cent scrip issue in six per cent third preference stock, but that hardly tempers their disappointment, when other brewing companies have announced higher profits and dividends, with the unchanged ordinary dividend of 25 per cent and the slight fall in profits that the directors report for 1958. Beer consumption declined by just under 3 per cent last year but Whitbread's gross profits fell by over 5 per cent, from £2,958,782 to £2,802,099, and it was only thanks to a lower rate of profits tax that net profits were £60,780 higher at £1,369,367. The £1 "A" ordinary shares fell by 1s. to 115s. after the dividend announcement, but even at this level they yield barely 4½ per cent. Brewing, where the decline in consumption has not really been arrested, remains a highly competitive industry in which Whitbread, though it may have been one of the first to do so, is not alone in seeking a profitable policy of rationalisation and development.

INVESTORS MUTUAL OF CANADA

DEALINGS in the shares of Investors Mutual of Canada, began very quietly this week on the London stock exchange under rule 163 (1). This is the biggest of the Canadian mutual funds, with big holdings in Canadian common stocks. It distributes the income on the portfolio in full but usually holds back part of realised capital gains to provide for further growth. Since it started in 1950 the total net assets of Investors Mutual have risen to $162,300,000 and the number of its shares now in issue is 15,200,000, on which 32 cents was paid in 1958.

The interest that British investors are at present willing to take in Canadian securities is perhaps a little chastened but this mutual fund provides a good spread of risks and high-class management. To secure a stake in it, British investors pay the net asset value plus a loading charge of 2½ per cent, and of this 1½ per cent goes back to the fund, one half of one per cent goes to the jobbers so that they can make a market and another one half of one per cent goes to Cazenove and Company which in effect acts between the jobbers and the fund much as an odd lot dealer in Wall Street. The buyer has to pay the broker a commission for executing any deal. On this basis, dealings, based on the Canadian price of $11.77, began in London at 85s. 8d.-87s. 10d. to offer a gross yield to British investors of just over 2¼ per cent.

London Stock Exchange

FIRST DEALINGS:	Apr. 29	May 20	June 3
LAST DEALINGS:	May 19	June 2	June 16
ACCOUNT DAY:	May 26	June 9	June 23

GILT-EDGED stocks remained firm and after the week-end prices quickly responded to investment buying. On Wednesday price movements were rather more irregular. But over the week to Wednesday's close numerous gains were scored, Gas 4 per cent 1969-72 rising by ⅝ to 90 in the medium dated stocks and Electricity 3½ per cent 1976-79 by ¾ to 79 in long dated issues. Among the irredeemables War Loan 3½ per cent advanced by ½ to 66¼. Home Corporation loans were firm in line with Government Funds, and the discount on the new LCC 5 per cent stock 1980-83 narrowed by ¼ to ⅛. Among foreign bonds, Greek issues were again in demand in active dealings, the 7 per cent stock jumping by 4 to 38½ on debt settlement hopes.

Leading industrial equities continued to advance in almost every sector at the end of the three weekly account. On Wednesday they continued to forge ahead following the overnight recovery on Wall Street and the publication of the April retail trade figures. *The Economist* Indicator gained a further 4.5 to a fresh peak of 272.3. ICT advanced by 4s. 6d. to 78s. 3d. on the bigger interim dividend and British Oxygen by 5s. 9d. to 63s. 9d. on the prospect of increased American interest in the stock. Motor and kindred shares were again strong in active dealings. Ford rose by 2s. to 65s. 6d. and Rolls-Royce by 2s. 6d. to 77s. Brewery shares were again in demand but Watney Mann were outstanding with a jump of 7s. 9d. to 105s. 6d. Store issues were also strong, and Harrods shot up by 4s. 3d. to 87s. 3d. on speculative demand in a market short of stock, while Montague Burton on the increased interim gained 2s. 10½d. to 32s. 10½d. TV relay shares once more sprang into prominence, with British Relay gaining 3s. 3d. to 35s., while among electrical shares Ever Ready rose by 6s. 4½d. to 39s. 3d. and Decca gained 1s. 3d. to 41s. 3d. xd. HP shares were duller and UDT lost 3s. to 150s. 6d.

Leading oil stocks joined in the general rise on Wednesday, led by Shell which gained 3s. 9d. to 136s. 3d. Burmah went up by 3s. 6d. to 83s. 6d. and BP by 1s. 3d. to 52s. C. C. Wakefield gained 1s. 6d. to 43s. on the higher dividend and profits. Kaffirs were dull at first but they went ahead on Tuesday on American buying through Johannesburg, and the *Financial Times* Gold Mines Index rose by 0.9 to a 1959 peak of 91.4, only just short of the all time "high" of 91.8 touched on February 22, 1956. FS Geduld gained 5s. to 180s. 7½d. and St. Helena 3s. 1½d. to 59s. 4½d. Rubber shares were firm on the strength of the commodity, US Betong gaining 1s. 3d. to 89s. 6d.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended May 16, 1959, there was an "above-e" deficit (after allowing for Sinking Funds) of £3,858,000 mpared with a surplus of £62,615,000 in the previous week d a deficit of £15,522,000 in the corresponding period of last ar. There was a net expenditure "below-.ne" of £4,003,000 iving a total deficit of £4,582,000 compared with a deficit of 0,895,000 in 1958-59.

£'000	Esti-mate, 1959–60	April 1, 1958, to May 17, 1958	April 1, 1959, to May 16, 1959	Week ended May 17, 1958	Week ended May 16, 1959
Ord. Revenue					
come Tax	2147,000	189,986	188,116	17,307	19,243
rtax	171,000	16,300	17,400	1,900	1,900
ath Duties	195,000	21,300	31,000	3,400	4,500
mps	68,000	6,900	10,900	1,000	1,800
ofits Tax, EPT & EPL	274,000	26,100	23,000	4,200	3,500
ther Inland Rev. Duties	1,000	...	...	...	...
tal Inland Rev.	2856,000	260,586	275,416	27,807	30,943
ustoms	1285,500	175,651	176,957	28,844	27,450
cise	864,500	150,070	139,455	25,395	24,420
otal Customs and Excise	2150,000	325,721	316,412	54,239	51,870
otor Duties	104,000	9,953	10,314	551	628
D (Net Receipts)	...	7,450	6,960	5,150	5,000
roadcast Licences	35,000	2,000	2,000	...	...
ndry Loans	30,000	2,333	2,032	258	...
iscellaneous	150,000	10,400	9,657	210	485
otal	5325,000	618,443	622,791	88,214	88,926
Ord. Expend.					
ebt Interest	600,000	102,537	75,045	5,666	...
yments to N. Ireland Exchequer	79,000	7,788	8,313	...	...
ther Cons. Funds	10,000	668	903	...	4
upply Services	4494,996	499,151	491,065	98,000	92,200
otal	5183,996	610,144	575,326	103666	92,204
nking Funds	39,000	3,495	3,303	70	580
Above-line" Surplus or Deficit	+ 4,805	+ 44,162	— 15,522	— 3,858	
Below-line" Net Expenditure*	95,700	48,744	22,041	4,003	
tal Surplus or Deficit	90,895	— 4,582	37,563	7,861	
et Receipts from:					
Tax Reserve Certificates	28,113	21,449	1,251	682	
Savings Certificates	6,100	10,700	1,700	600	
Defence Bonds	—1,355	17,787	6,450	2,650	
Premium Savings Bonds	7,860	8,650	690	1,180	
otal		40,718	58,586	10,091	5,112

* Receipts of the Civil Contingencies fund to May 9, 1959, 0 million, compared with £16 million in the corresponding eriod last year.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
ay 17	3,170·0	1,592·8	234·9	0·3	4,958·0
1959					
eb. 14	3,140·0	1,874·2	252·2	...	5,266·4
„ 21	3,070·0	1,943·7	197·2	...	5,210·9
„ 28	3,010·0	1,990·0	197·3	...	5,197·3
ar. 7	2,950·0	1,999·9	213·7	...	5,163·6
„ 14	2,920·0	1,993·9	225·1	...	5,143·1
„ 21	2,910·0	2,030·3	252·7	...	5,193·0
„ 31	4,898·1		336·5	4·3	5,238·9
pr. 4	2,950·0	1,986·3	291·6	...	5,227·8
„ 11	2,940·0	2,015·7	280·8	...	5,236·5
„ 18	2,940·0	2,007·5	297·7	...	5,245·2
„ 25	2,950·0	2,025·8	267·8	...	5,243·7
ay 2	2,940·0	2,089·0	255·7	...	5,284·7
„ 9	2,910·0	2,053·9	269·4	...	5,233·3
„ 16	2,920·0	2,051·4	266·2	...	5,237·7

THE MONEY MARKET

THE spell of persistent stringency encountered by the market came to an end unexpectedly on Thursday of last week. Government disbursements and light calling by the banks turned what was expected to be a difficult session into a comfortable one without further intervention by the authorities. The rate for fresh overnight loans declined from 3⅛ or 3¼ per cent to the banks' minimum lending rate, and the easier conditions continued up to the start of the holiday. But after the holiday, some houses found difficulty in meeting their requirements. On Tuesday one or two houses had to borrow a small amount at the Bank of England, although most houses had balanced their books by mid-day.

The average rate of discount rose by 1½d. to £3 6s. 2.7d. per cent at last week's tender. Applications for the £190 million of bills offered increased by £15 million to £358 million. The syndicate again left its concerted bid unchanged at £99 3s. 5d. and the proportion allotted at this price fell from 33 per cent to 25 per cent. At recent tenders, the market's allotment has been consistently low, but this week the tender has been raised to £230 million.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	**Discount rates:** Bank bills:	
Deposit rates (max.):		60 days	3 13/23–3 7/16
Banks	2	3 months	3 13/23–3 7/16
Discount houses	2–2 1/4	4 months	3 13/23–3 7/16
Money:		6 months	3 13/23–3 1/2
Day-to-Day	2–3 1/4	Fine trade bills:	
Treasury bills:		3 months	4 1/4–5
2 months	3 5/16	4 months	4 1/4–5
3 months	3 11/32	6 months	4 1/2–5 1/4

New York

	%		%
Official discount rate: (from 2½%, 5/3/59)	3	**Treasury bills:** May 11	2·722
		„ 18	2·869

BANK OF ENGLAND RETURNS

(£ million)	May 21, 1958	May 13, 1959	May 20, 1959
*Issue Department**:			
Notes in circulation	2,022·1	2,077·0	2,081·1
Notes in banking dept.	28·2	23·3	19·2
Govt. debt and securities*	2,046·2	2,096·7	2,096·8
Other securities	0·8	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin.	3·0	2·5	2·5
Banking Department:			
Deposits:			
Public accounts	11·1	13·4	18·1
Bankers	224·6	235·1	216·5
Others	70·3	63·0	62·9
Total	306·0	311·5	297·5
Securities:			
Government	246·4	261·1	259·8
Discounts and advances	27·6	23·3	14·7
Other	19·4	20·7	20·8
Total	293·4	305·0	295·3
Banking department reserve.	30·6	24·3	21·2
" Proportion "	% 10·0	% 7·8	% 6·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,100 million March 25, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1958				s. d.	%
May 16	250·0	422·1	250·0	103 11·49	44
1959					
Feb. 13	190·0	339·6	190·0	59 10·89	30
„ 20	200·0	347·1	200·0	61 9·89	27
„ 27	220·0	317·9	220·0	65 6·22	51
Mar. 6	230·0	370·4	230·0	66 0·14	57
„ 13	230·0	374·1	230·0	65 11·05	43
„ 20	250·0	360·4	250·0	65 8·95	55
„ 26	260·0	378·8	260·0	66 0·10	58
Apr. 3	250·0	381·0	250·0	65 11·42	50
„ 10	260·0	433·9	260·0	64 0·89	65
„ 17	250·0	386·6	230·0	64 9·12	38
„ 24	210·0	359·2	210·0	65 7·89	26
May 1	190·0	364·4	190·0	66 1·81	20
„ 8	200·0	342·3	200·0	66 1·22	33
„ 15	190·0	357·6	190·0	66 2·70	25

* On May 8th tenders for 91 day bills at £99 3s. 5d. secured 25 per cent, higher tenders being allotted in full. The offer this week was for £230 million of 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: May 20	Market Rates: Spot: May 13	May 14	May 15	May 16	May 19	May 20
United States $	2·78–2·82	2·81 9/16–11/16	2·81 9/16–11/16	2·81 1/2–5/8	2·81 1/2–5/8	2·81 3/8–1/2	2·81 1/4–3/8
Canadian $	...	2·75 15/16–7/16	2·75 15/16–7/16	2·75 13/16–5/16	2·71 1/4–3/8	2·71–7 11/16	2·70 1/2–3/8
French Fr.	13·6220–14·0265	13·80 3/8–5/8	13·80 1/4–1/2	13·80–80 1/4	13·80–80 1/4	13·79 3/8–5/8	13·78 1/2–3/4
Swiss Fr.	11·94–12·54 7/8	12·17 3/8–5/8	12·16 7/8–17 1/8	12·16 5/8–7/8	12·16 5/8–7/8	12·16–16 1/4	12·15–15 1/4
Belgian Fr.	137·96–142·05	140·35–40	140·35–40	140·32 1/2–37 1/2	140·30–35	140·25–30	140·15–20
Dutch Gld.	10·48–10·80	10·62 1/2–3/4	10·62 1/2–3/4	10·62 3/8–5/8	10·62 3/8–5/8	10·62–62 1/4	10·61 3/8–5/8
W. Ger. D-Mk.	11·59 1/4–11·92 1/4	11·77 3/8–5/8	11·77 1/4–1/2	11·77 1/4–1/2	11·77–77 1/4	11·76 3/4–77	11·75 7/8–6/8
Portuguese Esc.	79·00 3/4–82·00 1/2	80·15–20	80·15–25	80·15–25	80·15–25	80·15–25	80·15–25
Italian Lire	1725 1775	1747 3/4–4	1747–47 1/2	1747–47 1/2	1746 3/4–47 1/4	1746 1/4–3/4	1745–45 1/2
Swedish Kr.	14·37 3/4–14·59 1/4	14·55 3/8–5/8	14·56 1/4–1/2	14·56 1/4–1/2	14·56 1/4–1/2	14·55 3/4–56	14·55 1/8–3/8
Danish Kr.	19·06 1/2–19·62	19·39 3/8–5/8	19·39 3/8–5/8	19·39 1/8–3/8	19·39–39 1/4	19·38 1/2–3/4	19·38 1/4–3/4
Norwegian Kr.	19·71–20·30 1/2	20·04–04 1/4	20·04–04 1/4	20·04–04 1/4	20·04–04 1/4	20·03 7/8–04 1/8	20·03 1/2–3/4
One Month Forward Rates							
United States $		3/16–1/16c. pm	3/16–1/16c. pm	3/16–1/16c. pm	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par
Canadian $		1/4–3/8c. dis	1/4–3/8c. dis	1/4–3/8c. dis	3/16–5/16c. dis	3/16–5/16c. dis	3/16–5/16c. dis
French Fr.		par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis
Swiss Fr.		7/8–5/8c. pm	7/8–5/8c. pm	7/8–5/8c. pm	3/4–1/2c. pm	3/4–1/2c. pm	7/8–5/8c. pm
Belgian Fr.		6–1c. pm	6–1c. pm	5c. pm–par	5c. pm–par	5c. pm–par	5c. pm–par
Dutch Gld.		1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	1–3/4c. pm	3/4–1/2c. pm	3/4–1/2c. pm
W. Ger. D-Mk.		7/8–5/8pf. pm	7/8–5/8pf. pm	7/8–5/8pf. pm	7/8–5/8pf. pm	7/8–5/8pf. pm	3/4–1/2pf. pm
Three Months Forward Rates							
United States $		3/8–1/4c. pm	3/8–1/4c. pm	3/8–1/4c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm
Canadian $		13/16–15/16c. dis	13/16–15/16c. dis	13/16–15/16c. dis	13/16–15/16c. dis	13/16–15/16c. dis	13/16–15/16c. dis
Swiss Fr.		2 5/8–2 3/8c. pm	2 5/8–2 3/8c. pm	2 5/8–2 3/8c. pm	2 1/2–2 1/4c. pm	2 3/8–2 1/8c. pm	2 1/2–2 1/4c. pm
W. Ger. D-Mk.		2 1/2–2 1/4pf. pm	2 1/2–2 1/4pf. pm	2 1/2–2 1/4pf. pm	2 1/2–2 1/4pf. pm	2 3/8–2 1/8pf. pm	2 1/4–2pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/7	249/7 3/4	249/7	...	249/6 3/4	249/8 1/4

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

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

BRITISH

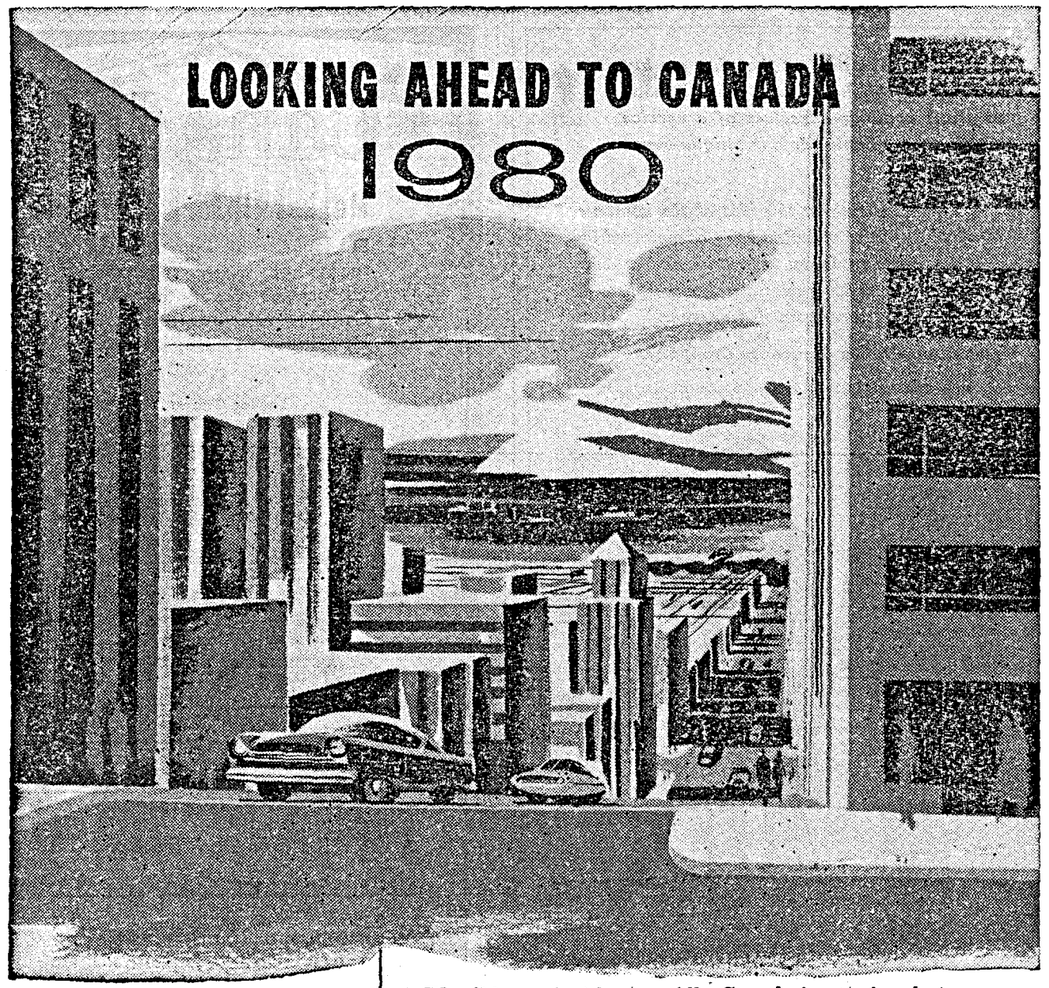
Prices and Wages	May 16th	External Trade	May 2nd
Manpower and Output	This week	Industrial Profits	April 18th

OVERSEAS

Western Europe	Feb. 7th	United States	May 9th

	Unit	Mid-year or averages			1958			1959			
		1956	1957	1958	Feb.	Mar.	April	Jan.	Feb.	Mar.	April
TOTAL MANPOWER		June figures									
Working population :											
Total	'000s	24,107	24,188	24,070	24,080	24,055	24,078	23,965	23,903	23,875	...
Men	"	16,188	16,225	16,160	16,187	16,176	16,182	16,124	16,087	16,063	...
Women	"	7,919	7,963	7,910	7,893	7,879	7,896	7,841	7,816	7,812	...
Armed Forces	"	761	702	614	632	626	622	585	583	579	...
Civil employment :											
Total	"	23,149	23,245	23,080	23,048	23,029	23,056	22,820	22,797	22,798	...
Manufacturing industries	"	9,269	9,271	9,147	9,271	9,236	9,226	9,063	9,056	9,044	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955 :											
Employees in engineering(1)	"	+ 53	+ 48	+ 52	+ 105	+ 90	+ 86	+ 24	+ 27	...	...
" consumer goods industries(2)	"	— 9	+ 2	— 99	— 55	— 71	— 71	— 133	— 144	...	...
UNEMPLOYMENT		Monthly averages									
By duration :											
All durations—total	"	257·0	312·5	457·4	424·5	433·1	443·7	620·8	608·7	550·5	530·8
Temporary or under 2 weeks	"	98·2	95·7	141·0	123·1	126·6	127·6	197·2	154·4	139·6	144·4
Over 8 weeks	"	93·1	129·3	197·7	171·9	185·0	201·0	286·8	301·8	286·4	281·1
By regions (3) :											
Great Britain	"	1·2	1·4	2·1	1·9	2·0	2·0	2·8	2·8	2·5	2·4
London and South Eastern	"	0·8	1·0	1·3	1·3	1·3	1·3	1·7	1·7	1·5	1·4
Eastern	"	1·0	1·3	1·7	2·0	2·0	2·0	2·2	2·1	1·9	1·8
Southern(4)	"	1·0	1·3	1·6	1·7	1·6	1·7	2·0	2·0	1·9	1·8
South Western(4)	"	1·2	1·8	2·2	2·3	2·4	2·3	2·9	2·9	2·6	2·4
Midland	"	1·1	1·3	1·6	1·3	1·4	1·4	2·2	2·1	1·9	1·7
North Midland	"	0·6	1·0	1·6	1·4	1·5	1·5	2·1	2·0	1·7	1·8
East and West Ridings	"	0·8	0·9	1·9	1·4	1·5	1·6	2·7	2·5	2·2	2·1
North Western	"	1·3	1·6	2·7	2·1	2·4	2·4	3·6	3·5	3·2	3·2
Northern	"	1·6	1·7	2·4	2·2	2·3	2·3	3·9	3·8	3·6	3·5
Scotland	"	2·4	2·6	3·8	3·6	3·6	3·6	5·4	5·4	4·8	4·7
Wales	"	2·0	2·6	3·8	3·8	3·7	3·9	4·6	4·7	4·6	4·4
VACANCIES											
Unfilled vacancies notified to Employment Exchanges : Total	'000s	390	276	198	209	217	218	156	154	181	198
INDUSTRIAL PRODUCTION											
Index :											
All industries	1954=100	106	107	106	112	114	104	108	110	107–108⁶	...
" " *seasonally adjusted*	"	...	...	...	108	108	106	109	107	107–108⁶	...
Mining and quarrying	"	99	99	94	104	103	96	99	99	...	
Construction	"	106	106	105	102⁸	...	104⁹	...	...	...	...
Gas, electricity and water	"	110	112	117	134	133	117	147	141	...	...
Manufacturing, total	"	106	108	107	112	115	104	107	110	...	...
" " *seasonally adjusted*	"	...	...	...	109	109	106	108	106	...	...
Engineering and electrical goods	"	107	111	112	115	127	102	111	117	...	...
Shipbuilding	"	117	108	109	112	107	107	108	107	...	...
Vehicles	"	107	115	118	129	132	120	127	...	...	...
Chemical trades	"	111	115	116	119	121	116	...	...	...	...
Textiles, leather and clothing	"	99	99	91	102	102	89	90	96	...	...
BASIC MATERIALS		M/W averages									
Production of :											
Coal (5) (7)	W	'000 tons	4,269	4,301	4,150	4,579	4,556	4,230	4,340	4,373	4,001	4,367
Pig iron	W	"	253	275	245	273	268	257	229	222	221	231
Steel, ingots and castings	W	"	397	417	369	428	432	408	357	347	363	387
Sulphuric acid	M	"	187·2	194·7	186·8	189·8	207·6	185·9	214·3	188·6	...	...
Newsprint	W	"	12·36	12·55	11·81	12·01	11·84	12·75	13·12	13·00	...	...
Electricity (5)	M	mn. kwh	7,263	7,581	8,209	8,276	9,448	7,960	11,079	9,522	9,124	...
MANUFACTURING											
Textile production :											
Cotton yarns, single	W	mn. lb.	16·33	16·85	14·77	17·38	17·14	15·00	14·38	14·51	13·55	...
Worsted yarn	M	"	19·38	19·48	17·18	17·23	17·78	16·42	19·03	18·26	17·60	...
Rayon and synthetic fibres	M	"	40·21	41·32	35·18	35·72	36·83	36·94	46·11	40·28	37·28	...
Cotton cloth, woven	W	mn. yds.	31·0	31·4	27·0	32·1	31·6	28·0	25·2	25·4	24·7	...
Wool fabrics, woven	M	mn.sq.yds	33·1	32·8	29·1	30·9	30·4	25·8	31·3	28·3	27·8	...
Engineering production :											
Passenger cars and chassis	W	'000s	13·61	16·56	19·84	20·87	21·85	20·31	19·03	19·88	20·54	...
Commercial vehicles and chassis	W	"	5·71	5·54	5·90	6·87	6·57	5·81	6·58	6·03	5·81	...
Internal combustion engines	M	'000 BHP	411	406	382	396	410	425	335	395	...	...
Metal-working machine tools	M	£'000	7,123	7,936	6,891	7,069	8,303	6,641	6,250	5,765	...	...
BUILDING ACTIVITY (5)											
Permanent houses completed :											
Total	M	'000s	25·03	25·09	22·81	20·09	24·64	21·71	18·29	18·75	23·63	...
By private builders	M	"	10·35	10·54	10·68	8·79	10·07	9·90	9·33	9·51	11·47	...

(1) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (2) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (3) Number registered as unemployed expressed as a percentage of the estimated number of employees. (4) Dorset (excluding Poole) was transferred from the Southern to the South Western Region on May 12, 1958. (5) Great Britain. (6) Provisional estimate. (7) Excluding all screening losses normally amounting to around 5,000 tons a week. (8) Average for first quarter. (9) Average for second quarter.



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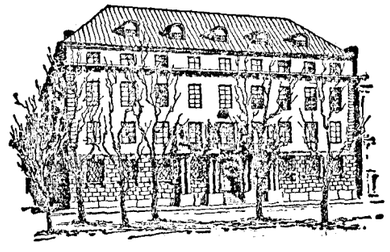
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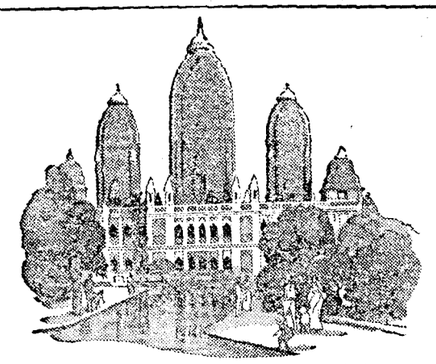
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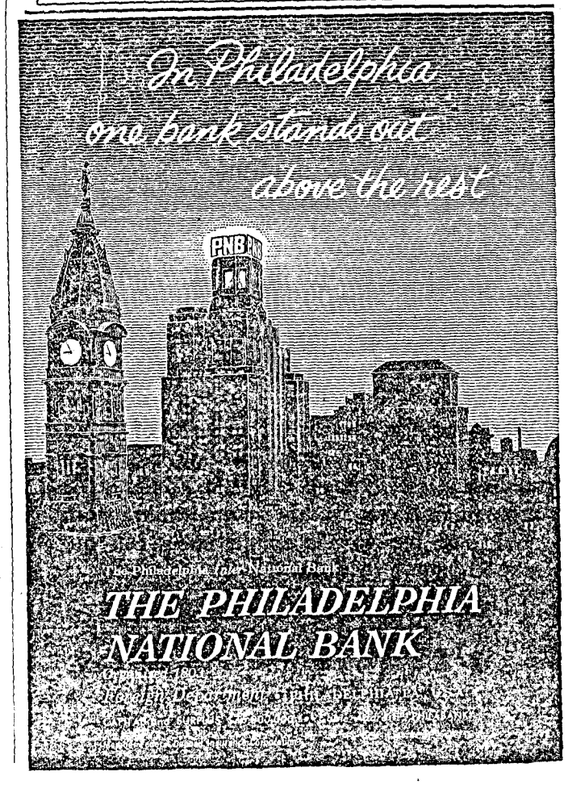
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Applicants should possess a University Degree in either Geography or Economics and consideration will also be given to Graduates who possess such a degree, but have not had the necessary planning experience, with a view to training for this work.

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Further information and the conditions of appointment may be obtained from the Registrar, University of New England, Armidale, New South Wales, Australia, or from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close in Australia and London on July 6, 1959.

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Application forms (four copies) and further information obtainable from Council for Overseas Colleges, 12 Lincoln's Inn Fields, London, W.C.2. Closing date June 5, 1959.

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Applications are invited for appointment as Assistant Lecturer or Lecturer in the Department of Economics and Commerce at a salary within the range £700-£850 a year for an Assistant Lecturer or £900 x £50—£1,350 (efficiency bar) x £75—£1,650 a year, for a Lecturer. Candidates should have a particular interest in economic theory and preferably some acquaintance with statistical method as used in economics. Applications (three copies), stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds 2 (from whom further particulars may be obtained) not later than June 13, 1959.

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AUSTRALIA

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Further information and the conditions of appointment may be obtained from the Registrar, University of New England, Armidale, N.S.W., Australia, or from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

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FINANCIAL NOTICE

ROYAL DUTCH PETROLEUM COMPANY

N. M. Rothschild & Sons ANNOUNCE that the General Meeting of Shareholders of the Royal Dutch Petroleum Company on May 20, 1959, have decided to declare a total dividend in cash of fls. 5.— per share in respect of the financial year 1958 to be paid on each of the 68,420,565 ordinary shares outstanding at December 31, 1958. The amount of fls. 5.— includes an interim dividend of fls. 1.50 which was made payable in October, 1958.

The dividend now becoming payable amounts to fls. 175.— per bearer certificate for 50 shares, fls. 17.50 per bearer certificate for five shares and fls. 3.50 per registered share respectively.

A. *On the bearer shares:*

This dividend will be payable against surrender of Coupon No. 117 on or after May 22, 1959, at the office of N. M. Rothschild & Sons on business days, Saturdays excepted, between the hours of 11 a.m. and 2 p.m.

Payment will be made in sterling at the buying rate of exchange on Amsterdam current at 2 p.m. on the date on which the coupons are so surrendered. In view of the fact that guilder funds are being provided by the Company for payment of this dividend the usual foreign exchange commission will be deducted from the sterling proceeds.

Coupons must be accompanied by a declaration in triplicate signed by an Authorised Depositary reading:

"We declare under our responsibility that sufficient evidence has been submitted to us that the securities from which the coupons enumerated below have been detached are provided with red export certificates issued by De Nederlandsche Bank."

From the gross dividend the Netherlands dividend tax of 15 per cent is to be deducted (i.e. there will be paid on Coupon No. 117 a net amount of fls. 148.75 per certificate for 50 shares and fls. 14.87½ per certificate for five shares), except in the case of coupons presented on behalf of (i) residents in the United Kingdom, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 V.K." in duplicate; (ii) residents in the U.S.A. provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 V.S." in duplicate, together with a single affidavit form "Inkomstenbelasting No. 92a V.S."; (iii) residents in Sweden, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 ZWE" duly completed by the Swedish tax authorities; (iv) residents in Finland, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 FIN" duly completed by the Finnish tax authorities; (v) residents in Denmark, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 DEN" duly completed by the Danish tax authorities, and (vi) residents in France, in which case either a French declaration model A signed by the shareholder with the certificate on the back duly completed by the appropriate French Inspector of Taxes or a French declaration model B in duplicate duly completed and signed by an authorised French bank must be provided.

As regards holders resident in France, attention is drawn to the fact that the regulations giving effect to the Franco-Netherlands Tax Convention provide that unless the model A or model B declaration referred to above is lodged when dividends are collected, dividend tax will be deducted and there will be no possibility whatever of reclaiming this tax.

In cases (ii), (iii), (iv), (v) and (vi) above the usual affidavit certifying non-residence in the United Kingdom will still be required if payment is to be made without deduction of United Kingdom income tax.

Coupons must be left for an appropriate period for examination and must be handed in personally. Coupons cannot be paid through the post.

Coupons must be listed *in triplicate* on special forms, embodying the declaration referred to above, which can be obtained on application.

B. *On the registered shares:*

As to the shares registered in the United Kingdom section of the Netherlands register, N. M. Rothschild & Sons are authorised to announce that the following arrangements have been made for the payment of the dividend amounting to fls. 3.50 per registered share (nominal value fls. 20).

May 20, 1959, is the date for the fixing of the Sterling amount of the dividend on the basis of the Sterling/Guilder rate of exchange current in Amsterdam on that date.

May 27, 1959, will be the record date. Shareholders registered at the close of business on that date will be entitled to receive the dividend.

On or before June 19, 1959, dividend warrants will be posted by the transfer agents, Nederlandsche Handel-Maatschappij, to shareholders registered in their books on the record date.

A further announcement will be made as soon as possible giving the rate of exchange, the amount of the dividend in Sterling per share and the amount of the 15 per cent Netherlands dividend tax in Sterling per share.

New Court, St. Swithin's Lane, London, E.C.4.

May 21, 1959.

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Standard Course No. 19

The next Standard course will be held from August 31 to December 18, 1959, inclusive. The fee for the course is £250 exclusive of accommodation.

Senior Technical Executives' Course No.9

The course will be held from September 21 to October 1, 1959, inclusive. The fee for the course is 50 guineas exclusive of accommodation.

Application forms and details of both courses can be obtained from:

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SANDWICH COURSE IN BUSINESS ADMINISTRATION

Commencing date: October 5, 1959.
Closing date for applications: August 31, 1959.
THIS FOUR YEAR SANDWICH COURSE will provide comprehensive instruction in BUSINESS SUBJECTS during the period October to April and practical training in BUSINESS METHODS during the period May to September.
STUDENTS—will normally be sent to the Polytechnic by their employers under Commercial Apprenticeship Schemes (Industry-based students) but a limited number of private students (College-based students) may be accepted for the Course.
ENTRY QUALIFICATIONS—at least three G.C.E./Ordinary Level subjects (to include English and Mathematics) AND two G.C.E./Advanced Level subjects OR a good Ordinary National Certificate in Commerce, Science or Engineering.
STANDARD—the standard of the Final Year will be equivalent to a GOOD HONOURS DEGREE.
EXEMPTIONS—a number of Professional Bodies have already agreed to grant successful students exemptions from their intermediate and most of their final examinations.
WRITE for further details and Application Form to Ref. DS/CLW, Woolwich Polytechnic, S.E.18.
The Woolwich Polytechnic has long-established Sandwich Courses in Electrical and Mechanical Engineering for the Diploma in Technology, and full-time internal Degree Courses for the University of London B.Sc. Engineering and B.Sc. Specials in Chemistry, Mathematics, Physics and B.Sc. General; also evening course for B.Sc. (Econ.).

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The full-time course for the *Certificate in Industrial Administration* commences on Thursday, October 8, 1959. The course prepares men for professional qualification in industrial administration, and is open to those holding junior managerial posts who can be released by their firms for nine months, as well as to recent university graduates. Demobilised officers from the Services may also be accepted.

In the first two terms students attend lectures and seminars on Economics, Industrial Accountancy and Finance, Administration, Industrial Relations, Production Engineering, Industrial Law, Industrial Psychology, Marketing and Distribution, and Statistics. There are also factory visits and talks by visiting business men. In the third term each student undertakes a detailed study of an industrial or administrative problem and prepares a report of a kind suitable for consideration by a board of directors.

A written examination is held at the end of the second term, and, if the result of this and the quality of the report are satisfactory, a *Certificate* is awarded.

The course is an exacting one and only a limited number of candidates of proved ability and established promise will be admitted.

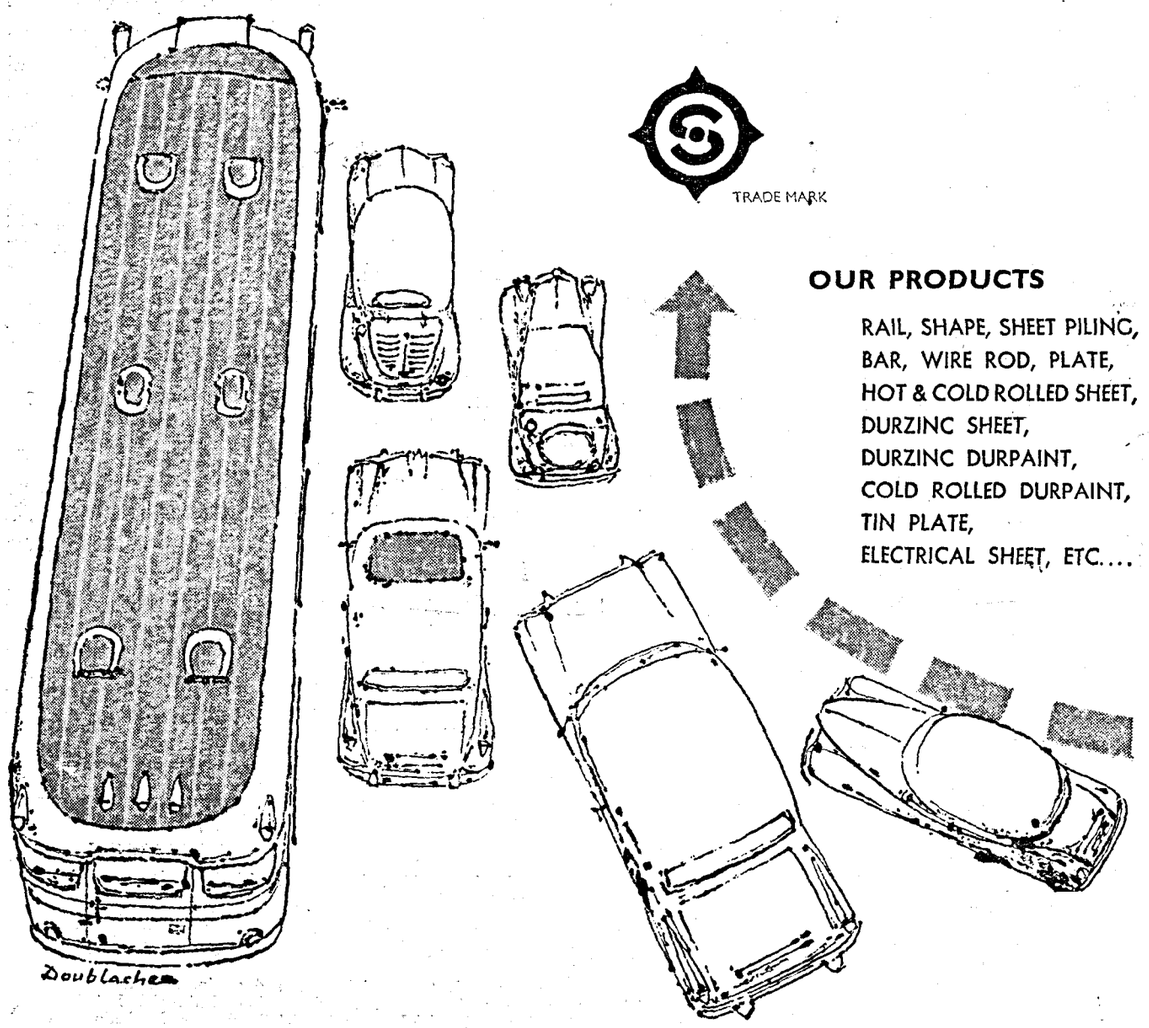
The fee for the course is £35 and in addition there is a matriculation fee of £3 3s. The closing date for application is June 30, 1959. Applications should be made on the appropriate form to be obtained from the Registrar, The University, Glasgow, W.2, who will supply further details on request.

ROBT. T. HUTCHESON, Registrar.

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General Qasim

Naonalist or Man of Straw?

The quarrel between Cairo and Baghdad forces the rest to take a stand (page 818)



Colonel Nasser

The Mediterranean

Mr Khrushchev is visiting the Adriatic just when the European countries of the Mediterranean are showing a desire to close their ranks (page 815)

No First Rise of Summer

There is now a better chance of stopping price and wage inflation than at any time since the war (page 817)

Mr Clore and the Brewers

His bid for Watney Mann is the biggest yet. Is it a good thing? Will it succeed? (page 864)

Can Coal Compete?

By the mid sixties, the British coal industry will have to be leaner; it has the chance to be healthier (page 861)

From the Finland Station

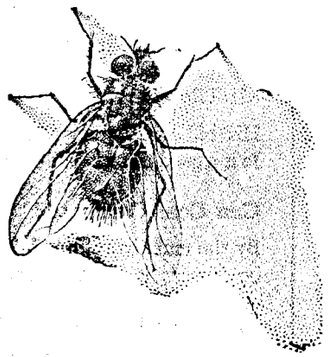
Our special correspondent's view of Finnish-Soviet relations (page 853)

Annual Postal Subscription by ordinary mail £4.10s.; overseas £5; by air see page 881
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VOLUME CXCI · NUMBER 6040

THE ECONOMIST MAY 30, 1959

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The GKN Group is big—in size, in operations and in ideas. But it has room—plenty of it—for those to whom a hairsbreadth is all the space in the world.

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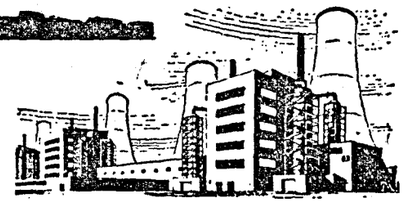
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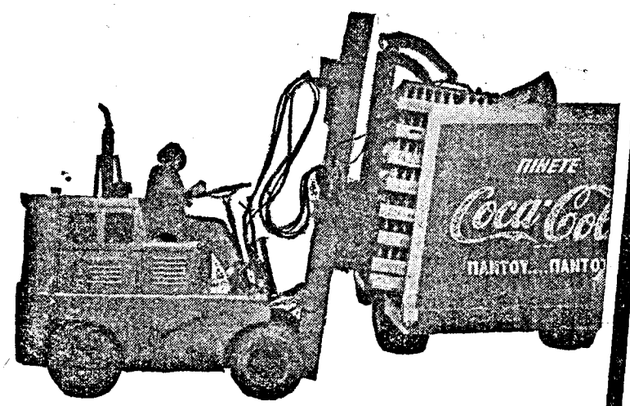
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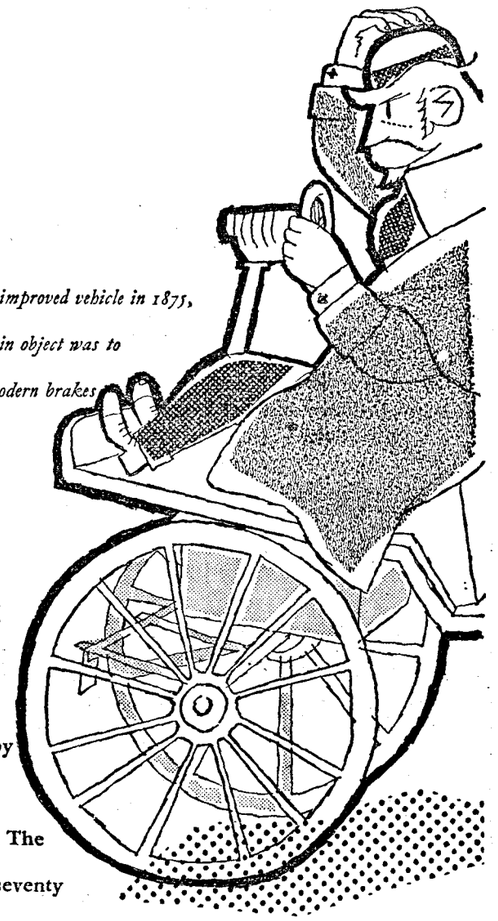
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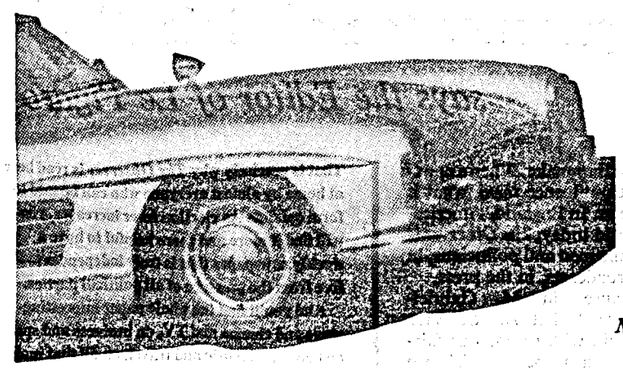
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Mercedes-Benz 300SL in which Redux is used for bonding brake linings to shoes. Photograph by courtesy of Daimler-Benz A.G.

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M. Gabriel-Robinet, editor of the famous Paris daily Le Figaro, *on the balcony of the newspaper's offices on the Champs-Elysées. Below, he gives some reasons why* The Observer *is respected by influential people in France.*

"Political leaders in France attach great importance to its opinion"

says the Editor of Le Figaro

"*The Observer* is a newspaper with which journalists and political leaders in France are very much at home," says Monsieur Louis Gabriel-Robinet. "If they do not always see eye-to-eye with it—particularly where the problems of their own country are concerned—they attach great importance to its opinions."

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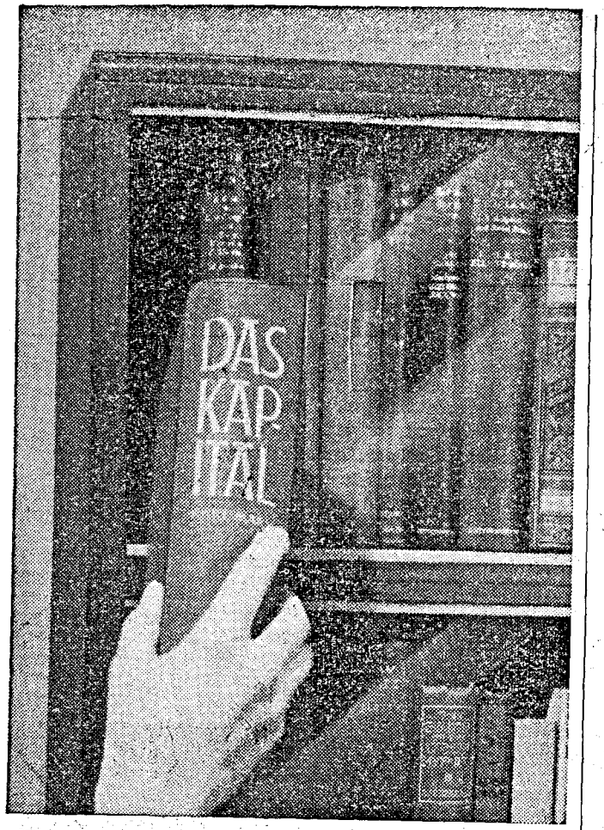
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P.2573



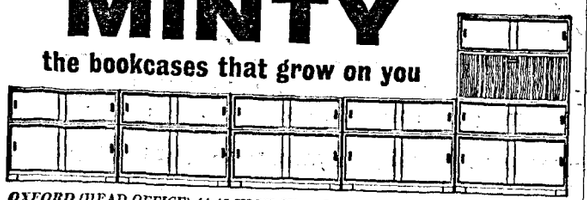
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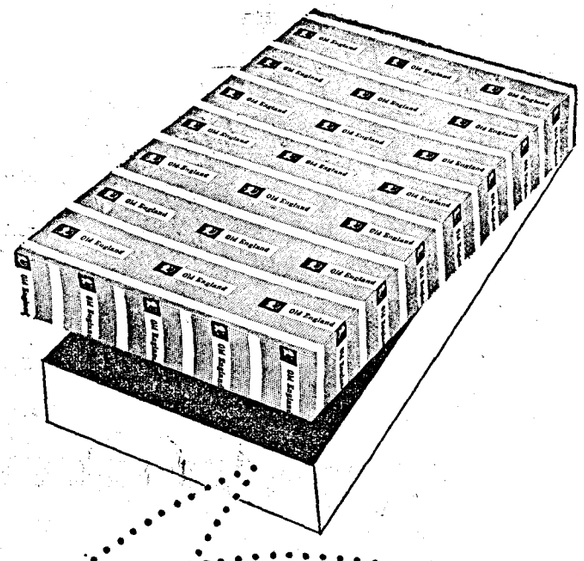
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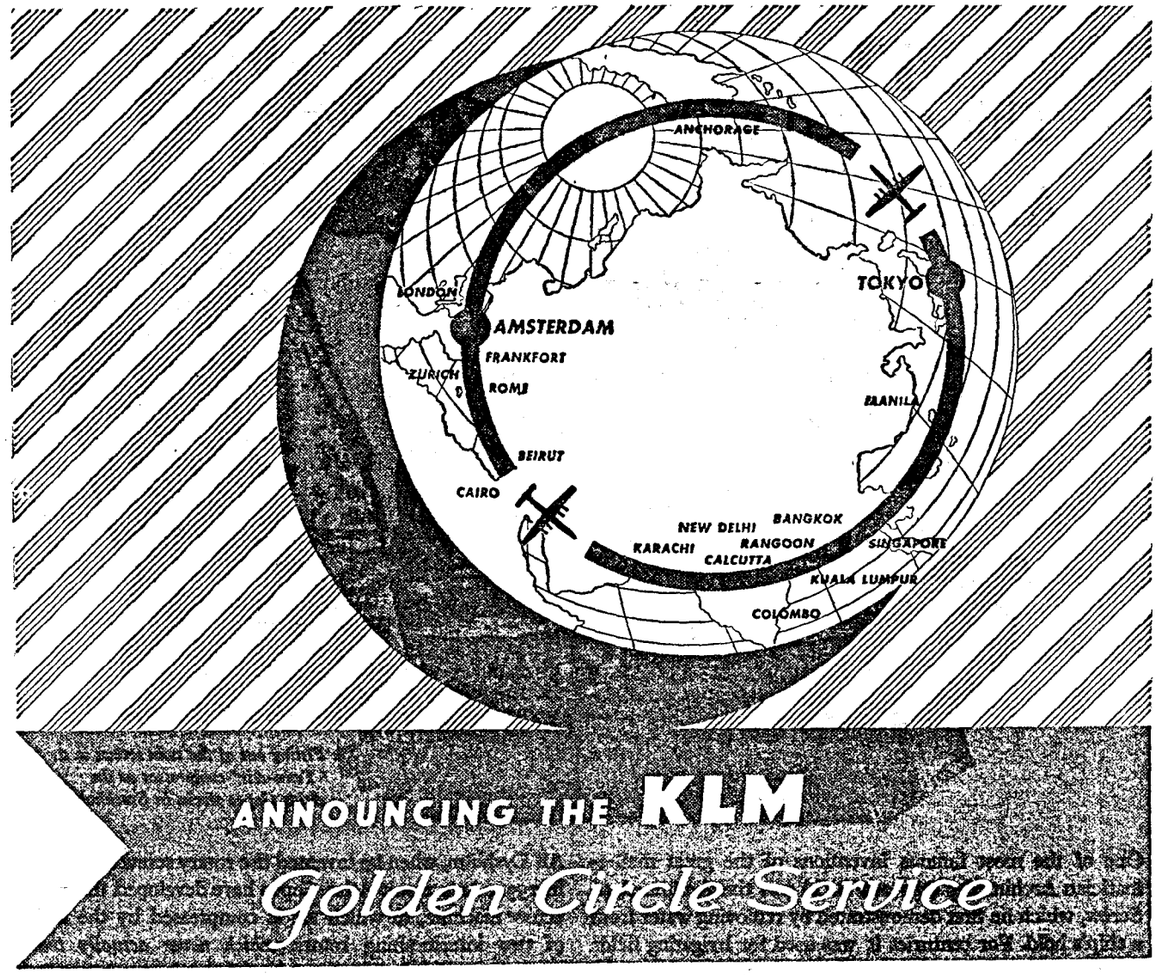


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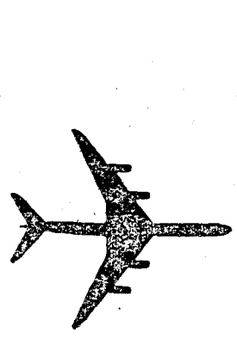
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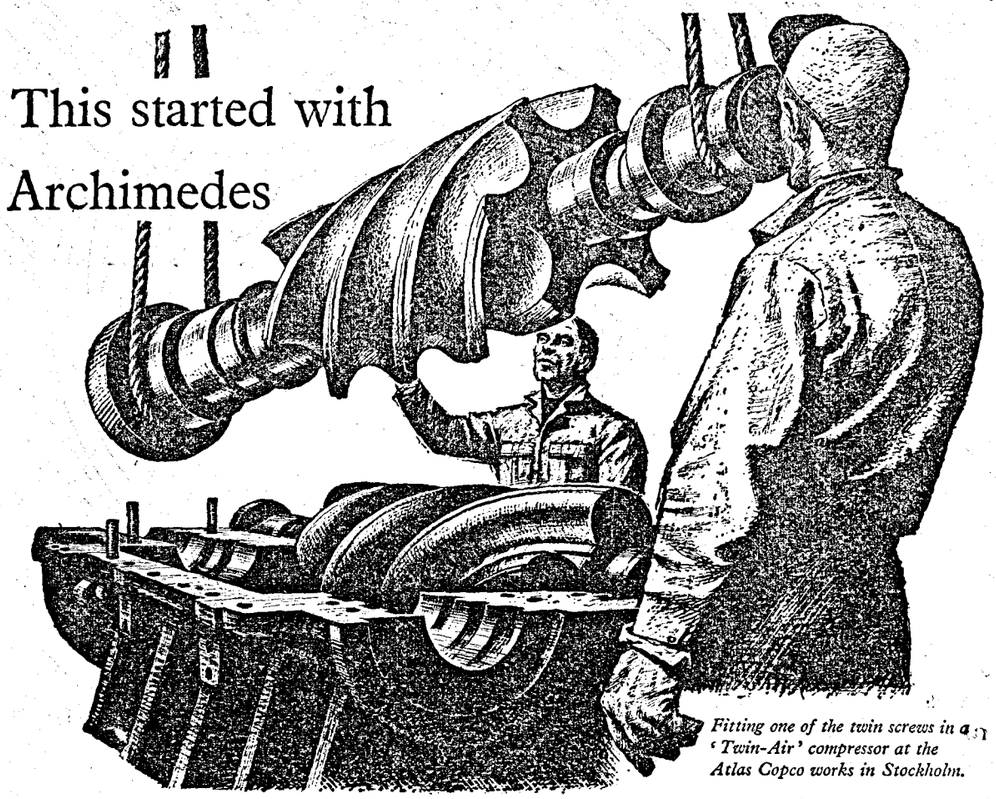


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The Mediterranean

GENEVA is not the only place where the diplomats and the politicians are working overtime. At many points around the shores of the Mediterranean as well, top people of various sorts are fully occupied. This week Mr Khrushchev has begun a fortnight's visit to Albania where the party leaders have done their best to make up for their country's lack of size and weight by the warmth, not to say adulation, of their welcome. Last week the state visit of the King and Queen of the Hellenes to Rome set a formal seal on the reconciliation between the two countries after the Fascist attack on Greece in 1940. (King Paul also paid an official visit to the Vatican, the first Greek sovereign to do so since the Byzantine emperor John VIII Paleologus came to Rome in 1439.)

Mr Sandys has been quietly talking defence and inspecting ruins in Turkey and in Greece; while Mr Petar Stambolitch, speaker of the Jugoslav parliament, has been conferring with his opposite number in Athens. Earlier this month the Greek and Turkish premiers and foreign ministers continued in Ankara the work of reconciliation that they began a few months ago in Zurich and London. The Turkish leaders themselves visited the western Mediterranean in April and, after Mr Zorlu had had friendly talks in Rome, he joined Mr Menderes in Madrid, where they signed a treaty of friendship with General Franco.

No tidy pattern emerges from this spate of activity by peripatetic politicians and discreet diplomats. Nor is it likely that it would. For the Mediterranean countries are distinguished by their diversity—ranging from Albania, dominated and controlled by Soviet Russia, to General Franco's extreme right-wing dictatorship; from staunch members of Nato like Italy, Greece and Turkey to fervent exponents of neutrality, like the United Arab Republic and Jugoslavia. Most of them attach a different significance to the Mediterranean. For Soviet Russia (as formerly for the Tsars) it is a warm sea, tantalisingly just out of reach, where it would be very desirable to be established. To the Nato countries it is both the right flank of their defensive system and a vital means of communication, westward to the Atlantic, eastward to the Middle Eastern oilfields. To many Frenchmen it is a bridge between metropolitan France and France in Africa. To many North Africans, it is a barrier to keep the thrusting French back where they belong. Spaniards see it, perhaps, as a way to the friendship and alliances for which they hanker after more than twenty years of virtual isolation.

Many guesses have been made about Mr Khrushchev's motive in choosing this particular moment to descend upon the Albanians. All may contain some part of the truth; and by the time Mr Khrushchev flies away again, having no doubt performed a generous stint of self-expression, it may be easier to see which guess is the best. It is an incidental advantage of this well-publicised and protracted absence from Moscow that it makes clear in Geneva, Berlin and the western capitals

that Mr Khrushchev wanted to let May 27th come and go without making an immediate issue of Berlin. No doubt there is a more direct purpose. Mr Khrushchev may very well want to find out for himself why it is that the Albanians persist in carrying their vendetta against Marshal Tito further than the Russians do themselves; he may suspect, such are the byzantine intricacies of the internal communist struggle for power, that they are being encouraged in this by some of his own colleagues —who might become his opponents—in Moscow. Mr Khrushchev's cordial birthday greeting to Marshal Tito during his flight over Jugoslavia suggests that he may at any rate be concerned to make the Albanians moderate their anti-Jugoslav outbursts.

It requires the eye of faith to subscribe to the Albanian party paper's hopeful declaration that Mr Khrushchev's visit will "consolidate the international position of the Albanian people's republic as a citadel of peace and socialism on the Adriatic coast." But it does seem likely that Mr Khrushchev considers this a suitable moment to underline the fact that Russia does possess a foothold (complete with submarine pens) on the Mediterranean shore. In recent years the Russians could sit back and contemplate with satisfaction the disarray into which Nato's eastern Mediterranean defence arrangements had fallen through the Greco-Turkish quarrel over Cyprus. But now the Greeks and the Turks are quickly putting their relations in order. Two Mediterranean countries, Italy and Turkey, have already agreed to the installation of rocket launching sites on their territory, and another, Greece, is considering the matter. By a powerful press and diplomatic barrage the Soviet block is doing its best to frighten the Greeks into a refusal. Russian notes to Athens and Rome have given warning of the dangers of atomic retaliation if either country accepts rocket bases; Mr Khrushchev added a threat on Wednesday to put missile bases in his Adriatic outpost; Albania and Bulgaria have also made their displeasure known in Athens. These protests, and the boost which Mr Khrushchev's lengthy visit will give to the Albanian government's self-esteem, are no doubt partly a result of Russia's genuine fear of encirclement by Nato bases; but they are also provoked by a desire to prevent the western powers from extending their hold over an area into which Russia will no doubt always aspire to penetrate.

FOR the non-communist powers in the Mediterranean this happens to be a favourable conjuncture not only for completing and overhauling their defence arrangements, but also for settling differences and improving friendships generally. Apart from the facts of geography and the common fear of domination by outsiders from the north, the Mediterranean countries since the dissolution of the Arab and Roman empires have seldom for long found much to bring them together, but always plenty to divide them. From time to time something happens to create an opportunity for something better.

In the years after the Treaty of Lausanne, for instance, Venizelos signed a series of pacts of friendship, with Italy in 1928, with Jugoslavia in 1929, with Turkey in 1930. The opportunities for turning over new leaves that the end of the last war should have provided were largely lost (except for the virtually stillborn tripartite Balkan pact) because of quarrels and disturbances, national and ideological. For a time Greece's civil war engrossed its energies and embittered its relations with Jugoslavia, while Jugoslavia and Italy fell out over Trieste. Next, the fragile friendship of Greece and Turkey was broken by the Cyprus quarrel; and at the other end of the Mediterranean, France's Algerian war alienated (and still alienates) the newly independent Arab countries of North Africa.

TODAY these once insoluble problems, with the big exception of Algeria, have been settled; and if it would be an exaggeration to say that the goodwill engendered by the Cyprus settlement is flooding into every Mediterranean inlet, the removal of this formerly intractable problem may well have helped to send the statesmen on their travels imbued with a desire to make hay while the sun shines. In this atmosphere it was perhaps inevitable that the proposal for a Mediterranean pact, to include eventually the Nato Mediterranean countries, Spain, and some of the Arab countries of North Africa, should make one of its periodic appearances. For the Spaniards, who are believed to have had much to do with bringing the idea forward again, it has obvious attractions as a possible side-door into Nato. But in fact, in the eyes of most of the potential members, such a pact has in present circumstances little to recommend it, and last week in Rome (where the present government is a good deal less Mediterranean-conscious than its predecessor was) the Greek and Italian foreign ministers firmly said so. Those Mediterranean countries that are prepared to co-operate in defence are doing so already through Nato or through such collateral arrangements as the Spanish-American bases agreement; while the Arab countries are not in any case prepared to be associated closely with the western powers in defence or any other arrangements.

Perhaps a more hopeful, if less spectacular, way of developing the present favourable atmosphere in the Mediterranean can be found in Greek plans to expand "the zone of peace stabilisation" created by the Cyprus settlement. Exactly what this involves is not yet very clear. But it seems that the Greeks hope to make use of the methods that brought about the Cyprus settlement to heal the differences and remove the misunderstandings and suspicions (for example between Jugoslavia and Turkey, and between Turkey and the United Arab Republic) that continue, for most of the time, to bedevil the relations of Mediterranean countries. The Cyprus settlement was the outcome of old-fashioned dogged diplomacy plus a mutual determination to succeed and a mutual readiness to compromise. Unfortunately it is not within Mr Karamanlis's power to make sure that these three qualities are brought to bear on other problems in which Greece is not directly an interested party. Still, these countries do have strong common interests, not least that of self-preservation. An attempt to establish a system of regional friendships among them might not be labour wasted now that, for the moment, most of the quarrels that have divided them have lost their heat. It must be feared that the attempt will not get very far until something can also be done to break down the barrier of suspicion and resentment that separates the Arab countries of the southern from the Europeans of the northern shore. It is still in North Africa that political opportunity beckons for Mr Khrushchev. The unsolved North African problem remains the obstacle to any ambitious effort by the Mediterranean countries to close their ranks, and until it is solved there will probably never be a moment when they can afford to regard incursions into the Adriatic by Mr Khrushchev, or his successors, with equanimity. In the meantime, there is useful diplomatic groundwork that they can do among themselves.

No First Rise of Summer

The opportunity of stopping wage and price inflation is now greater than it has been at any time since the war

INFLATIONARY cares infest this epoch and they are unlikely silently to steal away. But a significant event occurred on Thursday of last week, which has attracted surprisingly little notice. The Industrial Court then handed down its recommendations on the first big annual wage claim for 1959. In almost every other year the first award in a major industry in the annual wage contest has made headline news. This time the claim that happened to be first in the queue was from the building workers, for a substantial rise. The court has awarded them nothing. So there is no pacemaker for wage inflation in 1959.

Admittedly, certain special features attached to this building claim, and these explain why the trade unions themselves were unhappy that accident should have cast building wages in the pacemaking role. Building workers' wages are adjusted automatically every February to compensate for increases in the cost of living during the preceding year; in accordance with this, builders got a rise of 1d. an hour less than five months ago. It is not absolutely without precedent for a year to pass in which the builders fail to secure any extra increase over and above their usual "cost of living increase"; the same thing happened in 1953. Nevertheless, their history since of uninterrupted annual additional increases had caused the builders to claim, as a main argument before the court, that these additional increases had become an established custom.

It is true, too, that the building unions were not in a good position to wax very militant when the arbitrators turned them down; their members are scattered among nearly 100,000 small employers; many of them are itinerant Irish labourers, and their tradition of union solidarity is not very strong; and bonus and incentive schemes are often more important to them as a source of extra money than increases in nominal time rates. The relatively calm acceptance of their disappointment is no necessary test of what may happen in the case of unions that have the advantage of confronting a single employer in some nationalised industry, and that have the reputation of being able to make Cabinets and Ministers of Labour quake. Cautious anti-inflationists will also remember that a sort of Gresham's law operates in arbitration tribunals, and that awards by the Industrial Court have on previous occasions been driven out of circulation by more timid bodies following after them. The notorious Cameron award to the dockers last year showed how swiftly canons of restraint can be overthrown by a single court of inquiry which believes that almost any settlement is less damaging to the economy than any strike.

When all this has been said, however, the building judgment still confirms how great is the current opportunity to shake this country free from the twenty-year-long cycle of inflation; it is an opportunity immensely greater than seemed likely to be forged only fifteen months ago. At that time it was easy to state—but not so easy to foresee the satisfaction of—two prerequisites before Britain could escape from the burden of perpetual wage inflation. The first was a breathing space of one year of approximately stable prices. All through the period when prices were rising by 4 per cent or so per annum, arbitrators felt themselves obliged to give wage increases of at least the same size in compensation; these increases in turn made inevitable another increase in prices in the ensuing year, which in its turn was held to justify another at least equivalent compensatory increase in wages, and so ad infinitum. In 1958-59 the breathing space in prices has been achieved—by a mixture of good luck (in particular the fall in import prices) and good management (especially last year's decision to stand up to the London bus strike). The cost of living index for April, published last week, stood at 109.5, compared with 109.6 in April, 1958.

Once this breathing space had been achieved, the

second prerequisite for avoiding cost inflation was that other wage increases (i.e. those that had nothing to do with compensating for price rises) should not exceed the expected average increase in annual productivity per head; in the long term this is unlikely to exceed about 2 per cent. In the atmosphere engendered in industrial relations up to 1958, it had seemed likely that wage increases of the order of 2 per cent per annum would be angrily rejected by the unions as being tantamount to tipping with coppers. The refusal of a building wage increase in 1959 has shown the way out of this tunnel. It looks as if the period between one "respectable-looking" increase and the next might be spun out to more than a year—either by particular groups being obliged to accept no increase at all in some years, or by informal delays in the presentation of claims, or by specific agreements about the interval before the presentation of any new claim being written into the terms of wage settlements.

It is in these directions that the country could be moving now. Nothing is more important than that, in the next few months, action by arbitrators, timid Government departments, or divided groups of employers should not throw that prospect away.

Nationalist or Man of Straw?

In the contest for leadership of the Arab world General Qasim has fallen into dependence on Moscow; President Nasser may yet be able to get what he wants from both East and West

THE struggle for the Middle East has developed into a battle between champions. President Nasser of the United Arab Republic believes that his mission is to unite the Arabs. General Qasim, the prime minister of Iraq, has been dubbed "sole leader" by his supporters but, so far, he has had to confine his leadership to Iraq.

In Iraq the communist party has withdrawn its demands for the establishment of political parties and for participation in General Qasim's government. This has been widely interpreted as a triumph for the prime minister over the communists and as proof that he is still able to pursue a course of independent action. It is more likely, however, that the demands were originally made by Iraqi communists pursuing a course of independent action from which they have been turned on orders from outside Iraq. The members of the National Democratic party, the only political party that has kept a footing in Qasim's government, represent all shades of political beliefs from those who only opposed the domestic policies of Nuri es-Said to those who would happily see Iraq become a fully fledged democratic people's republic; others, probably the majority, are Iraqis who, in the best Arab tradition, are trimmers. Long before the Iraqi revolution last July there were Arabs who felt that the cold war and Middle Eastern successes of the Soviet Union meant only one thing—that the Middle East would be under communist control within the foreseeable future. They wanted to be on the winning side and made their plans accordingly.

By the beginning of 1956 it was becoming un-Arab and unpatriotic in the Middle East for anyone to be openly pro-western. By the end of that year the Egyptian radio and press had adopted all the clichés of radio Moscow and had set the tone throughout the area. Newspapers in such unlikely places as Mecca and Kuwait fell into line. Western imperialism was blamed for all the misfortunes of the Arabs since the days of the crusades. The operation was carried out in the name of Arab unity and Arab nationalism alone, and there was little need for the Russians to do much about it. Their work was being done for them by countless agents, most of whom knew nothing of Russians and little of communism.

Last July the Iraqi revolution was hailed as a further manifestation of Arab nationalism. There is no doubt that the Iraqis themselves believed this as sincerely as did the rest of the Arab world. But those few Iraqis who had overthrown the monarchy soon found that to revolt was easier than to govern. The only political group with any useful amount of organisation and discipline were the communists, few as they were.

As crisis after crisis developed in Iraq, General Qasim called the communists to his rescue. It was they who controlled the mobs in Rashid Street and the children in the schools. Now it looks as if they control General Qasim as well. The few anti-communist straws that he has cast upon the waters of the Tigris have been snatched at eagerly by western observers in a desperate effort to prove that Qasim is not a communist and that Iraq is not lost to the West. They point out that the Iraqis will not be so foolish as to jeopardise their oil income by becoming an outright satellite of the Soviet Union, and that they will not tolerate the shoddy merchandise of eastern Europe and Russia in place of the better things they are used to from the West. For reasons best known to himself, General Qasim has not given in to some of the more drastic communist demands. But he has withdrawn from the Baghdad Pact, he has armed the communist-led popular resistance forces, and every day there are reports of further involvements with the Soviet block. Iraqis outside the government dare not talk to westerners, and indeed give the impression that they would rather not talk to other Iraqis; nobody knows who will be betrayed next. It does not seem to matter whether Qasim is a communist or not; he may be merely a woolly idealist with a vague notion of helping the downtrodden. But it does matter if he is controlled by communists who, sooner or later, get their orders from outside the country.

LAST March the abortive Shawwaf revolt in Mosul set off a slugging match between Cairo and Baghdad which is still going full blast in spite of reports of attempted reconciliations and occasional honeyed words. The Mosul revolt received more attention than it deserved. Wishful thinking on the part of Nasser's Syrian henchmen gave it dimensions it never should have attained. When, after a few brief hours, the revolt died down, Nasser had to continue the myth that a widespread, popular movement had failed only because of communist strength in the Baghdad government. For Qasim the revolt meant that the communists had another opportunity to purge the army and the civil administration of their enemies.

Having spent three years building up sympathy for the Russians, Nasser has not found it easy to quarrel with his communist benefactors. But, unlike Qasim, he has made it clear that he is determined to go his own independent way. He has not flung himself headlong into western arms, and the West has wisely not opened its arms too wide. But it is respectable once more to be a Briton or an American in Cairo, as it is not in Baghdad.

The Russians have treated Nasser with the long-suffering attitude of a parent whose adolescent child has gone astray but has not yet been picked up by the police. They have not fallen into the trap of withdrawing military or technical aid from Nasser. In appearance, their aid remains the aid without strings that it was claimed to be from the beginning. There are, however, suggestions that the Russian-proposed modifications of the Aswan high dam plans are delaying tactics. Even if they are, they look better than the over-dramatic western withdrawal of money for the high dam project in the summer of 1956. In dealing with Iraq the Russians have a different sort of problem. There they have to contend with a government that may already lean on them a bit too heavily for their own comfort.

All the bitter words exchanged during the past two months have done nothing to settle the immediate problems of the Middle East. The Arab world is divided against itself more than it ever was in the days when Egypt, Syria and Saudi Arabia formed one side against the Hashemites in Iraq and Jordan. The Saudis have withdrawn from the battle in order to put their own house in order. Jordan's enemies are divided between those who hope King Hussein will fall, and those who are afraid of the consequences if he does. The quarrel between Nasser and Qasim may at least have given Arabs outside Iraq and Egypt a chance to pause and think more realistically about their future.

As the Arabs take another look at politics in their part of the world they may find that, thanks to Nasser, it is no longer such a foregone conclusion that the communists will rule all the Middle East in the near future. But they may also question the wisdom of depending on a leader in Cairo who has manœuvred himself into a position almost as isolated as that occupied by Nuri a year ago. Then it was the western position in the Middle East that seemed to depend on the survival of one man. Can it now be said that the Arabs' hope of saving the Middle East for themselves and from communism rests upon the person of Gamal Abd al-Nasser? If this is true, and there is no other obvious candidate, then the West will have to accept Nasser as the kind of Arab leader with whom it has to work. It will have to bear with hard words and the inanities of Cairo radio. Deprived of the power to direct the course of events in the Middle East, it will have to be content with such advantages as it can make for itself and hold in day-to-day dealings. These may be small, but they can also be more real than systematic plans, pacts or doctrines. The West has never found it a joy to do business with Nasser; but it is better to deal with a perverse nationalist who knows what he wants than with a man of straw who does not.

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THE ROYAL ACADEMY

NOTES ON SOME OF THE PRINCIPAL PICTURES EXHIBITED IN THE ROOMS OF THE ROYAL ACADEMY, No. V, 1859. By JOHN RUSKIN, M.A.

Mr Ruskin's Notes for this season display their usual amount of usefulness and interest. His criticisms are as searching, his remarks as acute and happy as ever . . . It may not be Mr Ruskin's object to furnish the public with a guide, but a large number of people will always use his Notes as such, and therefore in justice to the painters, and for the artistic training of his readers, a certain amount of completeness must always be desirable. The influence of these criticisms on the artists themselves is very perceptible, of course more immediately on the Pre-Raphaelites, but also through them on the other exhibitors. In his Notes of last year, Mr Ruskin pointed out the beauty of the delicate pink apple-blossom against the soft clear blue of a spring sky, and expressed his surprise that among all the modest and gentle beauties of nature which the new school have particularly made it their study to express, none of them should have chosen this. Three distinguished artists have set themselves the task in consequence, and we have Mr Millais' "Spring," Mr Horsley's "Blossom-Time," and Mr Hughes' "King's Orchard." . . . Mr Hughes' orchard is alone perfectly successful. Nothing can exceed the beauty of his colouring, both in blossom and sky, and the soft texture and delicate rounding of the former are given with unrivalled grace. It seems strange that with merits such as these, the picture in question should be one of the most disagreeably startling of all the Pre-Raphaelite productions of the year. "He has been allowing himself to go astray," says Mr Ruskin, "by indulging too much in his chief delight of colour; and this picture, which was quite lovely when I saw it last year incomplete, is now throughout too gay, and wanting in sweetness of shade." This fault, added to the provoking Pre-Raphaelite habit of choosing the most uninteresting countenances, and giving to the human form all the stiffness and angularity of which it is susceptible, makes this picture simply unsightly at first, and it is only after recovering from the first painful shock that the spectator can discover its real beauties and merits.

The Finished Product

"Finishing schools" for the seventeen-year-old daughters of the well-to-do are changing intelligently with the times

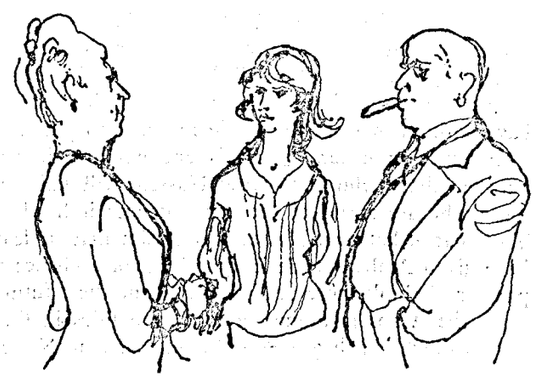
FIFTEEN years ago many people assumed that post-war levels of surtax would kill stone dead those expensive girls' academies known to the public as finishing schools. The resilience of British upper-class society, and the desire of some people overseas to imitate it, has proved them wrong. The vogue for egalitarianism has hardly affected the well-dressed groups of young girls who are often to be seen with their chaperone in the front seats at Covent Garden or the Festival Hall; nor has the demise of the debs diminished the demand for training in "social graces, etiquette, conversation and poise." In London, Paris, Brussels, Florence and among the Swiss mountains, these schools are now flourishing as gaily as anyone in the profession (it is rude to call it a business) can ever remember.

Not, of course, that these finishing schools now form a large part of the English educational establishment; they never did. If one excludes, on the one hand, the schools for domestic science (whose tone is more serious) and, on the other, the many language schools (some very chic) now proliferating all over the country, one is left with not more than twenty finishing schools proper in England and roughly the same number with a predominantly English tone abroad. They are not easy to track down since they are not included in the published list of efficient schools recognised by the Ministry of Education. Contact can be made through those two splendidly named scholastic agencies, Gabbitas Thring and Truman and Knightley, and also through the advertisement columns of the society magazines; but the most common recommendation is by word of mouth. From all these sources it emerges that of the twenty English schools about four are in London and the rest are in the south, mostly in the home counties. (The north, whether because of its meteorological or social climate, boasts none at all.) Of the schools abroad, Paris attracts the greatest number. Since the average school has around forty pupils, and keeps them for nine months, the total output of "finished" girls per year amounts to approximately 1,500.

By no means all of these girls are English. In many schools at least half the pupils are from overseas. Increasingly, wealthy families from the Commonwealth, Europe, South America and the East are hoping to instil into their daughters some of the virtues of the English milady, at a time when social reformers had supposed that the species ought to be dying out at home. This is one basic change—and for the schools' owners a most fortunate one—in the clientele of finishing schools since before the war. Another is the much higher proportion of fathers in the business world, and much smaller proportion of landed aristocrats, than in the thirties. Although unwelcome to a few diehards as lowering tone, this is accepted as inevitable by most headmistresses. (American businessmen, however, do not on the whole send their daughters to be finished, since their girls mostly go on to university anyway.) Thus, finishing schools are no longer the playground of the daughters of England's upper crust only; but they are still, for two reasons, overwhelmingly English institutions.

THE first reason lies in the British class structure, still unique in the western world. For these finishing schools, with their strong snob value, appeal to the class-conscious as well as the education-conscious parent, in an intermingling of parental emotions which foreign educational systems usually have no tradition of satisfying. Even in Italy, hardly a great egalitarian country, all children go to state schools. Thus, a blush of near-Victorian snobbery still deliberately suffuses some—though not all—of the finishing schools. Others, with their "meet-the-people" tours of factories and shipyards, are self-consciously coming to grips with modern society; and in a few, the old-fashioned veneration for the duchess's daughter has widened out into a genuinely more liberal spirit. But parents may well not wish that this goes too far. The demand is for upper class establishments and that is what these schools essentially are.

The second reason for the popularity of finishing schools lies deep in the structure of British education. After a girl at a private school has passed her GCE at 16, she may well not want to continue her pinafored life into the sixth form. Moreover, unless she looks like being among the top one per cent in intellectual brilliance who might eventually win one of the scarce women's places at Oxford or Cambridge, some upper



class parents may not want her to acquire academic aspirations; she would have to satisfy them at Redbrick, which is said to be full of dangerously angry young men. So, rather than let her become a blue stocking, or remain for too long a hockey-playing English schoolgirl type, they snatch her away from segregation in the catty atmosphere of manless teenage girls. In the old days their aim might have been that she should meet and marry a suitable young man at an early date; but this aura of an adolescent marriage market is dying fast. Instead, finishing schools are now being transmuted into "continuation colleges" with the emphasis on beginning rather than finishing. In many cases this continuation provides a genuinely widening course of study, a real apprenticeship course for upper class society misses.

THE subjects studied—sometimes, though not always, under rather fuddy-duddy teachers— can be wide ranging and indeed often useful. At Cygnets House, a leading London school, a girl can study languages, the history of art, dressmaking, cooking and even journalism. At Hartwell House, an efficient course in good citizenship includes all the normal subjects which that rather repellent title suggests—with public speaking, essay writing and international affairs to boot. In Switzerland a girl who goes to a serious school can learn French perfectly and can also have a superb time skiing, swimming and riding, for nine months—at a price. In England, the cost of a normal year's course would be around 135 guineas basic a term and extras would bring this to around 150 guineas; in Switzerland it would be rather more, probably 200 guineas a term all in. But parents would be well advised, especially for schools abroad, to check on the extras. For some schools, these can add up to a high proportion of the basic fee.

The major problem these schools face—apart from the inevitable financial instability of any small enterprise—is boys. These probably cause more headaches to most headmistresses than anything else. On the one hand, the girls naturally want to go out and have a good time with members of the opposite sex, and their parents want them to; on the other, mothers and mistresses must not feel that the girls are ever getting out of hand. The result tends to be an uneasy compromise of chaperoned lunches and dances, of "approved" restaurants and young men, and of ceaseless detective work into possible burgeoning *mésalliances* and—abroad—hidden bottles of wine. Experience at one good Swiss school shows that, of all nationalities, English girls are hardest to control; they easily run amok and lose their sense of proportion. The Americans are better since, although they can be wild, they have already, at 17, several years of dating experience behind them and know roughly how to cope with men. The Germans are best, since they tend not to go out but rather to stay in and study. But the feeling between the various nationalities is reported generally to be excellent.

The picture that thus emerges is not quite the cockshy for social critics that might be expected. The schools abroad, in particular, seem to be excellent places for a girl to have a really good time. Even at home, the continued leavening of students with foreign girls and the greater (but not too pedantic) attention to study are surely trends in the right direction. One of the great mysteries of British upper and middle class life has always been the way in which it keeps many schoolgirls such repellently awkward grubs up to the age of about fifteen or sixteen, and then suddenly transforms many of them into quite presentable butterflies a year or two later. The finishing schools are places where this transition can take place probably as smoothly as, and often more enjoyably than, anywhere else, so long as the parent can afford them.

NOTES OF THE WEEK

DOLLAR IMPORTS

Setting the Consumer Free

THE liberation of dollar imports announced on Thursday is a major and very welcome move. It is also an eminently logical one. Ever since the achievement of technical convertibility for sterling, there has been no lasting economic reason for discrimination between dollar imports and any other sorts of imports; it could therefore be regarded as a bit absurd that up to this week quota restrictions were still maintained on 27 per cent of our imports from the dollar area (including virtually all consumer goods), while only 5 per cent of our imports from most non-dollar countries (other than the Soviet block and Japan) were so restricted, and all our imports from the sterling area were quota-free. But the British consumer has been cut off from an opportunity to buy American domestic appliances and other consumer goods for nearly twenty years; nobody can be quite sure how excitedly he will rear when he smells some of the oats of freedom, and it was not expected that the Government would have the courage to make a nearly clean sweep of discrimination at one swoop.

In the event, however, it has very nearly done so. From now on most goods that have hitherto been allowed in freely from non-dollar countries can be freely imported from North

America as well. The exceptions include textiles, pharmaceutical products, cheap literature, meat, fish, citrus and other fruit—a curious list in whose compilation political fears (and political tenderness for Commonwealth countries, including the West Indies) have evidently played a larger part than timidity about the balance of payments. For the 5 per cent of goods of which imports from non-dollar countries have always been restricted—again mainly for protectionist rather than balance of payments reasons—the Government has adopted two different courses; in some cases (e.g. clocks and sports goods) it is increasing the present global quotas and making them general so that dollar suppliers will be able to compete with everybody else; in other cases (e.g., motor cars) it is increasing the dollar quota itself.

The example of motor cars will be quoted by many people to suggest that these steps could have been made long ago. In the days when everybody talked of dollar shortage, it was widely believed that British consumers were pining to buy American cars. In fact, however, last year 150 thousand Americans chose to buy British cars instead, and only 200 American cars were imported here (less than the quota would have allowed). For such obvious consumer needs as cars, British manufacturers, aided by the lower wages they have to pay, have learned to be fully competitive. Where these liberalisations may be surprisingly effective is in revealing a popular taste in Britain for certain subsidiary sorts of American gadgetry which British manufacturers had not previously suspected. The new freedom is unlikely to have any seriously adverse effect on the British balance of payments, but it may well waft in more competition than is generally expected for some British and foreign industries that have previously enjoyed a sheltered market here. Three cheers for that.

EUROPE

The Other Union

THE scheme for a little free trade area between Britain, the Scandinavian countries, Austria, Switzerland and Portugal has now gathered sufficient momentum to have a fair chance of being put into practice. Officials have had a number of talks on the subject since the beginning of this year. Some of them have felt, ever since the original free trade area plan failed, that the best thing to do was to make a start with those countries which could agree. Ministers have hesitated because such a scheme would get no nearer to answering the political questions about Britain's future position in Europe and the world which have been posed by the creation of the common market. Now, apparently, the tendency is to set those doubts aside. Final decisions have not been made by the governments involved. But announcements in London and Stockholm have blessed a further meeting of officials, which will discuss the scheme further in Stockholm on Monday.

If hopes are fulfilled, these talks would be the first of a series, designed to bring the scheme to completion within a few months. There has never been much doubt that the seven countries involved could agree on the institutional and technical aspects of such a scheme. They, after all, were the principal backers for a broader free trade area. It is the Six they have been unable to agree with, and whom they will presumably still have to seek agreement with one day. There still are, however, uncertainties about the likely membership of the proposed area, doubts which arise from the fact that the member countries trade more with the community of Six than with each other. Further details of this trade pattern are discussed in Business Notes.

For a while Austria and Switzerland seemed to present the most difficult problems. But their position is probably less embarrassing than that of Denmark. Discussions so far have been conducted on the assumption that the scheme would be a free trade area for industrial goods alone. But Denmark naturally wants something for its farmers too. It has also been torn by the anxiety not to get on bad terms with the Six, whose agricultural policies will affect Denmark's interests deeply. Denmark, indeed, would certainly join the common market if its Scandinavian neighbours would do the same; but if they will not, then a strong political loyalty holds it back.

In the end, if Britain puts all its political weight behind the little free trade area, it will not be easy for the Danes to stay outside. They, perhaps more than anyone, will therefore welcome the emphasis that the British government is laying on the need to come to terms with the Six in the end. That statement seems a little academic at the moment. If a new group is formed in Europe it seems likely to occupy the energies of officials and industrialists for a while. Nor is it likely to accelerate the re-examination of assumptions that seems necessary if agreement is to be reached with the Six. But the dangers would at least be reduced if the timing and institutions of the new scheme were designed to facilitate a later merger.

BERLIN AND GENEVA

The Day Passes

ON May 27th, the day which Mr Khrushchev (gazing, as he later said, at the ceiling) had appointed six months ago as Berlin's date with destiny, the British garrison there did indeed go down to ignominious defeat—but at the hands of a visiting Australian cricket eleven. Mayor Brandt's forecast of a quiet day on the Spree proved justified. Mr Khrushchev himself was in Albania. Mr Gromyko was in Washington with the other foreign ministers, attending the funeral of Mr Dulles: the same Mr Dulles whom Monday's East Berlin newspapers described as an accomplice of Hitler; the same Mr Dulles of whom Mr Mikoyan, also on Monday, spoke with warm admiration, adding that "we prefer strong men to those who are conciliatory but unintelligent"—a remark likely to raise diplomatic eyebrows in many a capital along the borders of the communist empire.

On Thursday, while Mr Eisenhower spent the morning closeted with the four foreign ministers, who were later to experiment with talks at a very high level indeed by flying back to Geneva in the same aircraft, word came from several different delegations in the conference city of a possible bid to get new Soviet assurances about West Berlin in exchange for some token reduction of the allied garrison there—a garrison which, at its present strength of 11,000, is itself no more than a token.

Canards in Flight

WHEN they return to Geneva after paying their last respects to Mr Dulles, the four foreign ministers are to take their long awaited step into the relative privacy of "off the record" meetings.

Mr Gromyko has evidently agreed to leave Dr Bolz, of East Germany, outside the door. Whether or not this change in procedure yields any tangible results, it is bound to be a change for the better. Hitherto the conference arrangements have combined the worst of both worlds. The press, while excluded from the ministers' meetings, has been given a full nightly report on them, often including verbatim accounts of speeches, by six official spokesmen, holding forth simultaneously in six different rooms in one building. If the press had been allowed in the gallery during the actual meetings, it would have learnt nothing that was intended to be kept secret; journalists would have had more time to prepare and check their reports; there would have been no opportunity for the less scrupulous of the delegation spokesmen to distort their versions of the day's proceedings; and there might not have been such a proliferation of malicious rumours among the hundreds of correspondents gathered in Geneva if they had not been milling around most of the day with little hope of a story before suppertime.

Already there has been a sizeable journalistic disengagement from Geneva—and the flights of canards have simultaneously dwindled, though this also fortunately reflects a certain increase in mutual confidence between the western delegations and an enhanced resistance to "stories," planted either by communist publicists or by other zealous individuals, about both British "appeasement" and west German "revanchism." On Tuesday Herr von Brentano assured his parliamentary colleagues in Bonn that he found the British at Geneva fully as co-operative as the other western partners; and this after it had become clear that the main object of going into secret conclave there was to permit the discussion of separate items from the famous "package." But there is an important distinction between discussing items separately, which is mere commonsense, and letting Mr Gromyko take his pick among the West's various offers, ignoring what he does not fancy. More will undoubtedly be heard of this in the next few days. Not even secret sessions are likely to prove all that secret.

PARLIAMENT IN RECESS

Political Caravan

THERE has been no rest for some politicians during the Whitsun recess. Mr Gaitskell has been enthusiastically peripatetic, having "interesting and serious discussions" with Mr Nkrumah in Ghana last week and "meeting the people" in East Anglia this week. Mr Butler has been devotedly busy with press interviews and speeches, and has managed to reveal part of the Conservative manifesto for the next election in the process. It will include a promise to legislate for betting reform, so that the country will have "bookmakers and their shops and the Tote and its shops"; there may also be a promise to ease the strictness of present drink licensing arrangements, but there is to be nothing doing yet awhile about liberalising the Sunday observance laws, changing the system of theatre censorship, or making private homosexual acts no longer a crime.

The Chancellor of the Exchequer has been greeted at a west country garden party by a sea of pamphlets calling for abolition of the entertainments duty on cinemas. *Post hoc*, though certainly not *propter hoc*, there have been strong rumours that he will in fact accept a backbench Tory amendment to the Finance Bill that would bring some relief to smaller cinemas in particular. It is clear that the cinema duty is now gradually going the way of other forms of entertainment duty; it is being cut down until it yields well under £10 million a year, and then it will eventually be abolished altogether. When it is abolished, uneconomic cinemas will still go on closing as now.

Meanwhile, the Prime Minister has spent this Geneva-time playing golf in Scotland, and has no doubt been reflecting on the virtues of the legend of unflappability while doing so. Mr Macmillan on the links does not nowadays risk comparison with President Eisenhower; he invites it with Drake. For backbench MPs the problem this summer is not how to snatch a holiday but how to fill in parliamentary time. On its re-assembly next week, as well as giving second readings to the Government's new bills to aid civil service pensioners and the cotton industry, Parliament is to have one supply day; it is being devoted to Scotland, in accordance with Labour's present rather desperate "sectional tactic" of propaganda, which consists of complaining that every section of the country and of the community in turn is being treated unfairly compared with everywhere and everybody else. It is only in such minutiæ as this that electioneering cramp has yet really set in at Westminster, but the main topic of conversation among politicians is still when the election will be. One of Mr Butler's speeches during the holiday could be interpreted as implying that he personally would originally have preferred the election to be postponed until February of next year, but is now inclined to favour an autumn election instead; so certainly, after Tory successes in the recent local elections, do the majority of the Conservative party in Parliament.

ACTUARIES AND PENSIONS

Pensions Out of Politics?

THE learned bodies representing actuaries in England and Scotland have this week performed a "professional duty" by ruffling the nation's conscience about the long-term mess into which party debates about pensions are launching this country. Their figures are depressingly cogent. At present the cost of state old age pensions absorbs about 5 per cent of the national income. Under the Government's present Pensions Bill, that cost would eventually (about the turn of the century) rise to 9½ per cent of the national income; under Labour's proposals it would eventually rise to 15 per cent of it. The actuaries roundly condemn as "facile" the common view that an increasing national income will in some way cut these proportions; that would only happen if, as national income rose, it was decided that the standard of living of pensioners should fall relatively to the rest of the community. Neither party says that it stands for that. Anybody in this generation who votes for the Labour party's present pension proposals is therefore voting that our children and grandchildren should pay away three times as much of their incomes for our pensions as we are willing to pay to our own parents now; the Tories are slightly more moderate because they are saying only that our children should bear only twice as heavy a burden as we do.

No reasonable person who reads this pamphlet*—however many marginally different guesses he might make

* National Pensions—An Appeal to Statesmanship. By the Councils of the Institute of Actuaries and the Faculty of Actuaries in Scotland.

about some of the detailed calculations—can doubt that some time in the next twenty years the present vote-catching approach to pensions policy is going to have to be unpopularly reformed; eventually existing workers are going to have to be told to save more directly for their own pensions (probably through an extension of private superannuation schemes), increases in state pensions are going to have to be paid out only on proof of need, and the age at which one qualifies for a pension will have to be raised. The actuaries do not, in this week's pamphlet, make any of these politically contentious proposals; they are concerned only with a mechanistic device which might bring the day of reform nearer. They urge that, with the mutual consent of all political parties, a permanent "authoritative and independent body" should be established with "the duty of keeping national pensions under review and the responsibility of making recommendations." The idea is, of course, that this National Pensions Council would then say the things that politicians do not dare to say at present, but which eventually they will have to do.

The Tactics of Reform

WOULD this tactic really work? If a Conservative government were to set up this proposed National Pensions Council in the near future, one very much doubts it. Labour would howl that the authority was usurping the authority of Parliament; the council's recommendations would no more be "taken out of politics" than were the recommendations of that ill-fated analogous mistake, the three wise men. So long as the Tories are in office the best hope—and it is not a forlorn one—is that they may eventually move directly towards doing the things that need to be done.

If the Labour party were returned at the next election, the tactical situation might be different. The next Labour government may well run into an early pensions crisis, as it finds out that some of its pre-election promises are unattainable; the formation of a National Pensions Council to make alternative practical proposals might be a useful device to enable it to get out from under. One fear about the actuaries' suggestion is in fact that, by being presented while Labour is in opposition, it may prove to be unluckily timed; if it becomes a matter of acute political controversy at this early stage, Labour zealots may feel tempted to cry stinking fish upon what could be a potentially useful escape route from a future Labour government's mess.

BELGIUM

A Monarchy in Trouble

TO the British observer, used to the strict conventions that govern the British monarchy's relationship with its governments, the strains that arise between the Belgian court and the political parties are not always easy to understand. The present Belgian government, which took office last July, has a good record. An agreement between the parties in November put an end to a long and bitter struggle over the lay or religious control of schools. When the troubles arose in the Congo earlier this year, the Belgian government met the situation with a creditably swift advance towards the idea of eventual independence. It may, however, not be entirely free of blame for the clouds that have now gathered. In a number of matters, it seems to have failed to insist on being consulted, either by the King or by his family and advisers.

The first was either a court intervention, or at least a very active court interest in Congolese affairs. When the government's new programme for the Congo was announced, it wished to replace the present Governor, M. Cornelis; but he was kept in office at the instigation, as it was believed, of the palace. Next came the arrangements for the marriage of Prince Albert of Liège, the heir-presumptive to the throne. The Prince is to be married by the Pope in the Vatican, where, naturally, the Pope wields temporal authority. In the view of the Vatican and of the Belgian court, this rules out the civil marriage which Belgian law normally requires; but many Belgians dislike seeing their law circumvented in this way. It is all very embarrassing to a government of liberals and Christian socialists who are disposed to support church and monarchy alike.

What is unhappy is that disputes of this kind in Belgium bring to the surface an undercurrent of rancour against the royal house which has never ceased to flow from the events of the last war. King Baudouin's father, the former King Leopold, because he was at the centre of those events and because he has never seemed to detach himself from his son's affairs, is once more being attacked. Perhaps to disarm popular resentment, but not without a suggestion of resentment on his own part, King Leopold has now proposed to take up a separate residence from his son. Unfortunately the solution, if it is a solution, has not come until feelings had already been allowed to run high.

NETHERLANDS

Labour in Opposition

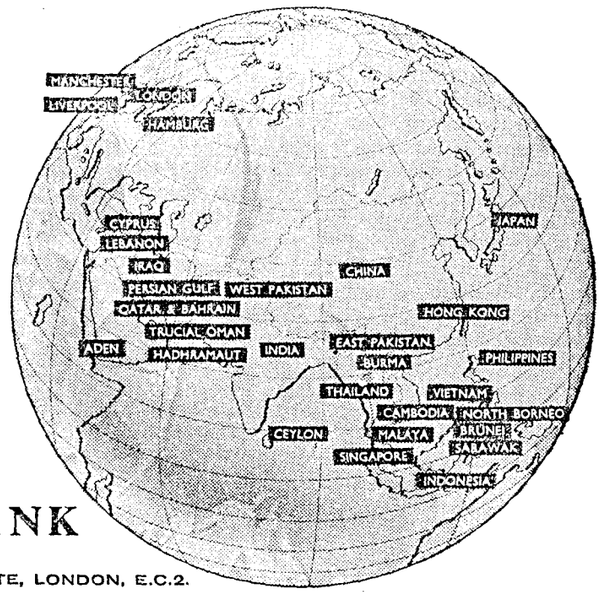
THE government whose policy Professor de Quay outlined in the States General on Tuesday is the first in postwar Holland in which the Socialists have not taken part. Confessional politics have long kept the Dutch Right divided between the Catholic People's party, two Protestant groups —the Christian Historical and Anti-Revolutionary parties— and the lay Liberals. One or more of these has hitherto proved willing to go along with Labour in a succession of coalitions.

However, in the course of the long interregnum since the March elections, the anti-socialist parties have managed to sink their differences. The main architect of the new coalition is Professor Beel, who is not a member of the cabinet but surveys it benignly from his seat in the Council of State. His own Catholics, who in March nosed ahead of the Socialists to become the largest single party by a margin of one parliamentary seat, provide the prime minister and five other members of the new cabinet; the Liberals have three ministers, the Protestant parties two each.

The de Quay government has a comfortable majority, if it holds together. The prime minister indicated on Tuesday that one of its main adhesives is abhorrence of what its members regard as the Socialists' indecent eagerness to get rid of Dutch New Guinea. Another, and perhaps a more dependable one at a time of pretty general prosperity, is a common impatience with the economic controls and subsidies that have survived from the Dutch plunge into planning after the war. Continuity in foreign policy as a whole is symbolised by the retention of Dr Luns as foreign minister.

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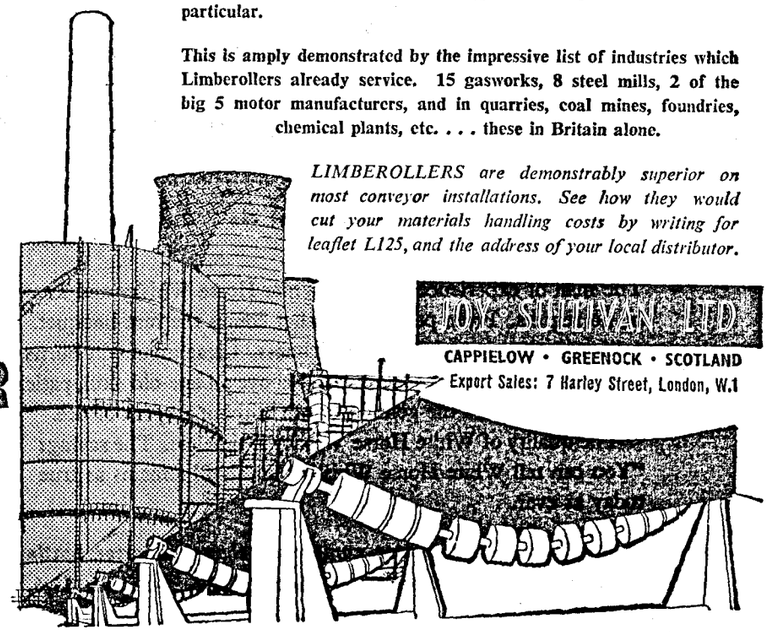
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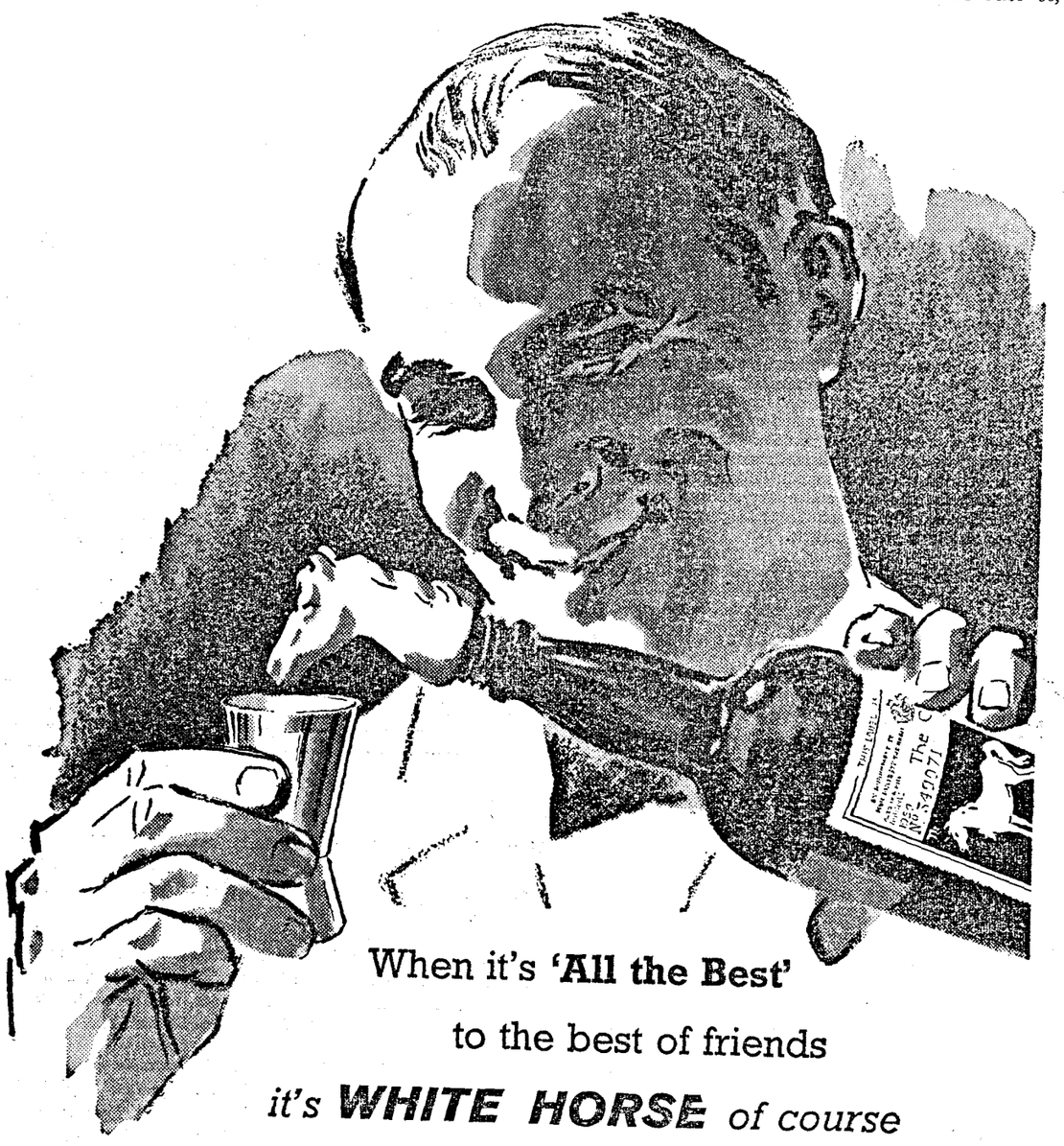
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CAREERS

What Teenagers Do

PROBABLY no two problems cause more heart-searching in life than choosing a wife or husband and choosing a career ; with the coming bulge in school-leavers, the choice of a career at least is bound to become harder still. The enterprising careers exhibition, organised this week by the National Union of Teachers, has thus come at an appropriate time ; under the cavernous glass roof of Olympia, it sets out a large selection of possible jobs open to boys and girls. Among the crowd of teenagers, some using the machinery provided on the industry stands, some just gaping and a few surreptitiously smoking in corners, much interest was certainly being created this week.

WHERE TEENAGERS GO
(Per cent)

	Boys	Girls
Into employment :—		
At age 15	67·4	66·0
„ 16	10·6	9·6
„ 17	2·9	3·3
Total obtaining work at age 15–17	80·9	78·9
Continuing full-time "further education"	7·1	11·2
(*Of which at university*)	(3·7)	(1·6)
Others*	12·0*	9·9*
Totals	100·0	100·0
Of those at work by 17 :—		
Apprentices	29·9	4·7
Professional	0·8	0·8
Clerical	6·5	26·8
Other (mainly unskilled)	43·7	46·6
Totals	80·9	78·9

* Still at school, doing national service or unemployed.

What employment opportunities have been offered to British boys and girls as they have reached school-leaving age in recent years, and how is the situation likely to be changed now the bulge years are upon us ? The accompanying table shows what happened, then and subsequently, to children reaching the age of 15 in 1955. It will be seen that approximately two-thirds of both boys and girls then left school at the earliest possible opportunity, at age 15 ; by age 17 approximately 80 per cent were in employment. As the last section of the table shows, just under 30 per cent of the boys, but less than 5 per cent of the girls, took up apprenticeships. However, just under 27 per cent of the girls (against 6½ per cent of the boys) entered clerical work ; the proportion of girls taking up "other (mainly unskilled)" jobs was therefore not very much higher than the 43.7 per cent of boys who did so.

Unfortunately, it is this last figure which seems certain to grow in the next few years. Since 1955 the total number of children aged 15 has increased from 634,000 to 744,000, but the number of apprenticeships available, despite all the efforts of the Carr committee, has actually fallen.

CRIME AND CRIMINALS

A Way through the Maze

IT would be interesting, if it were possible, to see the effect on the criminal statistics of a complete ban on all public discussion of crime and its causes, particularly youthful crime, for a period of, say, six months or a year. The ban would include, besides newspaper reporting of crime, the earnest unsensational documentary depicting the background, conversation and pursuits of teenagers. When the ban was lifted, one could well expect to see a marked fall in the criminal statistics. Crime would have dropped out of the news, and some of the kick in committing it, and in reporting it, would consequently have gone as well. For this suggestion of a ban is based on the theory that some crime is fashionable, that some people, at some ages, have as much difficulty in resisting it as in resisting, say, the hula-hoop. It is a theory which is at least as soundly based as the view that crime is the result of a broken home, of poverty, of "maternal deprivation," or of any other environmental stress that most people, including the law-abiding, are likely, at one time or another, to meet.

A sceptical attitude to what may be called the stress theories of crime pervaded Lady Wootton's stimulating Clarke Hall lecture to the Magistrates' Association last week. First of all she is sceptical, as others—Home Office officials among them—have been, about how far the criminal statistics are reliable indicators of the amount of crime in general and of particular types of it. Quite apart from the fact that they are seriously affected by local variations in policy and practice in collecting them, they do not show whether the increase that they record is the result of more people committing one crime or the same number of people committing more crimes. Secondly, she points out that the attitude to crime differs from one section of society to another. Conviction of a motoring offence, even a serious motoring offence, does not carry with it, among the motor-owning classes, the social stigma, the sense of moral turpitude, of a conviction for stealing, even though it shows a reckless disregard of life and property. In another class, different conventions apply, and no stigma is attached to stealing. Why should the motoring community be shocked at this ?

Would the establishment of a classless society alter these conventions and make stealing less fashionable ? Lady Wootton seems to think it would, though here, as in one or two other places in her lecture, her left-wing heart seems to have overcome her customary critical detachment. But it is a joy to watch her cutting through the maze of sociological obscurity that surrounds all discussion of crime, its causes and treatment. And, now, what about that ban ?

UGANDA

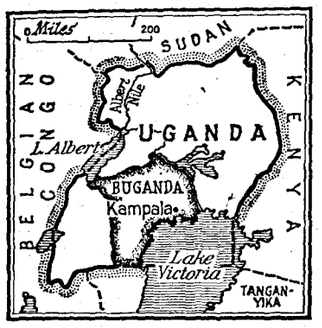
Sledgehammer to Nut

UGANDA is the latest addition to the list of African territories where the British Government has felt itself compelled to resort to emergency measures. In order to crush the activities of the Uganda National Movement, the governor, Sir Frederick Crawford, has not only banned the party but has declared the whole of the Buganda kingdom a "disturbed area." This enables him to restrict the movements of party leaders, break up political gatherings, and use the threat of press censorship.

The Uganda National Movement was formed about three months ago in Buganda from an assortment of personalities and groups. Its membership cuts across the division between traditionalists and nationalists and includes some diehard supporters of tribal institutions, as well as men like Mr Musazi, formerly president of the Uganda National Congress. The movement attracted considerable support,

but from the start it antagonised the authorities by its demagogic tactics. Calling for self-government next year, it instigated, with the help of threats, a boycott of non-African goods and services. The party's chairman, Mr Kamya, is now serving an 18 months' prison sentence for having threatened to burn down a bar unless its owner stopped selling European beer.

This appeal to the worst communal feelings is all the more depressing since Uganda, which has few settlers, has been spared the white-against-black conflicts of its neighbours, and its sizable Indian minority has shown itself ready to fit into an African state without demanding the special minority safeguards that the Protectorate government is busy devising. Unpleasant though the party's activities have been, it is still a sign of weakness that the Government has felt forced to reply by general repressive measures.



The disorders and the emergency powers are so far confined to Buganda. Centrally placed and far more influential than the other tribes and kingdoms, Buganda is the crux of the Uganda problem: it can either dominate the state or, by walking out, disrupt it—as the dominant traditionalist faction talks of doing. In 1953 the Kabaka of Buganda was deported for refusing to co-operate with the central government; two years later he was allowed back on a promise that he would mend his ways. But the Buganda government decided not to participate in last October's elections and has since refused to nominate members to the central legislature. When this attitude was ruled to be a breach of the 1955 agreement, the Buganda government petitioned the Queen for independence, both of the rest of the Protectorate and of the Crown. There will shortly be a conference in London to discuss Buganda's constitutional position, but it will be hard to find a formula that satisfies both nationalists and traditionalists, who at present agree on little except their dislike of British rule.

FRANCE

Algeria in Parliament

THE fighting in Algeria has not died down after all. The rebels have replied to the French Army's regional offensives by, apparently, splitting up their troops into smaller units, and simultaneously by reviving terrorist activity in the towns, including Algiers itself. Periodic rumours of negotiations are regularly followed by denials. At the same time the series of elections set in motion by General de Gaulle goes on. Having sent its deputies to the French chamber, and having chosen its local councillors, Algeria elects this weekend its contingent to the French senate. There will be 32 Algerian senators altogether; 22 of them must be Moslems. The voting cannot do much more than reflect the results of the local elections that have been held already; the question of interest is whether the moderates, who accept General de Gaulle's policy, or the frustrated extremists will get more seats. The candidates include such well known figures as M. de Sérigny, director of the *Echo d'Alger*, and M. Morice, the former minister of defence, who, defeated in France, is trying his luck in Algeria.

Algeria is on next week's agenda for the National Assembly. This debate can hardly be a great parliamentary occasion, yet it will be watched carefully for nuances in the official statement of policy. No compromise solution for the conflict can be expected to emerge from the present assembly—which is more likely, if anything, to act as a brake if and when the government shows any sign of moving towards a compromise.

The point was driven home again last week. Rumour had it that a bargain might be struck with the FLN (Algerian rebels) on the basis of autonomy for Algeria for a period of five years, which would be followed by a referendum on its future status. The report was naturally denied. Yet it may have been to counter tendencies of this sort that the Algerian deputies chose last week to publish the Lauriol report, in which they put forward proposals for strengthening "unity on both sides of the Mediterranean"—the new formula which has replaced the now unfashionable "integration." The key feature of the Lauriol report was the emphatic exclusion of any autonomy for Algeria. It remains to be seen whether M. Debré will do anything to reassure the Algerian group in the Assembly. The rumours of peace talks are, in any case, drowned by the continuing military activity and the generals' loud prophecies of almost imminent victory.

TRADE UNIONS

Sea Breezes

PIES in the sky are the order of the day at this peak period of trade union conferences, but this year they have not been such large pies as usual. Of the 75 or so union conferences held during the year at convenient seaside resorts, a third take place in May. The unions participating in the past month have varied from the 2,600-strong National Union of Scalemakers to the giant Amalgamated Engineers Union with its 860,000 members (but with only 52 delegates attending). There has been a particular rush of conferences in the last week, and some straws can be discerned in the sea breezes.

The most general conclusion is that union executives seem to have been even more eager than usual to prevent their hands from being tied in future negotiations with the employers, until they see how the land lies for bargaining. The most awkward and exceptional militancy, from the point of view of industrial relations, looks like being the large wage demand formulated by the South Wales coalminers and the aggressive speech of Mr Will Paynter, the new communist general secretary of the National Union of Mineworkers, about the need to keep up employment in the pits regardless of economic costs. The Coal Board might now have to count on a deterioration of relations in its industry, at least at the highest level. This apart, the resolutions so far have been relatively dulcet. Reduced hours of work have been a constant theme, even though the pay claim formulated by the engineers a fortnight ago looks like swallowing all this up later in the year. The civil servants want a quicker bargaining procedure, the builders want more employment opportunities for juveniles, and the Transport and Salaried Staffs Association, which does not approve of the National Union of Railwaymen's premature

wage claim, has demanded a quick report from the Guillebaud Commission. The shipwrights' union has renounced its present arbitration agreement about demarcation disputes with the boilermakers' union; this could mean even more strikes in the shipyards about which workers do which jobs—but the old agreement was not an unmitigated blessing for employers because, while disputes were being settled under it, it was the tradition for nobody to do the particular jobs in dispute at all. There seems some peck of potential trouble, but little industrial dynamite, in all this so far.

SHOPS ACT

More Half-Cooked Tripe?

THE British Travel and Holidays Association has returned to its attack, which was repulsed some months ago, on central London's shopping restrictions. Holiday resorts enjoy under the Shops Act certain limited dispensations during the holiday season: retailers offering holiday requisites are allowed to stay open outside normally permitted trading hours. Let central London be recognised by the LCC as a holiday resort—which, among other things, it undoubtedly is; the appropriate relaxation be granted; and the tourist trade, said the BTHA, would prosper to everyone's benefit. The LCC rejected this proposal on the grounds that London does not, like a seaside resort, have a short annual season during which all available hay must be made; and that the class of seaside holiday requisites clearly identifiable as such—shrimping nets, swimsuits, and Presents from Muddlecombe-on-Ooze—has no readily recognisable counterpart in W.1. A loophole, however, remained. If inquiry into tourists' spending could reveal such a class of goods, a dispensation might be considered; and the inquiry, due to yield some weeks hence a report to the LCC, is in fact being undertaken.

Its prospects are doubtful. Tweeds and bone china, cashmere and bespoke shirts, souvenir brass ashtrays ornamented with Big Ben in relief, have—except perhaps for the last item—no less appeal for the local than for the visiting population; they differ considerably from the tin spades and bathing caps seasonally provided at Muddlecombe-on-Ooze. From its very beginnings, the postwar tourist drive has run up against essentially the same difficulty; it is almost impossible to prevent the home consumer from benefiting, in the teeth alike of planning considerations and of social justice, from any relaxations of austerity and discipline designed to make Britain less repulsive to auriferous visitors. Also, of course, any special treatment of "tourist goods" exerts an insidious under-the-counter influence on trade in general. The Muddlecombe-on-Ooze shopkeeper who stays open to sell beach balls will generally, if asked nicely, also sell anything else, however flagrantly irrelevant to holidays, that he has in stock. It would be easier, no doubt, to prevent such immorality in a department store when all but the appropriate department could be shrouded and roped off; but hardly elsewhere. One must hope that these difficulties will be overcome. Half a slice is better than no bread. One might hope, too, that as anomalies, absurdities and evasions mulitply the whole silly business might be sufficiently discredited to the point of collapse. But, on past experience of the strength of the shopworkers' union lobby, that hope is very slim. A quarter-century after the delicate distinction was first drawn, it is still lawful to sell half-cooked tripe after hours but not—heaven and Mr Walter Padley forbid!— tripe in the raw.

LAOS

A War of Nerves

THE continuing pressure on Laos from Peking and Hanoi amounts to a war of nerves. The latest blast has been fired from Peking in a note to the British and Soviet foreign ministers, received on Monday, alleging "serious violations" of the 1954 Geneva agreements by the Laotian government. The two foreign ministers were joint chairmen of the Far Eastern conference at Geneva, which brought the Indo-China war to an end, and which remains the only high-level gathering of the great powers in which communist China has participated. Partly for this reason, partly because China's satellite, north Vietnam, has a continuing interest in preserving the armistice machinery set up by the conference, Peking has continued to intervene in all qustions that threaten communist interests in Indo-China. The Chinese now allege that the Laotian government's latest attempts to "integrate" two battalions of communist-led Pathet Lao troops into the national army constitute violations of the Geneva agreements.

The Pathet Lao troops were originally part of a communist army set up by the north Vietnamese in the two north-eastern provinces of Laos, Sam Neua and Phong Saly. The Geneva agreements provided for the return of the provinces to central rule, but the communists blocked a settlement until November, 1957, when a formal agreement between the central government and the Pathet Lao was signed. Some of the Pathet Lao troops have since been absorbed into the national army and others have been demobilised, but two battalions resisted integration. After an ultimatum had been ignored, the army last week surrounded these battalions and prepared to force them to submit.

It is hard to see how otherwise the Laotian government could have acted, or how it has violated the Geneva agreements. Those agreements recognised the unity and independence of Laos, and its government can hardly be expected to tolerate a communist state within the state. And it is doubtful whether any useful purpose would be served by reconvening the Geneva truce commission for Laos, which was disbanded last year at the request of the Laotian government.

GERMANY

The Bonn Succession

THE tussle over the succession to Dr Adenauer entered a new phase with the Chancellor's return to Bonn from his Alpine holiday. For Dr Erhard the honeymoon period, when he appeared, in the public eye at least, as the obvious favourite, is over. Dr Adenauer is fighting stubbornly for the candidate of his choice, Herr Etzel. With its eyes on the 1961 elections, the bulk of the Christian Democratic party still appears to favour the vote-catching figure of Dr Erhard. A smaller group of influential men backs the Chancellor in what has now become open and heated debate within the party. To and fro the battle goes,

with press reports tipping Dr Erhard one day, Dr Etzel the next. He would be a rash man who would today lay more than even money either way.

The decisive factor that has influenced Dr Adenauer to take so firm a stand appears to be his feeling that Herr Etzel is better qualified to carry on his foreign policy, based on close links with France within the community of Six. In practice, however, the policy of the future German government is unlikely to be very different, whoever wins the succession. Whoever wins will recognise the political necessities of the close relationship with France, and will try to reconcile it with liberal economic policies as far as that is possible. In the minds of a good many people in Bonn the choice is one of personalities, not principles, between the skilled administrator and party politician, Herr Etzel, and the public figure, Dr Erhard. Dr Erhard is better known not only at home but also in Britain and the United States. In France he has just received a timely boost in the form of a long and favourable review of his book "Prosperity through Competition" by M. Rueff, the father of France's recent economic reforms.

The Chancellor still has a good deal of time. It has been alleged—and denied—that Dr Adenauer has sought to further his candidate with the threat of going back on his own decision to stand for the presidency. If he did, the Christian Democrats would face the problem of finding another presidential candidate from their ranks. They might have been spared some of this summer's difficulties, present and to come, if they had not resolved to capture the presidential office for their party in addition to the chancellorship. Professor Carlo Schmid, the Social Democrat candidate, would have made an excellent president, and democratic government in Germany would have been the better for a division of honours.

THE MENTAL HEALTH BILL

Handicapped Children

THE Mental Health Bill, which is due to have its second reading in the House of Lords next week, seeks to go far towards breaking down the barriers between the mental health and the rest of the health services. But whether it will be entirely successful will depend, to a great extent, on how the local authorities carry out the provisions for community care.

It is the mentally handicapped rather than the mentally ill who will be most affected, for good or for bad, by the standard of this care, for they need a long period of training, starting soon after birth, and supervision that may last all their lives. The National Association for Mentally Handicapped Children is therefore disturbed that the new Bill does not impose an obligation on local authorities to provide the care and training facilities that are needed. It points out that parents are to be compelled to send a handicapped child to a training centre (just as they have to send a normal child to school), but local authorities are not being compelled to provide such centres—as they are to provide schools for the normal. It also points out that even if local authorities are willing, they will not have enough money to carry out these provisions of the Bill. About £6 million is all that the Government envisages being spent on all the local mental health services (for the mentally ill as well as the handicapped) in 1960-61. This would be less than a tenth of all local health expenditure in 1958-59, although the incidence of mental defect is far greater than that of any other handicap—8 to 10 of every thousand children born are mentally retarded, and at least 180,000 defectives in England and Wales are unable to lead independent lives. It is the size of the problem that has prompted the third main plea put forward by the association: the grant of far more money for research into the pathological causes of mental defect.

It is a moot point whether a statutory obligation would carry more weight with local authorities than the administrative direction which the Minister is to give them when the Bill becomes law. But it cannot be doubted at all that this is a service on which far more money needs to be spent—and quickly. The mentally handicapped have been hidden out of the community's sight and mind for far too long.

ISRAEL

Curtain Raiser

AFTER a vituperative election campaign, the results of the elections for the Histadrut (general federation of labour) executive on May 17th left the relative positions of the labour parties in Israel more or less unchanged. Nearly a third of Israel's population belongs to Histadrut; about three-quarters of them voted. Mapai, the moderate labour party that leads the government coalition, dropped 2 per cent, but has again got a small majority over all other parties on the Histadrut council. Ahdut Ha'avoda, one of the two left-wing labour parties, gained slightly; the Communists, whose support was already very weak, lost a few votes despite the fact that the Arabs (to many of whom the Communist party provides an outlet for national dissatisfaction) were for the first time voting as Histadrut members.

The great stream of new immigrants did little to upset the traditional political pattern. About a quarter of the voters were going to the polls for the first time in Israel—many, indeed, for the first time in their lives; but the parties seem each to hold their own, broadly speaking, by recruiting supporters among the immigrants in rough proportion to the existing distribution of party strengths.

As a curtain-raiser for the general elections in November, the Histadrut vote was further evidence of the inevitability of coalition government in Israel. Although Mapai brought all its big guns to bear, it barely managed to maintain its majority. And in the general elections, by contrast to the Histadrut elections, it will have to face the strong right-wing

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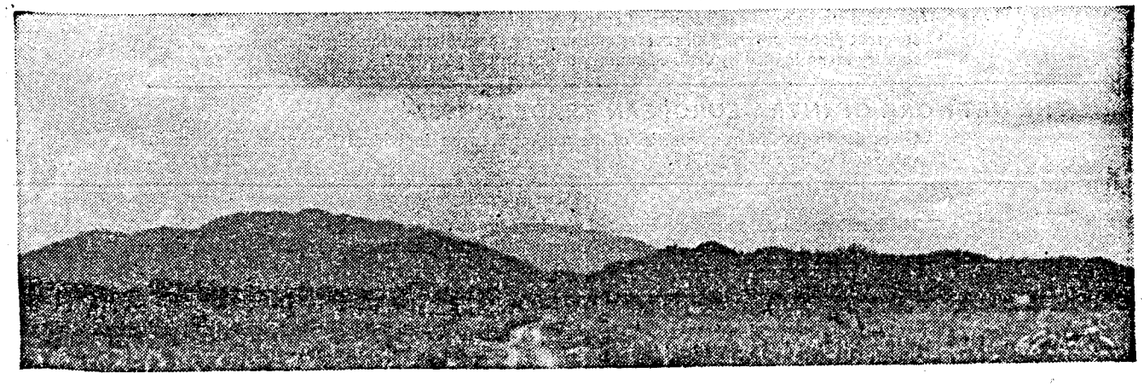
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opposition of Herut, now working at full pressure to win the support of the under-privileged and odd-men-out among the new immigrants. The general guess is that the November elections will leave things much as they are with perhaps a small drop in the vote for Mapai and a slight increase for Herut. Mr Ben-Gurion's ambition of a two-party system remains remote.

LONDON'S GOVERNMENT

Chasing their Tails

THE Royal Commission on local government in Greater London has now heard evidence from both the Association of Municipal Boroughs and the County Councils Association. It is no surprise to find that the former believes in more county boroughs and fewer counties, while the latter favours precisely the opposite. What is startling is the procrustean way in which both bodies apply their dogmas to the special facts of London. The AMC wants London to be governed by a long line of boroughs, with no counties above them, but with a minimum population of 100,000. This would mean carving London up among 50 or more independent local authorities, and relying for co-operation between them upon joint boards or committees. Even in theory this would call for an awful lot of co-operation; it would need to extend to all the main services from education and welfare to highways and main drainage. In practice, such a network of joint bodies would prove maddeningly complicated or patently insufficient—probably both.

The County Councils Association did not manage much better. The LCC, Middlesex, Essex, Kent, and the other counties partly in Greater London are all fairly wealthy and fairly competent bodies. So much is in their favour. But why should their particular areas be sacrosanct? Why continue to have some counties which are half in and half out of London? And why, above all, divide functions between the counties and 100 other local authorities? The CCA did not know or even try to find the answers to these questions; its unreasoned adherence to the *status quo* made its evidence practically worthless.

London plainly needs fairly large local authorities. Such genuine local communities as still exist among its 8½ million people are too small to be local government units, unless perhaps constituted as "urban" parish councils with the function (by no means a pointless one) of putting pressure upon superior bodies. But, above this level, the mobility of Londoners makes narrow administrative boundaries unnecessary and frustrating. London ought to be able to lead the country in the range and variety of its local educational, health, welfare, and cultural services. Equally its own special problems of traffic, smog, housing congestion, and so on, can only be tackled on a fairly comprehensive scale. To think big is often a facile formula. This, however, is precisely what the local authority associations have failed to do—and what the Royal Commission needs to.

SOVIET UNION

Urbanising the Countryside?

ARCHITECTURAL tastes are changing in Russia. Stalin's successors, anxious to cut costs, soon decided that they could not go on erecting the ornate façades their master liked. In the name of low costs they also dropped the idea of urban expansion upward, through sky-scrapers. It now looks possible that they may alter the rural landscape by turning collective farms into small towns with multi-storied buildings. Such a conclusion might be drawn from Mr Khrushchev's advice to the farmers, in his Kiev speech on May 11th, that they should follow the urban example in tackling their housing problems.

An acute housing shortage is a general feature of Soviet life. The worst hit by it are probably the dwellers in towns, because of the massive influx of population during the years of industrial revolution. But conditions in the countryside—where initial standards were low, war damage severe, and there has been relatively little new building—are not much better. To make up for it, seven million dwellings are to be built in the countryside during the current plan, which implies a rate of construction of about a million dwellings a year. The architects' plans so far, however, are too dear. They are designing houses of three to four rooms, with bathroom, hot water and other comforts; but the estimated cost tends to be more than 25,000 roubles a house. While town housing is provided by the state, in the country the collective farms, or the farmers themselves, have to find the money. Too high costs would render difficult the fulfilment of the plan.

Mr Khrushchev has now suggested that farmers should change their habits and live in houses of four to six storeys, like townspeople. This, in his opinion, would not only cut costs but would make it easier to fit in the shops, cinemas and other communal services which are intended to form part of future rural life. In a way, Mr Khrushchev seems to be reviving an old project of his own. It will be recalled that it was he who, in Stalin's day, launched the idea of "agrotowns" as a first step in eliminating the differences between town and country. The plan had to be dropped because the peasants saw in it a threat to their last vestiges of property—their small private plots. In recent years Mr Khrushchev has followed a policy of concessions to the peasants and appeals to their property instinct. Yet the old dream may now be resurrected in a watered-down form. Lower houses in towns and higher in the countryside would bridge at least the architectural gap between the two. It remains to be seen if the farmers will follow Mr Khrushchev's—this time, relatively gentle—hint.

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LETTERS

The Unproletarian Society

SIR—Despite the cumbrousness of the word, you have in "deproletarianisation" an idea which could prove to be a political winner.

However, the signs of deproletarianisation are as yet few and far between, and in recent years we have done a good deal to extend proletarian status more widely, not to contract it. A "deproletarianised" family will surely expect to pay an economic price or rent for its house, not to have a council house provided for it. It will expect to pay its own doctor's and chemist's bills, relying on insurance for prolonged or unusual illness. It will expect to provide for old age and widowhood through its own savings and superannuation, not through State pensions. It may even (dare I mention this?) expect to pay for its children's education.

To make such things possible will call for more than a change of outlook. It will require two concrete acts on the Government's part. Most of the taxation which now falls upon the manual workers and their families (over £1 per person per week), and upon the lower salaried workers, will have to be remitted. And the currency will have to be made rock-hard, so that a man who saves £1 now can be as confident as is ever possible in human affairs of getting back £1's worth of purchasing power, plus interest, thirty years hence.

Are you, Sir, altogether happy about our present level of taxation, the slowness of the rise of productivity per man-hour, and the rapidity of the rise of costs, and do you not think that there might be some connection between them? *The Economist* has a fine tradition of courageous and independent thought: it does not have to worry about what is going to happen in some marginal constituencies: why then do you approach these questions as coyly as Mr Butskell himself (or Miss Seear)?—Yours faithfully, COLIN CLARK

Agricultural Economics Research Institute, Oxford

Passports

SIR—Absence from home prevented my seeing your note on "Passports: Out for a Pound" in *The Economist* of April 25th until today.

You refer to "Britain's own illiberal laws about them," but the Government stated recently in the House of Commons that passports are not required for British subjects leaving the country: it is only the regulations of foreign countries which make them necessary. This statement contrasts strikingly with the present practice of subjecting British subjects leaving the country to a double check at ports—immigration officer and security officer—and with the fuss and elaborate precautions concerning "no passport trips" to France where forms and photographs are required in triplicate and where steps are taken to check that British subjects who take advantage of this "concession" do return to the UK. (The press recorded some time ago that the police had visited the homes of persons leaving on "no passport" papers who apparently had not returned. A new offence has now been created: that of leaving the country without a passport and without the intention of returning). They manage these things better on the continent where between many European countries, only an identity paper is now required and, in practice, is asked for only on entering the country.

I do not understand your statement that the "real total costs" (of passports) involve "the cost of that part of Britain's overseas consular and diplomatic establishment which would not be required but for the need to stand ready to help British travellers abroad." This "need to stand ready" was exactly the same before August 1914, when passports were not required, as it is today, and would remain the same were passports abolished tomorrow.—Yours faithfully, J. W. NIXON

Geneva

Church Unity

SIR—"Clergymen's *amour propre*," in your phrase, can scarcely be said to have been the chief obstacle on the Church of Scotland's side to the acceptance of the "Bishop's Report" plan for closer unity with the Anglicans. Feeling among the mass of churchmen has had much more to do with it. The average Scot believes that no good reason has been shown why his national church should change its nature.

Communion with (and in) the Church of Scotland is open not only to Anglicans but to all Christians who wish for it. If Anglicans feel that a church without bishops is almost untouchable they may comfort themselves with the thought that the Kirk has some thousands of bishops in the scriptural sense of the word—perhaps some tens of thousands, since it would be easy to argue that all ruling elders as well as all ministers have episcopal functions. All elders, as well as all ministers, are also presbyters and many of them are deacons too, so that the three orders for which the Archbishop of Canterbury is concerned are well represented in Scotland.

What the Church of Scotland has not and cannot have is the sacrificing priest who is supposed, through some quasi-magic involving the laying on of hands, to have the unique power of celebrating a valid sacrament *ex opere operato*. It is a Reformed church in which there is no place for priesthood of this sort. Scots Presbyterians, who are aware that they have placed no barrier between Anglicans and themselves, and who feel that the introduction of bishops would compromise their Reformed status—though they may not know exactly how—will expect to learn that the Church of England is fully Protestant before any new move towards "closer unity" can be expected from them.—Yours faithfully, J. M. REID

Glasgow

Canal Boating

SIR—The comments in your issue of May 16th on the subject of pleasure craft operated on inland waterways by the British Transport Commission misunderstand our complaint. In our view, it is by no means the case that the new services will "increase total traffic on the canals beyond what could economically be justified" (which is not in itself precisely what we advocate). On the contrary, they are operated on a basis so completely uneconomic as to be likely to result in a reduction of traffic: because, first, they will drive private enterprise hirers out of business, or at least discourage them from extending; and, second, they are certain to be withdrawn in the end because they do not pay.

The commission first proclaimed, over years, that there was no revenue to be got from pleasure traffic. Against the most discouraging possible background, many of our members none the less risked their savings, and proved the commission wrong. Now the commission is ruining them by offering uneconomic competition in all departments. For example, Mr John James has run pleasure trips in London on the Regent's Canal since 1951, and made them almost a national institution. Mr James having taken all the risks, the commission is this year muscling in with an hourly service at what amounts to a cut rate. None the less, we could not object were it not that the new service is, as we believe, basically uneconomic.

You describe our membership as including "several firms chartering canal boats and offering cruises." In fact, it includes the great majority of such firms on all the waterways, nationalised and otherwise, excepting only the Thames and the Broads, where the industry antedated our foundation.—Yours faithfully, ROBERT AICKMAN

Inland Waterways Association, WC1

The Liberal Vote

SIR—Mr J. G. Walker is scarcely fair when he says that the most that can be said (from his Keighley election figures) is that the voters appear to be more anti-Tory than they are anti-Socialist. Surely the most that can be said is that the voters are definitely anti-Liberal—always more than five to one against.—Yours faithfully, G. W. HORNER

Keighley Conservative Association, Keighley

BOOKS

Eyewitnesses in Palestine

The Seat of Pilate: *An Account of the Palestine Mandate*
By John Marlowe.
Cresset Press. 300 pages. 30s.

Britain and the Arabs, 1908-1958
By John Bagot Glubb.
Hodder and Stoughton. 496 pages. 30s.

IF the history of British relations with the Arabic-speaking peoples in the present century were set out as a graph, it would run somewhat as follows: starting at a low but steady level in Egypt, it would climb steeply between 1917 and 1920; then, from 1922, it would enter on a long slow decline, lasting until the second world war. During the war, it would perk up again, marking support from Whitehall for the notion of an Arab League, limitation of Jewish immigration to Palestine, and victory in Africa. But from the end of the war it would plunge downhill, arrested only for a few months by the new treaty with Egypt in October 1954. The Baghdad Pact (1955) would be more than offset by worsening relations with Egypt. The Suez adventure and the Iraqi revolution would drive it right off the paper; there it remains so long as there is no diplomatic contact with Syria or Saudi Arabia, and a British mission has to do its business from rooms in a suburb of Cairo.

For centuries to come, historians will argue whether this course of events was the result of bad policy, including bad Palestine policy, or whether of factors which no policy, however good, could alter. Among the last must be numbered net loss of strength as a result of exhaustion in two world wars; the arrival of other and greater powers into an area long free from any such competition; the coming-of-age of an Arab generation educated along lines that lead every young man to want his own latch-key. Which of these factors counted for most? Some of the contentions will gain certainty as the Foreign Office, operating its fifty-year rule, disgorges the archives. But meanwhile we have an advantage over the twenty-first century in that we can question living witnesses on what happened. Though memory is frail, and necessarily coloured by personal experience, these recollections are irreplaceable. Here are two books that have that irreplaceable quality.

Mr Marlowe's, while covering less ground, is infinitely the better book. Technically, it is impeccable, both in arrangement and in its disciplined omission of detail in order to direct attention to the grand lines of the story. It shows the implications of acts and decisions that, at the time, were drowned in cant about "being agreeable to both communities" or "co-operating with the British authorities." Each analysis is so clear and concise that it forces the reader either to agree, or else to think out his own alternative interpretation. This is high praise. In the matter of planning, it could have been improved only had it broken at least one piece of new ground and devoted a whole chapter to the means and stages by which the other Arab states began to take a hand in the Palestine affair.

The story is dispassionately told. Thereafter, it tends to ascribe British failure to execute a policy too much to Mr Bevin's heed of advisers who banked on an Arab victory, and too little to a factor that it mentions, but underemphasises. This factor was the British public's, and British War Office's, desire to get out of a hole to which no bottom was visible, and which contained no British blood-tie (cf Kenya) or British investment (cf Malaya). The title is apt in that for the second time a foreign administrator in Palestine did what he knew to be shoddy rather than call out the guard to quell determined Jews.

Sir John Glubb is much too ambitious. There is not room, even in 496 pages, to mention which regiments surrendered at Kut, tell how Ibn Saud rose to power, follow the strands of British policy, and insert theoretical essays on race relations, the class struggle, the duty of leadership, and the excellence of democracy provided it favours the right set. ("Britain could have no objection to the independence of the Arab countries provided they did not introduce the Germans or the Russians.") All told, the book leaves the reader with an incomplete picture of the scene outside the small theatre that the author knew so well. Notably, this did not include Egypt, and there is too little acknowledgment that certain social solutions which worked in Jordan might cease to do so if ever it caught up the social lap it lay behind its neighbours.

At points, memory or information falters, and the two books conflict. They do so sharply over whether or no the Arab armies planned for the Palestine war with British connivance. Mr Marlowe says yes, and Sir John that there was no planning whatsoever. This is a topic on which, to the best of this reviewer's knowledge, anti-Bevin bias colours the better book. But the Glubb one is not free from bias elsewhere. Indeed it is one glorious piece of bias in favour of British leadership and the good old days of "gallant enthusiasm," as opposed to the bad new ones of "mendacious propaganda." It admits that we have to live in these, but, for doing so, proffers too many panaceas that annul one another. Its injunctions would work only if the world were a checkerboard on which British leaders alone moved the pieces.

Love and Politics

Mistress to an Age
By J. Christopher Herold.
Hamish Hamilton. 496 pages. 21s.

MADAME DE STAËL falls into no obvious classification. The daughter of Necker, she was a Swiss French protestant by origin, but passionately a Parisian. In Byron's words, "she thinks like a man, but alas! she feels like a woman." She stood for liberalism, for intellect and for enthusiasm. She was ridiculous, ugly and demanding; yet all her life men fell in love with her. With her droves of hangers-on lovers and ex-lovers she was a figure of fun; yet she was so formidable an influence that Napoleon treated her seriously as an opponent and followed her movements from all over Europe. She always stood by her principles, but she was ready to make unexpected concessions to achieve the two ambitions in which Napoleon thwarted her for years: the right to return to Paris and the repayment of two million francs which the French Government owed to her father.

Few people were so intensely alive; and consequently few people suffer so much from being dead. She lived for the hour: her loves of the moment, the political struggles of the day, the books into which she poured her feelings and thoughts about both. For a generation after her death people could remember her with every variety of feeling and were influenced by her political inspiration. But then she died for good, and became a purely historical figure. One sees the coarse features in the portraits; one cannot see the lively eyes or hear the brilliant talk that fascinated so many men of the first order; and the evidence of her success shows that, on top of all her infuriating characteristics, there was a tremendous charm of personality which no dead records can revive. Her writings have not lasted—they too were of the moment—and it is a trifle unfair that the far less admirable Constant should have pilloried her (and himself) in one of the best of all short novels.

Even her intellectual and political influence is a little hard to grasp at this distance. In detail, her achievements in either field do not seem impressive. But she struck the tone of the moment; and, what is far more important, she was consistently against tyranny and in favour of freedom. In those simple terms it was a great gain to Europe that a notable figure, a Frenchwoman of outstanding character and a popular author should be ready to give constant testimony.

Mr Herold has grappled nobly with a fantastic amount of material. Madame de Staël's life was so rich and odd that it is almost impossible to systematise; love and politics are intermingled at all

stages; she lived in a herd; and such extraordinary men were mixed up intimately in her life—intimately in every sense of the word—that it is not one but many biographies. Mr Herold has dealt clearly with a fascinating, if often repulsive, story. His only fault is a certain crudity of taste when he comments on the often absurd, but usually pathetic, aspects of the strange characters whom he deploys. But this largely disappears in the final episodes, where opera bouffe plays a smaller part in the succession of spectacles.

Hurrah for Capitalism

The Roots of Capitalism

By John Chamberlain.

Van Norstrand. 228 pages. 41s. 6d.

IT is tempting, but not quite fair, to [illegible] (first of a projected "Library of American Capitalism") as a Poor Man's Mises and leave it at that. It is tempting, because this apologia for unreconstructed free enterprise, based on some odd economic history and odder political theory, has much in common with the exemplar; it is unfair, because Mr Chamberlain, unlike Professor von Mises, does realise that other elements than a rationally directed acquisitive drive go to make a good society.

Mr Chamberlain has—and good luck to him—a "mature preference for the uncoerced man." But he recognises only one kind of coercion: that of the state and the state-encouraged monopoly. The state has been responsible for whatever ill-effects have been erroneously attributed to the workings of free capitalism, from the distresses of the Industrial Revolution (entirely due to the Corn Laws, paper money, high taxes, the Speenhamland system—here presented as a piece of George III's benevolent central planning—and "the failure of the British state to end the repressive laws that kept the new productivity from spreading into the fields of housing and sanitation") to the Great Depression (entirely due, apparently, to the Reparations clauses of the Treaty of Versailles). The coercion that goes with grossly unequal bargaining power troubles him not at all; the more abstruse notion that individual liberties may sometimes be mutually destructive unless mediated by authority does not seem to have occurred to him; from several passages in "The Roots of Capitalism", the only strictly logical conclusion is in favour of pure anarchy; of the essentially collective activities which even the classics assigned to the state, Mr Chamberlain approves only defence and justice. Welfare should be a matter of voluntary co-operation and private insurance; town-planning and amenity can be trusted to the enlightened policy of proprietors; hard money, with no Keynesian nonsense about it, should take care of the trade cycle—all this in a light-hearted final page and a half. Education is not mentioned at all, nor Factory Acts, nor Pure Food Acts, nor child labour laws, nor common services; the reader may find scattered indications that Mr Chamberlain would not, like Professor von Mises, actually scrap the lot, but there is no coherent attempt to establish the rôle of the state as a liberal sees it. Capitalism is freedom, collectivism is slavery; on the one hand lies Runnymede, on the other Vorkuta; in the middle, poor "grey, apathetic" England, too decent to slide all the way to tyranny, offers a realistically awful example of what America might become by further backsliding.

Lively and often telling as it is, this is really pretty poor stuff. On two counts, however, Mr Chamberlain earns good marks: first, for putting his finger squarely on what is surely the most impregnable political argument for preferring the market check on business men's power to the democratic check on state power—"The average human being, who wants to do his job by day and relax after dinner, just can't keep tabs on the natural-born politician who loves the game of power for its own sake"; secondly, for doing what Cambridge has so long and regrettably failed to do, and making Mrs Joan Robinson a professor.

Early Hitler

Documents on German Foreign Policy, 1918-1945 Series C. Vol. II

The Third Reich: *First Phase, October 15, 1933—June 13, 1934*

Her Majesty's Stationery Office. 1,000 pages. 47s. 6d.

THIS volume of German documents covers the period from mid-October, 1933, to mid-June, 1934; during these months the dominant theme in Europe was the Austrian Question, or, more precisely, the menace which Hitler presented to the already insecure government in Vienna. At the instigation of Mussolini, Dollfuss, the Austrian Chancellor, provoked an armed conflict with the Socialists in February, 1934, which led to the suppression of the Austrian Socialist party. The idea had been to show that Dollfuss could stamp upon Marxists as effectively as Hitler, and various documents in this collection show the surprise which was felt by many people that the Austrian Nazis did not force an alliance upon Dollfuss in order to share the credit for the defeat of the "Austro-Marxists." Instead, the Nazi press in Germany expressed sympathy for the workers whom Dollfuss had crushed so "brutally" at a time when many German Socialists were in the merciless hands of the SA and SS in the Nazi concentration camps. This was an early example of Hitler's sure instinct, and brought him the passive, if not the active, support of many of the Austrian Socialist rank and file.

The second volume in Series C covers the months during which France, in its alarm over Hitler, made certain advances to Soviet Russia: the Fuehrer's reply was the Declaration of Non-aggression and Understanding between Germany and Poland announced on January 26, 1934. This inevitably increased Russian distrust of Nazi Germany; the distrust had been generously nourished by the writings of Hitler and Rosenberg, which advocated the disintegration of Russia, and by the activities of the Nazis in the Baltic states (Radek had complained of these to a German journalist as reported from Moscow on January 10th), quite apart from the persecution of the Communists in Germany. Nadolny, who was sent as German ambassador to Moscow in November, believed he could have got over all this with the help of the old-boy feeling that survived between the Red Army and the Reichswehr; this sentiment is plentifully illustrated in the volume under review, for instance in the account of Twardowski's conversation with Tukachevsky on November 5, 1933. But according to Nadolny's account in his book *Mein Beitrag*, when he saw Hitler just before Whitsun, 1934, the Fuehrer vetoed any resumption of Rapallo attitudes, saying that he wished to have nothing to do with the Russians: after this Nadolny resigned. The documents show us the same thing happening in China; its links with the Reichswehr failed to restrain Hitler's attraction to Japan, to whom alone he remained faithful to the end.

Victorian Scientist

T. H. Huxley: *Scientist, Humanist and Educator.*

By Cyril Bibby.

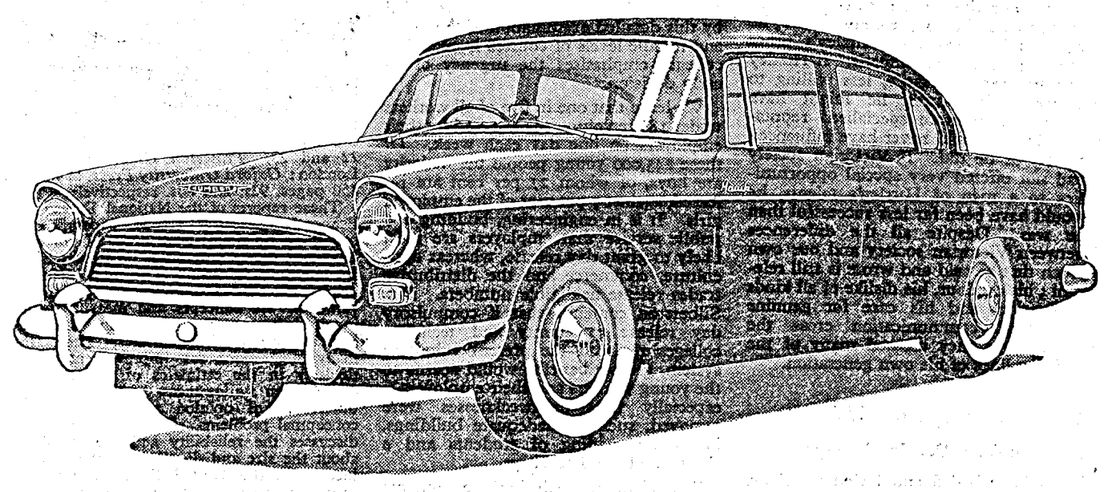
Watts. 330 pages. 25s.

THIS is not a conventional biography of Huxley that starts with his birth and ends with his death. It divides his life into segments and concentrates not so much on science as on education. This approach is both interesting and refreshing. So many of the episodes in Huxley's life have become hackneyed in recent years that there is little point in once more describing them in detail. His love of controversy is well known: what Darwin shunned he welcomed. His role as Darwin's unflinching champion has been both wittily and painstakingly examined. There are, however, other neglected aspects of Huxley's work and influence that are less familiar but in some respects more illuminating: his advocacy of the claims of art as well as of science, his quest for a "culture adequate to the age," his vigour and effectiveness as an initiator of new ideas and institutions. His work as a scientist needs to be considered in its full social perspective.

The professional scientist became an important social phenomenon only during Huxley's adult years, and he himself helped to establish the image. Dr Bibby rightly concentrates on this important theme. Huxley himself interpreted science very broadly—this in itself led him into many controversies—and once told Charles Kingsley that he meant by it "not mere physical science but all the results of exact methods of

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thought whatever be the subject matter to which they were applied." He was interested in many different kinds of subject matter, and his intellect, in words he used in one of his lay sermons, was always "ready like a steam engine, to be turned to any kind of work, and spin the gossamers as well as forge the anchors of the mind." His main enemy was not religion but uncritical reliance on authority or "authorities," in science itself as much as outside it. Indeed, he gave a warning that in the twentieth century there might well be a danger of people accepting established scientific doctrines with as little reflection and perhaps as little justification as the doctrines had been rejected when they first appeared before the world in the shape of dangerous theories.

In retrospect, Huxley's many-sidedness had a marked mid-Victorian tinge and the attitudes which he shared with his contemporaries are sometimes as significant as his demonstrations of dissent. Neither he nor his opponents really won half the battles in which they were so strenuously engaged. Uneasy truces were patched up and apathy was a more deadly enemy of both sides than continued militant hostility. The unconscious historical irony of some of Huxley's utterances (and occasionally more precise placing of them) deserve more attention than Dr Bibby gives them. For the most part, however, in this book, as in his previous articles, he deepens knowledge of Huxley's times as well as of Huxley himself. If Huxley had been less versatile, less willing to disperse his efforts, he might have established a more specialised reputation, but he could never have influenced society as he did. If Victorian society had not offered very special opportunities to a man of Huxley's talents, he would have been far less successful than he was. Despite all the differences between Victorian society and our own much that he said and wrote is still relevant; his candour, his dislike of all kinds of evasion, and his care for genuine intellectual communication cross the centuries as they crossed many of the dividing lines of his own generation.

Shortcomings of Aid

Reveille for a Persian Village

By Najmeh Najafi and Helen Hinckley. *Gollancz.* 273 pages. 21s.

FROM time to time, every British or American hot-gospeller on the shortcomings of western aid in the Middle East needs evidence that so much money has gone down so many drains because the approach was too grand, or else too massive, or else too sudden, to be understood. Here is the ammunition. Miss Najafi is an American-educated Persian girl bent on bringing better conditions to villages, and her message is that the only method with Persian peasants will, for years to come, be to start in a small way and let example spread the message. This she has done, and describes. The job takes time and patience and longer spells of hardship than most western workers, other than missionaries, are prepared to contemplate. Her second book is, like her first, a little lush, and not in the class of a comparable book on a Turkish village by a dourer but equally sturdy pioneer. But she shows up, chiefly by implication, the shortcomings of aid dispensed from comfortable motor-cars and air-conditioned offices.

Day Release

Youth in a Technical Age: *A Study of Day Release.*

By D. M. Silberston.

Max Parrish. 221 pages. 21s.

THE Education Act of 1944 left open the timing and sequence of a number of specified reforms and this book assumes that the next advance will be either the raising of the statutory leaving age to 16 or the implementation of the "county college" sections of the Act. Without necessarily agreeing with her, one can concede that the author has an arguable case in contending that county colleges should have priority. She describes the current system of part-time day-release in technical colleges and colleges of further education and discusses the respective merits of vocational and general courses. The facts revealed by this detailed examination of the lower and middle levels of courses in technical colleges emphasises the urgency of an early decision.

We learn that one in five of all workers under 18 are voluntarily released by their employers on one day each week. Of these 245,000 young people the majority are boys, of whom 27 per cent are released, against 7 per cent of the employed girls. It is in engineering, building and public service that employers are most likely to grant day release, whereas agriculture, commerce and the distributive trades release negligible numbers. Mrs Silberston contends that if compulsory day release to county and technical colleges replaced the present voluntary system, greater benefits would accrue to the young workers and their employers—especially if some weaknesses were removed, such as inadequate buildings, inaccurate grading of students and a shortage of good teachers.

The chapters analysing the contents of the courses deserve careful study. The arguments for and against vocational and general courses throw into relief a number of conflicting interests. Thus most employers and those students keen to improve their qualifications and technical skills will tend to favour vocational courses, but if compulsory day-release is introduced, the real challenges will be set by the general course and the unskilled type of worker.

Mrs Silberston has a comprehensive and accurate knowledge of technical and further education, and her awareness of the problems that face colleges, employers and students make her reappraisal a valuable one.

OTHER BOOKS

SPICER AND PEGLER'S INCOME TAX AND PROFITS TAX. 23rd Edition. By H. A. R. J. Wilson. *HFL (Publishers) Ltd.* 728 pages. 30s.

DIGEST OF LAW OF CONTRACT AND TORT. By A. J. Polland. *Batsford.* 317 pages. 37s. 6d.

ALEXANDER II AND THE MODERNIZATION OF RUSSIA. By W. E. Mosse. *English Universities Press.* 184 pages. 8s. 6d.

A BOOK OF ENGLISH PROVERBS. By V. H. Collins. *Longmans.* 134 pages. 11s. 6d.

ECONOMIC SURVEYS IN UNDER-DEVELOPED COUNTRIES. By P. K. Mukherjee. *Asia Publishing House, Bombay.* 244 pages. 34s.

PALMER'S COMPANY LAW. 20th Edition. By C. M. Schmitthoff and T. P. E. Curry. *Stevens.* 1,229 pages. £6 6s.

UNIT TRUSTS AND HOW THEY WORK. 2nd edition. By C. O. Merriman. *Pitman.* 133 pages. 20s.

A SHORTENED HISTORY OF ENGLAND. By G. M. Trevelyan. *Penguin.* 603 pages. 6s

SCOTLAND: *Blue Guide.* Edited by L. R. Muirhead. *Benn.* 512 pages and 32 pages maps. 30s.

AN APPROACH TO MODERN PHYSICS. By E. N. da C. Andrade. *Bell.* 249 pages. 27s. 6d.

POPULATION STUDIES, No. 28: The Future Growth of World Population. *United Nations.* 80 pages. $0.80, 5s. 6d.

TRADE YEARBOOK—Vol. 12, 1958. *Food and Agriculture Organization of United Nations.* 338 pages. $3.50. 17s. 6d.

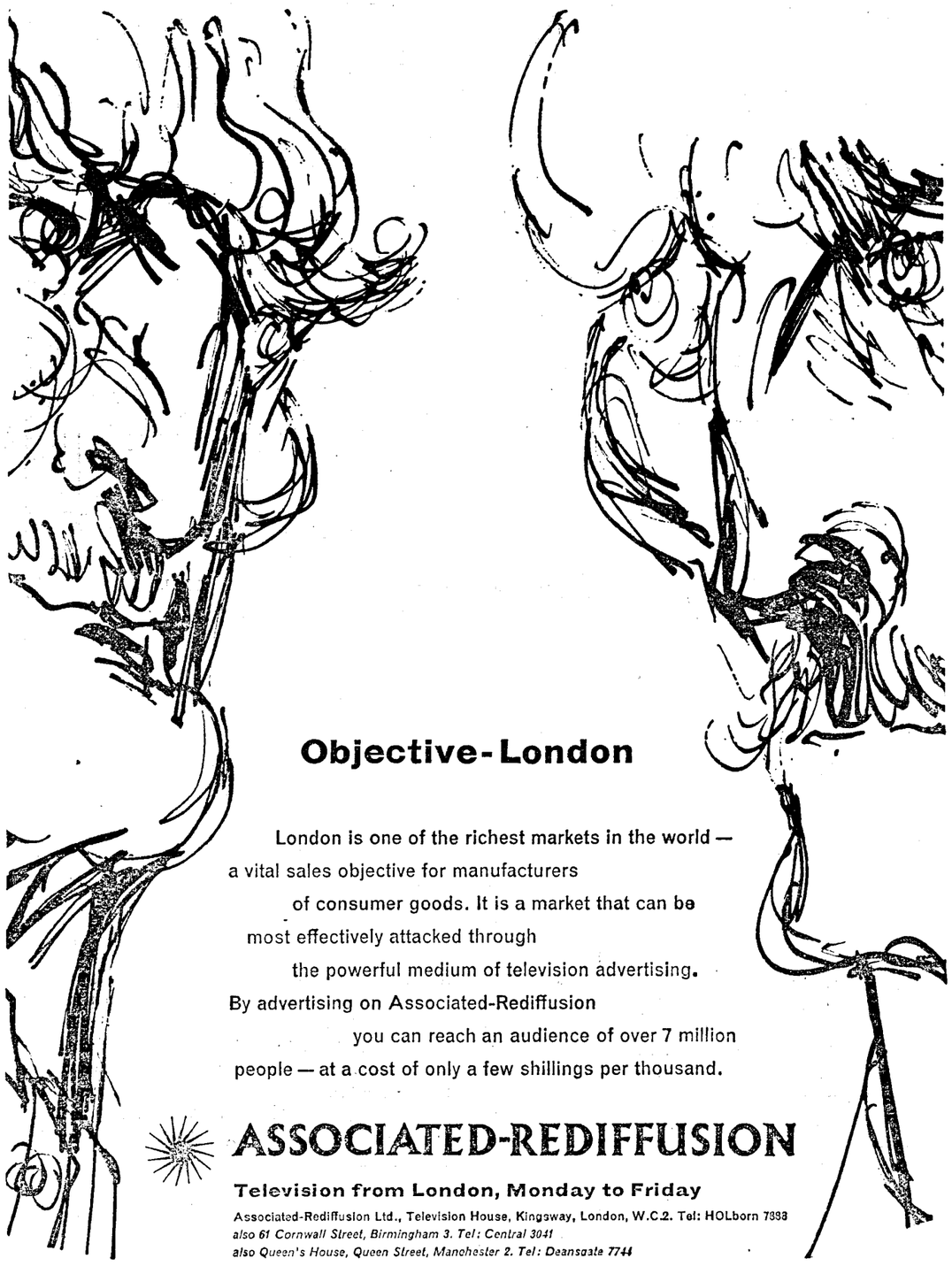
SAFE CONDUCT: *An early autobiography and other works.* By Boris Pasternak. *Elek.* 304 pages. 15s.

A CRITIQUE OF THE UNITED STATES NATIONAL INCOME AND PRODUCT ACCOUNTS. AN APPRAISAL OF THE 1950 CENSUS INCOME DATA.
Studies in Income and Wealth. Volumes 22 and 23. *Princeton University Press.* London: *Oxford University Press.* 589 and 450 pages. 92s. and 80s. respectively.

These reports of the National Bureau of Economic Research record papers (and comments on them) were prepared for the 1955 and 1956 Conferences on Research in Income and Wealth. The first volume brings together a number of specialists' views on the concepts and measurements involved in forming the national income estimates of the United States. There are many suggestions for improvement, particularly in the estimates of savings and depreciation allowances. Some sharp differences of opinion are expressed on conceptual problems. The second volume discusses the reliability and uses of data about the size and distribution of personal income in the United States, comparing results from surveys, tax returns and social security records with those obtained from the last decennial census of population. A considerable amount of statistical material is included.

FAMILY PROBLEMS AND THE LAW. By Robert S. W. Pollard. *Delisle.* 105 pages. 2s. 6d.

This is a popular guide to the laws affecting the family. They are considered under various sections: marriage (including engagements, property, unmarried couples living as man and wife); birth (including adoption and illegitimacy); divorce and separation; magistrates' orders; death and wills. The author has taken into account changes in the law made by seven Acts passed last year, and has covered a great deal of ground briefly but intelligibly. There are, however, too many misprints.



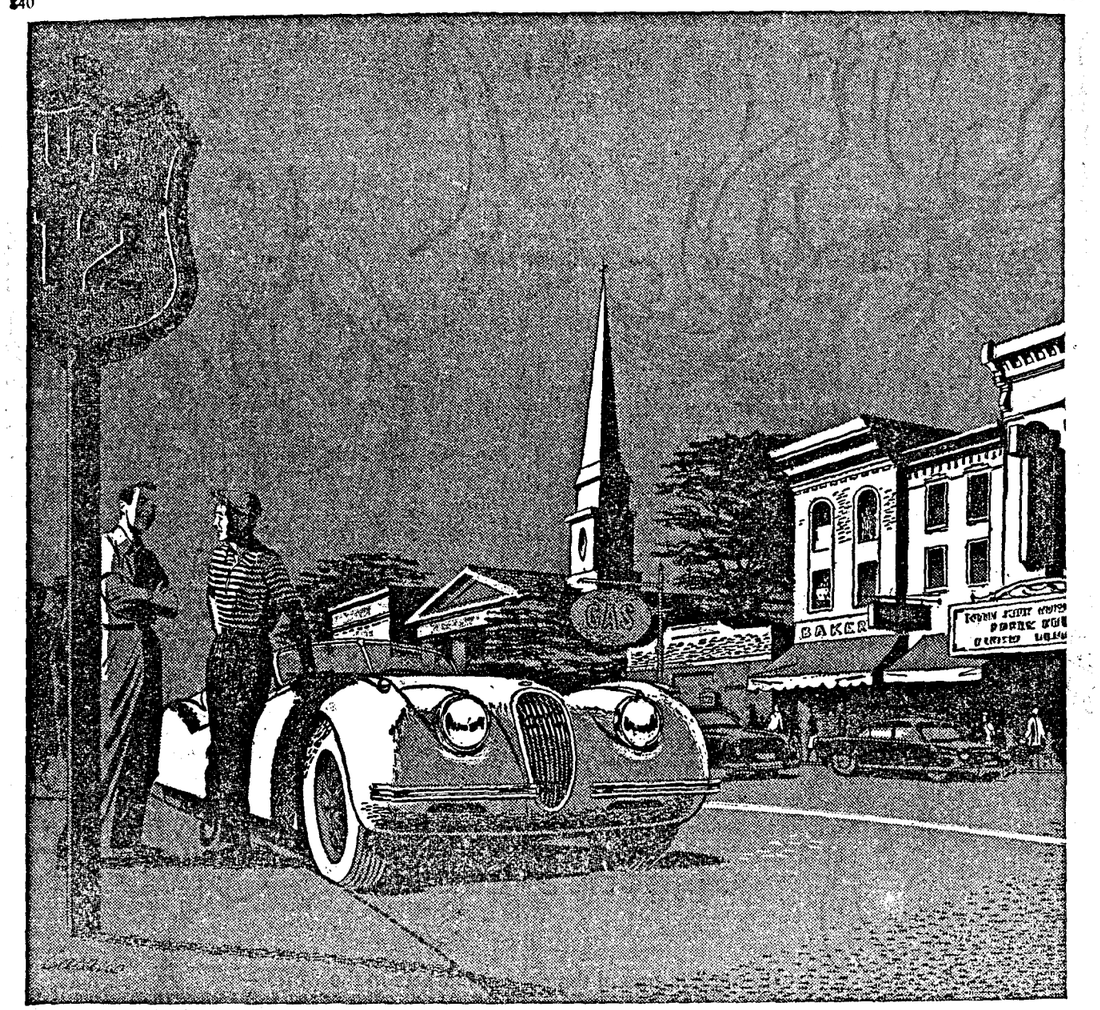
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No Caviar for the Generals

WASHINGTON, DC

IF Congress remembers its philosophy, it must be haunted by the thought of Buridan's ass, which starved to death because it stood exactly half way between two equally tempting bundles of hay. The President's defence budget for the coming fiscal year, which he submitted last January, has just completed the first stage of its journey through Congress amid loud demands that it be increased in two quite different ways. Little trace now remains of the brief unanimity into which Mr Eisenhower drilled the officers of the various services last January. The commanders of the Army and the Navy have told the questioning Congressmen that the United States is spending too much money on the nuclear deterrent and not enough on forces that can wage conventional war; the head of the Strategic Air Command has retorted that, if anything, even more ought to be spent on missiles and nuclear bombers. As a result, the defence appropriations sub-committee of the House of Representatives, poised between these equal and opposite attractions, seems to have been frozen into immobility.

Instead of adding fairly substantial sums for both purposes, as had been prophesied, the sub-committee is reported to have left the budget at roughly the same figure—itself unexpectedly low—as the President originally asked for. Mr Eisenhower wants to spend just under $41 billion next year, which is only the thinnest whisker above this year's total and, in view of the rise in industrial prices, will almost certainly buy less. Since this was nearly a billion dollars below the amount which the Secretary of Defence, Mr McElroy, at first planned to spend, and $2¼ billion less than the services asked for, there was little surprise when the chairman of the sub-committee—Mr Mahon, a ruminative Texan who wastes no words—"guessed" last February that Congress would add about $700 million. Other Democrats, notably Mr Dean Acheson, the former Secretary of State, have urged increases up to seven times this amount.

In fact, all Mr Mahon's group seems to have done, to judge from the unofficial reports now circulating in Washington, is to cut out an aircraft carrier costing a quarter of a billion dollars and share the saving among three other items: a little extra for missiles, a little extra for anti-submarine equipment for the Navy, and something to keep the Army's reserve forces at their present level. But this is small beer. The entire $260 million would buy only about twenty Atlas missiles (they cost, at the most optimistic recent estimate, $10 million apiece) or less than a quarter of the additional anti-submarine equipment which the Navy says it needs. The militants who believe that the Soviet challenge calls for something bolder than this are now looking to the rest of the debate in the House and, more hopefully, to the Senate; there the omnipotent Senator Lyndon Johnson and even some of the senior Republicans hinted at increases for defence not long ago.

Mr Mahon's committee, though influential, is often more cautious than Congress as a whole. But, quite apart from the mesmerised stupor to which Congress now seems to have been reduced by the President's homilies on thrift, it is plainly at a loss how to force any radical change of defence policy on the Administration. It is doubtful whether Congress can compel the President to spend money which he has not asked for, unless it goes to the desperate extreme of making its grant of other funds conditional on this: Congressmen are likely to be chary of invoking such a weapon of chaos. Worse still, when Congress calls evidence, it finds that the closer its witnesses are to the centre of power the less they diverge from the President's position. Those warriors who want to spend vastly more on defence are mostly either bowler-hatted or arm-chairborne.

Thus even the two senior officers who told Mr Mahon that it might be necessary to strengthen the nuclear deterrent—General Power of the Strategic Air Command and General Norstad of the North Atlantic Treaty Organisation—did not suggest that the "missile gap" would be a danger for the next year or two. General Norstad, moreover, relied on the curious argument that the United States ought to overtake the Russians' lead in missile production "from the psychological standpoint"; this ignores the fact that if their lead turns out to be militarily irrelevant—because the Americans still have the power to wreak unacceptable devastation on Russia—its psychological effect is also likely to be negligible. Plainly the committee found the "missile gap" less frightening than it expected; apparently it did not even insist on providing funds once again for the extra Polaris missile-launching submarines which Congress vainly tried to force the President to build last year.

THE Administration shows signs of making two small obeisances in this field which may disarm its critics still further. It is reported to be pondering a fairly modest increase in the output of Atlas missiles, from nine to about sixteen squadrons, in the next two or three years. An air force general also claims that the main technical difficulty in the way of getting a nuclear-powered bomber into the air—the problem of shielding the crew from radiation—has been solved. If Mr McElroy speeds up work on both these items, and perhaps agrees to spend a little more on the first components of the Nike-Zeus, that much-prayed-for anti-missile missile, he may silence many of the remaining malcontents in Congress.

But when it comes to preparations for limited war the President's refusal to spend any more money rests on far shakier grounds. The United States Army may soon

find it difficult to perform any function beyond a police action (preferably, as in Lebanon, without actually drawing its batons) or being the burglar alarm which calls out the atom bombers. Mr Eisenhower, ignoring the attempt which Congress made last year to restrain him, is now in the process of reducing the Army to 870,000 men and the Marines to 175,000—levels at which their commanders say they cannot carry out even their present limited tasks properly. The funds allotted for equipping this force, according to the Army's Chief of Staff, are not even enough to replace losses caused by wear and tear, let alone to make the Army modern and mobile enough for the kind of medium-sized wars which many observers think it may have to fight in the future. The extra money which Mr Mahon's committee has given to the reserve forces has more to do with politics than military necessity ; the National Guard, powerful though it is in the lobbies of Congress, has a limited value in the quick-flaring wars of the present day.

Unfortunately, the most vigorous champions of a stronger Army are no longer near the levers of power. General Ridgway, the former Chief of Staff who wants a million men, is now in mufti ; so is General Gavin, the imaginative ex-paratrooper who thinks that the Army needs twice as many divisions as it has. General Taylor, the present Chief of Staff, who has done his quiet—but unsuccessful—best to hold the line at 925,000 men, follows them into the limbo of veterans this summer, though he will loose a Parthian shot in the shape of a book setting out his views. The argument now before Congress concerns only some marginal variations in the size which Mr Eisenhower thinks enough for the Army. To judge from the first response of Congress, the President looks like making his ideas of strategy stick ; any new thinking will have to wait for a new Administration in 1961. Who says that America pays too much attention to its generals ?

United on Housing

The American people had their first real sight of the liberal Congress they voted for seven months ago when last week a genuinely progressive housing Bill was approved in the House of Representatives by a majority of over a hundred votes. The liberals achieved this triumph because they had the Speaker of the House, Mr Rayburn, on their side and he brought with him a number of moderate Democrats who might otherwise have voted with the coalition of reactionaries and Republicans against the Bill. A dramatic demonstration of liberal unity came when the defeat of an amendment prohibiting racial discrimination in public housing was assured by the four Negro Congressmen who led the procession to vote "No"; the inclusion of such an amendment would have driven all Southerners into opposing the Bill. Needed southern support was also obtained by accepting an amendment which would force officials to go to Congress each year for funds for public housing and slum clearance instead of getting the money automatically from the Treasury.

This requirement would bring an unsatisfactory element of uncertainty into long-term planning for urban redevelopment and may be eliminated in the conference which must now reconcile the House's Bill with the Senate's slightly less generous one. In fact the final version may be even less generous than either, as the result of a calculated attempt by the Democratic leaders to give the President an excuse for not vetoing the Bill ; its Republican opponents have been insisting that he will. Nor will the conferees be in any hurry to produce their compromise: the longer they delay, the greater will be the pressure from the housing industry upon the President to sign the Bill. It adds $6 billion to the total amount of mortgages which the government can insure ; existing authority is practically exhausted and the programme is an essential stimulus to building activity.

The sections of the Bill to which the President does object are those providing for $1.5 billion to be spent on slum clearance over the next three years, instead of being spread out over six years, and for 35,000 housing units to be built annually by public authorities for several years. The Administration thinks more public housing unnecessary, but in fact it is an essential part of much-needed urban renewal to build houses into which slum dwellers can be moved when their homes are pulled down. This is the answer to the President's basic objection to the housing Bill—that it would be a "budget buster." Moreover, it would add only a little to the Budget—next year, at least.

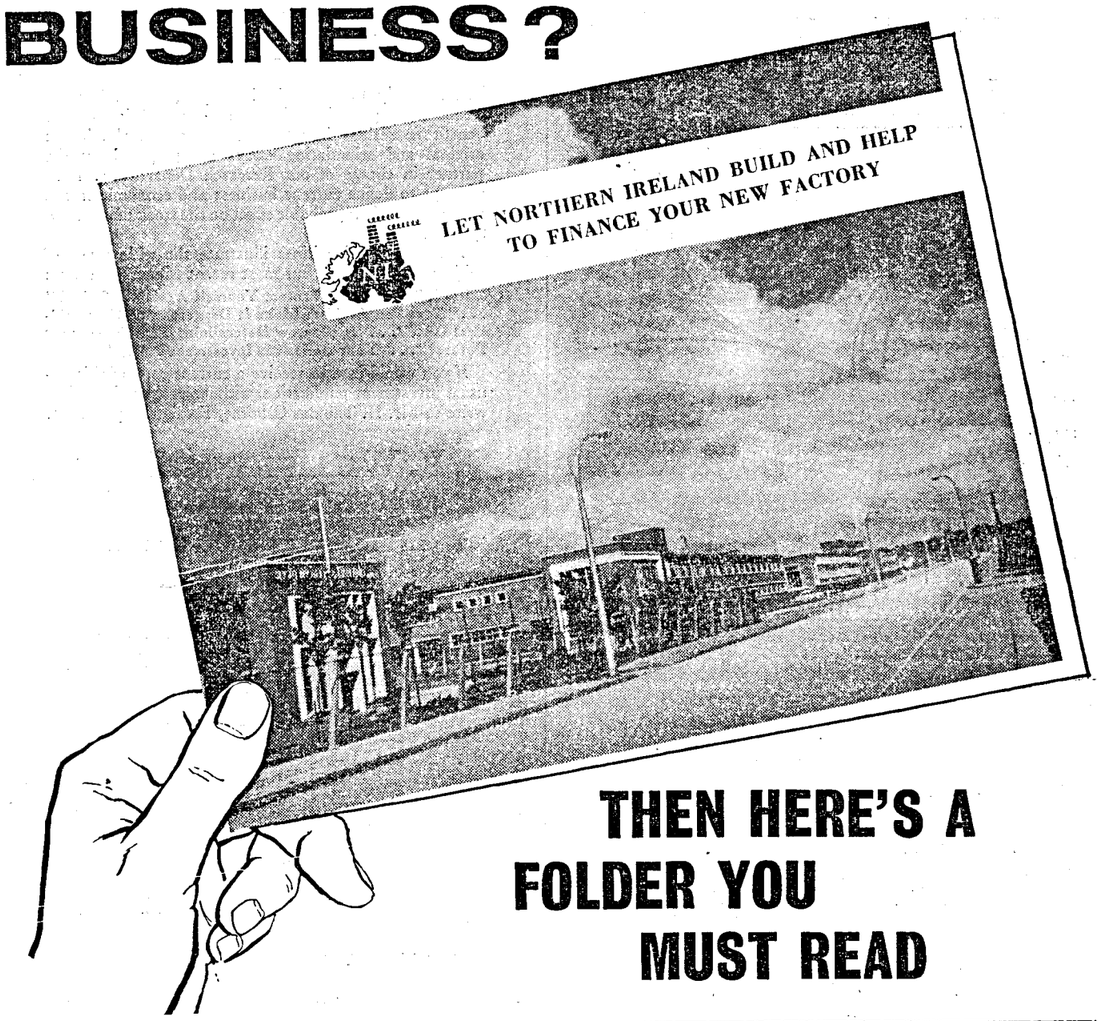
Bill of Wrongs?

Next week Mr Meany, the president of the American Federation of Labour and Congress of Industrial Organisations, will ask the House Labour Committee to eliminate parts of the labour Bill passed by the Senate which, according to the federation's executive council, transform it into a measure "no trade union official can support." These amendments and particularly the Bill of Rights for individual members of trade unions, which were added on the Senate floor to stiffen the committee's Bill, place the leaders of the AFL-CIO in an awkward dilemma. For over a year they have conceded that legislation is needed to stamp out abuses shown to exist in a number of trade unions. But they fear that the Bill of Rights, with its invitation to litigation, will hamper honest officials in well-run unions more than it will embarrass the corrupt ones that the AFL-CIO wants to dislodge.

What may have been equally important in leading the AFL-CIO to oppose the amended Bill, instead of swallowing it for fear of worse medicine, is Mr Hoffa's charge that the federation is delivering labour over to its enemies. Mr Hoffa is the apparently uncrushable leader of the teamsters, the big lorry-drivers' union which tucks many other trades under its ambitious wing and which was expelled by the federation for sins that are largely responsible for the present demand for reform. Mr Hoffa opposed even the mild Kennedy Bill in its original form as "punitive." And he is trying now to undermine Mr Meany's leadership by warning AFL-CIO unions that the proposed ban on "hot cargo" clauses in the teamsters' contracts, written in on the Senate floor, will prevent them from helping unions on strike, by refusing, as they have in the past, to make deliveries across picket lines.

Mr Meany will have a sympathetic audience in the House Committee, which may well decide to tone down the Senate Bill before sending it to the House floor. But there the conservatives, like the Administration, feel that the Senate Bill is, if anything, too weak, and their resolve to strengthen it

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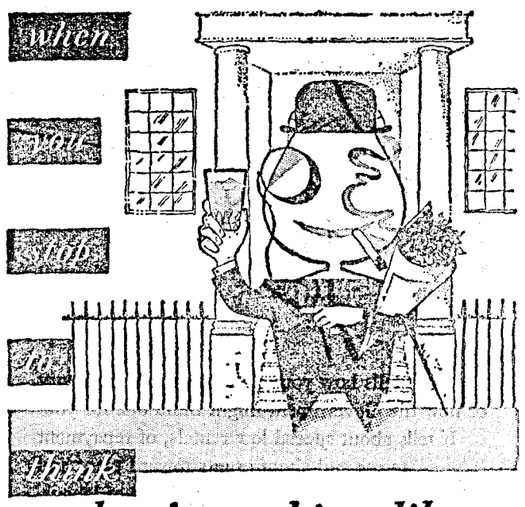
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COGNAC BRANDY AT ITS BEST

has been fortified by Mr Hoffa's ill-timed and gratuitous references to a general strike. He was reported—though he denies it—as saying that this should be labour's answer if Congress makes the trade unions subject to the anti-trust laws. Senator McClellan would like to apply the anti-trust laws to the transport unions—that is, to Mr Hoffa—but no one expects Congress to do so. Mr Hoffa's own lieutenants in Washington, who have been busy giving breakfast to Congressmen willing to listen to arguments against a restrictive labour Bill, are said to be wringing their hands. Mr Meany no doubt would prefer to wring Mr Hoffa's neck.

Tremor at Little Rock

THIS month is the fifth anniversary of the Supreme Court's famous and bitterly contested decision that racial segregation is unconstitutional in tax-supported schools. Progress has been slow and uneven but, with the collapse of massive resistance in Virginia and the willingness of Miami to lower the colour bar next September, if it is not frustrated by the Florida Legislature, only five states have made no move at all to recognise the new order: Mississippi, South Carolina, Louisiana, Alabama and Georgia. It would be a happy coincidence if Governor Faubus's rebuff at a special election prompted a retreat in Little Rock, Arkansas, where open defiance of the Supreme Court has been carried to the lengths of keeping the city's four high schools shut for a year. The vote to "recall"—that is to discharge—the three Faubus-supported members of the elected school board and to retain the three moderates was not, however, a direct referendum on racial segregation and private polls suggest that many white parents still oppose it.

The protest was against the lengths to which the segregationists were prepared to go: in this case, the sacking of 44 teachers and administrators who were not considered to be "sound" on desegregation. The purge was carried out by the three pro-Faubus members after the moderates had walked out, taking a quorum with them. Within less than a week nearly 10,000 signatures had been collected, 3,000 more than were needed to demand a special election; by a pleasant irony, this procedure was authorised under a law hurried through by the Governor last year to intimidate members of the board. Power to fill the three vacancies by appointment rests with the county school board, which is an unknown quantity, and in any case it is the Governor who sets policy. But the blow to Mr Faubus's prestige may set him to thinking more seriously about his lines of retreat. Last month he suggested that the schools might reopen next autumn with a limited amount of desegregation.

Segregationists in Georgia may also have over-reached themselves by detecting the sinister hand of racial miscegenation in an insipid tale for five-year-olds about the love of a black rabbit for a white one. Politicians in the state are committed to shut the schools if there is no other way to prevent Negro children mingling with white ones. But in Atlanta an organisation to save public education has been organised and the city is sufficiently civilised to have just abolished the colour bar in its public libraries. It will not take kindly to being made a laughing-stock.

California's Oil Rush

FROM A CORRESPONDENT IN LOS ANGELES



AT the end of last year the Standard Oil Company of California began to supplement the crude petroleum supplied to its refinery at El Segundo, outside Los Angeles, from a new and novel source, a well drilled from a platform 2.2 miles out to sea off Summerland, near Santa Barbara. The well is producing at a rate of only about 400 barrels of crude a day and this contributes a mere trickle to the total volume processed at El Segundo. But it is significant as the first oil well off the shore of California.

One well does not always make an oilfield, but a number of companies are betting heavily on the development of an important new field off this coast. When the State of California invited bids for leases on parcels of off-shore acreage last summer, some new records were set. A total of $55.5 million was bid for the five parcels of 3,840 acres each, by far the largest sum ever paid at such a sale in the United States. Another record for off-shore leasing was set by a group consisting of the Texas, Monterey and Newmont Oil companies, which paid $23.7 million for rights on one parcel.

The lease covering the first producing well was granted jointly to Standard of California and the Humble Oil and Refining Company in January, 1957, on a bid of $7.25 million, plus a royalty of 12½ per cent on the value of any oil produced. But after selling this single lease the State of California suspended the granting of additional ones while it adjusted the terms more favourably to its own interests. Receipts from the leasing of off-shore acreages are earmarked for the improvement of parks and beaches, partly to offset some of the disfigurement caused by drilling operations. Since off-shore leasing was resumed last year, the Socal-Humble interests have drilled a second well near Gaviota, to the north of Santa Barbara, secured for a bid of $12.4 million, which has shown some encouraging results. Nearby the Texas-Monterey-Newmont consortium is drilling on its record-breaking lease and another group is carrying out exploratory work in the same general area.

To develop an off-shore oilfield, similar to those in the Gulf of Mexico, would be of great value to oil interests on the West Coast for, to an increasing extent, they find themselves unable to cope with the demand for petroleum products in California and the six other states traditionally supplied by them: Oregon, Washington, Idaho, Nevada, Utah and Arizona. Until 1950, Californian oilfields were able to meet the needs of the whole area. Now, with production of some 950,000 barrels daily, the state is just about filling its own requirements and the balance has to be shipped in, either by pipeline from other parts of the United States or by tanker from abroad. This is the fastest growing section of the country economically and within the next few years the pressure of demand on supply is expected to increase still more. It is estimated that by 1961 the Far West will consume some 1.6 million barrels of oil a day altogether, of which California will produce only about one million, or considerably less than its own needs.

No important new field has been discovered on land in California for several years and technological developments, such as deeper drilling and secondary recovery, in existing fields are helping to keep production from falling off, rather than adding to it. Off-shore oil, therefore, is urgently needed to increase supplies, as well as to insure against any breakdown in imports from foreign sources; it is estimated that some 4 billion barrels of oil lie under the sea off the Californian coast.

THE rush to find oil under the sea would undoubtedly have started long ago, if the oil companies had had their way. Prospecting for oil off the coast of California began in the nineteen-twenties, but it was halted by law in 1929. Not until 1938 was a States Lands Commission appointed to handle the leasing of off-shore acreage, and then leases were granted only where on-shore wells threatened to drain the tidelands. Moreover, the regulations restricted drilling to the mainland, filled land, or piers attached to the shore. Drilling from barges or platforms out in the sea was forbidden.

The state's policy was dictated by strong opposition from groups which feared that the waters would be polluted, the fish poisoned and the view desecrated. Off-shore wells have to be drilled from an elevated platform which stands out on the horizon even after the drilling derrick has been taken down. The publicity about the successful Summerland well stressed that great care was taken to keep the platform as inconspicious as possible; it was, however, clearly visible from the beach. The sensitivity of the oil companies about the possible public reaction to off-shore drilling is further illustrated by the Spanish-style architecture, in keeping with the local fashion, which is used to camouflage the structure being put up at Santa Barbara to handle and store the oil from the Summerland well. Californian law requires drilling platforms to be at least a mile off the coast; since the seabed drops very steeply there, instead of sloping off gently as it does in the Gulf of Mexica, and since drilling costs increase sharply as the water becomes deeper, off-shore wells are an expensive proposition in California. The aesthetic objections to such wells have been overcome to some extent in recent years, possibly by the decision to allocate state income from the off-shore lands to parks and beaches. But a new form of opposition has arisen, from groups charging that the state is "giving away" these lands to the oil companies.

The opposition was strong enough to halt the implementation of the Cunningham-Shell Act of 1955, which finally approved off-shore exploration, and under which Standard of California and Humble obtained their original lease. To meet "give-away" complaints the Act was amended to substitute for the original fixed royalty of 12½ per cent a sliding scale from a minimum of 16⅔ per cent on wells producing 100 barrels a day or less to a maximum of 50 per cent where the yield is 500 barrels or more; the State Legislature is now being pressed to raise this maximum to 60 per cent. The oil companies have swallowed the terms, and others which they consider onerous, such as the requirement that in return for permits for geological and geophysical exploration—before ever a lease is sought—the companies must turn over the data they collect to the state; presumably this would give it a good idea of where possible fields might turn up. But the sums which the oil companies bid for the first leases is the measure of what they hope eventually to get from the Californian tidelands.

Small Cars—King Size

AS warily as men opening a Pandora's box, the three big car manufacturers have now officially disclosed—what was common knowledge three months ago—that they will have smaller models on sale by the end of the year. The names they have chosen are neither as inventively sonorous as Thunderbird, Firesweep and LeSabre, nor as bluntly familiar as Edsel. The General Motors Corporation will offer a Corvair (by Corvette, out of Bel Air) which is said to have its engine in the rear; the Ford Company beat the Chrysler Corporation to the registration desk by 20 minutes for the name of Falcon, so Chrysler—whose car will not appear until December, two months behind the others—has had to make do with Valiant. The cars themselves, like their names, have an in-between quality. Although the companies are trying to keep the details secret, it is generally believed that they will have a wheel base of about 106 inches, half way between the 94½ inches of the Volkswagen—one of the imported babies with which they will be competing—and the 119 inches of the smallest domestic dinosaurs.

The price is expected to be about $2,000, only $200-odd less than the simplest existing Fords, Chevrolets and Plymouths, but substantially more than many of the imports. The Big Three are undisguisedly worried about the prospects of these not-so-small models. They have been pushed into making them by the competition of small foreign cars and of the home-bred Rambler and Lark (which account for 10 per cent of American production at the moment) just when sales of what they plainly prefer to think of as "normal" cars are beginning to turn upwards. This spring, for the first time in two years, the monthly sales of new cars have topped the half-million mark, and for the first time in four years April was a better month than March. It now seems likely that the goal of getting six million new cars into American garages in 1959 will be achieved.

In part, this revival is due to the fact that customers have been simultaneously stimulated by the end of a dismal winter and the vanishing of the last traces of the recession. But the manufacturers are haunted by the fear that the new small models will be spurned in favour of gleaming old loves; or, almost as bad, that they will simply replace the bigger models and leave the more distinctive foreign cars, a *tertium gaudens,* unscathed. Estimates of what the three companies are spending on their small models range up to $250 million. The awkward fact remains that they have not produced a car that competes directly with the product of their foreign rivals; and the latter, trusting in their craftsmanship and lower labour costs, doubt if they can. The pessimists who say that there is only a limited market for a hybrid in America are waiting to see if their gloom is justified.

Sugar Goes Sour

NOT only has Señor Castro apparently given up his hope of inducing the United States to increase the amount of sugar which Cuba is permitted to sell in the American market, but he also seems to be doing his best to get Cuba's share of that market reduced. It is understandable that he wants to break up Cuba's huge estates, but his land reform law falls heavily on the American companies which are



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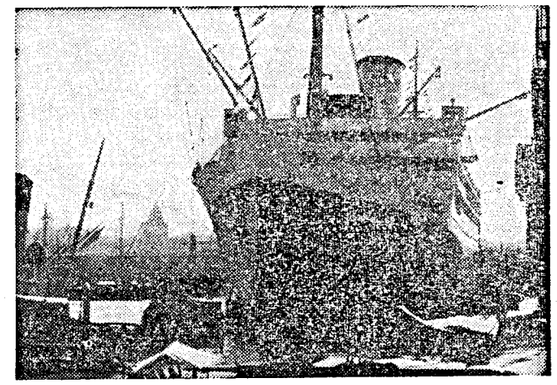
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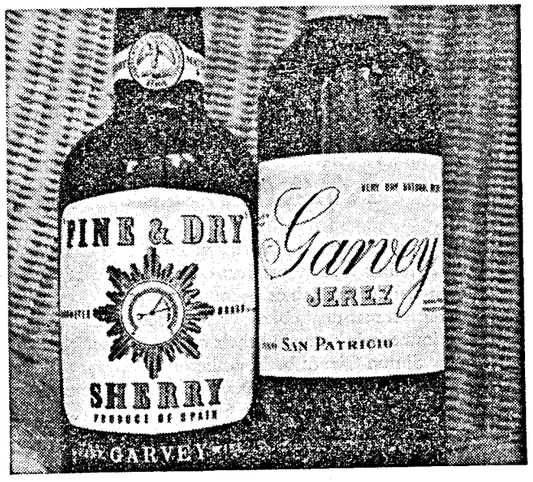
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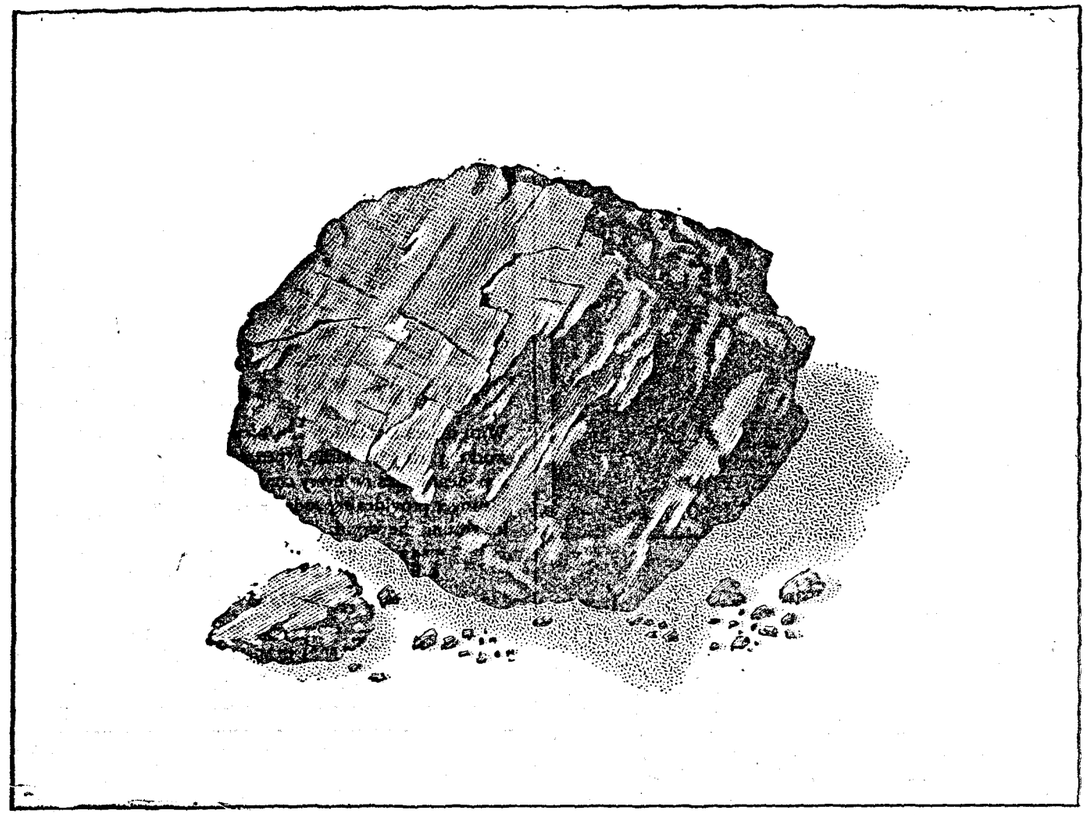
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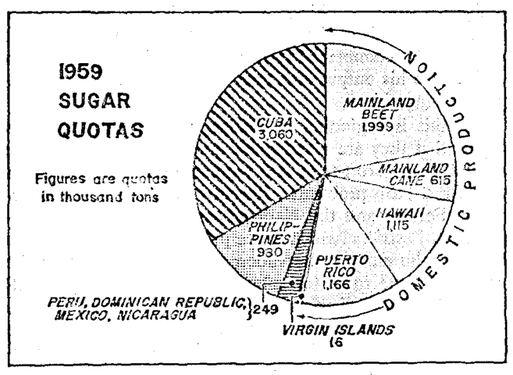
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responsible for about a third of Cuba's output of sugar. They will no longer be able to own the plantations of sugar cane, running to well over a million acres, which provide their mills with a guaranteed supply and, if the law is put into effect as it stands, they will be expropriated with very inadequate compensation. Much resentment will naturally be felt in the United States—comparisons are being drawn with the Mexican expropriation of the oil companies in the nineteen-thirties—and the effect might be unfortunate when Congress revises the sugar legislation. The existing Sugar Act runs out at the end of 1960 and was to have been renewed in good time at this session of Congress. But the Bill has been postponed, perhaps until next year, in the



hope that by then suggestions that the Cuban quota might be cut may have been forgotten.

Whether or not the countries which would like an increased quota themselves will allow these suggestions to be forgotten is another matter. For Cuba supplies far more of the sugar consumed in the United States than does any other foreign country; if anyone else is to be given a bigger quota, in practice it can only be at Cuba's expense, since domestic producers are unlikely to agree to a reduction in their share. In particular the Philippine Islands are demanding more, on the grounds that when the Act was last renewed President Eisenhower promised that a change in their favour would be considered when it was next before Congress. The Philippines argue that the 1956 Act discriminated against them, since they received a fixed annual quota of 980,000 tons while all other suppliers, whether domestic or foreign, are entitled to share in meeting any increase in American demand.

This is estimated at the beginning of each year and the amount that can be sold is fixed on a basis designed to ensure that prices remain stable and reasonable. If demand turns out to be greater than expected or prices tend to rise for any reason, the quota is increased; this happened four times during 1958. This year's initial total, at 9.2 million tons, was unusually high to allow for possible difficulties arising out of the Cuban revolt; the chart shows how the total is divided up among the various producing areas. American growers are then given acreage allotments, to ensure that they do not produce more than can be sold; if they limit their plantings in this way they receive "programme payments" of 30 to 80 cents a hundred pounds of sugar. This cost the government $65 million in 1957 but $86 million was brought in by the excise tax of 50 cents on every hundred pounds of sugar marketed.

Skid Row

In the Senate recently time has come to a stop; gravity has been defied; and liberal Democrats have urged Congress to spend less money. The cause of these portents is the new Senate Office Building, a construction in what Mr Osbert Lancaster might call the electronic-Roman style of architecture, which was opened last January at a cost of $21-odd million. Designed to ensure that Senators, hitherto "packed like sardines" into the old office building with only three rooms each, should have five offices and three lavatories apiece, the new building is decked with bronze and marble in a manner proper to senatorial *gravitas*. Unfortunately, it does not work. Clocks were fitted with hands too heavy to move; bronze torch-holders in the committee rooms emitted an electric glow too dim for witnesses to plead the Fifth Amendment by; massive walnut-and-bronze doors leaked Senators' confidences to those waiting outside. Letters first refused to fall down the mail chutes and then got sucked down so fast that they bounced off the conveyor belt at the bottom. Automatic lifts, ignoring urgent calls, had to be restored to human control. Public address systems spoke without being spoken to.

The revolt of the liberals came when the official known as the Architect of the Capitol (who is not an architect) asked for an extra million dollars to put some of these things right. This included $150,000 for carpets to cover the supposedly skid-proof tile floors—"installed," says their manufacturer, "with the exquisite craftsmanship of a master gem-setter"—from which two employees have already been carried to hospital. Senators Douglas and Proxmire, in an effort to prove this spending unnecessary, were photographed polishing the floor with an English-made wax to make the skid-proof more unskiddable. However, the Senate has outvoted Mr Douglas and his friends. The extra money has been granted, even though it turns out that 600 doors will have to be altered to let them open over the carpets. So has another $4 million for extending the subway that runs between the office buildings and the Capitol, thus saving Senators fifty paces a journey.

Congress is in an expansive mood. The total cost of the new building under way—which includes a third office block for the House of Representatives and the extension of the front of the Capitol—will be about $110 million. This is $200,000 for each elected representative, and would buy three Polaris submarines. There was some criticism of the bell-tower on the slope of Capitol Hill which was recently dedicated to the memory of Senator Taft. Congress, reading what the American press has to say about the money it is spending for the convenience of the living, might well wonder for whom the bells toll.

Wyoming's Stamp Act

FROM A CORRESPONDENT IN COLORADO

After next month retail traders in Wyoming will no longer be able to give their customers trading stamps, the little bits of coloured paper which housewives can redeem, when they have enough, for luxuries which they want but feel that they cannot afford to buy. The Governor, who had his doubts about the Bill, let it become law without

his signature, but the trading stamp companies are hoping to have it declared unconstitutional by the courts.

Wyoming is the first state to forbid the use of trading stamps, although several tax them heavily and they are under fire elsewhere. Yet as recently as January the Department of Agriculture published a special report which concludes that housewives who collect stamps actually do benefit a little—if the trouble and time this takes is disregarded. They pay about 0.6 per cent more for food bought at supermarkets which give away stamps—retail food shops are the main source of them—but the value of the stamps amounts to about 2 per cent of the money spent at such supermarkets. The companies which sell stamps to the retailers and provide the "premiums" have always claimed that trading stamps are more than a mere promotional device paid for, in the end, by the unwary customer, but this has been hotly disputed.

Wyoming's crusade against the stamps was set in motion about three years ago when Safeway Stores, the second largest chain of supermarkets and one which is especially strong in the West, surrendered to them. Wyoming is a state where independent traders are still strong and they besieged the Legislature. Housewives rallied to the defence of trading stamps, but not in time. In other states they may be more forehanded. In Colorado a proposal to tax the stamps brought battalions of housewives to the state capital. One of its original sponsors changed his mind when his own mother threatened to campaign against his re-election if he did not alter his stand. The newest twist to the trading stamp story is that they can now be exchanged, in the East, for a theatre seat, even, after July 12th, for one for "My Fair Lady." This will take, however, the stamps accumulated on nearly $700 worth of purchases—about what it costs to feed a family for five months.

Farming in the Suburbs

FROM A SPECIAL CORRESPONDENT

ONLY one American in eight now lives in really rural surroundings and earns his living from agriculture; even so he derives more than a third of his income from non-farm sources. But millions of city dwellers have swarmed into the countryside to set a new and increasingly widespread pattern of life which is sometimes called "rurbanisation," sometimes "urbiculture." Many families acquire only a small piece of land, but the more ambitious undertake "moonlight farming," that is, growing crops for market at weekends and after the day's work in office or factory is done. Almost imperceptibly, the needs and pressures of these invaders have created new problems of soil conservation, cultivation and economics.

For example, the country's lawns, if put together in one vast green carpet, would cover at least 5 million acres. The cost of sowing them is estimated to have been $10 to $15 billion and they cost over $3 billion a year to maintain. When the comparable figures for shrubs, trees and flower and vegetable gardens is added on, urban agriculture reaches an enormous total. And many "rurbanites" are new at the job and need help and expert advice at least as badly as the commercial farmers.

Soil conservation, on which such devotion and so many millions of dollars have been lavished, is directly affected when millions of acres are surfaced and drained for housing estates, airports and roads. This has fundamentally altered the nature and problems of every drainage basin and particularly concerns farmers downstream. Change is also coming to the whole massive, intricate system of scientific research and advice for farmers which operates through the land-grant colleges and the Department of Agriculture.

These services have always been run for the benefit of commercial farmers. Their interests are well looked after, both in Congress and in the State Legislatures, largely because of the over-representation of rural areas and the under-representation of the cities. Naturally, the commercial farmer is scornful of suburban agriculture and feels that it is wasteful to spend money on the hobbies of emigrants from the cities. The result is that about 99 per cent of the funds of the Department of Agriculture are still spent on the commercial farmer, first on showing him how to increase his output and then on piling it up in government storage-bins.

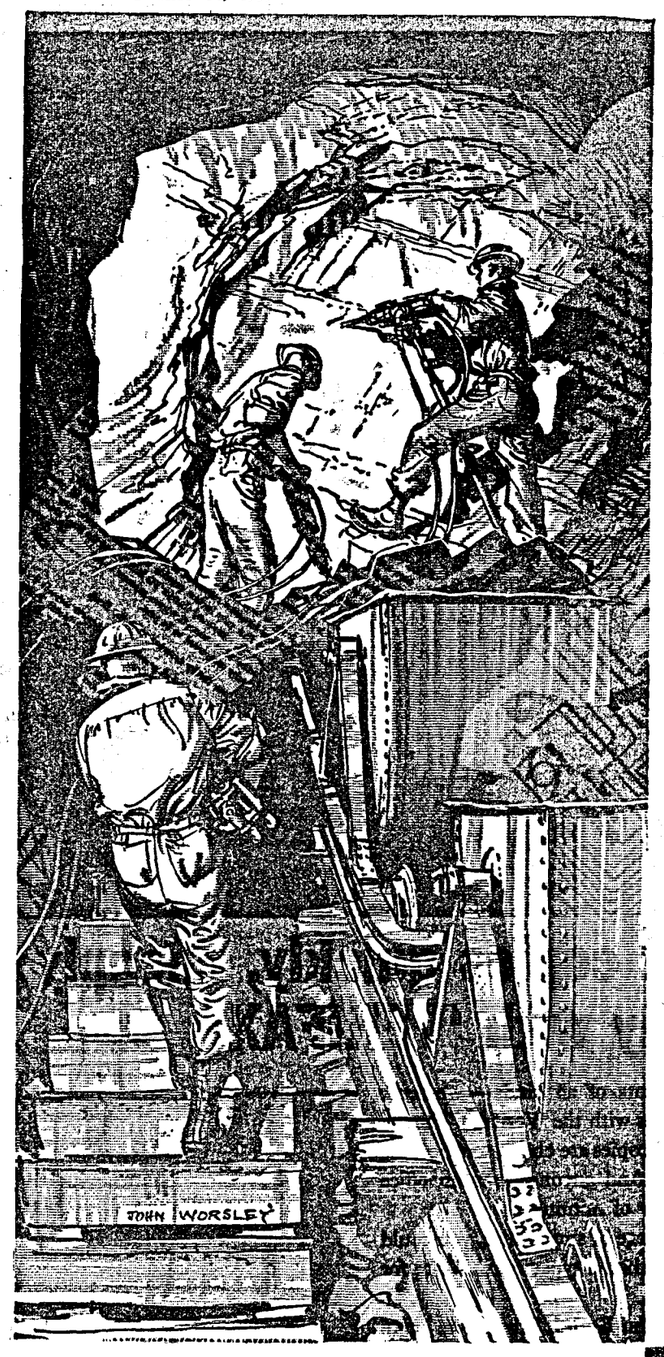
But this is beginning to change, as most county agents report that they are asked more questions today about the care of lawns, fruit-trees and vegetable gardens than about traditional farm problems. Recently both the Soil Conservation Service and the National Association of Soil Conservation Districts (which is the public relations arm of the farmers who enjoy conservation services) decided to make at least a little room for suburban agriculture. The SCS ruled that local districts might enlist its expert services on behalf of suburban farmers, though only with the approval of local boards which are dominated by commercial interests. The association endorsed government planning of the great semi-rural outskirts of the cities and advised local conservation boards to work closely with the governments of towns and cities, zoning boards and housing commissions—but with the proviso that where possible good farm land should be kept for agricultural use.

SHORTER NOTES

Agents of the Federal Bureau of Investigation have been withdrawn from Mississippi because they have failed to uncover evidence that a federal—as distinct from a state—crime was committed when a mob dragged out of jail a Negro accused of raping a white woman, and murdered him. There was no proof, for example, that Parker had been carried across a state line or that state officials connived in the lynching. The evidence collected by the FBI will be handed over to the Governor, but will not be placed before a grand jury until November—a dilatoriness which has strengthened long-standing demands of liberal members of Congress that lynching should be made a federal crime.

* * *

A commission has been appointed by Mr Wagner, the Mayor of New York City, to determine the facts and mediate in the three-week old strike of non-professional workers against non-profit hospitals, whom they accuse of grossly underpaying them. Meanwhile, the hospitals in Manhattan have secured a court injunction against the union, ordering it to end the strike and not to call out workers at other hospitals. The head of the union and his assistant, who disobeyed a similar injunction in Brooklyn, have been sentenced to 15 days in jail and a $250 fine each.



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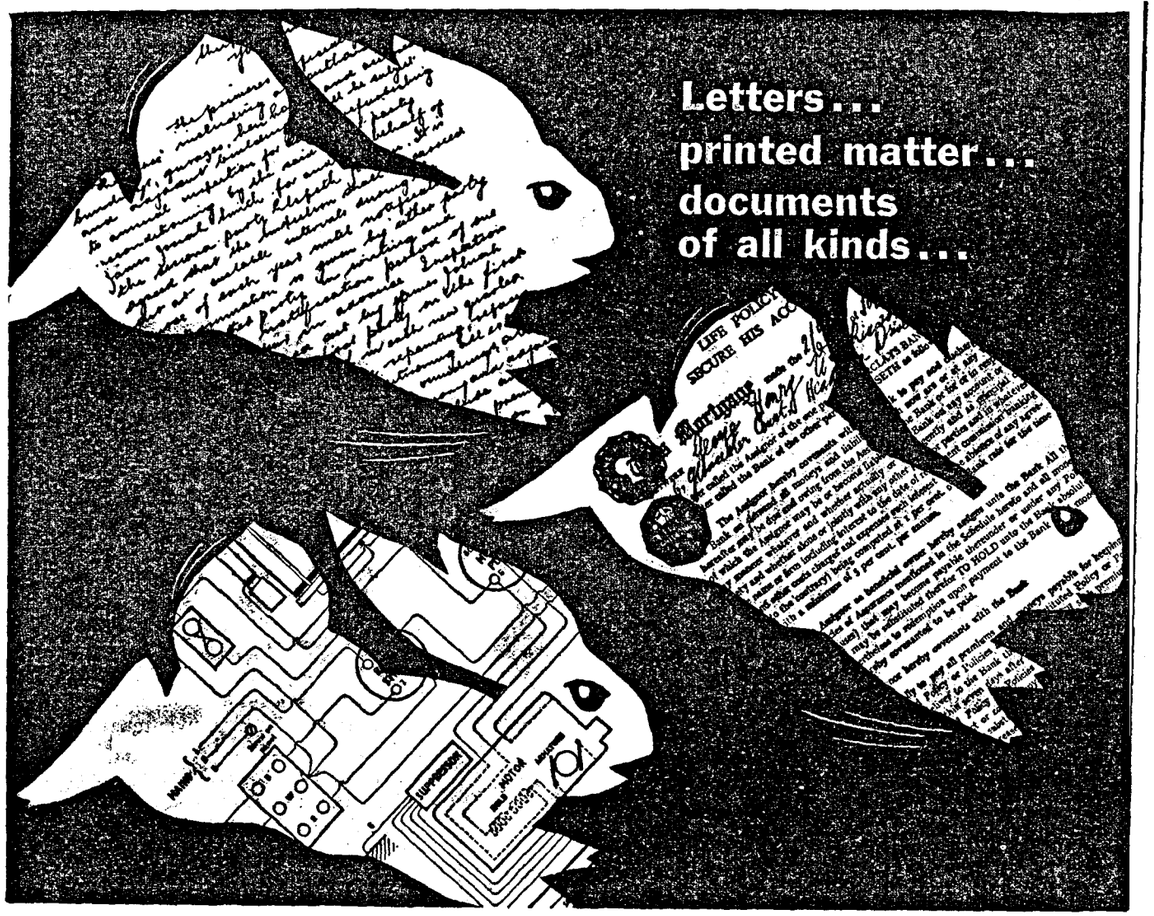
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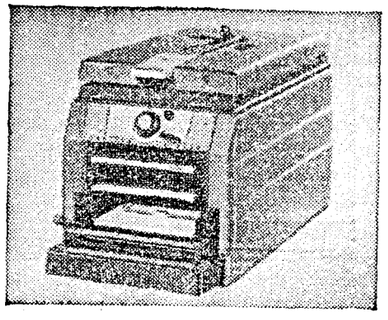


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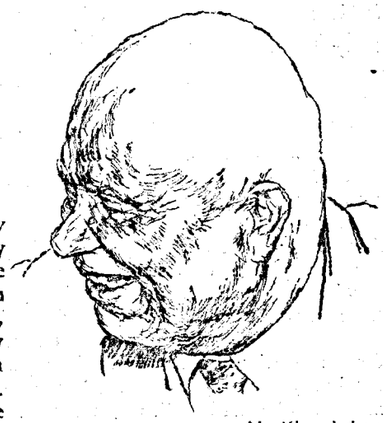
THE WORLD OVERSEAS



President Kekkonen

From the Finland Station

BY OUR SPECIAL CORRESPONDENT



Mr Khrushchev

EVERY Finn is a realist. He insists on it, as upon a point of honour. This profession of a cold, clear faith precedes any discussion of Finno-Soviet relations. There are Finns who belittle every government crisis and even deny that last winter's row with the Russians was out of the normal run. Others wonder what normality really is. Some Finns are sure that only Finns know the Russians and how to handle them. Others say that Finns do not know the Russians at all, that when a Finn shows he can get the most out of trade talks the Russians will never deal with him again. Some think President Kekkonen is right and patriotic in satisfying Russian susceptibilities. Others think he is dangerously wrong, but still a patriot. All are realists: they insist on it.

Finnish realism means, simply and anxiously, the need to get along with the Russians, the "big neighbour," but to get along neither too well nor too badly. It means to trade with the Russians, but not too much. It means to stand up to them, but not to be Winter War heroes again. The West is too far away for that. "In 1939 you sent us sympathy and old clothes." That Finland has survived as it has since 1939 is something to be wondered at. It received the same ultimatum that Stalin sent to the Baltic states. And after Germany's defeat it was treated as the Balkan allies of Germany were treated. Simply to have come through at all, not by luck alone, but by blood and political agility, is the best argument that realism has.

The Finns are not conceited, as some neutrals are, about their enforced neutrality. Their sympathies are with the West, but their long eastern border is with the Soviet Union. They have learned to pay attention to Russia's reasonable needs. Even Marshal Mannerheim advised some frontier concessions in Karelia before the Winter War began. Just now, unless Mr Khrushchev decides he needs some extra protection against Nato submarines in the Baltic, the Soviet Union's main interest is in trade. Finland—in the most familiar image in Helsinki—is a shopwindow, as west Berlin is, and Mr Khrushchev wants to see more of his goods there, whether they are hard to sell or not.

This can be a tricky business, and the Finnish negotiators who soon have to settle the next five-year agreement with the Russians will have some hard talking to do. Every kind of car in the world seems to be parked in Helsinki, but there are not as many Volgas and Moskvitches as Mr Khrushchev would probably like. "They are good enough cars," Finns say, "but somehow I'm not happy in the driving seat. Now, if the price were down it might be different." If the Russians insist on the Finns taking more of their cars, as a prestige point, the showrooms may have trouble in disposing of them. Big concerns can absorb some as office cars, and they make good, stout taxis. But only western models are psychologically comfortable.

Finland's trade with the Soviet Union is growing. The Russians provided more imports (18 per cent) last year than Britain, and came second (17.3 per cent) to Britain in taking exports. The trend is worrying, even if it is not dangerous yet. After the war, the Russians demanded reparations in kind, and to make them the Finns had to set up new metal industries. These industries now find it hard to sell elsewhere, and since the Russians are not interested in Finland's woodworking products the share of the shipbuilding and machine industries in what the Finns call "the eastern trade" is growing appreciably. What the Finns want to avoid is utter dependence on Soviet orders to maintain employment in the metal industries. The political lever this would offer Mr Khrushchev might be disastrous, and Russian encouragement to build a totally uneconomic steel mill in the north has aroused further suspicion. It is quite clear that even an occasional western order for an icebreaker could help the Finns over some bad patches.

The last bad spell was during last winter, when the Russians refused trade talks and rumours swirled round Helsinki that the president was thinking of taking two Communists into the government. In fact, the Russians did not ask for this cabinet representation, and Mr Khrushchev was at his brightest when he met President Kekkonen in Leningrad in January and intimated that co-existence would be resumed. The Finnish parties—the parliament is almost evenly quartered between Communists, Social Democrats, Agrarians, and the "bourgeois" Right—are highly liable to talk themselves into governmental crises. But the Russians, though they maintain an imposing embassy, cannot really depend on playing the party game to ensure that Finland remains strictly neutral. The key post for them, as in Paasikivi's day, is the presidency, which is the one source of continuity in foreign policy. Mr Khrushchev expressed his satisfaction with

President Kekkonen's policy in January, and however much this may rile the president's conservative and social democratic critics, it clearly strengthens his claim to future re-election as the indispensable man.

Although Stockholm correspondents are loth to believe it, few Finns consider Mr Khrushchev to be quite as old-fashioned as he was made out in the last crisis. True enough, the old Finnish communist leader, Mr Kuusinen, is a senator in Mr Khrushchev's presidium in Moscow, and is still thought to dream of entering into his heritage as Messrs Grotewohl and Pieck have done. Mrs Herta Kuusinen, the daughter, who leads the Finnish party in parliament, is a communist power in her own right. But for the Russians to have forced Communists into the cabinet would have been crude in the extreme. The Finns prevented any attempt at a Prague coup in 1948 when, forewarned by the Czech experience, the president ordered the Communists to resign, and what was left of the Finnish navy appeared in Helsinki harbour to make sure there was no trouble. Finland had its civil war between Whites and Reds when it won its independence in 1917. Some memories of it remain at the roots of Finnish communism, particularly among the hard core of 40,000 party members who can be relied upon for strike or other action.

The Russians are bitterly distrustful of Finland's right-wing Social Democrats, whose older leaders accepted German help during the last war. But the middle-of-the-road Agrarians, who form the present minority government, are not markedly disturbed by evidence of petty Russian spite against the Social Democrat, Mr Leskinen, whose presence in the cabinet last autumn so annoyed the Kremlin. The Agrarians tend to think of a more benevolent Russia, which even in the nineteenth century respected Finland's character, if not its national rights. Even Stalin, they say, was reluctant to start the war in 1939. These small farmers are not looking for trouble in the east. It may explain their realism. And, after all, as Mr Khrushchev said in Leningrad, Russia has enough rough grazing and forest of its own already.

In the last resort, the Finns know that they will owe their existence and independence not merely to neutrality—even of the Swedish kind—or to diplomatic ability, but to their own efforts to build a modern state that will be every bit as prosperous, and much more free, than any eastern European satellite of the "big neighbour." Since the war ended, the Finns have done some remarkable work. They had to pay off the Russian reparations, rebuild Lapland (which the Germans had devastated), and resettle every man, woman and child that once lived in the Russian-occupied territories to the east. This has been carried out, as punctiliously as the loan repayments between the wars that made Finland the United States' best debtor. Helsinki now looks a boom town, its white, spreading suburbs of high flats a world apart from the dull, provincial town which the heavy buildings surviving from Russian days suggest.

The Finns are proud of their famous literacy (one Helsinki store has the largest bookshop in, it is said, the whole of Europe), of their multiplicity of newspapers and theatres, and of their two television channels (17,000 sets so far). Yet their capital is still a market town: the stalls go up in the morning beside the harbour in full view of the presidential palace. The fishermen stand in their boats with their catch in their arms. These simple virtues would be nothing without the self-confidence the Finns still have in ordering their affairs, not always wisely, but seldom less than well in the end. Their cold war is a hard one, hardest of all because, for the Finns, there can never be any claims of victory. There is always another round with the Russians coming. But still the sky has not fallen. Still, the Finns believe, it never will, if they are realists.

The Kangaroo Leaps a Depression—II

FROM OUR CORRESPONDENT IN AUSTRALIA

THE first of these two articles about the Australian economy began as a chant of victory and ended by quietly touching wood. Australia has come through the rough and tumble of the past two years looking poised and sleek—very unlike the battered wreck that emerged from the slump of the early thirties. But luck has played a large part in this result; as the economic survey says, it was lucky that an exceptionally good year before the recession had built up the reserves; it was lucky that the world recession did not last until these reserves were badly run down; it was lucky that Britain had a surplus for overseas investment; it was lucky that the latest season in Australia has been such a good one—indeed, that there has been such a run of good seasons since the war. Equally, however, there could be a run of bad luck.

A rapidly rising population and developing industry need rapidly rising imports, and rapidly rising exports to pay for them. The big question mark overhanging the Australian economy is whether the recovery in wool will go far enough to finance development at an unchecked rate and, if not, what other exports could fill the gap. At present wool is still the mainstay of the export returns, although a diminishing one. In 1957-58 it brought in almost half the total export earnings, and in the first eight months of the current year two-fifths (for the full year the proportion will be higher because of the recent price rise). But at this month's wool sales prices still averaged only about half the top prices reached two years ago. Failing a further rise in prices, could there be a big increase in the quantity of wool sold? The world's need for wool will certainly rise with its population, but the ability to pay for it will not rise to anything like the same extent; and there is always the fear of a fresh encroachment by synthetics, and the nightmare about a new one which, as well as being permanently pleated and drip-dry, would peg itself out on the line and be proofed against atomic fall-out.

Meat, which is Australia's second largest export, has been selling very well. But it would be too much to hope that Australia will for long be able to fill the American hamburger with its lower grade beef and (hush, not a word to the Press) with Northern Territory buffalo. American producers are sure to put a stop to this trade as soon as they are doing less well themselves. Britain is of course the main market for meat, taking the bulk of the export surplus under long-term agreement. But Britain is not an expanding market, and if it eventually had to join the common market, Australia would lose the preferences on meat. (The same would apply to dairy produce, but that would be more of a blow to New Zealand than to Australia, which has small hopes of its dairy industry as a whole except for making the home consumer pay dearly for his coronary.) European food production seems likely to become more efficient as a result of integration, so the prospects of selling much more Australian foodstuffs there seem dim.

Could wheat fill the bill? It should be able to on the standard of the product and the efficiency of production—as well as the increasing millions of potentially reformed rice-eaters—but its present and future are threatened by American surplus disposals, lately rechristened "Food for Peace." Australia's former customers in Asia say quite frankly that they will not buy Australian wheat so long as there is a prospect of getting it free or on "P.L.480" terms (Public law 480 of the United States means that you pay for American surpluses in your own currency and probably even get that back as a loan). To give one example, India in recent years had been buying an average of 37 million bushels of Australian wheat a year, but last year bought only half a million. The minister for trade believes that this year's sales to India would have been nil had he not met the Indian finance minister at Montreal and persuaded him to take some for old times' sake. Since some genius thought of a new name for it, it is difficult to say a word against the surplus disposals policy. Mr McEwen, however, explained some of its side effects when he visited Washington recently, and received an unsolicited assurance that the practice would not be extended. But it would perhaps be a mistake to be too sanguine now that philanthropy and prosperity in the Middle West are linked.

SOME Australians are so carried away by the progress of secondary industry that they talk almost as if they could now dispense with the exports of primary products on which the economy is still based. Exports of manufactures have reached the surprisingly high proportion of 14 per cent of total export value, the principal market being New Zealand. But it is not realistic to see Australia as the workshop of Asia. Behind the double wall of tariffs and import duties, nurtured by high wages, by a 40-hour week and unavoidably short production runs, Australian industry can flourish in the home market in spite of high costs; but a great export future is just not in sight.

A conference of chambers of commerce recently demanded an inquiry into the effects of tariffs, and it might do some good if suitable people could be found to conduct it—anything that would secure a more selective development in Australia should be welcomed, however difficult politically it might be. Steel exports should be an exception to these discouraging thoughts, since this industry, for the types of steel in which it specialises, is a low-cost producer. But in general it is to minerals, not to manufactures, that Australia must look for a significant contribution to higher export earnings. They should have a great future—if they are spared too many catastrophes like the recent slashing of lead and zinc imports into the United States.

Thus Australian development is still dependent on the weather, on a handful of products, on a single big market and on the inflow of capital. Whether that development can continue unchecked depends partly on trading conditions beyond Australia's control and partly on its own resolution in reducing costs. At all events it has emerged stronger and more confident from its latest trial.

(*Concluded*)

Bishops' War in Sicily

FROM OUR CORRESPONDENT IN ROME

RARELY in Italy have local elections aroused such general interest and probably unwarranted apprehension as the forthcoming regional elections in Sicily. On June 7th some three million Sicilian voters will return the ninety members to their regional assembly for its fourth legislative term since Sicily obtained Home Rule. The event is an important test for the Christian Democrat party which lost control of the regional government last October. Should the Christian Democrats continue to lose influence in Sicily they will need to revise their central policy at the party congress next autumn and the repercussions will be felt by the government in Rome. More important, in the long run, are the conclusions which will be drawn in the Vatican. The Sicilian elections will show in a better context than did those in Val d'Aosta on May 17th whether the higher clergy have misjudged the effect of reviving religious sanctions to influence the voting at elections. Finally, and this is perhaps the most serious cause for alarm to those who now hold political, religious and economic power in Italy, the Sicilian elections may well confirm a dawning suspicion that local interests and local feeling are a more vital and imponderable element in Italian politics than stereotyped ideological divisions or party discipline.

Eight months ago Sicilian affairs caused the first serious crisis in the Christian Democrat party. The crisis culminated in the expulsion of the chief minister, Silvio Milazzo, and several other Christian Democrats who chose to remain in a "Junta" composed, in addition to themselves, of Socialists, one Communist sympathiser, Monarchists and neo-fascists. This freak government has succeeded in maintaining its popularity as an act of protest against "continental" interference, but the circumstances which helped its formation have changed. Last October Signor Fanfani was prime minister in Rome at the head of a leftish coalition with the Social Democrats. In Palermo Monarchists and neo-fascists joined Signor Milazzo to annoy Signor Fanfani. Today Signor Segni leads an all-Christian Democrat government supported by the extreme Right and there is a reasonable chance that a similar alliance could be formed in Sicily after the election. The Christian Democrats, who obtained thirty-seven seats in the assembly in 1955, stand to lose a few of these to Signor Milazzo and to the Monarchists (now re-united in a single party), but they would still be able to form a Junta with the Right. In that case, however, the party leaders would find it hard to persuade the country—and the forthcoming party congress—that such right-wing alliances are "accidental" and do not imply a radical change of the official party line which still claims to follow de Gasperi's definition of Christian Democracy as "a Centre Party moving to the Left."

Some observers think that Signor Milazzo himself would be ready to join such an alliance. They point out that the split in the Catholic party in Sicily did not occur on a Left *versus* Right basis, but as a regional protest against interference from the party's central executive, controlled at the time by Signor Fanfani. But although in Sicily all political issues are confused, it seems likely that the regional platform on which Signor Milazzo stands or falls will force him willy-nilly to the Left. Belatedly, the Socialists and Communists

have embraced the cause of regional autonomy which the right-wing parties are dropping. Fourteen years ago the Sicilian separatists were reactionaries defending the interests of an old ruling class against the presumed socialising trends of the new Italian Republic. The present upsurge of quasi-separatist feeling stems from disappointment at the slow rate of economic progress in the island compared to the rapid development of the North. It is aimed partly against the political parties whose centralised control thwarts local initiative and regional institutions, but it is also directed against the central government in so far as this is believed to favour northern interests.

Signor Milazzo himself came into power on the crest of a wave of resentment against certain big industries in the North which appeared to be gaining the monopoly of Sicilian credit. Signor Milazzo wrested the two main financial holdings in Sicily (IRFIS and SOFIS) from "continental" influence and the control of these bodies, or rather the prospect of controlling them (for SOFIS is at present headless) is the mainspring of his power. He would lose all influence were he to join a government which favoured northern industrial interests in Sicily, as a rightwing Junta probably would.

This explains why Signor Milazzo and his friends, even at the cost of finding themselves in opposition, are likely to keep Left. They are fighting the election as the newly constituted Christian Social Movement and it is significant that the new party was registered after and not before the Holy Office decree of April 4th forbidding Catholics to vote for parties or candidates who may profess themselves Christian but are allied to, or assist, the Communists by their course of conduct. No one doubts that the decree was timed and drafted at the instigation of the Archbishop of Palermo, Cardinal Ruffini. From the outset the Cardinal rallied the bishops against Signor Milazzo. They have altered the wording of the Holy Office decree in its application to Sicily in order to fit his case more aptly. In Sicily the ruling covers past as well as present conduct and is extended from the Communists to the Socialists. The archbishop has since thrown subtlety to the winds. In an interview with *La Stampa* he declared roundly that he hopes to see a right-wing Junta in Palermo and wishes Italians would consider the example of Spain. They are still reeling under the shock of this broadside which turns the Sicilian elections, like the recent Aosta contest, into a Bishops' War.

Singapore's Two Mr Lees

FROM OUR SPECIAL CORRESPONDENT

May 25th

By any standards, the extreme-left People's Action party deserves to win Saturday's elections for the first government of the new State of Singapore. It is well organised and well led. It has the only real party machine, the only formulated and united policy, and the only followers in the streets. Above all, it has been directed vigorously and skilfully by the young but formidable Mr Lee Kuan Yew, Cambridge double first and mob orator, who is able to address his crowded and lively audiences in English, Mandarin and Malay, and whose occasional impulsive errors—such as his brash, irresponsible threats to the press—have never lost him a single popular vote.

There are two Mr Lees: the public and the private. The first is the shirt-sleeved, race-conscious son of the people, denouncing colonial iniquity, upholding the inherent dignity of his bare-footed supporters, insulting magistrates and bullying witnesses at official inquiries, brooding over the baneful effects of subtle Cambridge brain-washing on his simple Asian mind. The second Mr Lee is the wealthy, laughing sceptic, jollying his colonial friends in private, indulging his golf, driving in his opulent Mercedes, enjoying a gourmet's tastes, planning to send his son to Cambridge.

Mr Lee—as either Dr Jekyll or Mr Hyde—is not a communist nor a vindictive man. But now he has his tiger by the tail. If—as seemed probable when this was being written—he becomes prime minister presumptive on May 30th, he will be the captive of his pledges and threats and of the extremists—communist or not—in his rampaging and turbulent party. If—by some miracle— the weak and divided "moderate" groups, despite their follies, nose him out, he will still dominate the new parliament and may indeed be a more explosive figure in opposition.

There are those who contend that, just as Mr Bevan may prove more orthodox in the Foreign Office than in opposition, so Mr Lee would prove more respectable as prime minister than as the bully boy of the hustings. But how can he persuade mainland Malaya to put its trust in such a transformation or to accept his assurances of firm and enduring control of the openly extremist and disguised communist elements in his party?

Singapore's only hope for prosperous and peaceful survival is admittance as the twelfth State of the Federation of Malaya. No one—to be fair—knows this better than Mr Lee. But if he wins the election, Malaya will be fearful even of his fair promises. And if he loses, he will be compelled to denounce the weak victors in terms which can only foment alarm and despondency on the mainland and weaken any overtures in that direction by an anti-PAP government of Singapore. The liberal western excitement and protests over Mr Lee's recent ill-considered and disturbing threats to the local "foreign" press were edifying and encouraging. But this is relatively a minor issue in the aftermath of the elections. The fate of the thirty-odd "subversive" prisoners—especially the seven who were connected with the People's Action party—has, for example, far more important and urgent significance. It would have been smart, many objective westerners here think, for the authorities to have quietly released these prisoners before the elections. Everyone believes that the hard-core group who are known to be communists are still helping to shape policy from inside Changi prison, whose stone walls have not prevented their communication with the outside world through intermediaries.

Nor have the elections provided any clue to a solution of the unemployment problem. Singapore has a relatively high standard of living and a social welfare programme which is a tribute to its wicked colonial background. But there are at least 50,000 unemployed and many more distressingly under-employed. The local schools are turning out 10,000 aspirants for white-collar jobs each year; in five years, the total will be 20,000 to 30,000.

To replace the flight of alarmed local capital to Malaya, Mr Lee, if he becomes prime minister, can only soak the rich (there are at least thirty Chinese millionaires in Singapore) and draw on dollar reserves in the Bank of England held as currency backing. To placate Malayan fears, he has offered, as secretary-general of the People's Action party, to "malayanise" Singapore's million Chinese, to cease teaching Chinese in the Singapore schools and to accept Malay as the island's official language. But no one believes that there was, or will be, any enthusiasm or even backing for this proposal among PAP supporters or Singapore's nationalist Chinese generally. Indeed, the offer was never emphasised in the electioneering; it will be remarkable if it becomes an early policy innovation by a PAP government.

In essence, there is no real basic conflict between the People's Action party and its divided opponents. Both sides knew that alliance with Malaya and employment prospects were the only issues. Neither attacked communism openly. Each was non-communist rather than anti-communist. Both knew that, as the People's Action party has continually said, anti-communist sentiments would be interpreted as anti-Peking, which is to say anti-Chinese, sentiments.

The odds are that Mr Lee will win power but will be unable to do anything except live from hand to mouth for a tense period of fund-forcing, tax extortion and conflict with the extremist elements in his party. If the voters unexpectedly deny him power, he will be able to impose similar frustration on his divided opponents. In either event, the stone causeway between the island and Malaya must remain, despite the earnest and sincere aspirations of both the public Mr Lee and the private Mr Lee, a frontier rather than a link.

Mr Bandaranaike Loses His Left Wing

FROM A CORRESPONDENT IN COLOMBO

After three years of stress and strain, Mr Bandaranaike's coalition broke up last week when the food minister, Mr Philip Gunawardena, and the minister for industries, Mr William de Silva, resigned. With them into opposition went the three other members of the Trotskyist splinter group which had helped the prime minister's own Freedom party to form the coalition government in 1956. Their resignation was quickly followed by the defection of seven Freedom party members. In an effort to end the crisis precipitated in early May when ten Freedom party ministers demanded that he should choose between "Philip or us," Mr Bandaranaike had re-allocated departments. He himself took over the important food and co-operative departments from Mr Gunawardena, offering him instead the department of fisheries, which had earlier belonged to Mr de Silva. These two ministers promptly threatened to resign; and the premier accepted their resignations.

The parting of the ways was perhaps inevitable. The milk-and-water socialism of the Freedom party, whose main popular appeal was really its nationalist and communal policies, had never mixed well with Mr Gunawardena's blood red Marxism. Though weak in numerical strength (with only 2 out of 15 seats in the Cabinet, and 5 out of 55 in the parliamentary coalition), Mr Gunawardena's group made up for lack of numbers by single-mindedness of purpose, mass appeal and sheer drive. In pushing the coalition faster and further left than most of its members were prepared to go, the food minister had two big advantages. His opponents lacked his experience, stature and dynamism, and some of them were constantly under fire for inefficiency and corruption. Further, he always enjoyed at critical moments, the support of the prime minister.

After his success with last year's Paddy Lands Bill, when he rammed through a highly radical measure in the face of strong right-wing hostility, the food minister stepped up the pressure. In the government parliamentary group he accused his colleagues of being false to the coalition's election pledges, and appealed directly to impressionable backbenchers. At rural rallies, co-operative meetings and other public functions, he castigated his cabinet colleagues with volcanic venom, calling them "toothless degenerates," "one-legged reactionaries" and "half-blind lackeys." And at decisive moments he reinforced this double pressure by manipulating his party-controlled trade unions.

It was his Co-operative Development Bank Bill which finally set in motion the events that culminated in last week's collapse of the coalition. The Freedom party ministers, increasingly apprehensive of his growing strength among the rural masses, criticised the proposed new bank, whose functions would extend to commercial banking, as a calculated encroachment on the functions of other ministers, and described the Bill as "totalitarian." Mr Bandaranaike hastily undertook to take into his own hands both the handling of the Bill and the eventual control of the new bank; and Mr Gunawardena, who obviously trusted the prime minister to work the scheme as he had conceived it, readily acquiesced.

Nevertheless, he continued to hurl abuse at the "reactionary Right" from public platforms, and on May Day he reiterated his old demand for the dismissal of the deputy inspector-general of police, Mr Sydney de Zoysa, whom he had accused a few months ago of being Ceylon's potential Ayub Khan. Mr de Zoysa's brother, the finance minister, Mr Stanley de Zoysa, had been assaulted at a public meeting a few days earlier, and the right wingers were convinced that this incident, too, was inspired by Mr Gunawardena's partisans. They banded themselves into a self-styled "socialist group" and demanded the food minister's blood. Meanwhile, the attorney-general gave Mr Sydney de Zoysa permission to sue him for criminal defamation.

At this stage, Mr Bandaranaike, who had hitherto continued to back Mr Gunawardena, switched tactics suddenly. Ceylon's leading newspaper called it "the great betrayal." What prompted him to do what he did? One common conjecture was that his virtual expulsion of the Marxists and his subsequent denunciation of communism at his party's annual conference was an attempt to create a congenial climate for more American aid. (The economic prospects are far from bright, and the budget is due in July.) But the true explanation probably involves a whole host of factors, both personal and political. This time, a movement to the left would have meant an even bigger loss of support in parliament. And Mr Bandaranaike would undoubtedly have been influenced by the growing suspicion in the Freedom party ranks that Mr Gunawardena was using his ministerial powers to build up his own party organisation in the rural areas, and at the next elections would be a strong challenge to his own leadership. Besides this, to back the Left in this conflict might have made the prime minister its prisoner for good, and he has always been touchy about the frequent suggestion that Mr Gunawardena was the real boss of the coalition.

Today he commands only 47 votes, against a total parliamentary opposition of 52 (a few opposition members have now crossed over to the government). But there is no immediate fear of the government falling. Various opposition groups and independent members have pledged their support to it on important specific issues. There is also the general dislike of any early dissolution of parliament. The main opposition party, Dr Pereira's Trotskyists, would prefer elections after the present delimitation commission finishes its work, and after the voting age has been lowered to 18. Mr Bandaranaike can probably limp along for some time yet.

Khrushchev on Literature

How to reconcile artistic vision with the party line? How to get books that are sufficiently true to life to capture the attention of readers and yet do not give a picture of Soviet reality which is too true to life for the taste of the leadership? These questions have been the unspoken refrain at the third congress of Soviet writers. They were also at the heart of Mr Khrushchev's long and lively improvisation on literature which he delivered on May 22nd and which was the showpiece of the congress.

The dilemma is not new, but the spread of education in Russia has made it acute. As long as the bulk of the population was semi-illiterate, readers could be made to believe almost anything. The emergence of millions of educated people, brought up on the masterpieces of Russian and world literature, blunted the weapons of crude propaganda; the stalinist arsenal became obsolete. Even before Stalin's death, at the party's 19th congress in 1952, Mr Malenkov had to exhort writers to show a more critical spirit, to give a truer picture of life. Knowing from bitter experience what a price one could pay for being carried away by the artistic vision, the writers remained cautious. Only when they saw other signs of relaxation, after Stalin's death, did they respond to the prompting.

The period that followed, between 1954 and 1957, is best known to outsiders through the symbolic titles of two novels: Mr Ehrenburg's "Thaw" and Mr Dudintsev's "Not By Bread Alone." There were, however, more interesting writings than these being published in Russia at that time. Critics, beginning with Mr Lifshyts and Mr Pomerantsev, made devastating fun of previous novels written to measure. They ridiculed books in which lovers tenderly exchange pledges about the overfulfilment of norms or in which the tractor is psychologically the most interesting character. At the same time, contributors to several reviews, particularly to the short-lived magazine *Literary Moscow,* demonstrated that the traditions of Gogol and Chekhov were not dead and that satire had a place in the Soviet environment.

The leaders had not bargained for so much, particularly as this revival coincided with the Hungarian upheaval and with unrest throughout the Soviet block. The Russian writers were included in the attacks on revisionism. In the middle of 1957 Mr Khrushchev himself joined in the attack at a dramatic writers' meeting in Moscow. The warning was enough to drive some authors back to their prettyfying brushes, while others sought refuge in historical writing or in the silence of ivory towers. The Pasternak affair was an unconnected epilogue to this drama.

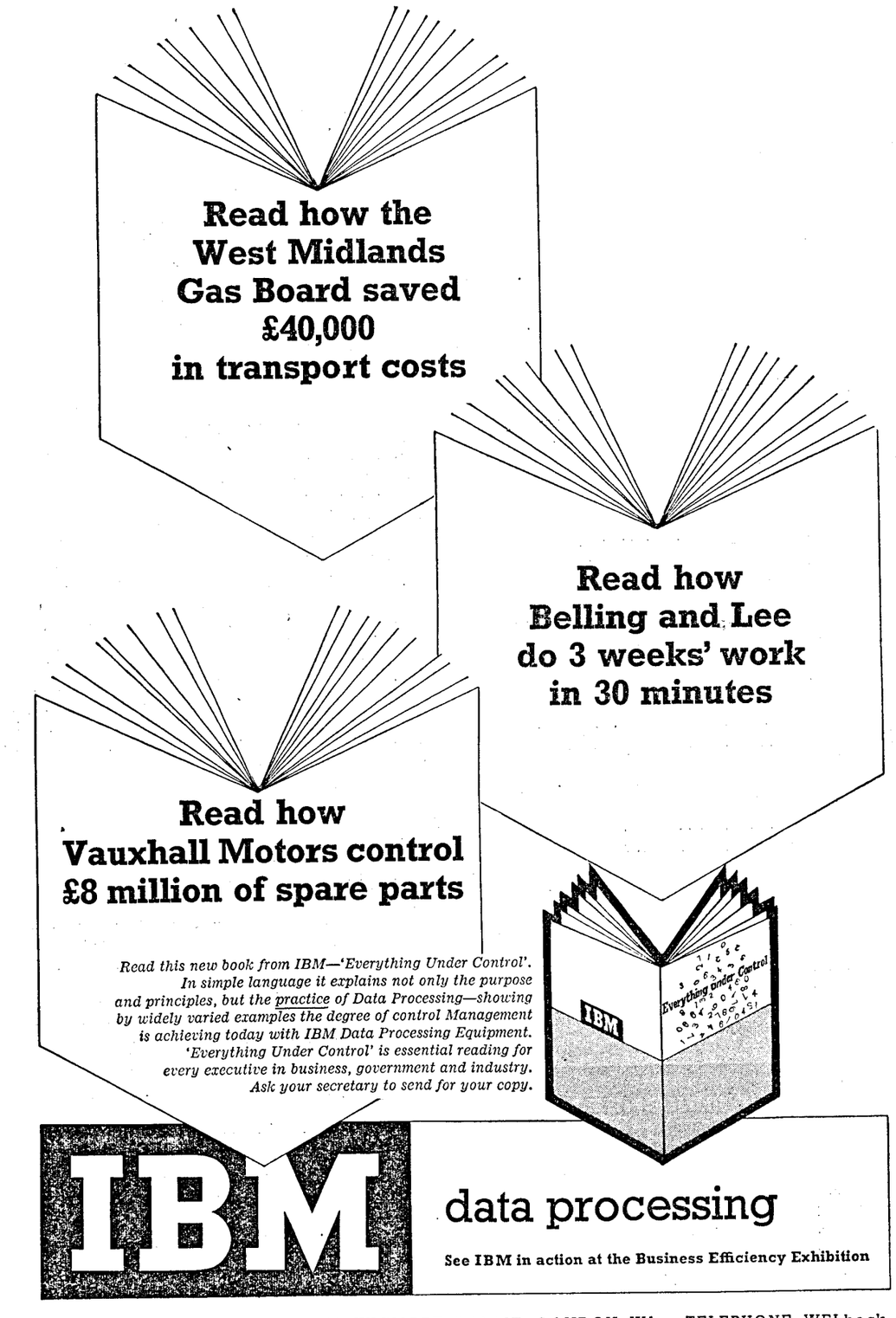
All was quiet again on the literary front. The only trouble was that there was no new writing worth speaking of. The purpose of the present congress was partly to remedy this state of things. True, most of the speakers went on thanking the party for its advice, insisted on the importance of "positive" heroes and condemned revisionist trends. Many speakers, however, also deplored the drabness and greyness of Soviet letters, the lack of original contributions, the rule of the stereotyped and the hackneyed.

Mr Khrushchev chose the part of peacemaker. His chief message to the congress was that bygones should be bygones. The opponent had been "ideologically" defeated and one should not hit people when they are down. On the contrary, comrades should be helped to move from wrong to correct positions, without being reminded of the past. He even had a nice word for Dudintsev, whose book Mr Mikoyan had advised him to read, and he regretted that other business had prevented him from talking things over with him. The trouble with all the so-called debunkers, in Mr Khrushchev's opinion, was that, preoccupied with dung heaps, they could not see the greatness of the growing communist society.

The Soviet leader was in a particularly genial mood. He interspersed his speech with anecdotes, and apologised for speaking impromptu. He modestly proclaimed several times that he was no literary critic. Nevertheless, he was obviously on the side of the party priests and not on that of the debunkers. Writers must strive to depict the beauty and greatness of the struggle for the establishment of communism. The party leadership could not be accused of fearing criticism. Did it not give proofs to the contrary by indicting past errors at the 20th party congress? Mr Khrushchev was thus directly referring to his "secret" speech in February, 1956. Communists are familiar with the idea of "committed" literature, but many of them may ponder why a writer should not be allowed to extend his criticism beyond the frontiers prescribed at the last party assizes.

All the doubts left in the Russian mind in spite of all Mr Khrushchev's pleading were summarised in advance by a Soviet author. Writing on the eve of the congress in *Literaturnaya Gazeta,* Mr Paustovsky bluntly described the mass of Soviet books in which the proportion of bright and dark colours is carefully mixed so that the bright should prevail; he thanked fate that Tolstoy had written "Anna Karenina" before the emergence of this convention. He even asked at one stage "whether we are not talking so much and so loudly about truth because we are lacking in it?"; and damned the writers "who are playing with truth guided by motives that have nothing to do with literature."

The dilemma persists. If he wants masterpieces, Mr Khrushchev cannot keep writers on a leash. His soothing words at the congress will probably be taken as a new sign of relaxation. Even the replacement of Mr Surkov, who was chairman of the Writers' Union at the time of the squeeze, by the less committed Mr Fedin, will be interpreted in the same way. But if they write more freely, the writers are bound to cause new scandals. In one of his many metaphors Mr Khrushchev referred to them as the Soviet Union's artillery. As the Soviet infantry surges forward, Mr Khrushchev will have new troubles with his gunners.



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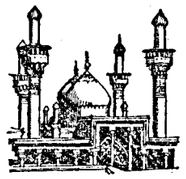
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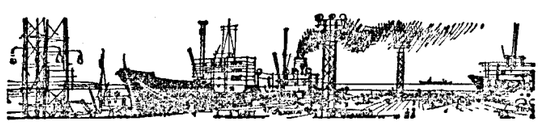
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THE BUSINESS WORLD

ENERGY TO SPARE—II

Can Coal Compete?

At the pithead, British coal still averages the cheapest in Western Europe, and over the last twelve months the National Coal Board has managed to bring its costs down slightly. Its European competitors would argue that its advantage is partly due to artificial elements in its methods of costing—the facts that it gets its capital at a low rate of interest and anyway fails to break even, and has some of its "fringe payments" carried through the national budget while paying relatively little tax. These arguments, effectively, are beside the point, which is that a significant amount of British coal, cheap or not, is today staying at the pithead.

For the reduced costs of the Coal Board's reduced output are not low enough to compete with oil, which is now being sold down to £7 a ton or less. Last year, Britain used in all only about 1 million tons more "coal equivalent" than in 1957, but oil increased its share by the equivalent of about 10 million tons of coal. The biggest element here was in oil supplies to the power stations, under contracts that call for a rise in oil burning up to 1960-61. This year's increase in oil for the power stations will not be quite as large, and next year, reaching the peak, it may not displace much more than a further half a million tons of coal. Nevertheless, the total use of oil in the economy may well rise this year by 7 million tons or more of "coal equivalent" and in 1960 by say 5-6 million tons. Prospects for coal demand in the immediate future therefore depend on whether Britain's total fuel requirements this year and next rise more than the increases that occur in oil consumption. This year there is no chance of that happening, and next year probably not much.

If Labour were to win the next election, sheer dead weight of mining MPs would probably mean protection against oil in one form or another. If the Tories remain, the most that can be expected may be a little more consultation with the oil companies on an old boy basis about not hitting coal too hard while it is down. The Coal Board and the miners would be unwise to bank on the first possibility. The alternative of "free competition in fuel" to which the government is committed may not bear too rigorous an examination; it does not apply to Russian oil nor to American coal, and certain tender nuclear plants are to be protected at all costs from the cold winds of commercial competition. However, there is nothing to be gained for the Coal Board from pushing that analysis too far.

As things look now, since it does not propose to cut output more than it has already planned, the Coal Board will probably have to put 7-8 million tons more of coal into stock over this year. It will presumably end the year with about 30 million tons of coal on the ground (piled 12 feet high, these stocks would cover about 1,500 acres). In 1960, unless it cuts output a good deal more, it will probably have to stock another 4 million tons. By 1961, perhaps, its output should be down to about the amount that it can sell. But stocks of perhaps 30-35 million tons are going to take years to clear.

Lying on the books at a "conservative" valuation that must steadily be written down by the rent and interest that it costs to hold them, plus possible long-term physical degradation, those stocks will overhang the Board's finances for many years. At the same time, they do offer it some margin for selective marketing manœuvres. To maintain coal in markets that would otherwise be lost now but where in future the industry hopes it may have a fighting chance, it would be worth taking some loss on stocks that would otherwise remain on the ground for years. This implies possibly offering longer term contracts than it has ever dared before, and cutting prices against oil to win particular customers

in the home market, and against American and East European coal abroad. Timidity about the "prohibition of statutory undue preference or discrimination" should not inhibit the board too much here. It is selling a wide variety of types of coal from 800 mines to a myriad of customers scattered all over the country; if it finds some customer complaining that his neighbour is getting undue preference on identical quantities of identical coal on identical periods of contract, it should either offer him equally good terms or let him go to court. Cutting prices across the Board, or to customers in secure markets where one would not sell an extra ton of coal, would not be sensible. But in markets that the board thinks it might retain, it should not allow its lack of reserves and its accumulated deficits (which are partly the result of policies imposed on it by successive governments) from acting as a commercial business would act in similar straits.

THE key question, obviously, is how much coal and in what markets this industry can hope to keep on selling in the competitive markets of the sixties while there is energy to spare. After "four years flat"—in 1958 Britain used little more fuel of all kinds than in 1954—forecasters must be somewhat chastened. The effects on fuel consumption when economic growth levelled off after 1955, and the access of fuel economy after Suez, have emphasised the limitations of conventional methods of "global" and "sector" forecasting. But fuel industries in which investment takes a long time cannot avoid making such forecasts, and the chastening interregnum has thrown up no new ways of doing so.

The Ministry of Power has not yet formally retreated from the estimates of total fuel consumption in Britain in 1965 to which Mr Maudling publicly committed it in April, 1957, since it was never considered convenient to admit that even in recession Britain had ceased doubling its standard of living. But privately the arithmetic is being revised, in Whitehall as elsewhere, and the answers can hardly differ much. If one assumes that recovery has already begun this year, and that national income may rise 3 per cent annually until 1965 (which would not put the economy fully "back on trend," but is fairly optimistic over six years steadily) one might revise the government's last public guess that Britain will use about 300 million tons of coal equivalent by 1965 down to a little over 280 million tons. Of that, the government is committed to supplying, in 1965, perhaps 8-12 million "tons C.E." from nuclear generating stations. The oil industry reckons that it can sell in British fuel markets perhaps 45 million tons of oil, or just over 75 million tons C.E.—and who is to stop it?

That would leave the coal industry with a home market in 1965 for something over 190 million tons; allowing a margin for exports and bunkers, perhaps 195-200 million tons of coal. Since one has to consider its huge stocks, it may be worth adding that this crude arithmetic suggests home demand will hardly exceed 195 million tons in any of the years from now until 1965. What this means, broadly, is that by 1965 the Coal Board may have a market for about as much coal as it may be producing say next year: but that to reduce its stocks substantially it would need, for a time, to cut output below consumption.

The Coal Board's marketing department has to back such global guesswork by reckoning where it can sell all this coal. The Central Electricity Generating Board says that by 1965 the power stations will take 55 million tons a year; coal is pretty secure here against oil, economically as well as politically. After 1965, it will be competing in the power market against further nuclear generation. Here the balance of political lobbying will probably not be on coal's side, but there is a growing realisation that for quite some years more the economics may be. The coke ovens are an even more secure market. By 1965 they may want about 35 million tons of coking coal; and unless the British steel industry goes in vigorously for hydrogen reduction of iron, demand for metallurgical coke should rise thereafter. The gas industry has irritated the Coal Board by cutting back its estimates of the amount of carbonisation coal that it will require in the future. But those original estimates were hopelessly optimistic: if it were to stick to carbonisation, the gas industry would never be able to hold the share of the market on which it counted. If gas from oil and liquid methane can save this industry's markets, with possible reinforcements later from total gasification of low rank coals—all producing no coke—coal should not grumble: the gas industry will still probably be buying over 20 million tons of coal in 1965. Industry in general is at present switching more and more to oil, mainly for good economic reasons but also through desire to be in the fashion; but the Coal Board, if it begins using its stocks for a positive marketing policy as expansion mounts again, may at least be able to maintain its absolute sales there, though accepting a shrinking share of the growing market. The same applies to domestic fuel consumption. More convenient secondary fuels will provide almost the whole of the increase in the heating standards of British homes that has now clearly begun, but the actual tonnage of solid fuels used for basic heating need not drop much. And if coal-based electricity were to capture the market now supplied by large coal burned in open fires, would that be a bad thing for mining?

MAKING ready to provide for sales in the home market and abroad of the order of 200 million tons by 1965 is a different proposition from planning to provide 240 million tons from mines and opencast sites at that time, as the Board planned to in its last

investment programme. The end of Saturday working has already reduced the eventual total by about 12 million tons a year. Opencast output is already being cut well below the figure planned for 1965, and the Board's decision not to let any further new contracts means that this output will run down fairly rapidly to quite a low figure. The board, equally, is not starting on any further major reconstructions in the mines: of the 247 major schemes approved since vesting date, 79 have been substantially completed (covering about 17 per cent of 1958 output) and on the rest, due to cost some £600 million, about £200 million has already been spent. Output from the new and reconstructed collieries, even last year, was about 20 per cent more than in 1952. One would expect that as others "in the pipeline" are completed over the next five years or so, some of the industry's long-latent "forces of increase" should push up output across the remaining slice of capacity under reconstruction (which last year represented another 40 per cent of total output). The industry is already finding it difficult to bring 1959 output down as much as it planned to. Running down an upward escalator exercises a different set of muscles.

The Board's immediate problem, merging into longer-term revision of its plans, will be how to offset this growth of primary capacity among mines that are even now producing 60 per cent of national output by contraction elsewhere. If an attempt is made to reduce stocks by cutting output below likely consumption for a few years, this problem would be exacerbated. Socially, it will be a bitter process anyway. The crude array of costs is revealed by the table, which sets out divisional profit and loss accounts (before allowing for about 3s. a ton in interest charges), and indicates the range of profitability between areas. This exaggerates matters, since most areas contain some good pits and some bad; even so, it is clear that unprofitability is a strongly localised phenomenon in British coal, and localised in "unemployment places." If the industry is to compete economically it will be mostly in these regions that mining capacity will have to be cut, as all the Board's successive plans have recognised. But acceleration of the process, beyond a certain rate, would be immensely troublesome in an industry that depends so much upon human effort and the co-operation of the remaining labour that it hopes will become much more productive. These declining areas will need as special treatment as say cotton towns; many of the miners who will become redundant will be too old, with too heavy family commitments, to leave their own areas, even though there may be little alternative employment there for them. In the short term, it seems doubtful whether the board is allowing "natural wastage" to clear enough men out of the industry generally; it is still recruiting adults on quite a substantial scale.

PROFITS AND LOSSES IN THE COLLIERIES, 1958

Division	Profit or Loss* per ton (s. d.)	Range of Profitability between Areas of Division (s. d. per ton)	Output in 1958 (m. tons)	Change from 1957 (%)
Scottish	−14 5½	− 3/11¼ to −28/3¼	19·5	− 8·8
Northern (N & C)	− 1 11½	+ 2/6¾ to − 7/9	13·2	− 2·5
Durham	− 0 9½	+ 1/8 to − 3/10½	24·0	− 4·5
North Eastern ..	+ 6 1½	+13/11 to + 6½d.	42·7	− 2·6
North Western .	− 3 7½	+ 10½d. to − 8/2¾	15·0	− 3·3
East Midlands ...	+ 8 2	+11/8 to + 1/9¼	45·7	− 2·6
West Midlands ..	+ 0 5½	+ 3/2¾ to − 2/8¾	16·9	− 5·8
South Western .	− 1 7½	+11/7½ to −29/4	22·9	− 5·7
South Eastern ...	− 4 10¾	Only one area	1·6	− 4·1
Great Britain ...	+ 1 1½	...	201·5	− 4·1

*Before charging interest on NCB capital—£32·1 million in 1958 or roughly 3s 2½d. a ton.

AN industry producing 190-200 million tons a year, of which quite three-quarters should come from pits sunk or wholly reconstructed since the war, with a markedly higher labour productivity, should be in a healthier condition to compete. Internal reorganisation to make fuller use of the existing capacity, and the process of concentration of working that has already begun, should strengthen its efficiency and moderate its inflexibility. On the marketing side, the burden of coal stocks should also give it the opportunity to offer longish contracts at fixed prices where markets can be kept. It no doubt embarrasses the Coal Board that the customer most interested in long-term contracts is its largest, the electricity industry. It might be reasonable to offer contracts at a fixed price or a "fuel oil parity price" to get a marginal power station or two switched back. But across the whole tonnage of coal used for electricity, the Coal Board could not afford this: it is not likely to be the highest-cost supplier of primary fuel for electricity. It is most unlikely that upward revision of the guesses about nuclear generating costs (while the costs of other fuels remain stable) will cause much revision of the huge investment in Mark I nuclear stations; the atomic knights, having securely involved the politicians in the enlarged programme, may well reflect that nothing succeeds like excess. But elsewhere in its markets the Coal Board may be able to hold ground by guaranteeing steady supplies and qualities, and by developing technical services for the industrialist comparable to those he gets from oil or gas.

With no more than the present degree of protection of its home market for fuel (which is not important since American coal and Russian oil both effect oil prices here), the prospect of energy to spare should therefore not prove too frightening for Britain's "indigenous" coal industries. A substantial proportion of Britain's present coal output should be able to compete in the sixties; and nuclear engineering is assured of a much larger niche than commercial considerations alone would give it. Greater prescience than any of us possess could undoubtedly have given Britain the fuel we need by 1965 at a considerably lower cost in capital investment: but the going price of energy in the sixties may still be lower than we used to fear.

Mr Clore and the Brewers

The brewers, who do not mind mergers among themselves, seem particularly to resent Mr Charles Clore's bid for Watney Mann.

FUSES lit by Mr Charles Clore have usually produced shattering explosions (and only a rare damp squib) in the past, but none has gone off with such a resounding bang as his cash bid for Watney Mann, the London brewers. The bid has excited the man with the pint in the public bar just as it has inspired the best of Mr Osbert Lancaster's wit; the brewers, if they have made any comment at all, have deplored the prospect of Mr Clore coming into the industry—it would indeed be a phenomenon in this clubby business; and brewery shares have never been so excited as these were on Tuesday. The evening before Mr Clore went to a party and said not a word; he left the talking to his solicitor, Mr Leonard Sainer.

For two years Mr Charles Clore has been resting on his hard won laurels, garlanded together in Sears Holdings, and has not made any bids. This may have been a little hard for him; at any rate, a month ago he referred to the £8 million that Sears holds in cash, with a clear indication that he might not remain quiet for ever. Hitherto, Mr Clore has offered non-voting "A" shares in Sears in his bids. For the 9,047,620 ordinary shares of Watney Mann, however, he is offering cash—45s. a share and when the offer becomes unconditional and the shares are split into 5s. units, one out of every four to be returned to the acceptors. So, in effect, the offer puts a value of 60s. on Watney Mann shares, compared with the pre-bid market price of 51s. 3d. Mr Clore thus puts, in this first foray, a value of over £27 million on the ordinary capital of a company whose net book assets at the end of September stood at £37.8 million, and with a net worth attributable to the equity of £18.3 million. The real (as distinct from book) value of these assets must be much higher—as, no doubt, the revaluation already set in train by the Watney Mann directors will reveal. For these assets, which brought in £1.3 million of net profits in 1957-58, Mr Clore is prepared to put down £20.3 million in cash.

That is his opening bid. Whether he will be prepared to go higher is another matter. He can count on the opposition of the sitting board of directors; and that may be backed not merely by the weight of opinion in the brewing industry, but by support of a more tangible kind. Beer is thicker than water. In past struggles Mr Clore often raised his own ante. But a month ago he said he was not prepared "to pay a price which discounts the future too fully and which does not take into account the time and effort which will be necessary before the future benefits accrue."

To make economic sense, his bid must show that under his ownership Watney Mann, with its chain of 3,670 licensed premises, will be more profitable than at present. The indication of his intentions is not particularly precise nor clear cut, nor breathtakingly new. Unprofitable public houses will be sold for their site value or their sites will be re-developed, a shop or an office replacing the pub. Others will be modernised in some cases with only a lounge or a bar; catering facilities will be provided; and off-licences with a good delivery service will be developed. No doubt Mr Clore and his associates have the energy and the skill to carry out these plans jumping the hurdles of the licensing laws and the traditions of the trade. But Mr Clore is not offering anything new. When he acquired Sears (True-Form) he injected a new dynamic into the retail shoe trade; for brewing and public houses, his recipe amounts to rather more of what the trade has been trying in its own plodding way to do for some years, to offset the declining trend in beer consumption. Amalgamations have been common; reciprocal trading agreements have spread; economies in production (not mentioned by Mr Clore) and distribution have been secured; unprofitable pubs have been closed and others modernised. So far, all that has resulted has been a modest increase in profits of the bigger and better managed breweries. In an industry that is highly competitive and is probably still on the decline, Mr Clore is promising to do the same things as the brewers—only better.

DEVELOPMENT costs money and if Mr Clore secures control of Watney Mann, he would have to find cash over and above the £20 million used in making the bid. The sale of some public houses would provide some. But would it be possible to sell the freeholds and take back the leaseholds on others? The most obvious source of new money is the sale of the site of Watney's Stag Brewery in Pimlico. Last month, the directors of Watney Mann said that a contract had been "concluded" with City of London Real Property for a sale of a major part of this site. The price was not disclosed because it apparently depends upon the form of planning permission which is given for redevelopment. But the chairman of Watney Mann, Mr Simon Combe, made it clear that none of the proceeds of the sale would be distributed to shareholders. Instead the money is to be used to repay bank overdrafts raised to finance the extensions to the Watney brewery at Mortlake and the Mann brewery at Whitechapel (designed to make good the loss of

capacity at Pimlico) and to modernise the group's licensed premises. These developments are needed and the board has done its duty in holding back this capital sum to finance them. But here they helped Mr Clore, for their decision not to make a capital distribution put a restraint on the market price of the shares, giving him a good opportunity to buy and accumulate ammunition for fixing his bid.

The course of a take-over struggle is generally predictable: the initial offer, a promise of a bigger dividend or better behaviour from the directors and then an improved offer from the original bidder. There are many possible variations on this theme, but it was the notes of a familiar melody that dealers and investors in the Watney Mann shares heard, or thought they heard, on Tuesday: the shares were marked up to 72s. 6d., came back to 67s. 6d. and then went up again on Thursday to 75s. There were some reports that Mr Clore was selling some of his shares in an attempt to keep the price down—bidders make things awkward for themselves sometimes. To buy at this price might be foolhardy; to sell foolish. But there is certainly no point in accepting Mr Clore's bid at once. Other brewing shares, whose prices have already had a good rise and which discount earnings and dividends quite fully, have been active.

This excitement may herald the biggest and hardest fought take-over battle since the struggle for British Aluminium. It remains to be seen if the Watney Mann directors have an effective counter-plan; they should not have been caught entirely napping by Mr Clore, although by their words they seemed to be. It must be a good plan. Expostulation, appeals to national interest, or the closing of the club ranks to come to the aid of an embarrassed member simply will not do. And, equally, a lot depends on Mr Clore. The bidder always has the initiative and if he is in earnest he will not surrender it lightly. But he is always free to withdraw—with a capital profit on any Watney Mann shares he holds. Shareholders must wait at least until they can gauge Mr Clore's reactions to the counterblast to the bid promised by the Watney Mann directors. While they do so they might clear their minds of cant. Mr Clore has as much right to bid for the Watney Mann shares as he has for the shares in any other industry: heated statements describing the bid as "preposterous and deplorable" come a little oddly from an industry that has seen many a merger and from a company that is the product of more than one amalgamation. The purpose of an agreed merger or a take-over bid is the same: to employ resources more efficiently and to conduct the management of the concern in the best interests of its shareholders. That is its economic justification. In his earlier bids Mr Clore proved to the satisfaction of shareholders that they would gain under his management. He deserves the victories he then won. If the directors of Watney Mann prove to the satisfaction of the shareholders that they will gain more by going along with their policies than by selling three-quarters of their equity to Mr Clore, then they will deserve to beat him. Indeed, if they do, they probably will.

BUSINESS NOTES

THE ECONOMY

Expansion Under Way

LAST month's total of people unemployed included an unusually high proportion of youths and girls, because the count happened to be taken closer than usual to the time when children leaving school at Easter think about taking jobs. By May it was to be expected that most of these school leavers would have found jobs, so that the drop in the total out of work would be greater than usual for this time of year. The fall actually recorded—50,000, bringing the total unemployed down to 481,000, of whom 444,000 were wholly unemployed—was, however, larger than either normal seasonal factors or this exceptional one would explain: the real improvement has certainly continued. Allowing as far as possible for seasonal factors, one can say that the numbers wholly unemployed in the middle of this month were 13,000 fewer than in March and some 40,000 fewer than at the peak in January and February.

More evidence of the quickening in economic activity in Britain came this week from a source few people would have expected to show much improvement as early as the first quarter of this year: orders for machine tools, for the first time in many months, exceeded the industry's volume of deliveries which has now come down considerably. Orders reported in February reached £4½ million, the highest total for any month since March last year; and export orders rose too. The industry's order-book, which now represents 13 months' deliveries, is still far below that of a year ago, and it appears uncertain whether the improvement in orders continued in March. Nevertheless, this is the first cheering indication from this particular index of decisions about business capital investment that has been forthcoming for some time.

It takes no refined analysis to sense the upward trend in British business today; but the National Institute of Economic and Social Research, in its latest *Economic Review*, is prepared to put a figure to the rate of re-expansion. It believes that by the end of this year industrial production may have been 4-5 per cent above its level in December, and that the gross national product may be about 3 per cent higher. These figures would imply smaller increases for the average of 1959 over 1958—say 3 per cent

in industrial output and 2 per cent in GDP. Even so, they represent a pretty rapid build-up during the current three quarters of the year.

IN THE MARKETS

The Charge of the Stags

THE fever of speculation was not confined to brewing shares this week, for the stags made sure that two public offers of ordinary shares scored a fantastic success. The offer by the Charterhouse Group of 4 million ordinary shares of £1 each at 28s. attracted applications for over 25 million shares. Existing shareholders in the Charterhouse Group were given preferential treatment but their applications were scaled down and applications from other investors went to ballot. In active dealings, the price touched 34s. 6d. before settling back at 33s. 3d. The other offer, from the London property company, Calgary and Edmonton Land, was much smaller but no less successful. The stock exchange council, after the Lintang episode, has frowned upon placings of property shares, and Calgary and Edmonton had to make a public offer of 250,000 ordinary shares of 1s. 6d. each at 10s. 6d. It resulted in a ballot for the smaller applicants instead of a queue of brokers, as the issue was oversubscribed 48 times. But the ballot did not prevent a substantial premium emerging over the issue price: dealings began at 16s. 3d. and on Thursday the price touched at 26s. 9d. Within three days of the start of dealings, the directors announced that new properties were to be acquired by the issue of 275,875 ordinary shares at 27s. 6d. each and that the interim dividend, forecast in the prospectus at 25 per cent, is to be 50 per cent. This puts Calgary and Edmonton in a different light to that revealed in the prospectus.

Apart from these patches of excitement, industrial equities were little more than steady, and *The Economist* indicator (which does not include Watney Mann) merely edged up from 272.3 to 272.4. The gilt-edged market was uneasy about trends in short term interest rates and the jobbers marked prices down in the face of a small spate of selling orders. It was upon this slack tide that the cash-cum-conversion offer by the Union of South Africa was launched. To replace £4,090,147 of the maturing 3½ per cent inscribed stock (1954-59) the South African government is offering £5 million of a 5½ per cent registered stock (1974-76) at 97. Those who convert will receive the £3 which represents the difference between the issue price of the new stock and the redemption price of the old. The new stock is offered at a flat yield of £5 13s. 5d. per cent and a redemption yield to the latest date of £5 15s. 7d. per cent. These are finely drawn terms and it would not be untypical of the present state of the markets if this issue fails to attract investors who in anything but gilt-edged issues are prepared to be stags.

STEEL

A Pound Off Most Tons

THE latest "determination" of the Iron and Steel Board means quite a substantial reduction in steel prices—about £1 a ton across the main bulk of the industry's tonnage, with reductions for individual products ranging from 15s. a ton up to several pounds a ton for expensive alloy steels. Its form is somewhat unusual; it is a reduction of maximum prices for steel in quantities of 10 tons and upwards (larger quantities for certain products) "to one specification for one delivery to one destination," and not a general reduction for all steel. But by far the majority of all orders for steel are already ordered in these quantities, so that for most steel customers this implies a cut in price of some 2 per cent.

The Board says it has reduced prices in this way because it believes that savings could be achieved both in mill rolling programmes and in the transport of steel if the size of individual orders were increased. There was on balance no other major reason to cut prices, on its ordinary basis of setting them according to costs. There have been various reductions in import costs—7s. 6d. a ton off imported iron ore, for example—totalling perhaps £10 million a year; but these have been nearly offset by increases in home costs such as railway rates, wages, and the re-rating of industrial premises. Some advances in productivity, such as a reduction in fuel consumption per ton, have been achieved; the board has apparently disregarded what on its own basis of costing might be regarded as an offset to this, the fact that when demand drops the lower rate of capacity utilisation raises unit overheads.

The form of this change, however, emphasises the rather special concept of "maximum prices" in the minds of this board, a body appointed by the State to supervise the operations of this industry "under competitive conditions." It does not regard itself as setting ceiling prices, but as setting the actual prices that will be charged (and in practice, in British steel, the maximum certainly means the minimum, too). Thus it seems perfectly natural to the board that it should alter the pattern of rebates for large quantities that steel companies give for something it believes will be commercially convenient to them, or at least to the more efficient plants among them.

Some steelmakers at least have had to be persuaded to offer these discounts that are said to be to their advantage, and those who were already convinced and willing have waited to be ordered to do what is presumably in their own commercial interest. Adjustments to suit the commercial circumstances of particular works almost never enter the picture, even during a year of recession such as British steel has just passed through. It may be argued that one either follows a policy of stable pricing or one of complete flexibility, and that there is nothing in between. But such real illustrations of how this industry operates commercially makes the oddest contrast with the continued discussion of steel de-nationalisation by one side in terms of planning and by the other in terms of competitive free enterprise (renewed this week). The continued domination of myth in British political argument and of non-competitiveness in commercial practice is only too clear.

DOLLAR TRADE

More Imports Freed

THE latest move towards liberalising imports from the dollar area falls into three parts. The first frees from next Monday imports of a wide range of mainly consumer goods which already enter freely from Western Europe. They include:

> Domestic appliances, radio, television and radar apparatus (but not valves), aero engines, ships, boats, railway vehicles and light aircraft, motor cycles and bicycles, rubber manufactures, including tyres and tubes, certain scientific and optical instruments, fiction books and periodicals of a landed value of 3s. 6d. or more, sound reproducing apparatus and gramophone records, domestic furniture and glassware, travel goods, manufactures of plastic, paints, toilet preparations, detergents, building materials and hardware, floor covering, shoes, and a variety of food items.

The second frees at the same time imports of a few items, including leather, slide fasteners and sporting weapons, both from the dollar area and Western Europe. Thirdly, exporters in the dollar area will share in the "global" quotas for certain items which have hitherto been open only to Western Europe and certain other countries. This is to take effect at the beginning of the next quota year, generally January 1st, and the quotas are to be increased. The affected items include:

> Stockings and socks, sports goods and toys, stationery, cutlery, imitation jewellery and fancy goods, paper manufactures, clocks and watches, binoculars costing over £7 10s., and fresh pears and canned and bottled apples.

Finally, the dollar quota for motor cars this year is being raised from £600,000 to £1½ million, and the quotas for dried fruit, fresh citrus and certain canned fruit are raised by a total of £1½ million to £7.7 million.

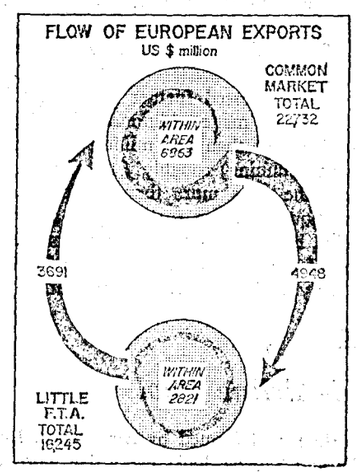
Discriminatory restrictions against the dollar area thus remain on only a few consumer goods. In some cases, such as textiles and clothing, other canned fruit, citrus and bananas, the restrictions are plainly protective, and on cheap literature protective in a different sense. For those on pharmaceutical products, raw meat and fish, the reason is probably that Britain cannot do everything at once. There also remains the rump of machinery which, while freed from Western Europe, is licensed from the dollar area only if buyers can show that alternative equipment is not available elsewhere. It includes equipment for the oil, construction and building industries.

Surplus with United States

THE latest move was foreshadowed by the President of the Board of Trade last September, when he announced at the Montreal conference the removal of import controls from most kinds of machinery and chemicals from the dollar area. Since then Britain's trade balance with the United States and Canada has improved. For the first time for nearly one hundred years Britain has a trade surplus with the United States. And it is not adventitious, as it was during the last years of the American civil war, when shipments of cotton from the Confederacy stopped. This year

At Sixes and Sevens

THE little free trade area now under discussion bears only one resemblance to the European common market: both aim at freeing trade by eventually eliminating tariffs and quotas within their own areas. But while the common market countries will have a common tariff against the outside world, members of the little FTA would keep their own tariffs against outsiders. Unlike the common market countries, they do not form a natural economic group. Trade within the little FTA is only some 40 per cent as large as trade within the common market, and Britain's share of that trade is relatively higher than Germany's share of trade within the common market. The absolute value of British trade with the little FTA, however, is only 70 per cent of that with the common market.



The biggest flow of trade is not within the little FTA, but between it and the common market, and this flow naturally offers the biggest prospects of growth. The possibility of diverting some of this natural trade flow to the members of the little FTA is real, and some people hope that the threatened or actual diversion of trade might force the common market to come to terms. Germany would be the main loser, in the Scandinavian markets particularly, and Britain the main beneficiary. But Britain would pay a price. The tariffs of most other candidates for the little FTA are appreciably lower than the British tariff, so Britain would make the biggest concessions. If the original European free trade area had come into existence the tariff reductions made by Britain would have been set against reductions in the high tariffs of France and Italy. It is impossible to know how many countries really will join the little FTA.

UK TRADE WITH LITTLE FTA IN 1958

COMMODITY GROUPS

Imports	£ mn	Exports	£ mn
Meat and Dairy products	102·9	Road vehicles	34·4
Timber	43·1	Electrical machinery	16·0
Woodpulp	54·2	Non-electrical machinery	50·9
Paper & Board	19·2	Iron & steel	23·0
Chemicals	13·2	Petroleum	40·3
Metal Ores & scrap	23·3	Textiles	21·5
Non-electrical machinery	21·4	Chemicals	24·3
Iron & steel	9·6	Coal	12·6
		Ships	12·3
Total imports	365·0	Total exports	316·8

EUROPEAN TRADE IN 1958

US $ *million*

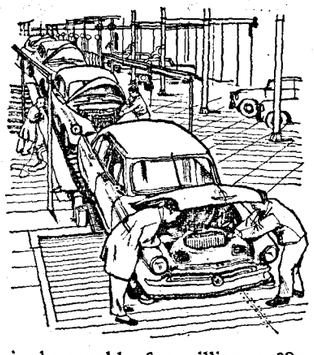
		Common Market	Little FTA	Total
LITTLE FREE TRADE AREA				
Norway	Imports	463	495	1,309
	Exports	203	278	744
Sweden	Imports	989	579	2,366
	Exports	647	732	2,083
Denmark	Imports	486	527	1,346
	Exports	414	500	1,266
Austria	Imports	583	120	1,072
	Exports	456	96	918
Switzerland	Imports	1,003	184	1,707
	Exports	606	240	1,547
Portugal	Imports	188	103	479
	Exports	71	50	283
Britain	Imports	1,495	1,026	10,583
	Exports	1,295	926	9,395
COMMON MARKET				
Belgium/Lux.	Imports	1,458	458	3,129
	Exports	1,374	485	3,045
Netherlands	Imports	1,518	514	3,625
	Exports	1,337	812	3,218
Germany	Imports	1,897	1,545	7,413
	Exports	2,408	2,417	8,809
France	Imports	1,227	533	5,603
	Exports	1,138	686	5,127
Italy	Imports	684	507	3,169
	Exports	606	548	2,533

exports to the United States have shot up, while imports from the United States have held steady. In April alone British exports to the United States rose sharply by £9½ million, compared with the first quarter average, to £35.9 million fob. Cars, and a large shipment of submarine cable accounted for half of that increase, but the remainder was widely spread. Imports, at £26.9 million cif, were no higher than the average in the first quarter, leaving a visible surplus (excluding re-exports) of £9 million. For the first four months of the year the surplus came to nearly £6 million, and on a true payments basis (reckoning imports and exports fob) it was larger. While this is the most dramatic—and unexpected—improvement in British trade this year it is part of a general pattern of recovery in exports to industrial countries unaccompanied, as yet, by substantial increase in imports from them.

ANGLO-SOVIET TRADE

Opening the Door

THE real value of the new Anglo-Soviet trade agreement will not be known for several years. Britain does not seem to have given anything away, and the Russians now have a formal agreement for what it is worth. The 1947 agreement expired long ago, but there has been nothing—finance apart—to stop Russia buying what it wants in Britain, and practically no restrictions on its sales here. After making repeated requests for a British government loan, both in London and again when the British negotiators arrived in Moscow, Russia eventually accepted Britain's refusal to grant one. Was it needed more for political than trade reasons? The Russians apparently have not said that they will have to obtain longer credit terms than hitherto. The facilities of the Export Credits Guarantee Department are available to insure the banks' credits to Russia's suppliers, and though Russia is regarded as a good risk there is a limit to what the banks can extend. If Russia is going to buy much more than it sells the extra sterling will have to be earned by bigger sales to other countries or bigger sales of gold.



The communiqué released in Moscow gave details of the five year agreement, the text of which is to be published as a white paper next week. The two governments, it is stated, look forward to a substantial increase in trade in both directions. Sir David Eccles, President of the Board of Trade, expects Russian exports to Britain to rise by roughly £20 million to £80 million this year, mainly from raw materials such as timber, grain and metals, and without disrupting existing markets. Provision is made for substantial imports of Russian machinery. He did not say by how much he expected Britain's exports to increase. Russian orders for British capital goods this year already amount to over £20 million, and further orders are to be placed, over the period, for

> equipment for the manufacture of synthetic fibres and other chemicals, the food, pulp and paper and building industries, for forging, stamping and casting, machine tools, the "electro-technical" and cable industry, automation equipment and instruments, and pumping, compression and refrigeration equipment.

Trade in consumer goods hitherto has been limited to a few items and arranged *ad hoc*, with Britain agreeing to open a quota for, say, Russian matches if Russia opened one for British wool textiles. Now each country is opening a quota for such goods to the value of £2 million in the first year. This is the first time, it is believed, that a western nation has obtained such access to the Russian market. The Russians are to buy

> cars and trucks, textiles, clothing, knitwear, hosiery, footwear, carpets, leather goods, photographic materials, medicines, sports goods, musical instruments, toys and fish.

and will seek to sell in Britain similar goods:

> cars, cameras, watches, musical instruments, "hand-knotted" carpets, medicines, handicrafts, toys, tinned crab, matches, spirits and wines.

The Russians know that it will not be easy for them to open up markets here, but if their sales lag they will not necessarily reduce Britain's quotas next year; they will buy what suits them. The potential Russian market for consumer goods and the equipment to make them is vast. This agreement does no more than open a door; it will be interesting to see how much is let in.

BANK ADVANCES

The Rise Goes On

THE extraordinary rise in bank advances touched off by the ending of the squeeze last summer still shows no sign of coming to an end. The several make-up statements of the "Big Seven" banks covering the five weeks to May 20 disclose a further aggregate rise of some £57 million, or only slightly less than the increase reported in April—when, however, the make-up period was one of four weeks. Thus, although there has been a substantial slackening from the peak rate of growth experienced during the main tax season in February and March—when total clearing bank advances, excluding loans to the nationalised industries, were rising at about £22-27 million a week, the expansion is still much above the normal rate. Once again, all the big banks shared in this movement, the largest increases being those experienced by Barclays (nearly £19 million), Midland (£10½ million) and National Provincial (£9 million).

This increased lending pressed further upon liquidity, so that several of the banks made additional sales of gilt-edged. Barclays sold no less than £28 million and Lloyds (for the second month running) roughly £15 million. In both these instances the sales more than offset the rise in advances, so that liquidity ratios rose (to 31.5 and 30.9 per cent respectively), but most of the other banks offered a further tightening of their ratios. Those of the Midland and Martins were only slightly above 30 per cent.

AIR TRANSPORT

4-Airline Pool

AIRUNION, the airline pool formed by Air France, Lufthansa, Alitalia and Sabena, looks every day more and more like the standard restrictive traffic pool that has per-



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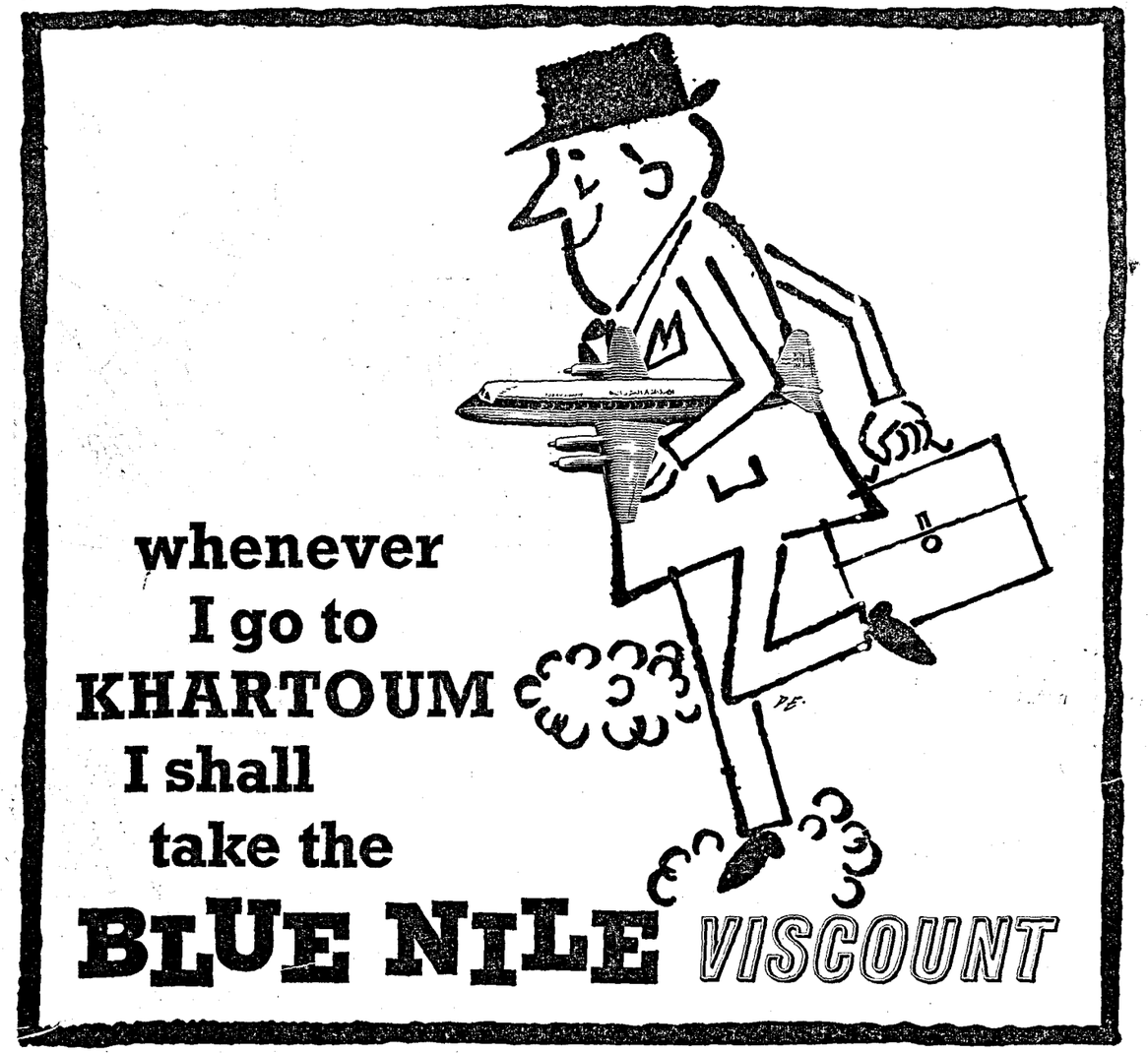
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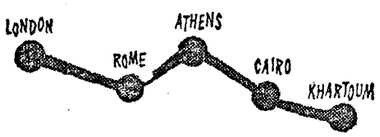
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meated Europe's air transport network and less and less like the economic merger that it was originally intended to be. Under these circumstances, the defection of the Dutch airline, KLM, from the talks is understandable. Traffic pools are a device invented by small or weak national airlines to protect themselves from stronger competitors. They usually work as follows : the airlines agree to pool traffic over routes linking their two countries in a ratio determined in advance. The weaker of the two is then guaranteed a fixed percentage of the pooled receipts even though its own aircraft may have been running empty. Though there is usually a ceiling on the amount of revenue handed over in this way and the ratios are regularly revised, bigger airlines such as British European Airways have come to regard this as a form of "protection money" that they pay in return for a free hand in developing traffic. The alternative—in Europe at least—is to have the number of flights severely restricted in order to divert traffic to smaller competitors.

In defence of pools, airlines claim that they provide passengers with a better round-the-clock service than unpooled flights that tend to cater exclusively for peak hour traffic, an argument unlikely to impress passengers with experience of flying in North America or on the North Atlantic where pools are unknown. The emergence of the Airunion pool is not likely to have any immediate impact on BEA: the corporation has acquired its present dominating position in European air traffic by the judicious negotiation of traffic pools with all the main European operators, which alternatively give BEA scope to expand traffic or protect it from the competition of long-range carriers with more attractive aircraft. These agreements will be honoured by Airunion members so long as they last, but all of them come up for re-negotiation at regular intervals ; it will be interesting to see what terms BEA is then offered. The most surprising feature of the pool agreement announced this week is that the biggest airline of them all, Air France, has a quota of only 34 per cent compared with 30 per cent for the relatively small Lufthansa and 26 per cent for Alitalia. But Air France is putting fewer of its routes into the common pool.

MOTORS

A Record Month

OUTPUT of the motor industry reached an all-time record level during April, with 100,464 cars and 28,894 commercial vehicles being produced during the four-week month. The weekly average of 25,116 cars compares with 20,538 during March and 20,314 a year earlier ; it was accomplished despite model changeovers and unofficial strikes during the early part of the month. Production of commercial vehicles also showed a sharp increase during the month, after having fallen during both February and March: weekly output of goods vehicles totalled 6,881, compared with 5,579 in March and 5,519 a year earlier. Vehicle exports also rose during April ; 55,358 cars were exported during the month, compared with 41,590 in March, and a similar rise was shown by overseas shipments of commercial vehicles. All of the major manufacturers reported substantial increases in output during the month of April: Ford, Rootes, Vauxhall and Standard announced record production. All are still working at full capacity, including overtime ; it is likely that output this month will approach, if not exceed, that of April.

Demand, for both cars and commercial vehicles, appears to be far from satisfied ; in fact, waiting lists for many models have lengthened considerably since reductions in purchase tax were announced in the budget. A part of the boom in April undoubtedly represents seasonal buying and pent-up demand following the budget, but it is likely that output will continue at a high level throughout the summer. It is difficult to see how production could significantly exceed last month's figures, however, since the industry's capacity is not scheduled to increase much during that time ; effective capacity will in fact fall slightly next month, when the Standard Eight and Ten is discontinued, until production of the new Triumph Herald gets fully under way.

The Spare Parts Business

THE business of manufacturing spare parts for cars and commercial vehicles commonly receives little attention compared to the business of producing the vehicles themselves, possibly because manufacturers think it undesirable to draw attention to the fact that replacement parts are ever needed (much in the same way that airlines have found it unwise to emphasise safety). But they constitute an important part of the industry, and one whose importance has been growing in recent years: spare parts account for between 15 and 20 per cent of motor manufacturers' current annual output, varying inversely to some degree with the demand for vehicles. The supply of replacement parts is of growing importance to, particularly, export sales ; it is an aspect of motor business frequently sadly neglected in the past by British manufacturers, to their cost.

The Rootes Group, which has some 6,000 dealers throughout the world, has now centralised its spare parts distribution in a single primary depot, which was opened in Birmingham this week. The new depot, through which all the spare parts for the group's cars and commercial vehicles will pass in future, replaces parts departments formerly in operation at each of the company's three plants at Luton, Coventry and Silverstone. Formerly a factory producing Singer cars, the depot was extensively renovated by Rootes ; it is linked with the company's main overseas distributors by a Telex system.

The greater part of the £10 million stock at this depot is of parts for cars no longer in production, which are made by outside suppliers after production has ceased ; in some cases parts are held for models produced in the 1930s. Roughly three-fifths of all orders for spares go to the home market, and about twice as many parts for cars are held as for commercial vehicles ; both of these proportions parallel the company's experience in manufacture and exports of vehicles. Spares are probably slightly more profitable than vehicles, for both manufacturer and distributor. As the number of cars on the road increases, and as complicated unit frame-and-body construction becomes even more common, so that a given accident damages a greater part of the car, it seems likely that this part of the industry's activities will become even more important.

INTERNATIONAL INVESTMENT

A British Fund for Europe

THROUGH the New European and General Investment Trust, M. Samuel and Company, the merchant bankers, are offering British investors a chance

to secure a modest stake in the risk capital of Western European industries and are trying, at the same time, to strengthen the links between the City and the Continental bankers. This is not a grandiose scheme ; it is a first step towards collective British participation in the capital markets of Western Europe taken with cautious deliberation. The authorised capital of this closed-end trust is £3 million and most of it has been placed this week with investment trusts and medium-sized general insurance companies—that is, with professional investors who know that the trust cannot be expected initially to pay a large dividend out of low yields but are prepared for a long pull. The initial call is 10s. per £1 unit and the remaining calls of 5s. can be made on three months' notice.

The trust intends to invest in the equities of Western Europe, largely but not exclusively in the countries of the common market ; but the sponsors are prepared, if necessary, to use short dated bonds as a temporary haven. Investment advice will be provided by the Continental bankers represented on the board and management committee. Their knowledge of European equities extends well beyond the published accounts of the companies concerned (which can sometimes be misleading) and their participation may open the way to unquoted securities and underwriting on the Continent.

The New European and General is another good example of the cross-fertilisation of international capital. Swiss and German bankers have recently been active in launching a number of open-ended mutual funds, investing their moneys throughout Western Europe. Of these one of the most successful is **Eurit,** which has attracted subscriptions of 80 million Swiss francs ; the most recent is **Intervesta,** sponsored by the Deutsche Bank, which quickly secured subscriptions to its initial offer worth 40 million D-marks. Investors in the United States, too, have been turning their eyes towards Western Europe. The most ambitious move there is **Eurofund,** which seemed set for an initial issue of $50 million, but its ambitions were scaled down by the Berlin crisis to an actual offer of 1,250,000 units at $20 each; the lists of this closed-end trust, which includes among its sponsors Glore, Forgan of New York, E. Gutzwiller of Basle, and R. de Lubersac of Paris and which intends to distribute much the greater part of its income, are still open. The **Transatlantic Fund,** sponsored in this country by Kleinwort Sons and Company, has placed well over $5 million of capital, at a minimum subscription of $100,000 per investor, successfully. This trust will invest in Britain and the Commonwealth as well as Western Europe and its aim is to keep distributions low and secure capital growth.

STERLING

On a See-Saw

STERLING weakened in the foreign exchange market on Monday and Tuesday but then it took a decided turn for the better. Against the dollar the rate fell from $2.81 1/16 to $2.81 1/8 on Tuesday but has since recovered to around $2.81 3/8. In extremely thin markets some offering of sterling from Paris against purchases of dollars was said to have played a big part in bringing the rate down. The Exchange Equalisation Account appears to have remained outside the market during this period, for the authorities are evidently unwilling to give support to sterling while it remains substantially above its parity—as it was even at the lowest point reached this week. The subsequent recovery of sterling was largely due to some commercial bidding from New York. This demand for sterling is less subject to seasonal fluctuations now that so much of the sterling area's sales to North America consist of manufactured goods exported from the United Kingdom.

The Exchange Equalisation Account returned to the market later in the week with some purchases of Continental currencies. The German mark, Swedish krone, Dutch guilder and Belgian franc weakened against sterling on Wednesday and the authorities seem to have acquired some of these currencies. The Belgian franc, which had recovered well from the bout of weakness which followed the disorders in the Congo, has again come under slight pressure this week on reports of the coal crisis and the unsettling effect of royal discord. The dollar is still inclined to be soft in terms of a number of Continental currencies, even though a fair volume of short-term funds is making its way from Switzerland and Germany to the New York market.

BUILDING SOCIETIES

Reducing the Rates

A GOOD number of building societies have quickly applied the recommendation of the Building Societies Association that the rate on new mortgages should come down from 6 per cent to 5½ per cent "not later than July 1st." The association's further recommendation that the societies should bring down the net rate paid on shares from 3½ per cent to 3¼ per cent as soon as it was "desirable and practicable" is less imperative ; this gives the smaller societies an opportunity, if their reserve ratios are strong enough, to bring down their mortgage rates but to leave their share rates unchanged until the summer lending activity tails off.

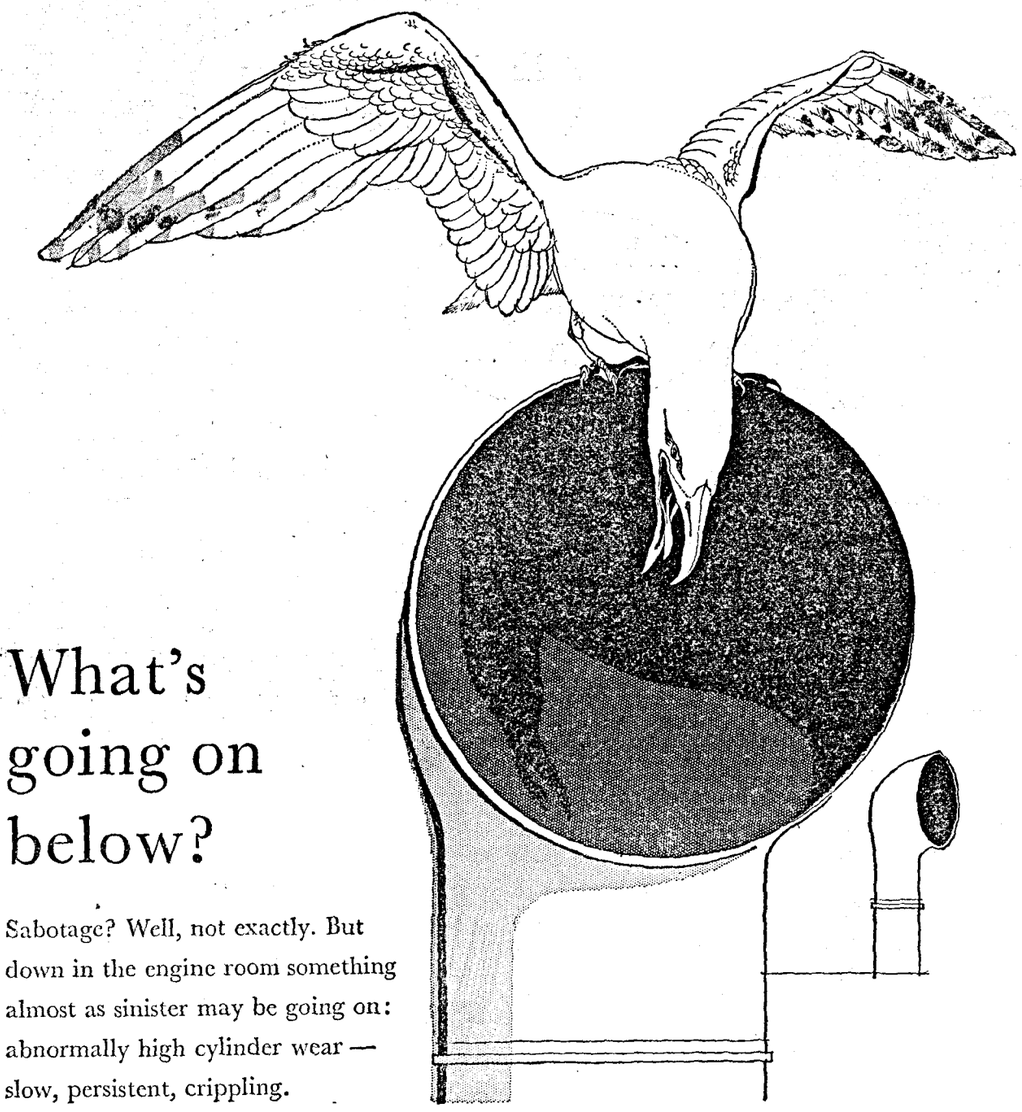
The recommendation recognised the real difference of opinion and experience between the big and small societies. Three big national societies—Abbey National, Co-operative Permanent and Woolwich Equitable—have reduced both the mortgage and share rates to the recommended levels. Most medium-sized societies have been content to cut the mortgage rate but to leave the share rate at 3½ per cent net. The Hastings and Thanet, for instance, is now at 5½ per cent for new mortgages but the net rate of 3¼ per cent on shares will not come into effect until October 1st.

On existing mortgages some societies, including the Woolwich, will bring the rate down to a uniform 5½ per cent ; others, including the Abbey National and the Co-operative Permanent, will reduce their rates by one half of one per cent, with a minimum of 5½ per cent. The Co-operative Permanent, one of the few societies to lend on long mortgages, is to bring its rate down from 6¼ per cent to 5¾ per cent on mortgages of over twenty years. The application of these reductions for existing mortgages varies with the notice that each society has to give to its borrowers.

VICKERS-ARMSTRONGS

The 400th Viscount

THE 400th Viscount built by Vickers-Armstrongs was delivered to Hunting Clan on Friday, which leaves exactly seven more Viscounts still on order. Although the rate of sales has fallen sharply, and only three Viscounts



What's going on below?

Sabotage? Well, not exactly. But down in the engine room something almost as sinister may be going on: abnormally high cylinder wear — slow, persistent, crippling.

A few years ago this was a costly problem to shipowners running diesel vessels on marine fuel oil. Cylinder liners, normally good for 25,000 to 30,000 hours, were lasting barely a quarter of that time. To the rescue came Shell with a new cylinder lubricant — Shell Alexia Oil A — a great development in marine diesel engine lubrication. Now in a range, Shell Alexia Oils go to the heart of the trouble by neutralising the acid combustion products which cause excessive wear. So successful have they proved in service that more than 1,200 diesel ships (over and above the Shell Fleet) are now using Shell Alexia Oils, and reductions in liner wear of around 70% are common.

Shell Leadership in Lubrication stems from deeds, not words . . . from fundamental developments born of research which, like Shell Alexia Oils, are meeting and beating the problems of the modern world.

YOU CAN BE SURE OF SHELL



...so everyone sees

BRITISH TRANSPORT ADVERTISING

1,000 million passengers travel on British Railways every year, 4,000 road side sites confront millions of people, British Transport buses travel 841 million miles every year: Add the 910 million rides on the Underground and the people who see the 9,000 poster-carrying vans and what have you got? **The largest advertising audience in the country.** British Transport Advertising is a well-documented medium: ask for rentals and all the statistics you want from British Transport Advertising, Cranbourn Chambers, Leicester Square Station, London WC2 (Phone: Temple Bar 3490) or 6-7 Castle Terrace, Edinburgh 1 (Phone: Fountainbridge 5222).



Colour, continuity and a massive audience at economical rentals

security officer—and with the fuss and a valid sacrament *ex opere operato*. 11 Keighley

have been sold since the beginning of the year, the outlook is not quite as black as these figures suggest. Vickers are building nine Viscounts for stock and manufacturing components for the same number; orders for about 50 machines are in various stages of negotiation. This would bring the total sold to just under 460; whether Vickers can reach the 500 mark is an open question.

Viscounts have been flying now since 1948, and the value of the 400 delivered amounts to £156.25 million, £57 million of which represents sales to North America. During all this time, Vickers-Armstrongs has paid a royalty to the government on every aircraft sold, making the Viscount one of the few profitable investments ever undertaken by the Ministry of Supply. The government provided £1.8 million towards the development of the first Viscount protoypes (the company paid all the cost of developing subsequent versions which are now roughly twice the size of the original aircraft), and has since recovered this sum several times over. On several occasions Vickers-Armstrongs has tried to renegotiate the agreement, and now has an understanding that royalties will cease when Viscount sales exceed a certain figure. But there is almost no chance that the prescribed figure will ever be reached. It is largely the size of royalties paid to the government in return for financial aid in the early stages of development that decided Vickers to undertake the development both of the Vanguard and the even bigger jet V.C.10 as private ventures.

ENGINEERING EXPORTS

Buying Shares with Machinery

A NOVEL course in setting up a foreign manufacturing subsidiary has been followed by F. Perkins of Peterborough in establishing Motores Perkins S.A., the company which will make Perkins diesel engines in Brazil beginning next year. The new company has been formed by Perkins and Murray Simonsen S.A., a holding company widely represented in manufacturing, importing and banking in Brazil; half of the £2 million share capital of Motores Perkins will be owned by the British company, who will pay for it in part by sending a comprehensive engine manufacturing line worth between £500,000 and £750,000 from Peterborough to São Paulo. Perkins are supplying, among other things, a complete cylinder head plant and a crankshaft plant, a connecting rod plant, and auxiliary equipment; totalling about 1,000 tons, the equipment has mainly been shipped by canal barge for packaging at the Chiswick warehouses of Lep Transport, where it is awaiting shipment to Brazil next month. About 500 tons of new machinery will also go into the São Paulo plant, and only about 15 per cent of the basic engine components will ultimately be "bought out."

Motores Perkins will produce a version of Perkins' F.340 engine, a six-cylinder 5.56-litre engine developing 110 horsepower, which has had wide application in vehicles and agricultural machinery. Output is expected to reach 18-20,000 a year by 1962, and other models may be added if demand warrants and production facilities permit. While it is often argued that manufacturing companies in less-industrialised countries like Brazil should use older—and consequently cheaper and more labour-intensive—plant for the most economic operation, Perkins have not done this. Although well written-down on the company's books, the machinery being sent to Brazil—where skilled labour is now relatively scarce—is comparatively modern, and some of it makes use of a considerable degree of automation. Transferring a complete production line will save substantial time in getting into production in Brazil; if entirely new equipment were bought, as much as a year might be spent in obtaining special tools and in organising the plant.

Perkins now make seven models of lightweight diesel engines, which are in use all over the world. They expect to sell to General Motors, Ford and International Harvester, all of whom are Perkins' customers elsewhere, and are now manufacturing in Brazil. The company report that output and demand have risen steadily throughout this year, and production reached a record level of 410 a day last month. Capacity will be increased later this year by the addition of a new production line at Peterborough (to replace the machines being sent to Brazil) which will produce three engines, including a new model to be announced in the near future. In their own range—of perhaps the highest power-to-weight, and the lightest diesels now produced—Perkins have virtually no competitors.

COMMONWEALTH DEVELOPMENT

CDFC Prepares for Expansion

A SHORTAGE of permanent finance has limited the growth of the Commonwealth Development Finance Company. By the end of March, it had invested £11.4 million, financed by bank advances of £7.2 million and by £4.2 million of issued capital, with 8,250,000 of "A" ordinary shares of £1 each, 2s. paid, and 6,750,000 "B" ordinary shares of £1 each, 10s. paid. Early in March, CDFC, with the support of the Chancellor, made an appeal for new capital. Its authorised capital is to be doubled by the creation of 15 million new ordinary shares, of which 11 million shares will be in issue. Some 92 companies with interests in the Commonwealth (including 16 companies which already owned shares) applied for 6,010,000 "A" shares and the Bank of England and "certain subscribers in the Commonwealth" are to take up 4,990,000 "B" shares. A call of 2s. on the "A" shares and of 10s. on the "B" units will provide £3,096,000, which will be used to reduce CDFC's debt to the London clearing banks; Lord Godber, the chairman, says that CDFC with this additional capital can now "contemplate an increase in the volume of its investments."

The uncalled portion of the new capital will provide additional cover for borrowings. The directors are, moreover, considering the possibility of a funding operation to strengthen the capital structure. From its investments, CDFC earned in 1958-59 £283,824 before tax (against £120,806) and its net income of £89,864 (against £20,087) has again been ploughed back.

COPPER MARKETS

"Comex" Overtakes London

THE London Metal Exchange is no longer the biggest market in copper. Copper trading on the New York Commodity Exchange (Comex) has surpassed London and become a force to be reckoned with here. Last year, when London's turnover rose by a third to 635,000 long tons,

trading on Comex rose nearly eight times to 814,000 long tons, and in the first four months of 1959 it rose to 596,000 long tons, compared with 243,000 tons in London. This growth reflects increasing participation among dealers in scrap and refined copper, merchants and custom smelters, mainly for hedging and also for speculation. More arbitrage between New York and London is also being done. Comex has attracted little interest from fabricators, largely because the fabricating industry is dominated by the subsidiaries of the major producers of copper, who sell at fixed prices that have no direct relation to prices on Comex. But it has attracted a large volume of support from outside speculators. Though Comex is exerting more influence on the American dealers' and custom smelters' prices, and on London, it is not a pricing medium; the Metal Exchange is.

The growth of futures trading is in a young market handicapped because the market initially is narrow, and more traders will not use it until it broadens out. To break this vicious circle traders need something to "go for." The opportunity for Comex came last year. A recovery in copper prices was clearly due, and the big brokerage houses publicised the attractions of investing in the commodity itself instead of in copper stocks. A purchase of one contract on Comex of 50,000 lb (25 short tons) brings a profit of $500 for each rise of one cent in copper prices (and copper can be traded for delivery in up to twelve months' time, compared with only three months in London). On this occasion the brokers were right. The custom smelters' price rose from 23 cents a lb in the spring of 1958 to 34 cents a lb this year, and then dropped back to 32 cents. Heavy buying of copper in anticipation of a strike in the mining industries this summer gave fresh impetus to the market, though it has suffered several shakeouts; a burst of selling following reports that the American government might sell copper from the supplementary stockpile brought turnover to a new peak of 29,500 tons in one day last month. This peak may not be reached again this year, but trading should remain relatively high. With the progress of Comex before them, producers and consumers of Rhodesian copper might ask themselves again whether they are wise to transact so much of their business outside the market under direct long-term contracts which, while using London as a pricing medium, make its turnover more marginal than it should be.

GOLD DISCOUNT BANK

Watchdog for "Dego"

GERMANY'S postwar record in fulfilling prewar external debt obligations has in most respects been a model of correctness. The 1953 external debt settlement has been honoured in full. Bond holders and standstill creditors, who hopefully clung to their claims through the barren years, have seen the bonds honoured and the arrears of interest paid. This good record brings any exception into prominence and there is a certain blot on the escutcheon in connection with the claims of foreign shareholders of the Gold Discount Bank ("Dego") preference shares. These preference shares were acquired by some American and British investors who had provided part of the Reichsbank's capital in 1924 but were compelled in 1939 to exchange Reichsbank shares into "Dego" preference shares. The bulk of them are held by Germans and the claim, on behalf of the foreign holders, is comparatively small.

In the 1953 German debt settlement it was agreed that foreign holders of the "Dego" Preference shares should receive the same treatment as the German holders. What precisely they are to receive has yet to be determined, for the series of law settling the domestic prewar obligations of the Reich have yet to be passed and when enacted, will almost certainly be followed by a series of lawsuits. It is too early, therefore, to complain of default. The possibility of unfair treatment arises from the fact that one of the principal assets of the Gold Discount Bank consisted of German external bonds, which are not subject to the 1953 settlement since they are held by a domestic institution. The bank was used by the German authorities as the means by which external debt was repatriated during the 1930's at the depreciated prices to which the German bonds fell as the result of the default on interest and capital payments. But American and British protective committees have been formed and their representatives met in Frankfurt this week. The power of the American protective committee has been strengthened by the addition to the bill for the return to German nationals of their property in the United States of an amendment which would make such a return conditional on the German government making suitable provision to pay US nationals money due to them because of the defaulted obligations of the Gold Discount Bank.

SHORTER NOTES

The directors of Shorts, the wine and spirit merchants, have rejected the £385,250 bid of 30s. for each £1 deferred ordinary share and £9 10s. for each of the £10 preferred ordinary shares made by Leadenhall Investments and Finance. In a letter to shareholders Mr. A. V. Slater says that the directors believe that dividends in the foreseeable future can be more than maintained. Last year's dividend on the deferred ordinary shares was 10 per cent.

* * *

British Match is to make a 50 per cent scrip issue and on the enlarged ordinary capital the directors expect to pay a dividend of 8½ per cent for the year to March 31st. This is equivalent to an increase from 11 per cent to 12½ per cent on the existing capital.

COMPANY AFFAIRS

Comments on pages 896, and 897 on

British Timken — Anglo American
Bowater Paper — J. and P. Coats
Philip Hill — Royal Mail
Simon-Carves — John Thompson
Guest, Keen & Nettlefolds

LONDON AND NEW YORK

Stocks, prices, yields and security indices on page 898

LONDON STOCK EXCHANGE

The week's movements reported on page 897

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 900

COMPANY MEETINGS

CAMMELL LAIRD & CO. LIMITED

FACTORS CONTRIBUTING TO REDUCED LEVEL OF PROFITS

CAUTIONARY NOTE JUSTIFIED BY EVENTS

SHORT AND LONG-TERM PROSPECTS REVIEWED

MR J. C. MATHER ON GROUP'S ACTIVITIES AND COMPETITIVE ABILITY

The ninety-fifth annual general meeting of Cammell Laird & Co. Ltd., was held on May 27th at Birkenhead, Mr J. C. Mather, JP (the Chairman) presiding.

The following is the Chairman's statement which had been circulated with the report and accounts for the year ended December 31, 1958:

In view of the warning which I gave in my statement last year and the further recession in trade during 1958, particularly in the steel and ship-owning industries, I think Shareholders will have been prepared for some reduction of the record level of profits achieved by the Group in 1957. The Group Operating Surplus has declined by about £450,000 due to a reduction of profits, both in Cammell Laird & Co. (Shipbuilders & Engineers) Limited, particularly on the ship repairing side, and in The Patent Shaft & Axletree Co. Ltd., caused by a shortage of work in all departments.

There are, as yet, no signs of any improvement in the fortunes of shipowners and in consequence, orders are very scarce and the outlook for shipbuilding is not good. Our shipbuilding subsidiary is fortunate in having orders on hand which will keep most sections busy for some time, but long term prospects must depend upon the receipt of further orders. Nor are immediate prospects much brighter in the steel industry although there has been a slight improvement in order books in recent weeks.

Just as the full effects of the credit restrictions imposed in 1957 were not felt until much later than anticipated, so the relaxation of them can only have a long-term effect. It is to be hoped that the recent Budget proposals will provide the stimulus to industry which the Government expect and another long-term tonic for the economy may be provided by an improvement in commodity prices which, for the first time since 1956, have risen steadily over the last two months.

The improvements which we are carrying out in our subsidiary companies will undoubtedly put us in a better position to compete in these difficult times and will help us to reap the benefit when more prosperous times return. In the meantime, I am sure Shareholders will wish me to thank all those working for the Group who have given of their best and produced results which, in the circumstances, I believe will be regarded as satisfactory.

ACCOUNTS

The order of the accounts has been rearranged to conform with modern practice and further improvements have been made in their presentation which make it necessary for me to comment only on important changes in the figures compared with the previous year.

Consolidated Profit and Loss Account.—I have already referred to the difference in the Operating Surplus and income from Associated Companies and Trade Investments shows little change. The reduction in Investment Income is due to the realisation of [illegible] for capital expenditure.

Loan and Bank interest show a considerable increase but Taxation takes less than in 1957 and after taking into account Outside Shareholders' interests, net Group profit for the year amounts to £843,201, approximately £250,000 less than the previous year. Profits retained by Subsidiary Companies are also less than last year and the net amount available, including the balance brought forward from 1957, is £231,311. An interim dividend of 4 per cent less tax, absorbing £122,475, was paid on October 30, 1958, and your Board now recommends the payment of a final dividend of 3 per cent less tax for the year 1958. At the same time, it is proposed to pay a special interim dividend of 8 per cent less tax, amounting to £260,925, to be charged against the profits of the year 1959. This will have the effect of giving shareholders the same overall rate of dividend as for 1957, but will reduce the incidence of profits tax. Your Board feels that although prospects for the future are less favourable, the results for the year 1958 justify the maintenance of the rate of dividend.

Consolidated Balance Sheet.—The considerable increase in the amount of Fixed Assets during 1958 compared with the previous year is the main item of note and is reflected in increased loans on the opposite side of the Balance Sheet and the sale of some of our investments.

Parent Company's Balance Sheet.—Investments in Associated Companies have increased by £625,000, paid in respect of the further 1 million "B" Ordinary Shares of £1 each in the capital of English Steel Corparation Ltd. for which we have now subscribed, thus maintaining our proportion of the equity holding in that Company. A like amount is payable on these shares at the end of 1959. The only other item of note in the Parent Company's Balance Sheet is the reduction in the holding of quoted securities to which I have already referred.

Capital Commitments.—Contracts in respect of capital expenditure at December 31, 1958, amounting to £4,347,464 as shown in the Notes consisted of £3,672,464 for our shipbuilding subsidiary and £675,000 for our steel-making subsidiary in connection with their reconstruction schemes.

CAMMELL LAIRD & CO. (SHIPBUILDERS & ENGINEERS) LTD

Ship Construction.—The Company has been engaged on a varied programme of new tonnage for both the Merchant Navy and the Royal Navy, which has kept it well employed during the year. Seven vessels totalling 47,819 gross tons were launched and ten vessels totalling 73,183 gross tons were completed. This tonnage includes tankers, refrigerated cargo liners, a bulk paper carrier, tugboats and naval vessels.

At the present time the Company is engaged upon the construction of a variety of ships, including the prototype of the guided missile destroyer, HMS *Devonshire*, whose keel was laid earlier this year, and the large mail passenger and cargo liner *Windsor Castle*, for the Union-Castle Mail Steamship Co., Ltd. It was with great pride and pleasure that we received the news that Her Majesty Queen Elizabeth the Queen Mother is to visit the Works on Tuesday, June 23, 1959 to launch this liner.

The construction of the new Platers' Sheds and extensions to the Welding Bays have been completed and we hope that the new processing equipment will be installed and in full operation later in the year. With these modern facilities and the implementation of up-to-date production methods, combined with the goodwill of all those operating the plant, we look forward with confidence to effecting a considerable improvement in our competitive ability.

Engineering.—During the year four sets of steam turbine double-reduction geared machinery were built and tested in the main Engine Shop and, in addition, four diesel engines, comprising the balance of an order for eight engines, were built and tested for the Admiralty.

Work has proceeded throughout the year on the construction of two sets of steam turbine machinery for the *Windsor Castle* and these are now nearing completion.

The Gearing Department has also had a busy year and, apart from producing gears for some of the machinery sets referred to above, has completed a considerable amount of work for the Ship Repair Department. A new 200 in. gear hobbing machine, one of the largest and most accurate in the country, has been brought into production and will enable us to maintain our position in this branch of engineering.

The Boiler Shop, too, has been kept well employed and work is at present proceeding on the three main boilers for the *Windsor Castle*, which will be the largest water-tube boilers which we have ever built. They are now almost complete.

Work continued throughout the year on the gas turbine installation for the tanker *Auris*. Several series of trials have been run during the year to test the design and to obtain data for further advancement in this field. At the time of writing this report further series of trials are being carried out and we hope to undertake extensive sea trials in the near future.

As part of the modernisation of the Engineering Department a complete system of planning and production control has been intro-

duced and is now in operation in the main Engine Shop. In addition, the Inspection Department has been considerably improved and now covers all aspects of material supply and manufacturing processes to meet the latest requirements of our customers.

SHIP REPAIRING

During 1958 the activities of the Ship Repair Department, in common with those of other British ship repairing firms, were greatly curtailed due to the lack of orders, and intense competition has been experienced from Continental firms. Nevertheless, we succeeded in obtaining a fair share of business. Unlike the previous year the large docks were fairly well occupied during 1958 but the smaller docks remained empty for considerable periods and this is attributed to the falling-off in the coastal trade and the reluctance of owners to put in hand major overhauls.

On July 23, 1958, No. 5 Dock, together with additional land acquired by the Company, was handed over to the contractors who were awarded the contract for the building of the large new dock. The new dock will be 850 feet long and 140 feet wide at the entrance and, if necessary, it can be lengthened up to 1,000 feet. Since the contract was awarded, the contractors have progressed very satisfactorily and it is hoped that the dock will be completed by the end of 1960.

Last year I referred to the facilities we propose to provide for the cleaning and gas-freeing of tankers at Rock Ferry Pier, in conjunction with our neighbours Grayson, Rollo Clover Docks Ltd. Contract work commenced on June 9, 1958.

It is with pleasure that I place on record the awards by Her Majesty the Queen of honours to two of our Staff. Mr Frederick Price, Head Foreman Sheet Metal-worker, was awarded the MBE in the New Year's Honours and Mr Frank Shaw, an Assistant Foreman in our Outside Engineering Department, was awarded the BEM.

THE PATENT SHAFT & AXLETREE CO. LTD.

In my statement last year I mentioned that as the Development Scheme progressed the charge for loan interest would increase, and although some relief was obtained from the reductions in Bank Rate during the year, interest on loans amounted to £253,858 compared with £74,905 in 1957. Bank Interest on overdrafts also increased, from £4,234 to £13,478.

I stated last year that the demand for some of the Company's products had begun to fall off and that it was likely that the total output in 1958 would be less than in 1957. This has proved to be the case and, as Shareholders are no doubt aware, a marked trade recession developed during the year and now affects nearly the whole of the heavy steel trade. Demand for steel bars and sections declined throughout the early part of the year and in the second six months the decline extended also to steel plates, the principal product of the Patent Shaft. By September all departments were working short time and have continued to do so.

In these inauspicious circumstances certain sections of the Development Scheme were completed and brought into operation. One new oil fired melting furnace commenced production in mid-October and the new slabbing and blooming mill started at the beginning of November. It was of course necessary to train the operators in the use of the new plant and certain teething troubles were inevitably encountered. Owing to the trade recession it was possible to work the new mill at only a fraction of its potential capacity, and in addition considerable extra expense was incurred in using the old plate mill in conjunction with the new mill. On the other hand depreciation had to be provided on the full cost of the plant brought into production. All these factors combined with the interest charges mentioned above produced a loss for the year of £242,819.

The Development Scheme is now substantially complete and trial rollings in the new 4-high Plate Mill began on March 2, 1959. This modern plant is now almost ready for full scale operation but the possibility of such operation is limited by the volume of orders available for its products. No effort is being spared to obtain orders but the profitability of the plant depends on the return of prosperity to the heavy steel trade as a whole.

METROPOLITAN-CAMMELL CARRIAGE & WAGON CO. LTD.

For the Metropolitan-Cammell Carriage & Wagon Company Limited the outstanding event of the year was the receipt of a contract from the London Transport Executive for 532 Piccadilly Tube Cars similar to the prototype train supplied in 1957 with unpainted aluminium alloy exteriors. Most of the cars now running in this service were built by Metropolitan-Cammell. The value of this latest contract was about £5½ million and deliveries will commence during 1959 and continue into 1962.

The British Transport Commission placed additional orders with the Company for 93 Standard Main Line Coaches and 168 Diesel Railcars. An order was also received from the Pullman Car Company for 44 of their special types of coaches.

A severe decline in demand for new wagons for British Railways coincided with fewer inquiries from overseas. Competition became even more acute for the smaller amount of work, but the Company succeeded in obtaining orders for wagons from Pakistan, Nigeria and Portuguese West Africa.

The value of output again reached a new record level. Overseas shipments included coaches and coach shells for electrified suburban railways in South Africa, Brazil and India, and wagons for New Zealand, Rhodesia, the Sudan, India and British Guiana. While continuing deliveries of standard coaches and wagons for British Railways, the Company also completed during the year more than 200 diesel railcar units making a total of 565 supplied for the modernisation programme.

Output from the Company's 'bus building factory was maintained at a reasonable level, but because of import and financial restrictions there were fewer new inquiries from home and overseas customers. Against more severe competition orders were obtained from Jamaica and Ceylon and those from the home market included more than 200 of the new type of Atlantean Low-loading double-deck 'bus with the engine at the rear.

Results for the year were satisfactory and the order book remains generally at a high level, but the lack of wagon orders is causing some anxiety.

ENGLISH STEEL CORPORATION LIMITED

The operating companies of English Steel Corporation Ltd. could not escape the difficulties general to the Steel Industry, despite the heavy order book with which 1958 commenced. The prosperity of the Industry —and particularly of the Heavy Section—is closely tied to capital development and investment and any restrictions therein affect steel production directly. Orders on hand at the commencement of the year enabled full production to continue during the first quarter but in the later months production was restricted in many sections. Whilst the decline in order input appears to have levelled off, new orders are inadequate to occupy more than about two-thirds of full production capacity. Steel production for the Group was 505,660 tons, a fall of 76,518 tons compared with the previous year.

All companies had difficulty in obtaining export business. Severe competition was experienced from continental competitors short of work and able to offer their customers financial advantages not available to British suppliers.

The Heavy Forge was well occupied throughout the year. This section has not yet felt the full effect of the recession, its products being mainly parts for heavy capital equipment. The halt in the investment programme during the past year will result in a reduced demand during 1959. A notable achievement during the year was the completion of the largest forged boiler drum drum in Great Britain.

The reconditioned Heavy Plate Mill began during the year the supply of thick plate to the general engineering industry and the preparation of stainless steel slabs prior to rolling in the plant of Firth-Vickers Stainless Steels Ltd.

The Drop Forge was employed at a much reduced capacity throughout the year. A substantial proportion of its output was devoted to forgings for the aircraft industry and the suspension of orders for military aircraft has created a gap in the programme which it has not been possible to fill from other sources.

The Machine Shop with a floor area of approximately 108,000 square feet for machining railway castings and special forgings was completed towards the end of the year and will shortly be in use.

There has been a steady demand for specialised steel castings which has more than compensated for the reduction of orders for castings for the general engineering industry and an average weekly output greater than in any previous year was obtained. During the year a mill housing weighing 168 tons, the largest yet made in Great Britain, was successfully produced and delivered, while a cast steel bogie exhibited at the Universal and International Exhibition, Brussels, was awarded a Diploma of Honour by the Fair's International Juries in Class 20/3 (Steel and Iron Foundry Work).

The plant engaged in the production of rolled products suffered from a serious shortage of orders and from March onwards short time working of the Rolling Mills was necessary.

Railway wheels, tyres and axles were again produced in large quantities and Taylor Brothers' plant was fully occupied throughout the year. The completion of the wagon replacement programme by British Railways and smaller overseas requirements will much reduce activity at this plant during 1959.

Both the Forge and Foundry of The Darlington Forge Ltd. were well occupied.

The plant for production of wheels in Canada erected in Canada by Canadian Steel Wheel Ltd., in which the Company has a 50 per cent interest, commenced production early in 1959. Building work and plant erection were completed in a period of fifteen months. The South African subsidiary, Steel Wheel and Axle South Africa (Pty.) Ltd. had another successful year.

Firth-Vickers Stainless Steels Ltd. completed the installation of Steckel hot rolling equipment and had largely overcome technical difficulties by the end of the year. There has been some fall in demand for its products from the aircraft industry, but the lifting of restrictions on credit facilities for the purchase of durable household equipment is expected to increase the demand for stainless steel products.

Building schemes and plant designs for the melting plant and heavy forge at the new Tinsley site have proceeded during the year but no construction contracts have been placed. The buildings for the new Spring plant on the same site were nearly completed at the end of the year.

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

The retiring directors, Mr A. Reith Gray and Mr P. B. Hunter, were re-elected and the remuneration of the auditors, Messrs Cooper Brothers & Co., having been fixed the proceedings terminated.

THE FRIARS INVESTMENT TRUST LIMITED

LARGER DIVIDEND

The thirty-second annual general meeting of The Friars Investment Trust, Ltd., was held on 25th May at 33 Cornhill, London, EC, Mr J. N. Buchanan, DSO, MC (chairman of the company) presiding.

The following is his statement circulated with the report and accounts for the year ended 15th February, 1959:

As I indicated was likely in my statement last year, our revenue for the year under review has not shown an increase such as we have been accustomed to in recent years. There was a reduction in some dividends received, mainly in commodity shares where we expect some recovery this year, and we paid Profits Tax for the first time so that the Net Revenue is slightly reduced and the earnings on our Capital are 12.12 per cent, compared with 12.36 per cent in the previous year.

We feel justified, however, in recommending an increase of ½ per cent on the Dividend to 9 per cent, as this means a distribution of 80 per cent of the Company's overall revenue. We do not think this is too high particularly as the Final Dividend is taxed at 7s. 9d. whereas our revenue was all received taxed at 8s. 6d. The proposed Dividend would only have required 78 per cent of the earnings had it not been for the change in tax. Next year the charge for Profits Tax will be higher, but we should be able to maintain this rate of dividend without an unduly high distribution of earnings.

APPRECIATION OF INVESTMENTS

The value of our Investments has increased during the year from £4,159,000 to £5,449,000 so that the appreciation over the amount at which they stand in the Balance Sheet is 76 per cent instead of 37 per cent. While this is very satisfactory too much weight should not be attached to it as capital values fluctuate considerably and at present many of them, particularly in USA, seem very high.

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

DICTAPHONE COMPANY LIMITED

MR C. KING WOODBRIDGE'S ADDRESS

The Annual Meeting of Dictaphone Company Limited was held on May 20th in London.

Mr C. King Woodbridge, the chairman of the company, and chairman of Dictaphone Corporation, presided and in the course of his address prefaced his statement by referring to the Annual Meeting of the parent company, Dictaphone Corporation, which covered the same period under review, that being the year ended December 31, 1958.

He said that it gave him very great pleasure to preside at this meeting of shareholders and to congratulate those concerned with the management and conduct of the British company on the substantial progress that had been made since the last Annual Meeting.

The chairman continued: I am happy to state that not only has the British company maintained its position in the dictating machine world but, in step with the parent company and its Canadian offshoot, which is so closely linked with the British company, have all maintained their position as leaders in the countries in which they operate and throughout the world.

MAGNITUDE OF BUSINESS

Before I go into any details with the affairs of this company, you may like to be reminded of the magnitude of the Dictaphone business.

In the United States, as in this country it has been necessary for us to extend our manufacturing space, which in turn calls for the installation of new equipment and larger stocks of material for 1,500 components which go to make up the Dictaphone Time Master dictating machines.

While our major business is in Dictaphone Time-Master dictating machines and the Dictabelt record. we have found a large potential market of increasing interest in recording and reproducing machines of various types. These include the small portable Dictet for recording travel and inventory data, machines for monitoring radio broadcasts, air traffic control, telephone recording, police and fire calls, the time-announcer (best known as the "talking clock") and the machine for audibly instructed manufacturing operations.

We have also entered the educational field through the adaptation of Dictaphone dictating machine equipment. It can be truly said that Dictaphone is no longer a single purpose organisation directed toward providing office machines for communication. It has broadened its base and opened up new channels which will add to its volume and profits as indicated by the present trend of sales for recording and reproducing equipment.

A NEW MODEL TIME-MASTER

During the year under review, we have introduced in our British market and on the Continent a new model Dictaphone dictating machine, known as the Time-Master Number 6. This gives us a wholly automatic dictating machine of the very latest components which has met with a very enthusiastic reception by our users.

THE DICTABELT

It is, of course impossible to talk about the Dictaphone "Time-Master" without emphasising Dictaphone "Dictabelts" manufactured in our own factory, which you will appreciate is by no means a small undertaking when I tell you that during last year over fifty million "Dictabelts" were made and distributed.

DICTAPHONE TELECORD SYSTEM

Since I last addressed you we have introduced an instrument as simple and convenient as the ordinary telephone. That, basically, is the Dictaphone Telecord System. Skilfully and simply engineered, the Telecord System is a connection of a telephone to a centrally located "Time-Master" dictating machine. All you have to do is to pick up the handset and think out loud. Stations can be placed anywhere—any distance from the centrally located "Time-Master"; the recording is always crystal clear, of matchless Dictaphone quality.

WIDE AVAILABILITY

With this system a number of people in different parts of the building may dictate letters simply by picking up a telephone and talking. There is no need to have secretaries waiting about, no time wasted when there isn't one available.

In addition, with such a simple and efficient method of dictation, even people who seldom need to dictate can have all the resources of a full-time secretary. Such a method opens new vistas of time-saving and efficiency to a cost-conscious business organisation. Such a method is the Dictaphone Telecord System.

Most important, the Dictaphone Telecord System is backed by the world's oldest, largest and most experienced company of dictating machine manufacturers. Behind the Dictaphone Company is more than 60 years of concentrated specialisation, beginning with the invention of the first practical dictating machine.

FACTORY EXTENSION

To make this possible this company has purchased a new building in Acton at a cost of £75,000 for the expansion of its operations, where engineering and research will be a constant and growing activity. We have a most capable and imaginative group of engineers, and with new products ahead the money spent in this Division will continue to protect our future.

SERVICE

No dictating machine company, in fact, no manufacturer of machinery of any type, deserves the public's confidence unless the company has provided available service throughout the country. A reasonable amount of service and maintenance is required for any machine. Dictaphone has been a pioneer in its field, and its service organisation has won admiration not only in this industry, but also in many enterprises not related to the dictating machine field.

We regard this as good business, we appreciate the support of our customers and our employees, and in offering them my personal thanks and those of my colleagues on the board of the company, I do so with considerable pleasure.

The report and accounts were adopted and the retiring directors re-elected. The proceedings terminated with a hearty vote of thanks to the chairman, moved by Mr C. Harold Vernon and seconded by Mr F. Graham Maw.

CEREBOS LIMITED

SALES EXPANSION CONTINUES IN HOME AND OVERSEAS MARKETS

TRIBUTE TO TRADITIONAL HIGH QUALITY STANDARDS

MR W. ARNOLD INNES ON THE GROUP'S WIDESPREAD ACTIVITIES

The Fifty-Fifth Annual General Meeting of Cerebos Limited was held on Thursday May 28, 1959, at The Hyde Park Hotel, Knightsbridge, London, S.W.1.

Mr W. Arnold Innes, the Chairman, presided.

The following is his Review which has been circulated with the Report and Accounts for the year ended December 31 1958:

"It is with pleasure that I report on the results of the Cerebos Group of Companies for the year ended December 31, 1958. It has been a period of further progress within all branches of the business.

ACCOUNTS AND DIVIDEND

The Consolidated Balance Sheet and Trading Statement, with the comparative figures for the previous year, clearly sets out the position of the Company and its Subsidiaries as at December 31, 1958, but a few comments thereon may be of interest to Stockholders.

The Fixed Assets of the Group, after depreciation, together with the premium on the acquisition of shares in subsidiary undertakings and the investment in the French subsidiary at its written down value, now amount to £4,076,978 as compared with £3,784,909 as at December 31, 1957.

Group Capital Commitments outstanding at the date of the accounts approximate £300,000, some £33,000 less than was reported last year, but substantial new commitments for extensions to buildings and machinery have since been undertaken.

Productive capacity and the trend of Group Sales have again been upward and this position is reflected by the increase in Stock in Trade and Trade Debtors. The liquid position has been well maintained and shows an excess of Current Assets over Current Liabilities of £2,870,613, an increase on the corresponding figure for 1957 of £363,869.

The holding in Gilt-edged and other Securities, which last year was written down to the prevailing market value is now, on the same basis, £58,929 in excess of book value. For the purpose of the Balance Sheet, however, the increase in the market value has not been taken into account.

A note on the Balance Sheet shows clearly how the Issued Capital was increased by £1,038,175 to £3,114,525, and the effect of the Bonus Issue made in June last year on the Reserves existing at December 31, 1957. However, Capital and Revenue Reserves, with the sum set aside out of profits in cover of the deferred liability for taxation at £865,000, now aggregate £3,643,054 as compared with £4,025,291, before making the appropriations necessary to meet the cost of the Bonus Issue.

Outside interests in Consolidated Subsidiary Companies at £190,012 remains unchanged.

The Trading Profit of the Group for the year is, as shown by the Directors' Report, £2,086,471, an increase of £191,399 over the corresponding figure for 1957.

The reductions in Company taxation announced by the Chancellor in his recent Budget are very welcome and should provide a useful stimulant to industry generally. Nevertheless, it has been necessary to make provision for taxation on the profits for the year under review to the extent of no less than £1,021,215.



W. Arnold Innes
Chairman, Cerebos Ltd.

The net profit for the year, after providing for taxation and making due allowance for outside interests in the profits of Subsidiaries, therefore amounts to £1,057,939 and the balance available for distribution, after transferring £444,600 to General Reserve, writing off £25,000 from the investment in the French Subsidiary and including £278,556 brought forward from last year, is £866,895. As will be seen from the Directors' Report, a Final Dividend of 12½ per cent (less tax) is recommended which, with the Interim Dividend paid in November last, makes 19½ per cent (less tax) or £368,001 net of tax for the year on the Issued Capital as increased by the Bonus Issue.

I would particularly draw the attention of Stockholders to the reference in the Directors' Report to the Special Interim Dividend of 5½ per cent (less tax) to be paid in respect of the year ending December 31, 1959, which will be paid at the same time as the Final Dividend of 12½ per cent (less tax), in respect of the year ended December 31, 1958.

HOME SALES, ADVERTISING AND MARKETING

I am happy to report that Sales in the Home Market during 1958 exceeded the record volume achieved in 1957.

A significant feature of this successful result is that there has been an increase in the sales volume of each product manufactured by your Company and its subsidiaries. The demand for our principal proprietary lines—namely Cerebos, Saxa and Stag Salt, Bisto, Scott's Perage Oats and Scott's Baby Foods—continues to increase in the face of extremely competitive conditions existing today in their respective fields. This is a tribute to the high standard of quality which by tradition and in fact is synonymous with the name of the House of Cerebos.

The results of Stamina Foods Limited, which is a relatively new member of the Group, are especially gratifying. This subsidiary manufactures and markets Pet Foods under the brand names "Stamina" and "Paws." We are confident that continued progress will be made with these lines.

Our experience of introducing "Stamina" and "Paws" Pet Foods to wholesale and retail distributors has demonstrated once again the splendid co-operation extended to us by our friends in these trades and I would like to take this opportunity of expressing my sincere appreciation of their support.

Some two years ago Scott's "Hy-Line" Animal Products were introduced—these cover feed for cattle, pigs and poultry, etc. The results attained during this comparatively short period are most encouraging.

Our sales to industrial users in a variety of trades continue to increase.

I am pleased to report there has been no increase in the prices of our products during the past year and, in fact, we have been able to effect a reduction in the consumer price of one of our brands of cooking salt.

As the variety of products continues to increase the corresponding responsibilities of our Sales, Advertising and Marketing divisions increase proportionately. New outlets for the sale of our products have to be found and an increasing number of sales promotion campaigns planned and brought into action to meet the varying circumstances in the many different fields in which we are now interested. Results indicate how diligently and successfully these responsibilities are being discharged.

The cordial relationship which exists between your Company and the many customers it is privileged to serve is a matter of deep satisfaction.

DISTRIBUTION

Every effort continues to be made to maintain our high standard of delivery service to our customers and to effect improvements and economies whenever possible.

The new depot at Chapelhall mentioned in my previous report is now in operation and is providing an excellent service to a large area in Scotland. With the opening of Chapelhall we have been able to dispense with the depot we originally operated in Glasgow.

A close watch is being maintained on the modernisation programme of British Railways in the hope that it may prove to be an economic advantage to make greater use of rail facilities.

EXPORT AND OVERSEAS

We attach great importance to the extension of our overseas interests and Export trade. I am, therefore, pleased to be able to report an increase in Export sales during the

year. In my Review last year I drew attention to the licensing difficulties which beset Exporters in many markets, particularly in regard to such products as pre-packed foodstuffs. It is unlikely that the general position in this respect will improve and our policy of searching constantly for suitable markets in which to embark upon local production I feel is well justified. Since the initiation of overseas production involves considerable capital expenditure, preliminary investigations must necessarily be very thorough.

Last year I reported on the opening of our Australian factory in Melbourne. Production difficulties which invariably attend the operation of a new unit have been overcome and satisfactory progress is being made in sales. As our Australian Sales Force develops, it is hoped to extend gradually our range of products.

I also reported last year on my visit to Canada, where our sales have shown a steady increase. In this market, however, we are confined by import restrictions as to the range of products that we can offer. Therefore we are studying closely the possibility of extending our activities by local production in this very important market.

In Eire sales of the products of our Dublin factory record a satisfactory increase, a reward for the considerable efforts which have been made in that market.

The results of our French Associated Company are disappointing. Our position has been adversely affected in the last few years by the prevailing economic situation. Nevertheless, I hope that the position now existing will permit us to make progress in France, where Cerebos Salt is well known and appreciated by the consumer.

During the year under review I was able to pay a visit to the Federation of Rhodesia and Nyasaland and to Kenya, markets of importance to us. I visited many of our customers and was well satisfied with the volume of our sales to the European populations. However, I was very forcibly impressed by the growing impact which the native consumer must have in an expanding economy with its rising standard of living. Markets of such magnitude would justify a measure of local production and we are making every effort to introduce our products to the native consumer. I was not able on this occasion to visit the Union of South Africa and West Africa, where we have a substantial export trade and which has been well maintained in spite of the stringent import restrictions within the Union which have limited this particular market for many years. I am considering, however, a visit to the Union towards the end of this year for on-the-spot discussions with our agents and customers.

In other markets the pattern of trade has remained more or less unchanged and I am pleased to report that we have been able to take advantage of the relaxation in New Zealand of certain import restrictions.

In regard to the future, I feel confident that provided we continue to study the particular requirements of individual markets, we shall continue to maintain a satisfactory and expanding export trade.

PRODUCTION

Throughout the Group production has been maintained at a satisfactory level, thus ensuring that the demand for our goods has at all times been satisfied with speed and efficiency. The year under review has seen a number of schemes referred to in my remarks last year brought to completion. The reorganisation of the Middlewich factory is now complete; further building extensions are, however, in the planning stage, since Middlewich is being developed as the principal distribution centre for the populous areas in the west of the country.

The Greatham factory has operated very satisfactorily throughout the year and the only development of importance here is an extension to the Bisto manufacturing plant, enabling us to perform ourselves certain processes to raw materials hitherto carried out elsewhere.

The new cannery at St. Helens producing dog and cat food for our subsidiary, Stamina Foods Limited, was completed within a period of twelve months from the inception of the idea—in itself, I suggest, a tribute to our own Management, the Architect and the Builders. Apart from the usual teething troubles, the new cannery is running very efficiently and the demand for these particular products is so great that we have already decided to build a second cannery within the curtilage of the existing factory.

The production of Perage Oats by A. & R. Scott Limited at both Edinburgh and Cupar exceeded that for the previous year. The establishment of the Animal Feeds Division of this Company at Midcalder is now virtually complete and at the present moment, the plant and machinery are being subjected to test runs. The high quality of "Hy-Line" products is proving very acceptable to the stockbreeder and we look forward to continued progress with confidence. "Hy-Line" products were prominently displayed at the Royal Highland Show in Ayr during 1958 and we propose to have a Stand at the 1959 Show in Aberdeen.

Not the least of the problems of production is the necessity to assure regular and adequate supplies of raw and packing materials and to acquire these on the most economical terms consistent with the use only of materials of the highest quality.

The increase in the sales of all our products brings with it increased requirements of all component materials and calls for constant vigilance and skill in the art of buying and of continuous and widespread search for potential new sources of supply.

One of the "cornerstones" of the whole Cerebos organisation is the quality of its products, and I would assure you that the reputation we enjoy of providing nothing but the best in this respect is one which is guarded most jealously. We are continuously seeking to improve our system of quality control in all our factories and, apart from the valuable assistance which is given by the Central Research Department, each factory now has a fully equipped laboratory, the staff of which concentrates its attention entirely on the maintenance of first-class quality.

RESEARCH

The Group Research Department, which was designed and equipped during the current year, is situated in pleasant rural surroundings on a site within the premises of A. & R. Scott Limited, at Colinton, in the outskirts of Edinburgh. The laboratories are arranged on four floors of a building whose total area exceeds 10,000 square feet.

The department is within easy reach of the many academic institutions established in the city on whom we can draw both for information and for technical collaboration. A strong team of scientists and technicians has been recruited and they are playing their part in making the department an effective unit within the organisation.

The Group's activities are highly diversified and the various sections of the Research department are specialising on a number of topics. These include salt production; the wide range of cereal products, herbs and spices with which the Group is associated; problems connected with canning practice, particularly applied to meat products; and packaging problems dealing with all our products offered both to the housewife and industrial consumers.

The work of this Department is concerned with the fundamental knowledge of our wide range of products as well as the more immediate technical problems so as to maintain the quality of and, where possible, to improve our existing lines.

The efforts of the Research Department are also being directed to the investigation of the possibilities of the development of products to be added to the existing range at present marketed by the Group.

PERSONNEL

I wish to record the sincere appreciation of the Board for the devoted efforts of all executives and staff in every branch of the Group. Their work has been a major contribution to the success of the Group during the past year. Every encouragement and facility is given to employees of all grades to equip themselves for managerial positions within the Group. The continued expansion increases the necessity for ensuring an efficient programme of training for the future managers of the business.

To my colleagues of the Boards of Cerebos Limited and Subsidiary Companies I am indeed grateful for their continued support in the direction and management of the Group."

The Report and Accounts were adopted.

Mr W. Tricker and Mr J. R. Richardson, the Directors retiring by rotation, were re-elected.

ADDITIONAL REMARKS BY THE CHAIRMAN

"Stockholders will be interested to learn that the formal offer made to the Directors of Sifta Salt Limited earlier this month is now being despatched to the holders of Ordinary Shares in that Company.

Cerebos Limited has offered to acquire such Ordinary Shares in Sifta Salt Limited as are not already owned by Cerebos Limited on the basis of one Ordinary Share of 5s. in Cerebos Limited, credited as fully paid, in exchange for every two Ordinary Shares of 4s. each, fully paid, in Sifta Salt Limited.

The Directors of Sifta Salt Limited are recommending the offer to the holders of Ordinary Shares and, if accepted, it will enable Cerebos Limited to effect economies in the production and marketing of Table Salt. This will ensure that the retail price of an essential food is kept to the minimum—a purpose which is the moral responsibility on the owners and Directors of a business of this nature."

The proceedings terminated with a vote of thanks to the Chairman.

AIR SUBSCRIPTIONS TO *THE ECONOMIST*

	Airmail	*Air Freight**
Australia, New Zealand	£10 6s.	—
Canada	—	$25 or £9
Ceylon	£9 0s.	—
China	£10 6s.	—
East Africa	£9 0s.	£7 10s.
Egypt	£7 15s.	—
Europe	£6 0s.	—
Ghana	£9 0s.	£6 10s.
Gibraltar, Malta	£5 0s.	—
Hongkong	—	£8 15s.
India	£9 0s.	£7 10s.
Indonesia	£9 0s.	—
Iran, Iraq, Israel	£7 15s.	—
Japan	£10 6s.	—
Jordan and Lebanon	£7 15s.	—
Malaya	£9 0s.	—
Nigeria	£9 0s.	£6 10s.
Pakistan	£9 0s.	—
Philippines	£10 6s.	—
Rhodesia (N. and S.)	£9 0s.	—
South Africa	£9 0s.	£7 10s.
South America	£9 0s.	—
Sudan	£7 15s.	—
USA	—	$25 or £9
West Indies	£9 0s.	—

* Approx. 24 hours slower than airmail.

22 RYDER STREET, LONDON, S.W.1

Chairman's Statement: ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

Incorporated in the Union of South Africa

Racial policies in Southern Africa

MR H. F. OPPENHEIMER REVIEWS ANGLO AMERICAN CORPORATION'S DEVELOPMENTS AGAINST POLITICAL BACKGROUND

Confidence in future of Union and Federation in spite of dangerous problems

The following are extracts from the statement by the chairman, MR H. F. OPPENHEIMER, *which has been circulated to members:*

THE Anglo American Corporation is rooted in Southern Africa. We would certainly be prepared to do business in other parts of the world, but other things being equal we prefer to do business here. And, in fact, all but a negligible proportion of our investments have been made in the Union and the Rhodesias. We are conscious, of course, that many people are worried about the ultimate effect of the racial policies followed in the Union, that the disturbances in Nyasaland have raised grave doubts about the future of the Federation, and that, for these reasons, the economic growth of both countries has slowed down. In the circumstances I think that shareholders would wish me to say something of the political environment in which we are working.

The Union and the Rhodesias have comparatively large European populations with no other homes. They are determined to stay in Southern Africa and to create conditions in which their children and grandchildren can stay there also, any political approach which does not accept that fact is unrealistic and useless. Nyasaland is different from the other territories. It is an African country with a very small European population. The question there is not so much of building up a multi-racial country but rather of finding a fair way for an African territory to be associated with multi-racial territories in one political system. Apparently there are African nationalist leaders who think any such association intolerable and seek to destroy it by methods of violence. The overwhelming economic advantages of Federation are summarily rejected in favour of what is called "freedom", regardless of the danger that the course they pursue would mean years of poverty and stagnation for the vast majority of the population.

Nevertheless, whatever the material benefits of the association to Nyasaland, it is plainly not going to be workable unless the policy of partnership is honestly and intelligently implemented not only by the Government but by individuals in the daily life of the two Rhodesias. It is not going to work either unless African opinion and aspirations in each of the federated territories are fairly represented in the central Government.

The question that must be answered is whether the Federal Government and Europeans in the Federation as a whole are sincere in the racial policy they profess. I am convinced they are. Criticism is easy, particularly for those without first-hand knowledge of the situation; but I think that any person with experience of conditions and prejudices in Southern Africa and an understanding of the dangers implicit in the racial situation, will give the Federal Government credit for a real desire to implement the racial partnership envisaged when the Federation was founded, and for proceeding with courage and determination and as much speed as in the circumstances has been practical.

It is particularly encouraging that Europeans in Rhodesia are not allowing the violence and folly that have been manifested in Nyasaland to destroy their faith in the possibility of inter-racial co-operation or weaken their determination to do their part in securing it. What has happened has, at least to my mind, made it clear that when the time comes to make changes in the present constitution, it will be essential to devise safeguards to ensure that neither the present European majority nor a possible future African majority would be able to enact unfair legislation on racial grounds. It is this understandable mutual fear which constitutes the chief bar to the confident and fruitful co-operation of the races that all reasonable people want to see.

The Problem in the Union

As compared with the Federation, the Union has the advantage of a much larger European population. The Union, unlike the Federation, is making no serious effort to strengthen its European population by immigration, but in spite of that even the most fervent African nationalist knows that the Union cannot be turned into an exclusively African country. Indeed, in the Union all thinking Africans and Europeans know very well that the question that must be answered is not whether South Africa should be a multi-racial state but rather how such a state should conduct its affairs.

In these circumstances, it ought to be easier in the Union than elsewhere to find the way to inter-racial co-operation. Nor should a justified concern at certain unfortunate aspects of race relations in the Union be allowed to blind us to the fact that considerable progress has been made. The economic expansion of the country has benefited all races, and the standard of living of Africans, which is still far too low, has risen rapidly—indeed, more rapidly than that of the Europeans. It seems to me that too little recognition is given to this improvement in the material well-being of all races which has taken place since the end of the war, and to the significant changes in thinking of a large cross-section of the public of the Union during the past year.

Most Europeans in South Africa now realise that in due course the Africans must obtain a share in the government of the country. The differences between parties do not turn on whether or not Africans should have greater civic rights but on whether reasonable African aspirations can or should be satisfied by the grant of autonomy in their tribal areas or whether, on the other hand, they must receive a share in the central government of a united country. The Government has emphasised its desire to develop the tribal areas to the full—economically, socially, and politically. This, in itself, is highly desirable. It is important that it should be clearly understood, both by its opponents and its followers, that the Government's policy of *apartheid* has a positive as well as a negative aspect.

On the economic side the idea that the tribal areas should be developed in separation from the rest of the country is, I am sure, both impractical and dangerous, but the fact remains that the economic development of the reserves has lagged far behind and needs to be energetically tackled.

On the political side it may perhaps seem strange, after what has happened in the North, that the South African Government should deliberately set about creating autonomous African territories whose relationship to the rest of the Union would seem in many ways analogous to the relationship of Nyasaland to the rest of the Federation. Nevertheless, I am convinced that the policy of building up machinery of local self-government in the tribal areas is wise.

Obviously, however, it is only a beginning. There has been some talk of eventual full independence for the African areas, but I do not believe that South Africans of any race or party would seriously contemplate the partition of the country. And it is surely plain that autonomous African territories will never accept membership with Europeans in one political system unless they can at least look forward to a fair share in the central government of the whole system. The development of local self-government for Africans in the tribal areas, and the granting to Africans of a part in the central government, are not opposed but complementary conceptions.

Then it must be remembered that the policy of local African autonomy leaves untouched the question of the political future of the millions of Africans who do not live and never will be able to live in the tribal areas.

Constitutional Changes Essential

It seems to me that, from whatever angle one approaches this complicated problem, one comes back to the conclusion, just as much in the Union as in the Federation, that constitutional changes are essential by which both Europeans and Africans would be guaranteed against the passing of unfair discriminatory legislation based on race. Once it has been admitted, as it has been by thinking people of all parties, that Africans must be allowed and encouraged to develop economically, culturally and politically to the full extent of their capabilities, no other conclusion is possible. It seems to me that there is much more unity on this matter among South Africans than appears on the surface, and it may be that a satisfactory way of co-operation between Europeans and Africans in those countries which are and must remain the permanent home of both races, will be found sooner than is often supposed.

It is no good glossing over the fact that both the Union and the Federation face difficult and dangerous problems. Nevertheless, we retain full confidence in their future. Both have great economic potentials and both require a high rate of investment to create the material conditions in which their human problems can be solved. Our Corporation is favourably placed to help provide the risk capital and the technical and administrative skills that are needed. The Union and the Federation have an inspiring task before them and the Anglo-American Corporation, in its sphere, can play an essential part in tackling it.

Gold Mining Industry

Looking back on 1958, it is possible to detect a significant and widespread revival of interest in investment in the gold mining industry. This is striking in view of the slowing down in other sectors of the economy. This interest appears to be continuing in spite of the political uncertainties I have mentioned. The loan of £4,262,000 by the Deutsche Bank to the Corporation, and the formation of the American-South African Investment Company to acquire shares in South African companies, are symptoms of this revival of interest.

The year 1958 was a record one for production and profits by the South African gold and uranium industry and it was a notable year for new business in this sphere. From this point of view Western Deep Levels takes pride of place. This company's mine will be of exceptional size and opening it up will require an investment of nearly £30 million, or more than twice what is normally required for the development of a large mine. A relatively high grade of ore is expected and operations are planned on a very large scale. For these reasons we are confident that this great enterprise will be a highly satisfactory and profitable one for the Corporation.

The picture of the Orange Free State goldfield is a most encouraging one, and we are beginning to earn increasing benefits from our large investment there. Although no new mines are at present being opened up by us in that field, there is a great deal of new development taking place on our established properties, aimed at increasing their capacity and realising their potential to the full.

Copper and Diamonds

The copper mining industry started the year under very difficult conditions. The price of copper fell to as low as £160 a ton in February, 1958, and all the major producers were faced with the necessity for reducing production to correct the condition of oversupply and to restore stability to the market. Fortunately, during the year the position improved substantially, and in October copper reached a price of £240 a ton.

The diamond industry, like the copper industry, started the year 1958 in unfavourable circumstances, but here again, a marked improvement occurred during the year.

At present the demand for diamonds, both gem stones and industrials, is satisfactory. Fundamentally, however, the market for gems is in a sounder position than that for industrials. There are, however, we believe, considerable opportunities for increasing the use of diamonds in industry in their present applications and also for finding new fields for their use. Much work is being done in this direction. We may confidentially expect that the year 1959 will be a sound one for diamonds.

All in all, 1958 was a most successful year for the Corporation. Mainly as a result of an improvement in income from investments, the profit for the year increased by just over £1 million. Because of the larger number of shares in issue, unchanged dividends for the year on the Ordinary shares of 8s. per share cost nearly £250,000 more than the Ordinary dividends paid for 1957. The appropriation to general reserve amounted to £1,500,000, which is £500,000 more than last year, and the general reserve now stands at £24,500,000. There has been an increase in the unappropriated balance of over £175,000. By the end of the year the book cost of quoted investments had increased by nearly £2,670,000 and the market value by these investments by about £17,740,000.

I welcome the greatly improved cash position, not only of the Corporation and its subsidiaries, but also of most of the other associated finance companies. In fact, I think I can say that never in its history has the Group been so well placed for financing any new business that may arise.

We are strong not only in financial resources but also in personnel. At our offices in Johannesburg, Salisbury and London and on the properties a technical, administrative and financial team has been built in which we have the greatest confidence and on whose skill and loyalty we can rely.

POWER SECURITIES CORPORATION

SATISFACTORY INCREASE IN PROFIT

The Thirty-sixth Annual General Meeting of Power Securities Corporation Limited will be held on June 11th in London.

The following are extracts from the circulated statement by Sir Andrew M. MacTaggart (Chairman and Managing Director) for the year ended December 31, 1958:

In the circular letter dated October 2, 1958, sent to the Ordinary Shareholders regarding the issue of 250,000 Ordinary Shares of £1 each, it was stated that the estimated group profit before taxation for the year ended December 31, 1958, would be appreciably lower than such profit for 1957. This estimate has proved to be conservative, and, after expenses but prior to taxation, such profit shows an increase over the previous year of £92,641. I trust you will regard this as satisfactory.

The increase in the profit over the estimate is accounted for partly by additional payments received by Russell Construction Limited, from the dredging contract carried out by that company for the St Lawrence Seaway Authority, and partly by certain contracts of other subsidiary companies producing better results than were anticipated.

PROFIT AND DIVIDENDS

The consolidated net profit at £525,452 compares with the previous year's figure of £373,948, an increase of £151,504. Adding to the consolidated net profit the taxation over-provided in past periods of £4,994, and the balance brought forward from 1957 of £487,587, there is available an amount of £1,018,033. Of this amount £225,000 has been transferred to General Reserve, and your Directors recommend the payment of a dividend on the Ordinary Shares at the rate of 11 per cent, the same as for 1957.

During 1958 we took an active part, in association with important Canadian, British and other interests, in the formation of the Peace River Power Development Company, Limited, a company incorporated in British Columbia for the purpose of making investigations into the power potentialities of the Peace River in that Province. We have subscribed for part of the share capital of the Company, and this Corporation has been appointed its London Managers, General Co-Ordinators and Advisers.

FUTURE PROSPECTS

Now a word about the future. Although I have only briefly referred to the Peace River Power project, this is really one of the most outstanding developments which has ever been projected in Canada, and we look forward confidently to its maturity as a joint Canadian-British venture which could have a far-reaching influence on Commonwealth development.

Field surveys are now complete for the Seven Forks Hydro-Electric development in Kenya, and the data so far obtained points to this project being one of the most economical so far projected in that part of the world; with an abundance of power to ensure Kenya's requirements for many years ahead. Designs are now being completed ready for the commencement of work whenever power demands justify the expenditure.

With the work we have in hand, and further developments maturing, we can look forward with reasonable confidence to the future.

PRESSED STEEL COMPANY

INCREASED PROFIT

SATISFACTORY LEVEL OF BUSINESS

MR ALEX. ABEL SMITH ON THE OUTLOOK

The thirty-second annual general meeting of the Pressed Steel Company Limited, was held on May 27th at Winchester House, Old Broad Street, London, E.C., Mr Alex. Abel Smith, TD, JP, chairman of the company, presiding.

The Secretary (Mr J. S. Kean, CA) read the notice convening the meeting and Mr T. Howorth, FCA, read the report of the auditors.

The following is the chairman's statement circulated with the report and accounts:

The Report and Accounts for the year ended December 31, 1958, are presented in a new form, which I hope you will find pleasing and informative.

PROFIT AND APPROPRIATIONS

The accounts show a balance of profit for the year, after charging Debenture interest, depreciation and all taxes, of £2,017,598; this compares with the previous year's figure of £1,527,121. Taxation was higher by £361,849 and the charge for depreciation and obsolescence of buildings, plant, machinery and equipment was also higher by £147,111, reflecting a further increase in the Company's fixed assets.

From the profit of £2,017,598 there must be deducted the discount on and the expenses of the issue of the 6 per cent Debenture stock 1978-83, together totalling £157,431, and also the amount of the regular dividends on the Preference shares and the interim dividend of 7½ per cent less income tax paid last November on the Ordinary stock, amounting in all to £211,123. This leaves £1,649,044 to be added to the balance of £1,847,822 carried forward on profit and loss account from 1957, and gives a figure of £3,496,866 to be dealt with.

Your Board now recommends the transfer to General Reserve of £1 million and the payment of a final dividend on the Ordinary stock of 17½ per cent less tax, which absorbs £423,518. This leaves £2,073,348 to be carried forward on profit and loss account.

BALANCE SHEET

You will note the net increase of £3,033,575 in the Company's long-term liabilities. This has resulted mainly from the issue of £3,500,000 6 per cent Debenture stock 1978-83. On the other hand, last June, £466,425 of the 5½ per cent Convertible Debenture stock 1977-82 was converted. The amount of Ordinary stock units of 5s. issued is now £3,951,185. The proceeds of the issue of the 6 per cent Debenture stock are reflected in an increase in fixed assets of £1,993,824, and in a strengthening of the liquid position.

Outstanding commitments for capital expenditure at the end of the year amounted to approximately £1,050,000, but as at today's date this figure is considerably higher as a result of further commitments entered into in connection with the Company's expansion plans, to which I make reference below.

You will note the creation of a new Revenue Reserve entitled Tax Equalisation in the amount of £250,000. Your Board think it wise to set up this reserve out of profits in view of the substantial initial allowances included in the tax computation by reason of the Company's large capital expenditure on fixed assets during the year. The benefit of these initial allowances will be offset to some degree in coming years by the smaller wear and tear allowances calculated on the lower written down values, with the result that tax payments will be relatively higher.

I would also call your attention to another item which has not previously appeared in the balance sheet, namely Interests in Subsidiaries, in the amount of £158,624, representing the acquisition of the business of one of our Prestcold distributors, Prestcold (Midlands) Ltd, and our investment in Pressed Steel S.A. Brussels.

MOTOR CAR BODY DIVISION

Business was maintained at a steady and satisfactory level throughout the year; costs, although higher, did not rise at a rate comparable with recent years. In the first half of the year we had to buy considerable quantities of American and continental sheet steel at substantial premiums, but it is gratifying to be able to report that more recently increased domestic production has enabled us to make an appreciable reduction in our overseas purchases. The outlook happily is for a further gradual increase in supplies from home sources.

RAILWAY CARRIAGE AND WAGON DIVISION

Our Linwood factory again showed satisfactory results. The original order for utility vans for British Railways was completed during the year, but we received a follow-on order for an additional number. Work on the passenger coaches required in connection with the Glasgow suburban electrification scheme has proceeded satisfactorily and the first train is about to be delivered.

Production of wagons of various types continued, but at a reduced tempo.

PRESTCOLD DIVISION

The reduction in purchase tax on domestic refrigerators from 60 per cent to 30 per cent in the 1958 Budget, and the subsequent easing of credit restrictions, had a very stimulating effect on sales. After a steep initial rise in business, sales settled down at a level well above anything we have previously experienced. A particularly satisfactory feature has been the improved demand throughout the winter months.

The commercial side of our business, which includes such items as large refrigerators, food display cabinets, ice-cream conservators, cold rooms and special refrigeration equipment, again showed satisfactory results.

Our export business made a useful contribution. During the year we set up a company in Belgium and opened an office in Brussels. At this juncture we regard it primarily as a listening post in the Common Market area: at the same time we believe that, whether or not a Free Trade Area eventuates, having a staff stationed on the Continent will put us in a better position to take immediate and full advantage of opportunities for business that we feel certain will arise.

THE OUTLOOK

After a somewhat slow beginning in January and February of this year—due in part to model changes and in part to the fire to which I refer below—output of motor car bodies is now running at a higher level than ever before.

It is gratifying also to be able to report that the Company recently received an important order for press tools and body shells from a continental motor car manufacturer and that we have other enquiries from abroad on hand.

The expansion in our production facilities for motor car bodies and for press tools for making bodies, to which I referred in my speech last year, is proceeding according to plan. We are gradually bringing into operation the new presses and the automated production equipment in the second and recently completed 300,000 sq. ft. building at our Swindon factory.

In the course of the year, in order to meet a steadily rising demand for press tools, your Board approved the erection and equipping of another building of approximately 153,000 sq. ft. at Swindon, as well as an expansion of the already existing tool making capacity at our Linwood factory in Scotland. The benefits from this expansion should begin to accrue towards the end of the current year.

I am sorry to tell you that last January one of our buildings at Cowley in which we do paint and trim work was severely damaged by fire. The assembly line concerned could not be brought fully back into production for several weeks, but, thanks to the splendid efforts of many of our office staff and work people and to the ready and generous help given to us by a number of our customers and suppliers, production on a much reduced scale was resumed within five days. We were of course covered by insurance, including cover for consequential loss, but inevitably severe dislocation was caused. A thorough investigation of the causes of the fire satisfied us that it was accidental, but steps have nevertheless been taken to strengthen further our already extensive fire precautions.

We are taking the opportunity of erecting a four-storey building on part of the destroyed area in order to improve the overall efficiency of that section of the Company's activity.

REDUCTION OF PURCHASE TAX

The recent Budget announcement of a reduction in purchase tax on motor cars from 60 per cent to 50 per cent will clearly benefit the home sales of our customers. It is my belief that the outlook, barring unforeseen happenings, is for an increasing volume of motor car business which I am confident will fully justify our large capital expenditure on increased production facilities.

Turning now to the Railway Equipment Division, the outlook is less clear. In the home market much depends on the tempo of the British Transport Commission's modernisation programme. As I have already mentioned, we have received a further order for utility vans and are working on the passenger rolling stock for the Glasgow electrification scheme; we also have on our books a substantial order for diesel railcar units, and we are tendering for other passenger coach equipment.

In the wagon field, we have secured a number of orders for limited quantities of different types, but the fact must be faced that the British Transport Commission's wagon building programme has, for the time being, reached virtual completion; this not only means less business in view, but stiffer competition for such business as is from time to time offering.

TOUR OF INDIA AND AUSTRALIA

Export markets for railway equipment are difficult. I recently completed a business tour which included visits to India and Australia, two countries to which in the past we have sold railway equipment. In both countries it was clear that a determined effort is being made to attain self-sufficiency. In the meantime, competition from Japan is an important factor to be reckoned with. I nevertheless believe that there is business to be obtained and in the challenging situation that confronts us our design and development departments are working hard on several projects which we are hopeful may, in due course, produce business for us both at home and overseas.

As regards the Prestcold Division, we are looking for record sales of domestic refrigerators this year. The commercial side of our business will, I am confident, also continue to prosper.

Work has commenced on the new 650,000 sq. ft. factory which, as announced in the press last summer, the Government is putting up for us near Swansea and where we intend to concentrate this Division. The equipment and layout will be the most up to date and will incorporate a high degree of automation. We are hoping to start limited production there in about a year's time and to have the plant fully productive by the spring of 1961. This new plant will enable us to produce more efficiently and in greater volume.

We are constantly reviewing the domestic appliance field. In due course, we plan to produce and market other lines of household equipment, some of which will be manufactured under licence from our associates, the Whirlpool Corporation of America, who are one of the leaders in the American domestic appliance field.

ENLARGEMENT OF EXPORT MARKETS

We are continuing our efforts to enlarge our export markets. In the course of my business trip, I had discussions with our agents, not only in India and Australia, but also in Thailand, Hongkong, Japan and New Zealand. It was gratifying to find how highly our refrigeration products are regarded. Competition in overseas markets tends to be fierce, but, with enthusiastic agents and high quality and properly priced products, we can, I feel sure, not only hold our own but enlarge our share of foreign markets which are constantly growing as standards of living improve.

It was with export markets for our railway and refrigeration equipment in mind that we produced the book, a copy of which was sent to all shareholders and debenture holders whose names were on the Company's register at the end of last November. We considered it important that both the Company and its products should be made better known throughout the world.

Looking at the Company's future, I can say that the prospects are encouraging, but at the same time I cannot over-emphasise the importance of cost stability. A revival of the destructive inflationary forces which have been kept under some degree of control during the past twelve months could so quickly destroy the prospects for a further improvement in business.

PENSION AND LIFE INSURANCE SCHEMES

In the autumn of last year we decided to provide more generous pension and life insurance benefits for our employees. The improved scheme provides that, in general, all works employees will receive a free pension at retirement age, based on length of service with the Company, and staff employees will make a considerably lower contribution to their superannuation fund than hitherto. These new arrangements also provide the opportunity for employees to increase their basic pensions at retirement age by additional contributions to the scheme. In addition we have substantially increased the free life insurance cover given to our employees during their period of service with the Company; this additional protection for the family is very much appreciated.

TRIBUTE TO THE COMPANY'S EMPLOYEES

As is my custom, I should like to close my speech by paying a special tribute to the excellent service rendered by all who work for the Company. The prosperity of a Company depends largely on good team work; we have that, and in addition an excellent spirit prevails among our employees, who now number over 19,000. I am sure it is the wish of the shareholders that I should express their thanks to the employees, each of whom has made his contribution to a successful year's results.

The report and accounts were unanimously adopted; the proposed dividend was approved and the retiring directors, Mr Alex. Abel Smith, TD, JP, and Mr A. L. Shuttleworth, were re-elected.

ARISTON GOLD MINES

NEW SHARE ISSUE

The twenty-ninth annual general meeting of Ariston Gold Mines (1929), Limited, was held on May 22nd in London.

Mr C. J. Burns, chairman, said: I would refer you to the Remarks in my Statement accompanying the Report and Accounts, outlining the proposals for the issue of further capital.

The Board has had no doubt for some time past of the necessity for the raising of further money, and the only question has been when would be the most appropriate time for such an operation.

Having regard to current market conditions and prospects and following a visit I paid last week to Ghana, when I had the privilege of discussions with Cabinet Ministers and Members of the Government there, it has been decided that the issue should be made forthwith. In consequence all Stockholders registered on June 3, 1959, will receive on or about July 10th next a Provisional Allotment Letter representing one share for every seven shares held by them on June 3, 1959, and which are being issued at 3s. 3d. per share payable in full on acceptance. Acceptances will be received up to August 7, 1959, which date has been fixed, having in mind the Stockholders who are resident abroad, and to ensure preservation of their rights so far as is possible.

When the Issue is completed the Company would receive an amount of £208,929 gross, and the Issued Capital of the Company would be increased by £160,714 to £1,285,714. On the increased capital the Board feel confident that, in the ordinary course, a Dividend of not less than 20 per cent gross will be paid, which on the basis of the net profit figures of 1958 would be covered 1½ times. Assuming a dividend of not less than 20 per cent the yield on the new capital at the issue price of 3s. 3d. per share would be approximately 15 per cent.

DEEP LEVEL DEVELOPMENT

As mentioned in my Statement, the main purpose of raising the new capital will represent the expenditure on the major shaft sinking and deep level development programme now being vigorously pursued. This programme will ensure the continuity of the ore reserves position (which is about five years ahead of the Mill), and which will not only preserve the stability of future output, but will provide that flexibility which is so essential for the most economic working of the Mine.

In that connection, during my perforce all-too-brief visit to Ghana last week I had comprehensive discussions with our General Manager, Mr F. Clelland, and he assured me that the development on the lowest levels of the Mine is proceeding well up to schedule, and is looking most satisfactory.

We all realise that the present fundamental mining and development operations must be primarily concerned with the main orebodies at depth, but it was most pleasing to hear from Mr Clelland his conviction that the disclosure of a new rich lens on the 13th Level in the North Orebody augurs well for the future of the new section of the Mine. So far, the length exposed is 344 feet at an average value of 6.6 dwts over 131 inches, and driving is continuing. Additionally, the rich zone being explored near the surface on the 3rd, 5th and 6th Levels between our main orebodies and the northern limits of the Ghana Main Reef Company's reefs gives encouragement as an indication of first, an available store of richer ore (limited in tonnage though it may be until it is fully developed), and, secondly, an indication that more extensive development in this area is warranted. In that connection, it could be visualised that if the area opened out into major orebodies then your Company would proceed with the full opening up and development of this area.

I need hardly say that whenever we have any further news as to these important developments this will be immediately conveyed to Stockholders apart from the usual information covering the actual conduct of operations reported in the customary monthly and quarterly progress Reports.

GHANA GOVERNMENT'S APPRECIATION

In the course of my discussions with the Ghana Ministers the opportunity was taken to review the position of the gold mining industry in that country. These discussions to my mind only serve to confirm the views which I have already expressed in my Chairman's Review of this Company and also remarks that I have passed in associated Companies.

The Ghana Government are appreciative of the work that has been done by Ariston Gold Mines and the contribution they have made towards the prosperity of their country, and they have no intention of making that task more difficult. A number of suggestions were made by me to Government this time and I hope shortly to be in a position to announce further progress in the policy of full co-operation which at present exists.

The report and accounts were adopted.

CADBURY BROTHERS LIMITED

GROUP TURNOVER EXCEEDS £84 MILLION

WELCOME INCREASE IN EXPORT TRADE

MR L. J. CADBURY ON VAGARIES OF RAW COCOA MARKET

The sixtieth annual general meeting of Cadbury Brothers Limited will be held on June 15th at Bournville, Birmingham.

The following is the statement by the chairman, Mr L. J. Cadbury, which has been circulated with the Report and Accounts:

During 1958 the vagaries of the raw cocoa market had an important effect on our trading results. Our cash turnover increased for Cadbury Brothers Limited to just under £51 million, and for our group to over £84 million. On the other hand, making allowance for 1957 being a 53-week year Cadbury tonnage was 3 per cent down. The divergence between the trends of cash turnover and tonnage was almost entirely due to the substantial price increases and weight reductions which we had to operate early in the year because of the high price of cocoa.

It may be remembered that with a very good cocoa crop in the 1956-57 season prices in the spring of 1957 were less than £200 a ton. This no doubt encouraged world consumption, which in 1957 reached an all-time record of nearly 900,000 tons. The 1957-58 crop was 14 per cent down, there were fears of a shortage, and prices rose to £400, double the figure touched the year before.

I am glad to say the 1958-59 crop has turned out better than expected, while the high prices caused a noticeable drop in consumption last year. Though we had to pay a high price for cocoa we bought earlier in the season just past, we ended it with prices under £300. The net result, however, was that we had to make in the spring the price adjustments already mentioned.

INCREASING COMPETITION

Demand for the industry's products was particularly buoyant in the first half of the year, but during the second half-year it generally seemed to have fallen off; a tendency that has so far continued into 1959. It is probably associated with the slight industrial recession, and also with the relaxation of hire-purchase restrictions which has diverted a certain volume of purchasing power from everyday consumer goods such as ours. We have obviously always been in competition with other lines of chocolate and confectionery and also with other foods, drinks and consumable products and services such as entertainment. The rapid extension of Hire Purchase now means we have to compete more strongly than before with washing machines, refrigerators, TV sets, etc., for public patronage.

But of greater importance for us than these developments because of our large share of the moulded chocolate market was the rise in price of raw cocoa and the consequent increase in the price of our lines.

There were no major introductions in 1958 on the home market. Its chief feature was increasing seasonality. Our sale of Christmas boxes amounted to 7,500 tons, which made a contribution of £4 million to our turnover. This increasing seasonality throws a heavy peak load on our storage and distribution system. In November our Cadbury-Fry joint distribution service employed at one time over 500 delivery vans to deal with our goods.

INTRODUCTION OF NEW LINE

Since the end of the year under review an important new line has been put on the market, "Lucky Numbers." It is an assortment with a number of confectionery as well as chocolate-covered units; some of the former have presented us with new technical problems that have not been easy to solve. "Lucky Numbers" is only on sale at the moment in certain areas, but as factory capacity expands will be extended to all parts of the country.

We have had our usual publicity campaigns on TV, press, magazines and posters. In view of the declining cinema audiences we are reviewing our cinema activities. A completely new feature in the summer was the employment of a helicopter to advertise our "Roses" assortment at seaside resorts. It had some mechanical troubles, but no doubt the novelty of the scheme made its mark.

One of our most important selling efforts has been at the "point of sale." We have converted the counters of 9,000 retail shops with open display equipment designed and supplied by ourselves. A parallel scheme was undertaken by Fry's in a further 4,000 shops, and the benefits were shared between us.

RESTRICTIVE PRACTICES ACT

We are very interested in the working of the Restrictive Practices Act and the important decisions of the Court which have been made in several cases.

There are two main Agreements affecting us on the Register. One is the Wholesalers' Price Schedule which recommends prices at which wholesalers will generally buy from various classes of manufacturers and at which they will sell to retailers. The Schedule has been referred to the Court and will probably be heard before the year is out.

The other is a long-standing Agreement between ourselves and three other firms, the main object of which is to agree upon the level of distributors' margins, which of course form a substantial part of the price the consumer pays. This Agreement has not yet been referred to the Court.

COCOA BEAN SUPPLY

In connection with our cocoa-bean supply, we have continued to take an active interest in both existing and potential growing areas. Our agents have recently visited East Africa to examine the possibilities of growing cocoa there, and India at the request of the Indian Government to look into the possibility of the growing of both cocoa and oil-palms. Our own plantation in the British Cameroons at Ikiliwindi is making steady progress, and although we have been there for only three years the first pods have already been harvested. The news from Malaya is disappointing; the newly planted cocoa is retarded in growth, due probably to a fungus. Our latest investigations have been in Borneo. A great deal of development work in communications etc. is required there before practical results can be expected, but soil, climate and rainfall appear to be ideal for cocoa growing.

Desiccated coconut is a small but important ingredient. It is required for half-covered Cadbury biscuits and Fry Cokernut Bars. There are two sources of supply, the Philippines and Ceylon. The former is ruled out through our lack of dollars. Supplies from the latter have become precarious with increasing civil disturbances and strikes. There is also a profitable demand for converting coconut into copra. With other members of our Alliance we are endeavouring to start a desiccated coconut industry elsewhere, possibly in Tanganyika.

EXPORT AND OVERSEAS

Despite many difficulties our export trade showed a welcome increase of over 5 per cent last year, but we fared very differently in different markets.

In our traditional general markets we had a decline in practically every direction. We had to face political troubles in countries like Iraq, the Sudan, and many more. The fall in prices of commodities such as copper, rubber, coffee, tin, though helpful to our national economy, affected sales in Rhodesia and other producing countries.

On the other hand, sales of chocolate-covered biscuits to Canada and the USA increased by nearly 500 tons. We also sold those countries substantial quantities of cocoa powder and cocoa cake. After a decline in our trade there in the last two years, the joint Cadbury-Fry dollar exports once more topped the £1 million mark.

All our overseas companies showed increases in cash sales last year, and, apart from a slight fall in Canada, increases in tonnage as well.

Australia is still our leading overseas subsidiary, followed by Canada and New Zealand. At a lower level South Africa and Ireland run neck and neck, with the latter for the first time slightly ahead in cash turnover.

Our newest overseas venture, India, has had its progress impeded by causes outside our control. The trading position of that country has called for caution, and to safeguard its balance of payments position import quotas have been imposed on many goods including cocoa beans. This has cut back our production of cocoa powder, especially as we have switched our available bean supplies to Bournvita, which has shown a healthy increase. Total sales for the first time topped £½ million.

The turnover of our overseas factories reached a new record at £16½ million.

DEVELOPMENT PROGRAMME

We have begun the construction of a new office block at Bournville, though, as has been the case for the last few years, our main factory extensions have taken place at Moreton in Cheshire.

Bournville remains the centre of our technical and mechanical research; but other factories in the group carry out pioneer work in various directions. A completely new factory for the continuous production of milk chocolate crumb (from which the finished

product is made) is nearing completion in Tasmania. At Fry's one of their oldest traditional lines, Fry's Chocolate Cream Cake, is now being made on a fundamentally different and again continuous process. Both developments, and particularly the latter, save labour and are some set-off against rising wages.

Considerable interest is being taken in stimulating the provision of new capital and equipment for industry. Official and semi-official bodies have carried out investigations into the rate at which this has proceeded in different trades. Some of course require and can employ profitably far more capital than others. In our Cadbury Company the plant per operative varies greatly from highly mechanised production such as the manufacture of cocoa powder to hand-packed chocolate assortments. Pooling all our employees, men, women, boys and girls, the equipment provided per capita, after depreciation, amounts to £1,260.

Chocolate made for us under licence in Germany showed a further increase to the equivalent of £1.4 million. This trade is not very profitable at the moment. We have only a small share of the market and have to conform to the rest of the industry's prices. These have not been adjusted sufficiently to last year's high cost of cocoa, and margins have suffered as a result.

EUROPEAN FREE TRADE AREA

During the year there were many discussions about the European Free Trade Area in which the United Kingdom would participate. We did our best to support the proposal through our membership of the Cocoa, Chocolate & Confectionery Alliance and to have our products included in the arrangement. Unfortunately by the end of the year it was clear that the idea was dead. On January 1st what is known as the Common Market of the six Mid-European countries came into being. Eventually there will be a common tariff by these countries against the United Kingdom. The only means of counter-attack open to us at present is the continuance of the production and sale of our goods in Germany. This, of course, restricts us to start with to one country out of the six. It is possible in time we may be able to export to the other five countries, but the tariffs against German exports to them are only to be reduced annually by a small percentage over fifteen years.

PENSION SCHEMES

Last year I spoke of the reports by the actuary on the Men's and Widows' as well as the Women's Pension Fund. They resulted in increases in pensions of 20 per cent on the Men's and 15 per cent on the Women's Fund.

During the course of 1958 contributions to National Insurance were increased. After exhaustive investigations into the effect the new national rates would have on future pensions, it was agreed to reduce our Men's and Widows' Pension contributions by 2s. 8d. per week. This to some extent will offset the burden of the new national deductions.

We are following closely the discussions on the Government's new graduated pension proposals.

Our own schemes of graduated pensions began with our Men's Fund fifty-three years ago. The total Funds for both men and women now total about £12 million, and are invested in a spread of securities which have included for a number of years a substantial holding in equity shares.

To enable the Actuary to value on a higher rate of interest than he would otherwise have done, we have for some time guaranteed the rate of interest for a period ahead of twenty years; at present the guaranteed rate of interest is 4½ per cent, and our actual earnings over 5½ per cent. It is for this reason that the Government's scheme (where, as the President of the Institute of Actuaries recently remarked, the rate is 0 per cent) is such a poor bargain as compared with schemes like ours.

Nevertheless, the complications of contracting out of the Government's scheme, involving as they do the position of different grades of employees with different rates of pay and graduated contributions, are very great, and we shall reserve our decision on this important question until the Bill becomes law and the resulting regulations are known.

THE YEAR'S RESULTS

May I turn finally to the financial results of our Group? I have already mentioned that our total sales showed a small increase at £84.2 million. The consolidated profit after charging UK taxation was down from £5 million to £4.2 million, which was not an unexpected result in view of the trading conditions already mentioned. With depreciation and retained profits we are, however, ploughing back into the business just under £6 million.

We have a forward programme of new buildings, plant and equipment that we revise quarterly. Some of the items, particularly where a site has to be cleared by the demolition of existing buildings and plant reshuffled, will not be completed for three or four years. Our present forward programme for this period at home and abroad amounts to something over £15 million. Last year's results, though not quite up to those of 1957, will thus make a substantial contribution towards financing it.

TOZER KEMSLEY & MILLBOURN (HOLDINGS)

The eleventh annual general meeting of Tozer Kemsley & Millbourn (Holdings) Limited will be held on June 17th, in London.

The following is an extract from the circulated statement of the chairman, Mr Joseph R. Millbourn:

The deterioration in trading conditions in the countries we serve, which I predicted this time last year, unhappily materialised and our turnover and profits fell away disappointingly in the second half of the year. In the circumstances, a Group trading profit of £662,336, a reduction of £137,098 as compared with the previous year, can be considered very satisfactory.

Our turnover with the Union of South Africa exceeded last year's although it tended to fall away in the second half of the year, while our trade in Australia, New Zealand and Central Africa declined. In other markets our turnover was, in the aggregate, maintained.

Your board are fully aware of the changing pattern of certain important sections of the company's business and realise that with the continuation of the growth of local industries in the Commonwealth market, every effort must be made to seek opportunities for increasing the scope of our activities and the further development of local and export financing of these newly established industries overseas.

The financial position of the company is stronger than it has ever been and we are in an excellent position to take advantage of any favourable opportunity of broadening our activities.

E. POLLARD & CO.

The forty-seventh annual general meeting of E. Pollard & Company Limited was held on May 22nd in London.

Mr H. Edward Pollard (Chairman and Managing Director) presided and, in the course of his speech, said:

The Group Profit for the year was £411,000, a decrease of £30,000. Although the turnover of the Group increased over the twelve months, the trading profit dropped. The last few weeks of the year were disappointing as the demand suddenly fell away and orders became extremely competitive, particularly in the Shopfitting section. The end of the year is seldom a busy period for Shopfitting, but this time it was more than usually quiet and lost us some of the profits earned earlier in the year.

Our Engineering business is much less sensitive to such short term fluctuations of the retail trade, and was hardly affected.

Plans have been approved and this year we hope to complete the erection of a factory of about 30,000 square feet on the Kingsland site at Basingstoke. This will be equipped and started on steel shutter production and a new labour force built up for further production expansion.

As regards the future, our Accounts show a substantial amount of Work in Progress and our Engineering order books are satisfactory. The Display business is on the increase, but Shopfitting is still suffering from its recent setback. There are, however, some signs of recovery which we must have if we are to show good results at the end of 1959.

The report was adopted and the Ordinary dividend distribution of 17½ per cent approved.

LIMMER & TRINIDAD LAKE ASPHALT

SIR JOHN HATHORN HALL'S REVIEW

The eighty-seventh general meeting of the Limmer & Trinidad Lake Asphalt Company Limited will be held on June 18th, in London.

The following is an extract from the circulated statement of the chairman, Sir John Hathorn Hall, GCMG, DSO:

The Group's gross trading profit has fallen by £91,000. The recession of trade and the resultant contraction of building and road work, the hampering continuance of the credit squeeze for the greater part of the year, the limiting effect on aerodrome construction of the Government's new defence policy—all these and a number of associated influences militated against the prospect of successful operation by asphalt companies. But your Group would, I believe, have overcome these adverse factors and produced results no less favourable than those of the previous year if we had not had to contend also with an even more redoubtable adversary in the weather. We did, nevertheless, contrive somehow over the year virtually to maintain our output, and indeed, in some sections it actually exceeded that of 1957.

Our order book is such as to justify a sober confidence in the months ahead. We are glad that the Group should have secured the contract for the surfacing of an important section of the London/Birmingham Motorway and also the contract for the surfacing and foundation work on the whole of the Lancaster By-pass. Attempting to project into the future, I should be disappointed if a rather better year were not ahead of us.

OTTOMAN BANK

VERY SATISFACTORY LIQUID POSITION

LORD LATYMER'S REVIEW OF WIDESPREAD INTERESTS

The ninety-second annual general meeting of the Ottoman Bank was held on May 27th at Winchester House, Old Broad Street, London, E.C.2.

The Right Honourable Lord Latymer, the chairman, presided and, in the course of his speech, said: You will no doubt have seen in the press details of the Anglo-Egyptian Agreement of February 28, 1959, in the terms of which the Egyptian Government is providing the sum of £27,500,000 to meet claims in respect of property taken over by the Egyptians and claims for losses in respect of sequestrated properties which are being returned to their owners, and a statutory body, referred to as the "Foreign Compensation Committee" has been appointed to assess the amount of loss with respect to each claim. Our claim for compensation has, of course, already been lodged with the Authorities.

KENYA, TANGANYIKA, SOUTHERN RHODESIA

I mentioned last year that we had opened branches in Kenya and were expecting to open branches in Tanganyika.

As I said then, the branches at Nairobi and Mombasa were opened in January, 1958, and I am glad to report that the conversion of Torr's Hotel in Nairobi into suitable banking premises has been highly successful.

In Mombasa we have since acquired a very good site in the centre of the town and hope to move there from our temporary premises in the summer of this year.

In Tanganyika our branch at Dar es Salaam was opened in June, 1958, and in November we opened a branch at Kigoma, which is the terminus on Lake Tanganyika of the railway from Dar es Salaam and transit port for goods passing from Dar es Salaam to Ruandsa Urundi and to the eastern region of the Belgian Congo.

Since the close of the year we have also opened a branch at Moshi, at the foot of Mount Kilimanjaro.

In the Federation of Rhodesia and Nyasaland we opened a branch in temporary premises in Salisbury in August, 1958, and have acquired an excellent site for which plans are being prepared to build permanent premises in Jamieson Avenue.

As so many businesses in the Federation operate both in Salisbury and Bulawayo and, in fact, so many have their Head Offices in Bulawayo, it is essential to establish our bank in both centres and we have therefore arranged for the opening of a branch in Bulawayo which we hope will be ready in the course of a few weeks.

In Salisbury we commenced our banking operations at a period when credit restrictions were in force, but these have now been removed and we hope that our business will expand accordingly.

Both in East Africa and in Rhodesia we cannot expect progress to be very rapid, but in each of those territories our reception and our progress have been most encouraging.

TURKEY

In Turkey important measures were taken in 1958 to reinforce the economic and financial situation involving stabilisation of the credit structure, a more liberal import policy, especially for goods of prime necessity, and a greater liberty in distribution of goods, more especially imported goods, in the country.

At the same time the Government introduced a system of exchange rates adjusted to the situation; the basic rates for the Turkish Pound remained unchanged, but certain premiums, between 210 piastres and 620 piastres per dollar, were fixed according to category of export; imports and all foreign exchange payments, were subject to a fixed premium of 620 piastres per dollar. These steps have already given satisfactory results; there is an increased supply of goods on the market and this is already helping to keep prices steady.

Foreign financial aid to Turkey under various headings, particularly from the United States of America, increased to $359 million in 1958-59; of this $44 million went in settlement of existing indebtedness.

Turkey's foreign trade figures for the year are as follows: Imports, Ltq.882,300,000 against Ltq.1,112 million in 1957. Exports, Ltq.739,300,000 against Ltq.966,600,000 in 1957. Thus the commercial trade deficit is about the same as in 1957: Ltq.143 million against Ltq.145,400,000.

SUDAN

In the Sudan the economic conditions in 1958 were not encouraging. The country relies for its prosperity very largely upon cotton, and for cotton it was a very bad year.

A steady drain on the country's resources had reduced the holding of foreign exchange reserves from £S.23 million in January to £S.8 million by June, and the imposition of very stringent exchange restrictions and import licensing measures were necessary. The situation has since rallied.

Although the country's problems and difficulties in 1958 could but affect the working of your branches in the Sudan, I am glad to tell you that they had an active and satisfactory year.

JORDAN

The sealing of the frontier between Syria and Lebanon in the spring of 1958 denied to Jordan access to the port of Beirut via Damascus. Great efforts, however, were made to make fuller use of Jordan's own port of Ataba on the Red Sea and with such success that the total value of imports into the country during 1958 rose by some JD.2,500,000 compared with the previous year. Exports and re-exports, however, fell by about JD.2 million, principally as a result of very poor local harvests, especially of cereals following persistent drought. The trade figures for the year amounted to JD.33,900,000 for imports and JD.3,600,000 for exports and re-exports.

Legislation has been introduced for the establishment of a Central Bank of Jordan.

The currency in circulation showed an average of about JD.16,600,000 in 1958 against an average of JD.15,800,000 in 1957.

IRAQ

The general development of Iraq progressed during 1958, but there were signs that the authorities were concentrating less upon large public works schemes, such as barrages, irrigation and road construction and more upon projects calculated to produce an immediate improvement in the standard of living of the population; the emphasis was upon agriculture, housing and industry.

CYPRUS

The unsettled state of Cyprus in 1958 which involved a boycott of British goods had, as might be expected, a damaging effect on the Island's economy. Imports, which had stood at £45 million in 1957, fell to some £37 million in 1958, and exports declined from £18 million in 1957 to some £16 million in 1958.

PERSIAN GULF (QATAR)

For Qatar 1958 was a record year for oil production; export from the Qatar Petroleum Company's terminal at Umm Said for worldwide distribution exceeded eight million tons. Prospecting for further oil resources continues. The loss of the Shell Company of Qatar's marine drilling platform, of which you may remember reading in the press, naturally restricted the Company's activities temporarily. The Company hopes, however, to resume operations when a new drilling platform is delivered this autumn.

MOROCCO

In Morocco the outstanding event from the monetary point of view was the decision not to follow the French franc at the readjustment in December, though remaining in the Franc Zone. The result is that the exchange rate is Moroccan Frs. 1,000 to French Frs. 1,175.

In spite of difficult market conditions, our Casablanca Branch has maintained the usual volume of business with its clients.

LONDON AND PARIS, ETC.

Our London and Paris offices, and our Marseilles branch, had a very satisfactory year. In July, 1958, a branch of the Bank was opened in Geneva.

BALANCE SHEET ITEMS

May I now invite your attention to the figures before you.

The balance sheet shows a total of £95,642,976 against £108,838,319 at the end of 1957. This decrease reflects the consequences of currency revisions which have taken place in the various countries where the Bank is established. In our present Balance Sheet the rate of conversion used for the Turkish Pound is 25.27 to the Pound Sterling as against 7.91 in recent years.

The liquid position is again very satisfactory with cash, money at call and bills receivable together totalling more than 53 per cent of the deposits. The proportions of investments and advances to deposits work out at 16½ per cent and 35½ per cent respectively.

The total amount of profit available, including the balance of £32,321 brought forward, is £380,333, compared with £382,321 last year.

£150,000 has again been appropriated to "Reserve for Contingencies" leaving a balance of £230,333; and the Committee proposes that the dividend be maintained at 8s. per share. This will absorb £200,000 and leave £30,333 to be carried forward to 1959.

The report was adopted.

GALLAHER LIMITED

(Incorporated in Northern Ireland)

LARGER TURNOVER AND PROFITS

COMPETITION INTENSIFIED AND COSTS HIGHER

SIR EDWARD DE STEIN ON THE OUTLOOK

The sixty-third annual ordinary general meeting of Gallaher Limited was held on May 27th at Winchester House, Old Broad Street, London, E.C. Sir Edward de Stein, chairman, presiding.

The secretary, Mr George Iliff, ACA, read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year ended December 31, 1958:

In introducing my Statement for 1957 I told you that the year had been one of intense competition and rising costs. Competition in 1958 has been even more intense and costs continued to rise. The further expansion of our turnover in the past year together with the small increase which was made in our prices in September, 1957, have enabled us to show a further increase in our total profits. In fact our margin of profit expressed as a ratio to turnover was fractionally lower in 1958 than it was in 1957.

TRADING PROFITS

The trading profits of the Group for the year 1958, before tax, amounted to £7,754,578, an increase of £1,191,682 over 1957 profits. After provision has been made for Income Tax and Profits Tax the net profit for the year shows an increase of £1,023,113 to £3,910,292. The proportion of our total profits required for tax provision is considerably lower this year due firstly to the alteration in the rate of Profits Tax to a flat rate of 10 per cent, introduced in the Finance Act, 1958, with effect from April 1, 1958, and secondly, to the reduction of the Standard Rate of Income Tax to 7s. 9d. announced with the Budget proposals this year.

We are recommending to Stockholders a final dividend of 20 per cent on the Ordinary Stock—making with the interim distribution already paid of 5 per cent, a total of 25 per cent for the year, against 20 per cent in 1957. The final dividend will not be payable on the new Ordinary Shares offered to Stockholders in January last.

We have further strengthened our reserves during the year by appropriating £500,000 from the year's profits to General Reserve, increasing the reserve to £5,500,000 in the Consolidated Balance Sheet. We have also set aside £100,000 from the Gallaher Profit & Loss Account to employees' pensions provision, and in the Subsidiary Companies' Accounts we have set aside a further £50,000 for the same purpose, making a total for the Group of £150,000.

The remaining balance of the net profit for the year, namely £1,410,113, has been added to the Carry Forward in the Consolidated Balance Sheet, making the balance forward £3,834,966.

CURRENT ASSETS

At December 31, 1958, Stock-in-Trade in the Consolidated Balance Sheet at £49,133,759 shows an increase of slightly more than £9 million over the corresponding figure in 1957, mainly accounted for by the quantity of stocks of leaf tobacco held at the end of 1958: higher prices make a small contribution to this increase. Work in progress and finished goods stocks are higher at the end of the year than at the beginning, and this increase is approximately in line with the increase in the Group's turnover in 1958.

The considerable increase in Debtors in the Consolidated Balance Sheet is entirely due to the higher turnover in November and December, 1958, compared with 1957.

FINANCE

The continued growth of the Group's turnover from £204 million in 1957 to £244 million in 1958 resulted in the Group's borrowings reaching a high level in the autumn of 1958 despite the fact that in May, 1958, we raised approximately £9,320,000 net by the issue of £10 million 6 per cent Unsecured Loan Stock 1983/85. The expansion of our brands last year outstripped our forecasts for them and, as a result, the proceeds of the Loan Stock issue which we said would provide sufficient working capital for the Group's then present business has proved insufficient to cover our requirements in 1959. The end of the credit squeeze has made it possible for us to negotiate short-term borrowings at increased levels for 1959, but your Directors have considered it prudent to raise additional permanent capital by the issue of new Ordinary Shares, so that a higher proportion of the Group's assets should be covered by permanent finance. The net proceeds of the new share issue, namely £8,750,000, are being applied immediately to reduce the Group's short-term borrowings.

LEAF SUPPLIES

During 1958 we purchased more than one year's usage of tobacco because the increase in our turnover above estimates had run our stocks down below the levels planned, but our present stocks of leaf tobacco in terms of months' usage are more in line with those of the country as a whole than they have been for many years past.

I regret to say that 1958 prices rose again to new high levels, particularly in Southern Rhodesia, where the size of the crop was affected by adverse growing conditions which caused greater competition among the buyers for the suitable leaf offered for sale. Sales of the 1959 crop tobacco have commenced in Southern Rhodesia and preliminary reports show that there may well be a record crop in size with a general improvement in quality over last year. In America in 1958 we made a satisfactory purchase, with prices slightly up on 1957, though we were unable to buy our full programme owing to lack of suitable grades. We have recently completed our purchase of Canadian tobacco.

The extension of our leaf-handling factory in Southern Rhodesia made it possible to handle a record quantity of leaf during 1958, and further extensions remain to be completed.

SALES

In spite of the intense competition experienced in 1958 the Group's sales continued to expand throughout the year, and our experience this year shows that this trend continues though not at the same rate. In their respective categories our two main brands of cigarettes, Senior Service and Park Drive, continue to widen their popularity. I have no doubt that this is, in the main, due to the high quality of the leaf that we buy and the extreme care in manufacture and packing, together with the force of our selling and advertising policy. The sales of tipped cigarettes retailing at 3s. 4d. for 20 generally continue to grow in popularity and our brand Olivier made good progress in 1958. In order to strengthen our position in this market we are making plans for the introduction of another tipped cigarette. In the cheaper category of tipped cigarettes retailing at 2s. 6d. for 20 our brand Park Drive Tipped, introduced in 1958, has become well established in what is comparatively a small market at present.

On the tobacco side, whilst there was a decrease in the total national consumption the Group's business in 1958 expanded and our "roll your own" tobacco Old Holborn and pipe tobacco Condor Sliced both showed increased sales.

Our cigar business expanded and the sales of Manikins, our small cigar, showed a satisfactory increase.

We are, needless to say, continually reviewing the range of brands which we have to offer for sale to the public in all categories of both cigarettes and tobaccos, and you may rest assured that new brands will be introduced to meet changing market conditions if it should prove desirable to do so. I think I can say that at present we are strongly represented in most of these categories.

GENERAL MATTERS

I informed you last year that production had commenced early in 1958 in part of the premises being built for us by the Government of Northern Ireland at Lisnafillan, Northern Ireland. That factory is now in full production and we commenced manufacture early this year in a further factory there which was completed towards the end of 1958. During the past five years the number of the Company's employees in this area has increased from 450 to over 2,500.

The imminent completion of the installation of new machinery at Lisnafillan will ease our production problems, although some overtime and double-shift working will still be necessary.

In order to have stocks of tobacco adjacent to these factories we have built a new Bond Store on the factory site which will hold 13 million lb. of tobacco leaf. This storage was first used at the end of March, 1959.

Towards the end of 1958 J. A. Pattreiouex Limited purchased a further cotton mill in the Manchester area and plans are now being drawn up to adapt the building for our use in the same way as we have previously dealt

with two other cotton mills which have now been equipped as modern and efficient cigarette factories.

ENGINEERING SUBSIDIARY

The past year has not been an easy one for engineering companies generally, and I am pleased to be able to tell you that Mono Pumps Limited and its subsidiaries have had another satisfactory year's trading. We are grateful to the Management, Staff and Workers for their splendid contribution to the Group's results.

OUTLOOK

When your Directors issued a statement to Stockholders in January, 1959, advising the terms of the recent issue of 2,750,000 Ordinary Shares of £1 each at 65s. per £1 share they said that, provided no unforeseen circumstances arose, they would be able to recommend in respect of 1959 a total dividend of 25 per cent on the Ordinary Capital as increased by that issue. I can only add that since January our turnover has continued to increase in line with our forecast of sales on which that statement was based.

Factors which will affect our profit margins this year include the higher average price of our leaf tobacco stocks at the beginning of 1959 compared with a year earlier, the higher depreciation and other factory costs we will have to meet as a result of bringing additional factories and new machinery into use. Selling and advertising costs have increased due to intense competition and we also have to face a full year's cost of the wage increase granted to our workers in 1958 as compared with six months of the increase last year. To offset these items interest rates are lower now than they were a year ago and as I have said above our turnover should be higher than in 1958.

Competition is becoming even more intense but we have great confidence in our brands and look forward to a satisfactory year in 1959. I must, however, add that we do not expect to be able to increase either our turnover or our profits to the same extent that we have done in the past few years.

It is the intention of your directors to adjust the wide difference (5 per cent to 20 per cent) between the interim and final dividends on the Company's Ordinary Stock.

EMPLOYEES

The substantial expansion which has taken place in our business during the last few years has thrown a very heavy burden on Management at all levels. Additional factories have had to be staffed and supervised and new employees trained in what is a very complex production process. It has been very interesting and encouraging to see how the younger members of the organisation have responded to the increased responsibilities which they have had to shoulder, and how quickly and efficiently our new employees in our new factories have learned their jobs. We are grateful to all employees of the Group for the splendid support which they have given to the Management throughout the year, and for their enthusiasm at all times in the interests of the Company: we have again this year paid them a bonus equal to six weeks' salary or wages.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring directors, Sir Edward de Stein, Sir Walter A. Edmenson, CBE, DL, and Mr J. D. Hopkins, were re-elected and the auditors, Messrs Hill, Vellacott and Bailey, were re-appointed.

LONDON BRICK COMPANY LIMITED

YEAR OF EXPANDING DEMAND

PROVISION OF ADDITIONAL PRODUCTION FACILITIES

RECORD DAY'S MAKE OF BRICKS SUFFICIENT TO BUILD OVER 500 HOUSES

MR A. T. WORBOYS ON POLICY OF PRICE STABILIZATION

The fifty-ninth annual general meeting of London Brick Company Limited was held on May 26th in London.

Mr A. T. Worboys, CBE (the chairman), presided and, in the course of his speech, said:

The profit on trading and sundry income for the year amounted to £2,539,311 compared with £2,673,265 for 1957. After providing for Directors' remuneration and the sum of £400,000 for depreciation, the net profit before taxation amounts to £2,130,575 compared with £2,149,305 for the preceding year. Taxation amounts to £1,169,338 leaving a net profit of £960,737, an increase of £65,215 over the previous year.

After adding unappropriated profits at the beginning of the year and £19,838 taxation adjustment for previous years, there remains a balance available of £1,361,339. Following our usual conservative policy, out of this available balance £450,000 has been transferred to General Reserve and after deducting the net dividend for the year on the 8 per cent Cumulative Preference Stock and the net interim dividends of 17 per cent on the Ordinary Stock, there remains a balance of £384,639 to be carried forward. The Directors do not recommend any further dividend for the year 1958. I am sure you will agree that the Accounts show the results of another successful year and reveal a strong financial position.

Dealing now with our two Subsidiary Companies, Stewartby Housing Association Limited continues in full operation and the housing provided through this medium is much appreciated by our employees.

Transformers (Watford) Limited, our manufacturing Subsidiary, enjoyed a year marked by a substantial improvement in trading results and it is a pleasure to record that this should have been achieved in the very year when, on August 31st, the Company completed its twenty-first year. The output during the year reached a record level —some 30 per cent above 1957. This increased production enabled us to counteract, to some extent, the effect of the fall in selling price levels occasioned by the continued severe competition in both the home and the export markets.

Orders on hand at the turn of the year are commensurate with our increased manufacturing facilities and carry us forward into 1959 with confidence.

THE PARENT COMPANY

The works management has been mainly occupied during the year with large scale planning for increased output and towards the end of the year it was decided to carry out extensions at our Calvert Works. The nature of the extensions comprise a new kiln, which is already in course of construction, together with increased grinding machinery and ancillary plant and buildings. It is hoped that the work will be completed towards the end of this year.

The early months of the year were overshadowed by the Government's monetary policy. Both municipal and private house-building felt the pinch in the early months of the year and other Government and private work was either curtailed or postponed. In these circumstances, together with the seasonable weather conditions, it was not surprising that some stacking of bricks, and slight easement of production became necessary.

The position soon improved and by the late Spring we were once again on maximum production and the accumulated stocks proved a useful addition in coping with the growing demand and were rapidly taken up. For the remainder of the year production and deliveries were at a high level.

Up to the end of the year under review, our record daily make of bricks stood at 8,587,369. I am sure you will be glad to know that on April 7th this year that record was passed when a daily make of 9,075,188 was achieved. Accepting the general calculation that some 18,000 bricks are required in the construction of an ordinary type house, this one day's make is sufficient to build 504 houses—some achievement.

The comparative ease with which we came through what is generally accepted to have been a minor recession in building in the winter of 1957-58, was due to our wide area of distribution and the universal popularity of our bricks. Indeed, 1958 was a year of expanding demand for our products and, in view of the persistence of this demand for our bricks preventing us from supplying promptly the needs of the industry, it was decided that a further increase in output was required.

The demand for increased distribution of "Phorpres" bricks is particularly strong in the South West and the Midlands, where our District Sales Offices at Bristol and Birmingham have been forced to ration out available supplies, and, in view of the favourable geographical situation of Calvert Works, the nearest works to these areas, it was agreed, following upon discussions with our works management, that the additional output should be made there. These extensions which will be completed towards the end of this year, together with other general kiln improvements, will yield an additional 100 million bricks in a full year. Furthermore, we have decided to increase the output of our Bletchley establishment and the constructional work for this extension is now in hand. By July of this year, six months after the commencement of the work, the first additional production will be in delivery to the sites.

PRICE STABILISATION

There were no increases in the price of our bricks or hollow clay blocks in 1958. The last increase took place in April 1957 and so two years have elapsed since there has been any advance. We are ever mindful of the benefits of price stabilisation and we take considerable pride in being able to say that since 1954 right up to date, a period of five years, our bricks have only been increased to the extent of 5s. per thousand on commons with varying increases on facings yielding an average advance on all types of bricks of 8s. per thousand. The moderation of these price increases is very apparent when compared with the increases in other building materials as shown in the official figures published in the Board of Trade Journal in December and it is not surprising, therefore, that in a time of changing building techniques, traditional construction in Fletton brick is as popular as it has ever been.

We shall endeavour to pursue our policy on price stabilisation. This policy has been maintained in spite of increases in wages and other costs. Our ability to hold brick prices steady reflects the increased efficiency throughout every sphere of the Company's activities. I am sure you will appreciate that the longer this position obtains, the greater the achievement.

THREEFOLD RESEARCH PROGRAMME

Throughout the past year our Technical and Research Department has been actively engaged in three broad fields of work. The detailed study of the properties of our raw materials and of our finished products, the drive to establish the true scientific bases of all our production methods, and the development of new building materials suited to our manufacturing skills and sales requirements, are all essential industrial research objectives designed to keep us in the forefront of building materials producers.

In the field of new products there are, this year, a number that have advanced beyond the laboratory stage and are now being considered for pilot scale production and for the necessary long term exposure and other tests to which we must subject new materials before they are freely marketed. At the moment the future for some of these new materials appears to be promising.

Deliveries of our Field Drain Pipes during the year created a record. "Phorpres" Field Drain Pipes are manufactured to the requirements of the British Standard Specification and are supplied to the farming industry in all areas of England and Wales.

Another product of the Company that is not dependent on the demands of the building industry is the "Phorpres" Clay Electric Cable Cover. "Phorpres" Cable Covers are manufactured to the British Standard Specification and are used extensively for the protection of underground electrical cables.

I have no doubt you are expecting a few words on the current position. The year opened with bad weather but the results so far achieved are in excess of those for the corresponding period of last year. With a strong demand for our products, all our works are in full production and, in these conditions, I can say to our Stockholders today what I said to our employees at the end of last year—we face the future with confidence. I hope to present a good account of our activities when we meet again next year.

The report and accounts were adopted.

INNS & COMPANY

(Public Works Contractors, Asphalters, Sand and Gravel Pit and Quarry Owners)

AN EVENTFUL YEAR

The twenty-fourth annual general meeting of Inns and Company Limited was held on May 22nd in London, Mr Walter Wallace (Joint Managing Director) presiding.

The Chairman, in the course of his speech, said:

The year under review has been an eventful one for your Company. Firstly, because its own trading activities and profits showed a distinct improvement on those of the previous year, and secondly because the offer we made in October of last year to purchase the Ordinary Share Capital of W. and R. Wallace Industries Limited met with unqualified success, resulting in a 100 per cent acceptance by the Shareholders of that Company. This purchase became effective on November 5, 1958, so that only just over seven weeks' profits fell to be included in our Accounts as post-acquisition earnings. The proportion of the profits applicable to the pre-acquisition period were retained by our new subsidiary Company.

If any Shareholder wishes to see the Accounts of W. and R. Wallace Industries Limited, copies will be made available at the close of this meeting, but I am sure you will find that our own Accounts have been prepared so as to set out as clearly as possible the rather complicated position reflecting the profits for twelve months in the case of the parent Company and for only six months in the case of Wallace Industries and its own subsidiary Companies.

The trading profit of the parent Company rose from £508,815 in 1957 to £626,016 in 1958.

The trading profit of Wallace Industries for the six months to December 31, 1958, was £117,289, which compares not unfavourably with the rate of profits made during the previous full year, bearing in mind the particular period of the year to which they refer.

The net profits before tax amounted to £575,262 as against £399,071 shewn in our previous Accounts.

The report was adopted and the total distribution of 27½ per cent, less tax, was approved.

BARTON & SONS

A DECADE OF STEADY PROGRESS

The ordinary general meeting of Barton & Sons, Limited was held on May 27th in London, Mr H. Prichards (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement:

For the first time our profit on trading exceeded the million pounds, being in fact £1,052,456. This landmark in our history highlights the company's steady progress, a measure of which may be obtained by comparing figures with those of 10 years ago. In 1948 our pre-tax profits were £258,818, they are now £862,415; Ordinary stockholders' funds employed amounted to £647,745, they now amount to £3,041,777, an increase of £2,394,032, accounted for by £256,250 ordinary stock issued for cash, £1,117,916 ordinary stock issued as a bonus and an increase of £1,019,866 in reserves.

An ordinary stockholder who owned 400 5s. units in 1948 when the mean market value was 6s. 2d. per unit had an investment worth £123 6s. 8d. and if he then subscribed for the cash issue to which he was entitled in 1953 he would have subscribed a further £115 12s. 6d. The holding would now be £437 10s. at nominal value and at mid-April, 1959, market value (10s. 6d. per unit) would be £918 15s.

With the impetus to industry which should result from the accumulated benefits of the budget provisions and the easing of credit and hire-purchase restrictions, I am hopeful that the results for 1959 may again give cause for satisfaction.

The report was adopted and the final dividend of 6 per cent making 10 per cent for the year was approved. The Directors have also declared a special interim dividend of 2½ per cent, less tax, in respect of the year 1959.

FIRTH CLEVELAND LIMITED

Industrial Holding Company

METALS, ENGINEERING, RETAIL

ISSUED SHARE CAPITAL

£1,000,000 in 6 per cent Cumulative Redeemable £1 Preference Shares.
£2,000,000 in "A" and "B" 5/- Ordinary Shares.

£3,000,000

Extract from Accounts for 14 months Ended December 31, 1958.

	£
Reserves (including Future Tax)	2,500,003
Fixed Assets	2,761,627
Net Current Assets—	
(including Cash and Loans at Short Call, £1,442,150)	3,540,332
TOTAL NET TANGIBLE ASSETS	£6,866,909

PROFITS (subject to taxation) :—	£
1956	1,542,619
1957	1,722,819
1958 (14 months)	1,854,050

CHAIRMAN: Mr. C. W. Hayward

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

MILK MARKETING BOARD

SUPPLIES AND PRICES

MR RICHARD TREHANE'S REVIEW

The Annual General Meeting of the Milk Marketing Board was held on May 28th in London.

Mr Richard Trehane, chairman, in the course of his speech, said:

Last year Sir Thomas Peacock spoke of the great output of milk which was sold from farms during 1957 and in the early part of last year, and of the record supplies which the Board had been able to market. This upsurge in total supplies seemed to have lost its force by mid-summer; subsequently, as you all know, milk supplies declined and during last winter, they were at an unusually low level. In some months they showed a decrease compared with a year ago of as much as 13 per cent which is an almost unprecedented drop in so short a period. The difference between output in the year which we have just passed and in the previous year was 113 million gallons or 6 per cent.

After nearly three years of rapidly rising supplies and a high level of manufacture in all categories, we were with unexpected suddenness required to deal with a lower total level of supply and a much smaller scale of manufacturing activity. This change in the direction of supply has meant a drastic alteration to manufacturing programmes and whilst at no time have we been in any danger of shortage in the liquid milk and fresh cream markets, we have made almost no butter in any creameries throughout the winter and the quantities of milk available for cheese-making had to be strictly rationed to the individual makers.

PROSPECTS OF LOWER SUPPLIES

On the whole we believe from all we have gathered and studied that in the next year or two at any rate milk supplies will run at a lower level than the recent peaks but the amount of surplus for manufacturing, of course, will be influenced considerably by the nature of the seasons. The lower the total level of supply, the greater the incidence of climatic factors on quantities to be manufactured. And a point not often appreciated is that a decline of one-twentieth in total output in a year will reduce the volume of dairy products by as much as one quarter.

I might mention in passing that in the last few years there has been a very clear tendency for milk producers to go out of the milk business in fairly large numbers. Our total of registered producers, for example, has been reduced by 20,000 since 1954. This trend, I have no doubt, is a reflection of the difficulties which many small producers have found in the industry and is also an indication that milk production with only a declining record of profitability is regarded by some producers as too arduous an undertaking when compared with the prospects in some other branches of farming. Our number of registered producers in 1945, swollen by wartime needs, was 158,000; today it is 127,000. This is a startling decline in the number of persons concerned with milk production and its significance should not be disregarded when national farming policies are formulated.

BUTTER AND CHEESE PRICES

When the Chairman spoke last year, he drew attention to the very low prices of butter and cheese then prevailing. You will remember that both these dairy products were sold for a time at prices which even our friends in the Commonwealth could not bear for long. The situation improved before the end of the year and I am glad to be able to report that prices have been much more satisfactory during the first part of this year. Prices of cheese have, in fact, been very high, almost higher than we would wish.

The butter situation is also very much improved and whilst butter prices are much less favourable to producers than those which I have described for cheese, they are at a higher level than last year.

What we all require is a steady market at reasonable prices which will give to us and our competitors the opportunity of expanding the size of the market. I hope that we shall be able to do even more in the years to come by co-operative action with the great dairying countries to co-ordinate supplies in relation to demand so as to achieve greater stability—this I am sure is the soundest foundation for making the best of this most important market in the interests of all concerned.

LIQUID MILK MARKET

Coming now to the liquid milk market, which is the main concern of milk producers in this country, I am very pleased to report that over the last year this market has shown welcome signs of expansion. Whilst we have done our utmost in recent years to stimulate an increase in sales, this is the first year in which we can show positive results. Over the twelve months ended March, total sales of liquid milk in England and Wales increased by 12 millions compared with the previous year and by 7 millions compared with 1953-54, which preceded the re-instatement of the Board following Government control.

We have spoken so much on this question of expansion of the liquid market in recent years that I do not propose to dwell on the subject at length today. I do want to say, however, that in my opinion there is room for a further steady growth of this market and that we should prepare jointly to do even more to stimulate expansion by advertising, publicity and all modern sales promotion methods.

Higher sales of liquid milk satisfy us as producers and they are good business for the dairyman. This is a most valuable market and in pursuing our sales campaign we are not forgetful of the interest of the consumers. We believe that the milk supply and the milk service gives satisfaction today. It is still a cheap product, cheap by comparison with other foods and other items in the household budget or when we compare its price today and prewar. It is well known in the industry that the great gain in efficiency in production, transport, processing and distribution which has taken place in the past 20 years has been very largely passed to the consumer in a better product and in good service at low prices. This is as it should be and it is a fine foundation for an expanding industry.

We are constantly devoting a great deal of our attention to the quality of the milk supply. I need hardly say that in the last ten or twenty years this has greatly improved. It is our desire to introduce such improvements as we can all the time and in this we have the full co-operation of the dairy trade.

There are two tasks—to create a standard for market milk and to grade at the consumer end so as to cater for varying tastes and requirements. We think both these are tasks for the industry, with the least possible degree of Government control—we have expressed this view to the Cook Committee. This leaves the initiative for improvement and for satisfying consumers' requirements as the responsibility of the industry. The dairy farmers and the whole trade wish to continue actively to raise standards and to pass the benefits of the better product to the public.

During the autumn the Board decided to improve the business of the Preston bottling creamery by the acquisition of the Palatine Dairies at Blackburn. We had found that our wholesale business in Preston was losing ground because of dairymen customers being taken up, and their business operated, by competing wholesalers. The Board decided that we should not allow the business to fail but that we should do as our competitors were doing—supplement our wholesale efforts by acquiring an existing dairy with an established semi-retail and retail trade. We have operated the Palatine Dairy since the beginning of this year and I believe that the service we provide is acceptable to our customers.

However, as you all know, this step which we have taken has been the subject of strong objection and adverse criticism by the leaders of the dairy trade. They claim that we—having the powers enabling us to retail milk granted in the terms of the Scheme—should refrain from any further intrusion into the retail markets.

BOARD'S POLICY

We have said consistently that it is not the intention of the Board to embark in any substantial way on retail trading. This continues to be the policy of the Board. The retail service given by the dairymen in this country is generally speaking very good and economical. Circumstances can and do arise, however, when the Board consider it to be in their interest to enter the retail market. This was the case in Blackburn. Other circumstances made it necessary for us many years ago to establish a retail dairy in Norwich and this dairy is still operating. After 25 years of experience as a producer marketing organisation we still have only two small retail dairies throughout the length and breadth of the country.

I understand fully the feelings of many producers, expressed by them to me and through the Press, indicating that we should go much further to establish the producer interest in a substantial way in retail business. There are many aspects to this problem; what governs Board policy mainly is our real desire to work closely with the dairy trade and the belief which we have that such close and constant co-operation will bring to producers in the long term the best results from the market.

The Report was adopted.

HARLAND AND WOLFF LIMITED

COMPANY'S ACHIEVEMENT IN A DIFFICULT YEAR

ADVERSE EFFECT OF PLATERS' STRIKE

SATISFACTORY PRESENT AND PROJECTED WORK PROGRAMME

SIR FREDERICK E. REBBECK'S NOTE OF WARNING

The seventy-fourth Annual General Meeting of Harland and Wolff Limited was held on May 20th at the Registered Offices of the Company, Queen's Island, Belfast. Sir Frederick E. Rebbeck, KBE, DSc, DL, JP, Chairman and Managing Director, presided.

The Secretary read the Notice convening the meeting and the Report of the Auditors.

The Chairman said: As the Statement of Accounts and the Directors' Report have been in your hands for some time, I presume I may take them as read. (Agreed.)

You will have noted that for the period under review there has been an improvement in the profit on trading compared with the previous year. This result, which can be considered satisfactory, has been achieved despite the adverse effects of the platers' strike in the early part of the year, and the additional charge of £100,000 which has been required for depreciation.

As a result of the welcome reduction in the standard rate of Income Tax and other tax concessions, the increased profits have not been accompanied by a corresponding increase in the charge for taxation. Nevertheless you will observe that taxation still absorbs over 50 per cent of our available profits.

In the past I have often stressed the importance of providing adequate reserves to enable the Company to keep abreast of developments and equip our shipyards and engineering works with the most modern plant and machinery. The replacement of assets is a continuing process and you will observe that during the year we have transferred £480,000 from the Reserve for Fixed Asset Replacement to Capital Reserves. It is equally important that we should be in a position to mitigate the effects of world depression and, for this reason, you will agree that it is desirable when possible also to build up the General Reserve.

The Directors therefore propose that of the surplus available for distribution, £130,000 should be allocated to Fixed Asset Replacement and £150,000 to General Reserve. It is also proposed to repeat the dividend of 10 per cent to the Ordinary Stockholders and to carry forward the balance of £11,931 in the accounts of the parent company.

THE YEAR'S WORKING

During the year a satisfactory level of activity was maintained in the Company's shipbuilding yards. Eleven merchant vessels, a frigate, two coastal minesweepers and a number of small craft were launched. Although the total output of 136,580 tons gross fell short of the corresponding figure for 1957, the reduction was due not to any overall contraction in the amount of work on which we were engaged, but primarily to the adverse effects of the protracted platers' strike at Belfast to which I have already referred. This strike, which lasted for eleven weeks, disorganised our building programmes, and the launches of three merchant vessels, scheduled to enter the water before the end of 1958, could not take place until the early months of 1959. Although it is not possible to assess accurately the financial consequences of this strike, its results will also certainly be reflected in next year's accounts.

Thirteen merchant vessels for British, Norwegian and American owners, the Frigate *Blackpool* for HM Navy and the Coastal Minesweeper *Port Elizabeth* for the South African Navy were delivered during the year. The ship of the year was without doubt RMS *Pendennis Castle* (28,582 tons gross) for The Union-Castle Mail Steamship Company Limited, which made her maiden voyage in January of this year. The new liner, which replaced the *Arundel Castle* on the weekly mail service from Southampton to South Africa, is the largest of eight ships at present engaged on this route. Other merchant vessels completed included oil tankers, cargo and refrigerated cargo liners.

BUILDING PROGRAMME

Ships at present under construction include three 20,000 ton passenger and cargo liners, *Amazon*, *Aragon* and *Arlanza*, for Royal Mail Lines, Limited. Her Royal Highness The Princess Margaret has honoured both owners and builders by graciously consenting to name and launch the first of the trio, *Amazon*, in July of this year.

Work is proceeding steadily on the 45,000 ton Passenger Liner *Canberra* for the Peninsular and Oriental Steam Navigation Company.

The remainder of a varied merchant shipbuilding programme includes important groups of cargo liners and large oil tankers for British and foreign owners.

Naval work continues to represent an important part of the Company's shipbuilding activity. Contracts in hand include the fitting out of the Light Fleet Carrier *Hercules* for the Indian Navy, and the construction of a guided missile destroyer and two frigates for HM Navy, the Frigate *Trishul* for the Indian Navy and the *Walvisbaai*, the last of three coastal minesweepers for the South African Navy.

Although our present and projected programme will provide a satisfactory volume of work for our facilities for the next two years, I must sound a note of warning. The persistence of depressed conditions in the freight and tanker markets has now led to the almost complete cessation of enquiries for new tonnage, a position which naturally gives cause for concern. This situation is likely to continue until an improvement in trading conditions stimulates a revival in the demand for shipping space.

DIVISIONAL ACTIVITIES

The Marine Engineering Division continued to make an important contribution to the Company's output. Our extensive and well-equipped establishments at Belfast and Glasgow were fully employed on the construction of a wide range of main propelling and auxiliary machinery for vessels building in the Company's shipyards and for hulls building by other shipbuilders.

The reduced demand for the products of our Industrial Engine Division reflected world conditions, and output during the year was below our potential. Contracts completed included the supply of diesel engines and compressor units for industrial and public service.

Activity in the Electrical Division was well maintained throughout the year. Apart from the installation of electrical systems on board merchant and naval vessels under construction, the Division was engaged on the manufacture of alternators and other electrical equipment.

Despite some contraction in the demand for structural steelwork, the output of the Steel Structural Division continued at a high level, and the Division continues to play an important part in industrial and public building and civil engineering projects.

During the year the Company's three Repair Branches at London, Liverpool and Southampton handled a substantial volume of ship and engine repair work, and a number of important repair contracts were carried out at Belfast and Govan. The adverse conditions to which I have already referred have also had a restrictive effect on the demand for ship repairs, and a reduced level of activity may be expected to continue so long as present conditions obtain in the freight market and substantial numbers of cargo liners and tankers are laid up.

There are two further matters to which I must refer. You will recall that in the autumn of last year your Directors decided to follow the example of other leading British companies concerned with important Government contracts by taking steps to prevent voting control of your Company falling into alien hands. At an Extraordinary General Meeting of the Company, held at Belfast on November 25, 1958, a Special Resolution was passed making certain alterations to the Articles of Association which will ensure that voting control will continue to be vested in British subjects.

CAMP BIRD LIMITED

You will, I am sure, expect me to comment on the spate of statements which recently appeared in the press in which the name of Camp Bird Limited has been mentioned.

The facts are that on March 19 I received from Mr John Dalgleish, Chairman and Managing Director of Camp Bird Limited, who is a complete stranger to me, a personal letter dated March 18, marked "Private and Confidential." The reply which I sent to Mr Dalgleish on March 25, 1959, was also marked "Private and Confidential." Since then, however, Mr Dalgleish in a statement to the press has made reference to the contents of this correspondence, which I therefore regard as having automatically ceased to be either private or confidential.

In his letter to me Mr Dalgleish stated that Camp Bird Limited had recently acquired some 100,000 shares in this Company. He also referred to plans for further acquisition of shares coupled with an astonishing proposal for representation on our Board. He said that he looked forward to hearing my views and perhaps to an early meeting. In

my reply I said that the proposal that Camp Bird should have representation on our Board was quite unacceptable and, in these circumstances, there would be no point in arranging a meeting. No reference was made in Mr Dalgleish's letter to me to a cold forging process which figured so prominently in his subsequent statements to the press. In any case the process would be of no interest to us. I have had no further communication from Mr Dalgleish.

DIRECTORATE

During the year Mr J. S. Baillie, our London Office Manager, who has been a member of the Board since 1948, was elected Deputy Chairman. Mr Baillie joined the Company in 1913, and I am naturally pleased to have as my deputy a colleague who has worked so closely and so successfully with me for many years.

Mr J. H. Crossey, who has been an executive officer of the Company for many years, was appointed to the Board in October, 1958.

In conclusion, I take the opportunity to thank everyone in the Company's service for their loyal co-operation during the year.

The Report and Accounts were adopted; the proposed dividend was approved; the retiring Directors namely, Mr J. H. Crossey, Mr J. S. Baillie, Mr H. R. Humphreys and Mr J. H. McCuaig were re-elected. Messrs. Price Waterhouse & Company were re-appointed Auditors and their remuneration was fixed.

The meeting terminated with a unanimous vote of thanks to the Chair.

DARWINS GROUP LIMITED

DIFFICULT TRADING CONDITIONS

The thirtieth annual meeting of Darwins Group Limited was held on May 21st in Sheffield, Mr F. Thompson-Schwab, the Chairman, presiding.

The following is an extract from his circulated review:

The results for the financial year 1958 were very disappointing when compared with the previous year. Last year I referred to the difficulty of forecasting the 1958 results owing to the general uncertain trading conditions operating at that time and pointed out the effects a decline in demand would have on our financial results.

Demand for many of our products did decline and at a more serious rate than I anticipated at the time, with the consequence that trading conditions, particularly during the second half of the year were extremely difficult. Actually the total value of the Group's deliveries declined from nearly £6 million in 1957 to £5,169,000 in 1958.

I am confident that, subject to no unexpected political upheaval, trading conditions will, in time, become more normal, with consequent increased demands for the products of the Group.

All your Works are well equipped to meet the increased demand when it comes.

Improvements in some shape or form are continually being made to obtain the maximum possible efficiency.

Turning to the Profit and Loss Account, after all charges the balance remaining is £234,764 from which must be deducted £121,400 for taxation provision. Including the balance of £156,670 brought forward from last year the amount available for disposal is £270,034.

In view of the fall in profits and the necessity for conserving the Company's liquid resources, your Board recommend a final dividend of 6 per cent actual (less tax) which compares with a rate of 8½ per cent paid last year. This will absorb £29,510 leaving a balance to carry forward of £206,530, an increase of £49,860.

Regarding prospects for the current year, so far business has not been at a satisfactory level, the overall demand being such that our plants are working below their full capacity. There are signs, however, that the recession has now reached bottom and that some gradual recovery may be expected.

The report was adopted.

KAPALA RUBBER ESTATES

The twenty-fourth annual general meeting of Kapala Rubber Estates of Malaya Limited was held on May 29th in London.

In his circulated review, the Chairman (Mr P. B. L. Coghlan) comments on the accounts for the year ended September 30, 1958. Reflecting less favourable market conditions and a somewhat lower crop these show Net Proceeds of Rubber Sales at £163,977 compared with £210,646 for the previous year. However, this decline had been partly offset by substantial working economies and the Directors recommend a dividend of 5 per cent, less tax, on the Ordinary Shares.

After the sale of 420 acres of outlying old rubber during the year, the Estate is now a compact unit well placed for efficient working under present-day conditions. It is therefore not intended to dispose of any further large areas although, Mr Coghlan adds, advantage may be taken of any favourable offers for land containing tin and iron ore deposits which are believed to exist over relatively small parts of the Estate. Profits from previous sales of such areas had assisted in accelerating the Company's replanting programme and in financing the Company's investment in the Central Factory. It was considered equitable that Shareholders should participate in these profits and the Directors now recommend that £12,940 should be applied in the payment of a capital bonus, not subject to Income Tax, of 7½ per cent on the Issued Ordinary Capital.

Especially encouraging was the trend in production, it being estimated that notwithstanding the cutting out of a further 227 acres for replanting during 1959, and land sales, crop for the current financial year would reach the 2,000,000 lb mark.

Mr Coghlan continues:

"It must be becoming increasingly evident to all concerned that, statistically, the natural rubber position is sound with consumption fully meeting production. There is ample evidence of improvement in world trading conditions and, with substantial buying from the Iron Curtain countries, it seems likely that every pound of natural rubber that can be produced will be needed for some time to come. Neither producers nor consumers desire wide movements in the price and it is hoped that the demand for natural rubber will be met in an orderly fashion and any undue fluctuations prevented. This should now be possible with synthetic production acting as a buffer to any such movements.

The higher prices which have now been ruling for some months will undoubtedly make a material difference to our profits for the current year. Provided that there are no unforeseen setbacks, it is hoped that considerably better figures will be presented at our next Annual Meeting."

THE PROJECTILE AND ENGINEERING COMPANY LIMITED

MR JOHN WADDELL'S STATEMENT

The Fifty-seventh Annual General Meeting of The Projectile and Engineering Company Limited was held on May 27th at the offices of the Company, Mr John Waddell, Chairman, presiding.

The following is his statement:

Your Directors are pleased to be able to put before you their Report and Accounts for the year ended December 31, 1958, which reflect improvements made after overcoming some of the problems which confronted your Company a year ago.

Trading conditions during the year have been difficult, and the results do credit to the management and staff for their efforts to increase the efficiency and profitability of your Company.

Before offering my review of the Company's business, I would like to pay tribute to Sir Lynden Macassey. Sir Lynden joined us in 1941, and I cannot let his retirement from the Board pass without expressing my personal thanks, and those of my colleagues, for the benefit he has given us over the past 18 years of his extremely wide and varied experience in the engineering industry, in the law, and in commerce and finance.

METAL PRESSINGS DIVISION

Overall production was well maintained, the value of turnover in the division being some ten per cent higher than the comparative figure for 1957, although from time to time work was subjected to interruptions and delays arising from spasmodic stoppages in sections of the motor industry.

This business is still extremely competitive but the order book remains at a healthy level and your Company in continuing to serve the motor industry anticipates maintaining the output of the metal pressings division.

MACHINERY DIVISION

Demand for the new range of Injection Moulding Machines for the plastics industry continued at a high level. Output was expanded accordingly, and this side of the business is now geared for the speedier turnover necessary to meet the increasing need to make deliveries at short notice.

Competition overseas, particularly in Europe, has become very keen, but this is being met by extra efforts on the part of the sales staff, increased sales promotion at exhibitions and in advertising, and the assistance of active and enthusiastic agents abroad. In other territories further afield, additional difficulties are caused by the shortage of sterling, and adverse trade balances, and the extended credits demanded in many cases provide a special problem.

Market requirements are the subject of careful study and the range of machines available is adjusted appropriately from time to time. "PECO" machines were satisfactorily shown at the Leipzig Fair earlier this year and there will be further displays at various other international shows during the year, including a full-scale exhibit at the British Plastics Exhibition being held at the Olympia, London, in June, and at the Dusseldorf International Fair in October.

This division also caters for the diecasting industry with the supply of Pressure Diecasting Machines. The progress that has been made can be regarded as satisfactory, and it appears that future steady expansion can be anticipated as new applications for pressure diecast products are developed.

MISCELLANEOUS RAILWAY CONTRACTS

During 1957 your Company successfully negotiated some large-scale contracts for the supply of equipment in connection with the British Railways development and modernisation programme. This programme was severely curtailed following Government restrictions on capital investment, and work on these contracts came to a standstill.

ACCOUNTS AND FINANCE

The consolidated Profit and Loss Account presented to you shows a profit for the year of £84,466, after taxation, compared with the net loss of £32,620 for the year 1957, expressing the benefits of the improved efficiency and increased production to which I have already referred.

As to the current assets and liabilities, the liquid position shows a considerable improvement compared with a year ago. There has been a reduction in stocks and work-in-progress from £940,088 to £811,186, and you will also note there has been a satisfactory reversal of the unfavourable position which obtained last year in regard to sundry debtors and creditors.

The Company's investment in capital equipment has continued on a modest scale, as plant available has been adequate for immediate needs. Since the end of the year the Board has considered it wise to sanction further increases in plant purchases to widen and improve production capacity.

The terms of the five per cent loan have been satisfied by a further repayment of £30,000 since the date of the Balance Sheet, leaving the balance of the loan at £210,000.

DIVIDEND

Your Directors, having given due consideration to the trading results for the year and being mindful of the necessity to conserve resources, recommend the payment of a first and final dividend of six per cent, less income tax, on the 10s. Ordinary Shares.

The report and accounts were adopted.

18 35
BAYERISCHE HYPOTHEKEN-U. WECHSEL-BANK

Bayerische Hypotheken-und Wechsel-Bank

MUNICH

Theatiner St. 9-15 Kardinal-Faulhaber St. 10

240 Branch Offices in Bavaria, the Palatinate and Baden-Württemberg

Offices of the Mortgage Department
at Augsburg, Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Hanover, Landshut, Ludwigshafen/Rhine, Nürnberg, Würzburg.

At the General Meeting held on April 29, 1959, it was agreed to distribute **a dividend of 12 per cent and a bonus of 4 per cent on nominal DM 60,000,000 common stock** for the business year 1958.

Starting April 30, 1959, dividend and bonus will be paid less a deduction of 25 per cent capital tax, against surrender of warrant No. 6 at any branch office of our bank and the paying offices already published.

Following are some figures from the Balance Sheet as at December 31, 1958:

Capital (capital stock and reserves)	DM 120,020,000.—
Deposits with the Banking Department	about DM 1,926,572,000.—
(including Savings Deposits	about DM 679,339,000).—
Pension Fund	about DM 64,489,000.—
Debtors	about DM 856,179,000.—
Long-Term Loans of Mortgage Department	about DM 1,320,969,000.—
Outstanding Bonds and Borrowings of Mortgage Department	about DM 1,397,159,000.—
Net Profit	about DM 9,770,000.—

Munich, April 1959. THE BOARD OF MANAGERS.

COMPANY AFFAIRS

BRITISH TIMKEN

THE bid of 83s. 9d. in cash made by the American parent, Timken Roller Bearing, for the 2,337,500 £1 ordinary shares in British Timken held by the minority shareholders seemed reasonable. But it was not attractive enough for the Prudential Assurance, which owns 112,000 shares, and some other institutional investors, who held that for really long term holders, the offer was inadequate. Their opposition has been strong enough to prevent TRB securing the 90 per cent acceptance that would have enabled it to acquire the remaining shares compulsorily. Holders of over 1,600,000 shares (about 70 per cent of the minority portion) accepted the offer; TRB now controls just over 85 per cent of the ordinary capital of £5 million.

The offer has now been made unconditional, so that the £1 million of £1 preference shares will have to be redeemed as promised in the original offer at 22s. 6d., but the date for acceptance has been extended until June 9th. If by that time the remaining minority shareholders have not accepted, they are faced with the possibility of the liquidation of British Timken. The American parent always intended to absorb British Timken and holding more than 75 per cent of the equity, it can force a liquidation. In a liquidation, the American company would be the only obvious buyer, for if British Timken were sold to a third party it might be without its name and trade marks. What the minority shareholders would get out of liquidation is problematical, but it must be hoped that the need to liquidate will not arise.

ANGLO AMERICAN

IN the boom in Kaffir shares, the 10s. ordinary shares of Anglo American, biggest and most powerful of the South African finance houses, have risen relatively more steeply than the shares of the gold mines it administers. At 190s. 6d. the Anglo American units yield only 4¼ per cent on the maintained dividend of 80 per cent. They open an important route into copper, diamonds, coal and many other minerals in Southern Africa as well as gold. But at the moment the yield is clearly discounting the rising income of the OFS and Klerksdorp gold producers rather than reflecting hopes of a spectacular rise in income from the group's other interests. It is true that the dividends of the Rhodesian copper producers will be raised this year and that the diamond industry is likely to enjoy a better and more profitable year than in 1958, but the real justification for the present price of Anglo American lies in the information in the full report about the South African gold mining industry.

Last year, thanks to the better grades and higher output of the new mines, the working profit of the gold producers in the Anglo American group rose from £22.1 milion to £26.3 million, and, thanks to the higher dividends declared by the new gold mines and by such associated finance houses as WRIT and OFSIT, the investment income of Anglo American rose from £4,763,000 to £6,317,000. The revival of interest in Kaffir shares is reflected in the rise of the market value of Anglo American's quoted investments from £69 million to £90 million—representing a massive reserve behind the book value of £36 million. It was also reflected in the issue of convertible bearer bonds to the Deutsche Bank in connection with De Beers' purchase of an interest in Williamson Diamonds and in the sale of Kaffir shares by Anglo American and other finance houses to the American trust, American-South African Investment. The profit that the "shops" made on these sales was not taxed and this is reflected in a surplus on realisation of investments of £308,000 in the consolidated accounts. That surplus is struck as is the group's usual practice, after charging amounts written off investments against any share-dealing profits.

	1957 £'000s	1958 £'000s
Income and Dividends:		
Interest income, royalties, etc.	3,585	3,846
Investment income	4,763	6,317
Net surplus on realisation of investments*	*Dr. 421*	308
Loan interest	*1,871*	2,125
Gross profit	5,714	7,782
Taxation	459	600
Net profit	*5,255*	*7,182*
Ordinary dividend	3,980	4,224
Retained profits	1,607	3,629
Consolid. balance sheet:		
Investments—		
Quoted‡	33,546	36,022
Unquoted	8,072	7,732
Debentures	811	1,829
Gilt-edged, etc.	2,309	1,556
Loans to associated companies	20,163	†21,942
Loans by associated companies	36,957	†45,205
Debenture and loan stock	6,145	14,628
Capital reserves	7,694	8,946
Revenue reserves	23,838	26,925
Ordinary capital	4,780	4,959

* Less amounts written off. † Includes the loan of 50,000,000 D.M. made to the Corporation who in turn made a convertible loan of £4,200,000 to De Beers Consolidated Mines. ‡ Market value :—1957, £68,971,000; 1958, £89,982,000.

The accounts thus bear every mark of the Kaffir boom that has so strengthened what was already an enormously strong finance house that its chairman, Mr Harry Oppenheimer, says "that never in its history has the group been so well-placed for financing any new business that may arise." In considering this statement and the political risks in Southern Africa (to which Mr Oppenheimer devotes much of his statement), investors must hope that their expectations of a more liberal distribution policy will soon be fulfilled.

BOWATER PAPER

BOWATER PAPER CORPORATION is to raise £5,000,000 by the issue of 6½ per cent debenture stock at par, of which £1,500,000 will be placed with one of the company's bankers and £3,500,000 with institutional investors. The issue is a funding operation to pay off the £5,500,000 bank overdraft incurred by the Bowater Steamship Navigation in financing the group's shipbuilding programme. The stock will not have a quotation and the proportion taken up by the bank is to be redeemed in 1968 at par and the remainder will be redeemed between 1969 and 1982, also at par.

Bowater's shipbuilding programme is now almost completed. Last year one new 8,500 ton paper-carrying vessel and four 5,400 tons vessels designed to carry raw materials such as woodpulp were brought into commission. Another 5,400 ton ship is still under construction, and in the last report the directors stated that they hoped this last vessel will be delivered and in service by the end of this year. The group's fleet will then comprise 12 ships, including the four vessels acquired in association with the subsidiary, Mersey Paper of Canada, in May 1956. The Bowater fleet carries about half the group's cargoes and at the moment, in spite of the world surplus of newsprint and the slump in freight markets, all the vessels are fully employed.

J. AND P. COATS

FOR the third successive year J. & P. Coats, the sewing cotton group, has reported a fall in its consolidated net profits. This time they have fallen again sharply, from £8,692,309 to £6,157,925. The directors have in the past pursued a conservative dividend policy and for 1958 they are leaving the total ordinary dividend unchanged at 8¾ per cent. But in addition they have declared a special interim dividend of 1¼ per cent for the current year. This presumably is a profits tax interim. The further fall in group profits is partly explained by the higher provision for exchange losses of £1,310,000 (against £568,000), though slightly less has been written off stocks at £1,196,000 (against £1,250,000 in 1957). A fall in profits from the group's overseas interests is suggested by the smaller foreign tax charge of £2.3 million (against £2.8 million), while the fall in British tax from £1.9 million to just over £1 million and the lower gross profits of the parent company at £4.5 million (against £4.9 million) probably reflect narrowing profit margins at home. The £1 ordinary stock units at 26s. 3d. yield 7.9 per cent on the assumption of a 10 per cent dividend, which is only barely covered by earnings.

PHILIP HILL

PHILIP HILL Investment Trust's report and accounts for the year ended March 31st reflect the buoyancy of the capital market in a period when *The Economist* ordinary share indicator rose from 139.4 to 256.1. Issuing houses and industrial bankers are among the first to benefit from active markets and the consolidated profits before tax of the trust's subsidiary Philip Hill, Higginson have jumped by 21 per cent from £553,803 to £673,645; its net profits have risen by £63,507 at £317,395. The consolidated balance sheet of Philip Hill, Higginson shows its total share capital and reserves at £1,976,000 but the trust's interest in this wholly owned subsidiary is entered in its books at only £500,000. Moreover, the market value of the quoted investments is £732,069 higher than the book value of just over £1 million.

The parent trust has had another record year and the total ordinary dividend has been raised from 17 to 20 per cent. The higher dividend is still covered twice by the net income of £723,899 (against £605,294). The aggregate market value of the trust's own quoted investments stood at £16,714,507 —more than double the book value of £7,172,270, after deducting an investment reserve of £2,970,396. Practically all the trust's holdings—95.6 per cent of their total market value—are in equities, with 23 per cent in dollar equities. The 5s. ordinary shares at their current price of 29s. 6d. yield 3.4 per cent.

GUEST, KEEN AND NETTLEFOLDS

A NOTE in these columns on May 16th drew some wrongly based conclusions about the profit experience of Guest, Keen and Nettlefolds and its subsidiaries last year. John Lysaght Limited is a holding company owning eight overseas subsidiaries, mainly in Australia; all its ordinary capital is owned by GKN but as its preference shares and debentures are quoted its results are published separately. John Lysaght's Scunthorpe Works, the iron and steel company, is wholly owned by GKN and its results are not announced separately. The increase of £1,196,225 to £4,716,986 in the profits of John Lysaght Limited (which was bigger than the increase reported by the GKN group as a whole) came from the operations of overseas subsidiaries and not, as was stated in the note, from the iron and steel operations of John Lysaght's Scunthorpe Works.

SIMON-CARVES AND JOHN THOMPSON

SIMON-CARVES has fared better than many of the other companies that have a stake in atomic power. Its ordinary dividend was raised from 20 per cent to 25 per cent in 1957 and although it was left unchanged at 25 per cent for 1958 shareholders received a tax free capital distribution of 7½ per cent last November. Earnings in recent years have been stable; last year net profits at £686,301 were £16,334 higher than in 1957 as to some extent earnings have been insulated from the growing keenness of competition by the volume of orders in hand. Following an advance of more than 10 per cent in 1957, sales last year scored another "impressive increase," and the chairman, Mr R. B. Potter, says, that although the order book is less than it was a year ago he does not expect any great change in turnover or profits in the coming year. Nonetheless, he sounds a distinct note of warning; the number of new orders obtained was disappointingly low, and he points to an excess of capacity in the boiler making industry. No doubt some investors had been counting on Simon-Carves' association with GEC in building atomic power stations to offset any decline in other business but Mr Potter points out that big sums are being spent on research and development (which are written off as they are incurred) in nuclear power projects without any real assurance of a proper continuity of work.

Similar fears were voiced last year by the chairman of **John Thompson,** the boiler making company linked with AEI in an atomic power consortium, and with Power-Gas and Humphreys in setting up nuclear chemical plant. Over the full year to December 31st, the group's trading profit fell by 29 per cent, from £2,411,055 to £1,742,336, and the cover on the unchanged ordinary dividend of 25 per cent was reduced to 1½ times. Although profits from year to year must vary with the completion of contracts, it seems that profit margins have narrowed sharply. John Thompson's 5s. ordinary shares now yield 5½ per cent at 22s. 3d. and the 5s. ordinary units of Simon-Carves yield 4¼ per cent at 29s. 3d. xd.

ROYAL MAIL

ALTHOUGH the trading profits of Royal Mail Lines fell by more than a third last year, from just over £3 million to £2,300,000, the ordinary dividend was reduced by only one per cent to 8 per cent. Mr Walter C. Warwick points out that the group pursued a conservative policy in earlier years when profits were booming. That is no longer the case and shareholders have to be prepared for a further fall in earnings this year. Royal Mail operates a fleet of 46 ships, trading chiefly with South America and the West Indies. The earnings of the group's refrigerated cargo ships suffered last year from the decline in shipments of meat from Argentina and Uruguay while the further fall in the profits of its passenger liners reflected the economic difficulties that Argentina and Brazil continue to experience and another fall in the value of their currencies. The profits of the group's wholly owned subsidiary, Pacific Steam Navigation, have been affected by the decline in commodity prices and the chairman says they will fall sharply this year. Royal Mail had £7 million in gilt-edged and cash at the end of last December.

London Stock Exchange

FIRST DEALINGS:	May 20	June 3	June 17
LAST DEALINGS:	June 2	June 16	June 30
ACCOUNT DAY:	June 9	June 23	July 7

GILT-EDGED prices weakened this week on the setback in sterling and fears of higher interest rates in the United States; but on Wednesday small investment buying and some "bear covering" led to a slight rally. In the long-dated stocks Gas 3 per cent 90-95 lost ⅞ at 65⅝. Among irredeemables War Loan 3½ per cent closed ⅞ lower at 65⅝. The announcement of the South African loan had no significant effect on home Corporation and Dominion loans, which were easier in sympathy with Government stocks. Among foreign bonds Greek issues were again in demand and the 7 per cent stock rose 7 to 43½ on continued debt settlement hopes.

Industrial equities prices moved rather irregularly and on Monday some profits were taken. But on Tuesday, the Watney Mann take-over bid from Sears Holdings dominated the market and led to widespread gains in brewery shares. On Wednesday, the employment figures helped most industrial stocks to close above their worst, but over the week to Wednesday's close *The Economist* indicator gained only 0.1 to a new peak of 272.4. Brewery shares were bought as a speculation about the value of their properties; Fremlins gained 5s. 3d. at 59s. and Friary Meux put on 3s. 9d. at 55s. 6d.

Enfield Rolling Mills gained 6s. to 56s. 6d. and Enfield Cables jumped 2s. 6d. to 23s. 6d. on rumours that a bid would be made for the two firms following the completion of the proposed merger. Fisons shot up 6s. 3d. on investment buying in a market short of stock. Motor shares were active with Rover gaining 2s. 7½d. at 25s. 9d. and Jaguar 1s. 9d. at 58s. 1½d. on merger rumours, which have since been denied. Ford jumped 1s. 7½d. to a new "high" at 67s. 1½d. and B.M.C. rose 6d. to 18s. In commercial vehicles, ACV put on 10½d. at 67s. 1½d. In aircraft shares Fairey gained 2s. 4½d. to 26s. 6d. on US buying. Stores were active with Harrods up 5s. 6d. at 93s. 9d. and House of Fraser 4s. better at 42s.

Leading oils were dull with Shell 1s. 1½d. lower at 135s. and Burmah 2s. down at 82s. 6d. Lobitos lost 1s. 1½d. on the passing of the dividend and, in sympathy, Anglo-Ecuador eased 3d. to 16s. 9d. Anglo-Egyptian dropped 3s. 9d. on reports of a setback in the desequestration of the company's properties. Kaffirs were well supported largely by buying from Johannesburg, West Wits gaining 7s. 3d. at 66s. and Offsits 2s. 3d. better at 102s. In the finance house group, Union Corporation gained 3s. to 62s. The *Financial Times* Gold Mines index touched a new peak on Monday at 94.2. In diamonds, De Beers reached a new peak at 150s. 7½d.—9s. 4½d. up on the week.

LONDON AND NEW YORK

Prices, 1959 High	Prices, 1959 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 20, 1959	Price, May 27, 1959	Net Yield, May 27, 1959 £ s. d.	Gross Yield, May 27, 1959 £ s. d.
100 3/16	100	War Loan 3% 1955–59	100 1/8	100 1/16	1 5 10	2 16 3
97 7/16	96 11/16	Funding 2½% 1956–61	97 7/16	97 11/32	2 17 10	3 18 9
99 3/16	98 11/32	Exchequer 2½% 1960	98 31/32	98 7/8	2 10 1	3 11 10
100 3/16	99 3/16	Exchequer 3% 1960	99 31/32	99 15/16	2 0 11	3 11 7
101 11/32	100 25/32	Conversion 4½% 1962	101 5/32	100 29/32	2 4 6	4 2 11
96 3/32	94 7/16	Exchequer 3% 1962–63	96 1/32	95 25/32	2 18 8	4 2 21
93 5/8	91 7/8	Exchequer 2½% 1963–64	92 11/32	92 1/32	3 3 2	4 3 71
102 1/4	101 3/16	Conversion 4½% 1963	101 9/16	101 9/32	2 11 11	4 8 0
100 7/16	99 5/16	Conversion 4½% 1964	100 3/16	100 1/4	2 13 8	4 8 9
92 15/16	91	Savings Bonds 3% 1955–65	91 5/8	91 1/8	3 10 8	4 16 71
85 13/16	83 1/4	Funding 3% 1959–69	84 1/16	83 1/2	3 17 10	5 4 11
93 1/16	90 3/8	Funding 4% 1960–90	90 1/8	90 1/2	2 18 7	4 11 111
83 7/16	80 7/8	Savings Bonds 3% 1960–70	82 1/4	81 5/8	3 18 5	5 5 41
86	83 13/16	Savings Bonds 2½% 1964–67	84 1/2	84	3 18 3	4 19 111
76 13/16	75 1/16	Savings Bonds 3% 1965–75	76 1/2	76	3 17 10	5 6 11
105 11/16	102 5/8	Exchequer 5½% 1966	103 3/4	103 1/2	2 18 2	5 1 6
86 3/8	83 1/4	Funding 3% 1966–68	85 1/2	85	3 17 5	5 4 31
98 1/8	96	Victory 4% 1920–76	96 3/8	96 1/8	3 0 7	4 13 8½
89 13/16	87 5/8	Conversion 3½% 1969	88 11/16	88	3 13 7	5 3 10
101 3/8	98 5/8	Conversion 5½% 1974	99 1/4	99	3 5 9	5 6 6
79 3/4	76 7/8	Treasury 3½% 1977–80	77 15/16	77 7/8	3 13 10	5 5 71
78 5/8	76 5/16	Treasury 3½% 1979–81	78 1/8	77 5/8	3 13 10	5 6 71
104 1/2	101 1/8	Funding 5½% 1982–84	104 5/16	103 3/4	3 4 3	5 7 4e
68 1/4	65 7/8	Redemption 3½% 1986–96	66 3/4	65 7/8	3 9 11	5 1 61
74 1/16	71 1/4	Funding 3½% 1999–2004	73 1/2	72 7/8	3 7 0	5 2 51
75 9/16	73 1/16	Consols 4% ..after Feb. 1957	75 5/16	74 1/4	3 6 8	5 9 8f
68 5/16	65 1/8	War Loan 3½% ..after 1952	66 1/8	65 5/16	3 5 8	5 7 2f
68 11/16	63 3/8	Conv. 3½% ..after Apr. 1961	66 3/8	65 9/16	3 5 9	5 7 8f
60	57	Treasury 3% ..after Apr. 1966	58 1/8	57	3 4 9	5 6 1f
53 5/8	51 1/16	Consols 2½%	51 1/4	51 1/16	3 3 0	4 18 3f
51 1/8	48 3/4	Treasury 2½% after Apr. 1975	49 1/2	48 7/8	3 3 0	5 3 2f
96 7/8	94	British Electric 4½% 1967–69	96 3/8	96	3 6 4	5 3 71
80 1/8	77 1/4	British Electric 3% ..1968–73	78 7/16	77 7/8	3 19 1	5 6 71
76 13/16	74 1/8	British Electric 3% ..1974–77	75 1/2	75	3 16 3	5 4 61
90 3/16	87 5/8	British Electric 4½% 1974–79	88 5/16	88 1/2	3 8 6	5 4 81
80 3/8	77 9/16	British Electric 3½% 1976–79	78 3/8	78 3/8	3 13 2	5 4 111
90	87 1/8	British Gas 4% 1969–72	90	89 1/2	3 10 5	5 4 101
87 7/8	84 3/4	British Gas 3½% ..1969–71	86 1/8	85 1/2	3 13 4	5 3 111
69 7/16	66 3/8	British Gas 3% 1990–95	68	67 5/16	3 8 8	4 19 61
80 1/8	77 1/4	Brit. Transport 3% ..1968–73	78 7/16	77 7/8	3 19 1	5 6 71
86 15/16	84	Brit. Transport 4½% ..1972–77	85 1/2 *	85 *	3 11 0	5 5 11
69 1/16	66 1/4	Brit. Transport 3% ..1978–88	68 3/8	66 9/16 *	3 14 5	5 4 81

Prices, 1959 High	Prices, 1959 Low	FIXED INTEREST STOCKS	Price, May 20, 1959	Price, May 27, 1959	Yield, May 27, 1959 £ s. d.
		DOMINION AND COLONIAL			
102	99 5/8	Australia 4½% 1960–62	100 11/16	100 5/8	4 0 10e
107	103 1/4	Australia 6% 1974–76	105	104 3/8	5 11 4e
77	74 1/2	Ceylon 4% 1973–75	75	74 1/2	6 12 11
103	99 1/2	Jamaica 6% 1977–82	103	102	5 16 4e
106 7/8	104 1/4	New Zealand 6% 1976–80	105 3/4	105 1/4	5 10 5e
101 7/8	94 1/4	Rhodesia and Nyasaland 6% .. 1976–79	94 3/4	94 1/4	6 11 41
74 1/4	69 1/2	Southern Rhodesia 2½% 1965–70	70 5/8	70	6 6 61
		CORPORATION AND PUBLIC BOARDS			
103 1/2	100 7/16	Agricultural Mortgage 5½% 1980–85	103 1/2	102 1/2	5 6 0e
104 3/4	102 3/4	Birmingham 5¾% 1974–76	104 1/2	104	5 7 1e
94 1/2	92 1/8	Bristol 3% 1958–63	93 *	93	4 19 01
97 1/2	94 1/2	Glasgow 4% 1956–68	96 3/4	95 3/4	5 7 01
101 1/4	99 1/2	Corporation of London 5¼% 1976–79	100 1/4	100 1/4	5 4 51
57	53 3/4	L.C.C. 3% ..... after 1920	54 1/2	53 3/4	5 11 7f
64	62 1/4	Met. Water Board 'B' 3% 1934–2003	63	62 1/2	5 3 4f
		FOREIGN BONDS			
110	101 1/4	German 7% 1924 (British Enfaced 5%)	108 1/2	108 1/2	...
192	177	German 5½% 1930 (Enfaced 4½%)	192	192	...
47 3/4	23 1/4	Greek 7% Refugee			Nil
169 1/4	161 1/4	Japan 5% (Enfaced) 1907	163	163	...
118 1/4	114 1/2	Japan 6% (Enfaced) 1924	118 1/4	117	...
59	55	Uruguay 3½% Bonds (Assented)	57 1/2	58	...

NEW YORK CLOSING PRICES

	May 20 $	May 27 $		May 20 $	May 27 $		May 20 $	May 27 $
Ath. Topeka...	28 1/2	28 5/8	Boeing	38	38 1/8	Inter. Nickel ..	93 1/4	92 1/2
Can. Pacific...	29 5/8	30	Celanese	35 1/2	36 1/8	Inter. Paper ...	118 3/4	117 3/4
Pennsylvania...	17 3/8	18	Chrysler	71 5/8	69 1/2	Kennecott	114 1/4	113
Union Pacific ..	34 3/4	36 1/2	Col. Palmolive .	113	36 7/8	Monsanto	51 *	50 5/8
Amer. Electric .	53 3/4	52	Crown Zeller..	56 5/8	55 3/8	Nat. Distillers .	31	30 1/4
Am. Tel. & Tel..	244 1/2	245 3/8	Distillers Seag..	34 1/8 *	34 1/8	Pan-American..	30 7/8	29 1/2
Cons. Edison ...	65 1/2	64 5/8	Douglas	54	52 3/8	Procter Gamble	80 1/2	80 3/4
Int. Tel. & Tel..	40 5/8	40 3/8	Du Pont	253 3/4 *	257	Radio Corpn...	65 3/8	65 3/8
Standard Gas ...	3 1/4	3 1/4	East. Kodak ...	81 1/4	83 1/4	Sears Roebuck .	44 7/8 *	45 1/2
United Corpn..	9 1/2 *	9 3/8	Ford Motor ...	69 1/4	72 1/8	Shell Oil	88 3/8	86 1/4
Western Union	36 7/8	36	Gen. Electric ..	80 1/2	80 1/4	Socony-Mobil ..	46 1/2	46 3/4
Alcoa	87 3/8	90 1/2	General Foods .	83	86 3/4	Stand. Oil Ind..	49 5/8	48 7/8
Aluminium	30 1/8	29 1/4	General Motors	52	51	Stand. Oil N.J..	52 1/8	51 5/8
Amer. Can....	43	43	Goodyear	139	139 3/4	20th Cent. Fox.	37 5/8	37 7/8
Am. Smelting ..	49 1/4	47 1/2	Gulf Oil.....	116 1/4	115 3/4	Union Carbide.	144 1/2	146 5/8
Am. Viscose	46	46 3/8	Heinz	71	75 1/2	U.S. Steel	94 1/4	95 5/8
Anaconda	67 5/8	66 1/8	Int. Bus. Mach..	396	436	West. Electric .	88 1/8	90
Beth. Steel	52 1/4	52	Int. Harvester .	43 7/8	48 1/8	Woolworth ...	54 7/8	55 3/4

* Ex dividend. † Tax free. ‡ Assumed average life 9 years. § Less tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (j) To latest date. (k) Unassented stock.

YORK STOCKS

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 20, 1959	Price, May 27, 1959	Yield, May 27, 1959
			STEEL AND ENGINEERING			
61/7½	51/7½	6 a 6 b	Colvilles £1	33/–	32/6	8·00
51/–	40/3	4½ a 5½ b	Dorman Long £1	32/10½	32/3	7·44
70/6	60/11½	6¾ a 6 b	Steel Co. of Wales £1	25/4½	25/6	7·06**
65/3	54/–	4½ a 5½ b	Stewarts & Lloyds £1	31/–	31/10½	6·90
70/3	52/9	5 a 7½ b	John Summers £1	49/–	49/–	6·53
90/6	68/9	7½ a 9½ b	United Steel £1	31/10½	32/3	7·75
25/6	17/–	6 a 10 b	John Brown £1	36/–	37/–	5·41
49/3	31/7½	5 a 7½ b	Cammell Laird 5/–	46/7½	49/3	2·54
80/–	67/6	7 a 9 b	Swan Hunter £1	29/6‖	28/5‖	7·03
44/–	37/9	4 a 5 b	Vickers £1	33/10½	33/4½	5·99
47/9	43/9	7½ a 7½ b	Averys £1	71/3	70/9	3·30
£3 19/16	£2 7/8	$2·10c $2·25c	Coventry Gauge 10/–	20/–	20/4½	5·02
£3 19/16	£2 7/8	$1·60c $1·65c	Alfred Herbert £1	43/6	43/7½	4·50
£21 5/16	£18 7/16		Bank of Montreal $10	£21 3/16	37	3·89g
37/4	30/2	9 c 9 c	Ransome & Marles £20	36/–	38/–	5·26
38/3	32/3	4 a 6 b	Renold Chains £1	46/9	48/6	5·15
			Allied Ironfounders £1	43/–	43/–	5·81
			Babcock & Wilcox £1	46/6	45/9	5·68
			British Aluminium £1	64/6p	64/6p	5·43
36/–	28/4½	2½ a 5 b	Alexanders £1	35/–	35/9	4·20
49/6	42/6	5 a 7 b	National Discount 'B' ..£1	48/9	49/3	4·87
58/3	49/–	6¼ a 6¼ b	Union Discount £1	56/3	58/3	4·29
47/9	40/9	18½ a 21½ b	Commercial Union 5/–	44/6	47/–	4·26
150/–	127/6	12½ a 15 b	Employers Liability £1	135/–	137/6	4·00
207/6	160/–	†32·35c †41·17c	Equity & Law 8/6	185/–	190/–	3·01
282/6	192/6	40 a 60 b	Legal & General 5/–	270/–	282/6	4·77
120/–	114/6	†20 a †50 b	Pearl 5/–	114/9	120/–	4·77
260/–	210/–	†147½ c †163½ c	Prudential 'A' 4/–	250/–	260/–	4·09
107/6	78/6	8 a 10 b	Royal Exchange £1	107/6	107/6	3·35
28/7½	16/2¼	8¾ b 7½ a	Bowmaker 5/–	26/10½	26/10½	3·02
31/7½	21/3	7½ a 8½ b	Lombard Banking 5/–	30/–	30/9	2·60**
160/3	113/6	16 b 4 a	U.D.T. £1	150/6	151/–	2·65
39/9	34/9	17½ b 10 a	B.E.T. 'A' Defd. 5/–	39/3	39/9	3·46
15/6	12/6	10 c 10 c	Cable & Wireless 5/–	15/11½	15/6	3·23
23/3	19/6	2 a 4½ b	Land Securities 10/–	21/4½	21/4½	3·04
18/–	14/7½	5 12c 2 12c	London & County 10/–	16/4½	18/–	3·69**
			FOOD, DRINK AND TOBACCO			
35/6	22/6	15 c 10 a	Allied Bakeries 'A' 5/–	31/9	34/6	2·17
35/10½	23/4½	20 14 a	Beecham Group 5/–	34/4½	34/4½	3·49
12/–	10/6	7 b 2½ a	International Tea 5/–	11/6	11/6	4·13
87/3	74/9	9½ b 5 a	J. Lyons 'A' £1	83/3	87/3	3·25
20/10½	18/10½	5 a 5 b	Ranks 10/–	20/7½	20/10½	4·79
25/–	18/11½	2½ a 12½ b	Schweppes 5/–	24/10½	25/–	3·00
48/10½	42/–	7·5b 2·8a	Tate & Lyle £1	48/7½ *	48/10½ *	4·30
12/9	10/10½	... ...	Unigate 5/–	12/6	12/6	4·00**
52/6	43/9	10 a 36 b	Bass 5/–	46/6	51/–	4·51
27/3	23/10½	6½ b 4 a	Distillers 10/–	27/–	27/–	3·95
17/9	14/7½	6 a 11 b	Flowers 5/–	16/3¾	17/9	4·79
64/9	54/–	10 a 18 b	Guinness 10/–	61/6	63/6	4·41
16/–*	12/7½	10 b 4 a	Ind Coope & Allsopp.. 5/–	15/4½ *	16/–*	4·38
75/–	38/9	33½ a 6¾ b	Watney Mann Defd. £1	52/9	74/6‖	5·64
116/–	100/–	17 b 8 a	Whitbread 'A' £1	115/–	114/–	4·39
59/7½	52/41½	†17½ c †5 a	Brit. Amer. Tobacco ..10/–	54/9	53/9	5·32
49/3	36/6	5 a 20 b	Gallaher 10/–	44/6	43/9	5·71
59/–	54/3	8½ a 12½ b	Imperial Tobacco £1	58/3	57/4½	7·32
			MOTORS AND AIRCRAFT			
			British Motor 5/–	17/5¼	18/–	5·69**
			Ford Motor £1	65/6	67/11½	3·58
			Leyland Motor £1	54/–	55/3	4·52
			Rootes Motors 4/–	11/3	11/6 3/4	2·77
			Standard Motor 5/–	11/6	10/6	5·71
62/3	54/–	7½ a 7½ b	Dunlop Rubber 10/–	29/7½ *	29/6*	5·51
57/–	46/3	4 a 9½ b	Joseph Lucas £1	49/6	49/9	4·02
43/3	38/–	20 c 2½ a	Pressed Steel 5/–	28/9	28/2¼	4·43
63/–	48/11½	20 c 7½ a	Triplex Holdings 10/–	56/7½	61/6	4·47**
11/7½	9/–	3½ a 6½ b	Bristol Aeroplane 10/–	9/–*	9/3*	10·81
20/9	14/4½	7½ c Nil	De Havilland £1	14/7½	15/–	...
45/0¾	40/–	15 a †6½ b	Dowty Group 10/–	40/9	41/9	4·51
34/–	27/–	3 a 7 b	Hawker Siddeley £1	28/6	28/6	7·02
106/3	94/6	5 a 15 b	Rolls-Royce £1	105/–	104/4½	3·83
			PAPER AND NEWSPAPERS			
50/3	44/6	4½ a 8 b	Bowater Paper £1	48/9	49/9	5·03
54/9	47/3	5 a 9 b	Albert E. Reed £1	51/9	49/9	5·63
32/9	22/–	3 a 5 b	Spicers £1	27/9*	27/6*	5·82
25/3	21/–	10 a 15 b	Daily Mirror 'A' 5/–	25/11½	24/6	5·10
29/6	26/3	5 a 12½ b	Odhams Press 10/–	27/9*	27/–*	6·48
			TEXTILES			
27/–	22/–	6¼ b 2½ a	J. & P. Coats £1	25/11½	26/11½	6·70
25/–	18/3	5 b 5 a	Fine Spinners £1	23/3	24/11½	8·29
48/3	35/4½	5 a 12½ b	Lancashire Cotton £1	46/9	48/3	7·25
42/9	35/4½	12½ c 2½ a	Patons & Baldwins £1	42/7½	42/4½	5·90
6/3¾	4/3	6 c 4 a	Salts (Saltaire) 5/–	6/2¼	6/2¼	4·85
61/3	50/–	10 b 5 a	Woolcombers £1	58/3	58/3	5·15
19/11½	14/7½	Nil c 3 a	Bradford Dyers £1	16/3	18/4½	...
44/6	37/–	22½ c 22½ c	Calico Printers £1	44/–	44/–	10·23
36/6	31/7½	5 b 3 a	Courtaulds £1	36/4½	36/–	4·44
13/3	10/–	3 a 10 b	Jute Industries 10/–	13/3	13/–	10·00
35/6	24/6	7½ c 7½ c	Tootal £1	31/11½	31/7½	4·74
			DRAPERY & STORES			
23/9	19/7½	6 a 10 b	Boots Pure Drug 5/–	23/–*	22/4½ *	3·58
33/9	27/9	10 b 5 a	Debenhams 10/–	32/9	33/11½	4·53
40/9	31/6	25 b 7½ a	G.U.S. 'A' 5/–	40/–	40/7½	4·00
100/–	74/6	5 a 12½ b	Harrods £1	87/3	93/9	3·73
42/–	33/3	25 b 10 a	House of Fraser 'A' ..5/–	38/–	42/–	4·17
18/6	16/3	6 a 10 b	Lewis's Investment ..4/–	18/3	18/11½	3·53
66/6	49/9	12½ a 25 b	Marks & Spencer 'A'..5/–	65/7½ *	66/–*	2·84
41/4½	33/10½	12½ a 22½ b	United Drapery 5/–	41/11½	41/3	4·24
54/6	47/3	26¾ b 13½ a	Woolworth 5/–	53/10½	54/6	3·67

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 20, 1959	Price, May 27, 1959	Yield, May 27, 1959
			BANKING			
61/7½	51/7½	6 a 6 b	Barclays £1	57/9¶	57/–*	4·21
51/–	40/3	4½ a 5½ b	Lloyds £1	47/9	51/–	3·92
70/6	60/11½	6¾ a 6 b	Midland £1	70/3	70/6	4·26**
65/3	54/–	4½ a 5½ b	National Provincial £1	65/–	64/9	3·71**
70/3	52/9	5 a 7½ b	Westminster B' £1	70/3	70/6	3·55
90/6	68/9	7½ a 9½ b	District £1	90/–	90/6	3·76
25/6	17/–	6 a 10 b	Martins 5/–	22/3	21/7½	3·70
49/3	31/7½	5 a 7½ b	Com. Bk. of Scot. 'A' 10/–	46/7½	49/3	2·54
80/–	67/6	7 a 9 b	Royal Bank of Scotland £1	80/–	80/–	4·00
44/–	37/9	4 a 5 b	Barclays D.C.O. £1	44/–	46/6	4·14
47/9	43/9	7½ a 7½ b	Chartered Bank £1	46/9	46/6	6·45
£3 19/16	£2 7/8	$2·10c $2·25c	Royal Bank of Canada $10	£3 11/9	£2 19/16	2·64
£21 5/16	£18 7/16	$1·60c $1·65c	Bank of Montreal $10	£21 3/16	£21 5/16	2·87
37/4	30/2	9 c 9 c	Bank of New S. Wales £20	36 5/8	37	3·89g
38/3	32/3	4 a 6 b	Bank of Ldn. & S. Amer. £1	37/11½	38/–	5·26
			FINANCIAL			
36/–	28/4½	2½ a 5 b	Alexanders £1	35/–	35/9	4·20
49/6	42/6	5 a 7 b	National Discount 'B' ..£1	48/9	49/3	4·87
58/3	49/–	6¼ a 6¼ b	Union Discount £1	56/3	58/3	4·29
47/9	40/9	18½ a 21½ b	Commercial Union 5/–	44/6	47/–	4·26
150/–	127/6	12½ a 15 b	Employers Liability £1	135/–	137/6	4·00
207/6	160/–	†32·35c †41·17c	Equity & Law 8/6	185/–	190/–	3·01
282/6	192/6	40 a 60 b	Legal & General 5/–	270/–	282/6	4·77
120/–	114/6	†20 a †50 b	Pearl 5/–	114/9	120/–	4·77
260/–	210/–	†147½ c †163½ c	Prudential 'A' 4/–	250/–	260/–	4·09
107/6	78/6	8 a 10 b	Royal Exchange £1	107/6	107/6	3·35
28/7½	16/2¼	8¾ b 7½ a	Bowmaker 5/–	26/10½	26/10½	3·02
31/7½	21/3	7½ a 8½ b	Lombard Banking 5/–	30/–	30/9	2·60**
160/3	113/6	16 b 4 a	U.D.T. £1	150/6	151/–	2·65
39/9	34/9	17½ b 10 a	B.E.T. 'A' Defd. 5/–	39/3	39/9	3·46
15/6	12/6	10 c 10 c	Cable & Wireless 5/–	15/11½	15/6	3·23
23/3	19/6	2 a 4½ b	Land Securities 10/–	21/4½	21/4½	3·04
18/–	14/7½	5 12c 2 12c	London & County 10/–	16/4½	18/–	3·69**
			FOOD, DRINK AND TOBACCO			
35/6	22/6	15 c 10 a	Allied Bakeries 'A' 5/–	31/9	34/6	2·17
35/10½	23/4½	20 14 a	Beecham Group 5/–	34/4½	34/4½	3·49
12/–	10/6	7 b 2½ a	International Tea 5/–	11/6	11/6	4·13
87/3	74/9	9½ b 5 a	J. Lyons 'A' £1	83/3	87/3	3·25
20/10½	18/10½	5 a 5 b	Ranks 10/–	20/7½	20/10½	4·79
25/–	18/11½	2½ a 12½ b	Schweppes 5/–	24/10½	25/–	3·00
48/10½	42/–	7·5b 2·8a	Tate & Lyle £1	48/7½ *	48/10½ *	4·30
12/9	10/10½	... ...	Unigate 5/–	12/6	12/6	4·00**
52/6	43/9	10 a 36 b	Bass 5/–	46/6	51/–	4·51
27/3	23/10½	6½ b 4 a	Distillers 10/–	27/–	27/–	3·95
17/9	14/7½	6 a 11 b	Flowers 5/–	16/3¾	17/9	4·79
64/9	54/–	10 a 18 b	Guinness 10/–	61/6	63/6	4·41
16/–*	12/7½	10 b 4 a	Ind Coope & Allsopp.. 5/–	15/4½ *	16/–*	4·38
75/–	38/9	33½ a 6¾ b	Watney Mann Defd. £1	52/9	74/6‖	5·64
116/–	100/–	17 b 8 a	Whitbread 'A' £1	115/–	114/–	4·39
59/7½	52/41½	†17½ c †5 a	Brit. Amer. Tobacco ..10/–	54/9	53/9	5·32
49/3	36/6	5 a 20 b	Gallaher 10/–	44/6	43/9	5·71
59/–	54/3	8½ a 12½ b	Imperial Tobacco £1	58/3	57/4½	7·32
			MOTORS AND AIRCRAFT			
			British Motor 5/–	17/5¼	18/–	5·69**
			Ford Motor £1	65/6	67/11½	3·58
			Leyland Motor £1	54/–	55/3	4·52
			Rootes Motors 4/–	11/3	11/6 3/4	2·77
			Standard Motor 5/–	11/6	10/6	5·71
62/3	54/–	7½ a 7½ b	Dunlop Rubber 10/–	29/7½ *	29/6*	5·51
57/–	46/3	4 a 9½ b	Joseph Lucas £1	49/6	49/9	4·02
43/3	38/–	20 c 2½ a	Pressed Steel 5/–	28/9	28/2¼	4·43
63/–	48/11½	20 c 7½ a	Triplex Holdings 10/–	56/7½	61/6	4·47**
11/7½	9/–	3½ a 6½ b	Bristol Aeroplane 10/–	9/–*	9/3*	10·81
20/9	14/4½	7½ c Nil	De Havilland £1	14/7½	15/–	...
45/0¾	40/–	15 a †6½ b	Dowty Group 10/–	40/9	41/9	4·51
34/–	27/–	3 a 7 b	Hawker Siddeley £1	28/6	28/6	7·02
106/3	94/6	5 a 15 b	Rolls-Royce £1	105/–	104/4½	3·83
			PAPER AND NEWSPAPERS			
50/3	44/6	4½ a 8 b	Bowater Paper £1	48/9	49/9	5·03
54/9	47/3	5 a 9 b	Albert E. Reed £1	51/9	49/9	5·63
32/9	22/–	3 a 5 b	Spicers £1	27/9*	27/6*	5·82
25/3	21/–	10 a 15 b	Daily Mirror 'A' 5/–	25/11½	24/6	5·10
29/6	26/3	5 a 12½ b	Odhams Press 10/–	27/9*	27/–*	6·48
			TEXTILES			
27/–	22/–	6¼ b 2½ a	J. & P. Coats £1	25/11½	26/11½	6·70
25/–	18/3	5 b 5 a	Fine Spinners £1	23/3	24/11½	8·29
48/3	35/4½	5 a 12½ b	Lancashire Cotton £1	46/9	48/3	7·25
42/9	35/4½	12½ c 2½ a	Patons & Baldwins £1	42/7½	42/4½	5·90
6/3¾	4/3	6 c 4 a	Salts (Saltaire) 5/–	6/2¼	6/2¼	4·85
61/3	50/–	10 b 5 a	Woolcombers £1	58/3	58/3	5·15
19/11½	14/7½	Nil c 3 a	Bradford Dyers £1	16/3	18/4½	...
44/6	37/–	22½ c 22½ c	Calico Printers £1	44/–	44/–	10·23
36/6	31/7½	5 b 3 a	Courtaulds £1	36/4½	36/–	4·44
13/3	10/–	3 a 10 b	Jute Industries 10/–	13/3	13/–	10·00
35/6	24/6	7½ c 7½ c	Tootal £1	31/11½	31/7½	4·74
			DRAPERY & STORES			
23/9	19/7½	6 a 10 b	Boots Pure Drug 5/–	23/–*	22/4½ *	3·58
33/9	27/9	10 b 5 a	Debenhams 10/–	32/9	33/11½	4·53
40/9	31/6

Money and Exchanges

EXCHEQUER RETURNS

For the week ended May 23, 1959, there was an "above-line" surplus (after allowing for Sinking Funds) of £20,184,000 compared with a deficit of £3,858,000 in the previous week and a surplus of £3,249,000 in the corresponding period of last year. There was a net receipt "below-line" of £20,184,000 leaving a total surplus of £34,743,000 compared with a deficit of £54,586,000 in 1958–59.

£'000	Estimate, 1959–60	April 1, 1958, to May 29, 1958	April 1, 1959, to May 23, 1959	Week ended May 24, 1958	Week ended May 23, 1959
Ord. Revenue					
Income Tax	2147,000	215,928	218,401	25,942	30,285
Surtax	171,000	17,800	18,400	1,500	1,000
Death Duties	195,000	24,900	33,800	3,600	2,800
Stamps	68,000	7,700	11,500	800	600
Profits Tax, EPT & EPL	274,000	29,100	32,700	3,000	4,700
Other Inland Rev. Duties	1,000	...	...	...	...
Total Inland Rev.	2856,000	295,428	314,801	34,842	39,385
Customs	1285,500	201,739	198,953	26,088	21,996
Excise	864,500	167,490	156,170	17,420	16,715
Total Customs and Excise	2150,000	369,229	355,123	43,508	38,711
Motor Duties	104,000	9,953	10,314	...	...
PO (Net Receipts)	...	11,800	9,760	4,350	2,800
Broadcast Licences	35,000	2,000	2,000	...	...
Sundry Loans	30,000	2,333	2,032	...	...
Miscellaneous	150,000	10,471	10,062	70	405
Total	5325,000	701,214	704,092	82,771	81,301
Ord. Expend.					
Debt Interest	600,000	107,992	75,045	5,455	...
Payments to N. Ireland Exchequer	79,000	7,788	8,313	...	...
Other Cons. Funds	10,000	845	903	177	...
Supply Services	4494,996	572,721	552,845	73,570	61,780
Total	5183,996	689,346	637,106	79,202	61,780
Sinking Funds	39,000	3,815	3,683	320	380
"Above-line" Surplus or Deficit		+ 8,054	+ 63,303	+ 3,249	+ 19,141
"Below-line" Net Expenditure*		62,640	28,560	Cr. 33,060	Cr. 20,184
		—	+	+	+
Total Surplus or Deficit		54,586	34,743	36,309	39,325
Net Receipts from:					
Tax Reserve Certificates		37,298	22,585	9,185	1,136
Savings Certificates		6,700	10,500	600	—200
Defence Bonds		—722	19,344	633	1,556
Premium Savings Bonds		8,750	9,890	890	1,240
Total		52,026	62,319	11,308	3,732

* Receipts of the Civil Contingencies fund to May 23, 1959, £10 million, compared with £16 million in the corresponding period last year.

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1958					
May 24	3,200·0	1,510·3	202·6	...	4,912·9
1959					
Feb. 21	3,070·0	1,945·7	197·2	...	5,210·9
„ 28	3,010·0	1,990·0	197·3	...	5,197·3
Mar. 7	2,950·0	1,999·9	213·7	...	5,163·6
„ 14	2,920·0	1,993·9	225·1	...	5,143·1
„ 21	2,910·0	2,030·3	252·7	...	5,193·0
„ 31	4,898·1		336·5	4·3	5,238·9
Apr. 4	2,950·0	1,986·3	291·6	...	5,227·8
„ 11	2,940·0	2,015·7	280·8	...	5,236·5
„ 18	2,940·0	2,007·5	297·7	...	5,245·2
„ 25	2,950·0	2,025·8	267·8	...	5,243·7
May 2	2,940·0	2,089·0	255·7	...	5,284·7
„ 9	2,910·0	2,053·9	269·4	...	5,233·3
„ 16	2,920·0	2,051·4	266·2	...	5,237·7
„ 23	2,920·0	2,012·6	265·2	...	5,197·7

THE MONEY MARKET

DESPITE the low proportion of Treasury bills secured by the discount market at recent tenders, the syndicate reduced its concerted bid by 2d. to £99 3s. 3d. last week. But the tender was raised by £40 million to £230 million so that the market's allotment at this price jumped from 25 per cent to 45 per cent, the highest proportion for six weeks. The average rate of discount rose by 7d. to £3 6s. 9.73d. per cent, against the rate obtained by the market of about £3 7s. 2d. per cent, suggesting that outside tenderers had not anticipated the market's tactics. This week the tender has been raised to £260 million.

A large amount of help was given to the money market on Thursday of last week, but one or two houses were forced to borrow a small amount from the Bank of England. Light calling and the inflow of fresh funds have since made conditions comfortable. On Saturday some late balances offered to the market were unwanted. Due to uncertainty in the market, fresh overnight funds have commanded quite high rates at the start of each session, but rates have subsequently eased. After last week's Treasury bill tender, new bills have been sold at 3¼ per cent.

MONEY RATES: London

	%		%
Bank rate (from 4½%, 20/11/58)	4	Discount rates: Bank bills:	
Deposit rates (max.):		60 days	3 7/16–3 1/2
Banks	2	3 months	3 7/16–3 1/2
Discount houses	2–2¼	4 months	3 7/16–3 1/2
Money:		6 months	3 7/16–3 9/16
Day-to-Day	2–3⅛	Fine trade bills:	
Treasury bills:		3 months	4¼–5
2 months	3 11/32	4 months	4¼–5
3 months	3⅜	6 months	4½–5¼

New York

	%		%
Official discount rate: (from 2½%, 5/3/59)	3	Treasury bills: May 18	2·869
		„ 25	2·878

BANK OF ENGLAND RETURNS

(£ million)	May 28, 1958	May 20, 1959	May 29, 1959
*Issue Department**:			
Notes in circulation	2,033·9	2,081·1	2,081·3
Notes in banking dept.	16·5	19·2	19·7
Govt. debt and securities*	2,046·3	2,096·8	2,096·7
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	2·5	2·5
Banking Department:			
Deposits:			
Public accounts	12·9	18·1	15·4
Bankers	209·9	216·5	232·0
Others	71·6	62·9	63·4
Total	294·4	297·5	310·8
Securities:			
Government	246·1	259·8	273·4
Discounts and advances	28·7	14·7	14·3
Other	18·8	20·8	20·8
Total	293·6	295·3	308·7
Banking department reserve	18·8	21·2	20·0
" Proportion "	% 6·3	% 6·7	% 6·4

* Government debt is £11,015,100, capital £14,553,000 Fiduciary issue increased by £50 million to £2,100 million March 25, 1959.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1958				s. d.	%
May 23	260·0	412·2	260·0	96 5·96	61
1959					
Feb. 20	200·0	347·1	200·0	61 9·89	22
„ 27	220·0	317·9	220·0	65 6·22	51
Mar. 6	230·0	370·4	230·0	66 0·14	57
„ 13	230·0	374·1	230·0	65 11·05	43
„ 20	250·0	360·4	250·0	65 8·95	55
„ 26	250·0	378·8	260·0	66 0·10	58
Apr. 3	250·0	381·0	250·0	65 11·42	50
„ 10	260·0	433·9	260·0	64 0·89	65
„ 17	250·0	386·6	230·0	64 9·12	38
„ 24	210·0	359·2	210·0	65 7·89	26
May 1	190·0	364·4	190·0	66 1·81	20
„ 8	200·0	342·3	200·0	66 1·22	33
„ 15	190·0	357·6	190·0	66 2·70	25
„ 22	230·0	372·0	230·0	66 9·73	45

* On May 22nd tenders for 91 day bills at £99 3s. 3d. secured 45 per cent, higher tenders being allotted in full. The offer this week was for £260 million of 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	May 27	May 21	May 22	May 23	May 25	May 26	May 27
United States $	2·78–2·82	2·81¼–3/8	2·81 5/16–7/16	2·81 5/16–7/16	2·81¼–3/8	2·81¼–3/8	2·81¼–3/8
Canadian $	...	2·70 7/8–5/16	2·70 7/8–1/2	2·70 7/8–3/4	2·70 7/8–3/4	2·69 15/16–70 1/16	2·70 3/16–5/16
French Fr.	13·6220–14·0265	13·78 5/8–7/8	13·79 1/4–5/8	13·79 1/8–3/8	13·78 3/4–79	13·78 3/4–79	13·78 7/8–79 1/8
Swiss Fr.	11·94–12·54 7/8	12·15 1/8–3/8	12·15 5/8–7/8	12·15 1/2–3/4	12·15 1/8–3/8	12·14 7/8–15 1/8	12·14 7/8–15 1/8
Belgian Fr.	137·96–142·05	140·17 1/2–22 1/2	140·20–25	140·20–25	140·17 1/2–22 1/2	140·15–20	140·17 1/2–22 1/2
Dutch Gld.	10·48–10·80	10·61 1/2–3/4	10·62 1/8–3/8	10·62–62 1/4	10·62–62 1/4	10·62–62 1/4	10·62 1/4–1/2
W. Ger. D-Mk.	11·59 1/4–11·92 3/4	11·76–76 1/4	11·76 1/2–3/4	11·76 3/8–5/8	11·76–76 1/4	11·75 3/4–76	11·76–76 1/4
Portuguese Esc.	79·00 3/4–82·00 1/2	80·15–25	80·20–30	80·20–30	80·20–30	80·20–30	80·20–30
Italian Lire	1725–1775	1745 1/2–3/4	1746–46 1/2	1746–46 1/2	1745 1/2–46	1745 1/2–46	1745 1/2–46
Swedish Kr.	14·37 3/4–14·59 1/4	14·55 1/8–3/8	14·55 3/4–56	14·55 3/4–56	14·55 1/2–3/4	14·55 1/2–3/4	14·55 1/2–3/4
Danish Kr.	19·06 1/2–19·62	19·38 1/4–1/2	19·37 3/4–38	19·37 3/4–38	19·37 1/2–3/4	19·37 1/4–1/2	19·37 1/4–1/2
Norwegian Kr.	19·71–20·30 1/2	20·03 1/8–3/8	20·03 1/8–3/8	20·03 1/8–3/8	20·03–03 1/4	20·03–03 1/4	20·02 5/8–7/8
One Month Forward Rates							
United States $		1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par	1/8c. pm–par
Canadian $		1/8–1/4c. dis	1/8–1/4c. dis	1/8–1/4c. dis	3/16–5/16c. dis	1/8–1/4c. dis	1/8–1/4c. dis
French Fr.		par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis	par–1c. dis
Swiss Fr.		7/8–5/8c. pm	7/8–5/8c. pm	7/8–5/8c. pm	1–3/4c. pm	7/8–5/8c. pm	7/8–5/8c. pm
Belgian Fr.		5c. pm–par	5c. pm–par	5c. pm–par	5c. pm–par	5c. pm–par	2c. pm–2c. dis
Dutch Gld.		3/4–1/2c. pm	1–3/4c. pm	1–3/4c. pm	7/8–5/8c. pm	7/8–5/8c. pm	7/8–5/8c. pm
W. Ger. D-Mk.		3/4–1/2pf. pm	7/8–5/8pf. pm	7/8–5/8pf. pm	7/8–5/8pf. pm	7/8–5/8pf. pm	3/4–1/2pf. pm
Three Months Forward Rates							
United States $		5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm	5/16–3/16c. pm
Canadian $		3/4–7/8c. dis	3/4–7/8c. dis	3/4–7/8c. dis	13/16–15/16c. dis	13/16–15/16c. dis	13/16–15/16c. dis
Swiss Fr.		2 1/2–2 1/4c. pm	2 5/8–2 1/8c. pm	2 5/8–2 3/8c. pm	2 5/8–2 1/4pf. pm	2 1/2–2 1/4pf. pm	2 3/4–2 1/2c. pm
W. Ger. D-Mk.		2 1/4–2pf. pm	2 1/4–2pf. pm	2 1/4–2pf. pm	2 1/2–2 1/4pf. pm	2 1/2–2 1/4pf. pm	2 1/4–2pf. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/9	249/8 1/4	...	249/7 1/2	249/7 3/4	249/6 1/2

UK External Trade

Imports are valued cif: exports fob
Total trade unless otherwise stated.

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

BRITISH			
Prices and Wages	May 16th	External Trade	This week
Manpower and Output	May 23rd	Industrial Profits	April 18th
OVERSEAS			
Western Europe	Feb. 7th	United States	May 9th

From January, 1959, some small changes have been made in the coverage of the trade statistics (see *The Economist*, February 14, 1959, page 623). Back figures have been revised where possible: those still on the old basis are shown in italics.

	Unit	Monthly averages 1956	1957	1958	1958 Feb.	March	April	1959 Jan.	Feb.	March	April
VALUE											
Imports:											
Total	£ million	321·7	336·8	312·5	287·1	317·3	307·5	328·6	291·8	322·5	345·8
Food, drink and tobacco	„	119·6	123·3	124·4	110·9	124·3	124·2	137·0	120·9	130·9	134·9
Basic materials	„	91·2	96·7	75·0	70·2	79·4	75·9	73·8	63·9	68·1	75·7
Fuels	„	34·5	38·8	36·7	33·8	34·2	34·3	40·3	36·3	40·8	45·9
Manufactures	„	75·2	76·9	75·1	71·4	78·5	72·5	75·8	69·6	81·5	88·2
Exports of UK produce:											
Total	„	261·5	274·2	264·3	262·7	275·1	262·3	270·1	251·1	270·7	295·6
Manufactures—Total	„	212·6	227·8	226·0	220·4	232·6	223·8	228·6	210·6	228·8	254·4
„ Metals	„	36·7	39·7	35·9	34·6	35·1	36·5	36·5	35·6	33·8	38·7
„ Engineering products	„	104·7	111·8	115·2	113·3	119·7	117·4	119·7	107·3	123·5	141·4
„ Textiles(2)	„	24·5	25·0	21·2	23·8	25·4	21·1	20·8	19·8	19·4	21·2
Re-exports	„	11·9	10·8	11·7	11·7	15·6	11·0	9·3	10·4	12·8	11·3
Balance of trade (exports *less* imports)	„	−48·3	−51·8	−36·5	−12·7	−26·6	−34·2	−49·1	−30·4	−39·0	−39·0
VOLUME											
Imports:											
Total	1954=100	110	114	114	113[3]	...	110[4]	...	117[3]	...	129
Food, drink and tobacco	„	109	113	119	116[3]	...	116[4]	...	122[3]	...	...
Basic materials	„	102	106	94	95[3]	...	93[4]	...	93[3]	...	...
Fuels	„	115	114	124	114[3]	...	116[4]	...	134[3]	...	...
Manufactures	„	125	130	132	134[3]	...	125[4]	...	132[3]	...	...
Exports:											
Total	„	113	116	111	113[3]	...	108[4]	...	111[3]	...	124
Manufactures	„	115	118	113	116[3]	...	110[4]	...	112[3]	...	...
BY AREA											
Imports:											
Dollar area—Total	£ million	70·9	80·3	65·5	*61·3*	*62·5*	*58·5*	64·8	57·8	60·3	65·4
„ „ USA	„	33·9	40·1	29·2	27·3	29·7	27·6	31·6	25·2	24·5	27·0
„ „ Canada	„	29·0	26·7	25·7	20·9	21·3	19·3	22·3	21·8	22·8	25·0
Non-sterling OEEC countries	„	79·4	80·6	80·1	*73·4*	*79·8*	*75·8*	76·5	72·8	82·6	86·6
Sterling area	„	124·5	127·0	117·2	*109·9*	*128·9*	*125·0*	132·6	113·0	127·2	133·2
Exports(5):											
Dollar area—Total	„	45·1	47·7	48·9	*45·6*	49·3	*47·4*	51·5	46·9	51·7	67·4
„ „ USA	„	21·5	21·5	24·4	24·5	24·3	19·6	29·4	25·9	28·2	37·5
„ „ Canada	„	15·2	16·6	16·1	12·8	16·6	17·9	13·8	12·6	15·1	21·7
Non-sterling OEEC countries	„	74·8	78·0	72·7	*74·1*	80·2	*72·1*	78·0	72·7	78·5	86·6
Sterling area	„	119·9	124·5	120·5	*124·8*	*131·2*	*124·0*	113·1	107·8	113·6	118·4
Balance of trade (exports *less* imports)											
Dollar area	„	−25·8	−32·6	−16·6	*−15·7*	*−13·2*	*−11·1*	−13·4	−10·9	− 8·6	+ 2·0
Non-sterling OEEC countries	„	− 4·6	− 2·6	− 7·4	+ 0·7	+ 0·4	− 3·7	+ 1·5	− 0·1	− 4·1	Nil
Sterling area	„	− 4·6	− 2·5	+ 3·3	*+14·9*	+ 2·3	*− 1·0*	−19·5	− 5·2	−13·6	−14·8
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	398·4	377·5	376·8	369·5	322·6	318·5	388·3	446·0	395·0	459·8
Meat	„	*72·4*	*74·2*	69·5	68·1	87·1	79·7	76·7	53·9	90·1	76·2
Sugar, unrefined	„	*194·3*	235·0	*220·1*	246·5	234·3	283·6	186·8	179·8	233·9	245·8
Raw cotton (1)	„ lb.	27·0	30·6	*21·5*	27·8	24·5	28·5	19·8	15·5	21·6	19·3
Raw wool, sheep's and lambs' (1)	mn. lb.	*53·2*	*51·6*	*51·2*	45·4	67·9	71·1	81·8	54·8	79·3	77·3
Rubber, natural and synthetic (1)	'000 tons	18·2	22·7	17·0	17·6	14·1	21·9	18·8	19·7	16·6	17·0
Softwood(2)	'000 stds.	*104·8*	*19·8*	*106·4*	*52·1*	*39·7*	*44·6*	*74·7*	*63·6*	*55·4*	*78·5*
Woodpulp	'000 tons	*183·3*	*178·2*	*175·2*	*154·4*	*139·6*	*129·9*	*188·2*	*175·3*	*170·2*	*171·5*
Crude petroleum	mn. galls.	618	604	732	645	651	760	839	825	818	968
Exports of UK produce:											
Coal, including bunkers	'000 tons	812	666	403	423	349	294	332	380	311	274
Woven piece-goods—cotton(2)	mn. sq. yds.	*40*	*38*	*32*	*36*	*40*	*32*	*28*	*27*	*27*	*29*
„ „ „ wool (2)	'000 sq. yds.	*9,107*	*9,029*	*7,889*	8,913	9,999	6,812	9,469	8,124	7,951	8,658
Passenger cars and chassis	number	27,848	35,360	40,336	41,834	44,200	38,265	41,848	35,791	41,590	55,358
Commercial vehicles and chassis	„	*10,506*	*10,216*	*9,338*	10,887	11,384	8,834	10,154	9,026	9,655	10,791
Agricultural tractors	„	*7,482*	*9,411*	8,724	8,563	9,895	10,472	7,844	9,064	8,906	11,441
Machinery—electrical	£ '000	*5,314*	*5,612*	*5,855*	5,796	6,205	6,134	5,743	5,412	5,258	5,909
„ other	„	*38,657*	*42,211*	*42,880*	42,085	46,025	44,894	46,638	41,246	45,936	50,164
Chemicals, elements and compounds	„	*4,948*	*5,219*	*5,037*	5,112	5,273	4,863	5,325	5,187	5,782	6,272

(1) Retained imports. (2) Owing to changes in classification, 1959 figures are not strictly comparable with those for earlier years. (3) Average for first quarter. (4) Average for second quarter. (5) Annual figures include re-exports of second-hand aircraft and exposed cinematograph film.

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Secretary and Registered Office:
G. J. R. PANNETT, B.Sc. (Econ.), B.Com., F.C.I.S.
76, Southwark Street, S.E.1.

Extract from Accounts to 31st December, 1958

	1957 £	1958 £
Trading Profit	555,464	659,571
Tax Provision	260,622	290,053
Profit after Tax and Minority Interests	199,358	277,199
Paid in Dividends (less Tax)	117,535	188,933
Retained	81,823	88,266
Dividends paid gross on Ordinary and "A" Ordinary Shares (1957 final 12½% on Capital doubled by scrip issue)	17½%	22½%
Fixed Assets	3,437,208	3,878,064

Salient points from Joint Chairmen's Review
Annual General Meeting, May 26, 1959

An increase in Trading Profit of £104,107, has been achieved in a year when costs have become steadier, but competition much more fierce. The increased Dividend of 22½ per cent. is payable for the full year on the additional 1,045,730 "A" Ordinary Shares Issued against acquisitions in April, 1958, hence the increase of £71,398, in Dividends paid (less Tax).

The Palais de Danse, Dennistoun, was acquired as at March 1, 1958. In the City of London we opened in September, 1958, a new Licensed Restaurant, the Baron of Beef, and in February, 1959, the new Cotillion Restaurant, Cafes and Banqueting Suites at Bucklersbury House. Trading Results for the first quarter of 1959, compared with last year have been maintained.

It is hoped to complete this year and next, new Dance Halls and Party Suites in Birmingham, Blackburn, Bradford, Coventry, Derby, Newcastle-upon-Tyne and Stevenage. Negotiations are in hand for further new Branches. The recent Issue of an additional One Million Pounds Nominal, First Mortgage Debenture Stock, should be sufficient to cover present requirements.

Whilst it is prudent to respect your Competitors, we have no reason for fear, and know of no signs of any deterioration in our popularity with our Patrons regarding the things we sell and the prices at which we sell them: so we look forward to the future with confidence.

CAPITAL:
Authorised: £2,300,000. Issued: £1,631,838
5 per cent. £1 First Cumulative Preference £145,000
5 per cent. £1 Second Cumulative Preference £138,302
5s. Ordinary shares £350,000
5s. "A" Ordinary shares £998,536

Quoted London
Ordinary share price at May 28, 1959, 28/9
High/Low quotation, 1959, 29/3-21/6
"A" Ordinary share price at May 28, 1959, 22/6 xd.
High/Low quotation 1959, 23/6-18/3

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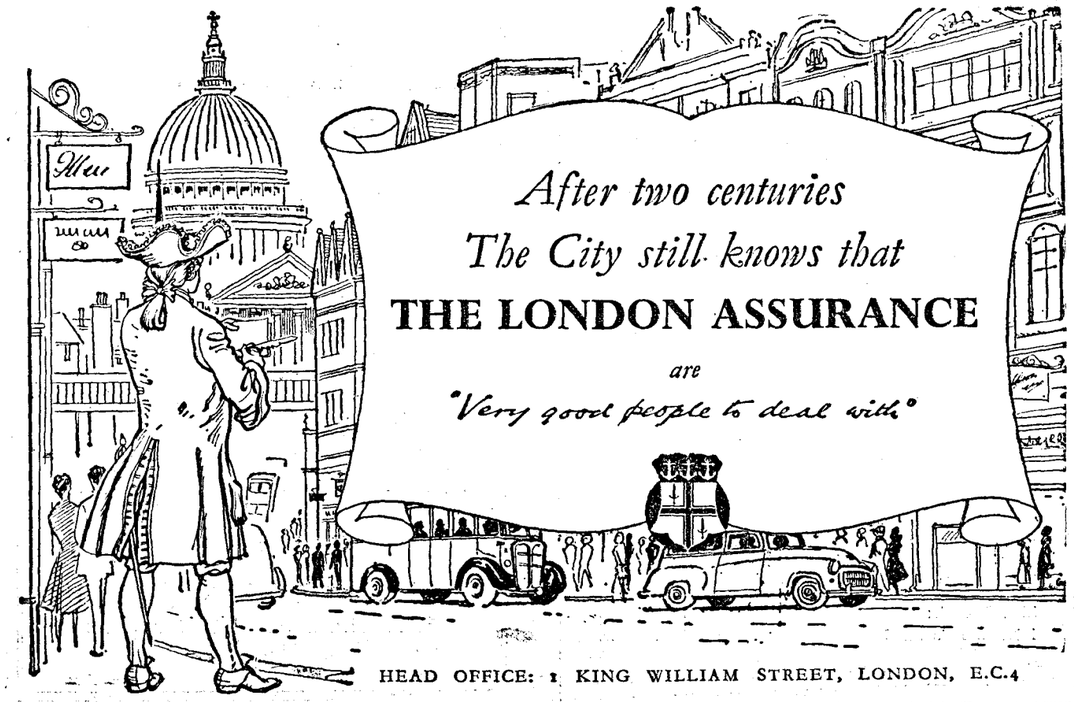
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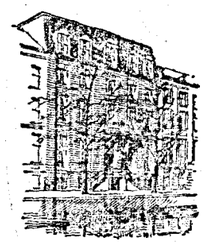
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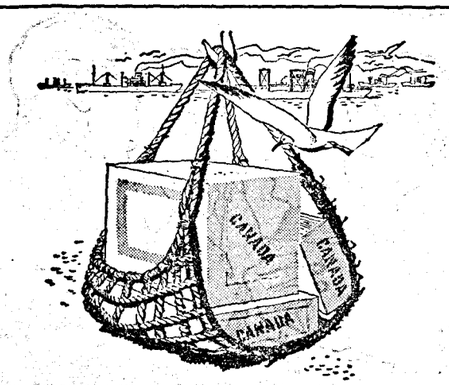
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Prototype Reactor Development

The Advanced Gas Cooled Reactor now under construction at Windscale is an experimental prototype using uranium oxide fuel canned in beryllium, and operating at high temperatures and ratings, for developing and proving this system for use in the civil power programme. Engineers and Scientists are required to form a team to commission and operate the reactor and applications are invited for the following posts. Where necessary, a full course of training at Reactor Schools and in operating reactors will be given. A desire to work on the problems associated with a prototype reactor is an essential requirement.

(a) Reactor Manager (*Ref.* 3092/J20)

to plan the commissioning programme of the reactor and to be responsible for the safe and efficient operation of the plant and its experimental facilities.

A good honours degree in an appropriate scientific or engineering subject, or equivalent qualification is required, together with wide experience of plant operation or research and development work. Engineers should have corporate membership of a professional institution.

Salary within scale £1,855 to £2,155 according to qualifications and experience.

(b) Assistant Reactor Managers (*Ref.* 3094/J20)

to be responsible for either (a) the day to day operation of the reactor or (b) the experimental facilities, as well as for general assistance to the Reactor Manager.

A good honours degree in Science or Engineering, or equivalent qualification, is required, together with at least three years' experience of plant operation or research and development work. Engineers should have corporate membership of a professional institution.

Salary within scale £1,345 to £1,800 according to qualifications and experience.

(c) Power Plant Manager and Assistant Manager (*Ref.* 3093A/J20) (*Ref.* 3093B/J20)

to plan the commissioning programme of the steam raising equipment, turbo-alternators, and associated electrical circuits, and to be responsible for their safe and efficient operation.

A recognised engineering apprenticeship and corporate membership of a senior engineering institution, or equivalent, is required, together with power plant operating experience.

Salary Plant Manager within the scale £1,345 to £1,800. Assistant Plant Manager within scale £845 (at age 25) to £1,315 according to qualifications and experience.

(d) Shift Managers (*Ref.* 3095/J20)

to be responsible during shift hours to the Works Manager for the operation of the A.G.R. station including the reactor and its fuel charging and experimental facilities and the electrical generation equipment.

For engineers a recognised apprenticeship and corporate membership of an appropriate senior professional institution, or equivalent, is required. Scientists should have a good honours degree. At least three years' practical experience of plant operation is essential.

Salary within scale £1,345 to £1,800 according to qualifications and experience.

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U.K.A.E.A. (I.G.)

Windscale and Calder Works, Sellafield, Seascale, Cumberland. Closing Date: 22nd June, 1959.

APPOINTMENTS

A YOUNG STATISTICIAN or ECONOMIST is required by one of the largest furniture manufacturers. He will be responsible for organising the provision and interpretation of sales and production information to the Board. Some previous commercial or industrial experience is essential, and a recognised qualification in statistics or economics would be an advantage. Age about 23-30. Salary and conditions will be designed to attract a first-class man.—Applications with full details in writing to the Sales Director, GREAVES & THOMAS Ltd., Clapton, E.5.

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The Senate reserves the right to fill the Chair by invitation.

A statement of conditions of appointment and information for candidates may be obtained on application to the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, WC1.

Applications close, in Australia and London, on August 3, 1959.

UNIVERSITY OF SYDNEY

CHAIR OF ACCOUNTING

Applications are invited for a newly established Chair of Accounting.

Salary will be at the rate of £A3,750 per annum plus cost of living adjustment. There is retirement provision under the Professorial Superannuation Scheme and in addition a pension of not less than £A400 per annum upon retirement after the age of 60 years.

Under the Staff Members' Housing Scheme, in cases approved by the University and its Bankers, married men may be assisted by loans to purchase a house.

The Senate reserves the right to fill the Chair by invitation.

A statement of conditions of appointment and information for candidates may be obtained on application to the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, WC1.

Applications close, in Australia and London, on August 3, 1959.

MARKET RESEARCH ASSISTANT

Applications are invited from qualified men and women (though women preferred) in age group 25 to 30, for the position of RESEARCH ASSISTANT in an expanding MARKET RESEARCH organisation in LONDON. The position is a supervisory one as Assistant to Executive. Essential qualifications are, a sound mathematical background, an understanding of statistical method, a vital interest in Market Research and some commercial or industrial experience preferably in Market Research or allied fields. Write, quoting reference 10/RA, giving details of age, qualifications, experience and salary required, to Box 1175.

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require for their

MARKET RESEARCH AND DEVELOPMENT DEPARTMENT

a man interested in new technical developments and their commercial implications, in the field of sheet steel and its use in industry. The successful candidate will be attached to a small but enthusiastic department located in London. It will be advantageous if he has had similar experience and has spent some time with a Research Organisation. Sales experience would also be an advantage. Salary will depend upon qualifications and experience.—Please send brief details in confidence to: Market Research and Development Manager, Box E.8580, Basil Butler Co. Ltd., 78 Brook Street, London, W.1.

UNIVERSITY OF BIRMINGHAM

FACULTY OF COMMERCE AND SOCIAL SCIENCE

Applications are invited for the post of temporary ASSISTANT LECTURER or LECTURER in ECONOMIC HISTORY from October 1, 1959, to September 30, 1960.

Salary scales: Assistant Lecturer, £700-£850; Lecturer £900-£1,350.

Applications (two copies), with the names of three referees, should be sent, not later than June 9, 1959, to the Registrar, The University, Birmingham, 15, from whom further particulars can be obtained.

MARKET RESEARCH. British Nylon Spinners Limited have a vacancy for a graduate economist for duties in the Company's Knightsbridge Offices. The successful candidate will join a team whose primary function is to forecast product demand, and which therefore undertakes detailed studies of the numerous constituent factors. Original thought is encouraged both as a matter of policy and by the nature of the work, which is varied and inherently interesting. The post carries an attractive starting salary and offers good prospects.

Candidates should be 35 or under, and must have a good honours degree in economics or commerce; relevant industrial experience would be an advantage. Applications should give concise but full personal history and should be addressed to the Personnel Manager at Pontypool, Mon.

FIBREGLASS LIMITED, MARKET RESEARCH DEPARTMENT, have the following vacancies, both of which are new appointments:

An assistant, male or female, to collate market information and prepare market reports and forecasts. Applicants should have a good degree with economics as a main subject and some industrial or commercial experience is preferable. Upper age limit—29.

An assistant, male or female, principally to help prepare budgets. Applicants should be graduates and should have an aptitude for figures. Upper age limit—25.

Apply in the first instance to the Secretary, Fibreglass Ltd., St. Helens, Lancs, for an application form.

UNIVERSITY OF BRISTOL

The University proposes as soon as possible to make an appointment in the Department of Economics to a Chair in Accounting or in a subject dealing with Accounting in a fundamental way. Candidates should have academic and professional qualifications. The occupant of the Chair will assume responsibility for research in his subject and for teaching in the present degree courses. He will also have the opportunity, in co-operation with his colleagues, of developing research and postgraduate study in fundamental subjects relevant to administration and management.

Suitably qualified candidates are invited to apply, submitting the names and addresses of referees, to the undersigned from whom further particulars of the appointment may be obtained.

H. C. BUTTERFIELD,
Registrar and Secretary.

UNIVERSITY OF LONDON

Readership in Economics at the London School of Economics and Political Science

The Senate invite applications for the Readership in Economics tenable at the London School of Economics and Political Science (salary £1,475-£1,775-£2,150 a year plus £80 London Allowance). Applications (10 copies) must be received not later than July 1, 1959, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars may be obtained.

THE ECONOMIST INTELLIGENCE UNIT LIMITED

wishes to make further appointments to its research staff. Applicants should have a good honours degree, preferably in economics and/or statistics, and should have had at least two years' experience in industry, commerce or finance; knowledge of foreign languages, especially German, an advantage.—Please write, giving particulars of education, experience, qualifications and present salary, to "Research," 22 Ryder Street, St. James's, London, S.W.1.

SPECIALIST OFFICER (STATISTICIAN)

FEDERATION OF NIGERIA

To build up and supervise a statistics branch in the Department of Agricultural Research. Candidates should possess a good Honours Degree in mathematics and have had two years' post graduate experience in statistics as applied to agricultural research.

Appointment on contract/pensionable terms, inclusive salary scale £966-£1,824. Gratuity of £25 to £37 10s. for each completed three months of satisfactory service. Furnished quarters when available, at a rent of 8½ per cent of basic salary subject to a maximum of £150 a year. Free passages for officer on first appointment, duty and leave, also for wife once each way in each tour of service. Assistance in respect of children's passages or allowance in lieu. Income tax at local rates. Generous home leave.

Apply, giving brief particulars to Director of Recruitment, Colonial Office, London, SW1, quoting BCD/63/14/048.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for the post of Senior Research Officer in the Survey Research Unit within the Research Techniques Division. The Survey Research Unit is concerned with the examination and the development of research techniques used in social and market research. Projects include studies of: respondent memory in the interviewing situation; question design; the characteristics of members of the public volunteering to take part in research operations; interviewer performance; validity and reliability. The successful candidate will be required to conduct research within the Unit's programme, assuming responsibility for specific projects.

Applicants must have an honours degree in psychology, with some statistical training, and they must have had practical experience of a substantial kind in either social or market research.

Salary scale £950 x £50—£1,500 plus £60 London Allowance; with superannuation benefits and family allowances. The starting salary will depend upon qualifications and experience. The appointment is for three years.

Applications should be sent to Dr. W. A. Belson, The London School of Economics and Political Science, Houghton Street, Aldwych, London, W.C.2, not later than June 15, 1959.

BRITISH RAILWAYS

have a vacancy for a

CHIEF PROGRAMMER

for an Elliot 405 Computer Installation at Wolverton, Bucks.

Candidates, preferably under 35, must have had previous Elliot 405 Computer Programming experience; qualifications to degree standard are desirable.

Commencing salary, £1,000-£1,100, with prospects of advancement. Contributory pension fund, sick pay, and travelling facilities.

Applications to Regional Accountant, London Midland Region, British Railways, EUSTON STATION, LONDON, N.W.1.

CITY OF STOKE-ON-TRENT
EDUCATION COMMITTEE

COLLEGE OF COMMERCE

Principal: A. E. Hayes, M.A., B.Com., A.C.I.S.

Applications are invited from Graduates with teaching experience for the post of Assistant Grade B to teach General and Commercial Subjects.

Duties will commence on September 1, 1959, if possible, and will include teaching on two evenings per week if required.

Application forms are obtainable from the Chief Education Officer, P.O. Box No. 23, Town Hall, Hanley, Stoke-on-Trent, to whom they should be returned within 10 days of the appearance of this advertisement.

H. DIBDEN, Chief Education Officer

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for the post of Junior Research Officer in the Social Science Department. The appointment will be for three years from a date to be arranged but not later than October 1, 1959. Subject to satisfactory qualifications and experience, the salary will be £700 x £50 to £800 per annum. The appointment is in connection with an enquiry into family life and kinship in the Swansea area and will have special reference to the position of old people.

Further particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, by whom applications (five copies) must be received by Monday, June 15, 1959.

UNIVERSITY OF EDINBURGH

HOUSING RESEARCH TEAM
SOCIOLOGIST

Applications are invited for the post of Sociologist in this team. The work involves a partly survey of existing housing conditions in typical urban and rural areas, and partly assistance with the design of new experimental housing projects. The post is for five years in the first instance. Salary £1,100 per annum. Superannuation can be arranged.

Applications should be lodged with the Secretary to the University, University of Edinburgh, Old College, South Bridge, Edinburgh, not later than June 13, 1959.

May, 1959.

UNIVERSITY OF BIRMINGHAM

CHAIR OF HIGHWAY & TRAFFIC ENGINEERING

Applications are invited for the newly established CHAIR OF HIGHWAY & TRAFFIC ENGINEERING within the Department of Civil Engineering.

Three copies of applications with the names of three referees must be sent not later than June 20, 1959, to the Registrar, The University, Birmingham, 15, from whom further particulars can be obtained.

CENTRAL ELECTRICITY GENERATING BOARD

Applications are invited for the appointment of ECONOMIST in the Commercial Department at Headquarters London, E.C.2.

The duties will include the provision of an economic intelligence service to all Departments; the formulation of long and short term estimates of the future maximum demand and the consumption of electrical energy; the assessment of production trends affecting the consumption of electricity; and appraisals of the probable effect of changes in policy of the Government and of other bodies.

Candidates for the post should have an Honours Degree in Economics, a sound knowledge of modern statistical techniques and practical experience in a large organisation.

Salary within the scale £2,160—£2,360 p.a.

Applications, stating age, qualifications, experience, present position and salary, to the Personnel Officer, 24-30 Holborn, London, E.C.1, by June 15. Please mark envelopes "Confidential Ref. E/193."

COST ACCOUNTANT

Well-known British Company in West Africa requires a Cost Accountant, not below Intermediate standard, aged under 40. A sound knowledge of Accounts, Costing, and Budgetary Control is required. The post offers good prospects.

Starting salary £120 per month plus marriage allowance. Non-contributory Pension Fund and passages paid. Tour of duty 15 months and 3 months paid leave. Free accommodation and medical attention provided.

Applications will be considered from ambitious men of high character who wish to work in harmony with Africans in a worthwhile enterprise. *Please reply in confidence to:—*

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27 ALBEMARLE STREET, LONDON, W.1.

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Changes in factories, offices and distribution units; in the numbers and age range of those available for employment, and in educational and apprenticeship schemes, require accelerated development of the Unilever programme for training and re-training in the United Kingdom.

Applications are, therefore, invited for a new central position whose holder will be expected to advise in these developments. He will undertake liaison with schools and technical colleges, with employers' federations and trades unions, and with national training and examining bodies.

The position requires familiarity with the changing pattern of interests and skills of employees in both office and factory; also with current policies and plans in commercial and technical education. A degree in one of the social sciences and/or a scientific qualification may be an advantage.

Candidates are likely to be found in educational or training work, or in an industrial post not centred on training. They will require capacity to build up an acceptable advisory status and for this should have considerable experience in planning or operating training programmes.

The post will be based in London but will involve travelling to other industrial centres in this country. Age range 35-48. A commencing salary of £2,750 per annum is envisaged with room for substantial advancement. The post is pensionable.

Applications should be marked "Strictly Confidential" and addressed to the Head of Personnel Division, Unilever Limited, Unilever House, London, E.C.4.

NATIONAL COLLEGE OF FOOD TECHNOLOGY

CRANWOOD STREET, CITY ROAD, LONDON, E.C.1.

Principal: J. D. Mountfield, M.Sc.Tech., Ph.D., F.R.I.C.

The Governors invite applications for a post as LECTURER at the new College now being built at Weybridge, Surrey. The successful candidate will be expected to organise courses in LIBERAL STUDIES and to undertake some of the teaching. He will also be responsible for organising courses in management studies.

The College will have residential accommodation for 80 students and the lecturer selected may be offered the post of Hostel-Warden which would attract additional emoluments.

Salary scale: £1,312 10s. x £31 10s. to £1,470 p.a.

Application forms (obtainable from the College) should be sent to the Principal as soon as possible.

MIDDLESEX COUNTY COUNCIL

STATISTICAL CLERK (Clerical I) required initially for newly formed Social Research Unit at Brunel College of Technology, Woodlands Avenue, Acton, W.3. Should be either university graduates or have worked for at least one year as statistical assistants under professional direction. Appointment is for three years. Salary (male) £595—£670; (female) £561—£634, plus London Weighting according to age. Prescribed conditions.—Full particulars and two referees to Principal, above address. (Quote Z.622 E.)

GOVERNMENT OF WESTERN NIGERIA

VACANCY FOR CHIEF AGRICULTURAL RESEARCH OFFICER

Applications are invited from suitable candidates for the post of Chief Agricultural Research Officer.

Qualifications: Candidates must have a First or Second Class Honours degree in Natural Science or Agricultural Science, and should have considerable research experience in tropical agriculture. Essential that applicants should have shown aptitude for direction of research.

Duties: The successful candidate will be required to plan, organise and develop the work of the Research Division of the Ministry of Agriculture and Natural Resources, assist in the formulation of crop research policy and take up the Agricultural Extension Service of the Region on the application of research findings to crop production problems.

Terms of Appointments: On contract terms for a minimum of two tours of 12-18 months each. In the first instance on consolidated salary which is subject to negotiation but which in any case will not be less than £2,448 per annum. Gratuity at the rate of £37 10s. for each completed three months' service. Free First-class passages for officer and his family on first appointment and when proceeding on leave, free medical treatment for officer and his family; furnished quarters provided at a rent of 8½ per cent of basic salary subject to a maximum of £150 per annum.

Applications should be completed in duplicate on the prescribed form obtainable from the Official Secretary (Recruitment Branch), Office of the Commissioner for Western Nigeria, 178-202, Great Portland Street, London, W.1, from whom further particulars may also be obtained.

Closing date: 13th June, 1959.

THE QUEEN'S UNIVERSITY OF BELFAST

The Senate of The Queen's University of Belfast invites applications for a lectureship in political science from October 1, 1959. Salary £900 to £1,650 plus F.S.S.U. Initial placing on the scale will depend on experience and qualifications. A special interest in political institutions is desirable. Applications should be received by June 17, 1959.—Further particulars may be obtained from G. R. Conie, M.A., LL.B., J.P., Secretary.

UNIVERSITY OF AUCKLAND

NEW ZEALAND

SENIOR LECTURESHIP IN ECONOMICS

Applications are invited for the above-mentioned post. The salary scale is £1,315 per annum, rising by three annual increments to £1,615 per annum. An allowance is made towards travelling expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close in New Zealand and London on June 20, 1959.

AUSTRALIAN NATIONAL UNIVERSITY

RESEARCH SCHOOL OF PACIFIC STUDIES

Applications are invited for a FELLOWSHIP and a RESEARCH FELLOWSHIP in the DEPARTMENT OF PACIFIC HISTORY (head of Department: Professor J. W. Davidson).

It is desired to appoint to the Fellowship a candidate with research experience in the field of South-East Asian, and preferably Indonesian or Malayan, history. Candidates with experience in either South-East Asian or Pacific Islands history would be considered for the Research Fellowship.

The salary and range of a Fellow are determined within the limits £A1,793-£A2,563, and appointment is made for an initial period of five years; thereafter it may be made permanent. A Fellow is entitled to one year's study leave on full pay, plus a contribution towards travel and other expenses, in every seven years.

The salary range for a Research Fellow is £A1,398-£A2,113, and appointment is made for three years, with possible extension to the maximum of five years.

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

Further particulars are available from the Registrar, Australian National University, Box 4, G.P.O., Canberra, Australia, or from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on July 10, 1959.

THE ORGANISATION FOR EUROPEAN ECONOMIC CO-OPERATION, PARIS

seeks Head of Productivity Measurement Advisory Service, Nationals of O.E.E.C. member countries only are eligible.

Total annual income-tax-free emoluments Fr. frs. 3,455,000 (head of household) and Fr. frs. 3,080,000 (bachelor).

Duties: to centralise and distribute technical information on the various aspects of productivity measurement, in particular, interfirm comparison, and to edit the quarterly Productivity Measurement Review.

Qualifications required; solid theoretical knowledge of Economics and Statistics; preferably some practical experience in the preparation and application of Statistics in the management of industry; very good knowledge of either English or French.

Applications in French or English to Personnel Division, O.E.E.C., 2 rue André Pascal, Paris XVI, before the 13th June, 1959.

CENTRAL OFFICE OF INFORMATION require ASSISTANT INFORMATION OFFICER (unestablished). Duties involve the study of United Kingdom social and political affairs, the selection of source material and the writing, under supervision, of factual articles and reference papers on these subjects. Desirable qualifications are a university degree, knowledge of relevant sources of information, and the ability to summarise and present basic material to serve information purposes (e.g. for use in articles, lectures or broadcasts). Salary according to experience and qualifications, rising to a maximum of £1,085 (men); £1,058 (women).—Write, giving age, full details of qualifications and experience, to Ministry of Labour and National Service, P.E.1250, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4. Only candidates selected for interview will be advised.

LABOUR RELATIONS. The Newspaper Society (employers' organisation for the Provincial daily and weekly newspapers) has vacancy for assistant in Labour Department. Commencing salary not less than £1,000 according to experience, etc. Age range 30-40. Excellent prospects.—Apply Box 1176.

BRITISH TRANSPORT COMMISSION requires to fill the following Operational Research posts in the Department of the Traffic Adviser at 20 Euston Square, N.W.1. Candidates should have a degree in science, economics or mathematics, with considerable mathematical background. Academic qualifications in operational research desirable, together with interest in and for research using O.R. methods. Transport experience an advantage:

Post 1 Senior Scientific Officer—
Salary range: £1,200 — £1,420

Post 2 Senior Scientific Officer—
Salary range: £1,200 — £1,315

Posts 3 and 4 Scientific Officers, Grade 2—
Salary range: £665 — £985

Superannuation scheme. Certain free travel facilities. Medical examination.—Write, quoting post number and stating age, qualifications and experience, to Director of Establishment, British Transport Commission, 222 Marylebone Road, London, N.W.1, within 14 days. S.A.E. for acknowledgment.

THE MULLARD RADIO VALVE COMPANY LIMITED

MITCHAM JUNCTION, SURREY

SENIOR PRIVATE SECRETARY

required for the Technical Director of the Mullard Group of Companies.

The work, which is of a confidential nature, is interesting and varied. The successful applicant must be capable of doing precis abstracts, deal with financial and planning information and be capable of working on her own initiative. This is a new appointment which is likely to be of interest to an Arts Graduate who has had several years' experience in industry or commerce. Some knowledge of technical terms would be an advantage and competent shorthand typing is essential. This is a senior appointment carrying superannuation rights. Annual holidays already booked will be honoured.

Applications are invited from young women over the age of 25 who are prepared to work from 9 a.m. to 5.30 p.m. Monday to Friday, but are willing to adjust their hours of work to meet the flexible needs of this new appointment.

Please apply in writing, giving fullest details, to

Miss M. B. Little,
Senior Women's Personnel Officer,
The Mullard Radio Valve Co. Ltd.,
New Road, Mitcham Junction, Surrey.

APPOINTMENTS REQUIRED

M.B.A.—Engineer, 33, chemical industry supervisory experience U.K., Canada and U.S.A., desires post involving international liaison and travel preferably based in North America.—Jerry, P.O. Box 16, Medford, Mass., U.S.A.

SOUTH AMERICAN NATIONAL with wide experience in Business Administration, Spanish Correspondence and Export Procedure is willing to instruct/assist English businessmen having connections with Latin American affairs.—Apply Box 1127.

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MANY DIRECTORS prefer to rely on Holiday Relief Staff for 1959 tested by STELLA FISHER BUREAU, 456 Strand, W.C.2.

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FINANCIAL NOTICES

THE CUNARD STEAM-SHIP COMPANY LIMITED

5% CUMULATIVE PREFERENCE STOCK
6% SECOND CUMULATIVE PREFERENCE STOCK

NOTICE IS HEREBY GIVEN that the Transfer Books in respect of the above Stocks will be closed from June 3 to 5, 1959, both dates inclusive, for the purpose of preparing Warrants in respect of Dividends for the half-year ended 30 June, 1959, to be paid on and after July 1, 1959.

By Order of the Board,
J. C. TOMLINSON,
Secretary.

Offices: Cunard Building, Liverpool.
May 28, 1959.

ROYAL DUTCH PETROLEUM COMPANY

With reference to their announcement dated May 21, 1959, regarding the FINAL DIVIDEND for the year 1958 on the shares of Fls.20 registered in the United Kingdom section of the Amsterdam Register, N. M. Rothschild and Sons are authorised by the Royal Dutch Petroleum Company and by Nederlandsche Handel-Maatschappij, N.V., Amsterdam, the transfer agent, to announce that the rate of exchange fixed for the payment of the dividend is Fls.10.61½=£1. The gross amount of the dividend will be £0.68, 7.124d. per share and the amount of the 15 per cent Netherlands dividend tax £0.10, 11.868d. per share.

New Court, St. Swithin's Lane, London, E.C.4.
May 22, 1959.

EDUCATION

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METROPOLITAN COLLEGE, ST. ALBANS
or call at 30 Queen Victoria Street, London, E.C.4.

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Mosquitoes Traced by Radioactive Nectar

RITCHIE CALDER, the science writer, explains how atomic power is helping to open up the frozen wastes of the Arctic . . .

PEOPLE do not usually associate mosquitoes with the Frozen North, but Arctic Old Hands will tell a tenderfoot: 'Mosquitoes! They are so big we skewer them on spigots and roast them!'

That is an exaggeration, but they are certainly 'man-eaters'. Fortunately they do not, like the anopheles of the tropics, transmit malaria; but when the icebound swamps unfreeze in the Arctic summer they swarm in such vast numbers, and bite with such blood-thirsty persistence, that the settlers' lives become unbearable. Indeed, it can be said that the mosquitoes are a bigger obstacle to settlement and development of Arctic regions than the cold or the six-month long night.



RADIOACTIVE ISOTOPES

Something will have to be done about these hostile and voracious insects. Already scientists are hard at work studying their habits. Ingenious methods are being devised to keep track of the swarms, not the least of which enlists the help of nuclear energy.

It is known that the mosquitoes drink the nectar of the Arctic poppies (again, people do not usually associate flowers with the Frozen North) and the experts are feeding the poppies with an artificial fertiliser containing radioactive isotopes, which are, of course, by-products of the release of atomic energy.

In the Arctic poppy then, this radioactive fertiliser finds its way into the nectar. The mosquitoes sipping the nectar, pick up the radioactive elements. And from there on, they are marked. They carry in their bodies a 'radio transmitter' and the scientists can follow them wherever they go and so find out vital information concerning their habits—information that will lead to their effective control.

The end result of using this by-product of nuclear energy to plot the mosquitoes' activities will help to make the Frozen North a more comfortable place in which to live and work. And this, in turn, is an important factor in preparing the way for the time when atomic power itself releases the immense industrial resources of the Far North.



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AIR EDITION

The Economist

ONE SHILLING AND SIXPENCE FOUNDED 1843

16 JUN 1959

The Press under Pressure

An Elizabethan business on a Victorian basis: is this as true of journalism as it is of printing in its present troubles? (page 919)

Thunderer over Geneva

The gossip about Mr Selwyn Lloyd's impending departure from the Foreign Office has had two unfortunate results (page 920)

As Steel Goes

Whether the United States is facing a new round of inflation probably depends on the current wage negotiations in the steel industry (page 939)

Atlantic Isolation

The West must not seek unity at the expense of its outward links (page 922)

Air Ticket to Moscow

Aeroflot and BEA can now fly diplomats, businessmen—and even tourists—direct to Russia (page 957)

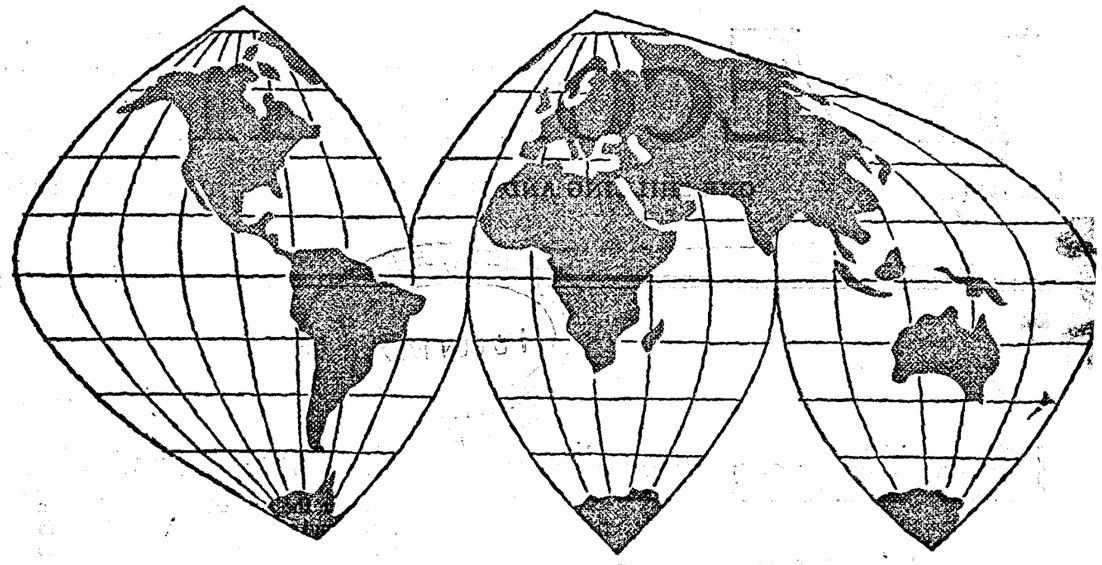
Living with Mr Lee

The first prime minister of the new State of Singapore should be given every chance (page 923)

Annual Postal Subscription by ordinary mail £4.10s.; overseas £5; by air see page 987

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

VOLUME CXCI · NUMBER 6041



WORLD-WIDE RESOURCES

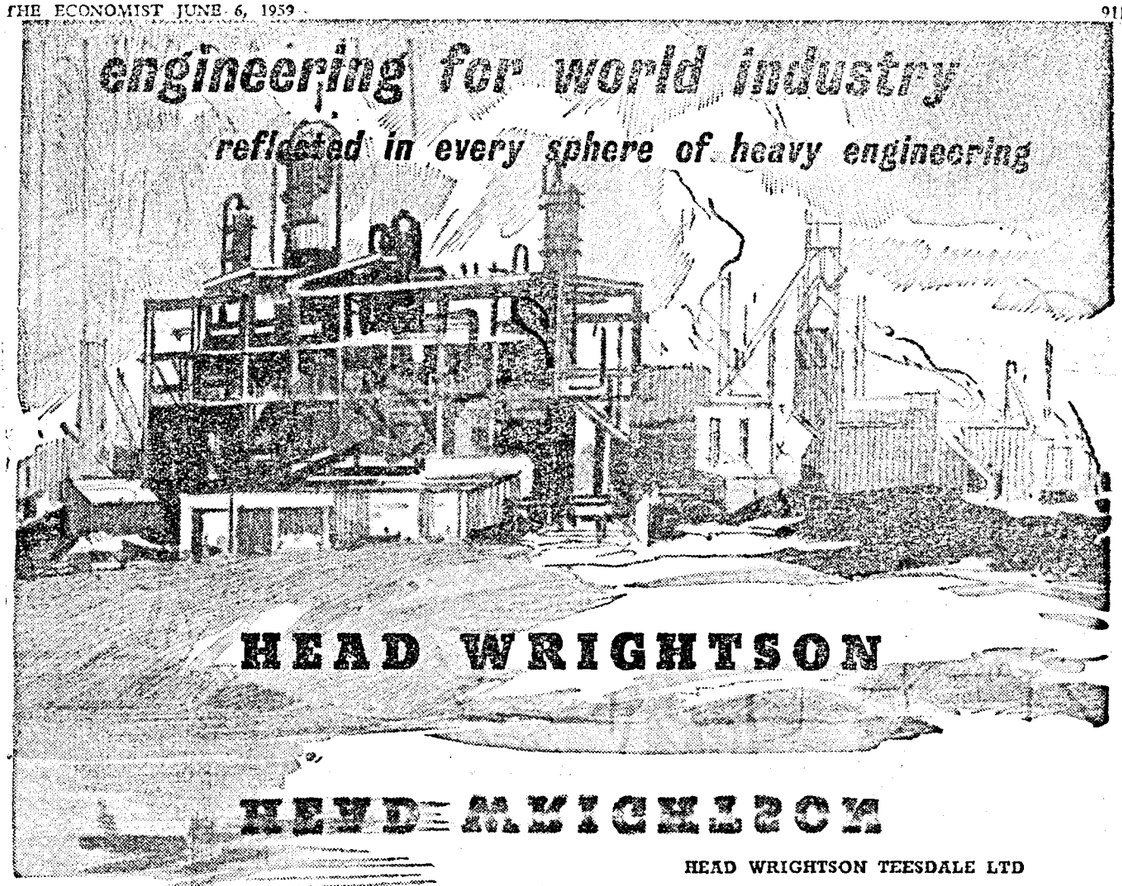
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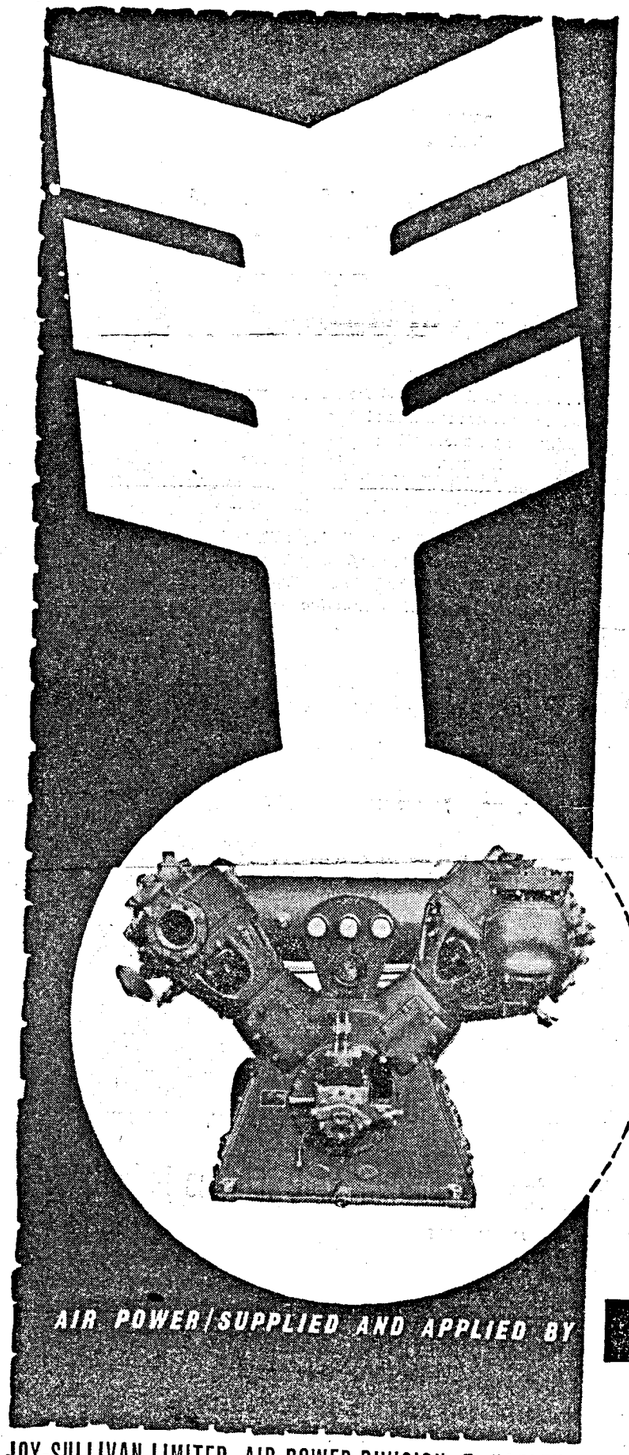
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P.2578

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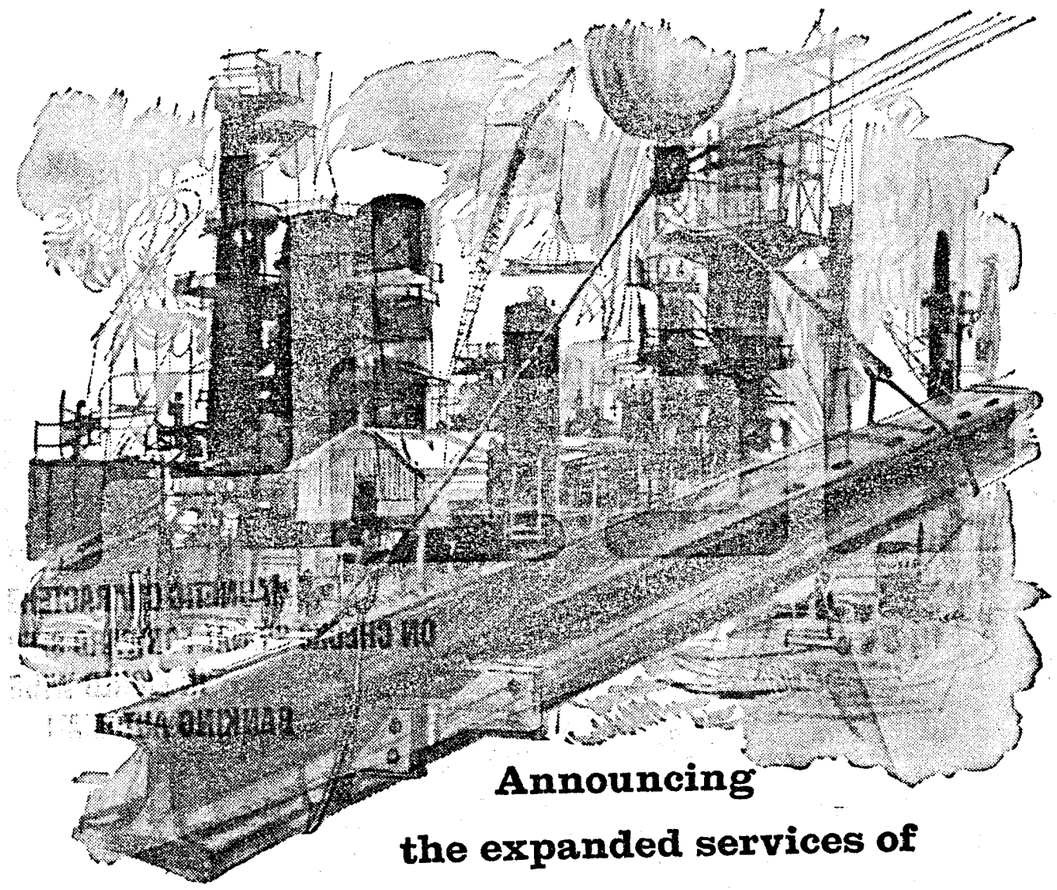
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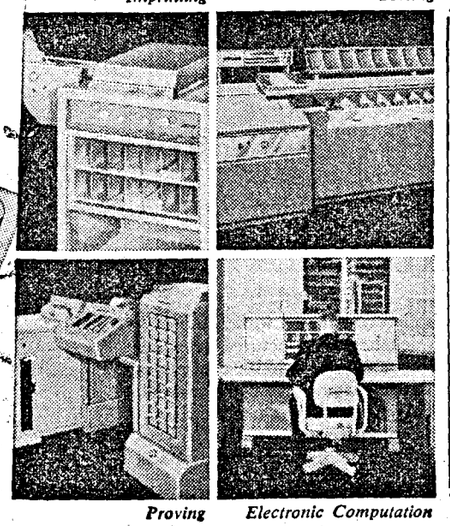
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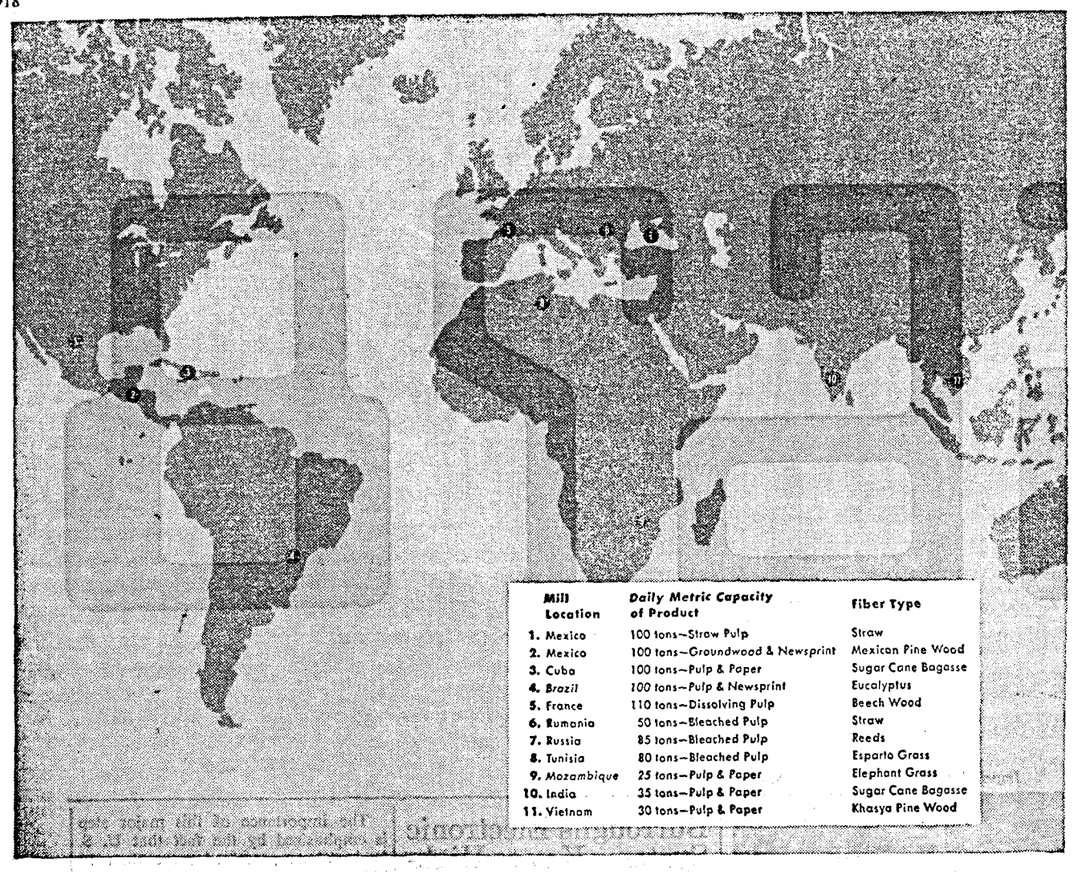
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The Press under Pressure

WE regret very much the present troubles in the printing trade. We apologise for the inconvenience to our readers. *The Economist* is not a party to the dispute that will slow down, slim, and may even stop, its publication this week or afterwards; this paper is simply one customer of a printing works caught up in the conflict. It is altogether right to say that any halt to the flow of printed news and views is in every way a sore misfortune. But *The Economist* can certainly not say of any industrial dispute, even in printing, that any settlement would be better, for the industry or for the national economy, than a stoppage. It will be more to the point, perhaps, to glance at some of the larger issues that lie behind the contemporary upheavals, financial and editorial as well as industrial, in the complex of printing and publication to which we in the trade of journalism belong.

Three sorts of changes are at work. All are interconnected. One is immediately economic; it is the high cost of printing and publishing, from paper and machines to labour itself. Another, and potentially the most important practically, is technological; the printing of newspapers and periodicals, though it is still basically in the same linotype stage of development that saw the birth of Northcliffe's *Daily Mail* two generations ago, is teetering on the brink of a tremendous transformation in the reproduction of words and pictures. The third, and at bottom the most important of all, is sociological. What Northcliffe and his successors set out to do was to cater, by flair and improvisation, for the first products of popular education; what editors and publishers of all sorts have to do now, half a century later, is find the wavelength of their literate (if not literary), affluent and socially shifting generation of readers, provided now in its popular culture and entertainment with all the apparatus (if not the proper understanding) of a scientific age.

Clearly the recent dramatic moves that have taken place in the financial ownership and control of British newspapers and, especially, magazines are the consequence of high-cost economics and of competition, with television as well, for sustaining revenue from advertisements. But they are also the consequence of technological, and still costly, changes in methods of production. Clearly, too, the labour difficulties in the printing industry, still organised as it is on both sides according to an older-fashioned pattern of firms, jobs and processes, are the product of the same economic and technological pressures. Indeed, it is only too easy for journalists to say, aloofly, that the trouble with the printing trade is that it is still trying to run an Elizabethan industry on a Victorian basis. But what all journalists have to recognise is that precisely the same indictment may apply to their own contribution to the common business of disseminating the printed word in the mid-twentieth century.

Editors are for the most part conservative folk—in Ryder Street no less than in other places. They have good reasons for being so. In journalism

as elsewhere the old Victorian virtues are better appreciated nowadays than they once were. Always within the limits set by the ever-present need to make ends meet, newspapers and magazines which have not become simply the vehicles of popular entertainment or merely the carriers of popular advertisements are rightly determined to preserve the sacredness of fair and full news and the freedom of comment. Here is the perpetual dilemma of the middle-sized "less popular popular" British newspapers : to be, at the same time, both good and prosperous. The trouble is that, as with all virtues, these tend to become negative. The question for all these editors to ask, if they wish to keep up their sights and their standards in the old tradition—and if they wish to keep alive—is whether the devil should be allowed a monopoly of the best new songs. The need now, in face of the technological and social revolutions, is to make good journalism as positive and effective, by every modern means, as Walter, Barnes and Delane did for *The Times* a century ago.

This can be, in fact, as large an age of opportunity for editors and for journalists, in the oldest and best sense, as it is for the entertainers, the tycoons and the advertisers (by whom all newspapers live) and the television men. The printed word, properly produced and displayed, still has its own unique place. This, at any rate, was the somewhat apprehensively qualified conclusion reached in the several discussions of some two hundred editors from some thirty countries meeting in Berlin last week for the eighth annual assembly of the International Press Institute. There, as at next week's annual conference of the Commonwealth Press Union in London, a central theme was the impact of television, not only directly on circulations and advertising revenues but also by implication, and more significantly, on journalistic technique. There, too, in Berlin as in London next week, the question was raised of the great part which a free and effective press, if it is allowed to function freely, could play in the newly emerging nations of the world. Certainly there will be no lack of readers anywhere in the world ; literacy grows almost as fast as populations. The task, and the challenge, is to catch and hold them.

There is nothing automatic about the survival of the press in the next half-century. It could be, as Mr Muggeridge cruelly said in Berlin last week, that, just as print has tended to drive out thought, so the screen could drive out print. Survival has to be earned. Publishing, both within itself and in rivalry with other means of communication (and of advertising), is bitterly competitive. But certainly it can be said that the press in all its variety will only survive, and flourish—as it can—if it will adapt itself to the technological changes in its means of production and to the sociological changes among its possible readers. This is true of all newspapers and magazines, from top to bottom. It is a relevant, and salutary, thought as we look on at an old-fashioned dispute in a still old-fashioned industry.

Thunderer over Geneva

"The Times," which has made many ministries, has this week made a bloomer about a minister

By reporting on Monday a prime ministerial conversation with Mr Selwyn Lloyd which evidently had not taken place, *The Times* has made it less likely that it will take place for a long time to come. It is easy to guess how Monday's surprising lead story in that newspaper—about Mr Selwyn Lloyd's "possible transfer [from the Foreign Office] several months ahead"—probably came about, even though to expatiate upon it is to risk the same criticism, that of making fascinating speculation look misleadingly like factual reporting, as is now raining down upon the Thunderer. To pick the government that Mr Macmillan will form after the next general election, if he should win it, is as favourite a pastime in Britain as to pick the next test match cricket team. Up to a short while ago, the majority opinion among armchair cabinet-makers was that there would probably be a change at the Foreign Office. Mr Lloyd's emergence as the most senior foreign minister at Geneva had caused the balance of opinion among armchair forecasters to alter. *The Times's* relatively new—and intendedly livelier—political correspondent accepted or chose the assignment of reporting whether he thought that a movement of Mr Lloyd was still likely.

Either through judgment or hope, he expressed the view that it was. He went further, and opined that "we may safely accept" that Mr Macmillan had already made some such intimation to Mr Lloyd. If the article in *The Times* had been put in the political correspondent's usual Monday morning place, on an inside page, it would have attracted less comment. But, in an edition obviously short of other interesting news, it was put as the main news story instead. Two unfortunate consequences have followed.

By far the most obviously and immediately unfortunate, as our special correspondent notes on a later page, has been its effect on the foreign ministers' conference at Geneva. *The Times* should have foreseen this. Where 1,200 journalists from every quarter of the globe are gathered together, thirsting in a dry land for their daily story, this kind of thing comes like a gift from heaven. The report in *The Times,* accompanied by

every conceivable kind of speculation, was well on its way to Tokyo and Tunisia, to Stockholm and Santiago, before Mr Macmillan's personal telegram of support for Mr Lloyd could overtake it. One must remember that outside this country *The Times* is generally regarded as the voice of the British gods. No amount of denial or derision or careful explanation is going to persuade the editors of the world's press that this kind of smoke can be generated without fire—or that the fire was started merely by a boy scout rubbing two sticks together.

Governments are more cautious entities than newspapers, and one need not assume that either in Moscow or in Washington, Paris or Bonn there will be any immediate jumping to conclusions about the Foreign Secretary's prospects. But there is bound to be a certain suspending of judgment. For perhaps a week or so, both the Soviet and the allied governments will be paying more attention to what is being said about Mr Lloyd than to what he is trying to say to them. That alone is likely to increase the existing discrepancy between the length of this conference of foreign ministers and the very modest scale of the possible results. It is even conceivable that this episode may be enough to tip the balance against any tangible results emerging from Geneva at all.

In case the original wood has by now been lost to sight behind the flowering trees of May, it is worth recalling that the British delegation is the only one that came to Geneva four weeks ago with a positive attitude towards the conference. The Russians had accepted the meeting of foreign ministers only with a sulky grace, as a tiresome formality to be got through before Mr Khrushchev could queen it from his "summit"; the Americans, the French and the Germans were scarcely enthusiastic about conferring at all. Mr Lloyd's position at Geneva has thus been a pivotal one, although the pains he has taken to keep in step with his western partners have been obvious enough to make nonsense of the jibes from various quarters about a "London-Moscow axis." Now, when his fellow ministers' gaze is fixed, momentarily at any rate, not on his mouth or on his gestures but on his future, his special task has been made much harder.

The second and perhaps less obvious misfortune is one that cannot be blamed on *The Times*. This fracas has revealed once again how widely and insidiously changes in ministerial office have come to be regarded as matters of face. This is a most undesirable trend. Other things being equal, one can say that individual ministers ought not usually to remain in charge of major departments of state for much more than three years at a time. Necessarily, this always shaky rule of thumb does not hold good when ministers are in the midst of trying to bring to fruition policies for which they have been largely responsible and in the details of which they are therefore temporarily the most instructed experts. Mr Selwyn Lloyd happens at the moment to be pre-eminently in this position. Possibly, he will still seem the best available Foreign Secretary next year, if a new Conservative government is formed then ; as seen from this distance, there might well be a much better case in early 1960 for saying that—to cite a sample list—the Colonial Secretary, the Minister of Defence, probably the Minister of Labour and possibly even the Chancellor should then be moving sideways to pastures new.

This is not because any of these gentlemen have been failures in their present office; indeed rather the reverse. Generally speaking, when an able minister takes over a department, he will need anything up to six months to get out of his administrative nappies. There follows a period of up to about three years (but not much longer) during which he is well placed to carry through his policies and personal ideas. Then, especially if his immediate policies have been achieved, it becomes very difficult for him to carry forward the momentum of yet further new ideas—not so much because he has been exhausted by what is usually called the gruelling burden of modern office, but because he is by then likely to be impeded in the enactment of those new ideas by the memories of the

The Economist

JUNE 4, 1859

LACK OF CONFIDENCE

This is not a time to change Administrations recklessly, but it assuredly is a time when every effort should be made to secure a Government for England which in the proper sense of the term really possesses our *confidence*,—or, in other words, which is in hearty sympathy with our predominant wishes, and commands as much moral capacity and intellectual strength as the state of parties admits. There never was a time when more important issues were really left to the Administration than at present. It is not only that the long vacation is near, when the Cabinet rules the country without a check ; for even while Parliament is sitting we know only too well that our Foreign Office is almost as independent in its immediate policy as it is during the long vacation. The question to be decided next week will, we venture to say, seem even more important to those members of the House of Commons who least wish to act in the spirit of mere partisanship, than to those who are only interested in the issues of a party-conflict. The administration of the Government during a great war, from taking any practical part in which all England desires to abstain, is a very responsible and delicate matter. It requires not only sober judgment, tried capacity in diplomatic affairs, and studiously cautious practical impartiality, but a complete sympathy with the nation as to the consummation to be desired and negotiated for, as the only conditions which England would recognise as likely to secure a durable peace. On the policy and energy of the English Cabinet very much will, undoubtedly, depend before the second year of the war begins ; on the tone impressed upon our diplomacy now, may very probably hang the kind of pacific solution which will eventually be arrived at. It is no party question ; it is the gravest national question which has been discussed for years, whether the Derby Administration are or are not worthy of the *confidence* of the House and the country. Confidence is clearly not that state of mind which is felt towards an agent who needs constant supervision and control ; on the contrary, it implies willingness to trust much to his principles, much to his abilities, much to his general good feeling and good sense.

fights (and of some of the things he has had to say) while enacting the old ones.

A great difficulty of our politics is that, when the time comes for really senior ministers to move on, there is now often nowhere for them to go except towards apparent demotion. This is one of the very few disadvantages of the British system of recruiting ministers from men who have made their way in (and who continue to maintain daily contact with) Parliament, as compared with the American system of recruiting cabinet ministers who can happily return to their real job of leading big business corporations. It is, incidentally, a difficulty that is much greater for Labour politicians (except lawyers) than it is for Tory ones, who usually can find business directorships if they depart for a while to lie fallow. It is a handicap that is being made much more grievous in modern times by the popular newspapers' habit of assuming that the reshuffle of any minister is a confession of his failure instead of sometimes a hallmark on his success.

The maladroit mistiming of these surmises about Mr Selwyn Lloyd, the slightly comic spectacle of who the commentators are who are now constrained to call that "Selwyn Lloyd must stay," the short-term misfortune of *The Times's* effect on the negotiations at Geneva, all these may be only a few weeks' wonder. But they will be a longer term misfortune if they make people forget that no minister "must stay" for more than a limited period of time. It would be too silly if this newspaper *gaffe* induced Mr Macmillan or any future prime minister to relapse yet further into the grave political vice of showing immutable loyalty to his friends, and to fall yet further from the essential prime ministerial virtue of being, at the right moment, a very good butcher.

Atlantic Isolation

The Atlantic Congress now meeting in London has to consider not only the cohesion of the western alliance but the danger of drawing apart from the rest of the world

REPRESENTATIVES from the fifteen countries now belonging to the North Atlantic Treaty Organisation have come to London to debate the state of their union. This Atlantic Congress, sponsored by the Nato Parliamentarians' conference and opened by the Queen on June 5th, is to look at the relations between the alliance and the rest of the world, and at the health of the ten-year-old alliance itself.

Ten years ago, twelve European and North American countries formed a grand alliance in order to call a halt to the growth of Russian political and military power in Europe—and perhaps one day to roll that power back. Today the map of Europe testifies to the success of the negative, but more important, part of their common purpose ; no new satellite has come into existence, and nobody now expects one to do so. But in 1949 the threat was urgent and the problem clear-cut ; now the apparent lessening of the urgency and the multiplication of problems have robbed the alliance of its early dynamism. In its prospect of the next ten years, the Atlantic Congress has to consider not only the balance of power in Europe but also the state of the cold war throughout the world. One major theme running through the discussions will be the best employment of complementary resources for constructive ends. But every drawing together risks a drawing away from others outside the circle ; the theme of cohesion needs to be balanced by an awareness of the attendant danger of isolation.

The alliance was brought together by outside pressures and it has developed no internal forces to keep it together, if and when the fear of the Soviet Union may relax. The one self-generated and working essay in cohesion within the western world is the common market of six European countries, but this takes in only six of the fifteen allies and indeed sets up fresh antagonisms—and anti-bodies—that create new divisions in Europe. In the political field, the wholly welcome Franco-German rapprochement has, in traditional European fashion, only been effected with some drain on the good will of both these countries with Britain ; there is suspicion and competition whenever any one government takes any initiative on its own in relations with Moscow.

Stresses and strains of this kind are evident enough to deserve attention, but not grave enough to imperil the basis of the alliance. The same generalisation holds for the state of feeling between the United States and Europe. On the European side there are lingering fears not now of American imperialism but of American isolationism, enhanced by the belief that the increase in the range of missiles is reducing America's need for overseas bases. Yet in the next ten years the danger of the United States coming tardily to the aid of Europe may become less real than a European inclination to contract out of what may seem to be America's war. This new form of European neutralism is the one thing that, if it were not checked, might cause the United States to lose faith in the alliance.

These are some of the disruptive factors within the alliance itself. But the Atlantic Congress is to examine not only Nato's own cohesion, and the state of play with the Soviet Union, but also its relations with the free and uncommitted world. In the last ten years, Nato's horizons have broadened. In Asia, the victory

of the Chinese communists has extended the scope of the cold war to an area where the West is distrusted because of its colonialist past. In Africa, four members of Nato have continuing colonial interests, distracting their energies and even diverting their troops—the Algerian war is one of the most serious drains on Nato's land forces. So far it has had to be accepted that, since there was no agreement on African policy as there was on European defence, these colonial preoccupations could be none of Nato's business. Although there is machinery within the alliance for meetings of the foreign, finance and defence ministers of the member countries, there is no forum for the discussion of colonial affairs.

YET the ill-will that attaches to a particular western ruler is easily extended to the West as a whole ; the distinction between one European and another is often no more apparent to an African today than it was to a Levantine a thousand years ago. The point is that, in face of the basic African determination to be rid of every foreigner, the West does not try to co-ordinate its tactics. The British, and perhaps now the Belgians, realise that sooner rather than later they will have to cease to rule ; the French appreciate very well the need for change in western and equatorial Africa, but their policies are obfuscated by their obsession over *Algérie française* ; whether the Portuguese think at all about their future in Africa is obscure. Because of their different attitudes and problems, all four colonial powers recognise the need neither to pool information nor to co-ordinate their next moves. And the United States keeps at arms length and with eyes shut.

Outside the colonial territories, the West has also to reckon with a pervasive anti-western feeling that is inclined to equate a white skin with an unfair share of the world's goods. The Russians are usually left out of this opprobrium ; since in the nineteenth century they failed to get their slice of Africa and were late to profit from the industrial revolution, they are not generally included in the regiment of overprivileged whites. This division between the well-to-do millions and the poor billions is becoming perhaps the most important factor in international politics. It not only embarrasses the conscientious ; it also begins to perturb the political realist. Ten years from now, a second decennial Atlantic Congress may be giving at least as much of its time to the isolation of the West from the rest of the world as to the techniques of cohesion within the alliance itself.

Living with Mr Lee

Britain has gambled on Singapore's statehood —and on Mr Lee. He has to be given a fair trial

THE emergence of the new State of Singapore is not unmixed with mercies. The People's Action Party, winning 43 of the 51 seats in the legislative assembly, has demonstrated that it is the one popular and coherent force at present in the island. Since the Colonial Office decided to accept political realities in Singapore, the eventual confrontation with Mr Lee Kuan Yew and his party has been inevitable. There is a benefit in not having it too long delayed. Mr Lee's decisive success, even although assisted, and electorally magnified, by the divisions among the other parties, now saddles him with responsibilities. He must be given the chance to live up to his own words: not the preposterous words about the "foreign-controlled press" and the bellicose anti-white declarations that are part and parcel of a PAP electoral campaign, but the more sensible appreciations of Singapore's place in the evolving world of South-East Asia that he has also made. Mr Lee is a clever man ; it remains to be seen if he is an able one.

His first duty, as he has described it, has been to secure the release of the pro-Communist PAP members, principally Mr Lim Chin Siong, who had been imprisoned since the 1956 riots. There are indications of a greater understanding on this issue between Mr Lee and the governor, Sir William Goode, than the party's electoral demands suggested. Mr Lee has had to make good his promise, but it is plainly not unhelpful to him to have it emphasised that he won a popular mandate for himself before achieving an accommodation with the governor over the release of his own extremists and potential rivals. This recognition of personal authority is of primary importance in the situation in which Mr Lee finds himself. The polite exchanges over the detainees earlier this week ended in exactly such a solution. Mr Lee can now stand forward as both victor and liberator. It may be his last easy success.

Two of Mr Lee's latest declarations on internal financial policy are mildly encouraging. He said on Monday that he intended to impose no restrictions on capital moving out of the island "in the immediate future." His handling of the business community is the first test of his realism. He is perfectly well aware that Singapore's present prosperity—the national income per head of population is several times greater than in most Asian countries—depends on the preservation of its existing trade. Even more, its soaring birth rate, which now brings 25,000 young workers on to the labour market each year, makes the attraction of fresh investment capital indispensable. During the election, the PAP vigorously denied its opponents' claims that 36

Singapore firms intended to move across the causeway to Malaya if the party formed the new government. But the mere possibility is serious enough. Mr Lee's own strictures against foreign capital in "the propaganda business"—meaning British-owned newspapers—have scarcely been reassuring.

Now Mr Lee has sensibly declared that he means to keep Singapore's fiscal policy generally in line with that of the sovereign Federation of Malaya. This follows his constant professions that he will do nothing that would further separate Singapore from Malaya. That union is his ultimate aim. He has even promised to stop the teaching of Chinese in the state schools, and to make Malay the overwhelmingly Chinese island's official language. These are necessary verbal overtures to the distrustful Federation; how far Mr Lee will be able to carry them into effective policy is highly doubtful. The claims of his extremists, and financial emergency, may eat away his words in a matter of months. For the moment, the Federation is keeping the wariest of eyes on Singapore. Yet ultimately the reconciliation must surely be attempted.

The big test for the Malays will be how Mr Lee deals with his communists. He has said that he is non-communist, not anti-communist; but he has also announced that his party means to take a democratic stand. For the moment the Singapore communists are unlikely to argue with him. The Malayan Communist Party has learned some hard lessons since it went in for armed uprising in 1948. It prefers now to infiltrate into legal political parties, trade unions and other organisations, particularly in Singapore where it has already made considerable progress within the PAP's left wing. This process will continue. Sooner or later, it must be expected, the internal security council—on which Britain and Singapore will each have three votes and Malaya one—will be seized with some case concerning communist subversion. The casting vote will then be with Malaya. This argues for the closest understanding in Singapore of the needs and susceptibilities felt by the Federation government; and in a wider sense it argues, even more strongly, for an understanding of South-East Asian affairs as they are seen in Delhi. Mr Lee's awareness of the world he lives in—which is nothing like as simple an affair as his post-election claim of a victory "of right over wrong, clean over dirty, and righteousness over evil" suggests he sees it—is on trial.

For Britain, Singapore's statehood is a gamble that had to be taken. Even if there are serious doubts of Mr Lee's ability to hold his extremists in check, these cannot affect the readiness of the Government to give him a fair trial. The more talk there is about another British Guiana within six months, the more likely such a breakdown becomes. The long-term future of the Singapore bases is anything but assured. Yet Mr Lee has said that under the present constitution the bases are in British hands and are bound to remain there at least until Singapore merges with Malaya. The fact that the bases give employment to 45,000 people is not unimportant. Mr Lee has thus been able to talk in terms of 10-20 years before the changeover he envisages is completed. Britain's gamble on statehood—and on Mr Lee—may not be justified by events, but the alternative would be even more disastrous. The Singapore bases would be untenable if Britain had to hold down an island population which is united in its will for self-government. Singapore and its communities now have the chance to work out their own salvation—or to fail conclusively.

NOTES OF THE WEEK

FRANCE

Almost a Crisis

It has almost been like old times. The Fourth Republican survivors in the French National Assembly reasserted themselves last week, demanding the right to vote on discussions arising from ministerial answers to questions. M. Debré's tart rejoinder relied on the terms of the new constitution. The massed Gaullist ranks agreed with him, although the search for a compromise continued this week. Then the Senate—where Fourth Republicans are better represented—tried its hand at a crisis, too. It also wants extended debating and voting rights, and the resignation of two of M. Debré's ministers, both of them senators, on May 27th suggested that some members of the government were thinking the same way. M. Berthoin's departure from the ministry of the interior aroused momentary fears that M. Soustelle might put in his old claim to the job, but M. Debré avoided all dispute by appointing yet another civil servant, M. Pierre Chatenet, to his cabinet.

On Tuesday, the Senate went still further, deciding to debate the question of ex-servicemen's pensions after M. Debré had sternly forbidden such a liberty. M. Debré claimed that the Senate's action was completely unconstitutional. The fact that the cut in these pensions has proved perhaps the most unpopular of the regime's financial measures of last December has played its part in the dispute. The affair looks like ending in the Constitutional Council, the special body set up to decide such matters. How many of these signs of a reviving parliamentary spirit have actually been observed by the public is a nice point.

M. Debré's Algerian policy is the next parliamentary preoccupation, with the Socialists now formally opposed to the government. The Algerian electoral college—in which Europeans and Moslems voted together for the first time last weekend—has returned a body of 32 senators distinguished, if anything for their economic rather than political

interests. Local extremists, like M. de Sérigny, and "outsiders," like M. André Morice and M. Jean Dides, both fared badly. The emergence of a minor difference of opinion between M. Soustelle and M. Chalandon on which candidates to support in Algiers itself does not seem to have disrupted the UNR party, as some reports had suggested. But if this week's mission by the Moroccan Crown Prince to arrange a meeting between General de Gaulle and Mohammed V at the end of July manages to upset right-wing susceptibilities, there could be trouble ahead.

A Murdered Lawyer

On Monday afternoon the Montparnasse cemetery in Paris was the setting for an unusual ceremony. For once Algerians and Frenchmen mingled freely in a crowd of some three thousand gathered to pay a last tribute to Maître Ould Aoudia, murdered two weeks ago, presumably by "counter-terrorists." M. Aoudia, a Kabyle and a Catholic, was a young lawyer who made no secret of his nationalist sympathies. He belonged to that small group of barristers who, despite repeated threats, go on defending Algerians, including FLN terrorists, before French courts. It now seems clear that the threats are not empty.

Demands that the killers should be promptly brought to justice were made this time even by papers whose views on Algeria are diametrically opposed to those of the murdered man, for the question at stake is not merely whether the French cause in this conflict is just or not. It will be impossible to claim that France gives a fair trial even to its foes if lawyers who venture to defend them are to fall victim to "avengers" who do not fear retribution. At protest meetings held in Paris this week it was openly suggested that these "avengers" have accomplices among the police and protectors in very high quarters. This theory is backed by precedents, of which the best known is the "bazooka affair." In 1957 an attempt was made on the life of General Salan (then commander in Algeria and considered "too soft" at the time by some of the "ultras") and an officer was killed in the process. Investigations dragged on for a curiously long time. When the trial was finally staged at the end of 1958, the principal accused had miraculously escaped from police supervision. He heard of his sentence from a safe hiding place abroad.

Only by doing all it can to bring the killers, whatever their connections, to a prompt trial will the government answer the suspicion that the really guilty hand is not simply the one whose finger was on the trigger. Otherwise, the tragic Aoudia story will join the list of cases which make some people think that the Algerian war has brought the law of the jungle not only to the battlefield but even to the country which was the birthplace of the Declaration of the Rights of Man.

NOTTING HILL

Other Areas' Fault?

Most conscientious MPs have come back from the Whitsun recess deeply worried by the renewal of evidence about racial antagonisms in Notting Hill and elsewhere, but not at all clear what they can do about it. This is a matter which requires careful thinking out. The root of London's trouble is that, outside a few limited areas which are becoming little Harlems, the immigrant West Indian finds it impossible to rent working-class accommodation.

Where other sorts of "embarrassing" tenants are concerned—people with lots of noisy children, for example—the prejudice against them is usually countered in a free market by their having to pay slightly more per room. Although West Indians are only too willing to afford more per room, by the process of doubling up, they have not been widely assimilated in most parts of London through an edging up of prices against them in this way; perhaps the continuance of rent restriction on unfurnished working class accommodation has had something to do with that. The only areas in which West Indians can rent rooms at all are those in which rent restriction has become a dead letter. In the Notting Hills, West Indians are being charged rent far above the level permitted by law for unfurnished accommodation or dictated by custom for furnished rooms. Originally this rack-renting in cheap property was done mainly by richer West Indians themselves, but now a new sort of white landlord has moved into this profitable business in Notting Hill and elsewhere; sometimes any tenant who intends to appeal to the rent tribunal has been deterred by threats of physical violence.

Obviously, all efforts at physical intimidation should be put down with the full force of the criminal law. Another suggestion is that Kensington borough council should itself bring all cases of excess rents before the tribunals; this is more doubtful. For concentration on the minor problem that in some areas coloured people are charged too high rents misses (as the rent laws themselves exacerbate) the major problem—which is that in most areas coloured people cannot find accommodation at all. There seem to be two ways of tackling this major problem; both of them are difficult, but neither is impossible. First, when a particular group of citizens finds it difficult to get private accommodation, a strong case arises for granting them special privileges in access to public housing; in other words, local councils in the London area could be asked to provide more places for coloured tenants on their council housing lists. Secondly, it could be made illegal for any private person who offers accommodation for letting to discriminate between applicants on grounds of colour alone. This law would not always be easily enforceable; but it would have some marginal effect in the right direction.

RACE RELATIONS

Shouting Across the Gap

What Hamlet would rightly have called a tragical-comical-historical scene was enacted this week on a train between Durban and Johannesburg. Chief Albert Luthuli, the Zulu president of the African National Congress, was on his way to make his last public appearance before withdrawing to his home in rural Natal, where he has just been sentenced to remain for five years. White newspapermen who tried to interview him on the train were forbidden by the police to enter his "non-European" coach; and he was likewise prevented from entering their "white" one. The interview, such as it was, took place with Chief Luthuli and the correspondents shouting across the gap between their coaches as the train rumbled across the Transvaal.

This episode neatly symbolised the whole disastrous effect

of segregation, in all its forms, on human beings' ability to communicate with one another. Idealism as well as interest may admittedly inspire some of those who, whether in the Union, elsewhere in Africa, or in the American South, support social or educational separation of the races—and even some of those who, in totalitarian states, erect curtains of silence to prevent impious thoughts from reaching their subjects' ears. But the net effect is always a state of affairs in which one human group has little idea what other groups are thinking. And, ironically, it is always the man who has thus insulated himself (be he a white boss or a red one) who is most ready to cry: "You don't understand these people—I do," even when visitors from outside have demonstrably made contact more successfully than him, the Man on the Spot. It is this kind of self-blinkering that fosters such delusions as the idea that, once the Luthulis and Bandas have been shut away, "moderate" leaders will replace them. When communication has been reduced to shouting across a wide gap, above an ominous rumble, it is only the strident voices of the extremists that will make themselves heard.

TRADE UNIONS

A Parliament for Industry?

THE one major union fortunate enough to be holding its annual conference by the sea this week is the giant National Union of General and Municipal Workers, 750,000 strong and one of the most responsible unions in the country. Its relative conservatism is ensured, on the one hand, by its widely scattered membership; unlike the other big general union—the TGWU with its dockers and busmen—it has no guards divisions which it could easily call out on strike. And it is buttressed, on the other, by its rigidly entrenched leadership; officials in the NUGMW, unlike those in most other unions, are appointed for life. This year's conference has been even more right wing than usual. First, it has been that remarkable rarity, a union conference which has not put forward a single wage claim; the leadership want to concentrate on the drive towards a 40 hour week instead. Secondly, all the talk about strikes at the conference has been of other people—such as the boilermakers—calling too many of them, and thus throwing NUGMW members out of work.

Thirdly, and most interestingly, Mr Jack Cooper devoted much of his presidential address to urging greater co-operation at the highest level between unions and employers to map out and implement a "policy of controlled expansion." These remarks followed hard on a recommendation put out by the TUC this week that co-operation through the Joint National Production Advisory Council on Industry should be much strengthened; under certain circumstances, they could be a significant straw in the wind. Ever since the war, the "standard" for wage rises in any one year has usually been set by some arbitrator or nationalised industry running away from some individual trade union's pressure at a moment of crisis. Mr Gaitskell, for one, has always had a yen that, under a Labour government, this "standard" could more logically be determined by some vague and amorphous grouping of big employers and unions, representing many different industries, sitting round a table and making recommendations, after listening to an address by a Labour Chancellor which would no doubt call for "reasonable restraint." One may doubt whether the recommendations of such a body would ever, in practice, be united and therefore significant. But significantly or not, wisely or unwisely, Mr Cooper's remarks about a "parliament for industry" and the TUC's call for a stronger NPAC can be read to mean that one section of trade union thought is at present inclined to view such an experiment with rather greater favour than heretofore.

Last Year's Strikes

WHILE this peaceable union conference has been in progress, the Ministry of Labour has published the final full official figures for last year's industrial disputes. The total number of days lost in 1958 was 3½ million, and it is no surprise to learn that they were thus well above the average of 2 million days per year lost between 1933 and 1956. What may surprise some people, however, is to learn that the 1958 figure was still well under half the 1957 total (which was swollen by that year's prolonged rolling strike in the engineering and shipbuilding industry). As is the usual pattern, over two-thirds of the time lost last year resulted from only six major strikes while, at the other end of the scale, 2,000 strikes accounted for 3.5 per cent of the losses; and slightly under half the strikes were over wages. Again as is usual, the most disturbed industries were mining (with 2,000 disputes, mainly unofficial), motor vehicles, shipbuilding and general transport. Last year, among the major groups, only white collar workers, printers, china and leatherworkers had a completely clean dispute sheet.

Nevertheless, the cost to the country of these 3½ million man days lost by strikes in 1958 can only have been a relatively few millions of pounds. It needs to be measured against the gain to the whole community from standing up to some of them. The cost of living in April was fractionally lower than in April a year before. The index of wage rates in April was some 3½ per cent higher than a year before, but was standing stable at the same level as in February and March of this year, a good augury for price stability to come.

COLONIAL DEVELOPMENT

CDC Fights Back

THE Colonial Development Corporation is often criticised for doing too much or too little. In his last report before he resigns from its chairmanship, Lord Reith hits out at his critics by exposing the frustrations of his job. The difficulty of obtaining an official seal to CDC projects has meant that though in 1958 more new schemes were considered than ever before, only five of them were finally approved. Applications for loans are held up for innumerable reasons; for instance that the project is outside the corporation's powers, or is not immediately justifiable by the financial return. As Lord Reith exclaims impatiently: "the emphasis often seems to be heavier on the negative of doing nothing than on the positive of encouraging development." He sums up an unhappy situation:

> Unfortunately 1958 was not a happy year. . . . as CDC came to real terms with itself in its task, relations with government departments became such that the corporation felt frustrated and discouraged.

There is still the wretched hiatus between colonial territories and independent, self-sufficient states. Despite the



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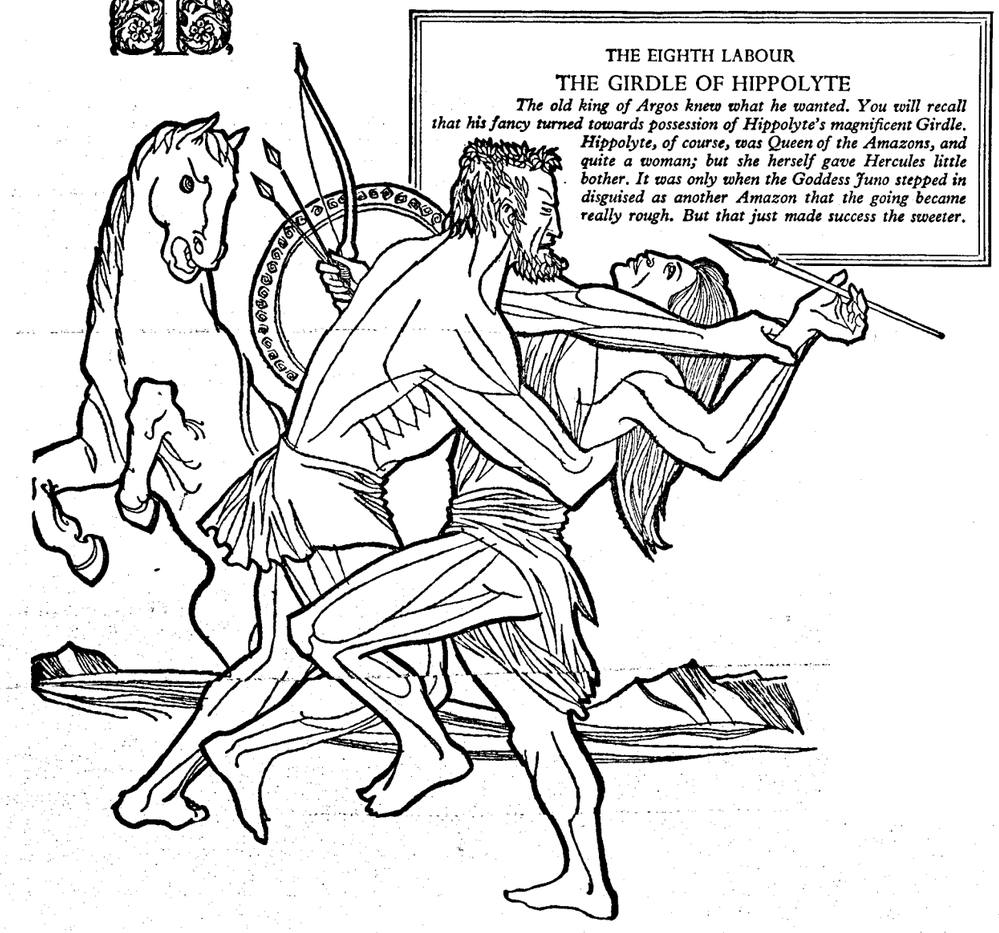
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THE GIRDLE OF HIPPOLYTE

The old king of Argos knew what he wanted. You will recall that his fancy turned towards possession of Hippolyte's magnificent Girdle. Hippolyte, of course, was Queen of the Amazons, and quite a woman; but she herself gave Hercules little bother. It was only when the Goddess Juno stepped in disguised as another Amazon that the going became really rough. But that just made success the sweeter.

Do you know those problems which seem to be solved and then flare up again at the eleventh hour? They're common enough in a world of technology. And Hercules has learned the best way of dealing with them—solve them completely to start with. Pentalyn Resins, Cellulose Acetate, Hercolyn liquid Resin, are three of his many weapons. Respectively they can abate problems in printing inks, plastics and plasticising, usually very thoroughly indeed.

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good intentions expressed at the Montreal conference last year, there is no government machinery for helping the emergent territories to develop their resources. The only West African scheme approved in 1958 was for a new hotel in Sierra Leone. The corporation is debarred from any new activity in Ghana now that it is independent, and with time running short in Nigeria no new project was set in motion. Perhaps more than any other colonial territory, Nigeria calls out for development; but, as Lord Reith predicts, many schemes there will probably still be in the air when the services of the corporation are shut out next year. The corporation's functions are strictly, and perhaps unnecessarily, limited but even within these limitations it is able to do pitiably little.

ALBANIA

Peninsula of Peace

MR KHRUSHCHEV has seen about as much of Albania as there is to see: after visiting Scutari in the north he travelled to Korcha, a town near the Greek frontier and the former seat of a French lycée where Enver Hoxha and other Albanian communist leaders had been introduced to Marxism, in days long gone by, by their teachers from Paris. On May 31st, most of the Russian visitors, apart from Mr Khrushchev and Marshal Malinovsky, left for Moscow; a day later, *Pravda* printed the text of a joint Soviet-Albanian communiqué. It proposed a Balkan zone free from atomic armaments; it also announced the readiness of both parties to "continue to develop their relations with Jugoslavia on the basis of mutual respect, equality and non-interference in domestic affairs." Apart from the Russian visitors, the Albanians entertained a Chinese military delegation led by Marshal Peng Teh-huai. General Balluku, the Minister of Defence, treated them to a speech punctuated by references to the "leading role" of the Soviet Union in the communist movement; replying, the marshal gave full support to Mr Khrushchev's proposal to transform the Balkans into a "peninsula of peace"; and he added that, in spite of geographical distances, "we are closely related by the struggle against revisionism."

The Jugoslavs have doubtless taken a keen interest in these pronouncements; they may, however, have difficulty in deciphering their message. Although Mr Khrushchev is likely to have advised his friends in Tirana to lay off, for the time being, making over-articulate references to the "filthy flag of revisionism" carried by their neighbours, he spoilt his record of moderation towards the Jugoslavs by dwelling too much on the help Russia could render the Albanians in case of an attack. As the Soviet premier sees it, Albania can be thus helped in spite of the fact that it has no common frontiers with the countries of his block: the Jugoslavs may choose to interpret this statement as a provocation, and protest. The Balkan peace zone proposal, however, presents a more important challenge to Belgrade. Temperamentally, Marshal Tito might be inclined to support it; but any such inclination would be tempered by other considerations, including those of Jugoslav relations with other communist countries. As far as Mr Khrushchev is concerned, this proposal and Belgrade's reactions to it will clearly serve as a test case of Marshal Tito's intentions about coming back or staying out of the fold; and future Albanian attacks on "revisionism" will certainly be regulated according to the Jugoslav reactions.

SUDAN

State of Confusion

THE Sudanese coup d'état last December was, by all accounts, a gentlemanly affair. There were no arrests and there have been no stage trials of the sort that has become fashionable after changes in other Middle Eastern governments. During the past few weeks, however, the game of politics in the Sudan has been getting rougher.

A fortnight ago, a report from Cairo described communist efforts to persuade other political groups in the Sudan to join them in forming a "popular front." The minister of local affairs, Brigadier Abd al-Rahman Shennan, was said to be regarded by the Sudanese communists as the most likely candidate for "strong man" if the popular front could form a government. He is not a communist, but he is anti-Egyptian. The Cairo report was officially denied in Khartoum, but apparently the government is taking no chances. Brigadier Shennan and several members of his family were put under house arrest on June 1st. The minister of communications, Brigadier Mohieddin Ahmad Abdullah, and about twenty other army officers have also been arrested.

It is still not clear whether the trouble in Khartoum arises mainly from local discontent with the way the present regime is running the country, or if there is really some sinister outside influence at large in Khartoum. The junior army officers, lieutenants and captains, may only be trying to find the quickest way to become captains and majors. The Egyptians may be trying to discredit their opponents in the Sudan government before they have to begin negotiations on the use of Nile waters. Perhaps these things are all happening at once, and the communists are hoping to move in while their enemies are in confusion. They may be disappointed. In another set of arrests, the government has gaoled 24 known communists and intends to keep them there. There is no indication that an early date will be fixed to try them for whatever crime they are accused of committing.

CRIMINAL LAW IN PRACTICE

The High Cost of Innocence

THE popular press has performed a real service by drawing somewhat lurid attention to a recent case in the courts. This was the so-called "kiss-in-the-car" case, where an engaged couple were accused of committing an "act of lewd, obscene and disgusting nature"; they elected to be tried by jury, were acquitted, but found themselves some £500 out of pocket—the costs of their defence. Had they been tried by a magistrate's court, their costs would have been much slighter; but so, it is said, would also have been their chances of acquittal, for the prevailing view is that, where it is your word against that of the police, a busy magistrate is more likely to believe the police.

This means that an innocent person may be badly out of pocket in establishing his innocence. Under the present law, an acquitted person may recover his costs if the judge, or chairman of sessions, so orders. But the courts rarely exercise their discretion in the accused's favour, and there are two arguments against their doing so as a matter of course. The first, which should carry very little weight,

is that a grant of costs is tantamount to saying that the police should not have brought the case. The second argument against a readier grant of costs is that the withholding of them might then be taken to mean that the judge believed that the accused was really guilty—whatever the jury said. This argument has more force. But it is not entirely convincing. At the very least one can ask for an official judicial view on the principles that should guide courts of assize and quarter sessions in granting costs. That should help to establish whether there is any uniformity in the exercise of the courts' discretion. Once it had been issued there might be room for searching political debate whether the principles should not be significantly extended.

The Varying Cost of Guilt

ANOTHER case that has been in the news has been that of the widowed mother, who was sentenced to two months' imprisonment for cheating the National Assistance Board. She is now out on bail, has been taken under the (presumably profitable) wing of a national newspaper, and has appealed; any discussion of the magistrate's action in this particular case is therefore ruled out for the time being. But there has been a great deal of general comment recently on the admitted lack of uniformity in sentencing between one court and another. Research is, in fact, being carried out into sentencing policy. The courts must have some discretion in imposing a sentence so that they can take account of mitigating or aggravating circumstances, and of the personality and previous history of the accused. There are, however, many cases, superficially the same, which one judge will punish by imprisonment and another by a probation order. Do these discrepancies depend on the judge's or magistrate's own personality—and perhaps on his liver?

In the meantime, while this research is being pursued and the widow's case goes to appeal, *Justice* (the British section of the International Commission of Jurists) has performed a useful service in pointing out* the extraordinary discrepancies in the maximum penalties laid down by the law. Many of these discrepancies still reflect the insecurity felt by the established order towards its institutions. Piracy can carry the death sentence; sacrilege can carry life imprisonment and so, under the common law, can bribery of public officials and cheating generally. Other anomalies reflect the greater respect shown by the criminal law towards property than towards the person; thus, many forms of larceny can carry sentences of seven years to life imprisonment, whereas many sexual offences have a maximum sentence of two years. *Justice* recommends the setting up of an official inquiry into the revaluation of the penalties imposed by the criminal law. Such an inquiry could, as *Justice* recognises, profitably extend from archaic penalties to archaisms—like Sunday observance—in the laws themselves.

YEMEN

New Deal

THE Arabic title of a Yemeni prince is *Sword of Islam*. There are not many left. Of perhaps a dozen brothers of the reigning Imam, only one or two remain. They have succumbed to disease, assassination and the headsman's axe. The family affairs of the Yemeni royal house have not run smoothly since old Imam Yahya was machine-gunned to death while on an afternoon outing near Sanaa in January 1948.

Yemen is far behind the rest of the world in every kind of development, but it is not lacking in natural resources. All over the country there are signs of a former agricultural prosperity. In the recent past, while dreaming of getting rich on oil that has yet to be found, the ruler neglected agriculture and taxed farmers so heavily that they preferred to chop down their trees rather than pay taxes on them in bad years. Thousands of Yemenis, unable to bear the burdens imposed on them by an oppressive government at home, have emigrated to neighbouring countries, where they have become useful citizens and industrious workers.

Among the few surviving Swords of Islam is Crown Prince Muhammad al-Badr, the only adult son of Imam Ahmad, who did not, as a young man, show promise of becoming a forceful leader. Now, however, that his father has been packed off to Rome for treatment of the half-dozen killing diseases that rack his tough old frame, the crown prince has given the government a good shaking up. He has made new appointments in all departments and promises a new deal for his people. He has urged the expatriates to come home and put their capital and their experience to work for the glory of Yemen.

Since the Imam left for Rome, and while the crown prince has been consolidating his position in the country, the border between the Aden Protectorate and Yemen has been quiet for the first time in many months. On May 18th, a Yemeni delegation arrived at Aden to discuss common problems with Aden officials. The talks never got started, because the Yemenis refused to negotiate with any of the Arab rulers of the newly formed Federation of Arab Amirates of the South. Now that the Yemenis have returned to Taiz, it remains to be seen whether the border remains quiet. If the crown prince is going to allow his people to catch up with the times, and if he wants to encourage the expatriate Yemenis to return, he will have no time for meddling in protectorate affairs.

SOVIET UNION

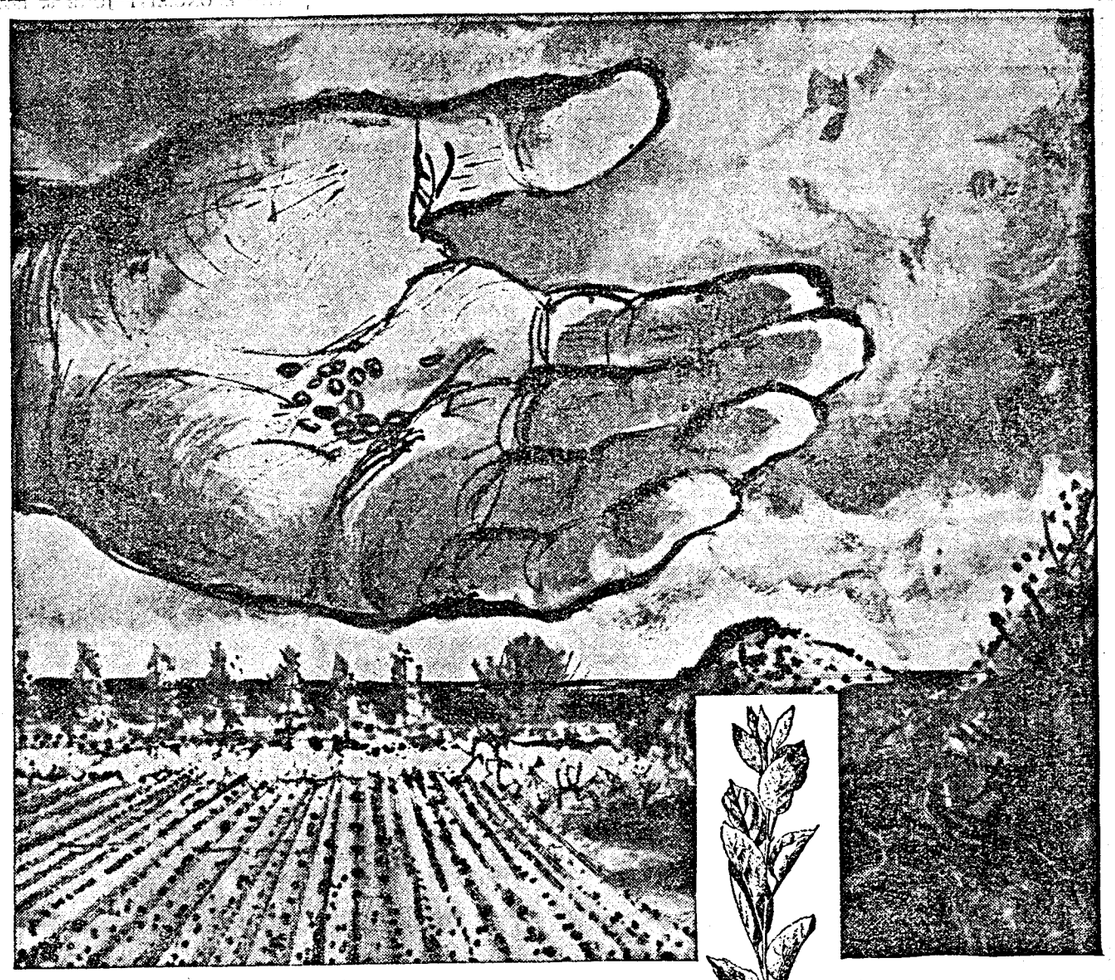
Wives at Work

WOMEN account for 43 per cent of Soviet non-agricultural employment, so that there must be about 25 million women working in towns alone. They actually outnumber men in teaching and the medical profession. But even in the Soviet system it is difficult to combine an outside job with looking after a family, and the government has now taken further steps to make this easier.

One is the amalgamation of nurseries—for infants up to three years—with kindergartens, which keep children up to the age of seven. Up to now, the two together have been attended by 3.4 million children, which is scarcely more than a third of urban children in that age group. It is hoped that the amalgamation and improved services will help to increase the proportion. The extension of boarding schools, foreshadowed last year by Mr Khrushchev, may also have been partly prompted by a desire to lighten family burdens. There are only 180,000 Soviet school boarders now; there should be 2.5 million by 1965.

Meals are another big problem for the working woman, and public catering facilities—and standards—are still

* Legal Penalties: The Need for Revaluation. *Stevens.* 3s. 6d.

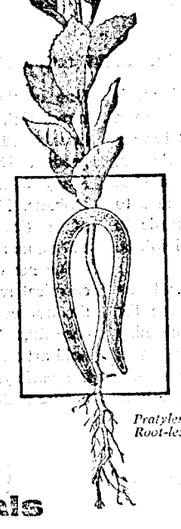


So grows a tree

Seed and shoot, sharpness of bud, first paired leaf. So grows a tree: On which one day a child may swing or lovers carve their names, a tree which can outstature the man who sowed it, yet may be killed by something no greater than a speck of dust.

Individually, root-lesion nematodes (*Pratylenchus penetrans*), are almost invisible to the naked eye. But in their teeming swarms—many thousands may feed on the root system of a single seedling tree—they are capable of such destruction that an entire nursery may be made utterly useless, and the land have to be abandoned. Even crop rotation is of no avail, for the nematodes return to the attack the moment the original crop is replanted, even after an interval of several years. The only hope is complete fumigation of the soil, and in the Netherlands, where agricultural land is restricted and every acre must be used to advantage, it has been found that there is one outstanding method of such soil-cleaning: with D-D Soil Fumigant, developed by Shell.

Injected in the autumn, the dark brown D-D liquid rapidly vaporizes into a powerful penetrating gas. The following spring, the nursery can be re-sown, with the knowledge that the young trees will live and grow unmolested by nematodes, and that the soil will remain sweet and clean. In one nursery in Holland, for example, excellent crops were raised in D-D treated soil *three years after application.*



Pratylenchus spp.
Root-lesion nematode x 100

D-D

So grows a tree. And so also grows the ever-increasing list of important crops effectively and economically protected by one or more of the Shell pesticides for world-wide use. Between them, aldrin, dieldrin, endrin, Phosdrin, D-D and Nemagon control virtually every significant world pest, both below and above the soil. If you have a pest problem, consult your Shell Company. Whatever Shell does, Shell does well.

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The Philharmonia Orchestra of London

Sweet music for housewives

Yesterday's washboard is today's musical instrument. Cleaning goes with a swing. Soon perhaps we shall have a concerto for spin-dryer and orchestra, washing-machine and strings untied. For today the sound of these aids to easier housekeeping is sweet music to women in many countries—and will be in many more.

Engineer, designer, chemist... all play important roles in making home life easier. And where washing and cleaning is concerned, the work of chemists in developing synthetic detergents has brought about a domestic revolution. One of the world's leading manufacturers of the base materials for detergent liquids and powders is Shell: one of its products, Dobane P.T. (*dodecyl benzene*). Many a famous brand is based on Dobane. Many a wash is whiter because of it (including, maybe, musicians' shirts), many a day less tiring.

But not only in detergents does Shell chemical research and production help the housewife. Shell plastics bring her cheerful, colourful, easier-to-clean household articles in amazing and ever-growing variety. Shell resins and solvents inspire better and longer-lasting surface finishes and paints. The clothes she wears, the cosmetics she uses, the food she serves... all are better because of chemicals. If *you* have a process calling for industrial chemicals, call on Shell.

Dobane
detergent alkylate *Trade Mark*

Detergents, solvents, resins, plastics. Base chemicals and additives, aromatics, glycols, synthetic rubber... Shell chemical production serves every industry. Ask your Shell Company how Shell facilities, experience and world-wide service can serve you.

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inadequate, despite the campaign to improve them earlier this year. According to *Voprossy Ekonomiki,* there are 57,000 restaurants or tea-rooms and 72,000 snack-bars. Efforts are being made to provide half-prepared meals which can be taken home, while restaurants are advised to switch to self-service. Customers apparently complain not only about the quality but also about prices, which are too high for a working-class family budget. Much remains to be done to relieve the burdens of the housewife out at work. Now the Russians seem eager to learn from foreign experience, a Soviet delegation could profitably include, say, Lyons on its list of establishments worth visiting in England.

PRIVATE ENTERPRISE ABROAD

Training the Underdeveloped

Most discussion of "economic development" is apt to turn either on such aggregates as the investment ratio or on the balance of different new industries. Less has been written or said about the role, as "starters," examples, and training-grounds for development, of the foreign firms already operating in [illegible] countries. A recently published pamphlet by Political and Economic Planning* analyses the problems of what is rather horridly labelled "-isation"—Africanisation, Indianisation, etc.—of management in such firms, and relates it to the rise of nationalist feeling and to the development problem as a whole. It usefully pinpoints the classic difficulties—absence of an educated middle class on which to draw, or a tradition within that class of seeking careers only in the liberal professions and in government; differences of standards, or of an understanding of what standards are implied in efficient management; deeper cultural differences, especially "where effacement is more esteemed than 'push'—where loyalties are to individuals not institutions, and where integrity does not include business integrity." It describes the degree of success which some firms have achieved in overcoming these difficulties and the failures of others. Ownership and control of expatriate firms, it concludes, is quite likely to pass eventually, in any case, to the nationals of the country concerned; and this transfer, no disaster if gradually and smoothly accomplished, certainly cannot be fended off by jealously reserving managerial responsibilities for expatriates.

This, however, is only part of the wider question of the relation of expatriate firms to economic development. The pamphlet does touch, finally, on the more general problem of foreign aid—aid which it criticises as being too often applied to projects framed with western experience and conditions in mind, and unsuitable either to the needs or to the human resources of the recipient countries. But it does not tackle an intermediate problem to which both national governments and expatriate firms should be giving attention: how—otherwise than by fostering the growth of managerial skill—can these implants of high development best serve the purpose of economic growth? To shrug off the not uncommon accusation that they are bloodsuckers, pumping off their hosts' wealth in the form of profits, is easy, but not enough. To treat them, on the same principle, as sponges to be squeezed by ferociously differential taxation is, to say the least, short-sighted. To win, even to exact, their effective co-operation in development is an exercise calling for a lot more study—both in boardrooms and Cabinet rooms.

* "Management and Underdeveloped Territories." (Planning: Vol. XXV, No. 434.) PEP 15 pages, 2s. 6d

NORTHERN NIGERIA

Pagans in Politics

In the federal elections next autumn Northern Nigeria will have 174 seats out of 320 in the federal house of representatives. If the region voted solidly enough for the Northern Peoples party (NPC) it might even form the first federal government unaided; and the NPC would have to sustain a political disaster to fail to be the decisive element in the coalition which in fact is expected to be necessary after the elections. The NPC expects to win 150 to 160 seats. It concedes a few seats in the northern emirates to the Northern Elements Progressive party (NEPU), which is anti-emir, pro-Nkrumah, and allied to Dr Azikiwe's party, the National Council of Nigeria and the Cameroons; it concedes a dozen or less to the United Middle Belt Congress (UMBC), the party of the pagans (and Christians) of the non-Moslem "middle belt," which used to provide the Hausa and Fulani ruling families with their slaves. The UMBC is allied to Chief Awolowo's Action Group which has promised them a state carved out of the North.

The NPC will [illegible] unless and until the holy North seethes with revolution; but the middle belt is [illegible] ground for Chief Awolowo, and it is there that the parties (including NEPU) are at grips, since it will decide the NPC's bid for supreme power. The NPC believes that when it comes to the point, the pagans will follow their rulers on the NPC ticket; meanwhile it is telling them that though not Moslems, they are men and brothers. So is the NEPU. Chief Awolowo says he will free them from their fears of enslavement to Moslem rulers, laws and courts. Nobody knows whether the UMBC will win ten seats or 25 out of the 55 in the Middle Belt; Awolowo expects to get 45-50 there. Nobody really knows how the pagans think. Or whether they will vote (they have certainly registered heavily). But at any rate in one area they have tested the sincerity of the rival parties' assurances of brotherly love—by inviting the speakers to partake of that old pagan delicacy, roasted dog.

There has now been quite a boom in pagan election agents and party workers, not least under pressure of NPC demand. Party workers invariably demand bicycles; and with six months to go before polling-day, it begins to look as if the bicycle will become as common as in Holland on the roads from Ilorin in the west to Adamawa in the east of the region.

Rostow on Growth

The first part of Professor Rostow's "Non-Communist Manifesto" was to have appeared in this issue. Unfortunately, however, it has been necessary to postpone it because of difficulties in the printing industry which have imposed a sharp reduction in the number of pages in this issue. Professor Rostow's recent lectures, which offer a revealing and practical analysis of the sweep of modern history, will be published as soon as normal conditions return.

LETTERS

Replacing the Queens

SIR—Mr Dimsdale's arguments in *The Economist* of May 23rd concerning Cunard's desire to replace the *Queens* with subsidy-help, cannot be allowed to pass unopposed.

The primary point gathered from Mr Dimsdale's letter is that Atlantic liners are not worth their cost in prestige to the operating nation. By no means conceding that point, let us however merely assume it. Is there nothing else left? Shall we forsake also any prestige contributed by the shipbuilding industry—an industry in which Japan is now the world's leader? Apparently we should.

Either the United States, France, and Italy have more pride in their prestige than has Britain (if a subsidy is denied), or these countries see still a potential value for such vessels in case of national emergencies. Again assuming—but not conceding—that the vessels have no such latter value, then it is a sad day when the Old Lady who has been holding a trident for so long cannot muster up enough strength to answer challenges to her prestige.

A red-herring in the suggestion that a subsidy for ordinary hotels would be more profitable is introduced by Mr Dimsdale. (May I suggest he maintains this as a campaign—the hotel industry has been trying to get tax-reliefs commensurate with other industries for years. But they even have to pay purchase tax on tools of their trade.) The obvious answer to this is the very reason for Cunard wanting a subsidy. The comparison of the capital structure of a trans-Atlantic liner service to that of a hotel is ludicrous. Further, hotels compete on a national (internal) company basis; shipping competes internationally.

Would Cunard shareholders carry the risk of replacement unaided? I think they would. If Cunard were to make a new issue for capital, unrestricted by frontiers as at present, they would be over subscribed. Especially at this time, when enthusiasm for new issues and interest in European affairs emanates from the investor in Wall Street and other American exchanges. But then there'd be another "aluminium" outcry: "We can use your money, but we don't want any advice on operation from you."

Mr Dimsdale must know, surely, that many steamship lines operate cruises primarily for the pleasure of relaxation. Comfort and courtesy are the keynotes of these cruises. That they are financially beneficial to the companies is a corollary of their operating such cruises at all. Cunard (and obviously the French, Italian and US lines) consider thousands more would like to cruise. Life being too short, some of these combine a cruise with their necessity or desire to cross the Atlantic. Now, you cannot, with outdated equipment, give competitive comfort and courtesy that should attract people to make extended visits to England.

Fallacies pour from Mr Dimsdale's pen. I suggest to him that there is an analogy between Cunard's approach to HM Government, considering the ratio of the wealth involved, and Ilford's link with ICI, in which 32 per cent of Ilford Ltd. issued ordinary shares [illegible] taken up by ICI.—Yours faithfully,

PHILLIP J. OFFORD

Sherry Netherland Hotel
New York

SIR—Perhaps Mr Dimsdale would be interested in my MP's written reply to my protest regarding the proposed Government subsidisation of two new Cunard ships.

Mr Orr-Ewing's (Parliamentary Under Secretary to the Admiralty) letter to me, dated April 10, 1959, included the following comment:

"In view of the fact that all other shipping nations subsidise their big liners, I can see no alternative but for the Government to give some financial help. They did this for the *Queen Elizabeth* and the *Queen Mary* and incidentally were repaid the money they had loaned by 1946. The alternative would be to drop out of the race and this would not only have serious repercussions on our balance of payments, but on the employment position and the whole wealth of the shipbuilding industry."—Yours faithfully,

Edgware HERBERT GRIFFIN

Israel

SIR—Your article "Political Octopus" in the supplement on Israel is most unfair to Herut. You display inaccuracy and prejudice in your remark "and beyond its savage criticism of Mapai offers little for the future."

Herut considers itself to be Israel's liberal party; indeed one of its recent booklets was titled "Towards a Liberal Government." In every field Herut has put forward practical sensible policies. It has submitted a wide range of reforms to deal with the effects of Parkinson's Law gone mad. It forced through the Israel parliament such elementary reforms as the provision of national labour exchanges in place of those under the domination of the trade unions. One of its aims is the establishment of a national health service to take over the welter of overlapping and wasteful schemes which are largely affiliated to political groups. Most certainly your journal would applaud its opinions on monopolies of the right and left, equally certainly you would not quarrel with Herut's proposals for foreign investors and for ending the Israel pound's multiple exchange rates.—Yours faithfully,

Dublin M. HARRIS

Church Unity

SIR—I read with interest your article "No Bishops in the Kirk" in your issue of May 23rd. But surely it is an oversimplification to suggest that it is only a matter of terminology that is at stake. Even more, to suggest that some Presbyterian dignitaries should amicably agree to a ceremonial laying on of hands by Anglican bishops to facilitate fuller communion can hardly commend itself to either of the conferring Churches. For either this would be ceremonial and without meaning, implies that there is something defective in Presbyterian order that needs an "injection" of episcopacy to put right. Underlying this latter is the assumption that episcopacy is essential to the very being of the Church, a doctrine which the Church of Scotland does not accept because it can find no ground for it in the Bible.—Yours faithfully,

WILLIAM C. BIGWOOD

St. George's Parish Church,
Edinburgh

Finishing Schools

SIR—I appreciate the reference in the article "The Finished Product" in your issue of May 30th to "the efficient course at Hartwell House," but would point out that your readers may well have gained a mistaken impression from the bracketing of the course with those of non-vocational finishing schools. The House of Citizenship—and the name, though admittedly slightly pompous, expresses ideals—provides a secretarial training recognised by the Ministry of Education. Its graduates hold important posts all over the world because with technical skill they combine command of written and spoken English, some knowledge of the institutions and problems of their own and other countries, and the responsibility, confidence and good manners to deal with a variety of situations. The secretarial teachers are qualified experts and the tutors graduates of Oxford, Cambridge and London. The students, who enter from age of 18 upwards and occasionally include university graduates, remain at Hartwell from three to five terms, paying £120 a term inclusive.

You will agree that this picture is very different from "the cockshy for social critics" which emerges from your article and for which you find some extenuation. The House of Citizenship does not claim to produce a finished product: it does hope to turn out young women who are beginning to learn wisdom and who lose none of their feminine charm by being thoughtful, reliable and efficient.—Yours faithfully,

D. NEVILLE-ROLFE

The House of Citizenship,
Aylesbury

BOOKS

American Isolationism

The World War and American Isolation, 1914-1917

By Ernest R. May.

Harvard University Press. London: *Oxford University Press.* 482 pages. 60s.

The Isolationist Impulse

By Selig Adler.

Abelard-Schuman. 538 pages. 42s.

To subsequent observers, particularly on this side of the Atlantic, there has always been an element of the enigmatic about the United States's entry into the first world war. Continuing neutrality, early intervention—either of these courses would have been logical, and in retrospect, might have been made to seem inevitable. But the declaration of April 2, 1917 (less than six months, we now know, after Wilson had seriously considered the possibility of the United States being at war with the Allies) comes, in retrospect at least, with such an air of the fortuitous that it requires a peculiar effort of the historical imagination to understand what pressure produced it at that precise point in time and why to Wilson and the majority of Americans it seemed a natural, indeed, an inescapable, decision.

Mr May's book is directed at the elucidation of this problem, by a full use of all the sources, American and European, which bear upon the question of American involvement. Amid all the literature that has so far appeared on this theme it stands out as the most comprehensive and balanced study that has so far appeared. It is well written, fully documented and thoughtfully argued. Perhaps its most distinctive contribution consists of its careful analysis of German policy, particularly the internal struggle between Bethmann-Hollweg and the war lords over the U-boat weapon. For this it has drawn on the great wealth of German first war documents now available.

The main enigma, nevertheless, remains not in Potsdam but in Washington, and there are times when Mr May's interest in the German drama pulls his main American narrative out of shape. Particularly is this so after the *Sussex* episode. Up till then he gives the reader, to a degree which no other historian has so far done, the sense of sharing in the decisions made by Wilson and his cabinet and understanding completely the balance of national and personal factors that affected them. After this, for all the book's many merits, this intimacy, this sense of the story carrying conviction on its own face, begins to evaporate. And when we need illumination most, in the months of 1917 when the die was finally cast, we get it least. To say this may seem hard on Mr May, whose narrative and analysis are always on a high scholarly level; it is in fact to pay him the compliment of judging him by the very high expectations which the first third or so of his book arouses and which the magnitude of his theme invites.

Mr Adler in "The Isolationist Impulse" writes at a somewhat different level. His concern is with a wider span, beginning where Mr May leaves off and continuing down to the present day. He is also interested primarily, not in the diplomatic record, but in the public moods which lay behind the decisions of Presidents, State Departments and Congresses in these unhappy, frustrated and convulsive forty years of American foreign policy. His book is not particularly profound; it would hardly set claim to the illusory title of "definitive"; it is by no means always well written: Mr Adler likes his metaphors lush—heartbeats turn into warps and woofs, and hydra-heads spring from the ruins of monoliths. For all that it has an engaging quality. It is felt, as well as analysed. It draws on a few new and interesting sources, like the Beveridge and Borah papers. It has an attractive and, by way of corrective, wholesome provincialism; it is no bad thing to be shown, for once, the epic struggle of 1941 through the eyes of the Buffalo branch of the compactly named Niagara Frontier Committee to Defend America by Aiding the British Commonwealth and their Allies. Finally, it has the merit of erring, if at all, on the safe side, concluding on its last page that "present signs point to a decision rather than a knock-out victory for the internationalists."

Appeasement and War

Les Crises du XXe Siecle, II: *De 1929 à 1945*

By Pierre Renouvin.

Hachette. 426 pages. 28s.

With his new volume Professor Renouvin brings to an end a very useful undertaking. As in the case of those previous volumes in the series written by himself, he manages to provide both a narrative of the principal events in the field of international relations of the period, and an analysis of the problems of interpretation that are raised by them. In the present volume the task has been made more difficult by two facts: first, it includes the war years, when, as he rightly points out, the course of diplomacy can only be explained by constant reference back to the military situation, and, second, because we are dealing with a period when official documentation is both scanty and uneven.

Luckily Professor Renouvin is not ashamed to suspend judgment when the state of the material justifies it, and those who think that we already know all there is to be known about the "appeasement period" may be startled to find how often Professor Renouvin indicates genuine gaps in our knowledge. For instance, the evolution of Italian policy between the Dollfuss murder and the Anschluss is still not wholly explained; the same is true of the precise expectations and intentions of the Russians in the summer of 1939. We do not know whether the French decision to fight in September, 1939, was based on the possibility of discord among the German leaders, and so on. Occasionally Professor Renouvin tends to what might be called a "revisionist" position, for instance in casting doubt upon the firmness of the Czech will to resist at the time of Munich.

It is a pity that a book that is in so many respects a model should have any shortcomings, but there are some minor ones. The bibliographies are slightly uncritical and are marred by the usual French penchant for misprints. In the text there are a few errors. In 1933 Macdonald was not head of a Labour Government, nor was he any longer a member of the same party as Mr Attlee; "John Hopkins" for Harry Hopkins is a curious error. More important is the mistake made in putting the Hawley-Smoot tariff into the New Deal period. It is not clear what Professor Renouvin means by giving 1935 an important place in the development of delegated legislation in this country, and it would certainly have astonished, for instance, the late Mr Mackenzie King to know that the Dominions are described in the 1930s in relation to Britain as those countries "qui sont placés sous son obédiance politique." The present reviewer would rather doubt, also, the strength of President Roosevelt's international convictions during the first term of his presidency, but this, of course, is still a matter of opinion rather than of fact.

In the light of what has happened since 1945—and one wishes that Professor Renouvin would occupy his impartial pen on this period—one thing is striking, and that is the very minor role assigned to international institutions in the period. The final collapse of the League of Nations is not even considered worth a mention; nor does Professor Renouvin consider the moves towards finding a substitute that fall within his chronological framework. While this may be justifiable on the ground that the important thing was the activity of the great powers, this can hardly be said about the extent and nature of the German occupation in Europe at the height of the Nazi period; nor can subsequent events be properly understood if the full tale of massacre, deportation and exploitation is not allowed to appear.

Essence of Monetary Theory

Lectures on Economic Principles: *Volume III*

By Dennis Robertson.
Staples. 164 pages, 16s.

READERS of the first two volumes of Sir Dennis Robertson's "Lectures" must have been looking forward with especial interest to this third and final instalment: not merely because Volumes I and II were instructive and delightful and the prospect of more of the same is delightful too; but also because Volume III, specifically, is concerned with money and credit, and it is in the field of money and credit that Sir Dennis is at once most outstandingly eminent and most outstandingly controversial. Such readers will not be disappointed. Here, wonderfully compressed but wonderfully lucid and presented with the usual sparkle, is the definitive Robertson position.

It is, in a sense, a minority position; overrun and submerged by the Keynesian revolution on the one hand, uncongenially heretical to the hard-money arrière-garde on the other. Yet it constitutes, as Sir Dennis is often at pains to point out, a development in a straight line from the Cambridge tradition stemming back to Alfred Marshall; it links up harmoniously with the formidable contribution of the Swedish school; and it is firmly grounded in the common sense which Keynes's love of paradox has unfortunately made so uncongenial to some of his followers. Sir Dennis expounds and defends it with just a shade less impersonal detachment than he brought to his earlier lectures; one notes, and enjoys, the occasional, always urbane polemical thrust in both the theoretical and policy sections—the latter renewing a keen regret that he should have allowed himself to become discouraged with his role, on the Cohen Committee, as a Wise Man.

For that discouragement he had indeed excuse enough. But this exposition of his doctrine fortifies the belief that he could well take as his consoling motto that of the City of Paris, also a much-overrun position: *Fluctuat nec mergitur.*

Poetic Revolution

The Achievement of T. S. Eliot: *An Essay on the Nature of Poetry, Third Edition*

By F. O. Matthiessen.
Oxford University Press. 271 pages. 25s.

NOW that Mr Eliot's plays and poems appear on the examination syllabuses not only at the university but also in the school, it is perhaps cheering to reflect that teachers have plenty of critical material to help them in their task of interpretation and elucidation. On both sides of the Atlantic, for the past thirty-five years and more, Mr Eliot's work has been submitted to a vast amount of scrutiny.

One of the best established and most useful studies is this book of the late Professor Matthiessen's, which first appeared in 1935, at a time when the unfamiliarity of Eliot's poetic methods made much of his poetry obscure even to adult and reasonably educated readers. The first edition consisted of six closely inter-related chapters, which dealt in an extremely perceptive and illuminating way not only with the poetry of Eliot up to that date but also with the general topics of a poet's relation to his cultural environment and the means by which a poem's meaning is conveyed and apprehended. In 1947 Matthiessen made a few revisions to the original study and added two chapters, one on the plays written before the war and another on *Four Quartets.* In 1950 he took his own life, and America lost a very distinguished literary critic. This new edition has been brought up to date by Professor C. L. Barber, whose final chapter covers Eliot's work of recent years, and defends *The Cocktail Party* and *The Confidential Clerk* against those who regard them as the sorry fruits of a poet's concession to Shaftesbury Avenue conventions of theatrical entertainment.

The original six chapters are still the best. As an interpreter of *Four Quartets* Matthiessen is somewhat deficient; there are times when he either misses or mistakes quite obvious allusions, lacking the familiarity with the Christian liturgical and mystical tradition that enables Miss Helen Gardner to be so illuminating a guide. But she, in her book "The Art of T. S. Eliot," acknowledges her own debt to Matthiessen. And, indeed, a whole generation of readers is indebted to the searching intelligence of this critic, who cared so profoundly for the integrity of a work of art and so clearly understood the significance of the poetic revolution of which Eliot was one of the leaders. It is valuable to have this completed version of his book.

Personal Views

Hellenism: *The History of a Civilisation*

By Arnold J. Toynbee.
Oxford University Press. 262 pages. 7s. 6d.

Greek Civilisation: *From the Antigone to Socrates, Vol. II*

By André Bonnard.
Allen and Unwin. 248 pages. 30s.

GREEK civilisation is so deeply rooted into the modern world that it is hard to write of it impersonally; nor do the authors of these two books try to do so. After reading them one feels that one knows both authors better, but that Greece is still something of a mystery; what is left out is, perhaps, a certain human simplicity.

For Dr Toynbee of course, Greek civilisation is a pattern of political organisation. Hellenism, as he defines it, covers a pretty wide field: Rome is included, as a Greek-style city-state; and the story lasts till the adoption of Christianity by the Empire. The theme is the failure of humanism: things went wrong, says Dr Toynbee, when the city-state ceased to be a convenience and became an object of worship. The Greeks are first blamed for failing to unite, and then for finding it dull when they were forcibly united by Rome. In the end the religion of the city-state falls before universal religion, and Hellenism collapses.

The book takes the form of a political and military history of the Greek world. It is brilliantly told and very readable. It is full of fascinating parallels, conjectures and might-have-beens. But it suffers from having too strong a moral and a pattern too forcibly imposed. The well-ordered surge of selected events crowds out the main issue: why were the Greeks, on balance, so successful, and why do they remain such a splendid inspiration? One is left with a suspicion that the chaos of their political history was caused more by muddle and plain human imperfection than by a false worship of the city-state. They are not the only people who have made a mess of their affairs; but that mess brought finer people down and was better recorded than others.

Professor Bonnard of Lausanne, essentially a writer in the French tradition, is a world away from Dr Toynbee. This is a second volume, and not so good as the first. The author writes ecstatically and sometimes controversially about a few of the great figures—mostly writers—of the great Greek epoch. He is best on prose-writers: there are good chapters, though not very deep ones, on Hippocrates and Socrates. On poets he writes in a high-flying style that grates on the English ear and adds little to one's understanding; and unfortunately he is served by some of the most prosaic translations in the English tongue (Aristophanes is an exception), which make nonsense of his comments if one cannot read the original. The book is well translated and produced, and is illustrated by charming photographs.

The Human Atom

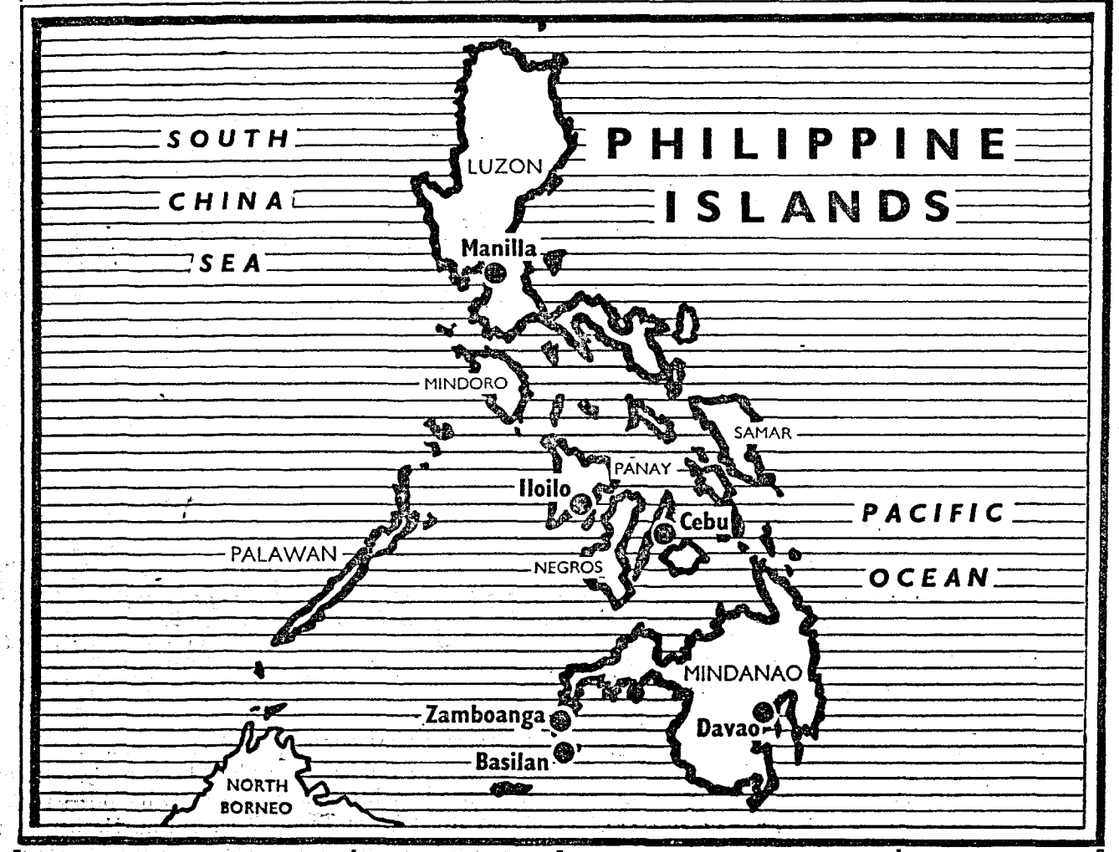
Of Stars and Men

By Harlow Shapley.
Elek. 145 pages. 15s.

DR SHAPLEY, Director of the Harvard College observatory from 1921 to 1952, here provides us with an eccentric corrective to our traditional geocentricity. He describes the "expanding universe" in terms of the recently rapid and accelerating rate of penetration into its depths by man's instruments, including his logic and mathematics. He believes that in so vast—and vaster-becoming—a universe the mere mathematical chances of stars on which life of many kinds exists have multiplied to more than probabilities. A believer in the chemical origins of life, mainly by photo-synthesis, he counsels courageous optimism about further discoveries as an antidote to a humility ending in utter pessimism; and he gives reasons for believing in bigger and better human adaptations to all imaginable environments or events. The book is a useful introduction to current disputes between cosmographers, but it is slight, unindexed, unillustrated, and unduly dear.



Facts about the Philippines



Area (square miles)	114,830
Population	24,000,000 (1958)
Density per square mile	209 (1958)
NATIONAL INCOME	
Total (U.S. $ million)	4,399 (1957)
Per head (U.S. $)	183 (1957)
Money circulation (U.S. $ million)	375 (July, 1958)
EMPLOYMENT	
Working population (economically active)	8,516,000 (1957)
Male	5,143,000 (1957)
Female	3,373,000 (1957)

DOMESTIC DATA	
Cars in use : Personal	73,421 (1957)
Business	75,677 (1957)
Telephones	61,822 (1956)
Radios	450,000 (1957)
Television sets	20,000 (1957)
Sewing machines	900,000 (1958)

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AMERICAN SURVEY

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

As Steel Goes

WASHINGTON, DC

IT is easy to make a case for the view that the present bargaining over wages in the steel industry is the most important labour negotiation in the United States since the war. This is true even more for psychological than for practical reasons. While steel has nothing like the "weight" in the economy—or in the cost-of-living index—that common opinion attributes to it, the opinion itself gives it much weight. Serious observers believe that such pressing—and seemingly unrelated—matters as the Treasury's inability to sell its bonds and the outflow of gold from the United States will be significantly influenced by the result of the steel discussions.

The reason is that the United States is at a sort of crossroads in the post-war inflationary process. Professor Slichter is winning more and more converts to his gloomy doctrine that further creeping inflation is inevitable, but there are surprisingly impressive arguments for believing that an extended period of price stability is now entirely possible. They range from the state of liquidity to that of the cattle supply, from recent increases in productivity to the existence of idle resources. But many objective Americans are convinced that the Utopia of prosperity without inflation can be realised only by defeating the cost-push coming from wage increases which exceed significantly the average gain in productivity for the economy as a whole. Indeed, Professor Slichter and his followers themselves rest most of their case on what is likely to happen to wages, and to trade union wages in particular.

Another liberal wage settlement in steel followed by yet another increase in steel prices would not in itself affect the price averages much, but it would affect people's expectations seriously. The pessimists' gloomy forecasts would be confirmed. By the same token a wage increase of 10 cents an hour or less, which the companies could absorb without a price increase, would raise at least the hope that the problem of keeping wages in step with productivity is not entirely insoluble. This would be true whether the union capitulated without a strike or after a long one. Such a settlement, following the modest gains won last autumn by Mr Reuther's automobile workers, would make investors and other people begin to wonder whether prices are in fact bound to go up indefinitely after all.

A great deal of thought is being given to the parallel between the steel situation and the London bus strike last summer. Some of the most powerful figures in the Administration are known to share the view that the British Government's resolution over that strike contributed more than any other single factor to the subsequent strength of sterling. Even the President, it is understood, has been impressed by this argument. But, assuming the argument is valid, there is no exactly comparable part for the government to play in the United States. The present conviction is that by far the most important contribution which the government can make toward achieving its objective—a settlement without a price increase—is to keep entirely clear of the bargaining, even if there should be a strike. The highly inflationary three-year contract negotiated after a five-week strike in 1956 came about largely because Mr Humphrey, the former president of a steel company who was Secretary of the Treasury at the time, intervened unofficially with the companies to get the strike settled (among the arguments which he presumably used was the presidential election coming later in that year). His successor, Mr Anderson, has no intention of following a similar course this year.

The real test of the government's determination not to intervene would come after about the sixth week of a strike, when the economy would begin to feel the pinch. Aside from the general interest in a settlement, the Administration cannot even be sure that each additional week of a strike would weaken the union more than the companies, though that is probable. The government has no desire for a long strike, on the London bus model, as a final trial of strength,

"Very Good, Sir—You Have Just Time To Change For The Wage Negotiating Conference"



though a few individuals may wish for this in their inner hearts. The union can still hope that, if the strike goes on long enough, the President will intervene. The whole history of major labour disputes since the war has demonstrated that when the government moves in the unions win.

What, then, is the prospect? The guesses among shrewd and informed men, inside and outside the government, cover an astonishingly broad range. There is, of course, widespread agreement that a strike is probable on June 30th, when the present contracts expire, but after that forecasts vary. Some observers scoff at the possibility of any settlement for less than 20 cents an hour, followed by another fairly large price increase. Some think that the companies may not have to concede much more than 10 cents, but there is disagreement on whether such a settlement would be followed by a price increase. Few doubt that a modest wage gain can be absorbed without seriously impairing profits, but the companies themselves have taken the line that any wage increase at all must be covered by higher prices.

Perhaps the key to the situation lies in the state of mind of Mr Blough, the head of the United States Steel Corporation, and the other captains of the industry. Do they really believe what they have been saying about the threat of competition from imports? (In the first quarter of this year steel imports exceeded exports for the first time in history.) Are they convinced that steel is at last reaching the point of pricing itself out of some domestic markets where substitutes for steel are available? Are they as worried as they profess to be about the threats in Congress of some sort of price control for "concentrated" industries? In short, have they a strong self-interest this time in avoiding another price increase? No one on the outside can be sure. But there is good reason to believe that they are serious in what they are saying. If they are, they will fight harder to avoid a large increase in wages than at any time since the war.

To bolster the managements, there is not only the present attitude of the government but also some fairly convincing evidence that members of the trade union have little stomach for a strike. Some of them were laid off for much of last year. Others, while still feeling that the companies' profits are "too high," are aware that a big wage increase will inevitably mean another increase in steel prices, and they share the belief of the general public that, as steel goes, so goes the cost of living. And of course there is the undisputed fact that the steel workers are princes among their fellows, with wages far above the average in manufacturing.

Thus, there is a genuine prospect that the cynics may be proved wrong and that steel prices may, for once, remain stable for more than a year at a time. It may take a long and, from the trade union's point of view, an unsuccessful strike to achieve such an outcome. But in at least some minds this would be a cheap price to pay for a change in the entire climate of thinking about the economic future.

Monkeys—by Jupiter!

OFFICIALLY the primary reason why a Jupiter intermediate range ballistic missile was fired last week from Cape Canaveral 300 miles up into space and 1,700 miles out into the South Atlantic was to test whether its nose cone was capable of protecting a nuclear warhead against destruction by heat friction when it re-entered the earth's atmosphere. But instead of a nuclear warhead the nose cone contained two monkeys and some biological specimens which were retrieved in good condition after a 15-minute flight, at a speed which reached 10,000 miles an hour, and about 90 minutes floating in the sea—the first time living creatures had survived such a journey. The monkey which has since died was the victim not of her trip into space but of what was done to her after she got back.

The National Aeronautics and Space Agency paid the Army $150,000 for carrying these passengers and thus providing evidence that man may be able to stand up to the strain of space travel. Tests on the biological material—yeast, mould and sperm from sea urchins, included in order to discover the results of radiation—are not yet complete. But the two monkeys were only slightly affected, as far as heart beats and respiration were concerned, during the flight and were able to demonstrate their energy and good spirits at a Washington press conference only two days later. The experiment has shown that mammals, a class which includes men, when protected by space suits and foam mattresses, can bear the shock of acceleration at launching and of deceleration when re-entering the atmosphere and the experience of weightlessness in between.

Of course it is not yet proved that human beings would come through as well as did the monkeys. But, apart from the fact that both monkeys were female, they resembled in many ways the seven Mercury Astronauts from among whom will be chosen the first American to make a space flight some time in the next couple of years. Able, the large rhesus monkey—American-born so as not to offend those Indians to whom these monkeys are sacred—was picked out from eight rivals because she responded best to training. This consisted of teaching her to press a telegraphic key to demonstrate her "behavioural response" to space travel; it was not her fault that it failed to work. Baker, the much smaller squirrel monkey, provided data on bodily functions during space travel. The monkeys did not need one facility which has already been provided for the astronauts—a lawyer to protect their legal interests and advise them on selling their stories to magazines and film companies. But the monkeys made it clear at their press conference that they had no aversion to publicity, even though television lights bring temperatures far higher than in their rocket and conditions far more cramped—where the reporters were concerned, at least.

Reshaping Foreign Aid

AT this time last year both the Senate and the House had passed Bills authorising another year of foreign aid and the appropriations committees, which determine what can actually be spent, were sharpening their objections. This year's delay has one virtue. With the return of good times, little is now heard of the angry threats of Democratic liberals to finance bigger domestic spending by slashing the President's foreign aid programme to ribbons. The House Foreign Affairs Committee last week voted to cut only $266 million from the President's request for $3.9 billion—rather less than it cut in 1958. But the committee ordered a slight but significant change in emphasis; it took $366 million away from military assistance and "defence support" and gave the President $800 million, instead of $700 million,

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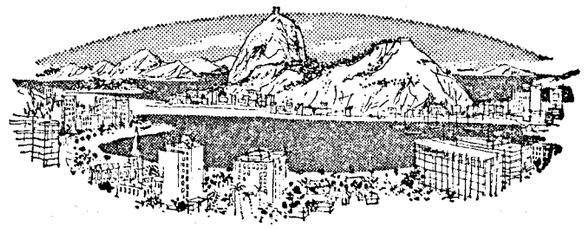
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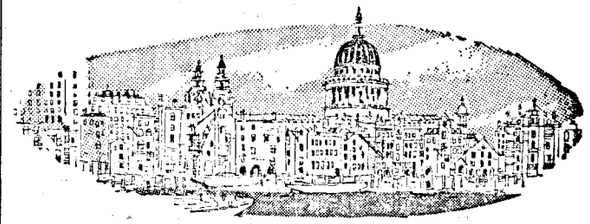
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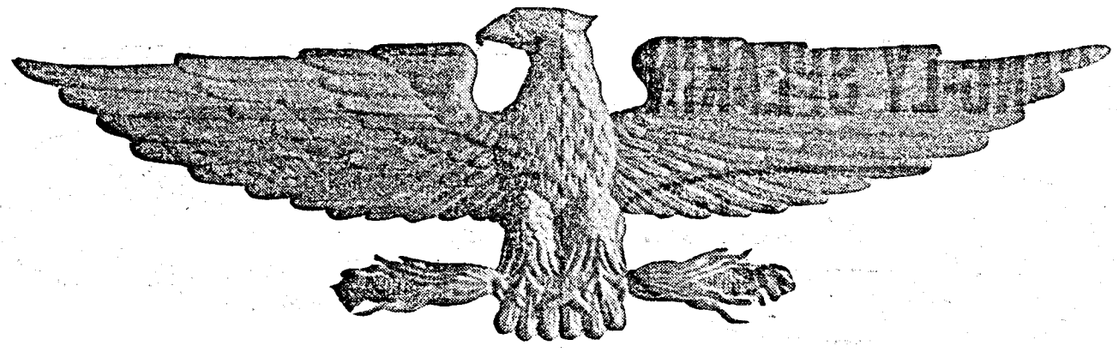
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for the Development Loan Fund, which stimulates economic growth in under-developed countries by making loans on terms too lenient for other lending institutions. The Bill shows other signs of the presence on the committee of Mr Bowles, a former Ambassador to India, in stressing the humanitarian aspects of foreign aid and lessening the emphasis on fighting communism. The Bill would also limit military assistance to countries actually threatened by communist aggression or which need arms to fulfil their obligations under collective defence agreements.

Such a Bill reflects, though it falls short of, the demands for sweeping change advanced by Democrats on the Senate Foreign Relations Committee, probably not in the hope of obtaining them this year, but to prepare the public for big efforts when a new Administration takes charge. Senator Fulbright, the chairman of the committee, is sponsoring a Bill to give the DLF $1.5 billion a year for five years from the Treasury, without forcing it to run the gauntlet of the hostile appropriations committees, and has challenged the President to acknowledge and support a brain-child once his own. But Mr Eisenhower, his thoughts absorbed by the Budget, has refused to agree, although the eyes of the State Department plainly sparkled at the prospect of being able to plan ahead without the fear that Congress, at the last moment, will refuse the money.

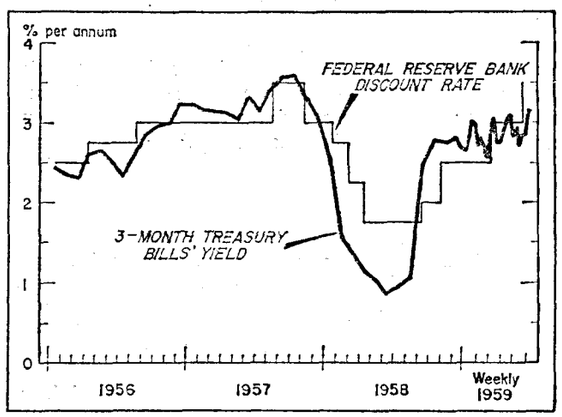
Such loans are not the target of Senator Mansfield, the liberal if somewhat unpredictable Democratic whip, who believes that the public's uneasiness and boredom with foreign aid will bring all the programmes crashing down, good and bad alike, unless they are reformed. Neither does he want to end military assistance. His sights are trained on the $1.1 billion or so asked for grants, apparently without end, for countries such as Turkey, Vietnam, Formosa, Pakistan and Korea. Such aid, once christened "defence support" and "special assistance" to make congressional friends, and until recently justified because these five countries alone keep nearly two million men under arms, was defended by the Administration last month as basic to their economic survival and growth—a sign, perhaps, of accommodation to the changing temper of Congress.

Discount Rate Discounted

LAST week the rise in the discount rate, the interest charged by the Federal Reserve banks on loans to commercial banks, was for once no surprise. And for once it did not come after the yield on three-month Treasury bills, the government's means of short-term borrowing, had gone above the discount rate. This yield has been well below 3 per cent for some time and only went higher this week, after the discount rate had risen to 3½ per cent, back to the level of the last boom period in the summer of 1957 and as high as at any time for nearly thirty years. The comparatively low interest being paid on short-term loans reflects the desire of the business community to keep its money liquid and this in turn reflects its concern about where it is going to find funds to finance the coming boom. Already in the middle of last month the heavy demand for loans forced up to 4½ per cent the prime rate, the basis of all interest charges by banks to business borrowers.

Normally an increase in the discount rate precedes one in the prime rate. It is suggested that on this occasion the Federal Reserve authorities held back in order that their congressional critics should not be able to blame them for the higher interest charges which, according to these critics, are likely to nip the boom in the bud. While the central bankers are undoubtedly trying to discourage the boom from flowering too fast, such criticism carries much less weight than it did a few weeks ago. For now the recovery is so well established in all its branches that it would be almost impossible to kill it off.

However, the increase in interest rates may soon give the critics of the Administration's monetary policy an opportunity of making themselves heard more effectively. For under present conditions it is impossible for the Treasury to make any progress with its ambition of lengthening the maturity of the national debt unless it is allowed to offer more than the 4¼ per cent which is the present legal limit on any government issue running for more than five years.



To request such a change would mean a bitter struggle with Congress and the Treasury is now reported to be considering whether its chances of getting what it wants are good enough to make the battle worth while.

Another request which cannot be avoided but which is certain to be granted, although probably with some modification, is the perennial one for an increase in the limit on the national debt itself. To get through the inevitable period of deficit financing next autumn, when tax receipts run far behind government outlays, the Treasury would like the ceiling to be raised temporarily to $295 billion, $7 billion above the present temporary limit which reverts to the permanent one of $283 billion on June 30th. At that time the amount of debt outstanding will be at least $285 billion.

The Battle of Chavez Ravine

FROM A CORRESPONDENT IN LOS ANGELES

THE Battle of Chavez Ravine, which devastated the Los Angeles area for about ten days in the middle of May, began when a posse of sheriff's deputies forcibly removed members of the large family of Mr and Mrs Manuel Arechiga from their condemned property in the ravine and immediately demolished their two houses with bulldozers. The site, which had already been cleared of all its other residents, is to be made into a recreational area, to include a new stadium for the Dodgers' baseball team, which has recently moved west from Brooklyn. The law was undoubtedly with the Mayor and City Council, who were responsible for the eviction, but the way in which it was

done alienated many people and violent criticism came from all over the country.

A few days later, however, the Mayor, Mr Norris Poulson, launched his own counter-attack, revealing that the Arechiga family had eleven other properties with an estimated value of about $75,000, in the Los Angeles area, and that they had been living in the houses in the ravine rent-free since 1953, because they had refused to accept the $10,050 in compensation which a court had approved.

Mr Poulson gave credit for this helpful piece of intelligence to the *Los Angeles Mirror-News*, an evening newspaper which he nominated for a Pulitzer prize. In the same breath, he scathingly denounced local television broadcasters, whom he blamed for the emotional atmosphere surrounding the Arechiga eviction. Thus encouraged, the local press immediately unleashed against television one of the most concentrated and violent assaults since the two have been in competition as media of news. The *Mirror-News* alleged that the Arechiga family's resistance to eviction had been "stage-managed" by opponents of the new ballpark for the Dodgers and that television "sensation-mongers" had hoodwinked the local public and "dragged the city's good name in the mud" across the country. The *Los Angeles Times*, the morning sister of the *Mirror-News*, blasted off the following fusillade:

> It is clear now that the dramatics of the eviction were precisely what that word means. . . . The television pictures—wonderful action pictures—were the answer to a demagogue's prayer. With such pictures, facts would only spoil the effect. . . . There may never have been a better example of the emptiness of on-the-spot television news coverage.

The Hearst-owned *Examiner*, though without any Pulitzer nomination, commended certain members of the City Council "who refused to permit the television 'cheerleaders' to provoke them into joining in this dismaying spectacle."

Under this attempt to label them as the yellow press of today most television newscasters dug in and employed purely defensive tactics. One who did not was Mr Clete Roberts of station KTLA, Los Angeles. This local station is owned by the Paramount Pictures Corporation and so is not hampered by the network affiliations which makes its rivals highly sensitive to both official and public reaction. Mr Roberts maintained a continuous counter-fire upon the critics of television. Backed by the station's director of news, who said that his policy was to go after circulation, like newspapers, and to do so by "getting a good story and putting the best headline on it," Mr Roberts used as his main weapon the action pictures taken on the spot in Chavez Ravine at the time of the eviction. For a few nights, his viewers did not get much other news as the films, or portions of them, were re-run. Mr Roberts even took them down to the Council Chamber and put them on show for the Mayor, who said he had not seen the original broadcast.

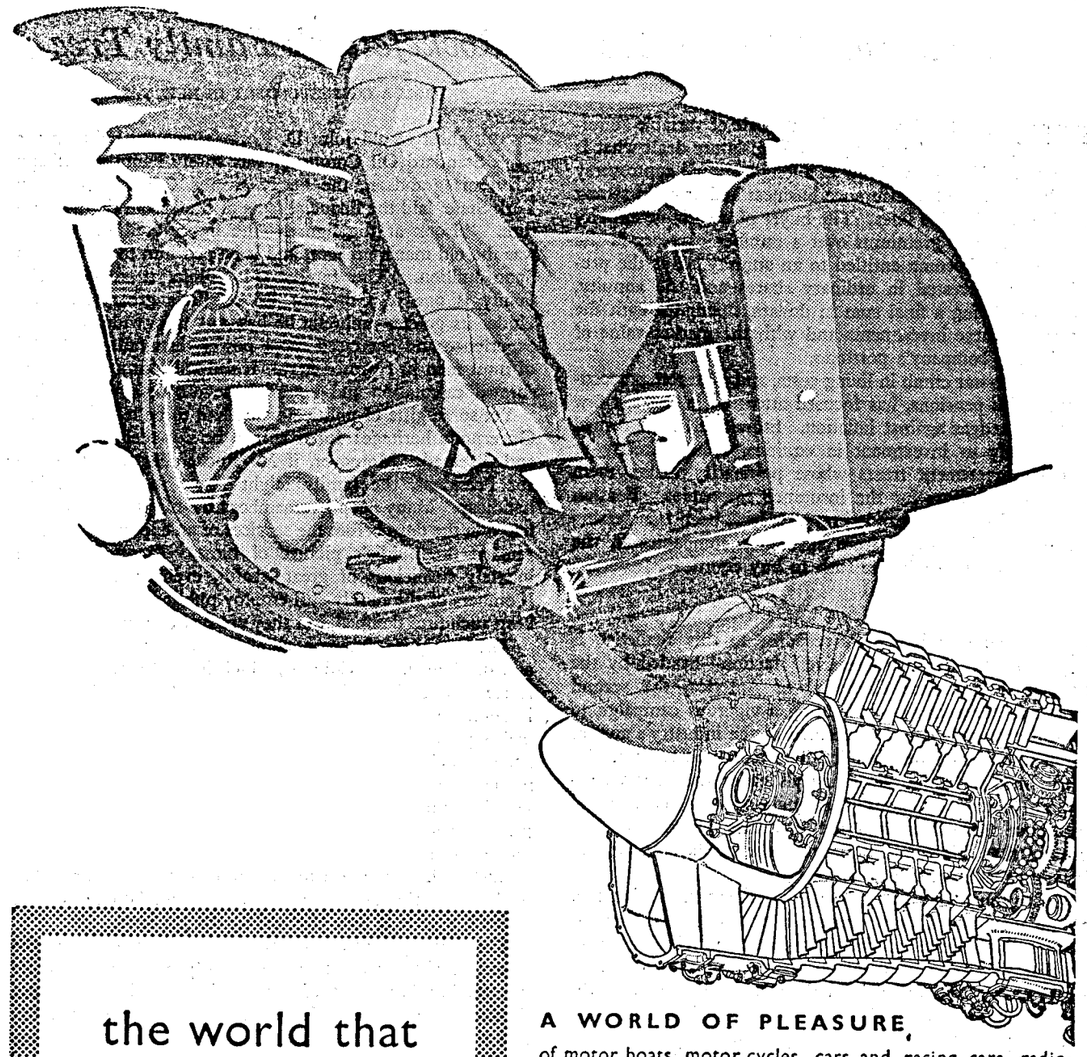
To one "war correspondent" who followed this battle as well as the bigger one, the pictures told the whole story. Stage-managed or not—the evidence of the turmoil-ridden episode seems against any but the most sketchy attempt at "direction"—they were graphic and moving: the sheriff's deputies breaking in the door of the Arechiga house; four of them carrying the struggling Mrs Aurora Vargas (a daughter) out bodily; the 66-year-old Mrs Avrana Arechiga hurling stones; sobbing grandchildren pushing ineffectually at strapping female deputies; dogs barking; bystanders barracking. Maybe some of the television reporting was slanted. Maybe there was some attempt at stage management. Maybe the newscasters should have commented on the underlying issue involved. But one thing is certain. Beside television's on-the-spot coverage of the eviction, the still pictures and the printed stories in the newspapers the same evening and the next morning were at an enormous disadvantage. In any case, the newspapers were scooped, so it is perhaps not surprising that they took it hard.

Anti-Trust's Skeletons

NEITHER political party has a monopoly of vigorous enforcement of the anti-trust laws and up to now the Eisenhower "businessman's government" has been remarkably successful in escaping criticism on this score. It has won some notable victories in the courts. Last week, however, the anti-trust subcommittee of the House dug up two skeletons which the Department of Justice would like to forget. Both involved consent decrees, which are settlements negotiated between the government and the defendants in a case; when they are registered with a court, they have the same standing as a verdict after a trial. Such settlements have been widely used in recent years because they relieve the strain on the department's limited legal manpower and can be the means of bringing about desired changes in business practices without holding long, expensive and acrimonious court trials.

The four Democrats on the subcommittee who produced the long and scathing report (with two Democrats not voting and the three Republicans dissenting angrily) hold, however, that in at least two cases the consent decree achieved little, was ill-enforced, and simply offered an easy way for the companies to escape prosecution. One, involving the American Telephone and Telegraph Company, was brought originally in 1949, when the Democrats occupied the White House; it sought to divorce the giant telephone company from its captive supplier, the Western Electric Company, on the ground that they were maintaining a monopoly in the manufacture and sale of telephone equipment. The case languished until 1956 when, according to a vice-president of the company, the then Republican Attorney General, Mr Brownell, passed the hint that, if Western Electric would promise to make its past and present patents freely available, the case could be amicably settled without breaking up AT & T's empire. In the other case, a consent decree in 1941 tried unsuccessfully to limit the dividends to be paid by pipeline companies to their parent oil companies on the ground that these were concealed rebates which put other users at a disadvantage. The subcommittee wants Congress to forbid such dividends and asks the Department of Justice to reopen the telephone case.

One of the general disadvantages of a consent decree, however, is that it closes a case for good, except in very unusual circumstances, thus tying the hands of succeeding Attorneys General. Another is that the terms of the settlement are usually kept secret until it is too late for outsiders to demand changes in them. Finally, a consent decree cannot be used as evidence in a private suit for damages; this weakens a sanction which may be more effective than government prosecution. For these reasons the subcommittee thinks that less use should be made of consent decrees and even its Republican members agree that the terms of such settlements should be made public and time allowed for other interested parties to file their objections.



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Variable Annuities Arrive

NEW YORK

In passing three Bills to legalise the sale of variable annuities last week, the New Jersey Legislature dealt what is likely to be the decisive blow in a long-standing controversy that has split the life insurance business and aroused strong passions on the side lines. The buyer of a variable annuity has to pay fixed premiums over a number of years in the usual way to become entitled to an annuity. But the premiums are invested in ordinary shares and the annuity, instead of being a final sum in dollars, fluctuates with the return on these investments and with the market value of the issuing company's portfolio.

The post-war climb in living costs, and a greater preoccupation with pensions, has focused attention in the last few years on hedges against inflation. Individuals have turned increasingly to investment in equities, either directly or through investment trusts whose popularity makes them strong competitors for the insurance companies. Pension funds, which have expanded rapidly, have been transferring much of their custom from insurance companies to the banks in order to join the rush to buy equities.

The insurance industry's response to this challenge is divided. The "progressive" faction—headed by the Prudential Insurance Company of America, the second largest in the country—is fighting a vigorous campaign to have the variable annuity accepted as the industry's answer to an inflation-minded public. The more conservative element, lined up behind the industry's leader, the giant Metropolitan Insurance Company, strongly opposes the entry of insurance companies into the securities business on the ground that this would undermine the public's concept of insurance as involving no risks.

This group fears the tighter government regulation that would inevitably follow. And it is not convinced that the dollar will continue indefinitely to lose its purchasing power or that the value of common shares will always rise to offset such a loss; this is the basic assumption on which the variable annuity it based. Such opposition is warmly supported by the financial community, which dislikes the idea of insurance companies owning a large stake in the common shares of individual enterprises, and by the investment trusts which regard the variable annuity as an unwarranted invasion of their preserves.

A recent Supreme Court decision defined variable annuities as securities and not insurance contracts and subjected their sale to the regulations of the Securities and Exchange Commission, so meeting at least the main public objections of many critics of the device. Once the Governor of New Jersey has signed the variable annuity Bills, as he is expected to do, the Prudential—which has been the main protagonist in this legislative battle in its home state—can go ahead with its plans to sell them. If they prove popular, the opposition within the industry will crumble, and the investment trusts will have to resign themselves to narrower horizons. In the meantime pressure will be put on other key states such as New York, Massachusetts and Connecticut—whose Legislatures have already considered the merits of the variable annuity from time to time—to follow the lead of New Jersey.

Rockefeller's Family Tree

FROM A CORRESPONDENT IN NEW YORK

The ghost of old John D. Rockefeller who built up the Standard Oil Company, was surely haunting Albany when his grandson, the newly elected Governor of New York State, laid the financial facts of life before the Legislature. "Look at the figures—the figures tell the story," was the old man's precept, and it helped him to make some $900 million. The family still thinks it sound. His family is one of Governor Rockefeller's great resources. Under its golden umbrella he has had a far wider range of experience and exercised more power than falls to the lot of most men just turned fifty. It can still put skill, energy, shrewd calculation and honest benevolence at his service.

Yet some gifts of political value had to be left out of the Governor's heritage: for example, how it feels to be poor and defeated. Moreover, if Mr Rockefeller tries to stand for President, the family might prove to be a political handicap. Many people remember how his grandfather was hated in the days before the services of an expert press agent remade the public's picture of him. Many voters are innately suspicious of great wealth, even in good hands. Members of the family still employ public relations men to keep such fires damped, but they are by no means quenched.

The family is, of course, chiefly famous for the museums and the University (Chicago) which it has founded, for the research it supports, for the magnitude of the wealth which it commands, and for the enterprises which this wealth makes possible. But the Rockefellers have other characteristics which set them apart from the ordinary run of millionaires. The family's fortunes were built in the nineteenth century on the development and distribution for private profit of a great natural resource, petroleum. They are flourishing in the third generation, although the reaction against such unlimited exploitation of natural resources has made it something of a social sin, and accumulation of wealth on such a scale is now checked by the tax laws.

The third generation numbers six, all men except the eldest, a sister who contributes to projects of common interest but keeps out of the public eye. Energetic and shrewd, the five brothers have a sense of public responsibility and a flair for making money, for using it and for enjoying it. The picture that the public sees coincides to a surprising extent with that well-known stereotype, the ideal American. Nor is this entirely contrived; even the best of press agents must have material to work with.

At times the stress on the Rockefellers' benevolence makes them seem interested only in giving money away. This is, however, an illusion. In business circles they are known for their shrewdness and so are their representatives. The Rockefellers are land developers and business executives on an international scale, with Rockefeller Centre as their best-known trademark and an intelligent benevolence as their shield against over-heavy taxation and public envy. They still have large holdings in the complex of oil undertakings which resulted when a famous anti-trust suit broke apart their grandfather's Standard Oil Company; they have a known interest in the Chase Manhattan Bank and in certain chemical and aircraft companies. Their investment portfolio accents the good risk.

The Rockefellers are usually said to inherit their various abilities from their famous grandfather, who was born a poor boy in 1839, the son of a pious Baptist mother and an unregenerate hawker of patent medicines and died an incredibly rich old mummy in 1937. The present patriarch is Mr John D. Rockefeller Jr, now eighty-five years old, an imposingly quiet little man who inherited the full impact of his grandmother's piety and his father's wealth, and who used both of them with distinction. It was he who restored the eighteenth century town of Williamsburg, Virginia, who gave New York an interdenominational church on Riverside Drive, who rescued from decay several acres along the East River and presented them to the United Nations for its home. But with all this public benevolence, he did not let the family's private fortunes slip. He is believed to be worth $500 million, and each of the six children $100 million.

Of the five brothers, all were born within a single decade, all were educated in eastern colleges, all are married and with children, only two of them have passed fifty. But they are by no means peas in a pod. Mr Nelson Rockefeller, the Governor, is an energetic combination of private business man and occasional public servant, with an active interest in Latin America and in modern art. His elder brother, Mr John Rockefeller III, is shy and quiet with an inquiring mind, a belief in study groups and group reports and a deep interest in the trade and problems of the Far East; he is now chairman of the Lincoln Centre for the Performing Arts, which is being built in New York. Mr Laurance Rockefeller describes himself as the "gadget type," drives fast cars and boats, invests money in research on aircraft and missiles and preaches the conservation of natural resources; he also promotes tourist paradises in Puerto Rico, the Virgin Islands and Wyoming.

The youngest brother, Mr David Rockefeller, did post-graduate work at the London School of Economics and has become the family's only banker; he is vice-chairman of the board of the Chase Manhattan Bank. He is also chairman of the Rockefeller Institute for Medical Research, has promoted a slum clearance project near Columbia University, and is in charge of a reclamation plan for the lower end of Manhattan Island. Mr Winthrop Rockefeller supplied the "black sheep" element. Leaving Yale without taking his degree, he worked as a labourer in the Humble oilfields, went to war and was wounded at Okinawa, and married too spectacularly for long comfort. Having corrected that with a second try, he has happily settled in Arkansas and, after hiring a Negro as his farm manager in that race-conscious area, is setting out to reclaim land, improve cattle breeding, and attract new industries to his adopted state.

The Rockefeller brothers support jointly a group of staff offices and a library on two floors of the tallest building in Rockefeller Centre. A research organisation called Rockefeller Brothers Incorporated supplies them with information and suggestions on investment opportunities, and the Rockefeller Brothers Fund, to which they all contribute, finances projects of common interest such as the new series of reports on national problems. Otherwise for all their strong family loyalty, they act as individuals both in making money and in spending it. But so far the family is better known than any of its members and its most familiar symbol is the petrol pump. This is something Governor Rockefeller must overcome if he is to be a national figure in his own right.

Irrational on Rails

Three years of brooding over the falling number of passengers the railways carry and their continuing heavy deficit on passenger account has not produced any startling or particularly hopeful ideas at the Interstate Commerce Commission. All of its recommendations have a wearily familiar ring. The federal government should give up its 10 per cent excise tax on fares, and it should take care not to gobble up the tax relief which states and cities are at last beginning to concede to hard-pressed suburban lines. This should go much further, to equalise the tax burdens of the railways and of competing forms of transport which enjoy free government facilities such as roads. The rails themselves must become more vigorous sellers of their wares—something which enterprising managements are already doing for their long-haul passenger business; on one Florida run, for example, free orange juice and sun lotion are popularising train travel. Antiquated working rules, which the railways complain cost them $500 million a year, should be revised; and the companies must plan for a "less extensive network more closely tailored to the needs of the public."

These last two remedies might have been pressed harder and put more bluntly if it were not for the political influence of the railway brotherhoods, as the unions are called. Naturally they resist the abandonment of unprofitable services and they may persuade Congress to curb it. Just how powerful the brotherhoods still are was demonstrated in Washington last month when Congress passed and the President reluctantly signed a Bill raising taxes on both the companies and their employees to improve the benefits provided under the industry's own social security scheme, for its idle and retired workers. The managements estimate that the changes will cost them at least $120 million a year to begin with and more later. In New York such increases in costs will exceed all the tax relief which Governor Rockefeller obtained for the state's railways this year.

The burden on the railways is so heavy because they are left unfairly to bear the whole social impact of technological change and of the competition from other forms of transport. Only about 825,000 railway workers are employed today, but there are nearly half that many receiving unemployment benefits, and over 700,000 receiving retirement pensions. The chief reason why the President wanted to veto the Bill was that it would strengthen the demand for more liberal state unemployment benefits. But the reason why he did not dare to veto it was because he knew that he might well be over-ridden by members of Congress who have a healthy respect for the political power of the railway brotherhoods.

SHORTER NOTE

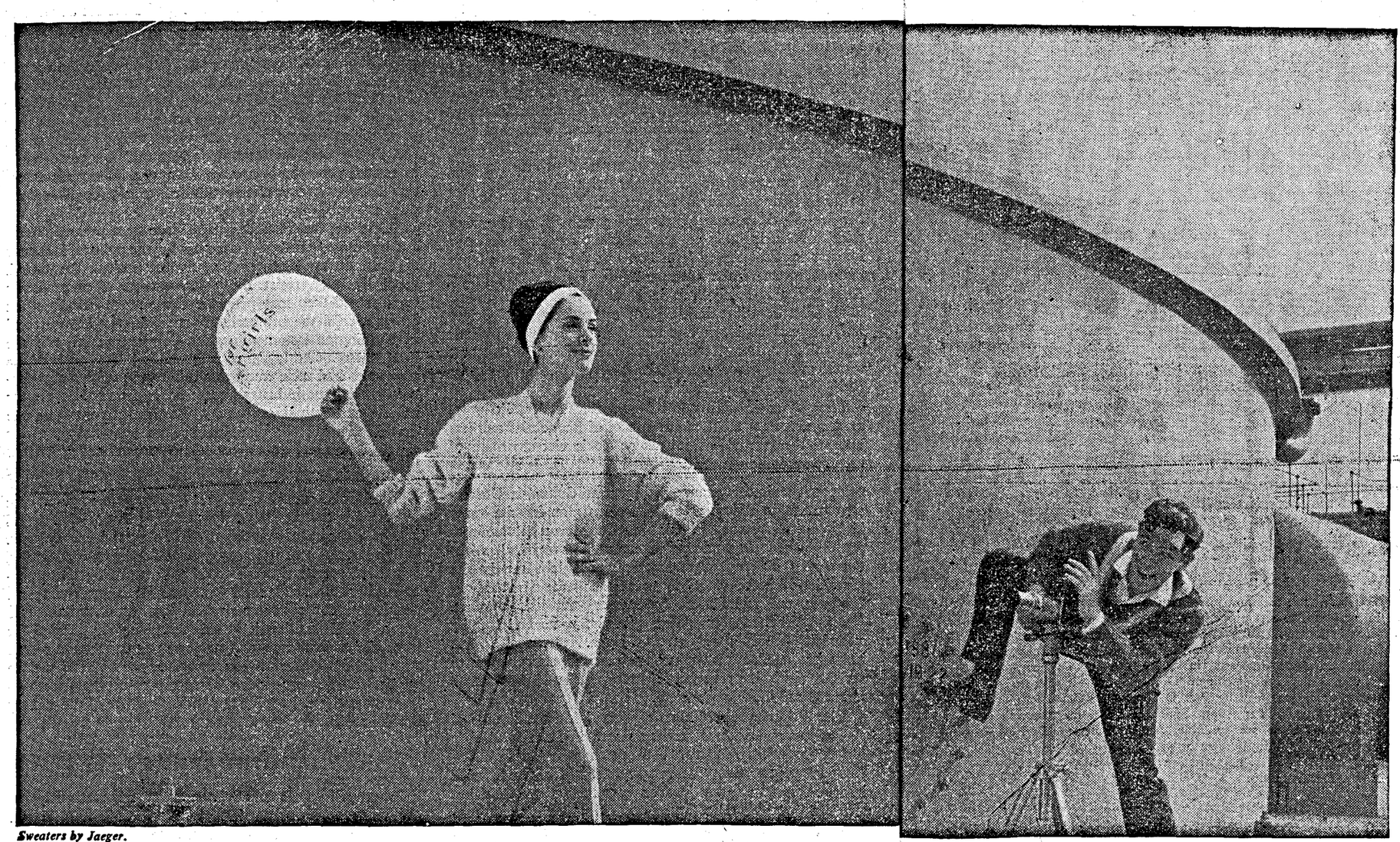
Last month Mr Harold Stassen, that hardy perennial, won the Republican nomination for Mayor of Philadelphia. Even his own party's organisation, which helped to defeat him when he stood for Governor of Pennsylvania last year, did not think it worthwhile to oppose him. The Democratic Mayor, Mr Dilworth, is seeking a second term and is likely to get it unless Mr Stassen can somehow reinvigorate the Republicans in the city; in recent years they have had as many setbacks as Mr Stassen himself but with more justification.

THE ECONOMIST JUNE 6, 1959

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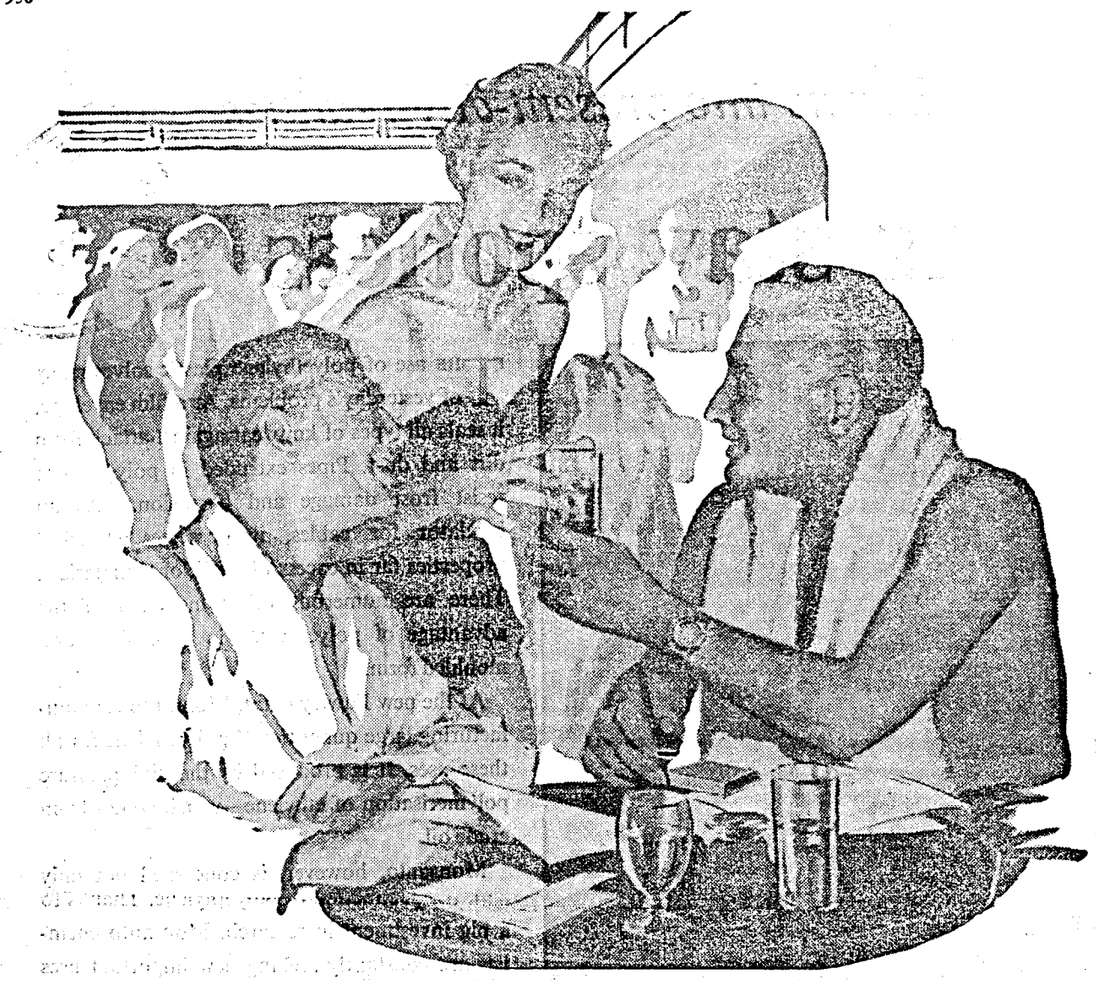
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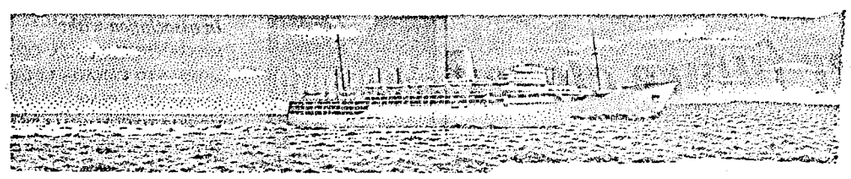
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THE WORLD OVERSEAS

India Focuses on Food

FROM OUR CORRESPONDENT IN INDIA

THIS year the monsoon was good ; and India produced 70 million tons of foodgrains. By 1966, according to a new Ford Foundation expert report, 110 million tons will be needed, and the proportionate increase in demand for such foods as milk and fat and eggs and fruit is expected to be larger still.

First, there is the acceleration in the growth of population. Until recently Indian planners assumed that the population was still growing at the 1.3 per cent, or 5 million a year at which it had grown between the censuses of 1941 and 1951. Now sample surveys have shown that the true rate is almost 2 per cent, or some 8 million per year. Although the birth rate has declined slightly, the death rate has gone down much more sharply, notably because of the spread of antibiotics and the nation-wide campaign of DDT spraying against malaria. Secondly, there is the stepping up of objectives. In the first five year plan the national income rose by 18 per cent. For the second plan the target is 25 per cent, and 20 per cent will probably be attained. The talk about the third plan is already of 30 per cent, and in India, as in all poor countries, the demand for food rises sharply as incomes rise ; given the money, Indians will probably buy twice as much of all the protective foods, three times as much milk, and perhaps 70 per cent more even of cereals. Thirdly, the main limiting factor on Indian economic growth is the lack of foreign exchange, and in 1958 food and agricultural raw materials cost the country £180 million.

Admittedly, present yields in Indian agriculture are so low, only about a third of Japan's, that it is technically possible to achieve greatly increased results quite quickly. The Ford Foundation team speaks of a doubling of production as an attainable target. But to achieve this fifty million peasant families must change the way they farm ; this can only happen if the government and the co-operative movement take upon themselves an enormous burden of organisation and persuasion.

To begin with, research must be done to find out what the peasant ought to do ; and this research must be specific, not general. The peasant must be told how much urea or potash his particular acre needs for the crop he has decided to grow. He must have recommended to him just the type of improved seed which suits his soil and weather and will resist his local diseases and pests ; in some areas he still has to be taught to sow in line and not broadcast. He must know how to level his field evenly, without leaving bits where the water collects or from which the water flows off. He must be persuaded to calculate more exactly his needs for irrigation water, and the engineering of his water channels. He must be shown in his own village the Olpad thresher and the rotary weeder, and the new pesticides and weed-killers. Since cattle slaughter is impossible, he must be persuaded to sterilise his scrub cows, and to castrate his bulls before they are a year old.

If he is shown the way, he responds. Demand for fertiliser has gone up from 275,000 tons in 1950 to at least a million tons now ; there has been a continuous shift from short to longer-staple cotton since the war ; the demand for diesel pumps for wells has consistently outrun the steadily increasing supply ; even artificial insemination has caught on in many development areas.

But this very eagerness to respond places a double responsibility upon the government and the co-operative movement. First, what is demonstrated to the peasant must really be suitable to his conditions ; an improved seed which fails the first time the rain is below average may frighten him off experiment for years. Secondly, when the peasant is convinced he must be able to act on his conviction. This is where both government and co-operatives most often fail. The improved seed is not available when it is wanted, or it is mixed with unimproved seed. Foreign exchange is never made available for sufficient imports of fertiliser to meet the whole demand. Tube-well water is sometimes charged for at so much higher a rate than nearby canal water that the peasant goes on strike against it. Major irrigation schemes, as on the Tungabhadra, bring water to farmers who have not been shown how to use it, and who may not have the resources with which to prepare their fields for wet cultivation.

Then there are the inadequacies of the credit system. Nine-tenths of all rural credit still comes from relations, the moneylender and the landlord. These sources are drying up ; to make a living, a moneylender must charge most clients a higher rate of interest than the law of most states allows, and landlords are steadily being got rid of by land reform. To fill the gap the co-operative movement is being rapidly expanded. In 1957-58 fresh loans by primary societies were £75 million, nearly six times more than ten years ago. But to register new co-operative societies still involves far too many burdensome formalities. Many societies are limited to one caste, sometimes to just two or three families. Many work so slowly that it may be almost harvest time before a man gets the loan he asked for to buy seed.

These defects explain the new emphasis on selling the idea and the possibility of a more productive agriculture to the peasant. He is to be encouraged to take risks by guaranteeing him a minimum price. The fluctuations in price between harvests, which so often leave him selling at the bottom and the consumer buying at the top, are to be reduced by a large expansion of warehouse space ; nearly 5,000 new warehouses are to be built. His supplies of fertiliser and improved seed and implements are to be made easier by a vast expansion of service co-operatives which, it is hoped, will also bring their members together

for such common programmes as contour-bunding—for the best results the bunds have to be able to follow the contours, and not individual field boundaries. Above all, more money is to be found for credit, both through government subscriptions to the share capital of co-operatives and through much larger loans from the Reserve Bank to co-operative banks—these are already nearly £60 million. Without cheap credit, at 7 or 8 per cent, most peasants can neither dig wells, nor buy fertilisers, nor hold their crop off the market till the harvest glut is over.

All these separate measures do not yet add up to a policy. On the political level the talk is still of service co-operatives today, without much idea of where the secretaries are to come from, and co-operative joint farming tomorrow, without any idea of how the peasant is to be persuaded into something so unacceptable. But so much is now said about agriculture and its needs that it has replaced heavy industry in the centre of the public's attention. In the next plan agriculture will be at the core of the hard core.

Both Sides of the Congo

FROM OUR SPECIAL CORRESPONDENT

SHORTLY after M. Kasavubu, the nationalist leader in the Belgian Congo, returned to Leopoldville from his rustication in Belgium, he took counsel with the Abbé Youlou, prime minister of the Republic of Congo, in Brazzaville. Both are men of the most advanced of the Congo races, the Bakongo (or Balali), but their positions are now very different. M. Kasavubu found M. Youlou busy making sure that his party (which is called the *Union Démocratique pour le Développement des Intérêts Africains,* but which is essentially tribal) should be returned in overwhelming strength at the forthcoming general election. In this M. Youlou is helped by having been on the right—and winning—side in the recent Brazzaville riots, for his opponent, M. Opengault, was saddled with the responsibility for them and languishes in jail, leaving his party (which is called the *Mouvement Socialiste Africain,* but which is basically anti-Bakongo) leaderless and despondent. M. Kasavubu, on the other hand, was sent on a study-tour of Belgian institutions because of his suspected part in the Leopoldville riots. When he returned this month he found that the political lead had been seized in the Belgian Congo by other parties, all claiming to be pan-Congolese, and to be strongly opposed to tribal politics in general, and to Bakongo domination in particular.

It has long been suspected that M. Kasavubu's ultimate ambition was the recreation of the ancient Bakongo kingdom, now divided between French, Belgian and Portuguese territory; undoubtedly the tribe has something of the pride and separatism of the Baganda in Uganda. M. Youlou's emergence as the dominant personality (if such a phrase can be used of a Father Brown-like figure in a white cassock) on the French side of the river provides one necessary element for a Bakongo renaissance; but the Portuguese are as usual standing no nonsense; and M. Kasavubu is now up against the bitter opposition of the Belgian Africans of the Congo's vast hinterland, who are apparently in no mood to see their narrow access to the sea blocked by a Youlou-Kasavubu barrage. In these circumstances, M. Kasavubu points out that Abako, now prohibited, never was a political party; as a cultural association it could have, and has, no precise political programme; but that he personally favours the conversion of the Belgian Congo into a federation. This leaves the door conveniently open; but other Belgian Africans insist that it disposes of M. Kasavubu's chances of becoming the Belgian Congo's man of destiny.

Who is to be that man if not M. Kasavubu? This is a question which it is natural to ask in Leopoldville, where shops, missions and schools still stand windowless and gutted, where the *Force Publique* is still grimly combing out "undesirables" from the fine modern African housing estates, and where the whites in the European city (though anyone can live there since February) sadly declare that the glory of the Belgian Congo has departed, the smiling, respectful African is no more, and the future is utterly spoilt. But there is no obvious answer; indeed it would be highly unwise to write off M. Kasavubu yet.

To Africans the question takes a very practical form: that of starting new political parties. There is a positive boom in new parties; they are formed in bars, in houses, almost on street-corners, wherever two or three are gathered together to ask "who are our leaders going to be after the elections?" The answer is to form a party and thus put in one's own bid. But it looks as if the *Mouvement National Congolais,* which has its own newspaper, *Présence Congolaise,* is now fairly well entrenched, and is likely to absorb many smaller parties before the elections take place in December, or earlier. Whether its present leader, M. Padrice Lumumba, will survive the political rapids is another question.

It is an oddity of the Belgian Congo situation that the parties declare that they operate only on sufferance, as no law has yet been passed to permit them to organise branches, collect subscriptions or hold conferences. There is no law, it is true, to stop them doing this (except in the special case of Abako); but they cannot believe that a proper law is not necessary, and they anticipate that when the minister for the colonies visits Leopoldville this month he will have one made, besides granting M. Kasavubu freedom to reform a party of his own, if he wants; indeed Abako is merely underground. Meanwhile the parties, such as they are, have a good many questions to ask the minister (now reconciled to the governor-general from whom he was so long estranged). The governor-general is now to be given what amounts in British terminology to an executive council; the Congolese demand that this shall include some Africans. They also insist that, in the administration, African "understudies" should be appointed to some high positions, to learn while working; and they demand this as an earnest that independence will really be conceded on January 1, 1961.

The Belgians will have to make some concessions; but they are most unlikely to tie themselves to any dates when they do not as yet know who their Congolese ministers might be. By combing the junior African public services they have found 500 Africans to promote to middle positions in the administration. But there are 10,000 Belgians at all levels in the administration of the Congo; and relatively few of the 500 Africans have even a secondary education.

The educational chickens have indeed come home to roost in the Congo; the Belgians, planning on a lordly time-scale, have given primary education to nearly 70 per cent of their Africans, but there are hardly 6,000 full secondary school pupils, and the new Lovanium university, which is being equipped not only with a teaching hospital but also an atomic pile, produced its first five graduates last year. On the French side of the Congo, there are African professional men in modest numbers (considering the poverty of the four republics which make up the former French Equatorial Africa); on the Belgian, it is hard to find a Congolese with a foreign university degree. The Congolese may thus be fitted to vote; it is hardly surprising that the Belgians doubt if they are fitted to rule—and have in fact made no promise beyond the granting of a share in government after the elections. Whether this will satisfy the Congolese or give rise to dangerous new frustrations is arguable.

The French have a hard enough time discreetly guiding their four small autonomous republics, but at least men like M. Youlou in Congo and M. Tombalbaye in Tchad are perfectly content to include in their ministries Frenchmen (if not always of a type acceptable to officials) to shoulder such arduous portfolios as finance. In the riots in French Congo between Bakongo and Mbushi, Europeans were unharmed and white troops welcomed in the restoration of order. "White-black relations are perfect; perfect!" M. Youlou told your correspondent. The French are shrewdly backing stable governments, however they come to power.

As they look across the river, which between Leopoldville and Brazzaville quickens towards the boiling rapids after thousands of miles of navigable smoothness, they do not envy the Belgians their skyline of imposing office blocks and harbour cranes. The Belgians, with their second £450 million ten-year plan all ready, and bemused with the herculean scale of the blueprint for the great Inga barrage, can still hardly believe that what counts now is the manœuvring, newspaper-mongering and bar-politics of a bunch of schoolboy politicians. But, nightmarishly, it is.

Bonn's New Top People

FROM OUR CORRESPONDENT IN BONN

DR ADENAUER has an incorrigible knack of making his actions appear unduly sinister. This is partly because he does not much care what other people think; nor, except for an occasional flash of spleen, does he even try to look as though he did. But chiefly it is because he is so sure of his own judgment that the questioning processes of democratic government often seem to the 83-year-old Chancellor an irksome waste of time, and best scamped if they cannot be avoided altogether. "Father knows best" has always been an infuriating maxim.

A Catholic politician more sensitive and worldly-wise than Dr Adenauer, persistently accused by his opponents of being a tool of "Rome and reaction," could be expected to take the trouble of keeping his clerical associations in the background. Speechless with *Schadenfreude*—or perhaps too coy to say precisely what it has in mind—this week's *Vorwärts,* the special pride of Social Democratic publishing, tops its front page with a large photograph of Herr von Brentano (returning chastened from Geneva) entering Dr Adenauer's gate in company with a priest carrying an armful of official-looking despatch cases. The priest is no more than the Chancellor's son Paul—the same who provided father's more desperate enemies with another round of ammunition by travelling to Washington in the Chancellor's aircraft last week and there consorting with another young man in holy Roman orders—Mr Dulles's son. Such unsporting potshots seem utterly incomprehensible to Dr Adenauer. As likely as not, he will be similarly astonished by the pother that is bound to be raised when he carries out his promise to attend the rally of 300,000 Silesian refugees which is being staged in Cologne at the end of June under the slogan "Freedom for Silesia!" He will, of course, be counselling restraint. And have not his spokesmen at Geneva been solemnly refuting protests that the Federal Republic is rearming in order to recover Germany's lost territory?

It is with a kindred ingenuousness that the Chancellor seems to have been surprised by the suspicions roused by his decision to stand for what he has plainly hinted is going to be a more politically active presidency; and by the resentment provoked by his intimated intention of nominating as his own successor Herr Etzel, whom the bulk of the Christian Democratic party consider too little known, and perhaps altogether too gentle and scholarly, to impress the electorate. Dr Adenauer has since put it about that his recent researches into the federal basic law have been conducted purely with the object of ensuring all the more loyal an interpretation. The basic law, he has conceded, empowers the Bundestag in the last resort to reject the president's nomination for the chancellorship and choose its own man.

Confronted with unexpectedly stiff resistance to his pure and selfless schemes, Dr Adenauer has now discreetly said for public consumption that he has not finally made up his mind about his successor. This tactical withdrawal should give him and his party time to settle their differences behind the scenes, which they are now trying to do. The choice between Herr Etzel and the vote-catching vice-chancellor, Herr Erhard, will be no doubt made behind a screen of amiability within the next four weeks. The new president is to be elected, in Berlin, on July 1st. Confidently assuming that he will be Dr Adenauer, the parliamentary party of the Christian Democratic Union have tentatively arranged to meet on July 7th in order to settle the question of the new Chancellor before the deputies scatter for their summer holiday. The posts will be actually changed in mid-September. According to the latest forecasts the new chancellor will be Herr Erhard (who is showing himself in the United States again this week), the vice-chancellor Herr Krone (now leader of the Christian Democrats in the Bundestag), and the economics minister Herr Etzel.

The attention which the Christian Democrats are paying to the factor of the beer hall has prompted the frustrated Social Democrats to take another look at their own grey leadership. The party chairman, Herr Ollenhauer, provokes but scanty public interest. His deputy, Herr Wehner, could make much more of a mark were he given a free hand; but he has the formidable electioneering handicap of having once been a member of the Communist party. Professor Carlo Schmid will probably be the party's candidate for the chancellorship in the 1961 federal elections. He is widely known, liked, and trusted; he is one of the few socialist leaders who have what the Germans call *Format.* It was not until the Social Democrats resolved to let him run for the presidency that the Christian Democrats appreciated that they too must put up a man of stature. In fact there is something to be said for the socialists' claim that it was really they who thus dislodged the "immovable" Chancellor.

Mr Lloyd Ploughs On

FROM OUR SPECIAL CORRESPONDENT IN GENEVA

Wednesday

As June came in the Swiss dairy farmers, cherishing their Alpine meadows according to their custom, had already taken a good heavy crop of hay and were busy drenching the blessed slopes in rich smelly liquid manure in preparation for their second. Not so the foreign ministers of the great powers, working a drier field; their first crop has still to come and it promises to be meagre.

Half-way through its fourth week, their conference does begin to show enough of a pattern to make it premature to dismiss the whole affair as a waste of breath. First came the argument about the status of the two German delegations, and the not very whole-hearted Russian effort to get the Poles and Czechs in. Next, the general debate in which the prepared plans of either side were expounded and exposed to counter-attack. When this was completed, all that was left was deadlock. Then, upon the death of Mr Dulles, the adjournment to Washington and the move to private meetings. By tonight there had been six of these meetings, including the two in mid-air over the Atlantic.

With the change of method went a change of subject, from the general to the specific, from the German question to Berlin. The two plenary meetings since the return from Washington have fitted in with this change. These plenary proceedings are still being expounded fully to the assembled journalists; the private meetings are being kept firmly private.

It would be pleasant and logical to infer that the change of subject and method meant an improvement of the prospect of success; but alas, no evidence of that is to be found. The manners have been better and the tone easier, but that is all. Mr Herter has yet to drop any hint of terms lower than those he expounded last week in the open phase. Mr Gromyko, though he occasionally lets fall a hint of a possible topic on which he might perhaps give ground one day, has never yet indicated what the concession might be. The French are well dug in on their familiar terrain. For Mr Lloyd this must have been a particularly difficult week. He was, and still is, engaged in the task of translating into conference tactics the search for an accommodation which has been British policy since Mr Macmillan's Moscow expedition, without allowing his tactics to impair western solidarity. He has done this job skilfully and with a degree of success. Relations between the western delegations are better than anyone would gather from the hostile treatment that British policy still gets in the western European press. Obviously the curious story about Mr Lloyd's future in *The Times* has added to his difficulties and offers, to those who wish, a new way of writing off his efforts as useless. Perhaps the damage can be repaired. Mr Lloyd, who can do little good either by explaining *The Times* away or by ignoring it, is hardly in a position to repair it himself.

Nevertheless, it is still Mr Lloyd who has defined the specific negotiating problem that now remains: that of agreeing to "improve" the Berlin situation in detail while negotiating it in essentials. Naturally he was at once accused of intending that the improvements should all be in the communists' favour, and naturally this is what the Russians themselves are anxious to assume. The real position is much less simple. The truth is that while improvements in the Russians' sense, of putting a curb on propaganda and undercover activities, are certainly possible, not much of this is capable of being formally agreed; thus, a written agreement to drop secret service activities would read very oddly, and its value would be dubious. The Americans have made it clear that they are not going to give up the RIAS radio station, and that any concessions on other matters would have to be reciprocated. Thus the idea of "improvements" in Berlin comes up sharp against the Soviet thesis that East Berlin is the capital of a sovereign east German state and can present no problem.

Finally, even in an interim or partial agreement on Berlin, the Americans in particular are disposed to insist on a more specific affirmation of the rights of civil access to Berlin than was provided by the reticent formula of 1949. If the Russians do not meet them on these points, then the American position is still that there will not be a summit conference.

All conferences reach a stage when people begin to wonder what the communiqué will say at the end. The ministers' task is small but hard: to extract from their debates enough in the way of general or specific statements that they can all sign to save everybody's face and permit a summit conference to be held. It is possible by now to think of general statements that could be uttered about the German question, but in concrete terms the ministers cannot do much more than send their heads of governments the western and Soviet plans as rival documents. On Berlin, just conceivably they can do a little better—that is, they could agree some propositions and submit only a few that are not agreed. Something more than this will be needed if there is to be a summit conference at all. Possibly Mr Gromyko might provide it, not by concessions on Germany or on Berlin, but by some move on one of the related subjects that hang in the air of the conference—disarmament, European security, or even nuclear tests. If he does not, it is hard to see the way out.

Holland Steers to Starboard

FROM OUR CORRESPONDENT

Full employment and an increase in productivity were the central points in the statement with which Professor de Quay introduced, in the Dutch parliament last week, the first postwar cabinet to exclude the Socialists. The statement fully reflected their exclusion. The de Quay government's first concern is to decrease budgetary deficits in order to leave more room in the capital market for private investment. Tax relief is highly desirable, according to the new premier, but possible only in so far as the increase in national income exceeds the rate of increase of the budget. He announced, however, specific plans for tax alleviation for private enterprises designed to stimulate industrial expansion and exports.

This implies a completely new approach to Holland's economic and social problems. The anti-inflationary measures of 1957 left a feeling of general disappointment. Dr Drees' paternalistic government had tried to distribute the burden of these measures equally between wage-earners, private business and the state. In practice, the private sector restricted its activity much more than was provided for, while the state increased its spending much more than had been agreed. Herein lay the origin of the crisis of December 1958, which provoked the March elections.

The Socialists, however, still saw no reason to try a new approach. They continued to pin their faith to an improvement of the paternalistic Drees system, which had proved more effective in distributing welfare evenly than in expanding it. Their tendency to go just a little too far in this direction was the fundamental reason why the old coalition could not again be restored.

Two immediate measures were announced by the new cabinet. House rents, which had been kept artificially low since the war, will be raised, and state subsidies to farmers for milk will be abolished. This will lead to an increase in the cost of living. But compensation will be sought not, as hitherto, by a general wage increase, but by increases negotiated by employers' and employees' associations without direct state intervention. The rate of wage increase will, therefore, differ between the various branches of industry. The government will only intervene when price increases which affect the Dutch competitive position on the world market are involved.

The paragraph in Professor de Quay's statement on the six-nation European common market and relations with the other OEEC countries reflected a new trend in public opinion. There is widespread disappointment and mistrust in Holland about the consequences of the community policy. This is due to several disturbing experiences. First, there is the coal crisis, which, under the pressure of a Franco-German bilateral policy, will lead to a policy of import restrictions that are to the disadvantage of the ports of Amsterdam and Rotterdam, and will cause an unwelcome increase in coal prices. Secondly, there is general concern about the Franco-German bilateral grain agreement, which is regarded as indicating how the articles of the six-nation Rome treaty on minimum prices for agricultural products and on long-term contracts will be carried out. Finally, there is the reluctance of France, and of Germany under French pressure, to negotiate further on the question of the free trade area, which the Dutch have always held to be a necessary complement to the six-nation common market. The new premier has emphatically repeated this Dutch conviction.

Nyasa Fairy Tales and Witch Hunts

FROM A CORRESPONDENT IN CENTRAL AFRICA

Two new events have highlighted the inconsistency of the Nyasaland government's policy. First, Mr Garfield Todd was refused permission to hold a public meeting in Blantyre. Officially the refusal came from the police; but it is an ill-kept secret that the decision was in fact made by the executive council, probably at the instigation of the Federal party elements. This decision is remarkable, since the Nyasaland government has been feverishly searching for the past two months for some party which it could claim is more truly representative of African opinion than Congress. Mr Todd's Central African party seemed the only possible candidate for such a role, and so it was expected that he would be received kindly and given every possible opportunity of gaining African supporters. It is, incidentally, unlikely that he will gain many, since his party covers the whole federation, and most Nyasaland Africans will not touch anything that is remotely federal.

The second event which throws considerable discredit on the Nyasaland government, was the publication of the second of two propaganda pamphlets by the government information office, entitled "Talking Points for Government Officers, Estate Owners and Managers," excerpts from which have also been printed in the official information bulletin circulated free amongst Africans. Both these pamphlets are written in the manner of fairy tales for five-year-olds (presumably because the government realises that the majority of educated Africans are already in gaol), and are designed to put the blame for every misfortune on the shoulders of the African National Congress. They are also a direct exhortation to start a witch hunt. To quote:

> Do you know of any member of Congress living near you who has not yet been arrested? Do you know of any group of Congress members near you who are plotting trouble? If you do you must tell the Boma (government), so that these wicked people can be arrested and removed from your area. . . . You can either report personally to a government officer, or, if you prefer to remain anonymous, send an unsigned letter to your district commissioner or police officer, giving the name and address of any Congress member still at large. (There is no need to put a stamp on your letter.)

It seems clear that the government is determined to discourage Africans from joining even a liberal party as responsible as Mr Todd's. As for Congress, which, it must be remembered, was the only African political party in Nyasaland and had an openly declared policy of self-government outside the federation, it is to be completely crushed:

> Whether they are charged with criminal offences or not, the Congress leaders are going to stay in prison for a long time until they constitute no threat to the peaceful lives of the inhabitants of the country.

It is difficult to see how this sort of policy is going to assist the Nyasaland government in its task of bringing about responsible self-government. This short-sighted policy is presumably forced on it, however, by the fact that it is pledged to federation, which is almost universally opposed by politically conscious Nyasaland Africans. Being thus compelled to suppress virtually all African political opinion, it seems likely to forfeit African sympathy, and increase the clamour for secession; in this way it will ruin the chances of economic development on which the whole case for the federation rests.

THE PAPER BULLETIN

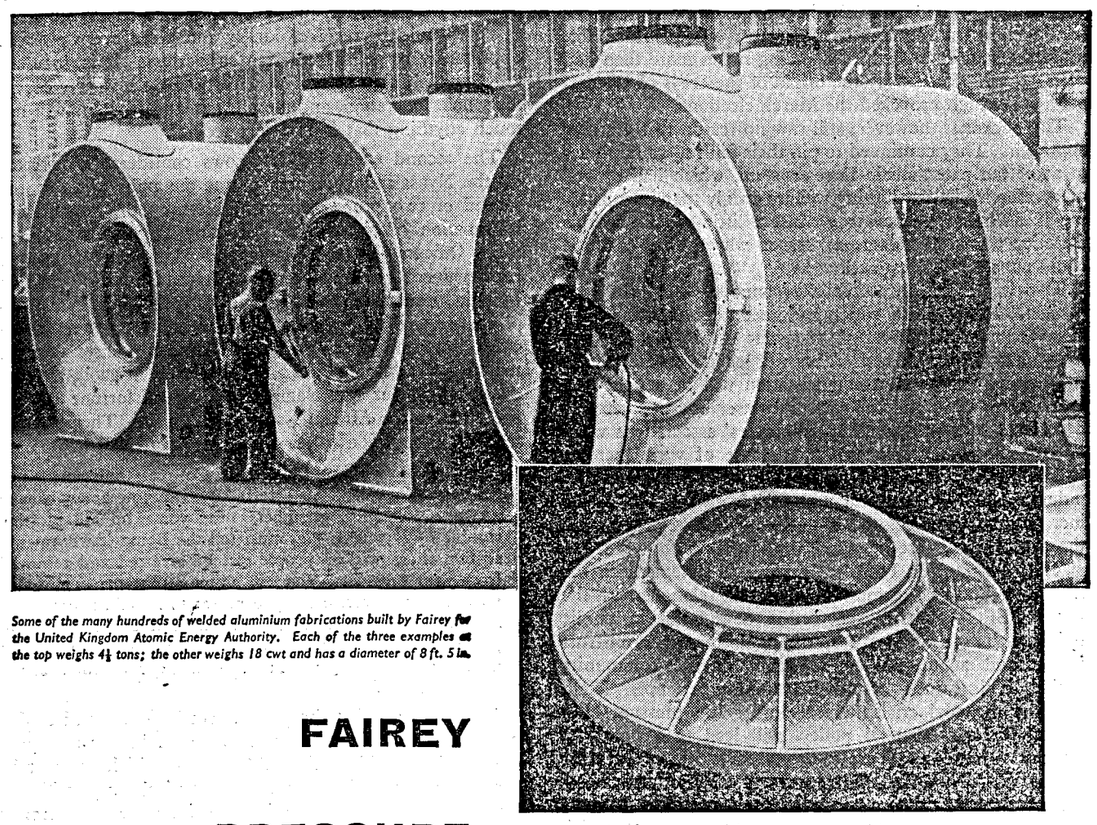
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THE BUSINESS WORLD

Air Ticket to Moscow

BY A SPECIAL CORRESPONDENT RECENTLY IN THE USSR

At this time of year, the sun rises over Moscow soon after 3 a.m. with a milk-white light that makes the limes seem greener than they do in other countries and soaks into the bricks and stones of the city until the walls become luminous, rose-red, yellow, apricot, green and white below the Kremlin's pure gold domes. Spring comes late to Moscow in a flurry of new young leaves and lilac, the signal for a rush to get new building under way before the autumn frosts bring work to a standstill. The children pick dandelions all day long with ferocious concentration, customers stand four and five deep at the counters selling guns and fishing rods, and the first cuts were made a fortnight ago on a new underpass where Gorky Street joins Mokhovaya Street just below Red Square.

Moscow's polygot hotel population is still predominantly a business, not a tourist one, made up of Russians from the provinces ; East Germans and Czechs ; a substantial Middle East contingent coming mainly from Egypt and Iraq ; tired-eyed Americans ; Chinese army athletes six feet tall ; and a handful of British visitors looking as surprised to find themselves inside the Iron Curtain as Alice to reach the other side of the looking glass. Expense-account entertaining appears to play much the same part in Moscow as it does in the West, and the visitor looking for tangible evidence of Russian trade with the West might find it in the Turin-built Michelin tyres of many Russian buses or the shipment to Caracas of such unexpected freight as Russian-built electronic data processing equipment. With considerable secrecy, permission has recently been given to the American Rand Corporation — a "nationalised" research back-room set up by the US Air Force—to set up Moscow offices for the possible purchase of Russian inventions for the United States. Only those Westerners who actually live and work in Moscow or those who, like Sir David Eccles, come to the capital with the object of extracting firm written commitments from their hosts, know of the days and even months of preliminary stonewalling which pass in Russia under the name of negotiations before these deals are completed with a speed and suddenness calculated to throw the other side off balance.

To tourists, and to visiting firemen of every kind and species ("delegation" is a powerful word in Moscow that opens many doors closed to resident foreigners, besides getting quick service in restaurants) the city presents a very different face ; urbane, confident and coloured with a certain amount of good-natured patronage. Shop assistants explain tolerantly that tourists cannot afford to buy the luxury goods, the glass, enamels, lacquers, the expensive dolls, or the embroidered shirts that Russians give each other for presents. This is hardly surprising because while a rouble bought at the standard rate of exchange costs 1s. 8d., and one bought at the special rate for tourists costs 8½d., its actual purchasing power is probably about 6d. or even less.

Rents are cheap, based on a percentage of the wage of the most highly-paid member of the family and ignoring the earnings of the rest. Having fallen into the trap of mistaking three American visitors for typically drab middle-aged Russian housewives, your correspondent is wary of making any comparisons between Russian and Western standards of dress. The uniforms of officers, or airline captains and, for that matter, the frilled petticoats of some Intourist guides indicate that the Russians can and do tailor textiles of extremely high quality when they choose. The fact that they do not apparently put these on sale in the big Moscow department stores seems part of a policy that regards these stores, like the big chains in this country, as catering for what would be called here a lower middle-class market with decidedly provincial standards of taste. The lampshade and furnishing departments are particularly revealing.

Since British European Airways recently became the sixth Western operator to open a direct air service

to Moscow (the Finnish and Scandinavian airlines began flying there in 1956 and the Belgian, Dutch and French last year) British travel agents have been able to negotiate much better terms with their Russian counterpart, Intourist, than they have before. Even though the standard Intourist charge of about £11 a day, which includes first-class hotel, car, driver and guide, is good value compared with the tariff of comparable hotels in the West, it remains well beyond the pocket of the average British holidaymaker. Within the last few days, travel agents have been able to make arrangements with Intourist that bring the charge down to something nearer £3 a day (plus £118 for the tourist return fare) and, what they consider even more important, leave the choice of hotel, method of travel and itinerary to be decided from the British end and merely rubber-stamped in Russia.

This is a major advance, but whether it will give any significant stimulus to tourist traffic is an open question. Moscow and the surrounding countryside have moments of breath-taking beauty; the restoration of those parts of the Kremlin and other historic buildings open to visitors has been done with skill and an unexpectedly subtle sense of colour. Modern Russian building at its worst is no uglier than the average municipal housing scheme in London, Paris and New York and at its best has a number of commendable features, including experimental methods of construction collected together on one housing estate given over to this purpose. But the city as a whole has few of the amenities that the average British holidaymaker normally expects when abroad, other than ice-cream of almost forgotten prewar quality, and for this reason travel agents tend to regard the Soviet Union as a strictly off-beat vacation.

This has a bearing on the volume of traffic that British European Airways can expect to carry between this country and the Soviet Union. Other airlines flying to Moscow have found that their traffic is largely diplomatic, with a sprinkling of businessmen, a few rare tourists and an occasional unexpected consignment of freight such as the two tons of penicillin recently flown in by the Scandinavian carrier, SAS. BEA's experience during the first week or so of the new service appears to be conforming to this pattern. It has been offered westbound Russian freight, such as gold and electronic equipment, in tonnages big enough to make the service break even immediately, but with no promise that this will continue. Where other, long-range airlines are prepared to operate at a loss to Moscow in the hope that they will eventually be allowed to use it as a staging point to the Far East, BEA has to try and break even on Russian-bound traffic alone, which will only be possible if it is allowed to operate into more than one Russian city. Negotiations are now in hand to allow a stop at Leningrad, but it will be difficult to make any service to Russia profitable until the corporation can put Comets on the route next year.

This is not because the Comet is a conspicuously economic aircraft to operate, but because the big Viscounts used by BEA have to carry fuel for 1,400 miles of non-stop flying. It is 900 miles from Copenhagen, the last re-fuelling point, to Moscow and 500 miles from Moscow to Minsk or Riga, the two alternative airports offered by the Russians for those occasions when Moscow's sudden and notorious thunderstorms close the airport. This weight of fuel reduces their payload from 58 to about 30-36 passengers. As the Russian airline, Aeroflot, gently points out, it is the shortcomings of BEA's aircraft that make it necessary to operate both Russian and English services with a stop at Copenhagen. Aeroflot's own jet Tu 104s could do the journey between London and Moscow non-stop as easily as they do the journey between Moscow and Paris.

AEROFLOT is well aware of the key position of Moscow as a transit point between East and West and advertises "fly via Moscow and save time." Using Aeroflot jets, the journey from London to Delhi takes 12 hours, compared to 13½ by BOAC, and the journey to Pekin 15. Although the Tu 104 shows unmistakable traces of having been evolved from a bomber—its cockpit with a transparent nose has a military air that no amount of carpeting can disguise—the three new aircraft with which it is being replaced all look as if they had been designed from the outset for commercial use. Surprisingly, when the West is converting its fleets to pure jets, these three new aircraft are all turbo-props; one is already in service, the second just coming into service, and the third promised for delivery this autumn. They range from medium stage lengths like those between Moscow and Kiev to 9,000-mile range machines capable of spanning the Soviet Union from end to end, and vary in size from 100 to 200 passengers. The interior fittings could have been planned by one of the better and less fidgety American designers except that cabin, cockpit and galley all provide far more space than any Western airline could afford to. There appear to have been some teething troubles with the engines, and the last two aircraft, the Il 18 and Tu 114, are at least six months late in coming into service.

In many respects, Aeroflot operates much like any Western airline; the 60 hours a month that its pilots are allowed to fly on jets and the 120 hours on other types of aircraft do not differ noticeably from BEA's own regulations, and 80 per cent of the huge Russian fleet is expected to be serviceable at any one time. But there is a significant difference in the approach to operating economy, which is shown not only in the amount of "wasted" space inside the aircraft cabins but in the rapid rate at which engines are overhauled. BEA's Dart engines on the Viscount are overhauled every 2,500 hours, but the Russian engines are overhauled every 800 hours on the piston-engined Il 14, 500 hours on the turbo-prop Il 18 (a new engine, so this is less surprising) but only 400 hours on the jet Tu 104 which has been in international service for at least three years. This suggests that Aeroflot has to make do with military engines that are designed for a short life at high performance; the other, unlikely, alternative is that the Russians have discovered how to make a cheap, expendable engine. The cost of engine overhaul is a big item in airline expenses and though it may not worry Aeroflot's accountants, this high rate of maintenance could be a serious deterrent to export sales of Russian civil aircraft.

It is easy to exaggerate the immense progress made by Aeroflot. Air transport is developing inside Russia on much the same lines as in the United States and for much the same reasons. Aeroflot probably carries about 10 million passengers a year—exact figures are difficult to get—which is perhaps one quarter of the traffic carried by the major internal airlines of the United States. The switch to the air is encouraged by the fare policy; it costs one fifth less to travel from Moscow to Leningrad by jet than by the crack Red Arrow express train. But only 150 aircraft come in and out of Moscow every day (making in airline jargon, 300 movements) compared with 250 aircraft at London airport on a busy summer's day. At any one time between 20 and 25 aircraft may be passing through the Moscow airport control zone, numbers small enough to be handled by one man and his assistant.

It seems unlikely on these figures that Moscow airport and its surroundings are busy enough to justify installing navigation equipment as elaborate as the Decca system that is designed specifically for areas so crowded that aircraft are flying almost wing-tip to wing-tip. The fairly elementary landing aids ordered from Pye by the Russians two weeks ago seem much more in keeping with the actual traffic requirements. The Moscow traffic control is at present housed in two separate buildings, one for the area up to 100 kilometres from the airport and the other for long-range control extending from 500 to 800 kilometres. This extraordinarily inconvenient arrangement will end when the new control building is finished. Meanwhile, the actual technical equipment of the airport, its radar, its blind-weather landing and general communications are of the type found in any Western airport of the same size; the unusual feature is the high standard of English spoken by the controllers, which is in sharp contrast to the sub-basic English of some other continental controllers. It is now easier to visit Moscow than at any time since the start of the cold war; all that remains is to think up some good reason for wanting to go there. The ball is in Mr K's court.

BUSINESS NOTES

TAKE-OVER BIDS

Primer for Politicians

BY the logic of the market place, property that is not fully or properly utilised will always be attractive to any buyer that can make it more profitable. The take-over bid simply applies that logic, sweepingly but justifiably. There may be gain to the victor and pain to the loser. But that too is logical, for the buyer will not bid unless there is the expectation of profit and the "loser" is not (in share bids at any rate) the owner of the property, but the man who was being paid by the shareholders to administer their interests. Shareholders can always refuse a bid and often do; they are the sole judges and it is their own self-interest that brings them to a decision.

To speak, as Mr Sydney Irving did in Parliament on Tuesday, of "economic gang warfare that has no regard to the interests of the nation" is fustian political stuff. The market in property or shares works in exactly the same way as the market for cabbages; through the competition between personal interests it produces the best accommodation that is possible between them. In that sense it can be said to serve the widest aims of the economy. To regulate the market to serve predetermined ends is a different matter—one of political choice. To equate nationalisation with take-over bids, as some speakers and writers have recently done, is to mix up the politics hopelessly with the economics. The notion that "the people" have some right to share in the "profits" of take-over bids has some ugly overtones, for it is the activities of governmental authorities in the last generation in such matters as nationalisation, compulsory purchase of land, and sequestration of foreign securities that have sometimes been reminiscent of the stick-up man. Mr Clore offers his price; shareholders can accept it, or they can see him off. That is more than holders of electricity supply companies' stocks were able to do in 1946.

BREWING MERGER

Ind Coope and Taylor, Walker

"ANYTHING Clore can do, we shall do better" will undoubtedly be the theme of the reply of the Watney Mann directors to his bid. In this expectation, Watney Mann ordinary shares, though down on short-term profit taking from a high point of 77s. to 73s., still stand well above Mr Clore's bid of 60s. The Watney Mann directors will no doubt point to the economies that have resulted from brewing mergers in the past, and they will certainly approve the latest example—Ind Coope's bid for the ordinary capital of the London brewers, Taylor, Walker—as a natural phenomenon, not to be confused for a moment with a bid from outside the industry. This is an agreed merger which the directors of Taylor, Walker, who control 163,000 of the

2,593,000 ordinary shares, urge other shareholders to accept. The offer is a fair one of 15 Ind Coope ordinary shares for every four Taylor, Walker ordinary units. With the Ind Coope at 16s., that puts a value of 60s. on Taylor, Walker shares, which since Mr Clore's foray have risen from 36s. to 51s. 6d. It happens that Ind Coope offer the same immediate gain in terms of market value that Mr Clore's bid offered to Watney Mann shareholders.

Talks about the possibility of a merger between these two breweries began as long ago as 1953. They were renewed early in May and the terms finally settled on Monday. It is not, said Lieutenant-Colonel William Kingsmill, the chairman of Taylor, Walker, "a speculative real estate deal or a financial raiding party," but rather "a natural fusion of complementary forces to obtain greater efficiency in production, distribution, and service to the public." If it goes through, it will bring Ind Coope into the London and Home Counties areas, adding 1,360 public houses and off licences to the 4,000 public houses and 51 hotels it already owns. It will make Ind Coope the biggest national brewer, with public houses in every area of the country and probably second only in production to Guinness. It will give Ind Coope control of five breweries in the London area and in a few localities too many competing outlets. "Rationalisation" will close down some of these breweries and public houses; some may be sold and others be modernised. All this is a familiar recipe to the brewing industry and one that Mr Clore has not been able to improve on for Watney Mann. Both his bid and this merger have the same economic justification. The question that the Watney Mann shareholders have to decide is who will do it more efficiently: the brewers with their experience of the trade and their measured ways or Mr Clore, whose flair extends beyond finance to hiring the right kind of help.

GEORGE NEWNES

Victory for Odhams

VICTORY for Odhams Press in the struggle to acquire George Newnes is now a formality. The Odhams offer of two ordinary shares (currently quoted at 25s. 9d.) plus 45s. in cash for each Newnes ordinary share remains open until June 19th but the other bidder, the News of the World, has already retired from the competition, with the announcement through Hambros Bank that as the conditions attached to its cash bid of 90s. had not been fulfilled, its offer had lapsed. It added that it had offered a "fair price"; but that price compared with a value of 96s. 6d. represented by the Odhams bid and a market price of 94s. 3d.

In their formal offer, the directors of Odhams said that there should be no difficulty in maintaining the ordinary dividend at 17½ per cent on the capital as increased by both the Newnes and the Hulton Press offers. They described the Odhams and Newnes businesses as "to a large extent complementary" and both they and the directors of Newnes (who have advised shareholders to accept the Odhams bid) expect that "considerable economies" will result from the merger, "without prejudice to the employees of both companies." The two groups compete with each other for readers and advertisements, and though the merger will produce a very strong block against commercial television and also against the development of the Amalgamated Press by the Daily Mirror group, it is likely that "economies" will mean the disappearance of at least some titles.

THE ECONOMY

Out of the Saucer

THE rise of 1-2 per cent in industrial production suggested by the preliminary estimate of 108-109 (1954 = 100) for April in the official index takes output back to the level of early 1958, before the shallow recession began; and the mood of growing confidence in industry suggests that the rise will have been going on since. The upward turn in April no doubt reflected record output of motor cars and other durable consumer goods; but it also included a welcome rise in steel output, which had been one of the heavy industries depressing the general output index for most of the last year. Since customers have begun to cease drawing down stocks of steel, one would expect them to have increased their demands upon intermediate engineering suppliers too. Output may thus already have "saucered out" of a minor recession of which the bottom was about 4 per cent lower than in September, 1957, or April, 1959—and before the reflationary impetus of the budget could have been exerting anything approaching its full effect.

Unequal fortunes continue to attend the different major groups of industry and the individual industries within them, contributing to the differential development that over the years accrues into structural change in the economy. Last year the only groups increasing steadily through the year, regardless of recession, were food, drink and tobacco; the utilities, primarily electricity; and paper and printing—all contributing to the higher living standards of most of the people even in a year when a few more people, steadily, were out of work. Electricity, newsprint, and packaging board are manufactures on the fringe of consumers' "service purchasing"; by contrast, output of some basic consumer goods such as clothing and textiles continued to decline last year. Output of most plant and machinery was still fairly high but past the peak of its three-year surge; however, the building of offices and houses, late last year, seemed to be bringing some recovery in the construction industries and their suppliers. Even in the production of durable consumer goods and their associated products a similar process of sorting out is going on; record production of cars is not paralleled in the commercial vehicles industry, while output of cycles seems to be depressed by adverse social trends here as well as by the growth of local manufacture in markets abroad. Output in the chemical industries has been growing again; the oil refineries, in particular, were producing 30 per cent more products than a year ago, in ebullient contrast to the coal industry's efforts to bring its output down towards the tonnage of coal that it can sell.

IN THE MARKETS

Writing on the Wall

IT would obviously be premature to say, at this early stage of Britain's recovery from recession, that the rise in ordinary shares has gone far enough. If present uncertainties, political and economic, were satisfactorily surmounted, many leading equities would look cheap at today's prices. That is looking to the future. For the present, signs accumulate that the equity market may have over-reached itself. The speculative fever evident in the following of every rumour and buying of second grade stocks has this week embraced those old friends, Baltic bonds and Channel Tunnel.

An earlier warning came last week from America, as the Federal Reserve raised re-discount rates from 3 to 3½ per cent; they have not been higher for a generation. Now officials of the US Treasury are rumoured to be urging Congress to raise the maximum permitted interest rate on government bonds above the present 4¼ per cent. No one should be bemused by the present state of the dollar in the foreign exchange markets and underestimate the significance of such moves for London. The further rise in the London Treasury bill rate last Friday, to over 3⅞ per cent, was a logical adjustment—though it also owed something to the weakness of gilt-edged.

Wall Street has paused this week, at its dizzy height; and in London, despite a new record in number of bargains, blue chips as a whole have risen only slightly (though on Monday substantial Continental and American buying produced a sharp rise in Unilever and on Wednesday speculation in brewery shares flared up again on news of a proposed merger between Ind Coope and Taylor Walker). In mid-week gilt-edged were making a rather better showing—as the gap between the yields on *The Economist* indicator of ordinary shares and on Old Consols narrowed to vanishing point. The danger signs are clear.

STERLING

Smaller Gold Surplus

AFTER making Britain's gold payment equivalent to £58 million ($162 million) for the increased quota in the International Monetary Fund, the central reserves of gold, dollars and other convertible currencies fell by £47 million in May. There was also a special payment of £1 million to settle old debts in the European Payments Union, so that the true surplus for the month was £12 million. This follows an April surplus of £44 million, and taken together, the results are good. From now on the dollar surplus must be expected to run down, as seasonal influences become adverse. In the months ahead, Britain will also have to meet part of the £40 million in gold needed to pay up the increases in other sterling countries' IMF quotas.

The flush season in earnings for the rest of the sterling area is reflected in figures of the sterling balances at end-March. These show that in the first quarter of the year the overseas sterling countries raised their London balances by £58 million, to £2,675 million—£96 million above their low point last September. Total sterling balances, however, fell in the March quarter, by £98 million to £3,869 million. This movement is wholly accounted for by special influences. The fall of £85 million in the holdings of "non-territorial organisations" reflects Britain's repurchase of £71 million sterling from the IMF; and the big fall from £372 million to £309 million in balances of OEEC countries is largely a technical result of the ending of the European Payments Union and of the transfer by the German Bundesbank of £22½ million from its account at the Bank of England to the British Government. There seem to have been no significant withdrawals of foreign funds in London—though the big build-up in 1958 when London money rates were notably higher than New York has clearly ceased.

NATIONAL SAVINGS

Rates Coming Down?

THE Chancellor of the Exchequer told a National Savings rally last Saturday that he contemplated no "immediate" changes in the terms of small savings securities. But the stress seemed obvious. Mr Amory reminded the savings workers of his responsibility to keep the interest burden on small savings in line; a difference of one half per cent on one of these securities represents several million pounds a year in debt interest from the budget. To a significant degree, rates on national savings are now out of line. Hence their extraordinary success last year, when Bank rate came down from 7 to 4 per cent, and rates on Treasury bills and on deposit accounts followed.

"National" Savings	Yield, per cent	Limit of Holding	Last change in rate
Savings certificates	£4 4s. tax free p.a. if held for 7 years; equivalent to £6 17s. gross with tax at standard rate, and £11 4s. with tax at 12s. 6d.	1,000 units (£750)	1956
Defence bonds	£5 p.a., subject to tax, plus £3 tax free after 7 years.	£2,000	1958
Post Office Savings Bank and Trustee Savings Bank, ordinary dept.	£2 10s., free of income tax (not surtax) for first £15 of interest.	£3,000 (£500 in any one year)	(Rate fixed by statute)
Premium bonds	Prize fund of 4 per cent.	£500	—
Market Rates			
Leading building society (shares).	£3 5s. tax paid; equivalent to £5 6s. gross with tax at 7s. 9d.	Usually £5,000 in any one society.	May, 1959
Deposit account at clearing bank.	£2, subject to tax.	None.	Nov., 1958
Deposit at leading finance house.	£4 10s. subject to tax.	No standard limit.	Nov., 1958

Rates on shares and deposits in building societies are now being reduced; the building societies have been waiting on national savings, but their turn has come first.

The first effect of the Chancellor's ruminations will presumably be to induce all investors who do not hold their full limit of savings certificates and defence bonds—the prize fund for premium bonds and interest paid by the savings banks are unlikely to change—to get in under the wire. But once a reduction is made, the new issue may not be easy to sell, as happened in 1947, the last time that a less attractive issue of savings certificates was made. Surtax payers can be expected to come in and buy up to the limit of the new issue; but in terms of gross interest this is expensive borrowing indeed. With its constant difficulties in the gilt-edged market, the Treasury ought to be especially reluctant to risk losing the support of the small investor; recent experience suggests that the rate does count.

LINERS

The Queen Victoria?

QUITE confounding earlier indications of the kind of liner that it might choose to replace the present transatlantic *Queens*, the Cunard Steam-ship Company

announced last week that it had in mind one of 80,000 gross tons to replace the *Queen Mary*, which is 81,237 gross tons. It sent broad specifications of the proposed replacement, with an estimate of cost, to the Minister of Transport last weekend: Mr Watkinson had asked also for a study of the expected growth of traffic across the Atlantic, by air (including possible supersonic liners) and by sea, over the next 25 years. He has already had an independent survey on Cunard's financial position. Colonel D. H. Bates, chairman of Cunard, said that the new ship would take another 12 to 18 months on the drawing board and four years to build—presumably at John Brown's. The rough estimate of cost is still of the order of £25-£30 million.

Gross tonnage is a measure of the space enclosed in a ship, not of weight: the liner to replace the *Queen Mary*, by employing light alloys, will be able to achieve the 30 knots required with somewhat lighter engines, and will have a draught of only 30 feet against the *Mary's* 39 feet, enabling it to dock at Southampton at any state of the tide. The new liner, however, would still be much larger than the *United States* or the new French liner. Cunard's decision will presumably arouse even more criticism than before from some shipping men who are publicly arguing that several smaller liners, with mainly one-class accommodation and far less elaborate catering than the somewhat overpowering hospitality of the present *Queens*, would serve Britain better on the surface of the Atlantic. With a similar number of passengers, the liner proposed by Cunard might offer even greater luxury and service (and perhaps an even higher crew-passenger ratio ?) than the present vessels.

This is an argument primarily for practical shipping men and naval architects, perhaps with evidence about future trends in traffic from the general travel business and from shipping's rivals the airlines. The extent of the public interest in it will depend upon the stake of public money put into building the liner. Cunard seems to have gained almost without argument the point that there shall be a building subsidy, or similar assistance. But if the assistance is to be as expensive as seems likely, Parliament should certainly insist upon some independent economic assessment of the best size and kind of ship or ships to subsidise before it rubberstamps the Government's decision to proffer the money. This will not be Cunard's business alone.

ATOMIC ENERGY

Home Truths

THE Parliamentary and Scientific Committee of the House of Commons heard some unpalatable home truths about atomic power on Wednesday from Mr Robert McKinney, who was chairman of the Congressional panel on atomic energy three years ago and has recently retired from the post of US representative to the International Atomic Energy Agency in Vienna. Mr McKinney was ostensibly speaking about the Euratom nuclear power programme, but it cannot have escaped his listeners that much of what he was saying applied equally well to Britain. Few experts have yet discussed the coal crisis in Western Europe along with the Euratom nuclear power programme, but when they do they are led, like Mr McKinney, quite inevitably to conclude that the probabilities of supply and price of conventional fuels like coal, oil and natural gas have changed so radically since the Suez crisis of 1956—when the Euratom programme was drafted—that high cost nuclear power is not needed in the energy supplies of Western Europe in the near future. He congratulated the public utilities of the Euratom countries for the hard-headed way that they had faced up to this fact and (unlike their British counterparts), have refused to be stampeded into ordering nuclear power stations.

About the high costs of nuclear power, Mr McKinney has no doubts at all. "In 1959," he said, "we in the United States have found that the real costs of building nuclear power plants are much higher than we assumed in the 'impressionistic' period of atomic energy" which he dates at around 1955. Individual nuclear power stations that were expected to cost $50 million to build in the United States now seem likely to cost $110 million and are still not finished. He suggested that the 15,000 megawatt nuclear programme for Euratom, planned to be completed in ten years from 1957, was now completely unrealistic and is likely to be replaced by a much more experimental programme involving perhaps five or six nuclear power stations in all. There is a crying need, especially in Britain, for more of this kind of informed criticism of investment programmes that commit countries to massive capital expenditure for a decade or more ahead.

HIRE PURCHASE

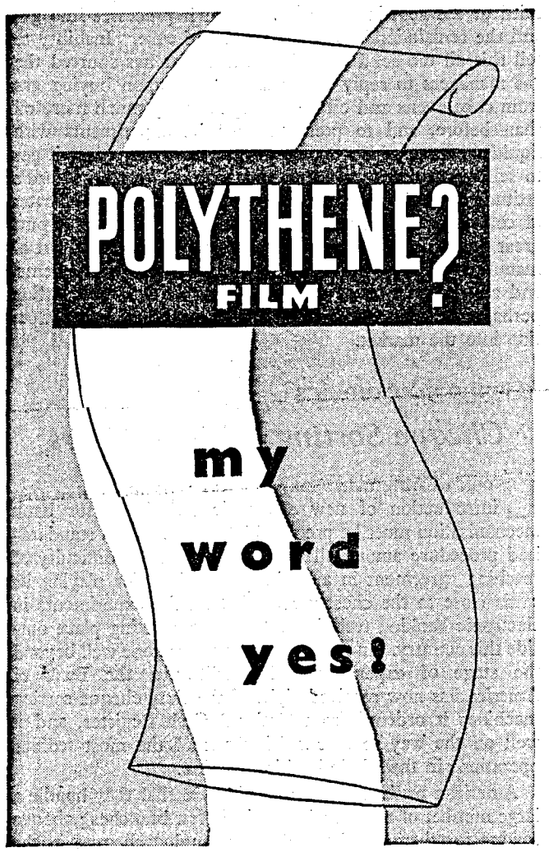
Puzzle about the Figures

HIRE purchase debt at the end of April approached £700 million, compared with £500 million at the end of the credit squeeze last summer; and the figures of Hire Purchase Information for May suggest that the expansion was then continuing in full spate. Total contracts for cars last month were very near their all-time record in April. Indeed, the surprising thing about the Board of Trade's preliminary estimate of the HP debt in April is that it is not larger. At £28 million, the rise is only a shade above the rise in March; since business in cars is known to have increased sharply, this implies a slackening in durable household goods. Yet direct observation and the Board of Trade's report on retail trade in April show that sales of durable goods rose sharply in budget month. Total hire purchase debt does not move exactly in line with new HP sales, as it reflects also repayments on past contracts. There may also be some timing lags in reports from shops and finance houses. But these influences do not obviously explain the present puzzle. Possibly the detailed official figures due later this month will help.

BUILDING SOCIETIES

Lesser Breeds within the Law

JUST over four million people have money in shares and deposits of building societies. Some of them, attracted by high rates of interest, have invested in societies that are more interested in financing property development and speculation than in lending on mortgage on owner-occupied property. To these investors Sir Cecil Crabbe, the chief registrar of friendly societies, issues in his latest report as clear a warning as any public servant could. A building society can lend on the security of shops, hotels, cinemas, farms and other commercial property. That is entirely legal. But although funds so lent, as Sir Cecil says, may



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seem to be adequately secured, "there is a speculative element in much of this property and often there is no reliable covenant given by an individual or evidence of the borower's ability to repay the mortgage." This leads Sir Cecil to conclude:

> If the investing public wish to be sure that their money is being lent on the security of owner-occupied property they are advised to inquire as to the mortgage policy of the society and in any event to be content to receive the normal rate of interest and not be attracted by extravagant offers.

Building societies can expand by mergers as well as by active lending policies. To those societies that openly proclaim their willingness to accept a transfer of engagements Sir Cecil gives another pertinent reminder of his powers. He has the power to waive certain stipulations on voting on negotiations for mergers. In future he will keep a watchful eye on has regard to the possibility that the reserves of a society which is party to a merger may be excessively weakened and that reserves may be extravagantly dissipated by compensation to directors and other officers and by bonuses to shareholders.

THE FUEL MARKET

An Embarrassment of Coke

STOCKS of unsold coke in Britain today are not as vast in sheer tonnage as those that the National Coal Board holds of coal: on May 16th there were 2½ million tons of gas coke and 4.4 million tons of metallurgical coke at gasworks and coke ovens. Commercially, however, the stocks of ordinary coke weighed even more heavily on the market: unsold coal stocks represent just over six weeks' consumption, over and above consumers' own holdings, but the coke unsold represents no less than five months' supplies to domestic and industrial consumers.

This collapse in demand for ordinary smokeless solid fuels —which has not mollified those consumers who complain at the closing of anthracite mines that were losing about £4 a ton even at premium prices—has hit the Coal Board hard financially; has somewhat stiffened its relations with the steel industry; and has been one of the factors influencing the gas industry to lean farther over to oil. Last year, for the first time since nationalisation, the board made a loss on its coke ovens and by-products works, losing 3s. 1d., before charging interest, on each ton of coke that it carbonised. In its report last week the board referred delicately to an agreement, made in 1954 with the steel industry, that if it maintained and somewhat developed its coking capacity, metallurgical coke consumers in times of over-supply would reduce their own coke production as much as their purchases from the Coal Board and other merchant coke producers. In the first quarter of 1958, however, merchant supplies of blast furnace coke were down by 20 per cent on a year before, while those from steel industry ovens were practically unchanged; and in April last year the steel industry gave notice to terminate the agreement formally as well as in practice. "A basis of agreement," the board commented, "was reached early in 1959": this does not appear to provide for the board and the other oven operators any very considerable guarantees.

The gas industry, in its ordinary plant, turns about a third of the heat in every ton of coal it processes into gas and the remainder into about 10 cwt of coke. Inability to sell this all too solid second fuel last year has spurred the gas managers to reply as far as possible upon buying gas from coke ovens and oil refineries, to gasify much more oil than before, and to press forward its experiments with liquid methane with enthusiasm; anything that gives it gas to sell without coke to stock will help. The Coal Board's attitude towards proposed reductions in forward estimates of coal required for gas is necessarily ambivalent. It puts great store, rightly or wrongly, by its own development of manufactured smokeless solid fuels for the ordinary home, and an over-supply of the cheapest smokeless fuel lasting perhaps for years, will not necessarily assist their introduction into the market.

BANKING ELECTRONICS

Cheque Sorting Without Tears

LONDON clearing banks may be right in thinking that the introduction of new electronic techniques for bank mechanisation must be preceded by agreement on standardised procedure among all the banks. But the difficulty of reaching agreement in a business notorious for playing its cards close to the chest means that all the experiments in electronic banking techniques to date are taking place outside this country. In some cases they have gone well beyond the stage of experiment. In California, the Bank of America has now received eight of the sixty cheque sorting machines it ordered from National Cash Register, and is well on the way to mechanising one of the most tedious operations in the whole banking routine.

American banks differ from British in that they handle a large number of accounts in relatively few branches; cheque sorting for them consists only of arranging cheques in the correct account order, but a single branch may have up to 100,000 accounts. The "personalised" cheque, with the account identified by a code number printed on the cheque at the time it is issued, is already widely used in America; it is only just being introduced in this country. The Bank of America prints this number in ink that can be magnetised and so "read" by electronic eyes. The most difficult part of cheque sorting consists of the mechanical side of the apparatus, which actually moves the cheques from place to place. The new sorter uses a combination of suction, to pick up and move the paper, and friction rollers to prevent two sheets sticking together. It can sort the cheques in this way into twelve pockets (ten digits, one for rejects, one for big accounts) at the rate of 750 a minute. Since the machine only "reads" one digit during each run through, the cheques go through it several times, but the time saved on hand sorting is nevertheless considerable.

Cheque sorting in Britain consists of dividing cheques among 2,000 to 3,000 branch banks. Mechanically the problems are the same as in America, but the fact that sorting is done at head office and not at the local branches means that the numbers of machines needed by the British banks are far fewer than any American bank would require. This may well limit the amount of money that manufacturers will be prepared to spend in tailoring a sorting machine to suit British requirements which include, among other things, sorting into nearly twice the number of pockets provided in the United States.

WOOL MARKET

Prices Slip Back

WOOL prices rose so sharply in the first part of April that a pause was to be expected. In fact prices have dropped quite sharply. The average price of merino 64's wool last week was 91d. a lb, 7½ per cent below the peak, and crossbreds were also as much as 7½ per cent cheaper. This week some grades have weakened further. In Bradford 64's B tops can be bought for about 103d. a lb, or 9d. below the peak. To some extent the decline reflects the poorer quality of the wool remaining from this season's clip.

Little business has been done in Bradford since prices started to fall, though the order books of most firms are still comfortably full. Buyers are naturally hesitant; before this year's recovery began they had been operating on a falling market for over eighteen months, and that painful experience is still fresh. But few people expect prices to fall much lower. There is no sign of a check to the gradual improvement of world consumption, and buyers will need to cover their requirements before next season's wool becomes available.

In the first quarter, according to the Commonwealth Economic Committee, the rate of consumption of new wool in ten major countries was slightly higher than in the fourth quarter, and six per cent higher than in the first quarter of 1958. But the improvement is still patchy. While the United States, Britain and Japan used much more wool in the first quarter than a year ago, consumption in some other countries, especially France, was down.

OIL

Shell-BP Sign with Nigeria

THE contract signed this week between the Government of Nigeria and Shell-BP Petroleum Development of Nigeria for oil exploration and production comes as the climax of three years' negotiations, during which time the company has spent nearly £50 million on prospecting operations in several areas within the country. Under the terms of the agreement Shell-BP will pay royalties amounting to 12½ per cent on all oil produced (instead of a flat rate of 4s. a ton as it has been doing) and taxes will bring the government's share up to the once universal 50 per cent of the company's net profits. The agreement is subject to renegotiation during its 30-year life if the company concludes agreements with other African governments on more liberal terms during that time; it is stated to cover areas in all three regions of the country. Shell-BP's activities are concentrated at present in the Eastern region, although some prospecting is now going on in both the North and West. Three small fields have been discovered in the East; one of these has more or less turned to water and production from the other two is now running at a level of about 9,000

How Does Your Firm Compare?

UNTIL a few years ago the compilation of "interfirm comparisons," providing a company with a few key figures to show how its operating performance and financial results compare with those of others in the same trade, occurred in Britain only occasionally, as a by-product of price control or agreements. As a management technique in itself, interfirm comparison has been relatively little used in this country, although in some other countries, especially Germany, Switzerland and the USA, it has been extensively employed for many years. However, interest has been growing, and a Centre for Interfirm Comparison has just been set up by the British Productivity Council. This centre, with its headquarters at the BIM, will make comparisons by arrangement with individual firms and also act on behalf of trade associations. It will be able to provide an international IFC service through contracts with other national IFC bodies and the European Productivity Agency of OEEC. All the comparisons are strictly anonymous, and detailed instructions are given to ensure comparability.

The object of these comparisons is not to compare "firms" as such, but to show what effect certain differences in their features and practices have on their performance, as reflected, for instance, in profits and costs, sales, output and productivity. Such comparisons with other firms can be a valuable aid to management, since internal figuring is always liable to ignore what other ways of managing might achieve. What appears to be a satisfactory rate of progress, for instance, may represent a decline in one's share of a total market that is growing faster than appears, or a lower rate of profitability than one's competitors achieve.

The actual ratios compared will depend upon who is going to use them and for what purpose. Comparisons may be made for general management, to show, for instance, differences in financial achievement and the possible reasons for them. They can also be made for more specialised purposes, for example, to show the effects of differences in product design and methods of manufacture on the number of manhours used. A booklet on the subject published by BIM* instances:

1. Operating profit as percentage of assets employed.
2. Profit after tax as percentage of sales.
3. Turnover of capital employed (comparing the volume of sales obtained from capital).

Any comparative deficiencies shown in these can possibly be explained by some of the following ratios:

4. Cost of production as percentage of sales.
5. Cost of marketing and distribution as percentage of sales.
6. Cost of administration as percentage of sales.
7. Fixed assets as percentage of total assets.
8. Stock turnover.
9. Turnover of debtors.

The BIM booklet lists the industries, trades and products that have been covered by interfirm comparisons in various countries. These include such varied industrial and commercial activities as blast furnaces, coal mining, monumental masons, cutlery, cotton spinning, railways, bakeries, plant nurseries, a wide range of retail distribution, banking, restaurants, hairdressing and even undertaking.

* "Interfirm Comparison for Management," by Herbert Ingham and L. Taylor Harrington. British Institute of Management, 1958. Price 17s. 6d.

barrels a day, though the company hope that total output may reach half a million tons this year.

Shell-BP of Nigeria, like all the parent companies' African subsidiaries, is jointly owner by Shell and British Petroleum. This agreement is the second signed recently by a major oil company in Nigeria; it was announced last month that a subsidiary of Mobil Oil had signed an exploration agreement covering 2½ million acres in Western Nigeria, retroactive to April 1958, when Mobil first began prospecting operations there.

TIN MARKET

Export Quotas Again Relaxed

THE international tin agreement is behaving in model fashion: tin prices in London have held steady in the last three months at a little over £780 a ton. When the year began the buffer stock held too much tin and no cash, and producers were obliged to restrict exports severely to allow the stock to be run down. When the price is above £780 a ton the manager of the buffer stock is allowed to sell, and since the price climbed above that level he has sold substantial quantities.

Evidently the tin council now believes that enough tin has been sold from the stock to permit a further increase in exports, and it is raising export quotas for the third quarter by 2,000 to 25,000 tons, equal to 66 per cent of the rate of export before control was imposed. Under the provisions designed to enable the most economic producers to increase their share of the market, the basic tonnages of Bolivia and Indonesia have been cut, and those of Malaya and other countries increased. Agreement in principle has been reached for the sale of 2,500 tons of tin from the British strategic stock through the agency of the buffer stock. As sales will presumably be made more or less at the manager's discretion they should have less impact on the market than if the British government had followed its normal practice of inviting bids.

TIMBER

Expanding Chipboard

THE recent installation of a new chipboard plant at the Weybridge works of the Airscrew Company and Jicwood, a wholly owned subsidiary of British Match, has increased the British production capacity for this material by 7,000 tons a year, or about 20 per cent. Chipboard, which is made by impregnating wood chips with synthetic resin, forming the mixture into a "blanket" and then heating it under pressure to cure the resin and leave the finished board, has grown fast since its inception during the war in Germany. British production was begun by Airscrew in 1945, when they made some 450 tons; it reached 25,000 tons in 1956 and 35,000 in 1958, of which Airscrew made about 22,000 tons; the principal other producers are British Plimber and Bartrev, which has sold some plants to Russia.

World production of chipboard has grown at an even faster rate; from 20,000 tons in 1950, it is estimated that it will reach at least 1,800,000 in 1960, of which 1,500,000 would be made in Europe, 60,000 tons in Britain and 300,000 tons in the USA with perhaps 100,000 tons more from Russia. Germany has been the centre of the most rapid advances in output, and of the development of plant; the new machinery at Weybridge is German-built. Electronically controlled and largely automatic in operation, the plant cost £250,000. Labour and materials—in this case mainly waste chips from woodworking plants, though in others chips made from forestry thinnings or logs are used—are less important elements of cost than capital charges, so the plant is operated 24 hours a day.

Furniture and building are the two main uses for chipboard. It is not suitable for use outdoors, but can replace planking or plywood anywhere else. For use in furniture, it is normally veneered or covered with a laminated plastic, and used where extensive flat surfaces are needed; in building it is used for flooring and panelling. Compared with plywood, its most direct competitor, its cost is about half for the same thickness, and it is easier to work: though it is weaker than plywood, and so is normally used in greater thicknesses, its strength is the same in all directions and it does not warp. Consumption of chipboard in Britain in 1958, was about 2-2½ million cubic feet, perhaps 15 per cent of the volume of plywood used. But imports are rising this year and home production will rise also, so it seems likely that chipboard will increase its share of the market.

PHOTOGRAPHY

How Much for a Snapshot?

HOW much does an amateur photographer in Britain have to pay for his hobby—and how do his costs compare with those in other countries? These questions are surveyed in an article by Mr Michael Wilsdon, in the first issue of *Perspective*, an attractive quarterly review of progress in photography and ancillary industries published by Focal Press. Noting that British amateur photographers are prone to feel that they are at a disadvantage compared to their counterparts in (particularly) the United States and West Germany, Mr Wilsdon has set out to compare the costs, in real terms, of cameras, lenses, film and processing in Britain and other countries. This has made it necessary to derive a special exchange rate with which to compare price levels and costs of living in other countries; while admitting the difficulty of such an exercise, the author has relied largely on well-known studies by OEEC and the United Nations for his "real" exchange rates.

The comparison is in two parts: initial costs, including cameras, lenses and other basic equipment, and running costs, including film and processing. Four countries besides Britain are compared: the United States, West Germany, Italy and Belgium. Taking costs in Britain as 100 in each case, the results in the case of initial costs are the United States and West Germany 70, Belgium 80, and Italy 105; for running costs, the United States 90, West Germany 125, Italy 180, and Belgium 145. Thus while paying more for cameras and other equipment than photographers in any of the four countries except Italy, British camera owners enjoy lower costs, once they have bought their equipment, than in any country except the United States.

That initial costs should be high in Britain is to be expected: in addition to purchase tax, imported cameras are subject to an import duty of 50 per cent. Furthermore, the existence of severe import restrictions still nourishes a black market in high-class cameras in Britain, with premiums running as high as 25 per cent. This market's chief source of supply is Continental tourists, who are able to sell their cameras for nearly twice as much as they paid for them in their own countries; these cameras are then resold as second-hand by British retailers. The recent removal of import restrictions on separate lenses brought their prices down to list prices virtually overnight; but there appears to be little hope of relief for cameras.

STEEL

Cold Forging comes to Britain

"COLD forging" of steel, by a process that can form quite complex solid or hollow shapes under pressure without prior heating of the metal, was first used in Britain for the production of shells—following German war-time practice—at the Royal Ordnance Factories. The ROFs are now taking development contracts from civil companies, in order to apply their experience more widely: the motor industry in particular would like to use the method for certain components. One component supplier, Forging and Presswork, Ltd., has already begun to use cold forgings under licence from a German company.

The technique practically eliminates the need for machining with many components, because it can produce parts to small dimensional tolerances, and with an excellent finish. This greatly reduces the material cost by virtually eliminating wastage; as cold working of steel also improves its strength, so that cheaper grades may be used and heat-treatment eliminated, the overall saving may be considerable. German estimates suggest that the material and labour of cold forging may often be 30 per cent and sometimes as much as 75 per cent lower than hot forging and then machining.

The more machining one normally needs, the more cold forging may save. Its tooling costs are high, so the process is only economic where large batches are needed—perhaps a minimum of 5,000, though the figure will be higher for small parts than for large. So far the parts most commonly made have been relatively simple, such as shock-absorber cylinders; but gear wheels, chain sprockets and other more complex products can be cold forged, and one of the development contracts held by the ROFs comes from a motor manufacturer interested in these possibilities.

SHORTER NOTES

No restrictions are imposed by the Treasury on transfer of the proceeds of sales of direct investments in the United Kingdom by non-residents. The restrictions on transfers through the official market referred to in an article entitled "Capital Questions" in our issue of May 16th apply only to capital invested in portfolio securities.

* * *

Shaikh Abdallah H. Tariki, Saudi Arabia's Director General of Petroleum and Mineral Affairs, has been elected to the board of directors of Aramco, as has Shaikh Hafiz Wahba, the country's Ambassador-at-large to the Arab world, in accordance with an agreement to give the Government representation on the oil company board.

Imperial Chemical Industries' latest reductions in the prices of wrought titanium bring these down to less than half the level charged in 1955, when the company began to produce this light metal. "Titanium" it observed in announcing the cuts, "can only achieve its full commercial potential when its price becomes more directly competitive with that of conventional materials."

* * *

A Business Note "Commercials Cover the World" on May 23rd described Intam Ltd as conducting audience measurement research for commercial television, through confusion with TAM, Television Audience Measurement Ltd. Intam Ltd is the international division of London Press Exchange.

* * *

Sears Holdings, which already holds 65 per cent of the ordinary shares of Scottish Motor Traction, is to make an offer of 15s. 3d. for the remaining 5s. units.

* * *

Orders placed by the oil industries with its British suppliers of equipment and general supplies, in the first quarter of 1959, amounted to £29,166,155, which was 10 per cent lower than in the first quarter of 1958.

* * *

The World Bank has made a loan of $72 million to Iran to finance construction or reconstruction of 1,530 miles of roads. The loan is the largest ever made by the Bank for a road project. Four United States commercial banks are taking up $12 million of the loan. The interest charge, including the 1 per cent commision of the World Bank, is 6 per cent—a shade higher than usual.

* * *

Under the Anglo-Soviet trade agreement Britain is to open a quota to a total value of £2½ million for imports of Russian machinery. The machinery falls into nine categories, with a separate quota for each, and the details have yet to be worked out. The agreement takes effect on July 1st.

* * *

Opposition from some institutional investors holding non-voting shares in Butterworth and Company, the publishers, has prevented that company from carrying through its proposed two-for-five scrip issue in voting and non-voting ordinary shares, like for like. The issue would have raised the issued voting equity to £175,000 and the non-voting to £350,000.

* * *

Following an increase in total sales from £73.6 million to £76.9 million the trading profits of the Metal Box group rose by 10 per cent from £7.1 million to £7.8 million in the year ended on March 31st. The ordinary dividend has been raised from 11 per cent to 13 per cent and a 50 per cent scrip issue is proposed.

CUPIDS

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DISTRIBUTION *of net income will be made half-yearly on the 15th May and 15th November. The Managers are entitled to deduct a half-yearly charge of ½% of the value of the Trust Fund. An initial charge not exceeding 5% and a small adjustment not exceeding one penny per unit or 1% (whichever is the less) are included in the sale price of the Units. No other management charges are a liability of Unit Holders.*

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★ **EASE OF REALISATION** whenever required. The Managers will at any time repurchase your Units at a price not less than that calculated in accordance with the terms of the Trust Deed.

PROOF of the soundness of the Unit Trust movement is to be found in a comparison between the records of Unit Trust shares and the "Financial Times" Index of industrial ordinary shares.

COMMUNITY UNIT TRUST FUNDS will be invested in more than 100 shrewdly chosen industrial shares and other securities, thus ensuring the participation by Unit Holders in the development and prosperity of expanding industries at home, in the Commonwealth, U.S.A. and Europe. In the first instance the portfolio will include ordinary shares selected from the following investments:—

Alliance Assurance	British Relay Wireless & Television	English Electric	Leyland Motors	Rolls Royce
Asquith Machine Tool	Brown (John)	Ford Motor	Lloyds Bank	Rugby Portland Cement
Associated Electrical Industries	Burmah Oil	Gallahers	Lombard Banking Company	Schweppes
Bass Ratcliff & Gretton	Cementation	Great Universal Stores	London Assurance	Shell Transport & Trading
Beaverbrook Newspapers	Charringtons	Guest Keen & Nettlefolds	London Brick	Standard Bank of South Africa
Beecham Group	J. & P. Coats	Guinness (Arthur)	Lucas (Joseph) Industries	Standard Motors
Boots Pure Drug	Consolidated Gold Fields of South Africa	Harrods	Marks & Spencer	Stewart & Lloyds
Bowater Paper	Consolidated Zinc Corporation	Hawker Siddeley	Martins Bank	Taylor Woodrow
British American Tobacco	Courtaulds	Hong Kong & Shanghai Bank	Metropolitan Estate & Property	Telephone Rentals
British Commonwealth Shipping	Daily Mirror	Hoover	Midland Bank	Union Corporation
British Home Stores	De Beers Consolidated Mines	Horlicks	Monsanto Chemicals	United Dominions Trust
British Insulated Callenders Cables	Debenhams	House of Fraser	Patons & Baldwins	United Molasses
British Match	Decca Record	Hovis McDougal	Prudential Assurance	United Steel
British Motor Corporation	Delta Metal	Imperial Chemical Industries	Qualcast	United Sua Betong Rubber
British Oxygen	Distillers	Imperial Tobacco Company	Ranks	Wakefield
British Petroleum	Dunlop	International Paints	A. E. Reed	Watney Mann
British Plaster Board	Electric & Musical Industries	Johannesburg Consolidated Investments	Rhodesian Anglo American	Wilmot Breeden
		Lancashire Cotton Corporation	Mines	Whites (Timothy) & Taylors
				Woolworth (F. W.)

If you require further advice please consult your Bank Manager, Stockbroker, Accountant or Solicitor.

APPLICATIONS IN RESPECT OF THIS ISSUE
should be made on the attached form and must be for a minimum of forty Units and, above this number, in multiples of ten. Every application must be accompanied by payment in full for the number of Units applied for.

The Application List opens June 10th and closes not later than noon on June 19th.

FOR YOUR GUIDANCE

£5	will buy 40 Units
£20	160 Units
£50	400 Units
£100	800 Units
£250	2,000 Units
£1,000	8,000 Units
£2,500	20,000 Units
£10,000	80,000 Units
£25,000	200,000 Units

APPLICATION FORM To be completed and forwarded to COMMUNITY UNIT TRUST, Winchester House, Old Broad Street, London, E.C.2.

I/We hereby apply for _____ *Units in COMMUNITY UNIT TRUST at the advertised price of 2s. 6d. per Unit, in accordance with the conditions contained in the Offer from which this form is detatched, and subject to the Trust Deed.*

I/We enclose cheque/money order/cash for £_____ *being payment in full for the number of Units applied for. I/We understand that the money will be returned to me/us in full if no Units are allotted*

**I/We declare that I/we am/are not resident outside the Scheduled Territories and that I/we am/are not acquiring the Units as the nominee/s of any person/s outside those territories.*

**If you are unable to make this declaration it should be deleted and the application lodged through an Authorised Depositary. (Note: Authorised Depositaries include Banks, Stockbrokers and Solicitors in the United Kingdom. The terms 'Authorised Depositary', 'Scheduled Territories' and 'Nominee' are defined in the Bank of England's Notice E.C. Securities 8, as amended.)*

Signature/s.....

.....

.....

Surname/s.....
Block Capitals

Christian Name/s.....
(State whether Mr., Mrs. or Miss)

Address.....
Block Capitals

.....

Date.....

In the case of joint applications all persons must sign.

COMPANY MEETINGS

SCHWEPPES LIMITED

CONTINUED PROGRESS AT HOME AND OVERSEAS

THE HONOURABLE R. HANNING PHILIPPS' REVIEW OF WORLD-WIDE PROGRESS

The sixty-second annual general meeting of Schweppes Limited was held on May 28th at the registered office of the company, Schweppes House, 1-6 Connaught Place, London, W.2, The Honourable R. Hanning Philipps, MBE (the chairman), presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1958:

For the first time in the Company's history the consolidated profits have passed the £3 million mark.

The actual figure of £3,235,897 was attributable in part to better business at Home and in part to improved results Overseas.

HOME TRADE

Schweppes.—Sales of our carbonated lines rose by 15.4 per cent as compared with 1957, which was better than at one time seemed likely, and reflected an unusually steep rise in the pre-Christmas period following the end of credit restrictions. The feature of these increases was the continuing popularity of our comparatively new drink, Bitter Lemon, which as a market leader enabled us to open many new accounts where previously our products were not on sale.

Rose Kia-Ora.—Our leading Home subsidiary experienced a decidedly difficult year in its fruit squashes and its cordials, both of which are especially susceptible to the vagaries of the weather.

As we expected when Rose and Kia-Ora joined forces, improved distribution has been achieved, and considerable economies in transport and office costs have resulted.

In addition during the year there has been [illegible] business with that of Schweppes (Overseas) Ltd.

On the brighter side we can report a growing public taste for Dubonnet whose sales have leapt ahead with an impressive increase of 33 per cent over 1957.

Jewsbury & Brown Ltd.—Operating mainly in the Manchester area, this important subsidiary has had another successful year due in large part to its rapidly developing sales of our standard Schweppes' lines which it now bottles for us and distributes.

Apollinaris Co. Ltd.—There has been a small but welcome increase in the sales of "Polly," which, among the more discriminating is still regarded as the outstanding mixer for whisky.

The Park Bottling Co. Ltd.—This Company which operates the valuable Pepsi-Cola franchise has continued to develop as planned despite the fact that the Cola drinks are also among those highly sensitive to the weather.

Now that certain international difficulties over bottle design have been cleared up the future of this business looks reasonably assured.

HOME PROFITS

Schweppes Home Profit, after charging £320,028 for depreciation compared with £273,066 in the previous year, but before charging taxation, amounted to £1,881,601, as against £1,427,348 in 1957, an increase of £454,253.

This improvement is accounted for both by a rise in the amount of dividends received from subsidiary companies and by an increase in Schweppes' own profit on trading.

CONSOLIDATED PROFITS

The consolidated Net Profit, after charging £625,717 depreciation compared with £528,671, but before taxation, is £2,525,353 compared with £2,118,925 in 1957. This is an increase of £406,428 for the year.

Taxation at the new rates of Income Tax and Profits Tax absorbs £1,182,749.

After writing off expenses in connection with the recent increase in Capital your Directors have placed to General Reserve the sum of £400,000.

BALANCE SHEET

There have been a number of changes in the Balance Sheet brought about mainly by three factors of importance.

(1) A re-valuation of the Company's pre-war properties which showed an increase in value of £650,000.

(2) An issue for cash of an additional £758,028 10s. Ordinary Stock by means of a rights issue.

(3) The capitalisation of £2,653,100 standing to the credit of Reserve Funds.

As a result, total consolidated assets, excluding Goodwill, now exceed £17 million, while Current Assets exceed current Liabili[illegible]

DIVIDEND POLICY

At the time of the Capital changes I have just referred to, your Board forecast a more liberal distribution of profits by way of dividends to our Ordinary Stockholders.

The reason for this change of policy was that whereas in recent years our capital development at Home had of necessity to be financed out of accumulated profits, the easing last October of Government restrictions on Capital Issues enabled us to approach our Stockholders for new money to meet the cost of our immediate planned capital development.

DECLARATION OF DIVIDEND

Having paid an interim dividend of 5 per cent on the Capital as it stood before it was increased last October, your Directors now recommend a final dividend for the year to December 31, 1958, of 7½ per cent and a further special interim dividend of 5 per cent in respect of the year ending December 31, 1959.

The cost of this special interim dividend will be met out of the profits for 1959, but will be ignored by your Board when the time comes to consider the normal interim dividend (usually paid in October) and the final dividend for that year.

In effect the rate of dividend has been raised to 15 per cent per annum on the £6,064,228 of Ordinary Stock as compared with the equivalent of 10 per cent.

If the final dividend for the year ended December 31, 1958, is confirmed, warrants for the payment of both dividends will be despatched on May 28, 1959.

FORECAST

After the initial spending spree following the removal of credit restrictions, the effects of expanding hire-purchase began to react on the sales of marginal products such as our soft drinks. In consequence the heavy Christmas sales were followed by a period of slack trading. These adverse effects now appear to be wearing off, and with the aid of a good Budget the outlook for our business should gradually improve. Up to the end of April, Schweppes Home sales showed a small increase of 6.2 per cent and given a reasonable summer we should be able to look forward to another good year.

GROUP ORGANISATION

For many years our Overseas activities have been conducted through our subsidiary Management Company, Schweppes (Overseas) Limited. In a Group such as ours it seemed to us an anomaly that there should not be an equivalent subsidiary Management Company to take care of our Schweppes Mineral Water business in the United Kingdom. We have, therefore, recently formed a new company named Schweppes (Home) Limited to which we have transferred all our home assets other than our properties which are leased to them. The advantages of this [illegible] organisation and at the same time enables us to raise to the boardroom a number of our top executives who otherwise would find their paths blocked for some time to come.

In effect from now on, Schweppes Limited as the parent will be confined to the role of a holding and property owning company, while all trading operations will be carried on through its subsidiary and associated companies.

OVERSEAS

It is interesting to record that the considerable sums we have invested in developing new markets since the war are beginning to show us a return. In fact, during 1958, for every two bottles of carbonated drinks we sold at home we sold one bottle overseas, either through the intermediary of our overseas subsidiary companies or through overseas franchises. We anticipate that our overseas trade will continue to make an increasingly important contribution to the profits of our world-wide organisation.

Schweppes (Australia) Pty. Limited, a wholly-owned subsidiary, has earned record profits for 1957-58. And under the able management of Mr A. J. Byron we are confident that this Company will continue to develop in a most satisfactory manner both through its branches in Sydney, Melbourne, Adelaide and Brisbane, and through fran-

chises in the outlying and more sparsely populated areas.

New Zealand, which is also under the management of Mr Byron has had another reasonably satisfactory year in spite of the economic difficulties which that country has been experiencing.

Schweppes (South Africa) Limited, in which we have a controlling interest, are to be congratulated on having maintained their previous year's good trading results in spite of rather more difficult conditions.

Recently, Sir Frederic Hooper had an opportunity of visiting their Cape Town, Port Elizabeth and Durban branches in company with their Managing Director, Mr J. McA. Harvey. We believe that these meetings provide valuable opportunities for exchanging views and where possible helping each other whether by the provision of expert advice or by exploring new sources of raw material supplies.

I would like to take this opportunity of expressing publicly our very great regret at the serious losses our South African Company has suffered during the past year through the death of their former Chairman, Mr Gerald Orpen, who had served them so loyally and well and through the death of an old friend and much esteemed Director, Mr Gordon Grant.

Schweppes (Central Africa) Limited, which covers the Federation of Rhodesia and Nyasaland, and in which we have a controlling interest, have found trading conditions exceptionally difficult. However, despite the effects of a trade recession caused by the serious fall in the price of copper, as well as some serious strikes, their sales and profits have been well maintained. Apart from any political difficulties which lie ahead of the Federation, the long term outlook for our business is encouraging.

Schweppes (East Africa) Limited, which covers Kenya, Uganda, and Tanganyika, has undergone some measure of reorganisation during the year and there is now every indication that in 1959 we can look forward to improved results.

Schweppes (USA) Limited have had their first year of trading with the USA franchises under their own control. I am glad to report a substantial increase in A.B.C. as compared with the previous year when I told you they did little more than break even.

This Company has still got important problems to solve before achieving country-wide distribution but I can assure you that Commander Edward Whitehead is tackling them with great vigour and we should be able to count on further progress in 1959.

Schweppes (Canada) Limited has now reached the profit-earning stage for the first time. Early this year I visited a number of our Canadian bottlers who are linked to us through Pepsi-Cola (Canada) Limited, the holders of our franchise. From British Columbia in the west to Montreal in the east, I was everywhere greatly encouraged by the confidence shown in our Schweppes' products.

To give us more complete coverage, additional bottlers will be handling our lines during the course of this year and our profits should be assisted accordingly.

OVERSEAS FRANCHISE

Our newest operations have opened in Portugal and Senegal (Dakar). Of the older franchises, Belgium and France have continued most successfully under the management of Mr John Martin and his two sons, trading through the independent companies Schweppes (Genval) Limited and Schweppes (Paris) Limited. It may seem an anomaly that independent companies holding our Schweppes' franchise should bear the Schweppes' name, but both companies were originally formed by us in the first place in partnership with Mr John Martin and we regard him and his companies as a real part of the Schweppes' family, though we rely for our share of the profit on royalties alone.

Good results have also been shown in Hongkong, Norway and Switzerland.

Schweppes Overseas now has franchise bottling operations in 26 different countries and a further three countries will be opened up in the coming twelve months.

OUR STAFF

Only last year, in my "Ten Year Review," I described in considerable detail the steady growth of our business. And even in 1958, which was, for our industry, in some respects a difficult year, there was no sign of a halt.

Our long-continuing expansion, however well we plan it, must inevitably place a tremendous strain on our established staff; and in particular on our senior members of management, who cannot be augmented by a wave of a wand to meet our ever changing demands.

With this in mind I would invite our many Stockholders to join with me in thanking all those who have so unstintingly served our Company in 1958 and by their efforts contributed so much to the success of Schweppes throughout the world.

OBJECTS OF THE COMPANY

The Objects of Schweppes Limited as set out in the Memorandum of Association have not been altered since the Company was incorporated in 1897 when the business of J. Schweppe & Co. Limited was taken over. These Objects after 62 years of modern business development are unnecessarily restrictive, and your Board recommend that the Objects clause in the Memorandum should be extended so that it will be adequate to allow for the continued expansion of the business of the Schweppes Group not only [illegible] but throughout the world. These expanded objects will permit the natural development of the business of the Group to be spread over a wider field of operation than that at present permitted. While your Board have no new proposals under contemplation they consider that the Group's business has expanded to a stage where it can now advantageously take up any opportunities which may become available, if not directly connected with the Soft Drinks industry, at least parallel with it.

If the Stockholders sanction these enlarged Objects, your Board will not, without sanction of Stockholders in General Meeting, put any proposal into effect which would materially alter the nature of the Company's business. A separate Extraordinary General Meeting of the Company will be held immediately after the Annual General Meeting for the purpose of passing the necessary Special Resolution.

The report and accounts were adopted and the final dividend of 7½ per cent on the Ordinary Stock, less income tax, making 12½ per cent for the year, was approved.

The retiring directors, The Right Honourable Viscount de L'Isle, VC, and The Honourable Richard F. Greville, were re-elected, and the remuneration of the auditors, Messrs James Edwards & Co., was duly fixed.

At the subsequent extraordinary general meeting a Special Resolution amending the Memorandum of Association of the Company was sanctioned.

THE CHLORIDE ELECTRICAL STORAGE COMPANY

MEETING THE CHALLENGE OF COMPETITIVE CONDITIONS

The sixty-eighth ordinary general meeting of The Chloride Electrical Storage Company Limited was held on June 3rd at Exide Works, Clifton Junction, near Manchester, Mr A. W. Browne, OBE, MIEE (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement: From the Consolidated Profit and Loss Account it will be seen that the income from trading is about the same at £2,794,000. The income from investments, however, shows a considerable increase.

The balance available for appropriation is larger than the previous year by some £200,000. Your Directors therefore felt justified in placing £300,000 to General Reserve, and paying to the ordinary stockholders a dividend of 12½ per cent, which with the dividend of 5 per cent paid last October makes 17½ per cent for the year under review, which is the same as paid for the previous year. They have also decided to pay on May 29, 1959, a special interim dividend of 2½ per cent to the ordinary stockholders in respect of the year ending December 31, 1959.

SCRIP ISSUE

Your Directors are of the opinion that the issued capital of the Company should be brought more into line with the capital employed in the business. It is therefore proposed to invite stockholders to pass a resolution to increase the authorised capital from £5 million to £7,500,000. Approval will also be sought to issue 1,582,200 "A" Ordinary and 595,206 "B" Ordinary Shares by way of capitalisation of reserves, so that additional ordinary shares may be issued fully paid to the existing ordinary stockholders in the proportion of one new share for each £2 ordinary stock now held.

In recent statements I have stressed the growing competition in the battery industry [illegible] particularly in the markets for automotive batteries and for batteries for electric factory trucks.

We are meeting this challenge in two principal ways:

First, we continue to devote much of our effort and financial resources to technical research and development. This has resulted and will result not only in the continued improvement of our batteries, but also in increased efficiency of the plant to produce them. I am able to state with confidence that we are well placed technically to retain our traditional position as one of the leading battery manufacturers of the world.

Our second principal answer to the challenge is by concentration and the streamlining of our manufacturing, selling and service facilities.

Surveying the total picture, including the sound financial position disclosed in our Balance Sheet, I am satisfied that we are well equipped to deal with future competition. Additionally, I am greatly encouraged in my view of the future by the buoyant way in which our managements, and indeed all our employees, accept the problems arising from the changes necessary to meet that competition.

The report was adopted and at the subsequent extraordinary general meeting the proposed capitalisation of reserves and scrip issue were sanctioned.

VICKERS LIMITED

A YEAR OF GREAT ACTIVITY IN A PERIOD OF TRANSITION AND CHANGING CONDITIONS

VISCOUNT KNOLLYS ON THE PRESENT POSITION AND PROSPECTS

The ninety-second annual general meeting of Vickers Limited was held on June 1st at 21 Tothill Street, Westminster, London, SW1.

The Viscount Knollys, GCMG, MBE, DFC (the Chairman), presided, and in the course of his speech said:

We are again this year circulating to each one of our employees a condensed version of the Annual Accounts and of the Review of the Year for their personal information.

1958 was a year of great activity in a period of transition and changing conditions. Defence orders continued to decline, though general engineering was active and profitable; newly developing ventures and products at home and overseas did not yet contribute to profits; shipbuilding did well again; Viscount sales and profits held the ground while new private venture aircraft progressed steadily; demand for most steel products declined sharply; lower world demands increased competition.

A year ago I forecast rather lower trading profits. This proved true, but only to the extent of about 5 per cent.

SHIPBUILDING AND SHIP-REPAIRING

1959 should prove as profitable a year for our shipbuilding yards at Barrow and Newcastle as was 1958. We are fortunate in being able to rely on a full order book, which should last into 1961. But no new orders have been received, though only one ship, a tanker, has been cancelled. Ship repairing has been and remains slacker and uncertain.

Our Yard and Works at Barrow are proud to have the responsibility of building the Royal Navy's first atomic submarine *Dreadnought*. We are honoured that HRH The Duke of Edinburgh is coming to Barrow on June 12th to lay her keel.

Last month the team of Vickers, Rolls-Royce and Foster Wheeler showed to the Lords of the Admiralty and to the Galbraith Committee their plans for a reactor suitable for large ships.

ENGINEERING

The sales and profits of our various and varied Engineering Works declined slightly in 1958 because defence orders fell off in some sections and demand slackened generally. Our efforts over the last few years to find and develop fresh commercial products and markets, with which to fill the gaps, continued actively and successfully and are already showing results. Since the year end the Engineering Company has received an encouraging amount of new orders.

At the end of 1958 we sent a team to Russia, as we did to China in the previous year, to size up the potentialities there. You will have seen that we have already obtained an order for the manufacture of a chemical plant worth in all about £2 million. We hope to conclude another contract for three large beet sugar plants in conjunction with Booker Bros., McConnell & Co. Ltd. If completed this would be worth some £11 million in all, though only a portion of this would be for our own Works.

We received at the end of 1958 and at the beginning of this year encouraging orders for our Earth-moving Tractor from the British Army. The contraction in construction equipment sales combined with an already fully equipped market has prevented us still from achieving the sales needed to cover the heavy production costs of this new development.

The overall prospects for our general engineering activities in 1959 are encouraging. We expect that sales will be increased and that profits should improve although probably with a smaller ratio. It is encouraging that generally speaking the percentage of our engineering products which we exported in 1958 remained at the same high figure as that of the previous year.

AVIATION

1958 was a year of intense activity for our Aircraft Company in all fields. In 1959, however, the Scimitar will be completing and the Viscount, after sales of over 400, is, not unexpectedly, tailing off. The 400th has just been delivered.

Since the first Vanguard flew in January it and the second aircraft have completed more than 160 hours in the air—an encouraging amount.

The design and development of the VC10 is going well.

Our Aircraft Company is gratified to have been chosen by the Ministry of Supply to develop, in co-operation with English Electric, the new Tactical-Strike-Reconnaissance aircraft for the RAF known as TSR2.

As regards the Swallow, our "variable geometry" experimental aircraft with movable wings, a joint research programme designed to prove its potentialities and practicability, is being undertaken by Vickers-Armstrongs (Aircraft) Ltd. with the Ministry of Supply and the United States Government.

Last year I made an appeal to the Government for the strengthening of Transport Command to be carried out in a way which would give the maximum benefit to the civil types already under consideration.

Without firm and early support by the Government, through RAF orders or otherwise, to back up the initiative of private enterprise in maintaining design and production facilities and in forward planning this country is more than likely, sooner than some people might expect, to find itself without a real aircraft industry at all. For it is clear that this initiative, so valuable to the country and to its whole industry, certainly cannot otherwise be continued or repeated by firms either alone or united.

The inevitable consequences would be the loss to this country of a great industry with its international prestige, the loss of technological talent, the loss of employment and the loss of its large, all-important exports. In our own case we have, in the last four years, sold to overseas customers aircraft to the value of £100 million.

STEEL PRODUCTS

The slackness in the Steel industry in the latter part of 1958, described in our Annual Review, has continued into 1959.

METROPOLITAN-CAMMELL CARRIAGE & WAGON CO. LTD.

Some good orders have been received by Metropolitan-Cammell since the beginning of the year and the Carriage Section of their Works should be well employed for the rest of this year. The outlook for Wagon orders is, however, unpromising.

CANADA

The sales and profits of our Canadian shipyards and engineering works, in common with other comparable heavy engineering concerns in Canada, declined during the past year as a delayed result of the general recession in Canada.

AUSTRALIA

I was able last February to see for myself the progress of our large interests in Australia.

I was once again very favourably impressed by our prospects.

COMPUTERS AND TABULATORS

The merger of Powers-Samas Accounting Machines Limited and The British Tabulating Machine Co. Limited into International Computers and Tabulators Limited, referred to in the Review, has been completed smoothly. Your interests in this growing and forward-looking industry are now represented by a holding of 38 per cent in the ordinary capital of ICT.

I am optimistic of our Group's not inconsiderable investment in this field.

PERSONNEL

We are grateful for the efforts of all our employees of every grade who have produced the results of 1958. We are fortunate in being able to count on their efficiency, keenness, and loyalty as we face the difficult and highly competitive conditions which lie ahead.

CONCLUSION

1958 was a better year than might have been expected. In 1959 our General Engineering and Shipbuilding Companies can be expected at least to maintain their turnover and profits. Our Aircraft Company, which is reverting to its more normal proportionate position in the turnover of the whole Group, has to face a more difficult time.

Overall it is clear that we must expect considerably reduced profits in the current year, due to the need to provide further large sums for the development costs of our new private venture aircraft and to a lower level of activity in our Steel and Canadian subsidiaries, which themselves should, however, respond soon to the improving prospects which I believe are in sight.

The report and accounts were adopted.

The National Bank of New Zealand Limited

Extracts from the Statement by the Chairman Mr. Arthur H. Ensor, to be presented at the Eighty-seventh Annual General Meeting on 25th June, 1959.

Current, Deposit and other accounts at £60,357,000 show a decrease of £2,550,000 which is primarily due to the contraction in bank credit generally and in particular to the fall in advances made by the Reserve Bank to the Government and the marketing organisations.

In my Statement last year I referred to the possibility of our earnings being affected to a limited extent by the severe import restrictions. This proved to be correct and our trading profit before tax declined although the fall is more than offset by a reduction in the amount required to meet the United Kingdom taxation. This permits a net profit of £301,000 to be shown, being an increase of £26,000 over the previous year.

From the net profit we have allocated £100,000 to General Reserve and have also transferred to General Reserve a further £150,000 from the balance of profits brought forward from previous years. In January last an interim dividend of 4% less income tax at 8/6d. in the £ was paid and the Directors now recommend for your approval a final dividend of 5% less income tax at 7/9d. in the £ on the new capital figure of £3,500,000 leaving a balance of £150,000 to be carried forward.

Business Development

Despite the quieter conditions of the past year, there has again been a satisfactory increase in the number of customers on our books. Our branch offices now total ninety-four branches and sixty-four agencies. In recent years we have opened offices in a number of new and developing areas in order to maintain our share of the total banking business and to provide a service where it appeared to be needed. A considerable part of the increase in our business has come from those new branches. A progressive building programme is still necessary and a number of new branch buildings are under construction, whilst others are being modernised.

Last year I referred to the difficulties which had beset New Zealand as the result of the adverse balance of payments and commented upon the energetic measures which were then taken with a view to stabilising the position.

Bank Advances

Credit restrictions remain an essential part of financial policy. They are designed to ensure that an excess of purchasing power will not be released at a time when the supply of goods has been restricted and this has no doubt played its part in the preservation of fairly stable internal conditions. It is still the official policy to reduce bank advances to a somewhat lower level, provided this can be done without undue disturbance to the economy. The banks are co-operating fully in this policy but it has proved difficult to reduce advances further to any marked extent, mainly because of the needs of the farmers who have required additional assistance from the banking system during the past year or so, following the sharp fall in their incomes, but also on account of advances which are considered to be in the national interest and therefore should be granted by the banks.

New Markets

The special characteristic of the New Zealand economy which makes it particularly susceptible to conditions abroad, as events this last year have again illustrated, is its dependence on a narrow range of primary export products. It is, therefore, of the greatest importance to foster the growth of new markets, to develop new products and to establish sound internal conditions with reasonable levels of prices and costs.

Industrial Development

The present import controls have provided a stimulus to overseas manufacturers to consider the feasibility of establishing their own factories in New Zealand in order to maintain supplies of their products on the local market, and during the past year experts from many companies have visited the country to examine prospects. As the establishment of new factories adds to the demand for imports, the most desirable industries are those which will utilise the country's own raw materials or which will add substantially to the value of imported raw materials.

New industries which are being developed will benefit from the very large volume of capital investment which has been made in New Zealand in the last ten years. A considerable part of this investment has been in the extensive electricity power projects and it was most gratifying to learn last December of the lifting of all power restrictions after three new power stations began to contribute to the supply. It must, however, be borne in mind that the maintenance of the large volume of investment in public utilities and private undertakings imposes a strain not only on the external balances but also tends to put an upward pressure on internal costs.

This is the kernel of New Zealand's problem. The requirements of a young and rapidly developing country call for a high level of both public and private capital formation, but the inability of a narrow range of primary industries adequately to support consumption and investment at their present levels becomes apparent when the terms of trade are adverse. In these circumstances, it is essential to uphold policies which will preserve the stability of money values and thus provide inducement to a steady volume of private savings, otherwise the high level of capital formation could well produce such pressure on internal costs that exporters would find themselves priced out of their markets.

The Immediate Future

The outlook for the immediate future appears moderately encouraging. The meat market has been good but unfortunately it has weakened in recent months. On the other hand dairy produce returns have improved and are steady at a reasonable level, and although wool prices have been low for most of the season, there has been a decided improvement in the market during the past few months. In general, the picture appears to give reasonable grounds for moderate optimism about prospects for next season.

New Zealand will continue to be faced with the problems associated with rapid development but the prospects before the country are such that they should encourage the best efforts of her leaders and people. For there can be little doubt that the marked progress made in the development of electric power stations, the improvement made in the roads, railways and port facilities and the efforts made to bring new land into production and to improve the health, education and general welfare of the community, will all contribute to the country's ability to take full advantage of more favourable conditions as they emerge.

KREDITANSTALT FÜR WIEDERAUFBAU

(Reconstruction Loan Corporation)

FRANKFURT-ON-MAIN GERMANY

BALANCE SHEET AS AT 31st DECEMBER, 1958

ASSETS	DM	DM	DM
1. Cash Reserve :—			
(a) Cash in hand		12,591.22	
(b) Balances on Giro Accounts at the Deutsche Bundesbank and on Postal Cheque Account		19,201,721.16	19,214,312.38
2. Balances at Banks :—			
(a) Sight balances... ...		51,455,147.07	
(b) Due within 3 months...		231,000,000.—	
(c) Due after 3 months or later		10,000,000.—	292,455,147.07
3. Bills of Exchange (including bills eligible for rediscount at Bundesbank DM 20,630,505.22)			31,164,356.53
4. Securities :—			
(a) Own Bonds : DM 2,000.— nominal ...		2,000.—	
(b) Other Fixed Interest-bearing Securities ...		834,105.—	836,105.—
5. Debtors :—			
(a) Loans granted :—			
To Banks, for passing on to Borrowers ...	3,222,751,242.18		
Direct to Borrowers	1,895,520,488.88	5,118,271,731.06	
(b) Interest :—			
Proportionate interest	1,693,979.54		
Due interest	21,495,862.94	23,189,842.48	
(c) Other Claims		3,310,847.46	5,144,772,421.—
6. Loans channelled to Borrowers on a Trust Basis :—			
(a) In our Own Name ...		49,692,123.01	
(b) In the Name of Others	373,505,678.12		
(c) Other Trust Transactions in our Own Name		114,034,605.08	163,726,728.09
7. Real Estate and Buildings			1.—
8. Office Furniture and Materials			1.—
9. Items for the purpose of distinguishing between separate Accounting Periods			2,241,894.45
10. Customers' Liability on Guarantees	598,530,189.89		
			5,654,410,966.52

LIABILITIES	DM	DM	DM
1. Creditors :—			
(a) Federal Republic of Germany	3,953,624,806.47		
(b) Deutsche Bundesbank	3,850,358.20		
(c) Other Lenders... ...	746,629,000.—	4,704,104,164.67	
(d) Interest :—			
Proportionate interest	2,659,461.82		
Due interest	25,267,519.96	27,926,981.78	
(e) Other Liabilities ...		2,450,199.16	4,734,481,345.61
2. Bonds in Circulation :—			
(a) 5½% Reconstruction Loan 1949	225,000,000.—		
(b) 3½% Housing Loan 1949	4,800,000.—		
(c) 6% Loan 1958 ...	100,000,000.—		
(d) 4½% 3-year Bonds 1958	80,000,000.—	409,800,000.—	
(e) Drawn Bonds		38,183,000.—	
(f) Interest :—			
Proportionate interest	3,289,819.44		
Due interest	5,970,687.25	9,260,506.69	457,243,506.69
3. Loans channelled to Borrowers on a Trust Basis :—			
(a) In our Own Name ...		49,692,123.01	
(b) In the Name of Others	373,505,678.12		
(c) Other Trust Transactions in our Own Name		114,034,605.08	163,726,728.09
4. Capital Funds :—			
(a) Capital		1,000,000.—	
(b) Reserve formed from Resources of the ERP Special Fund ...		146,296,938.—	
(c) Legal Reserve		138,810,603.30	286,107,541.30
5. Reserves for Special Purposes			11,008,837.56
6. Items for the purpose of distinguishing between separate Accounting Periods			1,843,007.27
7. Liabilities in respect of Guarantees	598,530,189.89		
			5,654,410,966.52

PROFIT AND LOSS ACCOUNT FOR 1958

EXPENDITURE	DM	DM
1. Operating Expenses		3,772,473.29
2. Depreciation :—		
On Real Estate and Buildings	1,008,183.12	
On Office Furniture and Materials ...	123,815.30	1,131,998.42
3. Placed to Reserves for Special Purposes ...		500,000.—
4. Other Expenditure		3,049,944.43
5. Net Profit for 1958 (transferred to Legal Reserve)		20,430,247.77
		28,884,663.91

RECEIPTS	DM
1. Interest received in excess of interest paid	22,835,413.81
2. Other Receipts	5,964,930.95
3. Extraordinary Receipts	84,319.15
	28,884,663.91

Frankfurt-on-Main, 14th February, 1959.

Reconstruction Loan Corporation
DR. MARTINI DR. DOHRN
v. ILBERG DR. POPRAWE DR. RIECK

According to the conclusive result of our audit, which was duly carried out on the basis of the books and records of the Reconstruction Loan Corporation, as well as of the explanations and statements supplied by the Board of Management, the bookkeeping, the Annual Statement of Accounts as at 31st December, 1958, and the Annual Report in so far as it elucidates the Annual Statement of Accounts, are in accordance with the provisions of the law.

Deutsche Revisions- und Treuhand-Aktiengesellschaft
(German Auditing and Trust Company)

Frankfurt-on-Main, 6th March, 1959.

DR. ADLER Certified Auditor
PROF. DR. BIRCK Certified Auditor

THE CONSOLIDATED ZINC CORPORATION

NET INCOME WELL MAINTAINED IN SPITE OF REDUCED REVENUE FROM MINING OPERATIONS

The tenth Annual General Meeting of The Consolidated Zinc Corporation Limited will be held on June 23rd at 37 Dover Street, London, W.1.

The following is an extract from the Statement by Mr L. B. Robinson, the chairman, which has been circulated with the report and accounts for the year ended December 31, 1958:

The low lead and zinc prices prevailing at the end of 1957 continued during the first three quarters of 1958 and showed only a slight improvement in the last quarter. The average London Metal Exchange prices for prompt delivery of these metals during 1958 were £72 16s. for lead and £65 18s. 1d. for zinc, compared with £96 13s. 4d. and £81 12s. 4d. respectively during 1957, and at the 1958 price levels there can be little profit from mining these metals. In the circumstances I feel we are entitled to regard the results for 1958 as being satisfactory and reasonably encouraging.

The Group profit, before mining royalty and taxation, fell by £1,594,251 which was fully accounted for by the fall in the profit of the Zinc Corporation's mine at Broken Hill, New South Wales.

Consolidated Zinc Proprietary Limited again had a satisfactory year and showed an increase in profit which was largely brought about by the sale of rutile and zircon by Titanium and Zirconium Industries Pty. Ltd. at prices arranged under contracts entered into during previous years.

In the United Kingdom, although the profits from zinc smelting and sulphuric acid production by Imperial Smelting Corporation Limited were lower, the profits from the other products, in particular zinc oxide and other pigments and zinc alloys were reasonably well maintained.

Income from trade investments at £996,293 again showed an improvement.

The consolidated net profit for the year at £1,617,876, was, as a result of the considerably reduced charge for mining royalty and taxation, only £152,110 lower than the net profit for 1957.

The directors recommend a final dividend of 2s. per share, compared with 2s. 6d. per share last year, giving a total distribution for the year of 3s. per share compared with 3s. 9d. per share for 1957.

Expenditure during the year on mining property, under development outside the Broken Hill field, amounted to £49,004. In 1957, this heading included expenditure by Commonwealth Aluminium Corporation Pty. Limited but during 1958 50 per cent of the Group's shareholding in Commonwealth Aluminium was transferred to the British Aluminium Company Limited.

Capital expenditure commitments at the end of the year amounted to £4,434,000. These include the erection of a zinc smelting plant using the Imperial Smelting process at Swansea, a ferrous sulphate treatment plant, also at Swansea, and an extension of the acid producing capacity at Cockle Creek, New South Wales.

The consolidated balance sheet shows a cash position of £6,002,869, comprising Treasury Bills, Government and other short term securities and bank balances.

Since the end of 1958 the Group's resources have been augmented by the "rights" issue of 1,455,100 ordinary shares at 48s. per share.

LEAD AND ZINC MINING

In view of the prevailing conditions in the metal markets, both the Zinc Corporation and its associated company New Broken Hill Consolidated, budgeted for a reduced production of ore and recoverable metal in 1958 and in February, 1958, working time was reduced by 10 per cent throughout the Broken Hill field as a positive contribution towards the solution of the world problem arising from the fact that the output of lead and zinc is running in excess of demand.

Accordingly, in 1958, the Zinc Corporation treated a total of 659,268 tons of ore for a production of 79,098 tons of lead, 2,033,955 ounces of silver and 115,348 tons of zinc concentrate compared with 767,069 tons of ore for a production of 90,820 tons of lead, 2,198,457 ounces of silver and 139,684 tons of zinc concentrate in 1957. The 1958 outputs therefore represent reductions of approximately 13 per cent of recoverable lead and 17½ per cent of zinc concentrate.

The policy of reduced production will be continued in 1959 until such time as a more favourable outlook for metals justifies the return to full and normal operating conditions.

ZINC SMELTING

The output of zinc from the United Kingdom plants of Imperial Smelting Corporation was slightly lower than in 1957.

The modernisation and expansion programme which was begun in 1957 on the vertical retort zinc distillation plant at Avonmouth, was continued during the current year. By the end of 1958 eight of the eighteen retorts had been modified. Zinc metal output from this plant already shows a marked increase.

Operation of the Imperial Smelting process at Avonmouth continued satisfactorily during 1958. The decision to close down the obsolete and uneconomic horizontal distillation furnaces at Avonmouth was carried out by mid-1958.

At Swansea, the construction of the new Imperial Smelting process plant to replace the horizontal distillation plant was commenced in June, 1958, and such excellent progress has been made that the plant should be ready for operation at the end of the present year which is considerably ahead of the preliminary planning schedule. The new plant should add materially to the profitability of our zinc smelting operations in the United Kingdom and will also have the ability to recover lead-metal from the treatment of mixed lead and zinc concentrates.

In Australia, further progress was made during the year with the design of the new smelter to be built at the works of Sulphide Corporation Pty. Limited, at Cockle Creek near Newcastle, New South Wales. The original plans have been revised in the light of improved results obtained by the Imperial Smelting process plant at Avonmouth.

LEAD SMELTING

Lead smelting operations by the Broken Hill Associated Smelters Proprietary at Port Pirie continued satisfactorily throughout the year. The Company's results reflect the effects of the lower metal prices but these have been offset to a marked extent by further gratifying increases in operating efficiency. Since July, 1958, some reduction in lead production has been necessary to conform with the reduced mine production at Broken Hill.

IMPERIAL SMELTING PROCESS

The success achieved by the Imperial Smelting process continues to attract considerable attention among lead and zinc smelting interests throughout the world. During 1958 an option agreement to acquire a licence for the process was signed by the Société Minière et Métallurgique de Penarroya and after full investigation this company has decided to exercise its option and has now entered into a licence agreement. Under this licence the process will be installed at Noyelles Godault in northern France and the new plant is expected to come into operation there in 1961. In January last an option agreement was signed by the Rhodesia Broken Hill Development Company Limited. The metallurgical and operational standards of the process have been proved to the satisfaction of this option holder who is now carrying out in Northern Rhodesia a thorough economic assessment of the process as applied to their currently mined ore and available stock of high-grade oxidised products and dump material.

Inquiries from some of the other interested parties have already advanced to the stage of detailed discussions and in a number of cases a fuller appraisal of the process is already being carried out.

ZINC ALLOYS

The production of Mazak zinc alloys was the highest of any peace-time year, due mainly to the continued expansion of the demand from the motor car industry.

COMALCO

Commonwealth Aluminium Corporation (Comalco) during the year continued investigation of the many factors involved in the economic assessment of alumina and aluminium production based upon the bauxite deposits at Weipa on the west coast of Cape York Peninsula.

CONCLUSION

The world prices for lead and zinc continue to be the major factor in determining our fortunes. At the time of writing this statement a United Nations Conference on these metals in New York is about to terminate and, until the result of this Conference is known, it is difficult for me to make any useful observations on the future outlook. I hope the picture will be clearer by the date of our Annual General Meeting, when I propose to review the position in the light of our knowledge at that date.

While the trend of market prices is outside our control there are other factors of great importance to the well being of the Group which we can influence, namely, the cost and efficiency of our operations. In this connection the improvements in 1958 in practically all branches of our operations have continued to be encouraging.

STONE-PLATT INDUSTRIES LIMITED

EXPORTS TOTAL £20 MILLION

MR KENNETH PRESTON'S STATEMENT

The Annual General Meeting of Stone-Platt Industries Limited will be held on June 25th.

Mr Kenneth Preston, the Chairman, who will preside, reports as follows in his review to shareholders:

The consolidated profit for the year 1958, after deduction of taxation, amounted to £1,297,825. In common with other manufacturers of capital goods we were adversely affected by the credit squeeze in the home market, but in spite of the general world recession the value of exports from the subsidiary companies for 1958 was £20 million.

On the export side in all sections of the business we are up against severe foreign competition and profit margins are tending to narrow. In spite of the diversifications of our interests, textile machinery remains a large part of our business and prospects for the home market are encouraging. Arising from the Government Cotton Plan, the Federation of Master Cotton Spinners have estimated that the full cost of re-equipping and modernising the spinning capacity that will remain after contraction might amount to £40 million. It is, however, far too early yet to assess to what extent the textile industry will avail itself of the Government offer or when the first orders under the Plan will be placed.

Although our subsidiary companies manufacture a very wide range of products, their activities can broadly be classified under four major headings: textile machinery, electrical engineering, mechanical engineering and marine products.

TEXTILE MACHINERY

Orders from North America received by Platt Brothers (Sales) Limited during the year, amounting to well over £250,000, substantiated the company's claim that its machinery is competitive both in quality and price with anything produced in the USA. Two orders, the first for many years, were received from China, also contracts totalling nearly £1½ million from Poland and over £500,000 from Iran.

Plans have been approved for a major rebuilding scheme to cost £600,000 at Globe Works, Accrington, the principal Works of Howard & Bullough.

Prince-Smith and Stells enjoyed a very successful year, its output of worsted machinery equalling the record turnover of 1957.

ELECTRICAL ENGINEERING

Notwithstanding foreign exchange difficulties J. Stone & Company (Deptford) Limited continues to be the leading supplier in the world of train lighting equipment, and substantial orders have been received from India, South Africa, Pakistan and Chile. Valuable orders were also obtained from British Railways.

During the year an order was received for 500 Stone-Faiveley pantographs and these are in the course of being fitted on all the locomotives and multiple unit trains for the first phase of British Railways' 25 kV. electrified services.

The most notable order received by Stone-Chance in its lighthouse division was a new light for Eddystone.

Austinlite Limited, a subsidiary of Stone-Chance, has continued to expand and at the end of the year the company's order book was the largest in its history.

At Epsylon Industries the computer high-speed tape unit satisfactorily completed its trials at the National Physical Laboratory and series production is planned for this year.

MECHANICAL ENGINEERING

British Railways have ordered from J. Stone & Company (Deptford) 30 sets of Stone-Maybach hydraulic transmissions and axle drives, valued at over £600,000, for fitting to locomotives and there is every prospect that further substantial orders will shortly be received. To provide heating in the coaches, they have also ordered large numbers of Stone Vapor steam generators for fitting to diesel electric and diesel mechanical locomotives.

Hayward Tyler & Company has maintained its position as the pre-eminent manufacturer of glandless pump/motor units for nuclear and thermal power stations. Orders have been received for units for delivery to Canada, Denmark, France, Germany, Italy, Norway and Sweden, as well as for all the nuclear power stations so far contracted for in this country.

MARINE PRODUCTS

J. Stone & Company (Charlton) Limited has now supplied over 5,500 tons of propellers manufactured in its patented "Novoston" alloy. During the year propellers have been supplied in this alloy to the two "Queens" and other ships to be similarly fitted are the new Orient liner *Oriana* and the newest CPR Empress liner, as yet unnamed.

NEW INTERESTS

In conjunction with Carrier Corporation of Syracuse, New York, the largest manufacturer of air conditioning apparatus in the world, with a turnover of £90 million, we have formed a new company—Carlyle Air Conditioning and Refrigeration Limited. It is anticipated that this link with Carrier Corporation will in due course bring substantial increased turnover to our subsidiary companies.

In association with Carrier Corporation we have also purchased the Winsor Engineering Company Limited of Glasgow, which for many years has specialised in the installation of air conditioning, ventilating and refrigeration equipments on board ship.

BANCO DI SICILIA

HEAD OFFICE: PALERMO (SICILY)

COMPARATIVE CONDENSED STATEMENT OF CONDITION

ASSETS

	Dec. 31, 1958	Dec. 31, 1957
Cash and Due from Banks	Lire 56,886,979,278	Lire 35,379,181,706
Securities Owned:—		
Government	„ 6,583,551,808	„ 4,349,212,251
Other Securities	„ 9,412,583,555	„ 6,265,442,200
Investments and Participations	„ 1,795,317,161	„ 2,320,343,614
Bills and Treasury Notes Discounted	„ 128,725,752,715	„ 105,596,631,980
Advances on Current Accounts	„ 178,585,795,436	„ 192,188,847,929
Loans against Securities	„ 29,235,307,632	„ 30,790,764,454
Long-term Loans	„ 95,535,380,577	„ 84,127,957,752
Banking Premises and Real Estate	„ 2,369,518,545	„ 1,318,653,247
Acceptances and Bills Rediscounted and Letters of Credit Outstanding (as per contra)	„ 17,266,870,068	„ 34,430,396,349
Furniture, Fixtures and Equipment	„ 1	„ 1
Other Assets	„ 101,913,996,178	„ 79,775,605,321
Total Assets	Lire 628,311,052,954	Lire 579,443,036,814
Customers' Securities held for Safekeeping (as per contra)	„ 121,670,842,631	„ 107,507,059,736
Securities on Deposit with other Banks (as per contra)	„ 53,379,304,765	„ 55,251,611,299
Foreign Exchange and Securities for Future Delivery (as per contra)	„ 8,415,206,318	„ 4,581,521,928
	Lire 811,776,406,668	Lire 746,783,229,777

LIABILITIES

	Dec. 31, 1958	Dec. 31, 1957
Capital	Lire 820,000,000	Lire 815,000,000
Reserves	„ 6,793,694,000	„ 5,971,986,000
Special Reserves	„ 8,328,413,336	„ 8,251,989,246
Special Funds Reserved for Development of the Sicilian Economy	„ 17,352,953,322	„ 16,901,002,818
Undivided Profits	„ 623,194,859	„ 611,651,657
Deposits and Certificates of Deposit	„ 470,795,299,003	„ 411,064,399,601
Official Cheques Outstanding	„ 16,259,223,455	„ 17,298,777,794
Acceptances and Bills Rediscounted and Letters of Credit Outstanding (as per contra)	„ 17,266,870,068	„ 34,430,396,349
Other Liabilities	„ 90,071,404,911	„ 84,097,833,349
Total Liabilities	Lire 628,311,052,954	Lire 579,443,036,814
Customers' Securities held for Safekeeping (as per contra)	„ 121,670,842,631	„ 107,507,059,736
Securities on Deposit with other Banks (as per contra)	„ 53,379,304,765	„ 55,251,611,299
Foreign Exchange and Securities for Future Delivery (as per contra)	„ 8,415,206,318	„ 4,581,521,928
	Lire 811,776,406,668	Lire 746,783,229,777

NORTH BRITISH & MERCANTILE INSURANCE COMPANY LIMITED

ANNUAL GENERAL MEETING

The One hundred and forty-ninth Annual General Meeting of the North British & Mercantile Insurance Company Limited was held on May 28, 1959, at the Registered Office of the Company, 64 Princes Street, Edinburgh.

Mr Cyril H. Kleinwort (Chairman of the General Court of Directors) presided.

The Chairman said:

First of all there are some personal matters which I would like to mention. Mr Crichton, one of your Deputy Chairmen, has decided to retire from this position. He joined the General Court in April 1934 and became Deputy Chairman in March 1941, taking the Chair during Lord Brand's absence on Government service during the War. Mr Crichton's great experience in the investment world and his sound judgment have been of the utmost value to your Company. The benefit of his advice and experience will not be lost to us because he is remaining as a member of the General Court.

Mr Phillimore, who joined us in September 1950, has been elected a Deputy Chairman in his place.

I also have to tell you that Mr Wark, our Manager for Australasia and Chairman and General Manager of our Associated Company the "Insurance Office of Australia," is retiring at the end of next month after over 47 years of service with the two Companies. During this long period he has become one of the leading personalities in the insurance world in Australasia where he is much respected and liked. He takes with him on his retirement our thanks for the invaluable service he has rendered us and our best wishes for his future happiness. We shall still have the benefit of his wide experience and knowledge as he will continue in the position of Chairman of the Board of the "Insurance Office of Australia."

Mr E. C. Farley has been appointed to succeed him in the Management of the two Companies, with Mr K. I. Grey as his Assistant. We wish them every success in their new positions.

ROLE OF INSURANCE

Insurance is playing an increasing part in the rising standard of living which is gradually spreading throughout the Western world. Fortunately, the last year has again seen a tendency for inflationary pressure on most currencies to decline, thus creating conditions more suited to the continued progress of our industry. Only perhaps in the United States are there signs that industrial costs are rising faster than international prices. In the world of today, no country outside the Iron Curtain can afford to price itself out of the export trade for any length of time—a fact which will eventually enforce restraint on Trade Union demands and ensure further economies in research and development expenditure which has tended to get out of hand in recent years. Last year when I addressed you, I expressed the hope that for us 1958 would show an improvement on 1957, but I added that the year had not started well and it would be unwise to expect too much. You will have seen from the figures before you that this rather depressing forecast has been borne out by experience. Unfortunately, particularly on the Casualty side, our United States business has again caused us heavy losses. We have taken and are continuing to take steps to improve our position in that field though our comparatively recent entry into Casualty business in the area and the need to build up an organisation to handle that business has inevitably entailed in the early years expenses out of line with those of companies with an established Casualty organisation. Premium rates in certain States have risen but in others official sanction has not yet been forthcoming to an extent which enables the position to be regarded as satisfactory. Fortunately, apart from the United States, we can look back on a broadly satisfactory year particularly in Australia and on the Marine side of our business.

I will not refer in detail to the offer which has been made by the "Commercial Union" for your shares since you have already heard that this offer has the support of your Board. I would, however, like to express my personal appreciation for the unstinted support I have received from my colleagues and, in particular, from our General Manager, Mr Harman, and his Deputy, Mr Moore, during the negotiations which have culminated in the offer which you have before you.

On the motion of the Chairman, seconded by The Honourable A. O. Crichton, the Report and Accounts were approved and adopted.

Following the re-election of the Directors, Extraordinary and Ordinary, and the adoption of the resolution regarding the fees and expenses of the Auditors, Messrs Lindsay, Jamieson & Haldane, CA, which was proposed by Mr G. W. Mackie and seconded by Mr J. H. Eddison, the proceedings terminated with a cordial vote of thanks to the Chairman and Directors, proposed by Mr J. A. Yeaman, WS.

BILLERUDS AKTIEBOLAG

Säffle — Sweden

Founded in 1883

Share Capital: Kr. 105,000,000

Board of Directors: Landshövding Bo Hammarskjöld, Chairman, Godsägare G. Liedberg, Direktör K. I. Hising, Riksdagsman L. Cassel, Direktör L.-E. Thunholm, Direktör Anders Smith and Bruksdisponent Å. Pihlgren.

Registered Office of the Company: Säffle.

Managing Director: Åke Pihlgren.

Annual Production for Sale: *116,000 metric tons of dry, bleached sulphite cellulose* (rayon cellulose), 120,000 metric tons of paper and 38,000 standards of sawn woodgoods. These figures include the production of Hellefors Bruks AB, since 1958 a subsidiary of Billeruds AB.

Summary of PROFIT and LOSS ACCOUNT

	31.12.1957		31.12.1958	
	Kr. m.	Kr. m.	Kr. m.	Kr. m.
SALES VALUE		241·1		215·9
—Production Cost		192·7		174·5
Gross Profit from Industrial Activities		48·4		41·4
Gross Profit from Forestry and Agriculture	17·5		17·1	
Other Gross Profit	0·3		3·2	
		17·8		20·3
GROSS PROFIT		66·2		61·7
+INCOME of Interest, etc.		2·5		2·8
		68·7		64·5
—INTEREST Charges	3·0		3·0	
Depreciation	23·1		23·1	
Pension Fund	6·7		9·0	
Taxes	24·0		17·0	
		56·8		52·1
NET PROFIT		11·9		12·4

Summary of CONSOLIDATED BALANCE SHEET

ASSETS	31.12.1957		31.12.1958	
	Kr. m.	%	Kr. m.	%
Fixed Assets	118·1	46·7	169·9	47·6
Current Assets	134·7	53·3	187·1	52·4
Total	252·8	100·0	357·0	100·0
LIABILITIES				
Long-term Liabilities	66·4	26·3	105·4	29·6
Short-term Liabilities	38·8	15·3	34·8	9·7
Investment Reserve	2·0	0·8	16·9	4·7
Share Capital, Legal and other Reserves	145·6	57·6	199·9	56·0
Total	252·8	100·0	357·0	100·0

Säffle, May, 1959.

BLOCK & ANDERSON LIMITED

CONTINUED EXPANSION OF SALES

MR W. E. BLOCK'S STATEMENT

The twenty-eighth annual general meeting of Block & Anderson Limited, was held on May 29th at the registered office of the company, Banda House, Cambridge Grove, Hammersmith, London, W., Mr W. E. Block (chairman and joint managing director) presiding.

The Secretary (Mr W. Crosskey, FCWA) read the notice convening the meeting and Captain R. M. Peat, of Messrs. Peat, Marwick, Mitchell & Co, read the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year ended November 30, 1958:

While your Company's sales have continued to expand during the year, orders have been more difficult to obtain and this factor together with rising costs of production, sales and service has resulted in a higher expense ratio and a moderate decrease in profits.

The full benefits of the concentration of Head Office activities in our new premises at Hammersmith have not yet been realised, but progress has been made in reorganising some departments and the work is continuing.

DEVELOPMENT ACTIVITIES

In order to maintain our position it has been necessary to increase our development activities. Good progress is being made but it will be appreciated that the benefit of this work cannot be felt immediately.

In consideration of all these factors the results are satisfactory, and much has been done towards ensuring our position in the years to come.

The group profit this year, before taxation of £188,187 compares with £219,213 the previous year. Your Directors consider the recommendation of a final dividend of 25 per cent, less tax, in addition to the interim dividend of 10 per cent paid last December, fully justified. The dividend on the present paid up capital of £215,000 together with the dividend of 6 per cent on £80,000 of Redeemable Preference Shares requires a total amount of £80,050 before Income Tax. After writing back £5,000 surplus tax provision from preceding years, and deducting £4,957 additional amount written off leasehold property, there is £324,977 undistributed profit to be carried forward, as compared with £276,732 brought in.

Continuing our policy of expansion we opened a new branch in Middlesbrough last year.

OVERSEAS ACTIVITIES AND EXPORTS

Both London and provincial sales were satisfactory. Our South African subsidiary had a very good year and our Canadian subsidiary also improved sales and profit compared to the previous twelve months. Export of our Banda Spirit Duplicators, Systems machines, Bandamail Letter Openers and Sealers decreased slightly, partly due to greater competition but mainly on account of import bans or severe restrictions enforced by a number of important countries. In some foreign markets, however, we have been able not only to hold our own, but to increase sales, thanks to the high quality of our machines and our wide range of models.

Since my last review we have taken up the sole agency in this country of the Facit Typewriter, Odhner Calculator, Odhner Adding machine and the Facit Office Furniture. I feel that after an initial period these quality products will benefit the standing and results of your Company.

Finally, I wish to express, on behalf of my co-directors and myself, our thanks to all members of our organisation at home and abroad, and to our agents and suppliers for their valued help and co-operation.

The report and accounts were unanimously adopted and the proposed dividend was approved.

The retiring director, Mr E. S. Dumont, was re-elected and the directors were authorised to fix the remuneration of the auditors, Messrs Peat, Marwick, Mitchell & Co.

REED & SMITH LIMITED

INCREASED PRODUCTION

The annual general meeting of Reed & Smith Limited, was held on May 28th at Exeter.

Sir Arthur C. Reed, chairman, in the course of his speech said:

The accounts for 1958 show a profit somewhat higher than 1957. With competition becoming even keener than in the previous year and a further narrowing of profit margins, it is gratifying to be able to report increases in the total production and turnover of the Group and that is so after making allowance for a full year's figures being included for the Mill at Taplow which was acquired during the previous year.

So far as the increased trading profits are concerned, this year has benefited from a full year on Taplow as against seven months a year ago; otherwise the figure would have been rather less than the earlier year.

The increase in production and turnover has been made possible by the improvements and extensions which we have made to the Mills during the past few years and in all the circumstances the Directors feel that the result this year is satisfactory.

RESERVE STRENGTHENED

The need for conserving the resources of the Company for further development is still paramount and your Directors feel it desirable to transfer £150,000 to General Reserve, bringing the Group total to £725,000. An Interim Dividend of 6 per cent has been paid during the year and the Directors feel justified in recommending a Final Dividend of 10 per cent, making a total of 16 per cent, less income tax, for the year, as against 15 per cent last year. There has been an improvement in our liquid position, the excess of current assets over current liabilities having increased by nearly £90,000 to the present figure of over £800,000.

Trading in the first three months of 1959 was reasonably satisfactory, though rumours of reductions in pulp and paper prices in Scandinavia kept the market uneasy. Since the end of March, when these reductions were confirmed, our prices have had to be reduced, resulting in a lowering of our profit margins, due to the fact that pulp prices in Scandinavia were not reduced to the same extent as paper prices from the same source. However, with our policy of continuing expansion and modernisation and the great variety of our products, we hope to maintain our full share of trade.

The report and accounts were adopted.

BANK OF WEST AFRICA

SATISFACTORY INCREASE OF BUSINESS

The sixty-fifth annual general meeting of Bank of West Africa Limited will be held on June 25th in London.

The following are extracts from the circulated statement of the Chairman, Mr Sylvester Gates, CBE:

In the Balance Sheet, Current, Deposit and other Accounts at £73,144,794 show a very satisfactory increase of some £5,670,000 on the year. This increase is well spread amongst our branches and indicates a real growth in the number of people we serve.

On the other side of the Balance Sheet, Loans, Advances and other Accounts at £23,172,515 show a contraction of £1 million. Seasonal advances have been repaid rather earlier this year, with the result that Treasury Bill holdings are substantially higher.

The Profit and Loss Account shows that our experience has been reasonably satisfactory in somewhat difficult trading conditions.

Repeated invitations to overseas investors have been made by Dr Nkrumah, the Prime Minister of Ghana, and Alhaji Abudakar Tafawa Balewa, Prime Minister of the Federation of Nigeria, and latterly by the Sierra Leone Government to participate in the industrial development of their countries. Financial measures have been taken in all territories to encourage industrial enterprises. The West African Governments have emphasised, however, that partnership in the industrial development of their countries implies willingness to impart new skills to Africans. The degree of warmth with which any enterprise is welcomed is conditioned by the arrangements proposed for the employment, training and promotion of Africans.

It is noteworthy that it is principally the United Kingdom whose firms have reaffirmed their confidence in the future of the West African territories by setting up new industries either on their own account or in partnership with Government.

SAFEGUARDS HAVE BECOME SHACKLES

With the growing part played by the African businessman as a merchant and produce buyer, there is an increased demand for advances from customers in this category. This is a development which the Bank naturally welcomes and desires to foster. I must therefore mention a difficulty which is apt to arise in this connection. West African land law frequently puts obstacles in the way of an African pledging as security his land and buildings. Such legislation originally designed to protect the African from exploitation and to preserve local custom and tradition, has now outlived its usefulness: the safeguards have become shackles. All too often an African businessman, unlike his counterpart elsewhere, is handicapped by finding his main or only asset virtually frozen and unable to be mobilised for the development of his business. This question is one which merits the early attention of West African Governments, for the introduction of land registries and the replacement of the present multifarious, intricate and uncertain laws by something like a uniform system of land tenure would be a boon to the business community.

In conclusion, I wish to repeat our belief in the prospects of West Africa. Given stable world prices, at reasonable levels, for basic export commodities, the determination and zest of its peoples should bring about economic progress worthy of their new political responsibilities.

MELBOURNE AND GENERAL INVESTMENT TRUST LIMITED

SIR DENYS LOWSON'S REVIEW

At the Annual General Meeting of the Melbourne and General Investment Trust Limited held on May 26th at Estates House, 66 Gresham Street, London, E.C. Sir Denys Lowson, Bart (the Chairman) in the course of his remarks said:

The last twelve months marks a year of notable progress in the history of your Company. During that time, as you will have seen from the Report, the capital has been reorganised. We have issued by way of a free capital bonus to the Ordinary stockholders 150,000 6½ per cent Preference shares, and we have also issued £150,000 6½ per cent debenture stock 1978/83.

The valuation of the investments show a substantial appreciation both over the book value and over the position ruling twelve months ago. While similarly our revenue at £67,600 is a record in the history of the Company, and compares with £57,260 twelve months before.

The proposed Ordinary dividend of 21 per cent together with the Preference dividend gives a total effective distribution of 27½ per cent, as compared with 25 per cent last year. This Ordinary dividend entails a priority percentage distribution of 24.4 to 77.7 per cent of our total revenue.

As shareholders will be aware, it is the policy of the Board to diversify your portfolio; which is now well spread both geographically and in the amount of individual investments. The unquoted investments at £219,000 are entirely represented by your holding in Carlton and United Breweries Limited. This important Company with headquarters in Melbourne, Victoria, not only has a wide spread of business throughout the State of Victoria, but has also recently expanded into Queensland where they have an important new brewery at Cairns, as well as at Darwin in the Northern Territory.

The dividend paid by that Company last year amounted to only about 41½ per cent of the actual cash flow accruing to the Company after all expenses and taxation, and the balance amounting to no less than £A1,504,000 has been ploughed back into the business of that Company. We look therefore for the continued steady growth and expansion of this investment which should also be assisted by the continuing development of the Australian economy.

Since 1939 the output of secondary industry in Australia has risen from £A500 million per annum to £A3,763 million in 1956; and since 1946 the number of factories has increased from 31,184 to 52,000, while the number of individuals employed in these factories has risen from 745,000 to over 1 million. This increase in secondary industry represented 80 per cent of Australia's consumption in those goods as compared with a negligible percentage twenty years ago.

Wool is still Australia's principal export. During the five years ending 1955/56 it averaged 48 per cent of the value of the exports; while the manufacturers of secondary industry only accounted for some 11 per cent.

The population of Australia today is now over 10 million; and it has been conservatively estimated that Australia can safely support in the near future a population of at least twice that number; which in turn must help the growth of one of Australia's leading Companies like Carlton and United Breweries Limited.

The resolution for the adoption of the report and accounts was seconded by Sir Keith Officer and carried unanimously; and the proceedings closed with a hearty vote of thanks to the Chairman, Directors and Staff.

THE DRAYTON REGULATOR AND INSTRUMENT COMPANY

POLICY OF EXPANSION

The tenth annual general meeting of The Drayton Regulator and Instrument Company Limited was held on May 28th in London, Mr P. H. Lloyd, TD, DL (the Chairman), presiding. The following is an extract from his circulated review:

The profit for the year ended December 31, 1958, before taxation, amounted to £244,794 compared with £253,717 a year ago, but after provision for taxation, amounting to £125,801, the net profit was £118,993 compared with £110,136.

Notwithstanding an Expenditure during the year of £79,000 on Capital Account the margin between Current Assets and Current Liabilities has increased from £509,504 to £525,302. This is a clear demonstration of the growing strength of the Company's financial position.

During the latter part of the year, your Sales Staff obtained what is certainly the largest single order for space-heating controls ever placed in this country, and probably the largest ever placed in Europe.

The equipment covered by this order comprises principally the recently developed range of pneumatically-operated controllers, the production of which has placed us in a position of leadership in the space-heating field.

The Company has continued the development of its automatic control system for autoclave-type sterilizers. This is now engaging the interest of medical authorities and hospitals throughout the country.

Considerable progress has been made in our sales to the Shipping Industry.

ARRANGEMENTS WITH AMERICAN COMPANIES

A subsidiary company, Drayton Johnson Ltd., has been formed in conjunction with the Johnson Corporation of Three Rivers, Michigan, USA, to market in the paper, textile, rubber and plastics industries, the products of the Johnson Corporation which will be manufactured under licence by your Company.

We are about to enter into an arrangement with the Thomas A. Edison Industries of America to manufacture under licence their Omniguard equipment. This development will enlarge the scope of the Company's activities, particularly in the industrial instrumentation field, in association with an American Organisation of the highest standing.

During the first quarter of the present year trade has continued to improve and I therefore feel that the Company can face the immediate future with confidence and that the policy of expansion carried out during the year will be justified unless the economy of the country is upset by a political catastrophe.

The report was adopted and a total distribution of 20 per cent was approved.

JOHN BRIGHT AND BROTHERS

The thirty-sixth Annual General Meeting will be held on June 24th in London.

The following is an extract from the Statement by the Chairman, Dr E. P. Andreae, circulated with the Report and Accounts for the year ended March 31, 1959:

After deducting Taxation and Depreciation and crediting Taxation adjustments and after transferring £60,000 from Stock Reserve there remains a net Profit of £255,893 to compare with £269,139. After bringing in the surplus from last year, the total available for allocation is £506,621. That is to say only £24,513 less than the corresponding figure for the previous year. During the late summer and early autumn the volume of our business had reached the lowest level experienced for many years and in view of the uncertainty then prevailing your Directors deemed it prudent to reduce the interim dividend by 2½ per cent. Towards the end of the financial year volume tended to increase and this recovery, though modest, is at present being maintained. Your Board is now therefore recommending the same final dividend as last year, namely 15 per cent on the Ordinary Stock, whilst at the same time again transferring £100,000 to General Reserve.

Our particular industry in all its various sections has been and is still going through a very critical period. As I feared when I made my Statement to you last year, the struggle for survival in a falling market overshadowed by excessive productive capacity, has been carried to extremes.

Some measures of assistance to the industry is now forecast by the Government. If the major object of that assistance is to reduce inefficient and excess productive capacity it is to be welcomed and should be of some benefit to your Company if only indirectly, but until more details of the proposal are available, I am unable to express an opinion. Your Company is a proud and outstanding example of modernity and efficiency achieved without outside assistance by years of foresight, planning and courage. I can only hope that the Government assistance now to be offered will not be allowed to take, in effect, the form of a subsidy to the inefficient at the expense of the efficient.

During the whole of this long period of depression in the manufacturing side, our Spinning Mills were not affected to any great extent and were the one bright spot in our organisation enjoying a degree of stability due to the effect of the Yarn Spinners' Association Minimum Price Agreement. As Stockholders are aware, in February of this year the Restrictive Practices Court ruled out the Association's Price Agreement and this decision brought about immediate chaos in the Spinning Industry.

For the ensuing year I am not able to look forward to increased profits, if only because the effect of the ruling out of the Spinners' Price Agreement will not be apparent until the end of the current financial year.

On the other hand, however, the improvement in the volume of Trade has been maintained and it is satisfactory to know that we have been able to increase our percentage of available business.

I joined this Company as a Director 29 years ago and have been Chairman for the last 26 years. I think the time has come when I should relinquish the Chairmanship and make way for a younger man. I shall, at the request of my colleagues retain my seat on the Board under the Chairmanship of Mr Fred Train, who will succeed me in that capacity.

NORTH MALAY RUBBER ESTATES

The twenty-seventh annual general meeting of North Malay Rubber Estates Limited was held on May 28th in London, Mr R. F. Burt (the Chairman) presiding.

The following is an extract from his circulated statement:

In spite of the very substantial drop in proceeds of our crop, no less than 2.1d. per lb, a rather larger estate working profit has been realised. This was of course attributable to an enhanced crop by nearly 9 per cent. In spite of vigorous replanting we hope to exceed this crop in 1959 by more efficient intensive tapping, prior to replanting and from younger areas. Our cost of production shows a welcome decline.

On the face of it the Company did not earn sufficient to pay a total dividend of 20 per cent, and we have had to draw on our carry forward by a substantial margin. Nevertheless we have felt justified in recommending this dividend because in fact our net current assets, even after paying 20 per cent, at £70,000 (or £10 per acre planted) are some £4,000 in excess of the previous year's when allowance is made for the capital repayment made to Stockholders (£65,200). Your Board consider the reserve funds adequate for all normal circumstances, for we have no exceptional capital commitments in view and replanting is met out of revenue.

The profit on estate working of £44,974 represents 3.01d. per lb. The value of rubber today is some 4d. per lb higher and we see no reason to suppose this higher value will not be maintained.

The report was adopted.

LUNUVA (CEYLON) TEA AND RUBBER

INCREASED CROPS

The annual general meeting of The Lunuva (Ceylon) Tea and Rubber Estates Limited will be held on June 25th in London.

The following is an extract from the circulated address of the Chairman, Mr H. W. Horner:

The year 1958 proved satisfactory from the point of view of crops: 10,944,681 lb of tea were harvested, an increase of more than half a million pounds on the previous record crop in 1957, which was nearly a million pounds higher than that of the previous year, while the rubber crop was, at 1,475,562 lb, slightly in excess of that of the previous year, although harvested from a smaller acreage in tapping.

The amount transferred to the Appropriation Account is £94,913. The year's total profit, after deduction of £79,700 in respect of that profit, is £112,648 but a provision amounting to £15,177 has also been made for retrospective taxation included in the Ceylon Budget on the profits of 1957. The Board recommend a final dividend of 7 per cent, which, with the 5 per cent paid in November of last year, gives a total of 12 per cent for the year.

Our crops for 1959 are estimated at 10,028,500 lb tea and 1,290,000 lb rubber. An unusual drought at the beginning of the year has slowed down the tea crop for the early months but, given normal weather for the rest of the current year, no serious shortfall of the estimate need be expected. Quality teas, wherever produced, seem assured of a ready sale at high prices, but those from Ceylon have to face the heavy *ad valorem* export duty.

LISBON ELECTRIC TRAMWAYS

The sixty-first annual general meeting will be held on June 24th in London.

The following is an extract from the circulated statement of the chairman, The Right Honourable The Lord Rathcavan:

Once again the total number of fare-paying passengers carried on the Company's vehicles has increased during the year. In 1958 passengers carried totalled 374,373,878 as compared with 368,909,106 in 1957, an increase of 5,464,772 or 1.48 per cent, whilst the mileage run by our vehicles (comprising both trams and buses) at 30,475,174 compared with 30,178,386 in 1957 shows an increase of 296,788 or .98 per cent.

Each year we continue to expand our services in conformity with the growth of the city and each year shows a new record of passengers carried.

Our total fleet now consists of 798 vehicles divided between 517 trams and trailers and 281 buses of which 152 are double-deckers.

Capital expenditure during the year increased by £300,466. This represents the cost of the new station at Cabo Ruivo and of 38 double-decker buses.

In January, 1959, the price of fuel oil for our buses increased again by $40 centavos per litre and in a full year will cost the Company some £35,000.

During the year the Company contributed £477,079 to the State Revenue of Portugal and to the Municipal Revenue of Lisbon an increase of £13,390 or 3 per cent over 1957.

The year's operations show a profit of £66,589 after providing all charges and for General and Depreciation Reserve. The Directors recommend an Ordinary Dividend for the year of 6 per cent net.

BARRY & STAINES LINOLEUM

IMPROVED TRADING RESULT

The annual general meeting of Barry and Staines Linoleum, Limited will be held on Thursday, June 25, 1959, at 12 noon, at 6 Old Bailey, London, E.C.

The following is an extract from the statement of the chairman, Mr T. J. Cavanagh, which has been circulated with the report and accounts:

In the year now under review the result of the group's trading in linoleum was better than a year ago. Home sales increased, but there was a reduction in export sales, due mainly to quotas and other restrictions, but due also in part to more intense competition. The reduction of £34,000 in group trading balances is more than accounted for by adverse factors, which I hope will not recur.

In the first place, as I stated a year ago, we had to bear the cost of running in the new paper mill and ancillary installations; this proved to be a greater burden than we had hoped.

In the second place the devaluation of the French franc appreciably reduced the sterling value of the profits contribution from our French company; this devaluation has also necessitated deductions for exchange depreciation as shown in the consolidated balance sheet.

The French company has again taken advantage of a legal permission to revalue fixed assets and the surplus on this revaluation is also shown in the consolidated balance sheet. On the whole, prospects for the current year are better than they were a year ago, and we hope to expand our business, both at home and abroad.

RUBBER PLANTATIONS INVESTMENT TRUST

SIR ERIC MACFADYEN'S ADDRESS

The fiftieth annual general meeting of The Rubber Plantations Investment Trust Limited, will be held on June 24th in London.

The following is an extract from the circulated Address of the Chairman, Sir Eric Macfadyen:

The Accounts we present for the year to March 31, 1959, show gross revenue (without including £6,022 on our Subsidiary Company) of £285,466, being a decrease of £6,540 on that for the previous year; the gross yield representing 16.51 per cent (16.89 per cent) on the Trust's issued Capital. After taxation and expenses, our net revenue is £142,312 (compared with £149,133 a year ago) and including the balance brought forward we have £248,530 available for appropriation. The Directors recommend a dividend of 12½ per cent (the same).

We are able once again to record continued improvement in the valuation of the portfolio. The net cost of the investments, including those of our Subsidiary, at the balance sheet date was £1,802,320 and their valuation at £2,415,728 shows a surplus of £613,408; (last year the surplus was £117,302 and the year before that £78,289). The net asset value of the Trust's 2s. Stock Units at the year-end had improved to 3s. 1¾d. (2s. 6¾d.).

It remains the policy of the Board progressively to widen the spread in our investments and during the year the total cost of Industrial and Commercial Holdings has increased by £230,514 to £771,909; this section of our portfolio now represents 39.3 per cent of all investments.

LONDON ASIATIC RUBBER

SIR ERIC MACFADYEN'S ADDRESS

The annual general meeting of The London Asiatic Rubber and Produce Company Limited will be held on June 22nd in London.

The following is an abstract of the address of the Chairman, Sir Eric Macfadyen, circulated with the report and accounts:

Our crop was 17,282,072 lb (including 160,264 lb purchased) and we hope to harvest about 18 million lb in 1959. At Telemong we have sold the Timah division of 498 acres and 1,191 acres of reserve land for just over £42,500. Replantings and new plantings during the year totalled 1,356 acres and about a similar acreage will be dealt with in 1959.

Profit after tax is £381,031 (£439,023). Including £100,720 brought forward we have for disposal £481,751 (£537,824). We transfer £169,530 to Replacement Reserve, being the amount expended during 1958. This year we shall harvest the first fruits of our oil palms on Nordanal estate: next year we shall start on the construction of an oil palm factory there. Capital expenditure of about £250,000 will be incurred for this purpose in 1960-62. We are therefore increasing Capital General Reserve by £50,000 mainly by transfer from Profit and Loss Account. The steady progress being made with our modernisation programme as a whole calls for the employment of considerably more working capital and in order that dividend policy

may not be prejudiced and that we may have resources available for taking advantage of any special opportunity that may arise we have decided to make now a rights issue under which shareholders are given the opportunity to subscribe for three new shares in respect of 20 now held at a price of 3s. 6d. per share.

In January last we paid a 5 per cent interim dividend and we now recommend a final dividend of 25 per cent, thus distributing at the same rate as last year. If you approve the dividend we shall then carry forward £102,707.

REFUGE ASSURANCE COMPANY LIMITED

The Chairman in a statement submitted with the 1958 accounts mentioned that the Centenary of the Company had been celebrated during the year.

He referred to the increase in provision being made by the State for Old Age, and suggested that any Government Scheme by whatever political party it is sponsored, should stop at the provision of basic needs, benefits in excess of these being left to the free choice of individuals. The Company for 100 years had assisted its policyholders to provide for retirement and for their dependants on the premature death of the breadwinner. It would be the Company's aim to continue to give at least equal service during its second century to the holders of its eight million policies which assure in all £378 million.

Payments made during the year to policyholders were nearly £13,700,000, of which nearly £10 million were payments to living policyholders and £3,800,000 payments on death.

Advances of £3,400,000 were made during the year under the Company's House Purchase Scheme and there are 18,600 House Purchase mortgages outstanding for total advances of £28,300,000.

The underwriting results in the Motor Account of the Company's subsidiary had been unfavourable, and even though premiums had been progressively increased claims had been such that over a number of years' profits had been negligible.

ALLOCATIONS TO POLICYHOLDERS

In the Ordinary Branch surplus of £1,924,000 was allocated to policyholders to provide a bonus on with-profit policies at the rate of £2 per cent on the sum assured in respect of each year's premium due in 1958 and paid.

In the Industrial Branch £1,600,000 was allocated to policyholders to provide a reversionary bonus on premium paying policies (with certain exceptions) at the rate of £1 8s. per cent on the sum assured for policies dated 1953 and earlier, and £5 4s. per cent for policies dated 1954, it being the first time that the latter class has participated. The granting of paid-up policies at advanced ages and certain other increases in benefits have been continued.

INVESTMENTS

The Company's assets of £156 million include £50 million invested with the British Government and Local Authorities, £40 million in Debentures and Preference Stocks, and £19 million in Ordinary stocks. Mortgages and other advances, largely in connection with House Purchase, total £32 million.

APPOINTMENT

STATISTICIAN

THE MULLARD RADIO VALVE CO. LTD.

has a vacancy in its Statistical Advisory Service for a qualified Statistician.

The Statistical Advisory Service works on behalf of all development and production departments in the organisation and the work includes all aspects of quality control of component parts and of finished products, and is concerned with the design of experiments and the analysis of experimental results. Training will be given in the techniques used in the organisation.

This is a senior position and the man appointed will be required to meet staff with similar qualifications and will also be required to prepare and deliver lectures and conduct training with small groups in order to further an appreciation and understanding of statistical techniques. Suitable qualifications would be from either qualified statisticians with an interest in mechanical engineering or, alternatively, from mathematicians or physicists with a strong bias towards statistical work.

The position offers further scope for development, and application should be made in writing to

Mr. J. C. Ross,
Plant Personnel Officer,
The Mullard Radio Valve Co. Ltd.,
New Road, Mitcham Junction, Surrey,

quoting ref. R.127.

RCN ARE LOOKING FOR A GRADUATE . . .

preferably with about two years' experience in Market Research, for their expanding Marketing and Market Research Department. He or she should have statistical training and be capable of planning and reporting on Research projects mainly in the consumer goods field. The position calls for an intelligent person capable and experienced in working on own initiative and able to cope with large volumes of work at peak periods.

Please apply in writing, giving details of age, experience and salary required to :—

Head of Marketing & Market Research, Rumble, Crowther & Nicholas, Ltd., 184 Strand, W.C.2.

THE ROYAL SOCIETY desires to make early appointment of a professionally qualified ACCOUNTANT to assist in the Society's administration. Man, aged 35-45 years, with university degree preferred. Salary according to experience.—Applications to be sent to the Assistant Secretary, Royal Society, Burlington House, London, W.1.

ORGANIZATION AND METHODS
ASSISTANT TO DIRECTOR OF FINANCE AND ADMINISTRATION

A leading control engineering company, with Head Office near London and factories in Scotland, wishes to appoint an Organisation and Methods Assistant to its Director of Finance and Administration.

Candidates should have ability to work on own initiative in close co-operation with other executives and personnel. They must have had previous experience of O. & M. work and be willing to travel to the company's U.K. Branches and Factories. Office management experience and a knowledge of accountancy will be an advantage. The age of the successful candidate will probably be between 30 and 40.

A starting salary in the range of £1,500 to £2,000 p.a. is envisaged. The company practises modern personnel policies which include a pension scheme.

The business environment is one of continuous and successful expansion, which will provide increasing scope for O. & M. work, together with ultimate prospects of promotion into the executive field. There are also important associated companies in the U.S.A. and Europe.

Applications should be addressed in the first instance to URWICK, ORR & PARTNERS LIMITED, who have been asked to advise in connection with this appointment, at 8 Buckingham Palace Gardens, London, S.W.1. All particulars will be treated by them in strictest confidence until disclosure is authorised at an interview. Please indicate a telephone number through which contact may be made, and quote reference HEW/1306 on the envelope.

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for the post of Junior Research Officer in the Social Science Department. The appointment will be for three years from a date to be arranged but not later than October 1, 1959. Subject to satisfactory qualifications and experience, the salary will be £700 x £50 to £800 per annum. The appointment is in connection with an enquiry into family life and kinship in the Swansea area and will have special reference to the position of old people.

Further particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, by whom applications (five copies) must be received by Monday, June 15, 1959.

BROWN & POLSON GROUP require for their Finance and Administration Division, a young man, 23-28, with an Accountancy or Cost and Works Accounting Qualification. Experience in an industrial concern would be an advantage but applicants with solely commercial or auditing experience should not hesitate to apply. Experience within the Company will not be confined to its London headquarters but will include periods at the Manchester and Paisley Works. Salary, profit payment, life assurance and pension schemes are good and the Company is progressive in outlook and expanding.—Replies to Group Personnel Manager, Brown & Polson Ltd., 125-130 Strand London, W.C.2.

CAMBRIDGESHIRE EDUCATION COMMITTEE
CAMBRIDGESHIRE TECHNICAL COLLEGE AND SCHOOL OF ART
(Principal: D. E. Mumford, M.A.)
(Re-advertisement)

Applications are invited for new appointment of VICE-PRINCIPAL to assist in general administration of College. High academic qualifications and responsible experience in administration and teaching essential; some industrial experience desirable.

Salary scale: £1,837 10s. x £52 10s. — £1,995 a year.

Application forms and full particulars from the Principal, Cambridgeshire Technical College and School of Art, Collier Road, Cambridge.

It is not necessary for candidates who have already applied to make fresh application.

G. D. EDWARDS.
Shire Hall, Cambridge. Chief Education Officer.

FOURAH BAY COLLEGE—SIERRA LEONE
(UNIVERSITY OF DURHAM)

Applications are invited for Chair of Economics. Salary £2,500 p.a. F.S.S.U. Outfit and family allowances. Passages for appointee and family on appointment, annual leave and normal termination. Part furnished accommodation at rent not exceeding 7½ per cent of salary.

Detailed applications (eight copies) naming three referees by July 7, 1959, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

VICTORIA UNIVERSITY OF WELLINGTON
NEW ZEALAND
SENIOR LECTURER AND LECTURER IN ECONOMICS

Applications are invited for the above posts.

The salary for a Senior Lecturer will be £1,315 per annum rising by annual increments of £50 to £1,615 and for a Lecturer £1,025 per annum rising by annual increments of £50 to £1,275. The initial salary in each case will be determined according to the qualifications and experience of the appointee. An allowance is made towards travelling expenses.

Further particulars and information as to the method of application should be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close on July 31, 1959.

For further appointments see page 987

COMPANY AFFAIRS

BICC

THERE is excess capacity in some sections of the cable-making industry and the industry has now to adjust itself to the break-up of some of its trade associations in this country and to the formation of the European common market. In his statement the chairman of British Insulated Callender's Cables, Mr W. H. McFadzean, has examined some of the implications of these developments for the industry in general and for BICC in particular. The break-up of the trade associations will, Mr McFadzean believes, probably lead to "more fiercely competitive conditions" and possibly to some price cutting. In the short run, this may adversely affect BICC's profits, but Mr McFadzean draws attention to the power of BICC to compete: it is probably the largest group of its kind in the world; it has spent a good deal on re-equipment, research and development; and it covers a wide range of products and operates and trades in many countries.

The application of the Restrictive Trade Practices Act will also, in Mr McFadzean's opinion, probably lead to more mergers in the cable-making industry. Those that have already taken place, he suggests, have been prompted not only by the Act but also by a desire for "rationalisation." BICC itself may acquire other cable-making concerns (indeed it has just made a bid for Scottish Cables) if "special circumstances" apply; but Mr McFadzean says the directors' policy on expansion is still to widen the range of products and to extend its territorial interests.

BICC faces a more competitive future in good shape. Last year, thanks to a steadier price for copper and an improvement in demand in the latter months for consumer items, its consolidated trading profits rose by nearly £1 million to £8.8 million though the value of total sales was £1 million lower, at £110 million. Net profits were £622,938 higher at £3,292,989 and the ordinary dividend of 13½ per cent was thus covered 2½ times. The strength of the group is reflected in the yield of 4¾ per cent offered by the £1 ordinary units at 55s. 6d.

VICKERS

LORD KNOLLYS expects that the 1959 profits of the Vickers group will be "considerably reduced," because the group will have to find its own finance for civil aircraft development and because the level of activity of the steel and Canadian subsidiaries will be lower. But Lord Knollys does expect the engineering sector to earn higher profits this year from an increased turnover. Shipbuilding, too, should prove as profitable as it did in 1958, and it may be that, as contracts take some time to complete, the effects of the shipping slump will not be fully felt in Vickers' shipbuilding yards until 1960 and 1961. Immediately it looks as if the extent of the setback in profits will depend largely upon the pace at which the activity of Vickers' steel and Canadian subsidiaries can recover from the recent recession, and clearly for the future it is upon steel and engineering, rather than on aircraft and armaments, that Vickers will have to build.

GUEST, KEEN AND NETTLEFOLDS

LAST year, Guest, Keen and Nettlefolds barely maintained its consolidated trading surplus at just over £24 million, and unless there is a general revival in industrial activity the chairman, Mr K. S. Peacock, says that the current year's results may not reach this level. In the latter part of last year, GKN's profit margins were reduced and the deterioration in trading conditions which was then experienced persisted in the first few months of the current year. In particular, Mr Peacock seems concerned about the level of activity in the engineering section of the group, where turnover and earnings have fallen. Elsewhere, however, there are some signs of a revival in demand. The steel and re-rolling subsidiaries have been operating at a reduced rate but now there are "indications of an improvement in demand" while some of the manufacturing subsidiaries are beginning to benefit from the cuts in purchase tax and the lifting of hire purchase restrictions. The motor industry is one of GKN's principal customers and it continues to boom. The profits of the group's overseas subsidiaries have been "well maintained."

To buy the GKN ordinary shares at 63s. 7½d., yielding just over 4 per cent on a 13 per cent dividend covered about 3¾ times by earnings, is to look beyond this immediate prospect to the full utilisation of capacity and, even more perhaps, to a further growth in that capacity. Over the last eight years the growth of GKN has been remarkable, reflecting not simply the re-acquisition of the steel companies but also the big retentions of profits used to finance the extension and development of the group's engineering and manufacturing activities. Over this period, turnover has trebled to £209 million; stocks have risen from about £16 million to over £46 million; and the net worth attributable to the equity has gone up from £41 million to nearly £106 million. Yet, the group's liquid assets at £20.1 million are only £3.1 million lower than they were eight years ago and over the whole period the ratio that the trading surplus bears to total net assets has fallen below 15 per cent only once. GKN still has a big development programme to complete but with new money and retained profits it should not need to come again to the capital market.

ROYAL DUTCH/SHELL

AS was foreshadowed by Lord Godber in his statement to stockholders, the first quarter results of the Royal Dutch/Shell group show that it is now selling more oil. But quite how far strong competitive conditions are continuing to affect profit margins is less clear from the figures, which are complicated by changes in Venezuelan tax and in the basis for computing depreciation. Hence the latest results can be compared only with the adjusted figures of the first quarter of 1958 and not with unadjusted figures of the later quarters. Not that the comparison with the first quarter of 1958 is discouraging: total sales, net of excise duties and sales taxes, came to £458.3 million (against 437.9 million) and a gross profit of £86.0 million (against £73.9 million) was earned, so that the gross profit margin has risen from 16.9 to 18.8 per cent.

Net profits at £37.1 million, however, are less than one per cent higher and the net profit margin has come down from 8.4 to 8.1 per cent, because £42.3 million (against £31.3 million) has been charged in tax. This increase is not due to the change in Venezuelan tax; rather it reflects the differing tax laws ruling in the countries in which the group operates which can result in exceptionally heavy charges in a particular quarter.

No detailed comparison can be made between these results and those in the later months of last year, but it is clear that since the middle of that year the group has been selling and producing more oil and oil products and that it is continuing to spend just as heavily on capital account. It seems probable at least that the decline in profit margins has been arrested. At 136s. 9d. the ordinary shares of "Shell" Transport yield 4½ per cent gross on last year's tax free dividend of 18¾ per cent.

CONSOLIDATED ZINC

SUPPLIES of lead and zinc still exceed demand and Consolidated Zinc, which cut back production in 1958, will continue to do so until there is a more favourable outlook. But the directors have not been deterred from long-term development. Capital commitments at the year-end stood at £4.43 million and the group held more than £6 million in liquid assets. The recent rights issue of 1,455,100 ordinary shares at 48s. per share, raised almost £3½ million to

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London and New York Stocks *on next two pages.*

LONDON AND NEW

Prices, 1959 High	Prices, 1959 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 27, 1959	Price, June 2, 1959	Net Yield, June 2, 1959 §	Gross Yield, June 2, 1959
					£ s. d.	£ s. d.
100 1/16	100	War Loan 3% 1955–59	100 1/16	100 1/16	1 4 4	2 16 11
97 3/4	96 11/16	Funding 2 1/2% 1956–61	97 13/32	97 3/8	2 18 3	3 19 5†
99 3/16	98 11/32	Exchequer 2½% 1960	98 7/8	98 37/32	2 11 2	3 13 6
100 3/16	99 3/8	Exchequer 3% 1960	99 5/16	99 1/2	2 2 3	3 13 6
101 11/32	100 25/32	Conversion 4½% 1962	100 29/32	100 27/32	2 4 8	4 3 5
96 3/32	94 7/16	Exchequer 3% 1962–63	95 29/32	95 27/32	2 18 11	4 2 7†
93 5/8	91 5/8	Exchequer 2½% 1963–64	92 1/32	92 1/32	3 3 4	4 3 10†
101 3/4	101 3/32	Conversion 4¾% 1963	101 5/32	101 7/32	2 12 1	4 8 4
100 7/16	99 15/16	Conversion 4½% 1964	100 1/4	100 7/32	2 13 8	4 8 11
92 15/16	91	Savings Bonds 3% 1955–65	91 1/8	91 1/8	3 10 11	4 16 11†
85 13/16	83 1/4	Funding 3% 1959–69	83 1/2	83 1/2	3 18 0	5 4 3†
93 1/16	90 3/8	Funding 4% 1960–90	90 1/2	90 3/8	3 18 0 / 14 6 8	5 4 3† / 4 16 3
83 7/16	80 7/8	Savings Bonds 3% 1960–70	81 5/8	81 5/8	3 18 6	5 7 7†
86	83 13/16	Savings Bonds 2½% 1964–67	84	84 1/16	3 18 3	5 6 8†
76 13/16	75 1/16	Savings Bonds 3% 1965–75	76	75 13/16	3 18 3	5 6 3†
105 1/16	102 5/8	Exchequer 5½% 1966	103 1/2	103 7/16	2 18 6	5 2 1
86 5/8	83 1/4	Funding 3% 1966–68	85	85	3 17 7	5 4 5†
98 1/8	96	Victory 4% 1920–76	96 1/8	96 3/16	3 0 6	4 13 5‡
89 15/16	87 5/8	Conversion 3½% 1969	88	88 1/16	3 13 7	5 3 10
101 3/8	98 5/8	Conversion 5½% 1974	99*	98 15/16*	3 5 11	5 6 9
79 1/4	76 7/8	Treasury 3½% 1977–80	77 3/8*	77 1/2*	3 13 9	5 5 6†
78 5/8	76 15/16	Treasury 3½% 1979–81	77 5/8	77 3/4	3 13 9	5 5 6†
104 1/2	101 1/8	Funding 5½% 1982–84	103 3/4	103 5/8	3 4 6	5 7 8e
68 1/4	65 3/4	Redemption 3% 1986–96	65 7/8	65 3/4	3 10 1	5 1 10†
74 1/16	71 1/4	Funding 3½% 1999–2004	72 3/8	72 5/8	3 7 3	5 2 11†
75 9/16	73 1/16	Consols 4% .. after Feb. 1957	74 1/4	74 1/16	3 6 11	5 10 0†
68 7/16	64 1/4	War Loan 3½% .. after 1952	65 5/16*	65 1/8	3 5 10	5 7 6†
68 11/16	65	Conv. 3½% .. after Apr. 1961	65 7/16	65 5/16	3 6 0	5 8 2†
60	56 3/4	Treasury 3% .. after Apr. 1966	57	56 7/8	3 4 11	5 6 5†
53 5/8	50 1/2	Consols 2½%	51 1/4	50 3/8*	3 5 2	4 18 1†
51 1/8	48 11/16	Treasury 2½% after Apr. 1975	48 3/8	48 3/4	3 3 2	5 3 6†
96 7/16	94	British Electric 4½% 1967–69	96	96 1/16	3 6 4	5 3 7†
80 1/8	77 1/4	British Electric 3% .. 1968–73	77 3/8	77 3/8	3 19 3	5 6 9†
76 13/16	74 1/8	British Electric 3% .. 1974–77	75	74 5/8	3 16 7	5 4 11†
90 3/16	87 5/8	British Electric 4½% 1974–79	89 1/2	88 5/8	3 8 4	5 4 7†
80 3/8	77 5/16	British Electric 3½% 1976–79	78 3/8	78 7/16	3 13 2	5 4 11†
90	87 1/8	British Gas 4% 1969–72	89 1/2	89 7/16	3 10 8	5 5 2†
87 3/8	84 3/4	British Gas 3½% 1969–71	85 1/2	85 3/16	3 13 4	5 3 11†
69 7/16	66 5/8	British Gas 3% 1990–95	67 1/16	67 1/16	3 8 11	4 19 9†
80 1/8	77 1/4	Brit. Transport 3% .. 1968–73	77 3/8	77 3/8	3 19 3	5 6 9†
86 15/16	84	Brit. Transport 4% .. 1972–77	85*	84 13/16*	3 11 5	5 5 7†
69 3/16	66 1/4	Brit. Transport 3% .. 1978–88	66 9/16*	66 1/2*	3 14 6	5 4 10†

Prices, 1959 High	Prices, 1959 Low	FIXED INTEREST STOCKS	Price, May 27, 1959	Price, June 2, 1959	Yield, June 2, 1959
					£ s. d.
		DOMINION AND COLONIAL			
102	99 5/8	Australia 4½% 1960–62	100 3/8	100 3/8	4 0 10e
107	103 3/4	Australia 6% 1974–76	104 3/8	104 1/2	5 11 1e
77	74 1/2	Ceylon 4% 1973–75	74 1/2	74 3/4	6 11 6†
103 1/2	99 1/2	Jamaica 6% 1977–82	102	103	5 14 7e
106 7/8	104 1/4	New Zealand 6% 1976–80	105 1/4	105 1/4	5 10 5e
101 7/8	94 1/4	Rhodesia and Nyasaland 6% 1976–79	94 1/4	94 1/4	6 11 4†
74 1/4	69 1/2	Southern Rhodesia 2½% 1965–70	70	69 3/4	6 6 10†
		CORPORATION AND PUBLIC BOARDS			
103 1/2	100 7/16	Agricultural Mortgage 5½% 1980–85	102 1/2	103	5 5 3e
104 3/4	102 1/4	Birmingham 5¾% 1974–76	104	102 1/4*	5 10 6e
94 1/2	92 1/8	Bristol 3% 1958–63	93	93	4 19 0†
98 1/2	94 1/2	Glasgow 4¼% 1960–68	96 1/2	96	5 6 3†
101 1/4	99 1/4	Corporation of London 5¼% 1976–79	100 1/4	100 1/4	5 5 4†
57	53 1/2	L.C.C. 3% ..... after 1920	53 3/4	53 1/2	5 12 2†
64	62	Met. Water Board 'B' 3% 1934–2003	62 1/2	62	5 4 2†
		FOREIGN BONDS			
110	101 1/4	German 7% 1924 (British Enfaced 5%)	108 1/2	108 1/4	---
192	177	German 5½% 1930 (Enfaced 4½%)	192	187 1/2*	---
47 3/4	23 1/4	Greek 7% Refugee 1924	43 1/2	44 1/2	Nil
169 1/4	161 1/4	Japan 5% (Enfaced) 1907	163	163 1/4	---
118 3/4	114 1/2	Japan 6% (Enfaced) 1924	117	116 3/4	---
59	55	Uruguay 3½% Bonds (Assented)	58	58 1/2	---

NEW YORK CLOSING PRICES

	May 27 $	June 2 $		May 27 $	June 2 $		May 27 $	June 2 $
Ath. Topeka	28 5/8	28 5/8	Boeing	38 1/8	37 3/8	Inter. Nickel	92 1/2	93 1/2
Can. Pacific	30	29 3/8	Celanese	38 1/8	38 1/2	Inter. Paper	117 3/4	119 1/4
Pennsylvania	18	17 3/8	Chrysler	69 1/2	66 3/8	Kennecott	113	108 3/4
Union Pacific	36 1/2	35 3/4	Col. Palmolive	35 7/8	38 1/4	Monsanto	50 5/8	49 5/8
Amer. Electric	52	50 1/4	Crown Zeller	55 3/4	54 1/4	Nat. Distillers	30 1/4	31
Am. Tel. & Tel.	245 3/8	238 1/8	Distillers Seag.	34 1/8	33 3/4	Pan-American	29 1/2	28 3/8
Cons. Edison	64 3/8	63 5/8	Douglas	52 3/4	52 5/8	Procter Gamble	89 3/4	83 3/4
Int. Tel. & Tel.	40 3/8	38 7/8	Du Pont	257	255	Radio Corpn.	65 3/8	67 5/8
Standard Gas	31 1/4	31 3/8	East. Kodak	83 1/4	82 1/2*	Sears Roebuck	45 1/2	46 1/4
United Corpn.	9 3/8	8 7/8	Ford Motor	72 1/8	71 3/4	Shell Oil	86 1/4	85 1/2
Western Union	36	36 5/8	Gen. Electric	80 1/4	81 3/4	Socony-Mobil	46 3/4	46 1/4
Alcoa	90 1/2	69 7/8	General Foods	86 3/4	95	Stand. Oil Ind.	48 7/8	47 7/8
Aluminium	29 1/4	29 7/8	General Motors	51	50 5/8	Stand. Oil N.J.	51 5/8	51 7/8
Amer. Can	43	43 3/8	Goodyear	139 1/4	137 1/4	20th Cent. Fox	37 7/8	37 1/8
Am. Smelting	47 1/2	46 3/8	Gulf Oil	115 3/4	115 1/2	Union Carbide	146 5/8	147 1/4
Am. Viscose	46 1/8	45 3/4	Heinz	75 1/2	73 5/8	U.S. Steel	95 5/8	94 3/4
Anaconda	66 1/8	65 1/4	Int. Bus. Mach.	436	457 1/4	West. Electric	90	93 3/8
Beth. Steel	52	51 3/4	Int. Harvester	48 1/8	47 1/4	Woolworth	55 3/4	55

* Ex dividend. † Tax free. ‡ Assumed average life 9 years. § Less tax at 7s. 9d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (l) To latest date. (p) Unassented stock.

YORK STOCKS

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, May 27, 1959	Price, June 2, 1959	Yield, June 2, 1959
		%	%	**BANKING**			
61/7 1/2	51/7 1/2	6 a	6 b	Barclays £1	57/-*	55/9	4·30
51/-	40/3	4 1/3 a	5 3/3 b	Lloyds £1	51/-	49/6	4·04
72/3	60/11 2/3	6 3/4 a	6 3/4 b	Midland £1	70/6	72/3	4·15**
65/6	54/-	4 1/2 a	5 1/2 b	National Provincial £1	64/9	65/6	3·66**
72/-	52/9	5 a	7 1/2 b	Westminster 'B' £1	70/6	72/-	3·47
91/-	68/9	7 1/2 a	9 1/2 b	District £1	90/6	91/-	3·74
25/6	17/-	6 a	10 b	Martins 5/-	21/7 1/2	21/9	3·68
49/3	31/7 1/2	5 a	7 1/2 b	Com. Bk. of Scot. 'A' 10/-	49/3	48/-	2·60
80/-	67/6	7 a	9 b	Royal Bank of Scotland £1	80/-	79/9	4·01
44/-	37/9	5 b	4 a	Barclays D.C.O. £1	43/6	43/9	4·11
47/9	43/9	7 1/2 a	7 1/2 b	Chartered Bank £1	46/6	47/3	6·35
£329/16	£275/8	$2·10c	$2·25c	Royal Bank of Canada $10	£33 1/16	£32 3/16	2·56
£21 15/16	£18 7/16	$1·60c	$1·65c	Bank of Montreal $10	£21 5/16	£21 5/8	2·83
37 4	30 1/2	9 c	9 c	Bank of New S. Wales £20	37	37 4	3·81g
38/3	32/3	4 a	6 b	Bank of Ldn. & S. Amer. £1	38/-	38/3	5·23
				FINANCIAL			
36/-	28/4 1/2	2 1/2 a	5 b	Alexanders £1	35/9	35/6	4·23
49/9	42/6	5 a	7 b	National Discount 'B' £1	49/3	49/9	4·82
59/6	49/-	6 1/4 a	6 1/4 b	Union Discount £1	58/3	59/6	4·20
52/6	40/9	18 1/3 a	21 2/3 b	Commercial Union 5/-	47/-	50/-	4·00
153/9	127/6	12 1/3 a	15 b	Employers Liability £1	137/6	148/9	3·70
207/6	160/-	‡32·35c	‡41·17c	Equity & Law 8/6	190/-	190/-	3·01
300/-	192/6	40 a	60 b	Legal & General 5/-	282/6	290/-	1·72
122/6	114/6	†20 a	†50 b	Pearl 5/-	120/-	125/-	4·58
270/-	210/-	‖147 1/2 c	‖162 1/2 c	Prudential 'A' 4/-	260/-	270/-	3·94
110/-	78/6	8 a	10 b	Royal Exchange £1	107/6	110/-	3·27
28/7 1/2	16/2 1/4	8 3/4 b	7 1/2 a	Bowmaker 5/-	26/10 1/2	25/4 1/2	3·20
27/6	18/7 1/2	7 1/2 a	8 1/2 b	Lombard Banking 5/-	26/-	27/6 ¶	3·09**
160/3	113/6	16 b	4 a	U.D.T. £1	151/-	152/-	2·63
41/-	34/9	17 1/2 b	10 a	B.E.T. 'A' Defd. 5/-	39/9	40/6	3·40
25/10 1/2	12/6	10 c	10 c	Cable & Wireless 5/-	15/6	15/10 1/2	3·15
23/6	19/6	2 a	4 1/2 b	Land Securities 10/-	20/4 1/2	20/6 1/2	3·23
20/6	14/7 1/2	6 5/8 a	[illegible]				
				FOOD, DRINK AND TOBACCO			
36/7 1/2	22/6	15 c	10 a	Allied Bakeries 'A' 5/-	34/6	35/9	2·10
35/7 1/2	23/4 1/2	20 c	14 a	Beecham Group 5/-	34/4 1/2	34/4 1/2	3·49
12/10 1/2	10/6	7 b	2 1/2 a	International Tea 5/-	11/6	11/9	4·04
89/6	74/9	9 1/6 b	5 a	J. Lyons 'A' £1	87/3	89/6	3·17
21/11 1/2	18/10 1/2	5 a	5 b	Ranks 10/-	20/10 1/2	21/11 1/2	4·73
25/6	18/11 1/2	2 1/2 a	12 1/2 b	Schweppes 5/-	25/-	25/3	2·97
50/-	42/-	7·5b	2·8a	Tate & Lyle £1	48/10 1/2*	50/-	4·20
12/10 1/2	10/10 1/2	...	...	Unigate 5/-	12/6	12/10 1/2	3·88**
53/9	43/9	36 b	10 a	Bass 5/-	51/-	52/6	4·38
27/3	23/10 1/2	6 2/3 b	8 a	Distillers 10/-	27/-	27/-	3·95
19/-	14/7 1/2	11 b	6 a	Flowers 5/-	17/9	18/10 1/2	4·50
64/9	54/-	18 b	10 a	Guinness 10/-	43/6	43/-	4·44
17/-	38/9	33/4 a	6 3/4 b	Internl Coope & Allsopp. 5/-	16/-*	16/-	4·38
116/-	100/-	17 b	8 a	Watney Mann Defd. £1	74/6 ‖	71/6 ‖	5·87
59/7 1/2	52/4 1/2	†17 1/2 c	†5 a	Whitbread 'A' £1	114/-	112/-	4·46
49/3	36/6	5 a	20 b	Brit. Amer. Tobacco. 10/-	53/9	54/-	5·29
59/-	54/3	8 1/2 a	12 1/2 b	Gallaher 10/-	43/9	44/7 1/2	5·60
				Imperial Tobacco £1	57/4 1/2	58/-	7·24

Prices, 1959 High	Prices, 1959 Low	Last Two Dividends (a) (b) (c)		MISCELLANEOUS	Price, May 27, 1959	Price, June 2, 1959	Yield, June 2, 1959
		%	%				
50/9	41/-	30 c	20 a	Assoc. Brit. Picture ... 5/-	43/6	43/-	...
55/6	43/-	11 c	5 a	British Match £1	50/6	54/3	4·61**
64/9	49/6	4 a	8 b	British Oxygen £1	62/3	63/-	3·81
9/9 1/2	8/8 1/4	4 a	14 b	British Ropes 2/6	9/6 ¶	9/6	4·63
53/3	35/9	7 1/2 b	5 1/2 a	Glaxo 10/-	48/9	48/3	2·69
69/3	56/4 1/2	10 a	50 b	Hoover 'A' 5/-	66/9	68/9	4·36
232/6	172/6	6·04a	26·14b	Hudson's Bay £1	228/9	225/-	2·86
14/3	10/-	12 1/2 c	5 c	Rank Organisation 5/-	12/4 1/2	12/9	1·96
23/11 1/2	16/3	22 1/2 c	25 c	Sears 'A' 5/-	23/11 1/2	23/-	5·43
15/-	11/3 3/4	6 1/4 a	7 b	Thomas Tilling 4/-	15/-‖	14/10 1/2	3·56
76/4 1/2	69/7 1/2	10 b	5 a	Turner & Newall £1	72/7 1/2	74/1 1/2	4·05
114/6	86/7 1/2	8 2/5 b	8 2/5 a	Unilever £1	99/-	108/-	3·11
53/6	47/3	3 3/4 a	8 3/4 b	United Glass £1	50/3*	50/6	4·95
35/6	31/9	†4 1/6 a	†10 5/6 b	United Molasses 10/-	32/9*	33/-	7·42
				OIL			
57/-	49/6	†2 1/2 a	†6 1/4 b	British Petroleum £1	51/-	50/6	5·66
86/-	75/6	15 a	†8 3/4 b	Burmah Oil £1	82/6	82/9	5·43
£17 2/4	£15 1/4	7 1/2 a	17 1/2 b	Royal Dutch ..... 20 fl.	£15 5/8*	£15 5/8	3·01
152/6	131/-	15 a	†13 3/4 b	Shell Transport £1	135/-	136/9	4·48
73/6	54/9	...	...	Ultramar 10/-	66/3	66/-	... d
44/9	35/6	7 1/2 a	15 b	Wakefield C.C. 10/-	43/9	44/9	5·03
				SHIPPING			
46/6	39/3	6 1/2 a	13 1/2 b	Brit. & Com'wealth.. 10/-	43/-	41/-	4·88
20/-	17/3	10 c	8 c	Cunard £1	17/3	17/9	9·01
35/6	29/6	10 5/6 c	10 c	Furness Withy £1	32/3	34/-	5·88
20/6	16/-	10 b	10 a	London & Overseas 5/-	16/-	16/-	6·25
38/3	31/6	3 a	8 b	P & O Defd. £1	33/-	33/-	6·67
17/6	13/3	5 c	2 1/2 c	Reardon Smith 10/-	13/6	13/3	1·89
25/9	19/6	7 1/2 c	8 c	Royal Mail £1	19/9*	19/9	8·10
				MINES			
197/6	165/-	20 a	60 b	Anglo-American 10/-	190/7 1/2	197/6	4·05
138/9	113/9	10 a	20 b	General Mining £1	137/6	138/9	4·32
63/6	49/4 1/2	40 a	100 b	Union Corporation 2/6	62/-	63/6	5·51
33/4 1/2	27/-	50 b	50 a	Free State Geduld 5/-	181/3	184/4 1/2	3·53
71/6	61/6	35 b	35 a	Hartebeestfontein 10/-	69/9	71/6	9·79
72/4 1/2	61/10 1/2	50 b	50 a	President Brand 5/-	72/4 1/2	71/10 1/2	6·96
167/6	119/4 1/2	80 b	70 a	Western Holdings 5/-	159/4 1/2	166/10 1/2	4·49
68/6	57/5 1/4	12 1/2 b	5 a	Consolidated Zinc £1	66/-*	68/6	4·38
153/9	121/3	80 a	120 b	De Beers Defd. Reg. .. 5/-	150/7 1/2	153/9	6·50
$17 2/4	$15 4/3 a	$3·75c	$2·60c	International Nickel n.p.v.	$16 2/3 a	$16 5/4 a	2·70
10/-	7/10 1/2	5 a	15 b	London Tin 4/-	9/10 1/2	9/10 1/2	8·10
90/-	73/11 1/2	30 b	12 1/2 a	Rhod. Anglo-Amer.. 10/-	88/10 1/2	85/7 1/2	4·96h
19/-	15/-	6 1/4 b	6 2/3 a	Rhod. Selection Tst. .. 5/-	17/7 1/2	17/6	2·08h
58/11 1/2	49/4 1/2	26 c	20 c	Rio Tinto Reg. 10/-	48/11 1/2	47/6	4·21
9/6	8/3	4 1/4 b	5 a	Roan Antelope 5/-	8/7 1/2	8/7 1/2	3·01h
3·88**	56/6	47/6	17 1/2 b	15 a	Tanganyika Cons. 10/-	49/-	48/3	6·74
14/7 1/2	11/4 1/2	60 c	26 2/3 a	Tronoh 5/-	14/11 1/2	14/11 1/2	...
				TEA AND RUBBER			
31/3	23/-	†2 1/2 a	†12 1/2 b	Cons. Tea & Lands £1	27/6*	29/3	16·75
19/-	15/9	10 b	4 a	Nuwara Eliya £1	16/6*	15/9	17·78
2/-	1/3	4 a	12 b	Grand Central 2/-	1/9	1/9	18·29
5/4 1/2	3/9 1/4	5 a	25 b	London Asiatic 2/-	4/10 1/2	4/9	12·63
10 1/4d	6 3/4d	8 c	Nil	United Serdang 2/-	9 1/4d	9 1/4d	...
91/6	64/-	12 1/2 a	37 1/2 b	United Sua Betong £1	90/-	90/-	11·11
61/3	52/6	12 1/2 b	5 a	Harrisons & Cros. Defd. £1	56/-*	56/-	6·25

THE ACTUARIES' INVESTMENT INDEX

(December 31, 1957 = 100)

GROUP	Price Index May 27, 1958	Price Index April 28, 1959	Price Index May 26, 1959	Average Yield per cent May 27, 1958	Average Yield per cent April 28, 1959	Average Yield per cent May 26, 1959
FINANCIAL :—						
Banks	101·7	169·2	177·8	5·60	4·04	3·91
Insurance (Industrial Ord.)	103·8	142·0	150·2	6·71	5·03	4·76
Investment trusts	111·3	160·6	173·2	4·97	3·87	3·62
Property companies	117·8	197·2	219·6	4·59	3·73	3·67
INDUSTRIALS :—						
Electrical engineering	102·6	138·3	147·0	5·63	4·49	4·36
Engineering	102·4	135·8	137·9	5·82	4·66	4·66
Motors and aircraft	99·2	141·1	144·4	6·58	5·50	5·52
Shipbuilding	88·7	109·2	100·3	8·69	6·80	6·88
Steel	91·7	133·3	137·8	10·47	7·82	7·58
Breweries	108·6	149·7	166·5	6·46	4·97	4·48
Chain stores	99·5	135·8	145·1	4·45	3·37	3·26
Cotton and rayon textiles	90·1	125·5	133·4	9·79	7·07	6·79
Wool textiles	90·1	128·5	132·2	9·00	5·97	5·77
Chemicals	116·1	148·0	158·9	5·03	3·98	3·73
Oil	105·1	112·1	111·5	6·25	5·91	5·44
Shipping	93·5	106·4	104·7	7·87	5·63	5·75
Ordinary, *all* classes	104·2	140·9	145·4	6·60	5·10	4·94
Preference	99·4	103·7	103·1	6·40	6·14	6·18
Debenture	105·2	108·4	108·0	6·16	5·97	6·00
Total—*Capital Goods*	100·1	137·6	140·2	6·76	5·26	5·22
Total—*Consumption Goods*	105·8	158·4	165·7	6·89	4·95	4·79

** Yields based on assumed dividends:—British Match, 12½%. British Motor, 20½%. E.M.I., 20%. Lombard Banking, 17%. London & County, 62½%. Joseph Lucas, 10%. Midland, 15%. National Provincial, 12%. Steel Co. of Wales, 9%. Triplex, 27½%. Unigate, 10%.

STOCK EXCHANGE INDICATORS

LONDON
The Economist Indicator

1959	Indicator*	Yield %	1959 High	1959 Low	1958 High	1958 Low
May 6	267·0	4·93				
,, 13	267·8	4·97				
,, 20	272·3	4·93				
,, 27	272·4	4·92	274·9 (June 3rd)	245·0 (Jan. 28)	255·6 (Dec. 31)	166·1 (Feb. 26)
June 3	274·9	4·91				

* 1953 = 100.

Financial Times Indices

1959	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1959	1958
May 27	238·3	5·03	93·03	4·89	17,424	High	High
,, 28	239·8	5·00	92·95	4·89	18,070	240·7	225·5
,, 29	240·1	5·00	92·88	4·88	18,775	(June 2)	(Dec. 31)
June 1	240·1	4·99	92·86	4·94	21,279	Low	Low
,, 2	240·7	4·98	92·88	4·93	19,895	212·8	154·4
,, 3	240·1	4·99	92·91	4·91	20,151	(Jan. 30)	(Feb. 25)

† July 1, 1935 = 100. ‡ 1928 = 100.

NEW YORK
Standard and Poor's Indices (1941–3 = 10)

1959	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
May 6	61·66	3·12	35·76	4·61	44·45	3·90	88·60	4·02
,, 13	62·11	3·10	35·78	4·61	44·37	3·91	88·30	4·05
,, 20	62·23	3·08	35·89	4·59	44·46	3·91	87·80	4·10
,, 27	62·39	3·08	36·41	4·53	44·09	3·94	88·20	4·06
June 3	62·30	3·07	35·89	4·59	43·32	4·01	88·10	4·07

425 Industrials:—1959: High, 63·03 (May 29); Low, 57·02 (Feb. 9).

(*Continued from p. 981*)

finance a new zinc smelting plant at Swansea and a similar plant in Australia (which will treat the lead and zinc concentrates produced at Broken Hill which are now sold to smelters outside Australia).

Shareholders have had no hesitation in reaffirming their faith in the company after a year when trading profit fell by £1½ million to £3 million and when the ordinary dividend was reduced from 3s. 9d. to 3s. per share (even though, thanks to a lower tax charge, net profits declined by only £150,000 to £1,620,000). The chairman, Mr L. B. Robinson, is reserving his comments about the immediate prospects until the general meeting, but, as he says, profits are dependent on world prices and there is little that the individual company can do—except to cut back production and to try to lower operating costs—to affect them. But Consolidated Zinc is powerfully entrenched within the industry and it would be among the first to benefit from any revival in demand. At the moment, however, with the £1 ordinary shares yielding only 4⅜ per cent at 68s. 6d., investors must realise that they are buying for the long pull—not only in zinc but also in Australian development.

STANDARD OIL OF NEW JERSEY

THE Standard Oil of New Jersey report refers to the effect that the increase in Venezuelan tax had upon earnings and to the reduction in profit margins that occurred when the supplies of oil outstripped demand. Consumption, however, was still rising at about 5 per cent throughout the free world; about 800,000 more barrels a day being consumed than in 1957. Consumption should rise further this year and by about 1 million barrels a day. The group, like Royal Dutch/Shell, sold more and earned slightly more in the first quarter of this year than it did in the corresponding period of 1958.

	1956	1957	1958
	($ million)		
Earnings :—			
Total revenue	7,282	7,978	7,712
Net income	809	805	562
Earnings (per share) ..	*4·11*	*4·08*	*2·72*
Dividend (per share) ..	*2·10*	*2·25*	*2·25*
Balance Sheet :—			
Net fixed assets	4,355	5,000	5,740
Net current assets ...	1,650	1,761	1,588
Long-term debt	585	643	699
Reserves	3,733	4,331	4,953
Issued capital	1,379	1,424	1,504
Net income/total revenue, per cent	*11·10*	*10·09*	*7·29*

UNIT TRUSTS

THE continuing popularity of unit trusts was again in evidence this week with the over-subscription of the First Provincial Unit Trust's "block" offer of 500,000 "Reserves" units at 10s. 6d. (or at the managers' selling price when the application is received), and with the launching of a new trust to be known as Community Units (Participating in Industrial Development)—or, in short, "Cupids."

The managers extended the "Reserves" offer beyond its original closing date on the same terms until this Wednesday. This is a flexible cash fund, offering a gross yield of £4 3s. 6d. per cent. On June 10th Community Units, sponsored by a brand new management group, will offer 20 million units at 2s. 6d. each—the lowest price so far offered to the public by any unit trust—with the initial purchase of at least 40 units and subsequent purchases in multiples of ten. The managers hope in due course to introduce a savings scheme. This is an open-ended cash fund whose portfolio will consist of over 100 well-known industrial equities; not more than 5 per cent of the total fund being invested in any one company. The yield on the units at the offer price will be about 4 per cent.

TURNER & NEWALL

THE interim statement of Turner & Newall for the year to September 30th pleased the market and the ordinary shares were marked up by 1s. 4½d. to 74s. They yield 4 per cent on the 1957-58 ordinary dividend of 15 per cent, covered three times by earnings. The interim dividend has been left unchanged at 5 per cent, and though profits have fallen the directors say that the decline in the six months to March 31st was "not of a significant character." The manufacturing companies have faced more competitive conditions and in some cases profits margins have been shaved but in general turnover has been "well maintained." The manufacturing companies in India and Southern Africa apparently continued to trade at satisfactory margins, but the North American subsidiaries earned smaller profits while the earnings of the mining subsidiaries were affected by the fall in the demand for raw asbestos.

TRUST HOUSES

THE issue of 358,991 ordinary shares of Trust Houses in the ratio of one for five at 35s. each put a value on the rights of 14s. 3d. and as the directors intend to maintain the ordinary dividend at 10 per cent on the enlarged capital the new shares are being offered on a yield of nearly 5¾ per cent. The chairman, Captain A. R. S. Nutting says that gross profits for the year to March 31st should be at least £780,000 (against £717,000), so that the dividend is covered about 2½ times by net earnings. Shareholders have already approved of a scheme which, *inter alia*, raises the maximum limit on the ordinary dividend from 10 per cent to 20 per. But, in considering the implications of this step, they should note Captain Nutting's statement that future dividends would depend not only on trading in any one period but also on the desirability of building up reserves. Trust Houses controls about 240 inns and hotels throughout Britain and the £600,000 in new money will be used largely for further acquisitions and new building.

London Stock Exchange

FIRST DEALINGS:	May 20	June 3	June 17
LAST DEALINGS:	June 2	June 16	June 30
ACCOUNT DAY:	June 9	June 23	July 7

MARKETS had another buoyant week with markings reaching a new peak on Monday at 21,279 (against the previous record of 20,451 on April 6th); *The Economist* ordinary share indicator rose 2.5 to a new "high" of 274.9 The gilt-edged section was again quiet, but prices rallied slightly on Wednesday following the publication of the gold reserve figures. Among undated stocks War Loan 3½ per cent closed unchanged on the week at 65⅛ and in the short-dated issues Conversion 4¼ per cent gained ⅝ at 101. Little interest was taken in Dominion and Corporation loans and 78 per cent of the £5 million 5½ per cent South African conversion loan 1974-76—issued on Tuesday at 97—was left with underwriters. By Wednesday's close the discount had widened from 1 to 1½. Among foreigners, Baltic bonds were all marked up. Riga were 10½ better at 51 and Wilno gained 13½ at 51. Greek bonds were still active with the Greek 7 per cent stock rising 10 to 44.

Industrial equities were helped by news of the revival in machine tool orders and the hire purchase figures. Over the week to Wednesday's close, investment and speculative demand offset end account profit taking. Unilever N.V. gained 7s. to 136s. 9d. on United States buying through Amsterdam and other continental bourses and Unilever Ltd. rose 9s. 6d. to 136s. 9d., largely on switching from the N.V. shares. Liebigs went ex all and jumped 8s. to 59s. 6d. on investment buying in a market short of stock. Metal Box gained 7s. 9d. before the results, but on Wednesday profit taking put them back 9d. at 59s. 6d. Breweries remained active with a fresh spurt on Wednesday after the announcement of the Ind Coope-Taylor Walker merger. Watney Mann fell back 1s. 3d. to 73s. pending the directors' statement. Courage and Charrington showed gains of 6d. and 9d. respectively. Store shares came in for a good deal of speculative buying with the GUS voting shares in the lead, jumping 10s. to 59s. 6d. on hopes of a scrip issue. Harrods rose 6s. to 99s. 6d. on vague take-over rumours and House of Fraser gained 5s. to 47s. In property shares, Eron Investment touched a new peak at 35s., but then fell back 5s. 9d. to 29s. 3d. Channel Tunnel were marked up on hopes of an early statement on the survey.

Oil shares were quiet but Anglo-Egyptian gained 3s. 6d. to 30s. 6d. on the desequestration news. Shell were 1s. 3d. better following the quarterly figures. Kaffirs were again well supported by United States buying through Johannesburg and the *Financial Times* gold mines index gained 0.6 to a new peak of 94.8. Western Holdings gained 8s. 3d. to 167s. 6d. on the higher interim dividend and Middle Wits rose by 9d. to 25s. Ofsits were 3s. 7½d. better at 105s. 7½d.

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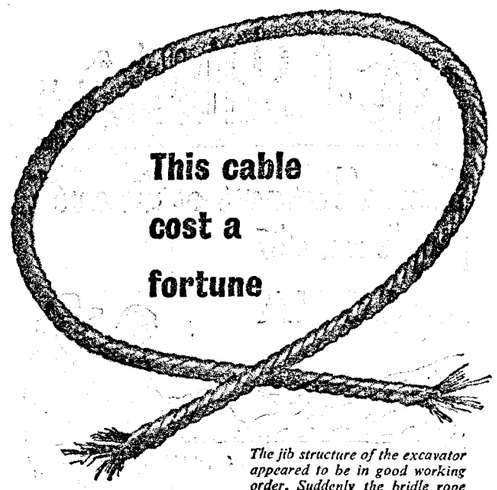
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APPOINTMENTS

AN ECONOMIST
is required by
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to assist in the establishment of a marketing information service for the Company's expanding export group.

Applicants should be between 25 and 30 years of age and preferably have had some experience in market research, including the assembly of published information, and the assessment of national economic potentials.

Candidates should be willing to carry out routine work in collaboration with others, but be capable of assuming a large measure of responsibility himself.

Attractive salary will be offered to really suitable applicant.

Write, giving full details of personal history and business experience, to:
Employment Officer,
A.E.I.-Hotpoint Ltd.,
33 Grosvenor Place,
London, S.W.1.

GOVERNMENT SOCIAL SURVEY

A Senior *Research Officer* is required for the SOCIAL SURVEY DIVISION of the Central Office of Information. This unit, which is responsible for official sample survey enquiries, covers a wide field of social and economic problems, employs a variety of research methods and maintains high technical standards. Specialist sections are available for *sampling, interviewing*, coding and mechanical tabulation, but *research officers* have full responsibility for the design and reporting of survey work, much of which is published.

Applicants must produce evidence of previous work involving the use of accepted methods and ability to devise new techniques where appropriate. The post is graded *Senior* Information Officer (unestablished); salary £1,395 to £1,660 (men); £1,345 to £1,600 (women).—Write, giving age, full details of qualifications and previous experience, to Ministry of Labour and National Service Professional and Executive Register (PE 461), Fairingdon Street, London, E.C.4. Only those applicants selected for interview will be advised.

AN FORAS TALÚNTAIS
(THE AGRICULTURAL INSTITUTE, DUBLIN, IRELAND)

has a vacancy for a HEAD OF THE DEPARTMENT OF STATISTICS. Salary: £1,600—£1,900 a year or £1,250—£1,500 a year, depending on qualifications, experience, etc. Assistance — and [illegible] — with removal expenses. Superannuation scheme. ESSENTIAL QUALIFICATIONS: A Degree in Mathematics and/or *Statistics and/or Science* and/or Agricultural Science, and at least five years' research or related experience in the design and analysis of *experimental* and survey work using modern statistical techniques.

Further particulars, application forms, etc., from the Director, An Foras Talúntais, 33 Merrion Road, Dublin. The latest date for the receipt of completed *application forms is Friday*, June 26, 1959.

MARKET INVESTIGATIONS LIMITED have a vacancy for a YOUNG MALE GRADUATE to be trained in all aspects of market research with a view to promotion as a Research Officer responsible for the conduct of surveys and other marketing operations. Some commercial experience would be an advantage. Initial salary £650-£700 p.a.—Please write with full details to S. J. Orwell, Director, 1-2 Berners Street, London, W.1.

THE AGRICULTURAL RESEARCH COUNCIL require a SECRETARY for their Radiobiological Laboratory [illegible] Wantage, Berkshire. Duties include general administration, [illegible] management and finance. Age limits 30-45. Salary scale £1,000 x £30 (approx.)—£1,290. Contributory superannuation scheme.—Applications, with names of three referees, to Secretary, Agricultural Research Council, Canard Building, 15 Regent Street, London, S.W.1, not later than June 15, 1959.

For other appointments see page 980

THE UNIVERSITY OF MANCHESTER

WARBURTON SCHOLARSHIP IN LOCAL GOVERNMENT

Applications are invited for the above Scholarship for research in local government, the law relating to local government, or comparative local government. The Scholarship is tenable for one year and is of the value of £400. It is open to graduates of this or any other approved University, and applications are acceptable from students who expect to graduate this summer. Applications should be sent not later than July 1, 1959, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS AND RESEARCH GRANTS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above studentships and grants for research in Economics, Economic Statistics, Government, Social Administration, Social Anthropology or Sociology, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The studentships are normally of the value of £350 or £450. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University, and applications are acceptable from students who expect to graduate this summer.—Applications should be sent not later than July 1, 1959, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

ACTUARIAL OPPORTUNITIES IN AUSTRALIA

Universal Flexible Trusts Limited (Victoria), Universal Flexible Investment (N.S.W.) Pty. Limited, and the Consulting Actuarial Practice of A. M. Parker, F.I.A., F.S.S., offer attractive actuarial opportunities at all levels of Institute and Faculty qualifications, for men who want an interesting and lucrative career in a country with one of the best climates in the world and where the standard of living at all cultural, material and political levels is excellent.

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Both the Unit Trust companies and the Actuarial Practice are latire and rapidly expanding. Amounts invested in the Unit Trusts are currently approaching £2 million per annum and the Actuarial Practice is the largest in Australia with leading British/Australian companies included in its clients.

Men interested should write or 'phone to Mr. A. M. Parker, F.I.A., F.S.S., at 3 Chester Row, Belgravia, London, S.W.1 (Phone Sloane 6508), from May 26, 1959, when a personal interview can be arranged.

WORKERS' EDUCATIONAL ASSOCIATION—Yorkshire District (South). Applications are invited for the post of *organising-tutor* in the West Riding of Yorkshire. Applicants should be honours graduates in subjects appropriate to adult education. Salary scale £650 x £50 to £1,200. *Closing date twenty-one days after the* appearance of this advertisement.—Application forms and further details from District Secretary, W.E.A., 26 Campo Lane, *Sheffield, 1.*

APPOINTMENTS REQUIRED

YOUNG MAN, 26, experienced in Foreign Trade, seeks employment, preferably in London, with an organisation with overseas contacts. Proficient in office procedure (typing, etc.). *Spanish.*—Write Box 1178.

M.B.A.—Engineer, 33, chemical industry supervisory experience U.K., Canada and U.S.A., desires post involving international liaison and travel preferably based in North America.—*Terry*, P.O. Box 16, Medford, Mass., U.S.A.

TWO Indonesian *Students of Accountancy*, graduating 1959 from University of South Wales and L.S.E., require articled *clerkships, preferably no premium*, to commence autumn 1959.—Please contact the Cultural Attache, *Indonesian Embassy*, 38 *Grosvenor* Square, London, W.1.

CANADIAN *JOURNALIST*, *British educated*, seeks newspaper or magazine post. Age 38; 15 years' experience. *Broadcaster, photographer*, taped interviews, etc. Special knowledge North American political and economic affairs and their *relationship to the international* scene.—Air mail replies P.O. Box 783, Station B, Montreal, Canada.

FINANCIAL NOTICE

PRE-ANNOUNCEMENT NO. 228/8

JUNE 1st, 1959

In Implementation of Article V of the petroleum Act of July 31, 1958, and by virtue of the powers vested in N.I.O.C. by the said Act, it is hereby announced that:

(1) With a view to carrying out the operations defined in the petroleum Act, District VIII of the petroleum districts of Iran, situated on the south of the orbit of latitude of 32.0'0" north, between the meridians of longitude of 51.0'0" and longitude of 54.0'0" east of Greenwich and bounded on the south and southwest by straight lines starting from Point 1 at longitude 51.0'0", latitude 30.45'0", thence on a straight line to:

Point 2 at longitude 51.30', latitude 30.45', thence on a straight line to:

Point 3 at longitude 52.0', latitude 30.30', thence on a straight line to:

Point 4 at longitude 52.0', latitude 30.0', thence on a straight line to:

Point 5 at longitude 54.0', latitude 29.10', with the exception described below, shall be declared as "*Open*" with effect from September 1, 1959.

(2) For the whole area situated within the boundaries described below:

From point (a) at longitude 51.0', latitude 31.45', thence on a straight line to:

Point (b) at longitude 51.20', latitude 31.30', thence on a straight line to:

Point (c) at latitude 51.25', latitude 30.45', thence on a straight line to:

Point (d) at longitude 51.0', latitude 30.45', thence on a straight line to point (a), mentioned above;

although considered as part of district VIII, no proposal shall be accepted since it has previously been committed.

(3) Any person or company desiring to carry out one or more of the authorised operations defined in the petroleum Act within the abovementioned open district may communicate, as from June 1, 1959, with the Chairman of the Board of Directors of N.I.O.C., Central Office, Tehran, Iran, *applying for questionnaire* which shall be sent to him/it, to be filled in and returned, in order to enable the N.I.O.C. to ascertain his/its technical and financial competence.

Questionnaires received up to September 1 will be considered first, but others received after that date will be considered later on.

Note: For any person or company who has, in the case of previously opened districts, obtained, completed and returned the said questionnaire, and whose technical and financial competence has already been established, repetition of this procedure is unnecessary, and should only act according to the following sections of *Pre-Announcement*.

(4) As soon as the applicant's competence shall have been established, this fact will be notified to him. He may thereafter, and as soon as the *declaration* referred to above shall have been issued, obtain from the N.I.O.C. (address as given above) against payment of the sum of Rls. 200.00 (two hundred thousand), a copy of the *specifications* booklet, as well as the specimen agreement forms together with such other supplementary information as *may be required*, to enable him to submit his written proposals to the N.I.O.C. in accordance with the provisions of *the petroleum Act*.

(5) The proposals received between September 1 and November 1, 1959, shall be examined by the N.I.O.C. within two months beginning from November 1, 1959, and the outcome shall be announced in due course. Proposals received after November 1, 1959, will be considered only when the outcome of the above mentioned proposals has been announced, and until such time as the District may be announced as "Closed."

(6) The submission of a proposal shall not create any right for the applicant, the N.I.O.C. being free to accept or reject, all or some of the proposals received.

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Chairman of the Board of the Directors.

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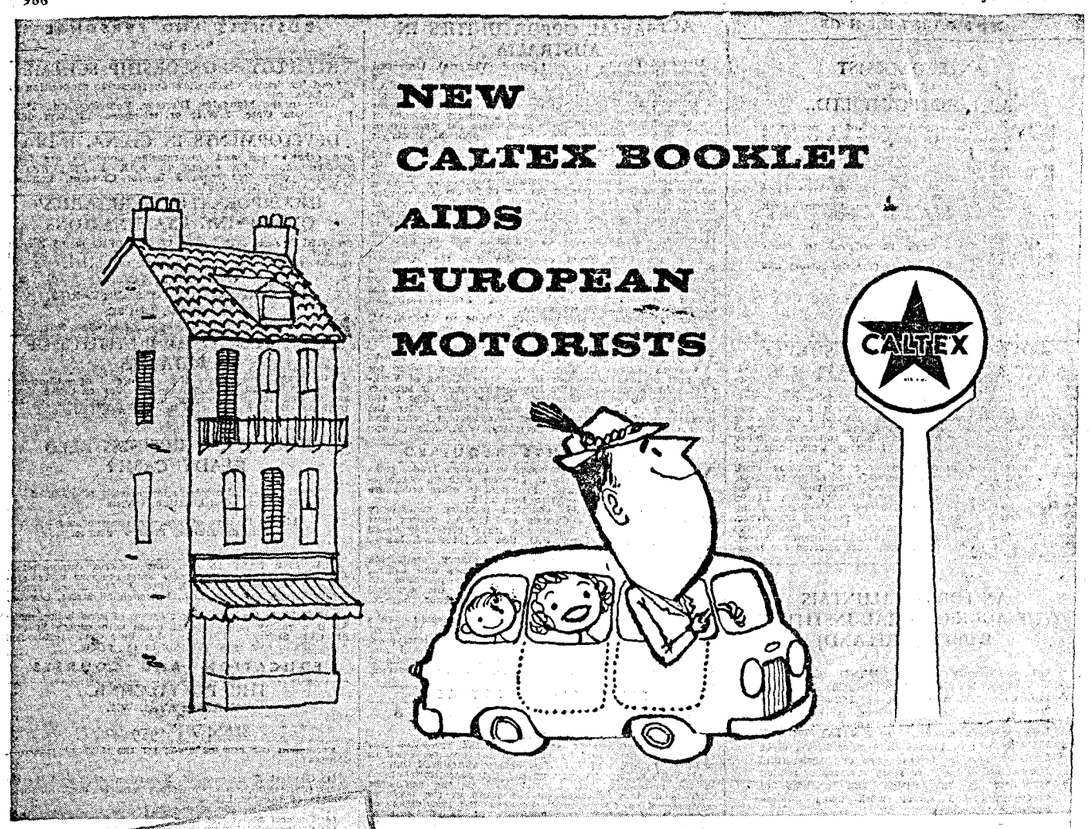
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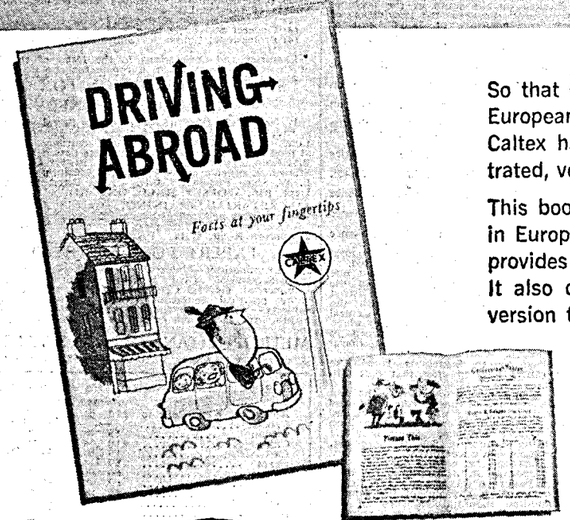
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The Economist

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26 JUN 1959

Grinding to a Stop

With the press, apart from the London nationals, facing paralysis, two crucial questions arise (page 997).

Labour and the Bomb

A major problem for Opposition leaders this year is going to be to check a wave of muddled feeling in their party about the H-bomb (page 998).

The Adenauer Question

Where does the German Chancellor's volte-face leave his country—and its allies? (pages 999 and 1027).

Whipping at Westminster

A guide to the work of parliamentary whips (page 1000).

Unloading Strategic Stocks
The spectre of US strategic stocks looms over commodity markets (page 1035).

Inflation's Stubborn Allies
America's financial problems cloud its hopes for continued prosperity without inflation (page 1019).

Apartheid in Action—and Reaction (page 1026)

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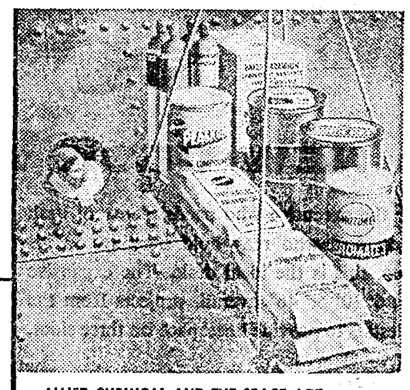
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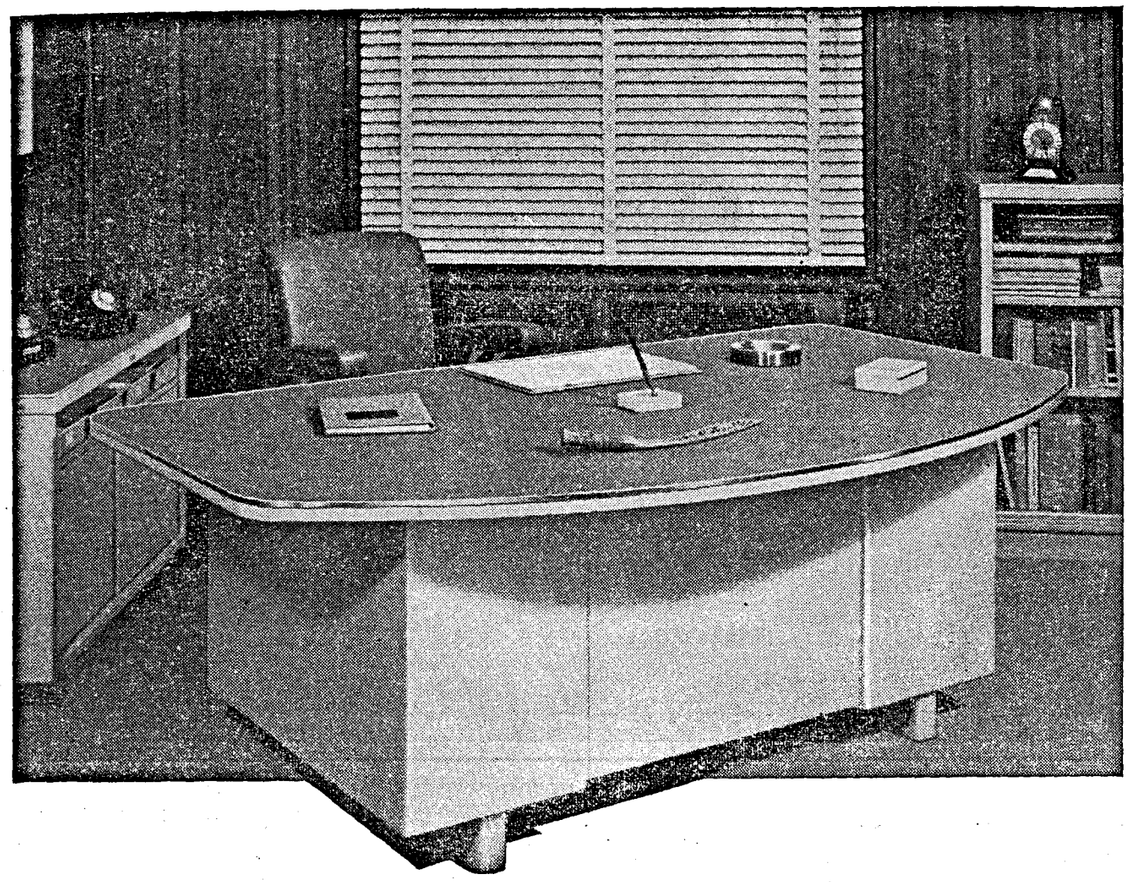
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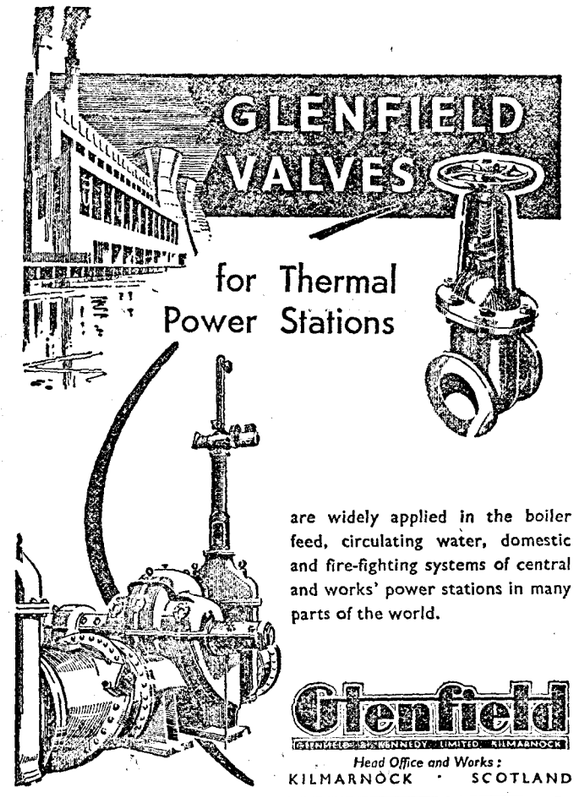
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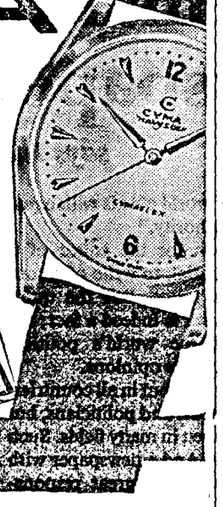
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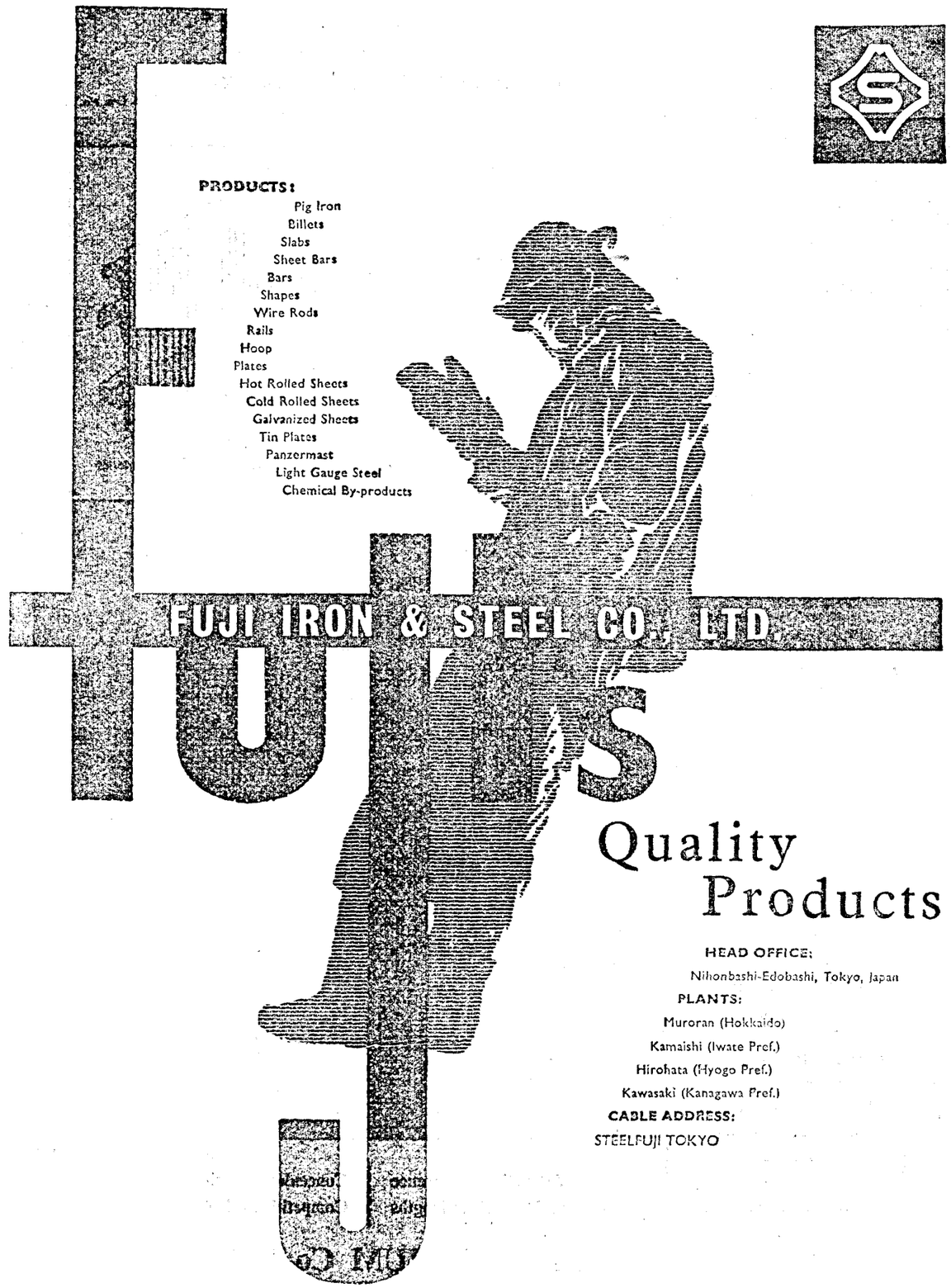
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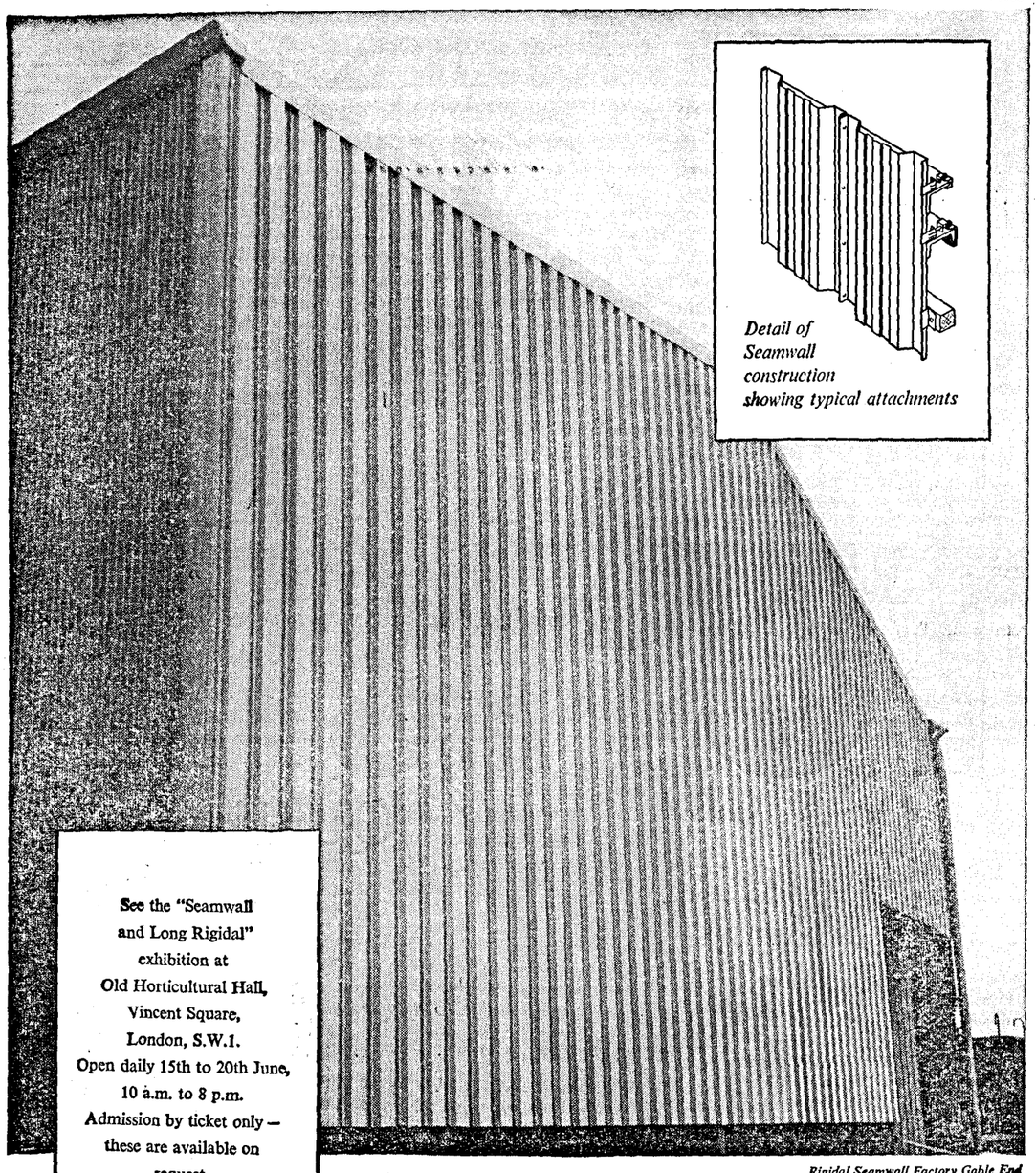
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The Economist

JUNE 13, 1959

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Grinding to a Stop

IT now looks sure that by the end of next week almost all the printing and publishing of newspapers and periodicals in Britain, apart from the national daily and Sunday newspapers published in London, will come to a standstill. Between now and then production is becoming more difficult every day. This is the cumulative effect of the ban imposed last week by the printing trade unions upon the working of overtime, and of other restrictions. The facts of the dispute are given in a Note of the Week on a later page. The upshot of it all is that the normal publication of *The Economist* looks like grinding to a stop.

We can only apologise again for the many serious defaults that this must inevitably mean in the discharge of our obligations to the paper's readers, subscribers, and advertisers. Every effort will be made to bring *The Economist* out as adequately as may be. But the paper will, in any case, be truncated in size and late in delivery; and there cannot be any certainty that it can continue to come out in any form. We must emphasise again, too, that *The Economist* is itself a victim of this dispute in the printing trade over pay and hours, and not in any way a party to it. We employ no printing workers; we simply contract for our printing with a printing house which the dispute, unless there is some new turn, will stop next week: the employers in the industry will lose their business, the workers their employment, and *The Economist* its printing facilities.

It is a melancholy prospect for everybody. On the dispute itself we, who have no voice in it, can repeat only this. A settlement is much to be desired, in the interests of the printing industry itself, of the press and of the public at large. Both sides of the industry will be much to blame if they flag even now in the search for one. But, again, it would be preposterous to say of any industry that any settlement at all now would be better than the impending unhappy stoppage. A settlement, to be real and worthwhile, must make sense: it must, while meeting the satisfiable requirements of the workers, be one which can be afforded by the industry; and, above all in this case, it must be one which offers good hope that the industry will be thereby enabled to adapt its methods and its organisation to urgent new technical and economic needs. The crux now, on all counts, is productivity.

This is the challenge to both masters and men in the industry. The challenge to those of us who are directly the victims of the failure so far to find such a settlement is different. It is not simply that all of us stand to make important business losses from a stoppage of publication —or indeed already from the shrinkage and slowing down. There is a much more important point of principle. To stop publication is to fail not only in our contracts but also in the fundamental duty that all the press owes to its readers. The right of the press to unfettered publication is a right not of journalists but of free citizens: to appear, while and how it can, is the press's duty.

Labour and the Bomb

Her Majesty's alternative government has been put on the horns of a dilemma by the welling-up of pacifist emotion again among some of its followers

REALISTS are going to have to spend a lot of time again this summer repeating the stark—but surely fairly simple—ABC of implications that arise for Britain from the existence of hydrogen bombs.

First, now that they know how to make the bomb, the leaders of either America or Russia would, in some circumstances, certainly use it. They would use it at the beginning of any major war if they thought that the other side might be about to bomb them. They would use it at the end of such a war if they found themselves in the position of Hitler in his last Berlin bunker. This grim human fact will not be dispelled by any motions condemning the beastliness of the bomb, or by any agreements about discontinuing its peacetime manufacture, which may be passed or signed in the meantime.

Secondly, given this, the main task is to prevent the outbreak of a major war between the major powers, which would roll inexorably towards a last bunker situation. The only ways in which such a war could break out would be through madness or miscalculation in the Kremlin or (much less likely) the Pentagon. If Britain were to withdraw from the western alliance, and were thus to open gaps for more communist infiltration around the perimeter of the free world, the chances of miscalculation or nervous madness would obviously be enlarged. Demonstrators against the establishment of American rocket bases in this country may be evincing a personal and courageous Christian pacifist feeling when they say that, for moral reasons, this country should have nothing to do with any device for throwing nuclear bombs on other people's children from British territory. What they are not doing is reducing the risk of bombs being thrown at their own and other people's children from other people's territory. They are increasing it.

Thirdly, this (to non-pacifists) overwhelming argument for maintaining and equipping American bases in this country does not necessarily extend into an argument for Britain continuing to develop the bomb independently itself. For one thing, it can be argued that Britain might make a more direct contribution to western defence by increasing its other armaments, rather than by making a marginal addition to America's much larger deterrent power. It is also argued that, if Britain were willing to renounce the manufacture of its own bomb, this might be used as a bargaining counter for securing a multilateral agreement: that other powers which are smaller than Russia and America should not start making their own bombs either. But the example of France, which is ready to stake its whole contribution to Nato on its bid to be a nuclear peer of the United States and Britain, is not hopeful for this idea. And, in any case, those who think that such a self-denying bargain is possible should logically oppose any unilateral renunciation of Britain's manufacture of the bomb beforehand, and they should certainly be more eager than anybody else to hurry forward the establishment of an American nuclear shield in this country.

THE reason for repeating this simple alphabet of security at this juncture is that it looks as if the old dreary muddle of emotionalism about the bomb is going to bemuse left-wing politics once again. Alarm signals are beginning to fly from Transport House, and for a familiar reason. While the Conservative party rigs its annual conference each October by picking for debate only ambiguous or laudatory motions which its leaders feel they can accept, the Labour party traditionally does its rigging in a different way—by allowing motions which are fiercely critical of official policy to come forward for debate, and then using the faithful block vote wielded by the big trade union leaders to vote them down. Very often at this time of the year it begins to look as if this device might put the Labour leadership in danger of defeat on some particularly critical issue. Last year it was the comparatively minor matter of the public schools; before that it was the demand for the nationalisation of a much larger number of industries than is on Labour's present list; and five years ago there was the narrowest shave of all on the explosive subject of "German rearmament." This year it looks as if the pre-conference storm is going to be on the touchiest subject of all—whether the next Labour government should unilaterally renounce the manufacture of hydrogen bombs.

A year ago the Labour leadership gained support for its policy that Britain should continue to make the bomb (but not to test it) by the handsome majority of 4,720,000 conference votes; it would therefore require a turn round of 2,360,000 votes to overthrow official policy this year. But last week, to the horror of the party leadership, the giant and very right-wing National Union of General and Municipal Workers nominally reversed its policy on the bomb; its annual conference passed a motion demanding that the next Labour government should take unilateral action to stop the manufacture of nuclear weapons and to ban their use from British territory. There is some evidence

that this turn-round was caused by the silliest possible mischance—the motion concerned was carried, against the executive's advice, by a majority of 24 delegates' votes, at a time when a number of right-wing delegates are said to have gone out to sun themselves on Scarborough beach. But the NUGMW wields 650,000 votes at a Labour conference. Add to this the million votes of the Transport and General Workers' Union, cast at Labour conferences by Mr Cousins, who joined in this year's Aldermaston march; add the votes of some other trade unions which are expected to change sides this year; and the mathematics could suggest that the Labour leaders are in a very awkward spot.

From past experience, there is little doubt that they will manage to wriggle out of it. The real question is whether they can do so by the easier expedient of "playing it soft," or whether they will eventually find themselves having to "play it hard," as Mr Attlee and Mr Morrison had to do about German rearmament in 1954. The tactics of "playing it soft" would involve Labour leaders in saying very little about the bomb between now and October—with that little laying emphasis mainly on Labour's existing pledge not to test the bomb. Leaders of unions which have still to hold their annual conferences might be asked, where possible, to try to see that H-bomb motions at their conferences are not too embarrassingly phrased. When the Labour conference arrives, the anti-H-bomb motion might well be an extravagantly left-wing one (anti-all American bases, anti-western-alliance and anti-everything else); unions leaders need not feel they were committed to vote for that.

If the Labour leaders can ride over this awkwardness without loudly advertising it, so much the better for both themselves and the country. That may seem an improper thing to say in a democracy that is based on honest differences of sober opinion, which generally need to be publicly debated and brought out into the open; and certainly there is no subject that more needs to be brought out into the open than the muddle of this nuclear disarmament debate. But the conference of the party that may shortly thereafter be called upon to form Her Majesty's government will not be the best place for exposing the muddle. It will be a minor national disaster if the last Labour conference before an election votes down a proposal to renounce the western alliance by only the barest majority and after a bitter battle.

But, as against that, it would be a bigger disaster if, as the price of suppressing the clash privately behind the scenes, the Labour leadership were itself to have to make concessions towards neutralism in its own public utterances. Rather than that, the Labour leaders should do it the hard way.

The Adenauer Question

The Chancellor's chopping and changing makes plain west Germany's need for responsible government, not personal rule

WHEN Dr Adenauer was last returned to power by the west German electorate in September, 1957, the comment was made in *The Economist* that his party, the Christian Democratic Union, had always, from its birth in 1945 to then, been Dr Adenauer's instrument, not his master. Its future evolution when the Adenauer era was over was uncertain, and would affect the western powers vitally; for, although for a period the basic national questions of German unity and Germany's eastern frontiers would remain shelved, while Bonn busied itself with the pursuit of union in western Europe, this was an interim period and would not last for ever. The threat of a divergence of German and western interests, latent in the unsolved German question, would come into the open at a later day when, more likely than not, the next generation of Christian Democratic leaders would be in power.

The Geneva conference and the manœuvres that led up to it, solemnly as they have concerned themselves with German unity and Germany's relationship with eastern Europe, have strengthened, not weakened, that prognosis. Bonn's interest in the Geneva conference is, naturally enough, that there should be no move in the search for a settlement of the German question until the balance of forces has somehow changed to the western, and in particular the west German, advantage. Indeed, it has been Dr Adenauer's insistence on this standstill that has brought into view the first signs of a divergence between the German and the Anglo-American interest in east-west relations; for the British are certainly, and the Americans probably, impatient of the total lack of diplomatic power of movement which Dr Adenauer's attitude imposes upon them. Evidently it is not only his concern for the dangers to peace if the Geneva conference fails, but also his concern lest British and even American restlessness might lead to some risky change of position at Geneva, that has now helped to decide Dr Adenauer to keep power in west Germany in his own hands for a while longer.

From the western point of view, it was generally to be welcomed when Dr Adenauer decided on April 7th to accept nomination to the federal presidency and allow another man to step into his shoes as chancellor. Dr Adenauer is 83, and his refusal to allow the emergence of any possible successor to himself

had long been a disquieting cause of uncertainty about west Germany's future course. The Christian Democratic Union without Dr Adenauer was an unknown quantity ; here, in the voluntary withdrawal of the great old man from active government to the position of head of state, seemed to be the heaven-sent opportunity to decide the succession calmly and in a manner that allowed the continuous evolution that German political life has usually, disastrously, lacked. Indeed, there was only one flaw; it did really seem a little too good to be true.

It was. Having been talked into his decision by the men most loyal to him, Dr Adenauer very quickly confused matters by talking as if he intended to continue to conduct the government from the presidential office. His thinking aloud on those lines found no echo in Germany. But almost as quickly, it became clear that he did not approve of his party's wish to put Professor Erhard in his place as chancellor (a wish dictated by the innocent desire to win the next election in 1961), but was resolved to have Herr Etzel instead ; and what was more, he intended so to arrange the timetable of office-changing that he could himself send Herr Etzel's name to the Bundestag. The party was obstinate, and the issue turned into a conflict between the old master and his suddenly recalcitrant instruments.

It was at this stage, at the end of May, that Dr Adenauer went to Washington to attend the funeral of Mr Dulles. There, as it seems, he was not only moved to gloom about the future by contemplating the loss of the powerful Secretary of State who had been his friend; he also was confirmed in the view that his own retirement would be a great loss to the West. On returning home, he decided to simplify the whole matter by staying in office, and told his stupefied party on June 4th that they would have to find not a new chancellor after all, but a new presidential candidate to oppose the formidable Social Democratic candidate, Professor Carlo Schmid. Professor Schmid would have made—may yet make—an excellent president. The Christian Democrats are paying dear for the hubris that will not let them contemplate a political opponent in the presidential office.

In the end—if the strange story can be said to have reached an end yet—the desire to keep Dr Erhard out of the Chancellorship has weighed more heavily with Dr Adenauer than the desire to keep Dr Schmid out of the presidency. Embedded somewhere in the chancellor's chopping and changing there is a lesson to be learnt by the western statesmen, who have put so much of Germany's and their credit on the person of the oldest of them all. Dr Adenauer's great services to the Atlantic alliance, and the firm western alignment and pulsing material recovery that have marked west Germany in the ten years of his party's rule, have caused them to assume, and to make the assumption too plain to the world, that Germany's value to the west depends on Dr Adenauer and his party exclusively. This is a fallacy. The free world's true interest in west German politics is that the Germans should learn for the first time to govern themselves in a responsible, continuous and civilised way. If this is happening just now, it is without Dr Adenauer's help ; for, as the present events in Bonn show, the result of staking too much on the rule of one man has been, in the end, what might have been expected: personal rule.

Whipping at Westminster

An examination, not into whether party whips are too much like scorpions, but into what they do

THAT occupant of the extreme right hand place on the Government front bench, silently pensive while other ministers speak, flitting inconspicuously in and out of the chamber, pausing to bend his head in a brief whisper to a junior minister or a parliamentary private secretary, and once in a while tugging the coat tails of a minister who has slipped up over procedure, is Mr Edward Heath. As Government Chief Whip, he is stage manager of the Conservative parliamentary party. As Patronage Secretary to the Treasury he is principal conduit to the fountain of honour that directs the carefully regulated shower of baronies, baronetcies, knighthoods bachelor, KBEs, MBEs and OBEs which falls twice a year on the well tailored shoulders of Conservative politicians in Parliament and in the party organisation in the constituencies.

As Parliamentary Secretary to the Treasury, with the aid of a small highly skilled staff of civil servants, he is an indispensable servant of the House of Commons, responsible, under the Leader of the House, for scheduling the business of Parliament. He has offices in 12 Downing Street, cheek by jowl with the Prime Minister, as well as in the Palace of Westminster.

The extent to which Mr Heath's three jobs interact with each other is a controversial and delicate matter. Since the pervasive influence of political patronage was made a current issue by Mr Grimond its purveyors have become even more bashful than usual about its extent and function. The most that can be said in its favour is that since some degree of party coherence is an advantage to the country and since voluntary party work is evidently not in all cases its own reward, snobbish baubles like political knighthoods are less harmful incentives than the embassies and judgeships which are the equivalents in the American system. The patronage of the Patronage Secretary is supplemented by that of

Mr Heath's second role as Chief Whip. In this capacity Mr Heath and his assistant whips parcel out places on many, but not all, parliamentary delegations (with Mr Bowden, the Opposition Chief Whip, supplying names for the Labour party's share), official trips abroad, and advisory committees. It may also be taken for granted that Mr Heath has more weight than Sir William Haley in advising the Prime Minister over Government changes. Most Prime Ministers, of course, are themselves familiar with their Cabinet material. The Chief Whip's main role is to pick out likely backbenchers for their junior ministerial chance.

But patronage is only the seasoning. The real meat of the whips' task is to direct parliamentary play, in such a way that, within mutually understood limits of propriety, their side dishes the other. The actual scheduling of parliamentary business is done, under the direction of the Leader of the House and Mr Heath (this time in his capacity as Parliamentary Secretary to the Treasury), by Sir Charles Harris. It is thirty-seven years since he first undertook this delicate task, which was made a civil service job in 1939. The great trick is to get as many bills as possible read for the second time and sent to committee in the early weeks of the session before the Opposition has any supply days at its disposal. Sir Charles keeps in close touch with officials of departments which have won a place for their measures on the list drawn up by the Legislative Committee of the Cabinet, and furnishes them with deadlines for producing their drafts.

In addition to the Chief Whip, Mr Heath, and the Deputy Chief Whip, Mr Redmayne, there are eleven government whips, of whom four hold titular ministerial office as Lords Commissioners of the Treasury, three are officers of the Royal Household—the Treasurer, the Comptroller and the Vice-Chamberlain—and the remaining four are unpaid (except of course as MPs). For the most part the Palace duties of the "royal whips" are purely nominal. But they act in a minor way as liaison between the court and parliament by, for example, introducing members to the Queen at garden parties. And the Vice-Chamberlain, now Mr Edward Wakefield, is the most privileged parliamentary journalist in Westminster. Sitting just behind the Chief Whip, at the end of the second bench in the ministerial row, he is to be seen every day busily jotting down notes for a parliamentary "sketch," usually covering question time and the first two speeches of the debate, which has to be delivered to the Queen by 7 p.m.

FOR the purpose of being whipped, members of each party are grouped according to the geographical area of their constituencies. Each group has its own whip, who advises the new members about procedure and proprieties, attempts to shepherd his charges away from dangerous courses and reports back to the Chief Whip any special current malaises. The arrangement of pairs is probably the most frequent matter on which a member will need to consult a whip. Pairing (or the gentleman's agreement by which one member says to another of the opposite party : "I'll push off and not vote if you promise not to either") is fixed directly between two members, but each will have to register the pair with his own whip. The whip (human) will be guided in his attitude to a pair by the whip (written) which is a document circulated each week to all party members, listing the forthcoming parliamentary attractions and indicating their degree of importance by the number of times the summons to attend and vote is underlined. If the whip is underlined once approval of paired absence is automatic ; if it is underlined thrice disapproval is certain except in the most pressing circumstances. In the case of a two-line whip the main concern of the government party's managers will be to see that there are at least 120 members in or within easy call of the House, so as to have available, with a small margin of safety, the 100 votes needed to carry a motion of closure.

The whips are the eyes and ears of the party's leaders. It is through them that groups of the rank and file normally make known either their uneasiness or dissatisfaction with leadership or policy. The practice is somewhat different between the two large parties, because even when the Labour party is in office its leaders attend full meetings of the parliamentary party, whereas in the Conservative party they do not. For this reason the Conservatives need to arrange for a whip to be present at all regular meetings of specialist party groups, so that the opinions which come up in private discussions can be conveyed to the leaders. In addition, the government whips will always retain close working relationships with the members whom ministers appoint as their parliamentary private secretaries. One of the PPS's jobs is to keep his minister's nose clean with his parliamentary supporters, so that he will need to know from the whips of any murmuring of dissent. It is also part of his job to see that his minister is in position on the front bench when he is needed to answer questions or reply to a debate. A whip will prod the PPS into action if there is any danger of the minister missing his cue. In the House itself the whips' most publicised activity is to line the entrances to the division lobbies to ensure that no sheep stray into the pen assigned to goats—a precaution that is usually necessary, not so much to prevent consciously unorthodox voting but because the hundreds of members who stream in from the library and tea-rooms for a division have little idea what they are voting about. Between divisions whips play a constant, uncontroversial and indispensable part in the parliamentary pageant. They mount guard on the two front benches, so that there is always at least one official representative of the Government and the Opposition present to take swift action if an unexpected situation arises and, in the case of the government whip, to move the procedural motions without which the parliamentary machine would halt.

Whatever the personal relations may be between

other protagonists of the opposite front benches, the amenities between the Government and Opposition Chief Whips must, if parliamentary life is to be at all livable, be preserved. Together, Mr Heath and Mr Bowden constitute the "usual channels" through which the business of the House is arranged. Mr Bowden is given the Government's plans for the forthcoming week on Wednesday in time for the regular meeting of the Labour party's "shadow cabinet." Afterwards he sees Mr Heath again to find out if the Opposition's wishes can be accommodated. If they cannot reach agreement there may be a public exchange between Mr Gaitskell and Mr Butler on Thursday, when the Leader of the House has made his weekly announcement about business. This often leads to an undertaking by the government to have another shot at sorting things out "through the usual channels."

What makes a good whip? He must get on well with other members of his party. He should not be too closely associated with any particular faction. He must have the kind of mind that responds quickly to a double negative (since a typical parliamentary motion will be "that the words proposed to be left out stand part of the question"). He must be intensely loyal to his party and its leaders—the case of the government whip who launched the "Attlee Must Go" campaign in 1947 by an anonymous letter in the press was distinctly unusual—and he must be prepared to work extremely hard in the precincts of Westminster without ever getting a speech into Hansard.

NOTES OF THE WEEK

NATO

The General's Claims

FRANCE'S row with Nato, which has been simmering for months, has again come into the open. General de Gaulle's refusal to allow the Americans to stockpile nuclear weapons for Nato bombers on French territory unless France can share directly in their control is part of an old story. The same dispute arose over the installation of intermediate-range missiles, and the American reaction has been identical. The missile squadrons went to Italy, where strategically they are more useful. General Norstad now seems to have decided to shift the American bombers out of France, too. It is a necessary precaution for a military commander to take. All the same, it is manifestly not the way a military alliance should be run.

General de Gaulle has already made it quite plain that he is dissatisfied with both the Nato command structure and the deliberate exclusion of France from the nuclear club. The refusal to integrate his tactical air force and the withdrawal of his Mediterranean fleet have earned him hard words in plenty. But the debate has been useful. There are sensible doubts about the practical efficiency of the Nato system, and the French stand on the political control of Nato's nuclear capability is certainly supported elsewhere. But General de Gaulle's real concern is to share in Anglo-American policy decisions, and for this he needs nuclear weapons of his own. M. Soustelle told British MPs last week that France had the right to press ahead with its own tests in the Sahara. Yet even these will leave France well behind Anglo-American development. The realisation of this lag, rather than belief in the strategic desirability of separate deterrents, seems to have prompted the vehemence of the French claims for sharing secrets, which notably failed to shake the Atlantic Congress in London on Tuesday.

As if to make sure that the allies were properly aware of just how hard and cold a look General de Gaulle is giving Nato at the moment, M. Debré made a further stipulation in his statement of Algerian policy before the National Assembly last week. He demanded "total solidarity" with France in Algeria; if France's allies did not make its cause their own, everything else—including European union and Atlantic solidarity—might have to be reconsidered. It is plainly Nato's misfortune that it is the whipping boy closest to hand.

FRANCE

The New Culprit

ALGERIA has been the subject of the first important debate of the new French Assembly. Although the fate of the government was not at stake, it was an occasion to see the shades of opinion within a majority committed to the slogan of "French Algeria," and particularly the shades among its Moslem members, who have now spent six months away from their military "sponsors." It also provided M. Debré with an opportunity to restate the official line and to prove himself, in the process, General de Gaulle's faithful lieutenant. Choosing his words carefully to please the partisans of "integration" without hurting those of Algeria's "personality," he proclaimed that there was no other policy than the general's.

The official line can be summarised briefly. The army is carrying out its task successfully. The FLN is not "representative," but there is a standing invitation for it to send envoys to Paris to discuss a cease-fire—though nothing more. The final solution for Algeria will be both political and economic. Politically, France has inaugurated democratic practice in Algeria through a series of free elections

(a claim that *Le Monde* has found rather exaggerated). The economic transformation of the country should win over the Moslem community and strengthen its ties with France. The unofficial line seems to be that, faced with strong military pressure and with no hope of a change of government in France, the "moderates" in the FLN will bow to French conditions. Speaking in Angers last Saturday, M. Debré asserted that the end could have been reached within the next few months "if the rebellion had not been receiving increased foreign aid, particularly from the communist world."

The tune sounds familiar. M. Mollet used to put the blame on President Nasser. For M. Debré, Chairman Mao is the culprit. And, like his Fourth Republican predecessors, the prime minister is not satisfied with the behaviour of his allies. In his Assembly speech he even threatened western firms which "make nice profits with the blood of others." This was taken as a reference to certain Swiss banks.

GENEVA

War of Nerves

JUST as the three-power talks on nuclear tests were starting up again in Geneva on Monday, the Soviet delegation spokesman at the foreign ministers' conference in the same city declared that the conference was nearing its end. He declined to say whether his delegation expected it to end with any tangible results, or without any. Nobody else was inclined to commit himself about that, after the general freezing up of positions towards the end of last week.

At Geneva, Mr Gromyko had steadily refused even to discuss the question of guarantees for West Berlin or of allied access to the city. In Washington on Wednesday, Mr Eisenhower had been asked if the foreign ministers' meeting had as yet shown enough progress to justify a "summit" meeting, and had answered: no. The President added that the head of "any self-respecting government" could hardly go to the conference table in response to an apparent threat; and he called for a "clear commitment" that allied rights in regard to West Berlin would be respected. Mr Khrushchev was quick to counter with a declaration, apparently equally categorical, that Russia could in no circumstances agree to the "perpetuating" of the allies' rights in Berlin. Meanwhile he summoned the east German leaders to Moscow, and let it be known that talks there would concern the conclusion of a separate peace treaty between themselves and Russia. At Geneva, Mr Gromyko devoted Tuesday and Wednesday to garnishing freshly Soviet demands on Berlin that had already been rejected—and adding another time-limit.

The Geneva conference, and the long-range exchanges conducted over its head, had thus arrived this week—the fifth week of the foreign ministers' talks—at a stage of more or less open nerve war. But the British delegation, at least, was demonstrating a Drake-like phlegm by holding a private sweepstake on the eventual duration of the Geneva meeting; and its head, Mr Selwyn Lloyd, was enjoying an unexpectedly early release from the focusing of attention on his person that *The Times* had brought about the week before—for Dr Adenauer's future had become a priority topic on the front pages.

EDUCATION

The Teachers' Tenner

BY astonishing the Burnham main committee, and more especially by scandalising the teachers, Mr Geoffrey Lloyd last week precipitated the agreement which had hitherto eluded the committee. The upshot is that the National Teachers' Union have accepted (albeit under protest) the maximum offer of the local authorities. It was their previous reluctance to do so which had finally driven the committee to call in the minister to help (broadly on the precedent of 1944 when the Burnham committee, finding itself in difficulties, called in Mr Butler). Mr Lloyd, as expected, gave the committee a broad figure which the Government was prepared to pay in additional teaching salaries and allowances—about £15 million a year. But instead of then urging the two panels to hammer out a new scale on that basis, he audaciously proceeded to lay down that the starting salary for a teacher straight from a two-year training course should not exceed £510 in his first year. The authorities had already offered a scale of £520 rising to £1,000 (compared with the present scale, including the 5 per cent increase yielded last December, of £498 to £945). After Mr Lloyd's speech the teachers' panel promptly accepted this, and abandoned their demand for something nearer to their previous bid of £600-£1,200.

If Mr Lloyd merely wanted to get the teachers to accept the local authorities' top offer, then (at some cost in opprobrium to himself) it was neatly done. But it is more hopeful to assume that the minister means exactly what he says when he declares that £510 is quite enough, at the moment, as a starting salary. The minister is not, in fact, niggling at a tenner. What he is presumably doing is to try to check the way in which the basic scale is used unduly to boost the pay of the majority of women in the profession, to the grave detriment of a proper pattern of incentives for qualified and experienced men. Of course, he did not come right out with this anti-feminist argument. But he is right in thinking that even for a male non-graduate teacher a starting salary of £510 (in London nearly £560), at the age of 20, after a two-year course, is not below the market rate for such talent; for nine out of ten women the comparable rate (a little less, but women will get equal pay by 1961) is almost certainly above the market rate. Simply as a starting salary, even the £650 to £700 which the graduate teacher commands on this basis, at the age of 22, is not poor.

The public easily forgets that these are not teachers' salaries but starting salaries—there is an annual increment of £27 10s. on top of them. The brutal market facts are that all the teacher-training college places, as expanded, are quite heavily over-applied for. On the other hand, to spend the £15 million in this way will leave too little to improve the lot of married teachers, and to extend the incentives for scarce skills and higher responsibilities (the committee's ideas on these will emerge at the end of this week). If the Government does dig in its toes at £510 for a starting salary, and says that the money thus saved should go to increased incentives for higher responsibilities, it will deserve loud applause. But one rather doubts, in the last analysis, whether it really will have the courage to turn down any agreement ratified by the committee.

PRINTING DISPUTE

Full Stop?

WAGE bargaining at the end of the three year wage contract in the printing industry is always liable to be settled only after an explosion, as events in both 1950 and 1956 showed; 1959 looks like being no exception. In part, this is a reflection of basic attitudes in the industry; in part, it stems from the disinclination of the unions, whose workers are among the highest paid wage earners and thus least well-placed to touch a mediator's soft heart, to submit their case to arbitration. As a result, adjustments in printing wages take place through a process of straight bargaining. Each side uses its full tactical strength (especially strong on the highly organised union side) and hardly bothers with the moral assertions common in most industries. There is little question of any settlement setting a precedent elsewhere.

The present dispute began with the expiry of the unions' three year contract in April and their demand for a new contract incorporating a 10 per cent wage increase and a 40 hour week. This was a display of panache, and so was the employers' outright rejection of the claim; the question was whether a compromise agreement could be reached as a stoppage came near. After a long series of meetings, the two sides were not far apart; it was rumoured that one major employer was prepared to offer 5 per cent and the unions prepared to accept this figure. Mr Willis, one of the union leaders and also chairman of the TUC, has always had good reason to act with restraint. But the employers generally felt they could not compromise beyond their original offer of 2½ per cent. The conflicting interests of, on the one hand, the provincial masters (who really are squeezed by higher costs and who lose little from an overtime ban) and, on the other, the large integrated periodical houses in London (who stand to lose much more from any interruption of work) gave the federation little room for manœuvre. A fortnight ago the union stepped up the pressure with a "non-co-operation" policy and a ban on overtime; the employers replied by saying that they will withdraw existing employment contracts after the middle of next week, and a full stoppage then seems only too likely.

One thing that could avert it is disunity among the master printers; if, as the unions would like, any large number of employers secede from the federation and settle individually, they are almost certain to set the pattern for the industry as a whole. Waterlow—which had important bank note and security printing contracts, carrying heavy penalty clauses in case of late delivery—has already left. But the real test will be what the giant Amalgamated Press decides to do, now or once the stoppage has started. When this house was taken over earlier this year by the Daily Mirror Group (never a stickler for the tough line) a major new element was introduced into the bargaining balance. Self-interest will—fairly enough—now be the determining factor. On the one hand, some of the magazine owners who in 1956 decided to print abroad have already let it be known that they would not find it economic to do so this time; they might thus find paying higher wages at home less harmful than a stoppage. On the other, the provincial masters are determined to stand firm. As for the unions, while being keen on the best bargain, they will not wish to risk the political repercussions of a long strike against this widely diffused industry. In this apprehension, perhaps, lies the only hope of a quick settlement.

PENISTONE BY-ELECTION

Bogey for a Bogy

PENISTONE—a constituency in the Sheffield area, dominated by heavy industry and steel—was polling on Thursday. It seemed a fairly safe assumption that the Labour majority (11,636 in 1955) would be reduced, if only because the relatively heavy turnout in 1955 (80 per cent) is unlikely to be repeated in a by-election. But the real statistical interest in this straight fight was what would happen to the two parties' share of the vote.

In 1955 Labour got 62.3 per cent of it against the Conservatives 37.7 per cent. The series of by-elections during last winter and up to last March seemed to indicate an average swing across the country of between 2 and 3 per cent to Labour compared with 1955; the significance of this was that a general swing to Labour of anything over 2 per cent in a general election would just bring Labour to power. In the municipal elections at the beginning of last month, however, the average swing to Labour compared with 1955 seemed to have fallen to below 1 per cent, which inevitably meant that in some areas Labour had not improved its position at all and in some it had actually lost ground. Some Conservatives on Thursday believed that Penistone might prove to be one of these latter areas; they rested their optimism on the (as yet unproven) assumption that the nationalisation of steel is as unpopular with steelworkers as with anybody else. It may seem rather absurd to worry too much about how the odd 1 or 2 per cent of the electorate vote in these Pennine foothills, but the party organisation themselves are at present statistics mad. If Penistone should therefore prove to be the first by-election for four years in which the Conservatives have actually improved their share of the vote the effect on party attitudes could be latently quite significant: it will make the vote-collecting part of the Transport House machine crosser than ever that the bogy of steel renationalisation has been hung by party zealots around Labour's neck.

GATT

Europe and the Rest

WHILE the four foreign ministers have been holding the limelight at Geneva, another conference, normally staged in the white Palais des Nations, has been pushed into the wings. It is the session of the General Agreement on Tariffs and Trade which ended last week. These gatherings rarely bring spectacular results. Indeed the unkind may say that the latest Gatt meeting has not so far produced much more than the foreign ministers have. Nonetheless, in their limited economic field, the protagonists have been fencing around a major issue.

That issue concerns the policies the developed countries of western Europe, now grouping together into larger

economic units, are going to pursue towards the rest of the world. For some time the poorer, undeveloped members of Gatt have been complaining that its tariff machinery served the interests of the richer members more than those of countries dependent on exports of a few primary products or from a few new industries. The creation of the European community has intensified their problem and posed the question whether the community's birth is to be the start of a broader movement to free trade including the United States, or of a new cycle of restrictions in world trade. These problems have found a special focus in the problem of west Germany, which has infringed Gatt's rules by maintaining quota restrictions, despite the fact that its balance of payments is in surplus.

On the tariff side the Gatt meeting has one concrete achievement to its credit. It was agreed that a new round of world-wide tariff talks should start in 1960. But a great many other issues remain unresolved. The Germans agreed to remove and enlarge certain quotas, but were given three-year and five-year periods of grace for others. Before the latest crisis in Bonn, Dr Erhard was expected to come to Gatt in October, to announce a new west German policy on imports of industrial products from the undeveloped countries. The west Germans point out that though they infringe the letter of Gatt, they are in fact more liberal in their general import policies for industrial goods than many other countries. Bonn was beginning to take up the idea of making further progress in its own liberalisation dependent on a common policy by all the European states for a regulated increase in imports from undeveloped areas.

The suggestion shows that Gatt's current labours have an urgent bearing on the problem of agreement within Europe itself. If Europe could agree on a policy permitting a real and steady increase in imports from the new industrial countries, on a common programme of technical aid, and other measures to help them, then an important condition for agreement within Europe itself would be established. For the conflict between Britain's relatively liberal treatment of certain undeveloped countries, and the more autarchic habits of some of the Six, has lain behind all the technical debates about the Commonwealth.

INDONESIA

Guided Undemocracy

WHILE President Sukarno continues a leisurely world tour, the Indonesian army, apparently with the government's blessing, has intervened decisively in civil affairs. The president's hopes of extending the scope of his constitutional powers were defeated on June 2nd, when the government failed for the third and last time to get the necessary two-thirds majority in parliament for the reintroduction of the 1945 constitution. The army chief of staff, General Nasution, immediately asserted his authority by banning all political activity. Although this may well be no more than an interim measure pending the president's return, recent events elsewhere in Asia inevitably raise the suspicion that the chief of staff may be thinking of joining the ranks of generals who have come to be heads of state.

Yet the position in Indonesia presents special obstacles to a military coup. The senior officers include men who have had a taste of power of their own in outlying districts; they might not be disposed to follow the lead of a chief who wished to impose strict central control. Nor can General Nasution press them too hard, lest they transfer their allegiance to the rebel forces in Sumatra and Celebes. There is, too, a doubt about the chief of staff's own position. He has been displaced before now, and only recovered his post under the premiership of Mr Harahap, who has since defected to the rebel cause and become minister of defence in the rebel "government."

President Sukarno himself is a more likely candidate for authoritarian powers than his chief of staff. He has been a consistent advocate of "guided democracy" with himself as the guide, and his attempt to revive the revolutionary constitution of 1945—which unites the offices of president and prime minister, and provides that half the legislature shall be appointed by the army and other groups—was a means to this end. Now that this expedient has failed through the united opposition of the Moslem parties, he may, when he returns, dispense with all constitutional forms and rule instead by decree.

SOVIET UNION

The Other Mr K

AT the end of June New York will have its second distinguished Soviet guest of the year. Mr Kozlov, who will travel there for the opening of a Soviet exhibition, is much younger than that earlier tourist, Mr Mikoyan. But he, too, is a full member of the party presidium, and shares with Mr Mikoyan the dignity of a first deputy premiership. It is normally assumed that Mr Mikoyan is Mr Khrushchev's chief adviser on foreign affairs, including foreign trade, and that Mr Kozlov's field is economic and industrial.

The assumption is based on Mr Kozlov's career. Now 51, he spent a large part of his life in industry, graduating at the Polytechnical Institute in Leningrad and then working for quite a time as an engineer. His rise to prominence started after the war and, in fact, after Stalin's death. In 1953 he became the head of the party in the Leningrad region. Four years later he was successively a candidate and then a full member of the presidium, the party's highest body. He also became prime minister of the Russian Republic, a job he relinquished in March of last year when he took up his post in the Soviet government.

A technocrat is well suited to head the Soviet delegation for the New York exhibition. While the Americans, in a parallel show to be held in Moscow, want to impress their spectators with American standards of living (Moscow is already arguing that the American home to be exhibited is far from typical), the Russians want to show New York that they are a great industrial power, the land of sputniks, automation, electronics and other technological achievements. But, while presenting his own wares, Mr Kozlov is bound to take an interest in the latest industrial developments in the United States. He is also likely to urge American businessmen to follow in Sir David Eccles's footsteps. For his own sake, the Americans would be well advised to take a good, long look at him: Mr Kozlov is a prominent figure in the younger Soviet generation.

ELECTRICAL TRADES UNION

Comrades Together

THE Electrical Trades Union's annual conference this week has not proved to be the occasion for a powerful and disputatious attack upon the union's present communist leadership. As a fair proportion of the 400 official delegates are communists and fellow travellers, there was never any real reason to expect that it would be. Two more interesting tests of the real rank and file's feelings lie ahead. First, Mr Foulkes, Mr Haxell and the rest of the union's communist executive are due to come up for re-election by mass vote of the membership late this year. With voting procedures working in the communists' favour and no well-canvassed alternative members, they are said to be confident that they will secure it. The turn-out at most ETU elections tends to be low even by union standards; meanwhile the communists will see that they poll all the members they can muster. Anyway, in the last analysis, it is the present communist leaders who decide which votes "legitimately" count. But they must have some doubts about how flagrantly this last advantage could be utilised, after the rows of last year, without at last provoking a thorough investigation of the union's internal affairs by the TUC.

The second possible test of the communist leadership's strength could come earlier. The ETU leaders are anxious to be able to go into their election claiming that the reason why they are being "slandered" by the Tory press is that they alone, in the trade union world, are standing up forcefully for the workers. In general engineering, the union's policy is co-ordinated with that of others through the Confederation of Shipbuilding and Engineering Unions; although Mr Foulkes, an able enough bargainer, is president of the confederation this year, he has little hope of causing immediate trouble there. But electrical contracting, a small industry employing about 40,000 men mainly on electric wiring, is another matter; wages there are settled between the National Federated Electrical Association and the ETU alone. Mr Haxell has therefore submitted a substantial wage claim to the association and said that, if it is not settled by the week after next, he will call for a ban on overtime or a strike.

The ETU has been ostentatiously replenishing its disputes fund, but it still could not finance a prolonged, all-out strike. Presumably, therefore, any strikes that it called would have to be of the guerrilla sort; even in militant areas these are not popular with men who are thus called upon to lose their pay for other people's sake. The union leadership may therefore be in a delicate quandary. It would like to sound a trumpet blast to arms. But it must know that its position would be a desperate one if it sent out a loud call and then found, just conceivably, that not all of the fed-up membership obeyed it.

MILK

The Market Works

LESS than two years ago, a large, rising, and forbiddingly uneconomic surplus of milk was signalling to all concerned—except, of course, the milk producers—the need for a cut in the officially guaranteed price. At the February price review of 1958 the cut was duly made, in face of indignant protests and prophecies of disaster from the farmers. What has happened since, as reflected at the annual meeting a fortnight ago of the Milk Marketing Board's registered producers, is worth noting. First, the production of milk has dropped by about 100 million gallons a year; with liquid consumption well up, and still rising under the influence of a lively publicity campaign, the board's chairman was able to report that current output was now "about right." Secondly, this approximately "right" production has come about not through a slackening of standards and fall in yields (the national milk recording data show a steady rise) but through a reduction in the numbers of dairy cattle and the exodus of several thousand farmers, especially small producer-retailers, from the dairy business. Thirdly, this decline in daily production has been balanced by an increase—which rising beef prices had signalled as desirable—in the home output of beef cattle; the ex-dairy-farmer's part in this process can reasonably be assumed to be substantial. Finally, it is worth noting that this swing to beef shows no sign of being overdone and initiating another "cycle"; the records of artificial insemination centres, after showing last year a steep rise in the proportion of beef inseminations, now indicate that that admirably versatile breed the Friesian is proving increasingly attractive to farmers with an eye to the future adaptability of their herds.

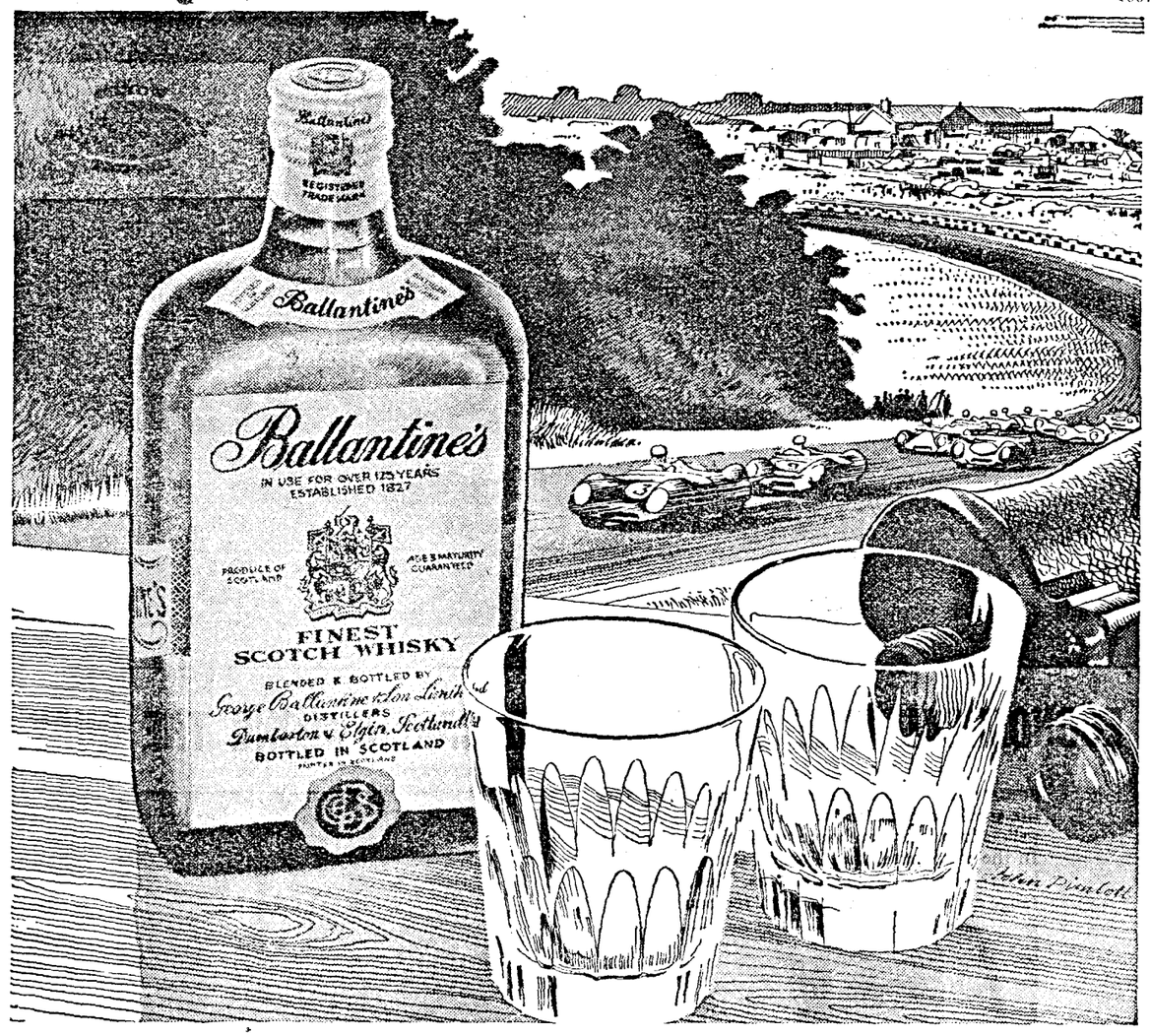
The satisfactory and rather entertaining pay off, at the milk marketing board's meeting, was a motion to increase the chairman's pay as a mark of the producers' esteem and confidence; this was in contrast with indignant demands, on previous occasions, for a cut by way of rebuke. The cheerful moral may be drawn that market forces can after all, even in the sacrosanct field of agriculture, be invoked to good effect. That moral should, in fact, be not merely drawn but emphatically hammered home. In three words, economics does work.

SUEZ CANAL

Cat and Mouse

GLOOMY, and at times malicious, prognostications about Egypt's inability to run the Suez canal on its own have proved to be off the mark. A sign of general confidence in the Egyptian canal authority and its head, Mr Mahmoud Younes, is the negotiation now going on about a World Bank loan for widening the canal. According to Cairo sources, the loan may be for as much as $40 million; the bank itself says that a final decision will be made next month after a group of experts have prepared a technical report.

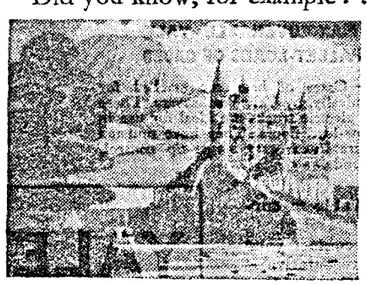
But in one respect, the Egyptians have continued to default on their obligation to allow free shipping through the canal. Early in 1957, Mr Hammarskjöld extracted, separately, an unwritten agreement from the Egyptians and the Israelis. Cairo undertook to allow ships carrying Israeli cargo through the canal, while, for their part, the Israelis agreed to use chartered vessels for their trade with the Far East and not to force the issue by sending through an Israeli ship. All went moderately well, and 27 ships carrying Israeli goods were allowed, with only minor discomforts, through the canal. But in February and March this year



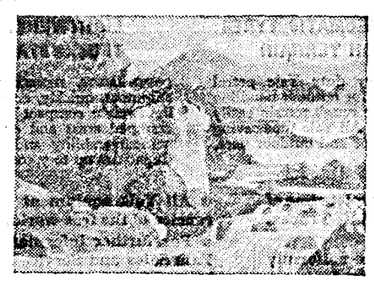
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THE SUPERB SCOTCH

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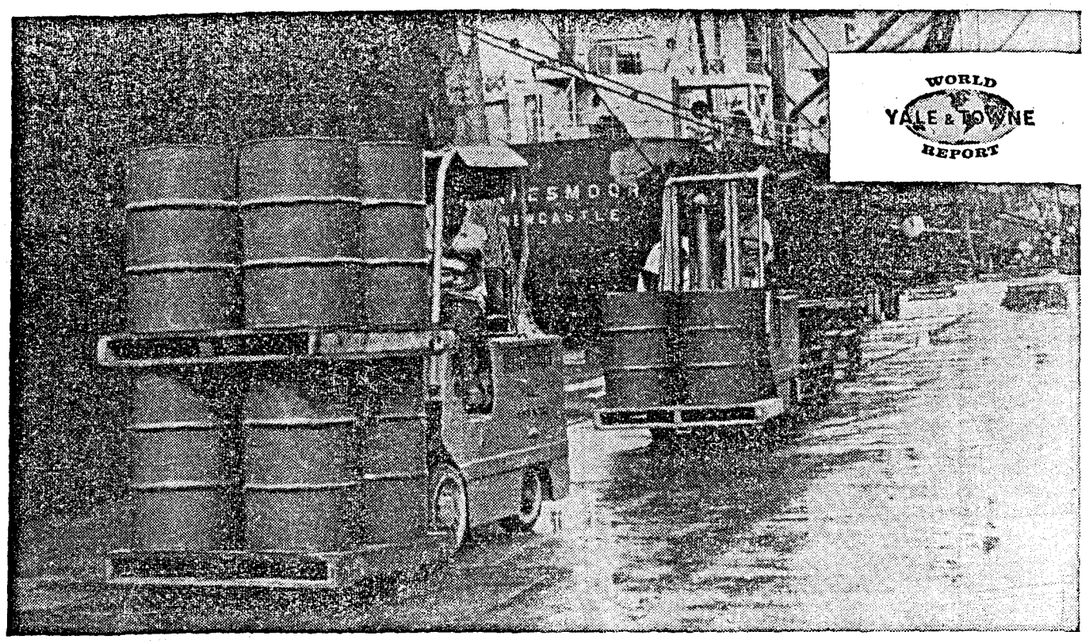
that in homes like this, Ballantine's was first drunk over a century ago. The knowledge and appreciation of really good Scotch has been handed down with the family escutcheon — the same famous names appear in the order books of to-day.



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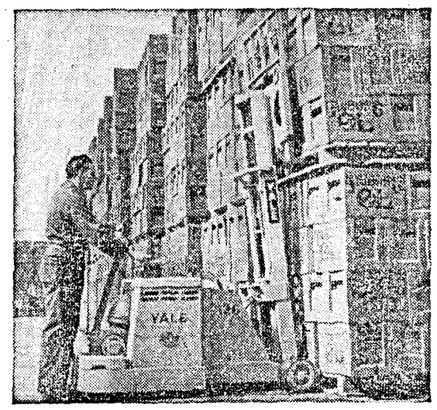
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two vessels were stopped and their cargo impounded, and on May 21st the Danish freighter, *Inge Toft,* was detained and later placed in custody when its captain refused to unload the cement and potash that he was carrying to Hongkong and Japan. In between, a Greek ship carrying Israeli goods had been allowed through unmolested.

Egypt's cat-and-mouse behaviour could completely disrupt Israel's hope of commerce with the Far East and South Asia. Trading is still on a very small scale but for political and psychological reasons, as much as for economic, the Israelis set great store by it, and are therefore trying to whip up international indignation. Mr Hammarskjöld, in one of his more delphic utterances, has advocated a legal rather than a political approach. But the essence of the problem being political, it is difficult to see how it can be resolved by courts or arbitrators.

Instead the Israelis have taken matters into their own hands by detaining a small Egyptian coastal schooner carrying onions and garlic to Lebanon. This sort of retaliation is familiar, potentially dangerous, and probably not much use. The pressure on Cairo would be much greater if the world bank insisted before granting its loan that Egypt should honestly, and in full, carry out its obligations.

LATIN AMERICA

Uneasy Lies the Head

A SERIES of popular revolutions has swept away most of the Latin American strong men. The two isolated survivors on the mainland, General Stroessner of Paraguay and President Luis Somoza of Nicaragua, are fighting a tough rearguard battle. After Señor Castro's Cuban victory, both rulers tried to check the revolutionary wave by gestures towards a more liberal regime; when it quickly became evident that if they allowed in a little freedom they would themselves be out, they resorted to more traditional measures.

In Paraguay, General Stroessner has dissolved the chamber of deputies and arrested a number of party leaders who had protested against police methods of torturing political opponents. The tide of popular revulsion has been slow to reach this isolated, land-locked republic but a month ago the president, under pressure from the church and political leaders, agreed to repeal the state of siege under which Paraguay has existed since its civil war in 1947. But it did not take him long to change his mind again. On May 30th the state of siege was clapped back once more and, for good measure, the cavalry has moved into the capital, Asuncion, to take care of the threatened student riots.

President Somoza runs his small Central American republic of Nicaragua like an old-fashioned estate. His family owns most of the land and he slipped easily into the presidency when his father was assassinated in 1956. Although insisting that he is a liberal at heart, President Somoza has declared a state of siege in order to break up a general strike—Nicaragua's first large-scale sign of protest for some 25 years. And despite the vigilance of the new President of Costa Rica, Señor Echandi—who, unlike his predecessor, Señor Figueres, is friendly to the Somozan regime—a couple of aircraft carrying arms and insurrectionary exiles crossed into Nicaragua a few miles from the Costa Rican border.

The signs are that President Somoza, and perhaps even General Stroessner, might be wise to start thinking about their arrangements for a trip to the Dominican Republic, that stronghold of deposed dictators. But even when the die-hard type of ruler is gone, some of the Latin American republics are having a stiff climb towards a more liberal regime. In Ecuador, martial law has been declared after a clash between police and students; in Peru, all the opposition leaders have been arrested. The back-wash of the revolutionary wave is still turbulent.

RACE RELATIONS

Coping with Notting Hill

MR BUTLER produced the right tone in his statement to the House of Commons last week on race relations in Britain. The authorities are no longer all contriving to sound complacent and disorganised. One of the main difficulties in dealing with trouble spots like Notting Hill has been the fragmentation of responsibility. Several government departments have a hand in the maintenance of law and order and the settlement of immigrants, while a concerted drive on the social problems in Notting Hill and elsewhere require the simultaneous prodding of numerous branches of the London County Council and of several metropolitan boroughs.

Now Mr Butler is himself presiding over a ministerial committee to keep an alert eye on instances of racial discrimination. At the official level regular sessions are held with the West Indian High Commissioner's staff, in order to get down to hard cases, and everyone in Whitehall in a position to take some action on them is said to be represented. The West Indians themselves are beginning to learn the advantages of strong organisation. The standing conference of West Indian leaders and organisations, which was convened by the High Commission's Migrant Division in order to bring the immigrant leaders together at least once a month, is now getting into its stride. The orderly and dignified way in which the funeral of Kelso Cochrane was organised without incident was a tribute to the growing maturity of some of these local leaders. Thanks to a few—far too few—energetic individuals, notably Mr Donald Chesworth, an LCC councillor for the Notting Hill area, something is also moving at the local political level. The recent series of successful actions by coloured tenants against a group of rackrenting landlords before the West London Rent Tribunal was an "inside job." A coloured rent-collector, Mr Michael de Freitas, was sufficiently impressed with the efforts being made by Mr Chesworth to give up his distasteful employment and to help plan the bringing of rent cases.

These cases were regarded by the West Indian community at Notting Hill as a test of the impartiality of white authorities, and the results were such as to raise its morale. But throughout the hearing before the Rent Tribunal there were repeated allegations of intimidation. Nineteen of the twenty-five tenants who brought cases withdrew them before the hearing, most of the withdrawals being apparently written on the same typewriter. One tenant cancelled her withdrawal, alleging that she had made it under duress. It would be wrong to conclude that the police are unaware of these undertones of violence, and they must be given a chance to set about things their own way. But the public

also must not forget about the state of affairs on which the Rent Tribunal cast a lurid flash of light and before too long must check up on what is being done about it.

SERVICES FOR THE AGED

No Truck

LAST week's parliamentary debate on "the plight of the aged" contributed nothing, apart from a great deal of repetitive rhetoric, to the question of the proper level of retirement pensions or of additional national assistance payments on proof of need. Its interest lay rather in the very full, though necessarily piecemeal, discussion which it elicited of the direct services and special facilities available to the old: from the "granny flats" and other pocket-sized dwellings provided by local authority building, through home helps and chiropody, to the voluntarily organised "meals on wheels" and social centres which local authorities are empowered to subsidise. There is everything to be gained (despite the objections of one otherwise sensible Conservative speaker who assimilated all specific aid to the truck system) by looking at the real needs of the aged in this way, instead of simply at their money equivalent. For the fact is that money, unless in amounts astronomically beyond any pension income envisaged by any party and indeed well beyond the average earnings level, very often simply will not buy, on the ordinary market, what is required to meet those real needs. What pension rate, paid out all across the board, would be needed to ensure that every old person who needs "looking after"—not nursing, merely basic domestic help—should be able to hire that help at the going private level? Or to make it profitable to provide a commercial "meals on wheels" or shopping service for the more or less completely housebound? Yet the difference between continued independence and an enforced resort to institutional life often turns on the availability or lack of just such services as these—and on the equally "real" question of ground-floor or lift-serviced accommodation.

It is no doubt far too much to hope that both parties will drop their discreditable auction-manœuvres around the basic pension rate. But if national assistance standards (under that name or, for the sake of the beneficiaries' sensibilities, any other) were adjusted with even a part of the generosity now being paraded about that rate, at posterity's expense, before the electorate—and if the energies thus released were devoted to improving, extending, co-ordinating and publicising the specific services which enable the old to remain happily and safely part of the community—the prospects of the growing cohort of the retired would be a great deal brighter.

PERSIA

Babel Over Bahrain

THE Persians, who have not been there, claim that Bahrain is Persian by language, history, tradition and religion. The Shah and his foreign minister, Dr Hekmet, give the same answer whenever they are questioned on the subject. Maps printed in Teheran include Bahrain as part of Persia, but anyone familiar with Bahrain knows that, whatever the Persians say, Bahrain is Arab.

Officially, the Bahrainis have little to say about the Persian claim. Their foreign relations have long been entrusted to the British government. Unofficially, they regard it as complete nonsense. There are many people in Bahrain whose admiration for President Nasser knows no bounds, but there is no agitation for a return to Persia.

Now the Persians have discovered a new plot against them. Radio Moscow recently broadcast, in Arabic, that Anglo-American imperialists were conspiring to cede Bahrain to Persia but that their efforts would be of no avail against the desires of the Arab masses who look upon Bahrain as Arab territory. A week earlier, this time in Persian, Radio Moscow accused the Shah and his cabinet of ignoring the desires of the Persian people to wrest Bahrain from the clutches of Anglo-American imperialism.

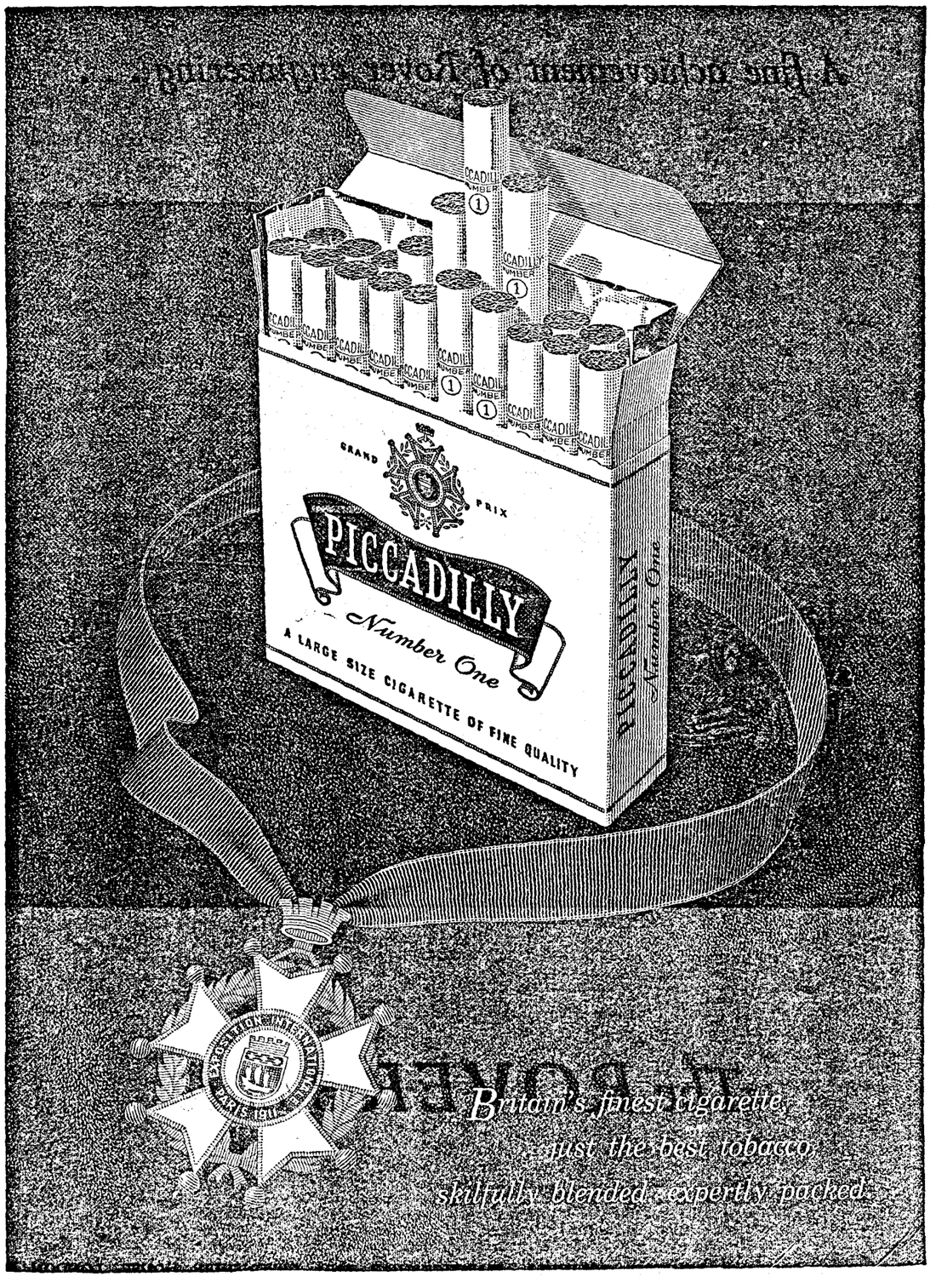
When the Persians discovered that the Russians were giving them Bahrain in Persian and taking it away from them in Arabic, they were naturally more pleased than chagrined. At last they had something which they could answer directly and expose as Soviet hypocrisy, fraud, lies and trickery. It is unfortunate that the Persian claim to Bahrain is such a weak one. When Teheran can reply as straightforwardly to Russian criticisms of waste in government circles or of the high cost of meat in Teheran bazaars, it will be on safer ground.

The Economist

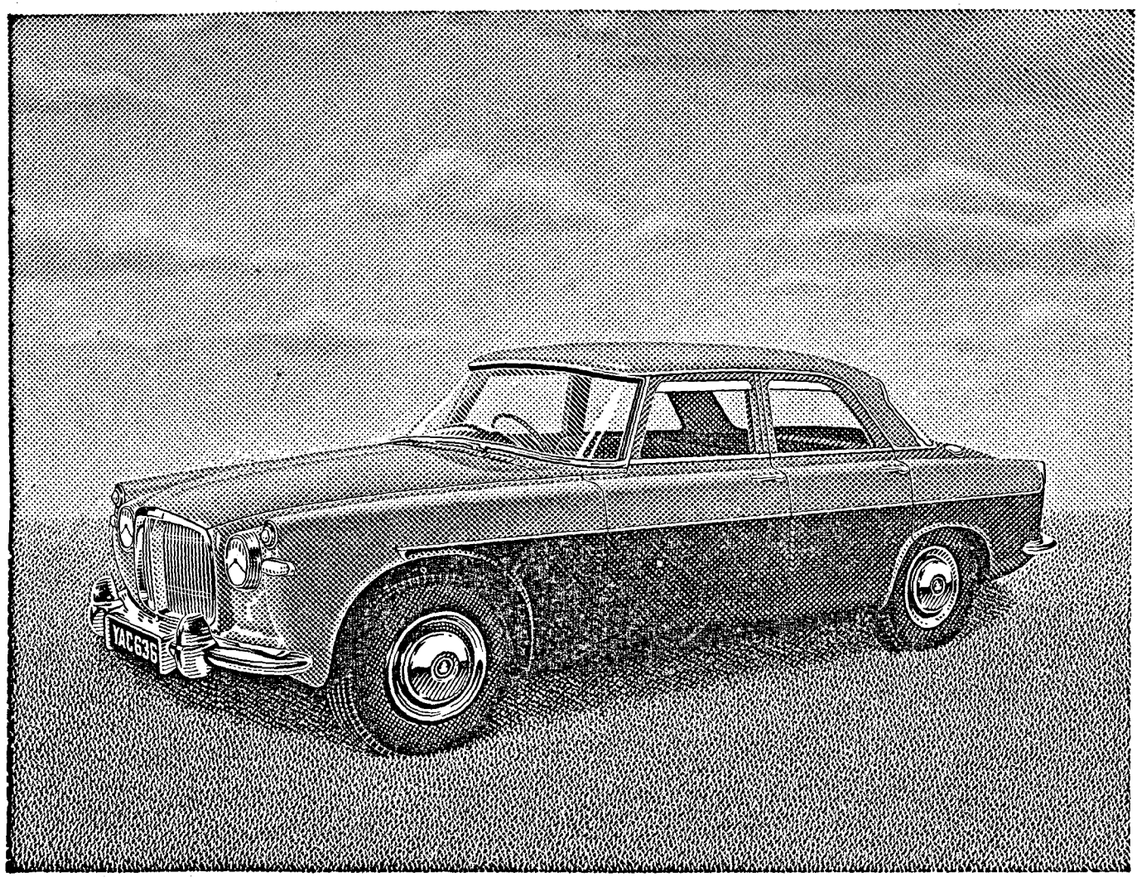
JUNE 11, 1859

LIBERAL BASIS FOR LIBERALS

¶ It is now generally admitted that any Liberal Government which can expect the cordial and organised support of the Liberal party must be constructed on wider and less sectarian principles than any that have been hitherto admitted. . . . We believe this is the one way, and the only way, to heal the dissensions of the Liberal party. It is very natural and very right that the middle classes should object to the exclusion of their ablest representatives from the Administration, when men—honourable enough, indeed, but of no note for capacity, and themselves representing no characteristic interests or convictions in the nation—are admitted in considerable numbers merely to echo the opinions of their chief. . . . It is of little use that the House of Commons should adequately represent the various classes of English society, if the Government does not more or less adequately represent the various classes in the House of Commons. This is the one difficulty with the Liberal party which does not in any perceptible manner extend to the Conservatives. The interests of the Conservative party are almost all identical: it is the party representing the landed gentry and the national church. But the range of the Liberal party extends over many very different and widely separated social elements, including commerce and manufactures and the various denominations of dissenters. . . . We believe it would be found that a Cabinet, thus composed, not one founded on any coalition amongst men of really conflicting principles and sympathies, but one composed of the men of strongest and most comprehensive capacities, who are not at present identified with extreme views in the various Liberal coteries, would soon come to a complete and cordial understanding as to the practical basis of their co-operation. . . . Nor would this be all. We believe also that some of the more moderate Radical leaders, who do not rest their principles on abstract 'rights of man', would find their convictions modified and their anti-aristocratic prejudices much softened by practical participation in those responsibilities of office which they are accustomed to represent as so systematically abused; while the aristocratic chiefs themselves would often be compelled to widen the range of their popular sympathies, and to admit the value of that administrative energy which the ablest men of the middle classes so often possess in far greater degree than those whose training has been less practical.



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LETTERS

The Parking Meter Scheme

SIR—The 1956 Act lays down that the Minister shall pay regard to "the need for maintaining reasonable access to premises." The effect of the parking meter scheme is that a resident in a quiet street will have to pay whenever he drives up to his own front door in his own car, even at 8.30 a.m., when the whole street is deserted, unless he does so only for so long as is necessary for loading or unloading, or picking up or setting down passengers. "No parking" restrictions are also to be enforced from 8.30 a.m., which in many streets is quite absurd. Does this really constitute reasonable access either for the resident or for those visiting him for business or social purposes?

The installation of many thousands of parking meters in the streets, squares and, presumably, parks of London will hardly add to their amenities and on a foggy night may even be dangerous. About 20 per cent of the available parking space will be wasted in order that each parking bay may be able to accommodate a large American car. The rate-paying motorist living in Central London will have to pay through the rates for the purchase and installation of the meters, a cash payment whenever he stops his car anywhere in the area, besides rent and rates for his own garage. Any profit on the scheme after meeting the capital cost will go to provide garages for other people who wish to come into the area.

The only possible alternative to parking meters seems to be an adaptation, but not an exact copy, of the parking disc scheme used so successfully in Paris. It is probably too late for it to be given a trial in London, but there is no reason why a provincial city should not do so. If it failed there would be nothing lost and no money wasted. The basis of this scheme is a revolving cardboard disc placed on the inside of the windscreen which is set at the time the car is left unattended, and shows automatically the time by which it must be removed. Parking would of course be prohibited during certain hours in certain streets, but elsewhere it would be permissible provided no obstruction was caused, and free if the permitted period was not exceeded. Anyone failing to set his disc at the correct time or leaving his car in excess of the permitted period would have a ticket affixed to his windscreen requiring him to pay 10s. to the local authority within a prescribed period. After say four hours, the motorist would be liable to prosecution and the removal of his car. It would of course be an offence to re-set the disc so as to extend the time.

It will be obvious that enforcement would be just as easy as with the parking meter scheme. In fact it might be easier as it would attract the goodwill of motorists, and the hours to be covered by supervision might be considerably reduced. If it is insisted that the motorist must pay for the whole cost of supervision, this could be achieved by making the parking disc subject to an annual charge, instead of providing it free from garages as is done in Paris. The whole cost of the provision, installation and the maintenance of parking meters would of course be saved and 20 per cent more parking space would be made available.

This scheme provides in effect free parking for a reasonable period, subject to the possession and correct use of a parking disc. It would secure the full support of motorists and ratepayers, and lend itself to adjustment to meet changing circumstances. It would be easy, for instance, to issue a parking disc showing different free periods in different zones and at different times of the day, as in the Paris scheme, which allows of two hours for lunch and one hour at other times.—Yours faithfully,

London, W.1. THOMAS J. HUTTON.

Can Coal Compete?

SIR—It is perhaps a pity that your article of May 30th presents no estimate of the cost of holding useless stocks, nor the cost of unprofitable mining. It can easily be shown that it would be very good business for the NCB to pay enormous sums simply to stop the mining of coal.

Take first useless stocks. These may be put at 20 out of the total of 30-35 million tons which you foresee for many years ahead. You say they will cover 1,000 acres if piled 12 feet high; at £4 an acre that is the negligible sum of £4,000 p.a. But the interest cost of carrying these stocks is quite another matter. Average pithead cost is £4, and marginal pithead cost at least £5. Thus the useless stock cost at least £100 million to produce. Since the cost cannot be recovered the board must have borrowed that much. At 4½ per cent, then, useless stocks would cost it £4.5 million p.a. interest. The useless stocks must also depress the price of the coal that is sold. A very conservative estimate would be that their mere presence knocks 1 per cent off the board's general sales revenue, or £0.8 million p.a. Thus the total drain is £5.3 million at the very least.

If all this were applied by the board to the retraining and pensioning off of miners and to subsidies to new manufacturing firms settling in mining areas, an expenditure of £5 a week per man would enable it to lay off 20,000 men (who could well receive ordinary unemployment pay as well). Since these will be marginal men in marginal pits we might put their output at 0.9 tons a man-shift, say, 220 tons a year. This would be a further cut of 4.4 million tons a year, which would clear the useless stocks in 55 months.

To start such a scheme the board would, of course, have to go further into debt. But on the other side there is a very large item not yet taken into account: the worst 4.4 million tons are in any case mined at a loss, say, of 30s. a ton. This would give the board a quite separate gain, in that by the time useless stocks are cleared the particular output referred to will not in any case be required, for far more efficient schemes will have come to fruition. Thus the board would benefit permanently by £6.6 million p.a. This is of the same order of magnitude as its annual deficit.—Yours faithfully, P. J. D. WILES

New College, Oxford

[The National Coal Board's provisions against costs of extra handling, and interest on its stocks, for 1958, were £13 million: *i.e.* it valued the coal and coke it added to stock at this much less than their market prices.—ED.]

Girls' Schools

SIR—I entirely agree with you in your article, "The Finished Product," when you say "one of the great mysteries of British upper- and middle-class life has always been the way in which it keeps many schoolgirls such repellently awkward girls up to the age of fifteen or sixteen."

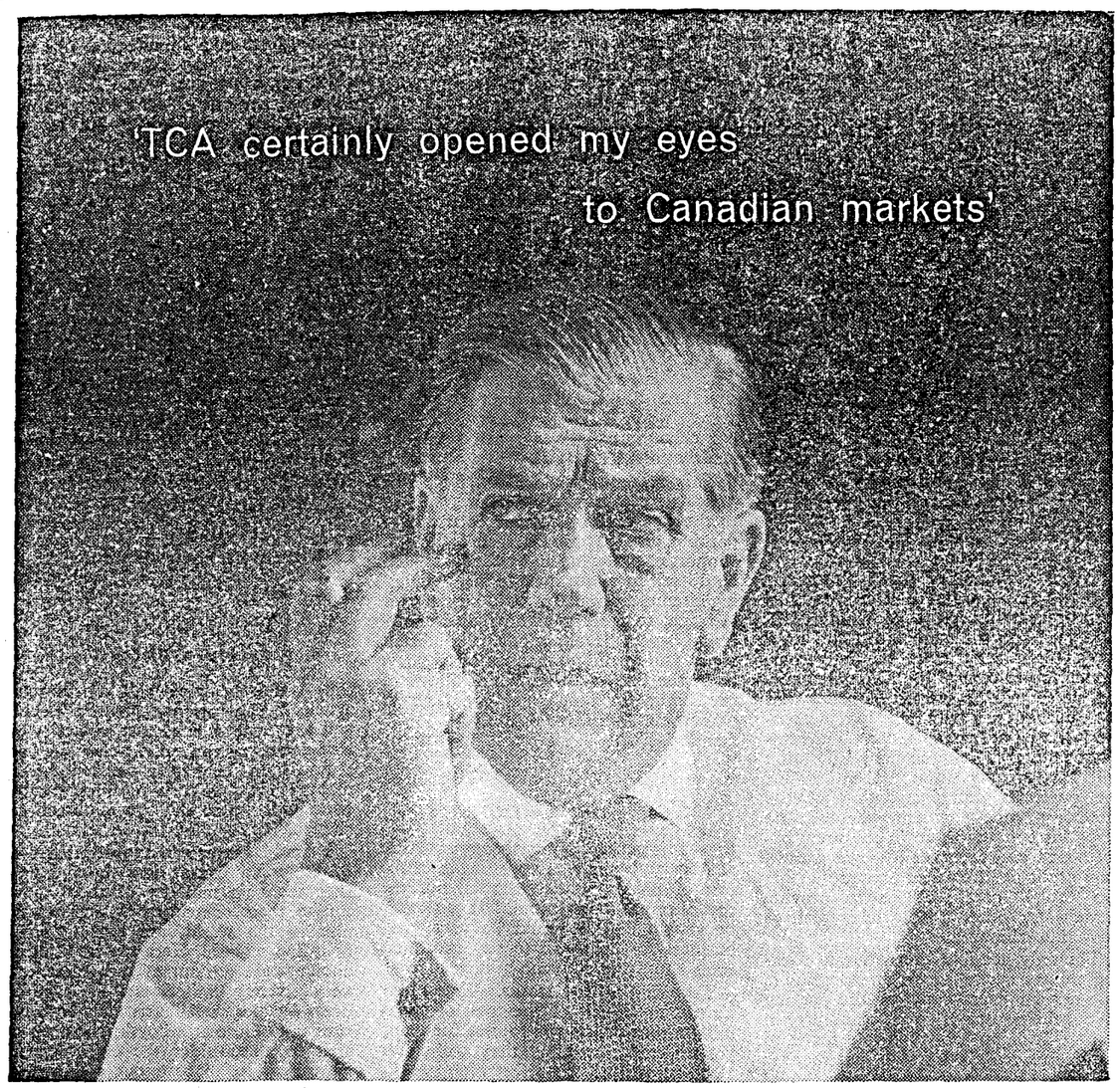
I would venture to suggest that one of the main causes may be the fact that the vast majority of these girls, unlike their contemporaries anywhere else in the world, are sent to girls' boarding schools. Here the freedom of choice and freedom of movement are very severely limited, and the type of dress, games and curriculum are so similar to those at a boys' public school that to an outsider the object would appear to be to turn out young men rather than young women.

But more important than these matters is the central question; is it really beneficial for a girl to live the major part of her adolescent life in a community consisting exclusively of other girls and of women teachers? If the answer is yes, then there is a further question; assuming a similar academic standard, is a boarding school more beneficial for a girl than a day school?

A large number of today's younger parents, including many who attended such schools, are asking themselves these questions. I do not pretend to be competent to answer them, but there are those who are.

A thorough research study by a group consisting of a psychologist, a sociologist, an educationist and others would, I am sure, command the support both financial and otherwise of many genuinely worried parents.—Yours faithfully, MARCH

Rugby



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BOOKS

Promise and Performance

Soviet Economic Aid: *The New Aid and Trade Policy in Underdeveloped Countries*

By J. S. Berliner.
Oxford University Press for Council on Foreign Relations.
247 pages. 35s.

THIS is an admirable compilation, both in the statistics and in the political analysis, considering the speed with which it must have been made. But though a very intelligent piece of work it suffers from an excusable incompleteness and incoherence.

The statistics show clearly the insignificance of Soviet aid in comparison with American, and indeed of Communist aid in comparison with Western, when the actual annual deliveries of each are compared rather than Communist promises, stretching over long periods, with Western annual deliveries. In addition private Western investment must be, and duly is, considered. A further point is that most Western public aid consists of grants, and on the Communist side only China makes grants. A grant is economically many times as valuable as a loan of equal size—a point emphasised in the text but unfortunately obfuscated in the tables, which continually make the meaningless addition sum of grants plus loans.

The statistics of foreign aid are very complicated, for at least three further difficulties remain. The first is debt service: public aid and even private investment figures are nearly always given gross of debt service, which is surely incorrect. Professor Berliner has not broken with this bad habit, and to this extent unfairly biases the comparison Westwards; for in his tables Communist aid is still very new and growing fast, so that debt service must be a much smaller proportion of new deliveries than on the Western side. Figures for debt service are hard to come by: but the United Nations Statistical Yearbook gives them for Western public aid, and also sets grants apart from loans. It is too bad that this admirable statistical presentation appeared too late to influence Professor Berliner.

The second difficulty is short-term credit. Underdeveloped countries have tended on the whole to build up considerable short-term liabilities in the United States and Britain, to mention only countries whose banks publish figures for international transactions broken down by areas. But what of Switzerland? What, indeed, of China, whose south-east Asian trade drive in 1958 must surely have been financed on credit? All this escapes Professor Berliner's net, except one rather recherché but still very large American item. Third and last, one must not accept as aid whatever a particular government chooses to call aid. Thus French figures omit the huge private disinvestment in North Africa, and Soviet press releases dignify with the name of aid a good deal of straight exchange, which involves no lending on the Soviet side.

These objections are serious, but they do nothing, in your reviewer's opinion, to qualify the picture of a Western effort more than twenty times as great as the Communist. Space precludes a long analysis of the political side of the book. Here too the author brings the subject forward without exhausting it. What, after all, do the underdeveloped countries really think about their competing helpers? Does the receipt of Communist, or capitalist, aid incline them even at all towards Communism or capitalism? Will they not go their own sweet way regardless, which may indeed in some cases be a Communist way, but cannot be influenced by any material help short of armed force? The classic case is China, which received great Soviet aid in the twenties and massacred its Communists, and almost none at all in the forties but is now *plus royaliste que le roi.* Indeed there is altogether not enough about China, which on the author's own showing renders more aid (grants, not loans) than the Soviet Union.

Capitalism's Trumpet

Something in the City

By John Benn.
Allen and Unwin. 153 pages. 12s. 6d.

The Seven Fat Years

By John Brooks.
Gollancz. 240 pages. 18s.

WALL STREET and the City are the most important capital markets of the world. The first, because of domestic politics, does not fight shy of publicity. The second, because of domestic politics, does. Sir John Benn, looking affectionately at the City from the chair of an insurance company, has written an amateur's book: discursive, pleasant, good natured—something of a tranquilliser. Mr John Brooks, looking caustically at Wall Street from the columns of the *New Yorker,* has written a professional's book: taut, factual, ironic, occasionally irreverent, yet not over-critical—a hard covered chocolate with a soft centre.

Sir John asks that the City should be more self-conscious and ready to publicise its importance. Mr Brooks takes the importance and the bally-hoo for granted and pokes a little fun. Sir John deliberately simplifies, explaining what happens at a board meeting or what a balance sheet means, and generalising so as to explain what the City does. Mr Brooks uses the professional jargon, particularising to show how General Motors and Ford Motor came to the market, how Mr John Magee makes a comfortable living but not a fortune by reading charts, how Mr Cavin Bullock runs a mutual fund and how Mr David Jackson as a "specialist" bore the consequences of Mr Walter Winchell.

Sir John, of course, is right: the City must be prepared to beat its own drum. But, if it does, it must not be offended if another Mr Brooks comes along and good-temperedly pulls its leg. The City must counter the ill-informed snarl, but it must also accept the critical comment. It cannot live in the warm, stuffy atmosphere of a glasshouse for ever. How many journalists, for instance, have as free access to the merchant bankers' parlours as Mr Brooks had to the platforms of New York's issuing houses?

Incentives

Payment By Results: *A Psychological Investigation*

By Sylvia Shimmin (in collaboration with Joan E. Williams and L. J. Buck).
Staples Press. 167 pages. 21s.

THIS description of an investigation jointly sponsored by the Department of Scientific and Industrial Research and the Medical Research Council has considerable contemporary significance. It is often overlooked that payment by results has grown rapidly since before the war and applies today to nearly one-third of industrial workers.

A regrettable feature of the inadequate research into industry's heaviest cost—human beings—is that whereas opinions and assertions about wage incentives abound, little concrete con-

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firmation is available. It is therefore a tribute to Sylvia Shimmin and her associates that they have provided a much-needed factual frame of reference. Although the subject-matter and its treatment necessarily make this a study for the specialist, it is lucidly and simply written. The author's main concern is twofold: workers' understanding of their incentive-payments systems and their possible effects, and the reasons given for introducing or changing an incentive-payment scheme and its success or failure. The instruments for this investigation are a number of field projects relating to various undertakings and drawing for their sources on both company records and interviews with managers, supervisors and workers. From a methodological standpoint, appropriate technical standards have been met in the design of these inquiries, and in the collection and analysis of data. If there is here and there a tendency to describe results impressionistically, this is a blemish which in no way detracts from the general objectivity of the analysis. Moreover if the findings are diverse rather than decisive, it is because conditions often vary from company to company, indeed, from department to department. But certain principles emerge: the fact that a bonus system cannot be evaluated without reference to the whole factory situation; the fact that "the personality and general approach of the chief executive seems to have a far-reaching effect"; the importance of giving workers adequate information if an incentives scheme is to be successful. Such conclusions, while not disproving the utility of direct financial incentives, give welcome emphasis to the human factor.

Last year's national statistics show a halt in the upward trend of payment by results. Further investigations could shed more light on how far stability and regularity of pay are not, from many standpoints, more effective incentives.

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U-Boat Commander

Admiral Doenitz Memoirs of Ten Years and Twenty Days

Translated by R. H. Stevens in collaboration with David Woodward.
Weidenfeld and Nicolson. 490 pages. 36s.

BY April 1917 unrestricted submarine warfare had brought the Allies to the brink of defeat. A similar situation was reached in the early months of 1943 because neither side had learnt the lesson. Britain mistakenly believed that the convoy system, which had saved it in 1917, together with the asdic, had solved the problem of U-boat attacks on shipping. Hitler and the German High Command, possibly equally misled, failed to appreciate that by an overwhelming submarine campaign they could win the war at sea.

Appointed as Officer Commanding U-Boats after the London Naval Agreement, in the four years before the war Doenitz had created a highly efficient small force imbued with a fine morale, and he had developed and taught the wolfpack surface attack at night as a counter to convoys and asdics. Realising full well, however, that only numbers can annihilate, he had estimated that to be decisive the need was for 300 U-boats in commission to allow 100 to be always on patrol in the Atlantic.

Despite his strong and repeated representations, when the war started there were only 57 U-boats, of which but 22 were suitable for operations in the Atlantic, and even this small number was further handicapped by unreliable depthkeeping mechanisms and pistols for their torpedoes. A year later the number had even shrunk, and thereafter the low proportion of steel allocated, slow work in the repair yards, and the call of extraneous requirements elsewhere, never allowed the operational strength in the Atlantic to rise to Doenitz's figure until it was too late. By then the numbers and range of British aircraft were at last adequate to patrol the whole Atlantic; three and a half years' output of escorts had joined the convoys; short wave radar was mounted in both ships and aircraft to spot the surfaced submarine; improved weapons had been fitted; and the Battle of the Atlantic had been lost and won. If Doenitz had had his way its outcome might have been very different.

In 1943 Doenitz succeeded Raeder as Commander-in-Chief. His outspokenness, while a shock, was immediately successful with Hitler, even to the extent of getting him to reverse the decision to scrap the capital ships over which Raeder had resigned, and he gained the Fuehrer's confidence, perhaps unknowingly, so much that at the end he was designated his successor. Lacking the necessary documents Doenitz's account of this period is less complete, but not the least interesting parts of his book are his views on the Submarine Agreement, the Neutrality Act, the *Laconia* incident, the events of July 20, 1944, and his reactions during the Twenty Days.

Doenitz's strongly nationalistic outlook will not always please his readers; but at a time when the size of the Russian submarine fleet shows they have not failed to learn the lessons of two world wars between land and sea powers, and when the West German Government has just placed its first orders to reconstitute a second time the U-boat arm, this book is of more than usual significance.

A Natural Leader

Prince and Premier: *A biography of Tunku Abdul Rahman*

By Harry Miller.
Harrap. 224 pages. 18s.

THE first prime minister of independent Malaya is a surprising example of the born leader—for until he was 45 "the Tengku" (or "Tunku," as he prefers to spell it) had given no indication that he had either the capacity or the desire to lead. He graduated in Arts at Cambridge, but only just, and "failed his Bar examinations because he preferred horse-racing, the 'dogs' and dancing." Returning to the Temple after two decades, he finally made it and, on being called, said:

> Tonight is an unique occasion for the Inn, because it is the first time a student has been called after staying with it for twenty-five years. Tonight I not only celebrate my being called to the Bar, but also my silver jubilee as a student at this Inn.

Three years later, in 1951, after an indifferent career as a law officer in his native state of Kedah, Tengku Abdul Rahman was persuaded to take the leadership of the United Malays' National Organisation. To the surprise of some of his oldest friends, he revealed an unusual instinct for politics. Tactful rather than forceful, persuasive but without demagoguery, he had the capacity to bring the Malays and Chinese together in electoral amity. His Alliance party, which combined the principal Malay and Chinese organisations, was swept into power in July, 1955; two years later, the Federation of Malaya was independent.

It is fair to say that the Colonial Office would not have handed over power so willingly to anybody else. Why this is so emerges clearly from Mr Harry Miller's biography which, though undistinguished in style, is readable as well as painstaking. In some respects, this first biography of a modest but important Asian complements the same author's "Menace in Malaya," a valuable account of the Emergency, which Tengku Abdul Rahman has not yet succeeded in ending.

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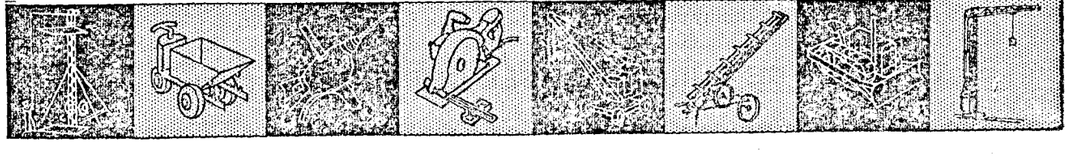
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Inflation's Stubborn Allies

WASHINGTON, DC

IF only the baffling problems in the sphere of finance could be solved, the American economy would be close to rejoicing in the best of all possible worlds. There was a great deal of talk earlier this year about the failure of employment to respond to the recovery in business. But the great increase this spring in the numbers at work has demolished almost completely the idea that there is a new problem of any significance in this area. It now seems virtually certain that employment, like everything else, will continue to improve in the classic way as long as the business cycle remains in an expanding phase and that by the end of the year unemployment as a political issue will be practically forgotten.

The course of other economic indicators resembles closely that taken during the recoveries which followed the last two recessions, and it would be a daring and ingenious economist who tried to prove that the present revival is anything but a normal and pervasive one. It is true that the expectation of a steel strike has given a modest additional fillip to the accumulation of stocks, and hence to industrial production, but there are increasing signs that consumers are using much more steel than once seemed likely and that consequently they have not been able to put by as much as they wanted to. Whether there is a strike or not, the steel situation cannot help but slow down the upward movement of the economy in the third quarter. But it would probably take a strike of two months or more to cause any actual change in the direction of the economy.

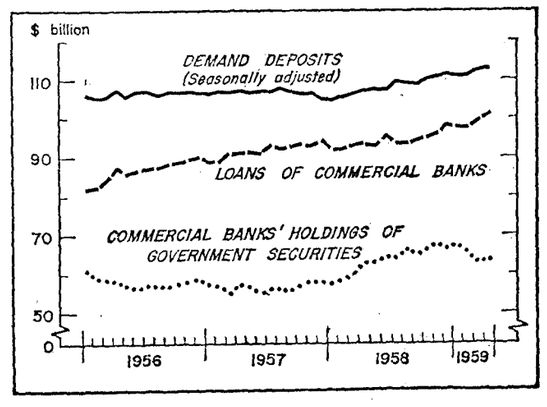
It is also typical of this phase of the business cycle that there has been a considerable period of price stability. During the past year consumer prices—the cost of living—have scarcely changed at all because declining food prices offset small upward movements in the prices of a few other goods and of almost all services. The wholesale price average has also been stable, though the pessimists can detect in it some causes for alarm. The average of all prices other than farm products and processed foods has been rising steadily since the middle of last year and it is claimed that this rise is taking place somewhat earlier and more rapidly than it did in previous recoveries. Still, nothing has happened so far to make it inevitable that prices in general should start creeping up again. The men who are determined to halt inflation—and the government is full of them—cannot complain of being handicapped from the start, except where finance is concerned.

The financial problem takes three forms. The first involves the money supply itself. The Federal Reserve Board made money extremely easy for about six months late in 1957 and early in 1958, and then last summer turned with unusual, if not unprecedented, speed toward a policy of neutrality followed by one of restraint. At first the active money supply responded very little, although time deposits rose steeply. Later demand deposits joined the rise, but for the whole of 1958 the increase was anything but alarming, particularly in the light of the virtual stagnation of the money supply in the two previous years.

Last December, however, the money supply after seasonal adjustment suddenly began to grow at a worrying rate, in spite of the courageous policy of restraint by the Federal Reserve Board. In the main expansion appears to have been a result of credit extended by the banking system to private borrowers, rather than of financing by the banks of the huge Budget deficit (although the deficit has probably weakened somewhat the ability of the central bank to enforce its policy of restraint). The response of the central bank has been to tighten its curb somewhat, on the ground that, if the supply of money continues to expand, the job of keeping prices stable in an expanding economy will become far more difficult.

Next there is the perpetual problem of managing the public debt. The Treasury takes pride in the fact that the largest peacetime deficit in history has now been financed with surprisingly little resort to the banking system and with some modest success in extending maturities beyond the very short term. On the other hand, the floating debt—defined simply as the volume of Treasury bills—has risen very steeply since the middle of last year and is now at a record level. What is worse, the Treasury can no longer sell any issues maturing in more than five years; the law forbids it to pay interest of more than 4¼ per cent, and the prices of most of its outstanding bonds are so low that they yield more than this.

Mr Anderson, the Secretary of the Treasury, at last



has made up his mind reluctantly to ask Congress to change the law, but this means a big battle. Even if the Administration wins it, the Treasury will have difficulty in selling many long-term issues in the nervous market for bonds which has existed for nearly a year. Hard though the Treasury has tried to find a way out, the economy remains too liquid, as a result of the massive financing operations of the past eight months, to please those anxious to avoid inflation ; this will not be easy to correct.

Finally, there have been disquieting signs in the financial markets of the sort of speculative psychology that has brought disaster in the past. The Securities and Exchange Commission has issued an official warning, and so has the Stock Exchange, but warnings seldom deter the man who is determined to gamble with his money or the man who is only too delighted to help him to lose it. A vigorous debate over the "unsoundness" of the level of stock market prices has been inconclusive, but the situation is causing fairly widespread uneasiness and the President's request for removal of the ceiling on interest rates and a higher one on the national debt, although generally expected, set off a wave of selling. Certainly earnings have been discounted, in many cases, over a long run that may well find the discounter dead before they are achieved. There is even another real estate boom in Florida, much like the one that preceded the 1929 crash.

Meanwhile, interest rates on practically everything but the shortest-term Treasury instruments are already as high as, and in some cases higher than, they were during the last boom. It is believed so widely that rates are bound to rise further that the Treasury had difficulty recently in selling even a one-year issue with a coupon of 4.05 per cent. In a sense this situation is a tribute to the determination of the Federal Reserve Board not to let inflation take hold, but it also reflects much scepticism about the central bank's prospects of success. Belief in the inevitability of inflation helps to account for the fact that bond yields are now noticeably higher than those on ordinary shares—a situation all too reminiscent of the late nineteen-twenties. It may be that the government's determined monetary and fiscal policy will soon restore order. But it cannot hope to avert all the consequences if enough people are determined to be foolish.

Wheat's Political Harvest

LAST week the Secretary of Agriculture, Mr Benson, announced that the government will continue to support the price of wheat at about the same level which has already made it the costliest offender of all the crops now in surplus. Mr Benson had no choice, under the law. Congress postponed his announcement for two weeks to give itself time to draw up a new wheat scheme, but by the deadline, June 1st, it had failed not only to produce a better alternative, but even to agree on any Bill at all. The end of this month would still not be too late to act before the farmers start to sow next year's crop, if the President, the Senate and the House could agree on what should be done. But this seems remote ; both the stop-gap scheme which the Senate has passed and the one which the House was considering this week are likely to provoke a presidential veto because both offer even higher support prices to farmers who reduce their plantings.

President Eisenhower hinted as much when, for the sixth time this year, he urged Congress to continue past the deadline its efforts to replace the present "discredited wheat legislation" with a programme which would reduce the incentives to overproduce, not make matters worse. The Administration's own proposals for a permanent scheme to melt the wheat surplus involve a sharp reduction—from about $1.80 a bushel to $1.40—in the support price ; controls over production would be done away with in 1962. But no Republican member of the Senate Agriculture Committee would sponsor this plan and the Republican leader could not even rally enough votes to demand a roll-call. Both houses have agreed to put a ceiling of $50,000 on loans to individual farmers, one or two of which have reached the headline-producing size of $1 million, but the effect on the programme's total cost will be negligible.

The Democrats, with their big majorities, can hardly blame the President for making so clear where the responsibility lies for a crushing burden on the Budget and on the non-farm taxpayer, although admittedly he has not gone out of his way to seek a compromise. Many fear the reckoning to come in the election year of 1960, but the farmers, who make up only about 11 per cent of the population, are overrepresented in Congress and unable to agree even among themselves on a new farm programme. Potential Democratic candidates for the Presidency such as Mr Symington prefer, moreover, to train their guns on the Commodity Credit Corporation rather than offend farmers who will fight back. The party which complains of lack of leadership in the White House will have to act quickly if it does not want to regret, next year, that it did not display more itself.

Congressmen at Arms

MR EISENHOWER'S defence budget for the coming fiscal year is now half way through the congressional sausage machine formally known as the appropriations debate. The House of Representatives has approved, almost unchanged, the suggestions of its subcommittee which inspected the defence budget in detail during the spring ; the matter now moves to the Senate, the junior of the two chambers where money Bills are concerned. The House, as has been expected for some weeks, gave the President roughly the total he asked for—it cut it by $400 million, or one per cent—but it chopped and changed the component items more than observers in Washington thought it would. The changes constitute a medium-sized victory for those who want money spent on missiles ; and a real defeat for the generals who are more worried about America's readiness for conventional wars.

Paradoxically, it is the Army, the prime concern of the limited war theorists, which has fared best. An extra $200 million can be used to speed the Arm's anti-missile missile the Nike-Zeus, which—if it turns out to be workable—might cancel part of the 3-to-1 superiority in intercontinental missiles which the Russians are expected to gain in the next few years. The Army is also given more money to keep its reserve forces at their present level ; but this is a kind of Danegeld paid to the political influence of the reserves, and a Congressman's attempt to restore the Army's active forces to last year's size conspicuously failed. The Air Force gets an additional $170 million to help close the "missile gap," half of it for eight more squadrons of

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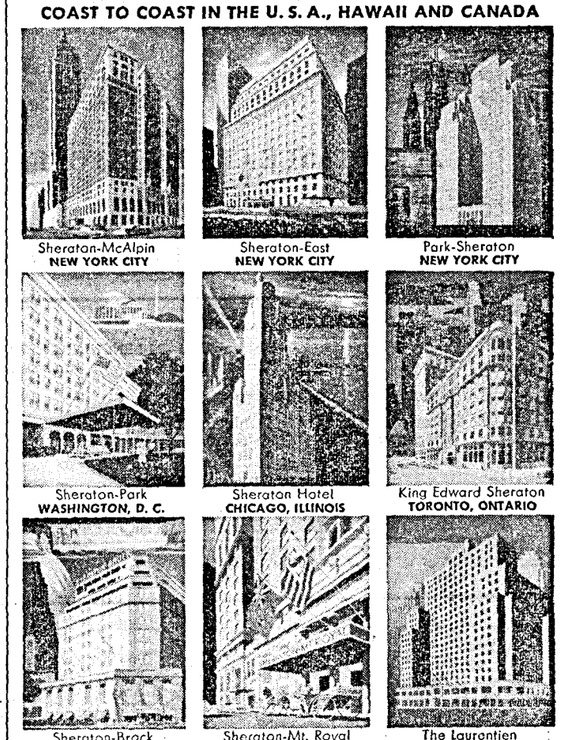
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FRENCH LICK, Ind.
French Lick-Sheraton
RAPID CITY, S. D.
Sheraton-Johnson
SIOUX CITY, Iowa
Sheraton-Martin
Sheraton-Warrior
SIOUX FALLS, S. D.
Sheraton-Carpenter
Sheraton-Cataract
CEDAR RAPIDS, Iowa
Sheraton-Montrose
SOUTH
LOUISVILLE
Sheraton Hotel
The Watterson
DALLAS
Sheraton-Dallas
AUSTIN
Sheraton-Terrace
Motor Hotel
MOBILE, Alabama
The Battle House
WEST COAST
SAN FRANCISCO
Sheraton-Palace
LOS ANGELES
Sheraton-West
(formerly the Sheraton-Town House)
PASADENA
Huntington-Sheraton
PORTLAND, Oregon
Sheraton-Portland Inn (opens fall 1959)
HAWAII
HONOLULU
(Sheraton operated)
Royal Hawaiian
Princess Kaiulani
Moana
Surf Rider
CANADA
MONTREAL
Sheraton-Mt. Royal
The Laurentien
TORONTO
King Edward Sheraton
NIAGARA FALLS, Ont.
Sheraton-Brock
HAMILTON, Ont.
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Atlas missiles in addition to the nine planned by the Administration, and half to hasten the advent of the solid-fuelled Minuteman. However, the airmen lose more than they gain through cuts in their funds for a tactical missile and for transport and trainer aircraft. The Navy comes out all square. It loses an aircraft carrier, but it gets the money back for extra anti-submarine equipment.

The additions to the missile programme may well be accepted by the Administration. But the Secretary of Defence, Mr McElroy, must be rueing his recent suggestion that Congress should resolve the long dispute between the two rival anti-aircraft missiles now being developed—the Army's Nike-Hercules and the Air Force's Bomarc—by "holding our feet to the fire." The House, deciding that the Bomarc, though potentially the better weapon, is too far from readiness, has sharply cut the funds for it; at the same time a Senate committee, more sympathetic to the Air Force, suggests cutting the funds for its Army rival. Mr McElroy will have to get the congressional firebrands to put out one of these blazes.

Parting Shot on Schools

It would be a mistake to read too much into the resignation of Dr James Killian, President Eisenhower's science adviser, immediately after the President had given a somewhat noncommittal reception to Dr Killian's report on the state of American education. Dr Killian made it clear some months ago that for personal reasons he wanted to leave his post about the middle of the year. He will return to the Massachusetts Institute of Technology, from which the President summoned him late in 1957 when the Russians' triumph in getting a satellite into space made it clear that the Americans had better get a scientist of the front rank into the White House. Dr Killian quits amid general praise for a job well done. He nerved the Administration into trying to reach an agreement with the Russians on the suspension of nuclear tests; and the Science Advisory Committee which he headed has just prodded the President into spending more money on basic research into the atom.

Nevertheless, the last fruit of Dr Killian's work, the report on education produced by the Science Advisory Committee, may fall on stonier ground. Its main conclusion—that the Americans ought to spend at least twice as much on education as they do now (which is roughly $15 billion a year from all sources, governmental and private)—drew from the President the comment that it was an "excellent statement of educational needs," a remark which the liberal *Washington Post* found disappointingly vague. Mr Eisenhower is understandably wary of committing himself. A good deal of the extra money would almost certainly have to come from federal funds—which now play only the most minor part in education—and this is anathema to his conservative soul. The cabinet officer in charge of education has just warned Congress that the President will veto any Bill which commits the Administration to helping education permanently.

But the report does not fall into the fallacy of assuming that all the ills of American education can be cured simply by injecting more dollars. It believes that the brighter pupils should be made to work harder and take more academic subjects in place of "life adjustment" courses. Some school districts—the District of Columbia, for example—have recently stiffened the curriculum for their best students, and, greatly daring, are even replacing simple "tests" with thorough examinations. But the National Education Association, the powerful teachers' organisation which would be delighted to see more federal funds flowing in, casts a chill eye on anything which it thinks to be a step back to old-fashioned theories of education. To use an Eisenhowerian mixed metaphor, between the devil of the economisers and the deep blue sea of the "progressive" educationists, the Killian report will have a hard row to hoe.

Librarians Take Care

FROM A CORRESPONDENT IN CALIFORNIA

The recent banning of a children's book from a public library in Alabama because it featured a wedding between a white rabbit and a black one raises questions not only about the ridiculous lengths to which southern prejudices may be carried, but also about the part played by librarians in deciding what books shall appear on their shelves. Some factual answers are contained in a forthcoming study conducted under the auspices of the University of California by Dr Marjorie Fiske Lowenthal, with the help of a grant from the Fund for the Republic. This reveals that the librarians themselves, although theoretically opposed to censorship, are in practice the most active censors and that censorship is by no means always, as had been assumed, the result of pressure from outside groups or individuals, such as state legislators.

One librarian, for example, asserted firmly that she was so completely opposed to outside censorship of books in public libraries that

> when someone complains about a book, in our library, I just put it aside in a locked room. Right now, we have more than two thousand books locked away like that.

To this librarian and to many of the more than 200 others interviewed in 26 Californian cities, it did not seem contradictory to lock books away from readers while at the same time deploring censorship. This attitude is, evidently, very common throughout the profession. Even though they were not subject to outside pressures or complaints, nearly two-thirds of the librarians reported cases in which they had decided not to buy a book, not because of its questionable merit, but simply because it or its author might possibly be considered "controversial" at some future time. One-fifth of the librarians reported that they always avoided buying such books. Yet there is no consistent pattern about what books librarians believe to be "controversial." The range of forbidden authors includes Mrs Dorothy Canfield Fisher and Mrs Pearl Buck as well as Dr Alfred Kinsey, while the list of books considered "controversial" takes in not only "The Ninth Wave," but even the saccharine "Gone With The Wind."

All these cases of censorship by librarians are quite apart from the very special problems involved in selecting books for children or young people and the legitimate difficulties faced by librarians with only limited budgets who must choose between buying books that educate or those that entertain. Even under the best of circumstances, the problems of book selection are not easy. One librarian, according to the study, said that she would not purchase "Peyton Place" just because the public asked for it; "after all, a

library is supposed to fill the community's needs, not just supply what the public wants." But another disagreed violently:

> Most of our purchases are on a popular basis. Our job is to get the borrower of the book together with what he wants.

Between these two alternatives, there is a whole range of questions which have engrossed the attention of professional librarians for many years. How many scientific works should be bought and how many copies of Shakespeare? Should the library stock books of quality which may be taken out only once or twice a year at the cost of excluding some of the best-sellers established by popular taste? But these problems are of a different order from locking "controversial" books away from readers, not purchasing them or even, in one case, actually burning them.

THE study did not find that the censorship of books by librarians was the result of complaints about books on political grounds. In spite of the well-publicised McCarthy controversy, the fight over the use of Unesco materials in the free schools in Los Angeles and the activities of a self-appointed and puritanical book censor in northern California, the largest number of complaints—50 per cent of all those received—still involve allegations of immorality and profanity. But even though there is no political pressure on the librarians, they behave timidly because they are afraid, according to the study, that they will be persecuted if they buy controversial books. This fear often has no basis in fact, but whenever there is a public incident like the rabbit wedding librarians in every part of the country react by becoming more fearful. In California, there have been only eight such incidents since the early nineteen-thirties and in only two of these did the librarians accede to the pressure from outside. But most librarians behave as if such defeats were the universal rule, rather than the exceptions.

Librarians also feel that they are isolated from their community.

> I can't think of a single community organisation that we could turn to for help if this library ever got into a public dispute over our book selections,

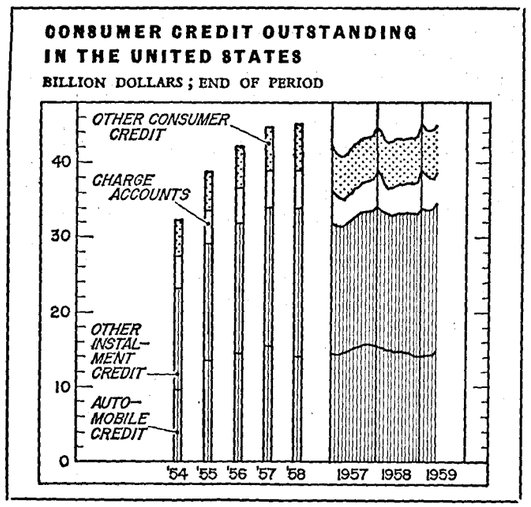
sadly reported the head librarian in a large city and not one of the head librarians and school administrators who were interviewed expressed any different feelings. Nor does the press appear to be of much help, for it only publishes news about libraries when there is an incident like that of the rabbits or when some reporter actually creates a story by checking library shelves to see if any "controversial" books are in circulation.

Many librarians also believe, with some justice, that the public has little respect for them or their work. If the public's attitude towards them is tested by the salaries they are paid, their working conditions and their professional status, then the librarians are right in thinking that their work is not considered especially important to the community. Public librarians are generally low-paid, while those who work in schools are frequently given additional duties to perform. This in turn creates staff shortages; in New York City, for example, library hours and services have had to be curtailed because of a lack of trained personnel. If the tradition of libraries free from fear as well as fees is to survive, there must be more sustained support from the public for their librarians.

Borrowing to Buy

CONSUMERS are going into debt for the things they want to buy more rapidly than at any time since 1955. The figures for April, which were released last week by the Federal Reserve Board, show that instalment credit, the largest item in consumer debt, rose by $423 million after seasonal adjustment, the biggest monthly increase since the great boom year of 1955. More than half of this—$220 million—was to buy cars; this is not as big as the increases of $300 to $400 million a month in 1955, a 7 million car year, but it is a considerable advance on the $169 million average of recent months. Other durable goods accounted for most of the rest of the increase as families decided at last to buy the new furniture and appliances which they went without during the recession and the new clothes which were easier to resist when the sack was queen.

To go lavishly into debt, consumers need to feel prosperous and like to feel that they are not paying excessively high prices. They were slow to resume buying on credit last year, concentrated on paying off old loans, and only returned to the pre-recession pace in December. Since then, however, unemployment has fallen rapidly, prices have remained stable, and personal income has continued to rise month by month; in April it reached a seasonally adjusted annual rate of $373 billion, nearly $10 billion higher than in January, with most of the increase going to wage and salary earners.



Consumer buying, whether for cash or on credit, is obviously of the first importance for further economic expansion. But some government officials are beginning to wonder whether consumer credit, with repayments taking 12½ per cent of peoples' disposable income, is not growing too fast; they remember the expansion in 1955 and suspect it paved the way to the decline which followed in 1957. There is no likelihood, however, that controls over consumer credit will be restored in the near future, although excessive borrowing by consumers may bring its own penalty. Such credit, which has grown in all by over $2 billion in the past year, is one of the Treasury's great rivals in the money market and a factor in forcing interest rates up. The people who called the tune soon may have to help to pay the piper. The big banks in New York City are considering, for the first time in over three years, an increase in the rates consumers pay for instalment credit. Outside New York, some of the big finance companies are also on the verge of raising their charges. Whether this will slow down the expansion of consumer credit is another matter. Buyers usually only ask themselves if they can afford the monthly carrying charge—and today most of them can.

And Then There Were Four?

SINCE Virginia seceded from the ranks of "massive resistance," only six states still keep coloured children and white wholly segregated in their tax-supported schools. One of the six, Florida, expects to admit a token number of young Negroes into the schools in Miami next September; and now a federal judge in Atlanta, Georgia, has ruled that racial segregation in the city's schools must cease and has asked the local Board of Education to draw up a plan for ending it. The crisis to which this will almost certainly lead is still some time distant. The judge has yet to issue his final order. When he does so the inevitable delaying action which the segregationists will fight can hardly reach the Supreme Court before October, when it comes back from its summer holidays; and the Negro children are unlikely to present themselves at the school gates before the autumn of 1960. But when the bang does come it may well be a big one. The Georgia State Legislature, one of the most intransigent in the whole South, armed the Governor this year with the power to shut not only any school to which coloured children are admitted but also, cruelly, the Negro schools from which they come.

If Governor Vandiver, who has said that he will not countenance even token integration, invokes this power, the courts may well decide that it violates the Constitution's guarantee of "equal protection of the laws." The Governor will then have to decide whether he is ready—as the Governor of Virginia was not—to defy the federal government. Atlanta itself is probably willing to compromise. Unlike the steel centre of Birmingham, for example, in neighbouring Alabama—where a population of poor-white migrants from the countryside, alarmed by the economic rivalry of Negro workers, keeps the city teetering on the edge of violence—Atlanta has a record of moderation. It contains a respected community of middle-class Negroes; its Mayor, who is generally believed to be kept in office with the aid of Negro votes, has let the races mingle on the golf courses and in the buses; and white parents who want to keep the schools open have set up an organisation called Help Our Public Education (HOPE).

The Mayor of Atlanta wants the people of the city to be allowed to decide for themselves whether to admit Negroes to the schools or to close them. In any case, because the races live in different parts of the city, no more than a tenth of the city's Negro children would be affected. But a proposal for local option, introduced by one of the city's representatives in the State Legislature early this year, never saw the light of day. The Governor may find that the racialist faith of the rural conservatives, who hold a huge majority in the Legislature, presses him more urgently than the demands of either HOPE or charity.

Background Music Pipes Up

NEW YORK

AN unusual import will be introduced to the British market this summer. A non-stop service of background music, recorded and dispatched from New York City, will bring to the London area the ultimate in music-while-you-work. Thanks largely to the Muzak Corporation the American, like the fine lady of Banbury Cross, tends to have music wherever he goes. Whether he is at work or at play, shopping, eating or cashing a cheque, ascending in a lift or visiting the zoo, strains of "Stardust" or the latest hit song are liable to filter through the immediate chatter and clatter. And a more recent innovation finds Muzak installed in a number of aircraft, trains and buses. About 54 million Americans are exposed to it in the course of each day, according to one bold estimate.

Most subscribers to Muzak (98 per cent of the total) receive their programmes through the telephone network. More recently the operation of the 17 FM radio stations has helped to gather the remote rural customer and others into the Muzak fold. The programme originates at the company's headquarters in New York City and tape recordings are dispatched to five regional offices, which circulate them to local stations for piping into the telephone circuits. Only the New York area is serviced directly by the Muzak Corporation; elsewhere distribution is handled by franchise-holders of whom there are at present 185. Muzak has already made itself heard abroad. It has penetrated most Canadian cities, and has gained footholds in South America, Cuba, Puerto Rico, Singapore, Siam, Hongkong and the Philippines; it preceded the flag to both Alaska and Hawaii. The London franchise has been awarded to ATV.

Launched in the middle of the nineteen-thirties to supply light music to restaurants, the Muzak Corporation turned its attention to offices and factories during the war, largely as a result of British research into the stimulating effect of music on war production. Since then Muzak has never looked back. Subscribers, whose numbers have trebled over the last decade, now pay over $12 million a year for Muzak, and the company claims that of the 100 largest corporations in the country 95 are on its lists. Rates to individual subscribers vary according to the amount of amplifying equipment required and the number of listeners; a small office may pay $15 a month, a large plant $800. There are a handful of competing companies in the field, but none has yet challenged the leading position of Muzak. The great selling point of all piped music of this type is its freedom from advertising.

Muzak's collection of records now numbers 50,000, to which about 20 new titles are added each month. The company, which pays over $250,000 a year in royalties, commissions its own orchestras and makes it own recordings. Musical programming is taken very seriously. Each recording is meticulously rated for its degree of emotional stimulation, and the day's programmes are plotted on charts and noted on punch cards. Although it attends to the requirements of the lunch hour, the cocktail hour and the dinner table, Muzak's main concern is to offset, through its programmes, the hour to hour fluctuations in workers' energy and application. To feed the new British network, Muzak has to run off a special programme; copyright regulations and release dates for new "numbers" vary on the two sides of the Atlantic.

THE WORLD OVERSEAS

Apartheid in Action—and Reaction

FROM OUR CORRESPONDENT IN SOUTH AFRICA

With a liberal use of the guillotine, the National party government has just pushed through parliament two measures of fundamental importance. The first is the Bantu Self-government Act, which ends what meagre representation the African people have in parliament, provides for the establishment of eight ethnic units corresponding roughly to the present areas reserved for African occupation, and gives to each a degree of self-government that will, however, be subject to the overriding authority of the Union parliament.

Mr Verwoerd said categorically during the bill's stormy passage that the Nationalist party were fully prepared to face the consequences of granting ultimate independence to those areas. The measure, he declared, was in the spirit of what was happening elsewhere in Africa where black people were demanding self-rule. But there is little disposition, outside the Nationalist upper crust, to believe that complete independence for these scattered areas will be practicable even in the middle future. Critics of the measure have condemned it both as a fraud and as potentially dangerous because, by raising false hopes, it might produce a bitter reaction. Already a territorial authority in eastern Cape Province, anticipating the promulgation of the measure, has asked for arms with which to fight opponents of the government's policy.

Sir de Villiers Graaff, leader of the United party opposition, has warned against the grave danger of breaking up the Union, balkanising the country and creating divided loyalties. The government retorts that this is a risk to be run, but it is optimistic about being able to work harmoniously with the independent black states when the day comes —which nobody believes to be anywhere near at hand yet. Perhaps the gravest criticism of this revolutionary measure is that while it purports to tackle the political aspect of the race problem, it leaves wholly out of account the sixty per cent of the African people who are not accommodated in the two hundred or more separate land units, spread over only thirteen per cent of the land surface, which constitute the reserved areas.

As the Tomlinson Commission showed, there will always be millions of Africans in the so-called white areas, plus some two million Coloureds and nearly a million Asians. These Africans are the most advanced, and therefore have the most clearly formulated political ambitions, as expressed in such bodies as the African National Congress. Without their labour the country's economy would collapse overnight, but they are now utterly voiceless in the legislature which controls every detail of their lives. Even their legitimate spokesmen, like Chief Luthuli, have been silenced or banished. This will probably drive the whole movement underground and hand the leadership over to extremists who will turn their backs on the co-operation with liberal whites that Chief Luthuli still preaches.

Without specifying its plans in detail, the United party opposition has made it clear that it believes in giving the Africans a voice in parliament, that it is prepared to extend the present token representation to the northern provinces and that it believes in consultation with the non-white leaders. Although this timid approach wins little, if any, sympathy with the African leadership, it does have the support of at least one Nationalist MP. Mr Japie Basson, one of the leading intellectuals of the younger school of Afrikaner Nationalism, has paid the price for this view by being expelled from the parliamentary caucus of his party. He speaks, however, for a minority of Afrikaner intellectuals who are disturbed by Mr Verwoerd's headlong plunge into uncharted constitutional seas, his bland disregard for political realities, and his utter intolerance of opposing views. The effect of this minor revolt on the climate of Nationalist opinion may be significant.

It is in this Afrikaner quarter, too, that there is most unhappiness over the second measure which has upset the country: the Extension of University Education Act. This measure denies non-whites the right to attend universities which have hitherto admitted them, transfers the one existing non-white college—Fort Hare—to the control of the Bantu Education Department, and provides for the establishment of universities for different ethnic groups on a basis that will subject them to the strictest ministerial control. These, the critics say, will be nothing but tribal colleges established to carry out the government's Bantu education policy. By closing the "open" universities' doors to all other races, the Nationalists have not only struck at academic freedom, but have taken their most decisive step towards isolating the races at the level at which understanding had its best chance of developing. The government's reply is that only in this way will be it be possible to maintain separate development. The critics retort that this is simply another attempt at pushing the African back into tribalism.

Paradoxically, the government's ruthlessness in pushing ahead with these measures has, for the first time in eleven years, given the anti-Nationalist forces among all racial groups some hope that at last Verwoerdism is overreaching itself. They believe that the country may still be saved from its worst excesses if the forces of moderation can hold together and act decisively when the time comes. As one experienced commentator expressed it last week:

> Mr Verwoerd has done the wrong thing at the wrong time. His fantastic Bantustans amount to nothing, for there is a limit to our political madness. The group of extremists who pretend to rule the country are rapidly undoing themselves . . . there is neither reason nor logic in their plans. Perhaps it is just as well it is happening now, while there is still some semblance of sanity left.

In that mood of anxiety, if not of near-despair, South Africa awaits the next act in the unfolding drama of Verwoerdism.

Double-Take on the Rhine

FROM OUR BONN CORRESPONDENT

Dr Adenauer is miscalculating if he still believes that his somersault at the top of West German politics has left him standing just where he was before. He is still Chancellor, still chairman of the party which commands a majority in the Bundestag; but the high prestige he has hitherto enjoyed in parliament, within the Christian Democratic party, and throughout the country, has been drastically diminished. He has lost what might have been much comforting support for his attempt to ensure what he calls "continuity of policy," and has kindled a great deal of antagonism that is bound to find an outlet in both overt and covert obstruction of his aims.

Since April 7th, when he first announced his intention of standing for the presidency, he has achieved prodigies of estrangement. He has conspicuously slighted two of the most respected figures in German public life—President Heuss and the vice-chancellor and economics minister, Dr Erhard. He has continued unsparingly to belittle the importance of his foreign minister, Herr von Brentano. He has disregarded the counsel of his party's most influential leaders, including Herr Gerstenmaier (the president of the Bundestag), Herr Krone (leader of the parliamentary party), and Herr Hocherl (of the touchy Bavarian Christian Democrats). He has let the limelight fall on the humiliating spectacle of his parliamentary party being stampeded into submission at a single crack of the whip. At the same time he has disappointed countless politically more detached Germans who, while wishing him well, were already thinking that it would probably be in the country's best interests if Dr Adenauer made way for another at the Palais Schaumburg, and consequently had welcomed the gracious manner of his proposed exit from active leadership.

The 83-year-old Chancellor seems to have been deluded by the courtesy which many people had exercised in speaking of the succession. The blunt question "how do we get rid of him?" will now be posed more openly and more often. Dr Adenauer speaks of putting himself forward in the 1961 elections for a third five year term as chancellor. Since last week he has made sure that it will not be only the Social Democrats who will make it their business to prevent him succeeding.

As yet, the potential conspirators have scarcely had time to collect their faculties, let alone muster their forces. Some of them have been waiting for the return of Herr Erhard, who arrived on Tuesday night visibly smouldering with a wrath that Dr Adenauer's soft answers could not turn entirely away.

At the party meeting in the Bundeshaus at which he announced his changed plans, Dr Adenauer challenged some dissentients to resort to the opportunity provided by article 67 of the Basic Law. This runs:

> The Bundestag can express its lack of confidence in the federal chancellor only by electing a successor by the majority of its members, and requesting the federal president to dismiss the federal chancellor. The federal president must comply with the request and appoint the person elected. Forty-eight hours must elapse between the motion and the election.

The prospect of such dire rebellion seemed at that moment to have been overwhelming in its awfulness. With the passing of time it may appear less terrible. Some Christian Democrats hinted at first that they would support a motion of no confidence sponsored by the Social Democrats provided it proposed that Herr Erhard or Herr Gerstenmaier should be Dr Adenauer's replacement. The Social Democrats themselves are deep in councils of war. Indignant whoops and clashing of spears can be heard within; but new decisions, if any, had not been made public at the time of writing.

Meanwhile, some Christian Democratic deputies are toying with the idea of voting on July 1st for Professor Carlo Schmid, the Social Democratic candidate for the presidency. Professor Schmid's chances of success have improved considerably. Probably a number of Free Democrats, and even members of the right-wing German Party, will vote for him now that the alternative has changed. The Christian Democrats are again just as much at a loss to produce a certain winner as they were before Dr Adenauer stepped into the breach in April. The meeting of the party committee appointed to find a presidential candidate has been postponed until June 15th. The names of the possibles mentioned most frequently are those of Herr Krone, Herr Etzel, and Dr Gebhard Müller (formerly chief minister of Baden-Württemberg and ex-president of the German Red Cross). Herr Etzel, who until a few days ago was Dr Adenauer's favourite for the chancellorship, is said to have remarked, on hearing of his changed prospects, "Why not pope?", and to have declined the proffered presidency with thanks.

One ambitious Christian Democrat has been markedly silent throughout these latest excitements—Herr Strauss, the brash and lusty minister of defence, whom this week's *Simplicissimus* caricatures looking at photographs of his new baby and saying: "No, don't let the press get hold of these. He looks here as though he were a housing minister's son." Herr Strauss is certainly not least among the party malcontents whom Dr Adenauer will be watching uneasily from now on.

The de Valera Double

FROM OUR DUBLIN CORRESPONDENT

On June 17th the electors of the Republic of Ireland will cast their votes on two widely different issues. The first concerns the election of a new president. The presidency may be held for not more than two terms of seven years each. It has been occupied since 1945, with conspicuous success, by Mr Sean T. O'Kelly. In that year Mr O'Kelly won a contested election. He was re-elected, without a contest, in 1952; and there is considerable regret that he cannot be put in again. He has succeeded in raising the office above party politics.

There is no possibility that he will be followed, as many electors would wish, by some personality drawn from outside politics. The opposition have put forward General MacEoin, who was an unsuccessful candidate in 1945 and since then has held office in Mr Costello's governments. The other candidate is Mr de Valera himself. His decision to stand caused some surprise: he notoriously likes to keep the reins in his own hands. But the presidency is furnished with some powers that have not been exercised since its institution and, provided that Mr de Valera's successor as head of the government is sufficiently docile, there may be new fields of activity to explore.

Equally, it should be remembered that Mr de Valera is

approaching 77, and has suffered from failing sight for some years. The prospect is that before the end of the month he will "go up to the Park" (where the president occupies the residence of former viceroys), and a long career in active politics will have come to an end. Mr de Valera first came into prominence when he was condemned to death after the rising of 1916. The first of a succession of British premiers with whom he has conducted negotiations (usually, with the exception of Neville Chamberlain; acrimoniously) was Lloyd George. He has been the head of the Irish government for twenty-one of the last twenty-seven years. Even Dr Adenauer, who comes irresistibly to mind in such matters, cannot beat that.

Victory in the presidential election will give Mr de Valera only the first leg of his double. The second issue to be decided is whether the system of voting by proportional representation should be retained or abolished in favour of straight voting on the British model. PR was written into the original constitution adopted in 1922. It was retained, to his subsequent embarrassment, by Mr de Valera when he produced his own version, at once more republican and more personal, in 1937. Last autumn he announced that he would introduce legislation to secure its abolition, on the ground that it led to weak governments. His proposals were fought over during the winter months. They were carried through the Dail; but they were rejected by the Senate and became law only when the consequent period of delay had expired. A referendum must be held because an amendment of the constitution is involved. Not surprisingly, the referendum will be held on the same day as the presidential election, so that Irish voters will be invited to distinguish sharply, if they feel so inclined, between Mr de Valera's personality and Mr de Valera's policies.

In so far as the decision will be influenced by parliamentary debate, it must be said that the government got the worst of the arguments in Dail and Senate. The case against PR was based on the fact—which is regarded as a great virtue by a slight overall majority of the electorate—that it caused Mr de Valera's defeat in 1948 and again in 1954. Further arguments were drawn, not always happily, from the example of France, Weimar Germany and pre-fascist Italy. The straight vote, it was claimed, gave decisive results; and flattering references were made to the sagacity of the British, who had never experimented with PR. These arguments were taken up by the Opposition. They pointed out that since 1922 there have been only five changes of government, and three premiers. Mr de Valera's present majority is the largest ever enjoyed in that period. Certainly, a number of small parties had appeared, and mostly disappeared; but they had not produced confusion and in any case it was proper that they should be given their chance. In particular, it was important that "physical force" parties, such as Sinn Fein at present, should be given an opportunity to make their case in parliament. The abolition of PR, it was argued, was designed to keep Mr de Valera's party in office after its chief vote-getter had retired.

On the showing of general elections, Mr de Valera has rather less than a majority of the electorate. It may be significant that most independent deputies and senators voted to retain PR. It goes without saying that the opposition parties did so. The Trade Union Congress, which rarely enters the political field, has announced its opposition to abolition. Among the unattached, there is a feeling that this is an attempt to snatch an unfair advantage. It is perhaps notable that nobody seems to be interested in what the members of Sinn Fein think about it. In some quarters, however, the fact that the Belfast government lost no time in abolishing PR in its area is regarded as a *prima facie* reason for its retention in the Republic.

However things go, this month will see the ending of a long era in Irish politics which has been dominated by the events of forty years ago. Mr de Valera's retirement is an apt symbol of the re-casting of thought on such matters as partition and economic policies which has been notable in very recent years. It remains to be seen if this is carried a stage further by his successor. Mr Lemass, who is minister for industry and commerce, has been speaking as if he is the heir-apparent, but there are sections of the party who believe, possibly rightly, that he is insufficiently interested in matters dear to Mr de Valera's heart, such as the revival of Irish. But events in Germany show how unwise it is to be sure of what may happen when the central personage is an old man who is not in a hurry.

CANADIAN PANORAMA—I

The Modern Frontier

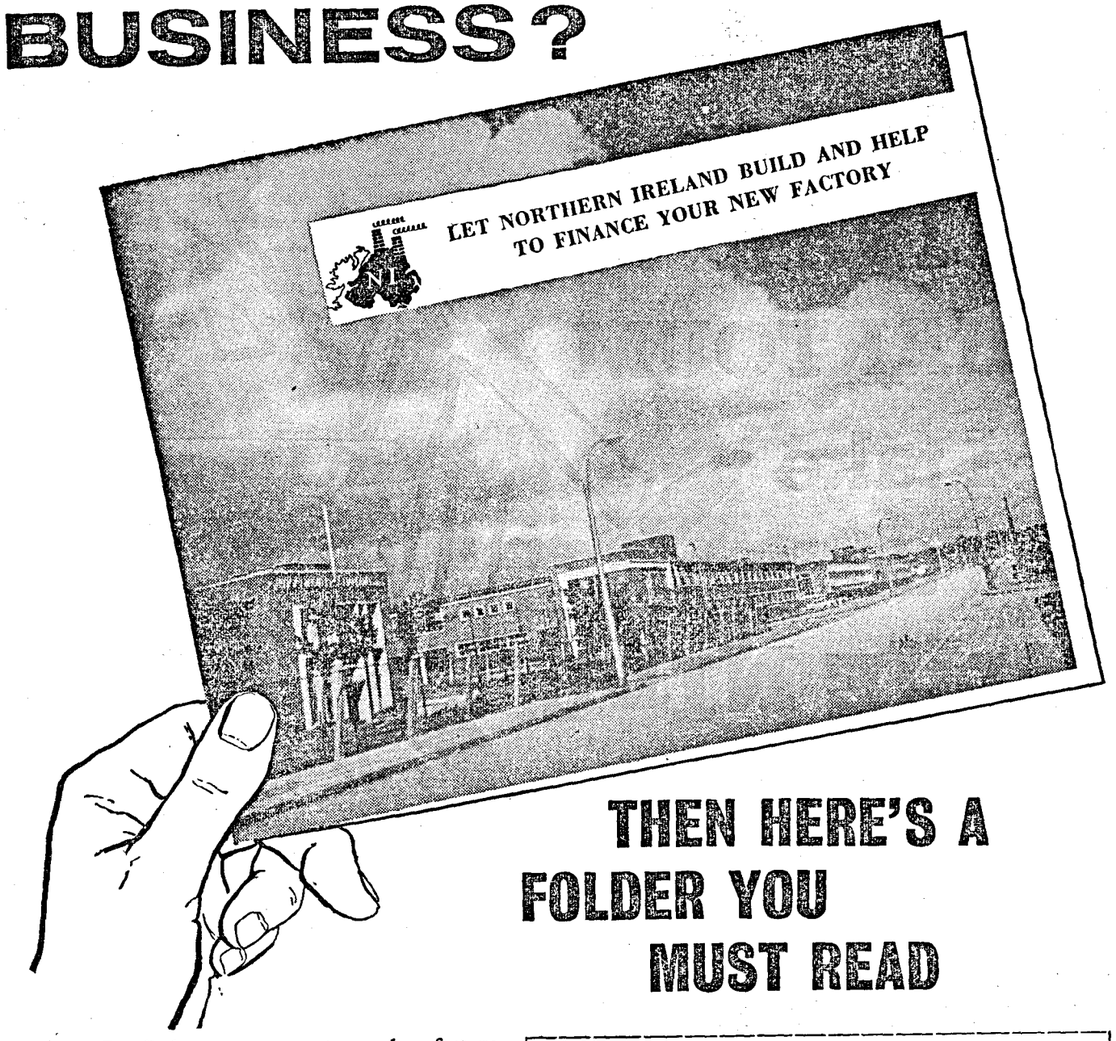
FROM OUR OTTAWA CORRESPONDENT

The royal tour, like any other long journey, invites the fascinating, though futile, game of speculating what places or incidents will live most vividly in the travellers' memories when it is all over. From June 18th, when the Queen and Prince Philip arrive at St. John's, Newfoundland, by air from England, until August 1st, when they embark at Halifax in the royal yacht *Britannia*, they will cover a more varied itinerary than any previous royal tour of Canada. For the Queen, though not for Prince Philip, this tour will provide a first visit to settlements on the northern frontiers where many of Canada's material resources are under development.

After St. John's she will fly to the west coast of Newfoundland to "Bowaters' town," Corner Brook, where most of the inhabitants work at the Bowater pulp and paper mills. Then come two more frontier towns—Schefferville, an iron ore town, and Arvida, centre of operations for the Aluminium Company of Canada. Schefferville gets its name from a highly-respected Roman Catholic bishop who served the lonely Ungava outposts long before iron ore brought the world to them. There live the men—and their families—who this year will shovel out twelve million tons of ore and dispatch it by rail for the 350-mile journey down to the Gulf of St. Lawrence at Seven Islands.

This is the most logical place for the Queen to start her trip up the new seaway. At Seven Islands, where she joins the royal yacht, she will find huge lake vessels, like barges, lying alongside the high jetties where railway wagons can tip 19,000 tons of ore straight into their cavernous holds. The destination of most of this ore is the south shore of Lake Erie, close to the United States steel mills of the famous "inland empire." But for this ore traffic, the seaway might not be completed now. This was the principal reason for the Canadian decision back in the early nineteen-fifties to build the waterway alone, provided the

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CRC 4

United States would make it possible to instal the necessary dams by joining in power development.

The transport of ore from Seven Islands to Lake Erie provided a single source of upbound traffic equal to all the hypothetical oceangoing cargoes on which previous planning had been based. It was President Truman's decision to go first for joint power development, and President Eisenhower's later support of it, that broke the long-standing deadlock in Congress and thus, ironically, brought the United States in at the very time when Canada had decided it would rather go it alone.

The Queen's first taste of modern frontier life will be reinforced at Arvida, the centre of the great aluminium industry established during the second world war to apply the hydro-power potential of the Saguenay river and its tributaries to bauxite and alumina imported from Jamaica and British Guiana. Later in her tour she will see the frontier life again at one of the newest of the remote mining towns, Uranium City in northern Saskatchewan, and at one of the oldest, Sudbury. Their nearest British equivalent, the Queen will find, is Welwyn Garden City. That may be a surprise, but when a new community is planted in the bush to develop new mines or to mill forest products, the company wants to make it attractive. Whether the company owns the houses and civic buildings or whether it carefully avoids ownership, it is usually a generous contributor. The community is necessarily planned. It necessarily has to provide its own social life, entertainment and enlightenment. Local community life does not need to be invented: it is inevitable.

At Whitehorse, in the Yukon, and Yellowknife the Queen will find not company towns but budding metropolitan centres. In late July there will be no darkness. The sun sets for a short time, but the period which strikes the visitor as appropriate for sleep is about equivalent to that vouchsafed to transatlantic passengers eastbound by Comet.

(To be concluded)

Notes from Northern Nigeria

FROM OUR SPECIAL CORRESPONDENT

Economic Equation

EIGHTEEN million people ; a national income of £17 per head ; a revenue of £2 16s. per head, almost exclusively derived from two crops, groundnuts and cotton ; a rate of capital accumulation which must be far below the 8 to 10 per cent which would give it a really dynamic economy. Northern Nigeria is poorer even than Tanganyika. It would like to industrialise: and has made a promising start with a cotton industry. It needs to improve its agriculture, which requires, however, not only fertilisers but trained agricultural officers able to teach their use—at present there is one to every 22,000 farmers. The North is hungry for capital, but to borrow only another £10 million (which it hopes to do to finance a new development plan after 1960) would be the maximum its budget could carry in service charges. And self-government disqualifies it for Colonial Development and Welfare grants, of which it has had £18 million since 1940.

The Northern Region looks at the way other colonies have been treated and considers that it has a grievance ; it got less than its share of development finance in the past, though it was the poorest of all ; and now it is to have nothing at all —and this in exchange for being above all the region whose friendliness towards Britain, coupled with its preponderant voice in the federal legislature, will keep Nigeria in the Commonwealth, under the crown, and in the western camp. There are not wanting voices in Kaduna to give a warning that if the region returns to economic stagnation, the sort of revolutionary change which has overtaken other Islamic countries could happen here. But nobody knows the right extension numbers to ring in the Commonwealth Relations Office or the Treasury.

Northern Justice

When the southern politicians at the London constitutional conference last year produced a photograph of a man who had received 80 lashes for "slandering the emir" (he had been overheard in his own house to say that the Emir had spoken to a leader of the NEPU), the report of a panel of jurists on the reform of Northern Nigeria's penal code and court procedure had been published just three days. It was a close call for the northern delegates, who had, even so, to accept the statement of human rights in the constitution, and are now committed to the reform which will for the first time provide a written code under which a man will know exactly what is the offence with which he is charged and the penalty attached. Under the Shari'a law he did not (any more than did the British administrators, who contented themselves with modifying it: it is illegal to cut off hands, as the Arabic texts prescribe for theft, or indeed to give lashes—as opposed to *token* lashes—though it happens.)

Yet courts of first instance have power to impose fines of up to £150 and to impose sentences of three years imprisonment. Recently an alcali's court sentenced a man to death for apostasy ; the sentence was of course quashed. Your correspondent had read to him a case in which three men who walked round the village with "Vote Nepu" written in pencil on their registration cards got three months' imprisonment. In these courts evidence is not usually heard.

There are, of course, special courts to which non-Moslems may go ; but even this is recent. The new code at least provides that there will be no conviction for an offence except under written law, that there will be a system of appeal, and the magistrates and clerks will be trained. So long as British high court judges remain during the period needed to train a northern bar (it may take to 1970) there should be justice for Moslem and non-Moslem alike. But the bill introducing the code has not yet come before the northern legislature. Suspicion has grown that the emirs are fighting it because they want to enforce the Shari'a law in its former harshness under self-government. The government promises to pass the bill by August, and with the critical eyes of its own minorities as well as of southerners on it, any breach of faith would do more than present NEPU and UMBC with electioneering ammunition ; it would shake the North and the frail structure of federation to its foundation.

Overcrowding in Holland

FROM A CORRESPONDENT IN HOLLAND

WHOEVER has eyes to see must be disturbed at the rate of growth of the small mid-western district of the Netherlands. Some gloomy forecasters even prophesy a conglomeration of population and industry in this region within

a few decades that will be worse than in New York, Tokyo or London. They may be too pessimistic; all the same, the prevention of serious overcrowding in "Randstad Holland" is a problem about which official committees have already produced extensive and thorough reports.

This "Randstad" roughly covers the area Amsterdam-Utrecht-Rotterdam-The Hague-Haarlem, and within this small territory are crowded together 4 million of the 11.3 million Dutchmen, the majority of the country's industries, the two biggest harbours, the principal town (Amsterdam), the seat of government (The Hague), as well as two airfields, the large Schiphol and the smaller Zestienhoven. Between the fast-growing towns and villages there are still areas reserved for agriculture and horticulture, for the famous bulb fields and for popular seaside resorts, as well as lakes and parks for recreation. Development of the area has recently forged ahead with such speed and ruthlessness that serious concern is felt about the well-being and even about the breathing-space of the present generation's grandchildren.

There are a number of reasons for this situation. First, the density of population in the Netherlands is among the highest in the world; it is 340 to the square kilometre for the country as a whole and some 2,000 to the square kilometre for "Randstad." On top of this there is an appallingly rapid growth of population; there are the continuously expanding harbours of Rotterdam and Amsterdam only 50 miles from each other; there is an intensive industrialisation programme designed to give the growing population food, shelter and employment; and there is the geographically favourable situation of western Holland on the continent of Europe's lines of communication. Rotterdam is building its huge Europort project which will provide shipping accommodation for the biggest ships, warehousing facilities for oil and ores, as well as (probably) big blast furnaces and a steel factory; other industries are naturally attracted to this development area. Amsterdam has just published similar plans for the extension of its harbours and for a better entrance to the Ijmuiden docks; here, too, Dutch and foreign industry is considering the advantages of staking a claim. There is also fast-growing Dordrecht, south of Rotterdam, which was recently delighted to hear that Du Pont de Nemours had decided to establish a big Orlon plant there. In short, more and more chimneys are raising their stacks in "Randstad."

ALTHOUGH the gloomy forecast of a Dutch "New York" need not be taken too tragically, it is a fact that by 1980 the population of "Randstad" will have grown from 4 to over 5½ million, as compared with an estimate of 13½ million for the whole country. It is also a fact that the outskirts of several towns are getting uncomfortably close to one another. The intensive industrialisation programme will require more and more houses: at the moment "Randstad" employs about 450,000 industrial workers out of a total for the whole country of approximately 1,070,000. Since the war new industrial enterprises, including foreign subsidiaries (largely American), have shown a decided preference for the "Randstad" area.

There are, however, signs of a tendency towards decentralisation. Good industrial sites in western Holland are becoming as scarce as tea was during the war; so is skilled and unskilled labour. On the other hand, in several regions, the so-called "problem" areas in the extreme north, east and south of the Netherlands, labour that has been driven out of agriculture and peat digging is available for other employment. Moreover the big Phillips concern has given a good example by avoiding "Randstad" as far as possible; it has scores of factories spread over the whole of the Netherlands, with other industries following in its wake.

This decentralisation is now being encouraged by the government by improving transport facilities, by establishing schools and training colleges, by stimulating the building of houses and by improving cultural amenities. Last but not least, there is a system of subsidies for enterprises prepared to establish themselves in these "problem" areas. This decentralisation is of course a long-term development, and so far the government is strictly confining itself to persuasion only.

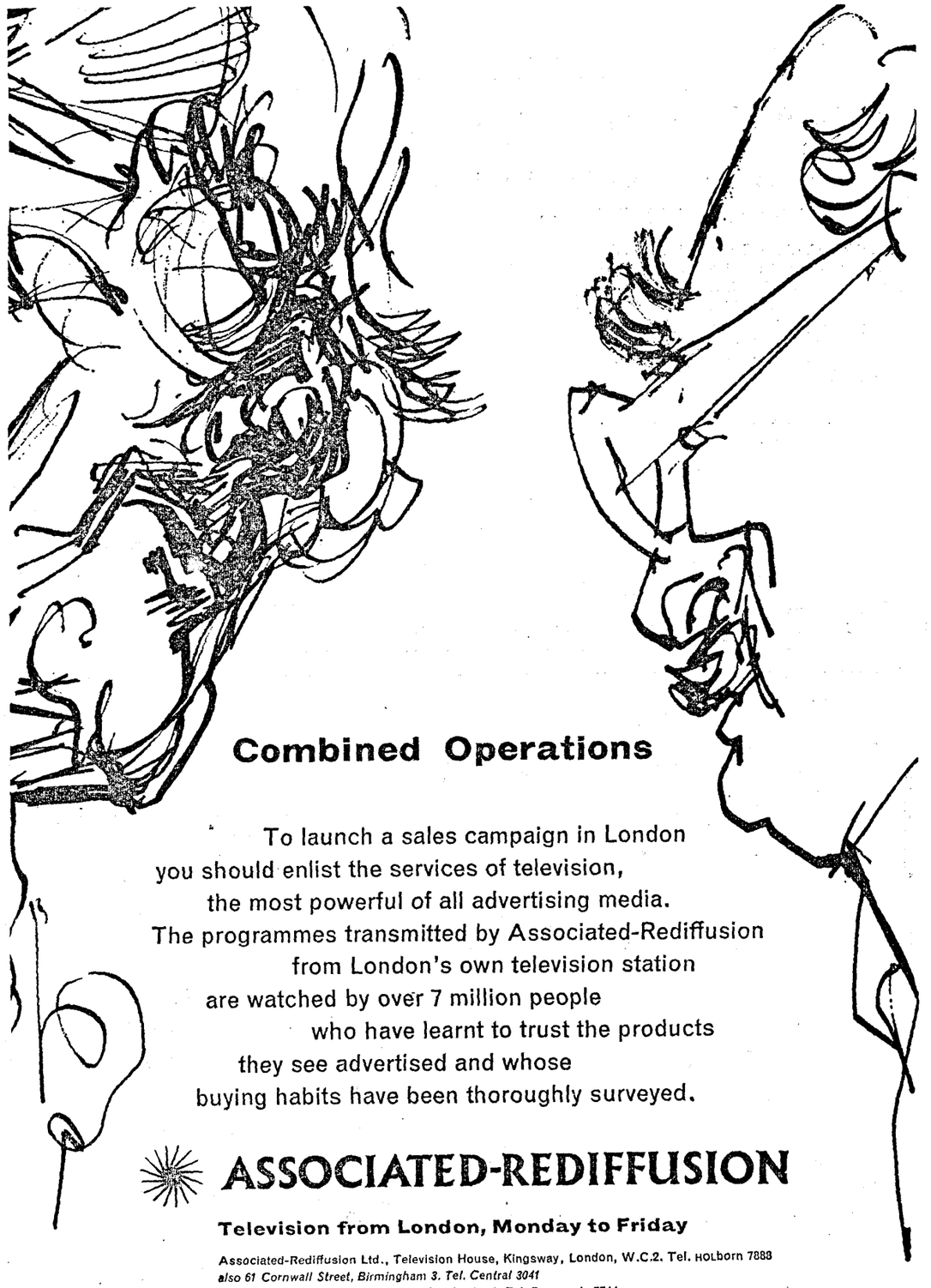
Jordan's Threatened Lifelines

ON June 6th the Jordan government notified the United Nations that the United Arab Republic (Syria) had closed the border at Deraa. The Syrians said it was done in retaliation for Jordanian refusal to allow Syrian-dwelling farmers to cultivate lands they own on the Jordan side of the border. According to the Syrians, the Jordanians had refused to discuss the matter; according to the Jordanians, there was no truth in the Syrian charges.

Jordan's survival depends on keeping its lines of communication open through Syria. The country is blocked from the sea by Israel on the west, by Syria on the north, and by the inadequate facilities of its own tiny port at Aqabah on the south. To the east lies a hostile Iraq at the other end of the only paved road across the desert.

The traffic between Jordan and Israel is limited to one-way crossings by tourists, and to a certain amount of smuggling. Most of Jordan's imports come through Syria, by road or rail. Syrians were accustomed to exact tribute from those who had to use the trade routes of the east long before the artificial boundary was agreed upon by the British and French governments a generation ago. During the period of the mandatory governments there were occasional border skirmishes and frequent allegations of border violations, but crossing the border was not a complicated undertaking, on the whole—a traveller could often go in either direction by showing the officials on duty any bit of paper he happened to have in his pocket. The Syrian border was not so important in those days because Jordan's imports came in across Palestine.

Independence, the growth of national pride and the establishment of the state of Israel have changed all that. Jordan's new Prime Minister, Mr Hazza al-Majali, told the parliament in Amman last week that the country's relations with other Arab states should be based on the principles of co-operation and frankness in all matters concerning the common aspirations and interests of the nation. Border squabbles seem no more consistent with such brave words than with President Nasser's frequent assertions about Arab unity. Does this border incident represent just another minor misunderstanding between members of the Arab family? Or will it be remembered as the beginning of another summer of trouble in the Middle East?



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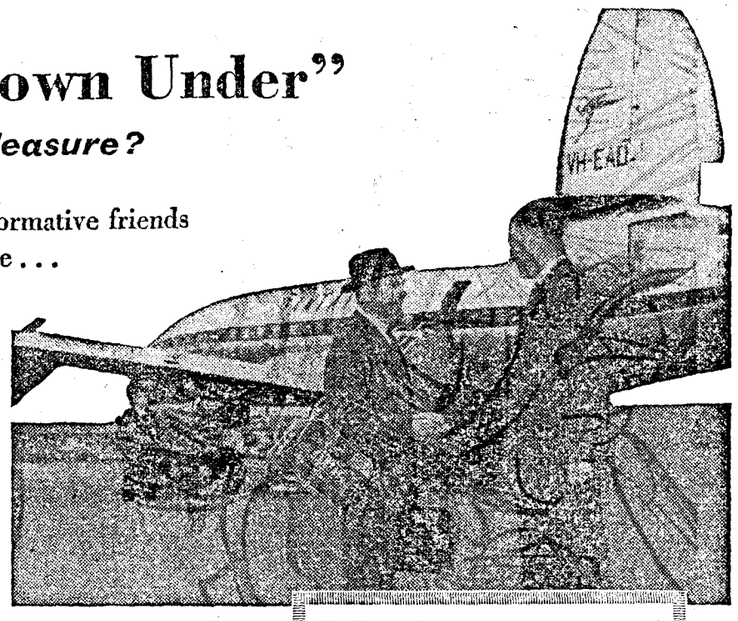
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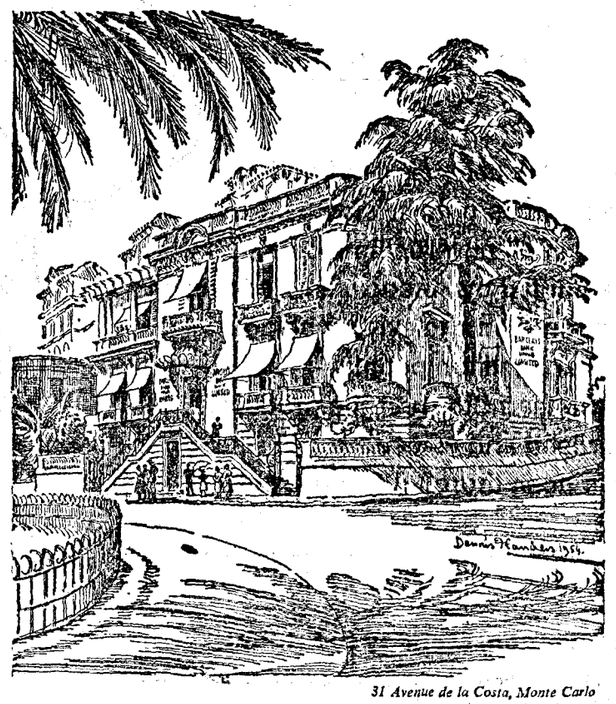
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THE BUSINESS WORLD

Unloading Strategic Stocks

RECOVERY in commodity prices has given the British government the opportunity to resume sales from its strategic stocks, and tempted the American government to try to sell some of its copper. Britain has started with wool, offering 9,000 bales at the latest series of London auctions. As it happens wool prices have fallen since the announcement was made. The fall was not the result of that decision, but it illustrates the difficulties that governments face in seeking a favourable time for disposal. And the 2,500 tons of tin that Britain first gave notice of selling 2½ years ago —before the market weakened—is now going to be sold through the international buffer stock.

The British government has never publicly qualified its statement, in the 1956 Defence white paper, that its strategic stocks of raw materials could be run down "to some extent without risk." Yet it seems in fact to have decided to get rid of the lot. Having sold, or decided to sell, all its copper, lead, timber and wool, there can be no strategic justification for continuing to hold zinc, rubber and other materials. Indeed by locking up its stock of natural rubber the government is probably hurting, not helping, the real interests of rubber growers—though most growers and the Malayan government would no doubt disagree. During the next few years the danger is that the world will produce too little natural rubber rather than too much, thereby encouraging the production of synthetic rubber.

The biggest spectre looming over commodity markets—some traders profess not to see it—is the United States' vast strategic stock. Little is known of the size of the stocks of individual materials, but it is known to have more than it needs of most items. The surplus has recently increased, not because buying has continued—it has virtually stopped—but because requirements have been revised. After considering the independent report that it commissioned on stockpiling policy in this nuclear age, the government decided that stocks need only be large enough for a three-year emergency, instead of the five years assumed before. The "basic objective" now assumes that the United States would not be completely cut off from normal sources of supply in an emergency, while the "maximum objective" assumes that it would have to rely on nearby sources alone.

In terms of value the basic objective is now $2.9 billion, to which stockpiling for the maximum would add $1½ billion, making $4.4 billion all told. Stocks held against the basic objective on June 30th were valued at $2.8 billion and stocks held against the "maximum increment" were valued at $800 million, making $3.6 billion in all. The last stockpile report, for the six months ending last June, disclosed that materials in group I (which covers most items) amounted to 26½ million tons, valued at nearly $5½ billion, and the surplus had soared from $100 million worth to $1.8 billion. Stocks of 63 items equalled or exceed the basic objective, and stocks of 50 items equalled or exceeded the maximum objective as well. This does not exhaust the American government's holdings; it has not one stock but three:

1. The strategic stock proper, valued at $5½ billion.
2. The supplementary stockpile, acquired more for political than strategic reasons (lead and zinc bought from domestic mines, tin bought from Bolivia and Indonesia, and lead, zinc and other metals obtained from foreign countries in exchange for surplus American farm products).
3. The stock acquired under the Defence Production Act, which gave producers of aluminium, copper, nickel and tungsten the right to "put" metal to the government in times of surplus. The value of this stock and the supplementary stockpile is not precisely known, but the two put together add up to about $2½ billion.

How soon could surplus materials from these stocks be offered to the market? The regulations for disposing of materials in the strategic stock proper apply equally to the supplementary stock, but there are no such legal restraints on the disposal of the DPA stock. The regulations lay down that Congress and the public shall be given six months' notice of sale, together

with details of the quantities to be offered, the plan of disposal and the date on which material is to be offered. Disposal shall pay due regard to the protection of producers, processors and consumers against avoidable disruption of their markets. Express approval from Congress is required unless disposal is carried out because of obsolescence (deterioration, development of new or better materials or no further usefulness in time of war). These provisions suggest that the government could not sell six months forward. It could invite bids and negotiate with buyers, but could not complete a contract of sale before six months had elapsed.

RUMOURS that some surplus materials might be sold circulated in Washington early this year. In April it was reported that the Administration intended to sell about 136,000 short tons of copper in the DPA stock. Prices in New York and London fell sharply, and Senators from the western mining states hastily rushed a resolution through the Senate claiming that disposal would do "incalculable danger to the national security and to the economic well-being of the nation." This brought an official reassurance that, if and when it was decided to sell this copper, a maximum of only 5,000 tons a month would be offered. Official policy, it was stressed, was to "exercise great care that our actions do not disrupt the market or adversely affect the industry involved."

Last month the House appropriations committee sent a shudder through the rubber market by refusing to sanction funds needed for replacing rubber and other perishable commodities in the stockpile. The Administration proposed to sell about $43 million worth of rubber and other perishables, to prevent deterioration, in the fiscal year beginning July 1st, and asked for $49½ million to buy replacements. The Committee stated that it wanted to force the government to reduce the stockpile. If the Senate were to support the House committee's action, no rubber could be sold before 1960. To sell without replacing would amount to disposal, and six months' notice would have to be given.

Official testimony before the committee revealed that half of the government's total stocks by value—$4 billion worth out of $8 billion—are no longer required. They include aluminium, cobalt, nickel, tin, tungsten, lead and zinc and rubber. "I think we ought to try to get rid of that which is in excess of the maximum need," said one official, adding that the Administration had been studying the problems of disposal for some time but had not yet taken a general policy decision.

A decision will have to be taken one day. The pressure for economy, within and without the government, is bound to grow. So is the volume of the excess stock. The revised objectives established last year are only preliminary ones, based to some degree on data that was several years old. As American requirements are reviewed again in the light of the latest information they are more likely to be revised downwards than up, as seems already to have happened to copper. Though the maximum objective for copper had not been reached on June 30th last year, it has evidently been reached now; otherwise the government would not have considered selling copper.

The Administration is now believed to be proposing to re-arrange its stocks into two compartments. One, the strategic stock proper, the other a new "materials reserve" containing all the excess materials. Regulations for disposing of materials in the reserve, it is thought, would be the same as for the strategic stock, except that a shorter period of notice could be given, say three months instead of six, and Congressional approval might not be required.

DISPOSALS FROM UK STRATEGIC STOCKS

Item	Size of Stock	Comment
Copper	85,000 tons	Almost all sold.
Lead	50,000 tons	36,700 tons sold before sales suspended in June, 1958.
Wool	96 million lb.	About 31 million lb. sold before sales suspended in April, 1958; resumed in May, 1959.
Softwood	230,000 standards	All sold.
Rubber	Est. 125,000 tons	No action.
Zinc	27,000 tons	About 18,000 tons sold before sales suspended in February, 1958.
Tin	2,500 tons	International buffer stock now appointed as agent.
Aluminium	52,000 tons	Over half sold before sales suspended early in 1957.
Nickel	1,600 tons	All sold.
Jute and jute goods	35,200 tons	All sold.

The American government, it can be assumed, will do its level best not to disrupt markets. It must consider the views of powerful interests at home, as well as those of foreign governments, and thus can be expected to be more sensitive to charges of "disruption" than it has sometimes been in disposing of surplus farm products abroad. Foreign producers of copper and some other metals have allies not only in the State Department, but among the American mining companies and Senators from the western mining states as well. Producers of natural rubber have fewer allies. The American rubber manufacturers are having to pay a substantial premium for natural rubber, and they would welcome the opportunity to buy from the strategic stock at a rate that, while not disrupting the market, would tend to keep natural rubber prices at a "reasonable" level. The stockpile of natural rubber is believed to amount to about 1¼ million tons, and the surplus is probably about half a million tons, equal to one year's consumption in the United States and to one-quarter of annual world production.

Few guesses can be made about the surplus of other materials. But for tin, at least, a broad indication can be given. The total stock is probably close to 380,000 long tons, and if it is assumed that the United States needs a stock equivalent to three years' consumption—roughly 175,000 tons—the surplus would be over 200,000 tons, more tin than the world produces in a year. Plainly disposal of tin, rubber and other commodities would have to be stretched out over several years, if serious disruption of markets is to be avoided.

UNITED STATES STRATEGIC STOCKS AT JUNE 30th, 1958

	Equals or Exceeds Basic objective	Equals or Exceeds Maximum objective		Equals or Exceeds Basic objective	Equals or Exceeds Maximum objective
Aluminium	X	X	Nickel	X	X
Coconut oil	X	X	Rubber (natural)	X	X
Copper	X		Sisal	X	
Diamonds:			Tin	X	X
Bort	X		Tungsten	X	X
Stones	X	X	Zinc	X	X
Lead	X	X			

Instead of trying to discourage the Administration from disposing of its surplus stocks, foreign producers and their government should accept that disposal is their problem too. They should insist not only on full consultation with the Administration, but should try to play a part in working out plans for disposal. The difficulties do not grow any lighter by being left alone.

BUSINESS NOTES

THE ECONOMY

Set Fair

NEVER since the Federation of British Industries began sampling industry's state of mind 16 months ago have the industrialists who answer its four-monthly questionnaire expressed such uniform confidence about the general business situation as in the responses they returned last week. Only 4 per cent of businessmen felt less optimistic at the beginning of June than they had at the beginning of February; 59 per cent were more optimistic. Sooner than one would have expected—though this survey refers to activity at least a month later than, for example, the production index published last week—a large majority of those reporting changes in their level of activity have switched over to showing higher output, a better rate of ordering than four months ago, and increases (though here the "majorities" are not so large) in employment and hours worked. Only one-eighth of all the firms replying said their output was now lower than in February.

Another unexpected and particularly welcome improvement is that firms reporting that export orders have improved over the last four months now definitely outnumber those whose orders from abroad have gone down. This is in line with the optimism about foreign market prospects expressed a few weeks ago by the professional forecasters of the National Institute of Economic and Social Research, and more cheerful than the caution about imports rising recently repeated, for example, by the Chancellor of the Exchequer. However, on balance, those businessmen whose level of stocks of raw materials showed changes during the last four months were still indicating a decline (though here, the non-quantitative nature of this kind of survey could be particularly misleading). If their output, and accordingly their work-in-progress has generally begun to rise already, there could occur rather a sharp turn in buying of imported materials to build stocks again.

Sixty per cent of the businessmen replying reported that they were still working below capacity, though nearly a third of these said not as far below as before. This was a sharp improvement since February, when the proportion was 80 per cent (though the change could be exaggerated, in that the FBI this time made its definition of the term, "a satisfactorily full rate of operation" rather more obvious). Even so, it suggests that the improvement in output, apparently achieved without a proportionate increase in hours worked or in employment (the labour market still seems soft to them), still leaves considerable slack. And this links logically with their hardly changed attitude towards creating fresh capacity. A majority of them still expect to authorise less capital expenditure on building in the next twelve months than in the last twelve (and that period, from mid-1958 to the late spring 1959, will probably have shown one of the lowest totals for new investment authorised in British manufacturing industry for several years). On plant and machinery, as many expect to spend less as expect to spend more.

How Industry Answers

THIS was the fifth such survey of business activity and attitudes that the FBI had carried out; the accumulated run of results is beginning to give its surveyors some indications of how its indications of performance compare with other statistical series that measure economic activity, and also how this performance compares with businessmen's general confidence, at any one time, about the business outlook. Since the FBI began doing this it has slightly altered some of its questions—separating questions about stocks of work in progress and of finished goods, for example, and dropping a question about the money likely actually to be spent on investment, as apart from that authorised. But one or two of their questions still, to the outsider, seem slightly to over-estimate the frankness, for publication, that can be expected from any businessmen with Labour MPs as well as competitors to consider. Is it entirely surprising that during a period when the index of prices of manufactured goods has hardly changed, a steady and large majority of these industrialists should have averred that their selling prices had gone down; that few have ever admitted to their costs per unit of output going down; or that heavy majorities,

	Eight months to Feb., 1958	Four months to June, 1958	Four months to Oct., 1958	Four months to Feb., 1959	Four months to June, 1959
	(Percentage Majority Reporting Plus or Minus)				
Average weekly hours	−18	−19	−11	− 9	+14
Numbers employed	− 7	−15	−17	− 9	+ 9
Rate of new orders	−20	−19	− 5	+ 5	+37
Export orders only	n.a.	n.a.	−18	−13	+ 8
Length of order books	n.a.	−38	−27	−16	+12
Level of Output	+ 3	− 5	− 6	+ 6	+34
Stocks of Raw Materials	− 3	−20	−17	−18	− 4
Work & Finished Goods	+11	+11	+ 1	+ 4	+ 8

in each of the five surveys, should dolefully have recorded that their profit margins were still going down ?

The federation has not devised any more satisfactory method of summarising these results than setting out the majorities who answer " Up " or " Down " (as in the table) ; nor, given the non-quantitative nature of this kind of inquiry, can one see that any better way is possible. But it has constantly to be borne in mind that the majorities who answer one way or the other are of people recording a change in activity or opinion ; the largest proportion of answers, in most cases, comes however from those who report or expect the same. A majority of 37 " Up " or " Down," for example, which happens to be the highest recorded in this latest survey and is a very high one for any question outside the debatable region of profit margins, could mean 38 per cent saying " Up," one saying " Down," and 61 per cent reporting no change. It would be an interesting exercise for students of economics and of industrial management, and perhaps salutary for the FBI's Economic Policy Committee itself, to find out whether a very large proportion of those reporting or expecting the same as before, over the whole run of these surveys, tend to be the same firms each time?

IN THE MARKETS

Speculators' Setback

No sober observer has been surprised at the setback in the stock markets in the past week, in Wall Street or London: the writing was on the wall. Wall Street reacted, inevitably, to the signs that America's monetary authorities were serious in their determination to set the bond market to rights and were prepared to do so by levering up the long-term rate of interest. The Dow Jones index of industrials fell from its dizzy peak of 644, reached at the end of May, to 618 on Tuesday. In London, the equity indices fell by almost the same proportion.

Investors here had to contend not only with Wall Street itself, but with their own exuberance in pushing average yields on leading industrials down to the yield on Old Consols, a point of traditional psychological weakness. The main falls were on Friday and Monday. As was to be expected, the big casualties were second grade shares, particularly in the property market, which had figured large in the speculative rise. Leading blue chips continued pretty steady ; the institutions were willing to buy as soon as prices were down. The undertone of the equity market was still considered firm—and by Wednesday prices were rising. But speculators who bought all and sundry have experienced the predictable setback.

Rising Bill Rate

The gentle rise in the Treasury bill rate continued at the tender on Friday last week, when the discount market reduced its concerted bid by 3d. to £99 2s. 10d., raising its average rate of discount to £3 8s. 10½d. or about $3\frac{7}{16}$ per cent. Early in the year the bill rate dipped below 3 per cent ; but the current margin below Bank rate is still not unduly small, given the change in expectations about the Bank rate prospect. No early change is now expected either way ; most people would probably guess that the next move when it does come is more likely to be up than down. In these circumstances, bill rate at its present level does not look high.

These considerations in the discount market have been fortified by the rise in New York, by the first modest weakening of sterling and the approach of the summer strain, and by the seasonal rise in the supply of tender bills. This week's allotment is £40 million above matching maturities. Competition from industrial companies and others outside the organised market has been less intense in recent weeks ; as a result, despite the successive reductions in its bid price, the discount market has been getting good allotments. Outside demand for bills may conceivably grow as the rate becomes more attractive ; a more potent influence in this direction would be an increase in business liquidity, such as may well result from a revival in sales and in profit margins in advance of a revival of investment in fixed assets or stocks.

AEI REORGANISATION

A New Climate for Combines

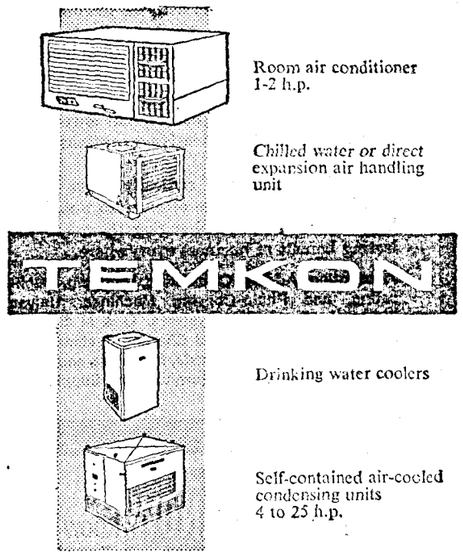
Within six months of Lord Chandos's return from the Government to Associated Electrical Industries in 1954 he had carried through a major reorganisation of the company ; yet last year AEI decided to reorganise again. This was not the result of internal weakness in the structure adopted in 1954, but of changes induced from outside in the commercial circumstances within which such a big combine lives. Some of these changes, and their implications for AEI, were described by the group's company secretary, Mr G. E. Walker, in a paper he read last week to the Institute of Cost and Works Accountants ; he also outlined the new structure adopted in 1958.

When AEI was formed in 1928 by the amalgamation of Metropolitan-Vickers and British Thomson-Houston, each with their own subsidiaries, the constituent companies remained separate entities, overlapping in their operations. In 1954 the smaller and medium sized subsidiaries—AEI had added a number over the years—were grouped together into more or less equal-sized companies, still overlapping in some of their activities. But in the next four years, circumstances changed—primarily because of the Restrictive Trade Practices Act. While the electrical industry was organised on the basis of price-fixing agreements and quotas for contracts it paid the group to have several companies making the same product ; each might be allowed a contract where a consolidated division might get only one. Now that the price-fixing and quotas have gone, the arguments that had led AEI to retain its separate companies have gone too, and the extra cost involved in maintaining two design and sales staffs and two manufacturing establishments for similar ranges of products has no justification.

So instead of five operating groups—Metropolitan-Vickers, BT-H, Siemens-Edison Swan, Hotpoint and AEI Overseas—with the holding company responsible for finance and policy, and the groups for its execution, the group is now forming about a dozen operating divisions. Metro-Vick, BT-H, and Siemens-Edison Swan will act as management companies for the divisions placed in their charge, though the divisions will be divisions of AEI, not of the managing company. Two divisions already exist, and nine are being formed ; each will have a managerial and engineering staff. In general Metro-Vick will manage the divisions producing power generation and distribution apparatus ;



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BT-H those concerned with the use of electricity in industry; and SES those covering entertainment, telecommunications and cables. Hotpoint, which was already in effect an independent division, and AEI Overseas remain separate companies managing their own affairs. Above the divisions and managing companies comes the executive committee of the AEI board, carrying out the basic policies that will continue to be laid down by the board of AEI itself. Lord Chandos has been prominent among industrial leaders in reorganising, and discussing, the deeper implications for big business of the changed public attitude towards monopoly and restrictive practices: AEI's new structure builds his recognition into practice.

COTTON INDUSTRY

Palliative or Cure?

In discussing the bill for reorganising the cotton industry the Commons did not produce any new facts, but it showed that the bill will have a pretty clear run. To Labour MPs Mr Harold Wilson's "Plan for Cotton" remains the salvation for this industry, but they could not bring themselves to oppose the government's proposals outright. Labour speakers and, perhaps more significantly, Conservatives, too, were properly sceptical of the prospect for rejuvenating the cotton industry. They recognised that subsidies for scrapping old machinery and for buying new machinery will not, by themselves, create an industry that can hold its own in world markets. They also saw that the government was setting a precedent that other industries could use to justify claims for assistance in similarly "exceptional" circumstances.

The response of management to the government's offer, as one Tory put it, will test Lancashire's confidence in itself. Labour members questioned whether that response will be sufficient when there is no assurance that the restrictions on shipments of Commonwealth textiles to Britain can be renewed, and no restriction on imports of yarn. And both sides of the House feared that the recent revival in business in cotton textiles might make it more difficult—or at least more expensive—to induce some mills to close down. But Sir David Eccles, President of the Board of Trade, argued that the reorganisation schemes can stand on their own economic merits. This is not, he said, "a retirement pension to an aged friend, but an advance payment to an enterprise of whose sustained capacity for expansion we have no doubt."

Sir John Barlow suggested that opportunity should be taken to remove the "many serious anomalies" in the wage structure, so that the new expensive machinery could be worked to capacity. Labour MPs argued, reasonably enough, that compensation payments to displaced workers should be made as a lump sum, irrespective of whether workers were able to get another job, and wanted the government to take more active steps to bring new industries to the cotton towns. A Tory discovered that one new opening for industry in Lancashire already exists: "there is a great shortage of smashers-up" of machinery.

RUBBER TRENDS

The *June* issue of this *quarterly publication for* producers, manufacturers and dealers is now available. It contains *special reports* on

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ICFC

The Fledgling Takes Flight

The Industrial and Commercial Finance Corporation was set up in 1945 together with the Finance Corporation for Industry to provide finance for worthy borrowers who could not find a place in the market. ICFC was to concentrate on the small and medium sized businesses; the commercial banks provided its share capital, and for the most part they were not optimistic, financially, about the investment. In the event, under the guidance of Lord Piercy, ICFC has proved a real success; and the shareholders and their company have found themselves in serious competition. In the years of the credit squeeze, the banks were naturally reluctant to meet all the requirements of ICFC for finance while they were restrained in their own lending: and in recent months of freedom, ICFC has found that a number of applications for long-term finance which it would normally expect to receive have in fact been satisfied by commercial bankers unimpressed with the traditional (and by no means sacrosanct) maxim of the self-liquidating overdraft. It is not surprising, therefore, that an institution as vigorous as ICFC should feel the urge to a measure of independence. Hitherto, it has relied on the banks for the whole of its outside finance, loan capital and permanent capital alike.

The corporation now intends to seek loan capital from the market. A debenture issue, probably for £10 million, is contemplated "perhaps later this year"—obviously Lord Piercy is waiting for the fixed interest market to become more propitious. To prepare the way, ICFC has already become a public company; and the banks have paid up the share capital in full, raising it from £7½ million to £15 million, and reducing their advances from £25 million to £19 million. They have agreed that the assets and revenues of the corporation shall be a prior charge for the debenture issue. Once this is made, the hard core of bank borrowing will be reduced to £15 million. The corporation's total resources, including its £4 million of reserves, will then be some £44 million compared with £38 million at present; ICFC will feel free to take temporary additional advances from the banks, and may raise further capital in the market.

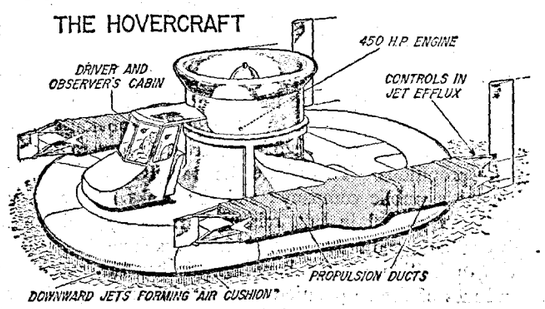
The way may therefore be open for a major expansion of business; and Lord Piercy intimates that he will be more flexible in interpreting the top limit of an advance, which has been around £250,000. New business in the

corporation's year to end-March was up from £3.8 million to £5.0 million—but that was still below the level before the credit squeeze. New applications, significantly, were down on the year, from 344 to 313; Lord Piercy feels this is partly because ICFC has had to keep its lending rate high, in line with long-term interest rates, while rates on bank advances have fallen sharply, in line with Bank rate. For whatever reason, it is evident that the time-honoured Macmillan gap in financial facilities is becoming very hard to find.

MARINE AVIATION

Earth-Bound Flying Saucers

THE "Hovercraft" that flew at Cowes this week is one among several designs of "ground effect vehicles" planned to exploit the extra lift that a flying machine obtains when air is compressed between it and the ground. There are two broad classes of these; the largest and potentially the most efficient types include this flying saucer-like Hovercraft invented in Britain by C. S. Cockerell and another invented by the Swiss engineer Carl Weiland. Similar machines are also being developed in the United States. The Hovercraft prototype was designed and built by Saunders-Roe and financed by the National Research Development corporation. It is shaped like an elongated, upturned saucer, and has one 435 hp engine that can lift its total weight of 7,500 lb up to 15 inches into the air, and propel it at about 25 knots. The engine drives a ducted fan, which supplies compressed air to two concentric rings of jet openings facing downward and inward around the circumference of the machine, which provide the air "cushion" beneath the machine that supports it, and function as a seal to reduce leakage of air from around this cushion, while rearward-facing jets propel it. Weiland uses a similar principle, but proposes to seal in the "cushion" by multiple downward jets produced by propellers, and to drive the machine—which resembles a "flying platform" more than a flying saucer—by propellers



also. Both these machines are envisaged as replacements for the ship, to weigh several hundred or thousand tons: the larger the machine, the easier it may be to maintain a seal around the circumference of the machine for the same flying height, or the greater the height at which the machine can fly. Early performance estimates suggest that a 400-ton Hovercraft might carry a 200 ton payload at 70-100 mph at an altitude of six feet on 33,000 hp. Now that the prototype is flying, it should be possible to determine their accuracy, and the practicability of operating over the sea.

The second type of "ground effect" machine is generally smaller and has no seal to retain the "cushion." Those that have so far been built in the United States are comparable in size with a car, and can fly from a few thousandths of an inch to 40-50 feet above the ground, depending on the power used. These include the Ford "Levapad" which can carry a man a few thousandths of an inch up on 1 hp; the "Spacetronics" car, flying 4-5 inches up on 12 hp; the Curtiss-Wright Air-Car, which can carry one to four men on 50-200 hp at a rather higher altitude; and others being developed for the US Army, which is seeking a cross-country vehicle, but wants to be able to fly at 50-100 feet outside the ground cushion. Avro-Canada's saucer-like "Avrocar," being developed for the US Army and Air Force, has recently been discussed in terms of this last category.

US BALANCE OF PAYMENTS

The Strong Dollar

LOOSE talk about the weakness of the dollar has been common currency in financial centres for about a year, and it shows no signs of abating. Yet virtually every serious study of the underlying influences emphasises the dollar's unique strength. Despite the outflow of over $2¼ billion of gold since the beginning of 1958, America's gold stock is still well over $20 billion—more than sufficient to cover all dollar balances owned by foreigners, which total some $15 billion, of which $8¾ billion belong to official agencies. It is true that the Federal Reserve is required to maintain a minimum of 25 per cent of gold as cover for its liabilities in notes and deposits, involving at present some $12 billion of gold. But the requirement is of little more than academic significance: America is not on the gold standard domestically. And the fact is that the ratio of its gold reserves to external banking liabilities is comfortably greater than unity: Britain has struggled through the postwar years on a ratio of one to three.

Nor is there weakness in America's current payments. The surplus did fall sharply in 1958, but that was largely a reflection of exceptional shipments at the time of Suez. The United States' share of world exports has remained remarkably stable in recent years; its share of exports of manufactures has declined no faster than Britain's; and its export prices have risen no faster (in both cases comparisons with Germany would be less favourable). American spending on imported goods has risen—but spending on domestic goods has risen more. As Mr Edward M. Bernstein says in a study prepared for the New York house of Model, Roland & Stone, none of this is a sign that American manufacturers have "priced themselves out of the market."

Mr Bernstein points out that the current surplus in 1958 excluding military expenditures abroad, reached no less than $5.2 billion. The gold loss is attributable entirely to military and other aid and to private exports of capital. Mr Bernstein's conclusion is that the United States should cut down sharply its aid to European countries, which can now compete and have rebuilt reserves to reasonable levels. This is not quite in perspective. The big trading countries of Western Europe proper no longer get any significant economic aid from America. Military commitments under Nato and help for "fringe" countries on the Mediterranean have no close connection with America's gold loss.

SCHWEPPES-CHIVERS

Moving Sideways

LAST year, Schweppes, the soft drink manufacturers, failed in a long struggle with the Beecham Group to secure control of Thomas and Evans, the makers of "Corona" mineral waters. That failure in their own chosen field did not deter its directors and managers from thinking of expansion in other fields and only a few weeks ago the memorandum of association was widened. The directors then spoke of the possibility of acquiring interests "which if not directly connected with the soft drinks industry might nevertheless be parallel to it." Schweppes has now moved sideways—though not too far—by making a bid worth about £1,200,000 for the £400,000 of ordinary shares in Chivers, the jam makers, fruit growers and canners. This is not diversification in the full sense: jam and fruit cordials are at least distant cousins. The jam and marmalade industry is dominated by a handful of firms and the merger between St Martin and T. G. Tickler brought about by Mr Richard Scott has introduced a fresh element of competition into it. How, then, will the jam makers react to the entry of another vigorously managed "outsider"?

The directors of Chivers have welcomed the Schweppes offer; they will accept it themselves and recommend other shareholders to follow their example. The terms are certainly generous. Before the bid, the £1 ordinary shares in Chivers stood at 47s. 6d. and with the Schweppes shares standing at 24s. 6d. the offer is worth about 61s. The Chivers shareholders are given a choice: they can take either five ordinary shares of Schweppes for every two Chivers shares they own or two ordinary shares of Schweppes plus 12s. 6d. in cash for every one Chivers. The 10 per cent dividend paid by Chivers is covered about twice by earnings and the bid is therefore being made on a dividend yield basis of only 3½ per cent. The offer price is moreover so close to the net asset value of this highly geared equity as to suggest to a bridge player that this is a pre-emptive bid.

COAL

Running Down Opencast

PRODUCTION of coal at opencast sites is being cut down this year to 11 million tons, against 14 million tons last year; next year it will probably be cut down again to 7 million tons. "If—I emphasise if; I am not saying that this will be the case," said Sir Ian Horobin in the Commons last week, "no further authorisations were given opencast would by 1965 come practically to an end with the exception of certain special, large cases, such as the Westfield site associated with the Lurgi gasification plant in Scotland, which presents special problems and which nobody would suggest should be discontinued anyway."

For all Sir Ian's "ifs," this is already the case; the National Coal Board is not letting any more contracts for new production of opencast coal for the moment, just as it is not starting any more major reconstructions at deep mines. With 25 million tons of coal in stock, and little to suggest that by the end of its current reconstruction programme annual demand for coal will be any more than it is now, it is not engaging in further commitments to increase annual output. Today there are still about 80 opencast sites producing coal, and there are a half-dozen sites where work has begun though coal is not yet being produced; these new ones may produce together about a million tons next year and in 1960, but from then onwards their production will fall. This controversial form of production provides the board's cheapest coal and, when sold, its most profitable; but about 14 per cent of all the coal produced at opencast sites, last year, went into stock. Considerations of political acceptability, flexibility, and cost must conflict in the board's decisions about running down opencast output. In political terms, this is certainly the easiest coal capacity to "retire" peaceably since the contractors engaged upon it employ mobile labour and capital and are organised for only a limited period on any one site anyway; miners and farmers would be glad to see it go first; and it is also the capacity from which the board could obtain extra tonnage most quickly, if that new need should arise. But it also removes low-cost tonnage; will the advances in productivity that the board is able to achieve from its new concentration of operations underground be enough to offset the loss of this element on the credit side of the industry's finances?

AIR TRANSPORT

Year of the Jet

LAST year will go down in the history of aviation, according to the United Nations' Civil Aviation Organisation, as the year of the jet airliner and also as The Year When Traffic Fell Off. Since the war, air traffic has increased at a steady 15 per cent per annum; in 1958 the increase was a mere 5 per cent. Most industries would be gratified to record a trading increase of this size, but the air transport business, which had geared itself to a much more rapid growth in traffic, regarded it as tantamount to a slump. The ICAO analysis of 1958 makes, however, a point that is frequently overlooked in discussing world airline results. It is that nearly half the air traffic carried outside Russia and China is internal United States traffic, and that American airlines, domestic and international, carry 58 per cent of the world total returned by ICAO. Last year's slump was very largely a slump on the internal air routes of the United States. In several other countries, notably Switzerland, Belgium, Scandinavia, Brazil and Canada, traffic increased by 14 to 18 per cent. This could be taken as a sign that the medium-sized airlines were expanding their business faster than the big, established international carriers in America, France, Britain and Holland—a trend that may easily be reversed again as the latter build up their big jet fleets.

ICAO considers that between 1953 and 1956 airlines were making a small but growing profit each year, which reached £30 million in 1956 on a turnover of £1,250 million. In 1957 this was turned into a loss of nearly £15 million on a 13 per cent larger turnover, and preliminary estimates suggest that the airlines may have ended 1958 as much as £60 million in the red although their total traffic that year exceeded 6,500 million ton miles. Perhaps the big operators have something to learn from a group of buccaneering airlines in Latin America which refuse to abide by the fares laid down by the International Air Transport Association (which does not belong to the UN) and operated flights from Buenos Aires to Miami for $251 last year against the $412

charged by airlines that are members of IATA. "This," reports the International Civil Aviation Organisation without a trace of a smile, "represents the latest development in the fare controversy between IATA and non-IATA airlines in this region."

TRADE PRACTICES REVIEWED

The Price of a Loaf

WHEN the Government ceased to subsidise the price of bread in September, 1956, the Scottish Association of Master Bakers made recommendations about the minimum prices to be charged for loaves and later for other bakery goods as well, and most retailers did in fact charge these prices, though the association made no attempt to enforce them. The co-operative societies, which control a third of the baking in Scotland, also followed these price recommendations though they are not members of the trade associations. The recommended prices were last changed in December, 1956—upwards—and have not been reduced since, though in the Restrictive Practices Court in Edinburgh last week one witness for the trade associations agreed that the average profit per sack of flour had risen from 7s. 4d. to 12s. 5d., with profits on wrapping and slicing at 2s. 6d. a sack and an average flour rebate of 2s. 6d. a sack. A halfpenny off the loaf would cut the profit margin by 9s. a sack. The trade argued that price competition in bread prices—which in Scotland have been fixed in one or another since the 16th century—would mean debasement of quality: and that an end to recommendations about prices might actually mean increases in the price charged.

Professor A. D. Campbell, Professor of Applied Economics at St Andrews University, said that in November, 1958, allowing for discounts, the average return on capital employed in Scottish baking appeared to be 21 per cent on the replacement value of assets:

> I think the trade is very unfortunate indeed in that it has had to present its evidence on these margins at this particular time. We are just at the point now where in my opinion, it becomes reasonable to recommend a reduction in price. Another six months would have made all the difference.

Professor Robert Browning, Professor of Accountancy at St Andrews and also chairman of a large group of firms in the trade, said he doubted whether prices were as likely to be reduced under freer competition as under the present arrangements. It was left to Professor Alan Peacock, Professor of Economic Science at Edinburgh University, to argue the orthodox case for price competition.

The Scottish court, however, after all the evidence was concluded and the final argument for the associations had been put, ruled against the price recommendations without calling on the Registrar to reply and made a preliminary order declaring this restrictive practice illegal. Lord Cameron, the president, said that it would issue its full judgment in a few weeks' time.

ENDOWMENT INVESTMENT

Middle-aged Spread

A NEW scheme for the purchase of shares on a loan secured against an endowment policy has just been launched by a leading firm of insurance brokers with the help of the London and Manchester Insurance group. Briefly, the scheme gives some tax advantages to the long-term shareholder who wishes to invest in a selected group of investment trusts (where the market is normally narrow), in unit trusts or in Government securities with less than ten years to run. But in coming into the scheme the investor loses much of his freedom to deal in the market at his own discretion. Only those who have an income of at least £1,500 are able to participate in the scheme, and would-be investors have to put up a deposit of 25 per cent of the value of the securities bought. The London and Manchester advances the remaining money against the security of an endowment policy without profits, so that the plan is analogous to the house purchase schemes run by some life offices.

Interest on the loan is at the fixed rate of 6 per cent, which is allowable for tax purposes in the usual way while further tax reliefs accrue on the endowment policy premiums. To offset these outgoings, the investor receives the dividends on the stocks he has purchased. But, given these costs, the attraction to him is obviously the capital gains that may accrue. On this score, if it had been launched ten years ago, this plan would have brought more into the investor's pocket than an endowment policy with profits. But the scheme has been launched at a moment when equity prices are high and though the attraction of buying shares on the margin for the long haul is obvious, its appeal must largely be confined to those who pay a high rate of tax. London and Manchester Insurance has initially set aside only £500,000 to provide for loans.

OIL TRANSIT PAYMENTS

More for the Lebanon

THE Iraq Petroleum Company has agreed to increase more than threefold the royalty payments that it pays the Lebanese government for the transit of oil through its 12-inch and 16-inch pipelines from Kirkuk which cross the Lebanon on the way to Tripoli, and in respect of its oil terminal and refinery there. The royalties, based upon transit of 7½ million tons of crude a year, were raised in 1955, retrospectively to 1952, to £380,000; now they go up to £1,235,000 a year, and the IPC is also paying a lump sum of £5,818,000 in settlement of past claims by the government.

The Lebanese government has announced, following this agreed increase, that it will be re-opening negotiations with Tapline, which owns the 30/31-inch pipeline that runs from Saudi Arabia to Sidon. Negotiations over transit payments to the countries across whose territories these pipelines run have gone on at intervals since 1955; at one time Tapline suggested that Saudi Arabia, Jordan, Syria and the Lebanon should decide between themselves on the shares they should receive. It was prepared to pay in total roughly half the saving made by pipeline transport instead of sea transport by tanker from the Gulf. This was the basis upon which IPC, in 1955, raised its payments to the Syrian government to £6 million, for an expected throughput of 26 million tons a year through the pipelines that go to Lebanon and the 30/32-inch branch line from Homs to Banyas. But the new agreement with the Lebanon, over whose territory the pipelines cover a comparatively short distance, may have altered this basis of negotiation for transit payments.

RETAIL TRADE

The Bigger Mark-up

BETWEEN 1950 and 1957, retailers' gross margins narrowed a little in food shops (from an average of 19.3 to 18.5 per cent of turnover) but generally increased in other shops (from an average of 23.7 to 26.2 per cent). These trends in the mark-up from the wholesale to the retail price emerge from the first batch of detailed results of the 1957 Census of Distribution, published in last week's *Board of Trade Journal*.

The changes between the two censuses largely reflect the effects of the freeing of controls. The abolition of the bread subsidy, for instance, which put up prices at both the wholesale and retail level and so reduced the percentage difference, was obviously a factor in bringing bakers' margins down from 41.2 per cent to 36.0 per cent of turnover; the growth, following derationing, in the sales of sweets, on which the mark-up is bigger than on tobacco, largely accounts for the

GROSS MARGINS AS PERCENTAGE OF TURNOVER

Type of Business:—	1957 No. of establishments in organisation:— 1–9	10 or more	1957 Total	1950 Total
Grocers	14·4	17·6	15·4	15·3
Butchers	19·4	23·0	20·0	20·8
Confectioners, tobacconists, newsagents	14·6	17·7	14·9	13·1
Boot and shoe	26·5	31·3	29·6	26·2
Men's wear	31·9	27·9	30·0	26·7
Women's wear	27·6	26·1	27·0	23·9
Furniture	28·7	36·8	30·6	27·4
Radio and electrical	28·5	46·6	31·9	28·7
Department stores	28·7	31·0	29·2	24·6

widening from 13.1 to 14.9 per cent in the margins of confectioners, tobacconists and newsagents; while the removal of the control on margins still maintained in 1950 on most clothing, textiles and furniture is the chief reason why the average margin of department stores, whose trade is mainly in these goods, has risen from 24.6 to 29.2 per cent.

The smallest margin recorded in 1957 was 14½ per cent for small grocers and for small shops in the confectioner-tobacconist-newsagent group; the largest was 46½ per cent for multiple retailers of radio and electrical goods—a figure swollen by the inclusion in the turnover of receipts from hiring on which the "gross margin" is 100 per cent. In most kinds of retail business, other than the clothing trade, the multiples obtained a larger margin than the small shopkeepers. But comparisons of costing between small and large shops cannot be taken much further, for nothing is recorded about the drawings of working proprietors or of family helpers in the small shops. For the multiples, however, the wage and salary bill represents practically all the labour costs and this amounted to 11.9 per cent of their total sales; set against a gross margin of 26.5 per cent, this left 14.6 per cent of their total turnover for other running costs and profits. The corresponding proportion for the co-operative societies was 11.0 per cent.

ATOMIC ENERGY

Writing Off Windscale

IN its balance sheet for 1958-59, published this week, the Atomic Energy Authority has set aside nearly £2 million to cover the loss of the first of the two Windscale plutonium-producing reactors. These reactors cost about £3,700,000 each to build, and they had been working for seven years when the No. 1 reactor caught fire in October, 1957. Like all experimental and research reactors of the AEA, these plants were being written off over ten years: reactors such as those at Calder Hall and Chapel Cross and the commercial power stations of the CEGB are written off over 20 years. The No. 1 reactor was totally destroyed by the fire and the figure of £1,979,826 charged to reserve to cover its loss includes a figure of about £200,000 to cover the value of uranium fuel in the reactor at the time of the fire, £70,000 for the cost of milk destroyed as a safety precaution while local cows were eating contaminated grass; £10,000 to cover the cost of sealing off the reactor; the expense of salvaging what could be recovered from the burnt reactor and, finally, the residual value of the reactor itself as it stood on the books at the time of the fire, which was something rather more than £1,250,000.

The loss of the No. 2 reactor will be carried forward to the current year's accounts; it was closed down, undamaged, immediately the first reactor caught fire and has never been reopened. Consequently the AEA has been able to salvage a great deal of its equipment, including the whole of the fuel charge, and the net loss will not be anything like so large a sum as that incurred on the No. 1 reactor. This book-keeping exercise cannot, however, measure the loss to the country caused by the closure of Windscale. The choice of ten years as the period over which to amortise any new and unproven reactor—as the Windscale reactors were at the time they were built—is an conservative figure, chosen as a reasonable life for any experimental piece of equipment. But there was no reason for believing that, properly handled, the Windscale reactors would not have continued to produce plutonium up to and well beyond that period. Certain experimental reactors at Harwell have long passed their notional ten-year life, and the nuclear weapon programme was drawn up on the assumption that the Windscale reactors would continue working long after the eight newer reactors at Calder Hall and Chapel Cross had come into commission.

FATS AND OILS

The Imperfect Market

FROM last June to May this year Philippines copra rose by nearly $110 to $297 a ton cif Europe; it has since dropped back to about $260. A rise of over 55 per cent may seem surprising when there was no shortage of fats and oils as a whole. One oil can be substituted for another, and if the price of a hard oil, like copra, gets far out of line a soft oil can be hardened and used instead. But markets are necessarily imperfect. Speaking to the international seed crushers' congress in Cannes last week Mr J. C. A. Faure, of Unilever, said that manufacturers "are loth to change their formulas, and if a commodity is likely to be in short supply for only a limited period they would rather follow the market." Even if the effect of drought on world production of copra had been correctly forecast, he doubted whether buyers would have believed it or acted in time. Manufacturers ran down their stocks and bought sparingly, hoping that supplies would increase. They did not, and when consumers eventually turned to substitutes, such as groundnut oil, prices of these oils rose too. But now, Mr Faure claimed, the readiness of consumers to switch from

one oil to another at short notice has been greatly stimulated, and this should ultimately bring steadier prices.

Are Western countries facing a secular decline in the availability of copra and its oil? This year, Mr Faure estimates, production of coconut oil will fall by a further 90,000 metric tons to 1,730,000 tons, which is 435,000 tons less than in 1957 (he expects this reduction, and a decline in output of other oils and fats in Argentina, Brazil and Western Europe, to be more than offset by higher production in China, the United States, India and Pakistan). The Asian producing countries and their neighbours are themselves consuming more, and the outlook for copra production, even in good weather, does not seem promising. Mr Duncan Ridler, of the Food and Agriculture Organisation, told the congress that productivity in Malaya "has already worsened, and it is believed that an extremely serious position will develop in the Philippines during the next ten years owing to kadang-kadang disease." Government help was needed, mainly for replanting programmes, genetical improvement, control of pests and diseases and better cultivation and rural processing. Fortunately the output of soft oils is more flexible than that of copra and other tree oils, and supplies this year are a record.

SHORTER NOTES

The budget came at the beginning of the April retailing period and so stimulated buying that sales in that month by furniture shops were 20 per cent above their value a year before and those by radio and electrical goods shops were 35 per cent higher. Since prices had dropped a little, the increase in the volume of business was even greater than the increase in value. Even allowing for the fact that April, 1958 included the quiet post-Easter week, this is a marked resumption of the buoyancy of trade in durable goods. Immediately preceding the budget, the growth in the sales of durable goods shops over a year before had come down to 7 per cent from 22 per cent last November when the hire purchase restrictions were first lifted.

* * *

London and Overseas Freighters' preliminary report shows that the operating surplus for the year ended March 31st has risen from £2,969,204 to £3,418,403 thanks mainly to the long-term tanker charters which the company entered into during 1956. The net profit is £1.8 million, compared with £1.4 million last year and the company is maintaining the ordinary dividend at 20 per cent; it is covered three times by earnings.

* * *

In a reorganisation to be put before an extraordinary general meeting on June 26th, the Davy-United group will be hiving off its productive activities under two new subsidiary companies. One, to be called Davy and United Engineering Company (the formal name of the present company), will handle the manufacture of rolling mills and forging presses in the group's works at Sheffield and Glasgow; the second, Davy and United Instruments, will take over development and manufacture of its range of instruments for automatic control of rolling mills and other steel processes. The holding company, which will be called Davy-United Ltd, will also control the group's present wholly-owned subsidiary, Davy and United Roll Foundry of Birmingham. Davy-United is also planning to double its present capital by capitalising £1,509,528 of reserves, allotting the new scrip on a one-for-one basis to present shareholders.

* * *

Selection Trust's final dividend for 1958 of 5s. 3d. per 10s. unit makes an unchanged total dividend of 70 per cent. The group's revenue of £3,389,971 compares with £3,224,591 and the net profit is £1,712,772, against £1,506,230.

STOCK EXCHANGE PRICES AND INDICES

BRITISH FUNDS		Price, June 3	Price, June 9	Gross Red. Yield %
War Loan 3%	1955–59	100 1/32	100	2·98
Exchequer 2½%	1960	98 7/8	98 27/32	3·73
Exchequer 3%	1960	99 1/2	99 9/32	3·74
Conversion 4¼%	1963	101 7/32	101 1/8	4·44
Savings Bonds 3%	1955–65	91 1/16	91	4·89
Savings Bonds 3%	1960–70	81 5/8	81 3/16	5·36
Conversion 4½%	1964	100 7/32	100 1/8	4·47
Exchequer 5½%	1966	103 7/16	103 1/2	5·11
Conversion 3½%	1969	88 1/8	88 3/8	5·16
Conversion 5¼%	1974	99*	99 1/4*	5·32
Treasury 3½%	1977–80	77 1/2*	77 13/16*	5·25
Treasury 3½%	1979–81	77 3/4	78 1/16	5·30
Funding 3½%	1999–2004	72 5/8	71 9/16*	5·10
Consols 4%	after February 1957	74 1/8	74 1/2	5·48
War Loan 3½%	after 1952	65 1/4	65 5/8	5·34
Treasury 3%	after April 1966	57	57 1/4	5·29
Consols 2½%		50 15/16*	51 1/4*	4·86
Treasury 2½%	after April 1975	48 15/16	49 3/16	5·13

Financial Times Indices	Ordinary Index†	Ordinary Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked
June 3	240·1	4·99	92·91	4·91	20,151
„ 4	239·0	5·05	93·09	4·90	17,873
„ 5	235·9	5·11	93·10	4·88	17,797
„ 8	233·3	5·17	93·11	4·88	18,952
„ 9	232·1	5·20	93·10	4·88	16,075

† July 1, 1935=100. ‡ 1928=100.

The Economist Indicator		Yield %
June 3	274·9	4·91
„ 9	264·6	5·10

1953=100.

ORDINARY STOCKS		Price, June 3	Price, June 9	Yield %
A.E.I.	£1	60/6*	58/6*	5·13
Associated Portland Cement	£1	70/3*	64/9*	3·71
Babcock & Wilcox	£1	44/9	44/3	5·88
Beecham Group	5/–	34/4 1/2	32/11 1/2	3·74
Boots Pure Drug	5/–	22/9	21/9	3·68
Bowater Paper	£1	50/–	49/9	5·03
B.A.T.	10/–	53/10 1/2	52/7 1/2	5·43
British Motor	5/–	13/9	12/10 1/2	6·12
British Oxygen	£1	63/3	57/9	4·16
British Petroleum	£1	51/–	50/3	5·69
Courtaulds	£1	37/4 1/2	37/9	5·12
Distillers	10/–	27/4 1/2	26/–	4·10
Dunlop Rubber	10/–	30/7 1/2	28/9	5·65
E.M.I.	10/–	52/–	51/9	3·87
Ford Motor	£1	68/–	65/–	3·69
General Electric	£1	34/6	32/3	5·89
G.U.S. 'A'	5/–	44/7 1/2	41/10 1/2	3·88
Guest Keen	£1	63/4 1/2	60/–	4·33
Hawker Siddeley	£1	27/9	27/3	7·34
I.C.I.	£1	38/3	37/–	4·32
Imperial Tobacco	£1	57/10 1/2	56/7 1/2	7·41
Lancashire Cotton	£1	47/10 1/2	46/10 1/2	7·47
Lloyds Bank	£1	50/3	49/3	4·06
Marks & Spencer 'A'	5/–	67/9	64/3	2·92
Midland Bank	£1	72/6	70/3	4·27
Pearl Assurance	5/–	125/–	122/6	4·68
Prudential 'A'	4/–	270/–	255/–	4·17
P. & O.	£1	33/3	32/6	6·77
Rolls-Royce	£1	99/4 1/2*	95/3*	4·20
Shell Transport	£1	137/3	133/9	4·58
Stewarts & Lloyds	£1	30/6	29/3	7·52
Tube Investments	£1	90/3	85/9	4·08
United Dominions Trust	£1	156/6	156/–	2·56
Unilever	£1	107/9	99/3	3·39
Vickers	£1	31/3	30/–	6·67
Woolworth	5/–	54/10 1/2	56/–	3·57

* Ex dividend.

This notice is under no circumstances to be construed as an offering of these securities for sale or as a solicitation of offers to buy any of these securities, but appears solely for purposes of information.

NEW ISSUE

May 21, 1959

$50,000,000

Alberta Municipal Financing Corporation

4¾% Sinking Fund Debentures

Dated May 15, 1959 Due May 15, 1984

Principal and interest payable in United States Dollars and guaranteed unconditionally by

PROVINCE OF ALBERTA
(Canada)

Price 98% and accrued interest

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Blyth & Co., Inc. — Eastman Dillon, Union Securities & Co. — Lehman Brothers

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Bowaters

"The continued development of a large organisation depends not only on the steady expansion of world markets but also on diversification of products"

Sir Eric Vansittart Bowater, speaking at the Annual General Meeting of The Bowater Paper Corporation Limited

Welcoming a very large gathering of shareholders (including a number from the United States, Canada, Ireland, Sweden and Holland) to the joint Annual General Meeting of The Bowater Paper Corporation Limited and Bowater-Eburite Limited at Ellesmere Port, Cheshire, on June 3rd, the Chairman, Sir Eric Vansittart Bowater, said that he was deeply gratified that so many should have found it worth while to travel such long distances.

The Chairman pointed out that the total capital cost of installations on the Ellesmere Port site alone amounted to £17 millions—though this was only one tenth of the value of the Organisation's total assets and manufacturing facilities throughout the world.

Reviewing operations during the past year, Sir Eric spoke of a general change for the better in the economic climate of the world since the last annual general meeting. While the paper industry, and newsprint in particular, has not yet responded in full to this general improvement, consumption of newsprint in both the UK and the United States is showing an increase over last year, and consumption of practically every form of paper product is now on the up-grade. It was reasonable to anticipate that from now on there would be a steady if not spectacular improvement.

DIVERSIFICATION OF PRODUCTS

Turning to more specific aspects of the Organisation's business, the Chairman spoke of the necessity, not only of a steady expansion of world markets, but also of the need for diversified production.

The Bowater-Eburite group had had a satisfactory year despite intense competition. The excess capacity existing within the packaging industry at present could be expected to be overtaken during 1960 by rapidly increasing demand. The growth of self-service stores and of supermarkets in Britain offers an increasing volume of business for the Bowater-Eburite group. Among plans for further expansion is the setting up of a new packaging plant in Kent to re-deploy and streamline production of waxed papers, paper and film bags, foilware, etc. Development of cartons for milk and fruit juices is also being actively prosecuted.

It has also been decided to establish footholds in the Common Market Area, where the Organisation has acquired or is in process of acquiring businesses, initially in Belgium and Italy, believed to be readily capable of development and strategically placed to give a wide coverage in that area.

While the basis of operation of the Organisation's four paper mills in the UK was at a slightly lower level than last year, due essentially to the lower demand for newsprint from UK and overseas markets, production of magazine and other printing and packaging papers was at a higher level than previously. Currently, all UK mills are operating substantially to capacity.

The Organisation's shipping interests now embrace ownership and operation of eleven ships, with a twelfth due for completion at the end of this year making a total deadweight capacity of over 80,000 tons.

These ships now ply over a very wide area—through the newly opened St Lawrence Seaway to the heart of the American continent, as well as up and down the North American coast; between that continent and Europe; between Scandinavia and the UK; and as far afield as South Africa and Australia.

THE NORTH AMERICAN SCENE

Turning to the North American scene, where more than 70 per cent of the Organisation's manufacturing assets are located, the Chairman pointed to the fact that while decreased consumption of newsprint was responsible for a general decline in earnings within that industry in Canada, consolidated trading profits of the Bowater Corporation of North America were only 5 per cent less than for the previous year, comparing very favourably with the rest of the industry. There is now a definite improvement in newsprint consumption, while North American inventories of newsprint at the end of April 1959 were 8 per cent lower than at the corresponding period last year.

Capital expenditures incurred by the operating subsidiaries of the North American Corporation during 1958 amounted to $44 million. This included expenditure on the construction of the new sulphate pulp mill at Catawba, South Carolina, which will come into production this summer. A new hardboard mill, scheduled for completion in 1960, is under construction on the same site. Its output will have a ready market in the nearby areas.

The Corner Brook mills in Newfoundland continued to be plagued by the aftermath of the fire which occurred in the previous year, but rehabilitation has presented an opportunity to effect improvements to the paper-making machines.

With the commissioning of its fourth machine last December, Bowaters Southern Paper Corporation, Tennessee, now operates the largest newsprint mill in the USA. The Southern Corporation's resources have been applied to the reduction of its funded debt since it began operations in 1954, but it is now expected that it may be in a position to commence payment of dividends to the North American Corporation (of which it is a subsidiary) in respect of the current year.

TWO-WAY TRAFFIC WITH THE UNITED STATES

Commenting on the question of American investment in Britain and of British investments in America, Sir Eric said: "I am forthright in my opinion that a two-way traffic in all the forms of activity between Europe and North America is of vital importance."

Bowaters' investments in North America, —essentially concerned with domestic trade— in terms of equity capital and reserves alone, amount to $120 million. Of the 800,000 tons of pulp and paper produced last year by the Organisation's North American mills, well over 600,000 tons, to a value of some $80 million was sold to American newspaper publishers.

In reverse, the Organisation has derived great benefit from its successful association with the Scott Paper Company of America through the Bowater-Scott Corporation in the United Kingdom. This association has now been extended to Australia, with the formation of Bowater-Scott Australia Limited which will control the first fully integrated operation of its kind in Australia, where, as in Britain, there is a fast-growing demand for household tissues.

Yet another joint arrangement is the formation in Brussels of Bowater-Scott Continental S.A., an association of the United Kingdom company in equal partnership with Belgium's leading paper-making organisation. Through this association, household tissues will be marketed throughout five of the Common Market countries, embracing a population of over 70 millions.

"A PROSPEROUS FUTURE"

Whilst stressing his belief that shareholders would endorse the decision, taken in the light of circumstances prevailing at that time, to retain the ordinary dividend at the same rate as for the preceding year, Sir Eric referred again to the general improvement now apparent in both Britain and the USA. "In my belief, everything points to a prosperous future for Bowaters and in the light of all that I have been able to report to you today, you will I hope find yourselves able to concur in this belief."

The report and accounts were adopted.

Stockholders will automatically receive copies of the complete speech by Sir Eric Bowater. Others who are interested may obtain copies from: The Secretary, The Bowater Organisation, Bowater House, Knightsbridge, London, S.W.1.

COMPANY MEETINGS

UNION CORPORATION LIMITED

(Incorporated in the Union of South Africa)

Extract from the Speech by The Chairman Sir Charles J. Hambro at the Annual General Meeting held in Johannesburg on May 26, 1959

The Chairman in moving the adoption of the Report and Accounts for the past financial year, said:

Before dealing with the formal business of the Meeting it is my sad duty to refer to the grievous loss we sustained last year by the death of Viscount Bracken who was Chairman of your Company for 13 years.

He was a man of outstanding ability, whose knowledge extended over a wide range of affairs. By his death we have lost a friend who was forthright in his views, wise in his counsels, generous in his actions and courageous to the end.

The Accounts of the Corporation for the year 1958, together with the Directors' Report, are submitted for your approval.

Reduced dividends from our base metal interests were not fully made good by increases from our gold mining investments, with the result that our consolidated dividend income for 1958 was some £92,000 lower than for 1957. On the other hand, profits on realisation of shares rose by £450,000, partly due to improved conditions in share markets and partly to the sale of 300,000 shares in Winkelhaak Mines, Limited, to the American South African Investment Company. Other income also showed an increase. Thus the consolidated profit, after taxation and after deducting the interest of minority shareholders in subsidiary companies' profits, was £1,904,000 as against £1,578,000 in 1957. The net profit of the Corporation itself was £1,373,000 which, together with £401,000 brought in from previous years, made £1,774,000 available for appropriation.

In view of the substantial increase in the undistributed profits in the hands of subsidiary companies your Directors have thought it unnecessary to increase the Corporation's General Reserve which remains at £2,650,000. £350,000 has been appropriated to Exploration Reserve—a little more than the amount of £337,000 actually charged to the Reserve during the year. After writing off the expenses of our Note Issue, amounting to £33,000, the Directors have declared dividends amounting to 3s. 6d. per share less United Kingdom income tax, leaving £54,000 to be added to the carry forward, which now amounts to £455,000.

In the Accounts now before you the rate of United Kingdom income tax has been taken at 8s. 6d. in the £. The recent United Kingdom Budget has reduced the rate to 7s. 9d. in the £. This welcome reduction in the Corporation's tax bill, will to a large extent be passed on to members since the net amount distributed in respect of the final dividend of 2s. per share and the bonus dividend of 6d. per share, both less United Kingdom income tax, will be increased from £535,000 and £134,000 to £570,000 and £142,000 respectively.

RESIDENCE

Members were advised last September that the Corporation's application to change its residence had been refused by the United Kingdom Treasury. As explained in the Press announcement, the Directors decided in 1956 that it would be in the interests of the Corporation for Board Meetings to be held in South Africa where it is incorporated, where the General Meetings are held, and where the main activities lie. The interests of the Corporation outside Southern Africa would continue to be administered from London. United Kingdom tax legislation, however, lays down that the permission of the United Kingdom Treasury must be obtained before taking this action. Your Directors are hopeful that they may yet secure the Treasury's consent to the transfer, more especially as it is not expected to lead to a significant reduction in the tax to be collected by the United Kingdom Inland Revenue in respect of the Corporation's post-1959 profits and dividends paid therefrom.

In this connection several members resident outside the United Kingdom have inquired what the effect of a change of residence would be on their dividends and I am glad to have this opportunity of clearing up what I believe to be a widespread misconception in regard thereto. If the Corporation had been resident in South Africa, its present dividend and bonus declarations of 3s. 6d. per share less United Kingdom tax thereon at the Standard Rate, giving a net distribution for the year of about 2s. 1¼d. per share, would have been replaced not by a declaration of the gross amount of 3s. 6d. per share, as is widely supposed, but by a dividend of somewhat more than two-thirds thereof—in other words, the dividends paid this year of 2s. 1¼d. per share would probably have been increased to about 2s. 6d. per share with a somewhat greater carry forward.

GOLD MINING INDUSTRY

As our principal interests continue to be in gold mining in South Africa I should like briefly to review the position of the South African Gold Mining Industry as a whole.

The ore milled in 1958 was 65,542,000 tons which was slightly less than in 1957, but as the average yield improved by 0.23 dwt to 5.23 dwt per ton, the gold output increased by over 3½ per cent to the record figure of 17,154,005 ounces fine. This is the seventh consecutive annual increase in gold production and is a good illustration of the continuing vigour of the Industry.

Owing to the increasing strength of Sterling in relation to the Dollar the average price received for gold was 5d. per ounce fine lower than in 1957. As a result of the greater output, however, working revenue increased by £7,477,000 to £215,183,000. Working costs absorbed £153,827,000 leaving a working profit from gold of £61,356,000 which is £3,523,000 more than in 1957. The estimated profit from the production of uranium increased by £4,434,000 and amounted to £37,742,000 so that the total working profit for the Industry was £99,098,000 or £7,956,000 more than for the previous year.

Provision for capital expenditure financed out of profits, loan redemption, including redemption of loans made available for uranium production, and for other items, amounted to about £37,500,000 of which about £7,600,000 was for interest and redemption of uranium loans. Taxation and Government's share of profits is estimated at £18,942,000 which is somewhat higher than in 1957. Net dividends declared by the Industry increased by £5,872,000 to £42,571,000.

With the new mines of the Orange Free State and the Transvaal expanding production and output, with Native labour in plentiful supply as it is at present and with further new mines about to be started the outlook for the Industry would fill one with confidence and optimism but for concern about one particular item, namely, the continuing and steady rise in costs.

Comparison of the average level of working costs per ton milled by the Industry in 1958 and in previous years tends to be misleading because of the effect on the average figures for the whole Industry of the increasing tonnage contributed by the new mines whose level of working costs is generally much above that of the older mines. Even a simple comparison of the costs per ton milled of a well-established producer today and, say, 5 or 10 years ago may also be misleading unless one allows for such factors as fluctuations in the Native labour supply which affect the tonnage treated, increases or reductions in the amount of development footage or changes in mining methods—all of which may affect unit costs.

The general picture, however, is that in recent years working costs, i.e., the cost of labour and stores including power, have been increasing by about 3 per cent per annum and capital costs, i.e., cost of shaft sinking, buildings, plant and equipment, at a somewhat faster rate. So far there is no sign of this rate of increase flattening off or of an overall reduction in costs. It has been disquieting for gold producers to note that last year in the middle of a recession in the United States of America retail prices there, paradoxically, continued to rise.

Many of the effects of such inflationary tendencies on an Industry which must work to a fixed price for its product are well known and have frequently been mentioned at these meetings. The principal ones are the shortening of the lives of older, low-grade producers and the elimination from ore reserves throughout the Industry of large tonnages which at lower levels of costs could have been profitably mined. A point, however, not so frequently appreciated, is the effect of inflation on the search for new gold mines. In spite of the development of new aids to prospecting, as time goes on and the more promising or accessible areas are explored, inevitably prospecting for all minerals, including gold, becomes progressively more difficult, uncertain and costly. Today, however, with capital and operating costs continuing to rise, there is added for the gold prospector

the major difficulty of finding deposits which can be expected both to justify the large capital investment required to bring a new gold mine to production and to be of sufficiently high grade to give a reasonable assurance of profitability over twenty to thirty years ahead, even under continuing inflation.

The recent development of a number of high grade mines in the Western Transvaal and the Orange Free State has tended to obscure the fact that the Witwatersrand System is in general, a medium to low grade gold carrier. The reports of the Transvaal and Orange Free State Chamber of Mines record the tonnage treated and gold output of 106 principal gold mines which have operated on the Witwatersrand and in the Orange Free State between 1893 and the end of 1958. It is surely significant that 67 of these mines had an average yield over their whole lives or their lives to date of less than 6 dwt per ton and that these 67 mines between them accounted for 87 per cent of the total tonnage treated and nearly 80 per cent of the total gold output of the Witwatersrand and Orange Free State goldfields. More than 45 per cent of the total tonnage treated and over 35 per cent of the gold production came from 37 mines whose average yield has been less than 5 dwt per ton. A major portion of the ore milled by these mines would be quite unprofitable under current conditions. Thus, the only attraction for prospecting for new gold deposits today is the hope of finding mines of a grade appreciably higher than the history of the Witwatersrand System leads one to expect or the belief that within the reasonably foreseeable future there will be a marked change in the present relationship of the price of gold to capital and operating costs.

THE PRESENT STATUS OF GOLD AND THE FUTURE OUTLOOK FOR IT

Your Directors continue to have faith in the future of gold and believe that, following the precedents of history, in due course it will have to be revalued in relation to other commodities, thus bringing about the change in the present relationship between the price of the Gold Mining Industry's product and the costs of producing it referred to above.

We would venture the view that the status of gold today is higher than at any time since the end of the last war. There is a growing recognition that gold has a fundamental part to play in monetary affairs, both nationally and internationally, which gives an assurance, at one time lacking, of a continuing and sustained demand for the metal.

Having reviewed the progress of the Corporation's mining interests, the Chairman turned to the other interests of the Corporation and said:

OTHER INTERESTS

Bay Hall Trust Limited, as you are aware, operates in the United Kingdom as an Investment Trust. Its Directors have decided to make an issue of new shares for cash with a view to enlarging and diversifying the Trust's investment portfolio and to offer a proportion of this issue direct to Members of this Corporation. Circulars were posted to you last night informing you of this.

If Bay Hall shareholders approve the detailed proposals, which include the substitution of four shares of 10s. each for each existing Bay Hall £1 share, you will, on or about June 23rd, be sent detailed particulars of an offer to take up one new Bay Hall 10s. share at par for every five Union Corporation shares you hold at the close of business on June 8th. The issue will give Members of the Corporation an opportunity of participating directly in one of its associated companies. Your Directors consider that this represents an attractive investment opportunity. Based on the present market value of the Trust's portfolio it is estimated that the shares will have a net asset value of about 16s. 6d. each. The new shares will be quoted on the London Stock Exchange, only, where a market in the rights will be established. We intend making suitable arrangements to assist South African members to deal in their rights during the offer period.

Last year the gross revenue of the Trust increased from £228,500 to £244,100. A dividend of 17 per cent was paid, plus a bonus of 1 per cent, both less United Kingdom Income Tax. A few days ago, the Directors of the Trust declared an interim dividend for the current year of 6 per cent, less tax, on the existing capital. They expect to recommend early in 1960 a final dividend for 1959 of 5 per cent, less tax, on the capital, as increased and anticipate being able to distribute not less than 8 per cent, less tax, in respect of 1960.

After referring to British Enka Limited and South African Pulp & Paper Industries, Limited, the Chairman continued:

EXPLORATION

The Directors Report stated that it was intended shortly to make application to the Mining Leases Board of the Government of the Union of South Africa for two new mining leases in the Kinross area and that a further possible lease area was still under investigation. I am pleased to be able to report that the application for the two mining leases was lodged with the Mining Leases Board towards the end of last month. The application is for two adjoining areas to the West of the property of Winkelhaak Mines, Limited. The Southern of these will adjoin the Southern part of Winkelhaak's Western boundary.

If these leases are approved the Southern area will be worked by a recently formed company, Bracken Mines, Limited. We felt it appropriate to commemorate in this way the keen and active interest of our late Chairman in the development of the Kinross goldfield. The Company operating the Northern of the two leases will be Leslie Gold Mines, Limited. It must be emphasised, however, that the location of the mine will be some miles from the town of Leslie.

As explained in the Report there is a further area of interest in the Kinross goldfield. This lies to the North-West of Winkelhaak Mines, Limited. Considerable further drilling will be necessary before we are in a position to decide whether a fourth mine in this area is justified.

Apart from our work in the Kinross area we have continued to be active in the search for new mineral deposits both in the Union of South Africa and elsewhere. In particular, in recent years, in the hope of extending the Corporation's interests in minerals other than gold we have carried out extensive exploration for base minerals though so far without success.

THE BRITISH SOUTH AFRICA COMPANY

Members have already been informed by Circular of the arrangement recently made with The British South Africa Company by which, subject to the approval of members of both Companies, 700,000 new shares in the Corporation will be issued in exchange for 455,000 new shares in The British South Africa Company. The acquisition of this holding will strengthen and diversify our investment portfolio and, in particular, will provide us with an attractive immediate investment in base metals. Your confirmation of the arrangement will be sought at the Extraordinary General Meeting which follows this Meeting.

Finally, I should like to thank on your behalf the Management and staff of the Corporation in South Africa and in London and the Managers, staffs and employees of the Companies under our administration for the strenuous efforts they have made during the past year to further your interests.

In reply to an inquiry by a Member about the portfolio of Bay Hall Trust, the Chairman said that that Company's investment portfolio was widely spread over United Kingdom concerns, a large holding of Union Corporation shares, other South African interests, and in base metal and commodity shares.

In reply to a Member's inquiries about the proposed two new mining companies, the Chairman indicated that details of capital proposals would be announced in due course, that the Corporation had sufficient finance as far as could be judged at present for the purpose and that while there were very few occasions upon which it was possible to offer rights in such business to the Corporation's own shareholders, the Directors had this idea under review. He also indicated in reply to a question, that about 85 per cent of the Corporation's investments were in South African securities and that about 12 per cent of the Corporation's share capital was registered with South African addresses.

The Reports and Accounts were adopted and the retiring Directors re-elected.

BENGUELA RAILWAY COMPANY

At the Annual General Meeting of the Company, held in Lisbon on 30th May, 1959, the following distribution of profits for the year 1958 was approved:—

	1958 Escudos	Comparative Figures 1957 Escudos	1956 Escudos
Net Revenue	151,544,921	194,846,255	221,311,968
Deduct:—			
Percentage to Portuguese Government	13,945,843		
Deductions in accordance with the Articles of Association	10,442,698		
	24,389,541	55,183,493	41,473,079
Balance available for distribution	126,955,380	139,662,762	180,323,879
Distributed as to:—Debenture Service:—			
Redemption of 4% Debentures	16,290,610	16,294,810	49,248,200
Interest on 4% Debentures for year 1958	9,011,621	9,663,413	11,557,345
Interest on 5% Debentures for year 1958	16,100,000	16,100,000	16,100,000
Dividend of 12½% on Share Capital	41,471,261	42,038,223	76,981,635
Transferred to General Reserve	82,500,000	99,000,000	49,500,000
Transferred to Dividend Equalisation Reserve	3,044,119	18,664,569	54,552,244
	126,955,380	139,662,792	180,323,879

Tanganyika Concessions Limited owns all the Debentures and 99% of the Equity of the Benguela Railway. 80.5 Escudos=£1

SPILLERS LIMITED

INCREASED TURNOVER AND EARNINGS

WHEAT MARKET—TWO SIGNIFICANT EVENTS

GROWING USE OF COMPOUND ANIMAL FEEDINGSTUFFS

CONSOLIDATION AND EXTENSION OF BAKERY AND OTHER ACTIVITIES

MR WILFRED D. VERNON ON CONTINUED EXPANSION

The seventy-second annual general meeting of Spillers Limited was held on June 5th at the Abercorn Rooms, Great Eastern Hotel, Liverpool Street, E.C.2, Mr Wilfred D. Vernon (the Chairman), presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended January 31, 1959:

FINANCIAL RESULTS

The result of the year's trading has been satisfactory, the continued expansion of the business being reflected in increased turnover and earnings.

The profit (after providing for depreciation and obsolescence) is £4,651,000.

Taxation absorbs £2,650,000 so that the net balance available is £2,001,000. If the Directors' proposals are approved £870,000 will be distributed in dividends and £1,131,000 retained in the business. The Directors are glad to be able to recommend increasing the full year's dividend on the Ordinary Stock to 10 per cent (as against the equivalent of 8¾ per cent for 1957-58) and thus give the stockholders some further return on their constantly increasing investment in the business.

FLOUR MILLING AND WHEAT MARKET

There was a small decline in our deliveries of flour and competition continued to be severe because of the existence of surplus milling capacity in this and other countries. I have referred in the past to the fall in the consumption of flour in the United Kingdom and in other highly developed countries, and to the efforts by the industry here to demonstrate to the public through the Flour Advisory Bureau the nutritional and economic merits of bread as a foodstuff. Recently there have been some indications that the sustained fall in consumption over the last ten years may have been arrested.

The financial outcome from milling operations was better than for the previous year and this was assisted by more stable conditions in the ocean freight market.

Two events of significance to the Wheat Market have taken place since the end of the financial year. The first is that the United Kingdom has undertaken to become a signatory to a new International Wheat Agreement, and the second is the opening of the St Lawrence Seaway.

In the past the milling industry was strongly opposed to this country's adhering to the Wheat Agreement in its earlier form, because the industry was convinced that to do so would have restricted freedom of buying which would have led to a higher cost to the consumer in the United Kingdom. Nevertheless, I think it fair to say that it appears that this new form of Agreement contains less objectionable features than the earlier Agreements, and so far as millers are concerned, I do not think that under existing circumstances we need fear any serious repercussions from it.

The St. Lawrence Seaway will bring about a considerable change in the methods of moving wheat from points on the Great Lakes both in Canada and the USA to the seaboard, and in addition will allow vessels of suitable tonnage to make direct sailings from the Great Lakes to foreign destinations. The Canadian Wheat Board have already made some adjustments in their marketing arrangements and conditions but it may be some time before the full implications are apparent. As far as one can judge at the moment, I would only say I hope that the resultant reduction in handling costs will be beneficial to the buyer as well as the seller.

It is appropriate that I should refer to the decision of the flour milling industry to terminate or modify existing arrangements within the industry which come within the scope of the Restrictive Trade Practices Act. These arrangements imposed no obligation on individual millers to observe minimum prices and were intended to maintain the supply of flour on an efficient and economic basis. While satisfied that they were not detrimental to the interests of consumers it was concluded that it would be difficult to establish the requirement of the Act that the withdrawal of the arrangements would deprive the public of a substantial benefit. It is my hope that despite the absence of guidance through recommended prices the general sense of responsibility within the industry will prevent prices falling to levels unrelated to the cost of efficient production.

ANIMAL FOODS

I am able to report that my confidence of last year, when I stated that we were in a position to expand our business, has been justified. Farmers are becoming more conscious of the value of using compound animal feedingstuffs, based as they are on intensive research, and I am pleased to add that we have enjoyed our full share of the resultant increased trade. The progress has been general, covering all fields of animal feeding and our deliveries have reached a new peak. Although the financial results improved this was wholly due to the increased volume of business as the keen competition in this trade has kept the margin on a rather narrow basis.

I must make particular reference to the great development of the broiler industry which has made such spectacular advances throughout the year. It is worthy of note that this newest branch of agriculture does not receive any subsidy from the Exchequer and I would pay tribute to the efficiency and farsightedness of its leaders. I feel that we have made no small contribution to this progress, for in addition to the providing of broiler foods in ever increasing quantities we are in constant touch with breeders, producers and packers in our endeavour to make it possible for the housewife to buy birds of an attractive quality at a reasonable price.

At our research centre and farm at Middle Aston, Oxfordshire, we continue to receive large numbers of scientists, farmers and agricultural merchants. We are happy to show them all that is being done both in the laboratory and in the field to ensure our foods always being in conformity with the most up-to-date knowledge of animal nutrition.

It is important that there should be a proper realisation of the position of compound animal feedingstuffs in relation to the national economy. There seems to be a belief in some quarters that it is contrary to the national interest to import large quantities of raw material for the production of these foods. If, as is the fact, all home-grown materials are absorbed, the alternative to importing the balance required is to import the end product in the way of farm produce. Our aim is to produce feedingstuffs whether based on home-grown or imported material of a quality and at a price which will enable livestock to be raised in this country on a basis competitive with overseas.

Last year I referred to the construction of a new animal foods factory at Gainsborough. This is expected to be in operation early next year, and we have now commenced building another new factory at Aberdeen.

BAKING AND OTHER ACTIVITIES

The bakery side of our business continues to be consolidated and extended and there was a further increase in production during the year. Rising costs, however, have somewhat reduced the margin of profit. This section of the business which now absorbs a significant part of the company's flour output is managed by experienced executives and we are confident that the further capital expenditure now being incurred will show an adequate return.

The organisation for selling products to the grocery trade has now been firmly established and steady progress has been made with our well-known dog biscuit foods and with the transfer of many local brands of self-raising flour and prepacked plain flour to single brands in the name of Spillers. The new package designs of our various grocery products have been widely commended and we look forward confidently to continued development in this section of our business.

RESEARCH AND DEVELOPMENT

In recent years our policy has been to extend our facilities for research in the fields of improvement in processes, handling and quality and in the evolution of new products. To this end we constructed new central laboratories at Cambridge and the animal foods research station at Middle Aston, Oxfordshire. We are now in the course of completing and staffing a new technological

research centre also at Cambridge. A short time ago we appointed Dr John Coppock, OBE, PhD, FRIC, as Director of Research to supervise and co-ordinate this work under Mr Rishworth, the member of the Board responsible for these activities. I am sure that this policy is essential to the conduct of a business such as ours and I am equally sure that it will contribute materially to expansion on sound lines.

In this connection I might comment on the pioneering work which we did on the bulk movement and storage of flour. It may not be generally appreciated that this Company was responsible for the first delivery of flour in bulk in a specially designed vehicle—the first of its kind in the world—as long ago as June, 1950. There is no doubt that this is by far the more hygienic method of handling flour and it is also more economic. This view is shared by those of our customers who have adapted their own premises and equipment for intake in bulk, and I hope that others will be similarly receptive. We are always ready to give advice to customers wishing to consider this step. It is not surprising that this method of delivery has been adapted for use in delivering animal foodstuffs to the farm in bulk and the first lorry to carry out this work took its load in July, 1956.

OVERSEAS INTERESTS

For many years we have, in partnership with the British South Africa Company, been interested in milling and allied activities in Southern and Northern Rhodesia. These operations are carried on by the Rhodesian Milling Company (Private), Ltd, and have been continually extended, particularly since the end of the last war. This Company now operates mills and factories in most towns of any size in the two Rhodesias and several of our Directors including myself paid visits to these centres in the course of the last year.

It is disturbing to external investors like ourselves that the Federal Government should now be exercising its price control powers to limit the return on capital invested in Rhodesian industry despite the lean years experienced by the Rhodesian company in the past and the devotion of all its earnings for some considerable time to modernisation and development in that country.

During 1958 we acquired a substantial interest in the capital of John Darling & Sons (Australia), Ltd, one of the oldest and most prominent milling concerns in Australia, and this largely accounts for the increase in the item "Investment in associated companies" in the Balance Sheet. The Darling Company operates or is interested in flour mills, feeding stuffs factories and bakeries in Melbourne and Sydney.

RIGHTS OF PREFERENCE STOCKHOLDERS

As will be seen from the Directors' Report and the explanatory circular, it is proposed to make certain alterations in the Company's Articles of Association, the object of which is to amend the rights attaching to the Preference Stock.

Stated shortly, the intention is to bring those rights more into line with modern practice. As part of the arrangement the sum of £55,208 of the Company's reserves will be capitalised and applied in issuing one fully paid up Preference Share to the holders of every £25 of existing Preference Stock.

GENERAL

It is difficult at this stage to make any reliable forecast about the outcome of the current year. Trading up till now has been satisfactory and although there are problems which may make it hard to maintain last year's level of earnings, I am confident that we are well equipped to maintain our position in the industry.

I am sure that the stockholders would like to be associated with my colleagues and me in expressing to the management, staff and workpeople of the Group our thanks for the contribution which they have made to the good results of the past year and our appreciation of their continued loyalty.

The report and accounts were adopted and the final dividend of 8 per cent making 10 per cent for the year on the Ordinary Stock was approved.

The retiring directors, Mr H. B. Vernon, MC, and Mr C. P. Rishworth, were re-elected and the joint auditors, Messrs Impey, Cudworth & Co, and Messrs Deloitte, Plender, Griffiths & Co, continue to serve.

Mr Macdonald of the Church Commissioners proposed a vote of thanks to the chairman, the directors and all employees of the company.

Resolutions amending the Company's Articles of Association, capitalising £55,208 of reserves and issuing fully paid one Preference Share for every £25 of existing Preference Stock, having been approved, the proceedings terminated.

BRITISH ISLES & GENERAL INVESTMENT TRUST LIMITED

SIR DENYS LOWSON ON THE IMPORTANCE OF INCREASED SAVINGS

At the Annual General Meeting of British Isles & General Investment Trust Limited held on June 1st at Estates House, Gresham Street, London, E.C.2, Sir Denys Lowson, Bt, the chairman, in the course of his remarks, said:

The gross revenue for the year £102,075 is again a record in the history of the Company, and compares with £98,138 for the previous twelve months. After allowing for management expenses and taxation, as well as crediting double taxation relief in respect of earlier years, there is a total balance available for distribution of £53,434. The Directors have declared a dividend of 9 per cent together with a bonus of 1 per cent, making a total of 10 per cent for the year; thus leaving £8,159 to be added to the carry forward, which will then stand at £51,991.

The investments with an approximate total value of £1,871,000 show an appreciation of 48.5 per cent over the book cost.

The outlook for the current year appears not unfavourable, and we have prepared an estimate which shows that our total revenue should be satisfactory; so I am hopeful that we shall be able at least to maintain our total payment to shareholders.

While in this country during 1958 production fell by 1 per cent, wages rose by about 3 per cent. Since 1951 the average weekly earnings increase in this country over previous years has always exceeded the annual increase in industrial productivity and output. In other words, since 1951 there has always been an increase in the wage costs per unit of output.

The total earnings of those employed in industry have risen in this country by approximately the same ratio as in Germany; but because German productivity has increased more rapidly, the rise in German wage costs per unit of output have been less than one-third of the rise in British wage costs per unit of output. If, therefore we could obtain the same rate of productivity as in Germany, it would go a long way towards making our exports more competitive.

Some three years ago when addressing you I referred to the importance of savings. The position pertains even more forcibly today. In order to achieve the higher productivity from our industries which is so essential we must also have a higher rate of investment in our factories and industries; which can only come through savings out of income from the broad masses of the population.

There have in recent years been great changes in the incidence of these incomes. For instance in 1938 just under two million people had net incomes of £250 to £500 per annum to spend; whereas at the end of the fiscal year 1955-56 there were four times as many people, namely just over 8½ million individual incomes with the equivalent purchasing power; which means at today's level of purchasing power incomes of £500 to £1,000 per annum.

It is from this section of the public that a great proportion of our future investments must come, and it is for them that Investment Trusts, such as our Company, and now today also Unit Trusts, so often afford the best possible medium of investment.

The Resolution for the adoption of the Report and Accounts was seconded by Mr H. R. S. Stewart and carried unanimously. The proceedings terminated with a warm vote of thanks to the Chairman, Directors and Staff.

WORTHINGTON-SIMPSON

The sixty-eighth annual general meeting of Worthington-Simpson, Ltd., was held on June 10 in London, Sir Samuel R. Beale, KBE, MIMechE, chairman, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts for the year to December 31, 1958:

Results are better even than last year's record figures. The Trading Profit of £1,181,674 shows an increase of £56,034 over last year's figure of £1,125,640 and after making full provision for all charges, including taxation, a net profit for the year under review of £543,759 is shown against £493,095 for 1957.

The incoming business for our standard products so far this year shows an improvement over last year and our order book stands at its customary high level. Profit margins are, of course, narrowing due to increased production costs brought about by National Awards, and it is not always possible, or advisable, to pass these on by raising our selling prices. We can look forward to the future with every confidence and I have no reason to think that the results for 1959 will prove other than satisfactory.

In view of the record results this year and the very liquid position of your Company, your Board feels a slightly higher distribution of profits is justified and accordingly recommends that the final dividend on the Ordinary Shares be 10 per cent, less tax, making with the interim dividend of 7½ per cent, less tax, paid last December, a total of 17½ per cent, less tax, for the year on the Ordinary Share capital as doubled at the Extraordinary General Meeting held on June 11, 1958.

The report and accounts were adopted.

SUNDAY PICTORIAL NEWSPAPERS LIMITED

Increased prosperity for Sunday Pictorial

The thirty-ninth Annual General Meeting of SUNDAY PICTORIAL NEWSPAPERS LIMITED was held on the 3rd June 1959 at Brettenham House, Lancaster Place, London, W.C.2. Mr. Cecil H. King, Chairman and Managing Director, said:

As you will have seen from the accounts circulated to you, the Sunday Pictorial Newspapers Limited has made a profit before taxation of £1,663,803, which is £433,457 more than the year before. Increases in revenue from advertisements and from sales of the *Sunday Pictorial* at the revised selling price of 4d. are reflected in the trading profit which, after payments to directors, is £263,421 up on last year. On the other hand, costs continue to rise and the year has borne the full effect of the 5% wage increase awarded in December 1957. Dividends from trade investments and other income have also advanced and show a gain of £170,036.

During the year a share bonus was issued to stockholders in order to enlarge the capital of the company to a figure more in line with the value of its assets. A final dividend of 14½% has been recommended which, with the interim dividend already paid, represents 22½% on the present capital. While it is always unwise to make predictions, I think there should be no difficulty in maintaining this dividend.

Mr. Colin Valdar, the Editor of the *Sunday Pictorial*, left the company towards the end of the year and was succeeded as Editor by Mr. Lee Howard, an experienced journalist who was for some years Editor of *Woman's Mirror*.

The British public's recent tendency to read fewer Sunday newspapers was again apparent with a collective decline of over 4% on the circulation of all Sunday newspapers. The *Sunday Pictorial's* average net sale for the year ended 31 December, 1958, was 5,378,000. There is little doubt that intensified television coverage and bigger newspapers are affecting newspaper buying habits, but future trends are difficult to determine.

Amalgamated Press acquired by Daily Mirror

The dominating event of the year was the acquisition by your associated company, The Daily Mirror Newspapers Limited, of the equity capital of The Amalgamated Press Limited. As a result, the capital of the Daily Mirror was substantially enlarged. In order to maintain the Sunday Pictorial's interest in the equity of that company, and as part of the transaction, your company agreed to purchase 3,146,884 of the Daily Mirror ordinary shares issued to Amalgamated Press shareholders at a cost of £3,343,564. This will lead to increased investment income in future years.

The Amalgamated Press is the largest periodical publishing enterprise in the world. It controls a paper mill in this country and a pulp mill in Canada, several large printing factories, an engraving works and a bookbinding company. The group's publications include women's and children's magazines, encyclopaedias and reference books. Through a controlling interest in Kelly's Directories Limited and its subsidiary, Associated Iliffe Press Limited, a large number of successful technical journals and town directories are published. Some of the women's magazines are losing ground and time is bound to elapse before it can be regained. In the meantime, practical measures are being taken to strengthen their appeal.

Your associated newspaper, the *Daily Mirror*, has borne its share of the year's decline in popular newspaper sales. As with Sunday newspapers, the daily newspaper scene is unsettled, but the *Daily Mirror* remains the largest selling daily with an average net sale of 4,527,000.

You will now wish me to deal with the affairs of the companies in which you are concerned jointly with The Daily Mirror Newspapers Limited.

In the field of light entertainment weeklies competition is stiff, but the lively newspaper, *Reveille*, remains well ahead of its nearest rival with an average net sale of nearly two million copies a week. Competitive markets are expensive to sell in, however, and profits are reduced this year.

Further expansion in Scotland

The *Daily Record* in Scotland continues its remarkable expansion in circulation and in the volume of advertising carried. The average net sale of the paper for the six months ended 31 December 1958 was 437,455 copies per day —more than 100,000 copies per day up compared with the beginning of 1956. In examining this figure, it is worth bearing in mind that in Scotland the general trend in the circulation of morning and evening papers has been downwards—in some cases very steeply. In 1958 the *Daily Record* carried 28% more local advertising than in 1957. Compared with 1956, the increase is 74%. The *Sunday Mail* still achieves a sale in excess of 600,000 copies per issue. The year's results of the Scottish Daily Record and Sunday Mail Limited have been satisfactory and I look forward confidently to continued profitable trading.

Prospects bright in West Africa

Profits of the West African group of companies have been maintained, despite the more difficult trading conditions encountered in Ghana and Sierra Leone. Higher advertisement rates became effective during the year and income from this source, together with increased revenue from our commercial printing businesses in all three territories, should lead to considerably increased profitability in the coming year. The last penny newspaper in the group has disappeared with the increase in the selling price of the Freetown *Daily Mail* to twopence from the beginning of March of this year. From now on I expect this subsidiary to make a satisfactory contribution to the West African group profit. In Nigeria, the attainment of self-government in the Northern Region has paved the way to full independence within the Commonwealth for the Federation in September 1960. The value of our independent newspapers is understood in the territories where we operate. Prospects for our companies in Nigeria, Ghana and Sierra Leone are reasonably bright.

Breathing space in the paper industry

World productive capacity continues to outstrip demand in the pulp and paper industry, where you have a considerable interest. In spite of this, Anglo-Canadian Pulp and Paper Mills Limited showed improved results over last year, when profits generally declined sharply. I think the present slackness in the trade is no more than a breathing space and momentum will be regained within the next few years. Albert E. Reed & Company Limited is, of course, affected by the trend of events in the world paper trade. Broadly speaking, turnover is up but profit margins are narrower. However, the increasing diversification of this company's products, which range from paper tissues and sacks to printing papers and fibre drainpipes, enables it to look to the future with confidence.

Associated TeleVision progress

Associated TeleVision Limited continues to make remarkable progress. Dividends amounting to 70% have been received by us in the year under review and we anticipate that the total in the current financial year will amount to 100%. A small part of the companies' investment has been sold during the year for an amount which exceeds the total cost of the original investment. The total joint holding now amounts to 17.2% of the issued equity capital. Through its subsidiary, Incorporated Television Programme Company Limited, ATV has recently established links with the Independent Television Corporation of America, an association which is likely to prove very profitable.

Sale of Australian interests

Towards the end of the financial year, your company and the Daily Mirror disposed of their holdings in the Melbourne Herald and Weekly Times Limited. This followed the sale of radio and television interests in Sydney and elsewhere, and both companies' stake in Australia has thus been brought to a close. Since 1948, the two companies have invested nearly £2½ million in Australia. Although at one time it appeared that heavy losses would be incurred on the venture, I am happy to say that this has not been the case and we are able to show a small capital surplus.

Your company's endeavours are supported by a large number of employees at home and abroad. My thanks are due to them for the part they have played in an active and satisfactory year's working.

ELLIOTT-AUTOMATION LIMITED

INCREASED PROFITS FROM AUTOMATION ACTIVITIES

NEW LINKS WITH U.S. COMPANIES

MR R. E. F. DE TRAFFORD'S STATEMENT

The Annual General Meeting of Elliott-Automation Limited will be held on June 26th in London.

The following is the statement by Mr R. E. F. de Trafford, the Chairman, which has been circulated with the report and accounts for the year ended December 31, 1958:

The Accounts before you cover the first full financial year of the Elliott-Automation Group.

Shareholders will recall that some twelve months ago we disposed of the undertaking of Associated Insulation Products Limited and consequently the profits from that source were available to us only for the first four months of the year under review. In order to present the comparison between the year just ended and the previous year in the clearest possible manner, we have segregated the figures relating to Associated Insulation Products Limited both in the Consolidated Profit and Loss Account and the Consolidated Balance Sheet. You are thus presented with the comparative figures of trading profit and net profit before taxation for the Group as at present constituted, i.e., excluding AIP. In doing so we have used as comparative figures those relating to the whole of 1957, although the merger of Elliott Brothers (London) Limited and Associated Automation Limited was only effective from August 1, 1957.

SATISFACTORY ORDER POSITION

You will have noted that the aggregate Net Profit, after tax, of £458,628 for the Group as a whole is ahead of last year's figure, namely £411,651, and the loss of income from the holding now disposed of has thus been more than made good. In other words, there has been a substantial increase in the profits from our Automation activities.

It is gratifying that, despite increased output, and notwithstanding the recent recession in the capital goods industries generally, the Company's order book remains entirely satisfactory, and includes orders for many important projects covering a wide range of industries, such as Oil Refineries, Power Stations (atomic and conventional), Food Factories, Steel Works and Chemical Plants.

NATIONAL IMPORTANCE OF AUTOMATION

Automation is a development of urgent and rapidly growing importance to this country. Its importance has been recognised by the United States of America and Russia, and there are indications that its techniques are being adopted by Germany, Japan, France and indeed most industrial countries. Your Company covets its position as the most broadly based and the largest organisation in the Automation field outside the United States of America.

NEW ACTIVITIES

During the past twelve months your Company has taken further steps to widen the range of services it can offer. An agreement was entered into with Consolidated Electrodynamics Corporation of Pasadena, California, covering quality control instrumentation, a field of rapidly growing importance in Automation. In order to widen further the range of valves offered by the Group, agreements were also made with Farris Engineering Corporation of New Jersey, to manufacture and sell safety and relief valves and with Farris Flexible Valve Corporation for pinch valves. Additionally, agreements were made with Western Electric Company Inc., of New York, for the manufacture of specialised types of relays, and with Canadian Curtiss-Wright Limited for certain nucleonic instruments. In this connection, I would mention that a separate subsidiary, Elliott Nucleonics Limited, was recently formed to handle the nucleonic instrument activities of Elliott Brothers (London) Limited.

AUTOPILOTS FOR VICKERS VC10 AIRLINER

In past years our activities in Aviation were almost entirely concerned with aircraft for the armed Services, and our Aviation Division continues to be actively engaged in that field. In addition, we have now secured an important position in civil aviation and have been fortunate in obtaining the contract for the automatic pilots and flight instrument systems for the Vickers "VC10," the outstanding projected British civil airliner. These automatic pilots will be based upon patents under licence from our friends Bendix Aviation Corporation and were designed in co-operation with them This contract should ensure a valuable volume of work for the Division concerned for some years to come.

EXPORTS OF COMPUTERS

A number of successful installations of the National-Elliott "405" Computer have now been made and are in productive use. One such machine has been supplied to Germany and other export orders are in hand. At the first Computer Exhibition staged in this country last November, we showed, in conjunction with National Cash Register Company Limited, for the first time, the National-Elliott "802" a low-priced transistorised digital computer. This type of computer, in addition to its suitability for many business data handling problems, is an important tool for industrial applications, particularly in connection with the data logging system which our subsidiary Panellit Limited, makes in collaboration with Panellit Inc., of America, and I am happy to say that exports of this computer to the United States have commenced. This is the first time British designed computers have found a market in the United States.

ADDITIONAL PREMISES

Plans for additional premises at Borehamwood, to which I made a reference last year, were modified to provide increased space and the building is now nearing completion. Also, during 1958, new buildings came into use at Electroflo Meters Company Limited which, in addition to providing valuable productive space, have enabled that Company to expand the facilities of its Fluid Dynamics Laboratory, which is now in a position to offer a unique service to Industry.

On the other hand, we have, since the end of the year, disposed of a small factory at Weymouth, as it was found advantageous and possible to transfer its production to Lewisham. Just at the time of the transfer, we experienced severe flooding at the Lewisham factory which retarded production temporarily and, but for the excellent team spirit displayed by all the personnel there, might well have had a more long-term effect.

BALANCE SHEET

Turning to the Balance Sheet, the small increase in Issued Ordinary Share Capital relates to the balance of Shares in the merging Companies which had not been exchanged at the end of last year. This also applies to the increase in the Share Premium Reserve. The increase in Other Capital Reserves is brought about by a small book profit arising on the sale of the undertaking of Associated Insulation Products Limited. It will be seen from the comparative figures that the net addition to your Company's funds arising from that sale was of the order of £1,700,000.

The growth in the Balance Sheet figure of fixed assets, which has brought about a steep increase in our Depreciation charge, reflects the continuing development of our capital Expenditure programme. This programme will, of course, stand to benefit in future from the re-introduction of the Investment Allowance in the last Budget.

WELCOME FOR REINTRODUCTION OF INVESTMENT ALLOWANCES

In our opinion, the large scale adoption of Automation in this country has been retarded in recent years through the lack of such incentives. We feel, therefore, that the Chancellor of the Exchequer's decision to reintroduce them is a most constructive move and one which should give considerable impetus not only to us but to suppliers of capital goods generally.

I should like to draw attention to the fact that the Group Capital and Reserves now stand at a figure in excess of £6,300,000, and the excess of current assets over current liabilities amounts to over £4,300,000.

APPROPRIATION OF YEAR'S PROFITS

As stated earlier, the Net Profit, after taxation, attributable to your Company amounts to £458,628. It is right to point out in this connection that we have had the benefit of the new rate of income tax and also of the change in profits tax which took effect from April 1958. The preference dividend for the year after income tax takes £15,813, and the net cost of the interim dividend of 4 per cent less income tax on the Ordinary Capital amounted to £73,127. As foreshadowed at the time the interim dividend was declared, your Directors now propose a final dividend of 6 per cent on the Ordinary Capital which, after deduction of income tax at the new standard rate, will cost £116,844. The total cost of dividends for the year is thus £205,784, leaving from the year's profits a sum of £252,844 retained in the business. This sum, together with the balance from the previous year amounting to £96,426, making a total of £349,270, is being carried forward in the accounts of subsidiary companies.

As already indicated the Company's business showed satisfactory expansion last year and your Board see no indications why, subject to unforeseen circumstances, this trend should not continue.

One of the features of our organisation is the youthfulness of so many of our executives and senior staff. Their energy and enthusiasm have contributed greatly to your Company's success whose plans for further development would otherwise be difficult to carry out. On your behalf I would extend to them and to all employees of the Group our sincere thanks for their loyalty and co-operation.

HIGHAMS LIMITED

IMPROVED RESULTS

The fifty-first ordinary general meeting of Highams Limited will be held on July 1st in London.

The following is an extract from the circulated statement of the chairman, Mr Alec E. Higham, OBE, JP.

I am very pleased to be able to report an increased profit for the year just ended and it affords me equal pleasure to announce that your Board have thought fit to recommend that the dividend for the year be increased to 20 per cent. Another factor which gives rise to satisfaction is an increase in your Company's sales.

Production has increased according to a planned programme and quality has been fully maintained and, where possible, improved.

There are two important matters that have arisen during the year to which I should like to refer briefly. Firstly, the termination of the Yarn Spinners' Agreement resulted in the cheapening of your Company's productions and a consequent lowering of selling prices, which were immediately made available to our customers. Secondly, the Government's proposals for the reorganisation of the cotton trade have been made known. Unfortunately, at the time of writing this statement their plan is so nebulous and incomplete in essential details, that although I would prefer to refrain from any comment at this stage, I must say that in many respects the scheme savours much more of a memorial service than a revivalist meeting.

As to the year that lies ahead, I hope that your Company will maintain its proud record and I see no reason why it should not, unless unforeseen circumstances prevail.

UNION MINIERE DU HAUT-KATANGA

IMPROVED EQUILIBRIUM BETWEEN PRODUCTION AND CONSUMPTION

REVIEW OF COMPANY'S ACTIVITIES

The Annual General Meeting of Shareholders was held in Brussels on May 28, 1959, Mr Paul Gillet, Chairman of the Board of Directors, being in the chair.

The Meeting approved the accounts for the financial year ending December 31, 1958. The Profit and Loss Account showed a gross profit of 3,799,799,056 francs. After deduction of amortisation for the year, the provision for taxation on profits, the interests and the sundry taxes and royalties, the available profit balance totalled 2,410,626,892 francs.

The Meeting fixed the net dividend for the year 1958 to 1,500 francs per share (or 150 francs per tenth part of a share). Taking into account the interim dividend of 600 francs paid in January, 1959 (60 francs per tenth part of a share), the balance of 900 francs net per share, or 90 francs net per tenth part of a share, becomes immediately payable.

Messrs E. Sengier and A. Marthoz, Directors whose mandates expired, were re-elected. Mr P. Jadot was re-elected as auditor of the Company.

MR SENGIER'S STATEMENT

The 1958 copper production—235,586 metric tons—has been slightly lower than that of 1957. Deliveries however were superior to the production and have necessitated a withdrawal from the stocks.

Mr Sengier points out that whilst the amount of the dividends paid to the shareholders other than the Government of the Congo represents 1,547 million francs, the State has drawn directly 2,196 million francs from the Company's activity during the financial year.

The years 1956-1957-1958 have been a very unusual period as far as the copper market is concerned; the lower level, i.e., 20 cents per lb., has been reached in February, 1958. The quotations have since normalised and the equilibrium between production and consumption has improved. During this period, Union Minière characterised itself by the stability of its prices and the regularity of its deliveries.

The outlook for the near future is good, declares Mr Sengier, thanks to the increase in demand for various goods, containing copper, and to the rebuilding of the stocks in the consumption industries of the United States.

Long range optimism also prevails; the growth of the population and the rise in the standard of living will entail a more and more extensive recourse to electricity which, in its numerous applications, accounts for 60 per cent of the red metal's consumption.

A profit nearly equal to that of 1957 has been realised although the average price has been lower; this is due to a reduction in costs and to the formulas according to which the increase or reduction of profits resulting from the rise or fall in the price of copper is shared by certain organisations co-operating with the Company's activity.

Thus the results of Union Minière compare advantageously with those of other Companies carrying on the same activity.

If the copper quotations were maintained at the present level, the profit balance of the financial year 1959 would be favourably influenced, all the more so because the copper production programme for this year is 260,000 tons.

In conclusion, Mr Sengier paid tribute to his European and Congolese collaborators, and expressed his confidence in the Company's future.

MAIN POINTS FROM THE BOARD OF DIRECTORS' REPORT

Mining activity has still been concentrated on Prince Leopold Mine and on the mines of the Western region. Total extraction reached about 7 million metric tons of ore. Copper production was initially fixed at 90 per cent of that for 1956, which corresponded to a rate of about 222,000 tons for the year. The market's recovery allowed an adjustment of the programme during the second half of the year, so that the 1958 production, i.e., 235,580 metric tons, has been inferior to that of 1957 by 4,700 tons only.

Cobalt production was limited to 6,500 tons; the price remained at $2 per lb during the whole year 1958.

Zinc concentrates production amounted to 200,000 tons at 57 per cent zinc. The zinc market remained weak and the quotations reached their lowest level since 1946, to recover slightly at the end of the year.

The Shinkolobwe concentration plant produced 3,100 tons of uranium concentrates assaying 68.5 per cent U_3O_8. The agreements reached concluded between Belgium, the United States, and the United Kingdom for uranium deliveries are progressively nearing expiration. Union Minière is, from now on, in a position to offer to the private industry the products of nuclear quality manufactured by the Société Générale Métallurgique de Hoboken (Belgium). Furthermore, Union Minière delivered 69.7 grams of radium.

Germanium production amounted to 23,400 kgs of recoverable oxide; which necessitated the enlarging of the plants treating the germanium bearing products. Moreover, the Company also produced 140 tons of cadmium, 118 tons of silver and 56 kgs of gold.

Among the works under construction, the progress achieved at the Luilu copper-cobalt electrolysis plants should be pointed out; production will start during the second half of 1960.

Electric power supplied by Union Minière to consumers reached 1938 million kWh of which 705 millions were delivered to Northern Rhodesia.

The reduction of the Congolese labour force from 21,700 to 19,650 units has been carried out without let-up, but only through normal departures, and limitation of recruitment.

The Company has given constant attention to increasing the professional skills of its workers as shown by a series of new measures adopted in connection with the formation and promotion of its personnel. School attendances continued to increase: some 20,000 pupils attend the Company's schools.

The social atmosphere in the Katanga remained good.

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

The Company Meetings Department,
The Economist,
22 Ryder Street, S.W.1.

Extracts from the statement by the Chairman

MR. G. E. McWATTERS

to be presented at the 65th Annual General Meeting of John Harvey & Sons Ltd., to be held on 11th June, 1959, at the Grand Spa Hotel, Clifton, Bristol. 8.

JOHN HARVEY & SONS LTD



I commence by welcoming the many new shareholders who have become members of the Company since my statement to you last year. I should say how encouraged my colleagues on the Board and the members of the staff were by the immense success of the public issue.

THE COMPANY'S BUSINESS

For the benefit of new shareholders, I feel I must comment on the extensive list of Fortified Wines (Sherries, Ports, Madeiras and Marsalas) this Company carries. I believe it to be one of the most comprehensive in the country—wines to suit all palates and all pockets. This year we have made advances in Spain and have secured further stocks of fine old matured wines to meet the increased demands for our Sherries, particularly Bristol Milk and Bristol Cream. Great efforts have been made to extend our position in the Table Wine Trade. Here again our stocks are comprehensive and well balanced.

PROGRESS

The sales of the Group have risen during the year under review from £4,225,586 to £4,279,357. This is an increase of £53,771 or 1.27 per cent.

It is difficult to draw a comparison with the previous year's figures owing to the reduction in the rate of duty on Fortified Wines made in April, 1958. If this reduction had not taken place, the value of the sales would have increased by approximately £250,000. The quantity of wine sold during the year increased by 6.1 per cent.

THE HOME MARKET

To improve the service we are giving to our customers, arrangements are now in hand to establish depots in the main centres throughout the country. This will undoubtedly improve the delivery services we are able to offer.

We have further increased our sales force and there is now no part of the United Kingdom that is not adequately covered.

THE EXPORT MARKET

In spite of the business recession, we continued to make good progress in the American market. In Canada our agency is now in the hands of Messrs. W. & A. Gilbey (Canada) Limited.

The Company is playing its full part in export business and during the past year I have made an extensive tour of South Africa, the Rhodesias and Kenya. I am confident that these territories will be an expanding and developing market for many years to come.

Export Sales can only be achieved by constant visits abroad, and it is my Board's intention that, wherever it is possible for the sales of your Company to be developed, that market must be fully investigated by means of a personal visit from a member of the Company.

WHITCHURCH PROJECT

Our main reason for inviting you to become owners of this Company was to raise funds to enable the Company to erect new warehouse premises, with bottling plant and garage, at Whitchurch on the outskirts of Bristol.

We believe that the building will be one of the finest bonded warehouses in this country, equipped with the best bottling, storage and mechanical handling equipment obtainable. The building should be ready for occupation by the Spring of 1960.

FUTURE PROSPECTS

With the development at Whitchurch and with the home and overseas sales organizations at our disposal, I believe that your Company is well equipped, not only with financial and physical resources but with the calibre of its personnel, to increase further during the year the profitability of the shareholders' investments.

Copies of the Report and Accounts may be obtained from the Secretary, 12, Denmark Street, Bristol, 1.

THE UNITED SUA BETONG RUBBER ESTATES LIMITED

SIR JOHN HAY'S JUBILEE STATEMENT

The Fiftieth Annual General Meeting of The United Sua Betong Rubber Estates, Limited was held on June 10, 1959, at the Savoy Hotel, London, W.C.2. In the course of his Jubilee Statement circulated to Stockholders before the Meeting, the Chairman, Sir John Hay, said:

RUBBER OUTLOOK

In a statement I made in March last to the stockholders of an associated company, I described the outlook for rubber as "set fair." In the light of subsequent events that might now be regarded as an understatement. In the short interval rubber has risen substantially and commercial stocks have declined. This is due primarily to increased consumption in America and to large purchases by Russia and China, coming at a time when production is seasonally low. We have some basis upon which to calculate USA consumption but the further requirements of Russia and China can only be the subject of a guess. Production generally responds to the incentive of a high price, particularly so in Indonesia. In the disturbed political conditions in that territory, however, it is more difficult to assess their reaction. It is probably with these imponderables in mind that the Rubber Study Group with uncustomary restraint refrained on the occasion of their very recent meeting from giving any forecast for the year and confined themselves to the submission of global figures which have little relevancy to the present situation. Whilst sympathising with them in their difficulties, it would seem regrettable that such a widely representative body, with all its many sources of information, should not have essayed the task of publishing an objective analysis of the present situation with its implication for the remainder of the calendar year. It is left to less august institutions or persons to venture, if they should feel disposed. Allowing for the corrective influence of increased supplies of natural rubber and taking a moderate view of present trends, our own study points to the conclusion of a demand for natural rubber in excess of supply, leaving the shortage to be made good from trade stocks. In present circumstances it may be salutary to be reminded of the existence of Government stocks, but such announcements as have been made in respect of the USA stockpile seem, as far as they can be understood, merely to emphasise that under the law as it at present stands procedure for disposal is slow and cumbersome and so offers no early prospect of relief from a tight position.

Changes in the price of rubber are but a reflection of changes in the supply/demand relationship operating in a free market. There is no restriction on the production or supply of natural rubber. It is readily available on the world markets on equal terms to all buyers without distinction or discrimination. In these circumstances, a rise in the price of natural rubber is an ill-chosen subject for moralising. The natural rubber industry is not to be relegated to the inferior position of a marginal producer. It is well aware of the competition of the synthetic product but it also notes that despite the existing disparity in price the demand for synthetic is, in contrast to natural, well below productive capacity, a testimony to the unique qualities of the latter. The practical remedy for a shortage of natural rubber is an increase in supply which may well be stimulated by present prices. But if, to meet expanding demand, this increase is to continue into the distant future that can only be accomplished by an increase in capacity. The planting up of new estates now involves heavy capital expenditure and a long and patient wait for revenue. Such long-term development, with all its inherent risks, is not likely to be engaged upon unless there is an encouraging prospect of commensurate rewards.

A RETROSPECT

Under the above title there has been circulated to stockholders and others a brief but graphic account of this company's development over the past 50 years. The task of writing this history was undertaken and performed by my colleague, Sir Andrew McFadyean. It has been discharged with distinction and its reading should afford both pleasure and interest. The author has referred to my services and long association with the company in highly appreciative terms. But whatever may have been my influence, USB is the outcome of the labours of many people. Within the lifetime of the company one generation has succeeded another. Time has brought about changes in outlook and a new sense of values; in those respects there has on balance been improvement, and any belief that there has been any decline in talent or character is entirely unwarranted. We are splendidly served by our officers who share with all who work for the company a legitimate pride in its achievements, backed by practical and loyal endeavour for its continuing success. The rubber industry in Malaya has drawn many young men from the North East of Scotland and we have our share of recruits from that part of our country. Our four senior managers all hail from North of the Border. All members of your Board have a similar origin. Although there should be no sympathy for Dr Johnson's jaundiced view of Scotland I should give perhaps to those less favoured the assurance that this present national predominance does not imply any national or racial discrimination. Our officers, assistants and workers are drawn from many countries, with the citizens of Malaya playing an increasingly important part.

In the course of his review, Sir Andrew McFadyean rightly emphasises the benefits derived from the advances in genetic science in its application to rubber, but there have been advances of a different kind, not so spectacular but yet of perhaps equal economic significance. Improvements in method and organisation have resulted in enormous savings in labour and supervision. Formerly, one labourer to two acres was the accepted standard. The two acres have now become seven without any addition to hours of work but the rate of pay has multiplied many times. In the managerial and supervisory staff there have been more startling changes, aided of course by vastly improved communications. Our present numbers are 36; by old standards it would have been near to 300 and management and supervision is certainly no less effective than formerly. Supervision was a responsibility reserved for the European, now the Asian plays an increasingly important part. If in this backward glance I deal first with personnel, that is only an instinctive reflection of a profound social change which has radically altered the relationship of employer and employee. The worker on a rubber estate is no longer a "coolie." He is an individual whose dignity and independence are respected. Estate housing and the many other social services now provided for his welfare are quite beyond anything imagined 50 years ago.

USB came into existence too late to share in the rubber boom of 1909 when rubber sold at 12s. 9d. per lb. There was a widespread and feverish speculation in the shares of the few fortunate producing companies, and public sentiment towards rubber is humorously illustrated in the cartoons published at that time in *Punch*. In 1911 our elder associate Linggi Plantations Limited paid a dividend of 237½ per cent. I thought then and I still think it was a fabulous dividend. But that view was not by any means universal. At the Annual Meeting, a shareholder expressed keen disappointment. He explained that he had paid 70s. for his 2s. shares in expectation of a dividend payment of 300 per cent. Another associated company, Malacca, was promising dividends of 100 per cent and its shares were dealt in at £15 to £16 per £1 share. Meantime, USB followed a faltering course. By 1913 it had fallen short of funds and was forced to find fresh capital in the form of a 7 per cent Debenture. For the purpose of that issue, Mr (now Sir) Eric Macfadyen was engaged to make a report on the company's properties. In the light of the company's present position this makes strange reading. Much of Sua Betong Estate was described as "an open lallang prairie" and, with other lands, constituted "one of the biggest open wastes in the FMS." Such trees as were planted yielded only 1 lb per annum, which evoked the remark that "with rubber selling at a low price it (i.e. the plantation) would not pay well." Our cost of production in 1913 was reported to be 3s. 7½d. per lb. The most astonishing content of that report is that despite such poor performances 6-year old rubber was valued at £180 per acre. If such values prevailed today, translated into present currency, the modern USB, with its large areas of high-yielding stock, replete with equipment, would be rich indeed. But the Stock Market, even in 1913, did not take such a favourable view of our assets and the £1 shares of the company were only given a nominal quotation of 3s. 9d. to 8s. 9d.

In the year 1908 the possibility of a synthetic rubber was mentioned only to be dismissed as nothing more than a bogey. But even so, its mere consideration so long ago was imaginative. In the same year it was stated that "satisfactory profit should be ensured to the producer for many years, even should the price of rubber fall to 3s." In such a context that word "even" is significant. But the forecast made so long ago has proved in the main remarkably accurate. Although, in contrast to the general trend of prices, rubber has declined and the industry has suffered much tribulation, it survives as a thriving and progressive enterprise, adapting itself to change, equipping itself to meet the aggressive competition of a new synthesis. The confidence of the past generation might well be renewed in the present.

LONSDALE INVESTMENT TRUST LIMITED

SATISFACTORY RESULTS AND OUTLOOK

The twelfth Annual General Meeting of Lonsdale Investment Trust Limited will be held on July 1st in London.

The following is the statement of the chairman, Mr T. L. McC. Lonsdale, circulated with the Accounts:

The misgivings I expressed in my statement in June last year as to the imminence and scale of the upsurge in economic activity in the USA were in the event unjustified, and income from our investments there and in the UK has been increasing. The increase in the gross income from the general investments of the Trust of £27,649 to £351,476 as shown in the Report and Accounts is, however, only partly attributable to increases in dividend rates; it derives in part also from the investments made with the proceeds of the 245,000 Ordinary Shares of £1 offered to Ordinary Stockholders in August at 40s. per share (equivalent to 10s. for the stock now transferable in units of 5s.).

The gross dividend from Robert Benson, Lonsdale & Co. Limited increased to £140,000 as compared with £120,000 last year, and the total gross revenue of the Trust was £495,696 as compared with £447,900.

After the deduction of expenses and taxation the resulting net income of the Trust increased to £239,965 as compared with £206,444 last year and, in view of the satisfactory results and outlook, an increase in the rate of the total dividend from 15 per cent to 16½ per cent has been recommended on the Ordinary Capital as increased from £1,755,000 to £2 million, although the funds raised by the increase of capital have been productive for only part of the year. Such a dividend involves approximately the same percentage distribution of earnings of the Group as last year.

ROBERT BENSON, LONSDALE & CO. LIMITED

As regards Robert Benson, Lonsdale & Company Limited, the consolidated profit was £499,947 compared with £429,431 and after taxation amounted to £266,026 as compared with £188,601, of which £158,276 has been retained in that Company and its subsidiaries. The costs involved in the move to the Group's new offices at Aldermanbury House in November have been written off before arriving at the retained amount. In this connection you will observe that the Consolidated Balance Sheet of Robert Benson, Lonsdale & Co. Limited now shows a General Reserve equivalent to the Ordinary Share Capital of £800,000, and that there are additional Revenue Reserves of £133,786.

The comprehensive statistical statements attached to the Report need no elaboration; in summary they show that the Trust's policy underwent no change during the year and that investments remain preponderantly equity. On valuation approximately one-third is in dollars, though a considerably smaller proportion of the new money raised last year was invested in North America.

The valuation of our quoted investments reflects the considerable rise in market values of equity investments in Europe and the United States for which the present marked preference for equity investment of institutional and public investors alike has been responsible. This attitude, which is creating important financing problems for governments everywhere, is at least in part actuated by the expectation of an increase in dividends during the phase of increasing industrial activity which is generally confidently predicted, and of which there is evidence in some quarters here. Certainly our present experience to date is of a satisfactory increase in investment income, and I expect this tendency to be maintained during the year.

CAPITAL PROPOSALS

In each of the past two years the Trust has raised rather less than £500,000 of new money, in the first by an issue of Debenture Stock, and in the second by an issue of Ordinary Stock. These funds have been profitably invested. Since the end of the financial year further investment has involved us in commitments of some £350,000. To meet this and to take advantage of the attractive opportunities for investment during the coming year which your Board considers will be available, particularly in this country, it is intended to raise a further £800,000 by issuing for cash, by way of "rights" to the existing Ordinary Stockholders, Shares of 5s. each, at a price of 16s. in the ratio of one Ordinary Share for every eight units of 5s. held and the Board expect to be able to maintain the present rate of dividend on the capital so increased. Subsequently it is their intention to make a scrip issue in the ratio of one Ordinary Share of 5s. each for every three units of 5s. held on capital as increased by the "rights" issue.

In order to enable such issues to be made it will be necessary to increase the authorised share capital, which is at present fully issued, and notice is being given at this time of the requisite resolution. It is proposed to make this increase £2 million—i.e. from £3 million to £5 million, of which £1 million will be used in making the proposed issues.

TRIBUTE TO SIR REX BENSON

The many-sided and profitable activity of Robert Benson, Lonsdale & Co. Limited continues to increase. As from March 1, 1959, Mr G. P. S. Macpherson succeeded Sir Rex Benson as its Chairman. Sir Rex had been Chairman for over 22 years and the success of the company is in large measure due to his leadership and remarkable energy and range of activity as well as to his knowledge of business in the United States and Canada and in the United Kingdom. Our debt to him can to some extent be gauged by reviewing the Company's record over the last ten years as shown on page 12—a story of progressive achievement. We are all very glad that he remains on our Board. Mr Macpherson has been a Director of the Company since 1936 and a Director of Lonsdale Investment Trust since 1947. With his considerable experience and great business knowledge we are confident he will prove a worthy successor as Chairman of Robert Benson, Lonsdale & Co. Limited.

BANCO COMERCIAL DEL PERU

Capital and Reserves S/. 52,307,720.84

CONDENSED BALANCE SHEET as at 31st December, 1958

ASSETS		LIABILITIES	
Cash on hand and with Central Reserve Bank	S/. 92,111,649.39	Capital	S/. 30,000,000.00
Due from local banks	„ 5,142,684.09	Reserves	„ 20,000,000.00
Balances with Foreign Bankers	„ 23,900,205.32	Reserves for Taxes, Staff Indemnities, Unearned Discount, etc.	„ 23,526,666.00
Loans, Discounts and Advances	„ 378,152,609.09	DEPOSITS	
Bank Premises, Furniture & Fittings	„ 18,081,561.00	Demand ... S/.199,165,341.92	
Public and Other Securities	„ 17,642,338.97	Time ... „ 160,207,822.48	
Customers, Liabilities for Letters of Credit, Guarantees, Forward Exchange Sales	„ 65,730,268.22	Savings ... „ 81,765,146.14	„ 441,138,310.54
Exchange Purchased Forward	„ 16,792,446.72	Due to Foreign Banks and Bills negotiated with our endorsement	„ 14,611,768.33
Other assets	„ 1,896,518.10	Letters of Credit, Guarantees, Forward Exchange Purchases, outstanding	„ 69,101,164.55
Transitory and Adjustment Accounts	„ 68,903,700.00	Exchange Sold Forward	„ 13,549,979.04
		Other liabilities	„ 1,116,415.58
		Net profit	„ 7,073,609.61
		Transitory & Adjustment Accounts	„ 68,236,067.25
	S/.688,353,980.90		S/.688,353,980.90

PER CONTRA ACCOUNTS

Securities and Merchandise in Guarantee	S/. 169,352,840.23
Securities in Custody	„ 286,099,610.28
Bills for Collections	„ 359,778,304.23
Mortgage Guarantees	„ 87,628,185.78
Other per Contra Accounts	„ 263,314,944.20
	S/.1,166,173,884.72

Alejandro Bertello, President — Eduardo Ferrand, Manuel F. Fumagalli, Directors — E. V. Oldershausen, Manager — Mario B. Ordonez, Accountant

BICC meets greater competition with greater efficiency

In reviewing the world-wide activities of the British Insulated Callender's Cables Group for the year to 31st December, 1958, the Chairman, Mr W. H. McFadzean, stated:

"In a year during which competition has been more intense than ever it is gratifying to report that our Surplus on Trading has increased by almost £1,000,000 to £8,808,610."

★

"Many factors have contributed such as the more favourable trend of copper prices and the reduced dislocation caused by our Replanning and Re-equipment Schemes, but the greatest contribution has come from even more important sources, namely, the still further improvement in our overall efficiency assisted, of course, by our increased output."

★

"The improvement shown for 1958 as a whole was largely achieved in the latter part of the year and resulted, I am glad to say, from a general improvement in the results of several companies in the Group both at Home and Overseas."

★

"Your Directors propose an increase of 1% to 9½% in the final dividend making, with the interim dividend of 4% already paid, a total distribution for the year of 13½% all less income tax, on the Ordinary Capital."

★

"The overall strength of our Balance Sheet is emphasised by the disclosed Reserves of over £32,000,000."

★

"Although the monetary value of our Sales fell slightly from £111,000,000 for 1957 to £110,000,000 for 1958, this was much more than accounted for by the lower prices ruling particularly for copper, the average price per ton of which was some £198 in 1958 against some £220 in 1957. It is clear that the physical volume of our Sales for 1958 was appreciably in excess of that for 1957."

★

"We are particularly pleased that in a year when overseas business has been generally extremely difficult, one-third or some £37,000,000 of our Sales represented direct exports from this country and sales effected by our Subsidiary Companies overseas."

★

"The recent break-up of certain Trade Associations is a development your Board have seen as likely for some time past. Coming at a time when there is excess capacity in certain sections of the industry, it must almost inevitably lead, from the short-term aspect at least, to even more fiercely competitive conditions than have recently applied."

★

"We have no doubt of our ability to surmount our difficulties. We have over recent years carried out a large investment programme in the re-equipment of our factories at home and the acquisition and development of overseas interests. We have spent fearlessly on research and development and have a widespread range of products and above all we have a highly competent team of people."

★

"Our aim can be simply expressed. It is to lead technically, produce quality products at the right prices, give a service second to none, and earn the reasonable return on our capital and effort which is our due reward."

★

"As regards immediate prospects, I would be very optimistic were it not for the adjustments that must take place in our industry between present supply and demand in certain products at least. If such adjustments are made in an orderly fashion we have nothing to fear. If not, then short-term results must be affected and the immediate future viewed with caution. We have, however, a great fundamental strength and a wide range of activities in many countries."

"In the medium and long term future I have every confidence in our ability not only to hold but also to develop our position in an industry which, whatever its present problems may be is essentially one of an expanding nature."

BEYER, PEACOCK & COMPANY LIMITED

(Locomotive Builders and General Engineers)

DEVELOPMENT AND EXPANSION

The annual general meeting of Beyer, Peacock & Company Limited was held on June 5th in London, Mr Harold Wilmot, CBE (Chairman and Managing Director), presiding.

The following is an extract from his circulated review:

The accounts for the year 1958 indicate continued financial strength and liquidity. The difference in the excess of current assets over current liabilities may not be considered significant, but the detail of debtors, stocks and work-in-progress and creditors all indicate a reduction in overall Group factory activity. This was the final point I made in my last review. As then visualised trading has been seriously affected by international conditions, and the fears then expressed have been confirmed. The reduced profit reflects a combination of less activity and lower prices.

Group development has continued. With a view to further diversification the Company acquired the whole of the equity of Air Control Installations Limited. For the same purpose the equity capital of BJN Engineering Company Limited, was also acquired.

Your board do not propose any further acquisitions of the above nature in the current year.

SUCCESS OF NEW COMPANY

In my last review I mentioned the formation of a Company (Beyer Peacock (Hymek) Limited) to promote the sale of Diesel Hydro-Mechanical locomotives. The order book of this new Company already runs into some millions of pounds.

This year we hope to consolidate our Group organisation. With this in mind we propose to operate the parent Company as a holding Company whose Board will thus be relieved of much detail and so be able to give more adequate consideration to important aspects of Group policy.

Your Board has most carefully considered the question of dividend and bonus in respect of the 1958 accounts. An interim dividend of 3 per cent was declared on January 30, 1959. As the result of professional advice, and in order to achieve considerable tax economy, no final dividend or bonus for 1958 has been declared. Instead the Board decided to declare an immediate interim dividend for 1959 of 9 per cent which will be paid on June 5th. In order that the total distribution for 1958 and 1959 shall not be unreasonable in relation to the facts, and unless the accounts for 1959 are considerably worse than is at present expected, a final dividend for 1959 of not less than 12 per cent will be declared as soon as the accounts for 1959 have been audited and subject to approval in general meeting. It should be understood that the above conception of a distribution programme is on the assumption that the Board may feel satisfied in due course that at least 10 per cent will be earned in the year 1960.

It is difficult to forecast the future. The year 1958 was a year of diversification. 1959 will be a year of consolidation. Order books are filling up, and in the absence of unexpected deterioration it may be not unreasonable to expect that for 1960 and the following few years your Company should enjoy some measure of all-round benefit from improving general trade.

The report was adopted.

AMALGAMATED METAL CORPORATION

SIR PAUL BENTHALL'S REVIEW

The thirtieth Annual General Meeting of Amalgamated Metal Corporation Limited will be held on June 23rd, at Princes House, 93 Gresham Street, London, E.C.

The following is an extract from the Statement by the Chairman, Sir Paul Benthall, KBE, which has been circulated with the report and accounts for the year ended December 31, 1958:

Before reviewing the affairs of our company I should like to refer to the retirement of Mr Walter Gardner from the office of Chairman, and to thank him on your behalf for the distinguished services he has rendered.

Our turnover in terms of tonnage in 1958 was maintained at almost the same level as the previous year but in the case of most metals and commodities in which we deal the average prices were lower than in 1957. The profit for 1958 before taxation is £817,662 compared with £1,023,375 for the previous year.

The net charge for taxation is £412,502 compared with £590,472 in 1957.

After allowing for minority interests the group profit after taxation is £437,109 compared with £430,109 for 1957. It is proposed that the final dividend on the ordinary shares should again be at the rate of 6 per cent. Dividends will absorb in total a sum of £270,583.

SUBSIDIARIES' ACTIVITIES

As was the practice of my predecessor, I set out below some information about the activities during the year of our subsidiaries.

In Australia, The British Metal Corporation (Australia) Pty. Limited are the proprietors of a company called Moorside Investments Pty. Limited, whose objective is now to finance, by means of hire purchase, some of the sales of two of BMC (Australia)'s subsidiaries, i.e., Goodall & Co. Pty. Limited and Lapthornes (SA) Limited. These subsidiaries are engaged in the distribution of machine tools, woodworking machinery, etc. The business is proceeding satisfactorily.

The British Metal Corporation Limited investment in Rhodesian Asbestos Limited proved to be a disappointment, and it was sold at a loss last year.

In view of the substantial proportion of its total investments represented in the BMC portfolio by its shares in Norddeutsche Affinerie, it was decided to make a moderate reduction in this holding, and this transaction took place on profitable terms. BMC also sold at a profit its entire holdings in Lodge-Cottrell Limited.

The net result of the three transactions mentioned is a substantial profit. You will see part of this profit reflected in the increase of £101,844 in Capital Reserves, and the balance, an amount rather larger than the average profit on sales of shares in recent years, is included in trading profit as it was realised by a subsidiary finance company.

Henry Gardner & Co. Ltd. has continued to trade satisfactorily although, due to the low price of many commodities in which it deals, its activities and profits have been somewhat restricted.

METAL MARKETS

After falling persistently in the two preceding years, the metal markets in 1958 gave a steadier, but mixed performance, which largely reflected the character of the world's overall industrial showing. With the trend of demand less decisive than in previous years, supply and other factors peculiar to each metal had greater effect in 1958, and account for the divergent metal price movements.

The copper market revived from a low point of £160 5s. (for cash copper) in February to £259 15s. a ton in November, due mainly to the heavy aggregate restriction of output in the first three-quarters of the year and the big strike stoppages in Northern Rhodesia and Canada from September onwards. World production fell to 3,390,000 tons in 1958, against 3,525,000 tons in 1957. Consumption of copper, in total, showed little change from 1957. At the end of the year, cash copper was quoted at £220 2s. 6d. a ton.

The lead and zinc markets in 1958 were held down by a further decline in American consumption and by a check to further expansion in other countries. The outstanding event, for both metals, was the decision of the US Administration to impose quotas on imports, which took effect on October 1st.

Spot lead opened at £72 2s. 6d. a ton in 1958 and, although touching £78 in June and £77 in October and November, it was more often than not struggling, so to speak, on the floor. The lowest quotation was £67 18s. 9d. in August and the year's closing quotation was £71 16s. 3d. a ton. Zinc made a relatively better showing, especially in the last quarter of the year. Spot zinc opened in 1958 at £61 10s. a ton, fell to £61 3s. 9d. later in January, rose to £77 10s. in November and finished the year at £75 17s. 6d. a ton.

In tin, interest centred on the International Tin Council's efforts, by drastic curtailment of supplies and substantial Buffer Stock purchases, to hold the price at £730 a ton. The Buffer Stock manager accumulated in all, some 28,000 tons by September. He stopped buying on September 18th and the market broke that afternoon to £642 10s. (cash), but recovery followed quickly and, from the middle of October, prices ran comfortably above the £730 level. Consumers bought very sparingly during the year and sales of tin by the USSR played a big, depressing part. The tin industry is now in much better shape, with output restriction partly eased.

RUBBER

The average price for spot rubber in London during 1958 was 23½d. as compared with 26⅛d. during 1957. The highest price reached was 26½d. during November and the lowest 21d. during May.

World consumption of natural and synthetic rubber combined was approximately 3,220,000 tons, showing an increase of around 75,000 tons as compared with 1957. Natural rubber consumption at 1,990,000 tons increased by 105,000 tons, whilst the use of synthetic fell by some 30,000 tons. The increase in natural was due to strong demand from the USSR, who imported 209,000 tons as compared with 77,500 tons in the previous year.

COCOA

The Cocoa market experienced another active year and was subject to sharp fluctuations in price, mainly owing to poor crops in Ghana and Nigeria. The highest price for Accra was 400s. per cwt in June and the lowest 275s. in October.

ROYAL WORCESTER LIMITED

HIGHER TURNOVER AND PROFIT LEVEL

The twenty-sixth annual general meeting of Royal Worcester Limited will be held on July 6th at Worcester.

The following is an extract from the circulated statement of Mr J. F. Gimson (Chairman and Managing Director):

In spite of the recession in North America, the Group profit before taxation is £179,914 compared with a loss of £57,581 in 1957.

Consolidated Profit and Loss Account: We have available in the Group £301,194, carried forward from 1957, plus £91,365 in respect of the 1958 trading. The improved results have caused your Directors to recommend a final dividend of 10 per cent which, with the interim dividend of 2½ per cent paid on February 27, 1959, will make the distribution 12½ per cent less income tax for the year. Your Directors have transferred £20,000 to the general reserve, leaving a balance to be carried forward of £337,832.

All the manufacturing Companies comprising the Group showed improved results. The action taken by Welwyn Electrical Laboratories Limited had the desired effect resulting in a very successful year's trading. During the year this Company made further progress in the mechanisation of many processes, and in the development of automatic machines.

The Worcester Royal Porcelain Company Incorporated of New York increased its sales by 27 per cent which, in view of the recession in America, was no small achievement.

During 1958 it became apparent that we must give a better service to our customers in Canada by carrying stocks in that country for immediate delivery, as has been our practice in the United States. Accordingly on January 2, 1959 a new Company, Royal Worcester Porcelain Distributors Limited, was established in Toronto to carry out this service for the Worcester Royal Porcelain Company (Canada) Limited. The formation of the new Company will enable us to give a satisfactory service to the whole Dominion, and I am sure that this will be reflected in higher sales.

Welwyn Canada Limited: The factory of Welwyn Canada Limited adjoins the factory of Bach-Simpson Limited, a Company manufacturing Electrical Measuring Instruments, Electronic Control Apparatus and Electronic Laboratory Equipment for the Canadian market, and for some time it has been apparent to your Board that it would be in the Group's interest to acquire control of Bach-Simpson Limited in order to strengthen our position in the electronic industry in North America. Accordingly an agreement has been negotiated to acquire Mr J. R. Bach's controlling interest in Bach-Simpson over a period of years.

Since the commencement of this year the major Companies in the Group are enjoying a higher turnover and profit level than at this time last year. Although I must emphasise that expensive commodities such as we manufacture are very vulnerable to political or economic disturbances, I expect the results for 1959 will be at least as good as those for 1958.

GUARDIAN ASSURANCE COMPANY LIMITED

Annual General Meeting, June 10, 1959 (Chairman: The Right Honourable Lord Blackford, DSO, JP)

EXTRACT FROM THE REPORT AND ACCOUNTS

During the year the Group premium income from Fire, Accident and Marine business increased by £1,145,000 to £31,545,000 and the total surplus from underwriting and from the Life Department was £770,000 against £192,000 for 1957. Results show a significant improvement despite problems referred to in previous years of adverse conditions and expenses in Canada and the overall unprofitability of Motor Insurance.

LIFE DEPARTMENT

Net new sums assured 1958	£41,468,832
" " " 1957	£39,043,952
Gross rate of interest earned	£6 3s. 7d.
Life Fund at end of 1958 ...	£65,651,919

FIRE DEPARTMENT

Net premium income 1958	£9,187,085
" " 1957	£8,957,534
Transfer to Profit and Loss	£487,771

ACCIDENT DEPARTMENT

Net premium income 1958	£18,937,021
" " 1957	£18,124,150
Transfer to Profit and Loss	£60,946

MARINE DEPARTMENT

Net premium income 1958	£3,421,189
" " 1957	£3,317,901
Transfer to Profit and Loss	£136,933
Marine Fund at end of 1958	£4,055,136

PROFIT AND LOSS

Gross investment income 1958 ...	£1,989,188
Gross investment income 1957 ...	£1,695,565
Transfer to reserve...	£401,064
Balance carried forward ...	£397,312
Dividend for year 1958 (1957—2/3 per share) ...	2/7½d. per share less income tax

BALANCE SHEET

Valuation of Stock Exchange Securities made at 31st December, 1958, disclosed a substantial surplus over the total value shown in the Balance Sheet.

Total Assets of Group **£137,000,000**

All the Principal Classes of business Transacted.

The Company undertakes the office of Trustee, Executor and Administrator.

Head Office: 68, King William Street, London, E.C.4.

WILMOT-BREEDEN (HOLDINGS) LIMITED

The following information is condensed from the Annual Report for 1958 considered at the Tenth Annual General Meeting held in Birmingham on 10th June, 1959.

	1958	1957
	£	£
Net income from all sources	1,314,998	1,129,518
Taxation	782,668	747,231
	532,330	382,287
Group Net Assets	6,492,948	6,053,059
Ordinary Share Capital	3,150,000	3,150,000
Ordinary Dividend :—		
Rate	13%	9%
Times covered	2.5	2.9

The Group has 7,400 shareholders and 7,000 employees.

MOTOR CAR DIVISION. Sales were a record. Indications are that output will shortly reach a new record level. The expansion and modernisation programme has been justified. New door locks are in large-scale production, and licensees in France and Italy have obtained major contracts for them.

FLIGHT PRODUCTS. Activity for military and civil aircraft remained at a high level. Applications of high precision sheet metal fabrication have been made to other fields and total sales should thereby be maintained in spite of the cut back in military requirements.

HYDRAULICS. The year was adversely affected by a recession in the heavy commercial vehicle industry. However, the order book is now at a record level. A new design of underbody tipping gear has been introduced, and a licence obtained for the manufacture of pumps and control valves for industrial applications.

ELECTRONICS. A majority interest was acquired in The Wayne Kerr Company Ltd., which specialises in electronic measuring instruments of advanced design for laboratory use and industrial process control some of which are without counterparts in the U.S.A. The famous tape recorder and marine products of The Ferrograph Company Ltd. have continued to be in high demand.

AUSTRALIA. The Australian company had its most successful year. A large programme of capital expenditure is being undertaken by some of the world's major car companies. Accordingly we are planning a new factory to keep pace with the expansion.

Principal Operating Companies in the group—
WILMOT-BREEDEN LIMITED — TELEHOIST LIMITED
THE FERROGRAPH CO. LIMITED — THE WAYNE KERR CO. LIMITED

NEW BROKEN HILL CONSOLIDATED

REDUCED OUTPUT AND LOW METAL PRICES

The twenty-third annual general meeting of New Broken Hill Consolidated Limited will be held on June 23rd at 37 Dover Street, London, W.1.

The following is an extract from the Statement by Mr L. B. Robinson, which has been circulated with the report and accounts:

The low level of lead and zinc prices prevailing at the end of 1957 continued during the first three-quarters of 1958 and showed only a slight improvement in the last quarter. The average London Metal Exchange prices for prompt delivery of these metals during 1958 were £72 16s. for lead and £65 18s. 1d. for zinc, compared with £96 13s. 4d. and £81 12s. 4d. respectively during 1957. At the 1958 price levels there can normally be little profit from mining these metals, but due partly to the average assay of the ore produced during the year being higher than that of recent years, partly to a reduction of operating costs and partly to some satisfactory forward contracts, a trading balance of £1,037,063 was achieved, compared with £1,904,035 for 1957.

The profit before taxation amounted to £696,303, compared with £1,591,313 for 1957.

The provision for Australian and United Kingdom taxation on the profits for the year amounts to £219,986 compared with £534,217 for 1957.

The result is a net profit for the year of £476,317, compared with £1,057,096 for 1957.

The directors are recommending a final dividend of 10d. per share, free of tax, compared with the equivalent of 1s. 8.7d. per share free of tax, last year. This gives a total distribution for the year of 1s. 4d. per share free of tax, compared with the equivalent of 2s. 10½d. free of tax for 1957.

In the prevailing conditions of world markets in which a surplus of lead and zinc had developed, the Company in conjunction with The Zinc Corporation, Limited, budgeted for a reduced production of ore and recoverable metals in 1958. This policy will be continued until such time as a more favourable outlook for these metals justifies a return to normal operating conditions.

There was a reduction of approximately 27 per cent in the tonnage of ore treated in 1958 and production of recoverable lead during the year was 12 per cent below the 1957 tonnage. Zinc concentrate output was lower by 23 per cent. Despite the substantial reduction in ore treated the average cost per ton of ore was only slightly higher in 1958 compared with the previous year.

The operating efficiency, measured by the output in tons per mining-department-employee-shift at 4.64 in 1958 is below the record level of 5.58 achieved in 1957. A lower tonnage from the sublevel stope and the reduced proportion of men on stoping operations caused this reduction. On the other hand, the output per contract-stoping-miner-shift (excluding the sub-level stope) showed further improvement at 19.58 tons as compared with 18.18 tons in 1957 and 16.54 tons in 1956.

The recoveries of lead and silver in lead concentrate and zinc in zinc concentrate showed a further satisfactory overall improvement.



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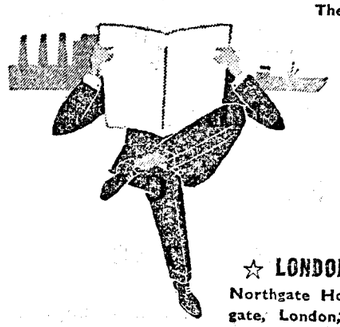
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APPOINTMENTS

STATISTICAN

The INTERNATIONAL FEDERATION OF COTTON & ALLIED TEXTILE INDUSTRIES has a vacancy for the newly created position of a STATISTICAL OFFICER at its headquarters in Manchester. The position will, after initial training, involve full responsibility for the Federation's world-wide statistical service. There is scope for initiative and development, opportunity for foreign travel and independent work in small, modern secretariat of expanding international organisation.

The candidate should have a good education (academic or practical) in statistics. He should be familiar with the techniques of collecting and compiling statistical data and have an adequate knowledge of economics to interpret statistics and observe and analyse trends. He should also be able to take charge of the Federation's accounts. In addition to English, a good working knowledge of French or German is required. Salary and pension by arrangement.

Applications, with full particulars, should be sent, marked "Confidential," to The Director, International Federation of Cotton and Allied Textile Industries, 567 Royal Exchange, Manchester 2, England. They will be dealt with in the strictest confidence by an Appointments Committee.

ADMIRALTY. A Temporary Assistant STATISTICIAN required for service in London. Applicants must normally be British subjects and possess either First or Second Class Honours Degrees in Mathematics or Economics with Statistics as a special subject. Salary (London scale) £655 — £1,150 (men) and £655 — £1,108 (women—rising to men's scale by 1961). Annual leave four weeks two days plus public holidays.—Write, giving age, full details of qualification and experience, to Ministry of Labour and National Service, Professional and Executive Register (PE 1293), Atlantic House, Farringdon Street, London, E.C.4. Only those applicants selected for interview will be advised.

A COST ACCOUNTANT

is required by

KUWAIT OIL COMPANY LTD.

for service in KUWAIT

Applications are invited from Associates of the Institute of Cost and Works Accountants who should be in the age range 23-28 and have not less than one year's experience in industry since qualifying.

Local salary according to qualifications and experience, but not less than £1,900 p.a. Initial kit allowance £85.—Write for application form, sending brief details and quoting K.2469, to Box B/65, c/o 191 Gresham House, E.C.2.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER OR ASSISTANT LECTURER IN ECONOMIC STATISTICS. Duties to commence on October 1, 1959, or as soon as possible thereafter. Salary scales per annum are as follows: Lecturer, £900 to £1,650; Assistant Lecturer, £700 to £850; initial salary and status according to age, qualifications and experience. Membership of F.S.S.U. and Children's Allowance Scheme.—Applications should be sent not later than July 6, 1959, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

WOOLWICH POLYTECHNIC LONDON, S.E.18.

Applications invited for:

(i) Lecturer in Management Studies with particular reference to Production Planning and Control, Work Study, Industrial Organisation, etc. Candidates should have a Honours Degree or other equivalent qualification and have had appropriate industrial experience.

(ii) Assistant Grade B to teach Economics (theoretical and applied), Business Statistics and Allied Subjects. Candidates should have an Honours Degree.

(iii) Assistant Grade B to teach Shorthand-Typewriting and Secretarial Practice to Advanced Standard. Candidates should be able to offer a modern foreign language, preferably German, as an additional subject.

Salary scale: Lecturer, £1,200 — £30 — £1,350, plus 5 per cent; Assistant Grade B, Men, within £650 — £1,200, plus 5 per cent, Women, £580 — £960, plus five sevenths of this and men's scale, plus 5 per cent, commencing salary according to qualifications and experience. All posts carry London Allowance of £36 to £48, plus 5 per cent.

Particulars and application form from Clerk to Governors, to be returned by June 27, 1959.

UNIVERSITY OF GLASGOW

ASSISTANTSHIP IN ECONOMIC HISTORY

Applications are invited for an Assistantship in Economic History. Salary scale: £700 — £850 per annum. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (three copies) should be lodged, not later than June 25, 1959, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON,
Secretary of University Court.

UNIVERSITY OF GLASGOW

ASSISTANTSHIP IN POLITICAL SCIENCE

Applications are invited for an Assistantship in Political Science. Salary scale: £700 — £850 per annum. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (three copies) should be lodged, not later than July 4, 1959, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON.
Secretary of University Court.

SOLICITOR

required in Legal Department at the London Headquarters of a large industrial corporation. The post, which offers good prospects, would suit a recently qualified man including a June finalist, of high ability and energy. The successful applicant will be engaged initially in work of a commercial nature, but will have opportunities of gaining wider experience in common law, parliamentary and other work. Appointment superannuable, initial salary between £900 and £1,000. Write, giving particulars of age, education, qualifications and experience, to Box 1180 before June 22, 1959.

FINANCIAL SECRETARY. The Society for the Propagation of the Gospel invites application for this appointment from professionally qualified men, with general administrative experience and knowledge of administration of trusts. Knowledge of mechanised accounting method desirable.—Applications must be accompanied by full details of qualifications and experience, and should be submitted by June 30th to the Home Secretary, S.P.G., 15 Tufton Street, Westminster, S.W.1, and marked Private.

LONDON COUNTY COUNCIL

BALHAM AND TOOTING COLLEGE OF COMMERCE, TOOTING BROADWAY, LONDON, S.W.17

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Application forms from Secretary of College, to be returned by June 19th. (1320)

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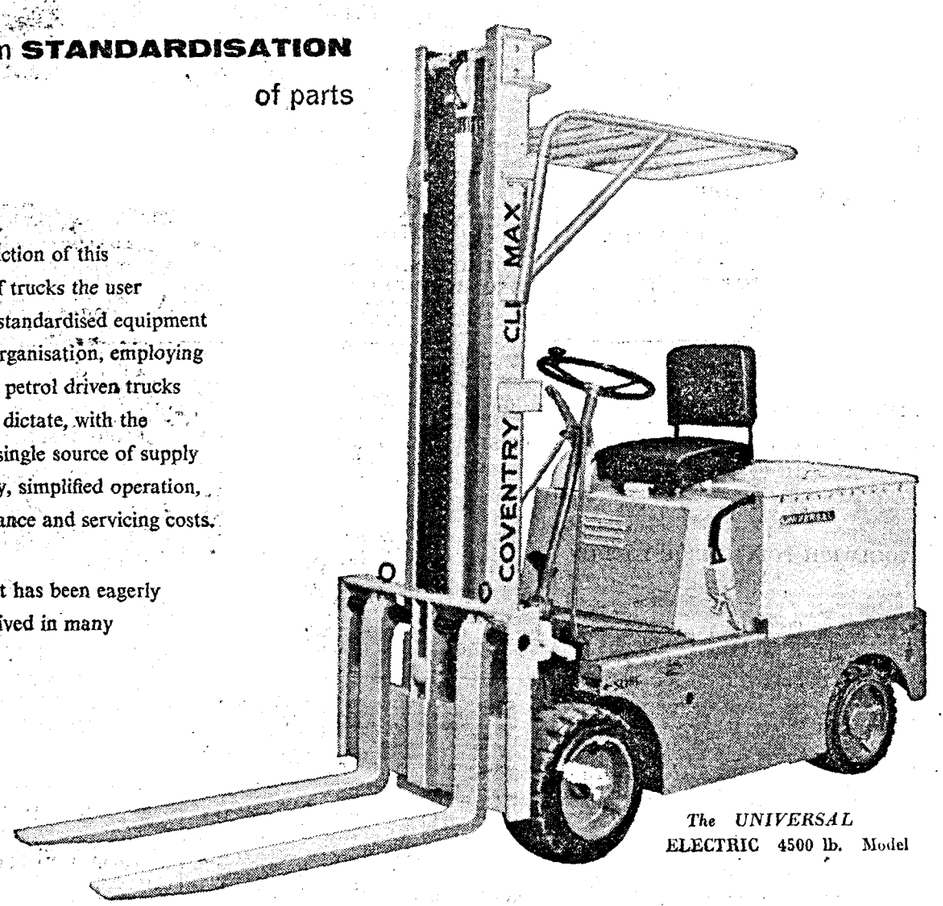
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29 JUN 1959 DEPARTMENT

QUEEN AND PRESIDENT

Some reflections on the modern advantages and disadvantages of the British and American constitutions (page 1077)

A Sin of No Commission?

Labour will make a bad mistake if it boycotts the MPs' commission to prepare for Central Africa's future status (page 1079)

Seven and Six

The little free trade area, the Common Market, and the world (page 1081)

Buganda versus Uganda

Our special correspondent analyses an African problem (page 1102)

The Economy

With a quicker recovery in orders from abroad than one expected, re-expansion is beginning to gather momentum (page 1110)

American Import Policy
The Americans deserve full credit for their welcome decision to permit imports of heavy electrical equipment (page 1083)

Democrats without a Winner?
The opposition in America finds something lacking in all its potential candidates for the presidental race (page 1096)

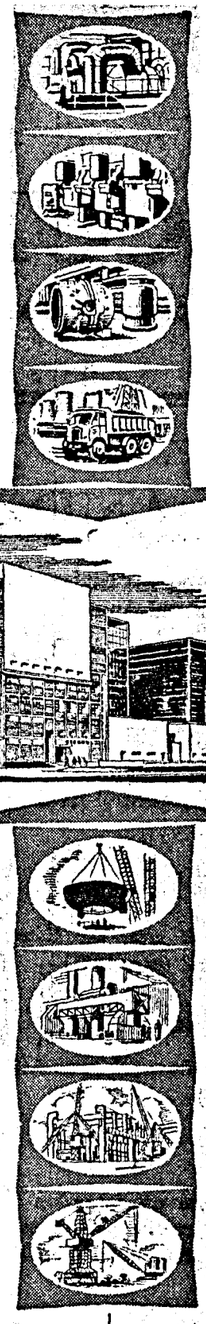
Computers on the Counter
The hardware on offer now, and what soon will be looked at from the customer's point of view (page 1099)

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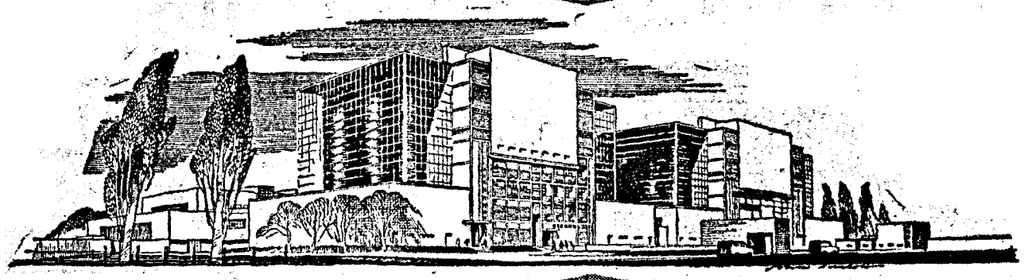


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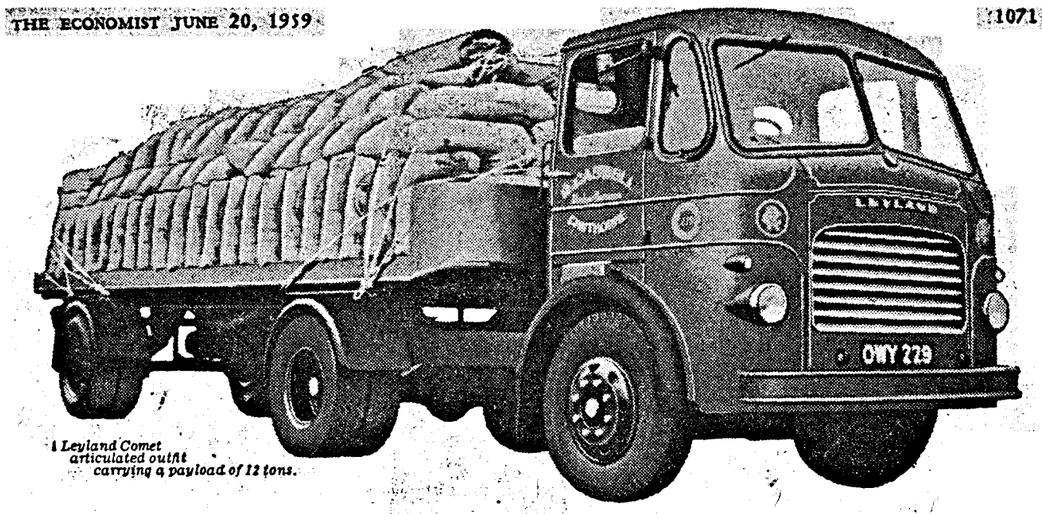
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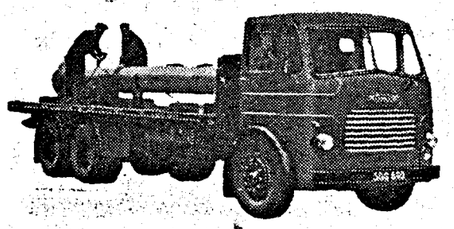
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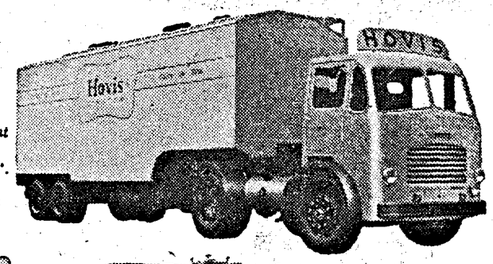
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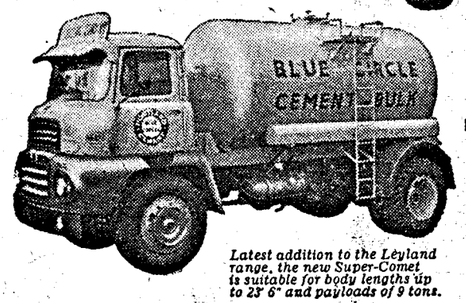
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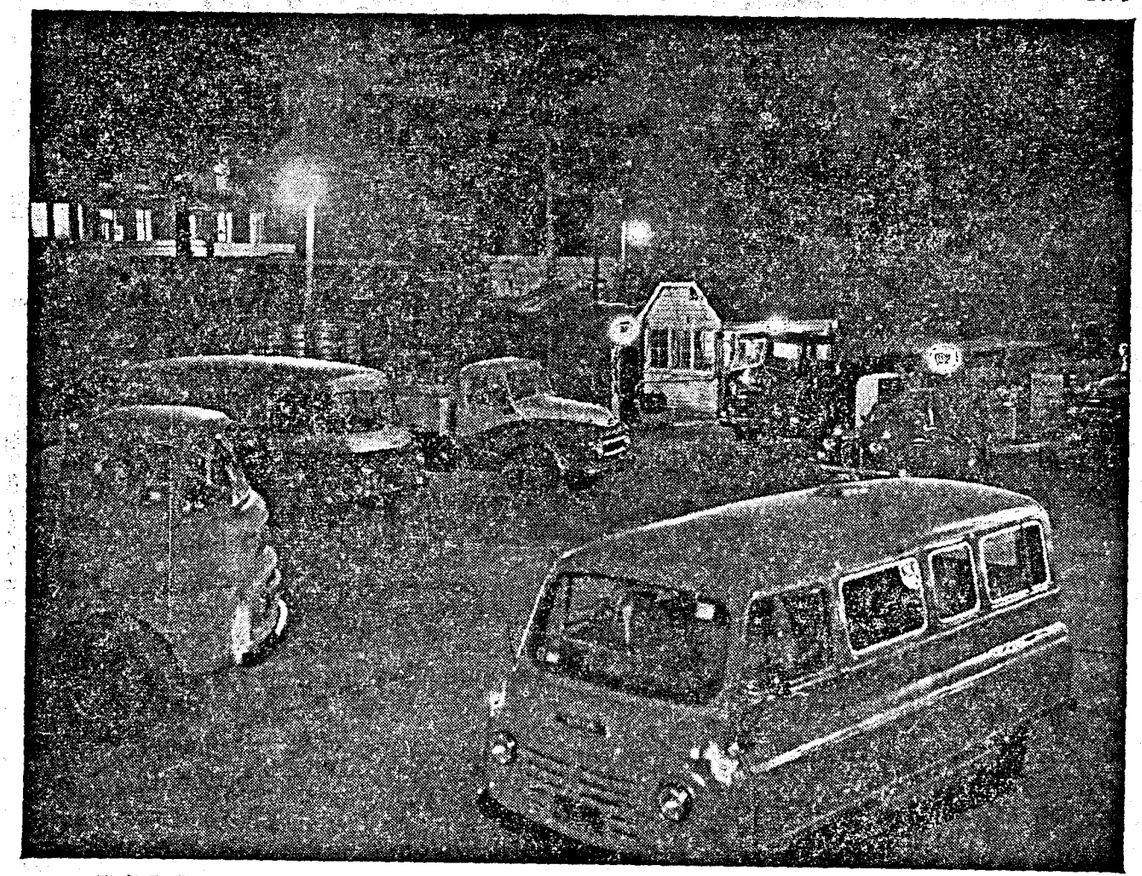
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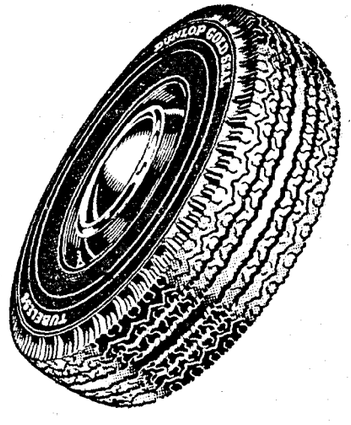
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The Economist

JUNE 20, 1959

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29 JUN 1959
PUBLIC DEPARTMENT

Queen and President

NEXT week, the holders of the world's most important hereditary office and its most responsible elective office are to meet on the St Lawrence Seaway. The Queen's meeting with President Eisenhower prompts some nice reflections on the modern appropriateness of the British and United States constitutions. Usually such reflections take the form of gibes at the old-fashioned British; it might be more reasonable nowadays to switch criticism round the other way. While the British constitution originally seemed to have been born illogical, the United States constitution seems to be being increasingly rendered illogical by the force of modern circumstance. There is a strong case for arguing that the United States suffers disadvantages, in this day and age and in its proud duty as the free world's leader, through the historical accident that it does not enjoy a monarchical system of government.

This is not the result of superior wisdom on the part of any British founding fathers. The conventional republican critics of royal privilege are right in denying that. It is very nearly true to say that the concept (or at least the language) of modern constitutional monarchy was invented by a former editor of *The Economist* in an intelligent but slightly reactionary panic at democracy's advance. When Walter Bagehot in the eighteen-sixties wrote his famous precepts for monarchy, which future sovereigns since then have been made to imbibe in their nursery schoolrooms, the social class to which Bagehot belonged — "the people who have something to lose, and who do not intend to lose it" — were in a dither of fear lest the reasoning government for which they stood might be about to be swept away in the engulfing tide of a largely illiterate electorate, under the newly emerging system of "one man, one vote".

The straw at which Bagehot clutched to counter this fear was the peculiar idea of monarchy which he found among the lower middle classes and in his own kitchen. His theories about the potency of this straw were so comforting to reasoning men that they at once became immensely popular, and were acted upon by royal advisers. The emerging working classes, he felt, would like their minds to dwell upon Queen Victoria more than upon anything else in politics. A constitutional monarchy had "a comprehensible element for the vacant many, as well as complex laws and notions for the inquiring few", so that the inquiring few could get on with "the efficient part" of government while the dignified or theatrical part of government, over which the Queen presided, would excite the reverence and loyalty of the "narrow-minded, unintelligent, incurious multitude". "A family on the throne", he wrote, "is an interesting idea also", for the royal family could sweeten politics by the seasonable addition of nice and pretty events.

There was not the least reason, in the 1860's, to suppose that this sugar-plum theory of royalty would work. For one thing, hereditary royalty might not be willing to work things in this way. It is hard to conceive that so able a man as Albert the Good, who had died only a few years before Bagehot wrote, would have agreed to play merely the pretty puppet for long, at a time before it was generally realised that this might often be the proper role for monarchy; had Prince Albert lived it is very likely that, as he grew to be much more experienced than the political ministers changing before him and the Queen, he might have tried disastrously to shift the emphasis in Britain towards the sort of political monarchy that the Kaiser later operated in Germany. There was also the much bigger difficulty that the working people to whom the new Reform Acts were giving political power in the 1860's were very different from the conservative lower middle class or the traditionalist servants whom Bagehot found in his kitchen.

The potential Dr Bandas of England — the sort of men who, even as Bagehot wrote, were forming some of the first effective industrial trade unions among unskilled factory hands, amid some bomb throwing in Lancashire and Sheffield — did not seem at all the sort to find in the Queen a unifying symbol who would rally their support for traditionalist forms of government ;it seemed much more likely that they might regard her as a representative of upper class privilege, and want, like Mr Lee of Singapore now, to take her picture away.

Yet, miraculously, Bagehot's vision has proved right after all. On the side of royalty, this may have been the product of a series of unforeseeable accidents — the long widowhood of the elderly uninterested Queen; the growth during this period of an able civil service at the palace under the leadership of the monarch's private secretary; the fact that the first real clash between the new order and the old monarchical prerogative came when the representative of the new order was the smooth Mr Asquith and the monarch was the very new George V. So firmly entrenched is this constitutional tradition of Bagehotian monarchy that we can look out today upon the repetition of one part of the Albert the Good story — upon the fact that the consort of a woman sovereign is likely to be far above the average in ability — without anybody except the rather neurotic personal enemies of the consort's fosterfather supposing for a moment that there could ever be any danger in this. But it has been the growing-up of the people to fit in with the new concept of monarchy, rather than the mere growing-down of the monarchy to fit in with the new concept of government by the people, which has been an even more interesting development of the past century.

What has happened has been that the industrial economy has won the race towards making the rude multitude of the present day something of the same sort of people, in property holdings and through them in outlook on life, as the lower middle classes and above were in Bagehot's time. Admittedly the deep reverence which the ordinary Briton feels for the dignified part of his government today has also been strengthened by developments in the field of that "appeal to some vague dream of glory, or empire, or nationality", which Bagehot himself noted as being closely allied to the appeal of monarchy. Two bloody world wars, which were both won after once having seemed probably lost, have helped to tie the people ever more firmly to the crown; the growth of empire in the latter part of Queen Victoria's reign also had something to do with it, and then the shock of the decline of empire, which began with the unexpected difficulty in winning the Boer war, undoubtedly had very much more. (In more recent times, it is noteworthy that the few rash clowns who are rude to modern monarchy have had a much harder time in Britain immediately since the shock to national pride at Suez than immediately before it).

But possibly transcending these psychological factors have been the impetus and nature of modern material advance. The growth of well-being — making more and more people feel that they have something to lose, and do not intend to lose it — has gone hand in hand with the growth of literacy; with them have come the age of popular newspapers, women's suffrage, wireless, cinema, and television, all either helping to put the theatrical elements of government more intimately on show, or else making them politically more important.

THE point is, however, that many of these things which increase the appeal of the dignified part of government have also been going forward in the United States. This is true even of some of the psychological factors. America too was in both world conflicts, Korea was her Boer War, and her people are at present deeply and nationalistically hurt by exaggerated modern criticism of some of the aspects of the so-called "ugly American" abroad. It is even more true of what might be called the show business appurtenances of government; Americans have all of these in full measure, and Mr Jim Hagerty too. The trouble is that, lacking the inheritance of a hereditary head of the dignified part of their government, Americans seem increasingly likely to choose the head of the efficient part of their government at least partly according to his suitability in filling also the dignified role. And there are surely some great disadvantages in this.

There is the disadvantage that the qualities needed for the head of the efficient part of a government are not all the same as the qualities needed for the head of the dignified part of it, indeed in a dynamic society they may often be the opposite. There is the disadvantage that the dignified head of a nation tends to be protected by custom from brutal interrogation, which the political head of an executive ought never to be. Any British journalist, used to the hurly-burly of Prime Minister's question time in the Commons, must feel this strongly if he attends an American presidential press conference; he keeps on wanting a journalist to say "Mr President, you haven't really answered my question".

The age of the dignified presidency also seems likely to make the re-election of any incumbent for a second term almost automatic, to exert illogical influences on the question of the succession, and to aid (sometimes almost to necessitate) the continuance in office of a sick man. It is arguable that once in recent British history more influence might usefully have been brought to bear, through the utilisable medium of monarchical advice, to persuade a sick head of the efficient part of government to retire, just a few critical months before he did; if ever a similar situation occurred again a sick Prime Minister's cabinet probably ought to work more quickly to ask that such monarchical advice should be tendered. But at least Britain has never been in any danger of finding that the sickness of a governmental head appears as a positive political advantage in securing the sympathetic suffrages of the people.

To say these things is not to launch an attack upon President Eisenhower, in either of the two roles — the efficient and the dignified — which he is now called upon to fill within the American constitution. It is indeed a tribute to his unusual qualities that he was originally elected in 1952 as the best man to head a businessman's administration, and then in 1956 to stay on quite largely because he had won people's (perhaps especially women's) hearts as the nearest facsimile a politician could provide to the desired figure of a revered constitutional semi-monarch. But Britons can now explain why they are intellectually as well as romantically convinced that they have the apter, more virile and more workable form of constitution for the present day. And one wonders what — no doubt by some gradual change in functions rather than in nomenclature — the Americans are eventually going to do about it.

A Sin of No Commission?

The political future of the Central African Federation cannot be solved by politicians, either at Salisbury or at Westminster, riding on high horses

IT IS high time that the British Labour party and Sir Roy Welensky's cabinet in Salisbury had their obstinate heads knocked together. That is the dominant conclusion that emerges from a study of the difficulties that have beset and that may now wreck the Government's plan to send a mixed parliamentary commission to Northern Rhodesia and Nyasaland.

The idea of sending out a parliamentary commission originally arose out of Labour's rightly perturbed reaction to the declaration of states of emergency in Southern Rhodesia and Nyasaland last April. A strong demand welled up that a bipartisan delegation of British MPs should be sent to see for themselves what was happening there. This demand, at least on the Labour side, was partly motivated by pique over the expulsion of Mr Stonehouse from the Federation in the tense days before the emergency. Many other people, however, wanted British MPs to go. One of the soundest reasons for wanting this was to enable politicians to start thinking out what was to be done politically about the federation prior to the review of its constitution that is due in 1960 — rather than merely so that they should undertake detective work into what had or had not happened in the last days before Dr Banda's arrest.

Perhaps inevitably, this demand for an assertion of Westminster's duty to investigate the affairs of the protectorate met with behind-the-scenes opposition in Salisbury. In large part this was because of the local government's sensitiveness to widespread anti-Westminster feeling in the Southern Rhodesia electorate. But Salisbury also had its own ideas about the nature of the preparatory commission that needs to be set up to make proposals for the 1960 conference to consider. The Rhodesians' view is that this would be better done by civil servants from Britain and the Federation than by politicians; they point out that in the original creation of the federation the politicians failed for

years to frame a workable scheme, until the civil service preparatory commission under Sir William Douglass was set up to draft a constitution in 1952.

At this stage the lines became crossed. What had happened and what ought now to happen were obviously two separate issues, even though one bore upon the other; and the British government wisely decided to separate them. To deal with British public feeling and the Labour party, it sent out Mr Justice Devlin and his commission to report on "recent events" in Nyasaland; and to get Labour's reluctant agreement to the purely judicial nature of this inquiry it made a promise (which it apparently did not warn Sir Roy Welensky it had made) that later on, when passions had cooled, a bipartisan commission of British MP's, probably privy councillors, would go out. The MPs' job would be to report on current conditions in the two protectorates, with an eye to the constitution-making task to come. Labour, in return, promised to keep quiet in the House of Commons — a promise which it has kept.

SALISBURY has now, in effect, reluctantly agreed to receive the British M.P.s, but on two conditions. The first is that Rhodesian M.P.s should join the party; secondly, it continues to press for a "proper" preparatory commission of civil servants, to be drawn from Britain, the Federation and the three territories. Sir Roy now seems resigned to having the two commissions joined up in a sort of two-stage rocket, although whether the M.P.s would carry up the civil servants and then fall away, or the civil servants would boost the M.P.s into orbit, seems unsure. In either event he wishes Rhodesians to add fuel to the thrust in both stages. He reinforces this demand with the contention that it is impossible for M.P.s to appreciate the position in the protectorates without visiting the federal capital; but as Salisbury is the capital of self-governing Southern Rhodesia too, it would be an affront to Southern Rhodesian dignity to have a purely British investigating commission on its soil. One reason why Sir Roy does not really want any parliamentary commission, however, is that he has got no Rhodesian M.P.s (at least in his own party) who could hold a candle to a picked British delegation. The recent visit of Mr F.M. Bennett, Tory backbench member for Torquay, seems to have shocked Sir Roy and Sir Edgar Whitehead into humiliating proof of this.

The British Government's dilemma now is that if it accepts Sir Roy's nominees on the M.P.s' commission, Labour has apparently indicated that it will pull out of it; there will then be no bipartisan appreciation of the facts of the case in the Federation — let alone any approach to a political agreement on its future. On the other hand, if the British Government sent a purely British party of M.P.s to the two protectorates, the authorities in Salisbury would refuse to co-operate with them; the Rhodesians would then claim that the recommendations of this commission could not be regarded as a particularly well-informed or valid contribution to the constitutional talks that are to be held in 1960.

Labour's official explanation of its attitude is that if it sat down in a commission with white Rhodesian M.P.s only (even if it did not eventually agree with many of their views), it would "lose the confidence of Africans". Other people will allege that its true motives are an almost gratuitous insistence on humiliating Salisbury, and the personal animosity that has sprung up between some of its leaders and Sir Roy Welensky. It is suggested by some people at Westminster that Mr Callaghan, who used to be labelled as Sir Roy's worst enemy, is now becoming more sensible of the problems that would face him if he found himself colonial secretary next year, but that Mr Gaitskell himself is hardening.

This is a deplorable state of affairs. In the interests of Westminster's black constituents in the two protectorates, cannot Labour, even at the last minute, look at this matter again? Two things need to be driven into the party's head. First, if it does not win power in October or next spring (a possibility that makes it disinclined now to grasp the Rhodesian hot potato) to put members on a parliamentary commission is its best way of influencing Central African events. Radicals of the same persuasion as *The Economist* should be the first to say that Labour's influence is highly desirable. Without it, Sir Roy will be all too ready to think he can do a backstairs deal with Lord Hume and Mr Lennox-Boyd — a deal that might miscalculate African reactions appallingly, and end as disastrously for Sir Roy as for the British Government a year or two afterwards.

Secondly, if Labour should win the next election, there is no doubt that a Labour government would be better placed to impose a liberal solution in Central Africa if the split of personalities between it and Salisbury had not become still more exacerbated in the meanwhile. Nobody has yet explained what Labour thinks it will be able to do with Southern, or even Northern, Rhodesia if it comes to power next year with Sir Roy Welensky and Mr Callaghan still glowering at each other and the former by then perhaps refusing to talk.

In the end, of course, such a clash between Sir Roy and a Labour government would be resolved by a compromise. By joining in a tripartite commission now, in which Tory government supporters would be on Labour's side in trying to influence the Rhodesians on at least some issues, Labour would gain some ground for its views; and it need lose no ground in return, for its members could always dissent from any recommendations which they could not stomach. It is quite right, of course, that Labour (and other people) should say loudly that the Rhodesian members of the commisson, like the British, should be drawn from both government and opposition groupings; best of all would be for them to include members of both races, and certainly some compromise should be asked for whereby the opposition Rhodesian members should include representation of Sir John Moffat's liberal Central African Party (which has members only in the Northern Rhodesian territorial house) and not simply of the official Dominion Party opposition at Salisbury (which is even further to the right than Sir Roy).

Such a commission would be large, and on many issues its members would disagree. Any issues on which a reasonable degree of agreement could be reached, however, could then be promptly followed up by a committee of experts. On this point it is worth reading Sir Roy a warning: it is by no means sure that on this occasion a mixed group of civil servants, drawn from the three territories as well as from Salisbury and London, will agree; after five years of federation it is almost certain that they will not. (The British colonial servants from Northern Rhodesia and Nyasaland are likely to call for a far looser form of federation as the only chance of preventing complete dissolution, while the Southern Rhodesians would really like to call for final expulsion of the Colonial Office.) The constitutional choices will therefore, in any event, be very open when the conference meets in London in about eighteen months' time. But it is much more likely that the difficulties of federation in its present form, and the implications of any further steps to federal independence, will be better understood and more liberally implemented if the Labour party plays a sensible, unsulky and fact-finding role now.

Seven and Six

The "little" free trade area can be fruitful only if it looks outward, both to the common market and to the world beyond Europe

THE search for alternatives to the scheme for a European free trade area has moved into a new phase with the British Government's support for a "little free trade area" between seven West European countries left outside the six-nation common market. But there is now a lively chance that the scheme will be put into practice. Instead of a free trade area embracing all free Europe, British industry now faces the possible prospect of a smaller group embracing Britain, three Scandinavian countries, Switzerland, Austria and Portugal.

Nobody denies that in itself the scheme is no economic substitute for the big free trade area of all free Europe. Nor for that matter does it compare in scale with the common market itself. The group of Six itself is, after all, but a part of the rump of Europe that was left to the west in 1945; but at least it forms something like a natural entity, an economic unit centred upon the Rhine and its adjacent valleys. The scattered group of countries round the fringe of this entity has only one thing, for this purpose, in common — exclusion from the common market.

Against a population of 160 million within the Six must be set only 86 million in the outer group that is planned, 50 million of these being in Britain. Average national income per head is higher in these countri than in the common market; but the economies the Six have lately been, and seem likely to go growing more rapidly than those of the welfare nt of northern Europe. Today 9 per cent of Br nt exports go to members of the proposed new gr ases compared with 14 per cent to the common s as But the large volume of British exports to th ople free trade area" countries is partly due to ut in that most of them protect themselves relativ onic The new opportunities that will open up there if re barriers fall will not be so great as they would b the fences round France and Italy were torn dow Instead of the broad competition, opportunities, and stimuli to new investment throughout industry that would come from the merging of three or four great industrial areas, the smaller grouping will present special opportunities for only a few British industries, and fierce problems for a few others. The scheme is better than nothing at all, but it is a second best.

Economically, as politically, the first test must be whether the scheme will contribute to what must remain the participants' basic objective: that is, coming to terms with the Six. Those who have put forward the scheme feel that it will. If tariffs come

down in the little free trade area, the exporters of the Six will also begin to feel the effects of the split in Europe and will be given a corresponding incentive to close it. This argument has one weakness. The countries in the common market which export most to the new grouping are those that have tended in the past to support a free trade area precisely because their trading interests were broad. Some 27 per cent of German exports, but only 16 per cent of France's much smaller total of exports, go to the little free trade area. Those that feel the pinch will no doubt put new pressure on their governments to work for an agreement. But the political considerations which compel west Germany to put first its political ties with France within the community of Six will continue to limit the significance of German pressure. The French interest in these markets is far too small to have any radical influence on France's political, economic and emotional objections to the free trade area.

There is a danger, too, that such pressure might make agreement still more difficult to reach by arousing ill feeling amongst the Six. So far their reactions have been mild. But if the shoe begins to pinch there may be the a danger of a revival of tension within the Six between France and the rest, which will do nobody any good. In the long run, such unpredictable feelings are less important than the danger that, if two blocks are set up in Europe and stay put for some time, industrial interests and institutions will tend to settle down in the new pattern. The political gulf between London and the Paris-Bonn partnership would then be wider than ever.

Because of these dangers, it is good news that the seven have agreed, on British inspiration, to dismantle their tariffs at the same pace as in the common market, in stages to facilitate a later marriage between the two groups. But however prudently the scheme is framed, it is bound to some extent to deepen the split in Europe, diverting trade away from more natural channels. All the seven countries do more trade with the Six than with each other: Austria sends half its exports to the Six, Switzerland 40 per cent, Denmark 30 per cent. For all these countries, deeply interested even in provisional arrangements with the Six, the formation of the new group poses some difficult choices. The Danish Prime Minister, Mr Hansen, put his country's difficulties to Mr Macmillan last week.

If the formation of a free trade area of their own merely encourages the seven to sit and wait in hope that the Six will eventually see the light, then Europe will remain divided. A common interest may in the end prompt the two groups to do a deal, exchanging mutual preferences — and call a truce; this would not mean that trade barriers would be removed altogether, or the political breach closed. The new approach required from Britain must also have regard to the problem of Europe's trading relationship with the outside world. Here some thoughts are prompted by the latest meeting of participants in the General Agreement on Tariffs and Trade (Gatt) at Geneva. The special contribution and interest which Britain and the liberal Scandinavians bring to Europe is their liberal trading treatment of the rest of the world — and particularly of the young developing countries in and out of the Commonwealth. In the broader free trade area scheme all this was apparently to be preserved by retaining separate national tariffs and the right of Commonwealth free entry. But during last year it became plain that the double objectives — free trade within Europe and open doors to the outside world — were not to be obtained by this approach. The French, and a good many other people too, were not prepared to accept a double dose of liberalism in this form. It became pretty plain that the liberal objectives were only to be obtained on a European scale by accepting the principles of a common tariff and common external policies as starting-points.

QUITE naturally, the liberal-minded officials who have fought so rightly to preserve the one sane form of treatment for the undeveloped countries, free entry, are reluctant to give it up until they have got a good substitute. It is here that the discussions that have been going on in Gatt are significant. Gatt is already struggling with the problem of the European community's external policies, in order to influence them in the direction of broader and freer world trade, and to devise ways and means of concerting the efforts of the old industrial countries to help the poorer ones.

Fortunately there are signs that the people within the European community are beginning to recognise this need. A number of proposals are being zealously canvassed: coordination of capital exports; a programme of technical aid; a common policy for gradual enlargement of quotas on imports from the young industrial countries. There seems no field in which the Six and the Seven could more valuably make a start on developing a joint approach, as a means toward agreement in Europe itself. The argument for the grouping of seven that can be accepted without any qualification is that these countries should get together to agree on a joint new approach to the Six; and in that approach Britain will necessarily play the decisive part.

NOTES OF THE WEEK

GENEVA

The Importance of Being in Earnest

THE British delegation at the foreign ministers' conference in Geneva was reported, at the beginning of this week, to believe that by the end of June enough agreement could be reached to open the road to a "summit" meeting. This phlegmatic calm may have struck many people as surprising, in view of the alarms and near-excursions of the preceding days. Had not Mr Gromyko thrown a bucket of cold water over the whole conference, and issued a new "ultimatum" on Berlin? Had not Mr Herter replied that he refused to negotiate under threat, and that the American delegation was ready to leave Geneva at a few hours' notice if the Russians did not change their tune?

That was, admittedly, the impression left on many anxious newspaper readers' minds by the daily reports from Geneva. But the underlying reality was less simple. It has to be remembered that, right from the start, the Russians had made it clear that they would not seek any settlement at the foreign ministers' talks; if there was to be any settlement, it must be at the summit. The western delegations' attitude, on the other hand, was (in somewhat varying degrees) that the ministers' talks ought to yield some hopeful sign that a summit conference would be worth holding at all.

The Geneva meeting could thus be seen as essentially a problem in diplomatic disengagement. Neither side wished to be the first to break it up; but neither was willing to concede the points that would make it possible to bring the talks to an amicable end. Mr Gromyko's sharp thrusts last week may be interpreted as primarily an attempt to see if the western delegations could be provoked into stamping out in a huff. That would have restored the pre-Geneva situation, with its pleasing possibilities from the Soviet point of view. Either the West would in the end have to agree to a summit meeting without any preliminary progress having been made; or the West would be back in the position, which Moscow knows how to exploit in propaganda terms, of appearing to refuse to negotiate.

A temporary adjournment of the foreign ministers' talks would, of course, be a different matter. It is not the western custom to treat foreign ministers in the Soviet manner — as expendable officials who can be dumped indefinitely at a conference table without hope of release. Allowing for their other engagements, it might well be July rather than the end of June before any adjustment could be made between the West's insistence on retaining its rights in Berlin, and the Russians' refusal to "perpetuate" those rights — which does not exclude their extension. But the door is surely still, if only fractionally, open.

NATIONAL ASSISTANCE

The Right Reliefs

THE £32 million a year increase in national assistance payments announced by Mr Boyd-Carpenter on Monday represent a major and welcome shift in the emphasis of British social security policy. Hitherto, improvements in these payments have been designed to compensate for past increases in the cost of living, although usually with a margin to spare for prospective further increases. But this latest increase, coming after a year of approximately stable prices, is deliberately designed in order to give "the least well off members of the community... a share in the country's increasing prosperity". The subsidiary changes in determining "disregards" of assisted people's resources are intended to avoid penalising those who have laid up some small savings in the past, and to encourage younger members of the family to keep granny with them in their own home instead of boarding her out in an institution.

The result is that the national minimum income in this country goes up from 45s. to 50s. a week plus rent for a single person, and from 76s. to 85s. plus rent for a married couple. To have made equivalent increases in old age pensions would have cost several times as much, would have benefited around four million people who do not really need it, and would have left out in the cold some of the poorest people (such as the chronic sick and disabled) who will be aided by this measure. The Government is to be congratulated on resisting the political pressure to raise pensions at budget time, in order to concentrate on this more discriminate, more humane and more efficient form of succour.

AMERICAN IMPORT POLICY

Dams with no Faint Praise

ONCE again American liberals have shown that they have the last word in trade policy in really big matters, even after they have made a previous series of (perhaps preparatory) retreats over relatively small ones. The ruling of the Office of Civil and Defence Mobilisation that American security is not threatened by imports of heavy electrical equipment is much more important than such isolated individual backslidings as

the affair of the Greer's Ferry turbines five months ago.

There is some tendency for British opinion generally — and even ministerially — not to give sufficient credit to the Americans for this sort of thing. The United States are at present losing gold. It is, of course, very desirable that they should continue to do so for a while, in order to secure a more even redistribution of international reserves. It is eminently sensible that the Americans should take advantage of the wealth they have amassed in the past in order to enjoy the luxury of being able to buy cheaper imported goods now, by buying cheaper goods they are benefiting their own people, not just favouring foreigners. Since it is as essential to the Americans as to the rest of the free world that the race against poverty (and with it communism) in the backward areas should be won, they also have a sensible self-interest in continuing generous loans or grants to these areas. But it takes a great deal of enlightenment for a rumbustious political democracy to see things this way.

Everything possible should be said in Britain to fortify, not to mortify, those Americans who are struggling hard against heavy pressure, and usually with such astonishing eventual success, to maintain foreign aid, to resist protectionist demands that are inevitable in present circumstances, and to prevent a return to economic isolationism. At a time when the pound is so heartenингly strong (*vide* last month's excellent trade figures) it also behoves Britons not to evince so much apparent glee about the so called "weak dollar"; those who like to gibe that it might some day be the dollar's turn to be devalued seem to forget that there are so many other things that the Americans could do before resorting to that, and all of them singularly unpleasant for the rest of the world.

BY-ELECTIONS

Penistone and Whitehaven

THE Penistone by-election showed a straight swing of 1.8 per cent to Labour compared with 1955. For what it is worth, if that swing were repeated right across the country at a general election, and if there were no complications arising from increased Liberal interventions, the Conservatives would remain in power; but they would have an almost unworkably small, single-figure majority. In other words, the practical implication of this by-election is to suggest that an early general election would still be a very close-run thing. It is true that the Conservatives did rather better at Penistone than they did in most of the by-elections that took place last winter and up to last March, which suggested that the average swing away from them might be between 2 and 3 per cent. On the other hand, they must regard the result with less satisfaction than they could feel about the local election results last month, which suggested that the average swing away from them compared with 1955 was probably less than 1 per cent. The turn-out at Penistone (nearly 65 per cent) was remarkably high for a by-election in a safe Labour seat which had attracted comparatively little press attention. Some people will say that for that reason it is a better pointer than the local elections, in which the turn-out was often below 30 per cent; others will discount it as purely a localised result. As the steelworkers of Penistone went, so does not go the nation?

More light should be cast on electoral trends by the Whitehaven by-election, which was taking place on Thursday. Whitehaven is a constituency not unlike Penistone — heavy industry with some coal mining, safely Labour, its rather small electorate marked up an exceptionally heavy (over 80 per cent) turn-out in 1955, it is on the Cumberland coast whereas Penistone is in the Sheffield area. In last month's borough elections the northern counties were one of the few areas where the Conservatives actually did better than they had done in the equivalent borough elections of 1955, but as Whitehaven is a county constituency no direct line can be read on recent local trends there. This by-election, like that at Penistone, is again a straight fight. In 1955 Labour won exactly 58 per cent of the vote at Whitehaven against the Tories' 42 per cent. Because the very heavy turn-out of 1955 can hardly be expected to be repeated in a by-election, the general assumption must be that Labour's former majority of 6,194 is likely to be reduced; but the change in the two parties' share of the vote will be the thing to watch.

ASWAN DAM

Soviet Second Thoughts

BY making the right noises at the right time, the Soviet Union has skilfully and inexpensively managed to create an impression of international philanthropy. Russian aid projects for Egypt and Syria were announced with great panache and the terms sounded fine and generous. But the implementation of the schemes can, more or less unobtrusively, be as slow and as fragmentary as the creditors dictate. There was, therefore, a certain amount of glee among some western cynics when the Russian committed themselves to advancing the foreign currency for the construction of the first stage of the Aswan High Dam. Western governments, who had done themselves some disadvantage by first offering and then brusquely refusing the money, had visions of the Soviet Union clumsily falling into the same sort of trap.

But things are done differently by the Russians. They appear to have scaled down the project and are certainly going slow, but there is no evidence that they are trying to back out of it. Originally it was envisaged that the first stage in the construction of the dam would entail building two cofferdams and seven diversionary tunnels ,and would take four years; the second stage would last another six years. The Russians had promised 400 million roubles to pay for Soviet equipment for the first stage, and had contractually a decisive say in the choice of contractors; after a contretemps earlier this year, it appeared that west German and Japanese interest in the scheme would have to wait until the second stage. But now the Russians have produced an entirely new, and more economic, set of blueprints that merge the two stages together, provide for a single open channel instead of the seven underground tunnels, and put off any question of starting work until the end of the year.

At Aswan at the moment there is a party of Russian experts, the Egyptian high dam committee under Field Marshal Amer, vice-president and minister of defence, who originally negotiated the Russian loan, and a group of "international" experts, including representatives from Sir Alexander Gibb & Partners, who have been the consultant engineers for the project since 1954. The Egyptians consult with the West and negotiate with the East, but apparently the twain never officially meet. The political lifemanship has its curious aspect, but the main thing is, after all, that the Egyptians should get their dam — albeit a cut-down version — and so alleviate, or at least keep level with, their appalling problem of over-crowding. The way looks clearer now that Egypt and Sudan have both said they are ready to resume talks on the distribution of Nile waters — so long, that is, as the Russian go-slow is not the prelude to a full-stop.

CHURCH SCHOOLS

Round the Dangerous Corner

MEMBERS on both sides of the House of Commons breathed a sigh of audible relief on Thursday when Mr Gaitskell stood up to welcome the Government's compromise on increased grants for denominational schools. Thank heaven, everyone was saying, it will be kept out of the general election; and the electorate may well echo their representatives' reaction. In itself, the compromise is simple and will be embodied in a short bill, which will still leave the administration of Church grants a complex affair.

In effect, this bill will ensure that wherever a grant is made available in existing aidable categories of church school, the figure "seventy-five per cent" will replace the present figure of "fifty per cent"; the churches will also get the seventy-five per cent grant to complete, if they desire, the secondary school tier in their pyramid of denominational education. As before, however, grants will not be given to build new denominational primary schools; and the minister has taken care to warn the churches that he retains his right under section 13 of the Butler Act of 1944 to adjudicate on grants to any proposed new secondary school. This means that he is, very rightly, promising that he will not approve grants to denominational secondary schools in "single school areas", which might lead to little Methodists being indoctrinated by Anglican clergy or Jesuit-trained teachers. Apart from this reassurance, however, the free churches have plainly come off worst in the argument that has been going on for the last three or four months.

The most notable conclusion to be drawn from this compromise is that the non-conformist vote is losing its terrors. Even Mr Clement Davies came out wholeheartedly for the new bill. No doubt there will be some blustering from Wales; but the free churches attracted unusually little sympathy in their recent campaign. No votes are to be won nowadays by clamouring that the "dual system" of state and voluntary aided church schools, which was set up for good or ill in 1902, should be pulled down. The extension of the church schools system which the new bill will finance in the next 20 years, at a cost of £40 million, will be marginal; and, indeed, the Roman Catholic church must be expected to ask for more in due course. But the Roman Catholics have proved good enough politicians to be glad to take what they are offered (it will keep them busy for some time), while the Church of England has got what it wanted — the increased subvention without which it could hardly keep its present schools going. Of the £40 million of additional Exchequer money to be spent over the next two decades, it is estimated that about £15 million will accrue to the Roman Catholics, another £15 million to the Church of England and that the other £10 million will strengthen the finances of the local authorities.

HOLA CAMP

Censure on Whom?

THE Kenya magistrate's findings on the deaths of the eleven hard-core Mau Mau detainees at Hola camp, which were published as a white paper (Cmnd 778) last week and the subject of a censure debate in the Commons this week, make terrible reading. The magistrate sifted a mass of conflicting evidence, produced by an evident desire of nearly everybody to cover up or explain away an atrocity — however unpremeditated an atrocity. It is this which shakes confidence in the entire good faith of the Kenyan authorities. It is true that the Kenya government appointed a judicial enquiry; but the truth had to be dragged out of it. It is some comfort that the coroner was quite definite that he had no evidence that the beatings of the prisoners were anything but an isolated incident. But they arose out of a highly defective prison procedure under

which the principle of beating rebellious prisoners to compel them to work was accepted, even if it was never intended to be applied on so wholesale a scale; the procedure might have been erected into a system if tragedy had not intervened; and it is hard not to conclude that something of the brutal state of mind of the last irreconcilable prisoners (of which there is no question) was tainting the mentality of those put in charge of them, both European and African.

The coroner decided that he could not apportion the blame or put the criminal law in motion, because he could not distinguish between lawful and unlawful blows, or fix individual responsibility for them; but he was "unable to record that no offence has been committed". In the event the commandant and deputy commandant of the camp face disciplinary charges, now of course *sub judice*. Mr Lennox Boyd deserved to be given an uncomfortable time in the House on Tuesday, for the ultimate responsibility is his. But it is an ultimate responsibility only, and it is in the Kenyan government that there should surely have been prompter recognition that ministers are responsible for the mistakes of their subordinates. Admittedly, both the ministers concerned are officials; and the one most directly concerned, Mr Cusack, minister for internal security, was already retiring. However that may be, the world gets an unfortunate impression that the Kenyan authorities think of this ghastly affair merely as an unfortunate incident to be set against their great achievement, for example, of returning the 77,000 other detainees to civil life. That is an inexcusable attitude. Authorities, no less than individuals, should do penance when they share guilt.

ATLANTIC CONGRESS

Words and Deeds

ALTHOUGH General de Gaulle's quarrel with Nato was inevitably one of the main talking points during the last days of the Atlantic Congress, a critic of the Atlantic club's exclusiveness might have been more impressed by the emphasis laid on the dangers of western isolation in some of the final speeches and resolutions. At the last plenary session, the leader of the British delegation, Sir Thomas Dugdale, described Nato's relations with countries that belong neither to the Atlantic community nor to the communist orbit as the first major challenge for the future: "We feel that we must have a definite and consistent long-term policy towards them so as to ensure that their political independence is firmly based on economic independence".

The committee set up to study relations within the free world went further: "In Africa, Asia and Latin America the tide of national independence is today running very high; it is of the utmost importance that the Atlantic community should be, and should be seen to be, its friend and implementor, not its critic and frustrator." This is all fine. The danger is that delegates, having released these wise and generous sentiments on the world, may now return home in a too rosy glow of duty done. The dangers of uncoordinated colonial policies, of the gulf between the relatively well-off and the undeniably poor, between white and coloured, have been aired before now; there is still pitiably little evidence of boldness or coordination in western attempts to do something about it.

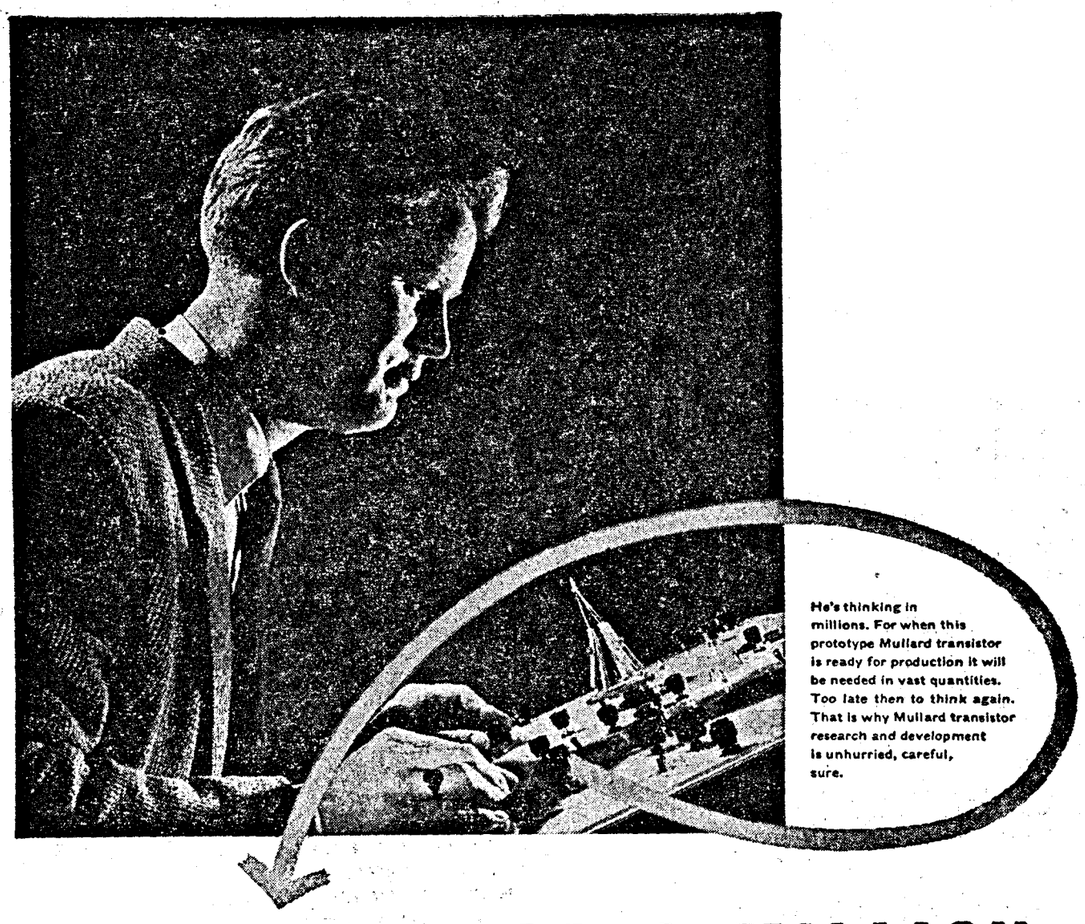
PORTUGAL

Awkward Atlantid

PROFESSOR Salazar's regime has been meeting with a double outburst of criticism in this country. At the Atlantic Congress of parliamentarians and other representative personalities held in London, Mr Oldenbroek, speaking for the free trade unions of the world, complained that Portuguese labour was not free to organise itself, and there was unfavourable comment, too, on the absence of any Portuguese parliamentarians at the congress. In the British press, Princess Margaret's visit to Portugal and the other ceremonial adjuncts to the current British trade fair in Lisbon have prompted some questions about the wisdom and morality of thus appearing to endorse and sustain an authoritarian government.

Hostile comment from outside is the more awkward as it coincides with signs of claustrophobic stirrings inside Dr Salazar's stiflingly restrictive regime. The country has not yet really recovered from last year's clumsy dabble with democratic practices — for an authoritarian state run for close on thirty years by a tidy-minded professor of economics, there are a surprising number of constitutional anomalies. Although there was never a chance of the opposition candidate, General Delgado, actually winning the presidential elections a year ago, there was nothing in the constitution to prevent him from standing or from declaring his intention of finding, if elected, a new prime minister. Dr Salazar is now apparently taking steps to amend the constitution and so close this awkward loophole. But General Delgado's outspoken criticism gave heart to a numbed opposition, although to the outside world the only evidence of this is the wave of political arrests — accompanied by the usual announcement by the government of "communist" plots — that has been taking place in the last month or two.

General Delgado himself has found it wise to seek asylum in Brazil. Dr Salazar's indignation with the Brazilian government for refusing to hand him over indicates that the Portuguese prime minister is out of touch with the change of temper in the Latin American republics. There are now Portuguese exiles in Argentina, Venezuela and Cuba, all countries which have recently rid themselves of absolute rulers. Dr Salazar took control at a time when his kind of strength was needed; he is now having to use all this strength to keep the Portuguese clock at a standstill.



GOOD FOR A MILLION

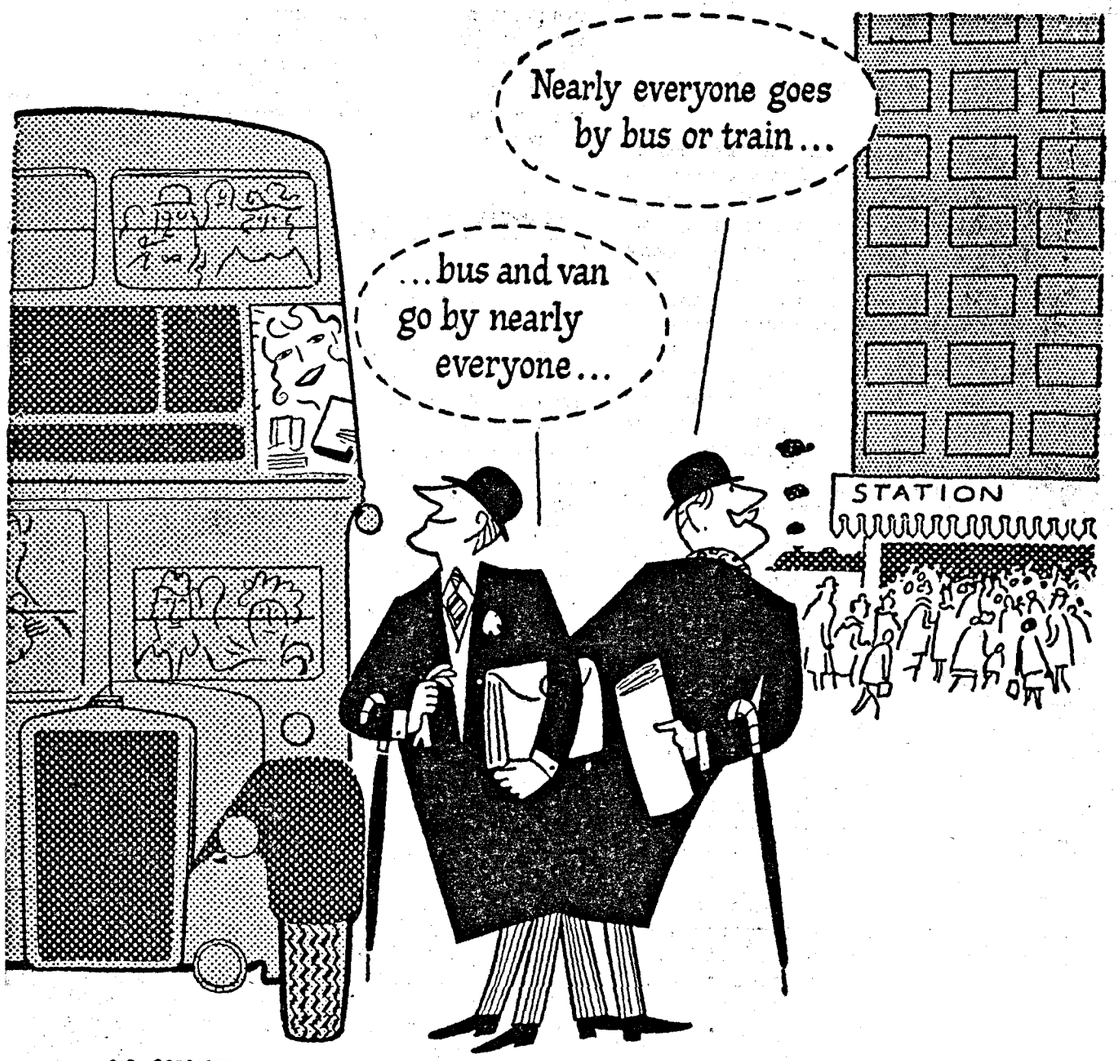
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TRAFFIC OFFENCES

Lords and the Road

THE House of Lords was at its best last week in discussing the appalling toll of road accidents — 300,000 people were injured on British roads last year, and 6,000 were killed. As Lord Moynihan said, there are now four main actions that can be taken against drivers who break the rules of the road — endorsement of licences, fines, prison sentences and disqualification from driving. The first two of these have become largely ineffective as a deterrent. In the case of fines, this is because magistrates continue to impose much lower fines than they are allowed to do. The average fines imposed last year were just over £22 for drunken driving, just over £14 for dangerous driving, and just over £5 10s. for careless driving; under the Road Traffic Act the permitted maximum fine for the first two offences is £100, while for careless driving magistrates can (but never do) impose a fine of £40 for the first offence or £80 for the second.

The third possible punishment, imprisonment, is also largely ineffective because the courts are naturally even more loth to impose it. As Lord Mancroft put it, "magistrates and juries do not commit murder or bigamy or arson in a royal dockyard, but they are motorists", and feel that there but for the grace of God go they. The courts' unwillingness to send drivers to prison is also, although their lordships did not dwell on this point, a reflection of the fact that the laws of England are illogical; they offend against most people's sense of justice by trying to make imprisonment a more common punishment according to the degree of injury done to the victim instead of simply according to the culpability of the driver. This same argument applies against one "reform" in the law which Lord Goddard proposed in the debate, namely that the motorist himself should have to bear a proportion of the financial damages awarded as a result of his driving, instead of piling the whole bill on to his insurance company.

There remains, then, the fourth possible penalty: disqualification from driving. It is quite obvious that this ought to be more frequently imposed, together with the sanction of forcing convicted motorists to take an additional driving test. For drunken driving, disqualification is now a compulsory punishment; it may be no coincidence that this is therefore the only driving offence which, as statistics show, has recently been decreasing. But elsewhere the penalty of removing a man's licence is being far too infrequently imposed and for far too short periods. Of 4,889 convictions for dangerous driving last year, some disqualification was imposed in just under 2,000 cases and only in 375 cases was disqualification for more than a year. On this count, Lord Goddard did make a surely worthwhile suggestion. He believed that, where magistrates did not take away a convicted driver's licence, it might be a useful provision for the prosecution to be entitled to appeal to Quarter Sessions and say "we ask that disqualification be imposed". This right of appeal for the prosecution would be a considerable departure from anything that has hitherto been known in English law, but why not?

THE PRESS AND THE LAW

The Widow's Earnings.

RECENT cases in the courts that have won wide publicity enable a distinction to be drawn between those in which the press performs a public service and those in which it can be positively harmful. The kiss-in-the-car case belongs to the first category. Here, the plight of this particular acquitted couple was not overemphasised; the main point brought to light — though perhaps in an exaggerated way — was that an innocent person is unlikely to be awarded his costs against the police. This is a matter of general interest and one that was rightly given a public airing.

The publicity given to the widow who cheated the National Assistance Board was of a quite different order. Here, the press concentrated on the personal aspect of the case in the most emotional way possible, with an eye to turning out a sensational story to attract its readers rather than to raise a question of public interest. Yet there were questions that could usefully have been discussed. Is Britain's much vaunted system of social security generous enough in its provision for widows, particularly widows with children? Is the Assistance Board's earnings rule, which permits it to disregard only the first 20s. of earnings before it adjusts its weekly payments, too strict? If the Board were more generous to those who by their own efforts raise themselves above its minimum standard of needs, would this mean that less money than one would like would be available for the aged and the disabled who have only that standard to live on?

Instead, however, of raising these points, the press chose to write up Mrs Christos's personal mitigating circumstances, all of which were perfectly well known to the humane magistrate who sentenced her, and in so doing it made the conduct of her appeal against sentence, heard last week, virtually impossible. According to the press Ronald Marwood should have been reprieved, not because capital punishment is wrong, but because some of those who knew him said he was a pleasant young man. Mrs Christos should have gone unpunished not because the National Assistance regulations are too strict or because she ought not to have been on assistance at all, but because she was a widow with four young children. Hard cases do not only make bad law; they also make the wrong sort of publicity.

POLAND

Unholy Alliance

SINCE the open breach between the church and state in Poland last summer, relations have remained unsettled. Mr Gomulka's government has used a policy of frequent pin-pricks to harass the Catholics. At a large religious meeting last month, for instance, Cardinal Wyszynski was forbidden to use loudspeakers; his words reached only a handful of the assembled faithful. Economic sanctions have also been applied. The rule that former German ecclesiastical property in the new western territories should pass under Polish church administration was recently rescinded; and no more credits are being granted to the church for the restoration of monuments damaged in the war. But perhaps the most significant development has been the meeting between Mr Gomulka and Mr Piasecki, the leader of the Pax movement, at the end of last month. Although no official news has been released, their talk apparently took place in a friendly atmosphere.

Mr Piasecki is possibly the most controversial, and certainly the most colourful, figure in contemporary Poland. (He is one of the few men on the other side of the curtain to own a Jaguar car.) The Pax movement which he leads is a body of Catholic fellow-travellers, recruited from both laity and clergy. Before the peaceful revolution in Poland in October, 1956, he had gathered ample, and in a communist state rather unusual, rewards for his refractory activities among the Catholics. He was allowed to run a newspaper, a publishing house, a building company and other industrial enterprises. In 1956, at the time when the Russian Embassy in Warsaw conducted a sharp campaign against Mr Gomulka, Mr Piasecki did likewise in his newspaper. Even since, many Poles, including the communists, have regarded him as an agent of Moscow. Last year his young son disappeared, the body being eventually discovered in a Warsaw cellar.

Until their meeting last month the relations between Mr Piasecki and Mr Gomulka were far from cordial; it remains to be seen whether rapprochement will now follow. The Polish leader may well be tempted to break the deadlock between church and state by using the Pax organisation; but Mr Piasecki would certainly prove a dangerous and unreliable ally.

BOXING

To Ban or Not?

THE medical case against boxing is unanswerable. The sport — if such it can be called — may not be the most hazardous when the deaths of the participants are compared with deaths from, say, motor-racing or rock-climbing. But boxing is unique in that the main object of the fighter is to damage his opponent's brain. Deaths may be comparatively few — though a world total of 64 in four years, 22 of them after amateur fights, cannot be called trifling; but punch-drunkenness, a state of progressive deterioration of the personality, with dementia and perhaps loss of speech and blindness, is more common. Should a sport be tolerated that has any chance of turning its participants into imbeciles?

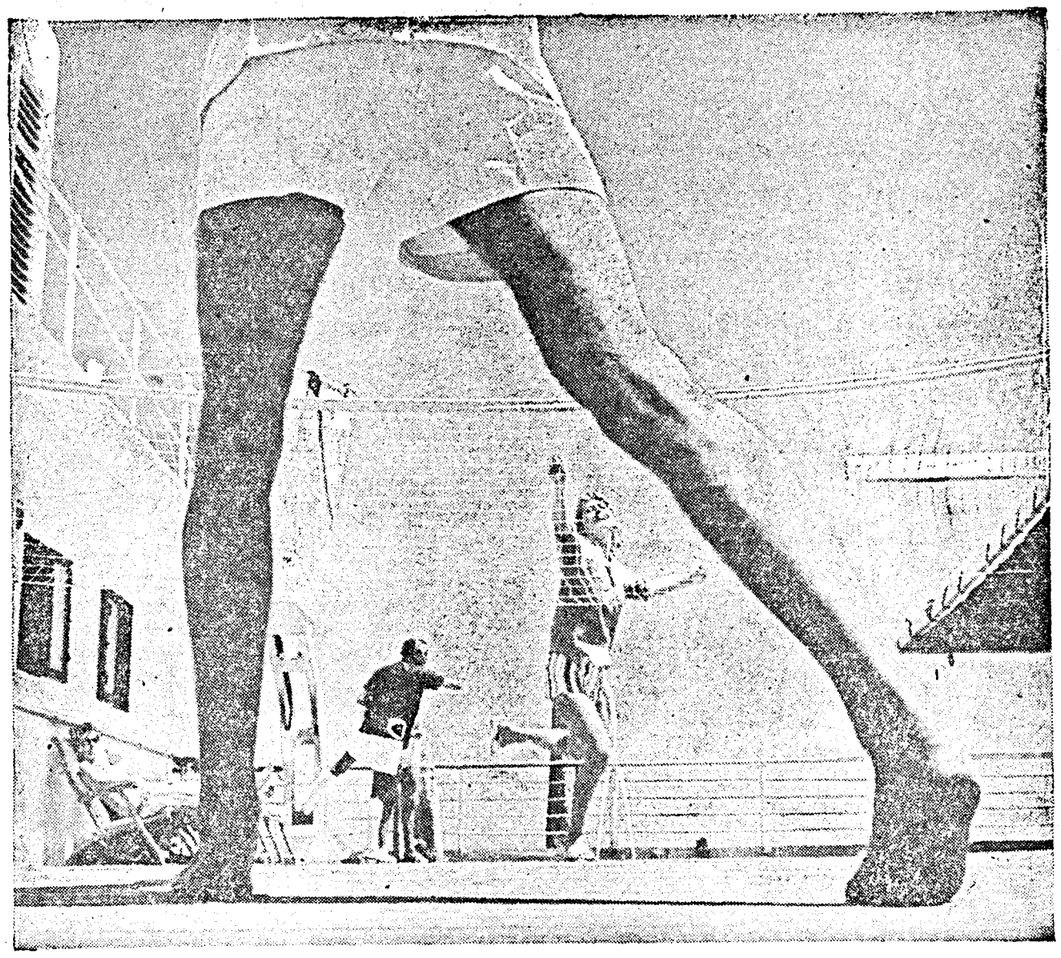
The *Lancet* thinks not and is appealing to doctors to press for its total abolition. Such a ban would be premature. The public as a whole is not yet stirred up sufficiently by the case against boxing to support a ban, which would be strongly opposed by critics of any proposal that sounds namby-pamby, by the depressingly large audience that enjoys a bloody fight, as well as by the big financial interests involved. Boxing should be made to wither away rather than be knocked out; it needs to be discussed at conferences of headmasters and youth club leaders, in the pub and over the air before an attempt is made to ban it. At the same time, other forms of man *versus* man contests should be popularised — as, in another sphere, the dogs have replaced cockfighting.

The Economist

JUNE 18, 1859

NEW FOREIGN SECRETARY

THE appointment of Lord John Russell to the post of Minister of Foreign Affairs will mark a new epoch in the politics of the war. Hitherto there has been no representative, among the great Powers, of any hearty sympathy with the *constitutional* party in Italy. Lord Malmesbury, indeed, professed such sympathy, but the form it takes, throughout the blue-book recently published on Italian affairs, is that of sermonising Sardinia, generally in the scolding language of an indignant schoolmaster, on the wickedness of her intention to disturb the peace of Italy... Lord Malmesbury naturally lost influence with France by the dictatorial tone in which he intimated that the Italian cause was either a dream or a pretext for something worse. Lord John Russell has shared the dream, and therefore, has more chance of preventing its becoming a pretext for something worse. Lord John Russell is comparatively untried at the Foreign Office; but what trial he has had there is eminently creditable to his firmness and sagacity. The well-known "secret correspondence" with Russia concerning the "sick-man" was conducted only in part by him. But the despatches which came from his hand were almost the only ones in that correspondence of which England had no reason to be ashamed. As a diplomatist he has not been successful. But the qualities necessary for the success of a diplomatist and of a statesman are very different. We look to him with confidence to re-establish our influence in the counsels of France, without forfeiting the dignity and independence of England; and to give the true sympathies and wishes of the English people their due effect in determining the future of the Italian Peninsula.



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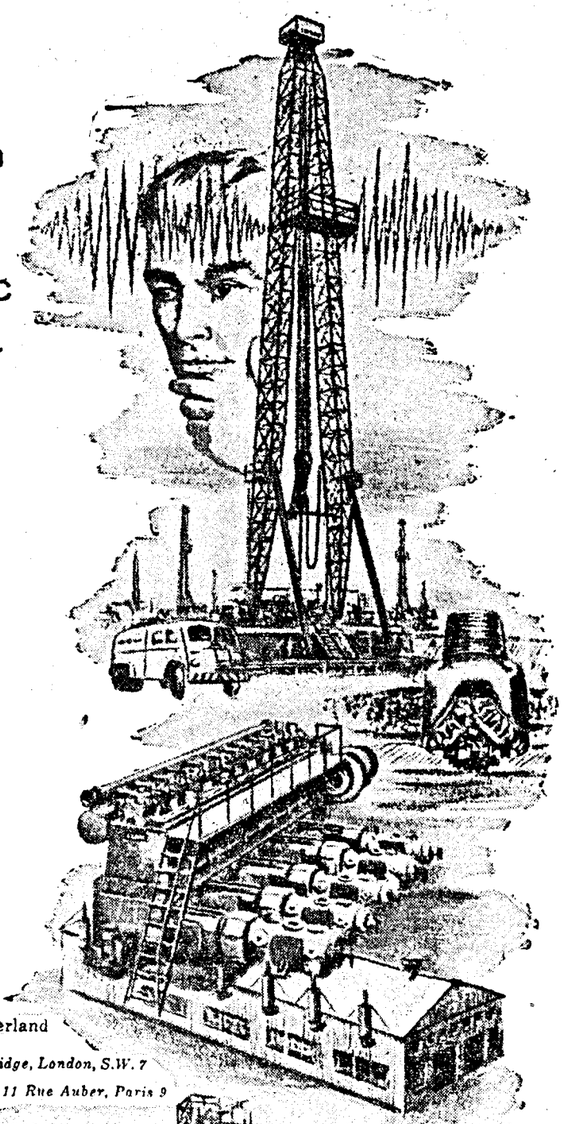
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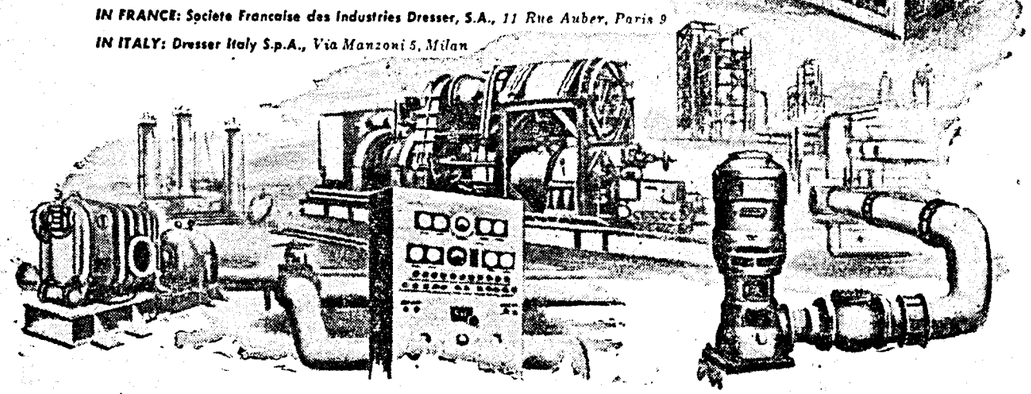
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BOOKS

City Life

The Third Statistical Account of Scotland, Vol. V : *The City of Glasgow*
Edited by J. Cunnison and J. B. S. Gilfillan.

Collins. 1,008 pages. 55s.

Reshaping a City
By T. Brennan.

House of Grant. 221 pages. 25s.

THE first of these books is a full-scale portrait of Glasgow life, the fifth and most ambitious of the thirty volumes of the "Third Statistical Account" of Scotland. It is not only many times the size of the earlier Accounts, but is an altogether more professional job, however much it may rely, like its predecessor of 1793, on "the communications of several respectable persons." The unit is now the city, not the parish, and the authors are no longer ministers of religion but, in the main, university lecturers.

In spite of the weight of scholarship and statistics in its thousand pages, the volume has all the raciness that its subject requires. Here are the gangs and the slums, the distinctive crimes à la Manuel and all the rawer side of Glasgow life : the 66 pubs in one street; the 100,000 houses without a watercloset of their own; the 700,000 citizens crowded into three square miles. Here also is something of its warmth and humour, its resilience and local pride, especially in the contributions by Jack House and John Mack. There are chapters on education, health and religion, on working conditions and leisure interests, on the machinery of government and public services. The story of Glasgow's industrial development is told in some detail and, for once, commerce and finance are given more than a passing reference.

The picture that emerges is of a town of Lowland Scots, strongly reinforced by Irishmen and Highlanders, growing head — long until about forty years ago and then almost ceasing to grow. Although the relevant table omits the figure, Glasgow then already had a population of over one million within its present boundaries and the population has probably never risen above 1.1 million. The city is now in the throes of urban renewal, thinning out from the central areas, and ringing itself round with council housing estates. Its economy is also changing : the shipbuilding industry that gave it momentum in the nineteenth century has ceased, like the city, to expand; and newer industries, many of them American and English enterprises, are pushing to the front. Glasgow is thus a case-study in the problems of adaptation that beset many large industrial cities when their growth begins to slacken.

It is in its treatment of these problems that the book, otherwise so fascinating, disappoints the reader. They are referred to only incidentally and without any summing-up. Attention is concentrated on the decaying central areas, not on the growing suburbs. The motor-car and the television set, which are revolutionising town life in Glasgow as elsewhere, are hardly mentioned. Overspill does not appear in the index, but is the subject of some brief and illuminating comments by Mr Gilfillan, who shows that, in relation to its whole area, Glasgow is, on the average, no more densely populated than Liverpool or Manchester. The main difference lies in the large proportion of undeveloped land, much of it unusable for building purposes because it is undermined and liable to subsidence. Similarly, apart from a gallant attempt by Dr and Mrs Orr to explain the failure of the motor-car industry to take root in Scotland, the problems facing the newer industries are dealt with rather sketchily.

Mr Brennan started out to undertake a social survey of Govan, a predominantly working-class area of Glasgow known to most people as the home of Rangers Football Club. This brought him face to face with Glasgow's housing problem, and with the plans of the corporation for the redevelopment of the city. He was not satisfied that the corporation had given sufficient thought to alternative methods of redevelopment or to the problems that large-scale transfers of population would bring, and after further study of two other areas of Glasgow, Gorbals and Pollok, he elaborated his views in this book. The duality of his interests is to some extent a handicap, since he has written neither a forceful tract on overspill nor a full study of working-class life in Glasgow. But he has undoubtedly been able to approach town-planning with a firm understanding of the town-dweller's attitude and circumstances.

Mr Brennan first disputes the contention that life in the Glasgow slums is as appalling as it is customarily supposed to be; he points out that regular work and higher incomes have enabled many tenement-dwellers to improve their living conditions enormously, and that what is often blamed on bad housing is more commonly due to poverty. The launderettes, prepared foods, new fireplaces, cafés, and the rest, of which the typical household now makes use, have worked a revolution that has passed largely unnoticed. He goes on to suggest that a do-it-yourself lavatory installation, if available cheaply, would remove one of the chief remaining blots on tenement life, and argues for a "Brighten up the City" campaign in Govan and places like it. His figures also bring out the very considerable movement of population from the crowded riverside areas since the war because of the large number of new houses erected by the corporation; the new housing estates at Pollok and elsewhere may prove in 1961 to be at least as overcrowded as Gorbals. Finally, there is the simple fact that the jobs are in Glasgow and likely to remain there.

These arguments are not likely to find ready acceptance. Once an area is labelled "slum," the pressure for its early demolition becomes progressively stronger, however little disposed its inhabitants are to move; and a high proportion of Glasgow houses have in fact been condemned by the sanitary authorities. There is also a strong aversion to high density building, supported by figures of net residential density that are not necessarily relevant to urban life : the gross density of population in the riverside wards of Glasgow averages about 50 to the acre, but, in some, the net residential density approaches 500. As for jobs, it is still one of the dreams of town-planners that overspill will be accompanied by an almost automatic surge of industry out of Glasgow to the most unlikely places.

It is not Mr Brennan's purpose to argue that there should be no overspill of population, but rather that it should not be allowed to overshadow other possibilities, as the building of new houses did in the postwar decade. In emphasising this point he has rendered an important service. The real danger is that overspill, regardless of cost and of practicability, will be treated as a cure-all, without adequate reflection on the future shape of the city and its place in the structure of the Scottish economy.

Philosophical Biography

My Philosophical Development

By Bertrand Russell.
Allen and Unwin. 279 pages. 18s.

THERE is available no adequate general account of Bertrand Russell's philosophy. He himself has now stepped into the breach and given an account of his own work. It is not to be expected that anything very new should emerge from this autobiographical study. He is mainly content to summarise the contributions made to different philosophical discussions by the numerous books which he has written. For a thumbnail sketch of these contributions this book could hardly be bettered.

Bertrand Russell is, however, not one to be very self-critical, and the book is therefore no substitute for a critical discussion of his philosophy. Indeed, one thing that emerges from the book is his imperviousness to criticism. There is a great air of confidence about it, coupled with an impulse to put things firmly in their place. And Lord Russell reacts sharply against those who, like Wittgenstein, maintain that things are not so tidy as all that. In one passage he writes, "I have found, to take an important example, that by analysing physics and perception the problem of the relation of mind and matter can be completely solved. It is true that nobody has accepted what seems to me the solution, but I believe and hope that this is only because my theory has not been understood." This is not untypical. It is both Lord Russell's strength and his weakness.

Yet his true greatness definitely emerges: his ability to take a general view of a vast field, and the clarity and precision of his thought. He is certainly one of the philosophical giants. Apart from an early conversion from idealism to realism, there has been not so much a development in his philosophy as a sharpening of his attitude towards specific subjects. He is still ready to ride into the battlefield although his weapons have not changed much during the last forty years and although (dare one say it?) the armour now perhaps squeaks a little. But his contributions to philosophy in general and logic in particular have undoubtedly been enormous. Most if not all of these will be intelligible to the layman from the account now given. The story of the birth of "Principia Mathematica" and the discovery of the logical paradoxes which threatened that system are, while technical, particularly fascinating.

The book contains certain replies to criticisms reprinted from philosophical journals. These add little to Lord Russell's stature. Philosophical fashions have changed, and his work has already become part of the history of the subject. He is clearly very unwilling to acknowledge the fact. One reacts to this with a mixture of regret and immense admiration.

The Business of Publicity

Advertising in a Free Society

By Ralph Harris and Arthur Seldon.
Institute of Economic Affairs. 212 pages. No recommended price.

THIS book is offered as "a contribution towards remedying the neglect of advertising by professional economists": for the "hostility" to advertising that economists often display, it proposes to substitute friendly criticism focused on "ways of checking excesses without curtailing the substance of free expression." Its authors are, certainly, better informed about the details of advertising than most economists who have ever discussed the subject: most of its value, indeed, lies in its compact but well-documented account of the way this publicising but relatively unpublicised business works. The quality of its own analysis and argument is a little patchy, and concerned mainly to assemble arguments for and against rather than to contribute new ones.

Messrs. Harris and Seldon are among those who reject, convincingly, the distinction often made between "informative" and "persuasive" advertising (or other variants of the same distinction). They recognise the argument that advertising may tend to make competition more imperfect, in that money spent on establishing brand loyalties (rather than sacrificed by reducing prices) strengthens the large firm as against the small, from which process the disadvantages for the consumer can be argued to outweigh the gains. But they argue that in the real world competition usually is imperfect: indeed, that such competition "has become the ideal." This argument may come a little oddly under the imprint of the Institute of Economic Affairs, and from the authors who "for inspiration and insight into the fundamental truths of economics and political philosophers [have] turned to the classical economists:" still, albeit Panglossian, it is perhaps on balance a concession to realism.

The authors' own preference is for "constructive criticism," and they offer an interesting array of proposals, some original. They think advertisers and agents would be wise to go with the tide of public opinion and abandon resale price maintenance of any kind — hence, engagingly, their refusal to recommend any bookseller's price for their own volume. They want more objective economic study of the costs and effects of advertising (of the kind upon which Mr Taplin has already begun at the London School of Economics) and freer access to business data for such students. They would like an Advertising Council to do what the Press Council is supposed to do (but having an independent chairman and lay members, as the Press Council was originally supposed to have).

The little book concludes with many recommendations, so that its final effect is admonitory rather than purely analytical (incidentally, it appends some interesting case histories of marketing and advertising, naming names). But one's varied reactions to these recommendations should not overshadow judgment of the whole discussion itself. Its strength lies in the treatment of advertising as part of a real business world, with all the powerful convenience of that world as well as its imperfections; and in its approach to improving what might be altered in this imperfect world, rather than postulating another unreal one, bereft of human depth, mixed motives, and history.

Adversity's General

The Campaigns of Wavell 1939-43

By Robert Woollcombe.
Cassell. 232 pages. 21s.

IT was Wavell's fate to command in the defeat in the Mediterranean and in the *débâcle* in the Far East. It was his misfortune to fail to command the full confidence of Sir Winston Churchill. The duty he bore stoically, the pain silently. Having heard from the soldiers who swept forward to victory after the tide had turned, one is glad to hear of a leader who did not try to justify himself in retrospect and who in his despatches had the courage to say: this was my responsibility, this was my failure. There is much to admire in this aloofness and behind the reticence a sensitive and likable humanity.

How great a general he was, it is too early to judge. His biography — and no one more richly deserves one — has still to be written. Mr Woollcombe has produced an interim defence, writing a straightforward and clear analysis of the campaigns which Wavell fought. He establishes a reasonable, good-tempered case, which certainly sustains the negative proposition that Wavell cannot be condemned as a commander simply because he suffered defeat, and worse. But the positive proposition of greatness is not proved.

Audacious, intelligent, civilised, wide ranging in thought and interests, articulate on paper but reserved in speech, Wavell seems to deserve something more than the epithet brilliant. His ability to command over vast areas of space and time were tested to the full and no one dare say that he failed utterly. He did what he could when Britain did not have the arms or the men to do more than to hold on. He cannot be blamed because the weight of events was too heavy to be borne. Yet he misjudged the possibility of the German intervention in the Western Desert and supported the expedition from which the evil flowers of defeat in the Mediterranean blossomed. His riposte, Operation Battleaxe, in the desert went sadly off the mark. In the Far East he miscalculated again when the Japanese invaded Burma, seemingly throughout the period of supreme command under-estimating the fighting qualities of the Japanese army and over-estimating the British army's capacity to hold off the attacks.

But the risks had to be taken and Wavell took them: the criticism that he plotted the campaigns too much off the map or that he fought too far forward is irrelevant. His name is associated with defeat, but he had his victories. His incisive victories against the Italians in Libya and Abyssinia explain why Rommel said Wavell had a touch of genius about him. Perhaps he did, but it was only a touch. Yet from Wavell admiration cannot, as it can from other generals far more successful, be withheld.

The Bible in its Context

The Ancient Near East:

An Anthology of Texts and Pictures
Edited by James B. Pritchard. *Princeton University Press.* London: *Oxford University Press.* 395 pages. 40s.

Archæology and the Old Testament

By James B. Pritchard. *Princeton University Press.* London: *Oxford University Press.* 274 pages. 30s.

IF the general reader with a taste for knowing the historical context in which to place the Old Testament can afford only one of these two companion books, he is advised to choose the first. It is richly worth its extra cost, for nowhere else within reach of his purse, if ordinary, will he find the range of texts here translated. They run from Sumerian proverbs to Egyptian love lyrics, Hittite myths and utilitarian documents such as Hammurabi's code of laws. Wherever a matching Bible passage has occurred to Dr Pritchard, the reference is given in the margin. Newcomers to the subject will find staggering the extent to which not only stories but also literary forms were interchanged and borrowed all over the ancient east; here are other Adams, other Noahs, other Moses in the bullrushes, an Egyptian Psalm 104 and songs close to Solomon's. The major contribution of the Hebrews towards this mass of ancient literature is their greater genius as poets and writers. Dr Pritchard's pictures are excellent but, unlike the text, are to be found in other accessible books.

His second book seems to be intended as a history of the archaeological enterprises that have supplied all this knowledge. But it is rather a rag-bag of information. It cannot make up its mind whether to describe the ventures or to dissertate on what was found. It is arranged neither chronologically nor geographically, and anyone unacquainted with the dates and locations of successive civilisations will find himself at sea. There are many better arranged, and therefore simpler, background books.

The Scrolls in Pictures

The People of the Dead Sea Scrolls

By John Marco Allegro.
Routledge and Kegan Paul. 192 pages. 30s.

THIS is a "picture book" rather characteristic of the great number that publishers are now issuing to satisfy the interest of the layman in archaeology or art history. The brief, introductory text contains little of importance. In it, Mr Allegro re-states, in yet more simplified form, the propositions he advanced in his Pelican volume, "The Dead Sea Scrolls." He takes account neither of scholarly queries raised about his initial thesis (the link between the Essenes and early Christianity) nor of doubts cast by recent scholarship on the true nature of the Qumran "monastery." Reading the captions to the 189 photographs in this book, the layman can hardly guess how complex and controversial the whole matter of the scrolls still is.

But it is the pictures that count, and many of these are indeed excellent.

Channel Tramp

The Narrow Seas

By Reginald Hargreaves.
Sidgwick and Jackson. 543 pages. 45s.

IT is difficult to see exactly what purpose this long and expensive book serves. A history of the English Channel from a geographical standpoint would be very desirable because, even if geopolitics is not a true science, too many historians neglect the dictum of old Purchas that "history without geography is sick of a dead palsy." Except for an introductory description, the Channel itself disappears in this book under a deluge of miscellaneous historical facts. Admittedly the subject is vast and intractable since, as the author says, the story "must be unfolded against a background of general history"; but that is no excuse for limiting it to the activities of the English — the Channel has always been a bridge and an international waterway as well as the moat of this island.

The result is a book in which it is interesting to dip, but which lacks a point of view. The reader who might legitimately hope to find in it an analysis of the reasons for the decline of, say, Dartmouth and the rise of Plymouth, or the reason for the importance of Deal in the age of sail, will be disappointed. If the author had stood aside from the flow of events from the days of Julius Caesar to the Normandy landings in order to make explicit the strategic or economic issues presented by the geography of the area, the result would have more meaning.

Too Simple Man

The Story of Man:

Human, Evolution to the End of the Stone Age
By H. E. L. Mellersh.
Hutchinson. 256 pages. 21s.

LIKE its predecessor, "The Story of Life," this sketch of man's history to the end of the Stone Age is intended for a popular market. The author sails above the niceties of anthropological detail and terminology to present a broad picture of man's vicissitudes and triumphs. The result is a vivid account, well calculated to arouse the interest of those to whom the subject is new, but with inevitable inaccuracies and superficiality. Starting with a brief review of man's animal ancestry, the author traces the successive appearances of Australopithecus, Pithecanthropus and Neanderthal types, and then the appearance of true man. Naturally the central theme is provided by the progressively more elaborate and specialised tools used, but the author discusses also the probable culture at each stage, and the development of art, religion and magic. This helps to give life to the archaeological evidence, but much of the discussion is highly speculative, and the distinction between fact and presumption is not always clearly drawn. Indeed the story of man's evolution could have been given a more three-dimensional vividness if the nature of the evidence had been discussed, and some indication given of how palaeontologist, archaeologist and anthropologist work.

AMERICAN SURVEY

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

Democrats without a Winner

WASHINGTON, DC

THE Democrats are a party in search of a hero. They have several leaders who would make acceptable candidates in next year's presidential election and probably would serve with credit in the White House, but they lack what they most desire: a figure a bit larger than life-size and with the intangible glamour that sets off the exciting candidate from the merely acceptable one. This preoccupation with personality is partly the result of President Eisenhower's continued ability to command the devotion of the voters in spite of the decay of his party's fortunes. Governor Rockefeller's extraordinary personal victory last November in New York, which he recaptured for the Republicans although the country as a whole turned away from them, has heightened Democratic anxieties.

After having won three congressional victories in a row, the Democrats are convinced that in a straight party contest they would win again. But they are haunted by the fear that Mr Rockefeller or even Vice President Nixon, who is a strong candidate although he may not appeal to every-one's taste, will trump their natural advantages. The party's convention, which chooses its candidates, is still a year away and impartial observers may feel that the Democrats are viewing their own presidential possibilities in too nervous and too perfectionist a spirit. The fact remains that there is a mood of frustration within the party, which has brought the preliminary struggle for the nomination to a temporary stalemate.

There is no doubt that Senator Kennedy of Massachusetts comes close to possessing all the qualities of personal attractiveness and vitality which the party's managers are seeking. He is well in the lead in terms of support from potential delegates to the convention and must be regarded as the candidate with the best present chance of winning the nomination. He is young and attractive, with a record of heroism in the war; he has adopted a liberal stand on major domestic issues and shown that he is deeply concerned with important problems of foreign policy, particularly with aid to India; and he is the author of "Profiles in Courage", a prizewinning and best-selling work of popular history. To many millions of young ex-servicemen and their wives, who dominate the generation now coming into control of the nation's affairs, Senator Kennedy and his attractive wife must seem to be an ideal couple in public life.

The biggest obstacle to Senator Kennedy's nomination is his Roman Catholicism. The only Catholic ever nominated for the Presidency by one of the two major parties was Al Smith, who stood in 1928. Any Democratic candidate probably would have been defeated that year, but the campaign against Smith was a disgraceful exhibition of religious bigotry and bad feeling. Mr Kennedy, whose personal style is totally unlike that of Smith, is optimistic and believes that his candidacy would not arouse this kind of ill-feeling. Most of the party's managers, many of them Roman Catholics themselves, are wary and sceptical. Governor Lawrence of Pennsylvania is one of the most influential and most sceptical. Mr Lawrence, a veteran party boss, was elected last November as the first Catholic governor of his state. It is his belief that his religion cost him votes and that the loss would be much greater if it were the Presidency that were at stake. Senator Kennedy's youth (he is 41) and his boyish countenance are less important disabilities. But his appearance conflicts with the image many Americans have of a President as an older, more solemn, fatherly figure.

Mr Kennedy's other minor handicap is his weak record on McCarthyism. His courage, like the courage of many others, failed when it was a question of defending the civil liberties imperilled by McCarthy. When the Senate voted to censure McCarthy, Senator Kennedy was absent because of a major illness. It was nearly two years before he publicly explained how he would have voted if he had been present. Mrs Roosevelt and some other liberal Democrats, who bore the brunt of the fight against McCarthy, are determined to block Senator Kennedy's ambitions because of what they regard as his pusillanimous conduct in that battle. Their scorn detracts from his appeal as a candidate cast in a heroic mould and could conceivably be decisive in a closely divided convention.

Because of the characteristic caution of the party bosses and because of the articulate opposition of such liberals, Mr Kennedy has no chance of being a compromise candidate agreed upon at the convention after negotiation among the leaders. His only chance of victory lies in taking the convention by storm on the first two or three ballots. For this he needs to demonstrate intense popular support by winning many state primaries, the elections at which members of the party show where their preferences lie. For a time this spring, it seemed likely that Senator Kennedy would be able to enter enough contested primaries (uncontested primaries do not help much) in various states to permit him to prove his popularity. In two critical states, that is now doubtful.

IT had been expected that Senator Humphrey of Minnesota, next to Mr Kennedy the most active of the candidates, would oppose him in Wisconsin, Oregon, and perhaps California. These are traditional testing grounds for presidential prospects in both parties; Mr Stevenson's victories over Senator Kefauver in the Oregon and Californian primaries in 1956 made his nomination that year a certainty. Senator Humphrey has a strong regional base among the farmers of the upper midwest. He is also much admired by the officials of the trade unions whose support, in terms of money and manpower, is important to any Democratic nominee.

However, the prospect of a Humphrey-Kennedy clash in Wisconsin has begun to divide Democrats in that state into enemy camps; to some extent it set Catholic against Protestant, city-dweller against farmer. This development alarmed the Democratic Governor, Mr Nelson, whose party recently won control of the state government for the first time in twenty-four years. Fearing that a struggle over the presidential favourites will blight the party's renaissance, the Governor is organizing a "unity slate" of delegates to the convention who would not be pledged to any serious contenders.

Governer Brown of California, meanwhile has not only made it clear to the major candidates that he intends to hold the Californian delegation for himself as a "favourite son" but has also been acting more and more as if he intended to become a serious candidate himself. If the primaries of Wisconsin and California are closed to them, Senator Kennedy will not be able to enter the convention with an invincible lead nor will Mr Humphrey have the opportunities to score the upset victories which he needs.

These developments encourage those whose hopes from the first have depended on the prospect of a stalemate and the choice of a compromise candidate. The three in this category are Mr Lyndon Johnson, the leader of the Democratic majority in the Senate, Senator Symington of Missouri, and Mr Stevenson. There is said to be an agreement between the Johnson and Symington forces to work together at the convention and to unite eventually behind whichever one seems the stronger. This understanding has the blessing of ex-President Truman and the House Speaker, Mr Rayburn, the two grand old men of the party who like to think of themselves as kingmakers. It is hard to see how the Johnson and Symington candidacies can progress very far without one killing off the other. Both rely on the support of the same conservatives and moderates, both have laid heavy stress on the issue of national defence (Mr Symington is a former Secretary of the Air Force and Mr Johnson is Chairman of the Senate Preparedness subcommittee); both have moderate views on the racial issue and both are acceptable to the South. They share a common weakness: neither has demonstrated any power to win votes in the great cities of the Northeast and along the Pacific Coast where national elections are usually determined.

The most remarkable feature of the political situation as it has developed since the election last autumn is the total eclipse of the State Governors, from whose ranks presidential candidates are usually recruited. Mr Meyner of New Jersey has failed to catch the public imagination in his appearance outside his state. Mr Williams of Michigan has become bogged down in an embarrassing fiscal struggle with his legislature. With the tenuous exception of Mr Brown of California, none of the other Democratic governors seems remotely of presidential stature.

One former Governor remains a distinct possibility. He is Mr Stevenson of Illinois, who led the losing campaigns of 1952 and 1956. He professes not to be interested in standing again and the evidence suggests that he would be content to serve as Secretary of State in a Democratic Administration. But at 59 he is not too old; he appears increasingly on the front pages of the newspapers; and he retains a devoted following among the rank-and-file and among a surprisingly large number of politicians. Since he is clearly a man of presidential stature and is acceptable to almost every faction, the party may yet turn to him a third time. But can a twice-rejected leader qualify for a hero's part?

Investment by Letter

NEW YORK

THE cold wind that blew in Wall Street at the beginning of the month may have more success in damping down speculative fever than the concerted campaign being waged against it in the news columns of the financial journals and newspapers. Certainly there has been little sign of this campaign on the advertising pages. Indeed, the public's temperature is being constantly raised by a variety of bold advertisements suggesting that how to make money is more or less an open secret available at comparatively little cost. "If you are interested in making each $1 do the work of $100 or even $1,000 ...", runs a typical headline, while on the same page another asks: "How Can Daring Investors Pyramid Profits?" For a small sum, usually from $1 to $5, the reader is offered "17 Space Age Growth Stocks" or "9 Market Sleepers for Big 1959 Gains", with a "Special Situation Mystery Stock" thrown in for good measure. For the most part, these alluring claims are not the work of brokerage houses in search of commission business but of an influential

though somewhat uncharted fringe of the financial world — the investment advisory services.

Always bound to wax and wane with public interest in the stock market, these services have been booming. The Securities and Exchange Commission — with whom they have to register — now lists more than 1500 investment counsellors of one sort or another; in addition, there are a number of fly-by-night operators, taking advantage of the current speculative fever to tout stocks like bookies at a race course.

The weekly market letter, made up of factual information and crystal-gazing in varying proportions, is the main product of the investment services. Similar in format to those distributed free by many brokerage houses, most advisory letters sell at an annual rate of around $75, though the weightier can cost up to $144 a year. At the same time many investment advisers undertake the direct management of individual accounts; most of these handle their clients' portfolios with appropriate caution, but a few adopt a more imaginative approach. "We specialise", a recent advertisement ran, "in applying millionaire management objectives to clients whose funds are in the $8,000 to $25,000 bracket when we begin". The prospective millionaire is charged in this case the unusually stiff annual fee of 2 per cent of his assets.

The first investment advisory letter was sold in 1904 by Mr Roger Babson; today there are several hundred in circulation but only about thirty have achieved any sort of prominence and permanence. In numbers of subcribers, five services dominate the market and represent its more factual and conservative wing. Two of the most influential in this group are those put out by Moody's and Standard and Poor's, but United Business Service (with another Babson at its head) has built up the largest readership of any one service. Outside this group are a host of small services, many of them centred round the enterprise of one man, and with subscribers numbering from a few hundred to, at the most, 10,000. A few hang — somewhat tenuously as a rule — on specific interpretations of the stock market: the Dow Theory, Odd Lot Studies, Buying Power versus Selling Power, and other "chartist" movements. The majority, however, have no theoretical pretensions and simply concentrate on producing, like rabbits out of a hat, an endless flow of "undervalued issues", "low-priced stocks" or "split candidates". Yet another type of service confines itself to unearthing "special situations" which are sold at $100 or more a year for twelve.

Subscribers to all these services — of whom there may be a quarter of a million — are a fickle group, and their numbers can only be sustained by relentless advertising. To cash in on this year's wave of enthusiasm for the stock market, advertising programmes have been stepped up and full page, and even multi-page, spreads are common. Costly ventures such as these rarely bring an immediate cash profit, but from those responding to this initial package offering some will succumb to an annual subscription after a subsequent mail-order barrage. One of the largest advisory services puts half a million pieces of promotional literature into the post each month.

SOME of the more conservative and established services have proved useful guides to the small investor, distinguishing between long range "investment" selections and what are termed "business risks". But a pre-war survey of 16 leading services, which was brought up to date in 1944, reached the disparaging conclusion that, while some did far better than others, their recommendations as a whole were scarcely, if at all, an improvement on random selection. Furthermore, it pointed out that, over a long period of generally declining market prices, optimistic forecasts had outnumbered pessimistic utterances by four to one. But for this the public is at least partly to blame. While one or two services have won a small but faithful following among the less sanguine with persistent predictions of impending disaster, experience teaches that in this field the public will only pay cash for good news.

So far the services have steered remarkably clear of government regulation. Unlike the investment trusts, for instance, which are limited by law to highly conservative advertising, the advisory services have a free rein. Such censorship as there is is applied by the newspapers and periodicals themselves. Some of these — notably the *Wall Street Journal* and *Business Week* — ban all such advertisement or restrict it to the two or three most respected services. Others such as the *New York Times* and *Barron's* — the two major outlets for advisory services — blacklist individual ones from time to time but more frequently insist on changes in wording.

Of more immediate concern to the law, however, is the loophole provided by market letters for the touting of stocks by promoters or manipulators. In the past isolated cases have come to light in which an adviser has recommended to his clients a stock which he himself is busily unloading. But with the public unusually receptive to tips and rumours more investigators are being thrown into the field. While the intergrity of the larger and better services is not being questioned, there is little doubt that at times like these market letters provide some extra fuel for the speculative fire.

Missiles into Ploughshares

FROM A CORRESPONDENT IN CALIFORNIA

INTERCONTINENTAL postal deliveries at supersonic speeds were brought a step nearer when the Post Office succeeded recently in sending some 3,000 letters from a submarine at sea to the Navy's auxiliary air station at Mayport, Florida, over a hundred miles away. The "postman" was a 36-foot Navy Regulus missile, which can be guided during its flight. Like other air-breathing types such as the Air Force's Snark and Navajo, it is slower than the speed of sound; all have been outmoded, for military purposes, by the supersonic intercontinental ballistic missile.

But these earlier prototypes may not simply end on the scrap-heap. On the contrary, they may well be snapped up, for there is likely to be a host of useful jobs for a projectile that can be fired over a distance of several hundred miles, controlled in flight and brought down at a chosen place, especially if it can also embrace the principle of the helicopter. Some of the potential civilian uses of guided missiles lie in fire-fighting, crop-dusting, surveying, prospecting and cable-laying. For example, a missile designed by the Northrop Corporation for wartime use by the Signal Corps can be fired to a selected spot, where it will take pictures, and then brought back to its base, depositing the camera by parachute on the way if this is desired. Such a device would relieve the pilot who now flies back and forth monotonously for days and even months on end making aerial surveys for geological or other purposes. Many hours now spent in laying wire cables could be saved using missiles.

Missiles also seem to have a future in dealing with fire in aircraft crashes. One idea is to maintain missiles on airport control towers, where they would automatically keep an eye on each aircraft as it took off or landed. If there were a crash, the missile would "home" on the aircraft and spray it with fire-extinguishing chemicals. An extension of this idea is to maintain regular missile "fire stations" from which they could be directed, armed with extinguishers, to a crash anywhere. The Solar Aircraft Company of San Diego is reported to be working on an electronically controlled missile that would speed to the site of a crash and then descend by means of a parachute — a gentler prospect for any survivors. The Northrop Corporation is said to have on its drawing boards a pilotless aircraft that would combine the features of a missile and a helicopter and which could be used in the same way, as well as for spraying insecticides.

One of the first ways in which missiles will be put to constructive use is in fighting forest fires, which cause heavy losses every year. The missiles not only could carry fire extinguishers into the very heart of a blazing forest; equipped with an infra-red device sensitive to heat, they may even be able to search them out as soon as they start. The results of tests carried out by the Forest Service have been so good that it is ready to provide a market for any missiles which the armed services declare obsolete.

The Postmaster General is equally enthusiastic about the potentialities of missiles for his department. The demonstration in Florida was not the first experiment of its kind. In May a package of letters was dispatched from the Pacific Missile Range near Los Angeles to the Point Mugu airstrip, a 30 minute journey, and in a test last September the post was delivered although the missile which carried it burned on landing. According to testimony at congressional hearings, letters have been sent over much greater distances. Some were carried in the nose-cone of a supersonic missile that travelled 1,600 miles out to sea at a speed of 9,000 miles. The nose-cone was recovered and the letters, in a plastic bag, proved to be unharmed. The day is therefore coming when it will take only minutes, instead of hours, to deliver the post from one continent to another. Unfortunately, in America at least, the journey from the Post Office to the addressee probably will continue to be attended by the usual delay and frustration.

Montana's Press Goes Free

FROM A CORRESPONDENT IN COLORADO

AMERICA's longest experiment with a controlled press has ended. For more than half a century eight major daily newspapers in Montana have been owned by a corporation which in turn was owned by the giant Anaconda Copper Company. They have served its interests and those of its corporate allies, notably the Montana Power Company. The newspapers, which were established or bought originally to cement the company's domination over the state, and to further its political interests, include the *Billings Gazette*, the *Butte-Anaconda Montana Standard* and *Post*, the *Missoula Missoulian* and *Sentinel*, the Helena *Independent* and *Record* (the only daily ones in the state capital), and the *Livingston Enterprise*. Thus five of the state's largest communities have read the "company press" or no daily newspaper at all.

The total circulation of the controlled press has been about 100,000 in a state of 600.000 people, while the non-company newspapers had only about 55,000 subscribers. In the state capital the only vigorous opposition has been offered by the weekly "People's Voice," a co-operative enterprise, whose editors recently received a Sidney Hillman award for outstanding service to journalism. In its early years Anaconda's tame press boldly upheld the company's point of view on both candidates and issues. Recently it has grown more passive and has followed a rigid policy of printing practically no comment or interpretative reporting. Instead it relies largely on colourless agency dispatches and campaigns only against communism and the common cold.

As a political investment the controlled press has paid few dividends of late. The company's preference usually has been for Republicans, but both of the state's Senators and both of its Representatives in Washington are Democrats; only the Governorship remains in Republican hands. As money-makers, the newspapers have also been a disappointment. Altogether they had become a liability rather than an asset. This month they were sold, lock, stock and barrel to the Lee newspapers, a chain which may be conservative in the middle west, but which is likely to shake up Montana's papers and their readers in a way not far short of revolutionary.

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THE WORLD OVERSEAS

Buganda v. Uganda

FROM OUR SPECIAL CORRESPONDENT

THE Kabaka of Buganda and his government now seem to be making a determined attempt to stop the march of lawlessness in the "disturbed area" which their territory has now been declared by the Governor of Uganda. But it is necessary to say "seems", for nothing is clear either in terms of motive or of action in this, perhaps the most difficult of all African countries to subject to a rational political analysis.

The boycott of non-African goods has continued, against all expectation, since February. The Uganda National Movement has changed its front as well as its name more than once and is certainly today quite a different animal from what it was. The Kabaka and his ministers have hitherto been either openly equivocal in their disapproval of violence and intimidation, or have been interpreted by UNM adherents to be equivocal. There is a way of appealing to the Baganda which is easily seen as a piece of ventriloquism, with the beloved monarch sitting on the Governor's knee; and then everyone knows what to do. Does the Kabaka want the disturbances to continue? If he does, it can only be because he feels that his own position has become, once more, as difficult as it was at the beginning of his dispute with Governor Cohen: that he is, unlike Charles II, ready to go on his travels again. "As far as Buganda is concerned", say some officials, "we are back to square one".

Present signs are that the Kabaka and his court are not prepared to push matters to extremes. But their position is difficult, and it is necessary to understand why. To do so, the boycott and disturbances must be separated from the underlying political situation. This is, briefly, that Buganda has, ever since the Kabaka's return, been seeking either full independence, or such a privileged position in Uganda that it would dominate the whole protectorate. Instead, however, of sending Buganda members to the central legislature in order to lead it, the opposite course has been taken of refusing to send members on the ground that the composition of the legislature violates the Buganda agreement of 1955 (which enabled the Kabaka to return). But the East African Court of Appeal has now rejected Buganda's case; and it only remains for it to be taken to the Privy Council (if permission is granted) where it may equally fail. While the case is being argued at the Privy Council, Buganda can perhaps continue to refuse to be represented in the central legislature, but it might be shown to be in breach of the 1955 agreement if it did. The Buganda government has now dragged up a new argument, already rejected by the Colonial Secretary, that the original treaties of 1894 and 1900 should be abrogated; and there is talk of taking this demand to the International Court at The Hague.

But an end to prevarication can be foreseen, and meanwhile Buganda, for all its considerable autonomy, remains bedded in Uganda — and the time is approaching for a review of the constitution. A committee is being set up for this purpose, and the Governor has offered to have discussions on the Buganda constitution at the same time. This may seem reasonable enough; but it frightens the traditionalists of Buganda. For it brings nearer the time — according to all normal African precedents — when there will be a black prime minister in Kampala who will prove stronger than the Kabaka in his court at Mengo. Dr Nkrumah's march to absolutism in Ghana has produced even more alarm in Mengo than in London. To such a development, Mengo is firmly opposed — unless it can get control of the legislature first, as it has control of the Lukiko, the purely Buganda parliament.

IN a rather inchoate sort of way, the UNM seems to have been an attempt to rivet Buganda leadership on the vague, fissiparous nationalism of the whole protectorate, which finds expression in a variety of short-lived political parties. When it was formed, it was indeed taken for a coalition of traditionalists and progressives, Baganda and non-Baganda. It is now, quite clearly, a purely Baganda movement, and not necessarily a progressive one. Moreover, its politics have become submerged in two other elements: first, a well-organised and very profitable attempt to divert trade from Asian and European hands to a few African hands, by intimidation if necessary; and secondly, an instrument for general robbery and paying off of scores by the kingdom's spivs and thugs. So from giving the Baganda a political party that could take power in the other provinces of Uganda, UNM is repudiated in them (and is inoperative in the non-Baganda counties of Buganda itself). After several months of activity, the party has done more to unite the rest of Uganda against Buganda than anything that has previously happened. But does this suit the Kabaka's book?

If it persuaded the British Government that a unitary Uganda was impossible, it might. But the whole policy for Uganda, economic and political, is based on Buganda's participation; to make any sense, it must be. Unfortunately, the organised separatism of Buganda is matched by the political disorganisation of the other provinces. They have voted good men into the legislative council; they have got on with local government and Africanisation; but they speak with no single voice on the future of Uganda. Their opposition to Buganda leads them to think of setting up little Bugandas of their own, rather than of fighting Buganda pretensions in a central parliament.

Nevertheless, the constitutional review may well end with an African majority in the legislature; and just as the unhappy Asians are a minority in Buganda, so the Baganda are a minority in Uganda. Moreover, once Africans can rule, men will surely emerge who will wish, as leaders of organised nationalist parties, to rule. The present kaleidoscope could be suddenly and roughly shaken. It is certainly wrong to think of the Kabaka as a calculating master-mind plotting to turn all this to his advantage; the trouble partly is that he does not know how to, and turns from one expedient to the next. Where all is clouded, the impulse to stir the mud a bit more seems to be the dominating one.

No Time for Ghosts

FROM OUR OTTAWA CORRESPONDENT

NO doubt the Queen's sail up the St Lawrence seaway after sharing the opening ceremonies with President Eisenhower will be memorable. The magnificent setting of Ottawa's Parliament Hill will give unusual grandeur to the familiar military ceremony when the Queen presents new colours to three Canadian regiments on Dominion Day. The Rocky Mountains on the third or thirtieth visit are always impressive. But before all these come two stranger contenders for the most memorable occasion of this royal tour. They are Dawson City, with its ghosts of the 1898 Klondike gold rush, and Chicago, with the ghost of Big Bill Thomson and other flamboyant insulters of kings of England.

They are still flamboyant in Chicago and they love celebrities. Their ideas about what they could fit into a one-day visit by the Queen have been slightly moderated after consulations with Canadian officials, but the programme which remains will assuredly make it a day to be remembered. The *Britannia* will sail up to Embarkation Point, directly opposite the downtown district ,and the Queen and Prince Philip will immediately drive down State Street in the heart of the shopping and business quarter. The ticker tape parade, with bands galore and drum majorettes and tons of streamers and hundreds of thousands of excited people, has been reduced from the original plan to something under one hour's drive. Fireworks are to be organised by daylight as well as in the evening. There will be a ceremonial luncheon with speeches in Guildhall, and the evening is to be given to a state dinner.

Dawson City will be rather different. Chicago's anti-royalist and anti-British ghosts have been exorcised. If they linger on it is in obscure backwaters. Civic and industrial Chicago is now internationalist, firmly intends to gain more from the seaway than anybody else, and probably will do so. But Dawson City is still the home of ghosts. They share the place with the living in a tolerant regime of peaceful coexistence. The official programme, allowing a ten minutes' visit to the old men's home and twenty minutes to see modern gold dredgers, gives the Queen little chance to gain their acquaintance.

The dredgers are mechanical monsters whose deafening screeches echo through the valleys like the wailing of souls in torment. They live on the leavings of the pioneer gold panners, transforming a whole valley bottom into barren gravel heaps in their ruthless lust for tiny pickings of overlooked gold dust. It would be better to skip all this and let the Queen and Prince Philip spend the time with a surviving old-timer in the dancehall that still stands unchanged. Threadbare curtains screen the stage, but the old man's mumbled recollections can people it again with musicians, singers and dancing girls, and they can hear the swish of the curtain falling as the miners let out shouts of applause from the dusty wooden floor where they stand.

Pointing up to the circle of boxes still lined with red plush and hung with plush curtains, the old man will chuckle and say: "That's the place to take your girl". He'll wake the milling crowd around the empty bar at the back of the hall, where ghostly feet still rest on the brass rail, recalling the night he came in broke. That was when his girl pulled a fat roll from the top of her stocking to "stake him" for another try up Klondike Creek. "Oh they were good," he'll say, "they often used to do things like that".

Never mind the screaming dredges devastating the creeks. Give the ghosts a chance to meet the Queen. They are loyal subjects and they have waited a long time.

(Concluded. The first article appeared on June 13th.)

The French Line

FROM OUR PARIS CORRESPONDENT

THE latest turn in French differences with Shape has merely brought a long-standing controversy into the open again. The prospect of a progressive removal of over 200 American fighter-bombers from their bases in France (at Toul, Chaumont and Etampes), because of the French refusal to stockpile nuclear bombs if they do not share in their control, is in keeping with the trend of the last nine months. It was on September 24th that General de Gaulle addressed his memorandum to London and Washington, asking for a reorganisation of Nato, a bigger French share in its direction, and help for France's accession to nuclear status. French co-operation was made conditional on

the response to these demands. Despite the setting up of an American, British and French consultative committee at ambassadorial level in Washington, it cannot be claimed that the general has got much response so far. And so he has kept his word : the French government has resorted to passive resistance.

Previous instances of French obstruction are well-known. General de Gaulle has refused to accept American missile bases (unless his government were given a share in the control of the nuclear warheads). He has persisted in opposition to the integration of Nato's tactical air command. Last March he announced that the French Mediterranean fleet would be withdrawn from Nato's command. Not all the general's cards have been aces. With the present scarcity of intermediate missiles, Shape was quite pleased, for strategic reasons, to set up bases further south (in Italy and Greece) rather than in France. As for the fighter-bombers, General Norstad has been looking out for alternative bases for some time.

General de Gaulle, however, need not be unduly perturbed if the planes do finally go. The French government knows that, in the event of an east-west clash American aircraft would move into action. But the gradual dissolution of Nato's military ties fits in with current French conceptions. General de Gaulle has made it plain that, both in European economic cooperation and in Nato affairs, he prefers national coalitions to integrated structures.

The French government's demand for control of the nuclear weapons on its soil is not prompted by fear that the Americans might rashly provoke world conflict. France wants a deterrent which can be used for its own political ends. Hence General de Gaulle's insistence on an atom bomb of his own, even if it be of Hiroshima vintage at the start. There is now a new condition for French cooperation with Nato — that the allies must faithfully back French policy in Algeria. This was not specifically mentioned in the September memorandum, but M. Debré talked about it to Mr Herter in April and proclaimed it publicly and emphatically in the National Assembly earlier this month.

Both sides want to avoid a showdown. Nato believes that it can carry on reasonably well even if the French refuse "to undertake any new commitments". The military commanders are not unduly perturbed, because there are virtually no French troops left to "disengage" from Shape anyway. General de Gaulle certainly does not contemplate any agonising reappraisal which would lead him to Moscow, although the Quai d'Orsay seems well aware that Mr Gromyko hopes to profit from Nato's present dissensions. The Algerian war puts General de Gaulle in an awkward dilemma. He wants allied backing for his stand, yet the war deprives him of the troops which could strengthen his stand within the alliance. When no one is eager to call anyone else's bluff, a game of poker can go on for a long sitting. This diplomatic poker game may, in fact, end without too heavy losses for anyone.

The Saudi Scene

FROM OUR MIDDLE EAST CORRESPONDENT

For eighteen months Saudi Arabia has been trying a new course, marked by a passive foreign policy and internal reform. Largesse, once the main instrument of Saudi diplomacy, is no longer scattered freely among friends and supporters abroad. King Saud has let the various Arab quarrels of the past year go by without attempting to take the lead in mediation. Internally, a serious effort has been made to exert deflationary pressures, notably by curbing royal expenditure and discouraging the import of luxuries. The effort at retrenchment has been so far successful that the Saudi *riyal* now stands at slightly less than five to the dollar (at the nadir of the financial crisis last year, it had fallen to more than six). Officials of the Saudi Arabian Monetary Agency are even advocating a relaxation of deflationary measures, with a view to putting more money into circulation. Payment of the royal debts would be the easiest means of achieving this, though their amount seems impossible to etablish. Estimates put out by debtors and creditors respectively vary between £3 million and £12 million.

It would be idle to pretend that these departures from the old way of life have been effected without bickering and friction. King Saud and his immediate circle are not accustomed to cutting their coats according to their cloth; and Amir Faisal, who is virtually a one-man government, is insisting on rigid observance of budget estimates. The Amir is said to be irritated by the delay in clearing up obscurities in the royal finances, since the King apparently approved this year's austerity budget only on condition that the government assumed responsibility for his past indebtedness. Another source of annoyance to the Amir is the manner in which religious authorities appeal direct to the King in matters for which regular governmental procedure have been laid down. Last month, a government crisis leading to the resignation of Amir Faisal was averted only by the intervention of other members of the royal family.

In the field of foreign afairs, there is a welcome lull. The bitter quarrel with Egypt early last year has died down. As Amir Faisal remarked on his peace-making visit to Cairo : "The cloud has passed". Saudi Arabia relies too heavily on Egyptians and Syrians in the government services, notably in education and health, to afford a breach with President Nasser. Meanwhile, the Saudi authorities are watching with anxiety the course of events in Iraq, hoping that General Qasim will find enough support among moderate Iraqis to check the rise of communism. Labour in the Saudi oilfields is under strict government control, and is still nationalist rather than communist in sentiment. But with an expansionist communist party working outward from Iraq, the climate might change; and Saudi Arabia has already enough essential adjustments to make to dread further complications.

Among Saudi problems in the sphere of international relations are the inland and offshore boundaries in the Persian Gulf area, their importance consisting partly in the oil that may or may not underlie the regions concerned, and partly in the amount of national pride at stake.

Starting from the north the offshore boundaries with Kuwait have not yet been determined, though Saudi officials think that no great obstacles to agreement exist. Related to the Kuwait offshore problem is an obscure little dispute with Persia, concerning two tiny islands near the middle of the Persian Gulf, al-Farsiyah and al-Arabiyah. These islands were uninhabited until 1955, when the Persian government established garrisons on them. Both Saudi Arabia and Britain protested against the Persian action, Saudi Arabia on her own behalf, Britain on behalf of Kuwait. When the Shah visited Riyadh in 1957, a temporary agreement was patched up. While both sides reserved their full rights, the Persians agreed to abandon al-Arabiyah, which has since been occupied by Saudi troops.

Further to the south-east, the Bahrainis are getting restive at the delay in exploiting the offshore area lying between Bahrain and Saudi Arabia. By the terms of an agreement concluded between the ruler of Bahrain and King Saud early last year, the Saudis were given the right of exploiting the area on condition that the Bahrainis got half the profits. Since then, the Saudis have done nothing about it, doubtless considering that they would be better served by the exploitation of other areas where all the profits would be theirs.

The frontier between Saudi Arabia and the British-protected shaikhdom of Qatar is still undrawn, but the lack of definition is of little importance in practice. Relations between the Shaikh of Qatar, Ali ibn Abdullah Al Thani, and King Saud are cordial; there is a local saying that "the frontiers of Saudi Arabia extend to Doha (the capital of Qatar) and those of Qatar to Riyadh". In other words, the actual frontier has no real significance. Nevertheless, the Saudi authorities are incensed by past efforts of the British to push the boundary southward to include within Qatar watering-places which are claimed by the Saudis.

The dispute between Saudi Arabia and the most westerly of the Trucial Coast shaikhdoms, Abu Dhabi, is much more contentious. Abu Dhabi claims the whole coastline of the Persian Gulf west of Abu Dhabi as far as the Gulf of Udaid, near the base of the Qatar peninsula. The claim of Abu Dhabi to Udaid is also contested by the Shaikh of Qatar. When an Abu Dhabi police post was set up last year at Udaid, on the southern promontory enclosing the gulf, the Qatar authorities set up a rival post on the northern promontory. Insults and a certain amount of not very angry shooting have been exchanged by the two posts across the narrow strip of water dividing them.

In the nineteen-thirties, when relations between Britain and Saudi Arabia were still cordial, the Saudi government proposed a frontier line that would have given them some thirty miles of coast south and east of Qatar. When the British government rejected this proposal, the Saudi attitude hardened; and an attitude that was hard then has become much harder since. The thirty-mile proposal, judging by current Saudi statements, has been buried for ever. The Saudis now claim about 160 miles of coast south and east of Udaid. Present indications are that the ruler of Qatar would recognise the Saudi claim to Udaid.

In the east, the Saudi quarrel with Abu Dhabi merges into a parallel quarrel with the Sultan of Muscat over possession of the Buraimi oasis. The Saudis claim the whole oasis on the basis of intermittent control ever since the eighteenth century. By contrast, Abu Dhabi claims six of the eight villages of the oasis, Muscat the remaining two; and their claims ave been enforced by British arms. Much of the dispute concerns exceedingly obscure matters, such as the nature of past *de facto* control, traditional tribal loyalties, the payment of taxes, and the conflicting statements of local notables. In one recent case, a tribal chief in the disputed area stated, without apparent awareness of the contradiction, that his people owed allegiance to King Saud and the Shaikh of Abu Dhabi.

The dispute between Saudi Arabia and Muscat goes beyond Buraimi, and embraces the whole interior of Oman. King Saud claims no sovereignty over Oman, but he rejects the pretensions of the Sultan of Muscat in that area. Ghalib bin Ali, the Imam of Oman, is now a guest of King Saud in the Persian Gulf port of Dammam. With him are his brother Talib, who led the revolt against the Sultan's authority in 1957, and Suliman bin Himyar, one of the tribal chiefs of the Oman area. The three men escaped from Oman when the revolt was crushed by the intervention of British ground troops and aircraft, after nearly two years of intermittent fighting.

The Saudis claim that the authority of the Sultan of Muscat over the tribes of the Oman interior has seldom been more than nominal. More often it has been the tribes that have threatened the Sultan in his own capital. British writers of the imperial age seemed to take pride in stressing that the Sultan owed his position, even in Muscat and its imediate vicinity, to British moral and material support. Twice in the past five years, British troops have had to intervene to assert his authority beyond the coastal strip. In view of such circumstances, the Saudis argue, it is vain to presume that the Sultan has a right to direct the affairs of the Omani interior. It seems certain that the Omanis will continue to enjoy Saudi support, unless the British-protected shaikhdoms go far towards meeting Saudi claims elsewhere. Even if that happens, the Saudi government may continue to back the Omanis against the Sultan so long as they regard him as being weak and dependent on British support.

Waiting for Khrushchev

BY A CORRESPONDENT IN HELSINKI

In Helsinki in summer the political observer usually finds little of interest. The Diet takes a three-month holiday, a truce is declared on the home front and most Finnish politicians retire to island or lake-side for a nature cure. But this year will be different.

Mr Khrushchev will round off his Scandinavian tour in August by a two or three day stop-over in Helsinki. Talks have already started with the Russians on a new long-term trade agreement for 1961-65 and are expected to continue for some weeks. Both these events will test the Finns' "brinkmanship", their ability to satisfy the big neighbour without becoming isolated from the West.

The Finnish government is genuinely pleased that Mr Khrushchev extended his Scandinavian trip to Finland. It implies that he recognises Finland as part of the Nordic bloc. Moreover, it is possible that his Scandinavian hosts — in particular the Swedes — may intimate to him that their friendliness could be disturbed by undue Soviet harshness towards Finland. A Scandinavian tour could be a good psychological preparation for the settlement the Finns hope to have with Mr Khrushchev in Helsinki.

The meeting between President Kekkonen and Mr Khrushchev in Leningrad last January formally ended the winter crisis in Finnish-Soviet relations, but left some unsolved questions. The most prominent is whether or not the Soviet veto on Social Democrat participation in the Finnish government is to be lifted and Finland thus enabled to form the majority government so badly needed.

Last month, in the columns of *Pravda*, Mr Khrushchev accused the Social Democrat leaders of collaboration with western imperialists. Sanguine Finns point out that he specifically named the four leaders, Messrs Tanner, Leskinen, Pitsinki and Lindblom, but did not attack the party itself. The more sceptical regard the *Pravda* interview as a bluff designed to encourage the moderate Social Democrats to effect another split in the party, already weakened by the withdrawal of one Socialist opposition group last year. They remind each other that the splitting of the Czech Socialist party was a preliminary to the take-over in Czechoslovakia.

However, Mr Khrushchev's attitude has had an effect. Concern for national unity has led to talks, into which the president has been drawn, between moderate Agrarians and moderate Social Democrats. It has been suggested that, when Mr Khrushchev arrives in Helsinki, President Kekkonen should tell him firmly that in the autumn Finland will have to replace the present Agrarian minority cabinet by a majority coalition embracing the Agrarians, the Socialist opposition, moderate Social Democrats and the two small Swedish and Liberal parties. The Conservatives would be left out to balance the exclusion of the Communists, and Mr Khrushchev's four *bêtes noires* would not get cabinet seats. In return, Mr Khrushchev would be asked to accept the fact that Mr Tanner and Mr Leskinen have such firm control over the Social Democrat party organisation that little can be done to evict them before the next party congress in 1960.

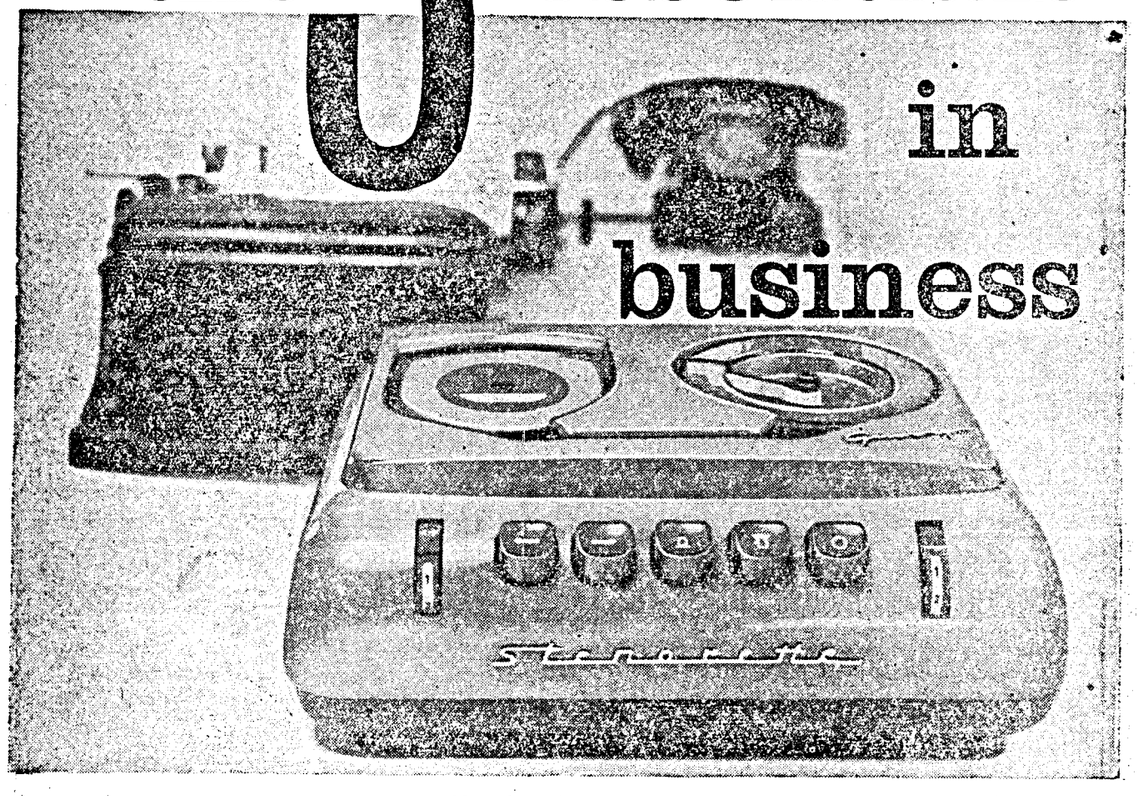
President Kekkonen will certainly not consider this suggestion until he has seen the results of the Geneva conference and any summit meeting, and is in a better position to gauge Mr Khrushchev's likely reaction. It would appear, however, that the days of the four Social Democrat leaders are numbered. More and more Finnish politicians, even within their own party, now regard them as unfortunate victims of Finland's enforced "brinkmanship" and believe that they will sooner or later have to be induced to withdraw from the limelight.

The current negotiations for the third long-term trade agreement with the Soviet Union offer the Finns another exercise in "brinkmanship". The Finns were pioneers in concluding this typically east block type of agreement and admit that the trade has proved advantageous, in particular in providing a market for their shipbuilding and engineering industry, originally built up to pay Soviet war reparations. The crisis last winter, however, showed that it does provide the Russians with a means of exerting pressure. In negotiating the new agreement for 1961-65 the Finns have once again to try to reach a balance between their own economic advantage, the Soviet desire for increased trade and the political consequences of too great a dependence on the Soviet market.

A new factor complicates the issue: the Soviet drive to expand trade with western Europe. The Finns believe that the Russians now regard the Finnish market as a shop-window. It has become a matter of prestige for them to sell in Finland, a typical "western" market, more of the goods they are seeking to export to western Europe. They have already intimated that they want to place more cars, machinery and consumer goods in Finland and less of the raw materials — oil, solid fuels and grain — that have been Finland's staple imports. Finland can scarcely agree to increased quotas for these items without imposing restrictions on western imports. This in turn would endanger Finland's multilateral agreement with the OEEC countries, due for re-negotiation in September or October, and possibly also the prospects for a Nordic customs union, regarded by many Finns as their last hope of retaining solid economic ties with the West. Reports that the Russians had asked for restrictions on western imports have been officially denied by the Finns.

The Finns may also lose the 40 million roubles' worth of free currency paid annually by the Russians under the prevailing agreement for certain Finnish ships and engineering exports. The Russians evidently regard this payment as a dangerous precedent for their dealings with other west European countries. If they insist on dropping it, the Finns will have difficulty in finding sufficient imports to balance the trade.

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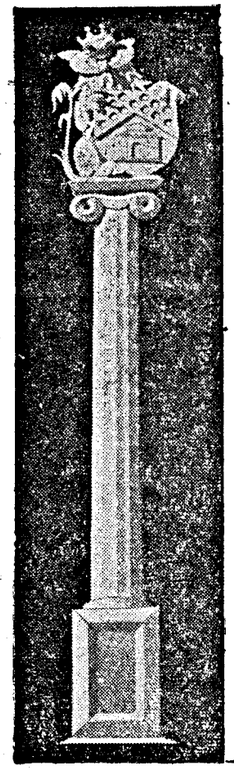
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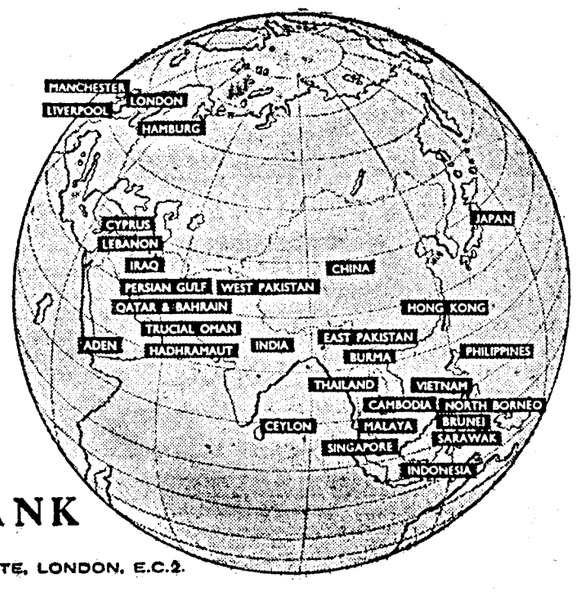
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THE BUSINESS WORLD

COMPUTERS ON THE COUNTER — I

How does One Choose?

BY A CORRESPONDENT

WHEN a company considers buying a computer, it usually asks two questions : what kind do we need for our particular jobs ? Is it worth waiting because new ones available in a year or two may make the present generation of computers out of date ? There is no simple set of rules which one could apply to answer the first question, for though one can pay a consultant's fee for a 'feasibility study', the real answer may need one or two man-years of work; the most that can now be offered here are some sketchy suggestions that will help the prospective customer to ask a salesman the right questions before getting to the stage of calling in a consultant. To the second question, it has been possible for several years to reply that with proper use one of the first-generation computers should show a handsome return on capital before anything radically new was available; and that it would continue to serve as a useful tool for some years after new types had become available just as one keeps in use other capital goods such as machine tools, typewriters, and cars, long after the appearance of technical improvements. Recently, however, appropriately enough about the time that the first British computer exhibition was held, one began to hesitate about this advice. The design of computers is on the move again. In some fields computers now advertised, and perhaps available in 12 to 18 months, will have new features and facilities attainable only by a radical departure from earlier ideas and techniques.

The computers now commercially available may be grouped into a rough pattern :

1. Machines of modest size and speed, for which the programme of instructions is set up in a mechanical form such as a plug-board. This limits the number of steps in the programme to somewhere between 70 and 200, and involves slightly more trouble and cost in changing the programme than does the machine into which one feeds the programme of instructions through the same medium (say punched cards or tape) as one puts in the data. Such machines constitute an intermediate stage between the electronic multiplying punch in the traditional punched-card installation and the more versatile electronic computers.

2. Machines which use an electronically-stored programme have much greater flexibility. One could immediately think of increasing the programme to a length of the order of 1,000 steps; and since the machine can take in additional instructions as readily as additional data, usually from punched cards, there is an absolute limit to the length of the calculations it can carry out. Amongst the earlier machines in this group, which were still "slow" in terms of actual calculating "digit frequency", were the Hollerith HEC 4 and the IBM 650; the basic designs of both are still in service, but with various refinements.

3. Machines that work much faster were in demand first from the scientific and technical users of electronic computers; there are several computers that calculate at from three to ten times the speed of those in Group 2, originally designed for scientific work, including the Ferranti Pegasus, Elliott 405, English Electric Deuce, and Leo II. All have since been arranged to work with the ancillary equipment needed for commercial work (magnetic tape input and output punched-card-readers, line printers, etc.) and provide the opportunity for "integrated data processing" as distinct from mechanised clerical work. This means that in doing payrolls, for

example, one prepares not only returns for PAYE, etc., and analysis of the coins required, but also analyses of job costs and perhaps statistics of absenteeism and sickness amongst different classes of employee.

4. Although they are very different technically, one can group together the Ferranti Mercury and the IBM 704-705, on the ground that each is a substantial step ahead of the same manufacturer's other machines, both in speed and in price.

The prospective purchaser may decide on the group from which he will select his computer (a) by fixing the sum of money which he is prepared to invest in an experiment in computing or (b) as a result of a detailed study of the work he wishes to put on the computer and of the characteristics of available machines. On the first basis, he should remember that the larger machine involves larger running costs. This applies not only to the annual cost of technical maintenance (say 5 per cent of capital cost) but also to the salary bill for programmers and operators to keep the machine busy. The second method requires a special study in each instance, but an outline of the way in which payrolls might be tackled on machines in the different groups may be instructive.

A plugged-programme machine (Group 1) would require two runs on the weekly payroll : the first would convert hours worked and wage rates into gross wages for the week and cumulative pay for the tax year; and the second run (after entering total tax due to date from tables outside the computer) would compute this week's tax and the net pay after all regular statutory and voluntary deductions entered on the employee's record card. On the other hand a Group 3 machine (several of which are being used for payrolls of 10,000 and upwards) would take in amendments to hourly rates, etc, at the same time as the record of hours worked, use an internal tax table, and deliver the statement of net pay and all deductions, accumulate totals due to tax and other funds, and prepare a coin analysis. The length of programme for payrolls on such a machine can range from 1,000 to 10,000 computer instructions according to the number of contingencies covered, e.g. holiday pay in advance, exhaustion of entitlement to sick pay, automatic increase of wage rate on birthday. The time would be from a half second to several seconds per pay-slip, according to the complexity of the programme, and a 100-line-a-minute printer would usually be able to take the output direct. A Group 4 computer would do the simple calculations involved in payroll, invoicing, or inventory control so fast that the output would have to be taken away on magnetic tape, for subsequent printing over a longer time. One would therefore not choose a Group 4 machine for "mechanised clerical work" alone, but only if one had in addition more sophisticated calculations, perhaps in linear programming or in actuarial work. Some prospective customers may incidentally need warning that they should check the floor loading, power supply and access for fairly bulky equipment in the office where they plan to put a computer.

IN the next generation of computers, due in a year or two's time, there are two new principles to be reckoned with : "parallel function" and "transistorisation"; their implications will be discussed in a second article.

The first of these is a method of still further increasing the rate at which a computer works, after engineering techniques have been pushed to their economic limit, by enabling other parts of the machine to work at the same time that calculations are in progress. The second, the substitution of transistors or other kinds of "solid-state elements" for electronic valves, besides being almost essential to the first, will in future have an effect on the design of computers of all sizes.

The first is therefore a pattern of design; the second, vital to it, is a more economical mode of operation.

In the search for higher computer speeds, one obvious approach was to raise the "digit frequency" or pulse rate of the machine; but this factor has now settled at an economic maximum of about a million pulses a second, so that a digit group or "word" of 40 digits takes 40 millionths of a second to move from one part of the machine to another ,or to add to another similar number, if the digits are handled serially. The second approach was to make every part of the machine handle all the digits of a "word" or number simultaneously. This is called a "parallel" machine but very few have been built during the era of valve computers. Since the active parts have to be multiplied forty-fold to handle all digits at once, such a machine using valves tends to be costly and bulky. But these difficulties are alleviated to some extent by transistor or "solid-state" techniques, and the new large machines are beginning to use parallel arithmetic units.

(*To be concluded*).

BUSINESS NOTES

THE ECONOMY

Employment Steady

REDUCTIONS in the number of people out of work during the last two months do not seem to have brought about any corresponding rise in the numbers in jobs. Employment did show slightly more than its usual seasonal rise in April; but the rise of 48,000 during May recorded in the figures published last week seems on the other hand to have been rather less than is usual at the time of year. The margins are so tiny against a total of 22,852,000 people in civil employment, that the safest conclusion is "No change". This in itself would not be difficult to reconcile with the slight tendency to rise recorded in industrial production, particularly as there does seem to have been, within the whole, a more than seasonal rise in manufacturing employment; people as well as machines are still considerably under-employed in many British factories. It is less easy to understand why the reduction in numbers unemployed does not show; can there still be significant numbers of married women, old men, and foreign workers losing jobs but not troubling to register as unemployed?

The new index of engineering output and orders produced by the Board of Trade showed production there as slightly lower than in February and 8 per cent below the level of March, 1958. Allowing for the incidence of the Easter holidays, however, it appears that the volume of output in these industries (which exclude shipbuilding, marine engineering and vehicles) was rather higher than a year before. It was also somewhat higher than the value of the orders obtained during the month, so that the amount of orders on hand declined; the fall was entirely in export orders. Early indications are that in April output in these industries was well above the level twelve months before. Industrialists in this sector of British industry, reporting to the Federation of British Industries a week ago, were as cheerful as in other industries.

Steel Demand Firm

THOUGH production dipped a little last month as the result of the Whitsun holidays, orders for steel have continued to come in at a higher rate than in the early months of the year, and the industry is still operating at about 81 per cent of steelmaking capacity, against lees than 75 per cent at the beginning of the year. The Iron and Steel Board has now published fuller results from its quarterly census of consumers' and merchants' stocks. These confirm that stocks were being run down in the first quarter of the year, but at a lower rate than before. They also suggest that actual consumption of steel, after allowing for seasonal factors, may have been fractionally higher than in the last quarter of 1958, which seems to have been the low point of the steel recession. (It may be noted that the board, following perhaps the bad example of the National Institute of Economic and Social Research, has begun publishing seasonally "corrected" estimates of steel consumption without either its estimates of the "actual" consumption figures or the seasonal adjusters that it chooses to apply; this is an example of particularly bad statistical manners in that the "actual" figures are published nowhere else.)

At the end of March, consumers held about 3,799,000 tons of finished steel, which the board reckoned to be 14.6 weeks' consumption at the low rate of the first quarter (which would imply that they estimate "actual" consumption to have been about 3,380,000 tons). At the pre-recession rate of steel consumption reached at about the end of 1957, however, this much steel in stock would represent less than 11 weeks' consumption. It is perhaps not surprising, given the comfortable kind of margins that British steel customers prefer, that a fair proportion of them appear at least to have ceased to run down stocks, if not necessarily yet to have started building them up again. Stocks of certain steel products, indeed, have been falling for some time; consumers' holdings of sheet steel, in particular, at 417,000 tons in March, were lower than at any time since early 1955. New steelmaking and rolling capacity for sheet is coming in at the Steel Company of Wales this summer ,and should be adding substantially to British output; but with the present boom in sales of cars and other metal consumer goods, imports of sheet have been rising this year.

Exports Beat Expectation

BRITAIN has fared unexpectedly well in its overseas trade so far this year. The sharp fall in exports to the primary producing countries has been more than offset by a further expansion in shipments to North America and by the recent recovery in shipments to Europe. In May British exports rose still further by £3½ million to a new peak of £299.2 million f.o.b., bringing the average for the first five months of the year to £277 million, two per cent higher than a year ago. That comparison masks the sharp improvement during the last two months, when exports were nine

per cent higher than in April and May last year and 13 per cent above the first quarter's average.

Imports in May fell surprisingly sharply by £35 million to £311 million c.i.f.; the average for April and May was seven per cent higher than a year ago, and the average for the first five months, at £319 million, was less than four per cent higher than a year ago. With re-exports £1.1 million lower at £10.2 million in May, the apparent visible deficit was almost wiped out, amounting to only £1½ million, the smallest ever. For the first five months the average deficit was just over £31 million a month, only £8½ million mone than the exceptionally small deficit in the first five months of 1958. As the Board of Trade remarks, if exports and imports are reckoned on an f.o.b. basis, and allowance is made for invisible earnings, Britain "must have earned a handsome surplus in May".

Though imports have gone up, and can be expected to rise further, the cost has been cushioned by lower import prices, especially of food and petroleum. Despite the general recovery in commodity prices British import prices in April were three per cent cheaper than in December last year. The official index of import prices includes items, such as bacon and butter, which are not covered by *The Economist* commodity indicator; both these items have fallen this year. And the index is weighted (as *The Economist's* is not) according to the composition of imports in the base year 1954. As market prices become reflected in prices of imports the index is likely to rise, but it can hardly rise very far in what is left of this year. And any deterioration in Britain's terms of trade from now on will start from an exceptionally favourable level. British export prices this year have held steady, and the ratio of import to export prices in April was more advantageous than at any time in recent years.

ATOMIC ENERGY

Fifth Consortium

No one can have felt any surprise that the Central Electricity Generating Board awarded the contracts for its 500 megawatt nuclear power station at Trawsfynydd in Wales to the consortium known as Atomic Power Constructions Ltd. This is the fifth big nuclear engineering consortium in the country. Formed two years after the other four, it never had a chance to bid for the first four initial nuclear power contracts. The "phasing out" of the nuclear power programme meant that the group had to wait for the best part of another two years before the CEGB invited tenders for its proposed Welsh nuclear power station; the award has, indeed, been announced rather sooner than expected. Although the CEGB did consider bids from the other consortia, these must have felt that it was doing so merely to have some kind of yardstick by which to judge the price and engineering of the bid submitted by APC.

The £60 million power station brings the amount of nuclear plant under construction in this country to nearly 1,900 megawatts out of a proposed nuclear power programme of between 5,000 and 6,000 megawatts. In other words, roughly a third of the programme is now in hand, leaving a further 3,000 to 4,000 megawatts to be built between now and 1967. With the CEGB now ordering nuclear plant in units of 500 megawatts and asking planning permission for stations of 1,000 megawatts, the most that the industry can expect is that contracts will be placed for eight more nuclear stations to complete the programme, and the actual number may well be less. There is no hope therefore that any of these groups will secure at home orders for one new station a year, which most companies consider the minimum needed to keep their nuclear drawing offices usefully employed. Lord Chandos has been the first member of any of the consortia to admit that his group was actually losing money on its nuclear investment. But none of them went into the industry expecting a quick return and two, the Nuclear Power Plant Company and General Electric Company, have shown that it is possible to secure export contracts even in spite of current second thoughts on nuclear power. The exchange agreement recently signed between GEC and the German MAN engineering group shows one way in which the British consortia may widen their market.

AIRCRAFT INDUSTRY

The Ministry Intervenes

In deciding to throw what amounts to a lifeline to the Handley Page Herald, the Ministry of Supply has chosen a course of action that airlines are tending to regard with some suspicion. The Herald falls into the class of aircraft loosely described as "Dakota replacements": i.e. a fairly rugged machine for feeder line operations in territory closed to aircraft like the Viscount. Handley Page has spent about £4 million in developing the aircraft as a private venture but has failed to sell it because potential customers want some evidence of how the aircraft behaves in commercial service — which they obviously cannot have while no airline will buy it. To end this stalemate, the Ministry of Supply has agreed to buy three aircraft from Handley Page, at a probable cost of about £180,000 apiece, which will then be operated next summer, by British European Airways on those parts of the Scottish services where BEA's Viscounts cannot go.

There is probably a great deal more to this arrangement than meets the eye. BEA has already resisted some fairly strong pressure to take the Herald under its wing and place a genuine production order for a limited fleet. The precise terms on which it will operate the Ministry's Heralds have yet to be worked out but

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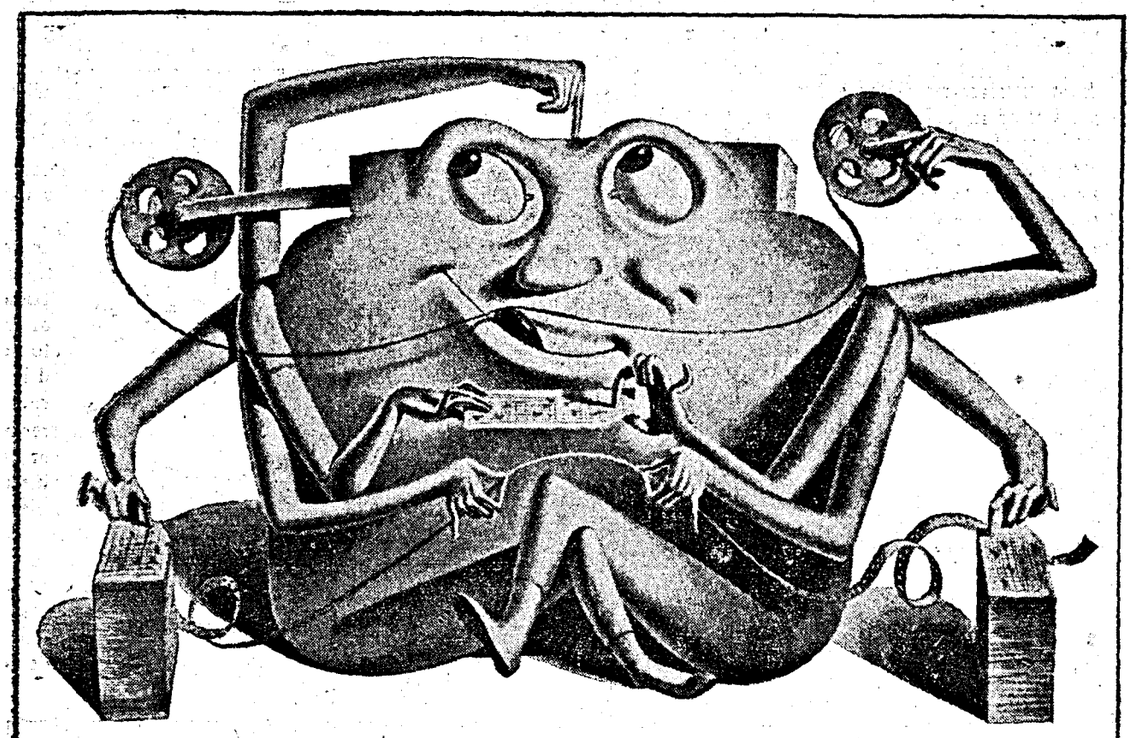


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the attitude of the corporation suggests that it has no intention of losing money on the deal. From the Ministry's point of view there are, however, several obvious advantages in the new arrangement. It is much more satisfactory for the Ministry to buy a small number of aircraft at a fixed price than to put money into aircraft development at a much earlier stage when the final product is just as likely to turn out a goose as a swan. The only problem is where, having bought the aircraft, to find an operator for them. Both nationalised air corporations are understandably sensitive to anything that looks like pressure to buy or use aircraft of the Ministry's rather than their own choice. If the Ministry of Supply decides to help the Avro 748 in the same way — this is a direct competitor of the Herald which is still under construction — the most likely choice of user will be either Transport Command or one of the independent airlines.

DIAMONDS

Spur of Competition

Just over four years ago the scientists of the General Electric Company of the United States manufactured a synthetic diamond of the same size as natural crushing boart. As the synthetics came into production, the price for them was reduced to around 21s. a carat, just above the 20s. a carat charged by the central selling organisation for crushing boart. Competition from outside the syndicate, however, was not confined to price. In resin bonded wheels, on which the grinding pressure is light, and where a fine and accurate finish is required the synthetic grit was probably superior to the natural grit, which consisted of solid blocky particles and tended to tear out of the resin bond. Now, after many months of research, De Beers has introduced a new natural grit for resin bonded wheels. The new grit consists of friable, irregularly shaped particles that will wear down gradually and not tear out of the bond so frequently. It is said by De Beers to be 40 per cent more efficient than the old natural grit, and it is likely to be as least as effective as the synthetic grit.

The central selling organisation is, in effect, offering a new grade of crushing boart, specially sorted for use in resin bonded wheels. The old grit will continue to be sold for use in metal and ceramic bonded wheels, where the grinding pressure is high. At the same time, the quality of industrial stones for drilling purposes (where there is no competition from synthetics) is to be improved. Here again it is largely a problem of selection and sorting, though in this case stones which are round in shape and which are not friable are re-

The Hovercraft at Sea

Offshore behaviour of the prototype Hovercraft, which skims the water on a cushion of air, on its early tests augured well for the future of the project on the first tests last week. The possibility of operating over the sea has been established, and performance fulfilled the estimates in advance. But this should not lead to the belief that ocean-going Hovercraft are just around the corner; much remains to be learnt before their technical and commercial feasibility can be determined. Estimates that have so far been published about the performance of large Hovercraft necessarily involve much guesswork, but the results of the present trials of the prototype will provide data for more reliable calculations — especially for the 40-ton machine that is the logical second step. Small upward steps in size are essential if expensive errors are to be avoided, as those responsible for the project have pointed out.

If nothing precise can yet be said about the performance of commercial Hovercraft, there are good reasons for believing that it will have genuine attractions compared with the aeroplane, the helicopter, and the ship. The chief of these are that it can lift ten pounds for each pound of thrust it develops, where a helicopter or conventional vertical take-off aeroplane can lift less than one pound; and that it can, on the basis of present knowledge, operate with a power/weight ratio of about 70 h.p. a ton. That compares with 200 h.p. per ton for an aeroplane, 35 h.p. a ton for a car and 2-3 h.p. a ton for a small, fast ship like a cross-Channel ferry, and the payload of the Hovercraft can form a high proportion of its total weight. This will depend partly on the routes for which the machine is intended and where an emergency landing might have to be made. For use over rivers or lakes, the structure need not be so strong as for use over the sea, and for use as a cross-Channel ferry the hull would not have to be as strong as for a machine to operate over the open sea. At present it seems that a Hovercraft may carry a payload of from 30 to 50 per cent of its total weight, as high a proportion as a cross-Channel ferryboat does, and much more than the 12 to 25 per cent of total weight that an aeroplane can take as payload.

A second factor complicating estimates of a Hovercraft's structure weight is ignorance of the type of structure that will prove most suitable. Its inventor, Mr C. S. Cockerell, believes that neither aircraft nor ship practice can be directly applied, and the Hovercraft does seem an inherently simpler machine to build than the aeroplane with its long, thin wing. Building costs will remain guesses until structural methods are settled; figures of £300,000 for a 40-ton machine seem to assume the use of aircraft methods of construction.

The Hovercraft has a great advantage over the ship in speed; it moves five to seven times as fast, on the basis of present figures, as the cross-Channel ferry. And it it is with the ship, especially on short crossings, that it appears likely to compete first. One safe assumption about the Hovercraft is that its efficiency and operating altitude will rise with its size, because the loss of air from around the machine is proportionaltely smaller; so if it enters commercial service, it will probably be most successful in sizes comparable to those of small ships. But its development is only just beginning, though so far progress has been remarkably swift and trouble-free, yet it would be surprising if it should remain so. Operational problems arising from the flying altitude of one to eight feet for 4 to 400-ton machines, and from the effects of waves, seem likely to be soluble, but further, so far unforeseen, difficulties may well arise.

quired. The new stones, "prepared to the specific shape and size required for particular diamond drilling operations", will give the drills, De Beers claims, a "considerably longer life."

Closing the Ring

THE diamond syndicate has thus demonstrated once more its willingness and ability to fight back on whatever front it is assailed from the outside. It prefers, however, not to see what it calls "the structure of the trade" disrupted : it would like to see the diamond producers, or even potential ones, inside the ring rather than outside it. And only recently De Beers has signed an agreement with Mr Jack Scott, giving it an interest in exclusive diamond prospecting operations in Basutoland. Mr Scott has been prospecting in that territory for three years and he has found some "blue ground" and a few diamonds, but as yet no payable deposits. De Beers will now aid Mr Scott in his further explorations and if any diamonds are produced they will be sold through the central selling organisation. If diamonds in payable quantities are found in Basutoland, finance and a quota will be waiting for them.

A new recruit is thus enrolled at a time when the contracts between the central selling organisation and the diamond producers will soon be due for renewal and when diamond sales have recovered from last year's setback. Gem sales at £25½ million in the first five months of this year compare with nearly £18 million in the corresponding period of 1958, and industrial sales of £12.2 million compare with nearly £6.9 million. The big increase in industrial sales seems o owe something to renewed buying by the United tates stockpile; but how long this will continue, ither for natural industrials or for synthetic ones, is roblematical.

NATIONAL SAVINGS

Unrepeatable Bargains

WHATEVER the effect of a reduction in rates on national savings on sales of the new securities would be, the Chancellor's hint at the possibility of a reduction has given the expected stimulus to sales of existing securities. Savings reported by the national savings movement in the week to June 13, which roughly reflect actual transactoins in the week after Mr Amory's speech, show net receipts of £11.7 million, compared with £1.5 million in the corresponding week of 1958. The most spectacular improvement was in savings certificates, with net receipts of £3.6 million compared with net repayments last year of £5 million. Defence bonds actually showed a slight deterioration. These appeal to more sophisticated investors, who may already have their full allocation. In the first ten weeks of the fiscal year, total net recepts from these securities, deposits in the savings banks and from premium bonds total £67½ million, compared with £25¾ million a year ago.

TATE AND LYLE

Share Shop

THE shop through which Tate and Lyle sells its own equity in bearer warrants of £1 each to its own workers has recently been opened. For Tate and Lyle, for Associated Portland Cement, which intends to follow in Tate and Lyle's footsteps, and for the sponsors of the scheme, Aims of Industry, the initial response from employees must seem encouraging. In the first week, the shop has sold 702 bearer warrants — 194 on the first day — at prices, based on middle market prices, ranging between 48s. 4d. and 50s. 9d. In all, therefore, employees invested about £1,750 in the capital of the company for which they work. With the proclaimed intention of avoiding speculation, it is provided that an employee can buy no more than five warrants on any one day and must put down cash.

As many as 300 other companies have expressed an interest in this scheme, and if ever they set up shops the employee-capitalist will be given some chance of diversification, for each shop will have the power to deal in the equity of any company participating in the scheme. If these ambitions are realised the stock exchange, which must remain the fulcrum of investment, will be by-passed. If they are not realised the employee will be investing his savings in the company which pays him his wages. Will many, even in the best managed of companies, be prepared to take this double risk? The scheme, with its bearer warrants and immediate tax relief on dividends, is certainly ingenious. But ingenuity misapplied can be a waste of energy.

SILVER

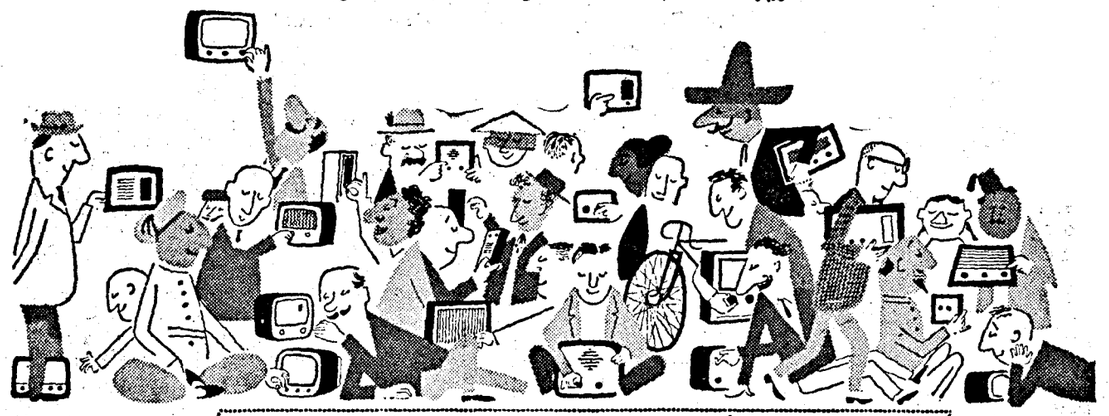
Frankfurt Undersells

FRANKFURT is becoming a more serious competitor of London in the European silver market. The German firm Degussa benefits from its proximity to supplies of silver behind the Iron Curtain; and it has secured a privileged position in buying Mexican silver. For some years. German firms' free access to dollars has given them more room for manoeuvre than their competitors. This particular firm is said to have obtained a contract that gives it Mexican silver f.o.b. Tampico slightly below Messrs Handy & Harman's published price in New York — now 91.5/8 cents. This pri-



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vileged contract enables the German firm to deliver silver in Frankfurt at a price equivalent to 78 3/8d a fine ounce net, compared with the London price of 78¼d to which costs of commission have to be added. Some of the offtake of silver for the Continent that would normally be satisfied through London has, in consequence, been supplied by Frankfurt.

This would have led to a reduction in the London price had it not been for the dearth of supplies in the London market. Official supplies of silver are still being fed by about 150,000 ounces a week from the demonetisation of silver coin in Britain. These supplies are being accumulated in a stock now amounting to about 1 million ounces, which is being made available in small amounts by the Bank of England to supplement the supplies of newly mined silver, the arrivals of which are apt to be highly erratic.

The slight divergence between the Frankfurt and London prices may disappear when the next instalment of the French silver purchasing programme comes on the market. So far no more than a comparatively small proportion of the 30 million ounces of silver needed for the new French coinage has been bought. The size of these requirements is such that they will swamp the immediately available supplies both in Frankfurt and London and call for some direct purchases from the United States. The US Treasury is still prepared to sell surplus silver at 91 cents, delivery San Francisco, which brings the New York quotation to the present published price of 91 3/8-5/8 cents.

CHIVERS

Money for Jam

EVENTS in the struggle for control of Chivers, the jam makers, fruit growers and canners, have confronted its ordinary shareholders with an extraordinarily awkward predicament. There are two rival bidders in the field: Schweppes, supported by the board of Chivers, and St Martin Preserving. Mr Richard Scott, the chairman of St Martin, says he indicated to the chairman of Chivers as long ago as last October that St Martin was prepared to make a bid. In January, the directors of Chivers informed Mr Scott that they would be embarrassed by having to tender advice to the shareholders until the company's full accounts for 1958 were published; Mr Scott ageed to respect the wishes of the board and did not make an offer.

Then on June 6th, on the eve of the publication of the accounts, the terms of the Schweppes offer for the Chivers ordinary shares, which commanded the full support of the Chivers directors, were announced. The offer, taking the form of either Schweppes ordinary shares or Schweppes ordinary shares plus some cash, put a value of about 59s. 6d. on the Chivers shares, compared with a pre-bid market price of 47s. 6d. The Chivers directors and the Chivers family interests, who together control 47¾ per cent of the equity, decided to accept that offer. They also received intimations from other shareholders of the intention to close with that offer, bringing potential acceptances of the Schweppes bid to above 50 per cent of the ordinary capital. Mr Richard Scott, the Chivers directors say, was informed of these facts. Nevertheless, St Martin Preserving announced its own bid: it was of 40s. in cash plus five St Martin 4s. ordinary shares for every one Chivers share and with St Martin shares quoted at 6s. 3d. put a value of 71s. 3d. on the Chivers shares.

Whoever wins or loses, this struggle poses some important questions of principle. On the face of it, the bid by St Martin, offering a better price for the shares, appears the more attractive one to investors. As shareholders, the directors of Chivers have a perfect right to sell their shares to whom they like at whatever price they please. But if, as in this case, this action may frustrate other shareholders from securing an even better price, are the directors *qua* directors acting in the best interests of the shareholders? As directors, they may claim they owe their duty to that intangible entity, the company, and not to shareholders; and as shareholders, to their own selfish interests. But does that give them the power to ignore the claims of the other owners of the company's equity? Mr Scott's statement left them the duty to explain to the Chivers shareholders why what seems to be a more attractive offer should be turned down for what seems to be a less attractive one. If they fail to satisfy other shareholders on this count, what meaning is to be attached to "equity" in Chivers?

ACCEPTING HOUSES

A New Member

THE chairman of Philip Hill, Higginson & Co, Mr Rudolph E.F. de Trafford, has joined the Accepting Houses Committee, bringing its membership to 18. The Committee is a select one, which newcomers to the City (where one tends to stay a newcomer as long as in any village) find hard to enter. Two years ago Warburg and Company, one of the most forceful of the merchant banks which has not always met the approval of the old-established houses, joined the circle by taking over an existing member, Seligman and Company. Philip Hill is a young and forceful issuing house; in 1950 it took over Higginsons, which had been a member of the Accepting Houses Committee before the war. Now the amalgamated firm has been taken into the fold. There are no clear-cut rules of eligibility; the deciding factor, as in acceptance business itself, is "feel". All members of the Committee, and a few others, enjoy the fine rate in the discount market on their acceptances, and the Bank of England will take their paper for re-discount.

COMPANY AFFAIRS

YORKSHIRE INSURANCE

HARD on the heels of the friendly merger between Commercial Union Assurance and North British and Mercantile Insurance has come another move towards consolidation within the insurance business, with Yorkshire Insurance making an offer to acquire the equity capital of Scottish Union and National Insurance. Economies should result in time from the merger of two such composite offices, and these the directors of both companies presumably had in mind in settling the terms of the merger. For the owners of the ordinary shares of Scottish Union and National the terms are attractive. The shares have enjoyed a strong rise in recent months, as Scottish Union and National was an obvious candidate for a take-over by a larger office.

For every two of the £1 fully paid ordinary shares in S.U. and N., three 10s. fully paid ordinary shares in Yorkshire Insurance plus 32s. in cash are offered, and for every four £5 "A" shares (10s. paid) in S.U. and N. three fully paid ordinary shares in Yorkshire Insurance plus 30s. in cash. With the 10s. (nil paid) shares in Yorkshire Insurance standing at 57s. 6d., this offer puts a value of 118s. 6d. on the S.U. and N. ordinary shares (compared with the pre-bid market price of 104s.) and of 58s. 9d. on the "A" partly paid shares (against a pre-bid price of 52s. 3d.); the offer for the fully paid shares is thus slightly more valuable than that for the partly paid.

Yorkshire Insurance, having along with other British offices suffered quite big losses on underwriting in North America, pulled out of that market and disposed of its interests there. One result of this merger may therefore be that S.U. and N. will also dispose of its American interests, for the choice that faces British underwriters in that market is either to be big or not to be there at all.

MARKS AND SPENCER

MARKS and Spencer's price-cutting campaign, launched a year ago, had a mixed reception. There were misgivings among those who thought profit margins would be squeezed, there was optimism among staunch believers in price competition. The full accounts and the chairman's remarks at the annual meeting show that the optimists were justified. Turnover has increased from £130,000,000 to £134,000,000 and net trading profits reached a record at £7,700,000 (compared with £6,200,000 in the previous year). These results are largely the fruits of the company's capital expenditure programme to provide more selling space for a rapidly expanding range of goods, which involves not only buying new sites up and down the country, but also improving existing stores. What the chairman, Sir Simon Marks, calls "the technological approach to merchandise" has also played its part: the research and development work carried out by the firm's 60 scientists and technologists has considerably "shortened the path between the advent of new man-made fibres and the production of the kind and quality of goods we think our public want," says Sir Simon.

During the year the company completed 11 major new extensions and there are 15 in hand. This remarkable building programme which "will require substantial investment year by year" (and is to be financed, as before from retained earnings) is in line with the general growth of capital investment in the distributive trades during the last few years, as the upsurge of investment in manufacturing began to subside. At the same time, Marks and Spencer's concentration on improving management in its distributive outlets — paralleled, no doubt, in the powerful influence that it exerts on its suppliers — exemplifies the change in the balance of power in the marketing sphere. Dominance by the manufacturer of branded goods is here, and not only here, being challenged by growing strength on the part of the distributor.

HOUSE OF FRASER

AS the profit figures of House of Fraser, the department stores group, for the year ended January 31st last included a full year's trading from the subsidiaries, John Barker and Wylie and Lochhead, and most of the year's profits of Arthur and Company, the improvement from £800,000 to £1,290,000 in the net profits of the group does not seem to indicate any marked expansion in the sales and profits of the group's established stores. The 1957-58 accounts included only five months profits from John Barker and three months from Wylie and Lochhead. Moreover, the change to a flat rate of profits tax and the lower standard rate of tax have combined to reduce the tax charge from £1,400,000 to £1,250,000 so that profits before tax are only £350,000 higher at £2,630,000.

Nvertheless, the directors seem to be reasonably confident about the future for they have raised the ordinary dividend from 35 per cent to 40 per cent by declaring a special interim dividend of 5 per cent for 1959-60. This payment will not be taken into account when the normal dividends for the current year are considered. The earnings cover on a 40 per cent dividend is only 1.2 times, reflecting not only the liberal dividend policy of the board but also the terms on which John Barker was acquired. The 5s. ordinary shares at 43s. 4½d. yield 4¾ per cent.

DAILY MIRROR

THAT the Daily Mirror will not be content to leave the magazine group, Amalgamated Press, in the same shape as it was when it was acquired from the Berry family interests seems certain. And now its balance sheet, drawn up on February 28th to include the assets and liabilities of Amalgamated Press and its subsidiaries, demonstrates that the Daily Mirror group has plenty of money to finance any developments it has in mind. The balance sheet, as it stood at the end of February, reflected not only the purchase of Amalgamated Press but also the sale of most of the Daily Mirror's Australian interests and enough of its shareholding in ATV to recoup the original cost of investment (leaving the Daily Mirror with a holding of 20,000 ordinary shares of £1 each and of 720,000 "A" ordinary shares of 5s. each in ATV). Thus over the year the net book value of fixed assets (including construction work in progress) has been increased from £3.1 million to £16.3 million, and the group was left with £9 million (including quoted investments) in liquid assets or just over £6 million (excluding them).

Since the end of February, the group has sold off the rest of its Australian interests; and its subsidiary, Amalgamated Press, has sold off its interest in Conde Nast, reinforcing liquid resources even further. Still to come, in whatever shape they may be, are the proceeds from the sale of Amalgamated Press's holding in Southern Television. The Daily Mirror now has a stake in popular newspapers, magazines and commercial television and it is difficult to believe that its directors will leave all this cash idle for long.

Investors buying the 5s. "A" ordinary shares at the present price of 23s. 6d. and on a yield of 5 1/3 per cent (on a dividend covered about 2 3/4 times by earnings, of

25 per cent) are buying an interest in something much wider than a popular newspaper with a big circulation. That, of course, remains the heart of the business. From the investors' point of view, that heart is sound: last year, reflecting the higher selling price of the paper, the "steady demand" for advertisement space and bigger dividends from ATV, the Daily Mirror's net income rose from £1.4 million to nearly £1.9 million.

STEEL COMPANY OF WALES

THOUGH the producers of heavy steel are still operating below capacity, the strip mills are continuing to work to full capacity and still failing to meet all the demands made upon them. Against this background the interim statement from the Steel Company of Wales has been issued. Shareholders should be satisfied with the increase in the interim dividend from 3 per cent to 3¾ per cent and the forecast of a final dividend of 6¼ per cent. This will raise the total dividend for the year to September 30th next to 10 per cent, compared with the 9 per cent paid last year (including a "profits tax" interim of 3 per cent). The directors expect that the net profit will show "some increase" for the year.

SCOW is clearly benefiting from the boom in the motor industry, which is one of the largest customers for its strip steel. Another important customer is the domestic appliances industry where output has been rising sharply. At the same time SCOW's capacity has been expanding quickly. The second stage of the development plan came into operation last summer and the third stage, which is expected to cost £52½ million, was scheduled to be completed by the end of this year. By the end of March, however, about £38 million had already been spent and the major production units are expected to come into operation by the end of this month.

COLVILLES

DWINDLING demand in the first half of the financial year for most of their products forced Colvilles, the Scottish steel makers, to cut back production. The group's output of ingots and casting in the six months to March 31st last fell by about a third compared with the same period in 1957-58 and net profits declined from £2,646,000 to £2,072,000. Nevertheless the directors have decided to increase the interim dividend on the capital, as enlarged by debenture conversions, from 5 to 6 per cent. They say that there has been some recovery in demand for their lighter products, reflecting, no doubt, the booms in the motor and consumer durable industries. At the same time, one of the company's principal customers, the shipbuilding industry, is still working through its order books. The hope, presumably, that the revival in demand for consumer goods will ultimately percolate through to the capital goods industries, seems to have prompted the directors to speak of "steadier conditions" generally and to expect "a gradual improvement" in production.

Construction of the Ravenscraig slabbing mill is making steady progress and the plans for the 500,000 ton strip mill project, which is expected to come into production in 1963, are nearing completion. The £1 ordinary shares were marked up 9d. to 32s. 9d. on the increased interim, and on the assumption of a total dividend of 14 per cent the yield is 8½ per cent.

ULTRAMAR

THE 1958 results of the Ultramar group are surprising in that they reveal a sharp rise in the operating profits of S.A.P. Las Mercedes, the oil extracting company in which Ultramar had an interest through its wholly owned subsidiary, Caracas Petroleum. In 1957 Mercedes' net income jumped from $2 million to $3.33 million and in 1958 it almost doubled to $6.12 million. As a result Mercedes has paid a dividend "in kind" by the transfer of concessions. This is entered at a value of £339,550 in the Ultramar profit and loss account. Without this payment the net profit of Ultramar would have shown a decline of almost £130,000, but as it is the net surplus is reported as having risen from £442,513 to £652,440.

In addition to its dividends, Mercedes has repaid $7 million (against $4 million) in cash in reduction of advances. How much of Caracas share of this payment has been transferred to Ultramar will not be known until the full accounts are published, but it is clear that a substantial exchange surplus has once again been made, for Ultramar is again making a capital distribution of 15 per cent. Though Ultramar is not one of the largest producers of Venezuelan oil, its £1 ordinary shares figure prominently in dealing in the market in oil shares; sometimes there are rumours of the possibility of a take-over bid and this has led to quite violent fluctuations in their price. Some of the speculative steam has now evaporated and the price has fallen from the year's high of 73s 6d to 67s 6d.

DE LA RUE

THE end of the credit squeeze and the easing of hire purchase restrictions last autumn have brought a turn-round in the fortunes of the De La Rue Company.

Following last year's fall in profits, shareholders are now to receive an increased dividend of 20 per cent, compared with an equivalent 17½ per cent; and the directors propose a "rights" issue of 740,800 10s ordinary shares on a one-for-five basis at 27s 6d each. With the existing shares quoted at 39s the "rights" are worth 1s 11d a share. The ex-rights yield on a dividend of 20 per cent is therefore 5.4 per cent.

The continued buoyancy of demand for durable consumer goods such as gas cookers and refrigerators, and the revival in the furniture trade, which gave a boost to "Formica" sales, is reflected in the increase in the group's turnover in the year ended on March 28th from £13,576,000 to £13,858,000. Profit margins have also improved, for trading profits have risen by 11 per cent, from £1,468,516 to £1,585,694.

A lower tax charge of £821,029 (against £918,648) results in a group net profit of £609,598, compared with £458,324. The present dividend is covered just under three times by earnings.

MASSEY-FERGUSON

WITH half of the current financial year over, Massey Ferguson Holdings, the North American tractor manufacturers, is well on the way to substantiating the forecast by Mr Albert A Thornbrough, the president of the group, that a net profit of more than $20 million will be earned in the full financial year. With sales up by 12 per cent to $234 million the net income for the first six months of 1958-59 was $12.61 million (against $1.79 million for the comparable period a year ago). The latest figure struck after including a tax credit of $ million, reflecting the period when group's North American operations w trading at a loss.

It is quite clear that the company has more than recovered from the 1958 recession in the North American industry for the sharply improved results largely reflect better trading in that area where sales rose by 42 per cent. After a slight setback in European sales in the first quarter of the year, demand improved, bringing sales for the half-year up to the 1957-58 level – a particularly buoyant demand in the United Kingdom substantially offsetting the effect of the devaluation of the franc. Smaller sales, however, were made in the group's principal markets in Asia, Africa and Latin America, but the more favourable economic conditions in Australia and New Zealand resulted in a 33 per cent increase in sales in those markets.

CANADIAN EAGLE OIL COMPANY LIMITED

(Incorporated under the laws of Canada)

The thirty-first Annual General Meeting of Canadian Eagle Oil Company Limited will be held in Toronto, Canada, on Wednesday, June 24, 1959.

The following is the Report of the Directors which is circulated with the Report and Accounts for the year to December 31, 1958, together with the special notice to shareholders relating to the recent offer for the acquisition of the whole of the assets and business of the Company:

Special Notice

Since the preparation of this Annual Report, Canadian Eagle Oil Company Limited has, as already announced in the press, received from NV Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company) and The „Shell" Transport and Trading Company, Limited, a proposal for the acquisition by them of the whole of the assets and business of the Company. The consideration offered is the allotment to the Company, for distribution in kind to its shareholders, of 3,971,012 fully-paid shares of Netherlands Guilders 20 each of Royal Dutch Petroleum Company and 5,956,518 fully-paid Ordinary Shares of £1 each of The „Shell" Transport and Trading Company, Limited. Bataafse Petroleum Maatschappij NV, a company of the Royal Dutch/Shell Group which owns approximately 21 per cent of the issued share capital of the Company, will waive its right to participate in such distribution. Shareholders owning the remaining 23,826,071 shares will, therefore, receive two Royal Dutch and three „Shell" Transport shares in respect of every 12 shares held. It is a condition of the proposal that the contract shall be authorized or approved by the shareholders of the Company at a Special General Meeting to be held not later than July 31, 1959, and that, after the shares of Royal Dutch and „Shell" Transport have been dissolved. The proposal is also subshareholders, the Company shall be dissolved. Tre proposal is also subject to the obtaining of necessary governmental and other approvals.

The Board of Directors has decided to call a Special General Meeting of shareholders at as early a date as practicable. The proposal will be recommended to the meeting, which will be asked to approve it and to authorise the necessary action, including the dissolution of the Company. As there is a large amount of preliminary work to be done it is not expected that the meeting can be held until the middle of July. Full particulars will be sent to shareholders in due course.

In the meantime, the dividend for 1958 has been declared and will be paid on July 1st. The Annual General Meeting will be held as planned.

The Board of Directors

At the last Annual General Meeting the number of the Board was increased from eleven to twelve and Mr I. D. Davidson was elected a Director to fill the vacancy caused by such increase. No other change in the Board has taken place.

The last election of the Board was in June of 1957, and the whole Board falls to be elected this year for a term of two years. Retiring Directors are eligible for re-election, and all members of the Board offer themselves for re-election.

ACCOUNTS AND DIVIDEND

Accounts

The profits for the year have been applied as follows:

	1958	1957
	£	£
The consolidated net profit for the year was.	£8,187,185	£11,505,490
Dividend paid by Eagle Oil and Shipping Company Limited on its 5½% Preference Stock..	—	14,420
Dividend of 2s. 3d. for the year on the Ordinary Shares of the Company	3,389,640	3,389,640
Earnings retained in subsidiary companies ..	3,322,819	6,203,873
Earnings retained in Parent Company	1,474,726	1,897,557
	£8,187,185	£11,505,490

Consolidated Balance Sheet

The combined assets and liabilities of your Company and its wholly-owned subsidiary companies, Eagle Oil & Shipping Company Limited, Venezuelan Eagle Oil Company Limited, Eagle Tanker Company Limited, Eagle Petroleum Company (Overseas) Limited and Eagle Petroleum Company (Kuwait) Limited, are shown in the Consolidated Balance Sheet.

As customary, the accounts of Epic Limited are not consolidated because of its business (marine and general insurance). The operations of this company to date have been entirely satisfactory.

Capital Assets

Investments in and advances to allied companies have decreased from £41,223,785 to £39,975,482.

There has been no change in the more important shareholdings in allied companies during the year.

Payments in advance and other outlays for crude oil represent the investment of Venezuelan Eagle Oil Company Limited in rights to acquire Venezuelan crude oil production under a long-term purchase and sale of oil agreement.

Consolidated Profit and Loss Account

The Consolidated Group profit on trading for 1958 was £10,658,313 compared with £12,979,039 for 1957.

The main causes for the reduction in trading profit are referred to in greater detail in the appropriate sections of this Report, but in general they may be summarised as increased competition, low ocean freights recovered from markets, and depreciation of local currencies in terms of sterling.

Dividends and interest on investments in allied companies were £333,379 as compared with £1,572,977 in 1957 and included dividends from Shell-Mex and B.P. Limited. Shell Colombia S.A., Compania Distribuidora Guatemalteca Shell, Lubricants Producers Limited, The London and National Property Company Limited and Cia. Mexicana de Petroleo „El Aguila" S.A.

In addition a dividend of £250,000 was received from Epic Limited.

TORONTO REGISTER OF SHARES

As mentioned in last year's Report, the Ordinary Shares of the Company were listed on the Toronto Stock Exchange early in 1958 and arrangements have been made whereby holders of shares on the Toronto Register are paid their dividends by Canadian dollar cheques and any bearer coupons which are presented in Toronto for payment are paid in Canadian dollars.

DIVIDEND

It will be remembered that, in presenting the Report for the year 1957, your Board regarded the outlook for 1958 as uncertain, and stated that it should not be assumed that the 1957 level of profits could be maintained. The profit figure now shown for 1958, while still at a substantial level, does indeed reflect the doubts expressed last year. Under current conditions, oil is in very free supply, all markets are extremely competitive and the tanker freight market continues its depression. While your Company is well equipped to obtain supplies, transport economically, and market competitively through its associated companies, the present circumstances do not warrant an optimistic forecast of any upward trend in profits during 1959.

After consideration of all factors, your Directors have decided to maintain the dividend at the same rate as last year, namely 2s. 3d. The dividend will be payable on July 1, 1959, in the case of registered shares by warrant to the holders appearing on the register at the close of business on June 2, 1959, and in the case of bearer shares against surrender of Coupon No. 29.

As mentioned above, holders of shares on the Toronto Register will be paid by Canadian dollar cheques at the rate of exchange current on the record date and bearer coupons presented in Toronto will be paid in Canadian dollars at the rate of exchange current on the date of presentation.

Under Section 201 of the 1952 Income Tax Act of the United Kingdom, relief from United Kingdom income tax is given to shareholders who are subject to such tax on 30/100ths of the dividend and income tax at the standard rate will be deducted from 70/100ths thereof. There is no deduction of tax from dividends to shareholders who are not subject to United Kingdom income tax.

EXPLORATION AND DEVELOPMENT

Venezuela

Under a long-term purchase and sale of oil agreement, Venezuelan Eagle Oil Company Limited has rights to acquire from Compania Shell de Venezuela Limited a share of the crude oil and liquid gas production which accrues to the latter from a number of concessions operated by others in Eastern and Western Venezuela.

During the year, a total of 25 exploratory and 342 development wells were drilled on these concessions resulting in 345 oil wells and three gas wells. In addition 173 „stratigraphic test" wells were drilled of which 94 encountered oil production.

As in past years, the drilling artivities were mainly concentrated in Eastern Venezuela, where 406 of the successful oil wells (including stratigraphic holes) were located.

However, exploration and appraisal drilling in the „deep" Lake Maracaibo concessions and in the Ceuta area was increased and a total of 10 exploration and 12 development wells were completed in these areas, of which 15 were producers and one encountered favourable production prospects. At the end of 1958, the potential of the Ceuta field amounted to 30,000 barrels per day compared with 6,400 barrels per day a year before.

As was expected, average production during the year from the concessions concerned was somewhat lower than in 1957, due to the world market situation. Venezuelan Eagle's share amounted to 11,489,811 barrels compared with 12,141,576 barrels in 1957, a decrease of slightly over 5 per cent.

Towards the end of the year, facilities in Eastern Venezuela for the manufacture of liquid propane/butane mixture were completed and Venezuelan Eagle's share of the production accruing under the above mentioned agreement amounted to 13,975 barrels.

On January 23, 1958, the regime of General Marcos Perez Jimenez was overthrown by a combined military and civilian uprising in Caracas. A five-man government Junta was formed and preparations were made for national elections for the Presidency and Congress. Elections took place on December 7th and resulted in a victory for the „Accion Democratica" party and its leader, Senor Romulo Betancourt, who thus became constitutional President-elect. The new government had not yet taken office by the end of the year.

On December 19th, the Government Junta issued a new income tax law, effective as from January 1st, and thus applicable to earnings for the whole year 1958. This represented a substantial increase throughout the entire scale of progressive rates, resulting in the maximum rate of income tax being increased from 28 1/2 per cent to 47 1/2 per cent. The new income tax law is of general application affecting all persons and corporations, whether national or foreign.

The effect of the new rates on Venezuelan Eagle's 1958 earnings was to increase the income tax payable by $2,740,000 (£979,000) over the amount which would have been payable in accordance with the rates of the previous law.

Colombia

Seismic operations were continued by one party in the Middle and Lower Magdalena Valley, and a second party began a regional survey (jointly with another company) of extensive concession holdings in the Llanos, east of the Andes. Seven exploration wells were drilled of which one, at Penas Blancas in the Yondo concession 6 miles south of Casabe, led to the discovery of a small field which was producing 1,000 barrels daily from two wells at the end of the year.

Two concessions in the Lower Magdalena Valley were surrendered.

Only three additional interspaced development wells were completed in Casabe before drilling in this field was discontinued at the beginning of the year. As expected, production then declined more rapidly and had dropped by 6,000 barrels daily to 22,800 barrels daily by the end of the year. In the Yarigui field, one drilling string was continuously employed and completed six wells, as a result of which the production was increased from 6,500 to 9,000 barrels daily.

Daily production from the Cantagallo and Difícil fields of 2,500 and 1,000 barrels respectively showed practically no change as compared with the previous year.

Your Company's share of the crude oil produced during the year amounted to 5,105,714 barrels, as compared with 5,962,728 barrels in 1957.

Cuba

The exploration well Manuy 1 No. 1, which started off the north coast of Camaguey Province in 1957, proved unsuccessful and was abandoned in April, 1958. Some additional geological surveys were carried out during the year.

Liftings of Crude Oil Accruals

Liftings of crude oil during 1958 from the Middle East, Venezuela and Colombia were 17,311,538, 11,753,153, and 5,039,441 barrels respectively.

REFINING

United Kingdom and Eire

The processing of the Group's accruals of crude oil under contractual arrangements continued satisfactorily throughout the year. The plants of Starhaven Refineries Limited showed a small increase in output during 1958, again with reasonable returns.

Construction of the refinery at Whitegate Bay, County Cork, in which your Company is participating with Shell, British Petroleum, Esso and Caltex, continued throughout 1958, and it is expected that the refinery will begin to meet local marketing requirements in July 1959—several months earlier than previously anticipated.

Cuba

The unrest in Cuba did not seriously affect refinery operations during 1958 but the plant was shut down for the first four days of this year on account of a general strike. No damage to company property was sustained.

During 1958 the level of crude oil processed was increased by 10 per cent to 24,000 barrels daily to meet the company's requirements for the local market, with the exception of aviation gasoline, lubricating oils and chemicals, which were imported. There continues to be a substantial surplus manufacture of gas oil and fuel oil available for export.

Guatemala.

As announced in the Press in September 1958, your Company has agreed to participate in a refinery venture in Guatemala, subject to certain conditions still finally to be settled. At the close of the year, negotiations with the Guatemalan Government were proceeding.

TRANSPORTATION

General Conditions

The marginal demand for tankers during 1958 proved insufficient to absorb all the tonnage available, with the result that a considerable portion of the world's tanker fleet remained idle. Laid-up tonnage amounted to just over 2 million tons deadweight at the beginning of the year, and rose to over 5 1/2 million tons by early July. Thereafter reactivation of ships for whaling purposes, for the carriage of grain and to meet a demand for winter tonnage, combined with the sale of tankers for breaking up or conversion, caused the idle tonnage to drop to about 4 million tons by the end of 1958. This idle tonnage represents some 7 per cent of the world's tanker fleet which, augmented during the year by over 6 million tons deadweight of new deliveries, reached a total at the end of 1958 of almost 55 3/4 million tons.

With supply greatly exceeding demand, many owners had to lay up some vessels and to reduce the operating speed of others. Thus it was not surprising that the average market rates, at least for single voyages, were the lowest experienced for nearly 20 years and seldom rose above unprofitable levels.

Not only was the demand for tonnage on spot charter at a very low ebb during the year but there was little business available for tankers on long-term charter, for which the tonnage reported fixed during the year on time charter for periods of 5 years or more totalled less than 500,000 tons, compared with the fixture of about 2 million tons during 1957 and about 7 million tons in 1956.

Compared with 1957 the average period time charter rates fell during 1958 by about 22 per cent, while single voyage rates, which during the early part of the previous year had been affected by the closure of the Suez Canal, fell during 1958 by 68 per cent, compared with the average for 1957.

Tonnage reported as on order or under construction at the end of December 1958 still totalled over 25 million tons deadweight, or about 46 per cent of the present world's tanker fleet.

The absorption of these new ships and the reactivation of the numerous tankers now laid up will, during the next few years, necessitate an appreciable increase in the world's present petroleum transportation requirements.

Eagle Fleet

It was not necessary to lay up any Eagle ship during 1958 but in the early summer months tonnage available slightly exceeded requirements and it was therefore necessary to reduce the speed of several of the smaller owned steamers.

In April 1958, Eagle Tanker Company Limited suffered the tragic loss of their newest 18,000 tons tanker, the „San Flaviano", which was bombed without warning by a rebel aeroplane and sunk, while the vessel was lying off Balik Papan waiting to complete discharge. Miraculously, no member of the crew was injured or lost, and it was a tribute to the discipline on board that the ship was safely abandoned in four minutes.

During the latter part of the year, Eagle Oil & Shipping Company Limited disposed of two wartime-bulit 12,000 ton diesel tankers for breaking up. Both vessels, the „San Venancio" and the „San Virgilio," were due for very expensive surveys which would have made them uneconomical freighters.

The reduction in the Eagle Fleet's trading capacity by the deletion of these three vessels was more than compensated for by the delivery of two new-buildings for Eagle Tanker Company Limited, namely the „San Edmundo" of 18,075 deadweight tons, commissioned in April, and the „San Gerardo" of 32,114 deadweight tons, commissioned in May.

The combined fleet of the two tanker-owning companies at the end of 1958 totalled 21 vessels of 347,255 deadweight tons. The average age of the vessels in the owned fleet is 8 years, which represents an appreciable modernisation since the first deliveries under our major post-war building programmes in 1953, when the fleet's average age was about 14 years per deadweight ton.

The addition of four new vessels—two 18,000 tonners and two 32,000 tonners—during 1959 will further modernise the fleet and enhance its carrying capacity and efficiency.

At the end of 1958, Eagle Oil & Shipping Company Limited had on period charter 21 British and Scandinavian tankers totalling 414,003 deadweight tons and in addition during the second half of the year augmented the fleet with a small amount of marginal spot chartering.

MARKETING

The year 1958 was one of rising sales by almost all your Company's marketing associates, and the total sales of 9,085,014 tons (66,727,500 barrels) represented an increase of 10 per cent over 1957.

In spite of this expansion, trading profits in sterling fell away sharply, due principally to a world-wide intensification of competitive conditions and, in the case of South and Central America, to the substantial depreciation of most local currencies.

United Kingdom and Eire

Although during 1958 there was little overall expansion in the economies of the United Kingdom and Eire and consumption of energy remained more or less static, the total inland trade in petroleum products increased by 22.9 per cent over 1957 and 18.7 per cent over 1956.

The main factors contributing to this expansion of trade were increased deliveries of gas and fuel oils for industrial purposes and oils for domestic heating, but one should bear in mind that the substantial increase in 1958 over 1957 reflects the exceptional conditions which prevailed in 1957 resulting from the Middle East emergency. During that year normal trade expansion did not take place (in fact, there was a decline of 3,4 per cent over the previous year) and 1958 saw, in addition to the resumption of the natural growth in the use of fuel oil for industrial purposes, the implementation of a number of projects which had been postponed in the previous year. It is unlikely, therefore, that the 1958 rate of increase in the total inland trade will be continued in 1959.

During 1958 sales by the Shell-Mex and B.P. Group (in which your Company has a 20 per cent interest) were the highest ever achieved and sales by Lubricants Producers Limited, the other joint marketing associate in the United Kingdom, also showed a satisfactory improvement.

It had been apparent for some time that the world over-supply position in certain products would lead to keen price-cutting competition, which would have a serious effect on profitability. The trading results, therefore, which were substantially less favourable than in either of the previous two years, were not surprising or unexpected.

Further considerable capital expenditure was made during the year in continuance of the programme for extending and modernising distribution and marketing facilities. Such expenditure derives from the need to meet the substantially increasing market and will strengthen Shell-Mex and B.P. Limited's competitive position.

In order to meet competition, the programme for modernisation of retail outlets and for improvements in the distribution network has required further injections of capital during the year. However, to reassure share holders that modernisation rather than multiplication is the guiding policy, it may be revealed that, whereas the "car population" of the U.K. has increased 134 per cent since 1939, the number of Shell-Mex and B.P. service stations has, in the same period, increased by no more than 1 per cent.

Argentina

In Argentina, the serious economic difficulties of former years still remained to be solved when President Arturo Frondizi began to tackle his country's problems in earnest after his inauguration on May 1, 1958. Strong measures followed in an endeavour to arrest inflation and to reduce the adverse international balance of trade. A stabilisation plan was launched towards the end of the year, designed to effect a progressive reduction in Government deficits, and this incorporated measures for the unification of exchange rates which became operative on January 12, 1959. The plan received the agreement of the International Monetary Fund and substantial financial assistance was provided by this body in addition to that made available from US sources.

During 1958, the volume of sales by the joint marketing company remained at approximately the same level as in the previous year, but trading profits declined appreciably in terms of sterling, due to the serious depreciation in value of the free peso of nearly 50 per cent during the course of the year, and also due to the fact that, during the second half of the year, the Argentine Authorities would not permit the full recovery in sterling of ocean freights.

Brazil

The fact that the 1958/59 coffee crop in Brazil is expected to be at a record peak level gives rise to more concern than satisfaction, since world coffee production, now also at record levels, substantially exceeds demand, while prices for this commodity have fallen appreciably. In consequence, as the country is still heavily dependent on earnings from coffee exports and despite new US financial aid and further restrictions on imports, Brazil closed the year with an appreciable deficit in her balance of payments. Nevertheless, the year was one of modest expansion in the internal economy, although the strong inflationary trend continued unchecked. Inevitably this resulted in a requirement for increased working capital by the joint marketing company and, although every effort was made to finance operations locally, it was necessary once again to inject further funds.

With regard to petroleum products, the Authorities adopted a more realistic selling price structure during 1958 which resulted in an improvement in local trading returns, although, in terms of sterling, profits were somewhat lower because of a decline in value of the free cruzeiro of some 35 per cent during the year. Sales volume showed a satisfactory increase over 1957.

Chile

During 1958 the wage policies of the Chilean Government succeeded in retarding the rate of increase in inflation, but the low price of copper continued to aggravate the country's foreign trade position.

Sales in 1958 by the joint marketing company showed a satisfactory increase over the previous year and results in terms of sterling also improved.

Sterling remittances in payment of oil cargoes were made regularly, and satisfactory progress was made in reducing the outstanding cargo and profit arrears.

Uruguay

Chiefly because of the lower international price of wool, which is Uruguay's principal export, 1958 was a year of serious economic difficulty. The balance of payments worsened and the external value of Uruguayan currency depreciated by some 57 per cent during the year.

Russia for the first time became a direct importer of Uruguayan wool, and trade with the communist block rose substantially. A barter deal concluded early in 1958 provided for imports of Russian crude oil in exchange for wool, and this arrangement, which extends into 1959, has resulted in postponement of certain crude oil sales by Eagle Group associates to Administracion Nacional de Combustibles, Alcohol y Portland (ANCAP), the Government petroleum entity.

Although total sales were only slightly lower than those of the previous year,

sterling returns declined sharply because of the depreciation of the local currency.

Paraguay

In 1958 sales by the joint marketing company showed an increase of approximately 10 per cent over the previous year, and profits were satisfactory.

Colombia

During 1958 a reduction in foreign exchange earnings from coffee exports made it necessary to maintain import restrictions, and consequently little change was apparent in the country's economy. Against this economic background it is satisfactory to report that sales by the joint marketing company were increased by nearly 20 per cent over the previous year, although sterling profits were slightly less than in 1957 since, in addition to further depreciation of the peso, there was keen price-cutting competition.

Cuba

Business in Cuba during the last three or four months of 1958 was depressed as the revolutionary movement reached its climax. Nevertheless, despite declining sales during this period, total sales of products for the year recorded an increase over 1957. Market returns were satisfactory.

Central America

Owing to the continued fall in world coffee prices, expansion in the economy of Guatemala was not maintained in 1958. Both sales and trading profits of the joint company remained at a steady level.

In British Honduras the results achieved through joint marketing interests continued to be satisfactory.

Ecuador and Peru

Results were once again satisfactory in both Ecuador and Peru, the other South American countries in which your Company has joint marketing interests.

STAFF

The shore and marine staffs of the Company and its subsidiary and affiliated companies continued their loyal and sustained efforts on behalf of the Group, and the Board has pleasure in extending its thanks to them.



PHILLIPS RUBBER SOLES LTD.

The 32nd Annual General Meeting was held on 11th June, 1959, the Chairman, Mr Peter Pettit, presiding.

THE ACCOUNTS for the year ended 28th February, 1959, showed :—

Group Profit for the year	£188,635
Add brought forward	92,730
	£281,365
Income Tax and Profits Tax	£90,000
Transferred to Reserve	23,809
Written off Investments	15,074
Net Dividends	53,944
Amount carried forward	98,538
	£281,365

The following is a brief summary of the Chairman's Review :—

RESULTS. Before providing for tax, Group profits were a little lower than last year, but owing to the lighter burden of taxation, net profits were nearly £15,000 higher at £98,635.

SALES. Total sales of PHILLIPS Soles and Heels were slightly higher than in the previous year, although sales in export markets were still severely hampered by import restrictions. Quality was fully maintained and prices have not been increased despite the pressure of rising costs.

PRODUCTION. Works' output was on a lower scale because of the inevitable dislocations associated with a rebuilding programme, but service to Customers was maintained without interruption by means of the ample stocks previously provided.

REBUILDING AND RE-EQUIPMENT. The new Press Room has been in operation for some months and will lead to smoother and more economical production; the new Mill Room will be completed during the current year.

PROSPECTS. There has been a marked improvement in sales since the year end, and the remarkable new EXTRA LIGHT Stick-a-Sole is steadily growing in favour. Profits will be affected to some extent by last September's substantial wage award in the Industry.

The final Dividend of 15 per cent (making 20 per cent for the year) was approved and the Report and Accounts were adopted.

MINERALS SEPARATION LIMITED

MR. J. N. BUCHANAN'S STATEMENT

The 54th Annual General Meeting of Minerals Separation Ltd. will be held on July 1 at the Chartered Insurance Institute, Aldermanbury, London, E.C.

The following is the Statement by the Chairman, Mr. J.N. Buchanan, which is being circulated with the Report and Accounts for the year ended 31st December, 1958.

For the year ended 31st December, 1958, the gross profit of the Group advanced to a new record of £818,000 as against £740,000 and the net profit after Tax to £406,000 as against £342,000. The profits attributable to outside interests rose from £44,000 to £79,000 leaving the balance available to the parent company at £327,000 as against £298,000.

In pursuance of our policy to acquire control of well managed companies, a majority of the shares of Angel Hill Investments Ltd. was bought by us early in the year. We also purchased control of Vosper Ltd., and Leigh Knight (Bradford) Ltd. These companies' profits and assets have been included in our consolidated accounts. Although we did not receive a full twelve months' revenue from them all, the contributions so taken in have helped materially to make good the lower return from dividends which, as anticipated, were down from £303,000 to £264,000.

We have declared the same dividend as last year of 1s. 6d. per unit, which is payable on the increased capital. We now propose to issue £150,000 new capital (600,000 5/- units) ranking in all respects pari passu with the existing capital. The price will be 15/- per unit, which will bring in £450,000 new money and will raise the issued ordinary capital to £1,250,000. It is then intended to issue a further £750,000 of nominal capital in the form of a free scrip issue of 3 new shares for 5 stocks units held. If this proposal meets with approval, the issued capital on completion will be £2,000,000. The further funds will be used to meet additional expenditure by Foundry Services and other of our subsidiaries in further development and for general investment purposes. I invite your attention to the summary of figures at the end of this statement which gives a picture of the progress of the company from 1950 to the present year.

Taxation. I dealt fully last year with the claim made by the Taxation Authorities in respect of capital gains resulting from the sale of some of our investments, and indicated that a compromise had been reached without prejudice to the future. Our liability has, therefore, been settled for the years 1954 1955, 1956 and 1957 at considerable expense to the company. It is too early to say whether or not the Taxation Authorities will now accept our contention that we are not liable for any Tax for 1958, but in any event, if a valid claim is eventually established against us, we do not consider the amount will be substantial.

I will now deal in more detail with some of our principal investments.

Mercury Securities. The published accounts of the company show further progress and satisfactory profits. Since I last reported on this holding, the capital has been increased, partly by an issue of shares for a new acquisition, partly by a rights issue and partly by capitalisation of reserves. Of the capital as now constituted, our holding amounts to a little over 15 % and this we propose to maintain.

Rhodesia. As forecast, the dividends we received were less than for 1957. In view of the improved price for copper, we look forward to a return of higher dividends. In anticipation of this we increased our holding in the British South Africa Company (Chartered) in addition to our existing holdings in Nchanga Mufulira and Rhokana.

Foundry Services. All the established companies in the Group made profits in 1958. The international trading experience of the foundry and steel industries was a difficult one in many countries; nevertheless, the Group's results were only slightly lower than in 1957. Bearing in mind the rise in costs and increasing expenditure on research and development, we can regard the year's activities as satisfactory. The broadening interests in many fields have been most marked in the increasing application of Foundry Services processes for steel production. In the U.S.A. marked improvement has begun to reflect the result of the planning and work of the last few years and progress there is continuing in the current year. The new factory in Cleveland will be ready for occupation in June and will give welcome assistance in dealing with the increasing turnover.

J.w. Jackman & Co. Jackman again had an excellent year, profits being only a little below those of their record year in 1957. Amongst other export orders, the Osborn automatic moulding and multiple station core blowing machines referred to in last year's report, were delivered to Russia and France and a number of large jolting machines were sent to India for the new steel works there. Orders in hand at the end of the year were less in value than at the end of 1957, and although we regard the future with confidence it is unlikely that the exceptional results obtained in 1957 and 1958 will be repeated this year.

Howard Potteries. The progress reported last year continued in 1958 and resulted in increased profits. The outlook for the current year is not clear at present, but unless conditions worsen we are hopeful that we shall at least hold last year's level of profits.

Angel Hill Investments. During the year ending 31st December, 1958, the results of this group have been very satisfactory despite the recession in industrial building activities. Modern Engineering were able to secure substantial contracts not only for structural steelwork but also for industrial buildings incorporating the Patented Roof Constructions based on the Silberkuhl System, in conjunction with their Associate Company, A.T.A. Industrial Co. Limited of Bristol. In September, 1958, the new Emery Works No. 2 was officially opened This building consists of an A.T.A. Large Span Building and has been described by the Press as one of the most modern factory buildings in the West Country. This increased productive capacity is already fully occupied and adds further to the efficient service given by this organisation, covering, as it does, not only steel frame buildings, but also composite steel and concrete large span roofs as well as hyperbolic concrete shell roofs. The company's order position foreshadows further expansion.

Vosper. This Portsmouth company of marine and general engineers specialises in the construction of small high speed craft. For some years we have held a substantial holding in the ordinary shares. During 1958 we purchased two thirds of the Deferred Shares and increased our holding to over 51%. We were led to this action by reason of our confidence in the technical and commercial skill of the management under their Managing Director, Commander Peter Du Cane, O.B.E. To synchronise with the accounting period of Minerals Separation, Vosper acounts were made up to the 31 st December last instead of 31st August, as had been their practice. In the 16 months covered by those accounts, they made a satisfactory profit, as can be seen from their published report. They have achieved very remarkable performance results from the initial running of the Brave class of fast Patrol Boat, from which it is confidently believed important contracts will develop. They have already received contracts from the Admiralty for the design and construction of two such craft. Their report states that at the present time they are not as fully occupied as is desirable, but we share their hope for an early improvement in their various activities.

Leigh Knight (Bradford). This is an old established firm of woollen piece goods merchants. We regard the management, under Mr. M.B. Leigh, as exceptional and gladly availed ourselves of an opportunity to acquire a majority of the shares in the company. They had a good year in 1958 and, with current turnover being well maintained, the prospects for the coming year are favourable.

Personnel. You will no doubt appreciabe from the above statement that for our company 1958 was an active year. Our thanks, therefore, are due and heartily tendered to all those in the various companies whose hard work and fruitful skill have contributed to the results. Here at our registered office, under our Secretary, Mr. C.J. Dorman, we have a staff small in number but stout in heart, who have met their added responsibilities in a manner to merit your most sincere gratitude, which I gladly convey to them on your behalf.

SUMMARY OF GROUP BALANCE SHEETS, PROFITS AND DIVIDENDS 1950 TO 1958.

YEAR ENDED 31st DECEMBER

	1950	1951	1952	1953	1954	1955	1956	1957	1958
	£	£	£	£	£	£	£	£	£
GROUP BALANCE SHEETS									
Issued Capital	200,000	220,000	250,000	250,000	1,000,000	1,000,000	1,000,000	1,000,000	1,100,000
Reserves	1,085,265	1,242,190	1,332,427	1,388,234	892,259	1,489,084	1,662,495	1,811,765	2,118,496
Total Capital and Reserves	1,285,265	1,462,190	1,582,427	1,638,234	1,892,259	2,489,084	2,662,495	2,811,765	3,218,496
Debenture Stock	—	—	—	—	250,000	500,000	500,000	500,000	500,000
Outside Shareholders' interest in Subsidiaries	6,213	7,290	9,418	3,044	3,368	3,587	168,511	231,991	630,480
Other Liabilities	244,018	310,853	439,751	410,675	520,545	552,510	1,183,464	1,296,281	1,884,107
	1,535,496	1,780,333	2,031,596	2,051,953	2,666,172	3,545,181	4,514,510	4,840,037	6,233,083
Fixed Assets	443,815	447,248	463,509	464,616	373,363	206,343	716,879	755,436	1,220,376
Investments : Quoted	603,069	674,605	580,155	603,353	1,480,958	2,366,007	2,163,373	2,178,987	2,444,531
(Market Value)	(1,163,155)	(1,334,735)	(1,018,121)	(963,795)	(2,428,967)	(3,116,175)	(2,667,438)	(2,532,877)	(3,512,209)
Unquoted and Trade.	217,509	321,168	331,032	361,249	254,633	284,710	206,699	196,715	210,440
Current Assets	271,103	337,312	656,900	622,733	557,218	688,121	1,427,559	1,708,899	2,357,734
	£1,535,496	£1,780,333	£2,031,596	£2,051,953	£2,666,172	£3,545,181	£4,514,510	£4,840,037	£6,233,083
	£	£	£	£	£	£	£	£	£
GROUP PROFITS									
Gross Profit before Taxation, Minority Interests and Appropriations..	178,652	291,440	341,243	337,471	413,110	434,493	693,244	740,975	818,717
Dividends Paid (Gross)	100,000	154,000	175,000	175,000	200,000	250,000	300,000	300,000	330,000
Net Balance retained	25,921	33,611	18,375	27,058	54,912	74,603	83,802	117,484	113,370
	%	%	%	%	%	%	%	%	%
DIVIDENDS	50	70	70	70	20	25	30	30	33

Note : Free scrip issue of 3 for 1 in 1954.

DUNLOP RUBBER COMPANY

RECORD TURNOVER

MR. G. E. BEHARRELL'S SPEECH

The sixtieth annual general meeting of the Dunlop Rubber Company Limited, was held on June 8th in London.

Mr G. E. Beharrell, chairman, in the course of his speech said: In 1958 the volume of goods sold by the Group increased by about 7 per cent and turnover by 5 per cent to a record total of £243 million. Profit margins, however, were adversely affected by price reductions and wage increases which were only partly offset by lower commodity prices. Our earnings also suffered quite a considerable reduction in terms of sterling by the depreciation of local currencies in France and Brazil: otherwise our profit figures would have established a record. On the other hand, a small reduction in our profit before tax has been more than offset by the substantially lower taxation charge under various heads which are referred to in the Directors' Report. The Group profit after tax is the highest so far achieved.

Following the more realistic profits tax basis introduced in 1958 your Board welcomes the relief given by the Chancellor this year in reducing the standard rate of income tax and reintroducing Investment Allowances. The latter, of course, are of benefit only in the future. We appreciate these taxation reliefs, not only because they help your Company, but also because we hope they mark the beginning of the end of high taxation following the last war and will lead to further expansion of the country's economy.

OPERATIONS IN UNITED KINGDOM

Although our turnover in the United Kingdom has shown a satisfactory increase of 7 per cent, the actual profit from the United Kingdom section of our activities was lower than in 1957. This may have surprised many of you in view of the high level of activity of the British motor car industry. Perhaps I might clarify what effect this has on your Company. Our sales of car tyres to the British vehicle manufacturers are of great importance to us. Original equipment business, however, in general is highly competitive and margins are low, so the direct contribution to profit, even with the industry itself active, is relatively small. We have established the productive capacity with corresponding overheads to cater for the greater part of this business in the United Kingdom, and so, whilst profits in times of great activity are not large, losses in times of reduced activity can be serious, as was the case in the year 1956.

It is also appropriate in connection with 1958 to mention that whilst the motor car industry was buoyant the commercial vehicle and cycle industries were passing through a period of reduced activity. Consequently, on balance there was little change in our total original equipment business in comparison with 1957.

Before leaving our United Kingdom affairs, and in particular our profit position, there is one further matter to which I would like to refer, namely, the technical and development work which the United Kingdom organisation carries out on behalf of the Group. Naturally we receive useful contributions from our overseas subsidiary companies for this work, but these contributions fall far short of the actual cost to the parent Company. Last year the Group spent almost £2 1/2 million under the heading of research and development. In addition, there were heavy initial production costs in connection with new products, all of which were borne by the home side of the business.

I have already made reference to the effect of changes in exchange rates on profits expressed in sterling, but even allowing for this the overall picture of our overseas activities for the year was most encouraging. Turnover and profit were both higher and a greater proportion of the Group profit was contributed from this source.

OVERSEAS ACTIVITIES

Over half our capital continues to be employed in our overseas activities and because these activities mean so much to the Group, I thought you would like to have some indication of what has been, and is, our policy as regards growth and expansion. You will be aware that Dunlop was to the fore with overseas manufacturing activities in its very early days and then in the 1930's further factories were established.

Since the war all existing overseas factories have increased capacity to considerable extent and new factories have been opened so that in the last ten years, while modernising and expanding steadily at home, over 60 per cent of the Group's capital expenditure has been overseas and the profit earned overseas in 1958 was more than three times the figure in 1949 and twice the earnings at home during 1958. Our overall policy is wherever possible to export from our existing factories: but this becomes increasingly difficult in the case of developing countries because of import and exchange restrictions and the understandable desire to establish local manufacture even if sometimes prematurely. Thus we are frequently faced with a decision either to withdraw from a territory completely or to show our confidence in that territory by establishing a factory there.

The year 1958 has seen our policy in very effective operation in two ways. In France and India we have expanded our existing interests by establishing two new factories, both some distance from our original factories in these two countries. You will appreciate the advantages of this dispersal policy. In Rhodesia, however, we have built a new factory in a rapidly expanding part of Africa where no tyre factory has previously operated.

OPPORTUNITIES FOR EXPANSION

Opportunities for overseas expansion also occur where local interests establish a factory with technical aid and trained personnel provided by us. Such is the case in Turkey where an agreement was signed during the year to establish a tyre factory with Turkish capital, British machinery and Dunlop ..know-how." We also have the right to invest our technical aid fees in shares up to an agreed proportion. A somewhat similar arrangement has been made with an existing firm of general rubber goods manufacturers in Spain.

The rapidly expanding markets of Europe provide a good base for the growth of the Groups' five factories in France and Germany, but we regret that no association between the United Kingdom and the European Economic Community has yet been possible

NATURAL AND SYNTHETIC SUPPLIES

In Malaya the progress of our plantations which I was able to report to you last year has continued. The emergency is now practically at an end, and in consequence the current replanting programme of 37.300 acres will be completed on schedule in 1962. It is a great tribute to the devotion and tenacity of the staff that ten years of banditry and terrorism have not been allowed to interfere with the execution of this great programme. Consequently, by 1968 the whole of the Company's 67,000 planted acres will be mature high-yielding rubber.

Our plantations in Nigeria also continue to make good progress. A total area of approximately 10,000 acres of high forest has now been cleared of which over 8,000 acres have already been planted with high-yielding rubber.

We have also made headway on the small plantation in Brazil which includes an area of clonal rubber now approaching maturity. Here the trees are being cleaned and prepared for early tapping and satisfactory progress is being made.

The synthetic rubber plant of The International Synthetic Rubber Company at Fawley, initiated by your Company and in which we have a substantial interest, is now in efficient production and this country has at last the advantage of a domestic source for the bulk of its synthetic rubber requirements. In addition, a substantial dollar saving is already being obtained for our national balance of payments. It would, however, be a mistake to think that this is a development at the expense of natural rubber. In the expanding field of rubber consumption, there are ample opportunities to use the special qualities of each type of rubber which are complementary rather than alternative and neither can satisfy the total world demand for rubber today. The recent trend of natural rubber prices suggests that, in circumstances of expanding economic activity, a strong demand exists for the available supplies of natural rubber.

The report and accounts were adopted.

RAND MINES, LIMITED

(Incorporated in the Union of South Africa)

MR. CHARLES W. ENGELHARD'S VIEWS ON THE FUTURE OF GOLD

At the Sixty-Fourth Ordinary General Meeting of Rand Mines, Limited, held on May 28th at The Corner House, Johannesburg, Mr Charles W. Engelhard, the chairman, in the course of his remarks said:

Gentlemen,—This is the first annual meeting of Rand Mines, Limited, at which I have had the honour to preside, and it is my pleasure today to address you as chairman of the Company. The directors' report and the accounts for the year ended December 31, 1958, which are now submitted for your adoption, have been in the hands of shareholders for some weeks. In addition to details of your company's activities during the past year the report contains information about the various companies of the Group.

FINANCIAL RESULTS

As will be seen from the accounts, the profit for 1958 at £1,498,685 was £683,347 more than that for the previous year, but £409,396 of this represented a book profit on the exchange of certain shares for shares in Harmony Gold Mining Company Limited and The Corner House Investment Company Limited. Excluding the latter figure, the increase in profit was £273,951.

Dividends received from investments increased by £173,688, of which about £130,000 is attributable to new and additional investments and the balance to increased dividends paid by various companies. The company was fully invested at the year end, sufficient cash having been retained to meet current requirements while portion of its funds are in investments readily realisable when required for any proposition offering a favourable return. The increase of £84,196 in interest received arose mainly from a loan of £1 million to the Harmony Company.

After allowing for two dividends, one of 2s. 9d. and the other of 3s. per share, transfers of £450.000 to investment reserve and £250,000 to exploration reserve, respectively, an amount of £412,027 was carried forward in the profit and loss account at the end of the year.

Despite the large transfer to investment reserve the balance of £7,305,385 at the end of the year showed little change due to depreciation on certain investments being charged direct to the reserve.

The book value of the quoted and unquoted investments increased by £1,198,782 to £9,527,466 and the Stock Exchange value of quoted investments was £3,916,911 higher at £14,509,938. Our investments in certain of the newer mines have not as yet reached their full dividend potential, while some have still to reach the dividend paying stage.

EXPLORATION

The reserve for exploration has been substantially increased because it is anticipated that expenditure on prospecting and exploration will be greater than in recent years. The company has had many propositions before it during the past year and is at present investigating, either on its own account or jointly with certain other Groups, a total of nine prospects in the Union and neighbouring territories. Six of these are for gold, one is for coal, one is for copper, and one is of a general exploratory nature, principally for copper, cobalt and gold. Drilling is already being done or is about to begin on a number of the areas concerned. Since the close of the financial year a new company has been registered in Southern Rhodesia for the purpose of examining the mineral—particularly copper—possibilities of nearly 500 square miles in the Karoi District of Southern Rhodesia, over which two prospecting orders have been provisionally granted by the Government. Field work in this large area has been started. One borehole has been completed and a further borehole is in progress. It will be appreciated, however, that much more exploratory work will have to be done before the potentialities of this and other areas can be assessed.

I might mention that it is my view that the long-term future of uranium is unquestionably sound but that, on the other hand, there will be an interim period between expiration of the existing contracts and the full development of uranium for peaceful uses where there will, no doubt, be an oversupply.

There will also be an attempt on the part of uranium producers in various parts of the world to assure the sale of their material because uranium, unlike gold, will have to be sold just like any other commodity. I am convinced that the authorities, both in the industry and in the government are fully aware of this and are taking steps to develop the private sale of uranium and I would only like to add that any research which can be done towards the development of additional refining or manufacturing of uranium so that it can be produced in its most saleable form under Union auspices, either here or abroad, will inevitably result in a better sales potential.

FUTURE OF GOLD

Obviously of great importance to Rand Mines is the future of gold and the price of gold. You will, no doubt, however, appreciate that this is a controversial subject and that there is no man alive who can accurately foretell exactly when the price of gold will be changed. It is, however, clear that there has been increasing speculation and discussion on this question, stimulated to some extent by the substantial losses of gold which have occurred in the United States. If these losses continue they will become an increasingly serious matter to the United States and, quite clearly, will give rise to further discussion as to the advisability of changing the gold price. Although these losses are stimulated by foreign aid and loss of trade, it would be wrong at this time to say that there is any basic flight from the dollar because the dollar is still the world's strongest currency and in all probability will remain so. It is true, however, that it is not as strong as it was and is subject to increasing pressure from abroad where national banks are converting dollar holdings to gold. In my opinion, the basis of a change in the gold price is not, however, so much the possible weakness of the dollar or advantages that would accrue to South Africa by such an increase but rather that such an increase would be a tremendous boon to free world economy particularly if it were coupled with some form of modified gold standard which could result in the elimination of many current currency restrictions thereby greatly increasing the potential flow of trade. There is no question that the world looks on gold as the basic international medium of exchange and no paper currency can replace the value of gold in this regard.

FUTURE PROSPECTS

I, like my other colleagues on the board, am most interested in South Africa and its possibilities for industrial and economic expansion, and I feel that the future of the country, and for your company, is full of promise . It remains for us to seek new fields of investment, to conduct our exploration programme energetically and to take advantage of opportunities for expanding the company's interests and business whenever suitable opportunities occur. I can assure you that every effort is being made, and will continue to be made in this direction and it is my belief that your company, which contributed to much in earlier years to the economic development of South Africa, will continue to play a leading part in its future.

LA RINASCENTE

MILAN, ITALY

(Largest Italian Department Store Organization)

La Rinascente concern held the Annual General Meeting in Milan, under the Chairmanship of Dr Aldo Borletti.

The Balance Sheet, closed January 31, 1959, with a profit of Lit.690.306.451.—, was unanimously approved.

The dividend of Lit.5 per each of the 120 million shares—each of a nominal value of Lit. 50—is payable with effect from May 20th.

The detailed report presented by the Board of Directors, which was exceedingly well received by the shareholders present, outlined the further development of the Group's Organisation and the progress attained in the sales of both the La Rinascente department stores and the Upim chain stores. It also detailed the considerable efforts that have been made to develop the Company's social welfare provisions for its staff: trade schools, pensions, health schemes, special cures, help for new families, recreation and assistance for dependents, either under the Ina-Casa plan or directly through the Company.

The report also outlined the liquidity achieved in the Company's financial position in relation to the development plans that are now being carried out. All the outgoing Directors and Auditors, were re-elected by acclamation for a further period of three years.

THE CENTRAL PROVINCES MANGANESE ORE COMPANY

CHANGED PATTERN OF TRADING

EFFECT OF FALL IN STEEL PRODUCTION

MAJOR A.C. HERRING'S CONFIDENCE IN THE FUTURE

The 51st annual general meeting of The Central Provinces Manganese Ore Company Limited was held of June 10th at Winchester House, Old Broad Street, London, E.C.2, Major A.C. Herring, V.C., A.C.A., the chairman, presiding.

Mr. T.D. de Deney, FC.I.S., (the Secretary), read the notice convening the meeting and the report of the auditors.

The chairman said :

Ladies and Gentlemen, The Report and Accounts for the year ended 31st December, 1958, have been in your hands for the requisite period and with your permission I will take them as read. (Agreed.)

You will have seen from our Accounts that the profit for 1958 showed a considerable reduction compared with that of 1957. This was substantially due to the falling off in shipments during the second half of the year; this I rather foreshadowed in my speech last June. The trading profit for the year was £1,601,953 as compared with £3.046,635 for 1957 after transfer of £200,000 to Ore Stock Reserve. I think it would be wise, however, to look upon the year 1957 as an exceptionally good year.

Income from Investments and Bank Interest both showed a considerable advance. The latter, of course, being due to the fact that with a high Bank Rate "interest on deposit" was also at a high level, and that we then had considerable sums available which at a later date were required to pay the accrued heavy taxation on our previous profits. The net profit available after taxation is £511,357 as compared with £1,010,345 for the previous year. Your Board has considered it appropriate in present circumstances to make an addition of £27,091 to Contingencies Reserve.

Balance Sheet Features

Turning to the Balance Sheet, the principal points of interest are that our Ore Stock shows an increase of some £90,000. In view of the fact that deliveries during the latter half of the year were small I do not think this is unsatisfactory especially as we have an Ore Stock Reserve of £700,000 which is fully justified at this time.

British Government Securities and Cash at Bank both show appreciable reductions, owing primarily to the fact that we had to meet heavy liabilities for taxation on prior profits. Our reserve for future taxation, you will notice, is reduced from £1,334.000 to £476.000.

Trading Conditions

In my Speech in June last year I mentioned that the Steel Industry of the United States was passing through a difficult period and as you probably know, steel production in that country for 1958 showed a considerable fall To a lesser degree, I think it would be fair to say that this situation occured in all the main steel producing countries The Manganese Ore trade depends almost entirely upon the activity in the Steel Industry and consequently it is obvious that if steel production fall our Company suffers. During the first six months of last year in spite of the fact that steel production had already fallen considerably, our deliveries were good. The effect of this, of course, was that stocks of Manganese Ore were being accumulated by the steel producers; as a consequence our deliveries during the last six months showed a big fall.

Statistics indicate that there is now quite a substantial increase in steel production in the United States of America, but the inference from this must be treated with a certain amount of reserve as it is possible that production has been intensified for the last few months in anticipation of the possibility of a strike in the Steel Industry in that country in July. This, of course, may or may not occur.

Changed Situation

So far as we are concerned, I do not think it can be anticipated that the demand for Manganese Ore will increase very much until stocks at consumers works have been reduced and this will probably take some considerable time. Since the war the Manganese Ore Industry has been in a fortunate position—steel production has steadily increased whilst there has been a shortage of Manganese Ore. This shortage was accentuated in our own particular case by the non-availability of sufficient railway agons to move our Ore to ports. During the past year this situation has changed, steel production has fallen, new deposits are now in operation, and consequently there has been ample supply of Manganese Ore.

I think the above summarises the present situation and sounds rather doleful, but all businesses have their ups and downs and I am confident that steel production will, over the years, continue to expand and that there will be a full demand for our Ore, which has a world wide reputation. The Company has adequate financial resources for its requirements, our mines are in good shape, and we are working in close collaboration with the Authorities in India. They and we are most anxious to increase the export of Ore and I have no doubt that although deliveries so far this year have been rather moderate these will gradually pick up as the Steel Industry recovers. It will, however, I think require a little patience.

Mr. Hardy has paid visits to India in order to inspect the Mines and also to keep in close contact with the Indian Authorities. I am pleased to say that he found the mines in satisfactory condition.

Despite the lesser demand for ore we have so far been able to avoid dismissing any of our labour force by concentrating them on removing overburden with the consequent fall in our output of Ore. We hope that market conditions will improve in good time so that we may not be forced to consider any retrenchment of labour which has had to take place at the mines of many other producers, particularly those producing low grade ores.

Diamond Drilling

During the year diamond drilling took place at [illegible] Mine and this in conjunction with normal exploration work has proved that a large reserve of ore remains at this mine. Diamond drilling was commenced at New Tirodi Mine.

Shaft sinking continued at Balaghat Mine and a shaft station in now being installed at No. 6 level. The Tirodi Mine was connected with the Government electricity grid and the new equipment consisting of a crushing and conveying system for spoil has been brought into successful operation, as well as an electric shovel and compressors.

Wherever possible economies have been made in our operations which has meant the restricted use of mechanised plant on some of the mines, and the H.M.S. Plant at Dongri Buzburg Mine has been shut down until the demand for ore from this mine increases.

Tributes

We again have to thank our Agents in India, Messrs. James Finlay & Company Limited, for their valuable services throughout the year.

We are fortunate in having such an able and loyal staff, both in this country and in India, and I would like to extend to them our thanks for their continued efforts during the past year, which has been a somewhat difficult one.

I now beg to move : "That the Report of the Directors and Statement of Accounts as at 31st December, 1958, be and are hereby approved and adopted and that the profits be appropriated as recommended by the Directors." I will ask Mr. Holmes to second the motion and before putting it to the Meeting I will endeavour to deal with any questions which Stockholders may wish to ask.

Mr. H.R. Holmes seconded the resolution which was carried unanimously.

The Board's proposal of a final dividend of 1s. 8d. per unit, free of tax, and a bonus of 4d. per unit, free of tax, was also approved.

The retiring director, Major A.C. Herring, V.C., A.C.A., was re-elected and the remuneration of the auditors, Messrs. W.A. Browne & Co., having been fixed, the proceedings terminated.

BANCA TOSCANA

HEAD OFFICE AT FLORENCE, ITALY

A Company Limited by Shares under Italian Law

Capital L. 750,000,000

Reserves and Revaluation Balances L. 1,072,061,102

Balance Sheet as at 31st December, 1958

ASSETS		Lit.
Cash		2,968,655,624
Bills, including Treasury Bills.		33,845,907,844
Securities :—		
Government or Government-guaranteed	12,050,018,944	
Mortgage Bonds.	2,479,281,201	
Miscellaneous	460,988,285	
		14,990,288,450
Participations		261,878,561
Contango loans		27,900,000
Advances		25,320,699,935
Bank Premises		1,028,910,742
Furniture and Fittings		1
Sundry Debtors		1,223,212,658
Customer's Liabilities for Acceptances and Guarantees		256,459,580
Bills for Collection		7,747,520,009
TOTAL ASSETS		87,671,433,434
Contra Accounts:—		
Securities Deposited by way of Guarantee, etc. :—		
Pension Fund	536,550,000	
Outside Parties.	11,650,064,800	
		12,186,614,800
Other Securities Deposited		24,483,068,961
TOTAL		124,341,117,195

LIABILITIES		Lit.
Savings Accounts		43,912,929,539
Current Accounts		33,069,565,280
		76,982,494,819
Circular Cheques		1,768,767,643
Sundry Creditors		1,769,155,688
Staff Indemnity Fund		2,247,218,900
Unclaimed Dividends		1,805,762
Bills for Collection		987,967,485
Acceptances and Guarantees		256,459,580
Unaccrued Interest and Discounts		1,689,950,357
Balance of Profit from previous years		1,797,941
NET PROFIT		143,754,157
TOTAL LIABILITIES		85,849,372,332
CAPITAL AND RESERVES	Lit.	
Capital	750,000,000	
Ordinary Reserve.	475,000,000	
Revaluation Fund.	597,061,102	
		1,822,061,102
		87,671,433,434
Contra Accounts:—		
Securities Deposited by way of Guarantee. etc. :—		
Pension Fund	536,550,000	
Outside Parties.	11,650,064,800	
		12,186,614,800
Other Securities Deposited		24,483,068,961
TOTAL		124,341,117,195

Hattersley (Ormskirk) Limited

Head Office and Works : ORMSKIRK, Lancs.

Trade Mark

Works : HALIFAX, Yorks.

AND

BECK & CO. (METERS) LIMITED

Offices and Works : Streatham Vale, London, S. W.16

BRONZE AND CAST IRON VALVES AND THE BECKMETER PETROL PUMPS

Salient features of the circulated Report of the Directors and Statement by the Chairman, Mr. Hubert C. Nicholson, J.P., F.C.A., to be submitted at the 36th Annual General Meeting to be held in Ormskirk on 30th June, 1959.

Extract from the Accounts at 31st March, 1959

	£		£
Issued Capital	1,250,000	Fixed Assets	1,258,734
Capital Reserves	69,680	Less Accumulated Depreciation	266,855
Revenue Reserves and Unappropriated Profits	1,107,716		991,879
	2,427,396	Trade Investments	255,346
Outside Shareholders	278,205	Current Assets	2,273,912
Liabilities	815,536		
	£3,521,137		£3,521,137

	1958 £	1959 £
Group Profit before Taxation	556,911	585,941
Taxation	304,491	296,201
Dividends (net)	100,625	112,969
Net Profit retained for Developments, Expansion and Contingencies	125,338	144,244

HATTERSLEY (ORMSKIRK) LIMITED

Trading Conditions—Fall in volume of industrial and local government expenditure had adverse effect on volume of orders received. Increased costs carried by Company. Many prices lower than a year ago.

Halifax Extensions—Fully mechanised non-ferrous Foundry to be in full production beginning of 1960. Machine Shops being transferred to new premises next month.

M. B. John & Hattersley Limited—Sales and Profits of this Australian Company were again a record. Dividend maintained at 10 %.

BECK & CO. (METERS) LIMITED

Turnover for the year has reached a new peak and is now running at record level. Profits substantially improved and Dividend increased from 20 1/2% to 25%, less tax.

Number of Shareholders : 1,285 **Number of Employees : 1,390**

ASEA

Allmanna Svenska Elektriska Aktiebolage

VASTERAS, SWEDEN

(Electrical Engineering, etc.)

THE COMPANY'S 76TH YEAR

CONSOLIDATED BALANCE SHEET IN TKr. (Kr. 1,000)

comprising ASEA and all subsidiaries in which more than 50 per cent of the shares are hed within the Group. Where the holding of shares is 50 per cent or less, these assets have been entered under securities. All internal transactions as between companies included in the balance sheet have been eliminated. The assets and liabilities of the subsidiary companies abroad have been converted into Kronor at the exchange rate in force on December 31, unless special conditions have necessitated a lower valuation.

Kr. 1,000—£69.

LIABILITIES AND CAPITAL	1958 TKr.	1957 TKr.
Share capital	303,750	303,750
Statutory Reserve	88,109	71,658
Free Reserve	116,969	110,873
Profit for the Year	36,395	36,520
Investment Funds	65,234	43,938
Reserve for Value Adjustment of Foreign Shares and Claims	54,497	46,770
Long-term Debts :		
Minority Interests	4,172	4,143
Bonds, Morgages and other Loans	185,094	180,806
Other Long-term Debts	6,824	8,387
ASEA Institutions, etc.	76,582	66,451
Short-term Debts	181,573	174,536
Bills Payable	3,376	2,305
Advance Peyments from Customers	238,244	256,882
Taxes Payable	22,519	20,649
Total	1,383,338	1,327,668

ASSETS	1958 TKr.	1957 TKr.
Fixed Assets :		
Freehold Land, Forests, Mines	6,635	6,808
Power-stations and Waterfalls	54,882	51,492
Sites and Buildings	30,260	264,718
Machinery and Equipment	150,680	120,138
Buildings under Construction and Advance Payments to Contractors	48,396	63,010
Securities	29,246	23,746
Accounts Receivable	11,297	14,427
Deposits	1,070	1,255
Current Assets :		
Stock in Trade and Work in Progress	281,993	285,085
Advance Payments to Suppliers	10,800	14,102
Securities	10,844	16,824
Debtors	247,605	238,726
Bills Receivable	16,144	10,655
Funds on Blocked Account	16,765	9,679
Cash in Hand and at Bank	196,721	207,003
Total	1,383,338	1,327,668

			TKr.	TKr.
Accumulated available result of the activities of the Group as a whole :—				
Reserves Generally Available			116,969	110,873
This amount represents principally accumulated profits brought forward in the form of balance of disposition funds, funds reserved, and and profits brought forward minus losses.				
Profit for the Year of the Group :—	TKr.	TKr.		
Result before Taxation	87,576	91,114		
Taxes	51,171	54,594		
			36,395	36,520
			153,364	147,393
Appropriation for Statutory Reserve	6,663	8,626		

PROPOSED PROFIT APPROPRIATION

Subject to the approval of the Annual General Meeting of the disposition shown in the accounts, the amount available for appropriation is as follows :—

	Kr
Brought forward from previous Year	30,012,880.76
Profit for the Year	28,388,526.05
Total	58,401,406.81
The Board of Directors propose that this sum be appropriated as follows :—	
to the Shareholders a Dividend of Kr. 8.— per Share	24,300,000.—
to the Legal Reserve	3,400,000.—
to be Carried Forward	30,701,406.81
Total	58,401,406.81

Vasteras, February, 1959

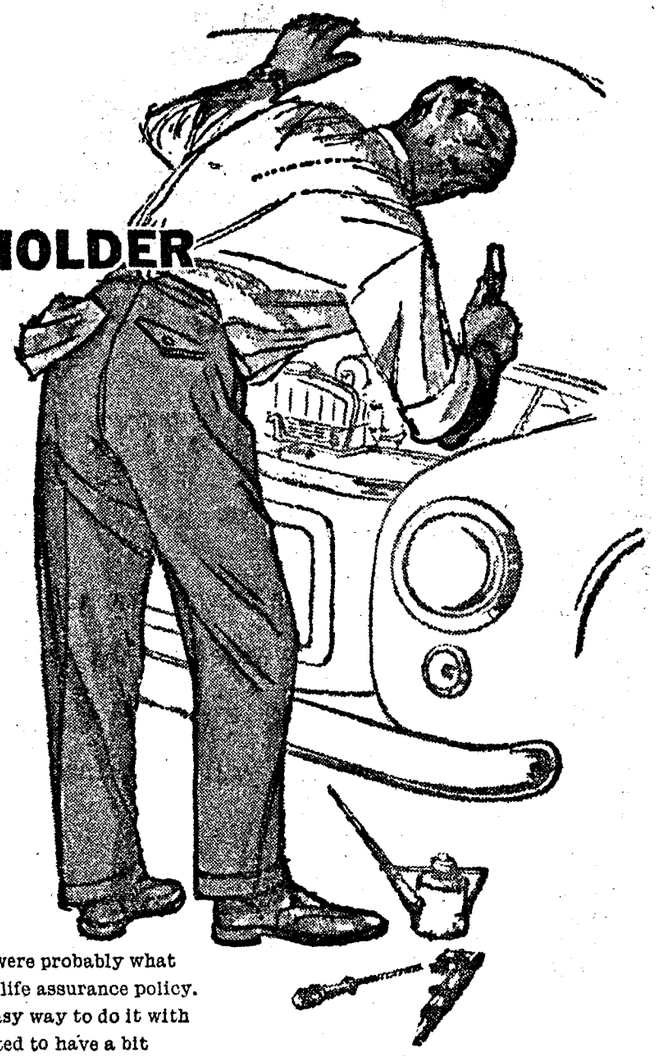
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M. WALLENBERG, Chairman — AKE T. VRETHEM, Managing Director — THORSTEN ERICSON — DAN-AXEL BROSTROM

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The Contract for the Atomic Power Station to be built at Trawsfynydd in North Wales has been awarded by the Central Electricity Generating Board to ..... **Atomic Power Constructions Limited**

This latest Atomic Station will feed into the national grid 500,000 kilowatts of electricity.

The whole of the generating plant for Trawsfynydd, comprising the steam turbo-alternators with the condensing plant and feed-heating systems and the blowers to circulate the hot gas through the reactors, will be built by..... **Richardsons, Westgarth & Co. Ltd.**

A MEMBER OF ATOMIC POWER CONSTRUCTIONS LIMITED

R W G

MEMBER COMPANIES OF ATOMIC POWER CONSTRUCTIONS LIMITED

Crompton Parkinson Ltd. — International Combustion (Holdings) Ltd.

Fairey Aviation Limited — Richardsons, Westgarth & Co. Ltd.

ASSOCIATES:- Nuclear Civil Constructors.

(Trollope & Colls Ltd. and Holland & Hannen and Cubitts Ltd.)

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The case for carrying on at Geneva

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Neither Britain, nor the western allies, can dodge the problems raised by the existence of nuclear arms

FRANCE, OUR ALLY

Lessons that both countries have to learn

Protection Frustrated
American trade policy strikes a consistent balance between protectionism and liberalism.

Nyasaland at a Standstill
Our special correspondent investigates the chances of finding African moderates to cooperate in government.

Computers on the Counter - II
The shopping list requires close study.

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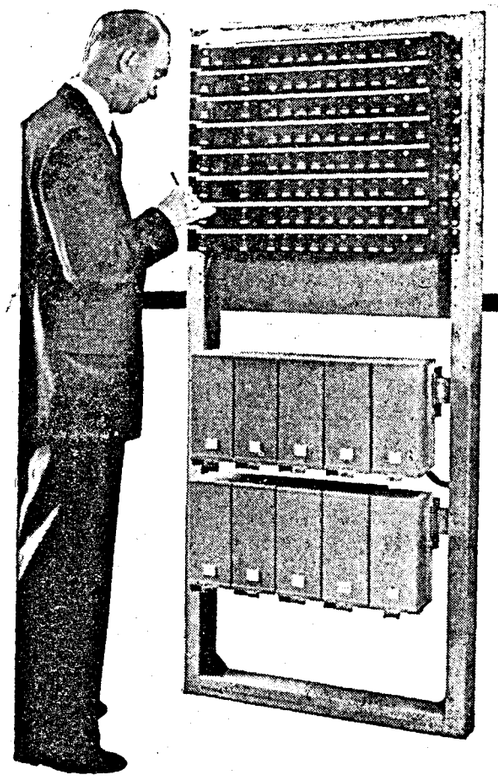
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BRITAIN Full conversion of the liner s.s. 'ORCADES' to be carried out, providing an installation with a capacity of 14,000,000 B.Th.U's per hour.
MIDDLE EAST Installations include the Fao Port Control and Wireless Station Building and the Iraq Spinning and Weaving Company's mills near Baghdad.
SOUTH AFRICA Thermotank installation for the new ten-storey headquarters of the United Building Society in Johannesburg, South Africa's largest office building.

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"Tell me more."
"I knew you'd be interested in this, old chap. You're thinking of dividing up that big office of yours aren't you?"

"It's quite a possibility."
"Well, these new Stramit 'Movaflush' partitions really have something. It's all in the way they fit together, actually. They're ready-made panels with an L-shaped piece at each side and they simply butt up together, one after another. You put a screw through them—and that's that. They go up at simply astonishing speed. Knock pounds off the normal erection costs."

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"Eh? Oh, I see what you mean. Well, according to this leaflet I've got, 'Movaflush' partitions have all the virtues. They're over two inches thick, you know, for a start. They're strong and rigid. They deaden sound. And they're faced with hardboard so they can be decorated easily."

"How much, old boy?"
"Well, the surprising thing is, not much at all. Something like five bob a square foot, including things like timber sections, doors, screws and what have you."

"I must get one of those leaflets."
"Why not get your secretary to fill in a coupon, or something."



Please send me, without obligation, full details of Stramit 'Movaflush' partitions

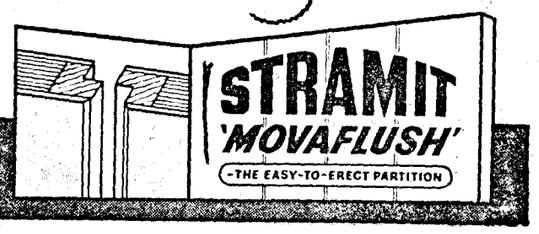
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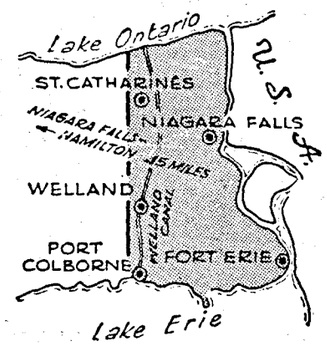
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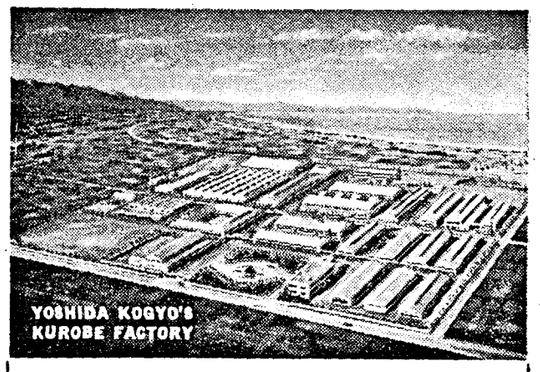


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From wire drawing and tape weaving to final inspection of the finished product, Y.K.K. controls all phases of production in their new Kurobe Plant. This control makes possible the assurance of quality which comes with Y.K.K. manufactured products.

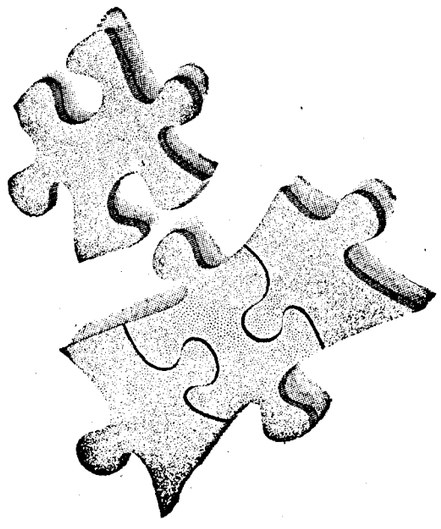
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INTERLOCKING PARTS



The GKN Group is a jigsaw of companies—each independent, none so big as to be unwieldy, all concerned with steel in one form or another.

As far as Bayliss, Jones & Bayliss are concerned, the forms are many. B.J.B. produce forgings—with particular emphasis on railway fastenings; they build heavy machine frames and complete machines; they supply steelwork for power transmission lines; they make roof support equipment for mines; they have considerable welding capacity; and their reputation for railings and gates is worldwide.

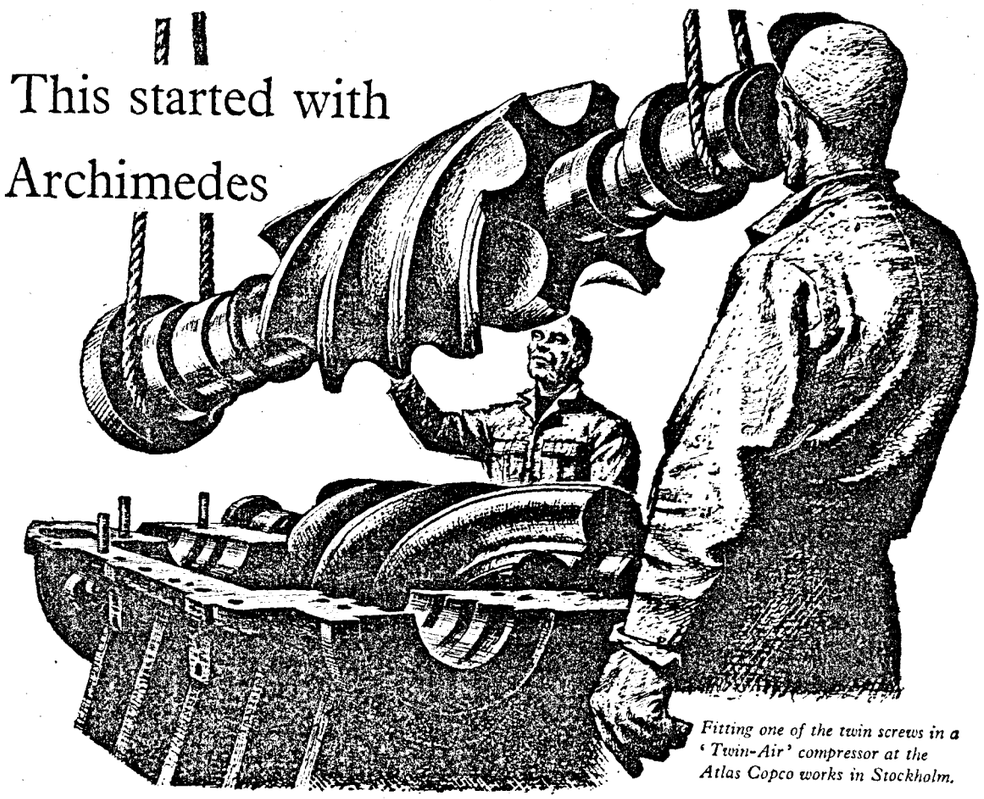
A variety impressive enough in itself, but only part of the Bayliss, Jones & Bayliss output. And B.J.B., in turn, are themselves only part of the GKN whole. Take each of the GKN companies, fit them together and they form a picture of everything you want, or are likely to want, in steel.

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FOR ANYTHING AND EVERYTHING IN STEEL

GUEST, KEEN & NETTLEFOLDS, LTD., (HEAD OFFICE) LONDON WORKS, SMETHWICK 40, STAFFS.

This started with Archimedes



Fitting one of the twin screws in a 'Twin-Air' compressor at the Atlas Copco works in Stockholm.

One of the most famous inventions of the great mathematician Archimedes (287-212 B.C.) was the Archimedean Screw, which he first demonstrated by removing water from a ship's hold. For centuries it was used for irrigating fields in Egypt. One form consisted of a helix or screw revolving in a fixed cylinder. As the screw was turned, the water was carried to the surface.

John Erikson's adaptation of this idea in modern times gave us the propeller, one of the outstanding inventions of civilisation.

The same principle was used by another Swede, Professor Alf Lysholm, when he invented the rotary screw compressor in 1934. As a result Atlas Copco have developed this rotary screw machine, in which air is compressed by the action of two intermeshing rotors, *which never actually touch.* There is no friction, no need for lubrication, and very little maintenance is necessary.

Atlas Copco 'Twin-Air' rotary screw compressors have already proved their worth in the Arctic Circle area of Sweden, where they have been running for two years under full operating conditions in the world's largest underground iron ore mine.

Air and antibiotics



Compressed air is versatile. Atlas Copco provides the means for all its many applications. At the Løvens Kemiske Fabrik in Copenhagen, one of the biggest chemical works in Europe, large quantities of sterile oil-free air are required for the production of penicillin and streptomycin. Because of their reliability, 8 Atlas Copco compressors are used for this vital supply of air to the cultivation tanks.

The Atlas Copco Group of Companies is responsible for the manufacture of compressed air equipment and its distribution and servicing in 90 countries throughout the world. Group Headquarters: Atlas Copco AB, Stockholm 1, Sweden.

Atlas Copco puts compressed air to work for the world

The Economist

JUNE 27 1959

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Keep Talking

DIPLOMACY may well prove more active and interesting now that the foreign ministers' conference is in recess than when it was in session. This seeming paradox is fairly easy to explain. While the ministers were facing each other across the table at Geneva, they were like boxers in a clinch; now that they have managed to break loose, they have more freedom to make the kind of moves and gestures that might bring about at least a change in the atmosphere, if not in the underlying realities.

Already there is ample speculation. Mr Eisenhower's remarks at his press conference last week about the possibility of his meeting General de Gaulle stimulated talk about a western « summit » conference. As to the four foreign ministers themselves, the gloomy predict that they will not in the event keep their rendez-vous on July 13th, while the ever-hopeful have suggested that they might come together merely to provide a brisk curtain-raiser for an *immediate « summit » meeting* with Mr Khrushchev.

Meanwhile, there is the imminent arrival in the United States of Mr Frol Kozlov, the relatively unknown Soviet first deputy premier, who is to have talks in Washington with Mr Eisenhower and Mr Herter — and presumably with Mr Nixon, who will be off to Moscow on July 23rd to inaugurate the American exhibition there, and will likewise have the opportunity of private talks during his visi

The Kozlov and Nixon visits will constitute talks at a pretty high level, if not exactly the highest. Mr Khrushchev will doubtless continue to insist that the supreme peak itself, the Everest of diplomacy, must still be scaled; but the ascent of K.2 (and of U.S.2) will already represent a conquest of formidable heights. And one may assume that there will also be many encounters and exchanges at more modest levels in the next few weeks; for it is obvious that something must change before a resumption of formal four-power discussion can be made with any hope of progress. The adjournment at Geneva left the opposing positions as far apart as ever.

In spite of that unhappy fact, however, the foreign ministers' departure from Geneva was not interpreted as a sharp turn for the worse in international relations. This is possibly the most significant aspect of the present situation. Nobody is inclined to underestimate the potential dangers of the situation itself. Mr Khrushchev, in his speech to his east German guests last week, spelt out once again his resolve to end the western allies' ability to protect the freedom of

west Berlin; and the western governments have severally, jointly and rightly reaffirmed their intention of retaining that ability. But the pushing back of chairs from the Geneva table has not automatically aggravated an already grave state of things. In part, this represents a deliberate and skilful diplomatic achievement. Exasperating though their experiences at Geneva have been, the ministers have managed to disengage from the conference without losing their tempers and setting off alarms and scares. In part, however, this surprising tranquillity reflects the rather curious mood of the moment : a mood which repays a little study.

The West's current approach to high-level exchanges with Russia could hardly be more different from the approach of 1955. In that year, the « summit » was climbed under the heady influence of a cocktail of Soviet gestures — withdrawal from Austria, withdrawal from the Porkkala base in Finland, rapprochement with Jugoslavia, cessation of various minor harassments on many diplomatic fronts. The Geneva spirit of 1955 seemed a potent brew. Even after the heads of government had had their meeting, and had had no success whatever in formulating satisfactory directives for their foreign ministers, public expectations lingered on. It took all of Mr Molotov's familiar intransigence to explode the gaudy bubble of optimism at the subsequent meeting of foreign ministers. Western attitudes to summitry have been coloured ever since by this disenchanting experience. But this year there has been no question of the West's representatives being impelled into unwary moves by an over-optimistic public opinion. It is the lowering Soviet pressure on Berlin that has brought the western governments to the conference table. Behind them lies a public opinion which never expected anything spectacular to emerge from Geneva this summer, and most of which has long ago become bored by the whole tortuous process of negotiation there.

While real dangers exist, it can be perilous for the public to lapse into complete apathy. But at the same time it is all to the good that nobody has got wildly excited over the Geneva conference or the prospects of further negotiation. If the foreign ministers have achieved nothing else, they have, by exposing the hard irreconcilability of the two attitudes to the German problem, taken a lot of the hot air out of the public's feelings about a summit meeting. Mr Khrushchev, for his part, has now cried wolf so often, and at such leisurely intervals, that his « ultimata » are increasingly seen for what they are — not direct threats of war, but instruments of diplomatic pressure.

The main lesson of this is, surely, that given a problem such as that of Germany, where no early and definitive solution is in prospect, there is everything to be said for making the dialogue a more or less continuous one. If it is allowed to lapse for long periods, public expectations may become unnaturally and dangerously excited at each approach of a seeming climax. If the dialogue is kept going, at whatever level, the plain realities are more easily kept in sight. It is obviously going to be a long dialogue; and neither the western heads of government nor even their foreign ministers can very well be spared for attendance at a virtually continuous Geneva conference. But the answer to that is presumably the appointment of senior deputies to sweat it out there, with their superiors looking in from time to time whenever shifts in the situation justify their appearance. It will not be glorious; it will hardly even amount to news; but it will be more like diplomacy.

A Non-Nuclear Club

Unfortunately, the Opposition's alternative to contracting out of the alliance by unilateral nuclear disarmament is not as good as it sounds.

THE Labour party is now sidestepping the demands of its left wing for the perilous policy of unilateral nuclear disarmament, by saying that its policy would be to found a non-nuclear club if it should win the general election. This proposal — that Britain should halt the spread of nuclear-armed powers by renouncing its own bomb, on condition that everyone else takes the pledge except America and Russia - looks much more respectable than unilateral nuclear disarmament. It can be presented as a great moral gesture for those Britons who congenitally hanker for one. Even in wider circles it has a certain *prima facie* appeal. When, some time this summer or autumn France announces (rather prematurely on the strength of one test) that it has become atomic power number four, renewed terror will be raised by the cry « think what it will be like when Nasser and Nicaragua have the bomb too ». The general idea of confining the bomb to the two superpowers is offered as a way of keeping the atomic genie half in the bottle. If it would work, it would be a good idea. But this new panacea, like others before it, needs a good hard look.

Unhappily a good hard look lands one back pretty quickly in some old familiar difficulties. First, it should be made clear what a very small change formation of the club implies. Membership of it would not mean for Nato powers (or others) renunciation of the provision of bomber aerodromes or missile sites for launching nuclear weapons; therefore it also would not mean contracting out of participation in agonising decisions about their use. Obviously, non-nuclear powers must participate actively in the control of nuclear weapons sited on their territory. The French at present want unilateral control of Nato nuclear bombers in their country; the British demand something less. But even the British envisage something more than just a negative veto on their use; they envisage positive co-operation in decisions to fire. All these controverses would remain.

Secondly, there is the problem of tactical nuclear arms. Conceivably, for a time, all Nato's nuclear weapons, tactical as well as strategical, could be kept in American formations. But this division between American artillery and Nato infantry and armour cannot last; technology is making these weapons steadily into personal infantry weapons, and their issue to national forces has in fact already begun. The prospect may be unpleasant; but it must be faced. The whole integration of nuclear weapons into modern formations, by land, sea and air, implies that the possession of these weapons will *de facto* become dispersed. In effect, in a measurable time, many countries outside the present nuclear club will not only control and use, but also possess atomic, weapons of a sort. Joining the non-nuclear club would not change this.

Thus all that the non-nuclear club stands for is the renunciation of manufacture - either of the bomb alone, or possibly of the delivery mechanism, the rockets and bombers also (the latter point is not always made clear). Here the obvious difficulty is that France seems set on having its home-grown deterrent. Would-be founders of the club argue that if there is a case for Britain renouncing a decade of nuclear development and a capital investment of over £1,000 million in bombs and bombers, an even better case can be made for France not undertaking such a burden. They argue that if Britain renounces the bomb, France will eventually come to realise this even if it feels that it must prove its virility in the meantime by one nuclear test.

The difficulty, however, lies in presenting such a case against the background of the advantages which Britain has already enjoyed through its membership of the nuclear club : and the constant practical reminders of those advantages in Nato when certain arcana can be discussed by the Americans only with their British colleagues. The Nasser-Nicaragua argument will not alone serve; because the French, and others, say it will be a long time before Nasser or Nicaragua can afford it and meanwhile they want what Britain *has had*. It is unnecessary to rehearse all the arguments used by the British Government for the possession of Britain's own bomb to prove that each and every one of them is exactly applicable to France or even Sweden - and certainly to Germany, even though Germany denied itself nuclear manufacture in the Paris agreement. Whether the argument is the ability to influence American decisions or to bomb our special targets, they fit almost any European country : and they continue to be used. In particular the vast advantages of exchanging atomic know-how with the Americans are constantly stressed, and as constantly nourish European envy. Moreover, everybody knows that there are economies to be gained in entering this field after some of the initial research work has been done; undoubtedly the French will get a small separate deterrent of a sort more cheaply than Britain, and atomic power number five will get it cheaper still.

It is this that makes officials so fatalistic about the spread in the number of independent atomic powers. Conservative ministers themselves are as worried as any body else about that spread; but so far they have absolutely failed to find what they want - a knock-down argument why Britain was right to join the nuclear club, but France and everyone else should belong *ab initio* to the non-nuclear one over the road. They long to prove this. The nearest they got to it was to argue that Britain uniquely benefited Europe by creating a home-grown nuclear deterrent this side of the Atlantic; this has merely prompted the French to insist that there should be one on their side of the channel. The moral gesture requires giving up something valuable; but it also confirms that having bombs is, or was in the short run, valuable - which simply tends to confirm the desire to possess.

Thus, even apart from Gallic chauvinism, the prospectus of the non-nuclear club is a dubious document. Labour must face it. To renounce the bomb

solves no problems — and it certainly raises the problem of the disposal of Britain's bombs, bombers, plants and scientists if one did; for these are now an important part of the deterrent and would presumably have to be handed over to American ownership, but under British control. It would seem more fruitful for Britain to renounce its unilateral control over its home-grown deterrent, but continue to contribute it (or whatever part of it is useful) to the common cause. In the end, therefore, one is brought back to the real issue: collective control of the growing ability everywhere to make nuclear weapons. To solve this will require hard, slogging negotiation; there are no panaceas.

France, our Ally

The United States and Britain have still to develop the knack of getting along with General de Gaulle.

IRRITATION at the French is a normal state of mind inside Nato and in Washington and London too. General de Gaulle's advent has merely inspired a new spate of Anglo-Saxon platitudes on France's proper—and, to Frenchmen, still intolerably subordinate—part in the Atlantic alliance. This does not add up to a crisis, yet. All that the latest squabble means is that, in Anglo-American experience, the new, resolutely wilful France is just as irritating as the old, wilfully irresolute one. Much of this Anglo American irritation comes from General de Gaulle's temerity in insisting on French prerogatives; but some of it has been prompted by his still greater temerity in confronting Nato (as the preceding article in this issue of *The Economist* shows) with questions that it has always preferred to leave unanswered. It may hurt the alliance to admit it, but General de Gaulle is right to raise these questions. If the air is going to be cleared at all, Nato's functions in the world and, in particular, the rights and duties of membership in a nuclear age, must be defined more clearly than they last were in December, 1957.

This is sufficiently important, and difficult, to warrant a top-level western conference this year—not merely another Atlantic jamboree. Because the alliance is one of fifteen countries, such questions as political control over its nuclear capability and the overhaul of its military command system must be settled by the fifteen allies together; they cannot be decided at a private meeting between Presidents Eisenhower and de Gaulle. Even so, a full Franco-American discussion of what France's particular prerogatives in the world should be is thoroughly desirable. Is France to be treated as a responsible power or not? On this, as Mr Walter Lippman has observed, only the United States can satisfy General de Gaulle—one way or the other.

It is certainly hard to see the United States, or anyone else, accepting the general as a first-class power just because he has a bomb of his own in prospect. It is not the Hiroshima bomb, but the full range of a moder'n nuclear armoury? which France cannot hope to develop for another five years—that really counts. Even then, it does not follow that a separate French deterrent will necessarily give General de Gaulle the seat he wants in those inner, Anglo-Saxon councils that Frenchmen envy and condemn. The reasons for France's present exclusion are not primarily nuclear. But a tactful ally does not express doubts about the political stability of the Fifth Republic—even the Fourth Republicans were touchy in their day. No one wants to weigh the prospects for French democracy after the general has gone. No one wants to talk too frankly about the effect of the Algerian war on Afro-Asian opinions of the West. It is easier to say that France has no bomb. So, for the past year, the bomb has become a frightful King Charles's head in Paris, and the sharing of atomic secrets the ruling passion of French policy.

General de Gaulle does not seem to realise that France cannot become a first-class power, or even a first-class western partner, simply by forcing his allies to share their atomic secrets. The world policy bureau envisaged in his memorandum to President Eisenhower and Mr Macmillan last September presupposes an intimate interstanding which cannot come about at pistol-point. There is a limit to what even an ally like the United States can do for French prestige. Nor would the Algerian war be ended, whatever M. Debré may think, if France were to enjoy unqualified western support in north Africa. But none of this means that France's claims to more allied consultation and trust are unjustified. There is a great deal that can be done to improve relations,

if the general is ready to co-operate. Even the suspicions of the United States Senate are seldom eternal. But some of the present realities of power politics must be put to General de Gaulle one day soon—and President Eisenhower is the only man who can do it.

THE prospect of a sensible outcome to the Franco-American debate will be improved if Britain contrives to keep out of the argument. Mr Macmillan is no help to the Americans if they want to refute the strategy of separate deterrents; and it merely riles the French to see this country giving itself unnecessary airs at the Americans' side. But France is our ally too, and part of General de Gaulle's quarrel, real or imagined, is with us. What can Britain do? The worst of the trouble is the petty jealousy that seems to surround Franco-British relations and makes the discussion of valid differences doubly hard to conduct. This has happened in the free trade area dispute. There is, too, a subconscious British desire to slam the door of the nuclear club in General de Gaulle's face for no other reason than that French membership would end this country's last claim to be a great power. But issues that seem to dominate French thought tend to bear even less relationship to reality. Serious contentions that Britain inveigled French Guinea into its new relationship with Ghana, or that a London court's decision upholding the label « Spanish champagne » was a deliberate blow at the French economy, sound ludicrous in English ears. There even seems to be an official idea in Paris that Britain is striving with might and main to dissuade Nigeria from joining the French community. Perhaps it may be necessary to point out that if Nigeria were to join a west African grouping it would so alter the community's structure that it would certainly not remain under French tutelage. The truth is that the mental energy that is expended on these trumpery arguments on both sides is badly needed to tackle the real problems.

Britain and France cannot afford to squabble needlessly between themselves; still less can they afford to divide Europe either politically or economically. It may seem to some British eyes that the Paris-Bonn axis has lamentably obstructed Mr Macmillan's climb to the summit. But one lesson that Britain may have to learn is that initiatives taken by London in isolation can cause more distrust in western Europe than they do good in East-West relations. The Americans are the only leaders that Europe is prepared to recognise. The urgent need now is to reconcile these differences in the light of events at Geneva. M. Couve de Murville certainly seems to have been conscious that allied unity was not assisted by M. Debré's demands for total western solidarity in Algeria. M. Debré made it quite plain that for him, at least, it is Algeria first and Nato and European union afterwards. This not only strained Anglo-American tempers; it also redoubled west German reservations on France's adherence to the European cause. The Gaullist ranks are still not ready to march under M. Monnet's banner.

It is important for the West that General de Gaulle should be given as great a share in policy-making as France's essential part in the alliance demands. His interventions on Germany have sometimes been very much to the point; his public refusal to support German claims east of the Oder-Neisse line has been particularly useful. He now seems to be more attracted to the summit as the champion of aid to the undeveloped countries: it is something to see him in the armour of M. Faure and M. Pineau. These are hopeful signs. But the allies must develop the knack of getting along with him as best they can. They may find that some straight speaking now will get them further than evasion ever will.

Room at the Top

The paucity of higher education in colonial and ex-colonial territories calls for emergency measures. But these should not deflect us from helping these countries to build up their own universities.

A GRAVE weakness of any newly independent state is the shortage of educated citizens able to take over the administrative and technical jobs that used to be done by the colonial power. This difficulty, one of the more important themes at the Commonwealth conference at Montreal last September, will be raised again at the Commonwealth education conference in Oxford in July. At Montreal, it was agreed to establish a thousand new Commonwealth scholarships, of which Britain undertook

to grant 500 and Canada 250. The Oxford conference is to determine, among others things, the distribution of these scholarships.

The long term remedy is to build up universities and technical institutes in the colonies and new dominions, so that eventually the new states can themselves provide sufficient further education for their people Ideally, no doubt, every student (and every teacher) ought to be equally welcome and equally at home at every university in the world, as once in Christendom they were; but, as things are, sending colonial students overseas for their university education is no more a permanent solution for the new nations than efforts to prevent the homeward drift of expatriate officials; both are stop-gaps. But the gap in colonial education is wide, and local universities and technical institutes can at present accommodate only a small fraction of the applicants. It costs an enormous amount to build, equip and staff a colonial university college. The colleges have to be mainly residential, as there are usually few private lodging houses nearby; it is customary nowadays to be lavish in design and materials; and in order to be fair to the local teachers, the staff are generally all paid at British expatriate rates. To begin with, a lot of the funds came from colonial development and welfare grants, but this source is gradually drying up, and the independent territories cannot rely on much new money from outside.

The shorter term policy is to help students from the colonies and new dominions to study abroad. This shows quick results, and sterling balances provide the finance. But Britain and the older dominions are grappling with an educational inflation of their own, and cannot rapidly increase the number of places for students from other countries. There are now some 11,000 colonial students taking full-time courses in Britain; 3,000 are university students, 3,000 student nurses, 1,500 at the Inns of Court, and the rest mainly at technical colleges and polytechnics. The problem is peculiarly Britain's, for although there is some peripheral circulation - West Indians going to Canada, Malayans to Australia - the United Kingdom alone draws students from all parts of the Commonwealth.

What can be done? The worst thing would be for more students to come here than can be properly looked after. As much trouble needs to be taken over the social life of an African or West Indian as over his studies. If he cannot live in college, he should, at least in his first year, be found a room in a multi-racial hostel. The British Council cares for students sponsored by the Colonial Office or by their own governments, but not for those who have reached Britain under their own steam; and although there are overseas welfare officers in some polytechnics, they are usually over-worked and under-staffed. A better system for the technical colleges might be some kind of tutorial arrangement, with a member of staff looking after, say, every ten or twelve overseas students. This precaution is quite as much in Britain's interest as in the student's, for if he is left to sink or swim in some lodging house on the edge of the university community, or to mix only with his own compatriots, he will go home, as others have done, embittered.

Even allowing for the proportion of the thousand new scholarships that will be allotted to students from backward territories, the room for expansion here is very limited — and very few students have the right qualifications to get in. Both the sponsors and the universities might wise to concentrate on the older students who have already had some type of further education in their own countries. Many young colonial students get as little out of their experience in Britain as an average English school child on a first trip abroad. A student who has already graduated or obtained a technical qualification at home will usually profit more from a western education; he is in less danger of losing touch with his own country; and, better equipped to deal with loneliness and landladies, he needs less nannying from the university authorities. True, this means giving double education to fewer people, building up an aristocracy of talent rather than raising the general standard. But a smallish cadre of professional men who have studied both at home and in Britain may prove at least as useful to an emerging country as a larger number of graduates who have digested western ways too raw.

Africa's shortage of graduates is the reverse of India's problem of a large educated but under-employed middle class; but, while one cannot yet visualise an excess of engineers in the new dominions, and it is hard to imagine too many doctors, there may come a time when lawyers, journalists or economists weigh down the scales. When making grants, the sponsor - whether it is the Colonial Office, or the colonial or dominion government - can keep an eye on the future balance of supply and demand. But most students come on their own initiative, and study what they fancy where they can. Law is a popular choice, both because the preliminary qualifications are relatively low and because it offers the prospect of an independent career. But lawyers are not a priority group; engineers, scientists and administrators are.

The immediate need is for trained technicians who know all about the machines actually available, even if they have not the theoretical background to take on new development. Colonial territories have followed British patterns of training, and there is very little opportunity for students to take short and specialised courses in their own country. Yet such is the emergency that forcing the pace in this way may be a justifiable expedient. An engineer, for instance, instead of going through a full seven year course, might be given an adequate grounding in, say, bridge-building, in two or three years.

For longer and more conventional training, the obvious expedient is to try to squeeze more suitable graduates into universities and, particularly, technical colleges, in Britain and other advanced countries. There is one serious disadvantage to this. If postgraduates are encouraged to stay away from home to continue their education, the universities in the colonies and new dominions, drained of their best talent, will become dull places in which to learn or teach. This would make the problem of tracking down good staff harder than ever. The ideal solution would clearly be a vigorous two-way traffic; a network of postgraduate exchanges between established and emergent nations, to the enrichment of both.

NOTES OF THE WEEK

PRINTING TROUBLES

Service to the Customers

As will be apparent from our format, this week as last. the current printing dispute in Britain is once again forcing us to print *The Economist* abroad. We are sorry for all the inevitable deficiences. Much of the comment on the dispute that has appeared in newspapers at home seems to us to be wrong-headed. Although we happen to be losing heavily through their decision, the printing trade unions are no doubt entitled to refuse to go to arbitration if they think that a strike will be more profitable to them; they still believe that it may be, because some of the biggest printing houses, they argue, will be anxious for a quick settlement. Against that, however, the newspapers which describe as « provocative » the decision of the master printers « to put the workers on a daily basis as retaliation for their ban on overtime » do not know what they are talking about. At the time the daily notices were issued, the workers were not merely operating a ban on overtime, but also a policy of non-cooperation which was making normal production impossible.

Perhaps the real criticism of the two sides in this dispute—which has produced an almost nation-wide stop-press, except for the London nationals—is that they remain artificially divided into two sides only. Some of the big printing houses could probably afford to enter into a new and possibly acceptable contract with their men, but they are indisposed to do so because this would be betraying their trade association. And, lower down the scale, some smaller country printing houses and local papers will go out of business, and their workers lose their jobs, if the unions' demands are even partially granted; but the unions refuse to let them contract out of any overall settlement. As for the 40-hour week, it would be possible to get through the work done in some parts of the British industry in considerably less than 40 hours, to everybody's advantage, if certain restrictive practices were withdrawn; but the unions will not withdraw them.

By printing abroad while the London houses are closed *The Economist* and other weeklies, who have been deprived of their printing facilities by a dispute in which they have no part, are not doing anything that harms the interests of the British workers who set us up in normal times. Indeed the British employers themselves, alarmed at the proposed exodus, have also tried to persuade the employers' trade associations in some continental countries not to take British work; they are afraid of British journals discovering that for some classes of printing (though not for weekly papers) it can be cheaper now to job out work in Europe than in Britain. But, apparently because they regard it as untidily provocative that

anybody should work while their own members are not doing so, the unions ave putting all the obstructions they can in our way. Those obstructions apply to the distributive and (attemptedly) the journalistic side, as well as to printing. For so long as we are able to do so, and with renewed apologies to subscribers and advertisers for imperfections in the emergency product, we shall strive to serve our customers (whose interests everybody else is forgetting), using such powers of improvisation enterprise and hard work as we posses.

We are asked to publish the following statement :

Estimant qu'il n'est pas possible d'empêcher la parution de ce journal, le personnel de l'imprimerie tient toutefois à assurer leurs confrères britanniques de leur « solidarité totale ».

LABOUR AND THE BOMB

Papering Nuclear Cracks

As this issue of *The Economist* goes unnaturally early to press it looks as though Mr Gaitskell will obtain the *imprimatur* of the Labour party's national executive and the general council of the TUC for the long statement he has drafted on the bomb. If so the party will go to the country as freshly confirmed non-nuclear clubmen—a ruse for baffling the unilateral disarmers which was commended to the executive as early as last March by Mr Anthony Greenwood. At the time the suggestion was wafted into limbo with a quick flick of Mr Gaitskell's accomplished wrist.

After the tremendous effort of gestation that went into all those policy pamphlets, Mr Gaitskell can hardly be blamed for showing little stomach for yet another round of these endless wranglings in committee over nuances or wording and the use of commas which particularly rejoice unemployed socialist minds. Indeed this should not be the leader's job. The withdrawal of Mr Herbert Morrison from politics into literature (and one hopes that Nuffield College, which was godparent to *Government and Parliament*, will jolly him to keep his promise to write seriously) calls attention to the fact that he has never been adequately replaced. For the last three years the leader of the Labour party has lacked an efficient political administrator at his right hand. The size of the Aldermaston demonstration and the psychological impact of Mr Bevan's undertaking in the Commons to stop (rather than suspend) nuclear testing ought to have signalled danger to the party leaders; they missed the signal, and the result was to let the season of trade union conferences begin without any firm political guidance.

Everyone knows that a last-minute conversion to the non-nuclear club does not sound too well either within the party or to the country. Many Labour MPs who now support it as the lesser of evils do not really believe in it. Many are made uncomfortable by Mr Grimond's taunt at the crudeness of this demonstration of the effect on policy of the card vote. Fortunately for Mr Gaitskell he did make a half-commitment to the idea of a non-nuclear club in one passage of his speech at Scarborough—the party's propagandists will just have to do as best they can with that.

Voices and Votes

UNDERSTANDABLY, the idea of a non-nuclear club does not appeal to the Labour party's unilateral disarmers, even though their movement's distinguished president, Earl Russell, has lent it his logician's prestige. Led by Canon Collins from pulpits sacred and profane and Messrs Zilliacus, Orbach and Silverman in the columns of *The Times*, they have put forward an alternative proposal. Britain, they say, should overawe the other nations of the world with this threat: either they disarm with Britain within two years, or Britain will disarm without them. The great merit of this approach over that of the non-nuclear club, as Mr Bern Levy explains it in *Tribune*, is that it appeals to peoples whereas the non-nuclear club appeals only to governments. Sensitive rulers like General de Gaulle and Mao Tse-tung will have to yield to spontaneous popular clamour to follow Britain's example.

The nuclear disarmers, who are victims of the chauvinistic fallacy of believing that just because Britain is Britain its moral gestures will be more effective than those of Mr Nehru over Tibet, do represent a definable body of sentiment this country. There unquestionably exists a vocal and probably growing minority of radical dissenters, who demonstrated at Aldermaston and for whose support several elements are now bidding. But Mr Gaitskell has too firm a grip on political reality to be deceived (as apparently many scornful Europeans have been) into believing that a protest group that looks numerous on the ground represents anything like a significant percentage of the total electorate. Fortunately for him Mr Bevan has reached the same conclusion and told the parliamentary party that it would face another 1931 if it overbid for the votes of the unilateral disarmers.

Will such arguments be enough to fix the Labour party conference next October? This will partly depend on Mr Frank Cousins. By personal commitment he is an Aldermaston marcher. But he has made a great point of allowing himself to be democratically bound by feeling in his union. This has usually been to the right of him, but after what happened at the municipal workers' conference, who can tell which way his rank-and-file union delegates

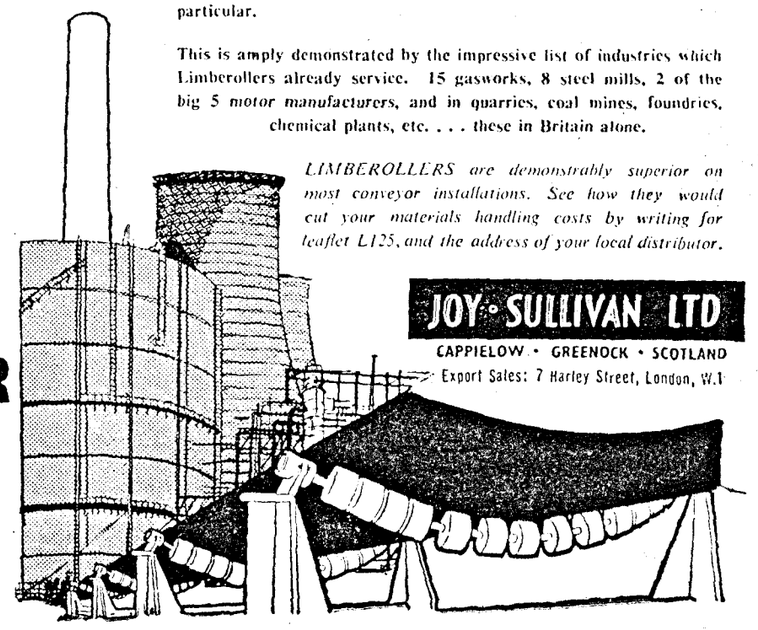
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will go without a strong lead from the platform? Nevertheless one feels that the consequences of doing to Mr Gaitskell what, for opposite reasons, the party conference did to George Lansbury in 1935 would be so obviously catastrophic on the eve of an election that some way out will be found. Perhaps the resolution put to the conference will be so worded that Sir Tom Williamson and others will be able to plead that a new situation has arisen since their unions fastened awkward mandates on to them. In any case Mr Macmillan may obligingly relieve his opponents of their agony. If there is an October election there will be time only for a two-day ra-ra conference before going into battle. It is for this that Labour now devoutly wishes.

GERMANY

The Christian Democrats' Crisis

As the German Social Democrats can testify, Dr Adenauer is no novice in the art of manipulating opinion outside Germany to damage his opponents at home. What is new in German politics is the turning of this technique against an opponent in his own party, and, indeed, in his own cabinet. Dr Erhard had seemed to accept Dr Adenauer's decision to keep him, the vice-chancellor, out of the chancellorship by hanging on to it himself. In return he got a handshake, a parliamentary party resolution expressing "particular confidence" in him, and a statement from the same quarter deploring any statements calculated to damage the vice-chancellor's public standing.

For Dr Adenauer this was a truce cheaply bought. Even so, he quickly threw it away: first, by his statement to the Bundestag on June 11th that Dr Erhard had known about Dr Adenauer's intentions all along; next, by a rapid series of interviews with American journalists, of which one given to the *New York Times* correspondent on June 17th caused stupefaction in the Christian Democratic Union and provoked Dr Erhard to say openly, before reporters, that the Chancellor was damaging Germany's reputation abroad and his party. Dr Adenauer in the interview had returned to his old imputation that Dr Erhard was too inexperienced to be trusted with the directon of high (which means, to him, foreign) policy. He had rebuked Dr Erhard and Dr Etzel together for "struggling" in a manner not good for the party, had denied that Dr Erhard had the support of the Christian Democrat majority, and had indicated that he, Dr Adenauer, was not going to think about choosing his successor until the elections of 1961 were over and his own fourth term of office had begun.

If it did nothing else, this kind of talk has ensured that the Christian Democrat electors will assemble for the election of the new federal president on Wednesday in a state of tension and disturbance which these usually unexcitable men have never known. The mere decision to hold the assembly in Berlin, delayed until June 19th to fend off any accusation against Bonn of sowing discord among the foreign ministers at Geneva, is a rebuff to Dr Adenauer. With his characteristic dislike of showy gestures, he has always opposed the demonstrative holding of west German state functions on soil which, strictly speaking, does not belong to the federal republic at all. He may be right; but the impulse for reunification is so damned up and frustrated that German opinion prefers an unreal gesture, even a risky one, to no gesture at all.

SOUTH AFRICA

Earth Tremors

THE violent outbreak of rioting in Durban had an immediate cause — but also a deeper significance. The immediate cause was the authorities' attempt to suppress the illicit decoction of liquor by African women, and force Africans in search of refreshment, or an anodyne, into the state-run halls that sell « kaffir beer ». Africans are tenderly shielded from Scotch, gin, and even Paarl champagne; but their thirst for something more than official « kaffir beer » is met in the manner adopted all over the world when a puritan government enforces prohibition or puts on an intolerable excise. The results are bad for health and morals; but they provide the women with an income, and a vested interest quickly springs up. Any attempt to suppress it produces violence, in the Union as in America or Ireland.

The Economist

JUNE 25, 1859

PLETHORA OF TALENT

THE New Administration is made up of men of no common ability; some of them eminently fitted for their respective fields of work; all of them heartily united on the great question of the day, the foreign policy of England; and combining, amongst them, the leaders of nearly every section of the Liberal party. ...When a Government comprehends too many men accustomed to act, and able to act, as independent leaders — statesmen whose capacity has been tried and not found wanting as independent leaders — it is extremely difficult to prevent an amount of independent thought and discussion which may seriously menace the unity of the Administration. Their very capacity for leading is often an incapacity for following a lead. ...They can no longer accept a result and merely consider the best defence of it: they examine it afresh as if there were no previous presumption in its favour. Now this is undoubtedly a great source of weakness in a Cabinet. The fresh lights and fresh arguments which the ablest men can always furnish to the common stock, are but slight gain in comparison to the dangers occasioned by their reluctant or wavering adhesion to the conclusion of their colleagues. A single first-rate statesman, with a number of less original but still firm and able adherents, will always constitute a far more stable Administration than a constellation of men of nearly equal standing and genius. The importance, however, of securing a large parliamentary support from the different sections of the Liberal party has rendered the present constitution of the Cabinet almost a necessity. The true course for the men who compose it is, to look the consequent risk fairly in the face, and to resolve firmly that nothing shall tempt them into rivalry while the great object for which they are combined still remains to be attained.

But Africans in the Union are also organising a boycott of the products of firms linked with the ruling National party; and this easily extends to government beer. Thus commercial advantage and race bitterness combined to produce an explosive mixture in Durban. On the other side, the police are only too happy to have occasion for making more of the endless raids on Africa premises that seem to reflect a feeling that it is never wise to leave Africans unawed for long. The government seems determined both to eliminate the moderates, whether black or white, and to strengthen the colour frontier by creating unalloyed bitterness. The result of this will not, however, be apartheid or peace : it will be collision. The road to anarchy by way of a police state is suggested by the events in Durban. It may temporarily suit the police to treat Africans as a sort of criminal tribe — and it may temporarily suit farmers if this situation can be exploited to yield convict labour, though that has been temporarly halted by a recent judicial decision which has caused the minister concerned to shelve the scheme. But how can these things possibly point towards a peaceful outcome ?

MINISTERS AND COLONIES

Whose Responsibility ?

THE Government has a duty to do some urgent rethinking about the relationship between ministers and colonial or hybrid territories. Nobody is satisfied with Mr Lennox-Boyd's shifty performance over the Hola deaths; and Labour spokesmen were perfectly right to seek last week to find someone, at whatever remove, to question about the decision of the federal government of Rhodesia and Nyasaland to ban the Rev. T. Colvin, a Church of Scotland missionary, from Nyasaland, even though he has lived there some years and has his home there. The Speaker ruled that he could not allow these questions ; under the 1953 constitution, control of immigration was vested in the federal government, which is deemed for such purposes to be as self-governing as Australia.

As things are, this is no doubt the correct ruling. But it does not and cannot end the matter. Within one week Mr Lennox-Boyd and Lord Home have been able to wash their hands of incidents whch have engendered the keenest disgust and resentment in the country. Kenya at any rate is still nominally a British colony, and though the Federation may be deemed independent in its jurisdiction, the Rev. Colvin lives in Nyasaland which is still a British protectorate. Labour did well to demand if the Colonial or Commonwealth Relations Office had no right (or intention) of lodging an emphatic protect. There need be no secret about the « undisclosed » reasons for Mr Colvin's banning, even from those who have not bene privileged to peruse the secret indictment of the Church of Scotland drawn up by the Nyasaland (or Federal) government. It is these alleged that Mr Colvin was once a member communist front youth organisation. In fact he ceased to belong to the organisation concerned before he was ordained or went to Nyasaland. But Salisbury has caught anti-communist paranoia exceptionally badly from South Africa ; and it is evidently determined to take up the cudgels with the Church of Scotland after the drubbing it received at the Assembly of that Church last month. This is making more and more liberals here determined that after 1960 it will not control immigration any longer. But Lord Home should do something about it now. And Mr Lennox-Boyd should be in no doubt that the good repute of the government of Kenya, which is his responsibility, is under a cloud which he has signally failed to dissipate.

WHITEHAVEN BY-ELECTION

The Last by-Election ?

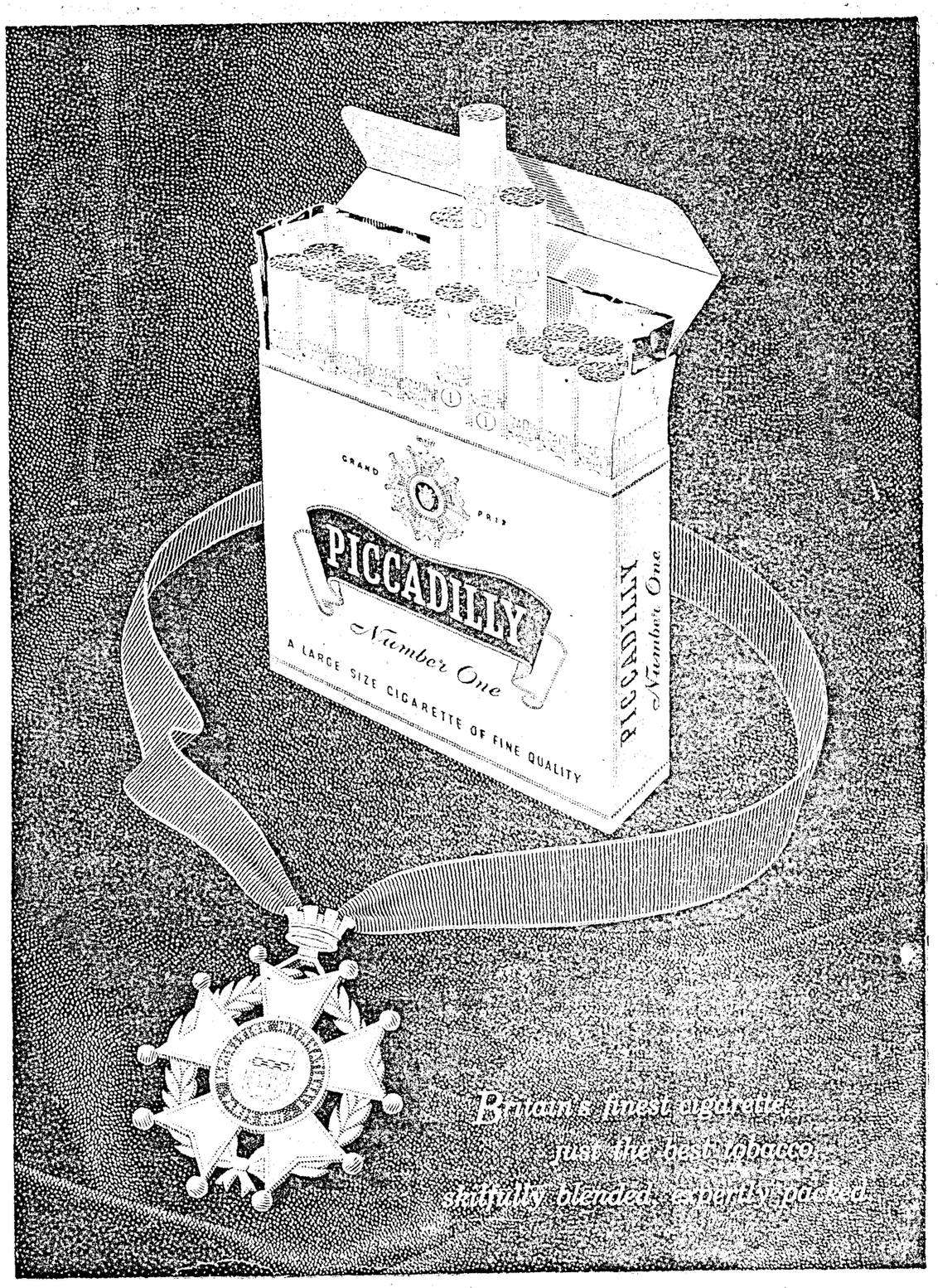
MORE than 79 per cent of the electorate voted at Whitehaven last week, an extraordinarily high turn out for a by-election in a rather uninterestingly safe Labour seat. The result showed a 0.6 per cent swing to Labour compared with 1955. This was well below the average swing of just over 2 per cent which would be required to bring Labour back to office at a general election ; indeed an average swing of only 0.6 par cent would still leave the Censervatives in power with a majority of nearly 50 in the House. The area around Whitehaven, however, was one in which the Conservatives made a rather better-than-average showing in last month's local elections ; the general swing to Labour in those elections seemed nearer to one per cent compared with 1955, while the swing to Labour in the Penistone by-election the week before last was 1.8 per cent.

When the results of all these elections are taken together, however, they still present a reasonably homogeneous picture. It seems very probable that Mr Macmillan would have got bach to power, albeit with a moderately reduced majority, if he had called a general election for last month or this. What one cannot say is whether this necessarily provides a pointer to what is likely to happen if a general election is called next October ; the present apparent slight odds on the Tories will be reversed if more than one out every hundred of the electorate swings to Labour in the meantime. As it happens, however, Mr Macmillan may have no more by-elections in this Parliament by which to judge when to chance his arm. Although five seats are at present vacant through death or ennoblement, the holiday months of July and August are usually kept free from by-elections ; by the time the holiday season is over in mid-September, it is just conceivable that the announcement will already have been made that this Parliament is to stand dissolved.

MOTOR STRIKE

Standard Difficulties

IN the latest bout of unofficial stoppages in the motor industry the Standard Motor Company has had all the publicity with little trouble, and the British Motor Corporation and Rover all the trouble with little publicity. All three firms, and the British Motor Corporation in particular, have been beset by persistent unofficial stoppages recently. Standard, however, faced with slow working and a rejection



of their £20 a week interim offer (until piece rates for the new Herald were finally negotiated) decided to sack all the 117 men in the body-making department involved; they thereby risked delaying yet further the production of their new model, whose marketing has already suffered several serious setbacks, but succeeded instead in giving the men such a jolt that, within three days, terms acceptable to the management and the unions were agreed and work was resumed. In the BMC such managerial action, through threatened, has not so far been taken; the corporation is loaded down with orders and fears that any sackings would at once lead to a general stoppage. It thinks that this might cost more at present than any number of wildcat strikes.

The key difference—though not the only one—between the labour position at BMC and Standard, where the dismissals had few repercussions, is the much greater confidence existing at Standard between union officials, shop stewards and the rank and file. This confidence, rather than that between management and men, is always the first target of communist infiltrators on the spot; only once officials have been discredited can every grievance be turned into an unofficial strike. There are several grievances outstanding in the motor industry at the moment, such as the disparity between time and piece rates (the latter much inflated in the present boom), and the overlapping and rivalries between some of the 30-odd representative unions. In the BMC a strongly entrenched group of shop stewards (with some outside help) is making all the hay it can out of this industrial muddle, which looks just the way Briggs did before the 1954 showdown.

One footnote to the Standard dispute is worth adding. The level of piecework earnings over which the dismissals took place was not as high as many people outside industry, over recent years, have come to imagine—when one remembers that vehicle body builders are about the highest-paid men in the motor industry, that the motor industry is certainly the highest-paying industry in the country, and that Standard n the past has had the reputation of being the highest-paying firm in the motor industry. The management was proved coolly justified in its decision to stand up to the sricks, but the absolute level of £1,000-£1,250 a year from Standard's offer should bring no emotional overtones into public attitudes. Vehicle body workers, like neuro-surgeons and welders, are entitled to whatever the market will pay for their services.

THE POLICE

Impartial Investigations Needed

NOT everybody will share Mr Butler's confidence in the present method of investigating allegations into a breach of the rules of conduct by the Metropolitan Police. Last week, when questioned by a Labour member about two men who were said to have been severely assaulted and kicked in a police station, Mr Butler replied that the matter had been fully investigated by the police commissioner, who had found no grounds for disciplinary action or for criminal proceedings.

What evidently happens is this. A complaint against the police of manhandling, for which there is evidence in the form of, say, broken ribs or bruises, is reported to Scotland Yard, which has its own machinery for investigating alleged breaches of discipline. This machinery gets to work, without undue haste; the police are questioned and produce the plausible story that the complainant was very violent on being arrested, fought with the arresting policeman and in the course of the struggle fell against some steps. This is, of course, just the sort of explanation Scotland Yard wants to be given; it is accepted and passed on to the person who reported the complaint, and it may very well be true.

But how can one be sure it is true? Scotland Yard's investigators need not have questioned the person said to have been manhandled, or even anyone who might have given independent evidence, such as people who had seen the injuries. Independent witnesses of the actual assault, if it did take place, do not, of course, exist. It will be said that the police are having an extremely difficult task combating thuggery and that if complaints against them are made the subject of a prosecution, it will undermine public confidence. But public confidence is already shaken, and the only way to restore it is for an independent inquiry—in some form or another—into each case where there is *prima facie* evidence of assault. Investigations by the police into the police on behalf of the police cannot, in present circumstances, carry sufficient weight.

PREPARATION FOR RETIREMENT

How the Old Live

FOUR years ago, the National Old People's Welfare Council appointed a strong study group to consider, the question of preparation for retirement or adjustment to ageing. « Timely planning », in the words of the Chief Medical Officer of the Ministry of Health, « can do much to reduce hardship to the elderly at a later date » — in matters not only of health but in many others, from practical comfort to mental liveness and serenity. Later this year a full-length book is to be published embodying the results of this study; meanwhile, a short pamphlet* indicates the field which it covered and some of the conclusions which it reached.

What emerges most clearly from the group's work is the two fold nature of retirement; as opportunity and as misfortune. The man who ends his normal lifetime employment at sixty-five has ahead o fhim the possibility of fifteen or twenty years of other activities, none the less valuable to himself, his circle, and the wider community because in the nature of things they must be pursued *diminuendo*; so much for opportunity. He loses a considerable part of his income; he also loses his standing in whatever worHing team he belonged to, and very probably a number of other valued personal contacts as well; so much, initially, for misfortune — to which time sooner or later adds those of actual disability. Both public and private welfare policy has hitherto concentrated, naturally enough, on alleviating misfortunes rather than on enlarging opportunities. Public policy wll no doubt have to go on doing so — though, one may hope, with a more discriminating and intelligent attention to the real needs of the retired when these have been more systematically studied. It is part of the argument of this pamphlet, however, that the more positive approach, possible to the private, semi-private or cooperative agency, can do a good deal to alleviate or forestall misfortune itself. (To take the crudest possible example, it is not the life and soul of the local Darby and Joan Club who gets discovered, on the strength of a lengthening row of full milk-bottles, dying of neglected pneumonia in an empty house.) The study group lays considerable emphasis on education — both education for retirement itself and education as one use of its opportunities; and touches very lightly on other topics, such as part-time work, catering, housing, and preventive medicine. The full-length volume should, on the indications of this pamphlet, be extremely useful. It is all to the good that its potential public should do a little advance thinking about its theme; the largest decennial age-group in British history — that born between 1900 and 1910 — is getting uncomfortably close to the opportunities and misfortunes of retirement.

* « Preparation for Retirement ». Published by the National Council of Social Service, 26 Bedford Square, London, W.C.1., 18 pages, 1s. 6d.

AUSTRIA

Coalition in Difficulties

AFTER the Austrian elections at the beginning of May, the leaders of the People's party, one of the two pillars of the coalition, maintained a coy silence, allowing it to be understood that they would not mind letting the Socialists form a minority government and thus prove themselves once and for all unable to run the country single-handed. With the opening of the new parliament on June 9th, the differences between the two parties became more clearly defined.

The dispute came to centre on the ministries of foreign affairs and of finance. Of these, the latter is infinitely more important. Until the elections, Dr Kamitz, of the People's party, had ably conducted its affairs; he is widely regarded as Austria's Erhard. The Socialists had learned, though unwillingly, to accept the leadership of the People's party in economic affairs; their own power of initiative in this field had been hampered by their long drawn out, and in the end successful, attempt to renounce their Marxist inheritance. Nevertheless, a few months before the elections they showed signs that they had surmounted these difficulties : they produced their own economic programme and began to contest the economic decisions made by their partners more frequently and sharply. On June 14th Herr Raab, the Chancellor, offered them the finance ministry. Although he emphasised that it could be handed over only on conditions that represented strict safeguards for right-wing interests, the rank and file of his own People's party did not find these assurances adequate. The party executive decided next day to advise Herr Raab, who is also the party's chairman, that his offer should be withdrawn.

However, ever since the Socialists gained four seats in the elections and thus drew almost abreast of their partners and rivals, they had indicated that they would not be content with anything less than the finance ministry. Compromise projects have therefore been mooted. It would not be very surprising if an additional ministry for economic affairs were suddenly to emerge.

PARIS AIR SHOW

French Lesson

As the noise and dust of the Paris air show's closing days subside and Le Bourget gets back to its normal business as a civil airport, three strong impressions remain as reminders that these noisy jamborees—annual at Farnborough, biennial at Paris—provide much of the raw material for measuring the rightness and wrongness of any given aircraft policy. This is particularly true at Paris because the display is an international one. Aerodynamisicists of many countries, for example, must have gone home with food for thought after watching the flying and handling characteristics of the Swedish Draken fighter, which are quite unlike those of any other machine displayed.

The first mpression is one that, at this stage, concerns France only, namely the effort to develop a vehicle to carry the country's promised atomic bombs. This is being conducted on three fronts simultaneously: the designing of a Blue Streak type ballistic missile; the flight testing of a small 1,400 m.p.h. delta-winged bomber, the Mirage IV (which strengthens the privately owned Dassault company's already iron grip on military design in Francs), and the impending metamorphossi of a supersonic robot target aircraft into a ramp-launched, unpiloted atom bomb carrier on the lines of, but faster than, those in America.

The two remaining impressions are of the British industry's growing difficulties abroad. Since the French, the Italians and now the Germans revived their aircraft industries, the scope for British exports to the continent has steadily contracted. Now that the American company, Pratt and Whitney, has signed a licensing agreement with the French nationalised engine company and another American manufacturer has completed a roughly similar deal in Germany, a contraction in Britain's previously invulnerable aero-engine exports is on the cards.

Rolls-Royce fought long and hard to pull off the licensing agreement in place of the Americans, even to the extent of working in harness with its bitter rival, Bristol Siddeley. The company is now also watching, with other British manufacturers, the growing tendency for co-operation on joint projects between continental manufacturers in different countries. Many people felt that the most important exhibit of the show was an otherwise unexceptional model of an air freighter developed to a joint Franco-German specification, designed by, and to be jointly manufactured in, the two countries as a shared venture.

BOOKS

Pearls and Tapioca

EDWARD MARSH: A BIOGRAPHY
By Christopher Hassall, Longmans, 748 pages. 42s.

The art of patronage, these days, is largely put into commission; and inevitably it suffers. This is the story of a man who was not a creative artist but who devoted his life, with immense success, to the service of the arts and of scholarship. Sir Edward Marsh had three things which are necessary for success in that rare vocation: love of people, unwavering standards and some money. The last was plainly necessary, but it is clear that the amount which he had to spend was never large; nor did it need to be. The point was to spend well, at moments of greatest need. Sir Edward Marsh had two sources of money which he used for patronage: a share which he inherited of the grant voted by Parliament when his ancestor, Spenser Perceval, was murdered, and the royalties which he got for his memoir of Rupert Brooke. It is a pity—and this is almost the only criticism to be made of Mr. Hassall's biography—that the yearly amounts which he spent are not recorded: it would probably be a rare example of a little going a long way.

To have money to spend is only the beginning; what counts is to have an aim in spending. Sir Edward Marsh did not emerge from Cambridge with his vocation ready made. First came a period during which both "persona" and tastes were formed, and influences gladly accepted. But, by the time he was in his thirties, the man was fairly complete. He knew everyone and was ready to encourage talent in every form; his interests were legion; his affections were easily aroused and never turned to sourness; few people were so much loved. Yet the main impression left on one is of great strength of mind. He lived to encourage others and to help them where help was needed; but the process of selection and encouragement was not a passive one, and he left a strong impress. He was a complementary, not a secondary, character. In the preface to the last "Georgian Poetry" he wrote:

> "Much admired work seems to me, in its lack of inspiration and its disregard of form, like gravy imitating lava. Its upholders may retort that much of the work which I prefer seems to them, in its lack of inspiration, and its comparative finish, like tapioca imitating pearls."

So it was: throughout his life he collected pearls, genuine, cultured and occasionally artificial, and what may seem all of a class and all bore the mark of his taste: highly finished, sortable, with a good sheen, and even the tapioca the best of its kind.

He had a singularly strong command over the circumstances of his life. His charm and determination bent others to his pattern, and he did what he wanted. With the help of Sir Winston Churchill, he moulded even the civil service to his desire, and spent a distinguished but unique career without ever becoming an ordinary functionary; he was always, and solely, after his earliest days a personal aide to ministers—to Sir Winston Churchill when in office and to others when he was not there (it is perhaps significant that, among the myriad friends who are named in the text, not one civil servant is mentioned after he joined Sir Winston in 195)

Sociability, kindness and interest in the arts would not hav ebeen enough by themselves. He brought two other talents to bear. One was the wit and charm that meant that the company which he loved was never lacking, and the adaptability that enabled him to befriend the most variegated and often difficult characters; the other was the deep scholarship and the love of language that made his criticism useful. In his last twenty years, for the first time, his scholaship found a direct outlet in his translations and in the increasing time and labour that he gave to reading and correcting the proofs of his friends' work.

The product of his life was a string of pearls rather than a collection of individual germs, and there were few dramatic events in it. But there was one exception: his friendship with Rupert Brooke, the passionate labour which he gave to his reputation and his memory, and the unhappy and long-drawn-out quarrel with his mother after his death. This story, which Mr. Hassall tells with great sympathy to both sides, shows how much remains untold and inpublished, to the loss of Brooke's more lasting memory. It is time for a reassessment, and one hopes that this lacuna will soon be remedied.

Mr. Hassall's book is deserving of all praise. It is immensely long, and none the worse for that: one sinks into another world and is reluctant to leave it. It is charmingly written, with affection but uncritically; and the last hundred pages, which cover the period during which the author knew Sir Edward Marsh, are the best.

More Benefits and Fewer Taxes

The Control of the Purse: Progress and Decline of Parliament's Financial Control
By Paul Einzig.
Secker & Warburg. 344 pages. 35s.

Dr. Einzig's book is the detailed description of a great historical irony: the House of Commons won and perfected over centuries the right and the means to control public expenditure—and when it had done so, it lost the will to use them.

The mechanism of the drama is of an almost terrifying simplicity. Parliament could not successfully and consistently control finance as long as it was separate from the executive and opposed to it; for where control and responsibility are divorced, government becomes impossible. This was the typical medieval dilemma. It was solved in the seventeenth century by resting the executive itself upon a parliamentary majority, so that control and responsibility were married; but this in turn meant that the Government must secure, or try to secure, a parliamentary majority. In the eighteenth century the Government escaped financial control by its ability to "manage" the members of Parliament and their constituencies. With the extension of the franchise in the nineteenth and twentieth centuries the Government has had to "bribe" an electorate which increasingly stood to benefit from less taxation. Hence a situation where the Government's desire to spend is only exceeded by that of its parliamentary supporters and the official opposition, and where the perfected machinery of parliamentary scrutiny and Treasury control languishes for lack of the will to drive it.

This process Dr. Einzig describes and documents more thoroughly than has been done before. Probably he would have been wise to devote less space to the medieval period, where he suffers from inadequate specialised knowledge, and to give even more detail from 1660 or 1688 onwards. There is, however, one recent and important factor which he seems to have overlooked altogether. This is Keynes, or rather the belief, vague but widely and deeply held in the last two decades, that Government expenditure is in itself a Good Thing. The Conservative party's enthusiasm for retrenchment in the early fifties was never robust in comparison with what such enthusiasms had been in the early twenties or at times in the last century; but, such as it was, it disappeared without trace at the first whiff of unemployment. (Whoever hears a complaint nowadays about the size of the Civil Service?) Public spending was now the key to electoral success not only directly via benefits but indirectly via the "full employment" which (so it had been discovered) public spending could be used to produce or maintain.

The Greek inevitability of this drama forbids the hope, which Dr. Einzig is sometimes tempted to indulge, that procedural devices or safeguards —he is, for example, (rightly) a bitter critic of sending the Finance Bill 'upstairs"—will stem the trend towards higher Government expenditure, The social or political changes that would give the electorate a greater interest in retrenchment than in expenditure are not yet in sight: unless and until they occur, financial control may gain a battle here or there, but it will never win a campaign.

Stress and Sickness

Revolution in Medicine
By Brian Inglis.
Hutchinson. 279 pages. 21s.
Nature of Stress Disorder
Hutchinson. 298 pages. 25s.

Mr. Inglis is thoroughgoing in his denunciation of the methods and practice of medicine here and now. He wants a more realistic view of the prevalence of emotional causes of illness and a more open application of psychotherapeutic methods in the treatment of both neurotic illness and those conditions with prominent bodily symptoms like duodenal ulcer, essential hypertension, asthma and "rheumatism" which so many doctors now label psychosomatic. His revolution would entail a recasting of the medical students' curriculum and a reorientation of research and of the outlook of many family doctors.

There are, in fact, abundant signs in books, papers, the formation of societies (vide infra) and in general medical opinion that the ideas which the author summarises are gradually permeating medical practice. Even the teaching hospitals and research institutes, where in the last eighty years the extraordinary success of a clinical medicine based on the material sciences has led to a disregard of human and emotional contributions to the causes of illness, are changing their ways. More family doctors than the author seems to realise are as well aware as he is of the importance of emotional factors in the appearance of symptoms. But, very often, because they distrust their own ability to handle them or because of lack of time to listen, they fall back on short cuts or help to flood the psychiatric out-patient departments of hospitals.

There are those who are unconvinced by the need for Mr. Inglis's revolution and want scientific proof rather than the faith and assertions of the enthusiast. It is, however, exceedingly difficult to produce cast-iron evidence of the efficacy of psychotherapy, though every doctor who practises it knows of people he is sure he has helped. It is strange, too, how recalcitrant to treatment by psychotherapy many psychosomatic illnesses prove to be, though Mr. Inglis hardly gives this impression.

In a short book that deals with a vast subject, there are bound to be occasions when the author can be suspected of partiality, or choosing to refer almost entirely to those papers which support his argument. He quotes for example one paper unfriendly to leucotomy, but the balance of published material is probably the other way. He seems to condemn physical methods of treatment, including tranquillisers, in psychiatry without making it plain that these are only widely used in psychotic illnesses and not in the neuroses. Occasionally he makes an irritating remark that might provoke the medical retort that he has never treated a patient.

Both laymen and doctors can nevertheless be grateful to Mr. Inglis for gathering together the evidence and expressing it all so readably even if in his enthusiasm he is inclined to overstate his case. He is, although he does not seem to know it, flogging a half-dead horse.

"The Nature of Stress Disorder" is a report of a conference held last year by the Society for Psychosomatic Research, and interdisciplinary group of psychiatrists, other doctors, biologists and other scientists. The chapter headings, which include dyspepsia, hypertension, stress in aviation, responses of animals to stress, stress in society, stress in industry, the university student, stress in childhood and the influence of genetic endowment, indicate the wide scope of the inquiry. Each section is followed by a verbatim account of the discussion each paper aroused, a luxury usually met with only in American publications. The whole is summed up in a thought-provoking philosophical chapter by Dr. J. O. Wisdom.

ESP

The Sixth Sense
By Rosalind Heywood
Chatto & Windus. 224 pages 21s.

This book has as its sub-title "An Inquiry into Extra-Sensory Perception," and is a readable survey of studies that have been made in the area since scientists began to take an interest in it. The author is objective, and approaches her material as an enquiring layman, so that the general reader who wishes to find his way about this odd region will find in Miss Heywood a congenial guide.

Although she does not stress the point herself, her biographical sketches bring out clearly the intense pre-occupation of some very distinguished scholars and scientists with queer, seemingly inexplicable fragments of evidence which, taken at their face value, would suggest that the orthodox scientific view of the material world is somehow, somewhere, mistaken. What emerges is a mixture of scientific precision, rigorous logic, and wishful thinking. The whole question is dealt with in terms of data which appear inexplicable but, on the whole, are fragmentary, and often trivial. Granted that the evidence is what it seems to be, it becomes significant only in terms of statistical notions which are themselves open to question. When one puts the massive integrated framework of physical science on one side and these odd data on the other, one is tempted, and this reviewer would certainly yield to the temptation without hesitation, to say that the data are not what they seem to be, or else the statistical assumptions which seem to give them significance are mistaken; but the workers in ESP are temperamentally champions of the underdog, compulsively fair-minded, and very anxious to be convinced. The interplay of these factors makes a fascinating story.

Other Books

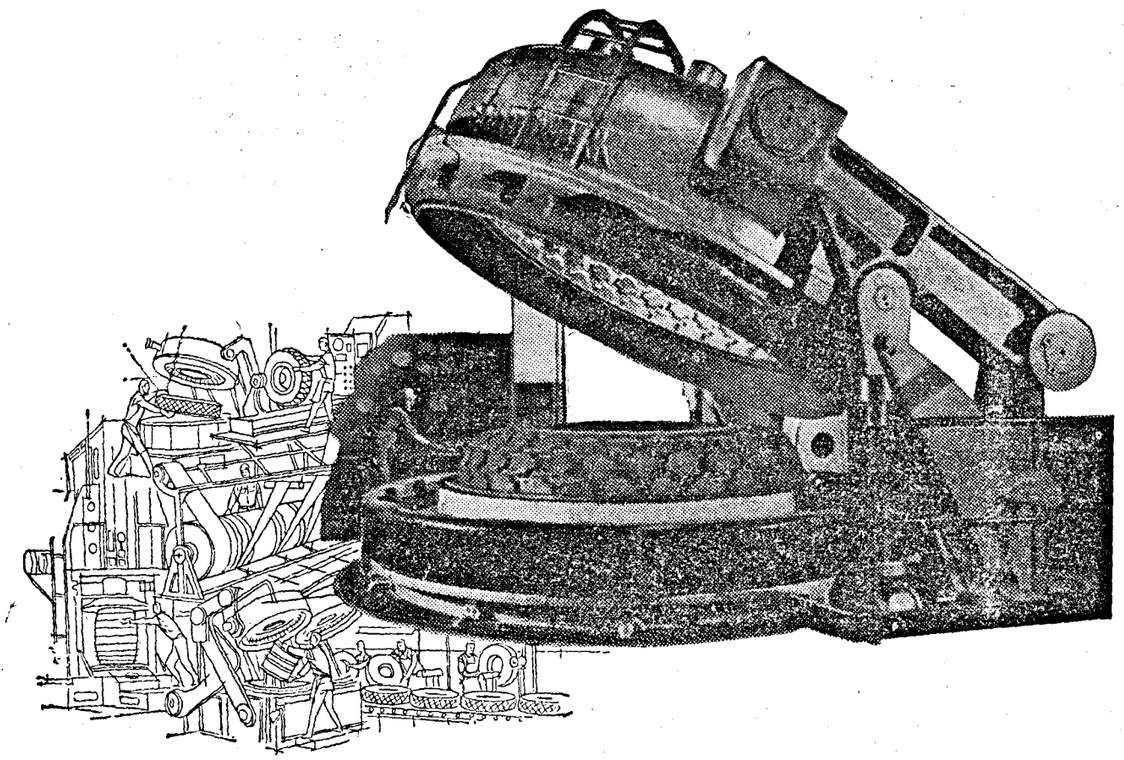
The National Union of Printing, Bookbinding and Paper Workers. By C. J. Bundock. The University Press, Oxford. 588 pages. 5s. plus 2s. postage.

This is an authoritative and beautifully produced history of one of Britain's oldest craft unions. The union, whose family tree stretches back to the eighteenth century journeymen bookbinders (formed for "social and convivial purposes"), now has a total of 150,000 members and is by far the largest union in the printing and paper industry. The book is full of the close detail—of underground radical societies, of able leaders and their rivalries, of strikes, craft disputes and, ultimately, of the improvement in members' status—that makes the real stuff of union history. The printing unions, with their strong non-conformist conscience that has preserved to this day, their "chapels" and their "fathers," have contributed much to this. No one who reads this book, which is for the specialist, could doubt the value the union has given, and continues to give, to its members.

As Unions Mature. By R. A. Lester. Princeton University Press. London: Oxford University Press. 182 pages, 30s.

Unions in America. By B. C. Roberts. Princeton University Press. 146 pages. $2.00.

In this monograph, Mr. Roberts sets out simply and clearly some comparisons between unions here and in America. In many respects, such as the slow-down in union growth, the coming of union maturity (discussed at much greater length in Professor Lister's book) and the watering down of internal democracy, the position in the two countries is very similar. In others, and particularly in the unions' legal framework and in the breadth of their wage contracts, it is quite different. There is also the wholly different union ethos in America—much less in the radical non-conformist, and much more in the business, tradition—which has led to the rise in corruption there. Mr. Roberts discusses the corruption charges and raises the urgent question of a new philosophy for American labour; Professor Lister, by examining the institution developments inside the unions, gives the data on which any realistic philosophy must to based.



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AMERICAN SURVEY

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

Protection Frustrated

WASHINGTON, DC

AMERICAN trade policy has in one sense a surprising consistency. It is not one that can be used to forecast the outcome of any individual case, but it gives a strong clue to the probable future movement of trade barriers in general and even of imports. The consistency lies in the policy being equally balanced between liberalism and protectionism, with the weight perhaps a shade heavier on the liberal side.

Victories for liberalism, of course, seldom seem as dramatic as decisions that go the other way. For one thing, American tariffs in the postwar period have been reduced in three or four large batches following the recurrent negotiations under the General Agreement on Tariffs and Trade; this means that a single newspaper story covers about 500 reductions in tariffs. But each individual decision that raises trade barriers is worth several stories, including one on the inevitable reaction from abroad. Moreover a number of liberal « triumphs » are not newsworthy because they are essentially negative. For example, a potentially dangerous movement by senators from western States to establish a permanent system of import quotas for the chief minerals, starting with fluorspar, now appears to have been headed off without fanfare.

Ever since the end of the war the protectionists in Congress have in fact been frustrated on the essential points. The law permitting the negotiation of trade agreements on a reciprocal basis has been extended regularly, with added, even if modest, new authority to cut tariffs, and far more trade barriers have been reduced than have been raised. However, none of this is of much comfort to the woollen manufacturers of Bradford, the oil men of Venezuela, the Japanese cotton textile exporters, the Dutch cheese industry, the lead and zinc miners of Mexico and Peru, the Swiss watchmakers, or the British and German bicycle manufacturers. Nor can it be disputed that the very recent record in America has been unusually protectionist. The mid-June decision not ta curb imports of heavy electrical equipment —a decision particularly welcome to Britain of which details are given separately,—was an exception to a rather depressing recent rule.

There have, however, been special, and rather compelling, reasons for the protectionist moves of the past year or two. The most important of these, as regards the volume of goods and money involved, was the imposition of mandatory quotas on petroleum imports (a decision, incidentally, which seems to have aroused far less protest in Europe than the single "buy American" ruling which excluded British turbines for the Greer's Ferry dam). There is one facet of this decision that is not generally understood. For many years the United States has had a disguised system of price support for crude oil produced at home, through the use of « allowable » quotas for output imposed by the oil states, backed by a federal law. It was only a matter of time until imports began to undermine this scheme, as they might have undermined the price support schemes for farm crops. The United States has had quotas for years on imports of wheat and cotton, and the oil quota has the same « justification ».

The depressed condition of the domestic textile industry is not peculiar to the United States, nor is the American reaction—in the form of the wool tariff quota and the « voluntary » export quotas of Japan—unique in the world, although the device used in the case of wool seems to have been peculiarly clumsy and discriminating. Western mining states produce a large number of senators, quite disproportionate to their slim population, and as a result restrictions on imports of lead and zinc were exceptionally difficult to avoid without unhealthy political consequences. Last year's imposition of quotas on imports of the two metals was the price that had to be paid for an extension of the reciprocal trade law that was essential to give Americans some bargaining power in the forthcoming GATT negotiations with the members of the common market—negotiations that will presumably produce another batch of tariff cuts.

MEANWHILE, American imports as a whole continue to boom. They were scarcely affected by last year's recession, and now they are at record levels. Apart from the lead and zinc quotas there have been only four minor increases in tariffs under the escape clause of the Reciprocal Trade Act since the bicycle case in 1955. Not only raw materials but manufactured goods are entering the United States in swelling amounts, as the European manufacturers can testify. But now men of good sense and good will are beginning to wonder if something will not have to be done about the persistent deficit in the balance of payments, with its accompanying outflow of gold.

Fortunately, up to now there has been almost no call for a general policy of protection for balance-of-payments reasons. As long as the United States continues to handle trade questions on a case-by-case basis, the total outflow of dollars to the world on commercial account will continue to mount. This does not help Bradford, but it helps the gold reserves of the Bank of England. The question for the future is whether protectionist pressures in the United States, always present in any case, will gain strength from the balance-of-payments difficulty.

The most certain prophecy is that the answer cannot be given before 1962, when the reciprocal trade agreements law comes up again for renewal. There is no chance that

the protectionists in Congress will be able to enforce a sweeping change in the present system on their own initiative. But they could conceivably muster the strength for a major onslaught in 1962 when the Administration must appeal to Congress for another extension of the law. Even then—given the near certainty that the new Administration of whichever party will be reasonably liberal on trade matters—it is unlikely that they would achieve anything worse than a stalemate: no extension of tariff-cutting authority but no major new protectionist devices either. The most likely prospect for American trade policy for as far ahead as can be seen is a continuation of the fairly consistent performance to date—a performance that has not done badly by the rest of the world.

No threat from Turbines

WHEN the long-awaited decision of the Office of Civil and Defence Mobilisation on whether imports of heavy electrical equipment are threatening the national security was finally delivered in the middle of June, it went with unexpected and welcome firmness against the domestic producers who had been demanding protection from foreign competition. British and other European manufacturers have been increasingly successful in recent years in underbidding American suppliers on contracts for hydraulic turbines, generators, transformers and circuit breakers. Since most of this heavy equipment is bought by government agencies, it is subject to the Buy American Act, which gives domestic suppliers an advantage of 6, and in some cases 12, per cent over foreign bidders. Moreover, allowance also has to be made for import duties and shipping costs. Even so, the difference between the bids from abroad and those of American manufacturers has frequently been far larger than can be accounted for simply by the lower wages in Europe about which the Americans complain.

However, a survey of deliveries and pending orders from foreign suppliers during the seven years ending last July showed that the total amounted to only 361 pieces of equipment, compared with over 30,000 produced at home during the period; of the 3,200 power stations in the country, only 102 had any foreign equipment. Therefore, while Mr Hoegh, the head of the OCDM, agreed with the American manufacturers that a healthy domestic industry was essential to the national security, he could not agree that security was threatened by he comparatively small proportion of foreign equipment now being ordered.

Nor was he prepared to accept the arguments that foreign equipment was less reliable than domestic and that it was difficult to repair and maintain, especially in the event of war. But as a precaution Mr Hoegh is taking steps to see that government agencies require companies bidding on federal contracts to provide repairing and maintenance facilities on the North American continent—as the English Electric Company, for example, already does in Canada.

Mr Hoegh gave particular consideration to hydraulic turbines, for which the demand is very limited, which are manufactured by only four American firms and which employ large machine tools and skilled labour also needed for heavy military equipment in wartime. While he did not think that imports of even this special class of equipment threatened the national security at present, he did recommend that the situation should be reviewed from time to time.

Although Mr Hoegh, in consultation with the State Department, considered the general bearing of the case on the foreign policy of the United States and decided that this would be harmed if imports of heavey electrical equipment were restricted, his complete rejection of the domestic industry's plea was firmly based on his failure to find any practical justification for it. Relatively little equipment has in fact been procured from abroad; the domestic industry has adequate capacity to meet the requirements of a national mobilisation; and there is no reason, in his view, to believe that it is not capable of adjusting itself to the changing environment of today, including foreign competition.

Now Mr Hoegh must go on to consider a similar plea from the producers of steam turbines. These supply about four-fifths of the electricity now consumed in the United States and therefore offer a potential market of far greater importance to foreign manufacturers than does hydraulic equipment. It is a market which they entered for the first time only this year when the Tennessee Valley Authority accepted a bid for a steam turbine from the British firm of C.A. Parsons Ltd.

The Court's Second Thoughts

FROM A CORRESPONDENT IN WASHINGTON

LIBERAL-minded Americans who thought that the present Supreme Court was determined to supervise the behaviour of legislative investigators were rudely jolted by two recent decisions in contempt cases. By identical majorities of 5 to 4 the Justices upheld the convictions of Mr Barenblatt, a former college instructor who had refused to tell the House Committee on Un-American Activities whether he was a Communist, and of Mr Uphaus, a pacifist who had declined to give to investigators from the New Hampshire Legislature the guest list of his leftish summer camp. What made the decisions so surprising was that just two years ago, in the Watkins and Sweezy cases, the Court had seemed to put tight restrictions on the very same congressional committee and on the inquiry in New Hampshire. Inevitably, the new decisions raised sharp questions about the course taken by the court and its effect on the future scope of legislative investigating committees.

For twenty years the House committee and others created in its image have been ferreting out communists in government, in the theatre, in trade unions and in education. By now the pattern is familiar. A co-operative ex-communist describes the "infiltration" of some institution and names names. Then unwilling witnesses are asked: "Are you now or have you ever been a member of the Communist party?" They can avoid answering by invoking the Fifth Amendment to the Constitution, on the ground that answers may provide a link in their prosecution for some crime of subversion. But resorting to this guarantee against forced self-incrimination has the unpleasant result of leading the public to think that the witness has something to hide. For this reason efforts have been made to establish a broader



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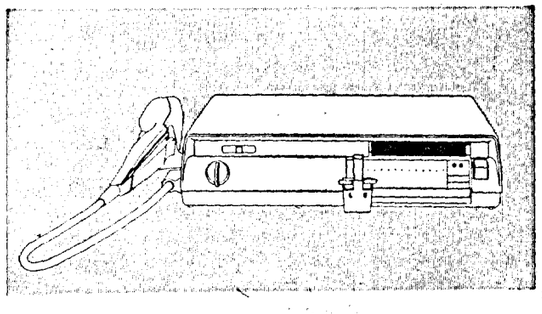
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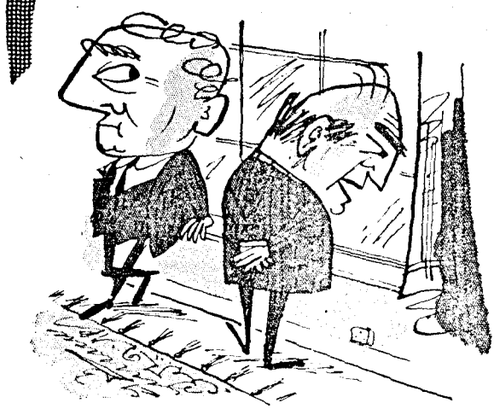


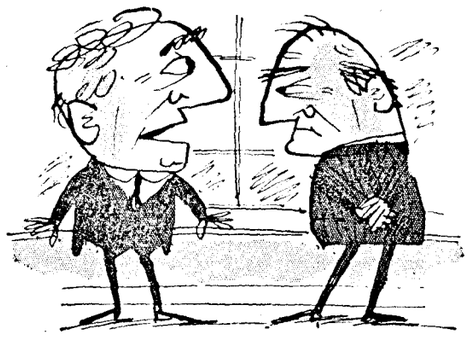
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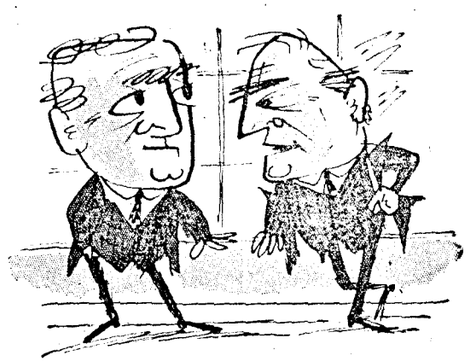
What this country needs

Look at all this stuff we're importing! More exports, that's what this country needs. I sometimes wonder if our manufacturers are putting their backs into it.

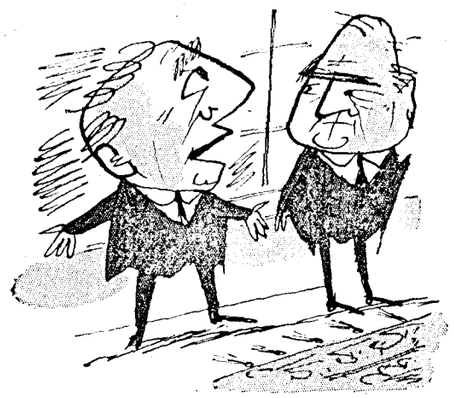




Some of them are, that's certain. Take I.C.I.—their annual exports have been running at over £70 million for some years.



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The things they say!

ICI

constitutional ground for refusing to answer: that the committee has no power to force a private citizen to disclose his beliefs and associations.

Three members of the Court fully accept this constitutional argument. The dissent in the Barenblatt case by Justice Black, which was supported by the Chief Justice, Mr Warren, and Justice Douglas, could conceive of no circumstances justifying "use of the contempt power to enforce questioning by congressional committees in the realm of speech and association." The fourth dissenter, Justice Brennan, reserved his views on whether exposure of beliefs was permissible if incidental to some otherwise legitimate purpose of inquiry; in this case, he said, the exposure of Mr Barenblatt was not incidental but was in fact the only reason for the committee's questions.

The majority, speaking through Justice Harlan, considered that congressional investigations, whatever their occasional excesses, had performed important functions in American history. Moreover, Justice Harlan said, the government had a special interest—"the right of self-preservation"—in fighting communism. Balancing the public need against the possible private injury, the majority concluded that the committee in these circumsances must be allowed to ask its questions.

Many observers wondered whether Justice Harlan's opinion could be reconciled with what the Chief Justice had said for the majority in the Watkins case. In tone the two opinions could not have been more different, for the whole emphasis in the Watkins decision was on protecting individuals against unfair investigations. Consequently, it was widely suggested that the Court had beaten a deliberate retreat in the hope of placating its critics and staving off restrictive legislation of a kind still being actively pressed in the Barenblatt case,.

But that is too simple a view. Only two members of the majority in the Watkins case were also in the majority in the Barenblatt case. These two members were Justices Harlan and Frankfurter. And there is every reason to believe that they never really subscribed to the Chief Justices's broad language in the Watkins opinion which, without that controversial embroidery, was simply a narrow procedural holding that a committee must explain the purpose of its questions to a witness before demanding answers. Having found that requirement met for Mr Barenblatt, Justices Harlan and Frankfurter could claim to see no inconsistensy in the two cases. ,

THE latest contempt decisions expose, however, as the earlier cases failed to do, the deep division in the Court over how far it is justified in interfering with legislative policies. The cases also illustrate the unfortunate effect which such a strongly-felt philosophical conflict may have. Overstatement in Chief Justice Warren's opinion in 1957 led to the Watkins decision being given undue importance by both friends and enemies of the Court. And now Justice Harlan's denunciations of communism and remarks about the necessary breadth of congressional investigations may encourage an excess of zeal in investigating committees. More than one student of the Court wishes that the Justices could more often restrain their antagonisms and seek to agree on more moderate—and more lasting—opinions.

The Barenblatt and Uphaus cases do not by any means remove all limitations on congressional and state investigators. They still must behave with at least a minimum of procedural decency. The Court will not inquire into their motives, but they will be checked if it is plain that they are calling a witness only to punish him for example by trapping him into a prosecution for perjury. Justice Harlan also made it clear that the Court would strike down, as an unconstitutional invasion of academic freedom, an inquiry into what a teacher had taught in a classroom. Outside the area of communism the limits are stricter; southern investigating committees will have no free access to the lists of membership of Negro protective associations.

Such judicial restraints on legislative inquiry, desirable as they are, are unlikely ever to be decisive. The Watkins case helped, both legally and psychologically, to check the worst excesses of the witch-hunters, but the public's loss of interest has been a more effective restrant. The Senate's investigation of absuses in the field of labour relations, which is vigorously supported by public opinion, rolls on unimpeded by the courts.

Defence in the Air

FROM A SPECIAL CORRESPONDENT

THE Administration has now made public its new « master plan » for defending the United States and, incidentally, for resolving the struggle over competing weapons systems which has resulted, in recent weeks, in the House supporting the Army's Nike-Hercules and Nike-Zeus, the Senate Armed Services Committee supporting the Air Force's Bomarc, and the President striking out angrily against the « munitions lobby » for trying to influence the Administration's decisions. All three weapons are ground to air missiles, carrying nuclear warheads, but the immediate competition is between the Nike-Hercules which is already in operation at a few sites and the Bomarc which is not; both are designed to intercept intercontinental bombers. The Nike-Zeus in the only one being developed to deal with intercontinental missiles and at least three more years' work is needed to bring it to fruition.

In all, about $5.6 billion has been spent on the Hercules, the Nike-Ajax (its forerunner) and the Bomarc, and Congress clearly thinks that a money-saving choice between the Nike-Hercules and the Bomarc should be possible by now. Until recently Mr McElroy, the Secretary of Defence, seemed to agree. However, in its new plan the Administration continues to rely on a mixture of the Nike-Ajax, the Nike-Hercules and the Bomarc, in addition to manned interreptors, but with reduced numbers if the last three ; its case is that the continuing threat of manned bombers demands continuation of both the Hercules and the Bomarc programmes, though on a reduced scale. Under its scheme, spending on the Bomarc from now until 1965 is to be cut by $740 million and that on the Hercules by $496 million ; there is an outside chance, not rated very highly, that $1.5 billion in all may be saved. More money—$157 million in the next fiscal year—will be allotted to speed development of the Nike-Zeus, which alone promises any protection against missiles. This leaves the Army doubly satisfied; the Air Force, whose Bomarc after years of development is not yet past the testing stage, is less pleased.

THE Administration's critics in Congress, who want to concentrate the cuts on one missile or the other, are far from satisfied that the plan goes far enough, either in increasing funds for the Nike-Zeus, or in reducing spending on anti-aircraft missiles which they feel are on the way to becoming obsolete. Senator Symington declared that it is « at best only a compromise effort to satisfy each of the quarrelling services » and « guarantees a further waste of billions of dollars. »

The military men defend their failure to choose between the Hercules and Bomarc on the ground that they should complement rather than duplicate each other, assuming that both justify the claims for them. The Army's assigned of « spot » local defence would be served by an efficient 100-mile weapon and the Air Force's « area » defense mission by on with longer range. But in the competition between these two projects it is possble to discern something more : the basic competition of the Army and the Air Force to provide a large part of the country's continental air defence, from missiles as well as bombers. The Army holds resolutely to the view that it retains its historic responsibility for defending its own forces and such other installations as are assigned to it (including the air défence of the Strategic Air Command's bases). In their day the Army's anti-aircraft cannons ringed big cities and industrial complexes. As enemy bombers acquired greater speed and flew at higher altitudes, the cannons were replaced by Nike-Ajax missiles, guided to an evasive target by electronic guidance systems; in their turn these are giving way to the longer-range Nike-Hercules, which, with its atomic capability, marked a great advance. In the lately improved Hercules, the Army has a still more impressive weapon.

The Air Force, as energetic as it is ambitious, has consistently sought to extend its responsibility for « area » defence (originally discharged by aircraft) and to take over all air defence. The North American Air Defence (NOARD) includes elements from the US Air Force, the US Army, and the Royal Canadian Air Force, but it is commanded by an Air Force general and the Air Force clearly hopes to extend its present combat command powers over components from the other American services to a complete control of all processes. This is being stoutly resisted. The present dispute must be recognised as one aspect of abiding service differences which, instead of subsiding with time, have been vigorously restimulated by missiles technology and its tactical applications.

Congress uses its veto

WITH the help of two Republicans—Senator Margeret Chase Smith of Maine and Senator Langer of North Dakota—who are not amenable to party discipline, the Democrats last week rejected, by 49 votes to 46, the appointment of Mr Lewis Strauss to be Secretary of Commerce, a post he has filled, pending confirmation, since last November. This was the sharpest rebuff ever offered to President Eisenhower, who had nailed his flag to Admiral Strauss's mast by declaring that he would not withdraw the nomination even if asked to do so by the nominee himself. Moreover, the President's right to choose his own Cabinet, though technically subject to the consent of the Senate, has been over-ridden only once in nearly a hundred years, in 1925 when an Attorney General was turned down because his private interests seemed likely to conflict with his public duty.

No such charges were brought against Mr Strauss, though his Wall Street aura rankles with progressive Democrats. But the unforgiving enemy Mr Strauss made when he was chairman of the Atomic Energy Commission, Senator Anderson of New Mexico, felt certain—rightly as it proved—that if the committee hearings could be dragged on long enough Mr Strauss, for all his unquestioned ability, would exhibit the irritating qualities of evasiveness and self righteousness for which he is disliked even by some who share his highly conservative views. Potential Democratic candidates for the Presidency, moreover, did not care to support a man whose unbridled enthusiasm for " executive privilege "—the right to withold information from Congress—rubs so many legislators the wrong way.

Even so, Mr Strauss might have scraped by if many nothern and western Democrats were not deeply frustrated by the way in which the President, by threatening to use his veto, has forced the congressional majority to water down one liberal Bill after another. Because the conservative southern Democrats support the President, particularly when it is a question of spending money, the Democrats cannot find the two-thirds majority needed to over-ride such vetoes. But for the Senate to veto Mr Strauss required only a simple majority; the opposition could do without its southern members and even without the vote of Senator Fulbright, the only Senator not to vote or be paired. Senator Johnson, the Democratic leader, had held that the issue was one for each member's conscience, but he may not have been sorry to let the liberals have their way for once and to show that he is not averse to challenging the President, as the liberals want him to do, when he has the votes. The average American may feel, however, that the head of a devoted, if exasperating, public servant is a poor substitute for the constructive legislation which the Democrats promised last November.

Interest Deferred

CONGRESS is losing no time in giving the President most of the increase in the ceiling on the public debt which a $12 billion deficit—the largest ever in peace-time makes necessary. On June 30th, when the debt limit reverts to $283 billion, it is estimated that the debt will stand at about $285 billion. Mr Eisenhower asked for the permanent ceiling to be raised to $288 billion, to give the Treasury a little room for manœuvre, and for a temporary one of $295 billion, to enable it to get through the coming months when tax receipts are seasonally low. The House of Representatives refused any leeway in the permanent limit, setting it at exactly $285 billion, but it put the temporary one at $295 billions until June 30, 1960.

Because it is so urgent to deal with the debt limit, the Democrats have a good excuse for splitting it off from the other proposal of the Administration which they like very much less: the removal of the ceiling on the interest which may be paid on new issues of bonds which mature in more than five years. Mr Johnson, the majority leader in the Senate, where the going will be much harder than in the House, said recently that the Democrats will not be hurried into removing the 4 1/4 per cent ceiling « which has worked well for forty years. » But long-term interest rates are higher than they have been for nearly forty years. The limit is now preventing the government from selling longterm and forcing it to rely on short-term financing, which is free of any limitation.

If the Democratic majority in Congress agrees to raise or remove this limit, which is far from certain, it will have to be convinced that allowing the government to pay more interest will not raise the cost of money for the small borrower, the man buying his house, and states and cities which must borrow to build schools and hospitals. The Democrats are traditionally the party of cheap money and many blame the rise in interest rates on the Federal Reserve Board's restrictive credit policy. Some who know better than to suggest that the central bank should return to its pre1951 policy of pegging the price of government bonds feel that there must be measures short of this which the board might take to keep bond prices up and interest rates down. Mr Martin, the clairman of the board, strongly opposes such suggestions and has insisted that there is little that the central bank can do to force interest rates down when the demand for money is pushing them up even if the bank were prepared to accept the inflationary consequences.

Showing the Russians

THE speed with which Congress has recently been acting on funds for the foreign aid programme is explained not so much by the realisation that the new 1960 fiscal year is almost here—it begins on July 1st—as by the desire to demonstrate to the Russians at Geneva that the United States is determined to go on supporting its allies. This year it seems to be taken for granted that the programme should be continued and so far the cuts made by Congress are smaller than usual. Indeed the Senate Foreign Relations Committee even offered the President more than he requested, an unheard-of generosity. However, the appropriations committees have still to get to work on the Bill with their parsimonious knives.

Meanwhile, the differences between the authorisation Bills in the two houses are greater than is habitual and Congress is also making an unusual effort to alter the actual shape of the President's programme. This is partly the result of some dissatisfaction with the way in which it has been administered. But mainly it is the result of a desire to counter Russian moves in the economic field and of a feeling that the Administration has lacked imagination in dealing with these. The Senate committee, while giving the President the full $1.6 billion which he asked for military assistance, stipulated that $1.1 billion of this was to be spent on strengthening the North Atlantic Treaty Organisation. This would divert $223 million from countries such as South Korea and Pakistan which, in the President's view, need arms more than does Europe. The House, giving him 10 per cent less than he asked for military assistance and related programmes, indicated by various special requirements that it was doubtful how far military help for the less-developed countries was desirable at all. These doubts have been fostered by a recent congressional investigation of the use made of foreign aid money in Laos.

But the chief blow for more economic help, and also for the replacement of outright grants by repayable loans, was struck by the Senate committee when it provided $1 billion for the Development Loan Fund this year, instead of the $700 million which the President asked and which the House has approved, and the same amount for each of the four subsequent years. To ensure that the attempt to put this scheme for fostering the long-term development of backward countries on a semi-permanent basis should not be frustrated by the appropriations committees, the Senators also proposed that it should be financed by borrowing by the Treasury instead of by tax funds from Congress. Even if this idea is approved by the full Senate it seems certain to be thrown out by the House, ever jealous of its power over the purse.

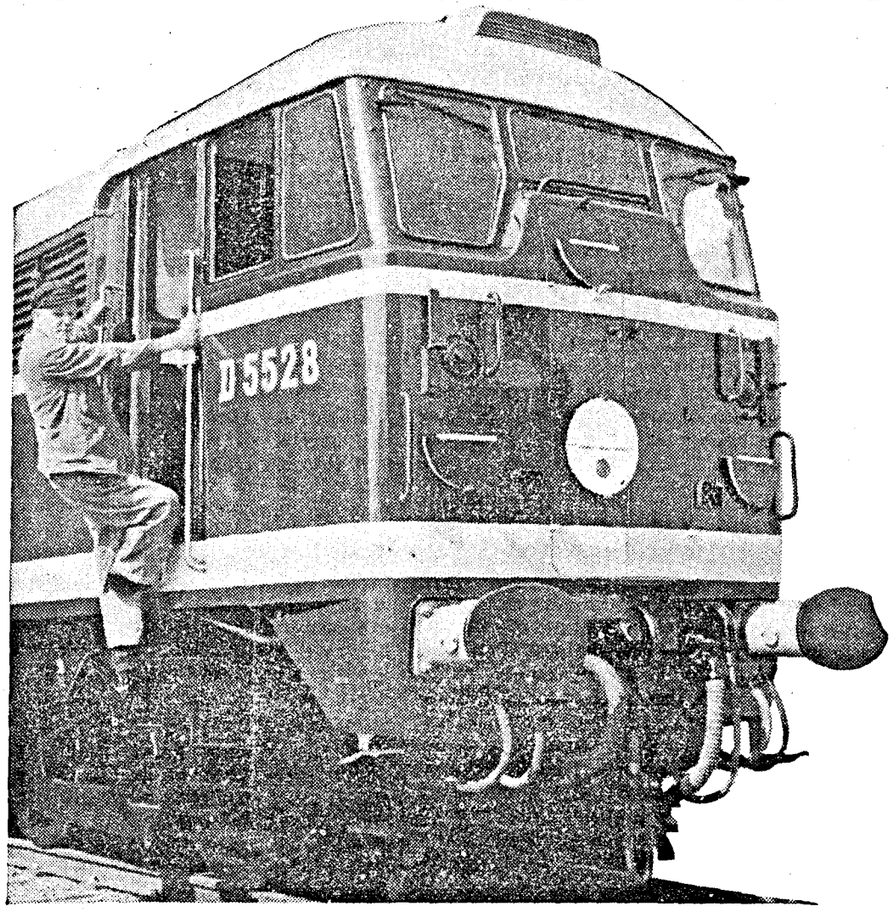
Boom Days are here again

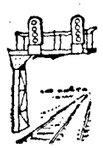
THE employment figures for May, finally catching up with this year's improvment in other economic statistics, proved that the period of recovery was over and that the next boom had begun. Unemployment fell much more than it usually does between April and May and was below 5 per cent of the labour force for the first time since November, 1957. The number employed at just over 66 millon, was a record for the month, primarily as the result of the recall of factory workers to their jobs, a particularly encouraging factor since agriculture is normally responsible for most of the increase in work at this time of year. The index of industrial production—at the record level of 152 of the 1947-49 average in May—has gone up five points in two months and there has been a gain in all categories of output, but especially in the motor industry.

In May, working longer hours than for four years, another encouraging statistic, the average factory employee earned over $90 a week, for the first time in history. This was the chief reason for the rise of $3 billion during the month in the annual rate of personal incomes, which have been breaking records ever since the beginning of the year. It is not therefore surprising that retail sales have also been breaking records. Motor car dealers are particularly happy that their sales continued to climb during at least the early part of June, a month that usually sees the beginning of the slump. As the result of all this, businessmen are naturally stepping up their plans for capital spending, although as yet these show no tendency to return to boom levels.

The increase in sales, both by manufecturers and retail traders, has kept pace with the sharp gain in their stocks this year, so that these are not at all excessive. Nevertheless the building up of stocks is an economic stimulus which is likely to slacken from now on. Nor were as many new houses started as might have been expected in May, but this is largely explained by the congressional delay in approving new housing legislation. So far prices have remained stable but there are now signs that these too are going up. All in all, some observers are beginning to think that the steel strike which seems almost inevitable at the end of the month, may now serve the healthy purpose of checking inflationary pressures and keeping the boom from getting out of hand.

THURSDAY SPECIAL!





Every Thursday afternoon the signals go green to welcome the arrival of the week's most important "special" — the new Type-2 locomotive delivered to British Railways from the Brush works at Loughborough. This weekly delivery of Type-2 diesel electric locomotives is an important part of the modernisation of British Railways. The Brush locomotive now out numbers all other makes of this type in service. So successful has it proved — hauling passengers by day, freight by night — that HAWKER SIDDELEY INDUSTRIES has recently received a contract for a further 75 locomotives, which will double output at Brush until the end of 1960. Production capacity has been increased so that two locomotives can be delivered weekly without interfering with export or other home commitments. At home and abroad, Hawker Siddeley gives on-time, dependable delivery, supported by a vigorous after-sales service.

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THE WORLD OVERSEAS

Nyasaland at a Standstill

FROM OUR SPECIAL CORRESPONDENT LATELY IN CENTRAL AFRICA

"WE'RE in a vacuum in Nyasaland at the moment," observe British officials and unofficials, Asians and even such educated Africans as are not now being made into prison graduates behind barbed wire. In other words, administration goes on, and nobody believes that when the legislative council meets to debate the budget (for all that it may be an excitingly reflationary one) the occasion will have any real significance. To proclaim the emptiness of life without Dr Banda and three of the six African members of the council is to pay frank tribute to the importance of African political participation. Moreover, it is quite clear that the Colonial Office, like nature, abhors a vacuum. It is pressing the local officials at Zomba, that remotest, most imperial and Simla-like of African capitals, to get African politics going again—moderate politics, of course; pre-Banda, non-Congress politics; but still "authentic" politics in which Africans damn budgets and demand to represent their country at constitutional conferences.

This is the rub; and it is to the credit of the Colonial Office that it feels it: African politics must be resuscitated if Africans are to stand up for Nyasaland not only at the review of the federal constitution in London in 1960, but also in any preparatory committee work. The way is beautifullly clear at the moment for Sir Roy Welensky to suggest to the governor (with whom he gets on well) that a Nyasa federal MP, such as Mr Matinga, who was mainly elected on the votes of Sir Roy's United Federal party, is just the man for the job. The Zomba officials feel he is not. But what are they to do?

Their announcement that Dr Banda is to remain out of circulation must be seen in this light. It is an attempt to lure the "moderates" into the arena by removing their fears of reprisals; and by moderates—such are time's revenges—is pre-eminently meant Mr Wellington Chirwa, who was formerly Sir Roy's heaviest burden in the federal parliament, and whose present immunity from the round-up is so mystifying to the white farming classes in Southern Rhodesia. But Dr Banda was rude to Mr Chirwa, who was at odds with Congress when Dr Banda came home last year, and Mr Chirwa remained aloof; hence he is still readily to be found at his business address. To him (and they also try the other Nyasa politicians at liberty) the officials address the following blandishments, if not directly and not quite in these words:

"Why not come back to politics, Mr Chirwa? You'll be quite safe; we'll keep Banda and Chipembere inside. Your country needs you. Somebody convincing must speak for Nyasaland in London, and deal with Sir Roy. If you don't it may be Matinga. You know you're the most intelligent politician Nyasaland has ever had. Can't you start up a new party—moderate, of course, but with some teeth in it; we shan't mind that! We're ready to bring in a quick new constitution for you to operate in. Tell you what, if you don't quite like it, we'll specifically call it an *interim* constitution, which will be replaced after the London constitutional conference. Then nobody can say you sold out. What about it?"

Whether or not Mr Chirwa has ever had to reply officially, there is no doubt about his terms; and these are identical, as far as one can see, with those of every other extant "moderate" Nyasa leader. These terms are: a territorial house of 40, consisting of 32 elected Africans and 8 non-Africans; a responsible ministry; and full freedom to ask the electorate to choose between secession and federation, whatever variant to the present federation may be worked out in 1960. There may be other conditions too—but already the price is too high for the Colonial Office, Sir Roy or the local British unofficials.

So the vacuum continues. It would become even more complete if the Devlin commission reported that there had been no murder plot and no need to detain Dr Banda and his chief supporters—for then the senior officials and police would melt away like the mists on Mlanje. (This would please some white Southern Rhodesians, who ache to replace them with men from Salisbury's own native affairs department.) Assuming the officials do not go, however, the problem remains urgent; for although the relaxed condition of Nyasaland satisfies Southern Rhodesians that their policy of squashing agitators is just as effective in British protectorates, the British officials have a grim suspicion that the Nyasalanders are merely enjoying a holiday between two phases of the struggle to which Dr Banda called them, and will return to the charge as occasion suggests.

Such a view (which may be realistic) implies constant watchfulness. Security works overtime; Congress must be denounced; federation, on the other hand, must be sold—and loudspeaker vans tour the country selling it, telling the people what it would be like to live without the federal subvention, which is equivalent to £4 1/2 million a year. They blare out the statistics of higher African salaries, but lay less stress on the rise in African living costs and unemployment. But they appear to have little effect on a stubbornly sceptical population.

The reason for this consumer resistance has now been discovered, however. It is the irresponsible missionaries of the Church of Scotland, who have created a native kirk staffed by nationalistic dominies; who are indeed themselves, in many cases, men of "extreme left-wing political views", to quote the secret white paper which has unravelled their fatal role in Nyasaland's resistance to

federation. The Zomba officials, or some of them, clearly feel that the proper role of a church is to support the current requirements of the state. And it is a fact that the Scottish missions were not burned in the February disturbances, unlike the Catholic missions that suffered in the Leopoldville riots; this is no doubt the final proof of the Church of Scotland's guilt in taking sides—though oddly enough it is not used to clinch the arguments of the secret white paper. But that, too, was produced in a vacuum.

British Cars in Germany

FROM OUR BONN CORRESPONDENT

BRITISH motor-car manufacturers assessing the prospects of doing business in Europe cannot but be a trifle discouraged by their experience of the German market. In 1951 Standard alone sold some 2,000 Vanguards in western Germany. Last year, out of the total of 63,690 cars imported by the Federal Republic, only 1.853 were of British make. (During these twelve months Germany exported 9,222 cars to Britain). In January this year only 80 British cars were sold to Germany, in February, 92. Yet the German market is expanding steadily. The number of cars licensed in western Germany has been rising by nearly half a million annually from 1.05 million in 1954 to 2.97 million on January 1st last—roughly one car to every 17 persons living in the Federal Republic (one to 12 in France and Britain).

Last year west Germans spent altogether DM 4,570 milliard (approximately £443 million) on new cars. The pace of motorisation is expected to continue unchanged for several years. While for the time being British manufacturers are at no greater disadvantage than any other importers (all foreign cars with engines of two litres or less pay 13 per cent duty and 6 per cent turnover-equalisation tax; those with engines over two litres 16 per cent and 6 per cent) they are not competing at all successfully for the lucrative business that is going, if they can even be said to be competing at all. Fiat are confidently expecting to sell as many as 100,000 cars to western Germany this year, and Renault 40,000. Between January and April 30th Fiat had already disposed of 29,239.

It is sometimes said that British manufacturers, when contemplating the German market, have been too much influenced, if almost subconsciously, by proverbial warnings against carrying coals to Newcastle. It is true that, with an output last year of 1,495,000 vehicles, Germany displaced Britain (1,364,000) as the second largest car-manufacturing country after the United States (5,120,000). But British makers know well enough that, notwithstanding its own huge output, the United States imported 430,000 European cars in 1958, of which a handsome 96,000 came from Britain. It is more likely that uncertainty about the future of common market operations and of Britain's trading associations with Europe is making British manufacturers look as though they have given up hope of selling all but a few cars in Germany.

The president of the federation of German motor vehicle manufacturers, Herr Thoenissen, reckons that international differences in duties, taxation, and wages, are not in the long run going to play as important a part in the fortunes of European manufacturers as some of them seem to suppose. According to Herr Thoenissen, the deciding factors in competition will be quality of material and design, modernisation of production, efficiency of marketing, and dependability of service and maintenance. Herr Nordhoff, director-general of the prodigious Volkswagen enterprise, would largely agree with him, though not wholly. Herr Nordhoff has been sharply criticising France and Italy for taking advantage of Germany's liberalisation of car imports while maintaining prohibitive tariffs and quotas on vehicles entering ther own countries.. Thus the Volkswagen export model which sells for DM 4,600 in western Germany costs a French customer DM 6,740, an Italian DM 7,230. The Renault Dauphine sells in Germany for DM 4.990, the Fiat 600 for DM 4,330, and the Fiat 500 for DM 3,940.

Impartial German connoisseurs of the motor industry attribute British manufacturers' paltry share of the German market largely to their failure to fulfil three of the conditions of success laid down by Herr Thoenissen—superior design, intelligent salesmanship, and guaranteed service. Justly or unjustly, the opinion is widely held in Germany that British cars look old-fashioned and all alike. As a former Volkswagen executive put it to your correspondent: "Any ten-year-old German boy will tell you that British cars have good engines. But the bodywork, the seats! Those little black boxes! British designers go from one extreme to the other—and one of those extremes scarcely anybody can afford ". The prevalence of such views is due in part to the shortcomings of British salesmanship, in part also to the fidelity of many touring Britons to their " little black boxes ". The prime reason for the failure of Standard to maintain the good start made in 1951 was the lack of supporting service. This was an error of judgment; most manufacturers seem to find it impossible to get clear of the vicious circle: " no sales, no service: no service, no sales ". Fiat and Renault are fulfilling Herr Thoenissen's conditions. Above all, they are providing what many Germans of modest means want—something different from the ubiquitous Volkswagen, yet more or less as good and some DM 300 cheaper annually in taxes.

Graziers Hang On

FROM OUR CORRESPONDENT IN AUSTRALIA

AN economist recently tried to answer the question whether Australian wool growers get a fair return at present prices. The average operating costs of 335 farms of different kinds in New South Wales in 1957-58 were between 44 and 53 pence per pound of wool, and to this must be added between 32 and 38 pence as interest on capital and a modest allowance for the owner's labour. Prices are a little higher at present, so it would appear that the average wool grower still has his head above water—the more so as he usually produces other things besides wool.

The trouble about the average man, as usual, is that he does not exist. Wool growers differ widely in their incomes, skill in management, and the size and quality of their land. In recent weeks your correspondent has visited

three graziers whose background and problems could hardly be more different.

Donald has seven thousand acres of rolling country in the lee of the Australian Alps. His great-grandfather came from Scotland in 1840, attracted by the grants of land which the New South Wales government was making to free settlers as a means of building up a respectable citizenry. As you drive across his limitless acres cleared for pasture, you could only be in Australia. But the homestead, snug amid its trees and garden, flanked by a white walled yard that stables the Bentley and the station wagon, could be an English country house. The ground floor is dark and mellow with family portraits and old mahogany, the upper floor gay with white paint and flowered chinz. The owner, however Australian at heart, looks and speaks like the public school and Cambridge man that he is and that his father was before him.

The present wool prices do not shake his calm. He can remember worse times. He never imagined that the prices of two years ago would last, and he salted away a large part of the £20,000 or so that his station earned then. Some he invested in industry in order to spread his risks; some he used to buy new buildings and plant, thus taking advantage of highly favourable depreciation allowances; and some he used to improve his pastures by dressing them with superphosphate and sowing them to clover and legumes, a process which increases the capital value of the land although it is charged as running costs for tax purposes. Wool still fetches a good enough price to support a way of life that includes employing a manager and four men, owning a house in Sydney, and going to Europe every few years.

Roy's property, by contrast, is a mere twelve hundred acres. He got it under the soldier settlement scheme by which the New South Wales government, with certain assistance from Canberra, establishes selected ex-servicemen on the land, usually on parts of large estates which it has acquired by compulsory purchase. Roy was a naval officer, who decided to get out while he was still young to realise his lifelong, secret ambition to get back to the farm life of his childhood. But the government selection board would not approve him until he had undergone a year's training. The authorities are very careful these days, having learned a hard lesson from the scheme after the first world war when many a serviceman met ruin and heartbreak through his own, or the land's, inadequacy. Roy was finally approved and he moved in two years ago. He pays the government a mere 2 1/2 per cent on its capital, and holds the land on a permanent lease.

He has not made any income yet, but expects to do so in this, his third, year. One would have thought that, having entered the business when prices were at their height and having missed the rising market, his prospects were dim. But he seems to be a man of exceptional vigour who is happy in very hard work. It is harder for his wife. She has given up people and parties (her nearest friends and nearest good shops are in Canberra, seventy miles away); her comfort (their home is a plain little prefabricated homestead); and even schools for her young children (who she must now teach herself with the aid of the correspondence course supplied by the New South Wales government). But what with cows and cooking, chickens and children, she has no time to repine.

Dick, who used to be a wool buyer, bought for £1 an acre some three thousand acres in South Australia. The land was cheap because it was unproductive. Pasture would grow and look all right, yet sheep would not thrive on it. But the Commonwealth Scientific and Industrial research organisation had discovered that it lacked certain minerals known as trace elements. If these are added in the first two years to the superphosphate with which the soil is dressed, the deficiencies are made good.

To improve the land fully will cost Dick about £20 an acre, and after six years there is no sign of any return on his capital. But he has other satisfactions. He can contrast his smooth pastures, dotted with some two thousand sheep, with the rough scrub outside his boundaries, whence the kangaroos leap over the high wire fence in search of a better supper and an emu puts in an occasional ungainly appearance. Still more satisfying, however, is the thought that though he and his wife will have put about £60,000 into the property they will have saved thousands in tax on their private income, for the losses on the property can be set against it. But she, perhaps, would have preferred to pay the tax. After Melbourne it is a lonely life.

These three men alone are enough to show how impossible it is to generalise about the economics of wool production. Tax concessions play a big part in the individual's balance sheet. So, on the other side, does the extent to which he is obliged to develop his land at today's high prices. Some of those who were drawn into the industry by recent high prices will have to go, but it is safe to conclude that for the vast majority of woolgrowers no tears need yet be shed.

Cities of Siberia

THE Soviet Union is now roughly half rural and half urban. Nearly 100 million townd wellers account for 48 per cent of its total population. This social transformation, the mass migration to the towns which was a corollary of Russia's industrial revolution, is already well known. The results of last January's census, however, make it possible to measure the extent of the migration, while details published about the growth of individual towns give an idea of the main trends in this gigantic population shift.

The rapid growth of Soviet towns coincided with the beginning of planned industrialisation. In 1926, as on the eve of the revolution, the towns still accounted for less than one-fifth of the total population; the " land of the proletariat " was really a peasant country. Before the outbreak of the last war the proportion had risen already to one-third. Peasants uprooted by collectivisation moved first to the established industrial areas of Russia or the Ukraine, and then, progressively, to the new industrial centres of the Urals and beyond.

This eastward shift was vastly accelerated by the war. The German invasion did more than merely precipitate a mass evacuation of the people. To carry on the war, the Soviet Union had to set up new industries in unoccupied territory, and this drive towards the east continued in peacetime because the country's main mineral resources are to be found in, and east of, the Urals. Extraction of coal is cheaper in the eastern part of the Soviet Union, while the

rivers provide cheap sources of power. Soon, one-half of Soviet steel output will come from these regions, which already account for two-fifths of the country's coal. The steady development of secondary industries foreshadows the continued growth of the towns.

The Urals, a gateway to Asia and the East, were developed first. The region's biggest town, Sverdlovsk, was called Yekaterinburg before the revolution and was rather unimportant. By 1939 it had 423,000 inhabitants; now it has nearly 800,000. Chelyabinsk, a place of exile in Tsarist times, had 273,000 inhabitants before the last war and now has 700,000. Magnitogorsk, the pride of the planters, a new steel town erected with the help of American and German advisers, now has a diversified metallurgical industry and over 300,000 inhabitants.

Novosibirsk, with 887,000 people (or double the prewar level), is the biggest town of Siberia. A branch of the Academy of Sciences was set up there to encourage and supervise further developments in the area. Novosibirsk lies in western Siberia, but efforts are now being made to foster the eastern part of the region, which has vast mineral resources and cheap water power. It is there that the biggest Soviet power station is being built on the Angara river. The town of Angarsk did not exist in 1950; it now houses 130,000 people. The biggest town of eastern Siberia is, however, Krasnoyarsk, whose population has more than doubled since the war and now exceeds 400,000.

Urban development is most marked within the administrative frontiers of the Russian Republic. The republics of central Asia are still predominantly farming communities. Thus, both in Uzbekistan and Tadjikistan the rural population is still about two-thirds of the whole. Kazakhstan, with its population 44 per cent urban, shows the way to the industrial future. It can boast quite a few mushroom towns. One of them, Ust-Kamenogorsk, where Mr Malenkov was appointed head of a power station after his disgrace, is now a town of 117,000 people, six times its prewar level. The Kazakh Republic, with its coal from the Karaganda basin and a wealth of ferrous and non-ferrous metals, is bound to be the first showpiece of the Sovet Moslem world.

Russia's two historically great cities have not developed on parallel lines. Great efforts have been made to arrest the growth of Moscow. It is difficult to get permission to settle there and new industries are virtually forbidden. The managerial reform has also dispersed thousands of civil servants into the provinces. In spite of all this, there are now over five million Moscovites, compared with 4,183,000 before the war. On the other hand, Leningrad, including the suburbs, now has 3.3 million inhabitants—slightly less than in 1939. This stagnation reflects the terrible losses suffered by the city during the long German siege.

All in all, the Soviet Union has seen an unprecedented growth of its urban population. One known consequence is the appalling overcrowding which the government is trying to relieve by its housing drive. It will also have to do something about services. In many places, gas and water supplies, sewage systems, and public transport could not keep pace wtih the growth of the towns and further expansion will have to be accompanied by important works in this field.

There are now 25 Soviet cities of over 500,000 inhabitants and 146 towns with a population of more than 100,000. But the expansion is not expected to continue at the same extraordinary rate. The exodus of population from the countryside to the towns, if not entirely halted, has been slowed down considerably. Yet, with 100 million townspeople and the high Soviet birth rate, the urban population should increase annually by about 1.7 million, even without any migration from the countryside. The other side of the medal is that the Soviet Union is still a half-rural country with over 100 million people living on the land. The proportion of the population working to provide the means of subsistence remains very high. For the growth of the towns to resume its previous progress, Russia must solve one of its major problems—increasing its agricultural productivity.

Greece and Missile Bases

MR KHRUSHCHEV's warnings to Greece about the dangers of allowing the installation of rocket-launching sites on its territory, and the minatory diplomatic notes sent to Athens from Moscow, Bucharest and Tirana, could well have the opposite effect to that intended; the Greek government and people will hardly want to appear as victims of a war of nerves — especially when two of the centres of the war are, of all places, Tirana and Sofia. The communist warnings have, indeed, received short shrift from the Greek government. So has the Rumanian proposal for a Balkan summit meeting to discuss a Balkan neutral zone and collective security treaty.

The Greek Opposition may well come to regret that Mr Khrushchev and his Balkan satellites have been agitating so strongly against missile bases in Greece. The largest opposition party, the communist-dominated EDA, is naturally campaigning enthusiastically against the sites. It has found two somewhat unexpected allies in the small Liberal and Progressive parties, who may think this a likely issue with which to prop up their sagging political fortunes. Mr Markezinis, the Progressive leader, has put forward a plan, supported by both parties, for the exclusion of missile bases from the Balkans; he devised it after a recent trip to Moscow, and insists that it would not be incompatible with Greece's membership of Nato and its existing Nato obligations.

That is as may be. The Greek gouvernment, for its part, takes the view that it is a fallacy to suppose that security may be found in a limited area free of nuclear weapons so long as other powers outside remain fully armed and capable of destroying countries within the area. This is not a view to which the Jugoslavs would subscribe; they have pronounced thenselves strongly in favour of a nuclear-free Balkan zone and have suggested that Italy should be added to it. This disagreement, however, did not prevent Mr Popovic, the Jugoslav foreign minister, from last week carrying out a long-standing engagement to visit Athens where he signed a dozen agreements on cultural, frontier, property and other outstanding matters. The *mésentente cordiale* of Greece and Jugoslavia is perhaps one of the sanest developments in the Balkans today.



Why Norway chose Holman

Reliability pays on the Upper Vinstra

Mica schist is tough—really tough. And through it, over 18,000 metres of tunnel will have been driven before the massive Upper Vinstra hydro-electric project is completed. For this gruelling task, Thor Furuholmen of Oslo, the contracting engineers, chose Holman. The contractors have standardised on Holman T60R compressors and Holman Silver Three Rock Drills, using tungsten-carbide tipped steels.

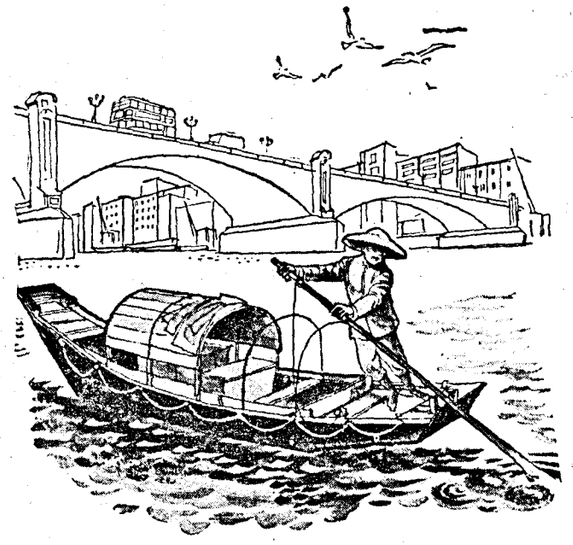
A reliable compressed air supply and reliable drills; these together are taking all the demands of punishing work and a tight time schedule without faltering. As a result, the work is being accomplished at high speed, and the tunnelling is now nearing completion—and, in fact, the Norwegian tunnelling record was broken with this combination.

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THE BUSINESS WORLD

COMPUTERS ON THE COUNTER II

Is It Worth Waiting ?

BY A CORRESPONDENT

Two new principles, as last week's article pointed out, are likely to distinguish the design of the computers that will be available in 12 to 18 months from those now on the counter. These are « parallel function » and « transistorisation. » The first is a pattern of design;the second, vital to it but likely to affect the design of all future computers, is a more economical mode of operation, with solid-state semi-conducting devices taking the place of the valves that have hitherto been generally employed.

One subtle approach to the problem of calculating speed was to improve the logical design of the computer so that it should calculate faster without an increase in the digit rate. More than one manufacturer claims that his « order code » is so far superior to all others that the speed of his machine is several times that of other machines of comparable digit rate. This often means incorporating special circuits in the construction of the machine, and the natural extension of this is to consider elaborating the structure of the machine in order to speed up those operations which takes 300 millionths of a second to multiply in « floating-point » while another machine with the same digit rate takes 2,000 millionths of a second to multiply in «fixed point. »

All the earlier computers used magnetic drums for storage. The time of transfer of an item of information from a drum is measured in thousandths of a second while that of simple manipulations in the computing store is measured in millionths of a second. Therefore, the first of the expensive extras was magnetic-core storage, from which information can be extracted as fast as the switches can be set—usually 5 or 6 millionths of a second for a word : according to the price of the computer, one can have core-storage for from 60 words to 10,000 words.

But by now the large computer is becoming a complex of apparatus rather than a single machine. Instead of an arithmetic unit plus storage, with some means of passing information in and out, one now thinks of an arithmetic unit, quick-access store, backing store, facilities for reading from and writing to magnetic tape, input from punched cards, output to card-punch or to printer. It is then economic to separate the control unit which organises the function of all these units from the arithmetic unit which performs the calculating operations and makes comparisons. This separation of control from arithmetic leads naturally to the principle which was referred to above as « parallel function » though it is sometimes known also as « parallel programming » : once there is a separate control unit the computer can do more than one thing at a time.

This idea of parallel function was foreshadowed in the NPL « Ace » and is now current internationally, for it is to be found in France in the Bull company's « Gamma 60 » machine, in USA in the IBM 7070 Data-Processing Equipment, and in Britain it is incorporated in the design of the forthcoming Emidec 2400. The arithmetic unit can then continue to work while simultaneously the machine is taking in new information or printing out results. A facility permitted by this parallel function is the inclusion in both the IBM 7070 and the Emidec 2400 of « enquiry stations. » i.e. electric typewriters through which the operator can secure input and output of urgent items

without interrupting the main programme more than momentarily.

THE most obvious change of computer technique is that from thermionic valves to transistors or more generally to « solid-state devices. » When the life of a thermionic valve was thought to be only a few thousand hours, it was feared that a computer containing 4,000 valves would be unworkable because one of this host of valves would fail every hour or so. But the valve makers learned to produce valves with an average life of several tens of thousands of hours, and the circuit designers learned the three vital principles : use valves kindly, design circuits to tolerate small changes in valve parameters, and provide facilities for testing to detect incipient failures.

But the ultimate block on this line of development is the amount of heat generated by thermionic valves. Widely- spaced apparatus, forced-air circulation and finally refrigeration have been called in to deal with the heat from a few thousand valves, but the complexity of such computers could not be increased by a further order of magnitude without making heat almost intolerable. The transistor, without a hot cathode and drawing its current at only a fraction of the voltage used in a valve, reduces the heat generated per unit by one or two hundred times. A large British computer that makes use of the new freedom from heat is the Emidec 2400, now in an advanced stage of design, and the IBM 7070 is a large American computer using transistors.

The present stage in the evolution of computers can be summarised for the prospective customer as follows. If one is thinking of a large-scale installation, with cost measured as a part of a million pounds, several of this new generation are already being advertised. Such a computer should be fully transistorised; it should have a substantial amount of quick-access storage (at present almost universally on magnetic cores); it should be capable of parallel operation of a number of functions; and it should have some kind of really large backing store (of the order of a million words) for keeping commercial files.

Already in the class of moderate-speed computers with electronically stored programme there are two of the new-styled machines which are competitive with the existing valve computers, namely the Metrovic 950 which is largely so. Ferranti has now shown its new Sirius computer which is completely transistorised and works in decimal notation : its price and speed are both rather less than half those of the Pegasus. The critical zone of development is that of the rather faster computers, which can be described technically as serial machines with digit rates in the range 300 kc/s to 1 Mc/s. Here there are well-established valve computers which have proved valuable for both scientific and commercial work and sufficiently reliable to be in service for up to 90 per cent of their working week. In view of the large development costs, the manufacturers will wish to continue to sell these as long as possible, which will be until some newcomer to the computer field offers a transistor computer of comparable performance at no greater cost. But on present showing it may be two or three years before this happens, and a valve computer in this particular class may still be a satisfactory investment.

(Concluded.)

BUSINESS NOTES

TAKE-OVER BIDS

Mr Clore Withdraws

NEVER has there been such a season of take-over bids and mergers as this. Any financial journalist who has to send his copy off early to strange parts must feel frustrated, with the battles half won and his story half told. But one battle at least is over : Sears Holdings has withdrawn the bid, worth 60s., for the Watney Mann ordinary shares after friendly discussions between Mr Charles Clore and Mr Simon Combe. By saying nothing, the Watney Mann directors defeated Mr Clore, because the market price of the shares rose beyond his bid price and stayed above it. The price has now fallen from 69s. 6d. to 65s.

Mr Clore has not said why he has withdrawn ; it may be that the scope for profit from the redevelopment of the Watney Mann properties was less than he had imagined, and that therefore it was not worth capping his first bid. His plans boiled down to nothing more than a promise to do what the brewers themselves were doing, only a little faster and, possibly, a little better. In the formal offer of Ind Coope for the ordinary capital of Taylor Walker, for instance, the directors of both companies say that they are satisfied there are only a very few properties where redevelopment values are materially in excess of values as premises for the licensed trade. If this agreed merger goes through, as it is likely to do, the chairman and managing director of Taylor Walker, Lieutenant Colonel W.H. Kingsmill will receive £60,000 tax free as compensation for the termination of his service contract. This merger will, no doubt, produce its economies of rationalisation and concentration ; even though Mr Clore has withdrawn, it will be up to the Watney Mann directors to demonstrate to shareholders that there are economies to be obtained and surplus values to be realised in that brewery as well. They can now lay their cards freely on the table and they should do so quickly — not least so as to show what truth there is in the rumour of a possible merger between Watney Mann and Bass.

Family Influence

APART from one moment of wrath, the directors of Watney Mann have acted throughout a period of anxiety reasonably and with restraint. The same, unfortunately, cannot be said of the directors of Chivers when they came to deal with two rival bids, one from Schweppes and the other from St Martin Preserving. On the face of it, the offer from St Martin was worth more to Chivers shareholders, even granted the limited market in St Martin shares, than was the Schweppes offer. Schweppes has not improved on its original bid and the Chivers directors, drawing attention to the long-standng associations between the two companies, urge its acceptance on shareholders. Moreover, in the formal offer, which will be declared unconditional once a 51 per cent acceptance is obtained, they reiterate their claim that with their own assents, those of the Chivers family and those of a few other shareholders, holders of more than 50 per cent of the ordinary capital will go along with the Schweppes offer.

The Chivers directors as shareholders have every right to accept which they choose. They have a right too to hold an opinion about the relative merits of the two offers. But their action does seem to have had the effect of frustrating other shareholders from accepting an offer which to them may have seemed more valuable. There is an obvious and not very happy moral in this for shareholders in family or director dominated companies : when a bid comes along for such a concern, it is the family or the board that has the decisive say. The bid, for instance, of Keith Prowse of 25 s. 8d. in cash for every ordinary share in Theatre Tickets and Messengers is practically a foregone conclusion, for the directors control over 50 per cent of the capital and have decided to accept it.

Harrods Picks Debenhams

TWO rival bids were considered by the directors of Harrods on Monday and, as had been expected, they preferred the proposed merger with Debenhams to the one proposed by the House of Fraser. Unanimously they recommended both ordinary and preference shareholders in Harrods, who have equal voting rights of one vote per £1 unit, to accept the Debenhams offer. In front of these proposals the market price of the Harrods shares has risen steeply, with the ordinary shares goings up from 95s. 3d. to 115s. 6d. and the preference shares from 28s. to 37s. Both bids give a turn on these prices but in terms of immediate market value there is not much to choose between the two offers, though with Debenhams ordinary shares standing at 32s. 9d. and the House of Fraser « A » ordinary standing 41s. 3d. the Debenhams offer has a slight edge. Its bid of four of its own 10s. ordinary shares for each Harrods ordinary share is worth about 131s. The bid by the the House of Fraser of 2 1/2 of its « A » ordinary shares plus 20 s. in cash for each Harrods ordinary share is worth about 123 s. 3d. Both bidders offer the preference shareholders a choice but in either case the least they are offered is 40s. in cash.

With offers as close as this, relative values can alter with swings in stock exchange prices and it is in terms other than immediate market advantage that the Harrods directors recommend the Debenhams offer. They consider it more favourable in terms of prospective dividends, earnings cover, net asset values and voting rights. Each of the Debenhams ordinary shares carries a vote while the « A » shares of the House of Fraser carry one vote for every twenty units. If Harrods shareholders went along with the House of Fraser they would control less than 10 per cent of the total votes, which the Harrods directors say, rightly, would be out of line with the relative value of the underlying assets of the two companies. This is a legitmate and a sound point to make and one that will appeal to institutional investors.

The Harrods directors go on to speak of friendly co-operation over many years between Harrods and Debenhams and say that the merger, which has been under discussion for some time, should result in economies from the pooling of resources including buying and internal adimnistration, even though Harrods and its subsidiaries would remain separate entities carrying on their traditional type of business. This, of course, is only the beginning of the story : much can happen before the formal offer goes out and shareholders have to make up their minds. But at least this can be said : the Harrods directors have put the facts in front of their shareholders and they have given their reasons for preferring one bid to another. In an awkward situation they have behaved fairly and decisively.

Rivals in Insurance

COMPETITIVE bidding, common enough in industry, has now spilled over into insurance, with two suitors asking for the hand of Scottish Union and National Insurance. The first that came to woo was the Yorkshire Insurance. Negotiations between the two companies ended finally with an offer by Yorkshire Insurance of three of its 10s. fully paid shares plus 32 s. in cash for every two £1 fully paid shares in Scottish Union and three of its 10s. shares plus 30 s. in cash for every four £ 5 « A » shares (10 s. paid) in Scottish Union. This bid, which puts a value of about 115 s. 9d on the £1 shares and of 57 s. 4 1/2d. on the « A » shares, rceeived the support of the directors of Scottish Union. They knew that Norwich Union, which made a tentative and informal approach after these talks had begun, was also interested but did not enter into negotiations with that mutual office. A few days after the terms of the Scottish Union-Yorkshire merger proposals were announced, the directors of Union.

apparently taken by surprise by the announcement, came forward with a counterbid. They proposed to make a cash offer of 135s. for every £1 share and 67s. for every « A » share in Scottish Union.
prices.

Until the formal offers are made, which could obviously contain an improved bid from Yorkshire Insurance, Scottish Union shareholders need not make up their minds. Their self interest will urge them to accept whatever finally is the best price and any decisions and recommendations by the Scottish Union directors ought to be framed in that light. Scottish Union is worth bidding for; both the Yorkshire Insurance and the Norwich Union see advantages in a co-ordination of their activities with its widely spread business throughout the world; both wish to preserve its separate entity; and both have to consider very seriously whether to keep its underwriting business in the USA alive. Their rivalry certainly suggests that consolidation in insurance is worth paying for but it also suggests that more can be made of Scottish Union than has so far been reflected in the market price of its shares. That underlines the principle that it is the shareholders' interests that must be consulted.

IN THE MARKETS

Quiet and Steady

THE speculative currents that were running alarmingly high in the London market and in Wall Street in the early summer have in the past two or three weeks received a predictable check. Take-over bidders for English companies are more active than ever; but investors have now felt loss as well as profit from following in their wake. Apart from the activity in shares directly concerned in take-over bids, the equity markets have been quiet and steady — as one would expect them to be on the eve of the summer holidays and in advance of the election. This pause has helped gilt-edged. The institutions have been buying, and the banks have for the time being stopped selling. The longer dated stocks with their attractive yields have been in particular demand. Prices have risen by a point or so, helped by the thinness of jobbers' books following many months of dull markets.

Another favourable factor has been the absence of marked seasonal pressure on sterling, which in past years has often depressed the rate below its parity with the dollar at this time of year. Substantial commercial demand for sterling persists, from New York, from most Continental centres, and from Russia; the rate has stayed firm at around $2.81 1/4. Sterling exports to North America now contain a greater admixture of manufactured goods from the United Kingdom, and are less dependent than they used to be on sales of seasonal products from sterling area primary producers.

The dollar remains under mild pressure from most European currencies. It would have weakened further were it not for some movement of short term money from Continental centres to New York. With a bill rate of around 3 1/4 per cent in New York and a small premium on the forward dollar against sterling, New York now has the edge on London as a centre in which to employ short term money. Ths makes the firm tone of sterling at this time of year all the more impressive.

BANK LENDING

The Term and the Rate

ONCE again Mr W. R. Ballantyne, general manager of the Royal Bank of Scotland, has ventilated far reaching and controversial issues in his presidential addr to the Scottish Institute of Bankers. In 1958, on the eve of the banks' acquisition in hire purchase finance companies, Mr Ballantyne was commending hire purchase to them and putting the case for direct participation in the business. This year he pleads for a departure from another classical banking principle, that of the short term self-liquidating overdraft. In practice, Mr Ballantyne says, the departure has been made already. All bankers have overdrafts outstanding that are technically repayable on demand but in fact are tied up for considerable periods. Annual renewal may become almost automatic; and in certain cases such as finance of medium term export credits or the building of tankers, bank money is tied up formally, for periods up to five years for export credits insured by the Export Credits Guarantee Department and up to eight years in the special schemes for building tankers. Some big banks are now also lending for two years on formalised « personal loans » and for considerably longer periods, in practice, on house purchase.

Mr Ballantyne argues that the banks ought to move further in long-term lending offering term loans repayable by regular instalments; he suggests that these could be matched by fixed-term deposits. Once banks openly recognise, and publicize, their entry into medium term finance, they will be able to charge appropriately for it; at present, the banks provide money for medium periods at rates well below the market level. The same complaint was made a few weeks ago by Lord Piercy, chairman of the Industrial and Commercial Finance Corporation, which now finds itself short of business because the banks and other City institutions are no longer leaving the « gap » in facilities that led ICFC to be set up. Many bankers would be reluctant to go much further in commitment of their funds, and now that market facilities are so much improved, there is no special reason for outsiders to urge the banks to do so. But there is real logic in the principle of a differential charge for advances of markedly different duration.

MOTOR BUSINESS

Cars and Rumours of Cars

WHERE was a time when motor manufacturerswere very careful indeed not to let any hints about the new models they planned to introduce, and when, leak into public knowledge; indeed, early this year Vauxhall circularised their employees warning them of the commercial dangers of letting such rumours spread in advance. But this spring, of their own volition or not, other manufacturers have been acting differently.. Rumours were widely abroad early this year, that Standard was altering its small car range in some way; so widely, indeed, that Standard felt obliged to announce its new Triumph Herald some weeks before it could arrange to have models on show at dealers throughout the country, or available for demonstration. Even then, most dealers could promise nothing better than three months' delivery (which fortunately for the Herald was little longer than customers were being asked to wait for most established models). Last week Sir Leonard Lord gave an unusual amount of detail about the new very small cars that BMC will be introducing this summer, and said just when, the end of August. The next day Ford, not to be outdone, confirmed that it had a replacement for the Popular " approaching the stage where it could be put into production ", but gave no idea of when this might reach the market.

Two peculiarities about the introduction of these cars may have made their makers readier to talk in advance. One is the current strength of demand for new cars in the popular range, which has meant that sales of existing models—and even their secondhand prices—have not been affected as much as usual by the announcement of new ones. The second is that of these three companies only Ford is talking frankly about a " replacement ". Standard has been anxious to emphasise that the Herald, which is in a somewhat higher price range, is not a replacement for the Standard 8 and 10 saloons—though these are now out of production. Talking of his coming 850 c.c. front-wheel-drive baby cars, Sir Leonard Lord was careful to emphasise that the Morris Minor will continue to be produced as well as the A.40 introduced last winter; only by omission, indeed, did he indicate that production of the Austin A.35, presumably, will be coming to an end. And Ford may well think that assurances that they have a replacement, probably rear-engined, coming fairly soon for the Popular, will not kill the remaining market for this old-fashioned but sturdy vehicle, which at £419 including tax is still far and away the cheapest orthodox car on the British market. It would perhaps be too much to expect to ask them just when they plan to put an overhead-valve engine into their Anglia-Prefect range, or indeed " replace " those models.

SUEZ CANAL

Government Sells SIM

THE Government retains its chareholding in the Suez Finance Company, but it has just sold for £1,800,000 the 70,760 shares it received last January in the *Société d'Investissements Mobilier* (*SIM*). Along with other shareholders in the Suez Finance Company it received the shares in this investment trust subsidiary and some cash from the parent company after the receipt of the first compensation payment from the United Arab Republic. It has nov sold them to Hambros Bank, which is acting on behalf of the Locana Corporation, for about 25 1/2 each. These shares will now be available to shareholders in Locana, who include Harrisons and Crosfield and a good number of investment trusts as well as Hambros Bank and the Suez Finance Company itself.

SIM holds shares in French and other European companies and as a route into investment in the Common Market has its attractions for institutional investors. A big block of its shares was thus well worth bidding for. The Government is satisfied that it has secured the best price obtainable at the present time. It did not want to sell the shares in an open sale in the stock market or by an open tender for fear of depressing the market price unduly. Instead of advertising its intention to sell, it invited a number of institutions which had expressed an interest in the SIM shares to make an offer. This sale by private tender, however, has led to some murmurings in the City. N.M. Rothschild, the merchant bankers who originally lent the British Government the money to buy the Suez Canal shares, were passed by. This discontent is understandable. But only if the Government turned down an offer better than the one from Hambros Bank is there real reason for complaint. Nevertheless, if the Government, following further compensation payments, receives more SIM shares and, having established a precedent, decides to sell them it might perhaps make it more apparent that justice is being done.

DIAMONDS

New Deal in Sierra Leone

DIAMONDS in Sierra Leone have been a constant source of trouble as well as wealth. Sporadic riots, poaching by African diggers in the area where Sierra Leone Selection Trust, a member of the syndicate, retained a monopoly right, the smuggling of stones across the border into Liberia all suggested that the concession under which Diamond Corporation Sierra Leone, the agent of the syndicate, had the sole right to buy the diamonds of licensed African diggers was not simply unworkable but also a cause of friction and tension. There was less smuggling last year but that was a reflection of the recession throughout the diamond trade. Policing was more strict but there were also signs that the illicit diggers were more highly organised, with one gang at least forming a skirmishing line to combat the police.

The diamond syndicate had to think hard and to think again. It has done so and has signed a new five year agreement with the Government of Sierra Leone. Under this agreement, the monopoly buying right of Diamond Corporation Sierra Leone disappears. Instead, the Government will set up its own buying office, managed but not controlled by the Diamond Corporation. All diamonds produced by African diggers will in future be exported and marketed solely through this office. But, if the African diggers are dissatisfied with the price offered to them by this office they have the right to ship their diamonds to London for sale by tender to the merchants. These sales will be arranged by the Central Selling Organisation, but it will be up to the merchants to bid for the parcels and not, as is the case with other diamind sales, to accept or reject a parcel at a price fixed by the selling organisation. As, however, the market price for diamonds is effectively fixed by the syndicate's control over the production and marketing of the bulk of the world's output, the African digger is unlikely to find the value put on his diamonds varying much from one buyer to another.

The disappearance of a monopoly buyer may be important politically and psychologically to the African digger but though he has been given greater freedom to deal with whom he likes he may thus still find himself dealing at monopoly prices. The choice therefore for him may be between those prices and those offered by Lebanese mer-

chants. These merchants provide the working capital for African diggers (both licensed and illicit) and it is through this hold on them that the Lebanese merchants can squeeze the prices they offer the diggers and earn their profit by dealing close to the monopoly prices or at the prices the Russians are willing to offer. Until this hold is broken, the illicit trade in Sierra Leone diamonds is unlikely to disappear for good.

THE ECONOMY

How Investment Has Changed

IN the first quarter of this year capital expenditure in Britain's manufacturing industries was about 11 per cent lower than a year before — in volume as well as in value, since the prices of capital goods had not changed significantly over the year. Only 9 per cent of the difference was due to lower spending by private manufacturers; the rest, stated the Board of Trade this week, was the result of lower Government capital spending on research and development facilities in manufacturing industry. (This implies quite slashing cuts in this Government expenditure, which in 1957 represented no more than 5 per cent of the whole). In « other industries and services », outside manufacturing, capital expenditure rose by 4 per cent, to the highest level ever.

ver the five year run of Britain's investment boom, which really began in 1954, there have beean considerable changes in the pattern of capital investment in this country. Most obvious has been the fact that this was essentially a boom in private investment; at 1954 prices, capital expenditure in the public sector last year was somewhat less than in 1953; it had exceeded it only in one of the years in between and then very slightly. Private investment, by contrast, had grown no less than 60 per cent in volume between 1953 and 1958; and from constituting 45 per cent of the fixed investment in Britain in 1953, last year accounted for 58 per cent. Within the investment of the private sector, too, he balance had shifted. Fixed investment in manufacturing reached its peak, about 43 per cent above the 1953 volume, in early 1957, and has since come down about 10 per cent. But private housebuilding is up about 60 per cent; and fixed investment in « other industries and services, though it has seemed to be levelling off once or twice, has always resumed its increase, and is now about 75 per cent higher than in 1953.

This continued growth is steadily bringing capital expenditure in these other industries and services — agriculture, forestry, fishing, building and contracting, distribution and other services — nearer to equalling the volume of resources going to increase manufacturing capacity; at current prices, in the first quarter of 1959, investment in manufacturing will have been of the order of £205 million, and investment in the other industries and services about £180 million. The first surge of fixed investment in this part of the economy no doubt reflected the end of restrictions upon commercial building as the proportion of constructional resources required for housing began to shrink; more recently, its continued growth has reflected the fact that the levelling off and recession in the British economy over the past few years has been confined almost entirely to manufacturing. In distribution and commerce there was much more to be done in arrears of replacement; and the new offices, garages and supermarkets have not been left idle.

COPPER MARKET

Waiting for the Strike

FOR months past the copper market has been dominated by the possibility of a strike in the American miming industry whem the labour contracts expire at the end of June. Until recently the fact that world production was running ahead of consumption helped to stabilise the market, not weaken it. The surplus in the United States was absorbed by heavy buying in anticipation of a strike; and though stocks in the rest of the world increased the strength of the American market kept prices in London up. But American demand is now largely satisfied and prices have weakened. The American custom smelters have had to cut their price by half a cent to 31 1/2 cents a lb, the same as the primary producer's price, and dealers are reported to be offering for July delivery at less than that. Prices in New York and London sagged further on news of a settlement of a wage claim in a Chilean mine, and of the first rise for several months in producer's stoœs of refined copper in the United States.

While output and deliveries of copper in the United States in May were almost as high as in April, stocks at end of the month rose by nearly 12,000 short tons to 86,000 tons. Stocks there are still low, being equal to only two-thirds of a month' deliveries and only one-third as large as a year ago. Stocks in the rest of the world rose further in May by 9,000 tons to 148,000 ton, equal to two month's deliveries and the highest for over a year In Britain and on the Continent consumers are evidently getting almost all the copper they need under their long-term contracts with producers; the bulk of consumer demand in the London Market is from Russia and other East European countries. Cash copper in London is now £230 a ton, having fallen by about £ 12 since the beginning of the month. Strangely, cash copper still commands a small premium over three months' delivery, though metal exchange stocks have now risen to nearly 13,000 tons. Some traders are presumably holding copper in the hope of being able to ship it to the United States at a profit. A long strike could bring a sharp rise in prices; without one copper seems certain to weaken further.

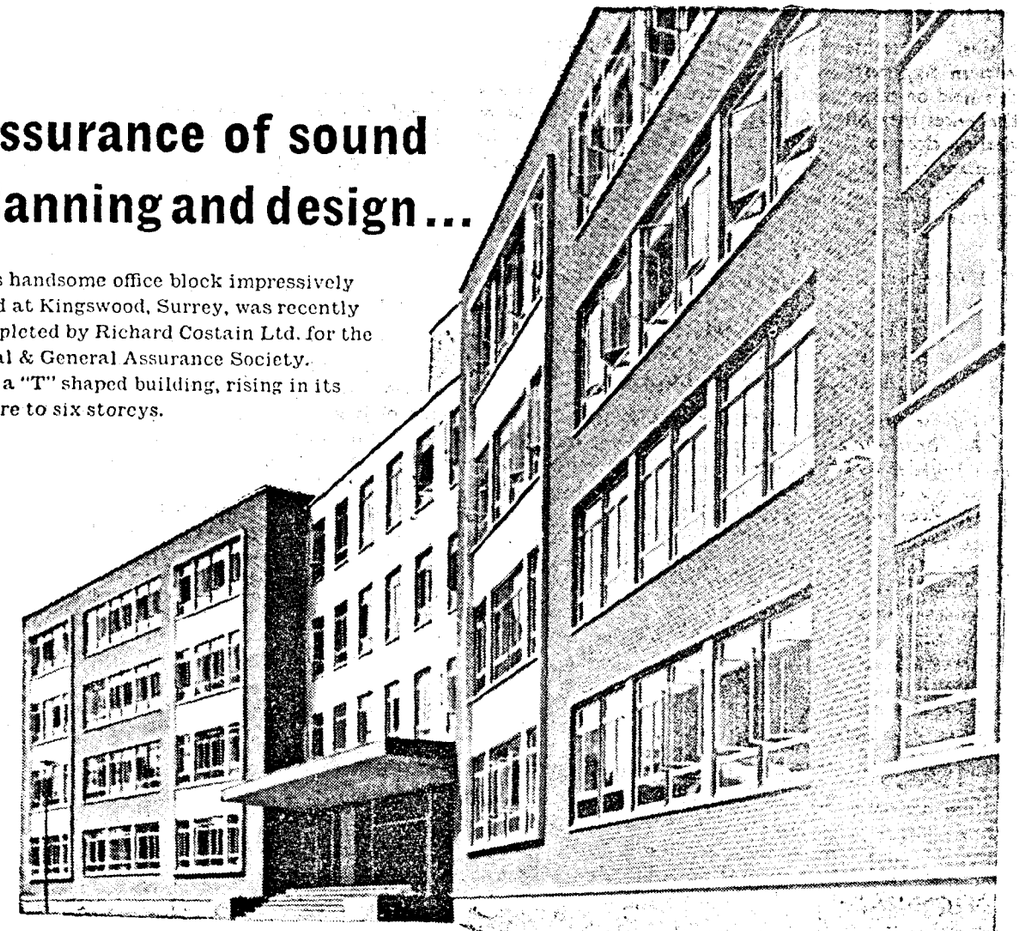
PLASTICS

Wrapped in Polythene

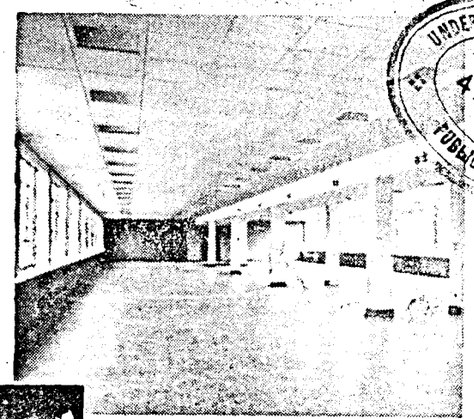
FILM for wrapping forms one of the biggest uses for polythene; last year it is estimated that about 10,000 to 14,000 tons of film were used in Britain, perhaps 90 per cent of it for wrapping, out of a total consumption of around 45,000 tons. This proportion of about 25-30 per cent is little smaller than that in the U.S.A., where film forms about 30 per cent of total sales. In both countries

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Cloudburst crisis



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Young men get on, in Electricity

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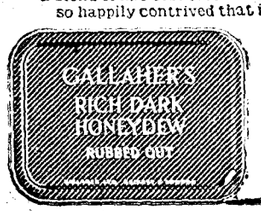


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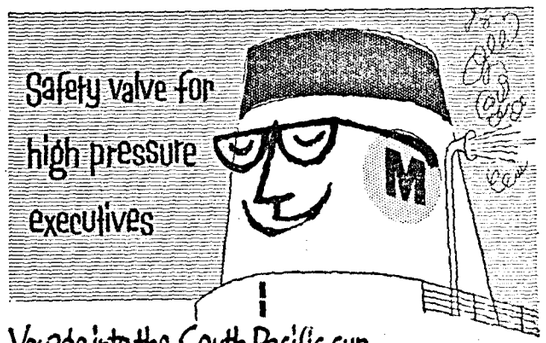
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polythene manufacturers see film as one of their fastest-growing markets in the future; their eyes are set on the share of the wrapping market at present held by cellophane. So far polethylene sales have grown by exploiting new markets and cellophane has been almost unaffected; but the recent development of more transparent polythene films makes it suitable for the large « overwrappng » market — the outer wrappinqs of cartons of the wrapping of bread, for example — which is at present the preserve of cellophane and waxed paper.

Price is the advantage that polythene can offer; in Britain it is at present 10-35 per cent cheaper than cellophane,, depending on the grades used, in terms of area and int the U.S.A. the advantage is about 40-50 per cent. It could become greater: not only is polythene cheaper in itself, but one can use a thinner film the difference coming from the ability to use polyethylene thinner than with cellophane. It should be eventually possible to use polythene half as thick as cellophane, making it potentially less competitive in price with waxed paper. Problems in the design of wrappng machinery have to be solved before such thin materials can be used; new machinery is in any case needed for polythene, because it is less stiff than cellophane, and so has to be pulled through the wrapping machine where cellophane is pushed, apart from needing different methods of sealing.

Viewing this rich potential market — cellophane sales in Britain are still several times those of polythene film — the polyethylene makers are proclaiming the merits of the different types that they make as replacements for cellophane. There are the normal low-density materials, made by the high-pressure process of Imperial Chemical Industries and now widely used; the intermediate density materials, made by the same process; and the high-density materials, made by the Ziegler and Phillips low-pressure procesesses. *In general clarity and stiffness improve and price rises with density; high-density film is not yet in production in Britain.*

WORLD ECONOMY

The Best Survey

THE annual report of the Bank for International Settlements is less lively than in former years; that is due partly to the departure of Per Jacobsson, and partly to the fact that the principles of sound finance and free exchange which the BIS under Dr Jacobsson's leadership unremittingly preached are increasingly accepted throughout the world. But the report remains the best of the regular surveys of the world economy in its coverage of financial trends; and its synthesis of international material such as in Britain goes into the annual « Economy Survey », achieved with remarable economy of space, brings out important trends that day to day observers tend to miss. *Which two countries in Europe or North America between 1938 and 1958 together scored the smallest increase in national output per head? Britain was one; the other was* Western Germany. Agrainst the remarkable pace of expansion achieved by Germany since 1948 there have to be set, as this table reminds us, both the setback of the war and the increase in population.

PACE OF ECONOMIC EXPANSION

Annual rate of expansion of gross national product, in real terms

	1938-48	1948-58	1938-58 Total	1938-58 Per head
Austria*	—1.1	7.9	3.1	2.9
Belgium †	1.4	3.4	2.3	2.0
Denmark	1.7	2.9	2.3	1.4
France	—0.2	5.8	2.8	2.3
W. Germany †	—2.0	8.4	2.6	1.2
Italy	—0.3	5.5	2.6	1.9
Netherlands	1.3	4.6	2.9	1.5
Norway	2.4	3.0	2.7	1.8
Sweden	2.4	3.5	2.9	2.1
Switzerland	2.3	3.9	3.1	2.0
United Kingdom	0.9	2.4	1.7	1.2
Canada	5.9	4.2	5.0	3.0
United States	5.3	3.0	4.2	2.6

*1937-48; 1937-58. †1948-57; 1938-57. ‡1938-49; 1948-58.

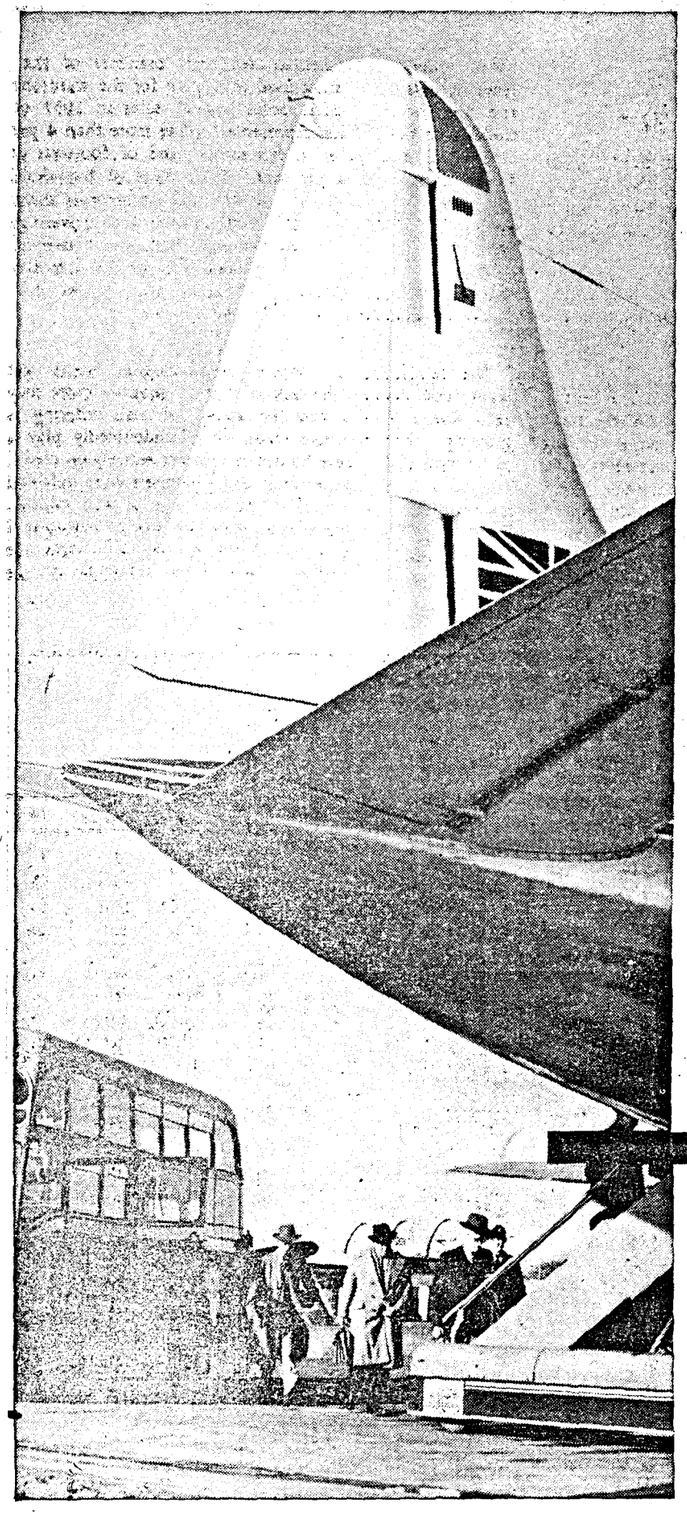
The BIS report again includes a useful survey of world gold production and gold hoarding. Its estimate of hoarding, which is obtained as a residual and apparently includes all private holdings for non-industrial purposes, is $180 million or just over 5 million ounces, less than one fifth of production outside the Communist bloc. By contrast, the annual report of Samuel Montagu earlier this year put total additions to private holdings at 12 million ounces, or two fifths of the total.

BANK CREDIT

Where it has gone

IN the twelve months to mid-May, advances by all banks in Britain rose by one third, from £2,032 million to £2,680 million. The detailed classification published by the British Bankers' Association shows how large a part of that remarkable spurt in lending has been to customers who previously bore the brunt of the credit squeeze. Advances to the personal and professional group rose by £163 million, a full 50 per cent; the total, at £487 million is still a much smaller proportion of total advances than before 1955. *But the hire purchase finance houses have increased their advances in the year from £31 million to* £83 million, a total almost twice the 1955 peak. *Moreover,* much of the increase of £70 million in advances to retail trade must have financed hire purchase. Together, these three groups increased their advances by £285 million, 45 per cent of the total increase. Agriculture and the « other financial » group both had big increases. Industry, which takes well over one half of total bank advances, accounted for only a third of the year's increase. The biggest proportionate increases there were in iron and steel, shipping and ship-building, and building and contracting.

In the latest three months to mid-May, total advances rose by £213 million. This follows the record increase of £245 million in the previous quarter. Demand for advances is now seasonally less strong, and it will be surprising if the pace of expansion does not slow down quite markedly.



From dictation to departures

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RETAIL TRADE

Buying by Post

MAIL order sales in Britain reported in the 1957 Census of Distribution amounted to £128 million—nearly treble their 1950 value. But even this large figure is not comprehensive ; it excludes the mail order trade done by manufacturers, by department stores and probably that of some hundreds of small firms making specialist offers which would be likely to escape the census net. Something like 2 per cent of all retail sales must be made through the post, amounting, in a year, to about £ 3 per head of the population.

Although 387 mail order firms reported in the census, the field is dominated by a mere handful. Of the total, trade in 1957, 85 per cent was made by large clothing or general mail order firms each with a turnover of over £1 million and with an average turnover of around £5 million. Moreover, by no means all these firms are independent ; the report in last week's *Board of Trade Journal* discreetly avoids any names but it is well known that the two giants, Littlewoods and Great Universal Stores, own several firms each.

Mail ordering operates in nearly all branches of the retail busness but is most used in buying for the wardrobe and the home. Mail order houses' sales in 1957 of clothing at £48 million represented rather more than 4 per cent of all retail sales in this marker and of footwear at £14 million about 6 per cent. Their sales of household textiles and soft furnishings at £11 million were as much as 8 1/2 per cent of total sales and of floor coverings 4 1/2 per cent. Apart from clothing, shoes, and household goods, the remaining £ 22 millions was sprinkled mostly over seeds, toys, jewellery and fancy goods ; less than £1 millon went on food, drink and tobacco.

The fascination for women of catalogues, which get bigger and glossier, the lack of time to shop — there may be a dozen reasons why the appeal of mail ordering is growing. The attractive credit terms undoubtedly play a part : most of the large houses sell almost entirely on credit, making no extra charge for it, and customers were indebted to them at the end of 1957 to the tune of £26 million. Every effort is being made to spread this way of buying still further through agents and club organisers who show the catalogues around and may help in the collection of the money and ordering of the goods.

Security Prices and Yields

BRITISH FUNDS	Price June 9	Price June 16	Price June 23	Gross Red. Yield%
War Loan 3% 1955-59	100	100	99$^{13}_{16}$	3.17
Exchequer 2% 1960	98$^{27}_{32}$	98$^{7}_{8}$	99	3.57
Exchequer 3% 1960	99$^{15}_{32}$	99$^{1}_{2}$	99$^{22}_{32}$	3.50
Conversion 4$^{1}_{4}$% 1963	101$^{1}_{4}$	101$^{13}_{16}$	101$^{17}_{32}$	4.13
Savings Bonds 3% ..1955-65	91	90$^{15}_{16}$	91$^{5}_{8}$	4.84
Savings Bonds 3% ..1960-70	81$^{15}_{16}$	81$^{15}_{16}$	82$^{1}_{4}$	5.23
Conversion 4$^{1}_{2}$% 1964	100$^{1}_{8}$	100$^{3}_{16}$	100$^{25}_{32}$	4.44
Exchequer 5$^{1}_{2}$% 1966	103$^{1}_{8}$	103$^{1}_{8}$	103$^{23}_{32}$	5.11
Conversion 3$^{1}_{2}$% 1969	88$^{5}_{8}$	88$^{1}_{2}$	88$^{7}_{8}$	5.11
Conversion 5$^{1}_{4}$% 1974	99$^{3}_{4}$	99$^{1}_{4}$	99$^{5}_{8}$	5.30
Treasury 3$^{1}_{2}$% 1977-80	77$^{15}_{16}$*	77$^{15}_{16}$	78$^{1}_{8}$	5.19
Treasury 3$^{1}_{2}$% 1979-81	78$^{1}_{16}$	78$^{1}_{16}$	78$^{13}_{16}$	5.25
Funding 3$^{1}_{2}$% 1999-2004	71$^{9}_{16}$*	71$^{15}_{16}$*	72$^{1}_{8}$*	5.01
Consols 4% ..after Feb. 1957	74$^{1}_{2}$	74$^{3}_{4}$	75$^{1}_{8}$	5.38
War Loan 3$^{1}_{2}$% .. after 1952	65$^{5}_{8}$	65$^{7}_{8}$	66$^{15}_{16}$	5.25
Treasury 3% .after Apr. 1966	57$^{1}_{4}$	57$^{1}_{2}$	58$^{1}_{4}$	5.20
Consols 2$^{1}_{2}$%	51$^{1}_{4}$*	51$^{1}_{16}$*	52$^{1}_{4}$*	4.78
Treasury 2$^{1}_{2}$% after Apr. 1975	49$^{9}_{16}$	49$^{1}_{4}$	50	5.06

Financial Times Indices

	Ordinary Index†	Ordinary Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked
June 16	236.8	5.10	93.16	4.86	15,731
» 17	235.1	5.14	93.21	4.85	14,607
» 18	236.1	5.11	93.40	4.82	13,493
» 19	237.4	5.08	93.36	4.81	13,465
» 22	237.6	5.08	93.48	4.80	16,209

†July 1 1935=100 ‡1928=100

The Economist Indicator

June 10	266.7	Yield % 5.06
» 17	267.6	5.05
» 23	267.7	5.05

1953=100

ORDINARY STOCKS	Price June 9	Price June 16	Price June 23	Yield %
A.E.I. £1	58/6*	60/3	58/6	5.13
Assoc. Portland Cement ...£1	64/9*	68/9	67/6	3.56
Babcock & Wilcox £1	44/3	47/6	46/3	5.62
Beecham Group 5/-	32/1$^{1}_{2}$	32/4$^{1}_{2}$	32/-	3.75
Boots Pure Drug 5/-	21/9	21/9	21/7$^{1}_{2}$	3.70
Bowater Paper £1	49/9	52/3	52/-	4.81
B.A.T. 10/-	52/7$^{1}_{2}$	54/-	53/9	5.32
British Motor 5/-	12/10$^{1}_{2}$	13/11$^{1}_{4}$	13/7$^{1}_{2}$	5.78
British Oxygen £1	57/9	60/9	59/9	4.02
British Petroleum £1	50/3	50/9	50/-	5.71
Courtaulds £1	37/9	38/4$^{1}_{2}$	36/3	5.33
Distillers 10/-	26/-	26/10$^{1}_{2}$	27/3	3.92
Dunlop Rubber 10/-	28/9	28/4$^{1}_{2}$	27/10$^{1}_{2}$	5.82
E.M.I. 10/-	51/9	52/3	52/-	3.85
Ford Motor £1	65/-	69/-	66/3	3.62
General Electric £1	32/3	32/-	31/9	5.98
G.U.S. "A" 5/-	41/10$^{1}_{2}$	43/-	42/3	3.85
Guest Keen £1	60/-	62/7$^{1}_{2}$	61/9	4.21
Hawker Siddeley £1	27/3	28/-	28/6	7.02
I.C.I. £1	37/-	36/7$^{1}_{2}$	36/6	4.38
Imperial Tobacco £1	56/7$^{1}_{2}$	57/7$^{1}_{2}$	57/6	7.30
Lancashire Cotton £1	46/10$^{1}_{2}$	47/7$^{1}_{2}$	48/3	7.25
Lloyds Bank £1	49/3	50/-	50/-	4.00
Marks & Spencer "A" 5/-	64/3	64/3	66/10$^{1}_{2}$	2.80
Midland Bank £1	70/3	68/-	67/3	4.46
Pearl Assurance 5/-	122/6	122/6	121/3	6.37
Prudential "A" 4/-	255/-	257/6	250/-	4.26
P. & O. £1	32/6	32/6	33/9	6.52
Rolls-Royce £1	95/3*	97/9*	93/6	4.28
Shell Transport £1	133/9	133/9	132/3	4.63
Stewarts & Lloyds £1	29/3	30/1$^{1}_{2}$	29/3	7.52
Tube Investments £1	85/9	91/6	90/9	3.86
United Dominions Tst. £1	156/-	160/6	159/-	2.52
Unilever £1	99/3	97/9	98/-	3.43
Vickers £1	30/-	32/-	31/-	6.45
Woolworth 5/-	56/-	54/7$^{1}_{2}$	52/9	3.79

*Ex dividend.

COMPANY AFFAIRS

GREAT UNIVERSAL STORES

Great Universal Stores has announced that no action is contemplated for the enfranchisement of the "A" non-voting shares of the company. During recent weeks hopes that GUS might do something about the non-voting shares have caused fluctuations in the price of both classes of shares: the voting ordinary shares touched 62s. 6d. on one occasion and the "A" non-voting shares touched 44s. 4½d. The discrepancy in prices reflected hopes that the enfranchisement of the non-voting shares would mean some conpensation for the ordinary shares for the loss of their voting privileges.

Following the annoucement the 5s. ordinary shares fell by 4s.4½d. to 48s.9d. and the "A" by 1s.3d. to 41s.9d.

As was expected, the group has announced its intention of tidying up the 24 preference share issues of 20 subsidiary companies within the group. The total amount of preference capital involved is between £8 million and £9 million and a scheme has been prepared by Helbert Wagg and the company's auditors and solicitors whereby the issues will be consolidated into the 7 per cent and 5 per cent preference shars of the parent company. Full details will be sent to the shareholders concerned in due course.

REDIFFUSION

Reflecting the reduction in the standard rate of income tax shareholders in Rediffusion, the radio and television relay firm which has a 37½ per cent interest in Associated Rediffusion, are to receive a tax-free dividend of 16 per cent the year to 31st March last. At the time of the rights offer just over a year ago, the directors forecast a payment of 15 per cent. The total distribution in 1957-58 was made up of a 9 per cent tax-free dividend and a special "profits tax" interim of 3½ per cent, tax-free. The increase of 1 per cent in th tax-free rate above that forecast when the standard rate of income tax was 8s. 6d. in the £ means, the directors explain, that shareholders will receive, allowing now for tax at 7s. 9d. in the £, approximately the same gross distribution as was then promised.

The group's trading profits and other income, which presumably takes in an interim dividend received from Associated Rediffusion, rose from £4,077,384 to £4,675,255 and the consolidated net profit rose even more steeply, from £914,092 to £1,423,239: after minority interests, the net profit attribuable to the parent company amounted to £1,417,600, against £815,382, so that the dividend is covered just over twice. At 36s. 6d. the 5s. ordinary units offer a gross yield of 3.6 per cent, reflecting Rediffusion's interests on both sides of the television screen.

ALLIED IRONFOUNDERS

Six months ago the directors of Allied Ironfounders said that sales and profits were then running at approximately the same level as in the same period a year before. But, apparently, the group's sales and profits had suffered a slight check in the first months of the financial year that ended on April 4th last, and for the full year the preliminary statement reveals that profits before tax have fallen from £2,461,532 to £2,185,057 and net profits after tax from £849,340 to £720,878, reducing the cover on the ordinary dividend, which is left unchanged for the third year running at 12½ per cent, to about 1.7 times.

Any disappointment with this result may be allayed by the statement by the directors that the fall in profits was confined to certain sections of the business "which are now showing an improvement." Clearly, as a producer of iron goods for the building trade, of kitchen and domestic equipment and of cookers, boilers and heaters, this group stands to gain from the relaxations in hire purchase regulations and from the schemes to encourage the re-equipment of older houses. Moreover, it has now cut its losses in Australia, which have been of the order of £270,000 a year, by closing the foundry there. At 46s., the £1 ordinary units yield 5.6 per cent.

ASHDOWN INVESTMENT TRUST

The new offer to the public of ordinary shares in Ashdown Investment Trust is of 2,500,000 shares at 17s. each. In this offer, the sponsors, Helbert, Wagg and Company, are trying to combine the advantages or an orthodox investment trust with the marketability of a unit trust by equating the issue price of the shares to the market value of the underlying securities that can be attributed to the equity of the trust. The shares are being offered on a dividend of "not less than 13 per cent" and on a yield of £3 16s. 6d. per cent.

WESTMINSTER BANK

The Westminster is the last of the Big Five to announce a rights issue, completing the round begun by the Midland Bank early this year. Of the Northern banks, the District has foreshadowed an issue, but Martins has said none is in contemplation for the time being. The Westminster follows Barclays in combining its issue of new capital with a capitalization of reserves. Both the rights issue, which is not being underwritten, and the scrip issue are on a basis of one-for-four for the £1 "B" shares. The issue price is 25s, compared with a market price of 70s before the announcement. The effective value of the rights per share was thus 9s, a bonus element among the Big Five issues second only to that offered by the National Provincial. Nonetheless, the shares fell after the announcement; as in previous cases, hopes had run too high.

The directors are paying an interim dividend of 1s3d a share on the existing "B" shares. The final dividend on the "B" capital as increased from £14.14 million to £21.20 million will be 1s, and for 1960 the directors expect to maintain the distribution at not less than 2s a share. The draft on published reserves is being made good from hidden reserves; the ratio of the bank's total capital and published reserves rises from 3.2 to 4.0 per cent of deposits at end-1958.

RONEO

Last year, in spite of record sales, Roneo suffered a setback in its trading profits from their 1957 peak: they fell from £840,701 to £776,976. A year ago Sir Greville Maginess, the chairman, said that existing production facilities were not adequate to meet the rising demand for office equipment and that the intention Was to erect a new factory at Norwich. There are also plans afoot to expand the range of products and extend production facilities at the Romford factory. To finance this programme the company is to raise about £1.5 million by a "rights" issue on the basis of two new ordinary shares for every three 5s. shares held. Before the issue the present £1 ordinary stock units will be sub-divided into four ordinary shares of 5s each.

The price of the issue will be announced shortly before the annual meeting on July 9th but the market expects a price of around 14s. The directors say that on the basis of trading results so far this year they expect to maintain the present total dividend of 15 per cent on the new capital, so that on the assumption of an issue price of 14s. the prospective yield ex-rights should be just over the current one of 4 per cent

MOSS EMPIRE STOLL

The proposed merger of Moss Empires with the Stoll Theatres Corporation was defeated by Stoll stockholders at the extraordinary meeting which the group called to pass proposals which required a 75 per cent majority to become effective. Opposition amounted to between 20 and 25 per cent of the holders, and about 200 shareholders attended the meeting at the Coliseum .The chairman, Mr Prince Littler, opened the proceedings with a proposal to with draw the resolution, but shareholders insisted on a discussion and a vote. When the vote was taken, the resolutions were rejected with very few dissentions. The opposition was not against the idea of a merger but one of its spokesmen , Mr Gerald Byre, described the terms of the Moss offer as "ludicrous". One Moss share and 1s 6d in cash was offered for every two Stoll shares and at pre-merger prices the bid put a value of 9s on each ordinary share. Since then the prices of both the Moss and the Stoll shares have reacted so that the offer was worth only 7s 7½d per Stoll share at the time of the meeting.

The merger would have resulted in the liquidation of Stoll, which the opposing Stoll al ready holds 44.6 per cent of Moss shares. Under the new group it would have contributed £ 3.7 million of the total assets of £ 6.4 million, or 58 per cent, and it would hold 61 per cent of theenlarged capital of Moss. Under the circumstances the opposition felt that any oid should have come from Stoll. A dividend of at least 25 per cent was forecast on the enlarged capital, or 12 ½ per cent, against 10 per cent, on the present Stoll shares. With prostects for the current year considered to be good and with earnings of 16 per cent covering the 10 per cent payment in 1958, Mr Gerald Byre, one of the leaders of the opposition, maintained that a 12 ½ per cent dividend could be « paid in any case ». He suggested that a shareholders' committee should be formed to work with the board on any new plans. Mr Littler said that he would consider the proposals. Following the decision the price of Stoll's shares rose by 3d to 7s 6d and the Moss shaves remained unchanged at 13s 9d.

BRITISH ELECTRIC TRACTION

Following a rise in its profits before tax by 25 per cent from £3,687,000 to £4,615,000 British Electric Traction, the industrial holding company, has raised the dividend on its deferred capital from 25 per cent to 35 per cent for the year to March 31st last. Net earnings cover this higher payment about 1.4 times. But this cover is likely to be improved in the near future, for the 1958-59 figures presumably include nothing more than the 11½ per cent interim dividend received on BET's shareholding in Associated Rediffusion. With that company now pursuing a "normal dividend policy" and earning a profit of £7 million in the year which ended on April 30th, the chances of a bigger income for BET from its interests in commercial television look good. Indeed, those chances are reflected in the price of BET's 5s "A" deferred shares, which standing at 38s. 9d. yield 4½ per cent.

WIGGINS, TEAPE

Tho ugh there is still surplus capacity in the paper industry, Wiggins, Teape achieved record sales last year and despite further import restrictions in its overseas markets its exports, too, were a record. Even so, the group's trading profits fell from £3,892,899 to £3.515,497, which must reflect shrinking margins in an increasingly competitive industry as well as the initial losses incurred on the group's new plants at Dartford, the Sudbrook pulp mill in South Wales and the new coating machinery at Treford. The chairman, Mr. L. W. Farrow, says that these projects, which, with working capital absorbed over £4 million, are now collectively running at a profit. To finance these ventures the company had to sell some of its investments and the consequent fall in investment income amounted to £130,000. However, a the tax charge of £1.4 million, against £1.8 million, left the consolidated net profit slightly higher at £2,129,979, compared with £2,127,670.

Shareholders of Wiggins, Teape are among the few investors who are kept informed of the true value of their company's properties. The full accounts reveal that the insured value of fixed assets is £31.5 million, compared with a book value of £20.6 million. On the basis of the insured value the net worth atributable to the £1 ordinary units is about 70s. compared with about 44s. on balance sheet figures. The £1 ordinary shares are quoted at 66s., to offer a yield of just under 6 per cent on a 17l/2 per cent dividend.

FINE SPINNERS AND BLEACHERS

The difficulties of the cotton textile industry are clearly apparent in the latest trading results of Fine Spinners and Doublers and Bleachers Association in the year to March 31st last. Fine Spinners is one of the largest spinning combines in the country and its profit before tax has slumped from £2.108,659 to £770,813. Smaller taxation and depreciation charges have left the net surplus at £102,104, compared with £515,128. In their interim statement last December, the directors said that the first six months was one of the most difficult of all the post-war periods and it seems quite clear that there was no improvement in trading conditions in the remainder of the year and itis likely that there have been further stock losses. Nevertheless, the directors have left the ordinary dividend unchanged at 10 per cent but to do so they have had to draw upon accumulated reserves.

Bleachers Association, on the other hand, has found it necessary to omit the 2½ per cent bonus which shareholders have received for the past four years, effectively reducing the total distribution from 12½ to 10 per cent. In view of the Fine Spinners decision to maintain its payments this reduction is a little surprising; for the net surplus is only about £27,000 lower at £277,630—thanks to a substantially reduced tax charge of £242,429 (against £358,416). As one of the largest textile finishing groups in the world, the group working on commission basis, cannot opt out of a depression in cotton and rayon goods. But its other interests, which include plastics, tanning, paint and dry-cleaning, offer it some protection. The relative vulnerability of these two companies is reflected in the dividend yields: at 14s. 1 1/2d. the Bleachers shares yield 7 1/8 per cent and at 24s. 7 1/2d. the Fine Spinners' shares yield 8 1/8 per cent.

HENRY HOPE

Despite a sharp setback in profits, Henry Hope, the metal window manufacturers, has left its ordinary dividend unchanged at 11 per cent for the year to April 4th last. A year ago the chairman, Mr. M. Hope, said that although the order book was reasonably full, he expected a moderate fall both in output and profits during the year. In the event, the trading surplus fell by £350,000 to £755,000; this was a bigger decline than investors had expected and the £1 ordinary shares were marked down from 53s. to 45s. At this price they tield 47/8 per cent on a dividend covered about 21/2 times by earnings.

London Stock Exchange

First Dealings ; June 17 July 1 July 15
Last Dealings : June 30 July 14 August 4
Account Day : July 7 July 21 August 11

SINCE June 9th, industrial equity prices have rallied from their earlier and short-lived setback; factors making for this recovery were the May trade figures, the FBI survey and the recovery on Wall Street. Turnover, however, slackened and interest was largely confined to shares concerned in take-over rumours and to those affected by profit and dividend an nouncements. Throughout much of this period gilt-edged prices were firmer,showing gains of up to 7/8 in a period of nine days trading. In long dated stocks 3 per cent Gas 1990-95 rome from 67 5/8 to 68. In the short dated issues 4 1/2 per cent Conversion 1964 moved up from 100 1/8 to 100 13/16. Among undated stocks 3 1/2 per cent War Loan improved 7/8 to 66 3/4. Corporation and Dominion loans attracted a certain amount of investment buying. Foreign bonds eased on profit taking but 7 per cent Greek bonds after falling to 44 1/4 reached a new peak at 48 1/4.

In a market still short of stock, the rise in industrial share prices was enough to carry the **Financial Times** ordinary share index up by 3.1 points to 237.4. By far the biggest rises occurred in shares subject to take-over bids: Harrods rose from 97s.6d. to 115s.6d. and Chivers from 58s.6d. to 59s.4 1/2d., having touched 68s. 9d. Interest in breweries fell off after their recent speculative activity, but Bass shot up from 51s. 3d. to 56s. 6d. In stores, disappointment with the capital reorganisation proposals put GUS ordinary back 2s. to 53s. 6d. The leading motor shares improved, with Ford 1s. 9d. better at 67s. 3d. while Standard jumped 1s. 4 1/2 d. at 11s. 4 1/2. The recent speculative flurry in property shares was followed by a good deal of profit taking, but just before the week-end the leading shares staged a recovery with Property Holdings gaining 5s. 9d. to 27s. 6d.

With the interim reports coming in from the steel industry no definite trend in steel share prices developed : SCOW, despite a higher interim and the chairman's forecast eased 9d. to 25s. 3d, while Colvilles lost 1 1/2d. at 31s. 7 1/2d. but United Steel rose from 32s. 1 1/2 d. to 32s. 6d.

Oils remained fairly quiet but prices eased on persistent selling from the United States. Shell declined 2s. to 132s. 6d., B.P. lost 6d. at 50s. 6d. and Burmah were 1s. 3d. down at 80s, 3d. The riots in Durban put Kaffir issues back at the end of the week but on Monday the market recovered on buying from Johannesburg. Typically, F.S. Geduld rose 2s. 3d. on Monday showing a net loss of 1s. 3d. at 19 rs. bd. in nine days trading. In diamonds De Beers continued to rise and, despite a setback on Friday when they fell 7s. 6d. at one time, they showed a net gain of 8s. 9d. to 160s. 7 1/2d. Coppers were mixed with no decided trend. Rubbers were quiet and firm; « Suas », which went ex-scrip advanced from the equivalent of 58s. to 72s. 6d.

COMPANY MEETINGS

BOOKER BROTHERS, McCONNELL & CO., LIMITED

(Commonwealth Merchants and Traders, Sugar Producers, Manufacturers, Shipowners, and Rum Distillers and Merchants)

LOWER WORLD SUGAR PRICES BRING EXPECTED REDUCTION IN TRADING PROFITS

VALUE AND JUSTIFICATION OF COMMONWEALTH SUGAR AGREEMENT

FURTHER DEVELOPMENT OF ENGINEERING, WHOLESALE DISTRIBUTION, AND OTHER INTERESTS

IMPORTANCE OF HUMAN RELATIONSHIPS

SIR JOCK CAMPBELL ON THE TRAGIC SITUATION IN CENTRAL AFRICA

The Fifty-Ninth Annual General Meeting of Booker Brothers, McConnell & Co., Limited, will be held in the Conference Room, 11th floor, Bucklersbury House, 83 Cannon Street, London, E.C.4, on Tuesday, July 7th, at 12 noon.

The statutory report and accounts for the year 1958 were posted to shareholders on June 13th. The full report, including the Statement of the Chairman, Sir Jock Campbell, is to be posted to shareholders shortly. The following is a shorthand version of the Chairman's Statement:

There have been two appointments to the Board since our last Annual General Meeting—Sir Henry Hancock, who brings us the experience of a distinguished career in the Civil Service, and Mr G. M. Eccles, who has devoted the whole of his 40 years' working life to sugar and to British Guiana.

We expected a fall in trading profits in 1958 because, as I said last year, 1957 profits gained from the exceptionally high world sugar prices. The Group's net trading profit after tax and all charges was £972,683 in 1958, compared with £1,084,343 in 1957; in addition there were capital profits of £240,567 in 1958, against £32,441 in 1957. Ignoring these capital profits, the return on shareholders' money went down from 9.4 per cent in 1957 to 7.2 per cent in 1958.

THE DIVIDEND

Your directors are recommending a final Ordinary dividend of 9d. per share, composed of 6d. per share free of income tax plus a cash distribution of 3d. per share from distributable capital profits not subject to U.K. income tax. We are also recommending a one-for-four capitalisation of capital reserves which would take £954,019. This is another step towards preventing issued capital from getting too much out of line with fixed assets. If profits go according to plan, your directors hope to maintain the total Ordinary distribution at not less than the present level. Thus, the total Ordinary dividend for 1959, on the increased capital, should be not less than 9½d. per Ordinary share free of income tax.

ANOTHER RECORD SUGAR CROP IN BRITISH GUIANA

The estates in British Guiana, for which Bookers are responsible produced 252,357 tons of sugar in 1958, beating the 1957 record by nearly 16,000 tons. But world sugar prices—on the basis of which we have to sell over 40 per cent of our production—fell from an average of £40 a ton f.a.s. Cuba in 1957 to an average of £28 a ton in 1958, and wages and many other costs increased. Consequently sugar profits were significantly down. That they were as good as they were was entirely owing to the success of management and workpeople in growing, harvesting and processing a new record crop with high efficiency in serious conditions of drought. The outlook for this year's sugar prices and profits is unpromising, but we are wholly confident in the ability and skill of our management colleagues in British Guiana to minimise the effects of the hazards of tropical agriculture. And I believe that we can rely upon our workpeople to play their part to the full again this year. This is not to say that the hazards will not occur; nor that the tensions in the relationships between management and workpeople and their trade unions cannot suddenly erupt into crisis. But I am sure that mutual understanding and respect and goodwill between management and labour are growing all the time in the sugar industry of British Guiana. Indeed all our senior management in British Guiana—Guianese or European, in sugar and our other busineness deserve the highest praise for the selfless way in which they combine, in keeping with the whole spirit of Bookers, practical capability with imaginative humanity in fulfilling their responsibilities to fellow-workers, customers and the community, as well as to shareholders. Even though we all realise that any big business anywhere is fair game for criticism, it is often discouraging to them that so many Guianese seem to carp and snipe at every imperfection; and to take all the good for granted.

With world sugar prices, as I write, nearly back, in terms of real money, to their abysmal prewar level, I know that the sugar workers of British Guiana, as well as management and shareholders, recognise the inestimable value of the Commonwealth Sugar Agreement. Without it the industry and all who depend upon it would today be threatened by ruin. As it is, the assurance for eight years ahead of the special Commonwealth Negotiated Price for about half of our sugar production enables us to hold our course even through the lean years. There are two things about world prices and the Commonwealth Sugar Agreement that I should recall. First: out of over 45 million tons of sugar that are made and eaten in the world every year, only 6 million tons are traded on the world market. All the rest is protected in some form or another. The United States domestic market alone deals with more sugar than the world market; at prices entirely unrelated to it. This acute narrowness of the world market leads to prices bearing no relationship to the cost of most sugar production; because the majority of countries selling on the world market have already sold so much, in many cases almost all, of their production at protected prices. Thus the Commonwealth Sugar Agreement only protects us against the protection of others. Secondly: the special Negotiated Price is neither a horse-trading nor a cost-plus arrangement. It is settled by a complicated formula designed to do no more than enable the value of a ton of Commonwealth sugar to keep pace with the price of supplies and services required by the sugar industry and its workers. The fact that some 40 per cent of our sugar has to be sold at unpredictable world prices provides both formidable sanctions against inefficiency and incentives for controlling costs. I believe that the people of Great Britain, whose exports and whose standard of living are directly imperilled by the drop in purchasing power of the peoples of the countries whose social and economic foundation is primary production, also recognise in the Commonwealth Sugar Agreement a measure as economically justifiable as it is socially enlightened. And here I want to add a few words about the preferential market which Commonwealth Sugar enjoys in Canada, a market of special value to the West Indies and British Guiana. The generous Canadian preference reflects a long-standing tradition of mutually advantageous trading between the

Dominion (particularly the Maritime Provinces) and The West Indies, a relationship which has contributed materially to the West Indian economy. All of us concerned with The West Indies must ensure that we do everything we can to earn the preference, and Canadian goodwill which is a vital background to it, by stimulating reciprocal trade.

VARIED SHOPKEEPING ACTIVITIES

Our Shopkeeping Group has had mixed fortunes during the year although some companies have done very well. Bookers Stores in British Guiana and our agency company there had a thoroughly good year's trading, and our stores in Trinidad made record profits. Our three automotive supply business in the Canadian Prairie Provinces all made their best contribution to Group profits since they joined forces with Bookers. I have seen for myself that they provide a shining exemple in practice of Bookers' philosophy of service through business. As I write we are examining with the Board of Taylor, Pearson & Carson (Canada) Ltd., who are doing the same sort of business in British Columbia and Alberta as our other companies in Western Canada, whether it would be in our mutual interest that they should join forces with us. I hope that we shall know the answer by the time of our Annual General Meeting.

Our Button Group of wholesale and retail grocery and provision businesses in London and the Home Counties disappointingly made a loss. In effect the reorganisation of management, and of shops and business methods, led to higher expenses and resulted in a temporary decline in profits, but this reorganisation is already bringing in plenty of new customers and new trade. In the Button Group we have a well-managed business which should again make its proper return on capital. Being backed by the strength of the Booker Group they were able to carry through the essential reorganisation more quickly than they could otherwise have risked. The risk was expensive but the fruits of reorganisation should come all the sooner.

Because of difficulties in the copper industry in Northern Rhodesia, our shopkeeping companies there did badly in spite of the best endeavours of the management. Our company in Nyasaland achieved record sales but made rather less profit than in 1957.

EVENTS IN NYASALAND

The tragedy of recent events in Nyasaland, and fears for the future, at present overhang the whole of British Central Africa. Although this is not the place to enlarge upon it, the fact that Bookers have some £1½ million invested there, and during 35 years have served the life and economy of the area, must allow us to have an attitude and to express it. When the Booker Group was reorganised after the war we extracted the London & Blantyre Company from its position as a subsidiary of our Northern Rhodesian Copper-Belt companies solely because we were convinced that the social, economic and political environment of Nyasaland differed so totally from that of the Rhodesias. We have thus consistently questioned whether it was right to force Nyasaland into the Rhodesian Federation. I think I can best summarise my view now, by quoting my letter to The Times which was published on March 30, 1959.

"Are not these the realities of the Central African situation? Nearly all the 300,000 Europeans in the area, and the overwhelmingly European Federal Government, believe that the social, economic and administrative interests of themselves and of seven million Africans lie in federation between the two Rhodesias and Nyasaland, and in present domination by the European minority of the African majority.

" In Central Africa, the attitudes of most Europeans towards Africans range from a few who regard them as God-given hewers of wood and drawers of water, to the many who benevolently regard them as the equivalent of school children needing firm but fair treatment from the school authorities, on the understanding that some of them may become prefects if they are industrious and obedient; and recognising that they will one day grow up. All this Lord Malvern and Lord Robins made clear in the House of Lords.

" Africans, as their education and knowledge of the world develops, and as they see the flowering of their peoples in West Africa—and their oppression in South Africa—increasingly resent and fear these European attitudes; and are prepared to sacrifice the economic and administrative advantages of European domination for the freedom to work out their own salvation.

" 'Keep the Africans in their place until they are civilised and capable, say the Europeans. 'Struggle for freedom and nationhood,' resolutely say the Africans. How is this clear conflict of views to be resolved? Certainly not by pride and prejudice and killing people.

" In Nyasaland, where there are only 7,000 Europeans and 2,600,000 Africans, can there be any other answer than for her Majesty's Government to declare Nyasaland an African State and to maintain the effective British protection of her people until forms of Constitutional advancement are worked out with her people which will enable them to decide constitutionally whether or not they wish to be associated with the Rhodesias—and, if so, in what form? It will, I know, need great imagination and courage to do this .

" In the Rhodesias the resolution of the conflict is far harder because Southern Rhodesia is self-governing; because there are 200,000 Europeans there; and because of the great copper mining industry in Northern Rhodesia under American, European, and South African ownership. To segregate Southern Rhodesia and the Copper Belt as miniature South Africas, with the rest of Northern Rhodesia and Barotseland following Nyasaland, would be rank apartheid—with the wealth going to the Europeans and the poverty to the Africans. Perhaps, therefore, the best that can be done is to maintain effective British protection for the Africans of Northern Rhodesia and Barotseland—within the Federation—while the Federal Government and the Europeans show the world what they mean by partnership.'

" It could be hoped that the creation of an African State in Nyasaland, combined with the right of her people to decide their own relationship with the Rhodesias, might encourage the Federal Government of the Rhodesias to provide proofs of partnership in practice which would restore real confidence to all the Africans in Central Africa that the full fruits of the future are theirs in full and fair measure—not only economically and politically but as free and first-class citizens of a new nation. "

The directors and staff of our Nyasaland businesses, and their families, are showing the greatest understanding and courage, and they are not allowing their work or their relationships with African staff to be thrown off balance.

UNITED RUMS REMAIN THE MOST POPULAR

Our Rum Group did very well in 1958. Our new distillery in British Guiana is coming fully up to expectations. Our **Lemon Hart** Jamaica and **Lamb's Navy** Demerara rums still lead the field as by far the most popular brands in the United Kingdom. Our rum trade in Canada is prospering so well that it cannot be long before Canada is the biggest market for our rums. **Tia Maria**—our Jamaican coffee-flavoured liqueur—is gaining popularity in more countries than ever and its prospects too seem good.

SHIPPING : BULK SUGAR INSTALLATION

Our shipping interests consist, first, of the Arakaka and Amakura, which ply between Liverpool and Demerara; secondly, of five coasters which trade mainly between Liverpool and Northern Ireland, and are supplemented by some coastal tramping; and, thirdly, of eight coasters serving our sugar estates in British Guiana and plying between some of the West Indian islands. Our shipping company in British Guiana is also responsible for our wharf and stevedoring businesses there as well as our ship and airline agencies, transport department and insurance business. Although our shipping interests taken together made less money than in 1957, they fared as well as anybody could have expected with freight rates so low and in the face of generally adverse conditions.

Work has started on the construction of the 40,000-ton bulk sugar store and wharf in British Guiana, to be operated by a company in which Bookers have an 80 per cent interest. This installation should be ready ear-

ly in 1961 and is required to meet the needs of our refinery customers in the United Kingdom and Canada. We are now giving much thought to the possibility of building and operating one or two bulk-sugar-carrying ships.

I am delighted that quite a few of our shareholders have decided to use our Travel Department in the entrance hall of Bucklersbury House. I hope they find themselves satisfied customers and that more will follow suit.

ENCOURAGING PROSPECTS FOR INDUSTRIAL AND ENGINEERING GROUP

Our Industrial Holdings Group (as it is now called) covers some assorted and mostly thoroughly profitable companies in the United Kingdom and British Guiana. The British Guiana companies—drug manufacturing, printing, stock-feed, petroleum products marketing, balata bleeding, and a lime estate—made an important contribution to Bookers' profits and set a vigorous example in training in the skills needed for light industrial development in British Guiana.

Our Engineering Group had an immensely encouraging year. Our two sugar machinery businesses—George Fletcher in Derby and Duncan Stewart in Glascow—further enhanced their reputation, and their prospects are good. Fletchers achieved record sales and profits last year.

The major development of the year in the Engineering Group was the acquisition of 90 per cent of the Ordinary shares in Sigmund Pumps Ltd. of Gateshead. This company has an international reputation for the excellence of its centrifugal pumps. Every thing that we have seen of the quality of its management and men, and of its plant and products, gives us confidence that this will prove a most fruitful partnership.

DIVERSIFICATION : FINANCE FOR THE FUTURE

The planning and development of Bookers engineering interests is part of our declared policy of spreading Bookers' risks ; and there can be no doubt that diversification is adding greatly to the strength and resilience of each and all of our companies, old and new. Our finance is on an even keel ; and we shall probably not have to raise new funds for the Group in the near future. This is not to say that circumstances, and requirements, may not change.

I find it very difficult to express my awareness of the extent to which Bookers' profits, the working out of our plans and the achievement of our purposes, are dependent upon all the men and women throughout the Group in the United Kingdom, British Guiana and The West Indies, Canada, the Rhodesias and Nyasaland, and the masters and crews of our ships. Without them there could be no production and no profits—and no purpose—in Bookers.

MANAGEMENT APPOINTMENTS FOR GUIANESE AND WEST INDIANS

In British Guiana and The West Indies it is our resolute policy not now to appoint anyone from outside those countries to any job for which we can recruit a Guianese or West Indian with the necessary qualifications and experience. However, through no fault of theirs, there is at present a serious shortage of qualified Guianese and West Indians for the many important administrative and technical jobs that have to be done. In order to play our part in putting this right, we are building up a concerted campaign for education and training for all kinds and levels of management. Nor are we neglecting such plans for the men and women in our companies outside The West Indies and British Guiana.

I find it is as impossible as ever to forecast this year's results with any expectation of being right. I cannot at the moment see why our 1959 trading profits should be better than 1958, if as good. On the other hand Bookers keeps on growing. Your directors and all of us in Bookers at home and abroad will go on, doing the best we can for all who have a stake in the fortunes of the company.

MARKS AND SPENCER LIMITED

SALES EXCEED £134,000,000

"ST. MICHAEL" BRAND A HOUSEHOLD WORD

99% BRITISH GOODS AND MATERIALS

The thirty-third Annual General Meeting was held on June 11th at 67, Baker Street, London, W.1.

Sir Simon Marks, DSc, Hon FRCS (Chairman and Joint Managing Director) who presided said :

Ladies and Gentlemen : This is the first Annual General Meeting to take place in the new offices and we bid you welcome.

May I take it that in accordance with our customary practice, the Directors' Report and Accounts may be taken as read?

Before we pass to the business of the Meeting it is my sad duty to report the death of Mrs. Spencer, which occurred on March 1st last in her ninety-ninth year. Agnes Spencer was the widow of Thomas Spencer, who was taken into partneship by my father. Michael Marks, in 1894.

Michael Marks had started his own business, the original Penny Bazaar, ten years earlier in 1884. When he was joined by Tom Spencer there came into being the firm of Marks and Spencer with a joint capital of £753. From this small beginning has grown the organisation on which I have the privilege to report today.

Agnes Spencer retained her interest in the progress of the Company throughout these many years, and in 1957 she made a magnificent gift to the Marks and Spencer Benevolent Trust as a measure of her interest in the well-being of our staff. Another link with the historic past is broken. I ask you to rise in honour of her memory.

PROFIT AND LOSS ACCOUNT

Our Profit for the year after Tax has amounted to £7,709,000 compared with £6,193,000 last year, an increase of £1,516,000. We have provided £7,350,000 for taxation against £7,950,000 last year, of which £5,850,000 is for Income Tax compared with £5,925,000 and £1,500,000 for Profits Tax compared with £2,025,000.

The total amount available for distribution is £9,921,000 which includes £2,212,000 brought forward from last year.

The Directors recommend a Final Dividend on the Ordinary and 'A' Ordinary Shares of 25 %, making with the Interim Dividend of 12 ½ %, a total for the year of 37 ½ % against 32 ½ % last year.

We propose to transfer £2,998,000 to the General Reserve which will then amount to £11 million. After the payment of dividends and appropriations as set out in the Directors' Report, there will remain a balance of £2,491,000 in the Profit and Loss Account to be carried forward to next year. The Revenue Reserves will then total £13,491,000 while the Capital Reserve remains at £19,323,000.

We propose to capitalise the sum of £3,618,793 from the General Reserve to enable a Scrip Issue to be made on the basis of one 'A' Ordinary Share for each five Ordinary or 'A' Ordinary Shares

PROPERTIES

Our expenditure during the year on the acquisition of sites and the development and modernisation of Stores amounted to £3,632,000 of which £1,051,000 has been charged as Repairs and Maintenance. A sum of £944,000 has been provided for Depreciation and our Properties, Fixtures and Equipment now stand in the Balance Sheet at £47,525,000 compared with £45,879,000 last year.

CASH

Our cash balances and our holding of Tax Reserve Certificates total £10,549,000 compared with £6,778,000 last year. We have received in bank and other interest £212,000 against £175,000.

The Loan of £1 million at 5 ¼ % has been transferred in the Balance Sheet to Current Liabilities prior to repayment on 1st April of the current financial year.

GENERAL SURVEY

The growth of the Company is once again revealed by the results presented in the Annual Report. Not only has the volume of business attained the record figure of £134 million compared with £130 million the previous year, but the net profits have also reached a new high level at £7,700,000 compared to £6,200,000 in the previous year.

Thanks to the reduction in the Profits Tax and in the standard rate of income tax made by the Chancellor of the Exchequer in his last two budgets ,the net profits have benefited considerably. This is the first substantial relief in taxation that we have enjoyed since 1939-twenty years ago.

The cumulative investment year by year in the acquisition of properties and their gradual development into fine modern stores is bearing fruit. The measure of this investment can be assessed by the fact that the Freeholds and very long Leaseholds are shown in the accounts at £ 43 million. The most significant feature of this policy is that the finance required has been drawn from retained earnings which do not carry any interest charge. It follows therefore that our Trading Profits benefit substantially as a result of this policy.

Each year, with the transformation of the Stores, a considerable extension of selling space is created which enables us to display an expanding range and variety of merchandise clearly and attractively. Our customers can select their goods in greater comfort, guided by a trained and courteous staff. The improved and convenient shopping facilities we provide are much appreciated by our public.

TECHNOLOGICAL APPROACH TO MERCHANDISE

We attach the utmost importance to our work of developing the range, variety and the quality of the goods we sell. The Directors, executives and technologists and their staffs are continuously engaged on the problems of how to improve the quality of materials, their performance 'value' and the styling of our goods to satisfy yet more fully the requirements of the public.

The quest for improvement is endless. Twenty-three years ago, in 1936, we established our Merchandise Research and Development section to aid us in this endeavour. We believed that the scientist and technologist could make an effective and creative contribution to our efforts in assisting our suppliers to produce still better values. Progress in this field was halted by the war, but when hostilities ceased, the activities of this section were resumed with a new impetus. A team of technologists was engaged to study the problems involved in adapting the growing variety of new and untried man-made fibres to our needs.

We are in close touch with the great basic textile firms which deal with the fundamental problems of their industry. It is the task of our technologists to keep abreast of all developments in that field which bear upon the quality and value of our goods. The work has been expanded to cope with the wealth of materials, fabrics and finishes now at our disposal. On these services we employ scientists and technologists whose special qualifications fit them for their task. They are supported by a numerous staff and have at their disposal laboratories designed for testing and evaluating new products. Our technologists establish quality standards and performance specifications with our suppliers and they collaborate in ensuring the necessary process control and testing during all stages of manufacturing. The utmost vigilance and attention to technical details is the necessary prerequisite for the creation of our high quality merchandise.

The practical effects of their efforts are to be seen in the many new and interesting fabrics which have already been incorporated in our St. Michael garments. There is no doubt but that the development work which has been carried out has shortened the path between the advent of the new man-made fibres and the production of the kind and quality of goods which we believe our public want. It enables our merchandising staff to select new and better goods and to organise their production with speed and assurance.

The results of this interesting work are seen in the mounting turnover we report from year to year. The confidence in our goods on the part of our customers, who are most discerning in their purchases, is cause for much satisfaction to your Board. The goodwill of the public is one of our greatest assets, which we prize most highly.

It is well to recall the great changes that we have seen in our range of merchandise in recent years. A large proportion of St. Michael garments today are made of fabrics entirely unknown to the public but a few years ago. Nylon, Terylene, Orlon, Acrilan, Tricel, etc. now fill many of our counters and racks, adding novelty and variety to the traditional fabrics, Wool and Cotton. They, in their turn, have been given new properties which improve their performance in wear and have eased the burden of washing and ironing. Naturally some of these new fabrics have up to now been in short supply, but they are becoming increasingly available to the public at prices well within their reach.

NEW LOWER PRICE CAMPAIGN

It has always been our policy to pass over to the public the benefits which accrue from lower raw material costs or more efficient methods of manufacture or from both. It is with pleasure that I can state that our suppliers are in agreement with us in giving effect to this policy and they co-operate most closely. Our "New Lower Price" campaign, which aroused great public interest when launched last year has continued with a series of important price reductions made at the beginning of this year. The measure of the gain to our customers is that since the beginning of this campaign in 1958 they have saved over £ 4 million on their purchases for the same goods in our Stores.

We have done more than stabilise our prices, we have substantially reduced many of them. It is not price cutting but sound business commonsense to extend to the public the results of efficient business operation. In this way our policy of better goods at lower and inexpensive prices makes a definite contribution to the cost of living and to the raising of living standards.

FOOD DIVISION

The Food Division continued to make good progress during the year. We work in close association with our friends who are among the leading suppliers in the land. Our executives and technologists co-operate most effectively with them and together they have established high standards of quality for the specialised foodstuffs we sell.

At all times we emphasise the importance of strict attention to hygiene and cleanliness in the Stores and in the factories. The social responsibility involved in this policy is recognised as of fundamental importance by all those concerned. There is, no doubt that our customers greatly appreciate our efforts in this direction. We are glad that our work in this field is highly regarded by Public Health and other important authorities.

CONTROL OF OPERATING COSTS

The efficiency of our organisation has benefited greatly from our efforts during the past three years in bringing under control the costs of operating the business. Since 1956 when we instituted our Good Housekeeping campaign we have substantially reduced the level of these costs, while the turnover has continued to increase. In bringing this about we have subjected every procedure of our administration to close scrutiny. Much that proved to be unnecessary was discarded and simpler methods have been evolved.

In my speech last year I told you that we were in process of transferring the administration into new offices in Baker Street. In March of this year that move was completed. The shortage of office accommodation since the war had imposed on us the inconvenience of operating from make-shift offices in seven different premises throughout London. This has now come to an end. Our Head Office staff, responsible for buying and administration, have been brought together under one roof for the first time in twenty years. The move into one building provides us with the opportunity of still further streamlining our operations.

STORE DEVELOPMENT

I have described the cumulative effect of our store development over the years. Each year we plan a building programme, having as its aim more and more selling space to display our growing range and variety of merchandise.

The size and the character of the building projects we have evolved since the war are costly and take a considerable time to complete — in many cases up to two years. It is thus clear that at any given time a considerable part of our investment has still to reach the productive stage. They are important buildings and are notable landmarks in the shopping areas where they are situated. It will require substantial investment year by year to carry out the policy of expansion we have in mind. As in the past these funds will be found from earnings retained in the business.

During the year we completed eleven major extensions involving considerable rebuilding and have in hand fifteen further substantial projects. New important schemes will be added to the list as soon as the necessary plans are completed. This work demands a continuous and concentrated effort on the part of the executives and staff of our building department.

TRIBUTE TO MANUFACTURERS

I am glad to pay tribute to our manufacturers for their splendid co-operation during the past year. They realise that our trade mark, St. Michael, stands high in the esteem of the public as the symbol of good taste, quality and value. It is with satisfaction that I can say that our friends have helped us not only to maintain but to enhance the prestige of St. Michael which is the most popular trade mark in the country and, indeed, has become a household word.

Our policy has always been to encourage British production to the umost. It is a source of great pride to us that we can state that 99% of our goods and the materials used in them are of British manufacture. This has been made possible by the close and understanding co-operation which exists between the suppliers and ourselves.

The knowledge that the development of our Stores year after year affords an expanding outlet for their production has encouraged our friends to install the latest machinery on a considerable scale. It is only by keeping their plants and equipment up-to-date that they can help us to satisfy the increasing demand of our customers.

TRIBUTE TO STAFF

It is with pleasure that I acclaim the fine spirit of service shown by our staff whether at Head Office or in dealing directly with the public in the Stores. I am always impressed by the friendliness which exists between our sales ladies and their customers.

Our staff, who are interested and enthusiastic in their work, find pleasure in selling the St. Michael merchandise which gives satisfaction to so many people. Their high standard of service greatly contributes to the reputation of the Company.

We are concerned at all times with the well-being of the staff and seek to create happy and congenial working conditions. We provide good pay and bonuses supplemented by welfare amenities on an impressive scale. This policy has led to the high degree of labour stability we enjoy and to the growing numbers who complete 25 years service with us.

Our staff know that when the time comes for retirement, appropriate provision will be made through our Pension and Benevolent Funds, and that their well-being will still be the concern of your Company.

We look upon our Pensioners, who now number 269, as members of the Marks and Spencer family, and in their retirement they enjoy many of the amenities which were available them during their active careers.

I ask you to join with me in thanking the members of our staff, both present and past, for their loyalty and devotion to our Company.

The report and accounts were adopted.

THE ORION INSURANCE COMPANY LIMITED

MR. DUDLEY R. SCHOLEY'S REVIEW OF DEPARTMENTAL ACTIVITIES

The 29th annual general meeting of The Orion Insurance Company Limited was held on June 25 at 70/72, King William Street, London, E. C. 4.

The following is the statement by the Chairman, Mr. Dudley R. Scholey, which has been circulated with the report and accounts for the year ended December 31, 1958:

The material figures and percentages relating to Departmental results which in previous years have appeared in the Chairman's Statement are now shown in the Directors' Report and it is my intention, therefore, to confine myself to comments upon these results and upon matters of interest concerning your Company's affairs.

MARINE AND AVIATION BUSINESS

Regarding our Marine and Aviation business, you will notice there is a reference in the Directors' Report to the change of basis in the closure of our Marine and Aviation Underwriting Accounts. For some years it has been apparent to us that the abnormal delays in the notification of Marine Claims which have been a feature of the post-war period, particularly in the Hull and Miscellaneous Sections, have made it increasingly difficult to assess the result of a world-wide Marine Underwriting Account at the end of its third year. Your Board has decided, therefore, as a matter of future policy, to defer the closing of the Marine and Aviation Account until the end of its fourth year and, accordingly, the 1956 Underwriting Account will not be closed until the end of 1959.

Since the time of my last review our 1956 and 1957 Underwriting Accounts have shown some deterioration. Although there are indications of improvement in some aspects of Marine business, it is doubtful whether either of these two Underwriting Accounts will turn out to be profitable.

The Marine Fund at £1,969,051 has been strengthened from time to time by the retention of profits earned in earlier years. In present circumstances we consider it prudent to conserve these additional resources and, accordingly, have decided not to make any transfer to Profit and Loss Account this year.

Our Aviation Business, which forms part of the Marine and Aviation Account, continues to operate on a satisfactory basis and to show a modest profit. It should benefit further from the anticipated improvement in Underwriting conditions resulting from the general Market Agreement now in operation. Our Aviation Underwriter, Mr. Graham Willett, was elected Chairman of the Aviation Insurance Offices' Association this year, and we wish him a successful term of office.

FIRE, ACCIDENT AND MISCELLANEOUS DEPARTMENT

In the Fire, Accident and Miscellaneous Department a substantial proportion of our business emanates from North America where, as is well known, results have been generally unfavourable. During the year under review our endeavours were concentrated upon the elimination or reduction of the apparently unprofitable Sections of this business whilst, at the same time, working towards the development of those Sections which, in our view, showed better prospects of an earlier return to a profitable basis. In spite of the pruning of these activities necessitated I am glad to report a modest increase in Premium Income to £1,144,625. Although the Account shows a Loss for 1958 of £40,359, the measures taken appear to be having the desired effect.

The Income from Investments at approximately £223,000 was some £40,000 more than last year and there was a satisfactory increase at 31st December, 1958, in the Excess of Market Value of Invested Funds over their Book Value.

Sir Strati Ralli, Bart., M.C., retired from the Board as a Director on the 30th June, 1958. Our appreciation of his valuable services to the Company was recorded last year when he relinquished the office of Chairman of the Board.

The year 1958 was an arduous one for your Company's Officials and I should like to place on record our thanks to them and to all members of the Staff for their loyal co-operation and services.

UNITED DRAPERY STORES

SIR BRIAN MOUNTAIN ON A YEAR OF FURTHER EXPANSION

The following are extracts from the statement by **Sir Brian E.S. Mountain, Bart.** (the Chairman), circulated with the Report and Accounts for the year ended January 31, 1959:

The Group Trading Profit of £7,912,927 shows an increase of £781,050 of which sum £460,000 relates to the profits of new businesses acquired during the year leaving an increase of £321,050 from the existing businesses. This satisfactory increase is due to a further substantial rise in Group turnover in a year which has contained a number of difficult trading periods.

The increase in turnover gathered momentum towards the end of the year following the lifting of the remaining Hire Purchase restrictions in October. This naturally meant a large rise in our Hire Purchase Debtors and a corresponding addition to our provision for unearned profit on these debts. It will be seen that the Provision for Unearned Profit on Hire Purchase Debts and for Debt Contingencies has risen from £72,579 to £503,832 for the year under review.

Taxation

For the first time for many years the charge for Taxation shows a substantial reduction in spite of the increased profits and this is very largely due to the Profits Tax reduction in the 1958 Budget and to the recent reduction of 9d. in the standard rate of Income Tax. We have still not reaped the full benefits of the Profits Tax reduction and next year should see a further saving of about £40,000.

Profits after taxation have increased by £542,840 to £3,252,973. Under normal circumstances your Board would have increased the total dividend on the Ordinary Stock to 35% less tax but as this would have increased the Profits Tax charge your Board proposes to pay a final dividend of 20 % less tax making 32 ½ % less tax for the year. Your Directors will also pay an interim dividend on account of the year to 30th January, 1960, of 2 ½ % less tax which will be paid at the same time as the final dividend for this year and which will not be taken into account when considering dividend payments for that year.

Consolidated Balance Sheet

Current Assets have increased by £2,287,368 to £18,563,022 and of this figure Stock has risen by £390,591 mainly due to the requirements of our new acquisitions. A major increase is in Debtors which after much larger reserves have risen by £2,231,249. This is due, as I have already stated, to the greater volume of Hire Purchase sales towards the end of the year and there is every indication at present that this trend will continue for some time. Our reserves for Unearned Profit have almost reached £2 ½ million and they will provide a good bulwark to profits in the event of any fluctuation in Hire Purchase business in future years.

Commenting on the request by Mr. Collier, made towards the end of the year, to resign his position as Managing Director on medical grounds, Sir Brian said: Whilst it is with the greatest regret that I have accepted his resignation it would be inconceivable to me that a man like Mr. Collier should not be fully employed so far as his health allows in controlling and directing the future destinies of the Company as he has done in the past. Therefore, in furtherance of the Company's interests I have offered the Chairmanship to Mr. Collier realising that while he will be relieved from the day to day details of management we can count upon his wise counsel and leadership in continuing to formulate the policy of the Group. I am more than pleased to inform you that Mr. Collier has acceded to my request.

To fill the vacancy of the Managing Director the Board propose to appoint Mr. J. A. Sampson who joined the Group in 1946 and has worked very closely with Mr. Collier ever since.

I would add that these changes in no way affect the interest of my Group of Companies, or myself, in United Drapery Stores, in whose future we have the utmost confidence.

The report and accounts were adopted and resolutions giving effect to the proposed rights issue were approved.

Mr. Collier proposed a vote of thanks to Sir Brian Mountain and paid tribute to his very valued services over a period of twenty-five years.

After the Annual General Meeting a Board Meeting was held at which Mr. Joseph Collier was appointed Chairman and Mr. J. A. Sampson was appointed Managing Director.

TWELVE YEARS' REVIEW

Year Ended January	Group Profit Before Taxation	Net Current Assets	Fixed Assets	Total Net Assets
	£	£	£	£
1948	669,198	1,047,052	1,546,921	2,593,973
1949	787,085	1,544,106	1,568,974	3,133,080
1950	966,730	1,891,208	2,426,525	4,317,733
1951	1,255,743	2,102,468	2,688,843	4,791,311
1952	1,760,974	3,371,184	2,679,421	6,050,605
1953	2,264,575	3,913,995	2,668,863	6,582,858
1954	2,601,584	3,933,207	5,501,896	9,435,103
1955	4,038,379	4,579,817	8,610,272	13,190,089
1956	5,501,668	6,500,361	14,864,527	21,364,888
1957	5,971,536	6,964,226	15,893,125	22,857,351
1958	6,389,080	7,484,863	16,822,634	24,307,497
1959	6,520,998	7,875,933	19,023,970	26,899,903

UNITED DRAPERY STORES GROUP OF COMPANIES
COMPRISING OVER 750 RETAIL SHOPS AND DEPARTMENTAL STORES IN ALL PRINCIPAL TOWNS THROUGHOUT THE UNITED KINGDOM
INCLUDING
PRICES TAILORS (JOHN COLLIER AND CLAUDE ALEXANDER), ALEXANDRE, RICHARD SHOPS,
JOHN BLUNDELL AND JOHN FISHER
AND A GROUP OF DEPARTEMENTAL STORES INCLUDING
ARDING & HOBBS, ALLDERS AND SHINNERS

Directors
Joseph Collier (Chairman)
J. A. Sampson (Managing Director)
A. E. English — B. Lyons
W. F. M. Horne — I. J. Lyons
K. A. Keith

A copy of the 32nd Annual Report and Accounts can be obtained on request from The Executive Offices: 364-366, KENSINGTON HIGH STREET, LONDON, W.14.

FARBWERKE HOECHST AG.

FRANKFURT (M)-HOECHST

The Annual General Meeting of Farbwerke Hoechst AG, was held in Frankfurt (M)-Hoechst on May 14, and the following is a summary of the Report presented by the Board of Directors:

Development

The Company's development during 1958 was satisfactory although expansion continued at a slower rate compared with the precious year. Capacity was well utilised and production continued without interruption. A number of new plants was taken into service and as a result of research work new and promising products were put on the market.

The total turnover of Farbwerke Hoechst AG, and its associated companies as compared with 1957, rose by 7,3% to DM 1,890m including 31% for exports. Dyestuffs, intermediates and textile auxiliaries accounted for 15% of the Company's total turnover, with the balance being distributed over pharmaceutical products (11%), nitrogenous fertilisers and inorganic chemicals including plant protection agents (22%), plastics, plastic intermediates, solvents (21%) fibres and foils (16%), welding techniques (8%) and miscellaneous products (7%). 74% of the total went to the countries which now form part of the European Common Market including the Federal Republic, and 82% to the planned Free Trade Area.

Investments

Capital expanditure totalled DM 248m. and brought investments for the period 1952 to 1958 to some DM 1,270m., with an annual rate of approximately DM 240m. since 1955. Investments during 1959 will probably be of the same magnitude as those in the previous year. Expenditure under this head up to 1958 was financed through depreciation to the extent of approximately DM 750m., with some DM 320m. coming from the Company's own resources and the balance of DM 200m. being financed by way of loans.

Overseas Interests

Investments abroad until the end of 1958 totalled approximately DM 76m. A large proportion was accounted for by expenditure in Central and South America, and the Company's interests in this area were combined in a new company, Trans-American Chemicals Ltd., set up in Montreal. In Brazil, Fongra Produtos Quimicos S.A. was fully taken over by Farbwerke Hoechst AG. in accordance with an agreement concluded with W. R. Grace & Co., the American partner in this firm. Electro Quimica de Flix S.A., one of Spain's biggest chemical plants, increased its capacity so as to meet the growing demand of the Spanish plastics industry. Expansion of the Company's foreign distribution organisation included three plants for the finishing of pharmaceutical specialities, thus raising the total number of such plants to nine; four further plants are being erected.

Research

Expenditure on research and development during 1958 totalled approximately DM 93m., an amount equivalent to 4,9% of the turnover. During 1958 some 20% of the turnover was represented by products which had only been put on the market during the last five years. The Hoechst Group as a whole employs some 1,800 scientific workers who have all had a secondary education.

Fields of Production

The production of inorganic chemicals, a large proportion of which is required for the Company's own use, continued to rise during the year. Sales of nitrogenous fertilisers increased further and conditions in foreign markets grew more difficult. The turnover in plant protection agents was on a level with that of the previous year.

As a result of the general crisis in textiles the particularly high dyestuffs turnover of the previous year could not be reached in 1958. The position was further complicated by the loss of business in important export markets. The turnover of textile auxiliaries improved appreciably during the year, particularly in the export field. It was also possible to achieve an encouraging rise in the turnover of intermediates.

The field of plastics, lacquer components and solvents has become one of the most important sectors of the Company's activities. The ethylene-based Hostalen brand of polyethylene is today one of the major products of the plastics industry, and its turnover considerably expanded during the year. „Hostalen" is largely used for the manufacture of household goods and its use for the production of tubes and hollow ware in general, particularly bottles, is increasing.

The raw material basis for the production of waxes in the Gersthofen plant was further secured by the new crude montan wax installation at Trevsa.

In the field of man-made fibres „Trevira," the polyester fibre, developed satisfactorily and capacity was fully utilised. The growing demand and the increasing field of application seem to ensure the sale of the increased volume of production in 1959. Sales of Perlon were also satisfactory.

Pharmaceuticals, one of the Company's traditional fields where it can boast of experience in production going back over 75 years, also developed satisfactorily during the year. Orally administered antidiabetic drugs, which had been put on the market as recently as 1957, increased their share of the market.

Associated Companies and Participations

Knapsack-Griesheim AG. largely completed the extension of the phosphorus plant with the expansion of the sintering installation. The works now have two phosphorus furnaces with a total capacity of approximately 40,000 tons a year, and installations for the production of red phosphorus, phosphoric acid and sodium ammonium phosphate. In September of the year under review the second 40,000kW carbide furnace was taken into service to replace a number of small furnaces. Sales of technical gases continued to increase.

Kalle & Co. AG. utilised its capacity to a large extent during the year. Plastic foils again showed the largest increase in production with an advance exceeding 40%.

Behringwerke AG. showed a favourable development during 1958. The company's wide range of products, which includes vaccines and sera, was extended by new preparations. The newly developed polio vaccine Virelon' was put on the market in the autumn of 1958.

Wacker-Chemie GmbH., München, distributed a dividend of 11% for the year 1957. In November 1958 1% of the company's capital was transferred back to Farbwerke Hoechst AG. and as a result the 50:50 ratio first created in 1920 was restored.

Duisburger Kupferhütte, Duisburg, in which Farbwerke Hoechst AG. participates to the extent of 30.1%, distributed a dividend of 7% for the year 1957.

Within the framework of the re-organisation of participations in respect of Ruhrchemie AG., Oberhausen-Holten, Farbwerke Hoechst AG. acquired 25% of the DM 60m. share capital of the company in April 1958.

Bunawerke Hüls GmbH, Marl, in which Farbwerke Hoechst AG. has an interest of 16 2/3% through Synthesekautschuk-Beteiligungsgeselleschaft mbH., Frankfurt (Main), completed its plant for the production of synthetic. The plant's capacity amounts to 45,000 tons a year.

Abieta Chemie GmbH., Gersthofen near Augsburg, a company with a capital of DM 2.2m. in which Farbwerke Hoechst AG. holds an interest of 50% began the production of auxiliaries for the manufacture of buna in September 1958.

Personnel

The Hoechst Group as a whole employed altogether 43,328 people at the end of 1958, compared with 42,739 at the end of 1957. As a result of rationalisation and of new automatic plants being put into service, there was no further increase in the Group's labour force during the second half of 1958.

Balance Sheet

The consolidated balance sheet at December 31, 1958, included the balance sheets of Farbwerke Hoechst AG. and of those of its German subsidiaries in which it has an interest of more than 50 %, with the exception of housing organisations and welfare institutions. Investments in plant installations of DM

the extent of DM 158.4m. Fixed assets rose by DM 137.4m. to DM 982.9m., including an increase of DM 47.9m. with the associated companies. They are covered by the Company's own resources as well as by the loans floated in 1957 and 1958.

Annual General Meeting

At the Annual General Meeting of May 14, 1959, when more than 78.7 % of the share capital was represented, it was resolved to distribute a dividend of 14 % for 1958. Turnover during the first few months of 1959 was again bigger than that of the corresponding period of the previous year.

Capital Increase

The Company's share capital was raised by DM 94m. to DM 556m. in the spring of 1959. The funds accruing from this increase are to be used to finance further investment projects and to facilitate the maintnance of a sound ratio of capital and reserves to credit balances.

SUPERVISORY BOARD

(Aufsichtsrat)

Dr-Ing. E.h. Dipl.-Ing. Friedrich Jahne, München (Chairman); Dr. rer. pol. Leisler Kiep, Kromberg (Ts) (Deputy Chairman); Dr. rer. pol. Hermann Richter Düsseldorf (Deputy Chairman); Hans Bassing, Schwalbach a.Ts; Peter Braun, Frankfurt (Main); Dr. rer. pol. Hanns Deuss, Düsseldorf; Nikolaus Fleckenstein, Frankfurt (Main); Anton Ockenfels, Knapsack; Professor Dr. phil. nat. Dr. med. h.c. Dr. med. h.c. Boris Rajewski, Frankfurt (Main); Karl Schirner, Frieburg i.Br.; Max H. Schmid, New Canaan, Conn., U.S.A.; Fritz Schramm, Frankfurt (Main); Dr. jun. Pierre Vieli, Küsnacht-Zürich; Dr. phil. Wolfgang Wacker, Inzell/Alpenstrasse; Dr. phil. Konrad Weil, Frankfurt (Main).

BOARD OF DIRECTORS

(Vorstand)

Professor Dr.-Ing. Dr. rer. nat. h.c. Karl Winnacker (Chairman); Dr.-Ing. Erich Bauer; Prof. Dr. phil. Dr. re. nat. h.c. Dr. med. h.c. Dr. med. vet. h.c. Gustav Ehrhart; Dr. Phil. Michael Erlenbach; Oscar Gierke; Dr.-Ing. Paul Heisel; Rechtsanwalt Heinz Kaufmann; Kurt Lanz; Dr. rer. pol. h.c. W. Alexander Menne; Dr. phil. Dr.-Ing. E.h. Friedbert Ritter; Dr. phil. Emil Thiel; Dipl.-Chem. Wolfgang Thies; Dr. Ing. Dr. Dr. rer. nat. h.c. Josef Wengler, Dipl. Kim. Berthold Gamer (Deputy Member).

FARBWERKE HOECHST AG.

CONSOLIDATED BALANCE SHEET AT 31st DECEMBER, 1958

including Affiliated Companies

LIABILITIES	31.12.1958 DM	31.12.1957 DM
SHARE CAPITAL	462,000,000	462,000,000
RESERVES		
Statutory Reserve	102,731,909	102,531,808
Special Reserve	35,660,000	35,660,000
Miscellaneous Reserves	103,301,902	91,713,908
	241,693,811	229,905,716
Holdings by Third Parties in Associated Companies	3,993,485	1,794,408
Value Adjustments under Sections 7c and 7d Income Tax Act	14,726,035	15,563,680
Provisions		
Pensions	157,107,388	143,468,154
Provision for I.G. Farbenindustrie AG. i.L.	10,303,576	20,339,283
Miscellaneous	81,043,312	77,007,720
	248,454,276	240,815,157
CURRENT LIABILITIES		
Loans	200,000,000	100,000,000
Mortgages	292,685	57,236
Superannuation Funds	137,423,523	134,555,835
Bank Credits	158,021,867	179,327,059
Miscellaneous Credits	125,140,956	78,119,393
I.G. Farbenindustrie AG. i.L.	3,573,011	3,512,747
Customers' Deposits	40,005,457	38,472,989
Creditors (Trade)	83,434,046	84,405,883
Creditors (Associated Companies)	629,403	1,173,802
Miscellaneous Liabilities	114,953,778	106,303,776
	863,474,726	732,928,720
PROFIT		
Balance brought forward from 1957	211,856	207,933
Profit 1958	64,682,591	50,823,923
	64,894,447	51,031,856
Equalisation of Burdens—Capital Levy:		
Present Value DM140,689,913		
Quarterly Instalment ... DM 2,624,469		
Guarantees DM 37,828,884		
	1,899,236,780	1,734,029,537

ASSETS	31.12.1958 DM	31.12.1957 DM
FIXED ASSETS		
Establishment:		
Plant and Buildings		
(a) Business and Residential	58,221,609	54,679,025
(b) Factories, Labs. and other Buildings	267,622,993	241,599,616
Undeveloped Sites	8,459,356	6,992,254
Plant, Apparatus and Machinery	454,443,521	395,893,051
Tools, Factory and Office Equipment	22,462,140	21,893,303
	811,209,619	721,057,249
Patents and Similar Rights	5	5
Participations	171,665,328	123,764,508
Fixed Asset Securities	—	660,000
	982,874,952	845,481,762
STOCKS		
Raw Materials and Supplies	137,960,378	142,373,278
Semi-finished and Finished Products, Merchandise	228,149,796	216,083,880
	366,110,172	358,457,158
ACCOUNTS RECEIVABLE		
Mortgages	13,458,290	11,745,591
Deposits with Suppliers	27,256,582	29,475,765
Debtors (Trade)	241,223,306	222,632,695
Debtors (Associated Companies)	58,859,062	38,115,065
Miscellaneous Amounts Outstanding	48,626,103	77,403,702
	389,423,343	379,372,818
LIQUID ASSETS		
Securities	31,331,332	36,933,877
Bills of Exchange Receivable	19,233,583	25,813,901
Cheques	273,112	39,762
Cash in Hand including Balances with Bundesbank and on Postal Cheque Accounts	3,124,422	2,363,784
Bank Balances	87,883,866	74,544,526
	141,846,315	139,695,840
TRANSITORY ITEMS		
Discount (Loans)	3,679,010	1,913,580
Miscellaneous	15,302,988	9,108,379
	18,981,998	11,021,959
Recourse Claims on Guarantees DM37,828,884		
	1,899,236,780	1,734,029,537

Represented by : Hœchst Chemical Ltd., 50 Jermyn Street, London, S.W.1.

Threlfall's Brewery Company

RESULTS EXCEED EXPECTATIONS

The 72nd Annual General Meeting of Threlfall's Brewery Company, Limited was held on June 11th in London.

Mr. F. Cornwall (Chairman and Managing Director) presided and, in the course of his speech, said:

The profit from trading and other Income of £1,066,833 bears a very favourable comparison with last year. These results, I am happy to say, proved to be considerably better than anticipated in the early part of the financial period.

Although the Gross Profit and Interest on Investments shows a small reduction, the Net Profit, after taxation and making the requisite adjustments in respect of prior years' tax provisions, is substantially higher at £445,062. These figures constitute a record for the Company, and amply justify the Directors in recommending a further increase of 1% in the Ordinary Sock Dividend.

It is very essential that the intensive work carried out at various Hotels since the relaxation of building restrictions should continue to conform to the high standard and reputation of the Company. Very large sums have been expended in modernising and improving them as I have previously informed you, and this activity is a continual process, the end of which is not yet in sight.

Budget: The reduction in the Beer Duty made by the Chancellor of the Exchequer in his last Budget has been generally welcomed. The Duty on Beer has undoubtedly been excessive for some years, and was having a detrimental effect on the trade, not only in our own areas, but throughout the country. The reduction of 43/7d. per barrel, which has enabled the price of Beer to be reduced by 2d. per pint, should definitely arrest the decline which had become apparent, although it remains to be seen whether the anticipated increase of sales will materialise. The reduction, as I have said, was generally welcomed by the Trade as a step in the right direction, although to some extent our profit per barrel will be reduced. This does not cause us undue anxiety, a much more important point being that many of our patrons working in Heavy Industries and at the Docks, after a hard day's work, can now satisfy their thirst at less cost.

New Hotels: At the present time, four new Hotels are in course of erection—two to replace existing premises, and two in new Housing Areas. Many of our Houses have been extensively altered and improved during the year. I am happy to report that the Strand Hotel at the Pier Head at Liverpool, which, as I informed you last year, was the largest project undertaken by the Company, has now completed a full year's working, and your Board are very satisfied with the result.

The Chairman gave an up-to-date picture of the progress of the Liverpool pool Brewery reconstruction, and said:

The expenditure involved in the work has been high, and considerable sums of money are still required to finance the carrying out of the alterations still to be done. During the year, some British Government Securities have been sold and the proceeds utilised for this purpose, and it may be that more will have to be disposed of during the current year. You may rest assured that this matter is one which is receiving my own close and personal attention.

The report and accounts were adopted and the total Ordinary Stock dividend of 22% for the year was approved.

Union Insurance Society of Canton

The annual meeting of the Union Insurance Society of Canton Limited was held on May 28th in Hong Kong, Mr. J. F. Macgregor, the chairman, presiding.

The following are extracts from the report and accounts and his circulated statement:

Marine.—The net premiums for the year amounted to £2,856,361. After realising £275,000 to Profit and Loss Account the Marine Fund stands at £4,698,224.

Fire.—The net premiums for the year amounted to £3,773,932. £203,854 has been transferred to Profit and Loss Account. The Fire Fund stands at £2,197,553.

Accident and General.—The net premiums for the year amounted to £5,559,187, £360,703 has been transferred from Profit and Loss Account. The Accident and General Fund stands at £2,624,986.

Profit and Loss Account.—Interest dividends and rents amounted to £607,361 and transfers from underwriting accounts to £118,151. The profit for the year appertaining to the Society is £339,103.

The general world-wide pattern of our business in 1958 shows improvement upon that of the previous year but in the Accident Department the profitable results have been insufficient to meet the losses arising from our operations in Europe and South Africa. However, it is encouraging to note that the overall trend in Canada is now much improved and results from this important field should in the future reflect the new rating structure and cover granted by policies. The Fire results in the United States of America are again unsatisfactory.

The report and accounts were adopted.

DAVIS AND TIMMINS

SUBSTANTIALLY IMPROVED RESULTS

The sixtieth annual general meeting of Davis and Timmins Limited was held on June 4th in London.

Mr F. Le Neve Foster (the chairman) presided and, in the course of his speech, said:

The results show a substantial and welcome improvement. The Group Profit for the year, after depreciation, Directors' emoluments and Loan Stock interest, etc., is £198,398, as compared with £164,236. The improvement which is apparent, is all the greater when I remind you that the figure for 1957 included a transfer from Stock Contingency Reserve of £32,000. The Net Profit, after provision for taxation, amounts to £106,071 as compared with £103,791 for the previous year which also included the £32,000 transfer I have mentioned.

The Directors recommend a final dividend of 14 per cent, making a total of 20 per cent for the year on the issued Ordinary Capital as against 18 per cent for the previous year.

The total net requirements for our Preference and Ordinary Dividends for the year amount to £57,069 which is amply covered by the net profit, after taxation, of £106,071 and the Directors consider that the proposed increase in the Ordinary Share Dividend therefore, is well justified by the results and the financial position.

The Consolidated Balance Sheet shows a strong position. Capital and Revenue Reserves (exclusive of the Reserve for Future Income Tax) total £652,090, which is considerably in excess of the issued Ordinary Capital of £442,500. This figure takes no account of the valuable goodwill of our business, or the fact that the present day value of Fixed Assets greatly exceeds the Balance Sheet figures. The Trade Investment shows an appreciation at market value at the end of the year of £46,875. Net current assets, less liabilities and provisions, show a satisfactory increase of £50,284 during the year.

We have taken further major steps to improve efficiency. The largest of our machine shops has been completely replanned to obtain more economic handling of materials and products. More special purpose machines of our own designs have been installed to replace less efficient machines of orthodox types. By these means substantial overall economies have been achieved and we have greatly reduced machining costs on a variety of products.

Particular attention has been given to extending our range of products and we have again successfully broken into markets hitherto outside our normal sphere.

The report and accounts were adopted.

AUTOMATIC TELEPHONE & ELECTRIC COMPANY LIMITED

Annual Report and Accounts of the Group for the Year ended 31st December 1958.

	1958	1957
	£	£
Profit (after depreciation, etc.)	1,554,139	1,981,905
Taxation	525,631	842,761
Net Profit	1,028,508	1,139,144
Dividends	*280,625	338,545
Retained in the business for Research, Development, Expansion, etc.	733,235	797,942
Issued Capital	5,000,000	4,572,200
Reserves and Amounts set aside	9,656,903	8,809,038
Fixed Assets	5,472,029	4,707,216
Trade Investments	733,114	534,798
Net Current Assets	8,661,965	8,291,097

* In making their recommendations for the Final Dividend on the Ordinary Stock and the Dividend for the year on the Deferred Stocks, the Directors have had regard to the provisions of the Finance Act, 1958, relating to Profits Tax on distributed Profits. They have declared a Special Interim Dividend of 6% less taxe for the year ending 31st December, 1959, on the Ordinary Stock and Deferred Stocks, payable on 6th June, 1959. The Special Interim Dividend will not be taken into account in considering the payment of other dividends for the year ending 31st December, 1959.

The following is an extract from the Statement to Stockholders made by Sir Thomas Eades, Chairman:—

"Although there was some diminution in the Sales turnover of the Parent Company in 1958, the turnover for the Group as a whole was comparable with that of the previous year.

At home our main customer is the Post Office, and as I told you last year, their expenditure programmes for 1958 and 1959 were reduced as part of the Government plan to restrict expenditure in Nationalised undertakings.

Whilst we see no immediate sign of the World Economic situation completely recovering, looking ahead there are hopeful signs of gradual trade improvement, and recognising that the saturation point in Telephone development has not been, and possibly never will be reached, we are confident that a promising future exists for the industry. In this the A.T.E. Group is well equipped to play its part."

THE INDUSTRIAL AND GENERAL TRUST

REVENUE SURPASSES ALL PREVIOUS RECORDS

The 51st annual general meeting of The Industrial and General Trust Limited was held on June 11th in London.

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

In June last, £1,875,000 from Reserves was capitalised to enable us to issue to Ordinary Shareholders one new fully paid Ordinary Share for every two Ordinary Shares held by them on the 20th May, 1958. This should be borne in mind when considering the proposed Ordinary dividend for the year under review, or making comparisons with previous years.

Our gross revenue this year at £1,812,000 is not only some £85,000 more than last year but also surpasses all previous records of the Trust. I might also add that this Revenue figure compares very favourably indeed with that reported by any other Investment Trust in the United Kingdom. In fairness, however, it should be noted that we have had some additional income from the new money raised by the Rights Issue in January, 1958.

After taxation and all other working expenses there remained £885,912, which, with the amount brought forward, gives an amount of £1,207,381 to be dealt with. We recommend a final dividend on the Ordinary Capital of 10 per cent, making 20 per cent for the year. This payment is not directly comparable with the dividend paid last year but if an adjustment is made for the changes in Capital then the dividend recommended for this year compares with about 18 ¾ per cent paid last year.

An outstanding feature of the financial world in the post war years has been the number of company mergers by one means or another and the year under review was no exception. Such arrangements are always difficult to negotiate and a certain degree of secrecy must surround them particularly in the initial stages, if the interests of the Shareholders concerned are not to be adversely affected. However, a tendency has been developing to carry reticence too far. We have seen cases where Boards ask Shareholders to increase the capital of the company by a substantial amount, with such an object in mind, but no information is, in fact, given to the Shareholders with regard to the Board's intentions. The Shareholders are subsequently presented with a "fait accompli" which they may or may not approve.

This must be wrong in principle. Nobody wishes to curtail unnecessarily the powers of a progressive Board but where any change in the control of a company is envisaged or the nature of the company's business is to be changed then, in my mind, there is no doubt that Shareholders should be first consulted before such changes are made.

Much prominence has been given recently to the development and expansion of the Unit Trust movement. Undoubtedly this serves a useful purpose but so much has been written about it that it has tended to obscure what has been done in recent years to bring the Investment Trust, with all the advantages it offers to the small investor, within his reach. In this Trust the Ordinary Capital has been converted to 5/-shares which are quoted and dealt in on this basis. The result of this improved marketability is that since 1950 the number of holders of Ordinary Shares has increased from some 4,200 to over 7,800; of this number nearly 21 per cent hold 500 shares or less. Moreover, in our experience the small investor, who has bought a holding, is generally speaking, content to retain it indefinitely, presumably well satisfied with the return on his investment and the growth which has taken place over the years.

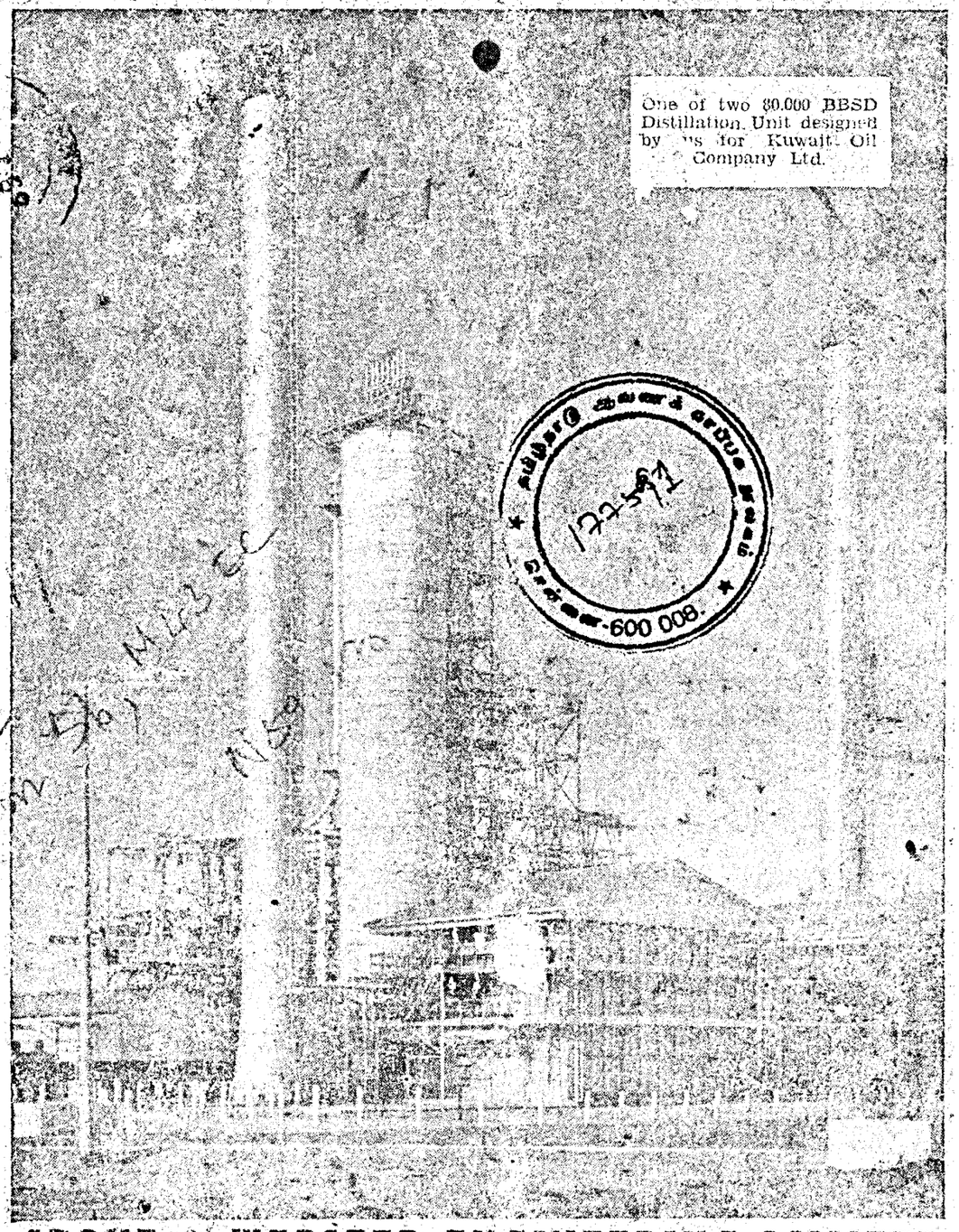
You will remember that in the past I have been one of those who deprecated the issue of non-voting shares. The arguments against them are, no doubt, familiar to you but the principal objection to them is that those who hold them are disenfranchised. It is, therefore, with interest that I noted in the press this morning that the Committee of the Birmingham Stock Exchange has decided that in future it will not, except in special circumstances, grant an official quotation to an issue of non-voting shares in ceses where Birmingham is the principal market for the shares of the company concerned.

The report was adopted.

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